

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

BUY

Target Price: €32.75
(until now: €33.75)

Current Price: 20.90
24/09/2018 / XETRA / 11:34
am
Currency: EUR

Key data:

ISIN: DE0001218063
WKN: 121806
Ticker symbol: A7A
Number of shares³: 5,239
Marketcap³: 109,49
³in millions / mEUR

Free Float: 20 %

Transparency Level:
Scale

Market Segment:
Freiverkehr

Accounting Standard:
HGB/IFRS

Financial-Year End: 31/12

Designated Sponsor:
Hauck & Aufhäuser

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* possible conflicts of interest
on page 7

Date (Time) completion:
26/09/18 (2:04 pm)

Date (Time) first distribution:
26/09.18 (3:30 pm)

Target price valid until: max.
31/12/2019

Unternehmensprofil

Branche: Private Equity

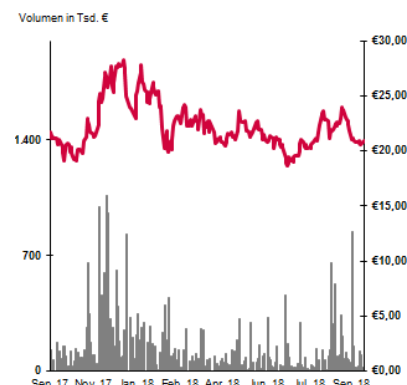
Fokus: financial technology ("fintech") business models

Employees : 13 on incubator level and over 100 in subsidiaries

Established: 2000, focus on fintech since beginning 2015

Registered office: Frankfurt am Main

Board of Management: Stefan Schütze, Juan Rodriguez



FinLab AG is an investment company with a specific focus on fintech business models. Its business activities focus on developing self-founded or incubated German fintech start-ups, with the potential to roll out the business model across Europe. FinLab aims to acquire majority stakes in these start-ups and also finances the companies through several rounds of financing as the lead or co-investor. The Company's secondary focus is on investing in promising fintech companies that are not self-founded, and providing associated risk capital in seed or follow-on financing rounds. 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 eight 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 EUR millions*	31/12/2015	31/12/2016	31/12/2017	30/06/2018
Total income	6.46	4.94	4.36	2.79
EBIT	4.02	2.27	1.46	1.02
Net income (loss)	6.54	14.00	14.21	1.63
Operating Cashflow	2.62	0.89	1.83	0.29

Key Figures in EUR*

Earnings per share	1.44	3.08	2.97	0.31
Dividend per share	0.00	0.00	0.00	0.00

Financial Assets in EUR millions

Equity (IFRS) in EUR millions	54.16	68.00	103.19	100.24
NAV per share in EUR	55.03	67.14	103.92	102.24
Discount to NAV	12.12	14.79	20.83	19.52
P/E ratio	72.4%	41.3%	0.3%	7.1%
Financial Assets in EUR millions	16.74	7.82	7.71	-

*Figures according IFRS

Financial Calendar

26-28/11/2018: EK-Forum Frankfurt

** Last research by GBC:

Date: publication/target price in EUR/rating

16/8/2018: RS / 33.75 / BUY

15/6/2018: RS / 30.65 / BUY

23/4/2018: RS / 30.65 / BUY

** The research studies indicated above may be viewed at www.gbc-ag.de, or requested at 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"

COMPANY DEVELOPMENT 1.HY 2018

Income and earnings performance 1st HY 2018

P&L (in €m)	1.HY 2016	1.HY 2017	1.HY 2018
Total income	1.88	1.76	2.79
EBIT (<i>margin</i>)	0.70 (37.4%)	0.30 (17.2%)	1.02 (36.7%)
Net profit	0.40	2.99	1.63
EPS in €	0.09	0.65	0.31*

Source: FinLab AG; GBC AG; *based on 5.24m shares

In the first six months of 2018, FinLab AG significantly increased its total income to EUR 2.79 million (previous year: EUR 1.76 million) and its EBIT to EUR 1.02 million (previous year: EUR 0.30 million). Even if income and earnings appear low at first glance, they demonstrate FinLab AG's high internal financing capability. This puts the company in the comfortable position of being able to accompany the development of investments for as long as possible and to accordingly participate in increases in value.

The income stems from services provided to subsidiaries and investments as well as income from investments, including in particular profit distributions from the investments in Heliad and Patriarch. In the first half of the year, profit participations amounted to EUR 1.21 million (previous year: EUR 0.67 million) and service revenue to EUR 1.22 million (previous year: EUR 0.76 million). After deducting personnel and material costs, the EBIT increased in line with the increase in total income.

The development of the financial result should be noted, which predominantly includes changes to the valuation of the technology investments (excluding HELIAD). Since significant changes in value only occurred after the balance sheet date (see Deposit Solutions), the financial result was, at EUR 0.94 million (previous year: EUR 2.73 million), lower than the previous year's value. This was responsible for the decline in post-tax earnings.

The strong internal financing capability is underlined by the positive operating cash flow of EUR 0.29 million (previous year: EUR 1.10 million). The decline compared to the previous year is exclusively due to temporary changes in net working capital. Adjusted for working capital changes, the operating cash flow would have even increased significantly to EUR 0.56 million (previous year: EUR 0.21 million).

Balance sheet as at 30/06/2018

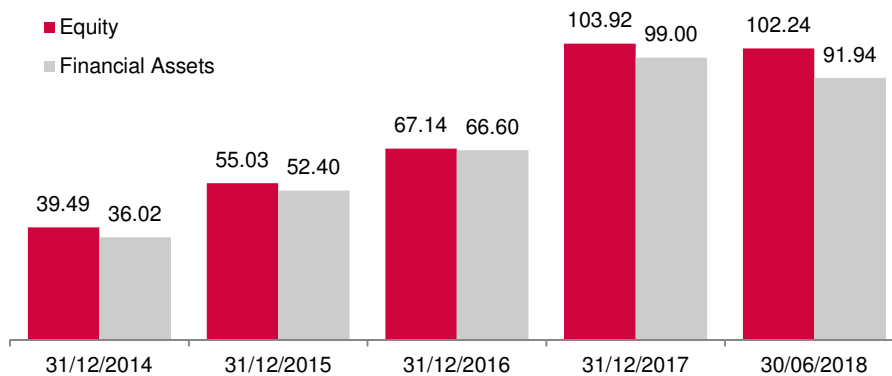
in €m	31/12/2016	31/12/2017	30/06/2018
Equity	67.14	103.92	102.24
Equity ratio (in %)	94.1%	97.9%	97.9%
Financial assets	66.60	99.00	91.94
Securities and cash	1.40	4.19	8.31
NAV per share	14.79 €	20.83 €	19.52 €

Source: FinLab AG; GBC AG

Based on the participation rate of 45.2% in Heliad Equity Partners GmbH & Co. KGaA and a resulting IFRS valuation on the balance sheet date of EUR 33.24 million (31/12/17: EUR 42.42 million), this is FinLab AG's largest individual investment. The share price of this investment fell 21.4% compared to the balance sheet date 31/12/17, resulting in a noticeable decline in FinLab's balance sheet. As a revaluation basis, this result-neutral reduction resulted in a decline in equity of EUR 8.91 million. This is, however, offset by the earnings-related increase in equity (EUR 1.63 million) as well as the capital increase

carried out in the second quarter (EUR 5.18 million), with the result that equity, at EUR 102.24 million, is almost unchanged compared to the balance sheet date (31/12/17: EUR 103.92 million). The NAV per share is EUR 19.52 on the basis of the higher number of shares (31/12/17: EUR 20.83).

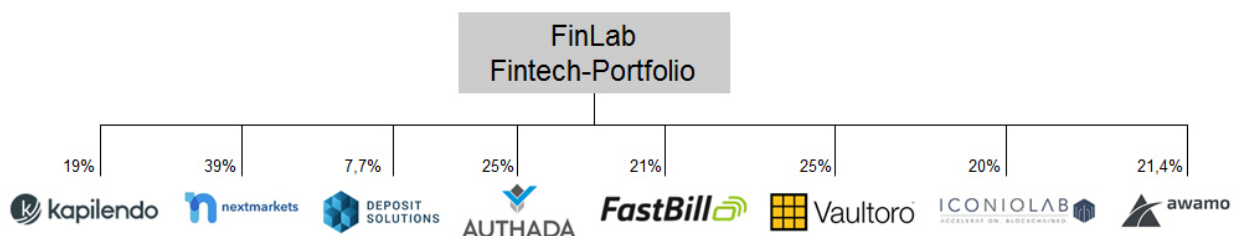
Equity and financial assets (in €m)



Source: FinLab AG; GBC AG

The decline in the HELIAD share price is reflected in a parallel decline in the development of financial assets. There were no significant changes in value to the unlisted investments.

JÜNGSTE ENTWICKLUNG IN DEN BETEILIGUNGEN



Source: FinLab AG; GBC AG

Deposit Solutions GmbH

A financing round amounting to USD 100 million was successfully completed at Deposit Solutions GmbH in August 2018. Taking into account this new financing round, the company value of the FinLab investment rose to around USD 500 million. The current value is all the more impressive given that the valuation for Deposit was made at the time that FinLab AG invested. When FinLab first invested in September 2015, the valuation was still just above EUR 20 million and the valuation of Deposit Solutions has therefore increased by a factor of 20 within approximately three years. While the brokerage volume was just EUR 1.0 billion at the end of 2016, this value has now increased to more than EUR 9 billion. As part of the current financing round, FinLab AG reduced shareholding in Deposit Solutions from around 12% to 7.7% through sales of shares. As part of this transaction, FinLab AG received USD 11.5 million (around EUR 10.0 million), which will be fully reflected in the cash flow for the current financial year. Despite the reduction in shareholding, the NAV for Deposit rose sharply on the basis of the new valuation. With a total company value of USD 500 million, this corresponds to a value of USD 38.5 million or around EUR 33 million.

awamo GmbH

After the balance sheet date 30/06/2018, FinLab AG made a seven-figure investment in awamo GmbH in the scope of a financing round. awamo is a provider of SaaS core banking solutions for smaller and medium-sized microfinance institutions in Uganda. The company therefore offers microfinance providers the opportunity to digitalise business processes and also increases the security of transactions and reduces default rates by using biometric authentication. Currently, awamo's customer base comprises around 60 institutions with over 100 branches and 75,000 end customers. Its planned expansion into East Africa should result in a significant expansion of this customer base.

AUTHADA GmbH

After the cyber security start-up AUTHADA GmbH received certification for its identification solution from the German Federal Office for Information Security (BSI) at the beginning of the current financial year 2018, it was able to gain its first customers in the course of the year. The German-British trading platform ayondo and the Austrian provider for prepaid solutions paysafecard currently use AUTHADA products. After the end of the first half of the year, main incubator, a fully owned subsidiary of Commerzbank, invested in AUTHADA in the scope of a seven-figure financing round.

nextmarkets GmbH

nextmarkets GmbH has developed a trading platform for private investors that allows stock exchange experts to be tracked and followed in real time. At the start of 2018, the Cologne-based company received approval to act as a securities trading bank through its banking unit, with the result that all financial services can be provided in the European Economic Area. nextmarkets customers can therefore make all trades using the nextmarkets app with real money. Marketing for the real money account began at the end of the first half of 2018. The conclusion of a new financing round in the amount of EUR 6 million was announced at the same time. In addition to the existing shareholders Peter Thiel and Falk Strasczeg, Axel Springer Media for Equity GmbH, Cryptology Asset PLC and the British hedge fund manager Alan Howard have invested in nextmarkets.

kapilendo AG

Axel Springer Media for Equity invested EUR 6.0 million in the full-service provider in the field of corporate financing in July 2018 in the scope of a B financing round. A total of 114 loans with a total volume of more than EUR 30 million had been brokered on the kapilendo platform by 30/06/2018.

New fund with Block.one

In March 2018, FinLab AG and Block.one signed a declaration of intent to establish and capitalise a new fund in the amount of USD 100 million (around EUR 80 million). According to the company, there are now firm commitments of around EUR 70 million. FinLab AG will receive a fixed management fee of 1.5% p.a. for the next four years, which corresponds to around EUR 1.0 million annually. This would further boost the company's already high internal financing capability and consequently protect the high level of flexibility in managing fintech investments.

VALUATION

We valued FinLab AG by calculating the net asset value (NAV) as a key performance indicator for portfolio companies which is typical for the sector.

As at 30/06/2018, FinLab AG had equity of EUR 102.24 million according to its IFRS balance sheet. This is based on the financial investments' carrying value of EUR 100.24 million, where the 45.2% investment in Heliad Equity Partners GmbH & Co. KGaA is currently the largest individual investment at EUR 33.24 million. However, this value, based on the price on the reporting date of EUR 7.45, includes significant hidden reserves of EUR 15.44 million that we take into account in the NAV valuation based on the NAV per share published by HELIAD of EUR 10.91 (31/12/17: EUR 12.22).

In addition, the IFRS valuation of the investments at 30/06/18 was EUR 41.11 million (31/12/17: EUR 38.24 million). The financing round after the balance sheet date at Deposit Solutions alone was valued at USD 500 million, thus significantly above the previous valuation. Despite FinLab AG's reduction in the participation rate from 12% to 7.7% in the course of the financing, the valuation of this investment alone is USD 38.5 million or around EUR 33 million. Including the other investments, we see the total NAV at EUR 83.61 million and thus around EUR 42.50 million above the balance sheet figure.

As the third stage in the NAV calculation, we expanded liquid assets (including securities) in the amount of EUR 8.31 million to include potential additions to liquidity. A significant liquidity addition in the amount of USD 11.5 million or around EUR 10 million results from the reduction in the participation rate in Deposit Solutions GmbH. We have also taken into account the expected and predictable revenue streams from traditional asset management business, i.e., the agreed management fees as well as dividend income of up to EUR 4.0 million (including income from the new fund with Block.one) in the liquid assets. We also included the expected holding costs amounting to EUR 2.5 million in the calculation.

Calculation of FinLabs' fair value per share

in €m	30/06/2018 (IFRS)	Fair value for NAV-calculation (according GBC)
Heliad Equity Partners GmbH	33.24	48.69
Fintech-Investments	41.11	83.61
Liquid assets	8.31	21.87
Other financial assets	17.59	17.59
Sum	100.24	171.75
	Hidden reserves	71.50
	Equity	173.75
	Equity without debt	171.60
	Number of shares	5.24
	NAV/share	32.75 €

The current NAV/share is therefore determined to be EUR 32.75 (previously: EUR 33.75). The slight reduction in fair value is based on a decline in HELIAD's NAV. Based on the current share price, however, FinLab AG's share clearly retains its BUY rating.

ANNEX

I.

Research under MiFID II

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2. The research report is simultaneously made available to all interested investment services companies.

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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 rel 10%.
HOLD	The expected return, based on the derived target price, incl. dividend payments within the rel 10% and < + 10%.
SELL	The expected return, based on the calculated target price, incl. dividend payments within the <= - 10%.

GBC AG's target prices are determined using the fair value per share, derived using generally recognised and widely used methods of fundamental analysis, such as the DCF process, peer-group benchmarking and/or the sum-of-the-parts process. This is done by including fundamental factors such as e.g. share splits, capital reductions, capital increases, M&A activities, share buybacks, etc.

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