

## German Startups Group

**Financials**
**19 December 2019**

### Profitable disposal of Exozet

On 17 December, German Startups Group (GSG) announced that it has sold its 50.8% stake in the digital agency Exozet to Endava, a US-listed technology service provider headquartered in London. GSG will receive c €11.2m in gross cash proceeds (€10.8m after deducting M&A commissions), translating into a disposal gain of around €6.1m (or €0.54 per share). The gain represents c 40% of GSG's market capitalisation calculated on the closing price of €1.46 on 16 December. GSG had been considering the sale of Exozet for some time and has now achieved an exit price ahead of its initial assumptions.

### Disposal price ahead of previous expectations

GSG announced in 2018 that it was in negotiations to sell its majority stake in Exozet, but without conclusion. At the time, GSG expected a revaluation gain vs book value of around €1.0m (and a €1.5m profit on the initial acquisition price), as well as a cash inflow in the low single-digit million euros. Subsequently, Exozet's revenues increased by 38% y-o-y to €7.3m in H119, generating an EBIT of €0.9m (vs a €0.4m loss in H118). Exozet has recently made good progress in its new order intake, particularly in the virtual/augmented reality segment. We understand that this – together with the structured tender procedure that was used to complete the transaction – may have contributed to the more attractive sale price.

### Significant positive impact on FY19 results

Simultaneously, GSG's management has guided to FY19 net profit of €3–5m (ie €0.27–0.44 per share). It also expects IFRS-based equity per share to reach €2.90–3.10 (versus the closing price of €1.71 on 17 December). Importantly, management estimates that this will include cash and short-term financial assets of more than €1.00 per share. GSG does not intend to reinvest the proceeds from Exozet's disposal in its original business model (VC) and will instead use them for share buybacks, given the shares continue to trade below the NAV estimated by the company. In 2019 to date, the company has repurchased 7.7% of the end-2018 number of shares outstanding.

### Valuation: Trading at a deep discount to NAV

GSG's current share price of €1.73 represents a 31% discount to NAV at end-H119 (based on the book value of equity ex-minorities) and a 42% discount to the midpoint of the equity per share range for end 2019 estimated by the company.

#### Company financials

Year end	Revenue (€m)	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/15	5.6	3.6	0.49	0.0	3.5	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	12.4	N/A
12/18	12.5	1.2	(0.05)	0.0	N/A	N/A

Source: German Startups Group accounts

**Price** €1.73  
**Market cap** €19m

#### Share price graph



#### Share details

Code GSJ  
 Listing Deutsche Börse Scale  
 Shares in issue 10.9m  
 Last reported net debt at 30 June 2019 €8.3m

#### 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. With the launch of its secondary shares trading platform, the company started the transition to a wider business model, including a marketplace.

#### Bull

- 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.
- Successful sale of Exozet translates into significant cash proceeds, which may be used for share buybacks.

#### Bear

- Low liquidity.
- VC investments are inherently high risk.
- Longer periods when start-ups remain private may delay GSG's exits.

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