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German Startups Group plans further operative business apart from the digital agency Exozet and reduces costs

Berlin, 7 June 2017 - German Startups Group, the most active private venture capital investor in Germany since 2012 (CB Insights 2015, PitchBook 2016) and Berlin-based digital agency with 140 employees, plans to, as already announced, build up operative businesses through manageable investments, for whose execution the company is particularly qualified due to the expertise, experience, and network of its team and for which the company will find new subsidiaries, therefore hold larger strategic stakes in them. Apart from its strategic majority holding, the digital agency Exozet, the company has so far announced as specific operative projects the creation of a secondary market platform for shares in startups, the issuance of participation rights for the increase in value of individual portfolio companies (subject to their approval) and the use of the software technology for real-time livestream auctions acquired from the insolvency estate of Auctionata Paddle8 AG at very low cost. Further projects are under examination. Through this, German Startups Group intends to generate additional shareholder value by its own efforts at very limited risk.

Concerning the venture capital business, German Startups Group will concentrate for the time being on opportunities in existing, particularly well-performing portfolio companies or by successful serial entrepreneurs from its network. Concurrently, it will increasingly focus within its existing minority investment portfolio on the sale of the more mature investments made in the past five years in order to realise capital gains. The clear majority of portfolio companies has to be classified as successful and has increased in value compared to the acquisition costs, in some cases significantly. The company is thereby not subject to any kind of time pressure, but will wait patiently on the exits that are planned in any case by the portfolio companies and, if desired, actively support them. According to the management of German Startups Group, there is still significant upside potential in many of the investments until the time of the sale.

At the same time, the company reduces its costs significantly. Starting in the second-half year of 2017, the cost cuts aim at saving up to 50% of the business-as-usual and listing costs compared to June 2016. The management fee of the general partner, German Startups Group Management GmbH, which holds the management of the KGaA and from which the compensation for the current expenditures for the team, rented premises, events, business travels etc. are paid, constitutes the second major cost item. A large majority of this compensation is variable and amounts to 2.5% of the individual balance sheet total of the KGaA p.a. (IFRS). The general partner waives a part of the management fee in the amount of 1.0% of the balance sheet total p.a. to the benefit of the shareholders of the KGaA starting from 1 July 2017. In total, the management expects savings of 720k euros p.a. or 0.06 euros per share p.a.

The goal of the measures mentioned above is to, in the interest of the shareholders, reduce or eliminate the, in the management’s view, discount on the net asset value per share represented by the share price and to maximise the net proceeds after costs when capital gains are realised.
The generated sale proceeds are intended to be used firstly for the repayment of the financial liabilities of the company in the amount of 6.5 million euros and, in the case of the approval by the supervisory board, subsequently also for share buybacks, as long as the share price is, according to the management, below the net asset value per share.

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German Startups Group is a listed investment company based in Berlin that focuses on young, fast-growing companies, so-called startups. The company acquires majority and minority shareholdings mainly by providing venture capital. The portfolio companies that German Startups Group holds also stand to benefit from German Startups Group’s expertise, experience and network with respect to strategy development, financing rounds, restructuring necessities, M&A transactions or selling the company, including a possible IPO. According to its own assessment, German Startups Group provides startups with so-called “smart money” by acquiring a shareholding. Its focus is on companies whose products or business models represent a disruptive innovation, allow for a high degree of scalability to be expected, and in which it has a great deal of trust in the entrepreneurial abilities of the founders to whom it feels that it obtains early access to due to its close relationships to relevant players in the startup scene. The geographical focus is on the German-speaking region. Since it commenced with operations in 2012, German Startups Group has in its opinion built up a diversified portfolio of investments in young companies and become the most active private venture capital investor in Germany since 2012 (CB Insights 2015, PitchBook 2016). 24 of the 43 minority stakeholdings in operationally active companies are of particular significance to German Startups Group and together comprise 91% of the total value of all 43 active minority stakeholdings. The ten core holdings alone make up 62% of the value of all active minority stakeholdings. According to German Startups Group, its investment portfolio reflects a cross-section of promising German startups of various maturity stages (“Seed,” “Early” and “Growth Stage,” by German Startups Group’s own definition) and includes some of the most successful and best known German startups.

More information is available on our website at www.german-startups.com.