

BITCOIN GROUP SE*5a,11

Rating: BUY
Target price: € 55.00
(previously: € 58.00)

current price: 20.30
27.09.23 / XETRA / 11:04 a.m.
Currency: EUR

Key data:

ISIN: DE000A1TNV91
WKN: A1TNV9
Symbol: ADE
Number of shares³: 5.00
Market cap³: 101.50
EnterpriseValue³: -3.11
³ in million / in EUR million
Free float: <75.0 %

Market segment:
Freiverkehr

Accounting:
IFRS

Designated Sponsor:
BankM AG

Financial year: 31.12.

Analysts:

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Date and time of completion of the report:
28.09.2023 (11:00)
Date and time of the first publication of the report:
28.09.2023 (13:00)
Validity of the target price: until max. 31.12.2024

* Catalog of possible conflicts of interest on page 6

Company profile

Industry: Software

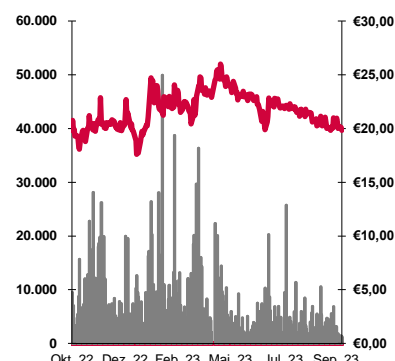
Focus: Holding in the field of cryptocurrencies

Employees: 35 Status: 12/31/2022

Foundation: 2008

Headquarters: Herford

Management: Marco Bodewein, Michael Nowak,
Per Hlawatschek



The Bitcoin Group SE is a holding company focused on innovative and disruptive business models and technologies in the fields of Cryptocurrency and Blockchain.

Bitcoin Group SE holds 100% of the shares in futurum bank AG, which, in addition to traditional securities services, operates a trading platform for digital currencies such as Bitcoin, Bitcoin Cash, Bitcoin Gold, Ethereum, and others under Bitcoin.de, as well as 50% of the shares in Sineus Financial Services GmbH, a financial service provider.

The company's goal is to build a portfolio of investments through further acquisitions, which, in terms of risk diversification and return potential, meets the requirements of investors.

P&L in EUR million \ FY-end	31.12.2021	31.12.2022	31.12.2023e	31.12.2024e
Sales	25,39	8,34	7,03	13,57
EBITDA	19,75	1,37	-0,08	5,31
EBIT	19,74	-3,76	-0,22	5,18
Net income	13,37	-2,41	-0,20	3,37

Key figures in EUR

Earnings per share	2,67	-0,48	-0,04	0,67
Dividend per share	0,00	0,10	0,10	0,10

Key figures

EV/Sales	-0,12	-0,37	-0,44	-0,23
EV/EBITDA	-0,16	-2,27	38,52	-0,58
EV/EBIT	-0,16	0,83	14,08	-0,60
KGV	7,59	-42,13	-509,51	30,08
KBV		0,93		

Financial Calendar

**last research from GBC:

Date: Publication / Target price in EUR / Rating

09.08.2023: RS / 58.00 / BUY

07.12.2022: RS / 50.00 / BUY

08.11.2022: RS / 80.00 / BUY

11.02.2021: RS / 120.00 / BUY

** Research reports listed above can be viewed at www.gbc-ag.de or requested from GBC AG, Halderstr. 27, D86150 Augsburg, Germany.

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Business performance HY1 20 2 3

in € million	HY1 2021	HY1 2022	HY1 2023
Revenues	17.70	5.60	5.62
EBITDA	14.44	2.74	-0.56
<i>EBITDA margin</i>	<i>81.6%</i>	<i>48.9%</i>	<i>-10.0%</i>
EBIT	14.03	-2.24	1.79
<i>EBIT margin</i>	<i>79.2%</i>	<i>-39.9%</i>	<i>31.9%</i>
Net income	10.17	-2.21	1.88
EPS in €	2.03	-0.44	0.38

Source: Bitcoin Group SE, GBC AG

In the first half of 2023, Bitcoin Group SE reported revenues of €5.62 million, a marginal increase from €5.60 million during the same timeframe the previous year. This marginal rise indicates a steady trading activity on Bitcoin.de, even though the volume remains relatively low. The diminished volatility in the crypto markets might be making trading less enticing for a section of investors. Interestingly, the Bitcoin market exhibits impressive stability, with volatility reaching historical lows. That said, Bitcoin's price experienced a robust ascent in the first half, skyrocketing 80.0% from an initial 15,500 BTC/EUR on 01.01.2023 to 27,900 BTC/EUR by 30.06.2023.

The first half's EBITDA stood at -€0.56 million, a stark contrast to the €2.74 million in the previous year's corresponding period. This downturn is chiefly attributed to personnel expenses and notably, a one-off cost of €2.62 million linked to the earlier intended integration of "von der Heydt Bank." Although Bitcoin Group had initially set sights on acquiring "von der Heydt Bank" they later opted against it — a decision that seems prudent now as the Heydt Bank grapples with impending liquidation. The EBIT surged to €1.79 million (previous year: -€2.24 million), further boosted by value recoveries of €2.73 million. Conversely, the year before had seen devaluations amounting to €4.98 million due to the reassessment of company-held cryptocurrencies. To conclude, the earnings per share were €0.38, slightly lower than the -€0.44 from the previous year.

Balance sheet and financial situation as of June 30, 2023

in € million	31.12.2021	31.12.2022	30.06.2023
Equity	151.65	73.35	109.27
Equity ratio (in %)	73.0%	77.2%	75.2%
Operating fixed assets	1.50	1.43	1.30
Working capital	-6.69	-1.23	-1.57
Net Cash	20.57	14.79	14.61

Source: Bitcoin Group SE, GBC AG

The financial position of Bitcoin Group remains robust. By 30.06.2023, their equity surged to €109.27 million, up from €73.35 million at the end of 2022. However, the equity ratio saw a minor dip, standing at 75.2% compared to 77.2% as of 31.12.2022. This augmentation in equity can be attributed to the favorable price trends in cryptocurrencies during the first half of 2023, reflecting an upward trajectory in Bitcoin Group's crypto assets.

By 30.06.2023, their crypto assets increased to €121.86 million, a considerable leap from €70.77 million at the end of the previous year. After accounting for deferred tax liabilities, which totaled €30.96 million (up from €16.35 million on 31.12.2022), the net value of their crypto assets amounted to €90.90 million, compared to €54.42 million as of 31.12.2022.

Forecast and evaluation

Income statement (in € million)	FY 2022	FY 2023e	FY 2024e
Revenues	8.34	7.03	13.57
EBITDA	1.37	-0.08	5.31
EBITDA margin	16.4%	-1.1%	39.2%
EBIT	-3.76	-0.22	5.18
EBIT margin	-45.0%	-3.1%	38.1%
Net income	-2.41	-0.20	3.37
EPS in €	-0.48	-0.04	0.67

Source: GBC AG

Revenue forecast

According to the semi-annual figures for 2023, the company reaffirms its guidance. Bitcoin Group's management projects a rise in registered users to 1,065,000 by the end of 2023, though it anticipates a marginal dip in revenue. Despite the present challenges posed by geopolitical and regulatory uncertainties, the board maintains a positive outlook on the future trajectory. The company's stringent security and transparency standards have fostered trust, aiding in customer base expansion. Furthermore, efforts are underway to establish a consistent EU-wide regulation to bolster growth. To optimize the potential of its burgeoning customer base, Bitcoin Group is strategizing enhancements in user experience and overall functionality.

The Bitcoin Stock-to-Flow model, a metric evaluating Bitcoin's scarcity, points toward potential bullish price movements, especially with the anticipated Bitcoin halving event in 2024. A halving event sees the reward for mining new Bitcoin blocks slashed by half, consequently limiting the daily influx of new Bitcoins. Historically, such events have often catalyzed Bitcoin price surges, as diminishing supply amidst stable or growing demand can elevate the cryptocurrency's value.

On the flip side, the dissolved partnership with Fidor Bank might cast a shadow on the revenue prospects for 2023. Nevertheless, Bitcoin Group is actively pursuing a new express trading partner and has entered into promising negotiations to that end.

For the fiscal year 2023, our revenue projections remain steadfast at €7.03 million, with an anticipated increase to €13.57 million in 2024.

Earnings forecast

In May 2023, Bitcoin Group chose to discontinue its acquisition pursuits of "Bankhaus von der Heydt", deeming it not beneficial for the company and its stakeholders. This decision brought about extra expenditures, which will be felt in the 2023 financial statements. Given the subdued revenue metrics, our forecast indicates a downturn in the EBITDA for 2023 to -€0.08 million. However, we predict a positive rebound in 2024 with an EBITDA estimate of €5.31 million. This EBITDA trend closely aligns with the anticipated net earnings. For 2023, we project a modest net gain of €0.20 million, with a more robust €3.37 million for 2024. While the company may contemplate selling a portion of its crypto assets to enhance the bottom line, such a move hasn't been factored into our forecasting model.

Valuation

Model assumptions

We assessed Bitcoin Group SE using a three-stage DCF (Discounted Cash Flow) model. The first phase begins with specific estimates for the years 2023 - 2024. From 2025 to 2030, in the second phase, the forecast is made using value drivers. We anticipate revenue growth of 15.0%. We have assumed a target EBITDA margin of 72.6%. For phase 2, we considered a tax rate of 30.0%. In the third phase, after the forecast horizon, a residual value is determined using the perpetual annuity method. In the terminal value, we assume a growth rate of 2.0%.

Determination of the cost of capital

The weighted average capital costs (WACC) of Bitcoin Group SE are calculated from the equity costs and the debt costs. Determining the equity costs involves identifying the fair market premium, the company-specific beta, and the risk-free interest rate.

The risk-free rate is derived according to the recommendations of the FAUB (Expert Committee for Company Valuations and Business Economics) of IDW from current yield curves for risk-free bonds. The basis for this is the zero-bond interest rates published by the Deutsche Bundesbank using the Svensson method. We used a risk-free rate of 2.00% (previously: 2.00%).

For a reasonable expectation of a market premium, we set the historical market premium at 5.50%. This is supported by historical analyses of stock market returns. The market premium indicates by how many percent the stock market is expected to yield better than the risk-free government bonds.

According to the GBC estimation method, a beta of 1.39 is currently determined.

Using the established premises, the equity costs are calculated at 9.70% (Beta multiplied by risk premium plus risk-free rate). Since we assume a sustainable weighting of equity costs at 100%, the weighted average capital costs (WACC) turn out to be 9.70%.

As of 30.06.2023, the company's crypto holdings amounted to €121.86 million. After deducting deferred tax liabilities of €30.96 million, the net crypto holdings amount to €90.90 million. Due to the slight decline in many cryptocurrencies as of 30.06.2023, we estimate the crypto holdings to be around €110 million. Taking into account the similarly reduced deferred tax liabilities, we forecast a current net crypto holding of €90 million. We add the net crypto holding to the net cash.

Valuation result

Within our DCF valuation model, we determined a new price target of €55.00 (previously: €58.00). Our profit and loss forecasts remained unchanged. However, we assume that the net crypto holdings have decreased from about €100 million to approximately €85 million. Consequently, there was a slight reduction in the target price.

Bitcoin Group SE - Discounted Cash Flow (DCF) Valuation

Value drivers of the DCF model after the estimate phase:

consistency - phase		final - phase	
Revenues growth	15.0%	perpetual revenues growth	2.0%
EBITDA margin	72.6%	perpetual EBITA margin	72.2%
AFA to operating fixed assets	8.0%	Effective tax rate in terminal value	30.0%
Working capital to sales	-15.0%		

three-stage DCF - model:

Phase in Mio. EUR	estimate		consistency						final terminal value
	FY 23e	FY 24e	FY 25e	FY 26e	FY 27e	FY 28e	FY 29e	FY 30e	
Revenues (US)	7.03	13.57	15.61	17.95	20.64	23.73	27.29	31.39	
<i>US Change</i>	-15.7%	93.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	2.0%
<i>US to operating fixed assets</i>	4.77	8.94	10.08	11.37	12.83	14.48	16.36	18.48	
EBITDA	-0.08	5.31	11.34	13.04	14.99	17.24	19.83	22.80	
<i>EBITDA margin</i>	-1.1%	39.2%	72.6%	72.6%	72.6%	72.6%	72.6%	72.6%	
EBITA	-0.22	5.18	11.21	12.91	14.87	17.11	19.70	22.67	
<i>EBITA margin</i>	-3.1%	38.1%	71.9%	72.0%	72.0%	72.1%	72.2%	72.2%	72.2%
Taxes on EBITA	0.07	-1.75	-3.36	-3.87	-4.46	-5.13	-5.91	-6.80	
<i>to EBITA</i>	32.2%	33.9%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
EBI (NOPLAT)	-0.15	3.42	7.85	9.04	10.41	11.98	13.79	15.87	
Return on investment	-74.2%	780.7%	-1631.4%	-1141.0%	-934.7%	-805.5%	-717.5%	-654.2%	-537.8%
Working capital (WC)	-1.04	-2.00	-2.34	-2.69	-3.10	-3.56	-4.09	-4.71	
<i>WC to turnover</i>	-14.7%	-14.7%	-15.0%	-15.0%	-15.0%	-15.0%	-15.0%	-15.0%	
<i>Investments in WC</i>	-0.19	0.96	0.34	0.35	0.40	0.46	0.53	0.61	
Operating assets (OAV)	1.47	1.52	1.55	1.58	1.61	1.64	1.67	1.70	
<i>AFA on OAV</i>	-0.14	-0.14	-0.12	-0.12	-0.13	-0.13	-0.13	-0.13	
<i>AFA to OAV</i>	9.5%	9.1%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	
<i>Investments in OAV</i>	-0.18	-0.18	-0.15	-0.15	-0.16	-0.16	-0.16	-0.16	
Invested capital	0.44	-0.48	-0.79	-1.11	-1.49	-1.92	-2.43	-3.01	
EBITDA	-0.08	5.31	11.34	13.04	14.99	17.24	19.83	22.80	
Taxes on EBITA	0.07	-1.75	-3.36	-3.87	-4.46	-5.13	-5.91	-6.80	
Total investments	-0.38	0.78	0.19	0.20	0.25	0.31	0.37	0.45	
<i>Investments in OAV</i>	-0.18	-0.18	-0.15	-0.15	-0.16	-0.16	-0.16	-0.16	
<i>Investments in WC</i>	-0.19	0.96	0.34	0.35	0.40	0.46	0.53	0.61	
<i>Investments in goodwill</i>	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Free cash flows	-0.39	4.34	8.16	9.36	10.78	12.41	14.29	16.45	212.06

Value of operating business (reporting date)	161.17	172.40
<i>Present value of explicit FCFs</i>	49.97	50.46
<i>Present value of the continuing value</i>	111.20	121.94
Net debt	-98.83	-102.60
Value of equity	260.00	275.00
Minority interests in profits	0.00	0.00
Value of share capital	260.00	275.00
Shares outstanding in million	5.00	5.00
Fair value of the share in EUR	52.00	55.00

Cost of Capital:

<i>risk-free return</i>	2.0%
<i>Market risk premium</i>	5.5%
<i>Beta</i>	1.39
<i>Cost of equity</i>	9.7%
<i>Target weighting</i>	100.0%
<i>Cost of debt</i>	6.5%
<i>Target weighting</i>	0.0%
<i>Taxshield</i>	25.0%
WACC	9.7%

ROI	WACC				
	9.1%	9.4%	9.7%	10.0%	10.3%
-538.3%	57.98	56.44	55.02	53.72	52.52
-538.0%	57.97	56.43	55.01	53.71	52.51
-537.8%	57.96	56.41	55.00	53.70	52.50
-537.5%	57.94	56.40	54.99	53.69	52.49
-537.3%	57.93	56.39	54.98	53.68	52.48

APPENDIX

I.

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BUY	The expected return, based on the determined price target, including dividend payment within the corresponding time horizon is $\geq + 10\%$.
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The analysts responsible for this analysis are

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Cosmin Filker, Dipl. Betriebswirt (FH), Deputy Chief Analyst

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