

## FinLab

### Deposit Solutions becoming a fintech unicorn

Deposit Solutions, FinLab's largest fintech holding (which until recently made up nearly 30% of its NAV), has completed a new funding round with Deutsche Bank, which acquired a c 4.9% stake in the business. Although the deal volume is relatively small (and may be partially non-cash), we note that the transaction values Deposit Solutions at more than €1.0bn, which means it has now reached 'unicorn' status (ie a privately held company valued in excess of US\$1.0bn) and has become one of the most highly valued fintech companies in Germany. We estimate that this translated into a significant write-up of FinLab's c 7% stake of over €40m (c €7.6/share).

### Continuing on strong value growth path

The transaction illustrates Deutsche Bank's belief in Deposit Solutions' business prospects. In this context, it is important to note that Deutsche Bank is one of Deposit Solutions' key clients (offering third-party products to its own customers), which suggests that the bank has good insight into the platform. Having said that, we understand that Deutsche Bank considers this a purely financial investment and not a strategic move. Deposit Solutions will thus remain an open platform without any bias towards a particular bank.

Deutsche Bank's investment constitutes additional funding and none of the existing investors has sold its stake as part of the transaction. Although further details have not been revealed, we understand that part of the consideration paid by Deutsche Bank may be in the form of services in kind. The deal follows a previous funding round closed in August 2018, which valued the business at US\$500m. At the time, FinLab retained a 7.6% stake valued at around €33.5m which, following the Deutsche Bank transaction, is now worth more than €70m.

### Write-up triggers a c 40% increase in FinLab's NAV

FinLab's NAV at end-June 2019 stood at €20.21. Based on yesterday's closing price of €17.30, this implied a c 14% discount to its NAV. After accounting for the revaluation of its stake in Deposit Solutions (representing at least €7.6 per share) and marking to market the value of the company's only listed holding (Heliad Equity Partners), we arrive at a current NAV of €28.80 per share. This translates into a c 40% discount to NAV (although we note that FinLab's share price is significantly higher today).

Historical financials						
Year end	Revenue (€m)	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/15	6.5	7.1	1.44	0.00	12.0	N/A
12/16	4.9	14.0	2.98	0.00	5.8	N/A
12/17	4.4	14.5	2.85	0.00	6.1	N/A
12/18	4.7	17.1	3.14	0.00	5.5	N/A

Source: FinLab accounts

## Financials

19 September 2019

Price **€17.30**  
Market cap **€91m**

### Share price graph



### Share details

Code **ATA**  
Listing **Deutsche Börse Scale**  
Shares in issue **5.2m**  
Last reported net cash at 30 June 2019 **€8.2m**

### Business description

FinLab is an incubator and builder of fintech companies based in Germany. It also has holdings in two relatively mature asset management businesses, Heliad and Patriarch, which gives it stable cash flows and a strong balance sheet. In March 2018, FinLab expanded its asset management portfolio with EOS VC Fund. It currently has 10 fintech investments.

### Bull

- Strong balance sheet and stable cash flows.
- Exposure to various fintech segments.
- FinLab may benefit from current development at Heliad's largest portfolio company, flatex.

### Bear

- Small free float and low liquidity.
- Fintech investments are inherently high risk and the portfolio is relatively concentrated.
- Uncertainties around Heliad future performance.

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