

Advanced Blockchain AG^{*5a,11}

Fair value: € 7.00
(previously: € 17.64)
Rating: Buy

Price: 5.96 €
11.11.24 / Xetra / 13:21
Currency: EUR

Company data:

ISIN: DE000A0M93V6
WKN: A0M93V
Symbol (FRA): ABX
Number of shares³: 3.79
Market capitalization³: 21.86
in million ³ / in million EUR

Accounting standard:
German GAAP (HGB)

Financial year: 31.12.

Analysts:

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Date (time) Completion:
11.11.2024 (14:00)
Date (time) first transmission:
12.11.2024 (10:00)
Validity of the price target: until
max. 31.12.2025

* Catalog of potential conflicts
of interest on page 8

Profile of the company

Industry: Technology, Cryptocurrencies

Focus: Blockchain technology, DeFi, Web 3.0

Employees: 16 (31.12.2023)

Foundation: 2017

Head office: Berlin

Management Board: Hatem Elsayed (COO), Maik Laske
(future CFO)



The Advanced Blockchain AG is the first publicly listed company in Germany with an exclusive focus on investments, development, and incubation of businesses in the blockchain technology sector. Through its Cypriot subsidiary, Incredulous Labs Ltd., the company strategically invests in innovative and disruptive blockchain solutions, while the German parent company operates as a holding entity for strategic investments. The investment focus is clearly on the venture capital segment, particularly in decentralized finance solutions (DeFi) and decentralized infrastructure solutions (DePin). By concentrating on early-stage investments, Advanced Blockchain AG not only secures a significant competitive edge but also actively supports the growth and scaling of emerging companies with high market potential. In doing so, Advanced Blockchain AG positions itself as a leading player in the rapidly expanding blockchain ecosystem, offering investors an attractive opportunity to benefit from the long-term value creation prospects within this sector.

GBC NAV valuation

Top 15 valuation of the portfolio	27.87 million €
Holding costs	1.35 million €
NAV	26.52 million €
Outstanding shares	3.79 million
NAV per share	7.00 €

Financial calendar

11.2024: German Equity Forum
25.02.2025: International Investment Forum

**Current research by GBC:

Date: Publication / Target price in EUR / Valuation

15.07.2024: RS / 17.64 / BUY

19.04.2024: RS / 17.64 / BUY

11.12.2023: RS / 11.00 / BUY

13.11.2023: RS / 11.00 / BUY

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

Note pursuant to MiFID II regulation for research "minor non-monetary benefit": This research fulfills the requirements for classification as a requirements for classification as a "minor non-monetary benefit". Further information on this can be found in the disclosure under "I. Research under MiFID II"

More transparent reporting planned

Under the leadership of the new executive board, consisting of Hatem Elsayed (COO) and Maik Laske (future CFO), the company is undergoing an exciting strategic realignment focused on transparency, sustainable growth, and long-term trust. As part of a comprehensive restructuring, Advanced Blockchain is currently intensively reviewing its financial and governance processes to establish a solid and reliable foundation for the years ahead. The goal is to present consolidated group financial statements based on audited figures from previous years, thereby strengthening trust among investors and stakeholders.

Although a complete group half-year financial statement for 2024 cannot be provided at the annual general meeting on December 4, 2024, due to ongoing audits of the 2021–2023 fiscal years, the company has already made clear progress towards more transparent and robust financial reporting. By 2025, the strategic direction will be further strengthened to establish the company as a leading player and trusted “go-to partner” in the cryptocurrency and blockchain technology sectors. This includes increased participation in investor and industry conferences, as well as a targeted communication strategy to expand market presence and attract new investors.

A central focus for the management is to create a reliable foundation for future financial reports. The company plans to present a complete and audited annual report for 2024 by the first half of 2025, based on adjusted and verified figures from the 2021–2023 periods. These actions represent a critical step towards higher compliance and governance standards and are an essential component of the new strategic direction. The comprehensive review of financial statements will ensure that future reports meet the highest standards of transparency and accuracy.

Advanced Blockchain AG plans to strengthen its portfolio management by sharpening its strategic focus and expanding its existing network to make promising early-stage investments in innovative cryptocurrency and blockchain projects. In addition to capital, the company will provide its portfolio companies with strategic advice and access to a comprehensive network of experts to maximize their success potential. These investments are aimed not only at creating long-term growth potential and sustainable value but also at further establishing the company as a pioneer in supporting new blockchain initiatives.

Through this approach, Advanced Blockchain AG opens up access to Web3 and blockchain investments for all, offering innovative, forward-thinking investment opportunities in the next generation of digital technologies.

To further strengthen its positioning, Advanced Blockchain AG plans to sustainably increase its visibility with investors and stakeholders through continued participation in relevant investor and industry events and a clear, transparent communication strategy. This should help solidify trust in the company and enhance its attractiveness for future investments.

Results of operations in the first half of 2024 (individual company)

in € million	1ST HY 2023	1ST HY 2024
Sales and other operating income	0,05	0,25
EBITDA	-0,16	-0,12
EBIT	-0,17	-0,13
Net result	-0,17	-0,16

Source: Advanced Blockchain AG, GBC AG

As the consolidated financial statements are still being processed, the company has initially published the individual financial statement of the AG to meet its reporting obligations.

However, since the majority of the investments and holdings are within the Cypriot subsidiary Incredulous Labs Ltd., the individual financial statement of the AG is only partially reflective of the entire corporate group, as it represents only a small portion of the group's overall operations.

In the first half of 2024, Advanced Blockchain AG (individual company) recorded a moderate increase in revenue, rising from €0.046 million in the same period last year to €0.245 million. This increase was mainly driven by the successful sale of Tracebloc shares. However, overall revenue remains relatively low.

Operating expenses increased during the reporting period by €0.192 million, totaling €0.309 million (previous year: €0.116 million). This increase in costs was driven by several factors. Some expenses stemmed from decisions made by the previous management. Additionally, costs were incurred due to legally required disclosures. A significant part of the higher expenses was related to the intensive preparation for the consolidation of financials and the ongoing audits of the consolidated financial statements. This includes expenditures for preparing and auditing annual reports, as well as legal and tax advisory costs arising from the ongoing restructuring and revisions of governance structures. Furthermore, funds were allocated to the further development and optimization of internal processes to enhance the company's efficiency and compliance.

The increased operating expenses, combined with the modest revenue, resulted in a slightly negative EBIT and EBITDA. The EBITDA improved slightly compared to the previous year, reducing from -€0.157 million to -€0.119 million, though it remains negative. Similarly, EBIT remained negative but showed a slight improvement, rising from -€0.166 million in the first half of 2023 to -€0.155 million in 2024. The net result for the reporting period showed a modest improvement, decreasing from -€0.166 million to -€0.155 million.

Balance sheet and financial position as at 30.06.2024 (single entity)

in € million	30.06.2023	30.06.2024
Equity	9,67	9,40
Equity ratio (in %)	66,3%	65,1%
Operating fixed assets	0,03	0,02
Working capital	-0,11	-0,12
Net financial assets	12,06	10,92

Source: Advanced Blockchain AG, GBC AG

As of June 30, 2024, the equity remains stable at €9.40 million (June 30, 2023: €9.67 million). The equity ratio stands at 65.1% (June 30, 2023: 66.3%), maintaining a high level.

The liquid assets of Advanced Blockchain AG have significantly increased to €1.62 million (June 30, 2023: €0.09 million). This increase reflects the success of the essential projects initiated by the supervisory board elected at the annual general meeting in August 2023. The rise is primarily due to the successful disposal of assets, particularly the sale of Tracebloc shares. This positive development has significantly strengthened the company's liquidity position, enhancing its flexibility for future investments and operational activities. Given this strengthened liquidity and the continued high equity ratio, Advanced Blockchain AG is, in our view, currently in a very solid financial position and well-positioned to pursue its strategic goals in the coming years.

The net financial assets, as determined by us, include receivables from affiliated companies amounting to €10.94 million (June 30, 2023: €12.40 million), primarily consisting of loans to Incredulous Labs. We anticipate that these loans can be quickly serviced, as Incredulous Labs holds substantial token investments that far exceed the loan amount and

are relatively easily liquidated, making them almost cash-equivalent. On the liabilities side, the liquid assets are mainly offset by bonds amounting to €3.37 million (June 30, 2023: €2.49 million). As a result, net financial assets decreased to €10.92 million (June 30, 2023: €12.06 million), but remain at a very high level.

Due to the lack of a published cash flow statement, we are unable to perform a detailed liquidity analysis.

Valuation

Advanced Blockchain AG has published the valuation of its top 15 token portfolio holdings as of June 30, 2024, with a total value of approximately \$30 million. This updated valuation corrects a previous, inaccurate estimate of €57.5 million as of December 31, 2023, where an individual holding was erroneously reported at too high a value. Currently, the supervisory board is reviewing potential legal actions against the former sole board member and other individuals due to alleged violations such as breach of confidentiality and embezzlement of company funds, which were uncovered during investigations into 2023 and the first half of 2024.

Our previous valuation was based on the aforementioned €57.5 million, as well as data provided by the former board. As part of the company's strategic realignment, we are now adopting a more conservative valuation approach. For this, we rely solely on the recently updated valuation of the 15 key portfolio positions, with a deduction for holding costs. As a result, we are currently using a value of \$30 million (equivalent to €27.87 million, based on an exchange rate of 1 USD = 0.928971 € as of November 7, 2024, 10:24 UTC).

The top investments, Peaq and Composable, together account for more than 50% of the portfolio's value, while Contango, with a growth of 115% since the end of 2023, also represents a significant position. Other notable positions include Panoptic and Polymer, which also represent high-value holdings within the portfolio.

The distribution of the total value shows the following focal points:

Portfolio item	Share of total portfolio
Composable (PICA/MANTIS)	24 - 29%
Peaq (PEAQ/KREST)	22 - 27%
Contango	10 - 15%
Panoptic	7 - 12%
Polymer	6 - 11%
Light Protocol	4 - 9%
Permanent Ventures	3 - 8%
Delv (formerly Element Finance)	3 - 8%
Neon EVM	2 - 7%
Talisman	2 - 7%
zCloak	2 - 7%
Pendulum	1 - 6%
Laconic	1 - 6% (based on nominal value)
Mero/TLX	0 - 5%
Celestia	0 - 5%

The current valuation does not include the equity stake in EoT Labs, intellectual property from FinPro, or additional token and software assets held by the group. In recent years, the portfolio valuation has been variable and focused on the top 10 positions. The expansion to the top 15 now provides increased transparency and more consistent reporting.

A potential valuation catalyst for the Advanced Blockchain AG portfolio is the planned launch of the PEAQ token on November 12. Peaq is a Layer-1 blockchain project that supports decentralized networks for physical infrastructure (DePIN). The new token aims to expand the "Peaqosystem" and make the network accessible to over 50 projects. The PEAQ token will enable more efficient interaction between humans and machines, facilitate transactions, and help manage the network.

Another strategic investment for Advanced Blockchain AG is the stake in Silencio Network, which the company invested in during September 2024. Silencio Network is an emerging

platform in the decentralized physical infrastructure networks (DePIN) sector, using blockchain technology to promote the global collection of data on noise pollution.

As part of the publication of the consolidated financial statements and enhanced transparency for the entire portfolio, we plan to reassess the portfolio comprehensively, to provide a clear view of additional investments. With a current valuation of €27.87 million, and deducting holding costs of €1.35 million, the company's valuation comes to €26.52 million. With 3.79 million shares outstanding, this results in a per-share value of €7.00 (previously €17.64). Due to the significant upside potential, we assign a "Buy" rating.

Forecast model

In accordance with the provisions of §21 (1c) AGB of Deutsche Börse AG for the Open Market at the Frankfurt Stock Exchange, the inclusion of a (updated) forecast model is required for a research update. However, our analysts have determined that such a forecast model is not suitable for investment companies like Advanced Blockchain AG, which operates in the cryptocurrency sector.

As we utilize the GBC NAV valuation approach to assess the company, we do not consider it appropriate to use a forecast model for revenue and earnings figures. Instead, we focus on estimating the value of investments.

We believe that a forecast model for investment companies such as Advanced Blockchain AG does not provide meaningful or useful insights for investors. The potential revenues and results in this industry are highly volatile, and we believe that the valuation of an investment company should primarily be based on the valuation of its investments and projects.

To comply with the legal requirements of §21 (1c) AGB, we have included this forecast in the research report. However, we would like to emphasize that, in our opinion, the forecast model is supplementary.

Income statement (in € million) Group	FY 2024e
Revenue	1.20
EBITDA	1.00
EBITDA margin	83.3%

Source: GBC AG

However, we would like to reiterate and emphasize that the aforementioned forecasts should be considered highly volatile and unreliable. This is due to the inherent volatility of Advanced Blockchain as an investment company operating in a young and highly volatile market environment, specifically the cryptocurrency sector. Therefore, we believe that relying solely on the forecasts mentioned above to value the company would not be sensible or appropriate. Doing so could lead to an inaccurate valuation of the company.

Instead, we recommend focusing on the valuation of the investments held by Advanced Blockchain AG and their potential value. This approach is more suitable and aligns with the unique characteristics of the company and the industry in which it operates.

Peer-Group Analysis

Due to limited disclosed financial information and the uniqueness of the business model, there are currently no comparable publicly traded competitors. Therefore, at this time, we cannot perform a peer group-based valuation.

APPENDIX

I.

Research under MiFID II

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