

JDC Group

Seeking higher levels of growth

Bancassurance advisory and service platform JDC Group is quickly adding large new clients to its insurtech platform. The platform, which was originally developed for its independent financial advisory (IFA) activities, has attracted several clients ranging from Lufthansa and Volkswagen to large German insurers like Provinzial and most recently VKB. According to management, the pipeline of new contracts looks promising. As well as the platform business, JDC operates a smaller advisory activity (FINUM). Based on consensus EV/sales and EV/EBITDA in 2021/22e, the valuation does not seem demanding compared to other platform peers.

Strong results, achievable guidance

JDC will report Q3 results on 15 November, one week before the Eigenkapitalforum, but after the publication of this conference book. With the strong H121 results JDC raised its FY21 revenue guidance to €140–145m (13.5–17.6% y-o-y growth) and EBITDA of at least €8m. Given the H1 results of revenues of €68.5m and EBITDA of €4.3m and the fact that c 55% of revenues are usually earned in H2, this guidance seems achievable.

Taking platform growth to the next level

Growing the platform is key for JDC group. After reporting the landmark deal with public insurer Provinzial last year, it recently announced a deal with VKB, the largest public insurer in Germany. Management expects that Provinzial and VKB should each gradually bring in more than €100m in annual revenues over the next five years. Following the deal with VKB, it could be expected that the remainder of the German public savings banks working with S-Versicherungsmanager will also convert to JDC's platform, adding another significant revenue stream. The expected transfer of contracts to JDC's platform based on winning Provinzial alone justifies the company's longer-term guidance of doubling revenues by 2025 (€246m) and a multiple increase in EBITDA.

Valuation: Higher growth justifies a higher valuation

While we recognise that a peer comparison is not easy given its diversified profile, we note that JDC trades at a discount of 68% on consensus EV/sales in FY22e compared to platform peer Hypoport and 34% compared to financial brokers. Given the high growth profile and the catalyst from new potential contract wins in the pipeline, we believe JDC's valuation remains undemanding despite the recent share price appreciation.

Consensus estimates

Year end	Revenue (€m)	EBITDA (€m)	EPS (c)	DPS (c)	EV/EBITDA (x)	Yield (%)
12/19	111.5	4.2	-0.1	0.0	28.6	N/A
12/20	123.3	5.2	-0.1	0.0	18.7	N/A
12/21e	141.2	8.3	0.2	0.0	39.4	N/A
12/22e	163.5	11.5	0.3	0.0	28.4	N/A

Source: JDC Group, Refinitiv consensus

Financials

28 October 2021

Price €24.7
Market cap €338m

Share price graph



Share details

Code	JDC
Shares in issue	13.7m
Net debt at end H121	€5.9m

Business description

JDC Group is a leading German insurance platform, providing advice and financial services for professional intermediaries and banks, but also directly for end-customers. JDC's digital platform, for end-clients and for the administration and processing of insurance products, is also provided as a white-label product.

Bull

- Strong position to support digital transition, in insurance and investments.
- New large client wins.
- Profitable consolidation opportunities.

Bear

- Capital market weakness affecting investment results in advisory.
- Low interest rates and regulatory uncertainty affect the insurance industry.
- Transfer of contracts to JDC platform could stall.

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