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14.03.2024 - GBC Management Interview with Simon Telian, CEO of Advanced Blockchain AG

Company: Advanced Blockchain AG^{*5a,11}

ISIN: DE000A0M93V6

Analysts: Matthias Greiffenberger, Julien Desrosiers

Fair value: €11.00

Rating: Buy

Completion Date (Time): 13.03.2024. 16:00

First Distribution Date (Time): 14.03.2024. 09:00

Current Price: €6.08 (Xetra, 13.03.2024, 15:07)

*Catalog of possible conflicts of interest from page 7

"Our top 10 investments alone amassed a value of 57.5 million euros by the end of 2023 - notably exceeding our market capitalization."

In this interview, GBC speaks with Simon Telian, the CEO of Advanced Blockchain AG. Since our last GBC interview in September 2023, the market capitalization has more than doubled. Based on our last valuation, we remain optimistic that there is further potential for growth. We expect to adjust our valuation with the publication of the 2023 annual report.

GBC AG: Can you briefly introduce Advanced Blockchain AG?

Simon Telian: Advanced Blockchain AG is the first and only publicly traded company on the German stock market specializing in decentralized blockchain technologies. We are a key player in the blockchain industry, focusing on research, incubation, and investments - both equity and tokens - in disruptive technologies in the blockchain sector. Our current portfolio includes more than 30 blockchain companies or projects. Alone, our top 10 investments had a value of 57.5 million euros by the end of 2023 - significantly more than our market capitalization. Our primary focus is on incubating and investing in promising projects in the decentralized finance sector, also known as "DeFi," which is currently the fastest-growing area in the blockchain world. This enables users to access financial products frictionlessly, without the intermediation of centralized institutions such as traditional banks. Other key focus areas include applications and companies in the Economy of Things, where connected devices not only communicate with each other but also create economic value for the user. The portfolio is rounded out by investments in companies that enable frictionless communication between different blockchain technology protocols, also known as Cross-Chain Interoperability. Additionally, Advanced Blockchain is not only an early-stage investor but also a leading venture builder, supporting its investments with an extensive network of software developers and a strong focus on research. In historical context, Advanced Blockchain has been informing major German companies about the various applications of blockchain technology since 2018, thus building a broad network even in the traditional corporate environment. Since 2020, Advanced Blockchain has been intensively involved in incubation, investments, and building technical expertise in research to create an extremely successful and valuable portfolio.

GBC AG: How does your company identify and evaluate potential investments, and what criteria are decisive?

Simon Telian: The basis of the investment process is always a comprehensive analysis of the application and implementation potential of the investments. In addition, the quality of the founding team and the economic and financial potential are crucial for creating value for the company. Our extensive and long-standing experience in blockchain technology significantly supports the decision-making process. Through ABX Analytics, we will increasingly automate this process and offer it to external customers or investors. Our broad network is certainly the decisive factor in identifying interesting investment opportunities early on; numerous opportunities have been identified in the past in this way. We rely on the generated value from synergies with other investors in our network. Co-investments with our partners are common, both in the pure equity investment area and in our incubation projects.

GBC AG: What specific strategies have led to the 45% increase in the ten largest portfolio values?

Simon Telian: The fundamental principles of our investment strategy remain unchanged. However, the outstanding increase is due to several factors affecting both our portfolio companies and the overall market. The central factor is certainly the increasing acceptance of cryptocurrencies and blockchain technology in society. The acceptance of blockchain ETF funds by the U.S. Securities and Exchange Commission (SEC) has made investing in cryptocurrencies increasingly socially acceptable. Particularly noteworthy is the remarkable increase in inflows into BlackRock's iShares Bitcoin Trust (IBIT), which recorded a new daily record of \$2.2 billion last month. In addition, the price of Bitcoin reached its all-time high, surpassing the \$69,000 mark, which brings Bitcoin into the price discovery phase. All these developments show how the market has evolved positively in recent months. This environment leads to growing interest in many of our key portfolio companies, such as Composable. The company develops bridge solutions targeting various ecosystems such as Ethereum, Cosmos, and Polkadot, as well as future blockchain networks. The interest in this drives the increase in value significantly. It is important to highlight the central problem of current blockchain technology, namely the lack of interoperability, which makes the transfer of digital assets between different ecosystems impossible. Composable has taken on the challenge of developing innovations to overcome this challenge and has made considerable progress. This is just one example; each of our portfolio companies is driving innovations in a key area of the industry, such as peaq in the Economy of Things sector, and Polymer in the development of modular blockchains.

GBC AG: How has the currently positive momentum in the crypto market influenced the valuation of your portfolio?

Simon Telian: Of course, the positive market momentum has played an important role in the appreciation of our portfolio. For example, the Bitcoin price was slightly above \$27,100 at the time of the initial valuation in late May 2023, and at the end of December 2023, it was at \$42,500. However, the change in market dynamics alone is not sufficient. If these portfolio companies were not innovative and did not develop core technologies that are perceived as remarkable by the market, we would not have seen such a strong increase. Nevertheless, these two aspects are interconnected.

GBC AG: Can you explain the significance of the upcoming Bitcoin halving for the overall market sentiment?

Simon Telian: Bitcoin halving involves reducing the rate at which new bitcoins are created. With a finite number of bitcoins to be created at most, Bitcoin halving reduces the supply. With demand levels remaining constant, this can lead to a price increase. Many investors and speculators view halving as a key catalyst for positive price movements.

Positive price developments often manifest early, as investors position themselves ahead of time. Media also play an important role in attracting attention, especially now with the interest of renowned asset managers like BlackRock and Fidelity in the crypto industry. Overall, I expect halving to contribute positively to market sentiment, along with the upcoming Ethereum spot ETF. It is expected that both events will lead to further significant inflows into the digital asset market.

GBC AG: What is Advanced Blockchain AG's vision for the future of Web 3.0?

Simon Telian: Our vision is to become an increasingly global player in the blockchain field. By investing in and incubating innovative companies and providing young entrepreneurs with the opportunity to create technology for the decentralized web (Web 3.0). This also includes increased involvement in software development. We have demonstrated our competencies through our previous incubation projects, using this key expertise as a significant value driver for the next phase of the company's development.

GBC AG: Where do you see Advanced Blockchain AG in the next five years, and what strategic goals are you setting?

Simon Telian: In the coming years, Advanced Blockchain will continue to focus on early-stage startup investments with a sharpened and successfully proven investment strategy. As mentioned earlier, our goal is to become a leading global player with a presence in emerging blockchain markets to access promising new investment opportunities. Our incubation business will increasingly focus on building innovative software companies with a recurring revenue model to further diversify our business. Additionally, we see great value in collaborating with other venture builders to establish joint ventures in emerging blockchain markets.

GBC AG: Thank you for the interview.

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II.

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The analysts responsible for this analysis are:

Matthias Greiffenberger, M.Sc., M.A., Financial Analyst

Julien Desrosiers, Financial Analyst

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GBC AG
Halderstrasse 27
D 86150 Augsburg
Tel.: 0821/24 11 33-0
Fax.: 0821/24 11 33-30
Internet: <http://www.gbc-ag.de>

E-Mail: compliance@gbc-ag.de



GBC AG®
- RESEARCH & INVESTMENT ANALYSEN -

GBC AG
Halderstraße 27
86150 Augsburg
Internet: <http://www.gbc-ag.de>
Fax: ++49 (0)821/241133-30
Tel.: ++49 (0)821/241133-0
E-Mail: office@gbc-ag.de