

## FinLab AG <sup>\*5a,5b,6a,11</sup>

**Rating: BUY**  
**Target Price: €18.32**

Current Price: 13.40  
05/10/2016, 9:38 / ETR

Currency: EUR

### Key Figures:

ISIN: DE0001218063  
WKN: 121806  
Ticker symbol: A7AG

Number of shares<sup>3</sup>: 4.538  
Marketcap<sup>3</sup>: 60.81  
<sup>3</sup>in millions / EURm

Free float: 20 %

Transparency level:  
Entry Standard

Market segment:  
Open Market

Accounting standard:  
HGB/IFRS

Financial year: 31/12

Designated Sponsor:  
Hauck & Aufhäuser

### Analysts:

Felix Gode, CFA  
gode@gbc-ag.de

Cosmin Filker  
filker@gbc-ag.de

\* List of possible conflicts of interest on page 7

### Corporate profile

Sector: Private Equity

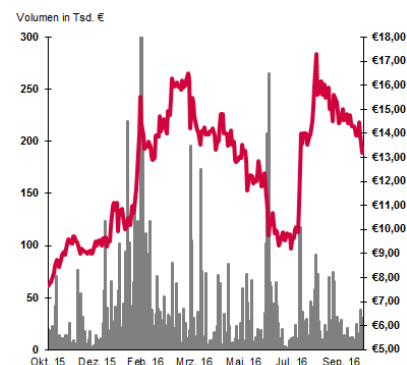
Focus: financial technology („fintech“) business models

Employees: 13 on incubator level and over 100 in subsidiaries

Established: 2000, focus on fintech since beginning 2015

Registered office: Frankfurt / Main

Board of management: Stefan Schütze, Juan Rodriguez, Kai Panitzki



FinLab AG is an investment company focusing on fintech business models. The Company focuses on the development of self-founded and incubated German fintech start-up companies that have the potential to roll out their business models across Europe. The Company attempts to acquire majority interests in the self-founded start-ups and provides funding to companies in multiple funding rounds as lead investor or co-investor. Another focus of the Company is providing venture capital to not self-founded but promising fintech companies in seed or follow-on funding rounds. The Company does not specialise regionally in this regard. In addition to Germany, potential investments are also considered in the US. FinLab AG also keeps the option open to selectively invest in funds and other incubators that focus specifically on fintech. In terms of regions, the Company primarily focuses on the US and Asia in this regard, in order to take advantage of the major role these markets play in the fintech sector and explore potentially attractive co-investment opportunities.

P&L in EUR millions*	31/12/2012	31/12/2013	31/12/2014	31/12/2015
Total income	5.58	2.10	4.76	6.46
EBITDA	-6.89	-4.31	0.49	4.02
Net income (loss)	-8.97	-1.25	1.64	6.54
Operating cashflow	-2.70	-3.96	-0.06	2.62

\*figures according to IFRS

### Key figures in EUR\*

Earnings per share	-1.98	-0.27	0.36	1.44
Dividend per share	0.00	0.00	0.00	0.00

\*figures according to IFRS

### Key figures\*

Financial assets in EUR millions	30.15	30.68	41.64	54.16
Equity (IFRS) in EUR millions	29.91	28.98	39.49	55.03
NAV per share in EUR	6.59	6.38	8.70	12.12
Discount to NAV	65.4 %	53.0 %	48.3 %	9.3 %
PE ratio	neg.	neg.	37.1	9.3

\*figures according to IFRS

### Financial calendar

22/11/2016: Eigenkapitalforum 2016

### \*\*last research by GBC:

Date: publication / target price in EUR / rating

04/08/2016: RS / 18.32 / BUY

24/03/2016: RS / 16.70 / BUY

28/01/2016: RS / 12.30 / BUY

22/01/2016: RS / 12.30 / BUY

\*\* The research studies indicated above may be viewed at [www.gbc-ag.de](http://www.gbc-ag.de), or requested at GBC AG, Halderstr. 27, D86150 Augsburg

Date of completion / first publication: 06/10/2016

## Business Development HY1 2016

P&L (in EUR millions)	HY1 2015	HY1 2016
Total income	4.86	1.88
EBIT (margin)	3.72 (76.5%)	0.70 (37.4%)
Net income (loss)	3.75	0.40
EPS in EUR	0.83	0.09

Source: FinLab, GBC

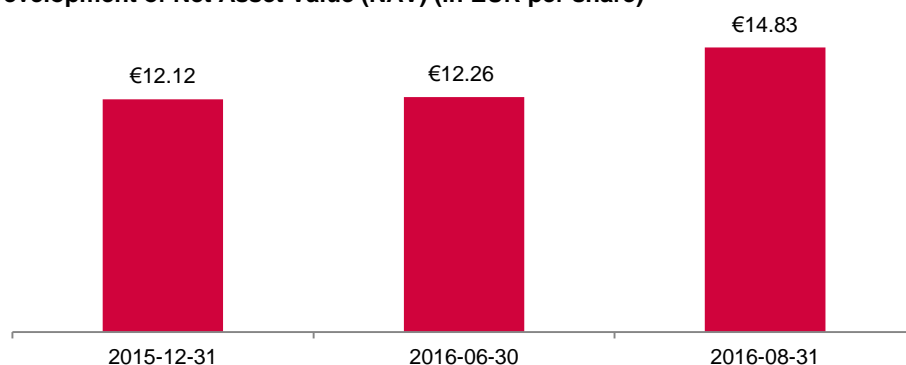
### Positive portfolio performance in H1 2016

In H1 2016, FinLab AG generated total income of €1.88 million, around €3 million less than the same period in the previous year. Total income comprised revenue, income from equity interests and other operating income. The decline stems primarily from the drop in revenue resulting from lower performance fees from the equity interest Heliad Equity Partners GmbH & Co. KGaA. By contrast, management fees, as fixed cash flows, were stable. Since the expected remuneration from performance fees is likely to be higher for 2015 than in the previous year, it can be assumed that correspondingly higher income will be recorded in H2 2016.

The cost side, in contrast, was stable again in H1 2016, with only slight changes in personnel and material costs. The lower EBIT in H1 2016 is thus due mainly to lower income, which, as mentioned above, should be balanced out in H2 2016.

As at 30 June 2016, the net asset value (NAV) was €12.26, only slightly above its value on 31 December 2015. The main reasons for this were the virtually unchanged share price of the largest equity interest, Heliad Equity Partners GmbH & Co. KGaA, whose share price of €6.25 as at 30 June 2016 was only slightly higher than the closing price of €6.20 on 31 December 2015, as well as the fact that the capital rounds at nextmarkets and Deposit Solutions, which significantly increased their value, did not take place until the second half of the year.

### Development of Net Asset Value (NAV) (in EUR per share)



Source: FinLab, GBC

In this context, it should be emphasised that significant write-ups on the valuations had already been made as at 31 August 2016 due to the major valuation premiums within the two financing rounds at the subsidiaries Deposit Solutions and nextmarkets. This resulted in a corresponding increase in NAV per share, which stood €14.83 on 31 August 2016, 21% above the value at the end of the half-year.

As a result, it is becoming increasingly clear that the interests acquired recently by FinLab AG as part of its reorientation since the end of 2014 are promising companies with

corresponding upside potential. The company has thus been able to considerably increase the value of its interests in just a short time.

The company's financial situation changed only marginally compared to the end of the previous financial year and remains good. Operating cash flow of €0.22 million increased the company's liquidity slightly to €0.91 million (31 December 2015: €1.29 million), despite further investments in the equity interests. In addition, a loan made of €1.25 million, of which €0.8 million was already repaid in H1 2016, was fully repaid after the balance sheet date, thus also strengthening the liquidity of FinLab AG.

It should also be mentioned that FinLab AG further expanded the development of its portfolio in H1 2016. With the investment in AUTHADA, a further equity interest was included in the portfolio, which increases the number of fintech investments to four and opens up further scope for valuation increases in future.

### ***Recent developments in equity interests***

#### **Kapilendo AG (formerly: Venturate AG) – equity share: 28%**

Venturate, in which an investment was made in early 2015, announced at the end of April 2016 that the company would be merging with Kapilendo AG. As part of this merger, all shares in Venturate AG were initially assumed by FinLab and fully brought into Kapilendo AG. In addition, FinLab made a significant contribution to financing further growth and now has a 28% stake in Kapilendo AG. This creates a powerful platform which combines the two themes of crowd-lending and crowd-investing, thus offering a wide range of investment opportunities. In this respect, the growing demand for alternative forms of financing for small and medium-sized companies as well as start-ups should be mentioned in particular.

#### **AUTHADA GmbH – equity share: 20%**

At the end of April 2016, FinLab made its first new investment of 2016 in AUTHADA, making a seven-digit amount available for growth financing. As part of this investment, FinLab acquired a 20% stake in the company. AUTHADA is active in the area of customer identification and has developed a process that allows people to be identified within a few seconds via the NFC interface of their smartphone. In view of BaFin's more stringent regulations for the Videoident process, the investment has a high upside potential in the coming years.

#### **Deposit Solutions GmbH – equity share: 12.9%**

The subsidiary Deposit Solutions, with its COMONEA deposit platform, acquired new investors in July this year. After the founder of PayPal, Peter Thiel, became an investor at the end of 2015, together with FinLab he again took part in a new round of financing with three new investors. However, this meant that the capital round took place at a valuation of over €100 million; the valuation at the end of last year, when FinLab AG made its first investment, was just over €20 million. This resulted in a flow to the company of an additional €15.0 million in cash and cash equivalents.

#### **nextmarkets GmbH – equity share: 49.96%**

After a financing round at Deposit Solutions was carried out at a significantly higher valuation, a capital round was also carried out at nextmarkets in July 2016 at a valuation significantly above FinLab's initial investment. It should be emphasised in this context that star investor Peter Thiel has now also been acquired as a new investor for nextmarkets, thus confirming the potential of the e-learning platform. The company received €3.5 million in cash and cash equivalents from the new round of financing.

## VALUATION

We valued FinLab AG by calculating the net asset value (NAV) as a key performance indicator for private equity companies which is typical for the sector. In making this calculation, we used the balance sheet amounts as at 30 June 2016 as the starting point and adjusted them to take account of significant changes made since the balance sheet date that had an impact on the NAV.

As at 30 June 2016, FinLab AG had equity of €55.63 million according to its IFRS balance sheet. This contrasted with financial assets, securities and cash of €55.07 million. The equity interest in Heliad Equity Partners GmbH & Co. KGaA (Heliad), in which FinLab AG holds a 47.04% stake, accounted for the lion's share at €27.93 million.

Since Heliad's share price is a key benchmark for the balance sheet approach at FinLab, according to our calculations, the existing NAV discount in FinLab AG's investment results in the inclusion of €13.31 million in significant hidden reserves as at 30 September 2016. With a NAV per share of €8.31, the discount on Heliad's share price to the NAV was around 25%. We have included Heliad's hidden reserves in the overall valuation of FinLab AG.

In the projection of the NAV, we took into account the planned revenue streams from the traditional asset management business expected in 2016, in particular the agreed management fees and expected dividend income of €4.0 million in cash and cash equivalents. At the same time, we included the expected holding costs of €2.5 million in the calculation.

The following table also shows that the value of all equity interests other than Heliad amounted to €21.85 million as at 30 June 2016. However, the recent financing rounds for the equity interests in nextmarkets and Deposit Solutions took place at significantly higher valuations, and were not included in H1 2016.

The NAV of €14.83 per share as at 31 August 2016 reflects a total valuation increase of €11.7 million compared to 30 June 2016, which is likely to be induced mainly by Deposit Solution and nextmarkets. In our research report (Anno) of 4 August 2016, we had forecast a valuation increase of €11.5 million. In addition, however, it is likely that not all valuation increases from the most recent capital rounds will be taken into account in the NAV as at 31 August 2016.

The addition of the other fintech equity interests Kapilendo and AUTHADA is likely to justify a further increase in value. We consider this to be a hidden reserve, which we do not currently take into account in our valuation as the fintech companies are at an early stage, but we emphasise the high additional potential that this could produce in the future and which is not currently taken into account in the share price of FinLab AG.

**Calculation of the fair value per share of FinLab AG:**

	31/12/2015	30/06/2016	30/09/2016*
Heliad NAV as of the reporting date (in m€)	103.36	79.02	84.97
FinLab AG share in Heliad	47.04 %	47.04 %	47.04 %
<b>Fair value of the Heliad investment (in m€)</b>	48.62	37.17	<b>39.97</b>
Heliad share price	6.20 €	6.25 €	5.96 €
<b>Market value of the shares held in Heliad (in m€)</b>	27.73	27.93	<b>26.66</b>
<b>Hidden reserves in the Heliad investment</b>	20.89	9.24	<b>13.31</b>
Financial investments/securities/liquid funds (in m€)	54.17	55.07	71.62
of which Heliad (in m€)	27.73	27.93	26.66
of which other investments (in m€)	19.63	21.85	35.85
of which cash/securities/loans (in m€)	6.80	5.28	6.78
<b>FinLab AG equity (in m€)</b>	<b>55.03</b>	<b>55.63</b>	<b>69.85</b>
Number of shares FinLab AG (in millions)	4.54	4.54	4.54
<b>NAV FinLab AG</b>	12.12 €	12.26 €	<b>15.39 €</b>
Hidden reserve per share (€13.31 million/4.54 million shares)			2.93 €
<b>Fair value per share of FinLab AG incl. hidden reserves</b>			<b>18.32 €</b>

\* GBC AG estimates

Based on this, we have calculated an equity value of €69.85 million as at 30 September 2016, resulting in an NAV per share of €15.39. This calculation does not yet take into account the hidden reserves of the Heliad equity interest. Instead, according to our calculations, they currently amount to €2.93 per FinLab share. In addition to the hidden reserves, the fair value per FinLab share is €18.32, which confirms our previous stock price target. Given the current share price of €13.40, this results in upside potential of more than 35%.

## ANNEX

### **Section 1 Disclaimer and exclusion of liability**

This document is intended solely for information purposes. All data and information in this study come from sources that GBC regards as reliable. In addition, the authors have taken every care to ensure that the facts and opinions presented here are appropriate and accurate. Nevertheless, no guarantee or liability can be accepted for their correctness – whether explicitly or implicitly. In addition, all information may be incomplete or summarised. Neither GBC nor the individual authors accept liability for any damage which may arise as the result of using this document or its contents, or in any other way in this connection.

We would also point out that this document does not constitute an invitation to subscribe to nor to purchase any securities and must not be interpreted in this way. Nor may it nor any part of it be used as the basis for a binding contract of any kind whatsoever, or be cited as a reliable source in this context. Any decision relating to the probable offer for sale of securities for the company or companies discussed in this publication should be taken solely on the basis of information in the prospectuses or offer documents which are issued in relation to any such offer.

GBC does not provide any guarantee that the indicated returns or stated target prices will be achieved. Changes to the relevant assumptions on which this document is based can have a material impact on the targeted returns. Income from investments is subject to fluctuations. Investment decisions should always be made with the assistance of an investment advisor. This document cannot replace the role of an advisor.

### **Sale outside the Federal Republic of Germany:**

This publication, if sold in the UK, may only be made available to those persons who, in the meaning of the Financial Services Act 1986 are authorised and exempt, or persons as defined in section 9 (3) of the Financial Services Act 1986 (Investment Advertisement) (Exemptions) Decree 1988 (amended version) and must not be transmitted directly or indirectly to other persons or groups of persons.

Neither this document nor any copy of it may be taken into, transferred to or distributed within the United States of America or its territories and possessions. The distribution of this document in Canada, Japan or other jurisdictions may be restricted by law, and persons who come into possession of this publication should find out about any such restrictions and respect them. Any failure to respect these restrictions may represent a breach of the US, Canadian or Japanese securities laws or laws governing another jurisdiction.

By accepting this document you accept all disclaimers of liability and the restrictions cited above.

You can find the details of this disclaimer/exclusion of liability at:

<http://www.gbc-ag.de/de/Disclaimer.htm>

### **Legal information and disclosures as required by section 34b para. 1 of Securities Trading Act (WpHG) and Financial Analysis Directive (FinAnV)**

This information can also be found on the internet at the following address::

<http://www.gbc-ag.de/de/Offenlegung.htm>

### **Section 2 (I) Updates**

A detailed update of the present analysis/analyses at any fixed date has not been planned at the current time. GBC AG reserves the right to update the analysis without prior notice.

### **Section 2 (II) Recommendation/ Classifications/ Rating**

Since 1/7/2006 GBC AG has used a 3-level absolute share rating system. Since 1/7/2007 these ratings relate to a time horizon of a minimum of 6 to a maximum of 18 months. Previously the ratings related to a time horizon of up to 12 months. When the analysis is published, the investment recommendations are defined based on the categories described below, including reference to the expected returns. Temporary price fluctuations outside of these ranges do not automatically lead to a change in classification, but can result in a revision of the original recommendation.

**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.

### **Section 2 (III) Past recommendations**

Past recommendations by GBC on the current analysis/analyses can be found on the internet at the following address:

<http://www.gbc-ag.de/de/Offenlegung.htm>

### **Section 2 (IV) Information basis**

For the creation of the present analysis/analyses publicly available information was used about the issuer(s) (where available, the last three published annual and quarterly reports, ad hoc announcements, press releases, share prospectuses, company presentations, etc.) which GBC believes to be reliable. In addition, discussions were held with the management of the company/companies involved, for the creation of this analysis/these analyses, in order to review in more detail the information relating to business trends.

### **Section 2 (V) 1. Conflicts of interest as defined in section 34b para. 1 of the Securities Trading Act (WpHG) and Financial Analysis Directive (FinAnV)**

GBC AG and the analysts concerned hereby declare that the following potential conflicts of interest exist for the company/companies described, at the time of this publication, and in so doing meet the requirements of section 34b of the Securities Trading Act (WpHG). A detailed explanation of potential conflicts of interest is also listed in the catalogue of potential conflicts of interest under section 2 (V) 2.

**In relation to the security or financial instrument discussed in this analysis the following possible conflict of interest exists: (5a,5b,6a,11)**

### **section 2 (V) 2. Catalogue of potential conflicts of interest**

- (1) GBC AG or a legal person connected to them holds shares or other financial instruments of this company at the time of publication.
- (2) This company holds over 3 % of the shares in GBC AG or a legal person connected to them.
- (3) GBC AG or a legal person connected to them is a market maker or designated sponsor for the financial instruments of this company.
- (4) GBC AG or a legal person connected to them has, over the previous 12 months, organised or played a leading role in the public issue of financial instruments for this company.
- (5) a) GBC AG or a legal person connected to them has over the last 12 months agreed to create research reports for this company in return for payment. ~~As part of this agreement the issuer was shown the draft of this analysis (excluding the evaluation section) prior to publication.~~
- (5) b) After receiving valid amendments by the analysed company, the draft of this analysis was changed.
- (6) a) GBC AG or a legal person connected to them has over the last 12 months agreed with a third party to create research reports about this company in return for payment. As part of this agreement the issuer was shown the draft of this analysis (excluding the evaluation section) prior to publication.
- (6) b) After receiving valid amendments by the third party, the draft of this analysis was changed.
- (7) The analyst responsible for this report holds shares or other financial instruments of this company at the time of publication.
- (8) The analyst responsible for this company is a member of the company's Executive Board or Supervisory Board.
- (9) The analyst responsible for this report received or purchased shares in the company analysed by said analyst, prior to the time of publication.
- (10) GBC or a related legal party has closed an agreement with the underlying company regarding consulting services during the previous 12 months.
- (11) GBC or a related legal party has a significant financial interest in the analysed company, for example to get mandated by the analysed company or to provide any kind of services (like the organization of fair, roundtables, road shows etc.).

### **Section 2 (V) 3. Compliance**

GBC has defined internal regulatory measures in order to prevent potential conflicts of interest arising or, where they do exist, to declare them publicly. Responsibility for the enforcement of these regulations rests with the current Compliance Officer, Markus Lindermayr, Email: [Klebl@gbc-ag.de](mailto:Klebl@gbc-ag.de)

### **Section 2 (VI) Responsibility for report**

The company responsible for the creation of this/these analysis/analyses is GBC AG, with registered office in Augsburg, which is registered as a research institute with the responsible supervisory authority (Federal Financial Supervisory Authority or BaFin, Lurgiallee 12, 60439 Frankfurt, Germany).

GBC AG is currently represented by its board members Manuel Hölzle (Chairman) and Jörg Grunwald.

The analysts responsible for this analysis are:

**Felix Gode, CFA, Dipl. Wirtschaftsjurist (FH), Vice Chief Financial Analyst**  
**Cosmin Filker, Dipl. Betriebswirt (FH), Financial Analyst**

Other person involved:

**Manuel Hölzle, Dipl. Kaufmann, Chief Financial Analyst**

### **Section 3 Copyright**

This document is protected by copyright. It is made available to you solely for your information and may not be reproduced or distributed to any other person. Any use of this document outside the limits of copyright law shall, in principle, require the consent of GBC or of the relevant company, should the rights of usage and publication have been transferred.

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](mailto:compliance@gbc-ag.de)





**GBC AG<sup>®</sup>**  
**- RESEARCH & INVESTMENT ANALYSEN -**

GBC AG  
Halderstraße 27  
86150 Augsburg  
Internet: <http://www.gbc-ag.de>  
Fax: ++49 (0)821/241133-30  
Tel.: ++49 (0)821/241133-0  
Email: [office@gbc-ag.de](mailto:office@gbc-ag.de)