

Buy EUR 35.00 (EUR 36.00) Price EUR 31.58 Upside 10.8 %	Value Indicators: EUR DCF: 34.69	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: 553 No. of shares (m): 18 EV: 252 Freefloat MC: 249 Ø Trad. Vol. (30d): 1.80 m	Shareholders: Freefloat 45.1 % GfBk mbH 39.8 % Heliad Equity Partners 15.1 %	Risk Profile (WRe): 2017e Beta: 1.4 Price / Book: 4.3 x Equity Ratio: 8 %

Hopping on the crypto currency train

Exchange-traded products (ETPs) on the crypto currency Bitcoin are now being offered by Flatex, the retail online brokerage platform of the FinTech Group. The trading products, which will only be available for long positions for now, will be categorized under 'Flatex Premium Crypto' and are issued by the Swiss bank Vontobel, according to a statement released by the company today (Wednesday 20.12.2017).

Please note that FinTech only acts as a broker and thus has no exposure to crypto exchange or wallet risks. FinTech is the first online brokerage platform to offer such trading products in Germany.

Given the current crypto currency hype, we deem it a smart strategic move by FinTech to offer Bitcoin products for its customers. Not only should this trigger further trades and attract new customers but it should also have a positive impact on the brand awareness of Flatex.

Last Wednesday (13.12.2017) FinTech Group announced a cash capital increase. The company issued 700k new shares (or 4.2% subscribed share capital) excluding shareholder's subscription rights with a total issue price of EUR 18.2m implying a price per share of EUR 25.94. The price implied a discount of 17.5% to that day's closing price. The structure of the placement price implied the average share price of the previous 10 trading days less a 5% discount. Morgan Stanley was allowed to subscribe all new shares in this transaction.

The company's relationship with Morgan Stanley is nothing new as the parties also collaborate in the field of ETPs in FinTech's retail online brokerage business activities. The strategic investment by Morgan Stanley is expected to intensify the relationship and should also be seen as a seal of quality for the development of the business carried out by FinTech in recent years. The proceeds are to be used to strengthen the Group's balance sheet as well as to enable further growth in the BC2 segment, i.e. the geographic roll-out of the Flatex platform. This transaction lends further support to our investment case, which we regard to be fully on track.

We adjusted our model for the new shares and cash proceeds which led to a new PT of EUR 35. Our Buy rating is maintained.

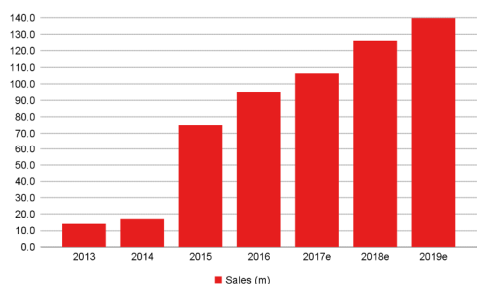


Rel. Performance vs Scale All	
1 month:	23.8 %
6 months:	68.8 %
Year to date:	n/a
Trailing 12 months:	n/a

Company events:

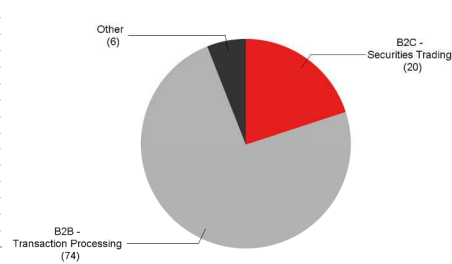
FY End: 31.12. in EUR m	CAGR (16-19e)	2013	2014	2015	2016	2017e	2018e	2019e
Sales	13.7 %	14	17	75	95	106	126	140
Change Sales yoy		-8.2 %	20.0 %	337.7 %	26.7 %	12.0 %	18.6 %	10.8 %
Gross profit margin		100.0 %	97.1 %	81.9 %	73.2 %	75.0 %	77.0 %	77.6 %
EBITDA	21.7 %	0	4	20	31	36	47	55
Margin		-2.6 %	21.1 %	26.1 %	32.2 %	33.8 %	37.6 %	39.5 %
EBIT	23.4 %	-1	3	17	25	30	41	48
Margin		-7.9 %	16.6 %	22.3 %	26.8 %	28.7 %	32.6 %	34.2 %
Net income	54.0 %	-1	-8	-3	8	19	26	31
EPS	52.1 %	-0.09	-0.60	-0.19	0.50	1.07	1.50	1.76
EPS adj.	22.0 %	-0.09	-0.60	-0.19	0.97	1.07	1.50	1.76
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		0.15	1.67	-3.93	-9.11	0.86	1.28	1.55
FCF / Market cap		1.8 %	25.0 %	-29.0 %	-57.8 %	2.7 %	4.1 %	4.9 %
Book Value / Share		2.57	3.25	4.35	4.50	7.28	8.78	10.54
Price / Book		1.5 x	1.8 x	2.8 x	3.5 x	4.3 x	3.6 x	3.0 x
ROE		-5 %	-19 %	-5 %	11 %	18 %	19 %	18 %
P / E		n.a.	n.a.	n.a.	31.3 x	29.5 x	21.1 x	17.9 x
P / E adj.		n.a.	n.a.	n.a.	16.1 x	29.5 x	21.1 x	17.9 x
Guidance:	Sales > EUR 100m; EBITDA > 2016; Net Profit EUR 16.8m							

Sales development in EUR m



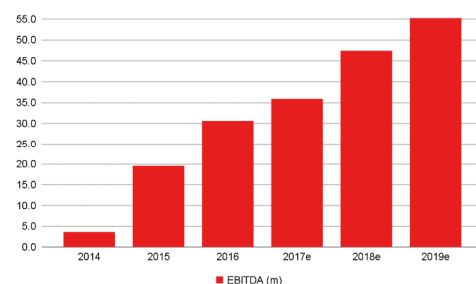
Source: Warburg Research

Sales by segments 2016; in %



Source: Warburg Research

EBITDA development in EUR m



Source: Warburg Research

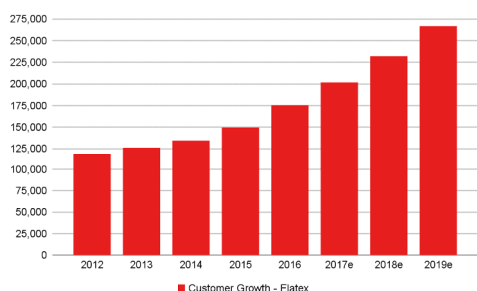
Company Background

- FinTech Group is among the market leaders in Germany in the fields of B2C online securities brokerage under its brand name, Flatex
- In its Tech unit, FinTech Group offers innovative software and IT outsourcing services for its B2B clients
- FinTech Group 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

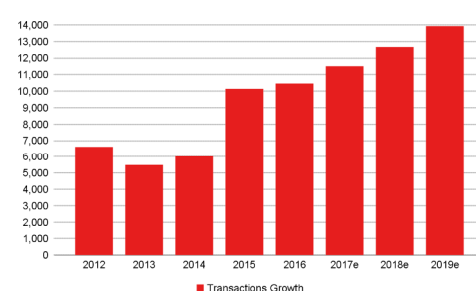
- FinTech differentiates itself from competitors by offering B2C as well as B2B services, which offers synergy potential
- In the field of B2C, Flatex has a strong competitive position which is supported by its unique flat fee pricing model
- FinTech Group has more than 25 years' experience as an IT-infrastructure provider in B2B. 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
	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	
Sales	106	126	140	154	169	184	199	211	224	235	244	252	257	1.5 %
Sales change	12.0 %	18.6 %	10.8 %	10.0 %	10.0 %	9.0 %	8.0 %	6.0 %	6.0 %	5.0 %	4.0 %	3.0 %	2.0 %	
EBIT	30	41	48	52	58	63	68	72	76	80	83	86	87	
EBIT-margin	28.7 %	32.6 %	34.2 %	34.0 %	34.0 %	34.0 %	34.0 %	34.0 %	34.0 %	34.0 %	34.0 %	34.0 %	34.0 %	
Tax rate (EBT)	32.0 %	32.0 %	32.0 %	32.0 %	32.0 %	32.0 %	32.0 %	32.0 %	32.0 %	32.0 %	32.0 %	32.0 %	32.0 %	
NOPAT	21	28	33	36	39	43	46	49	52	54	56	58	59	
Depreciation	5	6	7	8	9	10	11	12	12	13	13	14	14	
in % of Sales	5.1 %	5.0 %	5.3 %	5.3 %	5.3 %	5.5 %	5.5 %	5.5 %	5.5 %	5.5 %	5.5 %	5.5 %	5.5 %	
Changes in provisions	0	0	0	0	1	0	0	0	0	0	0	0	0	
Change in Liquidity from														
- Working Capital	0	1	0	0	0	0	0	0	0	0	0	0	0	
- Capex	9	10	11	12	13	13	14	14	15	14	15	14	14	
Capex in % of Sales	8.3 %	7.5 %	7.6 %	7.5 %	7.5 %	7.0 %	7.0 %	6.5 %	6.5 %	6.0 %	6.0 %	5.5 %	5.5 %	
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	
Free Cash Flow (WACC Model)	17	24	29	32	36	40	43	46	49	53	55	58	59	
PV of FCF	17	22	25	25	26	26	26	26	25	25	24	23	22	313
share of PVs	10.20 %			39.84 %										49.96 %

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)	1.40
Market return	7.00 %	Cyclicality	1.40
Risk free rate	1.50 %	Transparency	1.40
		Others	1.30
WACC	8.60 %	Beta	1.38

Valuation (m)

Present values 2029e	313		
Terminal Value	313		
Financial liabilities	10		
Pension liabilities	8		
Hybrid capital	0		
Minority interest	15		
Market val. of investments	0		
Liquidity	14	No. of shares (m)	17.5
Equity Value	607	Value per share (EUR)	34.69

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
1.58	9.6 %	28.70	29.07	29.47	29.89	30.33	30.81	31.32	1.58	9.6 %	28.45	28.93	29.41	29.89	30.37	30.85	31.33
1.48	9.1 %	30.71	31.15	31.62	32.13	32.66	33.24	33.85	1.48	9.1 %	30.59	31.10	31.61	32.13	32.64	33.15	33.66
1.43	8.9 %	31.81	32.29	32.81	33.36	33.95	34.59	35.27	1.43	8.9 %	31.77	32.30	32.83	33.36	33.89	34.42	34.96
1.38	8.6 %	32.98	33.51	34.08	34.69	35.34	36.04	36.80	1.38	8.6 %	33.03	33.58	34.14	34.69	35.24	35.79	36.34
1.33	8.4 %	34.23	34.82	35.44	36.11	36.83	37.61	38.45	1.33	8.4 %	34.39	34.97	35.54	36.11	36.68	37.26	37.83
1.28	8.1 %	35.58	36.22	36.91	37.65	38.45	39.31	40.25	1.28	8.1 %	35.86	36.46	37.05	37.65	38.24	38.84	39.43
1.18	7.6 %	38.56	39.34	40.19	41.10	42.09	43.18	44.36	1.18	7.6 %	39.16	39.81	40.46	41.10	41.75	42.40	43.04

▪ Liquid assets were adjusted for deposit volumes

Valuation							
	2013	2014	2015	2016	2017e	2018e	2019e
Price / Book	1.5 x	1.8 x	2.8 x	3.5 x	4.3 x	3.6 x	3.0 x
Book value per share ex intangibles	2.19	2.92	1.12	1.08	3.81	5.13	6.71
EV / Sales	3.7 x	2.6 x	n.a.	0.1 x	2.4 x	1.8 x	1.5 x
EV / EBITDA	n.a.	12.4 x	n.a.	0.3 x	7.0 x	4.8 x	3.7 x
EV / EBIT	n.a.	15.8 x	n.a.	0.4 x	8.3 x	5.6 x	4.2 x
EV / EBIT adj.*	n.a.	15.8 x	n.a.	0.4 x	8.3 x	5.6 x	4.2 x
P / FCF	55.5 x	4.0 x	n.a.	n.a.	36.9 x	24.6 x	20.4 x
P / E	n.a.	n.a.	n.a.	31.3 x	29.5 x	21.1 x	17.9 x
P / E adj.*	n.a.	n.a.	n.a.	16.1 x	29.5 x	21.1 x	17.9 x
Dividend Yield	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
FCF Potential Yield (on market EV)	-0.5 %	-16.1 %	-1.5 %	177.6 %	10.6 %	15.3 %	19.6 %

*Adjustments made for: -

Company Specific Items							
	2013	2014	2015	2016	2017e	2018e	2019e
Consolidation based changes of liquid funds	2	0	559	0	0	0	0
Customer Growth - Flatex	126111.0	134403.0	149600.0	175400.0	201700.4	231955.5	266748.8
Transactions Growth	5486.7	6023.3	10143.2	10462.5	11508.7	12659.6	13925.6
Net Financial Debt	n.a.	n.a.	n.a.	-4	-43	-66	-93

Consolidated profit & loss

In EUR m	2013	2014	2015	2016	2017e	2018e	2019e
Sales	14	17	75	95	106	126	140
Change Sales yoy	-8.2 %	20.0 %	337.7 %	26.7 %	12.0 %	18.6 %	10.8 %
Increase / decrease in inventory	0	0	0	0	0	0	0
Own work capitalised	0	0	0	0	0	0	0
Total Sales	14	17	75	95	106	126	140
Material expenses	0	0	14	25	27	29	31
Gross profit	14	17	61	70	80	97	108
<i>Gross profit margin</i>	<i>100.0 %</i>	<i>97.1 %</i>	<i>81.9 %</i>	<i>73.2 %</i>	<i>75.0 %</i>	<i>77.0 %</i>	<i>77.6 %</i>
Personnel expenses	6	4	24	19	23	26	28
Other operating income	0	0	0	0	0	0	0
Other operating expenses	10	9	18	19	21	24	26
Unfrequent items	0	0	0	0	0	0	0
EBITDA	0	4	20	31	36	47	55
<i>Margin</i>	<i>-2.6 %</i>	<i>21.1 %</i>	<i>26.1 %</i>	<i>32.2 %</i>	<i>33.8 %</i>	<i>37.6 %</i>	<i>39.5 %</i>
Depreciation of fixed assets	0	0	1	2	2	2	3
EBITA	0	3	19	29	34	45	53
Amortisation of intangible assets	1	0	2	3	3	4	5
Goodwill amortisation	0	0	0	0	0	0	0
EBIT	-1	3	17	25	30	41	48
<i>Margin</i>	<i>-7.9 %</i>	<i>16.6 %</i>	<i>22.3 %</i>	<i>26.8 %</i>	<i>28.7 %</i>	<i>32.6 %</i>	<i>34.2 %</i>
EBIT adj.	-1	3	17	25	30	41	48
Interest income	0	0	0	0	0	0	0
Interest expenses	0	0	3	2	3	3	3
Other financial income (loss)	0	0	0	0	0	0	0
EBT	-1	3	14	24	28	39	45
<i>Margin</i>	<i>-8.5 %</i>	<i>15.9 %</i>	<i>18.7 %</i>	<i>25.5 %</i>	<i>26.2 %</i>	<i>30.5 %</i>	<i>32.3 %</i>
Total taxes	0	-2	1	4	9	12	14
Net income from continuing operations	-1	5	13	20	19	26	31
Income from discontinued operations (net of tax)	0	-13	-16	-8	0	0	0
Net income before minorities	-1	-8	-3	12	19	26	31
Minority interest	0	0	0	4	0	0	0
Net income	-1	-8	-3	8	19	26	31
<i>Margin</i>	<i>-7.9 %</i>	<i>-47.4 %</i>	<i>-4.1 %</i>	<i>8.9 %</i>	<i>17.6 %</i>	<i>20.8 %</i>	<i>22.0 %</i>
Number of shares, average	12	13	16	17	18	18	18
EPS	-0.09	-0.60	-0.19	0.50	1.07	1.50	1.76
EPS adj.	-0.09	-0.60	-0.19	0.97	1.07	1.50	1.76

*Adjustments made for:

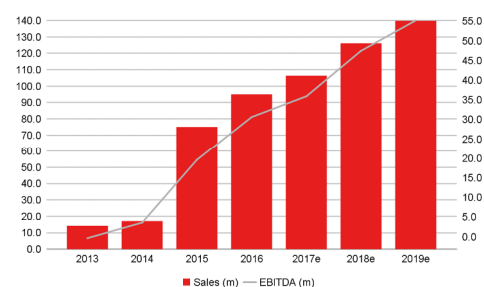
Guidance: Sales > EUR 100m; EBITDA > 2016; Net Profit EUR 16.8m

Financial Ratios

	2013	2014	2015	2016	2017e	2018e	2019e
Total Operating Costs / Sales	102.6 %	78.9 %	73.7 %	67.8 %	66.3 %	62.4 %	60.5 %
Operating Leverage	n.a.	n.a.	1.4 x	2.0 x	1.6 x	1.9 x	1.5 x
EBITDA / Interest expenses	n.m.	323.5 x	7.3 x	19.1 x	13.8 x	18.2 x	21.2 x
Tax rate (EBT)	7.0 %	-91.2 %	6.9 %	16.3 %	32.0 %	32.0 %	32.0 %
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.	139,808,752

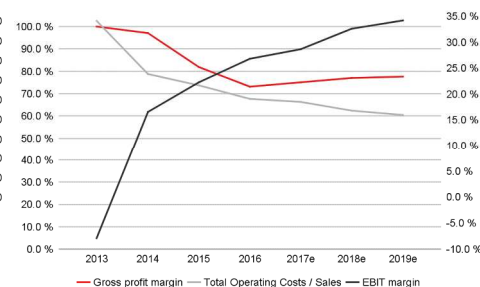
Sales, EBITDA

in EUR m

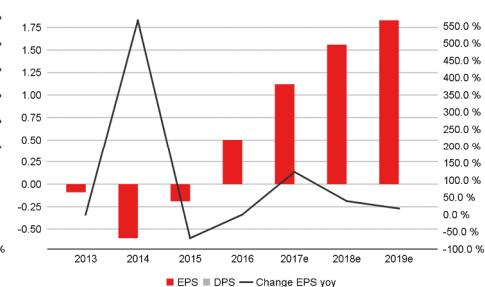


Operating Performance

in %



Performance per Share



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

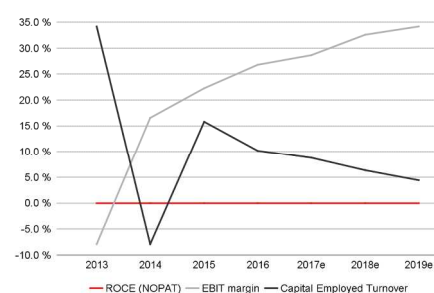
Consolidated balance sheet

In EUR m	2013	2014	2015	2016	2017e	2018e	2019e
Assets							
Goodwill and other intangible assets	5	5	54	57	61	64	67
thereof other intangible assets	2	1	25	29	32	35	38
thereof Goodwill	4	4	29	29	29	29	29
Property, plant and equipment	1	1	5	6	6	6	6
Financial assets	1	0	0	1	1	1	1
Other long-term assets	0	0	0	0	0	0	0
Fixed assets	8	6	60	64	67	70	73
Inventories	0	0	1	0	0	0	0
Accounts receivable	9	5	30	9	10	11	13
Liquid assets	17	61	541	389	422	445	472
Other short-term assets	19	22	576	1,072	1,072	1,072	1,072
Current assets	45	89	1,148	1,470	1,505	1,529	1,557
Total Assets	53	95	1,208	1,534	1,572	1,599	1,631
Liabilities and shareholders' equity							
Subscribed capital	12	15	17	17	18	18	18
Capital reserve	16	30	49	50	67	67	67
Retained earnings	7	4	7	9	43	69	100
Other equity components	0	0	0	0	0	0	0
Shareholders' equity	36	50	73	76	128	154	184
Minority interest	0	0	13	15	0	0	0
Total equity	36	50	86	91	128	154	184
Provisions	0	2	22	26	26	26	26
thereof provisions for pensions and similar obligations	0	0	4	8	8	8	8
Financial liabilities (total)	0	0	135	114	114	114	114
thereof short-term financial liabilities	0	0	64	60	60	60	60
Accounts payable	3	2	13	6	7	8	9
Other liabilities	13	42	952	1,297	1,297	1,297	1,297
Liabilities	17	45	1,122	1,443	1,444	1,445	1,446
Total liabilities and shareholders' equity	53	95	1,208	1,534	1,572	1,599	1,631

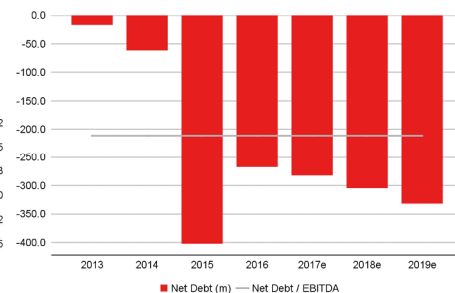
Financial Ratios

	2013	2014	2015	2016	2017e	2018e	2019e
Efficiency of Capital Employment							
Operating Assets Turnover	1.9 x	3.7 x	3.2 x	11.0 x	11.8 x	13.1 x	13.9 x
Capital Employed Turnover	0.7 x	-1.5 x	-0.2 x	-0.5 x	-0.6 x	-0.7 x	-0.8 x
ROA	-14.8 %	-132.1 %	-5.1 %	13.2 %	28.0 %	37.3 %	41.8 %
Return on Capital							
ROCE (NOPAT)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
ROE	-4.5 %	-18.9 %	-5.0 %	11.3 %	18.5 %	18.6 %	18.2 %
Adj. ROE	-4.5 %	-18.9 %	-5.0 %	22.0 %	18.5 %	18.6 %	18.2 %
Balance sheet quality							
Net Cash	17	61	402	267	300	323	350
Net Financial Debt	n.a.	n.a.	n.a.	-4	-43	-66	-93
Net Gearing	-46.5 %	-122.8 %	-468.6 %	-295.0 %	-235.6 %	-210.1 %	-189.8 %
Net Fin. Debt / EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Book Value / Share	2.6	3.3	4.4	4.5	7.3	8.8	10.5
Book value per share ex intangibles	2.2	2.9	1.1	1.1	3.8	5.1	6.7

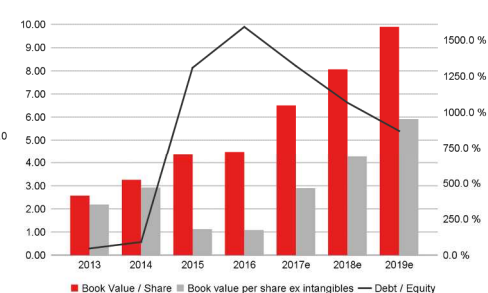
ROCE Development



Net debt in EUR m



Book Value per Share in EUR



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

Consolidated cash flow statement

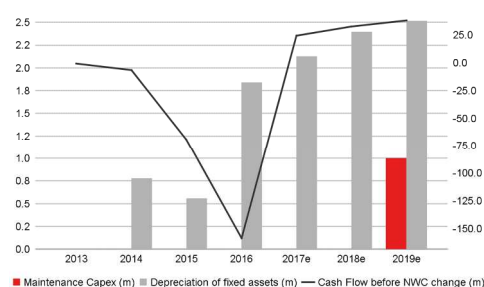
In EUR m	2013	2014	2015	2016	2017e	2018e	2019e
Net income	-1	-8	-3	12	19	26	31
Depreciation of fixed assets	0	1	1	2	2	2	3
Amortisation of goodwill	0	0	0	0	0	0	0
Amortisation of intangible assets	1	0	2	3	3	4	5
Increase/decrease in long-term provisions	0	1	4	3	0	0	0
Other non-cash income and expenses	0	0	-74	-179	0	0	0
Cash Flow before NWC change	-1	-7	-69	-159	24	32	38
Increase / decrease in inventory	0	2	-1	1	0	0	0
Increase / decrease in accounts receivable	2	0	0	21	-1	-2	-1
Increase / decrease in accounts payable	0	28	12	-8	1	1	1
Increase / decrease in other working capital positions	0	0	0	0	0	0	0
Increase / decrease in working capital (total)	2	29	11	15	0	-1	0
Net cash provided by operating activities [1]	1	23	-59	-144	24	32	38
Investments in intangible assets	1	0	0	-6	-7	-7	-8
Investments in property, plant and equipment	0	0	0	-2	-2	-3	-3
Payments for acquisitions	0	0	0	0	0	0	0
Financial investments	0	0	44	0	0	0	0
Income from asset disposals	1	0	0	0	0	0	0
Net cash provided by investing activities [2]	1	0	-47	-9	-9	-10	-11
Change in financial liabilities	0	0	7	-3	0	0	0
Dividends paid	0	0	0	0	0	0	0
Purchase of own shares	9	0	0	0	0	0	0
Capital measures	0	22	20	0	18	0	0
Other	0	0	-1	4	0	0	0
Net cash provided by financing activities [3]	9	22	26	1	18	0	0
Change in liquid funds [1]+[2]+[3]	12	44	-80	-152	33	22	27
Effects of exchange-rate changes on cash	2	0	0	0	0	0	0
Cash and cash equivalent at end of period	22	61	541	389	422	445	472

Financial Ratios

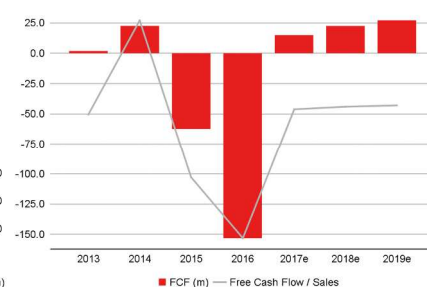
	2013	2014	2015	2016	2017e	2018e	2019e
Cash Flow							
FCF	2	23	-62	-153	15	22	27
Free Cash Flow / Sales	7.0 %	133.4 %	-78.3 %	-160.0 %	14.1 %	17.8 %	19.4 %
Free Cash Flow Potential	0	-7	3	19	27	35	40
Free Cash Flow / Net Profit	-87.6 %	-281.4 %	1900.7 %	-1805.5 %	79.8 %	85.9 %	88.3 %
Interest Received / Avg. Cash	0.4 %	-0.3 %	0.0 %	0.1 %	0.0 %	0.0 %	0.0 %
Interest Paid / Avg. Debt	8.4 %	n.a.	4.0 %	1.3 %	2.3 %	2.3 %	2.3 %
Management of Funds							
Investment ratio	3.1 %	0.0 %	0.0 %	8.4 %	8.3 %	7.5 %	7.6 %
Maint. Capex / Sales	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.7 %
Capex / Dep	57.6 %	0.0 %	0.0 %	155.4 %	162.2 %	150.6 %	143.1 %
Avg. Working Capital / Sales	27.9 %	28.8 %	14.2 %	10.9 %	3.0 %	2.9 %	3.0 %
Trade Debtors / Trade Creditors	304.5 %	324.0 %	224.6 %	146.1 %	147.7 %	146.2 %	146.5 %
Inventory Turnover	n.a.	n.a.	12.5 x	76.3 x	79.6 x	86.9 x	93.8 x
Receivables collection period (days)	237	112	146	33	33	33	33
Payables payment period (days)	n.a.	1,190	359	84	89	98	100
Cash conversion cycle (Days)	n.a.	n.a.	-318	-78	-84	-94	-96

CAPEX and Cash Flow

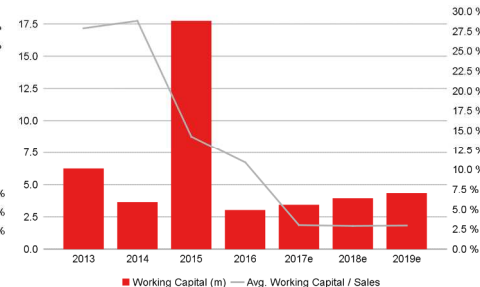
in EUR m



Free Cash Flow Generation



Working Capital



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

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“-“	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	108	53
Hold	89	44
Sell	7	3
Rating suspended	0	0
Total	204	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	33	79
Hold	8	19
Sell	1	2
Rating suspended	0	0
Total	42	100

PRICE AND RATING HISTORY FINTECH GROUP AS OF 20.12.2017



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EQUITIES

Roland Rapelius +49 40 3282-2673
Head of Equities rrapelius@mmwarburg.com

RESEARCH

Michael Heider +49 40 309537-280
Head of Research mheider@warburg-research.com

Henner Rüschemeyer +49 40 309537-270
Head of Research hrueschmeier@warburg-research.com

Lucas Boventer +49 40 309537-290
Renewables, Internet, Media lboventer@warburg-research.com

Christian Cohrs +49 40 309537-175
Engineering, Logistics ccohrs@warburg-research.com

Felix Ellmann +49 40 309537-120
Software, IT fellmann@warburg-research.com

Jörg Philipp Frey +49 40 309537-258
Retail, Consumer Goods jfrey@warburg-research.com

Marie-Thérèse Grübner +49 40 309537-240
Small Cap Research mgruebner@warburg-research.com

Ulrich Huwald +49 40 309537-255
Health Care, Pharma uhuwald@warburg-research.com

Thilo Kleibauer +49 40 309537-257
Retail, Consumer Goods tkleibauer@warburg-research.com

Eggert Kuls +49 40 309537-256
Engineering ekuls@warburg-research.com

Andreas Pläsier +49 40 309537-246
Banks, Financial Services aplaesier@warburg-research.com

Jochen Reichert +49 40 309537-130
Telco, Internet, Media jreichert@warburg-research.com

J. Moritz Rieser +49 40 309537-260
Real Estate mrieser@warburg-research.com

Arash Roshan Zamir +49 40 309537-155
Cap. Goods, Renewables aroshanzamir@warburg-research.com

Malte Schaumann +49 40 309537-170
Technology mschaumann@warburg-research.com

Patrick Schmidt +49 40 309537-125
Small Cap Research pschmidt@warburg-research.com

Oliver Schwarz +49 40 309537-250
Chemicals, Agriculture oschwarz@warburg-research.com

Marc-René Tonn +49 40 309537-259
Automobiles, Car Suppliers mtonn@warburg-research.com

Björn Voss +49 40 309537-254
Steel, Car Suppliers bvoss@warburg-research.com

Alexander Wahl +49 40 309537-230
Car Suppliers, Construction awahl@warburg-research.com

Andreas Wolf +49 40 309537-140
Software, IT awolf@warburg-research.com

INSTITUTIONAL EQUITY SALES

Holger Nass +49 40 3282-2669
Head of Equity Sales, USA hnass@mmwarburg.com

Klaus Schilling +49 40 3282-2664
Dep. Head of Equity Sales, GER kschilling@mmwarburg.com

Tim Beckmann +49 40 3282-2665
United Kingdom tbeckmann@mmwarburg.com

Lyubka Bogdanova +49 69 5050-7411
United Kingdom, Australia lbogdanova@mmwarburg.com

Jens Buchmüller +49 69 5050-7415
Scandinavia, Austria jbuchmueller@mmwarburg.com

Paul Döntenwill +49 40 3282-2666
USA, Poland, The Netherlands pdontenwill@mmwarburg.com

Matthias Fritsch +49 40 3282-2696
United Kingdom mfritsch@mmwarburg.com

Michael Kriszun +49 40 3282-2695
United Kingdom mkriszun@mmwarburg.com

Marc Niemann +49 40 3282-2660
Germany mniemann@mmwarburg.com

Sanjay Oberoi +49 69 5050-7410
United Kingdom soberoi@mmwarburg.com

Simon Pallhuber +49 69 5050-7414
Switzerland, France spallhuber@mmwarburg.com

Angelika Flegler +49 69 5050-7417
Roadshow/Marketing aflegler@mmwarburg.com

Juliane Willenbruch +49 40 3282-2694
Roadshow/Marketing jwillenbruch@mmwarburg.com

SALES TRADING

Oliver Merkel +49 40 3282-2634
Head of Sales Trading omerckel@mmwarburg.com

Elyaz Dust +49 40 3282-2702
Sales Trading edust@mmwarburg.com

Michael Ilgenstein +49 40 3282-2700
Sales Trading milgenstein@mmwarburg.com

Bastian Quast +49 40 3282-2701
Sales Trading bquast@mmwarburg.com

Jörg Treptow +49 40 3282-2658
Sales Trading jtreptow@mmwarburg.com

Jan Walter +49 40 3282-2662
Sales Trading jwalter@mmwarburg.com

MACRO RESEARCH

Carsten Klude +49 40 3282-2572
Macro Research cklude@mmwarburg.com

Dr. Christian Jasperneite +49 40 3282-2439
Investment Strategy cjasperneite@mmwarburg.com

Our research can be found under:

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For access please contact:

Andrea Schaper +49 40 3282-2632
Sales Assistance aschaper@mmwarburg.com

Kerstin Muthig +49 40 3282-2703
Sales Assistance kmuthig@mmwarburg.com