



## **Research Note**

### **JDC Group AG**



## **Double-digit revenue growth and triple-digit growth in results achieved in first half 2017; outlook and price target confirmed**

**Target price: 10.25 €**

**Rating: BUY**

#### **IMPORTANT NOTE:**

**Please take note of the disclaimer/risk warning, as well as the disclosure of potential conflicts of interest as required by section 34b of the Securities Trading Act (WpHG) from page 6**

## JDC Group AG <sup>\*5a,11</sup>

### BUY

Target Price: 10.25 €

Current price: 6.81  
28/08/17 / XETRA-Closing  
Currency: EUR

#### Key data:

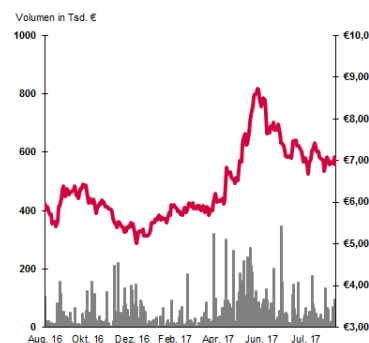
ISIN: DE000A0B9N37  
WKN: A0B9N3  
Ticker symbol: A8A  
Number of shares<sup>3</sup>: 11,93  
Marketcap<sup>3</sup>: 81,28  
EnterpriseValue<sup>3</sup>: 95,17  
<sup>3</sup> in m / in EUR m  
Freefloat: 39 %

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

Financial year-end: 31/12

### Company Profile

Sector: Financial  
Focus: Advisory, Advisortech  
Employees: 231 (30/06/2017)  
Founded in: 2004  
Headquarter: Wiesbaden  
Executive Board: Dr. Sebastian Grabmaier, Ralph Konrad,  
Stefan Bachmann



JDC Group AG (formerly Aragon AG) is a German financial technology business specialising in financial product consultancy and brokerage through its operational subsidiaries, coupled with new advisory technologies in the time of the digital native. 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. In the Advisortech field, the Group operates one of the largest independent broker pools (B2B) in Germany through its subsidiary Jung, DMS & Cie. AG, with a total of 16,000 independent financial advisers and 850,000 customers. Modern advisory and management technologies are being developed within this business area, thus combining traditional financial services with the rapidly growing FinTech area. In parallel, financial services are provided within the Advisory segment to approximately 80,000 wealthy clients (B2C) through the FINUM. brand.

GuV in Mio. EUR \ GJ.-Ende	31/12/2016	31/12/2017e	31/12/2018e	31/12/2019e
Revenue	78.05	92.56	105.52	121.35
EBITDA	2.72	5.66	8.41	11.61
EBIT	0.23	2.96	5.71	8.91
Net profit	-1.21	1.73	4.20	7.01

#### Per Share Figures in EUR

EPS	-0.10	0.14	0.35	0.59
Dividend per share	0.00	0.00	0.00	0.00

#### Key financials

EV/Sales	1.22	1.03	0.90	0.78
EV/EBITDA	34.99	16.82	11.31	8.20
EV/EBIT	413.78	32.17	16.66	10.69
P/E	neg.	47.09	19.36	11.59
P/B	2.74			

#### Financial Dates:

23/11/2017: Q3 2017

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

Date: publication / price target in € / rating

24/05/2017: RS / 10.25 / BUY

08/05/2017: RS / 10,25 / BUY

07/03/2017: RG / 8,40 / BUY

06/12/2016: RS / 8,40 / BUY

21/09/2016: RS / 9,00 / BUY

\*\* the research reports can be found on our website [www.gbc-ag.de](http://www.gbc-ag.de) or can be requested at GBC AG, Halderstr. 27, D86150 Augsburg

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\* catalogue of potential conflicts of interests on page 7

P&L (in €m)	1st HY 2014	1st HY 2015	1st HY 2016	1st HY 2017
Revenue	38.45	36.80	36.24	40.33
EBITDA	-0.43	1.02	0.37	1.71
EBITDA-margin	-1.1%	2.8%	1.0%	4.3%
EBIT	-1.28	0.26	-0.47	0.16
EBIT-margin	-3.3%	0.7%	-1.3%	0.4%
Net income	-4.50	-0.35	-0.78	-0.58

Source: JDC Group AG; GBC AG

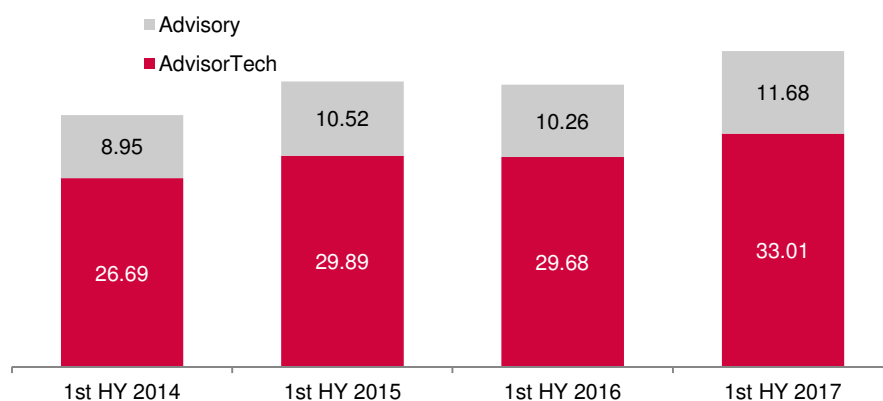
## Sales and earnings performance first half year 2017

After half-year revenue figures developing at a regular pace over recent financial years, sales surged significantly in the current half year by 10.1% to €40.33 million (previous year: €36.62 million). This shows that the new business strategy introduced and implemented in the last reporting period has borne fruit. An important aspect of the current company strategy is the combining of conventional broker and customer activities with Fintech's internally developed solution "allesmeins", designed to achieve a notable increase in contract density, with ensuing portfolio commissions.

In financial year 2016, JDC Group AG furthermore undertook the acquisition of a number of holdings in response to the predominant market trend toward consolidation of financial intermediaries, expanding its sales base inorganically. In the process, private customer insurance portfolios (195,000 customers), the online comparison platform "Geld.de" and parts of the private customer business of Aon Deutschland (20,000 policies) were acquired. In particular this led to an absolute sales growth from €3.33 million to €11.68 million (previous year: €10.26 million) in the AdvisorTech segment, under which B2B activities (broker pool and platform division) were pooled.

Along similar lines, sales in the advisory segment (B2C business) rose by €1.42 million, or 13.8%, to €11.68 million (previous year: €10.26 million). Based on the high level of recruiting activity in this area, the number of affiliated consultants sharply increased in 2016, which is reflected in the sales growth achieved.

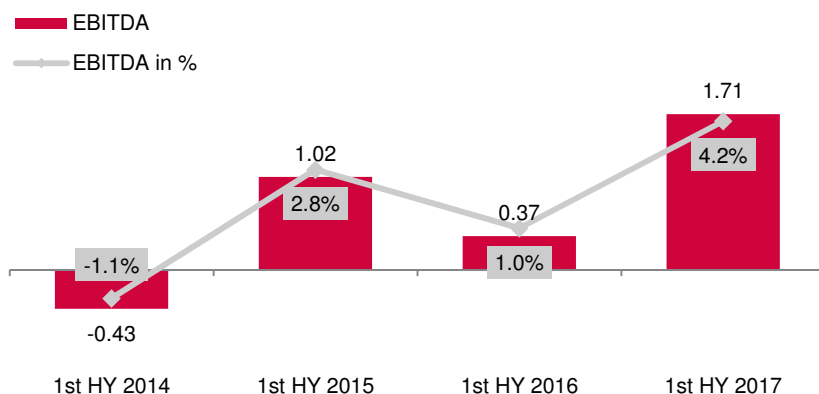
### Segment related revenue development (in €m)



Source: JDC Group AG; GBC AG

Starting from the sharply expanded sales base, EBITDA improved more than fourfold, clearly out of all proportion to €1.71 million (previous year: €0.37 million), accompanied by an increase in the EBITDA margin to 4.2% (previous year: 1.0%). In particular, EBITDA profited from a slower increase in variable costs, including commission expenses directly related to sales. The resulting decrease in commission costs at 68.4% (previous year: 72.7%) comes primarily from the revenue earned from additions to the portfolio for which there was no broker, and therefore no commission expenses.

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



Source: JDC Group AG; GBC AG

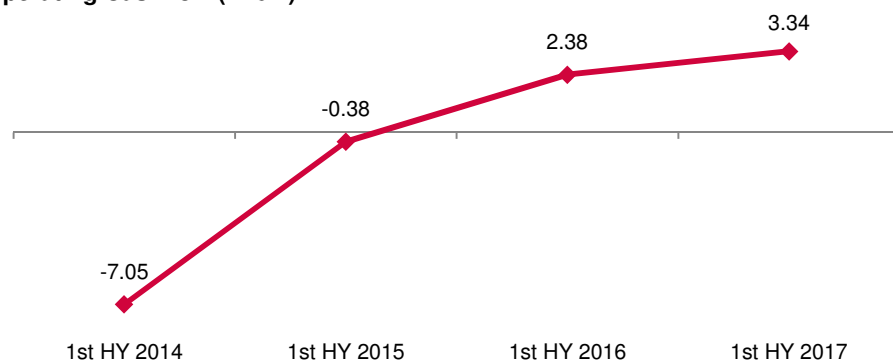
The fact that JDC Group AG still had negative after tax results of -€0.58 million (previous year: -€0.78 million) relates primarily to the sharp increase in write-offs at €1.55 million (previous year: €0.84 million). These are associated with acquisition-related investments in the previous financial year, which resulted in significant accruals of intangible assets (software, insurance portfolios).

### Bilanzielle und finanzielle Situation zum 30.06.2017

in €m	31/12/2014	31/12/2015	31/12/2016	30/06/2017
Equity (Equity ratio)	26.41 (43.8%)	24.68 (37.5%)	29.71 (40.7%)	29.13 (41.8%)
Net Debt	0.79	1.35	10.35	11.55
Financial assets	4.18	11.34	2.91	3.44
Long-Term assets	32.12	31.66	45.80	45.32
Operating Cashflow	-4.55	-0.65	1.22	3.34
Investment – Cashflow	2.90	-5.23	-9.40	-1.06
Financing Cashflow	-2.47	7.25	5.77	-1.74

Source: JDC Group AG; GBC AG

### Operating Cashflow (in €m)



Source: JDC Group AG; GBC AG

The acquisition-related increase in intangible assets was already represented in the balance sheet at year end 2016 (closing date: 31/12/2016). Only minor changes are visible in the financial year balance sheet compared to 30/06/2017. However, the slight positive development in liquid assets is particularly noteworthy, increasing to €3.44 million, especially as a result of positive operational cash flow (31/12/16: €2.91 million). The new record level of operational cash flow of €3.34 million should be noted here (previous

year: €2.38 million). JDC Group AG profited from this on the one hand by liquidity inflow from operational development, and on the other by a decrease in trade account receivables, and hence in working capital.

As there were no noteworthy investments made in the reporting period for the first half of 2017, the JDC Group AG reports a positive free cash flow of €2.27 million (previous year: -€0.26 million), out of which even loans were repaid, in small volume.

## Forecasts 2017 - 2019

in em	FY 2016	FY 2017e	FY 2018e	FY 2019e
Revenue	78.05	92.56	105.52	121.35
EBITDA (EBITDA-margin)	2.72 (3.5%)	5.66 (6.1%)	8.41 (8.0%)	11.61 (9.6%)
Net income	-1.21	1.73	4.20	7.01

Source: GBC AG

JDC Group confirmed the guidance published in its 2016 company report with the publication of its half year 2017 figures. The company guidance predicted revenues in the range of €85-95 million, corresponding to a expected double-digit revenue growth. EBITDA was expected to amount to €5-6 million and, as predicted, clearly in excess of the previous year. Considering the sales and result levels achieved in the first six months of 2017 and especially given the traditionally stronger second half of the year, we view the company outlook as achievable. JDC Group AG earned the preponderant share of its results in the fourth quarter of financial year 2016 alone, with an EBITDA of €2.01 million.

Therefore, we confirm our previous outlook (see research study of 8/5/2017) and expect revenue of €92.56 million for 2017 overall. On this basis, we also confirm our outlook for the coming financial year, during which we expect an annual growth of around 15%.

We view the future inorganic growth as a significant factor in the operational development of the company, just as in previous periods. The company should profit from the predominant trend toward consolidation among financial advisers here as well. Given the ever increasing administration expenses of broker portfolios and laws implementing MiFID, a trend toward greater organisation can be observed. These higher requirements can only be met and better conditions for product providers can only be provided within this framework, from which JDC Group AG, as one of the largest broker pools in Germany, should benefit. Furthermore, to a large extent we also see the digitalisation strategy of the company as a major factor in the future development of the company. Clear growth in contract density can be implemented by the use of the internally developed solution “allesmeins”, which should result in an increase in customer-related commissions. Furthermore, the JDC technology could also be of great interest to external customers, who can also profit from the use of “allesmeins” for cross-selling potential and the good purchasing conditions of JDC Group AG.

Given the expected higher results, the company may achieve a gradual improvement in its earnings margin. Our expectations are unchanged, with an increase of the EBITDA margin of up to about 10% in financial year 2019. Firstly, for the current financial year, 2017, we expect EBITDA to double from €2.72 million (financial year 2016) to €5.66 million (financial year 2017), and we are staying here within the range of published corporate guidance.

We also maintain unchanged both our specific outlook and valuation model, and consequently confirm the target price of €10.25. Based on the current share price of €6.81, there is a potential growth of 50%, and therefore we give this a BUY rating.

## ANNEX

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