

coinIX GmbH & Co KGaA

Germany | Technology | MCap EUR 3.8m

19 July 2023

UPDATE



FY 22: The crypto winter is over, BUY

What's it all about?

For crypto and blockchain companies, the year 2022 was characterized by difficult economic conditions, a loss of investor confidence and a massive drop in the value of many cryptocurrencies. coinIX came through the crypto winter with minor bruises: declining revenues and depreciation led to an after-tax loss of EUR 1.3m. The company has used the market crisis to calibrate its strategy towards technical solutions and blockchain infrastructure, while setting the stage to become an Ethereum validator and generate staking revenue. The strong recovery in crypto markets since the beginning of the year has been positively reflected in coinIX's intrinsic value, but not yet in its share price. Based on an updated valuation, we recommend buying the stock with a price target of EUR 2.53 and more than 100% upside.

BUY (BUY)

Target price	EUR 2.53 (5.71)
Current price	EUR 1.24
Up/downside	104.0%

 **ResearchHub**



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FY 22: The crypto winter is over, BUY.

2022 was a year of great challenges for the entire crypto and blockchain industry. coinIX has published its financial statements for the financial year 2022. The business environment was characterized by a difficult economic environment: The collapse of one of the largest stablecoins (Terra Luna/UST) and the insolvencies of several important market participants (e.g. FTX, Celsius Network, Voyager Digital, Three Arrows Capital) led to a loss of investor confidence and a massive drop in the value of many cryptocurrencies in 2022. The investment activity of venture capitalists in the blockchain segment declined significantly, especially in the second half of the year. Even coinIX could not completely escape this market environment but came through the crypto winter comparatively smoothly.

Portfolio companies with mixed performance. coinIX invests in young blockchain companies from the pre-seed stage until the last financing round before Series A via various instruments (equity, tokens, convertible bonds). Early-stage investments are associated with increased risk, but also open up higher return potential if successful. Due to the lower of cost or market principle, German GAAP (HGB) accounting only reflects the risks in the form of write-downs for lower fair values, while successful investments are not written up (hidden reserves are then only disclosed upon exit). In FY22, coinIX wrote down a total of EUR 667 thousand on portfolio companies whose development did not meet expectations and for some of which there is a risk that the time until cash flow breakeven cannot be bridged by financing. At the same time, some portfolio companies have developed very promisingly and have achieved proof of concept with their business models or have already achieved considerable market success. These include, for example, Finexity (platform for the tokenization of assets), Blockpit (tax software for trading in cryptocurrencies) and Cadeia (Blockchain platform for structuring, issuing and settling complex financial products).

- continued -

coinIX GmbH & Co KGaA	2020	2021	2022	2023E	2024E	2025E
Sales	0.0	0.0	0.0	0.0	0.0	0.0
Growth yoy	na	na	na	na	na	na
EBITDA	-0.0	1.7	-0.2	0.4	0.6	0.8
EBIT	-0.1	1.7	-1.5	0.4	0.6	0.8
Net profit	-0.7	1.8	-1.3	0.3	0.5	0.7
Net debt (net cash)*	-0.1	-0.8	-0.2	-0.2	-0.7	-1.4
Net debt/EBITDA	2.8x	-0.5x	1.1x	-0.5x	-1.2x	-1.7x
EPS reported	-0.29	0.63	-0.43	0.11	0.16	0.22
DPS	0.00	0.00	0.00	0.00	0.00	0.00
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Gross profit margin	na	na	na	na	na	na
ROCE	-5.7%	22.4%	-23.3%	6.4%	8.5%	10.4%
EV/EBITDA	-98.0x	1.7x	-17.5x	8.5x	5.1x	3.0x
EV/EBIT	-54.4x	1.8x	-2.4x	8.5x	5.1x	3.0x
PER	-4.2x	2.0x	-2.9x	11.0x	7.7x	5.7x
FCF yield	-1.1%	37.5%	-36.2%	-0.4%	12.9%	17.4%

* coinIX is financed exclusively by equity. Source: Company data, AlsterResearch

Note 1: German GAAP reporting is not very meaningful for an investment company.

Note 2: Estimates do not include any proceeds from divestments of equity stakes.



Source: Company data, AlsterResearch

High/low 52 weeks 2.72 / 1.15
Price/Book Ratio 0.6x

Ticker / Symbols

ISIN DE000A2LQ1G5
WKN A2LQ1G
Bloomberg XCX:GR

Changes in estimates

		Sales	EBIT	EPS
2023E	old	0.0	0.4	0.11
	Δ	na%	0.0%	0.0%
2024E	old	0.0	0.6	0.16
	Δ	na%	0.0%	0.0%
2025E	old	0.0	0.8	0.22
	Δ	na%	0.0%	0.0%

Key share data

Number of shares: (in m pcs) 3.07
Ø trading volume: (52w, in pcs) 1,200

Major shareholders

Free Float 100.0%

Company description

coinIX is a venture capital investment firm that invests in blockchain technology companies, tokens and cryptocurrencies.

Cryptocurrencies slightly negative overall. Despite the difficult market environment, coinIX was able to generate a profit from the sale of cryptocurrencies in the amount of EUR 575 thousand in the financial year 2022. However, this is offset by write-downs on liquid cryptocurrencies in current assets amounting to EUR 360 thousand and on cryptocurrencies in non-current assets amounting to EUR 289 thousand, so that the overall contribution to earnings from cryptocurrencies is slightly negative. However, in view of the partly dramatic price losses of many cryptocurrencies in 2022, this seems very moderate: for example, established cryptocurrencies such as Solana, Polkadot or Cardano recorded losses of between 80% and 90% and many obscure altcoins became practically worthless. Even the leading currencies Bitcoin and Ethereum each suffered a loss in value of around two-thirds.

The bottom line is a loss for FY22, but the signs are good for 2023. Significantly declining revenues from the sale of tokens and coins and depreciation led to an after-tax loss of EUR 1.3m in FY22 despite significantly reduced management compensation. However, crypto markets have recovered significantly since the beginning of the year. For the three largest positions in coinIX's portfolio, this means that the price of The Graph (GRT) roughly doubled during FY23, Bitcoin gained over 80% and Ethereum over 50%. So the outlook for FY23 is very good.

Further development of the strategic direction: thesis-driven and robust. coinIX has taken advantage of the crypto market crisis in 2022 to evolve its strategy and make the business more robust. Based on the experience gained, there is increased investment in technical solutions for blockchain infrastructure where decentralization is an important aspect. At the same time, blockchain applications for gaming, sports, or Metaverse tend to move out of focus. In addition, by investing in its own hardware, the company has set the stage to act as an Ethereum validator and generate staking revenue. Finally, in response to the increasing uncertainty regarding the regulation of crypto custody providers such as Coinbase and the aforementioned insolvencies, a multi-level self-custody concept was implemented.

Investment case is intact. Despite the difficult year 2022 and the further development of the strategy, the core theses of the coinIX investment case remain intact. With a share in coinIX, one acquires shares in segments of the blockchain value chain to which investors would otherwise hardly have access. In addition, there are diversification effects due to the high number of investments. The strong network, especially in the DACH region and Israel, could prove to be particularly valuable due to the pioneering regulatory role of the EU.

Valuation with significant upside potential: Buy, price target EUR 2.53. The recovery of the crypto markets in recent months has not yet been reflected in the valuation of coinIX. We update our fair value calculation with year-end data, current crypto prices, and an additional revaluation of the company's equity holdings based on recent developments (see following page: positive deviations from book value are marked in green, negative ones in red). This results in a fair value per share of EUR 2.53. Additional upside potential results from further increases in value of the current portfolio as well as from future transactions. We continue to recommend BUY.

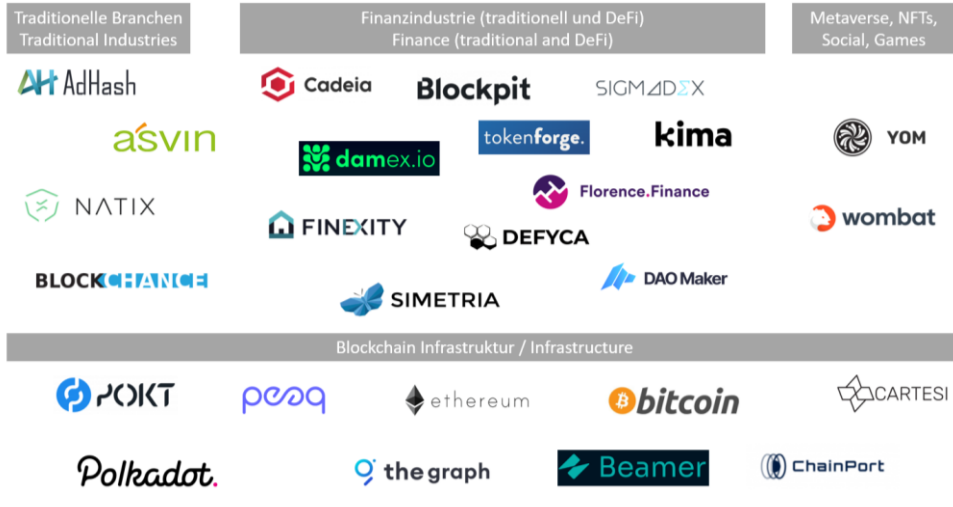
Valuation

Portfolio coinIX					
Unternehmen / Company	Quelle / source	Buchwert book value (EUR k)	Valuation base	Bewertungs- grundlage	aktueller Wert current value (eAR, EUR k)
Finexity AG	reported	260,0	estimate	Schätzung	400
Cadeia GmbH	reported	200,5	book value	Schätzung	500
Asvin FmbH	reported	200,0	book value	Buchwert	200
AdHash AG	reported	150,9	book value	Buchwert	151
Simetria Trading Solutions Ltd.	reported	125,0	book value	Schätzung	63
Pandora Core AG	reported	107,0	estimate	Schätzung	54
Blockpit GmbH	reported	104,9	Series A 07/21	Series A 07/21	300
Defyca Holdings Sarl	reported	102,1	book value	Buchwert	102
Natix GmbH	reported	200,0	book value	Schätzung	265
Kima (ehem. Diversifi)	reported	85,0	book value	Schätzung	150
Crypto Index Series Ltd.	reported	75,0	book value	Schätzung	25
XVA Blockchain GmbH	reported	63,5	book value	Schätzung	32
AllTokenFotball	reported	62,5	book value	Schätzung	0
Livin Media Ltd.	reported	56,0	book value	Schätzung	28
Blockchance UG	reported	45,3	book value	Schätzung	125
OURZ AG	reported	16,0	book value	Schätzung	0
Autonomy Labs Ltd.	reported	9,0	book value	Buchwert	9
Bricks Protocol Pte Ltd	reported	8,8	book value	Buchwert	9
Summe Equity-Beteiligungen				TTL equity investments	2.412
EUR/USD		1,09387			
Token	Quelle / Source	Anz. / Number Token (k)	Preis / Price (USD)	Preis / Price (EUR)	Wert / Value (EUR k)
The Graph (GRT)	est.	15.275	0,1050	0,0960	1.466
Ethereum (ETH)	est.	1,300	1.861	1.701	2.212
Bitcoin (BTC)	est.	0,022	30.328	27.725	610
All other tokens & SAFT	est.				1.200
Summe Token-Projekte und Kryptowährungen				TTL token projects and cryptos	5.488
Cash (EUR k, Schätzung)				Cash (EUR k, est.)	390
Zeitwert der Vermögensgegenstände				Fair value of assets	8.289
-Managementgebühr 6 Jahre auf Equity			- management fee 6 years on equity		289
-Managementgebühr 2 Jahre auf Token			- management fee 2 years on tokens		220
-Managementgebühr 1 Jahr auf Cash			- management fee 1 year on cash		8
-Managementgebühr ausstehende Erfolgsbeteiligung			- outstanding profit participation		0
				NAV (EUR k)	7.773
				NAV je Aktie / NAV per share (EUR)	2,53

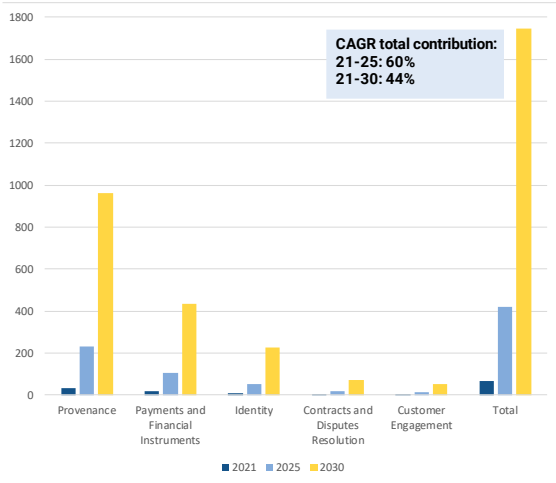
Source: AlsterResearch estimates, coinIX

Investment case in five charts

Portfolio (excerpt)

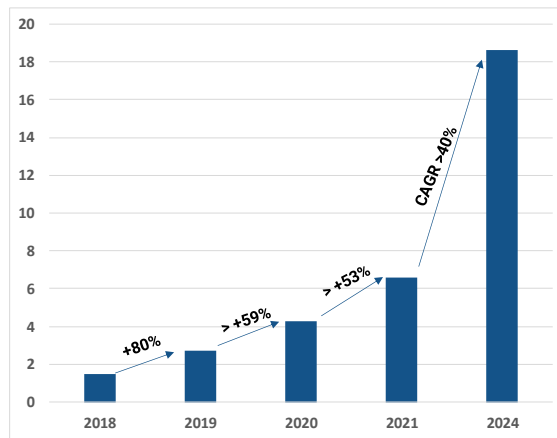


Blockchain's Economic Contributions (worldwide, USD bn)



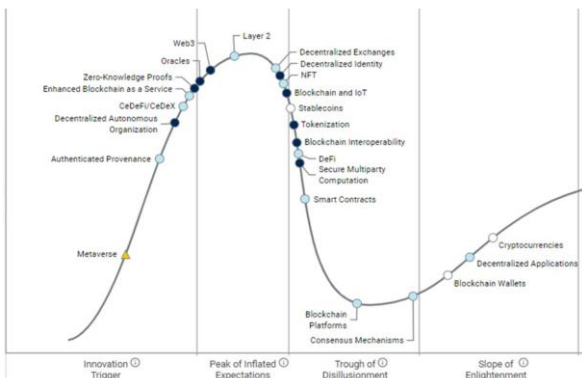
Source: PwC, Time for Trust, October 2020

Global Spending on Blockchain Solutions (USD bn)



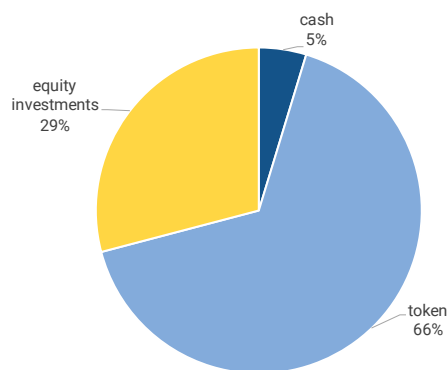
Source: IDC

Gartner Blockchain Hype Cycle



Source: Gartner (Juli 2022)

Portfolio allocation (as per publication date)



Source: coinIX

SWOT

Strengths

- Early mover with good track record
- Exclusive focus on blockchain; deep and complementary know-how in the team (including inhouse regulatory expertise)
- Network enables access to attractive pre-sales and seed rounds
- Flexibility in asset allocation and high diversification in cryptocurrencies, tokens and blockchain venture capital

Weaknesses

- Unusual legal form (GmbH & Co KGaA)
- Listing on the open market (Düsseldorf, Munich, Berlin) with low transparency and reporting requirements

Opportunities

- Enormous growth of the blockchain market and related investment opportunities
- Very high return potential with simultaneously high liquidity of cryptocurrencies and some tokens
- Generating recurring revenues through staking / delegating
- Eurocentric business model with clear regulatory framework

Risks

- Volatility of cryptocurrencies and token prices
- Stricter regulation of cryptocurrencies and accompanying higher regulatory requirements for coinIX

Financials

Attention: Note: German GAAP reporting is not very meaningful for an investment company.

Profit and loss (EUR m)	2020	2021	2022	2023E	2024E	2025E
Net sales	0.0	0.0	0.0	0.0	0.0	0.0
Sales growth	na	na	na	na	na	na
Change in finished goods and work-in-process	0.0	0.0	0.0	0.0	0.0	0.0
Total sales	0.0	0.0	0.0	0.0	0.0	0.0
Material expenses	0.0	0.0	0.0	0.0	0.0	0.0
Gross profit	0.0	0.0	0.0	0.0	0.0	0.0
Other operating income	0.3	4.1	0.6	1.2	1.4	1.6
Personnel expenses	0.0	0.0	0.0	0.0	0.0	0.0
Other operating expenses	0.3	2.4	0.8	0.8	0.8	0.8
EBITDA	-0.0	1.7	-0.2	0.4	0.6	0.8
Depreciation	0.0	0.0	0.0	0.0	0.0	0.0
EBITA	-0.1	1.7	-0.2	0.4	0.6	0.8
Amortisation of goodwill and intangible assets	0.0	0.0	1.3	0.0	0.0	0.0
EBIT	-0.1	1.7	-1.5	0.4	0.6	0.8
Financial result	0.0	0.5	0.0	0.0	0.0	0.0
Recurring pretax income from continuing operations	-0.1	2.2	-1.5	0.4	0.6	0.8
Extraordinary income/loss	-0.6	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	-0.7	2.2	-1.5	0.4	0.6	0.8
Taxes	0.0	0.4	-0.2	0.1	0.1	0.1
Net income from continuing operations	-0.7	1.8	-1.3	0.3	0.5	0.7
Result from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Net income	-0.7	1.8	-1.3	0.3	0.5	0.7
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0
Net profit (reported)	-0.7	1.8	-1.3	0.3	0.5	0.7
Average number of shares	2.31	2.87	3.07	3.07	3.07	3.07
EPS reported	-0.29	0.63	-0.43	0.11	0.16	0.22

Balance sheet (EUR m)	2020	2021	2022	2023E	2024E	2025E
Intangible assets (exl. Goodwill)	0.5	5.1	3.6	3.6	3.6	3.6
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Property, plant and equipment	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	0.4	1.4	1.9	1.9	1.9	1.9
FIXED ASSETS	0.9	6.5	5.5	5.5	5.5	5.5
Inventories	0.0	0.0	0.0	0.0	0.0	0.0
Accounts receivable	0.0	0.0	0.0	0.0	0.0	0.0
Other current assets	0.3	0.4	0.9	0.9	0.9	0.9
Liquid assets	0.1	0.8	0.2	0.2	0.7	1.4
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT ASSETS	0.4	1.3	1.1	1.1	1.6	2.3
TOTAL ASSETS	1.3	7.8	6.6	6.6	7.1	7.7
SHAREHOLDERS EQUITY	1.2	7.0	6.2	6.6	7.1	7.7
MINORITY INTEREST	0.0	0.0	0.0	0.0	0.0	0.0
Long-term debt	0.0	0.0	0.0	0.0	0.0	0.0
Provisions for pensions and similar obligations	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions	0.0	0.5	0.3	0.0	0.0	0.0
Non-current liabilities	0.0	0.5	0.3	0.0	0.0	0.0
short-term liabilities to banks	0.0	0.0	0.0	0.0	0.0	0.0
Accounts payable	0.1	0.2	0.0	0.0	0.0	0.0
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	0.0	0.0	0.1	0.0	0.0	0.0
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0
Current liabilities	0.1	0.2	0.1	0.0	0.0	0.0
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	1.3	7.8	6.6	6.6	7.1	7.7

Balance sheet (common size)	2020	2021	2022	2023E	2024E	2025E
Intangible assets (excl. Goodwill)	41%	66%	54%	54%	51%	46%
Goodwill	0%	0%	0%	0%	0%	0%
Property, plant and equipment	0%	0%	0%	0%	0%	0%
Financial assets	30%	17%	28%	28%	26%	24%
FIXED ASSETS	71%	84%	83%	83%	77%	70%
Inventories	0%	0%	0%	0%	0%	0%
Accounts receivable	0%	0%	0%	0%	0%	0%
Other current assets	21%	6%	14%	14%	13%	12%
Liquid assets	8%	11%	4%	3%	10%	18%
Deferred taxes	0%	0%	0%	0%	0%	0%
Deferred charges and prepaid expenses	0%	0%	0%	0%	0%	0%
CURRENT ASSETS	29%	16%	17%	17%	23%	30%
TOTAL ASSETS	100%	100%	100%	100%	100%	100%
SHAREHOLDERS EQUITY	91%	90%	95%	100%	100%	100%
MINORITY INTEREST	0%	0%	0%	0%	0%	0%
Long-term debt	0%	0%	0%	0%	0%	0%
Provisions for pensions and similar obligations	0%	0%	0%	0%	0%	0%
Other provisions	1%	7%	4%	0%	0%	0%
Non-current liabilities	1%	7%	4%	0%	0%	0%
short-term liabilities to banks	0%	0%	0%	0%	0%	0%
Accounts payable	8%	3%	1%	0%	0%	0%
Advance payments received on orders	0%	0%	0%	0%	0%	0%
Other liabilities (incl. from lease and rental contracts)	0%	0%	1%	0%	0%	0%
Deferred taxes	0%	0%	0%	0%	0%	0%
Deferred income	0%	0%	0%	0%	0%	0%
Current liabilities	8%	3%	1%	0%	0%	0%
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100%	100%	100%	100%	100%	100%

Source: Company data; AlsterResearch

Cash flow statement (EUR m)	2020	2021	2022	2023E	2024E	2025E
Net profit/loss	0.0	1.8	-1.3	0.3	0.5	0.7
Depreciation of fixed assets (incl. leases)	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.0	1.3	0.0	0.0	0.0
Others	0.0	-0.5	-0.7	-0.3	0.0	0.0
Cash flow from operations before changes in w/c	0.0	1.4	-0.8	0.1	0.5	0.7
Increase/decrease in inventory	0.0	0.0	0.0	0.0	0.0	0.0
Increase/decrease in accounts receivable	0.0	0.0	0.0	0.0	0.0	0.0
Increase/decrease in accounts payable	0.0	0.1	-0.2	-0.0	0.0	0.0
Increase/decrease in other w/c positions	0.0	-0.1	-0.4	-0.0	0.0	0.0
Increase/decrease in working capital	0.0	-0.0	-0.6	-0.1	0.0	0.0
Cash flow from operating activities	0.0	1.3	-1.4	-0.0	0.5	0.7
CAPEX	0.0	0.0	0.0	0.0	0.0	0.0
Payments for acquisitions	0.0	-3.5	0.0	0.0	0.0	0.0
Financial investments	0.0	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	0.0	0.0	0.3	0.0	0.0	0.0
Cash flow from investing activities	0.0	-3.5	0.3	0.0	0.0	0.0
Cash flow before financing	0.0	-2.2	-1.1	-0.0	0.5	0.7
Increase/decrease in debt position	0.0	0.0	0.0	0.0	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	3.8	0.5	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Others	0.0	0.0	0.0	0.0	0.0	0.0
Effects of exchange rate changes on cash	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow from financing activities	0.0	3.8	0.5	0.0	0.0	0.0
Increase/decrease in liquid assets	0.0	0.8	-0.6	-0.0	0.5	0.7
Liquid assets at end of period	0.0	0.8	0.2	0.2	0.7	1.4

Source: Company data; AlsterResearch

Ratios	2020	2021	2022	2023E	2024E	2025E
Per share data						
Earnings per share reported	-0.29	0.63	-0.43	0.11	0.16	0.22
Cash flow per share	-0.01	0.46	-0.45	-0.00	0.16	0.22
Book value per share	0.51	2.44	2.03	2.14	2.30	2.52
Dividend per share	0.00	0.00	0.00	0.00	0.00	0.00
Valuation						
P/E	-4.2x	2.0x	-2.9x	11.0x	7.7x	5.7x
P/CF	-94.4x	2.7x	-2.8x	-267.8x	7.7x	5.7x
P/BV	2.4x	0.5x	0.6x	0.6x	0.5x	0.5x
Dividend yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield (%)	-1.1%	37.5%	-36.2%	-0.4%	12.9%	17.4%
EV/Sales	3,702.7x	2,972.5x	na	na	na	na
EV/EBITDA	-98.0x	1.7x	-17.5x	8.5x	5.1x	3.0x
EV/EBIT	-54.4x	1.8x	-2.4x	8.5x	5.1x	3.0x
Income statement (EURm)						
Sales	0.0	0.0	0.0	0.0	0.0	0.0
yoy chg in %	na	na	na	na	na	na
Gross profit	0.0	0.0	0.0	0.0	0.0	0.0
Gross margin in %	na	na	na	na	na	na
EBITDA	-0.0	1.7	-0.2	0.4	0.6	0.8
EBITDA margin in %	na	na	na	na	na	na
EBIT	-0.1	1.7	-1.5	0.4	0.6	0.8
EBIT margin in %	na	na	na	na	na	na
Net profit	-0.7	1.8	-1.3	0.3	0.5	0.7
Cash flow statement (EURm)						
CF from operations	0.0	1.3	-1.4	-0.0	0.5	0.7
Capex	0.0	0.0	0.0	0.0	0.0	0.0
Maintenance Capex	0.0	0.0	0.0	0.0	0.0	0.0
Free cash flow	0.0	1.3	-1.4	-0.0	0.5	0.7
Balance sheet (EURm)						
Intangible assets	0.5	5.1	3.6	3.6	3.6	3.6
Tangible assets	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders' equity	1.2	7.0	6.2	6.6	7.1	7.7
Pension provisions	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities and provisions	0.0	0.5	0.3	0.0	0.0	0.0
Net financial debt	-0.1	-0.8	-0.2	-0.2	-0.7	-1.4
w/c requirements	-0.1	-0.2	-0.0	0.0	0.0	0.0
Ratios						
ROE	-57.7%	26.0%	-21.3%	5.2%	7.0%	8.6%
ROCE	-5.7%	22.4%	-23.3%	6.4%	8.5%	10.4%
Net gearing	-9.0%	-11.9%	-3.8%	-3.3%	-10.1%	-17.8%
Net debt / EBITDA	2.8x	-0.5x	1.1x	-0.5x	-1.2x	-1.7x

Source: Company data; AlsterResearch

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