

LAIQON AG

Germany / Financial Services

H1 2024 results

 Bloomberg: LQAG GR
 ISIN: DE000A12UP29
RATING**PRICE TARGET**
 Return Potential
 Risk Rating
BUY**€ 9.80**
 136.7%
 High

LAUNCH OF LAIC-ADVISOR WITH UNION WELL ON TRACK FOR Q4

LAIQON has published its H1 2024 financial results, which adjusted for exceptional items affecting the top line, were close to our expectations. In H1/24, AuM increased to €6.5bn compared to €6.0bn in H1/23. This corresponds to a growth rate of >8%. Adjusted group revenues rose by 17% to €16.3m (FBe: €16.4m; H1/23: €13.9m). Importantly, LAIQON generated performance fees totalling ~€1m in H1/24, a significant increase compared to H1/23 (H1/23: €0; FY/23: €0.8m). Adjusted EBITDA improved significantly in H1/24 to ~€-1.4m (FBe: €-1.3m; H1/23 adj. EBITDA: €-3.7m). LAIQON also confirmed that its subsidiary, the WealthTech, LAIC, and the German asset management giant, Union Investment (Union), will launch their joint product called "WertAnlage" to Union's high net worth clients without delay in Q4/24 as originally planned. Based on these results and the progress made in the LAIC/Union cooperation, we see the company on track to meet our FY/24 forecasts. Our DCF valuation model still yields a fair value of €9.80 p/s. We reiterate our Buy rating and €9.80 price target.

Adjusted H1/24 revenue and EBITDA were close to our estimates – AuM outlook for 2025 confirmed In H1/24, AuM increased to €6.5bn compared to €6.0bn in H1/23. This corresponds to a growth rate of >8%. In addition, the company confirmed its outlook for AuM of €8bn-€10bn by 2025, to which LAIC is expected to contribute €1.5bn. Adjusted group revenues rose by 17% to €16.3m (FBe: €16.5m; H1/23: €13.9m). The two adjustments to reported revenue were: 1) revenue for services amounting to ~€1.5m in H1/24, which was however agreed in Q3/24 and therefore not recognised in the reported H1/24 results; and 2) one-off revenue of ~€2m from the sale of investments in closed-end portfolio funds (former Real Assets business) in H1/23. Importantly, following the slight recovery on the capital markets, LAIQON generated performance fees totalling ~€1m in H1/24, a significant increase compared to the same period of the previous year (H1/23: €0; H2/23: €0.8m). As anticipated, OPEX increased only slightly to €15.3m (FBe: €15.3m; H1/23: €15.0m). As a result, ...

(p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	FY 21	FY 22	FY 23	FY 24E	FY 25E	FY 26E
Revenue (€m)	26.1	21.6	30.7	35.4	42.7	52.9
Y-o-y growth	-5.7%	-17.4%	42.5%	15.3%	20.5%	23.8%
EBIT (€m)	0.7	-14.7	-11.1	-8.5	-2.0	5.4
EBIT margin	n.a.	n.a.	n.a.	n.a.	n.a.	10.3%
Net income (€m)	5.2	-10.2	-12.3	-6.3	-3.1	1.3
EPS (diluted) (€)	0.39	-0.67	-0.51	-0.30	-0.15	0.06
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	18.8	-6.2	-12.1	-1.3	-0.8	3.3
Net gearing	3.1%	11.8%	57.1%	43.0%	51.1%	48.0%
Liquid assets (€m)	16.3	10.4	7.1	8.1	4.8	5.6

RISKS

Risks include, but are not limited to negative economic and capital markets downturn impact, client satisfaction and loss of key personnel.

COMPANY PROFILE

LAIQON is an independent wealth and asset management firm offering investment solutions to private and institutional clients powered by its innovative Digital Asset Platform 4.0. The company has also developed its WealthTech subsidiary LAIC to offer digital risk-optimised investment solutions. The group is headquartered in Hamburg and has assets under management of >€6bn.

MARKET DATA

As of 11 Sep 2024

Closing Price	€ 4.14
Shares outstanding	19.04m
Market Capitalisation	€ 78.82m
52-week Range	€ 4.07 / 8.14
Avg. Volume (12 Months)	9,903

Multiples	FY 23	FY 24E	FY 25E
P/E	n.a.	n.a.	n.a.
EV/Sales	3.9	3.4	2.8
EV/EBIT	n.a.	n.a.	n.a.
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2024

Liquid Assets	€ 4.32m
Current Assets	€ 17.20m
Intangible Assets	€ 85.68m
Total Assets	€ 143.87m
Current Liabilities	€ 15.58m
Shareholders' Equity	€ 58.89m

SHAREHOLDERS

DEWB AG	17%
SPSW Capital	8%
Achim Plate	9%
Lange Assets & Consulting	8%
Freefloat & others	58%



...adjusted EBITDA in H1/24 improved significantly to ~€-1.4m (FBe: €-1.3m) compared to adjusted EBITDA of €-3.7m in H1/23. In H1/24, depreciation amounted to €3.2m (FBe: €3.2m; H1/23: €3.2m), which led to an improved adjusted EBIT of €-4.6m (FBe: €-4.5m; H1/23: €-6.9m). In view of a better than expected net financial result of €-1.1m (FBe: €-1.6m; H1/23: €-0.4m) and a tax credit of €3.5m (FBe: €2.5m; H1/23: €2.5m), the adjusted net result totalled €-2.2m (FBe: €-3.6m; H1/23: €-5.1m). Considering the financial performance in H1/24 and taking into account the planned launch of LAIC in Q4/24, we believe the company is on track to achieve our forecasts for FY/24. Table 1 provides an overview of the most important adjusted and reported P&L KPIs.

Table 1: P&L H1/24 and H1/23 reported figures vs FB estimates (KPIs)

KPIs figures adjusted for exceptional items (rounded)*					
All figures in EUR '000	H1/24	H1/24E	Delta	H1/23	Delta
LAIQON group revenues	16,300	16,400	-1%	13,900	17%
EBITDA	-1,400	-1,300	n.a.	-3,700	n.a.
EBIT	-4,560	-4,520	n.a.	-6,917	n.a.
Net income / loss	-2,213	-3,620	n.a.	-5,057	n.a.
KPIs reported figures					
All figures in EUR '000	H1/24	H1/24E	Delta	H1/23	Delta
LAIQON group revenues	14,767	16,400	-10%	15,866	-7%
COGS	-2,429	-2,400	n.a.	-2,883	n.a.
Gross profit	12,338	14,000	-12%	12,983	-5%
margin	83.6%	85.4%	n.a.	81.8%	n.a.
OpEx	-15,284	-15,300	n.a.	-14,976	n.a.
EBITDA	-2,946	-1,300	n.a.	-1,993	n.a.
margin	n.a.	n.a.	n.a.	-12.6%	n.a.
Depreciation	-3,160	-3,220	n.a.	-3,217	n.a.
EBIT	-6,107	-4,520	n.a.	-5,210	n.a.
Net financial result	-1,143	-1,600	n.a.	-434	n.a.
EBT	-7,250	-6,120	n.a.	-5,643	n.a.
Net income / loss	-3,746	-3,620	n.a.	-3,057	n.a.

*H1/24 and H1/23 figures adjusted for extraordinary revenue effects of ~€+1.5m and €-2.0m respectively

Source: First Berlin Equity Research, LAIQON AG

Segment reporting – Positive revenue development in the two core IQ and AI divisions

All core business segments contributed to growth of the top line. The IQ segment, which includes the asset and wealth management businesses, delivered a positive EBITDA of €2.3m (H1/23: €1.2m). The AI segment increased the EBITDA loss to €2.2m (H1/23: €0.7m) primarily due to the expansion efforts at LAIC. The non-core Group segment, which comprises the revenue/costs from the old non-core real assets business and the central administrative costs (i.e. management, accounting, legal, IR/PR, marketing), recorded a negative development, chiefly due to one-off commission income from the sale of some assets in H1/23. As a result revenue in this segment declined to €1.5m from €3.9m in H1/23; EBITDA was also weaker at €-3.0m (H1/23: €-2.5m).

Balance sheet H1/24 LAIQON reported a lower cash position of €4.3m (FY/23: €7.1m). Financial liabilities (LT+ST) declined to €35.3m in H1/24 (FY/23: €38.3m), chiefly as a result of the expiration of the convertible bond 2020/24 on 31 May 2024, of which ~80% of the €5m outstanding amount was converted (this led to a dilution of 618k shares) and the balance repaid. This conversion measure, together with the capital increase of €5.8m completed on 15 May 2024 through the placement of 928k shares at €6.25 p/s, led to an expansion of the consolidated equity position to €59.6m (FY/23: €55.6m), which corresponds to a higher equity ratio of 41% (FY/23: 38%). The successful completion of the financing round for the



subsidiary LAIC Capital GmbH on 25 July 2024 raised funds totalling €7.2m. This transaction valued LAIC at €65m and comprised two measures: 1) placement of the financial instrument LAIC-Token 24 (5.17% stake) via two indirect subsidiaries, LAIC AIF Token GmbH & Co KG and LAIC AIF Token 24 GmbH & Co KG, increasing their stake to 14.92%; and 2) a direct stake of 5.04% in LAIC Capital GmbH, which was acquired by LAIQON/LAIC's joint venture (JV) partner Volksbank Rosenheim (10th largest cooperative bank in Germany). As a result of the LAIC Token placement, other liabilities (i.e. net asset value attributable to other limited partners according to IFRS) rose to €9.9m (FY/23: €6.0m). This financing round led to a reduction of LAIQON's stake in LAIC to 80.04% (previously: 90.25%). We note that the investment by Volksbank Rosenheim underlines the confidence of the LAIQON partner in the potential of LAIC. On 30 July, both partners decided to expand their existing cooperation and signed a Lol under which Volksbank Rosenheim will acquire a 25% stake in LAIQON's asset management subsidiary BV Bayerische Vermögen GmbH (BV) for an undisclosed amount. The planned acquisition of the 25% stake in BV is expected to be finalised within the next two months.

Structural changes and streamlining measures at BV Following the intensified partnership with BV, the company decided to merge its two Wealth Management subsidiaries Lange Assets & Consulting GmbH (LAC) and BV Bayerische Vermögen GmbH (BV). In July 2024 the company increased its stake in LAC from previously 90% to now 100% which cleared the way for the merger which was completed on 22 August. This measure will simplify LAIQON's structure, create synergies and reduce costs. We also believe BV will gain additional strength through the combination of forces with Volksbank Rosenheim. The aim of both parties is to gain further market share in the rapidly growing market for wealth management in the Upper Bavaria region.

Cash Flow Statement H1/24 In H1/24, cash flow from operating activities totalled €-6.8m and was slightly better than the previous period (H1/23: €-7.0m). Following lower CAPEX (see table 2), free cash outflow in H1/24 declined compared to the previous year and amounted to €7.2m (H1/23: €7.9m). Cash flow from financing was €4.8m (H1/23: €11.0m) and comprised the capital increase of €5.8m and net proceeds from the Token 24 financing instrument of €4.1m; this amount was reduced by the repayment of financial debt for the convertible bond 2020/24 of €0.9m and the payment of liabilities for acquisitions of €4.2m (i.e. SPSW Capital). Given that LAIC's financing transaction with Volksbank Rosenheim was finalised in July 2024, we expect the corresponding ~€3.1m to flow in H2/24 and strengthen LAIQON's cash position.

Table 2: Cash flow statement KPIs H1/24 and H1/23

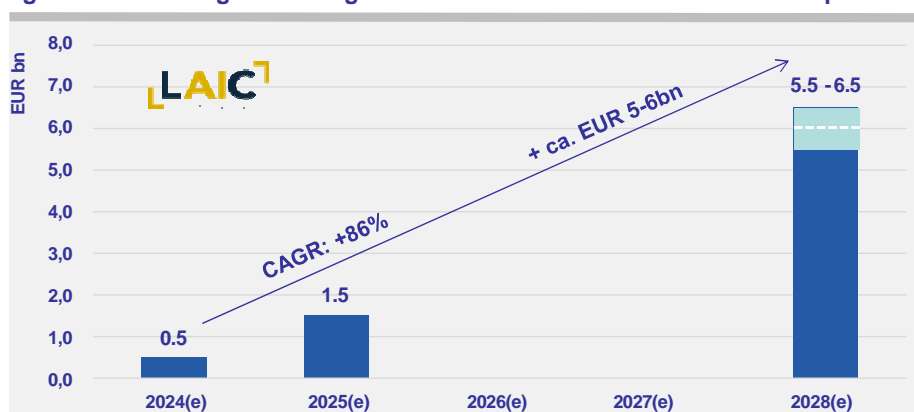
All figures in EUR '000	H1/24	H1/23
Operating cash flow	-6,809	-7,020
CapEx	-431	-876
Free cash flow	-7,240	-7,896
Other investments	-336	446
Cash flow from investing	-767	-430
Cash flow from financing	4,758	10,985
Net cash flow	-2,818	3,535

Source: First Berlin Equity Research, LAIQON AG

LAIC is on track for market launch with Union in Q4/24 LAIQON announced that its subsidiary LAIC and Union Investment (Union) will launch their joint product called "WertAnlage" initially through a few pilot banks from the cooperative financial network across Germany in mid-October 2024. Further banks will be involved from December. The market launch will therefore take place as originally scheduled without any delays. "WertAnlage" was implemented at Union on the basis of LAIC ADVISOR® and has been successfully tested in recent months.

LAIC is a key upcoming driver of future growth at LAIQON With the new product „WertAnlage“ Union (in cooperation with LAIC) will address the sophisticated needs of the local cooperative banks' high-net-worth clients. The product is unique as it can offer a large variety of personalised investment strategies (>2,500) that take into account different customer preferences in terms of risk appetite, asset classes, regions, sustainability, and investment themes. We see Union as a game-changing partner for LAIQON/LAIC (for more details, see the Appendix). This cooperation is a key growth driver for LAIQON and its subsidiary LAIC. Chiefly driven by the Union partnership, management expect that LAIC's AuM will climb from €0.5bn in 2024, to €1.5bn in 2025 and to a range of €5.5bn-€6.5bn by 2028, implying a 2024-2028 CAGR of about 86%. Union has access to a wide distribution network of >800 cooperative banks in Germany. With AuM of ~€455.2bn in 1,335 different funds with 5.8m clients, Union is the third largest German asset manager.

Figure 1: LAIC's organic AuM growth until 2028 – branded & white-label partnerships



Source: First Berlin Equity Research, LAIQON AG

Annual General Meeting The company also reported that the AGM held on 29 August went well and that all 10 items on the agenda were approved by a large majority. The Supervisory Board was expanded to 6 members with the addition of Mr Michael Schmidt as a new member.

Management changes Mr Florian Barber has been appointed as the new Chief Sales & Marketing Officer of LAIQON with effect from 1 October 2024. Mr Barber brings with him extensive sales and marketing experience and will report directly to the CEO, Mr Plate. Mr Barber previously worked for many years at DJE Kapital AG, where as Head of Wholesale he was responsible for managing and expanding the wholesale/retail and institutional business. Prior to that, Mr Barber worked at Ethenea Independent Investors, most recently as Team Leader Banks in the Business Development Services division for Germany, where he was responsible for private and cooperative banks as well as savings banks in southern Germany.

growney LAIQON slightly increased its stake in the fintech subsidiary growney GmbH from 75.0% to 75.9% by injecting €500k into the subsidiary as part of a capital increase.



VALUATION MODEL

Buy rating and price target unchanged LAIQON's reported figures were close to our expectations. Management's confirmation that the cooperation with Union is on track for the launch of the joint product "WertAnlage" to Union's high net worth clients in Q4/24 is good news. The rollout of the "WertAnlage" through Union's network of >400 banks will allow LAIQON to achieve strong AuM and revenue acceleration during the next 12 to 24 months. This newsflow will trigger a share price appreciation in our view. For further details on LAIQON or LAIC, please refer to our initiating coverage report published on 20 August 2024. Based on unchanged estimates, our DCF model yields an unchanged price target of €9.80. We reiterate our Buy recommendation.

Table 3: DCF Model

All figures in EUR '000	FY 24E	FY 25E	FY 26E	FY 27E	FY 28E	FY 29E	FY 30E	FY 31E
Net sales	35,440	42,710	52,860	60,670	69,530	78,341	88,281	97,053
NOPLAT	-8,450	-1,979	5,137	9,742	14,351	19,557	25,554	28,545
+ depreciation & amortisation	6,450	6,250	6,200	6,050	5,800	5,450	5,150	5,050
Net operating cash flow	-2,000	4,271	11,337	15,792	20,151	25,007	30,704	33,595
- total investments (CAPEX and WC)	-5,127	-3,971	-4,021	-4,206	-4,465	-3,377	-2,990	-2,890
Capital expenditures	-2,450	-2,000	-1,850	-1,850	-1,850	-1,550	-1,550	-1,550
Working capital	-2,677	-1,971	-2,171	-2,356	-2,615	-1,827	-1,440	-1,340
Free cash flows (FCF)	-7,127	300	7,315	11,586	15,686	21,630	27,714	30,704
PV of FCF's	-6,545	250	5,515	7,914	9,708	12,129	14,080	14,135

All figures in EUR '000	
PV of FCFs in explicit period	107,975
PV of FCFs in terminal period	104,060
Enterprise value	212,036
+ Net cash / - net debt (proforma)	-24,832
+ Investments / minority interests	0
Shareholder value	187,203
Sharecount (proforma)	19,097
Fair value per share in EUR	9.80

Price target in EUR	9.80
Cost of equity	12.8%
Pre-tax cost of debt	6.9%
Tax rate	31.0%
After-tax cost of debt	4.8%
Share of equity capital	70.0%
Share of debt capital	30.0%
WACC	10.4%

WACC	Terminal growth rate						
	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
7.4%	15.17	15.96	16.87	17.96	19.26	20.87	22.90
8.4%	12.53	13.06	13.66	14.36	15.18	16.16	17.33
9.4%	10.50	10.87	11.29	11.76	12.31	12.94	13.67
10.4%	8.91	9.17	9.47	9.80	10.18	10.60	11.09
11.4%	7.62	7.82	8.03	8.27	8.54	8.84	9.18
12.4%	6.57	6.71	6.87	7.05	7.25	7.46	7.70
13.4%	5.69	5.80	5.92	6.05	6.20	6.36	6.53

*Please note our model runs through 2036 and we have only shown the abbreviated version for formatting purposes



INCOME STATEMENT

All figures in EUR '000	FY 21	FY 22	FY 23	FY 24E	FY 25E	FY 26E
LAIQON group revenues	26,122	21,575	30,746	35,440	42,710	52,860
Cost of goods sold	-2,702	-3,665	-5,941	-5,240	-6,115	-10,043
Gross profit	23,420	17,910	24,805	30,200	36,595	42,817
Personnel expenses	-11,341	-17,113	-20,226	-22,408	-22,879	-22,073
Other operating expenses	-7,796	-11,024	-8,658	-9,592	-9,345	-9,016
Share of profit of associates	327	281	-614	-200	-100	-99
EBITDA	4,610	-9,946	-4,693	-2,000	4,271	11,629
Depreciation expenses	-3,938	-4,711	-6,386	-6,450	-6,250	-6,200
Operating income (EBIT)	672	-14,657	-11,079	-8,450	-1,979	5,429
Net financial result	5,747	-1,631	-8,889	-3,513	-3,390	-3,480
Pre-tax income (EBT)	6,419	-16,288	-19,968	-11,963	-5,369	1,949
Tax result	213	5,747	7,094	5,000	1,500	-292
Net income / loss	6,632	-10,541	-12,874	-6,963	-3,869	1,657
Minority interests	1,481	-376	-552	-662	-795	400
Net result after minorities	5,151	-10,165	-12,322	-6,300	-3,074	1,257
Diluted EPS (in EUR)	0.39	-0.67	-0.51	-0.30	-0.15	0.06

Ratios as % of total revenue

Gross margin	89.7%	83.0%	80.7%	85.2%	85.7%	81.0%
EBITDA margin	17.6%	n.a.	n.a.	n.a.	10.0%	22.0%
EBIT margin	n.a.	n.a.	n.a.	n.a.	-4.6%	10.3%
Net margin	n.a.	n.a.	n.a.	n.a.	-7.2%	2.4%
Tax rate	-3.3%	3.0%	30.0%	30.0%	15.0%	15.0%

Expenses as % of of total revenue

Personnel expenses	43.4%	79.3%	65.8%	63.2%	53.6%	41.8%
Other operating expenses	29.8%	51.1%	28.2%	27.1%	21.9%	17.1%
Depreciation expenses	15.1%	21.8%	20.8%	18.2%	14.6%	11.7%

Y-Y Growth

Revenues	-5.7%	-17.4%	42.5%	15.3%	20.5%	23.8%
EBITDA	-29.1%	n.a.	n.a.	n.a.	n.a.	172.3%
Operating income (EBIT)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Net income/ loss	415.3%	n.a.	n.a.	n.a.	n.a.	n.a.



BALANCE SHEET

All figures in EUR '000	FY 21	FY 22	FY 23	FY 24E	FY 25E	FY 26E
Assets						
Current assets, total	32,984	22,359	19,830	25,067	24,907	31,416
Cash and cash equivalents	16,331	10,375	7,139	8,100	4,836	5,599
Inventories	0	0	0	0	0	0
Receivables	6,177	9,942	10,888	14,564	17,552	23,172
Financial assets	9,908	863	845	845	845	845
Other current assets	568	1,179	958	1,558	1,674	1,800
Non-current assets, total	83,977	117,483	124,797	121,247	117,454	113,570
Property, plant & equipment	9,935	10,436	13,202	12,452	11,752	11,052
Financial assets	2,719	1,180	0	0	0	0
Intangible assets	54,771	90,293	87,214	83,964	80,414	76,764
Deferred tax assets & other	10,192	15,003	22,634	23,082	23,539	24,006
Associated companies (Goodwill)	6,360	570	1,748	1,748	1,748	1,748
Total assets	116,961	139,841	144,628	146,313	142,361	144,987
Shareholders' equity & debt						
Current liabilities, total	28,622	22,872	19,202	19,786	20,632	24,095
Short-term debt	7,217	2,311	1,918	1,818	1,727	1,813
Accounts payable	16,123	16,029	14,869	15,868	16,885	20,333
Income tax liabilities	1,781	1,982	330	100	120	144
Other current liabilities	3,501	2,551	2,085	2,000	1,900	1,805
Long-term liabilities, total	39,977	44,882	70,749	68,065	66,332	63,349
Long-term debt	10,630	16,535	36,428	31,428	31,428	31,428
Deferred tax liabilities	12,155	17,052	17,681	17,681	17,681	17,681
Trade payables and other liabilities	17,192	11,295	16,640	18,956	17,223	14,240
Minority interests	5,099	5,471	-877	-1,539	-2,334	-1,934
Shareholders' equity	43,263	66,617	55,554	60,002	57,731	59,476
Total consolidated equity and debt	116,961	139,841	144,628	146,313	142,361	144,987
Ratios						
Current ratio (x)	1.2	1.0	1.0	1.3	1.2	1.3
Quick ratio (x)	1.2	1.0	1.0	1.3	1.2	1.3
Net debt/(net cash)	1,516	8,471	31,207	25,146	28,319	27,642
Net gearing	3.1%	11.8%	57.1%	43.0%	51.1%	48.0%
Book value per share (in €)	3.25	4.38	2.68	2.90	2.79	2.87
Return on equity (ROE)	15.3%	-15.8%	-23.2%	-11.6%	-6.7%	2.9%
Equity ratio	41.3%	51.5%	37.8%	40.0%	38.9%	41.0%



CASH FLOW STATEMENT

All figures in EUR '000	FY 21	FY 22	FY 23	FY 24E	FY 25E	FY 26E
Net income	6,632	-10,541	-12,874	-6,963	-3,869	1,657
Depreciation and amortisation	3,938	4,711	6,386	6,450	6,250	6,200
Changes in working capital	3,628	-4,349	-3,192	-3,592	-2,167	-2,369
Other adjustments	5,758	7,414	-1,055	5,215	1,022	-375
Operating cash flow	19,956	-2,765	-10,735	1,111	1,236	5,114
CapEx	-1,117	-3,423	-1,315	-2,450	-2,000	-1,850
Free cash flow	18,839	-6,188	-12,050	-1,339	-764	3,264
Other investments and disposals	0	-5,049	0	0	0	0
Cash flow from investing	-1,117	-8,472	-1,315	-2,450	-2,000	-1,850
Debt financing, net	-14,041	-6,759	8,813	-7,500	-2,500	-2,500
Equity financing, net	5,000	12,040	0	9,800	0	0
Cash flow from financing	-9,041	5,281	8,813	2,300	-2,500	-2,500
Net cash flow	9,798	-5,956	-3,236	961	-3,264	764
Cash, start of the year	6,533	16,331	10,375	7,139	8,100	4,836
Cash, end of the year	16,331	10,375	7,139	8,100	4,836	5,599
EBITDA/share (in €)	0.35	-0.65	-0.23	-0.10	0.21	0.56
Y-Y Growth						
Operating cash flow	n.a.	n.a.	n.a.	n.a.	11.3%	313.7%
Free cash flow	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA/share	-90.4%	n.a.	n.a.	n.a.	n.a.	n.a.



APPENDIX

LAIC'S GAME-CHANGING PARTNERSHIP WITH UNION INVESTMENT

Agreement with Union Investment to create a joint product based on LAIC's platform to be distributed among Union Investment's clients In December 2023, LAIQON concluded a contract with the German asset management giant Union Investment Group (Union). The partnership entails the generation of a joint product using a white-label version of the LAIC-Advisor to be distributed by Union Investment among its customers in the cooperative financial network (Volks- und Raiffeisenbanken). LAIC has scheduled the rollout of the new joint product for Q4 2024. Onboarding and further preparations are progressing rapidly and management has recently confirmed that the market launch will take place on time.

Union Investment an ideal partner for LAIC Union is part of the DZ Bank Group (2nd largest banking group in Germany based on total assets) which serves as the central institution for >800 cooperative banks in Germany. Union therefore has access to a wide distribution network. With AuM of ~€455.2bn in 1,335 different funds with 5.8m clients, Union is the third largest German asset manager behind Deutsche Bank and Allianz. Following a rigorous due diligence process carried out in 2023, Union picked LAIC as its partner. Superior AI-driven wealth management capabilities combined with a focus on responsible investment practices and ESG make the LAIC-Advisor the ideal WealthTech platform to advise Union's retail clients. Considering the size of Union, this cooperation is a major, game-changing milestone for LAIQON and its subsidiary LAIC, offering potential to substantially increase the group's AuM and revenue.

LAIC outlook: AUM of €5.5-€6.5bn by 2028 Chiefly driven by the Union partnership, management expect that LAIC's AuM will climb from €0.5bn in 2024, to €1.5bn in 2025 and to a range of €5.5-€6.5bn by 2028, implying a 2024-2028 CAGR of about 86%. This newly communicated guidance is aligned with the previous LAIQON Group outlook for 2025 of AuM at €8-10bn, of which LAIC would contribute €1.5bn, and the remaining traditional LAIQON business the balance of €6.5-8.5bn. Importantly, according to this forecast, the LAIC subsidiary alone would be roughly as large in five years as the entire LAIQON Group already is today (AuM of €6.1bn at YE/23 and €6.4bn at the end of Q1/24).

How quickly can Union Investment increase LAIC's AuM? – Observing the industry may give an indication The asset management industry is being disrupted by so-called roboadvisors. However, setting up a roboadvisor and making it successful involves a significant investment that can easily amount to several hundred million Euros. These funds need to develop a competitive technology platform and implement marketing efforts to acquire clients. According to some experts, customer acquisition costs (CAC) for most roboadvisors can be as expensive as USD300 to USD1,000 per client and it may take €20m to 50m+ to scale a roboadvisor to achieve AuM of €1bn+ which is still a small size. Therefore access to distribution channels and potential clients are very valuable for roboadvisors. According to market estimates, the critical mass required to operate a long-term profitable wealth management firm is an AuM of €5bn+ (source: WIPRO 2020, DAI Magister 2016). Traditional asset managers (incumbents) have taken steps to either develop their own roboadvisors, or have entered partnerships with roboadvisors or even acquired them. For disruptors like LAIC, a B2B strategy (marketing through another party) may be a more cost-effective alternative to expand market reach. An important question is therefore how fast/slow this route is in reaching meaningful scale. We have scrutinised the industry in search of similar cases.

**USE CASE 1 – Union’s roboadvisor Visualvest delivered AuM rise from €500m to €5bn within ~3 years**

Union founded its 100% subsidiary Visualvest in 2015 to develop an own digital asset management. Visualvest has a focus on broadly diversified portfolios of ETFs or purely sustainable funds. The subsidiary developed several white label solutions and products (online solution "Mein Invest", branch solution "Vermögen Plus") that are distributed through the branches of the cooperative Volksbanken and Raiffeisenbanken. According to management, Visualvest achieved AuM of >€500m in the summer of 2019, and the company exceeded AuM of €1bn at the beginning of 2021. In 2022 AuM amounted to >€5bn which suggests that AuM increased tenfold within about three years. Moreover, management confirmed that the majority of the growth is attributable to business via the cooperative branches and only a small proportion to the online channel (source: Fondsprofessionell.de). In our view this rapid AuM growth demonstrates Union's ability to capitalise on roboadvisory-solutions and the strong client appetite for this type of product. We think LAIC's WealTech-advisor is a premium solution and therefore complementary to Visualvest (which, similar to LAIQON's growney, offers products for cost-conscious younger clients). We believe that Union will position LAIC as a product for sophisticated high net worth clients looking for personalised active investment strategies with a broader range of alternatives in addition to passive ETFs. Based on the use case, we see LAIC's AuM outlook 2028 as realistic and probably even somewhat conservative.

USE CASE 2 – Partnership of the roboadvisor Scalable Capital with the leading digital bank ING

Founded in 2014, Scalable Capital is a leading German-based digital wealth roboadvisor. Scalable Wealth, the asset management roboadvisor, is primarily based on ETFs. The company also acts as a neobroker offering retail investors cheap trading services for a broad range of shares, funds and ETFs. To date, the company has raised €260m in five rounds of funding. In 2017, Scalable Capital closed a partnership with ING which gave the roboadvisor access to over 8m clients from the German digital bank subsidiary. After launching the platform, it took Scalable Capital 18 months to achieve AuM of €1bn with ING's customers, which led to Scalable's total AuM of >€2bn at the end of 2019. While the company has not disclosed AuM generated with ING since 2019, we believe the partnership contribution continued to be substantial. We therefore see well targeted B2B partnerships as an efficient approach to scaling AuM. Scalable also expanded its business model to neobrokerage and regionally to other European countries such as UK, France, Spain, Italy and Austria and entered into further partnerships with leading fintechs (e.g. Oskar in Germany), banks (e.g. Barclays in the UK and Santander in Spain) and asset management firms (e.g. Blackrock, Invesco), which increased AuM to >€20bn by 2024 (source: Scalable Capital).

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Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy ¹	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

¹ The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

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Initial Report	20 August 2024	€4.93	BUY	€9.80
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