

# Olympia Financial Group Inc.

(TSX: OLY)

## 2024 Beat Amid Strong Client Asset Growth

**BUY**

Current Price: C\$107.50

Fair Value: C\$143.52

Risk\*: 3

### Sector: Financial Services

[Click here for more research on the company](#)

#### Highlights

- In 2024, client assets were **up 9% to \$12.1B, exceeding our forecast by 1%**. As a result, revenue rose 3% YoY, beating our forecast by 3%, drive by interest revenue on unallocated client capital.
- In 2024, 53% of revenue came from interest on unallocated client capital held in cash accounts at major Canadian banks/credit unions. Since May 2024, the Bank of Canada has cut rates six times (200 bp), with **potential for one or two more cuts** due to slowing GDP growth, high unemployment, and cooling inflation. Consequently, we anticipate interest revenue declining in the coming quarters.
- A **key highlight of 2024** was a 2% YoY increase in services revenue from core divisions (Investment Account Services and Health Service Plans), driven by higher transaction volumes.
- EPS fell 0.2% YoY due to a 6% rise in G&A expenses, driven by salaries, wages, and bonuses. While the drop was expected, it still **beat our estimate by 10%** due to higher-than-expected revenue. Management expects only moderate growth in expenses in 2025.
- **Dividends increased 24% YoY to \$7.20**, aligning with our estimate.
- Services revenue will likely continue benefiting from organic demand growth for alternative investments. OLY's subsidiary, Olympia Trust Company, is currently in the process of registering as a federal trust corporation, which will allow it to actively **market its services in ON**.
- OLY's EV/EBITDA is 7.3x vs the sector average of 12.6x, a **41% discount**.

Sid Rajeev, B.Tech, CFA, MBA  
Head of Research

#### Price Performance (1-year)



	YTD	12M
OLY	-1%	4%
TSX	0%	16%

#### Company Data

52-Week Range	\$90 - \$114
Shares O/S	2.41M
Market Cap.	\$259M
Yield (forward)	6.7%
P/E (forward)	11.9x
P/B	6.2x

Key Financials (FYE - Dec 31) (C\$)	2024	2025(F)	2026(F)
Assets Under Admin. (\$,000s)	\$12,045,978	\$12,949,426	\$13,920,633
Revenue	\$102,920,352	\$101,856,273	\$100,513,399
EBITDA	\$33,705,928	\$31,903,121	\$30,447,610
Net Income	\$23,919,120	\$21,822,678	\$20,686,320
EPS	\$9.94	\$9.07	\$8.60
Dividends/Share	\$7.20	\$7.20	\$7.20

\*This report and research coverage is paid for and commissioned by the issuer. See last page for other important disclosures, rating, and risk definitions. All figures in C\$ unless otherwise specified.

*The leading Canadian custodian/administrator of alternative investments*

*OLY manages 137k+ accounts; its platform caters to a comprehensive range of investments not supported by banks, and other traditional trading/investment platforms*

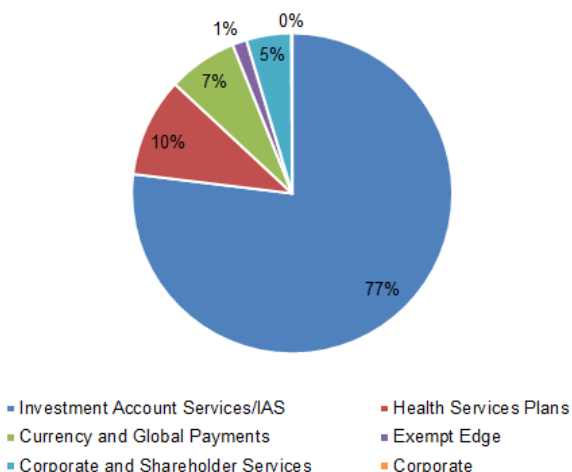
*In 2024, 77% of revenue came from IAS (2023: 76%), 10% from health service plans (unchanged), and the remaining 13% from other services (2023: 14%)*

*Client assets were up 9% YoY to \$12.1B vs our forecast of \$11.9B*

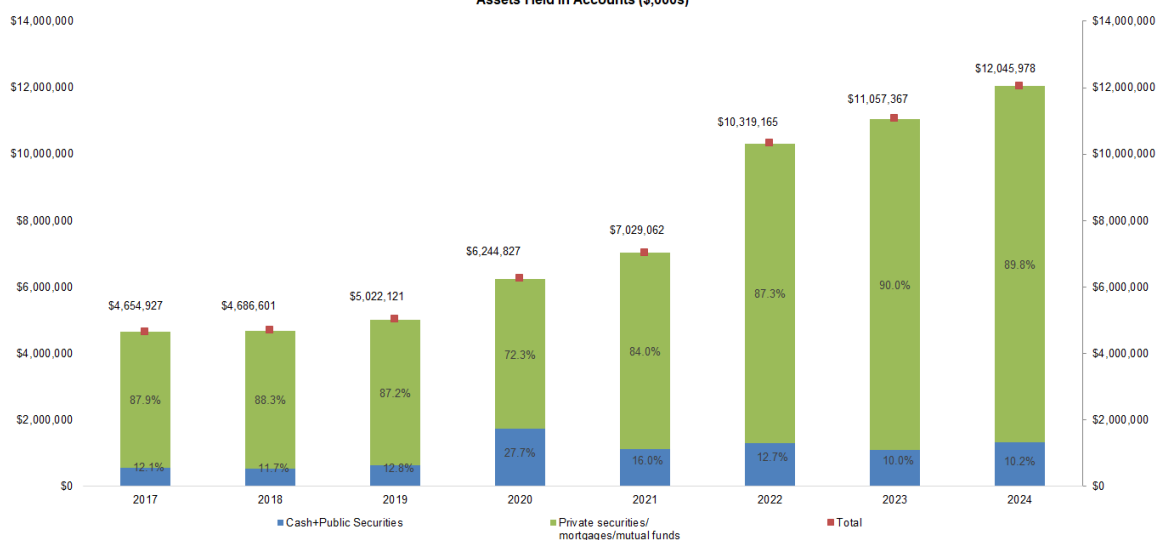
## Primary Services

- **Investment Account Services (IAS):** OLY is a trustee/custodian/administrator of self-directed registered investment accounts for alternative investments
- **Health Services Plans:** Administers health spending accounts for small/mid-sized corporations
- **Currency and Global Payments:** Facilitates the buying and selling of currencies for corporations and individuals
- **Corporate and Shareholder Services:** Offers corporate trust, and transfer agency services, such as maintenance of security holder registries, organizing annual meetings, and administering dividend reinvestments
- **Exempt Edge:** Provides IT services to exempt market dealers, issuers, and investment advisors

2024 Revenue by Segment



Assets Held in Accounts (\$,000s)



Source: Company / FRC

## Financials (Year-End: Dec 31<sup>st</sup>)

Revenue by Division	2020	2021	2022	2023	2024	YoY
Investment Account Services/IAS	\$30,025,513	\$27,294,278	\$50,175,439	\$75,704,551	\$79,175,280	4.6%
Health Services Plans	\$7,410,193	\$8,194,425	\$8,846,316	\$10,031,377	\$10,304,765	2.7%
Currency and Global Payments	\$8,953,695	\$10,022,542	\$8,293,764	\$8,835,880	\$7,201,440	-18.5%
Exempt Edge	\$997,438	\$1,017,532	\$1,179,023	\$1,313,664	\$1,479,854	12.7%
Corporate and Shareholder Services	\$1,143,146	\$2,431,877	\$3,566,077	\$4,132,094	\$4,682,121	13.3%
Corporate	\$90,172	\$35,446	\$99,108	\$191,800	\$76,892	-59.9%
<b>Total</b>	<b>\$48,620,157</b>	<b>\$48,996,100</b>	<b>\$72,159,727</b>	<b>\$100,209,366</b>	<b>\$102,920,352</b>	<b>2.7%</b>

Total Revenue	2020	2021	2022	2023	2024	YoY
Service Revenue	\$36,364,181	\$41,382,665	\$50,194,320	\$48,259,274	\$47,782,049	-1%
Trust, Interest, & Other	\$12,255,976	\$7,613,435	\$21,965,407	\$51,950,092	\$55,138,303	6%
<b>Total</b>	<b>\$48,620,157</b>	<b>\$48,996,100</b>	<b>\$72,159,727</b>	<b>\$100,209,366</b>	<b>\$102,920,352</b>	<b>3%</b>
% Service Revenue	75%	84%	70%	48%	46%	
% Interest Revenue	25%	16%	30%	52%	54%	

\*The primary source of revenue in the "Trust, Interest, & Other" category is the interest earned on placing undeployed client capital in cash accounts at major Canadian banks.

Investment Account Services/IAS	2020	2021	2022	2023	2024	YoY
Service Revenue	\$18,087,310	\$19,867,670	\$30,089,509	\$27,381,354	\$27,890,306	1.9%
Trust, Interest, & Other	\$11,938,203	\$7,426,608	\$20,085,930	\$48,323,197	\$51,284,974	6.1%
<b>Total</b>	<b>\$30,025,513</b>	<b>\$27,294,278</b>	<b>\$50,175,439</b>	<b>\$75,704,551</b>	<b>\$79,175,280</b>	<b>4.6%</b>
% Service Revenue	60%	73%	60%	36%	35%	
% Interest Revenue	40%	27%	40%	64%	65%	

\*Service revenue includes annual and transaction fees

\*"Trust, interest, and other" primarily includes interest revenue

Health Services Plans	2020	2021	2022	2023	2024	YoY
Service Revenue	\$7,238,624	\$8,046,633	\$8,382,546	\$9,059,965	\$9,347,512	3.2%
Trust, Interest, & Other	\$171,569	\$147,792	\$463,770	\$971,412	\$957,253	-1.5%
<b>Total</b>	<b>\$7,410,193</b>	<b>\$8,194,425</b>	<b>\$8,846,316</b>	<b>\$10,031,377</b>	<b>\$10,304,765</b>	<b>2.7%</b>
% Service Revenue	98%	98%	95%	90%	91%	
% Interest Revenue	2%	2%	5%	10%	9%	

\*Service revenue includes annual and transaction fees

Margins	2020	2021	2022	2023	2024
Gross	94%	92%	95%	96%	97%
EBITDA	27%	24%	29%	34%	33%
EBIT	23%	19%	26%	31%	30%
Net	16%	13%	20%	24%	23%

	2020	2021	2022	2023	2024
Cash from operating activities	\$12,760,683	\$11,877,256	\$8,553,196	\$18,945,062	\$20,971,056
Cash from investment activities	\$930,156	-\$7,178,709	-\$169,841	-\$603,611	-\$400,784
Cash from financing activities	-\$9,406,272	\$12,661	-\$15,123,988	-\$15,789,710	-\$18,623,491
Net change in cash	\$4,284,567	\$4,711,208	-\$6,740,633	\$2,551,741	\$1,946,781
<b>Free cash flows</b>	<b>\$12,225,246</b>	<b>\$3,693,896</b>	<b>\$8,027,186</b>	<b>\$18,338,126</b>	<b>\$20,574,979</b>

Source: FRC / Company

2024 revenue was up 2.7% YoY amid higher client assets, and revenue from interest on unallocated client capital, beating our forecast by 2.5%

Total services revenue from core divisions (IAS and Health Service Plans) was up 2.2% YoY, driven by higher transaction volumes

G&A expenses were up 5.7% YoY, exceeding our forecast by 0.9%

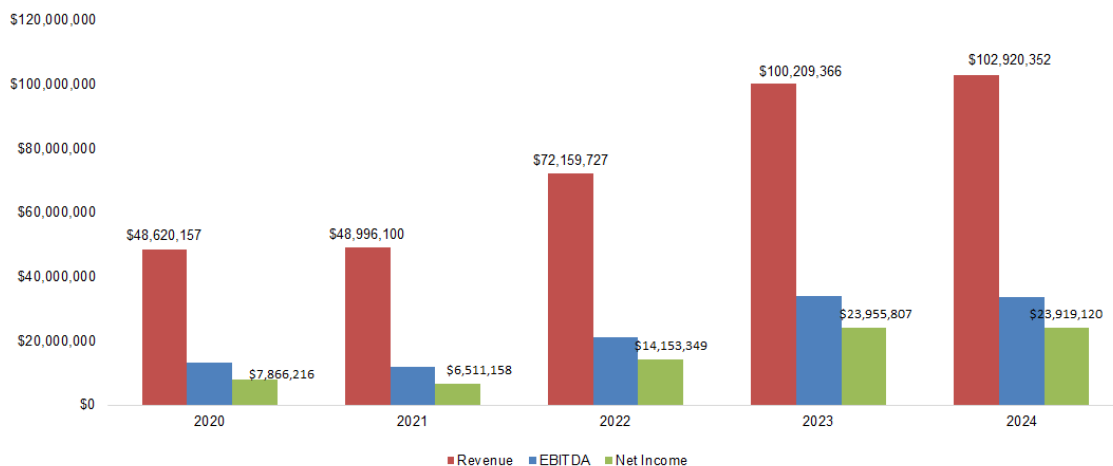
EPS declined 0.2% YoY, but exceeded our forecast by 10.1%, driven by higher than expected revenue

Dividends increased 24% YoY to \$7.20, aligning with our estimate

The payout ratio was 72% vs the historic average of 70%

Strong balance sheet

**Operating Performance**



**Dividends/Share (LHS) Vs Payout Ratio (RHS)**



	2020	2021	2022	2023	2024
Cash	\$10,395,416	\$15,106,624	\$8,365,991	\$10,917,732	\$12,864,513
Working Capital	\$12,398,177	\$8,229,525	\$17,341,180	\$28,554,732	\$32,472,587
Current Ratio	2.07	1.50	2.55	3.49	5.36
LT-Debt	-	-	-	-	-
Total Debt	\$4,946,744	\$12,382,366	\$4,953,278	\$2,565,889	\$1,795,790
Total Debt/Capital	21%	40%	16%	7%	4%
Interest Coverage Ratio	N/A	N/A	N/A	N/A	N/A

Source: Company/FRC

## FRC Projections and Valuation

Since client assets under administration exceeded our forecast, we are raising our 2025 revenue and EPS

	2025E (Old)	2025E (New)	2026E (Introducing)
Assets Under Admin. (\$,000s)	\$12,481,003	\$12,949,426	\$13,920,633
Revenue	\$98,079,882	\$101,856,273	\$100,513,399
EBITDA	\$31,019,103	\$31,903,121	\$30,447,610
Net Income	\$21,393,324	\$21,822,678	\$20,686,320
EPS	\$8.89	\$9.07	\$8.60
Dividends/Share	\$7.20	\$7.20	\$7.20

As a result, our DCF valuation increased from \$133 to \$142/share

DCF Model	2025(F)	2026(F)	2029(F)	Terminal
EBIT (1-tax)	\$21,822,678	\$20,686,320	\$35,684,753	
Non-Cash Expenses	\$2,806,218	\$2,865,850	\$3,052,457	
Change in Working Capital	-\$1,306,410	-\$1,371,730	-\$1,587,949	
Cash from Operations	\$23,322,485	\$22,180,439	\$37,149,261	
CAPEX	-\$600,000	-\$600,000	-\$600,000	
Free Cash Flow	\$22,722,485	\$21,580,439	\$36,549,261	
Present Value	\$20,287,933	\$17,203,794	\$20,739,033	\$237,346,705
Discount Rate	12.0%			
Terminal Growth	3.0%			
Present Value	\$330,165,896			
Cash - Debt	\$11,068,723			
Fair Value	\$341,234,619			
Shares O/S	2,406,336			
<b>Value per Share (C\$)</b>	<b>\$141.81</b>			

Source: FRC

Our comparables valuation increased from \$137 to \$145/share

OLY vs Sectors	EV/EBITDA
Olympia Financial Group	7.3
Asset Management & Custody Banks	12.6
Financial Services	12.5
<b>Average (discounted by 20%)</b>	<b>10.0</b>
<b>Fair Value of OLY (Comparables Valuation)</b>	<b>\$145.23</b>

Source: FRC/S&P Capital IQ

We are reiterating our BUY rating, and **adjusting our fair value estimate from \$135.19 to \$143.52/share** (the average of our DCF and comparables valuations), implying a potential return of 40% (including dividends) in the next 12 months. Despite a slight EPS decline due to increased expenses, OLY demonstrated strong

asset growth in 2024. However, we anticipate a material decrease in interest revenue this year, while recognizing the significant growth potential from the company's federal trust corporation registration, and the substantial discount in EV/EBITDA compared to the sector average.

## Risks

We believe the company is exposed to the following key risks (not exhaustive):

- Operates in a **regulated industry**
- The company's target market is **niche**
- Although OLY dominates the alternative investment market, there is **no guarantee that banks and large investment platforms** will not enter this space in the future.
- Earnings are significantly affected by **fluctuations in interest rates**
- Transaction revenue depends on market sentiment for alternative investments

*Maintaining our risk rating of 3 (Average)*

**Appendix**

<b>Income Statement</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025(F)</b>	<b>2026(F)</b>
<b>YE - December 31</b>					
<b>Revenue</b>					
Service Revenue	\$50,194,320	\$48,259,274	\$47,782,049	\$53,115,234	\$57,098,877
Trust, Interest, & Other	\$21,965,407	\$51,950,092	\$55,138,303	\$48,741,038	\$43,414,522
<b>Total Revenue</b>	<b>\$72,159,727</b>	<b>\$100,209,366</b>	<b>\$102,920,352</b>	<b>\$101,856,273</b>	<b>\$100,513,399</b>
Direct Expenses	\$3,925,376	\$3,671,036	\$3,497,277	\$3,594,504	\$3,670,887
<b>Gross Profit</b>	<b>\$68,234,351</b>	<b>\$96,538,330</b>	<b>\$99,423,075</b>	<b>\$98,261,769</b>	<b>\$96,842,512</b>
G&A	\$46,322,718	\$61,736,169	\$65,254,246	\$65,656,394	\$65,639,980
Bad Debt	\$835,079	\$764,619	\$462,901	\$702,254	\$754,923
<b>EBITDA</b>	<b>\$21,076,554</b>	<b>\$34,037,542</b>	<b>\$33,705,928</b>	<b>\$31,903,121</b>	<b>\$30,447,610</b>
D&A	\$2,552,229	\$2,492,695	\$2,730,313	\$2,806,218	\$2,865,850
<b>EBIT</b>	<b>\$18,524,325</b>	<b>\$31,544,847</b>	<b>\$30,975,615</b>	<b>\$29,096,904</b>	<b>\$27,581,760</b>
Non-Recurring/Extraordinary	-\$71,117	-\$46,129	-\$24,773		
Tax	\$4,442,093	\$7,635,169	\$7,081,268	\$7,274,226	\$6,895,440
<b>Net Income</b>	<b>\$14,153,349</b>	<b>\$23,955,807</b>	<b>\$23,919,120</b>	<b>\$21,822,678</b>	<b>\$20,686,320</b>
EPS	\$5.88	\$9.96	\$9.94	\$9.07	\$8.60
Dividends/Share	\$3.16	\$5.80	\$7.20	\$7.20	\$7.20
Payout Ratio	54%	58%	72%	79%	84%
<b>Balance Sheet</b>					
<b>YE - December 31</b>					
<b>Assets</b>					
Cash	\$8,365,991	\$10,917,732	\$12,864,513	\$16,465,589	\$20,720,409
A/R and Others	\$19,050,999	\$27,895,534	\$26,152,440	\$27,460,062	\$28,833,065
Financial Instruments	\$1,095,806	\$1,196,431	\$904,767	\$904,767	\$904,767
<b>Current Assets</b>	<b>\$28,512,796</b>	<b>\$40,009,697</b>	<b>\$39,921,720</b>	<b>\$44,830,418</b>	<b>\$50,458,241</b>
Non-Current Assets	\$8,982,810	\$7,262,332	\$9,466,680	\$7,260,462	\$4,994,613
<b>Total Assets</b>	<b>\$37,495,606</b>	<b>\$47,272,029</b>	<b>\$49,388,400</b>	<b>\$52,090,881</b>	<b>\$55,452,854</b>
<b>Liabilities</b>					
Credit facility	\$4,953,278	\$2,565,889	\$1,795,790	-	-
A/P, Deferred Rev. & Others	\$5,426,295	\$8,437,871	\$4,975,818	\$4,975,818	\$4,975,818
Derivatives	\$792,043	\$451,205	\$677,525	\$677,525	\$677,525
<b>Current Liabilities</b>	<b>\$11,171,616</b>	<b>\$11,454,965</b>	<b>\$7,449,133</b>	<b>\$5,653,343</b>	<b>\$5,653,343</b>
Non-Current Liabilities	\$1,001,451	\$495,434	\$24,242	\$25,454	\$26,727
<b>Total Liabilities</b>	<b>\$12,173,067</b>	<b>\$11,950,399</b>	<b>\$7,473,375</b>	<b>\$5,678,797</b>	<b>\$5,680,070</b>
Share capital	\$7,886,989	\$7,886,989	\$7,886,989	\$7,886,989	\$7,886,989
Contributed surplus	\$86,373	\$86,373	\$86,373	\$86,373	\$86,373
Retained Earnings	\$17,349,177	\$27,348,268	\$33,941,663	\$38,438,721	\$41,799,422
Non-controlling interests					
<b>Total Shareholders Equity</b>	<b>\$25,322,539</b>	<b>\$35,321,630</b>	<b>\$41,915,025</b>	<b>\$46,412,083</b>	<b>\$49,772,784</b>
<b>Total SE + Liabilities</b>	<b>\$37,495,606</b>	<b>\$47,272,029</b>	<b>\$49,388,400</b>	<b>\$52,090,881</b>	<b>\$55,452,854</b>
Debt to Capital	16.4%	6.8%	4.1%	0.0%	0.0%

Cash Flow Statement	2022	2023	2024	2025(F)	2026(F)
YE - December 31					
<b>Operating Activities</b>					
Net Income	\$14,153,349	\$23,955,807	\$23,919,120	\$21,822,678	\$20,686,320
D&A + FOREX + Others	\$2,367,971	\$1,882,626	-\$1,285,579	\$2,806,218	\$2,865,850
Changes in WC	-\$7,968,124	-\$6,893,371	-\$1,662,485	-\$1,306,410	-\$1,371,730
<b>Cash From Operating Activities</b>	<b>\$8,553,196</b>	<b>\$18,945,062</b>	<b>\$20,971,056</b>	<b>\$23,322,485</b>	<b>\$22,180,439</b>
<b>Investing Activities</b>					
PP&E, M&A, and Others	-\$526,010	-\$606,936	-\$396,077	-\$600,000	-\$600,000
Others	\$356,169	\$3,325	-\$4,707		
<b>Cash Used Investing Activities</b>	<b>-\$169,841</b>	<b>-\$603,611</b>	<b>-\$400,784</b>	<b>-\$600,000</b>	<b>-\$600,000</b>
<b>Financing Activities</b>					
Equity					
Debt	-\$7,659,969	-\$2,812,994	-\$1,297,766	-\$1,795,790	-
Others	\$140,000	\$980,000			
Dividends	-\$7,604,019	-\$13,956,716	-\$17,325,725	-\$17,325,619	-\$17,325,619
<b>Cash Used in Financing Activities</b>	<b>-\$15,123,988</b>	<b>-\$15,789,710</b>	<b>-\$18,623,491</b>	<b>-\$19,121,409</b>	<b>-\$17,325,619</b>



**Fundamental Research Corp. Equity Rating Scale:**

**Buy** – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

**Hold** – Annual expected rate of return is between 5% and 12%

**Sell** – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

**Suspended or Rating N/A**— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

**Fundamental Research Corp. Risk Rating Scale:**

**1 (Low Risk)** - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

**2 (Below Average Risk)** - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

**3 (Average Risk)** - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

**4 (Speculative)** - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

**5 (Highly Speculative)** - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues and may rely on external funding. These stocks are considered highly speculative.

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