



**Transcription**

**CORESTATE Capital Holding S.A. -  
Publication preliminary results for FY 2019**

EV00100468 – 34 Min

25 February 2020



## CORESTATE Capital Holding S.A. - Publication preliminary results for FY 2019

EV00100468 – 34 Min

# PRESENTATION

## 00:00:04 Operator

Dear ladies and gentlemen, welcome to the publication of the preliminary results for the full year 2019 of Corestate Capital Holding S.A. This conference will be recorded. May I now hand you over to Dr. Kai Gregor Klinger who lead you through this conference. Please go ahead, Sir.

## 00:00:34 Dr. Kai Gregor Klinger

Hello, everyone. A warm welcome to our earnings call today for the presentation of the preliminary results for fiscal year 2019. As usual, I'd like to draw your attention to the forward-looking statement and disclaimer wording on page 2 of our presentation and today especially that all numbers are not audited and preliminary and our final figures will be published on 24 March. This safe harbor language applies to the presentation and of course all comments we'll be making from here on. I would also like to mention that everything is being recorded and after the call as usual, a replay will be available on our web site. Our CEO Lars Schnidrig and I will guide you through the presentation, followed by the usual Q&A session. The timeframe for today will be about 30 minutes. Now, it's my pleasure to turn the call over to Lars. Lars, the floor is yours.

## 00:01:29 Lars Schnidrig

Many thanks, Kai. And also from my side, a very warm welcome to all of you. We can summarize 2019 in six words: a very successful year for Corestate. Our core business, real estate assets under management went up year over year by more than 10 percent organically and reach around 23 billion euro. We have made huge progress in institutionalizing our business and operation, and thus accomplishing our corporate transformation. As in all past reporting periods, we once again have reached our guidance on all levels, supported also by another strong performance from our mezzanine financing business HFS. Let me give you some more details on our figures later on. As said, we have promoted our operations to a new level, and this already is bearing first fruits. We have onboarded several large international and prominent German institutional clients in the last couple of months who started business with us now and are willing to do more. And we are in very promising talks to several new institutional clients, so you can expect more to come in the near future. During 2019 we have enlarged especially our micro living business into further European countries like Spain, Denmark or Poland, and we have broadened our footprint in the Benelux countries with several new investments for our clients, but also a new office in Amsterdam showing our commitment and local expertise, which is demanded by our clients.

In January 2020, we have closed the acquisition of STAM Europe, which opens up the French market for us and gives us access not only to the very solid residential and office investments there, but also to logistics, which enlarges our product portfolio for our trusted clients. Since closing this deal on 15 January, we focus on the integration STAM on operational, personnel, and product levels. STAM Europe CEO Edward Bates joined our senior leadership team. And on the backdrop of the before mentioned process of institutionalization, we have enhanced our governance structure already in 2019 and we'll take some last steps by enlarging our supervisory board to at least five members, including a new chairman of the board during the next AGM, and we will have an important change in our management team. Let me speak about this on the next page. Please turn to page 4.



## CORESTATE Capital Holding S.A. - Publication preliminary results for FY 2019

EV00100468 – 34 Min

I'm very happy to announce that Nils Hübener will become our new CIO on 1 April, following Thomas Landschreiber, who has decided to step down from the management board but stay closely linked to the company focusing on his vast experience in deal making and asset sourcing. I very much look forward to working together with Nils, who currently is global CIO at BNP Paribas, bringing in more than 20 years' experience in real estate investment management. Prior to his recent role, he headed the real estate investments at SEB Asset Management and was responsible for real estate transaction in Western and Southern Europe with Deutsche Bank Real Estate. You can hear from these few words that Nils is one of the most experienced real estate investment experts in Germany and Europe. And I'm sure that he will bring further momentum to our path of ongoing institutionalization and internationalization. Nils has an excellent track record and reputation with the institutional client world. He will be inter alia in charge of equity raising, research and investment management. With taking over responsibility for our well running deal machine, I have no doubt he will put this onto a new level. As the next steps in institutionalization of corporate governance, we plan to enlarge our supervisory board during the next AGM end of April to at least five members. I'm sure you read our announcement yesterday, Dr. Georg Allendorf is proposed as a new chairman of the supervisory board after Micha Blattman has stepped down as his statutory term expires. I'm sure some of you know Dr. Allendorf as former head of real estate Europe at DWS. He brings in vast experience in real estate investments and asset management. He was a board member of BVI, the German Investment Funds Association and is an honorary board member of INREF, the leading European Association for Investors and non-listed real estate. In these various roles, Dr. Allendorf took a very prominent role in establishing standards and best practices in real estate investments and asset management in Germany and in Europe during the last two decades. He also brings in a broad international network to important players in our industry in Europe.

Now please turn to page 5. You know this chart from our previous calls, it shows the development of our assets under management and it's a very appropriate sum up of our product offerings, the market's appetite and our future growth path. As I said before, our core business real estate AUM has once again reached a new record high with an organic increase of more than 10 percent since the end of 2018. In the same period, our non-real estate portfolio went down as planned by around 1.2 billion euro. As these figures represent the end of 2019, the two billion euro AUMS from the STAM acquisition are separately highlighted, as we close this deal in January. Together with STAM Europe, we now have more than 28 billion euro assets under management, and we are steadily approaching 30 billion euro. When we dive a bit deeper into the segments, you will realize another increase in micro living by more than 10 percent, an increase in office and a slight reduction in retail. Our retail, as you all know, consists of well-run assets, very well located in Germany's booming B cities. One would expect our pipeline to go down a bit due to the typical seasonality, but the very solid market condition and two larger deals postponed from 2019 lead to a steady sourcing pipeline of currently around 6.1 billion euros with roughly one quarter in advanced contractual status and around 11 percent in the final stage of exclusivity gives us another strong tailwind for 2020. Now, please turn to Page 6 and I will hand over to Kai again.

### 00:08:59 Dr. Kai Gregor Klinger

Many thanks, Lars. Let me speak a bit about our key figures for fiscal year 2019. Our aggregated revenues exceeded 300 million euro for the first time and ended up at 303 million euro by far outperforming our guidance of between 285 and 295 million euro. We saw a lot of transactions, especially in the last weeks of 2019 plus some tailwind from our warehousing activities. The latter was quite visible already at the end of Q3, but also our income stream from asset and property management as well as from alignment capital were finally higher than indicated during the second half of the year. You see the EBITDA line with its 175 million euro at the upper end of our guidance range of between 165 and 175 million euro; as we have further institutionalized all platform and corporate structures, our expenses were influenced by related extraordinary costs as well as by one-off expenses from our M&A activities. On the flip side, in our account we



## CORESTATE Capital Holding S.A. - Publication preliminary results for FY 2019

EV00100468 – 34 Min

had a strong positive impact from release provisions based on expired M&A related liabilities, which we had already disclosed in greater detail in our half year reporting.

On the bottom line, adjusted net profit, we achieved our guidance with 131 million euro. Adjustments on net profit level account for nearly 22 million euro, mainly for capitalized asset management contracts and DTA. Our leverage ratio was at the end of 2019 close to 2.7 times. The slightly higher year end level compared to financial year 2018 is mainly driven by a cash flow impact from the before mentioned postponed transactions to 2020, which includes also a significant component of alignment capital and promote fees. As soon as we have closed these client deals in the course of the year, this will have another positive effect on our cash position and of course, leverage.

Please turn to page 7. You all know our story. You know that we are a very fast-growing company, but also with a clear focus on shareholder participation. And this should be reflected in our distribution policy, clearly stating our aim to carve out half of our reported net profit to our shareholders. As you can see on the right side of the slide, we have increased our dividend per share constantly in the last three years and subject to final approval from our AGM plan to do so for 2019 as well. We have started for 2016 with one euro, doubled this sum for 2017 and increased again for 2018. So, we think we not only offer a solid growing business model, but also a very attractive shareholder return. Our reported net profit for 2019 was 109 million euro; with an E.P.S. post minorities of 5.12 euro leading to a dividend indication of 2 euro 60 per share and once again, a payout ratio of around 50 percent of the earnings per share. Please turn to page 8.

Let me please give you an update on our mezzanine business. We could sum it up as follows: Stable margins and slightly growing fund volumes. At the end of 2019, the committed fund volume was around 1.3 billion euro, thus showing a solid growth rate of 3 to 4 percent and as in the past years, this money goes predominantly to German residential developments, mainly to the top seven cities. To give you an idea of how robust our mezzanine business was in the last 12 months, we indicated between 50 and 55-million-euro coupon participation fee for 2019 and ended up even a touch higher around 56 million euro. The massive housing scarcity in these metropolitan areas is something we, and mainly all market participants, expect to stay for longer. In combination with very high and still further increasing regulation on the banking side, our leading market position in terms of size, quality and speed in this niche we have full confidence about the future performance of our private debt business. The average financing tranche end of 2019 was more than 21 billion euros, spread across 61 projects. Our key approach remains risk diversification in terms of number of projects, locations and developers. With this focus, we manage to achieve a close to zero default rate for our investors in the past and this is also our key ambition for the future. Please bear in mind, HFS is not only a very profitable business for us, it also opens the doors for our asset sourcing to new projects in a very early stage. Thus, it is a well running cross-selling and sourcing engine as well. With this, I would like to hand back over to Lars and please turn now to page 9.

### 00:14:59 Lars Schnidrig

Thank you, Kai. Let me finally give you all our financial outlook 2020, including some details on the revenue split. In brief, we expect growth at all KPIs. We are planning to see aggregated revenues and gains of between 325 and 335 million euro and EBITDA of between 185 and 195 million euro and an adjusted net profit of between 145 and 155 million euro. Our main growth area stems from the institutional real estate equity business, showing per se a bit lower margins than, for example, our HFS operations. This slightly dilutes our EBITDA margin in 2020 and onwards but of course shows attractive growth rates in absolute terms. One main driver for the small jump in our bottom line between 2019 and 2020 bases on a significant lower level of interest expenses from a more efficient use of our balance sheet for warehousing purposes. These figures, are of course, excluding any impacts of potential M&A, but include our latest acquisition, STAM Europe. We will focus on the integration of our new French colleagues, assets and operations in the



**CORESTATE Capital Holding S.A. - Publication preliminary results for FY 2019**

EV00100468 – 34 Min

upcoming months. But we will also remain the market consolidator if we see a valuable target at a reasonable price. On the lower side of this slide, you will find a deeper dive into our top line items. We will see our acquisition related fees by year end to between 50 and 65 million euro. We expect our asset and property management fees to be between 170 and 180 million euro. This figure includes our coupon participation fees. Our promote fees will increase in 2020 due to several very promising deals in our pipeline, including two larger ones and micro living. Thus, we will see 20 to 30 million euro in this line item by year end. Our warehousing business and our alignment capital also benefit from the very stable market conditions in our core areas. So, we expect between 30 to 40 million in each of these categories. So, you see Corestate is in the best shape to continue to benefit from a very healthy market and strong investment demand from existing and new clients. That is why we are sure to deliver another strong operational performance in 2020. With this, I would like to hand back over to the operator for the Q and A session. We look forward to answering your questions.



## **CORESTATE Capital Holding S.A. - Publication preliminary results for FY 2019**

EV00100468 – 34 Min

### **Q&A**

#### **00:17:39 Operator**

Thank you, ladies and gentlemen, we will now begin our question and answer session. If you have a question for our speakers, please dial 0 and 1 on your telephone keypad now to enter the queue once a name has been announced, you can ask the question.

One moment, please. For the first question.

And the first question is from Thomas Neuhold from Kepler Cheuvreux. Your line is now open. Please go ahead.

#### **00:18:16 Thomas Neuhold (Kepler Cheuvreux)**

Good afternoon, gentlemen. Thank you very much for taking my questions. Firstly, on your guidance, if you look at the midpoint of your guidance, EBITDA will increase by 10 million and net profit by 19 million. You mentioned that the lower financing costs will have a positive impact. Is there any other driver, which leads to a strong increase in that profit, than EBITDA?

#### **00:18:42 Dr. Kai Gregor Klinger**

Hi, Thomas. It is Kai. Yes, it will. The main driver will be our financial expenses. On top of that, we will also have, or we had compared to 2019, a touch lower depreciation ratio. We are talking here about two to three million as an extraordinary write down from past M&A.

#### **00:19:11 Thomas Neuhold (Kepler Cheuvreux)**

Okay, thank you. And on the 2019 results, could you kindly provide us with a split of the aggregated revenues and elaborate also in more detail on the one-offs which impacted EBITDA. If I understand you correctly, the negatives and the positives more or less equal each other out. Is this correct?

#### **00:19:34 Dr. Kai Gregor Klinger**

Yes, roughly. Unfortunately, Thomas, I have to ask for a little more patience until we will provide our full range of financial setup, end of March. Today, we are still in the preliminary mode.

#### **00:19:51 Thomas Neuhold (Kepler Cheuvreux)**

Okay. Understood. Last question I have, can you give us an update on your current M&A pipeline? Is there anything in the cards which could lead to new transactions?



## CORESTATE Capital Holding S.A. - Publication preliminary results for FY 2019

EV00100468 – 34 Min

### 00:20:06 Lars Schnidrig

Yes, I think priority will be on organic and inorganic growth. So as in the past, we screen the market, we see that ongoing pressure on the smaller ones. You may have a look at our, for instance, at our ESG strategy report, which is quite comprehensive and where we are definitely on the forefront. And you may keep in mind, from 2021, the German government will price the CO2 emissions also for real estate companies, although it is not fully clear how that is going to work in practice. But, to be prepared for this, you need systems, processes and IT and teams that are able to measure your CO2 emissions in the portfolio that you are managing. Why I am saying this, because obviously as a smaller asset manager, I can't imagine that this is possible on an economic base. So, we share here economies of scale around all the asset managers we have taken on board. So, all I'm saying, we are looking at the market, but we will only execute if this is a perfect fit like the recent acquisitions we have done. So to answer your questions, as in the past, there is a huge variety of potential targets, but we will only do so if it fits into our strategy, if it fits to our financial targets, financial policy that we have communicated.

### 00:21:53 Thomas Neuhold (Kepler Cheuvreux)

Thank you.

### 00:22:02 Kai Klose (Berenberg)

Yes, good afternoon, gentlemen. First question would be on the change of the senior management: could you indicate in which function Mr. Landschreiber will continue to be close to the company? A second question would be regarding page 9: could you indicate, first of all, the split between asset and property management fees. Secondly, regarding the acquisition related fees, could indicate what kind of transaction or acquisition volume is the underlying for these assumptions. And lastly, on the warehousing, what kind of warehousing for HFS and your own balance sheet would you expect here?

### 00:22:46 Lars Schnidrig

Yes, maybe to give you some color. As I said, Thomas has stepped down from the management board. But he will remain a valid source of business within the company. So, he is doing that, in all fairness, what he most enjoys, and that is doing deals and supporting deals. And I am very pleased that we have with Nils Hübener, a top manager, found who will further support the institutionalization and the internationalization strategy we are adopting. And I work now more than 20 years in the management and the ideal setup is, if the former board member remains adjunction to the company, so in which function he will be legally, of course, this will be somewhere related to, and which we haven't closed yet, because Nils has obviously not yet started and Thomas is still in the management board, so this will be in the form of a, I most assume, of an advisory agreement, so for me, we have there, the best solution I can sort of say. yes, I can dream of, if you want so.



## **CORESTATE Capital Holding S.A. - Publication preliminary results for FY 2019**

EV00100468 – 34 Min

### **00:24:06 Dr. Kai Gregor Klinger**

Okay. I will take the second question about the asset property management fee. We have asked for your patience for another month until end of March when we will publish our end report for 2019 to keep the detailed split up different fee lines. In terms of your third question about the transaction volumes linked with other acquisition related fees. There we have a plan at the beginning of the year, something to do between 2 and 3 billion. We will end up exactly in the midpoint of that, around 2 and a half billion of new assets on a gross number. Your fourth question about the warehousing? I'm not really sure, are you talking about 2019 or 2020?

### **00:24:54 Kai Klose (Berenberg)**

I was talking about page 9 of the presentation where you give revenues based for 2020 and I was asking for the underlying volumes regarding warehousing to reach the 30 to 40 million revenues, and for 50 to 65 million acquisition fees.

### **00:25:08 Dr. Kai Gregor Klinger**

I'm sorry. I didn't get it. I thought you were in 2019. So, about 2020, the transaction volume will be around 4 billion which is referring to our acquisition fees bear in mind that we will have also a component from HSF in. We have a net number of roughly 2 billion which will outflow, year to end year. In warehousing, there we are talking about roughly of around, and this is not a guidance, but let's take around 10 million for HFS warehousing, between 10 and 15 million for our traditional warehousing. And the remaining part will be from rental income and service charges from all our on-balance sheet asset.

### **00:26:08 Kai Klose (Berenberg)**

Thank you.

### **00:26:18 Georg Kandera (Bankhaus Lampe)**

Regarding the guidance 2020, do you expect a similar contribution from HFS to the asset and property management fees? Do you expect a similar level of coupon participation fees? And the second question is regarding, you mentioned that you are expecting increase in promote fee income. Could you give a hint on what the level of promotion fees was in 2019?

### **00:26:54 Dr. Kai Gregor Klinger**

Again, to start with the latter. I have to ask for your patience for a detailed split up of our fees for 2019. For 2020 you can assume, coupon participation fee or contribution of HFS maybe in the similar range like it was in 2019. Of course we are now a touch higher, but there we are talking about three to four percent of the fund volume. We will still be very





## **CORESTATE Capital Holding S.A. - Publication preliminary results for FY 2019**

EV00100468 – 34 Min

conservative to assume or give you some color on our future cash flows on HFS, meaning there is nothing going up to the roof. We will keep our powder dry, for the underlying risk position and the general business model.

### **00:27:55 Georg Kanders (Bankhaus Lampe)**

Thank you.

### **00:28:06 Manuel Martin (ODDO BHF)**

Yes. Thank you, gentlemen, two questions from my side. One follow-up question on the new CIO and the succession of Thomas Landschreiber. Could you maybe elaborate a bit more on the reasons for the succession? I think you mentioned internationalization could be one of the reasons. Second question would be the HFS business. Is there any light which you could give us in terms of maturities? What is the average maturity in the HFS business? And are there any major maturities coming soon, and will they be replaced? Thank you.

### **00:28:49 Lars Schnidrig**

Yes, maybe towards Thomas, this is a pure personal decision, but I think, as you know, Corestate since July 2017, I always said, Thomas he likes most doing deals and transactions. He is very strong in value add. Therefore, when you look how the company has evolved and also how the company has grown, we have meanwhile more than 800 employees. We are European-wide. There is a lot of what people like me who may have a bit more corporate background, a lot of simply corporate management duties to do. And so, coming back, as I said before, and Thomas, I said this very often on road shows, he does not like sitting in committees, but he would rather sit until very long nights negotiating transactions. And therefore, I am absolutely pleased, that we have a CIO now with Nils, who has done a similar route or road track with BNP Paribas, it is a similar size. They also went pan-European. And therefore, I think again, coming back to this, it is an ideal situation from a management perspective of the company. But, to answer your question, it is a personal decision by Thomas, and I am very pleased that he provides us with his resources to the company.

### **00:30:30 Dr. Kai Gregor Klinger**

Your second question Manuel, about the maturity profile of HFS in general. This is the same situation as it was in the quarters before. We gave out commitments between 2 and 3 years for the full cycle of a development and it is a discretionary decision of the developer to repay us earlier, which usually happens after 12 to 15 months. The roll-over effect our portfolio is today in the same range as it was before. And so maybe, to indicate this a little bit from the other side, we've felt very comfortable as we have increased the fund volumes from our investors roughly by 3 to 4%, that this money will be committed at least for the next 12 months, meaning for the next fund year. There is enough appetite for our product, and we are in many, many deals an enabler in terms of speed and quality what we can deliver for a developer.



## **CORESTATE Capital Holding S.A. - Publication preliminary results for FY 2019**

EV00100468 – 34 Min

### **00:31:49 Lars Schnidrig**

And I would like to add one thing. We have acquired HFS mid-2017 and the average term is around 18 months. So, there you see that we have already turned around the whole portfolio on average more than one time. In addition, we have grown the portfolio. We have acquired this fund with an equity of one billion 50 million. Today we have a record high of 1.3 billion. So, when you put these two things together, how can that happen? And the two arguments, I am saying this over and over, is as long as we need residential units, we build out there in Germany in particular. And as long as the regulation negative effects banking environment that they can't increase their leverage, this business will be very profitable, as we have shown in the past. So therefore, please always keep in mind the track record we have here and how often we have turned the portfolio even since we have acquired HFS.

### **00:33:08 Manuel Martin (ODDO BHF)**

Okay. Thank you.

### **00:33:13 Operator**

There are currently no further questions. So, as a reminder, if you would like to ask a question, please press 0 and 1 on your telephone keypad now.

And we haven't received any further question, so I hand back to the speakers for closing remarks.

### **00:33:29 Dr. Kai Gregor Klinger**

Many thanks for your interest and your questions today. We will now be on the road intensively, but please do not hesitate to contact us if you have any further queries. Please note that we will publish our annual report on the 24th of March. Many thanks to all of you.

### **00:33:46 Lars Schnidrig**

Thank you also from my side. Bye-bye.

### **00:33:50 Operator**

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