

OVB with impressive growth in CEE, bringing back top-line for the group to a slight Plus, full year guidance confirmed, rating lifted to Accumulate, target price still at 24 Euros

Today, OVB published the 1H 2023 report and invited for a conference call. Despite deteriorating economic pictures in most European countries, as home market Germany slipped into a slight recession, and an overall trend for a longer period of persisting inflation, the company delivered good numbers on the group's top-line, driven by a tremendous growth in Central- and Eastern Europe. The group's sales revenues were up from Euro 169.7m by 0.5% to Euro 170.6m. 2Q on a stand-alone basis even delivered a 2% growth, from Euro 85.5m to Euro 87.2m. With a higher headcount and a higher level of operating expenses for marketing, education and training, the group's EBIT was clearly below last year's level at Euro 6.8m (1H 2022: Euro 11.2m).

The CEE region was the driver of growth, with a 10% jump in sales revenues in the first half of the year, from Euro 86.5m to Euro 95.1m. The 2Q stand-alone was almost on a Euro 50m level (Euro 49.9m), which is the highest quarterly revenues contribution from a regional unit ever in OVB's history. The 2Q CEE EBIT margin was also comfortable at 11.2%, after 10.8% in 2022 and a quite low 6.0% in the first quarter. In the conference call the management stated the very good performance of Poland, Hungary, Czech and Romania, which delivered growth rates in the double-digit region or at least came quite close to that. We are also very optimistic for the coming quarters for CEE, as the company gained 120 thousand new clients in CEE in the first half of the year, which is a very impressive Plus of more than 4% in just six months. That should allow to cross-sell more products to the higher client's base in the second half of the year and 2024.

Germany struggled with a difficult economic situation and a high interest level for mortgage loans, which impaired the demand for financing solutions. The half-year revenues were down 11%, from Euro 31m to little below Euro 28m, the higher expenses also significantly brought down EBIT from Germany, from Euro 3.9m last year, by -38% to now Euro 2.4m. The clients base slightly decreased from 616 thousand at year-end 2022 to 614 thousand at the end of June.

The South and Western region was a bit better, but not really in a growth mode. The SWE revenues were down 8.5%, from Euro 52m to approx. Euro 48m. The slump in EBIT was even stronger than in Germany, after Euro 4.5m in the previous year now only one third, Euro 1.6m. In particular the second quarter only delivered a very tiny Euro 0.4m EBIT, after at least Euro 1.2m in the initial quarter. The EBIT margin in SWE, which was at quite low 5.4% in 2022 (after 9.2% in 2021), further deteriorated to only 3.4% in the first half of the year. With a surplus of almost 19,000 new clients in SWE in the first half of the year (+ 2.6%) to almost 758 thousand, we are optimistic for a surge of revenues and EBIT in the second half of the year, here.

The company left the full year forecast for revenues (Euro 325m to Euro 350m) and EBIT (Euro 16m to Euro 19m) unchanged. We also stick to our P & L forecast for the moment. With a slight decrease in share price, we now improve our rating from Hold to Accumulate. We maintain our Euro 24.00 target price for the OVB share.

Price (Euro)	22,00			
52 weeks range	27.00 / 21.40			
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)	313,5			
Number of shares (million)	14,3			
Free Float	3,0%			
Free Float MarketCap (Euro million)	9,4			
CAGR pre-tax profit '22 -'25e	8,1%			
Multiples				
	2022	2023e	2024e	2025e
P/E-Ratio	21,4	24,2	19,5	16,8
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				
9M 2023 report		8 November 2023		
2023 annual report		March 2024		
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 Fritzlar

Supervisory Board of OVB Holding AG:
 Michael Johnigk (Chairman)
 Dr. Thomas A. Lange (Deputy Chairman)
 Sascha Bassir
 Julia Wiens
 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 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%.

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 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 OVH 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	342.602	356.992	366.631	3,4%
Other operating income	11.407	11.244	10.158	10.959	14.972	11.851	12.350	13.254	
Total income	242.744	269.063	280.721	331.655	346.919	354.453	369.342	379.885	3,1%
Brokerage expenses	-155.079	-170.060	-181.460	-215.485	-218.259	-227.988	-237.050	-241.366	
Gross profit	76.258	87.759	89.103	105.211	113.688	114.614	119.942	125.265	
<i>Gross margin</i>	33,0%	34,0%	32,9%	32,8%	34,2%	33,5%	33,6%	34,2%	
Personnel expenses	-29.778	-37.997	-39.278	-42.298	-45.575	-47.553	-48.220	-50.120	
Other operating expenses	-40.461	-40.044	-38.144	-44.372	-52.579	-50.148	-51.411	-51.879	
EBITDA	17.426	20.962	21.839	29.500	30.506	28.764	32.661	36.520	
<i>EBITDA-margin</i>	7,5%	8,1%	8,1%	9,2%	9,2%	8,4%	9,1%	10,0%	
Depreciation and amortisation	-4.263	-6.880	-6.948	-7.734	-8.495	-9.229	-9.522	-9.815	
Operating profit (EBIT)	13.163	14.082	14.891	21.766	22.011	19.535	23.139	26.705	6,7%
<i>EBIT margin</i>	5,7%	5,5%	5,5%	6,8%	6,6%	5,7%	6,5%	7,3%	
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	18.581	23.349	27.055	8,1%
<i>EBT margin</i>	5,6%	6,0%	5,4%	6,9%	6,4%	5,4%	6,5%	7,4%	
Taxes on income	-3.115	-4.141	-3.957	-6.463	-6.349	-5.203	-6.875	-7.985	
<i>Tax rate</i>	24,3%	26,9%	27,0%	29,2%	29,7%	28,0%	29,4%	29,5%	
Consolidated net income for the year	9.725	11.252	10.724	15.696	15.061	13.378	16.474	19.070	
Minority interests	-109	-240	-239	19	-390	-410	-435	-450	
Net profit after minorities	9.616	11.012	10.485	15.715	14.671	12.968	16.039	18.620	8,3%
<i>Return on sales</i>	4,2%	4,3%	3,9%	4,9%	4,4%	3,8%	4,5%	5,1%	
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
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
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
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
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
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%
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
Regions												
CEE	1Q 2021	2Q 2021	3Q 2021	4Q 2021	2021	1Q 2022	2Q 2022	3Q 2022	4Q 2022	2022	1Q 2023	2Q 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
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
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
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
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%
Germany	1Q 2021	2Q 2021	3Q 2021	4Q 2021	2021	1Q 2022	2Q 2022	3Q 2022	4Q 2022	2022	1Q 2023	2Q 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
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
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
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
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%
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
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
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
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
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
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%

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	rating	former share price	former target
OVH Holding AG	9-May-23	Hold	23,80 €	24,00 €
OVH Holding AG	29-Mar-23	Accumulate	22,20 €	24,00 €
OVH Holding AG	9-Nov-22	Accumulate	22,40 €	26,00 €
OVH Holding AG	10-Aug-22	Accumulate	26,60 €	28,00 €
OVH Holding AG	11-May-22	Accumulate	24,80 €	28,00 €
OVH Holding AG	23-Mar-22	Buy	24,80 €	30,00 €
OVH Holding AG	9-Nov-21	Buy	25,00 €	28,00 €
OVH Holding AG	11-Aug-21	Buy	21,20 €	26,00 €
OVH Holding AG	11-May-21	Buy	20,80 €	24,00 €
OVH Holding AG	23-Mar-21	Buy	18,30 €	22,00 €
OVH Holding AG	10-Nov-20	Buy	18,50 €	21,00 €
OVH Holding AG	12-Aug-20	Buy	17,40 €	21,00 €
OVH Holding AG	8-May-20	Buy	15,80 €	19,00 €
OVH Holding AG	1-Apr-20	Buy	15,10 €	19,00 €

Please note:

The OVH share price mentioned in this report is from closing of 10 August 2023.

OVH mandated SRC Research for covering the OVH share.

Disclaimer © 2023: This equity research report is published by: SRC-Scharff Research und Consulting GmbH (short name: SRC Research), Klingerstr. 23, D-60313 Frankfurt, Germany. All rights reserved.

Although we feel sure that all information in this SRC report stem from carefully selected sources with a high credibility, we cannot give any guarantee for accuracy, trueness and completeness. All opinions quoted in this report give the current judgement of the author that not necessarily is the same opinion as SRC-Scharff Research und Consulting GmbH or another staff member. All in this report made opinions and judgements might be changed without a pre-announcement. Within the scope of German regulative framework author and SRC-Scharff Research und Consulting GmbH do not assume any liability for using this document or its content. This report is just for information purposes and not a request or an invitation or a recommendation to buy or sell any stock that is mentioned here. Private clients should search for personal advice at their bank or investment house and should keep in mind that prices and dividends of equities might rise and fall and that nobody can give a guarantee of the future development of equities. The author of this report and the SRC-Scharff Research und Consulting GmbH commit themselves on a unsolicited basis to have no long- or short-positions in equities or derivatives related to equities mentioned in this report.

Reproduction, distribution and publishing of this report and its content as a whole or in parts is only allowed with an approval of SRC management board in written form. With acceptance of this document you agree with all regulations mentioned here and all general terms and conditions you will find at anytime at our website www.src-research.de.