

Advanced Blockchain AG^{*5a, 11}

Fair value: €11.00
(previously: €11.00)
Rating: Buy

Price: €3.00
13.11.22 / Xetra / 9:32
Currency: EUR

Key data:

ISIN: DE000A0M93V6
WKN: A0M93V
Symbol (FRA): ABX
Number of shares³: 3.79
Market capitalization³: 11.38
in million³ / in million EUR

Accounting standard:
German GAAP (HGB)

Financial year: 31.12.

Analysts:

Matthias Greiffenberger
greiffenberger@gbc-ag.de

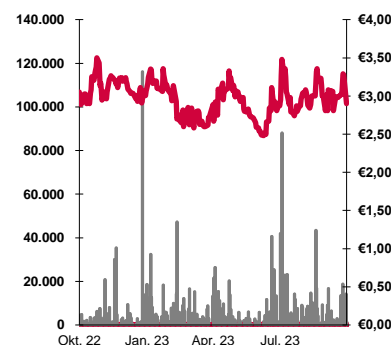
Julien Desrosiers
desrosiers@gbc-ag.de

Date (time) Completion:
17.11.2022 (11:20)
German version:
13.11.2022 (12:30)
Date (time) first publication:
17.11.2022 (12:00)
German version:
13.11.2022 (13:30)
Validity of the price target: until
max. 31.12.2024

* Catalog of potential conflicts
of interest on page 7

Profile of the company

Industry: technology, crypto
Focus: Blockchain technology, DeFi, Web 3.0
Employees: 30 as at 31.12.2022
Foundation: 2017
Head office: Berlin
Management Board: Simon Telian (CEO)



Advanced Blockchain AG is the first publicly-traded company on the German market specializing in blockchain technology. The company was listed on the Düsseldorf Stock Exchange in January 2017 and is recognized as a pioneer in identifying, supporting, and investing in business models with a focus on blockchain and cryptocurrencies. It distinguishes itself by strategically participating in proven business models with significant potential. Since March 2022, Advanced Blockchain AG has been listed on the Scale segment of the Deutsche Börse. Specializing in the promotion of, development of, and investment in disruptive technologies, the company places a strong emphasis on token technologies, including token investments and incubation. One of Advanced Blockchain AG's focal points is the venture capital market, particularly in the field of decentralized infrastructures. This encompasses industries such as the Economy of Things (EoT), which explores the integration of decentralized technologies into various sectors. Additionally, the company is active in the decentralized finance (DeFi) sector, a crucial component of Web3, the next generation of the World Wide Web. By concentrating on these areas, Advanced Blockchain AG is a leader in promoting innovation, supporting startups, and contributing to the growth of the decentralized ecosystem.

P&L in € million	31.12.2021	31.12.2022	31.12.2023e
Revenue	17.86	14.73	5.00
EBITDA	6.65	2.77	1.62
EBIT	6.53	1.69	0.51
Net revenue	5.32	1.76	0.50

Key figures	31.12.2021	31.12.2022	31.12.2023e
Earnings per share	1.41	0.46	0.13
Dividend per share	0.00	0.00	0.00

Key figures	31.12.2021	31.12.2022	31.12.2023e
EV/sales	0.45	0.54	1.60
EV/EBITDA	1.21	2.90	4.95
EV/EBIT	1.23	4.76	15.74
KGV	2.21	6.66	23.24
KBV		0.75	

Financial calendar
11.2023: Eigenkapitalforum

**Current research by GBC:

Date: Publication / Target price in EUR / Valuation

12.07.2023: RS / 11.00 / BUY

07.11.2022: RS / 10.00 / BUY

13.07.2022: RS / 10.00 / BUY

** The research studies listed above can be viewed at www.gbc-ag.de or requested from GBC AG, Halderstr. 27, D86150 Augsburg, Germany

Note in accordance with MiFID II regulation for research "minor non-monetary benefit": This research fulfills the requirements for classification as a requirements for classification as a "minor non-monetary benefit". Further information on this can be found in the disclosure under "I. Research under MiFID II"

Business performance in the first half of 2023

in € million	1st HY 2022	1st HY 2023
Revenue	23.40	1.23
EBITDA	0.88	0.52
<i>EBITDA margin</i>	3.8%	42.4%
EBIT	-0.54	0.45
<i>EBIT margin</i>	-2.3%	36.7%
Net result	-0.54	0.45
EPS in €	-0.14	0.12

Sources: Advanced Blockchain AG, GBC AG

The first half of 2023 witnessed Advanced Blockchain AG navigating through a persistently volatile capital market, grappling with inflation concerns, and contending with geopolitical uncertainties on both financial and societal fronts. The crypto winter, intensified by the FTX collapse and the insolvency of other crypto exchanges and custodians like Genesis, continued to exert its influence. This was notably reflected in the pronounced volatility of Bitcoin, commencing the year at \$16,500 and concluding on June 30, 2023, at \$30,350—a significant distance from its pinnacle of \$69,045 in November 2021.

Ongoing efforts to regulate crypto assets, exemplified by MiCA regulation (Markets in Crypto-Assets), persist. MiCA, an EU-approved regulatory framework for crypto assets, aims to establish risk-appropriate regulation enhancing investor protection and contributing to the functionality of cryptocurrency markets. MiCA's implementation is to unfold in two stages, with specific provisions, particularly those pertaining to asset-referenced crypto assets and E-money tokens (stablecoins), anticipated to take effect from July 2024. The majority of the regulation is slated to be operational in early 2025. The regulation imposes requirements on crypto asset providers and traders, mandating the submission of a whitepaper to supervisory authorities. Additionally, it champions consumer protection by necessitating a publicly accessible register for crypto asset whitepapers and providers of crypto asset services.

MiCA categorizes crypto assets into three segments: E-money tokens, asset-referenced tokens, and utility tokens. While encompassing common cryptocurrencies like Bitcoin and Ethereum, it excludes security tokens or non-fungible tokens (NFTs). Issuers of asset-referenced tokens and E-money tokens must fulfill minimum liquidity requirements and have their headquarters within the EU. The regulation introduces a customer right of redemption against issuers and anti-money laundering regulations that necessitate customer identification for crypto service providers. These regulations also extend to transactions between 'hosted wallets' and 'unhosted wallets,' requiring identification of the owner of the 'unhosted wallet' for transactions exceeding 1,000 euros.

The imminent introduction of Bitcoin ETFs by major asset management entities such as BlackRock is suggested by the current news flow in the United States. The proposed spot Bitcoin ETF by BlackRock, listed with the Depository Trust & Clearing Corporation (DTCC), indicates potential approval by the U.S. Securities and Exchange Commission (SEC). The SEC is expected to make a decision by January 10, 2024. Approval of such an ETF could pave the way for additional crypto ETFs, including those from ARK Investment, Fidelity, and Valkyrie. While the SEC sanctioned Bitcoin futures ETFs in October 2021, no Bitcoin or Ether spot funds have been listed on U.S. exchanges.

Adding to the landscape is the significant event of the upcoming Bitcoin halving in March 2024, where the miner reward will be halved. This anticipated supply shortage could exert a positive influence on the performance of Bitcoin.

In the first half of 2023, Advanced Blockchain experienced a reduction in revenue to €1.23 million (compared to €23.4 million in the previous year). This decline can be attributed to a diminished number of portfolio transactions.

EBITDA stood at €0.52 million (compared to the previous year's €0.88 million). Despite the dip in revenue, EBITDA was successfully maintained close to the previous year's level, owing to the effective implementation of a cost-saving program by the management. EBIT even achieved a positive value of €0.45 million (compared to the previous year's -€0.54 million). The same positive trend extended to the net result, reaching €0.45 million in the first half of 2023 (compared to the previous year's -€0.54 million).

Balance sheet and financial position as at 30.06.2023

in € million	31.12.2021	31.12.2022	30.06.2023
Equity	12.54	14.93	14.48
Equity ratio (in %)	58.2%	66.3%	67.4%
Operating fixed assets	1.43	1.70	1.64
Working capital	-4.95	-3.78	-0.52
Net financial assets	4.02	1.13	-2.01

Sources: Advanced Blockchain AG, GBC AG

As of June 30, 2023, the equity of the company remained relatively unchanged at €14.48 million (compared to €14.93 million on December 31, 2022). The equity ratio also held steady at 67.3%, mirroring the figure as of December 31, 2022 (66.3%). The predominant portion of equity and token investments, amounting to €16.63 million, is documented within the category of other assets.

The working capital exhibited an increase, reaching €-0.52 million (as opposed to €-3.78 million on December 31, 2022), propelled by a notable surge in trade receivables, which climbed to €2.74 million (compared to €0.01 million as of December 31, 2022). The persistently negative working capital underscores the efficient utilization of available capital, with only limited funds being tied up.

Cash and cash equivalents experienced a significant decline to €0.34 million (versus €3.49 million on December 31, 2022). Given the ample liquidity of certain securities in the portfolio, we hold no apprehensions concerning the existing low cash position of the company. Additionally, approximately €3 million was allocated to new investments during the first half of 2023, capitalizing on a favorable investment climate. These strategic investments are anticipated to establish a robust groundwork for forthcoming positive outcomes, fortifying the company's standing in the market.

Due to the lack of a published cash flow statement, we are unable to perform a detailed liquidity analysis.

Valuation

In the fiscal year 2023, Advanced Blockchain AG has been strategically focusing on sustainable growth and meticulous cost management. The company anticipates a reduction in expenses coupled with revenue generation through token transactions and potential investments in upcoming token issuances. Advanced Blockchain AG is actively engaged in advanced negotiations with potential buyers for portfolio investments tied to token and equity transactions, with the objective of achieving up to five successful sales, totaling €5 million.

Currently, the company is in the planning stages of issuing a new convertible bond with a total value of up to €3 million, intended to replace the existing convertible bond expiring on July 14, 2024. The volume was subsequently limited to a nominal amount of €1.1 million on October 17, 2023. This fresh bond boasts a six-year term and an annual interest rate of 3.0%, with a conversion price set at €4.25. It is proposed to issue up to €1.5 million through the exchange of convertible bonds previously issued by the company (ISIN: DE000A3MP4Q7). The net proceeds stemming from the issuance of the convertible bond 2023/2029 will be allocated to general business purposes, encompassing the financing of additional investments and the advancement of the existing portfolio.

In a noteworthy development, Advanced Blockchain AG successfully secured another prominent investor, selling 100,000 of its own shares to a fund managed by Axxion S.A. at a per-share price of EUR 2.70.

To sustain its pioneering role as a blockchain incubator and Web3 investor, Advanced Blockchain AG is strategically expanding its team of global experts and planning to initiate two to three new investments. The company is also gearing up to implement cross-chain initiatives across various blockchain domains to leverage success and network effects. A commitment to ongoing research and clear strategies will steer the progress and adoption of diverse topics and use cases. Through the incubation of promising protocols and technologies, Advanced Blockchain AG aims to bolster the growth of the global blockchain ecosystem.

The continuous assessment of the top 10 portfolio investments is geared towards enhancing transparency for investors. As of May 31, 2023, the top 10 investments encompass peaq/EoT Labs GmbH (incubation, equity, and token investment), Mero (token investment), Contango (token investment), Maverick (token investment), Talisman (token investment), Neon Labs (token investment), Obol Network (token investment), Polymer (equity and token investment), DELV/Element Finance (token investment), and Composable Finance (incubation and token investment), presented in no particular order. Based on an independently valued assessment as of May 31, 2023, these top 10 Advanced Blockchain portfolio companies currently reflect a total value of €39.65 million. Our analysis suggests a conservative valuation approach, and we believe the fair value of the listed positions is likely higher, estimating it to be around €45 million.

Portfolio	(in € million)
Top 10 holdings	45
Other portfolio	45
Holding costs	-2
NAV	88

Source: GBC AG

The undervaluation of Advanced Blockchain becomes strikingly apparent when focusing solely on the top 10 positions in the portfolio and the market capitalization. These top 10 positions alone carry a fair value of at least €40 million, whereas Advanced Blockchain's

market capitalization currently hovers around €11 million. We posit that the remaining portfolio positions hold a similar value to the top 10, leading us to estimate the current portfolio value at approximately €90 million. Factoring in holding costs of €2 million, the adjusted total value of the portfolio after deducting these costs should be around €88 million.

Our enterprise value estimation, based on the net asset value (NAV), stands at approximately €88 million, equating to €23.19 per share. In light of the pronounced downturn in the crypto markets and the persistent "crypto winter," we have applied an additional discount to the fair value, currently pegged at around 53%.

We are maintaining our valuation. We have determined a fair value of €41.74 million or €11.00 per share. Due to the considerable upside potential, we assign a BUY rating.

Forecast model

In accordance with the provisions of Section 21 (1c) GTC of Deutsche Börse AG for the Regulated Unofficial Market on the Frankfurt Stock Exchange, the inclusion of an (updated) forecast model is mandated for a research update. Nevertheless, our analysts have determined that such a forecasting model is not suited for investment companies like Advanced Blockchain AG, actively engaged in the crypto sector.

Given that we employ the GBC NAV valuation approach to assess the company, we find it inappropriate to utilize a forecasting model for sales and earnings metrics. Instead, our focus lies on estimating the value of the investments.

We assert that a forecast model for investment companies such as Advanced Blockchain AG does not yield meaningful or useful insights for investors. The potential revenues and earnings in this industry are highly volatile, and we believe that valuing the investment company should primarily hinge on the valuation of its investments and projects.

While we have included this forecast in the research report to comply with the legal requirements of Section 21 (1c) of the GTC, we emphasize that, in our view, the forecast model serves a supplementary role.

P&L (in € million)	FY 2021	FY 2022	FY 2023e
Revenue	17.86	14.73	5.00
EBITDA	6.65	2.77	1.62
EBITDA margin	37.2%	18.8%	32.4%
EBIT	6.53	1.69	0.51
EBIT margin	36.6%	11.5%	10.2%
Net result	5.32	1.76	0.50
EPS in €	1.41	0.46	0.13

Source: GBC AG

However, we wish to reiterate that the above forecasts should be considered highly volatile and unreliable. This volatility is inherent in Advanced Blockchain as an investment company operating in a young and highly volatile market environment, namely the crypto sector. Therefore, relying solely on these forecasts for valuing the company would not be prudent or appropriate, potentially leading to an inaccurate valuation.

Instead, we recommend focusing on the valuation of the investments held by Advanced Blockchain AG and their potential value. This approach is more suitable and aligns with the unique characteristics of the company and the industry in which it operates.

Peer Group Analysis

Due to limited disclosed financial information and the uniqueness of the business model, there are currently no comparable publicly-traded competitors. Hence, we are unable to provide a valuation based on peer companies at this time.

APPENDIX

I.

Research under MiFID II

1. there is an agreement between the research company GBC AG and the Issuer regarding the independent preparation and publication of this research report on the Issuer. GBC AG shall be remunerated for this by the Issuer.
2. the research report shall be made available simultaneously to all investment service providers interested therein.

II.

§1 Disclaimer/ Exclusion of liability

This document is for information purposes only. All data and information in this study has been obtained from sources that GBC believes to be reliable. Furthermore, the authors have taken the utmost care to ensure that the facts used, and opinions expressed are reasonable and accurate. Nevertheless, no warranty or liability can be assumed for their accuracy - neither explicitly nor implicitly. Furthermore, all information may be incomplete or summarized. Neither GBC nor the individual authors accept any liability for damages arising from the use of this document or its contents or otherwise in this context.

Furthermore, we would like to point out that this document is neither an invitation to subscribe to nor to purchase any securities and should not be interpreted in this sense. Neither may it or any part of it serve as the basis for a binding contract of any kind whatsoever or be relied upon as a reliable source in this context. Any decision in connection with a prospective offer for sale of securities of the company or companies discussed in this publication should be made solely on the basis of information contained in prospectuses or offer letters issued in connection with such an offer.

GBC does not guarantee that the indicated yield or price targets will be achieved. Changes in the relevant assumptions on which this document is based may have a material impact on the target returns. Income from investments is subject to fluctuations. Investment decisions always require the advice of an investment advisor. Consequently, this document cannot assume an advisory function.

Distribution outside the Federal Republic of Germany:

This publication, if distributed in the UK, may only be made available to persons who are authorised or exempt under the Financial Services Act 1986 or persons covered by section 9(3) of the Financial Services Act 1986 (Investment Advertisement) (Exemptions) Order 1988 (as amended) and may not be communicated, directly or indirectly, to any other person or group of persons.

Neither this document nor a copy thereof may be brought, transferred, or distributed in the United States of America or its territories or possessions. The distribution of this document in Canada, Japan or other jurisdictions may be restricted by law and persons into whose possession this publication comes should inform themselves about and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of the United States, Canadian or Japanese securities laws or the laws of any other jurisdiction.

By accepting this document, you accept any disclaimer and the above limitations.

You will also find the information on the disclaimer/exclusion of liability under www.gbc-ag.de

Legal information and publications in accordance with § 85 WpHG and FinAnV

The notes are also available on the Internet at the following address

<http://www.gbc-ag.de/de/Offenlegung>

§ 2 (I) Updating:

A concrete update of the present analysis(es) at a fixed date has not yet been scheduled. GBC AG reserves the right to update the analysis without prior notice.

§ 2 (II) Recommendation/ Ratings/ Classification:

Since 1 July 2006, GBC AG has used a three-level absolute share rating system. Since 1.7.2000, the ratings have been based on a time horizon of at least six to a maximum of 18 months. Previously, the ratings were based on a time horizon of up to 12 months. When the analysis is published, the investment recommendations are determined by reference to the expected return in accordance with the ratings described below. Temporary price deviations outside of these ranges do not automatically lead to a change of rating but do give rise to a revision of the original recommendation.

The respective recommendations/classifications/ ratings are associated with the following expectations:

BUY	The expected return, based on the determined price target, including dividend payment within the corresponding time horizon is $\geq + 10\%$.
HOLD	The expected return, based on the determined price target, including dividend payment within the corresponding time horizon is $> - 10\%$ and $< + 10\%$.
SELL	The expected return, based on the determined price target, including dividend payment within the corresponding time horizon is $\leq - 10\%$.

Price targets of GBC AG are determined on the basis of the fair value per share, which is determined on the basis of generally accepted and widely used methods of fundamental analysis, such as the DCF method, peer-group comparison and/or the sum-of-the-parts method. This is done by taking into account fundamental factors such as stock splits, capital reductions, capital increases, M&A activities, share buybacks, etc.

§ 2 (III) Historical recommendations:

GBC's historical recommendations on the present analysis(es) are available on the Internet at the following address
<http://www.gbc-ag.de/de/Offenlegung>

§ 2 (IV) Information base:

For the preparation of the present analysis(es), publicly available information about the issuer(s), (where available, the three most recently published annual and quarterly reports, ad-hoc announcements, press releases, securities prospectus, company presentations, etc.), which GBC believes to be reliable, has been used. In addition, discussions were held with the management of the company(ies) in question in order to have the facts relating to the business development explained in more detail.

§ Section 2 (V) 1. conflicts of interest pursuant to Section 85 of the German Securities Trading Act (WpHG) and Art. 20 of the German Securities Trading Act (MAR)

GBC AG and the responsible analyst hereby declare that the following potential conflicts of interest for which the company(ies) named in the analysis exist at the time of publication and therefore comply with the obligations of § 85 WpHG and Art. 20 MAR. An exact explanation of the possible conflicts of interest is provided in the catalogue of possible conflicts of interest under § 2 (V) 2.

The following potential conflict of interest exists with respect to the securities or financial instruments discussed in the analysis: (5a,11)

§ Section 2 (V) 2. catalogue of possible conflicts of interest:

- (1) GBC AG or a legal entity affiliated with it holds at the time of publication shares or other financial instruments in this analysed company or analysed financial instrument or financial product.
- (2) This company holds more than 3% of the shares in GBC AG or a legal entity affiliated with it.
- (3) GBC AG or a legal entity affiliated with it is market maker or designated sponsor in the financial instruments of this company.
- (4) GBC AG or a legal entity affiliated with it was, at the time of the public issue, in the previous 12 months of financial instruments of this company.
- (5) a) GBC AG or a legal entity affiliated with it has entered into an agreement in the preceding 12 months concerning the preparation of research reports against payment with this company or issuer of the analysed financial instrument hit. Under this agreement, the issuer was given access to the draft financial analysis (without the valuation section) prior to publication.
- (5) b) An amendment to the draft financial analysis has been made on the basis of justified indications from the company or issuer
- (6) a) GBC AG or a legal entity affiliated with it has entered into an agreement in the preceding 12 months concerning the preparation of research reports against payment with a third party on this company or financial instrument. In Under this agreement, the third party and/or company and/or issuer of the financial instrument of Draft of the analysis (without evaluation part) made available prior to publication.
- (6) b) An amendment to the draft financial analysis has been made on the basis of justified indications of the third party and/or issuer
7. The analyst responsible, the principal analyst, the deputy principal analyst and/or any other person involved in the preparation of the study
Person holds shares or other financial instruments in this company at the time of publication.
- (8) The responsible analyst of this company is a member of the local management board or supervisory board.
- (9) The relevant analyst has, prior to the date of publication, acquired shares in the company he/she is analysing before public issues were received or acquired.
- (10) GBC AG or a legal entity affiliated with it has entered into an agreement within the preceding 12 months regarding the

provision of consulting services with the analyzed company closed.

(11) GBC AG or a legal entity affiliated with it has significant financial interests in the analysed company, e.g., the acquisition and/or exercise of mandates with the analysed company or the acquisition and/or provision of services for the analysed company (e.g., presentation at conferences, roundtables, road shows, etc.).

(12) At the time of the financial analysis, the analysed company is located in a country which is controlled by GBC AG or its affiliates, legal entity, financial instrument, or financial product (e.g., certificate, fund, etc.) that is managed or advised.

§ 2 (V) 3. compliance:

GBC has internal regulatory arrangements in place to prevent or disclose potential conflicts of interest, if any. The current Compliance Officer, Karin Jaegg, email: jaegg@gbc-ag.de, is responsible for compliance with the regulations.

§ 2 (VI) Responsible for the preparation:

The company responsible for the preparation of the present analysis(es) is GBC AG, based in Augsburg, which is registered as a research institute with the responsible supervisory authority (Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), Marie-Curie-Str. 24-28, 60439 Frankfurt).

GBC AG is currently represented by its board members Manuel Hölzle (chairman) and Jörg Grunwald.

The analysts responsible for this analysis are:

Julien Desrosiers, Financial Analyst

Matthias Greiffenberger, M.Sc., M.A., Financial Analyst

§ 3 Copyrights

This document is protected by copyright. It is provided for your information only and may not be reproduced or distributed to any other person. Any use of this document outside the limits of copyright law requires the consent of GBC or the relevant company, provided that rights of use and publication have been transferred.

GBC AG
Halderstrasse 27
D 86150 Augsburg
Phone: 0821/24 11 33-0
Fax: 0821/24 11 33-30
Internet: <http://www.gbc-ag.de>

E-Mail: compliance@gbc-ag.de



GBC AG[®]
- RESEARCH & INVESTMENT ANALYSEN -

GBC AG
Halderstrasse 27
86150 Augsburg
Internet: <http://www.gbc-ag.de>
Fax: ++49 (0)821/241133-30
Phone: ++49 (0)821/241133-0
E-mail: office@gbc-ag.de