

Deutsche Beteiligungs AG

Private equity investor and asset manager

Celebrating its 50th year, Deutsche Beteiligungs (DBAG) is a seasoned private equity investor in mid-sized German companies, distinguished from many private equity peers by generating significant fee income from managing third-party funds. While recent market volatility and lower market valuation levels have clouded the near-term outlook, the high rate of new investment in FY15, with the addition of seven new companies to the portfolio, is encouraging for medium-term prospects.

Continued positive NAV progress in FY15

DBAG reported net income of €6.7m in Q315, bringing net income for the first nine months to €28.3m, driven by valuation gains for the carried portfolio with fee income largely covering operating expenses. NAV per share increased to €22.18 at 31 July 2015 representing a 1.9% gain in Q315 and a 10.0% advance for the first nine months of FY15, after adjusting for a €2.00 dividend payment.

Strong recent pace of investment activity

DBAG has maintained a strong pace of investment activity in FY15. New investment of €21m in Q315 takes total new investment in FY15 to date to €72m, ahead of the target €50m pa run rate and the highest level in the last 10 years. Seven new companies have been added to the portfolio in FY15, comprising five MBO and two expansion capital investments, all in DBAG's core manufacturing and industrial services sectors. This increases the number of holdings to 25.

Improved capital structure

The high level of investment activity in FY15 has seen DBAG's cash position reduce substantially, improving the overall capital structure and reducing potential cash drag on performance. With financial resources of €56.9m at 31 July 2015 and a €50m pa target investment rate, DBAG appears adequately funded for the next 12 months, with the potential for realisations to add to available funds.

Valuation: Premium to NAV has narrowed

We see the significant component of recurring fee income generated from DBAG's management of co-invested funds as the explanation for its shares trading at a significant premium to NAV. 3i in the UK has a similar business model and its shares are trading at a comparable premium to NAV. DBAG's share price premium to NAV has narrowed from 47% in March 2015 to its current level of 12%.

12 months ending	Total share price return (%)	Total NAV return (%)	Total return LPX Europe (%)	Total return DAX 30 Index (%)
31/07/12	(6.4)	5.7	(7.0)	(5.4)
31/07/13	15.8	7.4	32.6	22.2
31/07/14	28.2	17.6	12.0	13.7
31/07/15	40.6	10.0	32.5	20.2

Source: Company data, Thomson Reuters, Morningstar. Note: 12-month rolling discrete total return performance in euros up to last published NAV.

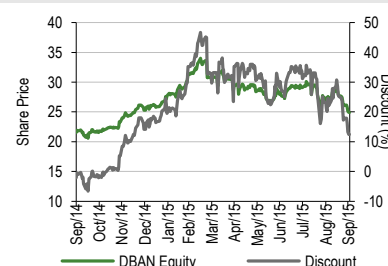
Investment companies

Price	€26.75
Market cap	€366m
NAV*	€303m

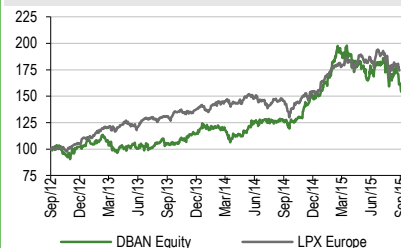
NAV per share*	€22.18
Premium to NAV	12.4%
Base dividend yield	1.6%
FY14 total dividend yield	8.0%

*As at 31 July 2015.

Share price/discount performance



Three-year cumulative perf. graph



Share details

Code	DBAN
Listing	Frankfurt
Shares in issue	13.7m

Business description

Deutsche Beteiligungs is a Germany-based and listed private equity company focused on mid-sized companies in Germany and neighbouring German-speaking countries.

Analyst

Gavin Wood +44 (0)20 3681 2503
investmenttrusts@edisongroup.com

Deutsche Beteiligungs is a research client of Edison Investment Research Limited

Edison, the investment intelligence firm, is the future of investor interaction with corporates. Our team of over 100 analysts and investment professionals work with leading companies, fund managers and investment banks worldwide to support their capital markets activity. We provide services to more than 400 retained corporate and investor clients from our offices in London, New York, Frankfurt, Sydney and Wellington. Edison is authorised and regulated by the Financial Conduct Authority (www.fsa.gov.uk/register/firmBasicDetails.do?sid=181584). Edison Investment Research (NZ) Limited (Edison NZ) is the New Zealand subsidiary of Edison. Edison NZ is registered on the New Zealand Financial Service Providers Register (FSP number 247505) and is registered to provide wholesale and/or generic financial adviser services only. Edison Investment Research Inc (Edison US) is the US subsidiary of Edison and is regulated by the Securities and Exchange Commission. Edison Investment Research Limited (Edison Aus) [46085869] is the Australian subsidiary of Edison and is not regulated by the Australian Securities and Investment Commission. Edison Germany is a branch entity of Edison Investment Research Limited [4794244]. www.edisongroup.com

DISCLAIMER

Copyright 2015 Edison Investment Research Limited. All rights reserved. This report has been prepared and issued by Edison for publication globally. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of Edison at the time of publication. The securities described in the Investment Research may not be eligible for sale in all jurisdictions or to certain categories of investors. This research is issued in Australia by Edison Aus and any access to it, is intended only for "wholesale clients" within the meaning of the Australian Corporations Act. The Investment Research is distributed in the United States by Edison US to major US institutional investors only. Edison US is registered as an investment adviser with the Securities and Exchange Commission. Edison US relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. As such, Edison does not offer or provide personalised advice. We publish information about companies in which we believe our readers may be interested and this information reflects our sincere opinions. The information that we provide or that is derived from our website is not intended to be, and should not be construed in any manner whatsoever as, personalised advice. Also, our website and the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. Edison has a restrictive policy relating to personal dealing. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report. Edison or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (ie without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision. To the maximum extent permitted by law, Edison, its affiliates and contractors, and their respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication. FTSE International Limited ("FTSE") (c) FTSE [2015]. "FTSE(r)" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.