

Information Memorandum

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Company re-structuring completed – next milestone: Increasing scalability

Following restructuring (including the sale of KeyIdentity in 2019), MAX21 AG has set a new course and now focuses exclusively on outbound communication with its wholly owned subsidiary Binect GmbH. The parent company positions itself as a service holding (administration, capital procurement, strategy, etc.) for the operative business of Binect.

Albeit technically already possible and economically as well as ecologically meaningful, to date fully digitalized end-to-end, secure mailing processes are not being widely prevalent for many reasons - on the regulation and acceptance side - and are still on the general post system's agenda for future developments. As a transitional solution, hybrid post, i.e. digital processing and physical shipping, is the current standard and will be so for the next years; however, this standard is paving the way to full digitalization, which Binect is already able to eventually provide.

Binect's business is based on two basic offers that are combined in a unique way: 1. software that helps business customers managing their outbound communication and 2. fulfillment services that allow customers to fully outsource their (physical) communication processes such as printing, enveloping, franking and delivery of outbound documents.

By addressing the whole spectrum of micro-, small and mid-sized companies as well as the public sector and with each customer requesting an individual range of products and services, a diversity of platforms and underlying software modules has historically emerged. It is obvious, that this diversity impedes **scalability** of the strategic business segment and hence requires **optimization** and **streamlining**.

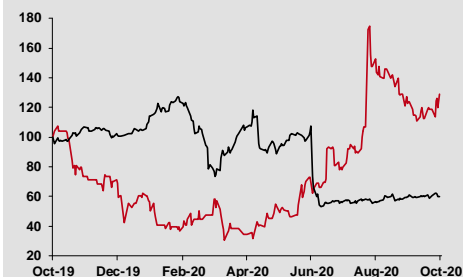
Binect's strategic goal is to harmonize its different platforms by consolidating the existing product range into a **unified platform with modular and configurable elements** on a SaaS/Cloud basis. Hence, the envisaged "BINECT ONE" architecture is expected to not only reduce customer support resources and to bring down adjustment expenses. Rather, the optional, modular structure of the platform as well as the possibility of integration from and into third party solutions are likely to result in **more scalable business mechanics** compared to the hitherto fragmented software and platform architecture.

Key Figures (in € Mill.)

Year	Sales	"Strategic" Sales	EBITDA	EBT	Liquid Funds	# of Letters (in Mill.)
2016a	4.3	0.1	-1.5	-2.4	0.3	79.6
2017a	4.4	0.6	-0.8	-1.5	0.3	97.2
2018a	6.2	1.6	0.4	-0.2	0.1	107.5
2019a	7.0	2.7	0.6	0.0	0.8	110.7
H1/2019	2.9	1.1	0.0	-0.3	0.8	54.9
H1/2020	4.2	2.0	0.4	0.2	0.8	57.2

Source: MAX21 AG

Sector	IT services
WKN	A0D88T
ISIN	DE000A0D88T9
Bloomberg/Reuters	MA1 GY / MA1G.DE
Accounting Standard	IFRS
Financial Year	December 31
Report FY 2020	March/April, 2020
Market Segment	Open Market
Transparency Standard	Basic Board
Number of Shares Outs. (in '000)	18,008
MarketCap / EV (in €mln)	8.82 / 8.66
Free Float (in %)	ca. 92
Ø Daily Trading Vol. (3M, in €)	14,245
12 months high/low (in €; XETRA-close)	0.67 / 0.12
Price October 16, 2020 (in €; close)	0.49
Performance	1M 6M 12M
absolute (in %)	5.2 274.0 28.9
relative (in %)	4.8 562.6 119.5
Benchmark Index	DAXSubsector IT Services Performance Index



MAX21 AG (red/grey), Performance 1y vs. DAXSubsector IT Services Performance Index (black)

Source: Bloomberg

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Business Model

Binect's business model is based on three pillars: 1. an OEM segment, basically capitalizing on click charges per letter (E-POST BUSINESS BOX by Deutsche Post AG) or on reseller partners (WebBrief24 by Francotyp-Postalia), 2. individual output management software solutions for large client accounts, capitalizing on licence and support fees as well as on time and material based software adaptations and 3. standardized communication software and fulfilment services for German SME businesses, provided under the brand "Binect". This "strategically" most important business segment appears to be growing fast, as Binect is well recognised for delivering of SME-focused, easy-to-implement solutions offering the appropriate features. Revenues and profits are based on service and transaction fees.

In light of the advantageous profitability profile, the latter is considered as the company's **strategic segment** which hence has been advanced in the recent past.

Recent developments and perspective

Stabilized trend in top and bottom line

In FY 2019, the total volume of shipments realized via the Binect platform increased to over 110 million letters. The clear marketing and sales focus on specific market segments such as health, utilities and public contributed to the positive overall development.

While the overall revenue increased by ca. 13%, strategic sales rose remarkably by 65% and contributed to 38% of total revenue (2018: 26%). Click charge revenues based on the E-Postbusiness Box (distributed by Deutsche Post AG) increased by 3.6%; this contract has been prolonged until the end of 2022.

Management's guidance for 2020 - subject to the advancement of the "Binect One" project and the pandemic condition - is at 20%+ revenue growth with a positive EBT and cash flow. The carry forward losses, amounting to ca. €34 Mill., (June, 30) are intended to be used in the future (given the positive assessment of the auditor and the tax authorities).

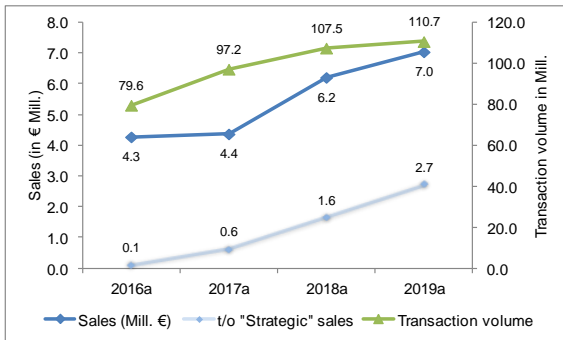
The sales figures of the first half of FY 2020 point in the right direction with revenue up 45% (yoy) and a noteworthy increase of 81% in strategic sales (proportion of total sales: just under 48%). Operative break-even has been stabilized during the last two and a half years which we consider a valid base for the perpetuation of a positive bottom line. However, the current liquidity position with just T€992 on group level (AG: T€163, Binect: T€829, both as of June, 30) at hand appears problematic to us with respect to growth perspectives. As a consequence, the company plans a capital increase in the near future (see below).

Capital reduction and subsequent increase

In September 2020, the Management Board and Supervisory Board of MAX21 AG resolved to propose to the Annual General Meeting on 29 October 2020 an ordinary capital reduction in the ratio of 7:1 by combining shares and increasing the share capital from cash contributions with subscription rights for shareholders. The full amount of the capital reduction serves to offset losses and the subsequent capital increase to finance the optimization of the software and platform architecture. The fresh capital shall enable the company to seize the momentum of the growing demand in digital solutions of outbound communication and to achieve a higher degree of scalability.

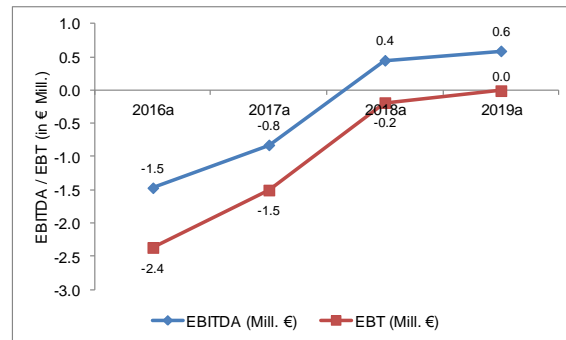
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Binect GmbH: Revenue



Source: MAX21 AG, BankM Research (illustration)

EBITDA/EBT



SWOT Analysis

Strengths

- Successful restructuring underlines management quality and expertise.
- Strong client base with Deutsche Post AG, AOK Niedersachsen, company health insurance funds and clinics, amongst others entails a stable revenue base.
- Binect is positioned as a pioneer in digital and hybrid postal solutions and services which catalyzes marketing efforts.
- Stable revenue stream through focussing on license fees and recurring revenues.

Weaknesses

- The current liquidity is not sufficient to support the envisaged growth; this has to be supported by additional capital.
- In light of the numerous corporate actions in the company's history, investors might be hesitant towards an additional one.
- In a fast growing market, business growth periodically requires substantial capital expenditure. It is not yet foreseeable whether and when Binect will be able to grow by internal funds.

Opportunities

- Overall trend to outsource outbound communication
- Less than 50% of German „Mittelstand“ currently uses a hybrid post solution or is actually outsourcing postal outbound communication
- The current pandemic condition may fuel the demand for digitalized business processes in general and for output management in particular

Threats

- The business largely depends on the continuity of the general trend and acceptance of digitalized processes in outbound communication.
- Reservation against security of digital outbound business communication vs. Classical procedures
- The largest part of revenues still depends on two very big clients, Deutsche Post AG and AOK Niedersachsen. Termination of contracts may impede business development.

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Issuer of the analysed instruments is MAX21 AG.

Notice regarding previous publications regarding the issuer within the last 12 months:

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2. Summary of the valuation principles and methods used to prepare this document: A financial analysis has not been performed for this Information Memorandum.

3. Date of first publication of this document:

October 19, 2020, 3pm (CEST)

4. Date and time of prices of the instruments quoted in this document:

Closing prices of October 16, 2020, 5.30pm (CEST)

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