

## PRESS RELEASE

### **Valuations in German private equity market: “High, but not over-valued”**

- **Sector survey: Threat of bubble in medical engineering and technology sectors**
- **2016 buyout market at near record level**
- **Succession: Financial investors meet with greater acceptance in “Mittelstand”**

**Frankfurt am Main, 25 January 2017.** Pricings in the German private equity market are currently “expensive”, but, overall, not yet “dangerously excessive”. That is the opinion of investment managers at more than 50 private equity firms operating in Germany, who are polled twice a year on behalf of Deutsche Beteiligungs AG (DBAG) by FINANCE magazine about trends in the German mid-market segment. In some areas, however, the professionals interviewed see a risk of excessive valuations. In particular, the prices for medical engineering and technology companies are now so high that there is a threat of a bubble forming in these sectors. By contrast, trading firms are considered the least over-valued, along with automotive suppliers and mechanical and plant engineering companies. In the survey conducted at year-end 2016, only five percent of the investment managers interviewed stated that valuation levels were “normal when compared over the long term”; 86 percent termed prices as being “expensive”. Eight percent of the respondents even consider prices to be “dangerously excessive”.

Irrespective of this assessment, financial investors structured more buyouts in Germany’s “Mittelstand” in 2016 than they had since record year 2007. Half of the transactions – 17 out of a total of 34 – related to sectors in which the price trend has been less dynamic recently. Every fifth transaction (seven of 34) involved an automotive supplier. Compared to the preceding year, the proportion of industrial companies among mid-market buyouts declined: in 2015, they accounted for approximately half of the 30 transactions, and in 2016 for only about a third.

### **DBAG most active “Mittelstand” buyout investor over more than ten years**

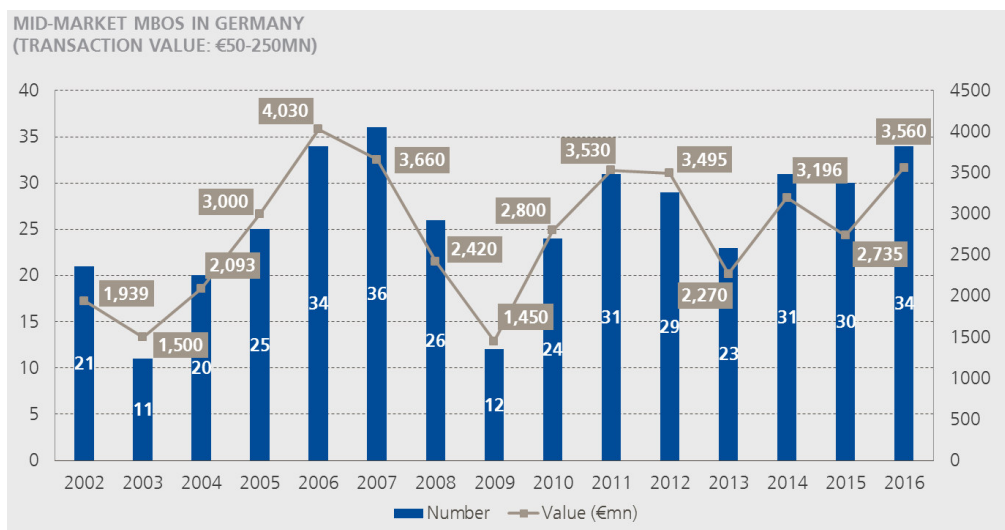
The data issued yesterday relates exclusively to majority takeovers by financial investors in which the target company’s management co-invests and which have a transaction value of 50 to 250 million euros for the debt-free company.

The data is based on publicly accessible sources as well as on estimates and own research by DBAG in collaboration with FINANCE magazine. Deutsche Beteiligungs AG is present in this year's statistics with three buyouts, making it again one of the two most active financial investors for private equity in the relevant market segment. DBAG also ranks first on a ten-year comparison, with 18 transactions.

Private equity firms sponsored buyouts last year in Germany's "Mittelstand" valued at approximately 3.6 billion euros; the previous year it was 2.7 billion euros. The average enterprise value rose by 15 percent to some 105 million euros. The majority of transactions (23 of 34) were attributable to the segment's lower end (enterprise value: 50 to 100 million euros).

### Ten of 34 transactions aimed at arranging succession

An unusually high number of buyouts originated from family-owned companies in 2016. In ten instances, or in nearly every third case, succession was arranged through a buyout in the role of the majority owner, in two of these instances by DBAG. This represents by far the highest share of family succession arrangements through buyouts in 15 years.



“The significantly greater number of family succession arrangements shows that financial investors are evidently increasingly being accepted as company owners in the “Mittelstand”, said Torsten Grede, Spokesman of the Board of Management of Deutsche Beteiligungs AG, commenting on the newest market survey to journalists in Frankfurt yesterday. In the past, the share of family succession arrangements was only about ten percent.

DBAG also ascribes this greater acceptance to the fact that financial investors are visibly relying on sustainable strategies to a growing extent in order to support managements in developing the companies and thereby increasing their

value. “It has become evident in ever more cases that financial investors create positive momentum in companies”, Grede added. “With a focus on strategic expansion through additional businesses and services, our own efforts to develop our portfolio companies are taking on greater depth.”

In addition to the four buyouts previously mentioned, Deutsche Beteiligungs AG also entered into two minority investments in family companies in 2016 alongside its funds, initiating total equity capital investments of about 300 million euros. DBAG has two funds for mid-market investments at its disposal: DBAG Fund VII raised last year – with capital commitments of one billion euros the largest German private equity fund for mid-market investments – is able to make equity investments of up to 200 million euros per transaction. With a volume of 212 million euros, DBAG ECF primarily addresses owner-managed “Mittelstand” companies and, through a broad range of financing types, provides a high degree of flexibility, which is of particular importance to owner-managers in terms of the size of the interest held and the holding period. In addition to minority stakes, the fund can also take controlling interests within the scope of smaller buyouts (equity capital investments from some ten to 30 million euros) in select cases.

### **Proprietary transactions and development of the investments gain in importance**

DBAG does not anticipate that the market situation will change fundamentally in 2017. “The continuing stream of capital channelled into the asset class of private equity is creating high demand for attractive companies, along with high price levels,” said Spokesman of the Board Grede. In this environment only those private equity companies have good prospects of successfully concluding transactions that have proprietary access to attractive investment opportunities and have intensively analysed companies’ development options: “Those wanting to prevail and meet their return targets must, however, not only possess a good understanding of the company and its potential. They must also be very conversant with the challenges associated with change processes in companies.”

<b>Mid-market MBOs in 2016</b>		
<b>Target</b>	<b>Vendor</b>	<b>Financial Investor</b>
Interforum	Founder	Bregal Unternehmerkapital
Elatec	Stefan Härtel and other previous investors	DPE Deutsche Private Equity
Gala-Kerzen	Langhammer family	Equistone
Binder-Gruppe	Hans and Ottmar Binder	Bregal Unternehmerkapital
Hamm-Reno Gruppe	Siegfried Kaske, Hamm family	Capiton, Ziylan-Gruppe
WST Präzisionstechnik	Finatem	Cathay Capital
Hennecke	Adcuram	Capvis
IHSE	Founder	Brockhaus Private Equity
Schlemmer	Hannover Finanz, Mackprang	3i

AppelrathCüpper	Advent	OpCapita
Inexio	Founder, Management	Warburg Pincus
Losberger	HIG Capital	Gilde
Frimo	Hans-Günther Bayer, Rainer Wittkorn	DBAG
GBA Laborgruppe	Adiuva Capital	Quadriga
Onlineprinters	TA Associates	Bregal Unternehmerkapital
Polytech	Founder	DBAG
Exocad	Fraunhofer Institut, founder	Carlyle
Pavis	Previous shareholders	Paragon
Parador	Hüls-Gruppe	Nord Holding
Ruf-Bett	Hüls-Gruppe	Nord Holding
GEV	Previous shareholders	Riverside
Dermatologikum Hamburg	Volker Steinkraus and others	ECM
Utimaco	Pinova, BIP Investment Partners	EQT
Raith	Hannover Finanz	Capiton
Drahtzug Stein	Founding family	Emeram
Schock	HQ Equita	IK Investment Partners
Deutsche Intensivpflege Holding	Delta Equity	Ergon Capital
Schwind Eye-Tech-Solutions	Founder	Ardian
Braun	Seafort	DBAG
Moeschter	Jürgen Möschter	Hannover Finanz
Fischer Surface Technologies	Family shareholders	DPE Deutsche Private Equity
Hoffmann Fördertechnik	Owner family	Afinum
Chicco di Cafe	Previous shareholders	Paragon
Achat Hotels	Previous shareholders	Hannover Finanz

More information and the complete results of the market survey and market statistics are accessible on the DBAG website.

***Deutsche Beteiligungs AG, a listed private equity company, initiates closed-end private equity funds and invests alongside the DBAG funds in well-positioned mid-sized companies with potential for development. DBAG focuses on industrial sectors in which Germany's 'Mittelstand' is particularly strong on an international comparison. With its experience, expertise and equity, DBAG supports the portfolio companies in implementing corporate strategies that sustainably create value. Its entrepreneurial approach to investing has made DBAG a sought-after investment partner in the German-speaking world. Assets under management or advice by the DBAG Group amount to approximately 1.8 billion euros.***

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