

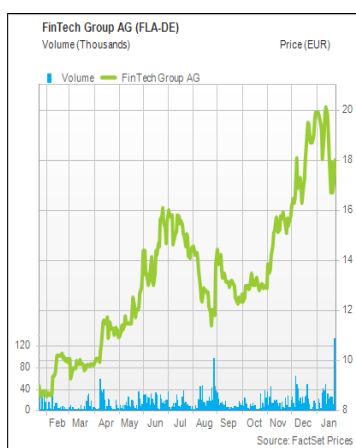
BUY

ZinsPilot deal early indicator of 2016 earnings growth

Bloomberg	FLA GR
Price (€)	18.21
Target price (€)	23.80
Upside (%)	31%
Shares out (mill)	16.82
Market Cap (€m)	306
Net Asset Value (€m)	68.0

FYE Dec	Revs (€M)	EBITDA (€M)	PTP (€M)	EPS (€)	NAV (€m)	Price/Sales (x)	Price/Earnings (x)	Price/NAV (x)
2013A	14.3	(0.4)	(1.0)	(0.09)	30.5	26.8	neg	10.0
2014A	24.7	(8.8)	(9.6)	0.00	44.7	15.5	neg	6.8
2015E	83.9	12.6	13.5	0.65	68.0	4.6	27.8	4.5
2016E	85.3	28.4	34.7	1.19	82.2	4.5	15.3	3.7

Source: Mirabaud estimates; Earnings figures adjusted for exceptional items



What's new?

Frankfurt-listed **FinTech Group** has announced a new co-operation agreement with **Deposit Solutions**, an innovative early stage company backed by the former **PayPal** founder, **Peter Thiel**. Under the agreement, FinTech's 150,000+ online broking customers will gain access to a range of third party overnight and fixed-term deposit products, marketed under the "ZinsPilot" brand, without needing to open separate accounts. The company becomes the first and only online broker in Germany to offer to its customers the opportunity to invest not only in stocks, options, funds & CFDs, but also overnight & fixed-term deposits. The economics of the arrangement were not disclosed, but we anticipate that FinTech will benefit from a revenue share on the interest income generated.

The Mirabaud view

Not only does this transaction reinforce our view that FinTech Group's online broking unit, **Flatex**, is the lead innovator in the German market, having previously pioneered the fixed fee trading model. More importantly, it is a good early indicator of the group's direction of travel this year, with the key management priority the opportunity to significantly improve the monetization of over €1.3 billion of client cash deposits. The group's share of interest income from customers choosing **ZinsPilot** products will directly feed the bottom line. We also look for FinTech to carefully expand its consumer loan portfolio during the year, partnering with technology-based lending models. These initiatives underpin our current forecast that, under IAS, this year's group EBITDA should exceed €28 million.

Valuation

In our view, the quantity & quality of group earnings is likely to come into sharp focus in 2016, when FinTech accounts show a full contribution from the XCOM acquisition, and the numbers are reported using IFRS accounting standards. We forecast underlying attributable earnings of €20.0 million in 2016, implying an earnings per share of €1.19. Following the recent (dilutive) capital increase, our 12-month target price is lowered to €23.80, 31% ahead of current levels, based on a forward PER of 20x, which is at a discount to the sector average PER of 21.2x. We maintain our **BUY** recommendation.

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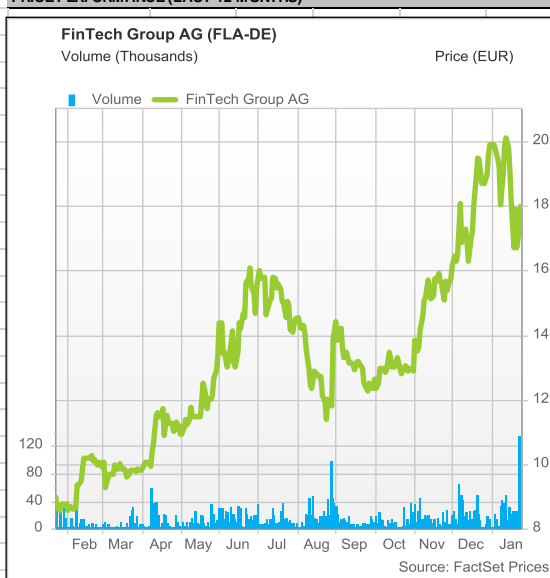
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	Change %	Absolute	Rel to AIM
Price (p):	18.2	1M	-11%
Market Cap (€m):	306	3M	36%
EV (€m):	383	12M	94%

PROFIT & LOSS

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

PRICE PERFORMANCE (LAST 12 MONTHS)



BALANCE SHEET

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

KEY RECENT NEWSFLOW

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

CASH FLOW

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

VALUATION

Fiscal	FY13A	FY14A	FY15E	FY16E	FY17E
P/E	neg	neg	27.8x	15.3x	13.0x
EV/EBITDA	neg	neg	30.4x	13.5x	11.4x
EV/Sales	26.8x	15.5x	4.6x	4.5x	4.2x
P/NAV	10.0x	6.8x	4.5x	3.7x	3.1x

MAIN SHAREHOLDERS

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

RECOMMENDATIONS HISTORY

Market index	AIM all-share index				
Date	Market Index level	Stock Price (€)	Target Price (p)	Opinion	
25/05/2016	690.02	18.21	23.80	BUY	
20/11/2015	730.78	15.39	24.80	BUY	

RATINGS, CERTIFICATION AND DISCLOSURE

RATINGS SYSTEM

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

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

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