

**wallstreet:online** (WS01 GY) | Media

May 25, 2021

## Smart, smarter, Smartbroker - disrupting the brokerage market

We initiate coverage with a Buy recommendation: Based on its approx. 320m monthly page impressions (Apr 2021), w:o is the 2nd largest operator of online finance portals in the German speaking Europe. Revenue generation is mainly coming from advertising placements on these portals. The portal readers have an above-average household income, show interest in fin. markets and thus, represent an attractive target group for advertisers. This has brought revenues to EUR 28m in FY 2020. To further leverage the strong customer base, w:o launched its low cost broker "Smartbroker" in Dec 2019 which should clearly be the main growth driver going forward. The overall environment for online brokers remains strong, e.g. recently, the number of stockholders in Germany has risen to its highest level in 20 years. No custody fees, a broad selection of trading venues, a diversified product range (incl. more than 18,000 investment funds) and finally, low trading fees (between EUR 0 and EUR 4) - these are some of the ingredients for Smartbroker's differentiating offer in the market. We expect the Smartbroker to reach a revenue of almost EUR 60m by 2024 - this corresponds to annual growth of 43%. In addition, the Smartbroker is in our view highly scalable and should thus, considerably contribute to group earnings going forward once further established in the market.

**Valuation:** Our PT of EUR 35 is based on our DCF which captures the growth prospects and the headroom for margin improvements.

Fundamentals (in EUR m)	2018	2019	2020	2021e	2022e	2023e
Sales	8	9	28	57	73	89
EBITDA	3	4	7	7	19	30
EBIT	3	4	7	6	18	29
EPS adj. (EUR)	1.94	1.06	0.30	0.27	0.86	1.39
EBITDA adj.	3.5	3.7	4.3	6.6	18.9	30.1
DPS (EUR)	0.00	0.00	0.00	0.00	0.00	0.00
BVPS (EUR)	11.56	15.08	2.18	2.45	3.31	4.71
Net Debt incl. Provisions	-9	-4	-3	-0	-11	-30
Ratios	2018	2019	2020	2021e	2022e	2023e
EV/EBITDA	-1.2	1.9	30.4	53.6	18.2	10.8
EV/EBIT	-1.2	1.9	32.2	58.7	18.9	11.1
P/E adj.	1.6	6.0	50.5	91.6	28.7	17.7
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA margin (%)	44.7	43.3	25.0	11.7	26.0	33.7
EBIT margin (%)	43.8	43.1	23.6	10.7	25.0	32.7
Net debt/EBITDA	-2.7	-1.2	-0.5	-0.1	-0.6	-1.0
ROE (%)	30.3	8.2	14.6	11.6	29.9	34.8
PBV	0.3	0.4	6.9	10.1	7.5	5.2

Sources: Refinitiv, Metzler Research

**Buy** initiation of coverage

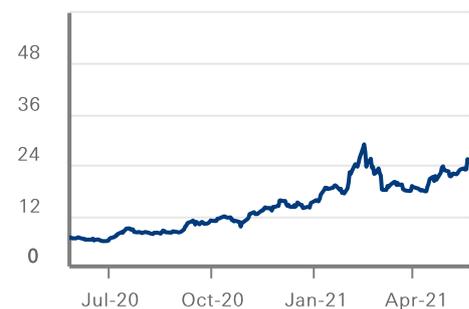
**Price\*** EUR 24.70

**Price target** EUR 35.00

\* XETRA trading price at the close of the previous day unless stated otherwise in the Disclosures

Market Cap (EUR m)	355
Enterprise Value (EUR m)	355
Free Float (%)	37.3

Price (in EUR)



Performance (in %)	1m	3m	12m
Share	18.2	12.8	260.6
Rel. to SDAX	19.4	7.9	152.0

Sources: Refinitiv, Metzler Research

### Sponsored Research



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# company report

## Content

<b>Key Data</b>		3
<b>Executive Summary</b>		4
<b>Investment Case</b>	Business Model of wallstreet:online	8
	History of wallstreet:online	11
	w:o management board	12
	Shareholder Structure	14
	Smartbroker has all ingredient to establish as a leading broker in Germany	15
	Our estimates for the Smartbroker	28
	Social & Media - benefiting from the continuous trend towards digital marketing	32
	Our estimates for the Social & Media division	36
	Financials - FY 2021 guidance looking conservative	37
<b>Valuation</b>	Our DCF Analysis	41
	Valuation of the Smartbroker	43
<b>Balance sheet</b>		44
<b>Profit &amp; loss account</b>		45
<b>Cash flow/ratios/valuation</b>		46
<b>Disclosures</b>		47

# company report

## Key Data

### Company profile

CEO: Matthias Hach CFO: Roland Nicklaus Berlin, Germany  
 wallstreet.online was founded in 1998 and is headquartered in Berlin. Through its "Social & Media" division, the Company operates wallstreet-online.de, Germany's largest finance community, which, together with three further finance portals, generates approx. 320m page impressions per month (April 2021). wallstreet.online AG is also the operator of the Smartbroker. Smartbroker was launched in December 2019, and has established itself as Germany's #1 neobroker by assets under management and #2 by number of clients. In addition, the company operates an independent online financial intermediary business through its Classic Transaction division.

### Major shareholders

Andre Kolbinger / AKD Private Equity (60.7%), Management (2%)

### Key figures

P&L (in EUR m)	2018	%	2019	%	2020	%	2021e	%	2022e	%	2023e	%
<b>Sales</b>	<b>8</b>	<b>49.9</b>	<b>9</b>	<b>10.0</b>	<b>28</b>	<b>227.5</b>	<b>57</b>	<b>102.6</b>	<b>73</b>	<b>28.4</b>	<b>89</b>	<b>22.6</b>
<b>EBITDA</b>	<b>3</b>	<b>71.4</b>	<b>4</b>	<b>6.6</b>	<b>7</b>	<b>89.0</b>	<b>7</b>	<b>-5.5</b>	<b>19</b>	<b>186.2</b>	<b>30</b>	<b>58.9</b>
EBITDA margin (%)	44.7	14.3	43.3	-3.1	25.0	-42.3	11.7	-53.3	26.0	122.9	33.7	29.6
<b>EBIT</b>	<b>3</b>	<b>80.4</b>	<b>4</b>	<b>8.3</b>	<b>7</b>	<b>79.2</b>	<b>6</b>	<b>-8.5</b>	<b>18</b>	<b>201.0</b>	<b>29</b>	<b>60.3</b>
EBIT margin (%)	43.8	20.3	43.1	-1.5	23.6	-45.3	10.7	-54.8	25.0	134.4	32.7	30.8
<b>Financial result</b>	<b>0</b>	<b>n.m.</b>	<b>-1</b>	<b>-362.5</b>	<b>-1</b>	<b>24.2</b>	<b>-1</b>	<b>-1.3</b>	<b>-1</b>	<b>0.1</b>	<b>-1</b>	<b>-5.1</b>
<b>EBT</b>	<b>4</b>	<b>92.4</b>	<b>3</b>	<b>-17.4</b>	<b>6</b>	<b>102.0</b>	<b>6</b>	<b>-9.3</b>	<b>18</b>	<b>219.6</b>	<b>29</b>	<b>61.9</b>
Taxes	-0	-237.0	-1	-164.5	-2	-63.1	-2	9.3	-5	-219.6	-9	-61.9
Tax rate (%)	-11.6	n.a.	-37.2	n.a.	-30.0	n.a.	-30.0	n.a.	-30.0	n.a.	-30.0	n.a.
Net income	3	82.1	2	-41.3	4	125.0	4	-9.3	12	219.6	20	61.9
Minority interests	0	n.a.	0	n.a.	0	n.a.						
<b>Net Income after minorities</b>	<b>3</b>	<b>82.1</b>	<b>2</b>	<b>-41.3</b>	<b>4</b>	<b>125.0</b>	<b>4</b>	<b>-9.3</b>	<b>12</b>	<b>219.6</b>	<b>20</b>	<b>61.9</b>
Number of shares outstanding (m)	2	63.4	2	7.8	14	699.0	14	0.0	14	0.0	14	0.0
<b>EPS adj. (EUR)</b>	<b>1.94</b>	<b>11.5</b>	<b>1.06</b>	<b>-45.5</b>	<b>0.30</b>	<b>-71.8</b>	<b>0.27</b>	<b>-9.3</b>	<b>0.86</b>	<b>219.6</b>	<b>1.39</b>	<b>61.9</b>
<b>DPS (EUR)</b>	<b>0.00</b>	<b>n.a.</b>	<b>0.00</b>	<b>n.a.</b>	<b>0.00</b>	<b>n.a.</b>	<b>0.00</b>	<b>n.a.</b>	<b>0.00</b>	<b>n.a.</b>	<b>0.00</b>	<b>n.a.</b>
Dividend yield (%)	0.0	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.
<b>Cash Flow (in EUR m)</b>	<b>2018</b>	<b>%</b>	<b>2019</b>	<b>%</b>	<b>2020</b>	<b>%</b>	<b>2021e</b>	<b>%</b>	<b>2022e</b>	<b>%</b>	<b>2023e</b>	<b>%</b>
<b>Gross Cash Flow</b>	<b>3</b>	<b>60.4</b>	<b>3</b>	<b>-15.4</b>	<b>5</b>	<b>100.3</b>	<b>5</b>	<b>-4.2</b>	<b>14</b>	<b>175.1</b>	<b>21</b>	<b>57.7</b>
<b>Increase in working capital</b>	<b>-0</b>	<b>n.a.</b>	<b>2</b>	<b>n.a.</b>	<b>0</b>	<b>n.a.</b>	<b>1</b>	<b>n.a.</b>	<b>0</b>	<b>n.a.</b>	<b>1</b>	<b>n.a.</b>
<b>Capital expenditures</b>	<b>0</b>	<b>n.a.</b>	<b>0</b>	<b>100.0</b>	<b>1</b>	<b>109.3</b>	<b>2</b>	<b>171.0</b>	<b>2</b>	<b>-19.7</b>	<b>1</b>	<b>-36.2</b>
D+A/Capex (%)	35.5	n.a.	4.0	n.a.	46.8	n.a.	25.0	n.a.	40.0	n.a.	76.9	n.a.
<b>Free cash flow (Metzler definition)</b>	<b>3</b>	<b>401.9</b>	<b>0</b>	<b>-93.3</b>	<b>4</b>	<b>n.m.</b>	<b>2</b>	<b>-51.3</b>	<b>11</b>	<b>444.9</b>	<b>20</b>	<b>75.0</b>
Free cash flow yield (%)	60.0	n.a.	1.8	n.a.	2.0	n.a.	0.6	n.a.	3.2	n.a.	5.6	n.a.
Dividend paid	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
<b>Free cash flow (post dividend)</b>	<b>3</b>	<b>401.9</b>	<b>0</b>	<b>-93.3</b>	<b>4</b>	<b>n.m.</b>	<b>2</b>	<b>-51.3</b>	<b>11</b>	<b>444.9</b>	<b>20</b>	<b>75.0</b>
<b>Balance sheet (in EUR m)</b>	<b>2018</b>	<b>%</b>	<b>2019</b>	<b>%</b>	<b>2020</b>	<b>%</b>	<b>2021e</b>	<b>%</b>	<b>2022e</b>	<b>%</b>	<b>2023e</b>	<b>%</b>
<b>Assets</b>	<b>21</b>	<b>326.7</b>	<b>36</b>	<b>73.3</b>	<b>50</b>	<b>39.7</b>	<b>55</b>	<b>10.0</b>	<b>68</b>	<b>23.1</b>	<b>89</b>	<b>30.1</b>
<b>Goodwill</b>	<b>0</b>	<b>225.8</b>	<b>0</b>	<b>0.0</b>	<b>10</b>	<b>n.m.</b>	<b>15</b>	<b>50.0</b>	<b>15</b>	<b>0.0</b>	<b>15</b>	<b>0.0</b>
<b>Shareholders' equity</b>	<b>19</b>	<b>840.1</b>	<b>27</b>	<b>40.6</b>	<b>31</b>	<b>15.6</b>	<b>35</b>	<b>12.4</b>	<b>48</b>	<b>35.1</b>	<b>68</b>	<b>42.1</b>
Equity/total assets (%)	92.9	n.a.	75.4	n.a.	62.4	n.a.	63.7	n.a.	69.9	n.a.	76.4	n.a.
<b>Net Debt incl. Provisions</b>	<b>-9</b>	<b>-178.0</b>	<b>-4</b>	<b>51.4</b>	<b>-3</b>	<b>27.4</b>	<b>-0</b>	<b>89.8</b>	<b>-11</b>	<b>n.m.</b>	<b>-30</b>	<b>-173.0</b>
thereof pension provisions	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Gearing (%)	-48.0	n.a.	-16.6	n.a.	-10.4	n.a.	-0.9	n.a.	-23.4	n.a.	-45.0	n.a.
Net debt/EBITDA	-2.7	n.a.	-1.2	n.a.	-0.5	n.a.	-0.1	n.a.	-0.6	n.a.	-1.0	n.a.

Sources: Refinitiv, Metzler Research

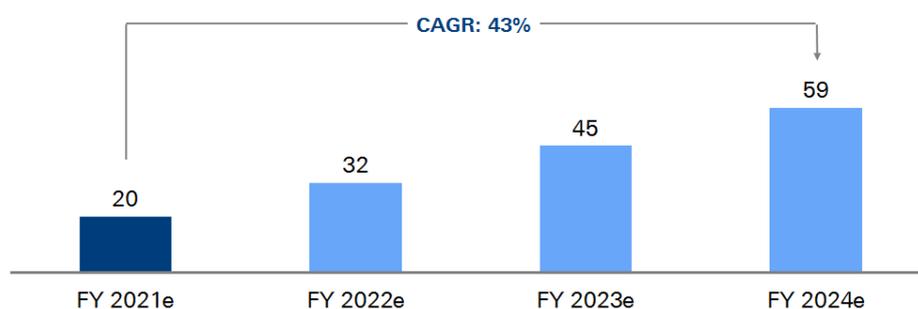
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## Executive Summary

- Smartbroker - the main growth driver going forward:** wallstreet:online launched its low / zero-fee neobroker Smartbroker in December 2019. The Smartbroker is a white-label broker, which means the external German DAB (BNP Paribas) provides the technological base. The overall environment for on-line brokers in the German market remains strong: The German stock market is experiencing a prolonged upturn, partly as a result of the global Covid-19 pandemic, but also due to low/ negative interest rates, and the increased availability of easy and consumer-friendly ways to access the stock market. The number of stockholders in Germany has recently risen to its highest level in 20 years. The Smartbroker, which has already won more than 135k high-quality customers (average portfolio size of EUR 27k as of Q1/21) and accumulated nearly EUR 4bn of AUM since its launch, should also be a main beneficiary of this underlying trend. No custody fees, a broad selection of trading venues (12 stock exchanges), a broad product range (incl. more than 18,000 investment funds) and finally, low trading fees (between EUR 0 and EUR 4) - these are some of the ingredients for the Smartbroker's differentiating offer in the market. Its strong offering has already been recognised by multiple prizes including #1 ranking awarded by German financial daily Handelsblatt in its May 2021 brokerage test and #1 for cost by Euro am Sonntag. We expect the Smartbroker to reach a revenue of almost 60m by 2024 - this corresponds to annual growth in the FY 2021 - FY 2024 period of 43%. This strong growth should also be gradually reflected in the valuation level. In this context please note that only recently, the German online broker Trade Republic (1m customers) conducted another financing round. Around USD 900m were raised, which corresponds to a valuation of around USD 5bn, making Trade Republic one of the most valuable European FinTechs.

### Smartbroker: Expected revenue development

In EUR m



Sources: Company data, Metzler Research

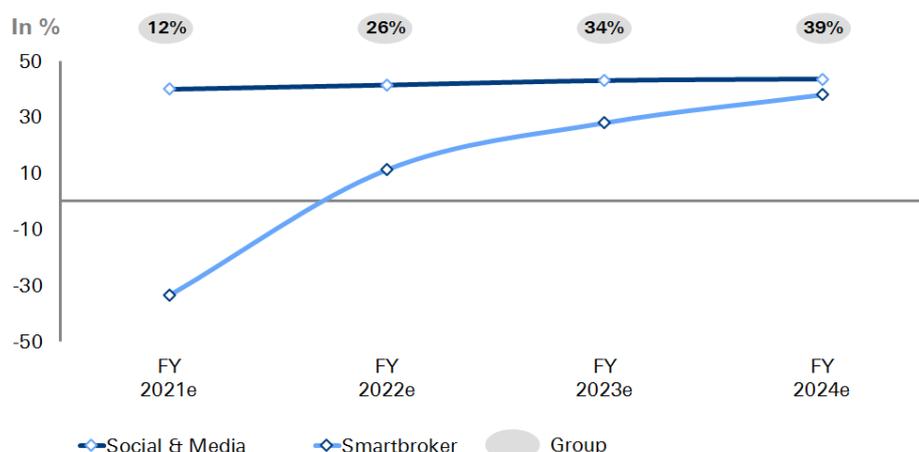
- Social & Media - benefiting from the continuous trend towards digital marketing:** wallstreet-online.de is one of the longest-established finance information portals in German-speaking Europe, its launch dating back to 1998. Together with wallstreet:online's sister portals ariva.de, boersennews.de and

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finanznachrichten.de, the Social & Media division generates approx. 320m monthly page impressions (as of April 2021), a close second only behind Axel Springer's finanzen.net. Revenue generation is mainly coming from advertising placements on the online finance portals - customers include large financial institutions such as HSBC and UBS but also listed (foreign) corporates. The underlying market remains attractive in our view: Already today, global advertisers invest more than USD 330bn in digital marketing. According to the recent Statista Digital Marketing Outlook, global spending for digital marketing are expected to grow annually by almost 7%. We expect the division to continue to benefit from the continuous trend towards digital marketing. The reason for this is not only the wide reach of the available portals. The users of the portals are mainly small investors with a high affinity for financial and economic topics, a high level of education, and finally, an above-average income. We expect revenues to increase to slightly above EUR 40m by FY 2024. This corresponds to a sales CAGR of 10%.

- **Margins only temporarily impacted by investments into the Smartbroker:** With its bread-and-butter portal business, wallstreet:online already generates attractive EBITDA margins of around 40% and thus, has successfully proven its ability to scale operations. However, group margins in FY 2021 will be strongly impacted by marketing investments into the Smartbroker (Guidance: around EUR 12m). This is a reasonable investment in our view, as the Smartbroker is still in its infancy. However, we believe that the Smartbroker operations are highly scalable. Over the next years, the marketing to sales ratio for the Smartbroker should significantly decline, once the brand has further been established in the market. The introduction of the Smartbroker app, which should allow to address a younger target group utilising more economic marketing channels, should further reduce marketing expenses. Thus, group margins should considerably recover again over the next years and reach the strong levels seen in the past.

## EBITDA margins by segment



Source: Company data, Metzler Research

- **Experienced management team:** With its new board setup, wallstreet:online has in our view now laid the foundation for accelerating growth going

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forward. In March this year, Matthias Hach was appointed as new CEO of the company. He is an online banking and brokerage expert and worked for more than 20 years for several leading companies in this space, including Flatex GmbH, ViTrade AG and eTrade Europe. Mr. Hach was also Chief Marketing Officer of comdirect Bank AG, Germany's largest first-generation online bank and broker. In addition, Roland Nicklaus became the new CFO of w:o in April this year. Prior to his appointment as CFO, he already served on w:o's supervisory board for almost 13 years and has more than 25 years of experience in the financial industry, including roles with the investment banks Salomon / Citi and Rothschild.

# company report

## wallstreet:online - SWOT Analysis

### Strengths

- **Smartbroker** is already among the most successful neobrokers in Germany with **135k customers** (with above-average assets under management)
- **Established bread-and-butter Social & Media business** (No.2 finance portal in the German speaking Europe)
- **Attractive underlying market** among others driven by the continuous shift to digital marketing
- **High barriers to entry** in the Social & Media business
- Social & Media business generates **attractive EBITDA margins** of above 40%
- **Diversified business model**
- **Highly experienced management team** with a long-standing expertise in the sector

### Weaknesses

- Brokerage market in Germany has become **increasingly competitive** following the launch of numerous low cost brokers
- **Lower marketing power** compared to more established brokers
- Low market capitalization and **low liquidity** in the shares

### Opportunities

- **High synergies** between the Social & Media and the transaction business that might be realized going forward
- Based on current marketing investments, the Smartbroker with its strong offering has the **potential to become the leading low cost broker** in Germany
- **Share boom in Germany** should be sustainable among others driven by a lack of investment alternatives - Smartbroker should continuously benefit from this underlying trend
- Smartbroker is **highly scalable** and has the potential to generate margins even exceeding those of the portal business
- Ample room for **new product introductions**

### Threats

- **Regulation** with regard to low cost brokers might be altered to the disadvantage of neobrokers
- **Established brokers** might also enter the low cost brokerage market and have the financial resources to significantly invest into marketing
- **End of Covid-19** pandemic might result in weakening operating momentum
- **Share boom in Germany** might come to an end which might negatively impact operations of w:o
- w:o might **fail to scale the Smartbroker** business - marketing spendings might remain at high levels resulting in lower mid- to long-term margins than expected

Source: Metzler Research

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## Investment Case

### Business Model of wallstreet:online

#### A diversified business model

wallstreet:online was founded in 1998 and is headquartered in Berlin (Germany). Its approx. 200 employees are located in Berlin, Kiel, Leipzig and Munich. The company is operating with three divisions: Through its "Social & Media" division, the Company operates the finance portal wallstreet-online.de, which, together with three further finance news and information portals, generates in excess of 300m page impressions per month. The division stands for approx. 55% of FY 2021 group revenues (M'e). Furthermore, wallstreet:online is the operator of the Smartbroker, which was launched in December 2019. The Smartbroker has already established itself as Germany's #1 neobroker by assets under management and #2 by number of clients, and is expected to generate approx. 35% of FY 2021 group revenues (M'e). Finally, the company operates an independent online financial intermediary business through its Classic Transaction division (approx. 10% of M'e FY 2021 group revenues).

#### Divisions of wallstreet:online

##### Social & Media



##### Smartbroker



##### Classic Transaction



Source: Company data, Metzler Research

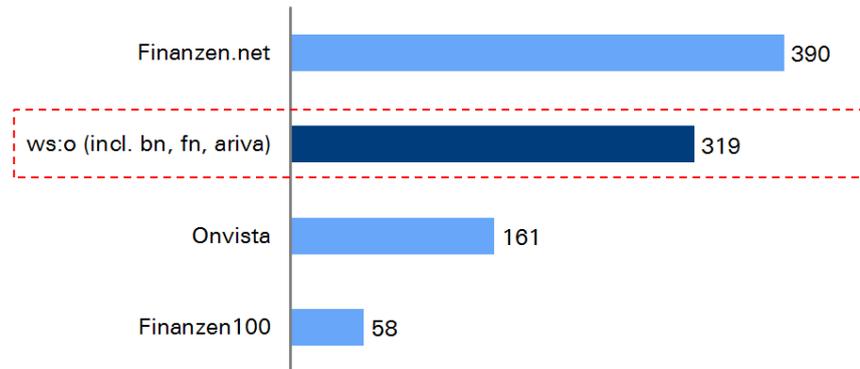
#### Social & Media: Revenue generation through advertisement placements

wallstreet:online still generates the majority of revenues with its portfolio of online finance portals, which target retail investors. Based on its approx. 320m monthly page impressions (as of April 2021), the company is the second-largest player in this space in the German speaking area. Revenue generation is mainly coming from advertising placements on these online finance portals. The predominantly male portal readers of wallstreet:online have an above-average household income and show interest in financial markets. Therefore, they are representing an attractive target group for advertisers as well as financial institutions. Reputable advertising customers of wallstreet:online are for example HSBC, Morgan Stanley, UBS or Vontobel.

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## Largest German finance portals

Page impressions (in m) as of Apr 2021



Sources: IVW, Company data, Metzler Research

In the following, we provide a brief overview on the current online finance portal portfolio:

- **wallstreet-online.de:** With approx. 500,000 registered users, wallstreet-online.de has the largest online finance community in Germany. Community members can discuss individual stocks or investment trends. wallstreet-online.de also offers for its readers a large content portfolio, including stock market news and real-time stock quotes. The portal is focused on desktop users.
- **Finanznachrichten.de:** This online finance portal has been acquired at the beginning of 2019. It provides stock market news from over 400 external sources and summaries of broker recommendations on individual stocks.
- **Ariva.de:** The online finance portal is specialized in providing information on structured financial products. Similar to wallstreet-online.de, it also has its own finance community. Ariva.de has been acquired in mid-2019.
- **Boersennews.de and Smart Investor:** Boersennews.de is one of the smaller online finance portals of the company and is well-known for its stock market app. The focus is clearly on mobile users. wallstreet:online purchased it at the beginning of 2018. The Smart Investor is a monthly published stock market magazine with a print run of 5,000 to 6,000 copies, acquired in mid-2019.

### Smartbroker: #1 neobroker by assets under management in Germany

wallstreet:online launched its own low-cost online broker Smartbroker in December 2019. This move allows the company to participate in the attractive growth momentum in the German online brokerage market. The Smartbroker is a white-label broker, which means the external German DAB bank provides the technological base. Product offerings for customers include stock and derivatives trading, but also monthly saving plans with individual stocks, funds or ETFs. Revenues of the Smartbroker are mainly generated by:

- **Transaction fees** - Dependent on trading venue
- **Portfolio commissions** - Generating income from securities portfolios held, for example when investment funds pay the broker a portfolio commission

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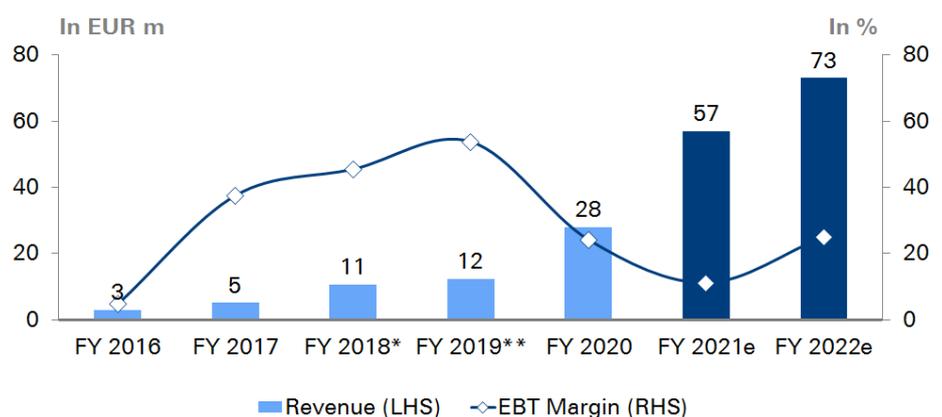
- **Payment from exchanges** - Exchanges offer rebates to trading platforms if the broker directs trading volume to that exchange, providing liquidity and revenue-generating volume to the exchange
- **Payments from issuers & ETF providers** - Issuers pay commissions to the broker platform to promote their own products in a targeted manner
- **Placement fees & security loans** - An attractive way to lend remaining liquidity profitably to own customers acting as a sales support

Within the tough competitive market environment, the Smartbroker competes with established players such as flatexDegiro or Comdirect via below-average order fees (between EUR 0-4 per order) and cheap saving plans (~0.2% one-time fee). Such conditions especially attract younger investors, which are less willing to pay high brokerage fees. An important competitive advantage for wallstreet:online is that it can use the wide reach of its online finance portals for customer acquisition and advertising. Currently, Smartbroker users can only trade via their browsers. However, wallstreet:online already works on an app and intends to integrate the Smartbroker into its online finance portals to improve the user experience.

**Classic Transactions: Fondsdiscout.de is a leading online intermediary for funds and online brokerage accounts**

Via the website fondsdiscout.de of its subsidiary wallstreet:online capital, acquired in 2018, the company is active as one of the leading domestic online intermediaries for funds and investment products. An execution-only approach at fondsdiscout.de allows customers to benefit from low fund charges and special online brokerage account conditions of exclusive partners. This platform model enables wallstreet:online to generate recurring revenues via annual fees based on the customer account volumes at its brokerage partners. In addition, the company receives one-time sales commissions at certain product groups such as closed-end funds.

## Financial development



\* wallstreet:online AG and MIM GmbH \*\* incl. Finanznachrichten (excl. w:o capital AG, Ariva.de, Smartinvestor)  
Sources: Company data, Metzler Research

# company report

## History of wallstreet:online

### **Founded in 1998 - stock corporation since 2000**

The company's origins date back to 1998, the year in which wallstreet:online emerged from GIS Wirtschaftsdaten GmbH, which was founded in 1998. From the beginning, the company's activities focused on marketing the financial portal [www.wallstreet-online.de](http://www.wallstreet-online.de). In 2000, GIS Wirtschaftsdaten GmbH was renamed wallstreet:online GmbH. In the same year, the company changed its legal form to a stock corporation. In addition, two successful capital increases were placed in which, among others, the venture capital companies 3i and T-Venture could be attracted as shareholders. Three years later, the Kolbinger family took over all outstanding shares, which until then had been held by financial investors. As a result, the company was restructured and repositioned under the leadership of Andre Kolbinger.

### **Acquisitions to further accelerate growth**

In 2006, the company's shares were included in the Regulated Unofficial Market of the Frankfurt Stock Exchange. Around one year later, the majority of the shares were acquired by the Axel Springer Verlag. This was followed by a move to the Entry Standard in the same year. About three years after the takeover by Axel Springer, Andre Kolbinger bought back 75% of the shares of wallstreet:online AG. In the following years, the strategic expansion of the company was significantly accelerated. The first move was the merger with Markets Inside Media GmbH (operator of the finance portal [www.boersennews.de](http://www.boersennews.de)). Inorganic growth was now driven forward: In 2019, the acquisition of ABC New Media AG with its financial information portal [www.finanznachrichten.de](http://www.finanznachrichten.de) took place. The acquisition of Ariva.de and Smartinvestor took place in the same year.

### **Controlling interest in w:o capital & joint launch of Smartbroker**

In addition, an investment in wallstreet:online capital AG was approved by the Bafin. As the operator of [FondsDiscount.de](http://FondsDiscount.de), wallstreet:online capital belongs to the largest bank-independent online discount investment brokers in Germany. In addition, wallstreet:online capital's full-service broker Smartbroker was launched in December 2019. In spring 2020, the exercise of the option to acquire a controlling interest in wallstreet:online capital AG was announced. In addition, in May 2020, a cooperation agreement was concluded on the financing of an acquisition of a portfolio of retail customers of Volkswagen Bank GmbH in the amount of EUR 5m. In April of this year, an agreement was concluded with Thomas Soltau, member of the Management Board of wallstreet:online capital AG, on the acquisition of a stake of approximately 19.3% in wallstreet:online capital AG. Together with the last acquisition transactions, the Company's total shareholding in wallstreet:online capital AG will exceed the 95% threshold following the successful completion of the ongoing owner control process.

**The following graphic provides an overview of the key milestones of wallstreet:online:**

# company report

## Key milestones of wallstreet:online

Date	Event
1998	Foundation of GIS Wirtschaftsdaten GmbH
2000	GIS Wirtschaftsdaten GmbH was renamed wallstreet:online GmbH. In the same year, the company changed its legal form to a stock corporation
2003	Kolbinger family took over all outstanding shares, which until then had been held by financial investors
2006	Shares were included in the Regulated Unofficial Market of the Frankfurt Stock Exchange
2007	The majority of the shares were acquired by Axel Springer Verlag
2010	Andre Kolbinger bought back 75% of the shares of wallstreet:online AG
2018	Merger with Markets Inside Media GmbH (operator of the finance portal <a href="http://www.boersennews.de">www.boersennews.de</a> )
2019	Acquisition of ABC New Media AG with its financial information portal <a href="http://www.finanznachrichten.de">www.finanznachrichten.de</a>
2019	Acquisition of Ariva.de and Smartinvestor
2019	Investment in wallstreet:online capital AG and joint launch of Smartbroker
2020	Exercise of the option to acquire a controlling interest in wallstreet:online capital AG
2020	Cooperation agreement concluded on the financing of an acquisition of a portfolio of retail customers of Volkswagen Bank GmbH
2021	Acquisition of 19.3% in wallstreet:online capital AG (exceeding 95% threshold)

Sources: Metzler Research, company data

## w:o management board

### Experienced management team

Next, we provide an overview of the management board of wallstreet:online. Over the last couple of weeks, w:o has significantly strengthened its management board. The management board now consists of six members: Matthias Hach (CEO), Roland Nicklaus (CFO), Oliver Haugk (CTO), Stefan Zmojda (CRO), Michael Bulgrin (CCO) and finally, Thomas Soltau (Co-CEO w:o capital). Both, Mr. Hach and Mr. Nicklaus were only appointed to the Executive Board this year. Both have many years of experience in their fields. In our view, wallstreet:online has significantly professionalised its management board and has thus, laid the foundation for accelerating growth going forward. We provide a brief description of each board member below:

# company report

## wallstreet:online management team

Matthias Hach (CEO)



Roland Nicklaus (CFO)

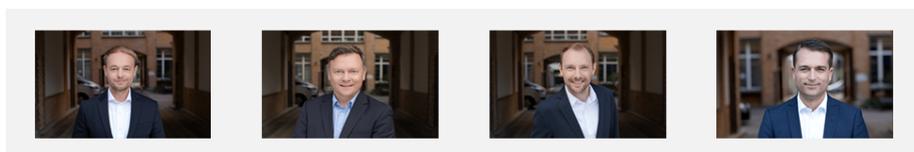


Stefan Zmojda (CRO)

Michael Bulgrin (CCO)

Oliver Haugk (CTO)

Thomas Soltau (Co-CEO w:o c)



Source: Company data, Metzler Research

- **Matthias Hach (CEO):** Matthias Hach is the CEO of wallstreet:online since March 2021. He is an online banking and brokerage expert and worked for more than 20 years for several leading companies in this space, including Flatex GmbH, ViTrade AG and eTrade Europe. Mr. Hach was also Chief Marketing Officer of comdirect Bank AG, Germany's largest first-generation online bank and broker.
- **Roland Nicklaus (CFO):** Roland Nicklaus is the CFO of wallstreet:online since April 2021. Prior to his appointment as CFO, he already served on w:o's supervisory board for almost 13 years. Mr. Nicklaus has more than 25 years of experience in the financial industry, including roles with the investment banks Salomon / Citi, Rothschild and HSBC in New York and London. He holds a degree from the University College London (UCL).
- **Stefan Zmojda (CRO):** Mr. Zmojda is the CRO of wallstreet:online and also served as the CEO of the company from January 2019 to February 2021. He joined wallstreet:online already in 2013 and worked in several positions such as Senior Product Developer and Head of Sales. Prior to his time at wallstreet:online, he worked as a product and project manager for various companies. He holds a diploma in business administration from FH Erfurt.
- **Michael Bulgrin (CCO):** Mr. Bulgrin joined wallstreet:online in 2015 and is a board member since 2017. He currently serves as the CCO of the company. Before his time at wallstreet:online, Mr. Bulgrin worked as a Senior PR/IR consultant and editor for several companies. He holds a diploma in business administration from the university of Potsdam.
- **Oliver Haugk (CTO):** Mr. Haugk is the CTO of the company and joined wallstreet:online in 2017. In the past, he also worked as the managing director of Markets Inside Media GmbH. This company operated the website börsennews.de, which was acquired by wallstreet:online. He holds a diploma in business administration from the university of Leipzig.
- **Thomas Soltau (Co-CEO w:o capital):** Mr. Soltau has been with w:o capital for

# company report

more than 14 years (thereof 7 years as CEO). Following w:o's acquisition of a majority stake, Thomas Soltau will remain on board as Co-CEO and will support the growth course of the Smartbroker.

**Andre Kolbinger remains the main shareholder of w:o**

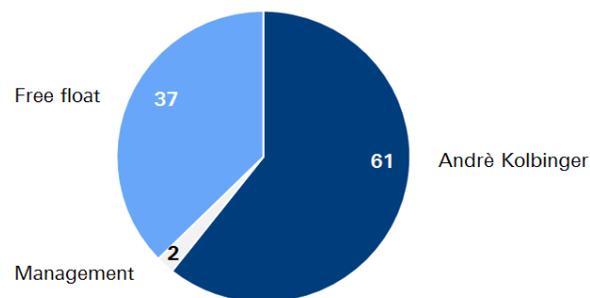
## Shareholder Structure

wallstreet:online shares are listed on the Frankfurt Stock Exchange (Basic Board). 61% of the total outstanding shares are still held by the founder Andre Kolbinger (held via AKD Private Equity). In addition, the current management of wallstreet:online holds around 2% of the shares. Correspondingly, the current free float amounts to 37%:

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### Shareholder structure of wallstreet:online

In %



Sources: Company data, Metzler Research

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# company report

## Smartbroker has all ingredient to establish as a leading broker in Germany

### Entering the brokerage market in December 2019

We start our analysis with the Smartbroker. As described, wallstreet:online going forward holds a stake of 95% in wallstreet:online capital (the acquisition of the stake is subject to the successful implementation of a bearer control procedure in accordance with section 2c of the German Banking Act). The Smartbroker was developed jointly by w:o and wo:capital. As part of the cooperation agreement as of December 2019, wallstreet:online AG took over the promotion of the Smartbroker. Among other things, advertising space on the financial portals of the wallstreet:online group was used for this purpose. Boosted by Covid-19, the strong share boom and the associated strong demand for (low-cost) online brokers, we believe that the Smartbroker should be the largest growth driver going forward. However, before we look at our detailed estimates for the Smartbroker, we will first provide an overview of the underlying German stock and brokerage market.

## Germany historically among the countries with the weakest equity culture

### Shareholder ratio low in international comparison

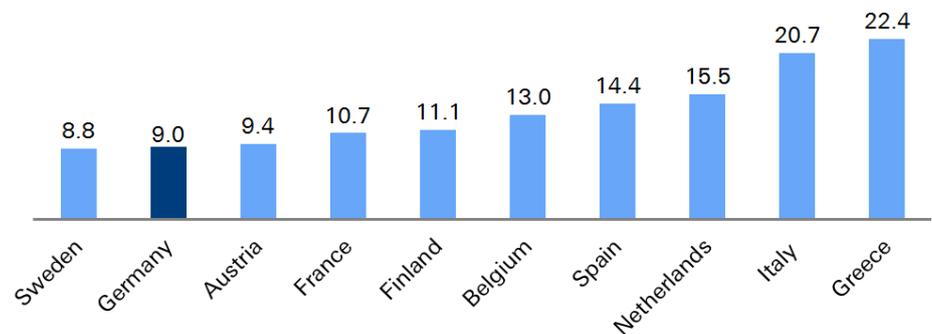
For a long time, the equity culture in Germany was highly underdeveloped. In an international comparison, the shareholder ratio in Germany in the last years has been rather low: With just under 8% in 2019, the share of shares in the financial assets of the German people was conceivably low. In the USA, Norway or Switzerland, for example, it is already between 30% and 50%, in the surrounding EU countries at around 20%. In our view, the historically weak equity culture in the German market can be attributed to various aspects:

- **Bad experiences during the new market crisis:** Many German retail investors had bad share experiences to make in the late 1990's. The "New Market" was a segment of the German stock exchange, which was established in 1997 in the course of the euphoria surrounding the New Economy, based on the model of the American technology exchange NASDAQ. As a share index (performance index), it was intended to reflect the market segment of "new technologies", such as information technology, multimedia, biotechnology and telecommunications. During this period, numerous small shareholders rushed to the stock exchange, many of them without having familiarized themselves with the business models or financial figures beforehand. The new market experienced rapid growth in the years between 1997 to 2000. At its peak, more than 300 companies were listed in this segment. As a result of the seemingly rapid growth, particularly in the internet sector (dot-com bubble), the Nemax 50, which was reset at 1,000 points on December 31, 1997, rose to a historic high of 9,666 points on March 10, 2000. However, this euphoria did not last too long. The first insolvencies followed (including Gigabell and Infomatec). In 2000, the dotcom bubble finally burst and many German investors lost a large part of their wealth. As a result, the interest of many Germans in stock markets flattened out completely over the next years.
- **German risk aversion:** Another reason for the restraint on the stock markets is the risk aversion of many German people. This is also reflected, for example, in the fact that the proportion of entrepreneurs and self-employed people in Germany is very low by international comparison:

# company report

## Entrepreneur ratio in international comparison as of 2019

In % of total population

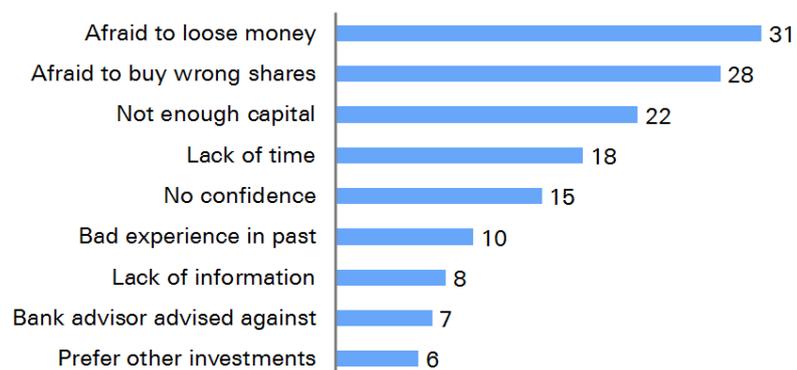


Sources: Wirtschaftskammer Österreich, Eurostat, ILO, Metzler Research

- For fear of losing parts of the assets they have saved, many Germans often choose investments with very little risk (e.g. bank deposits). These findings are also in line with the survey results of the "pro Aktie" initiative (an initiative of Comdirect, Consorsbank and ING). According to the survey, the main barrier to buying shares continues to be the fear of losing money:

## Reasons for hesitation to invest in shares in Germany

In %



Sources: Pro Aktie (ING, Comdirect, Consor Bank), Metzler Research

- **Lack of share knowledge:** Another reason for the still widespread scepticism about the stock markets is probably a lack of knowledge. Many people misjudge the opportunities and risks. In a survey by Verivox, more than a fourth of respondents (26%) stated that they did not see shares and funds as suitable investments for building up assets in the long term. This is also in line with a survey by the "Pro Aktie" initiative. This survey asked respondents about the investment forms with the highest expected returns. Real estate ranked first

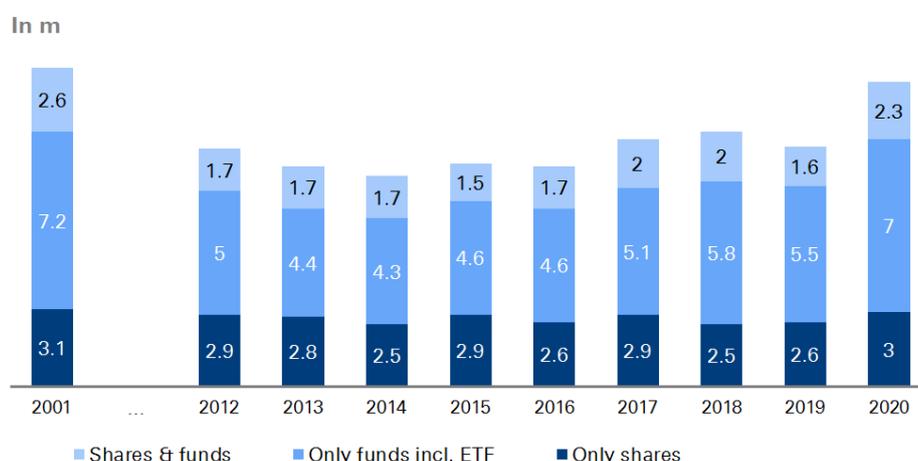
# company report

with an expected return of around 5%, followed by gold and other precious metals (expected return of 4.4%). Shares were clearly behind with an expected return of 3.6% and only just slightly ahead of cryptocurrencies and bitcoins.

## Share boom during Covid-19 period

As described, Germany historically not belongs to the countries with the strongest equity culture. Nevertheless, the German stock market, partly as a result of the global Covid-19 pandemic, is currently experiencing a boom phase the likes of which it has not seen for many years. The number of stockholders in Germany has recently risen to its highest level in 20 years. According to data from the DAI (Deutsches Aktieninstitut), the number of German people investing in shares or equity funds rose to 12.4 million in 2020. This corresponds to a growth rate of almost 30% (or 2.7m more investors in absolute terms). Hence, the number of share owners is now only slightly below the peak level of 2001 as can be seen from the graphic below. This sharp increase was also driven by the global Covid-19 pandemic and the associated lockdowns. Travel restrictions, closed restaurants or closed shopping stores led to more available funds for many German people on the one hand. On the other hand, many individuals had significantly more time for other activities. As a result, many people became more concerned with their own finances. The higher available money and also the low stock market prices in spring 2020 have been exploited by many people to finally invest available savings in the stock markets:

### Number of people investing in shares & funds in Germany



Source: Deutsches Aktieninstitut, Metzler Research

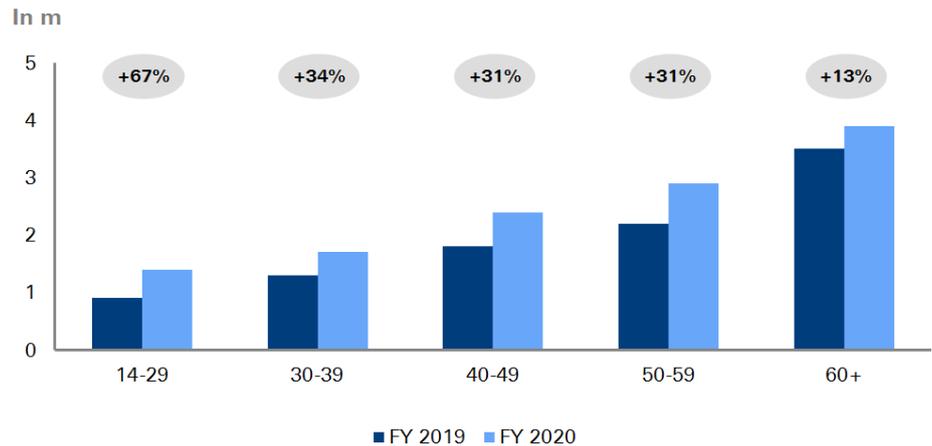
## Boom among all age groups

The sharp increase in the number of investors was seen across all age groups. However, in our view, the group of people under 30 deserve a special mention. Almost 600,000 people aged between 14 and 29 invested in shares or funds for the first time in 2020. This represents an y-o-y increase of almost 70%. No other year since the regular survey of DAI began in 1997 has seen a greater growth rate among this age group. One reason for the boom within this young generation is also the trend towards investing via apps. Apps make it easier for younger people, who have grown up fully digital, to get started in stock trading. In addition, there are now numerous financial influencers on several platforms as well as internet fo-

# company report

rums that are also contributing to the stock boom among this age group.

## Number of share & fund owners in Germany by age



Sources: Deutsches Aktieninstitut, Metzler Research

### Trend towards investing in shares should be sustainable in our view

#### Is the recent share boom sustainable?

As described, the number of retail investors in Germany increased significantly during the Covid-19 pandemic. It is difficult to predict, however, whether this trend will continue when the Corona pandemic comes to an end and people are once again able to organize their leisure time more independently. However, we believe that the interest in shares will remain at a high level even after the pandemic, driven by the following factors:

- Ongoing digitization of financial markets:** One reason for rising shareholder numbers is that buying and selling shares has become easier than ever before. With just a few clicks, a brokerage account can be opened online or via smartphone and, after video verification, trading can commence immediately. In addition, many people are probably better informed about the capital markets today and are thus, better able to assess both the opportunities and the risks of their investments than they were in the 1990s. But social media should also continuously play an important role: For example, there are numerous financial influencers on platforms such as YouTube who convey basic knowledge about investing and thus, also appeal to the younger target groups. The trend toward further digitization should continue to intensify over the next few years in our view. This should make it increasingly easy and convenient for people to become (successful) equity investors.
- Trading is becoming increasingly affordable:** In addition, trading in shares is becoming increasingly affordable and transparent. Several low-cost brokers have recently been launched (incl. w.o's Smartbroker). We assume that new low-cost providers will trigger greater customer acceptance via lower order commissions. The cost of investing in shares should therefore represent less and less of a hurdle for potential investors. Investing in equities is thus, also becoming increasingly attractive for target groups with lower disposable income and savings.

# company report

- **High returns during pandemic:** In addition to the factors mentioned above, there is also a lack of other viable investment alternatives. Many new investors were recently able to take advantage of low share prices to enter the market and thus, achieved high returns with their investments. In contrast, saving interest rates remain at historically low levels, and savings accounts do not offer any positive returns for long-term asset accumulation after interest and inflation. Many investors were thus, able to gather very positive experiences, which could also have led to a rethinking of investment vehicles.
- **Real estate hardly affordable for younger generations:** The popularity of real estate in Germany is still at a very high level and many people are still confident that owning their own property is probably the best way to provide for old age. However, for a large proportion of young households especially in urban areas, home ownership is hardly affordable driven by significantly increased real estate prices. Hence, stock ownership might more and more become an attractive investment alternative.

Finally, we also like to note that despite the recent share boom in the German, the share of population that is trading stocks and has access to an online broker is still very low compared with other countries, e.g. in Germany now at around 15% compared to the UK with above 30% and the Nordic countries with roughly 50%. This again highlights that there is still a huge pent-up potential in the German stock market over the next few years. This also makes the German online brokerage market very attractive in our view.

## Share of people using brokerage in international comparison

Country	Population	Online banked	Online brokerage
Germany	83m	65%	15%
UK	68m	84%	33%
Sweden, Norway, Finland, Denmark	26m	90%	50%
Netherlands	17m	91%	23%

Sources: Flatex Degiro, Metzler Research

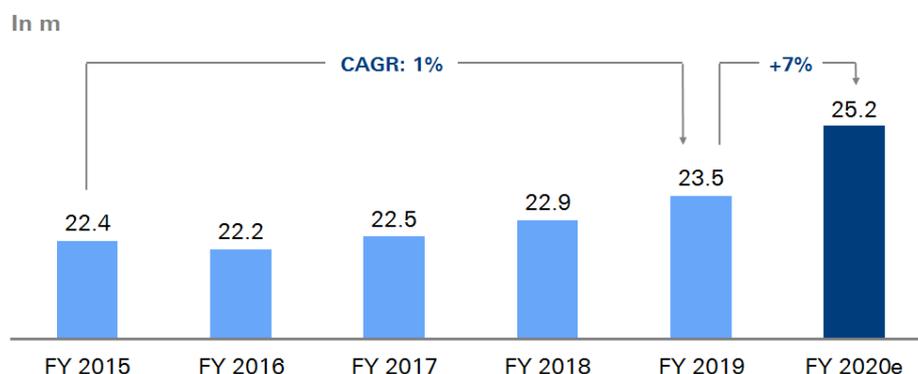
## Share boom resulting in increasing demand for brokerage accounts

**Number of brokerage accounts increased by 6%**

Following our review of the retail investor landscape in Germany, we will now have a closer look at the German brokerage market. Obviously, anyone who wants to trade funds and shares needs a brokerage account. The number of existing brokerage accounts in Germany is therefore also a good indicator of the increased interest in the German stock market. According to the latest figures from the German Bundesbank, there were a total of 24.8m securities accounts in Germany in September 2020 - 6.2% more on a y-o-y comparison:

# company report

## Number of brokerage accounts in Germany



## The German brokerage marketing is becoming more competitive

### German brokerage market is still dominated by direct banks

Next, we will now take a closer look at the relevant players in the German brokerage market. In the German execution-only market, direct banks have been the main players over the past 20 years, with four major brokers currently leading the market. These include Consorsbank, Comdirect, ING and flatexDegiro. According to estimates from the consultancy firm Oliver Wyman, these four providers account for almost 75% of execution-only securities trades in Germany. We provide a brief description for each of these players:

- **Consorsbank:** Consorsbank is a brand of BNP Paribas. The direct bank employs around 1,200 employees who serve around 1.4 million customers in Germany. In terms of customers, Consorsbank is thus, the fourth-largest direct bank in Germany. In addition to shares, bonds and funds, ETFs, futures and options can also be traded via the Consorsbank brokerage account.
- **Comdirect:** With around 2.8 million private customers, Comdirect is one of the largest direct banks in Germany. In May 2020, Comdirect was acquired by Commerzbank via a squeeze-out. Comdirect has a strong focus on equities trading - this focus was further expanded with the acquisition of OnVista in 2017.
- **ING DiBa:** ING DiBa is a fully owned subsidiary of the Dutch ING Groep. With almost 10 million customers, it is the largest direct bank in Germany. The broker of ING offer customers a wide range of products including stocks, funds, ETFs, bonds, certificates and leveraged products. However, ING's focus is more on the "buy & hold" customer segment and less on active traders.
- **flatexDegiro:** The provider flatexDegiro, which now has around 1.3 million customers, has strongly caught up with this group. The company was able to attract attention with its consistent use of "flat fees", i.e. volume-independent trading fees, and with the takeover of its competitor Degiro in 2020.

### New low-cost brokers are putting pressure on established players

However, the market for online brokerage services in our view is dynamic, continually evolving and intensely competitive. In addition, the industry is subject to predatory pricing including potential free trade offers or reduced trading commis-

# company report

sions. The general financial success of many brokers within the retail brokerage market, also driven by the increasing interest in shares on the German retail side, has increased the competitiveness in the market over the last couple of weeks and months. In addition to the established providers, new types of "start-up" brokers have emerged over the last two years in particular, which are putting pressure on the established providers with low-priced offers and a focus on maximum user-friendliness on online and mobile channels.

## These players include:

- **Trade Republic:** Trade Republic was founded in 2015 and launched in Germany in 2019. The broker offers trading in shares, exchange-traded funds (ETFs) and derivatives. Only a third-party fee of EUR 1 is charged per transaction. However, trading is limited to the Lang & Schwarz Exchange. According to the company, the number of customers is at 1m.
- **Scalable Capital:** Europe's leading digital asset management company Scalable Capital launched its neobroker in Germany in June 2020. Customers can trade shares, ETFs and funds on the platform. Scalable Capital is relying on a new pricing model, which for the first time offers a flat rate for securities trading. Scalable Capital's broker is available to customers both in the iOS/Android app and in the web application.
- **Justtrade:** Justtrade was launched in 2019 and is a service of Sutor Bank, which offers completely free securities trading in cooperation with the fintech JT Technologies. In terms of securities trading fees, justTRADE is one of the cheapest online brokers. Customers generally pay no order fees for buying shares via LS Exchange or Quotrix. However, the number of trading venues is very low even compared to other neo brokers. However, it is worth mentioning that customers are also able to trade crypto currencies such as Bitcoin, Ethereum & Co. via the Justtrade app since October 2020.
- **Smartbroker:** Last but not least, of course, the broker of wallstreet:online (Smartbroker) should also be mentioned here. Within the tough competitive market environment, the Smartbroker competes with established players such as flatexDEGIRO or Comdirect via below-average order fees (between EUR 0-4 per order) and cheap saving plans. Since the launch at the end of 2019, Smartbroker has already won around 135k customers and thus, belongs to the most successful neo brokers in the German brokerage market (#2 by number of clients, #1 by AUM).

## Low fees are still the most important criteria when choosing an online broker

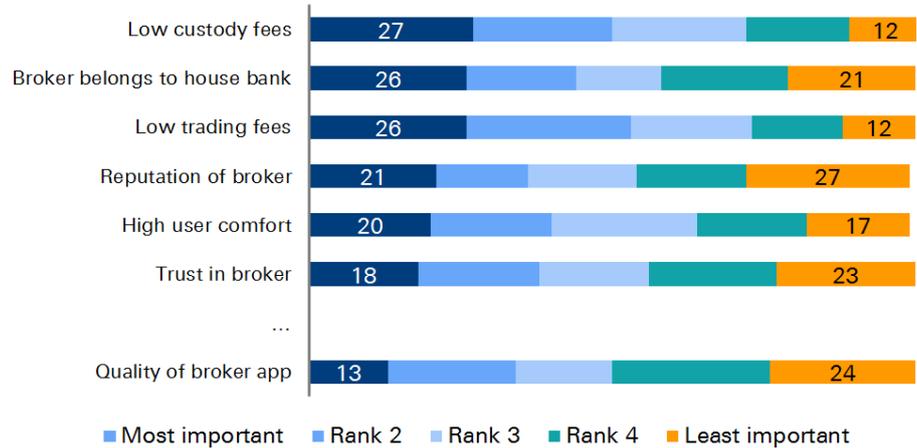
### Low fees most important decision criteria

As described, the number of available brokers in the German market has increased significantly in the recent months & years. Therefore, the next step is to examine the criteria according to which customers choose one of the numerous brokers. According to a customer survey from Oliver Wyman, the decision in favour for an online broker is most often based on the provider's custody and trading fees (e.g. 27% of respondents stated low custody fees while 26% stated low trading fees as the most important decision criteria). For many respondents, it is still important that the broker is a bank or the customer's existing house bank. Further factors stated were the reputation of the broker and a high user comfort as can be seen from the graphic below:

# company report

## Decision criteria when choosing an online broker for German customers

In %



Sources: Oliver Wyman 2020, Metzler Research

## Smartbroker is well-positioned in a competitive environment

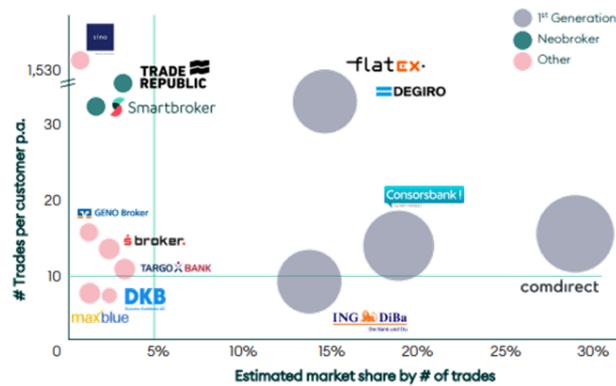
**Main competitors in the segment are Consorsbank, Comdirect and FlatexDegiro**

We believe that the Smartbroker has successfully positioned itself in a very attractive segment of the broker market - this segment is characterized by a strong combination of a high number of potential customers and a medium to high number of annual trades per year:

- As can be seen from the chart below, only very few providers explicitly target the highly active segment with over 100 trades per customer per year. Although high revenues per customer can be achieved in this segment, the total customer potential is rather small - according to Flatex's estimates, this segment amounts to a total size of just around 10k traders in Germany. Providers in this segment include Sino as well as ViTrade.
- Many (traditional) brokers strongly focus on the buy & hold segment, including the S Broker, maxblue and ING Diba. Although many customers can be addressed here, the revenues per customer in this segment are rather small.
- In our view, the Smartbroker is active in the mid-range segment and thus, competes with brokers such as Comdirect and Flatex Degiro. This segment is very attractive. The number of potential customers is still at a high level. Moreover, the customers are active traders, which means that attractive revenue streams can be generated with the customers throughout the year.

# company report

## Positioning of German brokers\*



\* as of 2019, Smartbroker as of 2020  
Sources: Company data, Oliver Wyman

### Smartbroker with low (trading) fees and broad range of trading venues

### Smartbroker has a strong offering in our view

Having shown the most important criteria when choosing an online broker as well as the relevant competitors in the market, we now focus on the offering of the Smartbroker. Overall, we have gained the impression that the Smartbroker has a very competitive offering. The fact that Smartbroker has already won 135k customers confirms our view. We believe the Smartbroker should not only continuously benefit from the ongoing popularity of investing in shares & funds among German retail investors, but also gain market share from more established players such as Comdirect, Consorsbank and the likes. We briefly describe the highlights of the Smartbroker (please find a detailed comparison in the graphic on the next page):

- **Reputable cooperation partner:** wallstreet:online has been able to win DAB BNP Paribas as a cooperation partner. The statutory deposit guarantee of EUR 100,000 applies. In addition, DAB BNP Paribas is a voluntary member of the Deposit Protection Fund of the Association of German Banks.
- **No custody fees:** Customers of the Smartbroker do not pay custody fees. This distinguishes the Smartbroker from other providers. For example, competitor flatexDegiro announced last year to charge a 0.1% custody fee on investments in the brokerage account going forward.
- **Broad selection of trading venues:** Smartbroker is convincing with a wide selection of trading partners and a strong offer of German and international trading venues. Within Germany, Smartbroker customers can place orders on a total of 12 stock exchanges and electronic trading venues. They can access all major trading venues, such as the Frankfurt Stock Exchange or Tradegate. Many other (low-cost) providers cannot provide such a broad selection. For instance, Trade Republic customers are tied to the Lang & Schwarz trading exchange.
- **Broad product range:** Through Smartbroker, investors can trade the following asset classes: Stocks, bonds, ETF's, funds, warrants and certificates. Investors can choose from more than 18,000 German and international investment

# company report

funds, for which Smartbroker does not charge an issuing premium. In addition, more than 600 ETFs are available for a savings plan. Thus, the product offer is very competitive compared to other competitors in our view.

- **Low trading fees:** Smartbroker customers trade at Gattex for free and at Lang & Schwarz Exchange for EUR 1. Securities trading via the Frankfurt Stock Exchange, Xetra and Tradedate only costs EUR 4. Thus, the trading fees are significantly lower compared to many other brokers.

The only drawback we see is the lack of a trading app to date. Trading software, which is standard for most established brokers, is also not yet available. This means that the mobile website of the Smartbroker has to be used for mobile trading. However, we have gained the impression that a dedicated front-end system including a trading app is currently a top priority at w.o. We appreciate that w.o. has already defined a clear product development roadmap for the Smartbroker:

- **H1/2021:** Mailbot Smartbroker, Live Chat function for the Smartbroker, Relaunch public pages Smartbroker, optimised website and new application process for classic transactions
- **H2/2022:** BaFin licence expansion
- **H1/2022:** Website relaunch Smartbroker, web trading Smartbroker, new app for Smartbroker, crypto trading Smartbroker, community direct trading

The following graphic provides a detailed comparison of German online brokers (incl. Smartbroker, Consorsbank, FlatexDegiro as well as Trade Republic):

# company report

## Comparison of German online brokers

	Smartbroker	Consorsbank	Comdirect	ING	maxblue	Trade Republic	Flatex Degiro
<b>Launched</b>	2019	1994	2009	1999	2001	2015	1999
<b>Custoday fee</b>	None (0.5 % p. a. for cash ratio above 15 %)	None	Free for first 3 years (thereafter EUR 1.95 per month)	None	None	None	0.1% per month
<b>No. German exchanges</b>	12 (incl. gettex, L&S, Tradegate and XETRA)	10 (incl. Lang & Schwarz Exchange, Tradegate and Xetra)	12 (incl. gettex, L&S, Tradegate and XETRA)	10 (incl. gettex, Tradegate and Xetra)	10 (incl. Lang & Schwarz Exchange, Tradegate and Xetra)	1 (Lang & Schwarz Exchange)	12 (incl. gettex, L&S, Tradegate and XETRA)
<b>No. foreign exchanges</b>	24	22	16	5 (USA and Canada)	32	None	9
<b>Tradable securities</b>	Stocks, bonds, funds, ETFs, warrants / certificates	Stocks, bonds, CFDs, ETFs, funds, FX, warrants / certificates, futures	Stocks, bonds, CFDs, FX, ETCs, ETFs, funds, futures, warrants	Stocks, bonds, ETCs, ETFs, funds, warrants /certificates	Stocks, bonds, ETCs, ETFs, funds, warrants / certificates	Stocks, ETCs, ETFs, warrants / certificates	Stocks, bonds, ETCs, ETFs, funds, CFD's, FY, warrants / certificates
<b>Trading fees (domestic)</b>	EUR 0 gettex, EUR 1 Tradegate, EUR 4 for other exchanges	EUR 4.95 plus 0,25% (min. EUR 9.95, max. EUR 69)	EUR 3.95 in first year, thereafter EUR 4.90 plus 0.25% (max. 59.90)	EUR 4.90 Euro plus 0.25% (max. EUR 69.90 Euro)	0.25% (min. EUR 8.90, max. EUR 58.90 Euro)	EUR 1	EUR 5.90
<b>Trading fees (international)</b>	EUR 9	France and Spanien equal to domestic trading, USA: EUR 19.95 Euro plus 0.25% (min. EUR 24.95, max. EUR 69 Euro)	EUR 7.90 Euro plus 0.25% (min EUR 12.90, max. EUR 62.90)	EUR 4.90 Euro plus 0.25% (max. EUR 69.90 Euro)	0.25% (min. EUR 8.90, max. EUR 58.90 Euro)	No international trading possible	For USA and Canada: EUR 5.9 plus 0.04% (for volumes above EUR 40,000)
<b>Securities eligible for savings plans</b>	ca. 600	ca. 850	ca. 1,400	ca. 1,200	ca. 500	ca. 1,300	ca. 1,000
<b>Mobile app (y/n)</b>	No (but in planning)	Yes	Yes	Yes	Yes	Yes	Yes
<b>No. of customers</b>	Around 135k	ca. 1.5m	ca. 1.8m	ca. 1.6m	n/a	ca. 1m	ca. 1.3m (Europe)

Source: Company data, Metzler Research

# company report

## Strong potential of Smartbroker also confirmed by several reviews

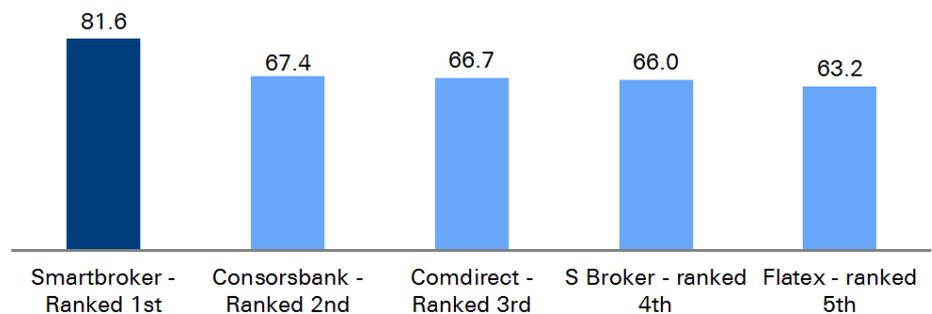
### Smartbroker ranked 1st by editors of Finanztest

Our positive impression of the Smartbroker is also confirmed by numerous reviews from third parties. We highlight the following reviews:

- **Euro am Sonntag:** The Smartbroker was able to secure the first place in the brokerage category of Euro am Sonntag's major bank test, ahead of more established players such as Consorsbank and Comdirect. The costs of the brokerage account and the services offered by the broker were compared in particular:

### Online broker ranking - Euro am Sonntag

Total points (maximum points possible: 100)



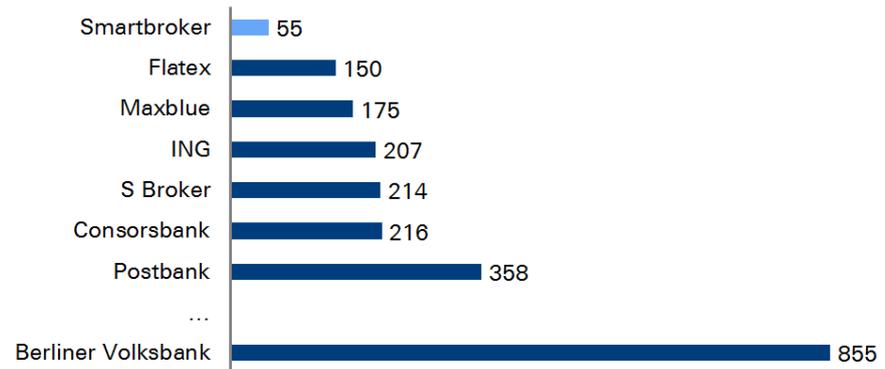
Sources: Euro am Sonntag, Metzler Research

- **Finanztest:** The editors of "Finanztest" (the magazine is part of the well-known "Stiftung Warentest" brand) examined the price lists of nine nationwide branch banks, 13 regional offerings from savings banks and cooperative banks, and 13 direct banks and online brokers in an extensive study (issued 11/2020). In all sample portfolios, the Smartbroker came out on top. For example, the "Aktiv-Depot" of the Berliner Volksbank costs EUR 886 in a model calculation for the "medium-sized model securities account". In contrast, Smartbroker customers only paid EUR 55 annually for the same service:

# company report

## Finanztest (11/2020) - Online broker comparison

Brokerage costs per year in EUR for middle-sized account & 12 orders per year



Sources: Finanztest, company data, Metzler Research

- **Handelsblatt:** An independent evaluation by FMH-Finanzberatung compared the conditions of 20 online brokers on behalf of the Handelsblatt and awarded them grades. The FMH experts found Smartbroker to be "very good". According to FMH experts, Smartbroker is particularly suitable for occasional investors with a medium-sized securities account.

## Strong synergies between the Social & Media division and the Smartbroker

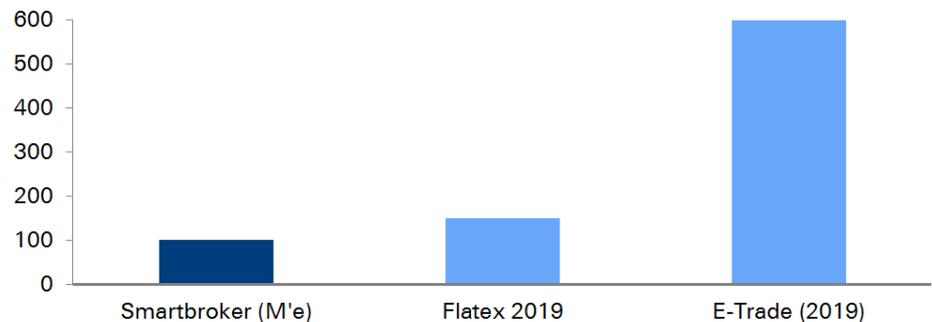
**w:o finance portals used to actively advertise the Smartbroker**

In contrast to many other online brokers, the Smartbroker also has one major advantage in our view. As explained, wallstreet:online operates the largest publisher-independent financial portal and thus, has a large reach, with almost 320m monthly page impressions (April 2021). The users of the portals are also the target group of the Smartbroker. Thus, wallstreet:online can use its own financial portals to actively advertise the Smartbroker. This is one of the reasons why the number of Smartbroker customers has recently increased significantly to around 135k customers within only 1.5 years. In addition, marketing via the company's own financial portals results in customer acquisition costs that are significantly lower than those of the relevant competitors. This also illustrates once again the high synergy potential between the Social & Media division and the Smartbroker. We estimate that the CAC of Smartbroker amount to around EUR 100 - in comparison, we calculate CAC of around EUR 150 for its peer FlatexDegiro, for example. CAC of US-peer E-Trade (subsidiary of Morgan Stanley) is even higher at more than EUR 500 based on FY 2019 figures:

# company report

## Customer acquisition costs

In EUR



Sources: Company Data, Metzler Research

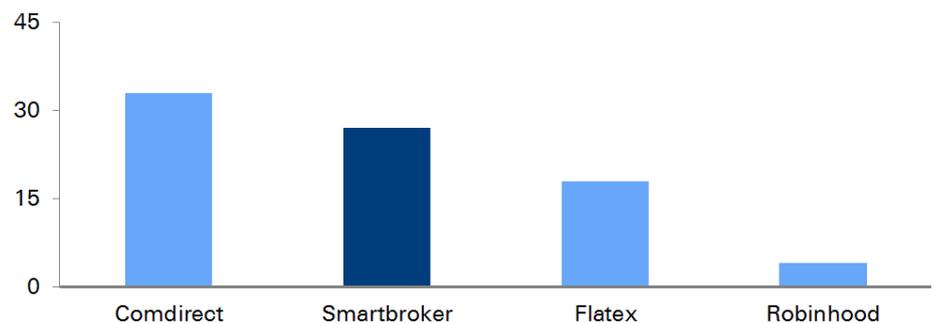
## Smartbroker - focusing on high quality customers

**Smartbroker customers with high AUM of almost EUR 30k**

The Smartbroker was launched in 2019 and has already been able to gain significant market share in the German brokerage market. With already more than 130k customers, the Smartbroker already belongs to the most successful neobrokers in the German brokerage market. However, in our view, at least as important is the fact that, Smartbroker has been able to win high quality customers with above-average assets under management (AUM), e.g. AUM per customer amount to almost 30k which is significantly above AUM of other low cost brokers such as flatex or robinhood. Smartbroker therefore already is Germany's #1 neobroker by AUMs. This is a strong base in our view and should also enable the Smartbroker to generate strong revenue streams and margins going forward.

## Assets under management (AUM) per customer

In EUR k



Sources: Company Data, Metzler Research

## Our estimates for the Smartbroker

**Sales CAGR of 43%**

In our model, revenue for the Smartbroker is a function of the number of active customers trading on the platform, the number of annual trades per customer and the average revenue for each trade. In the following, we will go into more detail on

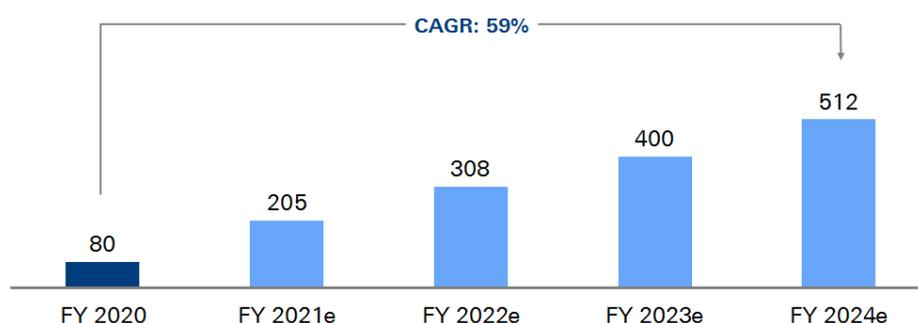
# company report

these different factors including our model assumptions:

- Active customers:** The most important driver for the further development are the customers acquired, who decide in favour of the Smartbroker in the competitive German brokerage market. Due to the combination of the recent significant increase in interest in shares and the very attractive offering of the Smartbroker, around 135k customers have been acquired so far. We expect the momentum on the customer side to remain at a very high level. We expect the Smartbroker to reach just over 200k customers by the end of this year. While the run rate might become slightly lower with the end of the Covid-19 pandemic, we assume that by 2024, Smartbroker should have more than 500k customers. This corresponds to a CAGR of almost 60%:

## Smartbroker: Number of active customers

In k

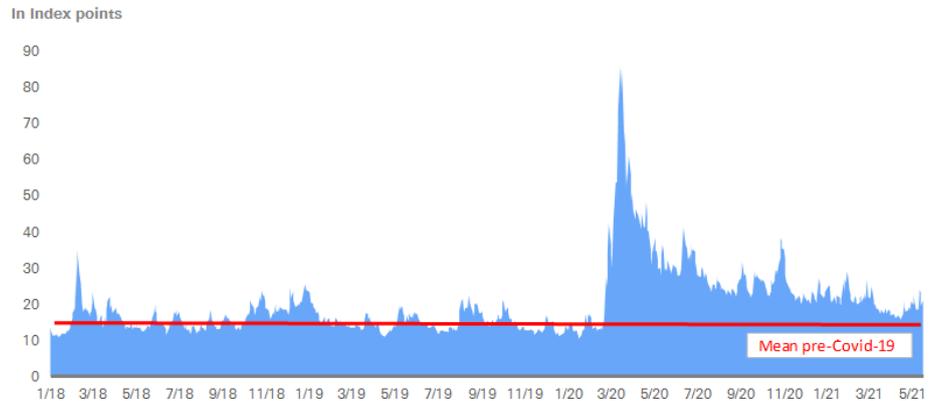


Sources: Company data, Metzler Research

- Average number of trades per customer:** The next important driver in our revenue model is the average number of trades per active customer. In general, trading volumes of German retail investors are impacted by market volatility, interest rates and the attractiveness of other investments. While we assume that interest rates and the attractiveness of other investments should not change considerably going forward, we believe that with increasing vaccination rates and a higher degree of normality with regard to Covid-19, market volatility might decline going forward. This trend can already be seen when looking at the Euro Stoxx 50 Volatility Index. After an extremely high volatility in the initial phase of the global Covid-19 pandemic in March 2020, volatility has already dropped significantly. Nevertheless, volatility is still above the average value of the pre-Covid-19 period:

# company report

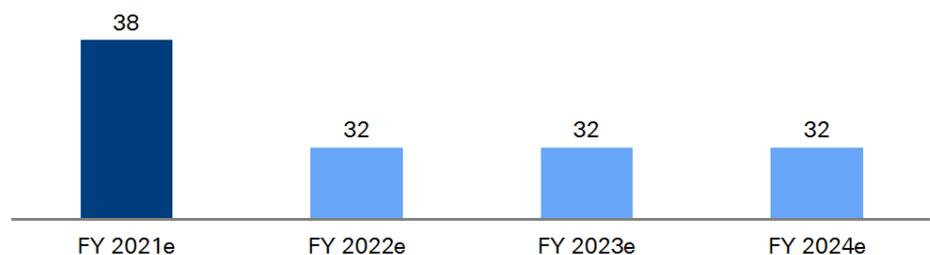
## Euro Stoxx 50 Volatility Index



Sources: Bloomberg, Metzler Research

Correspondingly, total trading volumes on the retail side should slightly decline going forward. We reflect this in our estimates. While according to the company, trades per customer are still at very high levels (around 50 trades p.a.), we expect this figure to slightly decrease going forward. In our model, we are assuming 38 trades p.a. in 2021 and a stabilization of 32 annual trades per customer in the years thereafter. This is a conservative assumption, as the Smartbroker app might attract more active traders going forward.

## Smartbroker: Number of trades per customer p.a.

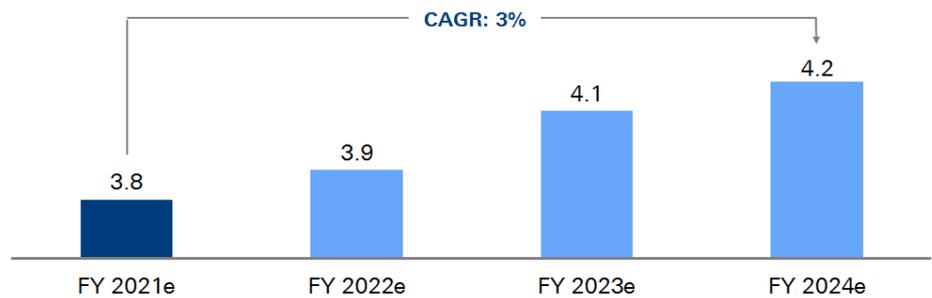


Sources: Company data, Metzler Research

- Average revenue per trade:** In our view, the Smartbroker should generate attractive revenue streams per trade among others driven by the high customer quality with high AUM's, resulting in comparably high volumes per trade. We estimate that at the moment, Smartbroker generates a revenue per trade of approx. EUR 3.8. With increasing size and higher customer numbers, trade volumes directed via the Smartbroker should further increase, from which also exchanges and issuers benefit. This should in our view result in improving revenues per trade. We assume an annual growth in revenues per trade of 3%:

# company report

## Smartbroker: Revenue per trade

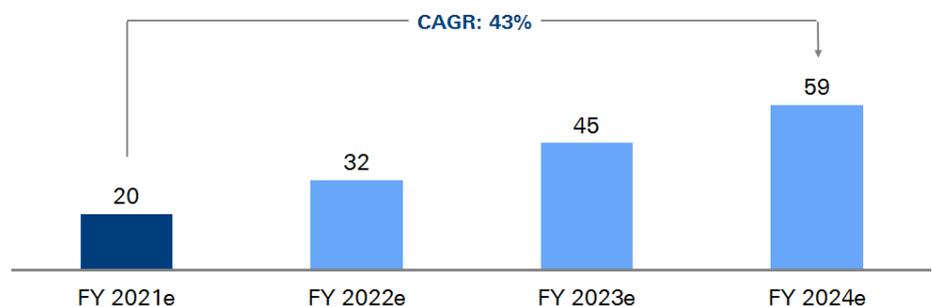


Sources: Metzler Research

- Based on these inputs, the Smartbroker should clearly be the main growth driver of w:o going forward. We expect the Smartbroker to reach a revenue of almost 60m by 2024 - this corresponds to annual growth in the FY 2021 - FY 2024 period of 43%:

## Smartbroker: Expected revenue development

In EUR m



Sources: Company data, Metzler Research

# company report

## **Social & Media - benefiting from the continuous trend towards digital marketing**

### **Advertising on financial portals - the bread-and-butter business of w:o**

While the Smartbroker should be the main growth driver going forward, wallstreet:online still generates the majority of its revenue with advertising placements on its online finance portals - customers include large financial institutions such as HSBC and UBS but also listed (foreign) corporates which are using the broad reach of the portals to share their equity story and thus, attract the attention of German retail investors. Advertising is clearly the bread-and-butter business of wallstreet:online. Hence, we believe it is helpful to provide an outlook for the global digital marketing market in first instance.

### **Digital marketing - an efficient tool with broad reach**

In general, digital marketing uses the internet to deliver marketing messages in various formats to internet users. This includes advertisements in results pages of search engines (Search Engine Advertising), advertising in social media networks in the form of, for instance, sponsored posts (Social Media Advertising), advertisement banners like e.g. so-called skyscrapers (Banner Advertising), advertisements within video players (Video Advertising) and finally, paid digital classifieds. In recent years, digital marketing has become increasingly important for advertisers. The fact that corporate marketing spend is increasingly shifting to the online space is, in our view, highly reasonable for the following reasons: On the one hand, online marketing continues to be an extremely attractive tool. Search engine advertising, social media, content marketing or search engine optimization help companies to reach potential customers quickly and effectively. A good online marketing strategy helps to address target groups with great accuracy, to win new customers and to guide them to make a purchase. The worldwide networking of the internet is another advantage of online marketing, because this makes it possible to generate an extremely large reach. In addition, with online marketing, the success can be measured by technologies and the most effective advertising measure for the company can be easily read off. In contrast to traditional marketing, online marketing is often even more cost-efficient (especially compared with traditional TV advertising). Digital marketing is also associated with much lower scattering losses.

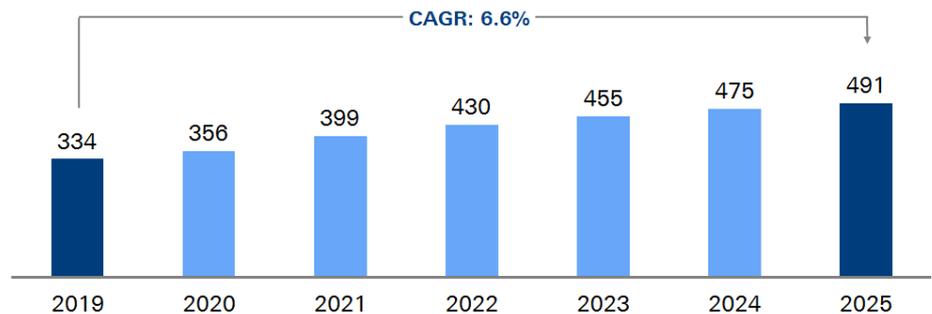
### **Global digital marketing spending expected to rise by 7% annually going forward**

The global Covid-19 pandemic has impacted advertising budgets of several companies worldwide, but digital marketing is still considered essential for most brands and retailers and hence, remains on the rise. Already today, global advertisers invest more than USD 330bn in digital marketing. According to the recent Statista Digital Marketing Outlook, global spending for digital marketing is expected to grow annually by almost 7%. Hence, total spendings in 2025 should reach almost USD 500bn which again shows the great importance of digital marketing in our increasingly digital world:

# company report

## Global spendings for digital marketing

In USD bn



Sources: Statista Digital Marketing Outlook 2020, Metzler Research

## Highest growth rates in Europe

Next, we will provide a brief outlook on a regional basis: Out of the 4 reported regions (USA, China, Europe and RoW), the European market for digital marketing is expected to see the strongest growth over the next years - e.g. from 2020 to 2025, the market should grow annually by almost 7% according to the Statista Digital Marketing Outlook. However, the European market is still much smaller than the main digital marketing market USA. Despite the fact that the US market already has a total volume of USD 140bn, growth should still remain on strong levels going forward at 6.5%:

## Digital advertising revenues per region

In USD bn



Source: Statista Digital Market Outlook 2020, Metzler Research

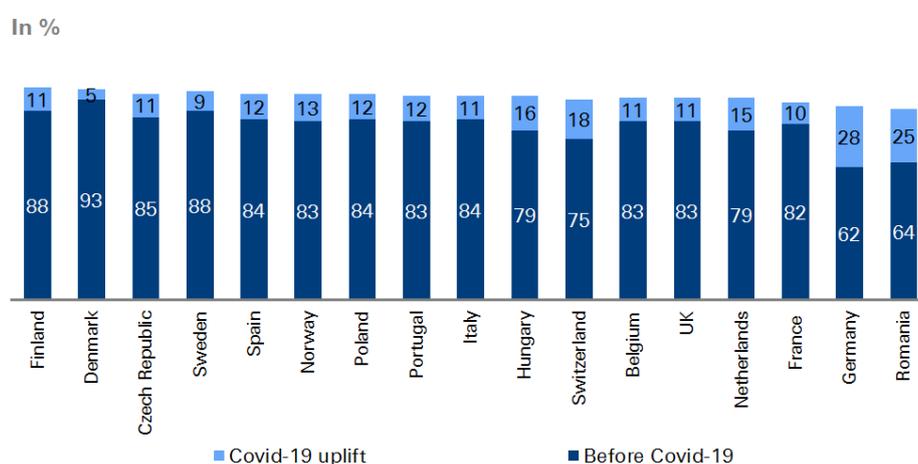
## Shift to digital marketing further boosted by Covid-19 and increasing online penetration

We believe that the worldwide Covid-19 pandemic should further accelerate the shift towards digital marketing. Given the pandemic and the corresponding lockdowns in many regions, the total online penetration has significantly improved over the last couple of weeks & months. This has also led to a significant increase in the number of page impressions on many well-known websites. The increase in online penetration also affects the older generations, who have become increas-

# company report

ingly involved with digital applications thanks to Covid-19. Recently, digital adoption rates in Europe jumped from 81% to 95% as a result of the Covid-19 pandemic - a rise that would normally have taken several years in most industries at pre-pandemic growth rates. Germany, the country with the lowest adoption rate prior to Covid-19 among the countries analysed by McKinsey, even saw the largest uptick. Nordic countries still show the highest adoption rates, but Finland has replaced Denmark at the top of the league, with a total of 99% having used a digital service in the previous six months as can be seen from the graphic below. Due to the strong ongoing digitalization, many companies are forced to invest even more in digital marketing in the future in order to address the widest possible target group.

## Change in digital adoption rates\* during Covid-19 pandemic



\* Percentage of respondents using at least 1 digital advice during the last 6 months  
Source: McKinsey, Metzler Research

## wallstreet:online - an attractive platform for digital marketing

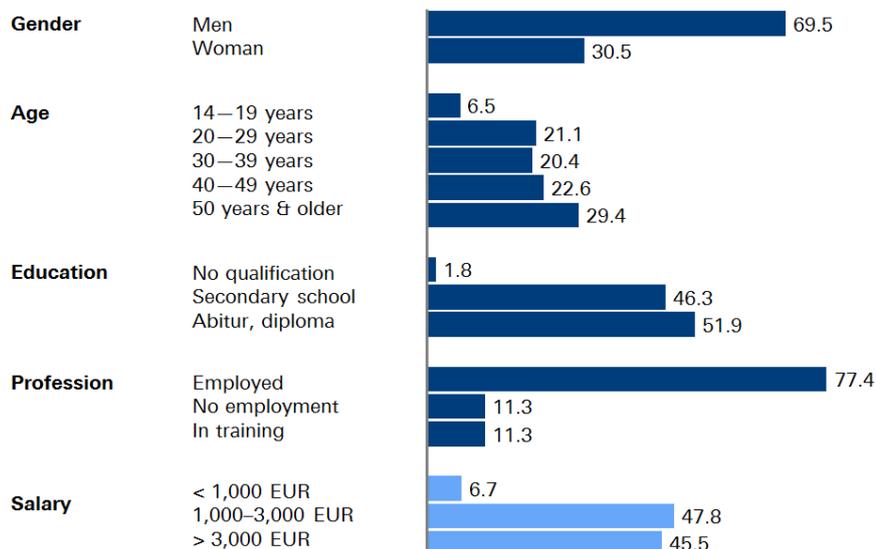
**w:o users with high interest in shares and above average salary and education**

As described, spending on digital marketing should continuously increase over the next years, further boosted by the global Covid-19 pandemic. Nevertheless, many companies remain selective in their choice of marketing and the marketing mediums used. In our view, however, wallstreet:online is particularly interesting as a partner for advertising companies - even outside the financial sector. The reason for this is not only the wide reach of the available portals. The users of the portals are mainly small investors with a high affinity for financial and economic topics, a high level of education, and finally, an above-average income as can be seen from the chart below. This also explains the great success of the platform over the past years.

# company report

## wallstreet:online: User profile (as of 2016)

Share in %



Source: Company data, Metzler Research

### Covid-19 has further accelerated the trend towards financial portals

The FY 2020 has been extremely successful for the w:o portal business. In our view, the company is one of the beneficiaries of the global Covid 19 pandemic. Also driven by lockdowns in Germany, the number of page impressions on the portals has significantly increased. In our view, this was not only due to the fact that people generally spent more time on the Internet. This trend was also reinforced by the fact that, due to the ongoing low-interest policy and the lack of investment alternatives, people were increasingly investing in shares and using financial portals to obtain relevant information. As a result of these factors, the number of page impressions rose from around 245m in February 2020 to 405m in March 2021 and 320m in April 2021. As a consequence of this significant increase, wallstreet:online was also able to increase advertising prices on the portals, which was reflected in significantly higher revenues. In total, advertising revenues of w:o increased by around 25% in FY 2020.

### Launch of Smartbroker further drives growth of w:o Social & Media division

The advertising business of the wallstreet:online finance portals not only benefits from the increased trend towards digital marketing, the higher interest in finance portals, and the very attractive user profile on the portals. The launch of the Smartbroker in 2019 further accelerates the growth of the bread-and-butter advertising business. The Smartbroker has numerous premium partners from the financial industry. These partners include, for example, Morgan Stanley and Vontobel, which also offer and distribute their financial products to retail customers via the Smartbroker. In order to make these financial products visible to retail customers in advance, many of these premium partners book high-priced spots on the w:o finance portals, which is reflected accordingly in growing portal revenues. In our view, this trend should further persist: The Smartbroker should continue to grow significantly over the next few years according to our estimates. This will make it more and more attractive for other potential premium partners, who in turn could place corresponding advertisement on the portals. This also shows that there are clear synergies between the w:o Social & Media division and the Smartbroker.

# company report

## Our estimates for the Social & Media division

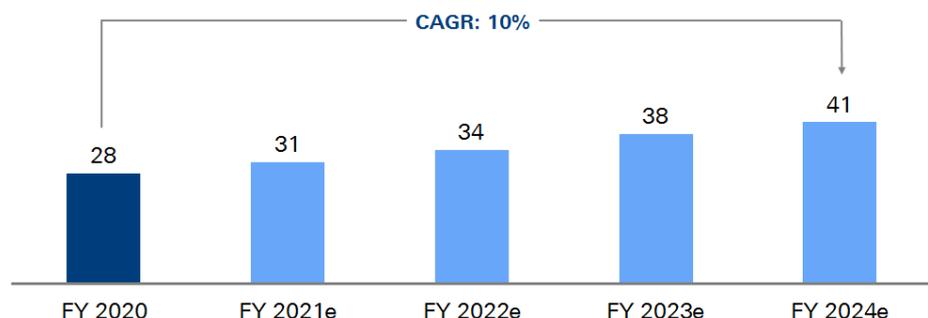
### Sales CAGR FY 2020 - FY 2024 of 10%

Having shown, the most relevant underlying trends in the advertising business, we will now provide estimates for the w:o Social & Media division. Our estimates are based on the following assumptions:

- As explained, in FY 2020 advertising revenues increased by 25%. With the end of the Covid-19 pandemic, growth should slightly slow down, driven by the fact that people might spend less time on the internet, resulting in lower page impressions.
- However, we remain optimistic about the ongoing development of advertising revenues on the wallstreet:online portals. Given the attractive user profile, the portals should particularly benefit from the ongoing trend towards digital marketing.
- In addition, with increasing size of the Smartbroker, advertising revenues on the portals should correspondingly benefit as more and more premium partners should be willed to use the portal for advertising their financial products.
- In FY 2020, w:o generated consolidated portal revenues of approximately EUR 28m. We expect revenues to increase to slightly above EUR 40m by FY 2024. This corresponds to a sales CAGR of 10% - hence, at a higher rate vs. the total growth for digital marketing reflecting the mentioned factors. Thus, while we expect the Smartbroker to become the main growth driver on a group level going forward, the Social & Media division should continue to generate very solid revenue streams going forward.

### Social & Media: Expected revenue development

In EUR m



Sources: Company data, Metzler Research

# company report

## Financials - FY 2021 guidance looking conservative

### Momentum should remain strong

In February this years, w:o released its FY 2021 guidance. Please note that FY 2021 figures will for the first time not only include the Social & Media business, but also fully consolidated the operations of w:o capital (including the Smartbroker). For FY 2021, w:o is guiding for sales between EUR 45-50m in combination with an EBIT-DA of between EUR 4m and 6m (implying a margin of between 9% and 12%):

### Financial Summary

In EUR m

	FY 2020	FY 2021 Guidance	FY 2021e	FY 2022e	FY 2023e	FY 2024e
<b>Sales</b>	<b>28</b>	<b>45-50</b>	<b>57</b>	<b>73</b>	<b>89</b>	<b>107</b>
Growth y-o-y (in %)	227	61 - 79	103	28	23	20
<b>Sales Social &amp; Media</b>	<b>28</b>	<b>27-30</b>	<b>31</b>	<b>34</b>	<b>38</b>	<b>41</b>
Growth y-o-y (in %)	25	-3.5 - 7.1	10	12	10	9
<b>Sales Brokerage &amp; Transaction</b>	<b>0</b>	<b>18-20</b>	<b>26</b>	<b>38</b>	<b>51</b>	<b>66</b>
Growth y-o-y (in %)	0	n/a	n/a	48	34	28
<b>thereof Smartbroker</b>	<b>0</b>	<b>n/a</b>	<b>20</b>	<b>32</b>	<b>45</b>	<b>59</b>
Growth y-o-y (in %)	0	n/a	n/a	61	40	32
<b>thereof Classic Transaction</b>	<b>0</b>	<b>n/a</b>	<b>6</b>	<b>6</b>	<b>7</b>	<b>7</b>
Growth y-o-y (in %)	0	n/a	n/a	5	5	5
<b>Gross Profit</b>	<b>24</b>	<b>n/a</b>	<b>41</b>	<b>51</b>	<b>62</b>	<b>74</b>
Margin %	85.0	n/a	71.5	70.1	69.5	69.2
<b>EBITDA</b>	<b>7</b>	<b>4-6</b>	<b>7</b>	<b>19</b>	<b>30</b>	<b>42</b>
Margin %	25.0	9 - 12	11.7	26.0	33.7	38.9
<b>EBIT</b>	<b>7</b>	<b>n/a</b>	<b>6</b>	<b>18</b>	<b>29</b>	<b>41</b>
Margin %	23.8	n/a	10.7	25.0	32.7	37.9

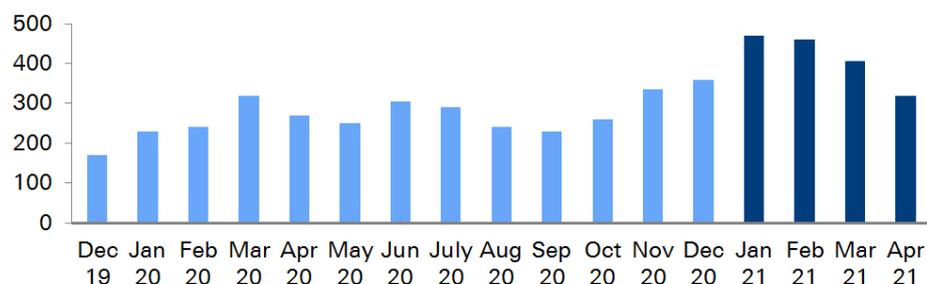
Sources: Company data, Metzler Research

In our view, this guidance is rather conservative as current momentum (also driven by the ongoing Covid-19 pandemic) should remain strong in all divisions. In particular our topline estimates are above the company's FY 2021 guidance.

- Social & Media:** w:o is guiding for portal revenues of between EUR 27m and 30m (which implies y-o-y growth of -3.5% to 7.1%). Looking at the number of current page visits, it becomes evident that momentum in the portal business remains at a very high level (see chart below). The strong development of monthly page visits should enable the company to efficiently win new additional advertising partners or conclude further marketing agreements on even better terms, with a positive effect on the topline. Increasing relaxations with regard to Covid-19 related lockdowns might lead to a part of the population spending more time outdoor again. However, given the recent increase in the shareholder ratio and the fact that w:o belongs to the most popular finance portals, we do not expect a sharp decline in the number of page visits in the remainder of the year. Hence, we expect that the portal business will report strong FY 2021 results. We forecast y-o-y growth for the portal business of 10%.

# company report

## Development of monthly page visits



Sources: Company data, Metzler Research

- Smartbroker:** Momentum in the brokerage business seems to be even stronger. At the end of 2020, the Smartbroker had an active customer base of approx. 80k - this number has already increased to 135k ytd, once again underlining the continuous share boom in the German market and the high popularity and strong offering of the Smartbroker. While the run rate might become slightly lower going forward, we expect Smartbroker to exceed the 200k threshold by the end of this year and hence, report strong FY 2021 results. We are assuming sales in the transaction & brokerage business of EUR 26m (vs. FY 2021 guidance of EUR 18m - 20m).

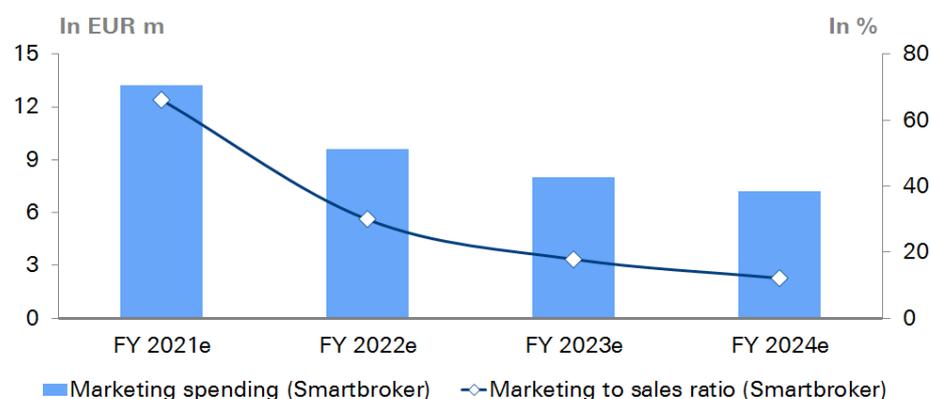
## Margins temporarily impacted by investments into the Smartbroker

### Reasonable investment into Smartbroker of EUR 12m in FY 2021

For FY 2021, w:o is guiding for an EBITDA of between EUR 4m and EUR 6m, implying lower margins vs. the previous years. However, please note that w:o plans to invest around EUR 12m into the Smartbroker with a corresponding effect on group profitability. This is in our view a highly reasonable investment. First, despite the fact that Smartbroker already belongs to the most successful low cost brokers in Germany, it is still in its infancy, especially compared to the more established brokers. Hence, further investments will be required to increase the brand awareness of the Smartbroker and thus, fuel growth momentum. Secondly, we believe that these marketing spending should quickly pay off, given that Smartbroker is winning high quality customers, with high assets under management which should generate attractive revenue streams going forward. According to w:o, customer acquisition costs return within only 12-14 months, which is appealing, also compared with other online business models. We also like to note that excluding the marketing expenses for the Smartbroker, the group margin for FY 2021 would amount to around 36%.

# company report

## Marketing spending for Smartbroker

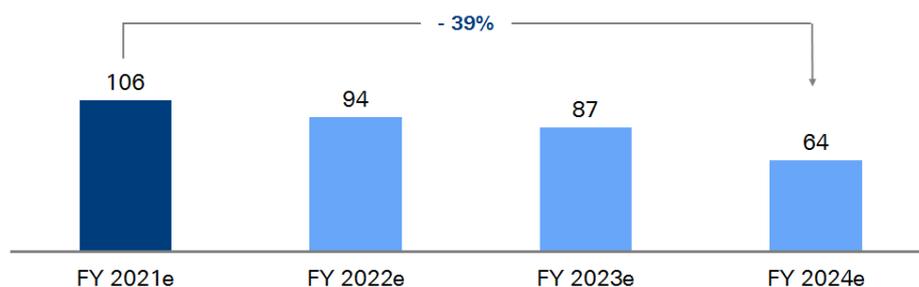


Sources: Company data, Metzler Research

**Marketing spending for Smartbroker should considerably decrease in mid-to long-term**

We also believe that over the next years, the marketing to sales ratio for the Smartbroker should significantly decline, once the brand has further established in the market. The introduction of the Smartbroker app should further reduce marketing expenses. The app should allow to target a younger target group - this target group can be addressed through more favourable marketing channels (for example via social media platforms). Correspondingly, the marketing to sales ratio and customer acquisition costs of the Smartbroker should significantly come down over the next years in our view:

## Smartbroker: Customer acquisition costs (CAC)



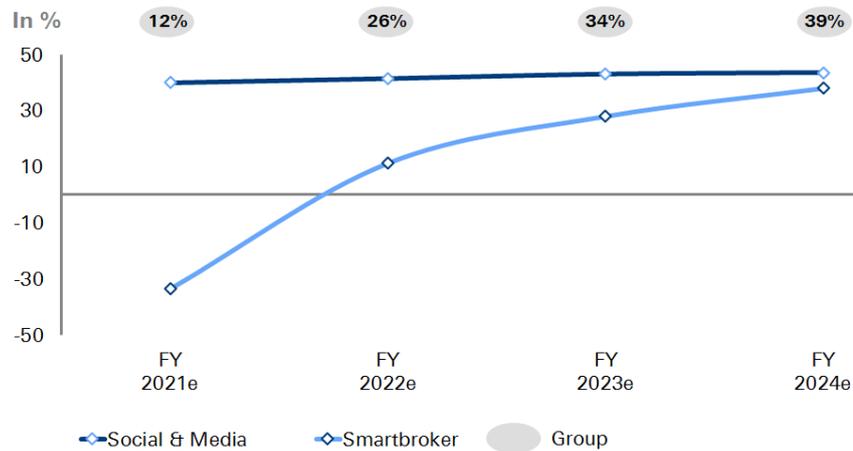
Sources: Metzler Research

**Smartbroker margins should approach high margins of the Social & Media division**

Based on declining marketing-to-sales ratios, the Smartbroker should be able to demonstrate its scalability and high margin potential. In the bread-and-butter Social & Media division, wallstreet:online already generates very attractive margins of around 40%. Within this segment, we only expect minor margin improvements going forward (e.g. resulting from a continuous realization of cost synergies between the finance portals, e.g. finance data purchases & fixed costs should continue to see leverage). However, as can be seen in the chart below, the Smartbroker should reach similar margins by FY 2024 according to our estimates:

# company report

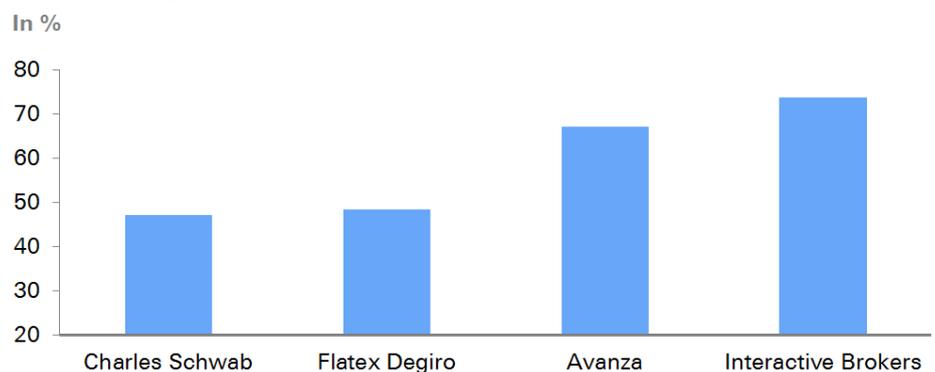
## EBITDA margins by segment



Source: Company data, Metzler Research

In the long-term, we believe that the Smartbroker should even be able to generate higher margins than the portal operations. More established online brokers such as Charles Schwab (not rated), Flatex Degiro (not rated), Avanza (not rated) and Interactive Brokers (not rated) have already proven the scalability of the business model, generating margins north of 40% as can be seen in the chart below:

## EBITDA margins of listed brokers for FY 2021e



Sources: Company Data, Bloomberg, Metzler Research

# company report

## Valuation

### Our DCF Analysis

We initiate coverage of wallstreet:online with a Buy recommendation and a price target of EUR 35. Our target price is derived from our DCF model with a forecasting period until FY 2028. We believe that this is the best approach to reflect the continuous growth over the next years and the margin potential driven by the high scalability of the wallstreet:online business model.

In general, our DCF valuation includes 3 stages. Phase I includes our detailed estimates starting from FY 2021e to FY 2025e. Phase II is the transition phase (FY2026e to FY 2028e). Our terminal value calculation is finally based on our FY 2028 estimates. We use the following assumptions:

- **Sales:** Our phase I estimates are characterized by strong topline growth (CAGR FY 2020 – FY 2025: 35%), mainly driven by the expected expansion of the Smartbroker going forward. We are assuming that this growth gradually declines between FY 2026 and FY 2028 to our terminal growth rate of 2.5%.
- **EBIT margin:** We are assuming a terminal EBIT margin of 44% - while the Social & Media division already generates margins in this range, the brokerage business should be able to generate similar margins going forward, driven by the high scalability of the Smartbroker.
- **WACC:** We calculate a WACC for wallstreet:online of 9.3% based on the following underlying parameters: **(a)** Risk free rate of 1.0%, **(b)** market risk premium of 6.5%, and **(c)** a projected beta of 1.4. The cost of equity amount to 10.1% and our cost of debt estimate totals 3.0%.

# company report

## Our DCF valuation

Company	FY21e	FY22e	FY23e	FY24e	FY25e	FY26e	FY27e	FY 28e	TV-year
<b>Revenue</b>	<b>57</b>	<b>73</b>	<b>89</b>	<b>107</b>	<b>126</b>	<b>141</b>	<b>150</b>	<b>154</b>	
Y-o-y (in %)	102.6	28.4	22.6	20.0	17.2	12.0	7.0	2.5	
<b>EBIT</b>	<b>6</b>	<b>18</b>	<b>29</b>	<b>41</b>	<b>52</b>	<b>60</b>	<b>65</b>	<b>68</b>	
Margin (in %)	10.7	25.0	32.7	37.9	41.8	43.0	43.5	44.0	
<b>Taxes</b>	<b>2</b>	<b>5</b>	<b>9</b>	<b>12</b>	<b>16</b>	<b>18</b>	<b>20</b>	<b>20</b>	
Tax rate (in %)	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	
<b>D&amp;A</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>2</b>	
in % of sales	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	
<b>Gross cash flow</b>	<b>5</b>	<b>14</b>	<b>21</b>	<b>30</b>	<b>38</b>	<b>44</b>	<b>47</b>	<b>49</b>	
<b>Capex</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	
in % of sales	4.0	2.5	1.3	1.3	1.3	1.3	1.3	1.3	
<b>Increase in NWC</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	
in % of sales	1.1	0.7	0.6	0.5	0.4	0.4	0.4	0.4	
<b>Free cash flow</b>	<b>2</b>	<b>11</b>	<b>20</b>	<b>28</b>	<b>36</b>	<b>41</b>	<b>45</b>	<b>46</b>	<b>700</b>
<b>Present value FCF</b>	<b>2</b>	<b>10</b>	<b>16</b>	<b>20</b>	<b>24</b>	<b>25</b>	<b>25</b>	<b>24</b>	<b>356</b>

Implied equity value and fair value per share		Model assumptions	
Enterprise value (beg. FY 2021)	<b>501</b>	Beta	<b>1.4</b>
Net debt	<b>0</b>	Risk-free rate	<b>1.0</b>
Equity value	<b>501</b>	Risk premium	<b>6.5</b>
<b>Fair value per share</b>	<b>35.0</b>	<b>WACC</b>	<b>9.3</b>

Source: Metzler Research

Our DCF model is very sensitive to our selected input factors. We hence provide a sensitivity analysis of our estimated fair value vs. the terminal growth rate and our terminal EBIT margin:

## Sensitivity analysis

In EUR m

	Terminal sales growth (in %)				
	2.1	2.3	2.5	2.7	2.9
40.0	31	32	32	33	34
42.0	32	33	34	34	35
44.0	33	34	35	36	36
46.0	35	35	36	37	38
48.0	36	36	37	38	39

Sources: Metzler Research

# company report

## Valuation of the Smartbroker

**Valuation of Smartbroker confirms our view that current share price level is still appealing**

In general, a peer group analysis for w:o is hardly practicable. The combination of a portal and a brokerage business is unique for the sector. Hence, the company lacks listed peers with an identical business model. However, in our view, a valuation of the Smartbroker is much simpler, as many listed online brokers exist. We have therefore tried to determine a fair value of the Smartbroker, also in order to draw a further conclusion about the current valuation level of the group. The following tables shows our selected peer group including relevant financials as well as multiples:

### Peer group - global brokers

Company	Ticker	Rating	FX	Price 05/24/21	Market Cap (in m)	Sales CAGR 20'-22'*	EBITDA margin 12m	EBITDA margin 24m	EV/Sales		EV/EBITDA	
									12m	24m	12m	24m
FlatexDegiro	FTK GY	Not rated	EUR	97.0	2,650	41.7%	51.1%	52.6%	5.5x	5.1x	10.8x	9.5x
Avanza Holding	AZA SS	Not rated	SEK	269.4	4,114	-10.8%	n/a	n/a	12.8x	14.4x	n/a	n/a
Nordnet	SAVE SS	Not rated	SEK	150.6	3,709	-10.7%	68.7%	67.7%	10.3x	10.7x	15.0x	n/a
Charles Schwab	SCHW US	Not rated	USD	72.2	111,570	16.4%	48.2%	52.7%	5.9x	5.6x	12.2x	10.7x
<b>Mean</b>	-	-	-	-	30,511	9.1%	56.0%	57.7%	<b>8.6x</b>	<b>8.9x</b>	<b>12.7x</b>	<b>10.1x</b>

\* Calculation based on LTM sales and 24m fwd sales

Source: Bloomberg, Metzler Research

On average, our peer group is trading at 8.6x sales (next 12 months). In a first step, we apply this multiple to our Smartbroker FY 2025 sales estimate. Next, we discount that value at our WACC of 9.3% and are thus, deriving an equity value of EUR 458m. Finally, we divide our equity value by the outstanding shares. This results in a fair value for the Smartbroker of EUR 32 per share, which in our view again highlights that there is significant room for a further multiple expansion as long as the Smartbroker delivers on its targets:

### Valuation of Smartbroker

<b>EV/Sales multiple (next 12m)</b>	<b>8.6x</b>
Smartbroker Sales FY 2025e	EUR 74m
<b>Smartbroker Enterprise Value beg. 2025</b>	<b>EUR 636m</b>
WACC	9.3%
<b>Smartbroker Enterprise Value today</b>	<b>EUR 458m</b>
Net cash	0m
<b>Smartbroker Equity Value today</b>	<b>EUR 458m</b>
Shares outstanding	14.4m
<b>Smartbroker value per share</b>	<b>EUR 32</b>

Source: Company data, Metzler Research

# company report

## Balance sheet

(in EUR m)	2018	%	2019	%	2020	%	2021e	%	2022e	%	2023e	%
<b>Assets</b>	<b>21</b>	<b>326.7</b>	<b>36</b>	<b>73.3</b>	<b>50</b>	<b>39.7</b>	<b>55</b>	<b>10.0</b>	<b>68</b>	<b>23.1</b>	<b>89</b>	<b>30.1</b>
<b>Fixed assets</b>	<b>10</b>	<b>n.m.</b>	<b>28</b>	<b>176.3</b>	<b>38</b>	<b>34.9</b>	<b>45</b>	<b>17.6</b>	<b>46</b>	<b>2.4</b>	<b>46</b>	<b>0.6</b>
Intangible fixed assets	0	225.8	0	0.0	10	n.m.	15	50.0	15	0.0	15	0.0
Goodwill	0	225.8	0	0.0	10	n.m.	15	50.0	15	0.0	15	0.0
Other intangible assets	0	n.a.	n.a.	n.a.								
Tangible assets	0	88.2	0	-6.3	0	233.3	2	n.m.	3	60.7	3	9.3
Technical plant and equipment	0	n.a.	0	n.a.	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Financial assets	10	n.a.	28	180.7	28	0.0	28	0.0	28	0.0	28	0.0
Other financial assets	0	n.a.	0	n.a.	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Current assets</b>	<b>11</b>	<b>120.4</b>	<b>8</b>	<b>-26.5</b>	<b>12</b>	<b>57.1</b>	<b>10</b>	<b>-13.9</b>	<b>22</b>	<b>111.5</b>	<b>42</b>	<b>91.0</b>
Inventories	0	n.a.	0	n.a.								
Receivables and other assets	1	-11.3	3	151.9	4	20.4	5	31.7	6	17.2	7	15.2
Cash and cash items	9	178.0	4	-51.4	8	83.7	5	-35.5	16	202.8	35	119.4
Deferred taxes	0	n.a.	0	n.a.	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Shareholders' equity and liabilities</b>	<b>21</b>	<b>326.6</b>	<b>36</b>	<b>73.3</b>	<b>50</b>	<b>39.7</b>	<b>55</b>	<b>10.0</b>	<b>68</b>	<b>23.1</b>	<b>89</b>	<b>30.1</b>
<b>Shareholders' equity</b>	<b>19</b>	<b>840.1</b>	<b>27</b>	<b>40.6</b>	<b>31</b>	<b>15.6</b>	<b>35</b>	<b>12.4</b>	<b>48</b>	<b>35.1</b>	<b>68</b>	<b>42.1</b>
Subscribed capital	2	63.0	2	7.9	2	0.1	2	0.0	2	0.0	2	0.0
Reserves	18	n.m.	25	43.7	30	16.7	33	13.1	46	37.0	66	43.8
Minority interests	0	n.a.	0	n.a.	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Outside capital</b>	<b>1</b>	<b>-47.7</b>	<b>9</b>	<b>501.7</b>	<b>19</b>	<b>113.3</b>	<b>20</b>	<b>6.0</b>	<b>20</b>	<b>2.0</b>	<b>21</b>	<b>2.0</b>
Liabilities	1	-47.7	9	501.7	19	113.3	20	6.0	20	2.0	21	2.0
Financial debt	0	n.a.	0	n.a.	5	n.a.	5	0.0	5	0.0	5	0.0
Accounts payable, trade	0	19.8	0	-6.2	1	330.8	1	80.9	2	28.4	2	22.6
Other liabilities	1	-51.8	9	578.6	13	51.3	14	3.8	14	0.0	14	0.0
Deferred taxes liabilities	0	n.a.	n.a.	n.a.								
<b>Balance sheet total</b>	<b>21</b>	<b>326.7</b>	<b>36</b>	<b>73.3</b>	<b>50</b>	<b>39.7</b>	<b>55</b>	<b>10.0</b>	<b>68</b>	<b>23.1</b>	<b>89</b>	<b>30.1</b>

Sources: Refinitiv, Metzler Research

# company report

## Profit & loss account

(in EUR m)	2018	%	2019	%	2020	%	2021e	%	2022e	%	2023e	%
Sales	8	49.9	9	10.0	28	227.5	57	102.6	73	28.4	89	22.6
Change in finished goods and work in progress	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Own work capitalised	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
<b>Total output</b>	<b>8</b>	<b>49.9</b>	<b>9</b>	<b>10.0</b>	<b>28</b>	<b>227.5</b>	<b>57</b>	<b>102.6</b>	<b>73</b>	<b>28.4</b>	<b>89</b>	<b>22.6</b>
Other operating income	0	n.m.	0	-64.0	0	-100.0	0	n.a.	0	n.a.	0	n.a.
Operating expenses	5	44.4	5	4.4	21	326.0	51	136.8	55	7.8	60	10.0
Cost of materials	1	50.6	1	29.6	4	207.5	16	284.7	22	34.6	27	25.3
Personnel expenses	2	11.4	2	19.3	7	190.8	12	70.1	13	10.1	14	9.0
Depreciation and amortization	0	-49.6	0	-77.5	0	n.m.	1	44.7	1	28.4	1	22.6
Write-downs on intang. fixed as-sets and tang. assets	0	-49.6	0	-77.5	0	n.m.	1	44.7	1	28.4	1	22.6
Other operating expenses	2	144.9	1	-26.2	10	694.8	22	124.8	19	-13.5	18	-7.2
<b>EBIT</b>	<b>3</b>	<b>80.4</b>	<b>4</b>	<b>8.3</b>	<b>7</b>	<b>79.2</b>	<b>6</b>	<b>-8.5</b>	<b>18</b>	<b>201.0</b>	<b>29</b>	<b>60.3</b>
Financial result	0	n.m.	-1	-362.5	-1	24.2	-1	-1.3	-1	0.1	-1	-5.1
Income from investments	0	n.a.	0	n.a.	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Interest income (net)	0	n.m.	-1	-362.5	-1	24.2	-1	-1.3	-1	0.1	-1	-5.1
<b>Result of ordinary activities</b>	<b>4</b>	<b>92.4</b>	<b>3</b>	<b>-17.4</b>	<b>6</b>	<b>102.0</b>	<b>6</b>	<b>-9.3</b>	<b>18</b>	<b>219.6</b>	<b>29</b>	<b>61.9</b>
<b>EBT</b>	<b>4</b>	<b>92.4</b>	<b>3</b>	<b>-17.4</b>	<b>6</b>	<b>102.0</b>	<b>6</b>	<b>-9.3</b>	<b>18</b>	<b>219.6</b>	<b>29</b>	<b>61.9</b>
Taxes on income	-0	-237.0	-1	-164.5	-2	-63.1	-2	9.3	-5	-219.6	-9	-61.9
Tax rate (%)	-11.6	-75.2	-37.2	-220.1	-30.0	19.3	-30.0	0.0	-30.0	0.0	-30.0	0.0
<b>Net income</b>	<b>3</b>	<b>82.1</b>	<b>2</b>	<b>-41.3</b>	<b>4</b>	<b>125.0</b>	<b>4</b>	<b>-9.3</b>	<b>12</b>	<b>219.6</b>	<b>20</b>	<b>61.9</b>
Minority interests	0	n.a.	0	n.a.	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Minority rate (%)	0.0	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.
<b>Net Income after minorities</b>	<b>3</b>	<b>82.1</b>	<b>2</b>	<b>-41.3</b>	<b>4</b>	<b>125.0</b>	<b>4</b>	<b>-9.3</b>	<b>12</b>	<b>219.6</b>	<b>20</b>	<b>61.9</b>
Unappropriated consolidated net income	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
<b>Adjustment calculation</b>												
Net Income after minorities	3	82.1	2	-41.3	4	125.0	4	-9.3	12	219.6	20	61.9
Adjustments of net income	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Adjustment rate (%)	0.0	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.
<b>Adj. net income after minorities</b>	<b>3</b>	<b>82.1</b>	<b>2</b>	<b>-41.3</b>	<b>4</b>	<b>125.0</b>	<b>4</b>	<b>-9.3</b>	<b>12</b>	<b>219.6</b>	<b>20</b>	<b>61.9</b>
Number of shares outstanding	2	63.4	2	7.8	14	699.0	14	0.0	14	0.0	14	0.0
EPS (EUR)	1.94	11.5	1.06	-45.5	0.30	-71.8	0.27	-9.3	0.86	219.6	1.39	61.9
EPS adj. (EUR)	1.94	11.5	1.06	-45.5	0.30	-71.8	0.27	-9.3	0.86	219.6	1.39	61.9

Sources: Refinitiv, Metzler Research

# company report

## Cash flow/ratios/valuation

	2018	%	2019	%	2020	%	2021e	%	2022e	%	2023e	%
<b>Cash Flow/ Net Debt (in EUR m)</b>												
Gross Cash Flow	3	60.4	3	-15.4	5	100.3	5	-4.2	14	175.1	21	57.7
Increase in working capital	-0	-115.1	2	n.m.	0	-96.9	1	895.4	0	-20.6	1	5.4
Capital expenditures	0	n.a.	0	n.a.	1	n.a.	2	n.a.	2	n.a.	1	n.a.
D+A/Capex (%)	35.5	n.a.	4.0	n.a.	46.8	n.a.	25.0	n.a.	40.0	n.a.	76.9	n.a.
Free cash flow (Metzler definition)	3	401.9	0	-93.3	4	n.m.	2	-51.3	11	444.9	20	75.0
Free cash flow yield (%)	60.0	n.a.	1.8	n.a.	2.0	n.a.	0.6	n.a.	3.2	n.a.	5.6	n.a.
Dividend paid	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Free cash flow (post dividend)	3	401.9	0	-93.3	4	n.m.	2	-51.3	11	444.9	20	75.0
Net Debt incl. Provisions	-9	-178.0	-4	51.4	-3	27.4	-0	89.8	-11	n.m.	-30	-173.0
Gearing (%)	-48.0	n.a.	-16.6	n.a.	-10.4	n.a.	-0.9	n.a.	-23.4	n.a.	-45.0	n.a.
Net debt/EBITDA	-2.7	n.a.	-1.2	n.a.	-0.5	n.a.	-0.1	n.a.	-0.6	n.a.	-1.0	n.a.
<b>Ratios (in %)</b>												
<b>Liquidity</b>												
Quick ratio	5439.7	n.a.	4261.0	n.a.	1554.2	n.a.	740.1	n.a.	1218.6	n.a.	1898.9	n.a.
Current ratio	5439.7	n.a.	4261.0	n.a.	1554.2	n.a.	740.1	n.a.	1218.6	n.a.	1898.9	n.a.
Pay-out ratio	0.0	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.
<b>Balance sheet structure</b>												
Equity/total assets	92.9	n.a.	75.4	n.a.	62.4	n.a.	63.7	n.a.	69.9	n.a.	76.4	n.a.
Equity to fixed assets	188.7	n.a.	96.0	n.a.	82.3	n.a.	78.6	n.a.	103.8	n.a.	146.6	n.a.
Long-term capital to total assets	92.9	n.a.	75.4	n.a.	72.3	n.a.	72.8	n.a.	77.3	n.a.	82.1	n.a.
Long-term capital to fixed assets and inventories	188.7	n.a.	96.0	n.a.	95.4	n.a.	89.8	n.a.	114.6	n.a.	157.4	n.a.
Liabilities to equity (leverage)	7.6	n.a.	32.7	n.a.	60.3	n.a.	56.9	n.a.	43.0	n.a.	30.8	n.a.
<b>Profitability/efficiency</b>												
Working capital to sales	-2.5	n.a.	-2.1	n.a.	-2.8	n.a.	-2.5	n.a.	-2.5	n.a.	-2.5	n.a.
EBIT margin	43.8	n.a.	43.1	n.a.	23.6	n.a.	10.7	n.a.	25.0	n.a.	32.7	n.a.
EBITDA margin	44.7	n.a.	43.3	n.a.	25.0	n.a.	11.7	n.a.	26.0	n.a.	33.7	n.a.
Net ROS	41.6	n.a.	22.2	n.a.	15.3	n.a.	6.8	n.a.	17.0	n.a.	22.5	n.a.
Cash flow margin	39.2	n.a.	30.2	n.a.	18.5	n.a.	8.7	n.a.	18.7	n.a.	24.1	n.a.
ROE (after Tax/Min.)	30.3	n.a.	8.2	n.a.	14.6	n.a.	11.6	n.a.	29.9	n.a.	34.8	n.a.
<b>Productivity</b>												
Average number of employees ('000)	0.0	n.a.	0.0	n.a.	0.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Sales per employee (EUR '000)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBIT per employee (EUR '000)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Valuation</b>												
PER adj.	1.6	n.a.	6.0	n.a.	50.5	n.a.	91.6	n.a.	28.7	n.a.	17.7	n.a.
PBV	0.3	n.a.	0.4	n.a.	6.9	n.a.	10.1	n.a.	7.5	n.a.	5.2	n.a.
EV/EBITDA	-1.2	n.a.	1.9	n.a.	30.4	n.a.	53.6	n.a.	18.2	n.a.	10.8	n.a.
EV/EBIT	-1.2	n.a.	1.9	n.a.	32.2	n.a.	58.7	n.a.	18.9	n.a.	11.1	n.a.
Dividend yield (%)	0.0	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.	0.0	n.a.

Sources: Refinitiv, Metzler Research

# company report

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### Recommendation history

Recommendations for each financial instrument or issuer - mentioned in this document - published by Metzler in the past twelve months

Date of dissemination	Metzler recommendation * Previous	Current	Current price **	Price target *	Author ***
<b>Issuer/Financial Instrument (ISIN): Commerzbank (DE0000CZ40LD5)</b>					
23.06.2020	n.a.	Sell			Weber, Thomas
<b>Issuer/Financial Instrument (ISIN): Commerzbank (DE000CBK1001)</b>					
12.05.2021	Buy	Buy	5.77 EUR	7.00 EUR	Schmitt, Jochen
04.05.2021	Buy	Buy	5.60 EUR	7.00 EUR	Schmitt, Jochen
26.02.2021	Hold	Buy	5.60 EUR	7.00 EUR	Schmitt, Jochen
12.02.2021	Hold	Hold	5.11 EUR	5.40 EUR	Schmitt, Jochen
29.01.2021	Hold	Hold	5.75 EUR	5.80 EUR	Schmitt, Jochen
12.01.2021	Hold	Hold	5.58 EUR	5.50 EUR	Schmitt, Jochen
07.01.2021	Hold	Hold	5.66 EUR	5.50 EUR	Schmitt, Jochen
30.11.2020	Buy	Hold	5.39 EUR	5.50 EUR	Schmitt, Jochen
06.11.2020	Buy	Buy	4.02 EUR	5.60 EUR	Schmitt, Jochen
17.09.2020	Buy	Buy	4.76 EUR	5.90 EUR	Schmitt, Jochen
05.08.2020	Buy	Buy	4.54 EUR	5.90 EUR	Schmitt, Jochen
14.07.2020	Buy	Buy	4.53 EUR	5.90 EUR	Schmitt, Jochen
10.06.2020	Buy	Buy	4.40 EUR	5.90 EUR	Schmitt, Jochen
<b>Issuer/Financial Instrument (ISIN): Commerzbank (DE000CZ40LW5)</b>					
23.06.2020	n.a.	Sell			Weber, Thomas
<b>Issuer/Financial Instrument (ISIN): Commerzbank (DE000CZ45V25)</b>					
23.06.2020	n.a.	Sell			Weber, Thomas
<b>Issuer/Financial Instrument (ISIN): Commerzbank (XS2189784288)</b>					
23.06.2020	n.a.	Sell			Weber, Thomas

\* Effective until the price target and/or investment recommendation is updated (FI/FX recommendations are valid solely at the time of publication)

\*\* XETRA trading price at the close of the previous day unless stated otherwise herein

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# company report

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	Stephan Bonhage	Small/Mid Caps, Construction	5 25
	Tom Diedrich	Media, Retail	2 39
	Alexander Neuberger	Industrial Technology, Small/Mid Caps	43 66
	Holger Schmidt	Software, Technology, Telecommunications	43 60
	Jochen Schmitt	Financials, Real Estate	43 59
	David Varga	Basic Resources	43 62
	Jürgen Pieper	Automobiles, Senior Advisor	5 29
	Hendrik König	Strategy / Quantitative Research	43 71
	Sergii Piskun	Quantitative Research	2 37
	Eugen Keller	Head of FI/FX Research	3 29
	Juliane Rack	FI/FX Strategy	17 48
	Sebastian Sachs	FI/FX Strategy	5 26
	Thomas Weber	FI/FX Strategy	5 27
Equities	Mustafa Ansary	Head of Equities	3 51
		Head of Equity Sales	
Sales	Eugenia Buchmüller		2 38
	Uwe Hohmann		3 66
	Hugues Jaouen		41 73
	Alexander Kravkov		41 72
	Jasmina Schul		17 66
Trading	Sven Knauer	Head of Equity Trading	2 45
	Kirsten Fler		2 46
	Stephan Schmelzle		2 47
	Thomas Seibert		2 28
Corporate Solutions	Dr. Karsten Iltgen	Head of Corporate Solutions	5 10

# company report

FI/FX	Mario Mattera	Head of FI/FX	6 87
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	Timo Becker		2 83
	Sebastian Luther		6 88
	Claudia Ruiu		6 83
	Gloria Traidl		2 80
FI Trading/ALM	Sven Klein	Head of ALM	6 86
	Bettina Koch		2 91
	Susanne Kraus		6 58
	Andreas Tanneberger	Head of Fixed Income Trading	6 85
	Silke Amelung		2 89
	Christian Bernhard		2 66
FX Sales	Thomas Rost	Head of FX	2 92
	Tobias Martin		6 14
	Steffen Völker		2 93
FX Trading	Rainer Jäger		2 76
	Andreas Zellmann		6 10
Currency Management	Özgür Atasever	Head of Currency Management	2 81
CM Advisory	Achim Walde		2 75
	Harwig Wild		2 79
CM Operations	Dominik Müller	Head of Operations	2 74
	Christopher Haase		16 17
	Florian Konz		17 73
	Simon Wesch		3 50