

Buy EUR 92.00 Price EUR 60.58 Upside 51.9 %	Value Indicators: EUR DCF: 92.21	Share data: Bloomberg: HYQ GR Reuters: HYQGn.DE ISIN: DE0005493365	Description: Technology-based financial services provider
	Market Snapshot: EUR m Market cap: 375.3 No. of shares (m): 6.2 EV: 346.2 Freefloat MC: 236.8 Ø Trad. Vol. (30d): 899.31 th	Shareholders: Freefloat: 63.1 % Revenia (Slabke): 36.9 %	Risk Profile (WRe): 2016e Beta: 1.2 Price / Book: 5.1 x Equity Ratio: 63 %

Systematically superior

Hypoport AG is a financial technology (fintech) company providing mainly internet-based financial services (B2B, B2C) for financial service providers, private clients, and institutional clients. All segments achieved significant revenue and earnings increases in the last fiscal year:

- Financial Service Providers:** The business segment Financial Service Providers represents the most important earnings pillar with revenue of EUR 44m and EBIT of EUR 10.1m in 2015. Revenue is essentially generated by agency commission (~0.1%) on the Europace platform (and its technical derivatives). Europace is a leading electronic marketplace in Germany for financial services products and acts as an intermediary between financial sales teams and credit institutes. The most important product category is private property financing. Most importantly however, the market position of the platform, which records the highest transaction volume in Germany, is practically unattainable for competitors. "Size" and the associated variety of products offered, along with the proven technological competence, are the most important competitive advantages for platforms of this type. The transaction volumes and the number of affiliated partners of the platform are growing continuously (annual growth rate since 2006 ca. 25%). An EBIT increase of 79% in 2015 showed for the first time the clear scalability potential of the platform as development and operating costs make up an ever declining share of the commission income. In light of the attractive interest rate situation, constant technological improvements and further partner and product offerings, this trend is expected to continue. There is still considerable potential especially in with savings banks and the cooperative banking sector, which up to now have only processed a small fraction of their property financing over Hypoport.
- Private Clients:** With revenue of EUR 78.6m (+23%), the segment Private Customers (franchise system Dr. Klein, about 200 branches Germany-wide) is the strongest segment in terms of revenues while EBIT came in at EUR 7.4m (+290%) in 2015. Dr. Klein benefits in competition from its clear focus on the area of property financing, its many years of experience in the area of internet-based lead-generation and the close interlinking with the segment Financial Service Provider (Europace). Besides a generally favourable market situation (interest rate environment), the clear rise in earnings is mainly explained by the fact that the increase in revenues only calls for minor growth in the structures. Thus very high marginal earnings can be generated. In the coming quarters, the result should grow further, even at a high absolute level.
- Institutional Clients:** Hypoport's oldest business segment (property financing consultancy for property companies since 1954) also presented record figures with revenue of EUR 17.3m (+19%) and EBIT of EUR 6.6m (+47%). As well as many years of experience and financing competence, here too, the favourable market environment played a supporting role, especially since mortgage banks and Landesbanken ceded market share to the competition following the market shake-out during the 2008 financial crisis.

In 2015, the business of the Hypoport group showed very clear economies of scale for the first time against the background of a robust market. This trend continued in Q1/16. Even if a weakening of the extraordinary earnings growth is expected, considerable growth is still to be derived with the scaling of earnings, which leads to a **price target of EUR 92** in the DCF model. **Coverage is initiated with Buy.**

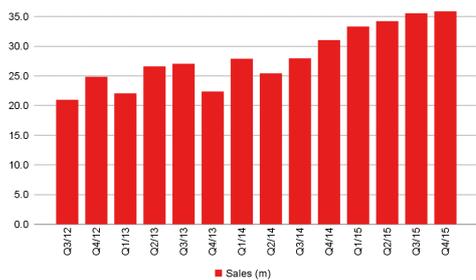


Rel. Performance vs CDAX:	
1 month:	-7.3 %
6 months:	15.1 %
Year to date:	-20.1 %
Trailing 12 months:	176.9 %

Company events:	
02.05.16	Q1
10.06.16	AGM
01.08.16	Q2
31.10.16	Q3

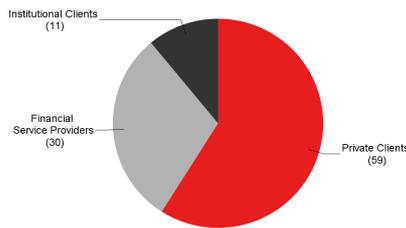
FY End: 31.12. in EUR m	CAGR (15-18e)	2012	2013	2014	2015	2016e	2017e	2018e
Sales	8.8 %	87.8	98.1	112.3	139.0	155.7	169.7	179.0
Change Sales yoy		n.a.	11.8 %	14.5 %	23.7 %	12.0 %	9.0 %	5.5 %
Gross profit margin		55.7 %	54.3 %	53.9 %	54.9 %	54.7 %	55.4 %	56.5 %
EBITDA	17.1 %	8.1	8.1	12.7	25.1	30.7	35.5	40.3
Margin		9.3 %	8.3 %	11.3 %	18.0 %	19.7 %	20.9 %	22.5 %
EBIT	19.8 %	3.2	3.9	7.9	19.3	24.4	28.7	33.1
Margin		3.6 %	4.0 %	7.1 %	13.9 %	15.7 %	16.9 %	18.5 %
Net income	21.1 %	1.9	3.2	5.9	15.9	20.7	24.3	28.2
EPS	21.1 %	0.32	0.52	0.97	2.56	3.33	3.93	4.55
EPS adj.	21.1 %	0.32	0.52	0.97	2.56	3.33	3.93	4.55
DPS	-	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Dividend Yield		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
FCFPS		0.20	0.61	0.37	3.16	2.54	3.82	4.53
FCF / Market cap		2.3 %	7.4 %	3.3 %	10.2 %	4.2 %	6.3 %	7.4 %
EV / Sales		0.7 x	0.6 x	0.6 x	1.4 x	2.2 x	1.9 x	1.7 x
EV / EBITDA		8.0 x	7.0 x	5.6 x	7.8 x	11.3 x	9.1 x	7.4 x
EV / EBIT		20.3 x	14.4 x	9.0 x	10.2 x	14.2 x	11.3 x	9.0 x
P / E		27.9 x	15.9 x	11.3 x	13.2 x	18.2 x	15.4 x	13.4 x
P / E adj.		27.9 x	15.9 x	11.3 x	13.2 x	18.2 x	15.4 x	13.4 x
FCF Yield Potential		11.9 %	14.5 %	15.9 %	11.2 %	8.0 %	9.9 %	12.2 %
Net Debt		10.1	6.0	4.1	-13.3	-29.0	-52.7	-80.8
ROCE (NOPAT)		13.3 %	10.3 %	15.8 %	38.9 %	50.8 %	55.9 %	64.0 %
Guidance:		2016: slight percentage growth in revenue and earnings						

Sales development
in EUR m



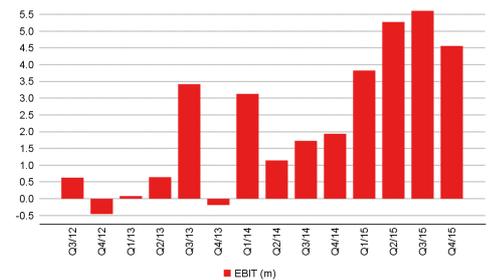
Source: Warburg Research

Sales by Segments
2016e; in %



Source: Warburg Research

EBIT development
in EUR m



Source: Warburg Research

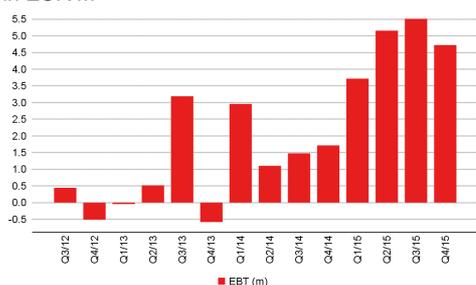
Company Background

- The company, founded in 1999, is specialised as a property financing intermediary
- With Europace, Hypoport operates the largest German internet platform for property financing and similar products
- Under the Dr. Klein brand, Hypoport operates a franchise system of stationary advisors
- Hypoport is also in a leading position in the area of institutional property financing (also under the Dr. Klein brand)
- An advanced level of technology is shown in all segments (fintech)

Competitive Quality

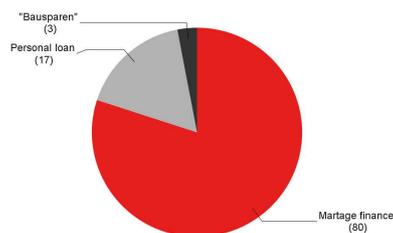
- The online marketplace for property financing operated by Hypoport (Europace) is the largest of its kind in Germany
- As the number of affiliated suppliers is decisive for marketplaces of this type, this forms a central competitive advantage and a considerable market entry barrier for third parties.
- The Dr. Klein business segments (private and institutional customers) benefit from market access over Europace but also from the many years of experience in the area of property financing
- Dr. Klein has regional presence (200 branches) and, in this way, achieves customer proximity.
- Most importantly however Dr. Klein is strongly focused (mainly property financing) and neutral (with offers from every provider). Other financial sales teams or retail banks normally cannot afford both.

EBT development
in EUR m



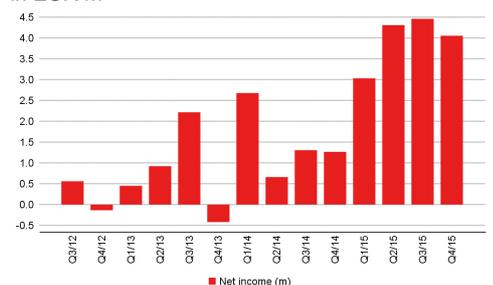
Source: Warburg Research

Europace by product segments
2016e; in %



Source: Warburg Research

Net income development
in EUR m



Source: Warburg Research

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OVB Holding AG (Cologne, Germany)	19
MLP AG (Wiesloch, Germany)	19
Gruppo MutuiOnline S.p.A. (Milan, Italy)	19
Moneysupermarket.com Group PLC (Ewloe, United Kingdom)	19
msg life AG (Leinfelden-Echterdingen, Germany)	19
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DCF valuation	20

Investment Case

Four essential aspects distinguish the Hypoport equity story:

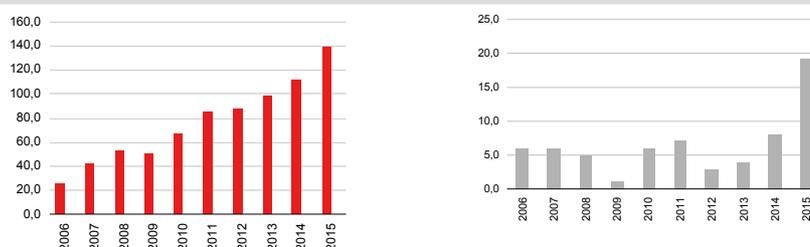
- With Europace, the company operates **the largest German B2B platform for property financing** (market share 20%). The market is practically a duopoly with the smaller platform Interhyp (ING Bank).
- Essential development measures have been carried out and all further growth leads to **proportionately greater rises in earnings**. The fiscal years 2014 and 2015 showed this impressively for the first time.
- **Since 2006, Europace has been growing at 25% (CAGR) annually** (2015: even 28%) mainly with constant market share gains. Here, the generally favourable property market development has been supportive for growth but not decisive.
- There is still a great deal of potential to be realised with the savings banks and cooperative banks (Genossenschaftsbanken), which up to now have only processed about 1.5% of their transactions over Europace (Finmas, Genopace). A continuation of the high growth rate is likely.
- Earnings development in the two other business segments (private customers and institutional customers) also show **solid growth potential**.

Optimal strategic set-up

Hypoport AG is built on three pillars of operation: 1) Financial Services (business area Private Customers, “Dr. Klein”); 2) the electronic market place – an intermediary for property financing (business segment Financial Services Provider, “Europace”); 3) the advisory and financing intermediary services for institutional property investors (business segment Institutional Customers). With this set-up, Hypoport was able to record historically strong growth:

Growth significantly exceeds the sector average

Historic development of Hypoport AG revenue and EBIT



Source: EUR m, source: Company

Clear economies of scale visible for the first time

As well as very steady revenue development, the bar-chart above illustrates two important burdening factors. For one, the 2008/2009 financial crisis had a negative impact. Furthermore, from 2012 onwards, a problem emerged and continued to burden, even in 2015 (EUR 1.5m provisions, probably for the last time). In the area of insurance sales, the company was obliged to make considerable risk provisions for insurance advances. In the context of a cancellation of significant life-insurance holdings, commission had to be repaid to the insurance companies. The background was the decreasing attractiveness of life insurance in the current low-interest environment. Today, Hypoport is essentially positioned as a technology supplier for organisations selling insurance products.

Taking stock of these effects, one thing becomes particularly clear: Hypoport’s business is constantly growing. And as essential technological developments have now been implemented and the organisation is now benefiting to a larger extent from volume increases, the company result has clearly scaled in the last years - a trend that should also continue in the coming years. This forms the core of Hypoport’s equity story.

Positioning of the Financial Service Providers segment

A central element of the positioning of Hypoport is the online marketplace for property financing Europace, founded in 1999.

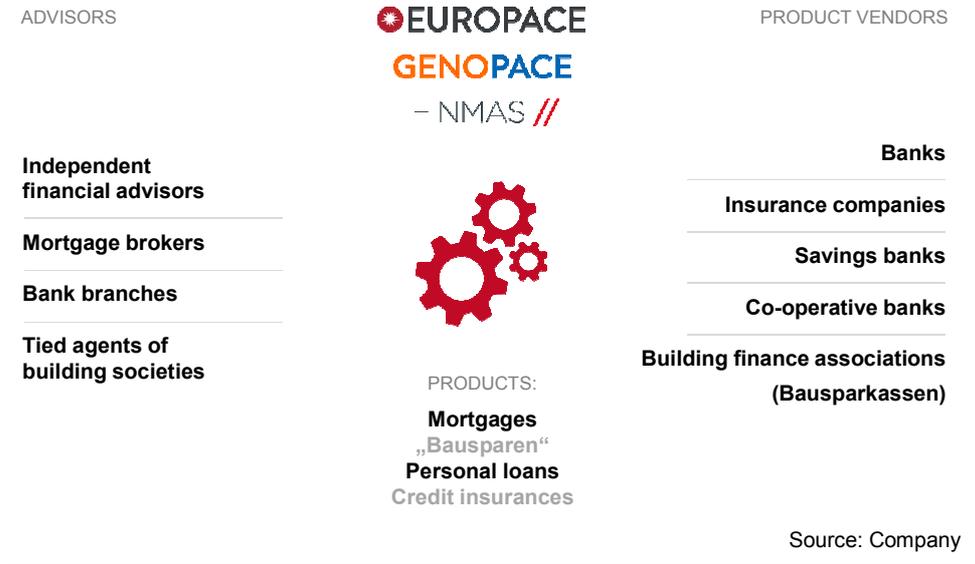
The B2B marketplace Europace connects those seeking (mainly) property financing (e.g. financial advisors, bank branches or the company's own Dr. Klein group) with suppliers of property financing (banks and insurance companies):

Fee model of Europace (simplified)



Operation of Europace

With Europace, a unique market position is achieved



- **Europace** is an open platform for all affiliated parties both on the demand and supply side.
- **Genopace** (owned by a total of six cooperative banking institutes, e.g. building savings bank Schwäbisch Hall) is a closed platform for 141 credit cooperative banks (Volks- /und Raiffeisenbanken). Access to Europace (even if only on a partial basis) is possible
- **Finmas** (is 50%-owned by the savings banks finance group and 50% by Hypoport) is a closed platform for 114 savings banks. Access to Europace (even if only on a partial basis) is possible.

Technically all three applications, with a total of 345 (+19% in 2015) partners, are based on the same modern IP-based internet platform. Depending on individual group policy, it is also possible for the users of Genopace and Finmas to access Europace either on the supply or demand side. Among the cooperative banks (Genopace) and the savings banks (Finmas), there has been a tendency in recent years to initially make their offers available to the entire platform and subsequently their requests for property financing. The greatest potential of Genopace/Finmas, however, lies within the organisations themselves (savings banks or cooperative banks). Up to now, these organisations have

Extreme potential: savings banks and cooperative banking sector

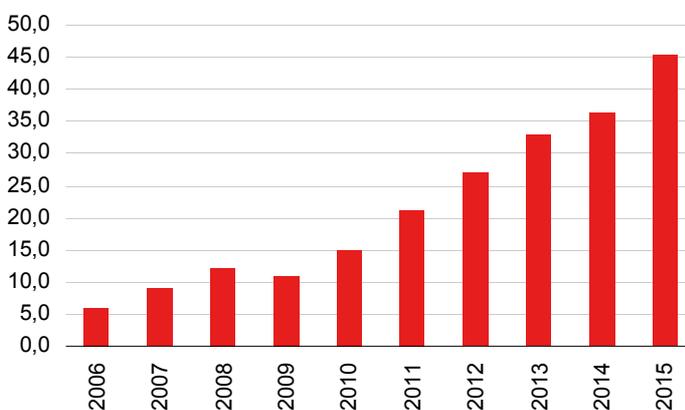
been using the Genopace or Finmas platforms for only a small fraction of their transactions and partners.

A selection of Europace partners

Source: Company

Hypoport earns commission of 0.1% on each transaction as the technical facilitator. This model is also valid for the company’s own subsidiary Dr. Klein, which sells property finance and is also affiliated. The following bar-chart shows the processed transaction volume, which corresponds to a market share of about 20% of the German property financing market. The growth rate of the business area Financial Service Providers in the time period shown below was about 25% annually:

Transaction volumes Europace (EUR bn)



Transaction volumes steadily rising

As well as the 0.1% commission, suppliers of property financing pay closing commission of 1.7% to the sales organisations on the demand side, on the finalisation of a financing deal. If the demand-side company is the group’s own franchise company Dr. Klein (business area Private Clients, see below), one-third of the 1.7% commission is paid to Dr. Klein (franchiser) and two-thirds to the relevant franchisee. If Dr. Klein is not involved in the transaction, Hypoport/Europace receives the 0.1% commission and 1.7% is given to the demand-side sales organisation.

Ahead of the competition

Advantages of using Europace

The benefits of using such a platform are obvious:

- **The supplier of property financing** can use a sales network with several thousand advisors.
- **Financial sales organisations** have access to a wide product portfolio and the best conditions. Europace can also use these “in its own name” (e.g. OVB) or can make use of the data in its own name (Check24).
- **Small banks** can earn income by acting as an intermediary for third-party products without having to maintain such a comprehensive product offering itself.
- **Banks in associations or larger banks** can make use of the offering internally as a “white-label” solution (Genopace, Finmas) and may also use the open platform as necessary.

Partners affiliated to Europace and the direct involvement in the IT of these partners also constitute an important feature for the other business segments of Hypoport (Private Clients and Institutional Clients). The other business areas also benefit from the fact that Europace is “in-house”, as such.

Competition with Interhyp

As the largest platform in the relatively demarcated German mortgage market, only the smaller Interhyp is relevant for Hypoport as a competitor (according to the number of transactions). Interhyp however is different in three important respects, which put it at a competitive disadvantage:

- While Interhyp is indeed the largest sales organisation for property financing (larger than Hypoport’s sales subsidiary Dr. Klein) the volumes of transactions processed over the Interhyp platform are smaller. The number of various affiliated partners is also smaller at Interhyp. Size and the variety of the offering are however critical for success.
- The Interhyp platform belongs to ING Bank, which could represent a competitive problem for other banks.
- On the Interhyp platform, the requests of financial sales teams are pooled and are not forwarded directly to the counterparty, which makes the processing of “special cases” more difficult. In particular, mortgages with various different maturities or combination products (building savings contract, KfW loan) are thus more difficult to arrange. Also decisive is that the “direct” contact to the counterparty, which is important for financial sales, is not possible.

New competitors

For **third competitors** the German B2B market for the mediation of property financing is practically shared out between Hypoport and Interhyp. For new market participants, it no longer makes sense, in effect, to enter this market. Besides the technology, acquiring a critical, and thus competitively viable, number of customers (on the supply and demand side) would be next to impossible. Only large associations (similar to cooperative banks or savings banks) could develop their own platforms (or have them developed). A sensible “make-or-buy” decision, should however also in this case come down in favour of Hypoport (customers: savings banks, cooperative banks) or Interhyp.

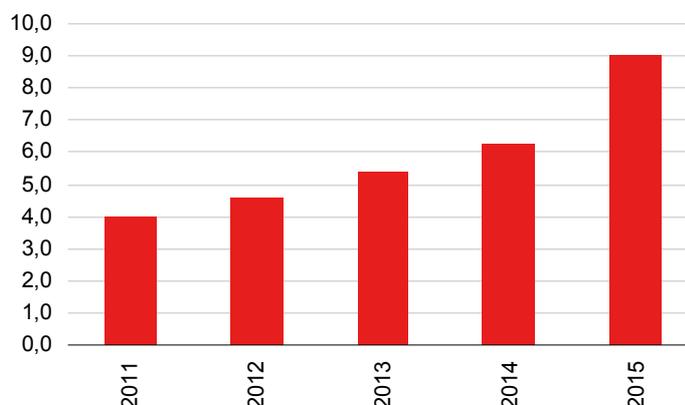
Dr. Klein too benefits from Europace...

Positioning of the Private Clients segment

Under the Dr. Klein brand, Hypoport AG operates a franchise system for sales locations with a focus on property financing (but also instalment-based loans, insurance policies and building savings). Currently, there are 200 locations. Of these, seven flagship stores

are operated by Hypoport and 193 by franchisees. Altogether there are 180 different franchisees, with some operating several locations.

Financing transaction volumes Dr. Klein (EUR bn)



Source: company

...and from factors like independence and professionalism

Dr. Klein sets itself apart from the general market development in the financial sales sector and, for years has been able to increase the transaction volumes and affiliated partners. The following reasons are behind this development:

- **Europace:** Initially, all Dr. Klein sales locations are connected to Europace. This allows the company to offer the customer all the main products available on the market and, if necessary, also very individual solutions with other products catering for different maturities or specifications. This represents an essential difference to classic financial services sales, which often are not able to offer such product variety. The classic offerings usually do not measure up in a qualified comparison. Here, the internet plays an essential role as customers are increasingly better informed. Customers no longer opt for financing that does not exactly correspond to their requirements and is not competitive. Noteworthy here is that Europace also supplies well-known price comparison portals (Check24) with data.
- **Technology:** Hypoport's technological orientation is apparent in all the group segments. In this way, the essential aspects of customer acquisition, advising and administration is to a great extent reflected in software solutions. The latest developments here are Europace BaufiSmart (intelligent automatic combination suggestions for financing modules) or KreditSmart (highly modern front-end for the sale of building savings contracts with financing). For franchisees the high level of IT support allows for maximum efficiency and focus on the customer.
- **Independence:** The independence of Hypoport from banks or other product suppliers gives the company credibility. In contrast, many structural sales organisations and some banks are still working with the aim of chiefly selling their own products.
- **Qualified consultants:** Most private property financing in Germany is still conducted with the customer's own retail bank. Here, the bank's advisors are often general financial advisors, who sell products from all areas of banking services. The advisors at Dr. Klein however are exclusively focused specialists. The combination of professional consultants and the quality of the offering at Hypoport should be more attractive than in the local bank. At Dr. Klein the building financial advisors are exclusively responsible for advice in property financing. In this way the quality of the advice differs considerably from competitors like MLP or OVB, where the sales staff gives advice on a multitude of financial services products.
- **Lead generation:** One of Hypoport's main competences is the generation of leads over

Widespread local presence

the internet for the local branches. In this area, Hypoport has decades of experience. The confirmation and processing of leads as well as the efficient sourcing of such leads is the central sales strength of Dr. Klein. This capability combined with the brand's high Google ranking forms a further competitive advantage. Independent financial agencies cannot afford that. Hypoport sells the confirmed lead for EUR 50 to its local franchise partner.

- **Local presence:** From the clients' perspective, the local presence reflected in the 200 locations represents a competitive advantage. Personal contact partners are relevant in the area of property financing, particularly as a differentiating feature to pure internet-based suppliers.

The symbiosis of the business segments Financial Service Providers (Europace) and Private Clients (Dr. Klein) results in a unique competitive position.

Positioning of Institutional Clients segment

The business segment, Institutional Clients likewise has its roots in the property financing sector and also forms the historical basis for the group which was founded in 1954. The Corporate Client unit is the financial services partner for residential and commercial property investors. The business segment provides comprehensive support for institutional clients in Germany with advice and customised concepts in financing management, portfolio management and commercial insurance.

As well as its contact network in the property market and long-standing clients, the company benefits above all from its considerable experience. Technological competence also plays a role here on the sidelines (software applications for residential property management "MyWoWi").

Since the 2008 financial crisis, this segment of Hypoport has benefited from a decisive and specific development: the advisory activities of "Landesbanken" (banks of individual federal states) and mortgage banks in the area of institutional German residential property management were drastically reduced. This offered enormous potential for suppliers such as Hypoport.

Interesting prospects in new business models

Business models under construction

As well as the established business models in the group, Hypoport is also establishing further business models. Europace, the most important business field of the group today, also emerged from a new business idea at the time. Up to now, the earnings situation of these business models is still negligible. Whether these business models can potentially become earnings relevant remains to be seen. The procedure shows however that Hypoport uses its fintech competence and network within the financial market to systematically enter ancillary and new business fields.

Europace for Issuer (Institutional Clients segment)

Europace for Issuer is a software solution for data management, portfolio valuation and the compilation of investors' reports for the securitisation of assets. The first customers have been acquired in Africa and Asia.

Hypoport Invest (Institutional Clients segment)

Hypoport Invest is a property capital administration company with a funds offering for institutional capital investors and an investment focus on residential property. Customers of the company are on the one hand capital investors and on the other hand property companies, for which the equity (of the capital investors) is made available.

Hypoport InsureTech (Institutional Clients segment)

Hypoport InsureTech offers insurance brokers an efficient way to manage insurance holdings automatically. This software already manages insurance holdings of EUR 122.6m (annual premium volume).

Company Background

The Hypoport group is active in the internet-based financial services sector. The business model is made up of two main activities. The group operates an online B2B financial market place called Europace which acts as an intermediary for financial products. Apart from that, Hypoport AG sells financial products with Dr. Klein & Co. AG. The company employs more than 600 people and generated revenue of EUR 139m in 2015. Hypoport AG is listed in the Prime Standard of the German Stock Exchange and has its headquarters in Berlin.

The Europace B2B financial market place of Hypoport AG is the largest online platform for transactions of financing products in Germany. The platform creates the conditions for the rapid and direct conclusion of contracts, which leads to significant cost benefits. This allows those on the supply side, such as banks, building societies and insurance companies to directly connect with thousands of financial advisors over the internet. In this way, the users generate volumes of about EUR 4bn monthly, which corresponds to about 35,000 transactions over Europace. Institutional clients are also supported by Europace, e.g. in the analysis, data management and the reporting of portfolio transactions in Europe.

A genuine “fintech” company

Dr. Klein & Co. AG sells financial products to private clients. To select the products, Dr. Klein uses the B2B financial market place Europace and in this way, can make low-cost offers. The best product for the customer is determined from a large selection. If the customer so wishes, he can avail of advisory services on the telephone or personally in one of the ca. 200 branches. Typical products include property financing and loans but also current accounts, instant access savings accounts, insurance policies and deposits. Furthermore Dr. Klein (institutional customers) is the market leader in the financing of community and cooperative residential property companies.

Brand portfolio

The Hypoport group consists of eight brands, which are divided into three business segments: Financial Service Providers, Private Clients and Institutional Clients.

The brands Europace, Genospace, Finmas and Starpool GmbH are included in the business segment Financial Service Providers. In this context, Genospace and Finmas are based on the Europace platform and are primarily geared towards use by the cooperative banks and savings banks. Starpool GmbH was founded as a result of a cooperation agreement with the DSL Bank, a business unit of Deutsche Postbank AG and provides the DSL bank advisors with standardised utilisation of the Europace platform.

The Private Client segment is divided into the brands Dr. Klein, vergleich.de and Qualitypool GmbH. In contrast to Dr. Klein, vergleich.de does not offer financial services but is an independent and objective consumer portal. With the help of vergleich.de, users can more easily choose a specific financial product. The platform offers a comparison of the various products, the opportunity to see the opinion of other users and much more information besides. Qualitypool GmbH is one of the leading independent broker pools. The platform comprises more than 700 active brokers and offers a wide choice of financial, insurance and investment products.

Successful in all segments

The business area Institutional Clients is divided into Dr. Klein & Co. AG, which is active in Germany and is an important financial services partner in residential property management, and the Dutch-based Hypoport B.V. Dr. Klein supports its customers, like local councils or commercial property investors, in many respects. As well as extensive consultancy services, Dr. Klein offers competence in financing management, portfolio management and commercial insurance. Hypoport B.V. offers services in the area of data management, portfolio evaluation and the compilation of investor reports for the securitisation of assets. In this respect, the company supports issuers in the securitisation of credit portfolios.

 In the market since 1954

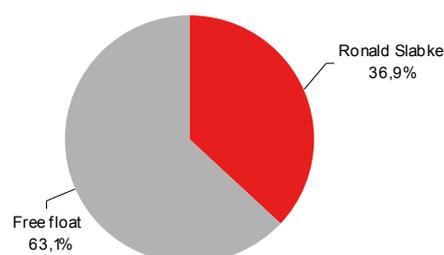
History

- **1954** Founding of Dr. Klein & Co. AG (Institutional Clients segment)
- **1999** Founding of Hypoport AG and start of property financing and vergleich.de for private clients (Private Clients segment)
- **2001** Hypoport Group results from a merger of Dr. Klein & Co. AG and Hypoport AG. Establishment of branch network begins (Private Clients segment)
- **2002** Start of the Europace platform (Financial Service Providers segment)
- **2003** Start of broker sales with Qualitypool (Private Clients segment)
- **2005** Expansion to all financial advisory services (Private Clients segment)
- **2006** Start of business segment Institutional Clients in the Netherlands
- **2007** IPO
- **2008** Start of Genopace (Financial Service Providers segment)
- **2009** Start of Finmas (Financial Service Providers segment)
- **2010** Start of Boxl (Financial Service Providers segment)
- **2011** more than 500 financial advisors in Private Clients segment
- **2012** Start of Europace AG (Financial Service Providers segment)

Shareholder structure

The largest single shareholder of Hypoport is Ronald Slabke (founder, CEO) with 36.9%. Other stakeholders include Deutsche Postbank AG with 4.99% and Union Investment with 3.03%. Hypoport holds 2.5% of its own shares. The remaining shares are in free float, which accounts for 63.1% of the shares. Furthermore, the management of Hypoport AG decided on February 12 to buy back up to 60,000 (about 1%) of its own shares exclusively over the stock exchange. The about 6.1m shares are listed in the Prime Standard of the German Stock Exchange.

Hypoport AG shareholders



Source: company

Earnings Development and Growth

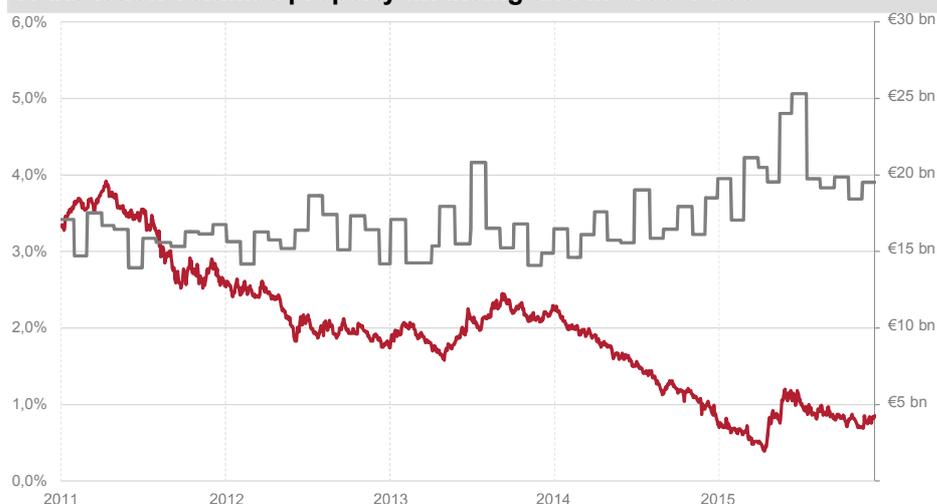
Market for property financing in Germany

The chart below depicts a stable German property market. The volume of property financing has shown relatively constant development over the last five years.

The mere allusion to an “interest-rate reversal” provided for exceptionally strong figures in 2015, apparently based on some market participants’ fears of an imminent return to rising interest rates. However, truly remarkable overall is that the volumes of property financing have not shown stronger positive development despite drastic interest-rate reduction. This would seem to reflect the general assumption that the German market for property financing exhibits stable volumes relatively independent of the interest-rate level. Even if interest rates rise slightly again in the coming years, this would not lead to a drastic reduction in the property financing volumes, in our opinion.

Moderate market growth –
Hypoport is growing strongly

Transaction volumes property financing and interest rates



Sources: Deutsche Bundesbank, interest rates Pfandbrief 10 years / volumes in EUR bn.

In this stable market Hypoport raised the transaction volumes on Europace in the last years by 27% per year. The revenue of the Hypoport group rose in the same time period by 13% annually. These figures are far above the rate of increase in property financing volumes. This shows that **Hypoport’s growth is primarily based on the gaining of market share**. The significance of general market development, which is characterised by very moderate growth in property financing transaction volumes despite strongly declining interest rates, is apparently less meaningful for the company than the ability to gain market share.

Development of the business segments

The table below gives an overview of the expected development of the group, by segment:

Economies of scale in all segments

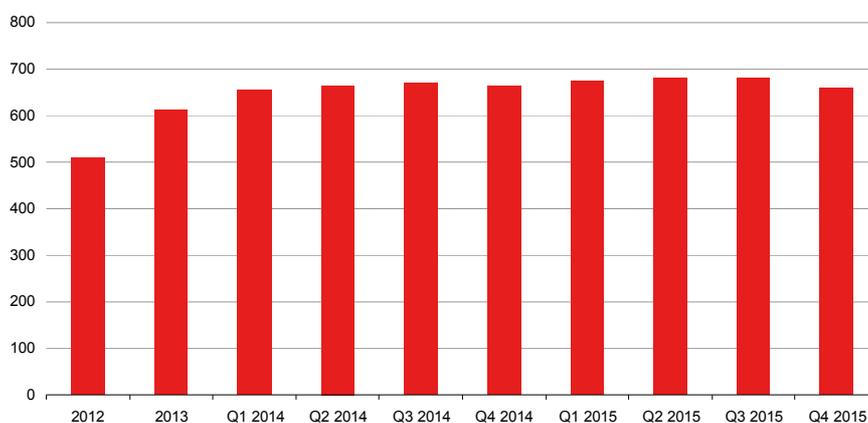
Hypoport Segments						
in EUR Tsd.	2013	2014	2015	2016e	2017e	2018e
Private Clients						
Sales	56,1	63,9	78,6	86,5	92,5	95,3
Growth		13,9%	23,0%	10,0%	7,0%	5,0%
% of sales	57,2%	56,9%	56,6%	55,5%	54,5%	53,2%
EBIT	-1,6	1,9	7,4	9,5	10,2	10,5
Margin %	-2,9%	3,0%	9,4%	11,0%	11,0%	11,0%
Financial Service Providers						
Sales	30,3	34,4	44,0	51,3	58,2	64,3
Growth		13,5%	27,9%	16,5%	13,6%	10,5%
% of sales	30,9%	30,6%	31,7%	32,9%	34,3%	35,9%
EBIT	6,0	5,6	10,1	13,3	16,9	21,2
Margin %	19,8%	16,3%	23,0%	26,0%	29,0%	33,0%
Institutional Clients						
Sales	12,3	14,5	17,3	18,9	19,8	20,4
Growth		17,9%	19,3%	9,0%	5,0%	3,0%
% of sales	12,5%	12,9%	12,4%	12,1%	11,7%	11,4%
EBIT	3,8	4,5	6,6	6,6	6,7	6,7
Margin %	30,9%	31,0%	38,2%	35,0%	34,0%	33,0%
Überleitung / Konzernkosten						
Sales	-0,6	-0,5	-0,9	-0,9	-0,9	-1,0
EBIT	-4,3	-4,1	-4,8	-5,0	-5,1	-5,3
Group						
Sales	98,1	112,3	139,0	155,7	169,7	179,0
Growth		14,5%	23,7%	12,0%	9,0%	5,5%
EBIT	3,9	7,9	19,3	24,4	28,7	33,1
Margin %	4,0%	7,1%	13,9%	15,7%	16,9%	18,5%

Source: Hypoport, WRe

Private Clients / Dr. Klein franchise

Revenue: Following a clear rise in revenue in 2015 – with a growth rate well above the historical average – a slowdown in the pace of growth is expected in 2016. For one because 2015 was an unusually strong year for property financing and also because only a low level of branch growth is assumed as there is already very widespread coverage of the franchise in Germany.

Development of the active advisor



Source: company

For 2017, the growth rate is reduced further as a safety discount is factored in for the interest-rate induced fluctuations in property financing. This assumption is defensive in light of the average long-term growth rate of ca. 20% over the last 10 years in this business area.

Earnings / EBIT: In 2015, earnings in the Private Clients segment were still characterised by an exceptional charge of EUR 1.5m on EBIT-level but nevertheless showed a significant increase. This exceptional charge was related to risk provisioning for insurance advances and is expected to be the last such charge of this kind. As Hypoport historically also marketed life insurance, this risk arose in relation to collected sales commission in the case of a contract cancellation. The remaining activities in this area as well as the remaining risks are however of little significance. For 2016, this means the cessation of a burden of EUR 1.5m. In the coming years the further expansion of the structures will have a burdening effect. In 2015, Hypoport's Private Clients segment was working at the structure's full capacity. Against this background, it can be expected that the cost base will rise in 2016 to meet the structural demands of the current market environment. Overall, a moderate EBIT improvement is expected in the coming years (see table on the previous page), based on further small market share gains from structurally inferior offerings (see chapter "Investment Case"), assuming a stable market environment in the coming years.

Financial Service Providers / Europace

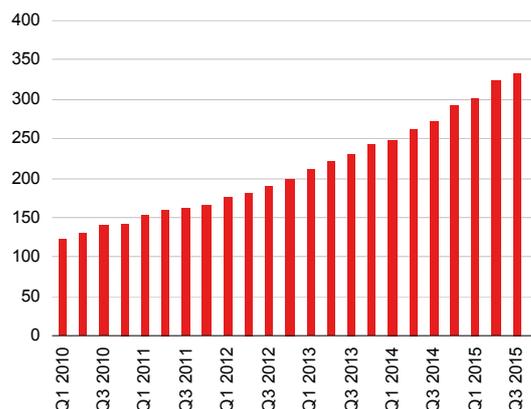
Revenue: Europace revenue has clearly risen over the last years (since 2006) by an average of 25% annually. This growth can be explained on three dimensions.

- It is expected that the relative share of property financing, which has been subject to a **qualified comparison**, will rise further. Information for qualified comparisons (internet) is available and the retail banks have suffered reputational damage in the last years.
- .Additionally, it is anticipated that **the number of affiliated partners** on Europace...
- ...and the increasing use of **Genopace und Finmas** within the relative associations will rise, as the high level of sales effort continues unabated in this field.
- **Network effects** are assumed that will provide for continuous improvement in the competitiveness of Europace in comparison to traditional options for financing contracts. Each additional offering makes the conditions more attractive and differentiated and each additional request generates incentives for suppliers.

Based on the dimensions mentioned above, fundamentally a continuation of the growth trend can be expected.

Europace is highly profitable and strongly scalable

Affiliated partners Europace



Source: Company

For the Europace derivatives (Finmas/Genopace) this can be additionally determined in impressive figures:

- The **savings banks** process about EUR 80bn in property financing annually. Of this only about EUR 1bn is processed over Finmas to date, even though the platform offers considerable benefits in terms of usage and effectiveness.
- The **cooperative banking sector** processes about EUR 50bn in property financing annually. Eighteen of the 25 institutes are already affiliated to Genopace. Also in this sector, the volumes processed over Genopace are only about EUR 1bn.
- As well as the simplicity of using the platform from a technological point of view, the **incentive** for savings banks and cooperative banks to make greater use of the platform is also primarily **the competitiveness of the financial offering** for the end customer. And this fundamentally improves with each additional offer the financial adviser has in front of him from the relevant association.

Still huge potential in savings banks and cooperative banking sector

The growth rates of Europace and the derivatives Genopace and Finmas should, in light of this, remain high (historical growth rates 25%). However as the 2015 growth rate of 28% was very high, a weakening is expected in 2016 (WRe: 16.5%, see table). For the Europace segment however, the company assumes the highest growth rates. Worthy of note is that the share of property financing processed over Europace/Genopace/Finmas Germany-wide is "only" about 20%. Thus there is still considerable potential here.

EBIT: On the EBIT line, Europace should show a high level of scalability. The platform underwent fundamental modernisation in 2015 with the final completion of the development of Europace 2. On the current basis, it is not expected that the costs of operating and developing the platform will rise by significantly more. Thus the expectation of considerable increases in transaction volumes will lead to proportionately greater margin increases. In 2015, the potential of such a development was signalled (EBIT Financial Service Providers: +80%)

Institutional Clients

Revenue: Revenue in the institutional consultancy business area rose significantly in the last years. As well as a strong core business, high-volume financing was arranged for large residential property companies. In light of this, the lowest growth rates are expected for the Institutional Clients segment even if, in this area too, the long-term potential is considerable, especially taking into account the redistribution of the market following the 2008 financial crisis. Since 2008, several mortgage banks and regional banks (Landesbanken – banks of individual federal states), have left the market. Up to now, these banks commanded a considerable portion of the market and served many relevant customers over many years. Of the about EUR 8bn annual market volume of property financing for the institutional residential property sector in Germany, Dr. Klein processes "only" about EUR 2bn.

Segment benefits from market shake-out since 2008 financial crisis

EBIT: The further long-term expansion of customer service resources leads to constant development of customer relationships and growth in all regions of Germany. At the same time, the costs of the structure are also increasing. Against this background, only very moderate rises in earnings are expected overall. Economies of scale, as in the two above-mentioned business segments, are not expected here to a similar extent.

Group costs and taxes

The **group costs** are essentially made up of the Hypoport Group's headquarters costs and management costs. For these, a proportionally lower rise is anticipated in the coming years.

The group's **taxes** are relatively low, at almost 15%, according to most recent information. This is mainly attributable to the fact that the largest source of revenue (Europace) is registered in Ireland under tax law (corporate tax rate 12.5%), where comparatively low taxes are due. A low level of corporate tax is also calculated for the future.

Tax situation is optimised

From these assumptions, the following profit and loss is calculated:

Earnings expectations							
in % of Sales	2012	2013	2014	2015	2016e	2017e	2018e
Sales	100.0%						
Cost of sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Gross profit	100.0%						
Research and development	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Sales and marketing	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
General and administration	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other operating income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other operating expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Increase / decrease in inventory	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Own work capitalised	4.8%	4.3%	3.7%	3.4%	3.0%	3.0%	2.9%
Total sales	104.8%	104.3%	103.7%	103.4%	103.0%	103.0%	102.9%
Material Expenses	49.0%	50.1%	49.8%	48.4%	48.3%	47.6%	46.4%
Gross profit	55.7%	54.3%	53.9%	54.9%	54.7%	55.4%	56.5%
Personnel expenses	34.1%	33.3%	31.5%	27.5%	27.0%	26.0%	26.0%
Other operating income	2.7%	2.8%	1.6%	1.6%	2.0%	1.0%	1.0%
Other operating expenses	15.1%	15.5%	12.9%	11.0%	10.0%	9.5%	9.0%
Unfrequent items	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%
EBITDA	9.3%	8.3%	11.3%	18.0%	19.7%	20.9%	22.5%
Depreciation of fixed assets	1.1%	1.1%	0.9%	0.8%	1.0%	1.0%	1.0%
EBITA	8.2%	7.2%	10.4%	17.2%	18.7%	19.9%	21.5%
Amortisation of intangible fixed assets	4.6%	3.2%	3.4%	3.4%	3.0%	3.0%	3.0%
Impairment charges and amortisation of goodwill	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT	3.6%	4.0%	7.1%	13.9%	15.7%	16.9%	18.5%
Interest income	0.2%	0.1%	0.1%	0.3%	0.1%	0.1%	0.1%
Interest expenses	1.2%	1.0%	0.7%	0.4%	0.5%	0.5%	0.4%
Financial result	-1.0%	-0.9%	-0.6%	-0.1%	-0.4%	-0.4%	-0.4%
Recurring pretax income from cont. operations	2.7%	3.1%	6.5%	13.7%	15.3%	16.5%	18.1%
Extraordinary income/loss	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBT	2.7%	3.1%	6.5%	13.7%	15.3%	16.5%	18.1%
Taxes total	0.4%	-0.1%	1.2%	2.3%	2.0%	2.1%	2.4%
Net income from continuing operations	2.2%	3.2%	5.3%	11.4%	13.3%	14.3%	15.8%
Income from discontinued operations (net of tax)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net income before minorities	2.2%	3.2%	5.3%	11.4%	13.3%	14.3%	15.8%
Minority interest	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net income	2.2%	3.2%	5.3%	11.4%	13.3%	14.3%	15.8%

Sources: Hypoport (historical data), Warburg Research (estimates)

Source: Warburg Research

Current business development (Q1/16)

In the first quarter of 2016, the company's strong business development continued. According to preliminary figures for Q1 2016, revenue of about EUR 35m (Q1 2015: EUR 33.3m) and EBIT of at least EUR 5.4m is expected (EUR Q1 2015: 3.8 m). Final figures for the first quarter of 2016 will be published by Hypoport on May 2, 2016.

Use of cash

Since FY 2014 (operative cash flow: EUR 11m) and 2015 (operative cash flow: EUR 24m) Hypoport has been generating cash flow, which significantly exceeds capital needs. Especially the scalability and high earnings strength of the Europace business model suggest that the capital inflows will continue to rise in future. The company, which historically has not paid out dividends and prospectively will not do so in future, anticipates mainly the following elements in the usage of cash:

- **Investments in existing and new business models:** The company will, as in the past, use parts of the free cash flow for investment in existing and new business models. However, this investment will be well below the overall level of free cash.
- **Further share buy-backs:** Currently, the company holds about 2.5% of its own shares. Further share buy-backs seem likely.
- **Acquisitions:** It is possible that with targeted acquisitions in future, the company will avail of further growth potential.

Balance sheet

The balance sheet of Hypoport (balance sheet total EUR 96m) on the **assets** side is essentially made up of intangible assets (software) of EUR 32m or 33% of the balance sheet total. Additionally, there are receivables of EUR 33m (34%) as well as cash of EUR 25m (26%). The remaining asset items are negligible.

The **liabilities** consist of EUR 52m equity (53%). A further 11m (12%) is attributable to debt. Payables are about EUR 20m (21%) and the remaining liabilities items are negligible.

The only relevant risk factors are theoretically the intangible assets (software) – however the valuation of these assets is backed by very significant earnings value, especially as regards Europace. In this respect, the balance sheet is, in our opinion, not fraught with risk.

Valuation Potential

Comparison group (peers)

Peer group comparison is not very meaningful

In the context of a comparative valuation based on a peer group, it must be pointed out that none of the selected companies (described below) have a business model that is comparable with Hypoport's. In particular, none of the selected business models show comparable characteristics in terms of scalability and disruption. The fact that Europace can significantly increase its market share and, with that, the generated revenue amid potentially stable or even decreasing costs, is very difficult to quantify in the context of a relative valuation.

In the comparison group the following companies are taken into account:

Peergroup - Key Figures

Company	LC	Price in LC	MC in LC m	EV in LC m	EPS			Sales			EBITDA			EBIT		
					15e	16e	17e	15e	16e	17e	15e	16e	17e	15e	16e	17e
Gruppo mutuonline	EUR	5,65	61,3	60,7	0,01	0,19	0,36	82,6	91,5	100,7	2,4	4,7	7,0	0,9	3,2	5,5
JDC Group	EUR	2,85	311,5	262,4	0,22	0,21	0,27	556,3	591,0	615,7	44,6	42,5	53,7	30,8	26,2	36,6
MLP	EUR	321,50	1.760,3	1.751,8	0,14	0,16	0,17	281,0	303,9	325,4	111,5	122,1	132,0	99,7	103,3	112,0
Moneysupermarket.com	GBp	2,06	88,3	82,1	0,12	0,15	0,16	108,0	111,7	115,3	8,4	10,8	11,4	5,5	7,7	8,3
Msg life	EUR	14,42	205,5	154,7	0,67	0,66	0,71	212,5	211,5	216,0	17,0	17,7	18,4	13,5	14,1	14,9
OVB	EUR	262,00	2.096,0	1.714,5	10,55	11,54	12,85	227,6	253,6	282,0	106,0	n.a.	174,0	101,4	105,0	116,0
VZ Holding	CHF	0,00	0,0	0,0	0,00	0,00	0,00	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Hypoport	EUR	61.81	382.9	353.8	2.56	3.33	3.93	139.0	155.7	169.7	25.1	30.7	35.5	19.3	24.4	28.7

The following multiples are derived from the analysis:

Peergroup - Valuation Multiples

Company	LC	Price in LC	MC in LC m	EV in LC m	P / E			EV / Sales			EV / EBITDA			EV / EBIT		
					15e	16e	17e	15e	16e	17e	15e	16e	17e	15e	16e	17e
Gruppo mutuonline	EUR	7,11	280,7	299,8	13,4 x	13,2 x	n.a.	2,5 x	2,5 x	n.a.	7,9 x	7,5 x	n.a.	n.a.	n.a.	n.a.
JDC Group	EUR	5,65	61,3	60,7	1129,2 x	30,5 x	15,7 x	0,7 x	0,7 x	0,6 x	25,3 x	12,9 x	8,7 x	67,4 x	19,0 x	11,1 x
MLP	EUR	2,85	311,5	262,4	12,8 x	13,6 x	10,6 x	0,5 x	0,4 x	0,4 x	5,9 x	6,2 x	4,9 x	8,5 x	10,0 x	7,2 x
Moneysupermarket.com	GBp	321,50	1.760,3	1.751,8	22,5 x	20,7 x	19,1 x	6,2 x	5,8 x	5,4 x	15,7 x	14,3 x	13,3 x	17,6 x	17,0 x	15,6 x
Msg life	EUR	2,06	88,3	82,1	17,6 x	13,5 x	12,7 x	0,8 x	0,7 x	0,7 x	9,8 x	7,6 x	7,2 x	14,8 x	10,6 x	9,8 x
OVB	EUR	14,42	205,5	154,7	21,7 x	21,8 x	20,5 x	0,7 x	0,7 x	0,7 x	9,1 x	8,8 x	8,4 x	11,5 x	11,0 x	10,4 x
VZ Holding	CHF	262,00	2.096,0	1.714,5	24,8 x	22,7 x	20,4 x	7,5 x	6,8 x	6,1 x	16,2 x	n.a.	9,9 x	16,9 x	16,3 x	14,8 x
Average					177 x	19 x	16 x	03 x	03 x	02 x	13 x	10 x	09 x	23 x	14 x	11 x
Median					22 x	21 x	17 x	01 x	01 x	01 x	10 x	08 x	09 x	16 x	14 x	11 x
Hypoport	EUR	61.81	382.9	353.8	24.1 x	18.6 x	15.7 x	2.5 x	2.3 x	2.1 x	14.1 x	11.5 x	10.0 x	18.4 x	14.5 x	12.3 x
Valuation difference to Average					635%	5%	5%	7%	10%	11%	-9%	-17%	-13%	24%	-4%	-7%
Fair value per share based on Average					454.23	64.71	64.77	65.59	67.78	68.23	56.62	51.97	54.56	75.52	59.81	57.90

It can be seen that Hypoport, despite an extremely good market position relative to the comparison group and considerably better structural earnings prospects, is only valued at a similar level as the companies in the peer group. In particular, the companies in the financial sales sector (OVB, MLP JDC) are growing at a far slower pace and with significantly smaller margins:

Hypoport significantly more successful than the peer companies

Margin and growth

	LC	Price	MC	EV	Growth		Margin (EBIT)		
					15/16e	16e/17e	15e	16e	17e
JDC Group	EUR	5,65	61,3	60,7	6%	4%	6%	4%	6%
MLP	EUR	2,85	311,5	262,4	8%	7%	35%	34%	34%
OVB	EUR	14,42	205,5	154,7	11%	11%	45%	41%	41%
Average					9%	7%	29%	27%	27%
Hypoport	EUR	61.81	382.9	353.8	12%	9%	14%	16%	17%

JDC Group AG, formerly Aragon AG (Wiesbaden, Germany)

The JDC Group AG is active in the business areas of Advisory and Advisortech and generates revenue of EUR 78m. The classic Advisory segment acts as an intermediary for financial products B2B (freelance financial brokers) and B2C (directly to end consumers). In the new business area Advisortech, modern advisory and administrative

technologies are developed for brokers and customers. With a free float of 35% the management holds 45% of the outstanding shares. The shares of the JDC Group AG are listed in the sub-segment Open Market (Entry Standard).

OVH Holding AG (Cologne, Germany)

OVH Holding AG, with 5,062 financial brokers and revenue of ca. EUR 225m, is one of the largest financial sales organisations active across Europe. It focuses on cross-discipline general financial advisory services mainly for private households. The provision of relevant products is carried out in cooperation with banks, insurance companies, building savings banks and funds companies. The company has 3.24m customers in 14 European countries. OVH Holding AG is listed in the Prime Standard.

MLP AG (Wiesloch, Germany)

The core competence of MLP AG is as a broker for financial products like insurance policies and other investment products in all-embracing financial advisory services for professionals in the German-speaking areas. Other business fields include corporate customer business with company pension schemes and health insurance as well as asset management for institutional investors and private wealth. The company employs about 1,800 people and generates revenue of EUR 536m. The company is listed in the Prime Standard.

Gruppo MutuiOnline S.p.A. (Milan, Italy)

The Gruppo MutuiOnline S.p.A. is a leading Italian internet and financial services provider with almost 1,000 employees. Its business model is based on the two pillars: the online comparison of financial products and Business Process Outsourcing (BPO) for bank-related core processes like the processing of mortgages and loans. The company is growing strongly with revenue of EUR 84m after three quarters of the 2015 fiscal year. BPO accounts for 63.2% of revenue and the comparison unit for 36.8%.

Moneysupermarket.com Group PLC (Ewloe, United Kingdom)

Moneysupermarket.com is the largest web-based comparison portal in the United Kingdom, which acts as an intermediary for finance-related services for private households like all sorts of insurance, loans and electricity supply contracts. The core business accounts for 89% of the revenue of GBP 282m. The other products offered by the company are the portals MoneySavingExpert.com and travelsupermarket.com. The company is listed on the London Stock Exchange and is part of the FTSE 250 index.

msg life AG (Leinfelden-Echterdingen, Germany)

msg life is the leading European supplier of software, advisory services and cloud solutions for life insurance companies and pensions institutions. Currently the company employs ca. 870 people in nine countries in Europe and North America and generates revenue of EUR 104m, which is 62% attributable to the Life Insurance segment, 26% to Non-Life Insurance and 12% to the Consulting +Services segment. msg life AG is listed in the Prime Standard.

VZ Holding (Zurich, Switzerland)

VZ Holding is a Swiss financial service provider with 812 employees and CHF 16.5bn of customer assets under management. On revenue of CHF 226m, the EBITDA margin is 47.1%. The central point of the business activity is independent asset management consultancy for private clients as well as for companies, mainly in the Swiss market but also in Germany. The areas of activity range from pension advice, asset management and insurance administration. Since 2007, VZ Holding has been listed on the SIX Swiss Exchange.

The peer group analysis is however not suitable for the determination of a concrete price target. The following DCF valuation serves this purpose.

Central valuation approach: DCF model

DCF valuation

The price target of EUR 92 is derived from a DCF model and is based on the following assumptions:

- **Revenue growth** 2015-18 at a CAGR of 9% is the result of structural growth in the core business as well as the clear earnings growth in the Europace segment. Based on the medium-term expectations, the growth approaches the long-term growth rate of 1%.
- After 13.9% in 2015 and 15.7% in 2016e, an **EBIT margin** of 17-19% is expected in the medium term. Long term, the model (2020 and beyond) calculated with 20%. The expectation of margin improvement is based on an attractive revenue mix (Europace). A possible higher market share of Europace and, at the same time, a less aggressive product development policy (development costs) would also allow for far higher margins and further economies of scale.
- The tax burden is gradually reduced based on the situation as described earlier (Europace/Ireland) and earnings distribution (rising share of Europace).
- A **beta** of 1.24 takes into consideration the risks of the business model (interest rate environment, market development) and, assuming complete self-financing, leads to weighted capital costs of 8.24%.

Taking these parameters into account on the basis of the planning, a DCF-value of EUR 92 per share is derived.

DCF model

Figures in EUR m	Detailed forecast period			Transitional period										Term. Value
	2016e	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	
Sales	155.7	169.7	179.0	188.0	197.3	207.2	217.6	228.5	239.9	247.1	254.5	262.1	268.7	
Sales change	12.0 %	9.0 %	5.5 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	3.0 %	3.0 %	3.0 %	2.5 %	2.5 %
EBIT	24.4	28.7	33.1	35.7	39.5	41.4	43.5	45.7	48.0	49.4	50.9	52.4	53.7	
EBIT-margin	15.7 %	16.9 %	18.5 %	19.0 %	20.0 %	20.0 %	20.0 %	20.0 %	20.0 %	20.0 %	20.0 %	20.0 %	20.0 %	
Tax rate (EBT)	13.0 %	13.0 %	13.0 %	13.0 %	13.0 %	13.0 %	13.0 %	13.0 %	13.0 %	13.0 %	13.0 %	13.0 %	13.0 %	
NOPAT	21.3	24.9	28.8	31.1	34.3	36.1	37.9	39.8	41.7	43.0	44.3	45.6	46.7	
Depreciation	6.2	6.8	7.2	5.6	5.9	6.2	6.5	6.9	7.2	7.4	7.6	7.9	8.1	
in % of Sales	4.0 %	4.0 %	4.0 %	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %	
Changes in provisions	0.0	0.0	0.0	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Change in Liquidity from														
- Working Capital	5.6	1.6	1.1	-2.0	0.9	1.0	1.0	1.1	1.1	0.7	0.7	0.8	0.7	
- Capex	5.5	5.9	6.2	5.6	5.9	6.2	6.5	6.9	7.2	7.4	7.6	7.9	8.1	
Capex in % of Sales	3.5 %	3.5 %	3.4 %	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Free Cash Flow (WACC Model)	16.4	24.2	28.7	32.9	33.4	35.1	36.8	38.7	40.6	42.3	43.5	44.8	46.1	47
PV of FCF	15.5	21.2	23.2	24.5	23.0	22.3	21.6	21.0	20.3	19.5	18.6	17.7	16.7	293
share of PVs	10.74 %			36.75 %										52.51 %

Model parameter

Derivation of WACC:		Derivation of Beta:	
Debt ratio	0.00 %	Financial Strength	1.00
Cost of debt (after tax)	2.7 %	Liquidity (share)	1.30
Market return	7.00 %	Cyclicality	1.30
Risk free rate	1.50 %	Transparency	1.30
		Others	1.30
WACC	8.32 %	Beta	1.24

Valuation (m)

Present values 2028e	265		
Terminal Value	293		
Financial liabilities	11		
Pension liabilities	0		
Hybrid capital	0		
Minority interest	0		
Market val. of investments	0		
Liquidity	25	No. of shares (m)	6.2
Equity Value	571	Value per share (EUR)	92.21

Sensitivity Value per Share (EUR)

Beta	WACC	Terminal Growth							Beta	WACC	Delta EBIT-margin						
		1.75 %	2.00 %	2.25 %	2.50 %	2.75 %	3.00 %	3.25 %			-1.5 pp	-1.0 pp	-0.5 pp	+0.0 pp	+0.5 pp	+1.0 pp	+1.5 pp
1.42	9.3 %	74.83	75.93	77.12	78.39	79.75	81.23	82.83	1.42	9.3 %	72.40	74.40	76.39	78.39	80.38	82.38	84.37
1.33	8.8 %	80.39	81.73	83.18	84.75	86.44	88.28	90.28	1.33	8.8 %	78.28	80.44	82.59	84.75	86.90	89.06	91.21
1.29	8.6 %	83.48	84.97	86.58	88.32	90.22	92.28	94.54	1.29	8.6 %	81.59	83.83	86.08	88.32	90.57	92.82	95.06
1.24	8.3 %	86.81	88.47	90.26	92.21	94.34	96.66	99.21	1.24	8.3 %	85.18	87.52	89.87	92.21	94.56	96.90	99.24
1.19	8.1 %	90.41	92.26	94.26	96.45	98.84	101.47	104.37	1.19	8.1 %	89.10	91.55	94.00	96.45	98.90	101.35	103.80
1.15	7.8 %	94.31	96.38	98.63	101.09	103.80	106.78	110.10	1.15	7.8 %	93.39	95.96	98.52	101.09	103.66	106.23	108.79
1.06	7.3 %	103.17	105.79	108.66	111.82	115.34	119.26	123.67	1.06	7.3 %	103.31	106.15	108.99	111.82	114.66	117.50	120.34

- The growth anticipated for Hypoport is based on robust business development in all segments
- Financial Services (Europace) in particular offers systematic potential for economies of scale and margin growth
- On this basis the group assumes a positive long-term margin trend
- Based on a sophisticated regional dispersion of tax obligations a low tax rate is assumed long term.

Valuation	2012	2013	2014	2015	2016e	2017e	2018e
Price / Book	1.9 x	1.5 x	1.7 x	4.0 x	5.1 x	3.9 x	3.0 x
Book value per share ex intangibles	0.31	0.53	1.25	3.31	6.64	10.57	15.12
EV / Sales	0.7 x	0.6 x	0.6 x	1.4 x	2.2 x	1.9 x	1.7 x
EV / EBITDA	8.0 x	7.0 x	5.6 x	7.8 x	11.3 x	9.1 x	7.4 x
EV / EBIT	20.3 x	14.4 x	9.0 x	10.2 x	14.2 x	11.3 x	9.0 x
EV / EBIT adj.*	20.3 x	14.4 x	9.0 x	10.2 x	14.2 x	11.3 x	9.0 x
P / FCF	44.4 x	13.5 x	29.9 x	9.8 x	23.8 x	15.9 x	13.4 x
P / E	27.9 x	15.9 x	11.3 x	13.2 x	18.2 x	15.4 x	13.4 x
P / E adj.*	27.9 x	15.9 x	11.3 x	13.2 x	18.2 x	15.4 x	13.4 x
Dividend Yield	n.a.						
Free Cash Flow Yield Potential	11.9 %	14.5 %	15.9 %	11.2 %	8.0 %	9.9 %	12.2 %

*Adjustments made for: -

Consolidated profit & loss

In EUR m	2012	2013	2014	2015	2016e	2017e	2018e
Sales	87.8	98.1	112.3	139.0	155.7	169.7	179.0
Change Sales yoy	n.a.	11.8 %	14.5 %	23.7 %	12.0 %	9.0 %	5.5 %
Increase / decrease in inventory	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Own work capitalised	4.2	4.2	4.2	4.7	4.7	5.1	5.2
Total Sales	91.9	102.3	116.5	143.6	160.3	174.8	184.2
Material Expenses	43.0	49.1	55.9	67.3	75.2	80.8	83.1
Gross profit	48.9	53.2	60.6	76.3	85.1	94.0	101.1
<i>Gross profit margin</i>	<i>55.7 %</i>	<i>54.3 %</i>	<i>53.9 %</i>	<i>54.9 %</i>	<i>54.7 %</i>	<i>55.4 %</i>	<i>56.5 %</i>
Personnel expenses	29.9	32.7	35.3	38.2	42.0	44.1	46.5
Other operating income	2.4	2.8	1.8	2.2	3.1	1.7	1.8
Other operating expenses	13.2	15.2	14.5	15.2	15.6	16.1	16.1
Unfrequent items	0.0	0.0	0.1	0.0	0.0	0.0	0.0
EBITDA	8.1	8.1	12.7	25.1	30.7	35.5	40.3
<i>Margin</i>	<i>9.3 %</i>	<i>8.3 %</i>	<i>11.3 %</i>	<i>18.0 %</i>	<i>19.7 %</i>	<i>20.9 %</i>	<i>22.5 %</i>
Depreciation of fixed assets	0.9	1.1	1.0	1.1	1.6	1.7	1.8
EBITA	7.2	7.1	11.7	24.0	29.1	33.8	38.5
Amortisation of intangible assets	4.0	3.1	3.8	4.7	4.7	5.1	5.4
Goodwill amortization	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	3.2	3.9	7.9	19.3	24.4	28.7	33.1
<i>Margin</i>	<i>3.6 %</i>	<i>4.0 %</i>	<i>7.1 %</i>	<i>13.9 %</i>	<i>15.7 %</i>	<i>16.9 %</i>	<i>18.5 %</i>
EBIT adj.	3.2	3.9	7.9	19.3	24.4	28.7	33.1
Interest income	0.2	0.1	0.1	0.4	0.1	0.1	0.1
Interest expenses	1.0	1.0	0.8	0.5	0.8	0.8	0.8
Other financial income (loss)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBT	2.3	3.1	7.3	19.1	23.7	28.0	32.4
<i>Margin</i>	<i>2.7 %</i>	<i>3.1 %</i>	<i>6.5 %</i>	<i>13.7 %</i>	<i>15.3 %</i>	<i>16.5 %</i>	<i>18.1 %</i>
Total taxes	0.4	-0.1	1.3	3.2	3.1	3.6	4.2
Net income from continuing operations	1.9	3.2	5.9	15.9	20.7	24.3	28.2
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income before minorities	1.9	3.2	5.9	15.9	20.7	24.3	28.2
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income	1.9	3.2	5.9	15.9	20.7	24.3	28.2
<i>Margin</i>	<i>2.2 %</i>	<i>3.2 %</i>	<i>5.3 %</i>	<i>11.4 %</i>	<i>13.3 %</i>	<i>14.3 %</i>	<i>15.8 %</i>
Number of shares, average	6.1	6.1	6.1	6.2	6.2	6.2	6.2
EPS	0.32	0.52	0.97	2.56	3.33	3.93	4.55
EPS adj.	0.32	0.52	0.97	2.56	3.33	3.93	4.55

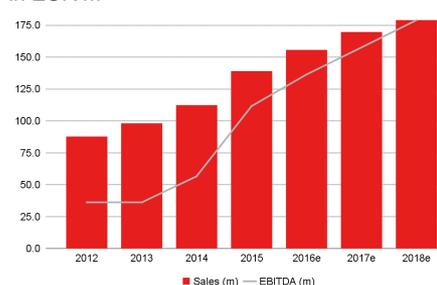
*Adjustments made for:

Guidance: 2016: slight percentage growth in revenue and earnings
Financial Ratios

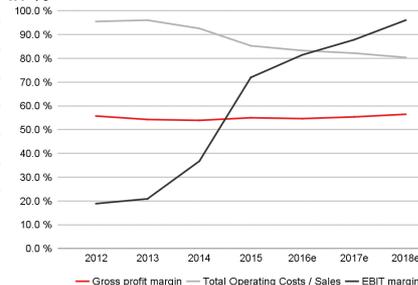
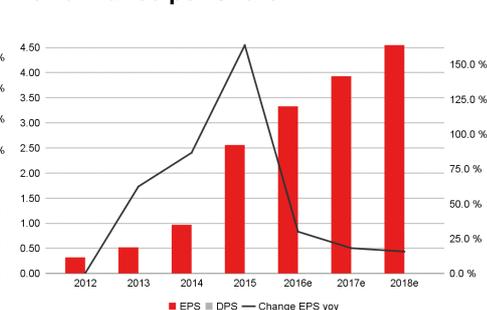
	2012	2013	2014	2015	2016e	2017e	2018e
Total Operating Costs / Sales	95.5 %	96.1 %	92.5 %	85.3 %	83.3 %	82.1 %	80.4 %
Operating Leverage	n.a.	2.0 x	7.0 x	6.0 x	2.2 x	1.9 x	2.8 x
EBITDA / Interest expenses	7.8 x	8.2 x	15.4 x	48.0 x	38.3 x	44.3 x	50.3 x
Tax rate (EBT)	16.9 %	-3.3 %	18.2 %	16.9 %	13.0 %	13.0 %	13.0 %
Dividend Payout Ratio	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Sales per Employee	n.a.						

Sales, EBITDA

in EUR m


Operating Performance

in %


Performance per Share


Source: Warburg Research

Source: Warburg Research

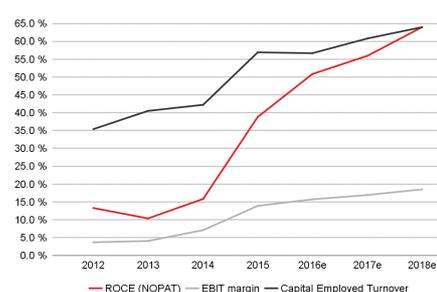
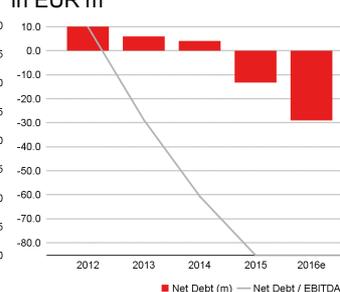
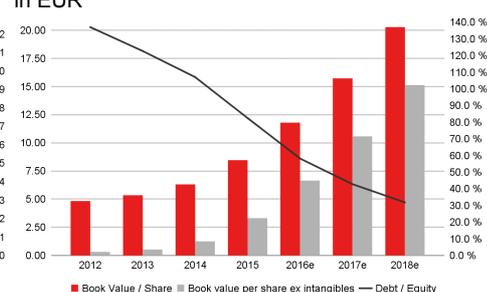
Source: Warburg Research

Consolidated balance sheet

In EUR m	2012	2013	2014	2015	2016e	2017e	2018e
Assets							
Goodwill and other intangible assets	27.7	29.6	31.0	31.9	31.9	31.9	31.9
thereof other intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
thereof Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Property, plant and equipment	2.6	2.5	2.7	3.0	2.3	1.4	0.4
Financial assets	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Other long-term assets	0.0	0.7	1.1	1.4	1.4	1.4	1.4
Fixed assets	30.4	32.8	34.8	36.4	35.6	34.7	33.7
Inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable	25.7	24.4	29.6	32.8	40.9	44.6	47.1
Liquid assets	8.6	11.0	12.0	24.8	37.3	57.9	83.0
Other short-term assets	6.0	5.4	3.9	2.1	2.1	2.1	2.1
Current assets	40.3	40.8	45.6	59.7	80.3	104.6	132.2
Total Assets	70.7	73.6	80.4	96.1	115.9	139.3	165.9
Liabilities and shareholders' equity							
Subscribed capital	6.2	6.2	6.2	6.2	6.2	6.2	6.2
Capital reserve	2.1	2.1	2.2	2.3	2.3	2.3	2.3
Retained earnings	21.4	24.6	30.3	44.0	64.7	89.0	117.2
Other equity components	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-0.2
Shareholders' equity	29.6	32.8	38.6	52.4	73.0	97.4	125.6
Minority interest	0.2	0.3	0.3	0.3	0.3	0.3	0.3
Total equity	29.8	33.1	38.9	52.7	73.3	97.7	125.9
Provisions	0.3	0.1	0.2	0.2	0.2	0.2	0.2
thereof provisions for pensions and similar obligations	0.3	0.1	0.2	0.2	0.2	0.2	0.2
Financial liabilities (total)	18.3	16.8	15.9	11.3	8.0	5.0	2.0
thereof short-term financial liabilities	5.4	4.8	4.6	4.3	4.0	3.0	2.0
Accounts payable	14.1	15.2	16.5	20.4	22.8	24.9	26.3
Other liabilities	8.2	8.4	9.0	11.5	11.5	11.5	11.5
Liabilities	40.9	40.5	41.6	43.4	42.6	41.7	40.1
Total liabilities and shareholders' equity	70.7	73.6	80.4	96.1	115.9	139.3	165.9

Financial Ratios

	2012	2013	2014	2015	2016e	2017e	2018e
Efficiency of Capital Employment							
Operating Assets Turnover	6.1 x	8.4 x	7.1 x	9.0 x	7.6 x	8.0 x	8.4 x
Capital Employed Turnover	2.2 x	2.5 x	2.6 x	3.5 x	3.5 x	3.8 x	4.0 x
ROA	6.4 %	9.7 %	17.0 %	43.6 %	58.0 %	70.1 %	83.6 %
Return on Capital							
ROCE (NOPAT)	13.3 %	10.3 %	15.8 %	38.9 %	50.8 %	55.9 %	64.0 %
ROE	13.1 %	10.2 %	16.6 %	34.9 %	32.9 %	28.6 %	25.3 %
Adj. ROE	13.1 %	10.2 %	16.6 %	34.9 %	32.9 %	28.6 %	25.3 %
Balance sheet quality							
Net Debt	10.1	6.0	4.1	-13.3	-29.0	-52.7	-80.8
Net Financial Debt	9.7	5.9	3.9	-13.5	-29.3	-52.9	-81.0
Net Gearing	33.7 %	18.1 %	10.5 %	-25.2 %	-39.6 %	-54.0 %	-64.2 %
Net Fin. Debt / EBITDA	119.8 %	72.2 %	30.5 %	n.a.	n.a.	n.a.	n.a.
Book Value / Share	4.8	5.3	6.3	8.5	11.8	15.7	20.3
Book value per share ex intangibles	0.3	0.5	1.2	3.3	6.6	10.6	15.1

ROCE Development

Net debt
in EUR m

Book Value per Share
in EUR


Source: Warburg Research

Source: Warburg Research

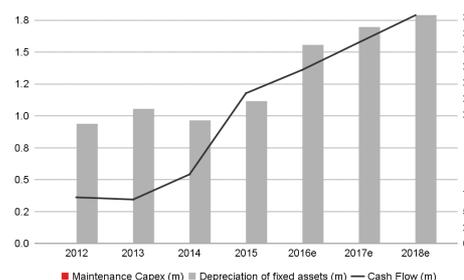
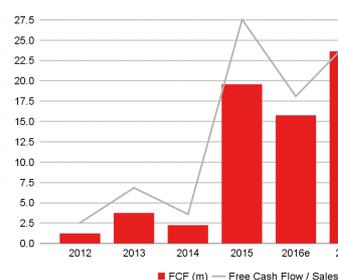
Source: Warburg Research

Consolidated cash flow statement

In EUR m	2012	2013	2014	2015	2016e	2017e	2018e
Net income	1.9	3.2	5.9	15.9	20.7	24.3	28.2
Depreciation of fixed assets	0.9	1.1	1.0	1.1	1.6	1.7	1.8
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	4.0	3.1	3.8	4.7	4.7	5.1	5.4
Increase/decrease in long-term provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other non-cash income and expenses	0.3	-0.5	0.0	1.6	0.0	0.0	0.0
Cash Flow	7.1	6.8	10.7	23.3	26.9	31.1	35.4
Increase / decrease in inventory	1.6	1.0	-4.1	-1.7	0.0	0.0	0.0
Increase / decrease in accounts receivable	0.0	0.0	0.0	0.0	-8.1	-3.7	-2.5
Increase / decrease in accounts payable	-0.1	2.8	1.8	4.6	2.4	2.1	1.4
Increase / decrease in other working capital positions	-0.8	-1.0	0.1	0.5	0.0	0.0	0.0
Increase / decrease in working capital (total)	0.6	2.7	-2.3	3.4	-5.6	-1.6	-1.1
Net cash provided by operating activities	7.8	9.5	8.4	26.7	21.2	29.5	34.3
Investments in intangible assets	-5.9	-5.2	-5.5	-4.7	-4.7	-5.1	-5.4
Investments in property, plant and equipment	-0.7	-0.6	-0.6	-0.6	-0.8	-0.8	-0.8
Payments for acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	0.1	0.0	0.0	0.1	0.0	0.0	0.0
Net cash provided by investing activities	-6.5	-5.7	-6.2	-7.1	-5.5	-5.9	-6.2
Change in financial liabilities	0.4	-1.4	-0.9	-4.6	-3.3	-3.0	-3.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Purchase of own shares	-0.6	0.0	-0.3	-2.3	0.0	0.0	0.0
Capital measures	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash provided by financing activities	-0.3	-1.4	-1.2	-6.9	-3.3	-3.0	-3.0
Change in liquid funds	1.0	2.4	1.1	12.7	12.5	20.6	25.1
Effects of exchange-rate changes on cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash and cash equivalent at end of period	8.6	11.0	12.0	24.8	37.3	57.9	83.0

Financial Ratios

	2012	2013	2014	2015	2016e	2017e	2018e
Cash Flow							
FCF	1.2	3.8	2.2	19.6	15.8	23.6	28.1
Free Cash Flow / Sales	1.4 %	3.8 %	2.0 %	15.4 %	10.1 %	13.9 %	15.7 %
Free Cash Flow Potential	7.7	8.2	11.4	21.8	27.6	31.8	36.1
Free Cash Flow / Net Profit	63.5 %	118.2 %	38.0 %	134.7 %	76.3 %	97.1 %	99.6 %
Interest Received / Avg. Cash	4.2 %	1.1 %	1.2 %	2.0 %	0.3 %	0.2 %	0.1 %
Interest Paid / Avg. Debt	11.3 %	5.6 %	5.0 %	3.8 %	8.3 %	12.3 %	22.9 %
Management of Funds							
Investment ratio	7.4 %	5.8 %	5.5 %	3.8 %	3.5 %	3.5 %	3.4 %
Maint. Capex / Sales	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Capex / Dep	132.1 %	137.4 %	129.5 %	91.4 %	87.8 %	86.8 %	86.2 %
Avg. Working Capital / Sales	6.6 %	10.7 %	10.0 %	9.2 %	9.8 %	11.1 %	11.3 %
Trade Debtors / Trade Creditors	182.8 %	160.8 %	179.6 %	161.1 %	179.4 %	179.1 %	179.1 %
Inventory Turnover	n.a.						
Receivables collection period (days)	107	91	96	86	96	96	96
Payables payment period (days)	119	113	108	111	111	113	116
Cash conversion cycle (Days)	n.a.						

CAPEX and Cash Flow
in EUR m

Free Cash Flow Generation

Working Capital


Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

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Company	Disclosure	Link to the historical price targets and rating changes (last 12 months)
HYPOPORT	5	http://www.mmwarburg.com/disclaimer/disclaimer_en/DE0005493365.htm

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-B-	Buy:	The price of the analysed financial instrument is expected to rise over the next 12 months.
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“-“	Rating suspended:	The available information currently does not permit an evaluation of the company.

WARBURG RESEARCH GMBH – RESEARCH UNIVERSE BY RATING

Rating	Number of stocks	% of Universe
Buy	119	63
Hold	63	33
Sell	5	3
Rating suspended	3	2
Total	190	100

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING ...

... taking into account only those companies which were provided with major investment banking services in the last twelve months.

Rating	Number of stocks	% of Universe
Buy	23	72
Hold	8	25
Sell	0	0
Rating suspended	1	3
Total	32	100

PRICE AND RATING HISTORY HYPOPORT AS OF 26.04.2016


The chart has markings if Warburg Research GmbH changed its rating in the last 12 months. Every marking represents the date and closing price on the day of the rating change.

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