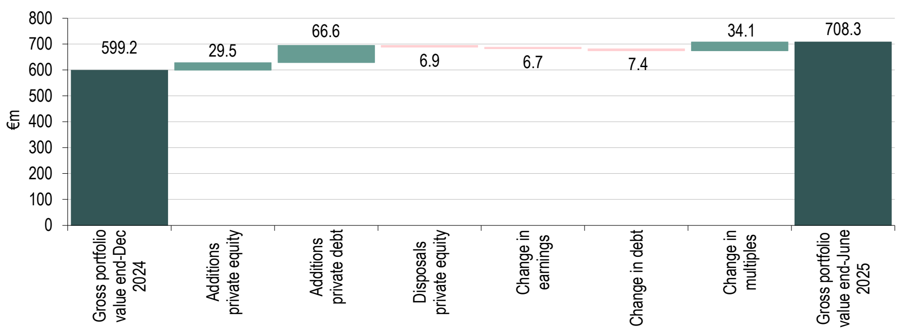
EDISON

Deutsche Beteiligungs

Investments picked up in Q225, exits still muted

Deutsche Beteiligungs (DBAG) posted a 1.9% NAV total return (TR) in H125, with the positive impact of higher valuation multiples partly offset by a negative contribution from portfolio earnings growth and higher portfolio net debt. DBAG delivered on its promise of a pick-up in investment activity, with three private debt investments, a long-term minority investment into FinMatch (funded entirely from DBAG's balance sheet) and a follow-on private equity (PE) investment in an existing portfolio company. Consequently, DBAG considers itself fully invested. Exits proved more difficult to complete in the current environment than expected, with management now assuming at least one realisation by the end of the year (compared to three to four exits expected until Q126 at the time of the Q125 results release). DBAG's shares now trade at a wide 30.3% discount to the last reported NAV of its private market investments, on top of which DBAG's shares offer exposure to its fund services business, generating recurring earnings (guided at €10–15m in FY25).

Exhibit 1: DBAG's gross portfolio value bridge H125



Source: Company data

German order books weak, but fiscal boost ahead

Sentiment towards German equities improved markedly this year on the back of parliamentary elections, the announcement of the €500bn infrastructure fund and the relaxation of the 'debt brake' rule to exempt defence spending of more than 1% of GDP. While economic growth in Germany is constrained by the lack of sufficient new orders, fiscal stimulus should provide tailwinds to growth, especially from 2026 when the ifo Institute expects GDP growth of 1.5% (vs 0.3% in 2025). The US-EU tariff deal provided some clarity, albeit the new 15% tariffs will limit growth (the Kiel Institute estimates the short-term impact at 0.13pp of GDP growth).

Proceeds from convertible bond issue fully deployed

DBAG's recent investments, coupled with the latest €1.25 dividend per share (paid for FY24 and the abbreviated year to end-December 2024) and share buybacks (a €20m programme is ongoing) allowed it to fully deploy the proceeds of its €100m convertible bond issue completed in 2024 and subsequent exits. DBAG's end-June 2025 liquidity consists of €39m of financial resources and €92m of undrawn credit facility (with €35m drawn). This excludes €30m of investments made after the reporting date. We also note four add-on acquisitions completed across its portfolio in H125, with congatec's acquisition of its competitor JUMPtec the most significant.

Investment companies
Listed private equity

13 August 2025

Price		**€24.55**
Market cap		**€463m**
Shares in issue		17.8m
Code/ISIN		DBAN/DE000A1TNUT7
Primary exchange		FSE
AIC sector		N/A
Financial year end		31 December
52-week high/low	€26.5	€20.0

Fund objective

Deutsche Beteiligungs is a German-based and listed private equity investment and fund management company that invests in mid-sized companies in Germany and neighbouring countries via management buyout transactions and growth capital financings. It also manages c €2bn of third-party capital, which generates stable recurring fee income. Following the acquisition of a majority stake in ELF Capital, it expanded its offer to include private debt.

Bull points

- Solid long-term track record, with an average private equity exit multiple of 2.5x at end-FY24.
- Emphasis on 'growth sectors' such as IT services and software, energy transition/ sustainability themes and healthcare.
- Recurring cash flow from fund services.

Bear points

- Continued impact from the weak macroeconomic environment in Germany, especially on DBAG's industrial holdings.
- Interest rate normalisation may reduce prospective private equity returns, put pressure on interest coverage ratios and/ or lead to refinancing issues across private equity-backed companies in the medium term.
- Higher average leverage of portfolio companies versus pre-COVID-19 levels.

Analyst

Milosz Papst +44 (0)20 3077 5700

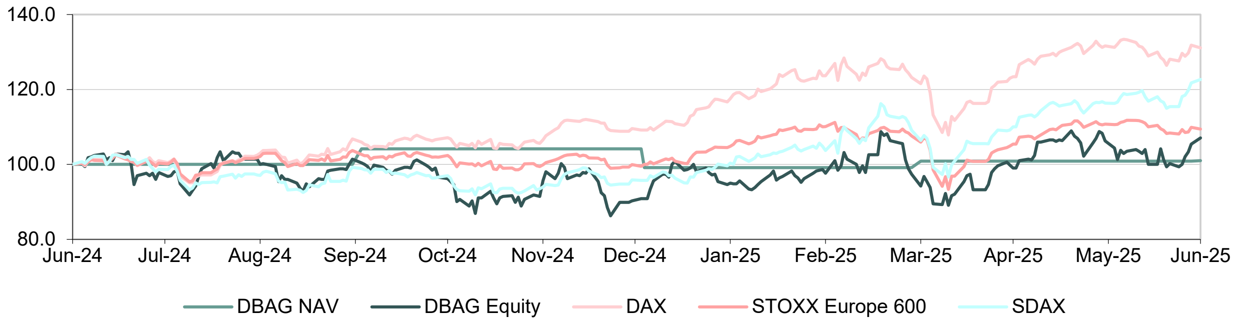
investmenttrusts@edisongroup.com

Edison profile page

NAV TR at 1.9% in H125 driven by higher multiples

DBAG's NAV was broadly flat in total return terms in Q225, bringing its H125 performance to 1.9% on the back of a €34.1m contribution from the change in multiples across sectors (see Exhibit 1), most notably for companies with business models related to the manufacturing industry. This came from a combination of the investment case's strong progress in two portfolio holdings (warranting a higher multiple, according to DBAG), the revaluation of some assets as a result of bids DBAG received and the positive development of public markets (which is adjusted by DBAG's private market factor, see our May 2024 note for background). The German public market benefited from a revival in investor sentiment across the market cap spectrum (see Exhibit 2) due to the factors described above. The contribution from earnings remained negative at €6.7m, while higher net debt reduced valuations by €7.4m. The share of portfolio companies with net debt to EBITDA of 3.0x or more improved slightly to 51% at end-June 2025 from 52% at end-2024, mostly due to expected EBITDA growth slightly outpacing the debt increase at these companies, as well as mix effects.

Exhibit 2: DBAG's 1-year share price and NAV TR compared to public markets to end-June 2025, rebased

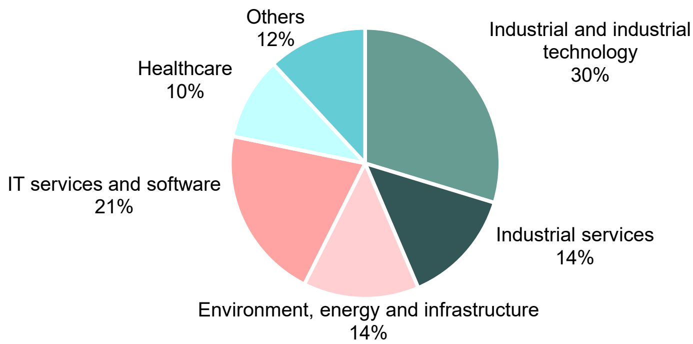


Source: Company data, LSEG Data & Analytics, Edison Investment Research

Earnings growth constrained by a low level of new orders...

The outlook for a potential inflection point across DBAG's portfolio (which management communicated at the beginning of 2025) was dampened by the US tariff turmoil. Management considers its portfolio well-protected against the first-order impact of US tariffs (which as per the final deal were set at 15% versus the initially announced 30%), with only 10% of holdings directly affected. Nevertheless, it was affected by second-order effects, resulting in reduced order intake, which is a broader issue across Germany. According to a business survey released on 8 August by the ifo Institute, 36.7% of companies in Germany are experiencing an insufficient level of new orders, a slight improvement compared to 37.3% in April but well above the long-term average. Sectors particularly affected are automotive (42.6%), mechanical engineering (46.1%) and manufacturers of electrical equipment (40.6%). That said, there were selected DBAG holdings with a positive contribution from earnings growth in the IT services & software, as well as the industrial and industrial technology sectors, among others.

Exhibit 3: DBAG's portfolio value by sector at end-June 2025



Source: Company data

...but fiscal stimulus should provide tailwinds from 2026

In its Economic Forecast Summer 2025 report (published in June 2025), the ifo Institute said that the crisis in the German economy reached its low point in the winter half-year 2024/25. While it estimates that around half of the 0.4% GDP growth in Q125 versus the previous quarter was due to exports to the US being front-loaded ahead of US tariffs, growth was supported by investments, as well as private consumption (which has seen positive development for several quarters, with an accelerating trend). The ifo forecasts that Germany's real GDP will grow by 0.3% in 2025 and 1.5% in 2026, with a significantly greater boost to economic growth from Germany's fiscal policy in 2026. In this context, the institute highlighted several proposed fiscal measures beyond the above-mentioned infrastructure and defence spending, including tax incentives such as accelerated depreciation, a VAT reduction for the hospitality sector, electricity tax and grid fees, as well as a higher commuter allowance. The German Bundesbank was more cautious in its June forecast with respect to the timing of an economic revival, expecting stagnant GDP in 2025, followed by 0.7% growth in 2026 and 1.2% growth in 2027. The Bundesbank's president believes Germany's public finances can cope with a temporary increase in the deficit and debt ratios (which the Bundesbank forecasts at just over 4% and 66% by 2027, respectively). The US-EU tariff deal on 27 July provided some clarity, although the 15% tariff rate will be a significant drag for German industrial companies, including the automotive sector (although in the latter case, lower than the pre-deal 27.5% tariff). The Kiel Institute estimates the negative impact of the US tariffs at 0.13pp of annual GDP growth.

Portfolio exits below previous management expectations

The demanding macro environment, which weighed on DBAG's value creation and exit processes, led management to adjust its NAV per share guidance for FY25 to €35–38 (from €36–43 previously). DBAG's management highlighted that there is a particular safety margin in terms of public market valuations embedded in this guidance and a 7% pull-back of public equities would not require a revision of this guidance. At the time of releasing the Q125 results in May 2025, DBAG's management communicated its expectation for three to four exits until Q126 (skewed towards H225/Q126), despite elevated macroeconomic and geopolitical uncertainty. However, the exit environment has proved more challenging and DBAG now assumes at least one exit by the end of the year. Management highlighted that completing one or two exits this year would potentially allow DBAG to reach the upper end of its NAV per share guidance.

The more muted exit activity resulted in a higher level of assets under management for its DBAG funds than originally expected, and in turn €24.1m in income and €7.1m EBITA from its fund services business in H125. Therefore, DBAG's management raised its FY25 guidance for fund services EBITA to €10–15m from €8–13m previously. H125 income was broadly flat year-on-year, while EBITA fell by 21% y-o-y, mostly due to overall lower income from advisory services and higher personnel expenses, the latter partly driven by capacity addition ahead of the fund-raising for DBAG's new flagship buyout fund (despite a decline in fixed compensation in the absence of inflation compensation bonuses, similar to last year). Management previously expected the new fund to launch towards summer 2026 with a size slightly above €1bn (ie similar to its predecessor).

DBAG is fully invested following recent capital deployment

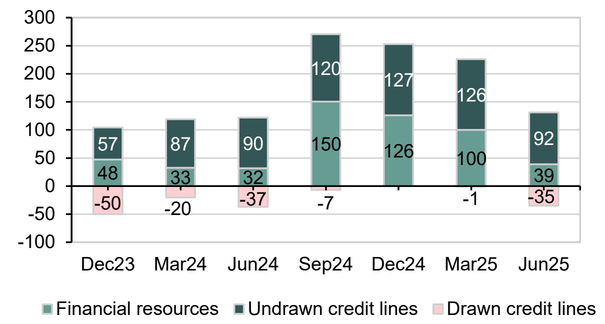
In line with the expectations management expressed during the Q125 results call in May, the pace of DBAG's capital deployment has accelerated recently, with €66.6m invested in three private debt transactions and €29.5m in private equity investments. Overall, to date, DBAG has invested €83m in four private debt transactions via ELF Capital funds (with all being senior secured debt) across a diverse set of industries. Its first deal (completed in August 2024) involved refinancing an existing loan and providing growth financing for an Irish manufacturer of generic drugs. In February 2025, DBAG agreed to finance the acquisition of a company specialising in passive electronic components for a global blue-chip customer base. In June 2025, it agreed two transactions, one supporting a family office in creating a digital and physical marketing asset production platform via the acquisition of two assets, and the other financing the combination of three fintech businesses catering to international students in Germany. As a result, the share of private debt investments in DBAG's portfolio increased to c 10% and has already reached the lower end of its 10–20% target range. DBAG's management aims to reach 15–20% with more transactions to come, but at a slower pace of capital deployment than recently. Here, we note that DBAG's total current commitment to ELF Capital funds stands at €100m.

These four private debt transactions offer a blended three-year gross internal rate of return of 13.8% and a money multiple of 1.39x (DBAG's management expects an average 2.5-year maturity as a result of early repayments). One advantage of DBAG's private debt investments is a steady income stream, which, following recent investments, is expected to more than cover the interest expense on its €100m convertible debt (which bears a fixed 5.5% coupon). The convertible bond has a conversion price of €29.3457 and is therefore out-of-the-money for now (while the conversion price is c 16.7% below end-June 2025 NAV). The bond matures in January 2030.

DBAG's largest PE investment in H125 was a follow-on investment into an undisclosed existing portfolio company, replacing external financing, at what DBAG's management describes as very attractive terms. Post reporting date (on 31 July), DBAG announced that it had acquired a significant minority stake in FinMatch, a digital corporate finance platform for mid-market companies with more than 1,000 financing partners, as a long-term balance sheet investment. The company's founders will retain a majority stake. FinMatch was established in 2019 and since then has facilitated more than 750 financing projects (involving corporate loans, subsidies and grants) with a volume of more than €10bn. It focuses on businesses domiciled in the DACH region (Germany, Austria or Switzerland) with an annual turnover of at least €5m and a financing need of at least €1m. DBAG highlights that it is a high-margin business operating in an attractive and growing market. It aims to further accelerate its organic growth through platform improvements, digital channels and sector focus, among others. The transaction was structured as a preferred equity investment, giving DBAG downside protection through a liquidation preference. While ELF Capital became a financing partner on the FinMatch platform, the average ticket size is normally below the targeted deal size for ELF Capital funds, and therefore the FinMatch platform will be a deal origination channel for ELF Capital, only occasionally, for larger 'outlier' financings.

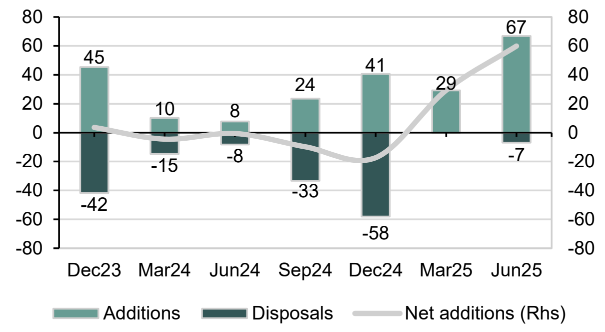
Following the above transactions, DBAG is fully invested; it has deployed the proceeds from the convertible bond issue and realisations (see Exhibit 4). Its financial resources (cash and short-term investments) amounted to €39m at end-June 2025, roughly equal to the €35m drawn part of its credit facility. A further €92m remains undrawn and, together with financial resources, covers 51% of DBAG's outstanding investment commitments (which should be drawn over several years). DBAG invested a further €30m in July 2025, which includes the above-mentioned investment in FinMatch.

Exhibit 4: DBAG's available liquidity evolution (€m)



Source: Company data

Exhibit 5: DBAG's portfolio additions and disposals (€m)



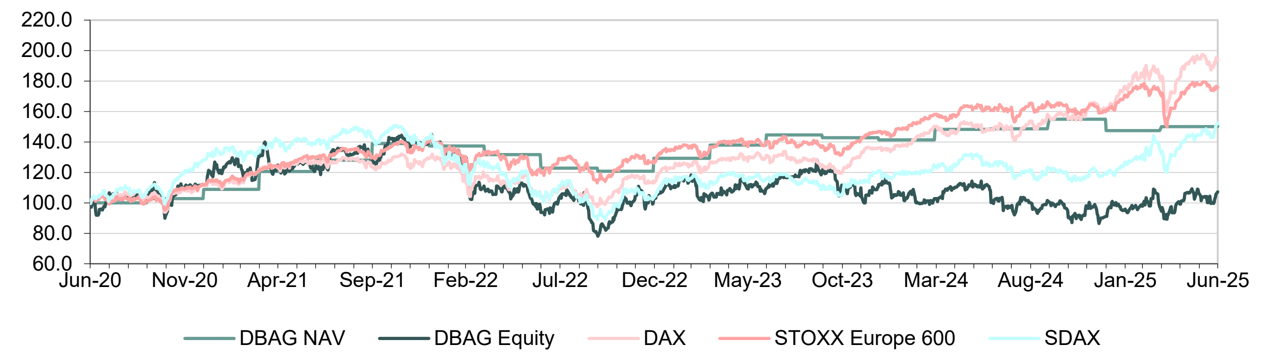
Source: Company data

We also note that there were four add-on investments agreed by DBAG's portfolio companies in H125, of which the most significant was congatec's acquisition of JUMPtec (signed and closed in June 2025, with no incremental equity contribution from DBAG). JUMPtec (carved out from the listed company Kontron) has a similar business model to congatec, which is an industrial technology company focused on high-performance embedded computer ('computer-on-module' or COM) products. However, it has a bigger exposure to aerospace and defence, where congatec is under-represented, with other focus areas including electronic equipment and instruments, industrial automation and medical applications. Interestingly, congatec's founding team includes several ex-JUMPtec/Kontron managers. According to DBAG, JUMPtec's expected revenue for 2025 stands at $94m, which compares with congatec's 2024 sales of €202m (or c $218m, up c 14% y-o-y) and the size of the overall COM market at $1.8bn (as stated by DBAG, broadly in line with estimates available online). DBAG highlighted that the acquisition almost doubles congatec's market share, especially in Europe and North America. The acquisition was structured as an asset transaction, which means that congatec is not taking over JUMPtec's overheads (making the transaction accretive from day one), while the significant business overlap allows for substantial personnel cost synergies, according to DBAG. We understand that the main objective of the acquisition was to drive scale and in turn profitability via cost synergies.

Valuation

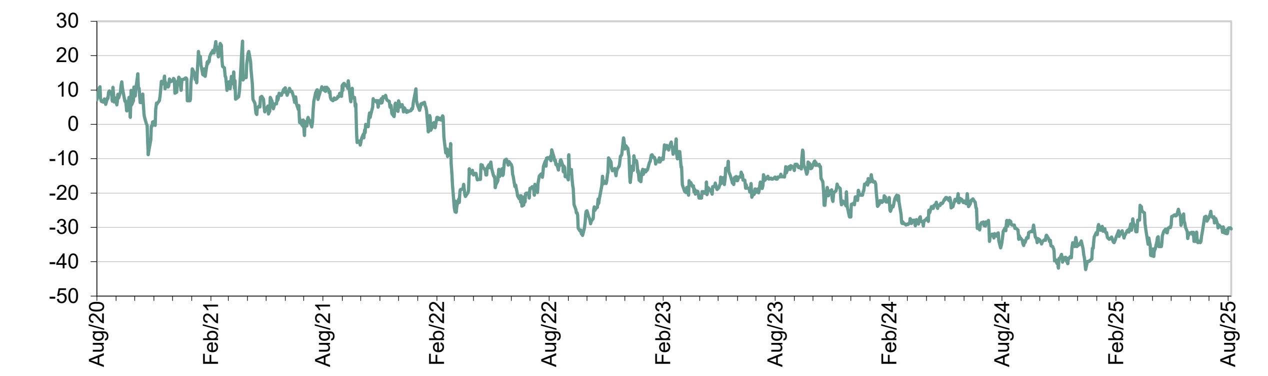
DBAG's NAV TR in euro terms between end-June 2020 and end-June 2025 reached 50.3%, or c 8.5% per year, which is broadly in line with the return posted by the German small-cap index (SDAX) of 8.8% per year (see Exhibit 6), although we acknowledge that institutional investors typically expect PE to outperform public equities by 300bp net of fees. Against the backdrop of a weak macroeconomic environment in Germany, DBAG's five-year NAV TR is behind the PE peer average, although it outperformed the peer average over three years, ranking third (see Exhibit 9). Meanwhile, its share price TR decoupled from NAV performance and stood at just 7.3%, leading to a discount to last reported NAV of 30.3% currently (see Exhibit 7). We note that, before 2022, DBAG's shares traded at a premium to NAV (18% on average over the five years to end-2021), which we believe was due to the share price reflecting the additional value of DBAG's fund services business, which manages c €2bn of third-party capital, the value of which is not directly captured in DBAG's reported NAV. Given this, DBAG's portfolio changes in terms of sector exposure and the increasing share of private debt investments (which likely bear a lower risk than PE investments), the current discount to NAV may be considered wide.

Exhibit 6: DBAG's 5-year share price and NAV TR compared to public markets to end-June 2025, rebased



Source: Company data, LSEG Data & Analytics, Edison Investment Research

Exhibit 7: DBAG's historical discount to NAV



Source: Company data, LSEG Data & Analytics, Edison Investment Research

We consider it instructive to examine the market-implied valuation of both DBAG segments in two scenarios: 1) using the implied value of PE investments, assuming fund services are valued in line with peers; and 2) using the implied value of the fund services segment, assuming that PE investments are valued in line with peers. For peers in DBAG's fund services segment, we use a group of listed asset managers with exposure to alternative unlisted assets such as real assets or PE: Blackstone, EQT, Partners Group, Intermediate Capital, Tikehau Capital, Cohen & Steers and CVC Capital Partners. We acknowledge that these companies have assets under management that are an order of magnitude larger than that of DBAG, which may distort the analysis. In the case of PE investments, we use the peer group shown in Exhibit 9, excluding 3i.

Exhibit 8: Analysis of DBAG's market value by segment

Fund services in line with peers	
Earnings multiple applied to fund services segment's valuation* (x)	22.6
Implied value of fund services segment**	€282.8m
Implied value of private equity investments segment	€153.9m
Implied discount of private equity investments value to DBAG's end-June 2025 NAV***	73.3%
Private equity investments in line with peers	
Investments: discount to NAV	22.3%
Investments segment	€448.6m
Financial services segment	€(11.9)m
Services: P/E ratio (x)	(1.0)

Source: Company data, Edison Investment Research, LSEG Data & Analytics.
Note: *Based on FY25e earnings consensus from LSEG Data & Analytics except Intermediate Capital (blended FY25e and FY26e consensus). **Based on the midpoint of management guidance. ***Multiple and discount are calculated based on DBAG's NAV excluding intangible assets arising from the ELF Capital acquisition.

Assuming the fund services segment is valued in line with peers (on a 22.6x FY25e earnings multiple) and using DBAG's current market capitalisation, the implied value of DBAG's PE investments would be c €154m (73% below its end-June 2025 NAV, which we conservatively adjust for the intangibles arising from the ELF Capital acquisition), while DBAG's peers currently trade at an average 22% discount. If we conservatively assume the lower end of the peer valuation range (12.4x), we arrive at an implied value of DBAG's PE investment of €283m, a still sizeable 51% discount to DBAG's end-June 2025 NAV. On the other hand, if we assume that the PE investments were valued in line with peers, then DBAG's current market capitalisation would imply a negative value for the fund services business (based on the midpoint of management's revised FY25 guidance of €10–15m). This needs to be put in the context of management's expectations of an increase in fund services pre-tax profit to €12–18m in FY27 on the expected launch of DBAG Fund VIII's successor. Finally, management envisions that the successor of the €250m ECF IV fund could be larger than €300m.

Exhibit 9: DBAG's peer comparison as of 13 August 2025* (% unless stated otherwise)

	Market cap (€m)	NAV TR (1-year)	NAV TR (3-year)	NAV TR (5-year)	NAV TR (10-year)	Discount	Latest net gearing	Dividend yield
Deutsche Beteiligungs**	**437**	**1.0**	**22.4**	**50.3**	**137.1**	**(30.3)**	**117**	**4.1**
3i	46,009	27.3	111.3	293.3	709.6	50.8	104	1.8
GIMV	1,579	4.5	16.6	49.0	93.8	(19.5)	100	6.1
HgT	2,726	2.3	27.2	129.0	318.7	(4.7)	102	1.1
ICG Enterprise Trust	1,044	6.6	18.5	104.1	201.2	(28.7)	109	1.8
Oakley Capital Investments	1,110	4.4	20.7	129.8	273.8	(24.5)	100	0.8
Partners Group Private Equity	709	0.9	13.6	44.7	139.9	(25.7)	108	7.1
Patria Private Equity Trust	944	3.3	16.4	119.3	219.7	(30.7)	113	3.1
Peer average (excluding 3i)	**1,352**	**3.7**	**18.9**	**96.0**	**207.9**	**(22.3)**	**105**	**3.3**
Rank	**8**	**7**	**3**	**6**	**7**	**7**	**1**	**3**

Source: Company data, LSEG Data & Analytics, Edison Investment Research
Note: Net gearing is total assets less cash and equivalents as a percentage of net assets. *12-month NAV total return (TR) performance in euro terms based on end-June 2025 or latest earlier available NAV. **DBAG's 10-year NAV TR is calculated from end-July 2015 due to availability of data. DBAG's dividend yield calculated based on the €1.00 dividend per share paid out of FY24 (ie excluding the €0.25 paid for the abbreviated financial year to end-December 2024).

Exhibit 10: Five-year discrete performance data in euro terms (%)

	DBAG NAV	DBAG share price	DAX	SDAX	Stoxx Europe 600
30/06/2021	28.0	23.2	56.3	73.2	46.9
30/06/2022	(4.1)	(24.0)	(17.7)	(25.8)	(7.2)
30/06/2023	17.7	16.6	26.3	12.8	17.2
30/06/2024	2.9	(8.2)	12.9	6.8	14.4
30/06/2025	1.0	7.1	31.1	22.7	9.4

Source: Company data, LSEG Data & Analytics. Note: All figures on a total return basis.

General disclaimer and copyright

Australia

New Zealand

United Kingdom

United States

London | New York | Frankfurt
20 Red Lion Street
London, WC1R 4PS
United Kingdom