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13/07/2022 - Management interview with wallstreet:online AG

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**Catalogue of possible conflicts of interest on page 8*

"We see ourselves as a next generation broker and disruptor of the classic broker market in Germany. The transaction business will account for the largest share of our revenues in a few years. "

wallstreet:online AG (wallstreet:online) 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 neo brokers. At the same time, the group operates four high-reach stock market portals (wallstreet-online.de, boersenNews.de, FinanzNachrichten.de and ARIVA.de). With several hundred million monthly page views, the group is by far the largest publisher-independent financial portal operator in the German-speaking region and maintains the largest financial community.

Recently, wallstreet:online presented the "Case Study 2026" at its Annual General Meeting. In it, the medium-term growth potential for the improved Smartbroker product (Smartbroker 2.0) was considered as part of a scenario calculation. Against this background, we took the opportunity to interview Matthias Hach, CEO of the wallstreet:online group, about the "Case Study 2026", the business model and the company's prospects.

GBC AG: Smartbroker is part of the wallstreet:online group and therefore not a typical fintech startup in our view. What makes the combination of financial media and online brokerage work and should this be maintained in the future?

Matthias Hach: I'll start with the second part of the question: yes, this combination distinguishes us and will be further strengthened in the future. Thanks to our financial portals, we can offer our brokerage customers high-quality journalism, real-time prices and much more information about the stock market - free of charge. In the near future, we will also create paid offers, I am thinking of our own recommendation (*Börsenbrief*) and further trading-specific content. In addition, there is our financial community with almost one million registered users. So, there are plenty of opportunities for networking and discussion. Conversely, with the Smartbroker, we provide the readers of our portals with a fully-fledged online broker that has been designed according to their wishes and with which they can trade from as little as € 0. From my point of view, the two segments complement each other ideally, and at the same time we have developed a stable business model with the media business that has grown over the years. The income from this segment allows us to finance the growth of Smartbroker largely internally.

GBC AG: 200,000 accounts have already been opened with Smartbroker around two years after its market launch. Does this mean that the new Smartbroker 2.0 is really

giving the big online brokers a run for their money and how well does your offering compare to the competition?

Matthias Hach: Smartbroker is challenging all brokerage service providers and I am convinced that we have the best offer. For customers of classic broad banks and online brokers, a Smartbroker securities account is worthwhile for financial considerations alone. Two years ago, the magazine "Finanztest" calculated on the basis of various sample portfolios that investors who switch to us can save up to € 831 per year - mind you, for the same service and the exact same transactions. I honestly find it unbelievable that in 2022, the established banks often still offer completely overpriced rates and have so far gotten away with it. People often use existing offers out of habit or don't know what newer, better options are available. We want to change this and are therefore challenging first-generation brokers in particular. For this, the large selection of trading venues is important because the customers of the big banks do not want to cut back on choice. However, our broad range of exchanges is also a decisive argument in the competition with the typical neo brokers, which usually only offer one or two partners. Although clients often pay no or very low fees there, they have to buy their securities from a very specific trading venue and this can lead to unfavourable prices and high spreads. So, for larger transactions, it can easily be cheaper to pay € 4 in Xetra trading with us than € 0 with another exchange.

GBC AG: Should this strategy also be implemented in other European markets in the future?

Matthias Hach: The expansion to other European markets is currently not on the table for us. According to the official figures of the Bundesbank, 28 million securities accounts were held in Germany alone at the end of 2021, with the majority of them still held by traditional banks and savings institutions, followed by first-generation brokers and direct banks, and finally a small share at the so-called neo brokers. Due to the comprehensive product range and the extremely favourable price model, we are in a unique position to address customers from all three groups and to win them over. Once we have built up a corresponding position here at some point, we will be happy to talk about the potential of other European markets. Let's not forget that other providers are expanding abroad because they are dependent on rapid customer growth - but this is associated with high costs and risks: legal restrictions, tax regulations, language barriers, the general war for talent and then all the coordination with the "mother ship". Unfortunately, we are currently seeing that some fintechs have overstretched themselves and now have to lay off numerous employees. Growing the top line is not everything, for us it always has to be value-driven. We therefore focus on sustainable growth and concentrate fully on our home market.

GBC AG: What do clients look for when choosing a digital broker? How does Smartbroker compare to the competition?

Matthias Hach: You can narrow it down to three criteria: First, we are talking about the fee model. Smartbroker is undoubtedly one of the cheapest providers on the market - several independent news outlets are even of the opinion that we are the cheapest online broker in Germany in relation to the comprehensive product range. Depending on the stock exchange, our customers can trade for as little as € 0; with other exchanges the fee is just € 1 to € 4. There are no custody account fees and no other hidden costs. The second criterion relates to the product range — here we offer the same package as the "big" players, but at the prices of neo brokers. Our customers can buy and sell on every German stock exchange and numerous foreign trading venues. In total, there are around 40 stock exchanges available. This broad selection is particularly important for our target group. Based on the average custody account volumes and the average amount per transaction, we see that Smartbroker clients are mainly experienced investors with a certain amount of assets. These clients do not want to do without the broad product range, but they do not want to spend more than necessary either. The third criterion is our very good customer

service, which is an important part of the overall offer and which sets us apart from new brokers in particular. Taking these factors together, we offer a complete and excellent overall product suite.

We see ourselves as a next generation broker and "disruptor" of the traditional broker market in Germany. We forego fees customary in the industry and pass on the cost advantages resulting from digital products, lean structures and the optimisation of existing fee models to our clients. This disruptive approach in existing markets for the benefit of end customers is part of our company DNA. FondsDiscount revolutionised the fund market for private investors back in 2004. Today, the brand offers more than 24,000 investment funds without any issue premia.

GBC AG: Your group is even to bear the name "Smartbroker Holding AG" in future. What prompted you to take this step and what does the change mean for the media business around wallstreet-online.de and the other portals of the group?

Matthias Hach: Smartbroker is now our most important project, and the majority of our employees already work in some form on the further development of our online broker. In this respect, a change of name makes perfect sense with regard to representing our core business more clearly, but a lot will also happen on the turnover level. The transaction business will account for the largest share of our revenues in a few years. Therefore, I think it is only right that we also express the importance of the brokerage business in the company name. The strategic orientation of the group should thus also become more visible on the capital market - after all, our stock exchange listing makes it possible to invest not only *with* Smartbroker but also *in* Smartbroker. This will not change anything for the media business. The portals will continue to operate under the established name wallstreet:online, with all journalistic offerings bundled in wallstreet:online Publishing GmbH, which was specifically founded for this purpose.

GBC AG: Smartbroker 2.0 is the most important project for your group in the coming years. What exactly will change for your customers with the new edition of the online broker?

Matthias Hach: We can't emphasise it enough: apart from the low fees and the large selection of trading venues, basically everything changes. The new Smartbroker is not just a facelift or something along those lines. Within about one-and-a-half years, we have actually developed a completely new product, which includes a completely new IT infrastructure, a new corporate identity, a new trading interface in the web application and many other points in addition to the smartphone app. We have created new structures internally and strengthened existing departments with new staff, particularly in the areas of risk management, legal, compliance, design, IT & development and investor relations. With this setup, we are well positioned for our relaunch and expected growth. The most important change for customers is the elimination of a partner bank. Anyone who opens a securities account with Smartbroker will also become a customer with us in the future. This means that, after the licence extension by BaFin, the securities accounts will be with us. We will take over customer service and the entire application process, which will lead to significant improvements in the interaction with our customers. We will simplify, accelerate and digitalise many processes and be able to fully develop our innovative strength with regard to ongoing product expansion and improvement.

GBC AG: Let's stay with Smartbroker 2.0. You had announced that there would also be some changes on the company side, for example with regard to the scalability of the product. How high was the investment and when will the innovation pay off?

Matthias Hach: In the project period 2021-2022, we will invest about € 20-25 million in Smartbroker 2.0, the associated increase in staff and IT development work. We are internalising large parts of the value chain around custody account management, securities trading settlement, reporting, etc. and are working together with selected partners in some areas. The new technology is cloud-based and scalable.

In the past few months, we have already created numerous jobs, most of them in client services. An often overlooked difference between us and the typical neo brokers is our good accessibility, including by phone. Many providers can at best be reached by e-mail. Our customer service team is available Monday to Friday from 8 am to 6 pm. But back to the investments: a little more than half is capitalised and depreciated over a few years. The expenses pay off from day one, as Smartbroker 2.0 already makes a positive contribution to the profitability of the group with the current number of customers - apart from the costs of acquiring new customers.

GBC AG: You recently presented the Case Study 2026. It includes about 600,000 securities accounts by the end of 2026, revenues of between € 140 million and € 180 million and an increase in the EBITDA margin to more than 35%. What is the basis for this growth? How confident are you in the continued strong trading activity of your clients?

Matthias Hach: On the one hand, thanks to our own trading app, we can advertise on a large scale in social media and in the company's own media apps for the first time, which will lead to a more favourable marketing mix overall and thus to lower costs in acquiring new customers. So, in the future we will address a much broader target group and at the same time expect more trades per client. Thanks to our own trading app, we will also see trades on-the-go in the future; trading will then no longer be limited to the PC or laptop.

At the same time, the costs per transaction will decrease due to economies of scale, with a simultaneous increase in turnover per trade, as the revenue share that is currently transferred to the partner bank is completely eliminated. In addition, Smartbroker 2.0 offers our customers trading in cryptocurrencies - all accessible via the same platform, mind you. We have developed a completely new trading interface for the web application and will successively integrate Smartbroker with our financial portals. Our goal is to combine information and transaction. Looking at the trading activity of our customers, I am confident. We have shown three different scenarios in our case study, a so-called low case with 20 transactions per year, a base case with 30 transactions and a high case with 40 transactions. These figures are based on the experience we have gathered over the past two-and-a-half years. The middle scenario corresponds to a large extent to the values we measured last year. So, in my view, it is a realistic base value. But even with 20 transactions per client, we still generate solid earnings thanks to the optimised business model.

GBC AG: What future growth areas do you see for the group? Should it go beyond the brokerage business for private investors?

Matthias Hach: With the launch of Smartbroker 2.0, our business model will become even more attractive. For our planning, we distinguish between projects that can make a direct contribution to turnover in the short term and those that will strengthen the group's position in the long term. A very important point is possible interest income on the cash holdings of our customers. In the current environment, this would already make a significant difference in turnover. Specifically, our clients held around € 900 million in cash at the end of Q1 2022 - at a 1% interest margin, this would generate € 9 million in additional revenue. We plan to offer this initially through a partner bank and would receive a portion of the interest income in the model. One idea is to also offer our brokerage infrastructure as a white-label solution to B2B customers in the future - for example, to smaller asset managers who are

currently place their transactions via major banks at higher conditions. Other topics such as the much-discussed equity pension and other government measures that could make the capital market more attractive for private investors could become significant drivers of overall market growth. This also includes topics such as financial education, especially for younger investors, who could be introduced to the capital market in this way.

GBC AG: What relevance does the regulatory topic "Payment for Order Flow" have for the Smartbroker and your group? How would you deal with a possible ban on refunds?

Matthias Hach: Of course, we are following the discussion very closely, but to be honest we are relatively relaxed about the issue. For one thing, we are much less dependent on charge-backs than is the case with many typical € 0-brokers. On the other hand, we have recently seen positive signals from politicians. A complete ban, as was discussed just a few months ago, no longer seems to be in focus. Instead, we expect stricter requirements with regard to transparency, and there is nothing to be said against that. It would do the industry, and especially the image of online brokers, good if customers were better informed about the business models and agreements. In any case, we have nothing to hide. But now let's play the scenario you outlined out for a moment: in the case of a complete ban, we would probably raise the fees per order by about one euro - and would still represent the cheapest offer in the category "full product scope", i.e. nothing would change in the fundamental market dynamics. Other providers with already weak margins would probably have to raise prices even more significantly. Either way, such a decision would lead to customers paying higher prices and thus the barriers to accessing the capital market would increase again. This is exactly what politics cannot be about.

GBC AG: Against the background of uncertainties regarding the ongoing corona pandemic, the expansion of the Ukraine war and a further tightening of inflation, there is a risk of a significant cooling of the economy or even recessionary developments. How stable or robust do you consider your target markets and your business model in the event of a recession?

Matthias Hach: No one can say how the markets will develop in the coming months, but I am quite optimistic for our company: wallstreet:online AG has existed for 24 years, we have already mastered many a crisis from the Neuer Markt, 9/11 and the financial crisis of 2008 to corona and the Ukraine war. Our media business is stable and has been growing steadily for years. In some ways, turbulent times on the stock markets even lead to increased media consumption. When prices suddenly plummet, investors look for explanations and backgrounds. Recent figures show that shareholders are once again increasingly heading for wallstreet-online.de and our other financial market portals. It was very similar during the hot corona phase. With regard to our online broker, we can draw on empirical values from the past two-and-a-half years. Opportunities always arise on the stock exchange, which means there will always be transactions - even if perhaps a little less. One should also not forget that a high proportion of our clients have savings plans and thus regularly make transactions, regardless of the political situation. Moreover, a generation is growing up that increasingly realises that it has to do something about the pension gap, and there is no way around the stock markets and securities investment. In this respect, I expect a rising shareholder ratio, which in turn offers new opportunities for us.

GBC AG: wallstreet:online was able to continue its dynamic growth course in the past financial year. What can investors expect from your company in the current financial year? What guidance have you given yourself?

Matthias Hach: 2022 is a transition year for us. The launch of Smartbroker 2.0 is getting closer and closer, we are currently putting almost all our energy into the development. At

the same time, we have scaled down our marketing activities accordingly. We are saving our resources for the time after the relaunch. Nevertheless, we expect a 25% growth in turnover this year - based on 55,000 new securities accounts. We are confident that we will achieve this figure. With the 55,000 new securities accounts this year, we will have opened a total of 300,000 accounts. With that, we expect assets under custody of approximately € 10.3 billion. This year, the media business is expected to account for 56% of the turnover, the transaction segment would accordingly amount to 44%. We expect revenues of between € 62 and € 67 million and an operating EBITDA before customer acquisition costs for the Smartbroker of between € 16 and € 18 million.

GBC: Thank you very much for the interview.

APPENDIX

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