

FinLab

Financials

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Positive catalysts at portfolio holdings

FinLab posted a strong NAV total return in H120 (+9.5%), driven by the solid share price performance of its only listed holding, Heliad Equity Partners (HEP). Moreover, HEP's partial exit from its largest portfolio holding, German online broker flatex announced in July 2020, increases the likelihood of a higher management fee and potentially a performance fee in 2021 to be charged by Heliad Management, which is fully owned by FinLab. Meanwhile, FinLab's portfolio holding, Authada, attracted a new investor, Italy-listed TMT company Tinexta, and the EOS VC Fund that is managed by FinLab has expanded its portfolio of blockchain projects.

Heliad's performance drives NAV return in H120

EPS was €0.47 in H120 (vs €0.84 in H119), affected by a 45% y-o-y decline in income from investments to €1.0m (due to lower management fees from Heliad Management, according to the company) and a 33% fall in the financial result to €2.4m (due to lower net write-ups on unlisted investments). These more than offset an 8% y-o-y reduction in operating expenses to €1.6m in H120. Having said that, FinLab delivered a solid 9.5% NAV total return (TR) in H120, backed by the strong share price performance of its only listed investment, HEP, which represented c 19% of its NAV at end H120 (as the share price was up 61% in H120). Since its establishment at the beginning of 2015, FinLab posted a NAV TR of c 25% pa, assisted by its main success story and largest portfolio holding, Deposit Solutions.

Focus on existing holdings and EOS VC Fund

FinLab has recently continued to focus on adding value to its existing fintech investments and expanding its portfolio of blockchain projects through the EOS VC Fund. The most notable developments in FinLab's portfolio companies recently include HEP's partial exit from the listed online broker flatex in July 2020, as well as onboarding a new investor at Authada announced in September 2020, which received a call option to acquire a 100% stake in the company. Management highlights that the COVID-19 pandemic has created business opportunities for some of its portfolio companies, while it acknowledges that others may need to revise their business models, but it is ready to support them with additional liquidity, if necessary. FinLab had €5.7m in cash at end H120 (vs €6.8m at end-FY19).

Valuation: Discount to NAV remains considerable

FinLab's NAV per share was €29.70 as of end June 2020, relative to which the shares are trading at a 34% discount. HEP is trading at a discount of c 41% to its end-June 2020 NAV, with flatex remaining its major investment.

Price **€19.75**
Market cap **€105m**

Share price graph



Share details

Code A7A
Shares in issue 5.3m
Net cash at end June 2020 €5.7m

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 an EOS VC Fund. It has nine fintech investments.

Bull

- Heliad's partial exit from flatex may trigger a performance fee for FinLab.
- Exposure to various fintech segments.
- FinLab may profit from the beneficial positioning of selected fintech companies amid COVID-19.

Bear

- Potential negative impact from COVID-19 on some of its holdings.
- Small free float and low liquidity.
- Fintech investments are inherently high risk and the portfolio is relatively concentrated.

Analyst

Milosz Papst +44 (0)203 077 5700
Anna Dziadkowiec +44 (0)203 077 5700

financials@edisongroup.com

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Historical financials

Year end	Total income (€m)	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/16	4.9	14.0	2.98	0.00	6.6	N/A
12/17	4.4	14.5	2.85	0.00	6.9	N/A
12/18	4.7	17.1	3.14	0.00	6.3	N/A
12/19	4.6	4.3	7.33	0.00	2.7	N/A

Source: FinLab accounts

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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

1185 Avenue of the Americas

3rd Floor, New York, NY 10036

United States of America

Sydney +61 (0)2 8249 8342

Level 4, Office 1205

95 Pitt Street, Sydney

NSW 2000, Australia