The Native

Rating: Buy	Risk: High
Price: CHF 7.90	
Price target: CHF 12.90	

Reuters: NTIV.CH **Bloomberg:** NTIV:SW

Consistent investment strategy with a clear niche focus

With more than 90 employees, mainly in Lausanne (headquarters), Karlsruhe and New York, The Native is an investment holding company specializing in the acquisition and management of media, e-commerce, and technology companies in dedicated niches. The Native is listed on the Swiss stock exchange and currently operates in three business segments: (1) through its 51% stake in asknet AG, listed on the Frankfurt stock exchange, The Native develops and operates online shops for global software producers and information, procurement and distribution portals for universities, colleges, and research institutions, (2) through its 15% investment in New York based P8H Inc. (Paddle8), The Native is a global content marketing and e-commerce business specialized on servicing global charity industry and new collecting categories with e-commerce, digital marketing and technology solutions and services, (3) through its 100% stake in Swiss based Blockchain Lab AG, The Native has a strategic set of competences in the blockchain and machine learning technology industry and their commercial applications for alternative investment marketplaces. Our target price of CHF 12.90 is the result of a three-stage standardized DCF model. We initiate research coverage with a Buy rating.

Buy-and-build-strategy in high-growth segments
Central to the buy-and-build investment strategy of The Native are dynamically growing business models from the digital age. After their acquisition, The Native considers itself as an "activist investor" which restructures and realigns these participations according to its long-term strategy. The management and supervisory board of The Native benefit from many years of experience in the e-commerce and luxury goods sector, which the company can particularly use in the selection of new investment opportunities as part of its buy-and-build strategy.

Financing round for the majority takeover of P8H
It is currently planned to perform a PIPE (private investment in public equity) transaction. The main objective of the transaction is to finance the expansion of business unit Marketplaces through both accelerated organic growth and consolidation of P8H Inc. business by executing the existing call option. Other objectives of the transaction include further value-adding acquisitions in the technology environment and the hiring of several key individuals, especially in the sales and marketing as well as international business development part of the organization.

Solid balance sheet structure, increasing profitability
Notwithstanding its early stage of business development, The Native is going to reach operational profitability in the current fiscal year, in our view, and should continue to expand its profitability in the following years. This trend should be backed by the fact that investments so far immediately contribute to the Group's earnings situation after the takeover. In addition, The Native even shows a strong balance sheet with an adjusted equity ratio of 31.7% (as of 12/2017). This opens the necessary flexibility for additional takeovers in highly attractive niches, in our view.

ISIN/WKN: CH0006326851 / 632685
Indizes: -.
Transparency level: Swiss All Share Index
Weighted number of shares outstanding: 3.111 mn
Market cap.: CHF 24.6 mn
Daily trading volume (shares): 500
AGM: 25 May 2018

CHF mn (31/12)	2017	2018e	2019e	2020e
Gross revenues	15,5	87,6	102,8	118,1
Net revenues	2,1	13,4	16,0	18,6
EBITDA	-8,7	0,3	1,3	2,5
EBIT	-8,8	-0,1	0,8	2,0
EBT	-6,4	-0,8	0,9	2,7
EAT	-7,0	-0,6	0,7	2,1

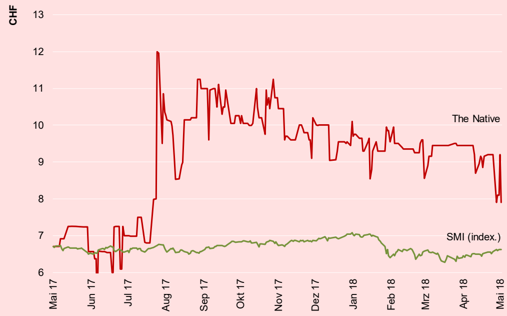
% of gross rev.	2017	2018e	2019e	2020e
Net revenues	13,3%	15,3%	15,5%	15,8%
EBITDA	-56,4%	0,3%	1,2%	2,1%
EBIT	-56,6%	-0,2%	0,8%	1,7%
EBT	-41,6%	-0,9%	0,8%	2,3%
EAT	-45,4%	-0,7%	0,7%	1,8%

per share/CHF	2017	2018e	2019e	2020e
EPS	-2,28	-0,28	0,11	0,52
Dividend	0,00	0,00	0,00	0,00
BVPS	0,92	0,64	0,75	1,27
CFPS	0,61	-2,66	0,49	0,99

%	2017	2018e	2019e	2020e
Equity ratio	12,6%	11,6%	13,4%	19,2%
Gearing	188%	484%	386%	220%

x	2017	2018e	2019e	2020e
P/ER	n/a	n/a	73,0	15,2
EV/sales	1,62	0,39	0,33	0,27
EV/EBIT	n/a	n/a	40,1	15,9
P/BR	8,6	12,4	10,6	6,2

CHF mn	2018e	2019e	2020e
Guidance: Revenues	-	-	-
Guidance: EBIT	-	-	-



SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

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Content

Please note that each chapter begins with an extensive executive summary.

Executive Summary

Investment company with focus on e-commerce and online auctions
The Native SA is an investment holding company specializing in the acquisition and management of media, e-commerce, and technology companies. Established in June 2017 through a recapitalization and subsequent renaming of the 20-years old Swiss-listed shell company 5EL SA, The Native is currently operating in three business units, each with a complementary relationship: **Firstly,** in the Software & Services division, The Native is one of the world's leading providers of electronic software downloads for software manufacturers; the business is operated through its 51.4% share in publicly listed asknet AG. In parallel, asknet sets up central information, procurement and distribution portals for universities, colleges, and research institutions, through which users on the client side can acquire software products for which they were previously authorized. **Secondly**, Marketplaces is operated through a 100% subsidiary The Native Media Inc and is supplemented with a strategic 15.0% equity investment in P8H Inc. (Paddle8), an online auction house that specializes in contemporary art. As of today, The Native SA owns 15% of P8H but has a call option for a further 36% in the company, that once executed will provide The Native SA with 51% economic and 75% voting interest in P8H Inc. **Thirdly**, The Native owns 100% of Blockchain Lab AG, the Swiss subsidiary with a strategic set of competences in the blockchain and machine learning technology industry and its commercial applications for alternative investment marketplaces.

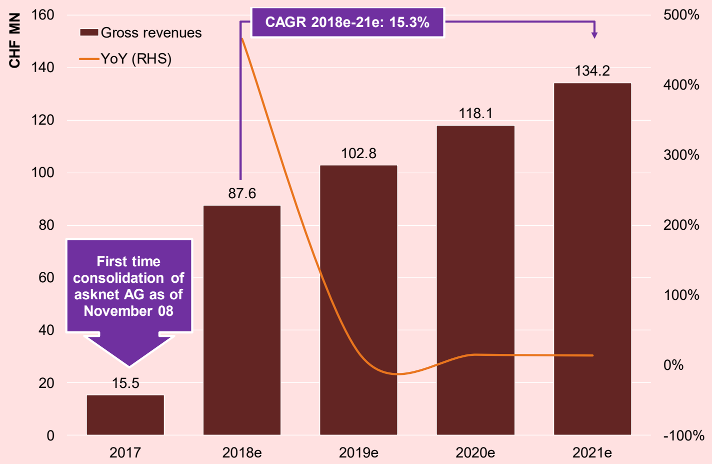
Financial performance 2017 and forecast until 2021e
Created through a series of mergers in 2017, The Native SA is still in its early stages of entrepreneurial development. Even though The Native SA has taken over the majority of asknet AG which in our view is a well-established company with a promising long-term business model, the financial forecast of The Native is associated with considerable uncertainty. In our model, we largely follow the guidelines of the management, which provides for a significant expansion of business activities. If this goal was to materialize, The Native would generate gross revenues of CHF 134.2 million and an operating profit (EBIT) of more than CHF 3.4 million in the year 2021e, according to our forecasts. It should be noted that our financial forecast does not include a full consolidation of P8H. Should The Native be able to pull the call option on P8H in 2018, gross revenues would enter a more dynamic growth path: In this case, we assume gross revenues would grow by a compound annual growth rate of 25.6% instead of 15.3%.

Value of equity of CHF 12.90 per share - Buy
Given the early-stage nature of the company's performance, we consider a long-term three stage discounted cash flow entity model to be the superior valuation methodology for The Native. In our base case scenario, we calculate an equity value of CHF 12.90 per share. In a Monte Carlo simulation, the achievable growth rates during the rough planning and terminal value stages were further extended and a total of 1,000 combinations of the two parameters were tested and evaluated. It shows that equity values of less than CHF 49.0 million or more than CHF 68.6 million cannot be achieved by combining the two variables in the present set-up of the company. With a price target of CHF 12.90 per share and an anticipated price performance of 63.3%, we initiate research coverage of The Native with a Buy rating

Weaknesses and risks
In particular, we see the following weaknesses and risks for achieving our price target (for details see also pages 25ff): **(1)** Risks from external growth and the subsequent integration of investments; **(2)** dependencies on individual customers, in particular in the area of software and services in connection with a time limit on contractual relationships; **(3)** dependencies on key personnel; **(4)** difficulties in forecasting the sales and earnings development of the company merely due to its early stage character; **(5)** currency risks through reporting in CHF, while costs mainly are booked in EUR; **(6)** possible capital increases and further dilution of actual shareholders for refinancing of acquisitions; **(7)** missing long-term track record due to foundation of the parent company only in 2017; **(8)** potential stock overhang despite a decidedly performance-oriented shareholder structure; **(9)** liquidity risk of the stock from its small market capitalization; **(10)** asymmetric competition in the software and services market.

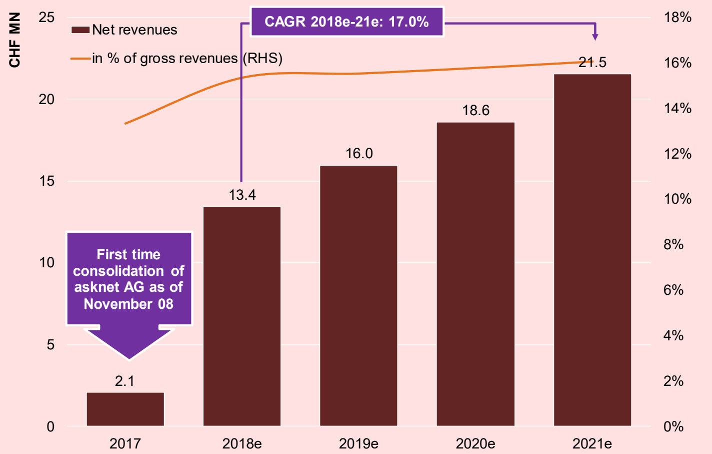
The Native in pictures

GROSS REVENUES AND REVENUE GROWTH, 2017-21E



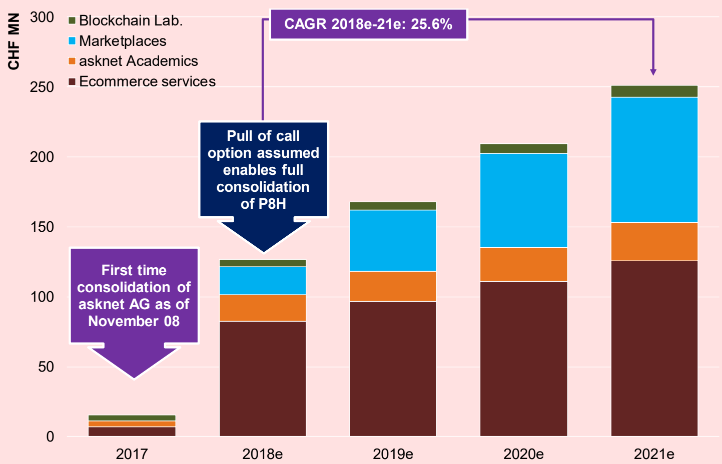
Due to the start-up character of the company, our sales forecasts are subject to considerable uncertainty. The main driver of our growth forecasts is the gradual acquisition of new customers in the Software & Services segment, which is covered by the German subsidiary asknet AG. Since The Native currently only owns 15.0% in P8H, the second division of the Group, we have not consolidated P8H in our revenue forecast.

NET REVENUES AND NET MARGIN, 2017-21E



Overall, we expect average annual net revenues growth of 17.0% for the 2018e-21e period. We therefore expect The Native to increase its net revenues to CHF 21.5 million by the year 2021e from the current year's level of CHF 13.4 million.

GROSS REVENUES BY SEGMENTS (ASSUMED FULL CONSOLIDATION P8H), 2017-21E

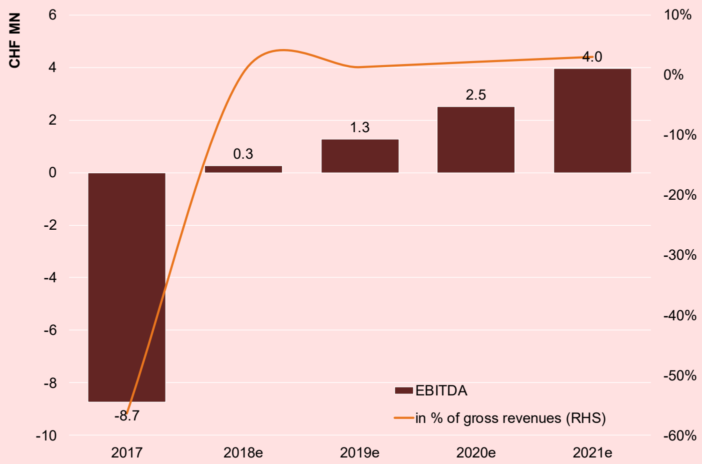


If The Native were to succeed in closing the call option on a further 36% of P8H, this would mean a more dynamic development of gross revenues with an expected compound revenue growth rate 2017-21e of 25.6% instead of 15.3%.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

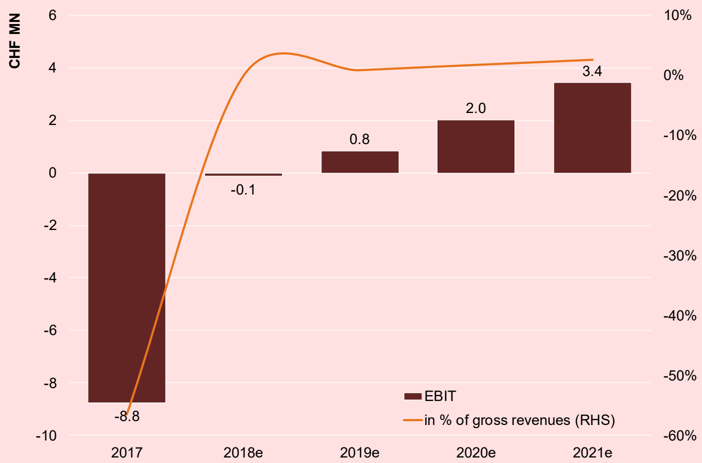
The Native in pictures (contd.)

EBITDA AND EBITDA MARGIN, 2017-21E



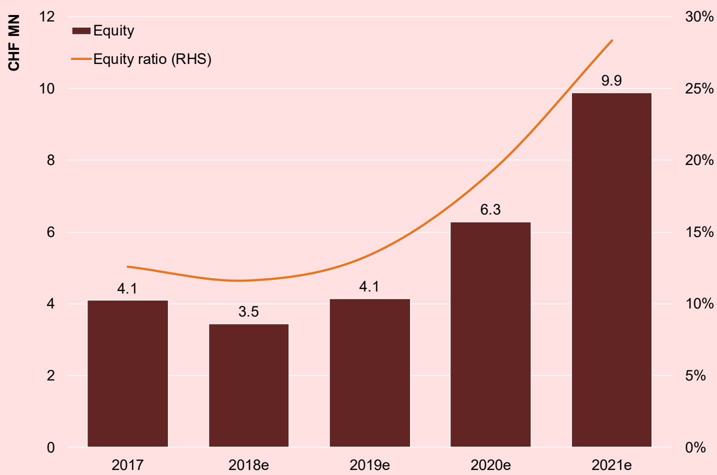
In 2017, The Native reported a negative EBITDA of CHF -8.7 million, reflecting various non-cash and one-off adjustments from the group's acquisition and restructuring activities throughout the year 2017 as well as certain legacy costs such as an impairment of CHF 2.1 million from the acquisition of the listed shell of 5EL. Based on our forecasted exploitation of synergy effects and organic growth, we expect EBITDA to increase to CHF 4.0 million by 2021e, which corresponds to an EBITDA margin of 3.0%.

EBIT AND EBIT MARGIN, 2017-21E



The business model of The Native can be best described as asset-light. Despite to the technology-oriented business model, maintenance investments in large computer hardware, servers or other tangible assets are manageable. In this respect, EBITDA and EBIT should develop in parallel. We expect EBIT to increase to CHF 3.4 million by 2021e, representing operating margins of 2.6%.

EQUITY AND EQUITY RATIO, 2017-21E

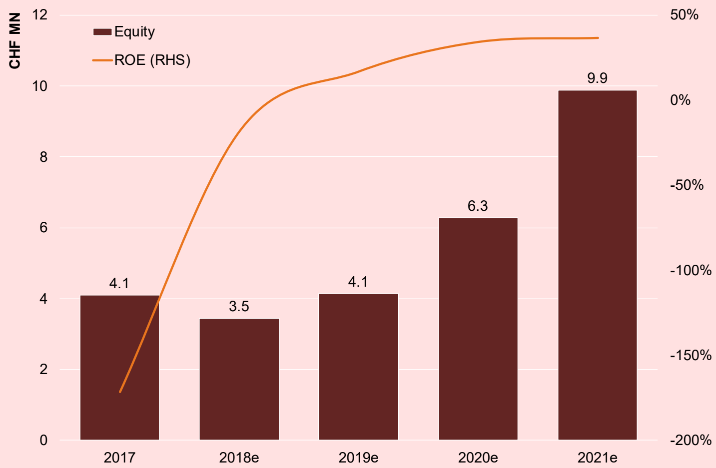


The Company's share capital currently consists of 3.111 million shares with a par value of CHF 3.50 per share. Due to substantial start-up losses, total equity amounted to CHF 4.1 million at the end of the past financial year. The equity ratio of the company was 12.6%. If we had included the convertible loan and bond (which is already in the money), the company's adjusted equity rate would have been 31.7% instead.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

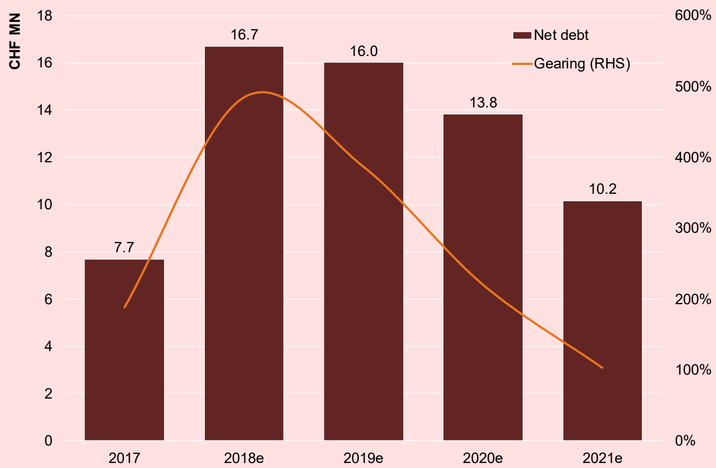
The Native in pictures (contd.)

EQUITY AND ROE, 2017-21E



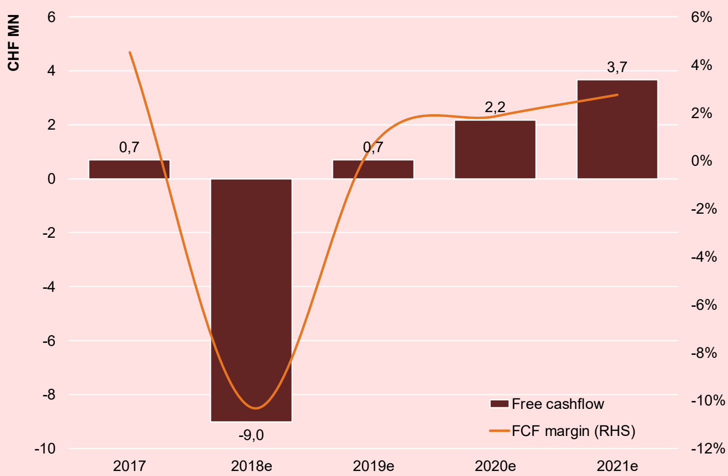
Our financial forecast is based on the assumption, that The Native should be able to finance its expected growth without further capital increases or raising debt. By 2021e, we expect after-tax profits to increase to CHF 3.6 million. Based on the expected equity, this corresponds to a return on equity (ROE) of 36.4%.

NET DEBT AND GEARING, 2017-21E



The graph illustrates the net debt position of CHF 16.7 million, expected by the end of 2018e, where we have assumed that The Native needs to repay the outstanding convertible bond and loan by raising debt instead of converting these convertibles into equity. Due to a strong improvement in profitability, we expect The Native to substantially reduce its net debt to CHF 10.2 million by the year-end 2021e.

FREE CASH FLOW AND FCF MARGIN, 2017-21E



In 2017, free cash flow and free cash flow margins were negative, and should remain negative in 2018e as well, in our view. The company's current liquidity and expected income retention should be sufficient, however, to provide the funds needed to build up the organization and finance the expected organic growth. By the year 2021, we expect free cash flow margins of 2.7%.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

Price target CHF 12.90 per share – Initiate with Buy

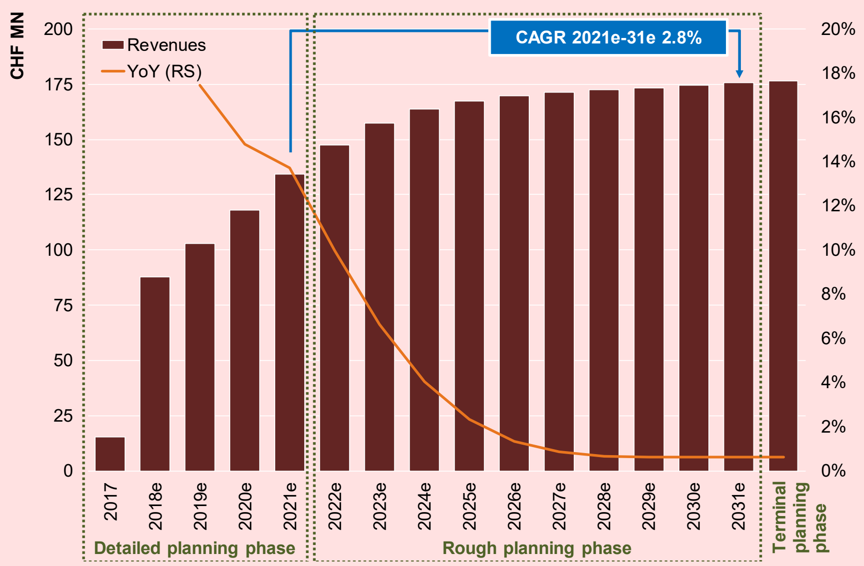
We initiate research coverage of the shares of The Native with a buy rating and a price target of CHF 12.90, indicating an upside potential of 63.3% vis-à-vis the last closing price of CHF 7.90.

We consider a standardized three-stage discounted cash flow (DCF) entity model the appropriate valuation methodology for The Native since it best reflects the long-term growth opportunities of the company in both business units, Software & Services and Marketplaces. In our model, we calculate a base-case scenario equity value of CHF 56.0 million or CHF 12.90 per share; a Monte Carlo simulation calculates bear and bull case scenario equity values of CHF 11.30 and CHF 15.80 per share, respectively.

Our equity valuation is based on the current scope of consolidation. The potential upgrade in the holdings of P8H into a majority as planned per May 31, 2018 has not been taken into account. Should The Native pull the call option for the additional 36% of shares in P8H we see therefore upside potential in the share price.

Valuation methodology overview
Our valuation method for The Native is a three-phase and fully integrated discounted cash flow (DCF) model. As typical for the industry, The Native' business model is characterized by relatively low capital intensity: Capital requirements for investments in tangible fixed assets have been limited in the last few years, and working capital is negligible, too. The funding of further growth will thus not require high net capital expenditures, according to our estimates. Therefore, a high cash conversion rate can, in principle, be deduced from The Native' business model, since we expect the company to turn profitable this year. In conjunction with our growth-scenario assumptions, a standardized three-phase DCF model with a long-term orientation is therefore the most suitable valuation approach for The Native.

EXHIBIT 1: REVENUES AND REVENUE GROWTH, 2017-31E



SOURCE: SPHENE CAPITAL FORECASTS

We expect a continuation of the most recent strong growth trend in the years 2018e-21e and forecast an increase in revenues to CHF 134.2 million (2021e). After 2021e, we model the so called "rough planning phase" of our three-stage discounted cashflow model, which ends in 2031e. During this period, we have modelled an average annual revenue growth rate of 2.8% (CAGR 2021e-31e). Our growth forecast in the terminal value is 0.6%, which is equivalent with the quasi risk-free interest rates in the Euro zone (represented by 30-years Bundesanleihen).

Basic assumptions of the DCF model
In our standardized three-stage DCF model, we have used detailed income-statement and balance-sheet projections for The Native for the first phase through 2021e. During this period, revenues are expected to grow by a compound annual average rate of 15.3% (CAGR 2018e-21e). This high growth period is followed by a second "rough-planning phase" ending in 2031e, for which we have assumed average annual growth rates of 2.8%. Our growth forecast in the terminal value is 0.6%, which is equivalent with the quasi risk-free interest rates, represented by 30-

The model is based on our detailed income-statement and balance-sheet projections for the period through 2021e. This is followed by a second rough-planning phase ending in 2031e.

years Bundesanleihen.

Our DCF model is based on the following assumptions:

Overview of our assumptions

- **Pre-tax operating margins**: In the years of the rough planning phase after-tax operating margins should increase gradually from 2.6% in 2021e to 3.6% in 2031e, the last year of our rough planning phase (peak margins);
- For the **terminal value phase**, we have assumed pre-tax operating margins of 3.0%;
- Marginal **tax rates** are expected to be 20.0% over the whole forecast period after tax loss carry forwards of asknet have been forfeited due to the majority takeover;
- Average **free cash flow (FCF) growth rate** during the terminal phase is expected to be 0.6%, which corresponds to the quasi risk-free interest rate of 30-years Bundesanleihen, which represent an appropriate benchmark for risk-free growth in our view;
- We calculate a **fundamental beta** of 1.30, which is derived from the following assumptions:

EXHIBIT 2: DERIVATION OF FUNDAMENTAL BETA, 2018E-2021E

Degree of diversification	0.00
Competitive intensity	0.10
Business model maturity	0.00
Regulatory risks	0.00
Financial risks	0.10
Earnings forecast risks	0.10
Market beta	1.00
Fundamental beta	**1.30**

SOURCE: SPHENE CAPITAL

- Being a loss-making company in its early stage, only rough assumptions about the likely risk premium for financial debt can be made. We expect a corporate credit rating of B. To be on the conservative side, we expect debt risk premiums of about 7.0% in current depressed credit markets;
- Applying a recovery rate of 10%, we calculate an average annual **probability of default** of currently 6.3% for the terminal value (which we consider a very conservative approach);
- We expect a steadily declining asset turnover, enabling The Native to generate revenue growth with lower capex needs in the future;
- Current **weighted average cost of capital (WACC)** are composed of the risk-free interest rate of currently 0.6%, determined from the yield on long-term (30-years) Bundesanleihen and an implicit risk premium for the overall market of currently 3.8% (geometric mean). Finally, we assume that The Native is targeting equity and debt capital structure of ~80%/20% representing the current debt to capital ratios of global internet software companies. In total the weighted average costs of capital in the beginning of our detailed planning phase (2018e-21e) are expected to be approximately 7.2%.
- In our model, The Native will have **WACC in the terminal value**, which do not differ from those of other mature companies. Accordingly, we assume a decrease of WACC from 7.2% to 5.6% in the terminal stage, representing an equity risk premium to Bundesanleihen of 500 bps.

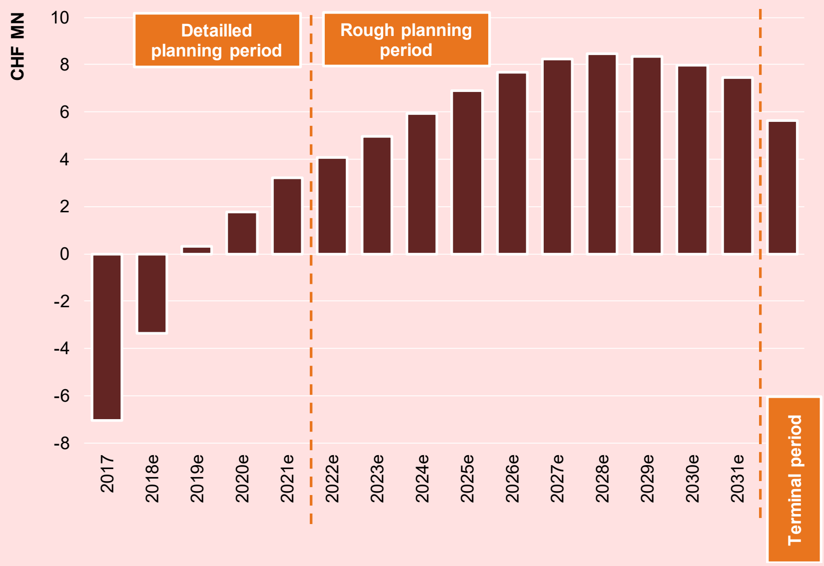
EXHIBIT 3: WACC IN THE DETAILED PLANNING PHASE, 2018E-21E

Cost of Equity	**%**	**5.5%**
Risk free rate 30-years Bundesanleihen	%	0.6%
Fundamental beta		1.3
Equity risk premium	%	3.8%
Small caps premium	**%**	**2.0%**
Management premium	%	1.0%
Liquidity premium	%	1.0%
Private company premium	%	0.0%
Target equity structure	%	80.0%
Weighted costs of equity	**%**	**6.0%**
Cost of debt	**%**	**1.2%**
Risk free rate 30-years Bundesanleihen	%	0.6%
Risk premium liabilities	%	7.0%
Tax rate	%	20.0%
Cost of debt after tax	%	6.1%
Weighted costs of debt	**%**	**20.0%**
WACC based on target values	**%**	**7.2%**

SOURCE: SPHENE CAPITAL FORECASTS

Dynamic development of Free cash flows to the firm
These assumptions result in the dynamic trend in free cash flows in the 2018e-2031e period shown below (see exhibit 4). Due to the model-inherent increase in the reinvestment ratio, we have modelled a decline in free cash flows in the terminal-value phase, which, in turn, is the basis for the perpetuity computation.

EXHIBIT 4: FREE CASHFLOWS TO THE FIRM (FCFF), 2017-31E



During the detailed planning phase from 2018e to 2021e, we already modelled declining capex and investments in working capital; during the subsequent rough planning phase from 2022e-31e, we mainly modelled maintenance investments.

SOURCE: SPHENE CAPITAL FORECASTS

Our base-case scenario indicates an equity value of CHF 12.90 per share
We calculate an enterprise value of CHF 60.6 million. In these computations,

Equity value of The Native (base case scenario) is CHF 12.90 per

33.5% of our enterprise value calculation is derived from the terminal value, 1.8% from cash flows generated in the detailed planning phase 2017/18e-20/21e and 64.6% from cash flows generated in the subsequent rough planning phase 2022e-31e.

share

Since the enterprise value calculation is based on the 100% consolidation of asknet, the minority interests of 48.6% which are not included in the scope of consolidation must be deducted. In addition, in order to determine the value of equity, the net debt in the amount of CHF 1.5 mn (excl. the convertible loan) must also be deducted. By this we calculate a value of equity of CHF 56.0 mn and a value per share (based on diluted number of shares) of CHF 12.90 (see exhibit 5).

EXHIBIT 5: DCF MODEL SUMMARY OF OUR FINDINGS

PV (Terminal value)	CHF mn	20.3
Share in EV	%	33.5%
PV (CF 2018e-2021e)	CHF mn	1.1
Share in EV	%	1.8%
PV (CF 2021e-2031e)	CHF mn	39.2
Share in EV	%	64.6%
Enterprise value	**CHF mn**	**60.6**
48.6% share in asknet (market value)	CHF mn	-3.08
Financial debt	CHF mn	-9.3
Excess cash	CHF mn	7.9
Value of equity	CHF mn	**56.0**
Number of shares (diluted)	mn	4.3
Value per share	**CHF**	**12.90**

SOURCE: SPHENE CAPITAL FORECASTS

Valuation at price target
Vis a vis the current share price of CHF 7.90, our intrinsic company value represents an upside of 63.3%. We therefore initiate research coverage of The Native with a buy rating.

Based on our financial forecasts and upon realization of the value of equity we have calculated (base-case scenario), The Native stock would feature the following valuation multiples:

EXHIBIT 6: VALUATION MULTIPLES – CURRENT VS. PRICE TARGET

X	Valuation at current price			Valuation at price target of CHF 12.90		
	2018e	2019e	2020e	2018e	2019e	2020e
P/E	n/a	73,0x	15,2x	n/a	n/a	24,8x
EV/Sales	0,4x	0,3x	0,3x	0,6x	0,5x	0,4x
EV/EBIT	n/a	40,1x	15,9x	n/a	58,5x	23,6x
P/BR	12,4x	10,6x	6,2x	20,2x	17,3x	10,2x

SOURCE: SPHENE CAPITAL FORECASTS

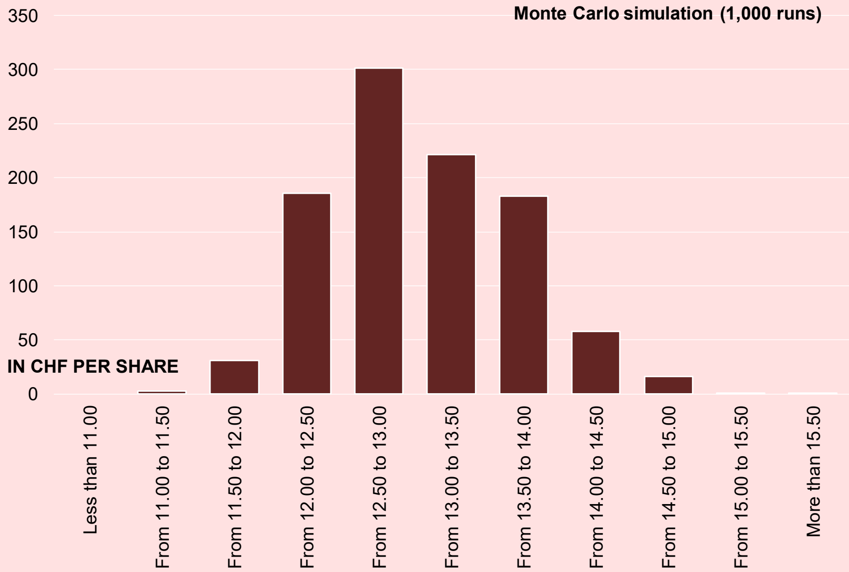
Stock performance catalysts
In our view, the most important catalysts for The Native's stock performance in the coming months are: **(1)** pulling the call options on 36% stake in P8H shares, **(2)** a further substantial year-on-year earnings improvement in 2018e; **(3)** further statements on the company's willingness to interact with its shareholders, f. ex. in equity conferences.

Catalysts for realization of the computed price target

Monte Carlo simulation
In a Monte Carlo simulation, potential values for rough planning phase growth rates and during the terminal value were given through random variables. In total, we tested and evaluated 1,000 combinations of the two variables, with the

outcome, that equity values of less than CHF 11.30 and more than CHF 15.80 per share could not be achieved by combinations of the two variables. (see exhibit 7 below).

EXHIBIT 7: MONTE CARLO SIMULATION



The scenario analysis is based on the assumptions underlying the model, with deviations in the average annual growth rate during the rough planning phase and the terminal value. The result is a distribution which is skewed to the left with a mode for values of equity between CHF 12.50 and 13.00 per share.

SOURCE: SPHENE CAPITAL FORECASTS

A business model for the millennials

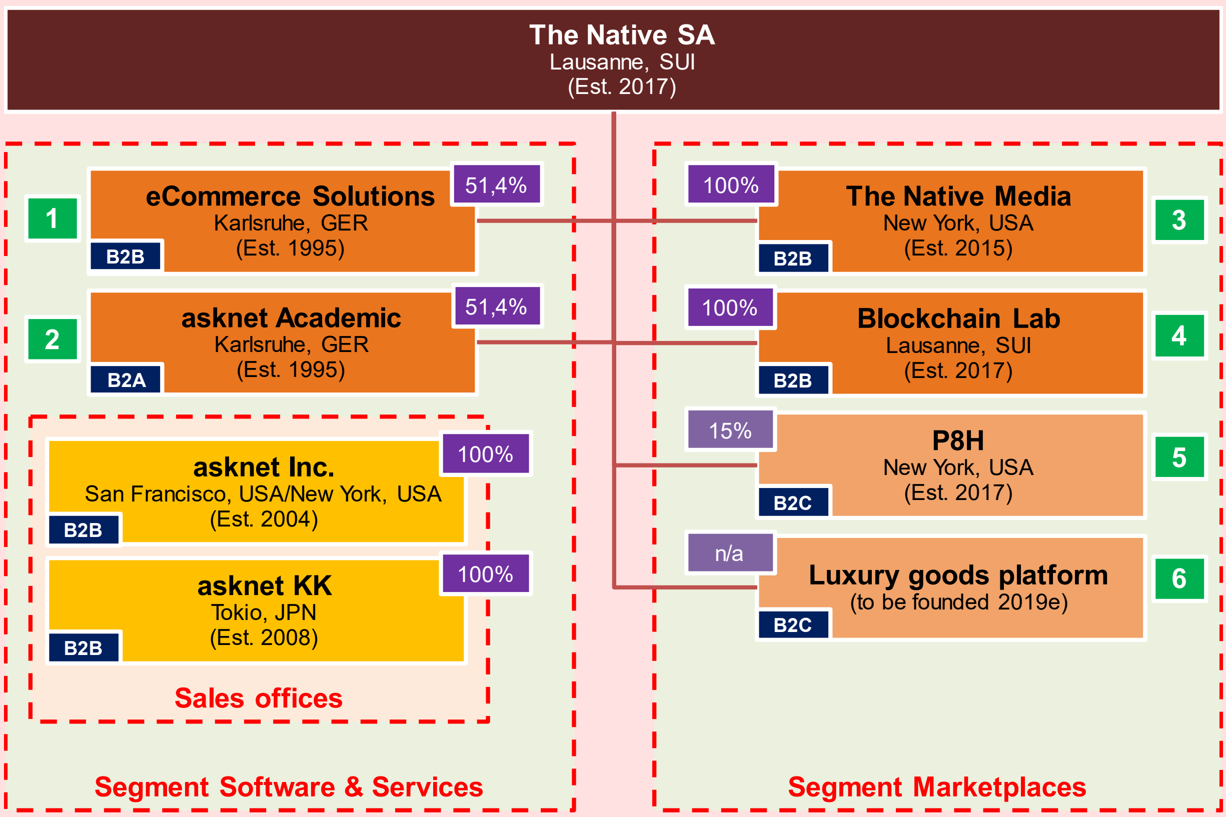
With more than 90 employees, mainly in Lausanne (headquarters of The Native), Karlsruhe (headquarters of asknet AG) and New York City (headquarters of P8H), The Native is an investment holding company specializing in the acquisition and management of media, e-commerce, and technology companies. Currently, The Native operates in three business segments: In the Software & Services segment, The Native owns a 51% stake in German asknet AG, a provider of services for the development and operation of online shops, which assist for small to medium-sized, but global active software manufacturers in downloading their Software products. In the second segment, so called Marketplaces, The Native owns 100% in the US content marketing subsidiary The Native Media Inc and a 15% stake in P8H, a worldwide leading online auction house. The combined Native Media/P8H offering is specialized on (i) servicing global charity business with modern online capital raising tools and digital marketing, and (ii) managing the high growth marketplace for new collecting categories catering to millennial and young generation of consumers (including street art, photography, limited editions of branded goods and trending objects of rarity). Finally, The Native owns a 100% stake in Blockchain Lab AG, a technology company with various ongoing projects in commercial blockchain technology applications, specifically focusing on non-financial alternative investment industries.

Investment holding with focus on online business models

The Native is a media and technology holding company focused on integrated e-commerce and other online-based business models. Created in June 2017 by taking over a listed shell company and subsequently renamed and augmented through the majority acquisition and integration of several e-commerce companies, The Native currently employs more than 90 people, mainly in Lausanne (headquarters), Karlsruhe and New York. In 2018e, we expect The Native to generate revenues of CHF 87.6 million.

Investment holding with focus on the millennials

EXHIBIT 8: ORGANIZATION CHART OF THE NATIVE (AS OF 05/2018)



SOURCE: COMPANY DATA, SPHENE CAPITAL

1

eCommerce Solutions

Business activities in the eCommerce Solutions segment are performed by asknet AG, a German publicly listed IT company. asknet is one of the largest independent service providers of outsourcing solutions for internet-based software download. asknet develops and operates online shops for global software producers. While these online shops are seamlessly integrated into the software vendors' existing websites, they are operated by asknet on its own account and in its own name. The online shops adapt fully to the various regional specifics relevant to the software buyer. For example, asknet not only supports different currencies and languages, but also more than 40 different payment methods. Once the website is set up, asknet handles the processing of the software sales transacted in the online shop. Among other things, this includes the entry of the customer's product selection in a virtual shopping basket, settlement of the payment and the downloading of the software.

Business model: Conception, development, and operation of shops enabling software downloads on behalf of small and medium sized software developers

2

asknet Academic

asknet Academic, which is also operated by the 51.4% stake in asknet, develops central information, procurement, and distribution portals for universities, colleges, and research institutions. Typical users of the products are professional (large) customers from science, research, and teaching. Via central intranet portals, users can acquire software products for which they were previously authorized - and for the most part at more favourable conditions than in a stand-alone operation. In this business unit, asknet is operating in German-speaking countries only, but here, unlike in the case of eCommerce Solutions business unit, asknet is the clear market leader. An extension of the footprint into foreign countries is currently being discussed.

Business model: Creation and operation of central information, procurement, and distribution portals for universities, colleges, and research facilities

3

The Native Media

The Native Media is a digitally based content and marketing agency with offices in the US and Poland specializing in integrated marketing solutions for entertainment, sports, luxury goods, and media customers. The Native Media's offering includes technology as well as art direction and content production, with the goal of creating online experiences that enhance customers' brand image and drive growth and revenue for digitally-focused audiences.

Typical examples of The Native Media's work include The Eurovision Fan-house, a content, games, video, and merchandising platform for fans of the Eurovision Song Contest, and the P8H Content Marketing & Sponsorships, for which The Native Media drives forward digital marketing, brand partnerships and sponsorship sales. The combined Native Media/P8H offering is specialized on **(i)** servicing global charity business with modern online capital raising tools and digital marketing, and **(ii)** managing the high growth marketplace for new collecting categories catering to millennial and young generation of consumers (including street art, photography, limited editions of branded goods and trending objects of rarity).

Business model: Digitally based content and marketing agency

4

Native Blockchain Lab

Its wholly-owned subsidiary Native Blockchain Lab is an early stage company with several ongoing projects in commercial applications such as blockchain, machine learning, and other innovative technologies. So far, Blockchain Lab acts as an internal development department; in the medium term, however, the company is planning to launch and operate its own blockchain based regulated exchange for the non-financial alternative investments market.

Business model: Development of blockchain projects

5

P8H

The 15% owned unconsolidated affiliate P8H (formerly known as Paddle8) is an online auction house specializing in art, preferably contemporary art, prints, photography, street art, jewellery, watches, and collectibles. The average selling

Business model: Operation of an Online Auction House price of the auction items is between USD 1,000 and USD 100,000. The company was established in 2017 through an asset deal including the purchase of the Paddle8 brand originally launched in 2010.

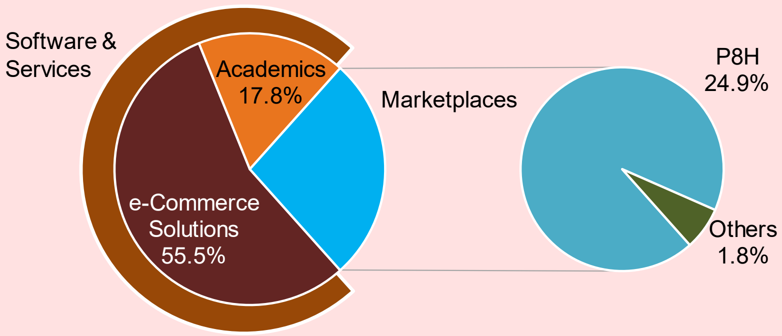
Option to expand the minority stake into a majority ownership
The 15% share was taken over at the end of 2017. The purchase price was CHF 8.5 million, which corresponds to an equity value of CHF 56.7 million for the whole company. The Native also acquired a call option (exercisable until 05/31/18) for the purchase of another 5.5 million shares (i.e. 36.0%), which would enable The Native to fully consolidate P8H with 51% ownership and 75% voting interest. The purchase price for the call option is CHF 24.5 million (therefore corresponding to an equity value CHF 68.1 million for the whole company) and is subject to potential price adjustments in case of proven synergetic effects with The Native Media Inc. We anticipate that The Native will pull this option in the following weeks.

The online charity space should be considered The Native's major growth opportunity, in our view.

5

Luxury goods platform
In a recent press release, The Native has announced to build a luxury goods platform in the medium term. Further details on the business model, company size or expected profitability have not yet been announced.

EXHIBIT 9: REVENUES BY SEGMENTS AFTER FULL CONSOLIDATION OF P8H, 2018E



SOURCE: SPHENE CAPITAL

Should The Native pull the call option in the current year, we estimate that 73.3% of total revenues will be generated by Software & Services segment and 23.7% in the Marketplaces segment

Overview of share capital and voting rights
In summary, The Native has direct holdings in the following companies:

EXHIBIT 10: OVERVIEW OF THE NATIVE HOLDINGS

		Registered capital	Ownership interest	Voting rights
asknet AG	EUR	560,370	51.37%	51.37%
P8H Inc.	USD	152	15.00%	22.30%
Blockchain Lab SA	CHF	100,000	100.00%	100.00%
The Native Media Inc.	USD	80	100.00%	100.00%

SOURCE: COMPANY DATA

To date, the majority of the business activities of The Native is carried out by the 51.4% held subsidiary asknet AG. asknet, in turn, is divided into two business units: In the eCommerce Solutions business unit, asknet develops and operates online shops, which enable the download of software for small to medium-sized, but generally global software manufacturers. In the second business unit, called academics, asknet develops and operates software procurement portals for universities, colleges, research facilities, university clinics, and enterprises in the form of central intranet portals through which eligible users can purchase software products.

Development and operation of online shops for software manufacturers

On behalf of software developers, eCommerce Solutions handles the worldwide distribution of their products via the Internet. Initially, the software developer's legacy databases are connected to a standardized front-end. Although the integration of the front-end into the customer's system environment is based on standardized programs, the individual software purchaser looks at an individualized online shop, which fits seamlessly into the corporate identity of the software manufacturer and the respective regional conditions (same "look and feel"). Due to the seamless back-end and front-end integration of the online store, the buyer is not struck by the fact that he is no longer on the software manufacturer's website but on a different website hosted by asknet.

eCommerce Solutions creates shops in more than 30 currencies and languages, including German, English, French, Italian, Spanish, Portuguese, Dutch, Russian, Japanese, and Chinese (mandarin)

Processing software sales on own account

In addition to creating the shops and integrating them into the website of the software manufacturers, asknet's e-commerce business unit offers the processing of all software sales made in the online shop. These are operated by asknet on their own servers, in their own name and for their own account. In detail, the services include capturing customers' product choices in a virtual shopping cart, order management and fulfilment such as warehousing, export control, tax compliance, fraud management, payment processing, and software downloads, if necessary CDs and DVDs, printing and packaging services, customer service, shipping and returns management.

According to information, around 1.4 million transactions per year are currently being processed via asknet-operated shops.

Finally, payment processing takes place via specialized payment providers who interface with credit card companies and banks and collect the purchase price on behalf of asknet. asknet not only supports different currencies and languages, but also more than 40 different payment methods, such as credit cards, direct debits, and similar direct debit procedures abroad, online transfers, prepayment, payment by invoice or cash on delivery and payment against electronic cyber money.

asknet also offers subscription management, online and affiliate marketing, website optimization, and website analytics.

Win-win-situation for both software purchaser and software vendor

- Advantages for software vendors, typically small and medium-sized software developers, are above all the expansion of the value-added chain by the online component, the avoidance of the stationary distribution channel and the resulting margin improvements, as well as asknet's guaranteed scalability of shops. In addition, cost advantages from the shop operation and a significantly improved customer loyalty can be achieved. Other benefits include retention of brand image, compliance, product sales in over 190 countries, and currency conversion from 30 currencies into any currency of choice.
- On behalf of the purchaser of the software, the online purchase eliminates the costs associated with the acquisition and delivery of the software (travel, packaging, and postage costs) as well as waiting periods that would have to be incurred for purchasing software in stationary stores.

asknet's customers offer their software in more than 190 countries.

Offering additional services

In addition to software downloads, asknet offers a wide range of additional downstream services:

- **Implementation of an administration module** (Asknet Shop Cockpit ASC): The customers a provided with tools to make some (minor) changes in the online shop themselves. In particular, the entry of new product data and price adjustments are possible for the software manufacturers.
- **Extended Download Service:** asknet offers the option to download the purchased software again at a later time ("Extended Download Service"), or to order a backup CD in addition to the electronic data transfer, for example in

the case of a hardware damage to the buyer's computer.

- **Multilingual customer service** by phone, fax, or mail, 24/7 through North America, Europe, and Asia.
- **Bundling:** In the online shop products can be put together to packages, which are then offered at a reduced package price.
- **Cross-selling:** If the purchaser decides to buy software, he will automatically be offered additional complementary products - possibly at a discounted price.
- **Website integration:** Integration of complementary products of other software manufacturers in one online shop.
- **Internet advertising banner:** Placement of advertising banners on the user interface of shop customers.
- **Search Engine Optimization (SEO):** The sum of all the actions that make websites rank higher on the search engines search results pages.
- **Benchmark information:** Software vendors receive anonymized comparison data on sales of other online stores.

Win-win-win: Advantages of outsourcing for all parties involved

The operation of online shops requires specialized knowledge such as web commerce hosting, order management, fraud screening, controlling, and reporting, digital and physical delivery of products, e-marketing and special customer services such as hotlines. Above all, we regard the technical exhibits of various payment methods and currencies as well as the country-specific treatment of sales tax as strong reasons why software manufacturers are transferring software download solutions to asknet.

It's a clear win-win-win-situation for the software vendors, the purchasers of the software products, and for asknet.

Tending to long-term customer relationships

Customers in the field of e-commerce are generally global, small and medium-sized software developers. Well-known customers are

- **Abbyy**, a leading provider of document recognition, data capture and linguistics technologies;
- **GMAC**, the merger of graduate and undergraduate business schools of the prestigious GMAT exam;
- **CyberLink**, a Taiwanese manufacturer of playback software for Blu-ray Discs, high-definition videos, DVDs, and VCDs;
- **Steinberg**, provider of professional software for musicians and music producers.

Customer relationships tend to be long-term, although asknet has also lost customers over the past few years, for example through acquisition by competitors, merging customers, and by deliberately ending customer relationships on the part of asknet due to their low profitability. Nevertheless, in our view, large parts of ecommerce sales can be described as recurring.

Revenue model in the eCommerce Solutions segment

The business model in eCommerce Solutions business unit consists of two components:

Upstream integration is possible, indeed, but there is always an incentive for outsourcing download services.

- For the operation of a shop, asknet receives a percentage share in the gross proceeds, which are achieved through the distribution of the respective software or through software updates via the online shop. In practice, the percentage participation models are staggered according to the amount of annual turnover. The economic success of asknet is thus directly linked to the customer's sales figures.
- In addition, asknet receives separate amounts from value-added services, for example, for the transformation of exotic currencies into the desired currency or for the Extended Download Service.

Competitive environment

Few companies worldwide share the global outsourcing market for software download among themselves. The reasons for the relatively low number of competitors are high market entry barriers against the background of the required cross-sectoral expertise in IT, Internet, logistics and sales, marketing, hosting, and customer service. In addition, specialized expertise is required in questions of worldwide payment methods and tax calculation models as well as in the area of security of customer data, payment data, and downloads. After all, long-term client relationships are also essential.

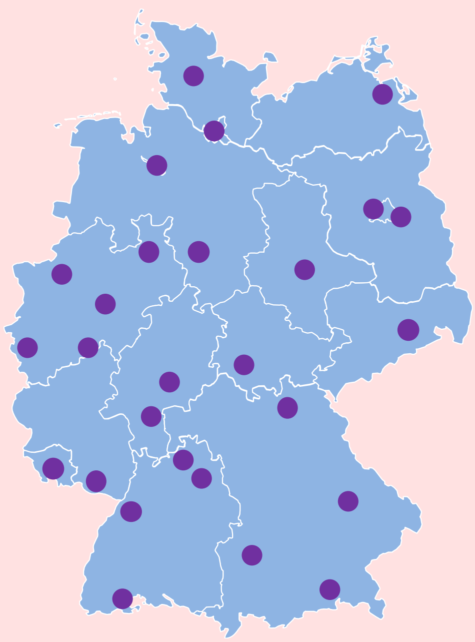
asknet meets the following competitors on the market:

- The undisputed market leader and inventor of the business model "outsourcing the download of software" is US based Digital River, founded in 1994.
- Then there are broad-based outsourcing service providers such as GSI Commerce or the Bertelsmann subsidiary Arvato, which also support their customers the creation and operation of Internet shops.
- Finally, there are various special providers, which have a similar size and number of customers as asknet. These include the Dutch-Romanian Avangate, the Dutch ESDNOW and the German Cleverbridge.

The second business unit of asknet is called Academics. Academics creates central information, procurement, and distribution portals for universities, colleges, and research institutions. The intranet portals enable authorized users to acquire software and hardware products, and usually at more favourable terms than on a stand-alone basis. In contrast to the business unit eCommerce Solutions, Academics operates exclusively in German-speaking countries. Typical users are professional (large) customers from research and teaching.

Leading procurement portal of German universities
While the eCommerce Solutions business unit enables private users to download individual software products from a software manufacturer's website, the Academics business unit focuses on the procurement of different software and hardware products by a single corporate customer. For this purpose, asknet prepares so-called procurement portals for companies, scientific institutions, and public authorities that are seamlessly linked – similar to eCommerce Solutions – but no longer with the software manufacturer's website, but with the Intranet of the purchaser.

EXHIBIT 11: ACADEMICS-PROCUREMENT PORTAL IN GERMAN SPEAKING TERRITORIES



asknet currently has business relations with more than 80% of German universities and research institutions, according to company information.

SOURCE: COMPANY DATA, SPHENE CAPITAL

Win-win-win: Advantages of central procurement portals
Users who are granted access to these procurement portals then have the option of efficiently purchasing, distributing, and settling software and hardware. For software products, licenses no longer have to be purchased for each individual PC, but instead the universities pay royalties depending on the number of employees, who can use the licensed desktop software on any computer and device of the university or on computers of their own. In addition, the volume license agreements concluded with asknet, offer the universities uniform conditions at university or state levels, which facilitates license management and enables a higher degree of standardization. The savings potential for procurement time and costs are thus considerable.

Undisputed market leadership in Germany
With its business unit Academics, asknet is exclusively present in German-speaking countries and is the undisputed market leader with a customer base of more than 70 universities and colleges. The competition exists

Compared to the eCommerce Solutions business unit, competition is less intense in the asknet Academics business unit.

- in the area of electronic software distribution to consumers, companies or public authorities and in the provision of software procurement portals from IT service providers such as Bechtle or Cancom;
- in the operation of small dealer portals, especially from numerous smaller suppliers.

Revenue model of Academics
Like the eCommerce Solutions business unit, the Academics business unit primarily receives a percentage share of the gross proceeds generated by the distribution of the software via the online shop. In addition, asknet is increasingly receiving fixed license fees for the portals.

Wholly-owned subsidiary The Native Media Inc. is a digital content and marketing agency specializing in integrated marketing solutions for entertainment, sports, luxury goods and media customers. Services offered by The Native Media include both technology and art direction as well as content production, with the goal of creating engaging online experiences that enhance customer brand image and drive growth for digitally-focused audiences. In this respect, we see substantial synergy effects and interesting interfaces to eCommerce Solutions.

Content and marketing agency
With headquarters in Lausanne, The Native Media is a digitally based content and marketing agency with offices in the US and Poland focusing on integrated marketing solutions for entertainment, sports, luxury goods and media customers. The Native Media offers both technology, art direction and content production, with the goal of creating engaging online experiences that enhance customer brand image and drive growth and revenue among digitally-focused audiences.

Examples of the work of The Native Media are

- **The Eurovision Fan-house**, a content, games, video, and merchandising platform for fans of the Eurovision Song Contest; Here, The Native Media is responsible for e-commerce strategy, branding, and content production;
- **P8H Content Marketing & Sponsorships**, for which The Native Media drives forward digital marketing, brand partnerships and sponsorship sales;
- **Bang & Olufsen**, for whom The Native Media has produced videos and a social media campaign;
- **Genoa Cricket and Football Club**, for which The Native Media drives the digitization and internationalization of the brand name.

The combined Native Media/P8H offering is specialized on **(i)** servicing global charity business with modern online capital raising tools and digital marketing, and **(ii)** managing the high growth marketplace for new collecting categories catering to millennial and young generation of consumers (including street art, photography, limited editions of branded goods and trending objects of rarity).

The wholly-owned subsidiary Native Blockchain Lab is an early stage company with a strategic set of competences in the blockchain and machine learning technology industry and their commercial applications for alternative investment marketplaces. According to the company, Native Blockchain Lab has several ongoing projects in commercial applications such as blockchain, machine learning, and other innovative technologies.

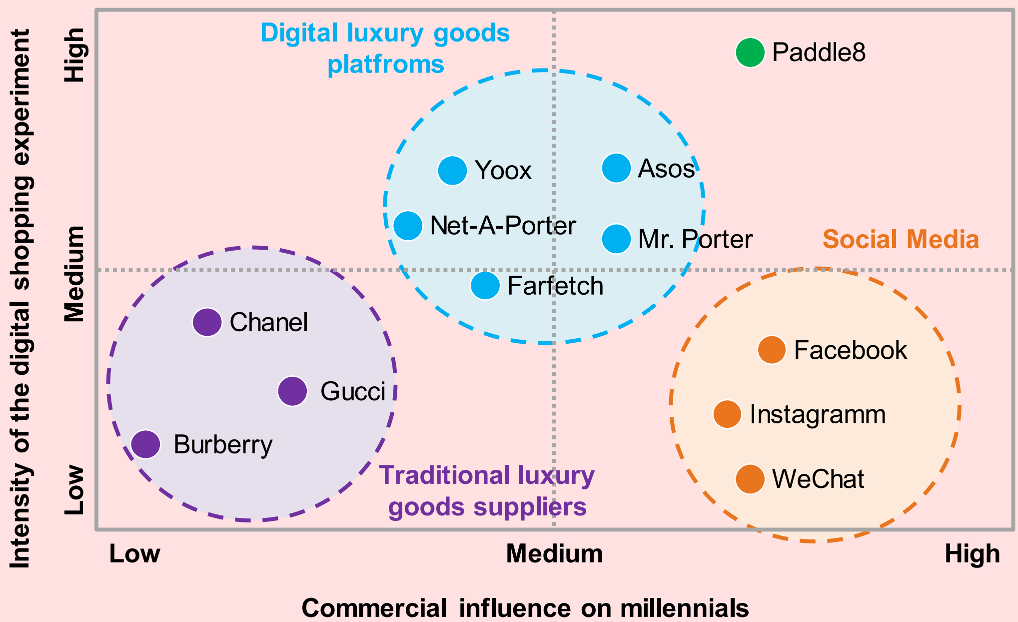
Transfer of blockchain technology
Wholly-owned subsidiary Native Blockchain Lab is an early stage company with several ongoing projects in commercial applications such as blockchain, machine learning, and other innovative technologies. These projects are developed and brought to market, with the option of outsourcing them in the future or selling them to third parties.

Construction of a wine trading platform
After entering into a strategic partnership with the Portuguese financial services company DIF and the London-based trading infrastructure technology company Braveno, The Blockchain Lab. is going to develop a wine trading platform for rare wines.

Digital passport for art and collectibles
Working with P8H, The Blockchain Lab has developed a "digital passport" for art and collectibles, the P8Pass. As a cryptographically secured "seal of quality", which is issued only in the course of a clearly defined verification process, accepted by the network participants, the P8Pass contains the universal ID of the object, its general description, a picture library, and its recent transaction history. Thus, a check of originality and protection against possible copies is made possible.

The 15% owned subsidiary P8H is an online auction house focused on art, especially contemporary art, prints, photography, street art, jewellery, watches, and collectibles. The average selling price is between USD 1,000 and USD 100,000. Headquartered in New York and with offices in Los Angeles, London, and Hong Kong, artefacts totalling USD 200 million were sold since inception.

EXHIBIT 12: COMPETITIVE POSITIONING



SOURCE: SPHENE CAPITAL

Online auction house with strong growth
The 15% owned subsidiary P8H (Paddle8) is an online auction house focused on art, especially contemporary art, prints, photography, street art, jewellery, watches, and collectibles. The average selling price of the auction items is between USD 1,000 and USD 100,000. Headquartered in New York with offices in Los Angeles, London and Hong Kong, artefacts totalling USD 200 million were sold since inception of the company.

In addition to the auction business, internally referred to as "for profit" by The Native, P8H also acts as a service and technology provider for third parties (internally called "not for profit").

Substantial synergy effects with asknet
Between P8H and asknet, considerable synergy effects can be exploited in the medium term, in our view. It is planned to convert the P8H Curated and Benefit Auctions to adopt the asknet Merchant of Record solution. This eliminates the need for P8H to open merchant accounts, set up payment gateways, manage contracts with global payment service providers, implement security standards for the protection of bank account information and comply with global tax regulations by itself.

Company with a difficult past
Founded in 2010, Paddle8 merged with the German competitor Auctionata in May 2016. With 800,000 users, the resulting Auctionata Paddle8 AG was one of the ten largest auction houses in the world (outside of China). At the beginning of 2017, a provisional insolvency administration was imposed on the assets of the company. In addition, a general disposition prohibition was imposed, after reports of the auditors KPMG from the years 2013 and 2014 were published, which accused Auctionata, among other things, to have placed bids in their own auctions. Such behaviour is expressly prohibited by German trade regulations. In March 2017, Auctionata Paddle8 filed for insolvency.

In early 2017, Founders, Alexander Gilkes and Osman Khan, subsequently led a management-buyout of Paddle8's assets from the Auctionata administration process and after stabilizing the business engaged in the transaction with The Native late 2017.

Company strategy

The corporate strategy of The Native is based on two pillars: Firstly, a buy-and-build strategy with a focus on digitally based business models to capitalize on dedicated growth opportunities in these markets, and second, to take advantage of synergy effects within the holding structure.

Buy-and-build strategy with a focus on majority stakes
So far, apart from The Native Media and the Blockchain Lab, the company has been built through acquisitions. We expect further takeovers to be carried out in the future. We expect that The Native will focus on majority ownerships only.

Firstly, buy-and-build strategy for digitally based business models

Exploitation of synergy effects
The Native is a holding company that pursues a buy-and-build strategy. At the centre of the investment strategy, The Native favours dynamically growing business models from the digital environment which have interfaces to each other. In that sense, leveraging synergies is of considerable importance to The Native. After a total of four investments were made in the past two years, it is the company's strategic goal to increase the organic growth rates of these holdings in the coming years.

Secondly, accelerate organic growth and increase market shares by strengthening sales activities and focussing on business activities

In our view, accelerated market penetration is also required in a competitive environment, especially since The Native should be able exploit significant organizational economies of scale.

In doing so, The Native sees itself as an "activist investor", who redesigns the participations according to its ideas. That's how it became that

- asknet's eCommerce Solutions division has been integrated into The Native's content marketing expertise, which has significantly improved its sales activities and, according to the company, has led to the acquisition of up to now six new customers;
- the sales force of Academics in the key products IBM and Ansys is to be strengthened by additional employees in order to further increase market penetration with new products;
- In the future, P8H will focus on the online charity product, in which the blockchain technology of the Blockchain Labs and the content marketing activities of The Native and the Merchant of record business model of asknet will be combined.

Company history and management

Formally, The Native SA (The Native) was founded in 2017 by acquiring a shell company that had been listed on the SIX Swiss Stock Exchange since May 2000. After the acquisition, several majority and minority takeovers have been made, including asknet and P8H. The refinancing was carried out through a capital increase of CHF 10.0 million. At present, the Company's share capital consists of 3.111 million shares with a par value of CHF 3.50 per share.

Overview of the company history

The Native SA was founded in 2017 by acquiring the listed company 5EL SA via a cash capital increase of CHF 10.0 million subscribed by strategic and financial investors. This refinanced the (to date) minor takeover of P8H and the majority takeover of asknet as well as the entry into blockchain development.

Following the acquisition of 5EL SA and a capital increase, the share capital of the company currently amounts to CHF 3.111 million.

We assume that a further capital increase will be made in the current year to finance our anticipated further corporate expansion, possibly as part of a second listing on a German stock exchange.

EXHIBIT 13: OVERVIEW OF COMPANY HISTORY

Corporate	Software & Services	Marketplaces	
06.05.2000 IPO of 5EL SA at the SIX Exchange	**1995** Foundation of asknet AG	**2010** Foundation of Paddle8	
14.07.2017 Takeover of 5EL by investor consortium	**2002** Launch of eDistribution Network	**2016** Merger with Auctionata	
29.12.2017 Renaming of 5EL SA into The Native SA	**2006** IPO of asknet AG at Entry Standard of Frankfurt Stock Exchange	**2017** Insolvency of Auctionata after fraud accusations by KPMG	**04.09.2017** Foundation of Blockchain Lab
25.05.2018 AGM	**2017** Change to Basic Board of Frankfurt Stock Exchange Wertpapierbörse	**10.12.2017** Takeover of 15% of the shares in Paddle8 Call option for further 36%	**23.01.2018** Launch P8Pass in cooperation with Paddle8
	08.11.2017 Takeover of 51.4% of asknet AG Capital increase of asknet AG	**03.2018** Carve-Out of non-core business into „Luxury-NewCo“	**15.03.2018** Strategic partnership with DIF Lab and Braveno for rare wines

SOURCE: COMPANY DATA, SPHENE CAPITAL

Since its inception, The Native has been a company run by its founders. At present, the management consists of three board members and a five-member Supervisory Board, which in our estimation tends to be interventionist.

The majority of employees work in technology-related areas
At the end of 2017, The Native had 90 employees - counted on FTEs (Full Time Equivalents). Of these, 85 employees worked for the fully consolidated asknet, and five for the headquarters in Lausanne, Switzerland. The employees of the holdings are for the most part engineers and technicians.

In general, we regard management as capital market affine, which is evidenced by the willingness to publish financial reports for the first and third quarters, deviating from the regulations of SIX. Regular participation in capital market conferences was also promised.

Board of directors
The board of directors is composed of the following three members:

- **Izabela Depczyk** is CEO of The Native SA. and responsible for Marketing and PR.
- **Victor Iezuitov** is CFO of The Native SA and responsible for Investor Relations activities.
- **Sergey Skaterschikov** is one of the original founders of The Native, chairman of the board of directors of The Native and CFO of asknet.

Advisory Board
The Advisory Board, which from our point of view is considered to be an activist one, is composed of five members:

- **Daniel Wild** is Chief Executive Officer of Mountain Partners and shareholder of Lighthouse Capital;
- **Cameron Winklevoss** is a director of Winklevoss Capital and one of the founders of Facebook;
- **Michael Neises** is a partner at Heuking Kühn Lüer Wojtek, a well-known German law firm specializing in corporate and capital market law;
- **Andreas Benz** is member of the Management Board of film producer Constantin Medien;
- **David Zwirner** is founder and sole shareholder of David Zwirner Galleries.

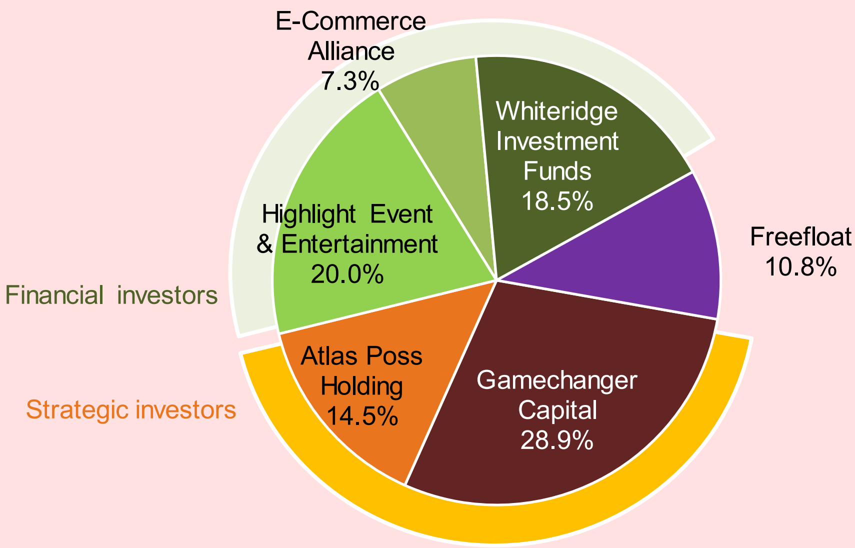
Shareholder structure

At present, the share capital of the company consists of around 3.111 million shares. The largest single shareholder is the investment company of one of the founders of the company, who as a member of the supervisory board of the company and chief financial officer of the subsidiary asknet remains operationally active in the company. Including financial investors, the current free float is 56.6%.

Performance-oriented ownership structure
Including financial investors, the shareholder structure of the company currently offers a free float of 56.6%. With 28.9% of the shares, the investment vehicle Gamechanger Capital of the founder Sergey Skaterschikov is the largest single shareholder of the company. The second largest shareholder is the listed Highlight Event & Entertainment AG from Switzerland (20.0%), another 40.0% of the shares are held by three affiliated companies.

We classify all named shareholders as performance-oriented, who are interested in rising share prices.

EXHIBIT 14: SHAREHOLDER STRUCTURE (AS OF MAY 2018)



SOURCE: COMPANY DATA

Diluted number of shares
There are two dilution effects to be considered: a convertible loan and a convertible note. The former was issued with MT Holding, the latter with several lenders. Should both loan and note remain to be in the money (which they are as of today), total number of shares outstanding will be diluted by 1,229,410 shares as of December 2018. Therefore, the total number of outstanding shares is expected to increase to 4,340,600 by the end of 2018e.

EXHIBIT 15: DILUTION OF SHARES

	Volume	Interest rates Fixed	Interest rates Variable	Start date	End date	Exercise price	Dilution
	(CHF)	(%)	(%)			(CHF)	(# shares)
Convertible Loan	1,120,000	2.5%	0.75%	09/05/13	12/30/18	3.50	320,000
Convertible Note	4,310,000	6.0%	n/a	12/15/17	12/15/18	5.50	909,410

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECASTS

Strengths and weaknesses, opportunities, and threats

We see the following company-specific **strengths** of The Native:

Strengths

- **Investment strategy with a clear niche focus:** In our view, The Native has a coherent buy-and-build strategy in innovative niches. After utilizing substantial synergy effects, we assume that this investment strategy will be reflected in the medium term in the form of above-average profitability ratios and that The Native will secure long-term competitive advantages from an economic perspective.
- **Broad customer target structure with high customer loyalty:** As a global company, The Native offers its customers a wide range of digital services. Except for The Native Media (revenue share <1%), we consider the technology used to be highly scalable in all areas.
- **High market entry barriers:** We see the market entry barriers for potential newcomers as comparatively high in all business units addressed by The Native. Market entry barriers arise, on the one hand, from technological expertise, especially in asknet's Software & Services segment, but also from long-term customer relationships and the innovative business model in the marketplaces segment. Despite this, The Native, as a technology company, is, in our view, faced with the constant task of differentiating itself from existing and future competitors by anticipating new trends, and launching new services and products that meet these future needs.
- **High creditworthiness of clients:** The customer portfolio of The Native is characterized by its high credit rating. Bad debt in both the Software & Services and Marketplaces segments was negligible in the past.
- **Many years of industry know-how:** The Native's management and supervisory board members have many years of experience in the e-commerce and luxury goods industry. This know-how can be used by The Native especially in the selection of new investment companies as part of its buy-and-build strategy.
- **Increasing profitability:** Even in the current early phase of corporate development, The Native should be profitable in our view and, according to our estimates, should continue to expand its earnings position. We assume that the investments, which have been already made, will have a positive impact on the earnings situation immediately after the takeover.
- **Solid balance sheet structure after adjustment for convertibles:** With an adjusted equity ratio of 31.7% (2017) after the inclusion the convertible bond and loan (which already are trading in the money), The Native demonstrates a strong balance sheet. This in turn should enable The Native, in our view, to acquire additional companies.
- **Potential takeover candidate:** As a company with a market cap of just below CHF 25 million and a market leading position in several, highly attractive niches, The Native should be considered a principal takeover target for global e-commerce companies.

We see the following company-specific **weaknesses** of The Native:

Weaknesses

- **Risks from external growth:** Following a buy-and-build-strategy, The Native is exposed to the risk that the acquired companies will not perform as expected; in addition, key personnel from acquired companies might quit.
- **Dependencies on individual customers:** In the software and services segment, The Native is dependent on individual customers. In our opinion, the most important five customers were responsible for more than half of the segment's revenue in the past year. A loss of one of these customers could have a significant impact on the profitability of ascent and The Native. Although customer relationships are designed for the long term, dependency on these customers cannot be denied.
- **Dependencies on management:** The Native is headed by a team of managing partners. The Management Board and the Supervisory Board of the

affiliated companies are experienced, but certain dependencies on key persons cannot be denied.

- **Difficult predictability of the revenue and earnings position:** We see risks in terms of achieving our revenue and earnings estimates, not only as a result of exogenous factors such as economic or currency developments, but also because of the early-stage nature of the business model.
- **The Native is exposed to currency risks:** Both on the cost side and on the revenue side, most of the contracts are in euros, but the group reporting is in CHF.
- **Possibility of further capital measures:** By taking over a stock listed shell company, The Native has gained access to the capital market. However, we assume that this was only a first step for future capital market activities (corporate or convertible bonds, capital increase, etc.), so that dilution cannot be ruled out.
- **Missing Track Record:** Against the background of the young company history, The Native has yet to provide evidence of its profitability. For example, asknet, the most important investment company at the moment, has only been able to generate a (low) positive operating result four times in the past 15 years. In our view, this is not attributable solely to market conditions, but also due to under-execution in the event of too high headcount.
- **Potential Stock Overhang:** Despite the stable and, according to our estimate, decidedly performance-oriented ownership structure, which has not materially changed since the takeover, a possible stock overhang of the stock could be derived.
- **Liquidity risk of the share:** The market capitalization of the free float of CHF 13.9 mn is considered to be too low for exposure of many institutional investors. With an average trading volume of 500 shares or about CHF 4,000 per day, the low liquidity of the stock must also be taken into account prior to an investment in The Native shares.

Opportunities

The **opportunities** described below apply to all companies active in the same industries as The Native:

- **Benefitting from sustained market dynamics:** The e-commerce market is still characterized by high average growth rates. As a company that enables, among other things, software downloads, The Native will continue to benefit from this market development, in our view.
- **High scalability of the business model:** Due to the low capital tie-up, The Native's business model is fundamentally highly scalable, which in our view enables high organic growth rates to be achieved.
- **Low price sensitivity of customers** in E-commerce services and Academics: Against the backdrop of the high strategic importance of software downloads, the customers of The Native are, in our estimation, not particular price-sensitive.

Threats

The **threats** described below apply to all companies active in the same industries as The Native:

- **Strong market asymmetry in The Native's Software & Services segment:** Software & Services is dominated by the market leader Digital River, which is flanked by various smaller niche providers such as Dutch-Romanian Avangate or German based Cleverbridge. On the product side, none of the providers seems to be able to gain a sustainable competitive advantage – except from market leader Digital River. As a result, we see a high level of competition among both the smaller providers and Digital River.
- **Dependence on the customers' operational development:** The transaction-based business model makes the Software & Services division dependent on the operational development of its customers. In this symbiotic relationship, an unbalanced or market-distant pricing or product policy of The Native's customers would, in our opinion, also be reflected in the division figures as well as a global macroeconomic weakening.
- **Time-limited contracts:** Although the contracts with customers in the

Software and Services segment are de facto regularly extended, they are, as a rule, limited in time to one year.

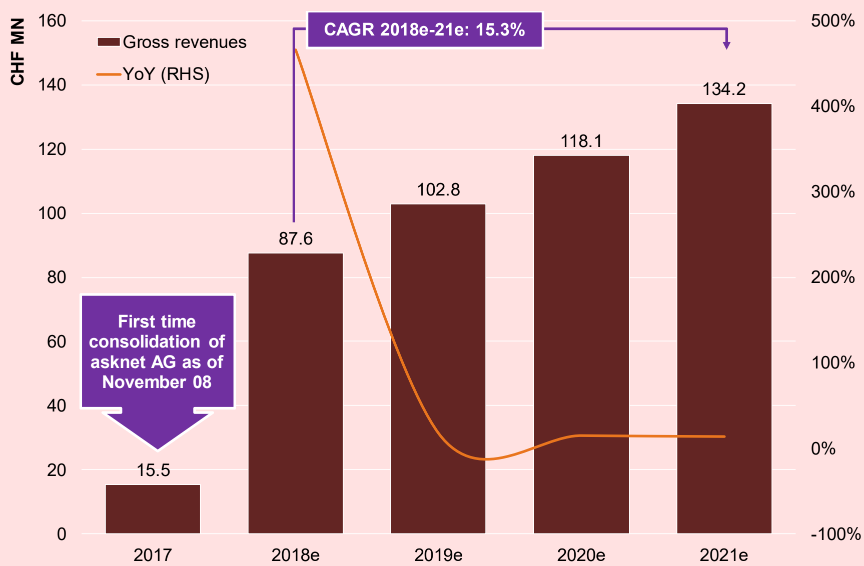
Financial forecast

As of today, The Native generates almost exclusively proceeds from its participation in asknet, i.e. from the development and operation of online shops for software manufacturers to enable clients the software download and from development and operation of information and procurement portals for universities and colleges. In the medium term, we assume a successful takeover of a majority stake in P8H and a full consolidation of online auction house P8H. With asknet as the major sales driver, the cost side of The Native is dominated by material expenditures, which accounted for 86.7% of total sales in 2017. With less than two months into operations, The Native generated gross revenues of CHF 15.5 million last year, the operating result (EBIT) was CHF -8.8 million, mainly due to one-time costs. Driven by the full year consolidation of asknet and further client acquisitions, we expect gross revenues to rise to CHF 87.6 million in the current fiscal year, with operating profit expected to reach break-even. For 2019e, we expect an improvement in gross revenues and operating profit to CHF 102.8 million (+17.4% YoY) and CHF 0.8 million, respectively.

Double-digit average gross sales growth rates
Due to the majority takeover of asknet, we expect The Native to generate gross revenues of CHF 87.6 million in 2018e, only one year after its inception. With a share of 94.2% of group revenues, asknet is of crucial importance to the group's performance. To a much lesser extent, revenues should also be generated by the content and marketing agency The Native Media and The Native Blockchain Lab. Revenues from 15% ownership in P8H were not included in our consolidated model.

Over the next four years, which define our detailed planning horizon, we expect gross revenues to increase to as much as CHF 134.2 million, which translates into a compound annual revenue growth rate 2018e-21e of 15.3%. We also believe that external growth continues to be a viable option for The Native, but we have not modelled any additional (not even the possible majority stake in P8H) takeovers at this time.

EXHIBIT 16: GROSS REVENUES AND REVENUE GROWTH RATES (RHS), 2017-21E



In 2017, German asknet AG was only consolidated for approximately two months. In 2018e, asknet will be consolidate on a full year basis for the first time. Therefore, revenues will be up to CHF 87.6 million (+465.9% YoY), in our view. For the period 2018e-21e, we expect average annual growth rates of gross revenues of 15.3%.

SOURCE: SPHENE CAPITAL FORECAST

Revenue by segment
The Native is structured in three segments:

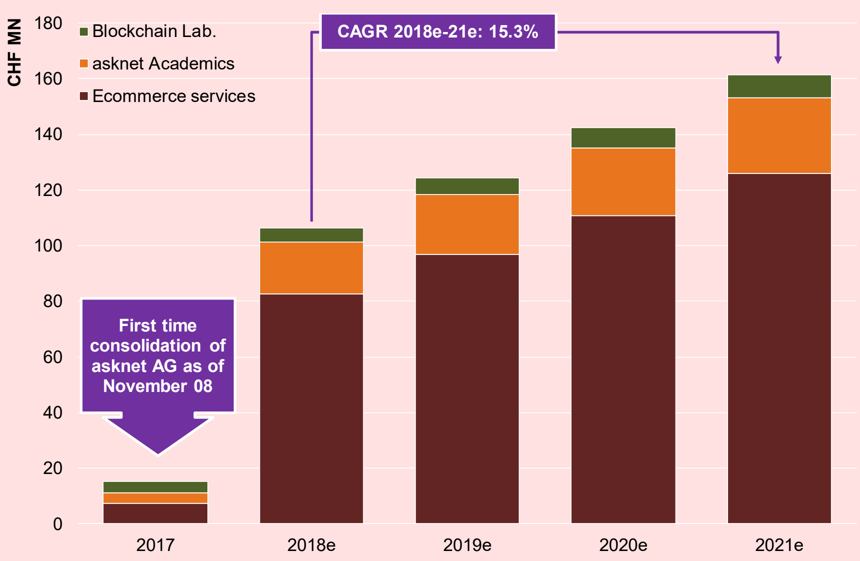
- **eCommerce Solutions:** In 2018e, 72.9% of group revenues should be generated by these volume-based transaction proceeds from the development and operation of online shops for software manufacturers. The

In the current fiscal year, 94.2% of the group's revenue should be generated by German subsidiary asknet AG.

Native charges a commission to its customers, small and medium-sized software vendors, after their software has been downloaded via a shop developed and operated by the subsidiary asknet AG. The revenues gained through the download will then be shortened by a commission claimed by The Native and eventually forwarded to the global software manufacturers.

- **asknet Academic:** In 2018e, 21.4% of group revenues should be generated by asknet Academic, where The Native sells software and selected hardware products of various manufacturers in its own name and on its own account to customers in the German-speaking countries. In addition, through these reselling portals The Native offers software at discounted prices. The size of the discount is based on the anticipated software turnover of the customer. Finally, The Native has authorization from selected software producers, including Microsoft and Adobe, to sell software to certain academic institutions under specific licensing models.
- **Blockchain Lab:** The remainder of 5.8% of group revenues should be generated by The Native Media, a developer of blockchain and machine learning technology solutions, which The Native sells to group and external clients.

EXHIBIT 17: REVENUES BY SEGMENTS, 2017-21E



SOURCE: SPHENE CAPITAL FORECAST

Due to the 15% minority interest, P8H cannot be fully consolidated by The Native. A successful majority takeover should have a significant impact on group revenues.

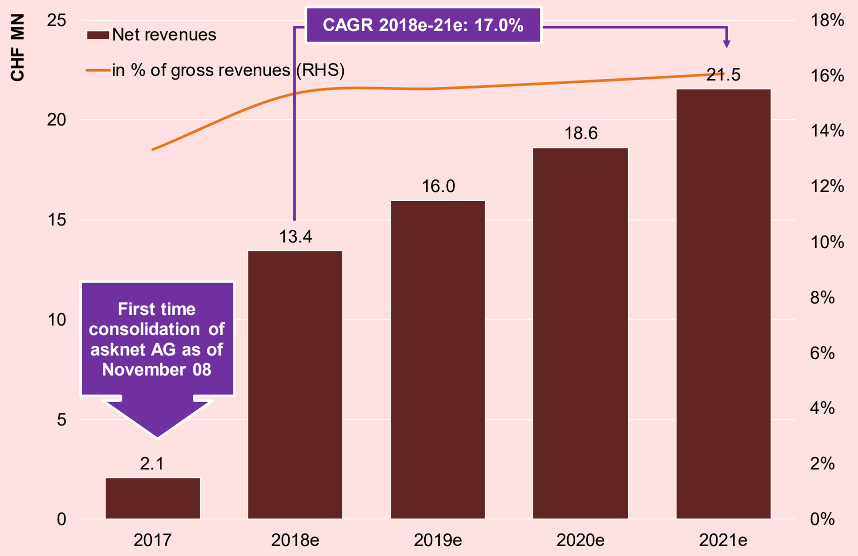
Cost of materials dominate the income statement
The costs of materials essentially consist of the share in revenues that The Native is obliged to pass on to the software developers in the eCommerce Solutions business segment. On average, we expect the cost of materials ratio to remain between 84% and 85% of gross proceeds during our forecast period ending in 2021e.

The cost of materials ratio is as important to the company's performance as it is to a retailer.

Net revenues are the key performance indicator to the management
After deducting cost of materials from gross revenues, we calculate net revenues (i.e. gross profits). Last year, net revenues were CHF 2.1 million, based on a two-month consolidation of asknet AG and some minor revenue contributions from Blockchain Lab. In 2018e, with asknet fully consolidated, we expect net revenues to move up to CHF 13.4 million, which is equivalent with a gross profit margin of 15.3%.

Similar gross profit margins are expected during our planning horizon, so that net sales should increase by 17.0% CAGR, i.e. in the double-digit range between 2018e and 2021e.

EXHIBIT 18: NET REVENUES AND NET MARGIN (RHS), 2017-21E

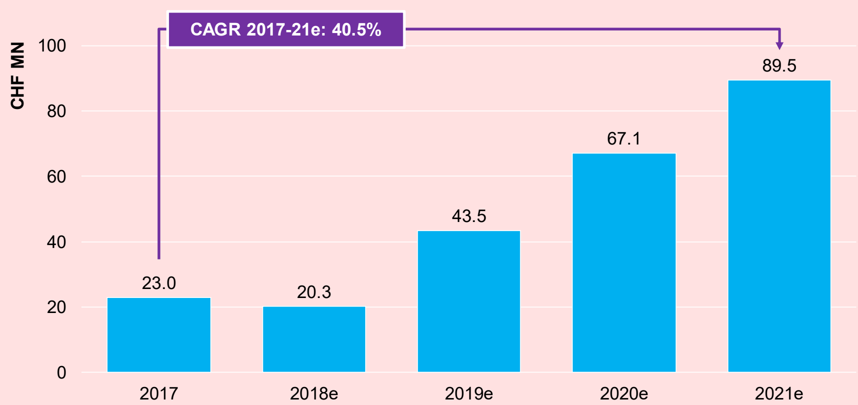


SOURCE: SPHENE CAPITAL FORECAST

Overall, we expect compound annual net sales growth rates of 17.0% for the 2018e-21e period. We therefore expect The Native to increase its net revenues to CHF 21.5 million by 2021e from the current year's level of CHF 13.4 million.

P8H (Marketplaces segment, so far not consolidated)
Until now, The Native cannot fully consolidate revenues from its 15% minority holding in P8H. Last year P8H is expected to have achieved an EBITDA of CHF -1.5 million with gross revenues of CHF 23.0 million. According to the company, P8H will grow much more dynamically in the coming years than the Software & Services segment. Based on these assumptions, we have pencilled P8H's revenue and earnings to develop as follows:

EXHIBIT 19: GROSS REVENUES PADDLE8, 2017-21E

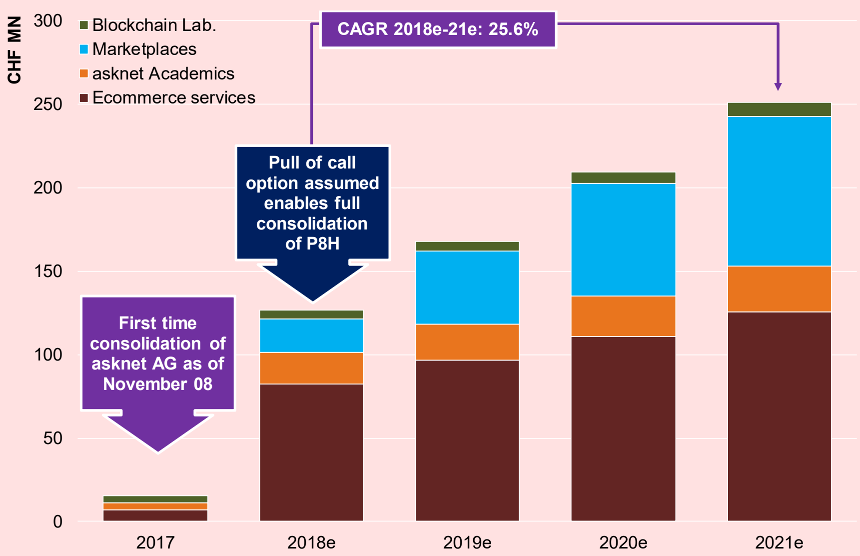


SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

We expect revenues to increase to CHF 89.5 million (2021e) up from CHF 23.0 million in 2017, which is equivalent with an annual revenue growth rate of 40.5%.

Sales forecast including a fully consolidated P8H
The influence of P8H on the overall success of The Native can be seen in the exhibit 20 below, where we have assumed a full consolidation of P8H. Should The Native succeed in timely pulling the call option on the additional 36% of P8H, with an expected compound annual growth rate of 25.6%, a more dynamic development of gross revenues would be the result. Gross revenues therefore would increase to CHF 250.9 million by 2021e according to our estimates.

EXHIBIT 20: GROSS REVENUES BY SEGMENT, 2017-21E



Should The Native be able to pull the call option on P8H in 2018, gross revenues would enter a more dynamic growth path. In total, gross revenues would grow by an annual growth rate of 25.6% instead of 15.3% without full consolidation of P8H, according to our estimates.

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

* full consolidation of P8H assumed

Personnel expense ratio of only minor importance
Despite a labour-intensive business model, the payroll ratio of 6.7% (2017) for The Native is, in our opinion, only of minor importance for the company's profitability. Measured in full-time equivalents, The Native employed 90 people by the end of 2017. The most personnel-intensive location is Karlsruhe (80 employees), the headquarters of the subsidiary asknet AG. Other locations in Lausanne (5 employees), New York (5 employees), San Francisco (3 employees) and Tokyo (2 employees) are of less importance.

Due to the exploitation of economies of scale and synergy effects, we have modelled a decline in the personnel expense ratio in relation to group revenues for the coming years, which should fall to 3.5% of gross revenues by the year 2021e.

Other operating expenses
Other operating expenses include the typical operating expenses known from other companies, in particular rental and lease expenses, advertising and travel expenses as well as insurance and maintenance costs. However, there are other operating expenses, which are specific for The Native's subsidiary asknet: asknet has to cede approximately 2.0% of gross revenues to external payment providers and credit card companies.

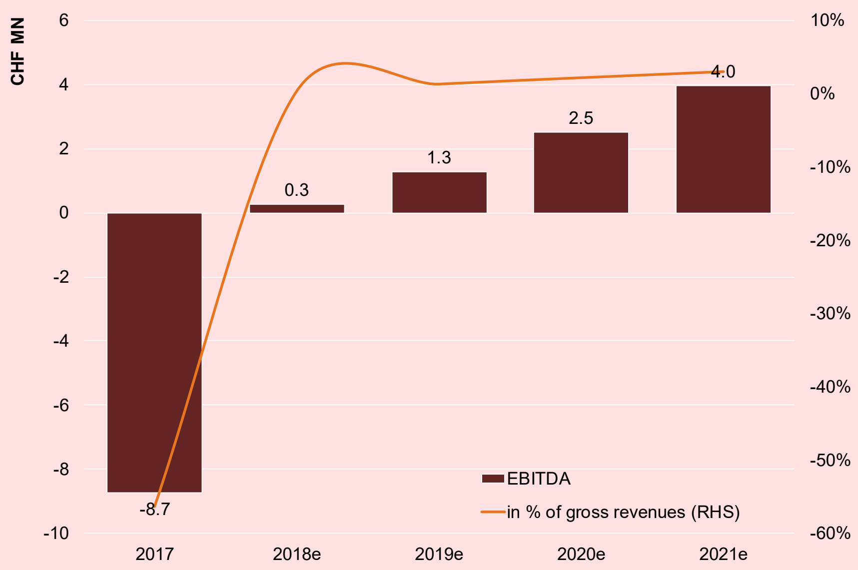
According to our estimates, other operating expenses should amount to CHF 5.3 million in the current fiscal year, accounting for 6.0% of gross revenues. With approximately half of other operating expenses linked to the business volume of the company, we expect other operating expenses to increase more or less in proportion to revenues in the coming years; By 2021e, we expect a synergy driven slight decline of the ratio to 5.7% of gross revenues.

Strong improvement of EBITDA and EBIT expected
Last year, The Native reported a negative EBITDA of CHF -8.7 million, reflecting various non-cash and one-off adjustments from the group's acquisition and restructuring activities throughout the year 2017 as well as certain legacy costs such as an impairment of CHF 2.1 million from the acquisition of the listed shell of 5EL. In terms of gross revenues, the EBITDA margin was therefore -56.4%, a rather meaningless number.

The operating loss was mainly due to one-off expenses from the commencement of business operations and the subsequent integration of the acquired companies.

For the current financial year, we expect an increase in EBITDA to CHF 0.3 million and a further improvement over the next three years to just under CHF 4.0 million (2021e). In terms of gross revenues, this corresponds to an expected increase in the EBITDA margin to 3.0% of gross revenues (2021e).

EXHIBIT 21: EBITDA AND EBITDA MARGIN (RHS), 2017-21E



SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

In 2017, The Native reported an EBITDA of CHF -8.7 million due to substantial start-up costs. Based on our forecasted use of synergies, we expect EBITDA to increase to CHF 4.0 million by the year 2021e, which corresponds to EBITDA margins of 3.0%.

From 2019e onwards, we expect The Native to be profitable on all levels
At the end of 2017, The Native had a net debt position of CHF 7.7 million. Long- and short-term bank liabilities were CHF 8.6 million and CHF 0.7 million, respectively; in addition, there were a convertible loan and a convertible bond outstanding with a total value of CHF 6.2 million (for details please see page 24), which we included in the net debt calculation.

Due to a capital-light business model and loss carry-forwards on the level of the profitable subsidiaries, only minor deductions should occur between EBITDA and profit after tax.

In our financial model, we formally assume that The Native needs to repay the outstanding convertible bond and loan by raising debt instead of converting these into equity. Due to the expected improvement in profitability, we expect The Native to substantially reduce its net debt to CHF 10.2 million by the year-end of 2021e. From this balance sheet structure, we derive a synthetic rating from B.

Therefore, we expect earnings before taxes to be in line with the operating result. For the current year, we expect pre-tax losses of CHF -0.8 million (previous year: CHF -6.4 million). By 2019e, earnings before taxes should turn to profitability for the first time with CHF 0.9 million.

Tax loss carry-forwards on asknet level can no longer be used
The most valuable investment of the portfolio, asknet AG, has accumulated considerable losses carried forward since the IPO in 2006. However, according to German tax laws, a company forfeits the right to claim tax benefits from loss carry forwards after a majority change in ownership – which is exactly what happened with asknet. Notwithstanding that, being a Swiss based company, the Native group is only likely to be subject to a tax rate of approximately 20.0% taxation, in our view.

Net income and earnings per share
Excluding minority interests from the holding in asknet, we expect The Native to generate after-tax losses of CHF -0,6 million in 2018e. asknet's after-tax earnings should be around CHF 0.4 million, which is equivalent with minority interests of CHF -0.2 million. Based on 4.341 million fully diluted shares, this translates into earnings per share (including minority interests) of CHF -0.20 in the current fiscal year.

Over the next three years, net earnings should improve to up to CHF 3.6 million (2021e) in our view.

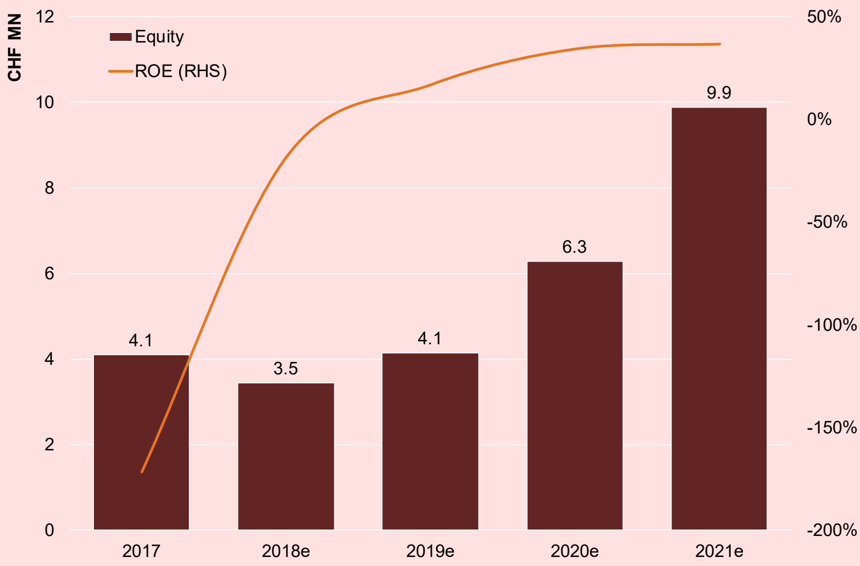
For the following years, we expect an improvement in earnings at all levels. Overall, we expect fully diluted earnings per share to increase to CHF 0.65 by the year 2021e.

Significantly increasing return on equity expected
With an ordinary share capital of CHF 10.9 million, equity was CHF 4.1 million at the end of the past fiscal year. Additionally, there is an authorized capital of CHF

5.4 million (i.e. 50% of the existing share capital) and a conditional capital of CHF 3.9 million. The pre-emptive rights of the existing shareholders related to the subscription of this authorized share capital are excluded in case of an acquisition of entities, an acquisition of participations in entities or in case of strategic partnerships.

The return on equity was negative in the past financial year. However, we assume that The Native operates a fundamentally value-adding business model. As indicated in exhibit 22 below, we expect the return on equity to rise to 36.4% over the next four years:

EXHIBIT 22: EQUITY AND ROE (RHS), 2017-21E



SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

Our financial forecast assumes that the financing of the expected growth will be achievable without a further capital increase. By 2021e, we expect after-tax earnings to increase to CHF 3.6 million. Based on our expectations, ROE will be up to of 36.4% in 2021e.

We do not expect dividend payments until 2021e
In our view, investments in future growth are clearly in the centre of the corporate strategy. Therefore, we do not anticipate a dividend distribution during our planning horizon until 2021e. Instead, we expect the net profits to be reinvested over the next years.

We do not expect dividend payments until 2021e.

Net Working Capital
The business model of its current main subsidiary asknet has another special feature: since the incoming payments of end customers are received before asknet pays the software developers and the insignificance of inventories, asknet's net working capital is negative. As asknet is currently responsible for most of the business, last year's working capital was negative at group level too with CHF -3.5 million.

In the past, asknet's trade receivables were always below trade payables. This results in negative working capital. Growth does not need to be financed by the provision of capital.

Apart from tangible capital investments, The Native has no additional financing needs, in our view. With a business volume of CHF 87.6 million, the net working capital to sales ratio should only be 2.6% in the current fiscal year, according to our estimates.

Management guidance
In its current investor presentation, the management has issued a mid-term guidance for the financial year 2020e, based on a full consolidation of the investment in P8H. Overall, management expects the following development:

EXHIBIT 23: MANAGEMENT GUIDANCE, 2020E

		2017	2020e	CAGR
Gross revenues	CHF mn	101,0	200,0	25,5%
Net revenues	CHF mn	13,0	36,0	40,4%
EBITDA	CHF mn	-3,5	14,0	n/a
EBITDA margin (based on net revenues)	%	-3,5%	7,0%	n/a

SOURCE: COMPANY DATA

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Profit and loss statement, 2017-21e

SWISS GAAP (31/12)		2017	2018e	2019e	2020e	2021e
Gross revenues	**CHF mn**	**15.5**	**87.6**	**102.8**	**118.1**	**134.2**
YoY	%	n/a	465.9%	17.4%	14.8%	13.7%
Other operating income	CHF mn	0.0	0.0	0.0	0.0	0.0
Total output	**CHF mn**	**15.5**	**87.6**	**102.9**	**118.1**	**134.3**
YoY	%	n/a	465.5%	17.4%	14.8%	13.7%
Material costs	CHF mn	-13.4	-74.2	-86.9	-99.5	-112.7
In % of total output	%	-86.7%	-84.7%	-84.5%	-84.2%	-84.0%
Net revenues	**CHF mn**	**2.1**	**13.4**	**16.0**	**18.6**	**21.5**
YoY	%	n/a	551.3%	18.8%	16.6%	15.7%
In % of total output	%	13.3%	15.3%	15.5%	15.8%	16.0%
Personnel costs	CHF mn	-1.0	-4.0	-4.3	-4.5	-4.7
In % of gross revenues	%	-6.7%	-4.5%	-4.1%	-3.8%	-3.5%
Other operating expenses	CHF mn	-1.6	-5.3	-6.1	-6.8	-7.6
In % of gross revenues	%	-10.5%	-6.0%	-5.9%	-5.8%	-5.7%
EBITDA	**CHF mn**	**-8.7**	**0.3**	**1.3**	**2.5**	**4.0**
In % of gross revenues	%	-56.4%	0.3%	1.2%	2.1%	3.0%
Depreciation	CHF mn	0.0	-0.4	-0.4	-0.5	-0.5
EBIT	**CHF mn**	**-8.8**	**-0.1**	**0.8**	**2.0**	**3.4**
YoY	%	n/a	-98.5%	-740.1%	139.5%	69.8%
YoY	CHF mn	-8.8	8.6	1.0	1.2	1.4
In % of gross revenues	%	-56.5%	-0.2%	0.8%	1.7%	2.6%
Income from participations	CHF mn	0.0	-0.5	-0.1	0.6	1.0
Net financial result	CHF mn	0.1	-0.2	0.1	0.1	0.1
Extraordinary items	CHF mn	2.3	0.0	0.0	0.0	0.0
In % of gross revenues	%	14.6%	0.0%	0.0%	0.0%	0.0%
EBT	**CHF mn**	**-6.4**	**-0.8**	**0.9**	**2.7**	**4.5**
In % of gross revenues	%	-41.5%	-0.9%	0.8%	2.3%	3.4%
Taxes	CHF mn	-0.6	0.2	-0.2	-0.5	-0.9
In % of EBT (implied tax rate)	%	9.2%	-20.0%	-20.0%	-20.0%	-20.0%
Net income	**CHF mn**	**-7.0**	**-0.6**	**0.7**	**2.1**	**3.6**
In % of gross revenues	%	-45.4%	-0.7%	0.7%	1.8%	2.7%
Minorities	CHF mn	-0.1	-0.2	-0.4	-0.5	-0.8
Nr of shares (basic)	mn	3.1	3.1	3.1	3.1	3.1
Nr of shares (diluted)	mn	4.3	4.3	4.3	4.3	4.3
EPS (basic)	**CHF**	**-2.28**	**-0.28**	**0.11**	**0.52**	**0.91**
EPS (fully diluted)	**CHF**	**-1.63**	**-0.20**	**0.08**	**0.37**	**0.65**

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

Balance sheet (Assets), 2017-21e

SWISS GAAP (31/12)		2017	2018e	2019e	2020e	2021e
ASSETS						
Non-current assets	**CHF mn**	**20.3**	**20.6**	**21.0**	**21.5**	**21.9**
Intangible assets	CHF mn	3.4	3.8	4.2	4.6	5.0
Goodwill	CHF mn	7.9	7.9	7.9	7.9	7.9
Property, plant & equipment	CHF mn	0.2	0.2	0.2	0.3	0.3
Shares in affiliated companies	CHF mn	8.5	8.5	8.5	8.5	8.5
Other financial assets	CHF mn	0.2	0.2	0.2	0.2	0.2
Paid advances	CHF mn	0.0	0.0	0.0	0.0	0.0
Current assets	**CHF mn**	**12.3**	**9.0**	**9.9**	**11.3**	**13.0**
Inventory	CHF mn	0.1	0.3	0.4	0.4	0.5
DIO	d	1	1	1	1	1
Trade receivables	CHF mn	4.2	7.1	7.9	8.6	9.3
DSO	d	97	29	28	26	25
Receivables from affiliated companies	CHF mn	0.0	0.0	0.0	0.0	0.0
Receivables from called capital	CHF mn	0.0	0.0	0.0	0.0	0.0
Other current assets	CHF mn	0.2	0.9	1.1	1.2	1.4
Cash & cash equivalents	CHF mn	7.9	0.8	0.5	1.1	1.8
thereof collateralized	CHF mn	0.0	0.0	0.0	0.0	0.0
Deferred items	CHF mn	0.0	0.0	0.0	0.0	0.0
Equity deficit	CHF mn	0.0	0.0	0.0	0.0	0.0
Total assets	**CHF mn**	**32.5**	**29.7**	**30.9**	**32.7**	**34.9**

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

Balance sheet (liabilities), 2017-21e

SWISS GAAP (31/12)		2017	2018e	2019e	2020e	2021e
LIABILITIES AND EQUITY						
Total shareholder's equity	**CHF mn**	**4.1**	**3.5**	**4.1**	**6.3**	**9.9**
Equity ratio	%	12.6%	11.6%	13.4%	19.2%	28.3%
Issued capital	CHF mn	10.9	10.9	10.9	10.9	10.9
Other adjustments	CHF mn	0.0	0.0	0.0	0.0	0.0
Currency adjustments	CHF mn	0.0	0.0	0.0	0.0	0.0
Accumulated deficit	CHF mn	-0.7	-7.8	-8.6	-8.3	-6.7
Profit/Loss of period	CHF mn	-7.1	-0.9	0.3	1.6	2.8
Equity deficit	CHF mn	0.0	0.0	0.0	0.0	0.0
Own shares	CHF mn	-0.3	-0.3	-0.3	-0.3	-0.3
Minorities	CHF mn	1.2	1.5	1.8	2.3	3.1
Special items	CHF mn	0.0	0.0	0.0	0.0	0.0
Pension reserves	CHF mn	0.0	0.0	0.0	0.0	0.0
Other provisions	CHF mn	0.0	0.0	0.0	0.0	0.0
Current liabilities	**CHF mn**	**19.2**	**9.4**	**10.8**	**12.1**	**13.5**
Bank debt	CHF mn	0.7	0.6	0.6	0.5	0.5
Accrued expenses	CHF mn	4.6	0.0	0.0	0.0	0.0
Convertible loan	CHF mn	6.2	0.0	0.0	0.0	0.0
Trade payables	CHF mn	7.7	8.8	10.2	11.6	13.0
DPO	d	180	36	36	35	35
Other current liabilities	CHF mn	0.0	0.0	0.0	0.0	0.0
Liabilities to subsidiaries	CHF mn	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	**CHF mn**	**8.6**	**16.8**	**16.0**	**14.4**	**11.5**
Bank debt	CHF mn	8.6	16.8	16.0	14.4	11.5
Other non-current liabilities	CHF mn	0.0	0.0	0.0	0.0	0.0
Deferred items	CHF mn	0.6	0.0	0.0	0.0	0.0
Total liabilities and shareholders' equity	**CHF mn**	**32.5**	**29.7**	**30.9**	**32.7**	**34.9**

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

Balance sheet (assets, normalized), 2017-21e

SWISS GAAP (31/12)		2017	2018e	2019e	2020e	2021e
ASSETS						
Non-current assets	**%**	**62.3%**	**69.6%**	**68.1%**	**65.5%**	**62.9%**
Intangible assets	%	10.6%	12.8%	13.5%	14.0%	14.4%
Goodwill	%	24.3%	26.6%	25.6%	24.1%	22.6%
Property, plant & equipment	%	0.7%	0.8%	0.8%	0.8%	0.7%
Shares in affiliated companies	%	26.1%	28.7%	27.5%	26.0%	24.4%
Other financial assets	%	0.6%	0.7%	0.7%	0.7%	0.7%
Paid advances	%	0.0%	0.0%	0.0%	0.0%	0.0%
Current assets	**%**	**37.7%**	**30.4%**	**31.9%**	**34.5%**	**37.1%**
Inventory	%	0.2%	1.0%	1.1%	1.2%	1.3%
Trade receivables	%	12.8%	23.9%	25.6%	26.3%	26.7%
Receivables from affiliated companies	%	0.0%	0.0%	0.0%	0.0%	0.0%
Receivables from called capital	%	0.0%	0.0%	0.0%	0.0%	0.0%
Other current assets	%	0.5%	3.0%	3.4%	3.7%	4.0%
Cash & cash equivalents	%	24.2%	2.5%	1.8%	3.3%	5.2%
thereof collateralized	%	0.0%	0.0%	0.0%	0.0%	0.0%
Deferred items	%	0.0%	0.0%	0.0%	0.0%	0.0%
Equity deficit	%	0.0%	0.0%	0.0%	0.0%	0.0%
Total assets	**%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

Balance sheet (liabilities, normalized), 2017-21e

SWISS GAAP (31/12)		2017	2018e	2019e	2020e	2021e
LIABILITIES AND EQUITY						
Total shareholder's equity	**%**	**12.6%**	**11.6%**	**13.4%**	**19.2%**	**28.3%**
Issued capital	%	33.5%	36.7%	35.3%	33.2%	31.2%
Other adjustments	%	0.0%	0.0%	0.0%	0.0%	0.0%
Currency adjustments	%	0.0%	0.0%	0.0%	0.0%	0.0%
Accumulated deficit	%	-2.1%	-26.2%	-28.0%	-25.4%	-19.2%
Profit/Loss of period	%	-21.8%	-2.9%	1.1%	4.9%	8.1%
Equity deficit	%	0.0%	0.0%	0.0%	0.0%	0.0%
Own shares	%	-0.8%	-0.9%	-0.8%	-0.8%	-0.7%
Minorities	%	3.8%	4.9%	5.9%	7.1%	8.9%
Special items	%	0.0%	0.0%	0.0%	0.0%	0.0%
Pension reserves	%	0.0%	0.0%	0.0%	0.0%	0.0%
Other provisions	%	0.0%	0.0%	0.0%	0.0%	0.0%
Current liabilities	**%**	**59.1%**	**31.7%**	**34.9%**	**36.9%**	**38.7%**
Bank debt	%	2.2%	2.2%	1.9%	1.6%	1.3%
Accrued expenses	%	14.0%	0.0%	0.0%	0.0%	0.0%
Convertible loan	%	19.1%	0.0%	0.0%	0.0%	0.0%
Trade payables	%	23.8%	29.5%	33.0%	35.3%	37.4%
Other current liabilities	%	0.0%	0.0%	0.0%	0.0%	0.0%
Liabilities to subsidiaries	%	0.0%	0.0%	0.0%	0.0%	0.0%
Non-current liabilities	**%**	**26.5%**	**56.7%**	**51.7%**	**43.9%**	**33.0%**
Bank debt	%	26.5%	56.7%	51.7%	43.9%	33.0%
Other non-current liabilities	%	0.0%	0.0%	0.0%	0.0%	0.0%
Deferred items	%	1.8%	0.0%	0.0%	0.0%	0.0%
Total liabilities and shareholders' equity	**%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

Cash flow statement, 2017-21e

SWISS GAAP (31/12)		2017	2018e	2019e	2020e	2021e
Net income	CHF mn	-7.0	-0.6	0.7	2.1	3.6
Depreciation & Amortisation	CHF mn	5.3	0.4	0.4	0.5	0.5
Income from sale of assets	CHF mn	-2.2	0.0	0.0	0.0	0.0
Δ inventory	CHF mn	0.1	-0.2	-0.1	-0.1	-0.1
Δ trade receivables	CHF mn	-0.3	-2.9	-0.8	-0.7	-0.7
Δ other receivables	CHF mn	2.1	-0.7	-0.2	-0.2	-0.2
Δ deferred tax assets	CHF mn	0.0	0.0	0.0	0.0	0.0
Δ provisions	CHF mn	0.0	0.0	0.0	0.0	0.0
Δ other long-term provisions	CHF mn	0.0	0.0	0.0	0.0	0.0
Δ other short-term provisions	CHF mn	0.0	0.0	0.0	0.0	0.0
Δ trade payables	CHF mn	3.5	-3.5	1.4	1.4	1.5
Δ special items	CHF mn	0.0	0.0	0.0	0.0	0.0
Δ deferred liabilities	CHF mn	0.0	-0.6	0.0	0.0	0.0
Currency adjustments	CHF mn	0.0	0.0	0.0	0.0	0.0
Other operational adjustments	CHF mn	0.5	0.0	0.0	0.0	0.0
Operating cash flow	**CHF mn**	**1.9**	**-8.3**	**1.5**	**3.1**	**4.7**
Investments in financial assets	CHF mn	-0.7	0.0	0.0	0.0	0.0
Investments in intangible assets	CHF mn	-0.5	-0.3	-0.4	-0.4	-0.5
Investments in tangible assets	CHF mn	0.0	-0.4	-0.4	-0.5	-0.5
Other operational adjustments	CHF mn	0.0	0.0	0.0	0.0	0.0
Cash flow from investing	**CHF mn**	**-1.2**	**-0.8**	**-0.8**	**-0.9**	**-1.0**
Free cash flow	**CHF mn**	**0.7**	**-9.0**	**0.7**	**2.2**	**3.7**
Δ Capital stock	CHF mn	1.8	0.0	0.0	0.0	0.0
Δ Capital reserves	CHF mn	0.0	0.0	0.0	0.0	0.0
Δ Bank debt	CHF mn	0.1	8.1	-0.9	-1.7	-2.9
Δ other interest-bearing liabilities	CHF mn	5.1	-6.2	0.0	0.0	0.0
Other operational adjustments	CHF mn	0.0	0.0	0.0	0.0	0.0
Less prior-year dividend	CHF mn	0.0	0.0	0.0	0.0	0.0
Financing cash flow	**CHF mn**	**7.0**	**1.9**	**-0.9**	**-1.7**	**-2.9**
Net cash inflow	CHF mn	7.7	-7.1	-0.2	0.5	0.7
Currency adjustments	CHF mn	0.1	0.0	0.0	0.0	0.0
Net cash opening balance	CHF mn	0.0	7.9	0.8	0.5	1.1
Net cash closing balance	**CHF mn**	**7.9**	**0.8**	**0.5**	**1.1**	**1.8**

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

Segments, 2017-21e

SWISS GAAP (31/12)		2017	2018e	2019e	2020e	2021e
Gross revenues	**CHF mn**	**15.5**	**87.6**	**102.8**	**118.1**	**134.2**
Software & Services: E-Commerce Solutions	CHF mn	7.3	63.8	75.3	86.6	98.6
Software & Services: Academics	CHF mn	4.0	18.7	21.5	24.3	27.2
Marketplaces: P8H for Profit	CHF mn	0.0	0.0	0.0	0.0	0.0
Marketplaces: P8H for benefit	CHF mn	0.0	0.0	0.0	0.0	0.0
Other	CHF mn	4.2	5.0	6.0	7.1	8.5
YoY	**%**	**n/a**	**465.9%**	**17.4%**	**14.8%**	**13.7%**
Software & Services: E-Commerce Solutions	%	n/a	772.8%	18.0%	15.0%	13.9%
Software & Services: Academics	%	n/a	372.1%	15.0%	13.0%	11.9%
Marketplaces: P8H for Profit	%	n/a	n/a	n/a	n/a	n/a
Marketplaces: Paddle8 for benefit	%	n/a	n/a	n/a	n/a	n/a
Other	%	n/a	20.0%	19.4%	18.8%	18.2%
Shares	**%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Software & Services: E-Commerce Solutions	%	47.3%	72.9%	73.2%	73.4%	73.5%
Software & Services: Academics	%	25.6%	21.4%	20.9%	20.6%	20.3%
Marketplaces: Paddle8 for Profit	%	0.0%	0.0%	0.0%	0.0%	0.0%
Marketplaces: Paddle8 for benefit	%	0.0%	0.0%	0.0%	0.0%	0.0%
Other	%	27.1%	5.8%	5.9%	6.1%	6.3%
Net revenues	**CHF mn**	**2.1**	**13.4**	**15.9**	**18.6**	**21.5**
Software & Services: E-Commerce Solutions	CHF mn	2.1	7.3	8.7	10.1	11.7
Software & Services: Academics	CHF mn	0.0	3.6	4.2	4.9	5.6
Marketplaces: Paddle8 for Profit	CHF mn	0.0	0.0	0.0	0.0	0.0
Marketplaces: Paddle8 for benefit	CHF mn	0.0	0.0	0.0	0.0	0.0
Other	CHF mn	0.0	2.5	3.0	3.6	4.3
YoY	**%**	**n/a**	**550.5%**	**18.8%**	**16.6%**	**15.7%**
Software & Services: E-Commerce Solutions	%	n/a	254.8%	19.2%	16.2%	15.0%
Software & Services: Academics	%	n/a	n/a	17.3%	15.3%	14.1%
Marketplaces: Paddle8 for Profit	%	n/a	n/a	n/a	n/a	n/a
Marketplaces: Paddle8 for benefit	%	n/a	n/a	n/a	n/a	n/a
Other	%	n/a	n/a	20.0%	20.0%	20.0%
Shares	**%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Software & Services: E-Commerce Solutions	%	100.0%	54.5%	54.7%	54.5%	54.1%
Software & Services: Academics	%	0.0%	26.8%	26.5%	26.2%	25.8%
Marketplaces: Paddle8 for Profit	%	0.0%	0.0%	0.0%	0.0%	0.0%
Marketplaces: Paddle8 for benefit	%	0.0%	0.0%	0.0%	0.0%	0.0%
Other	%	0.0%	18.6%	18.8%	19.4%	20.1%
in % of gross revenues	**%**	**13.3%**	**15.3%**	**15.5%**	**15.8%**	**16.0%**
Software & Services: E-Commerce Solutions	%	28.2%	11.5%	11.6%	11.7%	11.8%
Software & Services: Academics	%	0.0%	19.2%	19.6%	20.0%	20.4%
Marketplaces: Paddle8 for Profit	%	n/a	n/a	n/a	n/a	n/a
Marketplaces: Paddle8 for benefit	%	n/a	n/a	n/a	n/a	n/a
Other	%	0.0%	49.6%	49.9%	50.4%	51.1%

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

One view I, 2017-21e

SWISS GAAP (31/12)		2017	2018e	2019e	2020e	2021e
Gross revenues	CHF mn	15,5	87,6	102,8	118,1	134,2
Net revenues	CHF mn	2,1	13,4	16,0	18,6	21,5
EBITDA	CHF mn	-8,7	0,3	1,3	2,5	4,0
EBIT	CHF mn	-8,8	-0,1	0,8	2,0	3,4
EBT	CHF mn	-6,4	-0,8	0,9	2,7	4,5
Net income	CHF mn	-7,0	-0,6	0,7	2,1	3,6
Nr. of employees		90	90	90	90	90
Per share data						
Price high	CHF	17,00	10,10			
Price low	CHF	9,55	7,90			
Price average/last	CHF	13,25	9,33			
Price average/last	CHF	7,90	7,90	7,90	7,90	7,90
EPS	CHF	-2,28	-0,28	0,11	0,52	0,91
BVPS	CHF	0,92	0,64	0,75	1,27	2,18
CFPS	CHF	0,61	-2,66	0,49	0,99	1,50
Dividend	CHF	0,00	0,00	0,00	0,00	0,00
Price target	CHF					12,90
Performance to price target	%					63,3%
Profitability ratios (based on gross rev.)						
EBITDA margin	%	-56,4%	0,3%	1,2%	2,1%	3,0%
EBIT margin	%	-56,6%	-0,2%	0,8%	1,7%	2,6%
Pre-tax margin	%	-41,6%	-0,9%	0,8%	2,3%	3,4%
Net margin	%	-45,4%	-0,7%	0,7%	1,8%	2,7%
FCF margin	%	4,5%	-10,3%	0,7%	1,8%	2,7%
ROE	%	-171,5%	-18,5%	16,7%	34,1%	36,4%
NWC/Sales	%	-22,7%	2,6%	2,0%	1,6%	1,2%
Revenues per head	CHFk	172	973	1.143	1.312	1.492
EBIT per head	CHFk	-97,3	-1,5	9,4	22,5	38,2
Capex/Sales	%	0,0%	0,5%	0,4%	0,4%	0,4%
Growth ratios						
Gross revenues	%	n/a	465,9%	17,4%	14,8%	13,7%
Net revenues	%	n/a	551,3%	18,8%	16,6%	15,7%
EBITDA	%	n/a	n/a	386,7%	95,5%	58,4%
EBIT	%	n/a	-98,5%	n/a	139,5%	69,8%
EBT	%	n/a	-87,6%	n/a	209,7%	68,2%
Net income	%	n/a	-90,9%	n/a	209,7%	68,2%
EPS	%	n/a	-87,8%	n/a	380,7%	75,2%
CFPS	%	n/a	n/a	n/a	102,7%	51,4%

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

One view II, 2017-21e

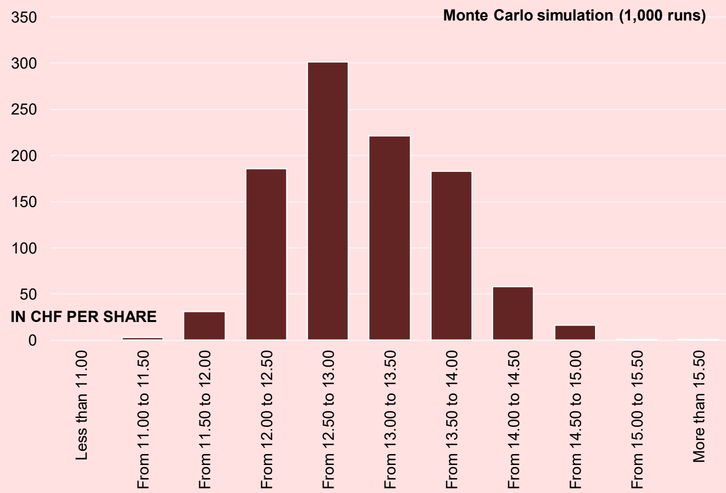
SWISS GAAP (31/12)		2017	2018e	2019e	2020e	2021e
Balance sheet ratios						
Fixed assets	CHF mn	20,3	20,6	21,0	21,5	21,9
Current assets	CHF mn	12,3	9,0	9,9	11,3	13,0
Equity	CHF mn	4,1	3,5	4,1	6,3	9,9
Liabilities	CHF mn	28,4	26,2	26,7	26,5	25,0
Equity ratio	%	12,6%	11,6%	13,4%	19,2%	28,3%
Gearing	%	187,6%	483,9%	386,4%	220,0%	102,7%
Working Capital	CHF mn	-3,5	-1,4	-1,9	-2,6	-3,3
Capital Employed	CHF mn	-3,5	2,3	2,1	1,8	1,6
	x	0,5	3,0	3,3	3,6	3,8
Enterprise Value						
Nr. of shares	1,000	3.111	3.111	3.111	3.111	3.111
Market cap.	CHF mn	52,9				
Market cap.	CHF mn	29,7				
Market cap.	CHF mn	41,2				
Market cap.	CHF mn	24,6	24,6	24,6	24,6	24,6
Net debt	CHF mn	7,7	16,7	16,0	13,8	10,2
Pension reserves	CHF mn	0,0	0,0	0,0	0,0	0,0
Minorities	CHF mn	1,2	1,5	1,8	2,3	3,1
Excess Cash	CHF mn	-8,5	-8,5	-8,5	-8,5	-8,5
EV high		53,3				
EV low		30,1				
EV average		41,6				
Enterprise Value	CHF mn	25,0	34,2	33,9	32,2	29,3
Valuation ratios						
EV/sales high	x	3,45	n/a	n/a	n/a	n/a
EV/sales low	x	1,95	n/a	n/a	n/a	n/a
EV/sales average	x	2,69	n/a	n/a	n/a	n/a
EV/sales	x	1,62	0,39	0,33	0,27	0,22
EV/EBITDA high	x	n/a	n/a	n/a	n/a	n/a
EV/EBITDA low	x	n/a	n/a	n/a	n/a	n/a
EV/EBITDA average	x	n/a	n/a	n/a	n/a	n/a
EV/EBITDA	x	n/a	130,2	26,5	12,9	7,4
EV/EBIT last	x	n/a	n/a	40,1	15,9	8,5
P/E high	x	n/a	n/a	n/a	n/a	n/a
P/E low	x	n/a	n/a	n/a	n/a	n/a
P/E average	x	n/a	n/a	n/a	n/a	n/a
P/E last	x	n/a	n/a	73,0	15,2	8,7
P/BR last	x	8,6	12,4	10,6	6,2	3,6
P/CF last	x	21,7	n/a	n/a	n/a	n/a
FCF yield	%	2,8%	-36,7%	2,8%	8,9%	14,9%
Dividend-yield	%	0,0%	0,0%	0,0%	0,0%	0,0%

SOURCE: COMPANY DATA, SPHENE CAPITAL FORECAST

DCF model

		2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TV
Revenues	**CHF mn**	**87.6**	**102.8**	**118.1**	**134.2**	**147.6**	**157.4**	**163.8**	**167.5**	**169.8**	**171.3**	**172.4**	**173.5**	**174.5**	**175.6**	**176.6**
YoY	%	465.9%	17.4%	14.8%	13.7%	10.0%	6.6%	4.0%	2.3%	1.3%	0.9%	0.7%	0.6%	0.6%	0.6%	0.6%
EBIT	**CHF mn**	**-0.1**	**0.8**	**2.0**	**3.4**	**3.9**	**4.3**	**4.7**	**5.0**	**5.2**	**5.4**	**5.6**	**5.8**	**6.0**	**6.3**	**5.3**
EBIT margin	%	-0.2%	0.8%	1.7%	2.6%	2.7%	2.8%	2.9%	3.0%	3.1%	3.2%	3.3%	3.4%	3.5%	3.6%	3.0%
Taxes	CHF mn	0.1	-0.2	-0.5	-0.9	-1.1	-1.3	-1.6	-1.8	-2.0	-2.2	-2.2	-2.2	-2.1	-2.0	-1.6
Tax ratio (τ)	%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Adjusted EBIT(1-τ)	**CHF mn**	**-0.5**	**0.6**	**2.1**	**3.5**	**4.4**	**5.3**	**6.3**	**7.3**	**8.1**	**8.6**	**8.8**	**8.7**	**8.3**	**7.8**	**6.3**
Reinvestments	CHF mn	-2.9	-0.3	-0.3	-0.3	-0.3	-0.4	-0.4	-0.4	-0.4	-0.4	-0.3	-0.3	-0.3	-0.3	-0.7
FCFF	**CHF mn**	**-3.4**	**0.3**	**1.8**	**3.2**	**4.1**	**5.0**	**6.0**	**6.9**	**7.7**	**8.2**	**8.5**	**8.4**	**8.0**	**7.5**	**5.6**
WACC	%	7.2%	7.2%	7.2%	7.2%	7.1%	7.0%	6.9%	6.7%	6.6%	6.5%	6.4%	6.2%	6.1%	5.6%	
Discount rate	**%**	**100.0%**	**93.2%**	**86.9%**	**81.1%**	**75.9%**	**71.0%**	**66.4%**	**62.2%**	**58.4%**	**54.8%**	**51.5%**	**48.5%**	**45.7%**	**43.3%**	
Present value of FCFF	**CHF mn**	**-3.4**	**0.3**	**1.5**	**2.6**	**3.1**	**3.5**	**4.0**	**4.3**	**4.5**	**4.5**	**4.4**	**4.1**	**3.7**	**3.2**	

TV insolvency rate	%	6.3%
Terminal Cost of capital	%	5.6%
Present value of terminal value	CHF mn	20.3
in % of enterprise value	%	33.5%
PV FCFF detailed planning phase	CHF mn	1.1
in % of enterprise value	%	1.8%
PV FCFF rough planning phase	CHF mn	39.2
in % of enterprise value	%	64.6%
Enterprise value	**CHF mn**	**60.6**
48.6% share in asknet (market value)	CHF mn	-3.1
Financial debt	CHF mn	-9.3
Excess cash	CHF mn	7.9
Value of equity	**CHF mn**	**56.0**
Number of shares (diluted)	mn	4.3
Value of equity per share	**CHF**	**12.90**



SOURCE: SPHENE CAPITAL FORECAST

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Risk	Estimated probability
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- or any of its affiliates are regularly trading securities issued by the issuer analysed or securities based on these issues,
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Date/Time of publication:	Price target/Current share price:	Rating/Validity:	Conflict of Interest (key)
15 05 2018/08:30 h	CHF 12.90/CHF 7.90	Buy, 12 months	1; 2; 8

An overview on the allocation of Sphene Capital's investment recommendations is available under http://www.sphene-capital.de.

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