

## Deutsche Effecten- und Wechsel- Beteiligungsgesellschaft AG

Germany / Financials  
Frankfurt  
Bloomberg: EFF GR  
ISIN: DE0008041005

Portfolio  
expansion

**RATING**  
**BUY**

**PRICE TARGET**  
**€ 2.90**

Return Potential 54.3%  
Risk Rating High

### TWO DECEMBER INVESTMENTS EXPAND THE PORTFOLIO TO SEVEN FINTECHS

In the first half of December 2021, DEWB successfully completed the last two holding investments planned for this year. I) DEWB took a position in the Frankfurt-based securities tokenisation fintech startup Cashlink Technologies GmbH. Cashlink has developed a technology platform that enables the legally compliant issuance and management of digital tokenised securities for institutional clients as an all-in-one solution. The new German bill “Gesetz für elektronische Wertpapiere - eWpG” effective 1 June 2021, regulates and enables the trading of digital and blockchain securities. This legislation represents a key catalyst because it brings the assurance of a regulatory framework for players willing to participate in the emerging capital market 2.0. Cashlink is now one of the first fintechs to have obtained a permit according to the new legislation to operate with tokenised securities in Germany. II) DEWB invested an undisclosed amount in the German listed social trading neo-broker Naga Group at an attractive price of ~€5.40 p/s (current price: €7.10 p/s) in connection with a capital increase of €22.7m and a secondary transaction. The well-known investors Christian Angermayer and Peter Thiel both participated in the transactions. Naga has >1m users, a market cap of ~€300m, has guided to a doubling of sales in 2021 and 2022, and plans to conduct an IPO on the US NASDAQ during 2022. Overall, DEWB has built up an attractive portfolio comprised of seven fintechs with excellent prospects. In November, DEWB’s largest holding, Lloyd Fonds AG (LFAG), acquired a ~50% stake (and made an offer for >90%) in the leading German asset management firm BV Holding AG through which it will roughly double its assets under management to ~€5.0bn. This transaction will position LFAG among the top 5 asset managers in Germany. LFAG also secured a ~17.75% stake (with the option to increase it to 100%) in the fast-growing robo-advisory startup growney GmbH. LFAG has delivered a superb financial performance, and its stock price has nearly doubled since the beginning of the year, increasing DEWB’s NAV substantially. Our updated NAV-based valuation model for DEWB leads to a higher price target of €2.90 (previously €2.50). We believe DEWB’s stock is significantly undervalued. We reiterate our Buy rating.

#### FINANCIAL HISTORY & PROJECTIONS

	2018	2019	2020	2021E	2022E	2023E
Other income (€m)	11.70	3.28	4.97	9.40	2.12	4.78
Y-o-y growth	n.a.	-72.0%	51.7%	89.1%	-77.4%	125.1%
EBIT (€m)	4.41	2.18	3.15	7.97	0.95	3.50
EBT (€m)	-1.53	0.29	2.43	7.40	0.33	2.81
Net income (€m)	-1.53	0.29	2.43	7.40	0.33	2.82
EPS (diluted) (€)	-0.09	0.02	0.15	0.44	0.02	0.17
NAV (€ m)	11.02	11.31	13.74	21.14	21.47	24.29
Financial Assets (€m)	23.44	26.21	25.62	31.60	36.22	41.57
Net gearing	126.4%	148.0%	95.5%	59.6%	72.5%	74.5%
Liquid assets (€m)	2.19	1.61	0.45	1.00	0.93	0.50

#### RISKS

Risks include, but are not limited to, portfolio risk (particularly its largest holding Lloyd Fonds), portfolio liquidity (exit possibilities) and lack of transparency in the private holdings.

#### COMPANY PROFILE

DEWB is a boutique private equity firm. It focuses on investing in young and high growth Fintech companies within the asset management sector, including technology companies with business models that are key to digitalising this industry. The company is based in Jena and has a regional focus on German-speaking countries.

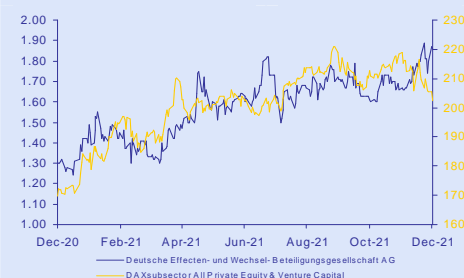
#### MARKET DATA

As of 15 Dec 2021

Closing Price	€ 1.88
Shares outstanding	16.75m
Market Capitalisation	€ 31.49m
52-week Range	€ 1.24 / 1.89
Avg. Volume (12 Months)	17,903

Multiples	2020	2021E	2022E
P/E	12.4	4.1	92.4
P/Book Value	2.2	1.4	1.4
EV/EBIT	13.4	5.3	44.5
Div. Yield	n.a.	n.a.	n.a.

#### STOCK OVERVIEW



#### COMPANY DATA

As of 30 Jun 2021

Liquid Assets	€ 4.55m
Current Assets	€ 10.12m
Intangible Assets	€ 25.70m
Total Assets	€ 35.90m
Current Liabilities	€ 2.56m
Shareholders' Equity	€ 21.90m

#### SHAREHOLDERS

SPSW Capital	14.5%
ABAG Aktienmarkt Beteiligungs AG	13.4%
Management	1.0%
Freefloat	71.1%

# 1) DEWB'S INVESTMENT IN CASHLINK

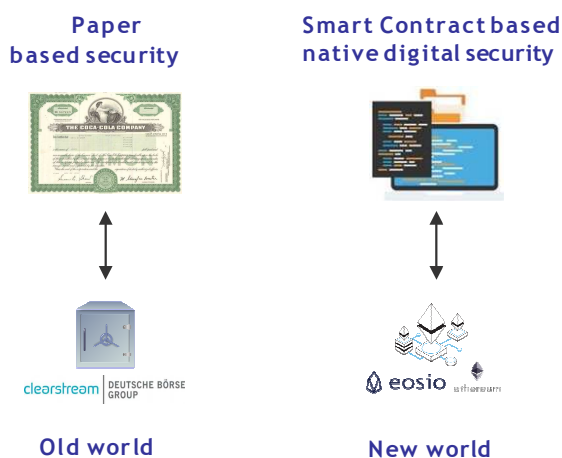
## OVERVIEW OF THE FINTECH COMPANY

**DEWB took an undisclosed position in Cashlink Technologies GmbH** On 9 December 2021, DEWB announced the investment of an undisclosed amount in the young German company Cashlink Technologies GmbH. Based on Cashlink's transaction profile, we estimate DEWB invested an amount below one million euro for a stake <5%.

**Profile – Leading provider of tokenisation services for digital securities in the financial industry** Founded in 2016 by Michael Duttlinger, Lars Olsson, Jonas Haag and Niklas Baumstark, Cashlink is a leading German fintech company aiming to accelerate the digitalisation of capital markets. The company has developed a tokenisation-as-a-service technology platform that enables the legally compliant issuance and management of digital securities for institutional clients such as banks and investment platforms (e.g. crowdfunding) as an all-in-one solution. The company's technological and regulatory compliant solutions are easy to set up, and the basic securitisation products can be implemented within 4 – 6 weeks. The term “security” refers to any fungible (i.e. ability of a good or asset to be interchanged with other goods or assets of the same type), negotiable financial instrument that holds monetary value, such as bonds, stocks, derivatives, etc. Well-known European investment companies such as FinLab AG and the seed + speed VC of the Maschmeyer Group are shareholders of the fintech.

**Securities tokenisation** Tokenisation is the conversion of an asset into a digital token on a blockchain system. Blockchain is emerging as a game-changing technology in several industries, including the financial sector. Blockchain's innovation guarantees the fidelity and security of a decentralised record of transactions (e.g. cryptocurrency systems such as Bitcoin) without the need for a trusted third party. Moreover, Blockchains such as Ethereum or Stellar allow for the introduction of automatic business logic in certain processes, so-called smart contracts, which can reduce the need for manual settlements. Smart contracts can thus function as automatic transactions, formulas for calculating asset prices, and other specific transactions, especially those that facilitate new ways of generating and trading securities.

**Figure 1: Transition from traditional to tokenised securitisation**



Source: DEWB, Cashlink

**Advantages of securities tokenisation** The classic securitisation process is complex, largely paper-based, and requires agreements between parties which depend upon the participation of intermediaries. These characteristics make the process mostly manual, and



it is therefore costly and time-consuming to complete the corresponding agreements and transactions. Cashlink's blockchain software solution should help financial institutions digitise the securities issuing process and tokenise the proof of ownership. Tokenisation has clear advantages versus the classic securities transaction, as it can be done around the clock and makes the securitisation process cheaper, faster and more transparent (see figure 2).

**Figure 2: Advantages of securities tokenisation**

**Up to 65% Reduced Costs**

By representing securities on a blockchain, many expensive intermediate parties become redundant. This eliminates the need for costly intermediaries, and the costs of each step are much lower compared with traditional securities transactions

**Faster Settlement**

The blockchain technology digitises existing, often still paper-based processes. The speed of transactions increases considerably through the use of digital securities

**24/7 Transferability**

The digitisation of securities drastically simplifies the transfer of assets. Assets that were previously illiquid can now be easily transferred 24/7 worldwide

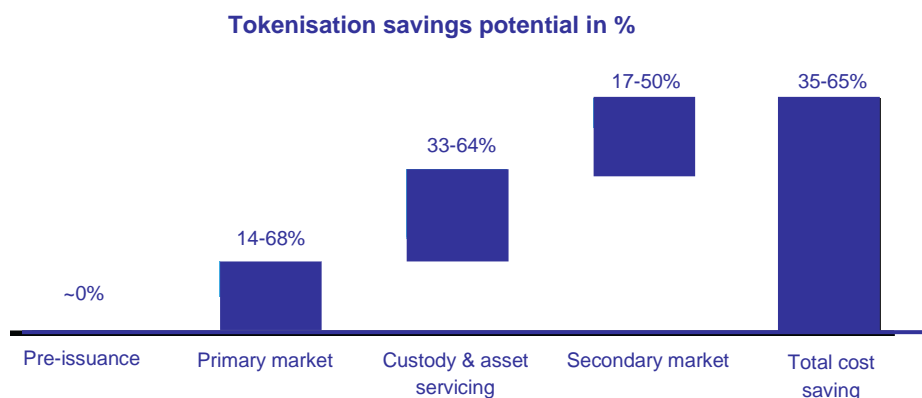
**100% Transparency**

Transactions are stored unchangeably and transparently on the blockchain. They are therefore securely traceable at all times. This increases trust between market participants

Source: DEWB, Cashlink

**Up to 65% cost reduction through tokenisation** Compared to a traditional security, tokenised financial instruments reduce costs and open up new markets, giving issuing companies, banks and investment platforms a sustainable competitive advantage. Cashlink and its fintech partner Finoa (specialist in tokenised securities custody) conducted a study that investigated the cost advantage of executed security tokenisations against the traditional securitisation, across different types of underlying assets (e.g. equity, bonds, real estate) in the DACH region. The company identified cost savings between 35-65% throughout the whole value chain, which involves pre-issuing, primary market, custody & asset servicing as well as the secondary market (see figure 3 below).

**Figure 3: Cost advantage of securities tokenisation**

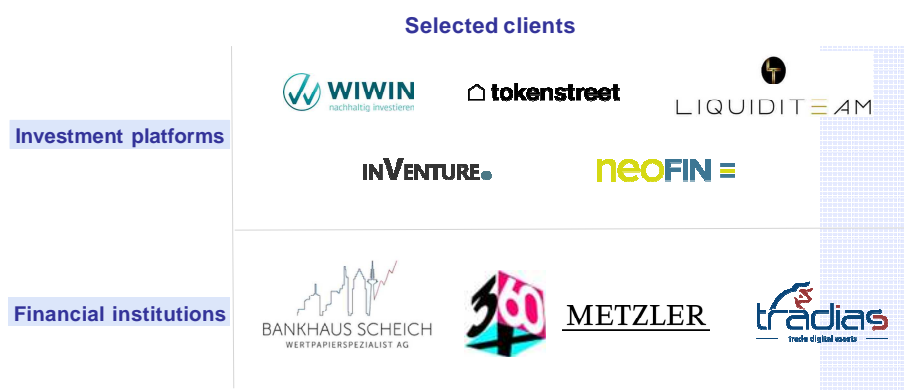


Source: Cashlink

According to the study, for example, the tokenisation of a bond with an issuance volume of €50m, maturity of 7 years, and 3,000 investors would save more than €750k or 42.6% of the total costs throughout the lifetime of the issuance compared to traditional processes.

**Promising portfolio of early-adopter clients** Based on the pilot client portfolio, there is a clear client interest in security tokenisation. Reputable innovative private banks such as the Frankfurt-based securities specialist Bankhaus Scheich or Bankhaus Metzler and investment platforms such as Wiwin or Tokenstreet are already successfully using the Cashlink SaaS solution today (see figure 4 below). Cashlink is among the pioneers in this field, and in our view, these clients validate Cashlink's technology platform. In February 2020, together with its client Bankhaus Scheich and Finoa, Cashlink was the first company to replicate the share of a German DAX company (Deutsche Telekom) as a tokenised security (similar to an equity-linked note) on a blockchain. This security was successfully issued to selected market participants in connection with a private placement.

**Figure 4: Overview of selected Cashlink's clients**



Source: Cashlink

**Partner network** In addition, Cashlink is an official partner of Deutsche Börse Venture Network and cooperates with experienced and specialised partners such as the global law firm Ashurst and Finoa, the leading fintech startup offering BaFin-licensed secure custody services.

**New German security bill, effective 1 June 2021, is expected to drive the capital market 2.0** Approved in May by the German parliament and effective since June 2021, the new bill "Gesetz für elektronische Wertpapiere - eWpG" regulates and enables the trading of digital and crypto securities. The bill is intended to support the digitalisation of Germany's financial marketplace, promoting more transparency, market integrity and better investor protection. The introduction of digital tokens has the potential to streamline the traditional security markets, leading to a faster and more cost-efficient capital market. This legislation represents a key milestone because it brings the assurance of a regulatory framework for the market participants willing to invest in the emerging capital market 2.0. According to a PwC survey from 2018, the largest hurdle hindering blockchain technology adoption globally has been regulatory uncertainty. We thus see blockchain at a tipping point in Germany. Within the next two to five years, we expect the adoption of blockchain to gain a substantial share in the capital markets, replacing traditional market infrastructure.

**Takeaways from the eWpG** Financial instruments (i.e. securities) issued in the form of digital tokens are subject to similar regulations as traditional financial instruments. The financial institutions willing to operate in the generation, trading and custody of crypto securities require a license which is issued by the German Federal Financial Supervisory Authority (BaFin). The issuance of crypto securities requires the preparation of a prospectus, and once issued, they must be registered in a central crypto securities register. This register must be maintained by a financial institution or fintech company licensed by the BaFin as a crypto securities registrar.



**Cashlink successfully obtained a provisional permit to operate a crypto securities register from BaFin**

On 13 August 2021, the company filed a notice of intent to maintain a crypto securities register with the BaFin, obtaining the corresponding provisional BaFin permit on 17 November. This makes the company one of the first fintechs to obtain a permit to operate a crypto securities register in Germany. By the beginning of 2022, Cashlink intends to submit a full application to BaFin for the license to operate a crypto securities register. The provisional permit is valid until the company obtains the final license. As a result, Cashlink is now well capable of providing its clients with all the technical infrastructure and required permissions to access the blockchain-based capital market 2.0.

**GLOBAL SECURITY TOKEN MARKET**

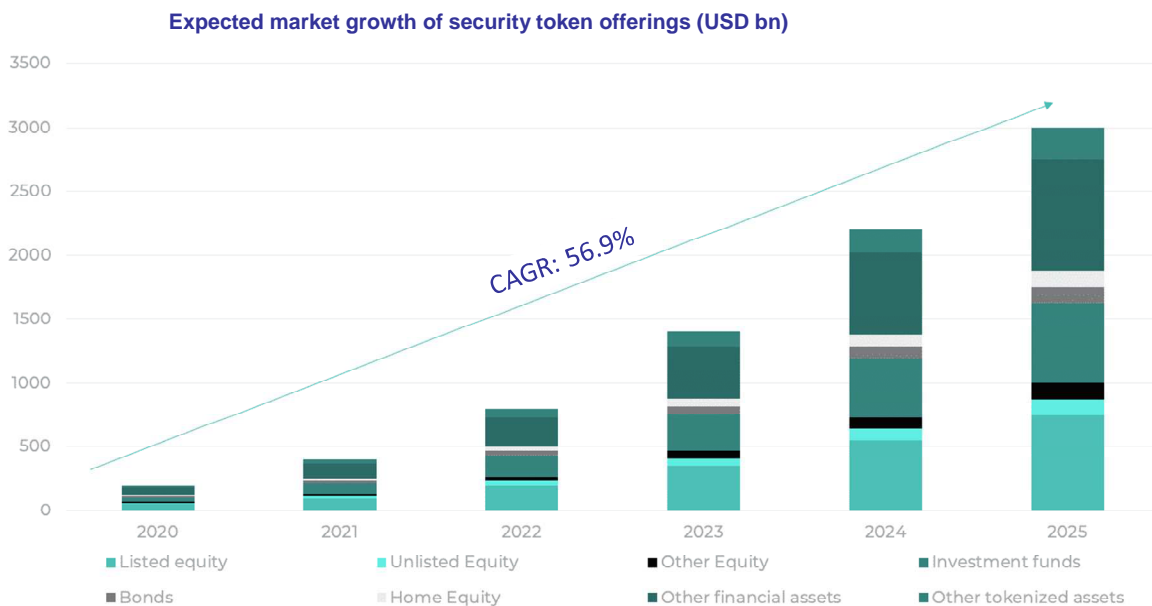
**The World Economic Forum predicted a crypto assets market of USD 10 trillion by 2027...**

In 2017, the World Economic Forum (WEF) projected that over the next ten years, 10% of the world's GDP would be stored in crypto assets. Based on an estimated GDP of ~USD100 trillion by 2027, crypto assets would amount to ~USD10 trillion. This dynamic is primarily due to increased fractional ownership, wider accessibility to the securities market and unlocking of liquidity premiums. Tokenisation can allow for increased fractional ownership since most tokens can be broken into 18 decimals. Traditional fiat-currency securities can be typically broken down to USD0.01 only. As a result, tokenisation has the potential to lower the barrier of entry to investing for a large portion of the world's population by paring down the required minimum investment amounts. Blockchain can also give investors access to assets that traditionally would require a high capital investment (e.g. real estate, private securities, art), expanding the universe of available investment options.

**...and the crypto-securities market could reach USD 3 trillion by 2025**

The blockchain investment platform area2invest compared five independent studies on the crypto securities market (Valuates Report, Data Bridge Report, The Insight Partners, Markets&Markets and HSBC) and took the average of the different forecasts. According to their approach, the security token market will grow at a CAGR of 56.9% from 2020 to 2025, amounting to USD 3,000bn by 2025.

**Figure 5: Overview of the security token market growth**



Source: area2invest



## COMPETITIVE ENVIRONMENT

We identified four main fintech peers of Cashlink operating in Germany and neighbouring countries that aim to capture market share in the emerging European security tokenisation market. At present, we believe Bitbond and Cashlink are the two strongest players in the German market. Tokeny Solutions (Luxembourg), Taurus (Switzerland) and Tokensoft (US and certain small European countries) are pioneers in their home countries. However, once business internationalisation of these players takes place, they will make their presence felt at the European level. We give an overview of the peer group below.

Founded in 2013, the Berlin-based startup **Bitbond** is a leading SaaS provider of infrastructure for bank-grade tokenisation and digital assets. The company's technology allows for issuance, settlement and custody of financial assets with the help of blockchain technology and tokenisation. After issuing the first European security token offering with approval from German financial regulator BaFin in 2019, Bitbond rolled out its asset tokenisation technology and expertise to banks, financial intermediaries and large issuers. The company's client list includes big German banks such as Deutsche Bank, Unicredit, DZ Bank and ABN AMRO. According to Crunchbase, Bitbond has raised a total of USD13.2m in funding over seven rounds.

Founded in 2017, the Luxembourg-based startup **Tokeny Solutions** offers an institutional-grade, modular end-to-end technology platform based on blockchain. The platform allows for the issuance, transfer and management of tradable digital assets/security tokens, such as tokenised loans, structured notes, equity and funds. The company has developed several products, including 1) T-REX for the digital issue, management and transfer of security tokens, and 2) a White-Label Digital Asset Marketplace. Tokeny Solutions is backed by the leading pan-European exchange Euronext. In July 2019, Euronext participated in Tokeny's €5m capital increase in exchange for a 23.5% stake and strong governance representation.

Founded in 2018, the Swiss-based startup **Taurus** has developed an end-to-end blockchain-based technology platform that enables companies to tokenise their shares in a regulatory-compliant manner. The company has also created a secondary market platform called Taurus Digital Exchange, where it is offering tokenised securities. Taurus claims to have 20+ clients, including leading local financial institutions Credit Suisse, the Arab Bank Switzerland, FlowBank, the Hypothekbank Lenzburg and Seba Bank. So far, the company has raised USD10.9m (source: Crunchbase).

Founded in 2017, the US-based startup **Tokensoft** provides the blockchain-based technology platform required to create digital assets, digital securities, stablecoins, and wrapped tokens. In 2018, the company acquired a stake with an option to buy up to 100% in a broker-dealer company registered with the Securities and Exchange Commission (SEC). Through the acquisition, it intends to expand its range of services to custody solutions, referrals to exchanges, and private placements, among others. For example, it provides a crypto asset storage service for high net-worth investors or institutions with over USD10m in deposits. The company has operations in San Francisco, New York and the European countries Andorra, Gibraltar, Guernsey, Iceland, the Isle of Man and Lithuania. Tokensoft has so far raised a total of USD4m (source: Crunchbase).

## 2) DEWB'S INVESTMENT IN THE NAGA GROUP

**DEWB added a second neobroker to its portfolio** Following the March 2021 investment in the zero cost, expert-curated, online trading provider Nextmarkets AG, DEWB announced a new portfolio investment in the German social trading neobroker Naga Group AG on 14 December 2021. While Naga and Nextmarkets could be considered competitors, they

pursue different strategies which differentiate them among their target private investors. Naga Group is a leading player from the "first wave" of neobrokers which base their model on social trading whereby clients follow the investment strategies of successful unprofessional participants, so-called street investors. The "second wave" of neobrokers such as Nextmarkets, aims to improve their clients' success rate by providing them free access to experts such as professional asset managers, analysts and traders. They act as 'trading coaches', to educate and guide their clients on basic principles of investing. According to market statistics, about 70-80% of private investors are losing money, which suggests that there is space for improvement in strategies for achieving investment success.

**Investment in the listed Neobroker Naga Group at ~€5.40 p/s (current price: €7.10 p/s) by well-known investors** DEWB's investment in the Naga Group AG (Naga) was made indirectly via an investment vehicle of Christian Angermayer's Apeiron Investment Group Ltd in partnership with Peter Thiel's Founders Fund. In addition to Apeiron, Igor Lychagov, founder of Exness, one of the world's largest brokerage firms with a monthly trading volume of USD one trillion, also participated. DEWB's investment of an undisclosed amount in the listed fintech Naga took place at a very attractive price of ~€5.40 p/s (current price: €7.10 p/s) as part of a capital increase of €22.7m conducted in September 2021 and a secondary transaction whereby Apeiron acquired an additional block of shares from existing shareholders (including the financial investor FOSUN). Apeiron's investment may have boosted its stake in Naga to ~22.7%. On 22 November, Naga raised an additional €34m at €8.00 p/s with a leading European financial investor and other institutional investors. The generated funds will be used to accelerate Naga's growth worldwide. Based on the transaction profile, we estimate DEWB invested a low single-digit euro million amount for a stake of <1%.

## OVERVIEW OF NAGA GROUP

**Profile – leading listed social trading neobroker based in Hamburg** Founded in 2015 and listed at the German Stock Exchange in July 2017, Naga is a German fintech company offering a user-friendly trading platform (Naga Trader) connected with a social network, crypto infrastructure (Naga Crypto) and payment applications (Naga Pay). Alongside this, Naga recently launched a financial services product to companies that can access Naga's technology platform as part of a software-as-a-service (SaaS) model. Going forward, this offering should add further growth. Naga has a highly skilled Management Board comprising the tech entrepreneur Ben Bilsky (Co-founder & CEO), Michael Milonas (15 years of corporate law experience) and Andreas Luecke (25 years of experience in M&A, structuring of investments, legal).

Figure 6: Overview of Naga's App



Source: Naga Group

**Naga Trader autocopy feature is key for the product's success** Naga Trader is Naga's main and best-selling product. Users can trade five different asset classes (e.g. Forex, Indices, Stocks, ETFs and CFDs) choosing among >1,000 assets. The Naga platform allows the community to interact, comment on news and share expertise. Notably, less experienced traders can follow and copy either single trades or the investment strategy of the most experienced investors in real-time through the autocopy function. The experienced traders that have shared their investment strategies and been copied are rewarded with a compensation bonus.

**Figure 7: Social Trading via autocopy**

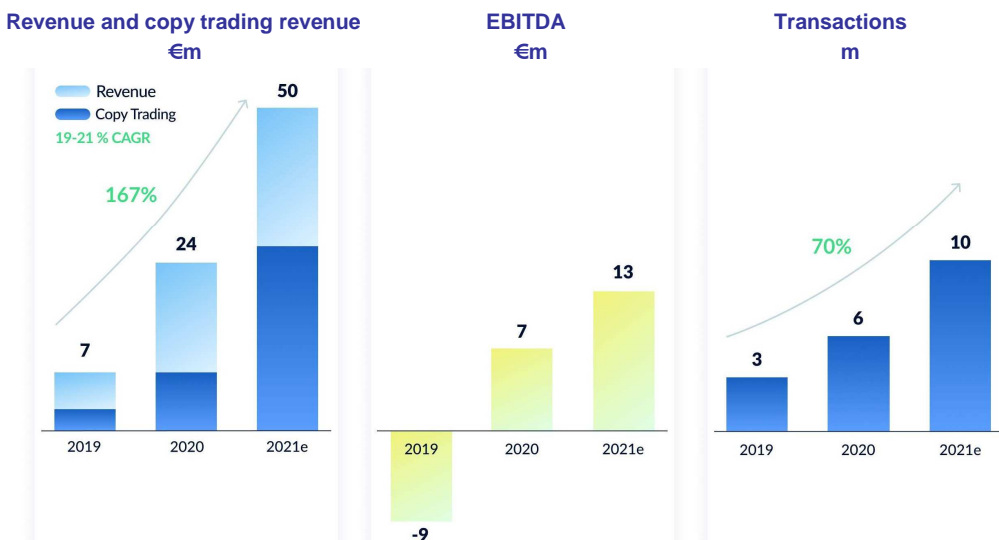


Source: Naga Group

**In 2021e sales will roughly double to ~€50m and EBITDA will almost double to €13m**

Following restructuring and realignment measures to focus on the profitable trading business implemented in 2019, Naga management reversed the growing losses. The company increased sales from €7m in 2019 to €24m in 2020 and is guiding to sales of €50m in 2021e (+108% YoY). EBITDA has also improved from €-9m in 2019 to €7m in 2020 and the company is projecting 2021e EBITDA of €13m (+85% YoY).

**Figure 8: Financial performance 2019-2021e**



Source: Naga Group





**Guidance for 2022e foresees sales and EBITDA roughly doubling and an IPO in the US** For 2022e, the company revenue guidance is in the range of €95m to €105m and EBITDA guidance is €25m to €30m, corresponding to an approximate doubling of the planned financial figures for 2021e. The strong financial performance is paving the way for a US stock market listing. The company is planning an IPO on the US NASDAQ exchange for 2022e.

**>1m users and a market cap valuation of ~€300m** Naga has positioned itself as one of the fastest-growing neobrokers in Germany, combining a social network with a world-wide trading platform. The company is currently active in more than 100 countries. Considering that Naga is one of the few profitable neobrokers, the two recent capital increases totalling €56.7m (USD 64.4m) provide the company with a solid base for its international expansion. However, with more than 1m registered users and a market cap of ~€300m, the company is still small compared to its two larger peers Robinhood (US; 22.5m users; valuation of USD33bn) and eToro (Israel, 20m users; valuation of USD10bn), which have recently conducted their US IPOs (eToro's IPO is in process and not completed yet). The privately-held German peer Trade Republic, which has >1m users, is valued at ~USD 5bn. We give a more detailed overview of Naga's peers in the chapter on the neobroker competitive environment.

## COMPETITIVE ENVIRONMENT

**Strong appetite for app trading by young private investors** The recent trend of retail stock market trading via apps reflects the growing interest of private investors. Like social media apps, stock trading apps address a young target group between 25- and 35-years of age who, in addition to stock trading, also seek a new kind of user experience. Typically, users do their own research outside of the app, using articles, forums and social media, or follow recommendations of successful investors (e.g. social trading). The low-interest-rate government policies and COVID-19 pandemic have accelerated the growth dynamic of private investment in this field.

### Robinhood and eToro, both with a strong US presence, are the global market leaders

- The US social trading neobroker **Robinhood**, founded in 2013, launched its app in 2015 and became one of the pioneers in democratising stock market trading by offering commission-free trades to small private investors. In 2020, the company achieved revenues of USD959m (+245% YoY) on a base of ~22.5m users. Robinhood has raised funds of ~USD7.6bn thus far. In July 2021, Robinhood raised close to USD2bn during its IPO, which valued the company at USD32bn.
- The social trading neobroker **eToro**, initially founded in 2007 as RetailFX in Israel, launched its app in 2010 and presently operates in 140 countries, including the US and Germany. The company has raised funds of ~USD272m in 12 private rounds, and it is in the process of launching its US listing through a merger with a special purpose acquisition company (SPAC). The transaction values eToro at ~USD10bn. The SPAC transaction will raise USD250m and a private investment in public equity (PIPE) will bring in an additional USD650m in commitments from leading investors, including ION Investment Group, Softbank, Third Point, Fidelity LLC, and Wellington. eToro claims to have ~20m users.

**Four leading social trading European players aim to capture share in the European region** The European trading market is still young. The level of competition is gaining traction and will likely intensify in the coming years. According to market players' statistics, ~85% of European household assets are in bank accounts with either zero or negative interest rates, suggesting substantial investment potential in capital markets. The leading relevant European players are the social trading platforms Naga Group, Trade Republic,



Bux, and Trading212. We provide some relevant information on Naga's main European peers:

- The German player **Trade Republic** was founded in 2015 and has raised funds of USD 995.5m. It launched its app in 2019. The company may currently have more than 1m users. Trade Republic recently raised USD 900m, giving a valuation of USD 5bn.
- The Netherlands-based **Bux**, founded in 2013, is active in 11 European countries, including Germany. The company has ~500k customers and has raised ~USD115.8m so far. During the latest financing round in April 2021, Bux raised USD80m from investors including Tencent ABN Amro Ventures, Citius, Optiver and Endeit Capital.
- The UK-based **Trading212**, founded in 2004, claims to be the market leader in its home country, and reported about 1.5m users.

**The highly profitable, mature CFD pure-players are worth watching** Considering that CFD trading is a basic component of NAGA's technology platform, we believe it is good to keep an eye on CFD players. The CFD industry has long been dominated by publicly-listed firms in the UK, including IG Group Holdings Plc, CMC Markets Plc and Plus500 Ltd. These companies are highly profitable, having achieved operating margins in the range of 30-70% in recent years.

## PROGRESS MADE BY THE OTHER CORE HOLDINGS

### LLOYD FONDS AG – 22.3% STAKE

DEWB's asset management holding Lloyd Fonds AG (LFAG) has recently completed two relevant acquisitions:

#### I) BV Holding AG – ~50% stake achieved, offer made targeting an increase to >90%

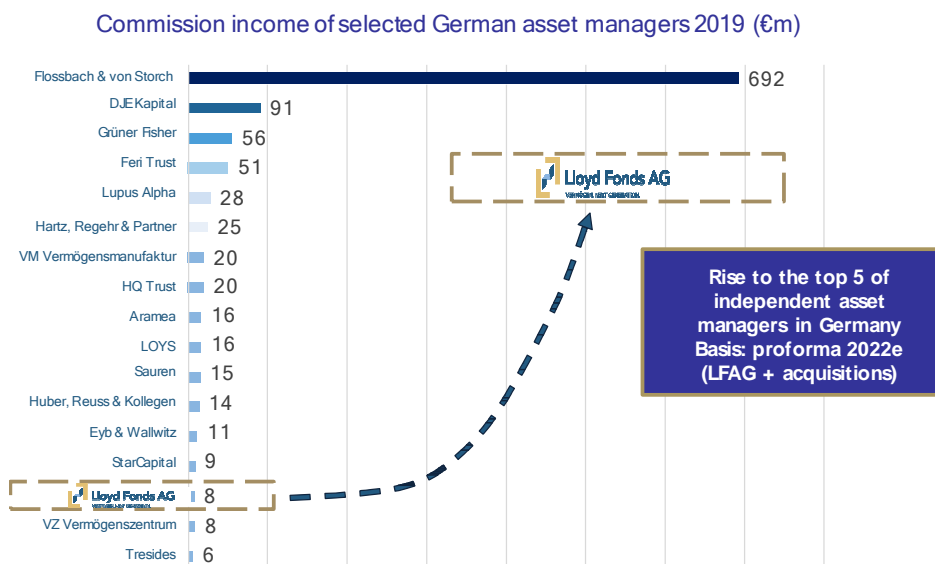
**The transaction** On 18 November 2021, LFAG announced the completion of agreements for the acquisition of BV Holding AG whereby LFAG secured an ownership stake of almost 50% for a mix of cash and 418k LFAG shares. In addition, LFAG made a cash offer to all other shareholders for the acquisition of their shares at EUR 63.50 p/s in order to increase the stake beyond 90%. The completion of the takeover deal is subject to the positive conclusion of the owner control procedure that has been initiated with BaFin. If the BaFin outcome is favourable, an initial consolidation of the BV Group with LFAG is envisaged to take place after 1 January 2022.

**Leading asset management firm in Southern Germany with AuM of ~€2.5bn** Operating since 1998, BV Holding AG (BV Group) is a leading asset management holding company based in southern Germany with AuM of ~€2.5bn. It is sole owner of BV Bayerische Vermögen GmbH, MFI Asset Management GmbH and m+c Asset Allocation GmbH. The Group has more than 60 employees in four locations: its main location in Munich, as well as Chiemgau, Tegernsee and Main-Spessart. The BV Group and board members Mr Stefan Mayerhofer (CEO) and Mr Alexander Gröbner, have first-class reputations in servicing wealthy private and institutional clients.

**LFAG's AuM will roughly double to ~€5.0bn following the acquisition, positioning it among the TOP5 asset managers in Germany** With the completion of the transaction, the AuM volume in the Lloyd Assets business segment is expected to increase to over €3.0bn, and the AuM volume of LFAG will approach almost €5.0bn by the beginning of 2022. As a result, LFAG would establish itself among the top 5 bank-independent asset managers

in the German market based on commission earned. This transaction is well aligned with LFAG's communicated growth strategy of 2023/25.

**Figure 9: Competitive position of LFAG following the BV Holding acquisition**



Source: LFAG and FinanzResearch: Wirtschaftsinformationen GmbH -Provisionseinnahmen 2019

**LFAG's management team expanded** The Executive Board of LFAG will thus consist of three directors (previously two) after the transaction's closing. Mr Achim Plate, the CEO, will be responsible for corporate strategy, finance and IR/PR as well as the new business segment Lloyd Digital. Mr Michael Schmidt, CIO, will continue to be responsible for the Lloyd Fonds business segment and the sustainability strategy. Mr Stefan Mayerhofer will become a board member of LFAG. He will be responsible for the Lloyd Assets business segment, and together with Alexander Gröbner, will accompany the long-term integration of the BV Group into LFAG.

## II) growney GmbH – ~17.75% stake secured, with an option to increase stake to 100%

**The transaction** On 9 November 2021, LFAG acquired 17.75% of the Berlin-based FinTech startup growney GmbH for a cash contribution of €3.0m (valuation of ~€17m). In addition, the current majority shareholder and founder Gerald Klein and all other shareholders signed an agreement that gives LFAG the option of increasing its stake in growney in several steps to 100%. The execution of the cash capital increase is subject to certain conditions, including the successful conclusion of the owner control procedure by the Supervisory Authority BaFin.

**Fast-growing, widely-awarded robo advisory startup** growney GmbH was founded in 2014 by the current managing director and main shareholder Gerald Klein. The market launch of the platform took place in May 2016. growney is one of the fastest growing digital asset managers in Germany. With AuM >€180m, it has successfully established itself as one of the most important robo advisory providers in its home market (sources: LFAG, Statista). The young company has already received several awards for its digital B2C asset management service from Handelsblatt, WirtschaftsWoche, Finanztip, ntv, Capital, Stern, Focus Money and Euro am Sonntag, among others. Recently, growney was designated the best robo advisor by Stiftung Warentest in the financial test issue 07/2021 with the grade "very good" (1.3). The company has a licence to provide financial services according to §15 of the German Securities Institutions Act (Wertpapierinstitutsgesetz).

Figure 10: growney, a highly awarded B2C robo advisor



Source: LFAG

**Sound distribution channels** The company has distribution partnerships with the largest broker pools in Germany, including Fonds Finanz, KAB Maklerpool and Phönix Maklerverbund. It also has white label cooperative agreement, with Signal Iduna Asset Management from Hamburg. growney intends to consolidate and further expand its strong market position based on partnerships outside the financial sector with companies that have large branch networks and high customer volumes. One example of this is the recently-acquired grocery store chain Edeka as a partner to distribute growney's products at its retail points of sale.

**Attractive product offering** growney's product range comprises ten different investment strategies or portfolios that pursue a common investment concept based on passive exchange traded funds (ETFs). The investment universe encompasses up to 5,000 equities and bonds from 45 countries. Customers can invest digitally from a minimum subscription of EUR 500 or via an ETF savings plan from EUR 25 per month. These products are supported by an agile onboarding process with an engaging user experience.

**LFAG will implement a two-brand strategy in its new Lloyd Digital business segment consisting of LAIC and growney from 2022** The addition of growney GmbH is the basis for the expansion of LFAG's previous LAIC business segment into the Lloyd Digital business segment. As part of a newly implemented two-brand strategy, LAIC and growney complement each other perfectly. The WealthTech LAIC will be further established as a premium provider with individual risk-optimised investment solutions for wealthy private investors and institutional clients. The Berlin-based fintech growney is positioned as a cost leader in the segment of ETF-based model strategies for price-sensitive retail clients. This step will position Lloyd Digital as a full-service robo advisory solution provider.

## LAIC CAPITAL, LFAG'S FINTECH BUSINESS – <5.0% STAKE

**The WealthTech LAIC Vermögensverwaltung GmbH expanded the management team with three seasoned executives** Bernd Jacobs and Christian Sievers joined LAIC's Board as Managing Directors, and they will manage the company together with the previous managing director Dipl.-Kaufmann Hans-Jürgen Röwekamp. Dr. Ilona Wachter was appointed as Senior Director Institutional Sales.

**Bernd Jacobs** brings a total of 35 years of sales, private banking and treasury experience to LAIC. Most recently, Mr Jacobs was Chairman of the Board of Sparkasse Haslach-Zell. Prior to that, he worked for more than 11 years as the sales and trading director of a cooperative bank. At LAIC, he will focus on improving the sales trend and on securing additional partners for the digital investment solution "V:KI SmartInvest" ([www.vki-smartinvest.de](http://www.vki-smartinvest.de)). This platform was developed jointly with DV Plus (cooperation of Volksbank Main Tauber and Finanzhaus Main Tauber) as the first white label partnership of LAIC.



**Christian Sievers** brings more than 11 years of experience in the financial sector to LAIC. He has already been responsible for the development of the WealthTech LAIC. Since April 2020, Mr. Sievers has been an authorised signatory of LAIC and managing director of LAIC Capital GmbH (Holding company of LAIC Vermögenverwaltung GmbH). His financial expertise in this area stems from his many years as an equity analyst and portfolio manager at SPSW Capital GmbH Vermögenverwaltung GmbH.

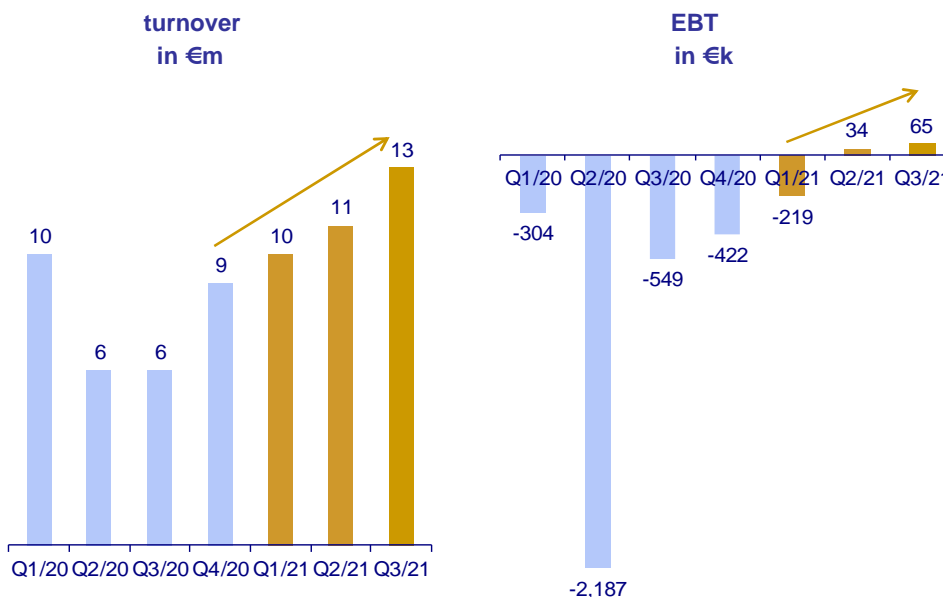
**Dr Ilona Wachter**, Certified Environmental, Social and Governance Analyst (CESGA), has been appointed Senior Director Institutional Sales of LAIC Capital GmbH. From the Frankfurt office of LFAG, she will drive the expansion of LAIC's institutional product range. Dr Wachter, has more than three decades of experience in the institutional sector. Most recently, she was Senior Director of Institutional Funding at hep global GmbH. Prior to that, she held management positions at Danske Bank A/S, Assenagon Asset Management, Spängler IQAM Invest and BNP Paribas Investment Partners.

**AIFINYO AG – 4.7% STAKE**

**The encouraging business dynamic seen in the first two quarters slightly strengthened in Q3/21** DEWB's Fintech Aifinyo, which suffered from negative effects of the Corona pandemic during FY/20, saw a slight acceleration of the business recovery seen in the two previous quarters.

- In Q3/21, Aifinyo's turnover increased y-o-y by 101% to €12.6m, up from the Corona level of €6.3m in Q3/20. The business has benefited from numerous new customers added in the high-growth technology and e-commerce sectors, coupled with high demand from e-commerce companies for fine-trading solutions. Despite the 3Q being a typically weak quarter due to the holiday season, the turnover figure was also slightly better than the ones achieved in the previous quarters (Q2/21: €11.0m; Q1/21: €9.9m).
- Profitability also improved. EBIT adjusted by one-off capital increase expenses of €0.2m came in at €0.2m in Q3/21, after an EBIT loss of €-0.3m in Q3/20. The EBT also improved from €-0.5m in Q2/20 and €-0.2m in Q1/21 to positive figures of €34k in Q2/21 and €65k in Q3/21. Management still believes that achieving break-even on a full-year basis is likely. This will depend on a strong Q4/21.

**Figure 11: Quarterly financial performance in FY/20 and 9M/21**



Source: aifinyo AG



**Aifinyo successfully conducted a follow-on capital increase of €7.0m** After raising €5.2m on 28 August, Aifinyo completed a follow-on capital increase on 9 November. The company placed 205k shares at €34.15 p/s, raising gross proceeds of €7.0m. Both Total gross proceeds of €12.1m from the two capital raises will support business growth and expansion of the free share float.

## OVERVIEW OF THE UPDATED PORTFOLIO

**DEWB's portfolio expanded from two holdings to seven during 2021 – NAV at ~€2.55 p/s** DEWB accomplished its goal of expanding its two-holding fintech portfolio Lloyd Fonds and Aifinyo, to seven exciting companies. DEWB's fintech portfolio comprises three listed companies, Lloyd Fonds (LFAG) Aifinyo, and Naga Group, and four private companies, Nextmarkets, Stableton, LAIC and Cashlink. In 2021, the majority of DEWB's holdings delivered positive news flow on the achievement of relevant milestones, including solid sales growth and a positive outlook, well-performing acquisitions (LFAG's acquisition of BV Holding AG and growney), client base expansion and new financing rounds (LFAG's WealthTech LAIC and aifinyo). DEWB's most recently reported NAV amounted to €2.07 p/s (Eigenkapitalforum Investor Conference, 23 November 2021). Chiefly based on LFAG's further share price appreciation since then, we estimate DEWB's current NAV at ~€2.55 p/s. We give an updated overview of DEWB's portfolio in table 1.

**Table 1: DEWB's Fintech portfolio of seven holdings**

	Company	Field	Based	Stake	Since	Status	Market cap	Stake value	
1	Lloyd Fonds	Asset management	Hamburg	22.3%	03/2018	listed	€177.8m	€39.6m	} LISTED PORTFOLIO
2	Aifinyo	Digital lending	Dresden	4.7%	01/2020	listed	€98.5m	€4.4m	
3	Naga Group	Neobrokerage	Hamburg	Undisclosed FBe: <1%	12/2021	listed	€298.6m	~€2-3.0m	
4	Nextmarkets	Neobrokerage	Cologne	1.4%	03/2021	private	-	-	
5	Stableton	Marketplace alternative investments	Zurich	12.0%	04/2021	private	-	-	
6	LAIC	WealthTech	Hamburg	Undisclosed FBe: <5%	08/2021	private	-	-	
7	Cashlink	Tokenization of securities	Frankfurt	Undisclosed FBe: <5%	12/2021	private	-	-	

Source: First Berlin Equity Research, DEWB, Bloomberg



## VALUATION MODEL

**Price target increased to €2.90 (previously €2.50) and Buy rating reiterated** DEWB successfully implemented its investment agenda in 2021, expanding its fintech portfolio from two to seven exciting companies by year-end. In our view, all seven companies appear to be in very good shape. In particular, DEWB's anchor holding and largest position, LFAG, delivered excellent financial results and closed two acquisitions that substantially improved its competitive position by roughly doubling its AuM to ~€5.0bn and positioning it among the top 5 asset managers in Germany. LFAG saw its share price increase by >80% YTD, considerably increasing DEWB's NAV. We have thus updated our residual income model. Evaluating DEWB's dynamic portfolio expansion through new investments during 2021, we have slightly increased our assumed rate of new investment from 18% to 20% of portfolio value for the period 2022-2025. We still project that DEWB will achieve a revaluation rate of financial assets (RRFA) of 20-22% in 2021-2024, which is below the company's implied RRFA of >25% from the strategy laid out for 2020-2024. Our updated residual income model yields a higher price target of €2.90 (previously: €2.50). We reiterate our Buy recommendation.

**Table 2: Residual Income Model**

In €'000	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Shareholders' equity	21,143	21,469	24,291	30,771	39,292	51,598	70,357	94,016	120,675	147,732
Average shareholders' equity	17,443	21,306	22,880	27,531	35,032	45,445	60,977	82,186	107,345	134,203
Net profit	7,399	326	2,822	6,480	8,521	12,306	18,760	23,659	26,659	27,057
Return on equity	42.4%	1.5%	12.3%	23.5%	24.3%	27.1%	30.8%	28.8%	24.8%	20.2%
Cost of equity	13.5%	13.5%	13.5%	13.5%	13.5%	13.5%	13.5%	13.5%	13.5%	13.5%
<b>Spread</b>	<b>28.9%</b>	<b>-12.0%</b>	<b>-1.2%</b>	<b>10.0%</b>	<b>10.8%</b>	<b>13.6%</b>	<b>17.3%</b>	<b>15.3%</b>	<b>11.3%</b>	<b>6.7%</b>
Residual income	5,044	-2,550	-267	2,763	3,791	6,171	10,528	12,563	12,167	8,940
PV of residual income stream	5,016	-2,234	-206	1,880	2,272	3,258	4,897	5,149	4,394	2,844
<b>Fair value calculation</b>										
NAV (2021E)	21,143									
PV of residual income stream	27,269									
Fair value	48,412									
Number of shares (000's)	16,750									
<b>Fair value per share €</b>	<b>2.90</b>									

Source: First Berlin Equity Research

Additionally, our residual income model is based on the following assumptions:

- 2021E NAV reflects our projected book value of the portfolio at the end of 2021, which equates to the balance sheet's equity.
- We conservatively project DEWB to achieve a revaluation rate of financial assets (RRFA) of 20-22% in 2021-2024, which is below the company's implied RRFA of >25% from the strategy 2020-2024. Going forward, we assume RRFA will decline to 13.5% after 2030.



## INCOME STATEMENT

All figures in EUR '000	2018A	2019A	2020A	2021E	2022E	2023E
<b>Other operating income - profit on exit</b>	<b>11,700</b>	<b>3,277</b>	<b>4,970</b>	<b>9,400</b>	<b>2,125</b>	<b>4,784</b>
Personnel expenses	369	365	546	707	442	539
Other operating expenses	6,912	725	1,270	720	730	740
<b>EBITDA</b>	<b>4,419</b>	<b>2,187</b>	<b>3,154</b>	<b>7,973</b>	<b>953</b>	<b>3,505</b>
Depreciation and amortization	-5	-3	-2	-2	-2	-2
<b>EBIT</b>	<b>4,414</b>	<b>2,184</b>	<b>3,152</b>	<b>7,971</b>	<b>950</b>	<b>3,502</b>
Net financial result	-864	-699	-718	-572	-624	-680
Other financial result (depreciation)	-5,077	-1,197	0	0	0	0
<b>Pre-tax income (EBT)</b>	<b>-1,527</b>	<b>288</b>	<b>2,434</b>	<b>7,399</b>	<b>326</b>	<b>2,822</b>
Tax expense	0	0	0	0	0	0
<b>Net income / loss</b>	<b>-1,527</b>	<b>288</b>	<b>2,434</b>	<b>7,399</b>	<b>326</b>	<b>2,822</b>
<b>EPS (in €)</b>	<b>-0.09</b>	<b>0.02</b>	<b>0.15</b>	<b>0.44</b>	<b>0.02</b>	<b>0.17</b>
<b>Diluted EPS (in €)</b>	<b>-0.09</b>	<b>0.02</b>	<b>0.15</b>	<b>0.44</b>	<b>0.02</b>	<b>0.17</b>

### Ratios

EBITDA margin on other operating income	0.0%	66.7%	63.5%	84.8%	44.8%	73.3%
EBIT margin on other operating income	37.7%	66.6%	63.4%	84.8%	44.7%	73.2%
Tax rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

### Expenses as % of other operating income

Personnel expenses	3.2%	11.1%	11.0%	7.5%	20.8%	11.3%
Other operating expenses	59.1%	22.1%	25.6%	7.7%	34.4%	15.5%
Depreciation and amortization	0.0%	0.1%	0.0%	0.0%	0.1%	0.0%

### Y-Y Growth

Other operating income - profit on exit	n.a.	-72.0%	51.7%	89.1%	-77.4%	125.1%
Personnel expenses	n.a.	-1.1%	49.6%	29.5%	-37.5%	21.9%
Other operating expenses	n.a.	-89.5%	75.2%	-43.3%	1.4%	1.4%
EBITDA	n.a.	-50.5%	44.2%	152.8%	-88.1%	267.9%
EBIT	n.a.	-50.5%	44.3%	152.9%	-88.1%	268.5%
Net income/ loss	n.a.	n.a.	745.1%	204.0%	-95.6%	764.4%





## BALANCE SHEET

All figures in EUR '000	2018A	2019A	2020A	2021E	2022E	2023E
<b>Assets</b>						
<b>Current assets, total</b>	<b>3,343</b>	<b>3,686</b>	<b>4,414</b>	<b>5,866</b>	<b>3,007</b>	<b>1,596</b>
Cash & cash equivalents	2,192	1,608	451	1,003	934	501
Other short term assets	4	9	2,456	2,456	1,000	0
Receivables from investments	1,147	2,069	1,052	1,052	1,073	1,095
Trade receivables	0	0	455	1,355	0	0
<b>Non-current assets, total</b>	<b>23,955</b>	<b>26,230</b>	<b>25,627</b>	<b>31,613</b>	<b>36,233</b>	<b>41,579</b>
Intangible assets	4	4	4	4	5	5
Property plant & equipment	8	5	4	4	4	5
Financial Assets	23,444	26,213	25,619	31,605	36,224	41,569
Other LT financial assets	499	8	0	0	0	0
<b>Accruals</b>	<b>8</b>	<b>67</b>	<b>46</b>	<b>46</b>	<b>46</b>	<b>46</b>
<b>Total assets</b>	<b>27,306</b>	<b>29,983</b>	<b>30,087</b>	<b>37,525</b>	<b>39,287</b>	<b>43,221</b>
<b>Shareholders' equity &amp; debt</b>						
<b>Current liabilities, total</b>	<b>4,071</b>	<b>5,043</b>	<b>2,559</b>	<b>2,561</b>	<b>3,958</b>	<b>5,031</b>
ST borrowings (banks)	4,008	4,912	2,536	2,536	3,930	5,000
Trade & other payables	51	3	12	13	15	16
Other current liabilities	12	128	11	12	13	15
<b>Long-term liabilities, total</b>	<b>12,213</b>	<b>13,630</b>	<b>13,784</b>	<b>13,821</b>	<b>13,860</b>	<b>13,899</b>
Bonds	11,290	12,540	12,540	12,540	12,540	12,540
Provisions for pensions	833	903	962	991	1,021	1,051
Other provisions	90	187	282	290	299	308
<b>Total Liabilities</b>	<b>16,284</b>	<b>18,673</b>	<b>16,343</b>	<b>16,383</b>	<b>17,818</b>	<b>18,930</b>
<b>Total Equity</b>	<b>11,022</b>	<b>11,310</b>	<b>13,744</b>	<b>21,143</b>	<b>21,469</b>	<b>24,291</b>
<b>Total Equity and Liabilities</b>	<b>27,306</b>	<b>29,983</b>	<b>30,087</b>	<b>37,525</b>	<b>39,287</b>	<b>43,221</b>
<b>Ratios</b>						
Current ratio (x)	0.82	0.73	1.72	2.29	0.76	0.32
Equity ratio	40.4%	37.7%	45.7%	56.3%	54.6%	56.2%
Gearing	126.4%	148.0%	95.5%	59.6%	72.5%	74.5%
Net debt	13,935	16,738	13,131	12,608	15,556	18,090
Return on equity (ROE)	n.a.	2.6%	19.4%	42.4%	1.5%	12.3%



## CASH FLOW STATEMENT

All figures in EUR '000	2018A	2019A	2020A	2021E	2022E	2023E
<b>Net income</b>	<b>-1,527</b>	<b>288</b>	<b>2,434</b>	<b>7,399</b>	<b>326</b>	<b>2,822</b>
Depreciation & amortisation	5	3	2	2	2	2
Depreciation to financial investments	5,179	1,201	0	0	0	0
Other non-cash items	-6,708	-2,483	769	1,737	1,341	2,615
Net financial result	762	695	718	572	624	680
Tax result	0	0	0	0	0	0
Changes in working capital	-717	-854	454	-898	1,336	-19
<b>Operating cash flow</b>	<b>-3,006</b>	<b>-1,150</b>	<b>4,377</b>	<b>8,812</b>	<b>3,630</b>	<b>6,101</b>
CapEx / intangibles	-1	0	-1	-3	-3	-3
<b>Free cash flow</b>	<b>-3,007</b>	<b>-1,150</b>	<b>4,376</b>	<b>8,810</b>	<b>3,627</b>	<b>6,098</b>
Investment in holdings	-9,244	-2,769	0	-7,686	-5,922	-7,921
Change in ST financial assets (bond investment)	861	486	-2,439	0	1,456	1,000
<b>Cash flow from investing</b>	<b>-8,384</b>	<b>-2,283</b>	<b>-2,440</b>	<b>-7,688</b>	<b>-4,469</b>	<b>-6,924</b>
Debt financing, net	5,298	2,154	-2,376	0	1,394	1,070
Equity financing, net	2,280	0	0	0	0	0
Net paid financing expenses	762	695	-718	-572	-624	-680
<b>Cash flow from financing</b>	<b>8,340</b>	<b>2,849</b>	<b>-3,094</b>	<b>-572</b>	<b>770</b>	<b>390</b>
<b>Net cash flows</b>	<b>-3,050</b>	<b>-584</b>	<b>-1,157</b>	<b>552</b>	<b>-69</b>	<b>-433</b>
Cash, start of the year	5,242	2,192	1,608	451	1,003	934
<b>Cash, end of the year</b>	<b>2,192</b>	<b>1,608</b>	<b>451</b>	<b>1,003</b>	<b>934</b>	<b>501</b>

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First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

**ASSET RECOMMENDATION**

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy <sup>1</sup>	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

<sup>1</sup> The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

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**RECOMMENDATION & PRICE TARGET HISTORY**

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	24 June 2021	€1.61	Buy	€2.50
2	30 September 2021	€1.79	Buy	€2.50
3	Today	€1.88	Buy	€2.90

**INVESTMENT HORIZON**

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- **key sources of information in the preparation of this research report**

- valuation methods and principles
- sensitivity of valuation parameters

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**SUPERVISORY AUTHORITY:** Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Marie-Curie-Straße 24-28, 60439 Frankfurt am Main

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