

15/02/2016 - GBC Research Comment – FinTech Group AG

Company: FinTech Group AG^{*5a,11}

ISIN: DE0005249601

Analyst: Felix Gode, CFA

Current price: € 17.38 (XETRA 15/02/2016; 16:45)

Target price: € 26.85

Rating: Buy

Date of completion/first publication: 15/02/2016

* List of possible conflicts of interest on page 3

Cooperation with Morgan Stanley expands range of structured products for flatex-customers extensively – significant earnings contribution from HY2 2016 on expected – estimates for 2016 confirmed – target price of € 26.85 confirmed

Today FinTech Group AG announced the achievement of another important milestone. With the US-bank Morgan Stanley a long-term strategic partnership was formed. The cooperation includes the offering of certificates and warrants (structured products) on the German market by Morgan Stanley and the online-broker flatex, a subsidiary of the FinTech Group. The products will be offered under the flatex brand.

In consequence of the cooperation the 150,000 clients of flatex will get access to an even broader range of structured products. So far flatex mostly offered structured products of Deutsche Bank and Commerzbank.

We appraise the partnership with Morgan Stanley as a big leap towards achieving the goals set for FY2016. The expanded product range is of big importance because a third of all transactions by flatex' clients are conducted in structured products. Given the close cooperation between the two banks, we also assume that flatex will get higher provisions than usual for offering the joint products. Therefore, we expect that the cooperation will have positive effects on the profitability of flatex and therewith FinTech Group AG as well. However, positive earnings effects are not to be expected before HY2 2016, since the first products will be available until midyear.

During the first weeks of 2016 FinTech Group AG already made a statement, making clear that appropriate steps are being taken to reach the ambitious earnings goals. The cooperation with Morgan Stanley in the area of structured products is an important step on that course. In our point of view the company is on a good way and therefore we once again emphasize our positive expectations for the current and following financial years. In that context, we confirm our target price of € 26.85, resulting in an upside-potential of 50 %. The BUY-rating is affirmed respectively.

P&L (in million €)	FY 2014	FY 2015e	FY 2016e	FY 2017e
Net sales	24.64	84.23	90.00	101.15
EBITDA (margin)	-8.30 (neg.)	20.13 (17.5%)	31.00 (25.0%)	38.15 (27.5%)
Net profit or loss	-7.59	3.91	14.84	20.54

Source: GBC; Note: Net sales include interest income and commission income, netted against interest expenses and commission expenses, plus any other sales revenue (e.g. trading profit).

ANNEX

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