



LONG-TERM PLANNING. PATIENCE IN DEVELOPMENT.

WRITING SUCCESS STORIES IN EVENTFUL
TIMES.

CAPITAL MARKETS DAY, 20 MAY 2019

AGENDA

11:00	Thomas Franke	Welcome address, introduction to the day's programme and speakers
11:05	Torsten Grede	Further development of our investment strategy
11:30	Dr Rolf Scheffels	Basis of our success: supporting our portfolio companies
11:50	Tom Alzin	Strategic repositioning through product range expansion
12:00	Dr Markus Dilger	The whole is greater than the sum of its parts: communication solutions for railway rolling stock
12:20		Lunch
13:30	Jannick Hunecke	Strategic repositioning through operational improvements
13:40	Dr Hans-Jürgen Brenninger	The relaunch of an iron foundry: extensive know-how, rich in tradition
14:00	Ragnar Geerdts	Focusing as a basis: How we tap into new sectors
14:10	Dr Christoph Klein	Heading for the top: value-added reseller in network components
14:30	Susanne Zeidler	Further development of our investment strategy: what does this mean for DBAG's valuation?
14:55	Thomas Franke	Closing remarks



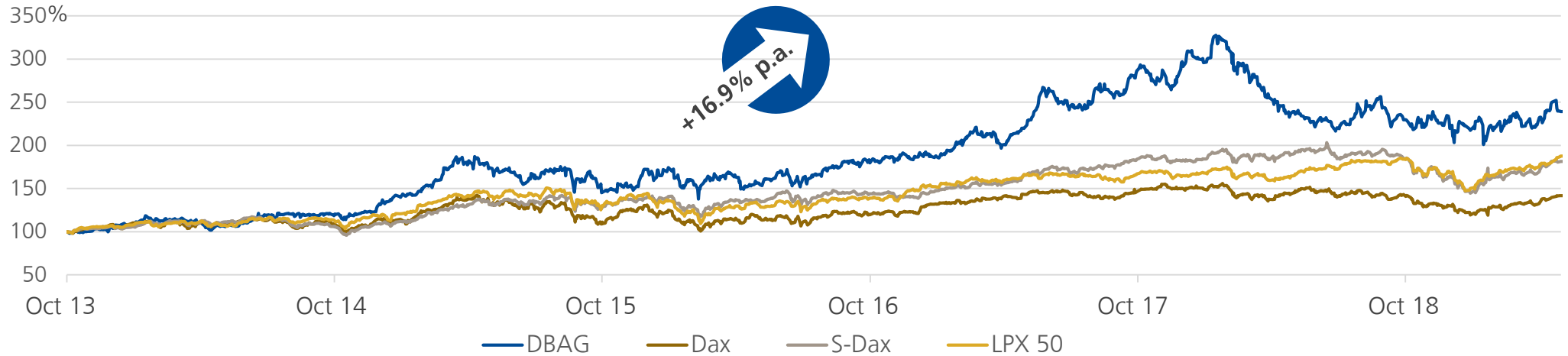
FURTHER DEVELOPMENT OF OUR INVESTMENT STRATEGY

TORSTEN GREDE

SPOKESMAN OF THE BOARD OF MANAGEMENT

LOOKING BACK: DBAG HAS GROWN – TO THE BENEFIT OF ITS SHAREHOLDERS

DBAG SHARE PERFORMANCE



July 2016:

Increase in co-investments with DBAG Fund VII of 50 per cent

September 2016:

Capital increase to finance growth and a new dividend policy

manager magazin

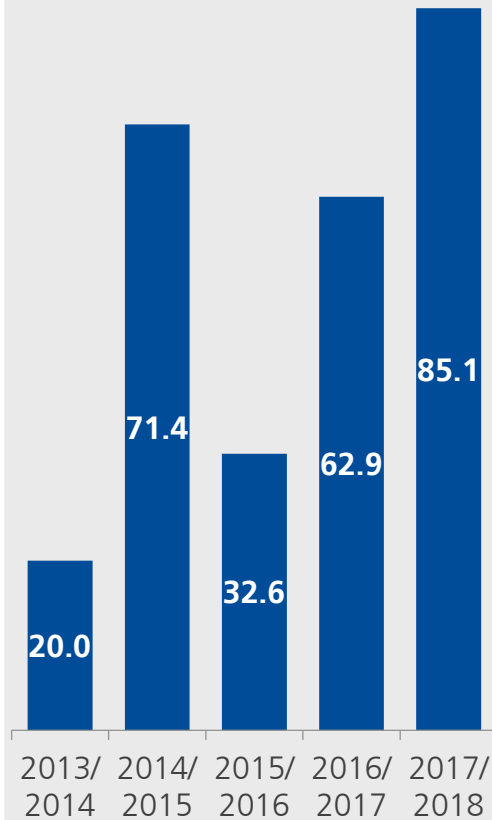


Investors' Darling

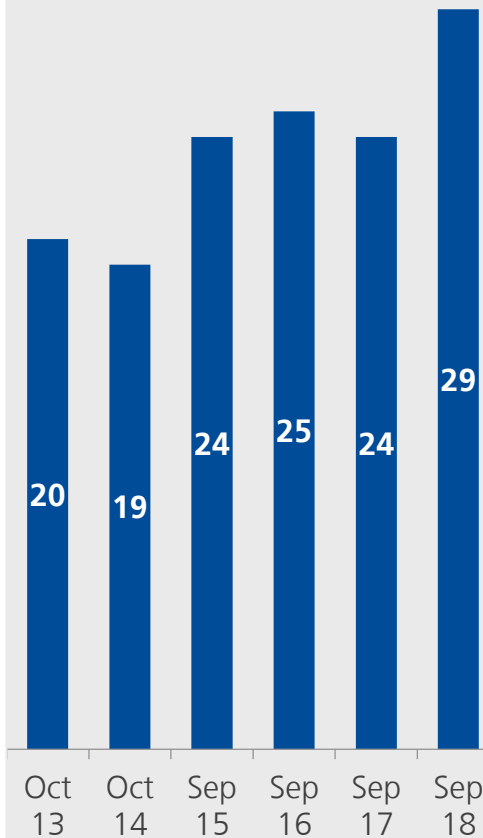
Kapitalmarktstrategie des Jahres

SUCCESSFUL IMPLEMENTATION OF THE INVESTMENT STRATEGY ...

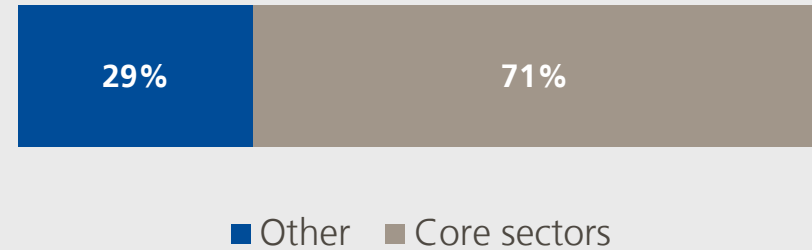
PORTFOLIO INVESTMENTS
€mn



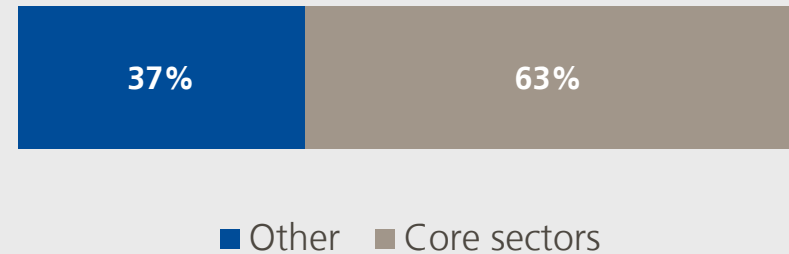
NUMBER OF INVESTMENTS



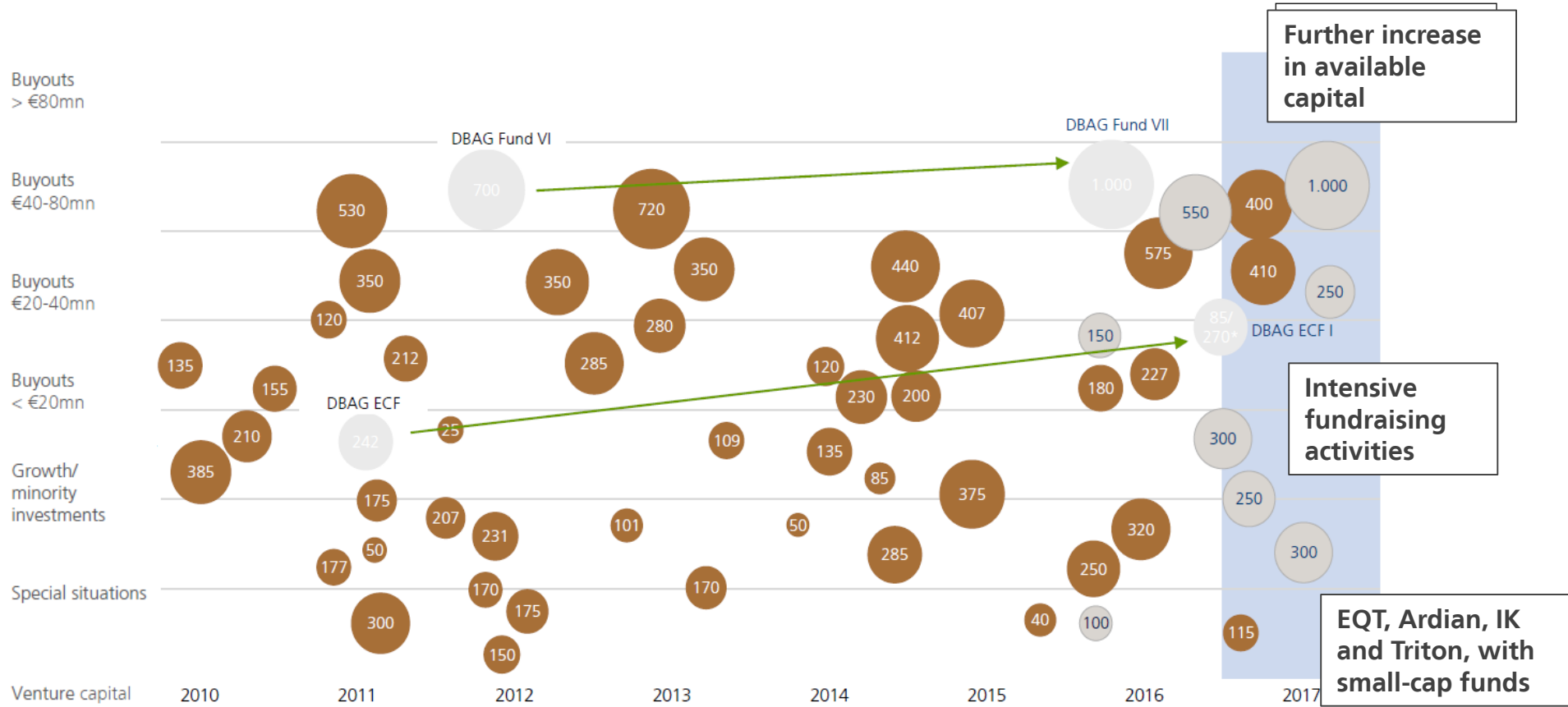
PORTFOLIO STRUCTURE OCTOBER 2013



PORTFOLIO STRUCTURE MARCH 2019



...IN A CHALLENGING MARKET ENVIRONMENT CHARACTERISED BY INCREASED COMPETITION AND RISING PRICE EXPECTATIONS



*Commitments for two years, in line with five-year investment period
Sources: Preqin, Campbell Lutyens, DBAG

Figures in €mn ● closed ● closed by DBAG ● Fundraising

SETTING THE COURSE OVER THE YEARS

EQUITY INVESTMENT
40-100 MILLION EUROS

2016: Top-up fund (DBAG Fund VII)
for MBOs > 100 million euros

2017: DBAG ECF for smaller MBOs < 40 million
euros

INVESTMENT CASE
STRONG MARKET POSITION
AND DEVELOPMENT
POTENTIAL

Focus on supporting portfolios with the aim of strategic
repositioning;
42 company acquisitions since 2011;
currently four buy-and-build platforms

SECTORS
FOUR CORE SECTORS

2013: Non-core sectors included, subject to suitable
access

2017: “Digital Business Models” initiative

REGIONS
“DACH”; IN CORE SECTORS
AS WELL AS NEIGHBOURING
EUROPEAN COUNTRIES

Market leader, with 52 MBOs in mid-market companies
since buyout business first started

Since 2015: Italian market covered

IMPROVEMENTS IN THE DBAG INVESTMENT PROCESS

DEAL SOURCING

- › Focus: primaries with strong development potential
- › Expanding and strengthening the network: industry partnership and Executive Circle
- › Goal: good access to proprietary deal flow
- › More active market cultivation through industry screenings (DBAG Research Centre)
- › Relationship management

ACQUISITION PROCESS

- › Due diligence standards
- › Debt financing term sheets and loan agreements
- › Uniform compliance and ESG standards

SUPPORTING PORTFOLIO COMPANIES

- › Candidates for advisory boards of portfolio companies from the Executive Circle
- › Tracking the implementation of the investment case
- › Improving the reporting structures among portfolio companies
- › Advisory boards serve as sparring partners for the management team

STRENGTHENING THE TEAM ON AN ONGOING BASIS

Solid, highly experienced investment team

Corporate Functions: qualified experts ensure the efficiency and quality of processes relating to the investment business

Continuous professional development:

- › Strengthening the HR function
- › Personnel development plan



Investments in core sectors:

DBAG draws on its extensive expertise
and many years of experience



... AND TRANSFER OF APPROACH TO TAP INTO NEW SECTORS

Investments in the telecommunications sector:



BTV multimedia GmbH

Investment in digital business models:





SUPPORTING PORTFOLIO COMPANIES

DR ROLF SCHEFFELS
MEMBER OF THE BOARD OF MANAGEMENT

STARTING POINTS FOR VALUE-ENHANCING REPOSITIONING OF PORTFOLIO COMPANIES ...

1 Geographical market penetration

e.g. by expanding global distribution network and opening sales offices

2 Extend product range

e.g. by way of product innovations

3 Expand services business

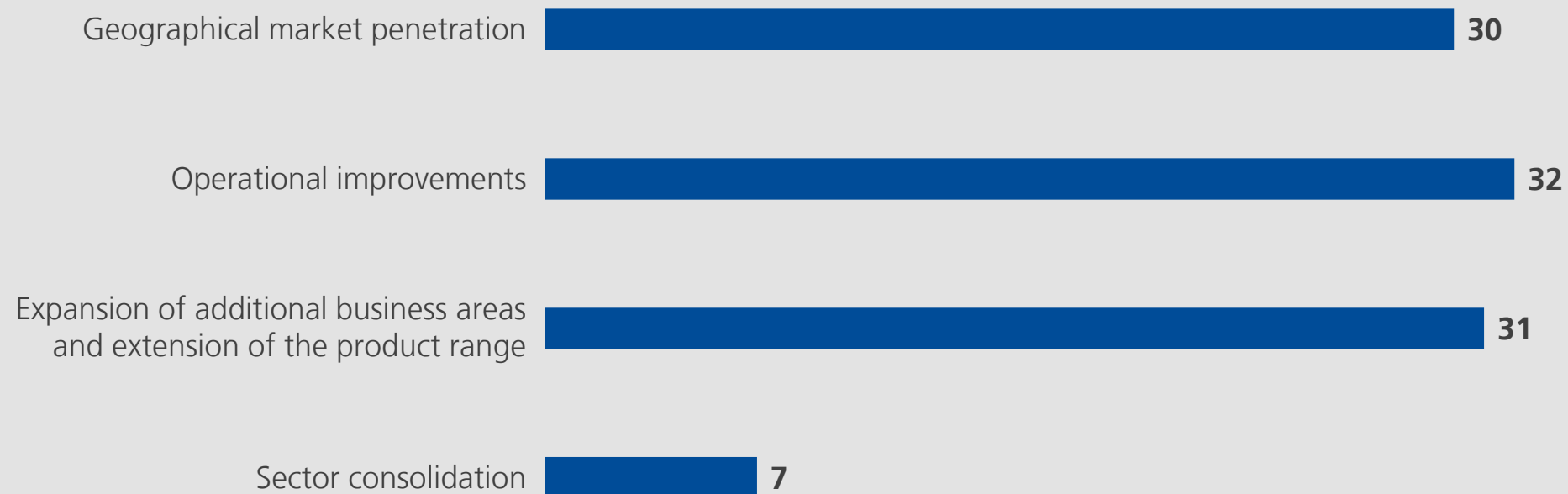
e.g. by organising as a profit centre

4 Achieve further operational improvements

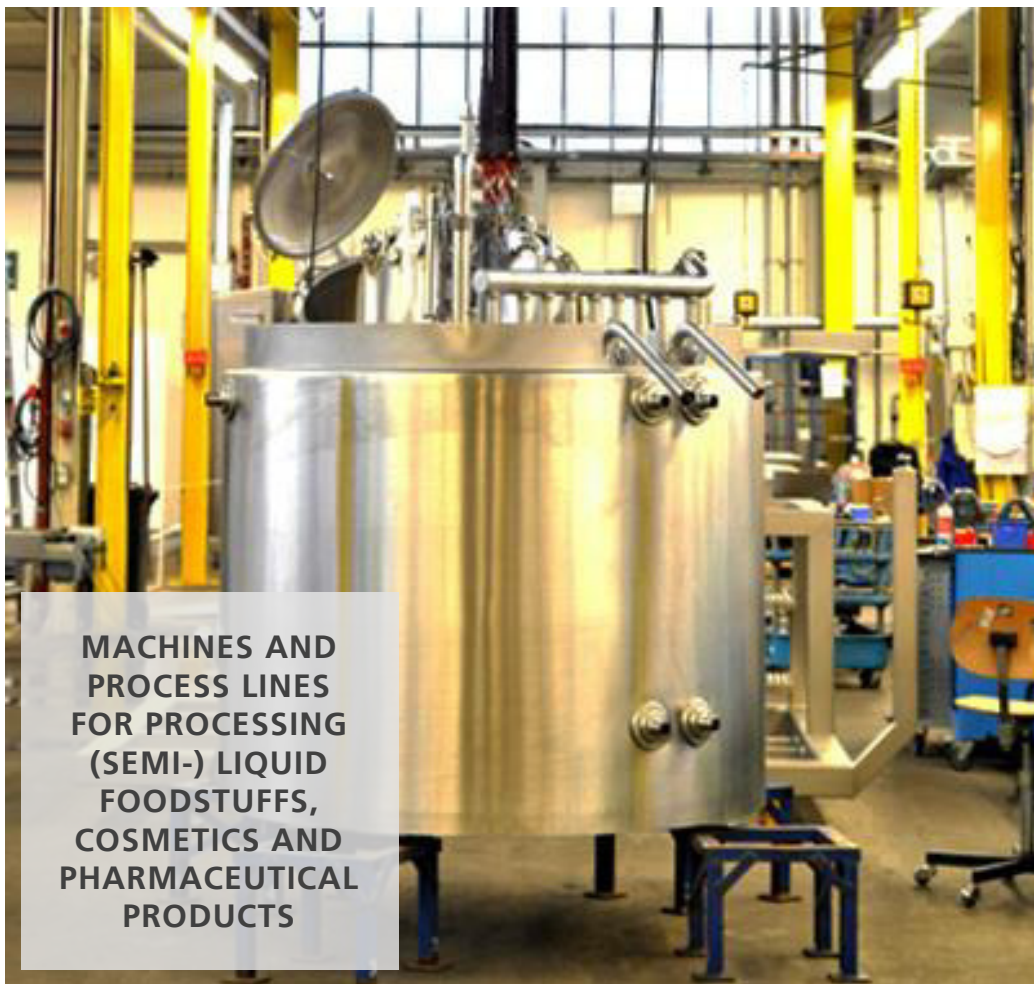
e.g. by optimising production processes, use KPI reporting as a basis for corporate management, investments and relocations

Acquisition of companies as a means of accelerating implementation

Valuation of DBAG portfolio using value enhancement methods (in %)



Breakdown of DBAG's portfolio value as at 30 September 2018 based on (predominantly) underlying value enhancement strategy



**Group of mechanical engineering companies,
each holding a leading position in its own
market**

**Leader in food processing technology and
innovation**

**Group nucleus:
STEPHAN Machinery GmbH, founded in 1953
as a family business**

› Revenues of 43 million euros,
121 employees (2013)

Three acquisitions between 2013 and 2016

PROXES CASE STUDY



Processing technology: machines for various applications used in food production (heating)

Processing technology: cold processing of food, cosmetics and pharmaceutical products

Processing technology: ultra-gentle treatment and processing of solid and liquid foods

Industrial automation: uniform control technology for all machines and systems

Market leader in premium processing technology plants for processing food, health and personal care products

Mar 2013

Oct 2014

Jun 2015

Dec 2016

Jul 2017

Strategic repositioning

- › Extending the product portfolio in complementary application areas
- › Expanding the global sales network, and using it to increase sales in markets not covered to date
- › Increase in after-market business, through a service initiative

Corporate governance

- › Advisory board with sector experts serving as sparring partners for management
- › Change in management (new CFO, COO role introduced) and expansion of the mid-level management team
- › Enhanced compliance system and ESG standards

Operational development

- › Uniform company-wide reporting standards
- › Integration of company acquisitions into joint global distribution network
- › Strong cash generation, enabling refinancing for financing company acquisitions

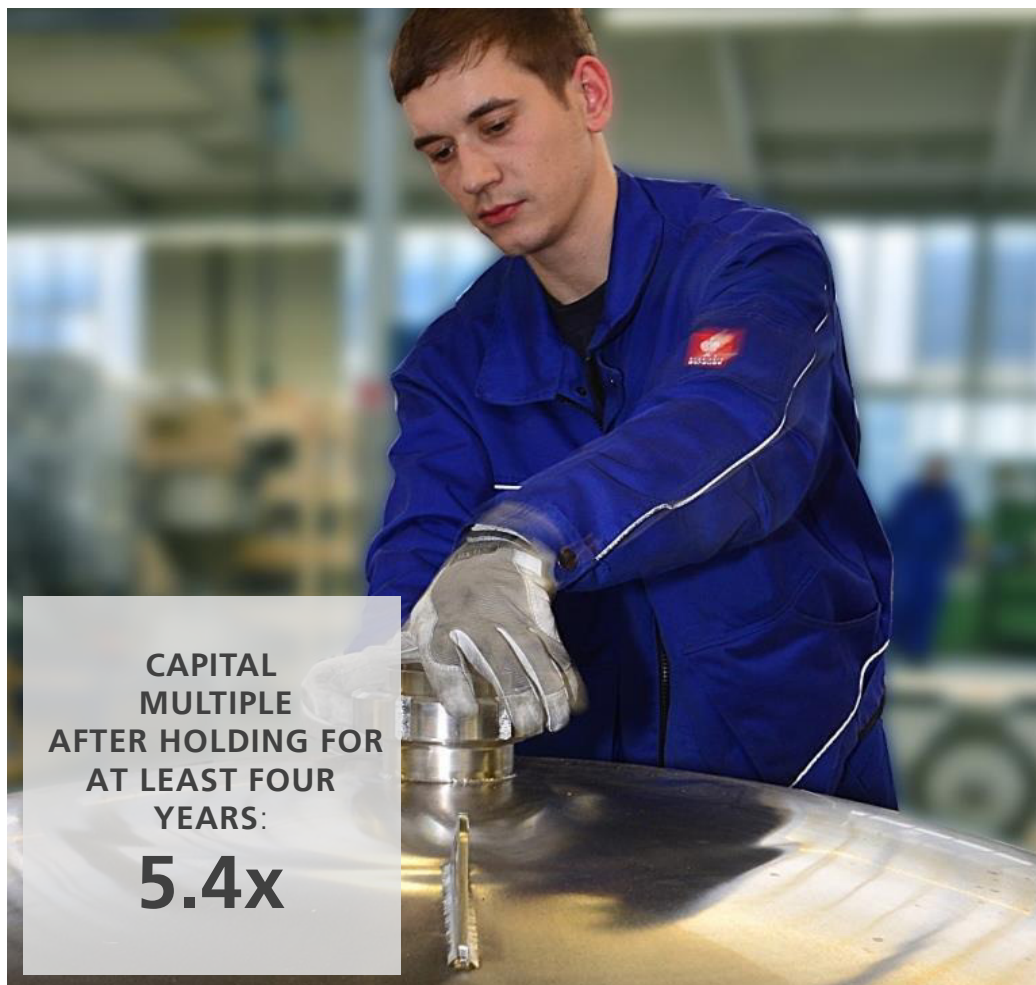


INCREASE IN
REVENUE BY MORE
THAN
230%

INCREASE IN
EBITDA BY MORE
THAN
320%

3
ACQUISITIONS OF
COMPANIES
SUCCESSFULLY
COMPLETED

NUMBER OF
EMPLOYEES
RISES BY
275



Start of investment May 2013

- › Entry valuation of platform investment: EV/EBITDA of 6.2x
- › Financing structure of the purchase price: 49 per cent equity, 51 per cent debt

Disposal in July 2017

- › Exit valuation: EV/EBITDA of 11.1x
- › Price reflects successful strategic and operational development
- › Capital multiple of 5.4x after holding period of 4 years, 3 months
- › Fourth-highest multiple among the 31 MBOs sold to date (average: 2.8x)
- › Gross IRR 68 per cent

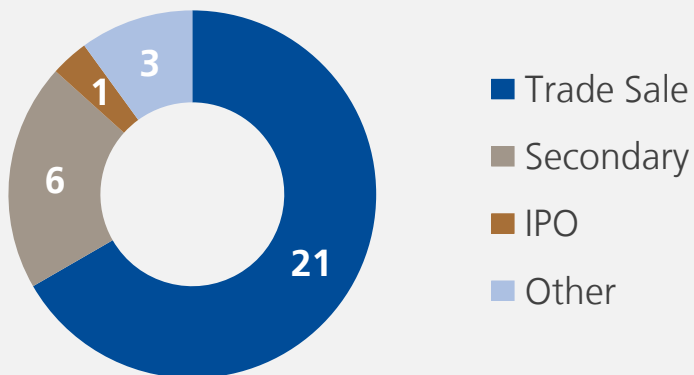
PROXES ONE OF MANY SUCCESSFUL MBOS

31 of 52 MBOs exited since inception of buyout business 1997

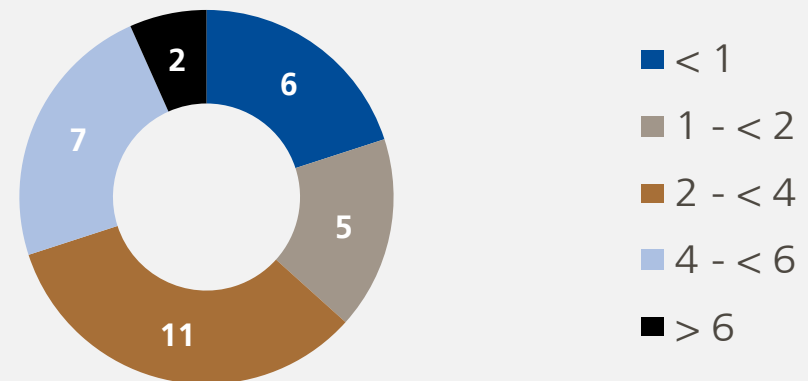
- › Average holding period of 4.9 years
- › Average (gross) capital multiple of 2.8x

DBAG's portfolio companies typically attractive to strategic investors

EXIT ROUTE
(by # of the deals)



CAPITAL MULTIPLE AT EXIT ROUTE
(by # of deals)



▼

STRATEGIC REPOSITIONING: EXPANSION OF THE PRODUCT RANGE

TOM ALZIN
MANAGING DIRECTOR

1 Core sectors

- › Focus on core sectors since 2001
- › Own industry expertise and investment experience are essential for DBAG's investment approach

2 Due diligence

- › Development of the investment case even before investment commences



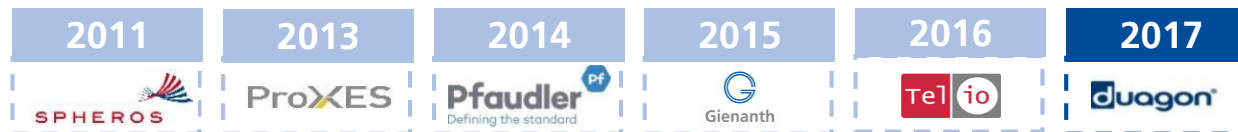
3 Acquisition of companies

- › Acceleration of the change process

4 Exit

- › Strategic repositioning increases attractiveness for strategic buyers and favours strategic premiums

Basis for successful transactions (example)



DBAG is well positioned to support change processes in portfolio companies



Geographical market penetration

- › Broadening of international presence as a basis for cross-selling between Group companies
- › Acquisition of a company in Australia
- › New sales office in India



Expansion of the product range

- › Merger with MEN: expansion of product portfolio to include data processing solutions and vertical integration
- › Identification of acquisition targets, e.g. in the area of wireless technologies



Operational improvements

- › New CSO position to establish Group-wide sales concept
- › New COO
- › Significant increase in throughput on an existing basis

▼

STRATEGIC REPOSITIONING: OPERATIONAL IMPROVEMENTS

JANNICK HUNECKE
MANAGING DIRECTOR

1 Core sectors

- › Focus on core sectors since 2001
- › Own industry expertise and investment experience are essential for DBAG's investment approach

2 Due diligence and road map

- › Development of investment case even before investment starts



3 Company acquisitions and investments

- › Accelerating the change process through acquisitions
- › Investments, also in improvements to operational processes

4 Exit

- › Appeal to strategic buyers enables higher valuation on disposal

Basis for successful transactions (example)



DBAG is well positioned to support change processes in its portfolio companies



Geographical market penetration

- › Acquisition of SLR, with locations in Austria and the Czech Republic
- › Consignments for US market
- › Consultations on possible joint ventures and branches in the US and India are underway



Expansion of product range

- › Investments in new mould casting facility
- › Expansion of the product range focusing on diversifying application areas
- › Acquisition of capacities to expand the product range



Operational improvements

- › New CEO with strong sales focus
- › New CFO and COO
- › 14 new managers at mid-level management
- › Investments in improving production processes
- › Continuous improvement measures



Gienanth

▼

FOCUS AS A BASIS: TAPPING INTO NEW SECTORS

RAGNAR GEERDTS
MANAGING DIRECTOR

SECTOR FOCUS ENABLES NEW SECTORS TO BE TAPPED

1 Core sector focus

- › Focus on core sectors since 2001
- › Successful transfer of the concept to new sectors

2 DBAG Research Centre

- › Identifying growth markets and long-term growth drivers
- › Market screening, focusing on substantial deal flow

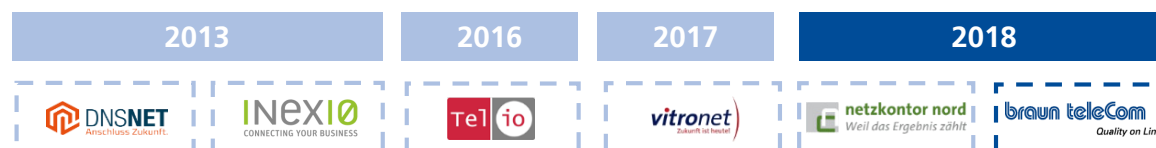
3 Executive Circle

- › Broad network of sector experts with entrepreneurial background supports deal sourcing and portfolio companies

4 Creating our own expertise

- › Development of own industry expertise and penetration of business models

Basis for transactions in the telecommunications sector



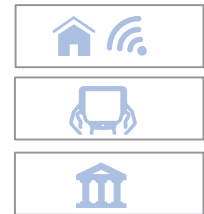
DBAG is well positioned to further develop its existing portfolio, structure further transactions and tap into new sectors

EXAMPLE TELECOMMUNICATIONS SECTOR: INITIAL SITUATION

Steadily growing demand for fibre networks...

Mega trends

- A** Steadily growing demand for faster internet connections
- A** Increased use of mobile data
- Increasing roll-out by municipalities lacking expertise



... has been acknowledged by the German Government

Government subsidies



B *Further trends...*

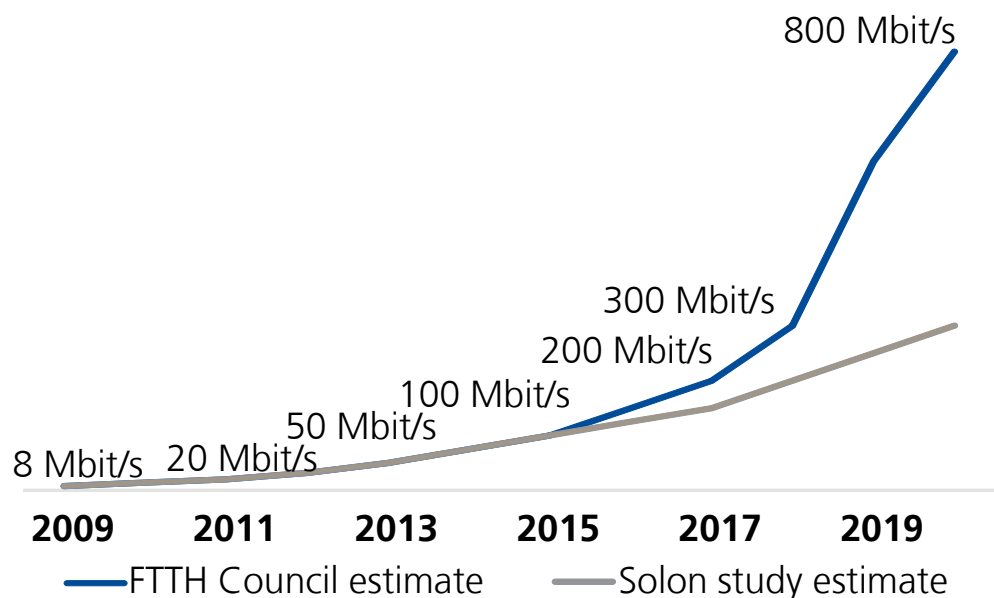
Long-term outlook

- 1** E-mobility 
- 2** Smart traffic 
- 3** Smart grids 















... drive network planning and construction services and secure sustainable demand for telecommunication services.

A EXAMPLE TELECOMMUNICATIONS SECTOR: GROWTH DRIVERS

Projected bandwidth demand of households



Key growth drivers of bandwidth and fast mobile access

	Use case	Bandwidth requirement	Applications & technologies
Business	Industry 4.0 	~700 Mbit/s	INDUSTRY 4.0  BLOCKCHAIN 
	VPN 	~300 Mbit/s	Cloud Computing 
	Cloud Computing 	~300 Mbit/s	
Private	Gaming 	~300 Mbit/s	4K ULTRAHD  
	TV 	~300 Mbit/s	
	IoT 	~50 Mbit/s	NETFLIX  The INTERNET of THINGS 
	Streaming 	~25 Mbit/s	

▶ **Private FTTH availability** in Germany ~3% (European average: ~14%) according to BREKO Research 2018

▶ By 2025, more than 75% of the German market is expected to require data speeds of **at least 500 Mbit/s**

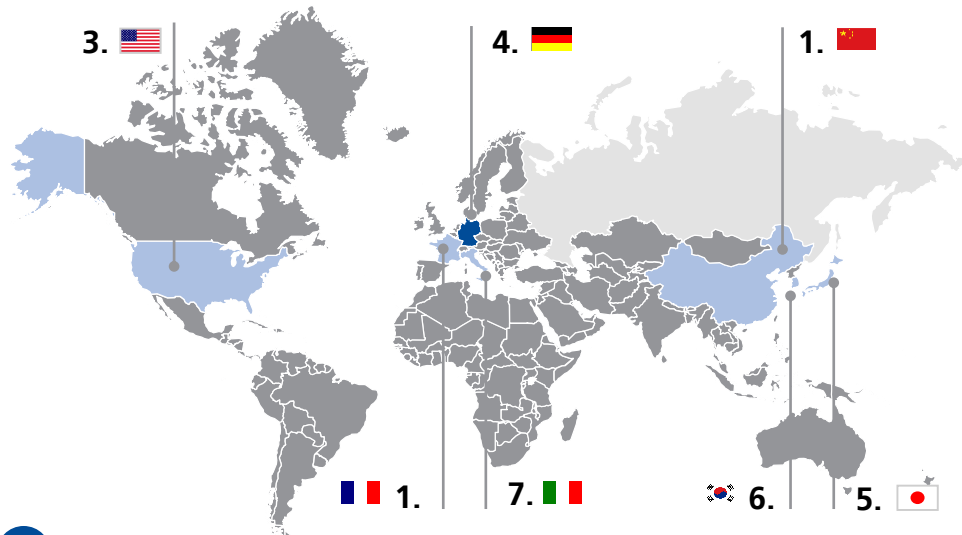
▶ **€50bn** estimated to be **invested in fibre infrastructure and services** in Germany in the next decade

Sources: Roland Berger, react-etc.net

B EXAMPLE TELECOMMUNICATIONS SECTOR: GROWTH DRIVERS

1 E-mobility

Most important E-mobility markets worldwide





2 Smart Traffic / Connected Highways

Relevance

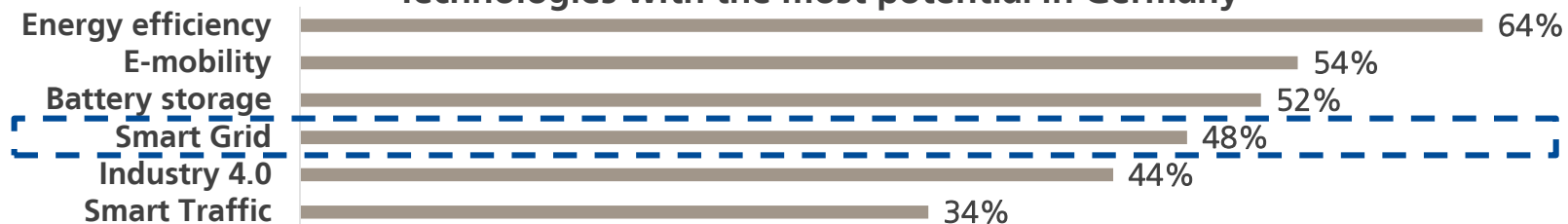
- €8bn** Estimated cost savings per year through smart traffic efficiency gains in Germany
- 84%** Of people in Germany are in favour of increased investments in smart traffic systems

2 steps until 2021

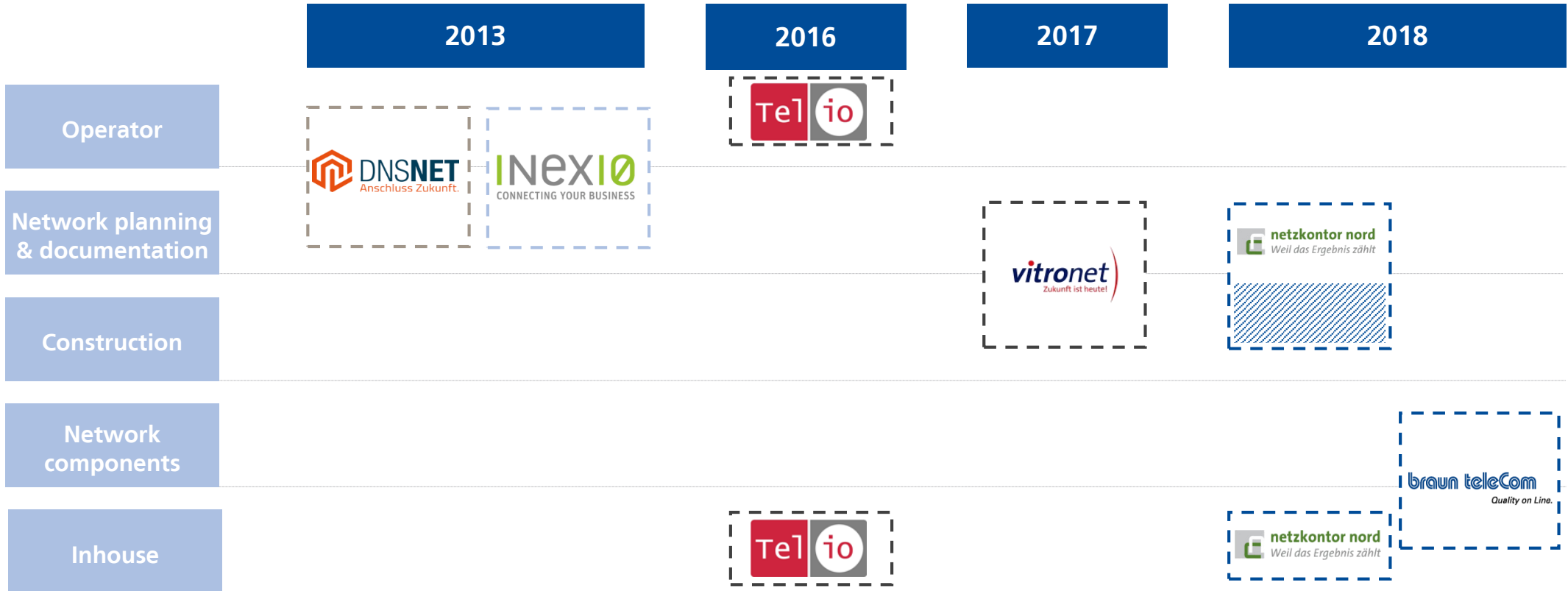
-  Digitalisation of existing transport infrastructure
-  Broadband along the roads

3 Smart Grids

Technologies with the most potential in Germany



SUCCESSFUL MARKET ENTRY INTO TELECOM SECTOR BY DBAG SINCE 2013



In the last years, DBAG developed in-depth expertise across major sub-segments in the telecommunication industry




FURTHER DEVELOPMENT
OF OUR INVESTMENT
STRATEGY: WHAT DOES
THIS MEAN FOR DBAG'S
VALUATION?

SUSANNE ZEIDLER
CHIEF FINANCIAL OFFICER

FURTHER DEVELOPMENT OF OUR INVESTMENT STRATEGY: WHAT DOES THIS MEAN FOR DBAG'S VALUATION?

- ▶ **PRINCIPLES OF PORTFOLIO VALUATION**
- ▶ **PORTFOLIO VALUE AS AT 31 MARCH, 2019**
- ▶ **CONSIDERATIONS RELATING TO THE VALUATION OF DBAG (31 MARCH 2019)**
- ▶ **REVIEW AND OUTLOOK: DBAG IS ACHIEVING GROWTH IN BOTH BUSINESS AREAS**

WORLDWIDE ACCEPTED VALUATION GUIDELINES FOR COMPANIES IN MULTI-STAGE PROCESS




VALUATION GUIDELINES

- › Fair value measurement as per IFRS 13
- › Concretises IPEV Valuation Guidelines (industry standard, as of Dec 15)

VALUATION COMMITTEE

- › Management Board
- › Head of Finance
- › Finance officer
- › Investment controller




¹ Annual audit DBAG consolidated financial statements (30 Sept.), annual audit DBAG funds (31 Dec.), review DBAG half-yearly financial statements (31 March)

MULTIPLES APPROACH IS PREDOMINANTLY USED, IN LINE WITH MARKET STANDARDS

FAIR VALUE MEASUREMENT OF PORTFOLIO COMPANIES

Multiples approach

- > Market approach (comparative method)
- > Preferred valuation method (according to IPEV guidelines)
- > Calculated result is updated across all future periods



DCF method

- > Income approach (NPV method)
- > Application
 - Companies with strong growth trend
 - International fund investments.
- > Forecasting free cash flows over several years until a steady state is reached (detailed planning phase, rough planning phase, perpetuity)



OVERVIEW OF THE MULTIPLES APPROACH

SUSTAINABLE OUTCOME

X

MULTIPLE

—

NET DEBT

=

EQUITY VALUE

- › See IPEVG 3.4 "Maintainable Earnings"
- › Figures for the current period
- › Adjustment for special items
- › Premiums and discounts to take into account information that has not yet been included in the planned figures

- › Derived from peer group
- › Differences between the company to be valued and the peer group are possible
- › Calibration to take market price changes into account
- › Continuous application

- › Cash on hand
- › Financial liabilities
- › Pension liabilities
- › Factoring
- › Leasing
- › Allowing for EBITDA adjustments
- › etc.

- › Distribution among the individual fund vehicles, based on the waterfall principle
- › Consideration of various financial instruments (equity, shareholder loan, bridge, etc.)

THE BASIS OF THE MULTIPLES METHOD IS TO CALCULATE A SUSTAINABLE RESULT

EBITDA
AS REPORTED



MANAGEMENT
ADJUSTMENTS



- › Severance payments
- › Restructuring expenses, consulting and legal costs, transaction and refinancing costs
- › Disposal of fixed assets
- › etc.

EBITDA
MANAGEMENT ADJUSTED



DBAG VALUATION
ADJUSTMENTS



Discretionary adjustments

- › Adjustment due to historical plan deviations
- › Adjustment to achieve a sustainable result in restructuring cases
- › Adjustment for start-up costs or inefficiencies
- › Revised earnings expectations that have not yet been taken into account in the current planned figures

Technical adjustments

- › To ensure the methodological accuracy of the valuation

EBITDA
DBAG ADJUSTED

CALIBRATION OF THE ENTRY MULTIPLES TO TAKE ACCOUNT OF MARKET PRICE CHANGES

Example:

Peer group

Entry-level multiple (15 Oct 2016)	EV/EBITDA	EV/EBITDA
Peer group	10.1x	12.5x

Multiple (30 Sep 2018)	EV/EBITDA	EV/EBITDA
Peer group	8.5x	11.9x

-16%

Portfolio companies

Entry-level multiple (15 Oct 2016)	EV/EBITDA	EV/EBITDA
Company	7.3x	14.1x

Multiple (30 Sep 2018)	EV/EBITDA	EV/EBITDA
Company	6.1x	13.5x

$$10.1x * (1 - 0.16) = 8.5x$$

Advantages of calibration

- › IPEV compliant
- › Avoidance of discretionary discounts for peer group multiples

Exceptions

- › Acquisition of companies with comparatively low (non-marketable) entry multiples
- › Initial increase in entry multiples and subsequent calibration

The entry multiples are calibrated in accordance with IPEVG 3.4 if no listed peers are known that can be compared in terms of size, growth rates, margins, etc.

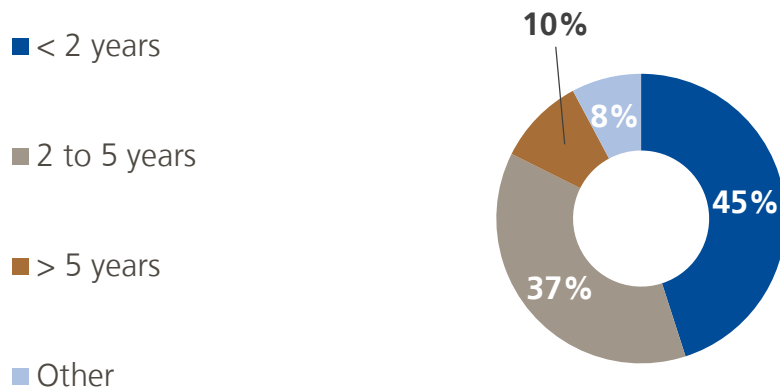
THE PORTFOLIO AS AT 31 MARCH 2019 IS STILL RELATIVELY YOUNG ...

1.3x

Acquisition costs of 294.9 million euros

- > Around 45 per cent of acquisition costs are attributable to investments made over the past two years

VINTAGE PROFILE OF PORTFOLIO COMPANIES (BASED ON ACQUISITION COST)



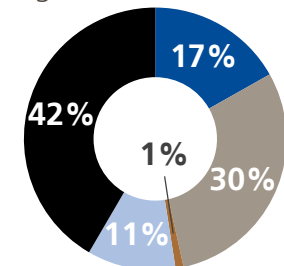
Portfolio value as at 31 March 2019

Portfolio value of 389.7 million euros ...

- > 26 equity investments in four DBAG funds

PORTFOLIO VALUE BY SECTORS

- Mechanical and plant engineering
- Industrial components
- Industrial services
- Automotive suppliers
- Others

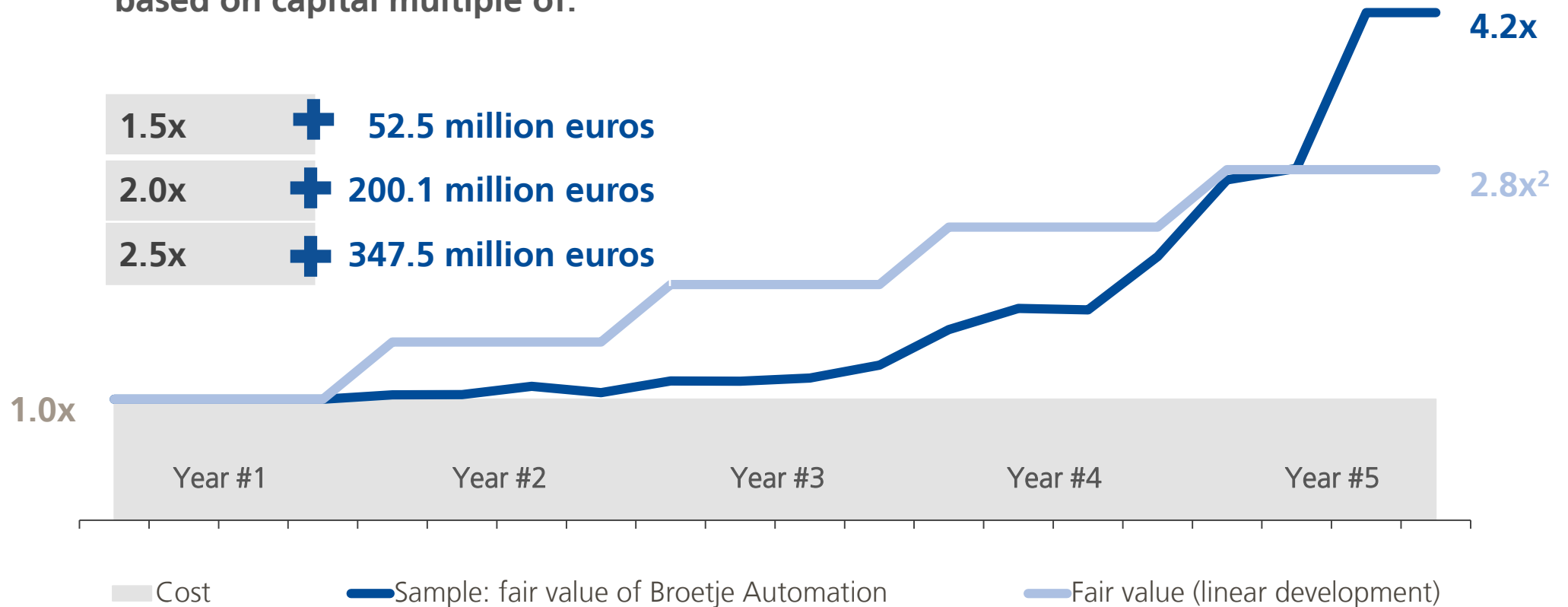


- > One direct investment
- > Two investments in externally managed international buyout funds
- > Processing of retentions via other companies

... corresponds to 7.6 times EBITDA of the portfolio companies

... AND HAS THE POTENTIAL TO INCREASE VALUE

Gross appreciation potential¹ based on capital multiple of:

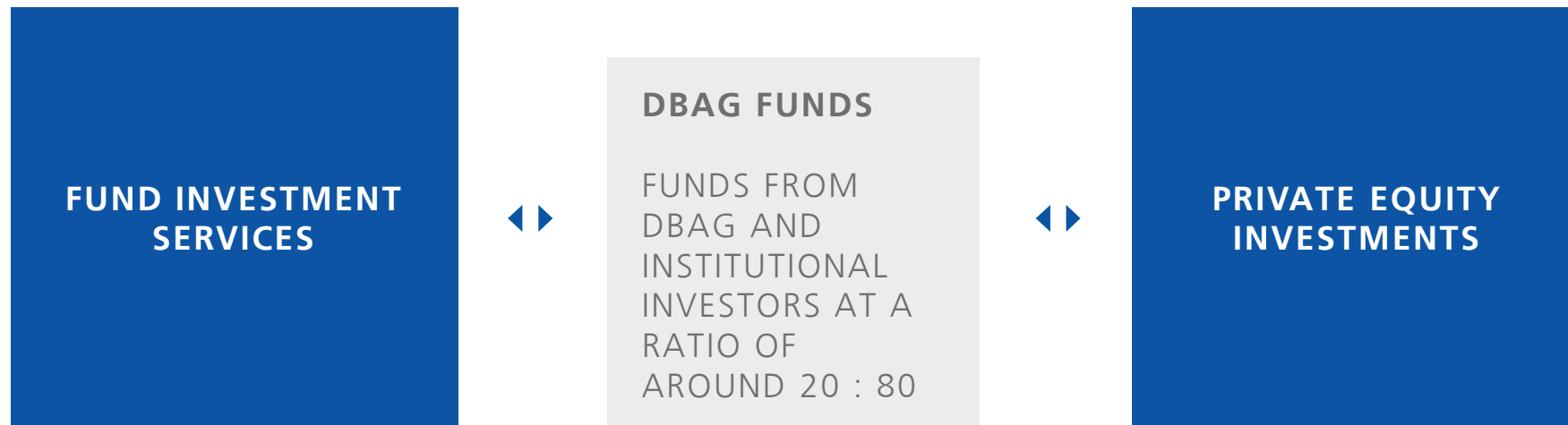


¹ Gross, i.e., before 20% carried interest

² Average capital multiple achieved in DBAG MBOs as at 31 March 2019

SEPARATE VALUATION OF BOTH BUSINESS SEGMENTS USING THE "SUM-OF-THE-PARTS" METHOD

DBAG CREATES VALUE FOR SHAREHOLDERS THROUGH TWO BUSINESS LINES:

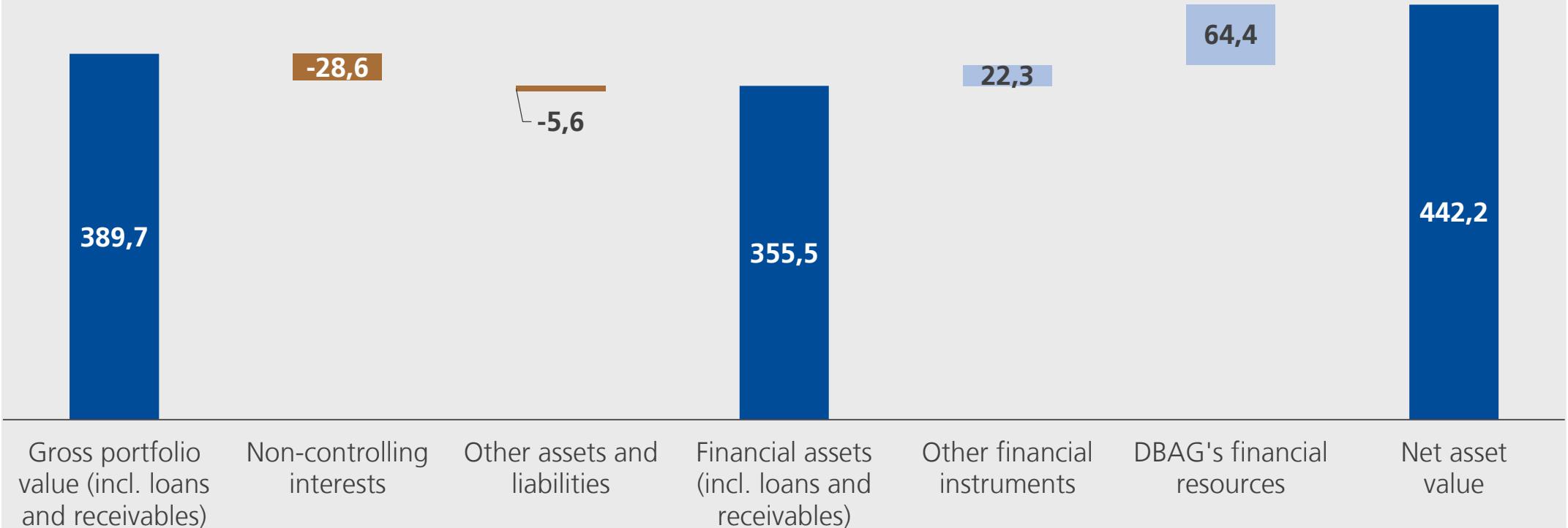


PRIVATE EQUITY INVESTMENTS: NAV AS A VALUE MEASURE



NET ASSET VALUE (NAV) AS AT 31 MARCH 2019

€mn



SEPARATE EVALUATION OF BOTH BUSINESS SEGMENTS (SUM-OF-THE-PARTS METHOD)

Private Equity Investments

Portfolio value as at 31.3.2019 (1.3x AC)	€390mn
Net asset value (NAV) as at 31.3.2019	+ €52mn

**Min. NAV
(without further increases in value) = €442mn**

Portfolio value, extrapolated to average capital multiple (2.0x ¹ cash)	€590mn
20 per cent discount on uplift (CI)	- €40mn
	= €550mn
Other NAV components as at 30 June 2018	+ €52mn

**Max. NAV
(including appreciation in value
on average capital multiple, net) = €602mn**

Fund Investment Services

PE ratios based on transactions²

EBT	13/14	14/15	15/16 ²	16/17	17/18	Average
(€mn)	8.0	2.2	-0.6	4.7	5.6	4.0

Value with PE ratio of ...

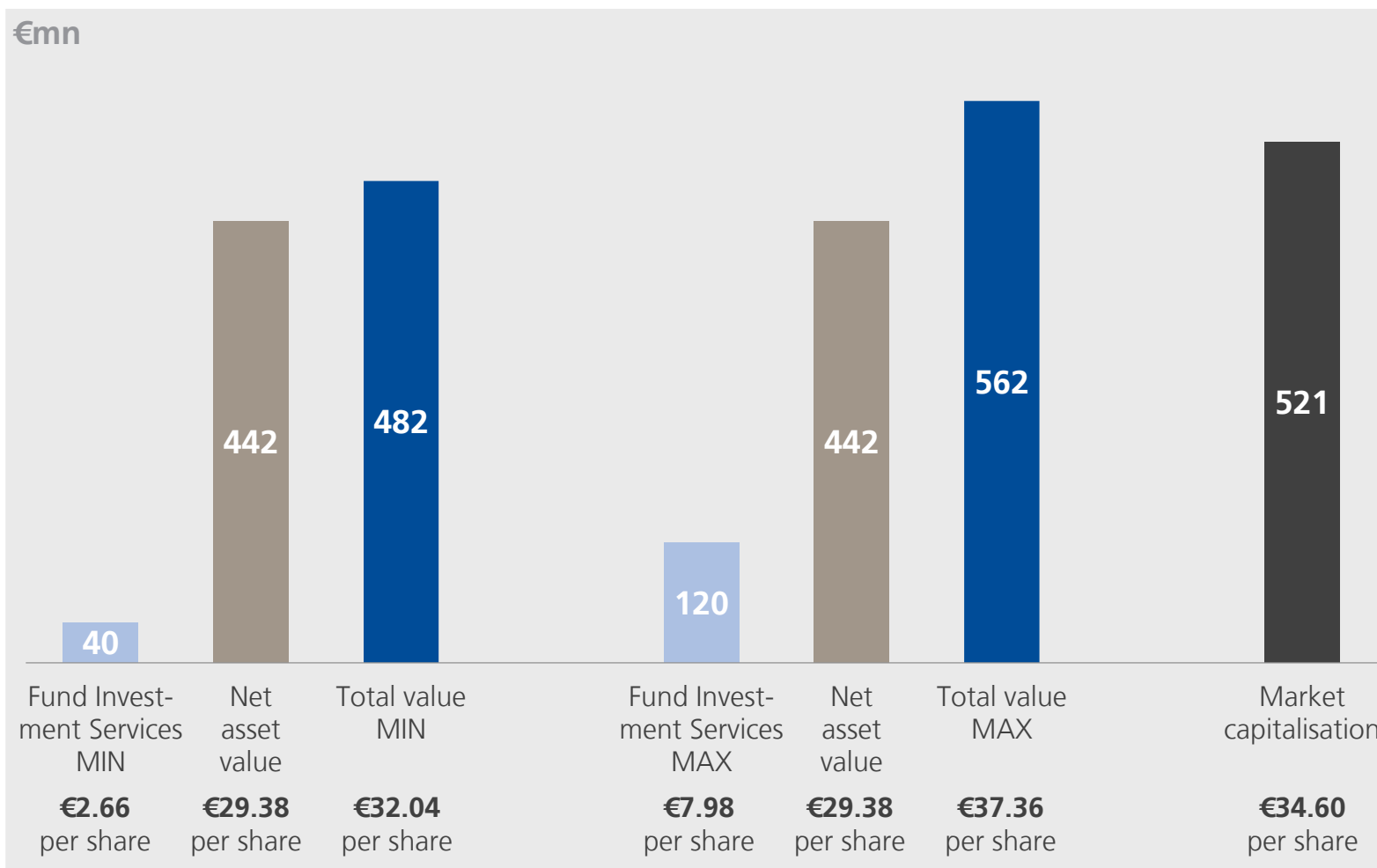
...10x	80	22	n/a	47	60	40
...15x	120	33	n/a	71	90	
...20x	160	44	n/a	94	120	
...25x	200	55	n/a	118	150	
...30x	240	66	n/a	141	180	120

¹ 2,9x for MBOs; Discount for disposals from the ECF

² Source: Mergermarket; prices paid by investment managers between 2013 and 2018, observed range of PE ratios between 7 and 30

³ EBT 2015/2016, adjusted for fundraising and DBAG structural costs

OUTLOOK FOR SHARE PRICE



Share valuation seems to reflect the NAV on the reporting date as well as an average value for fund investment services

Not included here:

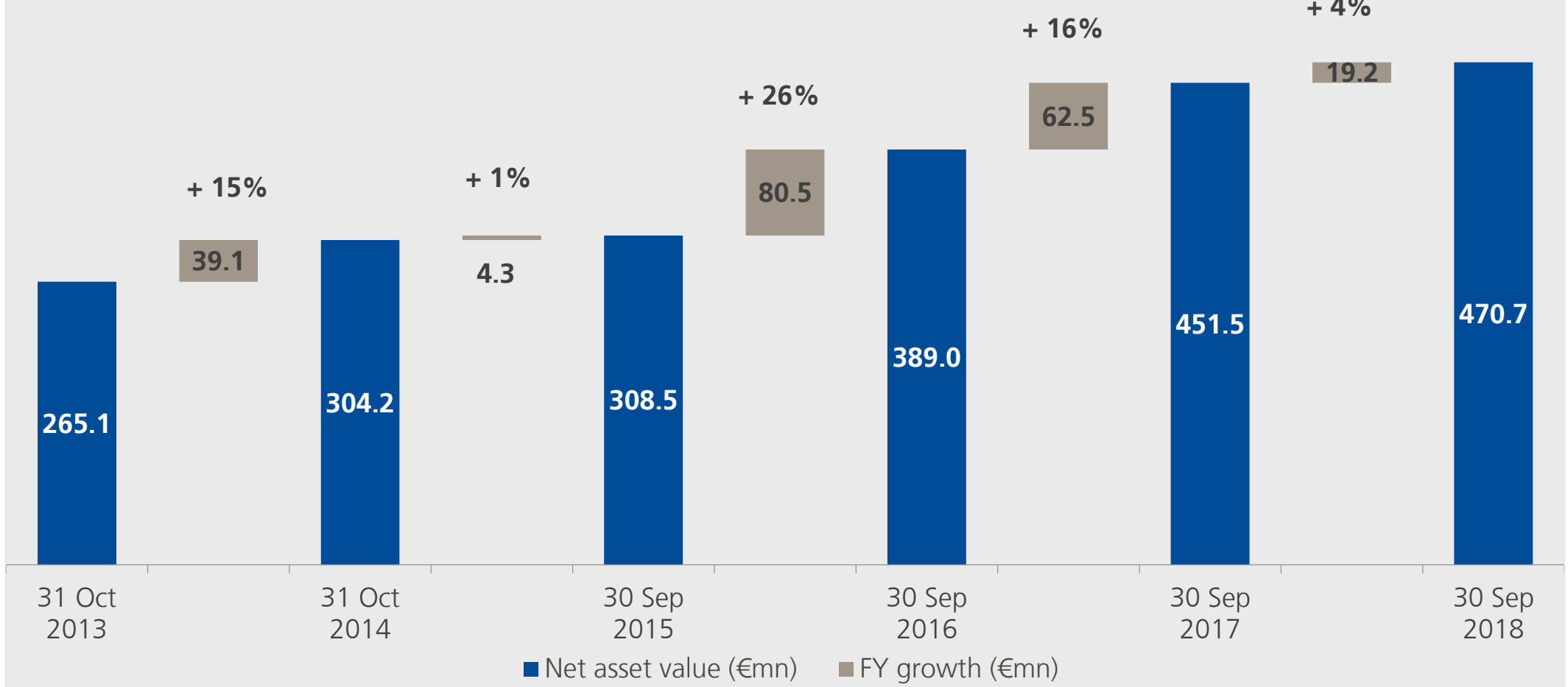
- > Value appreciation potential in the new existing portfolio
- > Further growth in fund investment services

Market capitalisation as at 17 May 2019

NET ASSET VALUE HAS GROWN BY 12.4 PER CENT PER YEAR OVER THE PAST FIVE YEARS

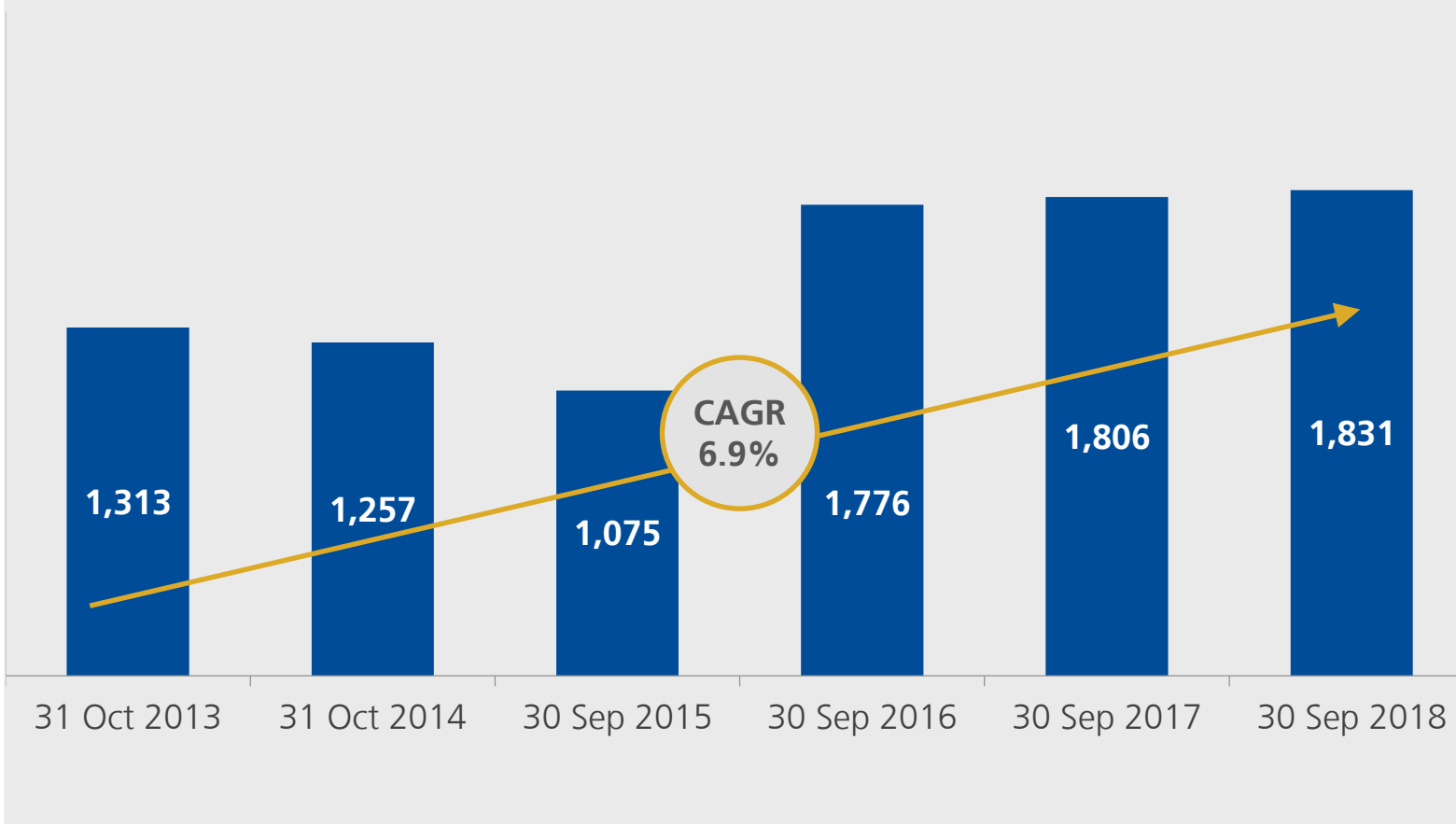


DEVELOPMENT OF NET ASSET VALUE



ASSETS UNDER MANAGEMENT AND UNDER ADVICE ALSO GREW STRONGLY OVERALL

ASSETS UNDER MANAGEMENT AND UNDER ADVICE (€mn)



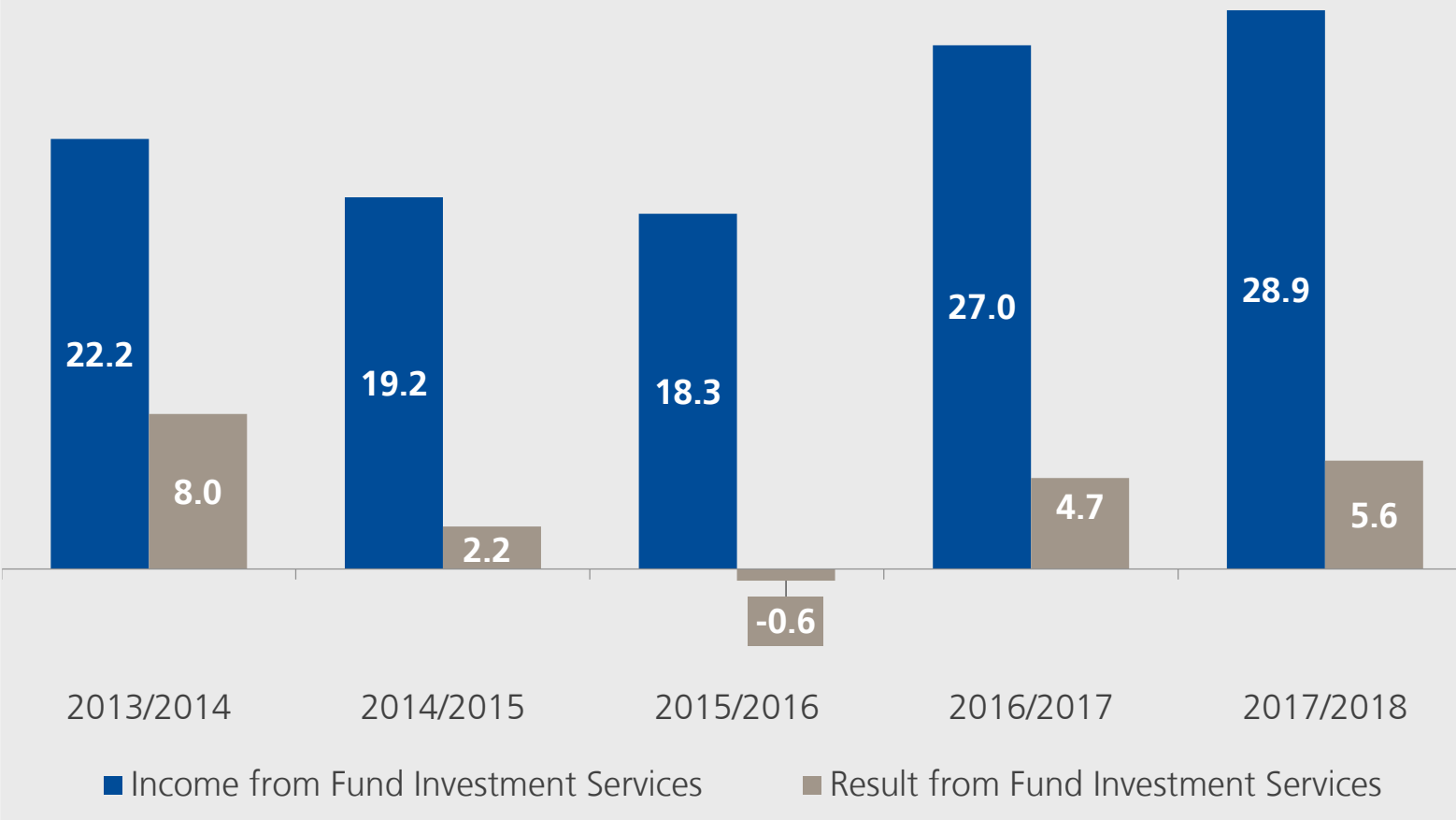
AuM/AuA (Assets under management or advisory)

Fluctuating growth is typical in this type of business

- › Significant increase after launch of a new fund, approx. every four to six years
- › Downturns after portfolio disposals

INCOME AND NET RESULT FROM FUND INVESTMENT SERVICES INCREASED BY A TOTAL OF

INCOME AND NET RESULT FROM FUND INVESTMENT SERVICES (€mn)

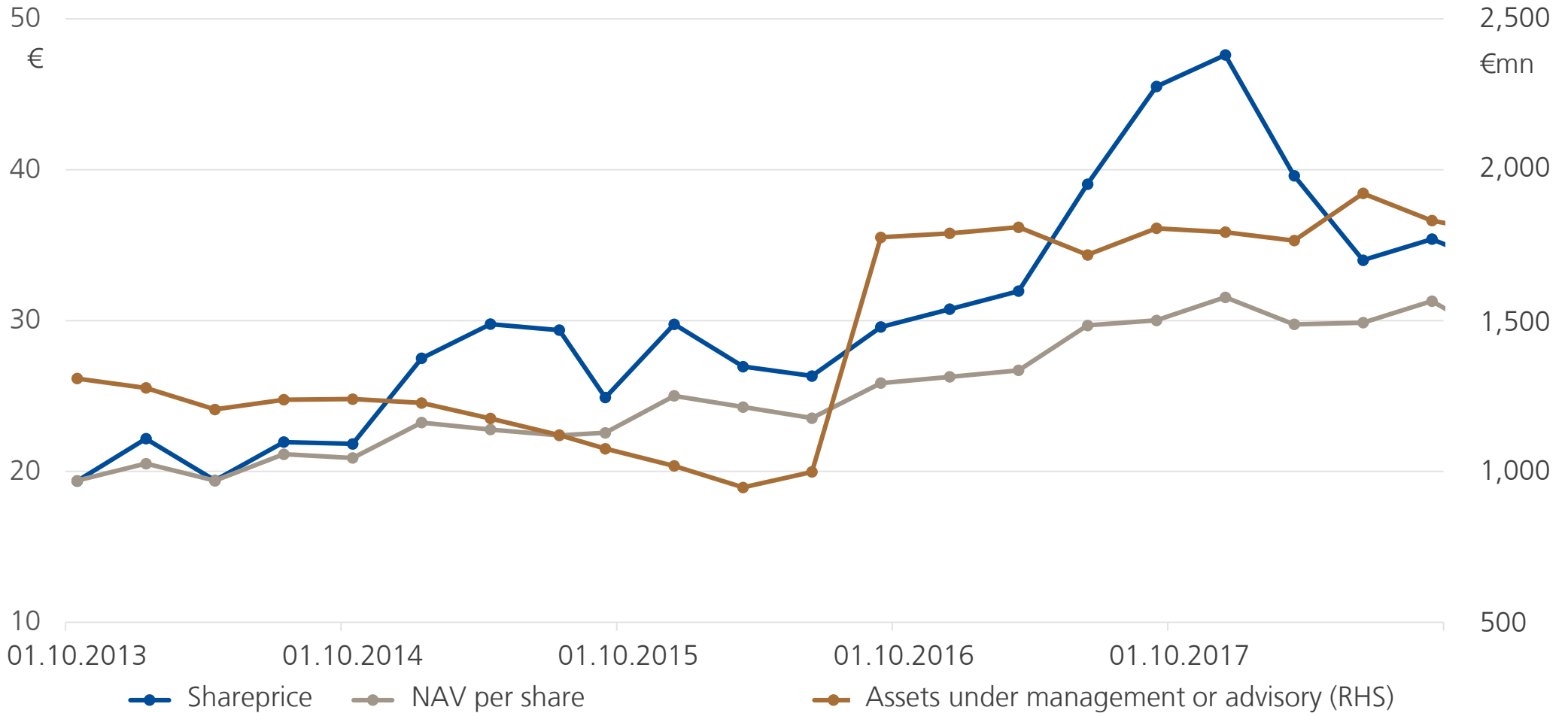


Income reflects the development of assets under management and under advice

Net result is also influenced by cost developments

2015/2016: Net income adjusted for fundraising and DBAG structural costs

SHARE PRICE GENERALLY FOLLOWS THE PERFORMANCE OF THE NET ASSET VALUE AND THE ASSETS ADVISED UPON, ...



... AND IN THE FUTURE?

	EXPECTATIONS 2018/2019	AMBITION 2020/2021
NET ASSET VALUE	UP TO 10% HIGHER	MORE THAN 20% HIGHER THAN 2018/2019
ASSETS UNDER MANAGEMENT OR ADVISORY	10-20% LOWER	MORE THAN 20% HIGHER THAN 2018/2019
FUND INVESTMENT SERVICES SEGMENT	UP TO 10% HIGHER	MORE THAN 20% HIGHER THAN 2018/2019
NET RESULT FROM FUND INVESTMENT SERVICES	UP TO 10% LOWER	MORE THAN 20% HIGHER THAN 2018/2019

Source: Annual Report 2017/2018, page 99