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# MOUNTAIN ALLIANCE

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## Moving Mountains

Mountain Alliance (MA) is a venture capital investor with a portfolio comprising stakes in 35 companies. It has grown rapidly over the last two years, due to its strategically deepened, synergetic partnership with Mountain Partners (MP), a leading worldwide early-stage investor.

The portfolio's now critical scale should significantly increase exit frequency, either through IPOs or trade sales. These transactions should provide a catalyst for the shares and justify a premium to NAV.

We expect management to not only execute at least two exits until the end of 2020, but to continue growing the portfolio through the acquisition of selected portfolios, either from MP or third parties. We initiate coverage with an Outperform rating and a PT of EUR 8.70.

### MP AS KICK-STARTER AND MOST IMPORTANT SOURCE OF NEW PORTFOLIO ADDITIONS

MP is the majority shareholder with a stake of 66.9%. In our view, a clear split in responsibilities across the value chain makes strategic sense: MP as the incubator passes on its most successfully matured seed investments to MA, which is specialised in later stage investments and subsequent exits. The partnership with MP spans a unique network in the global VC-industry and, consequently, almost guarantees a full investment pipeline. The track records of Mr. Wild / MA and MP are impressive and, paired with the stringent investment processes at MP, leave us confident that the partnership can create value for its shareholders. Interests of MP and MA minority shareholders are well aligned, in our view, as MP will continue to participate in the value creation over the next years for the companies, which are part of MA.

### BUT THE LATEST PORTFOLIO ACQUISITIONS WERE ONLY THE BEGINNING

The portfolio has grown significantly in size, which makes a regular exit strategy more viable. Based on an in-depth analysis of MA's portfolio, we conclude that management should be able to execute on 2-3 IPOs or trade-sales above NAV over the next two years. Such transactions could serve as value crystallisation events and prove the effectiveness of the MP-MA ecosystem. MA is well positioned to add new investments to its portfolio from MP and, increasingly, from third parties. The growth strategy may require additional funding, but potential negative dilution effects should be more than compensated by value-accretive investments and a subsequently better trading liquidity in the shares might even attract new investors.

### SOTP-ANALYSIS YIELDS A PRICE TARGET OF EUR 8.70 – 25% UPSIDE POTENTIAL

We value MA through a SOTP-analysis, which is best suited to capture the value of the group's portfolio constituents. The biggest drivers of the implied equity value are **Alphapet**, **Exasol**, **movingimage** and **Volders**, which together account for 78% of our total NAV estimate. A lack of exits, or disposals below NAV as well as value-destructive new investments constitute the main risks