

26 July 2024

123fahrschule SE

Rating Buy (Buy)
Share price (EUR) 3.30
Target price (EUR) 6.00 (5.10)

Bloomberg 123F GY
 Sector Technology

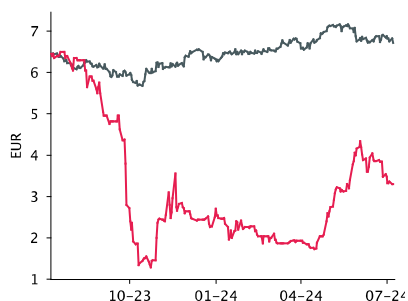
Share data

Shares out (m) 4.9
 Market cap (EUR m) 16
 EV (EUR m) 22
 DPS (EUR) 0.00
 Dividend yield (%) 0.0
 Payout ratio (%) 0.0

Performance

ytd (%) 35.2
 12 months (%) -49.2
 12 months rel. (%) -53.6
 Index SDAX

Share price performance



— 123fahrschule SE
 — Price rel. to SDAX - Price Index

Source: Bloomberg

Next triggers

H1 report: 30.08.2024

Analysts

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Another sales record in H1

On July 23, 123fahrschule published preliminary H1 2024 results. Revenues increased by 5.4% yoy to EUR 11m, 1.9% exceeding our estimate and a new sales record for the company. Adjusted EBITDA came in at EUR 0.50m (IFRS EBITDA EUR 0.09m), above previous year's figure of EUR 0.19m and exceeding our estimate by 13.6%. To drive further growth in sales and earnings, management plans to launch additional branches in Berlin, Cologne, and Hamburg, where the company has seen significant success recently and can best leverage its digital expertise. Most important, management provided an EBITDA (IFRS) guidance of EUR 0.5m for 2024, which appears challenging but still realistic. We increase our DCF-based target price from EUR 5.10 to EUR 6.00 due to a lowered risk factor (beta) and reiterate our Buy recommendation.

Targets for 2024

In 2024, the focus will remain on a positive EBITDA and a positive cash flow. The company expects to achieve EBITDA of at least EUR 0.5m (adjusted: EUR 1m) in 2024 as a whole.

Adjusted EBITDA

Management announced an adjusted EBITDA owing to enhancements in the accounting system, which improved accruals during the first half of 2024. This change is expected to address the strongly negative EBITDA typically observed in December in recent years, beginning in 2024. Furthermore, customer receivables were faster written off at an individual value level in the first quarter of 2024 due to the revamped and streamlined collection process. Under the previous approach, these measures would not have been recognized in profit or loss until at least 2025. The provisional EBITDA, accounting for these unique factors, stands at around EUR 0.5m.

123fahrschule SE - 6M 2024

EUR m	6M 2024	6M 2023	yoy	Quirin est.	delta
Revenues	11.0	10.4	5.4%	10.8	1.9%
EBITDA adjusted	0.50	0.20	153.8%	0.44	13.6%
EBITDA margin	4.5%	1.9%	266 BP	4.1%	47 BP

Source: 123fahrschule SE, Quirin Privatbank AG

Key figures		2022	2023	2024e	2025e	2026e
Sales	EUR m	17	21	23	26	29
EBITDA	EUR m	-3	-1	1	1	2
EBIT	EUR m	-6	-4	-3	-2	0
EPS	EUR	-1.41	-0.80	-0.49	-0.33	-0.08
Sales growth	%	114.8	23.7	12.0	13.0	13.0
EBITDA margin	%	-16.0	-4.3	2.2	3.2	5.2
EBIT margin	%	-33.8	-20.9	-13.4	-5.8	-0.9
EV/Sales	ratio	1.87	0.82	0.94	0.88	0.81
EV/EBITDA	ratio	-11.6	-19.1	42.3	27.3	15.5
EV/EBIT	ratio	-5.5	-3.9	-7.0	-15.2	-90.9
P/E	ratio	-4.0	-3.0	-6.8	-9.9	-42.6
P/BV	ratio	1.0	0.7	1.1	1.3	1.3
Dividend yield	%	0.0	0.0	0.0	0.0	0.0

Source: Bloomberg, Company data, Quirin Privatbank estimates

Additional branches are planned

To drive further growth in sales and earnings, management plans to launch additional branches in Berlin, Cologne, and Hamburg, where the company has seen significant success recently and can best leverage its digital expertise. Historically, expanding by opening new stores in cities with existing locations has proven to be the most effective method to increase network density, boost sales, and grow market share. To fund this expansion, management is considering a cash capital increase, excluding subscription rights, up to a maximum of 10% of the current share capital. These plans will be finalized in the coming weeks, following an evaluation of potential new sites and an assessment of the necessary liquidity requirements, taking into account market conditions and investor interest.

DCF Valuation

We have derived our target price for 123fahrschule from our DCF model. With a WACC of 9.00% (resulting from a risk-free rate of 3.50%, market premium of 5% and a beta of 1.1), a mid-term revenue CAGR 2024-2027 of 12.80% fading to a perpetual growth rate of 0% and a sustainable long-term EBIT margin of 15% our DCF model derives a fair value of EUR 6.00 per share. Hence, we confirm our Buy recommendation.

DCF Model for 123fahrschule SE

(EUR m)	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TV
Sales	23.1	26.1	29.5	33.2	37.1	40.9	44.1	46.8	48.6	49.6	
growth yoy	12.0%	13.0%	13.0%	12.5%	12.0%	10.0%	8.0%	6.0%	4.0%	2.0%	
EBIT	-3.1	-1.5	-0.3	0.8	1.8	2.8	3.9	5.1	6.3	7.4	
EBIT margin	-13.4%	-5.8%	-0.9%	2.3%	4.7%	6.8%	8.8%	10.9%	12.9%	15.0%	
Taxes	0.8	0.0	0.0	-0.2	-0.5	-0.8	-1.2	-1.5	-1.9	-2.2	
Tax rate	26%	27%	30%	30%	30%	30%	30%	30%	30%	30%	
Depreciation	3.6	2.3	1.8	1.6	1.7	1.9	2.2	2.3	2.4	2.5	
% of sales	15.6%	9.0%	6.1%	5.0%	4.5%	4.8%	4.9%	4.9%	5.0%	5.0%	
Capex	-1.2	-1.3	-1.5	-1.7	-1.9	-2.1	-2.2	-2.3	-2.4	-2.5	
% of sales	5.2%	5.0%	5.1%	5.1%	5.1%	5.1%	5.0%	5.0%	5.0%	5.0%	
Δ NWC	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1	-0.1	
% of sales	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	
FCF	0.1	-0.5	0.0	0.4	1.0	1.8	2.6	3.5	4.3	5.2	57.3
growth yoy	nm	nm	nm	nm	nm	84.6%	47.8%	33.2%	24.7%	18.9%	0.0%
PV FCF	0.1	-0.4	0.0	0.3	0.7	1.1	1.5	1.8	2.1	2.3	25.4

PV Forecast Period	9
PV Terminal Value	25
Enterprise value	35
- Net Debt / Net Cash	5.6
- Pension Provisions	0
Equity value	29
Number of shares	4.9
Value per share (€)	6.00

Sensitivity Analysis	Terminal growth rate				
	-1.0%	-0.5%	0.0%	0.5%	1.0%
8.10%	6.4	6.8	7.2	7.6	8.1
8.55%	5.9	6.2	6.6	6.9	7.4
WACC 9.00%	5.4	5.7	6.0	6.3	6.7
9.45%	5.0	5.2	5.5	5.8	6.1
9.90%	4.6	4.8	5.1	5.3	5.6

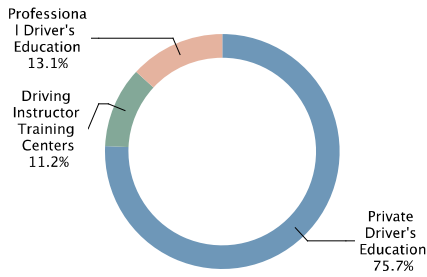
Risk free rate	3.50%	Equity ratio	100%
Cost of debt	4.50%	Company beta	1.1
Market Premium	5.00%	WACC	9.00%

Source: Quirin Privatbank AG

Company description

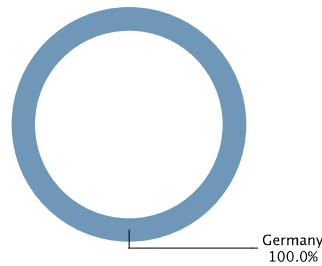
123fahrerschule SE is a German based company, that operates as an information technology supported driving school chain. The Company offers its learner drivers a digital application software for administration, e-learning and individual learning progress control for driving license training for all driving license classes.

Revenues by segment 2023



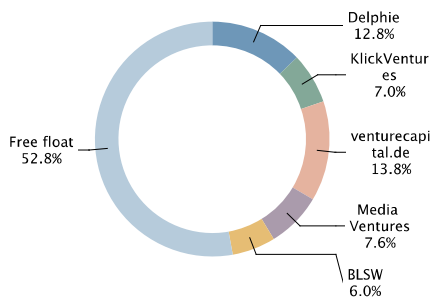
Source: Company data

Revenues by region 2023



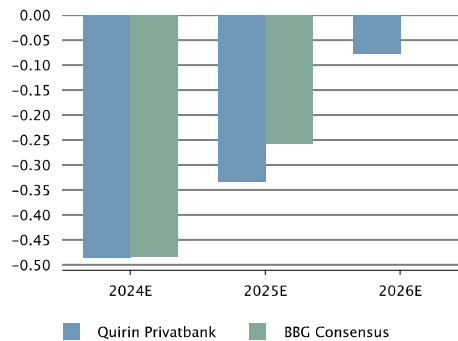
Source: Company data

Shareholder structure



Source: Company data

EPS: Quirin Privatbank vs. consensus



Source: Quirin Privatbank Research, Bloomberg

Guidance

The company expects to achieve EBITDA of at least EUR 0.5 million (adjusted: EUR 1 million) in 2024 as a whole.

Profit & loss statement

Profit & loss statement (EUR m)	2022	YOY	2023	YOY	2024e	YOY	2025e	YOY	2026e	YOY
Sales	16.7	114.8 %	20.6	23.7 %	23.1	12.0 %	26.1	13.0 %	29.5	13.0 %
Other own work capitalized	1.2		1.2		1.3		1.5		1.7	
Gross profit	17.9		21.8		24.4		27.6		31.2	
Personnel expenses	-12.1		-13.7		-14.3		-16.2		-18.1	
Depreciation	-3.0		-3.4		-3.6		-2.3		-1.8	
Other operating expenses	-8.4		-9.0		-9.6		-10.6		-11.5	
EBITDA	-2.7	-29.5 %	-0.9	-66.8 %	0.5	-157.8 %	0.8	63.9 %	1.5	83.2 %
EBITDA margin (%)	-16.03		-4.30		2.22		3.22		5.22	
EBIT	-5.6	-1.6 %	-4.3	-23.6 %	-3.1	-28.3 %	-1.5	-51.2 %	-0.3	-82.6 %
EBIT margin (%)	-33.85		-20.90		-13.37		-5.78		-0.89	
Income from Participations	0.0		0.0		0.0		0.0		0.0	
Pretax profit	-5.7	-1.3 %	-4.4	-23.2 %	-3.2	-26.4 %	-1.6	-49.3 %	-0.4	-76.7 %
Pretax margin (%)	-34.02		-21.12		-13.87		-6.22		-1.28	
Taxes	1.3		0.4		0.8		0.0		0.0	
Tax rate (%)	22.76		10.27		26.00		27.00		30.00	
Earnings after taxes	-4.4		-3.9		-2.4		-1.6		-0.4	
Minorities	0.0		0.0		0.0		0.0		0.0	
Group attributable income	-4.4	-2.3 %	-3.9	-10.8 %	-2.4	-39.3 %	-1.6	-31.5 %	-0.4	-76.7 %
No. of shares (m)	3.1		4.9		4.9		4.9		4.9	
Earnings per share (EUR)	-1.41	-23.9 %	-0.80	-43.2 %	-0.49	-39.3 %	-0.33	-31.5 %	-0.08	-76.7 %

Source: Company data, Quirin Privatbank estimates

Balance sheet

Balance sheet (EUR m)	2022	YOY	2023	YOY	2024e	YOY	2025e	YOY	2026e	YOY
Assets										
Cash and cash equivalents	0.3		0.7		0.2		-1.1		-1.9	
Accounts receivables	3.5		3.0		3.3		3.8		4.3	
Other current assets	5.5		7.0		7.7		8.6		9.5	
Tax claims	0.0		0.0		0.0		0.0		0.0	
Total current assets	9.3	30.9 %	10.7	14.7 %	11.2	4.9 %	11.2	0.2 %	11.8	5.3 %
Fixed assets	4.5		4.3		2.5		1.7		1.5	
Goodwill	9.2		8.7		8.7		8.7		8.7	
Other intangible assets	1.7		2.6		2.0		1.7		1.7	
Financial assets	0.0		0.0		0.0		0.0		0.0	
Deferred taxes	0.0		0.0		0.0		0.0		0.0	
Other fixed assets	0.0		0.0		0.0		0.0		0.0	
Total fixed assets	15.4	43.1 %	15.6	1.0 %	13.2	-15.4 %	12.2	-7.9 %	11.9	-2.5 %
Total assets	24.8	38.3 %	26.3	6.2 %	24.4	-7.1 %	23.4	-4.2 %	23.7	1.3 %
Equity & Liabilities										
Subscribed capital	3.1		4.9		4.9		4.9		4.9	
Reserves & other	23.8		25.5		25.5		25.5		25.5	
Revenue reserves	-5.7		-10.1		-12.4		-14.0		-14.4	
Accumulated other comprehensive	-4.4		-3.9		-3.9		-3.9		-3.9	
Shareholder's equity	16.8	6.6 %	16.4	-2.5 %	14.0	-14.4 %	12.4	-11.6 %	12.0	-3.0 %
Minorities	0.0		0.0		0.0		0.0		0.0	
Shareholder's equity incl. minorities	16.8	6.6 %	16.4	-2.5 %	14.0	-14.4 %	12.4	-11.6 %	12.0	-3.0 %
Long-term liabilities										
Pension provisions	0.0		0.0		0.0		0.0		0.0	
Financial liabilities	2.2		2.4		2.4		2.4		2.4	
Tax liabilities	0.0		0.0		0.0		0.0		0.0	
Other liabilities	1.4		1.4		1.5		1.7		1.9	
Total long-term debt	3.5	857.8 %	3.8	7.2 %	3.9	4.3 %	4.1	5.0 %	4.4	5.4 %
Short-term debt										
Other provisions	0.4		0.5		0.5		0.6		0.7	
Trade payables	1.1		0.6		0.7		0.8		0.9	
Financial debt	2.0		3.3		3.3		3.3		3.3	
Other liabilities	0.8		1.6		1.8		2.1		2.3	
Total short-term debt	4.4	479.5 %	6.1	38.9 %	6.4	5.4 %	6.8	6.3 %	7.3	6.7 %
Total equity & liabilities	24.8	38.3 %	26.3	6.2 %	24.4	-7.1 %	23.4	-4.2 %	23.7	1.3 %

Source: Company data, Quirin Privatbank estimates

Financial key ratios

Key ratios	2022	2023	2024e	2025e	2026e
Per share data (EUR)					
EPS	-1.41	-0.80	-0.49	-0.33	-0.08
Book value per share	5.4	3.4	2.9	2.5	2.5
Free cash flow per share	-1.7	-0.7	-0.1	-0.3	-0.2
Dividend per share	0.00	0.00	0.00	0.00	0.00
Valuation ratios					
EV/Sales	1.87	0.82	0.94	0.88	0.81
EV/EBITDA	-11.6	-19.1	42.3	27.3	15.5
EV/EBIT	-5.5	-3.9	-7.0	-15.2	-90.9
P/E	-4.0	-3.0	-6.8	-9.9	-42.6
P/B	1.0	0.7	1.1	1.3	1.3
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Growth					
Sales growth (%)	114.8	23.7	12.0	13.0	13.0
Profitability ratios					
EBITDA margin (%)	-16.0	-4.3	2.2	3.2	5.2
EBIT margin (%)	-33.8	-20.9	-13.4	-5.8	-0.9
Net margin (%)	-26.3	-19.0	-10.3	-6.2	-1.3
ROCE (%)	-27.7	-21.3	-17.2	-9.1	-1.6
Financial ratios					
Total equity (EUR m)	16.8	16.4	14.0	12.4	12.0
Equity ratio (%)	68.0	62.4	57.5	53.1	50.8
Net financial debt (EUR m)	3.8	5.0	5.6	6.9	7.7
Net debt/Equity	0.7	0.6	0.6	0.5	0.5
Interest cover	-197.3	-136.7	-44.1	-30.4	-19.6
Net debt/EBITDA	-1.4	-5.7	10.9	8.2	5.0
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Working Capital (EUR m)	1.1	0.2	0.2	0.3	0.3
Working capital/Sales	0.07	0.01	0.01	0.01	0.01

Source: Company data, Quirin Privatbank estimates

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The rating in this report are based on the analyst's expectation of the absolute change in stock price over a period of 6 to 12 months and reflect the analyst's view of the potential for change in stock price as a percentage. The BUY and SELL ratings reflect the analyst's expected high change in the value of the stock.

The levels of change expressed in each rating categories are:

BUY > +10%

HOLD <=-10% and < = +10%

SELL > -10%.

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Price and Rating History (last 12 months)

Date	Price target-EUR	Rating	Initiation
26.07.2024	6.00	Buy	
04.03.2024	5.10	Buy	
14.08.2023	17.00	Buy	08.02.2021

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Competent supervisory authority

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