

JDC Group AG ^{*5a;11}

BUY

Target Price: 9.00

Current price: 5.92
20/9/2016 / ETR / closing price
Currency: EUR

Key date:

ISIN: DE000A0B9N37
WKN: A0B9N3
Ticker symbol: A8A
Number of shares³: 11.93
Marketcap³: 70.66
Enterprise Value³: 81.37
³ in m / in EUR m
Freefloat: 34 %

Transparency Level:
Freiverkehr
Market Segment:
Entry Standard
Accounting Standard:
IFRS

Financial year-end: 31/12

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* catalogue of potential conflicts of interests on page 6

Completion/First Publication:
21/09/2016 / 21/09/2016

Company profile

Sector: Financial

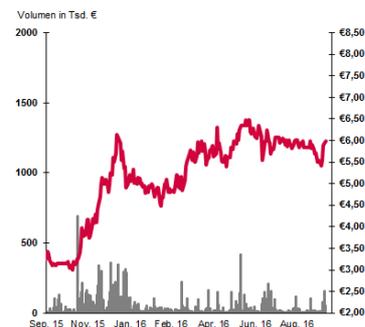
Focus: Advisory, Advisortech

Employees: 212 (31/12/2015)

Founded in: 2004

Headquarter: Wiesbaden

Executive Board: Dr. Sebastian Grabmaier, Ralph Konrad



JDC Group AG (formerly Aragon AG) is a German financial technology company specialised in financial product consultancy and brokerage through its operational subsidiaries, coupled with new advisory technologies for the age of the "digital natives". Following the company's restructuring work and the associated breakup of unprofitable subsidiaries in recent financial years, JDC Group AG has achieved its target structure. Within the Group's Advisory segment, the subsidiary Jung, DMS & Cie. AG operates one of the largest independent broker pools (B2B) in Germany, with a total of 16,000 independent consultants and 850,000 clients. In addition, the FINUM. brand provides financial services for around 80,000 wealthy clients (B2C). Modern advisory and management technologies are being developed within the new "Advisortech" business segment, thus combining classical financial services with the rapidly growing FinTech area.

P&L in €m	31/12/2015	31/12/2016e	31/12/2017e	31/12/2018e
Sales	75.36	91.28	106.59	114.33
EBITDA	1.28	4.87	9.15	10.36
EBIT	-0.27	2.52	6.97	8.33
Net profit	-1.73	1.44	5.34	6.58

Per Share Figures in EUR

EPS	-0.16	0.12*	0.45*	0.55*
Dividend per share	0.00	0.00	0.00	0.00

*EPS is based on a higher shares number of 11.93 Mio. shares (after 10% capital increase)

Key financials

EV/Sales	1.08	0.89	0.76	0.71
EV/EBITDA	63.57	16.71	8.89	7.85
EV/EBIT	neg.	32.29	11.67	9.77
P/E	neg.	49.07	13.23	10.74
P/B	2.34			

Financial Dates:

01/12/2016: Shareholders Letter Q3/2016

**last research published by GBC:

Date: publication / price target in € / rating

4/7/2016: RS / 9.00 / BUY

11/3/2016: RS / 6.80 / BUY

15/12/2015: RS / 6.80 / BUY

** the research reports can be found on our website www.gbc-ag.de or can be requested at GBC AG, Halderstr. 27, D86150 Augsburg

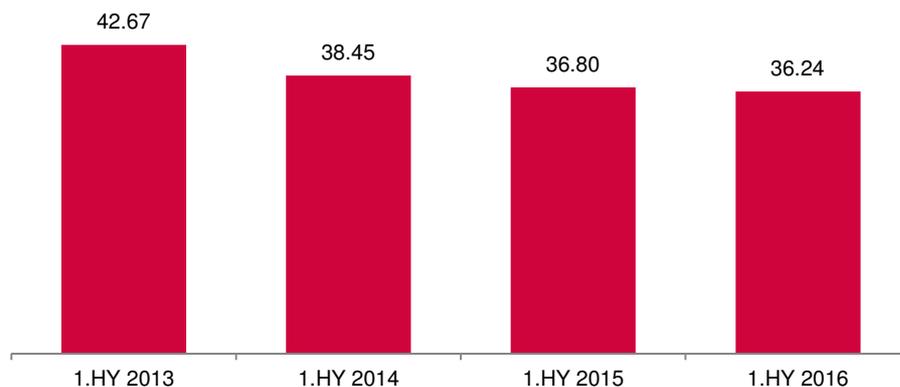
P&L (in €m)	HY 2013	HY 2014	HY 2015	HY 2016
Sales	42.67	38.45	36.80	36.24
EBITDA	-0.69	-0.43	1.02	0.37
EBITDA-margin	-1.6%	-1.1%	2.8%	1.0%
EBIT	-1.70	-1.28	0.26	-0.47
EBIT-margin	-4.0%	-3.3%	0.7%	-1.3%
Net income	-2.38	-4.50	-0.35	-0.78

Source: JDC Group AG; GBC AG

Business development 1st HY 2016

In the first six months of 2016, the market environment for financial services was challenging, as it was influenced by continuing uncertainty, high volatility and low interest rates. Against this backdrop, there was a lack of growth drivers for the revenues of the JDC Group AG ("JDC"), which is reflected in the company's virtually unchanged sales performance of €36.24 million (first HY €36.80 million):

Sales (in €m)



Source: JDC Group AG; GBC AG

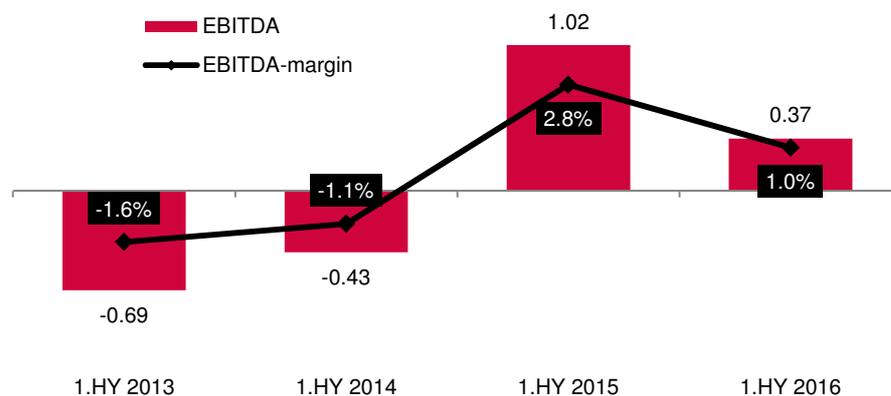
The general decline in the sales trend in recent half-years is due to the restructuring of the company, which has now been finalized. As part of this restructuring effort, money-losing subsidiaries were sold, which led to a drop in sales volume. With the implementation of the corporate strategy now complete, the focus is on anorganic growth and the expansion of the technology-based business with financial service providers. JDC Group AG intensified the implementation of this strategy in the first six months of 2016:

- The introduction of the "allesmeins" app, which gives users an overview of their financial contract portfolio. The app links JDC's traditional advisory business with the FinTech growth market.
- The purchase of a private-customer insurance portfolio with nearly 195,000 customers (annual commission income: around €5.0 million; annual EBITDA: around €4.0 million). This allows JDC to profit from the ongoing consolidation in the financial advisory services market (stricter regulatory requirements, succession planning, etc.) and puts the company in a position to gain market share.
- Acquisition of the online comparison platform "Geld.de" as a new channel to win end customers. There are potential synergies with both the traditional advisory business and the digital insurance folder "allesmeins".
- Acquisition of the private customer business of Aon Deutschland, which consists of nearly 20,000 contracts (annual commission income: around €1.5 million; annual

EBITDA: around €1.2 million). The termination rate is expected to be low as these are mainly smaller contracts in the area of legal, liability, homeowners and household insurance.

The preparatory work and expenses involved in the portfolio transactions in the first half-year of 2016 had a negative impact on earnings. In addition, in the previous year JDC profited from the assumption of risks, which resulted in significantly higher other operating income of €2.15 million, compared to (€0.83 million) in the first half-year of 2016. Adjusted for these effects, JDC Group AG actually managed to record a slight earnings growth.

EBITDA (in €m) and EBITDA-margin (in %)



Source: JDC Group AG; GBC AG

Balance sheet and financial situation as at 30/06/2016

in €m	31/12/2013	31/12/2014	31/12/2015	30/06/2016
Equity (Equity-ratio)	34.98 (44.8%)	26.41 (43.8%)	24.68 (37.5%)	30.15 (41.2%)
Net Debt	-2.86	0.79	1.35	-0.46
Financial assets	8.63	4.18	5.32	13.47
Long-Term assets	40.49	32.12	31.66	37.11
Operating Cash flow	-5.55	-4.55	-0.65	2.38
Investment – Cash flow	4.10	2.90	-5.23	-2.63
Financing Cash flow	1.42	-2.47	7.25	5.35

Source: JDC Group AG; GBC AG

The investments made in the first six months of 2016 slightly changed the asset situation of JDC Group AG. Of particular note here is the significant increase in equity to €30.15 million (31/12/15: €24.68 million). At the end of the first half-year of 2016, the company successfully placed a cash capital increase with institutional investors as a financing component for anorganic growth. The gross proceeds of the issue of €6.51 million (1.08 million new shares at a price of €6.00 per share) resulted in a considerable increase in financial resources to €13.47 (31/12/15: €5.32 million). This gives the company extensive financial resources, which can be used to fund further acquisitions.

Forecasts 2016 - 2018

P&L (in €m)	FY 2015	FY 2016e	FY 2017e	FY 2018e
Sales	75.36	91.28	106.59	114.33
EBITDA	1.28	4.87	9.15	10.36
EBITDA-margin	1.7%	5.3%	8.6%	9.1%
EBIT	-0.27	2.52	6.97	8.33
EBIT-margin	-0.4%	2.8%	6.5%	7.3%
Net income	-1.73	1.44	5.34	6.58

Source: GBC AG

The acquisitions had very little impact on the operating performance in the first six months of 2016. Anorganic effects on sales of an annual €6.5 million and the additional annual EBITDA contribution of around €5.2 million will only gradually accrue to JDC Group AG with the transfer of the contracts. We expect a transfer period of around six months, although according to the company, the transfer of the contracts is taking place more rapidly than expected. Anorganic effects (incl. positive effects on earnings) will therefore have a pro rata effect in the third quarter of 2016 and be fully effective from 2017.

The increase in customer numbers resulting from this anorganic growth (current number of customers: > 1.0 million) and the potential for gaining new customers via the recently acquired "Geld.de" domain form a solid basis for the use of the FinTech solution "alles-meins", which was launched in the market in 2016. The cross-selling opportunities possible here are based on the expectation of an increase in new customers and in existing customers. According to information provided by the company, the average contract density for newly acquired customers is one contract per customer. However, the average German has six financial contracts, which shows clearly the additional potential.

Against this backdrop, we expect significantly higher sales and earnings contributions in the second half-year of 2016. Especially given the good financial cushion, further anorganic growth can also be put to use expediently. The company is expected to continue to profit from the consolidation trend in the market for financial brokers, which also makes the currently attractive price levels possible. JDC Group AG's strong expertise in the settlement of existing contracts puts the company in a good bargaining position when negotiating prices in the takeover process.

We are leaving our previous sales and earnings forecasts (see the research study of 04/07/2016) unchanged. JDC Group AG should be in a position to increase sales considerably in the second half-year of 2016, pushing revenues up to €91.28 million. In future financial years, the anorganic effects should have a year-round impact. As such, based on the customer base currently achieved, we believe that JDC Group AG will continue on this course of growth. The €100 million revenue mark could be exceeded as early as 2017.

Given the expected increase in revenue, we expect a rise in the EBITDA margin to over 9.0% (FY 2018e). This forms the basis for our DCF evaluation model, according to which we expect a further increase in AdvisorTech revenue and, in the medium-term, an EBITDA margin of over 9.0%. Based on the unchanged sales and earnings forecasts, we confirm our price target of €9.00 per share calculated using the DCF evaluation model. We reiterate our BUY rating.

ANNEX

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