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Research comment

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The NAGA Group AG

Return to growth accompanied by marketing offensive

Rating: Buy (unchanged) | **Price:** 0.70 € | **Price target:** 1.60 € (prev.: 1.70 €)

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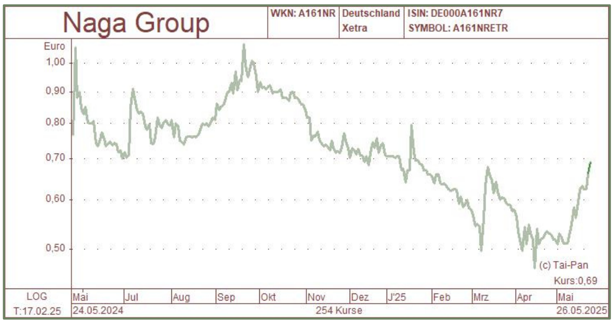
Current development



Basic data

Based in:	Hamburg
Sector:	Fin Tech
Headcount:	>350
Accounting:	IFRS
Ticker:	N4G:GR
ISIN:	DE000A161NR7
Price:	0.70 Euro
Market segment:	Scale
Number of shares:	232.8 m
Market Cap:	162.9 m Euro
Enterprise Value:	156.8 m Euro
Free Float:	9.4 %
Price high/low (12 M):	1.14 / 0.30 Euro
Øturnover (12 M Xetra):	29,100 Euro

FY ends: 31.12.	2024e*	2025e	2026e
Sales (m Euro)	62.3	72.1	92.5
EBITDA (m Euro)	8.2	10.6	21.6
Net profit (m Euro)	-5.6	-3.0	6.6
EpS (Euro)	-0.02	-0.01	0.03
Dividend per share	0.00	0.00	0.00
Sales growth	56.8%	15.7%	28.4%
Profit growth	-	-	-
PSR	2.62	2.26	1.76
PER	-	-	24.6
PCR	128.7	25.0	10.0
EV / EBITDA	19.1	14.8	7.3

**As-if figures with Key Way Group/ CAPEX.com*

Intensifying marketing activities

NAGA has completely overhauled its marketing mix and is ramping up spending again, with the result that marketing expenses in the first quarter were EUR 1.6 m higher than in the previous year. The success of the intensified activities should gradually become apparent over the next few quarters. In the first three months, however, the KPIs still show a mixed picture. The number of daily trades per user increased by 10.5 % to 2.3 and the number of trades copied even rose by 13.4 % to 945,000. At the same time, however, the processed trading volume fell significantly by 26.9 % to EUR 47.3 m, which is attributable to the regional revenue mix in the first three months (with a large share of Europe). New registrations on the platform were also down on the previous year (-16.8 % to 73,900), while the number of accounts opened with cash deposits increased by 6.5 % to 6,100 – reflecting an improved conversion rate. Customer loyalty has also improved, which is why customer lifetime value has risen by 14.2 % to EUR 3,300, but at the same time customer acquisition costs have also increased by 50.3 % to EUR 1,200 due to the increase in marketing expenditure.

Forecast confirmed

The increased number of trades and, in particular, the higher volume of copied trades were the main drivers behind the 7 % growth in revenue to EUR 16.4 m in the first quarter. Operating costs have risen disproportionately in relation to this, which is due to additional marketing expenditure and an expansion of the management team. As a result, EBITDA fell from EUR 2.0 m to EUR 1.0 m within a year, reducing the margin from 13.1 to 6.1 %. In the further course of the year, the expansion of marketing expenditure is to lead to an acceleration in growth, so that revenue growth of almost 20 % to EUR 74 m is still being targeted for the full year. Despite higher advertising expenses, the EBITDA margin is also expected to rise from 13 to 17 %. This is to be made possible by the continued realisation of optimisation potential following last year's merger of NAGA and CAPEX.com as well as economies of scale in overhead costs.

Acquisition in the UK

The British market could also become a potential growth driver again in future, after NAGA agreed the acquisition of Trade Capital UK (TCUK) Ltd (Trade.com UK) in November 2024 for a price of GBP 1.24 m. With GBP 1.88 m client equity under management and net financial assets of GBP 0.59 m (which were also acquired), the company is one of the smaller players in the UK brokerage market. However, it is particularly important for NAGA that the company is authorised by the Financial Conduct Authority (FCA) and thus provides a basis for expanding its business in UK, from which NAGA withdrew at the end of 2021. As extensive data records are still available from the previous activities, marketing can be resumed in a first step at relatively low cost as soon as the authorities approve the takeover. NAGA has cautiously estimated the new potential opening up in the UK at a revenue of EUR 6.5 m in 2026, which is expected to make a direct contribution to EBITDA of EUR 2.5 m.

Estimates somewhat more cautious

NAGA has returned to growth in the first quarter. However, in order to achieve the annual targets, growth still needs to be accelerated, which has to be accompanied by an improvement in margins as well – this is certainly an ambitious task, but one that can be achieved in this particular case thanks to the significant professionalisation of the group and the leveraging of further synergies. We had previously expected revenue of EUR 73.9 m and an EBITDA margin of 16.2 % for the current year, which was close to the company's guidance. In response to the Q1 figures, we have now made our estimates somewhat more cautious, with revenue of EUR 72.1 m and a margin of 14.7 %, taking into account the possibility that the improvement processes will take a little longer to realise their full potential.

Significant increases expected

We have done the same for 2026. We now see revenue at EUR 92.5 m (previously: EUR 95.8 m) and the margin at 23.3 % (previously: 25.2 %), which means that the gap to the guidance (EUR 97.8 m / 28 %) has increased slightly. Our subsequent estimates are also slightly lower, so that target revenue at the end of the detailed forecast period is now EUR 225.1 m (previously: EUR 231 m) and the operating margin is 30.0 % (previously: 31.2 %). In our model, the operating margin will not exceed the level that NAGA wants to achieve by 2026 until 2028, which we consider to be a conservative approach. Nevertheless, based on the significant restructuring and expansion of the management team over the past year and the broad internationalisation resulting from the merger, we are confident that NAGA will achieve strong market share gains and a significant increase in profitability in the future. The table at the top of the next page shows the development of the key cash flow data resulting from our assumptions in the detailed forecast period. Further details on the estimated balance sheet, income statement and cash flow statement are provided in the Annex.

New price target: EUR 1.60

The basic parameters of our model are unchanged. We continue to use a discount rate (WACC) of 8.4 % and a safety discount of 20 % on the target margin in conjunction with a "perpetual" growth rate of 1 % to determine the terminal value. The model results in a new fair value of EUR 371.2 m or EUR 1.59 per share, from which we derive the new price target of EUR 1.60 (a sensitivity analysis for determining the price target can be found in the Annex). The slight reduction in the price target (previously: EUR 1.70) is due to the somewhat more cautious revenue and margin estimates. We continue to rate the forecast risk of our estimates as slightly above average at four points on a scale of 1 (low) to 6 (high) as the volatile capital market trend has a substantial impact on NAGA's business results.

m Euro	12 2024	12 2025	12 2026	12 2027	12 2028	12 2029	12 2030	12 2031
Sales	62.3	72.1	92.5	116.9	143.8	171.1	195.4	225.1
Sales growth		15.7%	28.4%	26.4%	23.0%	19.0%	14.2%	15.2%
EBITDA	**8.2**	**10.6**	**21.6**	**30.4**	**41.0**	**51.2**	**58.6**	**67.4**
EBIT	-2.6	-1.3	8.5	17.8	28.4	38.5	45.8	56.7
Tax rate	0.0%	0.0%	10.0%	20.0%	25.0%	30.0%	30.0%	30.0%
Adjusted tax payments	0.0	0.0	0.8	3.6	7.1	11.5	13.7	17.0
NOPAT	**-2.6**	**-1.3**	**7.6**	**14.3**	**21.3**	**26.9**	**32.0**	**39.7**
+ Depreciation & Amortisation	10.8	11.9	13.1	12.6	12.6	12.8	12.8	10.7
+ 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	8.2	10.6	20.7	26.8	33.9	39.7	44.8	50.4
- Increase Net Working Capital	-4.0	-2.4	-3.5	-4.7	-2.5	-1.2	-1.4	-1.5
- Investments in fixed assets	-4.0	-4.1	-4.4	-4.8	-5.3	-5.9	-6.8	-7.8
Free cash flow	**0.2**	**4.1**	**12.9**	**17.4**	**26.1**	**32.5**	**36.6**	**41.1**

SMC estimatio model, for 2024 as-if approach including Key Way / Capex

Conclusion

With an increase in marketing expenditure and revenue growth of 7 % to EUR 16.4 m, NAGA returned to growth in the first quarter, although substantial revenue has been lost since last year due to the streamlining of unprofitable activities. Although the higher marketing expenditure had a temporary negative impact on EBITDA, which fell from EUR 2.0 m to EUR 1.0 m, the positive drivers – further optimisation and economies of scale – should become visible over the course of the year. The company has confirmed its guidance for 2025, which envisages revenue of EUR 74 m (+19 %) and an EBITDA margin of 17 % (previous year: 13 %).

Based on the further professionalisation of the organisation through the merger of NAGA and CAPEX.com and the resulting broad international positioning, we see good opportunities for the company to achieve its goals.

In our model, however, we have now calculated slightly larger discounts to the guidance and thus taken greater account of the risk that the improvements will take a little longer to take effect than previously assumed.

Nevertheless, we see the target price of EUR 1.60 as far above the current price, which does not include the opportunity of a strong acceleration in growth with a significant improvement in margins. If this development materialises – and we believe there is a good chance that it will – the share price should rise significantly. In view of this scenario, we confirm 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 USD 19 m as part of the merger, underpinning his confidence in a positive development.

Weaknesses

- Despite a distinctly positive EBITDA, the net result was still clearly negative last year due to high scheduled depreciation on investments.
- 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 % as at 30.06.24).
- Complex regulatory environment.
- The history of figures for the newly formed group is naturally still very limited.

Opportunities

- NAGA is accelerating its international expansion with a new marketing mix and higher expenditure. This is expected to lead to growth of 19 and 32 % this year and the next respectively.
- The essential elements of the technology have been developed by now, so the costs of product development should only increase at a disproportionately low rate in the future.
- The strong growth will also bring considerable economies of scale in personnel and other operating expenses, meaning that the EBITDA margin is expected to rise to 17 % in 2025 and 28 % in 2026.
- 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

- The effectiveness of the marketing measures to achieve the growth targets has yet to be proven.
- The margin targets for 2025 and 2026 are ambitious 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	75.0	67.3	58.5	50.7	43.4	36.6	30.6	27.7
1. Intangible assets	51.9	72.2	64.4	55.6	47.6	40.1	33.1	26.9	23.8
2. Tangible assets	0.5	0.6	0.6	0.7	0.8	1.0	1.2	1.4	1.6
II. Total current assets	8.3	21.7	27.8	45.6	69.5	100.6	129.1	151.8	172.7
LIABILITIES									
I. Equity	49.5	86.8	83.8	90.4	104.0	125.6	144.5	158.2	172.7
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	5.3	4.7	4.7	4.7	4.7	4.7	4.7	4.7
2. Short-term liabilities	7.2	3.7	5.5	7.8	10.1	12.3	14.9	17.8	21.2
TOTAL	**60.9**	**96.7**	**95.1**	**104.1**	**120.2**	**144.0**	**165.6**	**182.4**	**200.4**

P&L estimation*

m Euro	2023 act.	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e
Sales	39.7	62.3	72.1	92.5	116.9	143.8	171.1	195.4	225.1
Total output	41.9	62.3	72.1	92.5	116.9	143.8	171.1	195.4	225.1
Gross profit	31.9	53.4	67.0	86.0	108.7	133.7	159.1	181.7	209.3
EBITDA	8.4	8.2	10.6	21.6	30.4	41.0	51.2	58.6	67.4
EBIT	-57.6	-2.6	-1.3	8.5	17.8	28.4	38.5	45.8	56.7
EBT	-61.0	-5.5	-2.6	7.4	17.0	28.7	39.3	47.1	58.4
EAT (before minorities)	-61.0	-5.6	-3.0	6.6	13.6	21.5	27.5	33.0	40.9
EAT	-61.0	-5.6	-3.0	6.6	13.6	21.5	27.5	33.0	40.9
EPS	-1.13	-0.02	-0.01	0.03	0.06	0.09	0.12	0.14	0.18

** up to 2023 NAGA stand-alone, from 2024 including Key Way / Capex (with 2024 as-if estimation)*

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	1.3	6.5	16.3	21.5	31.6	39.0	44.4	50.1
CF from investments	-3.4	-4.0	-4.1	-4.4	-4.8	-5.3	-5.9	-6.8	-7.8
CF financing	5.8	4.7	0.9	1.3	1.3	0.5	-8.1	-18.8	-25.9
Liquidity beginning of year	3.1	4.5	6.5	9.8	22.9	41.0	67.8	92.8	111.6
Liquidity end of year	4.5	6.5	9.8	22.9	41.0	67.8	92.8	111.6	128.0

Key figures*

%	2023 act.	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e
Sales growth	-31.0%	56.8%	15.7%	28.4%	26.4%	23.0%	19.0%	14.2%	15.2%
EBITDA margin	21.3%	13.2%	14.7%	23.3%	26.0%	28.5%	29.9%	30.0%	30.0%
EBIT margin	-145.0%	-4.2%	-1.8%	9.2%	15.3%	19.7%	22.5%	23.4%	25.2%
EBT margin	-153.4%	-8.8%	-3.6%	8.0%	14.5%	20.0%	23.0%	24.1%	26.0%
Net margin	-153.4%	-8.9%	-4.2%	7.2%	11.6%	15.0%	16.1%	16.9%	18.2%

** up to 2023 NAGA stand-alone, from 2024 including Key Way / Capex (with 2024 as-if estimation)*

Annex IV: Sensitivity analysis

	Perpetual cash flows growth				
WACC	**2.0%**	**1.5%**	**1.0%**	**0.5%**	**0.0%**
7.4%	2.12	1.98	1.87	1.77	1.69
7.9%	1.93	1.82	1.72	1.64	1.57
8.4%	1.77	1.67	**1.59**	1.53	1.46
8.9%	1.63	1.55	1.48	1.43	1.37
9.4%	1.51	1.44	1.39	1.34	1.29

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 26.05.2025 at 6:35 pm and published on 27.05.2025 at 8:15 am.

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	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.
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Date	Investment recomm.	Target price	Conflict of interests
17.02.2025	Buy	1.70 Euro	1), 3), 4)
13.11.2024	Buy	1.70 Euro	1), 3)
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)

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