

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

Buy

Target price: € 31.60
(until now: € 28.85)

Current price: 19.65
29.09.2020 / XETRA / 9:24 am
Currency: EUR

Key Data:

ISIN: DE0001218063
WKN: 121806
Ticker symbol: A7A
Number of shares³: 5.323
Marketcap³: 104.60
³in million / in million EUR

Free Float: 20 %

Transparency Level:
Scale

Market Segment:
Freiverkehr

Accounting Standard:
HGB/IFRS

Financial year: 31.12.

Designated Sponsor:
Hauck & Aufhäuser

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* Catalogue of possible conflicts of interest on page 9

Date (time) Completion:
01.10.2020 (10:14 am)

Date (time) first transmission:
01.10.2020 (11:00 am)

Validity of the course target:
until max. 31.12.2020

Company profile

Sector: Private Equity

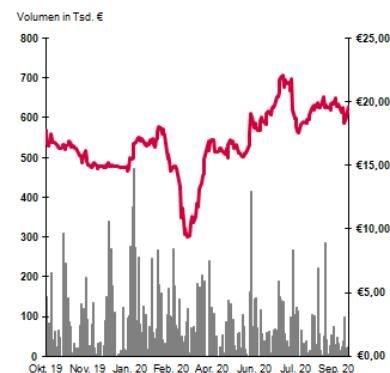
Focus: financial technology ("fintech") business models

Employees: 12 on incubator level and over 500 in subsidiaries

Established: 2000, focus on fintech since beginning 2015

Company headquarters: Frankfurt am Main

Board of Management: Stefan Schütze, Juan Rodriguez



FinLab AG is an investment company with a special focus on fintech business models. The focus of FinLab AG is the provision of venture capital for start-ups. FinLab aims to actively and long-term support of the investments. FinLab supports its investments in their respective development phase with their network and know-how. FinLab also acts as an asset manager and manages assets in the hundreds of millions. 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 €m*	31.12.2017	31.12.2018	31.12.2019	30.06.2020
Total income	4.36	4.69	4.62	2.12
EBIT	1.46	0.79	2.19	0.51
Net income (loss)	14.21	16.92	39.53	2.56
Operating cashflow	1.83	1.49	1.42	0.38

Key Figures in EUR*

Earnings per share	2.97	3.29	7.54	0.48
Dividend per share	0.00	0.00	0.00	-

Key figures*

Financial Assets in EUR millions	103.19	104.94	141.35	155.38
Equity (IFRS) in EUR millions	103.92	106.27	142.77	156.47
NAV per share in EUR	20.83	20.44	27.12	29.70
Discount to NAV	-5.7%	-3.9%	-27.8%	-33.8%

*Figures according to IFRS

Financial dates

25-27.11.19: EKf

** Last research by GBC:

Date: publication/target price in EUR/rating

07.04.2020: RS / 28.85 / BUY

03.09.2019: RS / 29.50 / BUY

23.04.2019: RS / 28.87 / BUY

24.09.2018: RS / 32.75 / BUY

** the above research studies can be viewed at www.gbc-ag.de or requested from 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 1ST HALF OF 2020

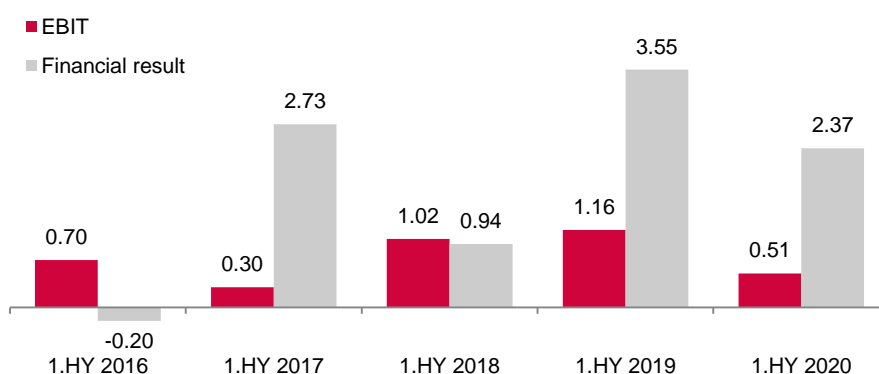
Sales and earnings development 1st half of 2020

P&L(in €m)	1. HY 2018	1. HY 2019	1. HY 2020
Total income	2.79	2.91	2.12
EBIT (<i>margin</i>)	1.02 (36.7%)	1.16 (39.7%)	0.51 (23.8%)
Net profit	1.63	4.60	2.56
EPS in €	0.31	0.88	0.48
Overall result*	-7.28	-0.62	13.70

Source: FinLab AG; GBC AG; *incl. share price development HELIAD Equity Partners GmbH & KGaA

In the first half of 2020, FinLab AG also achieved a positive EBIT of € 0.51 million (previous year: € 1.16 million), which continues to cover the costs of managing the investment portfolio. The basis for this positive operating result, which is unusual for investment companies, is the comparatively constant earnings of the company, which in the past six months have been in a corridor between € 1.76 million and € 2.91 million. The decline in earnings to €2.12m (previous year: €2.91m) in the first half of 2020 is attributable to lower income from investments. The decline in income was offset by a slight decline in operating costs, which had led to lower EBIT. As before, the positive EBIT is to be seen as meaningful evidence that the company provides long-term support to the portfolio companies without having to make exits to cover costs.

EBIT and financial result (in €m)



Source: FinLab AG; GBC AG

As the Fintech investments are not fully consolidated, changes in the value of non-listed investments are recognised in the financial result. Since the write-ups and write-downs in the investment portfolio are made in accordance with the respective development of the investment company, these show a higher volatility. In the first half of 2020 the write-ups had led to a financial result of € 2.37 million (previous year: € 3.55 million) and, as a result, a positive net profit for the period of €2.56 million (previous year: €4.60 million). The performance of Heliad Equity Partners' share price is recognised as a change in the revaluation basis below net income for the period. Having reported high share price losses in each of the past two financial years, Heliad's share price rose sharply in the first six months of 2020. Based on Heliad's positive operating performance, the change in the revaluation base of € 11.14 million (previous year: € -5.22 million) and thus FinLab AG's overall earnings of € 13.70 million (previous year: € -0.62 million) were both significantly higher than in the previous year.

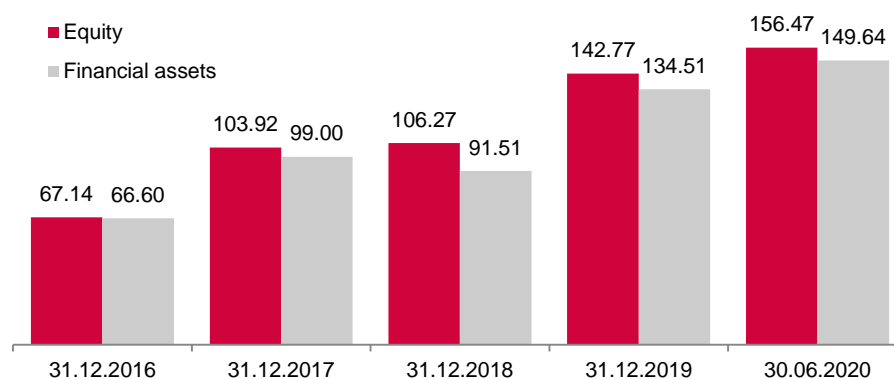
Balance sheet as at 30/06/2020

in €m	31.12.2017	31.12.2018	31.12.2019	30.06.2020
Equity	103.92	106.27	142.77	156.47
Equity ratio (in %)	97.9%	98.2%	97.9%	98.0%
Financial assets	99.00	91.51	134.51	149.64
Securities and cash	4.19	13.42	6.83	5.74
NAV per share (according to IFRS)	20.83 €	20.44 €	27.12 €	29.70 €
Cash flow - operating	1.83	1.49	1.42	0.38
Cash flow - investment	-4.29	2.57	-8.27	-1.37
Cash flow - financing	5.61	5.18	0.20	-0.10

Source: FinLab AG, GBC AG

The substantial improvement in the overall result to €13.70m led to a significant rise in equity to € 156.47m (31.12.19: € 142.77m). As outlined above, this was primarily due to the positive share price performance of the publicly listed Heliad investment and, to a lesser extent, to the growth in value of the Fintech investments. With an equity ratio of 98.0% (31.12.19: 97.9%), the company's investment portfolio continues to be fully equity-financed. This is an important factor, especially against the background of possible crisis scenarios, as it provides a high degree of financing flexibility.

Equity and financial assets (in €m)

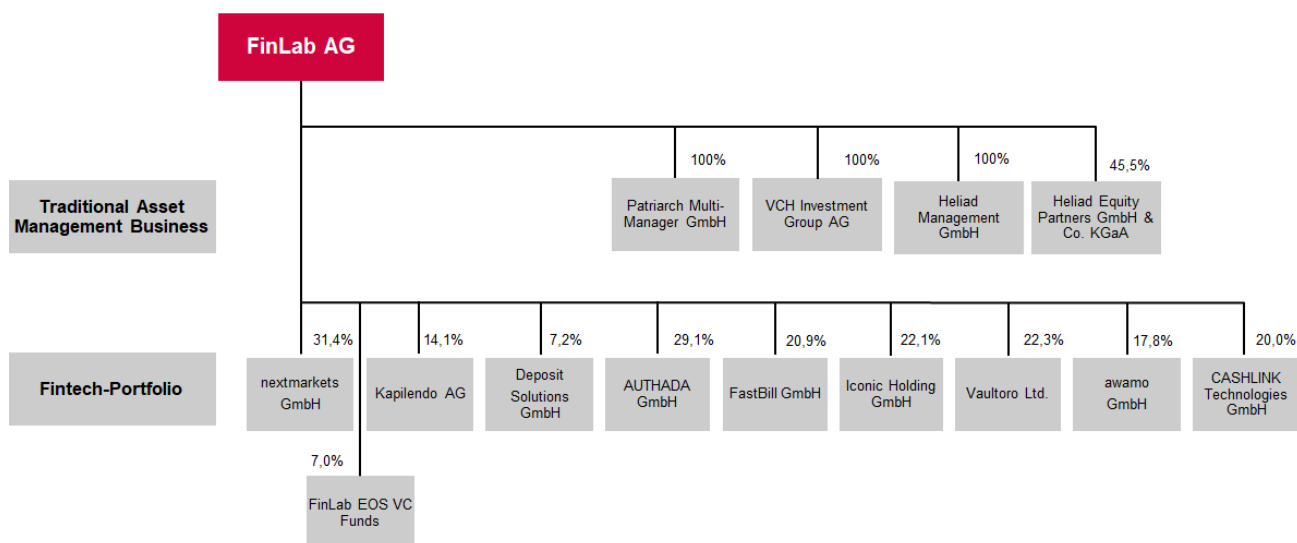


Source: FinLab AG; GBC AG

The gradual increase in equity in the past financial years is naturally due to the higher valuation of the investment portfolio of FinLab AG. Financial assets amounting to € 149.64 million (31.12.19: € 134.51 million) include both the higher market capitalisation of Heliad Equity Partners (+€ 11.19 million) and the higher valuation of the Fintech investments (+€ 4.76 million).

At the same time, FinLab AG has liquid assets amounting to € 5.66 million (31.12.19: € 6.75 million) and is therefore in a comfortable situation. This is particularly so against the background of the fact that a positive operating cash flow is usually reported, which amounted to € 0.38 million in the first six months.

DEVELOPMENT OF INVESTMENTS IN THE 1ST HY 2020



Source: FinLab AG; GBC AG

Heliad Equity Partners

FinLab AG holds a 45.5% stake in the investment company Heliad Equity Partners GmbH & Co KGaA (HELIAD). Furthermore, FinLab AG is the sole shareholder in Heliad Management GmbH, the general partner in Heliad Equity Partners GmbH & Co. KGaA. In the first six months of 2020 Heliad reported a significant increase in net income for the period to € 32.50 million (previous year: € 0.39 m), particularly due to the very positive performance of its flatex AG investment. The share price of flatex AG, in which Heliad held a 7.1% stake at the beginning of the financial year, rose by over 85% in the first six months. Based on the number of shares held at the beginning of the year, flatex's value increased by € 40.53 m, thus being largely responsible for Heliad's strong earnings performance. Accordingly, Heliad's NAV climbed to €10.74 per share as of 30.06.2020 (31.12.2019: €7.39 per share).

Deposit Solutions

Deposit Solutions is the largest as well as the most successful investment of FinLab AG to date. The operator of the well-known Savedo and Zinspilot platforms was based on a company valuation of over € 1.0 billion in a further financing round last year. In this financing round, Deutsche Bank had acquired a 4.9% stake in Deposit Solutions. The company is even likely to have grown further in the wake of the COVID-19 pandemic. According to an interview with founder Tim Sivers on the portal grün-derszene.de, the deposit business is likely to have even increased since the beginning of the corona crisis. This is in line with our findings that there is currently high investment pressure on the market due to liquidity. In addition, a number of banks have been added to the Deposit Solutions platform in recent weeks. On 30.09.2020 Deposit Solutions announced the market launch of its US interest rate portal SaveBetter.com. With SaveBetter, Deposit Solutions offers American banks a national sales channel for their deposit products - and savers better access, greater choice and more convenience when taking out savings products from different banks. The US deposit market is worth a total of 16 trillion US dollars.

AUTHADA

The Darmstadt-based AUTHADA GmbH is a specialist for identification solutions and a provider of cybersecurity products, with which customer identities can be quickly estab-

lished via the eID functionality of the identity card. Since March of this fiscal year, the company has been a service provider of the eID function certified by the Federal Office for Security and Information Technology. This means that, in addition to regulated markets (financial sector), the company is now also allowed to address unregulated markets such as the eCommerce sector. In addition since March 2020, the eID service of AUTHADA has been integrated into the onboarding process of VisualVest, a subsidiary of the Union Investment Group. In April 2020, AUTHADA entered the telecommunications market and is now available to Vodafone customers for the activation of SIM cards.

In mid-September 2020, the participation of InfoCert, a subsidiary of the Tinexta Group, in AUTHADA was announced. AUTHADA will receive a medium seven-digit amount for the 16.7 % shareholding, which will be acquired in the context of a capital increase. The strategic cooperation between InfoCert and AUTHADA will also be launched at the same time. InfoCert intends to expand its presence in the DACH sector by using AUTHADA's certification technologies.

nextmarkets

In mid-September 2020, the broker nextmarkets introduced a new product version. Users have the opportunity to trade more than 7,000 shares and 1,000 ETFs free of charge. Due to the high degree of automation and the lean corporate structure, nextmarkets has the option of waiving Order fees.

EOS

In 2018, FinLab AG together with Block.one (founder of Blockchain Software EOS.IO) launched the FinLab EOS VC fund. After several investments were made in 2019, investment activity remains at a high level in 2020:

- *CAPTRACE*: In January 2020, CAPTRACE GmbH, a leading platform for the management of company shares, received seven-figure financing from the FinLab EOS VC Fund. The company offers software solutions and services for the management of company shares and investors. This enables a high level of transparency regarding the investor structure. CAPTRACE also offers the custody of company shares, both through distributed ledger technology and in centralised custody.
- *Agora Innovation*: With the seven-digit Pre-Series A Investment from FinLab EOS VC Fund, the Frankfurt Blockchain start-up Agora GmbH plans to expand its marketing and sales activities and to develop the European and Asian market. With IVE.ONE, Agora GmbH has developed a global investment and issuing platform for digital securities.
- *Gapless*: The FinLab EOS VC Fund has invested in Gapless, the world's first block chain platform for vehicle owners, in a €5.5 million financing round. Users can manage vehicles online and create digital, complete vehicle histories.
- *Spielworks*: In May 2020, the EOS fund invested in Berlin-based Spielworks GmbH in a seven-digit financing round. Founded in 2018, the company operates the gaming platform Wombat and the collectible and community game Chain Clash. The company aims to become one of the beneficiaries of the expected paradigm shift in the gaming sector, in which players will increasingly have the opportunity to earn money in the future.
- *Sparrow*: To accelerate platform development, the crypto options trading platform Sparrow has completed a Series A financing of USD 3.5 million, with the participation of FinLab EOS VC Fund. The FinLab fund is expanding into Asia for the first time with its investment in the Singapore-based company.

- *ZkSystems*: The Industrial IoT-Startup ZkSystems has completed a seed financing round in the millions. The company develops software solutions for industrial machine builders, enabling them to set up and monetize digital services and digitize everyday processes.

Kapilendo

Kapilendo AG is a bank-independent provider of financing solutions for medium-sized businesses. In the foreground are digital investment banking services for the middle class, which gives companies fast access to capital. Since June 2020, the company, together with Hamburg-based Varengold Bank, has been offering small and medium-sized companies the first fully digital application process for KfW fast loans. Particularly against the background of the COVID-19 pandemic, many companies have to increasingly resort to external financing, with banks currently imposing more restrictive lending policies.

VALUATION

We have evaluated FinLab AG by calculating the net asset value (NAV) as a typical industry indicator for portfolio companies.

As of June 30, 2020, FinLab AG reports equity of €156.47 million according to the IFRS balance sheet. This is based on the balance sheet value of financial assets amounting to € 149.64 million. The 45.5% shareholding in Heliad Equity Partners GmbH & Co. KGaA accounts for € 29.86 million of this figure. Having declined in value in the past two financial years, the valuation of Heliad's shareholding climbed significantly as of 30.06.2020. Heliad's NAV, which was last updated as of 30.06.2020, amounted to €10.74 per share (30.12.19: €7.39). Heliad's share price amounted to €6.65 at the reporting date, thus remaining significantly below published NAV. Based on this NAV valuation, the hidden reserves of the HELIAD investment amount to €18.39 million.

In addition, the IFRS value of the Fintech shareholdings as at 30.06.20 was €105.06m (31.12.19: €100.30m). Previously we had made our own assessment of the balance sheet value of the Fintech investments. In view of the current uncertain situation and the effects that cannot be estimated, we have based our valuation on the balance sheet value of the Fintech investments determined by the company and conservatively assume no hidden reserves.

As a third step in the NAV calculation, we have taken into account cash and cash equivalents (including securities) of €5.74 million by adding the predictable revenue streams expected in the 2020 financial year from the traditional asset management business, namely the agreed management fees and dividend income (including income from the new fund with Block.one) less holding costs.

Calculation of the fair value per share of FinLab AG:

in €m	30.06.2020 (IFRS)	Fair value at NAV valuation (according to GBC)
Heliad Equity Partners GmbH	29.86	48.25
Fintech-Investments	105.06	105.06
Cash and cash equivalents	5.74	7.16
Other financial assets	14.72	14.72
Sum	155.38 (1.)	175.18 (2.)
	Hidden reserves (2.-1.)	19.81
	Equity (IFRS)	156.47
	Equity (including hidden reserves)	176.27
	Equity without debt (GBC NAV in € million)	173.03
	Number of shares	5.47
	GBC NAV/share	31.60 €

At € 31.60 (previously: € 28.85), the current NAV/share of FinLab AG rose slightly, in particular due to the significant improvement in Heliad's NAV. Based on FinLab's current share price of € 19.65, there is considerable potential for the share price to increase in line with NAV and we continue to assign the BUY rating.

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:

BUY	The expected return, based on the derived target price, incl. dividend payments within the relevant time horizon is $\geq + 10\%$.
HOLD	The expected return, based on the derived target price, incl. dividend payments within the relevant time horizon is $> - 10\%$ and $< + 10\%$.
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Other person involved:

Manuel Hölzle, Dipl. Kaufmann, Head of Research

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