Corestate Capital Holding S.A.

Q1 2022 Financial Results Presentation

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Transcript

Speakers:

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Kai Gregor Klinger

Ladies and gentlemen, thank you for joining us today on our earnings call for the presentation of our financial results for the first quarter of 2022. On the Corestate investor relations website you will find the press release, the interim statement for the reporting period and the corresponding slide deck.

As usual, I'd like to draw your attention to the forward-looking statement and disclaimer wording on page two of our presentation. This Safe Harbor language applies to the presentation and all comments we'll be making today. I would also like to mention that everything is being recorded. You can replay the call and view the transcript on our investor relations website a few hours after the call.

With me on the call are the CEO of Corestate Capital Group, Stavros Efremidis, and our CFO, Udo Giegerich. We will guide you through the presentation followed by the usual Q&A session. The time frame for today's call is about 30 minutes. Now it's my pleasure to hand over to Stavros. Stavros, the floor is yours.

Stavros Efremidis

Thank you, Kai. Good morning, ladies and gentlemen, and a very warm welcome from my side. But, before we start with our presentation on the Q1-results, please allow me to do a quick side remark regarding the audit procedure and the postponement of our audited consolidated financial statements 2021.

On the 20th of April Ernst & Young have fully completed their very deep audit procedures. Of course, it was later than planned, but it was especially due to a very close look on certain sub-areas within the Group like the Corestate Bank, the HFS and on some balance sheet items with critical maturities.

By doing so, the management and the auditors have agreed an impairment on the HFS goodwill and furthermore a value adjustment for instance of some cash-relevant current receivables. We have done this for reasons of prudent risk provisioning in order to have a durable fundament and to set the right course for a successful future. As a result, Corestate received an unqualified opinion from the auditor. That is the only thing that counts for all stakeholders – to be ready for everything that lies ahead. But I will come back to that later.

As you can see on side 3, there is a lot going on not only at Corestate, but also all over the world, both economically and politically speaking our economy and the entire investment market are facing a dynamically rising inflation-interest rate spiral. The well-known drivers Covid and the war in Ukraine are creating a huge jet effect that is almost impossible to control reactively by politicians and central banks. So, the challenges for the overall economy and the real estate sector have not diminished in the first three months of 2022. On the other hand, valuations of assets that were hit hard by the pandemic, such retail, micro living and hotels, have also stabilized in recent weeks.

That mean: This was not an easy start to the year for Corestate or the entire real estate sector. Nevertheless, we continue to pursue our strategic agenda by focusing on our core business and making the company fit for a comprehensive restart. Internally, we are already well on track with our organizational restructuring measures, repositioning and ongoing efficiency program. But there is still more homework waiting for us. One of the most important challenges for us is, of course, debt reduction and the refinancing of our bonds. We will be working hard on this in the coming weeks and months.

A key objective in the context of the transformation of the Group was also focusing the business model on core real estate activities to sharpen our profile in the market. Thus, one of the strategic decisions taken last 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. I will come back to this in a moment on the following page.

The changes on the central bank side mean nothing less than a comprehensive and deep adjustment process for the real estate industry. As always in such disruptive situations, there are three main factors that count here: opportunity, flexibility and speed, in order to be at the forefront of such a movement.

It is therefore not surprising that the first effects of this development and investment reluctance are also reflected in our Q1 figures.

In our special situation, this negative development is intensified by the open refinancing and the resulting increased uncertainty on the part of the company.

Here we are seeing already a certain degree of reluctance with our clients towards new business. Please flip to page 4

You see an overview on our Assets under Management on this chart. End of the first quarter 2022 the real estate AuM within Corestate's core equity and debt segment went down a bit to 18.4 billion € from 19 billion € at the end of 2021.

Here, divided into the debt arena, where the assets with 6.5 billion remained stable, and in the equity field the AuM came to 11.9 billion € from 12.4 billion € three months ago due to a regular outflow of a couple of smaller commercial portfolios.

As indicated, we will gradually divest our non-core activities with a current AuM volume of 5.5 billion € coming from 8.5 billion € last year. 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.

In addition, the spin-off process for our property manager Capera will lead to a reduction of AuM in the amount of 2.5 billion € in the course of the year.

For this reason, they have been reported as discontinued operations in our Annual Report 2021 as well as in our interim statement for Q1.

Let's move on to the next slide 5 and I will explain where we stand with Capera

As you know, at the beginning of this year, the spin-off process was initiated.

We have made fast progress here. At the end of April, we signed the SPA with a strategic buyer. The transaction is expected to close in the next few weeks in the second quarter.

But what does this mean in figures for Corestate: Capera generated roughly 18 million € in revenue last year. With the divestment, the number of employees in the group will decrease by about 270 FTE – which is roughly one third. Also, about 2.5 billion € of our non-core AuM will be shifted to the buyer. The anticipated cash proceeds from the transaction are around 14.5 million € and will support our debt reduction.

This portfolio measure is an important strategic step to sharpen our real estate profile and to focus on a future-proof profitable business set-up with higher synergies and less complexity.

Let's now turn to slide 6, where we start a quick tour through the specifics of our both core segments.

While being confronted with the economic effects of the coronavirus pandemic, the Ukraine war, surge in inflation and increasing interest rates, the conditions for the real estate industry worsened somewhat already in the first three months of 2022. Therefore, the risk aversion of institutional clients went up significantly.

We have fulfilled on behalf of our clients several transactions and investments like the acquisition of the new residential quarter in Kiel's prime location "Am alten Bootshafen" for special institutional AIF "Residential Germany Fund II." or the prestigious "Fünf-Häuser-Quartier" project known as "Neue Mitte" in the centre of the Dreieich district of Sprendlingen for its open-ended special AIF "Stadtquartiere I" for around € 43 million. Other selected highlights in the operating business were, for example: the acquisition of the trend-setting office building in first zero-carbon-district of Paris or the well managed turnaround of an office building at Frankfurt Airport through repositioning and successful leasing.

You can see on this slide different split-ups of our 11.9 billion € real estate equity business. Beyond our specialties like micro living, logistics or city quarters – the latter is subsumed under "other" – almost the half of the AuM are office properties mainly in Germany, France and Benelux, and as a side note, above 80% are core and core plus investments.

Please follow me to page 7 of the presentation

This page is about our real estate lending and financing business, where we are in charge for a gross asset value of 6.5 billion € with our around 1.2 billion € mezzanine fund.

At the end of the reporting period, we've financed through three evergreen fund vehicles 42 projects with an average financing size of around 30 million €.

The focus has not shifted since years, the vast majority of is invested in the metropolitan areas in Germany, Austria and Switzerland. Above 70 percent of the lending goes to the top 7 cities in Germany. And even more important for the performance of the fund, roughly 70 percent are residential anchored projects, which went through the crisis without any negative impact according to the ongoing high demand.

Currently, we have provided funds to 24 different developer groups on a single-asset basis, the largest counterparty of which takes less than 18 percent in total.

On the investor side, we have seen stable development of the fund over the last ten years since its inception, with no significant impairments of projects and the usual churn associated with such a high-risk product. The latter has increased somewhat due to the pandemic and recent uncertainties in the company.

Of course, in the light of the inflationary challenges in the development sector, we have also intensified our monitoring activities and close interaction with project managers to prepare for all eventualities.

Given the excellent double-digit performance of our funds, our market-leading position, and our proven expertise in actively managing our risks, we feel well positioned to compensate and show further growth in this challenging asset class.

On the side of our debt advisory business at Corestate Bank, the clear need in these uncertain times for bank-independent financing solutions is also evident - here we can deliver a unique value chain.

Our business model puts the company in a position to leverage a large number of value-enhancing synergy potentials in its product offering, especially in difficult times when increasing risk elements put pressure on returns in the regular stand-alone portfolio business.

With this, I would like to hand over to our CFO, Udo Giegerich. Please flip to Page 8 and Udo, the floor is yours

Udo Giegerich

Many thanks, Stavros, and a very warm welcome to all of you also from my side.

I'd like to give you information on our income lines. In very brief: after the improved business development in the last financial year 2021, during the first three months we have seen a subdued start into the new year

Including the revenue from Real Estate Equity, from Real Estate Debt and from other segments, the Group's aggregate revenue and gains were almost stable with 37.6 million € compare with the prior year's figures of 37.3 million €.

The aggregated revenue and gains from continued operations reduced slightly to 29.7 million € from 30.2 million € in the first quarter last year.

The Property Management business for third parties, which is to be sold and therefore flagged as discontinued operations, contributed 7.9 million € to aggregated revenues and gains in the reporting period.

Let us take a deeper look into the individual top-line growth of the reporting segments

The Real Estate Equity segment generated revenues of 12.4 million €, slightly above the prior year's level with 11.7 million €.

Our equity transaction fees including acquisition fees and realized sales and promote fees came to 1.3 million € from 2.1 million € last year, what was mainly driven by a lower transaction volume in the first three months 2022.

The larger income part of this segment the asset and property management fees, including the development fees in this segment went up from 9.6 million € to 11.2 million €, mainly due to a solid underlying business and a stable development for micro living and service apartment projects.

The total revenue from Real Estate Debt went down by 17 percent from 21.3 million € to 17.7 million € underlining the weakish private debt market in the first quarter 2022.

Revenue from underwriting and structuring fees fell from 3.7 million € to 0.2 million € which clearly shows the suspension or postponement of deals and financing projects as a result of the increasing uncertainty.

Revenue from asset management and performance fees – including coupon participation fee – increased a bit from 12.1 million to 14.3 million €.

Income from bridge loans dropped considerably to 2.1 million € from 5.5 million €.

Income from the other segments developed positively compared with the same reporting period in 2021, essentially supported by higher dividends from alignment capital. Moving on to Slide 9, 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 in amount of 24 million €, up from 21 million € last year. The OpEx-ratio increased to 63 percent from 55 percent.

While the expenditure in the equity segment and in Others have been almost flattish, the cost increase in our debt segment was mainly driven by the first time consolidation of the Corestate Bank – in the previous year's figures it was not yet included.

The G&A expenses reduced to 9 million € from 12 million €, as in 2021 this position contains already one-off expenses from M&A-related activities

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

Our EBITDA from continued operations stood at 0.7 million € compared with minus 0.2 million € last year. The EBITDA margin came to 2.5 percent from minus 0.8 percent.

Depreciation & Amortization, 3.6 million €, include also consolidation effects from the acquired Corestate Bank.

Our net profit from continued operations for the first three months 2022 stood at minus 9.3 million €. Corrected by depreciation of 2.2 million € on PPA-related intangibles and deferred tax liabilities of minus 0.5 million € the corresponding adjusted net profit from continued operations amounting to minus 7.6 million €.

The figures are representative of a typical seasonal start to the year, with cost discipline being practiced at the same time. Please flip to the next slide.

Page 11 provides an overview of the main balance sheet items at the end of the year.

With just close to 617 million € in equity, the equity ratio came to 44.3 percent at the end of March 2022.

By far the largest component in our non-Current Assets is unchanged the goodwill position with 487 million € created mainly in association with the acquisition of HFS, HL, STAM and finally the Corestate Bank.

Investment in Associates and Joint Ventures have slightly decreased in the course of the first quarter 2022 results mainly from the outplacement of project Vision One in the Stuttgart metropolitan area.

The balance sheet item other financial instruments, which includes the Opportunity fund and the Stratos fund as largest positions, showed a slight increase from 152 million € to 156 million €, to which the aforementioned outplacement of Vision-One-Project also contributed.

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

Contract assets increased significantly to 72 million € from 59 million € at the end of last year, primarily caused by the Coupon Participation Fee

At Other Current Financial Assets in form of our bridge loans went up by 2.5 million € to 89 million €.

Total liabilities added up to 766 million € from 779 million

Turning to the next slide, Page 11, I will explain how things are going with our warehousing project in Giessen

The successful sale of our inner-city shopping center in Giessen represents an equally important undertaking for Corestate. The placement of this yielding asset with a mortgage loan of 52 million € is a relevant part of our deleveraging efforts.

Considering the modernization measures carried out and the improved tenant structure as well as occupancy rate in the last years, we are more convinced than ever of the increased attractiveness and value of this property.

With a clear view of the markets and the emerging recovery of the retail asset classes after the Corona pandemic as well as to enhance the sales proceeds in terms of cash return, we have decided to restart the placement process for this asset.

Our aim is to sell as large a part of our investment in Giessen as possible. This was not feasible based on the previous sales structure. Therefore, after completion of the construction measures and on the basis of a higher rent ratio, we will start a new structured sales process in Q3.

We will be working on this with a clear and stringent focus in the coming months. Please turn on the page to slide 12

I think, you are quite familiar with this chart. What you can see, at the end of the reporting period, we had around 621 million € of total debt. This contains 143 million € bank and other debt including 52 million € warehousing debt.

With our cash pile of more than 70 million €, considering additional 19 million € for leasing liabilities, our net debt stood roughly at 533 million €. And please remember, we have redeemed 30 million for HFS bond already last year and bought back a certain amount of our convertible bond for the time being.

As we have already stated several times, the most important goal this year is to clarify the issue of open refinancing

On the one hand, we will continue to work on the realization of our cash conversion program and clearly try to book the cash inflows for instance from the CPF, from the repayments of the bridge loans and from the other asset-placements.

But, given the small scale and complexity of the business, it is sometimes very difficult to reliably estimate the cash inflows in detail and to classify them exactly from the point in time. Especially as we are also dependent on third parties for some of the items, where we are not in the driver seat and cannot determine the progress of the projects independently.

On the other hand, we have to perform our duties in the best interest of the company. So, we are also looking at alternative approaches to refinancing the 2022 convertible as well as the 2023 note. To this end, we have engaged financial and legal advisors to help us evaluate and prepare all the options we have.

With this, I would like to thank you for your attention and please flip to Page 13, Stavros, turn to you

Stavros Efremidis

Many thanks, Udo. As mentioned at the beginning, the recent severe geostrategic and macroeconomic challenges foster a highly dynamic interest rate environment with clear implications for sector allocation and asset valuation.

The real estate sector is already affected by this in the early stages. On the investor side, this will in any case lead to significantly lower risk appetite and transaction volumes in 2022.

Added to this are our uncertainties on the corporate side, which are further fed not least by the open refinancing issue and our external rating.

Both together are likely to weigh on our new business and lead to significantly lower revenues in the current year, especially from acquisition- and performance-related fees.

This high level of vagueness in our business forecast has led us to decide to withdraw our financial outlook 2022.

Of course, as soon as the visibility on our operating business, the overall real estate market and the implementation of our refinancing has increased, we will provide a new financial outlook to the capital markets.

Until then, we will continue to work with high pressure on our key priorities.

Starting with a consistent de-risking of the company and a balance sheet slim down based on lower bridge lending, reduction of co-investments and alignments.

In the coming weeks and months, we will continue to do everything in our power to free up liquidity at all levels and improve our net debt position as quickly as possible.

In addition, we will continue to implement our efficiency program; on the basis of the measures already implemented in the areas of personnel and non-personnel costs, we have already achieved the minimum target of annual cost savings of €10 million as of 2023

Finally, based on an adjusted strategy and a comprehensive re-branding in combination with improved transparency and governance, we will reposition the company in a changed real estate world to the greater benefit for our investors, clients, employees and business partners.

I am highly motivated and committed to achieving these important targets together with my colleagues on the Management and Supervisory Board

With this outcome, I would like to hand back to the Operator, and we are now ready to answer your questions.

Operator — 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. One moment for the first question, please. The first question is from Ash Thomas from Grittleton. Please go ahead.

Ash Thomas — Hi, guys. Thanks for taking my question. When I look at your presentation, you say that your real estate debt earnings went up because of increased fund profitability. But when I look at your financial report, your financial report says that the increase was chiefly attributable to prolongations of Stratos II bonds.

So can you explain to me what actually happened here? Were you just extending the loans, the duration and maturity of the loans in the Stratos II Funds and then booking that as performance fee?

Kai Gregor Klinger — So, to correct you, this is not based only from prolongation. Actually, it's linked to Stratos funds, it is maybe also linked to the Stratos II fund. But it's, and it's Kai here, but it's a general improvement of the underlying value of our investments.

Ash Thomas — Okay, so I'm reading from the financial report that you put out alongside the presentation and you say, this increase was chiefly attributable to prolongations of Stratos II bonds that strengthen the nominal base and thereby increase the fund's profitability. So that's what you've published, but you're telling me that is incorrect?

Kai Gregor Klinger — No, it's not incorrect. It's in addition to what is the underlying value of our funds.

Ash Thomas — So what is the reference to prolongation there? Is that a change in the loan maturities in the Stratos II Funds?

Kai Gregor Klinger — So what happens at HFS in our Mezzanine investments is that we will have a monthly and quarterly review of all of our investments based on valuation and progress and the performance of the underlying asset. And based on that, of course we will have on a pro rata temporis basis also a share in our performance fees on this underlying value.

Ash Thomas: So the way I should understand that is by prolongations you mean you revalued the Stratos loans and the valuations of the Stratos loans went up and that improved the profitability.

Kai Gregor Klinger: Not prolongations. Again, it's not only prolongations.

Ash Thomas: I'm quoting the report you guys published and literally reading it out from your Q1 2022 quarterly statement. Those are the words you used, so please stop correcting it.

Kai Gregor Klinger: Right, but it's not only prolongations. Actually, it's the valuation of the underlying, so prolongation…

Ash Thomas: I was just trying to understand what the key driver is, because you say chiefly attributable, and so is it…? What was the main reason for the performance fees increasing? Was it a change in the valuations of the underlying loans or was it a change in the maturity data of the underlying loans? It sounds like you're saying valuation.

Kai Gregor Klinger: Yes, right, it's a change in the valuation because this is the basis of the performance fee.

Ash Thomas: Okay, and then just on the… One of the questions which has been relevant for the market here is whether or not there are changes in the maturities of the loans in the Stratos Funds happening. Effectively, are loans being rolled? How many loans in the Stratos portfolio have had their loan maturity changed over the last two years?

Kai Gregor Klinger: So actually this is not public information because we can only refer to… So the Stratos Fund is not an open market vehicle. It's for our investors and so we can't and we are not able and allowed to disclose these non-public information.

Ash Thomas: So I note from your prospectus in 2021 that the structure of these loans is typically pick, so you accrue the interest and the interest is only paid at the maturity of the loan when the loan is paid down in full.

So understandably one of the questions is, are these loans actually being paid or are the maturity dates of these loans being changed? Is there anything you can tell us which would help us understand whether or not you changed the maturity dates of these loans?

Kai Gregor Klinger: Actually, the current turnover in this fund in terms of investments and new investments, old which gets redeemed and new investments which we are stepping in, is roughly on the average 1.5 years. So based on this number, it's naturally that we get repaid on the average in our Mezzanine lending after 1.5 years, so your indication is…

	And of course we have… If it comes to a hiccup in a loan, whatever, a delay on the development, to receive construction permits in a project, then of course it can take longer. But on the average we have, and this is no statistic, a 1.5 year turnover in this fund.
Ash Thomas	And what period is that average over?
Kai Gregor Klinger	And, I'm sorry, so we can have a separate dialogue in the aftermath of this call. We wouldn't use this time not only for one…
Ash Thomas	Well, the reason that is important is because it seems to generate literally [overtalking].
Kai Gregor Klinger	[Overtalking] but, again, I have to…
Ash Thomas	I'll move on to another question. In the Stratos II and Stratos IV portfolio, are there any outstanding loans to related parties or former related parties?
Kai Gregor Klinger	Again, this is not public information. I'm sorry. I will go now to the next…
Ash Thomas	Albeit…
Kai Gregor Klinger	I'm sorry.
Ash Thomas	You'd have to disclose related [overtalking].
Stavros Efremidis	We now go to the next questioner, please.
Ash Thomas	You do not disclose the related party transactions in the Stratos Funds?
Kai Gregor Klinger	Again, we will do this in the aftermath of this call. Thank you.
Ash Thomas	But there is a related party disclosure section in your annual report. Are there related party transactions happening in the Stratos II and Stratos IV Funds? If so, why aren't they appropriately disclosed?
Kai Gregor Klinger	Once again, I don't want to be rude, but thank you so much for your question.
Operator	The next question is from Manuel Martin from ODU BHF. Please go ahead.
Manuel Martin	Hello, gentlemen. Thank you for taking my questions. I have two questions. Maybe we can go through them one by one. The first question on HFS. It's on the impairment which has been conducted by year end 2020/21. The impairment of the goodwill came I think as a surprise to the market because beforehand everything seemed okay at HFS. Could you elaborate a bit on the details? What changed in the perception? Why was there suddenly goodwill and does this

have future implications on revenues and profits?

Udo Giegerich: Hello, thank you for your question, Manuel. Regarding HFS Fund, firstly, it's still one of the largest Mezzanine funds in €pe. However, we have some cancellations in the funds which dropped down the volume of the fund, so this was the first driver of the goodwill impairment.

The second driver, of course in an increasing interest rate environment, especially on the terminal value of the valuation of the Stratos Funds and the volumes in the funds, has an impact on the goodwill. The goodwill was rather on the high side because we acquired the fund in basically the boom times five years ago and therefore we came now to the conclusion together with the auditors that we have to impair the value of the goodwill.

Manuel Martin: Okay, so it was… It drove up your WAC calculation then, I assume.

Udo Giegerich: Yes.

Manual Martin: Okay. Then the second question is related to the debt financing process that you're in. We have seen articles in the press yesterday also about Pimco, for example, very interested to restructure the debt at Corestate as a major bondholder and today the stock price is down, heavily dropping. Maybe we can go a bit into detail about the options you might have in mind.

As far as I know, there are several possibilities. There could be, for example, a debt to equity swap. There could be a capital increase. There could be extended maturities. Do I miss anything or can you rule out something or give us a bit more light on the options that are on the table?

Udo Giegerich: As we have just started this process, we have agreed with a financial advisor to help us on this process and to review all these options you have stated and all these options are on the table. We will now go into a valuation process of these options and into… And therefore… And then we will decide and we will also make it public for what we have decided. But currently we are at the beginning of this process.

Manuel Martin: Okay, good. Thank you very much.

Operator: The next question is from Andrea Remke, Baader Bank. Please go ahead.

Andre Remke: Yes, it's actually Andre. Thank you for taking my question and good morning from my side. A couple of questions. First starting with the disposal of Giessen property, did I get it right, you already signed the disposal at year end or

	beginning of the year with an expected closing then in April?
	Did you cancel the contract or did not close the contract or was it the buyer, the initiative of the buyer? And do you expect a high value rather than you indicated so far, or was it only a matter of fact that the buyer cancelled the deal? So this is the first question, please.
Kai Gregor Klinger	Hi, Andre. It's Kai. So thank you for your question. We have to be a little bit restricted because this is not really public domain information. It's a bilateral contract which we stepped in there. At the end of the day, it was – and we can only talk from our side – it was not feasible from our view to materialize a significant cash outflow of this deal.
	So, we had an off-market transaction in the past. We have signed an agreement between 51 and up to 90%, and it was unlikely from our side that we would go much higher than the 51% in the sale of this asset. It was from this perspective very unattractive for us to stick to this agreement. Then we had the mutual consent with the potential buyer or the former buyer that we will unwind this agreement.
	We will restart the marketing of this yielding asset in Q3 after the building and construction measures are completed and we can it let up. We have already increased the letting ratio beyond 80% and we will do it if we are at 90% because then it's much more attractive from the buyer's perspective.
Andre Remke	So, in other words, you at least expect the figures you expected so far addressing disposals, this deal?
Kai Gregor Klinger	We will and we want to place asset and not only a 51% majority because then we will stick to the remaining 49% for the next ten years.
Andre Remke	Yes, okay. Thank you for the information. The second question is, you reported on the disposal of CAPERA, this seems to be at least… You have got the signing for the closing. Could you update on your also planned disposal of CRM? Is it also underway or is it for reviewing or again under review?
Kai Gregor Klinger	Well, again, this is something where we… So this is not a big deal we are talking about. We want to do this in the best interest of the company and there we need a certain working environment that we want to step in. Currently, we are happy with the successful placing of CAPERA, also for an attractive price. The book value was around €3 million and we were calculating cash inflows close to €15 million.
Andre Remke	This was for CAPERA, right?
Kai Gregor Klinger	This was for CAPERA.

Andre Remke | Yes. And for CRM, please correct me, this is roughly 12 million last year revenues but zero result. Is that right, the number?

Kai Gregor Klinger | Neutral in EBITDA. This is actually applicable for both CRM and CAPERA. And bear in mind 2021 and 2020 were very difficult years in terms of the pandemic, so this is obviously not a regular business year. Usually, we were happy in the past to achieve EBITDA margins between five and 10% for our property managers, which was in the past clearly dilutive. This is also the reason why we are taking this out of our core activities.

Andre Remke | Okay, got it. Then the last question, again, back to the E&Y statement and the audits in the annual report. They were saying there could be another impairment on HFS if it's extended, or they expected a strong recovery of the fund volume will not take place. Could you comment on your view on the operations in this environment?

The reason… So it's not a long time ago that this was stated, but it seems to be that also you withdraw your guidance due to the most recent macro events and you mentioned this is also entering the real estate market. So was this potentially also in fact your expectation on recovery of fund volumes in HFS?

Udo Giegerich | Look, the market is difficult. Currently, the market for leveraged financing is difficult and therefore… But, on the other hand, we are also seeing the bank stepping out more and more of this market and therefore we clearly see still some potential for private debt funds, as we have with HFS in our portfolio. But we have now to currently review the market environment and come back with numbers.

Andre Remke | Okay. Then a very last question. You mentioned the efficiency program, cost savings of ten million. Did I get you right that you already reach this number, or…? Otherwise, I misunderstood you. And a related question, what are the costs for the implementation of the program, especially for this year, into your accounts?

Kai Gregor Klinger | Yes. So of course we have fulfilled internal measures to cut these at least ten million of costs already. Of course as there's a certain delay until these cost savings will come into your P&L and we are currently calculating latest in the beginning of 2023 with that. We have in our 2021 accounts implemented a provisioning for that measure of around six to €7 million and so we currently have no further costs for that in mind for the ongoing…

Andre Remke | Sorry?

Kai Gregor Klinger	For the ongoing year. So we have booked that. These measures are already in the provisioning in 21. And we currently fulfilled this already.
Andre Remke	Okay, that's clear. That's it from my side. Thank you very much.
Kai Gregor Klinger	Thank you so much.
Operator	Ladies and gentlemen, at this time we will close the question and answer session and I hand back to Dr Kai Klinger. Please go ahead.
Kai Gregor Klinger	Thank you so much for listening and we appreciate your interest and your questions. 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. Bye.