

<b>Buy</b> <b>EUR 45.00</b> (EUR 50.00)  Price <b>EUR 25.30</b> Upside <b>77.9 %</b>	<b>Value Indicators:</b> EUR SoTP 22e: 44.91	<b>Warburg ESG Risk Score: 2.5</b> ESG Score (MSCI based): 4.0 Balance Sheet Score: 2.5 Market Liquidity Score: 1.0	<b>Description:</b> Private equity both as an advisor and as a co-investor focused on the German Mittelstand
	<b>Market Snapshot:</b> EUR m Market cap: 476 No. of shares (m): 19 EV: 478 Freefloat MC: 325 Ø Trad. Vol. (30d): 287.73 th	<b>Shareholders:</b> Freefloat 68.30 % Rossmann Beteiligungs GmbH 25.01 % Portabella Peralta 6.65 %	<b>Key Figures (WRe):</b> 2021/22e Beta: 1.0 Price / Book: 1.0 x Equity Ratio: 94 %

## New FY 21/22 guidance reflects deteriorating macro environment

DBAG released weak Q3 prelims and subsequently cut its FY 21/22 guidance.

In Q3, net income came in at EUR -42m (vs EUR 58m in Q3 21), below expectations, leading to EUR -78m in the first nine months. As a result, NAV amounted to EUR 600m in Q3. The volatile capital market environment continues to weigh on valuation multiples while energy and raw-material price inflation as well as ongoing supply-chain disruption should cause shortfalls at many portfolio companies.

Hence, DBAG now expects an NAV of EUR 570m-630m in FY 21/22 (WRe: 580m) vs EUR 620m-695m previously. While the outlook for net income from fund management fees remains unchanged at EUR 14-16m, net income is now expected at EUR -70m to -85m (WRe: EUR -82m) vs EUR -15m to -20m previously.

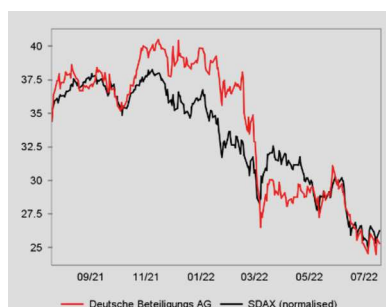
Against this backdrop, we cut our estimates again and now expect income from private equity investments to come in at EUR -92m in FY 21/22e. Positively, income from fund management should remain intact, which should offset the negative effect on the bottom line somewhat. Still, net income is expected at EUR -82m in FY 22e, leading to NAV of EUR 580m, i.e. EUR 30.90 per share and 15% below the prior year.

**Conclusion:** The new guidance reflects short-term challenges with regards to valuation multiples of peer group companies as well as ongoing pressure on supply chains and cost inflation. Hence, news-flow looks set to remain muted in the short term while the stock price should have already discounted an adverse market environment as the stock is trading at a c. 20% discount to the new NAV guidance midpoint of EUR 600m. From a mid-term perspective (2023 and beyond), however, our positive view remains unchanged as DBAG has a strong market position and is exposed to attractive structural growth industries, which are capitalizing on megatrends such as digitization.

Despite the challenging market environment, deal activity remains solid, as reflected in the recent MBO of Metalworks Holding, which was the third transaction in Italy. Metalworks Holding is a manufacturing group of metal and plastic accessories, supplying the luxury goods industry. DBAG Fund VIII is expected to invest up to EUR 60m for a 62%-stake, EUR 13m of which directly from DBAG. In 2021, the group generated EUR 60m sales, exceeding pre-pandemic levels by 16%. Importantly, the acquisition should further strengthen DBAG's exposure to resilient end markets. Hence, we confirm our Buy rating with a new PT of EUR 45.00.

Changes in Estimates:			Comment on Changes:			
FY End: 30.9. in EUR m	2021/22e (old)	+ / -	2022/23e (old)	+ / -	2023/24e (old)	+ / -
NAV per share	34.14	-9.4 %	38.04	-8.4 %	42.90	-7.5 %
Net income	-16	n.m.	93	0.0 %	100	0.0 %
EPS	-0.86	n.m.	4.94	0.0 %	5.33	0.0 %

- Estimates are cut to reflect intensified input cost inflation at portfolio companies as well as lower peer multiples that weigh on income from private equity investments in FY 22e
- We increase our risk-free rate to 2.75% in our coverage



**Rel. Performance vs SDAX:**

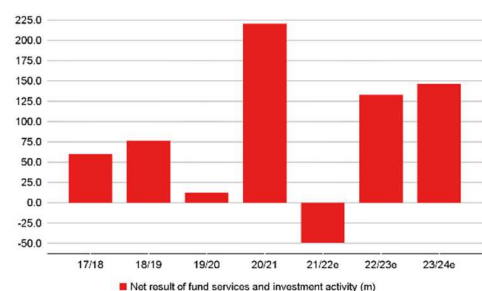
1 month:	-5.1 %
6 months:	-10.8 %
Year to date:	-9.4 %
Trailing 12 months:	-1.7 %

**Company events:**

11.08.22	Q3
25.08.22	RS-Calls

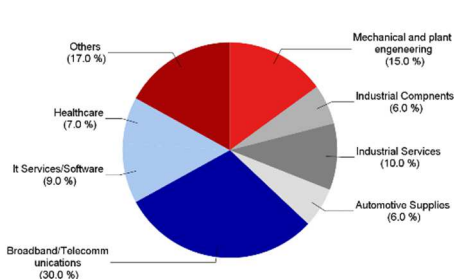
FY End: 30.9. in EUR m	CAGR (20/21-23/24e)	2017/18	2018/19	2019/20	2020/21	2021/22e	2022/23e	2023/24e
<b>Net result of fund services and investment activity</b>	-12.8 %	60	77	12	221	-49	133	146
Net result investment activity		31	50	-17	178	-92	86	95
Fee income fund services		29	27	29	42	43	47	51
<b>EBIT</b>	-18.4 %	30	45	-15	186	-82	94	101
<b>EBT</b>		30	45	-16	178	-82	93	101
<b>Net income</b>	-17.4 %	30	46	-17	178	-82	93	100
<b>EPS</b>	-18.5 %	1.97	3.05	-1.12	9.85	-4.36	4.94	5.33
<b>DPS</b>	0.0 %	1.45	1.50	0.80	1.60	1.40	1.50	1.60
Dividend Yield		3.6 %	4.4 %	2.4 %	4.5 %	5.5 %	5.9 %	6.3 %
<b>NAV per share</b>		29.50	30.59	28.15	36.17	30.93	34.83	39.69
<b>Return on NAV</b>		9.1 %	9.0 %	-3.2 %	28.5 %	-14.5 %	12.6 %	14.0 %
<b>P / E</b>		20.4 x	11.1 x	n.a.	3.6 x	n.a.	5.1 x	4.7 x
<b>Net Debt</b>		-51	-50	11	-24	3	-5	-1
<b>ROE</b>		6.8 %	10.1 %	-3.8 %	31.7 %	-14.0 %	18.2 %	17.1 %
<b>ROCE (NOPAT)</b>		8.5 %	11.3 %	n.a.	33.5 %	n.a.	18.4 %	17.3 %
<b>Guidance:</b>		Net income in the range of EUR -70 to -85m						

## Net result fund services & investments in EUR m



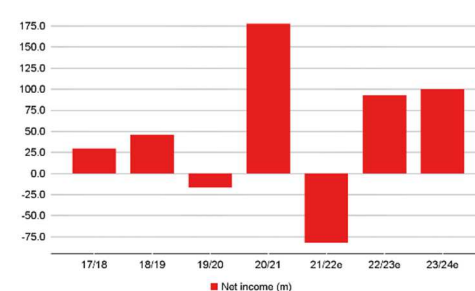
Source: Deutsche Beteiligungs AG, Warburg Research

## Portfolio by industry 2020/21; in %



Source: Deutsche Beteiligungs AG, Warburg Research

## Net income in EUR m



Source: Deutsche Beteiligungs AG, Warburg Research

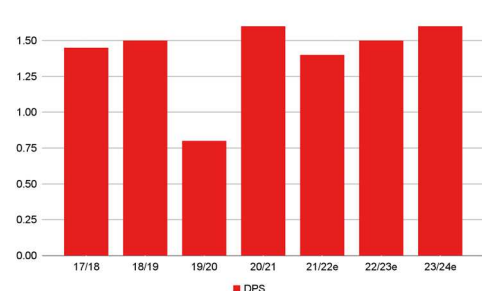
## Company Background

- 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

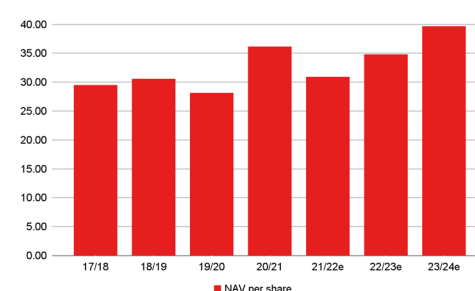
- DBAG has a tight focus on mainly direct investments in unlisted, operationally healthy German Mittelstand companies in the industrials and services sector with an enterprise value of EUR 50m – 250m p.a.
- Differentiation is based on DBAG's long-standing track record. Since it was founded in 1965, DBAG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

## Sum of the parts

Year	2018	2019	2020	2021	2022e	2023e	2024e
12-month NAV	31,29	31,38	28,15	36,17	30,93	34,83	39,69
Dividend	1,45	1,5	0,8	1,60	1,40	1,50	1,60
DCF Fee	12,58	12,58	12,58	12,58	12,58	13,64	14,79
<b>Value per share (EUR)</b>	<b>45,32</b>	<b>45,46</b>	<b>41,53</b>	<b>50,35</b>	<b>44,91</b>	<b>49,97</b>	<b>56,08</b>

Valuation	2017/18	2018/19	2019/20	2020/21	2021/22e	2022/23e	2023/24e
Price / Book	1.4 x	1.1 x	1.2 x	0.8 x	1.0 x	0.9 x	0.8 x
Book value per share ex intangibles	29.47	30.57	28.12	37.13	25.19	29.05	33.28
EV / Sales	9.2 x	6.0 x	40.6 x	2.3 x	n.a.	3.5 x	3.2 x
EV / EBITDA	18.4 x	10.3 x	n.a.	2.8 x	n.a.	5.0 x	4.7 x
EV / EBIT	18.4 x	10.3 x	n.a.	2.8 x	n.a.	5.0 x	4.7 x
EV / EBIT adj.*	18.4 x	10.3 x	n.a.	2.8 x	n.a.	5.0 x	4.7 x
P / FCF	62.1 x	n.a.	n.a.	n.a.	n.a.	25.7 x	23.8 x
P / E	20.4 x	11.1 x	n.a.	3.6 x	n.a.	5.1 x	4.7 x
P / E adj.*	20.4 x	11.1 x	n.a.	3.6 x	n.a.	5.1 x	4.7 x
Dividend Yield	3.6 %	4.4 %	2.4 %	4.5 %	5.5 %	5.9 %	6.3 %
FCF Potential Yield (on market EV)	5.4 %	9.9 %	-3.2 %	36.2 %	-17.0 %	19.9 %	21.3 %

\*Adjustments made for: -

Company Specific Items	2017/18	2018/19	2019/20	2020/21	2021/22e	2022/23e	2023/24e
NAV per share	29.50	30.59	28.15	36.17	30.93	34.83	39.69
Return on NAV	9.1 %	9.0 %	-3.2 %	28.5 %	-14.5 %	12.6 %	14.0 %
Net result investment activity	31	50	-17	178	-92	86	95
Fee income fund services	29	27	29	42	43	47	51
Net result of fund services and investment activity	60	77	12	221	-49	133	146

## Consolidated profit & loss

In EUR m	2017/18	2018/19	2019/20	2020/21	2021/22e	2022/23e	2023/24e
<b>Net result of fund services and investment activity</b>	<b>60</b>	<b>77</b>	<b>12</b>	<b>221</b>	<b>-49</b>	<b>133</b>	<b>146</b>
Net result investment activity	31	50	-17	178	-92	86	95
Fee income fund services	29	27	29	42	43	47	51
Personnel expenses	18	21	18	23	20	26	29
Other operating income	4	6	5	4	3	3	2
Other operating expenses	16	16	14	15	16	17	19
Unfrequent items	0	0	0	0	0	0	0
<b>EBITDA</b>	<b>30</b>	<b>45</b>	<b>-15</b>	<b>186</b>	<b>-82</b>	<b>94</b>	<b>101</b>
<i>Margin</i>	50.2 %	58.6 %	-123.3 %	84.6 %	166.3 %	70.7 %	69.2 %
Depreciation of fixed assets	0	0	0	0	0	0	0
<b>EBITA</b>	<b>30</b>	<b>45</b>	<b>-15</b>	<b>186</b>	<b>-82</b>	<b>94</b>	<b>101</b>
Amortisation of intangible assets	0	0	0	0	0	0	0
Goodwill amortisation	0	0	0	0	0	0	0
<b>EBIT</b>	<b>30</b>	<b>45</b>	<b>-15</b>	<b>186</b>	<b>-82</b>	<b>94</b>	<b>101</b>
<i>Margin</i>	50.2 %	58.6 %	-123.3 %	84.6 %	166.3 %	70.7 %	69.2 %
<b>EBIT adj.</b>	<b>30</b>	<b>45</b>	<b>-15</b>	<b>186</b>	<b>-82</b>	<b>94</b>	<b>101</b>
Interest income	0	1	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
<b>EBT</b>	<b>30</b>	<b>45</b>	<b>-16</b>	<b>178</b>	<b>-82</b>	<b>93</b>	<b>101</b>
<i>Margin</i>	49.6 %	58.9 %	-127.3 %	80.9 %	167.8 %	70.1 %	68.8 %
Total taxes	0	-1	1	1	0	0	0
<b>Net income from continuing operations</b>	<b>30</b>	<b>46</b>	<b>-17</b>	<b>178</b>	<b>-82</b>	<b>93</b>	<b>100</b>
Income from discontinued operations (net of tax)	0	0	0	0	0	0	0
<b>Net income before minorities</b>	<b>30</b>	<b>46</b>	<b>-17</b>	<b>178</b>	<b>-82</b>	<b>93</b>	<b>100</b>
Minority interest	0	0	0	0	0	0	0
<b>Net income</b>	<b>30</b>	<b>46</b>	<b>-17</b>	<b>178</b>	<b>-82</b>	<b>93</b>	<b>100</b>
<i>Margin</i>	49.5 %	59.9 %	-135.1 %	80.6 %	167.3 %	69.9 %	68.5 %
Number of shares, average	15	15	15	15	19	19	19
<b>EPS</b>	<b>1.97</b>	<b>3.05</b>	<b>-1.12</b>	<b>9.85</b>	<b>-4.36</b>	<b>4.94</b>	<b>5.33</b>
EPS adj.	1.97	3.05	-1.12	9.85	-4.36	4.94	5.33

\*Adjustments made for:

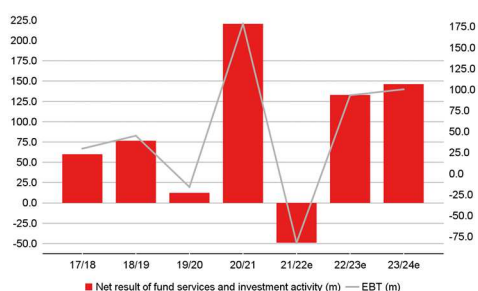
**Guidance: Net income in the range of EUR -70 to -85m**

## Financial Ratios

	2017/18	2018/19	2019/20	2020/21	2021/22e	2022/23e	2023/24e
EBITDA / Interest expenses	42.9 x	57.4 x	n.m.	125.2 x	n.m.	63.1 x	68.0 x
Tax rate (EBT)	0.1 %	-1.5 %	-6.1 %	0.3 %	0.3 %	0.3 %	0.3 %
Dividend Payout Ratio	73.4 %	49.3 %	n.m.	13.5 %	n.m.	30.3 %	30.0 %

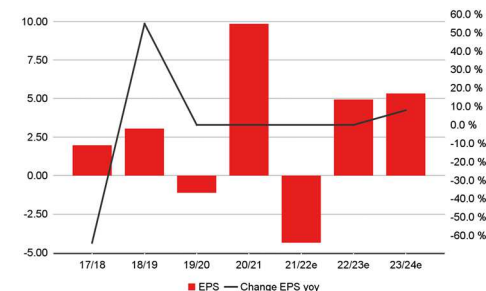
## Net result fund services & investments

in EUR m



Source: Warburg Research

## Performance per Share



Source: Warburg Research

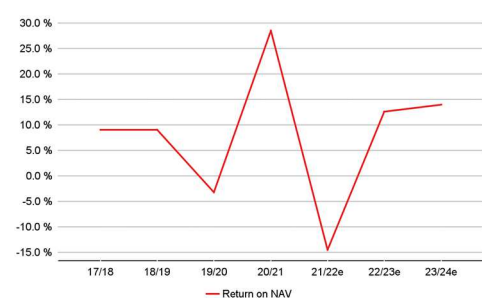
## Consolidated balance sheet

In EUR m	2017/18	2018/19	2019/20	2020/21	2021/22e	2022/23e	2023/24e
<b>Assets</b>							
Goodwill and other intangible assets	0	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	5	4	5	5	6
Financial assets	374	386	391	624	418	483	565
Other long-term assets	0	0	1	1	0	0	0
<b>Fixed assets</b>	<b>376</b>	<b>387</b>	<b>397</b>	<b>629</b>	<b>423</b>	<b>489</b>	<b>571</b>
Inventories	0	0	0	0	0	0	0
Accounts receivable	0	0	0	0	0	0	0
Liquid assets	64	69	18	38	15	23	19
Other short-term assets	42	35	59	68	68	68	68
<b>Current assets</b>	<b>106</b>	<b>104</b>	<b>77</b>	<b>106</b>	<b>84</b>	<b>91</b>	<b>88</b>
<b>Total Assets</b>	<b>481</b>	<b>492</b>	<b>475</b>	<b>735</b>	<b>507</b>	<b>580</b>	<b>659</b>
<b>Liabilities and shareholders' equity</b>							
Subscribed capital	53	53	53	67	67	67	67
Capital reserve	174	174	174	260	260	260	260
Retained earnings	-6	-14	-11	-9	-121	-55	17
Other equity components	223	247	208	381	268	274	282
Shareholders' equity	444	460	424	699	474	547	626
Minority interest	0	0	0	0	0	0	0
<b>Total equity</b>	<b>444</b>	<b>460</b>	<b>424</b>	<b>699</b>	<b>474</b>	<b>547</b>	<b>626</b>
Provisions	21	30	25	27	31	31	31
thereof provisions for pensions and similar obligations	12	20	16	14	18	18	18
Financial liabilities (total)	0	0	13	0	0	0	0
Short-term financial liabilities	0	0	13	0	0	0	0
Accounts payable	0	0	0	0	0	0	0
Other liabilities	16	1	13	9	9	9	9
<b>Liabilities</b>	<b>37</b>	<b>31</b>	<b>51</b>	<b>36</b>	<b>40</b>	<b>40</b>	<b>40</b>
<b>Total liabilities and shareholders' equity</b>	<b>481</b>	<b>492</b>	<b>475</b>	<b>735</b>	<b>507</b>	<b>580</b>	<b>659</b>

## Financial Ratios

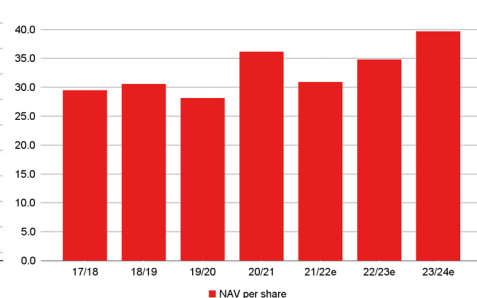
	2017/18	2018/19	2019/20	2020/21	2021/22e	2022/23e	2023/24e
<b>Efficiency of Capital Employment</b>							
ROA	7.9 %	11.8 %	-4.2 %	28.3 %	-19.4 %	19.0 %	17.5 %
<b>Return on Capital</b>							
NAV per share	29.50	30.59	28.15	36.17	30.93	34.83	39.69
Return on NAV	9.1 %	9.0 %	-3.2 %	28.5 %	-14.5 %	12.6 %	14.0 %
ROCE (NOPAT)	8.5 %	11.3 %	n.a.	33.5 %	n.a.	18.4 %	17.3 %
ROE	6.8 %	10.1 %	-3.8 %	31.7 %	-14.0 %	18.2 %	17.1 %
Adj. ROE	6.8 %	10.1 %	-3.8 %	31.7 %	-14.0 %	18.2 %	17.1 %
<b>Balance sheet quality</b>							
Net Debt	-51	-50	11	-24	3	-5	-1
Net Financial Debt	-64	-69	-5	-38	-15	-23	-19
Net Gearing	-11.6 %	-10.8 %	2.6 %	-3.4 %	0.5 %	-0.8 %	-0.2 %
Net Fin. Debt / EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Book Value / Share	29.5	30.6	28.2	37.2	25.2	29.1	33.3
Book value per share ex intangibles	29.5	30.6	28.1	37.1	25.2	29.1	33.3

### Return on NAV Development



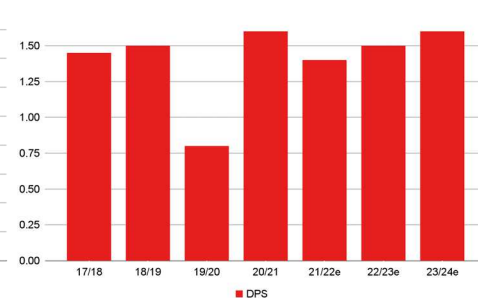
Source: Warburg Research

### 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	2017/18	2018/19	2019/20	2020/21	2021/22e	2022/23e	2023/24e
Net income	30	46	-17	185	-82	93	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	1	7	-3	-3	4	0	0
Other non-cash income and expenses	-21	-66	13	-190	66	-74	-80
<b>Cash Flow before NWC change</b>	<b>10</b>	<b>-12</b>	<b>-7</b>	<b>-8</b>	<b>-12</b>	<b>19</b>	<b>20</b>
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
<b>Net cash provided by operating activities [1]</b>	<b>10</b>	<b>-12</b>	<b>-7</b>	<b>-8</b>	<b>-12</b>	<b>19</b>	<b>20</b>
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	123	8	76	160	110	110	110
Income from asset disposals	30	62	68	113	130	125	115
<b>Net cash provided by investing activities [2]</b>	<b>-93</b>	<b>54</b>	<b>-8</b>	<b>-47</b>	<b>20</b>	<b>15</b>	<b>5</b>
Change in financial liabilities	0	0	13	-13	0	0	0
Dividends paid	-21	-22	-23	-12	-30	-26	-28
Purchase of own shares	0	0	0	0	0	0	0
Capital measures	0	0	0	0	0	0	0
Other	0	0	-1	-1	0	0	0
<b>Net cash provided by financing activities [3]</b>	<b>-21</b>	<b>-22</b>	<b>-10</b>	<b>-26</b>	<b>-30</b>	<b>-26</b>	<b>-28</b>
<b>Change in liquid funds [1]+[2]+[3]</b>	<b>-104</b>	<b>20</b>	<b>-26</b>	<b>-81</b>	<b>-22</b>	<b>7</b>	<b>-3</b>
Effects of exchange-rate changes on cash	0	0	0	0	0	0	0
<b>Cash and cash equivalent at end of period</b>	<b>24</b>	<b>44</b>	<b>18</b>	<b>-62</b>	<b>15</b>	<b>23</b>	<b>19</b>

**Financial Ratios**

	2017/18	2018/19	2019/20	2020/21	2021/22e	2022/23e	2023/24e
<b>Cash Flow</b>							
FCF	10	-12	-7	-8	-12	18	20
Interest Received / Avg. Cash	0.4 %	1.4 %	1.1 %	2.7 %	2.9 %	4.0 %	3.7 %
Interest Paid / Avg. Debt	n.a.	n.a.	15.3 %	22.7 %	n.a.	n.a.	n.a.

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

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Rating	Number of stocks	% of Universe
Buy	168	78
Hold	40	19
Sell	4	2
Rating suspended	3	1
<b>Total</b>	<b>215</b>	<b>100</b>

## 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	50	85
Hold	6	10
Sell	1	2
Rating suspended	2	3
<b>Total</b>	<b>59</b>	<b>100</b>

## PRICE AND RATING HISTORY DEUTSCHE BETEILIGUNGS AG AS OF 19.07.2022



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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