

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

### BUY

**Target Price: €20.30€**  
(until now: €20.00)

Current Price: 16.85  
05/09/2017 / XETRA / 12:00  
Currency: EUR

### Key Data:

ISIN: DE0001218063  
WKN: 121806  
Ticker Symbol: A7AG  
Number of shares<sup>3</sup>: 4.989  
Marketcap<sup>3</sup>: 85.90  
<sup>3</sup>in millions / mEUR

Free Float: 20 %

Transparency Level:  
Scale

Market Segment:  
Freiverkehr

Accounting Standard:  
HGB/IFRS

Financial year-end: 31/12.

Designated Sponsor:  
Hauck & Aufhäuser

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\* catalogue of potential conflicts of interests on page 7

Date of completion/First publication  
05/09/2017 / 05/05/2017

### Company Profile

Sector: Private Equity

Focus: financial technology ("fintech") business models

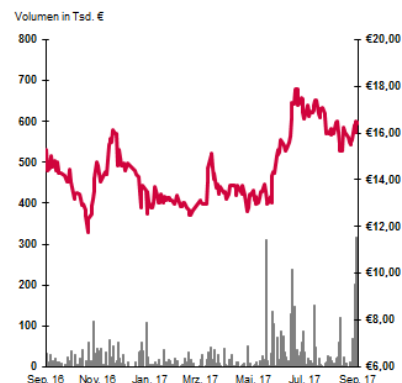
Employees: 12 on incubator level and over 100 in subsidiaries

Established: 2000, focus on fintech since beginning 2015

Registered office: Frankfurt am 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 coinvestor. 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*	31/12/2014	31/12/2015	31/12/2016	30/06/2017
Total income	4.76	6.46	4.94	1.76
EBIT	0.49	4.02	2.27	0.30
Net income (loss)	1.64	6.54	14.00	2.99
Operating Cashflow	-0.06	2.62	0.89	1.10

\*Figures according to IFRS

### Key Figures in EUR\*

Earnings per share	0.36	1.44	3.08	0.65
Dividend per share	0.00	0.00	0.00	0.00

\*Figures according to IFRS

### Key figures\*

Financial Assets in EUR millions	41.64	54.16	68.00	79.77
Equity (IFRS) in EUR millions	39.49	55.03	67.14	80.47
NAV per share in EUR	8.70	12.12	14.79	16.13
Discount to NAV	97.9%	42.1%	16.4%	6.8%
PE ratio	52.38	13.14	6.14	28.73

\*Figures according to IFRS

### Finanztermine

27/-29.11.2017: Eigenkapitalforum 2017

### \*\* Last research by GBC:

Date: publication/target price in EUR/rating

28/06/2017: RS / 20.00 / BUY

30/05/2017: RS / 18.50 / BUY

06/10/2016: RS / 18.32 / BUY

04/08/2016: RS / 18.32 / 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

## BUSINESS DEVELOPMENT 1ST HY 2017

### Revenue and earnings development 1st HY 2017

P&L (in €m)	1.HY 2015	1.HY 2016	1.HY 2017
Total income	4.86	1.88	1.76
EBIT ( <i>Margin</i> )	3.72 (76.5%)	0.70 (37.4%)	0.30 (17.2%)
Net profit	3.75	0.40	2.99
EPS in €	0.83	0.09	0.65

Source: FinLab AG, GBC

FinLab AG's P&L situation is characteristic of a typical investment company, with a comparatively low top-line alongside significant income from investments that are not fully consolidated but are included in the financial results. It therefore only makes sense to analyse the performance of FinLab AG based predominantly on its post-tax result, as this includes financial income.

In the first half of 2017, total income was EUR 1.76 million (previous year: EUR 1.88 million), almost equal to the previous year. This total income was made up of sales revenues (management fees through subsidiaries), investment income, (dividends received) and other operating income. While management fees were down slightly on the previous year, small gains were recorded in investment income. These two developments have offset each other somewhat, resulting in consistent income growth figures.

The growth in investments compared to the previous year was particularly noteworthy, contributing a total increase of EUR 2.72 million (previous year: EUR -0.20 million) to the financial income. The increase in the valuation of FinLab investments was offset within this income position. Heliad was among the stocks to record significant share price growth in the reporting period, with a gain of 18.2%.

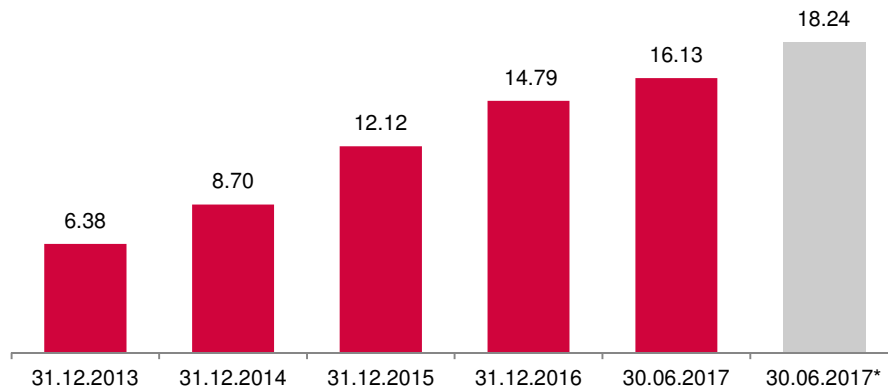
Against the backdrop of comparatively sound growth in operating costs, the post-tax result was EUR 2.99 million (previous year: EUR 0.40 million), a significant increase on the previous year.

### Financial situation as at 30/06/2017

in €m	31/12/2015	31/12/2016	30/06/2017
Equity	55.03	67.14	80.47
Equity ratio (in %)	96.1%	94.1%	98.2%
Financial Assets	52.40	66.60	75.42
Securities and Cash	1.77	1.40	4.35
NAV per share	12.12 €	14.79 €	16.13 €

Source: FinLab AG, GBC

Given the above-mentioned growth in the post-tax result, which was accompanied by a successful capital increase of EUR 5.85 million, equity capital continued its upward trend to reach EUR 80.74 million (31/12/2016: EUR 67.14 million). Despite an increased share count, this trend prompted growth in the net asset value (NAV), which increased further to reach EUR 16.13 per share (previous year: EUR 14.79). It should be borne in mind that the NAV includes the stake in Heliad Equity Partners GmbH Co. KG at its market price on the reporting date (Heliad share price as at 30/06/2017: EUR 6.75). As at 30/06/2017, however, Heliad has a NAV of EUR 9.16 (see Heliad's semi-annual financial report 2017), which is around 35% above the share price. If the Heliad NAV of EUR 9.16 were used as the basis for valuation, FinLab AG's equity capital would amount to EUR 18.24 per share:



Source: FinLab AG, GBC; \*based on the Heliad-NAV of 9.16 € per share

On the asset side of the balance sheet, financial assets, as the basis for valuing investments, increased further to EUR 75.42 million (31/12/2016: EUR 66.60 million). For the first time, this figure includes the 7.8% stake in Fastbill GmbH, acquired by FinLab AG in May 2017 as part of a seven-figure capital increase. Investment valuations also recorded gains to the extent that they influenced the result (see financial result).

In addition to financial assets, the asset side of FinLab's balance sheet is dominated by liquid cash and cash equivalents. These assets increased to EUR 4.28 million (31/12/2016: EUR 0.97 million) following the successful capital increase, thus providing the Company with a high degree of flexibility for making new investments or increasing those it has already made. This will mean potential for further improvement in valuation in future.

## RECENT DEVELOPMENT OF INVESTMENTS

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

In mid-June 2017, fintech mediation platform ZINSPILLOT reached two million euros in deposits within a very short time (launch: 2015). Customers can access a variety of offers from different banks from an account on this ZINSPILLOT platform, which is operated by Deposit Solutions GmbH, a FinLab investment.

ZINSPILLOT's status as one of the fastest growing holdings of FinLab AG was only recently reaffirmed with the acquisition of Berlin-based fintech company SAVEDO. SAVEDO, founded in 2014, operates as an online financial portal and mediates investment products from other European countries for private customers. In general, SAVEDO mediates fixed-deposit products from European banks, thereby allowing customers to use the interest-rate differentials between European countries to generate profit. To a lesser extent, it also mediates physical investments in precious metals. The company employs over 50 staff in the finance, technology and customer service sectors. Its over 18,000 registered investors have access to 13 partner banks. Now it has been incorporated, we expect SAVEDO, in conjunction with Deposit Solutions, and in particular with ZINSPILLOT, to bring both product effects and, at a regional level, synergy effects.

### **Kapilendo AG – equity share: 19.1%**

In mid-June 2017, FinLab AG reported the successful integration of crowd-investing platform "Engel und Völkers Capital". This is a joint venture between Kapilendo AG, a subsidiary held to 19.1% by FinLab, and Engel & Völkers, one of the best-known real estate expert bodies in Germany. Combining the real estate expertise of Engels & Völkers with the technical know-how and platform of Kapilendo opens up opportunities for investing in attractive real-estate projects, now also possible with smaller amounts for investment. The platform is to be the base for construction and land project financing, with a guarantee of full financing for each project offered.

### **FastBill GmbH – equity share: 7.8%**

In May 2017, FinLab AG announced its acquisition of a stake in FastBill GmbH, one of the leading German SaaS providers for the financial management of smaller companies. Given its product range, the new investment is seen as a horizontal expansion of the FinLab portfolio. With its self-developed Software as a Service solution, Fastbill GmbH specialises in digital solutions in the field of financial management for small businesses and has since 2011 built up a customer base of 40,000 small businesses and freelancers. The company intends to use the new capital to expand and develop its platform technology.

## VALUATION

We valued FinLab AG by calculating the net asset value (NAV) as a key performance indicator for portfolio companies which is typical for the sector.

As at 30/06/2017, FinLab AG had equity capital of EUR 80.47 million according to its IFRS balance sheet. This contrasted with financial assets, securities and cash of EUR 79.77 million. The equity interest in Heliad Equity Partners GmbH & Co. KGaA (Heliad), in which FinLab AG holds a 45.20% stake, accounted for the lion's share at EUR 30.12 million. Heliad itself was last listed still well below NAV at EUR 6.82. With a NAV per share of EUR 9.16, the markdown of the market price to the NAV was slightly above 25%. Since Heliad's market price is a key benchmark for FinLab's balance sheet, according to our calculations, the NAV markdown still present in FinLab AG's investment as at 01/09/2017 amounts to approx. EUR 10.06 million in significant hidden reserves.

In projecting the NAV based on the balance sheet data as at 30/06/2017, we have taken into account the expected and predictable revenue streams from traditional asset management business, i.e. the agreed management fees as well as dividend income amounting to EUR 3 million in the liquid assets. We also included the expected holding costs amounting to EUR 2.5 million in the calculation. Since we have already made a slight adjustment to the valuation of the deposit holding as part of the valuation update (see Research Comment dated 28/06/17), we are classing the recent acquisition of SAVEDO as a value-creating transaction.

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

	31/12/2016	30/06/2017	01/09/2017
Heliad NAV as of the reporting date (in €m)	80.16	87.10	87.10
FinLab AG share in Heliad	47.04 %	45.20%	45.20 %
<b>Fair value of the Heliad investment (in €m)</b>	<b>37.71</b>	<b>39.37</b>	<b>39.37</b>
Heliad share price	5.71 €	6.75 €	6.82 €
<b>Market value of the shares held in Heliad (in €m)</b>	<b>25.53</b>	<b>30.12</b>	<b>29.31</b>
<b>Hidden reserves in the Heliad investment</b>	<b>12.18</b>	<b>9.25</b>	<b>10.06</b>
Financial investments/securities/liquid funds (in €m)	68.00	79.77	90.59
of which Heliad (in €m)	25.53	30.12	29.31
of which other investments (in €m)	39.51	43.61	54.74
of which cash/securities/loans (in €m)	2.97	6.03	6.53
<b>FinLab AG equity (in €m)</b>	<b>67.14</b>	<b>80.47</b>	<b>91.29</b>
Number of shares held by FinLab AG (in millions)	4.54	4.99	4.99
<b>NAV FinLab AG</b>	<b>14.79 €</b>	<b>16.13 €</b>	<b>18.30</b>
Hidden reserves per share (m10.06 / 4.99 million shares)			2.02 €
<b>Fair value per share of FinLab AG incl. hidden reserves (rounded off)</b>			<b>ca. 20.30 €</b>

\* GBC AG estimates

**In total, including the hidden reserves in the Heliad investment, we value shares in FinLab AG at a fair value of EUR 20.30 (previously: EUR 20.00). Given the current market price of EUR 17.22, we consequently see a clear markdown on the fair value and therefore continue to rate the shares of FinLab AG as BUY.**

## ANNEX

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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 %.

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Other person involved:

**Jörg Grunwald, Board member**

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