Research Report (Initial Coverage)

JDC Group AG

„Innovative Advisortech approach promises strong growth; Promising positioning in order to benefit from market consolidation for financial services“

Target price: 6.80 €

Rating: BUY

IMPORTANT NOTE:
Please take note of the disclaimer/risk warning, as well as the disclosure of potential conflicts of interest as required by section 34b of the Securities Trading Act (WpHG) **from page 33**

Completion: 15/12/2015 **First Publication: 15/12/2015**

GBC AG Investment Research

JDC Group AG*5a;5b;11

BUY
Price Target: 6.80

current price: 5.25
14/12/2015 / ETR / 5:36 pm
currency: EUR

Key date:

ISIN: DE000A0B9N37
WKN: A0B9N3
Ticker symbol: A8A
Number of shares³: 10.85
Marketcap³: 56.96
EnterpriseValue³: 62.85
³ in m / in EUR m
Freefloat: 34 %

Transparency Level:
Freiverkehr
Market Segment:
Entry Standard
Accounting Standard:
IFRS

Financial year-end: 31/12

Analyst:

Cosmin Filker
filker@gbc-ag.de

Felix Gode, CFA
gode@gbc-ag.de

* catalogue of potential conflicts of interests on page 34

Unternehmensprofil

Sector: Financial

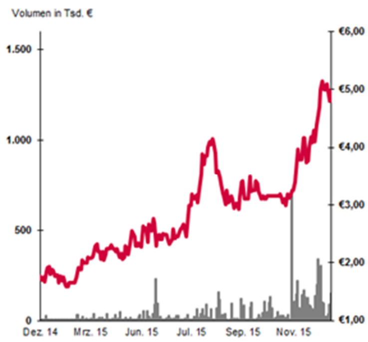
Focus: Advisory, Advisortech

Employees: 187 (30/06/2015)

Founded in: 2004

Headquarter: Wiesbaden

Executive Board: Dr. Sebastian Grabmaier, Ralph Konrad



JDC Group AG (formerly Aragon AG) is a German financial services company specialising in consultation and the provision of financial products through its operational subsidiaries. Following the company's restructuring work and the associated breakup of unprofitable subsidiaries in recent financial years, JDC Group AG has achieved its target structure. In the Advisory field, one of the largest independent broker pools (B2B) in Germany is operated through the subsidiary Jung, DMS & Cie. AG, with a total of 16,000 independent financial Advisors and 850,000 customers. In parallel, financial services are provided to approximately 80,000 wealthy clients (B2C) through the FINUM. brand. Modern advisory and management technologies are being developed within the new "Advisortech" business segment, thus combining classical financial services with the rapidly growing Fintech area.

P&L in EURm / Due Date	31/12/2014	31/12/2015e	31/12/2016e	31/12/2017e
Sales	78.47	82.02	98.09	109.94
EBITDA	-1.43	2.12	4.60	7.36
EBIT	-3.06	0.40	2.93	5.94
Net profit	-6.62	-0.11	1.83	4.28
Figures in EUR				
Net profit per share	-0.61	-0.01	0.17	0.39
Dividend per share	0.00	0.00	0.00	0.00
Ratios				
EV/Sales	0.80	0.77	0.64	0.57
EV/EBITDA	neg.	29.59	13.65	8.54
EV/EBIT	neg.	155.58	21.44	10.59
P/E	neg.	neg.	31.13	13.32
P/B	2.16			

Financial Schedule:

****last research published by GBC:**

Date: publication / price target in € / rating

** the research reports can be found on our website www.gbc-ag.de or can be requested at GBC AG, Halderstr. 27, D86150 Augsburg

EXECUTIVE SUMMARY

- After completion of the restructuring measures and the associated sale of loss-making subsidiaries, JDC Group AG (formerly Aragon AG) will focus on the areas of Advisory and Advisortech. Within the Advisor segment, the former classical financial product consultation business will be bundled under the two brands Jung, DMS & Cie. AG (broker pool; B2B) and FINUM. (direct advisory services for wealthy clients; B2C). In the new Advisortech segment, JDC Group AG is developing advanced advisory and management technologies, thereby combining classic financial consultancy with the rapidly growing Fintech area.

- As a provider of financial services, the company will therefore be operating in a market environment currently characterised by high potentials. The rising assets of German citizens despite low interest rates is crucial here, as this will be accompanied by growing demand for advisory services. Increasing government regulation combined with a simultaneous reduction in commission rates by the product companies is also an important aspect of the current market environment. Larger companies such as JDC Group AG are likely to benefit from this in their role as "consolidators", as only they can adequately cover these increased requirements. Moreover, economies of scale can also be exploited when negotiating with the product companies. Progressive digitalisation in the financial services area is also covered in the Advisortech area.

- The operating performance of JDC Group AG was still significantly affected by the restructuring measures in 2014, with a corresponding reduction in sales and earnings. This has, however, already bottomed out. An upward trend was already evident during the first nine months of 2015. Adjusted sales climbed by 6.5% to €55.59 million. EBIT improved to €0.10 million (PY: €-2.19 million) and was therefore back in positive territory and over breakeven in operative terms for the first time since the 2011 financial year.

- On this basis and with the achieved target structure, JDC Group AG is now expected to grow again. To this end, we have identified three growth pillars: affiliation with major brokers as a result of increased regulatory efforts, the acquisition of broker portfolios within the scope of succession solutions and sales in the new business area Advisortech by rolling out the "allesmeins" app for the current extensive customer base of 930,000 customers. Accordingly, we anticipate a revenue growth rate of 4.5% to €82.02 million in the current financial year (FY 2015e), 19.6% to €98.09 million in 2016 and 12.1% to €109.94 million in 2017. To accompany this, economies of scale should increase, particularly in the overhead area, thereby gradually improving the EBIT margin to 4.7% (FY 2016e) and to 6.7% (FY 2017e). In the long term, we expect the trend towards increasing EBIT margins to continue, given the projected sales growth, which we have taken into consideration in our DCF valuation model. JDC Group AG should therefore move sustainably back into the profit zone, even on a post-tax basis.

- **Within our DCF valuation model, we have calculated a fair value of €6.80 per share. The JDC Group share therefore has a high valuation potential and we recommend it with a BUY rating.**

GBC AG Investment Research

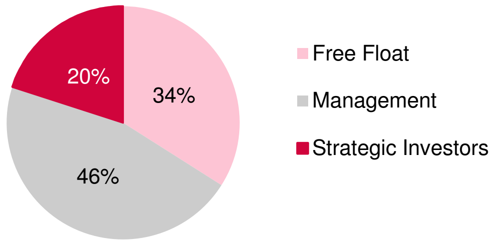
TABLE OF CONTENTS

COMPANY

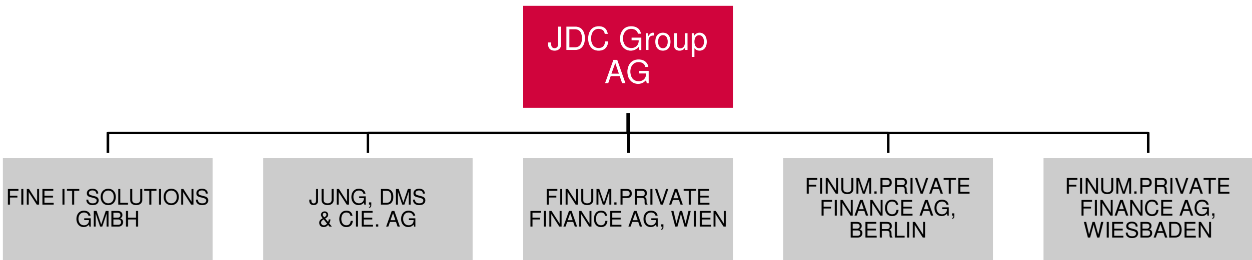
Shareholder structure

	31/12/2014
Management	46%
Strategic Investors	20%
Free Float	**34%**

Source: JDC Group AG; GBC AG



Group structure



Source: JDC Group AG; GBC AG

Board of Management

Dr. Sebastian Grabmaier

Dr. Sebastian Grabmaier (CEO) studied Law at Ludwig-Maximilians-Universität, Munich and at the University of Chicago. He is the Chairman of the Executive Board at the JDC Group and is responsible for corporate strategy, corporate communications and marketing, law and regulations (compliance), product partnerships/purchasing and sales. He is also Chairman of the Executive Board at Jung, DMS & Cie. AG and FiNUM.Finanzhaus AG.

Ralph Konrad

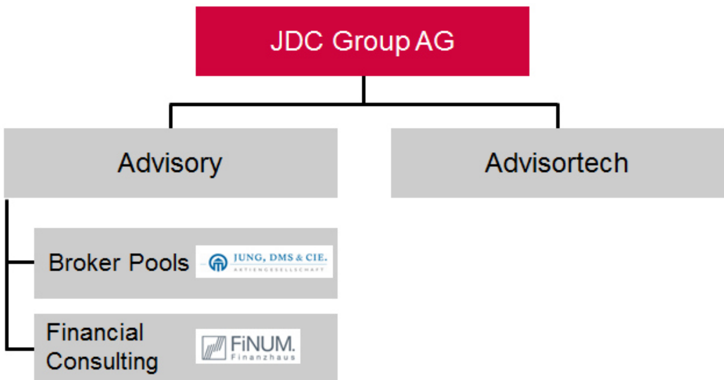
Ralph Konrad (CFO) is a Business Studies graduate and has been a member of the Executive Board at JDC Group AG since 2005. Before joining JDC, he gained more than ten years of experience in the investment sector and was actively involved in successful IPOs, company sales and restructuring. In the Executive Board, he is responsible for finance, personnel, mergers & acquisitions and investor relations. He is also a member of the Executive Board at the subsidiaries Jung, DMS & Cie. AG, FiNUM.Private Finance AG and Fine IT Solutions GmbH.

Summary of Company history

Year	Event
04/2004	Foundation of Aragon AG, initiation of the buy-and-build strategy and development of the Retail Sales division by establishing Jung, DMS & Cie. by merging four broker pools
10/2006	Acquisition of a majority stake in biw Bank AG
08/2007	Expansion of the broker pool business in Retail Sales through the acquisition of GAMAX Broker Pool AG
12/2008	Sales in the Retail Sales sector over €1.4 billion for the first time, revenue in Retail Sales over €80 million for the first time
08/2010	Aragon founds Aragon IT Service GmbH as the Group's central IT and management unit
08/2010	Jung, DMS & Cie. is named as the broker pool with the highest commission and therefore no. 1 in Germany by Cash magazine
09/2010	Entry into the German mass affluent market - Aragon AG acquires a 75% stake in FINUM.FINANZHAUS GmbH
11/2011	Sale of the shares in biw Bank AG and consequently the final abandonment of the business segment Banking & Banking Services at the end of the year
10/2012	Management buyout at Aragon: the Executive Board members Dr. Grabmaier and Mr. Konrad each take over 20% of the share capital. The seller is Angermayer, Brumm & Lange Unternehmensgruppe GmbH (ABL Group)
08/2013	Aragon AG founds FINUM.FINANZHAUS AG as a precaution-oriented consultation firm for discerning private clients
06/2014	Following the sale of the block of shares in compexx Finanz AG, Aragon AG focuses on its core investments Jung, DMS & Cie. and FINUM.Gruppe
06/2015	Aragon subsidiary Jung, DMS & Cie. Pool GmbH places a corporate bond and increases this to €15 million
07/2015	Aragon AG is renamed JDC Group AG

Source: JDC Group AG; GBC AG

Business divisions



Source: JDC Group AG; GBC AG

Following the company's realignment during the current financial year 2015, JDC Group AG (formerly: Aragon AG) is now focusing on classic consultation (Advisory). To support this, the JDC group is developing modern advisory and management technology for the field of consulting within the Advisortech segment in response to technical and structural changes within the financial industry.

Advisory

In the Advisory segment, JDC Group AG's classical consulting business is to be bundled within the two subsidiaries Jung, DMS & Cie. AG and FINUM. The company provides services to private customers using independent consultants, brokers and financial service providers.

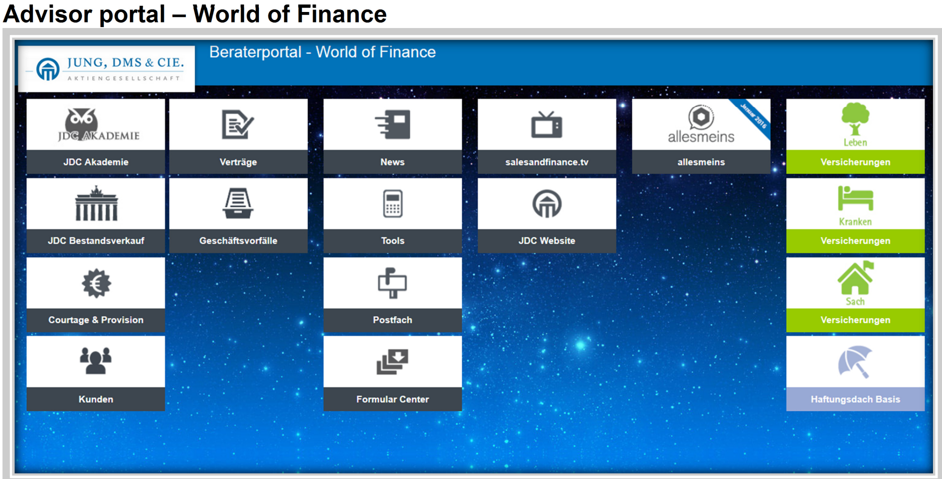
Jung, DMS & Cie. AG (B2B)

Jung, DMS & Cie.AG, which was formed through the merger of the companies Dr. Jung & Partner GmbH, Deutsche Maklerservice AG and Finanzplan Fonds-Marketing GmbH, is a leading independent broker-pool of financial advisors in Germany. More than 16,000 independent financial services providers are currently affiliated in Germany and Austria. Jung, DMS & Cie. AG has therefore already achieved an attractive position for negotiations with product suppliers and is consequently able to negotiate higher commissions and fees payable to the affiliated consultants and brokers. Around 850,000 clients with client assets of approximately €3.5 billion in total are supported within this business segment.

There are no business ties to the product companies, which speaks for the independence of the JDC subsidiary. As full-range service providers, consultants have access to more than 12,000 products from more than 1,000 companies, with all relevant financial product areas covered by investment funds, insurance companies, shareholdings and financing. As an additional service for the pool members, a product manager is responsible for selecting the products within the context of regular market screenings. Special attention is paid to the statutory audit and investigation obligations, as well as to product quality and product liability.

The affiliated brokers also receive comprehensive IT support, which can be used as sales support. In particular, the regulatory and therefore highly complex aspects of financial services must also be observed. The subsidiary Jung, DMS & Cie.'s web portal "World of Finance" is a comprehensive tool developed and launched by JDC Group AG for this purpose.

Advisor portal – World of Finance



Source: JDC Group AG; GBC AG

The spectrum of the company covers all essential products for asset accumulation, hedging transactions and financing activities.

Investment funds

The product portfolio includes almost all investment funds approved for public distribution in Germany. The advisory and portfolio tools, in conjunction with the JDC master list, provide decision and talking points for the pool partners when selecting the right funds and appropriate portfolio strategy. The product range also includes asset management by renowned suppliers as well as exclusive products.

Shareholding and direct investments

Investments (AIF = alternative investment funds), i.e. funds from the fields of German and foreign real estate, aviation, shipping, container investments, new energy, infrastructure, life insurance and private equity are offered within this product segment. The focus is on the diversification of risks and tax optimisation. A voluntary assumption of liability for the acquired closed-end funds is also offered via the JDC master list in this product range. Generally, all AIFs and direct investments available on the market can be submitted and settled through Jung, DMS & Cie. AG.

Insurance

JDC Group AG works together with well-known companies in this area to offer an extensive range of products in the fields of life, health and property insurance. The affiliated consultants not only benefit from the advantages of broker pools and associated favourable conditions; they are also able to select the correct products for every customer requirement.

Within competence centres, JDC Group AG enables high-quality advice and mediation right through to settlement by providing extensive information and support. For instance, full comparisons and SG-compliant deals for individual insurance policies can be created and analysed within the JDC advisory portal "World of Finance". The affiliated broker pool consultants can draw on the entire range of insurance deals online and settle them using the advisory portal.

Funding

JDC Group AG intermediaries provide five regional clearinghouses for the brokers within the "Funding" competence centre. After the initial meeting between JDC pool partners and clients, the basic parameters for the requested funding can be transferred to the regional clearinghouse and are thereby outsourced. All other measures, such as the preliminary examination, condition comparisons, bid proposal management and provision of the loan are covered by the JDC clearinghouses. Essentially, every possible type of funding (purchase, new construction, follow-up financing, consumer loan, etc.) can be arranged.

Liability ceiling

JDC Group AG provides a liability ceiling through its Austrian subsidiary Jung, DMS & Cie. GmbH. This is an important task from the point of view of the pool partners, as investment advice for products outside of investment funds has required a licence since the introduction of the MiFID Implementation Act. Those who wish to continue offering comprehensive investment advice must now be part of an investment services company (liability ceiling).

FINUM.Private Finance (B2C)

FiNUM.Private Finance Germany (Berlin), FINUM.FINANZHAUS (Wiesbaden) and FiNUM.Private Finance Austria (Vienna) focus on direct end client consultation services for wealthy private customers. A total of around 230 exclusive consultants work in the FINUM. Group, which serves approximately 80,000 clients with total client assets of €1.0 billion.

The company is classified as an independent asset and financial consulting institute with a focus on the specific needs of demanding private customers, professionals and business customers. Financial products, life insurance, investment funds, financing and retirement products are brokered within the holistic consulting approach, with a focus on asset creation and accumulation, consultation and hedging. The business aims at a one-stop shop approach in which both external partners and the insurance and pension platform of Jung, DMS & Cie. AG are used.

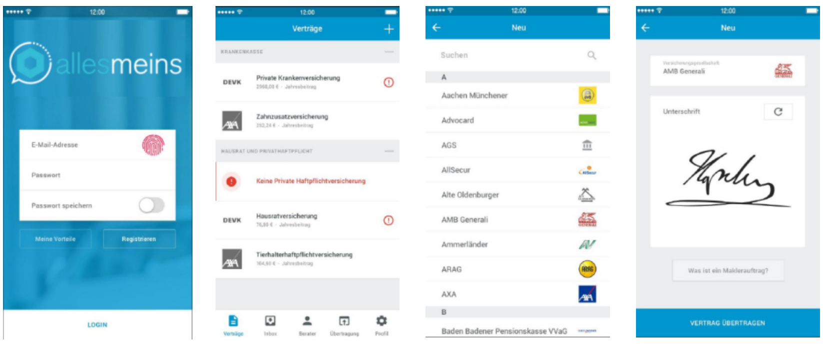
Advisortech

Within the new "Advisortech" business segment, JDC Group AG has combined the new high-growth Fintech area with the original and growing consulting segment. Built on the currently extensive customer base of over 900,000 customers, the company should be able to cost-effectively implement the proprietary Fintech solution. Unlike newly established Fintech companies, where attracting customers is one of the biggest hurdles along with the business processes, JDC Group AG can implement a fast and above all cost-effective roll-out of its own technology.

The essential tool in this area is the mobile client application "allesmeins", which is almost fully developed and will be used across multiple platforms from January 2016. Within this mobile app, the company's private customers can gain a quick overview of their own assets and hedging situation and consolidate this information accordingly. If customers do not yet have certain contracts at JDC Group AG, the customer can transfer these contracts into the JDC portfolio using a very simple dialogue (see screen shots). In this way, the customer gains a complete overview of their contracts and the company receives the corresponding portfolio commission for the transferred contracts.

This increases the number of contracts per customer and consequently also the revenue per customer. This is an important incentive for the affiliated brokers to sell the "allesmeins" app.

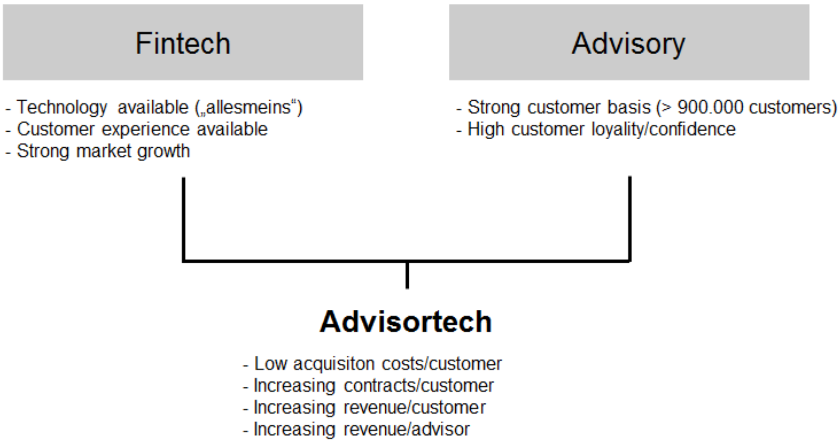
User interface of the „allesmeins"-App



Source: JDC Group AG; GBC AG

As a consequence, the traditional financial investment advice will be combined with the new Fintech range. While the consultants focus on customer care and acquisition and answer complex questions, recurring themes are covered by JDC Group AG's technological solutions with a high degree of standardisation. In addition, the advisory and administrative activities will be significantly simplified through the use of the "allesmeins" app. For instance, simple questions and products which are easy to understand can be dealt with directly online and independent deals can be arranged. In parallel, however, personal customer contact will be maintained by the consultants, with a focus on complex issues and personal customer care.

The main advantage of JDC Group AG in Advisortech and thus in the Fintech area is the existing extensive customer base of approximately 850,000 customers in the broker pool and about 80,000 customers at Fintech, which will enable a faster and more cost-effective roll-out of new technology. Both the company and affiliated brokers are expected to have a high interest in the broadest possible customer coverage using the "allesmeins" app, which is free for customers, as this will generate new sales potential. In parallel, the company should also be able to acquire new customers through the use of the app.



Source: JDC Group AG; GBC AG

Brands of JDC Group AG

easylife care

This is a holistic additional health insurance sales concept of Jung, DMS & Cie. AG. The aim here is to offer comprehensive consulting services for health insurance. Within the easylife care competence centre, brokers can access customised offers, thereby filling in the gaps in the services provided by statutory health insurance.

Fine Folios

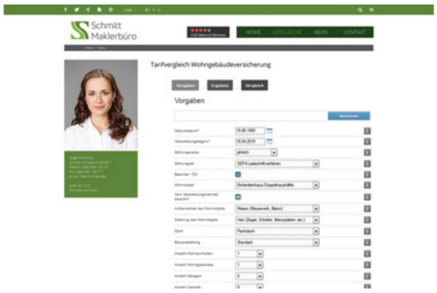
JDC Group AG's customers and consultants can purchase ETFs through the product Fine Folio. A broad risk diversification and permanent risk control aims to provide an overall balanced risk / reward ratio. Fine Folios pursues three strategic approaches representing the earnings expectations of investors (defensive, balanced, offensive).

	FINE FOLIO DEFENSIV	FINE FOLIO BALANCE	FINE FOLIO OFFENSIV
Value at Risk (VaR)	7%	15%	25%
Entry fee	3.57%	4.76%	5.95%
Management fee	1.67% p.a.	2,02% p.a.	2.26% p.a.
Cost of transaction	50 € p.a.	50 € p.a.	50 € p.a.
Asset manager	BB-Wertpapier-Verwaltungsgesell.	BB-Wertpapier-Verwaltungsgesell.	BB-Wertpapier-Verwaltungsgesell.
Investment advisor	Ampega Investment	Ampega Investment	Ampega Investment
Bank	Augsburger Aktienbank	Augsburger Aktienbank	Augsburger Aktienbank
Investment from	10,000 €	10,000 €	10,000 €

Source: finefolios.de; GBC AG

maklerhomepage24

JDC Group AG provides sales staff with all services related to internet presence through maklerhomepage24. Within the content management system, customers have access to over 750 design / colour templates and - depending on the web package - numerous features, such as more than 50 online comparison calculators and editorially managed news in the fields of investment, pension and insurance.



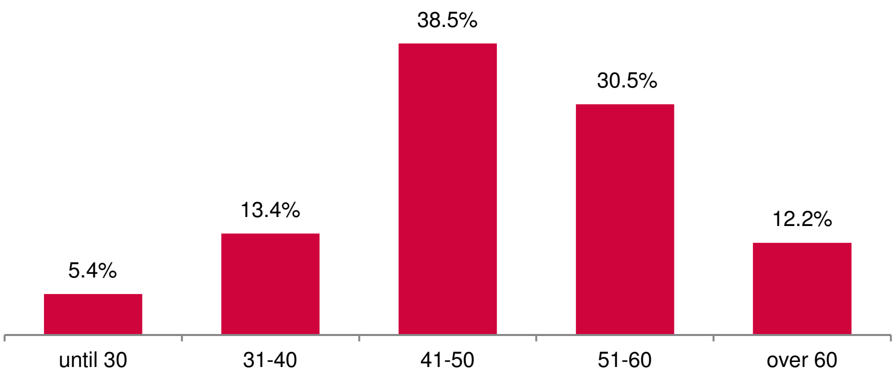
Source: maklerhomepage24.de; GBC AG

DMR Deutsche Makler Rente

Broker portfolios which are sold both within the context of business closures as well as for reasons of age, are acquired within DMR Deutsche Makler Rente. This is one of the strongest inorganic areas of growth for JDC Group AG, as many brokers are withdrawing from the market due to high regulatory requirements. Furthermore, the acquisition of broker portfolios is likely to be an equally important growth factor within the context of succession solutions. According to statistics from SMARTcompagnie GmbH, 42.7% of brokers operating in Germany are already aged 51 or older and it is therefore likely that significant customer portfolios will become available in the coming years.

Within the scope of the acquisition of portfolios, DMR performs an evaluation analysis and supports the organisation during the handover as well as with the cancellation of liability for financial loss, deregistration from the IHK, customer information and when contracts with insurers are terminated.

Age structure of financial agents



Source: SmartCompagnie; GBC AG

A&A Superfonds-Police

In collaboration with AXA Insurance, Jung, DMS & Cie. AG offers A & A Super Fund-Police, an innovative unit-linked pension insurance with variable building blocks. Investors are free to decide whether the amounts should be invested in guarantee assets of the insurance company or in mutual funds. Customers can choose from a total of fifteen funds of funds or individual funds of renowned investment companies.

easynetto

Jung, DMS & Cie. AG has integrated the net insurance tariffs available on the market, including all relevant sales information, in a clear way on the easynetto platform. easynetto provides consultants and intermediaries with a "gentle" entry into the fee-based mediation. This aims to counter increasing criticism of the classic brokerage models by ensuring that the consultation and placement services are paid for by the product manufacturer rather than the customer. The fee-based consulting should guarantee resource-related compensation by the customer. In this way, the company can tap into new customer groups who have never sought financial advice in the past due to non-transparent cost structures. Jung, DMS & Cie. AG supports the affiliated consultants during their entry into fee-based mediation.

MARKET AND MARKET ENVIRONMENT

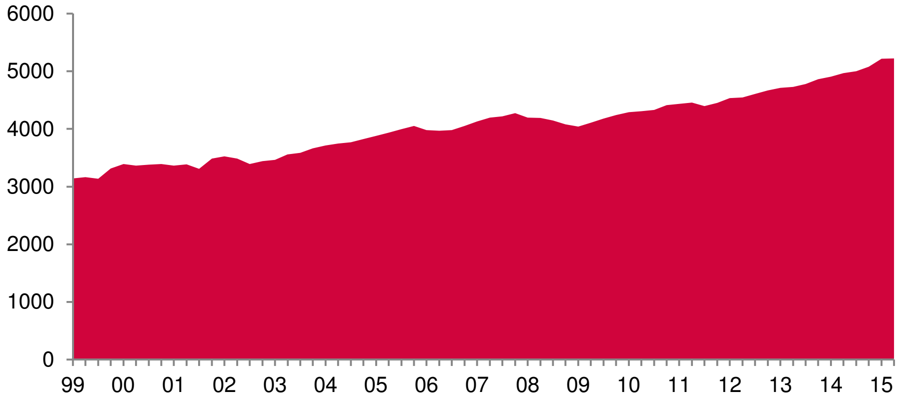
In the "Advisory" business segment, JDC Group AG is active through the two subsidiaries Jung, DMS & Cie. AG and FINUM.Finanzprodukte as a financial product broker for private customers via independent consultants, brokers and financial service providers. Although modern advisory and management technologies are being developed for customers and consultants in the new "Advisortech" business segment, this segment is dependent on the market environment for financial products. The "Advisortech" area should also benefit from the digitalisation trend in the financial sector.

Essentially, the financial product industry can be divided into the two areas "capital accumulation" and "hedging", whereby a comparable basis underlies both of the submarkets considered in this market analysis.

Financial services for asset accumulation

Despite the continuing low interest rate environment, net financial wealth is increasing continuously in Germany. According to current statistics from Deutsche Bundesbank, this wealth amounts to €5,224 billion, well above the level before the financial crisis with an increase of + 26.5%. In terms of net financial assets, German citizens are therefore richer than ever before.

Private financial wealth in germany (in €bn)

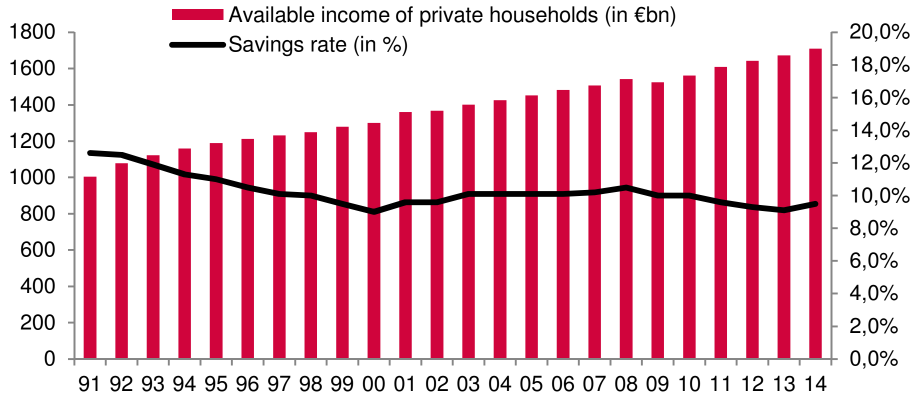


Source: Deutsche Bundesbank; GBC AG

Another crucial factor for the increase in private financial wealth is the current very stable labour market situation. For ten years now, there has been a trend towards declining unemployment figures, based on a higher number of jobs subject to mandatory social insurance contributions. While the number of unemployed in 2005 was 4.86 million, there were only 2.90 million people recorded as unemployed at the end of 2014. This significant decrease is also evident from the unemployment rate, which has almost halved over the same period, from 11.7% to 6.7%.

This development is relevant to the increase of financial assets in Germany, in particular against the background of rising income expectations and higher income security. In this regard, disposable income has risen steadily in recent years along with the employment rate. Over the past ten available periods (2005 - 2014), the disposable income of private households in Germany has risen from €1,451.67 billion to €1,710.09 billion, a total increase of +17.8%. If this development is considered in relation to the savings rate, an interesting conclusion can be drawn. Although the savings rate has fallen from 10.1% (2005) to 9.5% (2014) as a result of the low interest rate policy of the ECB, the nominal amount of savings in Germany has increased due to rising disposable income.

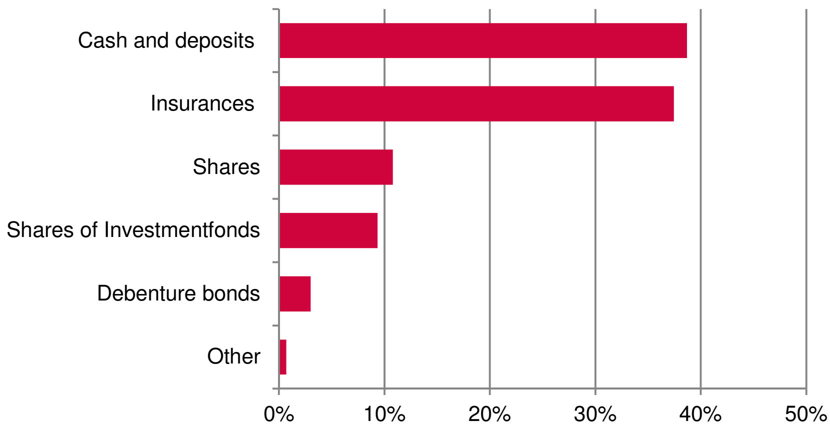
Available income of private households (in €bn) and savings rate (in %)



Source: Statistisches Bundesamt; GBC AG

The accumulation of assets in Germany is still a high priority despite the current challenging environment for savers. For JDC Group AG, a provider of financial products, the structure of financial assets is particularly interesting, as on the one hand this highlights the proportion of private investment in products which require consultation, while on the other the potential for financial products is also evident from the assets deposited in cash and short-term investments. According to statistics from Deutsche Bundesbank, 38.7% of gross financial assets are held as cash or demand deposits. Investments in insurance and pension schemes follow at 37.4%. Only 10.8% of these assets are invested in equities and, at 9.4%, even fewer in investment funds:

Wealth structure of private households (in %)



Source: Deutsche Bundesbank; GBC AG

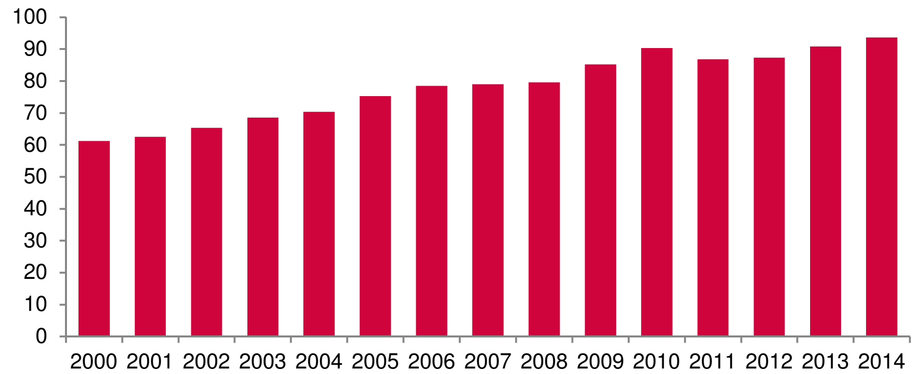
It can therefore be concluded that the market for financial products suitable for consulting is increasing due to rising financial wealth and has considerable potential due to the continuing high proportion of cash deposits.

At the same time, the area of private pension plans within the context of occupational and private supplementary pension plans is also of great interest to JDC Group AG. Particularly against the background of demographic developments, with a disproportionately rising proportion of the recipient group over the age of 65 from 20% (2013) to 28% (2030) and 33% (in 2060) expected by the Federal Statistical Office, this is a growth segment. The fact that this is an area of growth is also apparent from the surveys performed within the scope of the Investment Barometer by the German Savings Banks Association, according to which 26% completely ignore the topic of retirement. In addition, around 50% of those under the age of 30 have not taken any steps to secure their financial future.

Financial services for hedging

In parallel to the financial products for asset accumulation, JDC Group AG also sells hedging products, both directly and indirectly, as part of the "Advisory" segment. In a similar way to asset growth, demand for insurance is mainly related to income and asset development. The areas of pensions and life insurance are significant here and are to be regarded as a component of private pension plans. Against the backdrop of historically low interest rates, life insurance has been perceived as a precautionary option, in particular due to the guaranteed interest rate and high security. Accordingly, the income from premiums has risen continuously among life insurance companies in the past few decades. The average annual growth of contributions for life insurance was at +3.1% between 2000 and 2014.

Contributions for life insurances (in €bn)



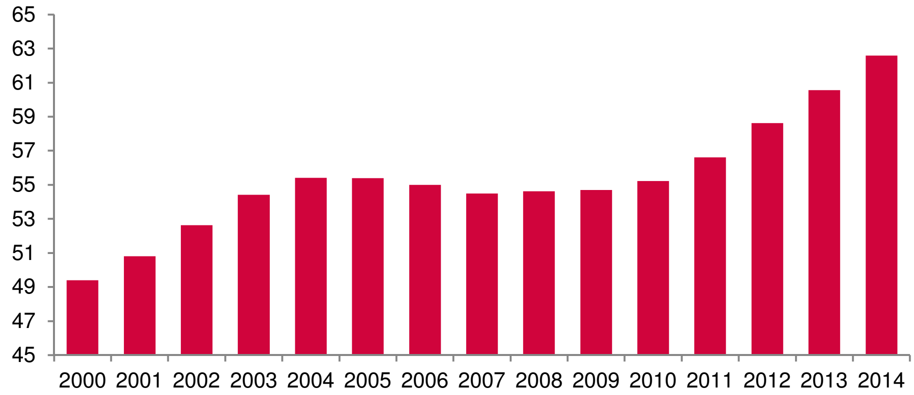
Source: GDV Statistisches Taschenbuch der Versicherungswirtschaft 2015; GBC AG

Due to the recently discussed abolition of the guaranteed interest rate by the Federal Government on 1 January 2016, life insurers can in principle provide higher warranty promises, but these would need to be generated through investments with higher capital requirements. Although it is assumed that the abolition of the maximum actuarial interest rate (guaranteed interest rate) will result in a drop in demand for traditional life insurance, insurance tariffs could, however, be developed with more flexible interest rates, for example.

As demonstrated above, the demand for pension products is high and the insurance companies are expected to develop corresponding products to meet demand. As financial product brokers, JDC Group AG covers a wide range of services and is therefore not dependent on the development of individual products. The anticipated overall dynamic development of demand for asset accumulation services and insurance solutions is much more decisive for JDC Group AG.

However, individual components of the security market are set to be marked by a continuation of dynamic growth and are therefore characterised by corresponding high demand. An example of this is the development of property and casualty insurance, one of the key growth drivers for JDC Group AG within the hedging sector. Contributions increased by +26.7% to a new record level of €62.6 billion from 2000 to 2014 alone, according to the Association of German Insurers (GDV).

Contributions for accident/indemnity insurance (in €bn)



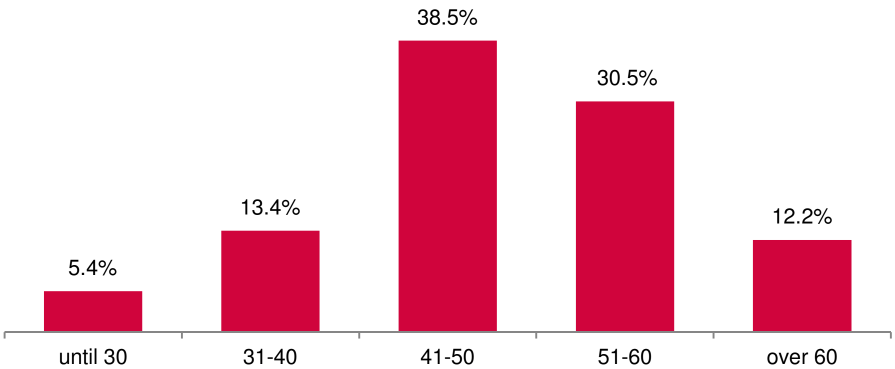
Source: GDV Statistisches Taschenbuch der Versicherungswirtschaft 2015; GBC AG

In general, there is evidence of a relationship between increasing wealth and higher demand for insurance. The rising increase in financial assets and disposable income in Germany therefore leads us to anticipate higher demand for insurance solutions.

Promising positioning of the JDC Group

JDC Group AG is likely to benefit from an anticipated increase in demand for asset accumulation and hedging products as a broker of financial services within the context of direct sales and through the affiliated broker pool. The broker pool hit list for 2014 published in the financial publication "Cash." lists the JDC subsidiary Jung, DMS & Cie. AG in second place. The company is therefore already in an excellent position in order to grow both organically and inorganically. Portfolio acquisition as part of succession solutions is also likely to be an important growth factor. According to statistics from SMARTcompagnie GmbH, 42.7% of brokers operating in Germany are aged 51 or older and it is therefore likely that significant customer portfolios will become available in the coming years.

Age structure of financial agents



Source: SmartCompagnie; GBC AG

Regulatory environment strengthens large market participants

Another important aspect of the future industry development for financial brokers is increasing regulation with a recent trend towards more expenditure with lower remuneration. For instance, the documentation required has increased significantly in accordance with the financial investment brokerage ordinance (Finanzanlagenvermittlerordnung).

However, this conflicts with the increasingly lower sales commissions from the product company as a result of the LVRG (Life Insurance Reform Act) and the MiFID implementation laws.

As a result, many financial service providers are in a weaker financial position due to poor sales results, putting them at increased pressure to consolidate within the industry. Overall, the market entry barriers in this area have risen sharply due to the regulatory and technical IT requirements. Market participants with many years of experience and an already established company size can benefit from the current situation. Consequently, JDC Group AG has been able to acquire several smaller competitors withdrawing from the market. At the turn of the year 2014/2015, the subsidiary Jung, DMS & Cie. AG had already acquired a number of major clients with seven-figure sales commission.

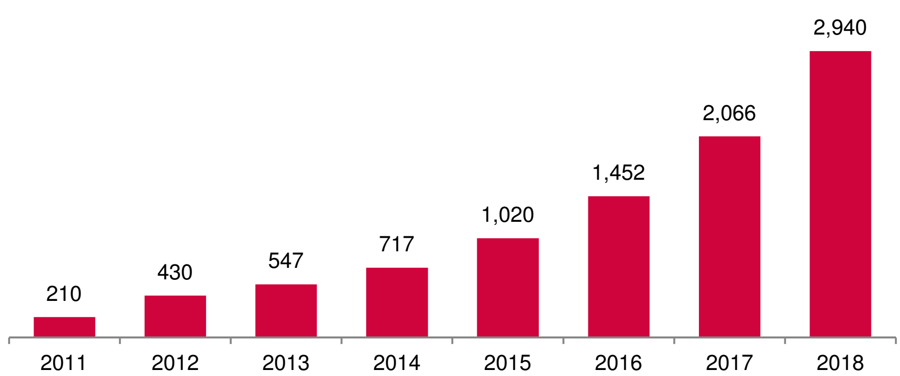
Advancing digitalisation as a growth factor

Following the establishment of new online business models in the financial services sector, the amount of online-based financial services is now increasing. A few years ago, the main banking services available were traditional services, such as money transfers, but the range is now much broader and includes mobile payments, online lending and credit transactions.

A major factor in what is known as the Fintech (financial technology) industry is the expansion to include mobile services. As smart phones have become more popular, this area has gained enormously in importance and is in demand from an increasing number of users. The Fintech industry sees high growth potential here for the coming years, particularly against the background of increasingly established mobile payment opportunities.

According to current statistics from the BVDW (Bundesverband Digitale Wirtschaft e.V.), 34.5 million people now use a smartphone in Germany alone. The research firm comscore, Inc. actually estimates that there are 46 million smartphone users in Germany. Despite these different estimations, it has been possible to achieve a very high growth rate in recent years. This is also evident from the number of downloaded apps, which has more than tripled due to increasing smartphone usage, which has risen from 0.9 billion to 3.4 billion in 2011-2014 alone. In parallel, total revenue from apps has also increased significantly from €210 million (2011) to €717 million (2014). According to the statistics, total revenues of approximately €3.0 billion will be achieved by 2018.

Sales with Apps (in €m)



Source: BITKOM; research2guidance; gfu; GBC AG

JDC Group AG connects the traditional segment of classical financial services with the rapidly growing online segment through its "Advisortech" division. In addition to the inorganic effects of increasing regulation in the financial services industry and a rise in successor business through the acquisition of broker portfolios, JDC Group AG is also set to benefit from the ever-increasing importance of mobile solutions in the financial sector. The "allesmeins" app was developed for this purpose and will be available to private clients from January 2016 onwards.

Business Development

Key financial figures

P&L (in €m)	FY 2013	FY 2014	FY 2015e	FY 2016e	FY 2017e
Sales	88.60	78.47	82.02	98.09	109.94
Own work capitalized	0.54	0.49	0.45	1.50	0.50
Other operating income	1.89	3.15	2.95	1.20	1.00
Commision expense	-68.91	-61.62	-61.51	-73.66	-80.25
Gross profit	22.12	20.49	23.90	27.14	31.18
Personnel expenses	-14.01	-12.66	-12.46	-13.02	-13.58
Depriciation	-1.90	-1.62	-1.72	-1.67	-1.42
Other operating expenses	-10.59	-9.26	-9.32	-9.52	-10.25
EBIT	**-4.39**	**-3.06**	**0.40**	**2.93**	**5.94**
Income from financial assets	0.01	0.00	0.00	0.00	0.00
Other interest and similar income	0.13	0.10	0.05	0.05	0.05
Write-downs of financial assets	-0.03	0.00	0.00	0.00	0.00
Interest and similar expenses	-1.20	-0.64	-0.75	-0.90	-0.90
EBT	**-5.47**	**-3.60**	**-0.30**	**2.08**	**5.09**
Taxes	-0.39	-0.25	0.24	-0.20	-0.76
Other taxes	-0.03	-0.06	-0.05	-0.05	-0.05
Result from discontinued operations	-0.10	-2.67	0.00	0.00	0.00
Minorties	-0.11	-0.05	0.00	0.00	0.00
Net income (loss)	**-6.09**	**-6.62**	**-0.11**	**1.83**	**4.28**
EBITDA	-2.49	-1.43	2.12	4.60	7.36
in % of sales	-2.8%	-1.8%	2.6%	4.7%	6.7%
EBIT	-4.39	-3.06	0.40	2.93	5.94
in % of sales	-4.9%	-3.9%	0.5%	3.0%	5.4%
Earnings per share in €	-0.56	-0.61	-0.01	0.17	0.39

Source: JDC Group AG; GBC AG

Historical business development FY 2011 - 2014

P&L (in €m)	FY 2011	FY 2012	FY 2013	FY 2014
Sales	104.66	108.04	88.60	78.47
EBITDA	3.42	-1.29	-2.49	-1.43
EBITDA-margin	*3.3%*	*-1.2%*	*-2.8%*	*-1.8%*
EBIT	1.66	-5.07	-4.38	-3.06
EBIT-margin	*1.6%*	*-4.7%*	*-4.9%*	*-3.9%*
Net income (loss)	-5.16	-12.11	-6.09	-6.62
EPS in €	-0.71	-1.67	-0.56	-0.61

Source: JDC Group AG; GBC AG

Historical sales development FY 2011 - 2014

In accordance with the business model as a direct and indirect broker of financial products, JDC Group AG's sales largely consist of commission revenue within the scope of product placement. A small proportion of revenues are also generated from fee arrangements, i.e. commission-free brokering.

During the past two financial years in particular, the company has reported a decline in sales of -18.0% (FY 2013) and -11.4% (FY 2014) against the respective previous year. However, this trend was the result of the change in strategy implemented since the 2012 financial year, an important element of which is the sale of loss-making subsidiaries. Consequently, the company has made a number of business disposals in recent financial years, thereby significantly reducing the basis of consolidation and the associated sales base:

Company	Deconsolidation	Revenues per year
inpukto AG	FY 2012	approx. € 22.3 m
CLARUS AG	FY 2012	approx. € 10.0 m
compexx Finanz AG	FY 2014	approx. € 9.8 m
BIT AG	FY 2014	approx. € 8.2 m

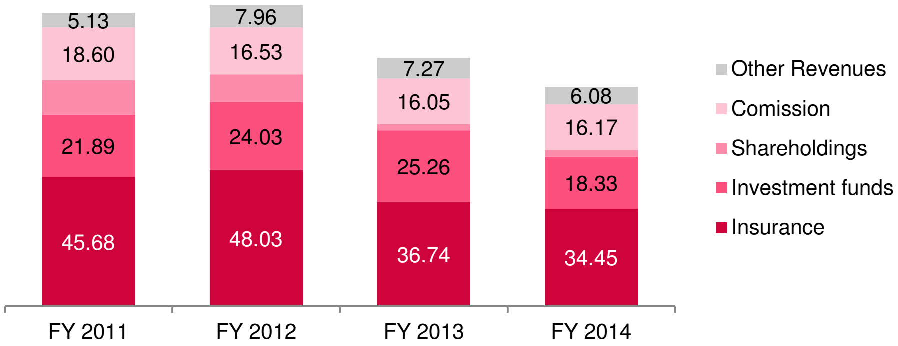
Source: JDC Group AG; GBC AG

In total, the sales for the subsidiaries sold in the past three financial years amounted to €50.3 million. The resulting focus on the two brands Jung, DMS & Cie. AG and FINUM., in addition to the promising Advisortech area, JDC Group AG, has now achieved its target structure and the restructuring programme has thus been finalized.

The decline in sales by €10.13 million during the 2014 financial year was primarily due to the lack of sales of the deconsolidated company compexx Finanz AG (approximately €9.8 million). The revenues of BIT AG, which was also deconsolidated in the 2014 financial year, have already been adjusted for the previous year period (FY 2013) to ensure comparability. Adjusted for the sales of compexx Finanz AG, the JDC Group therefore achieved virtually stable sales (-0.4%). The slight decline in adjusted sales is the result of the divestment by Jung, DMS & Cie. AG of high-risk business in Eastern Europe.

Separated into individual product groups, a significant decline is particularly evident in sales from the investment fund business, which lie at -27.4%. This is due to regulatory issues, which require that investment Advisors meet more stringent requirements and, as a result, fewer sales were achieved in this area. A positive aspect to be highlighted here is the level of portfolio commission, amounting to €16.17 million (FY 2013: €16.05 million), which is recurrent in nature.

Sales by product group (in €m)

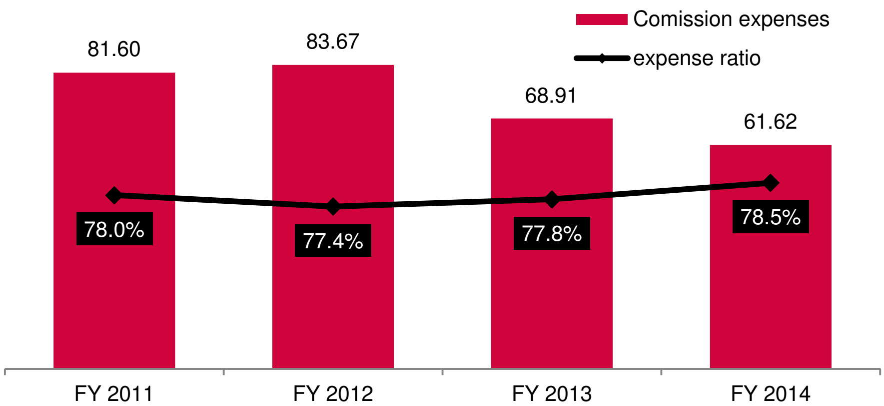


Source: JDC Group AG; GBC AG

Historical earnings development FY 2011 - 2014

Commission expenses for independent brokers and commercial agents constitute the main cost item of JDC Group AG. In the past four years, commission expenses represented an average of 77.9% of the commission income. In 2014, this figure was exceeded slightly with 78.5%, which is a consequence of the product mix. Fundamentally, however, JDC Group AG reports only minor variations in the commission expense ratio and, consequently, development of the absolute commission expenses which is proportional to the commission income changes. This variable cost item also decreased significantly due to the lower sales base:

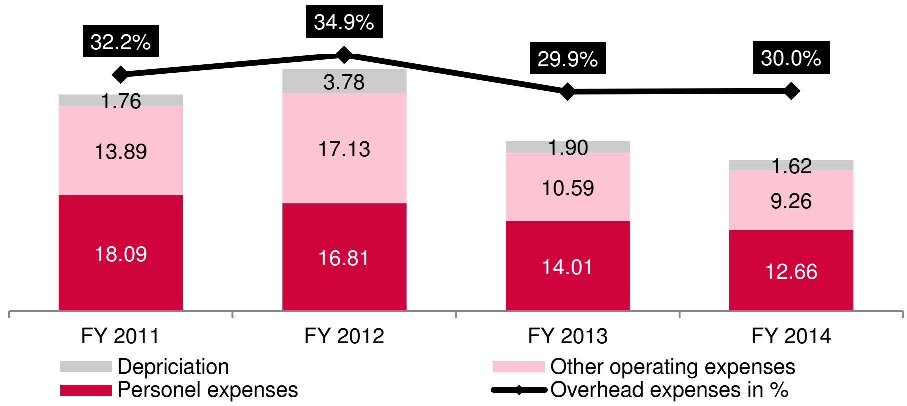
Comissions expenses (in €m) and expense ratio (in %)



Source: JDC Group AG; GBC AG

In contrast, the overhead costs (personnel expenses, other operating expenses, depreciation) are considered to be fixed costs and are not dependent on sales development. Against the backdrop of the reduced basis of consolidation and in view of the initiated cost-cutting programme "Challenge", JDC Group AG has been able to achieve significant cost reductions in this area. With regard to personnel expenses in particular, the reduction of staff to an average of 201 (FY 2013: 251) resulted in a further decline to €12.66 million (FY 2013: €14.01 million).

Overhead expenses (in €m) und expense ratio (in %)

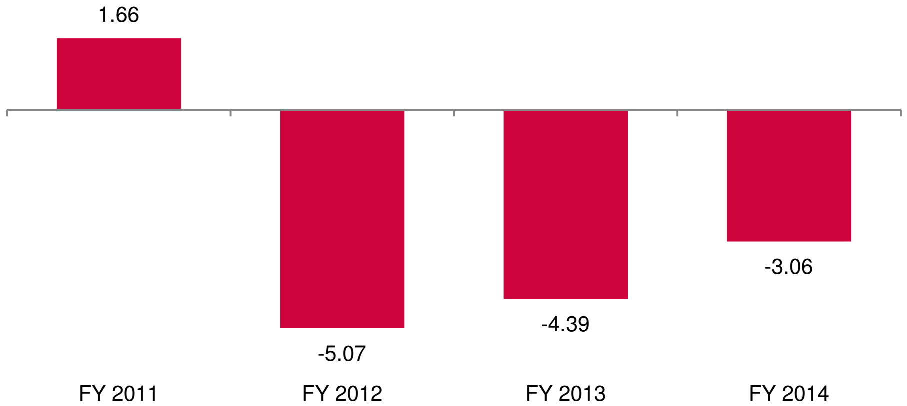


Source: JDC Group AG; GBC AG

Overall, the overhead cost ratio of 30.0% is below the 31.8% average of the last four financial years. At the same time, the break-even sales figure is therefore falling, as only the overhead costs of €23.54 million need to be covered on this basis. According to the company, a total of €2.5 million was saved within the scope of the "Challenge" cost-saving programme, of which approximately €0.8 million is already effective in the 2014 financial year.

The EBIT was still in negative territory at €-3.06 million (FY 2013: €-4.39 million). The greater impact of the cost-saving measures and the first full year without the loss-making subsidiary (compexx Finanz AG) is expected to lead to a positive operating result in the future. The basis for this was established during the first nine months of 2015 (see page 22 of this study) through the achievement of another positive EBIT.

EBIT (in €m)



Source: JDC Group AG; GBC AG

Along with the low-level burdens from the financial result amounting to €-0.64 million (previous year: €-1.20 million), the negative result from discontinued business operations of €-2.67 million (FY 2013: €-0.10 million) should be mentioned, which largely affected the net profit/loss for the period, coming in at €-6.62 million (FY 2013: €-6.09 million). This is associated with the sale of BIT AG and the resulting book loss from the proportional reduction of the investment book value.

Current business development as at 30/09/2015

P&L (in €m)	30/09/2012	30/09/2013	30/09/2014	30/09/2015
Sales	79.26	70.32	56.22	55.59
EBITDA	0.87	-1.62	-0.94	1.18
EBITDA-margin	1.1%	-2.3%	-1.7%	2.1%
EBIT	-0.59	-3.11	-2.19	0.01
EBIT-margin	-0.7%	-4.4%	-3.9%	0.0%
Net income (loss)	-2.14	-4.21	-5.49	-0.71

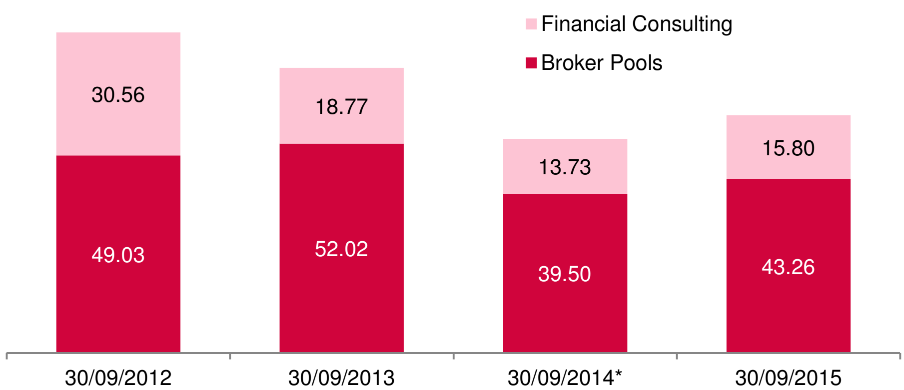
Source: JDC Group AG; GBC AG

Sales as at 30/09/2015

Although the declining unadjusted sales trend continued slightly during the first nine months of 2015 at -1.1%, this is once again solely due to changes made to the basis of consolidation. The sale of compexx Finanz AG in the 2014 financial year contributed of approximately €4.0 million during the first nine months of 2014. Adjusted for the deconsolidated compexx Finanz AG, JDC Group AG achieved sales growth of +6.5%. For the first time since the 2012 financial year, the Company therefore reported a adjusted increase in sales and it can be assumed that the low was reached in the 2014 financial year.

This turnaround is also evident in the sales development following the separation of the two reporting segments "Broker Pools" (brokerage business of the subsidiary Jung, DMS & Cie. AG) and "Financial Consulting" (direct business of FINUM.). In the Broker Pools segment, which was not affected by the loss of the compexx sales, revenues improved by +9.5%, increasing to €43.26 million (9M 14: €39.50 million). Adjusted for compexx, the financial consulting sales have increased dynamically by +15.1% to €15.8 million (9M 14 adjusted: €13.73 million):

Segment related revenues (in €m)

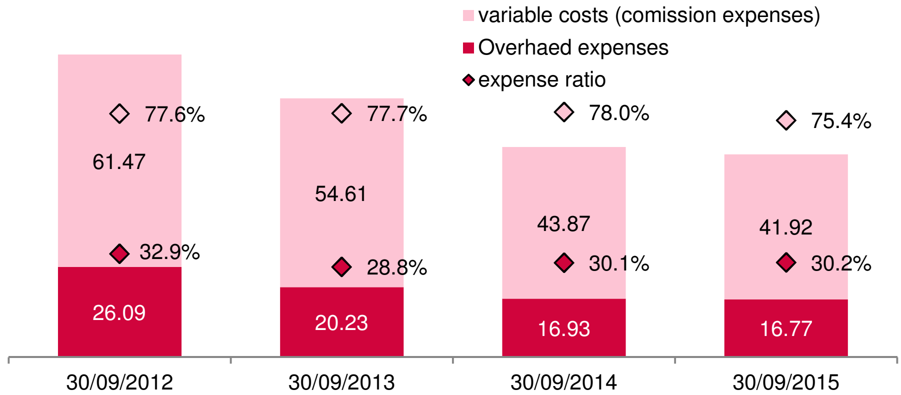


Source: JDC Group AG; GBC AG; adjusted by compexx-revenues*

Earnings development as at 30/09/2015

Along the same lines as the positive sales development, JDC Group AG achieved a positive nine-month EBIT at €0.10 million (9M 14: €-2.19 million) for the first time again. The restructuring measures, which have been implemented since the 2012 financial year and were finalised during the 2014 financial year and which involved the sale of non-profitable subsidiaries, are making a noticeable difference here. Moreover, the cost-cutting programmes also had a positive impact in the area of overhead costs.

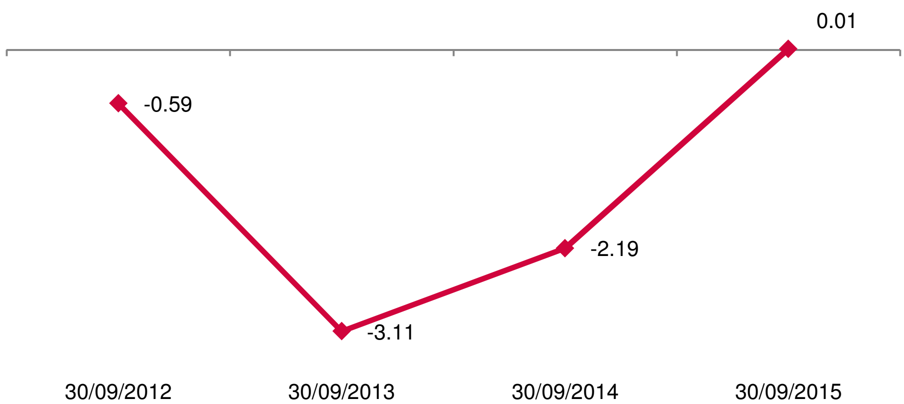
Expenses (in €m) and expense ratio (in %)



Source: JDC Group AG; GBC AG

The decline in variable costs, i.e. sales-related commission expenses, is particularly striking here, with a corresponding significant reduction in the expense ratio to 75.4% (9M 14: 78.0%). The portfolio commission is expected to make up an increased proportion of total sales, which are generally high-margin and consequently lead to a corresponding increase in the gross profit ratio.

EBIT (in Mio. €)



Source: JDC Group AG; GBC AG

Due to the fact that the break-even on an EBIT basis was almost achieved and taking interest (€-0.47 million) and tax expenses (-0.25 million €) into account, the net profit/loss for the period of €-0.71 million is still in negative territory as expected. However, compared to the previous year's figure of €-5.49 million (€-2.81 million before discontinued areas), the level now being achieved is already a clear improvement and provides a good basis for further business development.

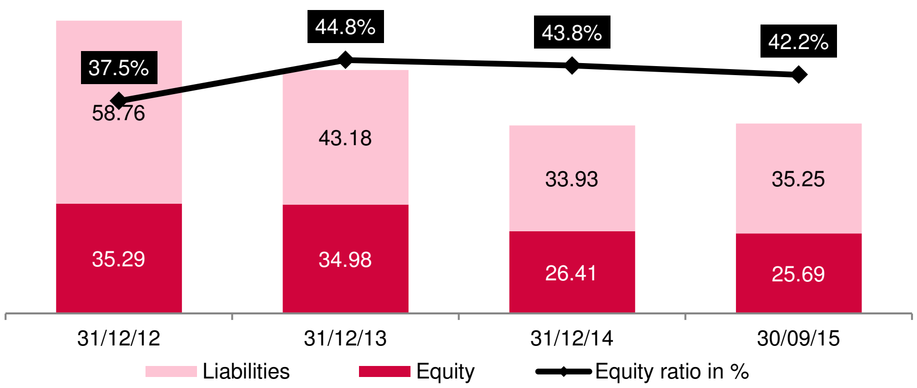
Financial Situation as at 30/09/2015

In €m	31/12/2012	31/12/2013	31/12/2014	30/09/2015
Equity	35.29	34.98	26.41	25.69
Equity ratio	37.5%	44.8%	43.8%	42.2%
Total Debt	18.49	5.78	4.97	13.04
Net Debt	9.85	-2.86	0.79	1.61
Financial assets	8.65	8.63	4.18	11.43
Long-Term Assets	40.66	40.49	32.12	32.39
Working Capital	-4.31	-4.43	1.14	2.08

Source: JDC Group AG; GBC AG

The decline in equity in recent years is on the one hand due to the prevailing negative earnings level and on the other hand due to the change to the basis of consolidation (elimination of minority interests) within JDC Group AG. Nevertheless, the equity ratio remained relatively stable and amounted to 42.2% as at 30/09/2015, an above average value for a company in the financial sector (31/12/2014: 43.8%). The consistent development of the equity ratio is also due to the balance sheet reduction resulting from the sale of subsidiaries.

Equity (in €m) and equity ratio (in %)

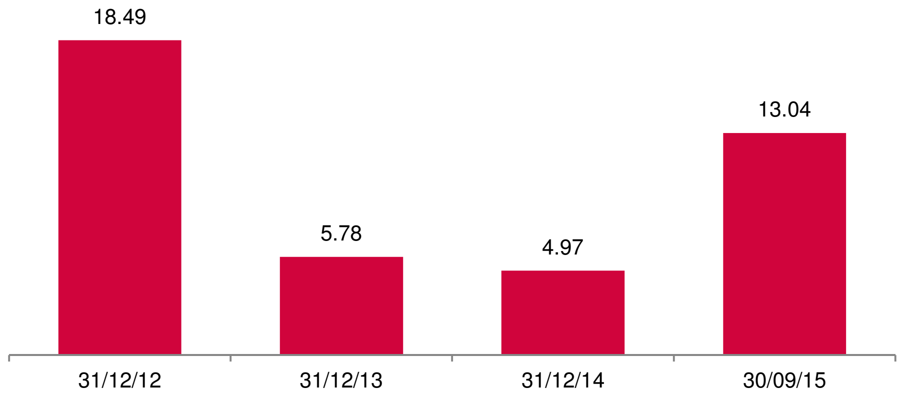


Source: JDC Group AG; GBC AG

The balance sheet of JDC Group AG as a provider of financial products is characterised on the assets side by intangible assets amounting to €31.22 million (31/12/2014: €31.66 million). This primarily involves the goodwill associated with the two brands FINUM. and Jung, DMS & Cie. AG. To accompany this, intangible assets such as software licences or the customer bases have been activated. On the liabilities side, the balance sheet has so far been dominated by working capital.

In connection with the restructuring measures finalised in the 2014 financial year and the resulting smaller basis of consolidation, a gradual reduction of the financial liabilities has occurred in recent fiscal years. These have been significantly reduced from €18.49 million (31/12/12) to €4.97 million. Over the past six months, however, debt has once again risen by €15 million with the issue of a five-year 6.0% corporate bond. According to the company, the incoming funds will be used for the purchase of stocks and broker portfolios and therefore for inorganic growth.

Total Debt (in €m)



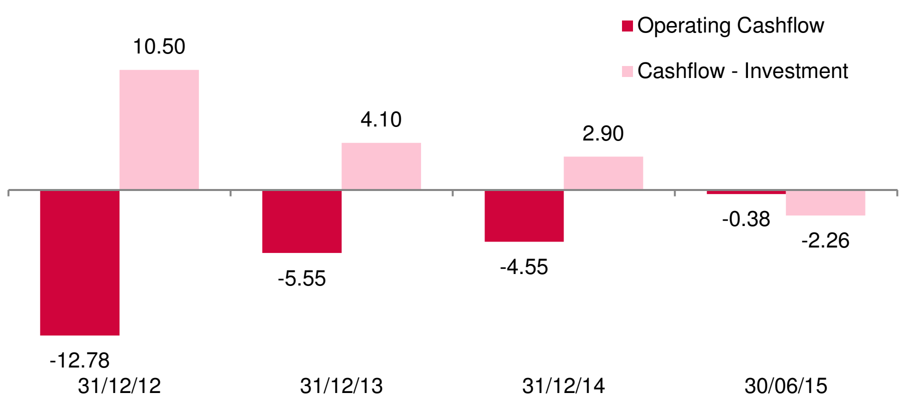
Source: JDC Group AG; GBC AG

in €m	31/12/2012	31/12/2013	31/12/2014	30/06/2015
Operating Cashflow	-12.78	-5.55	-4.55	-0.38
Investment – Cashflow	10.50	4.10	2.90	-2.26
Financing Cashflow	-2.83	1.42	-2.47	11.58

Source: JDC Group AG; GBC AG

Accordingly, the increase in cash and cash equivalents from €4.97 million (31/12/2014) to €11.43 million (30/09/2015) was affected by the proceeds of the corporate bond. Over the last few financial years, the liquidity of the JDC Group AG has indeed been influenced by the negative operating cash flow. From the point of view of the trend over multiple years, however, it is clear that the operating cash flow has improved gradually. The most recently available cash flow diagram for 30/06/2015 is evidence of this trend. The liquidity decline relating to operations over the last few financial years has been covered by incoming liquidity through the investment cash flow (primarily company disposals).

Operating Cashflow vs. Investment-Cashflow (in €m)



Source: JDC Group AG; GBC AG

SWOT-Analysis

Strengths	Weaknesses
• The JDC Group AG has more than 900,000 customers and therefore an extensive customer base • The broker pool of Jung, DMS & Cie. AG is one of the biggest in Germany with a total of 16,000 affiliated independent financial consultants • In total, the company manages customer assets of around €4.5 billion and has an extensive base of recurring portfolio commissions • The JDC Group AG has achieved the operational turnaround on the basis of the new structure in the first half of 2015 • Solid asset situation with an equity ratio amounting to 40.0% • The financial basis for further growth was established at an early stage with the issuance of a corporate bond	• During recent financial years, JDC Group AG has generated negative results with declining sales • The sales and results of the new business unit "Advisortech" are difficult to plan due to the current lack of past data • In recent reporting periods, JDC Group AG reported operating cash flows which were still negative • Trading in JDC Group's share is relatively low with a free float of 33.0%.
Opportunities	**Threats**
• The Advisortech solutions of JDC Group AG are expected to reach nearly 1 million customers. The marketing expenses for customer acquisition are marginal compared to other Fintech companies • The new "Advisortech" area has created an innovative link between traditional financial services and the fast-growing Fintech sector. • JDC Group AG should benefit from the pressure to consolidate in the financial services industry due to its size • Expected high growth within the context of succession planning due to the demographic structure for independent consultants • High scalability of the business model allows for above-average earnings development with increasing revenues • Dynamic growth could also be implemented through joint ventures or acquisitions	• Further regulatory tightening or a further reduction of commission payments by the product companies could adversely affect JDC Group AG • More extensive documentation requirements could adversely affect the profit margin of the company • External growth in the "Advisortech" area depends heavily on the success of the product placement of the "allesmeins" app • The current low prices for the purchase of broker portfolios - which are an important factor for the future growth of the company - could rise in the short term • The availability of broker portfolios could develop negatively • All regulatory and administrative aspects must be considered when implementing new technology

Forecasts and Valuation

Forecasts

P&L (in €m)	FY 2014	FY 2015e	FY 2016e	FY 2017e
Sales	78.47	82.02	98.09	109.94
EBITDA	-1.43	2.12	4.60	7.36
EBITDA-margin	*-1.8%*	*2.6%*	*4.7%*	*6.7%*
EBIT	-3.06	0.40	2.93	5.94
EBIT-margin	*-3.9%*	*0.5%*	*3.0%*	*5.4%*
Net income (loss)	-6.62	-0.11	1.83	4.28

Source: GBC AG

Forecast principles

JDC Group AG has achieved the intended target structure after the completion of its restructuring measures and the related sale of unprofitable subsidiaries. In the "**Advisory**" segment, the focus is on the provision of financial services as part of the broker pool business of the subsidiary Jung, DMS & Cie. AG (B2B) and the direct provision of financial services to wealthy private clients via exclusive Advisors (B2C).

According to the company, the significant growth potential in this segment will be exploited though the development of broker portfolios and the affiliated Advisors in the broker pool. Due to increasing regulation in the financial services industry and the rising average age of independent brokers, the consolidation of broker portfolios is already underway. This has particularly affected independent brokers due to the stricter regulations and the trend towards a greater administrative burden with lower remuneration. While the documentation has increased significantly due to the financial investment broker ordinance (Finanzanlagenvermittlerordnung), lower commission is being paid by the product companies as a result of the LVRG (Life Insurance Reform Act) and the MiFID implementation laws. Against this background, large broker pools like Jung, DMS & Cie. AG are receiving an influx of previously independent financial brokers. The stricter regulatory and IT-specific requirements can only be implemented within larger organisations. In addition, the JDC Group is able to negotiate better conditions with the product providers due to the higher volume of brokered transactions. Against this background, a number of smaller and medium-sized competitors have been acquired during the current financial year.

This is expected to be accompanied by an increasing number of broker portfolios within the context of succession plans. According to statistics from SMARTcompagnie GmbH, 42.7% of brokers operating in Germany are aged 51 or older and it is therefore likely that significant customer portfolios will become available in the coming years. The JDC Group AG sees significant growth potential here and has therefore expanded its financial basis for the acquisition of broker portfolios by issuing a 6.0% corporate bond with a volume of €15 million (net issue proceeds: €14.58 million). According to the purpose of use, around 65% of the funds raised, i.e. approximately €9.5 million will be used for the purchase of broker portfolios. According to our expectations, the subsidiary DMR Deutsche Makler Rente is likely to acquire substantial broker portfolios by the end of the 2016 financial year, thereby generating inorganic growth.

In addition, JDC Group AG will align the classic field of financial consulting with the digitalisation trend in the financial sector with its new "**Advisortech**" business unit. For this purpose, the company will launch an internally developed mobile app on the market in January 2016. Users of the "allesmeins" app will be able to gain a quick overview of their own assets and hedging situation and to consolidate this information. The sales approach of JDC Group AG is in the foreground here, as on the one hand possible shortfalls will be visible and on the other hand, information about external products will be generated.

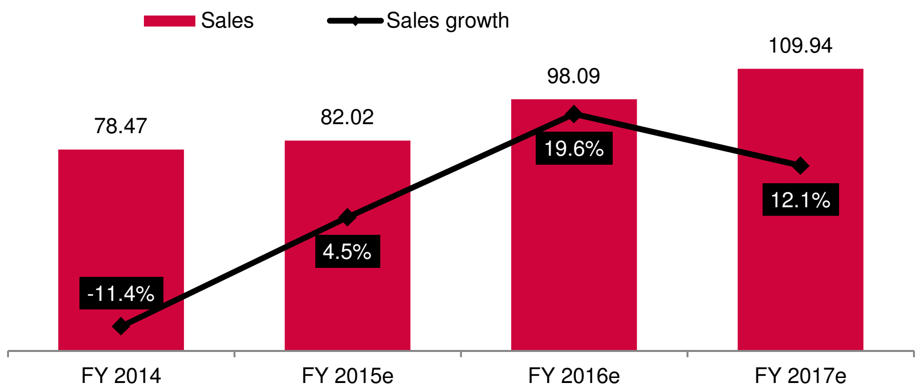
In addition, the advisory and administrative activities will be significantly simplified when using the "allesmeins" app. For instance, simple questions and products which are easy to understand can be dealt with directly online, whereby deals can be arranged independently by the customers. The personal advisory approach focuses on complex issues and customer care.

Compared to its competitors, JDC Group AG has a significant advantage in the field of Advisortech and therefore for the roll-out of the "allesmeins" app due to its existing extensive customer base. The company will be able to directly address approximately 850,000 customers (Jung, DMS & Cie. AG) as well as approximately 80,000 customers (FINUM.), thereby implementing a fast and cost-effective roll-out of the new technology. In this respect, the affiliated brokers are expected to have a strong interest in covering as wide a range of customers as possible with the "allesmeins" app, as this will uncover new sales potential. At the same time, JDC Group AG is expected to be able to gain new customers through the use of the app.

Sales Forecasts

Our sales, and therefore also the subsequent earnings projections, take these three growth pillars of JDC Group AG into account (sourcing of new brokers, acquisition of broker portfolios, new Advisortech field of business).

Sales forecasts (in €m) und sales growth (in %)



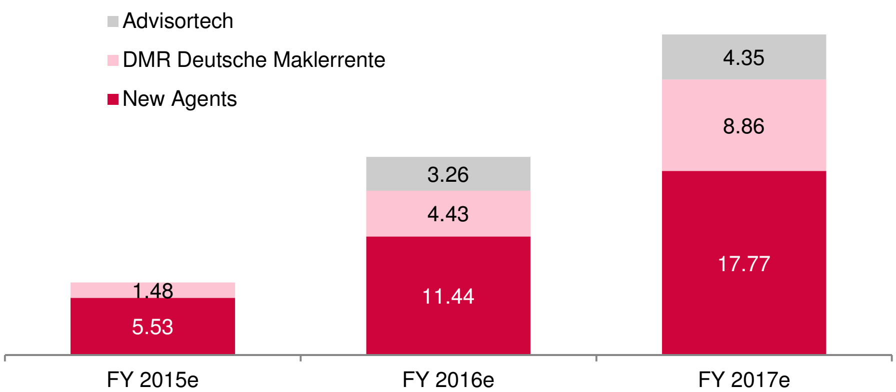
Source: GBC AG

When acquiring broker portfolios as part of the succession plan by DMR Deutsche Makler Rente, we have conservatively assumed a uniform distribution of investments from borrowed funds (approximately €9.5 million) until the end of the financial year 2016. It may well be the case that greater assets are acquired, thereby completing the investments more quickly. As the purchase price multiple, we have assumed a possible purchase price / inventory commission ratio of 1.8 on the basis of information supplied by JDC Group AG. Overall, this therefore results in additional annual sales potential of approximately €5.3 million. Initially, we assume sales revenues of €1.48 million (FY 2015e) and €4.43 million (FY 2016e) as the inorganic effects are unlikely to have an immediate effect year-round. We do not anticipate revenues of €8.86 million until the 2017 financial year, whereby we assume additional growth here as a result of investment from the expected positive cash flow. In this regard, the relatively high margins should be mentioned in connection with the portfolio commission, whereby a high yield is possible for JDC Group AG.

Furthermore we anticipate the integration of other free brokers as a result of more stringent regulation coupled with significantly diminished commission rates. On an adjusted sales base, JDC Group AG achieved sales growth of 2.0% in the first nine months of 2015 due to its expanded brokerage and consequently larger customer base. In the short to medium term, we anticipate a significant increase in the pace of growth which, starting in the 2014 financial year, will result in additional revenues of €1.58 million (FY 2015e), €11.44 million (FY 2016e) and €17.77 million (FY 2017e).

In addition, we assume a rapid roll-out of the new "allesmeins" app and anticipate nearly 80,000 downloads, which corresponds to less than 10.0% of JDC Group AG's current customer base and is therefore to be understood as a conservative assumption. If average sales revenue of €70.00 per customer can be assumed during the course of new contracts or the transfer of existing contracts, the annual total sales potential will amount to €5.6 million. Assuming a roll-out in January 2016, we anticipate sales revenues of €3.26 million (FY 2016e) and €4.35 million (FY 2017e). Due to the lack of a data basis in this area, we have initially conservatively based the number of installations on the existing client base. We have thus excluded any acquired external customers and this is therefore to be regarded as additional potential. Although the forecasted level of sales in the Advisortech segment is still low as a result, the sales are considered to be high-margin due to their licenced nature.

Components of the revenue growth (in €m)



Source: GBC AG

Earnings Forecasts

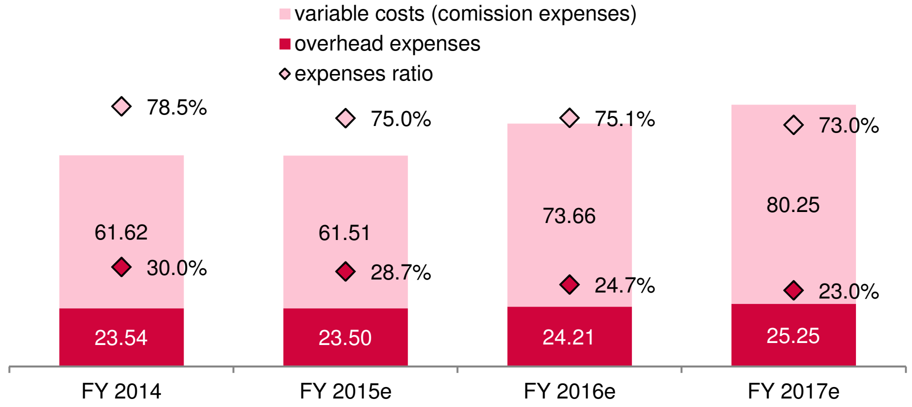
The picture of costs and therefore results for JDC Group AG is still dominated by variable sales-related commission expenses and relatively fixed overhead costs.

Fundamentally, we anticipate an increase of both cost factors due to the forecasted higher sales base, but each are likely to develop disproportionately to sales growth. In the case of commission expenses, the increasing importance of high-margin portfolio commission on the one hand and the increasing sales in the "Advisortech" area on the other hand should lead to a reduction of the expense ratio to 73.0% (FY 2017e).

In addition, we also anticipate a disproportionately slow price increase in comparison to sales, due to the low base for overhead costs which has already been achieved. As sales increase, JDC Group AG should consequently be in a position to increasingly benefit from economies of scale, a circumstance which is reflected in our EBIT forecasts.

Moreover, we have taken the trend towards increasing profit margins at a higher level of sales into account in our long-term DCF valuation model.

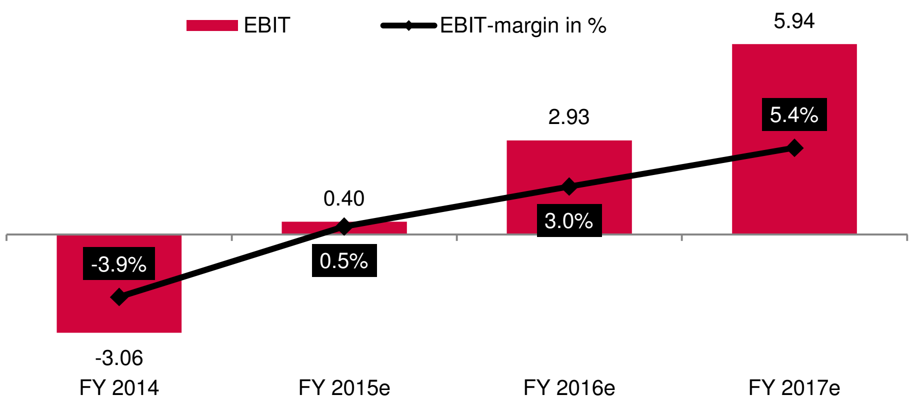
Forecasted expenses development (in €m) and expenses ratio (in %)



Source: GBC AG

Based on the EBIT and taking into account the corporate bond issued in 2015, JDC Group AG should achieve a sustainable turnaround, even at the level of net income after tax. In this regard, we have taken into account the expected lower tax expenses against the background of accumulated losses carried forward.

EBIT (in €m) and EBIT-margin (in %)



Source: GBC AG

Evaluation

Model assumptions

We rated JDC Group AG using a three-stage DCF model. Starting with the concrete estimations for 2015, 2016 and 2017 in phase 1, in the second phase, from 2018 to 2022, our forecast uses value drivers. Here we expect a sales increase of 4.0%. We have assumed an EBITDA margin target of 7.2%. We have taken a tax rate of 12.0% into account due to the outstanding losses carried forward in phase 2. Additionally, a residual value is determined in the third phase by using the perpetual annuity by the end of the forecast horizon. As the final value, we assume a growth rate of 2.0%.

Determination of capital costs

The weighted average cost of capital (WACC) of JDC Group AG is calculated using equity costs and debt costs. The market premium, the company-specific beta, as well as the risk-free interest rate have to be determined in order to determine the equity cost.

Note: Since 28.01.2015, we have no longer been using the interest rate on ten-year government bonds (with a minimum interest rate of 2.0%) to determine the risk-free interest rate, but have instead switched to a new methodology.

The risk-free interest rate is now derived in accordance with the recommendations of the expert committee for company valuations and business administration (FAUB) of the IDW (Institut der Wirtschaftsprüfer in Deutschland e.V.) from the current interest rate yield curves for risk-free bonds. The zero bond interest rates according to the Svensson method published by the German Federal Bank form the underlying basis. To smooth out short-term market fluctuations, we use the average yields over the previous three months and round up the result to 0.25 basis points. **The value of the currently used risk-free interest rate is 1.50%.**

We set the historical market premium of 5.50% as a reasonable expectation of the market premium. This is supported by historical analyses of stock market returns. The market premium reflects by which percentage the stock market is expected to be more profitable than the low-risk government bonds.

According to GBC estimates, we have determined a beta of 1.41.

Based on these assumptions, equity costs are calculated to amount to 9.28% (beta multiplied by the risk premium plus the risk-free interest rate). Since we assume a sustainable weighting of the equity costs of 80%, the resulting weighted average costs of capital (WACC) amount to 8.28%.

Evaluation result

The discounting of future cash flows is based on the entity approach. In our calculation, the result for the corresponding weighted average costs of capital (WACC) is 8.28%. The resulting fair value per share at the end of the 2015 financial year corresponds to the stock price target of EUR 6.80.

DCF-Modell

JDC Group - Discounted Cashflow (DCF) model scenario

Value driver of the DCF - model after the estimate phase:

consistency - phase	
Sales growth	4.0%
EBITDA-Margin	7.2%
Depreciation to fixed assets	4.6%
Working Capital to revenue	3.0%

final - phase	
Eternal growth rate	2.0%
Eternal EBITA - margin	6.2%
Effective tax rate in final phase	31.3%

three phases DCF - model:

phase	estimate			consistency					final value
in €m	FY 15e	FY 16e	FY 17e	FY 18e	FY 19e	FY 20e	FY 21e	FY 22e	
Sales	82.02	98.09	109.94	114.33	118.91	123.66	128.61	133.75	
Sales change	4.5%	19.6%	12.1%	4.0%	4.0%	4.0%	4.0%	4.0%	2.0%
Sales to fixed assets	2.60	3.12	3.57	3.76	3.97	4.18	4.40	4.63	
EBITDA	2.12	4.60	7.36	8.23	8.56	8.90	9.26	9.63	
EBITDA-Margin	2.6%	4.7%	6.7%	7.2%	7.2%	7.2%	7.2%	7.2%	
EBITA	0.40	2.93	5.94	6.81	7.16	7.52	7.90	8.28	
EBITA-Margin	0.5%	3.0%	5.4%	6.0%	6.0%	6.1%	6.1%	6.2%	6.2%
Taxes on EBITA	-0.26	-0.35	-0.71	-0.82	-0.86	-0.90	-2.37	-2.59	
Taxes to EBITA	64.5%	12.1%	12.0%	12.0%	12.0%	12.0%	30.0%	31.3%	31.3%
EBI (NOPLAT)	0.14	2.58	5.22	5.99	6.30	6.62	5.53	5.69	
Return on capital	0.4%	7.7%	15.4%	17.6%	18.6%	19.7%	16.6%	17.2%	17.6%
Working Capital (WC)	1.80	2.50	3.20	3.43	3.57	3.71	3.86	4.01	
WC to sales	2.2%	2.5%	2.9%	3.0%	3.0%	3.0%	3.0%	3.0%	
Investment in WC	-0.66	-0.70	-0.70	-0.23	-0.14	-0.14	-0.15	-0.15	
Operating fixed assets (OAV)	31.59	31.41	30.80	30.38	29.98	29.60	29.23	28.89	
Depreciation on OAV	-1.72	-1.67	-1.42	-1.42	-1.40	-1.38	-1.36	-1.35	
Depreciation to OAV	5.4%	5.3%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	
Investment in OAV	-0.45	-1.50	-0.81	-1.00	-1.00	-1.00	-1.00	-1.00	
Capital employed	33.39	33.91	34.00	33.81	33.55	33.31	33.09	32.90	
EBITDA	2.12	4.60	7.36	8.23	8.56	8.90	9.26	9.63	
Taxes on EBITA	-0.26	-0.35	-0.71	-0.82	-0.86	-0.90	-2.37	-2.59	
Total investment	-1.11	-2.20	-1.51	-1.23	-1.14	-1.14	-1.15	-1.15	
Investment in OAV	-0.45	-1.50	-0.81	-1.00	-1.00	-1.00	-1.00	-1.00	
Investment in WC	-0.66	-0.70	-0.70	-0.23	-0.14	-0.14	-0.15	-0.15	
Investment in Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Free cashflows	0.75	2.05	5.14	6.18	6.56	6.86	5.74	5.88	81.77

Value operating business (due date)	74.33	78.43
Net present value explicit free Cashflows	27.47	27.69
Net present value of terminal value	46.86	50.74
Net debt	5.84	4.64
Value of equity	68.49	73.79
Minority interests	0.00	0.00
Value of share capital	68.49	73.79
Outstanding shares in m	10.85	10.85
Fair value per share in €	6.31	**6.80**

Cost of capital:

Risk free rate	1.5%
Market risk premium	5.5%
Beta	1.41
Cost of equity	9.3%
Target weight	80.0%
Cost of debt	6.0%
Target weight	20.0%
Taxshield	28.7%
WACC	**8.3%**

Return on capital \ WACC	7.3%	7.8%	8.3%	8.8%	9.3%
14.6%	6.88	6.34	5.90	5.53	5.21
16.1%	7.44	6.85	6.35	5.93	5.58
17.6%	8.01	7.35	**6.80**	6.34	5.94
19.1%	8.57	7.85	7.25	6.74	6.31
20.6%	9.14	8.35	7.70	7.15	6.68

ANNEX

Section 1 Disclaimer and exclusion of liability

This document is intended solely for information purposes. All data and information in this study come from sources that GBC regards as reliable. In addition, the authors have taken every care to ensure that the facts and opinions presented here are appropriate and accurate. Nevertheless, no guarantee or liability can be accepted for their correctness – whether explicitly or implicitly. In addition, all information may be incomplete or summarised. Neither GBC nor the individual authors accept liability for any damage which may arise as the result of using this document or its contents, or in any other way in this connection.

We would also point out that this document does not constitute an invitation to subscribe to nor to purchase any securities and must not be interpreted in this way. Nor may it nor any part of it be used as the basis for a binding contract of any kind whatsoever. or be cited as a reliable source in this context. Any decision relating to the probable offer for sale of securities for the company or companies discussed in this publication should be taken solely on the basis of information in the prospectuses or offer documents which are issued in relation to any such offer.

GBC does not provide any guarantee that the indicated returns or stated target prices will be achieved. Changes to the relevant assumptions on which this document is based can have a material impact on the targeted returns. Income from investments is subject to fluctuations. Investment decisions should always be made with the assistance of an investment advisor. This document cannot replace the role of an advisor.

Sale outside the Federal Republic of Germany:
This publication, if sold in the UK. may only be made available to those persons who, in the meaning of the Financial Services Act 1986 are authorised and exempt, or persons as defined in section 9 (3) of the Financial Services Act 1986 (Investment Advertisement) (Exemptions) Decree 1988 (amended version) and must not be transmitted directly or indirectly to other persons or groups of persons.

Neither this document nor any copy of it may be taken into, transferred to or distributed within the United States of America or its territories and possessions. The distribution of this document in Canada, Japan or other jurisdictions may be restricted by law. and persons who come into possession of this publication should find out about any such restrictions and respect them. Any failure to respect these restrictions may represent a breach of the US, Canadian or Japanese securities laws or laws governing another jurisdiction.

By accepting this document you accept all disclaimers of liability and the restrictions cited above.

You can find the details of this disclaimer/exclusion of liability at:
http://www,gbc-ag,de/de/Disclaimer,htm

Legal information and disclosures as required by section 34b para. 1 of Securities Trading Act (WpHG) and Financial Analysis Directive (FinAnV)

This information can also be found on the internet at the following address:
http://www,gbc-ag,de/de/Offenlegung,htm

Section 2 (I) Updates

A detailed update of the present analysis/analyses at any fixed date has not been planned at the current time. GBC AG reserves the right to update the analysis without prior notice.

Section 2 (II) Recommendation/ Classifications/ Rating

Since 1/7/2006 GBC AG has used a 3-level absolute share rating system. Since 1/7/2007 these ratings relate to a time horizon of a minimum of 6 to a maximum of 18 months. Previously the ratings related to a time horizon of up to 12 months. When the analysis is published, the investment recommendations are defined based on the categories described below, including reference to the expected returns. Temporary price fluctuations outside of these ranges do not automatically lead to a change in classification, but can result in a revision of the original recommendation.

The recommendations/ classifications/ ratings are linked to the following expectations:

BUY	The expected return, based on the derived target price, incl. dividend payments within the rel 10%.
HOLD	The expected return, based on the derived target price, incl. dividend payments within the rel 10% and < + 10%.
SELL	The expected return, based on the calculated target price, incl. dividend payments within the <= - 10%.

GBC AG's target prices are determined using the fair value per share, derived using generally recognised and widely used methods of fundamental analysis, such as the DCF process, peer-group benchmarking and/or the sum-of-the-parts process. This is done by including fundamental factors such as e.g. share splits, capital reductions, capital increases, M&A activities, share buybacks, etc.

<u>Section 2 (III) Past recommendations</u>
Past recommendations by GBC on the current analysis/analyses can be found on the internet at the following address:
http://www.gbc-ag.de/de/Offenlegung.htm

<u>Section 2 (IV) Information basis</u>
For the creation of the present analysis/analyses publicly available information was used about the issuer(s) (where available, the last three published annual and quarterly reports, ad hoc announcements, press releases, share prospectuses, company presentations, etc.) which GBC believes to be reliable. In addition, discussions were held with the management of the company/companies involved, for the creation of this analysis/these analyses, in order to review in more detail the information relating to business trends.

<u>Section 2 (V) 1, Conflicts of interest as defined in section 34b para, 1 of the Securities Trading Act (WpHG) and Financial Analysis Directive (FinAnV)</u>
GBC AG and the analysts concerned hereby declare that the following potential conflicts of interest exist for the company/companies described. at the time of this publication, and in so doing meet the requirements of section 34b of the Securities Trading Act (WpHG). A detailed explanation of potential conflicts of interest is also listed in the catalogue of potential conflicts of interest under section 2 (V) 2.

In relation to the security or financial instrument discussed in this analysis the following possible conflict of interest exists: (5a;5b;11)

<u>section 2 (V) 2, Catalogue of potential conflicts of interest</u>
(1) GBC AG or a legal person connected to them holds shares or other financial instruments of this company at the time of publication.
(2) This company holds over 3% of the shares in GBC AG or a legal person connected to them.
(3) GBC AG or a legal person connected to them is a market maker or designated sponsor for the financial instruments of this company.
(4) GBC AG or a legal person connected to them has, over the previous 12 months, organised or played a leading role in the public issue of financial instruments for this company.
(5) a) GBC AG or a legal person connected to them has over the last 12 months agreed to create research reports for this company in return for payment. As part of this agreement the issuer was shown the draft of this analysis (excluding the evaluation section) prior to publication.
(5) b) After receiving valid amendments by the analysed company, the draft of this analysis was changed.
(6) a) GBC AG or a legal person connected to them has over the last 12 months agreed with a third party to create research reports about this company in return for payment. As part of this agreement the issuer was shown the draft of this analysis (excluding the evaluation section) prior to publication.
(6) b) After receiving valid amendments by the third party, the draft of this analysis was changed.
(7) The analyst responsible for this report holds shares or other financial instruments of this company at the time of publication.
(8) The analyst responsible for this company is a member of the company's Executive Board or Supervisory Board.
(9) The analyst responsible for this report received or purchased shares in the company analysed by said analyst, prior to the time of publication.
(10) GBC or a related legal party has closed an agreement with the underlying company regarding consulting services during the previous 12 months.
(11) GBC or a related legal party has a significant financial interest in the analysed company, for example to get mandated by the analysed company or to provide any kind of services (such as the organization of fairs, roundtables, road shows, etc.).

Section 2 (V) 3, Compliance

GBC has defined internal regulatory measures in order to prevent potential conflicts of interest arising or, where they do exist, to declare them publicly. Responsibility for the enforcement of these regulations rests with the current Compliance Officer. Susanne Klebl. Email: klebl@gbc-ag.de

Section 2 (VI) Responsibility for report

The company responsible for the creation of this/these analysis/analyses is GBC AG, with registered office in Augsburg, which is registered as a research institute with the responsible supervisory authority (Federal Financial Supervisory Authority or BaFin. Lurgiallee 12, 60439 Frankfurt, Germany).

GBC AG is currently represented by its board members Manuel Hölzle (Chairman), Jörg Grunwald and Christoph Schnabel,

The analysts responsible for this analysis are:
Cosmin Filker, Dipl. Betriebswirt (FH), Finanzanalyst
Felix Gode, CFA, Dipl. Wirtschaftsjurist (FH), Deputy Head of research

Other person involved:
Manuel Hölzle, Dipl. Kaufmann, Head of research

Section 3 Copyright

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,de

GBC AG®

- R E S E A R C H & I N V E S T M E N T A N A L Y S E N -

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