

Friday, 31 January 2025 | update

XTB: sell (downgraded)

XTB.PW; XTB.WA | Financials, Poland

Client Activity Dwindles

We lower our target price for XTB to PLN 74.00 and we change our recommendation to 'sell.'

We correctly anticipated that the activity of XTB's activity would weaken during 2024, but the scale of that process has taken us by surprise. Therefore, we adjust our forecasts accordingly.

XTB served a downside surprise with 4Q'24 results underpinned by lower client activity which had more than halved since 2022. As a result, impressive customer acquisition numbers are at best enough to keep the volume of traded lots at similar levels.

What is more, XTB wants to ramp up client acquisition in 2025 by means of record-high marketing spend. We believe that operational jaws will start to close as a modest increase in revenues will not be enough to balance out higher opex. As a result, despite higher expected revenue, our 2025 net profit forecast for XTB is cut by 17%, and the 2026 estimate gets a 21% downgrade.

Clients becoming more passive

In 4Q'24, an average active client of XTB traded fewer than three lots of CFDs, while two years ago this was around 10 lots. We flagged this KPI as a problem in our previous research on XTB as the company kept on delivering negative surprises on this front. Hence, we change our assumption of average annual traded lots per client in the long term from 10 to 6.

Marketing expenses go up, significantly

Despite lowered guidance on marketing costs in 3Q'24, in 4Q XTB reported much higher marketing costs than anticipated. Additionally, according to guidance, marketing spend in 2025 will be 80% higher Y/Y, which is far above our expectations (30% Y/Y). That means that XTB will have to deal with a higher base and a higher momentum of marketing costs..

Impressive client acquisition ambitions

By ramping up marketing spend, XTB wants to acquire 150-210k clients per quarter in 2025. Our assumptions land closer to the upper end of the range, while in the long term we assume around 1 million acquired clients annually.

Options and cryptocurrencies uncertain in 2025

Looking at the wording of XTB's recent market filling, which implies that options are at early stage of analysis while cryptocurrencies are waiting for legislation to be added to the offer, we believe that it is uncertain that these relatively high-margin products will be added to XTB's offer still in 2025.

Raising assumptions regarding profitably per lot

Once again, XTB surprised us positively with profitability per lot in 4Q24, so, we decided to adjust our mid- and long-term assumptions. For 2025, we currently assume 260 PLN per lot, while in the terminal period we lower our assumptions to 220 PLN per lot (still +10% comparing to previous assumptions)

(PLN m)	2023	2024	2025E	2026E	2027E
Revenues	1,586	1,873	2,030	2,192	2,203
EBITDA	911	998	814	722	515
EBIT	894	990	805	712	515
Net profit	791	859	721	659	498
P/E	11.2	10.3	12.3	13.5	17.8
EV/EBITDA	8.0	6.6	7.3	7.2	8.9
Div Yield.	6.4%	6.6%	7.2%	6.1%	5.5%

current price*	PLN 75.62
target price	PLN 74.00
mCap	PLN 8.88bn
free float	PLN 3.88bn
ADTV (3M)	PLN 21.4m

*Price as of January 30, 2025, 5:00 PM

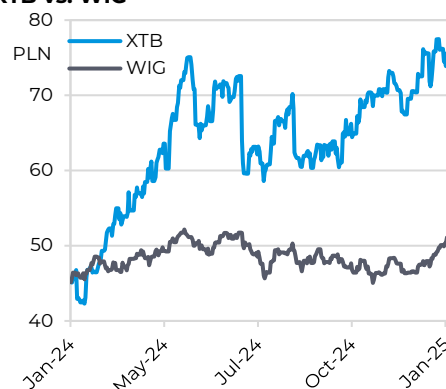
Ownership

XXZW Investment Group S.A	43.78%
Others	56.22%

About XTB

XTB offers a trading platform in over 1,700 financial instruments. The retail segment accounts for the majority revenues and costs, however, the Company also offers services and solutions for institutional clients. XTB's geographic footprint ranges from CEE and Western Europe to Latin America and the Middle East.

XTB vs. WIG



name	target price		recommendation	
	new	old	new	old
XTB	74.00	88.00	sell	buy
name	current price	target price	downside	
XTB	75.62	74.00	-2.1%	
Forecast Update (% change)		2025E	2026E	
Revenue		+2.1%	+6.7%	
EBIT		-18.4%	-22.4%	
EBITDA		-18.3%	-22.2%	
Net profit		-17.4%	-20.7%	

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List of abbreviations and ratios used by mBank:

EV (Enterprise Value) – Equity Value + Net Debt; **EBIT** – Earnings Before Interest and Taxes; **EBITDA** – EBIT + Depreciation & Amortisation; **Net Debt** – Borrowings + Debt Securities + Interest-Bearing Loans - Cash and Cash Equivalents; **P/E** (Price/Earnings) – Price Per Share Divided by Earnings Per Share; **P/CE** (Price to Cash Earnings) – Price Per Share Divided by Earnings + Depreciation & Amortisation; **P/B** (Price to Book Value) – Price Per Share Divided by Book Value Per Share; **P/CF** (Price to Cash Flow) – Price Divided by Cash Flow from Operations; **ROE** (Return on Equity) – Earnings Divided by Shareholders' Equity; **ROCE** (Return on Capital Employed) – EBIT x (Average Assets - Current Liabilities); **ROIC** (Return on Invested Capital) – EBIT x (1-Tax Rate) / (Average Equity + Minority Interest + Net Debt); **FCFF** (Free Cash Flow to Firm) – Cash Flow from Operations - CAPEX - Lease Payments; **FCFE** (Free Cash Flow to Equity) – Free Cash Flow to Firm - Net Interest Expense (incl. Debt + Leases)
EBITDA margin – EBITDA/Sales

OVERWEIGHT (OW) – a rating which indicates that we expect a stock to outperform the broad market
NEUTRAL (N) – a rating which indicates that we expect the stock to perform in line with the broad market
UNDERWEIGHT (UW) – a rating which indicates that we expect the stock to underperform the broad market

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A recommendation is valid for a period of 12 months, unless a subsequent recommendation is issued in this period. Expected returns from individual recommendations are as follows:

BUY – we expect that the rate of return from an investment will be at least 10%
HOLD – we expect that the rate of return from an investment will range from 0% to +10%
SELL – we expect that an investment will bear a loss

The foregoing principle may be waived where circumstances warrant, including but not limited to periods of increased share price volatility experienced by the company that is the subject of a recommendation immediately preceding the time the recommendation is issued.

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The Issuer is a client of mBank S.A.

The Issuer is a counterparty to mBank S.A.

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NAV - valuation based on equity value, one of the most frequently used method in case of developing companies; the weak point of the method is that it does not factor in future changes in revenue/profits of a company.

mBank issued the following recommendations for XTB in the 12 months prior to this publication:

XTB (Mikołaj Lemańczyk)

Rating	buy	buy	hold	buy	buy
Rating date	2024-12-02	2024-09-02	2024-06-03	2024-05-06	2024-02-14
Target price (PLN)	88.00	76.03	68.89	68.89	47.95
Price on rating day	70.82	68.42	66.10	60.26	42.30

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