



Research Report (Initial Coverage)



Germany's leading fintech-company

-

Customer deposits allow strong growth

Target Price: €26.85

Rating: BUY

IMPORTANT INFORMATION:

Please take note of the disclaimer/risk disclosure
as well as the disclosure of any conflicts of interest in accordance with Section 34b WpHG
(German Securities Trading Act) starting on page 32

FinTech Group AG^{*5a,5b,11}

Rating: BUY

Target price: €26.85

Current price: 17.80

07/12/2015 / ETR

Currency: EUR

Key information:

ISIN: DE0005249601

WKN: 524960

Ticker symbol: FLA

Number of shares³: 16,205

Market cap³: 288.45

³in million / in mEUR

Free float: 34.2%

Transparency level:

Entry Standard

Market segment:

open market

Accounting standard:

IFRS

Financial year: 31/12

Designated sponsor:

ICF Bank AG

Equinet Bank AG

Analysts:

Felix Gode, CFA
gode@gbc-ag.de

Cosmin Filker
filker@gbc-ag.de

* List of possible conflicts of interest on page 33

Company profile

Sector: software, technology

Focus: fintech, banking services

Employees: 485 (due to: 30/06/2015)

Established: 1999

Registered office: Frankfurt am Main

Board of management: Frank Niehage



FinTech Group AG and its subsidiary flatex have been a market and innovation leader in the German online brokerage market and thus one of the first ever fintech companies in the country. The company has now set the goal of becoming Europe's leading supplier of innovative technology to the financial sector by means of a comprehensive transformation and growth process that also expands it beyond online brokerage. The company focuses on business models with long-term above average growth as well as rapid market penetration. As part of this growth programme, in March 2015 the FinTech Group acquired the majority of shares in the XCOM Group, one of the most successful software and technology suppliers for financial services providers. XCOM's subsidiary biw AG has a full banking licence (making it a "full-service bank") and is a member of the Association of German Banks (*Bundesverband deutscher Banken e.V.*), as well as being a participating institution in the deposit-protection fund. For more than 20 years, the XCOM Group has been one of the most important technology and outsourcing partners in the German banking industry and one of the most successful partners in the up-and-coming German fintech sector.

P&L in mEUR, financial year-end	31/12/2014	31/12/2015e	31/12/2016e	31/12/2017e
Net sales	24.64	84.23	90.00	101.15
EBITDA	-8.03	20.13	31.00	38.15
EBIT	-9.54	6.38	22.00	30.15
Net income (loss)	-7.59	3.91	14.84	20.54

Key figures in EUR

Earnings per share	-0.49	0.24	0.92	1.27
Dividend per share	0.00	0.00	0.00	0.00

Key Figures

Equity	44.75	70.02	84.86	105.40
ROE	neg.	5.7%	21.2%	24.2%
Price/Sales	11.12	3.42	3.20	2.85
Price/Earnings	neg.	73.80	19.44	14.04
Price/Equity	6.12	4.12	3.40	2.74

Financial calendar

08/12/2016: Munich Capital Markets Conference

** Last research by GBC:

Date: publication/target price in EUR/rating

** The research studies indicated above may be viewed at www.gbc-ag.de, or requested from GBC AG, Halderstr. 27, D86150 Augsburg

EXECUTIVE SUMMARY

- With the acquisition of XCOM AG, including its wholly-owned subsidiary biw Bank AG, the FinTech Group AG has significantly expanded its business model and can now benefit at various different levels from the strong growth in the FinTech market. ViTrade AG and flatex AG provide established access to end customers (B2C) and the full-service banks biw Bank AG and XCOM AG have a strong IT capability in B2B services to the financial services industry.
- Future growth at the company will receive equal support from all sectors. B2C business at flatex should increase its “share of wallet” through the provision of additional services. flatex will also grow through acquiring a few thousand new customers per month due to improved marketing. biw Bank AG is one of the leading enablers in the German fintech sector thanks to its white label banking solutions. XCOM is acquiring customers in both the traditional banking and the financial services sectors and is contributing innovative products to the Group such as “kesh” payment solutions. In addition to organic growth, management is also constantly on the lookout for interesting acquisitions, which would have a synergistic effect on the Group.
- Due to the acquisition of XCOM AG and, thus, biw Bank AG, the sale of the Aktionärsbank AG is currently going ahead. This will not only simplify and focus the existing structure but will also have a significant impact on earnings. Aktionärsbank only started operating in late 2013 and is currently contributing significant losses. The sale should improve results significantly starting in 2016. Beyond Aktionärsbank, significant cost synergies across the entire group will result from the XCOM acquisition, which will gradually make a significant improvement to profitability.
- Not least, in FY 2015 FinTech Group AG benefited from a co-operation with Commerzbank AG, in which CFD market making was outsourced to the latter. As part of the process, FinTech AG received a one-off lump sum in the low two-digit millions and will receive a share of profits over future years.
- FinTech Group AG will therefore see a significant improvement in net sales (net interest income + net commission income + trading profit) and in EBITDA as soon as FY2015 due to the takeover of XCOM AG, as already illustrated in HY1 2015. Semi-annual EBITDA was €11.7 million. After net sales of €24.6 million in FY 2014, we forecast €84.23 million for the whole of 2015.
- Currently the customer deposits at biw Bank AG of more than €1 billion remain completely unused. Starting in 2016, the Executive Board is planning to set up a technology-based consumer lending department (comparable to the listed fintech company Ferratum). Even if regulatory limits prevent all customer deposits from being used for this business, it is realistic to expect interest income of around 1-2% on the entire deposits.
- In summary, the FinTech Group AG in its new form, including the synergies from the XCOM acquisition, has high growth and earnings potential which should be able to be gradually increased over future years due to its excellent positioning in both the B2C and B2B sectors, due to its technological leadership and, not least, the very high deposit levels at biw Bank AG. A significant increase in profitability should be seen as early as 2015, with further significant potential for increases over future years.

- **Using a residual income model and a peer group model, we have calculated an average fair value of €26.85 per FinTech Group share. Based on the current price level, the share will have a PE of 14 for 2017. Based on the favourable valuation and the positive outlook for the company, we are rating FinTech Group AG as a BUY.**

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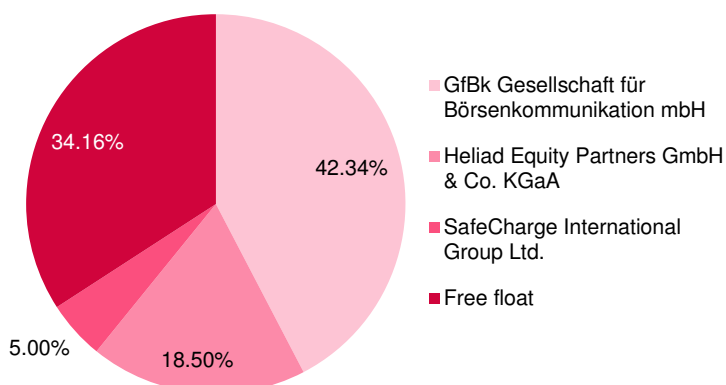
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COMPANY

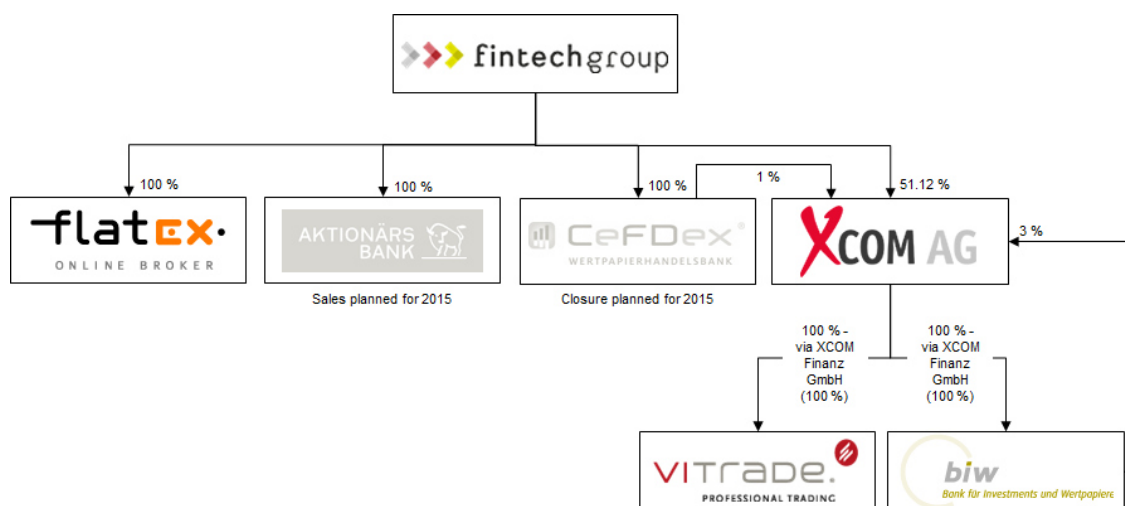
Shareholder structure

Shareholder in %	30/11/2015
GfBk Gesellschaft für Börsenkommunikation mbH	42.34%
Heliad Equity Partners GmbH & Co. KGaA	18.50%
SafeCharge International Group Ltd.	5.00%
Free float	34.16%

Source: FinTech Group, GBC



Group structure



Source: FinTech Group, GBC

Management Board

Frank Niehage (CEO)

Frank Niehage has wide-ranging expertise in the financial services sector. Up to August 2014 he was Managing Director in the Investment Management Division of Goldman Sachs in Frankfurt. Previously, as CEO, he played a key role in the expansion of the German business at Sarasin private bank. Niehage's previous management positions include national and international roles at Commerzbank, Credit Suisse and UBS, as well as international law firm Beiten Burkhardt. In addition to being authorised to practise law in Germany, Niehage has a Master of Laws degree from the Law Center at the University of Houston, majoring in international economics.



Martin Korbmacher (Chairman of the Supervisory Board)

Martin Korbmacher has proven expertise and experience in both traditional banking and financial services technologies. After heading up global equities trading at Dresdner Kleinwort, Korbmacher then became Head of Investment Banking for Germany and Austria at Credit Suisse. In mid-2011 he decided to set up his own company and founded Event Horizon Capital & Advisory GmbH.

Business activity

Brief overview of company history

Year	Event
XCOM AG	
1988	XCOM BCC established in Langen, near Frankfurt
2005	XCOM AG buys shares in biw Bank AG
2010	Acquisition of ViTrade AG
2012	XCOM AG increases investment in biw Bank AG to 100%
2015	Acquisition of 51.12% of XCOM AG shares by FinTech Group AG
FinTech Holding AG	
1999	PRE.IPO AG established in Kulmbach
2006	Renamed flatex AG
2008	Launch of CFD trading
2009	IPO of flatex AG
2013	Aktionärsbank GmbH acquires banking licence
2013	Acquisition of CeFDex GmbH
2014	Renaming of flatex Holding AG to FinTech Group AG
2015	FinTech Group AG acquires 51.12% of the shares in XCOM AG
2015	Cooperation with Commerzbank AG in the area of CFD market making

Source: FinTech Group, GBC

Business model

In March 2015 the FinTech Group AG business model was significantly expanded with the acquisition of XCOM AG and the company has stated that the move was an important step towards becoming one of the leading suppliers of financial services technology in Europe. In future, the business model of the FinTech Group AG will focus on the two pillars of Retail Online Banking (B2C) and Transaction Banking & In-/Outsourcing for third parties (B2B).

Through the acquisition of XCOM AG, FinTech Group AG has also acquired a 100% share in ViTrade AG and in biw Bank AG, which are both held as wholly-owned subsidiaries of XCOM Finanz GmbH.

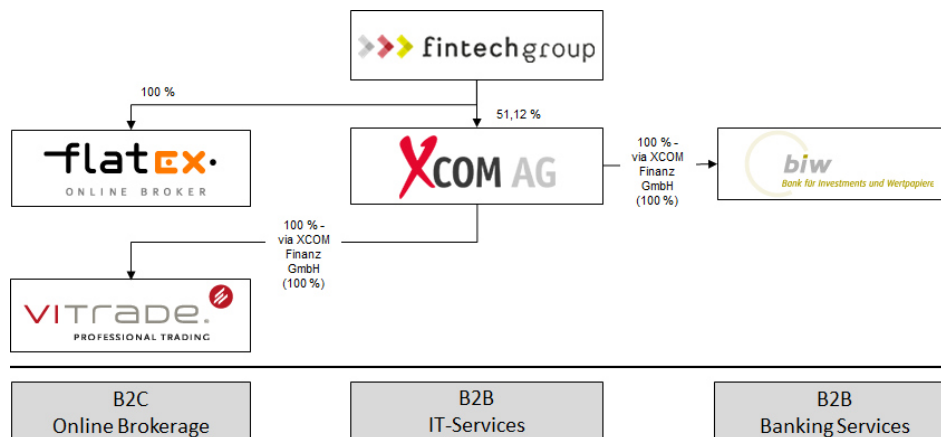
In September 2015 the bundled CFD order flow in the wholly-owned subsidiary CeFDex was transferred to Commerzbank AG as part of cooperation. As compensation, FinTech Group AG received a significant one-off payment in the double-digit millions and will also benefit from a share in the profits over at least the next seven years. CeFDex AG thus no longer has any operating business and will be closed down during 2015. As a result, FinTech Group AG will not only benefit from the proceeds of the sale but also from the release of regulatory capital and cost savings.

The acquisition of XCOM AG also included the wholly-owned XCOM subsidiary biw Bank AG. Against this backdrop, negotiations are underway for the sale of Aktionärsbank Kulmbach GmbH, as the Group does not need two companies with full banking licences. Aktionärsbank customers are able to switch to flatex and take advantage of comparable conditions there. The majority of the customers have already migrated. The inherited compliance, risk monitoring, legal, marketing, etc. functions at Aktionärsbank are to be transferred to FinTech Group AG. The sale thus serves to slim down and focus the group

structure as well as to improve cost efficiency. Regulations then permit tied-up capital to be released and used to finance growth.

The acquisition of XCOM AG and its 100% XCOM subsidiary, biw Bank AG, the sale of Aktionärsbank AG and the transfer of the CFD market making business of CeFDex AG to Commerzbank results in the following group structure of FinTech Group AG:

Planned Group structure at the end of 2015:



Source: FinTech Group, GBC

Below, we provide an overview of the four most important FinTech Group AG investments: flatex AG and ViTrade AG in the B2C segment, and XCOM AG and biw Bank AG in the B2B segment:



flatex AG is an **online broker focused on non-consulting securities trading**. The company is active in the German and Austrian markets and looks after over 130,000 customers and customer assets of more than €4.5 billion in both countries. Customers at flatex can trade with all German and many international banks. Over the counter trading is also offered. The traded products range from equities and funds to derivatives (e.g. certificates, options), currencies, ETFs and CFDs.

flatex's competitive advantage lies in its very affordable fee model, with a standard price of €5.00 per trade and a strong focus on customer service. Over the past few years, the company has won several awards for being the most affordable online broker in Germany, as well as for its high levels of customer-friendliness and price transparency. Account and portfolio management for flatex customers are provided by the wholly-owned XCOM AG subsidiary biw Bank AG.



ViTrade AG, a wholly-owned subsidiary of XCOM AG, is a **broker for day traders** and operates various trading platforms focusing on active investors. The company is thus legally the contracted broker for biw Bank AG, which is responsible for account and portfolio management and securities settlement. XCOM AG provides the technical solutions for operating professional trading via ViTrade. ViTrade's product range includes

platforms customised for different types of trading, such as for day traders, chartists or FX traders. ViTrade looks after around 2,500 highly specialized customers as well as customer assets of more than €300 million.



At the end of Q1 2015, FinTech Group AG acquired 51.12% of XCOM AG and with it the controlling interest. A further 4% is held through biw Bank AG and CeFDex AG. XCOM has a total of over 250 banks and financial services providers among its customers and has been one of the leading technology and outsourcing partners for German financial services providers for over 20 years.

XCOM AG specializes in **software and technology solutions for banks and financial services providers**, and the business is broken down into the following five business areas:

- | | | | | |
|------------|--------------|------------|------------|---------------|
| 1. Banking | 2. E-Banking | 3. Trading | 4. Payment | 5. Consulting |
|------------|--------------|------------|------------|---------------|

1. Banking business area

In the banking segment, XCOM AG operates a brokerage business which provides customers with complete banking solutions and services. The core product is the **banking suite** software, which covers all relevant banking services. The services range from standard areas such as deposits, securities, payment services or checking accounts through to innovative business areas such as c2c lending, coupons or mobile payments. The software has a modular structure meaning only individual modules can be provided when needed. The brokerage banking systems are operated at the in-house XCOM computing centre in Germany.

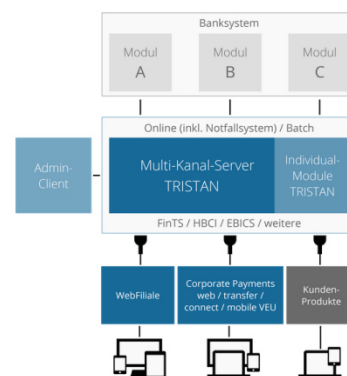
2. e-Banking business area

XCOM AG uses its **eBanking Suite** product to provide a solution for the growing business in digital payment services. The framework is composed of TRISTAN, a multi-channel business server, and a flexible front end for browsers and mobile applications. TRISTAN is the core component of the eBanking Suite. It contains the entire business logic and forms for the interface between the banking system and the customer front end. The front end (WebFiliale) displays the standard business transactions for online banking and can be individually adapted by the customer. In addition, XCOM has numerous tools, which can be integrated into the existing system, depending on customer needs and requirements. Customers include banks and companies that use the e-banking suite for settling their payments. The flexibility and high security standards make the product one of the best on the market, according to the company.

3. Trading business area

In the trading business, lenders and financial services providers are provided with products to improve trading and the settlement of electronic stock trading. Here XCOM has numerous solutions for a wide range of applications:

Structure of the e-



Institutional trading and market-making products

Product	Function	Customers
TradiX	Order management system	Stock broker
SkontriX	Market maker system	Lead brokers, specialists
QuotaX	Quotation system	Market makers
xQuote	Quotation of instruments as part of designated sponsorship on the XETRA trading platform of Deutsche Börse AG	Designated sponsors
Limit Order Services (L.O.X.)	Trading platform for over-the-counter trade with Deutsche Bank AG and Commerzbank AG	Broker

Professional trading products

Product	Function
HTX	Trade front end in cooperation with biw Bank AG for account and portfolio management as well as securities settlement, and with ViT-trade AG for provision of the system and conditions model in the brokerage
benkTRADER+	Trading software for PC and Mac

4. Payment business area

The payment business area offers services for payment solutions. Fintech startups are often active in the regulated financial services sector that is subject to certification. XCOM, along with its banking subsidiary biw, can offer appropriate solutions here often saving customers the elaborate process of acquiring their own banking licence. The services include the online settlement of payment flows or mobile payment on smartphones in retailers, online shops or among friends. Thus XCOM can provide solutions for processing SEPA payments or enable credit card transactions via its subsidiary biw Bank AG. Corporate customers also have the option to use the partners Prosecur in Germany and Post.Wertlogistik in Austria for processing cash logistics.

Finally, XCOM has also developed its own mobile payment system ("kesh") which allows customers to use their smartphones as mobile electronic wallets. The mobile payment system has numerous usages, such as in retail, in online shops or at restaurants. kesh can also be used to transfer money between friends in real time. Last but not least, kesh was ranked fourth among the 15 largest German providers according to a study recently conducted by industry experts How2Pay and Mücke, Sturm & Company. kesh currently has over 7,000 registered users and the software was used to perform 75,000 transactions with a total volume of €1 million in HY1 2015.



5. Consulting business area

The product range is supplemented by consulting services provided by banking and IT experts from the XCOMpetence GmbH subsidiary. Customers include primarily fintech start-ups, as well as established financial services providers. The consulting products range from banking supervisory advice to issues associated with IT security.



biw Bank AG is a full-service bank and a participating institution in the deposit-protection fund of the Association of German Banks. As an outsourcing and transaction partner, the company offers white label banking solutions. Customers, including other fintech companies, can use the products of biw Bank AG, make use of the entire service spectrum and

meet all supervisory and legal requirements without having to acquire their own banking licence. The services offered by biw Bank AG include the entire range of banking services, e.g. online brokerage, capital market transactions, credit business, cash supplies via automated cash machines, and the opening of online accounts and portfolios.

Customers at Biw Bank AG include fintech startups such as Savedo, Zinspilot and aux-money, as well as the two Group companies flatex and ViTrade.

Strategic focus

FinTech Group AG is pursuing the goal of being one of the leading financial services technology companies in Europe. It intends to offer online banking services across the entire financial services spectrum, and to develop and finance disruptive technologies and business models.

In this context, the takeover of XCOM AG and, with it, biw Bank AG forms a key element in achieving this goal. The cooperation between biw Bank AG with its banking capability and the technological expertise of XCOM AG constitutes a key advantage over competing business models, as good ideas in the fintech sector often fail due to regulatory hurdles in the financial industry. XCOM AG and its subsidiary biw Bank AG form an effective unit to provide these kinds of fintech models with the necessary foundation for growth. As biw Bank AG has a full banking licence, partners can be offered the entire product range as in house services.

The intention is to make use of the synergies between the individual companies of the newly formed Group and to exploit market opportunities. The following strategic guidelines are the focus of development in this respect:

flatex AG

Flatex AG functions as the "retail face" of the group. Over the coming years, the intention is to develop the company from its current position as a pure online broker into a complete online bank under the heading of "flatex 4.0". In the process, new products are to be offered, particularly to acquire a greater share of wallet in the future and to increase vertical integration. In addition, new features are to be implemented in future years, such as social trading, which has become increasingly popular in Germany over the past 2-3 years. More focus is also to be given to e-learning in order to appeal more strongly to the under-represented target group of those aged between 30 and 40.

However, flatex AG should see an expansion regionally as well as in terms of content. Thus, there is to be a further expansion into central and Eastern Europe from 2016. The company currently operates in Germany and Austria, and growth has been particularly strong in Austria. The closing down of brokerjet, the former leading Austrian broker and competitor, has allowed flatex Austria to acquire thousands of new customers.

XCOM AG

The intention is for XCOM AG to continue to form the "technological heart" of the FinTech Group in future years, with a focus on developing software solutions for the entire Group and its customers. The company has had many years of experience in developing software for banks, which is to also continue in the future. XCOM employs over 200 developers and thus combines excellent development expertise, which should produce new software products for new fintech ideas, with a specific focus on the B2B sector. So, for example, the broad market launch of the kesh mobile payment product will be promoted in 2016.



biw Bank AG

The banking licence of biw Bank AG enables the entire FinTech Group to easily implement new fintech ideas. In future years, this will form the basis primarily for expanding the B2C business, whereby the goal is to establish biw Bank AG as a key player in payment processing.



The company made an important step in this direction in June 2015 with the cooperation agreement with SafeCharge. SafeCharge is a global provider of payment processing, technology and risk management services for online and mobile business and is a payment processing partner of many e-commerce retailers. In order to expand the European business, SafeCharge is now using the wide range of banking services from XCOM and biw Bank. At the same time SafeCharge has acquired a 5% holding in FinTech Group AG.

One field that has yet to be addressed is the strong growth area of consumer lending. It is intended to implement this business model in the coming months, as there is enormous growth potential here. The high levels of customer deposits and their continued increase provide corresponding opportunities to establish the consumer lending business quickly and with high interest margins (see also *Forecasts*).

Partner network in B2B business (excerpt)



Source: FinTech Group

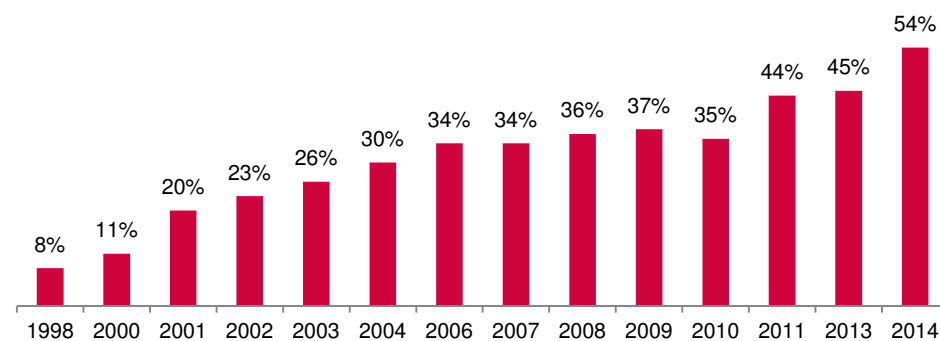
MARKET AND MARKET ENVIRONMENT

Online banking and mobile banking

Online banking has become increasingly popular over the past few years. However penetration has not progressed far enough to say that the method is universally used. Even online banking is not widespread matter of course. Doubts about security, in particular, are still viewed as a key hindrance. However, a noticeable acceleration has taken place in the online banking sector over the past four years.

While usage in Germany fluctuated between 34% and 37% for several years, a significant increase to 54% was seen recently. The reason is probably the banks' increased focus on the online sector, along with improvements in technology and user friendliness.

Online banking usage in Germany (in %)



Source: Association of German Banks (Bundesverband Deutscher Banken)

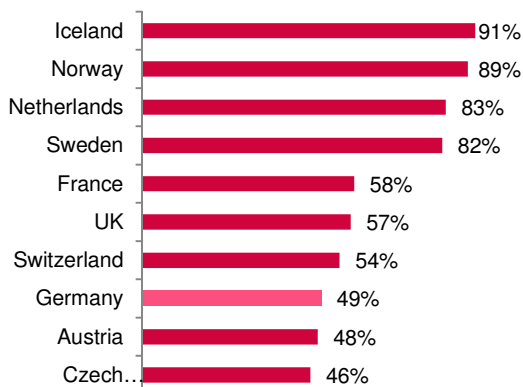
Along with the establishment of new online business models in the financial services sector (fintech), the scope of online-based financial services has also increased. A few years ago, the main banking services that were available were traditional ones, such as wire transfers, whereas now the range of services is far broader, including mobile payments, online lending and loan transactions.

A key driver of growth in online banking is the expansion into mobile banking. The spread of smartphones has also contributed massively to the importance of this area and ever more people are using it. The fintech sector sees enormous growth potential in future years, particularly against the backdrop of the increasing opportunities for mobile payments.

However, in our opinion, the FinTech Group is not just technologically active in an extremely interesting area. Its location in Germany also provides enormous opportunities. Compared to many other countries around the world, e-banking and mobile banking in Germany is still very underdeveloped, meaning there is enormous growth potential in the future. With the right products, it should be possible to unlock the market potential in Germany. The FinTech Group's capability in white label banking should also play an important role in this.

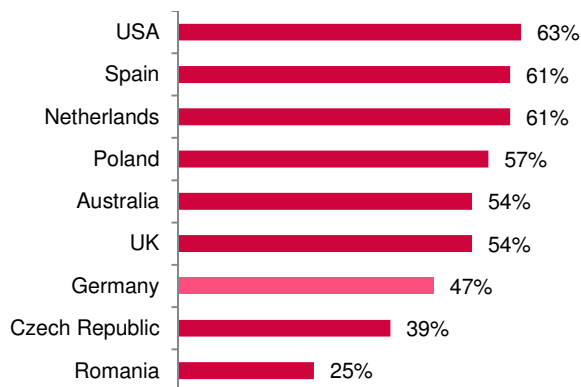
Scandinavian countries are the primary leaders in e-banking, with usage rates of over 80%, while Eastern Europe has the lowest levels of penetration. Distribution in the area of mobile banking is not nearly as significant, where English-speaking countries play a leading role. Germany has a usage share of 47% and is thus trailing behind. The figures support the conclusion that mobile banking still has some growth potential globally.

E-banking users 2014 (in %)



Source: Bitkom, Eurostat (as at: 02/15)

Mobile banking usage (in %)



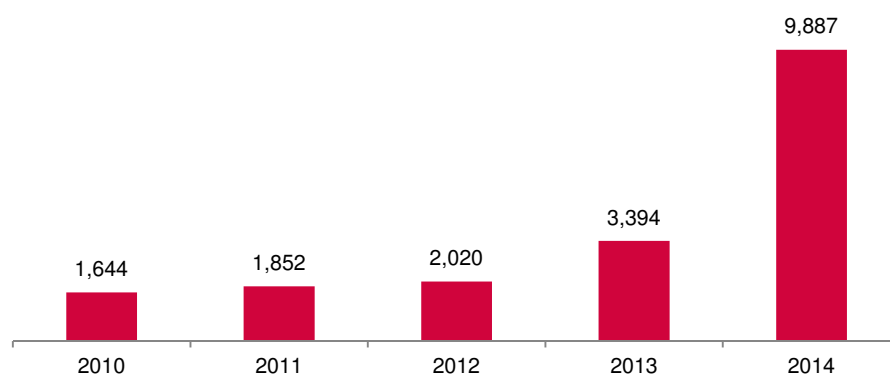
Source: ING-Diba

The fintech market

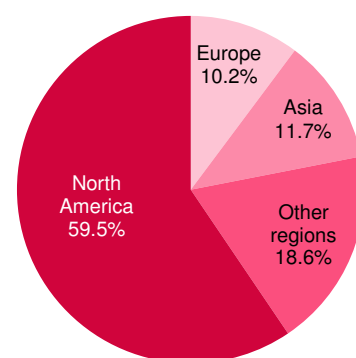
Growth in previous years, particularly when combined with the future growth potential in the area of online and mobile banking, has come from the fintech sector, i.e. from modern technologies, which have a disruptive character and are revolutionising the financial services sector.

Over the past few years, investment in fintech companies have increased enormously. In the US alone, almost USD 10 billion were invested in fintech companies in 2014. This is almost three times as much as in the previous year. The total venture capital market increased in the same year by 63%, which far below the momentum of the fintech sector.

Fintech deals and investments in the USA (in USD million) and regional distribution of fintech investment (right)



Source: Accenture, CB Insights

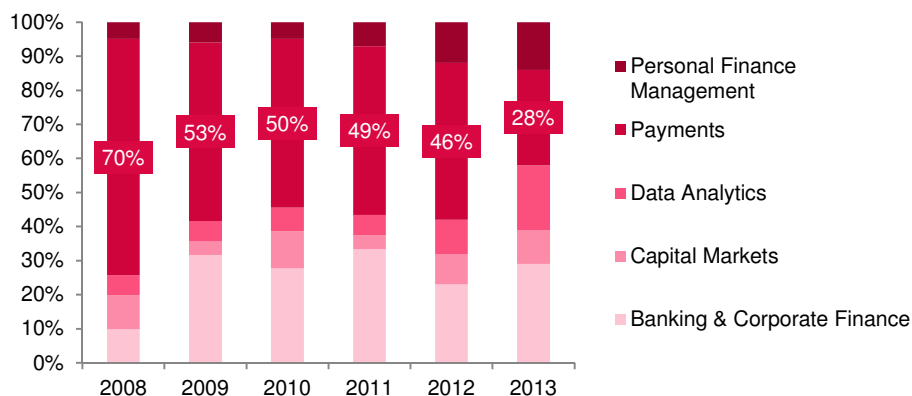


Approximately 60% of global fintech volume was invested in the USA. Europe constituted just a small fraction of this with 10%. Germany is particularly behind the ball with an investment volume of just USD 82 million in 2014 and still has enormous potential. Scandinavia and the UK are currently the pace setters in fintech investments in Europe. According to the study "The Future of Fintech and Banking: Digitally disrupted or reimaged?" by Accenture, the most important investment areas within the fintech sector were payments, lending, trading technologies and wealth management.

Overall, the spectrum of topics in the financial services industry has become broader the more the technology spreads. In 2008, 70% of all fintech investments were still made in the payments business, which now barely makes up a third. New applications in the

banking, data analytics or personal financial management sectors have moved more to the forefront over the past few years.

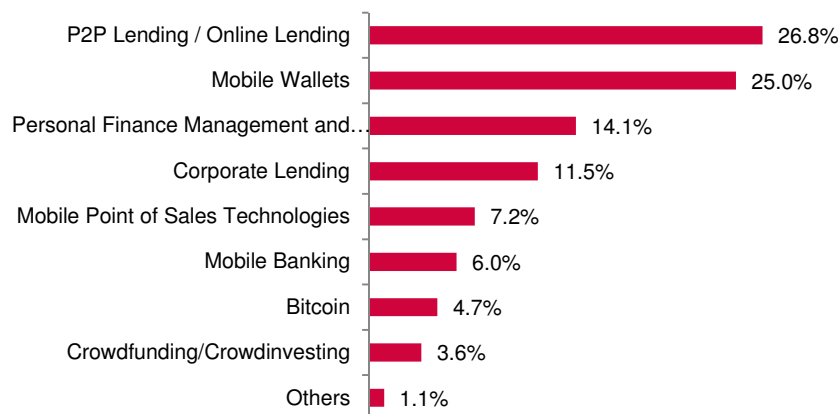
Investment in the Fintech sector (in %)



Source: CB Insights

This trend also serves to emphasize the investment volume in fintech companies, broken down by business models in 2014. P2P lending (peer-to-peer lending) is the leading area with 26.8% of the money invested in fintech companies. The concept involves the brokering of loans between private individuals. However, the topic of mobile payment/mobile wallet is still an important investment target with a share of 25%. Finally, the area of personal financial management is becoming increasingly important.

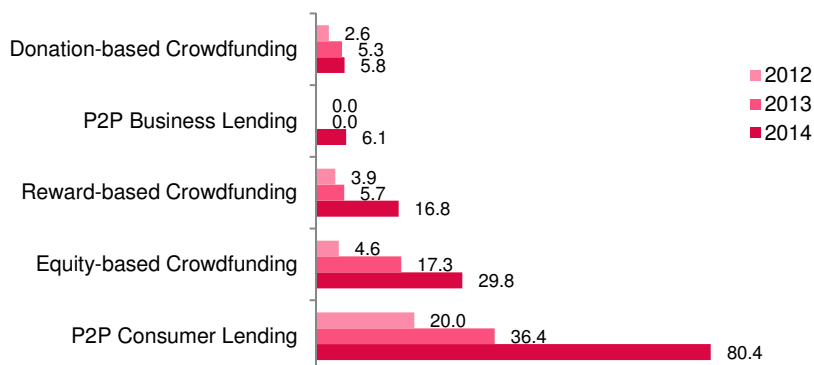
Share of overall investment in fintech companies globally in 2014 (in %)



Source: "Money of the Future" Life.SREDA, GBC

The impressive momentum in the lending sector have also been confirmed for Germany. According to findings by the University of Cambridge, P2P lending in the consumer segment accounts for the largest market volume by far in the fintech sector. In addition, the volume trends over the past two years were significant, increasing fourfold to almost €80.4 million. However, P2P lending to companies is becoming increasingly important, especially among smaller companies, and in 2014 jumped straight to a market volume of €6.1 million.

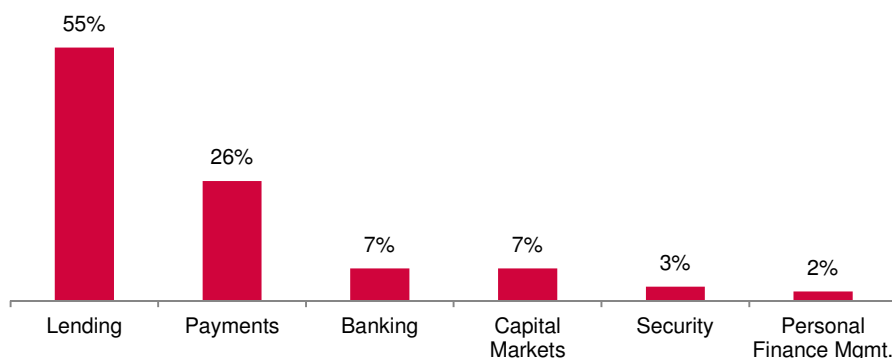
Market volumes for alternative online financial services in Germany by type of financing (in EUR millions)



Source: Cambridge Judge Business School, Ernst & Young

Even if the German fintech market is underdeveloped relative to the USA, UK or Scandinavia and will probably only start to develop more strongly in future years, topics in the German-speaking countries are similar to the global ones. Until 2014, the majority of startups in the fintech sector were in lending, followed closely by payments. The other areas followed with far smaller shares.

Fintech startups by area in 2014 in German-speaking countries



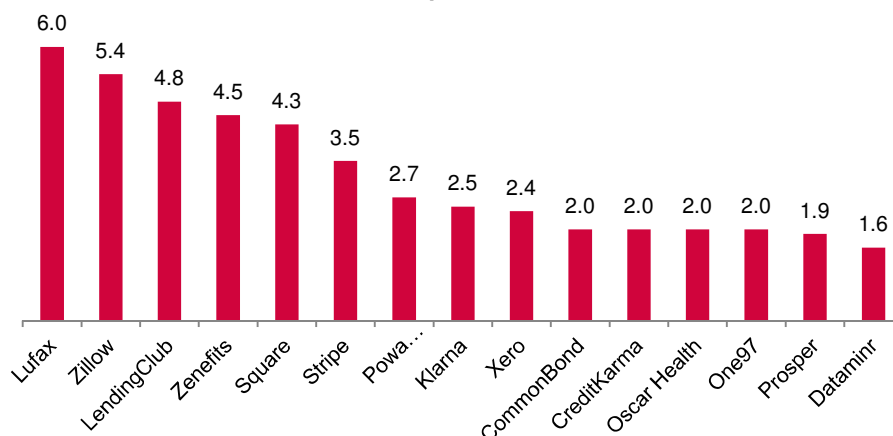
Source: Fintech Forum

Looked at as a whole, the fintech market is extremely dynamic. The industry has now developed to the point where clear directions can be seen. Therefore it is now also clear that disruptive technologies have forced the traditional banks to move in order to prevent the loss of market share to new competitors. Seen from another perspective, banks with good access to such technologies should have a competitive advantage. The acquisition of the technological capability of XCOM AG and the access to customers via biw Bank AG in the B2B sector and flatex in the B2C sector means FinTech Group AG is well positioned to benefit from the strong growth in the fintech sector. The entry into the lending business also looks very promising.

The fintech sector is maturing

Without a doubt, the fintech sector is one of the fastest growing sectors right now. More than 12,000 fintech companies have now been set up, with most of them in the USA and the UK. The development has made large strides forward and is no longer limited to initial ideas. In fact, some fintech companies are already valued in the billions. According to businessinsider.com, there are now 25 “unicorns” – startups with estimated values of more than USD 1 billion.

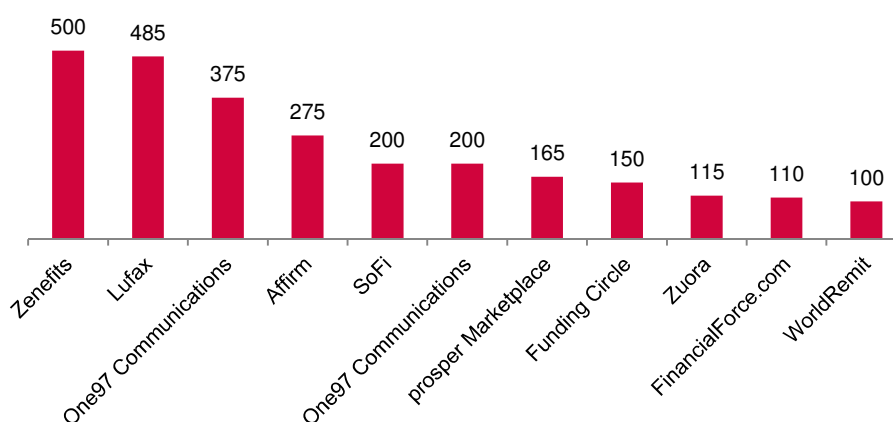
The world’s most valuable fintech companies (in USD billions)



Source: Handelsblatt, GBC

The huge momentum in the fintech sector and the associated high values put on companies is also having an impact on smaller companies, as seen in the financing rounds in which investment bankers and investors take part in order to benefit from the future performance of the companies. In the most recent round of financing, for example, Zenefits – a US provider of human resources services – raised an impressive USD 500 million. As a result, the company, which was only founded in 2013, is now valued at USD 4.5 billion. In the financing round in June 2014, the company was valued at USD 500 million. The value of Zenefits has thus increased fivefold within a single year.

The world’s largest fintech financing rounds in 2015 (in USD millions)



Source: Forbes

The sector has now reached the point where companies have outgrown private equity financing and have started to acquire capital via initial public offers. One example is LendingClub's IPO in late 2014, where it acquired USD 1 billion in fresh capital. The

broker of peer-to-peer loans was first established in 2006 and currently has a market capitalization of USD 4.84 billion.

With a valuation of around USD 4 billion, another heavyweight in the fintech sector is now listed on the stock exchange in the USA. Square, a credit card processor, named after the shape of its device which enables credit card payments to be accepted via smartphone, acquired USD 243 million through its initial public offer to finance growth.

However, the fintech boom has just started in Europe. The UK company WorldPay has just listed on the London Stock Exchange, with converted issue proceeds of €2.9 billion. In Germany, Ferratum – a leading provider of mobile consumer loans – has just celebrated its listing. The share price is now far above the issue price of €17.00, which is also a sign of the strong demand for fintech business models in Germany. The Finnish company is now valued at €480 million and traded on the stock exchange with a profit of €5.6 million for the 2014 financial year.

The values placed on companies indicate that investors see huge potential in the fintech sector. Although revenue and profit tend to be relatively low, many companies have a price earnings ratio above 40, as the comparison table below illustrates.

Valuation and stock exchange multiples of selected fintech companies:

	Country	Value in millions	2014 revenue in millions	2014 profit in millions	P/S 14	P/E 14
PayPal	USA	\$38,686.42	\$8,061.00	\$419.00	4.80	92.33
WorldPay	UK	€6,023.00	€4,976.00	-€0.08	1.21	Negative
Square	USA	\$4,279.28	\$850.19	-\$154.10	5.03	Negative
LendingClub	USA	\$4,844.16	\$211.13	-\$32.89	22.94	Negative
Wirecard	GER	€5,581.79	€601.03	€107.93	9.29	51.72
SafeCharge	UK	£372.07	£49.99	£13.84	7.44	26.88
Ferratum	FI	€481.70	€70.51	€5.62	6.83	85.71
Hypoport	GER	€488.54	€112.33	5.92	4.35	82.52

Source: Financial reports, IPO prospectuses

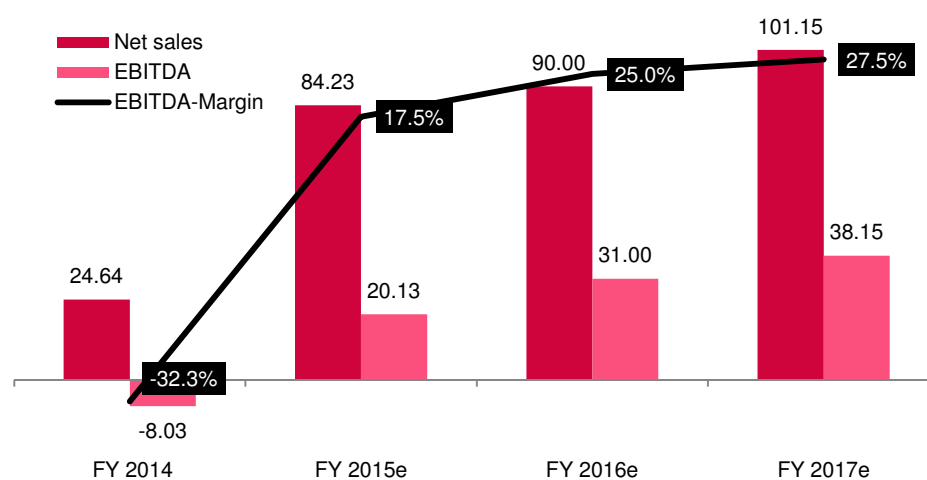
COMPANY PERFORMANCE AND FORECAST

Overview of key figures

P&L (in € millions)	FY 2014		FY 2015e		FY 2016e		FY 2017e	
Sales revenue*	24.87	100.0%	114.96	100.0%	123.88	100.0%	138.49	100.0%
Sales expenses*	-0.23	-0.9%	-30.73	-26.7%	-33.88	-27.3%	-37.35	-27.0%
Net sales	24.64	99.1%	84.23	73.3%	90.00	72.7%	101.15	73.0%
Other operating income	0.39	1.5%	4.00	3.5%	4.00	3.2%	4.00	2.9%
General administrative costs	-32.82	-132.0%	-58.00	-50.5%	-53.00	-42.8%	-56.00	-40.4%
Depreciation of fixed assets	-1.52	-6.1%	-10.00	-8.7%	-9.00	-7.3%	-8.00	-5.8%
Other operating expenses	-1.02	-4.1%	-12.00	-10.4%	-10.00	-8.1%	-11.00	-7.9%
Amortisation of receivables, securities and provisions in lending business	-0.30	-1.2%	-0.20	-0.2%	0.00	0.0%	0.00	0.0%
Amortisation of shareholdings	-0.01	0.0%	-3.75	-3.3%	0.00	0.0%	0.00	0.0%
Write-ups of shareholdings and securities held in the fixed assets	0.10	0.4%	0.10	0.1%	0.00	0.0%	0.00	0.0%
Income from closing of the fund for general bank risks	1.00	4.0%	2.00	1.7%	0.00	0.0%	0.00	0.0%
EBIT	-9.54	-38.4%	6.38	5.6%	22.00	17.8%	30.15	21.8%
Taxes on profit	1.96	7.9%	-1.92	-1.7%	-6.60	-5.3%	-9.04	-6.5%
Other taxes	-0.01	0.0%	-0.06	-0.1%	-0.06	0.0%	-0.06	0.0%
Minority shareholdings	0.00	0.0%	-0.50	-0.4%	-0.50	-0.4%	-0.50	-0.4%
Annual net income	-7.59	-30.5%	3.91	3.4%	14.84	12.0%	20.54	14.8%
EBITDA	-8.03		20.13		31.00		38.15	
<i>in % of net sales</i>	<i>neg.</i>		<i>17.5</i>		<i>25.0</i>		<i>27.5</i>	
EBIT	-9.54		6.38		22.00		30.15	
<i>in % of net sales</i>	<i>neg.</i>		<i>5.6</i>		<i>17.8</i>		<i>21.8</i>	
Earnings per share in €	-0.49		0.24		0.92		1.27	
Dividend per share in €	0.00		0.00		0.00		0.00	
Share count in million units	16.21		16.21		16.21		16.21	

*Net sales is composed of interest income, commission income, trading income and other income, sales expenses are composed of interest expenses and commission expenses

Net sales performance, EBITDA (in € millions) and EBITDA margin (in %)



Source: FinTech Group, GBC

Historical performance

Note: Prior to 2013, FinTech Group AG traded as flatex Holding AG. Thus the figures prior to 2014 refer to flatex Holding AG. In HY1 2015, a 51.12% share in XCOM AG was acquired and has been fully consolidated since then. One of the significant wholly-owned subsidiaries of XCOM AG is biw Bank AG.

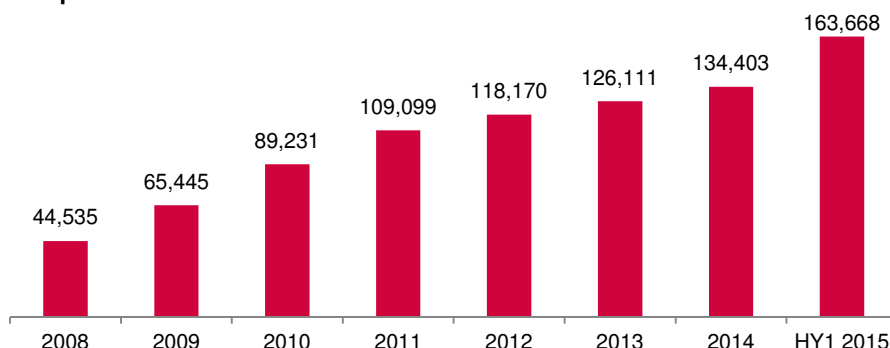
P&L (in € millions)	FY 2012	FY 2013	FY 2014	HY1 2014	HY1 2015
Net sales	15.85	14.31	24.64	11.27	35.81
EBITDA (margin)	1.48 (9.3 %)	-0.48 (neg.)	-8.03 (neg.)	-4.16 (neg.)	10.98 (25.7%)
EBIT (margin)	0.24 (1.5 %)	-1.23 (neg.)	-9.54 (neg.)	-4.96 (neg.)	5.62 (13.2%)
Net profit or loss	0.48	-1.14	-7.59	-3.95	3.21
EPS in €	0.05	-0.08	-0.49	-0.28	0.19

Source: FinTech Group, GBC

Net sales performance

Over the past few years, FinTech Group AG (previously flatex Holding AG) steadily increased customer numbers and thus laid the foundation for the successful performance of its net sales (net commission income + net interest income + trading profit). In HY1 2015. The number of customers once again increased sharply by 21.8% to 163,668. This was due to the acquisition of XCOM AG, with biw Bank AG and its almost 19,000 customers, which is now included in the consolidated results. However customer numbers also increased organically at the online broker flatex by almost 5% to 136,937.

Development in the number of retail customers

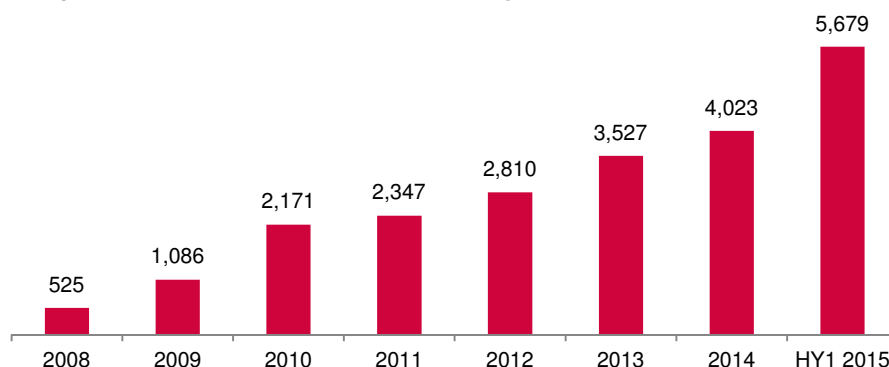


Source: FinTech Group, GBC

An even bigger increase could be seen in customer assets under management over the past few years. In addition to the increase in the number of customers, managed assets per customer also increased. The figure in 2010 still averaged less than €25,000 per customer, but by the end of HY1 2015 it was almost €35,000 per customer. The shift in the strategic focus of the company towards greater added value per customer thus appears to have borne fruit over the past few years.

At the end of HY1 2015, customer assets under management at FinTech Group AG totalled €5.68 billion and were thus 41.2% above the level at the end of 2014. The increase in customer assets is not mainly due to the acquisition of XCOM or to biw Bank AG. Rather, a significant increase in customer assets was seen at flatex. The reasons for the increase include the solid stock market in HY1 2015 along with the new strategic focus of the company, which involves an increase in value added per customer.

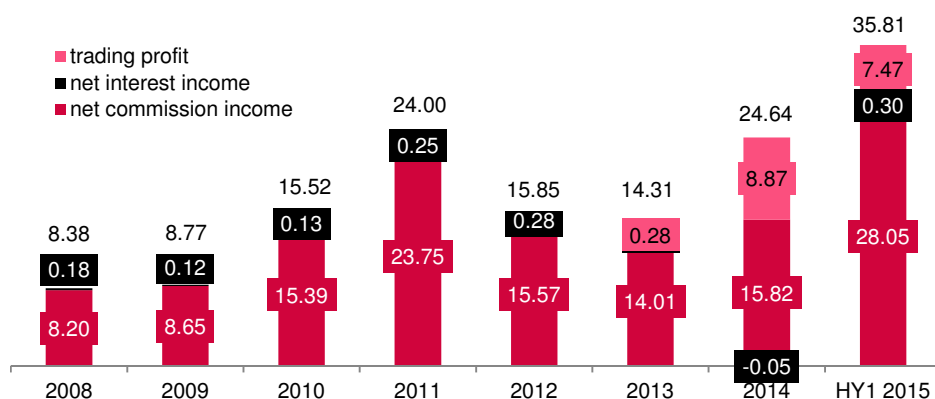
Development of customer assets under management (in € millions)



Source: FinTech Group, GBC

The satisfactory development in customer numbers and in deposit volumes also had a positive impact on net sales, which is composed of net commission income, net interest income and trading profit. Financial year 2014 not only saw a new record level, but in HY1 2015 net income was higher than the overall figure for 2015 at €35.81 million.

Development of net sales (net commission income + net interest income + trading profit) (in € millions)



Source: FinTech Group, GBC

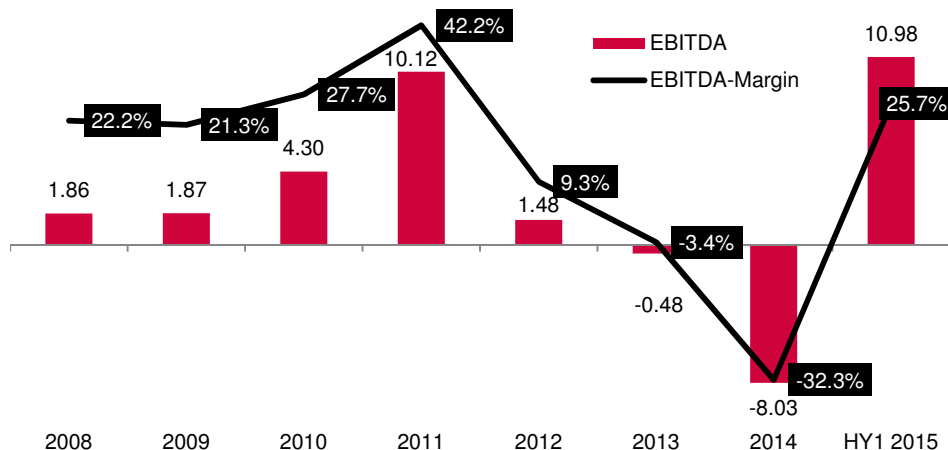
The good result in 2014 was dominated by a trading result of €8.87 million. This was achieved thanks to the initial consolidation of CeFDex GmbH. The trading profit from CeFDex of €7.47 million also had a positive impact on net income in HY1 2015. In addition, CeFDex also benefited from the cooperation with Commerzbank AG. This involves Commerzbank taking over the CFD order flow from CeFDex in exchange for a one-off payment in the low double-digit millions to FinTech Group AG and a share of the commission for at least the next seven years. The net interest income had barely any relevance over the past few years, which is primarily the result of the low interest environment and a previously non-existent lending and treasury business.

Earnings performance

Earnings in HY1 2015 also improved markedly. With EBITDA of -€8.03 million in 2014 the company recorded a significant loss despite the positive net sales performance. However, a few one-off extraordinary effects need to be taken into account, which will most likely not be repeated or not to this extent in future years.

The earnings of Aktionärsbank of -€13.18 million had an extremely negative impact. The company had only been given its banking licence at the end of 2013 and was thus still experiencing serious startup losses in 2014. In addition, customer growth was not as rapid as hoped. As part of the XCOM AG acquisition, the strategic focus changed so that Aktionärsbank is to be sold in 2015, or no later than early 2016, as the Group now has another full-service bank in the shape of biw Bank AG. Therefore no future charges should arise from the company and significant savings are expected from the cost centre. Allocated regulatory capital will be also released, which can then be used to finance further growth.

EBITDA performance (in € millions) and EBITDA margin (in %)



Source: FinTech Group, GBC

It is also worth mentioning the earnings performance of the XCOM Group in 2014. Even though XCOM has only consolidated in FinTech Group AG since Q2 2015, the earnings contribution in this year should be much improved, as XCOM AG was also subject to extraordinary expenses in 2014. A revaluation of the pension reserves was required due to the low interest rate level. This was responsible for expenses of €0.98 million. biw Bank AG was also subject to extraordinary expenses due to an amount of €1 million being put into funds for general banking risks in accordance with section 340g of the German Commercial Code (*Handelsgesetzbuch*, HGB). Both effects caused a decline in income at the XCOM Group of €2.30 million to -€1.19 million. In the 2015 financial year, this figure should increase significantly to a positive one due to the absence of any extraordinary expenses. There was a significantly positive performance for the period of €1.32 million in HY1 2015.

Last but not least, the one-off revenue from licensing out the market-making CFD business to Commerzbank had an impact in HY1 2015. According to our research, the amount should have been in the low double-digit millions. When adjusted for the expected 2015 extraordinary charges of around €5 million from Aktionärsbank in HY1 2015, adjusted EBITDA in HY1 2015 should already have been close to the 20% mark.

Balance sheet and financial situation

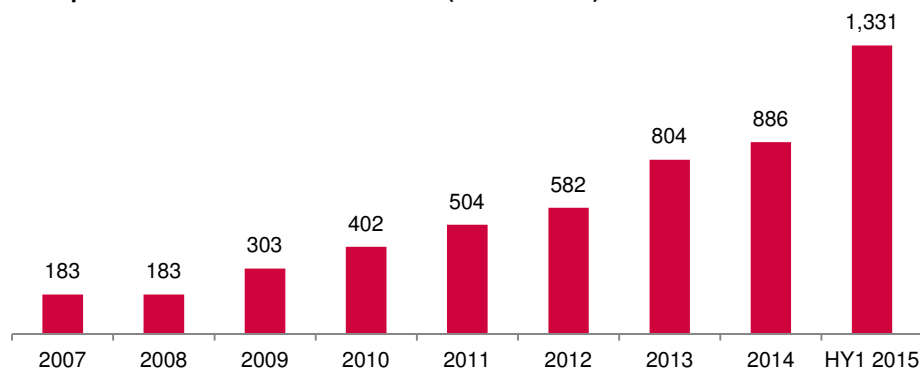
in € millions	31/12/2013	31/12/2014	30/06/2015
Equity	30.50	44.75	69.13
Equity ratio (in %)	59.9%	47.7%	4.4%
Liabilities to customers	0.14	28.18	1,331.33
Total assets	50.89	93.89	1,563.09
Customer assets under management	3,527	4,023	5,679

Source: FinTech Group, GBC

FinTech Group AG also experienced significant changes to its balance sheet due to the initial consolidation of XCOM AG. The acquisition of XCOM AG also involved all subsidiaries, including the wholly-owned biw Bank AG. As a result, total assets increased substantially from €93.89 million to €1,563.09 million.

On the liability side, these changes can primarily be seen in the increase in liabilities to customers of €1,331.33 million which comprises around 85% of balance sheet total. This figure is primarily composed of customer deposits at flatex, Vitrade and biw Bank. As biw Bank was already the custodian bank for flatex customers prior to the acquisition of the XCOM Group, these deposits were only recognised on the biw Bank balance sheet and have now been included in the consolidated balance sheet for FinTech Group AG for the first time.

Development of liabilities to customers (in € millions)



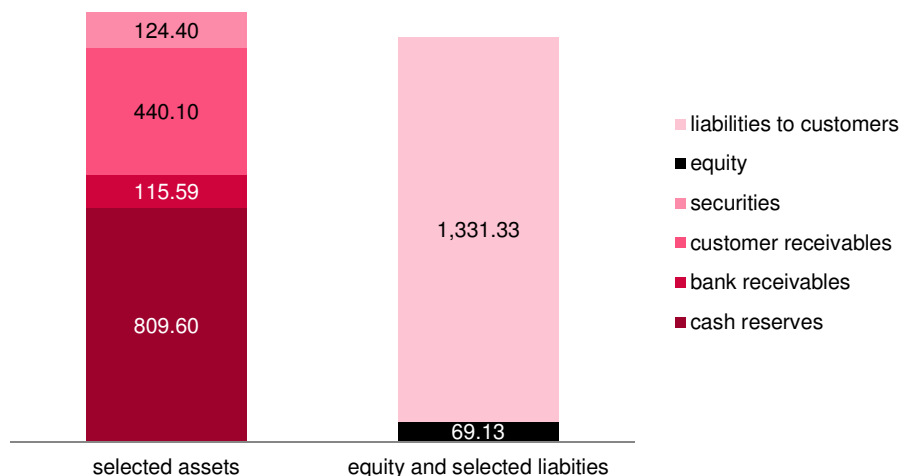
Source: FinTech Group, GBC; from 2007 until 2014 figures for biw Bank AG have been used. The figure for HY1 2015 has been taken from the consolidated balance sheet of FinTech Group AG

Equity of FinTech Group AG increased from €44.74 million to € 69.13 million. After FinTech Group AG issued 1,339,528 new shares at €9.35 per share to investors in late 2014 through a cash capital increase, there was another capital increase in early 2015. In order to underline the long term, strategic cooperation, SafeCharge International Group Limited acquired 5% of FinTech Group AG as part of this capital increase. The purchase price was €10.08 million or €12.45 per share.

The huge increase in total assets subsequent to the expansion of the companies to be consolidated and relative to the disproportionate increase in equity capital, FinTech Group AG now has an equity ratio of approximately 4.4%. In an industry comparison with other banks, the equity ratio is in within normal parameters.

Equity is also the most important factor when dealing with the use of customer deposits, as the issued loans need to be backed with corresponding equity in accordance with Basel regulations. Thus we see it as very likely in coming periods that biw Bank AG will need to raise more equity in order to create enough leeway to be able to fully use customer deposits for the lending business.

Material balance sheet items of FinTech Group AG



Source: FinTech Group, GBC

The increase in assets is primarily due to the increase in cash reserves and, within this, mainly the increase in the credit balance at central banks of €5.30 million to €809.60 million. Receivables from customers, i.e. the volume of loans issued in HY1 2015, was the second largest item at €440.10 million. The large credit balances at central banks clearly illustrate the potential at FinTech Group AG which can be exploited through expanding the lending business in future years.

A large proportion of the cash reserves are not being actively used currently and are now subject to "penalty interest" due to the negative interest rates of the European Central Bank. In order to utilize this currently fallow resource, the FinTech Group is planning to enter the high margin business of technology-based peer-2-peer/consumer lending (see *Forecasts*).

In addition, on the asset side, the securities items also increased through the acquisition of XCOM to €124.40 million. This item specifically includes bonds and other fixed-interest securities of €102.11 million as well as a significantly smaller amount of €1.06 million in equities and non-fixed-interest securities.

SWOT analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • Very strong customer base in B2C business through flatex and ViTrade • Strong B2B expertise through biw Bank • High tech capability in XCOM • Full banking licence gives plenty of room for manoeuvre • Large amount of development potential through high levels of currently unused volumes of customer deposits • Promising cooperations with strong partners (e.g. Commerzbank, SafeCharge) 	<ul style="list-style-type: none"> • Aktionärsbank AG is for sale but is still generating large losses • High volumes of customer deposits are currently not being actively used, but currently in negotiations with partners to use these (technology-based peer-2-peer/consumer lending) • Current group structure is still complex but being reorganised • Interest not generating any appreciable returns due to the current low-interest environment, but the development of a diversified loan book (treasury) is planned.
Opportunities	Threats
<ul style="list-style-type: none"> • An improvement in the equity position at biw Bank AG would also open up opportunities to use the customer deposits that have not yet been actively used for consumer lending, for example • The regional expansion of the B2C business at flatex could help accelerate growth in customer numbers and customer deposits • Cooperations with strong partners could also help accelerate the speed of growth of FinTech Group AG • The sale of Aktionärsbank and the transfer of CFD market making will free up capital for other growth areas • Cost synergies through the use of a single banking licence in the Group could lead to much higher profits 	<ul style="list-style-type: none"> • Other providers in the fintech sector could meet customer needs better and thus create competitive advantages • A stronger decline in the market could lead to losses in value of equities held by the company • The desired synergy effects between the Group companies could take longer to be realized than planned • Severe market fluctuations could temporarily slow customer growth so the medium-term growth objective is not achieved

Forecasts

P&L (in million €)	FY 2014	FY 2015e	FY 2016e	FY 2017e
Net sales	24.64	84.23	90.00	101.15
EBITDA (margin)	-8.30 (neg.)	20.13 (17.5%)	31.00 (25.0%)	38.15 (27.5%)
EBIT (margin)	-9.54 (neg.)	6.38 (5.6%)	22.00 (17.8%)	30.15 (21.8%)
Net profit or loss for the period	-7.59	3.91	14.84	20.54
EPS in €	-0.49	0.24	0.92	1.27

Source: GBC

Note: Net sales include interest income and commission income, netted against interest expenses and commission expenses, plus any other sales revenue (e.g. trading profit).

Previous success in HY1 2015

FinTech Group AG has already taken some important steps in HY1 2015 on its way to becoming one of the leading fintech companies in Europe. The acquisition of XCOM AG did not only significantly extend vertical integration and the product range, which will have a positive influence on future development opportunities. It also enabled a non-organic increase in sales, which increased the size of the company by an order of magnitude.

The FinTech Group also reached key milestones in HY1 2015 with the expansion of their cooperation network, which will lead to additional revenue flows in future periods. One important example of this is the cooperation with SafeCharge International Group Limited. In order to expand its European business, SafeCharge is now using the wide range of banking services from XCOM and biw Bank. At the same time, SafeCharge has invested in 5% of FinTech Group AG. In addition, both companies see additional potential to expand the cooperation in the future.

The cooperation with Commerzbank AG, which involves the transfer of the CFD order flow from FinTech Group AG, should bring the company an annual share commission income as well as a one-off payment in the low two-digit millions in 2015, which will correspondingly increase revenue.

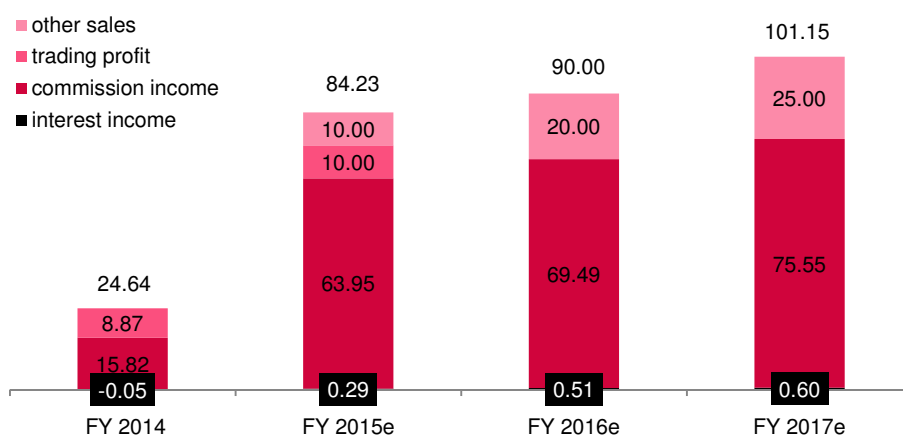
The cooperation between biw Bank AG and the Dutch company fashioncheques S.A. concluded in HY1 2015 is also worth mentioning. The company sells vouchers which can be redeemed at 15,000 retailers. The company now wants to expand its business into Germany and Switzerland. biw Bank is acting as e-money issuer in cross-border payment transactions.

Last but not least, biw Bank AG has recently acquired listed company mwb fairtrade Wertpapierhandelsbank AG as a customer. biw Bank has been responsible for processing all securities transactions for mwb since the middle of the year.

Sales performance

Based on the very positive performance in HY1 2015, we assume that FY 2015 will also see a significant improvement in net sales. The acquisition of XCOM AG should be even more noticeable here, as the company has only been consolidated since Q2. The XCOM Group, particularly XCOM AG and biw Bank AG, generated revenues of around €60 million in 2014, according to our estimates, and should be able to achieve an increase of around €65 million in FY 2015. The one-off payment from the out-licensing of CFD market making and positive trading profit from CeFDex should still have a positive effect in 2015. CFD market making was transferred to Commerzbank on 1 November 2015 and had already generated a trading profit of €7.5 million by the end of HY1 2015. Viewed across the entire year, interest income should also play a subordinate role against the backdrop of the low-interest environment.

Expected net sales performance by area (in €)



Source: GBC

Overall we expect net sales of €84.23 million for FY 2015, which is predicted to increase to €90.00 million in 2016. It should be noted that the one-off amount recognised in 2015 for the out-licensing of CFD market making will be replaced by a profit share which should amount to 40% of the profit generated from this business. In addition, there should be no further trading profit from this in 2016. Therefore the forecasted organic growth will be higher in 2016.

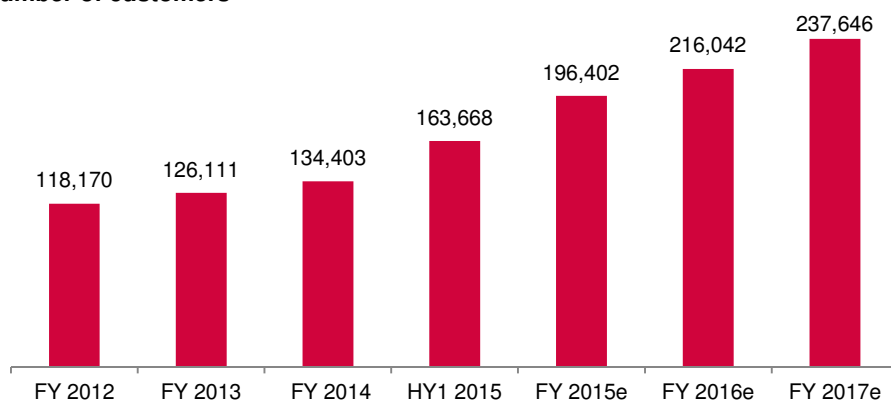
The missing amount should be compensated for by the net income from further increases in net commission income at flatex as well as sustained momentum at XCOM. At XCOM and biw Bank, the joint ventures concluded in 2015, e.g. with SafeCharge, should have an impact. In addition the company is currently actively working on other models to exploit underutilized potential, particularly in the large deposits at biw Bank which amount to over €1 billion.

The company is especially planning to move into the high-growth technology-based peer-to-peer/consumer lending sector, i.e. the micro private loan sector. The business is to be operated via cooperations with established companies in this sector, so the FinTech Group will only be taking very low risk, while also efficiently exploiting the available potential. The company expects significant revenue from the lending business in the next few years due to the high volumes of deposits. We expect approximately €10 million in additional revenue from the lending business from 2016, increasing in the subsequent years.

Another important building block for corporate success in the next few years will be the further development of flatex. The goal is not merely to further increase customer numbers but also to capture a greater “share of wallet” in future through expanding the product range, i.e. increasing the volume per customer. Under the title of “Project Flatex 4.0”, the intention is to provide the customer with innovative offers and a wide range of products and to simplify the usage and operation of the platform in order to further increase its attractiveness for other brokers.

The expansion in customer numbers should already be clearly seen in 2015. As early as HY1 2015, the number of customers had already risen by more than 20% to 163,668. In addition to the acquisition of XCOM, continued customer growth could also be seen at flatex. There is also high potential for this in Austria, where flatex has been active since 2014. With the closing down of the previous leading online broker, brokerjet, flatex has been able to gain large numbers of customers in Austria. In H2 2015 alone, the company expects to have 10,000 new customers in Austria. flatex Germany is expected to pass the 150,000 customer mark by the end of the year. Overall, we therefore expect the whole of the FinTech Group to almost reach the 200,000 customer mark by the end of the year.

Number of customers



Source: FinTech Group, GBC

Earnings forecast

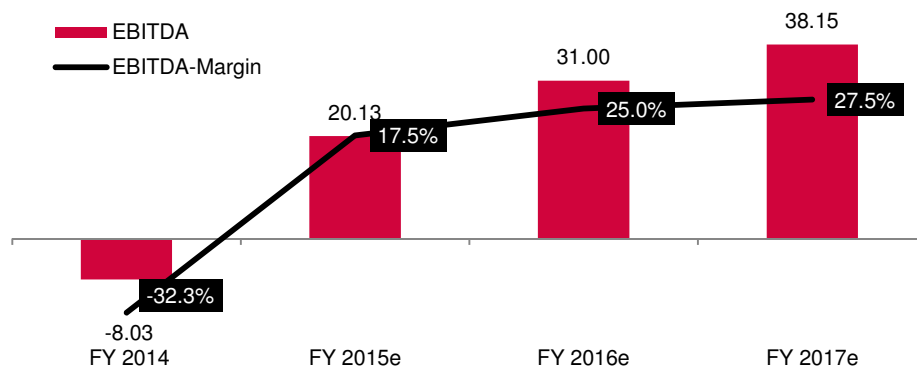
With the acquisition of XCOM AG FinTech Group AG will not only grow by an order of magnitude, but will also achieve a major change in terms of profit. This will not only be due to the positive profit performance at the XCOM Group, but also to the resulting opportunities to slim down the Group structure. The sale of Aktionärsbank will be completed in the current year, as there is no longer a strategic need for it within the FinTech Group as a result of obtaining biw Bank AG through the XCOM acquisition. As the company was still losing money recently due to the fact that it was only recently established, the sale boost profits sharply from 2016. After a negative contribution in 2014 of around €13 million, we expect further losses of around €10 million in 2015. There should then be a corresponding improvement in profit in 2016.

Thus we expect FY 2016 to generate EBITDA of €31.00 million, following €20.13 million in 2015. It should be noted that the large one-off amount from the CFD partnership with Commerzbank in 2015 will offset the losses generated by Aktionärsbank. Thus the expected EBITDA growth of 54% in 2016 should be viewed as purely organic.

The EBITDA margin should also show a significant improvement. We expect it to be 17.5% in FY 2015 and to improve further to 25.0% in 2016. FY 2014 saw a loss of -€8.03 million due to the negative effect of Aktionärsbank. If EBITDA is adjusted for this, it is

already close to 20%. Thus the acquisition of XCOM AG has already generated strong increases in value through the opportunity to slim down the company. In addition, the synergy effects that can be achieved between the Group companies in the next few years will lead to further improvements in value creation. Over the medium term, the company sees EBITDA margins of 30% as achievable.

Expected performance of EBITDA (in € millions) and EBITDA margin (in %)

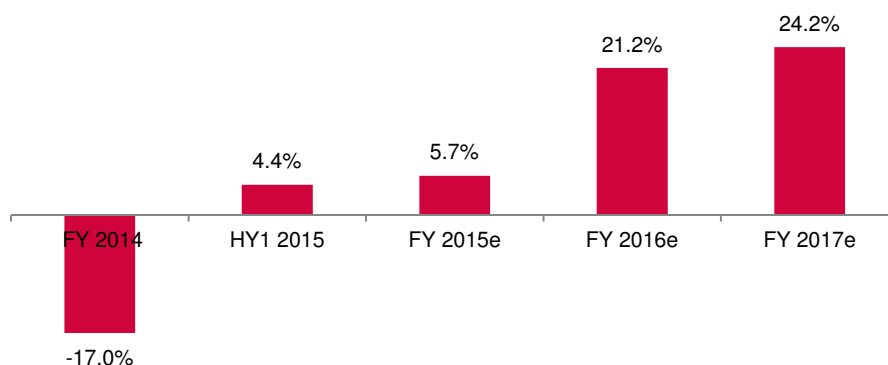


Source: GBC

As the result of improved EBITDA contributions, we also expect to see improvements to net profit for the period. In FY 2015 we expect it to be €3.91 million, where there is still a negative effect on profit from one-off adjustments to securities at biw Bank AG of almost €4 million. However, in 2016 and 2017 it should be possible to achieve figures of €14.84 million and €20.54 million which are noticeably higher levels of net profit.

As part of the expected significant increase in profit, we are also assuming that return on equity can also be improved markedly. After a negative figure was achieved in FY 2014 (unadjusted), it should be possible to target a figure of around 25% in the next few years. The high value added potential will become correspondingly significant for shareholders if the company is able to implement the planned developments.

Expected return on equity performance (in %)



Source: GBC

VALUATION

Model selection

We used a residual income model to value FinTech Group AG, which uses the difference between return on equity and cost of equity to determine the rate of return for the valuation period. Here we formulated specific expectations for annual net profit or loss for the valuation periods of 2015 to 2017 and the resulting changes to equity. The generated rate of return can be derived from this. The rate of return generated in a period is the residual income for the financial year to be derived as a product with the equity. The expected residual income is then discounted with the cost of equity to the valuation date. In order to determine the final value, we place a premium on the current book value.

$$\text{Fair value of company} = EK_0 + \sum_{t=1}^T \frac{(ROE_t - r)EK_{t-1}}{(1+r)^t} + \frac{P_T - EK_T}{(1+r)^T}$$

EK = Equity

P = Premium on the book value

t = Valuation period

ROE = Return on equity

r = Cost of equity

T = final valuation period

Determining the cost of capital

The relevant discount rate to be used in the residual income model is the cost of equity. In order to determine the cost of equity, the market risk premium, the company-specific beta and the risk-free interest rate must be determined.

The risk-free interest rate is derived from the current structured interest rate curves for risk-free bonds in accordance with the recommendations from the Fachausschuss für Unternehmensbewertung und Betriebswirtschaft (FAUB, Special Committee for Business Valuation and Business Management) of the Institut der Wirtschaftsprüfer in Deutschland e.V. (Institute of Public Auditors in Germany). This is based on the zero bond interest rate calculated using the Svensson Method published by the German Bundesbank. In order to compensate for short-term market fluctuations, the average returns for the previous three months are used and the result is rounded up to the nearest 0.25 basis points. The value currently used for the risk-free interest rate is 1.50%.

We set a reasonable expectation for a market risk premium using the historical market risk premium of 5.50%. This is supported by historical analyses of equity market returns. The market premium reflects in a percentage the improved return expected from equity markets relative to low-risk government bonds.

The raw beta of 0.48 (source: ThomsonReuters) was adjusted using the method suggested by Marshall Blume $(2/3) * (\text{unadjusted beta}) + (1/3) * (1.0)$. We then used the resulting adjusted beta of 0.65 to determine the cost of equity.

The cost of equity of 5.1% (beta multiplied by the risk premium plus risk-free interest rate) was calculated using the assumptions made. In order to determine the final value we also used a cost of equity of 5.1%.

Valuation model and valuation result

	HY1 2015	2015e	2016e	2017e	Final value
Equity	69.13	70.02	84.86	105.40	
Profit or loss for the period		3.91	14.84	20.54	
Return on equity		5.7%	21.2%	24.2%	25.0%
Cost of equity		5.1%	5.1%	5.1%	5.1%
Rate of return		0.6%	16.1%	19.1%	19.9%
Book value factor		1.1	4.2	4.8	4.9
Residual income		0.39	11.27	16.22	412.16
Present value of residual income		0.39	10.69	14.63	371.76

As of 31 December 2014, the FinTech Group had equity of €44.75 million. However, the acquisition of XCOM AG increased this significantly to €69.13 million. We have therefore used the semi-annual value as the basis for calculating the return on equity for FY 2015. We left the cost of equity at 5.1% over the specific observation period and for calculating the final value.

In view of the solid development opportunities for the next few years, FinTech Group AG should be able to generate sustained return on equity of 25%. Assuming a cost of equity of 5.1%, the final value should generate a long-term rate of return of ~4.9. With a final value that assumes 0% converted growth, this corresponds to a valuation of 4.9 times book value. In order to calculate the final value we have thus set a premium over book value of 4.9.

Present value of the residual income 2015 - 2017 in € millions	25.70
Present value of the residual income final value in € millions	371.76
Total present value in € millions	466.59
Minority shareholdings	11.28
Value of equity in € millions	455.31
Outstanding shares in millions	16.20
Fair value per share in €	28.10
Current share price in €	17.80
Growth potential	57.9%

The total discounted residual income is €455.31 million. In view of the 16.20 million outstanding shares, the fair value per share is €28.10. In view of the current share price of €17.80, the growth potential per share is almost 60%. This therefore results in a clear BUY rating.

Peer group valuation

In order to verify the valuation using the residual income model, we have also undertaken a peer group valuation. In doing so we used comparable companies from the USA, UK and Germany that are active in the fintech sector.

Company	Price on 03/12/2015	Market cap (in millions)	P/S 2015e	P/S 2016e	P/S 2017e	P/E 2015e	P/E 2016e	P/E 2017e	P/B
PayPal	\$31.75	\$38,686.42	4.19	3.61	3.13	32.60	25.46	20.78	4.16
Lendingclub	\$12.82	\$4,810.06	11.42	6.90	4.79	0.00	333.57	70.68	5.21
SafeCharge	£2.46	£372.07	5.58	4.62	4.00	24.58	20.09	16.90	2.54
Wirecard	€45.20	€5,581.79	7.35	6.08	5.11	36.92	29.16	23.56	6.21
Ferratum	€25.50	€481.70	4.47	2.93	2.02	44.40	21.75	12.48	7.33
Hypoport	€78.86	€488.54	3.73	3.38	2.88	42.97	42.22	29.88	15.79
FinTech Group	€17.80	€288.45	3.42	3.20	2.85	73.77	19.44	14.04	7.61
Median			5.03	4.11	3.56	34.76	27.31	22.17	5.71
Arithmetic mean			6.12	4.59	3.65	30.24	78.71	29.05	6.87

Source: GBC AG; Thomson Reuters; company information

As a basis for the peer group valuation we used the expected revenue and the annual profit or loss for each company for the 2015–2017 financial years as well as the equity figures as at 30 June 2015. The following fair values result from using the determined multipliers. The calculation of the fair value of FinTech Group AG was performed using a form that was weighted in the same way as for determining the fair multipliers:

Fair value of FinTech Group AG by median (in € millions)

in € millions	P/S	Weighting	P/E	Weighting	P/B	Weighting
2015e	423.38	7.14%	135.93	7.14%	216.36	7.14%
2016e	370.27	7.14%	405.22	7.14%		
2017e	360.48	7.14%	455.35	7.14%		

Fair value of FinTech Group AG by arithmetic mean (in € millions)

in € millions	P/S	Weighting	P/E	Weighting	P/B	Weighting
2015e	515.71	7.14%	118.25	7.14%	260.48	7.14%
2016e	412.95	7.14%	1168.01	7.14%		
2017e	369.62	7.14%	596.61	7.14%		
Fair value per share according to peer group						€25.60

Using an even weighting of the multiple values results in a weighted overall value for the company by mean and median value of €414.90 million. The equal weighting of the fair value calculated for the company using the two valuation procedures results in a fair value per share of €25.60. The result from the residual model is thus confirmed by the peer group.

Fair value per share according to peer group	€ 25.60
Fair value per share according to residual income model	€ 28.10
Equally weighted fair value per share (50%/50%)	€ 26.85

We gave equal weighting to the results of the residual model and the peer group model, and calculated an average fair value per share of €26.85 for FinTech Group AG. This shows an upside potential for the shares of around 60%.

ANNEX

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The analysts responsible for this analysis are:

Felix Gode, CFA, Dipl. Wirtschaftsjurist (FH), stellv. Chefanalyst
Cosmin Filker, Dipl. Betriebswirt (FH), Finanzanalyst

Other persons involved:

Manuel Hölzle, Dipl. Kaufmann, Chef-Analyst

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GBC AG
Halderstraße 27
D 86150 Augsburg
Tel.: 0821 24 11 33 -0
Fax.: 0821 24 11 33 -30
Internet: <http://www.gbc-ag.de>
e-Mail: compliance@gbc-ag



GBC AG[®]
- RESEARCH & INVESTMENT ANALYSIS -

GBC AG
Halderstraße 27
86150 Augsburg
Internet: <http://www.gbc-ag.de>
Fax: ++49 (0)821/241133-30
Tel.: ++49 (0)821/241133-0
Email: office@gbc-ag.de