Corestate Capital Holding SA

Preliminary Results for the Financial Year 2021

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Transcript

Speakers:

Stavros Efremidis

Udo Giegerich

Dr Kai Gregor Klinger

Dr Kai Gregor Klinger

Ladies and gentlemen, thank you for joining us today on our Earnings Call. On the Corestate Investor Relations website you can find our earnings press release and the corresponding slide deck.

As usual I'd like to draw your attention to the forward looking statement and the disclaimer wording on page two of our presentation. The safe harbour 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 after the call.

Please be aware all information on Financial Year 21 we give you today within this presentation is preliminary and not audited.

With me on the call is the new CEO of Corestate Capital Group, Stavros Efremidis, who many of you already know, and our CFO, Udo Giegerich.

We will guide you through the presentation followed by the usual Q&A session. The timeframe for today's call is about 45 minutes.

Now it's my pleasure to hand over to Stavros. Stavros, the floor is yours.

Stavros Efremidis

Thank you, Kai, and good morning ladies and gentlemen and a very warm welcome from my side.

As you have probably heard or read, today the company announced the completion of a very successful fiscal year 21 and the comprehensive reshuffle of Corestate's leadership structure. I'm therefore very pleased to introduce myself to you as the new CEO.

But before we go on with our presentation, I want to do a quick side remark regarding the postponement of the publication of the audited consolidated financial statements we have announced also this morning.

Yesterday we were informed by Ernst & Young that they have not yet fully completed their audit procedures in certain subareas focusing on Corestate Bank as planned. As a result the publication of the audited consolidated financial statements has been postponed.

We have therefore published the preliminary and unaudited financial figures from 2021 today. The Company has of course already prepared the annual financial statements 2021 in full and firmly believe that the ongoing audit procedures will have no impact on the stated figures.

However, we expect audited consolidated financial statements to be published promptly at least by March 3.

Now we can move onto page four please. At first allow me briefly to introduce myself and describe my motivation for this decision.

Starting as a shareholder with a significant stake in the Company and having become chairman of the Corestate Supervisory Board last year in December, now the ideal time has come for myself and for Corestate to dare a comprehensive entrepreneurial new start.

To be honest, this was not originally my own idea but it was initiated and driven by Rene, the former Group CEO after we had to fill a central vacancy at the Corestate Bank level at short notice in January at the executive director level.

With his professional background he was the ideal candidate. We have known each other for decades. With Rene we can pursue a substantial growth path but even faster.

In combination with the Executive Board seat at AFS, he can now put all his energy into successfully expanding our debt business, based of course on a fully institutional approach integrated into our Group structures.

In accordance with German regulatory and supervisory requirements this role should not be exercised as a dual function together as an active member of the Group Management Board.

My own motivation of returning to operations is also easily explained. I've already invested a significant amount of capital. In addition to my many years of experience as CEO in the real estate industry, I also bring my passion and my entrepreneurship and an excellent network to the Company.

We have now put together an ideal management team for Corestate. We start following the turbulence surrounding COVID and the shareholder changes of recent quarters.

Together we have nothing else in mind but to reinvest in the Company in terms of personally, strategy, operations and finance.

As CEO, in addition to strategy and M&A and my role as an impact generator, I'm primarily the contact person for our most important external stakeholders such as clients sand investors in our products as well as in our Company on the capital market side.

I'm also responsible for our real estate debt segment in close coordination with Rene.

With Izabela as our new COO, in the management team we have promoted a woman from our own organisation who has a great deal of experience with transformation, corporate excellence, organisational development and ESG in top management positions in the real estate industry.

Her nomination was also a clear endorsement of our uncompromising focus on ESG at all levels. She will also be responsible for the Holding Factions, Human Resources, Legal and Compliance, IT and Marketing.

To strengthen our investment and real estate practice, in the management team we are pleased to have Ralf Struckmeyer onboard as our new Group CIO.

Ralf is a highly experienced real estate deal maker who has been successfully involved in the top management of various real estate companies. I have known him for many years and we have done many smart and exceptional transactions together.

Ralf will be the head of the Real Estate Equity segment and is responsible for the asset funds and transaction management as well as business development in the operating business lines.

With our CFO, Udo Giegerich, and myself, the new management board will be composed of four members. It is also worth mentioning that our supervisory board chaired by Dr Bertrand Malmendier has gained a new and a very experienced member in Dr Roland Folz.

As a well-known banker and active CEO of a fintech unicorn he will strengthen our competencies especially in the area of digitalisation and scrolling.

I very much look forward to working together with my new colleagues on both boards as part of such a great team. We flip now to page five.

As you can see, there's a lot going on at Corestate right now and I'm very excited about the journey ahead. But first allow me to start with a brief overview of the key initiatives and highlights from the past fiscal year 2021.

The short and long-term market drivers in the real estate sector are fully intact and as expected Corestate has benefited from the economic upturn after the effects of the pandemic have subsided, supported by another excellent performance in our equity and debt businesses.

2021 was a successful year for Corestate. We again delivered significant revenue growth and achieved our forecast at all levels. Let me give you some more details on our figures later.

My predecessor, Rene, did a decent job and achieved an impressive turnaround for the Company last year. With the acquisition and integration of AFS into Corestate Bank, he has formed a real estate investment powerhouse with a unique equity and debt platform.

A key objective of 2021 was to initiate a comprehensive transformation of the Group. This has meant not only realigning the entire organisation and simplifying structures and processes of positioning Corestate as strong and flexible for the future, but also focusing the business model on core real estate activities to shape its profile in the market.

One of the strategic decisions made during the past year was to divest a large part of the personnel-intensive and low margin property management business and to spin off the non-core asset management activities.

Another topic in the first quarter was a significant commitment of Karl Ehlerding and myself as new anchor investors in Corestate.

As part of the transaction we replaced two previous major shareholders. As a result we have now implemented a realigned corporate governance structure and will successfully improve the level and quality of transparency and institutionalisation of the entire Group. That is my personal ambition.

One crucial aspect in the internal perception of Corestate is a substantial progress in debt reduction and the readiness of refinance in 2022.

In short, by the end of 21 the replacement and the essential cash conversion measures had not yet been fully completed, but for the most important position my colleagues have achieved transaction closings such as for Giessen and for the first tranche from the Opp-Fund or there's already a contractual obligation of this specific cash inflow.

On this basis we are very confident that we will be able to successfully implement the upcoming refinancing before summer with a healthy set of figures.

Looking back, I can say that Corestate is back on track and meets its financial guidance on all levels. Corestate choose delivered outstanding double-digit revenue growth and has a tremendous earnings improvement in 21, once again demonstrating a strong market position as dealmaker on our home turf.

Please flip to page six now. You see an overview on our assets under management on this chart. At the end of 21 the total assets under management went slightly down from €27.8 billion to €27.4 billion.

The real estate assets under management within Corestate core equity and debt segment remains 21, more or less unchanged at around €19 billion.

We have already graphically depicted our future core business here. As indicated we will gradually divest on non-core activities with an asset under management volume of 8.5 billion. For this reason it has been reported as discontinued operations in our annual report 21.

At the beginning of 22 we have already successfully completed the disposal of the majority of our non-real estate portfolio with the Aircraft and Media funds which were originally characterised as rundown unit anyway.

In addition the spinoff process for our Property Manager in operating Capera and CRM was also initiated. These portfolio measures are important strategic steps to sharpen our real estate profile and to focus on a future-proof high profitable business setup with vast synergies and less complexity.

Let's now move over to the next slide seven where we start to go through the specificities of both our core segments.

While being confronted with the economic effects of the ongoing coronavirus pandemic and the related restriction of our sector, especially in quarter one in 21, the conditions for the business improved somewhat in the second half of 21.

The volume of transactions involving attractive real estate concepts and the investment appetite of institutional clients went up significantly. We have followed on behalf of our clients several transactions and investments like the acquisition of a logistic portfolio in the Paris region or the forward-looking office project, Vision One campus, in the south of Stuttgart.

Others elected highly in the operation business were for example the acquisition of the Office project Weitblick in Augsburg, the new school building in timber construction and portfolio revitalisation in Munich, or the opening of our landmark micro-living property TrIllple in Vienna.

In the course of the last year the Corestate team followed constantly its operational agenda to achieve the business activities in clients' reach. The Group streamlined, bundled and strengthened the own sense approach resulting in a strong client focus on DACH region.

We can see on this slide the different split up of our €12.4 billion real estate equity business. Beyond our facilities like micro-living, logistics or city quarters, the later is subsumed under other. More than half of the assets under management are office properties mainly in Germany, France and Benelux. And as a side note, above 80% are core and core plus investments.

At the bottom right of this slide you can see a sustainable and balanced maturity profile of this well-performing €12 billion asset space with an average maturity in our real estate equity business of about five years, which is regularly improved by organic asset management growth.

When I look into the upcoming months and quarters, we accept further organic growth in all business units, supported by a strong sourcing pipeline in an advanced contractual status of about €1.3 billion for our real estate equity operations.

Please follow me to page eight of the presentation now. This page is about our real estate lending and financing business where we are a charge for gross asset value of €6.6 billion with our more than €1.2 billion Mezzanine fund. This is based on track record of near zero default rates over the past decade.

At the end of the last year we have financed through the Evergreen fund vehicle 42 projects with an average finance size of around €29 million and unchanged average loan duration of 1.5 years.

The focus has not shifted winds since years, the vast majority of invested in the metropolitan areas in Germany, Austria and Switzerland. About 70% of the lending goes to the top seven cities in Germany. And even more important for the performance of the fund, 70% are residential and core projects which went through the crisis without any negative impact according to the ongoing high demand. Currently we have provided funds to 23 different developer groups on a single asset basis, the largest counterparty of which takes no more than 70% in total.

On the investor side we saw more or less a stable development of the fund during the crisis without any significant project impairment and only minor churn. Based on the current performance of this double-digit return product, we feel we are in a very comfortable position, especially if we think of cross-selling effects from our integrated platform for real estate equity and debt products.

The past year also saw a good performance by HFS, a leading provider of mezzanine finance of the German housing and commercial real estate market as well as the launch of new products such as Stratos or our new senior loan offering.

Taking over a German credit platform and fully licensed Securities Trading Bank 21 has not only uniquely rounded out Corestate's existing business model, but it also put the Company in a position to leverage a variety of value-enhancing synergies potentially in its product offering as well as it is a safe activity when approaching customers.

We are absolutely convinced that this strategy was the basis for our remarkable performance during the crisis and will be the foundation for a very profitable future. Therefore we expect further organic growth in all lines with Corestate Bank and the HFS business in 22, supported by a strong financial pipeline of around a €0.5 billion for our mezzanine borrowing business. In addition we see our Corestate Bank already mandated financing of projects in preparation of more than €2 billion.

Please follow me to page nine of this presentation. Despite the difficult conditions I'm happy to report that everybody at Corestate is kept extremely busy and our deal teams closed a large number of very attractive transactions in the course of the year, but what does that mean in terms of our figures?

According to the financial guidance which was still inclusive of discontinued property management operations, we expect to reach aggregated revenues and gains of between 235 and €260 million. We finally delivered on a like-for-like basis €246 million.

Our guidance for the adjusted EBITDA was between 90 and €115 million and we come out at the lower end of €90 million. On adjusted net profit we aimed a range from 50 to €75 million and reached €59 million. These figures reflect Corestate's excellent performance and comeback in a still challenging 21 which we owe first and foremost to the hard work and dedication of the Company's employees at all locations.

With this I would like to hand over to our CFO, Udo Giegerich.

Udo Giegerich

Stavros, many thanks and a very warm welcome to all of you from my side. I'd like to give you information on our income lines very briefly. After solid business development in the first six months 2021 we have seen an ongoing recovery in the second half of the year.

In 2021 Corestate was able to successfully increase its aggregated revenues and gains by more than 28% from €191.4 million to a total of €245.5 million. The property management business for the third parties, which is to be sold and therefore reflect as discontinued operations, contributed €30.1 million to aggregated revenues and gains in the reporting period.

Considering that income generated by continued core activities increased in 2021 by 33% from €162 million to €215.4 million on a like-for-like basis.

Let us take a deeper look into the top line growth of the reporting segments. The real estate equity segment generated revenues of €77.6 million, clearly above the prior year's level with €70.4 million. Our equity transaction fees are including acquisition fees and realised sales and promote fees climbed to €32.7 million from 20 million last year.

What was mainly driven by an upswing of the transaction environment in Q4, the asset and property management fees, including the development fees in this segment, went down from 50.3 million to 44.8 million, mainly due to a drop in our development business for micro-living or better serviced apartment projects.

The total revenue from real estate debt went up significantly by 30.6% from €93.3 million to €121.9 million, underlining the leading position in a very prospering market.

In 2021 revenue from underwriting and structuring fees almost doubled from €18.8 million to €36 million, mainly driven by the concentration of the Corestate Bank, its' unique market position and a booming deal pipeline.

Revenue from asset management and performance fees, including coupon participation fees, increased from €64.2 million to €67.8 million. Income from bridge loans grew to €18.8 million from €10.3 million, supported by the peak in lending over the year.

Income from the other segments developed positively hand in hand with the improved market valuation and transaction environment after 2010.

Moving onto slide 11 please. With this chart we would like to give you a little more background on our P&L figures and key ratios.

All in all we had operational expenditure to the amount of €99 million, down from €111 million last year. The OpEx ratio improved significantly by more than 20% to 46%. The expenditure in the equity segment and in others went down. The cost increase in the debt segment was mainly driven by consolidations of the Corestate Bank.

The G&A expenses of nearly €45 million includes around €17 million of one-off expenses from M&A related activities, extraordinary transformation costs and provisions for the already started efficiency programme.

The main focus for the upcoming quarter and years will be on improving the overall cost structure by taking out complexity, avoidance of double functions within the organisation and using modern technologies and digitalisation while increasing revenues.

Our EBITDA for continued operations for 2021 stood at €72 million and the adjusted figure at €90 million, a significant turnaround. The adjusted EBITDA margin shows an impressive jump from 10% to roughly 42%.

Depreciations and amortisations, almost €40 million and includes also the consolidation effects from the acquired Corestate Bank.

Our income tax amounted to €3 million compared with minus €7 million last year. The figure is mainly driven by usage of Group tax effects from the first time consolidation of Corestate Bank and the offsetting of tax loss carried forward in the German tax group.

Our net profit for the financial year 2021 stood at €18 million, corrected by M&A related expenses in the amount of €11 million, depreciation of €33 million on PPA related intangibles, the provision for efficiency measures of €6.5 million and deferred tax liabilities of €9 million. The corresponding adjusted net profit shows more than €59 million.

The visible upswing and our cost disciplines have helped us to achieve all these successful figures in 2021. Thus, as Stavros already said, we have met our business forecasts in all budget lines. Please flip to the next page.

Page 11 provides and overview of the main balance sheet items at the end of the year. We've chopped those to €840 million in equities. The equity ratio improves to more than 51% at the end of 2021.

By far the largest component in our current assets is the goodwill position created mainly in association with the acquisition of HFS, Hannover Leasing and finally the Corestate Bank.

All cash generating units of our continued operations show more than sufficient flexibility in the context of the semi-annual impairment test. Investments in associates and joint ventures have increased in the course of 2021, mainly from the short term technical bridging of the project, Vision One in the Stuttgart metropolitan area, which has already been placed with investors in 2022.

Inventories went up, in particular related to CapEx measures at the Giessen property from the corresponding restricted cash account.

Other current financial assets are bridge loans which went significantly down to €93 million at the end of the year, and our trade receivables position includes a short-term increase of around €20 million from outstanding contractual sales and promotion fees from successful concluded deals in December.

Total liabilities were relatively stable in comparison to prior years. The non-current liabilities went down and the current liabilities increased almost by the same amount because of the reclassification of our convertible bond due to its maturity in November 2022.

Turning to the next page, page 13, as you know one of the major tasks of the management team, among other things, is the noticeable reduction of net debt, to aim for an acceptable level of ratio and thus creating a solid financial foundation for the Group and its future oriented growth path.

Let me be very clear. We could certainly show some progress in this matter. In particular, in the last quarter 2021 but in all due in debt figures we failed in our aspiration to achieve a leveraged ratio of around three times at the end of the year. Nevertheless, now we want to reiterate our goals and we are steering the right course to achieve this ambition.

I think you are quite familiar with this chart. What you can see is at the end of December we had around €622 million of total debt. This contains €133 million bank and other debt including €54 million warehousing debt.

With our cash pile of more than 76 million, considering an additional €20 million of our leasing liabilities, our net debt stood roughly at €527 million. Against the backdrop we have redeemed €30 million for the HFS bond and bought back already the €6.5 million of our convertible bond.

Thus, this totals to an improved financial level at the end of 2021 of about 5.9 times versus 32.8 times at the end of the year before.

Against the backdrop of the refinancing programme, which will happen in 2022, it certainly makes sense to provide you more colour on our path of debt reduction and explain the various sources in more detail.

As you can see on this slide, the crucial step of our cash conversion programme for 2022 is to reduce our net debt by some €280 million. The starting point is an operating cash inflow of more than €40 million out of our own fund structures from already earned contractual performance and promote and sales fees from 2021.

50 to €60 million will come from repayments and the replacements of our bridge loans. The future run-rate for this position will be below €50 million. Added to this is roughy €90 million from the closing of the Giessen asset at the end of April and the cash conversion from other smaller co-investments in the first half of the year.

Thus, for the second half of 2022 we have another 40 to 50 million designated as proceeds from placements and the reduction of our co-investments. Furthermore, we expect usual inflows from 2022 performance fees at the end of the year of around €50 million. In total we will reduce our net debt position by more than €280 million and deliver a healthy financial setup with a leverage ratio between two and three times as the basis for our refinancing.

We are currently preparing to go to the market with the refinancing of €300 million straight bond before the summer. The €200 million convertible bond will be repaid from our cash position as announced.

So, to stress this again, debt reduction and financial de-risking is a top priority for me and my colleagues in the upcoming weeks and months.

With this I would like to thank you for your attention and please flip to page 14. Stavros, it's over to you.

Stavros Efremidis: Many thanks, Udo. In an initial retrospect we can state the German real estate proved its resilience in many asset classes during the pandemic and remains very attractive for long-term investors.

This is especially true of the ongoing recovery phase of the German economy. Looking forward, we see that despite the continued presence of COVID-19 and the current war in the Ukraine, life and the real estate industry will gradually return to normality.

Clear and targetable outcomes of our current discussion with clients is that the real estate transaction market is already back in a very vibrant state and risk appetite on the investor side is visibly increasing further.

Basically any company that wants to be successful in the long run has to constantly question and sometimes even reinvest itself, especially when the operational conditions change. Now, after a long pandemic phase and the changes in the board and the shareholder base, the ideal time has come for Corestate to dare a consistent entrepreneurial new start.

We will therefore carry out a comprehensive rebranding within the entire Group in the second half of the year and reposition ourselves vis-a-vis all internal and external stakeholders, but above all in the real estate and capital markets.

Focusing on our core business, while establishing new and transparent corporate governance with a dynamic team, will help us to unlock previously unused potential.

Against this backdrop and the view of the continued positive market development in the real estate sector, we again expect an annual organic new business growth in our core assets under management of five to 10% which will of course be reflected in our revenues and earnings.

And yet we also have to become more efficient and cost sensitive. This will involve the streamlining and harmonising of our internal structures and processes. An ongoing efficiency programme will deliver substantial cost savings of around €10 million per year starting in 23 at least. Provisions of €6.5 million for expenses relating to these programmes were set aside already in 21.

In summary, I can assure you that Corestate has developed strongly and presented good figures. We will now build on this and put the Company on a sustainable growth track. On the main objectives of the Corestate newly formed management team, we will be also significantly reducing financial debt and complete the plant refinancing before the summer of this year.

A key element of this is a significant reduction of the leverage ratio to two to three times in 22. In the medium term we aim to reduce this ratio to below two times on the basis of a strict financial policy. This will subsequently reduce our corporate risk profile to the greater benefit for our investors, clients, employees and business partners.

In parallel we will once again become for our shareholders an attractive growth and dividend stock. I'm highly motivated and committed to achieving this together with my new colleagues and the management and supervisory boards.

Please move to the last slide, 15. As usual with our annual accounts we would also dig in a little bit more now on what we see in 22 in terms of figures.

The main message is clear. This year operations will be driven by a more normalised and less volatile investment environment. In brief, we are dealing with a far stronger debt business and equity business that is picking up momentum and we can demonstrate further scope for more efficiency and profitability on the cost side. So, we are optimistic about the upcoming quarters.

Hence for 2022 we expect now acquisition and sales fees in our real estate equity business of between 30 to €40 million and asset and property management fees of between 40 and €50 million. Please note that those are the figures without the CRM and Capera business.

Our debt segment will show 50 to €60 million of underwriting and structuring fees as well as on the midpoint, €75 million from asset management and coupon participation fees including our bridge lending income.

The other segments will deliver between five and €10 million. Based on this, with our core real estate activities, we want to realise in 22 aggregated revenues and gains of between 210 and €230 million and an EBITDA of between 90 to €110 million.

On this basis we are targeting a resumption of dividend payments that were temporarily suspended during the coronavirus pandemic and are planning to distribute at least 50c per share as dividend out from 22 earnings in the 23 financial year.

So, all in all the new management team is highly committed to its goals and the entire Company is very well on track to deliver what they have promised.

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

Operator: Thank you. Ladies and gentlemen, at this time we will begin the question and answer session. Anyone who wishes to ask a question may press star followed by one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star followed by two.

If you are using speaker equipment today, please lift the

	handset before making your selection. Anyone who has a question may press star followed by one at this time. One moment for the first question please.
	The first question is from the line of Andre Remke from Baader Bank. Please go ahead.
Andre Remke	Stavros, congratulations on your new position. Thanks for the presentation. I have a couple of questions, maybe question by question I would prefer.
	The first question is on your guidance. Does the 90 to 110 million range relate to the adjusted EBITDA from continued activities, i.e. so a comparable figure for the last year, the 90 million?
Dr Kai Gregor Klinger	Hi Andre, it's Kai. Yes, you are absolutely right. We are talking about reported EBITDA in 22. Last year it was adjusted and there we were talking about 90 million adjusted EBITDA and reported in the low 70s in 21.
Andre Remke	i.e., you are comparing the 70.7 million and your guidance compares to that figure, so 90 million.
Dr Kai Gregor Klinger	Right.
Andre Remke	Okay. And do you see any kind of adjustments to the EBITDA for the current fiscal year?
Stavros Efremidis	No, we have done our provisioning for our cost programme already in 21, so we are guiding a squeaky clean 22.
Andre Remke	Okay, perfect. The second question relates to your AFS acquisition. You agreed on an earn-out component of 1.5 million shares which is probably included in the equity already. Previously you stated that this will depend on certain income levels for last year until, if I remember correctly, 23. Could you elaborate whether this is still the issue and do we have to expect that the 1.5 million new shares will kick in?
Udo Giegerich	We expect further that we achieve our income goals and if we are doing so, then of course there are contractual obligations for another earn-out component.
Andre Remke	And this is nothing to do with the situation from Ernst & Young, that the report is still unaudited?
Stavros Efremidis	Absolutely not. It has nothing to do with that.
Andre Remke	Okay. That's a clear statement. Then the third question is on your real estate equity business. This turned positive again last year but it's still with very limited margin, and looking at the revenue guidance for this business, for this year there seems to be limited growth or virtually no growth.

	Do you consider keeping this business or maybe completely focus on the higher margin debt business?
Dr Kai Gregor Klinger	No, the absolute opposite. We are highly convinced about first of all the synergies between both debt and equity. Obviously the stickiness in our equity funds, we are talking about at least a five, typically ten years term, much higher compared to our much more profitable debt business. Nevertheless, our internal cost allocation is not finally done now because we are still dealing with some internal cost structures and its allocation. So, our current split up is a little bit misleading. Nevertheless, our fixed costs are much higher in our equity business, plus if you see the turbulence in 21 and the still, especially in the first half, reluctant investor base beyond the core plus segment, there we can see a clear upside in the future if the markets are in a much more normalised environment. So, we are strong believers in our equity real estate business.
Andre Remke	And do you already expect a higher profitability for this year on this business?
Stavros Efremidis	Yes, slightly.
Dr Kai Gregor Klinger	But only slightly, so it will go a long ways with the revenue guidance in this business.
Stavros Efremidis	You know this industry quite well, Andre, so it takes time to attract money and if you are here in the driver's seat and you can improve your upfront, your acquisition fees then of course that lets the juice in and this is actually what we want to do.
Andre Remke	Okay, perfect. Then a question on the mentioned divestment process on CRM and Capera, when could we expect the next news on that? Are you already in negotiations with potential buyers or is this too early in the process at the moment?
Stavros Efremidis	We are in the process and usually it takes time if you will find your final love. So, there is nothing for the next weeks or months but the clear aim is to complete this in 22.
Andre Remke	Okay. Very last question on your efficiency programme, you spent 6.5 million last year, do we expect any costs occurring this year?
Stavros Efremidis	We don't want to over-promise here but there is a certain likelihood that we can see or harvest the first fruits of that

	especially on our material cost side because there it's easier to do it than on personnel. But the main impact will be fully materialised in 23.
Andre Remke	Yes, but this goes along with your first answer on the adjustments to EBITDA that provisions are done. There is nothing more to come above the 6.5 million.
Stavros Efremidis	Yes, you are right. We have a clear game plan and this was already provisioned in 21, last year, so again nothing more for 22 expected.
Andre Remke	Okay, perfect. That's from my side. Thank you very much.
Operator	The next question is from the line of Alexander Groh from Deutsche Bank. Please go ahead.
Alexander Groh	Thank you for taking my questions and congrats to good operating results. Maybe also question by question if I may, so can you give details on the cash balance and how it has been evolving as from the start of the year?
Udo Giegerich	The cash balance has not substantially evolved from the beginning of the year. We are expecting the closing of the LE Wohnen and the Herschel project and the inflows rather soon.
	However, we had to wait there for the waiving of the pre-emption rights by the municipalities and especially the one municipality is Berlin and it normally takes some time to get these waivers.
Alexander Groh	Perfect. And your net debt therefore is also...
Udo Giegerich	Yes, net debt is also quite unchanged.
Alexander Groh	Thanks. Then on bond buybacks, have you done any more until today?
Udo Giegerich	We are continuously looking into this market but we have not done so far any further buybacks.
Alexander Groh	So, it's the 6.5 million that's still...
Stavros Efremidis	Roughly 6.5, yes.
Alexander Groh	Thank you. Then in terms of coupon participation fees, how much have you...
Udo Giegerich	There was no substantial inflow cash change, so these 50 million are still very efficiently invested in the Stratos funds and will produce interest there, but we have not received it.
Alexander Groh	When do you anticipate to get them? Is it before the refinancing or...
Udo Giegerich	Before the refinancing, yes.

Alexander Groh	Okay. And then on Giessen, could you also give an update on the disposal please?
Udo Giegerich	The disposal process is going on very well. We received confirmation basically that we can close the deal end of April. The buyer is close to finally arranging the financing for himself in the area which he wanted and therefore he will now collect the money and then we can close end of April.
Alexander Groh	What will be the percentage that he will take over from Giessen?
Udo Giegerich	It's still in his obligation to define this, how much funds he will get it. He has the right to buy 51% plus the option to go to 90%. As he has now got substantial financing, we are still optimistic that he goes rather to the upper end.
Alexander Groh	Thank you. That's it from my side.
Operator	The next question is from the line of Philip Haessler from Pareto. Please go ahead.
Philip Haessler	Hello, I have three questions please. Firstly, on your discontinued operations you said there was an impact of 30 million on revenues. Could you perhaps share the impact on the EBITDA? Then secondly, the impact from your deleveraging plans, what will be the impact on your future profitability. And then on the war and Russia, do you have any Russian investors in your products? Maybe you could shed some light on this. Thank you.
Dr Kai Gregor Klinger	This is Kai. Maybe quick and dirty, we have a negative EBITDA on our discontinued operations of roughly one million, so more or less it's neutral and it was neutral in the past, maybe a small dip from the uncertainties in the corona pandemic. Your last question is quite easy. We don't have any significant substantial or relevant exposure to Russia, with Russians, so we don't expect any direct impact from all measures that we are seeing today in the news. Your second question was the impact of the deleveraging plans. We don't see any significant impact, with maybe taking a little bit aside the unusual high bridge lending which we've had last year. So, there we are dealing maybe with around ten million income from Mezz lending. Beyond that, our budgets and plans for 22 are targeting a higher profitability if make back of the envelop calculation the midpoint of our guidance.
Philip Haessler	Thank you. That's very clear.

Operator	The next question is from the line of Kai Klose from Berenberg. Please go ahead.
Kai Klose	Good morning. I've got three questions if I may. The first one, could you also comment on the departure of the two former board members from ex-AFS and if additional ex-colleagues from AFS have also left Corestate?
Stavros Efremidis	Hi Kai. It's Stavros speaking here. We ask for your understanding that we are not allowed to comment on the personnel matters for legal reasons. We currently see no relevant operational or financial impact from the changes in Corestate Bank's senior management and we still have a strong resources pipeline of more than two billion managed financings or projects in preparation based on a highly institutionalised and fully integrated team. On the contrary, we have seen the changes in management as an opportunity to realign the management board in a new and functional way.
Kai Klose	Thank you. There is a section on page seven, how to read the chart at the bottom right quickly. So, we have 1.4 billion of AUM in the real estate segment expiring. Is it fair to assume that when you guide for the five to 10% increase in AUMs that it's net of this 1.4 billion, meaning that you have to replace the 1.4 billion decline?
Dr. Kai Klinger	Yes and no. Actually our five to 10% organic growth starts next year, so we are still in a transformational year where we are cleaning up our AUM. We will be roughly neutral, maybe a touch positive on our AUM growth this year in the real estate equity segment, but the profitability will be higher.
Kai Klose	So, to ask the question in a different way, how much of the 1.4 billion of expiries this year do you expect to extend?
Dr. Kai Klinger	Only a minor amount. Actually we are talking here about retail investor funds where the likelihood is lower to generate the usual churn with that because it's actually a legacy portfolio... The biggest part is legacy portfolio out of Hannover Leasing. On the student housing and micro-living, there's a certain likelihood that we... There we talk about serviced apartments and we will not keep these properties in the future.
Kai Klose	To understand that quickly, this chart on page seven at the bottom right compares to the total AUM or to the 19 billion...
Dr. Kai Klinger	No, the 12.4 billion on the left side, we are talking only about our real estate equities segment, so this is not including debt

	or non-core business.
Kai Klose	Do you have a comparable chart showing the expiry profile for the debt segment?
Dr. Kai Klinger	Not really because it doesn't make any sense, because on the debt side we have Evergreen fund structures where we are locked in at least for 12 months after the five years end, and usually it's where we have the highest stability.
	But we have seen there based on our pipeline of roughly 0.5 billion that we will increase our fund volumes here in the direction of 1.5 billion this year from currently between 1.2 and 1.3 billion in our direct Mezzanine lending and whole fund business which is then comparable to... You can see this on slide eight where 6.6 billion gross asset value, of course including a 20% growth, which will also go up by one billion plus.
Kai Klose	The last question from my side is how many assets in the real estate fund business have been financed by Corestate Bank?
Dr. Kai Klinger	Usually there is enough in chain, so if we have... For instance we have in our real estate equity segment, if a building is completed then there is no more financing from HFS or Mezzanine.
	But in the early beginning if it comes to the acquisition of a plot, then we are in many cases the financer of the developer which then gets handed over to an institutional investor.
Dr. Kai Klinger	So, roughly I would say we are talking here in our real estate equity segment currently between 0.5 billion and one billion of AUM which we have already done in this chain.
Kai Klose	You said 0.5 billion to a billion?
Dr. Kai Klinger	One billion out of our 12 billion real estate equity AUM, between 0.5 billion and one billion. I can figure out the detailed number if you want because I have to go to a single project level and I can give you this number later on.
Kai Klose	Thank you.
Operator	The next question is from the line of Manuel Martin from Oddo BHF. Please go ahead.
Manuel Martin	Hello gentlemen. Thank you for taking my questions. I think it's more or less three questions one by one. The first one is a follow-up question just to clarify. The guidance that your are giving on the EBITDA level for 2022 is excluding the property management I suppose?

Dr. Kai Klinger	Hi Manuel, it's Kai here. You are right.
Manuel Martin	Okay. Then on the disposal of the property management business, what made you change your mind because in former times it was included in your strategy? What was the reason to change your mind?
Stavros Efremidis	Less complexity. We wanted to streamline our business in general. We have currently 800 people in this Company which is a huge oil tanker. We want to be coming more in the direction of a speedboat. The main reason is of course we can show some synergies between both property and asset management. But the main reason is it's highly margin dilutive and we saw this in times of COVID, the management awareness of this business was much higher and so it was a question of allocation of management attraction in the Company and it would be much more efficient to go for the more profitable ones. The business standard in our industry, most asset managers have sold the property management activities and unbundled them.
Manuel Martin	Okay. I assume that will support also your deleveraging efforts.
Stavros Efremidis	There is always something at the end of the day in our bank account.
Manuel Martin	Okay. The last question is on the delay of the auditing process of Ernst & Young. Can you give us some indication or a hint of what is so complicated in the auditing process in Corestate Bank? Why is there a delay?
Dr. Kai Klinger	You can imagine there were some changes in management in the very short term and therefore Ernst & Young wanted to focus a bit more on the Corestate Bank activities. These came up quite short term and we could not provide the full information and therefore they said they need more time. We discussed with them quite intensively over the last days. However, they didn't come to a full conclusion and therefore they have to still proceed with the work.
Manuel Martin	Okay. Thank you.
Operator	This concludes our Q&A session. I would like to hand back to Dr Klinger for closing comments.
Dr. Kai Klinger	Thank you so much for listening. We appreciate your interest and your questions. We will be on the road as usual, unfortunately mostly online, but for instance we are tomorrow and on Thursday back in London, which we are

quite happy about that.

I would also like to apologise once again for any inconvenience caused by the temporary postponement of the publication of our audited annual report.

This is certainly not standard practice, but in uncertain times it is sometimes better to have sufficient certainty and precision in audited statements than to correct them after the fact.

As mentioned by Stavros, at the beginning we expect to complete all open audited procedures in the new future and definitely before the end of March and we'll then immediately publish the annual financial statement and annual report that have been already prepared.

Do not hesitate to contact us for any further questions you may have. Once again, thank you. We look forward to speaking to you soon. Stay healthy and safe. Bye-bye.