

## P R E S S   R E L E A S E

### **Deutsche Beteiligungs AG: high level of investments in 2017/2018**

- **Seven management buyouts agreed upon**
- **Range of business models broadened: fibre optics and software, on top of investments in core sectors**
- **Net income of 33.6 million euros, reflecting negative capital markets impact**
- **DBAG ECF obtains additional funds from investors – swift investment progress and higher consultancy fees**
- **Dividend rises to 1.45 euros per share, offering above-average yield**
- **Cautious outlook for the current financial year 2018/2019**

**Frankfurt am Main, 30 November 2018.** Deutsche Beteiligungs AG (DBAG) generated net income of 33.6 million euros in the 2017/2018 financial year. The net figure reflects a burden of some ten million euros from capital market developments, which have been clearly negative recently – affecting the valuation of the Company's investments. Whilst the performance of the Private Equity Investments segment fell short of expectations, the Fund Investment Services segment outperformed projections. Following extensive investing activity, additional funds were committed by investors for one of DBAG's funds; the volume of assets under management increased accordingly. The listed private equity DBAG company – whose shares are included in the S-Dax – has published its annual report today, together with the consolidated financial statements as at 30 September 2018. The dividend proposal has been known since mid-November: according to the proposal, shareholders will receive 1.45 euros per share – up by five euro cents.

### **"Young portfolio offers potential for value appreciation"**

DBAG's 2017/2018 was distinctly different from the previous year: whilst six companies were disposed of during the 2016/2017 financial year, yielding above-average returns compared to the long-term average, the focus more recently has been on investment: "We agreed upon seven management buyouts (MBOs), once again investing a significant amount of funds", said Torsten Grede, Spokesman of the Board of Management. DBAG invested approximately 85 million euros from its own funds into the portfolio, which now comprises 27 investments in (predominantly) German SMEs. Investments which are younger than two years account for more than half of the funds invested: "This translates into very promising potential for value appreciation for the years to come."

### **Ten-year average return on equity per share of 11.4 percent**

DBAG's net income of 33.6 million euros falls short of the previous year's figure of 82.0 million euros, and also of initial guidance. The fact that DBAG would not be able to offer as many mature companies as before had been incorporated in the planning – in fact, this explains the largest part of the year-on-year difference. Earnings were additionally affected by lower company valuations on the stock exchanges, which serve as reference values for the valuation of the Company's portfolio: in the end, they burdened results by some ten million euros. Moreover, change processes in individual portfolio companies did not make as much progress as anticipated, for various reasons. "Such developments are part and parcel of our business as equity investors. In such situations, the management of portfolio companies may carry out adjustments to planned measures, in terms of substance or timing, whilst in other cases, it may be necessary to provide additional capital, or to change the management of portfolio companies", said Mr Grede.

Net income of 33.6 million euros translates into return on equity per share of 7.8 percent – DBAG's key management indicator – and thus once again clearly exceeds the cost of equity, which currently amounts to 6.0 percent. DBAG has generated average return on equity of 11.4 percent over a ten-year period.

Key financial indicators (IFRS)	2017/2018	2016/2017
<b>Net result of investment activity</b>	€34.1 million	€85.8 million
<b>Fee income from fund management and advisory services</b>	€28.5 million	€27.0 million
<b>Net income</b>	€33.6 million	€82.0 million
<b>Return on equity per share</b>	7.8%	24.1%
<b>Dividend per share (2017/2018 proposal)</b>	€1.45	€1.40

DBAG continues to have a solid statement of financial position, with an equity ratio of around 92 percent. Cash and cash equivalents – whilst down markedly compared to the previous year – continue to exceed average annual liquidity requirements for investments, with 119.0 million euros available for this purpose (previous year: 161.6 million euros). These financial resources, together with a 50 million euro credit line, are backed by co-investment agreements with funds managed by DBAG in the amount of 199 million euros. DBAG plans to co-invest around 94 million euros on average per annum, alongside the private equity funds it advises, over the three financial years ahead (2018/2019 plus two subsequent years). "This means that we want to continue growing, as indicated two years ago", said Chief Financial Officer Susanne Zeidler: "DBAG's net asset value has since grown by close to a quarter, to 475 million euros – even though we have distributed dividends worth almost 40 million euros to shareholders."

## **Marked increase in results for the Fund Investment Services segment**

The Private Equity Investments segment generated 27.6 million euros in earnings before taxes – down by almost 50 million on the 2016/2017 financial year, which ranked amongst the most successful periods in the Company's history. At the time, DBAG also benefited from the more favourable capital markets environment.

The Fund Investment Services segments generated clearly higher results, with segment earnings before taxes of 6.0 million euros for the year under review – up from 4.7 million euros the year before. This means that earnings improvement in this segment has continued, with income from fund management and advisory services rising year-on-year, also driven by the swift investment progress of DBAG ECF. Investors committed additional contributions for this fund; five of the seven investment decisions during the financial year under review involved MBOs co-investing with this fund.

## **Dividend proposal of 1.45 euros per share**

"We endeavour to pay a stable dividend – increasing it whenever possible, as for this year", CFO Zeidler emphasised. Based on the current share price, a distribution of 1.45 euros per share translates into a clearly above-average dividend yield of more than 4 percent. "The high distributable net retained profit of around 170 million euros, combined with a comfortable liquidity situation, will permit the distribution of dividends at this level over the coming years", Zeidler continued. Dividends are a key portion of investment performance for DBAG shareholders who take a long-term view: over the past ten years, they earned an average of approximately 16 per cent per annum, with one-third of this performance attributable to distributions.

## **Concerns about economic distortions and price losses on capital markets**

Given the typical volatility private equity investments are exposed to, taking the results of a given year as the basis of the forecast for the next year is not a sensible approach. Hence, the forecast is based on average net income for the past five years (48 million euros): on this basis, DBAG forecasts a moderate decline for 2018/2019 – this means a decrease by between 20 and 40 percent which, however, equates to a slight increase of up to 20 percent compared to the figure for 2017/2018 (33.6 million euros). Looking ahead to the 2019/2020 and 2020/2021 financial years, the Board of Management anticipates results which will be clearly higher – that is, more than 40 percent above the level for the financial year ahead. One of the factors contributing to this development is the current age structure of the portfolio, which is dominated by investments held for less than two years on the reporting date.

"The challenges appear to be greater now than a year ago – quite a few observers consider the price fluctuations seen over recent months as a harbinger of a new

big picture. Political developments give us cause for concern: the optimism of the past few years has given way to growing scepticism on the economy" – this is how Torsten Grede summarises the changed business environment for DBAG. Nonetheless, DBAG maintains a generally optimistic outlook: "Our confidence is supported by a young portfolio with promising potential, an experienced investment team and an organisation with tried-and-tested processes", as stated in the Letter to Shareholders in the Annual Report published today.

### **Broader range of industries**

In the report, DBAG also explains the broadening of the range of business models it invests in: besides investments in industrial companies from DBAG's core sectors – including mechanical and plant engineering, and automotive suppliers – Germany's oldest and most experienced private equity company recently invested in an estate agency, route-optimisation software, and the planning and construction of fibre-optic networks. "We are guided by changes in the economy, and by the opportunities we see in individual sectors", said Mr Grede, pointing out that DBAG has been investing very successfully outside its core sectors over recent years: "Considering the growth of the funds we advise, in conjunction with the limited market volume, we have been looking at non-industrial business models for quite some time – including businesses in the digital environment, such as software companies or industrial service providers focusing on IT services."

*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 1.8 billion euros.*

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*The Annual Report 2017/2018, which contains the consolidated financial statements and the combined management report, is available on [www.dbag.com](http://www.dbag.com)*