

April 29th, 2024  
Research comment

# SMC Research

## Small and Mid Cap Research



**Platz 1**  
Europe  
Industrials  
(2018)



**Platz 2**  
German  
Software & IT  
(2018)



**Platz 1**  
German  
Software & IT  
(2017)

**Mehrfacher Gewinner**  
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# The NAGA Group AG

## Important milestone reached for the merger with CAPEX.com

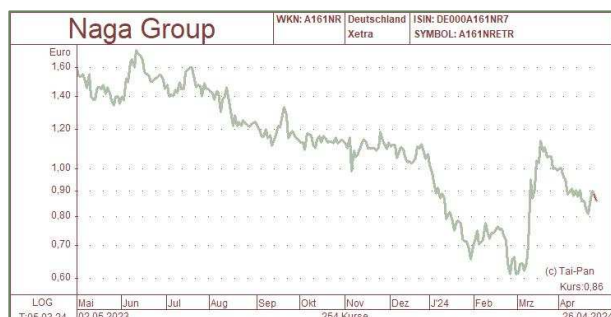
**Rating:** Speculative Buy (unchanged) | **Price:** 0.86 € | **Price target:** 1.40 € (unchanged)

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Please take notice of the disclaimer at the end of the document!

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# Current development



## Basic data

Based in:	Hamburg
Sector:	FinTech
Headcount:	>250*
Accounting:	IFRS
Ticker:	N4G:GR
ISIN:	DE000A161NR7
Price:	0.86 Euro
Market segment:	Scale
Number of shares:	approx. 232 m*
Market Cap:	199.6 m Euro*
Enterprise Value:	205.3 m Euro*
Free Float:	9.2 %*
Price high/low (12 M):	1.82 / 0.60 Euro
Øturnover (12 M Xetra):	14,800 Euro

FY ends: 31.12. **	2023e	2024e	2025e
Sales (m Euro)	45.5	75.6	101.7
EBITDA (m Euro)	7.0	7.4	14.5
Net profit (m Euro)	-2.4	-5.5	3.6
EpS (Euro)	-0.01	-0.02	0.02
DpS (Euro)	0.00	0.00	0.00
Sales growth	-12.4%	66.2%	34.5%
Profit growth	-	-	-
PSR	4.39	2.64	1.96
PER	-	-	55.9
PCR	-	-	24.5
EV / EBITDA	29.4	27.7	14.2

\*post-merger; \*\*from 2024 on an as-if-basis with Key Way Group/CAPEX.com

## High level of approval for merger

To vote on the merger with CAPEX.com, NAGA held an Extraordinary General Meeting on 12 April, which approved the project with a very high quota of 99.81 percent. The next step is the entry in the commercial register, and the supervisory authorities still have to give the go-ahead for the merger. However, as the players have already successfully completed the necessary review processes in the past, this should not be a major hurdle.

## Extensive synergies

The merger will significantly expand the management team, while at the same time the realisable cost savings in the operational area are estimated at more than EUR 10 m per year. There are also extensive synergies beyond this: By combining the strengths of the two companies in customer acquisition (NAGA) and revenue generation from customer relationships (CAPEX), the overall customer lifetime value (CLV) should increase significantly. In addition, the international positionings of the merger partners complement each other perfectly, as NAGA has so far focussed on Europe (and some emerging markets), while CAPEX is well positioned in numerous countries in Central and South America, Africa and Asia. The merged company has nine licences for different markets (and two more in the approval process) and twelve branches on several continents, so that more than 100 countries can be addressed with the financial NAGA platform.

## Ambitious growth targets

With continued market penetration and the development of new markets, the user base is to be greatly expanded, from the current 1.6 million to over 5 million by 2025/26. This should also have a correspondingly positive impact on revenue, which is expected to total USD 250 m over the next three years. The integration of the solutions for the various segments – brokerage, crypto, neo-banking and personal financial

m Euro	12 2023	12 2024	12 2025	12 2026	12 2027	12 2028	12 2029	12 2030
Sales	45.5	75.6	101.7	128.2	160.2	198.3	234.9	266.1
Sales growth		66.2%	34.5%	26.1%	25.0%	23.8%	18.5%	13.3%
<b>EBITDA</b>	<b>7.0</b>	<b>7.4</b>	<b>14.5</b>	<b>24.0</b>	<b>34.4</b>	<b>46.0</b>	<b>55.3</b>	<b>62.4</b>
EBIT	-1.4	-4.4	3.5	13.7	25.3	37.0	50.2	57.3
Tax rate	0.0%	0.0%	5.0%	5.0%	10.0%	25.0%	30.0%	30.0%
Adjusted tax payments	0.0	0.0	0.2	0.7	2.5	9.2	15.1	17.2
<b>NOPAT</b>	<b>-1.4</b>	<b>-4.4</b>	<b>3.3</b>	<b>13.0</b>	<b>22.7</b>	<b>27.7</b>	<b>35.1</b>	<b>40.1</b>
+ Depreciation & Amortisation	8.4	11.8	11.0	10.3	9.1	9.1	5.1	5.1
+ Increase long-term accruals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Gross operating cash flows</b>	<b>7.0</b>	<b>7.4</b>	<b>14.3</b>	<b>23.3</b>	<b>31.8</b>	<b>36.8</b>	<b>40.3</b>	<b>45.2</b>
- Increase Net Working Capital	-9.0	-5.5	-6.6	-4.5	-4.8	-3.0	-1.2	-1.3
- Investments in fixed assets	-3.9	-4.5	-4.7	-4.9	-4.8	-4.6	-4.3	-4.0
<b>Free cash flow</b>	<b>-5.9</b>	<b>-2.6</b>	<b>3.0</b>	<b>13.9</b>	<b>22.3</b>	<b>29.2</b>	<b>34.8</b>	<b>39.9</b>

*SMC estimation model, from 2024 as-if-approach including Key Way / CAPEX*

management – into a “Financial SuperApp” planned for the current year will play a key role here, as it can make a significant contribution to improving CLV by giving customers very easy access to a significantly expanded service package. In general, the new CEO Octavian Patrascu emphasises the great importance of the technological platform for future growth. NAGA sees itself in a leading position here, which is even to be expanded with the further development of the solutions.

### High growth and margin potential

We believe that the merger will significantly strengthen NAGA's market position. In this respect, we consider the high level of approval at the EGM to be a very positive signal. In our update of March, we had already estimated the business development for a merged group. After the integration year 2024, we expect the new NAGA Group to achieve average sales growth of 30 percent p.a. over the next two financial periods to reach a revenue of EUR 128 m in 2026. By then, the company should already be operating very profitably, with an estimated EBITDA margin of 18.7 percent and an EBIT margin of 10.6 percent. At present, we see no reason to change these estimates. The table above shows the development of the key cash

flow data resulting from our assumptions in the detailed forecast period. Further details on the estimated balance sheet, income statement and cash flow statement are provided in the Annex.

### Price target remains EUR 1.40

The framework parameters of our model are unchanged. We continue to calculate with a fully diluted number of shares of 232 million (post-merger) and an unchanged discount rate (WACC) of 8.5 percent and, to determine the terminal value, a safety discount of 20 percent on the target margin in conjunction with a “perpetual” growth rate of 1 percent. The model results in a fair value of EUR 1.39 per share, which is why our price target remains at EUR 1.40 (a sensitivity analysis to determine the price target can be found in the Annex). We thus currently see upside potential of more than 60 percent. We now rate the forecast risk of our estimates at five points (previously: 6 points) on a scale of 1 (low) to 6 (high). The reduction is due to the progress made in implementing the financing measures and the resolution passed at the EGM in favour of the merger. Until the merger is finalised and consolidated group figures are prepared, however, the estimation risk remains above average.

## Conclusion

The approval of the merger of NAGA and CAPEX.com by the EGM represents an important milestone on the way to finalising the transaction and for the further development of the company. Following the entry of the resolution in the commercial register, approval by the supervisory authorities is still pending, but we do not see this as a major hurdle.

NAGA's market position will be significantly strengthened by the merger, which should have a positive impact on growth figures in the coming years. The management is aiming to increase the user base from the current 1.6 million to over 5 million by 2025/26 and intends to generate revenue of more than USD 250 m over the next three years.

We too see potential for very dynamic sales growth and a significant increase in margins and have reflected this in our valuation model. We have not made any changes to our estimates from the beginning of March, which we had already made for the merged company, so that our target price remains unchanged at EUR 1.40.

In our view, the high growth and margin potential means that there is considerable upside potential for the share. On this basis, our rating remains "Speculative Buy".

## Annex I: SWOT analysis

### Strengths

- Experienced management team with high competence in FinTech and brokerage. The merger with CAPEX will further strengthen the team and expand the organisational structure. Among other things, NAGA wins a CEO with a strong track record with Octavian Patrascu.
- Comprehensive and well-engineered finance platform with excellent scalability thanks to extensive automation.
- With the app NAGA Pay and the crypto platform NAGAX, the company has positioned itself strongly in two high-potential market segments over the past two years.
- Several renowned anchor shareholders.

### Opportunities

- The merger with CAPEX takes NAGA into a new dimension in terms of size. The realisation of the projected synergies of USD 10 m p.a. could significantly improve profitability and cash flow.
- The essential elements of the platform have been developed by now, so the increase in product development costs should only be disproportionately low in the future.
- The solutions for brokerage, social trading, crypto and payment will be merged into one super app in 2024, which should stimulate further marketing.
- Sales are expected to rise sharply over the next few years thanks to high cross-selling potential between the NAGA and CAPEX solutions and the planned expansion in emerging markets. Achieving these goals would presumably go hand in hand with a strong increase in profits.

### Weaknesses

- Despite a strong improvement in EBITDA, free cash flow was still clearly negative – at least in the first half of 2023 – due to a high increase in receivables.
- Revenue and profitability depend heavily on trading activities, which in turn are determined by capital market developments, and the company has only limited influence on this.
- Very high proportion of intangible assets in the balance sheet (75 percent as at 30.06.23).
- Complex regulatory environment.
- The completion of the merger with CAPEX would mean a high dilution for existing shareholders.
- The publicly available database for CAPEX is still limited.

### Threats

- The merger could not be authorised by the supervisory authorities (although we consider this scenario to be unlikely).
- The integration of NAGA and CAPEX could fall short of the envisaged targets – in particular synergies totalling USD 10 m p.a.
- The difficult environment in the brokerage market could continue for longer and further intensify competition.
- Simultaneous expansion in several foreign markets creates increased complexity and numerous country-specific risks.
- If the brokerage business does not develop as planned, it can lead to considerable goodwill write-offs.

## Annex II: Balance sheet and P&L estimation

### Balance sheet estimation\*

m Euro	2022 act.	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e
<b>ASSETS</b>									
I. Total non-current	113.0	111.5	264.2	258.0	252.5	248.2	243.7	242.9	241.7
1. Intangible assets	112.2	110.6	263.3	256.9	251.3	246.8	242.0	241.0	239.5
2. Tangible assets	0.6	0.6	0.7	0.8	1.0	1.1	1.4	1.6	1.9
II. Total current assets	32.5	35.1	47.3	59.7	81.7	112.5	139.2	159.8	177.3
<b>LIABILITIES</b>									
I. Equity	129.8	127.3	299.8	303.4	316.7	340.0	359.2	375.5	387.9
II. Accruals	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
III. Liabilities									
1. Long-term liabilities	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
2. Short-term liabilities	15.2	18.7	11.1	13.7	16.9	20.1	23.1	26.6	30.6
<b>TOTAL</b>	<b>145.6</b>	<b>146.6</b>	<b>311.5</b>	<b>317.6</b>	<b>334.2</b>	<b>360.7</b>	<b>382.9</b>	<b>402.6</b>	<b>419.0</b>

### P&L estimation\*

m Euro	2022 act.	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e
Sales	52.0	45.5	75.6	101.7	128.2	160.2	198.3	234.9	266.1
Total output	58.4	47.9	77.6	103.7	130.2	162.2	200.3	236.9	268.1
Gross profit	51.0	29.9	58.7	78.2	98.2	122.2	150.7	178.2	201.6
EBITDA	-11.2	7.0	7.4	14.5	24.0	34.4	46.0	55.3	62.4
EBIT	-32.4	-1.4	-4.4	3.5	13.7	25.3	37.0	50.2	57.3
EBT	-33.3	-2.4	-5.5	3.8	14.0	25.9	38.0	51.7	59.1
EAT (before minorities)	-33.3	-2.4	-5.5	3.6	13.3	23.3	28.5	36.2	41.4
EAT	-33.3	-2.4	-5.5	3.6	13.3	23.3	28.5	36.2	41.4
EPS	-0.62	-0.01	-0.02	0.02	0.06	0.10	0.12	0.16	0.18

\*up to 2023 including NAGA stand-alone, from 2024 on an as-if-basis including Key Way / CAPEX

## Annex III: Cash flows estimation and key figures

### Cash flows estimation\*

m Euro	2022 act.	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e
CF operating	-17.4	-4.0	-0.5	8.1	19.3	27.8	34.8	40.3	45.3
CF from investments	9.1	-3.9	-4.5	-4.7	-4.9	-4.8	-4.6	-4.3	-4.0
CF financing	1.0	8.9	9.6	-0.2	-0.2	-0.2	-9.5	-20.1	-29.1
Liquidity beginning of year	8.6	1.3	2.3	6.9	10.2	24.5	47.3	68.0	83.9
Liquidity end of year	1.3	2.3	6.9	10.2	24.5	47.3	68.0	83.9	96.1

### Key figures\*

percent	2022 act.	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e
Sales growth	-1.7%	-12.4%	66.2%	34.5%	26.1%	25.0%	23.8%	18.5%	13.3%
EBITDA margin	-21.6%	15.4%	9.8%	14.3%	18.7%	21.4%	23.2%	23.6%	23.5%
EBIT margin	-62.3%	-3.1%	-5.8%	3.4%	10.6%	15.8%	18.6%	21.4%	21.5%
EBT margin	-64.2%	-5.3%	-7.3%	3.7%	10.9%	16.2%	19.2%	22.0%	22.2%
Net margin	-64.2%	-5.3%	-7.3%	3.5%	10.4%	14.6%	14.4%	15.4%	15.5%

\* up to 2023 including NAGA stand-alone, from 2024 on an as-if-basis including Key Way / CAPEX

## Annex IV: Sensitivity analysis

WACC	Perpetual cash flows growth				
	2.0%	1.5%	1.0%	0.5%	0.0%
7.5%	1.88	1.76	1.65	1.56	1.48
8.0%	1.70	1.60	1.51	1.43	1.37
8.5%	1.55	1.47	1.39	1.33	1.27
9.0%	1.42	1.35	1.29	1.23	1.18
9.5%	1.31	1.25	1.19	1.15	1.10



# Disclaimer

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## *Charts*

The charts were made with Tai-Pan ([www.lp-software.de](http://www.lp-software.de)).

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## *II) Preparation and updating*

The present financial analysis was prepared by: Dipl.-Kfm. Holger Steffen

Participants in the preparation of the present financial analysis: –

The present analysis was finished on 27.04.2024 at 15:35 and published on 29.04.2024 at 8:15.

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Strong Buy	We expect an increase in price for the analysed financial instrument by at least 10 percent. We assess the estimation risk as below average (1 to 2 points).
Buy	We expect an increase in price for the analysed financial instrument by at least 10 percent. We assess the estimation risk as average (3 to 4 points).
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The expected change in price refers to the current share price of the analysed company. This price and any other share prices used in this analysis are XETRA closing prices as of the last trading day before publication. If the share is not traded on XETRA, the closing price of another public stock exchange is used with a separate note to that effect.

The price targets published within the assessment are calculated with common methods of financial mathematics, especially with the DCF (discounted cash flow) method, the sum of the parts valuation and a peer group analysis. The valuation methods are affected by economic framework conditions, especially by the development of the interest rates.

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Date	Investment recomm.	Target price	Conflict of interests
05.03.2024	Speculative Buy	1.40 Euro	1), 3), 4)
13.11.2023	Hold	2.80 Euro	1), 3)
14.04.2023	Hold	3.60 Euro	1), 3), 4)
14.02.2023	Hold	4.10 Euro	1), 3)
26.01.2023	Hold	3.40 Euro	1), 3)
31.10.2022	Hold	3.40 Euro	1), 3), 4)
29.04.2022	Buy	11.20 Euro	1), 3)

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The publishing dates for the financial analyses are not yet fixed at the present moment.

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