

Buy EUR 43.00 (EUR 41.30) Price EUR 38.35 Upside 12.1 %	Value Indicators: EUR SotP 21e: 43.00	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: 577 No. of shares (m): 15 EV: 595 Freefloat MC: 394 Ø Trad. Vol. (30d): 453.87 th	Shareholders: Freefloat 68.3 % Rossmann Beteiligungs GmbH 25.0 % Portabella Peralta 6.7 %	Key Figures (WRe): 2020/21e Beta: 1.0 Price / Book: 1.3 x Equity Ratio: 89 % Net Debt / EBITDA: 0.4 x

Creating long-term value

DBAG is the leading private equity house in Germany with a tight focus on small and mid-sized companies. Since 1997, the company has structured 57 MBOs, 32 of which have been divested at a capital multiple of 2.7x, clearly underlining its ability to create value.

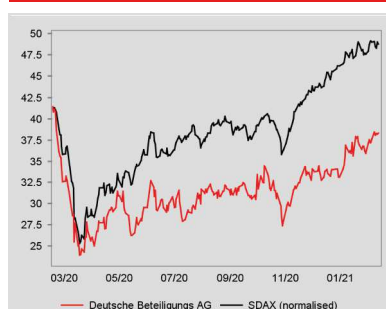
DBAG's competitive quality is based on (1) a strong track record, (2) a clear focus on the German Mittelstand (medium-sized German businesses, often family-owned) and (3) an experienced and incentivised management team. In fact, as the market leader in its niche, DBAG has created a strong brand reputation over the past decades that should be extremely hard to replicate for new entrants. This not only attracts more family-owned businesses in the small and mid-cap space, but also highly qualified employees. DBAG's investment team consists of 27 members, including 13 senior members with an average of 17 years of private equity experience. Importantly, the senior members hold interests via co-investments totalling EUR 20.5m, ensuring a strong alignment of interests with external financing partners.

Growth prospects look bright as DBAG should capitalise on its strong network and reputation in the German Mittelstand, which should fuel investment activity. At the same time, a cyclical recovery after COVID-19 should drive operating results of portfolio companies. That said, the company has announced new mid-term targets aiming for a more aggressive growth trajectory until 2023e. As net result of investment activity is expected to rise significantly to EUR 95-105m in 23e (WRe: EUR 95m), NAV is expected to rise by 15-19% p.a. to EUR 590-660m 20-23e (WRe: EUR 592m). Already in 2021e, net result of investment activity is expected to rebound strongly to EUR 32m (vs EUR -17m in 2020), which should lead to NAV growth of 7% yoy to EUR 450m in 2021e. Also, earnings from fund management are expected to be significantly above historical levels going forward (WRe: EUR 44m in 2021e vs EUR 29m in 2020), thanks to higher assets under management, which are expected to exceed EUR 2.0bn from 2021e onwards.

DBAG has navigated the COVID-19 pandemic relatively well. While deal activity has generally been burdened during the COVID crisis, DBAG benefitted from its leading market position and strong brand reputation, which enabled the company to execute five deals in August/September. Moreover, DBAG benefitted from its broader diversification, as deal activity in healthcare or TMT remained robust. From 2021 onwards, a potential cyclical recovery looks set to lift operating results of portfolio companies, which should support the net result of investment activity.

Our valuation is based on a sum-of-the-parts approach. NAV is derived from the expected portfolio values and other financial assets reduced by carried interest. At the same time, the long-term value of expected fund management fees is derived from a DCF approach implying a fair value of EUR 11.88, which is added to the NAV per share of EUR 30.00 FY 21. News flow should remain positive as an acceleration in deal activity and a continuation of the cyclical recovery are expected to drive growth already in the short term.

We confirm our Buy recommendation with an increased PT of EUR 43.00.

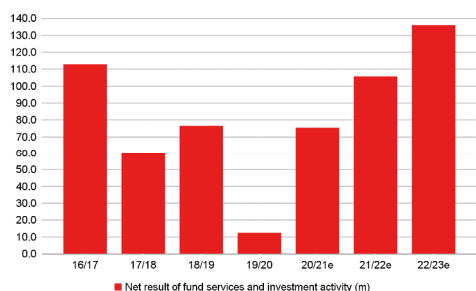


Rel. Performance vs SDAX:	
1 month:	3.9 %
6 months:	-0.6 %
Year to date:	10.2 %
Trailing 12 months:	-24.0 %

Company events:	
25.02.21	AGM
12.05.21	Q2
06.08.21	Q3

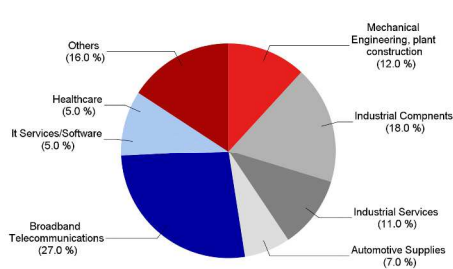
FY End: 30.9. in EUR m	CAGR (19/20-22/23e)	2016/17	2017/18	2018/19	2019/20	2020/21e	2021/22e	2022/23e
Net result of fund services and investment activity	121.9 %	113	60	77	12	76	106	136
Net result investment activity		86	31	50	-17	32	64	95
Fee income fund services		27	29	27	29	44	42	41
EBIT	-	82	30	45	-15	41	70	100
EBT	-	82	30	45	-16	41	70	100
Net income	-	82	30	46	-17	41	70	100
EPS	-	5.45	1.97	3.05	-1.12	2.71	4.63	6.64
DPS	14.5 %	1.40	1.45	1.50	0.80	1.10	1.10	1.20
Dividend Yield		3.8 %	3.6 %	4.4 %	2.4 %	2.9 %	2.9 %	3.1 %
NAV per share		28.45	29.50	30.59	28.15	30.02	35.90	39.47
Return on NAV		10.6 %	9.1 %	9.0 %	-3.2 %	6.7 %	19.6 %	9.9 %
P / E		6.8 x	20.4 x	11.1 x	n.a.	14.2 x	8.3 x	5.8 x
Net Debt		-117	-51	-50	11	18	30	-59
ROE		20.6 %	6.8 %	10.1 %	-3.8 %	9.4 %	14.6 %	17.3 %
ROCE (NOPAT)		25.8 %	8.5 %	11.3 %	n.a.	9.2 %	14.0 %	17.8 %
Guidance:	Net income in the range of EUR 40-45m							

Net result fund services & investments in EUR m



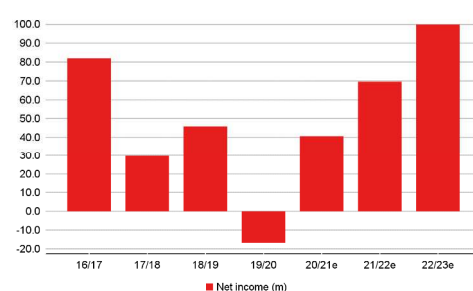
Source: Deutsche Beteiligungs AG, Warburg Research

Portfolio by industry 2019/20; in %



Source: Deutsche Beteiligungs AG, Warburg Research

Net income in EUR m



Source: Deutsche Beteiligungs AG, Warburg Research

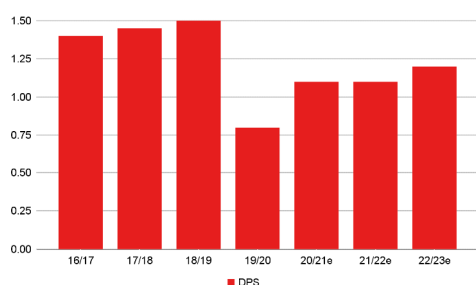
Company Background

- 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

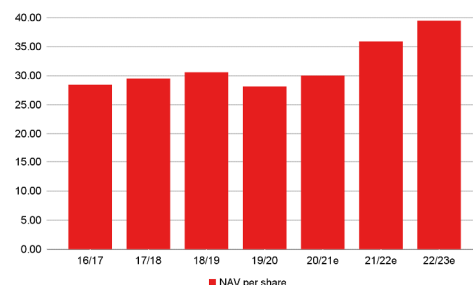
- DBAG has a tight focus on mainly direct investments in unlisted, operationally healthy German Mittelstand companies in the industrials and services sector with an enterprise value of EUR 50m – 250m p.a.
- Differentiation is based on DBAG's long-standing track record. Since it was founded in 1965, DBAG 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 10%.

Dividend per share in EUR



Source: Deutsche Beteiligungs AG, Warburg Research

Net asset value per share in EUR



Source: Deutsche Beteiligungs AG, Warburg Research

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Summary of Investment Case

Investment triggers

- Net result of investment activity should benefit from economic recovery post COVID from 2021 onwards
- Accelerating investment activity to capitalise on strong network in the German Mittelstand, resulting in investments of c. EUR 120m p.a. by 2023e outperforming the 5-year average of EUR 71m p.a.
- Rising fund management fees should continue to increase earnings visibility

Valuation

- Sum-of-the-parts valuation derives a fair value of EUR 43.00 per share
- NAV of EUR 450m expected by '21e implying EUR 30 per share
- Fund management fees are valued via DCF resulting in a fair value of EUR 11.88 per share

Growth

- DBAG is in an excellent position to participate in sound market growth in the German private equity market for mid-sized companies thanks to its strong network and reputation
- Unlike typical private equity companies, growth should not only be driven by NAV but also by rising fund management fees, which increases earnings visibility
- NAV is expected to climb by 15% p.a. to EUR 592m 20-23e, supported by cyclical economic recovery post COVID-19
- Fund management fees are expected to increase to EUR 42m p.a. by 2023e, mainly driven by higher assets under management. Potential new funds are not included in WRe.

Competitive quality

- Sound competitive quality based on strong brand reputation, excellent network in the German Mittelstand as well as high expertise
- DBAG manages and co-invests in private equity funds with a successful track record of more than 20 years
- Excellent know-how comprising 27 investment managers with broad expertise across multiple sectors

Warburg versus consensus

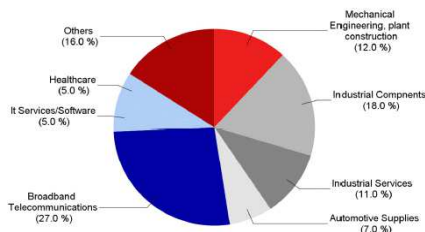
- With regard to the current fiscal year, our estimates are broadly in line with consensus expectations
- In FY 2022e, our sales and EBIT estimates are 5% and 10% above consensus, respectively, implying positive revision potential

Company Overview

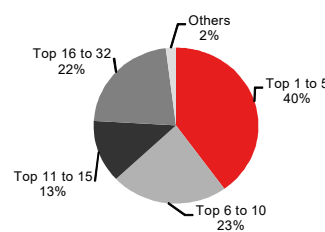


Portfolio Split by

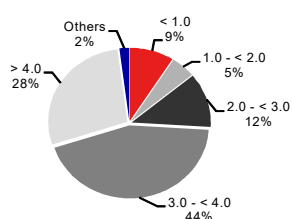
Sector



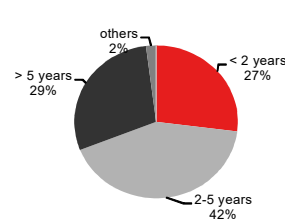
Concentration of size classes



Financial leverage



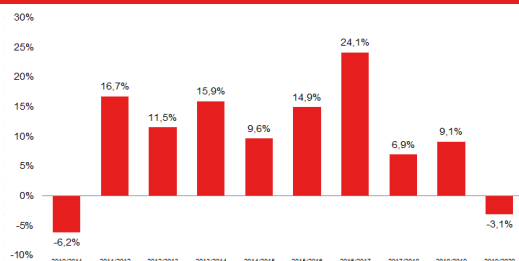
Age



Key Portfolio companies

Company	Revenue 2019 in Euro m	Sector	Equity Share DBAG	Investment in EUR m	Date of initial purchase
blikk Holding GmbH	95	Healthcare	11.0%	19.00	May 2019
BTV Multimedia GmbH	67	Broadband Telecommunicati	33.6%	8.90	August 2018
Cartonplast Holding GmbH	83	Industrial Services	16.5%	25.30	November 2019
Cloudflight GmbH	33	Software	16.8%	10	June 2019
DNS: Net GmbH	21	Broadband Telecommunicati	15.7%	25.80	September 2013
duagon AG	113	Industrial Components	21.4%	23.80	July 2017
netzkontor nord GmbH	28	Broadband Telecommunicati	35.9%	5.00	January 2018
Oechsler AG	476	Automotive Supplier	8.4%	11.20	March 2015
Pfaudler Group	281	Mechanical Engineering	17.8%	13.30	December 2014
PM Plastic Materials s.r.l.	101	Industrial Components	12.5%	10.70	September 2020
Polytech Health and Aesthetics GmbH	51	Industrial Components	15.2%	14.40	October 2016
Telio GmbH	52	Others	15.9%	14.30	April 2016
vitronet GmbH	97	Broadband Telecommunicati	41.3%	4.50	June 2017
von Poll Immobilien GmbH	104	Services	30.1%	11.70	July 2018

Track Record



Ø Average return on NAV

Ø 10 years	9.94%
Ø 15 years	12.96%

CO-Investment funds

in EUR m	Volume		Period of investment	
	total	thereof DBAG	begin	end
DBAG Fund IV	322	94	Sep. 02	Feb. 07
DBAG Fund V	539	105	Feb. 07	Feb. 13
DBAG Expansion Capital Fund (ECF)	212	100	Mai. 11	Mai. 17
DBAG ECF I (new investment period)	85	35	Jun. 17	Jun. 18
DBAG ECF II (new investment period)	96	40	Jun. 18	latest Dez 2020
DBAG Fund VI	700	133	Feb. 13	Dez. 16
DBAG Fund VII	1010	200	Dez. 16	Jul. 22
DBAG Fund VIII	1109	255	Aug. 20	latest Dez 2026

*all data as end of FY20/21

Source: DBAG, Warburg Research

Creating long-term value

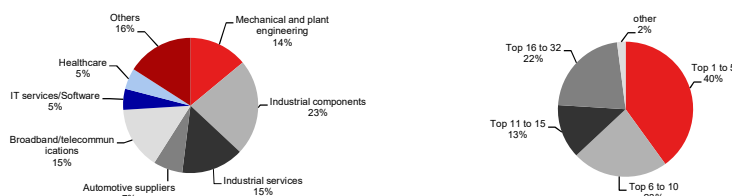
- Listed access to German private equity
- Initiation of closed-end funds and fund management
- Competitive quality is based on a sound track record, a tight focus on the German Mittelstand as well as know-how and expertise

**Excellent track record in the
German Mittelstand**

Listed access to German private equity

Established in 1965, DBAG is the most renowned private equity house in Germany. DBAG's portfolio currently comprises 32 companies and focuses on mature companies in the industrial as well as TMT and healthcare sectors. The company does not invest in early-stage or turnaround cases. Until FY'20, 32 MBOs and 14 long-term investments were realised with an average capital multiple of 2.7x (MBOs) and 3.4x (long-term investments).

Portfolio diversification



Source: DBAG, Warburg Research

Business model

DBAG initiates closed-end private equity funds that allow institutional investors to gain access to unlisted companies. DBAG acts as a fund manager and receives a management fee on the committed capital. At the same time, DBAG advises the portfolio companies on strategic and financial decisions.

The general investment period is five years, with divestments usually involving a sale to strategic buyers or secondary buy-outs, but typically not IPOs. Targets typically have an EV of EUR 50-250m and operate as innovative market leaders with a proven, often international business model. DBAG reviews approximately 200 companies per year through due diligence processes, with 3-5 transaction processes conducted per year.

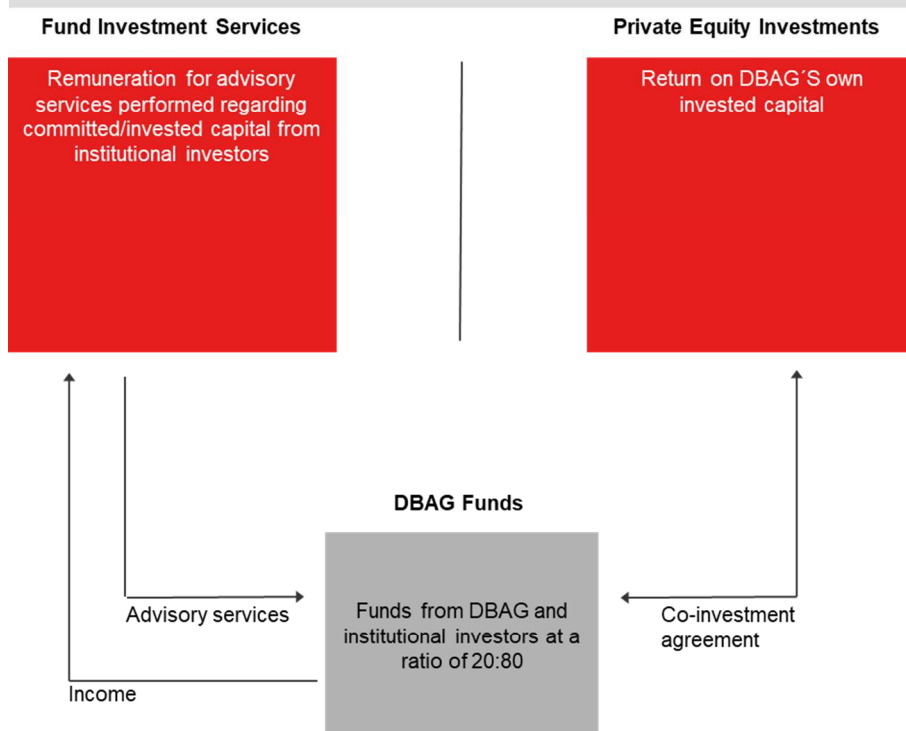
The investment team consists of 27 full-time investment managers with a strong track record in private equity.

DBAG co-invests in its funds and typically contributes 20% of AUM, with investment managers investing 1-2% of committed capital out of their own pockets (EUR 20.5m in FY'20), aligning interests between shareholders, DBAG and fund investors.

Thanks to its long-standing experience, DBAG has an excellent network in the DACH private equity market, which comprises around 9,000 companies. This should enable the company to identify attractive assets at an early stage, representing a strong competitive advantage.

At the same time, DBAG pursues long-term investments that are independent of co-investments and are financed internally with typically longer holding periods than in private equity funds. Overall, DBAG currently manages AUM of EUR 2.6bn (+51% yoy), of which EUR 2.0bn is capital from external investors.

Business model



Source: DBAG, Warburg Research

Fund overview

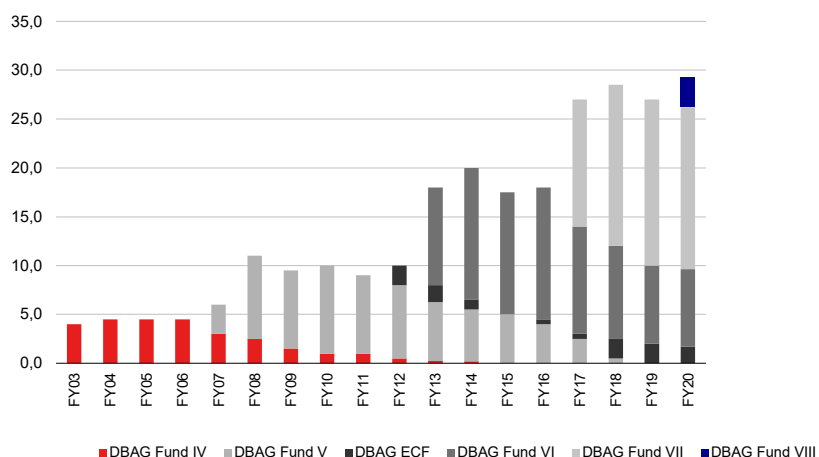
The current fund structure mainly consists of DBAG Fund VI and VII as well as the newly initiated DBAG Fund VIII. DBAG Fund VI was set up in 2013 and invested until the end of 2016. Major investments include, for instance, Pfaudler, Gienanth and Polytech. DBAG Fund VII was initiated in December 2016 and will invest until July 2022. Since its inception, the fund has executed nine MBOs. The fund has a size of roughly EUR 1.0bn and includes blickk, cloudflight and duagon. Lastly, DBAG Fund VIII started its investment period in August 2020 and is DBAG's largest fund to date with a volume of EUR 1.1bn and a 23% co-investment share of EUR 255m. So far, the fund has structured three MBOs and deal activity looks set to remain strong in the coming years.

Overview of DBAG funds

Fund	Managed by	Target	Start of investment period	End of investment period	Size	Thereof DBAG	Share of DBAG's co-investment
DBAG Fund IV (in liquidation)	Managed by DBG New Fund Management	Buyouts	September 2002	February 2007	EUR 322m	EUR 94m	29,0%
DBAG Fund V	Managed by DBG Managing Partner	Buyouts	February 2007	February 2013	EUR 539m	EUR 105m	19,0%
DBAG Expansion Capital Fund (ECF)	Managed by DBG Managing Partner	Growth financing	May 2011	May 2017	EUR 212m	EUR 100m	47,0%
DBAG ECF first new investment period ("DBAG ECF II")	Managed by DBG Managing Partner	Growth financing and small buyouts	June 2017	June 2018	EUR 85m	EUR 35m	41,0%
DBAG ECF second new investment period ("DBAG ECF II")	Managed by DBG Managing Partner	Growth financing and small buyouts	June 2018	December 2020 (at the latest)	EUR 96m	EUR 40m	41,0%
DBAG Fund VI	Advised by DBG Advising	Buyouts	February 2013	December 2016	EUR 700m	EUR 133m	19,0%
DBAG Fund VII	Advised by DBG Advising	Buyouts	December 2016	July 2022	EUR 1,010m	EUR 200m	20,0%
DBAG Fund VIII	Advised by DBG Advising	Buyouts	August 2020	December 2026 (at the latest)	EUR 1,109m	EUR 255m	23%

Source: DBAG, Warburg Research

DBAG fee income by fund (EURm)



Source: DBAG, Warburg Research

Diversification has increased over the last decade

DBAG operates a diversified portfolio in the industrial, TMT and healthcare sectors. Diversification has increased substantially over the last decade, driven by a deliberate focus on investments in growth sectors. While the number of companies increased from 16 to 32 from 2012 to 2020, the share of industrial companies decreased from 89% to 48%. However, the share of growth companies increased to 25% in 2020. This had a positive effect during the COVID-19 crisis, while at the same time supporting portfolio valuations, as industrial companies are valued on average at 0.9x acquisition cost, while growth companies are valued at 1.6x acquisition cost (as of FY'20).

Portfolio diversification 2012-2019

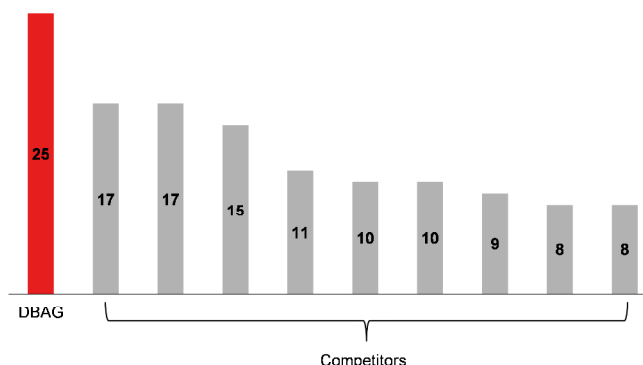


Source: DBAG, Warburg Research

Sound competitive quality mirrored in a market-leading position

As the market leader in the German market for private equity investments, DBAG boasts sound competitive quality based on a solid track record, a strong reputation, a focus on the German Mittelstand and a capable management team. This is reflected in the company's leading market position in Germany: In the past ten years, DBAG executed 25 out of a total of 345 MBOs in Germany, implying a market share of 7% in a highly fragmented market.

Number of transactions since 2011 reflects market-leading position



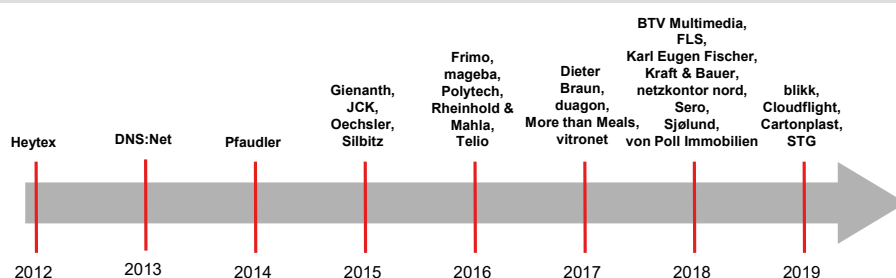
Source: DBAG, Warburg Research

1) Sound track record

DBAG has built a solid track record over the past decades. In fact, the company has executed 59 MBOs since 1997. As a result, NAV increased by an average CAGR of 13.5% from 2014 to EUR 472m in FY19 (pre-COVID-19). DBAG has achieved strong returns on investment with a 2.7x capital multiple on MBOs and 3.4x on long-term investments.

The company thus holds the leading position in the German private equity market with a focus on mid-sized companies and has gained a strong reputation among investors and family-owned companies as a result.

Investments 2012-2019

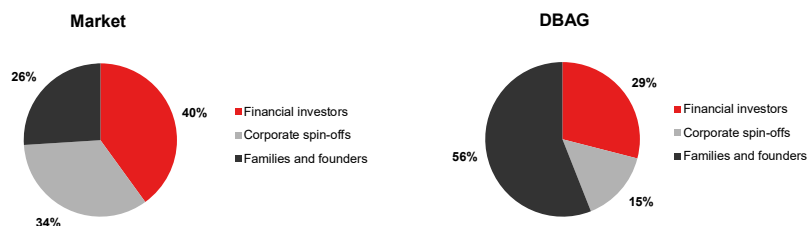


Source: DBAG, Warburg Research

2) Focus on German Mittelstand

DBAG's success should have been driven by its focus on the German Mittelstand with its 9,000 mostly family-owned companies. DBAG has prime access to this attractive niche market, as reflected in the chart below. While family-owned businesses accounted for 26% of German MBO transactions in 2010, DBAG's share stood at 56% in 2019.

Sellers of German medium-sized MBOs



Source: DBAG, Warburg Research

With this leading market position and strong brand reputation in the segment, DBAG should be in an excellent position to capitalise on the increasing willingness of the new generation of German founders to collaborate with private equity, especially in the technology sector. While 26% of family businesses and founders were open to private equity solutions in 2010, the share strongly increased to 69% in 2019. This suggests that a new generation of founders, e.g. in their 50s, with a higher willingness to sell their business to private equity has emerged.

3) Experienced and incentivised management team

DBAG has a highly experienced investment team with a broad expertise in private equity. It consists of 27 members, including 13 senior members with an average of 17 years of private equity experience. On average, team members have been with DBAG for 10 years. This core is supported by a network of around 80 people from industry partners and senior advisers who support DBAG in deal sourcing and chairing portfolio companies' supervisory boards.

The incentive scheme is considered strong as DBAG's senior team members hold interests through co-investments worth EUR 20.5m. Moreover, team members are incentivised through carried interest, i.e. they receive a portion of the excess profit generated by DBAG's co-investments, thus fully aligning their interests with those of the investors.

Importantly, the company specifically hires people who know the German market and are familiar with a variety of business models, rather than sector specialists. The size of the team has increased by 24% yoy, with two additional senior hires in the recent past.

Growth / Financials

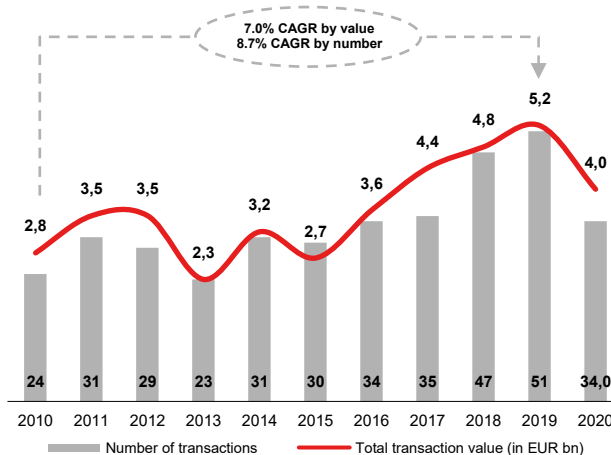
- Market growth in Germany driven by low-interest rate environment and large Mittelstand
- High number of mostly family-owned businesses that are potential targets for DBAG explains rising transaction volumes in Germany
- Volumes recovering well following COVID-19 shock

Attractive growth potential in German Mittelstand

Well positioned to participate in market growth

With its focus, strong brand reputation and excellent network in the German Mittelstand, DBAG has been able to participate in the solid market growth, with the value of transactions increasing at a 7% CAGR since 2010-2019 (mid-market, EV EUR 50-250m).

Number of transactions and total transaction value (Mid-market, enterprise value EUR 50-250m)



Source: DBAG, Warburg Research

While COVID-19 had a negative impact on transaction volumes in 2020, the German private equity market looks set to recover in the coming years, supported by an increasing willingness of founders to sell to private equity. Thanks to its narrow focus on mid-sized companies and its strong reputation among family-owned companies, DBAG should be in an excellent position to capitalise on this trend. DBAG is therefore targeting accelerated NAV growth of 15-19% in the medium term and aims to reach a NAV of EUR 590-660m by FY'23e.

Despite COVID-19, DBAG increased investments to EUR 97m in FY'20 (vs 5-year average of EUR 72m). In the coming years, the company looks set to accelerate its investment activity even further, targeting annual investments of EUR 120m until 2022/23.

Core assumptions:

Oldest Fund V: Last remaining portfolio company will be sold.

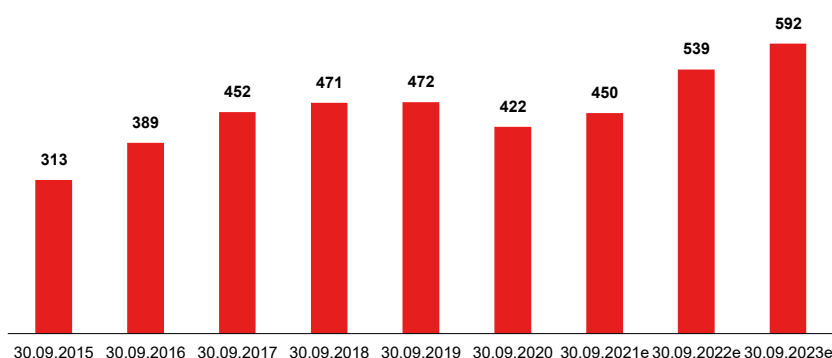
Fund VI: Flat development expected (focus on industrials, exits will be postponed)

Fund VII: Expectation of value creation in this portfolio, some of these companies will also be realised and the proceeds will be invested in Fund VIII and long-term

investments

Significant increase in gross portfolio value, partly reduced by carried interest. Amount of financial assets similar to current level.

Private equity investments: Double-digit NAV growth expected in the medium term



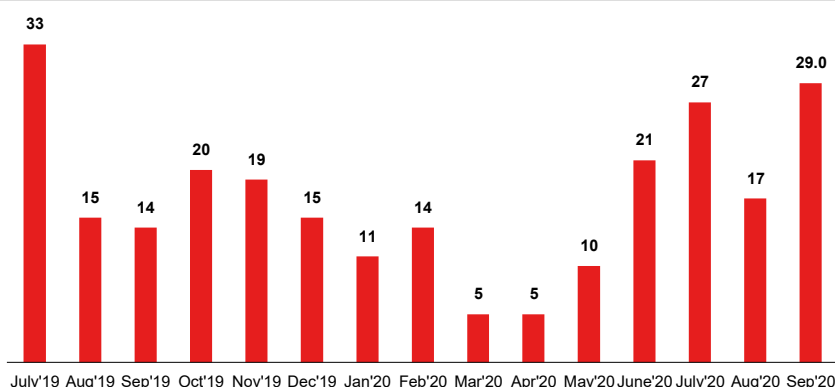
Source: DBAG, Warburg Research

COVID-19 has led to lower deal volume but recovery is well on track

While deal activity has generally been burdened during the COVID crisis, DBAG has benefitted from its leading market position and strong brand reputation, enabling the company to execute five deals in August/September.

Since Q3'20, deal activity has recovered significantly. In fact, DBAG has already announced several investments, including (1) the acquisition of a stake 12.5% in PM Plastics Materials (EUR 16m, EUR 109m sales in FY'19), (2) a minority stake in the fire protection company Multimom AG (EUR 8m for 17% stake, EUR 93m sales in FY'19) and (3) a 23% stake in congatec Holding AG, a provider of computer systems for industrial clients (EUR 23m, EUR 126m sales in FY'19).

Number of new MBO investment opportunities in DBAG's target market (July 2019 - Sep 2020)



Source: DBAG, Warburg Research

Accelerating investment activity to drive NAV growth

DBAG's profitability is generally determined by fluctuations in the company's NAV as well as asset management fees. While NAV calculations depend on peer group valuations and the underlying operating performance of the portfolio companies, which tend to be quite volatile, asset management fees have been relatively stable over the past years.

Net income decreased to EUR -16.8m in FY'20 (vs EUR 45.9m in FY'19), driven by a significant decline in net result of investment activity (EUR -16.9m vs EUR 49.8m last year) due to the negative impact of COVID-19 on the operating development of industrial companies. At the same time, fee income from fund management and advisory services increased by 9% yoy to EUR 29.3m, supported by the launch of a new private equity fund in Q4 (DBAG Fund VIII, EUR 1.1bn capital commitments, EUR 255m co-invested by DBAG).

Forecast of fund management fees

Fund management fees to increase earnings visibility

	2017	2018	2019	2020	2021e	2022e	2023e
Income from fund management fees	28,1	29,7	28,2	29,4	43,5	42,3	41,0
yoy		6%	-5%	4%	48%	-3%	-3%
Assets under management	1.806	1.831	1.704	2.583	2.420	2.250	2.100
yoy		1%	-7%	52%	-6%	-7%	-7%
Management fee	1,6%	1,6%	1,7%	1,1%	1,8%	1,9%	2,0%
Net income from fund management	4,7	5,6	3,0	9,5	15,0	12,5	10,0
margin	16,7%	18,9%	10,6%	32,3%	34,5%	29,6%	24,4%

Source: Warburg Research

Income from fund management fees is expected to increase significantly in FY2021, driven by the launch of DBAG Fund VIII in 2020 (EUR 1.1bn committed capital). As a result, AUM at group level have increased by 52% yoy to a new all-time high of EUR 2.6bn, which should lead to an increase in fund management fees going forward, further raising DBAG's earnings visibility. Our forecasts do not reflect potential launches of new funds in the coming years, explaining why AUM are expected to decrease from 2022e onwards. In fact, selected divestments of companies that have reached maturity (holding period typically 5-7 years) should lead to lower AUM and thus lower fund management fees after the sharp increase in 2020.

NAV forecast

As previously mentioned, DBAG looks set to accelerate its investment activity to EUR 120m p.a., which should result in accelerated NAV growth of up to 19% p.a. to EUR 590-660m by FY'23. The following table summarises our assumptions leading to NAV of EUR 592m in FY'23e.

The gross portfolio value at year-end is a function of investments in the respective year minus divestments in that year as well as the net result of investment activity, which is mainly determined by the change in operating activities of the portfolio companies as well as the change in the valuation multiples. Carried interest is subtracted from the gross portfolio values at year-end, resulting in the net portfolio value. The NAV estimate is then derived by adding other financial resources to the net portfolio value at year-end.

NAV forecast

NAV Forecast

Portfolio value projections

	FY 2018	FY 2019	FY 2020	FY 2021e	FY 2022e	FY 2023e
Gross portfolio value beginning of year	251.7	348.7	422.1	428.5	460.5	554.0
Investments	85.1	78.4	96.8	120.0	130.0	110.0
Proceeds from divestments	16.7	54.3	66.0	120.0	100.0	150.0
Net gains/losses on fair value of unlisted companies	29.2	49.3	-24.4	32.0	63.5	95.0

Gross portfolio value at year end	348.7	422.1	428.5	460.5	554.0	609.0
<i>Growth</i>	15.2%	21.0%	1.5%	7.5%	20.3%	9.9%
Carried interest	-27.3	-39.9	-31.0	-41.4	-49.9	-54.8
% of portfolio value	-7.8%	-9.5%	-7.2%	-9.0%	-9.0%	-9.0%
Other	-1.5	3.4	-6.8	0.0	0.0	0.0
Net portfolio value (financial assets, incl. Loans and receivable)	319.9	385.6	390.7	419.1	504.1	554.2

	FY 2018	FY 2019	FY 2020	FY 2021e	FY 2022e	FY 2023e
NAV estimate						
Net portfolio value (financial assets, incl. Loans and receivables)	318.9	385.7	390.7	419.1	504.1	554.2
Other financial assets	32.8	17.0	26.0	26.0	28.6	31.5
Financial resources	119.0	69.4	5.3	5.3	5.8	6.4
NAV	470.7	472.1	422.0	450.4	538.6	592.1
NOSH	15.0	15.0	15.0	15.0	15.0	15.0
NAV per share	31.4	31.5	28.1	30.0	35.9	39.5
<i>Growth</i>		0.3%	-10.6%	6.7%	19.6%	9.9%

Source: Warburg Research

News flow

Strong performance in Q1

Q1 results

EUR m	Q1 20/21	Q1 20/21e	Q1 19/20	yoy	FY 20/21e	FY 19/20	yoy
Net result of investment activity	23,7	24,0	0,1	n.m.	32,0	-16,9	n.m.
Fee income of fund management and advisory services	10,8	10,9	7,1	52,1%	43,5	29,3	48,5%
(1) + (2)	34,5	34,9	7,2	384,7%	75,5	12,4	508,9%
EBT	24,9	25,0	-0,2	n.m.	40,8	-15,8	n.m.
Net income	24,9	25,0	-0,2	n.m.	0,7	-16,8	n.m.
EPS	1,65	1,65	-0,01	n.m.	2,71	-1,12	n.m.

Source: Warburg Research

Last week, DBAG published strong Q1 results (ended December 31). **Net result of investment activity rose significantly to EUR 23.7m** (WRe: EUR 24m) versus EUR 0.1m in Q1'20, mainly driven by the anticipated recovery in operating results of portfolio companies (EUR 54.9m), which more than compensated for the negative effect from valuation multiples (EUR -28.8m).

At the same time, **income from fund services increased significantly by 52% yoy to EUR 10.8m** (WRe: EUR 10.9m) compared to EUR 7.1m in Q1'20, driven by an increase in assets under management on the back of the recently launched DBAG Fund VIII (EUR 1.1bn AuM).

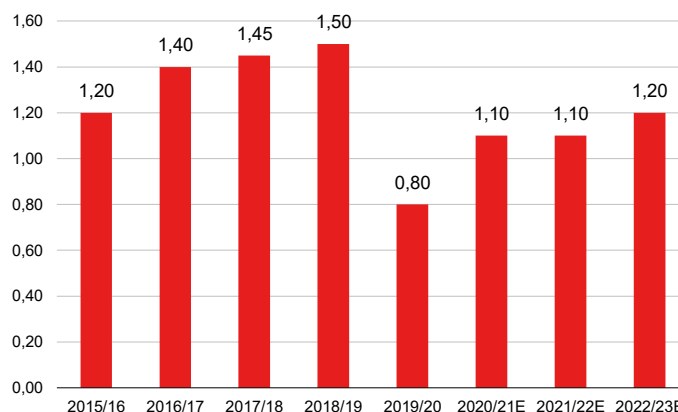
As a result of the strong development of both net result of investment activity and fee income from fund management and advisory services, **EBT jumped to EUR 24.9m** (WRe: EUR 25m vs EUR -0.2m in Q1'20), even though the expansion of the investment team led to an increase in personnel expenses.

NAV increased by 3.6% to EUR 437.3m since the reporting date (30.9.), driven by an increase in gross portfolio value (+11.6% to EUR 478m) due to a higher valuation of portfolio companies combined with a higher expectation for operating results and despite negative impact from valuation multiples. Furthermore, investments (EUR 25.5m) exceeded divestments of EUR 11.9m and changes in the fair value of portfolio companies had a positive effect of EUR 35.9, as already indicated in January.

Consequently, DBAG should be **fully on track to achieve its FY'21 guidance** of net result of investment activity of EUR 30-35m (WRe: EUR 30m) and income from fund services of EUR 42-44m (WRe: EUR 43.5m). Moreover, NAV of EUR 437m in Q1 was also well in line with the FY'21 run-rate of EUR 415-460m.

Solid dividend policy expected to continue post COVID

Shareholders are also able to participate in DBAG's successful development through a solid dividend strategy. Prior to COVID, the dividend payout continuously increased from EUR 1.20 per share in FY'15/16 to EUR 1.50 per share in FY'18/19, reflecting a dividend yield of 3-4%. While most companies slashed their dividend in FY'19/20 due to COVID-19, DBAG was able to pay out more than 50% of the previous year's dividend (EUR 0.80 per share in FY'19/20). Going forward, dividend payments are expected to increase again to EUR 1.00-1.20 (WRe: EUR 1.10-1.20), implying a dividend yield of c. 3%.

Dividend policy (EUR per share)

Source: Company, Warburg Research

Valuation

- Sum-of-the-parts valuation model yields a FV of EUR 43.00.
- Fair value suggests 13% upside potential

**Fair value suggests 13% upside
potential**

Sum-of-the-parts model suggests 13% upside potential

In our view, the sum-of-the-parts model is well suited to calculate a fair equity value for DBAG.

First, we calculate the NAV based on our forecasts above in the respective year. At the same time, the sum of cash inflows from fund management fees is valued using a DCF model, as these inflows are recurring and allow for decent forecast visibility.

NAV in 2021e is expected to amount to EUR 30 per share. Adding the DCF-based value of fund management fees of EUR 11.88 per share and adjusting for dividend payments, we arrive at a fair value of EUR 43.00 per share, implying 13% upside potential to the current share price.

Sum-of-the-parts valuation

Year	2018	2019	2020	2021e	2022e	2023e
12-month NAV	31,29	31,38	28,15	30,02	35,90	39,47
Dividend	1,45	1,5	0,8	1,10	1,10	1,20
DCF Fee	11,07	11,07	11,07	11,88	12,75	13,68
Value per share (EUR)	43,81	43,95	40,02	43,00	49,75	54,35
		472,1	423,5	451,7	540,1	593,8

Source: Warburg Research

Discount Cash Flow Model for Management Fees

DCF model – Deutsche Beteiligungs AG – Asset Management

DCF model - Deutsche Beteiligungs AG - Asset Management

Figures in EUR m	Detailed forecast period			Transitional period										Term. Value
	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	
Sales	27.0	29.3	43.5	44.8	46.1	47.5	49.0	50.4	51.7	53.0	54.3	55.4	56.5	2.0 %
Sales change	8.7 %	48.4 %	-2.9 %	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %	2.5 %	2.5 %	2.5 %	2.0 %	2.0 %	
EBIT	8.7	10.1	12.9	11.9	10.9	9.8	9.8	9.9	9.9	9.8	9.8	10.0	10.2	
EBIT-margin	32.3 %	34.5 %	29.6 %	26.6 %	23.6 %	20.6 %	20.1 %	19.6 %	19.1 %	18.6 %	18.1 %	18.1 %	18.1 %	
Tax rate (EBT)	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	
NOPAT	8.7	10.1	12.9	11.9	10.9	9.8	9.8	9.9	9.9	9.8	9.8	10.0	10.2	
Depreciation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
in % of Sales	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	
Change in provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Change in liquidity from														
- Working Capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Capex	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Capex in % of Sales	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Free Cash Flow (WACC-model)	8.7	10.1	12.9	11.9	10.9	9.8	9.8	9.9	9.9	9.8	9.8	10.0	10.2	
PV of FCF	8.3	8.9	10.6	9.1	7.8	6.5	6.1	5.7	5.3	5.0	4.6	4.4	4.2	80.1
share of PVs	16.7 %			35.2 %										48.1 %

Model parameter

Derivation of WACC:

Debt ratio	10.0 %
Cost of debt	4.0 %
Market return	7.0 %
Risk free rate	1.5 %
Risk premium	5.5 %
Cost of equity	7.7 %
WACC	7.29 %

Derivation of Beta:

Financial Strength	1.10
Liquidity	1.00
Cyclicality	1.20
Transparency	1.20
Others	1.10
Beta	1.12

Valuation (m)

Present values until 2032e	86.4	No. of shares (m)	15.0
Terminal Value	80.1		
Financial liabilities	0.0	Value per share (EUR)	11.07
Pension liabilities	0.0		
Hybrid capital	0.0	Equity Value	166.6
Minority interest	0.0		
Market val. of investments	0.0	Delta EBIT-margin	
Liquidity	0.0		
Equity Value	166.6	Terminal Growth	

Sensitivity Value per share (EUR)

Beta (WACC)	Terminal Growth							Delta EBIT-margin						
	1.25 %	1.50 %	1.75 %	2.00 %	2.25 %	2.50 %	2.75 %	-1.50 pp	-1.00 pp	-0.50 pp	0.0	0.50 pp	1.00 pp	1.50 pp
1.32 (8.3 %)	9.01	9.14	9.28	9.43	9.60	9.78	9.97	8.75	8.98	9.21	9.43	9.66	9.89	10.11
1.22 (7.8 %)	9.66	9.82	9.99	10.18	10.39	10.62	10.86	9.44	9.69	9.94	10.18	10.43	10.68	10.92
1.17 (7.5 %)	10.02	10.20	10.40	10.61	10.84	11.10	11.38	9.83	10.09	10.35	10.61	10.87	11.13	11.38
1.12 (7.3 %)	10.41	10.61	10.83	11.07	11.34	11.63	11.95	10.26	10.53	10.80	11.07	11.34	11.62	11.89
1.07 (7.0 %)	10.84	11.06	11.31	11.58	11.88	12.22	12.59	10.73	11.01	11.30	11.58	11.87	12.15	12.44
1.02 (6.8 %)	11.30	11.56	11.84	12.15	12.49	12.87	13.31	11.25	11.55	11.85	12.15	12.45	12.75	13.05
0.92 (6.3 %)	12.37	12.70	13.06	13.47	13.93	14.44	15.03	12.46	12.80	13.13	13.47	13.80	14.14	14.48

- Sales (fund management fees) are expected to jump in 2021 due to launch of DBAG Fund VIII
- EBIT margin is expected to trend towards historic average of c. 19% in '21 and '22
- Long-term assumptions look conservative with TY EBIT margin set at 15% and long-term growth of 2.0%

Source: Warburg Research

Valuation	2016/17	2017/18	2018/19	2019/20	2020/21e	2021/22e	2022/23e
Price / Book	1.3 x	1.4 x	1.1 x	1.2 x	1.3 x	1.1 x	0.9 x
Book value per share ex intangibles	28.40	29.47	30.57	28.12	29.29	33.84	42.73
EV / Sales	3.9 x	9.2 x	6.0 x	40.6 x	7.9 x	5.7 x	3.8 x
EV / EBITDA	5.3 x	18.4 x	10.3 x	n.a.	14.5 x	8.7 x	5.2 x
EV / EBIT	5.3 x	18.4 x	10.3 x	n.a.	14.5 x	8.7 x	5.2 x
EV / EBIT adj.*	5.3 x	18.4 x	10.3 x	n.a.	14.5 x	8.7 x	5.2 x
P / FCF	n.a.	62.1 x	n.a.	n.a.	80.6 x	16.7 x	8.9 x
P / E	6.8 x	20.4 x	11.1 x	n.a.	14.2 x	8.3 x	5.8 x
P / E adj.*	6.8 x	20.4 x	11.1 x	n.a.	14.2 x	8.3 x	5.8 x
Dividend Yield	3.8 %	3.6 %	4.4 %	2.4 %	2.9 %	2.9 %	3.1 %
FCF Potential Yield (on market EV)	18.7 %	5.4 %	9.9 %	-3.2 %	6.9 %	11.5 %	19.4 %
*Adjustments made for: -							

Company Specific Items	2016/17	2017/18	2018/19	2019/20	2020/21e	2021/22e	2022/23e
NAV per share	28.45	29.50	30.59	28.15	30.02	35.90	39.47
Return on NAV	10.6 %	9.1 %	9.0 %	-3.2 %	6.7 %	19.6 %	9.9 %
Net result investment activity	86	31	50	-17	32	64	95
Fee income fund services	27	29	27	29	44	42	41
Net result of fund services and investment activity	113	60	77	12	76	106	136

Consolidated profit & loss

In EUR m	2016/17	2017/18	2018/19	2019/20	2020/21e	2021/22e	2022/23e
Net result of fund services and investment activity	113	60	77	12	76	106	136
Net result investment activity	86	31	50	-17	32	64	95
Fee income fund services	27	29	27	29	44	42	41
Personnel expenses	21	18	21	18	23	24	24
Other operating income	5	4	6	5	6	7	7
Other operating expenses	14	16	16	14	18	18	18
Unfrequent items	0	0	0	0	0	0	0
EBITDA	82	30	45	-15	41	70	100
<i>Margin</i>	73.0 %	50.2 %	58.6 %	-123.3 %	54.4 %	66.1 %	73.7 %
Depreciation of fixed assets	0	0	0	0	0	0	0
EBITA	82	30	45	-15	41	70	100
Amortisation of intangible assets	0	0	0	0	0	0	0
Goodwill amortisation	0	0	0	0	0	0	0
EBIT	82	30	45	-15	41	70	100
<i>Margin</i>	73.0 %	50.2 %	58.6 %	-123.3 %	54.4 %	66.1 %	73.7 %
EBIT adj.	82	30	45	-15	41	70	100
Interest income	0	0	1	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	82	30	45	-16	41	70	100
<i>Margin</i>	72.6 %	49.6 %	58.9 %	-127.3 %	54.0 %	65.9 %	73.5 %
Total taxes	0	0	-1	1	0	0	0
Net income from continuing operations	82	30	46	-17	41	70	100
Income from discontinued operations (net of tax)	0	0	0	0	0	0	0
Net income before minorities	82	30	46	-17	41	70	100
Minority interest	0	0	0	0	0	0	0
Net income	82	30	46	-17	41	70	100
<i>Margin</i>	72.6 %	49.5 %	59.9 %	-135.1 %	53.9 %	65.8 %	73.4 %
Number of shares, average	15	15	15	15	15	15	15
EPS	5.45	1.97	3.05	-1.12	2.71	4.63	6.64
EPS adj.	5.45	1.97	3.05	-1.12	2.71	4.63	6.64

*Adjustments made for:

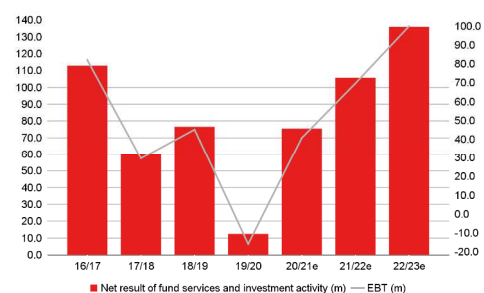
Guidance: Net income in the range of EUR 40-45m

Financial Ratios

	2016/17	2017/18	2018/19	2019/20	2020/21e	2021/22e	2022/23e
EBITDA / Interest expenses	148.2 x	42.9 x	57.4 x	n.m.	45.7 x	77.7 x	111.3 x
Tax rate (EBT)	0.0 %	0.1 %	-1.5 %	-6.1 %	0.1 %	0.0 %	0.0 %
Dividend Payout Ratio	25.7 %	73.4 %	49.3 %	n.m.	40.6 %	23.8 %	18.1 %

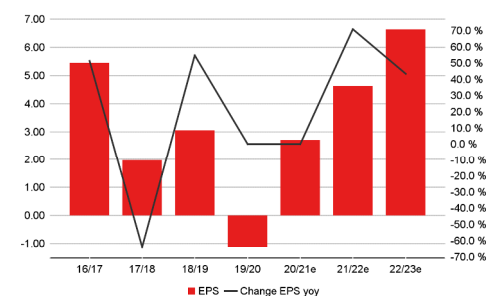
Net result fund services & investments

in EUR m



Source: Warburg Research

Performance per Share



Source: Warburg Research

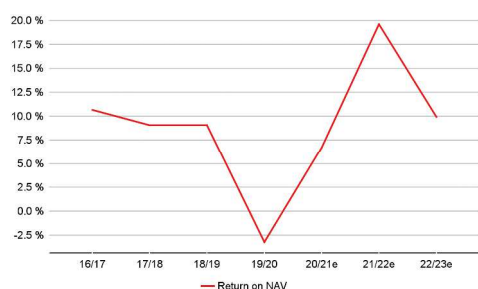
Consolidated balance sheet

In EUR m	2016/17	2017/18	2018/19	2019/20	2020/21e	2021/22e	2022/23e
Assets							
Goodwill and other intangible assets	1	0	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	5	6	6	7
Financial assets	277	374	386	391	419	504	554
Other long-term assets	1	0	0	1	0	0	0
Fixed assets	280	376	387	397	425	511	561
Inventories	0	0	0	0	0	0	0
Accounts receivable	0	0	0	0	0	0	0
Liquid assets	128	64	69	18	13	1	90
Other short-term assets	46	42	35	59	55	50	45
Current assets	174	106	104	77	68	51	135
Total Assets	454	481	492	475	494	562	696
Liabilities and shareholders' equity							
Subscribed capital	53	53	53	53	53	53	53
Capital reserve	174	174	174	174	174	174	174
Retained earnings	-5	-6	-14	-11	17	70	154
Other equity components	206	223	247	208	197	212	263
Shareholders' equity	428	444	460	424	441	510	643
Minority interest	0	0	0	0	0	0	0
Total equity	428	444	460	424	441	510	643
Provisions	25	21	30	25	27	27	27
thereof provisions for pensions and similar obligations	11	12	20	16	18	18	18
Financial liabilities (total)	0	0	0	13	13	13	13
thereof short-term financial liabilities	0	0	0	13	13	13	13
Accounts payable	0	0	0	0	0	0	0
Other liabilities	1	16	1	13	13	13	13
Liabilities	26	37	31	51	53	53	53
Total liabilities and shareholders' equity	454	481	492	475	494	562	696

Financial Ratios

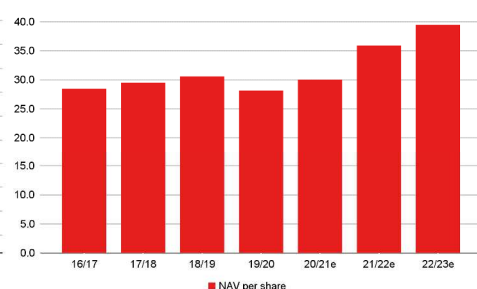
	2016/17	2017/18	2018/19	2019/20	2020/21e	2021/22e	2022/23e
Efficiency of Capital Employment							
ROA	29.3 %	7.9 %	11.8 %	-4.2 %	9.6 %	13.6 %	17.8 %
Return on Capital							
NAV per share	28.45	29.50	30.59	28.15	30.02	35.90	39.47
Return on NAV	10.6 %	9.1 %	9.0 %	-3.2 %	6.7 %	19.6 %	9.9 %
ROCE (NOPAT)	25.8 %	8.5 %	11.3 %	n.a.	9.2 %	14.0 %	17.8 %
ROE	20.6 %	6.8 %	10.1 %	-3.8 %	9.4 %	14.6 %	17.3 %
Adj. ROE	20.6 %	6.8 %	10.1 %	-3.8 %	9.4 %	14.6 %	17.3 %
Balance sheet quality							
Net Debt	-117	-51	-50	11	18	30	-59
Net Financial Debt	-128	-64	-69	-5	0	12	-77
Net Gearing	-27.3 %	-11.6 %	-10.8 %	2.6 %	4.0 %	5.8 %	-9.1 %
Net Fin. Debt / EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	16.7 %	n.a.
Book Value / Share	28.4	29.5	30.6	28.2	29.3	33.9	42.8
Book value per share ex intangibles	28.4	29.5	30.6	28.1	29.3	33.8	42.7

Return on NAV Development



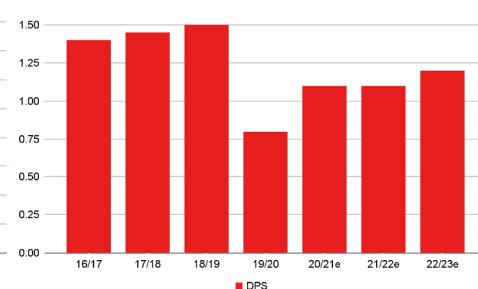
Source: Warburg Research

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	2016/17	2017/18	2018/19	2019/20	2020/21e	2021/22e	2022/23e
Net income	82	30	46	-17	41	70	100
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	-8	1	7	-3	2	0	0
Other non-cash income and expenses	-75	-21	-66	13	-35	-35	-35
Cash Flow before NWC change	0	10	-12	-7	7	35	65
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	10	-12	-7	7	35	65
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	104	123	8	76	120	130	110
Income from asset disposals	199	30	62	68	120	100	150
Net cash provided by investing activities [2]	95	-93	54	-8	0	-30	40
Change in financial liabilities	0	0	0	13	0	0	0
Dividends paid	-18	-21	-22	-23	-12	-17	-17
Purchase of own shares	0	0	0	0	0	0	0
Capital measures	0	0	0	0	0	0	0
Other	0	0	0	-1	0	0	0
Net cash provided by financing activities [3]	-18	-21	-22	-10	-12	-17	-17
Change in liquid funds [1]+[2]+[3]	77	-104	20	-26	-5	-12	88
Effects of exchange-rate changes on cash	0	0	0	0	0	0	0
Cash and cash equivalent at end of period	128	24	44	18	13	1	90

Financial Ratios

	2016/17	2017/18	2018/19	2019/20	2020/21e	2021/22e	2022/23e
Cash Flow							
FCF	-1	10	-12	-7	7	35	65
Interest Received / Avg. Cash	0.2 %	0.4 %	1.4 %	1.1 %	3.5 %	8.0 %	1.3 %
Interest Paid / Avg. Debt	n.a.	n.a.	n.a.	15.3 %	6.9 %	6.9 %	6.9 %

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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.
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“-“	Rating suspended:	The available information currently does not permit an evaluation of the company.

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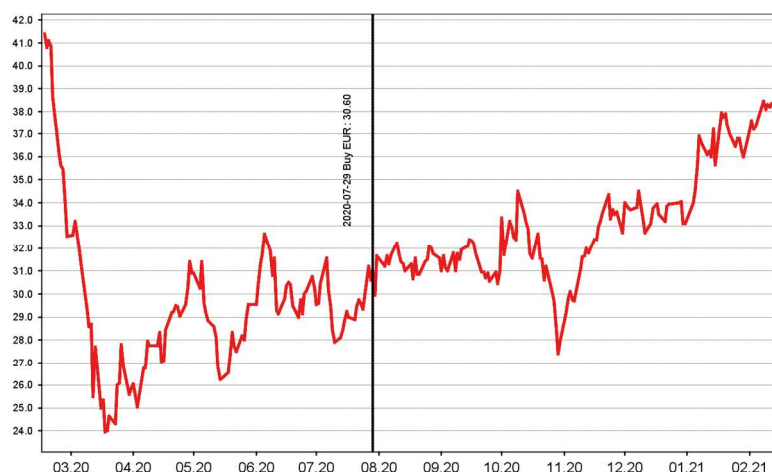
Rating	Number of stocks	% of Universe
Buy	132	64
Hold	61	29
Sell	8	4
Rating suspended	6	3
Total	207	100

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	39	81
Hold	6	13
Sell	0	0
Rating suspended	3	6
Total	48	100

PRICE AND RATING HISTORY DEUTSCHE BETEILIGUNGS AG AS OF 15.02.2021



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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