

Fintech Group AG ^{*5a,6a,11}

Rating: BUY

Target Price: 30.50 €

Current Price: 22.01 €

18/10/2017 / XETRA / 5:00pm

Currency: EUR

Key Information:

ISIN: DE000FTG1111

WKN: FTG111

Ticker symbol: FTK

Number of shares³: 16.811

Marketcap³: 370.01

³in million / in mEUR

Free Float: 48.7 %

Transparenzlevel:

Scale

Marktsegment:

Open Market

Accounting Standard:

IFRS

Geschäftsjahr: 31/12

Designated Sponsor:

ICF Kursmakler

Hauck & Aufhäuser

M.M.Warburg & CO

Analyst:

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* List of possible conflicts of interest on page 5

Date of completion/Publication

18/10/2017 / 19/10/2017

Company profile

Sector: software, technology

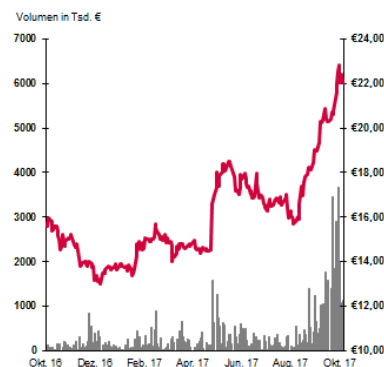
Focus: fintech, banking services

Employees: 456 (due date: 30/06/2017)

Established: 1999

Registered office: Frankfurt / Main

Board of management: Frank Niehage (CEO),
Muhamad Chahrour (CFO)



FinTech Group AG, together with its subsidiary, flatex, has been one of the market leaders in the German online brokerage market for ten years now. The continuous growth in the number of customers and transactions as well as turnover demonstrates that disruptive business models are successful on the market. The company has now set the goal of becoming Europe's leading supplier of innovative technology to the financial sector by means of a comprehensive transformation and growth process that also expands it beyond online brokerage. The company focuses on business models with long-term, above average growth as well as rapid market penetration. Via the subsidiary FinTech Group Bank AG, the company has a licence to render banking services (known as a full banking licence). In addition, the company, with its technology branch (formerly: XCOM), is one of the leading and most important technology and outsourcing partners for the German-speaking banking landscape.

P&L in mEUR \ financial year end	31.12.2015	31.12.2016	31.12.2017e	31.12.2018e
Net sales	75.02	95.02	108.50	119.00
EBITDA	19.74	30.62	35.67	44.00
EBIT	17.24	25.47	29.67	37.50
Consolidated earnings from continuing operations (after minorities)	13.19	16.39	19.56	25.20

Key figures in EUR				
EPS from continuing operations	0.88	0.97	1.16	1.50
Dividend per share	0.00	0.00	0.00	0.00

Key figures				
Equity	85.86	90.63	109.94	135.14
Return on Equity	15.4%	18.1%	17.8%	18.6%
Price-Sales-Ratio	4.93	3.89	3.41	3.11
Price-Earnings-Ratio	28.05	22.58	18.92	14.68
Price-Book-Ratio	4.31	4.08	3.37	2.74

Financial schedule

**latest research by GBC:

Date: publication/ target price in EUR / Rating

14/09/2017: RS / 28.00 / BUY

24/05/2017: RS / 28.00 / BUY

01/03/2017: RS / 27.00 / BUY

14/12/2016: RS / 27.00 / BUY

20/10/2016: RS / 29.00 / BUY

** The research studies indicated above may be viewed at www.gbc-ag.de, or requested from GBC AG, Halderstr. 27, D86150 Augsburg

Price and term adjustments for trading securities on and off the stock exchange and for the “flatex-flex credit”; Forecasts and target price raised; New products introduced with a view to raising further sales and earnings potential

FinTech Group AG has high sales and earnings potential as a result of recent price adjustments in the B2C segment at online broker flatex. The key focus is on small price adjustments for securities traded on and off the stock exchange, as well as for the terms of the “flatex-flex credit”, which will have an immediate impact on earnings, according to our forecasts.

More specifically, the costs for domestic orders for stock market trading were increased from the previous €5.00 per order to €5.90, according to the current list of prices and services. This price increase is estimated to bring an additional sales potential of around **€1.0 million** a year. We believe that approximately 15% of the transactions carried out by FinTech Group AG each year can be attributed to trading on the stock exchange, and as this additional sales volume is not offset by additional expenses, this results in an equivalent rise in earnings. We don’t expect a fall in transaction numbers as part of this measure as the order costs are still highly competitive, at €5.90 per transaction on the stock exchange.

The rise in the “flatex-flex credit” interest rate from 3.90% p.a. to a still competitive 4.90% p.a. could, based on the credit book at €186.81 million (30/06/2017), result in additional annual sales or earnings potential of €1.86 million, but our conservative forecasts predict an annual volume of approx. **€1.0 million**.

Lastly, FinTech Group AG will in future pass on foreign exchange charges to customers for over-the-counter trading (Tradegate, Lang+Schwarz, gettex) so that, given a consistent number of OTC transactions (around 2.5 million transactions according to GBC estimates), sales and earnings potential will be approx. **€2.0 million** each year.

As a result, from the upcoming financial year 2018 onwards, we expect a positive effect on revenue and earnings of approximately €4.0 million. For the current financial year 2017, the repercussions of this decision will be significantly lower as it will only take effect from 01/11/2017. We are adjusting our current sales and earnings projections (see the research study dated 14/09/17) as follows:

P&L in mEUR	FY 2016	FY 2017e (old)	FY 2017e (new)	FY 2018e (old)	FY 2018e (new)
Net sales	95.02	108.00	108.50	115.00	119.00
EBITDA	30.62	35.00	35.67	40.00	44.00
EBIT	25.47	29.00	29.67	33.50	37.50
Net Profit*	16.39	18.55	19.56	21.70	25.20

Source: GBC AG; * from continuing operations, after minorities

In line with our adjustments to forecasts and as part of a residual income model, there is a new fair value for the company of €30.50 per share (previously €28.00). Based on the current share price of €22.01, we confirm the high financial potential of the FinTech Group share and are therefore updating the buy rating.

New products based on the “flatex-flex credit”

In addition to the implemented price adjustments, FinTech Group AG is no longer planning to offer the “flatex-flex credit” exclusively to its own customers and will instead make it accessible to the entire market. This is clear from the Company News dated 11/10/2017.

FinTech Group AG will in future target customers, particularly those with a short-term liquidity requirement but, in return, with access to a life insurance policy linked to capital. This is very important as FinTech Group AG is able to provide the capital value of the life insurance policy as collateral and therefore benefit, in principle, from the typically high credit ratings of German insurance companies. The termination rates and lapse ratios for life insurance policies provide a clear indication of the market potential of this particular product. With an investment portfolio for life insurance policies in Germany amounting to approximately €885 billion, the annual lapse ratio amounts to 2.8% (Source: GDV – German Insurance Association), which is roughly equivalent to an annual termination volume of approximately €25 billion. FinTech Group AG is therefore targeting customers who intend to cover short-term liquidity shortfalls by terminating a life insurance policy,

A good way to place the new credit product with these customers is to work with insurance brokers and broker pools. Given a small market share, FinTech Group AG’s credit book could therefore increase by around €130 million per year, which means an additional sales potential of €6.4 million at an interest rate of 4.9%. By the end of the current financial year, the product is still to be tested as part of a “Friends and Family” programme before its scheduled rollout in 2018. Until then, we are not yet taking into account the resulting additional sales and earnings potential in our concrete estimates. Given this very extensive market potential, this new product could become an important driver for sales and earnings within FinTech Group AG.

The “flatex-flex credit” is also scheduled to be distributed in a different form as a securities credit via B2B customers in the FinTech Group AG portfolio. We also recognise the additional sales and earnings potential in this area, but it will only be included in our estimates once the product is substantiated.

ANNEX

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The analysts responsible for this analysis are:

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Other person involved:

Manuel Hölzle, Dipl. Kaufmann, Head of Research

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