

# CREALOGIX Group

## An innovator in open banking

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'. Driven by the consumer, as well as regulation, this market is dynamic and fast changing, with the group's solutions typically used by traditional retail, private and commercial banks, as well as wealth managers that need to upgrade legacy systems to meet the challenge of neo-banks and challenger banks. These 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 an established track record in Switzerland and an expanding international footprint (62% of FY20 sales). With c 700 employees, CREALOGIX has implemented projects for more than 550 customers, ranging from online banking and robo-advisory to mobile-first solutions. 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).

## Accelerating business transformation

Management is focused on partner-led (eg IBM) international sales growth (Middle East and Asia-Pacific), while growing SaaS and other recurring revenues as a proportion of total revenues. In its FY20 results, CREALOGIX took a CHF7m provision to accelerate the group's transformation, reorganising sales into segmental teams focused on its core product set. As a result, management expects FY21 EBITDA to be above FY20 adjusted EBITDA (CHF2.4m), and is targeting 10%+ EBITDA margins and 60% recurring revenues in the medium term (44% of FY20 revenues), once the group completes its SaaS transition.

## Valuation: Upside potential post-transition

Looking at CREALOGIX's trading peers suggests a valuation of c 3–5x revenues and c 15x EBITDA could be achievable as CREALOGIX emerges from its SaaS transition. If we apply the peer group EBITDA multiple to our estimates for CREALOGIX, it suggests an EV of CHF155m in FY22 and CHF187m in FY23, a premium of c 15% to today's EV and a 12% uplift in share price. A multiple of 3x revenues would imply an EV target of CHF350m+ in the medium term.

### Edison estimates

Year end	Revenue (CHFm)	EBITDA (CHFm)	PBT (CHF)	EPS (CHF)	DPS (CHF)	P/E (x)
06/19	101.9	1.9	(1.7)	(0.94)	0.00	N/A
06/20	103.7	2.4	(0.9)	(0.15)	0.00	N/A
06/21e	108.8	5.9	3.0	1.56	0.00	76.8
06/22e	114.3	10.3	7.5	3.84	0.50	31.1

Source: CREALOGIX Group, Edison Investment Research.

### Software & comp services

12 October 2020

**Price** CHF119.5  
**Market cap** CHF167.0m

### Share price graph



### Share details

Code	CLXN
Shares in issue	1.40m
Net cash (CHFm) at 30 June 2020	5.1

### Business description

The CREALOGIX Group 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

- Market leader in a high-growth (c 8% 2020–22) digital banking sector.
- Increasing proportion of recurring revenues – 44% in FY20; 60% targeted in medium term.
- The business model has proven its resilience in the face of the COVID-19 pandemic.

### Bear

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

### Analyst

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