

## PRESS RELEASE

### **Deutsche Beteiligungs AG: Significantly higher levels of investment in the coming three years will boost growth**

- **Net asset value of Private Equity Investments expected to increase by up to 19 per cent annually**
- **Net income from Fund Investment Services to exceed 10 million euros going forward**
- **2019/2020 financial year strongly influenced by the impact of the pandemic; amended guidance achieved**
- **Dividend proposal of 0.80 euros per share – return to previous dividend policy in the new financial year**

**Frankfurt/Main, 30 November 2020.** Deutsche Beteiligungs AG (DBAG) is determined to grow further: net asset value of Private Equity Investments is expected to increase on average by between 14 and 19 per cent in the current and the next two financial years, and net income from Fund Investment Services is projected to reach a double-digit million-euro figure. These figures are derived from the medium-term planning of the listed private equity company, which was published today, together with the group financial report for 2019/2020.

Significantly higher investments by DBAG alongside the funds it advises, as well as investments that are financed exclusively from DBAG's own balance sheet, provide the foundation for this growth: whilst in the last five years, some 72 million euros on average were invested in mid-sized companies, this figure is envisaged to rise to around 120 million euros by 2023. "An important factor to note is that the COVID-19 pandemic has opened up new investment opportunities that we will seize in a targeted manner", Torsten Grede, Spokesman of DBAG's Board of Management, explained: "We have expanded our platform for equity capital solutions for mid-market companies, and made bold investments in our investment team."

### **Net asset value of Private Equity Investments in 2019/2020 impacted by the pandemic**

In line with its planning, DBAG's growth will accelerate: the net asset value of Private Equity Investments increased by around 13 per cent annually between 2014 and 2019, and is expected to grow by up to 19 per cent annually by 2023. This growth more than compensated the setback in net asset value resulting from the impact of the pandemic on the portfolio companies in the 2019/2020

financial year (1 October to 30 September). At 422 million euros – adjusted for the effect from the distribution made to the Company’s shareholders – it was 5.8 per cent lower year-on-year, but nonetheless reached the upper end of the forecast which DBAG had adjusted in the spring, in response to the COVID-19 shock. Investments with strong links to manufacturing industry in particular incurred revenue and income losses that were at times hefty and failed to reach their original budgets: this led to a corresponding impairment on these investments. Investments developed very favourably in the broadband/telecommunications sector, and in the software companies that are reaping the benefits from the increasing drive towards digitalisation in many areas of life, and in many business models.

Because of the particularities of its private equity business, DBAG does not manage its business using traditional annual indicators such as EBIT or return on revenues. Instead, the key performance indicators are the parameters that DBAG can influence, and which determine the value of the two business segments, Private Equity Investments and Fund Investment Services – the net asset value of Private Equity Investments, and net income from Fund Investment Services. Accordingly, net income at Group level is not a key performance indicator; it stands at -16.8 million euros and was driven by the performance of the Private Equity Investments segment. This segment closed the financial year 2019/2020 with earnings before tax of -25.2 million euros, down by 67.3 million euros on the previous financial year.

Key financial indicators (IFRS)	2019/2020	2018/2019
Net income from Private Equity Investments	€-25.2mn	€42.1mn
Net income from Fund Investment Services	€9.5mn	€3.0mn
Net asset value	€422.0mn	€472.1mn
Net income	€-16.8mn	€45.9mn
Dividend (2019/2020: proposal)	€0.80	€1.50

### **Fund Investment Services segment benefits from the launch of the new DBAG Fund**

Net income from the second segment, Fund Investment Services, exceeded expectations; at 9.5 million euros, it reached the highest level since segment reporting was introduced in 2013/2014. The significant increase over the previous year (3.0 million euros) is based on higher income from Fund Services and lower provisions for variable remuneration. This is reflected above all by the development in the portfolio value. Income was significantly higher (30.6 million euros after 28.2 million euros), as DBAG has received fees for advising DBAG Fund VIII since its launch in August 2020.

The fund was closed in May, with a volume of 1.109 billion euros. The volume of DBAG's assets under management or advisory, which forms the basis for measuring income from Fund Investment Services, therefore rose to around 2.6 billion euros (30 September 2019: 1.7 billion euros).

### **Dividend proposal: 0.80 euros per share**

The dividend proposal for the financial year under review – 0.80 euros per share – does not imply any change to DBAG's dividend policy. "It mainly takes into account the expected delays to proceeds from the portfolio, as a result of longer holding periods for our industrial investments," Chief Financial Officer Susanne Zeidler commented on the proposal. She continued: "We expect that, once the pandemic curve flattens next year and the economic environment starts to return to normal, we will be able to resume our policy of stable dividends that increase whenever this is possible, with a dividend of between 1.00 and 1.20 euros per share." Based on the annual average price of the DBAG share, this translates into a dividend yield of 2.4 per cent.

### **Investment decisions in the aggregate amount of 314 million euros**

DBAG's investment team made investment decisions in the amount of 314 million euros in 2019/2020 under review, of which three concerned management buyouts (MBOs) that were structured for the new fund within the first two months of its investment period. Other transactions included a further MBO with DBAG Fund VII and a first Long-Term Investment – a minority investment in a fast-growing company, financed exclusively using DBAG's own financial resources. Six portfolio companies have posted strong growth through a total of 14 acquisitions; these were predominantly financed by the portfolio companies themselves and serve to accelerate the implementation of their strategic development.

DBAG financed 96.8 million euros of the investment decisions made, from its own resources. This included 5.2 million euros for seven investments that were disproportionately impacted by the corona pandemic; the additional equity was used to support debt financing to improve the financial resources of these companies.

### **Equity ratio remains very high, at 89 per cent**

DBAG has a solid balance sheet, with an equity ratio of around 89 per cent. Financial resources showed a marked year-on-year decline, reflecting the high level of investments compared to the previous year: these once again significantly exceed proceeds from the portfolio. By taking out another credit line, DBAG has extended its financial scope by 40 million euros. DBAG added six new investments to its portfolio during the 2019/2020 financial year, including the Cartonplast and DING Group MBOs – investments that were

already agreed upon in 2018/2019. One company left the portfolio; this disposal had also been agreed already in the previous year. The two (partial) disposals agreed on in 2019/2020 will only become effective in the new financial year. As at the reporting date (30 September), the portfolio comprises 32 investments in (predominantly) German mid-market enterprises.

#### **“Strategic interest in mature investments”**

DBAG's Board of Management is confident about the new current financial year 2019/2020 and beyond: “We have a solid market position and access to around one billion euros in capital that is ready for new investments,” the report continues. When assessing investment opportunities, DBAG is reacting to the ongoing pandemic by setting very high requirements for the quality of the business models, their strategic importance, and the growth of the respective market. “Investments in IT services/software and broadband telecommunications, but also IndustryTech companies, in particular, are potential candidates,” Torsten Grede commented. “In other words, manufacturers of industrial components whose products facilitate automation, robotics and digitalisation in the first place.” DBAG also wants to exploit opportunities to invest in companies facing exceptional situations – those with equity requirements given their performance.

The economic weakness that has persisted for quite some time already in parts of the industry has recently delayed disposals. DBAG's portfolio contains a number of companies that the private equity firm has been supporting over a longer period of time now; the change processes that were initiated at the start of the investment are now at a very advanced stage. “We are seeing interest in such investments from strategic investors,” Susanne Zeidler stated. “However, in the event that disposals and the corresponding proceeds continue to be delayed, the additional credit line affords us flexibility to exploit attractive investment opportunities whenever they arise. We are looking into further financing options, for example on the equity side.”

*Deutsche Beteiligungs AG, a listed private equity company, initiates closed-end private equity funds, and itself invests alongside those funds predominantly in well-positioned mid-market companies with development potential. DBAG focuses on those industry sectors where Germany's 'Mittelstand' is strong in international comparison. A growing portion of DBAG's equity investments is deployed in the new growth sectors of broadband/telecommunications, IT services/software and healthcare. Its long-term, value-enhancing entrepreneurial investment approach makes DBAG a sought-after investment partner in the German-speaking world. DBAG Group's assets under management or advisory amount to 2.6 billion euros.*

*Public Relations and Investor Relations · Thomas Franke  
Börsenstrasse 1 · 60313 Frankfurt am Main, Germany  
Telephone +49 69 95787-307 · +49 172 6115483 (mobile)  
E-mail: [thomas.franke@dbag.de](mailto:thomas.franke@dbag.de)*