

11/03/2016 - GBC Executive Interview with Ralph Konrad, CEO of JDC Group

Company: JDC Group AG^{5a,11}

ISIN: DE000A0B9N37

Reason of the executive interview: Launch of the new app "allesmeins"

Analyst: Cosmin Filker

Latest stock quote: €4.89 (XETRA; 10/03/2016; 12:25 am)

Target price: €6.80

Rating: BUY

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*Potential conflicts of interest on page 5

JDC Group AG has reached an important milestone for its future corporate development with the completion and launch of the app "allesmeins". The now available app is another step for JDC Group towards a hybrid business model, which combines the traditional consulting business with fintech elements. GBC analyst Cosmin Filker spoke to CEO Ralph Konrad about future developments and the potential of JDC Group AG.

GBC AG: Mr. Konrad, users of the app "allesmeins" get a quick overview of their own insurance and asset situation. What advantages do users have from using this digital financial manager?

Ralph Konrad: By using "allesmeins", customers can digitally track their complete insurance situation. This enables users to access relevant information at any time. We digitalise all insurance documents of the customer and make them accessible for customers via the app. The app is completely free for customers and is funded through the commission of the managed contracts. The primary advantage to other providers is that the customer not only has to trust the technology but also his insurance adviser, to whom the customer has built a long-term trustful relationship. With "allesmeins" the customer is just "one click" away from his adviser.

GBC AG: How does the JDC Group AG benefit from the app „allesmeins“?

Ralph Konrad: All insurance contracts that are managed by the JDC Group receive a commission from the insurance company. This means on average about 30 Euros per contract per year. The customer must transfer all contracts to us, to get a complete overview over his contracts. This transfer can be done via the app with just two clicks. By doing so the number of contracts per customer for JDC is rising as well as the service commission. Previously, insurance brokers spread their business across many different insurance pools, one of them being JDC. This also meant many different advisors for the customer. Hence, only 20% of the contracts of our customers are managed by us. We expect that our share of contracts will increase with the help of the app "allesmeins". We will manage 100% of all contracts of any "allesmeins" users, and therefore multiply our commissions by five.

GBC AG: What does the fintech-solution mean for the brokers that work within the JDC Universe?

Ralph Konrad: Brokers enjoy the same advantages as JDC. Previously, processing the contracts was quite labor-intensive and paper-based. The brokers had to do most of the processing. "allesmeins" makes all of this much easier. The brokers activate customers via the advisor app. The customer renews the contracts with a digital signature in the app and is able to transfer all contracts with two clicks. This also means more contracts

per customer for the brokers, which also means more return for brokers without additional effort. The better overview also makes an improved needs-based counseling possible. This means a win-win for both sides, a closer and more profitable customer relationship.

GBC AG: The success of on app basically depends on the number of users as well as the marketing budgets of developers. What action does JDC Group AG take to generate a high numbers of users?

Ralph Konrad: That's right! And this is exactly where our key advantage is. Other solutions, such as Knip, GetSafe and Clark, invest millions into marketing to attract customers. We will see whether or not this will work out in the end. But we are very skeptical that this will work, as according to our observation, the costs of customer acquisitions are extremely high nowadays. In contrast to that, we plan to distribute the app "allesmeins" through our brokers. The brokers already grasped the advantages and we received overwhelming demand for it. Right from the start, around 250 of our 16,000 brokers registered for "allesmeins" and the number of registrations is growing daily. Currently, we offer online training sessions that are completely overbooked.

Let's do the math here: A broker has around 200 customers or more. The 250 registered brokers alone have the potential to acquire 50,000 new customers, or more. This is our gold dust. The direct marketing approach would be too costly. Hence, we have a good chance to quickly outperform other existing Fintech companies.

GBC AG: The JDC Group AG is one of the leading broker pools in the area of financial advice in Germany. In recent years this industry has particularly suffered from the regulatory tightening. How can JDC Group AG escape this market trend?

Ralph Konrad: Nobody can escape this market trend! We all suffer from these new regulations, new documentation requirements and declining commission fees. But whenever the regulatory environment tightens, the sector starts to consolidate. This consolidation process is well underway in the financial distribution sector. Many individual brokers leave the market and a lot of smaller sales units cannot manage the increased costs from the regulations. We can benefit from this. As one of the market leaders we are able to acquire many smaller brokerage firms with sales from 1 to 3 million euros. These smaller firms close their own back offices and manage their business through JDC. Thus, we get more business on our platform and the brokers can reduce their costs, which makes them more flexible. This is possible, because we don't take fixed fees but a share of the commission. Hence, we benefit from the regulation.

GBC AG: What advantage does a financial broker have from joining the broker pool of JDC Group AG?

Ralph Konrad: Well, JDC is without a doubt a future-proof and financially sound partner, who provides the broker with everything he needs for his business – and furthermore with regulatory safety and a single counterpart. With "allesmeins" we complement the services for our brokers. And we will launch more Advisortech solutions that will allow the brokers to advise the customers even better and therefore also generate more income. JDC unites capital strength, management efficiency and innovation in a unique way.

GBC AG: We forecast for the fiscal years 2016 and 2017 above average earnings growth and increasing sales. What is the current situation?

Ralph Konrad: The past years were shaped by consolidations and sell-offs, which can also be seen in the numbers. After we finalized this phase, we are now focusing on growth and profitability, which is already reflected in the improved results and earning in

2015. We plan to continue this positive trend in 2016 and 2017. JDC will grow dynamically over the next two years - and depending on how successful “allesmeins” turns out to be, we might even grow very dynamically. We plan to improve the EBITDA by 3m euros each year for the coming two years, by keeping a stable cost structure while growing. We try to reach EBITDA of 10m euros as soon as possible.

GBC AG: Mr. Konrad, to conclude the interview, we have question about the long-term investment horizon. Where do you see the JDC Group AG in five years?

Ralph Konrad: In five years, the consolidation process in the financial distribution sector will be far advanced from today's perspective, perhaps even completed. JDC's market-leading position will be expanded and the sales will have significantly increased to well over € 100 million euros as well as a profitability of double-digit margins. In the next five years, we will also develop a lot of new technologies around the app “allesmeins” and we want to be the market leader in AdvisorTech, which is the technology for brokers. The next five years will be good years for the JDC Group.

GBC AG: Mr. Konrad, thank you for the interview.

Conclusion: With the release of the app “allesmeins”, JDC Group AG has, as expected, continued the transformation towards an AdvisorTech company. The roll-out of the app benefits from the firms high number of existing customers, as well as the high interest from the brokers for the app. Hence, the app should quickly success due to its low costs, and the fast and comprehensive marketing. With the strongly growing AdvisorTech sector, the JDC Group is likely to increase sales to well over 100 million euros and generate double-digit returns in the coming years. After the publication of the Annual Report 2015 (release expected on the 29/04/2016), we will publish a comprehensive update research report.

ANNEX

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