

## P R E S S   R E L E A S E

### **Deutsche Beteiligungs AG: Nine-month consolidated net income of 12.6 million euros**

- **Results burdened by economic slowdown and trade disputes**
- **Portfolio diversification is paying off**
- **Successful disposals shortly after the reporting date**

**Frankfurt/Main, 8 August 2019** – Deutsche Beteiligungs AG (DBAG) generated consolidated net income of 12.6 million euros in the first nine months of the 2018/2019 financial year. The significant decline compared with the same period of the previous year (first to third quarter 2017/2018: 27.7 million euros) was due to a lower net result of investment activity: positive contributions to earnings from disposals were insufficient to fully compensate for lower gains from portfolio valuation.

In its half-yearly financial report 2018/2019, DBAG reported that most portfolio companies had budgeted for higher revenues and earnings in 2019, and that the companies believed they were on the right track. Fundamentally, this position has not changed at all. However, the signs of a slowdown in economic momentum have since become more pronounced, partly also due to the ongoing global trade conflicts. This has led to lower than expected results for some portfolio companies and has thus had a negative impact on the valuation of the portfolio companies and the result of investment activity. The third quarter of the current financial year in particular also saw a negative contribution to earnings from the change in debt at some portfolio companies. In the case of one portfolio company, for example, the financing of an acquisition had an impact on its debt ratio and subsequently on its valuation.

However, the high level of diversification in DBAG's portfolio is paying off. "The economic downturn witnessed in various sectors is offset by positive trends at portfolio companies from other sectors. For example, investments in the telecommunications sector, with a focus on high-speed internet, have shown very encouraging development" states the DBAG quarterly statement published today. All in all, the first nine months of the 2018/2019 financial year saw a contribution of 6.2 million euros from the operating performance of portfolio companies – i.e. changes in earnings and debt – compared with 13.3 million euros in the same period of the previous year.

Disposals of the investments in Infiana and Novopress (agreed shortly after the reporting date) made a combined positive contribution of 13.7 million euros to

net income. In both cases, the sales proceeds exceeded the carrying amount of the investment as at 31 March 2019, and the respective value contributions were taken into consideration for the valuation of the two investments as at 30 June 2019. "The most recent disposals have once again epitomised the success of our investment activity", said Susanne Zeidler, DBAG's Chief Financial Officer, presenting the quarterly financial statements. Ms Zeidler added: "We have multiplied the capital invested in both cases. Hence, it is not in the net gains or losses of an individual quarter, but rather many years later that our success becomes visible: when we dispose of an investment."

At the beginning of the current financial year, the (sometimes massive) decline in valuations of listed peer-group companies – which DBAG uses to value its portfolio companies – had significantly burdened the Group's results. Given a distinct recovery in valuation multiples during the second and third quarters, this capital market effect reverted to being virtually neutral as at 30 June 2019.

Earnings before tax in the Private Equity Investments segment amounted to 11.0 million euros after the first nine months of the financial year – down 12.5 million euros on the segment result for the same period in the previous financial year. This was due to the significantly lower net result of investment activity. The Fund Investment Services segment closed the quarter with weaker-than-expected earnings before tax in the amount of 1.6 million euros, as against 4.2 million euros in the same period of the previous year. As expected, income from administration and advisory services to DBAG Fund VI, DBAG Fund V and DBAG ECF was lower. The figures were also burdened by unplanned expenses, higher expenses for incomplete transactions, and higher personnel expenses due to variable remuneration paid to DBAG employees following successful disposals and new investments. Consolidated net income of 12.6 million euros for the first nine months translated into return on equity of 3.1 per cent.

Given increasing macroeconomic uncertainty, DBAG lowered its forecast for the current financial year on 10 July 2019. The Company expects to achieve net income that is at least positive in the financial year 2018/2019 – based on the assumption of stable valuations on the capital market.

DBAG continued to co-invest alongside DBAG Fund VII during the third quarter: The Fund entered into its seventh investment with the MBO of IT service provider Cloudflight. Once the legal requirements had been fulfilled, DBAG was also able to close its investment in radiology group blick during the third quarter. This means that approximately 65 per cent of the investment commitments for DBAG Fund VII, which has been investing in medium-sized companies since December 2016, have now been invested. "This explains why we are also confident as we look ahead to the future", CFO Susanne Zeidler emphasised. "By investing, we are laying the foundation for future success."

***Deutsche Beteiligungs AG, a listed private equity company, initiates closed-end private equity funds, and itself invests alongside those funds in well-positioned mid-market companies with growth potential. DBAG focuses on those industry sectors where Germany's 'Mittelstand' is particularly strong in international comparison. With its experience, expertise and equity, DBAG supports the portfolio companies in implementing long-term and value-enhancing corporate strategy. Its entrepreneurial investment approach makes DBAG a sought-after investment partner in the German-speaking world. DBAG manages and advises capital amounting to around 1.7 billion euros.***

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