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17.05.2023 - GBC Research Comment - Advanced Blockchain AG

Company: Advanced Blockchain AG^{*5a, 11}

ISIN: DE000A0M93V6

Reason for the research commentary: Preliminary FY results

Analysts: Matthias Greiffenberger; Julien Desrosiers

Current price: € 2.99 (Xetra 16.05.2023; 17:36)

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*Catalog of possible conflicts of interest from page 5

Stable sales with lower earnings. Refocusing of the investment portfolio could lead to near-term exits.

Advanced Blockchain's preliminary figures for 2022 show that the company was able to maintain a relatively stable revenue figure despite the challenging crypto market conditions. Sales for the year stood at 17.7m €, only slightly lower than the previous year's 17.98m €. However, the company did see a significant decrease in EBITDA and EBIT, which can be attributed to the turmoil in the cryptocurrency markets. EBITDA for the year was more than 580k €, down from 6.3m € in the previous year, while EBIT was more than 560k €, down from 6.2m € in the previous year.

In addition to Advanced Blockchain's preliminary figures for 2022, the management team plans to refocus the investment portfolio. This move is aimed at improving the company's margins and enhancing its growth prospects. This is a positive development that could potentially boost the company's financial performance.

In light of changing market conditions, Advanced Blockchain has made a significant adjustment to its strategy. In the previous year, the company focused on developing interesting technologies in ventures, with the aim of finding partners or customers to spin off these projects. Such as Centauri the first IBC transfer protocol which already enables users to transfer assets between Polkadot and Kusama (<https://app.trustless.zone/>). Centauri was built by the Composable Finance team and is an extension of the IBC protocol that will facilitate trustless cross-ecosystem communication among various blockchains, including Polkadot, Kusama, Ethereum, NEAR, and Cosmos (see also: <https://docs.composable.finance/products/centauri-overview/>).

As a result, Advanced Blockchain has sharpened its strategic focus of new ventures limiting own contributions to key areas of expertise and reduce the exposure to stand-alone projects. Leveraging its key expertise and the comprehensive network of co-investors to support existing and selective realize new ventures, seems a reasonable reaction on the current market environment. This adjustment to a more a prudent and financially disciplined approach will ensure that the top line result will again provide more bottom-line profitability in the periods to come.

By prioritizing secured funding or cost coverage, Advanced Blockchain aims to enhance its financial stability and maximize the potential returns on its investments. This strategy adjustment demonstrates the company's commitment to maintaining a strong financial position while pursuing new opportunities in the blockchain industry.

Additionally, Advanced Blockchain recently announced the appointment of Sebastian Markowsky as Adviser and Venture Partner to support the management identifying new growth areas and the overall development of the Company. Markowsky is an experienced investment banker and skilled dealmaker in the fintech industry, with a proven track-record of advising top fintech and software companies on securing global deals. His expertise lies in digital assets, blockchain, decentralized business models, and cutting-edge technology.

Advanced Blockchain, has also recently announced its latest product innovation: AB Capital AI. This revolutionary product is a data aggregator that employs state-of-the-art AI technology to deliver automated token selection and research. AB Capital AI will primarily cater to institutional investors and encompass an extensive array of crypto sectors, including but not limited to DeFi, Gaming, NFTs, and DAOs. This is the first of some initiatives to be announced under the recently initiated advisory support of Sebastian Markowsky.

We expect the audited, consolidated full-year report for 2022 to be released at this quarter (Q2 2023). Based on the full-year report we will reevaluate our valuation on Advanced Blockchain AG.

APPENDIX

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