# **EDISON**

## German Startups Group

## 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  $\in 2.25$ m of subordinated short-term debt. It also plans to focus on follow-on investment rounds in existing investments (eg Remerge 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  $\in 0.72$ m pa (or  $\in 0.06$  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.

#### **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							

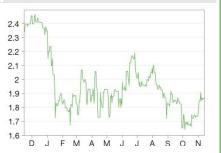
QuickView

Financials

15 November 2017

Price	€1.85	
Market cap	€22m	

#### Share price graph



#### Share details

Code	GSJ
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

Milosz Papst	+44 (0)20 3077 5700
Rob Murphy	+44 (0)20 3077 5733

financials@edisongroup.com

EDISON QUICKVIEWS ARE NORMALLY ONE OFF PUBLICATIONS WITH NO COMMITMENT TO WRITING ANY FOLLOW UP. QUICKVIEW NOTES USE CONSENSUS EARNINGS ESTIMATES.



Edison is an investment research and advisory company, with offices in North America, Europe, the Middle East and AsiaPac. The heart of Edison is our world-renowned equity research platform and deep multi-sector expertise. At Edison Investment Research, our research is widely read by international investors, advisers and stakeholders. Edison Advisors leverages our core research platform to provide differentiated services including investor relations and strategic consulting. Edison is authorised and regulated by the <u>Financial Conduct Authority</u>. Edison Investment Research (NZ) Limited (Edison NZ) is the New Zealand subsidiary of Edison. Edison NZ US) is the US subsidiary of Edison and is registered on the New Zealand Financial Services Providers Register (FSP number 247505) and is registered to provide wholesale and/or generic financial adviser services only. Edison Investment Research Limited (Edison Aus) [40085869] is the Australian subsidiary of Edison and is not regulated by the Subsidiary of Edison and is not regulated by the Australian Securities and Investment Research Limited [4794244]. <u>www.edisongroup.com</u>

DISCI AIMER

Copyright 2020 Edison Investment Research Limited. All rights reserved. This report has been prepared and issued by Edison for publication globally. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of Edison at the time of publication. The securities described in the Investment Research in any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act. The Investment Research is distributed in the United States by Edison US to major US institutional investors only. Edison US is registered as an investment adviser with the Securities laws. As such, Edison does not offer or provide personalised advice. We publish information about companies in which we believe our readers may be interested and this information reflects our sincere opinions. The information that we provide or that is derived from our website is not intended to be, and should not be construed in any manner whatsoever as, personalised advice. We publish information upported by us should not be construed by any subcritor or prospective subscritors as Edison's Socilication of effect, or attempt to effect, any transaction in a security. The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the puppose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. This document is provided for information pupposes only and should no be construed as an offer or puppose advice. Also, our systemis and securities mentioned or the

Frankfurt +49 (0)69 78 8076 960 Schumannstrasse 34b 60325 Frankfurt Germany London +44 (0)20 3077 5700 280 High Holborn London, WC1V 7EE United Kingdom New York +1 646 653 7026 295 Madison Avenue, 18th Floor 10017, New York US Sydney +61 (0)2 8249 8342 Level 12, Office 1205 95 Pitt Street, Sydney NSW 2000, Australia