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German Startups Group merges with SGT Capital and becomes a listed private equity asset manager

- Merger per acquisition of a contribution in kind at a valuation of 2.92 to 4.04 EUR per newly issued German Startups Group share
- Six to fifteenfold increase of total volume of shares
- Sustainable, predictable profitability and growth targeted

Berlin, 15 July 2020 - German Startups Group (GSG), founded in 2012 and until now a leading venture capital investor in Germany, is merging, subject to the approval of its Annual General Meeting on August 7, 2020, with SGT Capital Pte. Ltd., a global alternative investment and private equity asset manager headquartered in Singapore with a country vehicle in Frankfurt am Main. Upon the completion of the merger, the merged company will be renamed SGT German Private Equity GmbH & Co. KGaA and move its registered office to Frankfurt am Main.

The merger results in a Germany-based, listed private equity asset manager. The merged company expects sustainable, predictable net profits from market standard asset management fees of 0.15 to 0.20 EUR per GSG share in 2021 and of approximately 0.20 to 0.30 EUR p.a. from 2022 onwards, depending on the respective fund volume scenario, which will be primarily distributed to shareholders or used for tender offers to buy back own shares. In addition, the merged company has the potential to generate earnings from the assets of about 30 million EUR held by German Startups Group, especially from the investment of its existing liquid assets of some 7 million EUR and its VC investments with a fair value of more than 20 million EUR.

To realize the transaction, GSG acquires SGT Capital Pte. Ltd. located in Singapore, subject to the approval of its Annual General Meeting scheduled for August 7, 2020, against the issue of 50.0 million new GSG shares, under exclusion of subscription rights of existing shareholders, and against the issue of a mandatory convertible bond, which will be converted into a further 1.0 million to 103.0 million new GSG shares depending on the fund volume raised until 31 December, 2022. Therefore, the new shares to be issued will be fully subscribed by SGT Capital LLC and not be placed in the market. In the base case scenario of a fund volume of 1 billion USD, the contributors will thus receive a total of 51.0 million GSG shares, with 2 billion USD they will receive 92.8 million GSG shares, and a maximum of 153.0 million GSG shares in the best case scenario of a fund volume of 3.5 billion USD. The nominal amount of the mandatory convertible bond not converted into shares by 31 January, 2023 will expire without payment. With the chosen mechanism, the contributors as well as the existing shareholders of GSG will benefit from any exceeding of the minimum target volume of 1 billion USD. Long-term lock-ups were agreed for the majority of the new GSG shares. Thus, a maximum of 4.5 million new GSG shares may be sold until 30 June, 2022 and a maximum of 20 million new GSG shares until 30 June, 2025.



The transaction is based on an indicative company valuation by the auditing firm Ebner Stolz, which arrives at 2.35 EUR per share for GSG on basis of a NAV valuation under deduction of the net present value of future administrative costs, and at a DCF value of 148.7 million EUR in the base case scenario for the contribution in kind of SGT Capital Pte. Ltd., up to 618.3 million EUR in the best case scenario. With the negotiated compensation of 51 million new GSG shares in the base case scenario, the GSG share is valued at 2.92 EUR, and with 153 million new GSG shares in the best case scenario at 4.04 EUR.

GSG's general partner German Startups Group Management GmbH will then change its name to SGT German Private Equity Management GmbH and a 75% stake will be sold by its sole shareholder, Gerlinger & Partner GmbH, to SGT Capital LLC, in which Gerlinger & Partner GmbH, in turn, holds a minority stake. Christoph Gerlinger will remain managing director of the general partner in the new structure, and the entire team of GSG will stay employed.

The five-member, partly German management team of SGT Capital, which was founded in 2019, consists of almost the entire senior team of the predecessor private equity company that invested 1.2 billion USD over the course of two years and for whose subscribers it achieved a gross performance of 27.4% IRR p.a. and a return of 2.2 x Money on Money (MoM) with private equity investments in Europe and the USA until early 2020. In total, the SGT Capital senior team has generated more than 1.4 billion USD in profits to investors. For its new, sector-agnostic private equity fund "SGT Capital Fund II" with a geographical focus on Europe and North America and fund lifetime of ten years, SGT is aiming for a target fundraising volume of 1 to 3.5 billion USD. Shortly after beginning of the fundraising, capital commitments of just under 500 million USD have already been made. The management team has many years of senior experience at renowned addresses - global private equity houses, management consultancies and investment banks. The merged company expects further mid and long-term growth of its Assets under Management (AuM), beyond the initial scenarios mentioned above.

In consideration of the intended investment focus in Europe, Brexit and GSG's presence in Germany, Frankfurt am Main was chosen as the management holding company's headquarters, where a representative office has been operating since May 2020.

In preparation of the transaction, German Startups Group has hived down all of its minority holdings into its wholly-owned subsidiary German Startups Group VC GmbH in the first half of 2020 and has repurchased its entire outstanding convertible bond with a nominal value of 3 million EUR, thus redeeming all of its remaining financial liabilities.

If the annual general meeting approves the transaction, GSG's market capitalization should increase greatly and the management expects GSG shares to have significantly higher trading liquidity in comparison to the past.

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