

Heliad Equity Partners

NAV decline driven by listed holdings

Heliad's results and NAV were influenced by the overall conditions in the equity markets, with all but one listed holding (DEAG Deutsche Entertainment) posting a share price decline in H118. Major portfolio developments during the period include the reduction of the FinTech Group stake, participation in the pre-IPO funding round of Cyan and acquisition of Cubitabo by Sleepz. Heliad's shares currently trade at a 29% discount to the last reported NAV of €10.38 (as at end-June 2018), with an even wider discount if we take into account FinTech's current share price.

Weaker equity markets affecting portfolio valuation

Heliad's H118 EPS came in at a negative €1.59 compared with a positive €1.13 in H117, with write-downs of listed holdings amounting to €12.9m (H117: €0.6m). This was primarily the result of share price declines of FinTech Group, Elumeo, Sleepz and MagForce in H118. Consequently, Heliad's NAV per share declined c 15% vs end-2017 to €10.38. However, FinTech shares rebounded in the months following end-June, reverting most of the losses from H118. The valuation of non-listed holdings remained broadly unchanged in the period.

Partial disposal of FinTech and Cyan's pre-IPO

In line with Heliad's intentions to limit the reliance on its key holding in FinTech Group, the company reduced its stake from 14.4% at end-2017 to 11.98%. Still, we estimate that the stake represented c 55% of Heliad's NAV at end-June 2018. FinTech has gained some traction recently, with the new joint venture with Austrian Post and H118 results in line with management expectations. In February 2018, Heliad participated in the pre-IPO financing round of Cyan, which subsequently debuted in March this year. Other major portfolio developments include the acquisition of Cubitabo by Sleepz.

Valuation: Low value attached to non-listed holdings

Based on the current share price, Heliad is trading at a c 29% discount to last reported NAV. We estimate that the rebound in FinTech Group's share price after end-June 2018 represents an incremental €0.65 contribution to Heliad's NAV, which translates into a discount to NAV at c 33%. This suggests that the market is currently attaching little value to Heliad's non-listed holdings (or believes that the company's listed holdings are overvalued). Based on the most recently paid dividend, the shares currently offer a dividend yield of around 2.9%.

Historical financials

Year end	Net revenue	PBT (€m)	EPS (€)	DPS (€)	P/E (x)	NAV/share (€)	P/NAV (x)
12/14	23.8	18.5	1.9	0.15	3.5	8.5	0.8
12/15	29.2	23.0	2.4	0.20	2.8	10.9	0.6
12/16	(16.6)	(22.2)	(2.3)	0.15	N/A	8.4	0.8
12/17	43.1	39.6	4.0	0.20	1.7	12.2	0.5

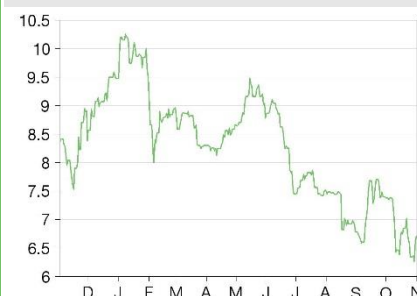
Source: Heliad Equity Partners accounts

Investment companies

Price €6.68

Market cap €66m

Share price graph



Share details

Code	HPBK
Shares in issue	9.87m
NAV/share (€m) as at 30 June 2018	10.38

Business description

Heliad Equity Partners is a Germany-based investment company focused on listed and unlisted smaller companies in German-speaking countries. Investments typically comprise growth and venture-stage technology companies operating disruptive business models or addressing structural issues.

Bull

- Invests in markets likely to experience strong growth in major economies
- Strong cash flows from realisations are allowing further portfolio diversification
- The shares trade at a substantial discount to the value of assets net of liabilities

Bear

- Portfolio concentration: the largest investment comprises more than half of the portfolio
- Early-stage investments are inherently higher-risk
- 2.5% management fee paid to a company owned by the main shareholder

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