

# German Startups Group

## Financials

15 November 2017

## Strategic refocus in progress

German Startups Group (GSG) returned to its profitable path, with four exits, one partial disposal and several upward revaluations of key portfolio holdings recognised in H117. The successful IPO of Delivery Hero further supported the results and will assist liquidity in H217. Management recently announced a cost savings initiative, while the general partner decided to forfeit one percentage point of its management fee. The joint effect of these actions should bring cost savings of €0.72m pa from H217, according to management. GSG's shares trade at a c 25% discount to NAV.

## H117 results supported by exits

GSG reported net income of €2.2m in H117, an increase of 29.2% y-o-y, which was largely fuelled by the €2.4m profit booked on the disposal of the stake in Scalable Capital completed in June. Net revaluation gains amounted to €0.9m in H117 (below the €1.7m recorded in H116) and already reflected the valuation of Delivery Hero post its market debut on 30 June (although most of the revaluation gain was already booked in FY16 ahead of the IPO). Majority holding Exozet reported lower sales than last year due to a high base effect (a large project with ZDF in FY16). Recently, GSG announced that, based on preliminary numbers, earnings in Q317 were broadly in line with the two preceding quarters.

## Focus on existing portfolio, debt and cost outs

Following a relatively weak FY16, GSG's management expects a return to positive earnings contributions from its minority investments in FY17, as well as higher sales and improved EBIT margin in the Exozet Group. GSG intends to realise further capital gains from the disposal of minority holdings, which will be used to repay the outstanding €2.25m of subordinated short-term debt. It also plans to focus on follow-on investment rounds in existing investments (eg Remergé most recently) due to a better risk-reward profile. Finally, it has launched a cost savings programme, which together with the reduction in paid management fees the company estimates will have a positive impact of €0.72m pa (or €0.06 per share).

## Valuation: Discount to NAV despite recent deals

GSG's current share price of €1.85 represents a c 25% discount to NAV as at end-June 2017 (based on the book value of equity ex-minorities). Importantly, the discount may be understated as the minority holdings are mostly valued using historical transaction prices and Exozet is not revalued due to full consolidation.

**Price** €1.85  
**Market cap** €22m

### Share price graph



### Share details

Code GSG  
Listing Scale  
Shares in issue 12m

### Business description

German Startups Group is a Berlin-based venture capital investment company, primarily focused on providing investment to technology businesses in German-speaking countries. The company currently holds 40 active companies in its investment portfolio and a majority stake in digital agency Exozet.

### Bull

- NAV is likely to be understated as the stake in Exozet is not revalued.
- The company intends further realisations this year.
- Listed exposure to a diversified portfolio of technology start-ups in Germany.

### Bear

- Low liquidity.
- VC investments are inherently high-risk.
- Potentially constrained by capital.

### Analysts

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### Consensus estimates

Year end	Revenue (€m)	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/13	N/A	N/A	N/A	N/A	N/A	N/A
12/14	0.1	1.5	0.3	0.0	6.2	N/A
12/15	5.6	3.6	0.5	0.0	3.7	N/A
12/16	10.9	(5.4)	(0.3)	0.0	N/A	N/A

Source: German Startup Group accounts

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