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Operator: Good day and welcome to the Corestate Capital H1 Results Conference Call. Today's conference is being recorded. At this time, I'll turn the call over to Dr Kai Gregor Klinger. Please go ahead, Sir.

Kai Gregor Klinger: Hello everyone. A warm welcome to our earnings call today for the presentation of our results for the first half of 2020. As usual, I'd like to direct your attention to the forward-looking statement and disclaimer wording on page two of our presentation. The safe harbor language applies to the presentation and all comments we will be making today.

I would also like to repeat that everything is being recorded. After the call, a replay will be available on our website. Our CEO, Lars Schnidrig and I will guide you through the presentation, followed by the usual Q&A session. The timeframe for today's call is about 30 minutes. Now it's my pleasure to turn the call over to Lars. Lars, the floor is yours.

Lars Schnidrig: Many thanks, Kai. And also from my side, a very warm welcome to all of you. When we speak about the highlights of the first half 2020, of course, we need to speak about Corona and its impact on the market we operate in. In general, the market was shaken by uncertainties and this was mirrored by reduced real-estate transactions during the shutdown in April and May. But since June, we realized that the market is showing signs of recovery, but of course, as usual after crisis, with the focus on lower risk-return profiles than prior to the turmoil. This can be seen especially in the shift in investor's appetite, away from value-add or opportunistic assets towards Core and Core plus.

Our Assets under Management went up organically by 3.4% in 2020, so far by around 1.2% in Q2. This is a sign of steady growth even in difficult times, more also later on. Our assets and property management went up by around 13% since June 2019. And our private debt business HFS shows another very stable performance also compared with previous year's figures. The earnings from alignment capital suffered from negative valuations effects on asset levels especially in retail and Serviced Apartments. Our youngest family member STAM Europe was hit hard by the COVID-19 driven comprehensive shut down in Paris and other parts of France, with corresponding delays in their transaction plans and budgets in 2020.

Also due to COVID-19, our Annual General Meeting had to take place as a purely online event for the first time. During this, our Supervisory Board was extended and now consists of five experts who are explicitly independent from Corestate, offering various profiles of independence and fulfil the diversity criteria from the German Corporate Governance Code. A bit later on, we will speak in more detail about our financial leverage and our plans to push down the debt position. Our clear ambition is to reduce our net debt significantly within the next 18 to 24 months to further improve our financial room for manoeuvre. Our Capital Market Day was originally scheduled to 10th September, but due to COVID-19 and the associated restrictions, we had to postpone it to 19th November. Currently we planned to host this event physically and online in parallel, but we will keep you posted on this. Now please flip to page four.

Even prior to the crisis, we already started changing our product offerings and our set up and we wanted to shift our focus steadily and deliberately away from value-add and opportunistic investments towards Core and Core plus. This strategic repositioning encompasses not only products but also setup and people. Our clear aim is to become one of the leading ESG Real Estate Investment Manager in Europe. Accompanied by comprehensive re-branding of the entire group scheduled for 2021, we will also further strengthen our equity raising with a focus on institutional clients from Germany, Austria and Switzerland.

As the markets we operate in have changed tremendously in the last couple of weeks, we of course had to react on this and we accelerated the change process significantly. Clients currently only ask for lower risk return profiles and therefore, we currently offer very successfully residential in A-locations of B-cities, logistics, student housing, the conversion of entire area in prospering metropolises, into city quarters with a mixed use concept consisting of residential, near-field retail, offices and some leisure spaces, affordable housings in B locations of A-cities and commercial assets with A-tenants and long WALT.

One very important and to be honest painful aspect of our enhanced market approach is a group-wide efficiency program designed to further simplify our processes, improve our productivity and develop a more digitalized business approach. After several acquisitions in the past years in a quite constant growth path, we have to take a closer look into our processes and work for to avoid double functions and reduced costs. But of course with sound judgment. All these changes and novelties take place while the market, as said before, is shifting its focus massively from higher risk return profiles towards Core and Core plus segments. This is quite intuitive in times of and shortly after crisis. But I'm convinced that, bit by bit and very slowly, but steadily, also value-add assets will come back into client's eyes as soon as the market becomes more stable and predictable.

Please turn to page five. You know this chart from our previous presentation, which shows the development of our assets under management since the end of 2019. In brief, we have another record high at the end of June 2020 with net organic growth of 3.4% in the first half year and a planned decrease in our non-real estate assets under management of €0.3 billion. At the end of the first half of this year, our assets under management totalled €28.2 billion, real estate assets went up to €24.9 billion from €22.8 billion. As you see in the lower part of the slide, we had only minor shifts within the segment. The proportions of residential and micro living went slightly down, office went up a bit and retail continues to decline, as in the last quarters as well.

Logistics is one of the core competences of STAM together with other nearly doubled its share. A good sign in times of crisis remains our sourcing pipeline, which stood at around €4.6 billion, with more than one-third in advanced contractual status at the end of June 2020.

Please flip to page six. You also know this chart well, it shows the development of our real estate debt financing subsidiary HFS, and in a few words it did very well even in these times. The committed fund volume at the end of June 2020 stood at more than €1.3 billion. In total, we financed 63 projects with again a vast majority in the big cities in Germany, Austria and Switzerland and with an unchanged high demand from developers. As you can see on the lower half of the slide, around 70%, and this figure is kept also stable since quarters, of the lending goes to the top seven cities in Germany with the exposure to Berlin steadily going down, probably following local political decisions on the housing market.

Construction works in Germany, Austria and Switzerland had strongly gained momentum after being slowed down in April. So the basis of our business here is very stable. When you look at the upper right of this chart, you can see that again more than 70% of our mezzanine financing go to the residential projects, 15% to retail and 14% to office. So, the developers interest in this business is stable on a high level. And we of course continue our regular analysis of all projects and borrowers, but so far only a low one-digit percentage of projects show noteworthy delays. As the fund years´ ends approach, i.e., end of October, we see the usual turn of around 20% of precautionary cancellations as every year. As common in this industry, these clients wait for the funds result especially looking closely on potential risk increasing events before they finally decide on prolonging their investment. In the last year, most of these clients tend to stay in the fund and we are confident that our stable performance also in these bumpy times will have a positive influence on this position.

And any money that was withdrawn in the past was overcompensated by new inflows. But as a risk appetite from investors as well as their internal risk diversification requirements are adopted in the crisis, harvesting new money for our funds has become more difficult in the last week. Please turn now to page seven and let me hand over to our Chief Market Officer, Kai Klinger.

Kai Gregor Klinger: Thank you, Lars. Let me please speak a bit about our revenue stream in the first half of 2020. Also compared and in brackets previous year's figures. We earned €12.1 million acquisition related fees in the first six month of 2020. Thus showing some decline mirroring the slowdown of the transaction markets and its recovery mostly being in the Core and Core plus segments. As said before, we are currently shifting our product range towards this demand. But at the beginning of the crisis, we were very much more focused on the lucrative value-add and opportunistic segments. Our bread and butter business, assets & property management, once again showed very stable income with revenues of €47.4 million, up from €40.4 million in 2019. As said before, HFS delivered solidly with a slight increase in the coupon participation fee from €23.6 million in 2019 to €24.9 million this year.

As the markets for higher risk return profiles are OpCo/PropCo structures like for serviced apartments, remains very difficult, we did not harvest any promote in H1 and it's hard to predict if the market will be absorbing such assets in the remainder of 2020 again, with corresponding success based fees income on our side. We believe that once the entire real estate transaction environment has returned to a more solidi environment as well, such assets will come back to investors' eyes, but there's currently still a way to go. The income from mezzanine loans was around €4 million and supports as a very efficient use of our mezz funds with capital deployment ratio is of around 99%.

We saw some revaluation on asset levels especially in retail and serviced apartments, affecting our alignment capital due to the challenging performance since March 2020. Same in our warehousing income, where we did not sign any new warehousing transactions in light of our more strictly balance sheet approach. This led our revenues from warehousing going down significantly to €2.3 million. We showed aggregated revenues and gains of €95.6 million in the first half of 2020. A prudent recovery of the transaction market something we expect to happen in the next month will be the driver for further upside in the remainder of 2020. Please flip to page eight now. Let's turn now to our cost structure. As you can see on this side, beyond of the typical seasonality in our business, our expenses have been burdened by the changing market conditions.

The OpEx ratio of more than 50% shows this very clearly. Expenses from real estate investment management ended up at €46 million, alignment capital expenses at €8.3 million and warehousing expenses at €3.5 million. All in all, representing around 60% of our revenues which is driven predominantly from weaker revenue lines and warehousing and alignment capital. The letter was additionally burdened by extraordinary efforts in a complex operational environment. G&A expenses were at €16.5 million which is also higher than anticipated in the beginning of the year, but was affected by HR related one-offs and first implications from our efficiency program which will lead to around €5 to €10 million negative one time effect until end of December of 2020.

With this our EBITDA were at € 25.9 million, reflecting an EBITDA margin of 27.1%, unusually low for Corestate. Depreciations and amortizations stood at €16.3 million and were affected by IFRS 16 as well as by the first-time consolidation of STAM Europe. Our financial result was at minus €9.2 million, at the end of this year's first half, a good run rate for the next six month. Net profit stood at €0.4 million, down from €36.9 million one year ago. Adjusted by capitalized management contracts of €12.6 million and deferred tax assets of minus €1.7 million, our adjusted net profit was at €11.4 million compared to €47.8 million one year ago. In a nutshell, you see short-term massively reduced earnings from warehousing from alignment capital and from transaction based fees. This all comes along with invariably high cost base and led to an EBITDA set back of around 60% compared to our pre crisis level. But we will take off this now intensely, but also deliberately.

Please turn to page nine. On this side, you can see our key balance sheet figure and debt structures end of June. Our total debt adjusted for nearly €30 million for rental and leasing liabilities stood at €585 million at the end of the first half of 2020. This includes €190 million bank and other debt of which €33 million warehousing debts are part of. As said before we have used our balance sheet very disciplined and we will continue to do so. Cash, Restricted Cash and Cash equivalence amounted to €55million, slightly affected by seasonal and HR driven contractual cash outflows in the second quarter. Net debt at the end of June was €530 million, leading to a financial leverage, after higher IFRS 16 adjustments of four times.

Nevertheless, our midterm target range of between two times and three times remains unchanged. How do we want to reach this goal? We have several sources to reduce our net debt position, one of course is our cash flow from operations, but we will deliberately and step-by-step reduce our balance sheet exposure by placements out of our inventories, associates and JVs and from our financial instruments. We expect to push down our net debt by more than €200 million in the next 18 to 24 months. But let me be very clear, we do not have substantial redemptions or refinancing needs until the end of ‘22.

Please turn to page 10 and with this I would like to hand back to Lars again.

Lars Schnidrig: Thank you, Kai. So currently we cannot give you today a quantitative guidance for the ongoing fiscal year, as the imponderabilities resulting from the COVID-19 pandemic persists and especially a potential second wave of infections would cause further uncertainties in the market and make it nearly impossible to anticipate a reliable budget on potential fees from transactions or income from alignment capital and warehousing.

Nevertheless, let me please give you some qualitative views, on what we expect to happen in the remainder of 2020. Obviously, the transaction market is still suffering from high uncertainties, but we realize prudent signals for recovery after the bottom of the crisis was rich in Q2. So, we expect the first good signs during Q3, and a quite steady improvement in the last three months of 2020 – of course all under the caveat of no second-long lasting supra national shutdown.

Our asset and property management fees will remain our stable bread and butter business, this also applies for the coupon participation fees and the income for mezzanine loans from our real estate debt business. Due to the short-term changes and risk appetite of the markets, we only expect minor earnings contribution from warehousing and alignment capital in 2020. Our cost base will remain broadly unchanged, anticipating between €5 to €10 million, as one-offs for this year from the efficiency program we announce today.

Let me state this once again clearly; we remain clearly profitable in our operations, even in a quite difficult market environment. I would also like to give you some intro on what you can expect beyond 2020. We see and clients mirror this in multiple talks that investors feel an increasing pressure towards real estate investments as interest rates are expected to stay on a very low level and thus other asset classes often do not fulfil the yield criteria, from institutional investors. Also unchanged megatrends like urbanization and demographic changes drive the markets in which we operate, within attractive product range. In 2021, we will sharpen our brand identity and unify our market presence along with a further focus on ESG especially on the ability to identify the ecological footprint of each individual asset by a fingertip.

And last but not least, we will expand also by hiring high profile people, our sales functions targeting especially institutional clients in the DACH region. So, all in all, the environment for us is far from easy, but the mid-to-long term drivers of our market remain intact and as we also expect to benefit from some catch-up effects in 2021, together with gains from our efficiency program, we are sure to be able to emerge stronger from the crisis.

With this, I would like hand back to the operator and we are now happy to answer your questions.

Operator: Thank you. Ladies and gentlemen, if you wish to ask a question at this time, please signal by pressing star one on your telephone keypad, please ensure the mute function on your telephone is switched off to allow your signal to reach our equipment. Again, please press star one to ask a question, there will be a brief pause while we assemble the Q&A queue.

We'll take our first question from Thomas Neuhold from Kepler Cheuvreux. Please go ahead, sir.

Thomas Neuhold: Good morning, gentlemen. Thank you for the presentation and taking my question. I have couple of them. I would like to start with the planned net debt reduction, you mentioned that you do have roughly more than 200 million of inventories, investments in associates and other financial instruments. I was wondering what is currently the earnings contribution out of these assets and especially how easily or how difficult do you think it's for you to get out of associates and joint venture structures, where you've co-invested with other investors? This is my first question.

Kai Gregor Klinger: Hi, Thomas, this is Kai. Maybe to give you some color here, of course, this is an ongoing and already scheduled or planned placement process of these assets and that's part of our normal doing before the crisis and of course there was according to the risk return profile of these assets, a sudden hold there. And with this we have seen a delay of maybe two or three quarters of these placement processes and it will be starting in 2021 onwards with a regular process when these assets will mature. And of course, we are planning to compensate these assets also with new alignments but on a lower level. So the impact on our returns of course will be there, but bear in mind, currently our alignment capital income is on a very low level. So, I hope this gives you a little bit color.

Lars Schnidrig: And I'd like to add something, Thomas. Obviously, this is also a game changer because in the past, we have lowered the leverage via increased EBITDA and now it's a first time that we really tackle the gross debt. And I can ensure you, by all means, we will work to reduce this. And part of this, by the way is easier to realize and part of this will take as stated the terms between 12 and 18 months, because we are not aiming to do here any foolish things like fire sales or anything like this, it's rather stringent sales processes or placement processes which we have anyway planned. We just wanted to show you, our stakeholders, that we are absolute committed to decrease the leverage by these measures.

Thomas Neuhold: Okay, understood –

Kai Gregor Klinger: And I'll give an example now to go there. In our warehousing assets we have a close to 60 million inner-city shopping center located in the North region of Frankfurt, in Giessen, which is generating rental income of around €6 million. So the ratio between rental incomes €6million versus close to 60 million book ratio is at least attractive to get placed, and then of course, we see as a promising potential warehousing gains, if we are, again able after the refurbishment process of that asset to place this on the market.

Thomas Neuhold: Okay, thanks. The next question is on this repositioning strategy. Can you remind us which portion of your AuMs you would currently consider Core or Core plus? And how quickly you expect this to increase going forward and what could be the share, let's say, in three to five years' time?

And I was wondering if you can give us more details on which cost rating incurred in the second quarter for the reposition, and repainting and efficiency gain program and maybe also you can talk a little bit about potential cost savings which should result from these measures?

Kai Gregor Klinger: The easiest answer would be in the second quarter or in the first half we already booked one off costs between 2 and 3 million closer to 2 million. The split up of our risk profile of AuM in our current portfolio is maybe a little bit misleading, first of all I will give you the number and then I can add some color. So in Core we are managing currently around €6.1 billion AUM, in

Core plus close to 5 billion, in value- add 3.5 billion, in opportunistic 1.6 billion; this led to around 16 billion of standing assets. On top of that, if you close the gap to around €24 billion you have, of course, also our HFS AUM, which is as an risk-return-profile much more in the opportunistic or value-add range, if you take the underlying profitability into account. The bulge of our Core and Core plus assets are coming from the legacy portfolio of the Hannover Leasing acquisition. So, Corestate for itself was a typical Core plus value-add specialist from its investment perspective. And of course, we've changed exactly that. So, the newer AUM in our portfolio which was raised over the last three to four years was part of the value-add and Core plus game which we have played.

Lars Schnidrig: Maybe to add Thomas; it's not the one and only measure you take that you shift from – or that you get higher shares in Core or super Core. This is a transition we have started actually two and a half years roughly ago. To make a business like this get more scalable in the Core segment, you need certain ingredients. And these are reflected in our comprehensive ESG strategy that has a lot to do with technology, that has a lot to do with making, reporting, scalable, that has to do with the governance, that is reflected obviously in our ESG strategy, and there you saw we have luckily got the boat in at the AGM for our new supervisory board. We have a new CIO who comes from a institutional background. And all these puzzles come together and then increase your relative share of your core product.

And I'm not saying that we turnaround from opportunistic or value-add, we will continue this. But going in a more stable P&L environment, of course, we want to increase, as we have done, where we have quite nice examples as with our big mandate BVK, or the churches and many others, but we want to have more of that. And therefore, we need further and this we do by all means further to institutionalize business. And this is technology, people and process, and this is the way we are continuing.

Thomas Neuhold: Okay, understood. The last question I have is on the mezzanine business. You mentioned that the fundraising has become more difficult to do a decreasing risk appetite. Do you think there is a risk that the fund volume will decrease in next couple quarters, or you're confident that you can replace existing with the new ones?

Kai Gregor Klinger: Of course, there is always a risk, life is risky. But we feel very comfortable according to todays' performance of the funds. So, the existing investor base is quite happy with their returns and why should they stop in a zero interest environment to harvest 11% or 12% from a higher risk basis. And of course you have always a technical impact from a potential rebalancing of investors' funds that they not anymore allowed to touch this high risk asset class, but I think we have good arguments to mitigate these potential push backs.

Lars Schnidrig: One disclaimer here in today's world, we all know that we have a mega crisis out there. And therefore, I think it would be naïve to predict how really investors' appetite for high risk return profile is. So, therefore, we keep this very serious and also put further resources in – as in the past to over-compensate potential cancellation. However, even if we should see a dip where I'm absolute convinced the world outside there, the trends in the macroeconomics and the regulatory framework driven by the COVID crisis is in favor of the mezz business. Why? Because as in the financial crisis the mortgage banks tend to decrease their mortgage funding for developments which is good for us, because – and that's also one of the reasons obviously that the fund is on record high volume currently, because if you have – you need to build more homes, it hasn't stopped despite COVID, people need places where they can live, and somebody, as I'm always saying, needs to finance them. And luckily for us on the one side is that the mortgage banks now allocate or need to allocate higher risk rated assets towards development loans and we saw this exactly in the financial crisis. So what does it mean? They will recover over time, but currently that may take one or two years. But currently even if we would have a slight dip, I'm rather positive that we could make more. And I can ensure you, on the project side we have quite a nice pipeline, and this is self explanatory because if a developer is in a development and they need for funds, where should he go to and who has such deep pockets as we currently have.

Thomas Neuhold: Okay, understood, that's it from my side. Thank you very much.

Operator: We'll now take the next question from Kai Klose from Berenberg. Please go ahead.

Kai Klose: Yes, hello, I've got a question on page seven, could you indicate what was the underlying acquisition volume which generated €12.1 billion acquisition-related fees?

Kai Gregor Klinger: So, we have had there roughly €700 million of AuM plus of course from acquisition related income from our HFS business

Kai Klose: And split here between HFS and AuM?

Kai Gregor Klinger: Actually, around €4 or €5 million from HFS and the remainder from our real estate equity business.

Kai Klose: And the second question would be, could you indicate what was or what is the net to EBITDA ratio according to S&P's definition? I'm asking because there was a difference between what you reported by the end of 2019 and what S&P came out with.

Kai Gregor Klinger: We can't comment the S&P definition, but of course, they have a different methodology. For instance we adjust according to what we have in our financial documentation an IFRS 16 effect in our net debt allocation. And maybe S&P has other adjustments in their methodology. But based on real financial liabilities that you can do the back of the envelope math based on our balance sheet position and EBITDA is also quite obviously on LTM basis from our reportings. So of course, you can adjust everything in P&L and in balance sheet but I can't comment what S&P is doing here.

Kai Klose: Okay, many thanks.

Operator: As a reminder, please press star one if you would like to ask a question. The next question comes from Mr Manuel Martin from ODDO. Please go ahead.

Manuel Martin: Hello, gentlemen, thank you. Two questions from my side. One question is a follow up question on HFS business. If we have to look at the other side of the medal, on the money that you lend out, do you see any difficulties or turbulences coming when regarding to the refinancing of Consus mezzanine loan? That would be the first question?

Lars Schnidrig: Hi, it's Lars. So sorry but we are legally unfortunately not allowed to comment on individual loan agreements or individual clients. So that is unfortunately not possible.

Kai Gregor Klinger: And Lars already mentioned that we have a very strong pipeline of new projects and very eager situation on the developer side to find proper mezz provider. So it's not the bottleneck to find interesting projects.

Manuel Martin: Okay. My second question regarding DACH region, raising equity. There was a news recently that some club deal managers went away from Corestate in Zurich, the strengthening of the DACH region, does it mean that you are going to replace these guys or even build up more strongly the team? And also maybe you can elaborate on your global fundraising.

Lars Schnidrig: Sure, so I can't comment on individual persons in the company. However, as stated in the past we have centralized the steering and the management of the fundraising. We will continue to invest in that. Why? Because currently when you look at the – how the company has developed, I’m actually convinced we can do more in the DACH region and we can, in particular do more in the DACH region when it comes to institutional business. So that means we have currently more than 100 institutional investors, and of course we want to increase the share by further generating long-term mandates from larger institutional business.

Manuel Martin: Okay, thank you.

Operator: Ladies and gentlemen, that concludes our Q&A session, I would now like to turn the call back to Dr Kai Klinger for any additional or closing remarks.

Kai Gregor Klinger: Thank you so much for listening, we appreciate your interest and your questions, we’ve been on the road, unfortunately, mainly online but as far as possible also physically in the upcoming weeks. But please don’t hesitate to contact us for any further queries you may have. And pls be reminded that our Capital Market Day will not take place in September, it was shifted on the 19th November also online and if feasible by any means offline. So stay healthy and enjoy the rest of the summer. Goodbye.

Lars Schnidrig: Thank you.

Operator: Ladies and gentlemen. Thank you very much for your participation. You may now disconnect.