



TRENDS
IN GERMAN
BUYOUT MARKET

PRESS CONFERENCE

FRANKFURT AM MAIN,
24 JANUARY 2017





AGENDA

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Development of the private equity asset class

Buyouts in Germany:

- Capital supply and demand
 - Price trend
- Market development in 2016

Outlook





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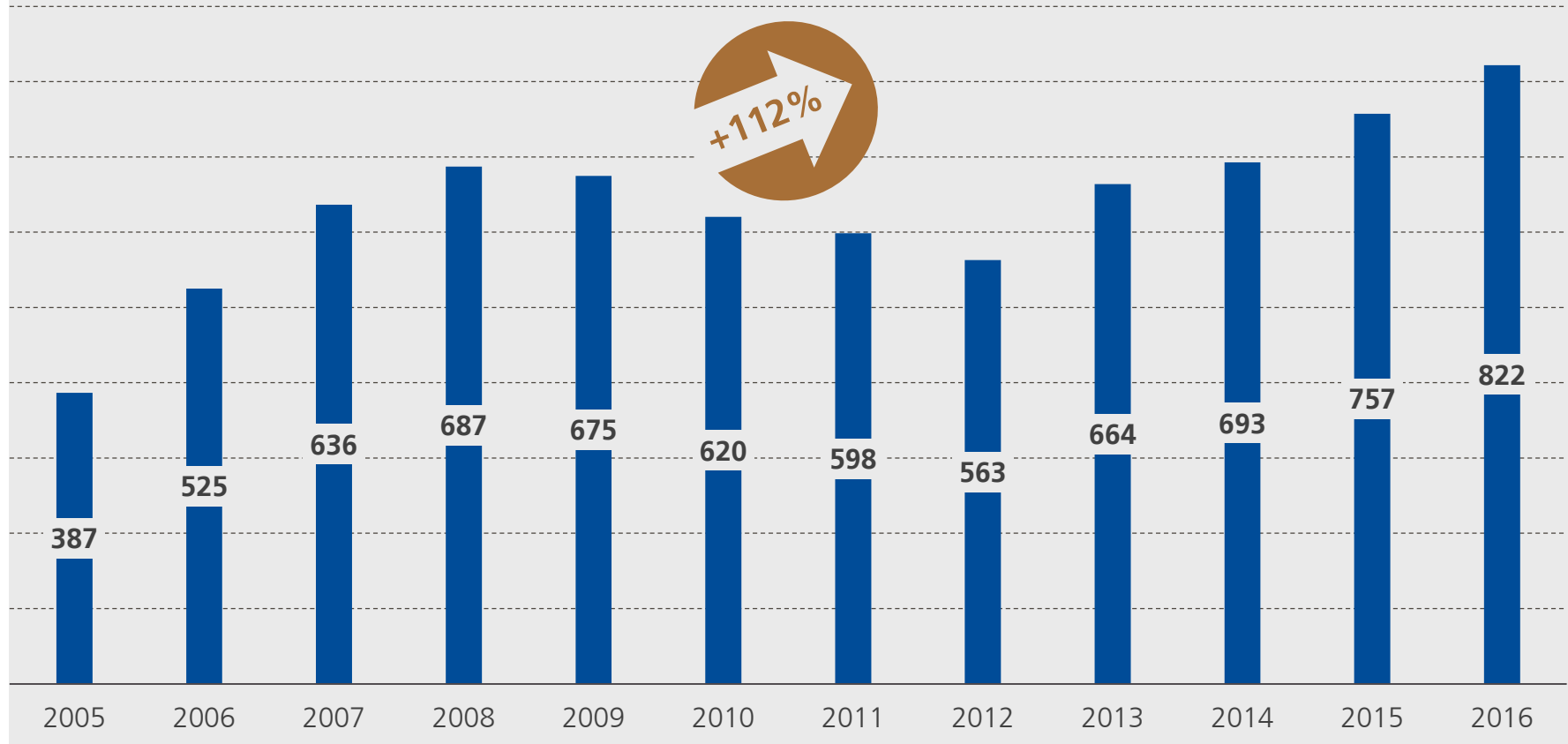
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“DRY POWDER” WORLDWIDE: CAPITAL AVAILABLE FOR PRIVATE EQUITY INVESTMENTS INCREASED

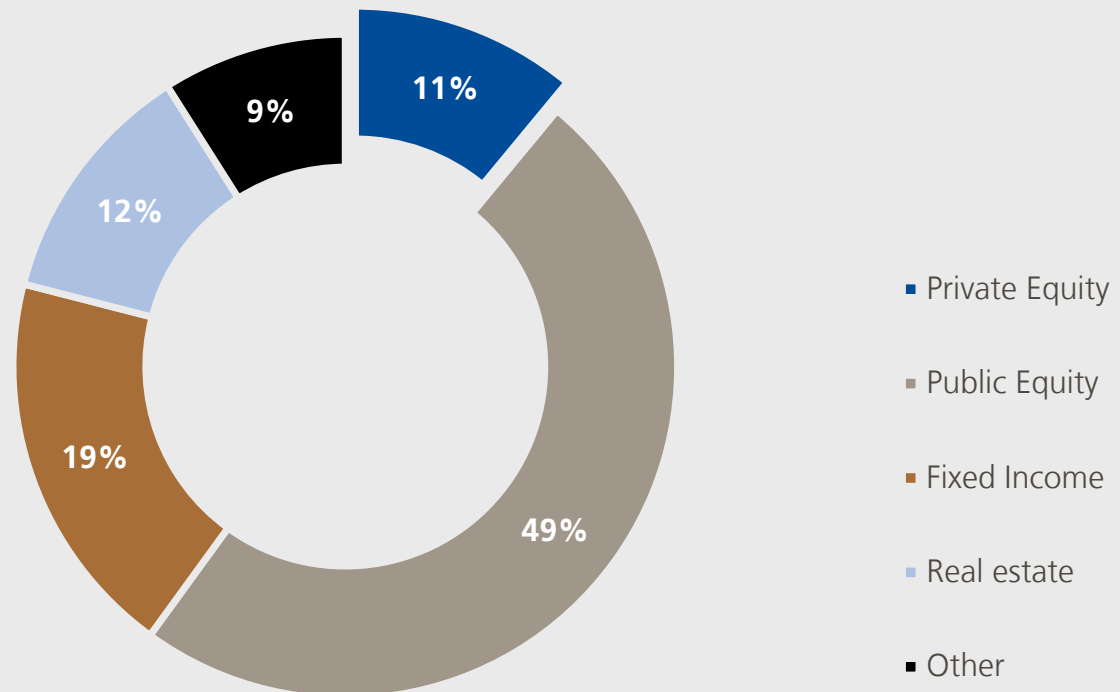
DRY POWDER (US\$ BN)
AT THE END OF 2016



Source: Preqin Private Equity Spotlight June 2016; “Private Equity International”, 23.1.2017

US PENSION FUNDS RELY ON PRIVATE EQUITY

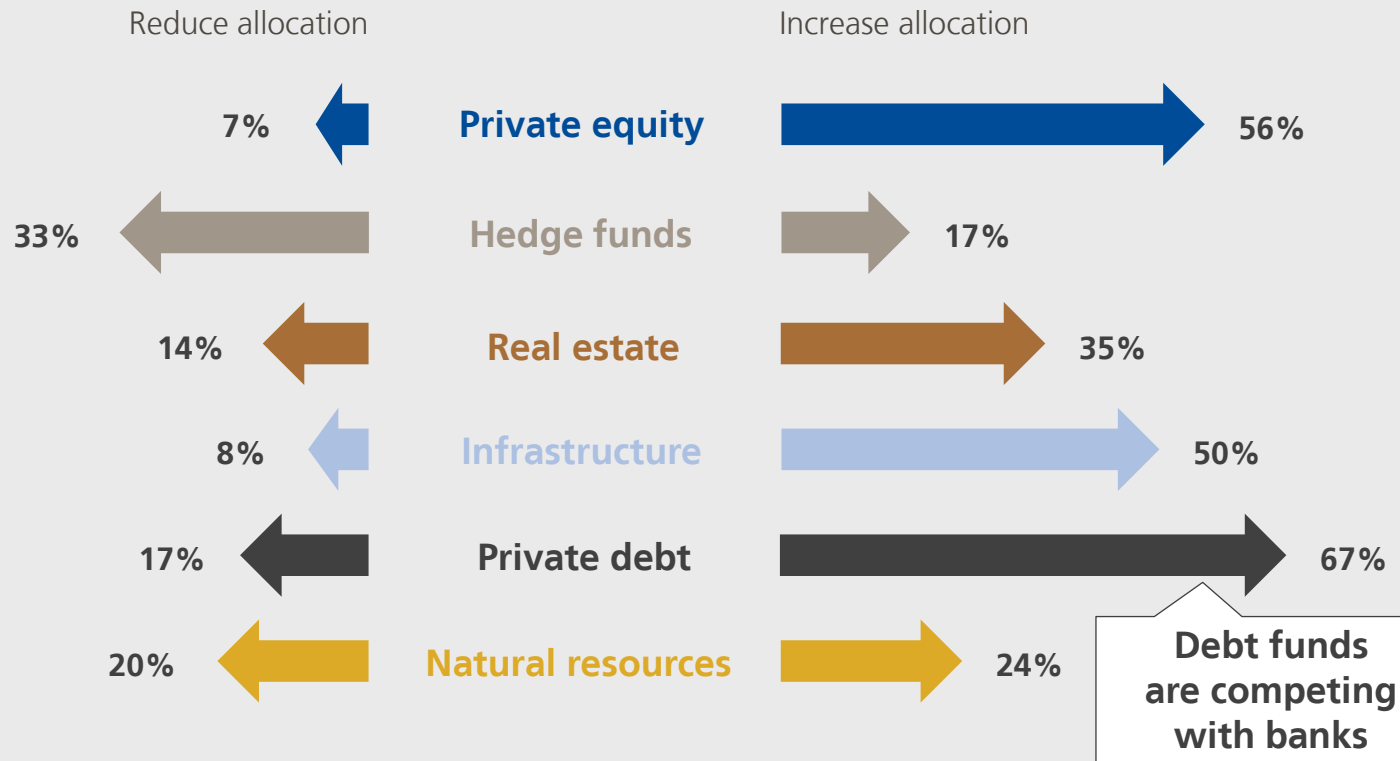
ASSET ALLOCATION OF THE 10 LEADING US PENSION FUNDS
(AuM as of 31.12.2015: US\$ 1,350bn, volume-weighted, acc. to current target allocation)



Source: Financial reporting of the funds

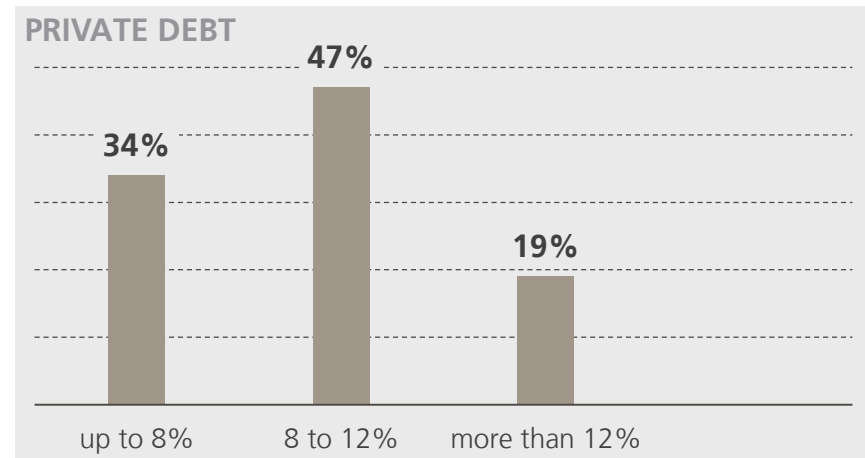
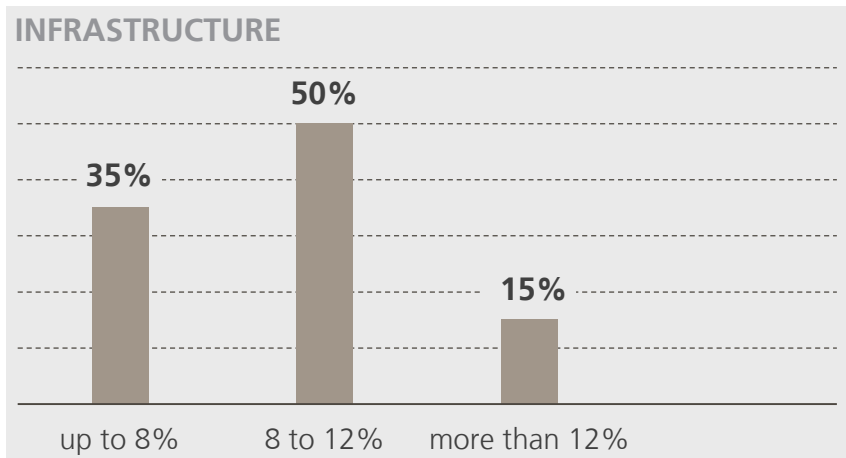
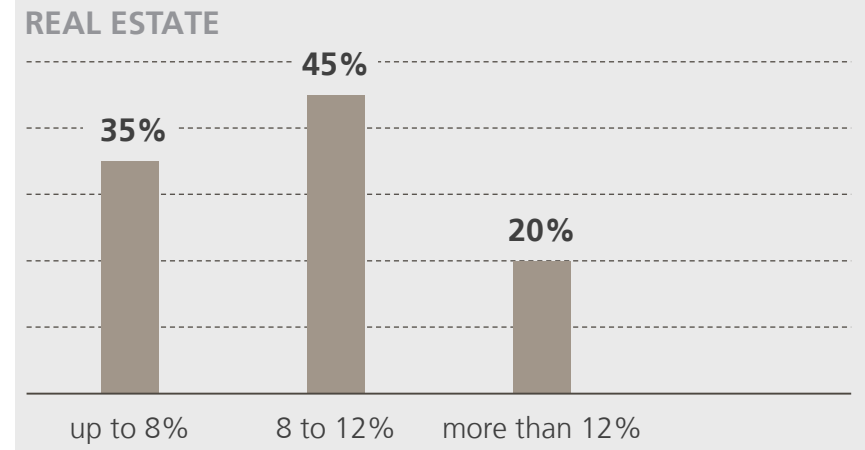
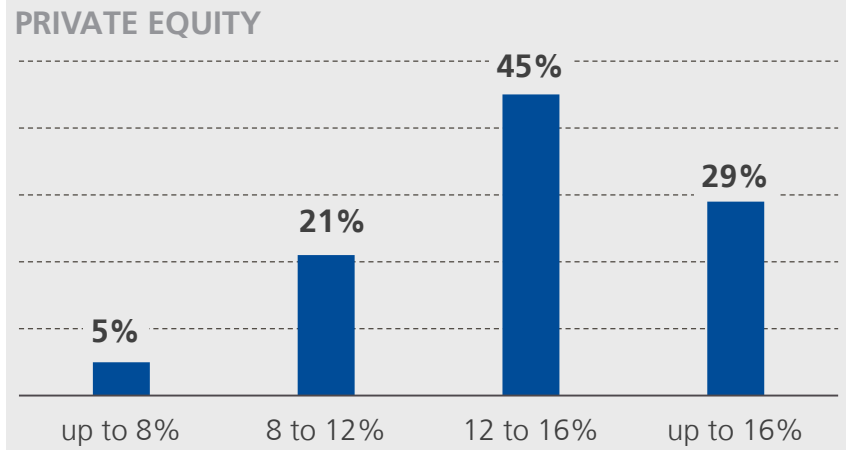
LONG-TERM FOCUS OF INSTITUTIONAL INVESTORS: PRIVATE EQUITY, INFRASTRUCTURE AND PRIVATE DEBT

INSTITUTIONAL INVESTORS' PLANS FOR ALLOCATIONS IN THE LONGER TERM



Source: Preqin Investor Outlook: Alternative Assets H2 2016

INVESTORS STILL TARGET HIGH ANNUALIZED RETURNS FROM THEIR PRIVATE EQUITY PORTFOLIO



Source: Preqin Investor Outlook: Alternative Assets H2 2015



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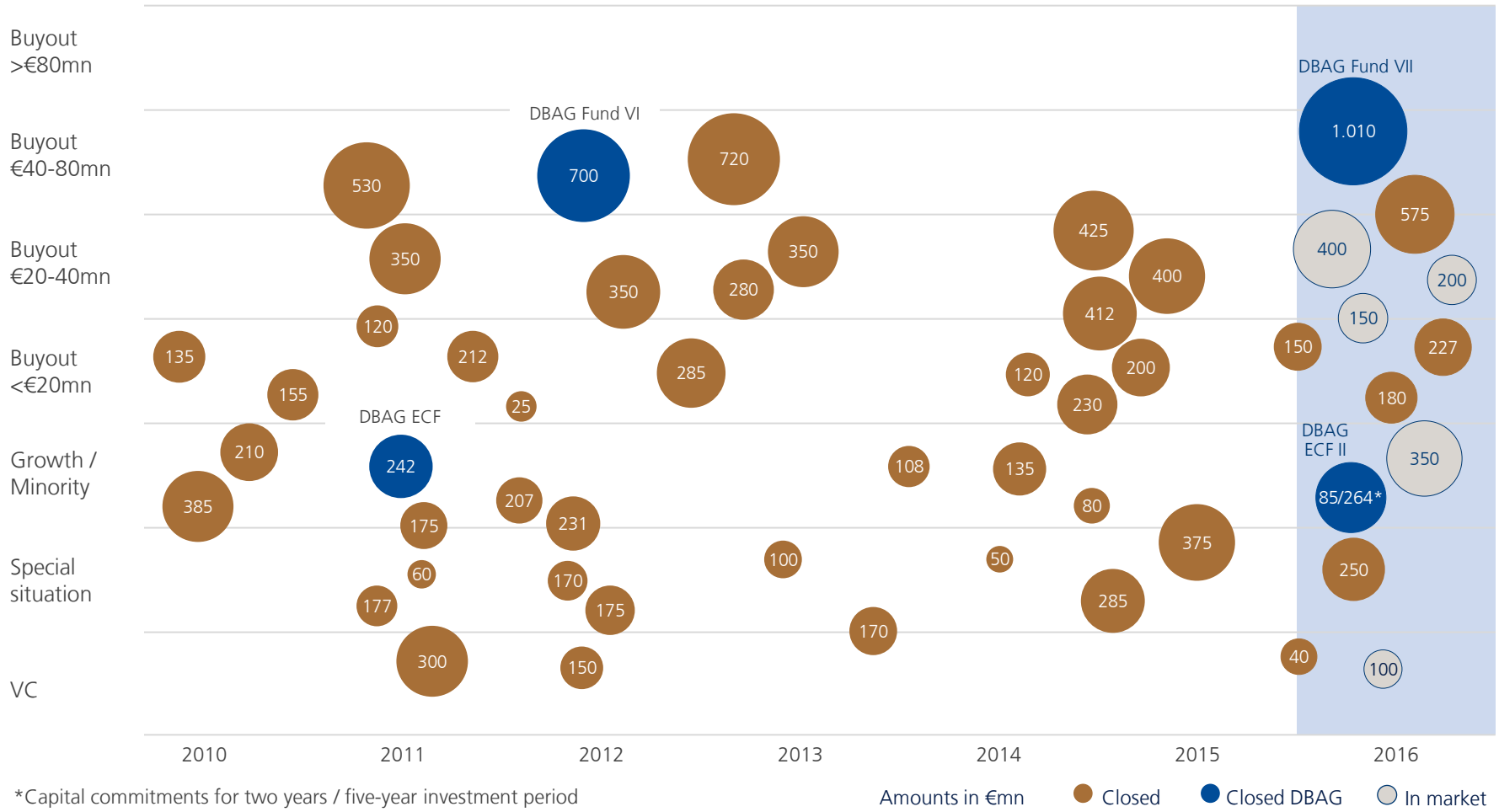
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FUNDS FOR PRIVATE EQUITY INVESTMENTS IN THE DACH REGION



*Capital commitments for two years / five-year investment period

Source: Preqin, Campbell Lutyens, DBAG

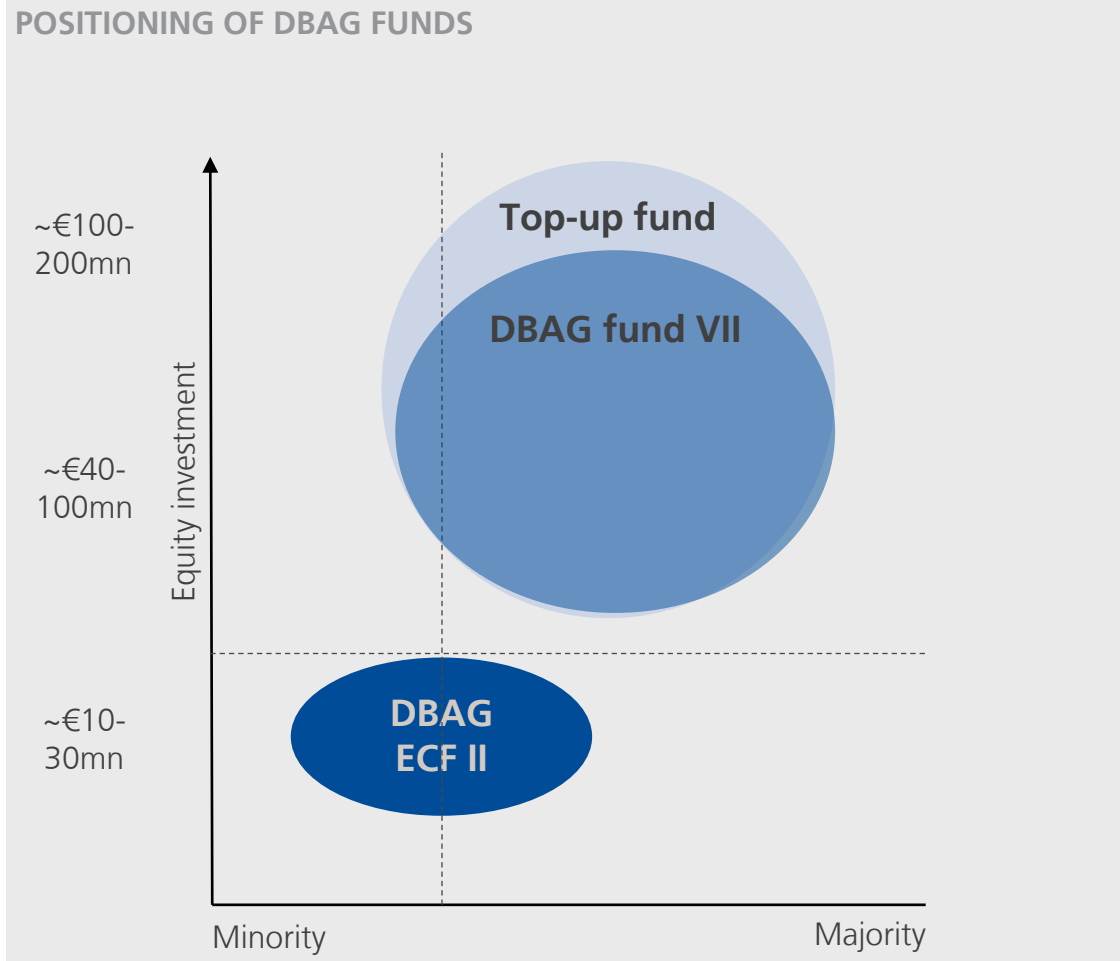
Amounts in €mn

● Closed

● Closed DBAG

○ In market

DBAG EXPANDS OFFERING WITH 2016 FUNDRAISING



Equity investments of
up to €200mn

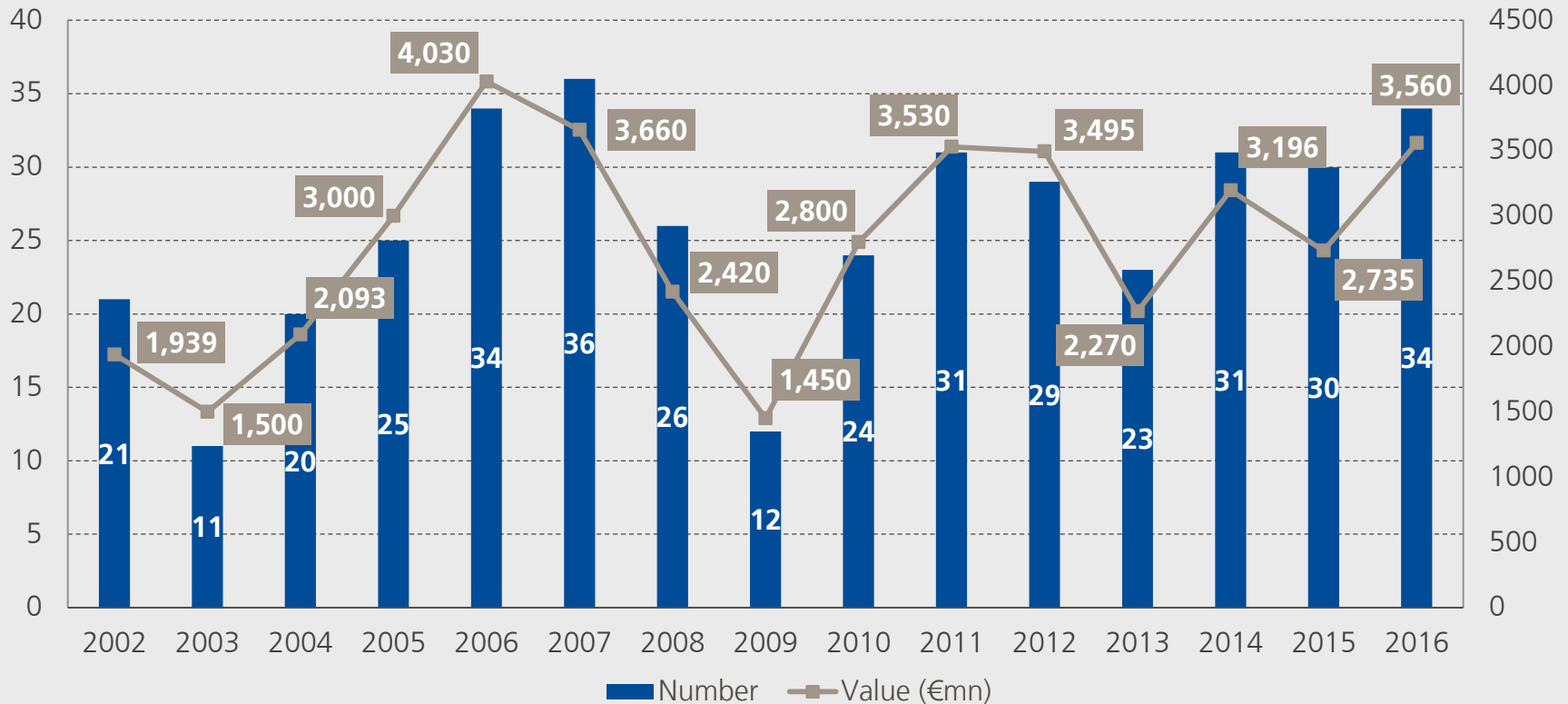
Entering the
small buyouts
market segment

**About ten pan-European funds with German branch
invest most of their dry powder in Germany**

**Another ~25 pan-European funds
with opportunistic / selective approach
invest mostly in the upper segment of the mid-market**

CAPITAL DEMAND HAS ALMOST REACHED PRE-CRISIS RECORD LEVEL

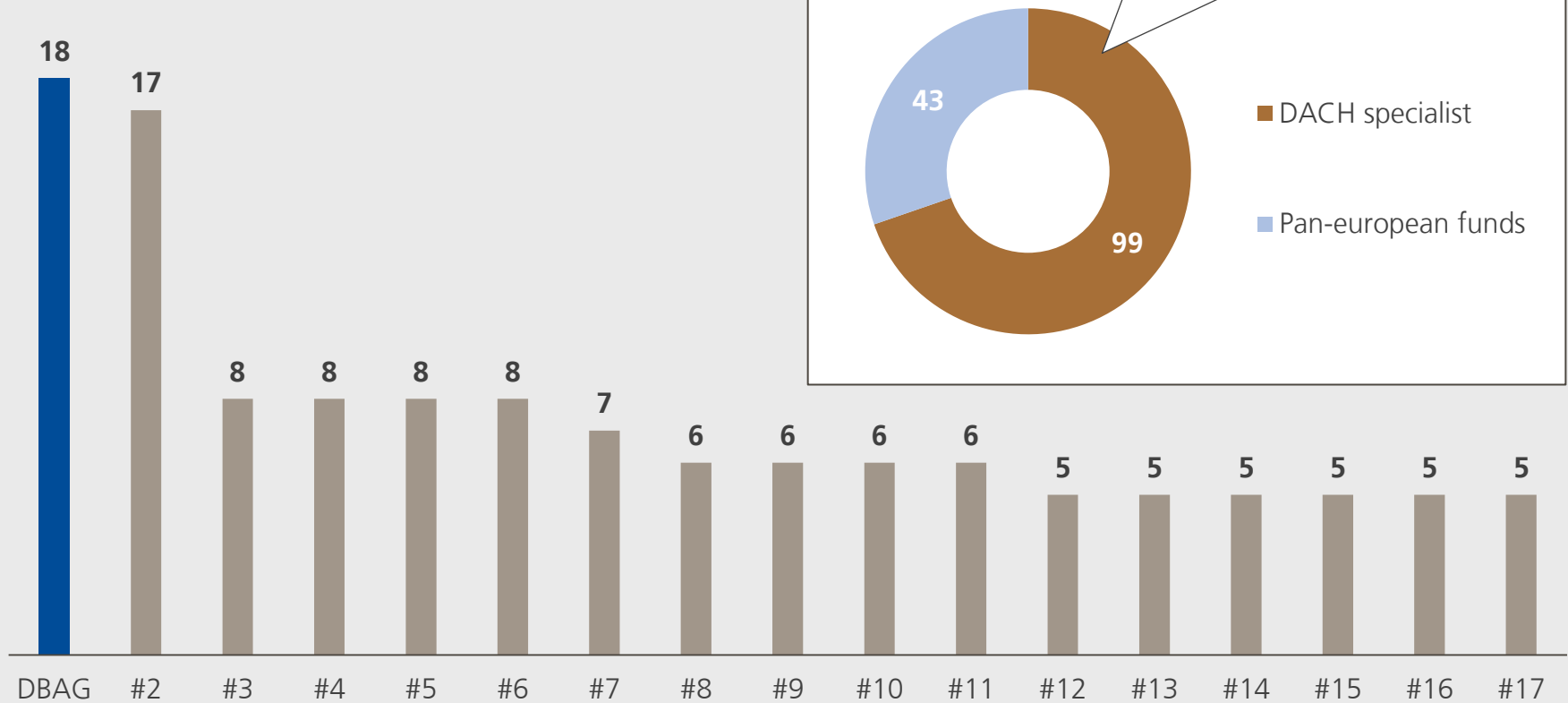
MID-MARKET MBOS IN GERMANY
(Transaction value: €50-250mn)



Majority takeovers by financial investors via MBO, MBI, secondary/tertiary buyouts; transaction value: €50-250mn
Source: public information, research by DBAG and FINANCE

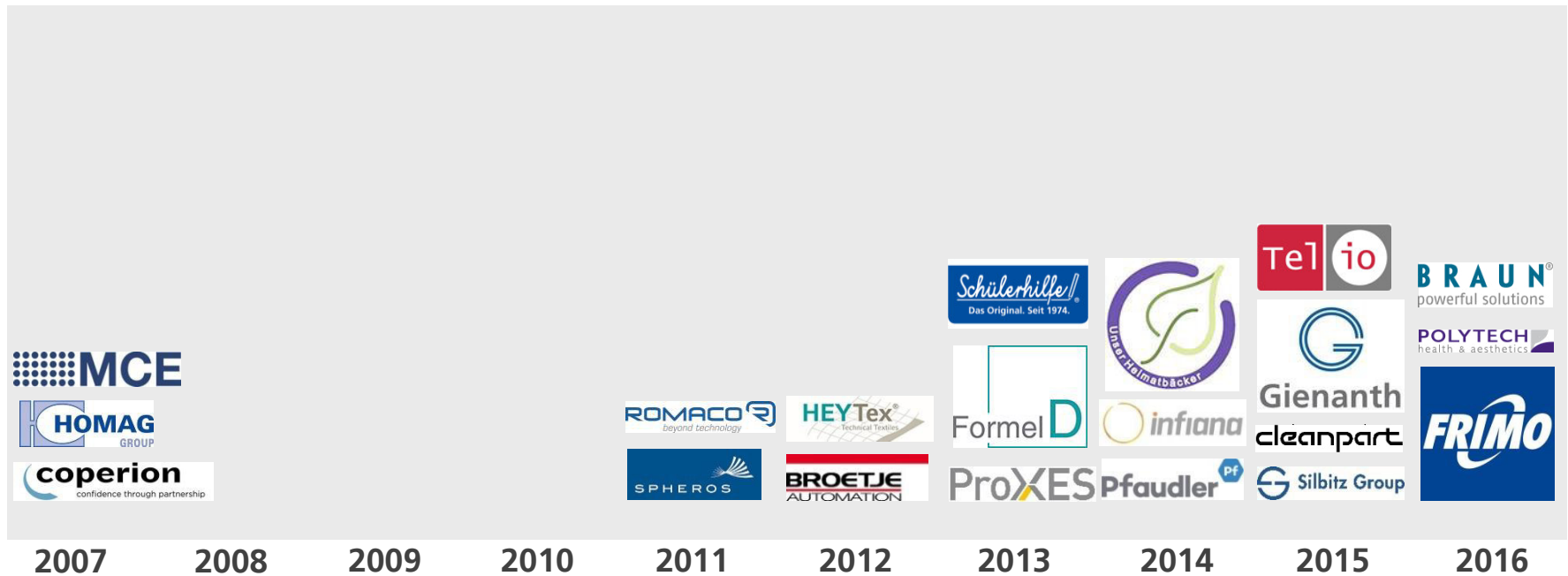
BUYOUTS HIGHLY CONCENTRATED AMONG A SMALL NUMBER OF MARKET PARTICIPANTS

TOP PE-INVESTORS IN THE GERMAN MID-MARKET, 2007-2016
(PE-Investors with five or more Transactions)



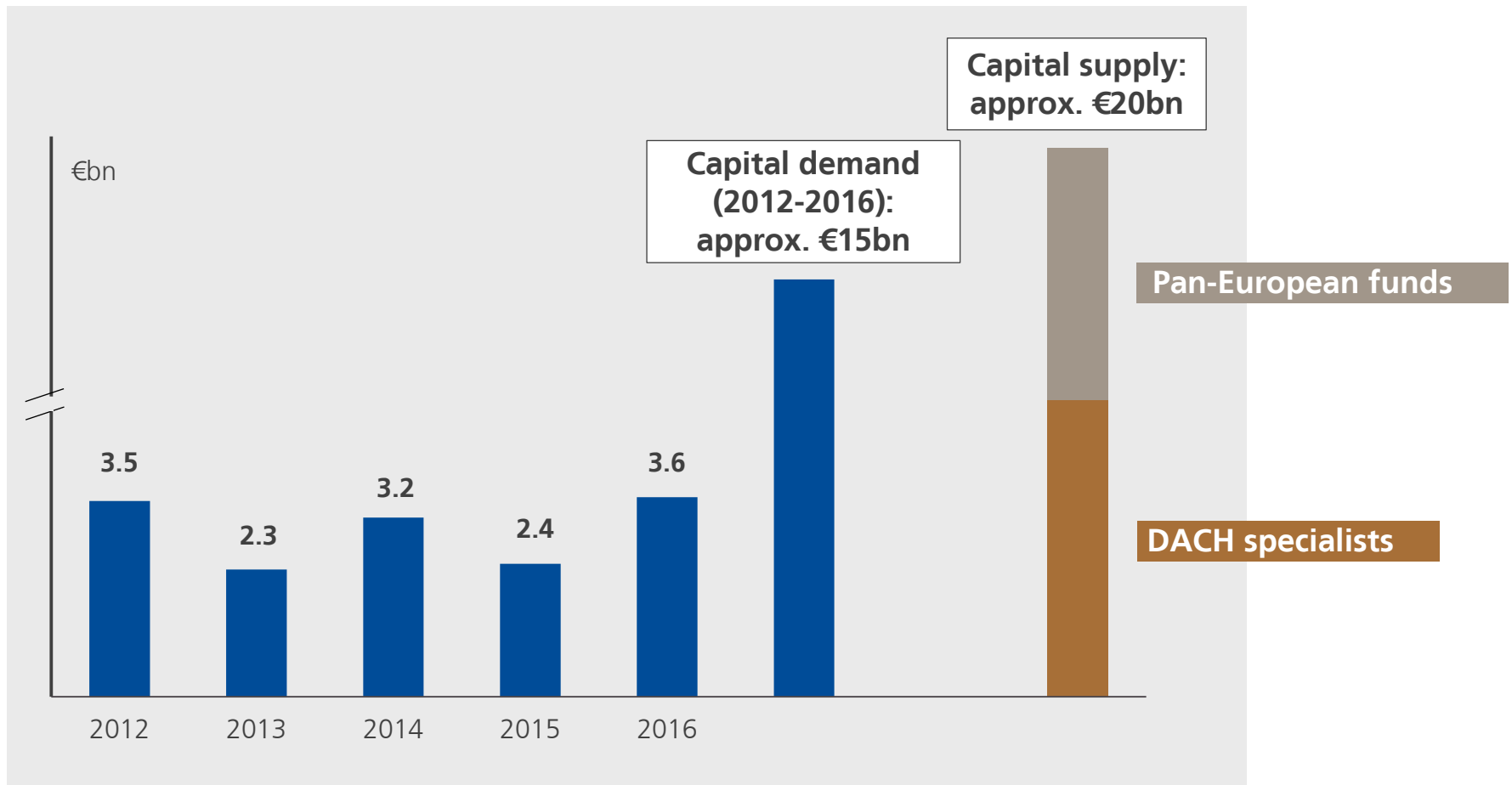
Majority takeovers by financial investors via MBO, MBI, secondary/tertiary buyouts; transaction value: €50-250mn
Source: public information, research by DBAG and FINANCE

20 DBAG BUYOUTS IN GERMANY SINCE 2007



Two buyouts with transaction volume of >€250mn (Coperion, MCE), two buyouts outside Germany not included (2008, 2010)

CAPITAL SUPPLY FOR BUY-OUTS IN THE GERMAN MID-MARKET EXCEEDS DEMAND



Assumption: equity ratio of 50 percent

Source: public information, research and estimates of DBAG and FINANCE



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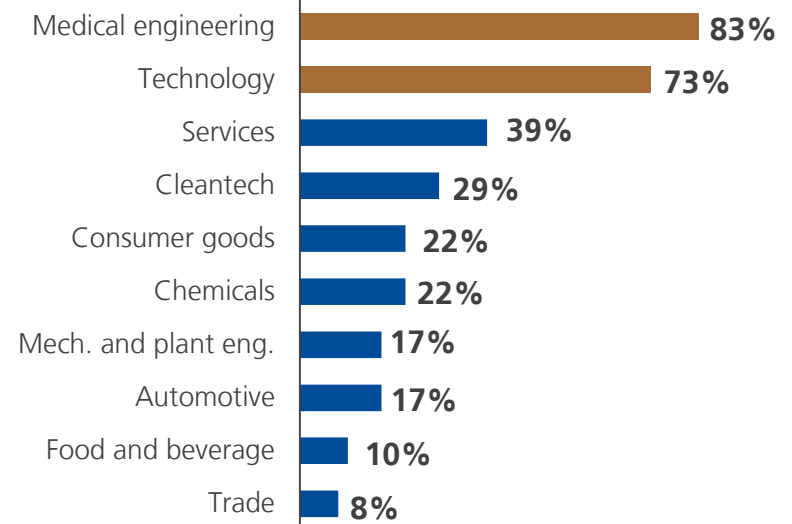
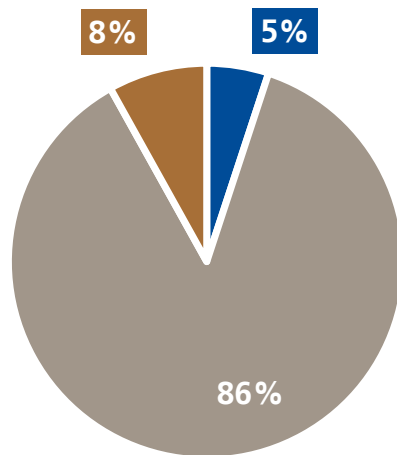
VALUATION LEVELS IN GERMANY: PRICE INCREASE OBSERVED IN SEVERAL SECTORS

From the DBAG Mid-Market Monitor (November 2016):

How would you evaluate overall valuation levels in the German private equity market?

In which sectors have prices increased most strongly?

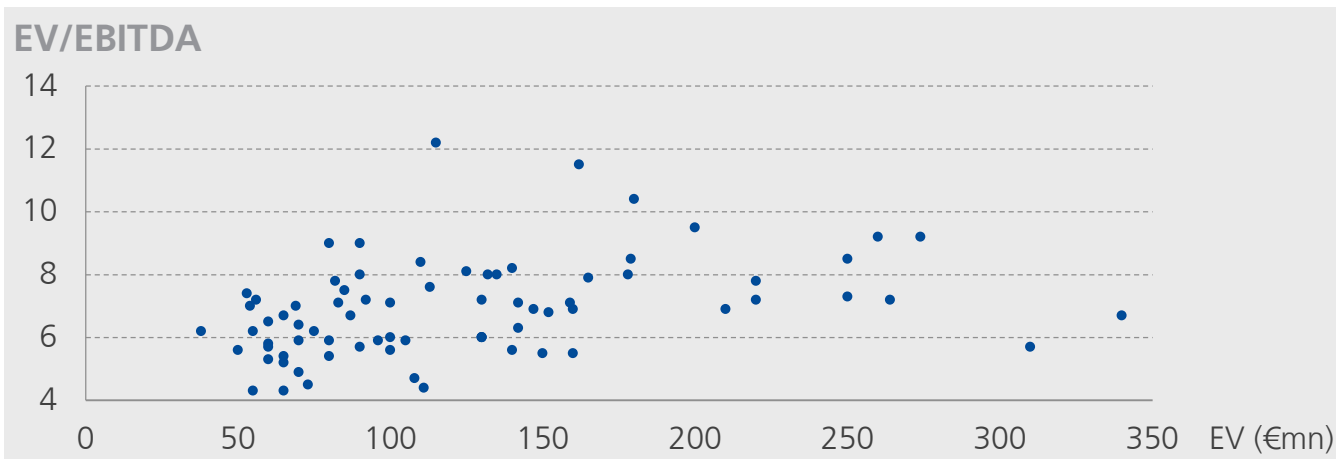
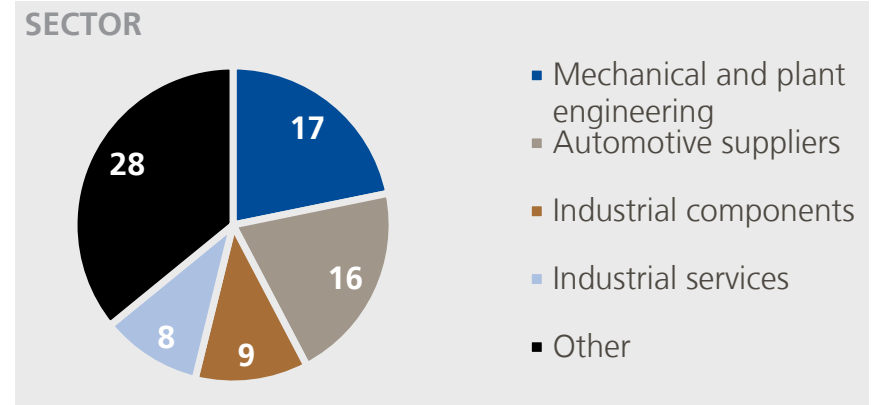
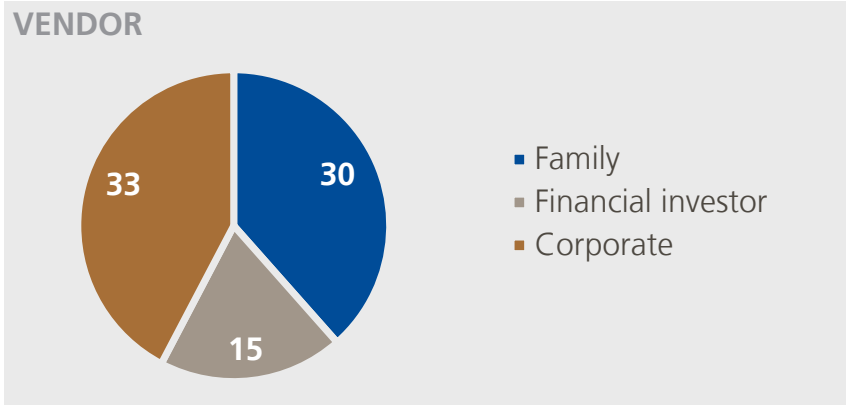
- Normal when compared over the long term
- Expensive
- Dangerously excessive



Source: survey among investment managers from more than 50 private equity firms; DBAG Mid-Market Private Equity Monitor in collaboration with FINANCE

ANALYSIS OF DBAG BIDS

Database: 78 bids (2013 to 2016)

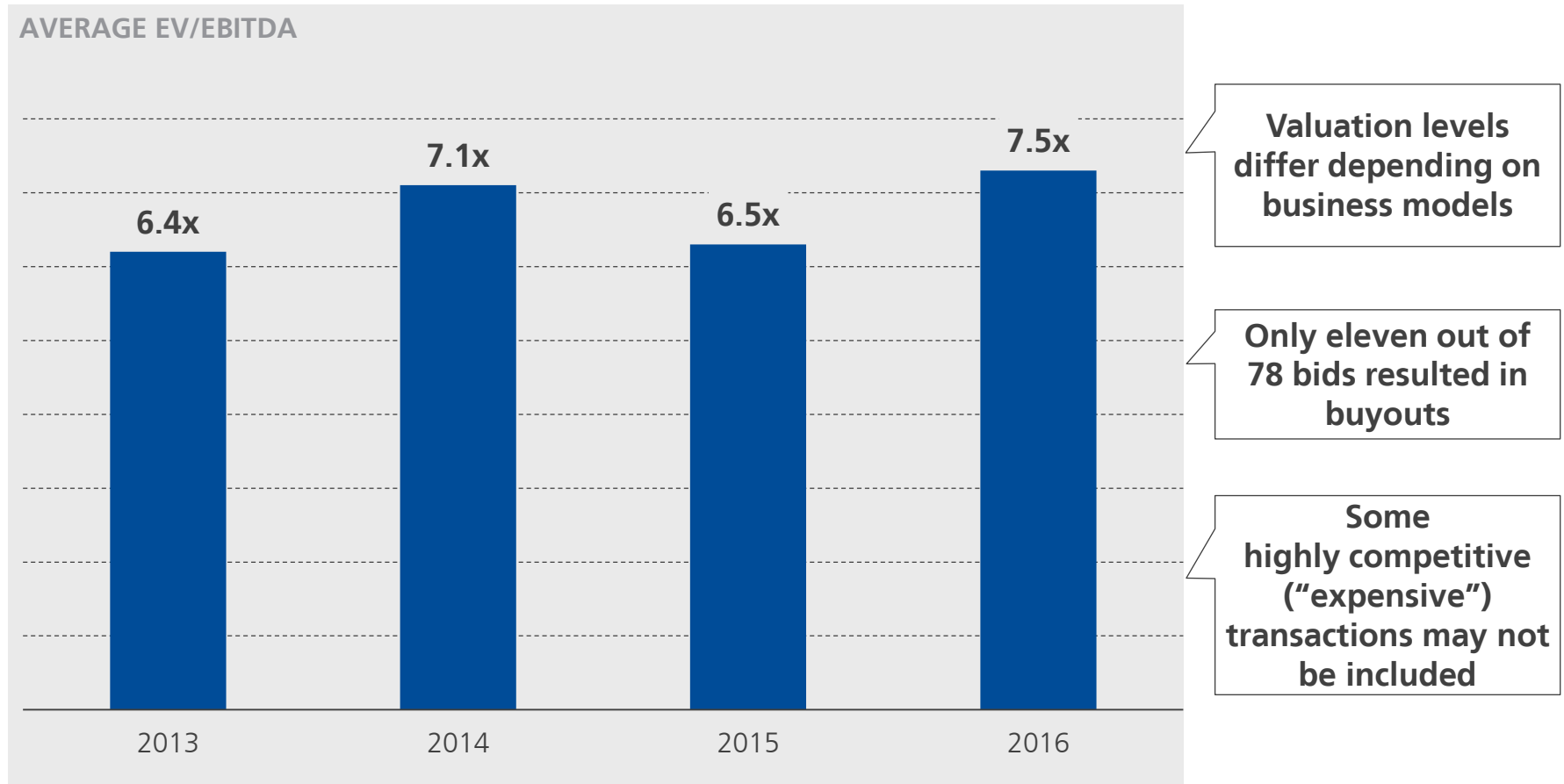


Valuation level influenced by business models

Source: DBAG

NO FUNDAMENTAL PRICE INCREASE IN DBAG BIDS – NEITHER IN GENERAL ...

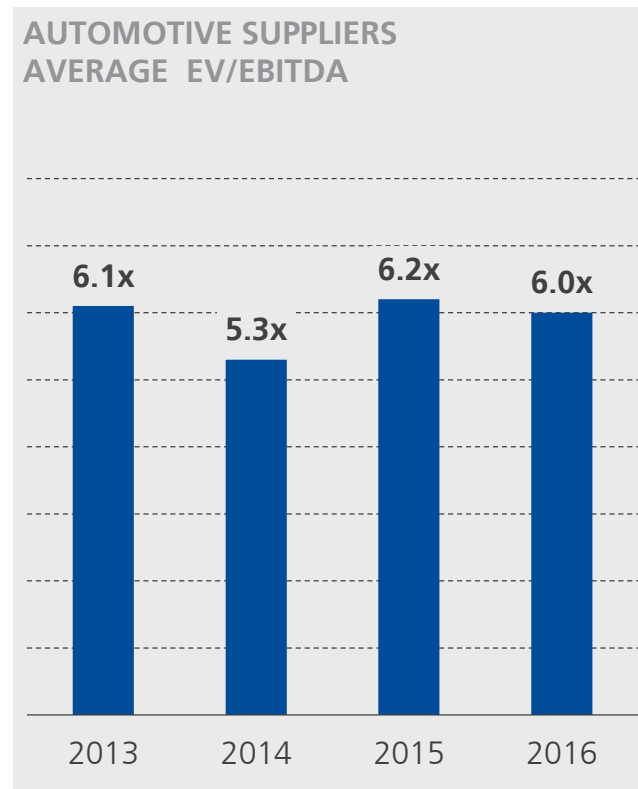
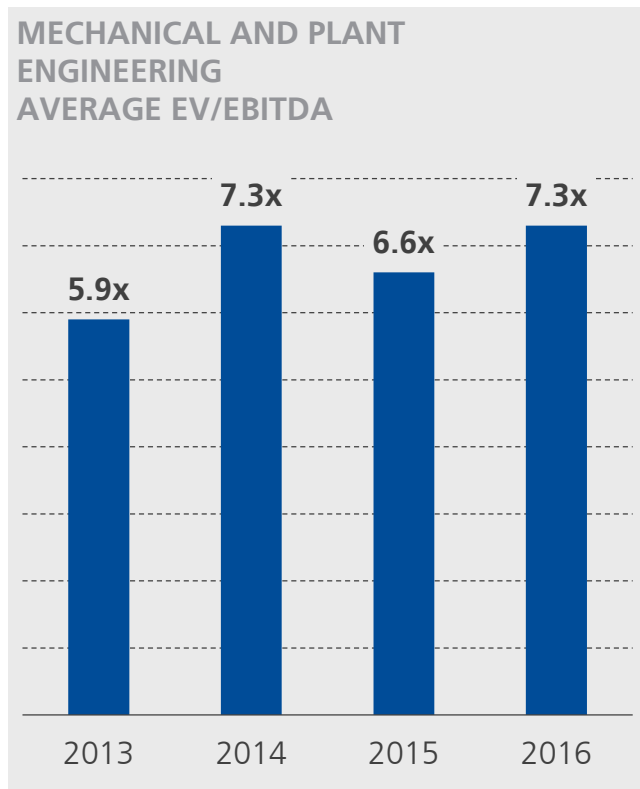
Database: 78 bids (2013-2016)



Source: DBAG

... NOR IN SPECIFIC SECTORS

Database: 78 bids (2013-2016), thereof 17 bids for mechanical and plant engineering companies and 16 bids for automotive suppliers



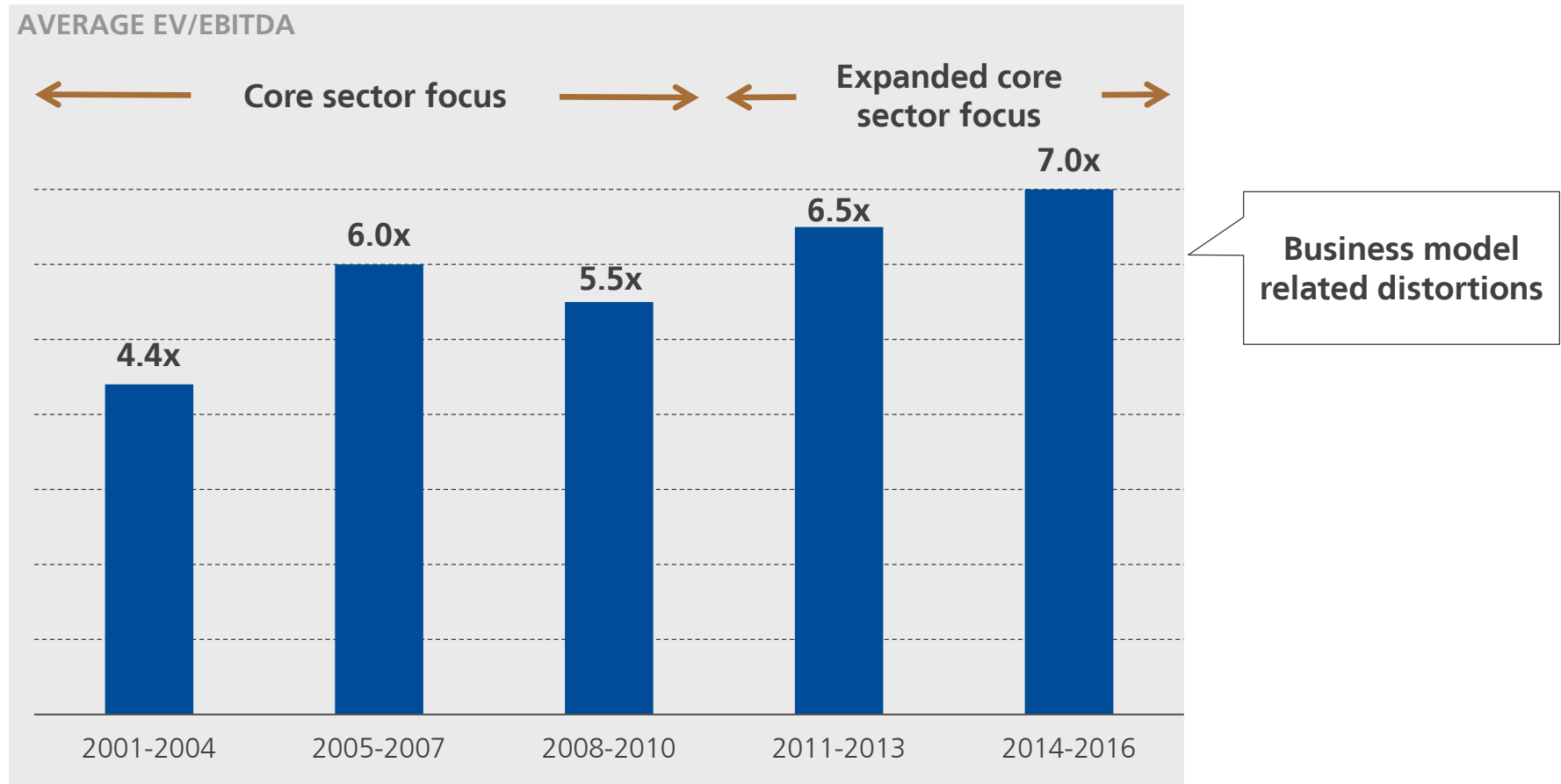
**Analysis confirms
results of DBAG
Mid-Market Monitor**

**No business model
related distortions**

Source: DBAG

DBAG BUYOUTS SINCE 2001: ENTRY VALUATIONS ONLY MODERATELY INCREASED

Database: 32 buyouts (2001-2016)



Source: DBAG



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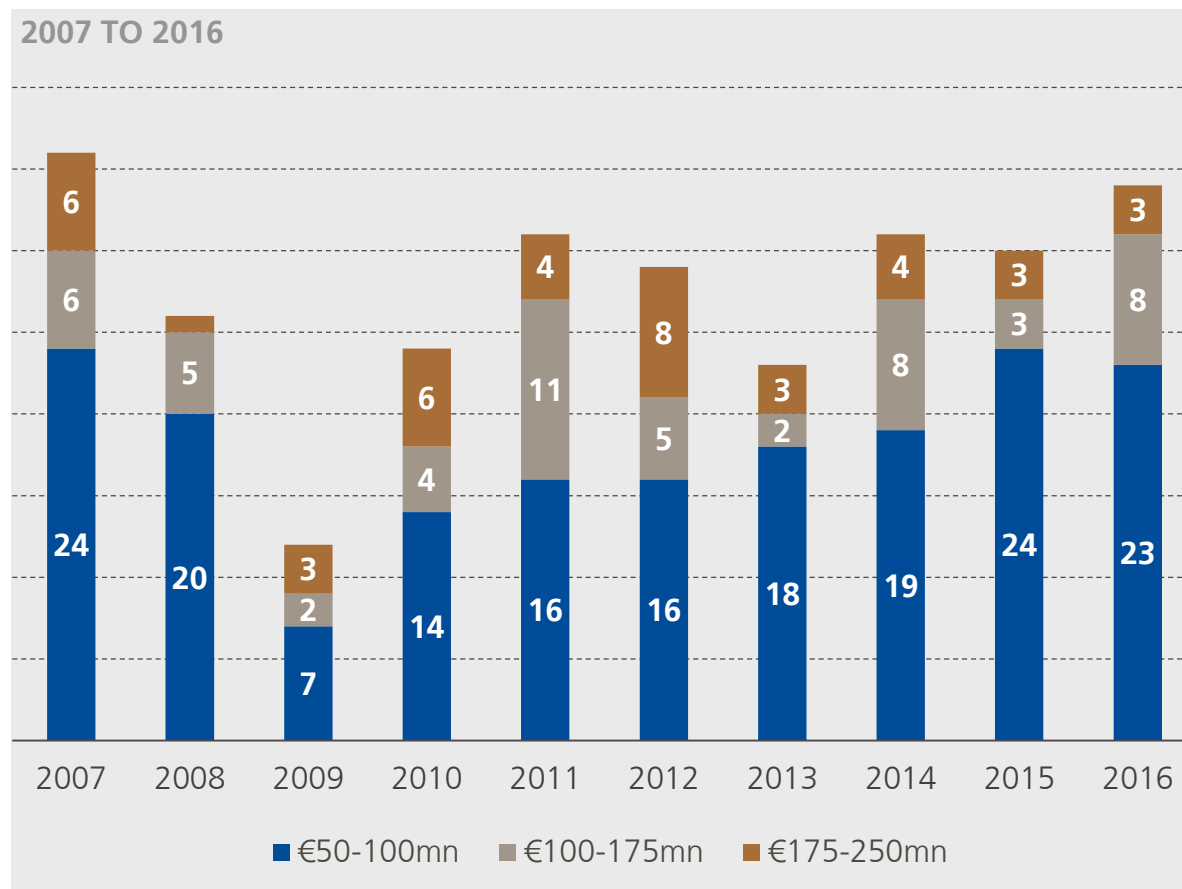
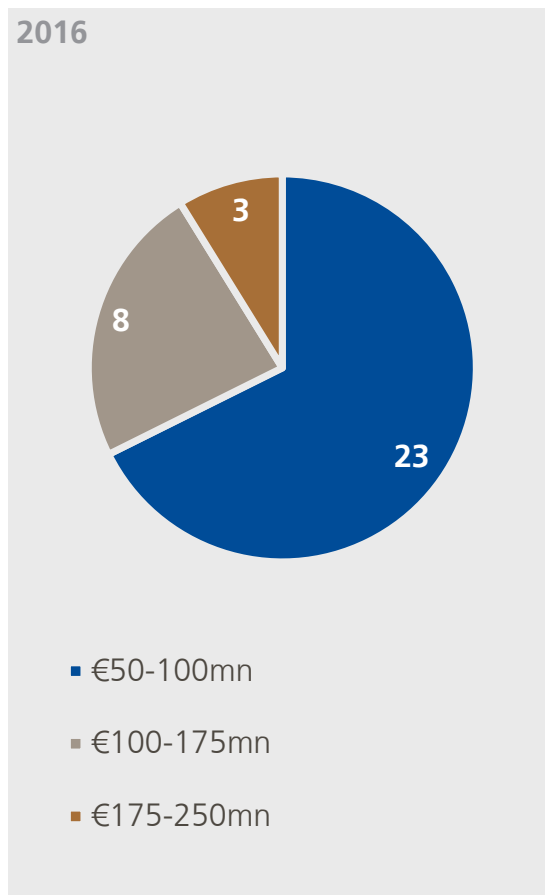
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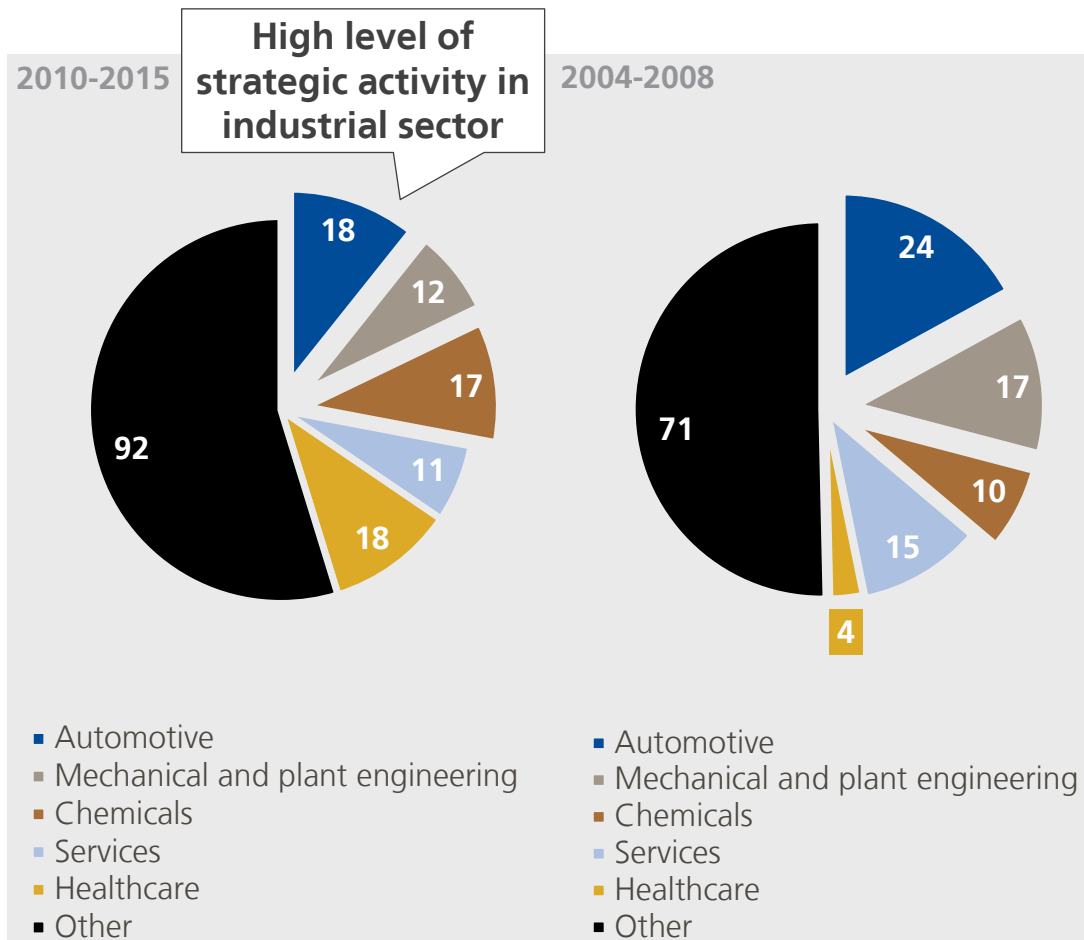
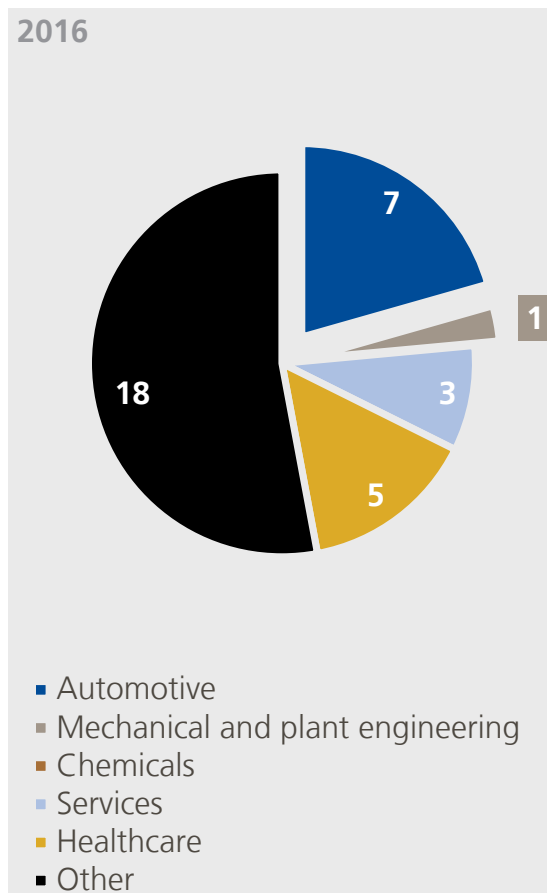
Outlook

BREAKDOWN BY TRANSACTION VOLUME: AT THE LEVEL OF PREVIOUS YEARS



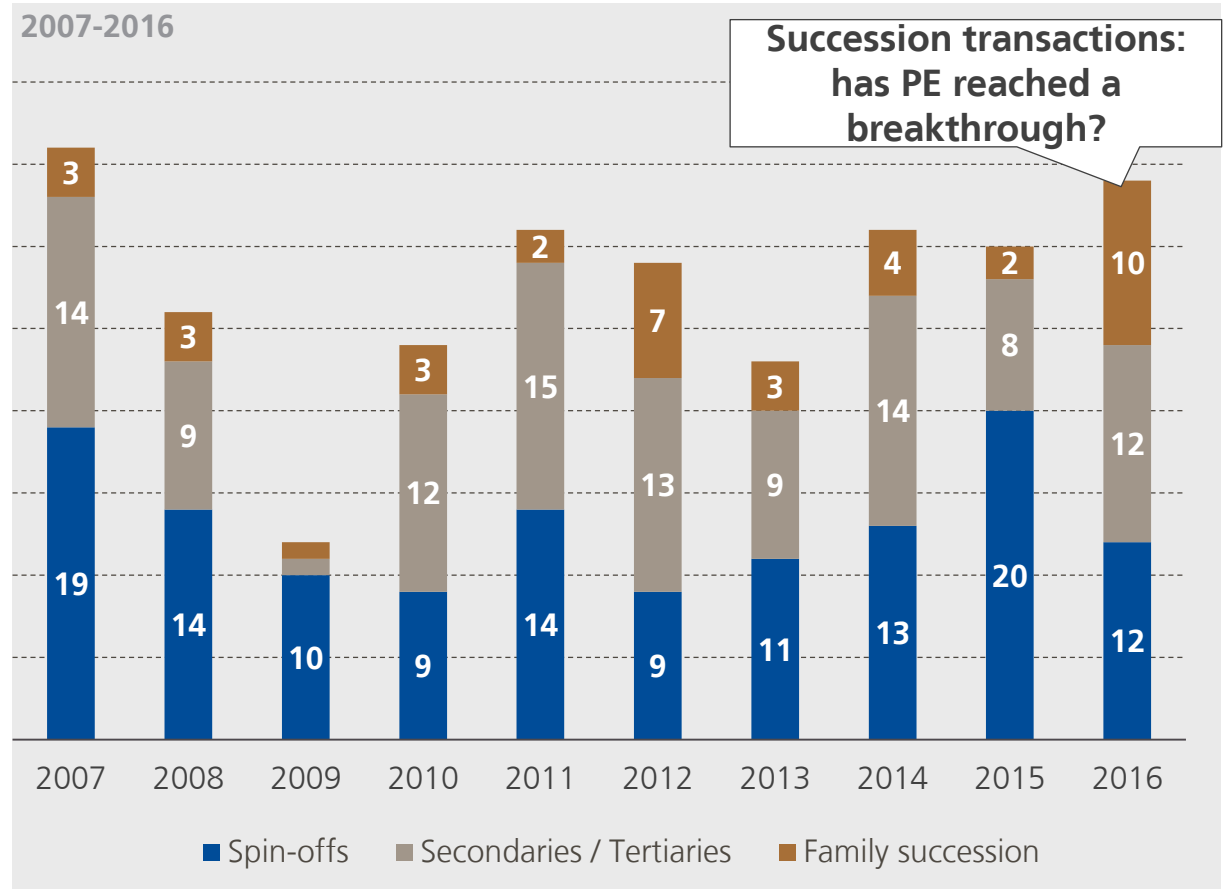
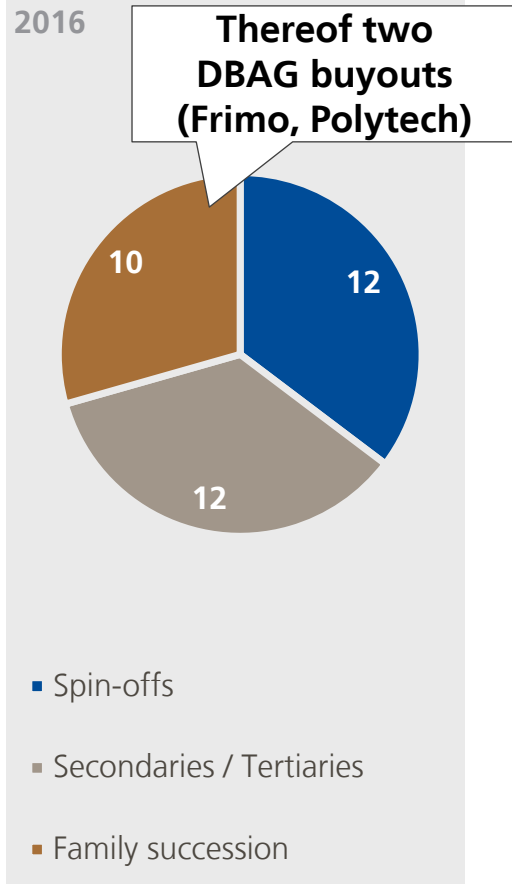
34 MBOs in the German mid-market in 2016 (see slide 12): majority takeovers by financial investors via MBO, MBI, secondary/tertiary buyouts;
transaction value: €50-250mn
Source: public information, research by DBAG and FINANCE

BREAKDOWN BY SECTORS: SHARE OF INDUSTRIAL COMPANIES BELOW PRE-CRISIS LEVEL



34 MBOs in the German mid-market in 2016 (see slide 12): majority takeovers by financial investors via MBO, MBI, secondary/tertiary buyouts; transaction value: €50-250mn
Source: public information, research by DBAG and FINANCE

UNUSUALLY HIGH NUMBER OF FAMILY SUCCESSION TRANSACTIONS



34 MBOs in the German mid-market in 2016 (see slide 12): majority takeovers by financial investors via MBO, MBI, secondary/tertiary buyouts; transaction value: €50-250mn
 Source: public information, research by DBAG and FINANCE



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Capital availability

Ongoing high capital availability among financial investors

Easy access to debt financing

Competitors

Strategic investors continue to drive competition for promising companies

Macro-economic environment

Risks from central banks' interest rate policy
Increasing geopolitical risks

Deutsche Beteiligungs AG:

Even stronger focus on the development of portfolio companies