

MAX21 AG

May 11, 2018

Basic Report Update

Analyst

Dr. Roger Becker, CEFA
+49 69 71 91 838-46
roger.becker@bankm.de

Evaluation result

BUY

(previous: BUY)

Fair value

€1.98

(previous: € 2.35)



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Binect reached break-even, KeyIdentity to catch up

On April 25, MAX 21 AG published its annual report 2017 results and held a conference call the following day.

As previously guided, Binect has reached b/e on EBITDA level at the end of the year on a monthly basis and management is confident that this achievement is sustainable. The business model consists of two tracks: a click charge per letter model (E-POST BUSINESS BOX) and the processing of mails completely on its own profit and cost account. The latter is now being reported as "strategic sales". To drive this strategy forward, the product pipeline has been extended to address smaller and larger companies more flexibly. While the processed mail volume increased significantly by 22% to 97,2 Mio. sales grew by just under 2%. This reflects the still dominating revenue from click charges and overlays the strong growth in strategic high-margin sales at more than five-fold – albeit on a yet low level.

KeyIdentity (KI) still has the break-even ahead of it. It became obvious that acquisition of large customers is tedious due to their long decision paths and hence hardly predictable; however, with Thyssen Krupp, KI has gained the first DAX-listed multi-national concern for the implementation of its multi-factor authentication technology. The focus has now been extended to larger midsize companies with deal volumes between €30 and €50 ths. p.a. In light of this new strategy, management guides b/e in 2019.

For both companies, the Key Performance Indicators "Customer Lifetime Value" and "Monthly Recurring Revenues" are improving. Major growth drivers for both businesses are the digitalization trend and the increasing IT security awareness.

Based on the annual report, we have adjusted our forecasts and updated our DCF and peer group valuation. We calculate a fair value of €1.98 per share and rate the stock as "Buy".

Key data Binect GmbH and KeyIdentity GmbH, aggregated

Year	Sales (€ mln)	EBITDA (€ mln)	EBIT (€ mln)	EBT (€ mln)	Net Profit (€ mln)	EPS (€)	EBIT- Margin	Net- 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	7.0	-0.9	-3.5	-3.5	-2.8	-0.16	neg.	neg.
2019e	9.0	1.5	-0.8	-0.8	-1.2	-0.07	neg.	neg.
2020e	10.3	2.6	0.7	0.7	0.0	0.00	6.9%	neg.
2021e	11.3	3.4	1.8	1.8	0.8	0.05	15.9%	7.2%

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 FY 2017	May 14, 2018		
Market Segment	Open Market		
Transparency Standard	Scale		
Financial Ratios*	2018e	2019e	2020e
EV/Sales	3.1	2.4	2.1
EV/EBITDA	neg.	14.4	8.3
EV/EBIT	neg.	neg.	30.4
P/E	neg.	neg.	neg.
Dividend Yield (in %)	0.0	0.0	0.0
* based on aggregated figures			
Number of Shares Outs. (in '000)	17,406		
MarketCap / EV (in € mln)	22.11 / 21.43		
Free Float (in %)	74.6		
Ø Daily Trading Vol. (3M, in €)	9,406		
12 months high/low (in €; XETRA-close)	1.90 / 1.07		
Price May 10, 2018 (in €; close)	1.27		
Performance	1M	6M	12M
absolute (in %)	5.8	-12.4	-24.0
relative (in %)	-8.1	-34.3	-56.3
Benchmark Index	DAXSubsector IT Services Performance Index		



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

Source: Bloomberg

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Developments in FY 2017 and beyond

FY 2017 saw two capital increases summing up to €6.3 mln (gross). These injections were earmarked for the cash needs of both holding companies. During the conference call, CEO Nils Manegold negated the question regarding a corporate action during FY 1018; rather the group shall be able to compensate cash burn through internal financing.

Due to a reassessment of achievable future cash-flows, Binect saw a special amortization of €11 Mill. which entailed a respective balance sheet contraction on group level. Necdis, a distribution company for NEC products has been sold early 2018 since it no longer fits the focus of the company. The same is envisaged for the minority stake of GFN AG. After the divestiture of 21cloud, Linup Front and LinWorks in the recent past, MAX21 is now a clearly structured and streamlined Holding with more transparent operations and better trackable cash flows.

While Binect has achieved b/e on a monthly basis, KI is further away. The revised sales strategy (additionally targeting larger midsize companies) and the contraction of the fixed cost block shall pave the way to profitability on operating level. As a consequence, the number of employees was reduced at KI from 32 to 27 at year end (as is the case with Binect, having reduced its staff from 54 to 36).

The relevant key performing indicators for corporate management are **life time value (LTV)** and **monthly recurring revenue (MRR)**:

In the case of KI the LTV of all contracts increased from €6.0 to €9.4 Mill. entailing an improvement of MRRs from €33 in the previous period to 84 ths. In the first quarter 2018, already 31 new contracts with a total volume of €331 ths. have been closed which makes it seem likely that more than 100 clients will be gained on a full year basis.

Until mid-March Binect acquired 17 new clients in the first three months of 2018 with a mean LTV of €56,6 ths.

Valuation

In light of the reported subdued growth momentum we have revised our projections for both holdings, Binect and KeyIdentity and are now modeling the pace of growth on a more moderate base.

As of December 31, 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

The Binect model is based on our growth assumptions of the total mail volume processed by the company which grew by 22% yoy. We are cautious in our projection with growth rates of 15%, 10% and 5% for the years 2018, 2019 and 2020ff.

in € '000	2017a	Phase 1				Phase 2				Terminal Value
	Basis	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	
<i>Growth</i>	1.7%	10.2%	13.6%	9.5%	9.1%	8.9%	8.9%	9.1%	9.6%	1.0%
Sales Revenues	4,349	4,794	5,448	5,965	6,510	7,092	7,725	8,430	9,239	9,332
EBIT	-1,350	3	567	1,017	1,487	1,987	2,527	3,125	3,805	3,843
- current Tax	0	1	170	305	446	596	758	937	1,141	1,153
+ Depreciation and amortization	600	277	265	253	242	232	222	212	204	200
+ Change in long-term provisions	454	0	0	0	0	0	0	0	0	0
- Change in net working capital	1,069	21	-66	-77	-77	-78	-80	-83	-87	-7
- Other non-cash items	300	0	0	0	0	0	0	0	0	0
- Capex	229	216	207	198	190	182	175	168	161	200
= Free Cash Flow	-1,894	42	521	843	1,170	1,518	1,896	2,314	2,793	2,697
Terminal Value										27,593
Discount factor		0.90	0.80	0.72	0.64	0.58	0.52	0.46	0.42	0.42
NPV of Free Cash Flows	n.a.	37	418	606	754	877	982	1,075	1,164	11,495
NPV of Terminal Value										
Valuation		Proportion of EV								
Result of Future Cash Flows	5,912	34%								
+ Result of Terminal Value	11,495	66%								
= Value of the Entity	17,407									
- Net Debt (31.12.2017)	0									
= Value of Equity	17,407									
Current No. of Shares (in '000)	17,406									
Price per Share	1.00									

Source: BankM Research

Sensitivity Analysis

Growth in TV	Discount rate of Terminal Value						
	8.00%	9.00%	10.00%	10.78%	11.00%	12.00%	13.00%
-1.00%	1.04	0.97	0.91	0.88	0.87	0.83	0.79
0.00%	1.14	1.05	0.98	0.93	0.92	0.87	0.83
1.00%	1.26	1.15	1.06	1.00	0.99	0.93	0.88
2.00%	1.43	1.27	1.15	1.08	1.06	0.99	0.93
3.00%	1.66	1.44	1.28	1.19	1.16	1.07	1.00

Growth in TV	EBIT Margin in Terminal Value						
	39.00%	40.00%	41.00%	41.18%	42.00%	43.00%	44.00%
-1.00%	0.85	0.86	0.87	0.88	0.89	0.90	0.91
0.00%	0.90	0.92	0.93	0.93	0.94	0.96	0.97
1.00%	0.97	0.98	1.00	1.00	1.01	1.03	1.05
2.00%	1.04	1.06	1.08	1.08	1.10	1.12	1.13
3.00%	1.14	1.16	1.18	1.19	1.20	1.22	1.24

Source: BankM Research

2. DCF Model KeyIdentity GmbH

Working capital is heavily 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 an average contract volume of €20 ths. and estimate a constant number of new clients of 100. Terminal Value is set to 1%.

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	
<i>Growth</i>		47.4%	63.6%	20.9%	10.2%	8.7%	5.5%	5.0%	2.8%	1.0%
Sales Revenues	1,477	2,177	3,561	4,306	4,745	5,157	5,438	5,710	5,872	5,931
EBIT	-2,315	-1,051	750	1,400	1,779	2,102	2,334	2,521	2,383	2,327
- current Tax	0	0	225	420	534	631	700	756	715	698
+ Depreciation and amortization	170	117	108	105	101	98	94	91	88	130
+ Change in long-term provisions	0	0	0	0	0	0	0	0	0	0
- Change in net working capital	-1,307	-1,457	-1,718	-2,131	-2,224	-2,513	-2,512	-2,752	-2,688	-52
- Other cash items	-77	0	0	0	0	2	0	0	0	0
- Capex	75	80	89	86	83	81	78	76	86	130
= Free Cash Flow	-991	443	2,262	3,130	3,487	3,999	4,162	4,532	4,358	1,681
Terminal Value										17,192
Discount factor		0.90	0.80	0.72	0.64	0.58	0.52	0.46	0.42	0.42
NPV of Free Cash Flows	n.a.	397	1,814	2,249	2,246	2,310	2,155	2,105	1,816	
NPV of Terminal Value										7,162
Valuation	Proportion of EV									
Result of Future Cash Flows	15,091	68%								
+ Result of Terminal Value	7,162	32%								
= Value of the Entity	22,253									
- Net Debt (31.12.2017)	0									
= Value of Equity	22,253									
Current No. of Shares (in '000)	17,406									
Price per Share	1.28									

Source: BankM Research

Sensitivity Analysis

Growth in TV	Discount rate of Terminal Value						
	8.00%	9.00%	10.00%	10.78%	11.00%	12.00%	13.00%
-1.00%	1.31	1.26	1.23	1.20	1.20	1.17	1.15
0.00%	1.36	1.31	1.27	1.24	1.23	1.20	1.17
1.00%	1.44	1.37	1.31	1.28	1.27	1.23	1.20
2.00%	1.54	1.45	1.37	1.33	1.32	1.27	1.24
3.00%	1.69	1.55	1.45	1.39	1.38	1.32	1.28

Growth in TV	EBIT Margin in Terminal Value						
	37.00%	38.00%	39.00%	39.24%	40.00%	41.00%	42.00%
-1.00%	1.18	1.19	1.20	1.20	1.21	1.22	1.22
0.00%	1.22	1.23	1.23	1.24	1.24	1.25	1.26
1.00%	1.26	1.27	1.28	1.28	1.29	1.30	1.31
2.00%	1.30	1.32	1.33	1.33	1.34	1.35	1.36
3.00%	1.37	1.38	1.39	1.39	1.40	1.42	1.43

Source: BankM Research

Key Model Assumptions for Binect and KeyIdentity

	Source	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	TV
Riskfree Return*	Bloomberg	-0.63%	-0.58%	-0.43%	-0.26%	-0.06%	0.05%	0.19%	0.31%	0.97%
Expected Market Return		7.78%	7.78%	7.78%	7.78%	7.78%	7.78%	7.78%	7.78%	7.78%
Sector Beta	Bloomberg	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.11	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		11.67%	11.66%	11.65%	11.63%	11.61%	11.59%	11.58%	11.57%	10.78%
Target Weight		100%	100%	100%	100%	100%	100%	100%	100%	100%
Cost of Debt		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		11.67%	11.66%	11.65%	11.63%	11.61%	11.59%	11.58%	11.57%	10.78%

Source: BankM Research

Valuation Summary

Per share, our sum-of-the-parts analysis returns a value of €1.00 for Binect and €1.28 for KeyIdentity. The holding accounts for €-0.29 per share, assuming costs of €500 ths. and discounting them at the same rate as the subsidiaries at Terminal value. This results in a Fair Value of €1.98 per MAX21 share.

Fair value of the share: €1.98

Tables

1. Financials on Group Level

Income Statement Group 2016a & 2017a, 2018ff: Binect GmbH and KeyIdentity GmbH, aggregated

Fiscal Year Dec. 31 (IFRS)	2016a	2017a	2018e	2019e	2020e	2021e	5y - CAGR 2016 - 2020
in € '000							
Revenues	6,391	6,623	6,972	9,009	10,272	11,255	15.2
<i>Growth Rate (in %)</i>	93.2	3.6	5.3	29.2	14.0	9.6	
Inventory change	241	-58	0	0	0	0	
Own work capitalized	866	533	0	0	0	0	
Total Sales	7,498	7,099	6,972	9,010	10,274	11,258	10.7
<i>Growth Rate (in %)</i>	90.8	-5.3	-1.8	29.2	14.0	9.6	
Other operating income	326	142	0	0	0	0	
Material expenses	2,665	2,151	1,731	1,859	1,968	2,043	
<i>in % of Revenues</i>	41.7	32.5	24.8	20.6	19.2	18.2	
Personnel expenses	6,537	6,027	3,796	3,829	3,863	3,898	
<i>in % of Revenues</i>	102.3	91.0	54.4	42.5	37.6	34.6	
Other operating expenses	2,779	3,371	2,300	1,830	1,867	1,904	
EBITDA	-4,157	-4,308	-854	1,491	2,576	3,412	n.a.
Depreciation	1,868	13,059	2,607	2,257	1,871	1,624	
<i>Growth Rate (in %)</i>	253.2	488.9	-76.3	-13.4	-17.1	-13.2	71.0
<i>Normale Abschreibung</i>	1,868	2,061	2,607	2,257	1,871	1,624	
<i>Sonderabschreibung</i>		10,998					
EBIT	-6,024	-15,306	-3,461	-766	705	1,789	n.a.
Net Financial Result	-1,264	575	0	0	0	0	
EBT	-7,288	-14,730	-3,461	-766	705	1,789	n.a.
Taxes on Income (Exp./Inc.-)	-863	-335	-623	395	725	980	
Net Profit	-6,425	-14,395	-2,838	-1,161	-20	809	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	-0.16	-0.07	0.00	0.05	

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

Operating margins Group 2016a & 2017a, 2018ff: Binect GmbH and KeyIdentity GmbH, aggregated

in %	2016a	2017a	2018e	2019e	2020e	2021e
Gross Profit Margin	64.5	69.7	75.2	79.4	80.8	81.9
EBITDA Margin	-55.4	-60.7	-12.3	16.6	25.1	30.3
EBIT Margin	-80.3	-215.6	-49.6	-8.5	6.9	15.9
EBT Margin	-97.2	-207.5	-49.6	-8.5	6.9	15.9
Net Profit Margin	-85.7	-202.8	-40.7	-12.9	-0.2	7.2

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

Cash Flow Statement (Binect GmbH and KeyIdentity GmbH, aggregated)

Fiscal Year Dec. 31 (IFRS)	2016a	2017a	2018e	2019e	2020e	2021e	4y - CAGR 2014 - 2018
in € '000							
EBT	-7,288	-14,730	-3,461	-766	705	1,789	
<i>Growth Rate (in %)</i>	<i>280.4</i>	<i>102.1</i>	<i>-76.5</i>	<i>-77.9</i>	<i>-192.1</i>	<i>153.6</i>	<i>21.8</i>
+ Depreciation and Amortization	1,868	10,998	2,607	2,257	1,871	1,624	
+ Chg. in long-term provisions	0	0	0	0	0	0	
- Income Taxes paid	0	0	0	0	642	916	
= Cash Earnings	-5,420	-3,732	-854	1,491	1,934	2,496	
<i>Growth Rate (in %)</i>	<i>339.7</i>	<i>-31.1</i>	<i>-77.1</i>	<i>-274.6</i>	<i>29.7</i>	<i>29.1</i>	<i>-11.5</i>
- Net financial items	-1,264	575	0	0	0	0	
- Change in net Working Capital	-326	-90	-1,922	-1,881	-2,236	-2,316	
+ Other items	-160	1,063	0	0	0	0	
= Operating Cash Flow	-3,991	-3,154	1,068	3,373	4,170	4,812	
<i>Growth Rate (in %)</i>	<i>345.4</i>	<i>-21.0</i>	<i>-133.8</i>	<i>215.9</i>	<i>23.6</i>	<i>15.4</i>	<i>-206.0</i>
- Capex	1,342	808	594	603	613	625	
= Free Cash Flow	-5,333	-3,962	474	2,770	3,556	4,187	
<i>Growth Rate (in %)</i>	<i>237.0</i>	<i>-25.7</i>	<i>-112.0</i>	<i>484.4</i>	<i>28.4</i>	<i>17.7</i>	<i>-166.9</i>
+ Net financial items	0	0	0	0	0	0	
+ 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	474	2,768	3,552	4,181	
<i>Growth Rate (in %)</i>	<i>-15.5</i>	<i>-275.1</i>	<i>-71.2</i>	<i>484.0</i>	<i>28.4</i>	<i>17.7</i>	<i>-175.3</i>

Source: BankM Research (e)

Balance Sheet Group 2016a & 2017a, 2018ff: Binect GmbH and KeyIdentity GmbH, aggregated

Fiscal Year Dec. 31 (HGB)	2016a	2017a	2018e	2019e	2020e	2021e
in € '000						
Assets						
Total Fixed Assets	26,220	12,920	11,155	9,208	7,955	6,963
Tangible Assets	483	216	237.6	261.4	287.5	316.3
<i>Abschreibungen</i>	-11	-161	-72	-79	-87	-96
<i>Capex</i>	15	209	94	103	113	125
Intangible Assets	25,708	12,675	10,889	8,918	7,639	6,618
<i>Abschreibungen</i>	-320	-5,142	-2,535	-2,178	-1,784	-1,528
<i>Capex</i>	240	3,856	500.0	500.0	500.0	500.0
Financial Assets	10	10	10	10	10	10
Others	20	18	18	18	18	18
Total Current Assets	2,380	3,531	3,165	5,983	9,575	13,797
Inventories	449	334	14.5	17.5	20.5	23.5
Trade Receivables	985	445	355	402	439	477
Total liquid Funds	677	2,322	2,796	5,563	9,116	13,297
Other current Assets	270	430	0	0	0	0
Balance Sheet Total	28,600	16,451	14,320	15,191	17,532	20,764
Shareholder's Equity / Liabilities						
Shareholders Equity	21,832	11,747	8,909	7,748	7,728	8,537
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	-32,047	-33,208	-33,228	-32,419
Long term Liabilities	4,052	2,451	1,827	1,827	1,827	1,827
Interest bearing	2,520	1,248	1,248	1,248	1,248	1,248
Deferred tax liabilities	1,532	1,203	579	579	579	579
ST Liabilities < 1 Year	2,715	2,253	3,584	5,616	7,977	10,399
Trade Payables & pre-Paymts.	1,127	532	576	694	810	927
Short term Tax Liabilities	302	181	0	99	181	245
Other ST Liabilities incl. Accrued Items	1,287	1,540	3,008	4,822	6,981	9,221
Total Liabilities	6,768	4,704	5,411	7,443	9,804	12,226
Balance Sheet Total	28,600	16,451	14,320	15,191	17,532	20,764

Source: BankM Research (e)

Balance Sheet Ratios Group 2016a & 2017a, 2018ff: Binect GmbH and KeyIdentity GmbH, aggregated

in %	2016a	2017a	2018e	2019e	2020e	2021e
Total Fixed Assets	91.7	78.5	77.9	60.6	45.4	33.5
Total Current Assets	8.3	21.5	22.1	39.4	54.6	66.5
Inventories	1.6	2.0	0.1	0.1	0.1	0.1
Trade receivables	3.4	2.7	2.5	2.6	2.5	2.3
Total liquid funds	2.4	14.1	19.5	36.6	52.0	64.0
Shareholders Equity	76.3	71.4	62.2	51.0	44.1	41.1
Long Term Liabilities	14.2	14.9	12.8	12.0	10.4	8.8
Short Term Liabilities	9.5	13.7	25.0	37.0	45.5	50.1
Total Liabilities	23.7	28.6	37.8	49.0	55.9	58.9

Source: BankM Research (e)

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2. Financials Binect GmbH

Income Statement (Binect GmbH)

Fiscal Year Dec. 31 (IFRS)	2016a	2017a	2018e	2019e	2020e	2021e	4y - CAGR 2015 - 2019
in € '000							
Revenues	4,278	4,349	4,794	5,448	5,965	6,510	8.7
<i>Growth Rate (in %)</i>	-16.4	1.7	10.2	13.6	9.5	9.1	
Inventory change	289	-153	0	0	0	0	
Own work capitalized	449	0	0	0	0	0	
Total Sales	5,186	4,197	4,794	5,448	5,965	6,510	3.6
Other operating income	170	0	0	0	0	0	
Material expenses	2,038	1,549	1,525	1,606	1,665	1,729	
<i>in % of Revenues</i>	39.3	36.9	31.8	29.5	27.9	26.6	
Personnel expenses	2,692	2,649	1,990	1,990	1,990	1,990	
<i>in % of Revenues</i>	62.9	60.9	41.5	36.5	33.4	30.6	
Other operating expenses	1,927	749	1,000	1,020	1,040	1,061	
EBITDA	-1,470	-750	279	832	1,270	1,729	n.a.
Depreciation	690	600	277	265	253	242	
EBIT	-2,160	-1,350	3	567	1,017	1,487	n.a.
Net Financial Result	-206	-74	0	0	0	0	
EBT	-2,367	-1,424	3	567	1,017	1,487	n.a.
Taxes on Income (Exp./Inc.-)	-3,532	2,300	1	170	305	446	
Net Profit	1,165	-3,724	2	397	712	1,041	-11.6
No. of shares (Ø outstanding)	12,353	16,295	17,406	17,406	17,406	17,406	
Net profit / share (EPS)	0.09	-0.23	0.00	0.02	0.04	0.06	

Source: MAX21 AG (a), BankM Research (e, 2016 & 2017: EBIT [e], EBT [e], Net Profit [e])

Operating Margins (Binect GmbH)

in %	2016a	2017a	2018e	2019e	2020e	2021e
Gross Profit Margin	60.7	63.1	68.2	70.5	72.1	73.4
EBITDA Margin	-28.3	-17.9	5.8	15.3	21.3	26.6
EBIT Margin	-41.7	-32.2	0.1	10.4	17.0	22.8
EBT Margin	-45.6	-33.9	0.1	10.4	17.0	22.8
Net Profit Margin	22.5	-88.7	0.0	7.3	11.9	16.0

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

Cash Flow Statement (Binect GmbH)

Fiscal Year Dec. 31 (IFRS)	2016a	2017a	2018e	2019e	2020e	2021e	
in € '000							
EBT	-2,367	-1,424	3	567	1,017	1,487	
+ Depreciation and Amortization	690	600	277	265	253	242	
+ Chg. in long-term provisions	-454	454	0	0	0	0	
- Income Taxes paid	61	0	1	128	271	411	
= Cash Earnings	-2,192	-370	279	704	998	1,318	
- Net financial items	0	0	0	0	0	0	
- Change in Net Working Capital	-1,834	1,069	21	-66	-77	-77	
+ Other items	0	0	0	0	0	0	
= Operating Cash Flow	-358	-1,438	258	770	1,075	1,396	
- Capex	1,576	229	216	207	198	190	
= Free Cash Flow	-1,934	-1,667	42	563	877	1,206	
+ Net financial items	0	0	0	0	0	0	
+ Increase in share capital	2,200	3,000	0	0	0	0	
+ Bank and other loans	-429	0	0	0	0	0	
= Incr. in Cash (+)/Decr. in Cash (-)	-163	1,333	42	563	877	1,206	

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

Balance Sheet (Binect GmbH)

Fiscal Year Dec. 31 (HGB)	2016a	2017a	2018e	2019e	2020e	2021e
in € '000						
Assets						
Total Fixed Assets	5,306	2,920	2,860	2,802	2,747	2,695
Tangible Assets	102	102	102	102	102	102
Intangible Assets	1,299	1,214	1,153	1,096	1,041	989
Deferred Tax Assets	3,904	1,604	1,604	1,604	1,604	1,604
Total Current Assets	1,318	2,104	2,090	2,713	3,644	4,909
Inventories	289	136	26	35	47	63
Trade Receivables	728	334	387	439	481	524
Total Liquid Funds	302	1,634	1,676	2,240	3,117	4,322
Balance Sheet Total	6,624	5,024	4,949	5,515	6,391	7,605
Shareholders' Equity / Liabilities						
Shareholders' Equity	3,750	3,026	3,028	3,425	4,137	5,178
Subscribed Capital	135	135	135	135	135	135
Capital Reserve	2,452	5,452	5,452	5,452	5,452	5,452
Retained Earnings and Other Reserves	1,162	-2,562	-2,560	-2,163	-1,451	-410
Long-term Liabilities	586	1,326	1,326	1,326	1,326	1,326
Provisions	213	668	668	668	668	668
Other long-term Liabilities	373	658	658	658	658	658
ST Liabilities < 1 Year	2,287	672	595	764	928	1,101
Trade Payables	2,287	672	595	722	852	989
Short-term Tax Liabilities	0	0	0	43	76	112
Total Liabilities	2,873	1,998	1,921	2,090	2,255	2,427
Balance Sheet Total	6,624	5,024	4,949	5,515	6,391	7,605

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

Balance Sheet Ratios (Binect GmbH)

in %	2016a	2017a	2018e	2019e	2020e	2021e
Total Fixed Assets	80.1	58.1	57.8	50.8	43.0	35.4
Total Current Assets	19.9	41.9	42.2	49.2	57.0	64.6
Inventories	4.4	2.7	0.5	0.6	0.7	0.8
Trade receivables	11.0	6.6	7.8	8.0	7.5	6.9
Total liquid funds	4.6	32.5	33.9	40.6	48.8	56.8
Shareholders' Equity	56.6	60.2	61.2	62.1	64.7	68.1
Long-term Liabilities	8.8	26.4	26.8	24.0	20.8	17.4
Short-term Liabilities	34.5	13.4	12.0	13.9	14.5	14.5
Total Liabilities	43.4	39.8	38.8	37.9	35.3	31.9

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

3. Financials KeyIdentity GmbH

Income Statement (KeyIdentity GmbH)

Fiscal Year Dec. 31 (IFRS)	2016a	2017a	2018e	2019e	2020e	2021e	4y - CAGR 2015 - 2019
in € ths							
Revenues	1,423	1,477	2,177	3,561	4,306	4,745	31.9
<i>Growth Rate (in %)</i>	86.5	3.8	47.4	63.6	20.9	10.2	
Inventory change	-48	0	0	0	0	0	
Own work capitalized	417	310	200	200	200	200	
Total Sales	1,833	1,787	2,377	3,761	4,506	4,945	25.2
<i>Growth Rate (in %)</i>	117.1	-2.5	33.0	58.2	19.8	9.7	
Other operating income	41	0	0	0	0	0	
Material expenses	170	182	206	254	302	314	
<i>in % of Revenues</i>	9.3	10.2	8.6	6.8	6.7	6.3	
Personnel expenses	2,562	2,478	1,806	1,839	1,873	1,908	
<i>in % of Revenues</i>	180.0	167.7	82.9	51.6	43.5	40.2	
Other operating expenses	1,521	1,272	1,300	810	826	843	
EBITDA	-2,420	-2,145	-934	858	1,504	1,880	n.a.
Depreciation	110	170	117	108	105	101	
EBIT	-2,530	-2,315	-1,051	750	1,400	1,779	n.a.
Net Financial Result	-12	-39	0	0	0	0	
EBT	-2,542	-2,354	-1,051	750	1,400	1,779	n.a.
Taxes on Income (Exp./Inc.-)	-2,214	500	-624	225	420	534	
Net Profit	-328	-2,854	-426	525	980	1,246	n.a.
No. of shares (Ø outstanding)	12,353	16,295	17,406	17,406	17,406	17,406	
Net profit / share (EPS)	-0.03	-0.18	-0.02	0.03	0.06	0.07	

Source: MAX21 AG (a), BankM Research (e, 2016 & 2017: EBIT [e], EBT [e], Net Profit [e])

Operating Margins (KeyIdentity GmbH)

in %	2016a	2017a	2018e	2019e	2020e	2021e
Gross Profit Margin	90.7	89.8	91.4	93.2	93.3	93.7
EBITDA Margin	-132.0	-120.0	-39.3	22.8	33.4	38.0
EBIT Margin	-138.0	-129.5	-44.2	19.9	31.1	36.0
EBT Margin	-138.7	-131.7	-44.2	19.9	31.1	36.0
Net Profit Margin	-17.9	-159.7	-17.9	14.0	21.7	25.2

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

Cash Flow Statement (KeyIdentity GmbH, 2016 & 2017 Simulation)

Fiscal Year Dec. 31 (IFRS) in € '000	2016a	2017a	2018e	2019e	2020e	2021e
EBT	-2,542	-2,354	-1,051	750	1,400	1,779
+ Depreciation and Amortization	110	170	117	108	105	101
+ Chg. in long-term provisions	76	0	0	0	0	0
- Income Taxes paid	24	0	0	169	371	505
= Cash Earnings	-2,380	-2,184	-934	689	1,133	1,375
- Net financial items	0	39	0	0	0	0
- Change in Net Working Capital	-601	-1,307	-1,457	-1,718	-2,131	-2,224
- <i>inventory, receivables, payables</i>	135	-341	11	96	29	16
- <i>pre-payments</i>	-736	-966	-1,468	-1,814	-2,160	-2,240
+ Other items	0	0	0	0	0	0
= Operating Cash Flow	-1,779	-915	523	2,407	3,265	3,599
- Capex	484	75	80	89	86	83
= Free Cash Flow	-2,263	-991	443	2,318	3,179	3,515
+ Increase in share capital	1,800	3,317	0	0	0	0
+ Bank and other loans	233	-324	0	0	0	0
= Incr. in Cash (+)/Decr. in Cash (-)	-229	2,002	443	2,318	3,179	3,515

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

Balance Sheet (KeyIdentity GmbH)

Fiscal Year Dec. 31 (IFRS)	2016a	2017a	2018e	2019e	2020e	2021e
in € ths						
Assets						
Total Fixed Assets	574	518	481	462	443	427
Tangible Assets	116	100	92	92	92	92
Intangible Assets	459	419	390	370	352	335
Deferred Tax Assets	0	0	0	0	0	0
Total Current Assets	2,983	4,611	5,070	7,448	10,658	14,193
Inventories	7	8	0	0	0	0
Trade Receivables	445	71	94	154	186	205
Total Liquid Funds	145	2,147	2,590	4,909	8,087	11,602
Other Current Assets	48	48	48	48	48	48
Deferred Tax	2,338	2,338	2,338	2,338	2,338	2,338
Balance Sheet Total	3,558	5,129.3	5,551	7,909	11,102	14,619
Shareholders' Equity / Liabilities						
Shareholders' Equity	2,215	2,678	2,252	2,776	3,756	5,002
Subscribed Capital	44	44	44	44	44	44
Capital Reserve	2,499	5,816	5,816	5,816	5,816	5,816
Retained Earnings and Other Res.	-328	-3,182	-3,608	-3,084	-2,104	-858
Long-term Liabilities	183	183	183	183	183	184
Provisions	183	183	183	183	183	183
ST Liabilities < 1 Year	1,160	2,269	3,117	4,950	7,162	9,434
Trade Payables	144	110	115	78	82	85
Short-term Tax Liabilities	0	0	0	56	105	133
Other short-term Liabilities	324	0	0	0	0	0
Accrued Items	568	1,534	3,002	4,816	6,976	9,216
Deferred Tax	124	624	0	0	0	0
Total Liabilities	1,343	2,451	3,300	5,133	7,345	9,617
Balance Sheet Total	3,558	5,129.3	5,551	7,909	11,102	14,619

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

Balance Sheet Ratios (KeyIdentity GmbH)

in %	2016a	2017a	2018e	2019e	2020e	2021e
Total Fixed Assets	16.1	10.1	8.7	5.8	4.0	2.9
Total Current Assets	83.9	89.9	91.3	94.2	96.0	97.1
Inventories	0.2	0.1	0.0	0.0	0.0	0.0
Trade receivables	12.5	1.4	1.7	1.9	1.7	1.4
Total liquid funds	4.1	41.9	46.7	62.1	72.8	79.4
Shareholders' Equity	62.3	52.2	40.6	35.1	33.8	34.2
Long-term Liabilities	5.1	3.6	3.3	2.3	1.6	1.3
Short-term Liabilities	32.6	44.2	56.1	62.6	64.5	64.5
Total Liabilities	37.7	47.8	59.4	64.9	66.2	65.8

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

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Author: Dr. Roger Becker, CEFA.

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Analysts	Date	Evaluation Result	Fair Value
David Szabadvari, CIA, Dr. Roger Becker, CEFA	December 12, 2015	Buy	€5.40
Dr. Roger Becker, CEFA, Carolin Kassella	September 5, 2016	Buy	€2.44
Dr. Roger Becker, CEFA, Carolin Kassella	November 4, 2016	Buy	€2.44
Dr. Roger Becker, CEFA	April 7, 2017	Buy	€2.35

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3. Date of first publication of this document:

May 11, 2018

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

Closing prices of May 10, 2018

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