

Buy EUR 41.30 (EUR 40.60) Price EUR 32.70 Upside 26.3 %	Value Indicators: EUR SotP 21e: 41.33	Warburg ESG Risk Score: 2.5 ESG Score (MSCI based): 4.0 Balance Sheet Score: 2.5 Market Liquidity Score: 1.0	Description: Private equity both as an advisor and as a co-investor focused on the German Mittelstand
	Market Snapshot: EUR m Market cap: 492 No. of shares (m): 15 EV: 503 Freefloat MC: 336 Ø Trad. Vol. (30d): 238.81 th	Shareholders: Freefloat 68.3 % Rossmann Beteiligungs GmbH 25.0 % Taiko SA 6.7 %	Key Figures (WRe): 2020/21e Beta: 1.0 Price / Book: 1.1 x Equity Ratio: 87 % Net Fin. Debt / EBITDA: 0.4 x Net Debt / EBITDA: 0.9 x

Aiming for strong earnings growth in 2022 and 2023

EUR m	Q4 19/20	Q4 19/20e	Q4 18/19	yoy	FY 19/20	FY 19/20e	FY 18/19	yoy
Net result of investment activity	8,4	21,5	32,7	-74,2%	-16,9	-3,8	49,6	-134,0%
Fee income of fund management and advisory services	8,9	9,0	6,6	34,2%	29,3	29,4	27,0	8,7%
(1) + (2)	17,3	30,5	39,4	-55,9%	12,4	25,6	76,6	-83,8%
Net income	7,8	19,2	33,2	-76,5%	-16,8	-5,4	45,9	-136,6%
EPS	0,53	1,28	2,21	-76,0%	-1,11	-0,36	3,05	-136,4%

Q4 and FY 2019/20 (30.9.) figures released by DBAG were somewhat lower than our expectations but in the middle of the company's guidance range (net result EUR -5m to -25m).

The FY net loss of EUR 16.8m was explained by to the negative impact of the pandemic on the operating development of industrial companies in the portfolio. In contrast, holdings in broadband communication and software were only marginally affected, if at all.

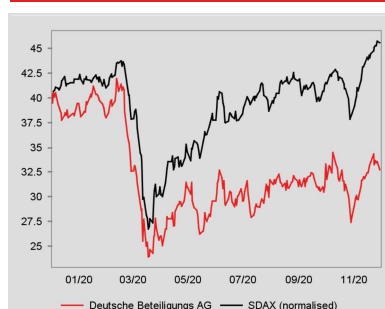
Overall, the net result of investment activity declined by EUR 66.5m to EUR -16.9m while fee income of fund management and advisory services improved by almost 10%, as expected, driven by the creation of a new private equity fund in the final quarter of the business year.

FY 2019/20 saw a decline of 5.8% in net asset value of private equity investments to EUR 422m, adjusted for dividend payments. While higher peer group multiples overall led to a positive valuation impact of EUR 57.4m, the operating development of portfolio companies, which was weakened by the pandemic, burdened the result by EUR 58.3m.

Despite the COVID-related uncertainties, investments amounted to EUR 96.8m (compared to an average of EUR 72m over the last five years). To avail of current opportunities in the market, DBAG will increase investment further and has guided for EUR 120m annually until fiscal 2022/23. In this context, we can imagine that the company will sooner or later ask for fresh equity. Authorised capital amounts to 25% of current share capital and expires in 2022. However, we do not believe that it is necessary to use the full amount of authorised capital. A 10%

continued on next page

Changes in Estimates:					Comment on Changes:	
FY End: 30.9. in EUR m	2020/21e (old)	+ / -	2021/22e (old)	+ / -	<ul style="list-style-type: none"> Estimate for 2020/21 net income has remained virtually unchanged. Dividend expectation however has been reduced to EUR 1.10 as the company has cautiously guided for EUR 1.00 – 1.20. In our view this could be seen in connection with higher investments in order to use current opportunities. Estimate for 2021/22 has been raised as we now assume that value creation from maturing portfolio will pay off earlier. 	
Net income	43	0.1 %	50	14.1 %		
EPS	2.87	0.0 %	3.31	14.2 %		
DPS	1.50	-26.7 %	1.50	-20.0 %		



Rel. Performance vs SDAX:	
1 month:	-1.7 %
6 months:	-9.8 %
Year to date:	-25.8 %
Trailing 12 months:	-31.2 %

Company events:	
10.02.21	Q1
25.02.21	AGM
12.05.21	Q2
09.08.21	Q3

FY End: 30.9. in EUR m	CAGR (19/20-21/22e)	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21e	2021/22e
Net result of fund services and investment activity	173.4 %	78	113	60	77	12	78	93
Net result investment activity		59	86	31	50	-17	35	55
Fee income fund services		18	27	29	27	29	43	38
EBIT	-	50	82	30	45	-15	44	57
EBT	-	49	82	30	45	-16	43	57
Net income	-	49	82	30	46	-17	43	57
EPS	-	3.60	5.45	1.97	3.05	-1.11	2.87	3.78
DPS	22.5 %	1.20	1.40	1.45	1.50	0.80	1.10	1.20
Dividend Yield		4.3 %	3.8 %	3.6 %	4.4 %	2.4 %	3.4 %	3.7 %
NAV per share		26.91	28.45	29.50	30.59	28.15	30.23	32.91
Return on NAV		27.2 %	10.6 %	9.1 %	9.0 %	-3.2 %	10.5 %	13.0 %
P / E		7.7 x	6.8 x	20.4 x	11.1 x	n.a.	11.4 x	8.7 x
Net Debt		-42	-117	-51	-50	11	37	11
ROE		14.7 %	20.6 %	6.8 %	10.1 %	-3.8 %	9.8 %	12.0 %
ROCE (NOPAT)		16.4 %	25.8 %	8.5 %	11.3 %	n.a.	9.4 %	11.5 %
Guidance:	Net income in the range of EUR 40 to 45m							

increase in share capital could raise gross fresh equity of ~EUR 45m based on the current share price.

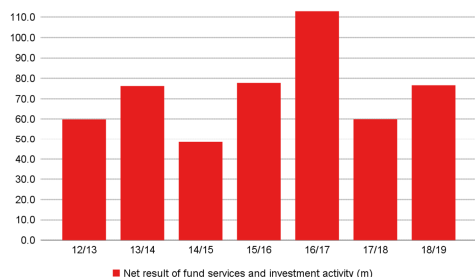
For the new business year 2020/21 DBAG has guided for a net result of EUR 40–45m, in line with our expectation of EUR 43m. As always, the guidance does not include any impact from the portfolio valuation in connection with peer group multiples based on the stock market valuation. However, this can have a significant impact on the results. Management pointed out during a conference call that assumptions for the current year are rather cautious given pandemic-related uncertainty which is likely to burden the current Q1 at least (October to December 2020) but probably Q2 too.

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 raises AuM to almost EUR 2.6bn, however AuM will fall to probably EUR 2.0 to 2.1bn by 2023 as older private equity funds expire. Start of the investment period was 1 August 2020. DBAG's net asset value should benefit from higher co-investments in the medium term (given 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 aims to raise NAV to EUR 590–660m by the end of FY 2022/23, up from EUR 422m at the end of September 2020. This means annual NAV growth of 14–19% over the next three years which compares to 13% CAGR between 2014 and 2019 and a 5.8% decline in FY 2019/20 as mentioned above. The company intends to generate net result of between EUR 95–110m, which corresponds to EPS of EUR 6.30–7.30 per share based on the current share capital or EUR 5.75 to 6.65 per share, assuming a 10% increase in share capital. The increase compared to the current fiscal year is related to the expectation of higher result of investment activity of between EUR 95 to 105m based on a maturing portfolio and probably rising earnings contribution from divestments as DBAG is also aiming for a positive cash flow from investment activity of EUR 40–45m.

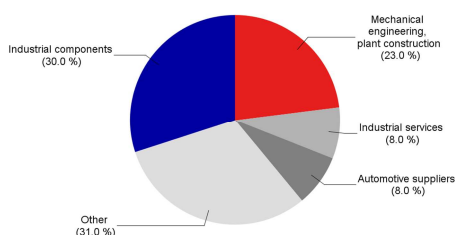
We confirm our Buy rating for DBAG shares. Price target rises from EUR 40.60 to EUR 41.30 based on the increase in estimates.

Net result fund services & investments in EUR m



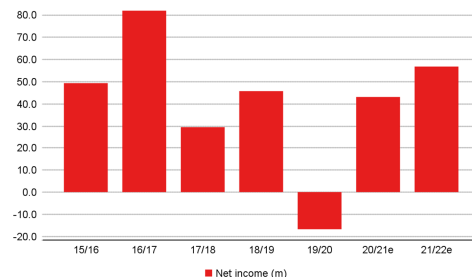
Source: Deutsche Beteiligungs AG, Warburg Research

Portfolio by industry 2017/18; in %



Source: Deutsche Beteiligungs AG, Warburg Research

Net income in EUR m



Source: Deutsche Beteiligungs AG, Warburg Research

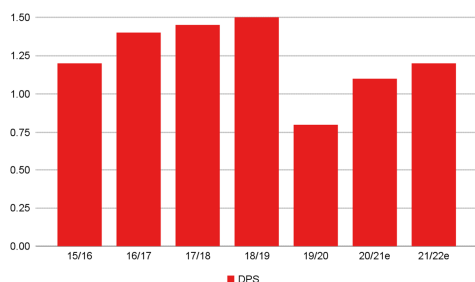
Company Background

- 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

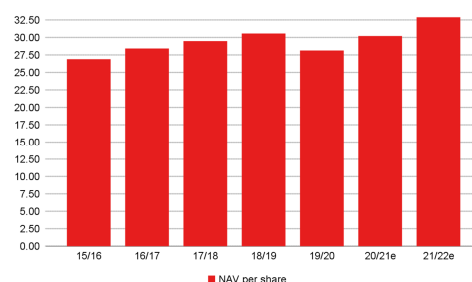
- DBAG has a tight focus on mainly direct investments in unlisted, operationally healthy German Mittelstand companies in the industrials and services sector with sales volumes of EUR 50m – 500m p.a.
- Differentiation is based on DBAG's long-standing track record. Since it was founded in 1965, DBAG has 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	2019/20	2020/21e	2021/22e
Price / Book	1.0 x	1.3 x	1.4 x	1.1 x	1.2 x	1.1 x	1.0 x
Book value per share ex intangibles	26.85	28.40	29.47	30.57	28.12	30.19	32.87
EV / Sales	4.3 x	3.9 x	9.2 x	6.0 x	40.6 x	6.8 x	5.4 x
EV / EBITDA	6.8 x	5.3 x	18.4 x	10.3 x	n.a.	12.1 x	8.8 x
EV / EBIT	6.8 x	5.3 x	18.4 x	10.3 x	n.a.	12.1 x	8.8 x
EV / EBIT adj.*	6.8 x	5.3 x	18.4 x	10.3 x	n.a.	12.1 x	8.8 x
P / FCF	n.a.	n.a.	62.1 x	n.a.	n.a.	68.5 x	26.2 x
P / E	7.7 x	6.8 x	20.4 x	11.1 x	n.a.	11.4 x	8.7 x
P / E adj.*	7.7 x	6.8 x	20.4 x	11.1 x	n.a.	11.4 x	8.7 x
Dividend Yield	4.3 %	3.8 %	3.6 %	4.4 %	2.4 %	3.4 %	3.7 %
FCF Potential Yield (on market EV)	14.8 %	18.7 %	5.4 %	9.9 %	-3.2 %	8.2 %	11.4 %

*Adjustments made for: -

Company Specific Items							
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21e	2021/22e
NAV per share	26.91	28.45	29.50	30.59	28.15	30.23	32.91
Return on NAV	27.2 %	10.6 %	9.1 %	9.0 %	-3.2 %	10.5 %	13.0 %
Net result investment activity	59	86	31	50	-17	35	55
Fee income fund services	18	27	29	27	29	43	38
Net result of fund services and investment activity	78	113	60	77	12	78	93

Consolidated profit & loss

In EUR m	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21e	2021/22e
Net result of fund services and investment activity	78	113	60	77	12	78	93
Net result investment activity	59	86	31	50	-17	35	55
Fee income fund services	18	27	29	27	29	43	38
Personnel expenses	16	21	18	21	18	23	24
Other operating income	7	5	4	6	5	6	7
Other operating expenses	19	14	16	16	14	18	18
Unfrequent items	0	0	0	0	0	0	0
EBITDA	50	82	30	45	-15	44	57
<i>Margin</i>	64.1 %	73.0 %	50.2 %	58.6 %	-123.3 %	55.9 %	61.5 %
Depreciation of fixed assets	0	0	0	0	0	0	0
EBITA	50	82	30	45	-15	44	57
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	-15	44	57
<i>Margin</i>	64.1 %	73.0 %	50.2 %	58.6 %	-123.3 %	55.9 %	61.5 %
EBIT adj.	50	82	30	45	-15	44	57
Interest income	0	0	0	1	0	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	-16	43	57
<i>Margin</i>	63.4 %	72.6 %	49.6 %	58.9 %	-126.9 %	55.4 %	61.2 %
Total taxes	0	0	0	-1	1	0	0
Net income from continuing operations	49	82	30	46	-17	43	57
Income from discontinued operations (net of tax)	0	0	0	0	0	0	0
Net income before minorities	49	82	30	46	-17	43	57
Minority interest	0	0	0	0	0	0	0
Net income	49	82	30	46	-17	43	57
<i>Margin</i>	63.6 %	72.6 %	49.5 %	59.9 %	-134.7 %	55.4 %	61.2 %
Number of shares, average	14	15	15	15	15	15	15
EPS	3.60	5.45	1.97	3.05	-1.11	2.87	3.78
EPS adj.	3.60	5.45	1.97	3.05	-1.11	2.87	3.78

*Adjustments made for:

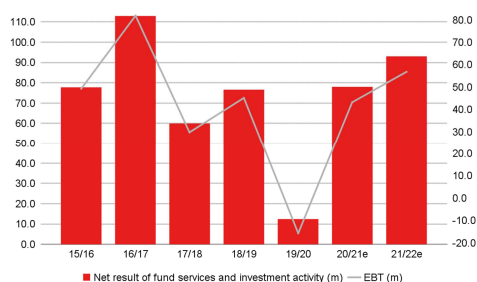
Guidance: Net income in the range of EUR 40 to 45m

Financial Ratios

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21e	2021/22e
EBITDA / Interest expenses	84.9 x	148.2 x	42.9 x	57.4 x	n.m.	48.4 x	63.6 x
Tax rate (EBT)	-0.3 %	0.0 %	0.1 %	-1.5 %	-6.1 %	0.0 %	0.0 %
Dividend Payout Ratio	33.3 %	25.7 %	73.4 %	49.3 %	n.m.	38.3 %	31.7 %

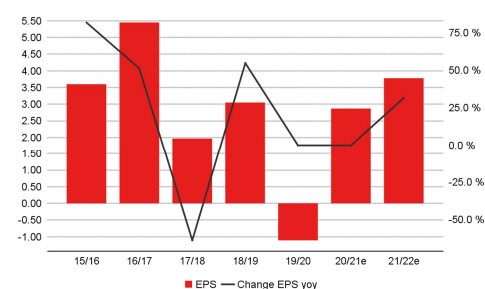
Net result fund services & investments

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	2019/20	2020/21e	2021/22e
Assets							
Goodwill and other intangible assets	1	1	0	0	0	0	0
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	5	6	6
Financial assets	330	277	374	386	392	441	454
Other long-term assets	0	1	0	0	0	0	0
Fixed assets	332	280	376	387	397	447	461
Inventories	0	0	0	0	0	0	0
Accounts receivable	0	0	0	0	0	0	0
Liquid assets	57	128	64	69	18	15	28
Other short-term assets	15	46	42	35	59	60	62
Current assets	73	174	106	104	77	75	90
Total Assets	405	454	481	492	475	522	551
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	-11	20	60
Other equity components	111	206	223	247	208	208	208
Shareholders' equity	370	428	444	460	424	455	495
Minority interest	0	0	0	0	0	0	0
Total equity	370	428	444	460	424	455	495
Provisions	32	25	21	30	26	28	30
thereof provisions for pensions and similar obligations	16	11	12	20	16	18	19
Financial liabilities (total)	0	0	0	0	13	35	20
thereof short-term financial liabilities	0	0	0	0	13	35	20
Accounts payable	0	0	0	0	0	0	0
Other liabilities	2	1	16	1	12	5	6
Liabilities	35	26	37	31	51	68	56
Total liabilities and shareholders' equity	405	454	481	492	475	522	551

Financial Ratios

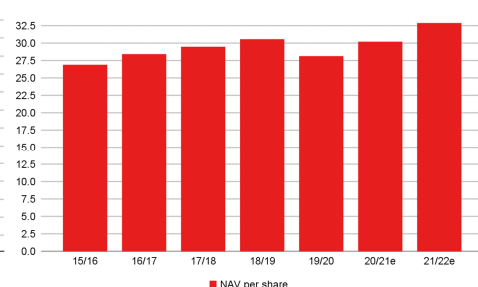
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21e	2021/22e
Efficiency of Capital Employment							
ROA	14.9 %	29.3 %	7.9 %	11.8 %	-4.2 %	9.7 %	12.3 %
Return on Capital							
NAV per share	26.91	28.45	29.50	30.59	28.15	30.23	32.91
Return on NAV	27.2 %	10.6 %	9.1 %	9.0 %	-3.2 %	10.5 %	13.0 %
ROCE (NOPAT)	16.4 %	25.8 %	8.5 %	11.3 %	n.a.	9.4 %	11.5 %
ROE	14.7 %	20.6 %	6.8 %	10.1 %	-3.8 %	9.8 %	12.0 %
Adj. ROE	14.7 %	20.6 %	6.8 %	10.1 %	-3.8 %	9.8 %	12.0 %
Balance sheet quality							
Net Debt	-42	-117	-51	-50	11	37	11
Net Financial Debt	-57	-128	-64	-69	-5	20	-8
Net Gearing	-11.3 %	-27.3 %	-11.6 %	-10.8 %	2.6 %	8.2 %	2.2 %
Net Fin. Debt / EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	44.9 %	n.a.
Book Value / Share	26.9	28.4	29.5	30.6	28.2	30.2	32.9
Book value per share ex intangibles	26.8	28.4	29.5	30.6	28.1	30.2	32.9

Return on NAV Development



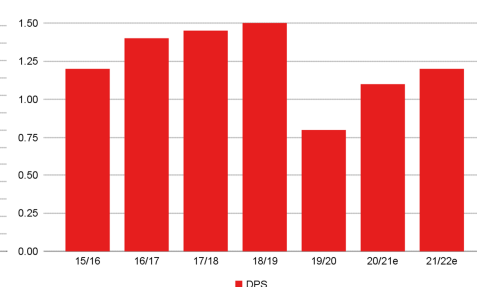
Source: Warburg Research

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	2019/20	2020/21e	2021/22e
Net income	49	82	30	46	-17	43	57
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	-3	1	1
Other non-cash income and expenses	-59	-75	-21	-66	13	-37	-39
Cash Flow before NWC change	0	0	10	-12	-7	7	19
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	0	0	0
Increase / decrease in working capital (total)	0	0	0	0	0	0	0
Net cash provided by operating activities [1]	0	0	10	-12	-7	7	19
Investments in intangible assets	0	0	0	0	0	0	0
Investments in property, plant and equipment	-1	-1	-1	-1	-1	-1	-1
Payments for acquisitions	0	0	0	0	0	0	0
Financial investments	51	104	123	8	76	120	100
Income from asset disposals	56	199	30	62	68	100	125
Net cash provided by investing activities [2]	4	95	-93	54	-8	-20	25
Change in financial liabilities	0	0	0	0	13	22	-15
Dividends paid	-14	-18	-21	-22	-23	-12	-17
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	-1	0	0
Net cash provided by financing activities [3]	24	-18	-21	-22	-10	10	-32
Change in liquid funds [1]+[2]+[3]	28	77	-104	20	-26	-3	12
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	18	15	28

Financial Ratios

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21e	2021/22e
Cash Flow							
FCF	-1	-1	10	-12	-7	7	19
Interest Received / Avg. Cash	0.2 %	0.2 %	0.4 %	1.4 %	0.8 %	3.3 %	2.8 %
Interest Paid / Avg. Debt	n.a.	n.a.	n.a.	n.a.	12.2 %	3.7 %	3.3 %

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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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Investment recommendation: expected direction of the share price development of the financial instrument up to the given price target in the opinion of the analyst who covers this financial instrument.

-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.

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING

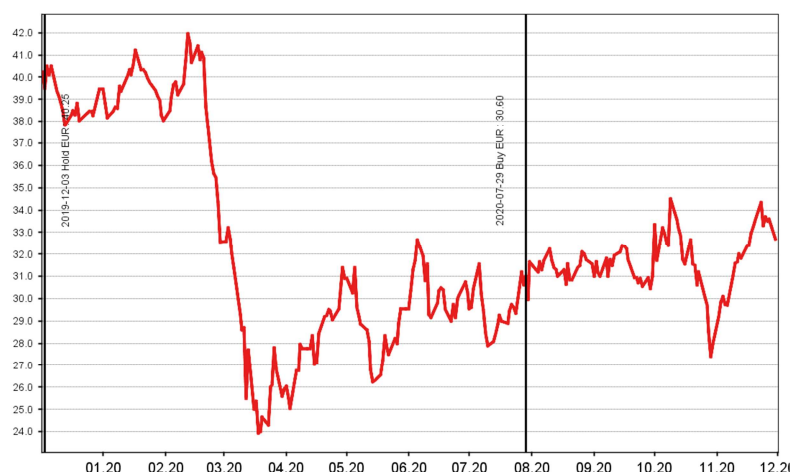
Rating	Number of stocks	% of Universe
Buy	130	64
Hold	59	29
Sell	8	4
Rating suspended	6	3
Total	203	100

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	37	84
Hold	5	11
Sell	0	0
Rating suspended	2	5
Total	44	100

PRICE AND RATING HISTORY DEUTSCHE BETEILIGUNGS AG AS OF 01.12.2020



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.

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