

07/12/2017 - GBC Research Comment - FinLab AG

Company: FinLab AG^{*5a,5b,6a,11}

ISIN: DE0001218063

Analyst: Cosmin Filker

Current share price: 25.85 € (XETRA; 06/12/2017)

Target Price / Rating (until now): 30.65 € / BUY (20.30 € /BUY)

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* Catalogue of potential conflicts of interest on page 4

Continued development of the cryptocurrencies segment; Successful completion of new financing round at Deposit Solutions; Revaluation on the basis of the higher HELIAD NAV, Increased target price, Unchanged BUY rating

Since our last research report (see Research Note dated 05/09/2017), the positive newsflow at FinLab AG has continued. After breaking into cryptocurrency by acquiring a stake in Vaultoro, a real-time trading platform for gold and bitcoin, in September 2017, the exposure to this high-growth segment was recently expanded. The new stake of approx. 20% of Frankfurt-based **Iconiq Lab Holding GmbH** specifically addresses the area of seed financing.

Iconiq Lab is involved in the financing of start-ups via so-called ICO (Initial Coin Offerings), as a new form of crowdfunding based on cryptocurrencies. As a result, start-ups will be able to quickly and flexibly execute first-round financing, bypassing typical venture capitalists. Iconiq Lab intends to establish a connection between lenders and start-ups by issuing so-called membership tokens. The new FinLab investment plans to issue a total of 12 million tokens for January 2018 (countervalue: €10.0 million in the cryptocurrency Ethereum). The buyers of the tokens will then have privileged access to start-ups from the rapidly growing cryptocurrency sector.

An assessment of the attractiveness of this new investment is only rudimentarily possible due to the current early stage of business and the lack of valuation information. If the value of this investment were to multiply, as was the case for the Deposit Solutions investment, we would expect FinLab AG to currently have valuation potential of €3.0 million.

Another positive newsflow concerns **Deposit Solutions GmbH**, which is currently the most successful FinLab investment. A new investment round of approximately USD 20 million has been successfully completed on the open banking platform investment. Based on the new valuation approach used for the new financing, the investment value of Deposit Solutions GmbH has more than ninefold since FinLab's entry in 2015, according to FinLab AG. The basis for this lies in the very dynamic business development. Since FinLab's entry alone, deposits amounting to almost €4 billion have been brokered. At the end of June 2017, this value was around €2 billion.

In addition, the market value of **Heliad Equity Partners GmbH & Co. KGaA**, which is currently FinLab AG's largest investment, has risen significantly by nearly 30% since our last research study (see Research Note dated 05/09/2017). Based on FinLab's current share, this means a significant increase in the valuation of the Heliad stake of €8.92 million. If the Heliad NAV of €10.59 per share is included, this results in further valuation potential for FinLab AG amounting to €7.90 million. We included the significant increase in value and the additional NAV-based valuation potential totalling €16.82 million in our revaluation of FinLab AG.

In addition, we revalued the valuation of the wholly-owned subsidiary **Heliad Management GmbH**, which covers the traditional financial services business and contributes to earnings stability through management fees and dividend distributions. The annual revenue is estimated at around €4.5 million (previously: €3.0 million). Based on the conservative investment value of Heliad Management GmbH of approx. €12.0 million, we see further considerable valuation potential of approx. €10.0 million here.

We have included the new deposit valuation approach, the valuation potential of Iconiq Lab, the new Heliad NAV and the new valuation of the wholly owned subsidiary Heliad Management GmbH in the NAV valuation model and calculated a new fair value of €30.65 (previously: €20.30). Despite the strong hike in the price of the FinLab share, which amounts to almost 60% compared to our last research study, we continue to rate FinLab AG as BUY.

ANNEX

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The analysts responsible for this analysis are:

Cosmin Filker, Dipl. Betriebswirt (FH), Vice Head of research

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

E-Mail: compliance@gbc-ag.de