Corestate Capital Holdings SA

H1 2022 Results Call

9th August 2022 | 9:30 AM CEST

Transcript

Speakers:

Dr Kai Gregor Klinger

Stavros Efremidis

Udo Giegerich

Ladies and Gentleman, thank you for joining us today on our earnings call for the presentation of our financial results for the first half of 2022. On the Corestate investor relations website, you will find the press release, the half year report 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 harbour language applies to the presentation and all comments we will 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. In advance, I would like to point out that we are dialling in from different locations, and I hope that there will be no problems during the conversation.

If there are any interface losses, especially when answering questions, I would ask for a little patience and understanding, we will answer all questions, if necessary, bilaterally after the call. Now we would like to start to 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 hand over to the CEO of Corestate, Stavros, the floor is yours.

Stavros Efremidis

Thank you, Kai. Good morning, ladies and gentlemen, and a very warm welcome from my side. There is a lot going on not only at Corestate, but also all across the world, both economically and politically. We are facing a dynamically rising inflation-interest rate spiral. Covid and the war in Ukraine are creating huge effects that are almost impossible to control by politicians and central banks. Supply shortages have reached a new dimension, price increases now reflect massive levels of inflation. Wage, energy and material costs are going through the roof - all this while interest rates are rising. So, the challenges for the overall economy and the real estate sector have not diminished in the last quarters.

Taking these general conditions into account, Corestate showed a very subdued business course in the first half of 2022, as expected. After the company had already impaired and risk-provisioned balance sheet items in the previous financial year, we had to decide in the second quarter of 2022 to adjust the goodwill and certain current balance sheet positions again.

All in all, this has an enormous impact on our current half-year financial statements. Our CFO will go into this in more detail later. Nevertheless, we continue to pursue our strategy by focusing on our core business and preparing the company for a comprehensive restart. We are already well on track with our organizational restructuring measures 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 restructuring of our bonds.

A key objective in the context of the transformation of the Group is 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 by selling Capera and to dispose the non-core asset management activities including the airplane and media funds. This is the explanation for the reduction of the AuM in our non-core business, which declined from 8.5 to 3 billion euros.

At the end of the first half of 2022, Corestate managed real estate assets in the core business totalling almost 16 billion euros. In comparison, this figure was 17 billion at the end of 2021. The changes on the central bank side mean nothing less than a comprehensive and deep adjustment process for the real estate industry. In our special situation, this negative development is intensified by the value adjustments and risk provisions made as well as the open refinancing issue and the resulting increased uncertainty on the corporate side. We are experiencing a certain degree of reluctance with our clients towards new business. Please flip to page 4

In the light of the stormy market situation, risk aversion of institutional clients went up significantly and the transaction volume fell sharply across the industry.

However, during the first six months 2022 we have completed on behalf of our clients several transactions and investments like the closing of an office building project in Augsburg, 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-Sprendlingen for its open-ended special AIF "Stadtquartiere I" for around EUR 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.

This brings us to a total amount of assets under management in the real estate equity segment of currently 11.7 billion euros. The main reason for the reduction from 12.4 billion euros at the end of last year was the disposal of some smaller commercial and micro-living portfolios. In addition, two funds specializing in office properties regularly expired in spring.

Furthermore, AuM in the real estate equities business will be noticeably reduced later in the year due to the loss of three asset management contracts, which will take effect in the third quarter. Let's move on to the next slide 5

Amid market volatility and high inflation, lenders are now increasingly focused on mitigating risk. This has led to a shift in the markets which – combined with the rise in key interest rates – has significantly increased the cost of debt for borrowers.

The more than doubled financing costs also led to many investors recalculating in ongoing bidding processes and reducing their willingness to pay. This causes delays and many properties or development projects were taken off the market again.

That is exactly what we have seen in the first half of the year in particular, a very weakish transaction environment and a sharp decline in the debt financing business.

Furthermore, for our most important debt fund, the Stratos II fund, the independent fund manager decided to suspend the redemption of unit certificates until further notice and to prepare a possible restructuring and continuation of the fund.

In the light of the major financial significance of the fund for HFS' short to medium-term business prospects, this subsequently led to a strategic reassessment and adjustment of the corresponding balance sheet items, in particular the goodwill of HFS. Furthermore, we had decided in view of the significant worsening in the macroeconomic environment to adjust the goodwill of Corestate Bank as well.

We remain convinced of the quality of most of the underlying assets in the Stratos funds. The focus has not shifted for years, with the majority being invested in metropolitan areas in Germany, Austria and Switzerland. More than 70 percent of the lending are in the top 7 cities in Germany.

After the turmoil in the real estate market has calmed somewhat, it will be easier to realize the underlying values. Time is essential here, and that is what we have asked the

Stratos II fund's investors to do.

And I am also convinced that our debt advisory business at Corestate Bank will recover once the backlog in the transaction market has cleared. In times of rising interest rates, there is a clear need for bank-independent financing solutions – here we can offer a unique value chain and track record.

Please allow me a quick side remark to give you an explanation for the changed methodology to calculate our AuM. The general valuation methodology for real estate development projects at HFS has been adjusted and further refined. Historically, we have used the gross development value for calculating our AuM. Now, the project phase is the main indicator used to define the applicable valuation method for the respective project. Any projects before reaching the construction phase are recognized at the underlying residual value, while projects from the construction phase onwards are recognized at the gross development value.

With this, I would like to hand over to our CFO, Udo Giegerich. Please flip to Page 6 and Udo, the floor is yours

Udo Giegerich

Many thanks, Stavros, and a very warm welcome to all of you also from my side. Firstly, I'd like to give you information on our income lines. As my colleague has already pointed out, economic conditions in the real estate market deteriorated increasingly since the end of last year. And the real estate sector has already been noticeably affected by this. Rising interest rates, high inflation and geopolitical uncertainties are leading to significantly lower risk appetite and transaction volumes on the investor side. Combined with our corporate-related issues, this is weighing on our new business and leading to lower earnings, especially from acquisition- and performance-related fees. For this reason, Corestate recorded a very subdued business course in the first half of 2022 – as expected.

Including the revenue from Real Estate Equity Segment, from Real Estate Debt Segment and the income from Other Segments, at 22.9 million euros, aggregate revenues and gains from continuing operations in the first six months were significantly below the previous year's figures of 98.3 million euros.

Let us take a deeper look into the individual top-line development of the different reporting segments. The Real Estate Equity segment generated revenues of 24.1 million euros, only slightly below the previous year figure of 26.7 million euros.

Acquisition fees went down from 4.6 to 2.0 million euros, in particular due to a lower transaction volume. Meanwhile, the revenue from asset management proved to be a relatively stable component despite an uncertain environment. These fees improved slightly from 16.8 to 17.3 million euros. Revenue from property management also increased from 1.8 to 2.4 million, mirroring higher occupancy rates at many properties post-Covid pandemic. On the opposite, revenue from sales and promote fees decreased from 2.0 to 0.7 million euros and the development fees remained almost stable at 1.7 million euros.

The total income from Real Estate Debt went down considerably by 81 percent to 13.1 million euros. Revenue from underwriting and structuring fees as well as income from trading activities – representative for the entire credit business – were rather weak and fell from 27.9 to 1.6 million euros. This was mainly driven by project postponements and a very weakish private debt market in the period covered by the report.

Following the suspension of unit certificate redemption and due to the temporary suspension of dividends and payments of the Stratos II fund, no performance fees could be recognized here in the first half of 2022, after 22.2 million euros last year. Asset management fees were relatively stable at 7.6 million euros, compared with 8.4 million euros last year.

Income from bridge loans reduced from 10.0 to 3.9 million euros, mainly attributable to the increased risk provision including interest.

Last but not least, the other segments generated an income of minus 14.3 million euros, coming from 3.1 million euros in the last year. This was mainly caused by higher losses from fair value measurement in an amount of 17.1 million euros, due to extraordinary value adjustments in the Stratos funds. Moving on to Slide 7, please

With this chart, as usual, we would like to give you a little more background on our P&L figures for the first six months 2022. All in all, we had OpEx of 141 million euros, up from 43 million euros in the previous year. This development was strongly characterized by one-time expenses and risk provisions, such as the accrual for onerous contracts, write-down on bridge loans and the value adjustment of contract assets totalling 107 million euros. All costs were digested directly in the operating lines.

The G&A expenses are rather flattish with 24 million euros in comparison with the prior year's figure. Despite the several measures from the efficiency program already realized, we expect the first cost effects will be seen in the fourth quarter. Nevertheless, the absolute number of full-time-employees decreased already from 811 at the end of last year to 504 at the end of the second quarter. This development was mainly driven by the disposal of Capera in June. Irrespective of Capera we've already reduced our remaining staff by around 10% in H1-2022.

As we have already explained in past presentations, the main focus in the coming months will remain on significantly improving the overall cost structure by reducing complexity, avoiding duplicate functions in the organization, and consistently cutting costs at all levels and in all areas.

In summary, this led to a Group EBITDA from continued operations of minus 125.4 million euros in the reporting period, compared to 35.7 million euros in 2021. This development was beside the substantial one-time charges, chiefly attributable to the clearly lower fee volume despite the yet to be adjusted cost structure across all segments.

Depreciation and amortization went up significantly to 383 million euros from 15.4 million euros, mainly driven by the aforementioned goodwill and PPA-related impairments of the HFS and Corestate Bank. Furthermore, this position also includes a small amount from depreciation and impairments of intangible assets recognized business combinations.

Our reported net profit from continued operations for the first six months 2022 stood at minus 522 million euros. Taking into account the one-time charges, the PPA-effects and the deferred tax liabilities the corresponding adjusted net profit from continued operations amounting to minus 151 million euros.

I would just like to mention this for reasons of completeness. Earnings per share after the first six months of 2022 are minus 15 euros. EPS in the comparable period last year stood at 0.11 euros. Please flip to the next slide.

On page 8, I would like to address important balance sheet items and their development in the first half of 2022. The most significant change in our balance sheet as of 30 June 2022 occurred in the position goodwill and other intangible assets, mainly driven by the impairments of HFS and Corestate Bank. Goodwill dropped from 487 million euros last year to 162 million euros and the intangible assets decreased to 30 from 85 million euros.

Due to the suspension of unit certificate redemption for the Stratos II fund and the start of restructuring talks with investors, we also had to recognize value adjustments on our contract assets. As a result, this position currently decreased from 59 to 26 million euros.

Cash and cash equivalents were relatively stable at around 61 million euros at the end of June, down from 63 million in December 2021. This means, that liquidity for ongoing operations is largely within normal parameters for the coming months.

Against the backdrop of the negative earnings development and one-time effects, total equity decreased drastically from 626 million euros in 2021 to 103 million euros at the end of the reporting period. The Group’s equity ratio thus fell to roughly 12 percent, compared with 44 percent on 31 December 2021.

Our financial liabilities totaled 633 million euros as of 30 June 2022, after 622 million euros in 2021. With this, net financial debt – including cash and cash equivalents as well as restricted cash and adjusted for lease liabilities – were slightly up at 553 from 527 million euros. The increase mainly results from the temporary acquisition of an office building project in Augsburg, which is expected to be placed in the course of the year.

We will continue to work on monetizing balance sheet assets. We are also struggling with these market conditions. Despite the significant headwinds, the placement of our Giessen asset is expected to restart in Q4-22.

Another important task for the finance department is the evaluation of a new auditor via an Europe-wide public tender process for the current fiscal year 2022. As soon as the candidates have been selected, we will present them to the shareholders for approval at a separate Annual General Meeting.

In a nutshell, the H1 figures are overshadowed by major one-off effects such as an extensive risk provisioning and the substantial valuation adjustments on key balance sheet items. These measures were indispensable and driven by the market turmoil of the past half year and significantly changed operational growth perspectives as well as corporate challenges, starting with the restructuring of the Stratos II fund. With this, I would like to thank you for your attention and please flip to Page 9, Stavros, turn to you.

Stavros Efremidis

Many thanks, Udo. As we have already stated several times, the most important and urgent goal this year is to restructure the outstanding refinancing. We are pursuing this goal in the best interests of the company and its stakeholders – even though many factors are currently working against us, both on the market and on the company side.

That is why we are currently also intensively examining alternative approaches to refinancing the 2022 convertible bond and the 2023 bond with the involvement of specialized financial and legal advisors who are providing us with comprehensive support in evaluating and preparing all the options available to us and to the noteholders.

Therefore, together with my colleagues, we have been in intensive and constructive dialogue with a group of large bondholders and their representatives over the past few weeks and months.

Our goal is to prepare a proposal for a resolution for a noteholders' meeting in the coming weeks. Please understand that we are not able to provide you with further information on the status of these discussions in our Q&A session. Once there are updates that can be shared with the capital markets, further information will be provided via the usual information channels.

In parallel, we are working at full speed to implement the ongoing cost-cutting measures. To this end, we have already bundled operational areas, systematically reduced double functions and overheads; we are also in the process of closing offices and reviewing all non-personnel costs and other expenses. On the earnings side, the savings will already be evident in the fourth quarter of 2022 and will then be fully reflected in the coming year. The aim is to implement a structural adjustment of the Group by the end of the year to make it an efficient and effective investment house with the existing focus on real estate equity and real estate debt.

After the agreement on a solution of the pending financing issue, we can start further measures to secure the future of our company. For example, we want to initiate a comprehensive re-branding of Corestate and carry out a repositioning of the Group. With a robust and adjusted strategy, we will again be able to strengthen our own competitiveness and regain the necessary trust of customers and investors.

Only by realigning the organization, with simplified structures and efficient processes, can the Company regain speed and profitability. We will then continue to focus on reducing our debt, optimizing our business model and improving our risk profile.

As soon as the visibility on our operating business, the overall real estate market and the implementation of our refinancing has increased, we will of course provide a new financial outlook to the capital markets. In this context, given the high volatility in the real estate sector, further valuation effects on our assets cannot be ruled out, especially this year.

Corestate is still in choppy waters, even after the turbulent years of 2020 and 2021. In view of the major challenges in a dynamic market environment and the demanding situation on the corporate side, we are challenged every day to weigh up and make even unpleasant decisions. Personally, this is not always easy and takes a lot of energy as well as time. However, it is more important that we set the course now so that the company can once again operate successfully in the future. To make such a new start possible, we have rigorously eliminated numerous risk positions from our balance sheets. We are now working with high pressure to find a solid solution for our restructuring and to implement our strategic agenda.

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, we are now ready 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 touch tone telephone. If you wish to remove yourself from the question queue, you may press star, followed by two. If you're using speaker equipment today, please lift the handset before making your selections.

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 Ash Thomas from Karen Capital. Please go ahead.

Ash Thomas

Hi, guys, thank you for the presentation. I was wondering if we could talk a little bit specifically about the Stratos II restructuring. It sounds like you disagree with the decision for there to be a suspension of dividends. But can you just explain to us what the situation is between yourselves and between the fund trustees?

Dr Kai Gregor Klinger

Hi, Ash, it’s Kai. At the end of the day, the decision of Stratos II and the Stratos fund in general, is in the hand of the fund manager and not on our side. We are only an advisor to the fund. And if the fund administrator took the decision to stop further in and outflows until further notice, then it's in his hands and not on our side.

Our duty will be, in the future, to support the fund manager by restructuring the existing investments on the business advisory side and to support any workout measures on the fund, in jointly as a servicer with the fund manager.

Ash Thomas

Understood. Two follow-ups. Why did they make the decision? And what has their rationale been? Because it sounds like, as a result, you're not getting the performance fees, which you otherwise were expecting. And secondly, you mentioned earlier that you thought the underlying positions in the Stratos fund was robust, but in your response, you mentioned supporting of the fund manager in restructuring and in workout. What aspects of the fund or the positions need restructuring or workout?

Dr Kai Gregor Klinger

Of course, if you open the window, and you see extreme turmoil in the real estate industry. First of all, we have had investor cancellations in in 2021 and 2022 of 20% plus, which was much higher than in the past. And not to bring the fund investors in an asymmetric situation, the fund administrator took this decision.

And it’s, again, not a shutdown of the fund, it's a hold on situation with the suspension of the redemption of the unit certificates at Stratos. And in the coming weeks and months, the investors have to decide what will be the next steps. Will it be worked out over time and the continuation of the fund or will it be maybe more drastic measurements, which they would ask for. We, of course, are supporting a possible restructuring in the midterm.

Ash Thomas

Understood. And then you did a good job of helping us understand why, year-on-year, revenues were softer. I guess, quarter-on-quarter, we're seeing negative revenues. Would it be possible just to run through the individual segments and tell us, specifically, what were the trigger points after Q1, which led you to reverse some of the upwards gains you had booked in the different segments?

Dr Kai Gregor Klinger

Yes, of course. As you can imagine, our coupon participation piece of the performance component of our revenues towards the fund was still positive in Q1. And after the fund manager took the decision, we have to adjust this, because then there is no money going in and out of the fund, and we have to adjust our revenues with the updated picture in the second quarter. This is the reason why we have to reverse the revenues of Q1.

	This doesn't mean that somewhere in the future, we would, if the fund is liquid again, and the underlying value of the assets could get materialised on the market, that we would again have the optionality to get our fees again.
Ash Thomas	Understood, thank you. And final question from me. I'm going to try again what I asked last quarter, what is the number and portion by value of related party lending in the Stratos II and Stratos IV funds?
Dr Kai Gregor Klinger	Sorry, for the third party lending?
Ash Thomas	No. Related party lending.
Dr Kai Gregor Klinger	Zero. There's nothing. we don't have any related party landing in the Stratos II and IV funds.
Ash Thomas	And does that capture former large shareholders, former directors, former equity investors?
Dr Kai Gregor Klinger	This is also including former related parties. And of course, the question is in which year we want to go back, but for 22, we don't have anything, and then the same for 21 and 2020. But again, to go further back in time doesn't make any sense, because I don't have the information currently on my desk.
Ash Thomas	Got it. I guess the genesis for the question is it's been fairly widely reported that the concerns in the Stratos II investor perceptions results from loans, which have not been performing. And some of the loans that have not been performing seem to have been made to former related parties, which probably explains the existence in the portfolio in the first place. So, I would guess the idea that there is no related party lending at the moment is a surprising positive. So, thank you for that.
Dr Kai Gregor Klinger	You're welcome.
Operator	The next question is from the line of Manuel Martin from Auto BHF. Please go ahead.
Manuel Martin	Thank you, gentleman. A question from my side on the abolishment of assets under management. It seems that the institution has become a bit more tricky at Corestate in terms of AUM involvement. And it seems to be driving the car backwards. Could you elaborate a bit on the situation of AUM, and where and how you could stop an outflow of AUM?
Dr Kai Gregor Klinger	Hi, Manuel, it's Kai again. As you can imagine, and what Stavros already mentioned before, taking into account the situation of the company and the perfect storm, which is out there, it's an uphill struggle to convince clients to stick with

us, firstly. And it's much more difficult to convince new money coming in our AUM currently. First of all, we have to do our homework and find a solution with our note holders for our outstanding bonds.

And, of course, address to the markets what are the flavour of the season of potential new business, which we can show to clients, what our value add deals of the future are, where we can dive in and create value for a potential new client. And we have currently a mixture of regular outflows, cancellation, unfortunately, from existing clients, and this is on the real estate equity side.

On the real estate debt side, what Udo and Stavros mentioned before, we have had there a change in valuation of the methodology, which is a more technical perspective on the underlying investments in the Stratos II and Stratos IV funds, how they will get valuated. Is it the residual value or the gross development value? But of course, again, new business is currently difficult territory. Not only for us, but the entire market. And of course, if you're in such choppy waters, like Stavros said before, it's much more difficult.

Manuel Martin

I see. And just for clarification purposes, there is another AUM outflow scheduled in H2. So, is it Q3 2023 or 2022, because I was a bit …?

Dr Kai Gregor Klinger

We have already corrected this, it's 2022. So, in the quarter, we will see another €1.5 billion of AUM outflows in our real estate equity segment, on the cancellation of three asset management contracts.

Manuel Martin

I see. Last question from my side. On your cost cutting effort, is there a possibility to get some quantification? How much cost are you going to save and what will be the cost of cost saving, or is it too early?

Dr Kai Gregor Klinger

Of course, this is a moving target. In the beginning of the year, we definitely had a different idea of taking care of our savings then through this very dynamic rollercoaster, which we have had behind us. So, our aim is between low to mid-double-digit million amount of savings between 2021 and 2023, which will materialise next year. We have already done some provisions for that mid to high single digit million saving amount.

It's not unlikely that we will see here a bit more as originally provisioned redundancy payments, but definitely not more than ten million, which is then relevant for this year - for the second half of the year. Bear in mind the provision was booked in in 2021. I think it was between €6 million to € 7 million as provisioning for potential payments.

Manuel Martin	Okay. Thank you very much.
Operator	As a reminder, if you'd like to ask a question, please press star, followed by one, on your touchtone telephone. The next question comes from the line of Ryan O'Hagan from EIC. Please go ahead.
Ryan O'Hagan	Hi, guys, thanks for the presentation. I appreciate the colour you've given on the process so far. I suppose one thing that stands out from the relatively weak earnings in H1 is that the cash position held pretty firm, which is clearly a positive. Could you maybe talk through some of the puts and takes in the first half of the year that led to cash being pretty even. I notice the change in receivables looks like a pretty large line item, and a lot of the operating loss is non-cash, but it would be helpful to get your view on what exactly is coming in here. And the other thing that stood out is to do with payment of alignment capital investments. What's going on there? And what do you guys expect, outside the ordinary course of business, to come in or go out through Q3 and Q4?
Udo Giegerich	Hi, Ryan, this is Udo here. Regarding cash flow, of course, we are working quite heavily to stabilise the cash and bring in cash on our cash conversion programme. So, of course, the sale of Capera brought a substantial amount of money into the pockets. We also materialised some of our receivables and this helped us to keep the cash balance stable over this half year.
Ryan O'Hagan	Got it. And of those receivables, could you maybe break that down a little bit to give us a flavour? Is that related to any specific line item that we should be aware of? The number on the cash flow. I know it came out during the presentation, nut it's obviously quite a large number, 95 or something million, and it looks like a portion that's non-cash. But I'm just trying to understand what exactly started that inflow.
Dr Kai Gregor Klinger	Just give us a second and. Your third question was potential placement? We'll come back to this question in a second. And the third question was what would be the outcome of further cash…
Ryan O'Hagan	Just trying to plan out the rest of the year. I'm trying to get a view of how you guys are thinking about cash from an operational perspective. Obviously, there's a significant cash need to address the upcoming bond maturity, and there'll be a certain cash outflow in relation to the restructuring. But I'm just trying to get a feel for how you guys are thinking about the purely operational cash flow over the next six to 12 months.

Udo Giegerich	The operational cash flow will be impacted, of course, by one-off effects, like the sale of the Giessen asset, which we will restart. And we will continue to work on materialising the balance sheet items, convert them into cash and bring them in there. So, besides the maturities of the bonds, we see quite stable cash going forward.
Ryan O'Hagan	Okay, that's helpful to understand. And I suppose one thing that maybe stood out with some of the write downs that we've seen in the first half of the year was some of the related band [?] loans to the bridge loans on the balance sheet. I understand a number of those relate to aggregate holdings, which, when we've spoken to their management team, that gave us a slightly different view, that they expected you to repay those loans. So, I would just be curious to understand, from your perspective, why you thought it was prudent to write those off at this stage.
Udo Giegerich	I'm sorry, we cannot speak about individual clients on in the private app [?] segment. Therefore, I'm not communicating anything there. However, we saw a delay in payments, and therefore, we did the risk provisioning for these loans, as you would normally do in that business.
Ryan O'Hagan	Got it. That's helpful to understand. Sorry, one final question from my side, just to hark back to one of the earlier questions. I know there are quite a lot of moving parts with relation to your AUM at the moment and cost saving measures, but internally, do you guys have a broad range of pro forma EBITDA that the business may be expected to do, once this process is completed? Now, it's totally fair that that could be a very, very broad range, but I'm just really trying to get a flavour of what the pro forma [..].
Udo Giegerich	As long as we do not have an agreement on the bond restructuring and refinancing, this is quite difficult. And therefore, we are not provided to say something on that.
Ryan O'Hagan	Got it. That's fair. I just thought I'd ask. I think that's all my questions. Thanks for going through that, guys.
Operator	There are no further questions at this time, and I would like to hand back to Dr Klinger for closing comments. Please go ahead.
Dr Kai Gregor Klinger	Thank you so much for listening. We appreciate your interest and your questions. Do not hesitate to contact us for any further enquiries you may have. Once again, thank you. We look forward to speaking to you soon and wish you, of course, a pleasant summer vacation season. Take care and stay healthy. Bye, bye.