

Buy EUR 40.60 (EUR 40.00) Price EUR 30.85 Upside 31.6 %	Value Indicators: EUR SotP 21e: 40.58	Share data: Bloomberg: DBAN GR Reuters: DBANn.DE ISIN: DE000A1TNUT7	Description: Private equity both as an advisor and as a co-investor focused on the German Mittelstand
	Market Snapshot: EUR m Market cap: 464 No. of shares (m): 15 EV: 464 Freefloat MC: 317 Ø Trad. Vol. (30d): 551.07 th	Shareholders: Freefloat 68.3 % Rossmann Beteiligungs GmbH 25.0 % Taiko SA 6.7 %	Risk Profile (WRe): 2019/20e Beta: 1.0 Price / Book: 1.1 x Equity Ratio: 93 %

Pfandler transaction expected to contribute additional EUR 10m to net result

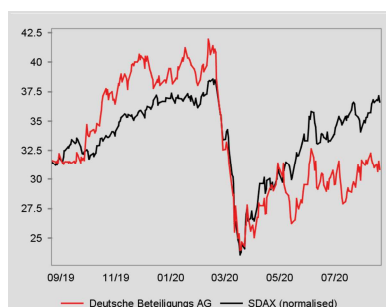
DBAG announced that it has, together with its private equity FUND VI, realigned the structure of the Pfandler group, an engineering company active in the processing industry. GMM Pfandler, a listed Indian subsidiary, and the Patel family will acquire 80% of Pfandler's European and American business from DBAG Fund VI and the management. DBAG and DBAG Fund VI will keep 20% of Pfandler group's core business and will continue to hold just over 50% of GMM. The transaction leads to an additionally positive value contribution for DBAG of ca. EUR 10m based on GMM's market capitalisation in the current quarter, Q4. The amount of EUR 10m will positively influence the net asset value of the private equity investments and the net result for fiscal 2019/20 (30.9.). The impact could differ positively or negatively from the EUR 10m amount depending on GMM's market capitalisation as of September 30. The closing of the transaction is expected in several months as the deal has to be approved by GMM's shareholders, antitrust authorities and foreign trade authorities.

At the beginning of August, DBAG communicated final Q3 2019/20 (30.9.). These were in line with preliminary results. We upgraded the stock one week earlier after DBAG released a much improved guidance for a net income range of EUR -5 to -25m, given that the stock market valuation on September 30 will not differ markedly from June 30. The company benefitted from the positive stock market development in the period April to June which has led to higher multiples used for the valuation of the portfolio. The updated guidance showed an improvement of ca. EUR 70m (taking the midpoints of the former and updated guidance). The Pfandler transaction means that the FY 2019/20 net result will be EUR 10m better than the updated guidance, given GMM's share price as of September, 30 does not differ from the current level. Hence, while DBAG's updated guidance remains unchanged, we think it is much more probable that the upper end of the guided range will be achieved. Our previous forecast for this year's net result was at the midpoint of the guidance. In connection with the Pfandler transaction we have raised our estimate to the upper end of the guided range.

Quarterly results during fiscal 2019/20 (30.9.) were recently heavily impacted by stock market volatility triggered by the coronavirus pandemic. The Q1 result came in at EUR -0.2m and the Q2 result amounted to EUR -76.5m. However Q3 showed a net result of EUR +52.1m, which wiped out some two-thirds of the loss in H1. The FY guidance implies a Q4 result of between zero and EUR +20m. The positive expectation for the final quarter is based on an increase in fee income from new private equity Fund VIII of EUR 2.3m for the remaining two months of the current fiscal year and positive contributions from divestment(s). Net asset value is expected to be between EUR 400 and 425m at the end of September 2020, also based on stable stock market development. As of the end of June, the NAV amounted to EUR 405.1m, 9% lower than at

continued on next page

Changes in Estimates:							Comment on Changes:	
FY End: 30.9. in EUR m	2019/20e (old)	+ / -	2020/21e (old)	+ / -	2021/22e (old)	+ / -		
Net income	-15	n.m.	43	0.0 %	50	0.0 %	<ul style="list-style-type: none"> The Pfandler transaction leads to an additional positive value contribution of ca. EUR 10m. This will impact both fiscal 2019/20 net result as well as the net asset value of DBAG's investment portfolio by the same amount. All other assumptions remained unchanged. 	
EPS	-1.03	n.m.	2.87	0.0 %	3.31	0.0 %		
DPS	0.75	0.0 %	1.50	0.0 %	1.50	0.0 %		



Rel. Performance vs SDAX:	
1 month:	4.3 %
6 months:	-16.7 %
Year to date:	-21.0 %
Trailing 12 months:	-20.1 %

Company events:

FY End: 30.9. in EUR m	CAGR (18/19-21/22e)	2015/16	2016/17	2017/18	2018/19	2019/20e	2020/21e	2021/22e
Net result of fund services and investment activity	3.9 %	78	113	60	77	26	78	86
Net result		59	86	31	50	-4	41	46
investment activity		18	27	29	27	29	37	40
Fee income fund services								
EBIT	3.8 %	50	82	30	45	-5	44	50
EBT		49	82	30	45	-5	43	50
Net income	2.8 %	49	82	30	46	-5	43	50
EPS	2.8 %	3.60	5.45	1.97	3.05	-0.36	2.87	3.31
DPS	0.0 %	1.20	1.40	1.45	1.50	0.75	1.50	1.50
Dividend Yield		4.3 %	3.8 %	3.6 %	4.4 %	2.4 %	4.9 %	4.9 %
NAV per share		26.91	28.45	29.50	30.59	28.73	30.85	32.66
Return on NAV		27.2 %	10.6 %	9.1 %	9.0 %	-1.2 %	10.3 %	11.3 %
P / E		7.7 x	6.8 x	20.4 x	11.1 x	n.a.	10.7 x	9.3 x
Net Debt		-42	-117	-51	-50	0	5	12
ROE		14.7 %	20.6 %	6.8 %	10.1 %	-1.2 %	9.6 %	10.4 %
ROCE (NOPAT)		16.4 %	25.8 %	8.5 %	11.3 %	n.a.	9.7 %	10.3 %
Guidance:	Net income in the range of EUR -5 to -25m							

the beginning of the year, adjusted for dividend payment. The decline was attributable to the operating development of the portfolio companies in connection with the coronavirus pandemic.

DBAG's management stated recently that the M&A market started to recover by the end of Q3 (June 2020), but nevertheless still significantly lags behind the prior year's period. During the first three quarters, additions were only made on the level of the portfolio companies. For example, in DBAG Fund VII radiology group blick made two bolt-on acquisitions and duagon, a producer of network components, acquired one entity. In DBAG ECF BTV negotiated an acquisition, DING group negotiated/finalised a total of four additions, netzkantor nord bought two companies and vitronet acquired three.

In Q4 DBAG has announced two additions to the portfolio so far:

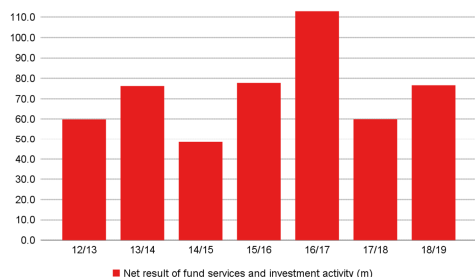
- 1) PM Plastic Materials, the European market leader for pre-wired and empty cable conduits, primarily used for electrical installation, based in Italy. DBAG Fund VII will acquire the majority from the founder family, DBAG will co-invest EUR 16m and management will also retain a material stake. While parties have agreed not to disclose terms of the transaction, we can imagine that equity value has been agreed around EUR 80m, based on the assumption that DBAG's share is usually +/- 20%. PM Plastic Materials generated revenues of EUR 101m with 120 employees last year; CAGR amounted to an impressive 12% since 2003.
- 2) Multimon is a leading provider of fire protection systems especially for high-rise buildings, shopping centres, warehouses, production plants, logistic centres, underground car parks etc. The company generated total output of EUR 93m in 2019 with recurring service business already accounting for one quarter. The new DBAG Fund VIII made its first investment in taking over the majority of Multimon shares. DBAG will co-invest EUR 8.1m for 17% of Multimon shares. Hence, the equity valuation of Multimon amounts to ca. EUR 48m. Multimon's management will also keep a stake in the company.

DBAG has initiated an additional private equity fund, DBAG Fund VIII, with capital commitments of EUR 1.1bn, the largest ever private equity fund initiated by DBAG. DBAG will co-invest EUR 255m. Overall, Fund VIII will increase AuM to ca. EUR 2.5bn. Start of the investment period was 1 August 2020 and should strongly support DBAG's growth in the years to come. DBAG's net asset value should benefit from higher co-investments in the medium term (given a positive value creation as in the past) and from higher fee income. DBAG is also optimistic that the extension of the product offering to principal investments with a typically longer investment period will lead to further potential with regard to net asset value.

DBAG will host a capital markets day on September, 8. On the agenda is an update on strategy as well as a new mid-term outlook. The mid-term targets were previously updated with the release of the FY 2018/19 figures in December 2019, thus just ahead of the outbreak of the pandemic. DBAG aimed to significantly (>+40% in the company's definition) increase its net asset value by the end of FY 2021/22 (compared to 30.9.2020) and to moderately (+20–40% in the company's definition) increase the fee income from fund management and services. This was based on the expectation that it will take time for the current portfolio, which is relatively new, to mature. Generally, DBAG assumes that the value generation during an average ca. five-year holding period of a company increases towards the end. Last year's mid-term outlook requires strong value generation of the portfolio over the coming years. In connection with the ongoing pandemic-related economic headwind we can imagine that mid-term targets will be either postponed or lowered.

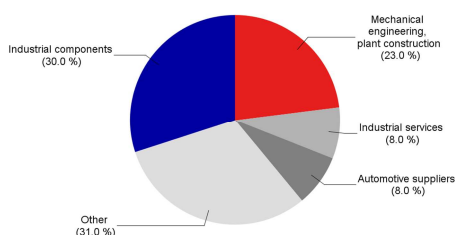
We confirm our Buy rating for DBAG shares. Price target is up from EUR 40.00 to EUR 40.60 in connection with the Pfadler transaction.

Net result fund services & investments in EUR m



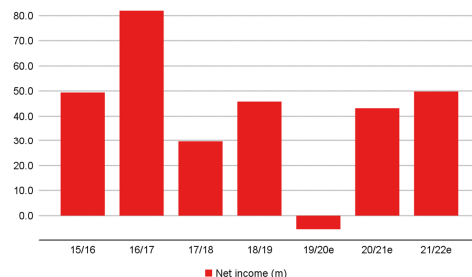
Source: Deutsche Beteiligungs AG, Warburg Research

Portfolio by industry 2017/18; in %



Source: Deutsche Beteiligungs AG, Warburg Research

Net income in EUR m



Source: Deutsche Beteiligungs AG, Warburg Research

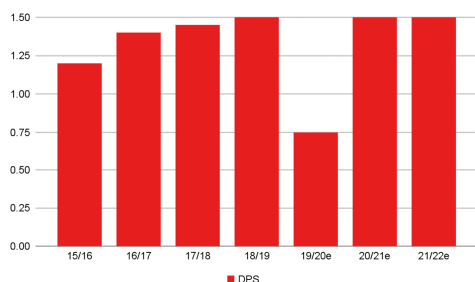
Company Background

- Deutsche Beteiligungs AG (DBAG) is a publicly-listed private equity firm sponsoring management buyouts (MBOs) and financing expansion capital.
- DBAG's business model is to invest its own funds (Private Equity Investments Segment) alongside funds it manages and for which it earns fees (Fund Investment Services Segment) helping cover fixed costs.

Competitive Quality

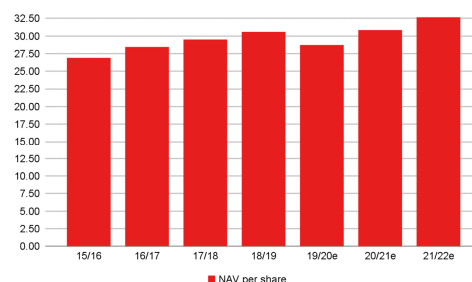
- DBAG has a tight focus on mainly direct investments in unlisted, operationally healthy German Mittelstand companies in the industrials and services sector with sales volumes of EUR 50m – 500m p.a.
- Differentiation is based on DBAG's long-standing track record. Since it was founded in 1965, DBAG has made more than 300 private equity investments.
- Investors value this experience which cannot be matched by new entrants and the very solid track record of generating a 15-year average return for shareholders above 15%.

Dividend per share in EUR



Source: Deutsche Beteiligungs AG, Warburg Research

Net asset value per share in EUR



Source: Deutsche Beteiligungs AG, Warburg Research

Valuation							
	2015/16	2016/17	2017/18	2018/19	2019/20e	2020/21e	2021/22e
Price / Book	1.0 x	1.3 x	1.4 x	1.1 x	1.1 x	1.0 x	0.9 x
Book value per share ex intangibles	26.85	28.40	29.47	30.57	28.69	30.82	32.63
EV / Sales	4.3 x	3.9 x	9.2 x	6.0 x	18.1 x	6.0 x	5.5 x
EV / EBITDA	6.8 x	5.3 x	18.4 x	10.3 x	n.a.	10.8 x	9.5 x
EV / EBIT	6.8 x	5.3 x	18.4 x	10.3 x	n.a.	10.8 x	9.5 x
EV / EBIT adj.*	6.8 x	5.3 x	18.4 x	10.3 x	n.a.	10.8 x	9.5 x
P / FCF	n.a.	n.a.	62.1 x	n.a.	7.2 x	60.2 x	39.5 x
P / E	7.7 x	6.8 x	20.4 x	11.1 x	n.a.	10.7 x	9.3 x
P / E adj.*	7.7 x	6.8 x	20.4 x	11.1 x	n.a.	10.7 x	9.3 x
Dividend Yield	4.3 %	3.8 %	3.6 %	4.4 %	2.4 %	4.9 %	4.9 %
FCF Potential Yield (on market EV)	14.8 %	18.7 %	5.4 %	9.9 %	-1.1 %	9.3 %	10.5 %

*Adjustments made for: -

Company Specific Items							
	2015/16	2016/17	2017/18	2018/19	2019/20e	2020/21e	2021/22e
NAV per share	26.91	28.45	29.50	30.59	28.73	30.85	32.66
Return on NAV	27.2 %	10.6 %	9.1 %	9.0 %	-1.2 %	10.3 %	11.3 %
Net result investment activity	59	86	31	50	-4	41	46
Fee income fund services	18	27	29	27	29	37	40
Net result of fund services and investment activity	78	113	60	77	26	78	86

Consolidated profit & loss

In EUR m	2015/16	2016/17	2017/18	2018/19	2019/20e	2020/21e	2021/22e
Net result of fund services and investment activity	78	113	60	77	26	78	86
Net result investment activity	59	86	31	50	-4	41	46
Fee income fund services	18	27	29	27	29	37	40
Personnel expenses	16	21	18	21	19	23	24
Other operating income	7	5	4	6	3	6	7
Other operating expenses	19	14	16	16	15	18	18
Unfrequent items	0	0	0	0	0	0	0
EBITDA	50	82	30	45	-5	44	50
<i>Margin</i>	64.1 %	73.0 %	50.2 %	58.6 %	-19.5 %	55.9 %	58.4 %
Depreciation of fixed assets	0	0	0	0	0	0	0
EBITA	50	82	30	45	-5	44	50
Amortisation of intangible assets	0	0	0	0	0	0	0
Goodwill amortisation	0	0	0	0	0	0	0
EBIT	50	82	30	45	-5	44	50
<i>Margin</i>	64.1 %	73.0 %	50.2 %	58.6 %	-19.5 %	55.9 %	58.4 %
EBIT adj.	50	82	30	45	-5	44	50
Interest income	0	0	0	1	1	1	1
Interest expenses	1	1	1	1	1	1	1
Other financial income (loss)	0	0	0	0	0	0	0
EBT	49	82	30	45	-5	43	50
<i>Margin</i>	63.4 %	72.6 %	49.6 %	58.9 %	-21.1 %	55.4 %	58.0 %
Total taxes	0	0	0	-1	0	0	0
Net income from continuing operations	49	82	30	46	-5	43	50
Income from discontinued operations (net of tax)	0	0	0	0	0	0	0
Net income before minorities	49	82	30	46	-5	43	50
Minority interest	0	0	0	0	0	0	0
Net income	49	82	30	46	-5	43	50
<i>Margin</i>	63.6 %	72.6 %	49.5 %	59.9 %	-21.2 %	55.4 %	58.0 %
Number of shares, average	14	15	15	15	15	15	15
EPS	3.60	5.45	1.97	3.05	-0.36	2.87	3.31
EPS adj.	3.60	5.45	1.97	3.05	-0.36	2.87	3.31

*Adjustments made for:

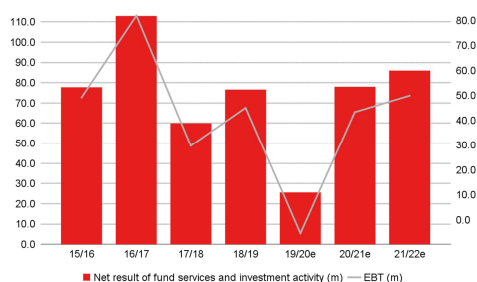
Guidance: Net income in the range of EUR -5 to -25m

Financial Ratios

	2015/16	2016/17	2017/18	2018/19	2019/20e	2020/21e	2021/22e
EBITDA / Interest expenses	84.9 x	148.2 x	42.9 x	57.4 x	n.m.	48.4 x	55.8 x
Tax rate (EBT)	-0.3 %	0.0 %	0.1 %	-1.5 %	-0.4 %	0.1 %	0.0 %
Dividend Payout Ratio	33.3 %	25.7 %	73.4 %	49.3 %	n.m.	52.2 %	45.2 %

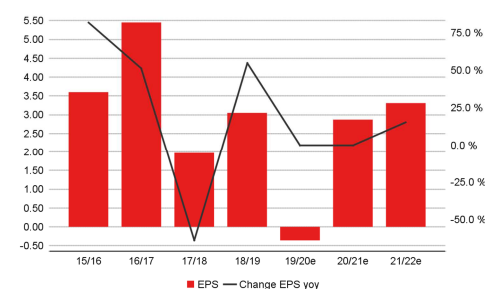
Net result fund services & investments

in EUR m



Source: Warburg Research

Performance per Share



Source: Warburg Research

Consolidated balance sheet

In EUR m	2015/16	2016/17	2017/18	2018/19	2019/20e	2020/21e	2021/22e
Assets							
Goodwill and other intangible assets	1	1	0	0	1	1	1
thereof other intangible assets	0	0	0	0	0	0	0
thereof Goodwill	0	0	0	0	0	0	0
Property, plant and equipment	1	1	1	1	6	6	7
Financial assets	330	277	374	386	380	413	449
Other long-term assets	0	1	0	0	0	0	0
Fixed assets	332	280	376	387	386	420	456
Inventories	0	0	0	0	0	0	0
Accounts receivable	0	0	0	0	0	0	0
Liquid assets	57	128	64	69	20	16	16
Other short-term assets	15	46	42	35	58	58	58
Current assets	73	174	106	104	78	74	74
Total Assets	405	454	481	492	464	495	530
Liabilities and shareholders' equity							
Subscribed capital	53	53	53	53	53	53	53
Capital reserve	174	174	174	174	174	174	174
Retained earnings	32	-5	-6	-14	-42	-10	17
Other equity components	111	206	223	247	247	247	247
Shareholders' equity	370	428	444	460	432	464	491
Minority interest	0	0	0	0	0	0	0
Total equity	370	428	444	460	432	464	491
Provisions	32	25	21	30	25	28	30
thereof provisions for pensions and similar obligations	16	11	12	20	20	22	23
Financial liabilities (total)	0	0	0	0	0	0	5
thereof short-term financial liabilities	0	0	0	0	0	0	5
Accounts payable	0	0	0	0	0	0	0
Other liabilities	2	1	16	1	7	3	3
Liabilities	35	26	37	31	32	30	38
Total liabilities and shareholders' equity	405	454	481	492	464	495	530

Financial Ratios

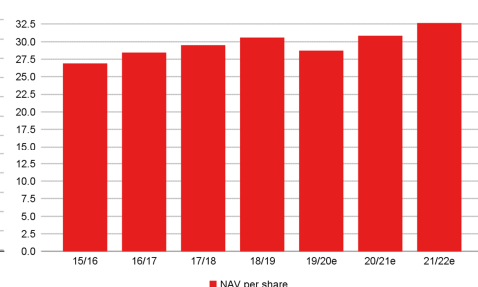
	2015/16	2016/17	2017/18	2018/19	2019/20e	2020/21e	2021/22e
Efficiency of Capital Employment							
ROA	14.9 %	29.3 %	7.9 %	11.8 %	-1.4 %	10.3 %	10.9 %
Return on Capital							
NAV per share	26.91	28.45	29.50	30.59	28.73	30.85	32.66
Return on NAV	27.2 %	10.6 %	9.1 %	9.0 %	-1.2 %	10.3 %	11.3 %
ROCE (NOPAT)	16.4 %	25.8 %	8.5 %	11.3 %	n.a.	9.7 %	10.3 %
ROE	14.7 %	20.6 %	6.8 %	10.1 %	-1.2 %	9.6 %	10.4 %
Adj. ROE	14.7 %	20.6 %	6.8 %	10.1 %	-1.2 %	9.6 %	10.4 %
Balance sheet quality							
Net Debt	-42	-117	-51	-50	0	5	12
Net Financial Debt	-57	-128	-64	-69	-20	-16	-11
Net Gearing	-11.3 %	-27.3 %	-11.6 %	-10.8 %	0.0 %	1.1 %	2.4 %
Net Fin. Debt / EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Book Value / Share	26.9	28.4	29.5	30.6	28.7	30.8	32.7
Book value per share ex intangibles	26.8	28.4	29.5	30.6	28.7	30.8	32.6

Return on NAV Development



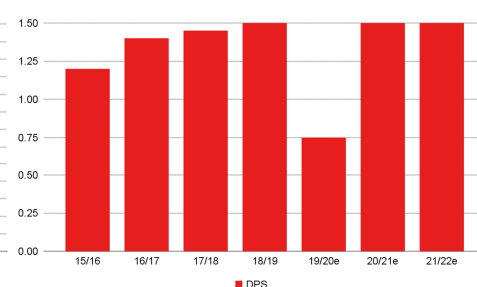
Source: Warburg Research

NAV per share Development in EUR m



Source: Warburg Research

Dividend per Share in EUR



Source: Warburg Research

Consolidated cash flow statement

In EUR m	2015/16	2016/17	2017/18	2018/19	2019/20e	2020/21e	2021/22e
Net income	49	82	30	46	-5	43	50
Depreciation of fixed assets	0	0	0	0	0	0	0
Amortisation of goodwill	0	0	0	0	0	0	0
Amortisation of intangible assets	0	0	0	0	0	0	0
Increase/decrease in long-term provisions	10	-8	1	7	0	2	1
Other non-cash income and expenses	-59	-75	-21	-66	88	-37	-39
Cash Flow before NWC change	0	0	10	-12	83	8	12
Increase / decrease in inventory	0	0	0	0	0	0	0
Increase / decrease in accounts receivable	0	0	0	0	0	0	0
Increase / decrease in accounts payable	0	0	0	0	0	0	0
Increase / decrease in other working capital positions	0	0	0	0	-18	0	0
Increase / decrease in working capital (total)	0	0	0	0	-18	0	0
Net cash provided by operating activities [1]	0	0	10	-12	65	8	12
Investments in intangible assets	0	0	0	0	0	0	0
Investments in property, plant and equipment	-1	-1	-1	-1	-5	-1	-1
Payments for acquisitions	0	0	0	0	0	0	0
Financial investments	51	104	123	8	95	100	105
Income from asset disposals	56	199	30	62	101	100	110
Net cash provided by investing activities [2]	4	95	-93	54	6	0	5
Change in financial liabilities	0	0	0	0	0	0	5
Dividends paid	-14	-18	-21	-22	-23	-11	-23
Purchase of own shares	0	0	0	0	0	0	0
Capital measures	37	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
Net cash provided by financing activities [3]	24	-18	-21	-22	-23	-11	-18
Change in liquid funds [1]+[2]+[3]	28	77	-104	20	48	-4	-1
Effects of exchange-rate changes on cash	0	0	0	0	0	0	0
Cash and cash equivalent at end of period	57	128	24	44	92	11	11

Financial Ratios

	2015/16	2016/17	2017/18	2018/19	2019/20e	2020/21e	2021/22e
Cash Flow							
FCF	-1	-1	10	-12	65	8	12
Interest Received / Avg. Cash	0.2 %	0.2 %	0.4 %	1.4 %	1.3 %	3.0 %	3.8 %
Interest Paid / Avg. Debt	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	36.0 %

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Company	Disclosure	Link to the historical price targets and rating changes (last 12 months)
Deutsche Beteiligungs AG	3, 5	http://www.mmwarburg.com/disclaimer/disclaimer_en/DE000A1TNUT7.htm

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-B-	Buy:	The price of the analysed financial instrument is expected to rise over the next 12 months.
-H-	Hold:	The price of the analysed financial instrument is expected to remain mostly flat over the next 12 months.
-S-	Sell:	The price of the analysed financial instrument is expected to fall over the next 12 months.
“-“	Rating suspended:	The available information currently does not permit an evaluation of the company.

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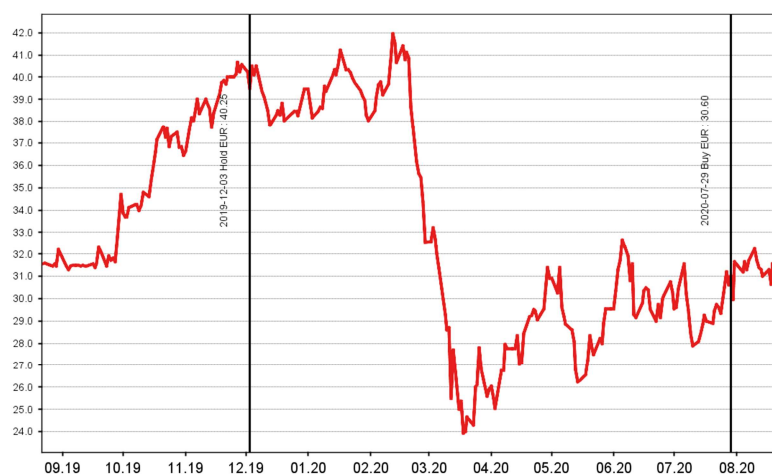
Rating	Number of stocks	% of Universe
Buy	132	65
Hold	56	27
Sell	11	5
Rating suspended	5	2
Total	204	100

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING ...

... taking into account only those companies which were provided with major investment services in the last twelve months.

Rating	Number of stocks	% of Universe
Buy	35	88
Hold	3	8
Sell	0	0
Rating suspended	2	5
Total	40	100

PRICE AND RATING HISTORY DEUTSCHE BETEILIGUNGS AG AS OF 21.08.2020



Markings in the chart show rating changes by Warburg Research GmbH in the last 12 months. Every marking details the date and closing price on the day of the rating change.

EQUITIES

Matthias Rode +49 40 3282-2678
Head of Equities mrode@mmwarburg.com

RESEARCH

Michael Heider +49 40 309537-280
Head of Research mheider@warburg-research.com

Henner Rüschemeyer +49 40 309537-270
Head of Research hrueschmeier@warburg-research.com

Stefan Augustin +49 40 309537-168
Cap. Goods, Engineering saugustin@warburg-research.com

Jan Bauer +49 40 309537-155
Renewables jbauer@warburg-research.com

Jonas Blum +49 40 309537-240
Telco, Construction jblum@warburg-research.com

Christian Cohrs +49 40 309537-175
Industrials & Transportation ccohrs@warburg-research.com

Felix Ellmann +49 40 309537-120
Software, IT fellmann@warburg-research.com

Jörg Philipp Frey +49 40 309537-258
Retail, Consumer Goods jfrey@warburg-research.com

Marius Fuhrberg +49 40 309537-185
Financial Services mfuhrberg@warburg-research.com

Mustafa Hidir +49 40 309537-230
Automobiles, Car Suppliers mhidir@warburg-research.com

Ulrich Huwald +49 40 309537-255
Health Care, Pharma uhuwald@warburg-research.com

Philipp Kaiser +49 40 309537-260
Real Estate pkaiser@warburg-research.com

Thilo Kleibauer +49 40 309537-257
Retail, Consumer Goods tkleibauer@warburg-research.com

Eggert Kuls +49 40 309537-256
Engineering ekuls@warburg-research.com

Andreas Pläsier +49 40 309537-246
Banks, Financial Services aplaesier@warburg-research.com

Malte Schaumann +49 40 309537-170
Technology mschaumann@warburg-research.com

Patrick Schmidt +49 40 309537-125
Leisure, Internet pschmidt@warburg-research.com

Oliver Schwarz +49 40 309537-250
Chemicals, Agriculture oschwarz@warburg-research.com

Simon Stippig +49 40 309537-265
Real Estate sstippig@warburg-research.com

Cansu Tatar +49 40 309537-248
Cap. Goods, Engineering ctatar@warburg-research.com

Marc-René Tonn +49 40 309537-259
Automobiles, Car Suppliers mtonn@warburg-research.com

Robert-Jan van der Horst +49 40 309537-290
Technology rvanderhorst@warburg-research.com

Andreas Wolf +49 40 309537-140
Software, IT awolf@warburg-research.com

INSTITUTIONAL EQUITY SALES

Marc Niemann +49 40 3282-2660
Head of Equity Sales, Germany mniemann@mmwarburg.com

Klaus Schilling +49 40 3282-2664
Head of Equity Sales, Germany kschilling@mmwarburg.com

Tim Beckmann +49 40 3282-2665
United Kingdom tbeckmann@mmwarburg.com

Lyubka Bogdanova +49 69 5050-7411
Ireland, Poland, Australia lbogdanova@mmwarburg.com

Jens Buchmüller +49 69 5050-7415
Scandinavia, Austria jbuchmueller@mmwarburg.com

Alexander Eschweiler +49 40 3282-2669
Germany, Luxembourg aeschweiler@mmwarburg.com

Matthias Fritsch +49 40 3282-2696
United Kingdom mfritsch@mmwarburg.com

Tobias Hald +49 40 3282-2695
United Kingdom thald@mmwarburg.com

Maximilian Martin +49 69 5050-7413
Austria, Poland mmartin@mmwarburg.com

Christopher Seedorf +49 69 5050-7414
Switzerland cseedorf@mmwarburg.com

Sophie Hauer +49 69 5050-7417
Roadshow/Marketing shauer@mmwarburg.com

Juliane Niemann +49 40 3282-2694
Roadshow/Marketing jniemann@mmwarburg.com

SALES TRADING

Oliver Merckel +49 40 3282-2634
Head of Sales Trading omerckel@mmwarburg.com

Elyaz Dust +49 40 3282-2702
Sales Trading edust@mmwarburg.com

Michael Ilgenstein +49 40 3282-2700
Sales Trading milgenstein@mmwarburg.com

Marcel Magiera +49 40 3282-2662
Sales Trading mmagiera@mmwarburg.com

Bastian Quast +49 40 3282-2701
Sales Trading bquast@mmwarburg.com

Jörg Treptow +49 40 3282-2658
Sales Trading jtreptow@mmwarburg.com

MACRO RESEARCH

Carsten Klude +49 40 3282-2572
Macro Research cklude@mmwarburg.com

Dr. Christian Jasperneite +49 40 3282-2439
Investment Strategy cjasperneite@mmwarburg.com

Our research can be found under:

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For access please contact:

Andrea Schaper +49 40 3282-2632
Sales Assistance aschaper@mmwarburg.com

Kerstin Muthig +49 40 3282-2703
Sales Assistance kmuthig@mmwarburg.com