Deutsche Effecten- und Wechsel- Beteiligungsgesellschaft AG

Germany / Financials
Frankfurt
Bloomberg: EFF GR
ISIN: DE0008041005

FY 2022 results
& business update

RATING	**BUY**
PRICE TARGET	**€ 1.80**
Return Potential	104.5%
Risk Rating	High

ON TRACK TO ACHIEVE A PROFITABLE 2023

DEWB has published its financial statement for 2022 reporting other operating income of €0 (FBe: €0, FY/21: €9.4m due to Muetec's exit to the Chinese group TZTEK) and EBIT of €-0.9m (FBe: €-1.0m; FY/21: €8.1m), roughly as anticipated. The net result was €-4.8m (FBe: €-1.6m; FY/21: €7.5m). As previously announced, the company conducted a non-cash impairment of €3.3m for the two neobroker holdings, the listed company Naga Group and the private firm Nextmarkets. Both companies were negatively affected by the current challenging capital market environment. Following disappointing amended results for 2021 and a challenging 2022, Naga successfully implemented restructuring and cost-cutting measures switching focus from growth to profitability. In Q1 2023, Naga showed an encouraging performance achieving profitability and a rising number of clients in its core neobrokerage business. Nextmarkets suffered a strong setback following weaker than planned business development in Q1 2023; the lead investors decided not the support a necessary financing round and sell the company's assets with the intention to close the company thereafter. However, the lead investors have, in the meantime, changed their minds and launched a continuation scenario initiative. If successfully implemented, this would open up turnaround opportunities for the investment. The remaining Fintech holdings consisting of Laiqon (listed), Aifinyo (listed), Cashlink (private), and Stableton (private), are performing positively in a challenging environment for Fintech companies, and following capital measures in 2021-23, Aifinyo, Cashlink and Stableton are also well financed. Laiqon is in the process of raising funds; the acquisitions and strategic cooperations (e.g. Volksbank, Union Investment Group) closed in 2022 and 2023 represent significant milestones for future growth. Overall, DEWB confirmed its outlook for 2023, and the company plans to conduct an exit which would lead to a positive annual result. Following FY/22 reporting, we have updated our financial model. We reiterate our Buy recommendation with a price target of €1.80 (previously: €1.90). **(p.t.o.)**

FINANCIAL HISTORY & PROJECTIONS

	2019	2020	2021	2022	2023E	2024E
Revenue (€ m)	3.28	4.97	9.39	0.02	2.10	3.64
Y-o-y growth	n.a.	51.7%	89.0%	n.a.	n.a.	73.5%
EBIT (€ m)	2.18	3.15	8.13	-0.88	0.90	2.34
EBIT margin	0.3%	2.4%	7.5%	-4.8%	0.1%	1.4%
Net income (€ m)	0.29	2.43	7.54	-4.80	0.10	1.38
EPS (diluted) (€)	0.02	0.15	0.45	-0.29	0.01	0.08
NAV (€m)	11.31	13.74	21.28	16.48	16.58	17.96
Financial Assets (€m)	26.21	25.62	29.97	30.48	30.52	31.74
Net gearing	148.0%	95.6%	48.4%	86.3%	85.3%	77.8%
Liquid assets (€ m)	1.61	0.45	0.83	1.12	1.17	1.23

RISKS

Risks include, but are not limited to, portfolio risk (particularly its largest holding Laiqon), portfolio liquidity (exit possibilities) and lack of transparency in the private holdings.

COMPANY PROFILE

DEWB is a boutique private equity firm. It focuses on investing in young and high-growth Fintech companies within the asset management sector, including technology companies with business models that are key to digitalising this industry. The company is based in Jena and has a regional focus on German-speaking countries.

MARKET DATA

As of 10 May 2023

Closing Price	€ 0.88
Shares outstanding	16.75m
Market Capitalisation	€ 14.74m
52-week Range	€ 0.81 / 1.45
Avg. Volume (12 Months)	6,554

Multiples	2022A	2023E	2024E
P/E	n.a.	160.7	11.5
EV/Sales	1.0	1.0	0.9
EV/EBIT	n.a.	26.6	10.2
Div. Yield	n.a.	n.a.	n.a.

STOCK OVERVIEW

COMPANY DATA

As of 31 Dec 2022

Liquid Assets	€ 1.12m
Current Assets	€ 5.30m
Financial Assets	€ 30.48m
Total Assets	€ 35.81m
Current Liabilities	€ 5.31m
Shareholders' Equity	€ 16.48m

SHAREHOLDERS

SPSW Capital GmbH	13.0%
ABAG Aktienmarkt Beteiligungs AG	13.4%
Management	1.0%
Freefloat	72.6%

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FINANCIAL RESULTS 2022

2022 EBIT and net result adjusted for non-cash impairment of Naga/Nextmarkets were slightly better than expected DEWB reported no other operating income (FBe: €0, FY/21: €9.4m). The previous year's figure benefited from Muetec's exit to the Chinese group TZTEK. The company reported OPEX of €0.9m which was below our estimate of €1.0m, thanks to disciplined cost management. EBIT came in at €-0.9m, better than our projection of €-1.0m (FY/21: €8.1m). The net financial result amounted to €-491k (FBe: €-556k; FY/21: €-554k). DEWB booked other financial result of €-3.4m (FY/21: 37k) chiefly entailing the non-cash impairment of €3.3m for the two neobroker holdings, the listed Naga Group and the private Nextmarkets (investment included shares and loan receivables). Both companies were negatively affected by the currently difficult capital market environment, making impairment at year-end necessary. Net income/loss came in at €-4.8m (FBe: €-1.6m; FY/21: €7.5m). Adjusted for this non-cash item, the net result amounted to €-1.4m, better than our forecast. The reported net result per share for the period was €-0.29 (FBe: €-0.09; FY/21: €0.45). We give an overview of the main P&L positions in table 1.

Table 1: P&L FY/22 reported figures vs FB estimates and FY/21 (KPIs)

All figures in EUR '000	FY/22	FY/22E	*Delta*	FY/21	*Delta*
Other operating income	21	0	*n.a.*	9,394	*n.a.*
OpEx	-905	-1,009	*n.a.*	-1,263	*n.a.*
EBIT	-884	-1,009	*n.a.*	8,131	*n.a.*
Net financial result	-491	-556	*n.a.*	-554	*n.a.*
Other financial result (depreciation)	-3,429	0	*n.a.*	-37	*n.a.*
Net income / loss	-4,804	-1,565	*n.a.*	7,540	*n.a.*
Net income / loss adj. for non cash-items	-1,375	-1,565	*n.a.*	7,540	*n.a.*
EPS (in EUR, dil.)	-0.29	-0.09	*n.a.*	0.45	*n.a.*

Source: First Berlin Equity Research, DEWB

Solid FY/22 balance sheet DEWB's cash position rose slightly to €1.1m (FY/21: €0.8m). Other short-term assets related to its own bonds increased to €3.5m (FY/21: €2.5m); they have a nominal value of €3.6m. Management purchased these bonds, saving the 4% interest. Receivables declined to €0.7m (FY/21: €2.1m) and chiefly reflects the full payment of the remaining €1.4m for MueTec's sale price which had been deposited in an escrow account for potential guarantee payments. Financial assets rose slightly to €30.5m (FY/21: €30.0m). Management invested €3.7m in its Fintech portfolio without disclosing details. We believe most of this figure was allocated to the successfully completed €15m Series A financing round of Stableton; DEWB was the lead investor in the seed round. In addition, DEWB carried out investment depreciation totalling €3.0m for Naga Group and Nextmarkets.

ST borrowings expanded to €5.3m (FY/21: €0), whereby DEWB used its flexible credit line. At YE 2022, the company renegotiated conditions with the bank increasing the limit from €6m to €9m, thereby keeping very attractive interest rate terms according to management. In the past, the interest rate from the credit line was below the 4% of the corporate bond. DEWB's unchanged corporate bond position with maturity of 30 June 2023 amounted to €12.5m, although DEWB already owns €3.6m of it. Management is conducting preparations to refinance a portion of the bond and has appointed mwb fairtrade Wertpapierhandelsbank AG to explore potential conditions among investors of the current bond and new ones. The company will then decide the amount to be placed. Considering current interest rate levels, we believe the new conditions will be in the range of 7-8%. Equity declined to €16.5m (FY/21: €21.3m), corresponding to an equity ratio of 46% (FY/21:60%).

Table 2: Balance sheet FY/22 and FY/21 (KPIs)

All figures in EUR '000	2022A	2021A	*Delta*
Cash & cash equivalents	1,120	827	*35%*
Other short term assets	3,488	2,445	*43%*
Receivables, total	691	2,097	*-67%*
Current assets, total	**5,299**	**5,369**	***-1%***
Tangible & intangible assets	14	9	*56%*
Financial Assets	30,484	29,970	*2%*
Other LT financial assets	0	0	*n.a.*
Non-current assets, total	**30,498**	**29,979**	***2%***
Financial debt (LT & ST)	17,793	12,540	*42%*
Other liabilities incl. provisions	1,542	1,558	*-1%*
Total Equity	16,480	21,284	*-23%*
Equity ratio	*46%*	*60%*	*n.a.*
Balance sheet, total	**35,815**	**35,382**	***1%***

Source: First Berlin Equity Research, DEWB

Positive guidance for 2023 Despite the current challenging geopolitical and capital market environment, DEWB plans to be active both on the exit and on the investment sides, which should lead to a positive net result. Our current 2023E projections are for €2.1m other operating income from exits and net income of €0.1m. These forecasts are in line with DEWB guidance.

Forecasts revision to consider the current economic environment In light of the difficult economic environment, we have cut our other operating income projections by ~15-20% from 2024 onwards. Also, we have fine-tuned our EBITDA, EBIT, net interest and net income estimates for 2023E - 2025E and beyond. We give an overview of our changes in table 3 below.

Table 3: Changes to our forecasts (KPIs)

	2023E			2024E			2025E		
All figures in € '000	**old**	**new**	**% delta**	**old**	**new**	**% delta**	**old**	**new**	**% delta**
Other operating income	2,100	2,100	*0.0%*	4,280	3,644	*-14.9%*	6,148	4,898	*-20.3%*
EBIT	898	898	*0.0%*	2,957	2,344	*-20.7%*	4,706	3,502	*-25.6%*
Margin on other income (%)	43%	43%	-	69%	64%	-	77%	71%	-
Net income	137	99	*-27.7%*	1,943	1,382	*-28.9%*	3,583	2,457	*-31.4%*
EPS (€)	0.01	0.01	*-27.7%*	0.12	0.08	*-28.9%*	0.21	0.15	*-31.4%*

Source: First Berlin Equity Research

PROGRESS REPORTED BY THE HOLDINGS

PORTFOLIO OVERVIEW

Portfolio holdings had a challenging FY/22 – DEWB's NAV closed the year at €23.7m or €1.41 p/s At the end of December 2022, DEWB's NAV amounted to €23.7m or €1.41 p/s, which included hidden reserves of €7.2m or €0.43 p/s (NAV at year-end 2021: €46.9m or €2.80 p/s with hidden reserves of €25.6m or €1.53 p/s). At present, we estimate the NAV is still at a similar level of €1.41 p/s. In 2022, the Russian-Ukrainian crisis and China's shut down substantially negatively impacted the European and German macroeconomic environment and the stock markets. German small-cap and tech indexes such as SDAX and TECDAX delivered a negative performance of 25-27% in the period. DEWB's listed portfolio also suffered from this negative trend in 2022: the share price of the anchor holding Laiqon has declined by ~50%, Aifinyo's went down ~29% and the neobroker Naga Group is ~85%

lower. Laiqon and Aifinyo delivered a decent business performance in 2022, considering the economic and capital market environment; they seem well prepared for 2023 and have given a positive outlook. In contrast, Naga focused on restructuring to cut costs and adapt the business to the new environment; the business prospects seem more encouraging following a profitable Q1/23. Similar to Naga, the privately held neobroker, Nextmarkets, also underperformed, and the lead investors abruptly decided not to support a necessary financing round, sell the assets and liquidate the company. In a cautious approach, DEWB wrote down both investments by €3.3m. However, the lead investors have since launched the continuation scenario initiative which, if successfully implemented, paves the way for an investment turnaround. This is good news creating upside potential for DEWB's NAV. DEWB's remaining private portfolio seems to be in good shape. DEWB's private holding Stableton conducted a Series A funding round raising CHF 15m in July 2022, which we believe took place at an attractively higher valuation. In March 2023, Cashlink raised a mid-7-digit € figure. They have both adapted their business models to the current challenging macroeconomic environment and are well financed to operate in current uncertain times. We give an updated overview of DEWB's portfolio in table 4.

Table 4: DEWB's investment portfolio of seven holdings

	Company	Field	Based	Stake	Since	Status	Market cap	Stake value	
1	Laiqon	Asset management	Hamburg	18.7%	03/2018	listed	€103.2m	€19.3m	LISTED PORTFOLIO
2	Aifinyo	Digital lending	Dresden	4.2%	01/2020	listed	€56.3m	€2.4m	
3	Naga Group	Neobrokerage	Hamburg	~0.7%	12/2021	listed	€85.4m	~€0.6m	
4	Nextmarkets	Neobrokerage	Cologne	1.4%	03/2021	private	-	-	
5	Stableton	Marketplace alternative investments	Zurich	12.2%	04/2021	private	-	-	
6	LAIC	WealthTech	Hamburg	3.4%	08/2021	private	-	-	
7	Cashlink	Tokenization of securities	Frankfurt	3.3%	12/2021	private	-	-	

Source: First Berlin Equity Research, DEWB, Bloomberg

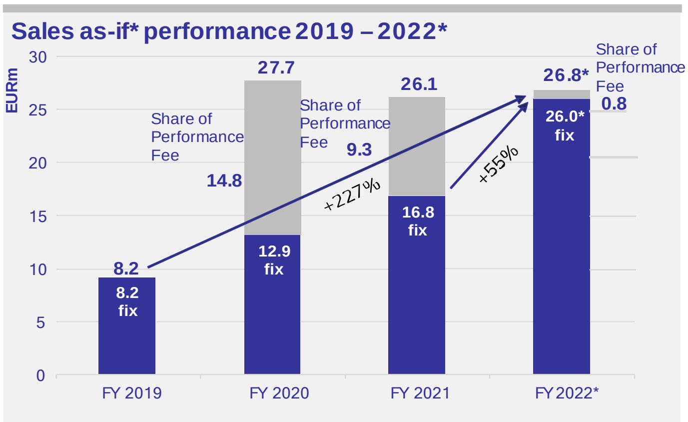
UPDATE ON THE LISTED HOLDINGS

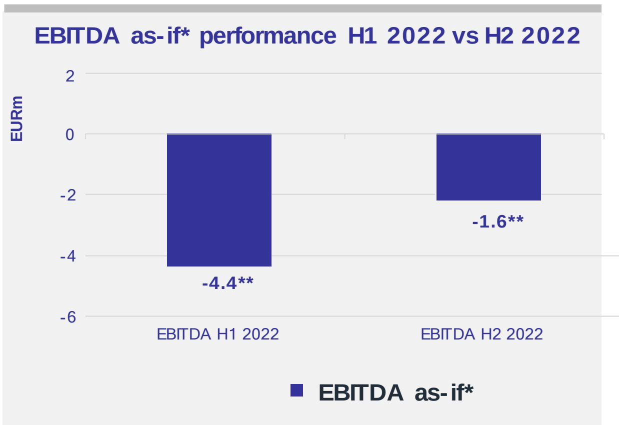
LAIQON – 18.7% ANCHOR STAKE

2022: a year with strong M&A activity to consolidate the market position for future growth In 2022, Laiqon carried out two main acquisitions: (1) a 98% stake in the leading German asset management firm BV Holding AG, thereby more than doubling AuM to ~€5.0bn; for a price of ~€18.5m; and (2) the fast-growing roboadvisory startup Growney GmbH which complements the own roboavisor LAIC nicely.

Due to the weak capital market environment, 2022 proforma sales saw a slight increase, whereas EBITDA declined The company's proforma turnover (as-if-revenue) increased slightly to €26.8m (FY/21: €26.1m). The main reason for the weak sales was low performance fees of only €0.6m after €9.3m in FY/21; recurring management fees grew by 55% and amounted to €26.0m. Proforma EBITDA declined to €-6.0m in FY/22 (FY/21: €7.0m), chiefly driven by high one-off acquisition-related costs (BV Holding and Growney) and the low level of performance fees. Importantly, proforma EBITDA improved from €-4.4m in H1/22 to €-1.6m in H2/22, suggesting a trend towards profitability (see figure 1 overleaf).

Figure 1: Laiqon's proforma operating performance in FY/22





*As-if consideration of the consolidated companies

** One-off expenses in H1 2022 of EUR 1.4m and in H2 2022 of EUR 1.5m

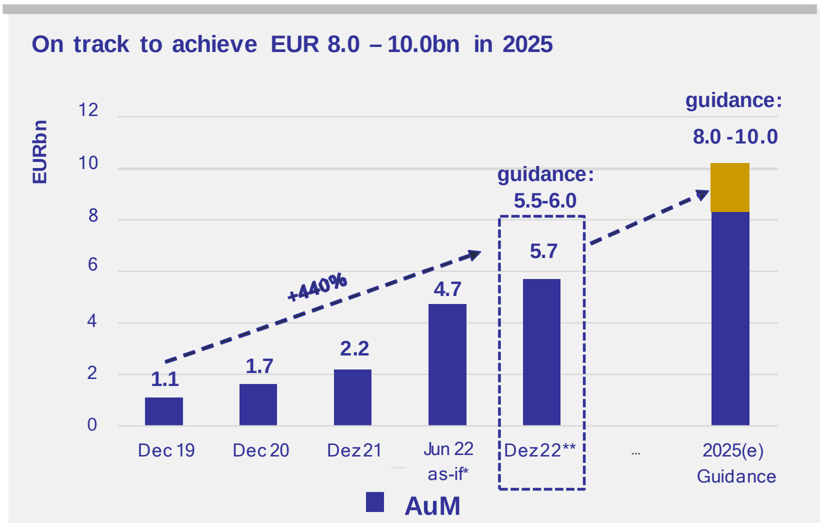
Source: Laiqon

Assets under management (AuM) increased to €5.7bn in 2022 This figure is in line with management guidance of "an AuM between €5.5-6.0bn", corresponding to an increase of 160% and driven by the two last acquisitions. On 28 February 2023, AuM amounted to €6.0bn.

2023 will likely be characterised by small acquisitions and strategic cooperations to enhance the distribution of its products In February 2023, the company established a joint venture (JV - Laiqon owns 25%) with the large Bavarian cooperative bank Volksbank Raiffeisenbank eG with the aim to position the JV as an attractive full-service provider in the rapidly growing market for asset management for high-end bank customers. In April, Laiqon agreed to continue discussions for a joint product development and aim to enter into a possible cooperation with the German asset management giant Union Investment Gruppe (assets under management of ~€413.1bn in 1,351 different funds). In May 2023, Laiqon acquired a 30%-stake of the Investment boutique QC Partners GmbH, and together with partners such as Volksbank Mittelhessen eG acquired 80% of the company. The main goal of this acquisition is to strengthen the distribution channels for its portfolio of ~20 products and ~35 solutions within asset management, wealth management & digital wealth (LAIC and Growney).

Outlook 2025 confirmed—AuM >€8-10bn by 2025 and EBITDA margin >45% Management has confirmed the positive guidance. Considering that AuM reached €6bn at the end of February, the AuM target seems realistic. However, management's 2025 EBITDA guidance appears somewhat ambitious if the capital markets remain weak and the company cannot generate performance fees by then.

Figure 2: Laiqon's AuM guidance overview



*AuM-as of: 30.06.2022 as-if including consolidated companies;
**AuM-as of: 31.12.2022 as-if including consolidated companies.

Source: Laiqon

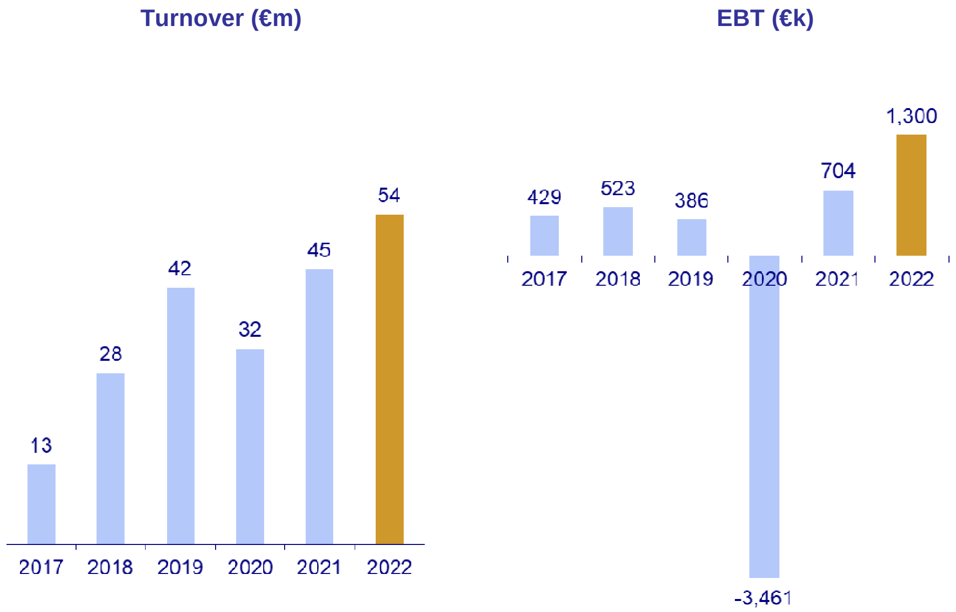
The company will issue 2023/27 and 2023/28 convertible bonds to raise €5m and up to €20m, respectively Laiqon announced on 9 February the placement of a 2023/27 convertible bond with 4-year maturity to raise €5m. Also, the company announced on 24 April the issuance of the 2023/28 convertible bond to raise up to €20m with a coupon of 7% and 5 year maturity. The subscription period is scheduled to run from 4-17 May 2023. The bond is intended to provide additional funding to finance the recent acquisitions and further strategic growth steps.

Our positive view on Laiqon remains unchanged We believe Laiqon's recent acquisitions and strategic cooperations are significant milestones for the company. The extension of Mr Plate's CEO contract until 31 December 2026 is excellent news. He is the chief strategist of Laiqon's evolution into a leading asset and wealth management specialist with >50 wealth products and solutions using its innovative digital asset platform 4.0 capable of generating above-average returns for its clients. We expect substantial business growth over the next few years, which should positively impact the company's valuation.

AIFINYO AG – 4.2% STAKE

Strong top-line growth and increasing profitability in FY/22 DEWB's Fintech Aifinyo, a specialist offering financing services for freelancers & SMEs including factoring, finetrading, leasing and debt collection, is among the few companies benefiting from the current challenging microenvironment. The SMEs need to preserve liquidity and financing services such as those offered by Aifinyo are in high demand. As a result, the company increased revenues yoy by 20% to €54m (FY/21: €45m). The company also expanded its profitability. EBT came in at €1.3m in FY/22, after EBT of €0.7m in FY/21. The FY/21 figure does not take into account exceptional expenses of €622k for the two capital increases conducted in 2021, which provided funds of €12m to support the acceleration of organic and inorganic growth. Including these one-off expenses, the reported FY/21 figure amounted to €0.1m. We give an overview of the company's financial performance in figure 3 overleaf.

Figure 3: Financial performance 2017-2022



Source: Aifinyo AG

In 2023, cross-selling with the acquired billing company Billomat may gain dynamic… Through the acquired billing software Fintech peer Billomat GmbH & Co. KG (03/2022), Aifinyo expanded the group's customer base from around 2k (Aifinyo alone) to almost 10k (Aifinyo + Billomat). Following an integration and preparation year, we believe Aifinyo will focus 2023 on maximising revenue potential from its acquired clients by offering them suitable financing solutions. With a strong cash balance after the two 2021 capital increases (total gross proceeds of €12.1m) and its EBITDA-positive business model, the company has sufficient funds to fuel business growth which may include further small Fintech acquisitions.

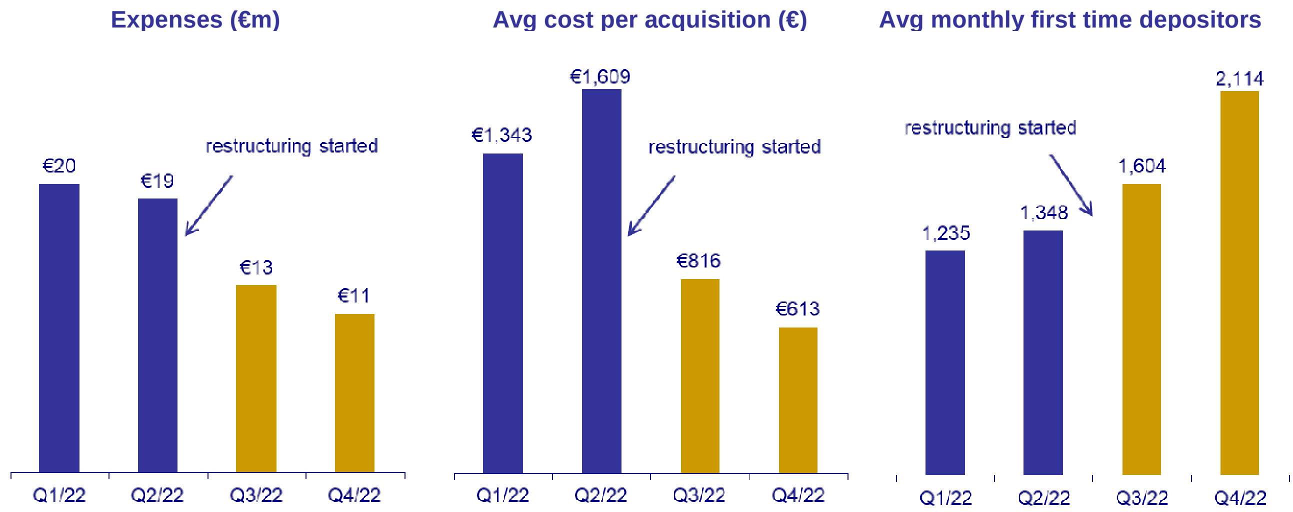
…which coupled with the launch of new payment products may provide additional sales momentum Aifinyo AG's subsidiary Aifinyo Payments GmbH which has a license for financial transfer transactions (ZAG) from the Federal Financial Supervisory Authority (BaFin) launched in October 2022 new payment services to make international money transfers at competitive prices. Clients regularly using foreign transfers can make up to 50 transactions per month in connection with an annual subscription for €29.90 per month. The company estimates its product can generate savings to its clients of >80% compared to existing services such as Wise, Paypal, Western Union or banks.

NAGA GROUP AG – ~0.7% STAKE

FY/22 characterised by strategic changes which led to healthy customer growth with reduced costs The company published preliminary unaudited KPI figures for FY/22. In H1/22, NAGA maintained its expensive expansion efforts, revenue increased by 51% to €35.0m (H1/21: €23.2m) and EBITDA loss rose to €-2.7m (H1/21: €-0.2m). Rapidly deteriorating market conditions and a deeply depressed investor sentiment due to the conflict between Ukraine and Russia led to a significant decline in trading activity at NAGA as well as rising new costs per client. NAGA's management changed its strategy to focus on the trading business and initiated a restructuring programme for an aggressive reduction of acquisition costs. The main measures were: (1) lower OPEX significantly and particularly marketing costs (optimised marketing spending); (2) a 20% reduction in headcount across the group; and (3) a substantial reduction in R&D costs for the cryptocurrency-focused social trading platform NAGAX and the paying app NAGA Pay. NAGA reduced its cost base from

€20m in Q1/22 to €12m in Q4/22 and the cost per acquisition was slashed from €1,609 at the peak of the year to €613 by YE. In H2/22, customer acquisition costs declined by over 60% against H1/22, whereas new customer growth has reached the best level since NAGA's inception, according to management (see figure 4). However, the company has not published the audited FY/22 financial statement yet.

Figure 4: KPIs for Naga's implemented measures in 2022



Source: Naga Group AG

Naga achieved EBITDA profitability in Q1/23 The company reported positive unaudited preliminary consolidated figures for Q1 2023 with revenues of €11.6m and EBITDA of €1.7m, achieving profitability earlier than anticipated. This is good news. NAGA reduced its monthly costs by ~40% to an average of €3.3m vs average of €5.5m Q1/22. The Executive Board is targeting a further cost reduction of ~20% in Q2/23 while maintaining the growth momentum. The marketing efficiency strengthened with AI-driven marketing intelligence measures has also increased: In Q1 2023, NAGA spent €3.5m on marketing, down 70% yoy (Q1/22: €11.5m), while acquiring 11% more new users compared to Q1/22. Further KPIs are also encouraging: (1) the number of active users at the end of Q1/23 was 21,250, up 30% yoy (end Q1/22: 16,300); (2) customer deposits grew by 45% to €35m compared to the last reported level of €24m at the end of H1/22.

NAGA in M&A discussions? The Naga Group announced in January that management is in discussions to pursue a potential strategic transaction with a multi-country brokerage firm, potentially in the form of a merger of the two companies. Naga intends to maintain its current listing status following the consummation of any such transaction. The transaction will need to undergo due diligence and assuming that an agreement is achieved and regulatory approvals are obtained, a potential deal is expected to be closed in Q4 2023.

Issue of convertible bond to raise USD 8.2m The company announced on 15 April a convertible bond issuance to raise USD 8.2m with an 11% coupon and a maturity of 6 months, from 28 April, 2023 to 30 October, 2023. The company already had a subscription commitment from a major investor. The conversion price is USD 1.97 and conversion is possible at any time during the term. Considering Naga's little financial transparency with no recent update on the group's cash position, it seems the company had near-term funding requirements.

The two profit warnings in 2022 due to accounting disagreement with the auditors raised investors' mistrust, CEO's monthly Zoom update since January 2023 should increase transparency Naga's poor IR in 2022 in connection with company's disagreement with the auditors and the two profit warnings for the 2021 results led to a substantial share price decline and investor mistrust. It seems management has learned some lessons, as it launched regular trading updates held via Zoom by CEO Bilski, starting in January 2023 (https://group.naga.com/investor-relations/news-and-presentations-webcasts?lang=en). We believe these measures will help restore investors' confidence in management, although it may take some time; for example, financial visibility is also still low. Until the company addresses some main concerns from investors, we anticipate the stock to stay under pressure.

UPDATE ON THE PRIVATE HOLDINGS

NEXTMARKETS AG – 1.4% STAKE

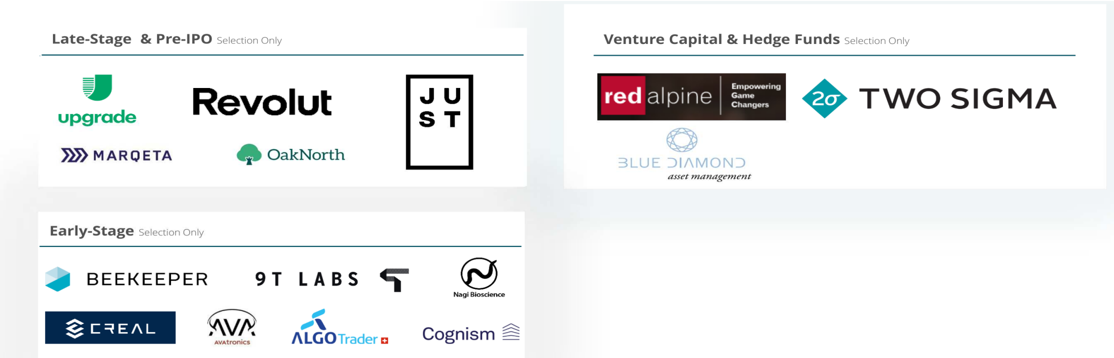
Nextmarkets restructured to adapt to the challenging neobrokerage business environment following the Ukraine crisis Nextmarkets is an innovative German Fintech company offering private investors commission-free online brokerage services accompanied by expert-curated investment advice. In connection with the current challenging environment in the neobrokerage business since the emergence of the Ukraine-Russian conflict last year, Nextmarkets switched its focus from aggressive to moderate customer growth with an optimised cost structure that should allow profitable operation in a near future. Its innovative affiliate marketing tool enables a particularly efficient use of resources in customer acquisition at lower costs per customer. The neobroker was still able to achieve revenue and customer growth in 2022. In addition, Nextmarkets has tapped into additional customer target groups by expanding its product offering - such as the interface to the Meta Trader trading platform and the licensing for an international Contracts for Difference (CFDs) trading account with higher leverage. A CFD is a type of derivative contract, such as a future, option or a swap. The users do not buy the underlying physical security, rather close a contract whereby the difference between the opening and closing trade prices are cash-settled. The expansion of the CFD brokerage business model to include brokerage-as-a-service as a white-label solution for B2B customers should result in additional monetisation of the company's own technology platform from 2023.

After a weak Q1 2023 the lead investors stopped supporting the company; in the meantime they have changed their mind and are looking for a rescue scenario Following weaker than planned business development in Q1 2023, lead investors FinLab and Samara Asset Group (formerly Cryptology Asset Group) abruptly decided not to support a necessary financing round and to dispose of Nextmarkets' assets and subsidiaries and liquidate the company. DEWB was not able to assess the recoverable amount. Management estimated it would not recover the total €1.4m, which includes €1m for the equity investment and €0.4m for existing loan receivables. Therefore, management has cautiously booked non-cash impairment of €1.4m. However, the lead investors have in the meantime launched an initiative for a continuation scenario which, if successfully implemented, would open up opportunities for a turnaround of the investment.

STABLETON – 12.2% STAKE

Leading alternative investment specialist Stableton is a Zurich-based Fintech company offering alternative investments to qualified financial intermediaries such as wealth managers, private banks, family offices, and qualified individual investors. Using a digital platform, clients access attractive alternative investments, including venture capital, private debt, and real assets. The company has established a strong footprint in the pre-IPO market.

Figure 5: Overview of some relevant product portfolio examples



Source: Stableton

Stableton raised CHF 15m as part of a Series A financing round in July 2022 The financing measure was led by TX Ventures, the venture capital arm of the TX Group. The German VC firm C3 EOS VC Venture Fund and DEWB (lead investor of the seed financing round) also participated in the round. Mr Köhler (DEWB's CEO) is a Stableton's Board of Directors member. The funds will primarily be used to finance a careful expansion of its existing operation from Switzerland to selected international markets and to increase its range of technological services, available investment structures and regulatory & compliance.

Sound performance since DEWB's acquisition of stake in 2021 Stableton's management reported that it had grown the assets under management 7.5 times since 2021's seed financing round. The Fintech company has over 2'500 marketplace users and almost 500 product investors in Switzerland alone. Stableton has developed into a dominant market player, whose clients represent >2% of the local market. Considering that Switzerland is the largest wealth management market in Europe, we believe the company has a good chance of becoming one of the leading players in the European region.

New product range of alternative investments for retail investors Stableton has consistently expanded its product range and tapped into new customer groups. The product range previously reserved for institutional investors and high-net-worth individuals has also been made accessible to retail investors in cooperation with Bank CIC (Switzerland) Ltd. The "Future of Finance - Private Market Champions AMC (USD)" certificate offers simple and diversified access to emerging Fintech companies and is a further step in the democratisation of private market investments. The product invests in privately held companies in various segments of the financial sector such as blockchain, neobanking, advanced payment systems, artificial intelligence and data management. Further innovative product launches are planned for the fiscal year 2023.

Challenging market for Stableton's alternative investments in VC and private equity also, but business prospects remain intact The 2022 decline in stock market valuations in the technology sector made it one of the most difficult years for VC and private equity investments in over a decade. This environment also led to a slowdown in growth at Stableton. Nevertheless, the company sees the two long-term macro trends that are important to its business being intact: (1) the democratisation of private market investments; and (2) the ever-increasing value creation in this segment as disruptive technologies meet vast investment needs. Stableton believes current valuation multiples offer attractive investment opportunities in secondary markets. Stableton was awarded the Swiss Fintech Award as "Growth Stage Startup of the Year" in 2022.

LAIC CAPITAL – 3.4% STAKE

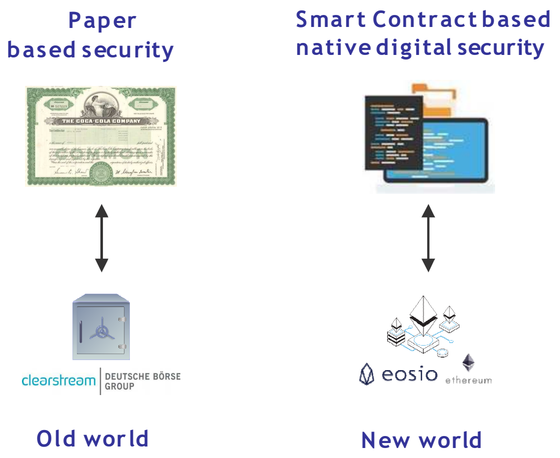
LAIC, Laiqon's AI-based WealthTech advisor LAIC GmbH embodies the Fintech business of Laiqon. The in-house developed Digital Asset Platform 4.0 (DAP 4.0) is the technical enabler of the group's wealth and asset management business. Still, it is also the heart of LAIC's digital portfolio management products offered as a so-called WealthTech advisor to clients. The company's LAIC advisor is a state-of-the-art platform to provide digital asset management using artificial intelligence (AI). Importantly, LAIC excels in using AI algorithms with high flexibility, enabling its LAIC advisor to offer an optimal portfolio composition determined individually according to each customer's personal risk profile. Unlike its peers, who mostly manage accounts in 10-15 predefined ETFs or fund portfolios, LAIC has significant versatility for active asset management, enabling it to provide a broad range of personalised products, including funds, ETFs, selected equities or derivatives. Clients can constantly monitor asset allocation and automatically conduct changes within their risk profile as they wish.

Broad product portfolio based on LAIC Using AI, LAIC is capable of conducting daily forecasts for >5k stocks and >15k funds. Currently, LAIC's product range already includes five mixed funds, two pension funds and an institutional mutual fund. In addition, wealthy private and institutional investors can invest in an individual portfolio according to their risk preferences for a minimum investment volume of €50k with LAIC's digital support. With the two insurance partners Helvetia Schweizerische Lebensversicherungsgesellschaft AG and Condor Lebensversicherungs-AG, there are also two unit-linked, tax-subsidised pension insurance policies based on the digitally controlled mixed funds that also address private investors. The institutional mutual fund LAIC - Digital Institutional Europe was developed and launched together with an institutional customer to meet the requirements of Volksbanks and savings banks in the Depot A business.

CASHLINK – 3.3% STAKE

Leading provider of tokenisation services for digital securities in the financial industry Cashlink is a leading German Fintech company aiming to accelerate the digitalisation of capital markets. Cashlink is one of the first Fintechs to obtain a provisional permit valid since December 2021 to operate a crypto securities register in Germany from BaFin in accordance with Section 65 (2) of the German Banking Act (KWG). The company has developed a tokenisation-as-a-service technology platform that enables the legally compliant issuance and management of digital securities for institutional clients such as banks and investment platforms (e.g. crowdfunding) as an all-in-one solution. Tokenisation is the conversion of an asset into a digital token on a blockchain system. Blockchain is emerging as a game-changing technology in several industries, including the financial sector. Blockchain's innovation guarantees the fidelity and security of a decentralised record of transactions (e.g. cryptocurrency systems such as Bitcoin) without the need for a trusted third party.

Figure 6: Transition from traditional to tokenised securitisation



Source: DEWB, Cashlink

Promising portfolio of early-adopter clients Numerous market players, such as Bankhaus Scheich, the sustainable investment platform WiWin and the asset manager Laiqon, already rely on Cashlink's solutions. In a still early market stage, a volume of over €110m has already been processed via the Cashlink platform for more than one hundred issues, with more than 36k transactions.

Figure 7: Overview of selected Cashlink's clients

Source: Cashlink

Expansion of the German security bill to equities due in 2023 is expected to drive further digitalisation of Germany's financial marketplace The 2021 introduction of crypto securities bill "Gesetz für elektronische Wertpapiere - eWpG" in Germany has been a major growth driver for the company, which as registrar has implemented most of the issuances made to date under the eWpG, including for well-known issuers such as Deutsche Bank. The planned extension of the Act to equities in 2023 will provide further momentum. For this purpose, Cashlink is further expanding its product offering around the registry management of crypto securities.

VALUATION MODEL

Buy rating reiterated at slightly lower price target The Russian-Ukrainian war and China's shut down hit European stock markets hard and Fintech companies were not spared from this development. 2022 was a challenging year for DEWB's Fintech portfolio, particularly the neobroker holdings Naga Group and Nextmarkets. DEWB conducted a substantial impairment of €3.3m for these two holdings. However, the measures taken by the management of both companies are encouraging and it is not unlikely DEWB may reverse the write-downs during 2023 if fundamentals of these two holdings improve consistently. Following FY/22 reporting, we have rolled our model forward to 2023E. Our 2023 NAV target reflects the projected YE23 portfolio book value. In accordance with our assumption that the company is able to generate a positive economic profit over a ten-year forecasting period, our model now extends to YE 2032 (previously: YE 2031). We have also updated further financial model assumptions to better reflect the challenging capital markets. Besides our more conservative other operating income and net income expectations, we have updated our yield of riskless assets (10y German government bond: 2.3% vs previously 1.9%), which led to a higher cost of equity (COE) estimate of 15.0% (previously: 14.7%). Our residual income model, which is based on the portfolio NAV, yields a price target of €1.80 (previously: €1.90). We reiterate our Buy recommendation and believe the company is significantly undervalued at current levels. DEWB is trading at a substantial discount to its current NAV of €1.41 p/s.

Table 4: Residual Income Model

In €'000	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Shareholders' equity	16,579	17,961	20,418	25,263	34,597	50,950	70,644	92,134	112,587	132,978
Average shareholders' equity	16,530	17,270	19,189	22,840	29,930	42,773	60,797	81,389	102,361	122,783
Net profit	99	1,382	2,457	4,845	9,334	16,353	19,694	21,490	20,453	20,391
Return on equity	0.6%	8.0%	12.8%	21.2%	31.2%	38.2%	32.4%	26.4%	20.0%	16.6%
Cost of equity	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Spread	**-14.4%**	**-7.0%**	**-2.2%**	**6.2%**	**16.2%**	**23.2%**	**17.4%**	**11.4%**	**5.0%**	**1.6%**
	2023	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
Residual income	-2,380	-1,209	-422	1,419	4,844	9,937	10,574	9,282	5,099	1,974
PV of residual income stream	-2,175	-960	-291	852	2,530	4,514	4,177	3,188	1,523	513

Fair value calculation	
NAV (2023E)	16,579
PV of residual income stream	13,870
Fair value	30,449
Number of shares (000's)	16,750
Fair value per share €	**1.80**

INCOME STATEMENT

All figures in EUR '000	2019A	2020A	2021A	2022A	2023E	2024E
Other operating income - profit on exit	**3,277**	**4,970**	**9,394**	**21**	**2,100**	**3,644**
Personnel expenses	365	546	829	451	460	498
Other operating expenses	725	1,270	432	452	740	800
EBITDA	**2,187**	**3,154**	**8,133**	**-882**	**900**	**2,346**
Depreciation and amortization	-3	-2	-2	-2	-2	-2
EBIT	**2,184**	**3,152**	**8,131**	**-884**	**898**	**2,344**
Net financial result	-699	-718	-554	-601	-799	-962
Other financial result (depreciation)	-1,197	0	-37	-3,319	0	0
Pre-tax income (EBT)	**288**	**2,434**	**7,540**	**-4,804**	**99**	**1,382**
Tax expense	0	0	0	0	0	0
Net income / loss	**288**	**2,434**	**7,540**	**-4,804**	**99**	**1,382**
EPS (in €)	**0.02**	**0.15**	**0.45**	**-0.29**	**0.01**	**0.08**
Diluted EPS (in €)	**0.02**	**0.15**	**0.45**	**-0.29**	**0.01**	**0.08**

Ratios						
EBITDA margin on other operating income	66.7%	63.5%	86.6%	n.a.	42.9%	64.4%
EBIT margin on other operating income	66.6%	63.4%	86.6%	n.a.	42.7%	64.3%
Tax rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Expenses as % of other operating income						
Personnel expenses	11.1%	11.0%	8.8%	n.a.	21.9%	13.7%
Other operating expenses	22.1%	25.6%	4.6%	n.a.	35.2%	22.0%
Depreciation and amortization	0.1%	0.0%	0.0%	n.a.	0.1%	0.1%
Y-Y Growth						
Other operating income - profit on exit	-72.0%	51.7%	89.0%	-99.8%	n.a.	73.5%
Personnel expenses	-1.1%	49.6%	51.8%	-45.6%	2.0%	8.2%
Other operating expenses	-89.5%	75.2%	-66.0%	4.6%	63.7%	8.1%
EBITDA	-50.5%	44.2%	157.9%	n.a.	n.a.	160.7%
EBIT	-50.5%	44.3%	158.0%	n.a.	n.a.	161.1%
Net income/ loss	n.a.	745.1%	209.8%	n.a.	n.a.	n.a.

BALANCE SHEET

All figures in EUR '000	2019A	2020A	2021A	2022A	2023E	2024E
Assets						
Current assets, total	**3,686**	**4,414**	**5,369**	**5,299**	**1,868**	**1,926**
Cash & cash equivalents	1,608	451	827	1,120	1,174	1,226
Other short term assets	9	2,445	2,445	3,488	0	0
Receivables from investments	2,069	1,052	712	680	694	701
Trade receivables (escrow account)	0	466	1,385	11	0	0
Non-current assets, total	**26,230**	**25,627**	**29,979**	**30,498**	**30,538**	**31,761**
Intangible assets	4	4	4	4	4	5
Property plant & equipment	5	4	5	10	11	11
Financial Assets	26,213	25,619	29,970	30,484	30,523	31,745
Other LT financial assets	8	0	0	0	0	0
Accruals	**67**	**46**	**34**	**18**	**18**	**18**
Total assets	**29,983**	**30,087**	**35,382**	**35,815**	**32,424**	**33,705**
Shareholders' equity & debt						
Current liabilities, total	**5,043**	**2,559**	**13**	**5,311**	**5,317**	**5,170**
ST borrowings (banks)	4,912	2,536	0	5,253	5,253	5,100
Trade & other payables	3	12	4	45	50	54
Other current liabilities	128	11	9	13	14	16
Long-term liabilities, total	**13,630**	**13,784**	**14,085**	**14,024**	**10,529**	**10,574**
Bonds	12,540	12,540	12,540	12,540	9,000	9,000
Provisions for pensions	903	962	1,025	1,033	1,064	1,096
Other provisions	187	282	520	451	465	478
Total Liabilities	**18,673**	**16,343**	**14,098**	**19,335**	**15,845**	**15,745**
Total Equity	**11,310**	**13,744**	**21,284**	**16,480**	**16,579**	**17,961**
Total Equity and Liabilities	**29,983**	**30,087**	**35,382**	**35,815**	**32,424**	**33,705**
Ratios						
Current ratio (x)	0.73	1.72	413.00	1.00	0.35	0.37
Equity ratio	37.7%	45.7%	60.2%	46.0%	51.1%	53.3%
Gearing	148.0%	95.6%	48.4%	86.3%	85.3%	77.8%
Net debt	16,738	13,142	10,293	14,218	14,143	13,970
Return on equity (ROE)	2.6%	19.4%	43.1%	-25.4%	0.6%	8.0%

CASH FLOW STATEMENT

All figures in EUR '000	2019A	2020A	2021A	2022A	2023E	2024E
Net income	**288**	**2,434**	**7,540**	**-4,804**	**99**	**1,382**
Depreciation & amortisation	3	2	2	2	2	2
Depreciation to financial investments	1,201	0	0	0	0	0
Other non-cash items	-2,483	769	1,851	-32	1,175	2,008
Net financial result	695	718	591	3,920	799	962
Tax result	0	0	0	0	0	0
Changes in working capital	-854	443	-589	1,451	3	-1
Operating cash flow	**-1,150**	**4,366**	**9,395**	**537**	**2,078**	**4,354**
CapEx / intangibles	0	-1	-3	-7	-3	-4
Free cash flow	**-1,150**	**4,365**	**9,392**	**530**	**2,075**	**4,350**
Investment in holdings	-2,769	0	-5,889	-527	-1,170	-3,184
Change in ST financial assets (bond investment)	486	-2,428	0	-1,043	3,488	0
Cash flow from investing	**-2,283**	**-2,429**	**-5,892**	**-1,577**	**2,314**	**-3,187**
Debt financing, net	2,154	-2,376	-2,536	5,253	-3,540	-153
Equity financing, net	0	0	0	0	0	0
Net paid financing expenses	695	-718	-591	-3,920	-799	-962
Cash flow from financing	**2,849**	**-3,094**	**-3,127**	**1,333**	**-4,339**	**-1,115**
Net cash flows	**-584**	**-1,157**	**376**	**293**	**54**	**52**
Cash, start of the year	2,192	1,608	451	827	1,120	1,174
Cash, end of the year	**1,608**	**451**	**827**	**1,120**	**1,174**	**1,226**

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INFORMATION PURSUANT TO SECTION 85 (1) SENTENCE 1 OF THE GERMAN SECURITIES TRADING ACT [WPHG], TO ART. 20 (1) OF REGULATION (EU) NO 596/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF APRIL 16, 2014, ON MARKET ABUSE (MARKET ABUSE REGULATION) AND TO ART. 37 OF COMMISSION DELEGATED REGULATION (EU) NO 2017/565 (MIFID) II.

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- The author, First Berlin, or a company associated with First Berlin holds an interest of more than five percent in the share capital of the analysed company;

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PRICE TARGET DATES

Unless otherwise indicated, current prices refer to the closing prices of the previous trading day.

AGREEMENT WITH THE ANALYSED COMPANY AND MAINTENANCE OF OBJECTIVITY

The present financial analysis is based on the author’s own knowledge and research. The author prepared this study without any direct or indirect influence exerted on the part of the analysed company. Parts of the financial analysis were possibly provided to the analysed company prior to publication in order to avoid inaccuracies in the representation of facts. However, no substantial changes were made at the request of the analysed company following any such provision.

ASSET VALUATION SYSTEM

First Berlin’s system for asset valuation is divided into an asset recommendation and a risk assessment.

ASSET RECOMMENDATION

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy[1]	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

[1] The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

RISK ASSESSMENT

The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	24 June 2021	€1.61	Buy	€2.50
...	↓	↓	↓	↓
2	30 September 2021	€1.79	Buy	€2.50
3	16 December 2021	€1.88	Buy	€2.90
4	28 March 2022	€1.72	Buy	€2.90
5	4 October 2022	€0.93	Buy	€1.90
6	Today	€0.88	Buy	€1.80

INVESTMENT HORIZON

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

UPDATES

At the time of publication of this financial analysis it is not certain whether, when and on what occasion an update will be provided. In general First Berlin strives to review the financial analysis for its topicality and, if required, to update it in a very timely manner in connection with the reporting obligations of the analysed company or on the occasion of ad hoc notifications.

SUBJECT TO CHANGE

The opinions contained in the financial analysis reflect the assessment of the author on the day of publication of the financial analysis. The author of the financial analysis reserves the right to change such opinion without prior notification.

Legally required information regarding

- **key sources of information in the preparation of this research report**
- **valuation methods and principles**
- **sensitivity of valuation parameters**

can be accessed through the following internet link: https://firstberlin.com/disclaimer-english-link/

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