

## From a hidden champion in Germany to the leading online broker in Europe.

flatexDEGIRO operates one of the leading and fastest growing online brokerage businesses in Europe, executing more than 75 million paperless securities transactions per annum. More than 1.75 million customers are serviced via the flatex and DEGIRO brands and offered a wide range of independent products at competitive pricing, based on a modern technology.

With flatex's acquisition of DEGIRO in July 2020 flatexDEGIRO became the largest retail online brokers in Europe. In a time of bank consolidation, low interest rates and digitalization, flatexDEGIRO is thus ideally positioned for further growth. Until 2023, the company is set to serve 2.5 million customers and execute at least 100 million transactions per year.

We believe that the general global online brokerage growth, providing the leading offering in promising local markets with low current market penetration, effective marketing and customer acquisition models, continuous synergies and accelerated profitability between the two former brokers and hopefully a bullish and somewhat volatile stock market climate will accelerate flatexDEGIRO's business strongly.

This potential is assumed to affect the market value of flatexDEGIRO positively and making the share an attractive investment as it is currently trading below fair value and on a discount to peers with far less actual and expected growth going forward. These prospectus has not been reflected and accounted for in the share price lately with the current trading price being approximately 36% below all time highs set earlier this summer.

Based on a discounted cash flow analysis we believe that the fair value of this share should be around 36.90 EUR in a base scenario, with a potential upside of 95% compared to current market price. The price range is set to 28.00 to 50.80 EUR in the most bearish and bullish scenarios respectively.

Fair Value Range		
Bear	Base	Bull
28.00	36.90	50.80

Key Data (EUR)	
Sector	Online Brokerage
Ticker	FTK.DE
Market	Xetra
Price	18.98
Market Cap	2.08B
Net Debt	1.08B
EV	3.16B
Shares fully dil.	109.1



Financials (EUR)	2019	2020	2021E	2022E	2023E
Revenue	132	261	440	514	592
Adj. EBIT	25	89	122	224	277
Adj. EBITDA	38	114	170	254	308
EPS	0.19	0.55	0.78	1.41	1.72
DPS	0.00	0.00	0.00	0.00	0.00
Revenue growth %	5%	98%	68%	17%	15%

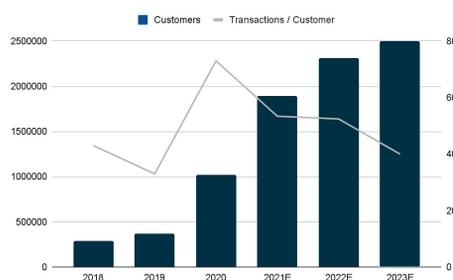
## Investment Thesis

Since the outbreak of Covid-19 in early 2020 the global online brokerage market has seen a tremendous growth generally backed by a favored positive development of the stock market, following the temporary crash in the early stages of the global outbreak. This expansion has been apparent for our Nordic brokers, such as Avanza and Nordnet, but also for the former hidden champion in Germany that now is the leading performer in the broader European market.

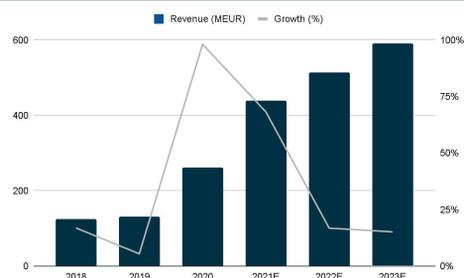
De facto, flatexDEGIRO has experienced the most significant customer growth, in both relative and absolute terms, of all listed peers in Europe the past years and we believe that this story will continue hereafter. In continental Europe flatexDEGIRO have a massive customer potential with just 55% of the population online banked and 8% as online brokerage clients, compared to 86% and 35% respectively in the developed regions such as the Nordics and UK. This market potential, an outstanding offering in operating countries, an effective and extensive marketing and customer acquisition program, local account and tax opportunities for the customers, scalability and synergies of the two former brokers and investments in the development of a new platform will continue to strengthen the business going forward. flatexDEGIRO approximates that there is a potential for as plenty as 7-8 million customers and 250-350 minimum transactions for 2026, compared to the current metrics of 1.75 million customers and 85-95 million yearly transactions.

Summarily, this growth potential and the synergies effects are visualized below, with drastic customer and revenue expansion as well as improved margins and increased EBIT expected by the analyst estimates available in the market until 2023. Subsequently, this will affect the valuation ratios of the share likewise, with the P/E metric anticipated to decrease from 23 for 2021 to 13 and 11 for 2022 and 2023 respectively, with the same trend being predicted for the EV/EBIT ratios during the same period. The combination of a forecasted continuation of expansion in the business segment and a moderate valued shared cause us to consider this stock as a remarkable potential investment to this date.

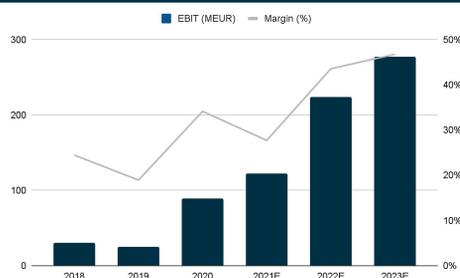
### Customer Growth and Transactions / Customer



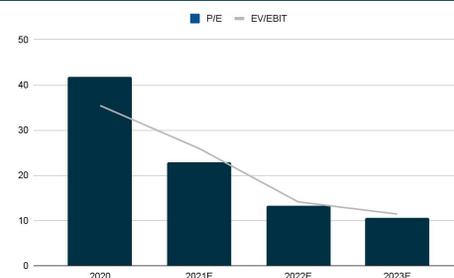
### Revenue and Revenue Growth



### EBIT and EBIT Margin



### P/E and EV/ EBIT Ratios

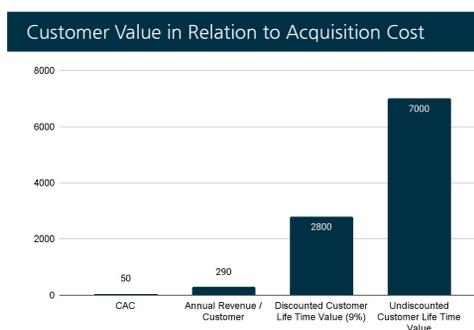


## Strategy and Operations Analysis

Covering almost the entire western and northern Europe, visualized below, flatexDEGIRO has become the leading force in European online brokerage. The merger of German flatex and Dutch DEGIRO in 2020 has brought an extensive and scalable business, with an unparalleled offering and pricing power to reduced operating risks. The last years' general global online brokerage growth and interest has played right into flatexDEGIRO's hands, where continued growth is the cornerstone of the strategy going forward. Well populated markets such as Germany, France, Spain and Italy are extensively under developed in terms of online banking and online brokerage compared to areas such as the Nordics and UK. The estimation is that a shy number of 8% of the addressable population in these countries are investing online, compared to the equivalent number of 35% in the developed brokerage markets.

The main focus is subsequently to take advantage of that potential and incorporate it in the business. To do so, the company invests an amount equivalent to approximately 10% of its revenue in its marketing and customer acquisition operations to enable this development to continue. This strategy has proven very well effective in the past. Every new customer is obtained by an average customer acquisition cost of 50 EUR. During the first six months the customer trades for free, after that the customer on average is expected to contribute with 160 EUR revenue annually, with incremental EBITDA margins of 80% that results in perpetual 128 EUR in EBITDA contribution annually. Hence, every new customer is highly profitably shortly after acquisition, meaning that marketing expenses spent results in multiple times the revenue and considerably amount of that in EBITDA with just a shy increase in operating expenses given high economies of scale. The customer is considered to be highly loyal with proven stickiness and historic churn rates below 5%. Summarily, this creates great annual and lifetime value of the customer compared to the acquisition cost, visualized below.

The synergies effects from the merger of the two brokers are still to be fully implemented and will affect the EBIT margins strongly in the coming years. This combined with an offering that is unbeatable in terms of both transaction costs and investment opportunities with a wide range of independent products at competitive pricing and economies of scale of these transactions will likely also have positive effects on the operating margin. For transactions in local stock markets flatexDEGIRO has a 60-95% customer advantage, meaning that the transaction cost for the customer could be as low as 5% of the local competitors in some cases, such as France and Italy. Furthermore, investments are made in what is called "Next 3.0", which is the new platform that is launched later this year which will make the experience more convenient, valuable and ubiquitous for both customer and company.



## Management & Ownership

**Frank Niehage, CEO**, has vast experience across all segments of retail and commercial banking, working as Managing Director at Goldman Sachs. In previous positions, he was instrumental in the growth of Bank Sarasin AG as CEO in Germany.



**Muhamad Said Chahrour, CFO**, previously acted as CFO at Lamudi, one of Rocket Internet SE's core ventures, and primarily responsible for the financial funding and investor relations of the global entities with more than 500 employees.



**Martin Korbmacher, Chairman of the Board**, has experience as Global Head of Equities at JP Morgan, Head of the Investment Banking of Credit Suisse in Germany. He later founded Event Horizon Capital & Advisory.



**Stefan Müller, Deputy Chairman of the Board**, has extensive experience from securities and private banking business. Today he is the general representative of Börsenmedien AG, one of the leading financial media companies in Germany.



### Ownership Structure

Owner	Shares %	Votes %
GfBk Gesellschaft für Börsenkommunikation mbH	12.8	12.8
MafKeet B.V.	8.6	8.6
Nola Investments B.V.	6.7	6.7
Unguis B.V.	6.7	6.7
Heliad Equity Partners GmbH & Co. KGaA	5.2	5.2
Nagel (Udo)	5.0	5.0
T. Rowe Price International (UK) Ltd.	4.9	4.9
Management Group of Flatex AG	4.0	4.0
Granular Capital Limited	3.2	3.2
<b>Total</b>	<b>56.9</b>	<b>56.9</b>
Other	43.1	43.1

## Valuation

Our DCF model is based on market estimates and the current sales forecasts until 2023 made by the analysts covering the share. After this period we have based the sales metric on linear decreasing growth until reaching 2% terminal growth in 2030. We believe that this is a highly moderate estimation with an extensive margin of safety taken to account. The internal expectations by flatexDEGIRO is to deliver revenues in terms of 1 500 million EUR in 2026, compared to our estimates of 818 million EUR. The EBIT margin is set to 50% for the transitional period where the fully synergies of the merger is estimated to be in effect.

With these expectations our model suggests a intrinsic value per share of approximately 36.90 EUR. Compared to last the last closing price of 18.98 EUR the upside is estimated to roughly 95%. This outcome is based on assumptions of 9.2% discount rate, 2.0% perpetual growth rate and a 7.0x EBITDA exit multiple. The discount rate is set by the WACC, where liquid assets were adjusted for deposit volumes, which decreased the debt ratio to 0%. The beta going forward is set to 1.40 when taking account for future financial strength, share liquidity and business cyclicity, compared to the 5 year monthly beta of 0.85.

### DCF Model

#### Assumptions

Tax Rate	28,0%
Discount Rate	9,2%
Perp. Growth Rate	2,0%
EV/EBITDA Multiple	7,0x
Current Price	18,98
Shares Outstanding	109,09
Debt	2 335
Cash	1 313
Capex	13



DCF	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	Terminal Value
Sales	440	514	592	671	747	818	881	931	967	986	
Sales Change	68,3%	16,8%	15,2%	13,3%	11,4%	9,5%	7,6%	5,7%	3,9%	2,0%	
EBIT	112	224	277	335	379	422	464	503	540	572	
EBIT Margin	25,5%	43,6%	46,8%	50,0%	50,0%	50,0%	50,0%	50,0%	50,0%	50,0%	
Cash Taxes	31	63	78	94	106	118	130	141	151	160	
D&A	24	28	31	29	31	34	36	38	40	42	
Capex	13	13	13	29	31	34	36	38	40	42	
Changes in NWC	24	4	3	(1)	3	3	3	3	2	2	
Unlevered FCF	68	172	214	242	270	301	331	359	387	410	5 052
PV of FCF	68	158	180	186	190	194	195	194	191	186	2 288

#### Discount Rate

Cost of Debt	2,1%
Market Return	7,0%
Risk Free Rate	1,5%
Beta	1,4
WACC	9,2%

#### Terminal Value

Perpetual Growth	5 806
EV/EBITDA	4 298
Average	5 052

#### Intrinsic Value

PV of FCF	1 741
Terminal Value	2 288
Equity Value	4 029
Equity Value/Share	36,93

#### Market Value vs Intrinsic Value

Market Value	18,98
Upside	17,95
Intrinsic Value	36,93
Target Price Upside	94,6%

### Sensitivity Value/Share

WACC	Terminal Growth					WACC	EBITDA Exit Multiple				
	1,0%	1,5%	2,0%	2,5%	3,0%		5	6	7	8	9
11,2%	29,35	29,76	30,21	30,71	31,27	11,2%	28,04	29,12	30,12	31,29	32,37
10,2%	32,09	32,63	33,23	33,92	34,70	10,2%	30,89	32,06	33,23	34,41	35,58
9,2%	35,36	36,10	36,93	37,90	39,01	9,2%	34,88	35,66	36,93	38,21	39,48
8,2%	39,36	40,39	41,60	43,01	44,70	8,2%	38,83	40,21	41,60	42,98	44,37
7,2%	44,80	45,92	47,74	49,94	52,67	7,2%	44,73	46,23	47,74	49,24	50,75

## Peer analysis

In recent years the global online brokerage market has seen a tremendous growth generally backed by a favored positive development of the stock market. This expansion has been apparent for our Nordic brokers, such as Avanza and Nordnet, and other European operators. However, in the chart below it is seen that flatexDEGIRO has managed to outgrow them all in both relative and absolute terms. During 2020 flatexDEGIRO grew the customer base by 56% compared to the peer average of 26%. Earlier this year the company overtook Avanza, Nordnet, Hargreaves Lansdown and Fineco as the market leader absolute terms with a total customer case of 1.75 million by the end of the first half of 2021. That first half was a success also in relative terms compared to these listed peers as none of the other, with an average of 18%, came close to flatexDEGIRO's growth of 40% during that period.

Company	Geographical Focus	Customers 2020	Growth 2020 (%)	Customers H1 2021	Growth H1 2021 (%)
flatexDEGIRO	Europe	1,25	56%	1,75	40%
Nordnet	Nordics	1,22	34%	1,48	21%
Avanza	Sweden	1,28	31%	1,52	19%
Hargreaves Lansdown	UK	1,50	17%	1,65	10%
Fineco	Italy	1,35	1%	1,40	4%
AJ Bell	UK	0,30	27%	0,37	23%
Swissquote	Switzerland	0,41	14%	0,46	12%
<b>Average</b>			<b>26%</b>		<b>18%</b>

This tremendous growth in customer base has and will continue to have extensive positive effects on the revenue growth, the earnings and subsequently the valuation of the shares. Based on the current analyst estimates in the market flatexDEGIRO is set to grow its revenue by 69%, 17% and 15% annually between 2021 and 2023. The industry average during the same period is 27%, 3% and 8% respectively. The potential of flatexDEGIRO that has been covered previously with the leading offering in promising local markets with low current market penetration as well as effective marketing and customer acquisition models, is certainly seen in this metric.

However, there is a massive and, in our opinion, unfair valuation gap between flatexDEGIRO and the industry average. The peer EV/EBIT ratio is estimated to be approximately 30, 31 and 29 for the period until 2023, while flatexDEGIRO is trading around multiples of 26, 14 and 11 for the same period. In our assessment there is no valid logic for this share to trade at these obscenely low multiples so shortly in the future considering the staggering potential of the business flatexDEGIRO has built and by all assumptions will continue to build in the future. Alongside our DCF model, these metrics makes it fair to say that there is valid arguments for a potential multiple expansion compared to these peers. Hence, an assumed increased share price of 95%, as the DCF model suggests, would not make the share expensive in relative terms.

Company	Rev. Growth 2021	Rev. Growth 2022	Rev. Growth 2023	EV/EBIT 2021	EV/EBIT 2022	EV/EBIT 2023
flatexDEGIRO	69%	17%	15%	25,8	14,2	11,4
Nordnet	29%	-9%	5%	42,2	51,0	46,8
Avanza	32%	-12%	-1%	42,8	57,1	58,4
Hargreaves Lansdov	-4%	8%	9%	20,3	18,6	17,0
Fineco	4%	4%	7%	16,3	15,1	14,2
AJ Bell	16%	5%	11%	27,1	27,6	23,6
Swissquote	43%	7%	9%	38,1	35,8	30,4
<b>Average</b>	<b>27%</b>	<b>3%</b>	<b>8%</b>	<b>30,4</b>	<b>31,3</b>	<b>28,8</b>

## Case Summary

flatexDEGIRO operates one of the leading and fastest growing online brokerage businesses in Europe. Until 2023, the company is set to serve 2.5 million customers and execute at least 100 million transactions per year. With flatex's acquisition of DEGIRO in July 2020 flatexDEGIRO became the largest retail online brokers in Europe. In a time of bank consolidation, low interest rates and digitalization, flatexDEGIRO is thus ideally positioned for further growth.

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Potential operational risks is considered to be related to the stock market climate. Even though volatility in the short term would increase the transaction ratio per customer and subsequently the revenue and profit, a steep decline in the stock market, like the IT-bubble or the financial crisis with long lasting declines, would probably obstruct the customer growth and alter the hopefulness and willingness to invest for current customers.

Even though flatexDEGIRO currently is the leading European online broker, additional competition by other local performers, both strict online brokers as well as the more traditional banks, could obstruct the growth story going forward. There are operators in the US, UK and Nordics with far more successful local market penetration than the current case with flatexDEGIRO. These are concepts that might be implemented in the continental european market in the future.

Summarily, based on a discounted cash flow analysis we believe that the fair value of this share should be around 36.90 EUR in a base scenario, with a potential upside of 96% compared to current market price. Alongside our DCF model, our peer analysis makes a valid argument for a potential multiple expansion compared to those peers.

## Disclaimer

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