

## PRESS RELEASE

### **Coronavirus crisis: Deutsche Beteiligungs AG provides an update on current business development and measures taken**

- **Smooth continuation of DBAG's business operations**
- **M&A market in strong decline since March**
- **Focus on supporting portfolio companies**
- **Broadly diversified portfolio offering a mixed picture**
- **Net asset value of Private Equity Investments down by approximately 20 per cent – net income from Fund Investment Services exceeds projections**

**Frankfurt/Main, 30 April 2020** – Deutsche Beteiligungs AG (DBAG) provides an update on current business development, based on preliminary figures, as well as on measures taken in the wake of the COVID-19 pandemic. Detailed results for the first half of the 2019/2020 financial year (reporting date: 31 March 2020) will be provided on 13 May 2020, as planned, within the scope of regular reporting.

#### **Extensive digitalisation enables smooth continuation of business processes**

DBAG had already digitalised its business processes to a high degree over recent years, enabling smooth continuation of its operations with staff working remotely, using virtual meetings and state-of-the-art cloud-based solutions. All of DBAG's staff members – including the Board of Management – have been working from home for seven weeks now.

#### **M&A market has been experiencing a strong decline since March**

The M&A market has largely ground to a halt since March. Given that the impact of the corona crisis on numerous enterprises is hardly predictable, assessing business plans (and hence, price discovery) is a very demanding exercise at present. This also affects banks and private debt funds; as a consequence, the availability of acquisition finance is extremely restricted.

#### **Focus on supporting portfolio companies**

The focus of DBAG's investment team is currently on the more intensive coverage of portfolio companies. Leveraging its extensive experience in dealing with crisis situations gained over many years past, DBAG is in a position to actively support its portfolio companies in successfully coping with the current challenges. In fact, as soon as the crisis broke, DBAG launched a continuous process to analyse which business models and supply chains would be affected,

and what measures were required in order to safeguard production processes as well as to protect employee health. DBAG has also initiated the exchange of information amongst its portfolio companies. DBAG scrutinised the liquidity status of portfolio companies (as well as their short- and medium-term liquidity needs) at an early stage, in order to mobilise existing funding reserves, and to submit applications for government support programmes where required. From today's perspective, this will only be necessary in individual cases.

### **Broadly diversified portfolio offering a mixed picture**

The targeted portfolio diversification which DBAG has been pursuing over recent years has paid off; at the same time, the size of the portfolio is beneficial. The COVID-19 crisis has impacted DBAG's 28 portfolio companies to differing extents. Whilst industrial companies tend to face stronger burdens, a number of portfolio companies – including those from the broadband telecommunications sector – have hardly been affected, or even not at all. In these cases, work on realising development potential continues largely unabated: two of DBAG's portfolio companies – duagon and Deutsche Infrastruktur- und Netzgesellschaft (DING Group – previously trading as STG Group) – succeeded in completing one add-on acquisition each during the second quarter, whilst vitronet – another portfolio company that is active in the focus sector of broadband telecommunications, just like DING Group – was able to agree upon two add-on acquisitions. Moreover, vitronet successfully signed a loan agreement, thus significantly increasing the finance volume available for further add-on acquisitions. Each company financed their add-on acquisition from own resources.

Looking at DBAG's portfolio as a whole, it is fair to describe the situation as challenging yet manageable. Whether this will remain the case will depend upon the further course of the pandemic, which is subject to significant uncertainty.

### **Net asset value of Private Equity Investments down by approximately 20 per cent – net income from Fund Investment Services exceeds projections**

On the whole, the impact of the pandemic has significantly burdened the valuations of DBAG's portfolio companies. Net asset value of the Private Equity Investments, adjusted for dividends of €1.50 per share distributed at the end of February, fell by around 20 per cent during the first half of the financial year (reporting date: 31 March 2020). Lower multiples – which we use in the valuation of portfolio companies – have contributed to this development. In addition, changes in earnings of portfolio companies provided a negative contribution, due to the fact that the sustainable earnings outlook for companies related to manufacturing industry, as well as for automotive suppliers, is now seen to be weaker compared to the end of the first quarter of the current financial year. Lower carried interest entitlements had an offsetting effect. Net income from Fund Investment Services exceeded projections, especially due to lower provisions for variable remuneration.

In an ad-hoc disclosure dated 20 March 2020, DBAG had communicated that it was no longer feasible to maintain the forecast for the financial year 2019/2020. DBAG is currently in the process of preparing its half-yearly financial report; in this context, it will also work out a new forecast for the current financial year.

***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 its new focus 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. Assets under management and advisory by DBAG Group amount to 1.7 billion euros; with the new DBAG Fund VIII, the figure is set to rise to around 2.5 billion.***

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