Research Report (Anno)

JDC Group AG

- Basis laid for dynamic and high-margin growth in 2016-
- Digitalization strategy boosted -
- Target price increased -

Target price: 10.25 €

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 19

Completion: 08/05/2017 **First Publication: 08/05/2017**

GBC AG
Investment Research

JDC Group AG*5a,11

BUY
Target Price: 10.25

Current price: 6.58
08/05/17 / ETR / 11:45 am
Currency: EUR

Key data:

ISIN: DE000A0B9N37
WKN: A0B9N3
Ticker symbol: A8A
Number of shares³: 11,93
Marketcap³: 78,53
EnterpriseValue³: 88,88
³ in m / in EUR m
Freefloat: 39 %

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

Financial year-end: 31/12

Analyst:

Cosmin Filker
filker@gbc-ag.de

Marcel Goldmann
goldmann@gbc-ag.de

* catalogue of potential conflicts of interests on page 20

Company Profile

Sector: Financial

Focus: Advisory, Advisortech

Employees: 226 (31/12/2016)

Founded in: 2004

Headquarter: Wiesbaden

Executive Board: Dr. Sebastian Grabmaier, Ralph Konrad, Stefan Bachmann

JDC Group AG (formerly Aragon AG) is a German financial technology business specialising in financial product consultancy and brokerage through its operational subsidiaries, coupled with new advisory technologies in the time of the digital native. 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 Advisortech field, the Group operates one of the largest independent broker pools (B2B) in Germany through its subsidiary Jung, DMS & Cie. AG, with a total of 16,000 independent financial advisers and 850,000 customers. Modern advisory and management technologies are being developed within this business area, thus combining traditional financial services with the rapidly growing FinTech area. In parallel, financial services are provided within the Advisory segment to approximately 80,000 wealthy clients (B2C) through the FINUM. brand.

GuV in Mio. EUR \ GJ.-Ende	31/12/2016	31/12/2017e	31/12/2018e	31/12/2019e
Revenue	78.05	92.56	105.52	121.35
EBITDA	2.72	5.66	8.41	11.61
EBIT	0.23	2.96	5.71	8.91
Net profit	-1.21	1.73	4.20	7.01
Per Share Figures in EUR				
EPS	-0.10	0.14	0.35	0.59
Dividend per share	0.00	0.00	0.00	0.00
*preliminary figures				
Key financials				
EV/Sales	1.14	0.96	0.84	0.73
EV/EBITDA	32.68	15.71	10.57	7.66
EV/EBIT	386.44	30.05	15.56	9.98
P/E	-64.69	45.50	18.70	11.20
P/B	2.64			

Financial Dates:
24/05/2017: Q1 2017
24/08/2017: Half-Year Report 2017
23/11/2017: Q3 2017

****last research published by GBC:**
Date: publication / price target in € / rating
07.03.2017: RG / 8,40 / KAUFEN
06.12.2016: / RS / 8,40 / KAUFEN
21.09.2016: RS / 9,00 / KAUFEN
04.07.2016: RS / 9,00 / KAUFEN
11.03.2016: RS / 6,80 / KAUFEN
** 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

- In the past financial year 2016, JDC Group AG has laid the foundation for the future growth of the business. As an important part of this, the introduction of the "allesmeins" app has connected the traditional advisory business with the FinTech market. In addition, in response to the tendency for consolidation on the financial intermediaries market and the increasing attractiveness of the FinTech and InsureTech areas, various acquisitions were made to the portfolio. As well as the acquisition of part of Aon's private customer business, the online comparison platform "Geld.de" has also been acquired.

- The initial positive effects from the implementation of the business strategy only began to be seen in the fourth quarter of 2016, when a significant growth in revenue of 17.8% was achieved compared to the same quarter of the previous year. At the overall annual level, JDC Group AG achieved revenue of €78.05 million (previous year: €75.70 million), an increase of 3.1%. However, because they took place over the course of the year, the additions to the portfolio are only included pro-rata.

- Of particular note is the clear improvement in profitability, with an above-average EBITDA increase to €2.72 million (previous year: €1.28 million) and an improvement in the EBITDA margin to 3.5% (previous year: 1.7%). This significant improvement in earnings results primarily from the revenue of the acquired business for which there was no broker and therefore no commission expenses involved. Adjusted for transaction costs and one-off effects amounting to €0.5 million, the earnings achieved by the Company would have been even better.

- Our revenue and earnings forecasts take account of the initial year-round effect of new portfolio acquisitions made in the past financial year, which, from the current perspective, produces a highly positive upside potential for revenue and earnings performance. In addition to this base effect, the digitisation strategy is particularly worthy of mention as it allowed new customer groups to be reached and cross-selling potential to be raised with existing customers. There are also plans to modernise the "Geld.de" platform and expand its product spectrum. The other part of the digitisation strategy worth highlighting is the addition of Stefan Bachmann, a former Google manager, to the Executive Board. At Google Germany, he was responsible for the entire banking industry and the FinTech and InsureTech areas. The Company should therefore gain particular benefits here in the marketing of digital financial products.

- In line with the Company's guidance, for the current financial year, 2017, we expect a significant increase in dynamic revenue growth, which is likely to continue in the coming financial years in accordance with the corporate strategy described above. As a significant portion of future revenue growth should originate from the expansion of the direct, and therefore high-margin, end-customer business, we expect an above-average increase in EBITDA. Up to financial year 2019, we expect an EBITDA margin of 9.6%, using this as the basis for our DCF valuation model (2016: 3.5%).

- On this basis, we have updated our DCF valuation model and determined a new target price of €10.25 per share (previously: €8.40). The increase in the target price is a result of the initial inclusion of the higher 2019 forecasts, and can also be attributed to a roll-over effect. Based on the current share price of €6.58, there is a price potential of 55.8% so we are giving a BUY rating.

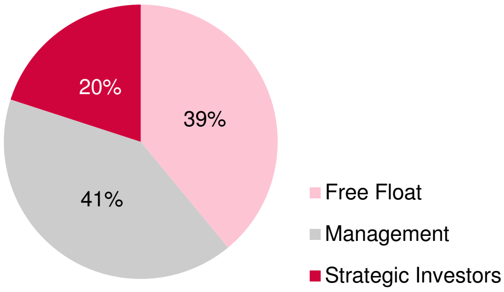
INHALTSVERZEICHNIS

COMPANY

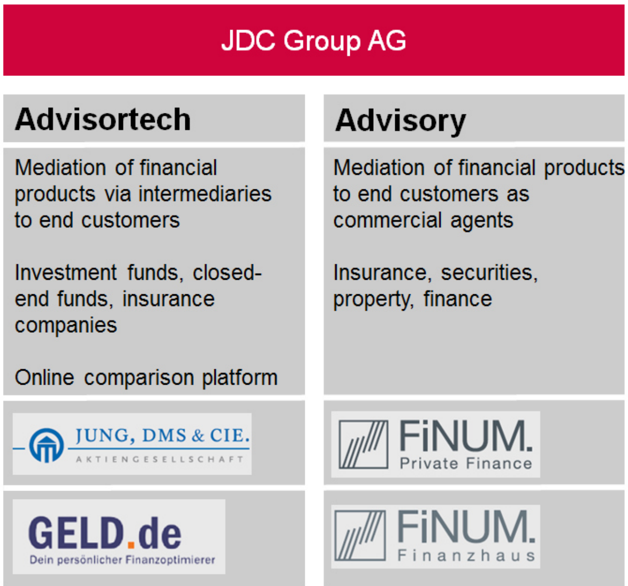
Shareholder structure

	30/06/2016
Management	41%
Strategic Investors	20%
Free Float	**39%**

Source: JDC Group AG; GBC AG



Business divisions



Advisortech

Within the Advisortech segment, B2B activities are combined together into the broker pool and platform areas of JDC Group AG. These particularly include the brokerage of financial products to private end clients through financial intermediaries. 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.

Since the beginning of the past financial year 2016 the JDC Group has been offering "**allesmeins**", a digital finance manager, thereby linking the areas of traditional financial investment advice with the high-growth FinTech segment. "allesmeins" gives the end customer a quick overview of all the insurance contracts along with the corresponding contractual documentation. 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.

With the acquisition of the online comparison platform **Geld.de** in 2016, the JDC Group has a further channel at its disposal for the distribution of financial products to end customers. As well as financial products, the platform has also been supplemented through the areas of electricity, gas, DSL etc. with the objective of offering the customer the most comprehensive range of products possible.

The core business of JDC Group AG is the broker pool of independent financial advisors pooled within the subsidiary **Jung, DMS & Cie. AG**. More than 16,000 independent financial service providers in Germany and Austria are currently affiliated. 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.

Advisory

The “B2C” activities of the JDC Group, i.e. the provision of financial products to end-customers, are pooled together in the second business area. FINUM.Private focuses on providing direct end-client consultancy services to wealthy private clients. 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 wealthy 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 aim is therefore to be a one-stop shop. To do this, the company draws on both external partners and Jung, DMS & Cie. AG’s insurance and pension platform.

Important events in 2016

- The introduction of the “allesmeins” app, which gives users an overview of their financial contract portfolio. This app links JDC’s traditional advisory business with the FinTech growth market.

- The purchase of a private-customer insurance portfolio with up to 195,000 customers (annual commission income: around €5.0 million; annual EBITDA: around €4.0 million). This allows JDC to profit from the ongoing consolidation in the financial advisory services market (stricter regulatory requirements, succession planning, etc.) and puts the company in a position to gain market share.

- Acquisition of the online comparison platform “Geld.de” as a new channel to win end-customers. There are potential synergies with both the traditional advisory business and the digital insurance folder “allesmeins”.

- Acquisition of the private customer business of Aon Deutschland, which consists of a total of 20,000 contracts (annual commission income: around €1.5 million; annual EBITDA: around €1.2 million). The termination rate is expected to be low as these are mainly smaller contracts in the area of legal, liability, homeowners and household insurance.

- Sales cooperation with the online broker "flatex" significantly expands the client base that is using the "allesmeins" app. Since December 2016 "allesmeins" is offered to all 165,000 flatex customers.

- Introduction of the "allesmeins" app in Austria, the Czech Republic and Slovakia, as part of a collaboration with Phoenix Strategic Investors. In 2017, the JDC Group AG expects this to produce additional commission revenue of up to €5.0 million.

Market and Market Environment

As part of its business model, with its two main segments “Advisortech” and “Advisory”, JDC Group AG covers the “asset growth” and “hedging transactions” segments, using all key distribution channels (online and offline). As part of the high-growth FinTech segment, the online area in particular stands out for future business development. In line with increasing Internet availability and use, this assumes an increasing significance for the online distribution channel of the financial services sector.

FinTech segment as an important growth factor

JDC Group AG is in an excellent position to combine the traditional area of asset and hedging services with digital sales channels. A central aspect of this assumption is the introduction of the “allesmeins” app in early 2016, supporting the digitisation trend in financial services (FinTech). By building on the increasing importance of mobile digital solutions, JDC Group AG is able to address an ever-growing number of customers and thereby benefit from the high growth potential of the FinTech sector.

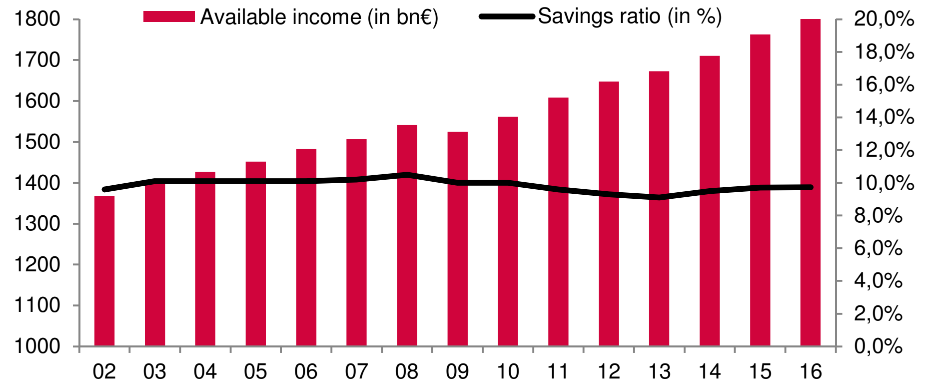
With this in mind, it is worth noting the increasing willingness to use simple financial products online. According to a current GfK study, “Customer Journey Banking”, the percentage of contracts in the banking sector concluded online between 2013 and 2016, for example, rose significantly from 18% (2013) to 30% (2016). A similarly dynamic trend can also be seen for taking out insurance, with an increase in the online share from 15% (2013) to 25% (2016). The GfK study summarises by saying that the simpler an investment or insurance product is, the higher the online share. This is covered by the JDC strategy, according to which simple products can be sold online and a personal advisor contract is available in parallel, with the focus of covering complex issues and maintaining personal customer care.

Asset growth – market environment

Both the online and offline areas are essentially characterised by an increasing demand for asset solutions. An important aspect of this is the successive growth of private financial assets on the foundation of the still stable labour market conditions. In the past ten years (2007–2016), disposable income rose significantly by 20.2% from €1,506.76 billion (2007) to €1,811.80 billion (2016). With a constant savings rate of 9.7%, the nominal amount saved by German households in 2016 was €181.10 billion.

The savings amount, which has also risen significantly by 17.8% as a result of the growth in disposable income in the past ten years, serves as a basis and benchmark for the accumulation of assets in Germany. The current phase of low interest continues to provide a challenging environment for savers. For JDC Group AG, as a supplier of financial products, the structure of financial assets is of particular interest, since this sheds light on the proportion of private investments in products that require consultancy. Around 40% of total gross financial assets are held as cash or demand deposits. It can therefore be concluded that the market for financial products suitable for consulting has considerable potential, both due to increasing financial assets and the continuously high proportion of cash deposits.

Available income (in billion €) and savings ratio (in %)



Source: Statistisches Bundesamt; GBC AG

Insurance products – market environment

Income from premiums within the German insurance industry in the past financial year rose only slightly, by 0.2% to €194.20 billion (previous year: €193.90 billion), a significantly higher growth dynamic having been achieved in previous years. This development, which is only relatively constant, is primarily attributable to a decline in insurance penetration. Particularly worth mentioning is life insurance, which is no longer perceived as a precautionary alternative to the same extent due to the present low interest rate. The decline in life insurance has largely been compensated for by the other types of insurance. While life insurance premiums fell by 2.0% in 2016, the premiums in the area of property and casualty insurance, for example, climbed by 2.8%.

As financial product brokers, JDC Group AG covers a wide range of products 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 hedging market are set to be marked by a continuation of dynamic growth and are therefore characterised by corresponding high demand. In principle, 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.

Business Development

Key financial figures

P&L (in €m)	FY 2015	FY 2016	FY 2017e	FY 2018e	FY 2019e
Revenues	75.70	78.05	92.56	105.52	121.35
Own work capitalized	0.67	0.59	0.50	0.50	0.00
Other operating income	2.83	1.98	1.40	2.00	1.50
Commision expense	-56.68	-55.31	-64.79	-73.65	-83.73
Gross profit	**22.51**	**25.32**	**29.67**	**34.37**	**39.12**
Personnel expenses	-12.14	-13.11	-14.81	-16.56	-18.21
Depriciation	-1.55	-2.49	-2.70	-2.70	-2.70
Other operating expenses	-9.09	-9.49	-9.20	-9.40	-9.30
EBIT	**-0.27**	**0.23**	**2.96**	**5.71**	**8.91**
Income from financial assets	0.07	0.06	0.05	0.05	0.05
Interest and similar expenses	-0.78	-0.99	-0.99	-0.99	-0.99
EBT	**-0.98**	**-0.70**	**2.02**	**4.77**	**7.97**
Taxes	-0.73	-0.44	-0.24	-0.57	-0.96
Other Taxes	-0.02	-0.07	-0.05	0.00	0.00
Net income	**-1.73**	**-1.21**	**1.73**	**4.20**	**7.01**
EBITDA	1.28	2.72	5.66	8.41	11.61
in % of sales	1.7%	3.5%	6.1%	8.0%	9.6%
EBIT	-0.27	0.23	2.96	5.71	8.91
in % of sales	-0.4%	0.3%	3.2%	5.4%	7.3%
Earnings per share in €	-0.16	-0.10	0.14	0.35	0.59

Source: JDC Group AG; GBC AG

Business development FY 2016

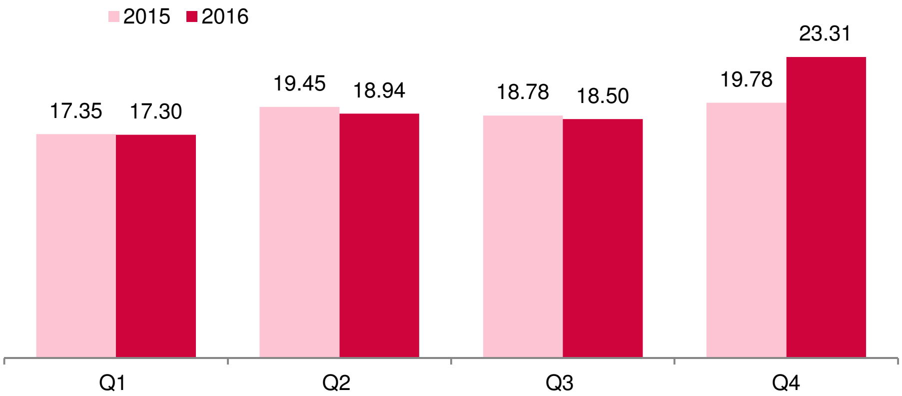
P&L (in €m)	FY 2013	FY 2014*	FY 2015*	FY 2016
Revenue	88.60	74.54	75.70	78.05
EBITDA	-2.49	-1.43	1.28	2.72
EBITDA-margin	*-2.8%*	*-1.9%*	*1.7%*	*3.5%*
EBIT	-4.38	-3.06	-0.27	0.23
EBIT-margin	*-4.9%*	*-4.1%*	*-0.4%*	*0.3%*
Net income	-6.09	-6.62	-1.73	-1.21
EPS in €	-0.56	-0.61	-0.16	-0.10

*Source: JDC Group AG; GBC AG; *Values are partially adjusted*

Revenue development FY 2016

Due to a very strong development in revenues in particular in the fourth quarter of 2016, the total annual revenue of JDC Group AG for 2016 rose by 3.1% to €78.05 million (previous year: €75.70 million). Following the Company's successful focus on the core business of financial product provision and the expansion of digital applications, a return to revenue growth was achieved in the past financial year. The 2016 fourth quarter's record is regarded by JDC Group AG as a sustainable increase in its revenue level.

Quarterly based revenues development 2015 vs. 2016 (in €m)

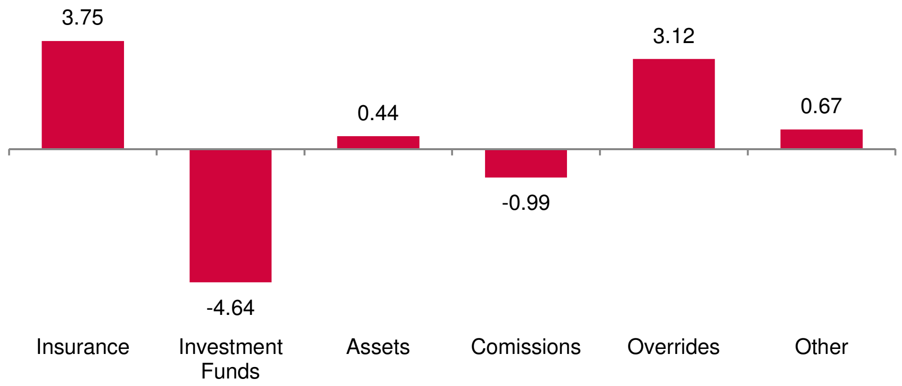


Source: JDC Group AG; GBC AG

An important aspect of this development is the acquisition-related inorganic growth in revenue, as a result of the transactions made in the past financial year. In addition to the acquisition of a private customer insurance portfolio with potential sales of up to €5.00 million, the Company has made additional income from commissions of €3.35 million as a result of the acquisition of the online comparison platform "Geld.de" and the private customer business of Aon Deutschland. It should be noted here that these transactions were made towards the middle of the year and the associated inorganic effects have only had a proportional impact.

Separated by product groups, significant sales successes can be seen, particularly with insurance, with insurance revenues increasing by €3.75 million compared to the same period in the previous year. The newly added revenue originating from the additions to the portfolio have led to a significant rise in the "override" revenue of €3.12 million. In total, the fall in sales in investment funds (-€4.64 million) was more than compensated for. Here, the insolvency of the Austrian sales partner "Ertrag & Sicherheit", which specialised in fund distribution, had led to a corresponding drop in sales. From the current financial year onwards, however, a significant increase in revenue is expected again in this product group with the successor companies of "Ertrag & Sicherheit".

Change in sales of the product groups (in €m)



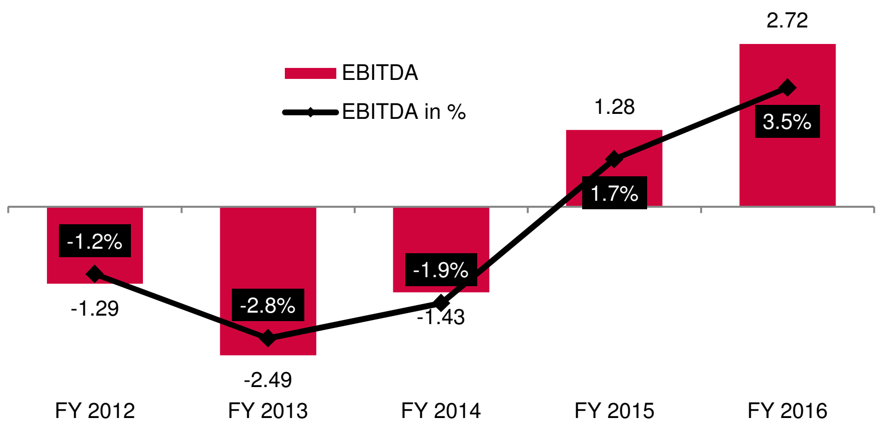
Source: JDC Group AG; GBC AG

Earnings development FY 2016

EBITDA more than doubled to €2.72 million (previous year: €1.28 million) leading to a significantly disproportionate increase compared to the marginal revenue growth. Accordingly, the EBITDA margin climbed to 3.5% (previous year: 1.7%). This significant improvement in earnings results primarily from the revenue originating from additions to the portfolio for which there was no broker and therefore no commission expenses. Accordingly, commission expenses, at €55.31 million (previous year: €56.68 million), were below the previous year's level despite high sales, bringing the gross profit margin up significantly to 32.4% (29.7%).

Without transaction costs for additions to the portfolio or one-off effects of a total of around €0.5 million, the EBITDA could have been even higher. Adjusted for these effects, the EBITDA would have been around €3.2 million, corresponding to an EBITDA margin of over 4.0%.

EBITDA (in €m) und EBITDA-margin (in %)



Source: JDC Group AG; GBC AG

In terms of EBIT, JDC Group AG was able to reach a positive level again with €0.23 million (previous year: -€0.27 million) for the first time since the financial year 2011. In the EBIT, the significantly higher depreciations and amortisations of €2.49 million (previous year: €1.55 million) have been taken into account as a result of the significant additions to assets from the transactions made. The acquired software, but also the acquired insurance portfolio, caused a significant rise in intangible assets along with the concomitant scheduled depreciation and amortisation.

Post-tax earnings are once again negative at -€1.21 million (previous year: -€1.71 million); however, the positive trend can also be seen at this earnings level. It should be noted here that JDC Group AG has a high stock of loss carryforwards (31/12/16: €28.36 million), which should lower the tax expenses in the coming tax years.

Financial Situation as at 31/12/2016

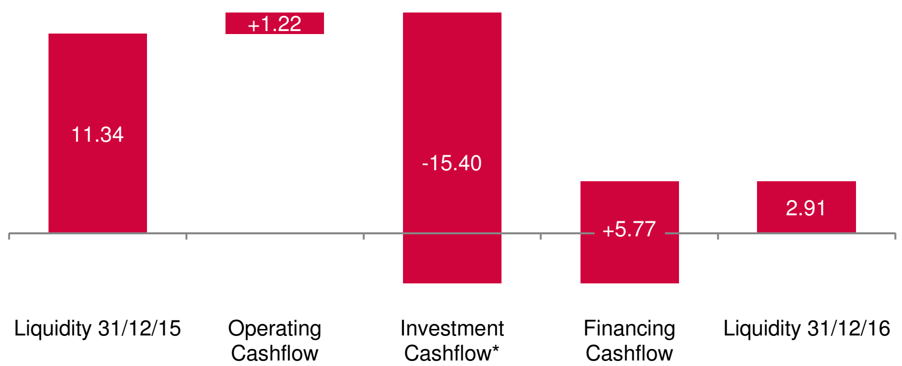
in €m	31/12/2013	31/12/2014	31/12/2015*	31/12/2016
Equity	34.98	26.41	24.68	29.71
Equity ratio	44.8%	43.8%	37.5%	40.7%
Total Debt	5.78	4.97	12.69	13.26
Net Debt	-2.86	0.79	1.35	10.35
Financial assets	8.63	4.18	11.34	2.91
Long-Term assets	40.49	32.12	31.66	45.80
Working Capital	-8.05	-7.28	-7.59	-9.69
Operating Cashflow	-5.55	-4.55	-0.65	1.22
Investment – Cashflow	4.10	2.90	-5.23	-9.40
Financing Cashflow	1.42	-2.47	7.25	5.77

*Source: JDC Group AG; GBC AG; *Values are partially adjusted*

The significant change in the – in our view – solid balance sheet ratios are linked to the additions to the inventory in the past financial year. On the asset side, the addition of the new business units takes place for intangible assets in particular, which rose by €13.84 million to a total of €45.09 million (31/12/15: €31.25 million) thanks to the addition of the insurance portfolio.

For the acquisitions JDC Group AG shows a liquidity outflow of €15.28 million. This is against a liquidity inflow from operating business of €1.22 million and from a capital increase of €6.25 million, so that cash and cash equivalents (including current cash investments) within the past financial year were reduced significantly to €2.91 million (previous year: €11.34 million). The transactions were therefore financed primarily by the capital measure and the corporate bond of the subsidiary Jung, DMS & Cie. AG, issued in 2015. As a result, no further borrowing was necessary in the past financial year.

Liquidity brigde (in €m)



*Source: JDC Group AG; GBC AG; *adjusted for proceeds from the sale of assets amounting to €6.0 million.*

Thanks to the successful capital increase in 2016 with net issue proceeds of €6.25 million, JDC Group AG was able, despite the increase in total assets and liabilities due to acquisitions, to increase the equity ratio to a comfortable level at 40.7% (previous year: 37.5%).

FORECASTS AND VALUATION

in €m	FY 2016	FY 2017e	FY 2018e	FY 2019e
Revenue	78.05	92.56	105.52	121.35
EBITDA	2.72	5.66	8.41	11.61
EBITDA-margin	*3.5%*	*6.1%*	*8.0%*	*9.6%*
EBIT	0.23	*2.96*	*5.71*	*8.91*
EBIT-margin	*0.3%*	*3.2%*	*5.4%*	*7.3%*
Net income	-1.21	*1.73*	*4.20*	*7.01*
EPS in €	-0.10	*0.14*	*0.35*	*0.59*

Source: GBC AG

In our sales projections, we have taken into account the year-round effect of the portfolio acquisitions made in the past financial year for the first time, which gives rise to significant growth potential from the current perspective. The annual additional inorganic revenue, which was published by JDC Group AG in the relevant transaction report, total well above €10.0 million. As the inorganic effects in 2016 were €3.35 million, this **base effect** produces a highly positive upside potential for revenues in the current financial year.

In addition to the inorganic revenue growth, the **digitisation strategy** of JDC Group AG is also particularly worth noting, as it allows new customer groups to be reached and cross-selling potential to be raised with existing customers. An important factor in the use of the FinTech solution “allesmeins”, developed in-house, is the transfer of the existing financial contracts within the digital insurance folder, which could then result in a significant increase in the cross-selling rate and thus also in portfolio commissions. According to the company, the “allesmeins” app is currently in an intensive roll-out phase following last year’s test phase. This makes it possible to address all customers who are directly and indirectly supported by JDC Group AG. On this basis, the Company has a customer base of around 1.2 million end-customers, which will make the roll-out of the FinTech solution much easier, unlike competing products.

In addition, the target audience can be significantly increased by means of collaborations such as the bank collaboration with the online broker flatex undertaken in 2016. Since December 2016, “allesmeins” can be offered to all 165,000 flatex customers within the framework of the distribution agreement. According to our calculation, even if only 10% of the customers use the JDC solution, the resulting annual revenue potential is approximately €3.0 million.

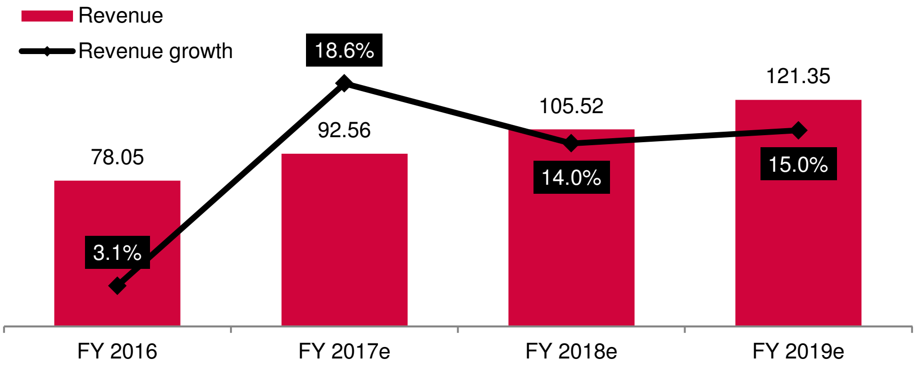
Another part of the digitisation strategy is the addition of Stefan Bachmann, a former Google manager, to the Executive Board. At Google Germany, he was responsible for the entire banking industry and the FinTech and InsureTech areas. Here, therefore, the Company should particularly benefit from this in the marketing of digital financial products.

Future **inorganic growth**, particularly against the backdrop of the current trends towards consolidation in providers of financial products, is an important strategic component of JDC Group AG. 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 (Finanzanlagenvermittlerverordnung), 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 product providers due to the higher volume of brokered transactions.

Revenue forecasts 2017 - 2019

By publishing the Annual Report, JDC Group AG has once again confirmed its 2017 revenue forecasts. With revenues ranging from €85.0–95.0 million, a significant acceleration of the growth dynamic is expected be achieved, a highly realistic scenario given the factors mentioned. A further good basis for achieving this forecast is the good start to the current financial year, 2017. On this basis, we expect a significant increase in dynamic revenue growth, which is likely to continue in the coming financial years in accordance with the corporate strategy described above.

Revenue forecasts (in €m)

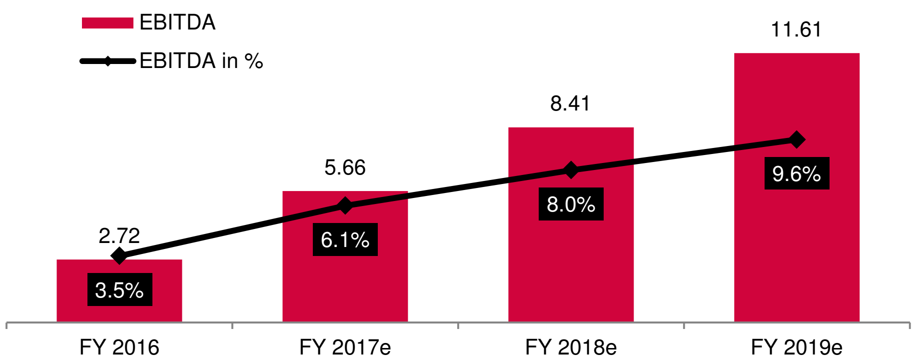


Source: GBC AG

Earnings forecasts 2017 - 2019

A significant portion of the future revenue growth is likely to be achieved thanks to a rise in direct end-customer business (acquisition of broker portfolios, expansion of digital revenue etc.), which should be reflected in an above-average rise in the gross profit margin. In direct end-customer business, no broker's commissions are incurred, which should lead to a below-average rise in commission expenses.

EBITDA (in €m) und EBITDA-margin (in %)



Source: GBC AG

Moreover, the generally higher revenue levels allow for effects of scale to be increased. In total, for the coming financial years, we therefore expect a rise in the EBITDA margin of 3.5% (2016) to up to 9.6% (financial year 2019 estimate). Firstly, for the current financial year, 2017, we expect EBITDA to double from €2.72 million (financial year 2016) to €5.66 million (financial year 2017), moving within the scope of the corporate guidance communicated. In accordance with JDC forecasts, EBITDA is expected to be within the range €5.0–6.0 million. The 2019 value forecast by us serves as a basis for the steady phase of our DCF evaluation model.

Valuation

Model assumptions

We rated JDC Group AG using a three-stage DCF model. Starting with the concrete estimations for 2017 - 2019 in phase 1, in the second phase, from 2020 to 2024, our forecast uses value drivers. Here we expect a sales increase of 3.0%. We have assumed an EBITDA margin target of 10.0%. We have taken a tax rate of 12.0% into account due to the outstanding losses carried forward (28.36 €m) 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.

The risk-free interest rate is 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 1.25% (previously: 1.00%).**

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 9.03% (previously: 8.78%) (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 8.08% (previously: 7.88%).

Evaluation results

The resulting fair value per share at the end of the 2017 financial year corresponds to the price target of €10.25 (previously: €8.40). The target price is increased primarily against a background of the initial inclusion of the 2019 forecasts in the specific valuation period of the DCF evaluation model. This provides a higher basis for the steady phase of the DCF model. In addition, a roll-over effect is responsible for the increase in the target price, as we have rolled the basis for the target price periodically over to the end of financial year 2018 (previously: 2017).

DCF-model

JDC Group - Discounted Cashflow (DCF) model scenario

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

consistency - phase	
Revenue growth	3.0%
EBITDA-Margin	10.0%
Depreciation to fixed assets	6.1%
Working Capital to revenue	-4.9%

final - phase	
Eternal growth rate	2.0%
Eternal EBITA - margin	9.3%
Effective tax rate in final phase	30.0%

three phases DCF - model:

phase	estimate			consistency					final value
in €m	FY 17e	FY 18e	FY 19e	FY 20e	FY 21e	FY 22e	FY 23e	FY 24e	
Revenue	92.56	105.52	121.35	124.99	128.74	132.60	136.58	140.67	
Revenue change	18.6%	14.0%	15.0%	3.0%	3.0%	3.0%	3.0%	3.0%	2.0%
Revenue to fixed assets	2.05	2.37	2.76	2.87	2.99	3.11	3.24	3.37	
EBITDA	5.66	8.41	11.61	12.50	12.87	13.26	13.66	14.07	
EBITDA-Margin	6.1%	8.0%	9.6%	10.0%	10.0%	10.0%	10.0%	10.0%	
EBITA	2.96	5.71	8.91	9.80	10.20	10.62	11.04	11.48	
EBITA-Margin	3.2%	5.4%	7.3%	7.8%	7.9%	8.0%	8.1%	8.2%	9.3%
Taxes on EBITA	-0.43	-0.69	-1.07	-1.18	-1.22	-1.27	-3.31	-3.44	
Taxes to EBITA	14.5%	12.0%	12.0%	12.0%	12.0%	12.0%	30.0%	30.0%	30.0%
EBI (NOPLAT)	2.53	5.03	7.84	8.62	8.98	9.34	7.73	8.03	
Return on capital	7.0%	13.5%	20.9%	22.7%	24.1%	25.5%	21.5%	22.7%	26.8%
Working Capital (WC)	-8.00	-7.00	-6.00	-6.17	-6.36	-6.55	-6.75	-6.95	
WC to revenue	-8.6%	-6.6%	-4.9%	-4.9%	-4.9%	-4.9%	-4.9%	-4.9%	
Investment in WC	-1.69	-1.00	-1.00	0.17	0.19	0.19	0.20	0.20	
Operating fixed assets (OAV)	45.20	44.50	44.00	43.50	43.03	42.59	42.17	41.78	
Depreciation on OAV	-2.70	-2.70	-2.70	-2.70	-2.67	-2.64	-2.61	-2.59	
Depreciation to OAV	6.0%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	6.1%	
Investment in OAV	-2.10	-2.00	-2.20	-2.20	-2.20	-2.20	-2.20	-2.20	
Capital employed	37.20	37.50	38.00	37.32	36.67	36.04	35.42	34.83	
EBITDA	5.66	8.41	11.61	12.50	12.87	13.26	13.66	14.07	
Taxes on EBITA	-0.43	-0.69	-1.07	-1.18	-1.22	-1.27	-3.31	-3.44	
Total investment	-3.78	-3.00	-3.20	-2.03	-2.01	-2.01	-2.00	-2.00	
Investment in OAV	-2.10	-2.00	-2.20	-2.20	-2.20	-2.20	-2.20	-2.20	
Investment in WC	-1.69	-1.00	-1.00	0.17	0.19	0.19	0.20	0.20	
Investment in Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Free cashflows	1.45	4.73	7.34	9.30	9.63	9.98	8.34	8.63	142.20

Value operating business (due date)	124.64	129.98
Net present value explicit free Cashflows	42,09	40.76
Net present value of terminal value	82.55	89.22
Net debt	11.44	7,66
Value of equity	113.19	122.32
Minority interests	0.00	0.00
Value of share capital	113.19	122.32
Outstanding shares in m	11.93	11.93
Fair value per share in €	9.48	**10.25**

Cost of capital:

Risk free rate	1.3%
Market risk premium	5.5%
Beta	1.41
Cost of equity	9.0%
Target weight	80.0%
Cost of debt	6.0%
Target weight	20.0%
Taxshield	28.7%
WACC	**8.1%**

Return on capital	WACC 7.1%	7.6%	8.1%	8.6%	9.1%
23.8%	11.09	10.14	9.35	8.68	8.11
25.3%	11.66	10.64	9.80	9.09	8.48
26.8%	12.23	11.15	**10.25**	9.49	8.85
28.3%	12.81	11.66	10.70	9.90	9.22
29.8%	13.38	12.16	11.15	10.30	9.58

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.

Section 2 (III) Past recommendations

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

Section 2 (IV) Information basis

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.

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)

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,11)

section 2 (V) 2. Catalogue of potential conflicts of interest

(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.).

GBC AG Investment Research

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) and Jörg Grunwald.

The analysts responsible for this analysis are:
Cosmin Filker, Dipl. Betriebswirt (FH), Financial Analyst
Marcel Goldmann, M.Sc., Financial Analyst

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