

## P R E S S R E L E A S E

### **Deutsche Beteiligungs AG launches new sector survey**

- **Only growth-oriented value creation strategies promise success**
- **Competition increasing among German midmarket PE firms**
- **German private equity firms to add staff**

**Frankfurt am Main, 9/10 December 2015.** In view of increasing purchase prices and the growing professionalization of the private equity (PE) business, only ambitious, growth-oriented value creation strategies promise success. Most private equity firms have recognised that fact and begun responding accordingly. That is one of the findings from the first PE Monitor, a survey of private equity's mid-market segment to be carried out twice a year by *FINANCE* magazine in collaboration with Deutsche Beteiligungs AG (DBAG). As the initial survey also shows, private equity investors no longer believe they can build the value of their portfolio companies primarily through cost-cutting programmes. In a maturing hotly contested market, they believe that what are required instead are value creation approaches that change a company's strategic positioning. The survey, carried out in November, queried investment managers at 50 private equity firms operating in Germany's mid-market segment on the strategic issues which their businesses face.

“Transactions worth billions make the headlines and dominate the public discourse on private equity. Yet the many transactions taking place in the mid-market segment have a much greater impact on the changes transforming the economy,” said Torsten Grede, Spokesman of the DBAG Board of Management, when presenting the findings today. The regular survey of mid-market private equity firms aims to increase transparency and identify new trends.

### **Success only through growth-oriented value creation strategies**

72 percent of the survey's respondents believe that growth through add-on acquisitions is currently the most promising value creation method; that includes ambitious buy-and-build strategies consisting of an extensive acquisition plan that foresees multiple purchases. 60 percent of the investment managers interviewed say the internationalisation of their portfolio companies is the most promising value appreciation strategy, while 46 percent ascribe that role to the expansion of business lines and services. Multiple responses were possible. Only 36 percent of the managers consider cost-cutting and efficiency programmes promising in the current environment. And only 12 percent of the private equity professionals interviewed believe that restructuring strategies and asset-stripping projects would prove successful.

“Today, many companies try to become global players with the help of private equity, and complementary acquisitions play a key role in that process,” said DBAG Spokesman Grede. He pointed out that six of DBAG’s 22 portfolio companies made add-on acquisitions in the past financial year alone. “This shows that financial investors provide more than just equity. They also back their portfolio companies when those companies assess and wind up acquisitions.”

### **Competition increasing**

The trend toward complex strategies fits in with the private equity managers’ view that they are competing intensely with each other, as well as with other players, for new investments. As the survey shows, the competition among private equity firms is very intense, averaging 8.28 on a scale of 1 to 10, something that might be partly attributable to the ample supply of capital in an ongoing phase of low interest rates.

The survey’s respondents feel current transaction opportunities are moderate at best, giving them an average 5.60 (on a scale of 1 to 10). The competitors that financial investors encounter in the M&A market are primarily corporations. Increasingly, however, they include new players, such as family offices, which in the past mostly made capital available to the private equity industry, but which now increasingly engage in direct investments. 74 percent of the investment managers queried said that family offices are gaining ground as competitors, while foundations are on the decline, with only one in ten considering foundations genuine competitors.

### **Private equity firms adding staff**

In light of the more ambitious value creation strategies and the difficulties in identifying and closing suitable investments, it is not surprising that PE firms want to add staff in response to the increased competition: 56 percent of the respondents said they would be expanding their investment teams, with only one in ten expecting the number of investment managers to decrease.

*Deutsche Beteiligungs AG, a listed private equity company, raises 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 its 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. Total assets managed and advised by DBAG amount to approximately 1.1 billion euros.*

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