

## 03/01/2017 - GBC Research Comment – FinTech Group AG

Company: FinTech Group AG<sup>\*5a,5b,6a,11</sup>

ISIN: DE0005249601

Analyst: Felix Gode, CFA

Current price: €15.635 (XETRA 03/01/2017; 14:54)

Target price: €27.00

Rating: Buy

Date of completion/first publication: 03/01/2017

\* List of possible conflicts of interest on page 3

### ***Merger of major operating companies will provide annual savings in seven-digit magnitude – management considers to raise guidance***

In the upcoming months Fintech Group AG plans to significantly reduce the complexity of the current group structure. The current structure consists of five major companies and they shall be merged to only two companies. As a result of the mergers a tech entity and a financial entity will be created. The tech entity will be represented by the FinTech Group AG, whereas the subsidiary XCOM will be merged with the FinTech Group AG. The group's IT-expertise will therewith be pooled in the parent company. At the same time the retail subsidiaries ViTrade and flatex will be merged with the biw Bank AG and the new entity is going to be renamed to FinTech Group Bank AG. In the future the whole banking business will be combined on the FinTech Group Bank AG as a result of the mergers. The merger process shall be completed during HY2 2017.

We welcome the planned simplification of the group structure as transparency will be significantly increased and the attribution of earnings of the two segments can be assessed more easily. Furthermore, the better assessability should contribute to the reduction of the undervaluation of the share.

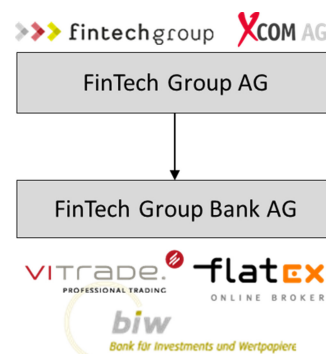
Additionally to the transparency criteria the leaner group structure will contribute to cost reductions. According to statements of the management, cost reductions in a seven-digit magnitude will come to effect from 2018 on, mostly related to administrative costs (audit costs, regulatory costs, board of director's compensations etc.). But also in 2017 the company expects significant cost savings, even with the expenses for conducting the structural changes. In addition to the administrative cost savings the downsizing of the group structure should also contribute to a better efficiency and therewith to more dynamic processes within the group.

**Despite the structural changes the management of the FinTech Group announced that the guidance for the current FY2017 could possibly be raised with the publication of the annual report 2016. Currently, the guidance comprises sales of at least €100m as well as a net profit of more than €15.1m. Our estimates for the FY2017 are slightly above the company's guidance and therefore we will reassess our estimates at the time the annual report for FY2016 will be made public. Until then we confirm our estimates and the target price of €27.00 as well as the BUY rating.**

P&L (in m€)	FY 2016e	FY 2017e	FY 2018e
Sales	100.00	108.00	115.00
EBITDA (margin)	33.00 (33.0%)	35.00 (32.4%)	40.00 (34.8%)
EBIT (margin)	28.00 (28.0%)	29.00 (26.8%)	33.50 (29.1%)
Net profit	9.55	16.82	19.80

Source: GBC

### Planned Group Structure



## ANNEX

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The analysts responsible for this analysis are:

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