

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

**Rating: BUY**

**Target price: EUR 4.30**  
**(previously: EUR 3.75)**

Current price: 2.66  
30.11.20 / XETRA / 13:53 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>: 111.85  
<sup>3</sup> 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:**

Cosmin Filker  
filker@gbc-ag.de

\* Catalogue of possible conflicts of interest on page 6

Date (time) Completion:  
07/12/20 (8:07 am)

Date (time) first transmission:  
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Validity of the course target:  
until max. 31.12.2021

Branch: FinTech

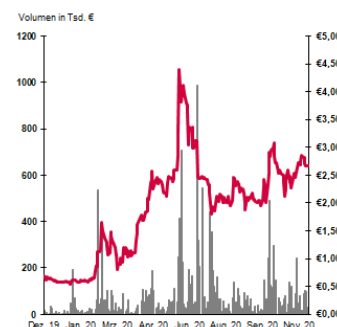
Focus: Social trading and investments in financial instruments, crypto currencies and virtual goods

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	24.89	37.34	43.87
EBITDA	-9.17	6.49	11.43	14.16
EBIT	-12.18	4.39	7.13	9.86
Net profit for the year	-13.38	3.89	6.09	8.55

**Key figures in EUR**

Earnings per share	-0.32	0.09	0.14	0.20
Dividend per share	0.00	0.00	0.00	0.00

**Key figures**

EV/Revenues	17.36	4.34	2.89	2.46
EV/EBITDA	neg.	16.64	9.45	7.63
EV/EBIT	neg.	24.60	15.15	10.96
P/E RATIO	neg.	28.74	18.35	13.08
KBV	1.06			

**Financial dates**

**\*\*last research by GBC:**

Date: Publication / Target price in EUR / Rating

07.09.2020: RS / 3.75 EUR / BUY

21.04.2020: RS / 2.70 EUR / BUY

21.11.2019: RS / 1.75 EUR / BUY

29.10.2019: RS / 1.86 EUR / BUY

\*\* the above research studies can be viewed at [www.gbc-ag.de](http://www.gbc-ag.de) or requested from GBC AG, Halderstr. 27, D86150 Augsburg

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## Strong sales and earnings growth continued in third quarter; forecasts and price target increased

- With the publication of the preliminary half-year figures for 2020, it was already known that The NAGA Group AG (NAGA) had achieved the operational turnaround. After comparatively low sales and a negative earnings level in the previous year, the now published half-year report shows strong sales and earnings growth. In total, revenues increased almost sevenfold to € 11.67 million (previous year: € 1.67 million) and EBITDA was again clearly in the black at € 3.87 million (previous year: € -4.58 million). The fact that an EBITDA margin of 33.1% was achieved despite increased sales activities is particularly noteworthy. On the one hand, this demonstrates the high scalability of the main product NAGA Trader, which focuses on online brokerage. On the other hand, the company had significantly and sustainably reduced its cost structures in 2019 as part of a restructuring programme.
- Even though the volatilities and thus high transaction figures in the course of the Covid 19 pandemic contributed to the success of the NAGA Trader, the significant increase in the number of new customers to 46,000 was also due to the accelerated and focused activities of the company. Over € 26 million (previous year: € 8.3 million) in new deposits were made and the trading volume represented by the NAGA Trader increased significantly to around € 50 billion (previous year: € 16.5 billion).
- The momentum shown in the first half of the year continued in the third quarter of 2020. Despite a calming of the capital markets, revenues of €7.1 million and EBITDA of €1.9 million (EBITDA margin: 26.8%) were achieved in the summer quarter. After nine months in 2020, revenue totalled €18.7 million and EBITDA €5.8 million. The NAGA management recently reaffirmed the forecasts published in July 2020, according to which revenues of between € 22 and 24 million and EBITDA of between € 5.5 and 6.0 million are to be achieved on a full-year basis. When compared to the figures achieved after nine months, it becomes clear that these forecasts should be easily achievable. Particularly as the current fourth quarter is again characterised by rising transaction figures due to various factors (US presidential election; second Covid-19-wave).
- We are adjusting our previous forecasts for 2020 upwards. We now expect revenues of € 24.89 million (previous GBC forecast: € 23.75 million) and EBITDA of € 6.49 million (previous GBC forecast: € 5.85 million). This forecast increase provides a higher basis for our specific forecasts for the next two financial years, which we are also raising. The basis for our expected revenue growth of 50% (2021e) and 17.5% (2022e) is the increasing awareness of the NAGA Trader and the company's expansion activities. In addition to the market entry in China, activities in Australia and South America, with the associated additional sales potential, are to be launched from the coming financial year.
- As part of our DCF valuation model, we have calculated a new price target of €4.30 (previously: €3.75) per share. Based on the current share price, we 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 30.9%. 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 1.00% (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 10.08% (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 10.08% (previously: 10.08%).

### *Evaluation result*

Due to the adjustment of the forecast for the specific estimation period (financial years 2020 - 2022), the fair value per share will increase to €4.30 (previously: €3.75). We continue to assign the BUY rating.

## 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	32.3%	Eternal EBITA - margin	24.6%
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)	24.89	37.34	43.87	51.55	60.57	71.17	83.63	98.26	
RE change	300.0%	50.0%	17.5%	17.5%	17.5%	17.5%	17.5%	17.5%	3.0%
RE to fixed assets	1.64	2.67	3.45	4.52	5.75	7.14	8.72	10.51	
EBITDA	6.49	11.43	14.16	16.64	19.55	22.97	26.99	31.72	
EBITDA-Margin	26.1%	30.6%	32.3%	32.3%	32.3%	32.3%	32.3%	32.3%	
EBITA	4.39	7.13	9.86	12.34	15.69	19.40	23.62	28.47	
EBITA-Margin	17.6%	19.1%	22.5%	23.9%	25.9%	27.3%	28.2%	29.0%	24.6%
Taxes on EBITA	-0.15	-0.71	-0.99	-1.85	-3.92	-5.82	-7.09	-8.54	
Taxes to EBITA	3.5%	10.0%	10.0%	15.0%	25.0%	30.0%	30.0%	30.0%	30.0%
EBI (NOPLAT)	4.24	6.42	8.88	10.49	11.77	13.58	16.53	19.93	
Return on capital	59.4%	52.6%	52.2%	59.3%	44.7%	48.3%	54.0%	58.9%	46.1%
Working Capital (WC)	-3.00	3.00	5.00	14.95	17.57	20.64	24.25	28.50	
WC to Revenues	-12.1%	8.0%	11.4%	29.0%	29.0%	29.0%	29.0%	29.0%	
Investment in WC	-4.20	-6.00	-2.00	-9.95	-2.62	-3.07	-3.61	-4.24	
Operating fixed assets (OAV)	15.20	14.00	12.70	11.40	10.54	9.97	9.60	9.35	
Depreciation on OAV	-2.10	-4.30	-4.30	-4.30	-3.86	-3.57	-3.38	-3.25	
Depreciation to OAV	13.8%	30.7%	33.9%	33.9%	33.9%	33.9%	33.9%	33.9%	
Investment in OAV	-2.97	-3.10	-3.00	-3.00	-3.00	-3.00	-3.00	-3.00	
Capital employed	12.20	17.00	17.70	26.35	28.11	30.61	33.85	37.84	
EBITDA	6.49	11.43	14.16	16.64	19.55	22.97	26.99	31.72	
Taxes on EBITA	-0.15	-0.71	-0.99	-1.85	-3.92	-5.82	-7.09	-8.54	
Total investment	-7.17	-9.10	-5.00	-12.95	-5.62	-6.07	-6.61	-7.24	
Investment in OAV	-2.97	-3.10	-3.00	-3.00	-3.00	-3.00	-3.00	-3.00	
Investment in WC	-4.20	-6.00	-2.00	-9.95	-2.62	-3.07	-3.61	-4.24	
Investment in Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Free cashflows	-0.83	1.62	8.18	1.84	10.01	11.08	13.30	15.93	229.97

Value operating business (due date)	156.24	170.38
Net present value explicit free Cashflows	38.87	41.17
Net present value of terminal value	117.37	129.21
Net debt	-7.62	-8.88
Value of equity	163.86	179.26
Minority interests	1.30	1.42
Value of share capital	165.16	180.68
Outstanding shares in m	42.05	42.05
Fair value per share in €	3.93	<b>4.30</b>

#### Cost of capital:

Risk free rate	1.0%
Market risk premium	5.5%
Beta	1.65
Cost of equity	10.1%
Target weight	100.0%
Cost of debt	6.5%
Target weight	0.0%
Taxshield	25.0%

**WACC 10.1%**

Return on capital	WACC				
	8.1%	9.1%	10.1%	11.1%	12.1%
44.1%	5.78	4.83	4.15	3.66	3.28
45.1%	5.89	4.92	4.23	3.72	3.33
46.1%	6.00	5.00	<b>4.30</b>	3.77	3.37
47.1%	6.11	5.09	4.37	3.83	3.42
48.1%	6.23	5.18	4.44	3.89	3.47

## 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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GBC INC.

Halderstrasse 27

D 86150 Augsburg

Phone: 0821/24 11 33-0

Fax: 0821/24 11 33-30

Internet: <http://www.gbc-ag.de>

e-mail: [compliance@gbc-ag.de](mailto:compliance@gbc-ag.de)