

Basic Report Update

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Evaluation result

BUY

(previous: BUY)

Fair value

€1.79

(previous: €1.98)

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Strategic Revenues advancing – Group break-even in 2019 quite achievable

On August 29, MAX21 reported its semi-annual results and held a phone conference the following day.

Compared to previous year, sales revenues on group level increased by 14.5% to 3.5 mln; adjusted for revenues of NECDIS, which has been sold during the previous period, top line even improved by approx. 30%. In combination with cost savings in personnel and by streamlining internal processes, advancements clearly became evident also on operating level with a significant improvement of EBITDA to T€-540 (H1/17: €-2.3 mln).

Both subsidiaries, Binect and KeyIdentity, showed clear improvements in their strategic revenues which in sum grew by 140% to €1.3 mln. The relevant key performing indicators for corporate management are **life time value (LTV)** and **monthly recurring revenue (MRR)**:

Binect: Total mail volume increased by 15% to 55.3 mln, which is in line with our projection for the full year of 112 mln. Top line growth is largely attributable to mailings via the services the company provides on its own profit & loss account (strategic revenues) and which is reported separately from click charge per letter model with Deutsche Post AG (E-POST BUSINESS BOX). With 43 newly acquired clients, the LTV of the strategically relevant client base increased from €0.9 to 2.7 mln. The company's EBITDA remained positive and is reported at T€189.

KeyIdentity: Compared to last year's period, the LTV of contracts increased from €1.9 to €3.2 mln, largely due to the acquisition of a large client (Basler Versicherungen). Along with a rise in the overall number of contracts from 288 at year end to 323, MRR increased from €53 ths. to €88 ths. On a short term horizon the company targets at advancing this KPI to T€100 or more.

The company raises its EBITDA guidance on group level from a maximum negative figure of €-2.5 mln to €-1.5 mln and expects break-even on group level in 2019. Our model suggests that this target is achievable. Management is confident that no corporate measure will be necessary until its operating target will be reached.

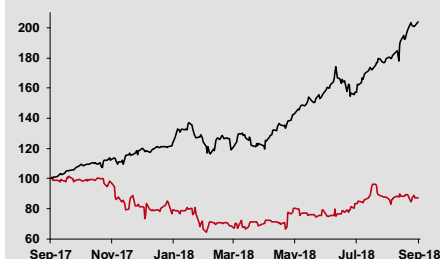
Based on the H1 report we have updated our fundamental valuation. and calculate a fair value of €1.79 per share. We reiterate our "Buy" rating.

Key financial data

Year	Sales (€ mln)	EBITDA (€ mln)	EBIT (€ mln)	EBT (€ mln)	Net Profit (€ mln)	EPS (€)	EBITDA Margin	EBIT Margin
2016a	6.4	-4.2	-6.0	-7.3	-6.4	-0.52	neg.	neg.
2017a	6.6	-4.3	-15.3	-14.7	-14.4	-0.88	neg.	neg.
2018e	7.1	-1.3	-3.7	-3.7	-3.8	-0.22	neg.	neg.
2019e	8.9	0.0	-2.1	-2.1	-2.3	-0.13	0.3%	neg.
2020e	10.2	0.9	-0.9	-0.9	-1.2	-0.07	8.7%	neg.
2021e	11.9	2.0	0.4	0.4	-0.1	-0.01	16.0%	3.3%

Source: MAX21 AG (a), BankM Research (e)

Sector	IT services			
WKN	A0D88T			
ISIN	DE000A0D88T9			
Bloomberg/Reuters	MA1 GY / MA1G.DE			
Accounting Standard	IFRS			
Financial Year	December 31			
Financial Reporting Q3 2018	November 26, 2018			
Market Segment	Open Market			
Transparency Standard	Scale			
Financial Ratios*	2018e	2019e	2020e	2021e
EV/Sales	3.4	2.7	2.3	2.0
EV/EBITDA	neg.	n.m.	25.8	12.1
EV/EBIT	neg.	neg.	neg.	58.9
P/E	neg.	neg.	neg.	neg.
Price/FCF	neg.	44.7	15.7	8.9
ROE (in%)	-21.7	-13.0	-6.9	-0.5
Dividend Yield (in %)	0.0	0.0	0.0	0.0
* based on aggregated figures				
Number of Shares Outs. (in '000)	17,406			
MarketCap / EV (in € mln)	24.72 / 23.94			
Free Float (in %)	74.6			
Ø Daily Trading Vol. (3M, in €)	10,270			
12 months high/low (in €; XETRA-close)	1.72 / 1.07			
Price Sep 4, 2018 (in €; close)	1.42			
Performance	1M	6M	12M	
absolute (in %)	-0.7	26.3	-16.3	
relative (in %)	-12.5	-26.3	-58.5	
Benchmark Index	DAXSubsector IT Services Performance Index			



MAX21 AG (red/grey), Performance 1y vs. DAXSubsector IT Services (black)

Source: Bloomberg

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Valuation

Based on the positive H1 results we have revised our projections for both holding companies, Binect and KeyIdentity.

As of December 31, 2017, there is no debt on the balance sheet of both companies. Since we do not treat the cash position as of balance sheet date as "excess" cash (rather it is pivotal for continuing operations on group level) this results in a net debt position of null.

1. DCF Model Binect GmbH

Our Binect model is based on our growth assumptions of the total mail volume processed by the company which grew by 15% compared to previous period. Under the assumption of the expansion of strategic sales revenues we suggest growth rates of 26% and 19% for 2018 and 2019, respectively. This reflects the fact that strategic revenues are still on a rather low level but will ramp up in the future.

in € '000	2017a	Phase 1					Phase 2				Terminal Value
		2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e		
	Basis	1	2	3	4	5	6	7	8		
	Growth	1.7%	26.3%	19.0%	11.5%	15.3%	14.8%	14.4%	14.1%	14.0%	1.0%
Sales Revenues		4,349	5,494	6,540	7,293	8,411	9,656	11,046	12,605	14,367	14,511
EBIT		-1,350	80	645	1,034	1,640	2,137	2,764	3,466	4,269	4,311
- current Tax		0	24	193	310	492	641	829	1,040	1,281	1,293
+ Depreciation and amortization		600	277	278	279	280	281	269	257	246	200
+ Change in long-term provisions		454	0	0	0	0	0	0	0	0	0
- Change in net working capital		1,069	-176	-50	-25	-112	-126	-142	-158	-176	-12
- Other non-cash items		300	0	0	0	0	0	0	0	0	0
- Capex		229	284	284	284	284	219	210	201	193	200
= Free Cash Flow		-1,894	225	495	744	1,256	1,684	2,135	2,640	3,217	3,030
Terminal Value											31,890
Discount factor			0.90	0.81	0.73	0.65	0.59	0.53	0.47	0.43	0.43
NPV of Free Cash Flows		n.a.	202	400	539	819	988	1,126	1,252	1,373	
NPV of Terminal Value											13,611
Valuation		Proportion of EV									
Result of Future Cash Flows		6,700	33%								
+ Result of Terminal Value		13,611	67%								
= Value of the Entity		20,311									
- Net Debt (31.12.2017)		0									
= Value of Equity		20,311									
Current No. of Shares (in '000)		17,406									
Price per Share		1.17									

Source: BankM Research

Sensitivity Analysis

Growth in TV	Discount rate of Terminal Value						
	8.00%	9.00%	10.00%	10.50%	11.00%	12.00%	13.00%
-1.00%	1.19	1.11	1.05	1.02	0.99	0.95	0.91
0.00%	1.30	1.20	1.12	1.09	1.05	1.00	0.95
1.00%	1.45	1.31	1.21	1.17	1.13	1.06	1.00
2.00%	1.64	1.46	1.32	1.27	1.22	1.14	1.07
3.00%	1.90	1.65	1.47	1.39	1.33	1.23	1.14

Growth in TV	EBIT Margin in Terminal Value					
	27.00%	28.00%	29.00%	29.71%	30.00%	31.00%
-1.00%	0.96	0.98	1.00	1.02	1.02	1.05
0.00%	1.02	1.05	1.07	1.09	1.09	1.12
1.00%	1.10	1.12	1.15	1.17	1.17	1.20
2.00%	1.19	1.22	1.25	1.27	1.28	1.31
3.00%	1.30	1.34	1.37	1.39	1.40	1.44

Source: BankM Research

2. DCF Model KeyIdentity GmbH

Working capital is distinctly influenced by the payment schedule of the business. We assume that the average duration of a contract with a typical customer is two years and we accrue revenues and prepayments accordingly. We assume a constant number of new clients of 100 per year with a churn rate of 10%.

in € '000	2017a	Phase 1				Phase 2				Terminal Value
		2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	
	Basis	1	2	3	4	5	6	7	8	
Growth		5.3%	51.6%	24.7%	17.4%	14.3%	11.8%	10.1%	8.7%	1.0%
Sales Revenues	1,477	1,556	2,359	2,941	3,453	3,946	4,411	4,858	5,281	5,334
EBIT	-2,271	-1,649	-941	-428	19	376	758	1,119	1,271	1,237
- current Tax	0	0	0	0	6	113	228	336	381	371
+ Depreciation and amortization	170	117	147	142	136	131	126	121	117	130
+ Change in long-term provisions	0	0	0	0	0	0	0	0	0	0
- Change in net working capital	-1,306	-974	-1,223	-1,498	-1,723	-1,969	-2,170	-2,393	-2,574	-50
- Other cash items	-77	0	0	0	0	2	0	0	0	0
- Capex	75	275	118	114	110	106	102	99	107	130
= Free Cash Flow	-947	-833	312	1,098	1,763	2,255	2,725	3,199	3,474	916
Terminal Value										9,639
Discount factor		0.90	0.81	0.73	0.65	0.59	0.53	0.47	0.43	0.43
NPV of Free Cash Flows	n.a.	-748	252	797	1,150	1,323	1,437	1,518	1,483	
NPV of Terminal Value										4,114
Valuation	Proportion of EV									
Result of Future Cash Flows	7,210	64%								
+ Result of Terminal Value	4,114	36%								
= Value of the Entity	11,323									
- Net Debt (31.12.2017)	0									
= Value of Equity	11,323									
Current No. of Shares (in '000)	17,406									
Price per Share	0.65									

Source: BankM Research

Sensitivity Analysis

Growth in TV	Discount rate of Terminal Value						
	8.00%	9.00%	10.00%	10.50%	11.00%	12.00%	13.00%
-1.00%	0.66	0.63	0.61	0.61	0.60	0.58	0.57
0.00%	0.69	0.66	0.64	0.63	0.62	0.60	0.59
1.00%	0.73	0.69	0.66	0.65	0.64	0.62	0.60
2.00%	0.79	0.74	0.70	0.68	0.67	0.64	0.62
3.00%	0.87	0.80	0.74	0.72	0.70	0.67	0.64

Growth in TV	EBIT Margin in Terminal Value						
	21.00%	22.00%	23.00%	23.19%	24.00%	25.00%	26.00%
-1.00%	0.59	0.60	0.60	0.61	0.61	0.62	0.63
0.00%	0.61	0.62	0.62	0.63	0.63	0.64	0.65
1.00%	0.63	0.64	0.65	0.65	0.66	0.67	0.68
2.00%	0.66	0.67	0.68	0.68	0.69	0.70	0.71
3.00%	0.69	0.70	0.72	0.72	0.73	0.74	0.75

Source: BankM Research

Key Model Assumptions for Binect and KeyIdentity

	Source	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	TV
Riskfree Return	Bloomberg	-0.60%	-0.58%	-0.49%	-0.35%	-0.20%	-0.12%	-0.01%	0.12%	0.80%
Expected Market Return	KPMI	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Sector Beta	Bloomberg	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.00
Company-specific Risk		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Cost of Equity		11.30%	11.30%	11.29%	11.28%	11.26%	11.25%	11.24%	11.23%	10.50%
Target Weight		100%	100%	100%	100%	100%	100%	100%	100%	100%
Cost of Debt		8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Target Weight		0%	0%	0%	0%	0%	0%	0%	0%	0%
Tax Shield		30%	30%	30%	30%	30%	30%	30%	30%	30%
WACC		11.30%	11.30%	11.29%	11.28%	11.26%	11.25%	11.24%	11.23%	10.50%

Source: BankM Research

Valuation Summary

Fair value of the share: €1.79

Per share, our sum-of-the-parts analysis returns a value of €1.17 for Binect and €0.65 for KeyIdentity. The holding accounts for €-0.03 per share, assuming costs of €100 ths. in 2018 and discounting them at the same rate as the subsidiaries at Terminal value. This results in a Fair Value of €1.79 per MAX21 share.

Tables

1. Financials on Group Level

Income Statement

Fiscal Year Dec. 31 (IFRS)	2016a	2017a	2018e	2019e	2020e	2021e	5y - CAGR 2016 - 2020
in € '000							
Revenues	6,391	6,623	7,051	8,899	10,234	11,864	16.7
<i>Growth Rate (in %)</i>	93.2	3.6	6.4	26.2	15.0	16	
Inventory change	241	-58	0	0	0	0	
Own work capitalized	866	533	500	500	500	500	
Total Sales	7,498	7,099	7,551	9,400	10,736	12,367	13.3
<i>Growth Rate (in %)</i>	90.8	-5.3	6.4	24.5	14.2	15.2	
Other operating income	326	142	0	0	0	0	
Material expenses	2,665	2,151	2,390	2,837	3,164	3,633	
<i>in % of Revenues</i>	41.7	32.5	33.9	31.9	30.9	30.6	
Personnel expenses	6,537	6,027	4,417	4,494	4,582	4,671	
<i>in % of Revenues</i>	102.3	91.0	62.7	50.5	44.8	39.4	
Other operating expenses	2,779	3,371	2,018	2,039	2,061	2,084	
EBITDA	-4,157	-4,308	-1,275	31	929	1,979	n.a.
Depreciation	1,868	13,059	2,474	2,107	1,811	1,573	
EBIT	-6,024	-15,306	-3,749	-2,076	-882	406	n.a.
Net Financial Result	-1,264	575	0	0	0	0	
EBT	-7,288	-14,730	-3,749	-2,076	-882	406	n.a.
Taxes on Income (Exp./Inc.-)	-863	-335	24	193	310	498	
Net Profit	-6,425	-14,395	-3,773	-2,270	-1,192	-92	n.a.
No. of shares (Ø outstanding)	12,353	16,295	17,406	17,406	17,406	17,406	
Net profit / share (EPS)	-0.52	-0.88	-0.22	-0.13	-0.07	-0.01	

Source: MAX21 AG (a), BankM Research (e)

Operating margins

in %	2016a	2017a	2018e	2019e	2020e	2021e	
Gross Profit Margin	64.5	69.7	68.3	69.8	70.5	70.6	
EBITDA Margin	-55.4	-60.7	-16.9	0.3	8.7	16.0	
EBIT Margin	-80.3	-215.6	-49.7	-22.1	-8.2	3.3	
EBT Margin	-97.2	-207.5	-49.7	-22.1	-8.2	3.3	
Net Profit Margin	-85.7	-202.8	-50.0	-24.1	-11.1	-0.7	

Source: MAX21 AG (a), BankM Research (e)

Cash Flow Statement

Fiscal Year Dec. 31 (IFRS)	2016a	2017a	2018e	2019e	2020e	2021e	
in € '000							
EBT	-7,288	-14,730	-3,749	-2,076	-882	406	
+ Depreciation and Amortization	1,868	10,998	2,474	2,107	1,811	1,573	
+ Chg. in long-term provisions	0	0	0	0	0	0	
- Income Taxes paid	0	0	199	151	281	451	
= Cash Earnings	-5,420	-3,732	-1,474	-120	648	1,528	
- Net financial items	-1,264	575	0	0	0	0	
- Change in net Working Capital	-326	-90	-1,631	-1,273	-1,523	-1,835	
+ Other items	-160	1,063	0	0	0	0	
= Operating Cash Flow	-3,991	-3,154	158	1,153	2,171	3,363	
- Capex	1,342	808	600	600	600	600	
= Free Cash Flow	-5,333	-3,962	-442	553	1,571	2,763	
+ Increase in share capital	4,610	6,295	0	0	0	0	
+ Bank and other loans	-216	-688	0	0	0	0	
= Incr. in Cash (+)/Decr. in Cash (-)	-940	1,645	-442	553	1,571	2,763	

Source: BankM Research (e)

Balance Sheet

Fiscal Year Dec. 31 (HGB)	2016a	2017a	2018e	2019e	2020e	2021e
in € '000						
Assets						
Total Fixed Assets	26,220	12,920	11,046	9,539	8,328	7,355
Tangible Assets	483	216	277	318	345	364
Intangible Assets	25,708	12,675	10,740	9,192	7,954	6,963
Financial Assets	10	10	10	10	10	10
Others	20	18	18	18	18	18
Total Current Assets	2,380	3,531	2,862	3,529	5,184	8,064
Inventories	449	334	33	42	52	70
Trade Receivables	985	445	520	625	699	799
Total liquid Funds	677	2,322	1,879	2,432	4,003	6,766
Other current Assets	270	430	430	430	430	430
Balance Sheet Total	28,600	16,451	13,908	13,067	13,511	15,419
Shareholder's Equity / Liabilities						
Shareholders Equity	21,832	11,747	7,974	5,704	4,511	4,420
Subscribed Capital	13,551	17,406	17,406	17,406	17,406	17,406
Share premium	21,035	23,550	23,550	23,550	23,550	23,550
Retained Earnings and other Reserves	-12,753	-29,209	-32,983	-35,252	-36,445	-36,536
Long term Liabilities	4,052	2,451	2,451	2,451	2,451	2,451
Interest bearing	2,520	1,248	1,248	1,248	1,248	1,248
Deferred tax liabilities	1,532	1,203	1,203	1,203	1,203	1,203
ST Liabilities < 1 Year	2,715	2,253	3,483	4,912	6,549	8,548
Trade Payables & pre-Paymts.	1,127	532	969	1,101	1,188	1,397
Short term Tax Liabilities	302	181	6	48	78	124
Other ST Liabilities incl. Accrued Items	1,287	1,540	2,508	3,762	5,283	7,027
Total Liabilities	6,768	4,704	5,934	7,364	9,000	11,000
Balance Sheet Total	28,600	16,451	13,908	13,067	13,511	15,419

Source: BankM Research (e)

Balance Sheet Ratios

in %	2016a	2017a	2018e	2019e	2020e	2021e
Total Fixed Assets	91.7	78.5	79.4	73.0	61.6	47.7
Total Current Assets	8.3	21.5	20.6	27.0	38.4	52.3
Inventories	1.6	2.0	0.2	0.3	0.4	0.5
Trade receivables	3.4	2.7	3.7	4.8	5.2	5.2
Total liquid funds	2.4	14.1	13.5	18.6	29.6	43.9
Shareholders Equity	76.3	71.4	57.3	43.6	33.4	28.7
Long Term Liabilities	14.2	14.9	17.6	18.8	18.1	15.9
Short Term Liabilities	9.5	13.7	25.0	37.6	48.5	55.4
Total Liabilities	23.7	28.6	42.7	56.4	66.6	71.3

Source: BankM Research (e)

2. Financials Binect GmbH

Income Statement

Fiscal Year Dec. 31 (IFRS)	2016a	2017a	2018e	2019e	2020e	2021e	4y - CAGR 2015 - 2019
in € '000							
Revenues	4,278	4,349	5,494	6,540	7,293	8,411	14.3
<i>Growth Rate (in %)</i>	-16.4	1.7	26.3	19.0	11.5	15.3	
Inventory change	289	-153	0	0	0	0	
Own work capitalized	449	0	250	250	250	250	
Total Sales	5,186	4,197	5,744	6,790	7,543	8,661	9.8
Other operating income	170	0	0	0	0	0	
Material expenses	2,038	1,549	2,290	2,707	3,007	3,453	
<i>in % of Revenues</i>	39.3	36.9	39.9	39.9	39.9	39.9	
Personnel expenses	2,692	2,649	2,384	2,431	2,480	2,530	
<i>in % of Revenues</i>	62.9	60.9	43.4	37.2	34.0	30.1	
Other operating expenses	1,927	749	714	728	743	758	
EBITDA	-1,470	-750	357	923	1,313	1,921	n.a.

Source: MAX21 AG (a), BankM Research (e)

Operating Margins

in %	2016a	2017a	2018e	2019e	2020e	2021e	
Gross Profit Margin	60.7	63.1	60.1	60.1	60.1	60.1	
EBITDA Margin	-28.3	-17.9	6.2	13.6	17.4	22.2	

Source: MAX21 AG (a), BankM Research (e)

3. Financials KeyIdentity GmbH

Income Statement

Fiscal Year Dec. 31 (IFRS)	2016a	2017a	2018e	2019e	2020e	2021e	4y - CAGR 2015 - 2019
in € ths							
Revenues	1,423	1,477	1,556	2,359	2,941	3,453	19.9
<i>Growth Rate (in %)</i>	86.5	3.8	5.3	51.6	24.7	17.4	
Inventory change	-48	0	0	0	0	0	
Own work capitalized	417	310	250	250	250	250	
Total Sales	1,833	1,787	1,806	2,609	3,191	3,703	14.9
<i>Growth Rate (in %)</i>	117.1	-2.5	1.0	44.5	22.3	16.1	
Other operating income	41	0	0	0	0	0	
Material expenses	170	182	100	130	157	180	
<i>in % of Revenues</i>	9.3	10.2	5.5	5.0	4.9	4.9	
Personnel expenses	2,562	2,442	2,034	2,062	2,102	2,142	
<i>in % of Revenues</i>	180.0	165.3	130.7	87.4	71.5	62.0	
Other operating expenses	1,521	1,265	1,204	1,210	1,218	1,226	
EBITDA	-2,420	-2,101	-1,532	-793	-286	155	n.a.

Source: MAX21 AG (a), BankM Research (e)

Operating Margins

in %	2016a	2017a	2018e	2019e	2020e	2021e	
Gross Profit Margin	90.7	89.8	94.5	95.0	95.1	95.1	
EBITDA Margin	-132.0	-117.5	-84.8	-30.4	-9.0	4.2	

Source: MAX21 AG (a), BankM Research (e)

Important information, disclosures and disclaimer

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I. Information about author, company held accountable, regulatory authority:

Responsible for the content of this document: FinTech Group Bank AG (FTG Bank), Frankfurt, Germany.

Author: Dr. Roger Becker, CEFA.

Regulatory authority for FTG Bank is the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin), Graurheindorfer Straße 108, 53117 Bonn, Germany and Lurgiallee 12, 60439 Frankfurt am Main, Germany.

Issuer of the analyzed instruments is Max21 Management und Beteiligungen AG

Notice regarding previous publications regarding the issuer within the last 12 months:

Analysts	Date	Evaluation Result	Fair Value
Dr. Roger Becker, CEFA	April 7, 2017	Buy	€2.35
Dr. Roger Becker, CEFA	May 11, 2018	Buy	€1.98
Dr. Roger Becker, CEFA	May 14, 2018	Buy	€1.98

II. Additional Information:

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3. Date of first publication of this document:

September 5, 2018

4. Date and time of prices of the instruments quoted in this document:

Closing prices of September 4, 2018

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