

# Deutsche Beteiligungs

## A play on the German mid-market MBO space

Deutsche Beteiligungs (DBAG) is a well-established private equity company investing primarily in mid-sized German companies. On top of achieving a return on its direct investments, it generates fee income from managing c €1.4bn in third-party funds. This year, DBAG has been steadily deploying its investment commitments, with DBAG Fund VII expected to complete its investment phase soon. The subsequent launch of its successor should drive fee income (as it is based on committed capital). Meanwhile, DBAG's portfolio is affected by weaker economic and trading conditions in some industrial sectors. In this context, it is encouraging that DBAG continues diversifying its portfolio and performing successful exits.

## Proceeding with sector diversification

DBAG recently made good progress in broadening its sector exposure. During 9M19 (ending June 2019), it completed five new additions to its portfolio (including two in the TMT sector and one in healthcare), deploying €77.1m including follow-on investments. A further eight acquisitions were performed by portfolio companies. Post the reporting date, DBAG ECF acquired a majority position in the fibre optic full-service provider STG (with up to €14m invested by DBAG alone) and DBAG Fund VII acquired Cartonplast (with DBAG's co-investment at €26m). On deal closure, DBAG Fund VII will already have allocated 71% of its investment commitments of €808m and we believe the next fund could be launched in 2020.

## Unexpected boost to FY19 results

In July, management lowered its guidance due to worsening economic conditions (most notably in the automotive and wind energy sectors), expecting net income to be at least positive in FY19. We appreciate that in the more challenging environment, DBAG was able to realise five successful exits in FY19, which contributed over €40m to its net income. A total uplift of €14.3m was recognised in 9M19, while the realization of Inexio will translate into a c €30m uplift (not reflected in the above guidance) and will assist Q419 results.

## Valuation: Premium to NAV at c 26%

DBAG's shares continue to trade at a premium to NAV, which in our view comes from the market-implied value of the fund services business. The premium to end-June NAV stands at c 26% vs 10–30% over the previous 12 months, implying an LTM earnings multiple of the fund services business at c 46x (if we assume a discount to the broader market represented by the LPX Europe Index). DBAG's shares offer a dividend yield of c 4% vs the peer average of c 3%.

12 months ending	Total share price return (%)	Total NAV return (%)	LPX Europe (%)	LPX Europe NAV (%)	SDAX (%)
06/16*	(6.5)	8.5	(8.3)	(1.8)	(2.0)
06/17	51.3	27.1	29.9	17.0	23.5
06/18	(9.0)	9.9	9.3	10.8	10.2
06/19	1.0	3.3	5.9	6.5	(4.8)

Source: Refinitiv. Note: Discrete rolling 12-month total return performance in euros up to last reported NAV. \*11-month period due to change in financial year end.

## Private equity

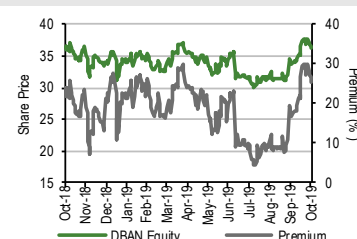
5 November 2019

Price	€36.30
Market cap	€546.1m
NAV*	€434.9m

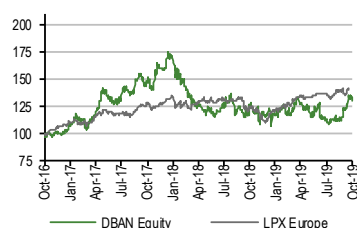
NAV per share*	€28.9
Premium to NAV	25.6%
Dividend yield	4.0%

\*As at 30 June 2019.

## Share price/discount performance



## Three-year performance vs index



## Share details

Code	DBAN
Listing	Frankfurt
Shares in issue	15.0m

## Business description

Deutsche Beteiligungs is a Germany-based and listed private equity investment and fund management company that invests in mid-sized companies in Germany and neighbouring German-speaking countries via MBO transactions and growth capital financings. There is a focus on growth-driven profitable businesses valued between €50m and €250m. DBAG's core objective is to sustainably increase net asset value.

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