

OVB with impressive 7% growth in 2023 top-line, dividend payment unchanged at 90 Cents, forecast is positive but rather cautious

Today, OVB published the 2023 annual report. Despite the slow growth in all European countries, even a light recession in Germany, **OVB managed to deliver a remarkable 6.7% growth in sales revenues, from Euro 331.9m to Euro 354.3, meeting exactly our Euro 354.2m forecast and firm's guidance (Euro 350m – Euro 360m). The 4Q was exceptionally strong with a 11% growth on a stand-alone basis.** The good growth momentum just partially translated into an EBIT result of Euro 17.8m, which was within OVB's given range of Euro 16m to Euro 19m, but below 2022 level of Euro 22m and our Euro 19.5m forecast. OVB had to handle higher operating and staff expenses, which derived from the higher level of inflation and also expenses for the OVB Excellence 2027 strategy program to drive the Digitalisation and the Customer Satisfaction in the entire group to a higher level. If you keep in mind, that here was a Euro 2.3m non-cash increase in provisions, our Euro 19.5m forecast was not too far away from reality.

The net financial result of Euro 3.1m was much stronger than last year (Euro -0.6m) and helped to keep pre-tax profit of Euro 20.9m (2022: Euro 21.4m) and net profit after minorities of Euro 14.3m (2022: Euro 14.7m) more or less on the level of last year. Thus, management decided to make an unchanged dividend proposal of 90 Cents for AGM on 12 June. Motor of growth, that allowed for the fourth consecutive record result, was like in the former years **the Central and Eastern Europe region (CEE) with a steep 14% hike in turnover, above the sound 2022 growth of 10%. Its not only the top-line here, the steeply growing numbers of clients to 3.1million and advisers to 3,700, both almost +7% compared to 2022, gives great tailwind to continue this success story in 2024 and later years.**

The home market Germany still suffers from the high interest rate level, which not only impairs the general economic framework but also the important financing business. OVB managed to shift revenues more to private retirement solutions as unit-linked products. Thus, decline in sales was at only -4%, from Euro 61m to Euro 59m.

The South and Western Europe market (SWE) was +1% to Euro 97m in terms of revenues and is moving in a sideways movement the last 3 years, as revenues are between Euro 96m and 98m since 2021. The management expressed in the call a great optimism to break out to higher levels in SWE from 2024 on, breaking the Euro 100m threshold, as investments in the team and in the digitalisation will bear fruit. The last year's EBITs were coined by inflation items and investment measures, **as SWE EBIT was down from Euro 9m in 2021 to Euro 5m in 2022 and then in 2023 even at a lower level of only 3m. With getting back to former earnings levels, SWE offers a really great potential to push the group's P & L.** All in all, we like the 2023 numbers, which offered a good growth and allow the firm to keep the 90 Cents dividend payment stable despite the shaky economic environment. The outlook for 2024 is positive, but cautious, with a 2% to 8% growth to Euro 360m to Euro 385m top-line and only a small recovery at EBIT (if any) as the range was set at Euro 17m to Euro 20m. **In our view, with a +5% in clients base to 4.5m and the good progress in skills and digitalization OVB should break the Euro 20m EBIT threshold. We keep our Buy rating and our Euro 25.00 target price.**

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				
1Q 2024		8 May 2024		
AGM		12 June 2024		
1H 2024		13 August 2024		
9M 2024		7 November 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: 751
 (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 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 OVV 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	4Q 2021	2021	1Q 2022	2Q 2022	3Q 2022	4Q 2022	2022	1Q 2023	2Q 2023	3Q 2023	4Q 2023	2023
Clients	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	4.500.000	4.500.000
Advisers	5.603	5.603	5.613	5.630	5.648	5.772	5.772	5.785	5.806	5.896	5.892	5.892
Total sales revenues	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	94.000.000	354.300.000
EBIT	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	6.400.000	17.800.000
EBIT Margin	6,4%	6,8%	7,1%	6,1%	5,4%	7,8%	6,6%	3,7%	4,4%	5,0%	6,8%	5,0%
Net profit (after minorities)	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	5.179.000	14.315.000
Regions												
CEE	4Q 2021	2021	1Q 2022	2Q 2022	3Q 2022	4Q 2022	2022	1Q 2023	2Q 2023	3Q 2023	4Q 2023	2023
Clients	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	3.110.000	3.110.000
Advisers	3.276	3.276	3.308	3.312	3.365	3.461	3.461	3.549	3.581	3.658	3.695	3.695
Total sales revenues	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	52.400.000	198.500.000
EBIT	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	6.500.000	19.600.000
EBIT Margin	16,7%	12,9%	11,3%	9,4%	10,2%	12,2%	10,8%	6,0%	11,2%	9,4%	12,4%	9,9%
Germany	4Q 2021	2021	1Q 2022	2Q 2022	3Q 2022	4Q 2022	2022	1Q 2023	2Q 2023	3Q 2023	4Q 2023	2023
Clients	613.386	613.386	614.513	614.407	615.967	616.224	616.224	613.588	613.813	613.767	613.037	613.037
Advisers	1.240	1.240	1.203	1.211	1.213	1.219	1.219	1.161	1.165	1.172	1.120	1.120
Total sales revenues	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	16.000.000	58.700.000
EBIT	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	1.600.000	4.800.000
EBIT Margin	9,2%	12,7%	15,1%	9,9%	9,2%	12,4%	11,8%	10,1%	7,2%	5,3%	10,0%	8,2%
South-Western Europe	4Q 2021	2021	1Q 2022	2Q 2022	3Q 2022	4Q 2022	2022	1Q 2023	2Q 2023	3Q 2023	4Q 2023	2023
Clients	700.606	700.606	711.801	722.135	729.965	738.712	738.712	747.983	757.584	767.136	779.678	779.678
Advisers	1.087	1.087	1.102	1.107	1.070	1.092	1.092	1.075	1.060	1.066	1.077	1.077
Total sales revenues	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	25.800.000	97.200.000
EBIT	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	900.000	3.200.000
EBIT Margin	9,2%	9,2%	10,1%	6,9%	3,1%	0,0%	5,4%	4,9%	1,7%	3,0%	3,5%	3,3%

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
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 20 March 2024.

OVV mandated SRC Research for covering the OVV share.

Disclaimer © 2024: 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.