German Startups Group Berlin GmbH & Co. KGaA

Germany / Financials
Frankfurt
Bloomberg: GSJ GR
ISIN: DE000A1MMEV4

Initiation of coverage

RATING	**BUY**
PRICE TARGET	**€4.20**
Return Potential	53.3%
Risk Rating	Medium

HIGH RETURN/LOWER RISK INVESTMENT IN GERMAN START-UP SCENE

The primary focus of German Startups is the acquisition of minority holdings in high growth potential start-ups within the IT and Internet sectors in the German-speaking market. Despite GSG's brief 3.5 year history, the company has rapidly built up a high quality portfolio and become the second most active venture capital provider in Germany. The company currently has 23 minority holdings of particular significance including some of the most successful German start-ups such as Delivery Hero, Mister Spex and SoundCloud. The highly diversified portfolio has delivered an impressive return on investment close to 30% p.a. since 2012. Additionally, GSG has been profitable since its first year of operations due to consistent portfolio appreciation, based on third party valuations of its holdings (IFRS). We expect GSG to significantly increase portfolio value and profitability over the next few years, as its holdings gain in critical mass and traction. We initiate coverage of GSG with a Buy recommendation and a price target of €4.20.

Acquiring secondary shares leads to more investment opportunities The majority of VCs take minority positions during financing rounds (primary market). GSG with its 'minority' strategy acquires stakes in the primary and secondary markets. GSG prefers to have access to more investment opportunities to promote sustainable and broad diversification in order to lower portfolio risk.

GSG's track record includes: one exit in 2014 (Fyber) and one exit in 2015 (Amorelie) Both deals generated an investment return of 2.8x each within a holding period of less than 2 years, underscoring management's ability to deliver an above average return. An attractive portfolio with nine IPO/acquisition candidates leads us to believe that the portfolio will deliver highly profitable exits during the next 12-24 months.

GSG's Q1 report confirms positive portfolio development Management reported a profitable Q1 2016 on 15 April. Core investments have developed as expected. GSG may exit Ayondo, one of its investments, which will conduct an IPO reverse takeover transaction with a listed company in Singapore. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2014	2015	2016E	2017E	2018E	2019E
Revenue (€m)	0.07	5.60	12.50	13.13	13.78	14.47
Profit on portfolio	2.48	4.79	7.30	10.64	17.11	22.00
EBIT (€m)	1.49	3.72	6.90	10.50	17.25	22.23
EBITDA (€m)	1.53	3.98	7.49	11.11	17.90	22.91
Net Income (€m)	1.44	3.65	6.74	9.99	16.41	21.18
EPS (€m)	0.22	0.33	0.48	0.72	1.18	1.52
Fin. Assets (€m)	9.45	18.26	29.54	45.03	64.69	87.47
NAV (€m)	14.29	29.45	37.07	47.07	63.49	84.68
Net gearing	-12.4%	-11.4%	2.2%	14.5%	17.0%	15.7%
Liquid assets (€m)	2.23	6.42	3.58	3.79	5.52	8.77

RISKS

Risks include, but are not limited to, portfolio risk, portfolio liquidity (exit possibilities) and shareholder dilution

COMPANY PROFILE

German Startups Group is a venture capital company focused on investing in young and high growth technology companies within the IT and Internet sectors. The company is based in Berlin and has a regional focus on German-speaking countries.

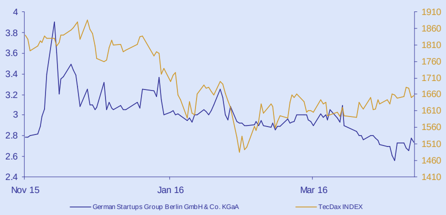
MARKET DATA

As of 4/22/2016

Closing Price	€ 2.74
Shares outstanding	11.98m
Market Capitalisation	€ 32.84m
52-week Range	€ 2.56 / 3.90
Avg. Volume (12 Months)	13,076

Multiples	2015	2016E	2017E
P/E	8.3	5.7	3.8
P/Book Value	1.10	0.90	0.70
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2015

Liquid Assets	€ 6.42m
Current Assets	€ 10.87m
NAV	€ 29.45m
Total Assets	€ 35.95m
Current Liabilities	€ 3.36m
Total Equity	€ 30.46m

SHAREHOLDERS

Cara Investments GmbH	12.5%
Sondervermögen Frankf. Aktienfonds	9.2%
Gerlinger family	9.0%
Oceanlink Investments Limited	8.5%
Freefloat & others	60.8%

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INVESTMENT CASE

Experienced management team with extensive network in the German VC landscape Mr. Christoph Gerlinger is the CEO and founder of GSG. He is a successful German serial entrepreneur with a proven track record in the internet sector. He previously founded and scaled up companies and carried out two German IPOs: CDV Software Entertainment AG (IPO in 2000) and Frogster Interactive Pictures AG (IPO in 2006). Mr Samios, (COO), has been responsible for more than 100 transactions in the venture capital market.

Portfolio continues to deliver impressive returns GSG has a strong track record of NAV appreciation, profit (IFRS) and exits despite its short history. The portfolio generated an average return on invested capital of 29.6% p.a. from 2012 to 2016. Based on portfolio revaluations GSG has been profitable since its first year. GSG achieved an operating profit of €3.7m in 2015, up from €1.5m in 2014. We believe, the company will increase profitability by 80% in 2016 to €6.9m. The portfolio includes some of the most successful German start-ups such as Delivery Hero, SoundCloud and Mister Spex.

Booming German start-up market to trigger further portfolio expansion Berlin has become the Silicon Valley of Europe. Since 2014, it has received more venture capital investment than any other city in the EU. The Berlin start-up scene benefits from international funds, and international talent - which constitutes approximately 40% of the city's start-ups' workforce. Berlin based GSG is an attractive conduit for investors to gain exposure to the buoyant German start-up sector which would otherwise be difficult to obtain. It also allows investors to benefit from the efforts, relationships, and due diligence conducted by a seasoned management team with expertise investing in start-up companies.

Investing in serial entrepreneurs promises higher returns GSG leverages its strong network in the German start-up scene by investing in serial entrepreneurs. According to an empirical study conducted by Harvard researchers, all else equal, a VC-backed entrepreneur who succeeds in a venture has a roughly 50% higher chance of success in his next venture compared to a first time entrepreneur. Serial entrepreneurs are experienced and tend to require less guidance and also less capital. GSG acquires minority stakes in start-ups in a variety of industries and investment stages. GSG invests in seed, early, and growth stage companies. By holding minority shares in a diverse group of investments, GSG diversifies the risk involved in investing in start-ups. In fact, 21 founders from 15 of GSG's portfolio companies are prominent ex-founders of successful start-ups.

GSG shares appear significantly undervalued. We Initiate coverage with a price target of €4.20 and a Buy recommendation After an excellent start in November 2015 the share price declined, but remained above its IPO level. In April, however, the stock lost ground and the share price declined by approximately 10%. We believe the share price depreciation is unwarranted given the solid fundamentals. The company has delivered good news with the recent acquisitions of stakes in exciting start-ups. We expect further attractive acquisitions in the months to come. We therefore believe that the share price weakness is temporary and sentiment-driven. Our conservative residual income model based on portfolio NAV suggests a fair value of €4.20/share.

SWOT ANALYSIS

STRENGTHS

- **Experienced management team** Mr. Christoph Gerlinger (CEO) and Mr. Nikolas Samios (COO) are both highly qualified executives with many years of experience and extensive knowledge of the start-up scene and relevant markets.

- **High quality portfolio** Since 2012, GSG has built a highly diversified portfolio of investments with minority positions of particular significance to the company in 23 promising German start-ups within the Internet, IT, and Fintech sectors. The portfolio includes well known & successful start-ups such as Delivery Hero and Mister Spex.

- **Leading player in the German market:** GSG has been the second most active VC in Germany since 2014.

- **Positive exit track record** Despite its brief history (founded in 2012), GSG has already managed to successfully conduct one exit per year since 2014, achieving a cash-on-cash transaction gain of 2.83x with Fyber's exit in 2014 and 2.78x with Amorelie's Exit in 2015. GSG's holding period in both cases was less than 15 months.

- **Profitable (IFRS) and positive ROIC close to 30%** Between 2012 and 2015 the average return on invested capital (ROIC) was approximately 29.6% p.a. Moreover, in 2015 the ROIC was 36.8%.

WEAKNESSES

- **Young small cap with short track record** Founded in 2012, the company is still relatively young and small, and it still has to prove its ability to operate sustainably in the long term.

- **Tight cash position, ability to raise large amounts of money still to be proved** GSG currently has €3m in cash leaving it with little room for further portfolio expansion. Management had to cancel its large private placement in early 2015 (target: €63m) due to difficult capital market conditions. In November 2015 it raised €9.2m.

- **Little transparency** Potential investors receive little financial information regarding GSG's non-consolidated financial investments.

OPPORTUNITIES

- **Potential exits in 2016/2017** Potential exits from existing portfolio companies in 2016 and 2017 will further increase GSG's credibility.

- **Value-enhancing expansion towards becoming a €100m assets value firm** GSG has a promising investment pipeline targeting 40-60 highly attractive start-ups. Within the upcoming 12-24 months GSG expects to invest between €40-60m.

- **At the centre of Germany's start-up hub** GSG's is one of the few venture capital firms with a strict focus on German speaking countries and is located in the German start-up hub, Berlin.

THREATS

- **Investment risk** Companies that GSG has invested in may fail, impacting GSG's performance and prospects (NAV, ROE, liquidity, and valuation) negatively.

- **Portfolio liquidity** The majority of GSG investment portfolio is illiquid. This illiquidity may make it difficult for GSG to sell such investments if the need arises (unless at a large discount).

- **Shareholder dilution** GSG plans to conduct an additional capital increase of up to 27m shares to further boost its portfolio.

VALUATION

Residual Income Model

Given the importance of net asset value (NAV) for venture capital funds, we have chosen to value the company using the residual income method, which is likewise based on NAV. The advantage of the residual income method compared with the discounted cash flow (DCF) model is that the value beyond the explicit forecast period is already included in NAV. Moreover, in contrast to a DCF, the residual income model is not subject to error resulting from uncertainties surrounding growth and margin levels beyond the stated forecast period.

Using the residual income method, a notional charge corresponding to the required return on equity is subtracted from net profit. The resulting residual income is discounted using the required rate of return. The discounted residual income figures are then added to the existing NAV to produce a value per share. Residual income, and hence a share price premium to NAV, only arises if the ROE exceeds the cost of equity (COE) during the explicit valuation period (2016 to 2022 in our model). The stated valuation period corresponds to the timeframe we expect GSG to generate returns above the COE. Beyond our defined valuation period, we assume returns will fall back in line with the COE. The residual income model hence calculates a time-adjusted value for future return above risk-required return (COE).

Using First Berlin methodology, which takes into account company-specific risk factors, we have derived a COE of 16.0% for GSG. The primary risk factors we have identified are portfolio risk and portfolio liquidity based on the volatility of the current IPO and M&A environment. Also, the company's small size and lack of transparency in the holdings present additional risks. The residual income model suggests a fair value per share of €4.20.

Figure 1: Residual Income Model

In €'000	2016	2017	2018	2019	2020	2021	2022
Shareholders' equity	37,067	47,068	63,492	84,682	108,247	132,335	157,275
Average shareholders' equity	33,260	42,068	55,280	74,087	96,465	120,291	144,805
Net profit	6,735	9,991	16,414	21,180	23,554	24,076	24,929
NAV per share	**2.67**	**3.39**	**4.57**	**6.09**	**7.79**	**9.52**	**11.31**

Return on equity	20.2%	23.8%	29.7%	28.6%	24.4%	20.0%	17.2%
Cost of equity	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%
Spread	**4.2%**	**7.8%**	**13.7%**	**12.6%**	**8.4%**	**4.0%**	**1.2%**

	2016	2017	2018	2019	2020	2021	2022
Residual income	1,413	3,261	7,569	9,326	8,120	4,830	1,761
PV of residual income stream	1,277	2,540	5,083	5,399	4,053	2,078	653

Fair value calculation	
NAV (2015)	29,452
PV of residual income stream	21,084
Fair value	50,536
Number of shares (000's,fully diluted)	11,984
Fair value per share €	**4.20**

Source: First Berlin Equity Research

Additionally, our residual income model is based on the following assumptions:

- 2015 NAV reflects the value of the portfolio at the end of 2015, given by management
- In our view 2015 NAV is conservative for two reasons:
    - GSG determines the fair value of the vast majority of their holdings through third party valuation of asset prices as shown in the figure below:

Figure 2: Third-party valuation of asset prices

Third-party objectification of asset prices	• Third-party objectification of asset prices • GSG have no influence on the valuations in financing rounds of portfolio companies • Share prices are based only on relevant transactions not of interested parties like existing shareholders

Source: First Berlin Equity Research, GSG

- - The transaction prices are on average 198 days old, which suggests that the current NAV value would be higher.

- We project GSG will achieve a revaluation rate of financial assets of 40% in 2016, which declines progressively to 18% by 2022.

COMPANY PROFILE

OVERVIEW AND BUSINESS MODEL

The German Startups Group Berlin GmbH & Co. KGaA is a venture capital firm providing capital in the form of minority investments (primarily less than 10%) to start-ups mainly within the IT and Internet sectors. GSG is geographically focused on German-speaking countries (Germany, Austria and Switzerland), as it has excellent expertise in local market dynamics, relevant actors, legal and fiscal conditions within this region.

German Startups Group dates back to April 2012, when Mr. Gerlinger, a successful German serial entrepreneur founded the company. Since then, he has been the CEO of the company. Mr Nikolas Samios, an expert in corporate finance & strategy for start-ups, acted as a consultant and a service provider to GSG in 2013 and joined GSG's management team in 2014. He is the current COO. With a strong management team in place, GSG has seen rapid growth in its portfolio from 10 holdings at the end of 2012 to 46 in early 2016. However, 23 minority investments are considered of particular significance to the company, as they represent about 90% of the total portfolio value. The company financed the portfolio expansion through funds raised from investors totalling approximately €22m by the end of March 2016.

Listing in late 2015 positioned GSG as the only listed German VC

In order to finance further acquisitions, the company decided to go public in early 2015. The company was unable to place stock in March 2015 due to adverse market conditions. GSG was listed in November 2015 on the Frankfurt Stock Exchange after raising €9.2m in a private placement. GSG is now the only pure-play VC listed on the German stock exchange. Rocket Internet is also listed, but is an incubator, accelerator and company builder.

Exozet majority holding of 50.5%

While GSG generally holds only minority interests, the company increased its minority participation in Exozet to 50.5% in June 2015. Exozet became the first (and we believe, in the foreseeable future, the only) majority interest in the portfolio. Besides the excellent business prospects of the company, the logic of this acquisition is based on the strategic relevance of this company to the rest of the portfolio companies. Exozet creates applications for both iOS and Android operating systems, develops and implements marketing campaigns and also completely reconstructs business models. GSG believes these activities are essential for the development of start-ups.

Exozet was founded in 1996 by Frank Zahn in Berlin and is a digital agency for creative technologies. Exozet's focus is to create multimedia solutions for devices as well as user interaction development. It also offers software development assistance for start-ups as well as established firms. Currently there are 130 people working for Exozet in Berlin, Potsdam, and Vienna. Exozet has worked for a plethora of established companies such as Red Bull, Audi, and Deutsche Telekom.

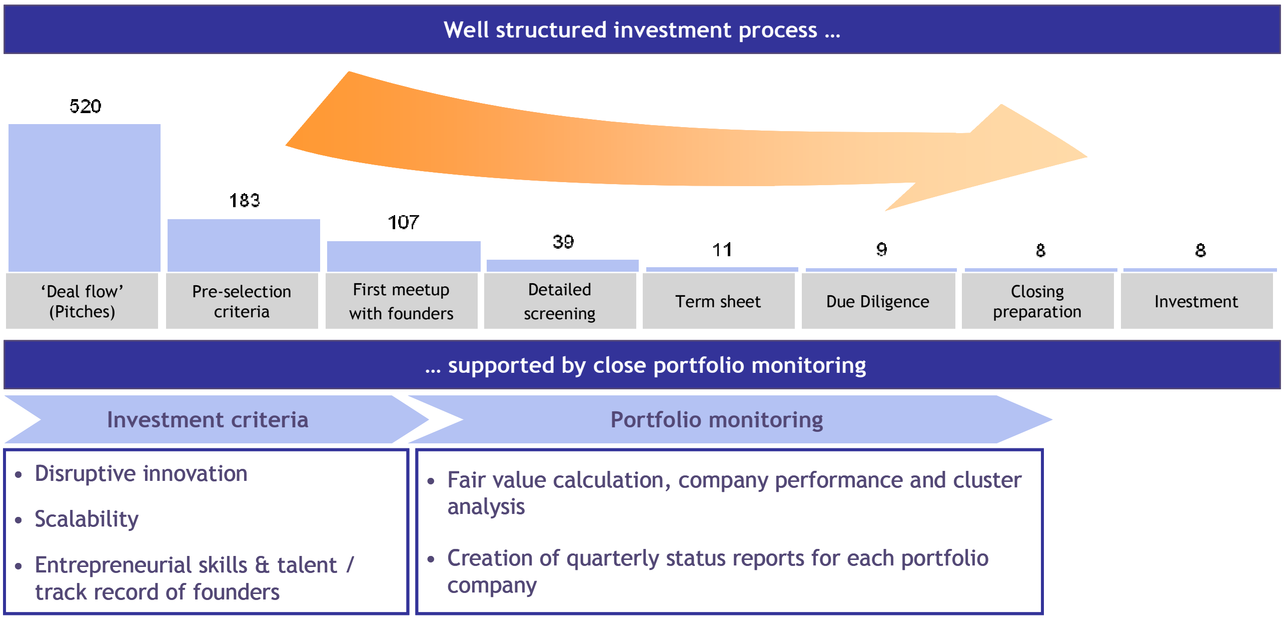
Future plans consist of working as a "Plug and Play Platform" (PPP) to offer Exozet services for start-ups through GSG. This would include support ranging from design and implementation of brands, corporate identity, websites, as well as assistance in programming and marketing. These services can be valuable to early stage start-ups as well as late stage companies. If needed, the services would be provided and could create long-term increases in the value of GSG's investments.

In 2015, Exozet secured the largest single contract in the history of the company. The contract commissioned by a leading media company (yet to be released) consists of an initial assignment as well as support and development over the next five years. Total earnings are assessed to be in the mid-single-digit euro million range. In the upcoming year Exozet plans to focus on three distinct product development areas: virtual reality, cloud signage, and marketing automation. We believe Exozet will have a positive effect on GSG's EBIT.

Rigorous investment approach

GSG invests in start-ups whose business models are innovative, highly scalable and with entrepreneurs who have a proven track record. The company has a rigorous investment approach, which in 2014 led to an investment ratio of 8 out of the 520 companies screened. GSG evaluates the company structure, management, business merits and financial requirements as well as the product or service offerings. This includes time to market, market size, growth potential and the competitive environment. Once a candidate passes this screening stage, the first intensive discussions are initiated with management to clarify prominent issues. Upon completion, a thorough due diligence is conducted before the commitment terms are negotiated and signed. GSG then invests between €50-€100k for seed investment, €100k-€200k for early stage and €200k-€2m for growth stage investment. We believe this rigorous investment process is the foundation of GSG's high quality portfolio.

Figure 3: Investment Process



Source: First Berlin Equity Research, GSG

Buying in the primary and secondary markets offers larger investment opportunities

A key strength of GSG is its vast network among the German start up scene. The majority of VCs take minority positions during financing rounds (primary market). GSG with its 'minority' strategy acquires stakes in the "primary and secondary market," thus behaving more opportunistically. This approach gives GSG broader access to start-up companies, thereby giving greater opportunity for diversification and lowering portfolio risk. GSG steers clear of being the lead investor or even company builder (such as Rocket Internet).

Figure 4: Minority stake investor perspective vs. company builder

Advantages of GSG's strategy to buy:

-minority interests only

-in primary and secondary markets

and
no "company building"

- Access to more investments in promising, mature and independent founders as GSG do not compete with them, take driver's seats or copy ideas and business models
- Freedom to cherry pick attractive opportunities from many company builders' pipelines
- No high and unpredictable "cash burn" - typically not responsible for closing financing gaps of portfolio companies as GSG do not found own startups and are thus not the lead investor
- Investments often in later stage (growth) companies, also via secondary shares, so GSG are invested closer to exits of the startups, after many risks have already been eliminated
- Less distraction because of less time required to coach portfolio companies (investor perspective vs. company builder)

Source: First Berlin Equity Research, GSG

Co-investing with successful VC funds

GSG tends to co-invest with other successful investors. This enables the company to access a large number of potential deals, increasing syndication opportunities with top performing funds. GSG places great importance on the judgment of these co-investors, who often focus on specific niche markets. With the support of this close knit VC network, management seeks to participate in pre-IPO financing rounds and secondary offerings of promising companies. For instance, this privileged position lead to recent transactions in top companies such as Auctionata, Book a Tiger, Mister Spex and TVSMILES, among others.

Following serial entrepreneurs

According to an empirical study conducted by Harvard researchers, all else equal, a VC-backed entrepreneur who succeeds in a venture has a roughly 50% higher chance of success in his next venture compared to a first-time entrepreneur. GSG leverages its strong network in the German start-up scene to hand pick and follow serial entrepreneurs. With highly successful management there is less need to guide companies down a path to success. This hands-off approach usually also requires less capital beyond initial investment. In GSG's portfolio, 21 of the current founders were founders of previous successful start-ups (see figure 5).

Figure 5: Serial Entrepreneurs

Founder	Portfolio company	Track record
Nikita Fahrenholz & Claude Ritter	Book a Tiger	Co-Founder Deliver Hero
Thilo Hardt	eWings	Co-Founder Mister Spex
Lea Cramer & Sebastian Pollok	Amorelie	MD Rocket Internet Venture
Pan Katsukis	Remerge	Co-Founder Madvertise
Christian Tiessen	Savedo	Co-Founder Casacanda
Marc Pohl & Lea Lange	Juniqe	Co-Founder Casacanda
Erik Podzuweit	Scalable Capital	Co-CEO Westwing, Executive Director Goldman Sachs
Moritz v.d. Linden & Carlo Kölzer	CRX	Co-Founder 360T
Axel Winckler	Realbest	Head Creations Zalando
Christian Heins & Gaylord Zach	TVSMILES	Co-Founder 9Live & Ostrich Media
Lukasz Gadowski	Delivery Hero	Spreadshit, StudiVZ, Team Europe
Kolja Hebenstreit & Markus Fuhrmann	Delivery Hero	Team Europe
Stephan Pfanmöller & Martin Junker	ePetWorld	netzathleten.de
Gunnar Froh	Wunder	Co-Founder Accoleo, Operations Manager Airbnb (employee No. 4)
TOTAL: 21 Founders	**13 Start-ups**	

Source: First Berlin Equity Research, GSG

PORTFOLIO

High quality portfolio of 23 core investments in a record time of 3.5 years

GSG's portfolio consists of a diverse group of IT and Internet related industries such as E-Commerce, Online Services, Social Network & Sharing Economy, Software as a Service (SaaS) Cloud Computing, Big Data, IoT, Adtech, Digital Content, Publishing & CRM, and Fintech at different growth stages (seed, early, growth). GSG believes these are the segments where IT and Internet is gaining the greatest traction. But the company is also keen to occasionally invest in selected promising fields, such as the extraction of rare earth elements. The company organises its investments by market segment and by stage.

Currently, the key portfolio of 23 minority investments considered of particular significance to the company represent about 90% of the total portfolio value (IFRS). The core portfolio is largely weighted towards early and growth stage companies, with these two stages also accounting for over 90% of its value (IFRS). We believe selected growth stage companies will be able to generate deals (M&A, IPO) during the next 12-24 months that will create liquidity for GSG to invest in further portfolio expansion. The portfolio as a whole generated an average return on invested capital of 29.6% p.a. from 2012 to 2016. The portfolio includes some of the most successful German start-ups such as, Delivery Hero, SoundCloud and MisterSpex.

Figure 6: GSG's Investment Portfolio Overview

Company	Seed Stage	Early Stage	Growth Stage
1) E-Commerce		Juniqe	Mister Spex, ReBuy, ArmedAngels, ePetWorld
2) Online services	eWings	Book a Tiger, Service Partner One	Delivery Hero, Auctionata
3) Social network & sharing economy		Meine Spielzeugkiste Wunder	Juniqe, Tictail
4) SaaS, Cloud Computing, IoT, Big Data, AdTech		Itembase, Remerge, TVSMILES, Datapine	SoundCloud
5) Digital content, publishing, and CRM		Customer Alliance	
6) FinTech / InsurTech		Scalable Capital, Realbest	Friendsurance, SchutzClick, Ayondo
7) High Tech & Others		Ceritech	Fiagon, Dr.Z, Pyreg

Source: First Berlin Equity Research, GSG

Track record is underpinned by two successful exits

Venture capital firms are measured by their success in increasing the value of their holdings. GSG has achieved a consistent Y/Y increase in the value of its holdings. Two companies have been exited since 2014, in both cases realising a substantial gain on the sum invested. We have briefly summarised the exits achieved so far (see figure 7 overleaf).

Figure 7: Exit Case Studies- Fyber (2014) & Amorelie (2015)

	Fyber	AMORELIE
Company Profile	• Fyber is a leading mobile advertising technology company • Fyber includes an advertising marketplace and several tools which help app developers to both monetise and promote their mobile apps • Fyber (Sponsorpay) was founded by serial entrepreneur Janis Zech in 2009 in Berlin and operates offices in San Francisco, Tokyo, Paris, New York and London • It was named „Top 10 Mobile Advertising Company“ by Venture Beat in 2014	• Amorelie is a leading young brand for “Lovestyle” products, covering lingerie, toys and sensual products • Amorelie was founded in 2013 by former Rocket Internet and Groupon Manager Lea-Sophie Cramer and a previous VC associate, Sebastian Pollok • Amorelie created a lot of press feedback, won multiple entrepreneurship awards and secured a media-for-equity deal with Pro7Sat1, allowing a strong presence in mainstream TV2
German Startups Group	• GSG‘s management knew Fyber’s CEO Andreas Bodczek and COO Janis Zech already for years and monitored the startups’ progress • GSG managed to acquire secondary shares from two business angels • Fyber was acquired by the listed media company RNTS • According to public sources (RNTS Media N.V. prospectus), Fyber was valued at EUR 150m at time of exit • GSG gained a multiple of 2.83x in a few months	• GSG was approached by Amorelie late 2013 thanks to an introduction from GSG’s Co-investor network • GSG invested in 2013 together with renowned Co-investors including Otto Capital, Paua Ventures and SevenVentures • Pro7Sat1 group acquired 75% of Amorelie (buying out all investors including GSG) in Q1 2015 • The company valuation was not disclosed • GSG gained a cash on cash multiple of 2.78x over 15 months

Source: First Berlin Equity Research, GSG

We anticipate that the positive exit trend will continue…

We believe GSG’s investment activity has created a highly attractive portfolio, establishing the foundation for future exits. IPO/acquisition interest in the next 1-2 years has been expressed by the following companies:

Figure 8: Overview of exit candidates in the next 12-24 months

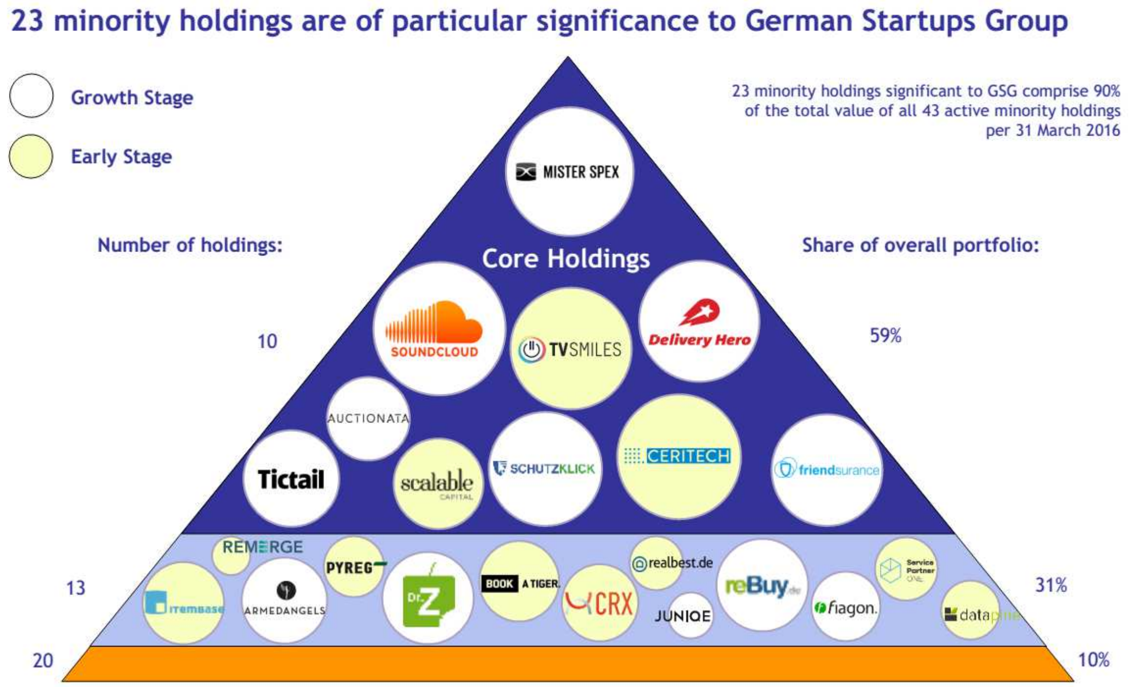
Company	Sector	Chance of IPO in 12-24 months	Chance of M&A in 12-24 months	Reason
1) Mister Spex	E-Commerce	High	High	Management announced plans to either IPO or sell to private investor
2) SoundCloud	Music platform	Low	High	Acquisition target by major music labels (e.g. Beats Music acquired by Universal Music & later Apple) or big companies such as Twitter willing to enter the market
3) Delivery Hero	Internet Services	High	High	IPO preparations are underway
4) Simplesurance 5) Friendsurance	InsurTech	Low	High	High M&A activity in the InsurTech sector. Large US listed insurance company and German Insurance company Allianz are shareholder in 4) since March 2015
6) Scalable Capital 7) CRX 8) Ayondo	FinTech	Low	High	High M&A activity in the FinTech sector. As example, 360T, a platform provider for FX trading, was acquired by Deutsche Börse for €725m in July 2015. Ayondo is preparing a reverse takeover IPO in Singapore Exchange, valuing Ayondo at about $116m pre-deal
9) TVSMILES	Mobile Adver-tising	Low	High	High M&A activity in the German Media sector. As example, ProSiebenSat.1, bought an 80% share in consumer portal Verivox for EUR €170m in June 2015.

Source: First Berlin Equity Research

PORTFOLIO BREAKDOWN OF 10 CORE HOLDINGS

GSG's portfolio is well diversified and all stakes are operationally active. The top ten holdings account for 59% of the total portfolio, while the remaining minority stakes comprise the balance (figure 9). For this report we focus on the top ten holdings, given that they will likely have the greatest impact on GSG's performance over the mid-term. Each of the ten core holdings equates to some 6-7% of GSG's total assets on the balance sheet.

Figure 9: 23 Holdings of particular significance



Source: First Berlin Equity Research, GSG

Mister Spex GmbH (0.95% stake) Acquisition or IPO candidate

Mister Spex was founded in 2007 and is currently Germany's biggest online eyeglass merchant. The company's online shop consists of more than 7,000 high quality prescription glasses, sunglasses, and contact lenses, all at competitive prices. In addition to a large assortment of choices, Mister Spex offers full-service consultation when buying a pair of glasses, including free eye exams and glasses adjustments, giving Mister Spex a competitive edge over its competitors. In 2013, Mister Spex acquired two Scandinavian online eyewear companies. Currently, the company operates in the D-A-CH region, the UK, France, Sweden, Norway, and in Spain.

Mister Spex opened its first physical store in Berlin, Germany in early 2016. The Director, Mirko Casper, claims that eCommerce will continue to be the core business. Mister Spex is using its first physical store as an opportunity to explore new aspects of the industry. In April 2016, the company introduced the world's first virtual try-on for contact lenses.

In 2014, revenues increased 38% Y/Y to €65m. Mister Mister Spex has raised €69.6m since its foundation in 2007 (Crunchbase database). In January of 2015, Goldman Sachs led the series D financing round investing together with existing investors SEP, XAnge and DN Capital $40m in Mister Spex. Goldman Sachs acquired a close to 20% stake in the company. Based on this transaction, assuming that Goldman Sachs invested $25m-$35m, the company is currently valued at approximately $125-175m. We believe an exit within the next 12-24 months is likely. The founder and CEO, Dirk Graber, has stated that in this time period he will either list the company's shares or sell a majority stake to a strategic investor.

SoundCloud Limited (0.2% stake)

Founded in 2007, SoundCloud is a global online audio distribution platform based in Berlin. SoundCloud enables its users to upload, record, and share originally created audio recordings. SoundCloud is a massive community of music creators and listeners. The CEO and co-founder recently told Techcrunch that SoundCloud is trying to create a platform that embraces all kinds of creativity, something that has never existed before.

Currently, SoundCloud has more than 175m monthly registered listeners while Spotify has only 75m. The company ranks as the third most popular music app on iOS and fourth on Android and differentiates itself as a content distributor for independent artists.

In March 2016, SoundCloud launched a paid subscription service, where subscribers will be able to download music available on the SoundCloud platform and listen to music offline for $10 a month. SoundCloud Go is an attempt to be the YouTube for music. Mark Mulligan, an industry analyst, expects SoundCloud to convert a “low single digit” percentage of its users to the Go subscription service.

Parallel with this new service, SoundCloud closed a major license agreement with Universal Music, the largest music publisher in the world. The deal allows Universal Music to collect royalties for the songs they’ve opted to monetize on the site. SoundCloud also has partnerships with Warner Music and Sony.

In 2014, revenue was €15.4m with a net loss of €39.1m. At the moment SoundCloud is heavily reliant on further capital investments to continue operations and the company raised €35m in debt financing in January. The company ranked tenth among the top 30 start-ups by total funding value ($123m raised by September 2015).

GSG invested in SoundCloud in early Q1/14 in a secondary share deal. SoundCloud is now the largest stake in GSG’s portfolio. The last valuation of SoundCloud was $700m. Given that SoundCloud has twice as many listeners as Spotify, which is valued at €8bn, SoundCloud looks comparatively undervalued on a book value/sales basis.

Delivery Hero GmbH (0.06% stake) acquisition or IPO candidate

Delivery Hero was founded in 2011 in Berlin with the assistance of Team Europe, a local VC firm. Delivery Hero is an online food ordering service, creating the “easiest way to your favorite food.” The company is one of the largest food network in the world, with more than 300,000 participating restaurants.

In September 2015, Delivery Hero acquired 100% of Foodora, a thriving food delivery service in Berlin. In February 2016, Delivery Hero processed more than 13m orders, more than double the February 2015 number. Beginning in January 2016, the fast food chain Burger King and Delivery Hero signed a deal with plans to expand Burger King’s reach. Delivery Hero plans to integrate Burger King’s restaurants into its online platform and assist in developing a new service delivery site.

One aspect that sets Delivery Hero apart from its peers is its ability to quickly acquire other companies. Delivery Hero recently acquired a 30% stake in the local rival pizza.de. According to The Next Web European Tech5 in 2015, Delivery Hero is one of the fastest growing young tech companies in the world. Delivery Hero plans to expand its product lines to include: meal kits, grocery delivery and high-end restaurant delivery. According to Bloomberg, Delivery Hero has contracted with Citigroup, Goldman Sachs and Deutsche Bank with the intention of a potential public listing later this year. Delivery Hero has raised $1.4bn since 2012 (Crunchbase database). GSG invested in Delivery Hero in Q3/13. Today, Delivery Hero is valued at $3.1bn.

TVSMILES GmbH (8.53% stake) acquisition candidate

Founded in 2013, TVSMILES closes the gap between TV commercials, mobile marketing and digital point-of-sale. Users voluntarily inform themselves about advertisements through a gamified, interactive experience upon which they will be asked to take a quiz. Through this interaction with the app, users can collect points and redeem them for rewards.

The application is packed with over 30,000 questions, and for each question answered correctly, the user acquires points. With 850,000 monthly users, over 100,000 points are redeemed each month. The app has been installed approximately 5m times, and on average is used 40 minutes per day.

German Startups Group invested in TVSMILES in Q1/13: German Startups Group first invested in both Series A and B rounds, which raised €7m and €5m respectively.

Friendsurance (3.11% stake) acquisition candidate

Founded in 2010, Friendsurance is an innovative peer-to-peer insurance model and independent broker. Friendsurance's vision is to make insurance cheaper for everyone
The company realized that many people own insurance that they rarely or never use. Friendsurance created a network that connects customers who have the same insurance type. The customers create a group, and if they are claimless at the end of the year, the entire group receives a cash back bonus. Typically, 75% of those who use the Friendsurance principle receive cash back on their premiums.

Schutzklick/Simplesurance GmbH (2.37% Stake) acquisition candidate

Schutzklick, also known as Simplesurance was founded in 2012 in Berlin. Schutzlick is a market leader in individual product insurance. The software creates an interface that combines traditional insurance with modern expectations. Schutzlick provides coverage in 28 European countries, the U.S. and Canada. Simplesurance is accessible through more than 1,000 online stores, including companies such as preisboerse24, rebuy, weltbild.de, Brille24, get mobile, and computer universe. The online shop earns a commission, while Schutzlick earns a margin on each individual insurance policy sold.

In March 2015, a large New York-based listed insurance company took an undisclosed minority position in the company during series B financing (€8m). We believe this minority stake will lead to a majority share acquisition. GSG initially invested in Schutzlick in Q3/12 (seed stage).

Ceritech AG (6.98%)

Deutsche Rohstoff AG founded Ceritech in November 2011 in Berlin. Deutsche Rohstoff is a German raw materials company and is the majority stakeholder in Ceritech with 61.4%. Ceritech's business model is innovative, as it is attempting to extract a Rare Earth Element (REE) oxide mix from waste dumps created through gypsum production. The REE oxide mix would then be sold to refiners. REEs are non-replaceable raw materials used in high-tech products such as smart phones, tablets, and electric cars. If Ceritech is successful, its production costs would be far below the level of hard rock REE miners such as Lynas and Molycorp.

Scalable Capital GmbH (3.0% stake)

Scalable Capital offers a digital wealth management service, using its proprietary "robo-advisor" platform that allows people to make online investments into digital portfolios that suit their risk appetite. The company was founded in 2014 by a group of former Goldman Sachs managers and the renowned German economist professor Stefan Mittnik. Erik Podzuweit, the Co-founder and Co-CEO of Scalable Capital, is an experienced manager and entrepreneur. He was Co-CEO of Westwing Home & Living, Rocket Internet's online home design portal, and Executive Director at Goldman Sachs. The state-of-the-art technology enables the company to offer a first-class investment service (previously only available to large institutional investors) to individuals at a fraction of the cost. First, the company assesses the customer's own personal risk profile, and then an investment account is opened at a minimum of €10,000, upon which a globally diversified ETF portfolio is created. Scalable Capital is the only FinTech company within the investment management field to receive a license from the German regulator BaFin. After gaining approval from the British finance regulator FCA in February 2016, the company is expanding services to the UK during Q2 2016.

Auctionata AG (0.33% stake)

Auctionata was founded in March of 2012 by Alexander Zacke and Georg Untersalmberger with capital provided by Holtzbrinck Venture, Earlybird and the Otto Group. At the 2012 Digital Life Design conference Auctionata was awarded the Digital Star Award as one of the most promising German internet start-ups. Auctionata is the largest online auction house company for art, antiques and luxury collectibles worldwide. The company is headquartered in Berlin, with offices located in New York City, Rome, Zurich and Madrid. Auctionata has patented technology that broadcasts auctions in real-time through the internet or a mobile app. Auctionata's online auction is accessible to bidders worldwide. The company is ranked twelfth among the Top-30 start-ups by total funding value ($96m raised by September 2015). Auctionata reported net sales of €81m in 2015.

In April 2016, KPMG's audit report commissioned by Auctionata revealed numerous trade violations. The company's CEO Alexander Zacke and his wife Susanne Zacke were both accused of using alias names to inflate auction values. The company faces fines, a revocation of its trade license and reputational damage. We note these mistakes took place in the early days of the start-up (early 2013-mid 2014) reflecting management's inexperience with compliance. In addition, the management in close consultation with the supervisory board has implemented strict compliance measures and sorted out all issues in a well documented compliance progress list during 2015. Based on the compliance measures taken by Auctionata, GSG's management is confident that the company will be able to avoid future fines or negative consequences on the trading license.

Tictail Inc. (1.06% stake)

Tictail was launched in 2012, in Stockholm, Sweden. Tictail is a free-to-use e-commerce platform that allows individuals and retailers to set up their own virtual store. The interface essentially removes technology from the process, so that users can create an attractive, professional-looking storefront without coding or design skills. Tictail is focused on building products that help small businesses create an e-commerce presence. Currently, Tictail's website holds over 2.5m products from 100k independent brands across 140 countries.

This past winter, Tictail launched three pop-up stores: in New York, Paris and Stockholm. The New York store was such a success that it became a permanent location. The US quickly became Tictail's fastest-growing market, and received investments from Thrive Capital (a New York venture capital fund that backs Warby Parker and Kickstarter).The co-founder, Carl Waldekranz, was recognized in early 2016 for raising over €32.5m for his mobile - first do-it-yourself e-commerce platform.

TRANSACTIONS TO DATE

13 April: 2016

- Ayondo, a FinTech holding, which is preparing for a reverse takeover IPO on the Singapore Exchange.

23 March 2016

- Indirect acquisition of a 0.33% stake in Auctionata, one of the largest auction houses for art and luxury collectibles worldwide and one of the most successful German Startups. Auctionata will become one of the 10 core holdings.
- Increased stakes in TVSMILES and reBuy.

16 March 2016

- Increased stakes in Book a Tiger, Friendsurance, Lingoda, Mister Spex and Savedo.
- Entered the Property Technology market with an investment in Realbest.

12 June 2015

- German Startups Group stake in Exozet increased to 50.48%.

VENTURE CAPITAL LANDSCAPE

Bright International VC environment, cautious outlook for the US market in 2016

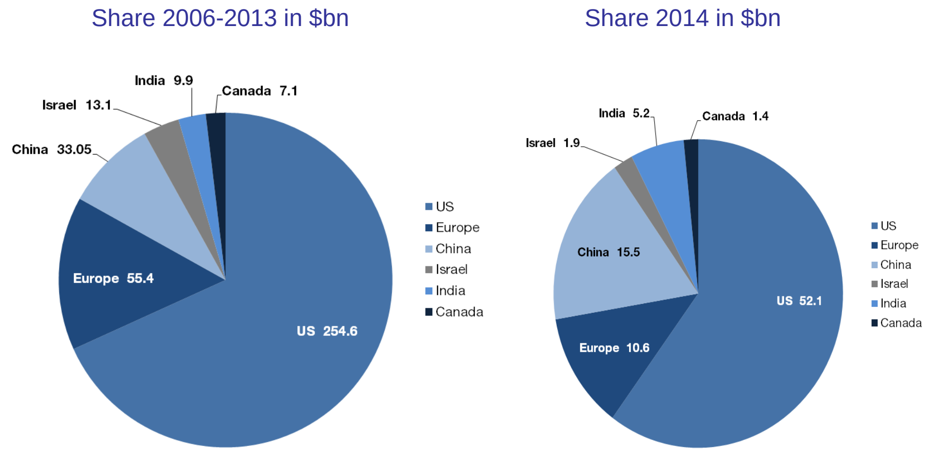
Venture funding of start-up companies has surged during the last seven years and is well above pre-financial crisis levels. Economic conditions have improved with increasing levels of liquidity, coupled with improving investor confidence. This creates a more positive exit environment. Globally the total level of VC investment increased slightly by 2% Y/Y to $48.5bn in 2013. The global VC market is now recovering after several years of a difficult exit environment, which can be measured by the decline in IPO's from 214 in 2010 to 108 in 2013 and the decline in funds raised to $11bn in 2013 (2010: $26.3bn). In 2014, $86.7bn was invested in venture capital worldwide up 156% Y/Y. In 2015, $128.5bn was invested into VC-backed companies, a 48% increase compared to 2014, according to KPMG Venture Pulse.

Despite a record-setting 2015, VC experts contend that VC financing peaked last year and have a cautious outlook for 2016. The peak was largely driven by a tide of massive unicorn-birthing rounds and increasing valuations. There was a Y/Y decrease in VC investments starting in Q4/15 ($27.2bn), which continued into Q1/16 ($25.5bn). However, this investment decline was mostly US driven. US Investors are concerned about exuberantly high valuations and are becoming more critical of potential investments, looking for companies that can demonstrate revenue creation, positive margins, and an ability to control expenses. Nevertheless, in the U.S., Q1/16 was one of the highest quarters for raising VC capital since the dot-com boom of 2000. These funds will continue to be invested in innovative companies.

The European VC market is gaining ground, positive outlook for 2016

The private equity and venture capital investment model began much earlier in the US than in Europe, which is why Europe is still behind the U.S. market. According to Ernst & Young, the U.S. and Europe remain the two largest markets for venture capital investments. The European VC market has a volume of $10.6bn compared to $52.1bn in the US. Only 15% of worldwide venture capital was invested in European companies in 2014, compared to around 68% in the United States. By October 2015, there were roughly 140 unicorns worldwide and just over 90 of them were based in the U.S.

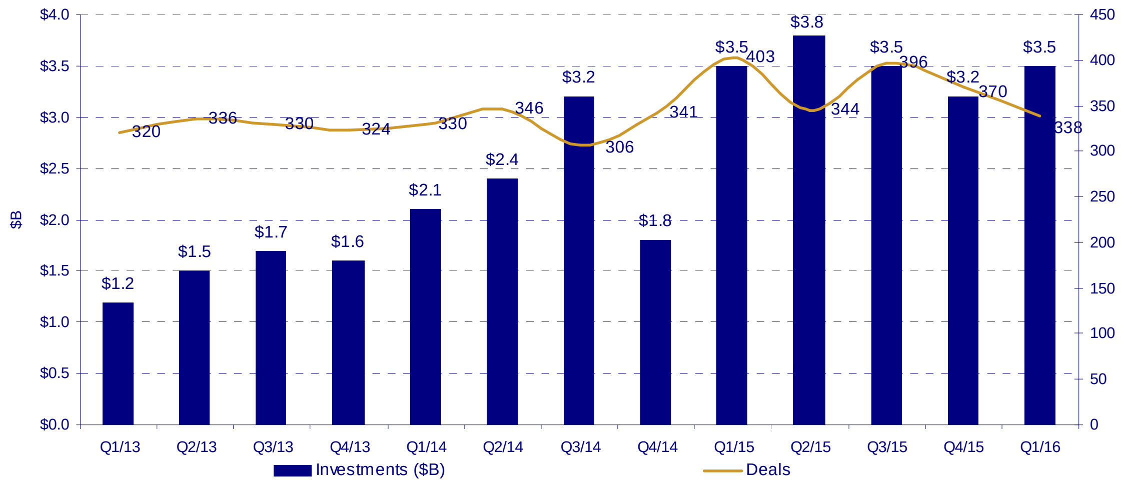
Figure 10: Total venture capital invested in top countries



Source: First Berlin Equity Research, Ernst & Young

However, the European venture capital market is gaining ground. In 2013, the number of investment transactions went up by more than 5% Y/Y and the value of investments rose 19% Y/Y to $7.4bn. This growth shows that the European VC market has gained momentum, and this positive trend continued in 2014 and throughout most of 2015 until Q4/15 and Q1/16 when a small decline was seen. Europe's long-standing reputation for more moderate valuations than those in the U.S. and Asia appears to have provided some protection against the overall global decline. The European market continues to benefit from low interest rates and a high amount of liquidity. We therefore believe investment quotas will likely remain at a high level. In Q1/16, total VC investments increased slightly over Q4/15, buoyed by Spotify's $1 billion funding round (KPMG Venture Pulse Q1/16).

Figure 11: European quarterly financing trends to VC-backed companies



Source: First Berlin Equity Research, KPMG Venture Pulse Q1/16

We believe there is significant room for further growth in Europe, which is evident when we consider VC investments in relation to national gross domestic product (GDP). In 2014, Denmark and Luxembourg both invested 0.076% of GDP. Germany, with 0.021% of GDP, was roughly at the level of the European average of 0.024% in 2014 according to EVCA 2014 European Private Equity Activity. Nevertheless, these figures are well behind the worldwide industry benchmarks from the U.S. at 0.17% of GDP and Israel with approximately 0.30% of GDP in 2014.

Although European VCs conform to the global norm, the majority of investments are made in later stage investments. In 2013 we saw a shift in investment patterns. VC funds increased their participation at the product development stage in terms of round size, number of rounds and amount invested. In our view, this shows the increasing confidence of VC's to take more risk with the expectation to capture higher returns.

Governments across Europe have been keen supporters of new business and innovation in a bid to boost employment, particularly among young people. Additionally, alternative sources of financing, such as crowd funding platforms, are contributing to start-up financing. The funds collected by crowd funding platforms increased from €446m in 2011 to €735m in 2012 helping to finance some 470,000 projects, according to the European Commission.

The funding environment for entrepreneurs in Europe is more positive and better balanced than it has been for many years. There are more funds available from a greater variety of sources for early-stage ventures with governments, business angels, incubators and crowd funding filling the gaps in this segment. Corporate VCs continue to focus on investing in later stage investments. Corporations are increasingly looking to VC-backed start-ups to fill gaps in their own R&D pipeline and investing in innovative technologies. Furthermore, in 2014, 30 start-ups in Europe surpassed the one billion Euro mark in financing rounds according to gruenderszene.de. As a result, we anticipate a positive environment for fundraising and investment in 2016 and going forward.

Globally, as well as in Europe, the primary sectors for investment are overwhelmingly internet related consumer services and information technology. IT companies took the lion's share of investments in the U.S., Canada and Israel in 2013, both in terms of the highest number of deals (1,173) and the largest volume investments. Software and consumer information services were the two subsectors that dominated in all markets; software accounted for 70% of total information technology deals in the three markets. The consumer services sector continued to secure the bulk of VC investment in 2013 in Europe contributing 28% of total VC funding in this region.

German and Berlin VC environment

In the last decade, Germany has tried to create stable economic conditions with tax breaks and government involvement (e.g. government banks and funds) to create a self-nurturing ecosystem, while also attracting talent from abroad and fostering the spirit of incubators. This environment has helped support the tech scene in Germany. With investors also present in the market, firms with highly profitable business models have expanded abroad with some becoming "unicorns" (start-ups with a valuation above $1bn).

On the German private equity market, a total of 1,335 transactions took place in 2014 with 712 transactions coming from the venture capital segment. The volume of investment transactions amounted to €702m in 2013, declining slightly to €646m in 2014. (Source: BVK, BVKStatistik). The number of venture capital transactions taking place in the tech field increased from 111 in 2010 to 200 in 2013. Moreover, 31% of all M&A transactions related to start-ups in Germany took place in the tech field, demonstrating a positive environment for exits in this area.

Importantly, M&A activity among start-ups in Germany has picked up in 2014 and 2015 to hit the highest level since the dot-com boom in the end of the 1990s. Several landmark transactions have been recorded for start-ups such as DeliveryHero (Rocket Internet took a 30% stake for €500m), Teamviewer (acquired by Permira) or Quandoo (acquired by a Japanese financial investor). It is relevant to mention that the corporate sector has been taking notice of the potential of the venture scene, given the recent takeovers of 6Wunderkinder (by Microsoft), 360T(by Deutsche Börse), Hybris (by SAP), Nokia HERE (by

Audi, BMW, Daimler) Verivox (by Pro7 Sat1), Interactive Media/T-Online.de (by Ströer), or Sirrix (by Rohde & Schwarz).

The German IPO market also remains healthy for IPOs. Three successful IPO have taken place since 2014. These are Rocket Internet (Oct-2014, with a valuation of €6.5bn), Zalando (Oct-2014, with a valuation of €5.8bn) and Windeln.de (May-2015, with a valuation above €200m).

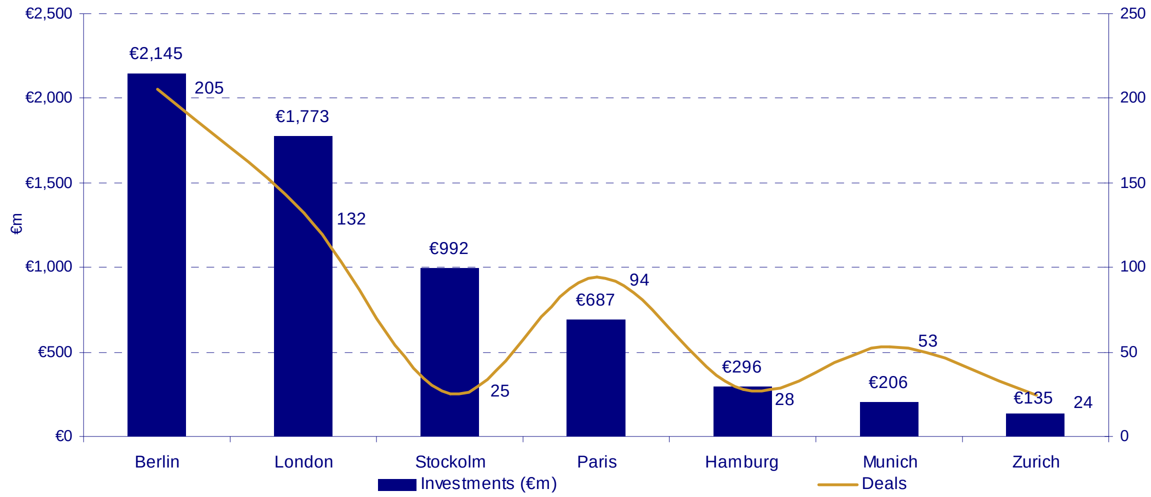
Berlin: the rising star in the German start-up arena

A booming start-up scene is evident in Berlin, where GSG and a growing number of VCs have their headquarters. The special significance of Berlin is clear compared to other German cities, which is why Berlin is called the “best city for founders in Germany.”

Berlin’s start-up ecosystem is perceived to have developed organically and be home-grown - independent from market developments and government funds and grants. Berlin offers a high quality of life and a moderate cost of living that attracts young, well-trained, experienced and creative professionals. As of today a dense network of start-ups, company builders, business angels, venture capital companies, and multipliers have settled down in the city.

From a German perspective, Berlin has taken a leading role in the start-up scene. From early 2013 to September 2014, 145 transactions in digital tech & media sector took place in Berlin, which is by far the most venture capital transactions in Germany. This compares to 32 similar transactions in Munich and 20 transactions in Hamburg over the same time frame.

Figure 12: 2015 Venture Capital Investments (€m)



Source: First Berlin Equity Research, Ernst & Young Start-up Barometer Germany as of January 2016

In 2014, Berlin outperformed London as the most significant investment hotbed in Europe. As a result, Berlin start-ups attracted €2.0bn in capital in 2014, putting it above London, which raised €1.4bn according to Dow Jones Venture. This trend continued in 2015 as start-ups raised €2.1bn in Berlin compared to €1.8bn in London. Berlin also outpaced London by the number of transactions which amounted to 205 and 132 respectively (See figure 12).

FINANCIAL RESULTS

FINANCIAL HISTORY

GSG has published its audited 2015 annual report. The GSG Group accomplished several relevant milestones in 2015 that are meaningful for group figures of 2015 and for coming years. The highlights of calendar-year 2015 with a substantial impact on GSG's financial statements were:

I) Increase in Exozet's minority holding to 50.5% by 30 June 2015, leading to a full consolidation of the company as a majority holding. Based on the different nature of Exozet and GSG (start up with over 100 employees vs. VC with 7 full time employees), Exozet's financials will have a substantial impact on GSG's balance sheet and P&L.

II) Successful performance of the investment portfolio leading to a positive contribution from the position "profit of financial assets" (P&L) and the positive revaluation of the position "financial assets" (balance sheet).

III) Listing on the Frankfurt Stock Exchange and capital increase

Income Statement FY 2015

Group revenues amounted to €5.6m (up from €71.8k in 2014) mainly due to the acquisition and consolidation of Exozet by 30 June 2015. Also we know Exozet recorded sales of €9.4m and an EBIT of approx. €100k on a full year basis. We expect Exozet to be a significant part of future revenue.

GSG also reported a sound result from investment business of €4.8m, which increased by an impressive 93% compared to the previous year (2014: €2.5). This figure shows the increase in valuation of portfolio companies in accordance with IFRS. GSG determines the fair value of their holdings through third party assessments (based on relevant recent financing transactions).

In 2015, personnel expenses increased substantially to €3.1m (2014: €116k) mainly due to the consolidation of Exozet. Exozet has a larger personnel base of over 100 employees (vs. GSG 7). Other expenses also increased substantially to €2.1m (2014: 900k), mainly due to higher legal expenses related to the stock exchange listing and also as a consolidation effect of Exozet (e.g. Exozet's rent costs of €322k in H2 2015).

GSG reported a strong operating profit of €3.7m in 2015, which increased by an impressive 150% Y/Y (2014: €1.5m). Net earnings totalled €3.6m, up from €1.4m in 2014.

Balance Sheet FY 2015

The 2015 balance sheet total amounted to €36.0m. The most relevant assets-position in GSG's balance sheet is in our view "financial assets". This position reflects the current value of all the portfolio minority holdings under IFRS. GSG reported financial assets of €18.3m, up by impressive 95% from previous year (2014: €9.4m). These figures reflect the portfolio expansion as well as the significant value appreciation of the minority holdings.

Due to the acquisition and consolidation of Exozet, GSG's balance sheet saw a strong increase in goodwill and intangible assets, which amounted to €3.0m (2014: €0) and €1.5m (2014: €26k) respectively.

Current assets amounted to €10.9m in 2015, reflecting higher accounts receivables of €2.6m (2014: 18.6k) due to the consolidation of Exozet. GSG reported a cash position of €6.4m (including short term deposits), strengthened by the private placement in November raising €9.25m. Since the company recently carried out the acquisition of several new holdings such as Auctionata and Realbest, we estimate GSG's present cash position at some €3m. We therefore believe management will perform several new acquisitions amounting to some €2m over the next few months.

Total equity amounted to €30.4m. Short-term debt was €3.4m, of which €2.0m was other financial liabilities coming mostly from the acquisition Exozet and other start-ups. Long-term liabilities amounted to €2.1m, of which €1.0m was a deferred tax liability (roughly 50% came from Exozet due to the first time capitalization of intangible assets in the balance sheet). Total short and long term debt to credit institutions on the books at the end of 2015 were €2.0m, mostly coming from the consolidation of Exozet.

FINANCIAL OUTLOOK

Income Statement & Balance sheet

The position revenues correspond to the sales achieved by the acquired company Exozet. For 2016, we anticipate sales will grow by 123% to €12.5m (2015: €5.6m), mainly due to the consolidation of Exozet for the full year (2015 only second half). Adjusted for this effect, our forecast implies that Exozet grows sales by 35% in 2016. We believe 2016 will be a strong year for Exozet, as they recently announced closing the largest service contract, in the mid-single digit million-euro range in the history of the company. The contract was commissioned by a leading media company over a time period of five years. Two-thirds of the binding initial assignment will presumably be included already in the 2016 results.

Going forward, we estimate that Exozet will increase sales at a CAGR of 5% (2017-2019). We also assume that the company will contribute EBIT of €500k in 2016. Going forward we estimate that the EBIT margin of Exozet will be in the range 4-7%.

For 2016 we conservatively anticipate result on investments to increase by 52% to €7.3m. We forecast that the result from investments will grow at a consistent double digit rate and slowly decline over time as portfolio becomes mature and returns also go down.

In 2016 we forecasted EBIT will increase by 85% to €6.9m. Going forward we expect EBIT to keep growing more or less in line with the investment business' growth.

Figure 13: Revenue, Results from investments, EBIT, EBITDA forecasts

All figures in EUR '000	2014	2015	2016E	2017E	2018E	2019E
Revenues	72	5,602	12,500	13,125	13,781	14,470
Result from investment business	2,479	4,792	7,304	10,636	17,110	21,996
Operating income (EBIT)	1,487	3,720	6,900	10,498	17,254	22,233
Y-Y Growth						
Revenues	*n.m.*	*7703%*	*123%*	*5%*	*5%*	*5%*
Result from investment business	*n.m.*	*93%*	*52%*	*46%*	*61%*	*29%*
Operating income (EBIT)	*n.m.*	*150%*	*85%*	*52%*	*64%*	*29%*

Source: First Berlin Equity Research

Balance Sheet

We have projected that the company will substantially grow its financial assets over the period 2016-2019, which has the largest impact on the value of total assets. Additionally, management is planning to raise more funds from the capital markets to continue GSG's current growth trajectory. Management recently received approval from the supervisory board to increase capital by 27m shares (about €70m). As a result, GSG could raise capital during 2016. However, we believe GSG may also have the opportunity to take advantage of the current low interest rates securing inexpensive long-term financing. We have therefore modelled increasing long-term debt in our balance sheet.

We anticipate the position of non-current liabilities to grow from €2.1m in 2015 and 2016 to €20.7m in 2019.

We have summarized our balance sheet projections in Figure 14.

Figure 14: Balance sheet KPIs

All figures in EUR '000	2014	2015	2016E	2017E	2018E	2019E
Cash & cash equivalents	1,751	4,527	1,500	1,500	3,000	6,000
Other short term assets	475	1,890	2,079	2,287	2,515	2,767
Current assets, total	**4,744**	**10,870**	**8,477**	**9,175**	**11,443**	**15,287**
Goodwill	0	3,015	3,316	3,648	4,012	4,414
Intangible assets	26	1,479	1,627	1,790	1,969	2,166
Financial Assets	9,450	18,260	29,545	45,026	64,694	87,466
Non-current assets, total	**10,012**	**25,084**	**36,931**	**53,026**	**73,366**	**96,873**
Financial debt (LT & ST)	0	1,064	2,341	8,545	14,108	19,615
Total Equity	14,118	30,458	38,322	48,573	65,247	86,687
Equity ratio	*96%*	*88%*	*87%*	*81%*	*79%*	*79%*
Balance sheet, total	**14,757**	**35,954**	**45,408**	**62,202**	**84,809**	**112,160**

Source: First Berlin Equity Research

MANAGEMENT BOARD

CEO

Christoph Gerlinger has over 17 years of management experience in the internet sector. Wirtschaftswoche deemed Mr. Gerlinger one of Germany's 50 most interesting business founders in 2007. Mr. Gerlinger is a serial entrepreneur and a capital market expert. He has held a variety of roles ranging from accounting, risk management, compliance to HR. Mr. Gerlinger has taken a leading role in two exits, Frogster and CDV Software.

Between 1999 and 2001 Mr. Gerlinger was a member of the executive board and CFO of CDV Software Entertainment AG, which went public in April 2000 and at the time, was the biggest publisher on the German video game market. From April 2005 until December 2011, Mr. Gerlinger was the CEO and founder of the company Frogster Interactive Pictures AG, including during the IPO process in 2006 and the friendly takeover in 2010. According to Bloomberg data, shares in Frogster appreciated 104% during Mr. Gerlinger's tenure. By mid-2012 Mr. Gerlinger had raised enough money from friends and family combined with personal funds to establish GSG.

COO

Nikolas Samios has over 15 years of experience and more than 100 transactions in the venture capital environment. Including fundraising, turnarounds, mergers, and exits. Previously a founder himself, Mr. Samios was CEO at Brandenburg Ventures and is currently a participating founder at Cooperativa Venture Services. Cooperativa is a support system for entrepreneurs and (U) HNWI investors and was established in 1998. Mr. Samios was an entrepreneur in multimedia when corporate finance, M&A and the VC market caught his eye. Peers quickly realized the skills he possessed, and he began consulting for companies regarding: deal flow, venture capital structures, M&A, executions and his wide spread network.

Mr. Samios began working for German Startups Group Berlin Management GmbH as a consultant in April 2013. In 2014 Mr. Samios became an authorized officer ("Prokurist") - a legal representative for the company. In May 2015, Mr. Samios became the COO of GSG. Effective 1 January 2016, Mr. Samios was named Managing Director next to Mr. Gerlinger. As such, he continues to operate as COO of the company and focuses on investment management and all the accompanying processes such as deal flow, due diligence, and portfolio management.

SUPERVISORY BOARD

Chairman

Gerhard A. Koning served as CEO of AXG Investment Bank and Head of Corporate Finance at Commerzbank for more than 10 years. Mr. Koning has been significantly involved in more than 40 IPOs and is a banking and capital market expert.

Vice Chairman

Martin Korbmacher was the managing director of Credit Suisse based in Frankfurt and was in charge of investment banking in Germany and Austria. Previously, he was a member of the executive committee of Dresdner Kleinwort and VP at JP Morgan. Mr. Korbmacher is the founder and managing partner of Event Horizon Capital and Advisory GmbH and has been involved in more than 20 large-scale M&A transactions in the last 15 years and is also a seasoned Business Angel.

Board Member

Jan Henric Buettner is currently a founding partner at e.ventures. In 1995, Mr. Henric Buettner founded AOL Europe with Andreas von Blottnitz and Bertelsmann, leading to the then record-breaking Bertelsmann exit to AOL Time Warner for $6.75b in 2000 / 2001. In the Spring of 1997 Jan Henric Buettner established a venture capital firm, BV capital (rebranded as e.ventures lateron) in California specializing in internet companies. Jan Henric Buettner is extremely well connected, both in Europe and the US, and has a wealth of knowledge in the VC environment.

INCOME STATEMENT

All figures in EUR '000	2014	2015	2016E	2017E	2018E	2019E
Revenue	**72**	**5,602**	**12,500**	**13,125**	**13,781**	**14,470**
Result from investment business	**2,479**	**4,792**	**7,304**	**10,636**	**17,110**	**21,996**
Change in inventories	0	-851	-1,021	-1,043	-1,065	-1,087
Cost of materials and services received	0	-945	-1,702	-1,703	-1,705	-1,707
Income from own work capitalized	0	179	185	190	196	202
Personnel expenses	-116	-3,117	-6,412	-6,604	-6,802	-7,142
Other operating income	-900	-1,678	-3,368	-3,488	-3,615	-3,820
Depreciation and amortization	-47	-263	-586	-615	-646	-679
EBITDA	1,534	3,983	7,486	11,113	17,900	22,912
Operating income (EBIT)	**1,487**	**3,720**	**6,900**	**10,498**	**17,254**	**22,233**
Net financial result	-18	-139	85	-256	-590	-803
Pre-tax income (EBT)	**1,469**	**3,581**	**6,985**	**10,241**	**16,664**	**21,430**
Tax expense	-34	263	0	0	0	0
Net income / loss	**1,435**	**3,844**	**6,985**	**10,241**	**16,664**	**21,430**
Minority interests	0	196	250	250	250	250
Net income / loss	**1,435**	**3,648**	**6,735**	**9,991**	**16,414**	**21,180**
Basic EPS (in €)	**0.22**	**0.33**	**0.48**	**0.72**	**1.18**	**1.52**
Diluted EPS (in €)	**0.22**	**0.31**	**0.48**	**0.72**	**1.18**	**1.52**

Ratios						
EBITDA margin on revenues	60.1%	38.3%	37.8%	46.8%	57.9%	62.8%
EBIT margin on revenues	58.3%	35.8%	34.8%	44.2%	55.9%	61.0%
Tax rate	30.0%	30.0%	30.0%	30.0%	30.0%	130.0%
Expenses as % of revenues						
Cost of materials and services received	n.m.	16.9%	13.6%	13.0%	12.4%	11.8%
Personnel expenses	n.m.	55.6%	51.3%	50.3%	49.4%	49.4%
Y-Y Growth						
Revenues	n.m.	7702.8%	123.1%	5.0%	5.0%	5.0%
EBITDA	n.m.	225.4%	-89.4%	-87.2%	-83.5%	-83.9%
Operating income	n.m.	150.2%	85.5%	52.1%	64.4%	28.9%
Net income/ loss	n.m.	154.2%	84.6%	48.4%	64.3%	29.0%

BALANCE SHEET

All figures in EUR '000	2014	2015	2016E	2017E	2018E	2019E
Assets						
Current assets, total	**4,744**	**10,870**	**8,477**	**9,175**	**11,443**	**15,287**
Cash & cash equivalents	1,751	4,527	1,500	1,500	3,000	6,000
Other short term assets	475	1,890	2,079	2,287	2,515	2,767
Other current financial assets	2,500	1,693	1,862	2,048	2,253	2,478
Trade and other receivables	19	2,599	2,859	3,145	3,460	3,806
Inventories	0	161	177	195	215	236
Non-current assets, total	**10,012**	**25,084**	**36,931**	**53,026**	**73,366**	**96,873**
Goodwill	0	3,015	3,316	3,648	4,012	4,414
Intangible assets	26	1,479	1,627	1,790	1,969	2,166
Property plant & equipment	0	211	232	255	281	309
Financial Assets	9,450	18,260	29,545	45,026	64,694	87,466
Deferred tax assets	123	1,723	1,775	1,828	1,883	1,939
Other LT financial assets	413	396	436	479	527	580
Total assets	**14,757**	**35,954**	**45,408**	**62,202**	**84,809**	**112,160**
Shareholders' equity & debt						
Current liabilities, total	**360**	**3,360**	**3,427**	**4,963**	**6,402**	**7,861**
ST borrowings from banks	0	670	468	1,709	2,822	3,923
Trade & other payables	309	679	747	821	903	994
Other current liabilities	51	2,011	2,212	2,433	2,677	2,944
Long-term liabilities, total	**278**	**2,137**	**3,659**	**8,665**	**13,160**	**17,612**
LT borrowings from banks	0	394	1,873	6,836	11,286	15,692
Provisions	105	320	330	340	350	360
Deferred tax liabilities	173	1,083	1,116	1,149	1,184	1,219
Other LT liabilities	0	340	340	340	340	340
Total liabilities	**638**	**5,497**	**7,086**	**13,628**	**19,561**	**25,473**
Total Equity	**14,118**	**30,458**	**38,322**	**48,573**	**65,247**	**86,687**
Shareholder's equity	14,118	29,452	37,067	47,068	63,492	84,682
Minority interests	0	1,005	1,255	1,505	1,755	2,005
Total Equity and Liabilities	**14,757**	**35,954**	**45,408**	**62,202**	**84,809**	**112,160**
Ratios						
Current ratio (x)	13.17	3.24	2.47	1.85	1.79	1.94
Equity ratio	95.7%	87.5%	87.2%	80.5%	79.0%	79.1%
Gearing	-12.4%	-11.4%	2.2%	14.5%	17.0%	15.7%
Net debt	-1,751	-3,464	841	7,045	11,108	13,615
Return on equity (ROE)	n.a.	26.0%	20.2%	23.8%	29.7%	28.6%

CASH FLOW STATEMENT

All figures in EUR '000	2014	2015	2016E	2017E	2018E	2019E
Net income	**1,435**	**3,648**	**6,735**	**9,991**	**16,414**	**21,180**
Depreciation & amortisation, daferred taxes, provisions	80	-215	586	615	646	679
Non-cash change in financial assets	-2479	-4,787	-7,304	-10,636	-17,110	-21,996
Minority interests	0	197	250	250	250	250
Operating cash flow	**-964**	**-1,157**	**267**	**221**	**200**	**112**
Changes in working capital	187	1,476	-405	-445	-490	-539
Net operating cash flow	**-777**	**319**	**-138**	**-225**	**-290**	**-427**
CapEx / intangibles	-32	-1,788	-1,057	-1,133	-1,216	-1,305
Cash outflows from acquisition of financial assets	-4,284	-6,338	-6,026	-8,863	-11,257	-18,114
Cash inflows from sales of financial assets	222	896	2,045	4,018	8,699	17,338
Cash flow from investing	**-4,094**	**-7,230**	**-5,037**	**-5,978**	**-3,773**	**-2,081**
Free cash flow	**-809**	**-1,469**	**-1,194**	**-1,358**	**-1,506**	**-1,732**
Debt financing, net	0	470	1,278	6,203	5,563	5,508
Equity financing, net	4,800	9,217	870	0	0	0
Cash flow from financing	**4,800**	**9,687**	**2,148**	**6,203**	**5,563**	**5,508**
Net cash flows	**-71**	**2,776**	**-3,027**	**0**	**1,500**	**3,000**
Cash, start of the year	1,822	1,751	4,527	1,500	1,500	3,000
Cash, end of the year	**1,751**	**4,527**	**1,500**	**1,500**	**3,000**	**6,000**

SHAREHOLDERS & STOCK INFORMATION

Shareholder Structure	
Cara Investments GmbH	12.5%
Sondervermögen Frankf. Aktienfonds	9.2%
Gerlinger family	9.0%
Oceanlink Investments Limited	8.5%
Allianz Global Investors	8.3%
Barings Asset Management	5.0%
Absolutissimo Fund	4.2%
Other Shareholders (less than 3%)	43.3%

Source: First Berlin Equity Research, GSG

Stock Information	
ISIN	DE000A1MMEV4
WKN	A1MMEV
Ticker symbol	GSJ
First listing	11 Nov. 2015
Number of shares	11,984, 400
Stock Exchange	Frankfurt,Open Market
Index	All Share
Sector	Tech

Source: Deutsche Börse Frankfurt, First Berlin Equity Research

FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	Today	2.74€	Buy	4.20€

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- **valuation methods and principles**
- **sensitivity of valuation parameters**

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