



Research study (Anno)

Smartbroker Holding AG

SMARTBROKERHOLDING

**FY 2022 closed with robust revenue performance and
Smartbroker realignment**

-

**Positive operating revenue and earnings development also
expected for current FY 2023**

-

**The strong expansion of the platform-based transaction
business should in future provide for a dynamic
turnover and earnings development provide**

Target price: € 17.90 (previously: € 17.70)

Rating: Buy

IMPORTANT NOTICE:

Please note the disclaimer/risk notice

as well as the disclosure of possible conflicts of interest pursuant to § 85 WpHG and Art. 20 MAR from page 20

Note pursuant to MiFID II regulation for research "Minor Non-Monetary Contribution": This research meets the requirements for classification as "Minor Non-Monetary Contribution". For further information, please refer to the disclosure under "I. Research under MiFID II".

Date and time of completion of the study: 30/08/2023 (9:24 am)

Date and time of the first distribution: 30/08/2023 (10:30 am)

Validity of the price target: until max. 31/12/2024

Smartbroker Holding AG*5a,5b,11

Rating: Buy

Target price: € 17.90
(previously: € 17.70)

Current price: € 12.05
29/08/2023 / ETR
(17:36)
Currency: EUR

Master data:

ISIN: DE000A2GS609
WKN: A2GS60
Ticker symbol: SB1
Number of shares³: 15.68
Market cap³: 188.94
Enterprise Value³: 176.44
³ in million / in EUR million
Free float: 35.0%

Transparency level:-

Market segment:
Open Market
(Freiverkehr)

Accounting:
HGB

Financial year: 31.12

Designated Sponsor:
mwb fairtrade

Analysts:

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* Catalogue of possible conflicts of interest on page 21

Company profile

Industry: Fintech / Internet service provider

Focus: online brokerage, online advertising, financial community/financial news

Smartbroker Group employees: 239 (Ø number, FY 2022)

Foundation: 1998

Headquarters: Berlin

Executive Board: André Kolbinger (CEO), Roland Nicklaus (CFO), Michael Bulgrin, Stefan Zmojda, Oliver Haugk

The Smartbroker Group operates Smartbroker - a multi-award-winning online broker that is the only provider in Germany to combine the extensive product range of traditional brokers with the extremely favourable conditions of neobrokers and provides access to the capital market free of charge. With around 267,000 securities accounts and customer assets under management of around € 9.2 billion, the Berlin-based financial services provider is already one of the leading providers in the neobroker market around four years after the launch of Smartbroker. Smartbroker Holding AG and its subsidiaries stand for more than 20 years of experience in the distribution of investment products. At the same time, the company operates four high-reach stock market portals as well as the associated apps (wallstreet-online.de, boersenNews.de, FinanzNachrichten.de and ARIVA.de). With most recently around 2.6 billion page views (as of 31 December 2022), the group is by far the largest publisher-independent financial portal operator in the German-speaking world and maintains the largest financial community.



P&L in EUR million \ FY-end	31/12/2021	31/12/2022	31/12/2023e	31/12/2024e	31/12/2025e
Revenues	48.20	52.79	52.70	66.75	76.30
EBITDA	3.56	8.77	1.04	13.97	20.68
EBIT	0.35	-8.41	-5.48	5.76	13.05
Net profit	-0.54	-10.07*	-4.10	3.70	8.72

*influenced by a special depreciation of around € 13.0 million on capitalised development costs

Key figures in EUR					
Earnings per share	-0.04	-0.64	-0.26	0.24	0.56
Dividend per share	0.00	0.00	0.00	0.00	0,00

Key figures					
EV/turnover	3.66	3.34	3.35	2.64	2.31
EV/EBITDA	49.56	20.12	169.66	12.63	8.53
EV/EBIT	504.13	neg.	neg.	30.63	13.52
P/E ratio	neg.	neg.	neg.	51.07	21.67
PB ratio		3.82			

Financial dates
18/09/2023: Baader Investment Conference 2023
27/11/2023: German Equity Forum 2023

**last research from GBC:
Date: Publication / Target price in EUR / Rating
27/03/2023: RS / € 17.70 / BUY
20/06/2022: RS / € 37.55 / BUY
30/03/2022: RS / € 38.60 / BUY
09/08/2021: RS / € 37.70 / BUY

** The research studies listed above can be viewed at www.gbc-ag.de or requested from GBC AG, Halderstr. 27, D86150 Augsburg.

EXECUTIVE SUMMARY

- According to published business figures, the Smartbroker Group achieved a significant year-on-year increase in consolidated revenue of 9.5% to € 52.79 million (previous year: € 48.20 million) in the past financial year. This significant revenue growth resulted from the full-year consolidation of Smartbroker AG (formerly wallstreet:online capital AG), which was initially consolidated at equity in 2021 and fully consolidated from August 2021.
- At the earnings level, the operating EBITDA rose disproportionately to the development of turnover by 146.3% to € 8.77 million (previous year: € 3.56 million). The dynamic improvement in earnings is essentially based on significantly-reduced customer acquisition costs for the Smartbroker, which resulted from the planned restructuring of the Smartbroker 2.0 setup. Adjusted for new customer acquisition costs for the Smartbroker, which amounted to € 4.02 million (previous year: € 12.87 million), an adjusted EBITDA of € 12.79 million (previous year: € 16.43 million) was achieved. On a net basis, high unscheduled depreciation on the old setup of the major project Smartbroker 2.0 amounting to € 12.59 million in particular led to a significantly negative net result of € -10.07 million (previous year: € -0.54 million) compared to the previous year.
- For the current financial year 2023, Smartbroker management expects a positive operating development despite challenging general conditions and extensive cost burdens until the completion of the major project Smartbroker 2.0. Accordingly, the company expects consolidated revenues of between € 51.0 million and € 56.0 million and an EBITDA (operating result) adjusted for new customer acquisition costs of between € 1.0 million and € 4.0 million.
- In the context of the publication of our research study on the preliminary annual results of Smartbroker's 2022 financial year, we have adjusted our previous revenue and earnings estimates downwards for the current financial year and also for the following years. In view of the reaffirmed positive corporate guidance, we also confirm our previous revenue and earnings forecasts for the current financial year and subsequent years. For the current financial period, we continue to expect revenue of € 52.70 million and EBITDA of € 1.04 million. For the subsequent years 2024 and 2025, we continue to expect revenues (EBITDA) of € 66.75 million (€ 13.97 million) and € 76.30 million (€ 20.68 million) respectively.
- Overall, we continue to see the Smartbroker Group well positioned to return to dynamic growth mode with the imminent launch of the promising Smartbroker 2.0 combined with the targeted ramp-up of marketing activities from the 2024 financial year. Due to the expected economies of scale from the forecast strong expansion of the transaction business, the company should be able to achieve disproportionate earnings growth and thus dynamically increase Group profitability. In addition, the stronger integration of the two complementary business segments (Media & Transaction) should lead to clearly positive synergy effects and thus also be able to additionally advance the future development of turnover and results.
- **Based on our confirmed forecasts for the current financial year 2023 and the following years and the roll-over effect that has occurred (price target related to the following FY 2024 instead of previously 2023), we have slightly increased our previous price target to € 17.90 (previously: € 17.70) per share. On the other hand, higher capital costs (increase in the risk-free interest rate to 2.00% instead of the previous 1.50%) had the effect of lowering the price target. In view of the current share price level, we continue to give the Smartbroker share a "buy" rating and see significant upside potential.**

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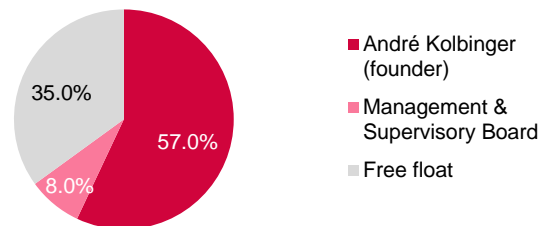
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COMPANY

Shareholder structure

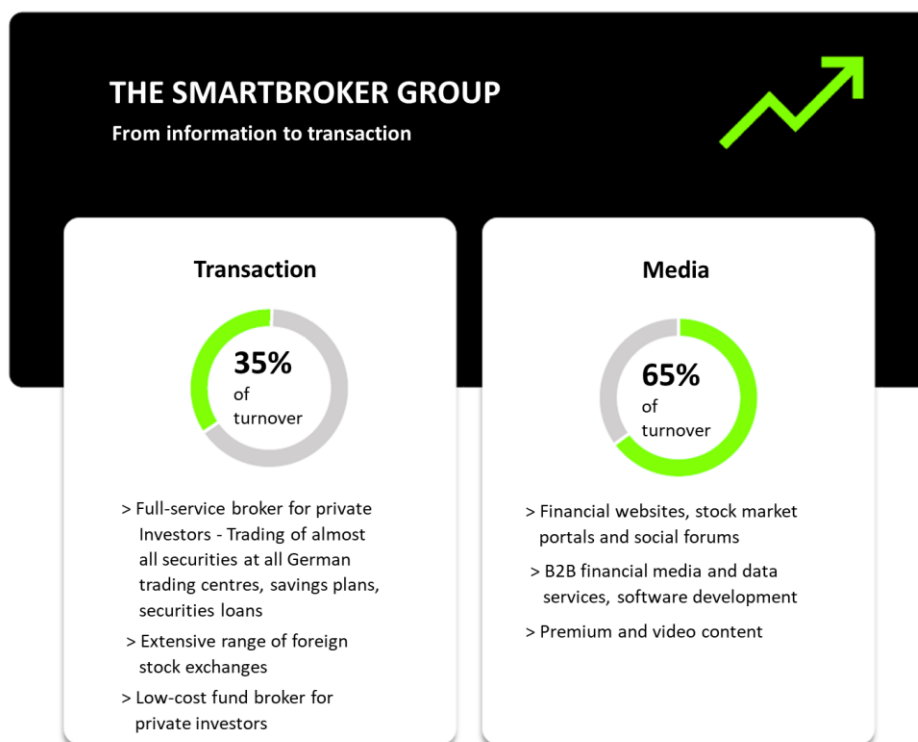
Shareholders in %	(Status: 31/12/2022)
André Kolbinger (founder)	57.0%
Executive Board and Supervisory Board*	8.0%
Free float	35.0%

Sources: Smartbroker Holding AG, GBC
*excl. A.Kolbinger (CEO)



Business model in general

The Smartbroker Group is a financial technology provider (fintech / online services) with a comprehensive product offering that combines digital private asset management with the provision of financial media and stock market information. The group develops and operates brokerage platforms for private investors (transaction business) as well as Germany's largest financial communities and portals (media business). In addition, the group offers customised B2B software solutions in the areas of financial data, web services and regulatory documents.



Sources: Smartbroker Holding AG; GBC AG

Transaction (Smartbroker brand)

The most important component and at the same time the largest revenue and growth driver in the Transaction business segment is the Smartbroker. This is an award-winning online broker that combines the extensive product range of traditional brokers and direct banks (e.g. Comdirect or ING) with the extremely favourable conditions of neobrokers.

The Smartbroker brand was launched in December 2019 to meet the market need for a premium broker for self-determining investors at zero cost where possible. The investment in brokerage technology, combined with the Group's long-standing market presence and extensive industry network, enabled the launch of a digital broker without the product restrictions that often exist with classic new brokers.

With Smartbroker, investors trade almost all listed securities and have a free choice of their preferred trading venue. The offering includes trading on all German stock exchanges, in direct trading, via gettex, Lang & Schwarz, Tradegate and Xetra. In addition, Smartbroker offers the possibility of trading international equities on the respective home exchanges, including trading via Nasdaq, NYSE and LSE. Broken down by asset classes, the broker offers free trading of shares, funds, ETFs, savings plans and bonds via gettex, trading via Lang & Schwarz at € 1.00 per trade and derivatives trading at zero cost via selected premium partners. For an order volume of less than € 500.00, trading fees of only € 4.00 are charged within Germany.

The Smartbroker, which is primarily aimed at private investors, is accessible via an advertising space and, after the introduction of Smartbroker 2.0, also via mobile apps for iOS and Android. Custody account management and the technical execution of securities trading will be carried out by the partner bank DAB BNP Paribas S.A. until the move of existing customers. In the new Smartbroker 2.0 system, Baader Bank AG is responsible for securities account management and transaction processing. Across the entire transaction and brokerage business segment, the Smartbroker Group will manage around 267,000 securities accounts and customer assets of approximately € 9.2 billion at the end of 2022. This results in an average customer volume of more than € 34,000.

The main sources of income in the Transaction segment have traditionally come from transaction, acquisition, trailer and internal commissions, as well as rebates from banking partners and trading venues.

B2C media (portal business with private customers - B2C media)

With wallstreet-online.de, FinanzNachrichten.de, börsenNews.de and ARIVA.de, the Smartbroker Group operates four high-reach finance and stock market portals as well as the associated apps, communities and discussion forums. The media offering is supplemented by the print medium Smart Investor (also digitally under smartinvestor.de) as well as a stock exchange editorial office launched in 2022 which, for the first time, expands the previous media-related service offering with paid products (stock exchange letters).

With several hundred million monthly page views and more than 500,000 registered users, the group is by far the largest publisher-independent financial portal operator in the German-speaking world and the largest financial community as well.

In addition to international news agencies, the company's own stock exchange editorial team, renowned financial professionals, selected community experts and specialist authors shed light on what is happening in the economy, stock exchange and politics on the portals. Thus, the Smartbroker Group offers advertisers a wide reach and, at the same time, a clearly defined target group of investors, savers, investors and people generally interested in the capital market.

The advertising marketing of the portals is managed internally. A combination of direct business with advertisers and agencies and the automated allocation of advertising space to specialised technology providers ("Real Time Bidding", "RTB") enables the company to achieve high capacity utilisation, planning security and stable profit margins.

Within the Portal Business segment, the company's main sources of revenue are from advertising placed on the various media by banking partners, issuers of financial products and advertising agencies on behalf of consumer brands and companies. In addition, small revenues are generated from subscriptions to stock market letters and to the Smart Investor magazine in both print and digital editions.

B2B (media business with commercial customers - B2B media)

In addition to its stock exchange portal and the associated app, the subsidiary ARIVA.DE AG (Ariva) offers a comprehensive range of customised software solutions - from the processing and provision of high-quality financial data and regulatory documents to the creation and support of individual web services and complete internet presences (web, app). Securities information, market data, key figures and regulatory documents are provided according to individual customer requirements.

With its range of services, Ariva addresses both private investors and banks and financial institutions. Revenues from the B2B media business segment traditionally result from the licensing of software (software as a service) and the sale of products and services related to the development and provision of digital content.

Business areas of the Smartbroker Group

TRANSACTION | DIGITAL BROKERAGE

Germany's only provider that combines the extensive product range of traditional brokers with the extremely favourable conditions of Neobroker.

Current awards

Finance Media | Community

The Smartbroker Group is by far the largest publisher-independent financial portal operator in the German-speaking world and maintains the largest financial community.

Our reach

- 2.6 billion page impressions in 2022
- Approx. 3 million users per month in 2022; the group thus reaches at least 40.0% of all execution-only investors and savers.

SELECTION OF PARTNERS

SELECTION OF ADVERTISING PARTNERS

Sources: Smartbroker Holding AG; GBC AG

MARKET AND MARKET ENVIRONMENT

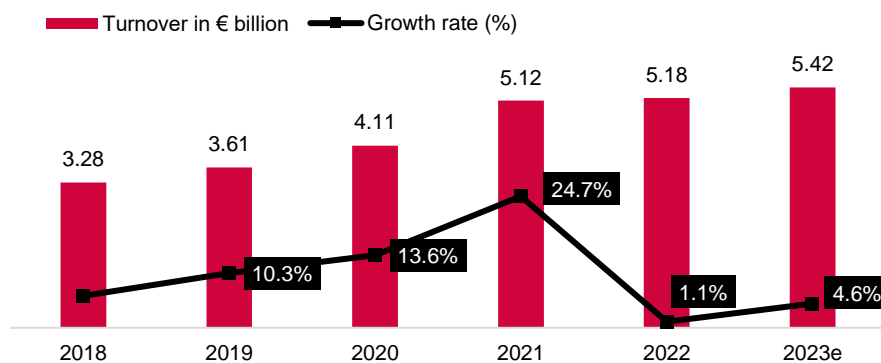
The German financial portal market is currently dominated by the providers Finanzen.net (part of the Axel Springer Group) and the Smartbroker Group with its stock market portals wallstreet-online.de, FinanzNachrichten.de, börsenNews.de and ARIVA.de. Through several acquisitions of financial portals in recent years and measures to increase reach, the Smartbroker Group has become one of the market-leading financial portal operators in terms of reach.

Their strong market position (no. 2 in the industry) in the portal business is reflected, among other things, in the high reach of 2.6 billion page impressions at the end of the last financial year. In addition, approx. 3.0 million users visited the portals of the Smartbroker Group every month in the past financial year. According to the group's own statements, this means that it reaches at least 40.0% of all self-deciding investors and savers in Germany.

Due to the enormous reach of the various financial portals and the high number of active users, online platforms are particularly attractive for advertisers. Consequently, the company also has a high number of prominent advertising clients, especially from the financial sector (e.g. Morgan Stanley, UBS, or HSBC).

Due to their operation of a financial portal business, the Smartbroker Group traditionally generates a particularly high proportion of its revenues in the area of digital marketing and digital advertising. This sector has grown very dynamically worldwide in recent years and is currently continuing its growth streak, albeit at a slower pace than before due to the more difficult general conditions. Especially the area of programmatic advertising has proven to be the strongest growing digital advertising segment.

Market volume with digital display advertising in Germany (in € billion)



Sources: Online-Vermarkterkreis (OVK); GBC AG

The German digital advertising market has also grown significantly in recent years. The main growth drivers here included video advertising and programmatic advertising. In view of a challenging environment (Ukraine conflict, etc.), the digital display advertising market grew by only 1.1% to € 5.18 billion (previous year: € 5.12 billion) in 2022 according to a study by the Online-Vermarkterkreis (OVK). For the current market development in 2023, the market experts are much more optimistic in terms of growth dynamics and expect a market growth of 4.6% to € 5.42 billion.

Parallel to the financial portal business, the Smartbroker Group is also active in the complementary and synergetic business field of "transactions" or brokerage (share of group turnover most recently around 35%). This business area has gained significantly in importance in recent years and at the same time was the main growth driver of the group. In

the future, the brokerage business should continue to be the main growth driver of the group and thus gain even more weight.

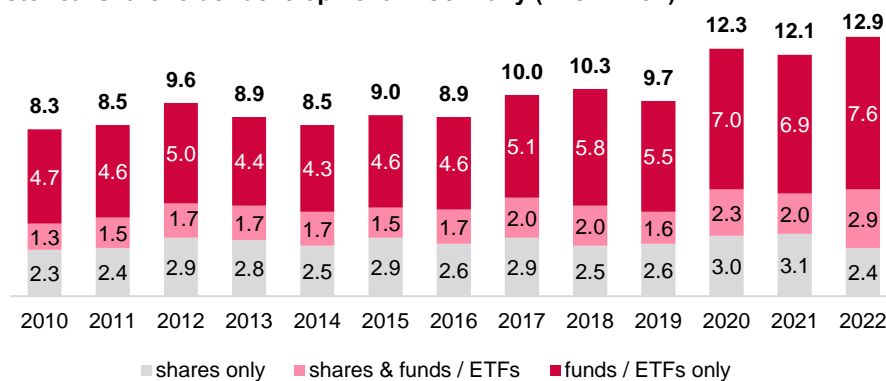
Business activities in the transaction area are very much focused on the emerging Smartbroker brand, which has been positioned as a low-cost full-service broker, and can thus accordingly also be assigned to the Fintech sector.

Despite the generally more difficult stock market environment since last year in particular, the stock markets continue to be of lasting importance for private old-age provision. This is also reflected in a steady increase in new private investors, which, according to a study by the Deutsches Aktieninstitut (DAI), led to a new high of 12.9 million (previous year: 12.1 million) shareholders in 2022, thus setting the previous record from 2001. Due to the increase of 800,000 new shareholders, the share of Germans over 14 years of age who are involved in the stock market rose to over 18.0%. In addition, the study authors announced that 600,000 Germans under the age of 30 invested in shares, funds or ETFs for the first time, an increase of 40.0% over the previous year.

Many of the private investors are long-term oriented with regard to their investment strategy and try to cushion the growing pension gap. According to DAI data, around 70.0% of private investors under the age of 35 use savings plans for shares, ETFs and funds, and 77.0% of young private investors cite long-term wealth accumulation as the most important reason for investing.

In addition to the generally increasing importance of the financial markets for retirement provision, the widespread availability of digital brokers that provide easy and secure access to the capital market have also led to a significant increase in private investors. The Smartbroker, with its digital and low-cost brokerage offering that also provides uncomplicated and secure access to the capital market, has also supported this trend.

Historical shareholder development in Germany (in € million)



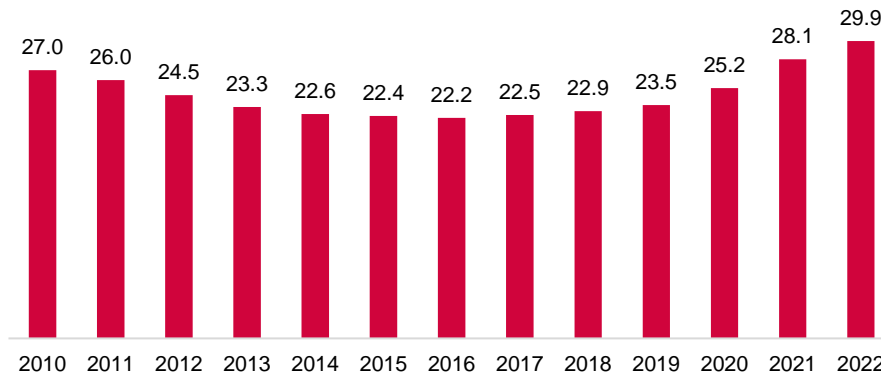
Sources: Deutsches Aktieninstitut e.V.; GBC AG

According to many capital market observers and financial experts, a much more pronounced "share culture" is beginning to develop again in Germany, which is also underpinned or proven by the steady influx of new private investors. The current number of German shareholders in relation to the total number of German citizens (most recently around 83.0 million) corresponds to a shareholder ratio of around 15.5%, which is rather average in a European comparison and thus still offers significant catch-up potential despite the general increase in shareholders.

In addition to the significant increase in shareholders in recent years, the number of securities accounts (of private investors) has also increased significantly according to market analyses by the consulting firm Oliver Wyman and the Deutsche Bundesbank. At the end

of 2022, the number of securities accounts had again increased significantly to 29.9 million (previous year: 28.1 million). In our opinion, innovative digital brokerage providers (so-called neobrokers) in particular should be able to profit from further market growth.

Number of securities accounts of German private investors at the end of the year (million)



Sources: Oliver Wyman; Deutsche Bundesbank; GBC AG

All in all, the Smartbroker Group has focused on the growth sectors of "Digital Brokerage/Banking" and "Digital Media" with its synergetic business areas (Transaction and Media) and should be able to profit significantly from the market opportunities that open up as a result of its good market positioning.

COMPANY DEVELOPMENT & FORECAST

Business development 2022

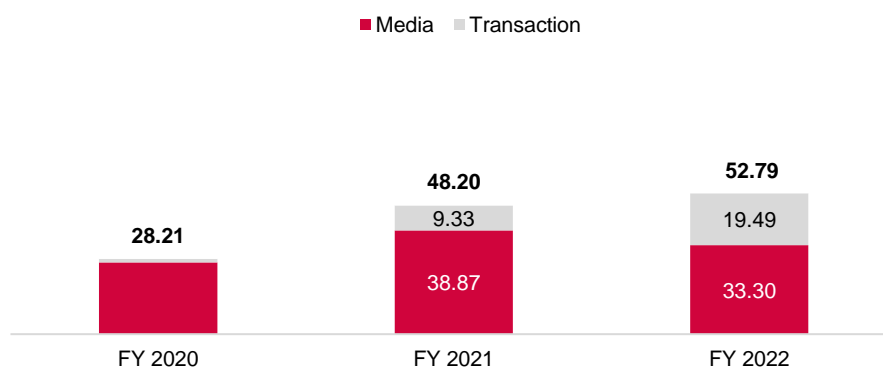
P&L (in € million)	FY 2020	FY 2021	FY 2022
Revenues	28.21	48.20	52.79
EBITDA	4.52	3.56	8.77
EBIT	2.03	0.35	-8.41
Net result	3.55	-0.54	-10.70

Sources: Smartbroker Holding AG, GBC AG

Revenue development

On 20/07/2023, the Smartbroker Group published its audited business figures for the past financial year 2022. Based on these figures, the company achieved a significant increase in turnover of 9.5% to € 52.79 million (previous year: € 48.20 million) despite a difficult market environment (Ukraine war, inflation, rise in interest rates, etc.). The increase in turnover resulted primarily from the full-year consolidation of Smartbroker AG, which was initially consolidated at equity in 2021 and fully consolidated from August 2021.

Development of Group and segment revenues (in € million)



Sources: Smartbroker Holding AG; GBC AG

The Group's revenues were mainly generated by the core segment "Media" (share of revenues: 65.0%). As a result of the 30.0% decline in annual page impressions on the media portals and apps, investor relations advertising revenues also fell significantly. All in all, this led to a significant decline in segment revenues compared to the previous year by 14.3% to € 33.30 million (previous year: € 38.87 million).

In the second largest business area, "Transaction", segment revenues jumped by 108.9% to € 19.49 million (PY: € 9.33 million) compared to the previous year due to the above consolidation effects. An even more positive development in turnover was countered in particular by a decline in the average annual number of transactions to around 18 trades (previous year: 29 trades) and the postponed launch of the major project "Smartbroker 2.0". The decline in the number of trades led to lower trade revenues and consequently also to lower segment revenues.

The postponement of the Smartbroker 2.0 market launch in 2022 resulted from internal strategic mistakes. As a result, the major project was realigned and redefined in terms of the scope of the platform parts to be developed internally and externally. Despite the challenging market situation, the transaction segment succeeded in increasing the number of securities accounts by 30,000 to 267,000 (PY: 246,000) via the subsidiary Smartbroker AG last year, but with less momentum than in the previous year. At the same time, the

cost of acquiring new customers was deliberately reduced to € 4.02 million (PY: € 12.87 million) by postponing the launch of Smartbroker 2.0. The lower growth dynamic is due to the challenging market environment and, above all, the postponement of the Smartbroker launch. Parallel to the increase in securities accounts, client assets under management rose by 4.0% to € 9.20 billion (previous year: € 8.80 billion). The average client assets per securities account thus amounted to € 34,000.

In addition, the company announced that the targeted 100.0% stake in Smartbroker AG (formerly wallstreet:online capital AG), the Smartbroker operating company, was completed in the past financial year 2022. The related squeeze-out procedure pursuant to §327a AktG was successfully completed in April 2022.

All in all, the Smartbroker Group thus fell slightly short of the target corridor of the turnover guidance adjusted in August 2022 (turnover of € 54.0 million to € 57.0 million). Our revenue forecast was also not achieved, in particular due to the postponement of the Smartbroker relaunch. Our estimates were still based on the premise that Smartbroker 2.0 would be launched in 2022.

Earnings development

The earnings development of the Smartbroker Group in the past financial year was primarily characterised by high cost burdens in connection with the introduction of Smartbroker 2.0 and the time delay of the major Smartbroker project. In addition, changes in the Smartbroker 2.0 project (adjustment of the old setup of the Smartbroker project) led to high extraordinary write-offs and thus also reduced earnings.

Despite these heavy cost burdens or necessary investments in the expansion of the transaction area (around the Smartbroker relaunch), the operating result (EBITDA) could be increased by 146.3% to € 8.77 million (PY: € 3.56 million) compared to the previous year. This significant improvement in earnings is mainly due to the reduced customer acquisition costs (€ 4.02 million in 2022 vs. € 12.87 million in 2021) for the Smartbroker, which resulted from the planned restructuring of the Smartbroker 2.0 set-up.

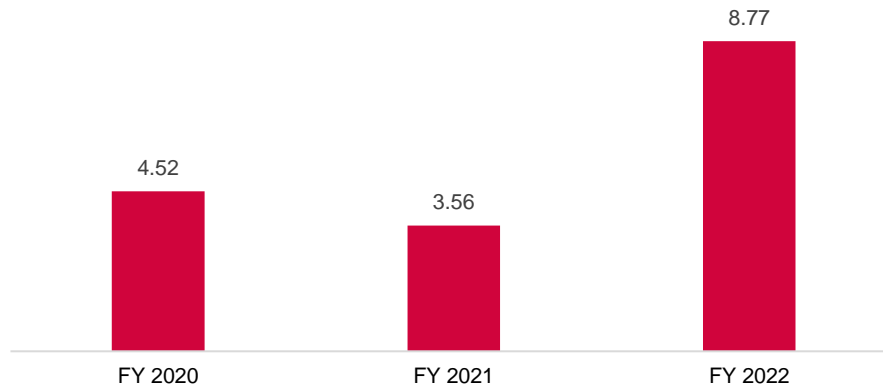
Thanks to the continued high profitability (EBITDA margin of 43.0%) of the media business, which according to company information enabled an EBITDA of approx. € 15.0 million last year, the increased investments in the Smartbroker relaunch could be financed by own liquid funds and thus the major project could be continued.

Adjusted for new customer acquisition costs for the Smartbroker, which amounted to € 4.02 million (previous year: € 12.87 million), an adjusted EBITDA of € 12.79 million was achieved. Compared to the previous year (PY: € 16.43 million), the adjusted operating result fell by 28.5%.

As a result, the company's earnings guidance (operating EBITDA of between € 10.0 million and € 12.0 million) was slightly undershot. Our earnings estimate (EBITDA of € 10.04 million) was also not achieved.

Depreciation and amortisation totalled € 17.19 million in the past financial year 2022 and thus increased significantly compared to the previous year (PY: € 3.21 million). The sharp increase in depreciation and amortisation is primarily due to the unscheduled depreciation of intangible assets in connection with the old setup of the Smartbroker 2.0 project totalling € 12.59 million (previous year: € 0.00 million).

Development of EBITDA and adjusted EBITDA (in € million)



Sources: Smartbroker Holding AG; GBC AG

Taking into account the depreciation, financing and tax effects, the consolidated result for the past financial year was € -10.07 million, which was significantly below the previous year's level (PY: € -0.54 million) due to the high unscheduled depreciation. Adjusted for these special depreciations, an adjusted net result of around € 2.50 million was achieved, which clearly exceeded the previous year's result.

Overall, the Smartbroker Group was able to achieve a solid operating performance in the past financial year despite challenging conditions due to the continued high profitability in the media business. The strong earnings of the media segment enabled the targeted investments in the expansion and further development of the transaction business segment (Smartbroker 2.0).

Balance sheet and financial situation

Selected key balance sheet figures in € m	31/12/2020	31/12/2021	31/12/2022
Equity capital (equity ratio in %)	30.23 (71.7%)	49.46 (65.6%)	49.43 (66.9%)
Intangible assets	20.47	37.47	33.64
thereof goodwill	11.43	22.59	20.81
Receivables (including other assets)	7.94	8.84	8.89
Bank loans	7.50	5.70	14.87
Cash in hand and bank balances	14.07	25.53	27.37
Balance sheet total	51.15	75.38	73.93

Source: Smartbroker Holding AG

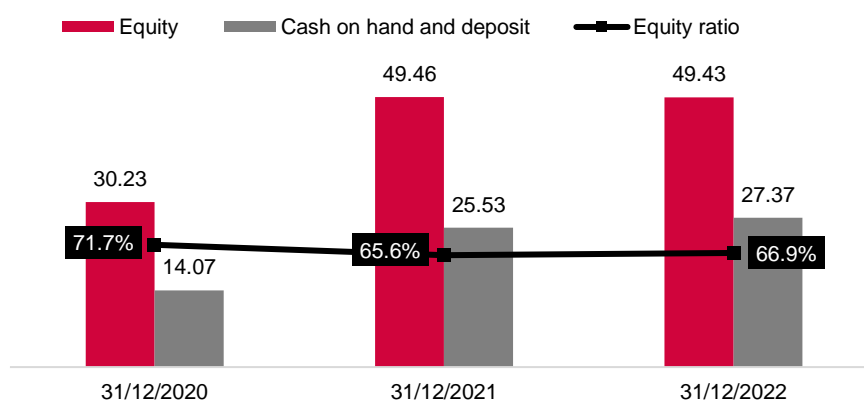
Due to its digital business model, the assets side of the Smartbroker Group is characterised in particular by a high share of intangible assets (share of balance sheet total: 45.5%) at the end of the past financial year, whereby these mainly result from consolidated goodwill (€ 20.81 million).

Due primarily to unscheduled depreciation as a result of a product change and realignment of the Smartbroker (€ 12.59 million) and scheduled goodwill amortisation, intangible assets decreased moderately by 7.9% to € 20.81 million (previous year: € 22.59 million) as at the balance sheet date of 31 December 2022 compared to the previous year.

In addition, the balance sheet items cash on hand and bank balances as well as receivables (including other assets) are important components of the assets side of the balance sheet. The latter balance sheet item reached a volume of € 8.89 million at the end of the past financial year and was thus almost at the previous year's level (PY: € 8.84 million).

Due to the cash capital increase successfully carried out in the past financial year (gross proceeds of € 10.00 million) and the increase in borrowed capital, cash on hand and bank balances increased to € 27.37 million (31/12/2021: € 25.53 million) at the end of the past financial year despite increased investments in the development and expansion of the transaction business. This means that liquid assets accounted for around 37.0% of the balance sheet total as at the balance sheet date of 31/12/2022.

Development of equity and liquidity (in € million)



Sources: Smartbroker Holding AG; GBC AG

The liabilities side of Smartbroker Holding AG's consolidated balance sheet is dominated in particular by a high equity ratio, which was at an above-average level of 66.9% as at 31 December 2022. The company thus has a high and at the same time solid equity base. Bank liabilities increased significantly to € 14.87 million at the end of the past financial year (31/12/2021: € 5.7 million).

Overall, the Smartbroker Group has a solid and healthy balance sheet structure. Considering the highly profitable and relatively robust media business and the high level of liquidity, the company is in a comfortable financial situation.

SWOT analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • Very scalable digital business model with high synergies between the core business areas • Strong market position in the financial portal business in Germany • Very loyal and active financial community with 3.0 million monthly users at last count • New innovative advertising products can be established quickly and reliably • Establishment of the Smartbroker as one of the leading neobrokers in Germany • Highly experienced management takes advantage of current market situations and identifies market trends in the advertising and brokerage business at an early stage 	<ul style="list-style-type: none"> • Currently still no trading app in the transaction business • Media business with limited regional focus on the German-speaking community • Highly dependent on the stock market environment and stock market developments as well as product placements • Still highly dependent on the media business (share of turnover >60.0% at last count)
Opportunities	Risks
<ul style="list-style-type: none"> • High growth opportunities in the dynamic fintech market with the Smartbroker brand • Significant market growth in online and display advertising, also in digital financial advertising • Very good market perception in the USA and Canada opens up additional growth potential • Parallel to Real Time Bidding (RTB), extensive direct deals with renowned agencies ensure quite stable revenues in the media business • Significant synergy potential (e.g. through cross-selling) between the complementary or synergetic portal and brokerage business 	<ul style="list-style-type: none"> • Possible increased regulation could further complicate the promotion of financial products and the expansion of the brokerage business. • Fast-moving internet business could limit or make the Smartbroker group's business model redundant through new technologies/approaches • Cyclical or subdued stock market business could lead to weaker operating phases in the portal business and brokerage business • A sustained negative stock market environment could cause a weakening of client interest in brokerage products and a reduction in trading activity

Forecast and model assumptions

Income statement (in € m)	FY 2022	FY 2023e	FY 2024e	FY 2025e
Revenues	52.79	52.70	66.75	76.30
EBITDA	8.77	1.04	13.97	20.68
EBIT	-8.41	-5.48	5.76	13.05
Net result	-10.07	-4.10	3.70	8.72

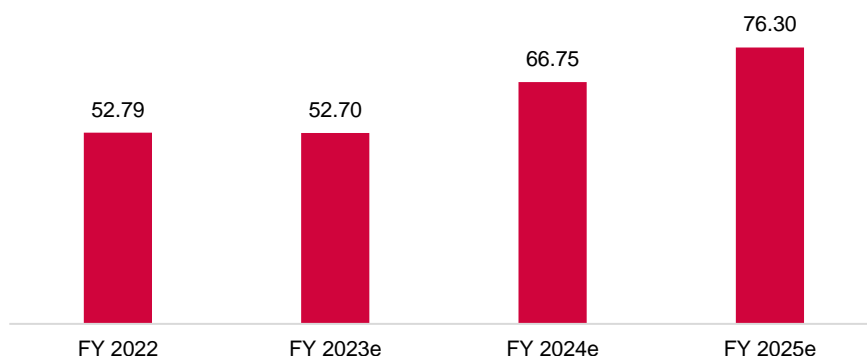
Sources: Smartbroker Holding AG; forecasts GBC AG

Turnover and earnings forecasts

The Smartbroker Group pursues a growth-oriented corporate strategy with its digital business model, which combines the digital financial advertising business with the online brokerage business. Through the strategic orientation in these target markets, the existing growth potential in the digital advertising business and the digital financial services sector is to be consistently exploited.

For the current financial year 2023, the Smartbroker management expects a positive operating development despite challenging general conditions and extensive expenses until the completion of the major project Smartbroker 2.0. Accordingly, the company expects a consolidated turnover of between € 51.0 million and € 56.0 million and an EBITDA (operating result) adjusted for new customer acquisition costs of between € 1.0 million and € 4.0 million.

Expected turnover development (in € million)



Source: Smartbroker Holding AG; estimates GBC AG

At this point, it should be emphasised that the market launch of Smartbroker 2.0 will also lead to considerable start-up costs in 2023, which will not yet be covered by corresponding higher revenues from the operating business due to customer migration in the second half of the year and will thus have a negative impact on earnings. However, this project represents a significant investment in the further expansion of the market position of the brokerage business (Smartbroker business) and also strengthens the competitive position of the Smartbroker Group.

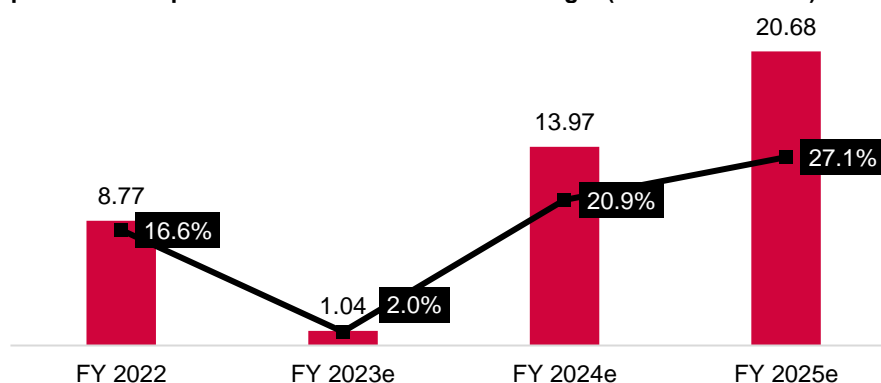
According to company information, the relaunch of the next generation Smartbroker is imminent. After the planned reduction of marketing expenses in the current year (planned marketing expenses of € 2.0 million), the company intends to significantly increase new customer marketing after the successful market launch of Smartbroker 2.0. The migration of existing Smartbroker customers to the new IT infrastructure is to start shortly after the planned product launch in summer 2023. The strategic realignment of the transaction business around the implemented switch of transaction processing and custody account management to Baader Bank should contribute to the Smartbroker brand becoming the Group's main profitable growth driver from 2024.

In the context of the publication of our research study on the preliminary annual results of the Smartbroker financial year 2022 (see study dated 27 March 2023), we had adjusted our revenue and earnings forecasts for the current financial year and also for the following years downwards due to the postponement of the Smartbroker 2.0 launch and the realignment of the brokerage business.

In view of the continuation of the positive corporate outlook, we hereby also confirm our previous turnover and earnings forecasts for the current financial year and also for the following years.

For the current financial period, we expect revenues of € 52.70 million and an EBITDA of € 1.04 million. For the following years 2024 and 2025, we continue to expect revenues (EBITDA) of € 66.75 million (€ 13.97 million) and € 76.30 million (€ 20.68 million), respectively. In parallel, the EBITDA margin should gradually increase dynamically from 16.6% in 2022 to 27.1% in 2025.

Expected development of EBITDA and EBITDA margin (in € million / in %)



Source. Smartbroker Holding AG; estimates GBC AG

Overall, we continue to see the Smartbroker Group in a good starting position to return to dynamic growth mode with the imminent launch of the promising Smartbroker 2.0 from the 2024 financial year. The expected economies of scale from the forecast strong expansion of the digital brokerage business should make it possible to achieve disproportionate earnings growth and thus dynamically increase Group profitability. The increased combination of the two complementary business segments (Media & Transaction) should also be able to significantly advance future revenue and earnings development through the expected positive synergy effects.

Within the framework of our DCF valuation model, we have determined a target price of € 17.70 per share based on our forecasts, which were previously adjusted in our research report (on the preliminary business figures for 2022). Due to the roll-over effect (target price related to FY 2024 instead of 2023), we have slightly increased our previous target price to € 17.90 per share. On the other hand, higher capital costs (increase in risk-free interest rate to 2.00% instead of 1.50%) compared to the previous study (as of 27 March 2023) had the effect of lowering the price target. We have left our previous revenue and earnings estimates unchanged. In view of the current share price level, we continue to issue a "Buy" rating and see significant upside potential in the Smartbroker share.

EVALUATION

Model assumptions

Smartbroker Holding AG was valued by us using a three-stage DCF model. Starting with the concrete estimates for the years 2023, 2024 and 2025 in phase 1, the forecast is made from 2026 to 2030 in the second phase by applying value drivers. Here, we expect increases in revenue of 10.0% (previously: 10.0%) and an EBITDA margin of 29.1% to 34.60% (previously: 29.1% to 34.60%). We have included the tax rate of 30.0% in phase 2. In the third phase, a residual value is also determined after the end of the forecast horizon using the perpetual annuity. In the final value, we assume a growth rate of 2.0%.

Determination of the cost of capital

The weighted average cost of capital (WACC) of Smartbroker Holding AG is calculated from the cost of equity and the cost of debt. To determine the cost of equity, the fair market premium, the company-specific beta and the risk-free interest rate must be determined.

The risk-free interest rate is derived from current yield curves for risk-free bonds in accordance with the recommendations of the Fachausschuss für Unternehmensbewertungen und Betriebswirtschaft (FAUB) of the IDW. The basis for this is the zero bond interest rates published by the Deutsche Bundesbank according to the Svensson method. The average yields of the previous three months are used to smooth short-term market fluctuations. The currently used value of the risk-free interest rate is 2.00% (previously: 1.50%).

We set the historical market premium of 5.50% as a reasonable expectation of a market premium. This is supported by historical analyses of stock market returns. The market premium reflects the percentage by which the equity market is expected to yield better than low-risk government bonds.

According to the GBC estimation method, a beta of 1.34 (previously: 1.34) is currently determined.

Using the assumptions made, we calculate a cost of equity of 9.35% (previously: 8.85%) (beta multiplied by risk premium plus risk-free interest rate). Since we assume a sustainable weighting of the cost of equity of 100.0%, the weighted average cost of capital (WACC) is 9.35% (previously: 8.85%).

Valuation result

The future cash flows are discounted on the basis of the entity approach. We have calculated the corresponding cost of capital (WACC) at 9.35% (previously: 8.85%). The resulting fair value per share at the end of the 2024 financial year corresponds to a target price of € 17.90 (previously: € 17.70). Our price target increase results from the roll-over effect. On the other hand, higher capital costs had the opposite effect, which increased due to a rise in the risk-free interest rate (increase to 2.00%, instead of 1.50% previously). We have left unchanged the revenue and earnings forecasts previously adjusted in our research report (as of 27 March 2023).

DCF model

Smartbroker Holding AG - Discounted Cash Flow (DCF) analysis

Value driver of the DCF model according to estimate phase:

consistency - Phase		final - Phase	
Sales growth	10.0%	Eternal growth rate	2.0%
EBITDA margin	29,1% - 34,6%	Eternal EBITA margin	26.1%
Depreciation to fixed assets	23.2%	Eternal effective tax rate	30.0%
Working capital to sales	4.2%		

Three-phases model:

phase in € m	estimate			consistency					final Terminal Value
	FY 23e	FY 24e	FY 25e	FY 26e	FY 27e	FY 28e	FY 29e	FY 30e	
Sales	52.70	66.75	76.30	83.93	92.32	101.55	111.70	122.88	
Sales change	-0.2%	26.7%	14.3%	10.0%	10.0%	10.0%	10.0%	10.0%	2.0%
Sales to fixed assets	1.46	2.08	2.69	3.28	3.94	4.73	5.70	6.83	
EBITDA	1.04	13.97	20.68	24.43	28.25	32.60	37.54	42.52	
EBITDA margin	2.0%	20.9%	27.1%	29.1%	30.6%	32.1%	33.6%	34.6%	
EBITA	-5.48	5.76	13.05	17.84	22.31	27.17	32.55	37.97	
EBITA margin	-10.4%	8.6%	17.1%	21.3%	24.2%	26.8%	29.1%	30.9%	26.1%
Taxes on EBITA	1.64	-1.73	-3.91	-5.35	-6.69	-8.15	-9.77	-11.39	
Taxes to EBITA	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
EBI (NOPLAT)	-3.84	4.03	9.13	12.49	15.62	19.02	22.79	26.58	
Return on capital	-9.1%	10.4%	25.9%	39.3%	53.6%	69.7%	88.5%	109.4%	98.7%
Working capital (WC)	2.74	3.14	3.36	3.52	3.88	4.27	4.69	5.16	
WC to sales	5.2%	4.7%	4.4%	4.2%	4.2%	4.2%	4.2%	4.2%	
Investment in WC	2.99	-0.40	-0.22	-0.17	-0.35	-0.39	-0.43	-0.47	
Operating fixed assets (OAV)	36.21	32.08	28.39	25.62	23.41	21.49	19.61	18.00	
Depreciation on OAV	-6.52	-8.21	-7.63	-6.59	-5.94	-5.43	-4.99	-4.55	
Depreciation to OAV	18.0%	25.6%	26.9%	23.2%	23.2%	23.2%	23.2%	23.2%	
Investment in OAV	-6.34	-4.08	-3.94	-3.82	-3.73	-3.51	-3.11	-2.94	
Capital employed	38.95	35.22	31.75	29.15	27.29	25.75	24.30	23.16	
EBITDA	1.04	13.97	20.68	24.43	28.25	32.60	37.54	42.52	
Taxes on EBITA	1.64	-1.73	-3.91	-5.35	-6.69	-8.15	-9.77	-11.39	
Total investment	-3.35	-4.48	-4.16	-3.99	-4.08	-3.90	-3.54	-3.41	
Investment in OAV	-6.34	-4.08	-3.94	-3.82	-3.73	-3.51	-3.11	-2.94	
Investment in WC	2.99	-0.40	-0.22	-0.17	-0.35	-0.39	-0.43	-0.47	
Investment in goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Free cash flows	-0.67	7.76	12.61	15.09	17.48	20.55	24.24	27.72	304.79

Value operating business (due date)	246.63	261.92
Net present value explicit free cash flows	83.57	83.61
Net present value of terminal value	163.07	178.31
Net debt	-11.54	-18.82
Value of equity	258.17	280.74
Minority interests	-0.04	-0.04
Value of share capital	258.13	280.70
Outstanding shares in m	15.68	15.68
Fair value per share in €	16.46	17.90

Cost of Capital:

Risk-free rate	2.0%
Market risk premium	5.5%
Beta	1.34
Cost of equity	9.3%
Target weight	100.0%
Cost of debt	3.0%
Target weight	0.0%
Tax shield	25.0%
WACC	9.3%

Return on Capital	WACC				
	8.7%	9.0%	9.3%	9.6%	9.9%
98.2%	19.26	18.52	17.84	17.22	16.65
98.4%	19.29	18.55	17.87	17.25	16.68
98.7%	19.33	18.58	17.90	17.28	16.70
98.9%	19.36	18.61	17.93	17.30	16.73
99.2%	19.39	18.64	17.96	17.33	16.76

APPENDIX

I.

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The respective recommendations/ classifications/ ratings are associated with the following expectations:

BUY	The expected return, based on the determined price target, including dividend payment within the corresponding time horizon is $\geq + 10\%$.
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HOLD	The expected return, based on the determined price target, including dividend payment within the corresponding time horizon is > - 10 % and < + 10 %.
SELL	The expected return, based on the determined price target, including dividend payment within the corresponding time horizon is <= - 10 %.

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For the preparation of the present analysis(es), publicly available information on the issuer(s) (where available, the three most recently published annual and quarterly reports, ad hoc announcements, press releases, securities prospectus, company presentations, etc.) was used, which GBC considers to be reliable. Furthermore, in order to prepare the present analysis(es), discussions were held with the management of the company(ies) concerned in order to obtain a more detailed explanation of the facts relating to the business development.

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Other person involved in this study:

Jörg Grunwald, Management Board

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