Transcription

CORESTATE Capital Holding S.A.- Preliminary results for FY 2020

{EV00121288} - {46 min}

24 February 2021

PRESENTATION

00:00:03 Operator

Dear Ladies and Gentlemen, welcome to the conference call of CORESTATE Capital Holding S.A. At our customer's request, this conference will be recorded. As a reminder, all participants will be in a listen-only mode. After the presentation, there will be an opportunity to ask questions. If any participant has difficulties hearing the conference, please press * followed by 0 on your telephone for operator assistance. May I now hand you over to Dr. Kai Klinger, who will lead you through this conference? Please go ahead.

00:00:32 Dr. Kai Klinger

Hello everyone and thank you for joining us today on our Earnings' Call for the presentation of our preliminary results for 2020. On the CORESTATE Investor Relations website, you can find our earnings presentation, the press release, and the corresponding slide deck. As usual, I'd like to direct your attention to the forward-looking statement and disclaimer warning on Page 2 of our presentation. This safe-harbor language applies to the presentation and all comments we'll be making today. I would also like to mention that everything is being recorded. You can replay the call and view the transcript on our Investor Relations website very soon after the call.

Together with me are our CEO, René Parmantier and our CFO Lars Schnidrig, who will guide you through the presentation, followed by the usual Q&A session. The timeframe for today's call is about 30 to 40 minutes. Now, it's my pleasure to turn the call over to René. René, the floor is yours.

00:01:30 René Parmantier

Many thanks, Kai, and a warm welcome from my side. Speaking about the highlights of the full year 2020 means that we, of course, have to speak about COVID-19. The pandemic rapidly changed the risk approach from investors and, thus, the real estate transaction markets fundamentally. Clients are still eager to invest into real estate, but with a clear focus on reduced risk return profiles, so residential and commercial in very selected locations. In brief, Core and Core Plus is key. Of course, COVID-19 also has a massive impact on the valuation of assets, especially in sub-sectors like retail office and service departments or, to a lower importance for us, hotels. Subsequently, we saw a likely reversal of large micro living developments and partially fee refunds in some of our service department projects, with an impact on our P&L and also an impairment on the goodwill of our commercial asset management subsidiary, ATOS. In addition, we had several non-operational one-off effects in this very eventful year 2020.

Our key risk parameter leverage ratio was, at the end of last year, way too high. This was driven, of course, by the decline in EBITDA, burdened by the crisis and extraordinary items, but also by the structure of our balance sheets. We prepared ourselves and our own books at the beginning of 2020 for another growth year, so we acquired assets with a higher risk return profile, in order to place them into clients' funds later on. These conversions from assets into cash were rapidly stopped by the first lockdown, so some of them are still on our balance sheets.

Let me be very, very clear. The last year was a very disappointing for us at CORESTATE, especially for us in the management board, as we assume responsibility for this company. My colleagues and I had to take several very tough decisions, including the waving of the dividend. I'm very well aware of how this hurts you as our shareholders. And I know that we have likely lost a lot of trust and confidence from the capital markets, and that it is our foremost task to regain this trust from you. We all know this takes time and needs a step-by-step approach. But what I can promise is that we all will be working very, very hard to earn your trust again.

But it was not entirely a lost year for us. In mid-January, we closed the acquisition of STAM Europe, and the integration of this French business with a strong foothold in logistics is well on track. We also saw, as you all know, the fundamental realignment of our governance and management structure, including five new members of the management board and an entirely new supervisory board. I'm absolutely convinced that this set-up offers a perfect mixture of competences and experiences to guide the company back on a growth path.

In January, we made an important step to broaden our client reach and to enlarge our product range in real estate financing by the acquisition of Aggregate Financial Services. Our aim here is nothing short of creating a unique powerhouse of real estate debt solutions. And we are on a very good way here. Closing of the deal is expected Q2. With this, I would like to hand over to my colleague Lars, our CFO.

00:05:45 Lars Schnidrig

Thank you, René. And also from my side, a very warm welcome to all of you. Before I give you the usual information on our AUMs, the debt business and our figures, let me add some personal remarks on what René just said. I'm also very disappointed about the development and results we saw in 2020. And I'm sure that mutual trust is the basis of everything we do, be it in the capital market, but also in our client relations and in our role as an employer, as we definitely have met not all the expectations you rightly put in us in the last month. But I cannot agree more with what René just said. We will pursue every avenue to do our best to restore the trust in our company and in us as the leadership.

You know this slide from our previous presentation. It shows the developments of our assets under management in 2020. In brief, in tough times, relatively stable. We showed 1.3% of net organic growth in our core business real estate AUMs. And this includes negative valuation effects. Our non-real estate AUMs, i.e., our rundown portfolio, was deliberately reduced from EUR 3.5 billion at the end of 2019 to EUR 3.2 billion at the end of last year. So all in all, we manage around EUR 24.6 billion of real estate assets, nearly plus 8%. And the entire AUMs amount to EUR 27.8 billion up from EUR 26.3 billion at the end of the previous year. When you look into the distribution of our real estate AUMs, you can see what drove the market last year. Revaluations and a significant reduction of client demand in some pockets of micro living, especially serviced apartments. That is why you see these portions declining also in our assets.

You will not be surprised to see a very stable development in residential and city quarters, the later becoming more and more the flavor of the season. Offices are requiring a differentiated view. This asset class currently triggers investors’ demand when you can offer a good location at a long-lasting contract with Class A tenants. That's what we provide for our clients. And that's why this asset class is still representing one third of our AUMs. At the end of 2020, our assets under management comprised of 52% asset management mandates and real estate equity, 22% of third-party mandates for property management, and 26% of real estate debt.

Let me give you, on the upper right part of the slide, a brief preview into the future. We have a booming, tangible pipeline of around EUR 400 million of requested mezzanine financing, representing a project development volume of more than EUR 2 billion. Our real estate sourcing pipelines stood, at the end of 2020, at close to EUR 4 billion, with nearly one quarter in advanced contractual status. These figures give me an optimistic feeling of the upcoming business potential in our various operations. Now please turn to page five.

You all know this chart from our previous presentations. It shows the development of our real estate mezzanine business in 2020. In brief, relatively stable, even in a very challenging year. The total committed fund volume at the end of December was around EUR 1.2 billion, so showing a seasonal increase of 5% to 10% outflow from regular cancellations. But we have no doubt that we will be able to increase the volumes remarkably in the next months, supported with an attractive pipeline of requested financing, a crisis-proven fund performance to deliver further on a double-digit return in 2020, and the strong investor network from AFS. At the end of last year, we financed 53 projects, with an average size of around EUR 22.6 million. Again, as you can see on the lower part of this chart, with a clear focus on the top cities in Germany. Around 65% of our lending money go out to these metropoles and another big chunk to Leipzig.

One word to the margins of the fund. We saw revaluation effects at two projects and, driven by the pandemic, higher risk provisioning. This all led to a reduction of roughly minus 1% to 1.2% percentage points in the performance. Aggregate Financial Services is bringing in not only many new clients – on the investor and developer side, about 80% of AFS clients are new to us – but also a lot of personal competences and experiences in products like whole loan or senior loan. This will help us broadening our product range, and opens up a lot of synergies also in terms of clients. So all in all, we have in light of the crisis a stable 2020 at HFS. And we are looking very optimistically into the year running for this highly commercial business. Please turn to page six now.

Here you see our three KPIs on the chart, In brief,they are in line on top level, by a miss on EBITDA and profit. We showed, according to the unaudited preliminary figures, aggregate revenues and gains of EUR 191 million, down from EUR 303 million in 2019, but within our guidance of between EUR 185 million and EUR 210 million. To give you a bit more color, our acquisition fees and our bread and butter business, asset and property management fees, showed relatively stability. Our mezzanine business also was relatively stable, but the coupon participation fee suffered a bit from the effects described above. The negative market surroundings, with massive impact on the valuation, hit our alignment capital and warehousing especially, at our co-investments in retail and serviced apartments, with a negative valuation effect of nearly EUR 16 million. For 2020, we preliminary report an EBITDA of EUR 17 million, down from EUR 175 million last year and clearly below our guidance. Our earnings were massively hampered by extraordinary items like minus EUR 20 million of impairments from the reversal of five micro living developments, and partial refunds at six other micro living projects. In addition, we had minus EUR 2 million aperiodic success fee that had to be altered. We also had minus EUR 7 million as one-offs for personal expenses related to our efficiency enhancement program and to changes in our management board. And lastly, we showed minus EUR 2 million transaction costs for the acquisition of STAM Europe and corporate events like the capital increase in September, or the change in our strategic investor base in November. This all comes on the backdrop of a quite inelastic cost base that was additionally burdened by expenses from the adoption of shifting client focus.

Below the EBITDA level, we have depreciated EUR 21.7 million of goodwill in an extraordinary impairment on ATOS Capital, an asset manager specialized on commercial properties we have acquired in 2017. The impairment was, of course, driven by the harsh impact of COVID-19 on the market valuation, especially in retail and opportunistic assets, which is the operational core competence of ATOS. In addition, a negative tax settlement effect, predominantly from internal loss carried forward of around minus EUR 11 million had to be realized. This all led to a reported net result of minus EUR 69 million, mainly driven by nearly EUR 70 million of negative one-time items, mostly valuation-driven and not cash-effective. Adjusted by capitalized asset management contracts and DTAs, we show an adjusted net result of minus EUR 48 million, so it’s clearly missing our guidance. Now please turn to page seven.

Let me speak a bit about our key balance sheet figures at the end of 2020. Our total debt, included EUR 195 million of convertible bonds, EUR 296 million of senior unsecured bonds, and EUR 117 million of bank and other debts - so that’s EUR 608 million. This also encompasses EUR 54 million of warehousing debt, and is adjusted for rental and lease liabilities of around EUR 27 million according to IFRS 16. At the end of December 2019, we had EUR 91 million cash or restricted cash on our balance sheet. On top of that, we had at year-end outstanding short-term mezzanine bridge loans to HFS clients in the amount of EUR 104 million, on very commercial terms. All of them will obligatorily be redeemed or transferred into funds within the next weeks and months.

Beyond all of that, and let me be very clear on this, we will pursue every avenue to reduce our net debt in 2021. How do we want to do this? We will also place assets out of our balance sheet, especially from our inventories, associates and joint venture structures, as well as from our financial instruments of up to between EUR 80 million and EUR 120 million. And latest in 2022, we will convert more than EUR 60 million from co-investment into cash. At the end of 2020, our financial leverage, based on a normalized operational EBITDA for the last 12 months, stood at around 7.5 times and unadjusted at more than 30 times. This is, to make it very clear, unacceptably high, and we are working on full steam to reduce this figure into our target corridor of between 2x and 3x latest by the end of this year. So we are taking all endeavors to show a net debt of less than EUR 320 million by the end of this year. And to reiterate, our two large instruments, the convertible and the straight bond, are both not affected by high leverage or any potential financial covenants. We are only limited in the issuing of new debt. And this is something we do not intend anyway. With this, I would like to hand back to you René. Please turn to page eight.

00:17:58 René Parmantier

Many thanks, Lars. When I started at CORESTATE at the beginning of December of last year, I knew the company and its market already very well from my previous jobs. But I was really impressed of how many talented and highly motivated colleagues we have. Nevertheless, my team and I took a very deep dive into the company's strategy and set-up, and after three days of intense sessions, we defined several action points to enable further growth and a return to pre-crisis levels of profitability.

Firstly, we will adjust our product range across the entire real estate value chain, with our very complimentary acquisition of AFS, the focus of Core and Core Plus assets and, to give a precise and very recent example, our new city quarter funds we initiated just a few days ago. Just to mention one project The Q in Nuremberg is the largest urban development project of its kind in Germany, and already part of our product range. Or, to give another example will very soon start the fundraising for our whole loan product, the natural next step in deepening our product range for our already broad client base. We have fostered our equity raising capabilities with a clear focus on the DACH region, a new and very well established head of equity raising, and a fully integrated group-wide sales structure. This team directly reports into me, so I personally will make sure we will meet our ambitious targets here. Thirdly, we will make the entire group more commercial and more profitable by raising synergies. This applies to better cross-selling between debt and equity products, but also to offer existing products to new clients and new products to existing clients. Thus, we offer a use of coverage of the entire lifecycle of a real estate investment, including the enhancement of ancillary services like fund and property management. This all will be fostered by an agile business development and by very selective acquisitions, and, where it makes sense for our shareholders, joint ventures. Our recently realized senior management team, including new responsibilities at HFS, are personally responsible for making the best use of the above-mentioned product range and client relations, and the full enhancement of our real estate services. Very important for this is to reduce our complexity and to abandon redundancies in our organization. In order to operationally benefit from a strengthened operation, we have elaborated improved and harmonized quality standards, based on an industry-leading target operating model, briefly, TOM.

Lastly, but by far not least, authentic and comprehensive ESG orientation in everything we do and offer. Our clients are continuously asking for our ESG set-up. And we are seen as a frontrunner in this trend. We want to enlarge our pole position here. Just to give you two examples, we can measure the ecological footprint of our assets by one fingertip. And we have converted our entire German portfolio to green electricity. And we are, probably again on an industry-wide leading position, ready to offer fully fledged ESG themed products to our clients. You can see on the chart that we have already done a lot of these steps. And we are under full steam to finish the very few points that are left over. So, CORESTATE is in a very good shape for a promising 2021.

So please turn to page nine. Speaking about 2021, let me give you not only a financial outlook, but also some insights on market assumptions and revenue split for the year running. Of course, COVID-19 will still have a harsh impact on the markets. But we assume this to diminish gradually in the first six months, as we see the clients returning to the transaction markets and the asset valuations gaining some stability. Latest in the third quarter, we are expecting to benefit from catch-up effects, driven by mega trends like urbanization and demographic changes, but also by investment pressure. This will lead to growth on all revenue lines, as you can see on the chart.

For the first time, we split up our transaction fees, and assets and property management fees, into debt and equity business to give you more transparency. Looking at the transaction fees, we expect in real estate between EUR 20 and 35 million and a transaction volume of between EUR 2 and 3 billion, driven by a pick-up in activities from clients. Our real estate debt transaction fees will end up between EUR 30 and 40 million, benefiting from our fostered financing business due to the AFS acquisition and a volume of new financings of between EUR 1 and 2 billion. So, growing our assets under management base will have a positive impact on our asset and property management fees. Thus, we expect here between EUR 80 and 90 million on the equity side and the same figure on the debt side, including the coupon participation fee. With this, we could surely speak of a really prospering mezz business. As said many times, we want to reduce our balance sheet exposure for clients and we will place assets out of our inventories. This will lead to revenues from warehousing and real estate operations in, midpoint, EUR 10 million. We are also very cautious on the development of our co-investments and are assuming earnings there of between EUR 0 and 10 million. All in all, this will lead to aggregated revenues and gains of between EUR 235 and 260 million that's showing CORESTATE being back on the growth track again.

I ask you to turn to page 10. As mentioned on the last page, we expect between EUR 235 and 260 million of aggregated revenues and gains. Our financial outlook for 2021 perceives an adjusted EBITDA of between EUR 90 and 150 million and adjusted net profit of between EUR 50 and 75 million. Adjustments on EBITDA level comprise between EUR 5 and 10 million transaction costs for the acquisition of AFS, and our net profit level around EUR 15 million of capitalized asset management contracts. In this financial guidance, the recently acquired AFS is considered on a pro-rata temporis base, including synergies of circa EUR 60 million of revenues, EUR 10 million of EBITDA, and EUR 7 million of net profits.

As said before, we aim annual cost savings of EUR 10 million from our efficiency enhancement program, which is well on track and we will definitely deliver here. Our tax rate is increasing slightly because of a gradual shift in our operations towards a higher portion under German or French tax regime to between 15% and 17%. And let me also please stress this: deleveraging is key for us in 2021. We aim a ratio of below 3 by the end of the year. All these figures are based on our budgeting process, taking into account all impacts of COVID-19 on our operations, valuations and transaction markets, as we can, to the best of our abilities, foresee them as of today. One last note: we will postpone our AGM. New date now, June 28. Format will be again purely virtual. So all in all, the figures for 2020 are really not good. But the company is very well on track to deliver a quite decent 2021. You will see CORESTATE will be gaining momentum on profitability and de-risking in 2021. With this, I would like to hand back to the operator. And we are now happy to answer your questions. Thank you.

Q&A

00:27:18 Operator

We will now begin our Q&A session [technical instructions]. The first question comes from Kai Klose, Berenberg. Please go ahead. Your line is now open.

00:28:01 Kai Klose (Berenberg)

Good morning. I've got a couple of questions. And I will ask them one by one, if this is okay. The first one, what was the amount of coupon participation fee received in 2020 by HFS compared to 2019?

00:28:19 Lars Schnidrig

Hi, Kai. It's Lars. This year, preliminary it will be 43-44. Compared to last year, we were at 56.

00:28:33 Kai Klose

And regarding page 6, you mentioned a EUR 22 million write-off on ATOS. What was the goodwill write-off on HFS?

00:28:45 Lars Schnidrig

We have no write-offs on HFS. We have there, on current planning, a quite decent buffer. So, the impairment on goodwill is exclusively on ATOS.

00:29:01 Kai Klose

So just to be clear, we had a quite a remarkable drop in the coupon participation fee, but the goodwill remains unchanged on HFS?

00:29:09 Lars Schnidrig

Correct. I can fully agree.

00:29:12 Kai Klose

And then on page 7, you mentioned that about 100 million were lent to HFS clients. How much was that by nine months?

00:29:29 Lars Schnidrig

Around EUR 30 million.

00:29:35 Kai Klose

What caused the increase from EUR 30 to 70 million in Q4?

00:29:40 Lars Schnidrig

Simply high demand on this product. And the fund is and was fully deployed. But, as stated, we have around EUR 400 million pipeline. And given that we had the cash, in particular from the capital increase, on our balance sheet, we wanted to employ this economically and have lent the money.

00:30:02 Kai Klose

And how many joint ventures or assets held as inventories were placed in Q4, as you were mentioned in the nine-month results that you were planning to do that in Q4?

00:30:21 Lars Schnidrig

Well, as said, the main inventory is our warehouse asset, Giessen. And others we have not placed in the fourth quarter.

00:30:32 Kai Klose

Just to be clear here, there were no placement, no sales from properties held as inventories or joint ventures in Q4?

00:30:40 Lars Schnidrig

Correct.

00:30:43 Kai Klose

And what was the amount of the targeted repayment of course, that you plan in 2021?

00:30:51 Lars Schnidrig

Well, the target is EUR 320 million, as stated on slide 7, so EUR 320 million net debt target in 2021.

00:31:07 Kai Klose

I was asking about the repayment of gross debt, and not the net debt target.

00:31:12 Lars Schnidrig

Our gross debt? We will repay the EUR 30.5 million HFS loan end of the year and the EUR 10 million Lombard loan. And then later in 2022, we will repay the convertible.

00:31:33 Kai Klose

Thank you very much.

00:31:38 Operator

Our next question comes from Thomas Neuhold, Kepler Cheuvreux. Please go ahead. Your line is now open.

00:31:37 Thomas Neuhold (Kepler Cheuvreux)

Thank you. Thank you, gentlemen, for taking my questions. I have several ones, so it's best to take them one by one. First one is a follow-up on HFS. You mentioned that there was a seasonal decline in assets under management and it looks also like the share of residential was down. So net, it looks like the residential projects decreased by almost 20% quarter on quarter. Can you elaborate on this? What was the main reason for that?

00:32:19 Dr. Kai Klinger

Hi, Thomas, it's Kai. Yes, of course, I can give you a little bit more color. And of course, we have a huge turnover ahead in the fund in the fourth quarter, according to the slight backlog through the year. And there was a change in land plots in bigger cities, with a higher focus on mixed use. They are predominantly on the commercial side, meaning office. You will have, for instance, in Frankfurt, Munich, where these very expensive plots will now be converted from whatever it was before – retail – now to office. And this is the background of this slight change. But this is not a signal that we want to change the general profile of the HFS fund, meaning leaving this safe harbor territory of residential linked and backed mezzanine lending.

00:33:16 Thomas Neuhold

The next question is on the guidance and outlook. Can you tell us what the underlying assets under management growth assumptions are here?

00:33:31 Lars Schnidrig

Five to ten percent.

00:33:16 Thomas Neuhold

And then regarding your EUR 320 million net debt target on slide 7, if you look at this slide, it looks to me that you only incorporate this EUR 100 million mezzanine loans repayment and asset placements of EUR 80 to 120 million. What about the operation cash flow, which you most likely will generate in 2020, if you make an EBITDA of around EUR 100 million? Why is it not included here?

00:34:22 Dr. Kai Klinger

Hi, Thomas. It's Kai. This is now a little bit back on the envelop math because we don't provide any operational or free cash flow guidance. However, take our EBITDA of EUR 100 million as a ballpark, minus EUR 20 million on our financial results, interest expenses minus tax, let's take another ballpark of EUR 15 to 20 million. Then you will end up of at EUR 50 million plus of operational cash flow after these two items.

00:34:59 Thomas Neuhold

Okay, but this is not included in this EUR 320 million, the net debt target, or is it?

00:35:03 Dr. Kai Klinger

Obviously not.

00:35:08 Thomas Neuhold

Okay. Then the next question I have is, you mentioned in your presentation that you might also consider acquisitions. I was just wondering, given your net debt position and then your weak share price, how are you going to finance the acquisitions?

00:35:28 René Parmantier

Thank you, Thomas. This is René. Organic growth is key. You never say no, but it's not a target at the moment to do more on the acquisition side. And that's what we said also in the press. Key is organic growth. We have a lot to do there on that end, but we're very optimistic on that.

00:35:46 Thomas Neuhold

Understood. And two more questions. The first one is on AFS. Can you tell us which portion of the business AFS generated with companies related to Mr. Walcher in 2020?

00:36:20 Lars Schnidrig

From our point of view, it's around 50%, roughly that, but it's getting more and more independent. We have a lot of inquiries at AFS, and AFS is performing quite well, as we see in the last couple of weeks and months. But around 50%, I would say.

00:36:46 Thomas Neuhold

Okay, thanks. And the last question is just if you might be able to give us a feedback on the recent management shareholder reshuffling. What was the feedback of key customers you've got? And also, what was the internal effect of these management changes? Has there been any impact on employee turnover on the second and third-tier management level?

00:37:13 René Parmantier

Yeah, Thomas, thank you. Yeah, there was change. There was reshuffling in both the supervisory board management and shareholders, but it's extremely stable. We want to continue as a team here. I think in the last couple of weeks, this team, both on the management side and everywhere else within the company, is getting on with each other. We're doing quite nice. Also, strategy days in January were quite important for the group. And we now have about 100 topics to move the business forward, on the organic side. And from investors, no negative feedback. There are no investors, because of the changes, that said, "we don't want to do business with you." Investors are key for us. That's one of our clear goals, and to intensify that. But there has not been any negative decline, or "we don't want to do business with you." We didn't lose any business. So I can say it's quite positive. Lars, if you want to add a few points, maybe.

00:38:14 Lars Schnidrig

Yeah, and in addition, in particular the debt business, the investors and developers, so our clients, are very positive that we focus and we are able now to focus more on their needs. And this is represented by our new board colleagues, obviously, Ernst and Märklin. And this is a very positive because as much demand. There is much to do, a lot to do. And this will be served by the combination of AFS and HFS.

00:38:47 Thomas Neuhold

Thanks a lot.

00:38:51 Operator

Thanks. Our next question comes from Manuel Martin, ODDO BH. Please go ahead. Your line is now open.

00:38:58 Manuel Martin (ODDO BHF)

Thank you. Good morning, gentlemen. A couple of questions from my side. Also one by one, please. The first question is on the valuation downlift that you had to do and also on the depreciation on ATOS. Maybe you could give us a bit of flavor on how much downlift you have to do in percent of the assets.

00:39:29 Lars Schnidrig

So, downlift around 7%. That's your first question. And then, Manuel, you want to have more color around the why we have the impairment on the goodwill on ATOS, I assume?

00:39:42 Manuel Martin

Yes, please. And if possible, also the percentage.

00:39:50 Lars Schnidrig

Yeah, 100%. We do a full impairment on ATOS. Why? Because ATOS is a commercial asset manager specialized in retail and value-add opportunistic. And these are very highly – obviously, negatively – influenced by the COVID crisis. So that was the reason why we had to take the accounting effect here in full effect. So we depreciate the full impairment, so full goodwill, on ATOS.

00:40:22 Manuel Martin

And that might have been – I don't know – EUR 10, 20 million. Oh, no, EUR 20 million.

00:40:27 Lars Schnidrig

EUR 21.7 million.

00:40:34 Manuel Martin

All right. Then, the next question from my side would be, these evaluations that you'd had to do, might this have any effect on your deleveraging plans through disposables?

00:40:50 Lars Schnidrig

Not at all, because they are not affecting our net debt. And therefore, not at all.

00:41:06 Manuel Martin

Okay. On the reversals of the five major micro living developments, maybe you could elaborate a bit on that, what was that exactly, so that I can understand what happened there?

00:41:25 René Parmantier

Martin, this is René. There is no reversal so far, because these projects are up and running. There is a risk, but we're in very close contact both with the investor side and the developer side. So, it's a clear weekly, nearly daily, discussion on that. So, no reversal yet.

00:41:50 Lars Schnidrig

Just to add, these are mainly business apartments, so serviced apartments, more hotel character. And, of course, they are massively hurt and, therefore, potentially not that economically anymore. Therefore, according to IFRS, we need to do this specific impairment here.

00:42:14 Manuel Martin

Okay, okay. So, the construction still goes on in these micro living developments, but you had to do a kind of careful impairment. Is that what I can read from that?

00:42:26 Lars Schnidrig

Yeah, we are in negotiations to find there a solution. But as I said, according to IFRS, we needed to perform this impairment now.

00:42:39 Manuel Martin

Because of crisis in the market?

00:42:46 Lars Schnidrig

The projects-- Given the nature of the product, they are obviously, as every other hotel or serviced apartment, facing hard times. So for the investors, it may not be that economically as they have initially underwritten it when the market was booming.

00:43:13 Manuel Martin

Okay, I see. Last question from my side. It might be maybe a bit too early, but the dividend topic for full-year 2020, is that something that you still have to think about, because you postponed also the AGM? Can you tell us something on that?

00:43:30 Lars Schnidrig

As of today, dividend policy is unchanged, as we have lastly communicated. We see at least 30% on reported net profit.

00:43:41 Manuel Martin

Okay, but for full year 2020 there was a net loss.

00:43:49 René Parmantier

Yeah, there is no dividend, Manuel, for 2020. But those figures, as you know – and you know, as quite long from before the crisis – that's the target. And this reflects our guidance and our planning, the homework we're doing over the last couple of weeks to deliver profits again, to regain all your trust and confidence within this company. And then the target is definitely to pay dividend. I mean, especially in the real estate sector, it's a key part of stock markets.

00:44:27 Manuel Martin

Thank you very much.

00:44:32 Operator

This will conclude our Q&A session. I will hand back to the speakers.

00:44:38 Dr. Kai Klinger

Thank you so much for listening. We appreciate your interest and your questions. We will be on the road, unfortunately only online, in the upcoming weeks. Do not hesitate to contact us if you have further queries. Please be reminded that our final 2020 figures are out on March 24. We look forward to speaking with all of you. So, stay healthy and good-bye.

00:45:03 Operator

Ladies and gentlemen, thank you for your attendance. This call has been concluded. You may disconnect.