

Hypoport AG

BUY (BUY) | Target EUR 26.00 (EUR 21.00)

 Price (last closing price) : **EUR 21.00** | Upside : 24%

Est. change	2015e	2016e
EPS	17%	21%

Raising our estimates on strong 1Q results; PT lifted to EUR 26.00

Monday, 04 May 2015


Capital	
HYQ GY HYQGn.DE	
Market Cap (EURm)	128.9
Enterprise value (EURm)	133.1
Extrema 12 months	24.25 - 9.31
Free Float (%)	37.6

Performance (%)	1m	3m	12m
Absolute	1.7	57.5	137.1
Perf. rel. "sector"	3.4	44.6	92.6
Perf. rel. CDAX	4.9	45.2	95.7

P&L	12/15e	12/16e	12/17e
Revenues (EURm)	125.2	138.9	153.9
EBT (EURm)	9.4	10.5	11.8
Net attr. profit (EURm)	7.6	8.5	9.6
EPS (EUR)	1.24	1.39	1.56
DPS (EUR)	0.00	0.00	0.00
P/E (x)	17.0	15.1	13.5
P/B (x)	1.5	1.4	1.3
ROE (%)	18.0	16.8	16.0
Dividend yield (%)	0.0	0.0	0.0
EBIT margin (%)	8.1	8.2	8.3
EV/EBITDA (x)	8.7	7.6	6.7

Next Events	
AGM	12 June 2015
1H15 figures	03 August 2015
9M15 figures	02 November 2015

Earnings to outgrow sales in 2015e

Hypoport AG announced its final 1Q15 results. Consolidated revenues were up 19.4% yoy to EUR 33.3m; EBIT, at EUR 3.8m (PY: EUR 3.1m), was in line with the recently announced preliminaries and ~9% ahead of our initial est. Given the strong start into 2015, management revised its full-year guidance to i) sales growth in the lower double digits, ii) a wider EBIT margin and, thus, iii) earnings outgrowing sales. Given the strong 1Q performance, we are confident it will achieve its targets and raise our EPS 2015-16 by 17% and 21%, respectively.

Private Clients: previous trend intact

Despite a rather dull market, the Private Clients business reported impressive 1Q results for its main brand, Dr. Klein: The mortgage finance business grew to EUR 1.8bn (>36% yoy); Bausparen products rose by >14% yoy to EUR 54.1m; and the volume of personal loans brokered rose by ~29% yoy to EUR 46.7m. The insurance portfolio continued to expand across all product segments: general insurance increased by 8.8% to EUR 23.8m whilst health insurance and life insurance grew at lower rates of 4.4% to EUR 32.2m and 3.5% to EUR 60.1m, respectively. Thus, all in all, Private Clients revenues grew at a double-digit rate in 1Q15. Segment EBIT almost quadrupled to EUR 1.2m (PY: EUR 0.3m) thanks to the increasing level of automation in transaction processing. For the full year 2015e we expect the Private Clients segment to achieve a positive EBIT given that i) its proven business model will enable it to grab further market share in mortgage loans in a stagnant overall market, and ii) Hypoport is making clear strides in putting the insurance business back on track.

Financial Service Providers: EUROPACE provides new record volumes

In the Financial Service Providers segment, transaction volume brokered via EUROPACE grew by 31% yoy to EUR 11.1bn, beating the previous record set in 3Q14 (EUR 9.6bn) and topping the EUR 10bn mark for the first time ever. The largest share of this volume came from mortgage-finance products again, with an increase of 37% yoy to EUR 8.9bn. Bausparen volume grew by 15% yoy to EUR 1.9bn, and personal loan transactions volume advanced >9% yoy to EUR 434m. As a result, segment EBIT hit a new record high of EUR 2.5m (PY: EUR 1.8m). As the company is continuously expanding its number of partner banks, we believe the Financial Service Providers segment is well positioned to generate top- and bottom-line growth in the low double-digits in 2015e.

Institutional Clients: Fewer big-ticket deals hit revenues & earnings

Fewer big-ticket deals compared with a very strong 1Q14 led to a dip in revenue and earnings in the Institutional Clients business segment. The EBIT contribution decreased to EUR 1.3m (PY: EUR 2.0m). Efforts to expand the product range might allow for positive top- and bottom-line effects in the mid to long-term.

Reiterate BUY, increase PT to EUR 26.00 (21.00)

We reiterate our BUY recommendation and lift our PT from EUR 21.00 to EUR 26.00 based on our updated DCF valuation, which indicates a FVpS of 25.82. Our new PT reflects a target P/E of 21.0x 2015e and 18.7x 2016e.

Ivo Višić (Analyst)
 +49 (0)69 92054-819
 ivo.visic@oddoseydl.com

Valuation

Discounted Cash Flow Model

EURm	PHASE 1			PHASE 2							PHASE 3
	2015e	2016e	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	∞
Sales	125.2	138.9	153.9	169.3	182.0	192.2	200.3	206.6	211.5	215.8	
YoY growth	11.5%	10.9%	10.8%	10.0%	7.5%	5.6%	4.2%	3.2%	2.4%	2.0%	
EBIT	10.1	11.4	12.7	14.2	15.4	16.3	17.1	17.7	18.2	18.7	
EBIT margin	8.1%	8.2%	8.3%	8.4%	8.4%	8.5%	8.5%	8.6%	8.6%	8.7%	
Income tax on EBIT (cash tax rate)	-1.9	-2.2	-2.4	-2.7	-2.9	-3.1	-3.2	-3.4	-3.5	-3.5	
Depreciation and amortisation	5.2	6.2	7.1	6.3	7.2	5.2	5.7	6.0	6.6	6.8	
Change in net working capital	-3.1	-6.0	-5.5	-5.2	-4.3	-3.4	-2.7	-2.1	-1.7	-1.4	
Net capital expenditure	-6.5	-4.5	-4.1	-4.9	-5.4	-5.9	-6.5	-7.2	-7.5	-6.8	
Free cash flow	3.9	4.9	7.8	7.7	10.0	9.0	10.3	11.1	12.1	13.7	
Present values	4.0	4.6	6.8	6.2	7.3	6.1	6.3	6.3	6.3	6.5	102.1
Present value Phase 1	15.4										
Present value Phase 2	45.0										
Present value Phase 3	102.1										
Total present value	162.4										
+ Excess cash	12.0										
- Financial debt	-15.9										
- Minority interest (estimated market value)	-0.1										
Fair value of equity	158.5										
Number of shares (m)	6.137										
Fair value per share (EUR)	25.82										

Risk free rate	2.50%	Target equity ratio	65.0%
Equity risk premium	6.00%	Beta (fundamental)	1.30
Debt risk premium	4.00%	WACC	8.54%
Tax shield	19.0%	Terminal growth	2.0%

Sensitivity analysis						
		Terminal growth (Phase 3)				
		1.0%	1.5%	2.0%	2.5%	3.0%
WACC	7.5%	27.60	29.18	31.05	33.29	36.02
	8.0%	25.39	26.69	28.22	30.01	32.17
	8.5%	23.47	24.56	25.82	27.29	29.02
	9.0%	21.80	22.72	23.77	24.98	26.39
	9.5%	20.33	21.11	22.00	23.01	24.17

Source: Oddo Seydler Bank AG

Appendix

Profit and loss yoy comparison

	IFRS	EURm	1Q 15	1Q 14	Δ	% change
Revenues			33.3	27.9	5.4	19.5%
Selling expenses			-16.1	-13.3	-2.8	21.1%
<i>% of total revenue</i>			-48.4%	-47.8%		
Gross Profit			17.2	14.6	2.6	17.9%
<i>Gross Profit margin in %</i>			51.6%	52.2%		
Own work capitalised			1.0	1.1	-0.2	-15.2%
<i>% of total revenue</i>			2.9%	4.1%		
Other operating income			0.4	0.4	0.0	-5.4%
<i>% of total revenue</i>			1.3%	1.6%		
Cost of materials			0.0	0.0	0.0	n.a.
<i>% of total revenue</i>			0.0%	0.0%		
Personnel expenses			-9.6	-8.5	-1.1	13.5%
<i>% of total revenue</i>			-28.8%	-30.3%		
Other operating expenses			-3.8	-3.4	-0.4	12.2%
<i>% of total revenue</i>			-11.6%	-12.3%		
Income from investments valued at equity			0.0	0.0	0.0	-233.3%
<i>% of total revenue</i>			-3.3%	2.5%		
EBITDA			5.1	4.3	0.9	20.7%
<i>EBITDA margin in %</i>			15.4%	15.2%		
Depreciation, amortisation exp. & impairment loss			-1.3	-1.1	-0.2	16.3%
<i>% of total revenue</i>			-3.9%	-4.0%		
EBIT			3.8	3.1	0.7	22.3%
<i>EBIT margin in %</i>			11.5%	11.2%		
Financial result			-0.1	-0.2	0.1	-36.1%
<i>% of total revenue</i>			-0.3%	-0.6%		
EBT			3.7	3.0	0.8	25.7%
<i>EBT margin in %</i>			11.2%	10.6%		
Taxes on income & def.			-0.7	-0.3	-0.4	146.2%
<i>% of EBT</i>			-18.3%	-9.4%		
Net profit/loss for the year			3.0	2.7	0.4	13.2%
Attributable to non-controlling/minority interest			0.0	0.1	-0.1	-117.1%
Attributable to Hypoport AG shareholders			3.0	2.6	0.4	17.0%
Weighted number of shares , basic in million shares			6.14	6.14	0.0	0.0%
Weighted number of shares , diluted in million shares			6.14	6.14	0.0	0.0%
EPS Basic			0.50	0.42	0.07	17.0%
EPS Diluted			0.50	0.42	0.07	17.0%

Source: Oddo Seydler Bank AG, Hypoport AG

Profit and loss account

	IFRS	EURm	2012	2013	2014	2015e	2016e	2017e
Revenues			87.8	98.1	112.3	125.2	138.9	153.9
YoY growth			4.0%	11.8%	14.5%	11.5%	10.9%	10.8%
Selling expenses			-43.0	-49.1	-55.9	-62.2	-69.0	-76.5
% of total revenue			-39.9%	-50.1%	-49.8%	-49.6%	-49.6%	-49.7%
Gross Profit			44.7	49.0	56.4	63.1	70.0	77.4
Gross Profit margin in %			51.0%	49.9%	50.2%	50.4%	50.4%	50.3%
Own work capitalised			4.2	4.2	4.2	5.3	5.7	6.2
% of total revenue			4.8%	4.3%	3.7%	4.3%	4.1%	4.0%
Other operating income			2.4	2.8	1.8	3.0	3.2	3.2
% of total revenue			2.7%	2.8%	1.6%	2.4%	2.3%	2.1%
Cost of materials			0.0	0.0	0.0	0.0	0.0	0.0
% of total revenue			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Personnel expenses			-29.9	-32.7	-35.3	-39.4	-43.7	-48.4
% of total revenue			-34.1%	-33.3%	-31.5%	-31.5%	-31.5%	-31.5%
Other operating expenses			-13.2	-15.2	-14.5	-16.9	-17.8	-18.8
% of total revenue			-15.1%	-15.5%	-12.9%	-13.5%	-12.8%	-12.2%
Income from investments valued at equity			0.0	0.0	0.1	0.2	0.2	0.2
% of total revenue			0.0%	0.0%	0.0%	0.2%	0.1%	0.1%
EBITDA			8.1	8.1	12.6	15.1	17.4	19.6
EBITDA margin in %			9.3%	8.2%	11.2%	12.1%	12.5%	12.8%
Depreciation, amortisation exp. & impairment loss			-4.9	-4.2	-4.8	-5.2	-6.2	-7.1
EBIT			3.2	3.9	7.9	10.1	11.4	12.7
EBIT margin in %			3.6%	4.0%	7.1%	8.1%	8.2%	8.3%
Financial result			-0.9	-0.9	-0.7	-0.8	-0.8	-0.9
EBT			2.3	3.1	7.3	9.4	10.5	11.8
EBT margin in %			2.7%	3.1%	6.5%	7.5%	7.6%	7.7%
Taxes on income & def.			-0.4	0.1	-1.3	-1.8	-2.0	-2.2
% of EBT			-16.9%	3.3%	-18.2%	-19.0%	-19.0%	-19.0%
Profit/loss from continuing operations, net of tax			1.9	3.2	5.9	7.6	8.5	9.6
as % of total revenue			2.2%	3.2%	5.3%	6.1%	6.1%	6.2%
Profit/loss from discontinued operations			-2.8	0.0	0.0	0.0	0.0	0.0
Net profit/loss for the year			-0.8	3.2	5.9	7.6	8.5	9.6
Net profit margin in %			-0.9%	3.2%	5.3%	6.1%	6.1%	6.2%
Attributable to non-controlling/minority interest			0.0	0.0	0.0	0.0	0.0	0.0
Attributable to Hypoport AG shareholders			-0.8	3.2	5.9	7.6	8.5	9.6
Weighted number of shares , basic in million shares			6.16	6.14	6.14	6.14	6.14	6.14
Weighted number of shares , diluted in million shares			6.16	6.14	6.14	6.14	6.14	6.14
EPS Basic			-0.13	0.51	0.96	1.24	1.39	1.56
EPS Diluted			-0.13	0.51	0.96	1.24	1.39	1.56

Source: Oddo Seydler Bank AG, Hypoport AG

Balance Sheet

	IFRS	EURm	2012	2013	2014	2015e	2016e	2017e
Assets								
Total non-current assets			35.5	37.6	39.4	42.7	41.8	39.6
<i>as % of total assets</i>			50.1%	51.1%	49.0%	47.2%	43.6%	38.3%
Intangible assets			27.7	29.6	31.0	31.9	30.3	27.5
Tangible Assets; PPE			2.6	2.2	2.2	2.6	2.5	2.3
Investments valued at equity			0.0	0.3	0.4	0.4	0.4	0.4
Financial assets			0.1	0.1	0.1	0.1	0.1	0.1
Trade receivables			4.6	4.3	4.2	6.6	7.3	8.1
Deferred tax assets			0.4	0.4	1.1	1.1	1.1	1.1
Other assets			0.0	0.7	0.4	0.0	0.0	0.0
Current assets			35.3	36.0	41.0	47.7	54.1	63.7
<i>as % of total assets</i>			49.9%	48.9%	51.0%	52.8%	56.4%	61.7%
Trade receivables			21.1	20.3	25.5	30.1	33.4	37.0
Other assets			4.7	4.8	3.3	3.3	3.3	3.3
Current income tax assets			1.0	0.0	0.2	0.2	0.2	0.2
Cash & cash equivalents			8.6	11.0	12.0	14.2	17.3	23.3
Total assets			70.7	73.6	80.4	90.4	95.9	103.2
Total Shareholder's Equity & Liabilities								
Total equity			29.8	33.1	38.9	46.4	55.0	64.5
<i>as % of total equity and liabilities</i>			42.2%	44.9%	48.3%	51.3%	57.3%	62.5%
Subscribed capital			6.2	6.2	6.2	6.2	6.2	6.2
Reserves			23.5	26.7	32.5	40.1	48.6	58.1
Treasury shares			-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Minority interests			0.2	0.3	0.3	0.3	0.3	0.3
Non-current liabilities			14.8	12.6	12.3	11.2	10.1	9.0
<i>as % of total equity and liabilities</i>			21.0%	17.1%	15.3%	12.4%	10.5%	8.7%
Financial liabilities			12.9	12.1	11.3	10.2	9.1	8.0
Provisions			0.2	0.1	0.1	0.1	0.1	0.1
Other liabilities			0.0	0.0	0.0	0.0	0.0	0.0
Deferred tax liabilities			1.6	0.4	0.9	0.9	0.9	0.9
Current liabilities			26.1	28.0	29.3	32.8	30.8	29.7
<i>as % of total equity and liabilities</i>			36.9%	38.0%	36.4%	36.3%	32.2%	28.8%
Provisions			0.1	0.1	0.1	0.1	0.1	0.1
Financial liabilities			5.4	4.8	4.6	4.6	4.6	4.6
Trade payables			14.1	15.2	16.5	20.1	18.1	17.0
Current income tax liabilities			0.1	0.3	0.3	0.3	0.3	0.3
Other liabilities			6.4	7.7	7.7	7.7	7.7	7.7
Total liabilities			40.9	40.6	41.6	44.0	40.9	38.7
<i>as % of total equity and liabilities</i>			57.8%	55.1%	51.7%	48.7%	42.7%	37.5%
Total Liabilities and Equity			70.7	73.6	80.4	90.4	95.9	103.2

Source: Oddo Seydler Bank AG, Hypoport AG

Cash flow statement

	IFRS	EURm	2012	2013	2014	2015e	2016e	2017e
Earnings before interest and tax (EBIT)			1.2	3.9	7.9	10.1	11.4	12.7
from continuing operations			3.2	3.9	7.9	10.1	11.4	12.7
from discontinued operations			-2.0	0.0	0.0	0.0	0.0	0.0
Non-cash income (+) / expense (-) from income tax			0.3	-0.5	0.0	0.0	0.0	0.0
Net Interest received (+) / paid (-)			-0.8	-0.6	-0.5	-0.8	-0.8	-0.9
Net income taxes receipts (+) / payments (-)			-0.7	-0.8	-0.8	-1.8	-2.0	-2.2
Depreciation and amortisation expense, impairment losses (+) / reversals of impairm			6.5	4.2	4.8	5.2	6.2	7.1
Gains (-) / losses (+) on the disposal of non-current assets			0.0	0.0	0.0	0.0	0.0	0.0
Cash flow			6.5	6.2	11.4	12.8	14.7	16.7
Increase (+) / decrease (-) in current provisions			-0.2	0.0	0.0	0.0	0.0	0.0
Increase (-) and decrease (+) in inventories, trade receivables and other assets not attributable to investing or financing activities			1.6	1.0	-4.3	-6.6	-4.0	-4.4
Increase (+) and decrease (-) in trade payables and other liabilities not attributable to investing or financing activities			-0.1	2.8	1.2	3.5	-2.0	-1.1
Cash flows from operating activities			7.8	9.9	8.4	9.7	8.7	11.2
from discontinued operations			0.1	0.0	0.0	0.0	0.0	0.0
Proceeds from the disposal of property, plant and equipment / intangible assets (+)			0.0	0.0	0.0	0.0	0.0	0.0
Payments to acquire property, plant and equipment / intangible assets (-)			-6.5	-5.7	-6.2	-6.5	-4.5	-4.1
Payments for acquisitions to be consolidated			0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from the disposal of financial assets (+)			0.1	0.0	0.0	0.0	0.0	0.0
Purchase of financial assets (-)			0.0	0.0	0.0	0.0	0.0	0.0
Cash flows from investing activities			-6.5	-5.7	-6.2	-6.5	-4.5	-4.1
from discontinued operations			-0.3	0.0	0.0	0.0	0.0	1.0
Proceeds from additions to equity (+)			0.0	0.0	-0.3	0.0	0.0	0.0
Payments to shareholders, minority interest, treasury shares (-)			-0.6	0.0	0.0	0.0	0.0	0.0
Net issue (+) / redemption of bonds and loans			0.4	-1.4	-0.9	-1.1	-1.1	-1.1
Cash flows from financing activities			-0.3	-1.4	-1.2	-1.1	-1.1	-1.1
from discontinued operations			0.0	0.0	0.0	0.0	0.0	0.0
Net change in cash and cash equivalents			1.0	2.8	1.1	2.1	3.1	6.0
Cash and cash equivalents at the beginning of the period			7.5	8.2	11.0	12.0	14.2	17.3
Cash and cash equivalents at the end of the period			8.6	11.0	12.0	14.2	17.3	23.3
from discontinued operations			0.0	0.0	0.0	0.0	0.0	0.0

Source: Oddo Seydler Bank AG, Hypoport AG

Key figures and ratios

	2012	2013	2014	2015e	2016e	2017e
Growth analysis						
Revenue growth in %	4.0%	11.8%	14.5%	11.5%	10.9%	10.8%
EBITDA growth in %	-29.1%	-0.1%	56.3%	20.6%	14.7%	13.0%
EBIT growth in %	-52.7%	23.5%	100.9%	27.6%	12.3%	12.1%
EPS growth in %	-122.3%	-483.3%	88.0%	28.1%	12.4%	12.2%
Profitability ratios						
Gross profit margin in %	51.0%	49.9%	50.2%	50.4%	50.4%	50.3%
EBITDA margin in %	9.3%	8.3%	11.3%	12.2%	12.6%	12.9%
EBIT margin in %	3.6%	4.0%	7.1%	8.1%	8.2%	8.3%
Net profit margin in %	-0.9%	3.2%	5.3%	6.1%	6.1%	6.2%
Return on equity (ROE) in %	-2.6%	9.8%	16.2%	18.0%	16.8%	16.0%
Return on assets (ROA) in %	-1.2%	4.5%	8.1%	9.2%	9.1%	9.6%
Return on net assets (RONA) in %	-1.8%	7.0%	11.6%	13.2%	13.1%	13.0%
Basic Earnings Power Ratio in %	4.5%	5.4%	9.9%	11.2%	11.9%	12.3%
Efficiency ratios						
Operating costs / revenues in %	49.2%	48.8%	44.4%	44.9%	44.2%	43.7%
Revenues per employee in EUR	192,864	215,582	246,868	275,257	305,337	338,190
EBITDA per employee in EUR	17,870	17,855	27,908	33,670	38,609	43,618
Personnel expenses per employee in EUR	65,796	71,833	77,651	86,580	96,041	106,375
Liquidity ratios						
Current Ratio	1.4	1.3	1.4	1.5	1.8	2.1
Acid Ratio	1.4	1.3	1.4	1.5	1.8	2.1
Cash Ratio	0.3	0.4	0.4	0.4	0.6	0.8
Operating Cash Flow Ratio	0.4	0.6	0.5	0.7	0.6	0.9
Activity ratios						
Asset turnover	1.2	1.3	1.4	1.4	1.4	1.5
Assets / Revenues	0.8	0.8	0.7	0.7	0.7	0.7
Solvency ratios						
Debt Ratio in %	57.8%	55.1%	51.7%	48.7%	42.7%	37.5%
Net debt to equity ratio (Gearing) in %	32.7%	17.8%	10.0%	1.4%	-6.5%	-16.5%
Long-term debt to equity Ratio in %	18.3%	16.4%	14.0%	11.2%	9.4%	7.7%
Total debt to EBITDA Ratio	2.3	2.1	1.3	1.0	0.8	0.6
Net debt to EBITDA Ratio	1.2	0.7	0.3	0.0	-0.2	-0.5
Cash flow analysis						
Free cash flow / revenues in %	2.5%	5.3%	1.8%	3.1%	3.5%	5.1%
FCF / net income in %	-267.8%	164.0%	33.6%	51.0%	57.4%	81.9%
FCF yield in %	63.8%	152.2%	58.3%	113.1%	142.9%	228.9%
CAPEX / revenues in %	7.4%	5.8%	5.5%	5.2%	3.3%	2.7%
CAPEX / depn in %	99.8%	137.4%	129.5%	124.7%	73.1%	57.5%
Per share data						
EPS Basic	-0.13	0.51	0.96	1.24	1.39	1.56
Operating cash flow per share	1.26	1.61	1.37	1.58	1.42	1.82
Book value per share	4.84	5.39	6.33	7.57	8.95	10.51
Dividends per share	0.00	0.00	0.00	0.00	0.00	0.00
Dividend payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Valuation Ratios						
P/E-Ratio	n.a.	40.9	21.8	17.0	15.1	13.5
EV/EBIT	41.6	33.7	16.8	13.1	11.7	10.4
EV/EBITDA	16.4	16.4	10.5	8.7	7.6	6.7
EV/Sales	1.5	1.4	1.2	1.1	1.0	0.9
P/B	1.9	1.8	1.7	1.5	1.4	1.3
Dividend Yield in %	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Oddo Seydler Bank AG, Hypoport AG

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Recommendation history over the last 12 months for the company analysed in this report:

Date	Recommendation	Price at change date	Price target
04 May 2015	BUY (Update)	EUR 21.00	EUR 26.00
17 March 2015	BUY (Update)	EUR 18.49	EUR 21.00
30. January 2015	BUY (Update)	EUR 13.50	EUR 17.00
03 November 2014	BUY (Update)	EUR 12.50	EUR 17.00
04 August 2014	BUY (Update)	EUR 11.50	EUR 17.00

05 May 2014	BUY (Update)	EUR 9.00	EUR 17.00
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Responsible Supervisory Authority:

Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin, Federal Financial Supervisory Authority)
Graurheindorferstraße 108
53117 Bonn

and

Marie-Curie-Str. 24-28
60439 Frankfurt

Oddo Seydler Bank AG
Schillerstrasse 27 - 29
60313 Frankfurt am Main
www.oddoseydler.com
Tel.: 0049 - (0)69 - 920 54 800