

German Startups Group

Financials

19 November 2018

German Startups market goes live

German Startups Group (GSG) is transforming its business model to an asset manager and an online matchmaking platform for transactions in secondary shares in German start-ups and venture capital (VC) funds. This could potentially create value beyond its existing NAV. Meanwhile, we estimate that (after accounting for post-balance sheet events), GSG's shares trade at a discount to NAV of 42%. The company opened its trading platform on schedule, with the next steps including the launch of the G|S Tech50 Fund and planned co-operation with SharesPost to open the US market to German investors.

Valuation: Continues to trade at a discount to NAV

GSG's current share price of €1.46 represents a 39% discount to NAV at end-June 2018 (based on the book value of equity ex-minorities). Taking into account events after the reporting period, the share buyback and revaluation gains, we estimate that the discount increased to 42%. Importantly, the discount may be understated, as the valuation of minority holdings is mostly based on historical transaction prices. In June and July GSG bought back 230k shares and intends to conduct further share repurchases in the future.

Transition to an asset manager and marketplace

On 19 June, the secondary shares trading platform G|S Market was launched, with the first transactions already concluded. The platform could contribute to GSG's business development – as a source of stable cash flow derived from commissions, as well as a support to GSG's own portfolio management activities. GSG plans to reach a number of available offers in excess of 50 by the end of 2018. Next steps in the development of the platform include the launch of the G|S Tech50 Fund and potential co-operation with SharesPost to open the US market to German investors.

Follow-on funding rounds trigger revaluations

GSG reported basic EPS of €0.14 in H118, which is equal to the total EPS in FY17. Taking into account the recent €3m convertible bonds issue, diluted EPS came in at €0.12. Investors will be able to convert bonds into GSG shares in 2023 at c €2.50 per share, ie 58% above the current share price. GSG did not exit any positions during H118 and results were mostly driven by revaluations of the key holdings in its portfolio (€2.7m vs €0.9m in H117). In total, during H118 GSG invested €3m in follow-on funding rounds and made an initial investment in Chrono24.

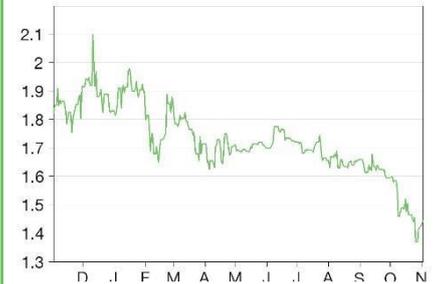
Historical financials

Year end	Revenue (€m)	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/14	0.1	1.5	0.32	0.0	4.6	N/A
12/15	5.6	3.6	0.49	0.0	3.0	N/A
12/16	10.9	(5.4)	(0.29)	0.0	N/A	N/A
12/17	9.6	1.8	0.14	0.0	10.4	N/A

Source: German Startups Group accounts

Price **€1.46**
Market cap **€17m**

Share price graph



Share details

Code G SJ
Shares in issue 12.0m
Last reported net debt (€m) at 30 June 2018 7.5

Business description

German Startups Group is a Berlin-based venture capital company primarily focused on providing investment to tech businesses in German-speaking countries. With the launch of its secondary shares trading platform, the company started the transition to a wider business model, including market place.

Bull

- NAV likely understated.
- Success of new business model may result in narrowing/closing the valuation gap to NAV and realising additional shareholder value.
- 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.

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