

OVB with a prosperous start into the year, +16% in top-line, significant margin improvements in CEE and SWE, guidance unchanged for the moment, but seems more even more cautious now

Today, OVB published the 1Q 2024 annual report and invited for a conference call. The company delivered a very good start into the new year, with a steep rise in top-line, as sales commissions went up by 16%, from Euro 83m to Euro 97m. Moreover, the firm's EBIT grew over proportionately by 37%, from Euro 3.1m to almost Euro 4.3m. The net profit after minorities profited from a good financial result and almost doubled from Euro 2.3m to Euro 4.4m. The EPS also almost doubled from Euro 0.16 to Euro 0.31. The 1Q is a solid foundation for the remaining quarters of the year, as the company attracted 50 thousand net clients in the first three months and stand now at 4.55 million clients in total.

The good thing is, that OVB could deliver a significant growth story in all three regions CEE, Germany and SWE and 2 of the 3 regions also managed to translate the growth into higher profits with a margin improvement.

Central and Eastern Europe was good as in almost every quarter, sales commission showed up a double digit 17% growth, from Euro 45m to almost Euro 53m. The very reliable CEE growth even translated into a steep hike in CEE EBIT, from Euro 2.7m to Euro 4.6m, which is a margin improvement from 6.0% to 8.7%. Keep in mind, that the bulk of the client's growth of the group came from CEE, +40,000 clients in the first three months, making us optimistic, that we see CEE as the big motor for group's results in the full year.

Similar to Eastern Europe, South and Western Europe contributed a steep hike in sales revenues to the group's results, +21%, from Euro 23m to more than Euro 29m. Even more important for us is that SWE stopped the downward trend in shrinking EBIT contributions the last two years. After Euro 1.2m SWE EBIT in 1Q 2023 it jumped now by more than 40%, to Euro 1.7m in 1Q 2024. With 12,000 new clients in the first quarter and after the statements of the management in today's conference call we are optimistic that the momentum in SWE will continue the next quarters.

Germany was good in terms of revenues growth, +7% to almost 15m, but the EBIT declined remarkably from Euro 1.4m to only weak Euro 0.8m, due to some expenses for digitalization and IT infrastructure. Moreover, the client's numbers slightly declined by 2,000 in the first three months.

The management maintained the guidance for full year's revenues of Euro 360m to Euro 385m and an EBIT of Euro 17m to Euro 20m, which we still regard a bit too conservative in the light of a prosperous initial quarter. We keep our P & L forecast, which sets EBIT slightly above the Euro 20m upper end of the range. We also keep our Euro 25.00 target price and maintain our Buy recommendation, which is supported by a current 4.5% dividend yield, as OVB will pay out soon 90 Cents dividend for last FY 2023.

Price (Euro)	19,80			
52 weeks range	25.60 / 17.00			
Key Data				
Country	Germany			
Industry	Financial Services			
Transparency	Prime Standard			
Internet	www.ovb.ag			
Symbol	O4B			
ISIN	DE0006286560			
Securities ID-No.	628656			
Reuters	O4BG.DE			
Bloomberg	O4B			
Reporting Standard	IAS/ IFRS			
Fiscal Year	31/12			
Market Cap (EUR million)	282,2			
Number of shares (million)	14,3			
Free Float	3,0%			
Free Float MarketCap (Euro million)	8,5			
CAGR pre-tax profit '23 -'26e	9,3%			
Multiples				
	2023	2024e	2025e	2026e
P/E-Ratio	19,7	19,1	16,8	15,0
P/S-Ratio	1,4	1,5	1,5	1,4
Dividend Yield	4,5%	5,1%	5,6%	6,1%
Key Data per Share (Euro)				
	2023	2024e	2025e	2026e
Earnings per Share (EPS)	1,00	1,03	1,18	1,32
Dividends per Share (DPS)	0,90	1,00	1,10	1,20
Book Value per Share (BVpS)	6,72	6,84	6,95	7,07
Financial Data (Euro '000)				
	2023	2024e	2025e	2026e
Brokerage Income	354.348	377.381	388.702	404.250
Total income	367.663	391.186	403.056	419.704
EBIT	17.830	20.305	23.320	25.943
EBIT-margin	5,0%	5,4%	6,0%	6,4%
Pre-tax profit (EBT)	20.945	21.555	24.530	27.363
Net profit after minorities	14.315	14.745	16.845	18.830
Shareholders' Equity	95.698	97.516	98.979	100.761
RoE after tax	15,1%	15,3%	17,1%	18,9%
Main Shareholders				
Basler Beteiligungsholding GmbH		32,6%		
Signal Iduna Lebensversicherung a. G.		31,7%		
Signal Iduna Krankenversicherung a. G.		21,3%		
Generali CEE Holding B.V.		11,5%		
Financial Calendar				
AGM		12 June 2024		
1H 2024		13 August 2024		
9M 2024		7 November 2024		
Analyst				
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OVB Holding AG

Industry: Financial Advisory
Sub-segment: Private households
Country: Germany
Headquarter: Cologne
Foundation: 1970
Employees: 751
 (Holding, IT and services)
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Management Board of OVB Holding AG:
 CEO Mario Freis
 CFO Frank Burow
 COO Heinrich Fritzlär

Supervisory Board of OVB Holding AG:
 Michael Johnnigk (Chairman)
 Dr. Thomas A. Lange (Deputy Chairman)
 Sascha Bassir
 Markus Jost
 Roman Juráš
 Torsten Uhlig

Cologne-based OVB was founded in 1970 and is therefore one of the first independent financial advisors being active in Germany. Today the company is among the leading European companies distributing the complete range of financial products like for instance property-, health- and accident-insurances as well as mutual funds, provision products and corporate pension products to private households. About two Thirds of all new business is from unit-linked provision products and other old-age provision solutions. The demography of today's society (lots of old retired people and a shrinking number of young families) demands for additional private old-age provision besides the public pension, in particular in aging Western European countries. OVB's major target groups are the middle class households with average to affluent incomes. OVB has a broad customer base of almost 4.5 million clients across Europe. About 5,900 independent financial advisers provide a superior independent financial advice. At present, OVB is represented in 16 countries. To simplify reporting, countries are being classified in three regions: France, Italy, Spain, Switzerland, Austria, Greece, Belgium and Slovenia belong to South and Western Europe (SWE). SWE stands for 27% of group's revenues at present. The lion's share of revenues (56%) comes from Central- Eastern Europe (namely Poland, Hungary, Romania, Slovakia, Czech Republic, Croatia and Ukraine). Germany as domestic market stands for its own and has a share on total revenues of about 17%.

OVB Holding AG			
Sales companies Central and Eastern Europe	Sales companies Germany	Sales companies Southern and Western Europe	Service companies
OVB Czech Republic	OVB Germany	OVB Austria	Nord-Soft EDV-Unternehmensberatung GmbH
OVB Slovakia	Advesto Germany	OVB Switzerland	Nord-Soft Datenservice GmbH
OVB Poland	Eurenta Germany	OVB Group Greece	OVB Informatikal*
OVB Hungary		OVB France	
OVB Group Croatia		OVB Italy	
OVB Group Romania		OVB Spain	
OVB Ukraine		Willemot NV / Belgium	
OVB Slovenia			

* Indirect investment (no operational business, entity in liquidation)

Due to an early engagement as overrider in CEE already in early Nineties, OVB has a very sound and in some countries even a leading market position. Therefore, the majority of advisers are active in the CEE-region (almost 3,700 of c. 5,900 advisers) and usually generate the largest contribution to group's operating profit (about 70%). However, the sixteen national markets of OVB count a population of more than 412 million people. The company generates far more than 80% of its total revenues outside Germany and has therefore by far the most significant foreign business compared to other German competitors within the IFA industry. With its diversified revenues from old-age solutions and a growing business in real estate finance OVB is not very dependent on the economic development or a changing regulation of one single country, which helps in an economic downturn. Anyhow, the management continuously screens further national markets to expand its reach in Europe (the Baltics might be a topic for later years, also Portugal and Lux for nearer future), but with the COVID-19 pandemic regional expansion might be not at the top of the agenda. Regarding to the Evolution 2022 program the firm attracted almost 1 million new clients in the years 2017 to 2022 and lifted the number of advisers by about 1,000 to more than 5,700, until end of 2022. Now, it climbed to c. 5,900 until year-end 2023. The company will keep the dividend stable at 90 Cents for FY 2023 as this was the same amount for FY 2022 and FY 2021. For the EBIT the company is still quite careful for 2024 in this inflationary environment, that hampers the growth but drives the overall expenses. The 2024 EBIT guidance of Euro 17m to Euro 20m rather means only a quite little growth (if any). After "Evolution 2022" the company invests in its Excellence 2027 strategic program. In our view, with former and new strategic measures, we might expect a bit higher EBIT result for 2024. We set our EBIT forecast a bit above that mentioned range.

Source: Company Data, SRC Research

P&L Account for OVB Holding AG

31/12 IFRS ('000 Euro)	2019	2020	2021	2022	2023	2024e	2025e	2026e	CAGR '23 - '26e
Brokerage Income*	257.819	270.563	320.696	331.947	354.348	377.381	388.702	404.250	4,5%
Other operating income	11.244	10.158	10.959	14.972	13.315	13.805	14.354	15.454	
Total income	269.063	280.721	331.655	346.919	367.663	391.186	403.056	419.704	4,5%
Brokerage expenses	-170.060	-181.460	-215.485	-218.259	-235.831	-255.545	-261.545	-273.102	
Gross profit	87.759	89.103	105.211	113.688	118.517	121.836	127.157	131.148	
<i>Gross margin</i>	<i>34,0%</i>	<i>32,9%</i>	<i>32,8%</i>	<i>34,2%</i>	<i>33,4%</i>	<i>32,3%</i>	<i>32,7%</i>	<i>32,4%</i>	
Personnel expenses	-37.997	-39.278	-42.298	-45.575	-50.124	-53.568	-55.656	-56.574	
Other operating expenses	-40.044	-38.144	-44.372	-52.579	-55.633	-52.521	-52.885	-53.875	
EBITDA	20.962	21.839	29.500	30.506	26.075	29.552	32.970	36.153	
<i>EBITDA-margin</i>	<i>8,1%</i>	<i>8,1%</i>	<i>9,2%</i>	<i>9,2%</i>	<i>7,4%</i>	<i>7,8%</i>	<i>8,5%</i>	<i>8,9%</i>	
Depreciation and amortisation	-6.880	-6.948	-7.734	-8.495	-8.245	-9.247	-9.650	-10.210	
Operating profit (EBIT)	14.082	14.891	21.766	22.011	17.830	20.305	23.320	25.943	13,3%
<i>EBIT margin</i>	<i>5,5%</i>	<i>5,5%</i>	<i>6,8%</i>	<i>6,6%</i>	<i>5,0%</i>	<i>5,4%</i>	<i>6,0%</i>	<i>6,4%</i>	
Financial result	1.311	-210	393	-601	3.115	1.250	1.210	1.420	
Earnings before taxes (EBT)	15.393	14.681	22.159	21.410	20.945	21.555	24.530	27.363	9,3%
<i>EBT margin</i>	<i>6,0%</i>	<i>5,4%</i>	<i>6,9%</i>	<i>6,4%</i>	<i>5,9%</i>	<i>5,7%</i>	<i>6,3%</i>	<i>6,8%</i>	
Taxes on income	-4.141	-3.957	-6.463	-6.349	-6.181	-6.375	-7.235	-8.058	
<i>Tax rate</i>	<i>26,9%</i>	<i>27,0%</i>	<i>29,2%</i>	<i>29,7%</i>	<i>29,5%</i>	<i>29,6%</i>	<i>29,5%</i>	<i>29,4%</i>	
Consolidated net income for the year	11.252	10.724	15.696	15.061	14.764	15.180	17.295	19.305	
Minority interests	-240	-239	19	-390	-449	-435	-450	-475	
Net profit after minorities	11.012	10.485	15.715	14.671	14.315	14.745	16.845	18.830	9,6%
<i>Return on sales</i>	<i>4,3%</i>	<i>3,9%</i>	<i>4,9%</i>	<i>4,4%</i>	<i>4,0%</i>	<i>3,9%</i>	<i>4,3%</i>	<i>4,7%</i>	
Number of shares ('000)	14.251	14.251	14.251	14.251	14.251	14.251	14.251	14.251	
Earnings per Share (EPS)	0,77	0,74	1,10	1,03	1,00	1,03	1,18	1,32	
Dividends per Share (DPS)	0,75	1,00	0,90	0,90	0,90	1,00	1,10	1,20	
Book Value per Share (BVPS)	6,36	6,32	6,41	6,56	6,72	6,84	6,95	7,07	
Total assets	215.991	233.484	257.825	261.113	272.963	281.097	291.891	291.890	
Shareholders' Equity	90.637	90.000	91.371	93.514	95.698	97.516	98.979	100.761	1,7%

* without secondary contracts

Key data	1Q 2022	2Q 2022	3Q 2022	4Q 2022	2022	1Q 2023	2Q 2023	3Q 2023	4Q 2023	2023	1Q 2024
Clients	4.180.000	4.220.000	4.260.000	4.270.000	4.270.000	4.270.000	4.410.000	4.460.000	4.500.000	4.500.000	4.550.000
Advisers	5.613	5.630	5.648	5.772	5.772	5.785	5.806	5.896	5.892	5.892	5.939
Total sales revenues	84.200.000	85.500.000	77.500.000	84.700.000	331.900.000	83.400.000	87.200.000	89.700.000	94.000.000	354.300.000	96.800.000
EBIT	6.000.000	5.200.000	4.200.000	6.600.000	22.000.000	3.100.000	3.800.000	4.500.000	6.400.000	17.800.000	4.300.000
EBIT Margin	7,1%	6,1%	5,4%	7,8%	6,6%	3,7%	4,4%	5,0%	6,8%	5,0%	4,4%
Net profit (after minorities)	3.439.000	2.798.000	2.921.000	5.513.000	14.671.000	2.343.000	2.968.000	3.825.000	5.179.000	14.315.000	4.387.000
Regions											
CEE	1Q 2022	2Q 2022	3Q 2022	4Q 2022	2022	1Q 2023	2Q 2023	3Q 2023	4Q 2023	2023	1Q 2024
Clients	2.850.000	2.880.000	2.920.000	2.920.000	2.920.000	2.910.000	3.040.000	3.080.000	3.110.000	3.110.000	3.150.000
Advisers	3.308	3.312	3.365	3.461	3.461	3.549	3.581	3.658	3.695	3.695	3.700
Total sales revenues	40.700.000	45.800.000	41.000.000	46.900.000	174.400.000	45.200.000	49.900.000	51.000.000	52.400.000	198.500.000	52.700.000
EBIT	4.600.000	4.300.000	4.200.000	5.700.000	18.800.000	2.700.000	5.600.000	4.800.000	6.500.000	19.600.000	4.600.000
EBIT Margin	11,3%	9,4%	10,2%	12,2%	10,8%	6,0%	11,2%	9,4%	12,4%	9,9%	8,7%
Germany	1Q 2022	2Q 2022	3Q 2022	4Q 2022	2022	1Q 2023	2Q 2023	3Q 2023	4Q 2023	2023	1Q 2024
Clients	614.513	614.407	615.967	616.224	616.224	613.588	613.813	613.767	613.037	613.037	610.757
Advisers	1.203	1.211	1.213	1.219	1.219	1.161	1.165	1.172	1.120	1.120	1.089
Total sales revenues	15.900.000	15.100.000	14.100.000	16.100.000	61.200.000	13.800.000	13.900.000	15.000.000	16.000.000	58.700.000	14.800.000
EBIT	2.400.000	1.500.000	1.300.000	2.000.000	7.200.000	1.400.000	1.000.000	800.000	1.600.000	4.800.000	800.000
EBIT Margin	15,1%	9,9%	9,2%	12,4%	11,8%	10,1%	7,2%	5,3%	10,0%	8,2%	5,4%
South-Western Europe	1Q 2022	2Q 2022	3Q 2022	4Q 2022	2022	1Q 2023	2Q 2023	3Q 2023	4Q 2023	2023	1Q 2024
Clients	711.801	722.135	729.965	738.712	738.712	747.983	757.584	767.136	779.678	779.678	792.122
Advisers	1.102	1.107	1.070	1.092	1.092	1.075	1.060	1.066	1.077	1.077	1.150
Total sales revenues	27.600.000	24.600.000	22.400.000	21.700.000	96.300.000	24.300.000	23.400.000	23.700.000	25.800.000	97.200.000	29.300.000
EBIT	2.800.000	1.700.000	700.000	0	5.200.000	1.200.000	400.000	700.000	900.000	3.200.000	1.700.000
EBIT Margin	10,1%	6,9%	3,1%	0,0%	5,4%	4,9%	1,7%	3,0%	3,5%	3,3%	5,8%

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Rating Chronicle	Date	rating	former share price	former target
OVV Holding AG	21-Mar-24	Buy	19,80 €	25,00 €
OVV Holding AG	8-Nov-23	Buy	20,20 €	25,00 €
OVV Holding AG	11-Aug-23	Accumulate	22,00 €	24,00 €
OVV Holding AG	9-May-23	Hold	23,80 €	24,00 €
OVV Holding AG	29-Mar-23	Accumulate	22,20 €	24,00 €
OVV Holding AG	9-Nov-22	Accumulate	22,40 €	26,00 €
OVV Holding AG	10-Aug-22	Accumulate	26,60 €	28,00 €
OVV Holding AG	11-May-22	Accumulate	24,80 €	28,00 €
OVV Holding AG	23-Mar-22	Buy	24,80 €	30,00 €
OVV Holding AG	9-Nov-21	Buy	25,00 €	28,00 €
OVV Holding AG	11-Aug-21	Buy	21,20 €	26,00 €
OVV Holding AG	11-May-21	Buy	20,80 €	24,00 €
OVV Holding AG	23-Mar-21	Buy	18,30 €	22,00 €

Please note:

The OVV share price mentioned in this report is from closing of 7 May 2024. OVV mandated SRC Research for covering the OVV share.

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