Deutsche Beteiligungs AG

(SDAX, Financial Services)

WARBURG RESEARCH

Buy	
EUR 39.50	
Price	EUR 36.40
Upside	8.5 %

Value Indicators:	EUR
SotP 18e:	39.50

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:	548
No. of shares (m):	15
EV:	495
Freefloat MC:	448
Ø Trad. Vol. (30d):	996.09 th

Shareholders:	
Freefloat	81.9 %
Rossmann Beteiligungs GmbH	18.1 %

Risk Profile (WRe):	2016/17e
Beta:	1.0
Price / Book:	1.4 x
Equity Ratio:	92 %

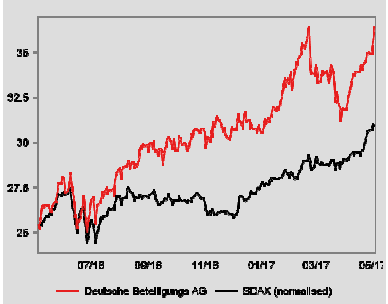
Guidance upgrade ahead of Q2 release

EUR m	Q2 16/17p	Q2 16/17e	Q2 15/16	yoy	H1 16/17p	H1 16/17e	H1 15/16	yoy	FY 16/17	FY 15/16	yoy
Net result of investment activity	n.a.	11.3	3.7	n.a.	n.a.	28.8	36.2	n.a.	33.3	60.1	-44.5%
Fee income of fund management and advisory services	n.a.	4.8	4.6	n.a.	n.a.	9.9	9.4	n.a.	25.8	18.3	40.8%
Net result of fund services and investment activity	**n.a.**	**16.1**	**8.3**	**n.a.**	**n.a.**	**38.7**	45.6	**n.a.**	**59.1**	**78.4**	**-24.6%**
EBT	n.a.	7.6	1.3	n.a.	n.a.	21.7	32.1	n.a.	38.0	50.0	-24.0%
Net income	29.9	7.6	1.2	n.m.	44.0	21.7	32.0	n.m.	37.6	50.2	-25.1%
EPS	1.99	0.5	0.09	n.m.	2.9	1.44	2.40	n.m.	2.50	3.65	-31.5%

Comment on Figures:

- Headline H1/Q2 figures out: H1 net income of EUR 44m announced vs. EUR 22m estimated largely on valuation and divestiture effects. All other numbers not yet disclosed.
- Guidance 16/17e excluded divestitures and multiples expansion and now factors in status quo as of March 31, 2017.

- **In an ad-hoc released on May 2 in the afternoon, DBAG increased its 2016/2017e guidance.** Net income 16/17e is now expected to exceed significantly (i.e. "by more than 20%", in company language) net income 15/16 on a comparable basis, or EUR 46.3m (the reported figure was approximately EUR 50m and includes valuation effects as well as gains on portfolio divestitures).
- Hence the new net income forecast for 16/17e is EUR 56m at least and that implies that the valuation ratios at year end 16/17e are largely unchanged compared to those as of March 31, 2017. We had estimated so far EUR 38m in net income for FY 16/17e, and the company has so far guided for a moderate decrease of 10-20% on a comparable basis, implying a EUR 38.6m - EUR 42.1m.
- The reason for the guidance increase is that the preliminary **net income for H1 due May 9 should reach approximately EUR 44m**; we had expected EUR 22m. The better numbers include unplanned positive income contributions from investment activity, coming from agreed or closed divestments and they also reflect insights from potential buyers for portfolio companies and a significant rise in valuation ratios in the stock markets.
- The company **announced on the same day a divestiture out of the DBAG V portfolio**. DBAG (18.7% stake) along DBAG V is divesting three-quarters of its holding in **Romaco Group**, acquired in 2011, a leading specialist provider in processing and packaging technology mainly for pharmaceutical industry. It focuses on the strongly growing segment for technically advanced flexible machines that can be retooled quickly and generated revenues of EUR 134m in 2015/16. The deal is subject to regulatory approval and will already have a **EUR 6m** positive impact on DBAG's Q2 profit and loss statement. The sales price corresponds to more than twice the original investment, so that at closing, the cash proceeds should amount to an estimated EUR 20m (vs. WRe 16/17e divestiture proceeds of EUR 50m).
- The upgrade is essentially valuation driven and driven by gains on disposals highlighting the still strong buoyancy both in private equity and in public equity markets. **Our numbers are under review, pending the release of the full P&L for Q2, which is due on May 9. The revised guidance implies that it is rather easy to reach EUR 12m in net income in H2, so the new guidance looks conservative unless there is a major set back in financial markets. Remains a BUY, PT EUR 39.50.**



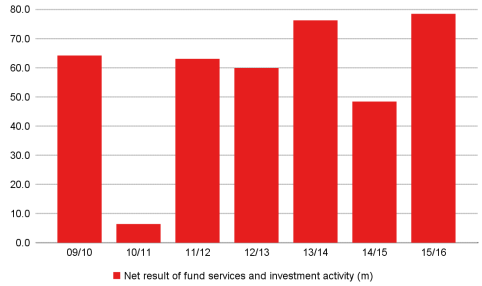
Rel. Performance vs SDAX:	
1 month:	6.5 %
6 months:	0.9 %
Year to date:	5.6 %
Trailing 12 months:	20.1 %

Company events:	
09.05.17	Q2
01.08.17	Q3

FY End: 30.9. in EUR m	CAGR (15/16-18/19e)	2012/13	2013/14	2014/15	2015/16	2016/17e	2017/18e	2018/19e
Net result of fund services and investment activity	2.2 %	60	76	48	78	59	82	84
Net result investment activity		41	55	29	60	33	54	58
Fee income fund services		19	22	19	18	26	28	26
EBIT	2.8 %	34	48	27	51	39	54	55
EBT		34	48	27	50	38	53	54
Net income	2.5 %	32	48	27	50	38	53	54
EPS	-0.6 %	2.36	3.51	1.98	3.65	2.50	3.52	3.59
DPS	0.0 %	1.20	2.00	1.00	1.20	1.20	1.20	1.20
Dividend Yield		6.2 %	9.5 %	3.6 %	4.3 %	3.3 %	3.3 %	3.3 %
NAV per share		20.32	22.16	22.16	26.91	27.31	32.23	38.00
Return on NAV		11.2 %	15.9 %	9.9 %	27.2 %	1.0 %	14.2 %	13.2 %
P / E		8.2 x	6.0 x	14.0 x	7.6 x	14.6 x	10.3 x	10.1 x
Net Debt		-8	-19	-20	-42	-52	-77	-102
ROE		11.9 %	16.5 %	8.9 %	14.9 %	9.9 %	13.0 %	12.2 %
ROCE (NOPAT)		15.2 %	17.3 %	9.4 %	16.6 %	11.4 %	15.6 %	15.4 %
Guidance:	Net income moderately lower than prior year on a comparable basis							

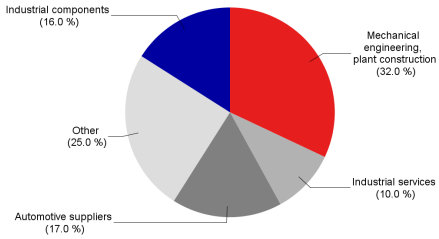
Analyst
Marie-Thérèse Grübner
mgruebner@warburg-research.com
+49 40 309537-240

Net result fund services & investments
in EUR m



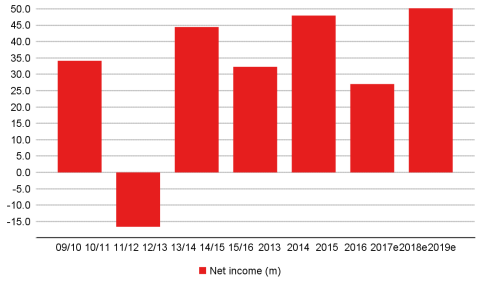
Source: Deutsche Beteiligungs AG, Warburg Research

Portfolio by industry
2015/16; in %



Source: Deutsche Beteiligungs AG, Warburg Research

Net income
in EUR m



Source: Deutsche Beteiligungs AG, Warburg Research

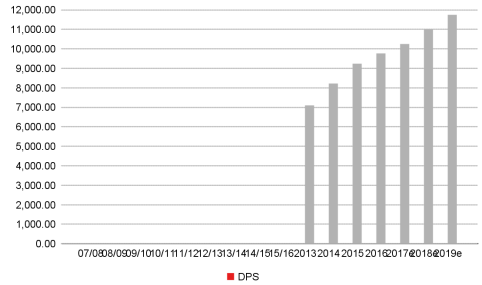
Company Background

- 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

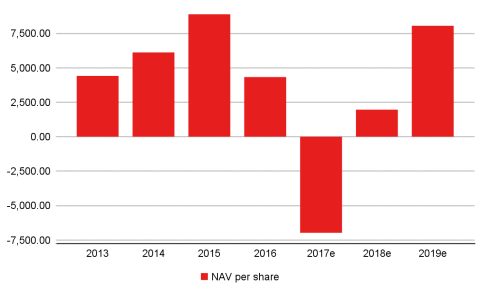
- DBAG has a tight focus on mainly direct investments in unlisted, operationally healthy German Mittelstand companies in the industrials and services sector with sales volumes of EUR 50m – 500m p.a.
- Differentiation is based on DBAG's long-standing track record. Since it was founded in 1965, DBAG has 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

	2012/13	2013/14	2014/15	2015/16	2016/17e	2017/18e	2018/19e
Price / Book	0.9 x	0.9 x	1.2 x	1.0 x	1.4 x	1.3 x	1.2 x
Book value per share ex intangibles	20.31	22.15	22.12	26.85	25.91	28.23	30.62
EV / Sales	4.3 x	3.7 x	7.4 x	4.3 x	8.4 x	5.8 x	n.a.
EV / EBITDA	7.5 x	5.6 x	13.4 x	6.7 x	12.9 x	8.7 x	n.a.
EV / EBIT	7.6 x	5.6 x	13.4 x	6.7 x	12.9 x	8.7 x	n.a.
EV / EBIT adj.*	7.6 x	5.6 x	13.4 x	6.7 x	12.9 x	8.7 x	n.a.
P / FCF	n.a.	n.a.	56.2 x	659.3 x	14.8 x	10.4 x	10.2 x
P / E	8.2 x	6.0 x	14.0 x	7.6 x	14.6 x	10.3 x	10.1 x
P / E adj.*	9.2 x	6.9 x	14.0 x	7.6 x	14.6 x	10.3 x	10.1 x
Dividend Yield	6.2 %	9.5 %	3.6 %	4.3 %	3.3 %	3.3 %	3.3 %
Free Cash Flow Yield Potential	13.1 %	17.8 %	7.5 %	15.0 %	7.7 %	11.4 %	n.a.

*Adjustments made for: -

Company Specific Items

	2012/13	2013/14	2014/15	2015/16	2016/17e	2017/18e	2018/19e
NAV per share	20.32	22.16	22.16	26.91	27.31	32.23	38.00
Return on NAV	11.2 %	15.9 %	9.9 %	27.2 %	1.0 %	14.2 %	13.2 %
Net result investment activity	41	55	29	60	33	54	58
Fee income fund services	19	22	19	18	26	28	26
Net result of fund services and investment activity	60	76	48	78	59	82	84

Consolidated profit & loss

In EUR m	2012/13	2013/14	2014/15	2015/16	2016/17e	2017/18e	2018/19e
Net result of fund services and investment activity	**60**	**76**	**48**	**78**	**59**	**82**	**84**
Net result investment activity	41	55	29	60	33	54	58
Fee income fund services	19	22	19	18	26	28	26
Personnel expenses	14	17	15	16	15	18	18
Other operating income	6	10	7	7	8	7	7
Other operating expenses	18	18	13	19	14	18	18
Unfrequent items	0	0	0	0	0	0	0
EBITDA	**34**	**48**	**27**	**51**	**39**	**54**	**55**
Margin	*56.9 %*	*66.1 %*	*55.3 %*	*64.4 %*	*65.2 %*	*65.8 %*	*65.6 %*
Depreciation of fixed assets	0	0	0	0	0	0	0
EBITA	**34**	**48**	**27**	**51**	**39**	**54**	**55**
Amortisation of intangible assets	0	0	0	0	0	0	0
Goodwill amortisation	0	0	0	0	0	0	0
EBIT	**34**	**48**	**27**	**51**	**39**	**54**	**55**
Margin	*56.2 %*	*66.1 %*	*55.3 %*	*64.4 %*	*65.2 %*	*65.8 %*	*65.6 %*
EBIT adj.	**34**	**48**	**27**	**51**	**39**	**54**	**55**
Interest income	1	0	0	0	0	0	0
Interest expenses	1	0	0	1	1	1	1
Other financial income (loss)	0	0	0	0	0	0	0
EBT	**34**	**48**	**27**	**50**	**38**	**53**	**54**
Margin	*56.4 %*	*66.4 %*	*55.9 %*	*63.7 %*	*64.3 %*	*65.2 %*	*65.0 %*
Total taxes	0	0	0	0	0	0	0
Net income from continuing operations	**33**	**48**	**27**	**50**	**38**	**53**	**54**
Income from discontinued operations (net of tax)	0	0	0	0	0	0	0
Net income before minorities	**33**	**48**	**27**	**50**	**38**	**53**	**54**
Minority interest	1	0	0	0	0	0	0
Net income	**32**	**48**	**27**	**50**	**38**	**53**	**54**
Margin	*53.9 %*	*65.8 %*	*55.8 %*	*63.9 %*	*63.6 %*	*64.7 %*	*64.5 %*
Number of shares, average	14	14	14	14	15	15	15
EPS	**2.36**	**3.51**	**1.98**	**3.65**	**2.50**	**3.52**	**3.59**
EPS adj.	2.09	3.04	1.98	3.65	2.50	3.52	3.59

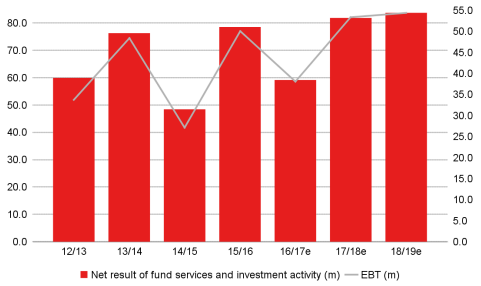
*Adjustments made for:

Guidance: Net income moderately lower than prior year on a comparable basis

Financial Ratios

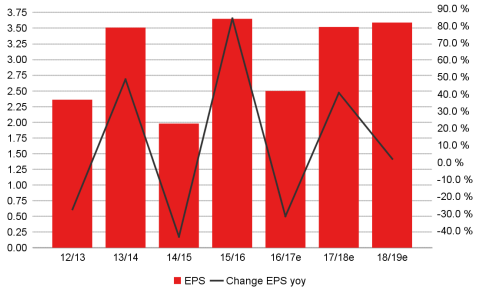
	2012/13	2013/14	2014/15	2015/16	2016/17e	2017/18e	2018/19e
EBITDA / Interest expenses	41.0 x	307.1 x	171.7 x	86.4 x	65.8 x	92.1 x	91.5 x
Tax rate (EBT)	1.4 %	0.8 %	0.1 %	-0.3 %	1.1 %	0.7 %	0.7 %
Dividend Payout Ratio	49.3 %	57.0 %	50.6 %	32.8 %	48.0 %	34.1 %	33.4 %

Net result fund services & investments
in EUR m



Source: Warburg Research

Performance per Share



Source: Warburg Research

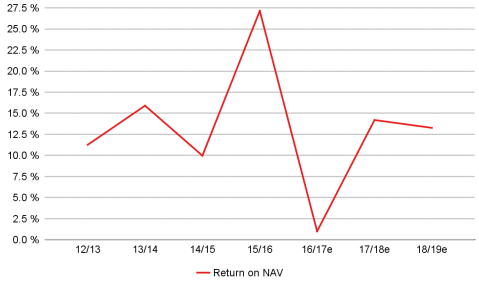
Consolidated balance sheet

In EUR m	2012/13	2013/14	2014/15	2015/16	2016/17e	2017/18e	2018/19e
Assets							
Goodwill and other intangible assets	0	0	1	1	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	2	2	3
Financial assets	243	245	277	330	340	350	360
Other long-term assets	0	0	0	0	0	0	0
Fixed assets	**244**	**246**	**279**	**332**	**342**	**353**	**363**
Inventories	0	0	0	0	0	0	0
Accounts receivable	0	0	0	0	0	0	0
Liquid assets	11	28	28	57	68	92	118
Other short-term assets	43	58	20	15	15	15	15
Current assets	**54**	**86**	**49**	**73**	**83**	**108**	**133**
Total Assets	**299**	**333**	**327**	**405**	**426**	**461**	**497**
Liabilities and shareholders' equity							
Subscribed capital	49	49	49	53	53	53	53
Capital reserve	141	141	141	174	174	174	174
Retained earnings	2	-5	-4	32	53	88	124
Other equity components	86	118	117	110	110	110	110
Shareholders' equity	278	303	303	370	391	426	461
Minority interest	0	0	0	0	0	0	0
Total equity	**278**	**303**	**303**	**370**	**391**	**426**	**462**
Provisions	17	29	23	32	32	32	32
thereof provisions for pensions and similar obligations	3	9	9	16	16	16	16
Financial liabilities (total)	0	0	0	0	0	0	0
thereof short-term financial liabilities	0	0	0	0	0	0	0
Accounts payable	0	0	0	0	0	0	0
Other liabilities	4	1	1	2	2	2	2
Liabilities	**21**	**30**	**24**	**35**	**35**	**35**	**35**
Total liabilities and shareholders' equity	**299**	**333**	**327**	**405**	**426**	**461**	**497**

Financial Ratios

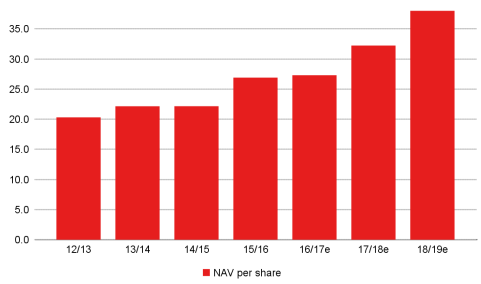
	2012/13	2013/14	2014/15	2015/16	2016/17e	2017/18e	2018/19e
Efficiency of Capital Employment							
ROA	13.2 %	19.5 %	9.7 %	15.1 %	11.0 %	15.0 %	14.9 %
Return on Capital							
NAV per share	20.32	22.16	22.16	26.91	27.31	32.23	38.00
Return on NAV	11.2 %	15.9 %	9.9 %	27.2 %	1.0 %	14.2 %	13.2 %
ROCE (NOPAT)	15.2 %	17.3 %	9.4 %	16.6 %	11.4 %	15.6 %	15.4 %
ROE	11.9 %	16.5 %	8.9 %	14.9 %	9.9 %	13.0 %	12.2 %
Adj. ROE	10.5 %	14.3 %	8.9 %	14.9 %	9.9 %	13.0 %	12.2 %
Balance sheet quality							
Net Debt	-8	-19	-20	-42	-52	-77	-102
Net Financial Debt	-11	-28	-28	-57	-68	-92	-118
Net Gearing	-2.9 %	-6.3 %	-6.4 %	-11.3 %	-13.4 %	-18.0 %	-22.1 %
Net Fin. Debt / EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Book Value / Share	20.3	22.2	22.2	26.9	26.0	28.3	30.7
Book value per share ex intangibles	20.3	22.1	22.1	26.8	25.9	28.2	30.6

Return on NAV Development



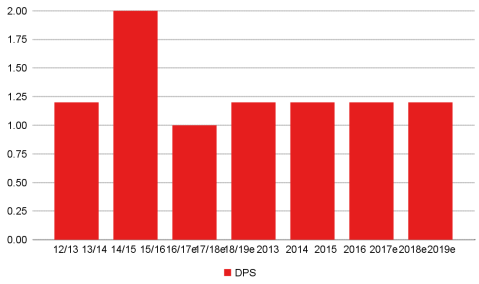
Source: Warburg Research

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	2012/13	2013/14	2014/15	2015/16	2016/17e	2017/18e	2018/19e
Net income	32	48	27	50	38	53	54
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	0	0	-1	10	0	0	0
Other non-cash income and expenses	-45	-48	-19	-59	0	0	0
Cash Flow before NWC change	**-12**	**0**	**7**	**1**	**38**	**53**	**54**
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]	**-12**	**0**	**7**	**1**	**38**	**53**	**54**
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	47	116	93	51	60	60	60
Income from asset disposals	67	150	114	56	50	50	50
Net cash provided by investing activities [2]	**20**	**33**	**20**	**4**	**-11**	**-11**	**-11**
Change in financial liabilities	0	0	0	0	0	0	0
Dividends paid	-16	-16	-27	-14	-16	-18	-18
Purchase of own shares	0	0	0	0	0	0	0
Capital measures	0	0	0	37	0	0	0
Other	0	0	0	0	0	0	0
Net cash provided by financing activities [3]	**-16**	**-16**	**-27**	**24**	**-16**	**-18**	**-18**
Change in liquid funds [1]+[2]+[3]	**-8**	**17**	**0**	**29**	**11**	**24**	**25**
Effects of exchange-rate changes on cash	0	0	0	0	0	0	0
Cash and cash equivalent at end of period	**14**	**28**	**28**	**57**	**68**	**92**	**118**

Financial Ratios

	2012/13	2013/14	2014/15	2015/16	2016/17e	2017/18e	2018/19e
Cash Flow							
FCF	-12	-1	6	0	37	52	53
Interest Received / Avg. Cash	1.6 %	1.8 %	1.6 %	0.2 %	0.1 %	0.1 %	0.1 %
Interest Paid / Avg. Debt	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

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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.

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING

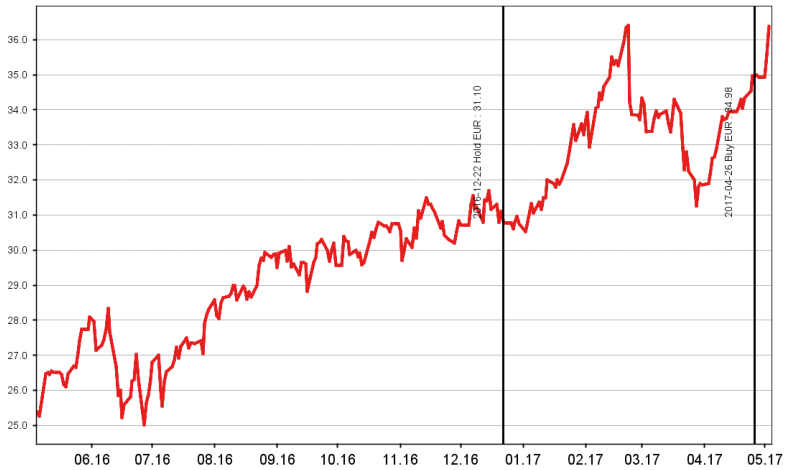
Rating	Number of stocks	% of Universe
Buy	114	58
Hold	71	36
Sell	10	5
Rating suspended	1	1
Total	**196**	**100**

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	27	71
Hold	8	21
Sell	2	5
Rating suspended	1	3
Total	**38**	**100**

PRICE AND RATING HISTORY DEUTSCHE BETEILIGUNGS AG AS OF 04.05.2017



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

Roland Rapelius +49 40 3282-2673
Head of Equities rrapelius@mmwarburg.com

RESEARCH

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

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

Lucas Boventer +49 40 309537-290
Renewables, Internet, Media lboventer@warburg-research.com

Christian Cohrs +49 40 309537-175
Engineering, Logistics 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

Marie-Thérèse Grübner +49 40 309537-240
Small Cap Research mgruebner@warburg-research.com

Ulrich Huwald +49 40 309537-255
Health Care, Pharma uhuwald@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

Henrik Paganetty +49 40 309537-185
Telecommunications hpaganetty@warburg-research.com

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

Jochen Reichert +49 40 309537-130
Telco, Internet, Media jreichert@warburg-research.com

J. Moritz Rieser +49 40 309537-260
Real Estate mrieser@warburg-research.com

Arash Roshan Zamir +49 40 309537-155
Cap. Goods, Renewables aroshanzamir@warburg-research.com

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

Patrick Schmidt +49 40 309537-125
Small Cap Research pschmidt@warburg-research.com

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

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

Björn Voss +49 40 309537-254
Steel, Car Suppliers bvoss@warburg-research.com

Alexander Wahl +49 40 309537-230
Car Suppliers, Construction awahl@warburg-research.com

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

INSTITUTIONAL EQUITY SALES

Holger Nass +49 40 3282-2669
Head of Equity Sales, USA hnass@mmwarburg.com

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

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

Lyubka Bogdanova +49 69 5050-7411
United Kingdom, Australia lbogdanova@mmwarburg.com

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

Paul Dontenwill +49 40 3282-2666
USA, Poland, The Netherlands pdontenwill@mmwarburg.com

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

Michael Kriszun +49 40 3282-2695
United Kingdom mkriszun@mmwarburg.com

Marc Niemann +49 40 3282-2660
Germany mniemann@mmwarburg.com

Sanjay Oberoi +49 69 5050-7410
United Kingdom soberoi@mmwarburg.com

Simon Pallhuber +49 69 5050-7414
Switzerland, France spallhuber@mmwarburg.com

Angelika Flegler +49 69 5050-7417
Roadshow/Marketing aflegler@mmwarburg.com

Juliane Willenbruch +49 40 3282-2694
Roadshow/Marketing jwillenbruch@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

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

Jörg Treptow +49 40 3262-2658
Sales Trading jtreptow@mmwarburg.com

Jan Walter +49 40 3262-2662
Sales Trading jwalter@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:

Warburg Research	research.mmwarburg.com/en/index.html	Thomson Reuters	www.thomsonreuters.com
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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