

Letter to shareholders

3. Quarter of 2019



BEST ADVICE. BETTER TECHNOLOGY.



Stefan Bachmann
CDO

Ralph Konrad
CFO, CIO

Dr. Sebastian Grabmaier
CEO

Management Board letter to shareholders

DEAR SHAREHOLDERS, DEAR BUSINESS PARTNERS,

We are delighted to be able to offer you nothing but positive news in this report on the third quarter of 2019.

The most important news is that JDC Group AG was able to significantly increase revenues again in the third quarter and in the first nine months of 2019, thereby significantly increasing earnings. Revenues rose by around 20 per cent in the first nine months and by more than 23 per cent in the third quarter.

Moreover, the JDC Group also signed important long-term agreements with key clients in recent weeks. These newly concluded partnerships will contribute considerably to the company's development from 2020 onward. The management board sees this as confirmation of its strategy focusing on digitisation services for larger intermediaries.

Beyond that, the F.A.Z. Institute, a wholly-owned subsidiary of the Frankfurter Allgemeine Zeitung, awarded JDC Group AG the title of "Germany's best consultant" in the Fintech sector in July. JDC came out on top in several tests, ahead of well-known market participants like Hypoport or Auxmoney.

But the Advisory segment also generated welcome news. In a quality ranking of the 15 leading financial services providers in Germany conducted for the first time by the economics and financial magazine, Capital, and which was based on actual consultations carried out surreptitiously (through mystery shopping), our own Finum took first place in three of the six categories, capturing the top "five star" ranking as overall test winner. Finum is therefore the "best financial services provider in Germany".

Furthermore, our new anchor shareholder, Great-West Lifeco, successfully concluded the holder control procedure, which means the JDC Group is now part of a family of companies belonging to one of the top 20 financial services groups worldwide.

Lastly, the issuance of a new corporate bond to replace the bond issued four and a half years ago proved a major success, allowing the subscription period to be significantly curtailed. Financing for the JDC Group is therefore secured for many years to come.

Additional details on the welcome news:

JDC Group and comdirect sign five-year contract

The leading direct bank in Germany, comdirect, will handle insurance products through its newly formed subsidiary comdirect Versicherungsmakler AG for a period of five years exclusively via the JDC platform, relying on technology from the JDC Group for all services from the front-end to the back-end.

The insurance portfolios will be managed using JDC's proprietary client and contract management software, iCRM. This will allow comdirect Versicherungsmakler AG to provide professional multi-insurance services.

In addition, a customised white label version of JDC's proprietary web app "allesmeins" will also be available. With it, comdirect's clients will not only be able to keep close track of their insurance contracts with every major insurance partner, but also optimise them with the aid of professional market analysis. Going forward, this will allow comdirect to now provide its clients with smart financial advice in the insurance sector.

JDC and Volkswagen Bank agree to a 5-year contract to transfer processing of insurance transactions

Volkswagen Bank, which is part of the Volkswagen Group, and Jung, DMS & Cie. Pro GmbH, part of JDC Group, have signed a minimum 5-year partnership agreement for transacting and brokering insurance products in the non-mobility insurance sector.

Volkswagen Bank plans to transfer over 100,000 insurance contracts to JDC's platform and will transact all new business through JDC's IT and infrastructure. In addition, Volkswagen Bank is entrusting JDC with the complete, all-round support of its clients through the JDC service team.

2x best-in-test: FiNUM is Germany's best financial services provider and JDC is the top consultant among all of Germany's Fintechs

In undercover test consultations conducted by the economics and financial magazine, Capital, and the rating agency, tetralog, the quality of consultation and other services at 15 of Germany's largest financial services firms were put under the microscope. Our own Finum took the top slot in three of six categories and achieved the best overall score.

The 5-star top rating emphatically underscores the extremely high standards of quality we place on our consultations.

Since launching Finum, the focus has been from the outset on providing high quality consultation services. Having our high-quality approach to consultation and services so clearly endorsed by this evaluation of the industry is very gratifying and serves as an incentive going forward.

Separate from this, the F.A.Z. Institute, a wholly-owned subsidiary of the Frankfurter Allgemeine Zeitung, awarded the JDC Group AG the title of “Germany’s best consultant” in the Fintech sector. For its “Germany’s best consultant” study, the F.A.Z. Institute evaluated communications with 20,000 companies in 350 million online sources with respect to price/performance, customer care, customer satisfaction, quality, service and recommendations. JDC Group AG, which was launched as a sales and purchasing platform, scored the maximum number of points, placing ahead of online companies such as the credit brokers Auxmoney and Hypoport, thereby establishing itself as market leader in digitising the processing of insurance and financial products.

Great-West Group's holding now in place

In March, the Canadian financial services group Great-West Lifeco concluded purchase agreements to acquire a 28 per cent interest in JDC Group AG. The purchase agreements were held in abeyance subject to the condition that they first be approved by state authorities in Germany, Austria, Ireland and Canada. The purchase agreements have now received regulatory approval, officially recognising the strategic partnership.

In Great-West we have found exactly the right partner for us in pursuing consolidation of the domestic brokerage market and our digitisation strategy. As we reported back in March, the JDC Group's management board team, consisting of Dr Sebastian Grabmaier, Ralph Konrad and Stefan Bachmann, will remain on board for the longer term.

Issuance of a secured 5.5% corporate bond with a total volume of up to EUR 25 million with exchange offer

Jung, DMS & Cie. Pool GmbH, a wholly-owned subsidiary of JDC Group AG, has decided to issue a five-year corporate bond with an annual interest rate of 5.5%. The issuing volume amounts to a maximum of EUR 25 million.

The inflow of funds from this issuance will be used to refinance the outstanding bond (ISIN DE000A14J9D9) maturing on 21 May 2020 as well as to finance further growth of the JDC Group. The successful expansion of business with large-volume sales partners (including Albatros insurance services, Sparda-Bank Baden-Württemberg, Bavaria Wirtschaftsagentur) necessitated one-off initial investments, which are increasingly being overcompensated by the income generated.

The issuance was fully placed within a few days of the start of the subscription period and ended up being oversubscribed several times over. The management board deems this a clear-cut signal of confidence in the financial clout and capacities of the JDC Group. The JDC Group AG share price has since seen positive gains.

Results for the third quarter and the first nine months of 2019

Consolidated revenues increased significantly in the first nine months of 2019, by around 20 per cent, to EUR 79.6 million (9 months 2018: EUR 66.4 million). Compared with the same quarter last year, revenues in the third quarter rose even more sharply, by almost 23 per cent to EUR 27.0 million (Q3 2018: EUR 21.9 million).

As a result, earnings before interest, taxes, depreciation and amortisation (EBITDA) increased in the first nine months to EUR 2,820k (9 months 2018: EUR 1,945k). In the third quarter of 2019, EBITDA increased to EUR 453k (Q3 2018: EUR –69k).

The earnings before interest, taxes and amortisation of customer base (EBITA) increased in the first nine months to EUR 1,471k (9 months 2018: EUR 771k). In the third quarter of 2019, EBITA increased to EUR –16k (Q3 2018: EUR –542k).

Earnings before interest and taxes (EBIT) rose significantly in prior-year comparison to EUR 360k (9 months 2018: EUR –189k). In quarterly comparison, EBIT rose to EUR –421k (Q3 2018: EUR –842k).

	in kEUR					
	Q3/2019 kEUR	Q3/2019 kEUR	Changes compared to previous year in %	30/09/2019 kEUR	30/09/2018 kEUR	Changes compared to previous year in %
Revenues	27,037	21,890	23.5	79,550	66,364	20.0
– thereof Advisortech	22,133	17,961	23.2	66,538	54,411	22.3
– thereof Advisory	6,428	5,794	10.9	19,287	17,904	7.7
– thereof Holding/Cons.	–1,524	–1,865	18.3	–6,275	–5,951	–5.4
EBITDA	453	–69	>100	2,820	1,945	45.0
EBITA	–16	–542	97.0	1,471	711	>100
EBIT	–421	–842	50.0	360	–189	>100

Equity capital stood at EUR 32.5 million as at 30 September 2019. The equity ratio thus fell to 38.8 per cent (31 December 2018: EUR 33.3 million and 39.0 per cent).

Our individual business segments performed as follows:

ADVISORTECH

The Advisortech business unit increased its revenues significantly in the first nine months of 2019 by around 22 per cent to EUR 66.5 million (9 months 2018: EUR 54.4 million). Year over year, revenues was significantly higher compared to the same quarter of the previous year at EUR 22.1 million, constituting an increase of 23.2% (Q3 2018: EUR 18.0 million).

Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounted to EUR 3.9 million in the first nine months of 2019, which is higher than the previous year's figure of EUR 2.7 million. In quarterly comparison, EBITDA increased to EUR 0.74 million (Q3 2018: EUR 0.15 million).

Earnings before interest and taxes (EBIT) improved in the first nine months of 2019 to EUR 1.8 million (9 months 2018: EUR 1.0 million).

ADVISORY

In the Advisory segment, revenues in the first nine months of 2019 rose to EUR 19.3 million as compared to the same period last year (9 months 2018: EUR 17.9 million). In quarterly comparison, revenues rose to EUR 6.4 million from EUR 5.8 million in the same quarter of the previous year.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) for Advisory fell slightly during the first nine months to EUR 0.3 million (9 months 2018: EUR 0.4 million). In the third quarter of 2019, EBITDA rose to EUR 0.3 million (Q3 2018: EUR 0.2 million).

Earnings before interest and taxes (EBIT) fell in the first nine months of 2019 to EUR –0.1 million (9 months 2018: EUR 0.0 million). In quarterly comparison, EBIT rose to EUR 0.13 million (Q3 2018: EUR 0.11 million).

Outlook

Our estimate for the remainder of 2019 is as follows:

The JDC Group is counting on the typically strong results expected for the end of the year in its preparations for the fourth quarter. Like in all previous years, the fourth quarter will be the strongest quarter of the year in terms of revenues with corresponding positive effects on earnings.

The JDC Group confirms again its guidance with revenues of EUR 110 million and significantly improved earnings for 2019.

In addition, Jung, DMS & Cie. will soon be concluding other partnerships with potential outsourcing partners, who will contribute additional platform utilisation in 2020, which will in turn contribute to the company's income starting from around mid-2020.

Thanks to our employees and shareholders

We would again like to offer our heartfelt thanks to the employees and sales partners of both JDC Group AG and its subsidiaries, because our success is a product of their commitment and motivation.

We would also like to extend thanks to our shareholders, who continue to have faith in our business model and support and approve the actions taken by our executive and supervisory boards.

We would be very pleased to enjoy your continued support.

Sincerely,



Dr. Sebastian Grabmaier



Ralph Konrad



Stefan Bachmann

Consolidated income statement

	Q3/2019 kEUR	Q3/2018 kEUR	01/01– 30/09/2019 kEUR	01/01– 30/09/2018 kEUR
1. Commission income	27,037	21,890	79,550	66,364
2. Capitalised services	236	219	724	557
3. Other operating income	418	453	517	622
4. Commission expenses	–19,961	–16,005	–57,467	–46,635
5. Personnel expenses	–4,537	–4,165	–12,906	–11,798
6. Depreciation and amortisation of tangible and intangible assets	–874	–773	–2,460	–2,134
7. Other operating expenses	–2,740	–2,461	–7,598	–7,165
8. Other interest and similar income	1	2	3	6
9. Interest and similar expenses	–379	–299	–957	–886
10. Operating profit/loss	–799	–1,139	–593	–1,069
11. Income tax expenses	88	–195	34	–460
12. Other tax expenses	–45	–118	–52	–133
13. Net profit	–756	–1,452	–611	–1,662
14. Earnings per share	–0.06	–0.12	–0.05	–0.14

Segment reporting

30 September 2019

	Advisortech		Advisory		
	30/09/2019 kEUR	30/09/2018 kEUR	30/09/2019 kEUR	30/09/2018 kEUR	
Segment income					
Commission income	66,538	54,411	19,287	17,904	
of which with other segments	727	485	5,549	5,466	
Total segment income	66,538	54,411	19,287	17,904	
Capitalised services	724	557	0	0	
Other income	517	539	28	81	
Segment expenses					
Commissions	-49,456	-39,341	-13,943	-12,802	
Personnel expenses	-8,843	-8,136	-2,549	-2,233	
Depreciation and amortisation	-2,062	-1,747	-395	-378	
Other	-5,617	-5,314	-2,531	-2,579	
Total segment expenses	-65,978	-54,538	-19,418	-17,992	
EBIT	1,801	969	-103	-7	
EBITDA	3,863	2,716	292	371	
Income from investments	0	0	0	0	
Other interest and similar income	393	431	10	35	
Yield on other securities	0	0	0	0	
Depreciation of financial assets	0	0	0	0	
Other interest and similar expenses	-1,168	-1,170	-472	-452	
Financial result	-775	-739	-462	-417	
Segment earnings before tax (EBT)	1,026	230	-565	-424	
Tax expenses	2	-692	32	100	
Segment net profit	1,028	-462	-533	-324	

Holding		Total reportable segments		Transfer		Total	
30/09/2019 kEUR	30/09/2018 kEUR	30/09/2019 kEUR	30/09/2018 kEUR	30/09/2019 kEUR	30/09/2018 kEUR	30/09/2019 kEUR	30/09/2018 kEUR
1,410	1,458	87,235	73,773	-7,685	-7,409	79,550	66,364
1,410	1,458	7,686	7,409	-7,686	-7,409	0	0
1,410	1,458	87,235	73,773	-7,685	-7,409	79,550	66,364
0	0	724	557	0	0	724	557
0	2	545	622	-28	0	517	622
0	0	-63,399	-52,143	5,932	5,508	-57,467	-46,635
-1,514	-1,429	-12,906	-11,798	0	0	-12,906	-11,798
-3	-9	-2,460	-2,134	0	0	-2,460	-2,134
-1,231	-1,173	-9,379	-9,066	1,781	1,901	-7,598	-7,165
-2,748	-2,611	-88,144	-75,141	7,713	7,409	-80,431	-67,732
-1,338	-1,151	360	-189	0	0	360	-189
-1,335	-1,142	2,820	1,945	0	0	2,820	1,945
0	0	0	0	0	0	0	0
756	748	1,159	1,214	-1,156	-1,208	3	6
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
-472	-472	-2,112	-2,094	1,156	1,208	-956	-886
284	276	-953	-880	0	0	-953	-880
-1,054	-875	-593	-1,069	0	0	-593	-1,069
-52	-1	-18	-593	0	0	-18	-593
-1,106	-876	-611	-1,662	0	0	-611	-1,662

Segment reporting Quarters

	Advisortech		Advisory		
	Q3/2019 kEUR	Q3/2018 kEUR	Q3/2019 kEUR	Q3/2018 kEUR	
Segment income					
Commission income	22,133	17,961	6,428	5,794	
of which with other segments	189	-122	1,335	1,987	
Total segment income	22,133	17,961	6,428	5,794	
Capitalised services	236	219	0	0	
Other income	413	433	5	17	
Segment expenses					
Commissions	-16,954	-13,744	-4,415	-4,008	
Personnel expenses	-3,127	-2,914	-892	-753	
Depreciation and amortisation	-749	-638	-124	-134	
Other	-1,962	-1,804	-875	-807	
Total segment expenses	-22,792	-19,100	-6,306	-5,701	
EBIT	-10	-486	127	111	
EBITDA	739	151	251	244	
Income from investments	0	0	0	0	
Other interest and similar income	129	138	3	12	
Yield on other securities	0	0	0	0	
Depreciation of financial assets	0	0	0	0	
Other interest and similar expenses	-409	-391	-158	-152	
Financial result	-280	-253	-155	-140	
Segment earnings before tax (EBT)	-290	-739	-28	-29	
Tax expenses	140	-359	-52	46	
Segment net profit	-150	-1,098	-80	17	

Holding		Total reportable segments		Transfer		Total	
Q3/2019 kEUR	Q3/2018 kEUR	Q3/2019 kEUR	Q3/2018 kEUR	Q3/2019 kEUR	Q3/2018 kEUR	Q3/2019 kEUR	Q3/2018 kEUR
467	465	29,028	24,220	-1,991	-2,330	27,037	21,890
467	465	1,991	2,330	-1,991	-2,330	0	0
467	465	29,028	24,220	-1,991	-2,330	27,037	21,890
0	0	236	219	0	0	236	219
0	2	418	453	0	0	418	453
0	0	-21,369	-17,752	1,408	1,747	-19,961	-16,005
-518	-499	-4,537	-4,165	0	0	-4,537	-4,165
-1	-2	-874	-773	0	0	-874	-773
-486	-433	-3,323	-3,044	583	583	-2,740	-2,461
-1,005	-933	-30,103	-25,734	1,991	2,330	-28,112	-23,404
-538	-466	-421	-842	0	0	-421	-842
-537	-465	453	-69	0	0	453	-69
0	0	0	0	0	0	0	0
251	248	383	397	-382	-395	1	2
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
-194	-152	-761	-694	382	395	-379	-299
57	96	-378	-297	0	0	-378	-297
-481	-370	-799	-1,139	0	0	-799	-1,139
-45	0	43	-313	0	0	43	-313
-526	-370	-756	-1,452	0	0	-756	-1,452

Consolidated Balance Sheet

Assets	30/09/2019		31/12/2018
	KEUR		KEUR
Non-current assets			
Intangible assets	50,197		46,136
Fixed assets	700		759
Financial assets	187		148
	51,084		47,043
Deferred taxes	2,488		2,700
Long-term non-current assets			
Accounts receivable	833		1,068
Other assets	1,948		2,257
Total non-current assets	56,353		53,068
Current assets			
Accounts receivable	15,843		16,657
Other assets	5,346		3,759
Cash and cash equivalents	5,720		11,801
Deferred charges	433		262
Total current assets	27,342		32,479
Total assets	83,695		85,547

Liabilities

	30/09/2019 kEUR	31/12/2018 kEUR
Equity		
Subscribed capital	13,128	13,128
Own Shares	-47	0
Capital reserves	21,422	21,638
Other retained earnings	445	445
Other equity components	-2,484	-1,867
Total equity	32,464	33,344
Non-current liabilities		
Deferred taxes	3,073	1,665
Bond	14,911	14,813
Liabilities due to banks	38	107
Accounts payable	9,034	8,810
Other liabilities	184	184
Accruals	1,747	1,455
Total non-current liabilities	28,987	27,034
Current liabilities		
Accrued taxes	124	334
Liabilities due to banks	2,579	2,584
Accounts payable	15,716	17,508
Other liabilities	3,820	4,729
Deferred income	5	14
Total current liabilities	22,244	25,169
Total equity and liabilities	83,695	85,547

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The letter to shareholders of JDC Group AG is available in German and English. The German version is legally binding. The reports can be downloaded from the company's website: www.jdcgroup.de

We will provide you with additional information about JDC Group AG and its subsidiaries upon request.