

Buy EUR 48.00 (EUR 42.00) Price EUR 29.35 Upside 63.5 %	Value Indicators: EUR DCF: 47.95	Share data: Bloomberg: FTK GR Reuters: FTKG.DE ISIN: DE000FTG1111	Description: Flatex is a financial services technology company in Germany
	Market Snapshot: EUR m Market cap: 794 No. of shares (m): 27 EV: 563 Freefloat MC: 357 Ø Trad. Vol. (30d): 1.19 m	Shareholders: Freefloat 45.0 % Management 3.1 % GfBk mbH 17.1 % Heliad Equity Partners 7.2 % Austrian Post 4.7 %	Risk Profile (WRe): 2019e Beta: 1.5 Price / Book: 3.1 x Equity Ratio: 15 %

Perfect fit offers even more growth and margin potential than expected; PT up

We hosted a roadshow with Flatex CFO Muhamad Chahrour, gathering deeper insights into the DeGiro acquisition and the European expansion plans, which left us even more confident regarding our investment case. The following note sheds light on the acquisition, the synergy potential that is already incorporated in our estimates, but also on the upside scenarios that are not yet included. Furthermore, the potential outcome of the newly introduced custody fee at Flatex is included and the impact of a changed German income tax is discussed.

- The acquisition is regarded as a perfect strategic and complementary fit. DeGiro's biggest shortcoming is the lack of a banking license and therefore regulatory issues, which will be offset by Flatex's banking license going forward. Flatex would have faced substantial investments in its European expansion plans, which should now be reduced significantly as DeGiro is already a well-established brand across Europe.
- From an economic perspective, a combined trading system to optimize flow management should save some EUR 10m in trading costs in 2020e by reducing connectivity fees to exchanges and lowering trading fees (including clearing, settlement and custody). Furthermore, we incorporated around EUR 5m in marketing cost savings for the current year. Going forward, at least some EUR 15m should be saved by lower costs for third-party providers as Flatex can handle the deposits and the credit business for DeGiro and trades are executed via the existing trading centres.
- Not included upside potential arises from further monetisation scenarios at DeGiro. Following our examples, a potential EPS upside of a total 59% by 2022 could be the result of price increases, the introduction of custody fees, higher ETP penetration and a further reduction of trading costs at DeGiro.
- The introduction of custody fees at Flatex should lead to an immediate EPS effect of +5% in 2020. However, in return, we assume only slight growth in terms of customer growth for 2020 as more customers than usual are expected to switch to other providers.
- A change in the German income tax law, entry into force 2021, could lead to an adverse taxation for ETP products. However, it is not yet clear whether ETPs are affected, and if so, we expect the impact on the overall business of Flatex to be rather limited.

In total, the acquisition and the incorporated upside potential fully support our investment case and are not yet reflected in current share prices. Further updates from the operative business could contribute positive triggers for the share. Buy rating reiterated with upgraded PT of 48.

Changes in Estimates:						Comment on Changes:	
FY End: 31.12. in EUR m	2019e (old)	+ / -	2020e (old)	+ / -	2021e (old)	+ / -	
Sales	132	1.2 %	228	-0.1 %	267	-0.2 %	▪ Fine-tuning of DeGiro inclusion
EBITDA	40	1.2 %	85	0.8 %	111	5.9 %	▪ Increased margin assumptions in the medium term
EBIT	31	1.2 %	66	3.8 %	92	7.8 %	
EPS	0.99	2.0 %	1.62	0.6 %	2.29	4.8 %	

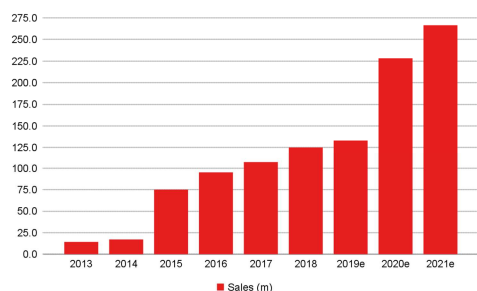


Rel. Performance vs Scale All	
1 month:	3.9 %
6 months:	8.1 %
Year to date:	13.4 %
Trailing 12 months:	46.7 %

Company events:

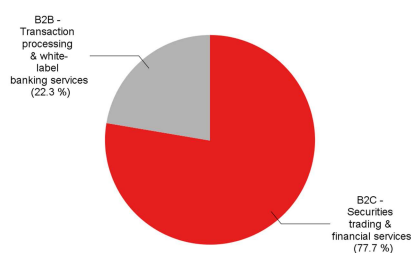
FY End: 31.12. in EUR m	CAGR (18-21e)	2015	2016	2017	2018	2019e	2020e	2021e
Sales	28.7 %	75	95	107	125	133	228	266
Change Sales yoy		337.7 %	26.7 %	12.6 %	16.9 %	6.4 %	71.5 %	16.7 %
Gross profit margin		81.9 %	73.2 %	71.0 %	70.5 %	72.0 %	75.6 %	78.5 %
EBITDA	40.4 %	20	31	32	42	41	85	117
Margin		26.1 %	32.2 %	30.0 %	33.9 %	30.5 %	37.3 %	44.0 %
EBIT	42.3 %	17	25	26	35	31	69	100
Margin		22.3 %	26.8 %	24.7 %	27.6 %	23.6 %	30.2 %	37.4 %
Net income	45.6 %	-3	8	17	21	20	44	65
EPS	30.5 %	-0.19	0.50	0.96	1.08	1.01	1.63	2.40
EPS adj.	30.5 %	-0.19	0.97	0.96	1.08	1.01	1.63	2.40
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.
FCF		-3.93	-9.11	-0.71	0.06	1.09	1.53	2.49
FCF / Market cap		-30.8 %	-58.3 %	-3.9 %	0.2 %	3.7 %	5.2 %	8.5 %
Book Value / Share		4.35	4.50	6.43	8.53	9.53	15.54	17.94
Price / Book		2.8 x	3.5 x	2.9 x	3.3 x	3.1 x	1.9 x	1.6 x
ROE		-5 %	11 %	18 %	15 %	11 %	15 %	14 %
P / E		n.a.	31.3 x	19.2 x	25.7 x	29.1 x	18.0 x	12.2 x
P / E adj.		n.a.	16.1 x	19.2 x	25.7 x	29.1 x	18.0 x	12.2 x
Guidance:	2019: Sales EUR 138m; EBITDA margin of 31%							

Sales development in EUR m



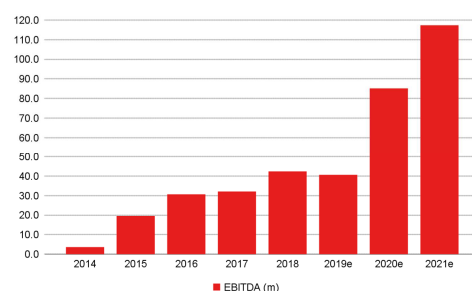
Source: Warburg Research

Sales by segments 2019e; in %



Source: Warburg Research

EBITDA development in EUR m



Source: Warburg Research

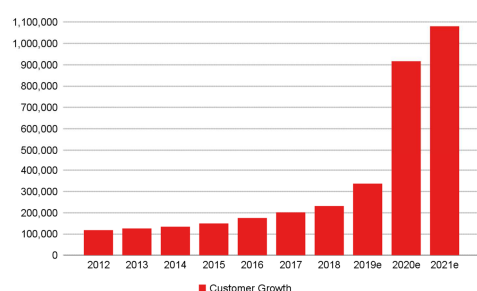
Company Background

- Flatex is among the market leaders in Germany in the fields of B2C online securities brokerage under its brand name, Flatex. With the acquisition of DeGiro, the company emerges into a leading role also on European scale.
- The brokerage business bases on a discount pricing model with a flat fee at Flatex and considerably low fees per trade at DeGiro. This puts the company in a highly competitive position all across Europe.
- In its Tech unit, Flatex offers innovative software and IT outsourcing services for its B2B clients.
- Flatex Bank as a deposit bank gives the company access to a banking license and provides the full range of white-label-banking services to its B2B clients.

Competitive Quality

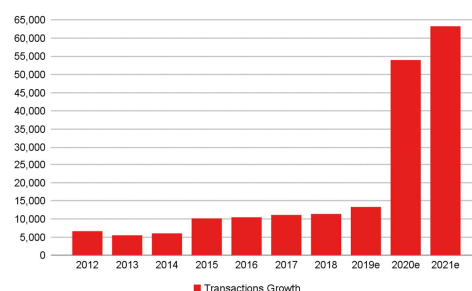
- The acquisition of DeGiro position Flatex in a European leading role in the fields of B2C discount brokerage. This enables the company to leverage high synergies and realise effects of scale.
- Flatex differentiates itself from competitors by offering B2C as well as B2B services, which offers synergy potential
- In the field of B2C, Flatex has a strong competitive position which is supported by its flat fee pricing model
- Flatex 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

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Summary of Investment Case

Investment triggers

- Flatex is developing into Europe's largest discount broker, further supported by the acquisition of DeGiro, forming a strong brokerage powerhouse with a highly attractive product and price offering.
- DeGiro acquisition offers significant synergy potential, which appears to be only partially reflected in consensus estimates so far. Further upside potential lies in the higher monetisation opportunities at DeGiro, leading to a potential EPS uplift of +59%, which is not yet reflected at all in our assumptions.
- Strong new customer gains in January (11k new customers at Flatex and over 23k new customers at DeGiro) point to a much higher run rate than we expected and demonstrate the strong momentum of the company.

Valuation

- The target price of EUR 48 is based on a DCF model.
- An estimated 2020 EV/EBITDA of 8.6x appears extremely cheap given a top-line growth of over 17% and ongoing margin expansion.
- The synergies included so far still appear rather conservative, which makes the current valuation of the share even more attractive.

Growth

- Top-line growth of +17% on a pro forma basis for Flatex and DeGiro should be the result of further customer growth and thus a significant increase of executed trades.
- While Flatex should be able to grow its customer base by some 30k per year, DeGiro should be able to gain around 120k to 150k per year, also due to its pan-European approach.
- EBITDA growth on a pro forma basis should be as high as 60%, strongly benefiting from the complementary fit of both companies and therefore easy-to-leverage synergies.
- The estimated 2020 EBITDA margin of 37% should be seen as a starting point for further margin expansion of up to 48% during the next three years.

Competitive quality




- Flatex is a well-established consumer discount brokerage brand in Germany with a rather sticky customer base (63% of trades are executed by customers who have had a relationship with the company for more than three years).
- The combination with DeGiro creates Europe's largest discount broker with a highly competitive price offering that is well below market average and should attract further new customers.
- Transactions are handled via a proprietary IT system and executed via own data centres.
- Flatex's banking license enables the company to offer its brokerage services under a regulatory umbrella across European countries.

Warburg versus consensus

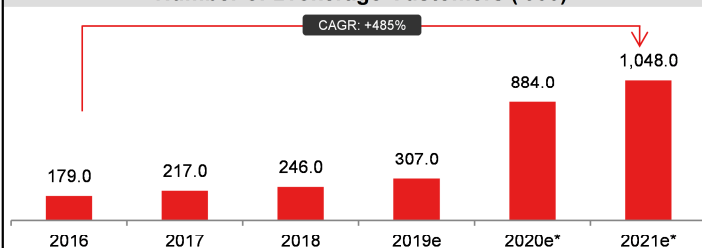
- Consensus includes lower revenue development for 2020e of EUR 189.3m (WRe EUR 227m) and for 2021e of EUR 249.1m (WRe EUR 265m)
- This lower top-line development reflects an EBITDA for 2020e of EUR 71.8m (WRe EUR 84m) and for 2021e of EUR 103.8m (WRe EUR 116m)
- Due to low estimates at the lower end of the consensus range for 2020e sales of EUR 144m and EBITDA of EUR 56m, the DeGiro acquisition does not appear to be fully reflected in consensus estimates.

Company Overview

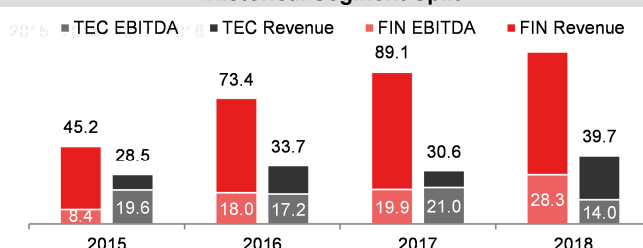


Segments	Financial Services (FIN)		Technologies (TEC)
	 ONLINE BROKER		 BANK
Sales 2018 in EUR m	107.14		39.73
% of total	86%		32%
EBITDA 2018 in EUR	28.35		14.02
% of total	67%		33%
Business Orientation	B2C		B2B
Products & Services	B2C online brokerage, electronic securities settlements, securities custody, and other banking services		Development and operation of the Group's core banking system FTG:CBS, R&D

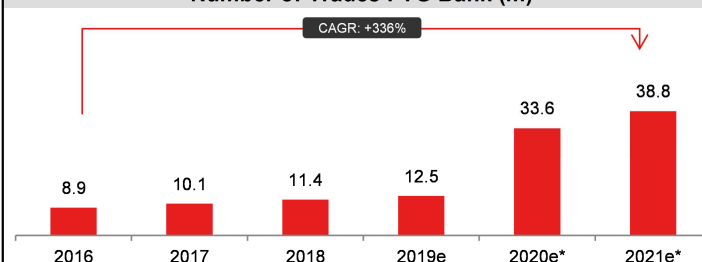
Number of Brokerage Customers ('000)



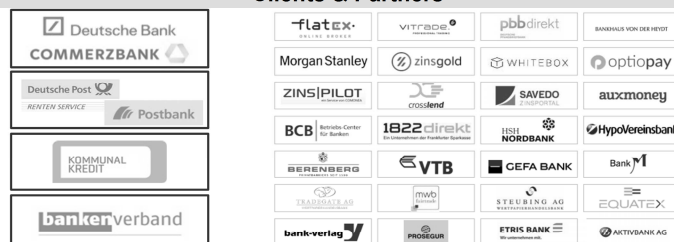
Historical Segment Split



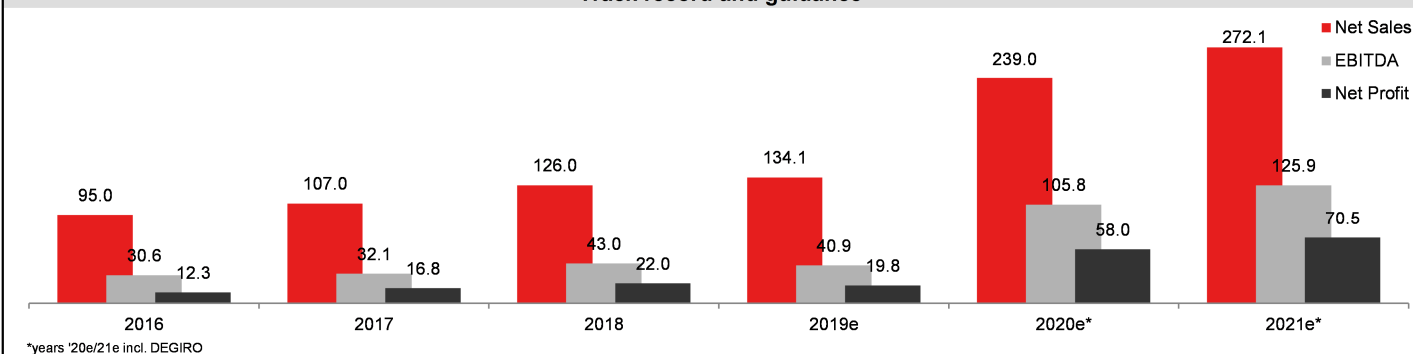
Number of Trades FTG Bank (m)



Clients & Partners



Track record and guidance



Flatex goes Europe via a shortcut

- Flatex announced the acquisition of one of its European core competitors DeGiro for a purchase price of EUR 250m
- High synergies are expected to be easily leveraged through a joint trading system, the complementarity of both companies, a single combined data centre and the cross-selling of different products
- The newly introduced custody fee lifts our 2020e EPS estimates by another 5%

DeGiro transaction in detail

After undergoing a strategic review process since July 2019, Flatex announced the acquisition of one of its main competitors, DeGiro, in December 2019. The purchase price amounts to EUR 250m (EUR 60m in cash and EUR 190m in 7.5m shares, issued at EUR 25.33), which appears quite pricy on a standalone basis (19e EV/EBITDA of 18.2x) but due to the highly complementary strategic fit, there are several easy-to-leverage synergies.

The following annual synergies from 2021 onwards, which should be easy to leverage, were already included in our last publication:

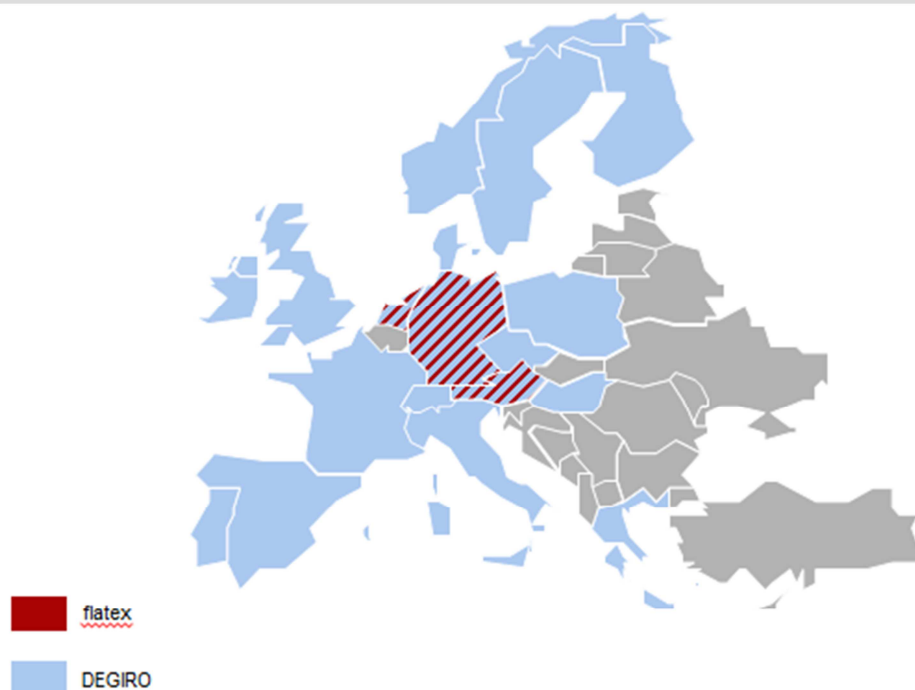
- The joint trading system reduces costs per trade significantly. We assume that the costs per trade should decrease by around EUR 0.3 per trade in the initial year 2020, resulting in direct cost benefits of at least EUR 10m per year. This reduction is a direct result of economies of scale due to the proportion of fixed costs for the trading system and the decrease of costs like licensing fees for exchanges which were paid twice in the past as both brokers needed a license at each exchange.
- While DeGiro did not have its own banking license, it relied on third-party providers for its credit business (ABN AMRO) and the management of its deposits (money market fund of Morgan Stanley). With Flatex obtaining its own license, these services can be performed in-house, resulting in cost savings of at least EUR 5m.
- Flatex spent around EUR 6.5m of marketing costs in 2019 for its expansion in the Netherlands. On the other hand, DeGiro spent some EUR 2.5m on marketing in Germany. However, both budgets should be significantly reduced as it is not necessary anymore to win customers from the direct competitor. This should save at least another EUR 5m.
- Besides the operative business, the joint company should be able to leverage synergies from joint IT systems and overhead functions. Both IT systems rely on the same programming language (C++ and Java), which is why the integration should run quite smoothly. Furthermore, we assume lower costs due to the fact that DeGiro paid for server capacities and computer centres, which does not apply to Flatex, as it has its own servers and centres. These capacities were only completed in 2019 and reflect Flatex's visionary expansion into Europe, which is why the capacities should be more than sufficient to cover the additional transaction volume brought in by DeGiro. This should save another EUR 10m, further supported by the acquired R&D capacities.

In addition to the cost and business synergies, the DeGiro acquisition fits perfectly with Flatex's strategic ambitions. Before the acquisition, Flatex had just started its European expansion with the Netherlands as its first step outside the German-speaking area and had plans to become a pan-European online discount broker. However, with the acquisition of DeGiro, one could say that the company achieved this goal via a shortcut. As DeGiro is already active in 18 European countries, Flatex is able to leverage the existing infrastructure and penetrate the existing markets further. In our view, the most important strategic aspects of the joint company are the following:

- Flatex will maintain a two-brand strategy on the European market. The original online brokerage business under the Flatex brand will remain in the German, Austrian and

Dutch markets. DeGiro, in turn, will also remain present in these markets, complemented by the currently 15 other countries in which the company is active.

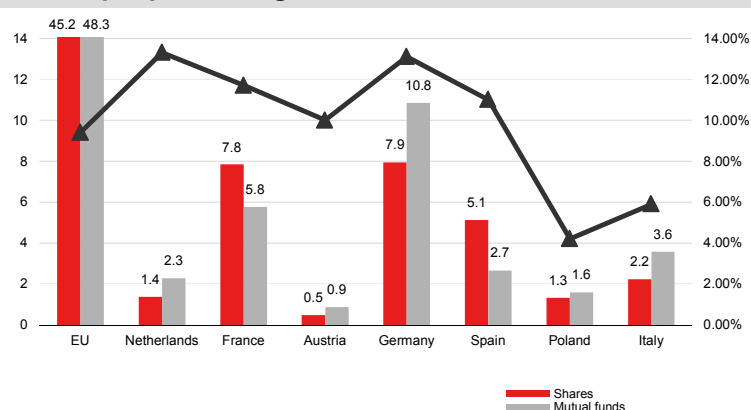
European presence of the joint company



Source: Warburg Research

- On this basis, two strong discount broker brands will coexist in the markets Germany, Austria and the Netherlands, while the further European expansion will most likely take place via DeGiro.
- Based on the proportion of people owning financial assets like funds and shares in the European Union and its largest core markets of Germany, France, Spain, Italy and the Netherlands, we believe that there is still significant upside potential in relation to the current number of customers of roughly 776k.

Actual number of people owning financial assets in EU markets



Source: Warburg Research

- The joint company should be able to grow at customer rates of roughly 120k to 180k per year on a European scale. However, since Flatex is only present in Germany, Austria and the Netherlands, the majority of new customers should be acquired by DeGiro. Furthermore, we assume that the majority of new customers will come from European markets outside Germany.

Detailed estimates of the joint company

		2019e	yoy	2020e	yoy	2021e	yoy	2022e	yoy
Flatex	Number of customers (in m)	0.305	25%	0.320	5%	0.349	9%	0.380	9%
	Average yearly number of trades per customer	38	-10%	40	5%	40	0%	39	-1%
	Revenue per trade (EUR)	7.7		7.7		7.8		7.8	
	Trading revenue (EURm)	88.350	22%	98.005	11%	107.592	10%	116.560	8%
DeGiro	Number of customers (in m)	0.470	31%	0.564	20%	0.699	24%	0.839	20%
	Average yearly number of trades per customer	40	-19%	35	-12%	34	-3%	34	0%
	Revenue per trade (EUR)	3.2		3.3		3.5		3.7	
	Trading revenue (EURm)	60.000	10%	65.142	9%	83.224	28%	105.575	27%
Joint	Number of customers	0.775	56%	0.884	25%	1.048	33%	1.220	29%
	Revenue contribution from trading business (EURm)	148	31%	163	19%	191	38%	222	35%

Source: Warburg Research

Overall, we consider the combination of Flatex and DeGiro to be a perfect fit. DeGiro's biggest shortcoming was its lack of a banking license, which required the company to rely on third-party service suppliers like Morgan Stanley and ABN AMRO to either avoid regulatory issues or to provide certain services to customers. With Flatex's banking license being passported to DeGiro, it is possible to cover the full value chain in-house. Flatex, on the other hand, faced significant investments and efforts for its European expansion to ensure further customer growth. However, as DeGiro has the infrastructure in place in nearly all European countries, both companies can combine their strengths to foster further growth. In addition, there are some economies of scale, as Flatex should be able to negotiate even better conditions with exchanges and product providers as the flow volume and size of the brokerage market increases.

New depot fee offers further upside

Besides the acquisition of DeGiro, Flatex announced a new list of prices and services that will become effective from March 2020. While at first glance this list contains only minor changes, an additional fee offers significant upside to our previous expectations. Starting in March, Flatex will charge an annual custody fee of 0.1% per annum on the assets under custody. In return, the company will reduce other fees that were charged. This includes a reduction in fees for trades in foreign shares from EUR 15.90 to 5.90 and lower fees for dividend payments of originally EUR 5.90.

While the 0.1% fee amounts to only about EUR 35 per single customer depot (given an average depot volume of EUR 35k per customer and year), the economic impact on group level is significant.

We include the economic impact in our financial model as follows:

- Of the total securities under custody of EUR 13bn, 1/3 is assumed to come from B2B activities where the fee is not applicable.
- The tax rate of 19% is already included in the fee. This is furthermore deducted to calculate the revenue and profit impact on the company.
- Following the reduction of the existing fees, we assume that 25% of the generated custody fee will be reinvested in the form of other fee reductions. This includes the already mentioned fee reductions but also further benefits like the introduction of a VIP club, to which heavy traders are invited and which comes with further price discounts.

Overall, we assume that the new depot fee will contribute to Flatex financials as follows:

Depot volume fee financials (EUR m)

	2020e	2021e	2022e
	yoY	yoY	yoY
Total Depot volume	11,000	12,500	14,000
		14%	12%
thereof fee effective	7,333	8,333	9,333
		14%	12%
Revenue 0.1% fee	6.11	8.33	9.33
		36%	12%
Less taxes	1.16	1.58	1.77
		36%	12%
Less reinvest	1.24	1.69	1.89
		36%	12%
EBT effect of depot fee	3.71	5.06	5.67
		36%	12%
EPS effect	0.09	0.13	0.14
		36%	12%

Source: Warburg Research

As can be seen, an EBT effect of EUR 3.71m is calculated for 2020e and EUR 5.06m for 2021e. This translates into an increase of roughly 5% on EBT and also on EPS level simply due to the introduction of the depot fee at Flatex on a standalone basis as DeGiro will remain with its fee structure for the time being.

The flipside of an additional fee is a certain outflow of customers who choose other brokers. This selection effect can also be seen at Flatex. However, while trading fees remain low and high portfolio volumes result in higher depot fees, we expect the largest outflow in the group of wealthy buy-and-hold-investors, who tend to hold high values in their accounts and only show little trading behaviour. Therefore, adjusted for the annual new customer growth at Flatex, a stable number of total customers is assumed for 2020, while the average number of trades should be slightly higher and the average depot volume per customer should decrease. The assumptions for these KPIs are presented below.

Customer development, trades and volume expectations at Flatex

	2017	2018	2019e	2020e	2021e	2022e
	yoY	yoY	yoY	yoY	yoY	yoY
Number of customers at Flatex (in m)	0.215	0.244	0.305	0.320	0.349	0.380
		14%	25%	5%	9%	9%
Average Depot Volume per customer (EUR)	50,268	40,575	42,296	34,097	35,569	36,568
		-19%	4%	-19%	4%	3%
Total Depot volume (EURm)	10,910	10,000	13,000	11,000	12,500	14,000
		-8%	30%	-15%	14%	12%
Average number of trades per customer	41	42	38	40	40	39
		1%	-10%	5%	0%	-1%

Source: Warburg Research

With regard to the figures, it must be considered that at the end of 2018, stock markets declined significantly, which put pressure on customers' portfolios and resulted in a significant decrease in average customer depot volumes. However, the introduction of the depot volume fee is reflected in the only slightly number of customers and decreasing average depot volumes from 2019 to 2020.

It is not yet 100% clear what the specific impact on the KPIs will be in 2020 and beyond. The most significant impact will probably be the development of the number of customers. While our assumptions for 2020 suggest only little customer growth, this is obviously a result of a certain number of customers leaving Flatex and being replaced by new customers. The impact is expected to be rather moderate for the following reasons:

1. The impressive new customer growth of 11k in January 2020 despite the public announcement of depot fees in December 2019 shows the relatively low relevance of the additional fee to the customers
2. With the average depot volume standing at roughly EUR 38k, the 0.1% depot fee would result in an annual fee of EUR 38, which appears considerably low, given the comprehensive service Flatex offers to its customers in comparison with lower budget providers.
3. The introduction of negative interest rates on deposits in 2017 and the withdrawal from the deposit protection fund in 2015 were expected to have a significant negative impact on customer growth as well. In fact, the number of customers grew by +31% in 2015 and +20% in 2017. In light of this, a flat development of the number of customers already represents a quite conservative approach.

Not reflected monetisation scenarios

- Several further monetisation scenarios of DeGiro are conceivable but not yet reflected in our financial model
- Leveraging the mentioned further upside potential would increase our 2022 EPS estimates by some 58%
- The risks of higher customer churn due to new or higher existing fees at DeGiro should be considered as rather low due to the strong competition in Europe

Further upside potential in DeGiro acquisition

While the DeGiro acquisition with its basic business fundamentals was already reflected in our previous publication, we see significant further upside potential which is not included in our estimates. The following considerations are based on the highly competitive pricing that DeGiro offers to its customers and demonstrate what effects changes in the pricing or fee structure or cost optimisation would have.

The potential impact on changing certain impact variables is shown below. By calculating the eventual outcome, all other assumptions except those mentioned were left unchanged. The outcome displays the effect on our 2022e assumptions:

- The first point is obviously a simple increase in trading fees in the core trading system. The current revenue per trade at DeGiro is 3.23. However, an increase of EUR 0.5 to 1 per trade would in turn increase revenues by roughly 15% to 30%. As shown below, a potential revenue increase from higher trading fees would not result in higher costs, which would lead to an immediate EBT effect.

Effect of higher trading fees

Changed impact variable	current value	new value	EBT impact 2022	EPS impact 2022 (% of current value)
Revenue per trade	3.23	4.23	EUR 15m	0.4 (13%)

Source: Warburg Research

- The second area with further revenue potential is a depot volume fee comparable to Flatex, introduced at DeGiro. The current depot volume at DeGiro is estimated at EUR 9bn. While this should consist entirely of private depots, a comparable fee would result in an additional EBT contribution of nearly EUR 3.8m in 2020e. Calculating an increase in the total depot volume over the next two years, the potential EBT impact would rise to EUR 5.6m in 2022.

Effect of introduction of depot fee at DeGiro

Changed impact variable	current value	new value	EBT impact 2022	EPS impact 2022 (% of current value)
Depot fee at DeGiro	0	0.1% p.a.	EUR 5.6m	0.14 (4%)

Source: Warburg Research

- The current proportion of ETP trades at DeGiro stands at roughly 10% (2m trades) with an assumed revenue contribution of EUR 2 per trade. However, assuming that in combination with Flatex, the dynamics for ETP pricing also apply to DeGiro and cost-free trading of these products will be offered all across Europe, this would result in a significant uplift of revenues per trade on average. Assuming that by 2022 the ETP proportion increases to 1/3, this could result in an uplift of revenues per trade of roughly EUR 1, compared to the current revenues per trade assumption. Applying this to an assumed number of 30m trades at DeGiro in 2022e, this could have a revenue impact of EUR 30m, which should entirely feed through to EBT level.

Effect of higher ETP penetration at DeGiro

Changed impact variable	current value	new value	EBT impact 2022	EPS impact 2022 (% of current value)
Higher ETP proportion at DeGiro	10%	33%	EUR 30m	0.75 (25%)

Source: Warburg Research

- The interest rate of the DeGiro credit book (currently at EUR 300m) stands at 2.9%. An increase to the current Flatex rate of 4.9% would result in another EUR 6m revenue and EBT effect, assuming unchanged volumes.

Effect of higher interest rates at DeGiro credit book

Changed impact variable	current value	new value	EBT impact 2022	EPS impact 2022 (% of current value)
Higher rates for lombard credit	2.9%	4.9%	EUR 6m	0.15 (5%)

Source: Warburg Research

- While a significant reduction in costs per trade can already be achieved by simply combining both trading systems, further reductions are another source of potential synergies not included. DeGiro handles its cash-equities flow directly with Morgan Stanley and ABN AMRO which act as systematic internalisers (financial institutions that are not exchanges but are allowed to match trades via their own books by guaranteeing public exchange spreads). This results in extraordinarily low trading costs as only residual blocks have to be routed to the exchanges and the systematic internaliser benefits from the size of its own book. These efficiencies can be passed through to the brokers which results in lower estimated costs per trade of roughly EUR 0.8 at DeGiro. However, by combining the cash-equities flow, the company should be able to bring large players like Morgan Stanley, Goldman Sachs, Commerzbank or Deutsche Bank into the competition. Thereby, a further reduction of some EUR 0.3 per trade appears possible. With an estimated 45m trades in 2022e, this would result in an EBT effect of some EUR 15m.

Effect of lower costs per trade

Changed impact variable	current value	new value	EBT impact 2022	EPS impact 2022 (% of current value)
Costs per trade	0.80	0.50	EUR 15m	0.4 (13%)

Source: Warburg Research

Combining the individual areas with additional synergy or monetisation potential, we arrive at an EPS 2022e impact of +58% compared to our current estimates.

Combined impact calculation

Changed impact variable	current value	new value	EBT impact 2022	EPS impact 2022 (% of current value)
Revenue per trade	3.23	4.23	EUR 15m	0.4 (13%)
Depot fee at DeGiro	0	0.1% p.a.	EUR 5.6m	0.14 (4%)
Higher ETP proportion at DeGiro	10%	33%	EUR 30m	0.75 (24%)
Higher rates for lombard credit	2.9%	4.9%	EUR 6m	0.15 (5%)
Costs per trade	0.80	0.50	EUR 15m	0.4 (13%)
Combined effect			EUR 71.6m	1.84 (58%)

Source: Warburg Research

However, as none of these measures have been announced yet, these scenarios are examples of additional monetisation potential, mainly resulting from the acquisition of DeGiro. We do not assume that all of these scenarios will be implemented to this extent or implemented at all. Therefore, at the time being, none of the mentioned scenarios are reflected in our assumptions.

Risk of higher customer churn

Bearing in mind that the introduction of new fees or the increase of existing fees at DeGiro should always entail a certain risk of losing customers to competitors or having a negative impact on customer growth in general, the following chart demonstrates a brief examination of specific European countries and the local providers that we consider to be the closest competitors.

Pricing structure of European competitors					
Country	Broker	Headquarters	Order Fees		Pricing Model
			1,000 €	5,000 €	
France	Boursorama	France	5.50 €	24.00 €	min. 8,95€ <1000€: 5,50€ >1000€: 0,48% pricing differs depending on customer classification
	Fortunéo	France	3.90 €	10.00 €	<500: 1,95€ 500-2000€: 3,90€ >2000€: 0,20% pricing differs depending on customer classification
Spain	ClickTrade	Spain	8.00 €	8.00 €	min 8,00€ 0,08% Flatrate for Spanish stocks
	renta 4	Spain	4.00 €	4.00 €	higher prices for international stocks Custody fee of 0.4% p.a.
	Norbolsa	Spain	7.00 €	8.75 €	min 7€ 0,175% for trading stocks (pricing differs for other asset classes)
Netherlands	Traders only	Netherlands	6.00 €	6.00 €	min 6€ 0,09% for stocks in Netherlands
	Mexem Benelux	Netherlands	1.80 €	3.00 €	min 1,80€ 0,06%
Italy	Fineco	Italy	9.95 €	9.95 €	9,95€ per order pricing differs depending on customer classification
Denmark	Saxo Bank	Denmark	8.45 €	8.45 €	min 65 DKK 0,10% pricing differs depending on customer classification
Finland	Mandatum Trader	Finland	10.00 €	10.00 €	min 10€ 0,05% pricing differs depending on customer classification
	Evli	Finland	7.00 €	7.00 €	min 7,00€ 0,05%
Norway	Norime	Norway	9.31 €	9.31 €	min 95 NOK 0,05% pricing differs depending on customer classification
	Sbanken	Norway	4.80 €	4.80 €	min 49 NOK 0,05%
Sweden	Avanza	Sweden	2.50 €	12.50 €	min 1SEK 0,25% pricing differs depending on customer classification
	Nordnet	Sweden	2.50 €	12.50 €	min 1SEK 0,25% pricing differs depending on customer classification
Germany	OnVista Bank	Germany	7.00 €	7.00 €	flat 5€ + 2€ exchange fee per trade
	Lynx	Netherlands	5.80 €	7.00 €	min 5,80€ 0,14%
	Smartbroker	Germany	4.82 €	4.82 €	flat 4€ + 0.00657% exchange fee per trade (min. 0.82€)
Germany	DeGiro	Netherlands	2.18 €	2.90 €	2,00€ + 0,018% (Xetra)

Source: Company Websites; Warburg Research

Although this comparison represents only some selected competitors with the average prices of purchasing local shares with an order volume of EUR 1k or EUR 5k, this standardised approach should work as an example of the European pricing structure. DeGiro currently has slightly different pricing structures across all its markets in Europe, but the prices shown above should work as an example as prices should not differ significantly.

As can be seen, DeGiro's pricing structure is highly competitive in the selected European markets. Price increases of EUR 1 to 2 per trade would still leave DeGiro as one of if not

the cheapest provider in the respective markets. Therefore, we regard the resilience of customer growth and customer trading activities against price increases as considerably high, which is an attractive opportunity for higher monetisation.

Besides the discount brokerage landscape, one should also consider some aspiring zero cost brokers that have emerged over the past years. A successful example is Trade Republic, which has close to 100k customers and handled over 1m trades last year. However, zero cost brokers in the US are quite successful as they generate revenues by selling their flow and using the higher interest environment. While the first is forbidden in Europe and the second not possible due to low interest rates, zero fee brokers in Europe usually have exclusive partnerships which provides them with kick-back fees per trade but limits the amount of offered services. We therefore believe that this will create another sub-segment below the discount brokers, but assume that both models can co-exist perspectively, which is supported by the unbroken growth path.

Change in German income taxation

- A change in the German income tax law, which comes into force in 2021, could possibly result in an adverse taxation of profits from Flatex's ETP business
- The ETP business contributes roughly 28% to the company's B2C business
- The impact of the changed law is considered to be rather low, as it is not yet clear whether ETPs are affected. There is a rather high probability that the law will change further, and even if it does not, it would presumably result in a slightly lower level of trading activity rather than a complete collapse of the business.

Change in German income taxation as a risk?

While the above described DeGiro acquisition and the incorporated upside potential constitute a significant upside potential to current share price levels, the recent change in the German income tax law is a fly in the ointment.

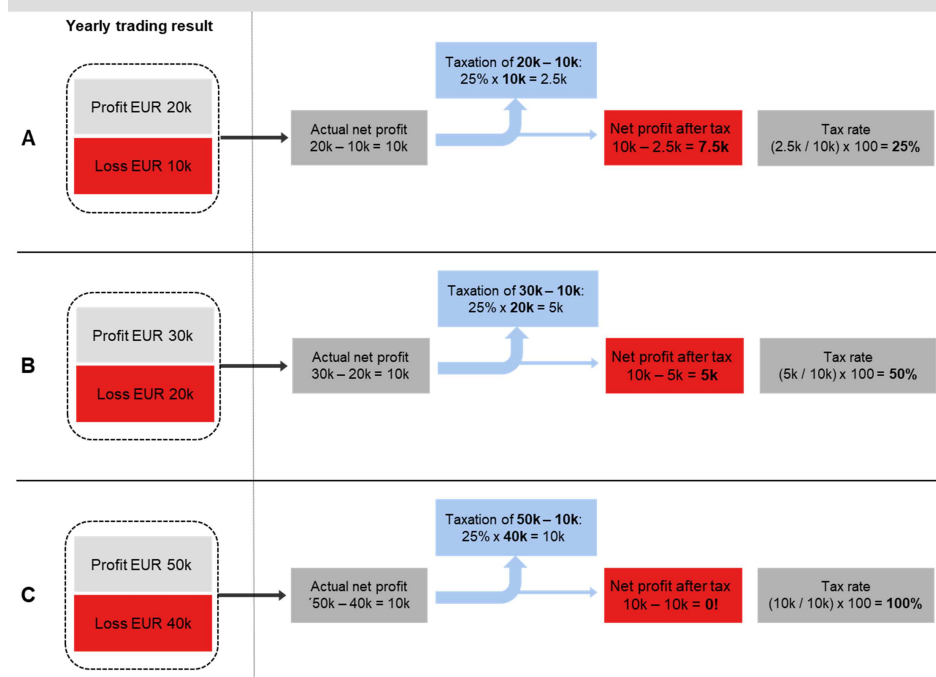
The German tax system includes a general tax rate of 25% on net profits from financial assets. However, a change in the taxation rules stipulates that from 2021 onwards, losses from futures and future-like derivative instruments can only be deducted from profits in the same asset class. Furthermore, a maximum loss of EUR 10k per year can be deducted, while losses exceeding this amount have to be carried forward to subsequent years.

As a result of this change, the taxation of this asset class could change significantly, as the following examples show. All cases are constructed to be handled in one year and profit/losses are purely in the asset class futures:

1. Investor A realises a profit of EUR 20k and losses of EUR 10k, resulting in a net profit of EUR 10k from which taxes are deducted (roughly EUR 2.5k).
2. Investor B realises a profit of EUR 30k and losses of EUR 20k, resulting in a net profit of EUR 10k, while only EUR 10k are deductible for tax purposes. This leads to a taxation of a theoretical net profit of EUR 20k (roughly EUR 5k), while the actual net profit before taxation is similar to A.
3. Investor C realises a profit of EUR 50k and losses of EUR 40k, resulting in a net profit of EUR 10k. Again EUR 10k are deductible, leading to a taxation of theoretically EUR 40k and a tax burden of EUR 10k, eating up the full actual net profit.

In all cases, losses exceeding EUR 10k are carried forward to the following years but are presumably not usable, given unchanged investment and profit/loss profiles.

German futures taxation



Source: Warburg Research

How does this relate to Flatex and our investment case? The total number of trades at the core brand Flatex is split into 17% ETFs, 37% Shares and Bonds and 47% Exchange traded products (ETP). Of these 47% ETPs, many have a derivative character and might be considered future-like instruments by the German law. This in turn could mean that in the worst case, 47% of the German Flatex trades could potentially be affected by the changed taxation. These trades are expected to contribute roughly EUR 57m in revenues to the B2C segment (WRe EUR 200.8m) in 2020e.

However, we consider the impact on Flatex to be limited for the following reasons:

- It is not yet clear whether ETPs are affected by these rules at all as no clear definition is given by the law.
- The legality of the changed law is doubtful in our view. In some cases, the procedure could lead to a tax burden, even though no profits were realised by trading those products. This is completely diametrical to usual taxation rules, which is why another change of the law until 2021 appears likely, and if not we see a high likelihood that, in a judicial review, the Federal Fiscal Court will rule in an investor-friendly manner (as was the case with the former ruling regarding losses from knock-outs).
- Even if the law applies to ETPs, we would rather expect a limitation of the trading activities among the customers trading these products instead of a complete breakdown.
- The average depot volume per customer at Flatex in 2021e is expected to be EUR 37.4k. Taking into consideration that losses up to EUR 10k can further be deducted and 47% of executed trades are ETP trades, the average investor would have to lose 27% of the total average portfolio with nearly half of his trades for the new law to become relevant at all.
- The taxation rules are limited to Germany, while future growth will mostly come from the European expansion and cross-selling, especially of ETP products in European markets. Therefore, the German ETP market will become less and less important for the company.
- Trading in ETPs already contained some taxation risks. For instance, tax authorities did not recognise losses from knock-out certificates in case of a knock-out until the Federal

Fiscal Court decided otherwise. We therefore do not expect any significant change in trading behaviour.

Even though the exact outcome of the changed law, the question whether ETPs are affected or not and further law changes are hard to predict, it makes sense to calculate a scenario. In 2021e, 13.5m trades are expected to be executed at Flatex. With an unchanged ETP proportion of 47%, 6.34m trades should be contributed in this asset class. Assuming that the new law results in a decrease of 33% in ETP trades, this would result in a reduction of 2.09m trades. Further assuming revenues of some EUR 7.80 for ETPs per trade, there would be a negative revenue impact of EUR 16.3m (vs. WRe revenue of EUR 272m for 2021e). This corresponds to some 6% of our current estimates. Even if the net income impact would be considerably higher, it should not exceed 15%.

In summary, we consider this to be a topic that could lead to some uncertainties, but due to the limited economic impact and the high likelihood of a judicial review and former court rulings, we regard the impact on our investment case as negligible but will monitor further developments.

DCF model

Figures in EUR m	Detailed forecast period			Transitional period										Term. Value
	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	
Sales	133	228	266	305	338	368	394	418	439	456	470	484	494	1.5 %
Sales change	6.4 %	71.5 %	16.7 %	14.3 %	11.0 %	9.0 %	7.0 %	6.0 %	5.0 %	4.0 %	3.0 %	3.0 %	2.0 %	
EBIT	31	69	100	125	142	155	166	176	184	192	197	203	207	42.0 %
EBIT-margin	23.6 %	30.2 %	37.4 %	41.0 %	42.0 %	42.0 %	42.0 %	42.0 %	42.0 %	42.0 %	42.0 %	42.0 %	42.0 %	
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 %	32.0 %
NOPAT	21	47	68	85	97	105	113	119	125	130	134	138	141	
Depreciation	9	16	18	23	24	24	24	21	22	23	24	24	25	5.0 %
in % of Sales	6.9 %	7.1 %	6.7 %	7.5 %	7.0 %	6.5 %	6.0 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	
Changes in provisions	0	0	0	6	1	1	1	1	1	1	0	0	0	0
Change in Liquidity from														
- Working Capital	-4	6	3	0	2	2	2	1	1	1	1	1	1	1
- Capex	11	13	13	15	17	18	20	21	22	23	24	24	25	
Capex in % of Sales	8.3 %	5.5 %	4.7 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	
Free Cash Flow (WACC Model)	23	44	70	99	103	110	116	119	125	130	134	138	140	142
PV of FCF	23	41	59	76	72	70	67	63	60	57	53	50	47	
share of PVs	9.41 %			46.96 %										43.63 %

Model parameter

Derivation of WACC:		Derivation of Beta:	
Debt ratio	0.00 %	Financial Strength	1.40
Cost of debt (after tax)	2.1 %	Liquidity (share)	1.40
Market return	7.00 %	Cyclicality	1.70
Risk free rate	1.50 %	Transparency	1.60
		Others	1.40
WACC	9.75 %	Beta	1.50

Valuation (m)

Present values 2031e	739		
Terminal Value	572		
Financial liabilities	19		
Pension liabilities	6		
Hybrid capital	0		
Minority interest	0		
Market val. of investments	0		
Liquidity	12	No. of shares (m)	27.1
Equity Value	1,297	Value per share (EUR)	47.95

Sensitivity Value per Share (EUR)

		Terminal Growth									Delta EBIT-margin						
Beta	WACC	0.75 %	1.00 %	1.25 %	1.50 %	1.75 %	2.00 %	2.25 %	Beta	WACC	-1.5 pp	-1.0 pp	-0.5 pp	+0.0 pp	+0.5 pp	+1.0 pp	+1.5 pp
1.68	10.8 %	41.05	41.45	41.88	42.32	42.79	43.29	43.82	1.68	10.8 %	40.76	41.28	41.80	42.32	42.84	43.37	43.89
1.59	10.3 %	43.48	43.95	44.45	44.97	45.53	46.12	46.74	1.59	10.3 %	43.31	43.86	44.42	44.97	45.53	46.08	46.63
1.55	10.0 %	44.80	45.31	45.85	46.42	47.02	47.67	48.35	1.55	10.0 %	44.70	45.27	45.85	46.42	46.99	47.56	48.13
1.50	9.8 %	46.19	46.74	47.33	47.95	48.61	49.31	50.07	1.50	9.8 %	46.18	46.77	47.36	47.95	48.54	49.13	49.72
1.45	9.5 %	47.66	48.26	48.90	49.58	50.30	51.08	51.90	1.45	9.5 %	47.75	48.36	48.97	49.58	50.19	50.80	51.41
1.41	9.3 %	49.22	49.88	50.58	51.32	52.11	52.96	53.87	1.41	9.3 %	49.43	50.06	50.69	51.32	51.95	52.58	53.21
1.32	8.8 %	52.65	53.43	54.27	55.16	56.12	57.15	58.26	1.32	8.8 %	53.14	53.81	54.49	55.16	55.84	56.51	57.19

- Liquid assets were adjusted for deposit volumes
- A strong EBIT margin expansion until 2022 should be the result of increasing synergies from the DeGiro transaction

Valuation	2015	2016	2017	2018	2019e	2020e	2021e
Price / Book	2.8 x	3.5 x	2.9 x	3.3 x	3.1 x	1.9 x	1.6 x
Book value per share ex intangibles	1.12	1.08	2.84	4.30	2.17	3.28	5.81
EV / Sales	n.a.	n.a.	0.2 x	n.a.	n.a.	2.5 x	1.9 x
EV / EBITDA	n.a.	n.a.	0.7 x	n.a.	n.a.	6.6 x	4.2 x
EV / EBIT	n.a.	n.a.	0.8 x	n.a.	n.a.	8.2 x	5.0 x
EV / EBIT adj.*	n.a.	n.a.	0.8 x	n.a.	n.a.	8.2 x	5.0 x
P / FCF	n.a.	n.a.	n.a.	455.0 x	26.8 x	19.2 x	11.8 x
P / E	n.a.	31.3 x	19.2 x	25.7 x	29.1 x	18.0 x	12.2 x
P / E adj.*	n.a.	16.1 x	19.2 x	25.7 x	29.1 x	18.0 x	12.2 x
Dividend Yield	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
FCF Potential Yield (on market EV)	-1.4 %	-462.8 %	113.5 %	-105.8 %	-18.4 %	11.4 %	17.5 %

*Adjustments made for: -

Company Specific Items	2015	2016	2017	2018	2019e	2020e	2021e
Customer Growth	149600.0	175400.0	201700.4	231955.5	337357.0	916607.0	1080789.5
Transactions Growth	10143.2	10462.5	11104.7	11377.5	13300.0	53990.0	63265.0

Consolidated profit & loss

In EUR m	2015	2016	2017	2018	2019e	2020e	2021e
Sales	75	95	107	125	133	228	266
Change Sales yoy	337.7 %	26.7 %	12.6 %	16.9 %	6.4 %	71.5 %	16.7 %
Increase / decrease in inventory	0	0	0	0	0	0	0
Own work capitalised	0	0	0	0	0	0	0
Total Sales	75	95	107	125	133	228	266
Material expenses	14	25	31	37	37	56	57
Gross profit	61	70	76	88	96	172	209
<i>Gross profit margin</i>	<i>81.9 %</i>	<i>73.2 %</i>	<i>71.0 %</i>	<i>70.5 %</i>	<i>72.0 %</i>	<i>75.6 %</i>	<i>78.5 %</i>
Personnel expenses	24	19	23	22	25	42	44
Other operating income	0	0	0	0	0	0	0
Other operating expenses	18	19	21	24	28	46	48
Unfrequent items	0	0	0	0	-3	0	0
EBITDA	20	31	32	42	41	85	117
<i>Margin</i>	<i>26.1 %</i>	<i>32.2 %</i>	<i>30.0 %</i>	<i>33.9 %</i>	<i>30.5 %</i>	<i>37.3 %</i>	<i>44.0 %</i>
Depreciation of fixed assets	1	2	2	3	3	5	5
EBITA	19	29	30	40	38	80	112
Amortisation of intangible assets	2	3	4	5	7	11	12
Goodwill amortisation	0	0	0	0	0	0	0
EBIT	17	25	26	35	31	69	100
<i>Margin</i>	<i>22.3 %</i>	<i>26.8 %</i>	<i>24.7 %</i>	<i>27.6 %</i>	<i>23.6 %</i>	<i>30.2 %</i>	<i>37.4 %</i>
EBIT adj.	17	25	26	35	31	69	100
Interest income	0	0	0	0	0	0	0
Interest expenses	3	2	1	2	3	4	4
Other financial income (loss)	0	0	0	0	0	0	0
EBT	14	24	25	32	29	65	96
<i>Margin</i>	<i>18.7 %</i>	<i>25.5 %</i>	<i>23.5 %</i>	<i>25.6 %</i>	<i>21.7 %</i>	<i>28.5 %</i>	<i>35.9 %</i>
Total taxes	1	4	8	11	9	21	31
Net income from continuing operations	13	20	17	21	20	44	65
Income from discontinued operations (net of tax)	-16	-8	0	0	0	0	0
Net income before minorities	-3	12	17	21	20	44	65
Minority interest	0	4	0	0	0	0	0
Net income	-3	8	17	21	20	44	65
<i>Margin</i>	<i>-4.1 %</i>	<i>8.9 %</i>	<i>15.7 %</i>	<i>16.8 %</i>	<i>14.8 %</i>	<i>19.4 %</i>	<i>24.4 %</i>
Number of shares, average	16	17	18	20	20	27	27
EPS	-0.19	0.50	0.96	1.08	1.01	1.63	2.40
EPS adj.	-0.19	0.97	0.96	1.08	1.01	1.63	2.40

*Adjustments made for:

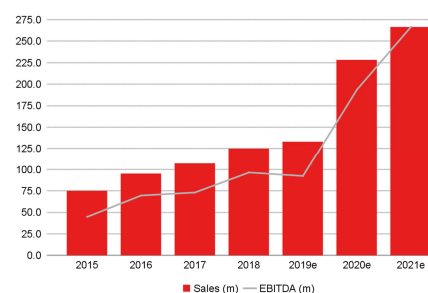
Guidance: 2019: Sales EUR 138m; EBITDA margin of 31%

Financial Ratios

	2015	2016	2017	2018	2019e	2020e	2021e
Total Operating Costs / Sales	73.7 %	67.8 %	70.0 %	66.1 %	67.5 %	62.7 %	56.0 %
Operating Leverage	1.4 x	2.0 x	0.3 x	1.8 x	-1.4 x	1.7 x	2.6 x
EBITDA / Interest expenses	7.3 x	19.1 x	24.9 x	19.4 x	16.2 x	21.3 x	29.3 x
Tax rate (EBT)	6.9 %	16.3 %	32.5 %	34.3 %	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.	n.a.

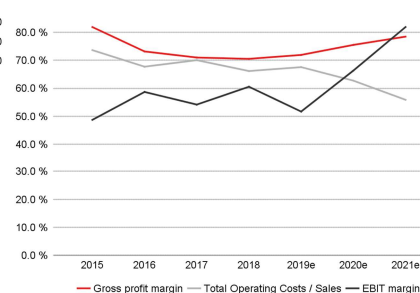
Sales, EBITDA

in EUR m

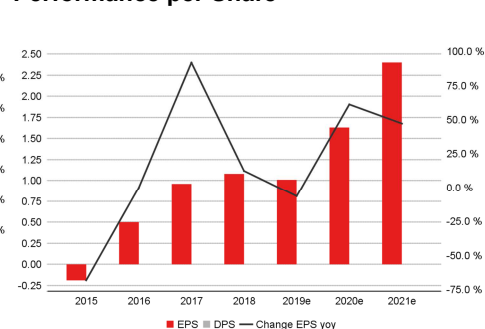


Operating Performance

in %



Performance per Share



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

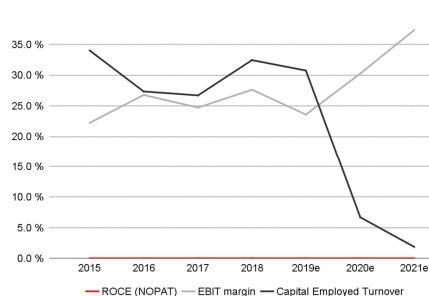
Consolidated balance sheet

In EUR m	2015	2016	2017	2018	2019e	2020e	2021e
Assets							
Goodwill and other intangible assets	54	57	63	83	144	332	328
thereof other intangible assets	25	29	8	11	72	260	257
thereof Goodwill	29	29	29	37	37	37	37
Property, plant and equipment	5	6	7	8	8	7	5
Financial assets	0	1	1	1	1	1	1
Other long-term assets	0	0	26	41	41	41	41
Fixed assets	60	64	97	132	194	381	376
Inventories	1	0	0	0	0	0	0
Accounts receivable	30	9	8	16	13	22	26
Liquid assets	541	389	397	655	646	677	739
Other short-term assets	576	1,072	605	424	424	424	424
Current assets	1,148	1,470	1,010	1,095	1,084	1,123	1,190
Total Assets	1,208	1,534	1,107	1,228	1,278	1,504	1,565
Liabilities and shareholders' equity							
Subscribed capital	17	17	18	19	19	26	26
Capital reserve	49	50	68	101	101	284	284
Retained earnings	7	9	28	47	66	110	175
Other equity components	0	0	0	0	0	0	0
Shareholders' equity	73	76	113	167	186	420	485
Minority interest	13	15	0	0	0	0	0
Total equity	86	91	113	167	187	421	486
Provisions	22	26	18	19	19	19	19
thereof provisions for pensions and similar obligations	4	8	7	6	6	6	6
Financial liabilities (total)	135	114	88	75	105	94	89
thereof short-term financial liabilities	64	60	61	57	87	87	87
Accounts payable	13	6	1	3	4	6	7
Other liabilities	952	1,297	888	964	964	964	964
Liabilities	1,122	1,443	995	1,061	1,091	1,083	1,079
Total liabilities and shareholders' equity	1,208	1,534	1,107	1,228	1,278	1,504	1,565

Financial Ratios

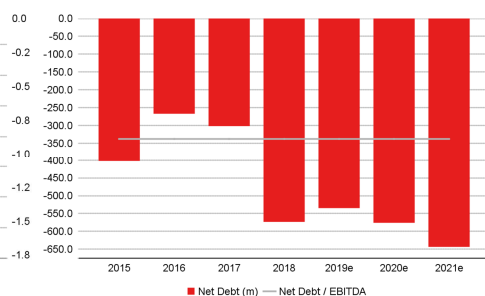
	2015	2016	2017	2018	2019e	2020e	2021e
Efficiency of Capital Employment							
Operating Assets Turnover	3.2 x	11.0 x	7.7 x	6.1 x	7.6 x	10.1 x	11.3 x
Capital Employed Turnover	-0.2 x	-0.5 x	-0.6 x	-0.3 x	-0.4 x	-1.5 x	-1.7 x
ROA	-5.1 %	13.2 %	17.2 %	15.9 %	10.1 %	11.6 %	17.3 %
Return on Capital							
ROCE (NOPAT)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
ROE	-5.0 %	11.3 %	17.9 %	15.1 %	11.1 %	14.6 %	14.3 %
Adj. ROE	-5.0 %	22.0 %	17.9 %	15.1 %	11.1 %	14.6 %	14.3 %
Balance sheet quality							
Net Cash	402	267	302	573	535	576	644
	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Net Gearing	-468.6 %	-295.0 %	-268.1 %	-342.9 %	-286.2 %	-136.9 %	-132.4 %
Net Fin. Debt / EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Book Value / Share	4.4	4.5	6.4	8.5	9.5	15.5	17.9
Book value per share ex intangibles	1.1	1.1	2.8	4.3	2.2	3.3	5.8

ROCE Development



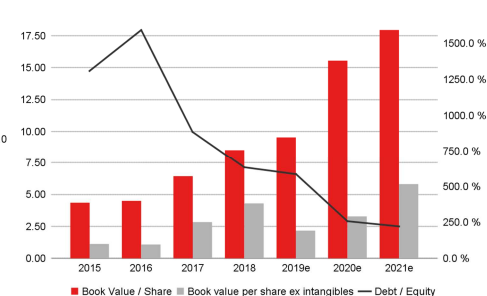
Source: Warburg Research

Net debt in EUR m



Source: Warburg Research

Book Value per Share in EUR



Source: Warburg Research

Consolidated cash flow statement

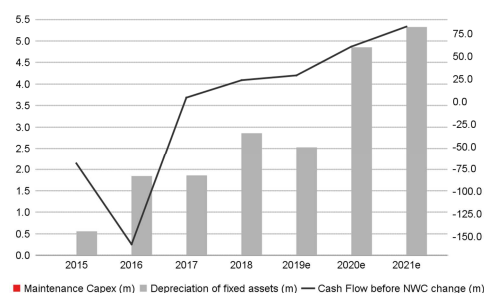
In EUR m	2015	2016	2017	2018	2019e	2020e	2021e
Net income	-3	12	17	21	20	44	65
Depreciation of fixed assets	1	2	2	3	3	5	5
Amortisation of goodwill	0	0	0	0	0	0	0
Amortisation of intangible assets	2	3	4	5	7	11	12
Increase/decrease in long-term provisions	4	3	0	-1	0	0	0
Other non-cash income and expenses	-74	-179	-18	-4	0	0	0
Cash Flow before NWC change	-69	-159	4	23	29	60	83
Increase / decrease in inventory	-1	1	0	0	0	0	0
Increase / decrease in accounts receivable	0	21	1	-8	3	-9	-4
Increase / decrease in accounts payable	12	-8	-5	2	1	3	1
Increase / decrease in other working capital positions	0	0	0	0	0	0	0
Increase / decrease in working capital (total)	11	15	-4	-6	4	-6	-3
Net cash provided by operating activities [1]	-59	-144	0	17	32	54	80
Investments in intangible assets	0	-6	-9	-13	-8	-9	-9
Investments in property, plant and equipment	0	-2	-3	-3	-3	-4	-4
Payments for acquisitions	0	0	0	0	-60	-190	0
Financial investments	44	0	0	0	0	0	0
Income from asset disposals	0	0	0	-11	0	0	0
Net cash provided by investing activities [2]	-47	-9	-13	-28	-71	-203	-13
Change in financial liabilities	7	-3	15	-6	30	-11	-5
Dividends paid	0	0	0	0	0	0	0
Purchase of own shares	0	0	0	0	0	0	0
Capital measures	20	0	18	35	0	190	0
Other	-1	4	-13	3	0	0	0
Net cash provided by financing activities [3]	26	1	20	32	30	179	-5
Change in liquid funds [1]+[2]+[3]	-80	-152	8	22	-9	31	62
Effects of exchange-rate changes on cash	0	0	0	0	0	0	0
Cash and cash equivalent at end of period	541	389	397	655	646	677	739

Financial Ratios

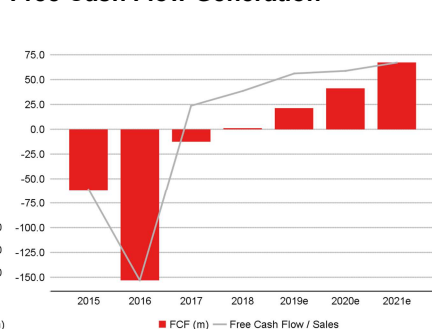
	2015	2016	2017	2018	2019e	2020e	2021e
Cash Flow							
FCF	-62	-153	-12	1	21	41	67
Free Cash Flow / Sales	-83.2 %	-161.2 %	-11.7 %	1.0 %	16.1 %	18.1 %	25.3 %
Free Cash Flow Potential	3	19	24	31	31	64	87
Free Cash Flow / Net Profit	2019.7 %	-1819.4 %	-74.3 %	5.7 %	108.7 %	93.6 %	103.8 %
Interest Received / Avg. Cash	0.0 %	0.1 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Interest Paid / Avg. Debt	4.0 %	1.3 %	1.3 %	2.7 %	2.8 %	4.0 %	4.3 %
Management of Funds							
Investment ratio	0.0 %	8.4 %	11.8 %	13.0 %	8.3 %	5.5 %	4.7 %
Maint. Capex / Sales	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Capex / Dep	0.0 %	155.4 %	225.2 %	208.5 %	119.8 %	77.9 %	71.0 %
Avg. Working Capital / Sales	14.2 %	10.9 %	4.7 %	7.9 %	8.4 %	5.5 %	6.4 %
Trade Debtors / Trade Creditors	224.6 %	146.1 %	788.5 %	558.0 %	355.6 %	347.6 %	350.7 %
Inventory Turnover	12.5 x	76.3 x	92.8 x	196.0 x	198.3 x	296.5 x	305.2 x
Receivables collection period (days)	146	33	26	45	35	35	35
Payables payment period (days)	359	84	11	28	35	41	46
Cash conversion cycle (Days)	-184	-46	18	20	2	-5	-10

CAPEX and Cash Flow

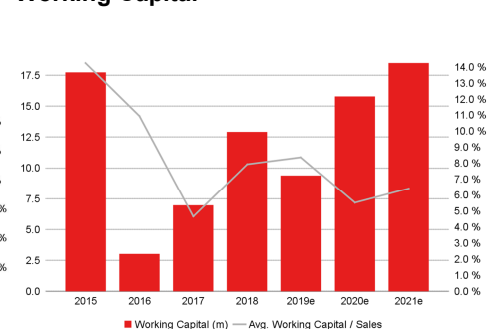
in EUR m



Free Cash Flow Generation



Working Capital



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

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-B-	Buy:	The price of the analysed financial instrument is expected to rise over the next 12 months.
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-S-	Sell:	The price of the analysed financial instrument is expected to fall over the next 12 months.
“-“	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	119	59
Hold	71	35
Sell	8	4
Rating suspended	5	2
Total	203	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	80
Hold	6	15
Sell	0	0
Rating suspended	2	5
Total	41	100

PRICE AND RATING HISTORY FLATEX AS OF 13.02.2020



Markings in the chart show rating changes by Warburg Research GmbH in the last 12 months. Every marking details the date and closing price on the day of the rating change.

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