

# CREALOGIX

## Driven by growth in recurring revenue

CREALOGIX is a leading, global digital banking engagement platform provider, based in Switzerland, offering front-end software solutions that enable 'the digital bank of tomorrow'. The market is dynamic and fast-changing, with the group's solutions used by traditional retail, private and commercial banks, as well as wealth managers that need to upgrade legacy systems to meet the challenge of digital banks. Traditional banks see the benefits of modular, customisable, single-platform solutions, offering lower maintenance and development costs, better content management and stronger security in a swiftly digitalising marketplace.

### A market leader in a fast-growing market

CREALOGIX provides front-end banking software solutions for digital banking via its modular Digital Banking Hub, with 34% of FY21 sales from Switzerland, 49% across Europe and 17% RoW as CREALOGIX expands its international footprint. As with other businesses, the COVID-19 pandemic slowed business development but, despite this, with a focus on high-growth markets (principally Middle East and APAC) the group still delivered 6.4% constant currency organic revenue growth in FY21. The total addressable market for digital banking software is estimated to be worth \$60bn globally (of which c 10% is for third-party digital front-end solutions), forecast to grow at 8% between 2020 and 2022 (source: Temenos, February 2020).

### More than 50% recurring revenues in FY21

Management is focused on growing SaaS/recurring revenues. In FY21, recurring revenues grew 22% y-o-y to 50% of total sales, of which SaaS/hosting revenues grew 76% y-o-y, to 27% of total revenues. FY21 was the third year of a five-year SaaS transition, with FY21 EBITDA of CHF3.3m, a margin of 3.0%. CREALOGIX expects to make continued operational progress in FY22 and complete its SaaS transition, with no fixed guidance. The benefits of the SaaS transition are expected to be seen in FY23, when management expects double-digit EBITDA margins, with 60% recurring revenues, of which 30% will be SaaS.

### Valuation: Further upside post SaaS transition

Looking at SaaS comparables for CREALOGIX suggests a valuation of c 4–5x EV/sales and c 18x EV/EBITDA could be achievable as CREALOGIX emerges from its SaaS transition. If we apply the peer group EV/EBITDA multiple to consensus estimates for CREALOGIX, it suggests an EV of CHF220m in FY23, a premium of c 30% to the EV and share price today. Looking ahead, a multiple of 4x revenues would imply an EV of CHF488m in the medium term.

#### Consensus estimates

Year end	Revenue (CHFm)	Adj. EBITDA (CHFm)	PBT (CHF)	EPS (CHF)	EV/Adj. EBITDA (x)	P/E (x)
6/20	103.7	2.4	(0.9)	(0.15)	70.4	NM
6/21	109.3	3.3	(3.8)	0.61	51.7	199.2
6/22e	115.0	5.0	(3.5)	0.97	33.8	125.3
6/23e	122.0	12.1	4.0	6.27	14.0	19.4

Source: Company, Refinitiv (17 November 2021)

#### Software & comp services

17 November 2021

**Price** CHF121.5  
**Market cap** CHF170m

#### Share price graph



#### Share details

Code	CLXN
Shares in issue	1.40m
Net debt (CHFm) at 30 June 2021	1.9

#### Business description

CREALOGIX is a Swiss Fintech 100 company and is among the global market leaders in digital banking, providing front-end digital banking technology solutions to banks, wealth managers and other financial services companies.

#### Bull

- A market leader in a high-growth (c 8% 2020–22) digital banking sector.
- Increasing proportion of recurring revenues – 50% in FY21; 60% targeted in FY23.
- Recurring revenues grew at 22% y-o-y in FY21, with SaaS revenues growing 76% y-o-y.

#### Bear

- CREALOGIX operates in a challenging global market, with large, well-funded competitors.
- Although a SaaS-led model is strategically attractive, growth remains uncertain until the SaaS transition completes in FY23.
- The threat of an economic slowdown would dampen growth prospects.

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