

Heliad Equity Partners

Investment companies
14 September 2017

Key portfolio holdings drive results

Heliad Equity Partners benefited from the stock price appreciation of its major listed portfolio holdings (most notably FinTech and MagForce), posting a considerable increase in PBT to €10.9m from a pre-tax loss of €24.8m in H116. Importantly, this includes a considerable proportion of realised gross capital gains of €7.8m (above €2.5m in H116), translating into an improved cash position (net cash of €0.5m compared with net debt of €2.1m in FY16). Consequently, net asset value improved by 8.7% vs FY16 to €9.16 and the stock is now trading at a 23% discount to its NAV.

Solid H117 growth on the back of capital gains

Heliad reported an EPS of €1.13 in H117 vs. -€2.58 in H116, assisted by revaluation gains (€10.8m vs. €0.1m in H116), lower depreciation of financial assets (€0.6m vs. €22.1m in H116) and net realised capital gains (€2.2m vs. -€0.2m in H116) driven by partial disposals of listed portfolio holdings (FinTech Group, DEAG, Max21 and MagForce). Results were further supported by lower other operating expense (down 48.9% y-o-y to €1.8m with costs of management and liability declining by 33.7%).

Positive NAV drivers in H117

Heliad's NAV per share increased to €9.16, which is an 8.7% increase from end-2016 levels. This was largely driven by share price appreciation of listed equity investments, such as FinTech Group (+24.3% in H117) and MagForce (+46.9%). FinTech Group reported strong FY16 net profit of €12.3m ahead of analyst expectations and raised its net income guidance for 2017 to €16.8m from €15.1m previously. MagForce's share price was driven by the steady progress in its NanoTherm nanoparticle-based therapy for cancer.

Valuation: Discount to NAV persists

After appreciating by c 23% ytd, Heliad's current share price stands at €7.05 and represents a 23% discount to last reported NAV per share. Importantly, shares of listed portfolio holdings appreciated further by 10-20% from end-June levels (with the exception of Max21's shares, which declined slightly by 2%) along with the continued global equity market rally, suggesting that the discount to current NAV may be higher currently.

Historical financials							
Year end	Net revenue (€m)	PBT (€m)	EPS (€)	P/E (x)	NAV/share (€)	P/NAV (x)	
12/13	26.7	11.6	1.1	6.2	6.4	1.1	
12/14	23.8	18.5	1.9	3.8	8.5	0.8	
12/15	29.2	23.0	2.4	3.0	10.9	0.6	
12/16	(16.6)	(22.2)	(2.3)	N/A	8.4	0.8	

Source: Heliad Equity Partners accounts

Price €7.05
Market cap €70m

Share price graph



Share details

Code	HPBK
Listing	Deutsche Börse Scale
Shares in issue	9.87m
NAV/share as at 30 June 2017	€9.16

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.
- The backing of major shareholders is firm and has provided capital for new investments.
- The share price is a discount to the value of its holdings in listed companies, net of liabilities.

Bear

- Portfolio concentration: the largest investment comprises over 50% of the portfolio.
- 2.5% management fee paid to a company owned by the main shareholder.
- Early-stage investments are inherently higher risk.

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Financials: H117 results released

Heliad reported a considerable year-on-year improvement in results in H117, with EBT reaching €10.9m vs a loss of €24.8m in H116. This was mostly driven by revaluation gains of €10.8m (compared with just €0.1m in H116) and significantly lower depreciation of financial assets (€0.6m vs €22.1m in H116). Income from the sale of financial assets (representing realised positive capital gains) increased by 217.8% y-o-y, fuelled by holding reductions in FinTech Group (now holding a 10-20% stake as at end-June), DEAG Deutsche Entertainment (currently <5% stake), MAX21 Beteiligungs (<5%) and MagForce (<5%).

The solid performance was largely the result of the share price appreciation of listed equity investments, particularly FinTech Group (+24.3% in H117) and MagForce (+46.9%). Importantly, Heliad's private investments showed positive operational and financial development in H117 as well.

Other operating expenses declined by 48.9% y-o-y amid the absence of expenses from currency conversions (H116: €1.5m) and a 33.7% y-o-y fall in costs of management and liability to €1.2m. Net income improved to €10.8m from a loss of €24.5m in H116, implying EPS of €1.13 (H116: loss of €2.58).

Heliad's share price at end-June stood at €6.75, representing a 26.3% discount to the end-June NAV per share of €9.16, which increased 8.7% from €8.43 at end-2016. FinTech Group and MagForce shares appreciated further and the year-to-date performance now stands at c 40% and c 72%, respectively (as at 11 September). After the reporting date, Magforce announced that it received a loan of up to €35m from the European Investment Bank for the EU rollout of its NanoTherm devices. Currently, Heliad's shares trade at a 23% discount to last reported NAV. The equity ratio reached 97.1% compared to 95.4% at end-2016.

Operating cash flow was a negative €2.9m, similar to last year (H116: €2.8m). Investment cash flow was positive at €5.0m, as outflows related to short-term cash investments (€3.6m) and investments in financial assets (€3.1m) were more than offset by proceeds from disposals (€11.6m). On the financial cash flow's side, payments of dividends (€1.4m) and repayments of borrowings (€0.4m) were offset by proceeds from recent capital increase (€2.0m). As a result, Heliad's cash balance improved to €2.4m from €0.1m at the end of 2016. Simultaneously, debt declined to €1.8m from €2.2m in FY16, translating into net cash of €0.5m (FY16: net debt of €2.1m).

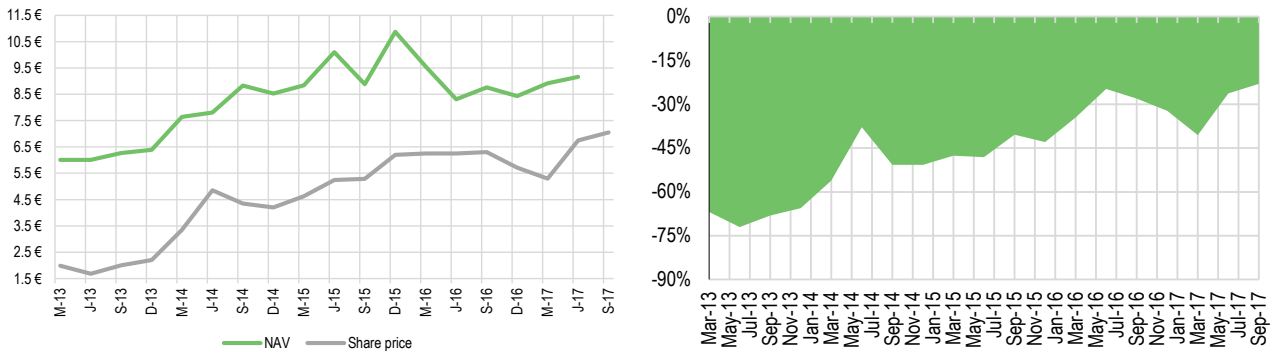
Exhibit 1: Results highlights

€000s	H117	H116	Y-o-y (%)
Income from the sale of financial assets	7,825	2,462	217.8
Other operating income	3	311	(99.0)
Gains from revaluation	10,849	78	N/M
Securities	10,106	0	-
Investments	743	78	852.6
Retirement of financial assets	(5,636)	(2,626)	114.6
Income from investments	63	44	43.2
Depreciation of financial assets	(604)	(22,072)	(97.3)
Financial revenue	207	432	(52.1)
Financial expenses	(37)	0	N/A
Other operating expenses	(1,778)	(3,479)	(48.9)
Costs of management and liability	(1,186)	(1,788)	(33.7)
Expenses for options	(142)	0	N/A
Expenses from currency conversions	0	(1,466)	N/M
Creation of provisions	(115)	(59)	94.9
Remaining other operating expenses	(335)	(166)	101.8
Depreciation on intangible assets	(2)	0	N/A
EBT	10,891	(24,849)	N/M
Income taxes	(100)	315	N/M
Net result for the period	10,791	(24,535)	N/M
EPS (€)	1.13	(2.58)	N/M

Source: Heliad Equity Partners accounts

Valuation

Heliad assesses its own portfolio value and calculated an NAV per share of €9.16 at 30 June 2017, meaning the shares trade at a 23% discount, well above the discount for the LPX Europe Index of c 7%. This may be for a number of reasons, including the concentration of investments and low free float. Nevertheless, the discount narrowed recently following good performance of major portfolio holdings.

Exhibit 2: Heliad's share price and NAV performance


Source: Heliad Equity Partners corporate website, Edison Investment Research

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