



**Date of report:**  
November 23, 2007

**Stock Profile**

Core business:  
Online brokerage

Exchange: Frankfurt  
Stock Exchange

Date of listing:  
January 2, 2006

Stock price as on  
Nov 23, 2007: EUR 12.80

**52 week high and low:**  
EUR 14.35 – EUR 6.49

Fiscal Yr End: Jun 30

Local Currency: EUR

Ticker-symbol: TDU

Shares Outstanding:  
427,039

Market Cap as on Nov 23,  
2007: 5.47 mEUR

Free Float: 100%

**Stock performance**



**trading-house.net AG (TDU)**

**COMPANY PROFILE (www.trading-house.net)**

trading-house.net AG (hereinafter referred to as “THN” or “Company”) is a small German full service online broker headquartered in Berlin. THN, founded in 1998, is specialized on servicing private clients actively trading especially in financial derivatives, such as FOREX, futures and CFDs. With a focus on a high-end quality service THN services only 235 customers as on May 2007. Part of THN’s strategy is to educate (potential) clients in its in-house academy. Furthermore the Company operates one of the 10 biggest finance portals in Germany (www.ad-hoc-news.de) providing free real-time financial news and quotes to its users (approx. 1 million visits per month as of October 2007).

THN provides standard day trading in equity, futures, CFD (contract for difference/margin trading), commodities, FOREX and equities for investment minimum of EUR 25,000 with up to 100:1 gearing. It also provides premium trading (automated trading) with direct market access (DMA) to all international markets. Revenue is derived from commissions, subscription fees, training of potential customers and advertisement on its portals.

**COMPANY PERFORMANCE**

The Company has reported unaudited revenue of 1.27 mEUR in FY 2007 (FY 2006: 0.65 mEUR) with a turnaround. The net profit of the Company was EUR 27,234 (FY 2006: loss of EUR 87,000)

We have used the FY 2005 annual report (July 2005 – June 2006), the results for the first 9 months of FY 2006 (July 2006 – March 2007) and the monthly updates for April and May 2007 for our detailed analysis.

MAN FINANCIAL used to manage the custody accounts of more than 90% of THN’s customers. In January 2006, MAN FINANCIAL exited from the retail custody business in Germany. THN had to change its custodian to IG Markets, London and Rosenthal Collins Group, Chicago. Due to this, THN’s business was nearly wiped out as it lost more than 40% of its customers. THN’s focus, since then, has been on rebuilding its business.

- Number of customers was 53 in Jan 2006, 163 in Dec 2006 and 235 in May 2007. This increase between Jan 2006 and May 2007 was due to THN’s efforts in rebuilding its customer base.
- Revenue increased by 145% from EUR 284,000 in the first nine months of FY 2006 (July 2006 – March 2006) to EUR 695,000 in the first nine months of FY 2007.

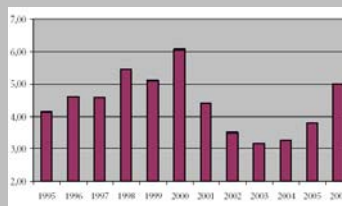
Revenue (in EUR '000)	July 05-Mar 06 9 month FY 2006	July 06-Mar 07 9 month FY 2007
Revenue	284	695
Revenue from brokerage	235	602
Revenue from training	46	44
Revenue from advertisements	0	49
Revenue – others	3	0

- The personnel expenses increased from EUR 151,000 (for the first nine months of FY 2005) to EUR 482,000 (for the first nine months of FY 2006) due to an increase in the number of employees from 5 to 17. We believe that the increase in the number of employees was to support its growth.

## Market

The volume of stock exchange transactions in Germany have grown at 30% p.a. since 2003 from approx. 300 bEUR in 2003 to approx. 500 bEUR in 2006. This market is still smaller than the 600 bEUR experienced in 2000.

## Stock exchange transactions in Germany (in bEUR)



Source: Deutsche Börse

## Products

THN: Fees for premium services (automated trading systems)

	Strategy and market	Monthly fees
TS1	Day trading US	USD 150
TS2	Day trading EUREX	EUR 99
TS3	Day trading FTSE	EUR 333
TS4	Reversal DAX	EUR 333
TS5	Momentum DAX	EUR 333
TS6	Momentum S&P 500	EUR 150
TS7	Futures EUREX	EUR 99
TS8	Multi asset US	USD 150
TS9	Multi asset Global	USD 150

## Brokerage fees (extract)

	Financial instrument	Min. fees
FX	FOREX (currencies)	>1 pip
F	Futures, Commodities	>1 EUR/USD
CFD	Contract for Difference	>0,088%
E	Equities (DMA)	>0,2%

Source: Company data

Particulars	July 06-Mar 07 (9month)	Mar 2007 (1month)	Apr 2007 (1month)	May 2007 (1month)
Revenue (EUR '000)	695	133.26	162.34	180.72
Revenue from brokerage (EUR '000)	602	95.56	123.32	130.37
Net Profit (EUR '000)	-150	-20.27	50.41	69.79
Net margin	-21.58%	-15.21%	31.05%	38.62%
Average No. of customers	214	214	222	235
RPCPM (EUR)	Not available	447	555	555

## KEY HIGHLIGHTS

### • Placement in a niche market

THN is a high-end service online broker which is focused on niche in its market. Therefore it does not compete directly against large brokers such as Comdirect and Cortal Consors (BNP Paribas) which have approx. 800,000 and 1 million customers respectively. The overall electronic brokerage market is characterized by growing volumes and low brokerage fees. THN aims at resisting the latter tendency by adding value through services and thus targeting the high margin segments. The company's standard platform provides trading access in equity, futures, CFD (contract for difference/margin trading), commodities and FOREX. The fees for its in July 2006 introduced premium platform range from EUR 99 to EUR 333 per month offering automated trading using nine different predefined strategies. We do not have information on the revenue contributed by the standard and premium platforms.

### • Small customer base with monthly transactions of up to EUR 475,000 per customer

Assuming 75% of THN's revenue comes from standard platform and the brokerage commission of 0.088%, the total transaction volume per month per customer is at EUR 475,000. This should be kept in the context that THN provides up to 100:1 gearing to its customers.

### • Synergy with the Corporate finance subsidiary to be seen

THN has formed a subsidiary called ipo finance through which it aims to provide corporate finance and IPO services to companies with a market cap between 5 mEUR and 50 mEUR. If synergies between the subsidiary and THN's access to retail clients in order to arrange equity placements can develop has to be seen. But it is a promising "one-stop-shop" investment boutique service model targeting small and medium sized companies.

### • The finance portal [www.ad-hoc-news.de](http://www.ad-hoc-news.de)

Within 18 month after the setup of [www.ad-hoc-news.de](http://www.ad-hoc-news.de) it is already among the 10 biggest finance portals in Germany. This portal can potentially be used by THN to acquire new clients for the brokerage business and as an advertising platform.

## OUTLOOK AND PROJECTIONS

With only 235 total number of customers, THN is an extremely small company which aims to resist the overall trend of decreasing brokerage fees by targeting high margin segments. But THN's profitable growth rate in the brokerage division is constrained by its rate of customer acquisition. Therefore the Company has to increase its customer base which might prove to be a difficult task. More growth could be expected in the media division from marketing it's finance portals.

## SCOT ANALYSIS

<b>STRENGTHS</b> <ul style="list-style-type: none"> <li>Established niche market player in high-end service area with attractive profit margins</li> </ul>	<b>CHALLENGES</b> <ul style="list-style-type: none"> <li>Successful management and integration of a broad range of businesses</li> </ul>
<b>OPPORTUNITIES</b> <ul style="list-style-type: none"> <li>Synergies between divisions of brokerage, corporate finance and online media</li> </ul>	<b>THREATS</b> <ul style="list-style-type: none"> <li>Correlation of growth expectations to financial markets climate</li> </ul>

Method of Research: Desk research using publicly available information

Management interaction: Reply received from the Company to the questions asked

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