

22/01/2016 - GBC Research Comment – FinLab AG

Company: FinLab AG^{*5a,11}

ISIN: DE0001218063

Analyst: Felix Gode, CFA

Current price: € 11.00 (XETRA 21/01/2016; 16:06)

Target price: € 12.30

Rating: Buy

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* List of possible conflicts of interest on page 3

In early January 2016 PayPal-founder and star-investor Peter Thiel acquired a stake in Deposit Solutions, one of FinLab's portfolio companies. Therefore GBC-analyst Felix Gode talked to FinLab's member of the board Kai Panitzki about the equity story and the potentials of the investment.

GBC: A couple of days ago you announced that PayPal-founder and star-investor Peter Thiel took a stake in Deposit Solutions, a company you are invested in as well. Can that be seen as the ultimate verification for the young company?

Kai Panitzki: Absolutely. Peter Thiel only invests in companies he is convinced of that they have the potential to deeply disrupt an industry. And he can look back on remarkable success stories with that investment strategy. We also share the opinion that Deposit Solution's platform can change the traditional deposit business drastically. Deposit Solutions has created an open architecture that already today is self-evident for other banking products such as real estate loans or mutual funds, namely to be able to invest in a variety of products of different parties out of only one account or portfolio. Only for overnight and fixed term deposits this possibility wasn't existent. That niche is going to be addressed and filled now.

GBC: In which scope did Peter Thiel invest in Deposit Solutions and who are other investors of the company?

Kai Panitzki: At Deposit Solutions a financing round about EUR 6.5 million was conducted to enable the company to roll-out the business and the international expansion. Peter Thiel took part in that financing round in a scope of EUR 1 million. Besides numerous well-known business angels and investors hold stakes in Deposit Solutions. For example the Otto-Group is also invested via its venture capital company Eventures. Lead-investor is the FinLab AG with a stake of 12.75 %.

GBC: Core product of Deposit Solutions is the deposit platform COMONEA. What exactly is that and what are the advantages that it offers for banks?

Kai Panitzki: COMONEA is a platform that gives banks the opportunity to gain savings deposits from all over Europe without having to operate a retail infrastructure. The savings offers of deposit seeking banks are marketed over a network of local banks and financial advisers directly to German savers. Therewith retail customers can use savings offers of different banks without having to open an additional account at that bank. That one-account-model gives customers the possibility to get an easy access to attractive savings offers all over Europe, out of the existing account at the local bank. Especially in the low interest environment of nowadays this is a huge advantage for customers that search for overnight and fixed term investment opportunities.

GBC AG: And which advantage offers the product to the banks?

Kai Panitzki: Banks seeking for deposits have the advantage to get access to them without having to operate an own retail-infrastructure. For example, a Spanish bank without branch offices in Germany can gain savings deposits here. This is convenient and cost effective for the bank. The customer's local bank however keeps the customer relationship and remains to be the partner to contact. On the other hand banks also can use the platform to reduce excess liquidity, for example if they temporarily want to drive down their deposit volume. Especially now many banks even have too much deposit volume. Now they can remove deposits to other banks without losing their own customers. Exactly with that purpose, for example, this week Deposit Solutions announced having gained flatex as a cooperation partner, one of Germany's leading online broker with more than 150,000 clients and customer deposits of more than EUR 1 billion. The product offers an absolute win-win-situation for all parties involved.

GBC: That sounds like an interesting market. Is it possible to quantify the market potential?

Kai Panitzki: Yes, that can be estimated easily. In Europe alone we talk about saving deposits of EUR 9 trillion - that are 9,000 billion! That makes up a third of all financial assets. Accordingly it can be imagined how huge the potential of the product is and which possibilities may open up. Especially international offers have not been used much so far and COMONEA now opens up completely new options for the international deposit business.

GBC: Currently the platform is in an early stage. How is the current status and how many banks are using the platform yet?

Kai Panitzki: The company has built up the platform over the past couple of years and currently left the beta-phase. Now, over the upcoming months the business will be scaled up. Currently already four banks are using the platform of which two are German and two are international banks. Furthermore the company is in negotiations with several other banks so that we expect a distinct increase of choice for customers during the course of the year 2016.

GBC: Deposit Solutions not only offers its service for banks, but also has launched an own product for retail customers. Is it correct that ZINSPILLOT addresses retail customers directly?

Kai Panitzki: Yes, ZINSPILLOT is a platform on which overnight and fixed term deposits of third party banks can be accessed directly by the retail customer. For doing that the customer does not need further accounts at the third party banks and therewith can easily and comfortably take advantage of the best savings offers. What the customer is used to for a long time already with stocks or mutual funds does now also work for overnight and fixed term deposits.

GBC: Is Deposit Solutions in competition with other providers of similar products and what makes COMONEA unique?

Kai Panitzki: Of course there is competition also in that industry. What differentiates us from other platforms is that those only operate as lead generators and interfere customers to other banks. With the solution of Deposit Solutions the customer instead can easily buy interest products out of his existing account at his local bank. The customer's local bank fiducially executes the transaction on behalf of the customer and remains his con-

tact partner in all matters. At the savings bank the customer deposits are classified as retail deposits and are guaranteed by law under the particular jurisdiction. The one-account-model is a clear USP on the market.

GBC conclusion:

Having Peter Thiel as an investor Deposit Solutions has made a huge step forward. Most of all should the investment of the PayPal-founder cause further attraction to other investors. Also should the raised publicity be supportive for the upcoming roll-out across Europe. Besides that we assess the business model of Deposit Solutions as very promising. With the product COMONEA the company pushes forward into a niche that is not yet filled. With a market volume of EUR 9 trillion in deposits that area offers an enormous potential which the company with a high probability will be able to raise because of its early mover advantage.

Therefore the 12.75 % investment in Deposit Solutions should conceal some hidden reserves which should be possible to be raised during the coming periods, having a value increasing effect on FinLab's investment portfolio.

For now we leave our current target price of EUR 12.30 unchanged and will undertake an intense reassessment and revaluation of FinLab's investment portfolio after the annual report for the business year 2015 is published. The rating BUY endures.

ANNEX

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The analysts responsible for this analysis are:

Felix Gode, CFA, Dipl. Wirtschaftsjurist (FH), stellv. Chefanalyst

Other persons involved:

Manuel Hölzle, Dipl. Kaufmann, Chef-Analyst

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GBC AG
Halderstraße 27
D 86150 Augsburg
Tel.: 0821 24 11 33 -0
Fax.: 0821 24 11 33 -30
Internet: <http://www.gbc-ag.de>
e-Mail: compliance@gbc-ag