

Buy (old: Buy)

Price target: EUR 26.40 (old: EUR 29.30)

Price:	EUR 15.80	Next result:	H1'19: 30.06.19
Bloomberg:	A7A@GR	Market cap:	EUR 84.2 m
Reuters:	A7AGN.DE	Enterprise Value:	EUR 70.7 m

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Heliad improvements in sight; chg est & PT

FinLab AG (FinLab) is a German listed investment company active in buy-and-build mainly in the FinTech sector. Here, the company is focused on incubating mainly German based FinTech start-ups. Recent **FY'18 results as well as Q1 NAV**, which was reported on Friday **indicate that FinLab's private participations increased in value**, while the lacklustre performance of Heliad is clearly holding back valuation.

FY'18 net profit was up by 19% yoy due to a strong financial result, which includes write ups on portfolio companies as well as income from asset disposals and rose by some 25% yoy to € 16.3m. This increase should have been **mainly driven by FinLabs stake in Deposit Solutions**. In a financing round in August 2018 DS raised \$ 100m, which values the company at roughly € 440m vs. prior valuation of € 300m (eH&A). In the course of this deal FinLab reduced its stake from 11% down to 8%, which should have caused cash inflows of c € 10m.

After this deal FinLab also **acquired a stake in three new companies**, namely CASHLINK and awamo in 2018 and Onpex in February this year. Most promising should be the latter, which is a provider of white label banking and payment services and should be valued at some € 20m (eH&A). While the company should already have a decent customer base **we expect further positive news flow** in that regard to drive valuation over the next 12 to 24 months.

Nevertheless, FinLab's **Q1 NAV of € 20,51 did not provide the expected uptick** as the share price of Heliad, the company's largest participation, decreased by more than 50% from € 9.45 to € 4.49 in 2018 and today still stands at € 4.48. To improve performance **FinLab's Management is now also heading Heliad's operations**. After a screening phase with low portfolio activity, we expect new management to initiate some restructuring later in the year. Additionally, we see **significant upside to Heliad's largest investment fintech group** on the back of the European roll out of its online brokerage flatex.

After all, FinLab's **portfolio companies showed sound development**, which we expect to continue also in 2019. At the same time new management as well as ample upside for fintech group, **should improve Heliad's performance**. On top of this the stock is currently trading on a 22% discount to reported NAV and a 40% discount to our fair NAV. Reiterate **BUY** with a new **PT of € 26.40** based on fair NAV.

Y/E 31.12 (EUR m)	2014	2015	2016	2017	2018
Sales	2.9	4.2	1.7	1.5	1.9
Sales growth	87 %	46 %	-59 %	-12 %	28 %
EBITDA	0.5	4.0	2.3	1.5	0.8
EBIT	0.5	4.0	2.3	1.5	0.8
Net income	1.6	6.5	14.0	14.2	16.9
Net debt	-4.6	-1.8	-1.4	-4.2	-13.4
Net gearing	-11.7 %	-3.2 %	-2.1 %	-4.0 %	-12.6 %
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.0
EPS pro forma	0.36	1.44	3.08	2.97	3.14
CPS	-0.01	0.58	0.18	0.37	0.28
DPS	0.00	0.00	0.00	0.00	0.00
Dividend yield	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Gross profit margin	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
EBITDA margin	17.1 %	96.4 %	132.3 %	96.1 %	40.6 %
EBIT margin	17.1 %	96.4 %	132.3 %	96.1 %	40.6 %
ROCE	1.3 %	8.2 %	3.6 %	1.7 %	0.7 %
EV/sales	23.2	16.5	44.5	48.7	36.4
EV/EBITDA	135.3	17.2	33.6	50.6	89.7
EV/EBIT	135.3	17.2	33.6	50.6	89.7
PER	43.1	10.8	5.1	5.3	5.0
Adjusted FCF yield	1.6 %	20.6 %	22.7 %	-4.8 %	-3.0 %

Source: Company data, Hauck & Aufhäuser Close price as of: 26.04.2019



Source: Company data, Hauck & Aufhäuser

High/low 52 weeks: 24.00 / 15.40

Price/Book Ratio: 0.8

Relative performance (SDAX):

3 months	-
6 months	-
12 months	-21.3 %

Changes in estimates

		Sales	EBIT	EPS
2019	old:	-	-	-
	Δ	-	-	-
2020	old:	-	-	-
	Δ	-	-	-
2021	old:	-	-	-
	Δ	-	-	-

Key share data:

Number of shares: (in m pcs)	5.24
Authorised capital: (in € m)	0.0
Book value per share: (in €)	19.7
Ø trading volume: (12 months)	800

Major shareholders:

BF Holding	43.0 %
Apeiron Investment Group	35.0 %
Free Float	22.0 %

Company description:

FinLab is a German investment company active as a company builder for FinTech companies.

Financials

Profit and loss (EUR m)	2014	2015	2016	2017	2018
Net sales	2.9	4.2	1.7	1.5	1.9
<i>Sales growth</i>	87.1 %	46.3 %	-58.9 %	-11.8 %	28.4 %
Increase/decrease in finished goods and work-in-process	1.9	2.3	3.2	2.8	2.7
Total sales	4.8	6.5	4.9	4.4	4.7
Other operating income	0.0	0.0	0.0	0.0	0.0
Material expenses	0.0	0.0	0.0	0.0	0.0
Personnel expenses	2.1	1.6	1.6	1.8	2.4
Other operating expenses	2.2	0.9	1.0	1.1	1.5
Total operating expenses	4.3	2.4	2.7	2.9	3.9
EBITDA	0.5	4.0	2.3	1.5	0.8
Depreciation	0.0	0.0	0.0	0.0	0.0
EBITA	0.5	4.0	2.3	1.5	0.8
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.0	0.0	0.0	0.0
Impairment charges	0.0	0.0	0.0	0.0	0.0
EBIT (inc revaluation net)	0.5	4.0	2.3	1.5	0.8
Interest income	0.0	0.0	0.0	0.1	0.3
Interest expenses	0.0	0.0	0.0	0.0	0.0
Other financial result	0.0	0.0	0.0	0.0	0.0
Financial result	1.2	3.1	11.8	13.0	16.3
Recurring pretax income from continuing operations	1.7	7.1	14.0	14.5	17.1
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	1.7	7.1	14.0	14.5	17.1
Taxes	0.0	0.6	0.0	0.2	0.2
Net income from continuing operations	1.6	6.5	14.0	14.2	16.9
Result from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0
Net income	1.6	6.5	14.0	14.2	16.9
Minority interest	0.0	0.0	0.0	0.0	0.0
Net profit (reported)	1.6	6.5	14.0	14.2	16.9
Average number of shares	4.5	4.5	5.0	5.0	5.4
EPS reported	0.36	1.44	3.08	2.97	3.14

Profit and loss (common size)	2014	2015	2016	2017	2018
Net sales	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Increase/decrease in finished goods and work-in-process	66.7 %	54.8 %	187.7 %	187.5 %	141.1 %
Total sales	166.7 %	154.8 %	287.7 %	287.5 %	241.1 %
Other operating income	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Material expenses	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Personnel expenses	73.2 %	37.3 %	95.7 %	116.2 %	125.4 %
Other operating expenses	76.3 %	21.1 %	59.6 %	75.2 %	75.2 %
Total operating expenses	149.5 %	58.4 %	155.3 %	191.4 %	200.6 %
EBITDA	17.1 %	96.4 %	132.3 %	96.1 %	40.6 %
Depreciation	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
EBITA	17.1 %	96.4 %	132.3 %	96.1 %	40.6 %
Amortisation of goodwill	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Amortisation of intangible assets	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Impairment charges	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
EBIT (inc revaluation net)	17.1 %	96.4 %	132.3 %	96.1 %	40.6 %
Interest income	0.0 %	0.0 %	2.0 %	6.9 %	17.3 %
Interest expenses	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Other financial result	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Financial result	41.1 %	74.6 %	685.6 %	858.2 %	837.7 %
Recurring pretax income from continuing operations	58.2 %	171.0 %	817.9 %	954.3 %	878.3 %
Extraordinary income/loss	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Earnings before taxes	58.2 %	171.0 %	817.9 %	954.3 %	878.3 %
Tax rate	1.0 %	8.3 %	0.3 %	1.7 %	1.7 %
Net income from continuing operations	57.6 %	156.8 %	815.4 %	938.2 %	869.7 %
Income from discontinued operations (net of tax)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Net income	57.6 %	156.8 %	815.4 %	938.2 %	869.7 %
Minority interest	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Net profit (reported)	57.6 %	156.8 %	815.4 %	938.2 %	869.7 %

Source: Company data, Hauck & Aufhäuser

Balance sheet (EUR m)	2014	2015	2016	2017	2018
Intangible assets	0.0	0.0	0.0	0.0	0.0
Property, plant and equipment	0.2	0.1	0.1	0.1	0.1
Financial assets	36.0	52.4	66.6	99.0	91.5
FIXED ASSETS	36.2	52.5	66.7	99.1	91.6
Inventories	0.0	0.0	0.0	0.0	0.0
Accounts receivable	0.0	0.0	0.0	0.0	0.0
Other current assets	0.9	2.5	2.2	1.6	2.3
Liquid assets	5.6	1.8	1.4	4.2	13.4
Deferred taxes	0.1	0.5	1.1	1.2	0.9
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0
CURRENT ASSETS	6.7	4.7	4.7	7.1	16.6
TOTAL ASSETS	42.9	57.3	71.4	106.2	108.3
SHAREHOLDERS EQUITY	39.5	55.0	67.1	103.9	106.3
MINORITY INTEREST	0.0	0.0	0.0	0.0	0.0
Long-term debt	1.0	0.0	0.0	0.0	0.0
Provisions for pensions and similar obligations	0.0	0.0	0.0	0.0	0.0
Other provisions	1.4	1.5	1.0	0.7	0.7
Non-current liabilities	2.4	1.5	1.0	0.7	0.7
short-term liabilities to banks	0.0	0.0	0.0	0.0	0.0
Accounts payable	0.1	0.1	0.0	0.1	0.3
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	0.7	0.3	2.7	0.5	0.3
Deferred taxes	0.2	0.4	0.5	1.0	0.8
Deferred income	0.0	0.0	0.0	0.0	0.0
Current liabilities	1.0	0.7	3.2	1.5	1.3
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	42.9	57.3	71.4	106.2	108.3

Balance sheet (common size)	2014	2015	2016	2017	2018
Intangible assets	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Property, plant and equipment	0.5 %	0.2 %	0.1 %	0.1 %	0.1 %
Financial assets	84.0 %	91.5 %	93.3 %	93.3 %	84.5 %
FIXED ASSETS	84.5 %	91.7 %	93.4 %	93.4 %	84.6 %
Inventories	0.1 %	0.0 %	0.0 %	0.0 %	0.0 %
Accounts receivable	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Other current assets	2.1 %	4.3 %	3.0 %	1.5 %	2.1 %
Liquid assets	13.1 %	3.1 %	2.0 %	3.9 %	12.4 %
Deferred taxes	0.3 %	0.9 %	1.6 %	1.2 %	0.9 %
Deferred charges and prepaid expenses	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
CURRENT ASSETS	15.5 %	8.3 %	6.6 %	6.6 %	15.4 %
TOTAL ASSETS	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
SHAREHOLDERS EQUITY	92.1 %	96.1 %	94.1 %	97.9 %	98.2 %
MINORITY INTEREST	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Long-term debt	2.3 %	0.0 %	0.0 %	0.0 %	0.0 %
Provisions for pensions and similar obligations	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Other provisions	3.3 %	2.6 %	1.4 %	0.6 %	0.6 %
Non-current liabilities	5.6 %	2.6 %	1.4 %	0.6 %	0.6 %
short-term liabilities to banks	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Accounts payable	0.3 %	0.1 %	0.0 %	0.1 %	0.3 %
Advance payments received on orders	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Other liabilities (incl. from lease and rental contracts)	1.6 %	0.5 %	3.8 %	0.5 %	0.2 %
Deferred taxes	0.5 %	0.7 %	0.7 %	0.9 %	0.7 %
Deferred income	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Current liabilities	2.3 %	1.3 %	4.5 %	1.5 %	1.2 %
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

Source: Company data, Hauck & Aufhäuser

Cash flow statement (EUR m)	2014	2015	2016	2017	2018
Net profit/loss	1.6	6.5	14.0	14.2	16.9
Depreciation of fixed assets (incl. leases)	0.0	0.0	0.0	0.0	0.0
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.0	0.0	0.0	0.0
Others	-1.7	-3.9	-13.1	-12.4	-15.4
Cash flow from operations before changes in w/c	-0.1	2.6	0.9	1.8	1.5
Increase/decrease in inventory	0.0	0.0	0.0	0.0	0.0
Increase/decrease in accounts receivable	0.0	0.0	0.0	0.0	0.0
Increase/decrease in accounts payable	0.0	0.0	0.0	0.0	0.0
Increase/decrease in other working capital positions	0.0	0.0	0.0	0.0	0.0
Increase/decrease in working capital	0.0	0.0	0.0	0.0	0.0
Cash flow from operating activities	-0.1	2.6	0.9	1.8	1.5
CAPEX	0.0	0.0	0.0	0.1	0.0
Payments for acquisitions	0.0	0.0	0.0	0.0	0.0
Financial investments	-2.6	6.9	1.8	5.3	7.5
Income from asset disposals	0.0	3.3	0.5	1.0	10.1
Cash flow from investing activities	2.6	-3.7	-1.2	-4.3	2.6
Cash flow before financing	2.5	-1.0	-0.3	-2.5	4.1
Increase/decrease in debt position	-1.4	-1.0	0.0	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	0.0	5.6	5.2
Dividends paid	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0
Effects of exchange rate changes on cash	0.0	0.0	0.0	0.0	0.0
Cash flow from financing activities	-1.4	-1.0	0.0	5.6	5.2
Increase/decrease in liquid assets	1.1	-2.0	-0.3	3.1	9.3
Liquid assets at end of period	3.3	1.3	1.0	4.1	13.4

Source: Company data, Hauck & Aufhäuser

Regional split (EUR m)	2014	2015	2016	2017	2018
Domestic	0.0	0.0	0.0	0.0	0.0
yoy change	n/a	n/a	n/a	n/a	n/a
Rest of Europe	0.0	0.0	0.0	0.0	0.0
yoy change	n/a	n/a	n/a	n/a	n/a
NAFTA	0.0	0.0	0.0	0.0	0.0
yoy change	n/a	n/a	n/a	n/a	n/a
Asia Pacific	0.0	0.0	0.0	0.0	0.0
yoy change	n/a	n/a	n/a	n/a	n/a
Rest of world	0.0	0.0	0.0	0.0	0.0
yoy change	n/a	n/a	n/a	n/a	n/a
TTL	0.0	0.0	0.0	0.0	0.0
yoy change	n/a	n/a	n/a	n/a	n/a

Source: Company data, Hauck & Aufhäuser

Key ratios (EUR m)	2014	2015	2016	2017	2018
P&L growth analysis					
Sales growth	87.1 %	46.3 %	-58.9 %	-11.8 %	28.4 %
EBITDA growth	-111.3 %	722.9 %	-43.5 %	-35.9 %	-45.8 %
EBIT growth	-111.3 %	722.9 %	-43.5 %	-35.9 %	-45.8 %
EPS growth	-231.7 %	297.9 %	113.7 %	-3.6 %	5.6 %
Efficiency					
Total operating costs / sales	149.5 %	58.4 %	155.3 %	191.4 %	200.6 %
Sales per employee	n/a	n/a	n/a	n/a	n/a
EBITDA per employee	n/a	n/a	n/a	n/a	n/a
Balance sheet analysis					
Avg. working capital / sales	30.0 %	16.3 %	89.7 %	115.8 %	86.8 %
Inventory turnover (sales/inventory)	n/a	n/a	0.0	0.0	0.0
Trade debtors in days of sales	0.0	0.0	0.0	0.0	0.0
A/P turnover [(A/P*365)/sales]	n/a	n/a	n/a	n/a	0.0
Cash conversion cycle (days)	n/a	n/a	n/a	n/a	n/a
Cash flow analysis					
Free cash flow	-0.1	2.6	0.9	1.8	1.5
Free cash flow/sales	-2.8 %	62.4 %	52.1 %	117.2 %	75.1 %
FCF / net profit	neg.	39.8 %	6.4 %	12.5 %	8.6 %
Capex / deprn	n/a	n/a	n/a	n/a	n/a
Capex / maintenance capex	n/a	n/a	n/a	n/a	n/a
Capex / sales	n/a	n/a	n/a	n/a	n/a
Security					
Net debt	-4.6	-1.8	-1.4	-4.2	-13.4
Net Debt/EBITDA	0.0	0.0	0.0	0.0	0.0
Net debt / equity	neg.	neg.	neg.	neg.	neg.
Interest cover	999.0	999.0	999.0	999.0	999.0
Dividend payout ratio	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Asset utilisation					
Capital employed turnover	0.1	0.1	0.0	0.0	0.0
Operating assets turnover	24.4	69.6	41.9	84.2	-10.7
Plant turnover	13.8	36.3	26.8	17.2	20.9
Inventory turnover (sales/inventory)	n/a	n/a	0.0	0.0	0.0
Returns					
ROCE	1.3 %	8.2 %	3.6 %	1.7 %	0.7 %
ROE	4.2 %	11.9 %	20.9 %	13.7 %	15.9 %
Other					
Interest paid / avg. debt	0.0 %	0.0 %	n/a	n/a	6.0 %
No. employees (average)	0	0	0	0	0
Number of shares	4.5	4.5	5.0	5.0	5.4
DPS	0.0	0.0	0.0	0.0	0.0
EPS reported	0.36	1.44	3.08	2.97	3.14
Valuation ratios					
P/BV	1.8	1.3	1.2	0.7	0.8
EV/sales	23.2	16.5	44.5	48.7	36.4
EV/EBITDA	135.3	17.2	33.6	50.6	89.7
EV/EBITA	135.3	17.2	33.6	50.6	89.7
EV/EBIT	135.3	17.2	33.6	50.6	89.7
EV/FCF	-837.8	26.5	85.5	41.5	48.5
Adjusted FCF yield	1.6 %	20.6 %	22.7 %	-4.8 %	-3.0 %
Dividend yield	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %

Source: Company data, Hauck & Aufhäuser

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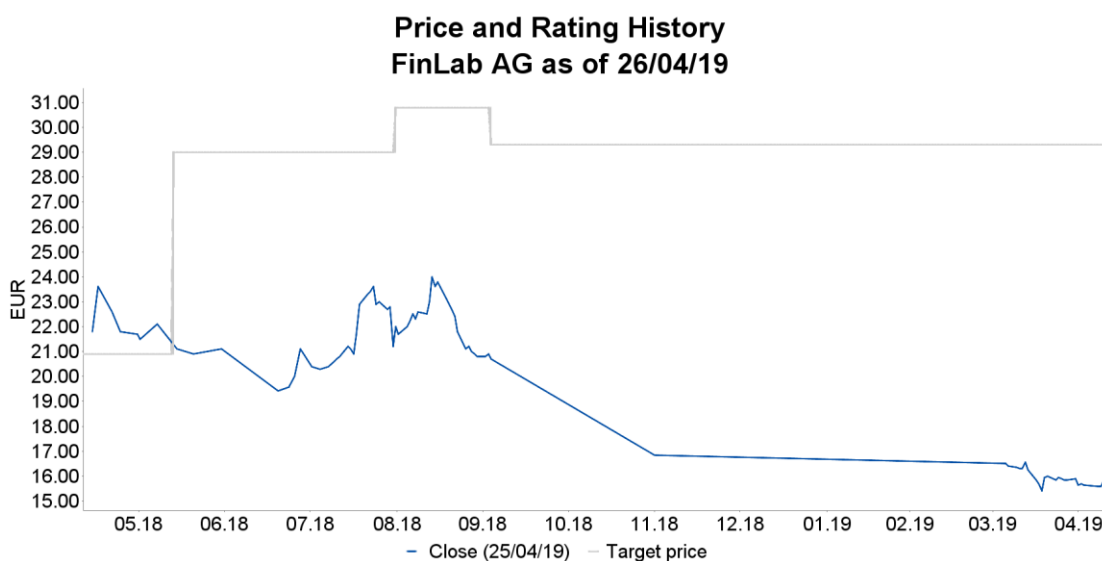
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Conflicts of interest that existed at the time when this research report was published:

Company	Disclosure
FinLab AG	2, 6, 8

Historical target price and rating changes for FinLab AG in the last 12 months

Initiation coverage
08-June-17



Company	Date	Analyst	Rating	Target price	Close
FinLab AG	20.09.2018	Bentlage, Simon	Buy	EUR 29,30	EUR 20,70
	17.08.2018	Bentlage, Simon	Buy	EUR 30,80	EUR 21,70
	29.05.2018	Bentlage, Simon	Buy	EUR 29,00	EUR 22,10

Hauck & Aufhäuser distribution of ratings and in proportion to investment banking services

Buy	64.71 %	85.00 %
Sell	12.42 %	0.00 %
Hold	22.88 %	15.00 %

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