

OVB with impressive 15% growth in CEE, helping for a higher full year guidance in terms of revenues, upgrade to Buy and 25 Euros

Today, OVB published the 9M 2023 report and invited for a conference call. Despite a sluggish economic picture in Europe, as home market Germany slipped into a slight recession and still faces a high (but declining) inflation, OVB delivered an impressive growth momentum in terms of revenues and also in terms of client's base and financial advisers. For this reason OVB already lifted on Friday the full year 2023 guidance from the old range of Euro 325m to Euro 350m to now Euro 350m to Euro 360m. We already had a Euro 343m top-line projection more at the upper end after the sound 1H picture and now lift this forecast by another Euro 11m to Euro 354m. With regards to a higher cost base, stemming from general inflation, but also for measurements to improve internal IT structures, education and marketing as well as for the OVB Excellence 2027 program, the management refrained from also lifting the EBIT guidance, which remains in the Euro 16m to Euro 19m range. With the 9M picture, we stay a bit above the upper end, with our unchanged Euro 19.5m projection.

In detail, OVB's 9M group's sales commissions increased by 5.3%, from Euro 247m to more than Euro 260m. The number of clients also surged almost 5%, from 4.26 million to 4.46 million, 200 thousand new clients in the last 12 months speaks a clear language for the huge demand and a superior advisory quality in shaky economic times. The number of financial advisers climbed by 4%, from 5,648 to 5,896, giving a good ground for growth to follow the next quarters. With the above-mentioned higher expenses, the company could not transport the higher top-line in a higher EBIT. This came down by Euro 4m, from Euro 15.4m to Euro 11.4m, with the lion's share stemming from a jump in other operating expenses, from Euro 38m to over Euro 41m.

The motor of growth was again like in the first two quarters Eastern Europe. CEE sales commissions jumped 15%, to Euro 146m. The third quarter stand-alone was even much stronger, a 24% jump from Euro 41m to Euro 51m. In CEE OVB could deliver an unchanged 9M EBIT of Euro 13.1m. Again, 3Q stand-alone was better with +14% to Euro 4.8m. In the call the CEO stated a very good performance in Czech, Poland and Hungary.

The weak German market was a bit improving, after a massive -11% in revenues in the first half of the year, the third quarter delivered a +6% hike, which helped to reduce the 9M overall decline in Germany to only -5%, from Euro 45m to approx. Euro 43m. On the 9M EBIT level, the company remained far away from last year (-39%). After Euro 1.4m in 1Q and Euro 1.0m in 2Q, the third quarter was again below, only Euro 0.8m EBIT.

The picture for South and Western Europe (SWE) was quite similar to Germany. After the reluctance of many clients made the 1H revenues shrink by 8.5%, there was an upward trend coming in 3Q, with a Plus of 6%, translating into a small overall decline for 9M of only 4%, from Euro 74.6m to Euro 71.4m. The EBIT of SWE halved from Euro 5.2m to only 2.3m, but 3Q contribution was at least clearly above a very low 2Q level.

With the lifted revenues guidance, the strong CEE performance and the improving picture in Germany and SWE we lift the OVB share now from Accumulate to Buy and target from Euro 24.00 to Euro 25.00. We still hope for a positive surprise at EBIT, as the given range might be too low.

Price (Euro)	20,20			
52 weeks range	25.60 / 19.80			
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)	287,9			
Number of shares (million)	14,3			
Free Float	3,0%			
Free Float MarketCap (Euro million)	8,6			
CAGR pre-tax profit '22 -'25e	8,1%			
Multiples	2022	2023e	2024e	2025e
P/E-Ratio	19,6	22,3	17,9	15,4
P/S-Ratio	1,4	1,5	1,5	1,5
Dividend Yield	4,5%	4,5%	5,0%	5,4%
Key Data per Share (Euro)	2022	2023e	2024e	2025e
Earnings per Share (EPS)	1,03	0,91	1,13	1,31
Dividends per Share (DPS)	0,90	0,90	1,00	1,10
Book Value per Share (BVpS)	6,56	6,73	6,80	6,86
Financial Data (Euro '000)	2022	2023e	2024e	2025e
Brokerage Income	331.947	354.187	361.625	371.389
Total income	346.919	366.038	373.745	384.643
EBIT	22.011	19.470	23.140	26.722
EBIT-margin	6,6%	5,5%	6,4%	7,2%
Pre-tax profit (EBT)	21.410	18.516	23.350	27.072
Net profit after minorities	14.671	12.903	16.040	18.637
Shareholders' Equity	93.514	95.899	96.858	97.729
RoE after tax	15,9%	13,6%	16,6%	19,2%
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				
2023 annual report		21 March 2024		
1Q 2024		8 May 2024		
AGM		12 June 2024		
1H 2024		13 August 2024		
Analyst	Dipl.-Kfm. Stefan Scharff, CREA			
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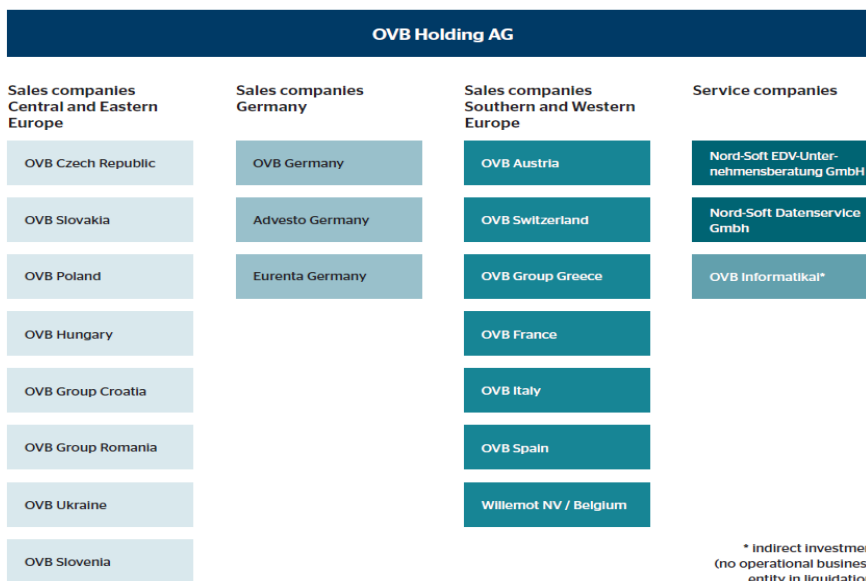
OVB Holding AG

Industry: Financial Advisory
Sub-segment: Private households
Country: Germany
Headquarter: Cologne
Foundation: 1970
Employees: 708
 (Holding, IT and services)
IR Contact:
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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 Johnigk (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 29% of group's revenues at present. The lion's share of revenues (53%) 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 18%.



Due to an early engagement as outrider 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 (over 50%). However, the sixteen national markets of OVB count a population of more than 412 million people. The company generates 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. The company will keep the dividend stable at 90 Cents for FY 2022 as this was the same amount for FY 2021. For the EBIT the company is more careful for 2023 in this inflationary environment, that hampers the growth but drives the overall expenses. Also the company invests in its Excellence 2027 strategic program. The expected 2023 EBIT range for the management is Euro 16m to Euro 19m (after Euro 22m in 2022). In our view, this guidance is a bit too cautious. We set our EBIT forecast a bit above that range.

Source: Company Data, SRC Research

P&L Account for OVB Holding AG

31/12 IFRS ('000 Euro)	2018	2019	2020	2021	2022	2023e	2024e	2025e	CAGR '22 - '25e
Brokerage Income*	231.337	257.819	270.563	320.696	331.947	354.187	361.625	371.389	3,8%
Other operating income	11.407	11.244	10.158	10.959	14.972	11.851	12.120	13.254	
Total income	242.744	269.063	280.721	331.655	346.919	366.038	373.745	384.643	3,5%
Brokerage expenses	-155.079	-170.060	-181.460	-215.485	-218.259	-235.102	-240.587	-245.911	
Gross profit	76.258	87.759	89.103	105.211	113.688	119.085	121.038	125.478	
<i>Gross margin</i>	<i>33,0%</i>	<i>34,0%</i>	<i>32,9%</i>	<i>32,8%</i>	<i>34,2%</i>	<i>33,6%</i>	<i>33,5%</i>	<i>33,8%</i>	
Personnel expenses	-29.778	-37.997	-39.278	-42.298	-45.575	-48.813	-48.815	-50.120	
Other operating expenses	-40.461	-40.044	-38.144	-44.372	-52.579	-53.571	-51.821	-52.240	
EBITDA	17.426	20.962	21.839	29.500	30.506	28.552	32.522	36.372	
<i>EBITDA-margin</i>	<i>7,5%</i>	<i>8,1%</i>	<i>8,1%</i>	<i>9,2%</i>	<i>9,2%</i>	<i>8,1%</i>	<i>9,0%</i>	<i>9,8%</i>	
Depreciation and amortisation	-4.263	-6.880	-6.948	-7.734	-8.495	-9.082	-9.382	-9.650	
Operating profit (EBIT)	13.163	14.082	14.891	21.766	22.011	19.470	23.140	26.722	6,7%
<i>EBIT margin</i>	<i>5,7%</i>	<i>5,5%</i>	<i>5,5%</i>	<i>6,8%</i>	<i>6,6%</i>	<i>5,5%</i>	<i>6,4%</i>	<i>7,2%</i>	
Financial result	-323	1.311	-210	393	-601	-954	210	350	
Earnings before taxes (EBT)	12.840	15.393	14.681	22.159	21.410	18.516	23.350	27.072	8,1%
<i>EBT margin</i>	<i>5,6%</i>	<i>6,0%</i>	<i>5,4%</i>	<i>6,9%</i>	<i>6,4%</i>	<i>5,2%</i>	<i>6,5%</i>	<i>7,3%</i>	
Taxes on income	-3.115	-4.141	-3.957	-6.463	-6.349	-5.203	-6.875	-7.985	
<i>Tax rate</i>	<i>24,3%</i>	<i>26,9%</i>	<i>27,0%</i>	<i>29,2%</i>	<i>29,7%</i>	<i>28,1%</i>	<i>29,4%</i>	<i>29,5%</i>	
Consolidated net income for the year	9.725	11.252	10.724	15.696	15.061	13.313	16.475	19.087	
Minority interests	-109	-240	-239	19	-390	-410	-435	-450	
Net profit after minorities	9.616	11.012	10.485	15.715	14.671	12.903	16.040	18.637	8,3%
<i>Return on sales</i>	<i>4,2%</i>	<i>4,3%</i>	<i>3,9%</i>	<i>4,9%</i>	<i>4,4%</i>	<i>3,6%</i>	<i>4,4%</i>	<i>5,0%</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)	0,67	0,77	0,74	1,10	1,03	0,91	1,13	1,31	
Dividends per Share (DPS)	0,75	0,75	1,00	0,90	0,90	0,90	1,00	1,10	
Book Value per Share (BVPS)	6,35	6,36	6,32	6,41	6,56	6,73	6,80	6,86	
Total assets	186.327	215.991	233.484	257.825	261.113	266.701	274.649	284.140	
Shareholders' Equity	90.444	90.637	90.000	91.371	93.514	95.899	96.858	97.729	1,5%

* without secondary contracts

Key data	1Q 2021	2Q 2021	3Q 2021	4Q 2021	2021	1Q 2022	2Q 2022	3Q 2022	4Q 2022	2022	1Q 2023	2Q 2023	3Q 2023
Clients	4.010.000	4.050.000	4.090.000	4.130.000	4.130.000	4.180.000	4.220.000	4.260.000	4.270.000	4.270.000	4.270.000	4.410.000	4.460.000
Advisers	5.358	5.465	5.466	5.603	5.603	5.613	5.630	5.648	5.772	5.772	5.785	5.806	5.896
Total sales revenues	78.700.000	80.500.000	75.000.000	86.500.000	320.700.000	84.200.000	85.500.000	77.500.000	84.700.000	331.900.000	83.400.000	87.200.000	89.700.000
EBIT	5.900.000	6.500.000	3.900.000	5.500.000	21.800.000	6.000.000	5.200.000	4.200.000	6.600.000	22.000.000	3.100.000	3.800.000	4.500.000
EBIT Margin	7,5%	8,1%	5,2%	6,4%	6,8%	7,1%	6,1%	5,4%	7,8%	6,6%	3,7%	4,4%	5,0%
Net profit (after minorities)	4.662.000	4.902.000	2.745.000	3.406.000	15.715.000	3.439.000	2.798.000	2.921.000	5.513.000	14.671.000	2.343.000	2.968.000	3.825.000
Regions													
CEE	1Q 2021	2Q 2021	3Q 2021	4Q 2021	2021	1Q 2022	2Q 2022	3Q 2022	4Q 2022	2022	1Q 2023	2Q 2023	3Q 2023
Clients	2.730.000	2.760.000	2.790.000	2.820.000	2.820.000	2.850.000	2.880.000	2.920.000	2.920.000	2.920.000	2.910.000	3.040.000	3.080.000
Advisers	3.141	3.188	3.196	3.276	3.276	3.308	3.312	3.365	3.461	3.461	3.549	3.581	3.658
Total sales revenues	36.300.000	39.800.000	37.400.000	44.400.000	157.900.000	40.700.000	45.800.000	41.000.000	46.900.000	174.400.000	45.200.000	49.900.000	51.000.000
EBIT	3.600.000	4.700.000	4.700.000	7.400.000	20.400.000	4.600.000	4.300.000	4.200.000	5.700.000	18.800.000	2.700.000	5.600.000	4.800.000
EBIT Margin	9,9%	11,8%	12,6%	16,7%	12,9%	11,3%	9,4%	10,2%	12,2%	10,8%	6,0%	11,2%	9,4%
Germany	1Q 2021	2Q 2021	3Q 2021	4Q 2021	2021	1Q 2022	2Q 2022	3Q 2022	4Q 2022	2022	1Q 2023	2Q 2023	3Q 2023
Clients	608.502	608.544	614.278	613.386	613.386	614.513	614.407	615.967	616.224	616.224	613.588	613.813	613.767
Advisers	1.205	1.216	1.227	1.240	1.240	1.203	1.211	1.213	1.219	1.219	1.161	1.165	1.172
Total sales revenues	16.600.000	15.100.000	15.500.000	17.300.000	64.500.000	15.900.000	15.100.000	14.100.000	16.100.000	61.200.000	13.800.000	13.900.000	15.000.000
EBIT	2.800.000	2.200.000	1.600.000	1.600.000	8.200.000	2.400.000	1.500.000	1.300.000	2.000.000	7.200.000	1.400.000	1.000.000	800.000
EBIT Margin	16,9%	14,6%	10,3%	9,2%	12,7%	15,1%	9,9%	9,2%	12,4%	11,8%	10,1%	7,2%	5,3%
South-Western Europe	1Q 2021	2Q 2021	3Q 2021	4Q 2021	2021	1Q 2022	2Q 2022	3Q 2022	4Q 2022	2022	1Q 2023	2Q 2023	3Q 2023
Clients	666.592	680.572	689.749	700.606	700.606	711.801	722.135	729.965	738.712	738.712	747.983	757.584	767.136
Advisers	1.012	1.061	1.043	1.087	1.087	1.102	1.107	1.070	1.092	1.092	1.075	1.060	1.066
Total sales revenues	25.900.000	25.500.000	22.100.000	24.900.000	98.400.000	27.600.000	24.600.000	22.400.000	21.700.000	96.300.000	24.300.000	23.400.000	23.700.000
EBIT	2.500.000	2.200.000	2.100.000	2.300.000	9.100.000	2.800.000	1.700.000	700.000	0	5.200.000	1.200.000	400.000	700.000
EBIT Margin	9,7%	8,6%	9,5%	9,2%	9,2%	10,1%	6,9%	3,1%	0,0%	5,4%	4,9%	1,7%	3,0%

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Rating Chronicle	Date	former rating	former share price	former target
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 €
OVV Holding AG	10-Nov-20	Buy	18,50 €	21,00 €

Please note:

The OVV share price mentioned in this report is from closing of 7 November 2023.

OVV mandated SRC Research for covering the OVV share.

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