



Research report (IPO study)

HOMES & HOLIDAY

“The fully-integrated franchise specialist for holiday properties”

- **Good positioning in Europe’s most attractive holiday property regions**
- **Due to the core business in Mallorca, a promising basis was created for dynamic growth**
- **Planned capital measures during the course of the IPO enable strong growth acceleration**

Fair value: €60.89 million (€4.83/share)

IMPORTANT INFORMATION:

Please note the disclaimer/risk notice

as well as the disclosure of potential conflicts of interest according to Section 85 of the German Securities Trading Act (WpHG) and Art. 20 MAR from page 37

Note on research as a “minor non-monetary benefit” according to the MiFID II regulation: This research meets the requirements for being classified as a “minor non-monetary benefit”. For more information, see the disclosure under “I. Research under MiFID II”

Homes & Holiday AG^{*4,5a,5b,6a,7,10,11}

Fair enterprise value
EUR 60.89 million

Fair enterprise value/share:
EUR 4.83

Key data:

ISIN: DE000A2GS5M9
German securities identification number (WKN): A2GS5M
Ticket symbol: HHH
Number of shares³: 10.23
(Pre IPO)

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* Catalogue of potential conflicts of interest on page 38

Corporate profile

Segment: Property brokerage and letting of holiday properties with an emphasis on holiday properties

Permanent employees (as at: Feb. 2018): 42

Locations: 19

Founded as Porta Mondial AG: 2008 (converted into Homes & Holiday AG in 2017)

Registered office: Munich

Management team: Joachim Semrau (CEO), Philip Kohler (CFO), Stephan Bruns, Ralf Spielvogel, Petra Zimmermann

Homes & Holiday AG and its subsidiaries, Porta Mondial AG, Porta Mallorquina and Porta Holiday specialise in services relating to high-quality holiday properties within its own developed franchise system. With its Porta Mondial, Porta Mallorquina and Porta Holiday brands, the Group combines the brokerage business with holiday lettings and property management. With the comprehensive online services and individual advisory on site, the Group relies consistently on multi-channel sales. In addition to the core market of Mallorca - where it is presently the leading broker on the Internet and belongs to the top 3 overall - the Group focuses on holiday property locations in Spain and Germany. In future, expansion is planned to the Spanish mainland and into the German holiday property regions.

P&L in EUR million\ at end of financial year*	2017	2018e	2019e	2020e	2021e	2022e
Sales volume (property revenue + booking volume)	138.80	160.00	365.00	502.00	618.00	763.00
Net commission revenue (commission revenue less variable costs)	2.83	4.25	7.25	9.10	11.05	14.55
EBITDA	-1.71	-0.90	0.01	2.15	3.60	5.55
Adjusted EBITDA (Adjustment for special effects and costs of the company's IPO)	-1.41	-0.40	0.14	2.15	3.60	5.55

*Homes & Holiday Group (until 2016 Porta Mondial Group), rounded values

Financial Dates

Start of subscription for initial public (IPO) offering 05/06/2018

Investor presentation on m:access expert conference real estate 06/06/2018

End of subscription period 21/06/2018

Listing m:access Munich Stock Exchange 03/07/2018

Listing Xetra with Designated Sponsor (prospectively) 05/07/2018

** last research published by GBC:

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EXECUTIVE SUMMARY

- Homes & Holiday AG and its subsidiaries, Porta Mondial AG, Porta Mallorquina and Porta Holiday, specialise in services relating to high-quality holiday properties within its own developed franchise system. With its Porta Mondial, Porta Mallorquina and Porta Holiday brands, the Group combines the brokerage business with holiday rentals and property management. With the comprehensive online services and individual advisory on site, the Group relies consistently on multi-channel sales. In addition to the core market of Mallorca - where it is presently the leading broker on the Internet and belongs to the top 3 overall - the Group focuses on holiday property locations in Spain and Germany. In future, expansion is planned to the Spanish mainland and into the German holiday property regions.
- With its main focus on Spain and Germany, Homes & Holiday AG is active in the most attractive holiday property markets in Europe, in very interesting growth regions. In combination with the continuing favourable interest rate level, the holiday property specialist operates in a very attractive market environment. From 2016 to 2017, the property transaction volume grew in Spain by 21.3% to €73.8 billion (PY: €60.9 billion). The volume of holiday properties sold to foreign buyers amounted to approx. €1.6 billion on the Balearic Islands in 2016. The property market in Germany also developed just as positively. The number of German citizens who own a holiday property reached a new peak value in 2017, at 1.0 million people (PY: 0.93 million).
- The generally strong rise in demand for holiday properties in Spain and Germany and the dynamic development of the booking figures for holiday properties, are important factors for the future development of Homes & Holiday AG.
- Homes & Holiday AG (Porta Mondial AG) was able to achieve constant growth in recent years, which was particularly supported by its subsidiary, Porta Mallorquina. In 2017, a new peak value was reached for sales volume on Mallorca, at an estimated €90.0 million. At the Group level, a sales volume of €138.8 million was generated for this time period. In order to grow more strongly in the future, the company is currently issuing new shares during the course of the IPO (periode: 5th to 21st of June). For this purpose, the required marketable holding company was founded, with Homes & Holiday AG, and the long-standing operating subsidiaries (Porta Mondial AG incl. Porta Mallorquina & Porta Holiday) incorporated into it.
- It is worth noting that in the past the management has continuously developed the business model of Homes & Holiday AG in the direction of a “full-service provider” (brokerage business, holiday lettings (referral) and property management) for holiday properties. As a result, the company has created a significant competitive advantage, in our opinion, as the company is presently the only German franchise system provider which offers such a comprehensive range of services for holiday properties. This makes the company more attractive to customers and increases their loyalty.
- The property business also operates master centres (service centres) to support its franchise partners and enable them focus intensively on their core activity, sales. This has significantly increased the revenue of the partners, and made it much easier to acquire new partners. The management now intends to take advantage of these unique selling points of Homes & Holiday AG (“first mover advantage”) and accelerate the growth further with funds from the initial public offering.
- **With the further expansion of the partner network and the synergies between the business divisions, additional significant growth in sales volume is also es-**

timated to reach €160.0 million for the current 2018 financial year, with net commission revenue of approx. €4.3 million. For the subsequent years, we are anticipating an acceleration of the dynamic revenue growth and disproportionate earnings development, particularly due to the funds from the initial public offering. On the basis of our estimates for the company development, within the scope of our valuation model, we have calculated a fair value (post money) of €4.83 per share of Homes & Holiday AG.

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INITIAL PUBLIC OFFERING (IPO) FOR GROWTH FINANCING IN JUNE 2018 IN THE M:ACCESS QUALITY SEGMENT AND SUBSEQUENT XETRA LISTING.

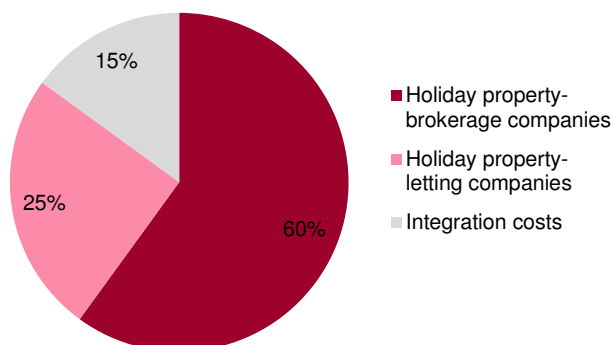
Homes & Holiday AG, the company specialising in holiday properties, has now announced the concrete details for the initial public offering. Homes & Holiday AG is planning the initial public offering (IPO) in the quality segment of the Munich Stock Exchange, with a subsequent Xetra listing on the Frankfurt Stock Exchange. The subscription period runs from 05/06/2018 until 21/06/2018. The subscription price is EUR 2.50 per share. The existing shareholders are not selling any shares, i.e. the proceeds from the initial public offering are flowing directly to the company.

With the funds of the announced IPO, the future growth is intended to be accelerated. In addition to further organic growth, this will be achieved with acquisitions of existing brokers and holiday lettings companies. The regional focus of the company for the continuation of the initiated growth course continues to be focused on the regions of Germany and Spain, Europe's most attractive markets for holiday properties.

To prepare the initial public offering, Homes & Holiday AG was founded in 2017 as a marketable holding company and the subsidiary, Porta Mondial AG, in operation since 2008, with its subsidiaries, Porta Mallorquina and Porta Holiday, were brought into the stock exchange holding company. Within the scope of the initial public offering (IPO measures), according to a company announcement, gross issuing proceeds of up to €5.0 million are to be raised from investors.

The core of the Homes & Holiday Group is Porta Mallorquina, which was founded on Mallorca in 2005. As a specialist for higher-quality and exclusive properties, the company, with more than 1,500 holiday properties (in the brokerage portfolio) is one of the top 3 brokers on the Balearic Island of Mallorca. Under the Porta Mondial umbrella brand, the expansion to Ibiza, Germany (2010), the Canary Islands (2011) and the Spanish mainland started from 2008 onwards. After the deregulation of holiday lettings on Mallorca, the property company also started expanding its business model to the holiday lettings segment. Furthermore, the service range was expanded in 2017 with property management (caretaker service/guest management). With this, the Group has now completed the establishment of an integrated business model and can offer its customers a comprehensive service for holiday properties (full-service approach/one-stop shop).

Estimated use of funds from the IPO



Source: GBC AG

According to our assessment regarding the planned use of funds, the inflow of liquidity will be used for an active “buy-and-build strategy”. In light of the focus regions of Spain and Germany and the already strong market position in Mallorca, we anticipate that brokerage companies will particularly be acquired in these regions. As a result of this, Homes & Holiday AG would achieve very fast market entry and continued expansion of its market position in the holiday property markets in these regions. We concretely expect that the company will mainly make acquisitions on the Spanish mainland and on the coast of Germany, as well as in Southern Germany, as large stocks of holiday properties are available here. Furthermore, the acquired companies will assist in gaining franchisees for the Group even more quickly in the brokerage segment. This should be successful, as the acquired brokers should have a type of “lighthouse effect” on third-party brokerage offices, with the unique business concept of Homes & Holiday.

At the economic level, the brokerage acquisitions should pay off quite quickly for the company, as many synergy effects should arise within the Group (central services by head offices, synergies between the business divisions). As a result of this, in our view, Homes & Holiday AG should succeed in earning considerably more than the previous owners, with the acquired brokerage shops, and thereby achieve rapid amortisation of the purchase price.

In the holiday lettings segment, the still young business division of the company, we expect that the company will strengthen its regional market position on Mallorca with additional acquisitions. At present, the company has two licensees in this segment, with an estimated holiday lettings portfolio of 265 properties. With additional acquisitions, this portfolio would increase significantly, so that the Porta Holiday brand would become more attractive due to the more comprehensive services available. Recently, Homes & Holiday already reported an initial acquisition with a company announcement dated 18/05/2018. Through the acquisition of easyFinca, the portfolio will increase to an estimated 440 properties. In the medium term, it is planned to expand the portfolio to around 1,000 holiday letting properties.

Through acquisitions, in our opinion, the lettings company will benefit from numerous synergies within the Group (central services, synergies within the business divisions). As a consequence of the increased charisma of this brand and the comprehensive synergies, the acquisitions in this segment should turn out to be profitable. Furthermore, the Group can provide potential new companies in the brokerage or lettings segment with services or know-how for customer management, which they have previously been unable to offer or which they have not previously had at their disposal (specialist services, statistics etc.).

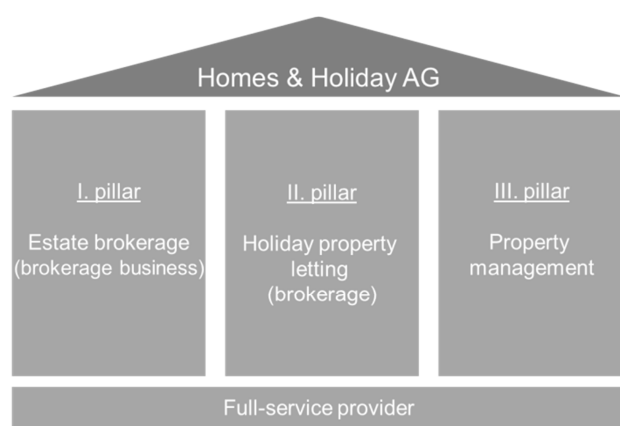
Overall, we expect the planned buy-and-build strategy to pay off for Homes & Holiday AG, on both the revenue and earnings side. At the “top-line level”, the medium-term and long-term speed of growth should increase substantially, in our opinion. At the net level, the planned acquisitions should lead to a disproportionate increase in profitability, over the long term.

COMPANY

Business model (equity story)

Homes & Holiday AG, with its subsidiaries, is the first German franchise system that specialises in holiday properties. The Group has positioned itself as a full-service provider: purchase, holiday lettings and property management. With its Porta Mondial, Porta Mallorquina and Porta Holiday brands, the Group relies consistently on multi-channel sales. On the basis of this strategy, the Group has developed itself to become the leading broker on the Internet, in the core market of Mallorca, the most exciting property market in Europe - overall, it is one of the top 3.

Business model



Source: Homes & Holiday AG; GBC AG

In recent years, significant investments have been made in the brand, the IT infrastructure and the optimisation of the franchising system. The quality of the business model (proof of concept) has been successfully put to the test on Mallorca - a particularly attractive and highly competitive market. Therefore, the Group has positioned itself well for scalable growth in the coming years. The focus of this is on Spain (Balearic Islands, Canary Islands, Spanish Mediterranean coast) and Germany, the most important holiday regions in Europe.

The property brokerage business is comprised of the commission-based referral of (holiday) properties for purchase or long-term letting. The company presently has 16 franchise partners here (as at: Feb. 2018): In the holiday property lettings segment (Porta Holiday), existing properties are referred by customers on a commission basis. The referral of these properties mainly occurs online (or "PortaHoliday.de"). To be able to offer property owners everything "from a single source" (full-service provider), the range of services is being supplemented with the property management segment. At present, the full-service offer is practised on Mallorca; from 2018 onwards, it will be introduced extensively at additional holiday property locations. The compensation of all services is on the basis of a fee structure.

Corporate history

2005	Founding of Porta Mallorquina Real Estate S.L. on Mallorca by Joachim Semrau and a focus on the Internet as the main sales medium; test of sustainability of the innovative franchise system on a highly competitive property market
2007	The business model of Porta Mallorquina is conceived as an international franchise system (start of franchise).
2008	Founding of Porta Mondial AG with its registered office in Krefeld and awarding of the franchise licence for "Porta Ibiza"
2010	First shop opening in Germany (Düsseldorf); opening of a franchise management office in Düsseldorf for the Germany, Austria and Switzerland regions.
2011	Licence award for Tenerife with Porta Tenerife; continuation of the internationalisation with brand pre-launches: Porta Mondial Florida, Porta Mondial South Africa and Porta Mondial Croatia
2013	Relocation of the registered office of Porta Mondial AG from Krefeld to Düsseldorf
2014	Market entry into holiday lettings on Mallorca by founding Porta Holiday
2015	Expansion of the Spanish marketing regions through cooperation partners in Valencia and on the Costa Brava
2016	Awarding of the Andalusia franchise licence (Marbella); Porta Mallorquina franchise partners in Santanyí acquire Porta Holiday licence for their region.
2017	Supplementation of services with property management; Porta Mondial opens property shops in Koblenz and Frankfurt am Main.
2017	Founding of Holiday & Homes as a marketable holding company and the injection of Porta Mondial AG as a non-cash contribution (increase in non-cash equity)
2018	Successful pre-IPO capital increase with a volume of EUR 1.4 million
2018	Initial public offering for growth financing with a volume of up to €5.0 million in the m:access quality segment (Munich exchange) and subsequent Xetra listing planned in Frankfurt.

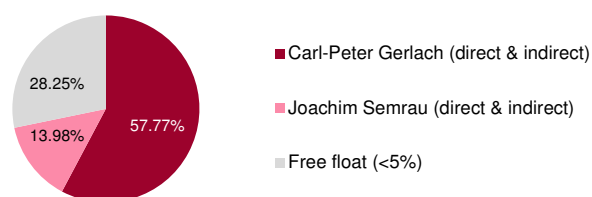
Source: Homes & Holiday AG; GBC AG

Shareholder structure pre-IPO

Shareholders in %

Supervisory board: Carl-Peter Gerlach (direct & indirect)	57.77%
Management board: Joachim Semrau (direct & indirect)	13.98%
Free float (<5.0%)	28.25%

Source: Homes & Holiday AG; GBC AG



Management team

Joachim Semrau (CEO)

Joachim Semrau is a successful entrepreneur and manager with decades of experience in the tourism industry. Within the scope of his management career, he was crucially involved in the establishment and expansion of Niltouristik (hotel ships) of the Oberoi hotel chain (Egypt) in the 1970s/early 1980s. Furthermore, Mr Semrau founded several tourism companies. On the one hand, the Flugbörse, which was Germany's first independent travel agency chain in the form of a franchise system. Under his management, this company was developed into 120 offices and sold in 1995. Furthermore, Mr Semrau founded Travel24.com (previously Travelline). At that time, this Internet company was the first independent online travel portal and, at the same time, the first tourism sales system with a home-office concept (teleworkers). In 2000, Travel24 was launched on the stock market (IPO) and reached market capitalisation of €290.0 million. In 2005, he founded Porta Mallorquina Real Estate S.L. has been the CEO of its parent company, Porta Mondial AG, since 2008 and of Homes & Holiday AG since 2017.

Philip Kohler (CFO)

Mr Kohler holds a Master in Business Administration (MBA). The former CFO of Travel24.com AG and a consultant for international companies has many years' experience in the field of financial accounting, and is supporting the company with the preparation of the planned initial public offering. Since the beginning of 2017, Mr Kohler has been responsible for the finance of Porta Mondial AG, and since 2018 he has been the CFO of Homes & Holiday AG (founded in 2017).

Stephan Bruns (Authorised Officer)

Stephan Bruns has a Business Engineering Degree in Real Estate and Management. Furthermore, he has many years' experience in the property industry. Mr Bruns was active as the Sales Coordinator for luxury housing projects over a period of four years. Since 2010, he has held various management positions with Porta Mondial AG (Franchise Manager, Shop Management in Germany). Since 2014, Mr Bruns has also been an Authorised Officer for Porta Mondial AG. At present, Mr Bruns is active in the same position and function for the Homes & Holidays Group (founded in 2017).

Ralf Spielvogel (Managing Director of Porta Mallorquina and Porta Holiday)

Ralf Spielvogel has a Business Engineering Degree in Real Estate and Management. For 11 years, he has been working for Porta Mondial AG on Mallorca. In 2010, Mr Spielvogel took over the management of Porta Mallorquina, having played a key role in its establishment. Furthermore, Mr Spielvogel is the Managing Director of the Spanish and international branches of Porta Mondial AG. He has also been the Managing Director of Porta Holiday since 2014. Mr Spielvogel also holds both positions at present, however, under the new parent company, Homes & Holiday (founded in 2017).

Petra Zimmermann

Petra Zimmermann has a Magistra in International Business Administration. Since 2014, Ms Zimmermann has been active as the Manager of Franchise Partner Management for the partner companies of Porta Mondial AG, the establishment of which she had previously been involved in. Since 2018, Ms Zimmermann has been active as an Operations Manager for the Home & Holidays Group.

The Homes & Holiday (Porta Mondial) franchise system

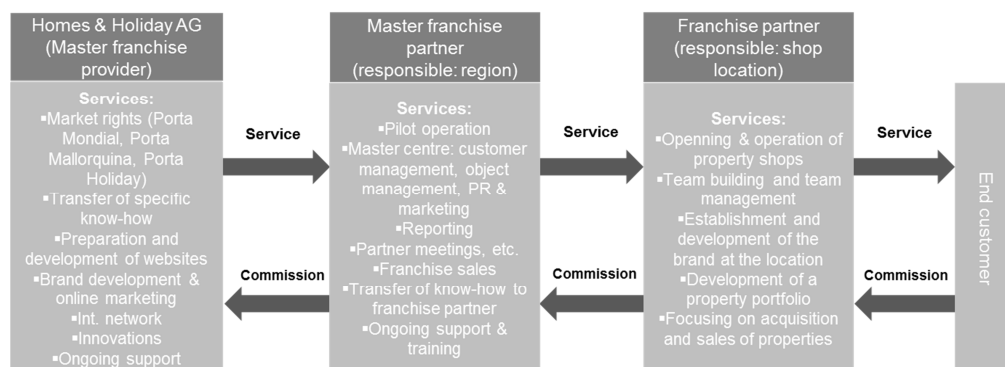
Homes & Holiday AG does not offer its holiday properties services to customers directly, but through so-called franchise and licensing partners. The company presently has 21 sales locations, whereby in 2 locations, in addition to the classic property brokerage business, holiday property lettings (Porta Holiday) are also offered (shop-in-shop concept).

Within the scope of the franchise and licensing partnership, the licensees can use the brand and the network of Homes & Holiday AG and also access the company's wide range of services and offer these to the customers. The property management segment is covered by external service providers.

Furthermore, the franchise partners receive ongoing support from a master franchise partner (master centre). This particularly relates to the customer management, property management, Internet presence, PR and marketing. In return for the transfer of rights of use and the support of the partners, Homes & Holiday AG receives ongoing commission payments and a one-off franchise entry fee (time period 5-10 years). Therefore, Homes & Holiday AG specifically participates variably in the business success of the franchise and licensing partners.

The franchise and licensing system operated by Homes & Holiday AG enables the company to grow very dynamically and also develop new markets quickly through the acquisition of new partners with appropriate expertise. Furthermore, Homes & Holiday AG can generate strong growth in this way, which goes hand-in-hand with a comparably lower capital requirement.

Franchise system – core area of property brokerage



Source: Homes & Holiday AG; GBC AG

Homes & Holiday AG participates in the partners' business performance through commission payments. The commissions, which the franchise partners receive when selling properties, are between 3.5% and 6.0% of the sales volume, depending on the region. In the area of holiday property lettings, the commissions amount to between 15.0% and 20.0% of the booking volume. As a rule, at the Group level, a share of between 30.0% and 50.0% of the commission revenue (total commission) is attributable to Homes & Holiday AG.

Commission structure of the subsidiaries of Homes & Holiday AG

Porta Mallorquina	Porta Holiday
Commission 100%	Commission 100%
Sales Commission 30%	
Commission masterpartner 20%	Commission masterpartner 65%
Royalty Porta Mondial 10%	Royalty Porta Mondial 10%
Contribution margin franchise partner 40%	Contribution margin franchise partner 25%

Source: Homes & Holiday AG; GBC AG

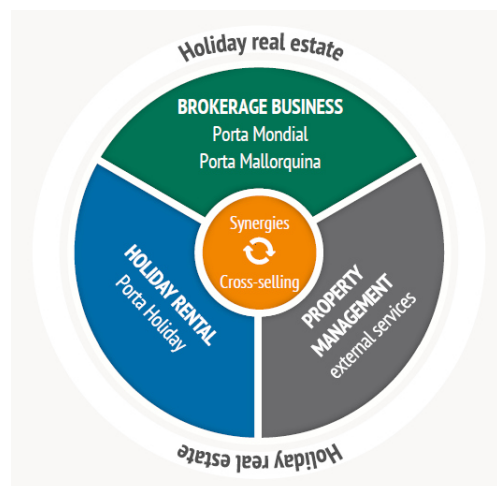
Unique selling point (“USP”/competitive advantages)

With its range of services, Homes & Holiday AG covers three classic business segments of the property sector (brokerage business, holiday lettings and property management). This service portfolio provides synergetic advantages for the customers and business partners. This also creates a competitive advantage for the company itself.

The business partners can profit from greater business volume on the basis of the wide range of services which can result from cross-selling effects (synergy effects) between the various business divisions. Greater business volume also benefits Homes & Holiday AG, as it is involved in the business performance of the partners by means of revenue shares.

Through the combination of the various business segments, in addition to the cross-selling effect, sustainable sales stabilisation can also be achieved. By means of the holiday letting, Homes & Holiday AG can generate steady revenues from the properties under management, which have a positive impact on the revenue level. With this, a type of “revenue base” can be generated.

Synergy effects between the various business divisions



Source: Homes & Holiday AG; GBC AG

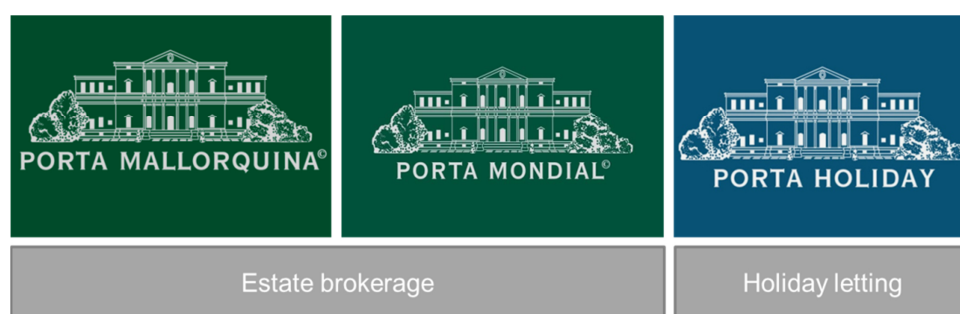
In our opinion, Homes & Holiday AG has achieved a unique position (USP) on several levels through its strategic positioning. On the one hand, the company is the only franchisor which specialises in holiday properties. On the other hand, Homes & Holiday is the only provider who combines the property brokerage business with the holiday lettings business. Furthermore, it is one of the few property companies which offers a wide range of services (full-service provider) relating to holiday properties: purchase, (holiday) lettings and property management.

In recent years, with the constant development of the digital presence, success has been achieved by the Homes & Holiday AG platforms (Porta Mondial) in reaching the top positions in the results lists in relevant search engines, which leads to a high degree of visibility. It is also emphasised that Homes & Holiday supports its franchise partners with comprehensive services (e.g. in the area of customer management, property management and marketing), which are important for brokerage business, so that they can concentrate entirely on their core business: Acquisition and sale of properties. Through the standardisation and centralisation (master centre) of services for partners, sales advisors and brokers, they can focus entirely on sales, which can then be reflected in higher sales revenues. This is not self-evident for a franchise system. From our perspective, Porta Mondial distinguishes itself clearly from the competition and thereby achieves a good competitive advantage. The comprehensive services of the master centres should also have a positive impact on gaining franchise partners.

Brands of Homes & Holiday AG

Homes & Holiday AG is a multi-brand company. The property franchise company essentially has three differently positioned brands (Porta Mondial, Porta Mallorquina and Porta Holiday). Furthermore, additional sub-brands still exist in Spain, such as Porta Ibiza and Porta Tenerife. However, these will be combined under the "Porta Mondial" brand in the medium term. The main brands basically differ with respect to the target group (property purchasers & sellers, holidaymakers) and the service which is offered. Commonalities arise with the brands in relation to the customer group and the business purpose.

Brands of the various business divisions of Homes & Holiday AG



Source: Homes & Holiday AG; GBC AG

The Porta Mallorquina and Porta Holiday brands of Porta Mondial are aimed at international customers with a premium standard, whereby the majority of customers originate from European countries at present (particularly from Germany). There are also overlaps between both brands in terms of the business purpose. The brokerage business, as well as the holiday property lettings business, are mainly comprised of holiday properties. Homes & Holiday AG has mainly focussed on holiday properties in the medium and upper price segment. Therefore, the Home & Holiday Group tends to address wealthier customers overall. The following graphic shows a selection of typical holiday properties, which can be acquired, sold or let for a short term through the partners of Homes & Holiday AG.

Typical holiday properties of Homes & Holiday AG



Source: Homes & Holiday AG; GBC AG

Regional business activity

Overall, the company is active in attractive growth regions for holiday properties. The regional focus of the business activity is presently on Spain (Mallorca) and Germany. In the Spanish regions, Homes & Holiday AG has locations on Mallorca, Ibiza and Tenerife. In the DACH region, Porta Mondial has (franchise) locations in Düsseldorf, Essen, Frankfurt, Hamburg, Koblenz, Munich, Paderborn and Ratingen.

Marketing regions of Porta Mondial AG



Source: Homes & Holiday AG; GBC AG

So far, the Group has focussed on very strongly on the particularly attractive market of Mallorca, in order to develop a leading position and optimise the franchise system. With success: Porta Mallorquina is now among the top 3 players in this holiday property market. This good market position, which has been achieved due to long-standing presence and experience and has also led to around 80% of the sales revenues originated from the Balearic Islands/Mallorca at present. Particularly on the Balearic Islands and in the

holiday regions in Germany, the property market is experiencing above-average growth (also refer to our market analysis).

Together with its franchise and licensing partners, the company markets properties in these regions. Additional high-growth holiday regions are to be added with a roll-out in the Spanish-speaking regions, in Germany and in other countries. Accordingly, the international market launch has already started for Gran Canaria, Catalonia, Valencia, Florida, Croatia and South Africa. In addition to the expansion into new regions, the extension of existing regions is planned ("filling the local gaps").

Shop-in-shop concept of Homes & Holiday AG

Homes & Holiday AG has a presence at the respective locations with (franchise) partner shops. The franchise partners, as operators of the shops, are supported in their property brokerage activity by sales advisors in their shops (brokerage business). A typical franchise location has 4 to 8 sales advisors. In the franchise shops, the partners of Homes & Holiday AG not only offer property brokerage services, but also frequently, the new holiday lettings services of Porta Holiday (shop-in-shop concept).

Typical shop of a Homes & Holiday franchise partner on Mallorca

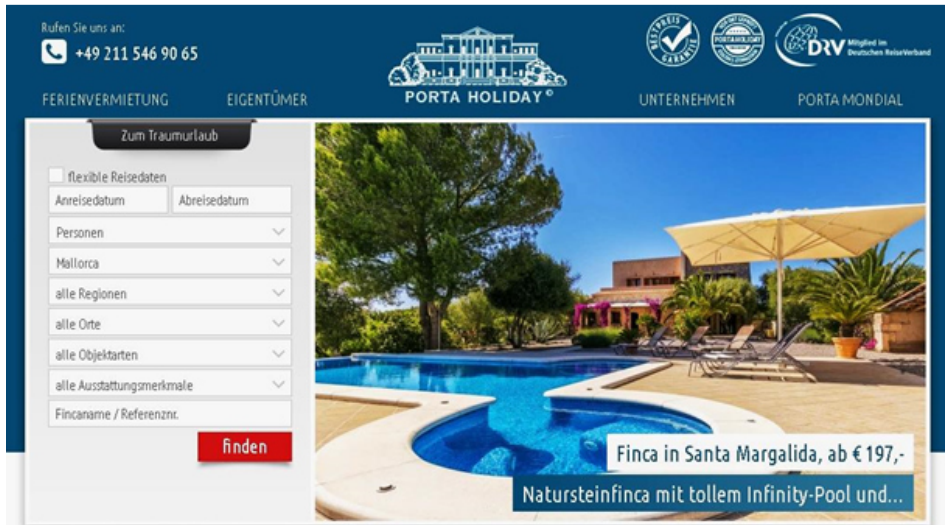


Source: Homes & Holiday AG; GBC AG

Within the scope of the holiday lettings, the licensing partners perform the acquisition of the properties, as well as the guest management on site. This is how Homes & Holiday AG, with its Porta Holiday brand, differs significantly from many other holiday lettings providers, where the guest management is performed by the owners of the properties themselves or must be commissioned by them. At Porta Holiday, professional partners of the licensees perform the guest management, whereby licensing partners have precise knowledge about the owners, as well as the properties being let. This is intended to ensure a high quality of management and customer retention.

The guests to be managed, mainly from the European region (particularly from Germany), book their holiday homes directly on PortaHoliday.de or through one of the large booking portals, in which the company also has a presence.

Porta Holiday booking portal



Source: Homes & Holiday AG; GBC AG

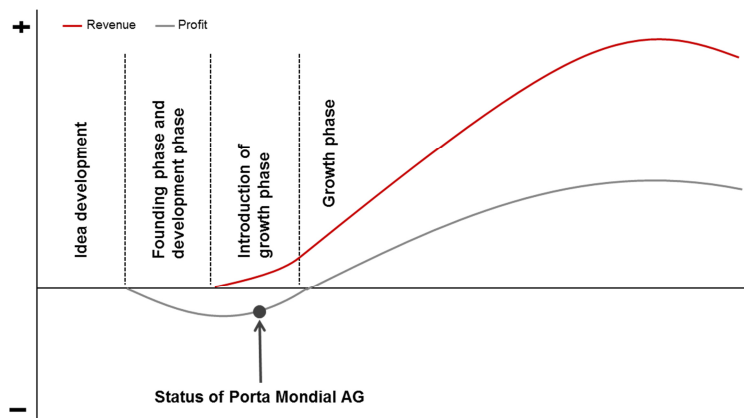
Overall, we believe that Homes & Holiday AG is well positioned for expanding its franchise network with new partners. The company should also benefit from its positioning in high-growth property regions.

Strategy

In the past, Homes & Holiday started to develop its franchise system and holiday property services in a selected property market. The company chose the attractive and highly competitive property market on Mallorca for this purpose, in order to prove its business model in a highly competitive market environment.

For the conceptual development of the range of services, the company pursued an integral approach right from the start, i.e. to offer the customer a universal range of services (full-service package) on the one hand, and to market it using various sales channels (multi-channel sales). The Internet medium has had a particularly high priority for the company, since it was founded. Particularly due to legal restrictions (quasi ban on private holiday property lettings on Mallorca until 2012), the range of services was only comprised of the classic brokerage business at the beginning.

Life cycle of the AG



Source: Homes & Holiday AG; GBC AG

After the conceptual phase was successfully completed and the services were developed as far as marketability, and the majority had established themselves successfully on the market, the company progressed the development of the Porta Mondial brand. Homes & Holiday AG succeeded in firmly establishing its brand in selection regions, such as on Mallorca. The successful development of the brand is also reflected in the business volume and the number of franchise partners, both of which were increased significantly over recent years on Mallorca. Now, the signals are clearly indicating growth and the roll-out of the franchise system is starting.

Since the end of 2014, Homes & Holiday has started to combine the classic holiday property brokerage business with the holiday lettings business, after the legal framework for this was established on Mallorca. This way, the company can benefit from a booming holiday lettings business. On the other hand, attractive synergy effects can be utilised between the brokerage business and the holiday lettings business. These can arise at various levels. On the one hand, existing properties can be let out until they are sold, in order to generate additional earnings for the owner. Furthermore, customers, who let holiday properties for their holiday can later become the buyers of such properties, which is very frequently the case, according to statistics (e.g. refer to the market study of fewo-direkt and Engel & Völkers (2017)).

By combining the business divisions within the specialisation in holiday property marketing and holiday property lettings, as well as the comprehensive range of services of the master centres, Homes & Holiday AG achieves a clear unique position (USP). This competitive advantage benefits the customers, franchise/licensing partners and thus ulti-

mately Homes & Holiday AG - a win-win-win situation. Through an integrated range of services, the partners of Homes & Holiday AG should succeed in significantly increasing their business volume. This should result in commission incomes of the partners rising and therefore also the commissions for Homes & Holiday AG, which shares in the commissions of the partners on a variable basis.

Now that Homes & Holiday AG has successfully put the quality of the business model to the test (proof of concept) on Mallorca, expansion will take place into other regions and thus the roll-out. Due to the rapid scaling of the business, the first-mover advantage should also be utilised. Accordingly, Homes & Holiday AG is planning further expansion, particularly in the Spanish and German holiday property locations. During the course of the expansion, the franchise network will increase from currently 16 partners, according to our estimates in 2018, to 68 partners in 2020. For growth financing, the company is planning an initial public offering in the m:access quality segment (Munich) with a subsequent Xetra listing.

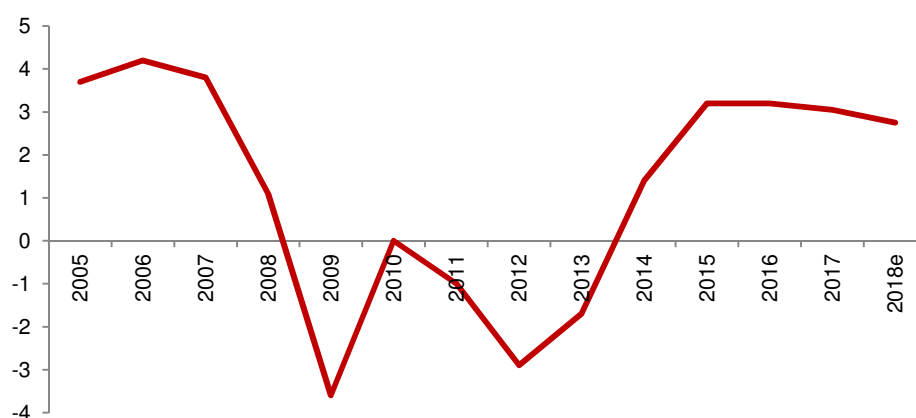
MARKET AND MARKET ENVIRONMENT

Spanish property market

Overall economic development of Spain (GDP)

Due to the present regional focus of Holiday & Homes on holiday property markets in Spain and Germany, particularly on the Balearic Islands, our market analysis will concentrate on these regions. The overall economic situation in Spain has a considerable influence on the Spanish property market (Spanish economic situation).

Growth rate of real GDP in Spain (change compared with the previous year (%))

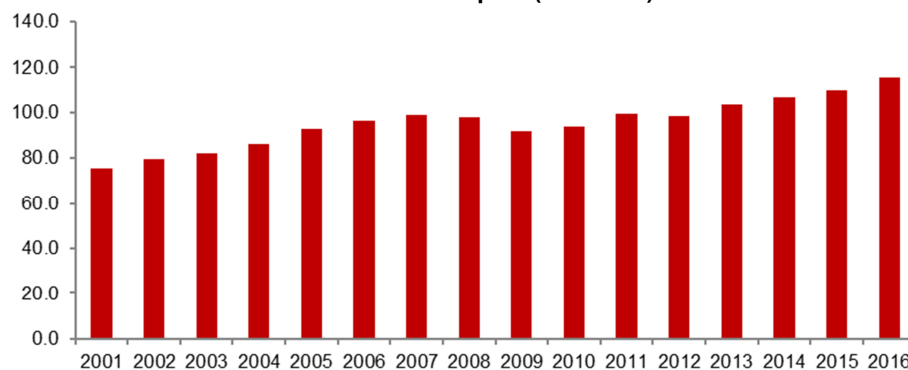


Source: Eurostat; GBC AG

The Spanish economic sector has succeeded in turning around and was also able to gain significantly in 2017 by 3.1%, after the overall economy had already grown in the previous year by 3.2%. For 2018, further growth of 2.8% is also expected. After the crisis, Spain was therefore one of the strongest-growing countries in Europe, as already in the previous years. This positive trend is due to higher domestic demand, a recovery of the property sector and a strong rise in tourism, among others.

Tourism

Annual number of international visitors in Spain (in million)



Source: Statista; GBC AG

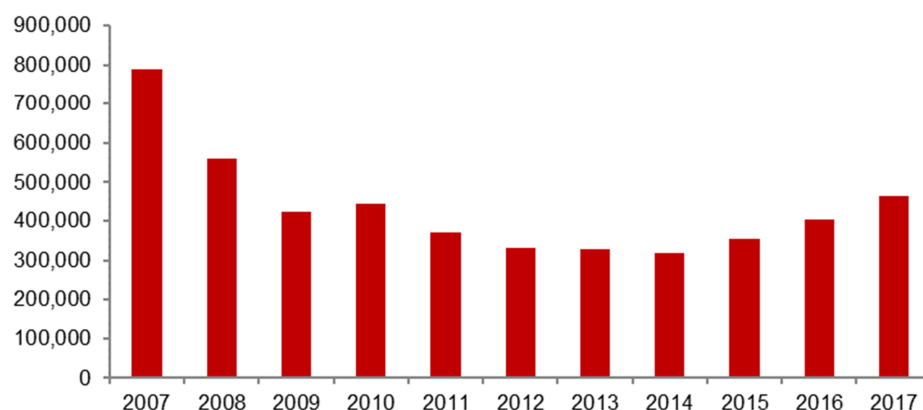
One of the most important economic sectors in Spain is the tourism industry (share of GDP in 2016: 14.2%). Spain has recorded enormous growth in the number of visitors for many years. Between 2011 and 2016, the number of visitors grew from 99.2 million to

115.8 million, which equates to growth of 16.7%. According to the Spanish National Statistics Institute (INE), the French, the British and the Germans make up the largest share of holidaymakers. According to the information, these three groups account for 51% of all tourists in Spain. Through the continuing unstable political situations in specific non-European holiday regions, such as Tunisia, Egypt or Turkey, we believe that demand for tourism will prospectively rise again in 2018.

Spanish residential/holiday property market

The economic growth and booming tourism also have a very positive effect on the (holiday) property market. The Spanish residential property market has developed very dynamically as a result of this in recent years. Property sales gained continuously in the last three years.

Property transactions in Spain (residential properties)



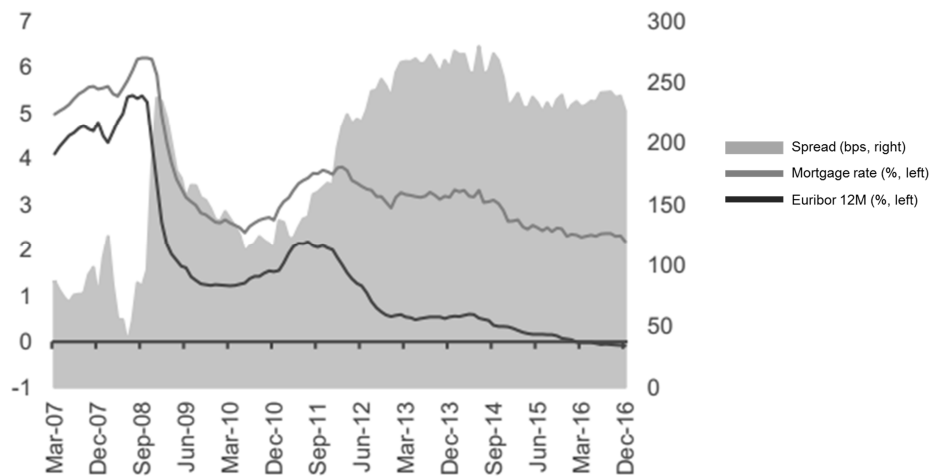
Source: ERI; GBC AG

An important indicator of demand for residential properties is the number of transactions in this segment. After the outbreak of the property crisis in Spain in 2008, the number of property transaction initially declined almost continuously until 2014. Since 2015, the situation has turned around again and more investments have been made in Spanish properties, particularly by foreign investors. The number of transactions grew since 2014 by 318,928 to 464,223 transactions in 2017, which equates to a considerable increase of 45.6%. In parallel with this, the property transaction volume increased in Spain in 2017 by 21.3% to €73.8 billion (PY: €60.9 billion). In spite of the good recovery, the growth potential is by far not exhausted, in our opinion. In 2017, only around 59% of the transaction volume of the pre-crisis level was reached (2007: 788,518 transactions), which may be an indicator of additional possible catch-up effects.

Mortgage rates and other influencing factors

However, the property market is not just influenced by positive overall economic development, but could and can also presently benefit from historically low interest rate levels for property loans.

Development of the mortgage rate and the EURIBOR



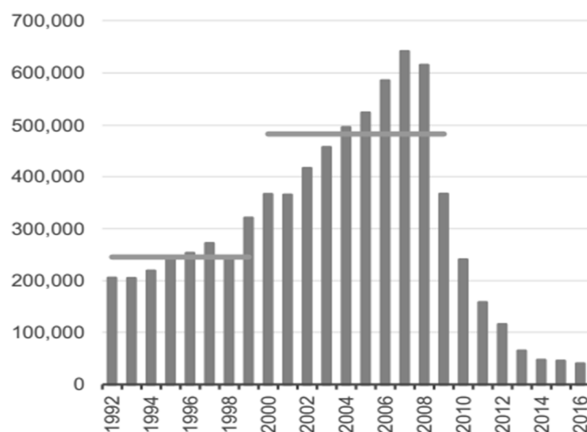
Source: BBVA Research; GBC AG

The mortgage rates for property loans have continued their downward trend since 2011. In 2016, they reached a new low of around 2.5% and therefore property financing is currently particularly attractive. In 2008, the construction interest rates were still at 6.5%. The mortgage rate is highly dependent on the ECB key lending rate trend, whereby the EURIBOR interest rate is also influenced by this. It is expected that the key lending rate will also hold its low level (currently: 0.0%, 2009: approx. 4.5%) in the near future. The favourable financing conditions should also continue to exist for mortgage loans, at least in the short term.

The demand for Spanish properties was also spurred on by a lack of investment alternatives with domestic and foreign investors. In comparison to low-risk bonds (rate of return on German government bond 0.54% - April 2018, source: Statista) respectable rates of return were generated with properties (residential properties on Spanish mainland: gross rate of return: approx. 5.0% according to Global Property Guide). Furthermore, several risk factors exist in the global economic environment, e.g. rising inflation, which continue making an investment in assets, such as properties, attractive, in our opinion.

Property supply and price trend

Number of completed properties in Spain (residential buildings)

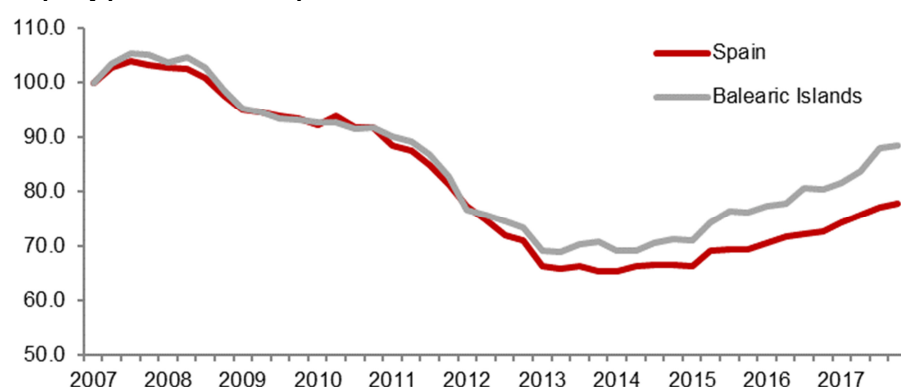


Source: BBVA Research; GBC AG

On the other hand, the volume of new properties was frequently unable to keep up with the rising demand in recent years. Since the outbreak of the property crisis in 2008, the number of completed properties in Spain declined continuously and has not recovered sustainably to this day. In 2016, the number of completed properties reached a new low in the amount of approx. 50,000 properties.

Due to the strong surplus demand and the only sub-proportional development of supply, the property prices in Spain grew significantly in recent years. They increased by 18.8% from the end of 2013 until the end of 2017. The property prices developed even more dynamically in the Balearic Islands in the recent past. Since the end of 2013 until the end of 2017, the property prices on this group of islands grew by 25%. And additional potential should be available in view of the significantly higher price level prior to the crisis in 2008.

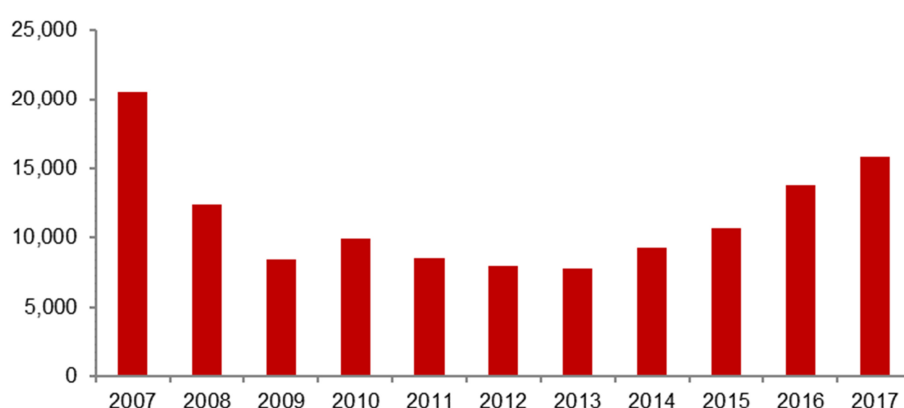
Property price index for Spain and the Balearic Islands



Source: INE; GBC AG

Residential/holiday property market on the Balearic Islands

Property transactions on the Balearic Islands

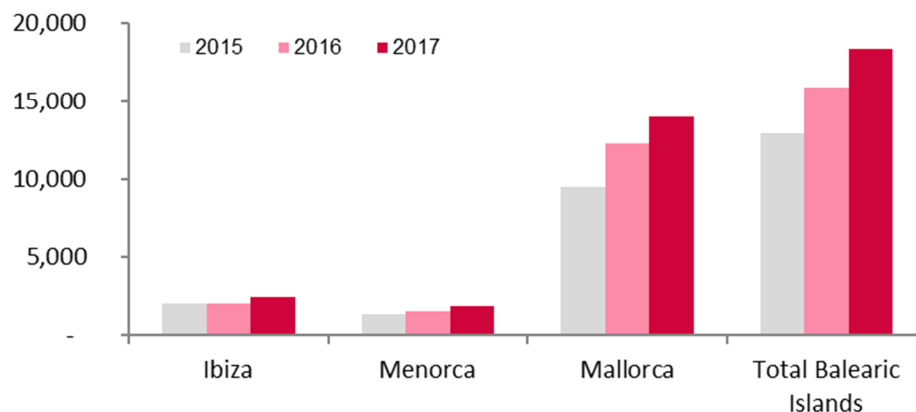


Source: INE; GBC AG

With its high market presence on the Balearic Islands, Homes & Holiday has positioned itself in a region which is growing disproportionately to the overall Spanish property market, with its holiday property franchising concept. The trend is running very similarly to the overall market. In the recent past, the property market also recovered significantly here from the property crisis, however, this recovery is more dynamic than in comparison to the overall market. The number of transactions since 2014 grew by 70.8% to 15,799 properties in 2017, which was particularly due to the foreign buyers of holiday properties.

Within the Balearic Islands, Mallorca is taking on the position of the main market, as expected. The majority of the property transactions are related to this region, whereby it has also developed much more dynamically than the neighbouring regions in the past. According to a study of the Spanish Ministry of Domestic Development (Ministerio de Fomento) in 2017, 14,073 residential property sales occurred on Mallorca, which corresponds to a rise of 47.8% in comparison to 2015. In the same time period, 2,466 transactions were conducted on Ibiza (+18.2% in comparison to 2015) and 1,862 on Menorca (+38.6% in comparison to 2015).

Number of residential property transactions on the Balearic Islands



Source: Ministerio de Fomento; GBC AG

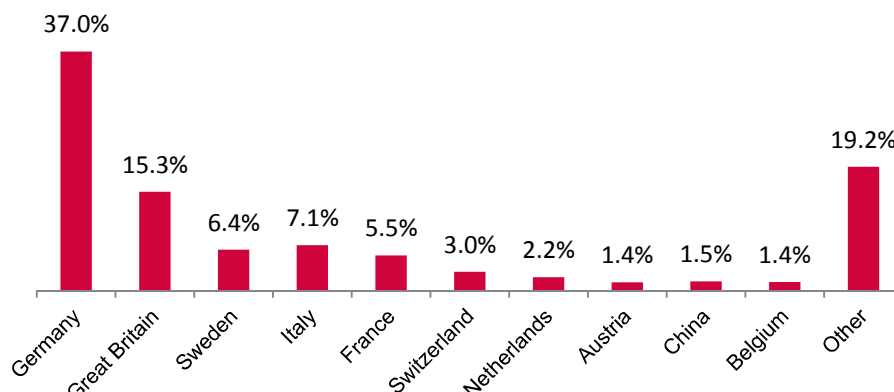
According to the Spanish Ministry, the total sales volume on the Balearic Islands in 2017 amounted to €4.23 billion (previous year: €3.55 billion), which corresponds to average growth of 19.2% in comparison to the previous year. The average value of the residential properties sold to customers amounted to around €228,261 according to the study authors.

Foreign buyers of holiday properties have a crucial share of the positive property market trend, particularly buyers from Germany. After the analysis of the Spanish land registry (Estadística Registral Inmobiliaria - ERI), the share of foreigners among the residential property buyers, and consequently, of holiday properties in all of Spain, was at around 13.1% on average in 2017, whereby the Balearic Islands have the highest value, with around 31.3%.

This means: Around every third residential property, which has changed owner on Mallorca or the neighbouring islands, was a holiday property or holiday flat, which a non-Spaniard has purchased. According to the ERI analysts, these holiday properties are particularly purchased by German buyers. This group makes up the largest share of foreign buyers, with 37%. The second-largest group is made up of Great Britain, with 15.3%, followed by Sweden, with 6.4%.

Homes & Holiday has specifically specialised in holiday properties, has an excellent market position on the Balearic Islands, and also has a good link to potential interested property buyers from Germany, through its international franchise network. Due to this good strategic position, Homes & Holiday should profit significantly from a growing holiday property market on the Balearic Islands.

Origin of the foreign residential property buyers on the Balearic Islands in 2016



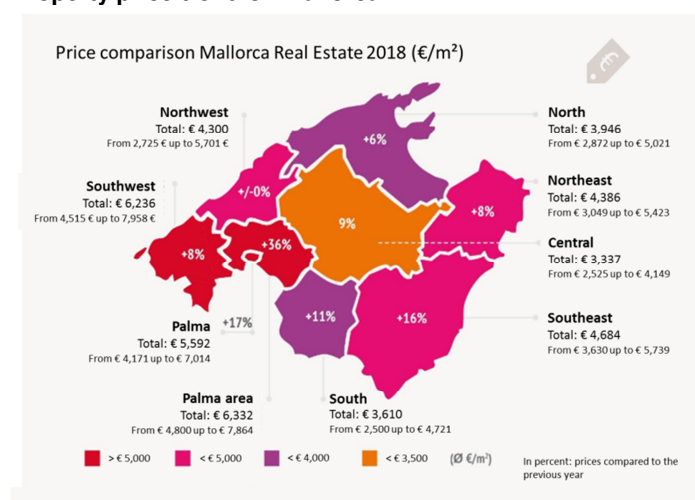
Source: ERI; GBC AG

Property price trend on Mallorca

Due to the increased demand in the past two years, particularly from foreign buyers, the property prices constantly developed “upwards” on Mallorca.

According to a current investigation of the CRES (Center for Real Estate Studies), property prices on Mallorca grew again in 2018. Across all of the island regions, the prices increased by around 12%. While 8 out of 9 regions show a rise again compared to the previous year, half of them even achieved double-digit percentage growth. Particularly the surcharges for sea views, a preferred location for holiday property buyers, rose significantly in both of the last years. The price surcharges of 23% in 2015 grew significantly to 40% in 2017.

Property price trend on Mallorca



Source: CRES

The southwest regions are traditionally among the most sought-after regions on the largest Spanish island. This year, however, the highest price rises were observed in the outskirts of Palma. In both regions, typical property prices are generated in a range of around €6,300 per square metre. In these regions, holiday property prices below €4,500/m² can be found occasionally in these regions and very quickly, price regions of close to €8,000 will be reached again.

Change to the average square metre prices per region 2017/2018

Area	2017	2018	Change
North	€ 3,710.00	€ 3,946.00	6.0%
Northeast	€ 4,070.00	€ 4,386.00	8.0%
Northwest	€ 4,300.00	€ 4,300.00	0.0%
Palma	€ 4,770.00	€ 5,592.00	17.0%
Palma area	€ 4,670.00	€ 6,332.00	36.0%
South	€ 3,250.00	€ 3,610.00	11.0%
Southeast	€ 4,050.00	€ 4,684.00	16.0%
Southwest	€ 5,800.00	€ 6,236.00	8.0%
Central	€ 3,070.00	€ 3,337.00	9.0%

Source: CRES

The study authors of CRES do not anticipate that the demand for holiday properties in good locations will decline. They also see the Balearic Islands and particularly Mallorca as an attractive investment for holiday properties. In addition to economic factors (rent return, value retention), emotional factors also play a role. In spite of the price trend, which is currently moving significantly upwards, the experts do not yet see any indications of a bubble being formed, as the current prevailing average price is still clearly within the range of the long-standing trend.

While in many European property markets (e.g. Germany or Great Britain), the property prices have already risen significantly, and have even exploded in some cases, the Balearic property market still offers a comparably moderate entry level for potential property buyers, in our opinion. The property prices have risen in this region during the last three years, however they are significantly below the record high levels of 2007. The increasing property prices in 2016 and 2017 indicate the start of an upturn phase in the Spanish property market. In light of these good market conditions, holiday properties also continue to be an attractive form of investment for capital investors, as through the holiday lettings, an additional attractive rate of return can be generated, in addition to the potential value growth.

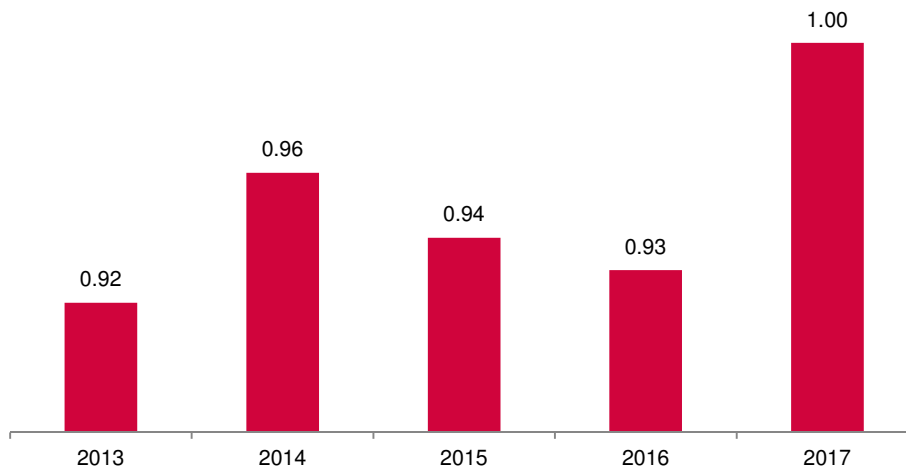
Overall, due to the positive economic general conditions and attractive return opportunities on the Spanish property market, we see further rising demand for holiday properties. In parallel with this, we assume that the Spanish tourism market will continue to be driven by high demand, particularly from the European neighbouring countries, which should also particularly give momentum to the demand for holiday properties for holiday lettings. In general, holiday properties are on trend worldwide. According to the Technavio analysts, the global booking volume for holiday properties should rise from USD 137.8 billion in 2016 to USD 193.9 billion in 2021, which corresponds to a compound annual growth rate (CAGR) of 7%.

Homes & Holiday AG is active in a very attractive market environment with its focus. The general rise in demand for properties in Spain and the dynamic development of the booking figures for holiday properties, are important factors for the future development of Homes & Holiday AG.

Germany

The demand for holiday properties in Germany has also been increasing for years. This is also reflected in the holiday property stock of the German citizens. Accordingly, the number of Germans who own holiday properties has grown from 0.92 million (2013) to 1.00 million people in 2017, which equates to growth of 8.7%.

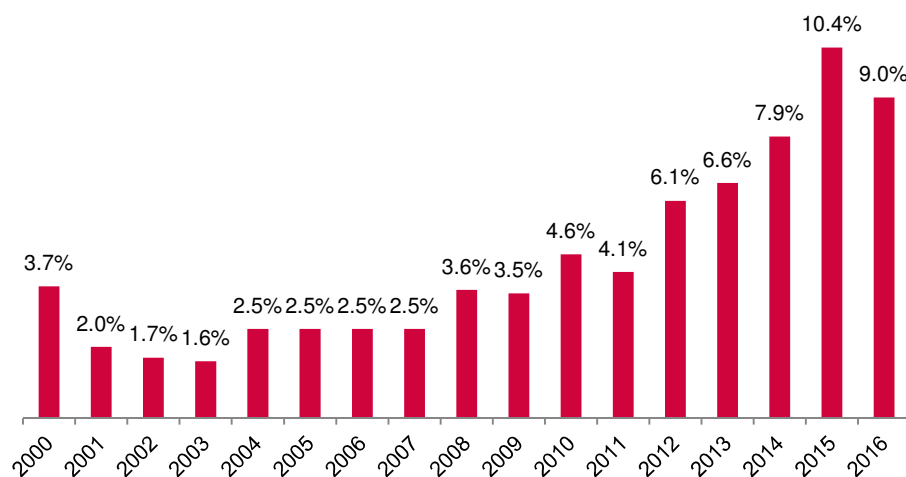
Number of people in Germany, who own a holiday property (in million)



Source: IfD Allensbach; GBC AG

A similar demand trend can also be observed by the study authors of FeWo-direkt in cooperation with Engel & Völkers. According to their study (2017), the number of holiday property purchases by German citizens has increased significantly between 2011 and 2016, both domestically and abroad.

Time of the holiday property purchase - increase likelihood to purchase since 2012

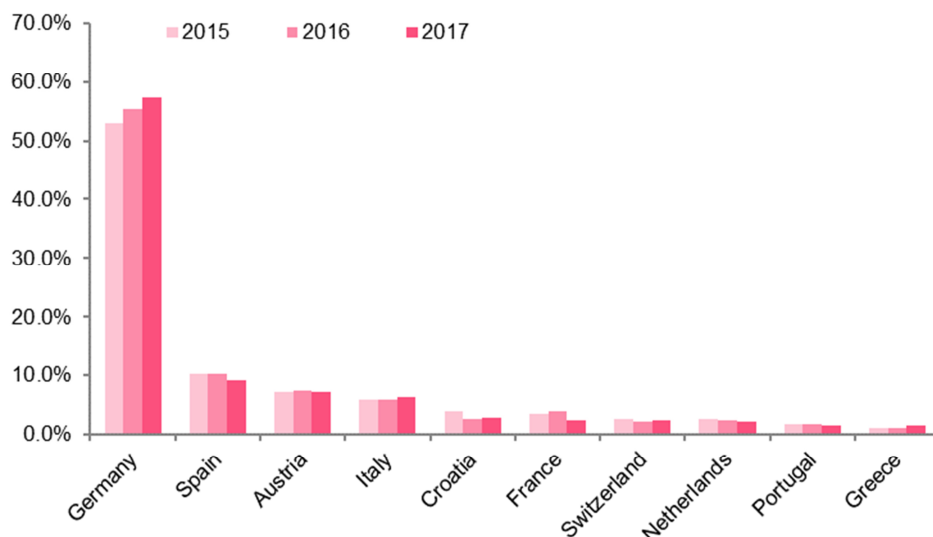


Source: FeWo-Direkt/Engel & Völkers; GBC AG

For future demand, the positive trend is also clearly identifiable. According to the study authors of INNOFACT (2015), around 5.4% of all Germans own holiday property domestically or abroad. Furthermore, every fourth German (26.6%) is planning to acquire such a property in the future. Whereby, the majority (19.8%) would like to buy their own holiday property in the distant future. The remaining 6.8% of the persons referred to are already planning to acquire a holiday property within the next 24 months.

The German buyers of holiday properties have had clear regional preferences for many years. According to the study authors of FeWo-direkt/Engel & Völkers (publication in 2017), the most popular location for the purchase of holiday properties continues to be Germany (57.3%), followed by Spain (9.2%) and Austria (7.2%).

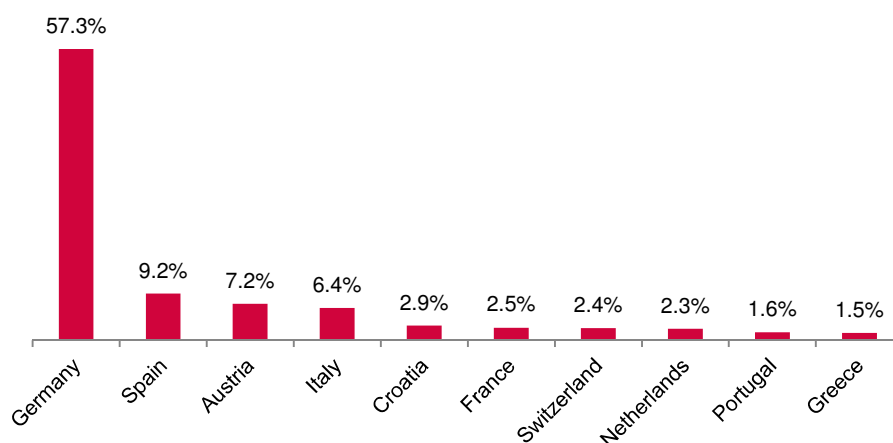
Top 10 locations for holiday properties



Source: FeWo-Direkt/Engel & Völkers; GBC AG

In relation to the location of the properties in the respective regions, there are also such clear preferences. According to the study by FeWo-direkt/Engel & Völkers, German property buyers prefer locations at the sea and in the mountains. The rural location is also important for this group of buyers for domestic properties.

Most popular regions for holiday properties abroad in 2017 (in %)*



Source: FeWo-Direkt/Engel & Völkers; GBC AG *outstanding top-regions marked in bold

According to the study authors, the German North Sea and Baltic Sea coast, Mallorca and Tyrol are the most popular locations (so-called "hotspots") for German holiday property buyers. On the basis of the current positive demand trends, the number of owners of holiday properties should continue increasing significantly in the future. Homes & Holiday AG is therefore active in the attractive and largest European holiday property regions, with its focus regions in Germany and Spain. In terms of volume, the German home market is even larger than the Spanish holiday property market.

SWOT analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • Unique combination of property brokerage business and holiday property lettings ("first-mover advantage") • Fully-integrated business model (brokerage business, holiday lettings, master centres/system centres and property management) • Brand established over many years and tried-and-tested franchise system (particularly on the Balearic Islands) with recognition factor <p>High online visibility due to many years of successful search engine optimisation (SEO)</p> <ul style="list-style-type: none"> • Very experienced management team 	<ul style="list-style-type: none"> • The investments and the not-yet-reached break-even presently still require external capital inflow • The still relatively low capital resources are presently impeding company growth. With the initial public offering, the growth could be accelerated considerably • Dependency on individual key persons in the management area • There is strong competition in various markets • High economic dependency of the subsidiary, Porta Mallorquina (brokerage business on Mallorca)
Opportunities	Risks
<ul style="list-style-type: none"> • Use of potential synergies (cross-selling, customer acquisition, customer retention) between the various business divisions • Regional expansion to new markets and expansion of the business in existing markets ("roll-out" of the established franchise system) organically and through acquisitions • Use of the strong market growth in European holiday regions, which benefit considerably from political situations • Strong growing high-margin and scalable earnings from the brokerage of holiday property lettings (Porta Holiday) 	<ul style="list-style-type: none"> • Without additional growth capital, the first-mover advantage could be lost and the growth may be lower • Low barrier to market entry - competitors may copy the business model • General weakening of the economy may lead to lower property transaction volume. • Rising interest rates for property loans may reduce the buying demand

COMPANY PERFORMANCE AND FORECAST

in EUR million	FY 2016*	FY 2017*
Sales volume (property revenue)	95.0	138.8
Net commission revenue	1.83	2.83
EBITDA	-1.15	-1.71
Net profit	-1.57	-2.01

*Homes & Holiday AG pro-forma consolidated financial statement estimated by GBC AG

2017 business performance

In the past financial year 2017, the focus was on the growth of own locations/partner locations, the expansion of the Mallorcan activities and increasing the number of partners. The particular aim was to give momentum to transactions through qualitative and quantitative sales structure measures and thereby achieve strong revenue growth. As a result of this, the sales volume (property revenue) was increased by 46.1% to €138.8 million (PY: €95.0 million). During the course of this, the new commission revenue grew by 54.7% to €2.83 million (PY: €1.83 million).

Due to the still stronger strategic focus on holiday properties and A-locations in Germany (city properties), the company also parted ways with its Krefeld and Mönchengladbach locations in the past financial year (transaction volume 2017: €25.1 million).

The business development in 2017 was particularly influenced by the subsidiary, Porta Mallorquina (brokerage business). This traditionally accounts for the majority of the commission revenues and sales volume (estimated share of total net commission/sales volume: approx. 90%) and was also able to achieve significant growth in the past financial year (+50%). Two factors contributed to this very dynamic revenue trend. On the one hand, the Spanish subsidiary was able to benefit from a considerable expansion of the sales team (approx. 20%) and additional training measures. These, in turn, enabled improved customer management. On the other hand, the property business benefited from particularly strong demand for properties in comparison to the previous year. Due to this increased demand, the revenue forecast was increased in August 2017 by 30%.

The subsidiary, Porta Holiday (holiday lettings) also developed positively, which is currently mainly active on Mallorca. In the past financial year, the company was able to increase its booking volume by 36% to €0.86 million (PY: €0.63 million). New regulatory general conditions on Mallorca (licence requirement for property marketing), which entered into force in August 2017, initially counteracted even stronger business development. As a result of this, the holiday property portfolio declined from 380 to 225 properties at the end of the financial year, due to the portfolio adjustment. Additionally, Porta Holiday further optimised its business model and, within the scope of this, adapted the sales structure and value creation depth (outsourcing of individual services), and implemented new software, in order to strengthen the future business development.

To reach a necessary "critical transaction size" more quickly for the holiday lettings business, the company launched an acquisition attempt in 2017 of a competitor, however, it was ultimately not concluded. However, at the start of the financial year, the company was able to announce a successful M&A measure (asset deal). During the course of this, a larger portfolio of holiday properties (estimated 180 properties) and a brand name and an introduced Internet domain (holiday properties marketing portal) were acquired. Once all the properties are integrated into the portfolio of Porta Holiday, the portfolio should increase to an estimated 440 properties.

In addition to its Spanish business activities, Homes & Holiday AG also operates in Germany, through its subsidiary, Porta Mondial AG. In the past financial year, Porta Mondial AG performed further system optimisations, increased its number of licensing partners and also improved its sales structure, so as to prepare for further growth. Within the scope of this, partners and sales teams were trained and the size of the sales team was also expanded. In addition, new licensees were gained for the Koblenz, Frankfurt and Munich locations.

Furthermore, it was decided in the last financial year that the services for franchise partners, which the system centre with its registered office in Düsseldorf offers, will be expanded considerably, in order to accelerate the future growth. The system centre in Düsseldorf will mainly concentrate on property management, marketing, partner management, training and expansion in the future.

Through the expanded services of the system centre, the franchise partners can concentrate more on their sales, which should increase the sales quotas. The expansion of the service centre in Düsseldorf should also have a positive impact on acquiring new franchise partners, as such a comprehensive system centre is unusual, according to company information, and should have a positive impact on the revenues of franchise partners.

In recent years, the operating result (EBITDA), which was still in the negative range, has not yet been able to keep up with the positive company development. However, this is mainly due to the high investments and still relatively low revenue level. The establishment and further development of the Porta Holiday business unit also had a negative effect on the result. In the past financial year, an EBITDA in the amount of €-1.71 was generated, so that the negative operating result was increased in comparison to the previous year (€-1.15 million). However, it must be taken into consideration that in the past financial year, a special effect of 0.30 was incurred, which did not affect liquidity, due to the termination of a participating interest (Andratx Real Estate S.L.). When adjusting for this circumstance, the EBITDA amounts to €-1.41 million.

Overall, it can be concluded that the sales performance in FY 2017 was satisfactory. The subsidiary, Porta Mallorquina, made a significant contribution to the positive revenue development and was able to achieve a new sales record. The measures initiated by the management in order to keep the growth at a high level organically and even expand the growth rates inorganically and increase the profitability in parallel with this, should also increasingly have an impact on the earnings. We continue to see the property company as being on the “right track” for a sustainably profitable growth path.

Forecasts and model assumptions

P&L in mEUR Homes & Holiday AG	FY 2018e	FY 2019e	FY 2020e	FY 2021e	FY 2022e
Estimated sales volume (property revenue + booking volume)	160.00	365.00	502.00	618.00	763.00
Net commission revenue (commission revenue less variable costs)	4.25	7.25	9.10	11.05	14.55
EBITDA	-0.90	0.01	2.15	3.60	5.55
Adjusted EBITDA (Adjustment for specific effects and costs for the IPO)	-0.40	0.13	2.15	3.60	5.55

Source: Homes & Holiday AG; GBC AG

Revenue forecasts

After Homes & Holiday AG successfully built up and constantly expanded its property brokerage business through the franchise system on Mallorca over the past years, the company started to supplement the business with the referral of holiday property lettings at the beginning of 2014. The considerable expansion of the brokerage business on Mallorca has led to the Group significantly increasing its commission revenue with the subsidiary, Porta Mallorquina, in the past and develop into a well-known brand in this region.

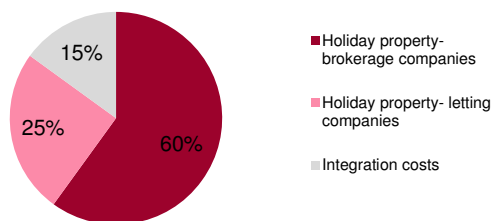
According to its own statement, Homes & Holiday AG is one of the top 3 players in the brokerage business on Mallorca, through its regional brand, Porta Mallorquina. Furthermore, the holiday property company supplemented its range of services in 2017 with property management, thereby developing into a “full-service provider” for holiday properties.

Building on this good basis, the further expansion in Spain and Germany will specifically take place and the still young Porta Holiday business division will be expanded significantly. The growth path, which has already been taken, will be consistently continued with a focus on holiday properties.

The expansion efforts will particularly focus on the regions of Spain and Germany, as they are the most important and attractive holiday property regions. In order to additionally accelerate the intended future growth by opening extra locations, the company is planning inorganic growth through several acquisitions (“buy-and-build strategy”).

On the one hand, these are intended to ensure expansion of the market position and rapid market entry into the holiday property market in selected target regions and on the other hand, to strengthen the still young holiday lettings (Porta Holiday) business division. For the implementation of the planned “buy-and-build” strategy, we assume that a lower-to-mid-single-digit millions amount will be necessary as an investment, in order to be able to achieve the required targets. The initial public offering will serve this purpose, with a planned volume of up to EUR 5.0 million. From our perspective, the total investment sum will be distributed as follows.

Estimated use of funds from pre-IPO and IPO



Source: GBC AG

The following shows our revenue expectations for both of the business divisions (brokerage business and holiday lettings).

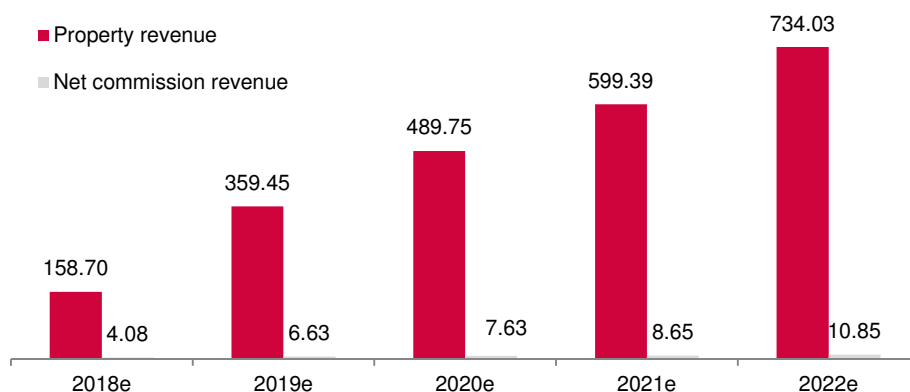
The core area of the brokerage business is currently formed by the subsidiary, Porta Mallorquina, which mainly operates on Mallorca. The respective regional main headquarters (master centres) form the heart of the brokerage segment, which function as service centres (including licensing) for the franchise partners. Porta Mallorquina (master centre for the Balearic Islands region) operates as a licensor for the Balearic Islands and simultaneously manages the franchise partners in this region. It supports the franchise partners in the form of various services (e.g. in customer management or property management), so that they can concentrate on sales in a focussed manner.

On the Balearic Islands, the company currently has nine sales locations, whereby the majority of these are operated by franchise partners. We assume that Homes & Holidays will continue expanding its franchise network on this island and the neighbouring islands, and will additionally set up further brokerage shops on the Spanish mainland. Through the strong market position on Mallorca and the very innovative business model, the company should have considerable advantages with procuring brokers.

For the brokerage business, significant growth potential is available in these Spanish regions, due to the continued strong market growth. Even on Mallorca, where the company is already very strongly represented (top 3 market position), with a market volume of around €4.23 billion (according to Ministerio de Fomento in 2017) on the Balearic Islands, we still see significant growth potential overall, which can be developed. The property company also has four of its own sales regions on Mallorca, which can be transferred to franchise partners.

Using the planned acquisitions, Homes & Holiday can accelerate its speed of growth considerably. With a successful initial public offering, we particularly expect acquisitions to be made in the German-speaking region, as this region comprises the most important and attractive holiday property locations, alongside Spain. With this, the company would achieve very fast market entry into these regions and additionally be able to build up a franchise network (lighthouse effect/signal effect) considerably more quickly, due to the immediate brand presence. Furthermore, we anticipate that this business division will also benefit significantly from the link to Porta Holiday (holiday lettings), for example, in the area of customer acquisition, customer retention or as an add-on service.

Expected property and net commission revenue in the brokerage segment - Porta Mondial umbrella brand (in € million)



Source: Homes & Holiday; GBC AG

Within the scope of the expansion, which we are anticipating in the form of additional shop openings and acquisitions, according to our expectations the company should succeed in considerably increasing its property and net commission revenue in the coming years. In the brokerage segment, we specifically expect the company to increase its property revenue substantially, from around €138 million in 2017 over the next few years to more than €700 million in 2022. On this basis, the net commission revenue should then be more than tripled from presently around €2.80 million (in 2017) to €10.85 million in 2022.

Porta Holiday (holiday lettings)

The subsidiary, Porta Holiday, is active as an online marketer in the letting of holiday properties. Furthermore, it also performs the acquisition of properties through its licensing partners, which are marketed for holidays, as well as the guest management by professional partners on site. The regional business emphasis of the still young business division (founded in 2014) is presently on Mallorca. In this region, the company currently has two locations. Porta Holiday does not have any exclusive shops, but is integrated into existing Porta Mondial shops (shop-in-shop concept). This is intended to achieve synergies between the brokerage and holiday lettings business.

We see three main drivers for this business segment. Firstly, the synergy opportunities in conjunction with property brokerage. As a result of this, the number of properties which are to be let out (presently an estimated 265 properties, after the successful integration of the M&A assets, we expect 440 properties for the end of the year) on the online platform (Porta Holiday.de) can be increased significantly and will also become more attractive due to possible exclusive marketing. We estimate that in the medium term, at least 50% of the around 1,500 properties in the marketing portfolio of Porta Mondial can also be transferred into holiday property lettings. This creates enormous business potential, if the franchise partners gradually join the Group's shop-in-shop concept. Homes & Holiday AG plans to gradually also integrate Porta Holiday Shops into the existing sales locations of the franchise partners, so as to utilise the synergies between these business divisions. The expansion focus of this is also currently on Spain (Balearic Islands) and Germany.

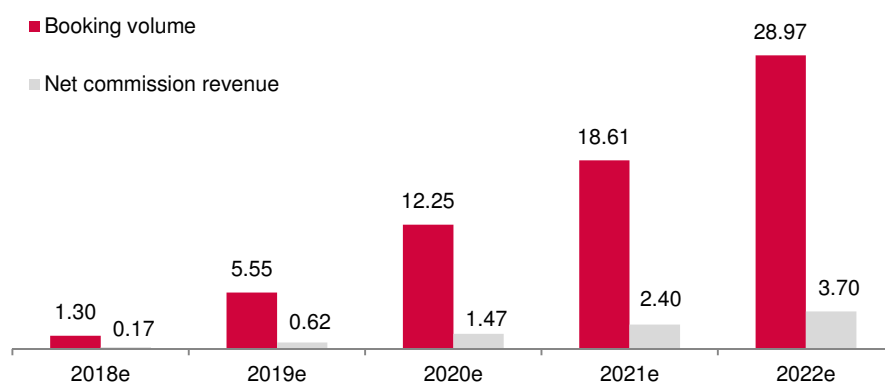
On the other hand, additional growth potential is created through acquisitions of existing holiday lettings companies. Homes & Holiday AG has announced that it is planning acquisitions in this segment. We assume that due to the current status of the segment, acquisitions will be made on Mallorca, therefore providing substantial strength to the

segment. With an acquisition, the supply of holiday properties would increase significantly, so that the Porta Holiday brand would become much more attractive, from a customer's perspective. Furthermore, it would increase the opportunities for additional licensing partners, who join this brand as a licensee (signal effect).

We also see the strong demand for the higher-quality properties that are to be let out (premium customers) as an important influencing factor. Holidays with holiday properties is a global trend and the Balearic Islands and Canary Islands particularly benefit from this. The booking volume in this segment is rising constantly. The "all-round service" used by the customer (marketing, property management, guest management) would also ensure high customer retention, through the unique position of the business model, thereby also having a positive impact on the business.

We anticipate that with the increasing demand for properties for holiday lettings and the further expansion of the Porta Holiday partner network, as well as the acquisitions, which we are expecting, this business division will develop very dynamically in the future. We specifically expect the booking volume to multiply from presently €0.86 million (in 2017) to €28.97 million in 2022. The net commission revenue at Porta Holiday, should grow dramatically in the next five years, from an estimated €0.08 million (in 2017), to €3.70 million in 2022.

Expected booking volumes and net commission revenue of Porta Holiday



Source: Homes & Holiday AG; GBC AG

Summary of revenue forecasts

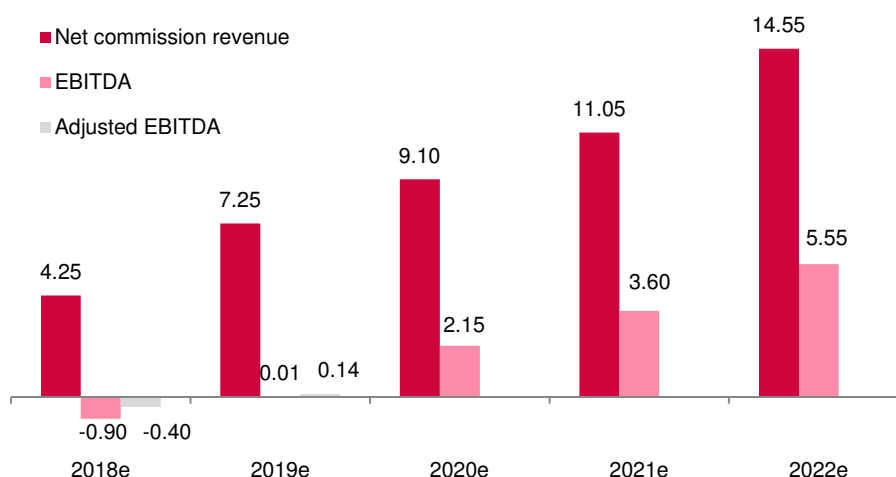
Due to the unique franchise system, which is particularly distinguished by a wide range of services (full-service approach) and a comprehensive variety of services offered by the master centres and the strong positioning in growth markets (e.g. Balearic Islands and Canary Islands), Homes & Holiday AG should succeed in expanding its franchise partner network substantially in the future, in our opinion. The planned acquisitions should also accelerate the intended growth. Overall, the future property and new commission revenue should develop very dynamically as a result of this. Therefore, we anticipate that the holiday property specialist, Homes & Holiday, will continue its initiated growth course and further develop it using the funds generated by the initial public offering.

Earnings forecasts

The expected dynamic revenue development of the Homes & Holiday AG segments is also reflected in our earnings forecasts. After an operating result (EBITDA) was generated in the past financial year of €-1.71 million (adjusted for special effects: €-1.41 million), in the current financial year, we anticipate a visible improvement in earnings and due to the planned initial public offering and the costs incurred for this, we still expect a slightly negative EBITDA of €-0.9 million (adjusted for IPO costs: € -0.4 million). For the following financial year 2019, we expect an operational break-even, mainly supported by the brokerage segment, in the amount of €0.01 million. Adjusted for M&A integration costs, we anticipate an EBITDA of €0.14 million.

In the following years, in light of the expected dynamic business development, with sub-proportionately rising administration costs (fixed cost depression), the completed integration of the planned acquisitions and the significant improvement in the profitability of Porta Holiday, we then assume a disproportionate earnings development (EBITDA) to €2.2 million (2020e), €3.6 million (2021e) and €5.5 million (2022e).

Expected revenue and earnings development of Homes & Holiday AG



Source: Homes & Holiday AG; GBC AG

Summary

In our opinion, Porta Mondial AG created an excellent basis for further growth with the establishment of Porta Mallorquina in the past. Through the further expansion of the partner network and the synergies between business divisions, significantly improved results within the Group should already be possible from 2018, in comparison to the previous year. In the following years, the individual companies of the Porta Mondial Group would gradually be able to generate clearly positive operating results (EBITDAs), with growing commission earnings. With the planned initial public offering, it should be possible to accelerate the intended growth further and increase the profitability again in parallel with this.

VALUATION

We rated Homes & Holiday AG using a three-stage DCF model. Starting with the specific consolidated estimates which include strong revenue and earnings growth rates for the years 2018 to 2022 in phase 1. In phase 2 (years 2023 to 2025 in phase 2) our forecast uses value drivers. Here we expect a revenue increase of 10.0%. We have included the tax rate in phase 2 at 25.0% and in phase 3 at 25.0%. We have assumed an EBITA margin target of 37.7%. Additionally, after the end of the forecast horizon, a residual value is determined in the third phase by means of a perpetual annuity. As the final value, we assume a growth rate of 2.0%.

Determining the capital costs

The weighted average cost of capital (WACC) of Homes & Holiday AG is calculated from the equity cost and the cost of debt. 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 from the current structured interest rate curves for risk-free bonds in accordance with the recommendations from the "Fachausschuss für Unternehmensbewertung und Betriebswirtschaft" (FAUB, Special Committee for Business Valuation and Business Management) of the "Institut der Wirtschaftsprüfer in Deutschland e.V." (Institute of Public Auditors in Germany). This is based on the zero bond interest rate calculated using the Svensson Method published by the German central bank. In order to compensate for short-term market fluctuations, the average returns for the previous three months are used and the result is rounded up to the nearest 0.25 basis points. The value currently used for the risk-free interest rate is 1.25% (according to FAUB). The value we use is 1.50. This includes a security premium of 0.25% against the background of the currently slightly rising interest rates.

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

According to GBC estimates, a beta of 1.38 is currently determined. Using the premises provided, the equity cost is calculated at 9.1 % (beta multiplied by risk premium plus risk-free interest rate). As we assume a sustainable weighting of the equity cost of 100 %, the result is a weighted average cost of capital (WACC) of 9.1 %.

With regard to the IPO, we have considered an increase in the number of shares by 2.0 million shares at EUR 2.50 (dilution effect).

Valuation result

The discounting of future cash flows is based on the entity approach. We have calculated the corresponding weighted average cost of capital (WACC) to be 9.1%. The resulting fair value per share (post money including dilution effect) at the end of the 2019 financial year corresponds to the stock target price of EUR 4.83.

Homes & Holiday AG - Discounted Cashflow (DCF) model scenario

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

consistency - phase		final - phase	
Revenue growth	10.0%	Eternal growth rate	2.0%
EBITDA margin	38.0%	Eternal EBITA margin	37.7%
Depreciation to fixed assets	2.8%	Effective tax rate in final phase	25.0%
Working Capital to revenue	1.1%		

Three phase DCF - model:

phase	estimate					consistency			final
in mEUR	FY18e	FY 19e	FY 20e	FY 21e	FY 22e	FY 23e	FY 24e	FY 25e	final value
Sales volume*	160.00	365.00	502.00	618.00	763.00	839.30	923.23	1015.55	
Net commission revenue (US)	4.25	7.25	9.10	11.05	14.55	16.01	17.61	19.37	
Revenue change	50.3%	70.6%	25.5%	21.4%	31.7%	10.0%	10.0%	10.0%	2.0%
Revenue to fixed assets	0.22	0.37	0.46	0.56	0.73	0.80	0.88	0.97	
EBITDA	-0.90	0.01	2.15	3.60	5.55	6.06	6.69	7.36	
EBITDA margin	21.2%	0.1%	23.6%	32.6%	38.1%	37.9%	38.0%	38.0%	
EBITA	-0.93	-0.02	2.13	3.57	5.51	6.02	6.64	7.31	
EBITA margin	21.8%	-0.2%	23.4%	32.3%	37.9%	37.6%	37.7%	37.7%	37.7%
Taxes on EBITA	0.00	0.00	0.00	-0.89	-1.38	-1.51	-1.66	-1.83	
Taxes to EBITA	0.0%	0.0%	0.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
EBI (NOPLAT)	-0.93	-0.02	2.13	2.68	4.13	4.52	4.98	5.48	
Return on capital	-4.8%	-0.1%	10.7%	13.4%	20.6%	22.5%	24.8%	27.1%	27.7%
Working Capital (WC)	0.10	0.10	0.10	0.12	0.16	0.18	0.19	0.21	
WC to revenue	2.3%	1.4%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	
Investment in WC	-0.14	0.00	0.00	-0.02	-0.04	-0.02	-0.02	-0.02	
Operating fixed assets (OAV)	19.70	19.85	19.88	19.90	19.90	19.91	20.00	20.00	
Depreciation on OAV	-0.03	-0.03	-0.03	-0.03	-0.04	-0.04	-0.05	-0.05	
Depreciation to OAV	0.1%	0.1%	0.1%	2.8%	2.8%	2.8%	2.8%	2.8%	
Investment in OAV	-0.33	-0.18	-0.05	-0.05	-0.04	-0.05	-0.14	-0.05	
Capital employment	19.80	19.95	19.98	20.02	20.06	20.09	20.19	20.21	
EBITDA	-0.90	0.01	2.15	3.60	5.55	6.06	6.69	7.36	
Taxes on EBITA	0.00	0.00	0.00	-0.89	-1.38	-1.51	-1.66	-1.83	
Total investment	-0.46	-3.13	-1.31	-0.07	-0.08	-0.07	-0.16	-0.07	
Investment in OAV	-0.33	-0.18	-0.05	-0.05	-0.04	-0.05	-0.14	-0.05	
Investment in WC	-0.14	0.00	0.00	-0.02	-0.04	-0.02	-0.02	-0.02	
Investment in Goodwill	0.00	-2.95	-1.26	0.00	0.00	0.00	0.00	0.00	
Free cashflows	-1.36	-3.12	0.84	2.63	4.09	4.49	4.87	5.46	73.45

Value operating business (due date)	51.57	59.36
Net present value explicit free cashflows	11.55	15.72
Net present value of terminal value	40.02	43.64
Net debt	-4.65	-1.53
Value of equity	56.22	60.89
Minority interests	0.00	0.00
Value of share capital	56.22	60.89
Outstanding shares in m	10.23	12.61
Fair value per share in €	5.50	4.83

*property revenue + booking volume

Cost of capital:

Risk free rate	1.5%
Market risk premium	5.5%
Beta	1.38
Cost of equity	9.1%
Target weight	100.0%
Cost of debt	7.0%
Target weight	0.0%
Taxshield	25.0%
WACC	9.1%

Return on Capital	WACC				
	8.5%	8.8%	9.1%	9.4%	9.7%
27.2%	5.20	4.97	4.76	4.57	4.39
27.4%	5.24	5.01	4.80	4.60	4.42
27.7%	5.28	5.04	4.83	4.63	4.46
27.9%	5.32	5.08	4.86	4.67	4.49
28.2%	5.35	5.11	4.90	4.70	4.52

ANNEX

I.

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2. The research report is simultaneously made available to all interested investment services companies.

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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 %.

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