

■ **Price (Euro)** **17.40**
52 weeks range 18.20 / 14.70

■ **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)	248.0
Number of shares (million)	14.3
Free Float	3.0%
Free Float MarketCap (Euro million)	7.4
CAGR pre-tax profit '19 -'22e	5.7%

■ Multiples	2019	2020e	2021e	2022e
P/E-Ratio	22.5	23.3	19.9	17.7
P/S-Ratio	1.2	1.3	1.3	1.3
Dividend Yield	4.3%	4.3%	4.6%	5.2%

■ Key Data per Share (Euro)	2019	2020e	2021e	2022e
Earnings per Share (EPS)	0.77	0.75	0.87	0.98
Dividends per Share (DPS)	0.75	0.75	0.80	0.90
Book Value per Share (BVpS)	6.36	6.38	6.48	6.58

■ Financial Data (Euro '000)	2019	2020e	2021e	2022e
Brokerage Income	257,819	252,972	261,826	273,346
Total income	269,063	262,926	272,680	285,757
EBIT	14,082	13,691	15,443	17,328
<i>EBIT-margin</i>	5.5%	5.4%	5.9%	6.3%
Pre-tax profit (EBT)	15,393	13,481	15,893	18,169
Net profit after minorities	11,012	10,632	12,442	13,973
Shareholders' Equity	90,637	90,909	92,363	93,841
RoE after tax	12.2%	11.7%	13.6%	15.0%

■ **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**

3Q 2020	10 November 2020
2020 annual report	March 2021

■ **Analyst**

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Decent numbers for the first 6 months unveil a 3% growth and +31% in EBIT, the 2Q sales numbers above last year for CEE and SWE, only Germany weaker, new EBIT forecast might be a bit conservative

Today, OVB published the 1H 2020 report and invited for a conference call. **The numbers unveiled a good operating performance despite the Covid-19 global pandemic for the first 6 months with a growth in all 3 regions translating into a 2.9% hike in sales revenues, from Euro 127m to approx. Euro 131m, and a +3.7% hike in the number of clients for the period January to June, to 3.9 million (Dec. 2019: 3.67 million). The EBIT was even better, with a steep 31% hike, from Euro 5.7m to Euro 7.5m.**

The motor of growth and the backbone for EBIT was again the CEE region like in 1Q, admittedly at a lower pace. After the 1Q unveiled a steep 8.3% hike in CEE top-line, the 2Q was still good for a +2.7% increase in these challenging times. Looking at 2Q stand-alone, the Euro 30.8m revenues were above 2Q last year (Euro 30.0m). With regards to the CEE EBIT, the 2Q result was remarkably high at Euro 3.5m, after 2.5m in the initial quarter and Euro 2.7m in 2Q 2019. The 1H EBIT margin for CEE climbed from 7.1% to 9.6%, with regards to 2Q stand-alone it even entered the double-digit region with 11.4%. Poland, Slovakia, Romania and Ukraine contributed positively for these numbers and the management also stated in the call an accelerating business in the Czech Republic for the second quarter.

The home market Germany was a bit ahead with 1H numbers, a +1% in revenues, from Euro 30.1m to Euro 30.4m, and a higher EBIT due to lowered admin and sales expenses, +18% from Euro 4.1m to Euro 4.9m, but 2Q revenues (Euro 14.3m) below 1Q 2020 (Euro 16.1m) and below 2Q 2019 (Euro 15.2m). For the full year, the management expects Germany to come in with somewhat lower revenues than in the year before.

The region South and Western Europe (SWE) was a mixed bag with accelerating business in Switzerland, Austria and Belgium and a weaker business due to Corona issues in France, Italy and Spain, where revenues went down in a high single digit range. All in all, half-year revenues in SWE remained unchanged at Euro 38m, but EBIT was down from Euro 2.4m to Euro 1.7m. The higher number of advisers in SWE (884 after 855 at year-end) might allow for slightly rising revenues in SWE for the full year, depending on the success of Corona measures in each single country.

In an adhoc news from 31 July the company already stated a target for the full year group's EBIT in a range of Euro 12.5m to Euro 13.0m, far above our estimate of Euro 8.5m in May after 1Q and the many Covid-19 lockdown weeks in many European countries and only little below 2019 level (Euro 14.1m).

The OVB financial advisory business is more resilient as we initially expected as the firm was able to put a strong focus on virtual advisory to communicate and close contracts with their clients. Nevertheless, the risk of higher unemployment rates is a threat for the second half of the year which would dampen the decent 1H picture. On the basis of the first half of the year the given EBIT guidance is a bit too conservative in our view. We set our new EBIT forecast at Euro 13.7m, quite close to the old 2019 level. We lift our target price after the encouraging picture of 1H report from Euro 19.00 to Euro 21.00 and maintain our Buy rating.



OVB Holding AG

Industry:	Financial Advisory	Management Board of OVB Holding AG:	
Sub-segment:	Private households	CEO Mario Freis	
Country:	Germany	CFO Oskar Heitz	COO Thomas Hücker
Headquarter:	Cologne		
Foundation:	1970		
Employees:	620		
(Holding, IT and services)		Supervisory Board of OVB Holding AG:	
IR Contact:		Michael Johnigk (Chairman)	Markus Jost
Brigitte Bonifer (Mail: bbonifer@ovb.de)		Dr. Thomas A. Lange	Wilfried Kempchen
		Maximilian Beck	Harald Steirer

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 an average to affluent incomes. OVB has a broad customer base of more than 3.7m clients across Europe. More than 5,000 independent financial advisers provide a superior independent financial advice. At present, after the market entry in Belgium in December 2018, OVB is represented in 15 countries. To simplify reporting, countries are being classified in three regions: France, Italy, Spain, Switzerland, Austria, Greece and Belgium belong to South and Western Europe (SWE). SWE stands for 28% of group's revenues at present. The lion's share of revenues (48 %) 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 24%.



Due to an early engagement as outsider 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 (about 2,900 of c. 5,000 advisers) and usually generate the largest contribution to group's operating profit (about 47%). However, the fifteen national markets of OVB count a population of more than 410 million people. The company generates more than 75% 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 (not so much at Corona times, unluckily) and during the continued very low interest environment. Anyhow, the management continuously screens further national markets to expand its reach in Europe (the Baltics might be a topic for later years, also Serbia, Bosnia and Lux), but with the COVID-19 pandemic regional expansion is not at the top of the agenda, for sure. Regarding to the Evolution 2022 program the firm wanted to enter at least 1 more new country until 2022 and did this with Belgium in Dec. 2018. With regards to the dividend, OVB is a steady and reliable payer, the FY 2019 dividend remains stable at 75 Cents (the same since FY 2016). The dividend yield is high at the current share price, at above 4%. The 2018 RoE after tax was at high 10.7% and climbed to 12.2% in 2019. With the COVID-19 pandemic we expected a slump in 2020 with low business levels in particular in 2Q 2020 (which did not happen, group's sales in 2Q 2020 unchanged). The full year revenues should drop only slightly (if at all). The EBIT should almost come in at the 2019 level of Euro 14.1m in our view (the firm's guidance at Euro 12.5m to Euro 13.0m).

Source: Company Data, SRC Research

P&L Account for OVV Holding AG

31/12 IFRS ('000 Euro)	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e	CAGR '19 - '22e
Brokerage Income*	197,398	210,108	218,693	221,629	231,337	257,819	252,972	261,826	273,346	2.0%
Other operating income	7,520	9,379	8,845	9,680	11,407	11,244	9,954	10,854	12,411	
Total income	204,918	219,487	227,538	231,309	242,744	269,063	262,926	272,680	285,757	2.0%
Brokerage expenses	-128,503	-139,739	-144,509	-148,040	-155,079	-170,060	-167,254	-172,554	-182,390	
Gross profit	68,895	70,369	74,184	73,589	76,258	87,759	85,718	89,272	90,956	
<i>Gross margin</i>	<i>34.9%</i>	<i>33.5%</i>	<i>33.9%</i>	<i>33.2%</i>	<i>33.0%</i>	<i>34.0%</i>	<i>33.9%</i>	<i>34.1%</i>	<i>33.3%</i>	
Personnel expenses	-26,830	-26,678	-26,128	-27,966	-29,778	-37,997	-38,987	-38,227	-39,120	
Other operating expenses	-34,197	-35,352	-36,775	-35,224	-40,461	-40,044	-36,450	-39,559	-39,684	
EBITDA	15,388	17,718	20,126	20,079	17,426	20,962	20,235	22,340	24,563	
<i>EBITDA-margin</i>	<i>7.8%</i>	<i>8.4%</i>	<i>9.2%</i>	<i>9.1%</i>	<i>7.5%</i>	<i>8.1%</i>	<i>8.0%</i>	<i>8.5%</i>	<i>9.0%</i>	
Depreciation and amortisation	-3,133	-3,683	-3,610	-4,113	-4,263	-6,880	-6,544	-6,897	-7,235	
Operating profit (EBIT)	12,255	14,035	16,516	15,966	13,163	14,082	13,691	15,443	17,328	7.2%
<i>EBIT margin</i>	<i>6.2%</i>	<i>6.7%</i>	<i>7.6%</i>	<i>7.2%</i>	<i>5.7%</i>	<i>5.5%</i>	<i>5.4%</i>	<i>5.9%</i>	<i>6.3%</i>	
Financial result	636	339	738	418	-323	1,311	-210	450	841	
Earnings before taxes (EBT)	12,891	14,374	17,254	16,384	12,840	15,393	13,481	15,893	18,169	5.7%
<i>EBT margin</i>	<i>6.5%</i>	<i>6.8%</i>	<i>7.9%</i>	<i>7.4%</i>	<i>5.6%</i>	<i>6.0%</i>	<i>5.3%</i>	<i>6.1%</i>	<i>6.6%</i>	
Taxes on income	-4,169	-4,779	-4,564	-4,048	-3,115	-4,141	-2,752	-3,310	-3,951	
<i>Tax rate</i>	<i>32.3%</i>	<i>33.2%</i>	<i>26.5%</i>	<i>24.7%</i>	<i>24.3%</i>	<i>26.9%</i>	<i>20.4%</i>	<i>20.8%</i>	<i>21.7%</i>	
Consolidated net income for the year	8,722	9,595	12,690	12,336	9,725	11,252	10,729	12,583	14,218	
Minority interests	-1	-217	-154	-194	-109	-240	-97	-141	-245	
Net profit after minorities	8,721	9,378	12,536	12,142	9,616	11,012	10,632	12,442	13,973	8.3%
<i>Return on sales</i>	<i>4.4%</i>	<i>4.5%</i>	<i>5.7%</i>	<i>5.5%</i>	<i>4.2%</i>	<i>4.3%</i>	<i>4.2%</i>	<i>4.8%</i>	<i>5.1%</i>	
Number of shares ('000)	14,251	14,251	14,251	14,251	14,251	14,251	14,251	14,251	14,251	
Earnings per Share (EPS)	0.61	0.66	0.88	0.85	0.67	0.77	0.75	0.87	0.98	
Dividends per Share (DPS)	0.60	0.65	0.75	0.75	0.75	0.75	0.75	0.80	0.90	
Book Value per Share (BVPS)	5.86	5.94	6.16	6.22	6.35	6.36	6.38	6.48	6.58	
Total assets	151,887	159,260	167,768	173,020	186,327	215,991	211,445	216,203	225,759	
Shareholders' Equity	83,460	84,632	87,746	88,664	90,444	90,637	90,909	92,363	93,841	1.2%

* without secondary contracts

Key data	2Q 2018	3Q 2018	4Q 2018	2018	1Q 2019	2Q 2019	3Q 2019	4Q 2019	2019	1Q 2020	2Q 2020
Clients	3,410,000	3,440,000	3,480,000	3,480,000	3,630,000	3,670,000	3,710,000	3,760,000	3,760,000	3,870,000	3,900,000
Advisers	4,732	4,747	4,715	4,715	4,911	4,954	4,960	5,069	5,069	5,041	5,072
Total sales revenues	56,700,000	53,800,000	62,200,000	231,300,000	63,100,000	64,000,000	61,800,000	68,919,000	257,819,000	66,800,000	63,900,000
EBIT	2,700,000	2,700,000	4,900,000	13,200,000	2,600,000	3,100,000	2,900,000	5,482,000	14,082,000	3,900,000	3,600,000
EBIT Margin	4.8%	5.0%	7.9%	5.7%	4.1%	4.8%	4.7%	8.0%	5.5%	5.8%	5.6%
Net profit (after minorities)	1,900,000	1,800,000	4,016,000	9,616,000	2,436,000	2,225,000	2,426,000	3,925,000	9,616,000	2,385,000	3,109,000
Regions											
CEE	2Q 2018	3Q 2018	4Q 2018	2018	1Q 2019	2Q 2019	3Q 2019	4Q 2019	2019	1Q 2020	2Q 2020
Clients	2,320,000	2,340,000	2,390,000	2,390,000	2,420,000	2,450,000	2,490,000	2,520,000	2,520,000	2,630,000	2,660,000
Advisers	2,760	2,786	2,752	2,752	2,779	2,824	2,854	2,919	2,919	2,976	2,964
Total sales revenues	27,900,000	26,300,000	32,700,000	116,300,000	29,000,000	30,000,000	29,700,000	34,200,000	122,900,000	31,400,000	30,800,000
EBIT	1,700,000	2,600,000	3,600,000	9,900,000	1,500,000	2,700,000	2,900,000	4,000,000	11,100,000	2,500,000	3,500,000
EBIT Margin	6.1%	9.9%	11.0%	8.5%	5.2%	9.0%	9.8%	11.7%	9.0%	8.0%	11.4%
Germany	2Q 2018	3Q 2018	4Q 2018	2018	1Q 2019	2Q 2019	3Q 2019	4Q 2019	2019	1Q 2020	2Q 2020
Clients	619,386	619,431	616,775	616,775	616,307	614,423	614,044	612,982	612,982	611,859	611,524
Advisers	1,313	1,319	1,333	1,333	1,299	1,293	1,286	1,295	1,295	1,219	1,224
Total sales revenues	14,500,000	14,100,000	16,300,000	59,400,000	14,900,000	15,200,000	15,200,000	16,300,000	61,600,000	16,100,000	14,300,000
EBIT	2,100,000	1,100,000	2,200,000	7,100,000	1,900,000	2,200,000	1,500,000	2,300,000	7,900,000	2,500,000	2,400,000
EBIT Margin	14.5%	7.8%	13.5%	12.0%	12.8%	14.5%	9.9%	14.1%	12.8%	15.5%	16.8%
South-Western Europe	2Q 2018	3Q 2018	4Q 2018	2018	1Q 2019	2Q 2019	3Q 2019	4Q 2019	2019	1Q 2020	2Q 2020
Clients	464,937	474,313	481,283	481,283	600,534	606,370	614,643	619,374	619,374	628,643	633,691
Advisers	659	642	630	630	833	837	820	855	855	846	884
Total sales revenues	14,300,000	13,300,000	13,300,000	55,600,000	19,200,000	18,800,000	16,900,000	18,400,000	73,300,000	19,300,000	18,900,000
EBIT	1,400,000	1,600,000	1,700,000	6,200,000	1,300,000	1,100,000	1,000,000	1,400,000	4,800,000	1,000,000	700,000
EBIT Margin	9.8%	12.0%	12.8%	11.2%	6.8%	5.9%	5.9%	7.6%	6.5%	5.2%	3.7%

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Rating Chronicle	Date	rating	former share price	former target
OVB Holding AG	8-May-20	Buy	15.80 €	19.00 €
OVB Holding AG	1-Apr-20	Buy	15.10 €	19.00 €
OVB Holding AG	14-Aug-19	Buy	16.80 €	23.00 €
OVB Holding AG	8-May-19	Buy	17.00 €	22.00 €
OVB Holding AG	22-Mar-19	Buy	17.00 €	22.00 €
OVB Holding AG	9-Nov-18	Buy	16.20 €	22.00 €
OVB Holding AG	8-Aug-18	Hold	19.10 €	21.00 €
OVB Holding AG	8-May-18	Hold	18.30 €	20.00 €
OVB Holding AG	26-Mar-18	Hold	20.20 €	20.00 €
OVB Holding AG	13-Nov-17	Hold	18.88 €	20.00 €
OVB Holding AG	14-Aug-17	Accumulate	18.91 €	21.00 €

Please note:

The OVB share price mentioned in this report is from closing of 11 August 2020.

OVB mandated SRC Research for covering the OVB share.

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