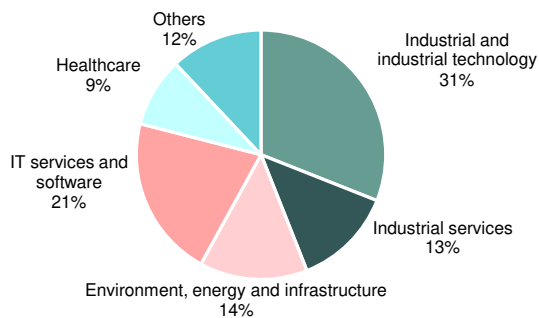


Deutsche Beteiligungs

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Deutsche Beteiligungs' (DBAG's) investment activity in Q125 was limited to one closed private equity (PE) investment (replacing external financing at an existing holding) and one private debt investment, with one add-on in its portfolio and no exits in the period. That said, it expects a significant pick-up in new investments, as well as three or four exits by Q126, despite the recent elevated macroeconomic and geopolitical uncertainty. This suggests that several transactions are at an advanced stage. The higher deal pace should allow DBAG to further diversify its portfolio and deploy part of its dry powder. Its NAV increased by 1.7% in Q125, driven primarily by higher multiples, partly on the back of bids it received for some of its assets.

Exhibit 1: DBAG's diverse sector exposure limits direct impact of US tariffs



Source: Company data

US tariffs distorting recent tailwinds

In our March 2025 [note](#), we suggested that macroeconomic and sector headwinds affecting DBAG may be gradually abating as 1) DBAG believes its portfolio is on the verge of earnings growth; 2) sentiment towards German equities had improved following the parliamentary elections; and 3) European PE activity was gradually rebounding. The spike in uncertainty driven by US tariffs (which we had highlighted as a potential risk) distorted this dynamic. That said, management considers its portfolio well-protected against the first-order impact of US tariffs, with only 10% of holdings directly affected. This is because DBAG has been shifting its industrial portfolio away from more traditional holdings and has tapped into a wider set of sectors (see Exhibit 1). Moreover, German public equities rebounded recently, likely assisted by the rotation out of US stocks and into European stocks.

A strong mid-market player with ample firepower

DBAG is an established investor and asset manager in the PE mid-market in the DACH region (expanding into neighbouring countries such as Italy) and is well-placed to invest in the next PE cycle. Its financial resources (cash and short-term securities) at end-March 2025 stood at €100m, with a further €126m available from undrawn credit lines. This comfortably covers 72% of its outstanding investment commitments. DBAG's good liquidity also facilitates its shareholder return policy, with management proposing a €1.00/share dividend paid from FY23/24 profits and €0.25 for the short financial year from end-September to end-December 2024. Given the wide share price discount to NAV (currently 26.5%), DBAG also launched another buyback programme of up to €20m (up to 800k shares) in February.

Investment companies
Listed private equity

19 May 2025

Price	€26.80
Market cap	€501m
Shares in issue	17.8m
Code/ISIN	DBAN/DE000A1TNUT7
Primary exchange	FSE
AIC sector	N/A
Financial year end	31 Dec
52-week high/low	€28.7 €21.0

Fund objective

Deutsche Beteiligungs is a German-based and listed private equity investment and fund management company that invests in mid-sized companies in Germany and neighbouring countries via management buyout transactions and growth capital financings. It also manages c €2bn of third-party capital, which generates stable recurring fee income. Following the acquisition of a majority stake in ELF Capital, it expanded its offer to include private debt.

Bull points

- Solid long-term track record, with an average private equity exit multiple of 2.5x at end-FY24.
- Emphasis on 'growth sectors', such as IT services and software, energy transition/sustainability themes and healthcare.
- Recurring cash flow from fund services.

Bear points

- Continued impact from the weak macroeconomic environment in Germany, especially on DBAG's industrial holdings.
- Interest rate normalisation may reduce prospective private equity returns, put pressure on interest coverage ratios and/or lead to refinancing issues across private equity-backed companies in the medium term.
- Higher average leverage of portfolio companies versus pre-COVID-19 levels.

Analyst

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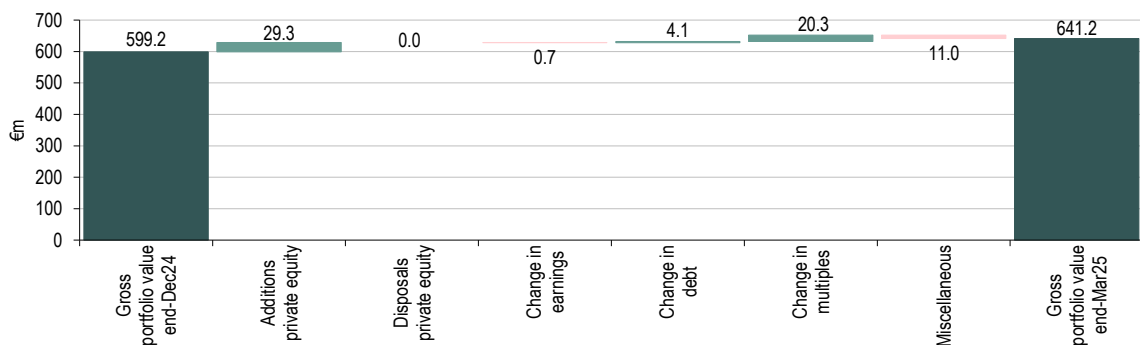
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Q125 NAV TR assisted by multiples expansion

DBAG posted a 1.7% net asset value (NAV) total return (TR) in euro terms in Q125, on the back of higher valuation multiples (which increased its gross portfolio value by €20.3m or 3.4pp), driven by a limited set of portfolio holdings, with a significant contribution from uplifts to carrying values of assets for which DBAG received bids from potential buyers. We note that DBAG's valuation multiples are based on end-March 2025 data and therefore do not reflect the public market impact of the US tariff announcements. Change in portfolio earnings had a minor €0.7m negative impact, while a reduction in net debt added €4.1m (DBAG also highlighted a positive impact from updated financing conditions) (see Exhibit 2). DBAG's performance reflects a certain degree of cash drag from its €100m liquid assets, which represented 11.6% of its total assets, or 15.6% of its gross portfolio value, at end-March 2025.

Exhibit 2: DBAG's change in gross portfolio value in Q125



Source: Company data

DBAG's fund services segment reported a slight year-on-year increase in income to €12.1m in Q125 (from €12.0m in Q124), assisted by the first-time recognition of fees from the Solvares continuation fund, partly offset by the lack of meaningful fees from two older-vintage funds, DBAG Fund VI and DBAG ECF, in line with management expectations. EBITA declined to €3.8m in Q125 from €4.4m in Q124 (amid an increase in headcount by nine to 115), but this run-rate is consistent with management's FY25 guidance of €8–13m.

Management reiterated its guidance of NAV per share of €36–43 at end-FY25. The lower end is broadly in line with DBAG's end-March 2025 NAV per share of €36.40, but management's ambition is to deliver the midpoint of guidance. After accounting for the €1.25 dividend per share recently proposed by management at the 2025 AGM (€1.00 for the financial year to end-September 2024 and €0.25 for the short financial year to end-December 2024) this would imply an NAV TR of c 12% for FY25, according to our calculations.

We note that DBAG's CFO (Melanie Wiese) will leave the management board by end-2025 by mutual agreement, while the mandate of the other two board members has been extended to February 2031 by DBAG's supervisory board. Tom Alzin, DBAG's management board's spokesperson, will take over responsibility for the finance and accounting area.

Management expects a pick-up in activity after Q125

DBAG's total portfolio additions in Q125 equalled €29.3m (or c 5% of opening portfolio value). The company closed its second-ever private debt transaction via an ELF Fund in Q125 – a €20m five-year senior secured loan provided to a specialist B2B distributor of passive electronic components for a global blue-chip customer base. The transaction was cautiously structured with limited net entry leverage of 1.2x, but DBAG's management is confident that the transaction will generate a solid return (11.9% internal rate of return and 1.3x multiple on invested capital over three years, ie the agreed non-call period) based on a robust collateral package and documentation. DBAG's PE transaction activity in Q125 was moderate and included one follow-on PE investment into an existing portfolio company, replacing external financing, at what DBAG's management describes as very attractive terms. There was only one add-on acquisition, closed by healthcare business operasan during the period, with DBAG's equity contribution of €0.2m.

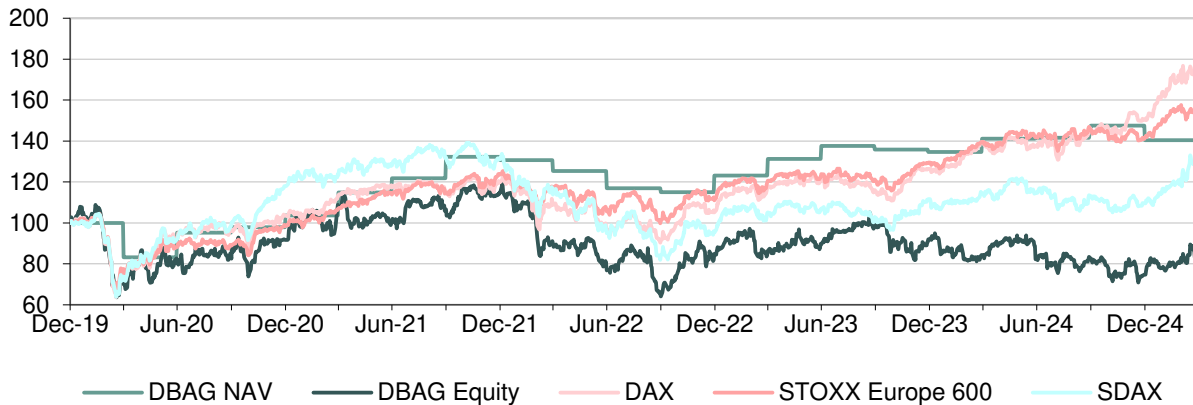
That said, management expects significant transactions in terms of both new investments and realisations later this year (the latter more likely in H225 and Q126). For its small-cap ECF IV fund (which is 50% invested and for which DBAG plans to acquire around five more portfolio companies), DBAG sees particularly good investment opportunities in the environmental, energy and infrastructure sectors. In terms of exits, DBAG is seeking to sell its majority stake in

Von Poll Immobilien, a residential and commercial real estate broker in Germany that generated revenues of €149m in 2024 (up 21% y-o-y). DBAG first invested in the company in July 2018, and it was among its top five holdings at end-March 2025. This holding was recently written up (presumably based on bids DBAG received for the asset), which could result in a more limited uplift to unrealised carrying value upon disposal. In a recent discussion with Mergermarket, the company also indicated that it is positioning the following companies for an exit: Green Datahub (an owner and operator of two co-location data centres), mageba (a supplier of structural bearings, expansion joints and other services for infrastructure and construction businesses) and duagon (a provider of network components for data communication in railway vehicles).

Valuation remains undemanding

DBAG's NAV TR between end-2019 and end-March 2025 reached 42.9%, or c 7.0% pa, which is ahead of the return posted by the German small-cap index (SDAX) of 3.8% pa, though behind large-cap German and European indices (see Exhibit 3), and its three- and five-year NAV TR performance was below PE peer average (see Exhibit 6). Meanwhile, its share price TR decoupled from the NAV performance and was negative over that period, leading to a discount to last reported NAV of 26.5% currently (see Exhibit 4). We note that, prior to 2022, DBAG's shares traded at a premium to NAV (18% on average over the five years to end-2021), which we believe was due to the share price reflecting the additional value of DBAG's fund services business, which manages c €2bn of third-party capital, the value of which is not directly captured within DBAG's reported NAV. Given this, DBAG's portfolio changes in terms of sector exposure and management's expectation of value crystallisation through further exits in H225 and Q126, the current discount to NAV may be considered wide. The €30.7952 conversion price of the convertible bonds issued last year represents a c 14.7% discount to DBAG's end-June 2024 NAV (the last reported figure prior to the issue).

Exhibit 3: DBAG's NAV and share price TR in euro terms versus major public indices, rebased



Source: Company data, LSEG Data & Analytics, Edison Investment Research

Exhibit 4: DBAG's historical discount to NAV



Source: Company data, LSEG Data & Analytics, Edison Investment Research

We believe it is instructive to examine the market-implied valuation of both DBAG segments in two scenarios: 1) using

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the implied value of PE investments, assuming fund services are valued in line with peers; and 2) using the implied value of the fund services segment, assuming that PE investments are valued in line with peers. For peers in DBAG's fund services segment, we use a group of listed asset managers with exposure to alternative unlisted assets, such as real assets or PE: Blackstone, EQT, Partners Group, Intermediate Capital, Tikehau Capital, Cohen & Steers and CVC Capital Partners. In the case of PE investments, we use the peer group shown in Exhibit 6, excluding 3i.

Exhibit 5: Analysis of DBAG's market value by segment

Fund services in line with peers	
Earnings multiple applied to fund services segment's valuation* (x)	21.6
Implied value of fund services segment**	€227.1m
Implied value of private equity investments segment	€253.0m
Implied discount of private equity investments value to DBAG's end-Dec 2024 NAV***	58.0%
Private equity investments in line with peers	
Investments: discount to NAV	26.3%
Investments segment	€444.3m
Financial services segment	€35.8m
Services: P/E ratio (x)	3.4

Source: Company data, Edison Investment Research, LSEG Data & Analytics.

Note: *Based on FY25e earnings consensus from LSEG Data & Analytics except Intermediate Capital (blended FY25e and FY26e consensus). **Based on the midpoint of management guidance. ***Multiple and discount are calculated based on DBAG's NAV excluding intangible assets arising from the ELF Capital acquisition.

Assuming the fund services segment is valued in line with peers (on a 21.6x FY25e earnings multiple) and using DBAG's current market capitalisation, the implied value of DBAG's PE investments would be c €227m (58% below its end-March 2025 NAV, which we conservatively adjust for the intangibles arising from the ELF Capital acquisition), while DBAG's peers currently trade at an average 26% discount. On the other hand, if we assume that the PE investments were valued in line with peers, then DBAG's current market capitalisation would imply an FY25e P/E ratio for the fund services business of just 3.4x (based on the midpoint of management's unchanged FY25 guidance of €8–13m). This needs to be put in the context of management's expectations of an increase in fund services pre-tax profit to €12–18m in FY27 upon the expected launch of DBAG Fund VIII's successor. Management indicated that DBAG Fund VIII is currently c 60% invested and should be fully invested by end-2026. It expects to launch DBAG Fund IX towards summer 2026 with a size slightly above €1bn (ie similar to its predecessor). Finally, management envisions that the successor of the €250m ECF IV fund could be larger than €300m.

Exhibit 6: DBAG's peer comparison as of 16 May 2025* (% unless stated otherwise)

	Market cap (€m)	NAV TR (1-year)	NAV TR (3-year)	NAV TR (5-year)	NAV TR (10-year)	Discount	Latest net gearing	Dividend yield
Deutsche Beteiligungs**	503	1.3	14.0	71.7	141.2	(26.5)	117	3.7
3i	46,006	30.3	121.2	239.6	808.8	61.7	104	1.6
GIMV	1,561	13.5	25.0	31.5	120.1	(21.5)	111	6.0
HgT	2,793	7.3	28.7	154.9	358.5	(3.4)	102	1.1
ICG Enterprise Trust	935	12.6	28.7	96.9	225.5	(40.3)	114	2.8
Oakley Capital Investments	1,002	4.9	27.5	120.9	263.8	(31.4)	100	0.9
Partners Group Private Equity	662	2.6	6.4	63.9	150.6	(33.1)	105	7.4
Patria Private Equity Trust	1,011	7.0	19.8	118.4	246.9	(28.1)	106	3.0
Peer average (excluding 3i)	1,327	8.0	22.7	97.8	227.6	(26.3)	106	3.5
Rank	8	8	7	6	7	4	1	3

Source: Company data, LSEG Data & Analytics, Edison Investment Research

Note: Net gearing is total assets less cash and equivalents as a percentage of net assets, *12-month NAV total return (TR) performance in euro terms based on end-March 2025 or latest earlier available NAV. **DBAG's 10-year NAV TR is calculated from end-April 2015 due to availability of data.

Exhibit 7: Five-year discrete performance data in euro terms (%)

	DBAG NAV	DBAG share price	DAX	SDAX	Stoxx Europe 600
31/03/2021	38.0	52.7	51.1	67.0	37.6
31/03/2022	9.2	(16.0)	(4.0)	(7.8)	9.0
31/03/2023	4.7	(3.8)	8.4	(7.7)	3.7
31/03/2024	7.5	(2.4)	18.3	8.7	15.7
31/03/2025	1.3	(8.1)	19.9	6.6	7.6

Source: Company data, LSEG Data & Analytics. Note: All figures on a total return basis.

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