



**CORESTATE**  
Capital Group

## **RESULTS H1-2021**

**PRESENTATION –  
CONFERENCE CALL FOR  
ANALYSTS & INVESTORS  
9 AUGUST 2022**

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## Glossary

€ = Euro;	(F)Y = (financial) year(s);
\$ = (US)Dollar;	H = half year(s);
% = percentage;	LTM = last twelve months;
a = actual;	M = month(s);
acc. = according;	Q = quarter(s);
adj. = adjusted;	k = thousand(s);
aggr. = aggregated;	m = million(s);
approx. = approximately;	bn = billion(s)
c(a) = circa;	
e = expected;	

Please note that there may be rounding differences in this presentation compared to the financial report regarding the mathematically exact amounts (currency units, percentages)

# BUSINESS SUMMARY H1-2022

The European RE industry is facing a challenging macro environment with rising interest rates, inflationary pressure and a strong degree of uncertainty among all market participants

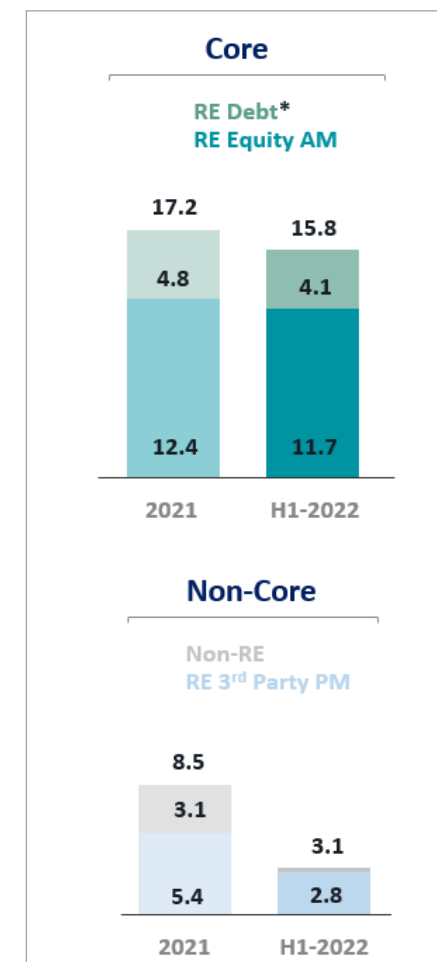
## Corestate Development

### Operational

- Management strengthens governance, streamlines org structure and simplifies processes
- Concentrating on core business – divestment of low-margin and personnel-intensive peripheral activities partially realized; led to reduction in non-core AuM
- Extended efficiency program with comprehensive cost savings already in progress
- Uncertainty due to pending financial restructuring is putting a strain on customer relationships with additionally negative business impact

### Financial

- AuM decrease driven by valuation adjustments in RE debt and regular outflows in RE equity segment
- H1 shows a subdued operational top-line development, impacted by last effects of pandemic and seasonality in Q1 and finally a fully changed investment environment in Q2
- Results severely impacted by one-time impairments and comprehensive risk provisioning
- Top priority on securing liquidity and exploring possible restructuring solutions for the two expiring bonds**



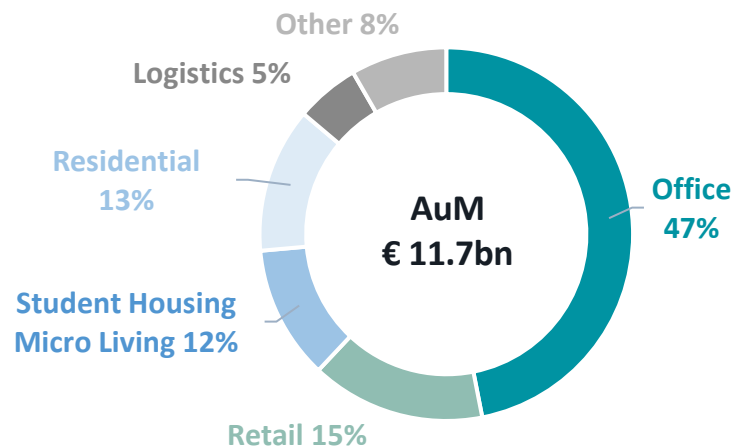
\* Change in the valuation method as of 30.06.2022

# THE RE EQUITY SEGMENT

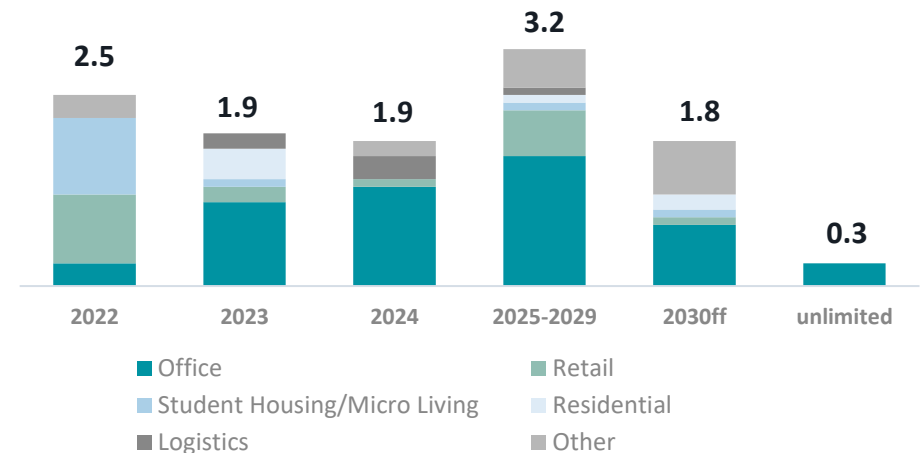
## AuMs declined – further outflows scheduled in H2

- RE Equity AuM at **€ 11.7bn** (2021: € 12.4bn) with regular outflows of some commercial assets
- Uncertainties on corporate side hamper operating business in terms of new commitments and existing portfolios
- Further AuM reduction in Q3-2022 due to the loss of a bigger mandate
- Strengthening leading position in selected niche markets like student housing and city quarters, as well as value add driven transactions in a more opportunistic market

## Asset Class Allocation in RE Equity Segment



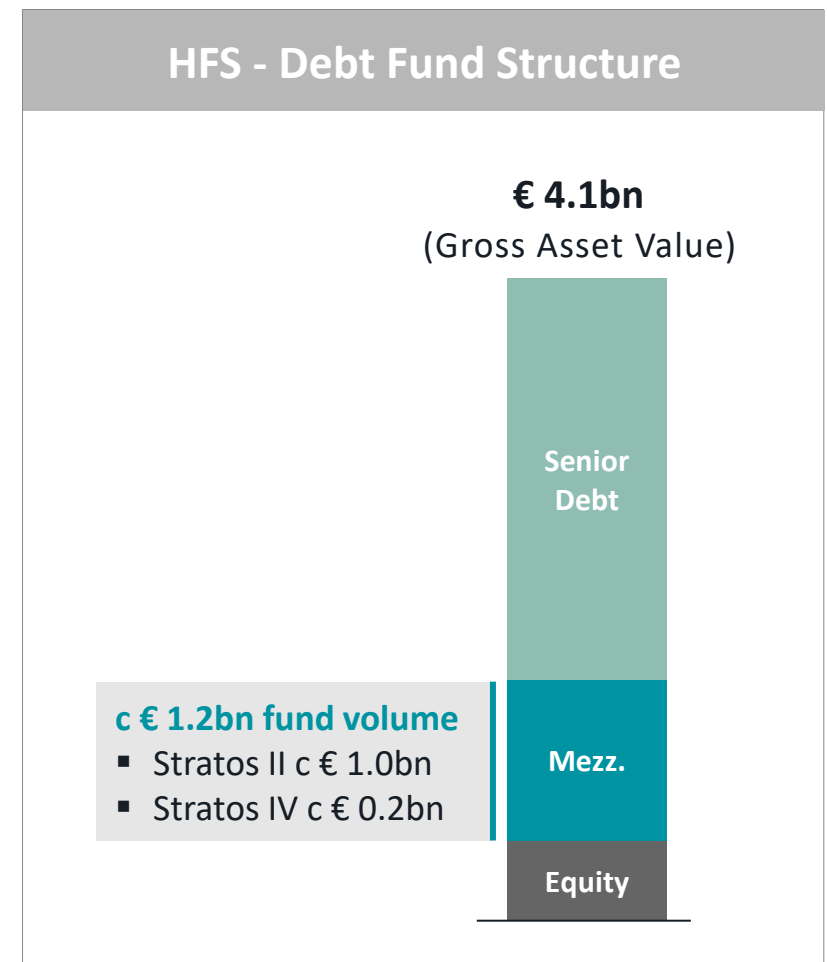
## Average Weighted Maturity of >3 Years (in bn€)



# THE RE DEBT SEGMENT

The situation at the largest of the Stratos funds will have a significant negative impact on future top-line and profitability of HFS

- Total **debt AuM** dropped from € 4.8bn at the end of 2021 to **€ 4.1bn<sup>1)</sup>**, mainly resulting from lower valuations due to deteriorated market environment such as interest rate changes and higher construction costs
- Weak transaction environment leads to project delays and significant fee decline from **debt financing and structuring business** (“wait-and-see sentiment”)
- **Suspension** of dividends and payments of **Stratos II fund**; restructuring talks with the investors started; restricting access to coupon participation fees for HFS
  - **Impairments** on goodwill & intangible assets of HFS and C-Bank totalling **€ 378m**
  - **Risk provisioning** for receivables with critical maturities and CPF of ca. **€ 73m**
  - **Fair value measurement** in Stratos funds of **€ 14m**



# INCOME LINES SHOW A SUBDUED COURSE IN 2022

## Revenue Split <sup>1)</sup>

in m€ (previous year)

		H1-2022	H1-2021	
RE Equity	Acquisition & Sales Fees	2.7	6.5	▪ Significant lower transaction volume
	Asset and Property Mgt Fees	21.4	20.2	▪ Stable, with fees on the prior year level
RE Debt	Underwriting & Structuring Fees	1.6	27.9	▪ Weak debt finance business due to changed interest rate and market risk environment
	RE Asset Mgt & Performance Fees	7.6	30.6	▪ Suspension of payments from Stratos II
	Income from Bridge Loans	3.9	10.0	▪ Necessary risk provisions
	Income from Other Segments	-14.3	3.1	▪ Value adjustments in Stratos fund
<b>Aggregate Revenues &amp; Gains</b>		<b>22.9</b>	<b>98.3</b>	

<sup>1)</sup> Continued Operations

# EARNINGS MARKEDLY IMPACTED BY NON-RECURRING ITEMS FOR RISK PROVISIONING AND IMPAIRMENTS

## Key P&L Figures <sup>1)</sup>

in m€

	H1-2022	H1-2021	
<b>Aggregate Revenues &amp; Gains</b>	<b>22.9</b>	<b>98.3</b>	
Expenses from RE Equity	47.3	30.8	OpEx
Expenses from RE Debt	90.0	7.1	
Expenses from Other	4.1	5.0	
G&A Expenses	24.1	23.9	
Other Income	17.2	4.2	
<b>EBITDA</b>	<b>-125.4</b>	<b>35.7</b>	
D&A	-382.8	-15.4	
<b>EBIT</b>	<b>-508.2</b>	<b>20.3</b>	
Financial Result	-6.5	-9.6	
Income Tax	-7.1	-7.5	
<b>Net Profit</b>	<b>-521.8</b>	<b>3.2</b>	
<b>Adjusted Net Profit</b>	<b>-150.5</b>	<b>17.2</b>	
<b>EPS in €</b>	<b>-15.28</b>	<b>0.11</b>	

- **OpEx** increased significantly to **€ 141.4m** (€ 42.9m), mainly due to € 106.7m one-off items from risk provisioning & value adjustments
- **G&A** expenses almost stable at prior-year level, saving effects will start in Q4-2022 at the earliest
- **D&A** essentially characterized by impairments of goodwill and other ppa-related intangibles at HFS and Corestate Bank
- **Adjustments in net results of € 371.3m** (€ 14.0m)
  - € 377.9m impairments
  - € 2.0m from PPA (€ 13.1m),
  - € -8.7m from DTL (€ -3.3m)
  - No adjustment at EBITDA level for operationally related one-off effects such as risk provisioning and value adjustments

<sup>1)</sup> Continued Operations

# NON-CASH VALUATION ADJUSTMENTS TO REFLECT THE NEW REALITY

## Mandatory accounting measures led to a significant balance sheet cut

- Major **goodwill** impairment on HFS and C-Bank, position dropped from € 487.2m (FY-2021 ) to € 162.1m and **intangible assets** decreased to € 29.6m from € 84.8m (FY-2021)
- Due to suspension of the Stratos-II-fund and started restructuring, the **contract assets** position decreased by € 32.1m to € 26.4m (FY-2021 € 58.5m)
- **Cash and cash equivalents\*** with € 61.0m were relatively stable (FY-2021 € 62.8m)
- **Equity** significantly reduced from € 626.2m to € 102.9m – equity ratio now at 12% (FY-2021 44%)
- **Total financial liabilities** at € 632.5m (€ 622.0m) – **net financial debt** slightly up to € 553.1m from € 526.5m (FY-2021) mainly due to the transitory acquisition of an office building project in Augsburg
- **Cash conversion** program and **liquidity securing** continued with high priority, significant headwind from current challenging market environment (e.g., Gießen placement expected to restart in Q4)

\* Without restricted cash



## CURRENT STATUS OF FINANCIAL RESTRUCTURING

- **Constructive and continuous dialogue with noteholders' representatives** of the 2022 and 2023 bonds with the aim to prepare a **proposal of resolutions** to be agreed at a **noteholders' meeting**

### A set of coherent structuring measures paves the way for a full re-start in a changing RE world

- **Stabilize the company:** strong management performance required to execute a reshaping of the Group against the backdrop of high uncertainties on market and corporate side with implications on business
- **Efficiency program:** consistent restructuring on all layers with **annual cost savings** in a **low to mid double digit million amount** latest from 2023 onwards
- **Forecast:** in May, management withdrew financial outlook for 2022; in the course of the year reassessment of the business forecast considering all market information; property valuation remain volatile in the face of rising capital costs and market uncertainty

# FINANCIAL CALENDAR

9 August 2022



Publication results for H1-2022

8 November 2022

Publication results for 9M-2022

[www.corestate-capital.com/share](http://www.corestate-capital.com/share)



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