

OVB releases 2022 report with a record high sales commissions but a sluggish 4Q unveils a much slower growth momentum in the light of inflation and deteriorating economies – target down to Euro 24.00

Today, OVB published the 2022 annual report. Despite the war in Ukraine and a trend for a persisting inflation as well as deteriorating economic pictures everywhere, OVB came up with a 3.5% hike in sales revenues to Euro 332m (2021: Euro 321m) and a tiny 1% increase in EBIT to Euro 22m, which met their guidance of Euro 22m to Euro 25m. The EBIT result was flattered by relatively high other operating income of Euro 15m, after Euro 11m in 2021. The full year picture was clearly coined by a slowing down momentum in the 4th quarter, as sales growth was +5.5% in 9M and turned negative to -2.1% in 4Q. **Motor of growth was again CEE with all countries except for Ukraine contributing for revenues growth, in particular Poland, Hungary and Romania being strong. The full year growth for top-line was +10.5% to Euro 174m, but even here 4Q was only a much smaller hike of only 5.6%, with a shrinking EBIT (-23% in 4Q)** as higher costs in the inflation-driven Eastern economies translated into a lower 4Q EBIT margin of only 12.2% (4Q 2021: 16.7%). For 2023 the management expects a moderate increase in sales revenues, but the EBIT to come in at lower levels, as CEE EBIT was already slightly down from Euro 20.4m to Euro 18.8m.

Germany was not part of the growth story, as a much higher interest rate environment hampered the demand for mortgage-based solutions and the rising economic uncertainty led to a higher reluctance for private pensions provisions. Sales revenues were down -5.1% to Euro 61.2m, the decline was even stronger on a 4Q stand-alone (-6.9%). The full year EBIT of Germany came down from Euro 8.2m to Euro 7.2m (-12%). For 2023 the management expects the decline in EBIT of Germany to continue due to the rising cost base on a much higher general inflation level.

SWE countries delivered a mixed picture. After a small +1.5% hike in top-line after 9M, the full year turned negative -2% to Euro 96m, with higher contributions coming from Spain, Italy and Austria, but a lower performance from Switzerland and Belgium. The SWE EBIT almost halved from Euro 9.1m in 2021 to Euro 5.2m, and 4Q EBIT was only a Zero. For 2023 the management expects the EBIT to recover and a small hike in sales.

OVB successfully finished the Evolution 2022 program of the last 5 years, bringing up clients' base by almost 1 million new clients to 4.3 million and attracting 1,000 new financial advisers to almost 5,800. OVB made good progress to drive the digitalization and internal training that very much helped to prevail in the pandemic years. The new **"OV Excellence 2027"** initiative has a strong focus on innovation, digitalization and sales excellence to offer and sell the best financial solutions to their clients. With Slovenia the 16th market was started mid of 2022 and perhaps Portugal, Lux and / or the Baltics might follow in mid-term. In 2022 OVB faced a lower net financial result (down € -1m), that translated into a lower net profit of Euro 14.7m after 15.7m, but keeping dividend stable at 90 Cents. The 2023 guidance is a slight Plus or Minus at top-line (Euro 325m to Euro 350m), but a lower Euro 16m to Euro 19m EBIT due to a higher cost base in an inflationary environment. **In our view, that is very cautious. We put our 2023e EBIT at Euro 19.5m. With a more challenging overall situation and a sluggish 4Q we bring down our target price to Euro 24.00.**

Price (Euro)	22,20			
52 weeks range	29.00 / 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)	316,4			
Number of shares (million)	14,3			
Free Float	3,0%			
Free Float MarketCap (Euro million)	9,5			
CAGR pre-tax profit '22 -'25e	8,1%			
Multiples				
	2022	2023e	2024e	2025e
P/E-Ratio	21,6	24,4	19,7	17,0
P/S-Ratio	1,6	1,6	1,7	1,6
Dividend Yield	4,1%	4,1%	4,5%	5,0%
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	342.602	356.992	366.631
Total income	346.919	354.453	369.342	379.885
EBIT	22.011	19.535	23.139	26.705
EBIT-margin	6,6%	5,7%	6,5%	7,3%
Pre-tax profit (EBT)	21.410	18.581	23.349	27.055
Net profit after minorities	14.671	12.968	16.039	18.620
Shareholders' Equity	93.514	95.899	96.858	97.729
RoE after tax	15,9%	13,7%	16,6%	19,1%
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				
1Q 2023 report		9 May 2023		
AGM		14 June 2023		
1H 2023 report		11 August 2023		
9M 2023 report		8 November 2023		
Analyst				
	Dipl.-Kfm. Stefan Scharff, CREA			
	☎ 49 (0)69 400 313-80			
	✉ scharff@src-research.de			
Internet				
	www.src-research.de			
	www.aktienmarkt-deutschland.de			
	www.aktienmarkt-international.de			
	www.aktienmarkt-international.at			



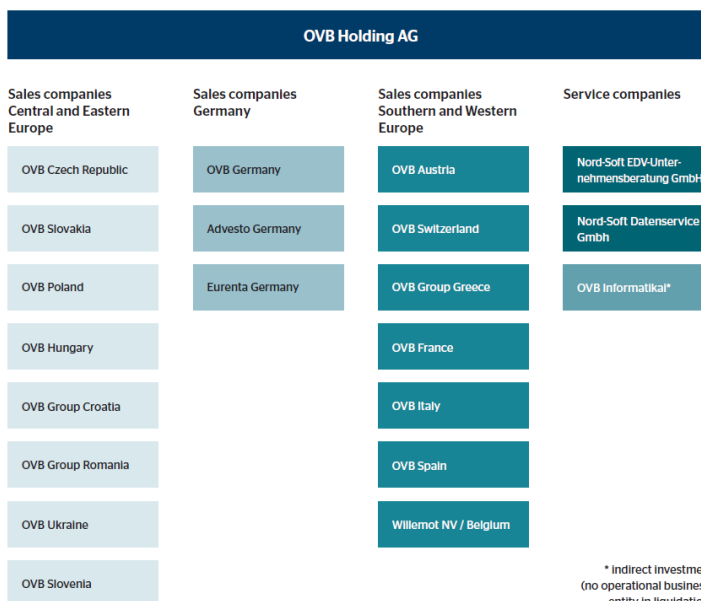
OVB Holding AG

Industry: Financial Advisory
Sub-segment: Private households
Country: Germany
Headquarter: Cologne
Foundation: 1970
Employees: 708
 (Holding, IT and services)
IR Contact:
 Brigitte Bonifer (Mail: bbonifer@ovb.de)

Management Board of OVB Holding AG:
 CEO Mario Freis
 CFO Frank Burow
 COO Heinrich Fritzlär

Supervisory Board of OVB Holding AG:
 Michael Johnigk (Chairman) Markus Jost
 Dr. Thomas A. Lange Wilfried Kempchen
 Julia Wiens 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 average to affluent incomes. OVB has a broad customer base of much more than 4 million clients across Europe. Over 5,700 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 3,500 of c. 5,800 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. 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)	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e	CAGR '22 - '25e
Brokerage Income*	221.629	231.337	257.819	270.563	320.696	331.947	342.602	356.992	366.631	3,4%
Other operating income	9.680	11.407	11.244	10.158	10.959	14.972	11.851	12.350	13.254	
Total income	231.309	242.744	269.063	280.721	331.655	346.919	354.453	369.342	379.885	3,1%
Brokerage expenses	-148.040	-155.079	-170.060	-181.460	-215.485	-218.259	-227.988	-237.050	-241.366	
Gross profit	73.589	76.258	87.759	89.103	105.211	113.688	114.614	119.942	125.265	
<i>Gross margin</i>	<i>33,2%</i>	<i>33,0%</i>	<i>34,0%</i>	<i>32,9%</i>	<i>32,8%</i>	<i>34,2%</i>	<i>33,5%</i>	<i>33,6%</i>	<i>34,2%</i>	
Personnel expenses	-27.966	-29.778	-37.997	-39.278	-42.298	-45.575	-47.553	-48.220	-50.120	
Other operating expenses	-35.224	-40.461	-40.044	-38.144	-44.372	-52.579	-50.148	-51.411	-51.879	
EBITDA	20.079	17.426	20.962	21.839	29.500	30.506	28.764	32.661	36.520	
<i>EBITDA-margin</i>	<i>9,1%</i>	<i>7,5%</i>	<i>8,1%</i>	<i>8,1%</i>	<i>9,2%</i>	<i>9,2%</i>	<i>8,4%</i>	<i>9,1%</i>	<i>10,0%</i>	
Depreciation and amortisation	-4.113	-4.263	-6.880	-6.948	-7.734	-8.495	-9.229	-9.522	-9.815	
Operating profit (EBIT)	15.966	13.163	14.082	14.891	21.766	22.011	19.535	23.139	26.705	6,7%
<i>EBIT margin</i>	<i>7,2%</i>	<i>5,7%</i>	<i>5,5%</i>	<i>5,5%</i>	<i>6,8%</i>	<i>6,6%</i>	<i>5,7%</i>	<i>6,5%</i>	<i>7,3%</i>	
Financial result	418	-323	1.311	-210	393	-601	-954	210	350	
Earnings before taxes (EBT)	16.384	12.840	15.393	14.681	22.159	21.410	18.581	23.349	27.055	8,1%
<i>EBT margin</i>	<i>7,4%</i>	<i>5,6%</i>	<i>6,0%</i>	<i>5,4%</i>	<i>6,9%</i>	<i>6,4%</i>	<i>5,4%</i>	<i>6,5%</i>	<i>7,4%</i>	
Taxes on income	-4.048	-3.115	-4.141	-3.957	-6.463	-6.349	-5.203	-6.875	-7.985	
<i>Tax rate</i>	<i>24,7%</i>	<i>24,3%</i>	<i>26,9%</i>	<i>27,0%</i>	<i>29,2%</i>	<i>29,7%</i>	<i>28,0%</i>	<i>29,4%</i>	<i>29,5%</i>	
Consolidated net income for the year	12.336	9.725	11.252	10.724	15.696	15.061	13.378	16.474	19.070	
Minority interests	-194	-109	-240	-239	19	-390	-410	-435	-450	
Net profit after minorities	12.142	9.616	11.012	10.485	15.715	14.671	12.968	16.039	18.620	8,3%
<i>Return on sales</i>	<i>5,5%</i>	<i>4,2%</i>	<i>4,3%</i>	<i>3,9%</i>	<i>4,9%</i>	<i>4,4%</i>	<i>3,8%</i>	<i>4,5%</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)	0,85	0,67	0,77	0,74	1,10	1,03	0,91	1,13	1,31	
Dividends per Share (DPS)	0,75	0,75	0,75	1,00	0,90	0,90	0,90	1,00	1,10	
Book Value per Share (BVPS)	6,22	6,35	6,36	6,32	6,41	6,56	6,73	6,80	6,86	
Total assets	173.020	186.327	215.991	233.484	257.825	261.113	266.701	274.649	284.140	
Shareholders' Equity	88.664	90.444	90.637	90.000	91.371	93.514	95.899	96.858	97.729	1,5%

* without secondary contracts

Key data	1Q 2020	2Q 2020	3Q 2020	4Q 2020	2020	1Q 2021	2Q 2021	3Q 2021	4Q 2021	2021	1Q 2022	2Q 2022	3Q 2022	4Q 2022	2022
Clients	3.870.000	3.900.000	3.930.000	3.960.000	3.960.000	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
Advisers	5.041	5.072	5.164	5.248	5.248	5.358	5.465	5.466	5.603	5.603	5.613	5.630	5.648	5.772	5.772
Total sales revenues	66.800.000	63.900.000	64.500.000	75.400.000	270.600.000	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
EBIT	3.900.000	3.600.000	3.600.000	3.800.000	14.900.000	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
EBIT Margin	5,8%	5,6%	5,6%	5,0%	5,5%	7,5%	8,1%	5,2%	6,4%	6,8%	7,1%	6,1%	5,4%	7,8%	6,6%
Net profit (after minorities)	2.385.000	3.109.000	2.794.000	2.197.000	10.485.000	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
Regions															
CEE	1Q 2020	2Q 2020	3Q 2020	4Q 2020	2020	1Q 2021	2Q 2021	3Q 2021	4Q 2021	2021	1Q 2022	2Q 2021	3Q 2022	4Q 2022	2022
Clients	2.630.000	2.660.000	2.680.000	2.700.000	2.700.000	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
Advisers	2.976	2.964	3.051	3.071	3.071	3.141	3.188	3.196	3.276	3.276	3.308	3.312	3.365	3.461	3.461
Total sales revenues	31.400.000	30.800.000	31.800.000	36.400.000	130.400.000	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
EBIT	2.500.000	3.500.000	3.300.000	4.900.000	14.200.000	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
EBIT Margin	8,0%	11,4%	10,4%	13,5%	10,9%	9,9%	11,8%	12,6%	16,7%	12,9%	11,3%	9,4%	10,2%	12,2%	10,8%
Germany	1Q 2020	2Q 2020	3Q 2020	4Q 2020	2020	1Q 2021	2Q 2021	3Q 2021	4Q 2021	2021	1Q 2022	2Q 2021	3Q 2022	4Q 2022	2022
Clients	611.859	611.524	611.437	609.432	609.432	608.502	608.544	614.278	613.386	613.386	614.513	614.407	615.967	616.224	616.224
Advisers	1.219	1.224	1.234	1.242	1.242	1.205	1.216	1.227	1.240	1.240	1.203	1.211	1.213	1.219	1.219
Total sales revenues	16.100.000	14.300.000	14.200.000	16.700.000	61.300.000	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
EBIT	2.500.000	2.400.000	1.300.000	1.900.000	8.100.000	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
EBIT Margin	15,5%	16,8%	9,2%	11,4%	13,2%	16,9%	14,6%	10,3%	9,2%	12,7%	15,1%	9,9%	9,2%	12,4%	11,8%
South-Western Europe	1Q 2020	2Q 2020	3Q 2020	4Q 2020	2020	1Q 2021	2Q 2021	3Q 2021	4Q 2021	2021	1Q 2022	2Q 2021	3Q 2022	4Q 2022	2022
Clients	628.643	633.691	642.025	652.934	652.934	666.592	680.572	689.749	700.606	700.606	711.801	722.135	729.965	738.712	738.712
Advisers	846	884	879	935	935	1.012	1.061	1.043	1.087	1.087	1.102	1.107	1.070	1.092	1.092
Total sales revenues	19.300.000	18.900.000	18.300.000	22.400.000	78.900.000	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
EBIT	1.000.000	700.000	1.300.000	1.200.000	4.200.000	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
EBIT Margin	5,2%	3,7%	7,1%	5,4%	5,3%	9,7%	8,6%	9,5%	9,2%	9,2%	10,1%	6,9%	3,1%	0,0%	5,4%

SRC Research

– The Specialist for Financial and Real Estate Stocks –

SRC-Scharff Research und Consulting GmbH

Klingerstrasse 23

D-60313 Frankfurt

Germany

Fon: +49 (0) 69 / 400 313 - 80

E-Mail: scharff@src-research.de

Internet: www.src-research.de

Rating Chronicle	Date	former share rating	former share price	former target
OVB Holding AG	9-Nov-22	Accumulate	22,40 €	26,00 €
OVB Holding AG	10-Aug-22	Accumulate	26,60 €	28,00 €
OVB Holding AG	11-May-22	Accumulate	24,80 €	28,00 €
OVB Holding AG	23-Mar-22	Buy	24,80 €	30,00 €
OVB Holding AG	9-Nov-21	Buy	25,00 €	28,00 €
OVB Holding AG	11-Aug-21	Buy	21,20 €	26,00 €
OVB Holding AG	11-May-21	Buy	20,80 €	24,00 €
OVB Holding AG	23-Mar-21	Buy	18,30 €	22,00 €
OVB Holding AG	10-Nov-20	Buy	18,50 €	21,00 €
OVB Holding AG	12-Aug-20	Buy	17,40 €	21,00 €
OVB Holding AG	8-May-20	Buy	15,80 €	19,00 €
OVB Holding AG	1-Apr-20	Buy	15,10 €	19,00 €

Please note:

The OVB share price mentioned in this report is from closing of 28 March 2023.

OVB mandated SRC Research for covering the OVB share.

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