

## The NAGA Group AG<sup>\*5a,11</sup>

**Rating: BUY**

**Target price: EUR 9.10**  
**(previously: EUR 7.03)**

Current price: 5.30  
06.08.21 / XETRA / 4:14 pm  
Currency: EUR

**Key data:**

ISIN: DE000A161NR7  
WKN: A161NR  
Stock exchange symbol: N4G  
Number of shares<sup>3</sup>: 42.05  
Marketcap<sup>3</sup>: 222.86  
<sup>3</sup> in million / in million EUR  
free float: 12.5%.

transparency level:  
Scale  
market segment:  
Open Market

Accounting standard:  
IFRS

End of financial year: 31.12.

**Analysts:**

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\* Catalogue of possible conflicts of interest on page 6

Date (time) Completion:  
09/08/21 (08:18 am)

Date (time) first transmission:  
09/08/21 (09:30 am)

Validity of the course target:  
until max. 31.12.2022

Branch: FinTech

Focus: Social trading and investments in financial instruments, crypto currencies and virtual goods

Employees: Ø 112 (2020)

Year of foundation: 2015

Head office: Hamburg

Board of Directors: Benjamin Bilski, Andreas Luecke, Michalis Mylonas



NAGA is an innovative Fintech company that seamlessly combines personal financial transactions and investments with its social trading platform. The company's proprietary platform offers a range of products from stock trading, investments and crypto-currencies to a physical Visa Debit. In addition, the platform enables exchanges with other traders, provides relevant information in the feed and autocopy functions for the trades of successful members. NAGA is a synergistic total solution that is easily accessible and inclusive. It provides an improved basis for trading, investing, networking, earning and paying. This applies to both Fiat and crypto products.

P&L in EUR million \ end of FY	31.12.2020	31.12.2021e	31.12.2022e	31.12.2023e
Revenues	24.35	51.00	66.30	79.56
EBITDA	6.57	14.89	19.49	23.93
EBIT	2.79	10.59	14.99	19.43
Net profit for the year	2.02	9.21	12.44	13.35

Key figures in EUR				
Earnings per share	0.05	0.22	0.30	0.32
Dividend per share	0.00	0.00	0.00	0.00

Key figures				
EV/Revenues	8.77	4.19	3.22	2.69
EV/EBITDA	32.51	14.35	10.96	8.93
EV/EBIT	76.57	20.17	14.25	10.99
P/E RATIO	110.22	24.21	17.92	16.70
KBV	1.99			

Financial dates
September 2021: Annual General Meeting
October 2021: Half-year figures 2021

**last research by GBC:
Date: Publication / Target price in EUR / Rating
13.01.2021: RS / 7.03 EUR / BUY
07.12.2020: RS / 4.30 EUR / BUY
07.09.2020: RS / 3.75 EUR / BUY
21.04.2020: RS / 2.70 EUR / BUY
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## **Strong revenue growth and operating break-even achieved, internationalisation and new products ensure further growth, price target raised to € 9.10, Rating: BUY**

- Already in January 2021, The NAGA Group AG (short: NAGA) had published preliminary figures for the past financial year 2020. On 26 July 2021, the publication of the annual report confirmed the already known key data. With sales revenues of € 24.35 million (previous year: € 7.62 million), the previous year's figure was more than tripled. With the focus on online brokerage, the market environment characterised by high volatility and thus high transaction activity was an important driver for the company. In addition, marketing activities were significantly expanded, which led to increased awareness in a market that had already been growing strongly. The number of customers improved to 43,646 (previous year: 25,376) and the trading volume climbed to € 120 billion (previous year: € 41 billion). Despite expanded marketing activities, EBITDA improved to € 6.57 million (previous year: € -9.17 million) and NAGA achieved a positive operating cash flow of € 3.68 million (previous year: € -2.40 million) for the first time.
- With the publication of the annual report, NAGA management confirmed the guidance for 2021, which was also communicated at the beginning of 2021. With a significant increase in turnover to € 50 - 52 million, an EBITDA in the range of € 13 - 15 million is to be generated. The figures published by the company for the first half of 2021 prove that this guidance is realistic. The total group turnover of € 24.5 million was already at the level of the previous full year 2020 after six months. The strong increase in the number of transactions to 4.8 million (previous year: € 2.7 million) and the traded volume to € 132 billion (previous year: € 50 billion) form the basis for this.
- A continuation of this impressive growth course should not only be a consequence of the expected continued high market volatility. In addition to increasing marketing activities and pushing customer support and further investments in user experience, the company plans to market Naga Trader globally. Approval processes are currently underway for entry into Australia, South America and Vietnam. In addition, new product launches are also expected to contribute to growth. In the third quarter of 2021, NAGA Pay, an app that connects an IBAN account, a Visa debit card, a share deposit account and physical crypto wallets, will be launched. Another product will be NAGA Pro, which is aimed specifically at users who have their own trading community. These "influencers" could provide additional customer growth, especially for the copy-trade function. The financing of the growth targets is secured with the framework agreement concluded with Yorkville Advisors in the amount of €25 million at the beginning of 2021.
- Compared to our last Research (dated 13 January 2021), we have slightly adjusted our forecasts for the current and coming financial year due to the very good development that has taken place so far. For the first time, we are including the forecasts for the 2023 financial year in the concrete estimation period, which, together with the new target horizon of 31 December 2022 (previously: 31 December 2021), accounts for the technical model roll-over effect. Our price target has been raised to €9.10 (previously: €7.03) and we continue to assign a BUY rating.

### ***Model assumptions***

The NAGA Group AG was valued by us using a three-stage DCF model. Starting with the concrete estimates for the years 2021 - 2023 in phase 1, the forecast is made from 2024 to 2028 in the second phase by applying value drivers. We expect increases in turnover of 15.0 %. We have assumed a target EBITDA margin of 30.1%. Due to the existing loss carry-forwards, we have only taken the tax rate into account at 30.0 % from phase 3. In the third phase, a residual value is determined after the end of the forecast horizon using the perpetual annuity. In the terminal value we assume a growth rate of 3.0 %.

### ***Determining the cost of capital***

The weighted average cost of capital (WACC) of The NAGA Group AG is calculated from the cost of equity and the cost of debt. The fair market premium, the company-specific beta and the risk-free interest rate are used to determine the cost of equity.

The risk-free interest rate is derived from current yield curves for risk-free bonds in accordance with the recommendations of the Fachausschuss für Unternehmensbewertungen und Betriebswirtschaft (FAUB) of the IDW. The basis for this is the zero bond interest rates published by the Deutsche Bundesbank according to the Svensson method. To smooth short-term market fluctuations, the average yields of the previous three months are used and the result rounded to 0.25 basis points. The currently used value of the risk-free interest rate is 0.25 % (previously: 0.25 %).

We use the historical market premium of 5.50% as a reasonable expectation of a market premium. This is supported by historical analyses of stock market returns. The market premium reflects the percentage by which the equity market is expected to yield better than low-risk government bonds.

According to the GBC estimation method, a beta of 1.65 (previously: 1.65) is currently determined. Using the assumptions made, a cost of equity of 9.33% (previously: 9.33%) is calculated (beta multiplied by risk premium plus risk-free interest rate). Since we assume a sustainable weighting of 100% for the cost of equity, the weighted average cost of capital (WACC) is 9.33% (previously: 9.33%).

### ***Valuation result***

The slight forecast adjustment for the 2021 and 2022 financial years as well as the first-time inclusion of the 2023 financial year in the concrete estimation period have led to an overall price target increase to €9.10 (previously: €7.03). In addition, the updated target price horizon is 31 December 2022 (previously: 31 December 2021), which also results in an increase in the model result.

**DCF model****The NAGA Group AG - Discounted Cashflow (DCF) model scenario**

Value driver of the DCF - model after the estimate phase:

consistency - phase		final - phase	
Revenue growth	15.0%	Eternal growth rate	3.0%
EBITDA-Margin	30.1%	Eternal EBITA - margin	27.5%
Depreciation to fixed assets	20.0%	Effective tax rate in final phase	30.0%
Working Capital to revenue	7.9%		

**three phases DCF - model:**

phase in €m	estimate			consistency					final value
	FY 21e	FY 22e	FY 23e	FY 24e	FY 25e	FY 26e	FY 27e	FY 28e	
Revenues (RE)	51.00	66.30	79.56	91.49	105.22	121.00	139.15	160.02	
RE change	109.4%	30.0%	20.0%	15.0%	15.0%	15.0%	15.0%	15.0%	3.0%
RE to fixed assets	2.55	3.01	3.54	4.16	4.87	5.69	6.62	7.69	
EBITDA	14.89	19.49	23.93	27.52	31.65	36.40	41.85	48.13	
EBITDA-Margin	29.2%	29.4%	30.1%	30.1%	30.1%	30.1%	30.1%	30.1%	
EBITA	10.59	14.99	19.43	23.02	27.25	32.08	37.60	43.93	
EBITA-Margin	20.8%	22.6%	24.4%	25.2%	25.9%	26.5%	27.0%	27.5%	27.5%
Taxes on EBITA	-1.06	-2.25	-5.83	-6.91	-8.17	-9.62	-11.28	-13.18	
Taxes to EBITA	10.0%	15.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
EBI (NOPLAT)	9.53	12.74	13.60	16.11	19.07	22.45	26.32	30.75	
Return on capital	107.6%	75.0%	52.3%	56.0%	65.2%	75.0%	85.3%	96.0%	94.6%
Working Capital (WC)	-3.00	4.00	6.30	7.25	8.33	9.58	11.02	12.67	
WC to Revenues	-5.9%	6.0%	7.9%	7.9%	7.9%	7.9%	7.9%	7.9%	
Investment in WC	-6.10	-7.00	-2.30	-0.95	-1.09	-1.25	-1.44	-1.65	
Operating fixed assets (OAV)	20.00	22.00	22.50	22.00	21.60	21.28	21.02	20.82	
Depreciation on OAV	-4.30	-4.50	-4.50	-4.50	-4.40	-4.32	-4.26	-4.20	
Depreciation to OAV	21.5%	20.5%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	
Investment in OAV	-6.35	-6.50	-5.00	-4.00	-4.00	-4.00	-4.00	-4.00	
Capital employed	17.00	26.00	28.80	29.25	29.93	30.86	32.04	33.49	
EBITDA	14.89	19.49	23.93	27.52	31.65	36.40	41.85	48.13	
Taxes on EBITA	-1.06	-2.25	-5.83	-6.91	-8.17	-9.62	-11.28	-13.18	
Total investment	-12.44	-13.50	-7.30	-4.95	-5.09	-5.25	-5.44	-5.65	
Investment in OAV	-6.35	-6.50	-5.00	-4.00	-4.00	-4.00	-4.00	-4.00	
Investment in WC	-6.10	-7.00	-2.30	-0.95	-1.09	-1.25	-1.44	-1.65	
Investment in Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Free cashflows	1.39	3.74	10.80	15.67	18.39	21.52	25.14	29.30	484.11

Value operating business (due date)	340.69	368.75
Net present value explicit free Cashflows	81.49	85.36
Net present value of terminal value	259.20	283.39
Net debt	-10.27	-13.65
Value of equity	350.96	382.40
Minority interests	0.42	0.45
Value of share capital	351.38	382.86
Outstanding shares in m	42.05	42.05
Fair value per share in €	8.36	<b>9.10</b>

**Cost of capital:**

Risk free rate	0.3%
Market risk premium	5.5%
Beta	1.65
Cost of equity	9.3%
Target weight	100.0%
Cost of debt	6.5%
Target weight	0.0%
Taxshield	25.0%

**WACC 9.3%**

Return on capital	WACC				
	7.3%	8.3%	9.3%	10.3%	11.3%
92.6%	13.13	10.64	8.96	7.76	6.86
93.6%	13.25	10.73	9.03	7.82	6.91
94.6%	13.37	10.82	<b>9.10</b>	7.88	6.96
95.6%	13.49	10.91	9.18	7.94	7.01
96.6%	13.61	11.01	9.25	8.00	7.06

## ANNEX

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The analysts responsible for this analysis are

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