

Deutsche Beteiligungs

Private equity investor and asset manager

Deutsche Beteiligungs (DBAG) is a pioneer of private equity investment in mid-sized German companies, with more than five decades' experience. Distinguished from peers by managing third-party funds, DBAG recently raised €1bn for the launch of DBAG Fund VII, which will bring funds under management to c €1.8bn and add significant fee income from FY17. DBAG has also completed a €38.6m capital increase to finance the growth of its own investment portfolio alongside its managed funds. From 2016, base and surplus dividends are replaced by a more consistent single dividend, which will not be driven by the size or timing of investment realisations.

Strong performance in FY16

DBAG has announced FY16 preliminary results that are significantly ahead of FY15, with net income of €48-52m, which translates into a dividend-adjusted return on NAV of more than 15%, compared with DBAG's 14.3% pa average return over the previous 10 financial years. FY15 saw strong portfolio activity and this has continued in FY16, with five new investments and three divestments announced. DBAG's portfolio now comprises 24 companies, including 12 new investments from FY15 and FY16, which is encouraging for medium-term prospects.

€1bn committed to DBAG Fund VII launch

In July 2016, DBAG closed the fund-raising for DBAG Fund VII with €1bn in capital commitments, significantly higher than the €700m raised for DBAG Fund VI in 2012. This will bring DBAG's funds under management to c €1.8bn and significantly increase DBAG's fee income from FY17. The launch also signifies a strategic advance as the new fund will be able to invest up to €200m in a single buyout.

€38.6m capital increase to finance growth

In January 2016, DBAG put in place a five-year €50m credit facility to provide additional flexibility to manage short-term timing differences in cash inflows and outflows. In September 2016, DBAG completed a €38.6m capital increase, issuing 1.4m new shares (10% of issued capital) at a 4.7% discount to the market price. There is no intention to introduce permanent leverage into the capital structure.

Valuation: €1.20 FY16 dividend provides 3.9% yield

Based on our estimate of NAV at 30 September 2016, DBAG shares are trading at a 25.9% premium to NAV. In our view, this reflects the value the market ascribes to DBAG's fund services business. A €1.20 dividend has been proposed for FY16, setting the expected level for future payments under the new dividend policy.

12 months ending	Total share price return (%)	Total NAV return (%)	LPX Europe (%)	LPX Europe NAV (%)	DAX 30 (%)
31/07/12	(6.4)	5.7	(7.0)	(0.3)	(5.4)
31/07/13	15.8	7.4	32.6	5.4	22.2
31/07/14	28.2	17.6	12.0	16.3	13.7
31/07/15	40.6	10.0	32.5	15.6	20.2
30/06/16*	(6.5)	8.5	(8.3)	(4.6)	(14.4)

Source: Thomson Datastream, Morningstar, Bloomberg. Note: *11-month period due to change in financial year end. Discrete total return performance in euros.

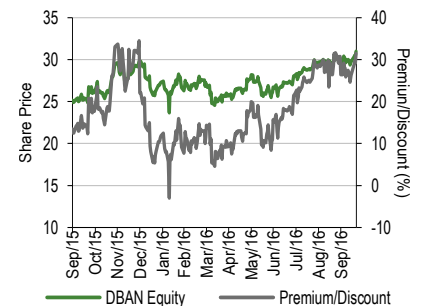
Investment companies

Price	€30.98
Market cap	€466m
NAV*	€354m

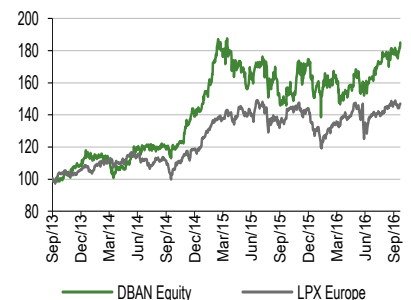
Estimated NAV per share*	€24.60
Premium to estimated NAV	25.9%
FY16 proposed dividend yield	3.9%

*Edison estimate of NAV at 30 September 2016 based on preliminary results announcement and €38.6m capital increase.

Share price/discount performance



Three-year cumulative perf. graph



Share details

Code	DBAN
Listing	Frankfurt
Shares in issue	15.0m

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.

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