

BUY

Strategic ETP partnership with Morgan Stanley

| | |
|----------------------|--------|
| Bloomberg | FLA GR |
| Price (€) | 17.66 |
| Target price (€) | 23.80 |
| Upside (%) | 35% |
| Shares out (mill) | 16.82 |
| Market Cap (€m) | 297 |
| Net Asset Value (€m) | 68.0 |

| FYE Dec | Revs (€M) | EBITDA (€M) | PTP (€M) | EPS (€) | NAV (€m) | Price/Sales (x) | Price/Earnings (x) | Price/NAV (x) |
|---------|-----------|-------------|----------|---------|----------|-----------------|--------------------|---------------|
| 2013A | 14.3 | (0.4) | (1.0) | (0.09) | 30.5 | 26.2 | neg | 9.7 |
| 2014A | 24.7 | (8.8) | (9.6) | 0.00 | 44.7 | 15.1 | neg | 6.6 |
| 2015E | 83.9 | 12.6 | 13.5 | 0.65 | 68.0 | 4.5 | 27.0 | 4.4 |
| 2016E | 85.3 | 28.4 | 34.7 | 1.19 | 82.2 | 4.4 | 14.8 | 3.6 |

Source: Mirabaud estimates; Earnings figures adjusted for exceptional items



What's new?

Frankfurt-listed **FinTech Group** has announced a new strategic partnership **Morgan Stanley**, in which from mid-2016 the US investment bank will issue new exchange-traded products under the Fintech-owned flatex brand. The agreement represents Morgan Stanley's first entry into the €1 billion structured products market in Germany (which includes options, warrants and other leveraged instruments) and the first time that flatex has labelled ETPs under its own brand. Fintech management expects the partnership to have a "significant long-term impact on revenues and earnings".

The Mirabaud view

This deal represents a significant step forward for FinTech as it continues to augment the offering to its 150,000+ online broking customers. Morgan Stanley has chosen flatex as its vehicle to enter the German ETP market, attracted by the firm's large & actively-trading customer base. Currently, a significant portion of the group's revenues from Flatex are driven by sales of third-party ETPs (mainly provided by Commerzbank & Deutsche Bank). Under the terms of this agreement, Fintech will receive a significantly higher commission in exchange for significant commitments on sales & promotion from both Morgan Stanley and FinTech itself. As part of this commitment, Morgan Stanley is to offer much lower upfront customer fees for flatex customers.

Valuation

In our view, the quantity & quality of group earnings is likely to come into sharp focus in 2016, when FinTech accounts show a full contribution from the XCOM acquisition, and the numbers are reported using IFRS accounting standards. We forecast underlying attributable earnings of €20.0 million in 2016, implying an earnings per share of €1.19. Our 12-month target price remains €23.80, 35% ahead of current levels, based on a forward PER of 20x, which is at a discount to the sector average PER of 24.2x. We maintain our **BUY** recommendation.

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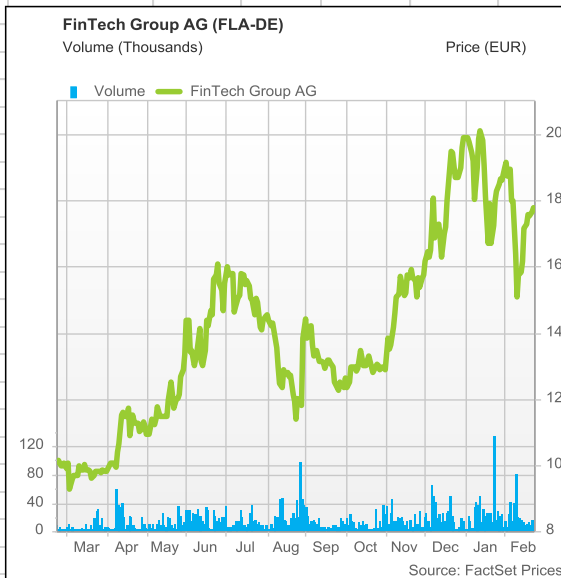
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| | Change % | Absolute | Rel to AIM |
|------------------|--------------|----------|------------|
| Price (p): | 17.66 | 1M | -2% |
| Market Cap (€m): | 297 | 3M | 13% |
| EV (€m): | 374 | 12M | 74% |

PROFIT & LOSS

| Year to December | FY13A | FY14A | FY15E | FY16E | FY17E |
|---------------------------------------|---------------|---------------|-------------|-------------|-------------|
| €m | | | | | |
| Group Revenues | 14.3 | 24.7 | 83.9 | 85.3 | 92.0 |
| % growth | -8% | 73% | 240% | 2% | 8% |
| Operating expenses | (14.7) | (33.5) | (71.3) | (56.8) | (58.2) |
| EBITDA | (0.4) | (8.8) | 12.6 | 28.4 | 33.7 |
| Depreciation | (0.7) | (0.8) | (1.4) | (1.5) | (1.6) |
| Operating Profit | (1.0) | (9.5) | 11.2 | 26.9 | 32.1 |
| Net Interest Income | 0.0 | (0.0) | 2.3 | 7.8 | 8.7 |
| Pre-tax profit | (1.0) | (9.6) | 13.5 | 34.7 | 40.8 |
| Taxation | 0.1 | 1.9 | (2.7) | (10.4) | (12.2) |
| Headline Net Income | (0.9) | (7.6) | 10.8 | 24.3 | 28.6 |
| Minorities | 0.0 | 0.0 | (0.3) | (4.3) | (5.0) |
| Headline Attributable Earnings | (0.9) | (7.6) | 10.5 | 20.0 | 23.6 |
| Exceptionals | (0.1) | 0.8 | (1.5) | 0.0 | 0.0 |
| Goodwill amortisation | (0.1) | (0.7) | (5.8) | (5.8) | (5.8) |
| Reported Attributable Earnings | (1.1) | (7.6) | 3.2 | 14.2 | 17.8 |
| Shares out (basic) m | 10.4 | 13.9 | 16.0 | 16.8 | 16.8 |
| Adj Basic EPS (€) | (0.09) | (0.55) | 0.65 | 1.19 | 1.40 |

PRICE PERFORMANCE (LAST 12 MONTHS)



BALANCE SHEET

| Year to December | FY13A | FY14A | FY15E | FY16E | FY17E |
|--|-------------|-------------|--------------|----------------|----------------|
| €m | | | | | |
| Property, Plant & Equipment | 1.3 | 1.0 | 5.9 | 5.2 | 4.4 |
| Other intangibles | 0.8 | 1.4 | 2.1 | 1.7 | 1.3 |
| Goodwill | 3.6 | 2.9 | 30.1 | 24.3 | 18.4 |
| Trading portfolio | 7.5 | 10.1 | 0.5 | 0.5 | 0.5 |
| Cash reserves | 0.1 | 5.3 | 864.5 | 1,010.9 | 1,172.0 |
| Due from credit institutions (overnight) | 19.0 | 41.3 | 112.9 | 11.5 | (12.0) |
| Due from credit institutions (other) | 1.7 | 14.9 | 77.8 | 171.2 | 188.3 |
| Due from customers (other) | 0.3 | 0.4 | 484.1 | 532.5 | 585.8 |
| Securities & investments | 0.2 | 0.3 | 113.5 | 124.8 | 137.3 |
| Payable to credit institutions (overnight) | (0.3) | (0.6) | (60.9) | (67.0) | (73.7) |
| Payable to customers (overnight) | (0.1) | (28.8) | (1,464.5) | (1,610.9) | (1,772.0) |
| Payable to credit institutions (other) | 0.0 | 0.0 | (47.9) | (52.7) | (57.9) |
| Minority interest | 0.0 | 0.0 | (11.4) | (15.7) | (20.7) |
| Other | (3.6) | (3.5) | (38.7) | (54.2) | (71.8) |
| Shareholders' Equity | 30.5 | 44.7 | 68.0 | 82.2 | 100.0 |

KEY RECENT NEWSFLOW

| Date | Event |
|-------------|---|
| 15 Feb 2016 | Strategic Partnership for ETPs with Morgan Stanley |
| 20 Jan 2016 | Co-operation agreement w ith Deposit Solutions |
| 14 Dec 2015 | Capital increase raises €10M @ €16.5/share |
| 13 Nov 2015 | Mobile payment app "kesh" exceeds €1M in transactions |
| 01 Oct 2015 | Customer numbers exceed 200,000 |
| 27 Aug 2015 | H1/15 EBITDA €11.7M (German GAAP) |
| 16 Jun 2015 | Long-term CFD partnership agreed w ith Commerbank |
| 03 Jun 2015 | AIM-listed SafeCharge International acquires 5% stake |
| 03 Jun 2015 | Capital increase raises €10M @ €12.45/share |
| 04 May 2015 | Q1/15 EBITDA €2.6M (German GAAP) |
| 24 Mar 2015 | Acquires 51% of XCOM AG for >€40M (undisclosed) |

CASH FLOW

| Year to December | FY13A | FY14A | FY15E | FY16E | FY17E |
|-------------------------------------|--------------|--------------|--------------|-------------|--------------|
| €m | | | | | |
| Attributable earnings | (1.1) | (7.6) | 12.6 | 28.4 | 33.7 |
| Depreciation & amortisation | 0.8 | 1.5 | 1.4 | 1.5 | 1.6 |
| Change in receivables | (0.2) | (13.4) | (546.6) | (141.8) | (70.4) |
| Change in trading portfolio | (7.5) | (2.6) | 9.6 | 0.0 | 0.0 |
| Change in payables | (0.2) | 28.7 | 1,483.5 | 151.2 | 166.4 |
| Other | 9.7 | (0.7) | (538.7) | (7.1) | (7.5) |
| Operating cash flow | 1.4 | 6.0 | 421.9 | 39.3 | 131.3 |
| Net acquisition of PP&E | (0.3) | (0.1) | (0.4) | (0.4) | (0.4) |
| Net acquisition of Intangibles | 0.8 | (0.2) | (29.5) | 0.0 | 0.0 |
| Net acquisition of financial assets | 1.0 | (0.0) | 0.0 | 0.0 | 0.0 |
| Corporate M&A | (0.3) | 0.0 | (47.7) | 0.0 | 0.0 |
| Free cash flow | 2.5 | 5.6 | 344.3 | 39.0 | 130.8 |
| Dividends | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Share issues | 9.5 | 21.8 | 20.1 | 0.0 | 0.0 |
| Other | 1.5 | (0.3) | 506.1 | 0.0 | 0.0 |
| Net cash flow | 13.5 | 27.2 | 870.5 | 39.0 | 130.8 |

VALUATION

| Fiscal | FY13A | FY14A | FY15E | FY16E | FY17E |
|-----------|-------|-------|-------|-------|-------|
| P/E | neg | neg | 27.0x | 14.8x | 12.6x |
| EV/EBITDA | neg | neg | 29.7x | 13.2x | 11.1x |
| EV/Sales | 26.2x | 15.1x | 4.5x | 4.4x | 4.1x |
| PNAV | 9.7x | 6.6x | 4.4x | 3.6x | 3.0x |

MAIN SHAREHOLDERS

| | % of ord. Share capital |
|---|-------------------------|
| Gesellschaft fuer Boersenkommunikation GmbH | 40.1% |
| Heliad Equity Partners GmbH & Co. KGaA | 17.8% |
| SafeCharge International Group | 4.8% |
| | 62.7% |

RECOMMENDATIONS HISTORY

| Market index | AIM all-share index | | | | |
|--------------|---------------------|-----------------|------------------|---------|--|
| Date | Market Index level | Stock Price (€) | Target Price (p) | Opinion | |
| 23/02/2016 | 687.01 | 17.66 | 23.80 | BUY | |
| 25/01/2016 | 690.02 | 18.21 | 23.80 | BUY | |
| 20/11/2015 | 730.78 | 15.39 | 24.80 | BUY | |

RATINGS, CERTIFICATION AND DISCLOSURE

RATINGS SYSTEM

| | |
|-------------------------------|--|
| BUY: | The stock is expected to generate absolute positive price performance of over 20% during the next 12 months. |
| ACCUMULATE/OVERWEIGHT: | The stock is expected to generate absolute positive price performance of 10-20% during the next 12 months |
| NEUTRAL: | The stock is expected to generate absolute price performance of between 10% positive and 10% negative during the next 12 months. |
| REDUCE/UNDERWEIGHT: | The stock is expected to generate absolute negative price performance of 10-20% during the next 12 months |
| SELL: | The stock is expected to generate absolute negative price performance of over 20% during the next 12 months. |
| RISK Qualifier: | Speculative |

Stocks bear significantly higher risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in material loss.

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