

THE NAGA GROUP AG

Financial Services - Germany



Buy (old: Buy)

11.07.2024

EUR 1.20 (old: EUR 1.20)

FY23 out // Softer topline but strong EBITDA; chg.

Topic: NAGA recently reported FY23 figures that came with a slight miss on the topline and a positive surprise on the bottom line. A D&A one-off makes EBIT look ugly. In detail:

- **Sales of € 39.7m (NAGA standalone)**, are below prelims of € 45.5m resulting from the lower than anticipated avg. revenue per trade of only € 4.3 (vs. eNuW: € 4.9) and 9.2m transactions (both NAGA standalone).
- **EBITDA came in higher than expected at € 8.4m** (vs. prelims: € 7.0m), thanks to significantly lower marketing expenses (€ 4.6m vs. eNuW: € 5.9m), personnel expenses (€ 6.5m vs eNuW: € 7.9m) and R&D costs (€ 3.4m vs. eNuW: € 5.2m) overcompensating for the weaker topline and higher other operating expenses (€ 9.8m vs. eNuW: € 5.9m). **EBT of € -61m** (vs. eNuW: € -2.4m), is mainly burdened one-off amortization to the tune of € 57m as a result of the valuation related to the merger with capex.

Looking into 2024, the outlook for the joint Group shines bright: Trading activity of peers that seem to revitalize and cross-selling potentials between NAGA and capex should fuel the number of transactions to 15.9m and hence sales to € 71.8m, assuming an avg. revenue per trade of € 5.0. Synergy effects and ongoing disciplined spending are expected to additionally drive EBITDA to € 11.5m. As we do not expect further meaningful amortizations in FY24, EBIT should come in at € 1.6m (eNuW).

Going forward, management has ambitious growth plans expecting to generate USD 250m sales with a 40% EBITDA margin until FY26. While we think this is a rather optimistic scenario, the past has already shown that an incremental positive change of the public markets' sentiment could have an enormous effect on the P&L of NAGA. The leverage of the joint Group could even scale this effect. Still, in our base case scenario we conservatively only anticipating € 90m in sales and EBITDA of € 19m (22% EBITDA margin), leaving room for positive surprises.

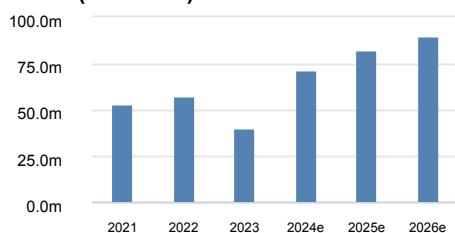
Overall, the revitalization of customer activity in the brokerage space, paired with cross-selling and synergy effects arising from the merger should bode well for NAGA. Details of the growth plan should be unveiled during **today's CDM starting at 4pm CEST**.

BUY with an unchanged **PT of € 1.20** based on DCF.

Y/E 31.12 (EUR m)	2021	2022	2023	2024e	2025e	2026e
Sales	52.9	57.6	39.7	71.8	82.2	90.1
Sales growth	117.1%	8.9%	-31.0%	80.8%	14.4%	9.6%
EBITDA	-4.2	-13.7	8.4	11.5	15.5	19.4
Net debt (if net cash=0)	-7.6	-3.1	-1.1	-2.1	-0.9	-2.2
FCF	-27.3	-32.6	-4.2	-6.7	-1.3	1.4
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.0	0.0
EPS pro forma	-0.20	-0.82	-1.13	-0.01	-0.00	0.01
EBITDA margin	-7.9%	-23.8%	21.3%	16.0%	18.8%	21.5%
ROCE	-7.0%	-31.9%	-52.7%	0.9%	3.3%	3.3%
EV/sales	0.8	0.8	1.2	2.8	2.5	2.3
EV/EBITDA	-9.9	-3.4	5.7	17.7	13.3	10.5
PER	-4.5	-1.1	-0.8	-77.9	-1203.3	84.9
Adjusted FCF yield	-20.3%	-80.0%	-120.1%	0.8%	2.3%	3.8%

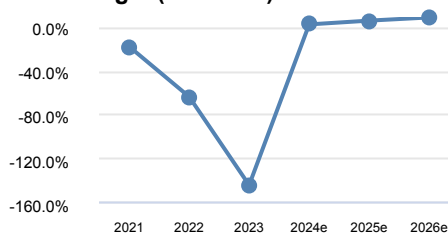
Source: Company data, NuWays, Close price as of 05.07.2024

Sales (2021-26e)



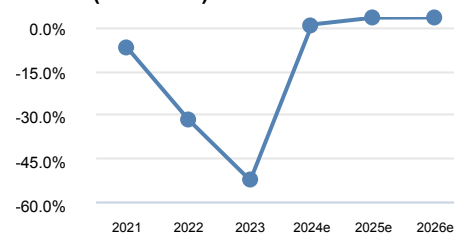
Source: NuWays Research

EBIT margin (2021-26e)



Source: NuWays Research

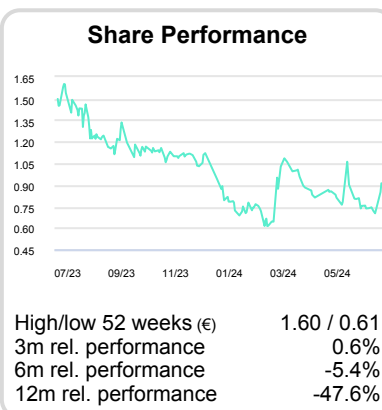
ROCE (2021-26e)



Source: NuWays Research

Company description

The NAGA Group AG is a financial technology and services company that develops and markets disruptive online brokerage applications. The company's proprietary platform offers a range of products, from stock trading to investing and cryptocurrencies to a physical VISA debit card.



Market data

Share price (in €)	0.91
Market cap (in € m)	206.2
Number of shares (in m pcs)	226.5
Enterprise value (in € m)	204.0
Ø trading volume (6 months)	27,497

Identifier

Bloomberg	N4G GR
Reuters	N4G
WKN	A161NR
ISIN	DE000A161NR7

Key shareholders

Fosun Fintech Holdings	33.9%
Apeiron	12.3%
Management	12.2%
Other	43.2%

Estimates changes

	2024e	2025e	2026e
Sales	-8%	-8%	-8%
EBIT	-50%	-41%	-32%
EPS	-284%	-105%	-63%

- ### Comment on changes
- We reduced sales, OPEX and increased financial expenses for FY23 and beyond in order to reflect final FY23 figures
 - We reflect the one-off amortization in FY23

Guidance

Financials

Profit and loss (EUR m)	2021	2022	2023	2024e	2025e	2026e
Sales	52.9	57.6	39.7	71.8	82.2	90.1
Sales growth	117.1%	8.9%	-31.0%	80.8%	14.4%	9.6%
Cost of sales	8.5	15.0	10.0	19.4	21.6	23.1
Gross profit	44.4	42.6	29.8	52.4	60.6	67.0
Sales and marketing	32.5	28.3	4.6	20.1	22.4	24.0
General and administration	8.0	10.7	6.5	11.9	12.9	13.4
Research and development	3.5	6.7	3.4	5.4	5.9	6.1
Other operating income	3.8	6.1	2.9	5.7	6.2	6.5
Other operating expenses	8.5	16.7	9.8	9.3	10.2	10.6
Total operating expenses	48.6	56.3	21.3	40.9	45.1	47.6
Unusual or infrequent items	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	-4.2	-13.7	8.4	11.5	15.5	19.4
Depreciation	5.3	7.8	9.0	9.9	10.8	11.7
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	15.3	57.0	0.0	0.0	0.0
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0
EBIT (inc revaluation net)	-9.5	-36.9	-57.6	1.6	4.6	7.7
Interest income	0.0	0.1	0.3	0.1	0.1	0.1
Interest expenses	1.7	7.5	3.6	4.3	4.9	5.4
Investment income	0.0	0.0	0.0	0.0	0.0	0.0
Financial result	-1.7	-7.4	-3.4	-4.2	-4.9	-5.3
Recurring pretax income from continuing operations	-11.2	-44.3	-61.0	-2.7	-0.2	2.4
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	-11.2	-44.3	-61.0	-2.7	-0.2	2.4
Income tax expense	-0.5	-0.1	0.0	0.0	0.0	0.0
Net income from continuing operations	-10.8	-44.1	-61.0	-2.7	-0.2	2.4
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Net income	-10.8	-44.1	-61.0	-2.7	-0.2	2.4
Minority interest	-0.7	-0.0	-0.0	-0.0	-0.0	-0.0
Net profit (reported)	-10.1	-44.1	-60.9	-2.6	-0.2	2.4
Average number of shares	44.2	54.0	54.0	226.5	226.5	226.5
EPS reported	-0.23	-0.82	-1.13	-0.01	-0.00	0.01

Profit and loss (common size)	2021	2022	2023	2024e	2025e	2026e
Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	16.0%	26.1%	25.1%	27.0%	26.3%	25.7%
Gross profit	84.0%	73.9%	74.9%	73.0%	73.7%	74.3%
Sales and marketing	61.4%	49.2%	11.7%	28.0%	27.3%	26.6%
General and administration	15.1%	18.6%	16.3%	16.5%	15.7%	14.9%
Research and development	6.6%	11.6%	8.4%	7.5%	7.1%	6.8%
Other operating income	7.1%	10.7%	7.4%	8.0%	7.6%	7.2%
Other operating expenses	16.0%	29.0%	24.7%	13.0%	12.4%	11.7%
Total operating expenses	92.0%	97.8%	53.6%	57.0%	54.9%	52.8%
Unusual or infrequent items	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBITDA	-7.9%	-23.8%	21.3%	16.0%	18.8%	21.5%
Depreciation	10.1%	13.5%	22.7%	13.8%	13.2%	13.0%
Amortisation of goodwill	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Amortisation of intangible assets	0.0%	26.6%	143.5%	0.0%	0.0%	0.0%
Impairment charges	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT (inc revaluation net)	-18.1%	-64.0%	-145.0%	2.2%	5.7%	8.6%
Interest income	0.0%	0.1%	0.7%	0.1%	0.1%	0.1%
Interest expenses	3.2%	13.0%	9.1%	6.0%	6.0%	6.0%
Investment income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financial result	neg.	neg.	neg.	neg.	neg.	neg.
Recurring pretax income from continuing operations	-21.2%	-76.8%	-153.4%	-3.7%	-0.2%	2.7%
Extraordinary income/loss	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Earnings before taxes	-21.2%	-76.8%	-153.4%	-3.7%	-0.2%	2.7%
Tax rate	4.1%	0.0%	0.0%	0.0%	0.0%	0.0%
Net income from continuing operations	-20.3%	-76.6%	-153.5%	-3.7%	-0.2%	2.7%
Net income	-20.3%	-76.6%	-153.5%	-3.7%	-0.2%	2.7%
Minority interest	-1.2%	-0.0%	-0.1%	-0.0%	-0.0%	-0.0%
Net profit (reported)	-19.1%	-76.6%	-153.4%	-3.7%	-0.2%	2.7%

Source: Company data, NuWays

Balance sheet (EUR m)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	119.6	114.2	51.9	215.2	215.2	215.2
Property, plant and equipment	0.6	0.6	0.6	1.1	1.1	1.1
Financial assets	0.2	0.2	0.1	0.1	0.1	0.1
FIXED ASSETS	120.3	115.0	52.6	216.4	216.4	216.4
Inventories	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable	1.6	0.5	0.2	5.1	5.9	6.4
Other assets and short-term financial assets	46.8	6.5	3.6	3.3	3.6	4.0
Liquid assets	8.6	3.1	4.5	12.0	10.7	12.1
Deferred taxes	0.0	0.0	0.0	1.7	1.7	1.7
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT ASSETS	57.0	10.2	8.3	22.1	21.9	24.2
TOTAL ASSETS	177.4	125.1	60.9	238.5	238.3	240.6
SHAREHOLDERS EQUITY	164.1	111.5	50.9	220.8	220.6	223.1
MINORITY INTEREST	-1.0	-1.0	-1.5	-1.5	-1.5	-1.5
Provisions for pensions and similar obligations	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions and accrued liabilities	0.4	2.1	0.8	0.8	0.8	0.8
Short-term liabilities to banks	1.0	0.0	0.0	6.5	6.5	6.5
Accounts payable	4.2	6.0	2.0	3.7	4.2	4.4
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	8.4	6.6	5.2	4.7	4.2	3.8
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT LIABILITIES	12.6	12.6	7.2	8.4	8.4	8.2
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	177.4	125.1	60.9	238.5	238.3	240.6
Balance sheet (common size)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	67.4%	91.3%	85.2%	90.2%	90.3%	89.4%
Property, plant and equipment	0.3%	0.5%	0.9%	0.4%	0.4%	0.4%
Financial assets	0.1%	0.1%	0.2%	0.1%	0.1%	0.1%
FIXED ASSETS	67.8%	91.9%	86.4%	90.7%	90.8%	89.9%
Inventories	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accounts receivable	0.9%	0.4%	0.3%	2.1%	2.5%	2.7%
Other assets and short-term financial assets	26.4%	5.2%	6.0%	1.4%	1.5%	1.7%
Liquid assets	4.8%	2.5%	7.4%	5.0%	4.5%	5.0%
Deferred taxes	0.0%	0.0%	0.0%	0.7%	0.7%	0.7%
Deferred charges and prepaid expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CURRENT ASSETS	32.2%	8.1%	13.6%	9.3%	9.2%	10.1%
TOTAL ASSETS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
SHAREHOLDERS EQUITY	92.5%	89.1%	83.6%	92.6%	92.6%	92.7%
MINORITY INTEREST	-0.6%	-0.8%	-2.4%	-0.6%	-0.6%	-0.6%
Provisions for pensions and similar obligations	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other provisions and accrued liabilities	0.2%	1.7%	1.4%	0.3%	0.3%	0.3%
Short-term liabilities to banks	0.6%	0.0%	0.0%	2.7%	2.7%	2.7%
Accounts payable	2.4%	4.8%	3.2%	1.6%	1.7%	1.8%
Advance payments received on orders	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other liabilities (incl. from lease and rental contracts)	4.7%	5.3%	8.6%	2.0%	1.8%	1.6%
Deferred taxes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Deferred income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CURRENT LIABILITIES	7.1%	10.1%	11.8%	3.5%	3.5%	3.4%
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Company data, NuWays

Cash flow statement (EUR m)	2021	2022	2023	2024e	2025e	2026e
Net profit/loss	-10.8	-37.2	-61.0	-2.7	-0.2	2.4
Depreciation of fixed assets (incl. leases)	5.3	7.8	9.0	9.9	10.8	11.7
Amortisation of goodwill & intangible assets	0.0	15.3	57.0	0.0	0.0	0.0
Other costs affecting income / expenses	-10.9	-12.2	3.0	-0.8	-0.8	-0.8
Cash flow from operating activities	-18.2	-37.6	-66.9	-6.7	-1.3	1.4
Increase/decrease in inventory	0.0	0.0	0.0	0.0	0.0	0.0
Increase/decrease in accounts receivable	-0.5	-0.1	0.2	-5.0	-0.7	-0.6
Increase/decrease in accounts payable	2.6	5.1	-11.4	1.7	0.4	0.3
Increase/decrease in other working capital positions	1.7	5.0	3.4	0.0	0.0	0.0
Increase/decrease in working capital	3.8	10.0	-7.8	-3.2	-0.3	-0.3
Cash flow from operating activities	-12.9	-14.5	-0.9	3.2	9.6	13.1
CAPEX	14.4	18.1	3.3	9.9	10.8	11.7
Payments for acquisitions	0.0	0.0	0.0	0.5	0.0	0.0
Financial investments	27.1	-27.1	0.1	0.0	0.0	0.0
Income from asset disposals	0.0	0.1	-0.0	0.0	0.0	0.0
Cash flow from investing activities	-41.6	9.2	-3.4	-10.4	-10.8	-11.7
Cash flow before financing	-54.5	-5.4	-4.3	-7.2	-1.3	1.4
Increase/decrease in debt position	4.4	-0.1	6.5	6.5	0.0	0.0
Purchase of own shares	-0.6	0.0	0.0	0.0	0.0	0.0
Capital measures	53.6	0.0	0.0	8.2	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Others	-0.7	-0.0	-0.7	0.0	0.0	0.0
Effects of exchange rate changes on cash	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from financing activities	57.8	-0.1	5.8	14.7	0.0	0.0
Increase/decrease in liquid assets	3.4	-5.5	1.4	7.5	-1.3	1.4
Liquid assets at end of period	8.6	3.1	4.5	12.0	10.7	12.1

Key ratios (EUR m)	2021	2022	2023	2024e	2025e	2026e
P&L growth analysis						
Sales growth	117.1%	8.9%	-31.0%	80.8%	14.4%	9.6%
EBITDA growth	-54.2%	-405.3%	-301.0%	-183.7%	83.2%	68.9%
EBIT growth	-21.6%	-4021.0%	503.2%	-104.2%	-108.1%	394.8%
EPS growth	-23.4%	5689.9%	392.8%	-98.6%	-99.9%	-191.7%
Efficiency						
Sales per employee	455.8	412.9	295.4	515.0	702.6	787.2
EBITDA per employee	-36.2	-98.4	62.8	82.4	132.3	169.6
No. employees (average)	116	140	134	140	117	114
Balance sheet analysis						
Avg. working capital / sales	-1.9%	-4.3%	-5.7%	-2.8%	-0.1%	1.9%
Inventory turnover (sales/inventory)	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable turnover	10.7	3.3	3.3	26.0	26.0	26.0
Accounts payable turnover	209.3	209.3	40.0	70.0	70.0	70.0
Cash flow analysis						
Free cash flow	-27.3	-32.6	-4.2	-6.7	-1.3	1.4
Free cash flow/sales	-51.7%	-56.6%	-10.6%	-9.3%	-1.6%	1.5%
FCF / net profit	254.3%	87.7%	6.9%	249.9%	622.3%	57.0%
Capex / sales	78.6%	-15.7%	8.5%	13.8%	13.2%	13.0%
Solvency						
Net debt	-7.6	-3.1	-1.1	-2.1	-0.9	-2.2
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.0	0.0
Dividend payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest paid / avg. debt	171.3%	1243.9%	166.2%	43.6%	74.3%	54.7%
Returns						
ROCE	-7.0%	-31.9%	-52.7%	0.9%	3.3%	3.3%
ROE	-6.2%	-39.6%	-119.6%	-1.2%	-0.1%	1.1%
Adjusted FCF yield	-20.3%	-80.0%	-120.1%	0.8%	2.3%	3.8%
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
DPS	0.0	0.0	0.0	0.0	0.0	0.0
EPS reported	-0.23	-0.82	-1.13	-0.01	-0.00	0.01
Average number of shares	44.2	54.0	54.0	226.5	226.5	226.5
Valuation ratios						
P/BV	0.3	0.4	1.0	0.9	0.9	0.9
EV/sales	0.8	0.8	1.2	2.8	2.5	2.3
EV/EBITDA	-9.9	-3.4	5.7	17.7	13.3	10.5
EV/EBIT	-4.4	-1.3	-0.8	130.9	44.2	26.4

Source: Company data, NuWays

Disclosures

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Company	Disclosures
THE NAGA GROUP AG	2

Historical target price and rating changes for THE NAGA GROUP AG

Company	Date	Analyst	Rating	Target Price	Close
THE NAGA GROUP AG	27.05.2024	Jarchow, Frederik	Buy	EUR 1.20	EUR 0.78
	16.01.2024	Jarchow, Frederik	Hold	EUR 1.30	EUR 0.81
	17.11.2023	Jarchow, Frederik	Hold	EUR 1.30	EUR 1.13
	16.11.2023	Jarchow, Frederik	Hold	EUR 1.20	EUR 1.13
	18.07.2023	Jarchow, Frederik	Under Review	n.a.	EUR 1.58
	13.07.2023	Jarchow, Frederik	Under Review	EUR 1.60	EUR 1.45

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The adj. FCF method is based on the assumption that investors purchase assets only at a price (enterprise value) at which the operating cash flow return after taxes on this investment exceeds their opportunity costs in the form of a hurdle rate of 7.5%. The operating cash flow is calculated as EBITDA less maintenance capex and taxes.

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