

Buy EUR 45.00 Price EUR 39.45 Upside 14.1 %	Value Indicators: EUR SotP 18e: 45.16	Share data: Bloomberg: DBAN GR Reuters: DBANn.DE ISIN: DE000A1TNU7	Description: Private equity both as an advisor and as a co-investor focused on the German Mittelstand
	Market Snapshot: EUR m Market cap: 593 No. of shares (m): 15 EV: 506 Freefloat MC: 486 Ø Trad. Vol. (30d): 816.52 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 %

Strong Q3 expected, room for consensus upgrades

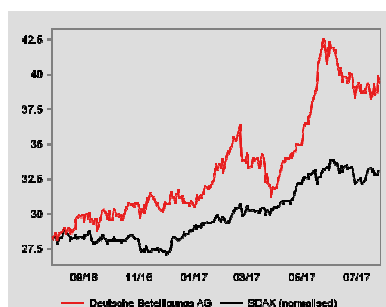
Stated Figures Q2/2016/17:	Comment on Figures: <ul style="list-style-type: none"> Q3 16/17e net result of investment activity to be supported by an estimated EUR 28m in divestiture gains Q3 15/16 was very weak due to the absence of tailwinds from the stock markets, which affected the valuation gains line to the tune of a negative EUR 11.7 m (Brexit vote). Additionally there were non-recurring expenses of EUR 1.8m to support expansions in the structure. 																																																	
<table border="1"> <thead> <tr> <th>EUR m</th> <th>Q3 16/17e</th> <th>Q3 15/16</th> <th>yoy</th> <th>9M 16/17e</th> <th>9M 15/16</th> <th>yoy</th> </tr> </thead> <tbody> <tr> <td>Net result of investment activity</td> <td>40.0</td> <td>-3.2</td> <td>n.m.</td> <td>87.7</td> <td>33.0</td> <td>166%</td> </tr> <tr> <td>Fee income of fund management and advisory services</td> <td>7.0</td> <td>4.5</td> <td>69%</td> <td>19.8</td> <td>13.9</td> <td>42%</td> </tr> <tr> <td>Net result of fund services and investment activity</td> <td>47.0</td> <td>1.3</td> <td>2814%</td> <td>107.5</td> <td>46.9</td> <td>129%</td> </tr> <tr> <td>EBT</td> <td>40.0</td> <td>-5.7</td> <td>n.m.</td> <td>84.1</td> <td>26.2</td> <td>221%</td> </tr> <tr> <td>Net income</td> <td>40.0</td> <td>-5.7</td> <td>n.m.</td> <td>84.1</td> <td>26.3</td> <td>219%</td> </tr> <tr> <td>EPS</td> <td>2.66</td> <td>0.09</td> <td>n.m.</td> <td>5.59</td> <td>-0.42</td> <td>n.m.</td> </tr> </tbody> </table>	EUR m	Q3 16/17e	Q3 15/16	yoy	9M 16/17e	9M 15/16	yoy	Net result of investment activity	40.0	-3.2	n.m.	87.7	33.0	166%	Fee income of fund management and advisory services	7.0	4.5	69%	19.8	13.9	42%	Net result of fund services and investment activity	47.0	1.3	2814%	107.5	46.9	129%	EBT	40.0	-5.7	n.m.	84.1	26.2	221%	Net income	40.0	-5.7	n.m.	84.1	26.3	219%	EPS	2.66	0.09	n.m.	5.59	-0.42	n.m.	
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The company upgraded its full-year guidance in early May with the release of Q2. It now forecasts "net income of at least EUR 56m". It also announced a string of profitable divestitures which were not included in that forecast. The divestitures included: 1. ProXES, a leading provider of machines and production lines for the food industry with an expected EUR 9m valuation gain impact in Q3; 2. Schülerhilfe, Germany's leading provider of supplemental educational and tutoring services for pupils, with another EUR 9m positive impact in Q3; 3. Formel D, a provider of services such as manual testing or re-tooling work for the automotive and component supply industry, with a EUR 10m gain in Q3. We significantly raised numbers on the back of those events and, with an estimated FY 2016/2017e net income of EUR 73m, our forecast is considerably higher than the company guidance.

While quarterly earnings tend to be very volatile at DBAG, our current expectations for Q3 imply that our full year numbers would already be exceeded. Besides the divestiture gains, the net result of investment activity is expected to have been supported by additional valuation gains and healthy earnings by the portfolio companies.

While we await the publication of Q3 on August 8 before updating our forecasts, an initial simulation would point to some EUR 90m in net income for FY 16/17e vs. EUR 73m currently. Q4 should be quieter in terms of divestiture activity while markets seems to be moving sideways, which tapers the valuation gains effect in the company's P&L. The upgrade of the FY 16/17e figure would however have a minor effect on our sum-of-the-parts valuation for DBAG, which is 2018e NAV-based for the private equity business. Higher proceeds from divestitures would presumably fuel higher dividends as well. Hence the fair value would amount to EUR 46.10 (vs. EUR 45.16 currently).

The consensus is increasing to the EUR 80+m range in net income for 2016/2017e, but we see more room for upgrades.

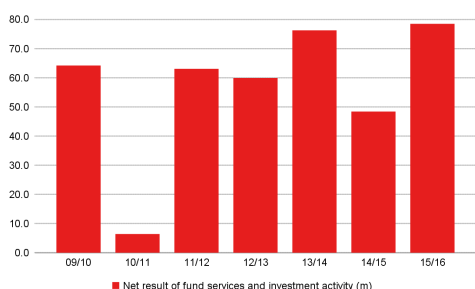


Rel. Performance vs SDAX:	
1 month:	0.4 %
6 months:	8.3 %
Year to date:	13.4 %
Trailing 12 months:	23.2 %

Company events:
01.08.17 Q3

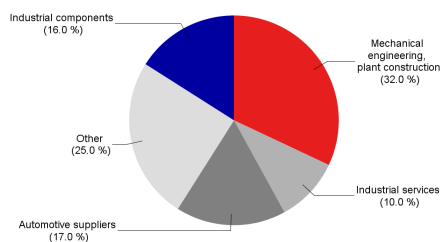
FY End: 30.9. in EUR m	CAGR (15/16-18/19e)	2012/13	2013/14	2014/15	2015/16	2016/17e	2017/18e	2018/19e
Net result of fund services and investment activity	5.1 %	60	76	48	78	105	89	91
Net result investment activity		41	55	29	60	79	61	65
Fee income fund services		19	22	19	18	26	28	26
EBIT	7.6 %	34	48	27	51	74	62	63
EBT		34	48	27	50	73	61	62
Net income	7.3 %	32	48	27	50	73	61	62
EPS	4.1 %	2.36	3.51	1.98	3.65	4.84	4.03	4.12
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 %	3.0 %	3.0 %	3.0 %
NAV per share		20.32	22.16	22.16	26.91	30.48	37.86	44.59
Return on NAV		11.2 %	15.9 %	9.9 %	27.2 %	10.1 %	14.9 %	13.8 %
P / E		8.2 x	6.0 x	14.0 x	7.6 x	8.2 x	9.8 x	9.6 x
Net Debt		-8	-19	-20	-42	-88	-120	-153
ROE		11.9 %	16.5 %	8.9 %	14.9 %	18.3 %	13.6 %	12.7 %
ROCE (NOPAT)		15.2 %	17.3 %	9.4 %	16.6 %	22.0 %	17.8 %	17.7 %
Guidance:		Net income of at least EUR 56m						

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

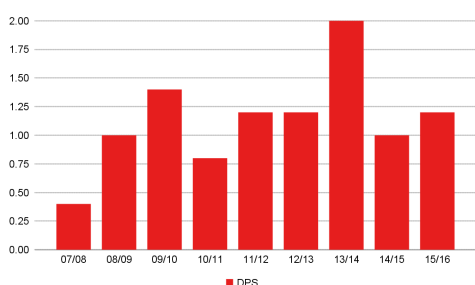
Company Background

- 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

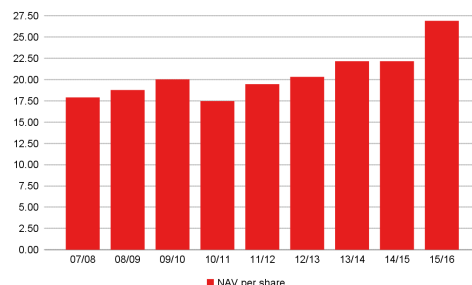
- DBAG has a tight focus on mainly direct investments in unlisted, operationally healthy German Mittelstand companies in the industrials and services sector with sales volumes of EUR 50m – 500m p.a.
- Differentiation is based on DBAG's long-standing track record. Since it was founded in 1965, DBAG has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

Sum of the parts

Portfolio value BY 16/17e **302.6**
 EUR m

	FY 2017E	FY 2018E	FY 2019E
Gross result of valuation and disposal portfolio	90.8	70.5	74.0
Minority interest	-13.6	-14.1	-14.8
Net result of valuation and disposal portfolio	77.2	56.4	59.2
Current income portfolio	6.1	7.8	9.3
Net result portfolio	83.2	64.2	68.5
Net result other financial assets	-4.2	-3.2	-3.4
Net result of investment activity	79.1	61.0	65.1

Portfolio value projections

	FY 2017E	FY 2018E	FY 2019E
Portfolio value beginning of year	302.6	391.7	462.7
Investments	60.0	60.0	60.0
Proceeds from divestments	-50.0	-50.0	-50.0
Net result of investment activity	79.1	61.0	65.1
Investments			
Disposals			
Change in Debt	0.0	0.0	0.0
Estimated portfolio value at year end	391.7	462.7	537.7
<i>Growth</i>	29.4%	18.1%	16.2%

NAV estimate

	FY 16	FY 2017E	FY 2018E	FY 2019E
Portfolio value	391.7	462.7	537.7	537.7
Minorities in co-investment vehicles	23.6	29.9	36.3	36.3
Other assets net of other liabilities	-16.9	-16.4	-15.9	-15.9
Financial resources	107.3	153.1	185.3	185.3
Dividends	-16.5	-18.1	-18.1	-18.1
NAV ex Dividends	387.1	458.5	569.6	670.9
NOSH	15.0	15.0	15.0	15.0
NAV ex-dividends per share	25.8	30.5	37.9	44.6
<i>Growth</i>	18.1%	24.2%	17.8%	17.8%

Sum-of-the-parts valuation

NAV Private Equity - excl. Dividends	€30.5	€37.9	€44.6
DCF Asset Management (3)	5.6	7.4	6.6
Fair Value per share DBAG	€36.0	€45.2	€51.2

Source: Company data, 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	28.25	31.08	34.01
EV / Sales	4.3 x	3.7 x	7.4 x	4.3 x	4.8 x	5.3 x	n.a.
EV / EBITDA	7.5 x	5.6 x	13.4 x	6.7 x	6.9 x	7.7 x	n.a.
EV / EBIT	7.6 x	5.6 x	13.4 x	6.7 x	6.9 x	7.7 x	n.a.
EV / EBIT adj.*	7.6 x	5.6 x	13.4 x	6.7 x	6.9 x	7.7 x	n.a.
P / FCF	n.a.	n.a.	56.2 x	659.3 x	8.2 x	9.9 x	9.6 x
P / E	8.2 x	6.0 x	14.0 x	7.6 x	8.2 x	9.8 x	9.6 x
P / E adj.*	9.2 x	6.9 x	14.0 x	7.6 x	8.2 x	9.8 x	9.6 x
Dividend Yield	6.2 %	9.5 %	3.6 %	4.3 %	3.0 %	3.0 %	3.0 %
FCF Potential Yield (on market EV)	13.1 %	17.8 %	7.5 %	15.0 %	14.5 %	12.9 %	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	30.48	37.86	44.59
Return on NAV	11.2 %	15.9 %	9.9 %	27.2 %	10.1 %	14.9 %	13.8 %
Net result investment activity	41	55	29	60	79	61	65
Fee income fund services	19	22	19	18	26	28	26
Net result of fund services and investment activity	60	76	48	78	105	89	91

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	105	89	91
Net result investment activity	41	55	29	60	79	61	65
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	8	8
Other operating expenses	18	18	13	19	24	18	18
Unfrequent items	0	0	0	0	0	0	0
EBITDA	34	48	27	51	74	62	63
<i>Margin</i>	56.9 %	66.1 %	55.3 %	64.4 %	70.3 %	69.2 %	69.1 %
Depreciation of fixed assets	0	0	0	0	0	0	0
EBITA	34	48	27	51	74	62	63
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	74	62	63
<i>Margin</i>	56.2 %	66.1 %	55.3 %	64.4 %	70.3 %	69.2 %	69.1 %
EBIT adj.	34	48	27	51	74	62	63
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	73	61	62
<i>Margin</i>	56.4 %	66.4 %	55.9 %	63.7 %	69.8 %	68.7 %	68.5 %
Total taxes	0	0	0	0	0	0	0
Net income from continuing operations	33	48	27	50	73	61	62
Income from discontinued operations (net of tax)	0	0	0	0	0	0	0
Net income before minorities	33	48	27	50	73	61	62
Minority interest	1	0	0	0	0	0	0
Net income	32	48	27	50	73	61	62
<i>Margin</i>	53.9 %	65.8 %	55.8 %	63.9 %	69.5 %	68.2 %	68.1 %
Number of shares, average	14	14	14	14	15	15	15
EPS	2.36	3.51	1.98	3.65	4.84	4.03	4.12
EPS adj.	2.09	3.04	1.98	3.65	4.84	4.03	4.12

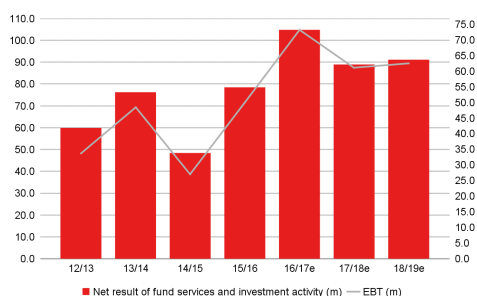
*Adjustments made for:

Guidance: Net income of at least EUR 56m

Financial Ratios

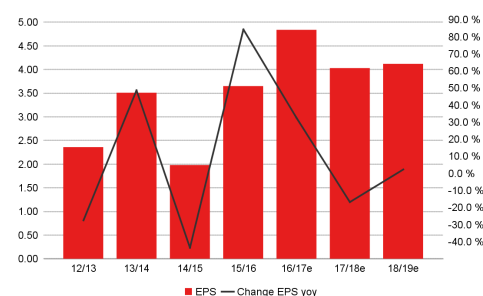
	2012/13	2013/14	2014/15	2015/16	2016/17e	2017/18e	2018/19e
EBITDA / Interest expenses	41.0 x	307.1 x	171.7 x	86.4 x	126.0 x	105.3 x	104.9 x
Tax rate (EBT)	1.4 %	0.8 %	0.1 %	-0.3 %	0.5 %	0.7 %	0.6 %
Dividend Payout Ratio	49.3 %	57.0 %	50.6 %	32.8 %	24.8 %	29.7 %	29.1 %

Net result fund services & investments in EUR m



Source: Warburg Research

Performance per Share



Source: Warburg Research

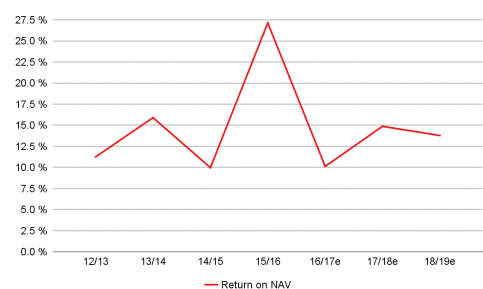
Consolidated balance sheet

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	103	135	169
Other short-term assets	43	58	20	15	15	15	15
Current assets	54	86	49	73	119	151	184
Total Assets	299	333	327	405	461	504	548
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	89	131	175
Other equity components	86	118	117	110	110	110	110
Shareholders' equity	278	303	303	370	426	468	512
Minority interest	0	0	0	0	0	0	0
Total equity	278	303	303	370	426	469	513
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	461	504	548

Financial Ratios

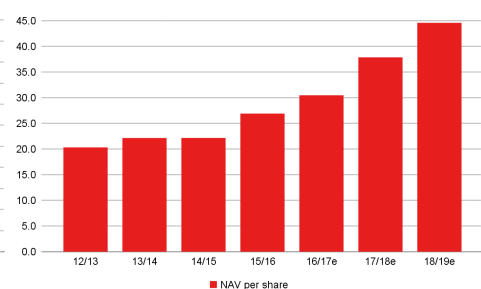
	2012/13	2013/14	2014/15	2015/16	2016/17e	2017/18e	2018/19e
Efficiency of Capital Employment							
ROA	13.2 %	19.5 %	9.7 %	15.1 %	21.3 %	17.2 %	17.1 %
Return on Capital							
NAV per share	20.32	22.16	22.16	26.91	30.48	37.86	44.59
Return on NAV	11.2 %	15.9 %	9.9 %	27.2 %	10.1 %	14.9 %	13.8 %
ROCE (NOPAT)	15.2 %	17.3 %	9.4 %	16.6 %	22.0 %	17.8 %	17.7 %
ROE	11.9 %	16.5 %	8.9 %	14.9 %	18.3 %	13.6 %	12.7 %
Adj. ROE	10.5 %	14.3 %	8.9 %	14.9 %	18.3 %	13.6 %	12.7 %
Balance sheet quality							
Net Debt	-8	-19	-20	-42	-88	-120	-153
Net Financial Debt	-11	-28	-28	-57	-103	-135	-169
Net Gearing	-2.9 %	-6.3 %	-6.4 %	-11.3 %	-20.6 %	-25.5 %	-29.9 %
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	28.3	31.1	34.1
Book value per share ex intangibles	20.3	22.1	22.1	26.8	28.3	31.1	34.0

Return on NAV Development



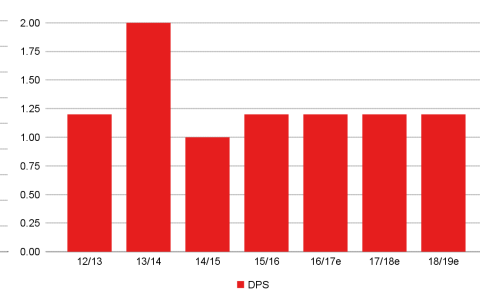
Source: Warburg Research

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	73	61	62
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	73	61	62
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	73	61	62
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	46	32	33
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	103	135	169

Financial Ratios

	2012/13	2013/14	2014/15	2015/16	2016/17e	2017/18e	2018/19e
Cash Flow							
FCF	-12	-1	6	0	72	60	62
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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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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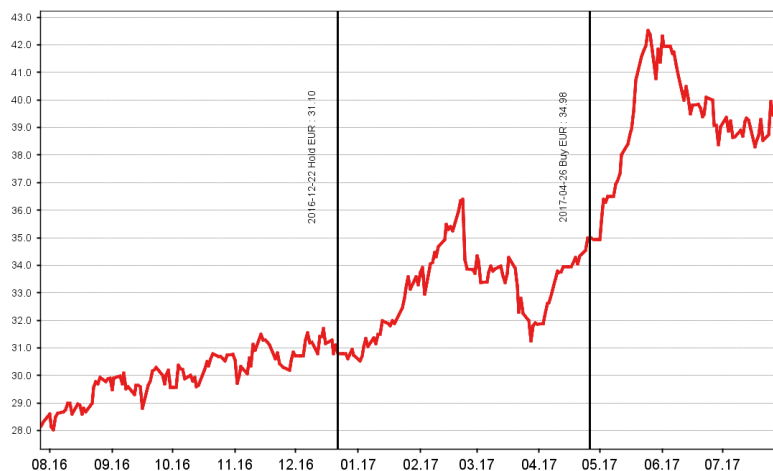
Rating	Number of stocks	% of Universe
Buy	104	52
Hold	87	44
Sell	7	4
Rating suspended	2	1
Total	200	100

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	29	71
Hold	9	22
Sell	1	2
Rating suspended	2	5
Total	41	100

PRICE AND RATING HISTORY DEUTSCHE BETEILIGUNGS AG AS OF 27.07.2017



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.

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