Research Report (Anno)

JDC Group AG

Increased inorganic growth and digitalization strategy in 2017; platform business and inorganic growth offer great potential; revenue and earnings growth expected

Target price: €12.40

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 § 85 WpHG and Art. 20 MAR on page 19

Note on research as a "minor non-monetary benefit" according to the MiFID II regulation: This research meets the requirements for being classified as a "minor non-monetary benefit". For more information, see the disclosure under "I. Research under MiFID II"

Date of completion: 10.07.2018 **Date of first publication: 11.07.2018**

GBC AG Investment Research

JDC Group AG*5a,7,11

Rating: BUY
Target Price: €12.40
(formerly: €11.50)

Current price: € 8.16
10/07/18 / XETRA /16:00 am
Currency: EUR

Key data:

ISIN: DE000A0B9N37
WKN: A0B9N3
Ticker symbol: A8A
Number of shares³: 11.93
Marketcap³: 95.00
EnterpriseValue³: 107.94
³ in Mio. / in Mio. EUR
Freefloat: 39 %

Transparency Level:
Freiverkehr

Market Segment:
Scale

Accounting Standard:
IFRS

Financial year-end: 31/12

Analysts:

Cosmin Filker
filker@gbc-ag.de

Marcel Goldmann
goldmann@gbc-ag.de

* catalogue of potential conflicts of interests on page

Company Profile

Sector : Financial

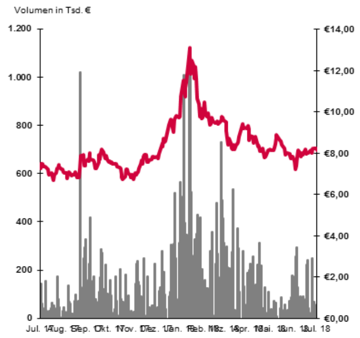
Focus: Advisory, Advisortech

Employees: Ø 239 (FY 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. The business activities of JDC Group AG are expanded by the Blockchain-Lab, which was launched in 2018 and started the third stage of the digitization strategy.

P&L in €m \ FY	**31/12/2017**	**31/12/2018e**	**31/12/2019e**	**31/12/2020e**
Revenue	84.48	101.37	126.48	139.48
EBITDA	3.19	6.12	10.57	14.42
EBIT	0.20	3.02	7.37	11.22
Net profit	-1.68	1.27	4.28	7.01
Per Share Figures in EUR				
EPS	-0.14	0.11	0.36	0.59
Dividend per share	0.00	0.00	0.00	0.00
Key financials				
EV/Sales	1.28	1.06	0.85	0.77
EV/EBITDA	33.84	17.64	10.22	7.49
EV/EBIT	534.33	35.74	14.66	9.62
P/E	neg.	74.81	22.19	13.55
P/B	3.39			

Financial Dates:
August 2018: AGM
23/08/2018: HY-Figures 2018
22/11/2018: Q3-Figures 2018

****last research published by GBC:**
Date: publication / price target in € / rating
16/03/2018: RS / 11.50 / BUY
05/09/2017: RS / 11.50 / BUY
29/08/2017: RS / 10.25 / BUY
24/05/2017: RS / 10.25 / BUY
08/05/2017: RS / 10.25 / BUY
** the research reports can be found on our website www.gbc-ag.de or can be requested at GBC AG, Halderstr. 27, D86150 Augsburg

Executive Summary

- In the past financial year 2017, JDC Group AG continued to increase its inorganic growth and wholesale business. Therefore cooperation was agreed with the Albatros Versicherungsdienste GmbH, part of the Lufthansa Group, to outsource the processing and provision of financial products. As part of this, around 150,000 customers are to be fully transferred to the JDC Group AG platform. The additional sales potential within the five-year agreement amounts to as much as EUR 20 million p.a., with an annual EBITDA contribution of over EUR 1.0 million. In addition, while increasing consolidation on the market for independent financial intermediaries, the company has taken over two subsidiaries of the ARTUS Group with an insurance portfolio of 40,000 end customer contracts. The annual net premiums amount to as much as EUR 30 million and the EBITDA contribution is approximately EUR 1.0 million p.a.

- At the same time, the digitisation strategy was further increased in 2017. In addition to appointing Stefan Bachmann as an additional member of the Executive Board (formerly Finance & Fintech Industry Manager of Google), it started collaborating with the loan comparison portal smawa and announced the establishment of the blockchain lab in January 2018. The medium-term aim is to establish smart contracts and new products based on blockchain technology.

- The resulting potential after the acquisition of customers and the development of the digitisation strategy will only become visible in the current financial year 2018. In the past financial year 2017, without taking into account the new customer acquisitions, the JDC Group AG had 8.3% revenue growth, rising to EUR 84.48 million (previous year: EUR 78.05 million). A more dynamic sales performance was countered in particular by the slow uptake in new business at the end of the year. As part of MiFID II and IDD, for instance, all documentation for brokerage transactions and in the investment process as well as the associated IT processes had to be adjusted, resulting in a correspondingly high commitment of resources. The EBITDA rose in line with sales to EUR 3.19 million (previous year: EUR 2.72 million). This included special expenses from the started wholesale business, which have still, however, not yet been offset by corresponding sales. When adjusted, the EBITDA would have been EUR 3.9 million, which in comparison with the adjusted value for the previous year (EUR 2.4 million), equates to a disproportionate increase in profit of approximately 63%.

- In the current financial year, JDC Group AG should be able to achieve significant revenue growth. According to our forecasts, the first-time inclusion of the newly acquired customers alone should make it possible to exceed the sales mark of EUR 100 million. This potential and the organic revenue growth realised as part of the digitisation strategy should lead to sales of almost EUR 140 million by 2020. In the medium term, we expect significant economies of scale to be achieved, whereby the EBITDA margin should rise to over 10% according to our expectations.

- We have taken this into account in our DCF valuation model, for which we have calculated an updated target price of EUR 12.40 (previously: EUR 11.50). The target price increase is a result from the first inclusion of the higher 2020 estimates as the basis for the continuity phase of our valuation model. In addition, we have rolled the target price periodically over to the end of financial year 2019 (previously: 2018). Based on the current price level, this results in a price potential of 52.0% and we therefore issue a BUY rating.

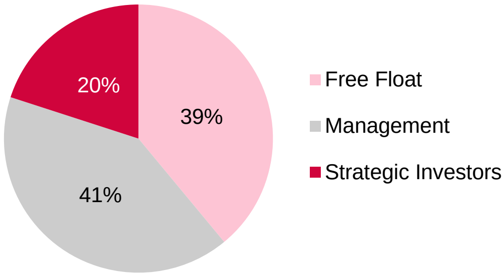
TABLE OF CONTENTS

COMPANY

Shareholder structure

Shareholder	
Management	41%
Strategic Investors	20%
Free Float	**39%**

Source: JDC Group AG; GBC AG



Business divisions

Advisortech

Within the Advisortech segment, the B2B activities are combined together into the broker pool and platform areas of JDC Group AG. These include, in particular, the brokering of financial products to private end clients through financial intermediaries. As full-range service providers, consultants have access to more than 12,000 products from more than 1,000 companies, with all relevant financial product areas covered by investment funds, insurance companies, shareholdings and financing. As an additional service for the pool members, a product manager is responsible for selecting the products within the context of regular market screenings. Special attention is paid to the statutory audit and investigation obligations, as well as to product quality and product liability.

With “allesmeins”, the JDC Group offers a digital finance manager within the Advisortech segment, thereby linking the areas of traditional financial investment consulting with the high-growth fintech segment. “allesmeins” gives the end customer a quick overview of all the insurance contracts along with the corresponding contractual documentation. While the consultants focus on customer care and acquisition and answer complex questions, recurring themes and issues are covered by JDC Group AG’s technological solutions with a high degree of standardisation. In addition, the advisory and administrative activities will be significantly simplified through the use of the “allesmeins” app. For instance, simple questions and products which are easy to understand can be dealt with directly online and independent deals can be arranged. In parallel, however, personal customer contact will be maintained by the consultants, with a focus on complex issues and personal customer care.

The core business of JDC Group AG is the broker pool of independent financial consultants pooled within the subsidiary Jung, DMS & Cie. AG. More than 16,000 independent financial service providers in Germany and Austria are currently affiliated. Jung, DMS & Cie. AG has therefore already achieved an attractive position for negotiations with product suppliers and is consequently able to negotiate higher commissions and fees payable to the affiliated consultants and brokers. Around 850,000 customers with customer assets of approximately EUR 3.5 billion in total are supported within this business segment.

Advisory

The “B2C” activities of the JDC Group, i.e. the provision of financial products to end customers, are pooled together in the second business area. FINUM.Private focuses on providing direct end client consultancy services to demanding private clients. A total of around 270 exclusive consultants work in the FINUM. Group, which serves approximately 80,000 customers with total customer assets of EUR 1.0 billion. The company is classified as an independent asset and financial consulting institute with a focus on the specific needs of demanding private customers, professionals and business customers.

Financial products, life insurance, investment funds, financing and retirement products are brokered within the holistic consulting approach, with a focus on asset creation and accumulation, consultation and hedging. The aim is therefore to be a one-stop shop. To do this, the company draws on both external partners and Jung, DMS & Cie. AG's insurance and pension platform.

Important events in 2017/2018

- With the appointment of Stefan Bachmann to the Executive Board of JDC Group AG, the company's digital strategy was further boosted. Stefan Bachmann was previously Finance & Fintech Industry Manager of Google in Germany. The primary focus of this staffing matter is to expand the allesmeins app and the online business of JDC Group AG.

- After JDC Group AG and Albatros Versicherungsdienste GmbH, part of the Lufthansa Group, had signed a letter of intent on outsourcing of the processing and provision of financial products in August 2017, in November 2017 the resolution was passed to implement this strategy. As part of this, Albatros is to fully transfer 150,000 customers to the JDC platform and conduct the entire new business via the JDC-IT. The additional sales potential for JDC amounts to as much as EUR 20 million p.a., with an annual EBITDA contribution of over EUR 1.0 million.

- Also in November 2017, the JDC Group purchased two subsidiaries of the ARTUS Group with an insurance portfolio of approximately 40,000 end customer contracts and a volume of net annual premiums of approximately EUR 30 million via the Jung, DMS & Cie. subsidiary. The agreements are customer contracts with historically long holding periods and low termination rates from the areas of life, health and property insurance. The EBITDA contribution from this transaction amounts to approx. EUR 1.0 million.

- As the next step towards expanding the fintech business, in late 2017 a cooperation was entered into with the loan comparison portal smawa. The product range for the JDC customers is therefore expanding.

- In January 2018, JDC announced the establishment of the blockchain lab. The medium-term aim is to establish smart contracts and new products based on blockchain technology.

Market and Market Environment

As part of its business model, with its two main segments “Advisortech” and “Advisory”, JDC Group AG covers the areas of “asset growth” and “hedging transactions”, using all key distribution channels (online and offline). In line with the recent and significantly expanded digitisation strategy, the main focus is on online sales as part of the high-growth fintech segment. However, it is the combination of online sales and personal contact with consultants which ensures a broad positioning of the JDC Group in order to benefit from the market potential in terms of asset growth or insurance products. In addition, the JDC Group is to make gains with the current consolidation trends among independent financial consultants, who are increasingly joining consultant pools as a result of more comprehensive regulations.

Online sales will become increasingly important

With the introduction of the allesmeins app, JDC Group AG added the online aspect to the sales department, which until recently had only been supported by consultants. With the purchase of geld.de, the cooperation with smawa and the appointment of the former Google Manager Stefan Bachmann to the Executive Board, the digitisation strategy is to be further boosted in order to tap into the great potential in the fintech segment.

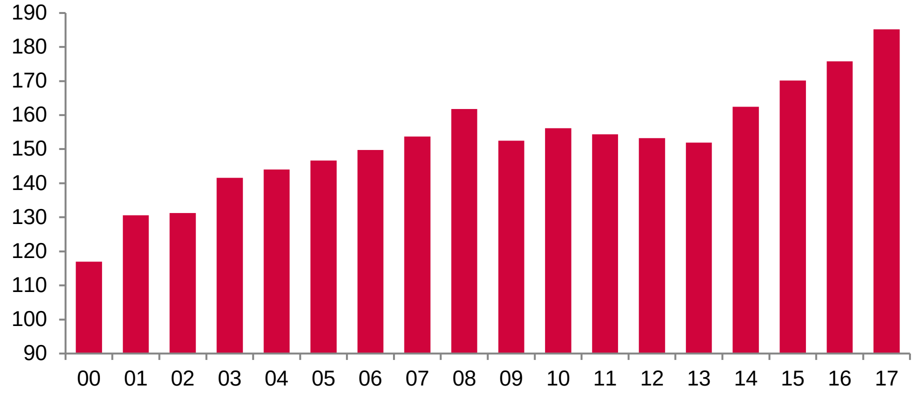
The dynamic development of fintech companies is based on an increasing use of digital channels in the financial sector. According to statistics from Bitkom, one in every four internet users (24%) now uses online banking exclusively. As well as simple banking transactions such as online transfers or balance inquiries, this also includes credit advice or the trading of securities. Even when it comes to investment advice or financing issues, around two thirds (65%) of the respondents initially use online comparison or consumer portals. In particular, concluding simple investment and insurance products would, according to the GfK study “Customer Journey Banking”, increasingly take place online. This is covered by the JDC strategy, according to which simple products can be sold online and personal contact with consultants is available in parallel to cover complex issues and maintain personal customer care.

Market potential for asset growth

The JDC Group generally benefits from a steady increase in financial assets and high “investment pressure”, against the backdrop of the current low interest rates. This results in a general increase in demand for asset products, which are distributed by the JDC Group through different providers.

The basis for this is the unchanged increase of available income of private households. In 2017, disposable income increased further to EUR 1,875 billion. The comparison with 2000 in particular, when disposable income was still approximately EUR 1,300 billion, illustrates the significant increase in recent years. The compound annual growth rate (CAGR) is 2.2%. Similarly, the savings rate was comparatively stable within the range of 9.0% and 10.5%, meaning that, on the basis of the higher disposable income, the amount of savings also increased significantly. The basis for asset management products therefore continued to rise significantly.

Private households savings (in €bn)



Source: Statistisches Bundesamt; GBC AG

Market potential for insurance products

In the past calendar year, the growth in income from premiums in the German insurance industry again followed the trend of previous years. At EUR 197.8 billion (previous year: EUR 194.3 billion), the contributions were 1.8% higher than the previous year. The insurance premiums stagnated in the previous two years. This is primarily due to the life insurance subsector, which declined slightly against the backdrop of the current interest rate environment and a decline in the policies. However, this sector was compensated by the other types of insurance (accident, property, health insurance), for which the contributions rose by a total of 3.5%.

As financial product brokers, JDC Group AG covers a wide range of products and is therefore not dependent on the development of individual products. The anticipated overall dynamic development of demand for asset growth services and insurance solutions is much more decisive for JDC Group AG. However, individual components of the hedging market are set to be marked by a continuation of dynamic growth and are therefore characterised by corresponding high demand. In principle, there is evidence of a relationship between increasing wealth and higher demand for insurance. The rising increase in financial assets and disposable income in Germany therefore leads us to anticipate higher demand for insurance solutions.

GBC AG Investment Research

Business Development

Key financial figures

P&L (in €m)	FY 2016	FY 2017	FY 2018e	FY 2019e	FY 2020e
Revenues	78.05	84.48	101.37	126.48	139.48
Own work capitalized	0.59	0.83	0.50	0.50	1.00
Other operating income	1.98	1.30	1.40	1.80	2.00
Commision expense	-55.31	-59.01	-70.65	-87.27	-94.84
Personnel expenses	-13.11	-14.44	-16.80	-20.74	-22.32
Depriciation	-2.49	-2.99	-3.10	-3.20	-3.20
Other operating expenses	-9.49	-9.97	-9.70	-10.20	-10.90
Income from financial assets	0.06	0.02	0.05	0.05	0.00
Interest and similar expenses	-0.99	-1.10	-1.25	-1.30	-1.20
EBT	**-0.70**	**-0.88**	**1.82**	**6.12**	**10.02**
Taxes	-0.44	-0.80	-0.54	-1.83	-3.00
Other taxes	-0.07	-0.01	0.00	0.00	0.00
Net Income	**-1.21**	**-1.68**	**1.27**	**4.28**	**7.01**
EBITDA	2.72	3.19	6.12	10.57	14.42
in % of sales	3.5%	3.8%	6.0%	8.4%	10.3%
EBIT	0.23	0.20	3.02	7.37	11.22
in % of sales	0.3%	0.2%	3.0%	5.8%	8.0%
Earnings per share in €	-0.10	-0.14	0.11	0.36	0.59

Business development FY 2017

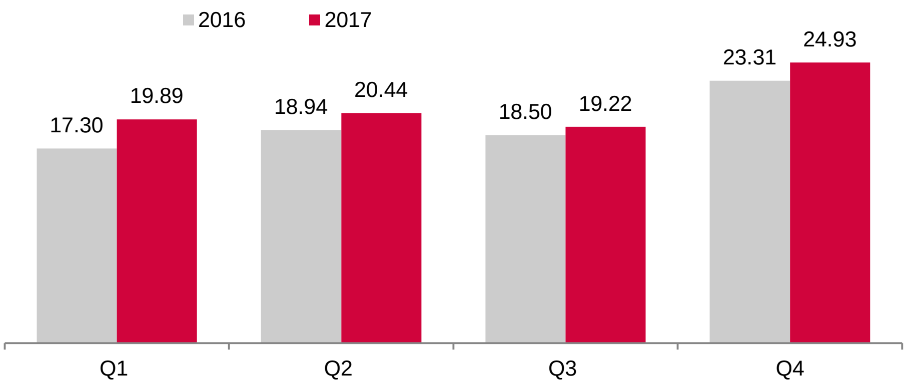
P&L (in €m)	FY 2014	FY 2015	FY 2016	FY 2017
Revenue	74.54	75.70	78.05	84.48
EBITDA	-1.43	1.28	2.72	3.19
EBITDA-margin	*-1.9%*	*1.7%*	*3.5%*	*3.8%*
EBIT	-3.06	-0.27	0.23	0.20
EBIT-margin	*-4.1%*	*-0.4%*	*0.3%*	*0.2%*
Net income	-6.62	-1.73	-1.21	-1.68

Source: JDC Group AG; GBC AG

Revenue development 2017

With sales revenues of EUR 84.48 million (previous year: EUR 78.05 million), JDC Group AG achieved an increase in economic momentum with revenue growth of 8.3%. The revenue achieved is nevertheless below the original revenue forecasts for the company (according to the 2016 annual report, revenue growth of 15% was anticipated) and our revenue estimates of EUR 92.6 million. A more dynamic sales performance was countered in particular by the slow uptake in new business at the end of the year. As part of MiFID II and IDD, for instance, all documentation for brokerage transactions and in the investment process as well as the associated IT processes had to be adjusted, resulting in a correspondingly high commitment of resources. Although further revenue was expected for the fourth quarter of 2017, the company was nevertheless able to increase revenue in each quarter:

Quarterly based revenues development (in €m)



Source: JDC Group AG; GBC AG

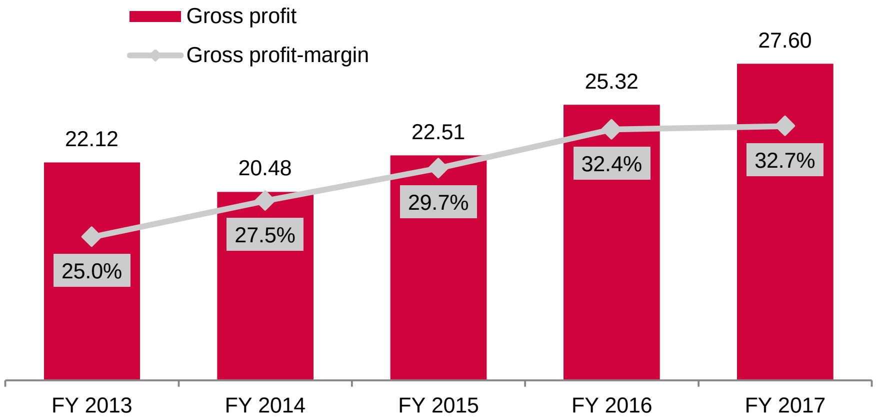
It should be noted here that despite the agreed transfer of the insurance portfolio of Albatros Versicherungsdienste GmbH and the ARTUS Group, the 2017 revenue did not contain any inorganic effects. The Albatros cooperation started, for example, on 15 January 2018 and this will not have a correspondingly positive effect until the current financial year 2018. The portfolio acquisition from the ARTUS Group did not take place until November 2018 and had not yet been completed by the end of the financial year.

Both business segments contributed to revenue growth, with an increase of EUR 4.61 million in revenue in the Advisortech segment and EUR 3.22 million in the Advisory segment. Broken down by product area, at EUR 35.36 million (previous year: EUR 32.08 million), JDC Group AG continued to contribute the largest share of revenue with sales of insurance products. The now high level of recurring portfolio commissions, which was increased through the new business operations in previous years to EUR 19.13 million (previous year: EUR 18.66 million) is particularly noteworthy.

Earnings development FY 2017

The commission expenses, which essentially include the commissions for the independent brokers and sales representatives, represented the largest cost position of JDC Group AG. Over the past financial years, the company achieved part of the revenue growth through purchasing holdings, in which no broker was used as an intermediary and consequently no commission expenses were incurred. This is visible based on the decrease in the ratio for commission expenses, which dropped from 77.8% to 69.9% between 2013 and 2017. Accordingly, gross profit increased by 9.0% and therefore increased disproportionately in comparison with the revenue:

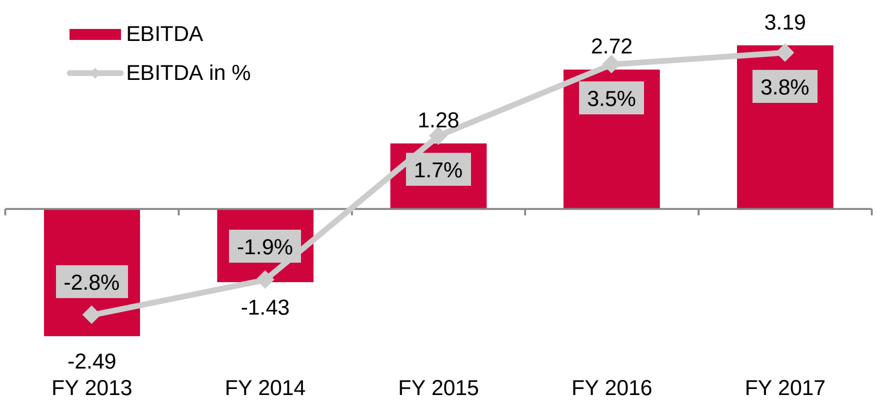
Gross profit (in €m) and gross profit margin (in %)



Source: JDC Group AG; GBC AG

Below the gross profit, JDC Group AG shows an expansion of its operating cost basis, whereby the EBITDA, despite the rise to EUR 3.19 million (previous year: EUR 2.72 million) had a disproportionately low impact on the expansion of gross income. This is related, among other things, to special expenses from the started wholesale business, which have still, however, not yet been offset by corresponding sales. The EBITDA margin, which nevertheless increased to 3.8% compared to the previous year (previous year: 3.5%), could have been higher against this backdrop. We had originally expected a value of 6.1%.

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



Source: JDC Group AG; GBC AG

The one-off expenses in connection with the acquisitions and the changes as part of the implementation of the European Directives MiFID II and IDD amount to approximately EUR 0.7 million. When adjusted, the EBITDA would therefore have been EUR 3.9 million, which in comparison with the adjusted value of the previous year (EUR 2.4 million), equates to a disproportionate increase in profit of approximately 63%.

The high investments in previous financial years go hand in hand with correspondingly higher amortisation and depreciation, as a result of which only a constant development in comparison with the previous year was reached on EBIT level. On balance, despite the further increase in EBITDA, JDC Group AG achieved a negative annual result of EUR -1.68 million (previous year: EUR -1.21 million). The determining factor was that depreciation significantly increased to EUR 2.99 million (previous year: EUR 2.49 million), after increased investment activity in previous years in connection with additions to the portfolio. As some of the investments were made with borrowed capital, interest expenses increased slightly to EUR 1.10 million (previous year: EUR 0.99 million), which overall offset the higher EBITDA.

Financial Situation as of 31/12/2017

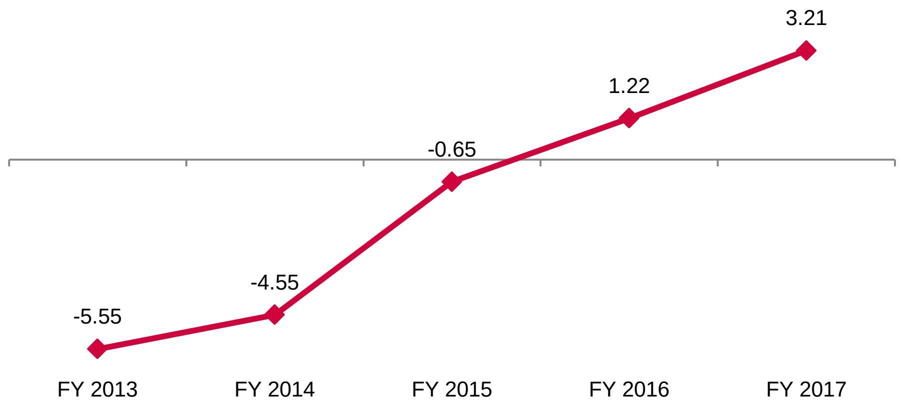
in €m	31/12/2014	31/12/2015	31/12/2016	31/12/2017
Equity	26.41	24.68	29.71	28.03
Equity ratio	43.8%	37.5%	40.7%	37.3%
Total Debt	4.97	12.69	13.26	17.48
Net Debt	0.79	1.35	10.35	11.12
Financial assets	4.18	11.34	2.91	6.36
Long-term assets	32.12	31.66	45.80	44.48
Working Capital	-7.28	-7.59	-9.69	-8.07
Operating Cash flow	-4.55	-0.65	1.22	3.21
Investment – Cash flow	2.90	-5.23	-9.40	-2.02
Financing Cash flow	-2.47	7.25	5.77	2.24

Source: JDC Group AG; GBC AG

The balance sheet ratios of JDC Group AG only changed slightly in the past financial year. The negative annual result of EUR -1.68 million had led to a slight reduction in equity capital. Although the equity ratio dropped based on the slightly increased total assets, at 37.3% (31/12/16: 40.7%) it is still very solid.

The asset side of the JDC balance sheet is dominated by fixed assets of EUR 44.48 million (31/12/16: EUR 45.80 million). These are primarily intangible assets (insurance portfolios, software licences, etc.) and goodwill. The lower investments of the past financial year were exceeded by the depreciation and amortisation, which explains the decline in fixed assets. Against the backdrop of the expected future revenue growth, some of which is to be carried out through inventory purchases, we still anticipate an increase in the investment volume. With the current liquidity level of EUR 6.36 million (31/12/16: EUR 2.91 million), in our view, possible acquisition opportunities can be implemented quickly. It is also worth mentioning here that JDC Group AG has a positive cash flow from operating activities, which can also cover some of the investments:

Operating Cash flow (in €m)



Source: JDC Group AG; GBC AG

In addition, JDC Group AG has taken on further debt capital of EUR 3.23 million, which we understand to be preparation for the next investments.

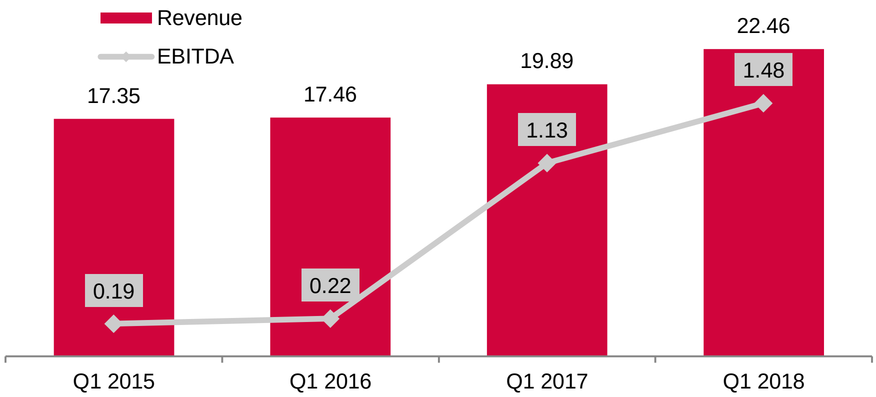
Business development Q1 2018

P&L (in €m)	Q1 2015	Q1 2016	Q1 2017	Q1 2018
Revenue	17.35	17.46	19.89	22.46
EBITDA	0.19	0.22	1.13	1.48
EBITDA-margin	*1.1%*	*1.3%*	*5.7%*	*6.6%*
Net income	-0.33	-0.23	0.02	0.41

Source: JDC Group AG; GBC AG

The figures from Q1 of 2018 demonstrate impressively that JDC Group AG is currently at the beginning of a dynamic growth phase. With the first-time inclusion of the sales from the outsourcing business with the Lufthansa subsidiary Albatros (revenue contribution approx. EUR 1.0 million) and the revenue from the acquisition of subsidiaries of the ARTUS Group, revenue grew by 12.9% to EUR 22.46 million (Q1/17: EUR 19.89 million). In our view, accelerated economic growth does not yet include the full transfer of the holdings from these two transactions, meaning that further growth is likely to be achieved in the coming periods.

Revenue- and EBIT-development in Q1 (in €m)



Source: JDC Group AG; GBC AG

It is noteworthy here that EBITDA rose disproportionately to the revenue, reaching EUR 1.48 million (Q1/17: EUR 1.13 million), and as a result the increase in the EBITDA margin to 6.6% (Q1/17: 5.7%). In addition to volume-related economies of scale, there is a general trend of a rising gross profit margin at JDC Group AG. This should be viewed, in particular, against the backdrop that the newly added revenues often no longer involve a broker acting as an intermediary and therefore result in higher profit margins in the revenue mix.

GBC AG Investment Research

FORECASTS AND VALUATION

P&L (in €m)	FY 2017	FY 2018e	FY 2019e	FY 2020e
Revenue	84.48	101.37	126.48	139.48
EBITDA	3.19	6.12	10.57	14.42
EBITDA-margin	*3.8%*	*6.0%*	*8.4%*	*10.3%*
EBIT	0.20	3.02	7.37	11.22
EBIT-margin	*0.2%*	*3.0%*	*5.8%*	*8.0%*
Net income	-1.68	1.27	4.28	7.01

Source: GBC AG

Forecast principles

With the publication of the Q1 report, JDC Group AG fleshed out the previously published forecasts and now anticipate revenue growth to over EUR 100 million and EBITDA of at least EUR 6.0 million for the current financial year 2018. The basis for the strong revenue growth was firstly the implemented increase of the wholesale business (incorporation of Albatros contracts) in 2017 and the acquisition of two subsidiaries of the ARTUS Group.

The Albatros cooperation involves the outsourcing of around 150,000 insurance contracts, which will be processed on the JDC platform over the next five years. The Albatros commission revenue transferred to JDC Group AG amounts to as much as EUR 20 million p.a., although a full transfer is not expected as early as 2018. However, the first additional income from the Albatros cooperation is expected to be generated as at the first quarter of 2018. In addition, with the purchase of the insurance portfolios of the ARTUS Group, an annual premium volume of approximately EUR 30 million was transferred to JDC Group AG. Also here, the full transfer of the contracts is not expected in 2018, meaning that further base effects are expected in the coming financial years. The inorganic revenue contribution started to take effect from January 2018.

These two portfolio transfers are representative of JDC Group AG's strategy. For example, against the backdrop of the ongoing consolidation trend among independent brokers, the company is expected to achieve further inorganic growth. Due to increasing regulations in the financial services industry and the rising average age of independent brokers, the consolidation of broker portfolios is already underway. This has particularly affected independent brokers due to the stricter regulations and the trend towards a greater administrative burden with lower remuneration. While the documentation has increased significantly due to the financial investment broker ordinance (Finanzanlagenvermittlerordnung), lower commission is being paid by the product companies as a result of the LVRG (Life Insurance Reform Act) and the MiFID implementation laws. Against this background, large broker pools, such as Jung, DMS & Cie. AG are receiving an influx of previously independently financial brokers. The stricter regulatory and IT-specific requirements can only be implemented within larger organisations. In addition, the JDC Group is able to negotiate better conditions with the product providers due to the higher volume of brokered transactions.

On the other hand, the JDC Group is using the existing infrastructure for the expansion of the wholesale business. The contractual partners benefit here from the use of the established IT of JDC Group AG and can therefore achieve timely savings. In addition, major customers can benefit from the purchasing power of JDC and thus access very attractive conditions with respect to the product providers. The wholesale business is accompanied by low investment requirements for JDC Group AG, as there is no portfolio acquisition in the case of a transfer.

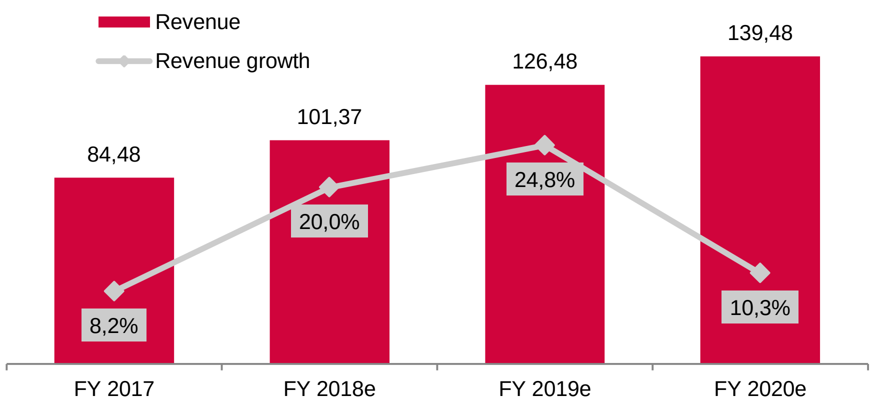
Another important component of the company's future development is the digitisation strategy. In this respect, the company has already laid the foundations to tap into digital growth potential in the past financial year with the roll-out of fintech solution "allesmeins", which was developed in-house. Customers can transfer their existing financial contracts to the "allesmeins" app, whereby the associated portfolio commissions are simultaneously transferred to JDC Group AG. The next step is to increase the number of contracts per customer or other potential for cross-selling. As JDC Group AG has a customer base of over 1.2 million customers, the basis for the roll-out of this technology is relatively large.

In addition, JDC Group AG is planning to use the blockchain technology to develop customer-oriented products. In this respect, the company's own blockchain lab was established in January 2018 and the planned ICO (Initial Coin Offering) was announced for the first half of 2018. We consider the resulting potential as a possible upside in our following forecasts and include this in this specification.

Revenue and earnings forecast for 2018 - 2020

The revenue forecasts are based on the management published guidance, which promised 18% revenue growth for 2018. We are assuming that sales will go over the EUR 100 million mark, representing revenue growth of 20.0%. According to our expectations, the main growth drivers are likely to be insurance portfolios newly added in 2017. The annual sales potential from the Albatros cooperation and from the acquisition of ARTUS companies amount to as much as EUR 50 million. This potential and the organic revenue growth realised as part of the digitisation strategy should lead to revenue of almost EUR 140 million by 2020:

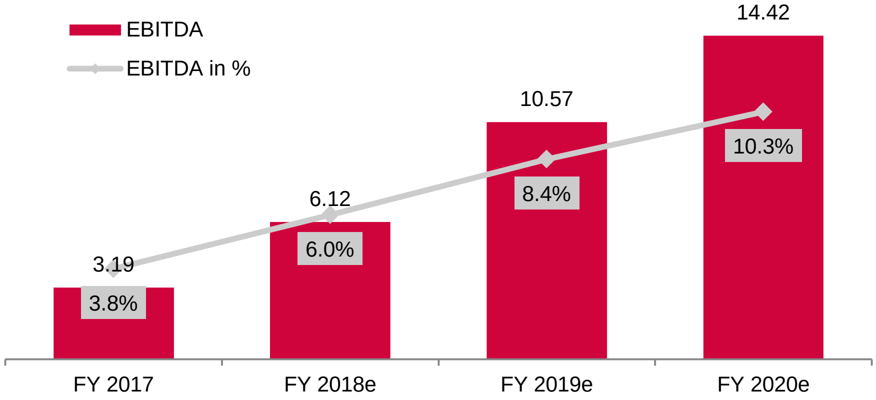
Forecasts revenue (in €m) and revenue growth (in %)



Source: GBC AG

Rising revenue is accompanied by considerable economies of scale at JDC Group AG. This is particularly clear when using the adjusted rise in EBITDA in the amount of around 63%, with a simultaneous sales increase of only 8.2%. In the wake of increasing digitisation sales and the rise in wholesale business, the company is also expected to benefit from an increase in the gross profit margin, as these sales typically do not involve a broker. The rising gross profit in connection with a disproportionately low increase in overhead costs should lead to an increase in the EBITDA margin above 10.0% (FY 2020e). At the same time, this assumption serves as a basis for the continuity phase of our DCF valuation model:

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



Source: GBC AG

Also on the basis of the earnings after tax, breakeven is expected to be achieved in the current financial year.

Valuation

Model assumptions

We rated JDC Group AG using a three-stage DCF model. Starting with the concrete estimations for 2018 - 2020 in phase 1, in the second phase, from 2021 to 2025, our forecast uses value drivers. Here we expect a sales increase of 3.0%. We have assumed an EBITDA margin target of 10.3%. We have taken a tax rate of 12.0% into account due to the outstanding losses carried forward (28.36 €m) in phase 2. Additionally, a residual value is determined in the third phase by using the perpetual annuity by the end of the forecast horizon. As the final value, we assume a growth rate of 2.0%.

Determination of capital costs

The weighted average cost of capital (WACC) of JDC Group AG is calculated using equity costs and debt costs. The market premium, the company-specific beta, as well as the risk-free interest rate have to be determined in order to determine the equity cost.

The risk-free interest rate is derived in accordance with the recommendations of the expert committee for company valuations and business administration (FAUB) of the IDW (Institut der Wirtschaftsprüfer in Deutschland e.V.) from the current interest rate yield curves for risk-free bonds. The zero bond interest rates according to the Svensson method published by the German Federal Bank form the underlying basis. To smooth out short-term market fluctuations, we use the average yields over the previous three months and round up the result to 0.25 basis points. The value of the currently used risk-free interest rate is 1.25% (previously: 1.25%).

We set the historical market premium of 5.50% as a reasonable expectation of the market premium. This is supported by historical analyses of stock market returns. The market premium reflects by which percentage the stock market is expected to be more profitable than the low-risk government bonds.

According to GBC estimates, we have determined a beta of 1.41.

Based on these assumptions, equity costs are calculated to amount to 9.03% (previously: 9.03%) (beta multiplied by the risk premium plus the risk-free interest rate). Since we assume a sustainable weighting of the equity costs of 80%, the resulting weighted average costs of capital (WACC) amount to 8.10% (previously: 8.08%).

Evaluation results

The resulting fair value per share at the end of financial year 2018 corresponds to the target price of EUR 12.40 (previously: EUR 11.50). The target price is increased primarily against a background of the initial inclusion of the 2020 forecasts in the specific valuation period of the DCF evaluation model. This provides a higher basis for the continuity phase of the DCF model. In addition, a roll-over effect is responsible for the increase in the target price, as we have rolled the basis for the target price periodically over to the end of financial year 2019 (previously: 2018).

DCF-Modell

JDC Group - Discounted Cashflow (DCF) model scenario

Value driver of the DCF - model after the estimate phase:

consistency - phase	
Revenue growth	3,0%
EBITDA-Margin	10,3%
Depreciation to fixed assets	7,0%
Working Capital to revenue	-4,3%

final - phase	
Eternal growth rate	2,0%
Eternal EBITA - margin	9,9%
Effective tax rate in final phase	30,0%

three phases DCF - model:

phase	estimate			consistency					final value
in €m	FY 18e	FY 19e	FY 20e	FY 21e	FY 22e	FY 23e	FY 24e	FY 25e	
Revenue	101,37	126,48	139,48	143,66	147,97	152,41	156,98	161,69	
Revenue change	20,0%	24,8%	10,3%	3,0%	3,0%	3,0%	3,0%	3,0%	2,0%
Revenue to fixed assets	2,24	2,84	3,15	3,25	3,51	3,80	4,09	4,41	
EBITDA	6,12	10,57	14,42	14,85	15,30	15,76	16,23	16,72	
EBITDA-Margin	6,0%	8,4%	10,3%	10,3%	10,3%	10,3%	10,3%	10,3%	
EBITA	3,02	7,37	11,22	11,75	12,21	12,81	13,42	14,03	
EBITA-Margin	3,0%	5,8%	8,0%	8,2%	8,2%	8,4%	8,5%	8,7%	9,9%
Taxes on EBITA	-0,90	-2,21	-3,36	-3,53	-3,66	-3,84	-4,03	-4,21	
Taxes to EBITA	30,0%	30,0%	30,0%	30,0%	30,0%	30,0%	30,0%	30,0%	30,0%
EBI (NOPLAT)	2,11	5,16	7,85	8,23	8,54	8,97	9,39	9,82	
Return on capital	5,8%	13,9%	20,9%	21,5%	22,5%	25,1%	28,0%	31,1%	38,6%
Working Capital (WC)	-8,00	-7,00	-6,00	-6,18	-6,36	-6,55	-6,75	-6,95	
WC to revenue	-7,9%	-5,5%	-4,3%	-4,3%	-4,3%	-4,3%	-4,3%	-4,3%	
Investment in WC	-0,07	-1,00	-1,00	0,18	0,19	0,19	0,20	0,20	
Operating fixed assets (OAV)	45,20	44,50	44,30	44,20	42,11	40,16	38,35	36,66	
Depreciation on OAV	-3,10	-3,20	-3,20	-3,10	-3,09	-2,95	-2,81	-2,68	
Depreciation to OAV	6,9%	7,2%	7,2%	7,0%	7,0%	7,0%	7,0%	7,0%	
Investment in OAV	-3,82	-2,50	-3,00	-3,00	-1,00	-1,00	-1,00	-1,00	
Capital employed	37,20	37,50	38,30	38,02	35,74	33,60	31,60	29,71	
EBITDA	6,12	10,57	14,42	14,85	15,30	15,76	16,23	16,72	
Taxes on EBITA	-0,90	-2,21	-3,36	-3,53	-3,66	-3,84	-4,03	-4,21	
Total investment	-3,89	-3,50	-4,00	-2,82	-0,81	-0,81	-0,80	-0,80	
Investment in OAV	-3,82	-2,50	-3,00	-3,00	-1,00	-1,00	-1,00	-1,00	
Investment in WC	-0,07	-1,00	-1,00	0,18	0,19	0,19	0,20	0,20	
Investment in Goodwill	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	
Free cashflows	1,32	4,86	7,05	8,51	10,82	11,11	11,40	11,71	178,17

Value operating business (due date)	149,93	157,22
Net present value explicit free Cashflows	46,64	45,57
Net present value of terminal value	103,29	111,65
Net debt	12,81	9,20
Value of equity	137,12	148,01
Minority interests	0,00	0,00
Value of share capital	137,12	148,01
Outstanding shares in m	11,93	11,93
Fair value per share in €	11,49	**12,40**

Cost of capital:

Risk free rate	1,3%
Market risk premium	5,5%
Beta	1,41
Cost of equity	9,0%
Target weight	80,0%
Cost of debt	6,0%
Target weight	20,0%
Taxshield	26,9%
WACC	**8,1%**

Return on capital	WACC				
	7,1%	**7,6%**	**8,1%**	**8,6%**	**9,1%**
35,6%	13,91	12,67	11,63	10,77	10,03
37,1%	14,39	13,09	12,02	11,11	10,34
38,6%	14,88	13,52	**12,40**	11,46	10,65
40,1%	15,36	13,95	12,79	11,80	10,96
41,6%	15,85	14,38	13,17	12,15	11,28

ANNEX

I.
Research under MiFID II
1. There is a contract between the research company GBC AG and the issuer regarding the independent preparation and publication of this research report on the issuer. GBC AG is remunerated for this by the issuer.
2. The research report is simultaneously made available to all interested investment services companies.

II.
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 85 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 85 of the Securities Trading Act (WpHG)

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 85 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,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 (such as the organization of fairs, 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, Kristina Bauer, Email: bauer@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 Marie-Curie-Str. 24-28, 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:
Cosmin Filker, Dipl. Betriebswirt (FH), Vice Head of Research
Marcel Goldmann, M.Sc., Financial Analyst

Other person involved:
Manuel Hölzle, Dipl. Kaufmann, Head of Research

Section 3 Copyright

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

GBC AG®

- R E S E A R C H & I N V E S T M E N T A N A L Y S E N -

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