

14 August 2023

123fahrschule SE

Rating Buy
Share price (EUR) 6.40
Target price (EUR) 17.00

Bloomberg 123F GY
Sector Technology

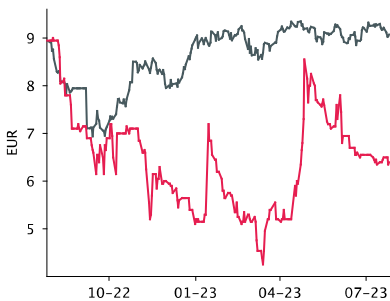
Share data

Shares out (m) 3.1
Market cap (EUR m) 20
EV (EUR m) 28
DPS (EUR) 0.00
Dividend yield (%) 0.0
Payout ratio (%) 0.0

Performance

ytd (%) 14.3
12 months (%) -28.5
12 months rel. (%) -30.1
Index SDAX

Share price performance



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

Source: Bloomberg

Next triggers

September 2023: final H1 results

Analysts

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Profitability substantially improving

On July 27, 123Fahrschule published its preliminary H1 F2023 results with revenues of EUR 10.4m, significantly up 35.5% yoy and exceeding our estimate by 6.2%. The implementation of restructuring measures decided in December was successfully completed on 1 July 2023. Therefore, EBITDA improved from EUR -1.31m last year to now EUR 0.32m, a significant improvement. Adjusted EBITDA is even at EUR 0.54m when accounting for costs from employment and other contracts that were terminated as a result of the restructuring started in December but did not have a full positive effect on the cost side in the first half of the year due to existing notice periods. In H2 and beyond, we should see this improved cost structure, which should substantially contribute to the company's profitability. We confirm our DCF-based target price of EUR 17.00 and our Buy recommendation.

NPS improved despite cost savings

Despite significant monthly cost savings in the 5-digit range in customer service and marketing campaigns, the NPS (Net Promoter Score) was again increased by one point to 65 at the end of June. The company very successfully introduced communication via a professional WhatsApp solution in May and was able to further improve communication with customers and reduce call volumes with over 20,000 processed WhatsApp messages.

Driving hours as key KPI substantially up

The company has achieved an 18% increase with over 100,000 driving hours in driving license classes A and B in H1 2023 compared to 85,000 driving hours in H1 2022.

123fahrschule SE - H1 2023

EUR m	H1 2023	H1 2022	yoy	Quirin est.	delta
Revenues	10.4	7.7	35.5%	9.8	6.2%
EBITDA adjusted	0.54	-1.31	n.m.	0.5	20.0%
EBITDA margin	5.2%	-17.1%	2224 BP	4.6%	60 BP

Source: 123fahrschule SE, Quirin Privatbank AG

Key figures		2021	2022	2023e	2024e	2025e
Sales	EUR m	8	17	22	26	30
EBITDA	EUR m	-4	-3	1	3	5
EBIT	EUR m	-6	-6	-2	0	2
EPS	EUR	-1.85	-1.81	-0.60	-0.11	0.49
Sales growth	%	81.7	114.8	33.2	15.0	19.1
EBITDA margin	%	-48.9	-16.0	2.4	10.4	17.8
EBIT margin	%	-73.9	-33.8	-10.4	-1.4	7.0
Net margin	%	-57.8	-26.3	-8.3	-1.3	5.0
EV/Sales	ratio	4.33	1.27	1.28	1.20	1.06
EV/EBITDA	ratio	-8.9	-7.9	53.4	11.5	5.9
EV/EBIT	ratio	-5.9	-3.8	-12.2	-84.7	15.1
P/E	ratio	-3.5	-3.5	-10.7	-57.9	13.0
P/BV	ratio	1.0	0.9	1.3	1.4	1.2
Dividend yield	%	0.0	0.0	0.0	0.0	0.0

Source: Bloomberg, Company data, Quirin Privatbank estimates

Investment case summary

Our investment case is based on the unique characteristic features of the driving school market. Driving school owners have a big problem in finding a successor / buyer for their business as the average driving instructor is 54 years old. Furthermore, most driving schools exhibit only a minimum level of digitalization. This is beneficial for 123fahrschule, which grows by acquiring driving schools from retiring owners for extremely low prices and significantly increases the margins through digitalization. Hence, the company can grow very cost-effective, fast and profitable since even without digitalization the average driving school already has a surprisingly high margin. Therefore, the investment is quickly amortized and 123fahrschule should be able to finance its growth thereafter through its operating cash flow. On top of that, those acquisitions are mostly real asset deals that do not inflate goodwill. Some larger strategic takeovers are possible.

Scalability potential

123fahrschule is just at the beginning of upscaling their business. Right now, the fixed costs are relatively high compared to the current total revenues, which is mainly due to the costs associated with the holding company. However, those are expected to remain relatively stable, which leads to a high scalability and strong growing margins once those costs are fully covered. We expect the business to grow by a CAGR 2023-2026e of 17.3%. Also operating cash flow should be sufficient to cover the acquisition related capital expenditures. Keep in mind, our growth rates look high, but we are coming from a very low absolute revenue level from which the company can upscale fast.

Technological edge increases efficiencies

The company has digitized and automated many processes that previously involved service staff to cut down on administrative personnel. The company thereby reaches a much higher operational efficiency than most driving schools. In addition to the administrative advantages, theory sessions and driving lessons can be scheduled with 123fahrschule's online system. Even registration with the driving school is done online. Additionally, due to the company's far superior online marketing strategy, new customers can be acquired very cost effective. This greatly reduces the back-office workload and increases the company's scalability and margin.

DCF Valuation

We have derived our target price for 123fahrschule from our DCF model. With a WACC of 9.75% (resulting from a risk-free rate of 3%, market premium of 5% and a beta of 1.4), a mid-term revenue CAGR 2023-2026 of 17.3% fading to a perpetual growth rate of 0% and a sustainable long-term EBIT margin of 26% our DCF model derives a fair value of EUR 17.00 per share. Hence, we confirm our Buy recommendation.

DCF Model for 123fahrschule SE

(EUR m)	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TV
Sales	22.2	25.5	30.4	35.8	41.8	47.5	52.8	57.2	60.4	62.0	
growth yoy	33.2%	15.0%	19.1%	17.7%	16.6%	13.8%	11.1%	8.3%	5.5%	2.8%	
EBIT	-2.3	-0.4	2.1	4.5	7.3	9.1	11.0	12.9	14.7	16.1	
EBIT margin	-10.4%	-14%	7.0%	12.6%	17.5%	19.2%	20.9%	22.6%	24.3%	26.0%	
Taxes	0.5	0.1	-0.5	-1.2	-2.2	-2.7	-3.3	-3.9	-4.4	-4.8	
Tax rate	23%	23%	26%	28%	30%	30%	30%	30%	30%	30%	
Depreciation	2.8	3.0	3.3	3.5	3.7	2.8	2.4	2.1	2.0	1.9	
% of sales	12.8%	11.8%	10.8%	9.8%	8.8%	5.9%	4.5%	3.7%	3.4%	3.0%	
Capex	-4.0	-4.1	-5.1	-5.9	-6.8	-4.6	-3.3	-2.7	-2.3	-1.9	
% of sales	18.0%	16.0%	16.6%	16.4%	16.2%	9.6%	6.3%	4.6%	3.8%	3.0%	
Δ NWC	-0.4	-0.2	-0.3	-0.4	-0.4	-0.5	-0.5	-0.5	-0.6	-0.6	
% of sales	17%	0.9%	1%	10%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	
FCF	-3.3	-1.6	-0.5	0.5	1.6	4.2	6.2	8.0	9.4	10.7	109.7
growth yoy	nm	-52.7%	-67.4%	nm	nm	nm	49.5%	27.7%	18.1%	13.7%	0.0%
PV FCF	-3.2	-1.4	-0.4	0.4	1.1	2.5	3.4	4.0	4.3	4.5	45.8

PV Forecast Period	15
PV Terminal Value	46

Enterprise value	61
- Net Debt / Net Cash	8.5
- Pension Provisions	0
Equity value	53
Number of shares	3.1
Value per share (€)	17.0

Sensitivity Analysis	Terminal growth rate				
	-1.0%	-0.5%	0.0%	0.5%	1.0%
8.78%	18.5	19.4	20.5	21.6	22.9
9.26%	16.9	17.7	18.6	19.6	20.7
WACC 9.75%	15.4	16.2	17.0	17.8	18.8
10.24%	14.2	14.8	15.5	16.2	17.1
10.73%	13.0	13.5	14.1	14.8	15.5

Risk free rate	3.00%	Equity ratio	100%
Cost of debt	4.00%	Company beta	1.4
Market Premium	5.00%	WACC	9.75%

Source: Quirin Privatbank AG

Profit & loss statement

Profit & loss statement (EUR m)	2021	YOY	2022	YOY	2023e	YOY	2024e	YOY	2025e	YOY
Sales	7.8	81.7 %	16.7	114.8 %	22.2	33.2 %	25.5	15.0 %	30.4	19.1 %
Unfinished Goods	0.0		1.0		2.0		2.0		2.0	
Other own work capitalized	0.3		1.2		1.6		1.9		2.2	
Other operating earnings	0.0		1.0		2.0		2.0		2.0	
Gross profit	8.1		17.9		23.8		27.4		32.6	
Personnel expenses	-6.2		-12.1		-11.9		-13.4		-15.5	
Depreciation	-1.9		-3.0		-2.8		-3.0		-3.3	
Other operating expenses	-5.6		-8.4		-11.4		-11.3		-11.7	
EBITDA	-3.8	74.7 %	-2.7	-29.5 %	0.5	-119.9 %	2.7	400.2 %	5.4	104.3 %
EBITDA margin (%)	-48.87		-16.03		2.39		10.40		17.84	
EBIT	-5.7	101.0 %	-5.6	-1.6 %	-2.3	-59.0 %	-0.4	-84.4 %	2.1	-689.8 %
EBIT margin (%)	-73.92		-33.85		-10.43		-1.42		7.02	
Net financial result	0.0		0.0		-0.1		-0.1		-0.1	
Exceptional items	0.0		0.0		2.0		2.0		2.0	
Pretax profit	-5.7	98.5 %	-5.7	-1.3 %	-2.4	-57.7 %	-0.4	-81.4 %	2.1	-561.0 %
Pretax margin (%)	-74.05		-34.02		-10.80		-1.74		6.74	
Taxes	1.3		1.3		0.5		0.1		-0.5	
Tax rate (%)	21.99		22.76		22.76		22.76		25.50	
Earnings after taxes	-4.5		-4.4		-1.9		-0.3		1.5	
Minorities	0.0		0.0		0.0		0.0		0.0	
Group attributable income	-4.5	125.7 %	-4.4	-2.3 %	-1.9	-57.7 %	-0.3	-81.4 %	1.5	-544.6 %
No. of shares (m)	3.1		3.1		3.1		3.1		3.1	
Earnings per share (EUR)	-1.85	18.0 %	-1.81	-2.3 %	-0.60	-67.1 %	-0.11	-81.4 %	0.49	-544.6 %

Source: Company data, Quirin Privatbank estimates

Balance sheet

Balance sheet (EUR m)	2021	YOY	2022	YOY	2023e	YOY	2024e	YOY	2025e	YOY
Assets										
Cash and cash equivalents	3.2		0.3		-4.3		-6.6		-8.2	
Accounts receivables	0.5		3.5		4.7		5.4		6.4	
Inventories	0.0		0.0		0.0		0.0		0.0	
Other current assets	3.4		5.5		7.2		8.1		9.5	
Tax claims	0.0		0.0		0.0		0.0		0.0	
Total current assets	7.1	400.0 %	9.3	30.9 %	7.6	-18.8 %	6.9	-8.8 %	7.8	12.5 %
Fixed assets	1.5		4.5		5.3		6.0		7.1	
Goodwill	8.2		9.2		9.2		9.2		9.2	
Other intangible assets	1.0		1.7		2.1		2.5		3.1	
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	10.8	4.4 %	15.4	43.1 %	16.6	7.5 %	17.7	6.5 %	19.4	10.0 %
Total assets	17.9	52.4 %	24.8	38.3 %	24.2	-2.4 %	24.6	1.7 %	27.2	10.7 %
Equity & Liabilities										
Subscribed capital	2.4		3.1		3.1		3.1		3.1	
Reserves & other	19.1		23.8		23.8		23.8		23.8	
Revenue reserves	-1.2		-5.7		-7.5		-7.9		-6.3	
Accumulated other comprehensive	-4.5		-4.4		-4.4		-4.4		-4.4	
Shareholder's equity	15.8	101.0 %	16.8	6.6 %	15.0	-11.0 %	14.6	-2.3 %	16.2	10.4 %
Minorities	0.0		0.0		0.0		0.0		0.0	
Shareholder's equity incl. minorities	15.8	101.0 %	16.8	6.6 %	15.0	-11.0 %	14.6	-2.3 %	16.2	10.4 %
Long-term liabilities										
Pension provisions	0.0		0.0		0.0		0.0		0.0	
Financial liabilities	0.1		2.2		2.2		2.2		2.2	
Tax liabilities	0.0		0.0		0.0		0.0		0.0	
Other liabilities	0.3		1.4		1.8		2.1		2.5	
Total long-term debt	0.4	-70.1 %	3.5	857.8 %	4.0	12.9 %	4.3	6.9 %	4.7	9.4 %
Short-term debt										
Other provisions	0.3		0.4		0.6		0.7		0.8	
Trade payables	0.1		1.1		1.5		1.7		2.0	
Financial debt	0.6		2.0		2.0		2.0		2.0	
Other liabilities	-0.3		-0.4		-0.6		-0.7		-0.8	
Total short-term debt	0.8	-46.9 %	3.1	310.2 %	3.5	12.0 %	3.7	6.4 %	4.0	8.9 %
Total equity & liabilities	17.9	52.4 %	24.8	38.3 %	24.2	-2.4 %	24.6	1.7 %	27.2	10.7 %

Source: Company data, Quirin Privatbank estimates

Financial key ratios

Key ratios	2021	2022	2023e	2024e	2025e
Per share data (EUR)					
EPS	-1.85	-1.81	-0.60	-0.11	0.49
Book value per share	6.5	7.0	4.8	4.7	5.2
Free cash flow per share	-2.9	-2.7	-1.5	-0.7	-0.5
Dividend per share	0.00	0.00	0.00	0.00	0.00
Valuation ratios					
EV/Sales	4.33	1.27	1.28	1.20	1.06
EV/EBITDA	-8.9	-7.9	53.4	11.5	5.9
EV/EBIT	-5.9	-3.8	-12.2	-84.7	15.1
P/E	-3.5	-3.5	-10.7	-57.9	13.0
P/B	1.0	0.9	1.3	1.4	1.2
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Growth					
Sales growth (%)	81.7	114.8	33.2	15.0	19.1
Profitability ratios					
EBITDA margin (%)	-48.9	-16.0	2.4	10.4	17.8
EBIT margin (%)	-73.9	-33.8	-10.4	-1.4	7.0
Net margin (%)	-57.8	-26.3	-8.3	-1.3	5.0
ROCE (%)	-33.4	-26.1	-11.2	-1.7	9.2
Financial ratios					
Total equity (EUR m)	15.8	16.8	15.0	14.6	16.2
Equity ratio (%)	88.2	68.0	62.0	59.6	59.4
Net financial debt (EUR m)	-2.5	3.8	8.5	10.8	12.3
Net debt/Equity	0.9	0.7	0.6	0.6	0.6
Interest cover	-573.5	-197.3	-51.9	-28.4	1.6
Net debt/EBITDA	0.7	-1.4	15.9	4.1	2.3
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Working Capital (EUR m)	-0.6	1.1	1.5	1.7	2.0
Working capital/Sales	-0.08	0.07	0.07	0.07	0.07

Source: Company data, Quirin Privatbank estimates

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

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Price and Rating History (last 12 months)

Date	Price target-EUR	Rating	Initiation
14.08.2023	17.00	Buy	
01.03.2023	17.00	Buy	08.02.2021

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