

Buy EUR 24.00	Value Indicators: EUR DCF: 24.20	Share data: Bloomberg: FTK GR Reuters: FTKG.DE ISIN: DE000FTG1111	Description: FinTech Group is a financial services technology company in Germany
	Market Snapshot: EUR m Market cap: 232 No. of shares (m): 17 Freefloat MC: 100 Ø Trad. Vol. (30d): 19.49 th	Shareholders: Freefloat 43.0 % GfBk mbH 40.1 % Heliad Equity Partners 16.9 %	Risk Profile (WRe): 2016e Beta: 1.5 Price / Book: 2.8 x Equity Ratio: 8 %
Price EUR 13.80 Upside 73.9 %			

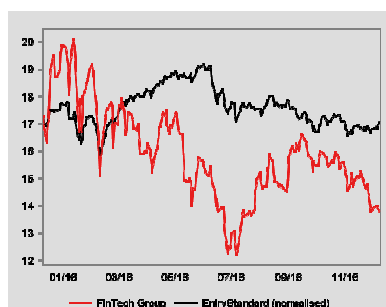
Model Update

On Thursday, December 8, FinTech Group released a statement confirming the FY 2016 guidance for EBITDA of EUR 30-35m. Furthermore, the company gave guidance for FY 2017 which implies sales in excess of EUR 100m and EPS of EUR 0.90.

Assessment: While the sales guidance for FY 2017 is in line with our estimates, the EPS guidance is significantly lower than our estimates. This is attributable to the corporate tax rate. We are assuming a corporate tax rate of 15% as the company has carried forward losses of some EUR 12m. However, the company will not be able to realise these carried forward losses in FY 2017. In order to realise the carried forward losses the company must increase its ownership in XCOM AG to 100%. The company currently holds 98%. According to German law, 100% ownership is the prerequisite for consolidated tax-filing status which then allows for the realisation of carried forward losses. Hence, we have to adjust our corporate tax rate to 31%.

Furthermore, the company stated that the released guidance is very conservative and solely based on its current customer base in the B2B segment as well as the current markets of operation in the B2C segment. Therefore we feel confident with our current sales and EBITDA estimates and we have merely fine-tuned our EBIT and EPS estimates. We confirm our positive stance on the company with a PT of EUR 24.

Changes in Estimates:				Comment on Changes:			
FY End: 31.12. in EUR m	2016e (old)	+ / -	2017e (old)	+ / -	2018e (old)	+ / -	
Sales	94	0.0 %	103	0.0 %	110	0.0 %	<ul style="list-style-type: none"> Changes in EBIT result from slightly increased depreciation Changes in EPS result predominantly from an increased corporate tax rate to 31%
EBITDA	30	0.0 %	37	0.0 %	42	0.0 %	
EBIT	25	0.0 %	32	-4.8 %	37	-4.1 %	
EPS	0	0.0 %	0	-25.4 %	0	-6.6 %	

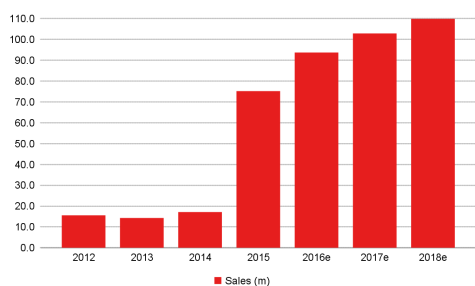


Rel. Performance vs EntryStandard:	
1 month:	-10.1 %
6 months:	0.7 %
Year to date:	-26.9 %
Trailing 12 months:	-18.4 %

Company events:	
Mai.17	FY 2016

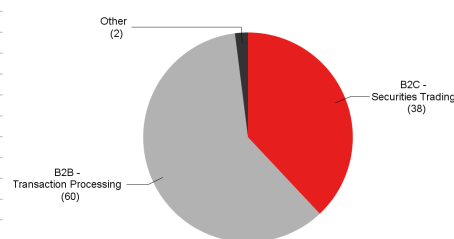
FY End: 31.12. in EUR m	CAGR (15-18e)	2012	2013	2014	2015	2016e	2017e	2018e
Sales	13.5 %	16	14	17	75	94	103	110
Change Sales yoy		n.a.	-8.2 %	20.0 %	338.7 %	24.6 %	9.8 %	6.8 %
Gross profit margin		100.0 %	100.0 %	97.1 %	82.0 %	74.0 %	75.0 %	75.7 %
EBITDA	28.3 %	1	0	4	20	30	37	42
Margin		8.5 %	-2.6 %	21.1 %	26.3 %	31.6 %	35.5 %	37.9 %
EBIT	28.3 %	0	-1	3	17	25	30	36
Margin		0.5 %	-7.9 %	16.6 %	22.4 %	26.6 %	29.6 %	32.4 %
Net income	-	0	-1	-8	-3	11	18	21
EPS	-	0.01	-0.09	-0.60	-0.18	0.65	1.06	1.27
EPS adj.	-	0.05	-0.09	-0.60	-0.18	1.07	1.06	1.27
DPS	-	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend Yield		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
FCFPS		-0.61	0.15	1.67	-6.10	0.28	1.25	1.51
FCF / Market cap		-10.3 %	1.8 %	25.0 %	-24.4 %	2.0 %	9.1 %	10.9 %
Book Value / Share		1.03	2.57	3.25	4.35	5.00	6.06	7.34
Price / Book		3.8 x	1.5 x	1.8 x	2.8 x	2.8 x	2.3 x	1.9 x
ROE		1 %	-5 %	-19 %	-5 %	14 %	19 %	19 %
P / E		595.3 x	n.a.	n.a.	n.a.	21.2 x	13.0 x	10.9 x
P / E adj.		119.1 x	n.a.	n.a.	n.a.	12.9 x	13.0 x	10.9 x
Guidance:		EBITDA 2016: EUR 30-35m						

Sales development in EUR m



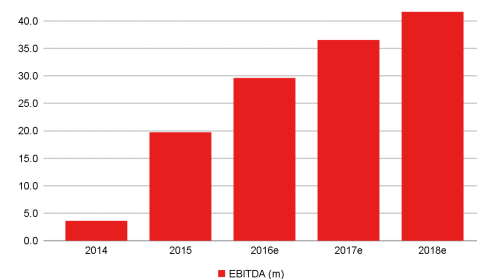
Source: Warburg Research

Sales by segments 2015; in %



Source: Warburg Research

EBITDA development in EUR m



Source: Warburg Research

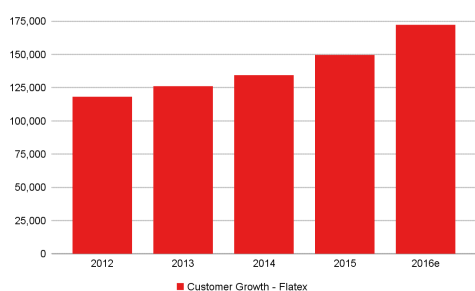
Company Background

- FinTech Group is among the market leaders in Germany in the fields of B2C online securities brokerage under its brand name, Flatex
- In its unit XCOM AG, FinTech Group offers innovative software and IT outsourcing services for its B2B clients
- XCOM subsidiary biw Bank as a deposit bank gives FinTech Group access to a banking license and provides the full range of white-label-banking services to its B2B clients

Competitive Quality

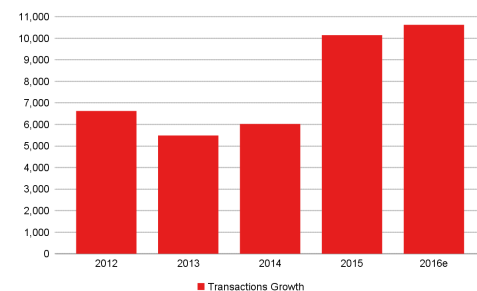
- FinTech differentiates itself from competitors by offering B2C as well as B2B services, which offers synergy potential
- In the field of B2C, Flatex has a strong competitive position which is supported by its unique flat fee pricing model
- In the field of B2B, XCOM has more than 25 years' experience as an IT-infrastructure provider. The company has a strong track record of completed projects with high-profile companies in the financial services sector

Customer Growth - Flatex



Source: Warburg Research

Transaction Growth in k



Source: Warburg Research

DCF model

Figures in EUR m	Detailed forecast period			Transitional period										Term. Value
	2016e	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	
Sales	94	103	110	117	125	132	140	148	156	164	170	175	179	
Sales change	24.6 %	9.8 %	6.8 %	6.5 %	6.5 %	6.0 %	6.0 %	6.0 %	5.0 %	5.0 %	4.0 %	3.0 %	2.0 %	1.5 %
EBIT	25	30	36	41	42	44	45	48	50	52	54	56	57	
EBIT-margin	26.6 %	29.6 %	32.4 %	35.0 %	34.0 %	33.0 %	32.0 %	32.0 %	32.0 %	32.0 %	32.0 %	32.0 %	32.0 %	
Tax rate (EBT)	15.0 %	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	
NOPAT	21	21	25	28	29	30	31	33	34	36	38	39	39	
Depreciation	5	6	6	5	5	5	6	6	6	7	7	7	7	
in % of Sales	5.0 %	5.9 %	5.5 %	4.0 %	4.0 %	4.0 %	4.0 %	4.0 %	4.0 %	4.0 %	4.0 %	4.0 %	4.0 %	
Changes in provisions	0	0	0	0	0	0	0	0	0	0	0	0	0	
Change in Liquidity from														
- Working Capital	11	3	2	2	2	2	2	3	2	2	2	2	1	
- Capex	1	1	1	5	5	5	6	6	6	7	7	7	7	
Capex in % of Sales	1.1 %	1.0 %	0.9 %	4.0 %	4.0 %	4.0 %	4.0 %	4.0 %	4.0 %	4.0 %	4.0 %	4.0 %	4.0 %	
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	
Free Cash Flow (WACC Model)	14	23	28	27	27	28	29	30	32	34	36	37	38	39
PV of FCF	14	21	23	20	19	18	16	16	16	15	14	14	13	173
share of PVs	14.61 %			41.09 %										44.30 %

Model parameter

Derivation of WACC:		Derivation of Beta:	
Debt ratio	7.00 %	Financial Strength	1.40
Cost of debt (after tax)	2.1 %	Liquidity (share)	1.50
Market return	7.00 %	Cyclicality	1.60
Risk free rate	1.50 %	Transparency	1.70
		Others	1.30
WACC	9.21 %	Beta	1.50

Valuation (m)

Present values 2028e	217		
Terminal Value	173		
Financial liabilities	7		
Pension liabilities	0		
Hybrid capital	0		
Minority interest	13		
Market val. of investments	0		
Liquidity	36	No. of shares (m)	16.8
Equity Value	407	Value per share (EUR)	24.20

Sensitivity Value per Share (EUR)

Beta	WACC	Terminal Growth							Beta	WACC	Delta EBIT-margin						
		0.75 %	1.00 %	1.25 %	1.50 %	1.75 %	2.00 %	2.25 %			-1.5 pp	-1.0 pp	-0.5 pp	+0.0 pp	+0.5 pp	+1.0 pp	+1.5 pp
1.70	10.2 %	20.75	20.95	21.17	21.40	21.64	21.89	22.16	1.70	10.2 %	20.39	20.73	21.06	21.40	21.73	22.07	22.40
1.60	9.7 %	21.95	22.19	22.44	22.71	23.00	23.30	23.63	1.60	9.7 %	21.64	22.00	22.35	22.71	23.07	23.42	23.78
1.55	9.5 %	22.60	22.86	23.14	23.43	23.75	24.08	24.44	1.55	9.5 %	22.33	22.70	23.06	23.43	23.80	24.17	24.54
1.50	9.2 %	23.29	23.57	23.88	24.20	24.55	24.91	25.31	1.50	9.2 %	23.06	23.44	23.82	24.20	24.58	24.96	25.34
1.45	9.0 %	24.02	24.34	24.67	25.02	25.40	25.81	26.24	1.45	9.0 %	23.84	24.24	24.63	25.02	25.42	25.81	26.20
1.40	8.7 %	24.81	25.15	25.51	25.90	26.32	26.77	27.25	1.40	8.7 %	24.68	25.09	25.49	25.90	26.31	26.72	27.12
1.30	8.2 %	26.53	26.94	27.39	27.86	28.37	28.93	29.52	1.30	8.2 %	26.54	26.98	27.42	27.86	28.30	28.74	29.18

▪ Liquid assets were adjusted for deposit volumes

Valuation							
	2012	2013	2014	2015	2016e	2017e	2018e
Price / Book	3.8 x	1.5 x	1.8 x	2.8 x	2.8 x	2.3 x	1.9 x
Book value per share ex intangibles	0.82	2.19	2.92	1.12	2.02	3.32	4.83
EV / Sales	4.0 x	3.6 x	2.5 x	n.a.	n.a.	n.a.	n.a.
EV / EBITDA	46.9 x	n.a.	11.7 x	n.a.	n.a.	n.a.	n.a.
EV / EBIT	731.4 x	n.a.	14.9 x	n.a.	n.a.	n.a.	n.a.
EV / EBIT adj.*	731.4 x	n.a.	14.9 x	n.a.	n.a.	n.a.	n.a.
P / FCF	n.a.	55.5 x	4.0 x	n.a.	49.0 x	11.0 x	9.1 x
P / E	595.3 x	n.a.	n.a.	n.a.	21.2 x	13.0 x	10.9 x
P / E adj.*	119.1 x	n.a.	n.a.	n.a.	12.9 x	13.0 x	10.9 x
Dividend Yield	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Free Cash Flow Yield Potential	1.8 %	-0.5 %	-17.0 %	-0.9 %	-6.3 %	-8.6 %	-8.9 %

*Adjustments made for: -

Company Specific Items							
	2012	2013	2014	2015	2016e	2017e	2018e
Consolidation based changes of liquid funds	0	2	0	559	0	0	0
Customer Growth - Flatex	118170.0	126111.0	134403.0	149600.0	172300.0	n.a.	n.a.
Transactions Growth	6625.0	5486.7	6023.3	10143.7	10624.1	n.a.	n.a.

Consolidated profit & loss

In EUR m	2012	2013	2014	2015	2016e	2017e	2018e
Sales	16	14	17	75	94	103	110
Change Sales yoy	n.a.	-8.2 %	20.0 %	338.7 %	24.6 %	9.8 %	6.8 %
Increase / decrease in inventory	0	0	0	0	0	0	0
Own work capitalised	0	0	0	0	0	0	0
Total Sales	16	14	17	75	94	103	110
Material expenses	0	0	0	14	24	26	27
Gross profit	16	14	17	62	69	77	83
<i>Gross profit margin</i>	<i>100.0 %</i>	<i>100.0 %</i>	<i>97.1 %</i>	<i>82.0 %</i>	<i>74.0 %</i>	<i>75.0 %</i>	<i>75.7 %</i>
Personnel expenses	4	6	4	24	20	21	22
Other operating income	0	0	0	0	0	0	0
Other operating expenses	10	10	9	18	19	19	20
Unfrequent items	0	0	0	0	0	0	0
EBITDA	1	0	4	20	30	37	42
<i>Margin</i>	<i>8.5 %</i>	<i>-2.6 %</i>	<i>21.1 %</i>	<i>26.3 %</i>	<i>31.6 %</i>	<i>35.5 %</i>	<i>37.9 %</i>
Depreciation of fixed assets	0	0	0	1	1	2	2
EBITA	1	0	3	19	29	34	40
Amortisation of intangible assets	1	1	0	2	3	3	3
Goodwill amortisation	0	0	0	0	1	1	1
EBIT	0	-1	3	17	25	30	36
<i>Margin</i>	<i>0.5 %</i>	<i>-7.9 %</i>	<i>16.6 %</i>	<i>22.4 %</i>	<i>26.6 %</i>	<i>29.6 %</i>	<i>32.4 %</i>
EBIT adj.	0	-1	3	17	25	30	36
Interest income	0	0	0	0	0	0	0
Interest expenses	0	0	0	3	3	3	3
Other financial income (loss)	0	0	0	0	0	0	0
EBT	0	-1	3	14	22	27	33
<i>Margin</i>	<i>1.6 %</i>	<i>-8.5 %</i>	<i>15.9 %</i>	<i>18.9 %</i>	<i>23.7 %</i>	<i>26.6 %</i>	<i>29.6 %</i>
Total taxes	0	0	-2	1	3	8	10
Net income from continuing operations	0	-1	5	13	19	19	22
Income from discontinued operations (net of tax)	0	0	-13	-16	-7	0	0
Net income before minorities	0	-1	-8	-3	12	19	22
Minority interest	0	0	0	0	1	1	1
Net income	0	-1	-8	-3	11	18	21
<i>Margin</i>	<i>0.3 %</i>	<i>-7.9 %</i>	<i>-47.4 %</i>	<i>-3.9 %</i>	<i>11.6 %</i>	<i>17.4 %</i>	<i>19.5 %</i>
Number of shares, average	9	12	13	16	17	17	17
EPS	0.01	-0.09	-0.60	-0.18	0.65	1.06	1.27
EPS adj.	0.05	-0.09	-0.60	-0.18	1.07	1.06	1.27

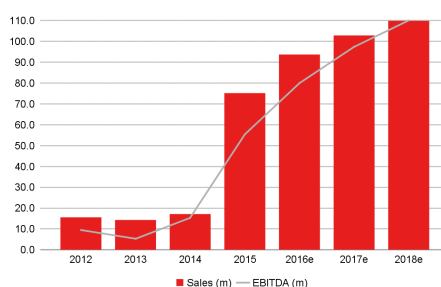
*Adjustments made for:

Guidance: EBITDA 2016: EUR 30-35m

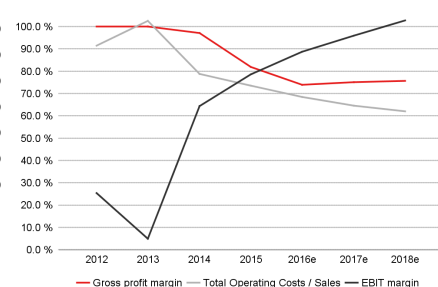
Financial Ratios

	2012	2013	2014	2015	2016e	2017e	2018e
Total Operating Costs / Sales	91.5 %	102.6 %	78.9 %	73.5 %	68.4 %	64.5 %	62.1 %
Operating Leverage	n.a.	n.a.	n.a.	1.5 x	1.9 x	2.3 x	2.5 x
EBITDA / Interest expenses	n.a.	n.m.	323.5 x	7.4 x	11.1 x	11.8 x	13.4 x
Tax rate (EBT)	80.5 %	7.0 %	-91.2 %	6.8 %	15.0 %	31.0 %	31.0 %
Dividend Payout Ratio	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Sales per Employee	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

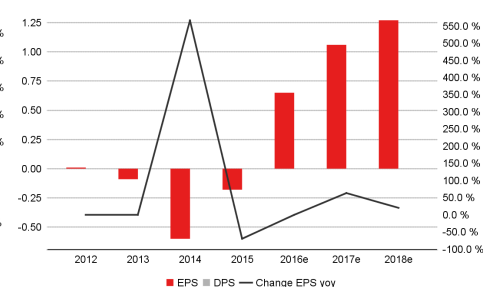
Sales, EBITDA
in EUR m



Operating Performance
in %



Performance per Share



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

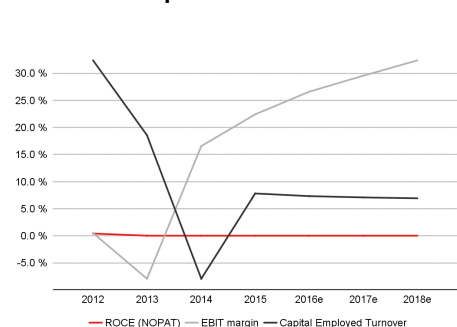
Consolidated balance sheet

In EUR m	2012	2013	2014	2015	2016e	2017e	2018e
Assets							
Goodwill and other intangible assets	3	5	5	54	50	46	42
thereof other intangible assets	3	2	1	25	23	20	18
thereof Goodwill	0	4	4	29	27	26	24
Property, plant and equipment	1	1	1	5	6	5	4
Financial assets	0	1	0	0	0	0	0
Other long-term assets	0	0	0	0	0	0	0
Fixed assets	4	8	6	60	56	51	46
Inventories	0	0	0	1	0	0	0
Accounts receivable	2	9	5	30	38	41	44
Liquid assets	7	17	61	541	546	567	592
Other short-term assets	4	19	22	576	576	576	576
Current assets	13	45	89	1,149	1,160	1,185	1,213
Total Assets	17	53	95	1,208	1,216	1,235	1,259
Liabilities and shareholders' equity							
Subscribed capital	8	12	15	17	17	17	17
Capital reserve	2	16	30	49	49	49	49
Retained earnings	2	7	4	7	18	36	57
Other equity components	2	0	0	0	0	0	0
Shareholders' equity	14	36	50	73	84	102	123
Minority interest	0	0	0	13	14	15	16
Total equity	14	36	50	86	98	117	139
Provisions	2	0	2	18	18	18	18
thereof provisions for pensions and similar obligations	0	0	0	0	0	0	0
Financial liabilities (total)	1	0	0	7	7	7	7
thereof short-term financial liabilities	0	0	0	0	0	0	0
Accounts payable	0	3	2	13	9	10	10
Other liabilities	0	13	42	1,084	1,084	1,084	1,084
Liabilities	2	17	45	1,122	1,118	1,119	1,119
Total liabilities and shareholders' equity	17	53	95	1,208	1,216	1,235	1,259

Financial Ratios

	2012	2013	2014	2015	2016e	2017e	2018e
Efficiency of Capital Employment							
Operating Assets Turnover	5.2 x	1.9 x	3.7 x	3.3 x	2.7 x	2.8 x	3.0 x
Capital Employed Turnover	1.9 x	0.7 x	-1.5 x	-0.2 x	-0.2 x	-0.2 x	-0.2 x
ROA	1.1 %	-14.8 %	-132.1 %	-4.9 %	19.5 %	35.1 %	46.8 %
Return on Capital							
ROCE (NOPAT)	0.4 %	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
ROE	0.7 %	-4.5 %	-18.9 %	-4.8 %	13.9 %	19.2 %	19.0 %
Adj. ROE	6.8 %	-4.5 %	-18.9 %	-4.8 %	22.8 %	19.2 %	19.0 %
Balance sheet quality							
Net Debt	-6	-17	-61	-534	-539	-560	-585
Net Financial Debt	-6	-17	-61	-534	-539	-560	-585
Net Gearing	-43.7 %	-46.5 %	-122.8 %	-622.0 %	-551.1 %	-479.9 %	-420.8 %
Net Fin. Debt / EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Book Value / Share	1.0	2.6	3.3	4.4	5.0	6.1	7.3
Book value per share ex intangibles	0.8	2.2	2.9	1.1	2.0	3.3	4.8

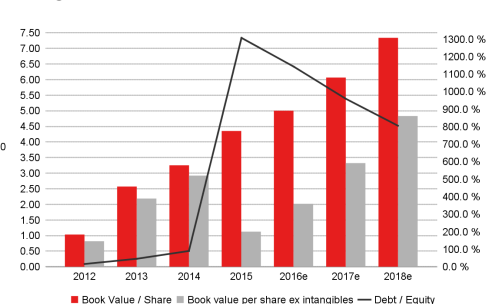
ROCE Development



Net debt in EUR m



Book Value per Share in EUR



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

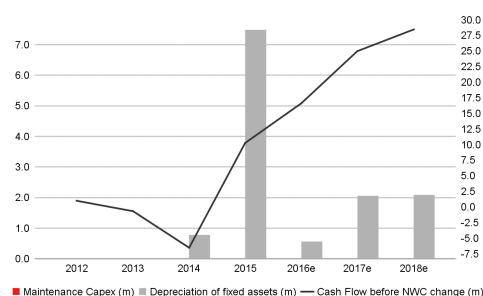
Consolidated cash flow statement

In EUR m	2012	2013	2014	2015	2016e	2017e	2018e
Net income	0	-1	-8	-3	12	19	22
Depreciation of fixed assets	0	0	1	7	1	2	2
Amortisation of goodwill	0	0	0	0	1	1	1
Amortisation of intangible assets	1	1	0	2	3	3	3
Increase/decrease in long-term provisions	-2	0	1	3	0	0	0
Other non-cash income and expenses	2	0	0	0	0	0	0
Cash Flow before NWC change	1	-1	-7	10	17	25	28
Increase / decrease in inventory	0	0	2	16	1	0	0
Increase / decrease in accounts receivable	-1	2	0	0	-7	-4	-3
Increase / decrease in accounts payable	0	0	28	-76	-4	1	1
Increase / decrease in other working capital positions	0	0	0	0	0	0	0
Increase / decrease in working capital (total)	-2	2	29	-60	-11	-3	-2
Net cash provided by operating activities [1]	-1	1	23	-50	6	22	26
Investments in intangible assets	-3	1	0	0	0	0	0
Investments in property, plant and equipment	-2	0	0	0	-1	-1	-1
Payments for acquisitions	0	0	0	0	0	0	0
Financial investments	-1	0	0	1	0	0	0
Income from asset disposals	0	1	0	0	0	0	0
Net cash provided by investing activities [2]	-4	1	0	-48	-1	-1	-1
Change in financial liabilities	0	0	0	0	0	0	0
Dividends paid	0	0	0	0	0	0	0
Purchase of own shares	0	9	0	0	0	0	0
Capital measures	-6	0	22	20	0	0	0
Other	0	0	0	0	0	0	0
Net cash provided by financing activities [3]	-6	9	22	20	0	0	0
Change in liquid funds [1]+[2]+[3]	-11	12	44	-78	5	21	25
Effects of exchange-rate changes on cash	0	2	0	0	0	0	0
Cash and cash equivalent at end of period	6	21	61	543	41	62	88

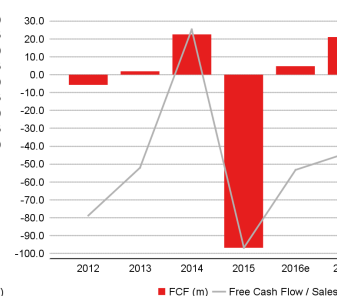
Financial Ratios

	2012	2013	2014	2015	2016e	2017e	2018e
Cash Flow							
FCF	-6	2	23	-97	5	21	25
Free Cash Flow / Sales	-36.6 %	7.0 %	133.4 %	-65.9 %	5.0 %	20.5 %	23.1 %
Free Cash Flow Potential	1	0	-7	3	19	28	32
Free Cash Flow / Net Profit	-11880.5 %	-87.6 %	-281.4 %	1692.9 %	43.4 %	117.7 %	118.4 %
Interest Received / Avg. Cash	8.2 %	0.4 %	-0.3 %	0.0 %	0.0 %	0.0 %	0.0 %
Interest Paid / Avg. Debt	0.0 %	8.4 %	n.a.	74.2 %	37.1 %	43.0 %	43.0 %
Management of Funds							
Investment ratio	30.6 %	3.1 %	0.0 %	0.0 %	1.1 %	1.0 %	0.9 %
Maint. Capex / Sales	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Capex / Dep	386.3 %	57.6 %	0.0 %	0.0 %	21.3 %	16.5 %	16.5 %
Avg. Working Capital / Sales	5.5 %	27.9 %	28.8 %	14.2 %	24.7 %	29.2 %	29.6 %
Trade Debtors / Trade Creditors	n.a.	304.5 %	324.0 %	224.6 %	421.3 %	424.7 %	423.1 %
Inventory Turnover	n.a.	n.a.	n.a.	12.5 x	n.a.	n.a.	n.a.
Receivables collection period (days)	41	237	112	146	146	146	146
Payables payment period (days)	n.a.	n.a.	1,190	359	133	138	142
Cash conversion cycle (Days)	n.a.	n.a.	n.a.	-318	n.a.	n.a.	n.a.

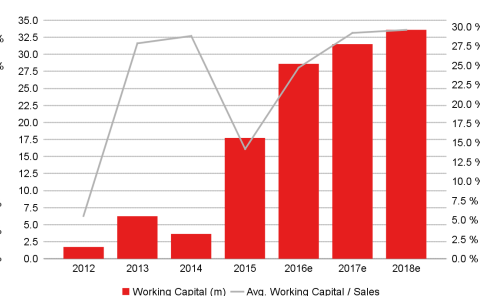
CAPEX and Cash Flow
in EUR m



Free Cash Flow Generation



Working Capital



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

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FinTech Group	3, 5	http://www.mmwarburg.com/disclaimer/disclaimer_en/DE000FTG1111.htm

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-B-	Buy:	The price of the analysed financial instrument is expected to rise over the next 12 months.
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“-“	Rating suspended:	The available information currently does not permit an evaluation of the company.

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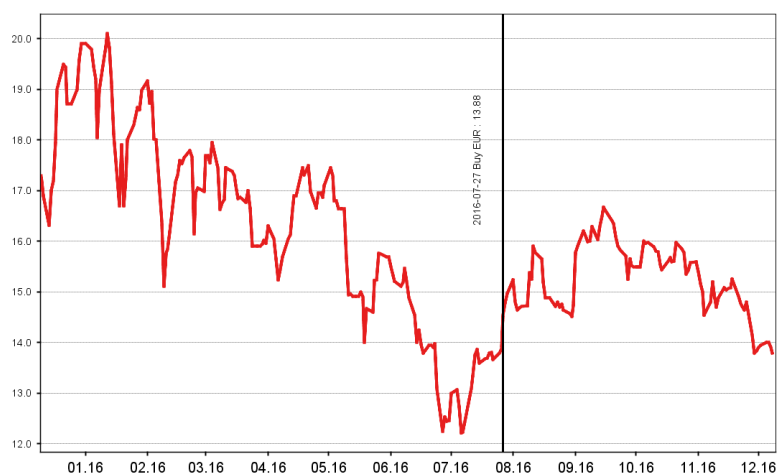
Rating	Number of stocks	% of Universe
Buy	125	65
Hold	62	32
Sell	4	2
Rating suspended	1	1
Total	192	100

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING ...

... taking into account only those companies which were provided with major investment services in the last twelve months.

Rating	Number of stocks	% of Universe
Buy	27	71
Hold	10	26
Sell	0	0
Rating suspended	1	3
Total	38	100

PRICE AND RATING HISTORY FINTECH GROUP AS OF 09.12.2016



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