

The NAGA Group AG^{*5a;11}

Rating: BUY

Target price: EUR 7.03
(previously: EUR 4.30)

Current price: 4.12
13.01.21 / XETRA / 9:20 pm
Currency: EUR

Key data:

ISIN: DE000A161NR7
WKN: A161NR
Stock exchange symbol: N4G
Number of shares³: 42.05
Marketcap³: 173.25
³ in million / in million EUR
free float: 12.1%.

transparency level:
Scale
market segment:
Open Market

Accounting standard:
IFRS

End of financial year: 31.12.

Designated Sponsor:
Oddo Seydler Bank AG

Analysts:

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* Catalogue of possible conflicts of interest on page 6

Date (time) Completion:
13/01/21 (4:25 pm)

Date (time) first transmission:
14/01/21 (10:00 am)

Validity of the course target:
until max. 31.12.2021

Branch: FinTech

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

Employees: Ø 150 (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 Mastercard. In addition, the platform enables an exchange 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	31.12.2019	31.12.2020e	31.12.2021e	31.12.2022e
Revenues	6.22	25.9*	51.00	61.20
EBITDA	-9.17	6.0*	14.37	17.84
EBIT	-12.18	3.9	10.07	13.54
Net profit for the year	-13.38	3.4	8.74	11.87

*according to preliminary figures

Key figures in EUR

Earnings per share	-0.32	0.08	0.21	0.28
Dividend per share	0.00	0.00	0.00	0.00

Key figures

EV/Revenues	27.23	6.30	3.32	2.77
EV/EBITDA	neg.	28.05	11.79	9.50
EV/EBIT	neg.	42.99	16.82	12.51
P/E RATIO	neg.	50.36	19.82	14.60
KBV	1.65			

Financial dates

June 2021: Annual Report 2020
August 2021: Annual General Meeting
October 2021: Half-year figures 2021

****last research by GBC:**

Date: Publication / Target price in EUR / Rating

07.12.2020: RS / 4.30 EUR / BUY
07.09.2020: RS / 3.75 EUR / BUY
21.04.2020: RS / 2.70 EUR / BUY
21.11.2019: RS / 1.75 EUR / BUY

** the above research studies can be viewed at www.gbc-ag.de or requested from GBC AG, Halderstr. 27, D86150 Augsburg

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High growth momentum achieved in 2020; guidance for 2021 clearly above our expectations; price target raised to €7.03 (previously: €4.30); BUY rating

- As expected, the preliminary figures of The NAGA Group AG (NAGA for short) for the past financial year 2020 were characterised by very high growth dynamic. Revenues of €25.9 million (PY: €6.22 million) were significantly above the previous year's figure and slightly above our revenue estimate last published in December 2020 (GBC forecast: €24.9 million).
- In addition to the generally favourable market environment characterised by high volatility and thus high transaction activity, the implemented focusing and restructuring of NAGA has borne fruit. In 2019, the focus on the core business of online brokerage was implemented and the corresponding marketing activities for the main product Naga Trader were strengthened. The trading volume improved significantly to €120 billion (previous year: €44 billion) and the number of transactions to 6.3 million (previous year: 2.9 million). Despite the increased marketing activities, NAGA was able to achieve a respectable EBITDA margin of over 23% with an EBITDA of around €6.0 million (previous year: €-12.18 million). The preliminary EBITDA is just below our previous forecasts (GBC forecast: € 6.49 million).
- By contrast, the new NAGA guidance for the current financial year 2021 is significantly above our expectations. The continued global marketing of Naga Trader and even more intensive sales and marketing activities are expected to generate revenues in a range of € 50 - 52 million in the current financial year. It is also planned to push ahead with global expansion with the planned market entry in Australia and South America. In addition, the further improvement of the platform quality and customer support should keep the customer churn rate low. Despite these measures, scaling effects should lead to a further improvement in profitability. According to the new guidance, EBITDA is expected to be in a range of € 13 - 15 million.
- Our forecasts published in the last research study (see study dated 07.12.2020) are noticeably below the updated company guidance. We are raising our revenue forecast to € 51.00 million (previously: € 37.34 million) and our EBITDA estimate to € 14.37 million (previously: € 11.43 million) in each case. As a result of the higher basis, we now assume revenues of € 61.20 million (previously: € 43.87 million) and EBITDA of € 17.84 million (previously: € 14.16 million) for 2022.
- As a result of the adjusted DCF valuation model, the target price has been increased significantly to € 7.03 (previously: € 4.30). Despite the significant increase in the NAGA share price, which has increased more than six-fold in the calendar year 2020, there is still a high share price potential. Based on the current price level of € 4.12 per share, we therefore continue to assign a BUY rating.

Valuation

Model assumptions

The NAGA Group AG was valued by us using a three-stage DCF model. Starting with the concrete estimates for the years 2020 - 2022 in phase 1, the second phase covers the period from 2023 to 2027 and includes a forecast of the value drivers. We expect sales to increase by 17.5%. We have assumed an EBITDA margin target of 29.2%. We have only included a tax rate of 30.0% from phase 3 onwards because of the loss carry forwards that still exist. In the third phase, a residual value will be determined after the end of the forecast horizon by means of the perpetual annuity. We assume a growth rate of 3.0% in the terminal value.

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. To determine the cost of equity, the fair market premium, the company-specific beta and the risk-free interest rate must be determined.

The risk-free interest rate is derived from current yield curves for risk-free bonds in accordance with the recommendations of the IDW's Technical Committee for Company Valuations and Business Administration (FAUB). It is based on the zero bond interest rates published by the Deutsche Bundesbank using 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 current value of the risk-free interest rate used is 0.25% (previously: 1.00%).**

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 outperform low-risk government bonds.

According to the GBC estimation method, the current beta is 1.65 (previously: 1.65). Using the assumptions made, the cost of equity is calculated at 9.33% (previously: 10.08%) (beta multiplied by risk premium plus risk-free interest rate). Since we assume a sustainable weighting of 100% of the cost of equity, the weighted average cost of capital (WACC) is 9.33% (previously: 10.08%).

Evaluation result

The significant forecast adjustment for the financial years 2021 and 2022 and thus the higher basis for the steady-state phase of our DCF valuation model have resulted in a significant increase in the price target to €7.03 (previously: €4.30).

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	17.5%	Eternal growth rate	3.0%
EBITDA-Margin	29.2%	Eternal EBITA - margin	26.8%
Depreciation to fixed assets	33.9%	Effective tax rate in final phase	30.0%
Working Capital to revenue	29.0%		

three phases DCF - model:

phase in €m	estimate			consistency					final value
	FY 20e	FY 21e	FY 22e	FY 23e	FY 24e	FY 25e	FY 26e	FY 27e	
Revenues (RE)	25.90	51.00	61.20	71.91	84.49	99.28	116.65	137.07	
<i>RE change</i>	316.2%	96.9%	20.0%	17.5%	17.5%	17.5%	17.5%	17.5%	3.0%
<i>RE to fixed assets</i>	1.70	3.64	4.82	6.31	8.02	9.96	12.16	14.67	
EBITDA	6.04	14.37	17.84	20.97	24.64	28.95	34.01	39.96	
<i>EBITDA-Margin</i>	23.3%	28.2%	29.2%	29.2%	29.2%	29.2%	29.2%	29.2%	
EBITA	3.94	10.07	13.54	16.67	20.78	25.38	30.64	36.72	
<i>EBITA-Margin</i>	15.2%	19.7%	22.1%	23.2%	24.6%	25.6%	26.3%	26.8%	26.8%
Taxes on EBITA	-0.15	-1.01	-1.35	-2.50	-5.19	-7.61	-9.19	-11.01	
<i>Taxes to EBITA</i>	3.9%	10.0%	10.0%	15.0%	25.0%	30.0%	30.0%	30.0%	30.0%
EBI (NOPLAT)	3.79	9.07	12.19	14.17	15.58	17.76	21.45	25.70	
Return on capital	53.1%	74.3%	71.7%	80.0%	48.3%	50.7%	55.3%	59.2%	53.9%
Working Capital (WC)	-3.00	3.00	5.00	20.85	24.50	28.79	33.83	39.75	
<i>WC to Revenues</i>	-11.6%	5.9%	8.2%	29.0%	29.0%	29.0%	29.0%	29.0%	
<i>Investment in WC</i>	-4.20	-6.00	-2.00	-15.85	-3.65	-4.29	-5.04	-5.92	
Operating fixed assets (OAV)	15.20	14.00	12.70	11.40	10.54	9.97	9.60	9.35	
<i>Depreciation on OAV</i>	-2.10	-4.30	-4.30	-4.30	-3.86	-3.57	-3.38	-3.25	
<i>Depreciation to OAV</i>	13.8%	30.7%	33.9%	33.9%	33.9%	33.9%	33.9%	33.9%	
<i>Investment in OAV</i>	-2.97	-3.10	-3.00	-3.00	-3.00	-3.00	-3.00	-3.00	
Capital employed	12.20	17.00	17.70	32.25	35.04	38.76	43.43	49.10	
EBITDA	6.04	14.37	17.84	20.97	24.64	28.95	34.01	39.96	
Taxes on EBITA	-0.15	-1.01	-1.35	-2.50	-5.19	-7.61	-9.19	-11.01	
Total investment	-7.17	-9.10	-5.00	-18.85	-6.65	-7.29	-8.04	-8.92	
<i>Investment in OAV</i>	-2.97	-3.10	-3.00	-3.00	-3.00	-3.00	-3.00	-3.00	
<i>Investment in WC</i>	-4.20	-6.00	-2.00	-15.85	-3.65	-4.29	-5.04	-5.92	
<i>Investment in Goodwill</i>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Free cashflows	-1.28	4.27	11.49	-0.39	12.79	14.05	16.78	20.03	394.63

Value operating business (due date)	263.00	283.29
<i>Net present value explicit free Cashflows</i>	51.71	52.27
<i>Net present value of terminal value</i>	211.29	231.02
Net debt	-7.17	-11.07
Value of equity	270.17	294.36
Minority interests	1.28	1.39
Value of share capital	271.44	295.75
Outstanding shares in m	42.05	42.05
Fair value per share in €	6.46	7.03

Cost of capital:

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

WACC 9.3%

Return on capital	WACC				
	7.3%	8.3%	9.3%	10.3%	11.3%
51.9%	10.16	8.16	6.82	5.86	5.14
52.9%	10.33	8.30	6.93	5.94	5.21
53.9%	10.51	8.43	7.03	6.03	5.28
54.9%	10.68	8.57	7.14	6.12	5.36
55.9%	10.86	8.70	7.25	6.21	5.43

ANNEX

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BUY	The expected return, based on the determined price target, including dividend payment within the corresponding time horizon is $\geq + 10\%$.
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The analysts responsible for this analysis are

Cosmin Filker, Dipl. Betriebswirt (FH), Deputy Chief Analyst

Other person involved in the study:

Manuel Hölzle, Dipl. Kaufmann, Chief Analyst

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