

FinLab AG^{*5a,6a,11}

BUY

Target Price: 29.50 €
(until now: 28.87 €)

Current Price: 16.35
02/09/2019 / XETRA / 2:40 pm
Currency: EUR

Key Data:

ISIN: DE0001218063
WKN: 121806
Ticker symbol: A7A
Number of shares³: 5.239
Marketcap³: 85.66
³in millions / mEUR

Free Float: 20 %

Transparency Level:
Scale

Market Segment:
Freiverkehr

Accounting Standard:
HGB/IFRS

Financial-Year End: 31/12

Designated Sponsor:
Hauck & Aufhäuser

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* possible conflicts of interest
on page 9

Date (Time) completion:
02/09/19 (3:07 pm)

Date (Time) first distribution:
03/09/18 (10:00 am)

Target price valid until: max.
31/12/2020

Company Profile

Sector: Private Equity

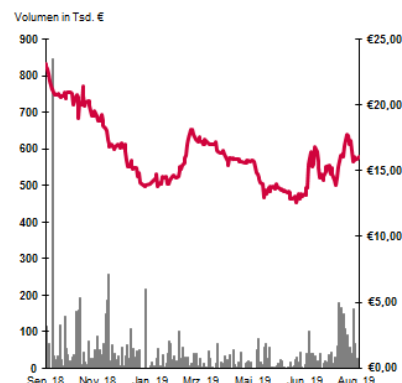
Focus: financial technology ("fintech") business models

Employees: 12 on incubator level and over 500 in subsidiaries

Established: 2000, focus on fintech since beginning 2015

Registered office: Frankfurt am Main

Board of Management: Stefan Schütze, Juan Rodriguez



FinLab AG is an investment company with a specific focus on fintech business models. Its business activities focus on developing self-founded or incubated German fintech start-ups, with the potential to roll out the business model across Europe. FinLab aims to acquire majority stakes in these start-ups and also finances the companies through several rounds of financing as the lead or co-investor. The Company's secondary focus is on investing in promising fintech companies that are not self-founded, and providing associated risk capital in seed or follow-on financing rounds. This does not involve any regional specialisation, but in addition to Germany, investments are also considered in the USA. In recent years, FinLab AG has considerably expanded its investment portfolio, which now comprises ten investments. These include companies from the fast-growing fintech sector as well as companies with a link to the blockchain and cryptocurrency worlds.

P&L in EUR millions*	31/12/2016	31/12/2017	31/12/2018	30/06/2019
Total income	4.94	4.36	4.69	2.91
EBIT	2.27	1.46	0.79	1.16
Net income (loss)	14.00	14.21	16.92	4.60
Operating Cashflow	0.89	1.83	1.49	-0.11

Key Figures in EUR*

Earnings per share	3.08	2.97	3.29	0.88
Dividend per share	0.00	0.00	0.00	0.00

Key figures*

Financial Assets in EUR millions	68.00	103.19	104.94	103.18
Equity (IFRS) in EUR millions	67.14	103.92	106.27	106.00
NAV per share in EUR	14.79	20.83	20.44	20.23
Discount to NAV	10.5%	-21.5%	-20.0%	-19.2%
P/E ratio	6.12	6.03	5.06	-

* Figures according to IFRS

Financial Calendar

25 - 27/11/19: Equity Forum

** Last research by GBC:

Date: publication/target price in EUR/rating

23/04/2019: RS / 28.87 / BUY

24/09/2018: RS / 32.75 / BUY

16/08/2018: RS / 33.75 / BUY

15/06/2018: RS / 30.65 / BUY

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

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"

BUSINESS DEVELOPMENT 1.HY 2019

Earnings and EBIT-development 1.HY 2019

GuV (in Mio. €)	1.HY 2017	1.HY 2018	1.HY 2019
P&L (in €m)	1.76	2.79	2.91
Total income	0.30 (17.2%)	1.02 (36.7%)	1.16 (39.7%)
Net profit	2.99	1.63	4.60
EPS in €	0.65	0.31	0.88

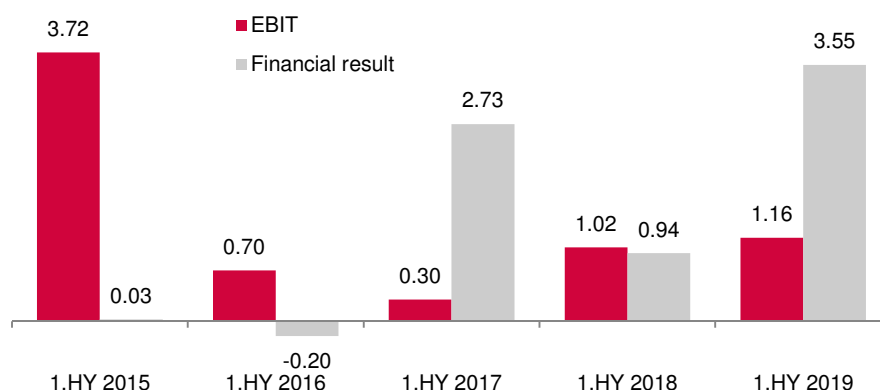
Source: FinLab AG; GBC AG

FinLab AG's business model as an investment company that focuses on Fintech business models means that an analysis of turnover and earnings performance according to conventional key figures does not adequately represent the business situation. The most important message to take from an examination of revenue and EBIT is the fact that FinLab AG is "self-sustaining", and that personnel and material costs are therefore covered.

As in previous financial years, FinLab AG achieved a positive EBIT result, posting a result of EUR 1.16 million this year (previous year: EUR 1.02 million). Consequently, the company remains in the comfortable position of being able to keep the Fintech investments in the portfolio for as long as possible, thereby generating most of the potential increase in value. As such, it is not necessary to perform any exit transactions to compensate for possible deficits.

The basis for this stable EBIT performance is provided by revenue, which is made up of income from services provided to subsidiaries and holdings (management, marketing, accounting etc.) not to mention investment income. Investment income consists primarily of dividend distributions from HELIAD Equity Partners GmbH & Co. KGaA, in which a stake of 45.3% is held, as well as shares in profit generated by portfolio companies. Overall, total income increased to EUR 2.91 million (previous year: EUR 2.79 million), which, on account of the fact that overhead costs remained consistent, resulted in the reported EBIT increase.

EBIT and Financial result (in €m)



Source: FinLab AG; GBC AG

The performance of the Fintech investment portfolio, be it an increase in value or a successful sale of shares, is reflected in the financial result and therefore below EBIT. The sharp increase in the financial result to EUR 3.55 million (previous year: EUR 0.94 million) is attributable in particular to the positive performance of Fintech investments. We believe that the financing round carried out at Iconic Lab in January 2019 had a positive

impact on the financial result. In addition, it would be fair to say that other portfolio companies have been successful in improving their enterprise value.

Balance sheet and financial situation as at 30/06/2019

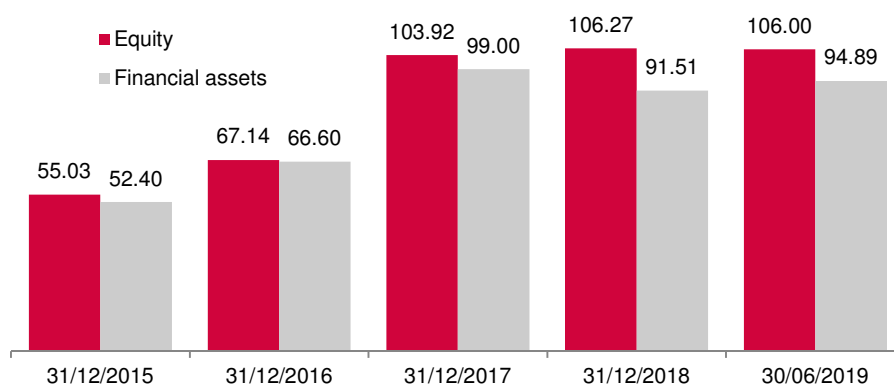
in €m	31/12/2017	31/12/2018	30/06/2019
Equity	103.92	106.27	106.00
Equity ratio (in %)	97.9%	98.2%	98.5 %
Financial Assets	99.00	91.51	94.89
Securities and Cash	4.19	13.42	8.29
NAV per share	20.83 €	20.44 €	20.23 €
Cash Flow – operating	1.83	1.49	-0.11
Cash Flow – investing	-4.29	2.57	-5.03
Cash Flow – financing	5.61	5.18	0.00

Source: FinLab AG, GBC AG

The balance sheet of FinLab AG, which consists almost exclusively of equity on the liabilities side with an equity ratio of 98.5% (31/12/18: 98.2%), shows that the investments made in classical financial services and in Fintech portfolio companies are entirely equity-financed. Both the result-effective and result-neutral increases in value at the portfolio companies have an impact on the volume of equity capital. The highly positive post-tax result of EUR 4.6 million is offset by a decline in the share price of Heliad Equity Partners GmbH & Co. KGaA, which happens to be the largest individual investment of FinLab AG. Amortisation of portfolio companies once again led to a sharp drop in the share price of Heliad of 28.9% in the first six months of 2019, which was taken into account in the revaluation basis by way of a reduction in equity capital.

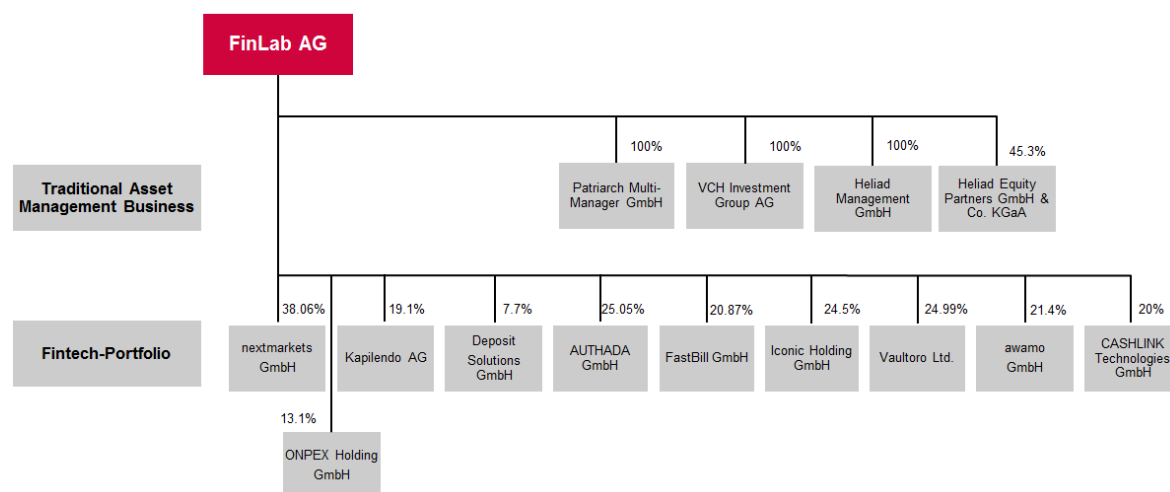
On the assets side, the decline in Heliad's share price resulted in a reduction in financial assets. However, this was offset by the positive performance of Fintech investments and the expansion of the investment portfolio at ONPEX Holding GmbH carried out in February 2019. Consequently, financial assets increased to EUR 94.89 million (31/12/18: EUR 91.51 million):

Equity and financial assets (in €m)



Source: FinLab AG; GBC AG

DEVELOPMENT OF THE FINTECH-PORTFOLIO 1.HY 2019



Source: FinLab AG; GBC AG

Deposit Solutions GmbH

Deposit Solutions has now sold over EUR 14 billion in savings deposits via the “Zinspilot” and “Savedo” distribution channels and approximately 190,000 customers have already opened an account with FinLab portfolio company. The growth of the company, which was valued at around USD 500 million as part of the last financing round (August 2018), is expected to remain at this high level. Now that the company has established itself in the Netherlands and Austria, other European countries will be added. The first steps towards expansion to the USA have also been taken. Both of the Deposit Solutions platforms “Zinspilot” and “Savedo” were presented with the award for “Best Deposit Market-place” by BankingCheck.

Iconic Holdings GmbH

Iconic operates in the crypto asset management sector and is currently developing a crypto asset management platform (AMaaS) which enables external asset managers to optimise the implementation of their own investment strategies in the crypto asset sector. Within the framework of the AMaaS ecosystem, asset managers are able to launch regulated vehicles, perform transactions and make use of all essential services. Having successfully carried out a seven-digit financing round with Hightech Gründerfonds (HTGF III) and FinLab AG in January 2019, the next seven-digit financing round was carried out in July 2019 with Cryptology Asset Group PLC. The capital is to be used primarily for the completion of the AMaaS platform.

ONPEX Holding GmbH

In February 2019, FinLab AG announced its investment in ONPEX Holding GmbH. ONPEX is a cloud-based account and payment solution offering modular white-label payment, banking and compliance-as-a-service solutions. Companies, particularly those with digital business models, can use the ONPEX platform to process payments in a regulated environment, for example. Customers are also able to offer their own financial services (payment processing etc.) by using the ONPEX-BaaS white-label service. The global platform makes it possible to process international transfers in different currencies. ONPEX’s institutional customers also include regulated institutions such as payment processors, banks or cryptocurrency platforms, which can use application programming interfaces (APIs) to create their own customised applications. In the course of the series A financing round, FinLab AG made a high seven-figure investment.

CASHLINK Technologies GmbH

CASHLINK Technologies, which was added to the FinLab investment portfolio in November 2018, offers a blockchain-based platform that can be used by start-ups to search for capital. The platform connects start-ups directly with potential investors, allowing start-up shares to be traded digitally in the form of “security tokens”. This transaction is regulated under German law, which makes it possible to carry out the process at low cost thanks to the high degree of standardisation. In May 2019, the FinLab portfolio company issued the first digital securities on the block-chain within its self-developed legal framework in order to demonstrate the functionality of the platform.

AUTHADA GmbH

The Darmstadt-based AUTHADA GmbH is a specialist in identification solutions and a provider of cyber security products which enable customers’ identities to be checked quickly, thanks to the e-ID function of their personal identity cards. After comdirect-Bank, one of the leading direct banks in Germany, was acquired as a customer in the previous financial year, cooperation was expanded in 2019. In addition to being used in the process of opening digital securities accounts, the AUTHADA solution is now also used as an identification solution when current accounts are opened. This is now fully integrated into comdirect’s app and corporate design.

VALUATION

We valued FinLab AG by calculating the net asset value (NAV) as a key performance indicator for portfolio companies, which is typical for the sector.

As at 30/06/2019, FinLab AG had equity of EUR 106.00 million according to its IFRS balance sheet. This is based on the financial investments' carrying value of EUR 94.89 million, where the 45.3% investment in Heliad Equity Partners GmbH & Co. KGaA is currently the largest individual investment at EUR 16.15 million. The valuation of the Heliad investment declined significantly, particularly in the last two financial years, as a result of the need for amortisation of Heliad portfolio companies. The Heliad NAV, which was last updated on 31/03/2019, is EUR 6.76 per share (31/12/2018: €6.20 per share). Relative to this NAV, the hidden reserves of the HELIAD investment amount to EUR 13.68 million.

In addition, the IFRS valuation of the Fintech portfolio companies was EUR 60.31 million as at 30/06/19 (31/12/18: EUR 52.75 million). This increase is partly due to the investment in ONPEX Holding GmbH, which was completed in February 2019, but also to the positive performance of the existing Fintech portfolio companies. We see the overall NAV of the Fintech portfolio companies at EUR 94.81 million, and therefore EUR 34.5 million above the balance-sheet valuation.

In the third stage of the NAV calculation, we took into account in the liquid assets (including securities) amounting to EUR 8.22 million the revenue streams from traditional asset management business that are expected and predictable for the second half of 2019, i.e. the agreed management fees as well as dividend income (including income from the new fund with Block.one) minus the holding costs.

Calculation of the fair value per share of FinLab AG:

in €m	30/06/2019 (lt. IFRS)	Fair value for NAV-calculation (according to GBC)
Heliad Equity Partners GmbH	16.15	29.83
Fintech-Investments	60.31	94.81
Liquid assets	8.22	10.54
Other financial assets	18.12	18.12
Sum	103.18	153.30
	Hidden reserves	50.20
	Equity	156.20
	Equity without debt	154.61
	Number of shares	5.24
	NAV/share	29.50 €

At EUR 29.5, the current NAV/share of FinLab AG is slightly above the value calculated thus far of EUR 28.87. The fair values of the Fintech investments and the HELIAD NAV show slight increases compared to our previous study. Based on the current share price, FinLab AG clearly retains its BUY rating.

Important valuation note

At present, there is speculation about the sale of the online broker Flatex AG (formerly trading under FinTech Group AG), the largest company in the HELIAD portfolio. In July 2019, the company announced the decision to work with the consulting firm Lazard to examine possible strategic options regarding its future course. Selling the company was mentioned as a possible option. Even though further information is not currently available on the market, there is speculation in the media and on various financial portals that a sale in excess of the price of EUR 30 per share is a likely course of action. A sale of Flatex AG at this price would have a positive impact on business performance and, as a resultant, on the valuation of FinLab AG. According to our calculations, the positive impact would amount to EUR 20.81 million or EUR 3.97 per share, and can be broken down as follows:

- Based on the price gain achieved (relative to the buying price paid by Heliad for Flatex AG), FinLab AG, as a consultant, would receive a performance fee of 20% from the fully owned subsidiary HELIAD Management GmbH. The purchase price of the 1.93 million Flatex shares held by Heliad is EUR 7.27 per share. If they were sold at a price of EUR 30.00 per share, this would result in a price gain of EUR 43.88 million. As a result, FinLab would receive a **performance fee** amounting to EUR **8.78 million**.
- By selling Flatex AG, Heliad would achieve a significant increase in operating profit and therefore also in its NAV. According to the IFRS, the valuation of Flatex AG is likely to have reached EUR 34.54 million by 31/12/2018. Selling the company at EUR 30 per share would result in an increase in value of EUR 26.56 million to EUR 61.10 million. This would cause the NAV of Heliad to rise by EUR 2.69. In accordance with the participation rate of 45.3%, **EUR 12.03 million** of the sum would be attributable to FinLab AG.

ANNEX

I.

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

II.

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

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Other person involved:

Manuel Hölzle, Dipl. Kaufmann, Head of Research

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