

Letter to shareholders 3. Quarter of 2020



BEST ADVICE. BETTER TECHNOLOGY.



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CDO

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CEO

Management Board letter to shareholders

DEAR SHAREHOLDERS, DEAR BUSINESS PARTNERS,

Against the backdrop of the continuing coronavirus crisis, which has caused great economic and financial market uncertainty, the group's results for the third quarter and the first nine months of 2020 are still encouraging. Despite the now noticeable negative impact of the COVID-19 pandemic, the results confirm the Management Board's positive growth forecast: in the first nine months of 2020, consolidated revenues grew by around 9 percent to 86.5 million Euro, with both the Advisortech and the Advisory segments again contributing to the growth.

Overall, the group is continuing to navigate its way through the crisis well: the number of new business applications in the third quarter again exceeded the number in the same quarter of 2019, although the increase was not quite as large as in the first half of the year. The initiation of new business relationships has been curtailed by the extensive social distancing measures, with the suspension of many social activities and the shutdown of many businesses in the second quarter. The impact of this is making itself felt in the business performance: long hold-ups in the financing and mortgage sector are being caused by the coronavirus pandemic, and the property business is lagging further behind as a result. Occupational pensions have not yet regained momentum either, owing to the continuing restrictions on visitors to businesses.

The strong investment and non-life insurance business compensated for this again in the third quarter, so that even in the traditionally weakest quarter of the year there was a 2 percent increase in revenues. The rapid growth in the number of contracts transferred to our insurance platform in the first half of the year continued in the third quarter. However, the impact of these contracts will not be seen in the platform's revenues and income for a number of months.

The JDC bancassurance platform continues to perform well. The new key account, the Sparkasse Bremen group company's mobile Versicherungsmakler GmbH, has now successfully been launched. All the processing, settlement and accounting processes for the insurance business of Sparkasse Bremen have now been taken over. Two pilot projects with other insurance companies have also been initiated. Based on the success of these projects, we expected to sign two further contracts in 2021.

Results for the third quarter and the first nine months of 2020

Consolidated revenues rose by roughly 9 percent to 86.5 million Euro in the first nine months of 2020 (first nine months of 2019: 79.6 million Euro). Even in the traditionally weakest third quarter, there was also year-on-year growth: consolidated revenues were up around 2 percent, at 27.7 million Euro (third quarter 2019: 27.0 million Euro).

Earnings before interest, tax, depreciation and amortisation (EBITDA) in the first nine months accordingly increased by around 4 percent to 3,697 kEUR (first nine months of 2019: 3,563 kEUR). There was a slight decline in EBITDA in the third quarter of 2020, to 563 kEUR (third quarter 2019: 701 kEUR).

Earnings before interest and tax (EBIT) have decreased further to 286 kEUR despite the continuing impact of the COVID-19 pandemic (first nine months of 2019: EUR 403 thousand). Taken on its own, third-quarter EBIT fell year on year to –661 kEUR (third quarter 2019: –415 kEUR).

Equity as at 30 September 2020 was 27.6 million Euro. The equity ratio grew to a healthy 31.2 percent (31 December 2019: 30.5 million Euro and 29.8 percent).

	in kEUR						
	Q3/2020 kEUR	Q3/2020 kEUR	Changes compared to previous year in %	30/09/2020 kEUR	30/09/2019 kEUR	Changes compared to previous year in %	
Revenues	27,662	27,037	2	86,482	79,550	9	
– thereof Advisortech	22,138	22,134	0	71,703	66,538	8	
– thereof Advisory	7,292	6,428	13	21,290	19,287	10	
– thereof Holding/Cons.	–1,768	–1,524	–16	–6,511	–6,275	–4	
EBITDA	563	701	–20	3,697	3,563	4	
EBITA	–258	26	>–100	1,499	1,514	–1	
EBIT	–661	–415	–59	286	403	–29	

THE PERFORMANCE OF THE INDIVIDUAL SEGMENTS WAS AS FOLLOWS

Advisortech

The revenues generated by the Advisortech segment increased by around 7.8 percent in the first nine months of 2020, to 71.7 million Euro (first nine months of 2019: 66.5 million Euro). Third quarter revenues are stable at 22.1 million Euro (third quarter 2019: 22.1 million Euro).

Earnings before interest, tax, depreciation and amortisation (EBITDA) in the first nine months of 2020 were up again compared with the same period of the previous year, at 4.6 million Euro compared with 4.3 million Euro. EBITDA for the third quarter on its own is stable at 0.9 million Euro (third quarter 2019: 0.9 million Euro).

Earnings before interest and tax (EBIT) increased to 1.9 million Euro in the first nine months of 2020 (first nine months of 2019: 1.8 million Euro).

Advisory

In the Advisory segment, revenues in the first nine months of 2020 were 10.4 percent higher than in the same period of the previous year, at 21.3 million Euro (first nine months of 2019: 19.3 million Euro). In the third quarter taken on its own, revenues were also up year on year at 7.3 million Euro, compared with 6.4 million Euro in 2019.

Earnings before interest, tax, depreciation and amortisation (EBITDA) in the Advisory segment were slightly higher in the first nine months of 2020, at 0.6 million Euro (first nine months of 2019: 0.5 million Euro). EBITDA for the third quarter of 2020 alone was lower than in the same quarter of the previous year, at 0.2 million Euro (third quarter 2019: 0.3 million Euro).

Earnings before interest and tax (EBIT) were up slightly in the first nine months of 2020 at 0.0 million Euro (first nine months of 2019: -0.1 million Euro).

Outlook

Our assessment of the outlook for the rest of 2020 is as follows:

Despite the renewed lockdown measures imposed by the federal government and the regional governments, we expect fourth-quarter revenues to be stronger than in the two prior quarters – as in all previous years – with a consequent positive impact on the income situation. The main reason for this is that more than 80 percent of our business transactions are now processed digitally, so the resumption of social distancing measures is having a steadily decreasing impact on our business operations. Pent-up demand in the property business – and now, to some extent, also in the occupational pensions business – in addition to the continued increase in holdings, will contribute to a positive fourth quarter.

Our previous guidance for consolidated revenues of between EUR 125 million and EUR 132 million with a continued increase in EBITDA was always based on the absence of further lockdowns in Germany or Austria. Owing to the renewed lockdown measures, in the middle of the year-end business that is so important for the distribution sector, we are adjusting our guidance slightly. We now expect revenues of between EUR ~~118~~ million and EUR 125 million, and we still anticipate ~~an increase~~ in EBITDA.

Thanks to our employees and shareholders

Finally, we would like once again to thank, in particular, our staff and the distribution partners of JDC Group AG, as well as our subsidiaries, as it is on their commitment and motivation that our success is based.

Thanks are also due to our shareholders, who believe in our business model and provide reassuring support to the Management and Supervisory Boards.

We very much hope that we can enjoy your continued support.

Yours sincerely



Dr. Sebastian Grabmaier



Ralph Konrad



Stefan Bachmann

Consolidated income statement

	Q3/2020 kEUR	Q3/2019 kEUR	01/01- 30/09/2020 kEUR	01/01- 30/09/2019 kEUR
1. Commission income	27,662	27,037	86,482	79,550
2. Capitalised services	297	236	777	724
3. Other operating income	272	418	420	517
4. Commission expenses	-20,822	-19,961	-63,390	-57,467
5. Personnel expenses	-4,778	-4,537	-13,712	-12,906
6. Depreciation and amortisation of tangible and intangible assets	-1,224	-1,116	-3,411	-3,160
7. Other operating expenses	-2,068	-2,492	-6,880	-6,855
8. Other interest and similar income	0	1	11	3
9. Interest and similar expenses	-391	-406	-1,129	-1,039
10. Operating profit/loss	-1,052	-820	-832	-633
11. Income tax expenses	30	88	24	34
12. Other tax expenses	-25	-45	-49	-52
13. Net profit	-1,047	-777	-857	-651
14. Earnings per share	-0.08	-0.06	-0.07	-0.05

Previous year slightly adjusted

Segment reporting

30 September 2020

	Advisortech		Advisory	
	30/09/2020 kEUR	30/09/2019 kEUR	30/09/2020 kEUR	30/09/2019 kEUR
Segment income				
Commission income	71,703	66,538	21,290	19,287
of which with other segments	858	727	5,656	5,549
Total segment income	71,703	66,538	21,290	19,287
Capitalised services	777	724	0	0
Other income	402	517	21	28
Segment expenses				
Commissions	-54,013	-49,457	-15,336	-13,943
Personnel expenses	-9,032	-8,843	-2,914	-2,549
Depreciation and amortisation	-2,659	-2,530	-648	-608
Other	-5,240	-5,137	-2,416	-2,287
Total segment expenses	-70,944	-65,967	-21,314	-19,387
EBIT	1,938	1,812	-3	-72
EBITDA	4,597	4,342	645	536
Income from investments	0	0	0	0
Other interest and similar income	559	393	9	10
Yield on other securities	0	0	0	0
Depreciation of financial assets	0	0	0	0
Other interest and similar expenses	-1,344	-1,184	-450	-538
Financial result	-785	-791	-441	-528
Segment earnings before tax (EBT)	1,153	1,021	-444	-600
Tax expenses	100	2	-138	32
Segment net profit	1,253	1,023	-582	-568

Holding		Total reportable segments		Transfer		Total	
30/09/2020 kEUR	30/09/2019 kEUR	30/09/2020 kEUR	30/09/2019 kEUR	30/09/2020 kEUR	30/09/2019 kEUR	30/09/2020 kEUR	30/09/2019 kEUR
1,150	1,410	94,143	87,235	-7,661	-7,685	86,482	79,550
1,147	1,410	7,661	7,686	-7,661	-7,686	0	0
1,150	1,410	94,143	87,235	-7,661	-7,685	86,482	79,550
0	0	777	724	0	0	777	724
0	0	423	545	-3	-28	420	517
0	0	-69,349	-63,400	5,959	5,933	-63,390	-57,467
-1,766	-1,514	-13,712	-12,906	0	0	-13,712	-12,906
-104	-22	-3,411	-3,160	0	0	-3,411	-3,160
-929	-1,211	-8,585	-8,635	1,705	1,780	-6,880	-6,855
-2,799	-2,747	-95,057	-88,101	7,664	7,713	-87,393	-80,388
-1,649	-1,337	286	403	0	0	286	403
-1,545	-1,315	3,697	3,563	0	0	3,697	3,563
0	0	0	0	0	0	0	0
603	756	1,171	1,159	-1,160	-1,156	11	3
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
-495	-473	-2,289	-2,195	1,160	1,156	-1,129	-1,039
108	283	-1,118	-1,036	0	0	-1,118	-1,036
-1,541	-1,054	-832	-633	0	0	-832	-633
13	-52	-25	-18	0	0	-25	-18
-1,528	-1,106	-857	-651	0	0	-857	-651

Segment reporting Quarters

	Advisortech		Advisory	
	Q3/2020 kEUR	Q3/2019 kEUR	Q3/2020 kEUR	Q3/2019 kEUR
Segment income				
Commission income	22,138	22,134	7,292	6,428
of which with other segments	237	191	1,534	1,335
Total segment income	22,138	22,134	7,292	6,428
Capitalised services	297	236	0	0
Other income	268	413	4	5
Segment expenses				
Commissions	-17,151	-16,954	-5,258	-4,416
Personnel expenses	-3,116	-3,127	-1,021	-892
Depreciation and amortisation	-923	-913	-233	-196
Other	-1,562	-1,786	-819	-809
Total segment expenses	-22,752	-22,780	-7,331	-6,312
EBIT	-49	4	-35	120
EBITDA	874	917	198	316
Income from investments	0	0	0	0
Other interest and similar income	179	128	1	3
Yield on other securities	0	0	0	0
Depreciation of financial assets	0	0	0	0
Other interest and similar expenses	-427	-410	-145	-183
Financial result	-248	-282	-144	-180
Segment earnings before tax (EBT)	-297	-278	-179	-59
Tax expenses	55	140	-69	-52
Segment net profit	-242	-138	-248	-111

Holding		Total reportable segments		Transfer		Total	
Q3/2020 kEUR	Q3/2019 kEUR	Q3/2020 kEUR	Q3/2019 kEUR	Q3/2020 kEUR	Q3/2019 kEUR	Q3/2020 kEUR	Q3/2019 kEUR
377	467	29,807	29,029	-2,145	-1,992	27,662	27,037
374	467	2,145	1,993	-2,145	-1,993	0	0
377	467	29,807	29,029	-2,145	-1,992	27,662	27,037
0	0	297	236	0	0	297	236
0	0	272	418	0	0	272	418
0	0	-22,409	-21,369	1,587	1,409	-20,822	-19,961
-641	-518	-4,778	-4,537	0	0	-4,778	-4,537
-68	-7	-1,224	-1,116	0	0	-1,224	-1,116
-245	-480	-2,626	-3,075	558	583	-2,068	-2,492
-954	-1,006	-31,037	-30,098	2,145	1,992	-28,892	-28,106
-577	-539	-661	-415	0	0	-661	-415
-509	-531	563	701	0	0	563	701
0	0	0	0	0	0	0	0
195	251	375	383	-375	-382	0	1
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
-194	-195	-766	-788	375	382	-391	-406
1	56	-391	-405	0	0	-391	-405
-576	-483	-1,052	-820	0	0	-1,052	-820
19	-45	5	43	0	0	5	43
-557	-528	-1,047	-777	0	0	-1,047	-777

Consolidated Balance Sheet

Assets	30/09/2020 KEUR	31/12/2019 KEUR
Non-current assets		
Intangible assets	48,432	49,924
Fixed assets	5,005	2,681
Financial assets	186	186
	53,623	52,791
Deferred taxes	3,739	3,151
Long-term non-current assets		
Accounts receivable	872	900
Other assets	2,413	2,559
	3,285	3,459
Total non-current assets	60,647	59,401
Current assets		
Accounts receivable	14,245	19,010
Other assets	3,169	2,415
Cash and cash equivalents	9,850	21,124
Deferred charges	452	345
Total current assets	27,716	42,894
Total assets	88,363	102,295

Liabilities	30/09/2020	31/12/2019
	kEUR	kEUR
Equity		
Subscribed capital	13,128	13,128
Own Shares	-505	-162
Capital reserves	19,074	20,780
Other retained earnings	392	392
Other equity components	-4,514	-3,656
Total equity	27,575	30,482
Non-current liabilities		
Deferred taxes	4,229	3,692
Bonds	19,300	19,192
Liabilities due to banks	0	15
Accounts payable	9,798	9,229
Other liabilities	3,651	1,571
Accruals	1,967	1,590
Total non-current liabilities	38,945	35,289
Current liabilities		
Bonds	0	12,292
Accrued taxes	144	120
Liabilities due to banks	1,067	354
Accounts payable	15,826	19,248
Other liabilities	4,748	4,506
Deferred income	58	4
Total current liabilities	21,843	36,524
Total equity and liabilities	88,363	102,295

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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.