November 13th, 2024
Research update

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The NAGA Group AG

Merger already showing clear positive effects

Rating: Buy (unchanged) | **Price:** 0.74 € | **Price target:** 1.70 € (prev.: 1.60 €)

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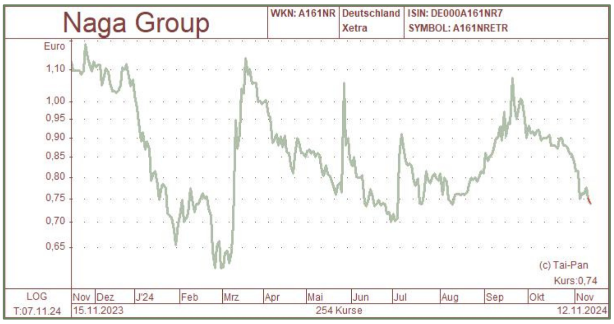
Current development



Basic data

Based in:	Hamburg
Sector:	Fin Tech
Headcount:	>350
Accounting:	IFRS
Ticker:	N4G:GR
ISIN:	DE000A161NR7
Price:	0.74 Euro
Market segment:	Scale
Number of shares:	232.8 m
Market Cap:	172.3 m Euro
Enterprise Value:	166.1 m Euro
Free Float:	9.4 %
Price high/low (12 M):	1.25 / 0.60 Euro
Øturnover (12 M Xetra):	22,900 Euro

Merger finalised

In August, NAGA formally completed the merger with Key Way Group Ltd., which was contributed together with its operating business (CAPEX.com) via a non-cash capital increase. As a result, the company issued 170.6 million new shares, making the owners of Key Way the new majority shareholders of NAGA. Under IFRS, the transaction is therefore classified as a reverse acquisition, in which NAGA is the legal acquirer but Key Way is the accounting one. The recently published half-year report thus already shows the figures for 2024 for the newly formed group (based on a retroactive merger at the beginning of January) and the previous year's figures for Key Way (and not those of NAGA) as a basis for comparison.

At the same time, the company has provided pro forma half-year figures from 2023 for key performance indicators, which show the hypothetical results if the merger had already taken place in the previous year. Wherever possible, we use these pro forma figures to illustrate the development and compare them with the results for 2024.

FY ends: 31.12.	**2023***	**2024e***	**2025e***	**2026e***	**2027e***	**2028e***
Sales (m Euro)	39.7	75.6	101.7	128.2	160.2	198.3
EBITDA (m Euro)	8.4	8.6	15.1	24.9	35.1	46.4
Net profit (m Euro)	-61.0	-4.1	4.1	14.5	24.4	29.1
EpS (Euro)	-1.13	-0.02	0.02	0.06	0.10	0.13
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.05
Sales growth	-31.0%	90.3%	34.5%	26.1%	25.0%	23.8%
Profit growth	-	-	-	251.3%	67.5%	19.7%
PSR	4.34	2.28	1.69	1.34	1.08	0.87
PER	-	-	41.6	11.8	7.1	5.9
PCR	-	-	24.4	8.9	6.2	5.0
EV / EBITDA	19.7	19.3	11.0	6.7	4.7	3.6
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	6.8%

**2023 NAGA only, from 2024 with Key Way Group*

Advancing into new dimensions

No pro forma figures from 2023 are available for the key operating figures, as it would require a great deal of effort to establish comparability between these KPIs of NAGA and CAPEX. The reported figures are therefore offset by stand-alone figures from 2023 (from CAPEX), which primarily illustrates the boost from the new order of magnitude achieved with the merger. The number of transactions rose by more than 240 percent to 7.9 million within a year, which was accompanied by an 86 percent increase in the trading volume to around EUR 121 billion. The number of active customers at mid-year was 29.500, compared to 12.300 at the end of 2023.

Business figures*	6M 23	6M 24	*Change*
Sales (m €)	36.0	31.7	*-11.7%*
EBITDA (m €)	1.5	2.8	*+85.1%*
EBITDA margin (%)	*4.2%*	*8.8%*	*+4.6Pp.*
Net profit (m €)	-2.7	-4.1	-

**2023: Pro forma (exception: net result only Key Way), 2024: consolidated key figures with retroactive merger as of the beginning of January; source: Company*

Consolidated sales

While reported sales doubled from EUR 15.8 m (Key Way only) to EUR 31.7 m, pro forma sales fell by 12 percent within a year. This reflects the consolidation measures implemented with a focus on efficiency and profitability, which are intended to lay the foundations for sustained high profitability. As a result, the newly formed management has discontinued low-margin activities.

Significantly positive earnings effects

Although the first half of the year was still strongly influenced by the implementation of the merger, the first positive effects of the merger and the adjustment measures carried out have already become apparent in the results. The direct costs of the revenue generated were reduced by 30 percent to EUR 6.2 m, which is significantly higher than the sales reduction (compared to the pro forma figures). Personnel costs (-18 percent to EUR 5.7 m) and other operating expenses (-23 percent to EUR 5.8 m) were also significantly lower than the pro forma basis from 2023, meaning that – with stable marketing expenses (+1 percent to EUR 11.1 m) – EBITDA increased by 85 percent to EUR 2.8 m (pro forma). At the same time, reported EBITDA even improved from EUR -1.6 m (Key Way only) to EUR 2.6 m.

Net result still negative

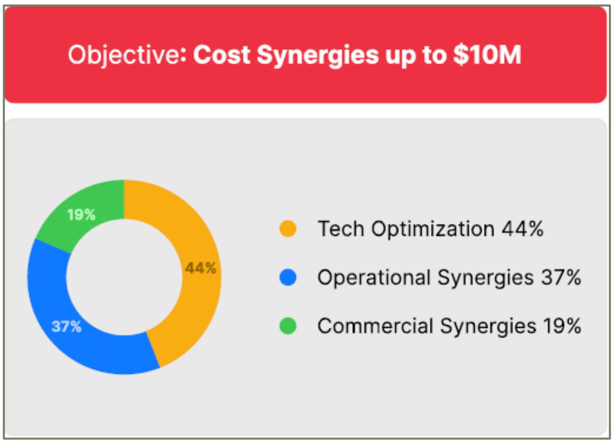
After deducting amortisation of EUR 5.5 m, mainly on intangible assets (including capitalised development costs and customer acquisition costs), this resulted in a reported EBIT of EUR -2.9 m (previous year, Key Way only: EUR -1.9 m). Deducting the financial result (EUR -1.2 m, mainly due to interest expenses) and lower tax expenses, and taking into account a small share of third-party losses, the net loss for the first half of the year totalled EUR -4.1 m (previous year, Key Way only: EUR -2.7 m).

Operating cash flow almost balanced

As the deficit is attributable to non-cash depreciation and amortisation, the balance of operating cash flow is considerably better. It was almost balanced in the first half of the year at EUR -0.4 m (previous year, Key Way only: EUR -0.5 m), although the increase in receivables and other assets had a negative impact of EUR -1.7 m and the reduction in trade payables and other liabilities of EUR -1.0 m. The reported investment cash flow was actually clearly positive at EUR 2.9 m, which is attributable to the cash inflow from acquisitions of EUR 4.9 m (cash of the acquired group), with payments for intangible assets (in particular technology investments) totalling EUR -1.7 m and for financial assets totalling EUR -0.3 m. As a significant cash surplus of EUR +5.3 m was also generated from financing activities – with repayments of loans (EUR -3.2 m) and lease liabilities (EUR -0.2 m) being more than offset by the cash inflow (EUR +8.7 m), particularly from the placement of convertible bonds – group liquidity increased on balance from EUR 4.4 m to EUR 12.3 m in the first half of the year.

Very high equity ratio

Liquidity thus accounted for around 12 percent of total assets (EUR 101.8 m) as at the half-year reporting date. However, the largest asset item by far are intangible assets (EUR 74.6 m or 73 percent of all assets), a substantial proportion of which consists of goodwill. This results on the one hand from the merger, but on the other hand also from the takeover of Neotrades Capital Ltd., carried out as a non-cash capital increase in the first half of the year as well, which led to the booking of a goodwill of EUR 17.1 m. On the liabilities side, this is offset primarily by equity of EUR 88.3 m, resulting in an equity ratio of 86.7 percent. As at 30 June, the total amount of loans utilised was only EUR 6.1 m, the majority of which, namely USD 5 m, was attributable to a loan from Apeiron Investment Group Ltd. This liability was assumed by a company of the CEO, Netcore Investments Ltd., on 27 June 2024 and was repaid in full at the end of September. At the same time, the CEO has provided NAGA with a credit facility of EUR 10 m via his holding company, which can be utilised as needed.



	H1 2024	H2 2024	Total 12 months
Synergies YTD	2M EUR	3,4M EUR	5,4M EUR
Full impact of Synergies	4,7M EUR	4,6M EUR	9,3M EUR

Source: Company

Synergies are realised

This has put the company's financing on a very sound footing. Major progress has also been made in realising the synergies envisaged with the merger, which have been estimated at around USD 10 m. Already in the first half of the year, measures were implemented whose positive effect amounted to EUR 2 m. Further steps are currently being taken, with a total impact of EUR 3.4 m for the period from July to December, meaning that synergies totalling EUR 5.4 m are likely to be leveraged in the current financial period. Next year, the measures will take full effect on a twelve-month basis with savings totalling EUR 9.3 m or around USD 10 m.

Launch of All-in-one app in 2025

In addition to leveraging synergies, the consolidation of NAGA's trading, payment and crypto solutions in an all-in-one super app is a key component of the strategy. Following the legal finalisation of the merger and the establishment of the structures, this topic can be addressed more intensively in the coming months, while at the same time various growth initiatives are to be launched, which are currently still a priority. Nevertheless, the management expects to complete the transformation of the app structure by the second or third quarter of 2025. The merged solution will facilitate transactions in various markets and thus promises to boost cross-selling.

Expansion with partners

The finalisation of the all-in-one app promises to give a further boost to international marketing next year. The licence portfolio is already being expanded to support this: After two new licences were recently obtained in Abu Dhabi, two more have already been applied for in important sales regions. The licences provide the backbone for a gradual expansion of the market position, which is ideally implemented together with partners. The cooperation with the messenger Telegram is a blueprint for this. NAGA was the first trading app to be fully integrated into Telegram in September – with an impressive response: by the end of October, more than 160,000 new registrations had already been achieved without a marketing campaign. NAGA is currently evaluating feedback from Telegram users on the mini version of the financial platform developed especially for the messenger service and is optimising the offering. Advertising measures will then be launched next year at the latest, with the aim of increasing the number of registrations via Telegram to 1 million.

Target figures confirmed

NAGA's current financial year is therefore shaped by the implementation of the merger and preparations for international expansion. At the virtual Capital Markets Day in July, sales of EUR 75 m and EBITDA of EUR 8.7 m were communicated as financial targets for this transformation year, which was reaffirmed in the half-year report. Based on developments in the second half of the year, the outlook will be updated again in the course of this month and published as specific guidance.

EBITDA forecast raised

We consider the current development to be very positive. Focussing on profitability and leveraging synergies has already brought significant progress, as can be seen, among other things, from the considerable cost savings in the first half of the year. At the same time, the company managed to return to a dynamic growth path at the beginning of the second half of the year: although quarterly figures are not yet available, the management pointed out in a presentation in September that revenue for the first two months of Q3 was 42 percent higher than the results for the first two months of Q2. In view of the greatly reduced costs, this promises a significantly increasing margin in the second half of the year. In response to the half-year report, we have significantly reduced both the direct costs of generating sales and personnel costs in our model, which more than compensated for an increase in marketing costs. On balance, we now expect EBITDA of EUR 8.6 m for 2024 (previously: EUR 7.4 m), but we continue to estimate sales at EUR 75.6 m. This brought us closer to the company's target figures in terms of earnings. The adjustments to the cost items have also resulted in an increase in the EBITDA estimates for subsequent years, which now stand at EUR 15.1 m for 2025 (previously: EUR 14.5 m) and EUR 24.9 m for 2026 (previously: EUR 24.0 m) – with unchanged sales estimates. However, this is still below the EBITDA targets presented by the company in July, which amount to EUR 22.8 m for next year and EUR 31.3 m for 2026. Should the company achieve these figures, which is conceivable given the positive development of the merger to date, it would offer considerable upside potential compared to our model result. The table at the bottom of this page contains the key cash flow figures derived from our estimates up to 2031. Further details can be found in the Annex.

m Euro	12 2024	12 2025	12 2026	12 2027	12 2028	12 2029	12 2030	12 2031
Sales	75.6	101.7	128.2	160.2	198.3	234.9	266.1	287.8
Sales growth		34.5%	26.1%	25.0%	23.8%	18.5%	13.3%	8.2%
EBITDA	**8.6**	**15.1**	**24.9**	**35.1**	**46.4**	**56.1**	**63.6**	**68.8**
EBIT	-2.5	4.9	15.4	26.8	38.1	51.0	58.5	65.7
Tax rate	-2.0%	5.0%	5.0%	10.0%	25.0%	30.0%	30.0%	30.0%
Adjusted tax payments	0.0	0.2	0.8	2.7	9.5	15.3	17.5	19.7
NOPAT	**-2.5**	**4.7**	**14.6**	**24.1**	**28.6**	**35.7**	**40.9**	**46.0**
+ Depreciation & Amortisation	11.1	10.2	9.5	8.3	8.3	5.1	5.1	3.1
+ Increase long-term accruals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross operating cash flows	8.6	14.9	24.1	32.4	36.9	40.8	46.1	49.1
- Increase Net Working Capital	-5.7	-6.5	-4.4	-4.7	-2.8	-1.0	-1.2	-1.3
- Investments in fixed assets	0.4	-4.7	-4.9	-4.8	-4.6	-4.3	-4.0	-3.7
Free cash flow	**3.3**	**3.7**	**14.9**	**23.0**	**29.5**	**35.5**	**40.9**	**44.1**

SMC estimation model

Basic parameters unchanged

Subsequently, we continue to calculate the terminal value with a 20-percent discount to the target margin of 2031 and a "perpetual" cash flow growth of 1 percent p.a. The discount rate (WACC) also remains unchanged at 8.5 percent. For this, we have assumed a cost of equity according to CAPM of 11.2 percent (with: safe interest rate of 2.5 percent, market risk premium of 5.8 percent and beta factor of 1.5), as well as a target capital structure of 40 percent debt (which reflects a high leverage potential in a steady state), an interest rate on borrowed capital of 6.5 percent and a tax rate for the tax shield of 30 percent.

Price target: EUR 1.70

Following the model update, the fair value we have calculated now stands at EUR 395.2 m or EUR 1.70 per share, which we have set as our new price target. The increase compared to our previous estimate (EUR 1.60) is due to the higher EBITDA estimate. On a scale of 1 (low) to 6 (high), we continue to classify the forecast risk of our estimates as slightly above average at four points, as the history of figures for the newly formed company is naturally still limited.

Conclusion

The merger of NAGA with the Key Way Group/ CAPEX.com was finalised in August and the company has now presented its first consolidated half-year figures. As NAGA has undergone a consolidation process over the course of the last year and low-margin activities were also discontinued following the merger, sales in the first six months fell by 12 percent to EUR 31.7 m on a comparable basis (previous year's figures pro forma). However, the focus on profitability had a positive impact on EBITDA, which improved by 85 percent to EUR 2.8 m.

The second half of the year is expected to be even more profitable, which is also due to the realisation of synergies that should already contribute EUR 5.4 m to earnings in the current year. In addition, revenue momentum picked up significantly at the beginning of the third quarter. On this basis, the company confirmed its plans for 2024 in the half-year report, envisaging sales of EUR 75 m and EBITDA of EUR 8.7 m.

From 2025, strong growth is also planned on an annual basis and the implementation of the necessary measures is already underway. Further international expansion that NAGA is pursuing together with partners plays a central role. A good example of a high-potential cooperation is the collaboration with the messenger service Telegram, where NAGA was the first trading app to be fully integrated. In the first few weeks after the launch, more than 160,000 registrations were achieved – without marketing. Management expects a further acceleration from the start of the advertising measures, beginning no later than 2025, so that at least 1 million registered users are to be reached via this channel. Given a monthly active Telegram user base of almost 1 billion, this target does not seem too ambitious at all.

This is an impressive illustration of the growth potential that the marketing of the NAGA platform still offers. We therefore believe that the company can achieve strong growth in sales and earnings, which is reflected in a slightly higher target price of EUR 1.70. In view of the associated very high share price potential and a promising expansion strategy, we reaffirm our "Buy" rating.

Annex I: SWOT analysis

Strengths

- Experienced management team with high competence in FinTech and brokerage. The merger with the Key Way Group has further strengthened the team and expanded the organisational structure. Among other things, NAGA has gained a CEO with a strong track record in Octavian Patrascu.
- Comprehensive and well-engineered finance platform with excellent scalability thanks to extensive automation.
- With its solutions, the company is well positioned in three very large markets – trading, payment and crypto.
- The CEO provided NAGA with EUR 18 m as part of the merger, underpinning his confidence in a positive development.

Weaknesses

- Despite a strong improvement in EBITDA, operating cash flow was still slightly negative in the first half of the year.
- Revenue and profitability depend heavily on trading activities, which in turn are determined by capital market developments, and the company has only limited influence on this.
- Very high proportion of intangible assets in the balance sheet (73 percent as at 30.06.24).
- Complex regulatory environment.
- The history of figures for the newly formed group is naturally still very limited.

Opportunities

- The continued realisation of synergies alone, which have been estimated at USD 10 m, promises a significant improvement in earnings for the second half of the year and 2025.
- Revenue momentum has recently picked up noticeably. Promising growth initiatives, including the high-potential integration with Telegram, provide further strong impetus.
- The essential elements of the technology have been developed by now, so the increase in product development costs should only be disproportionately low in the future.
- The solutions for brokerage, social trading, crypto and payment are currently being merged into a super app, which should stimulate further marketing.
- The emerging markets in particular still offer attractive potential for expansion.

Threats

- In order to achieve the target figures for 2024, sales and EBITDA in the second half of the year must be significantly higher than in the first six months.
- The communicated growth and margin targets for the coming years envisage primarily a very strong increase in EBITDA and could be missed.
- The intensity of competition in the brokerage market is high and it is not certain that the company will succeed in gaining the targeted market share in competition with, in some cases, significantly larger providers
- Simultaneous expansion in several foreign markets creates increased complexity and numerous country-specific risks.
- If the brokerage business does not develop as planned, it can lead to considerable goodwill write-offs.

Annex II: Balance sheet and P&L estimation

Balance sheet estimation*

m Euro	2023 act.	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e
ASSETS									
I. Total non-current	52.6	75.3	69.8	65.2	61.6	57.9	57.1	56.0	56.6
1. Intangible assets	51.9	72.4	66.8	62.0	58.3	54.4	53.3	51.9	52.2
2. Tangible assets	0.5	0.6	0.7	0.9	1.0	1.3	1.6	1.9	2.2
II. Total current assets	8.3	22.8	33.4	56.0	87.2	123.1	152.6	174.4	192.0
LIABILITIES									
I. Equity	49.5	88.3	92.4	107.0	131.3	160.5	185.5	202.0	215.7
II. Accruals	0.8	1.0	1.1	1.2	1.3	1.5	1.6	1.7	1.8
III. Liabilities									
1. Long-term liabilities	3.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. Short-term liabilities	7.2	8.8	9.8	13.0	16.2	19.1	22.7	26.7	31.0
TOTAL	**60.9**	**98.1**	**103.3**	**121.1**	**148.8**	**181.1**	**209.7**	**230.4**	**248.6**

P&L estimation*

m Euro	2023 act.	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e
Sales	39.7	75.6	101.7	128.2	160.2	198.3	234.9	266.1	287.8
Total output	41.9	75.6	101.7	128.2	160.2	198.3	234.9	266.1	287.8
Gross profit	31.9	60.5	81.3	102.6	128.2	158.6	187.9	212.9	230.2
EBITDA	8.4	8.6	15.1	24.9	35.1	46.4	56.1	63.6	68.8
EBIT	-57.6	-2.5	4.9	15.4	26.8	38.1	51.0	58.5	65.7
EBT	-61.0	-4.0	4.4	15.3	27.1	38.9	52.4	60.3	67.9
EAT (before minorities)	-61.0	-4.1	4.1	14.5	24.4	29.1	36.7	42.2	47.5
EAT	-61.0	-4.1	4.1	14.5	24.4	29.1	36.7	42.2	47.5
EPS	-1.13	-0.02	0.02	0.06	0.10	0.13	0.16	0.18	0.20

** up to 2023 NAGA stand-alone, from 2024 including Key Way Group*

Annex III: Cash flows estimation and key figures

Cash flows estimation*

m Euro	2023 act.	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e
CF operating	-0.9	-0.2	7.1	19.4	27.7	34.3	40.4	45.8	49.0
CF from investments	-3.4	0.4	-4.7	-4.9	-4.8	-4.6	-4.3	-4.0	-3.7
CF financing	5.8	7.0	-0.8	0.3	0.3	0.3	-11.4	-25.4	-33.5
Liquidity beginning of year	3.1	4.5	11.7	13.2	28.0	51.2	81.2	106.0	122.5
Liquidity end of year	4.5	11.7	13.2	28.0	51.2	81.2	106.0	122.5	134.3

Key figures*

percent	2023 act.	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e
Sales growth	-31.0%	90.3%	34.5%	26.1%	25.0%	23.8%	18.5%	13.3%	8.2%
EBITDA margin	21.3%	11.4%	14.9%	19.4%	21.9%	23.4%	23.9%	23.9%	23.9%
EBIT margin	-145.0%	-3.3%	4.9%	12.0%	16.7%	19.2%	21.7%	22.0%	22.8%
EBT margin	-153.4%	-5.3%	4.3%	11.9%	16.9%	19.6%	22.3%	22.7%	23.6%
Net margin	-153.4%	-5.4%	4.1%	11.3%	15.2%	14.7%	15.6%	15.9%	16.5%

** up to 2023 NAGA stand-alone. from 2024 including Key Way Group*

Annex IV: Sensitivity analysis

	Perpetual cash flows growth				
WACC	**2.0%**	**1.5%**	**1.0%**	**0.5%**	**0.0%**
7.5%	2.25	2.11	1.99	1.89	1.80
8.0%	2.05	1.93	1.84	1.75	1.67
8.5%	1.88	1.78	**1.70**	1.63	1.56
9.0%	1.73	1.65	1.58	1.52	1.46
9.5%	1.60	1.53	1.47	1.42	1.37

Disclaimer

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Charts

The charts were made with Tai-Pan (www.lp-software.de).

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II) Preparation and updating

The present financial analysis was prepared by: Dipl.-Kfm. Holger Steffen

Participants in the preparation of the present financial analysis: –

The present analysis was finished on 13.11.2024 at 6:55 am and published on 13.11.2024 at 8:15 am.

For the preparation of its financial analyses, the sc-consult GmbH uses a five-tier rating scheme with regard to price expectation in the next twelve months. Additionally, estimation risk is quantified on a scale from 1 (low) to 6 (high). The ratings are as follows:

Strong Buy	We expect an increase in price for the analysed financial instrument by at least 10 percent. We assess the estimation risk as below average (1 to 2 points).
Buy	We expect an increase in price for the analysed financial instrument by at least 10 percent. We assess the estimation risk as average (3 to 4 points).
Speculative Buy	We expect an increase in price for the analysed financial instrument by at least 10 percent. We assess the estimation risk as above average (5 to 6 points).
Hold	We expect that the price of the analysed financial instrument will remain stable (between -10 and +10 percent). The forecast risk (1 to 6 points) has no further impact on the rating. The rating "hold" is also used in cases where we perceive a price potential of more

	than 10 percent, but explicitly mentioned temporary factors prevent a short-term realization of the price potential.
Sell	We expect that the price of the analysed financial instrument will drop by at least 10 percent. The forecast risk (1 to 6 points) has no further impact on the rating.

The expected change in price refers to the current share price of the analysed company. This price and any other share prices used in this analysis are XETRA closing prices as of the last trading day before publication. If the share is not traded on XETRA, the closing price of another public stock exchange is used with a separate note to that effect.

The price targets published within the assessment are calculated with common methods of financial mathematics, especially with the DCF (discounted cash flow) method, the sum of the parts valuation and a peer group analysis. The valuation methods are affected by economic framework conditions, especially by the development of the interest rates.

The rating resulting from these methods reflects current expectations and can change anytime subject to company-specific or economic changes.

More detailed explanations of the models used by SMC Research can be found at:
http://www.smc-research.com/impressum/modellerlaeuterungen

An overview of the recommendations prepared and distributed by SMC Research in the last 12 months can be found at: http://www.smc-research.com/publikationsuebersicht

In the past 24 months, sc-consult GmbH has published the following financial analyses for the company:

Date	Investment recomm.	Target price	Conflict of interests
30.09.2024	Buy	1.60 Euro	1), 3), 4)
22.07.2024	Buy	1.60 Euro	1), 3), 4)
29.04.2024	Speculative Buy	1.40 Euro	1), 3)
05.03.2024	Speculative Buy	1.40 Euro	1), 3), 4)
13.11.2023	Hold	2.80 Euro	1), 3)
14.04.2023	Hold	3.60 Euro	1), 3), 4)
14.02.2023	Hold	4.10 Euro	1), 3)
26.01.2023	Hold	3.40 Euro	1), 3)

In the course of the next twelve months, sc-consult GmbH will presumably prepare the following financial analyses for the company: three updates and four comments.

The publishing dates for the financial analyses are not yet fixed at the present moment.

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