



**CORESTATE**  
Capital Group

**INVESTOR UPDATE**  
13 APRIL 2023

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€ = 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;	

# AGENDA

1. **Executive Summary**
2. Strategic direction
3. Preliminary business plan
4. Restructuring update

# UPDATE ON BOND RESTRUCTURING

- Given the unavailability of audited financial statements for 2022 and the inability to prepare securities prospectuses on this basis, CCHSA will consider an alternative restructuring concept (“Alternative Concept”) that can be implemented regardless of the availability of these documents
- The proposed Alternative Concept requires an extended timeframe for development, negotiation and implementation as well as 1) additional funding of up to 10m€, amounting to a total provision of up to 35m€ of new money (incorporating the previously agreed new money amount of up to 25m€ which included 10m€ provided in December 2022) and 2) requiring all new money prior to the completion of the restructuring
- The additional funding is mainly driven by the postponed sale of Gießen, however, allows in general for a value-maximizing sale of assets
- The Alternative Concept is backed by an updated business plan, based on a total of 135m€ post-restructuring indebtedness (“New Notes”), including 100m€ Reinstated Senior Notes (representing the reinstated portion of 2022 Convertible Notes and 2023 Notes) and 35m€ New Super Senior Notes
- Corestate is currently in the final stages of discussions with both the Ad Hoc Committee ("AHC") of bondholders and other investors, including shareholders, about the terms and conditions of the required new money, with a view to receiving commitments from investors until end of April and receiving funding in the first half of May
- The company is continuously reviewing its obligations under insolvency law and currently assumes that it will be feasible to agree on a viable Alternative Concept

# UPDATE ON BUSINESS STRATEGY

- Corestate management has conducted a strategic review and updated its preliminary business plan
- The revised business strategy deviates in part significantly from the previous business strategy and is based on two strategic pillars identified resulting into a new operating model:
  - Going forward, focus on operating business activities of Hannover Leasing, STAM, CRM and Corestate Bank, as well as selected asset management mandates of Corestate boutique (“Core Group”): Managed to create equity value for shareholders in an asset-light and debt-free business model
  - In contrast, co-investments, warehousing assets and other balance sheet assets not necessary for core business (“Non-core Group”) are to be sold in a value maximizing manner: Managed to repay post-restructuring indebtedness
- New operating model for Core Group results in a strategic shift from a fully integrated one-stop-shop into a decentralized model based on single boutiques<sup>1)</sup> which allows a higher degree of flexibility on the cost side combined with a higher share of recurring business on the revenue side
- Focus on strict cost discipline in both Core and Non-core Group, with cost reductions being executed in boutiques and central functions. Headcount in Non-core Group based on bottom-up assessment of capacity needs and to be reduced to zero over time
- Company plans to repay New Notes by the end of 2026 and achieving profitability in the core business in the mid-term
- Bottom-up preliminary business plan
  - Core Group: Mid-term objective to achieve >20m€ EBITDA on the back of targeted AUM growth as well as further cost cuts
  - Non-core Group: Validation of asset recovery (planned net proceeds of c.200m€) and timing assumptions as key input. Also includes current assessments of certain one-off risks / special issues
- According to the preliminary draft of the restructuring opinion from FTI-Andersch (which is based on various assumptions), Corestate will regain sustainable competitiveness and consequently the capacity of being sustainably restructured (*nachhaltig saniert*) following the implementation of the restructuring measures. A sustainable going concern will require implementation of the agreed financial restructuring which would ensure a sufficient capitalization and sufficient working liquidity
- Achievement of plan is in particular contingent on the implementation of the financial restructuring agreement (incl. the provision of new money)

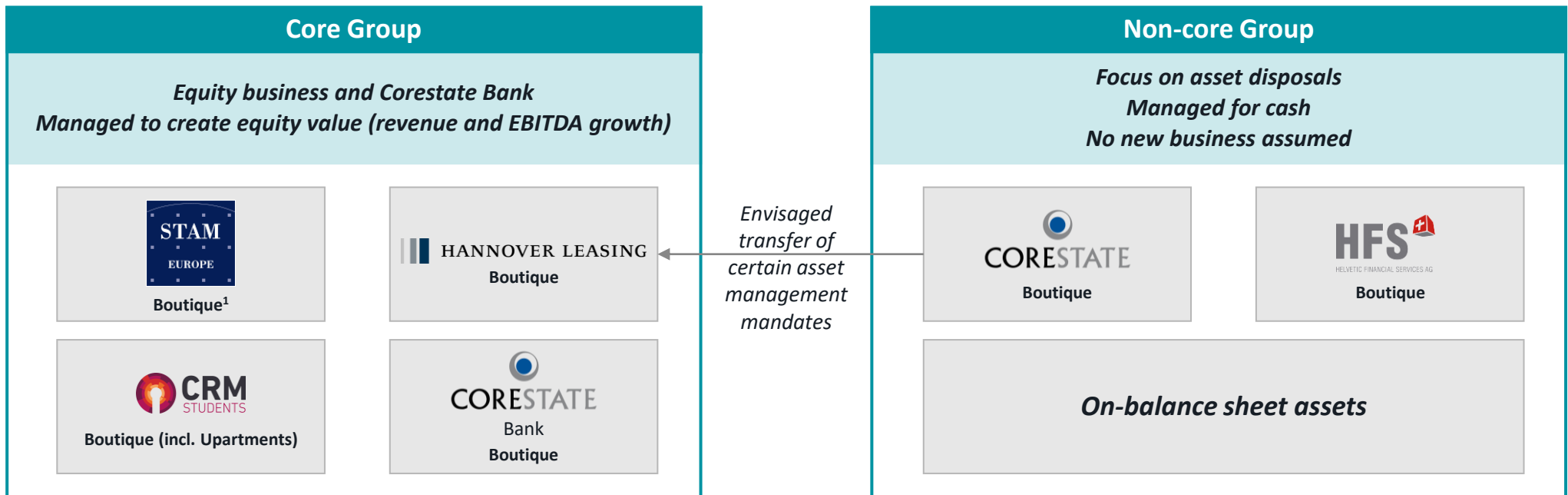
<sup>1)</sup>The term "Boutique" refers to the sub-businesses of Corestate Group, which operate under different brands

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# NEW TARGET OPERATING MODEL WITH 2 MAIN DIMENSIONS – CORE & NON-CORE GROUP

## Simplified operating model



*No legal separation / ringfencing of Core and Non-core Group planned. Operating model represents strategic and operational division of group*

<sup>1</sup>The term "Boutique" refers to the sub-businesses of Corestate Group, which operate under different brands

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# PRELIMINARY BUSINESS PLAN: KEY ASSUMPTIONS

- Preliminary business plan is primarily based on the following core drivers:
  - A medium-term **growth** path for the **Core Group**, underpinned by assumed AUM growth in the Hannover Leasing and STAM boutiques without cash requirements for co-investments / warehousing as well as a recovery of revenue at Corestate Bank, which is expected to benefit from a good market position and increasing demand for real estate debt
  - Creation of a **Non-core Group** to manage the **sale of assets** including JVs and co-investments, bridge loans and Stratos fund exposures with the goal to generate sufficient liquidity to be able to repay the 135m€ New Notes by the end of 2026. The business plan illustratively assumes a bullet repayment in 2026, however the assumed dates for proceeds from asset disposals would also allow for an earlier partial repayment
  - A drastic and determined reduction of costs across the Group, at both the boutique and central cost level, in order to appropriately resize Corestate to reflect a new revenue baseline
- Preliminary business plan methodology:
  - **Preliminary, non-audited FY2022 consolidated financials** as starting point
  - Based on bottom-up assumptions for Hannover Leasing and STAM, CRM/ Upartments; top-down management challenge for expenses included
  - Corestate Bank plan based on an assumed recovery of the real estate investment market and attraction of additional personnel resources
  - Non-core Group costs based on a bottom-up assessment of FTEs required to manage the group until mid-2025
  - Bottom-up assessment of central costs, applying top-down reductions by the Management where significant cost savings can be achieved
  - Planned proceeds from realization of Non-core on-balance sheet assets and timing thereof based on the company's valuation assessment, which has been externally validated by the external restructuring adviser Ankura

# CORESTATE GROUP: RETURN TO PROFITABILITY IN THE MID-TERM TARGETED

## Business Plan KPIs (Corestate Group)

in m€	2022FC	Mid-term objective
 Aggregated Revenues <sup>1)</sup>	69.8	~90
 Expenses	304.7	~65
 EBITDA <sup>1)</sup>	(162.7)	~25
 AuM (in bn€)	17.2	~13
 Transaction Volume (in bn€)	0.5	~2.5
 FTEs	408	~300







### Assumptions:

- Total Aggregated Revenues growth to ~90m€ in the mid-term is driven by growth in Core Group
- Return to positive EBITDA on Group level in the mid-term as a result of growth in Core Group, continuous efforts on cost reduction as well as one-off effects in the short-term
- Mid-term objectives include contribution from Corestate Bank of close to 10m€
- Decrease in AuM from lost / expiring mandates can be compensated by new business in the mid-term
- Reduction in FTEs is mainly driven by reductions in Central Functions from reduced business in Non-core Group

<sup>1)</sup> Excludes profits and losses on asset disposals

# CORE GROUP: AMBITION TO TURN INTO A >20M€ EBITDA BUSINESS IN THE MID-TERM

## Business Plan KPIs (Core Group)

in m€	2022FC	Mid-term objective
 Aggregated Revenues <sup>1)</sup>	64.9	~90
 Expenses	147.7	~65
 EBITDA <sup>1)</sup>	(65.3)	~25
 AuM (in bn€)	11.1	~13
 Transaction Volume (in bn€)	0.5	~2.5
 FTEs	315	~300







### Assumptions:

- Growth in Aggregated Revenues to ~90m€ in the mid-term is driven by all boutiques in Core Group
- EBITDA recovery in Core Group is mainly the result of stable costs in boutiques in conjunction with growing revenues and reduction of costs in Central Functions
- AuM in Core Group are stable and return to growth in the mid-term on the back of 2bn€+ transaction volumes
- New business in Core Group mainly driven by acquisitions in Hannover Leasing Boutique through new core commercial and residential as well as micro-living and life science products
- Relatively stable FTE development planned in Core Group Boutiques

<sup>1)</sup> Excludes profits and losses on asset disposals

# NON-CORE GROUP: MANAGED FOR CASH RATHER THAN P&L

## Business Plan KPIs (Non-core Group)

in m€	2022FC	Mid-term objective
 Aggregated Revenues <sup>1)</sup>	4.9	~0
 Expenses	157.1	~0
 EBITDA <sup>1)</sup>	(97.4)	~0
 AuM (in bn€)	6.1	~0
 Transaction Volume (in bn€) <sup>2)</sup>	n.m.	n.m.
 FTEs	93	-

### Assumptions:

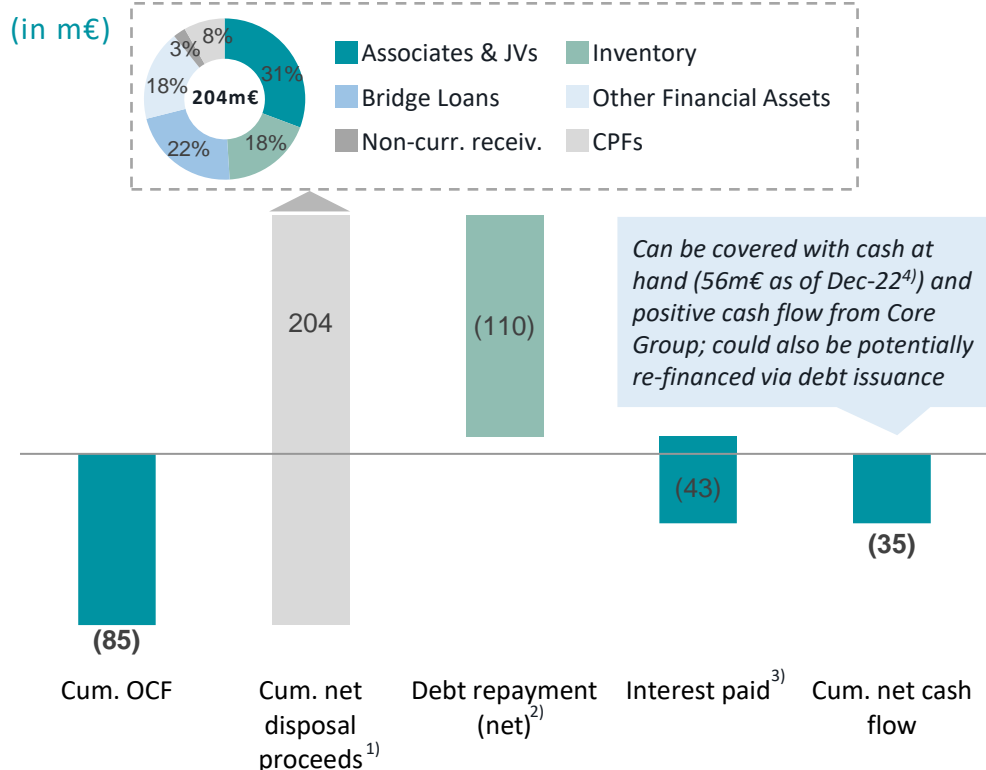
- Non-core Group is managed for cash generation
- Decrease in Aggregated Revenues due to fading contribution of Corestate Boutique and resulting diminishing recurring revenue as well as transfer of certain mandates to HL
- EBITDA includes one-off items in the short-term
- Decreasing AuM also impacted by some asset management mandates from Corestate Boutique which are transferred to Hannover Leasing Boutique
- Central Functions FTEs requirement in Non-core Group is based on bottom-up assessment of capacity needs

<sup>1)</sup> Excludes profits and losses on asset disposals

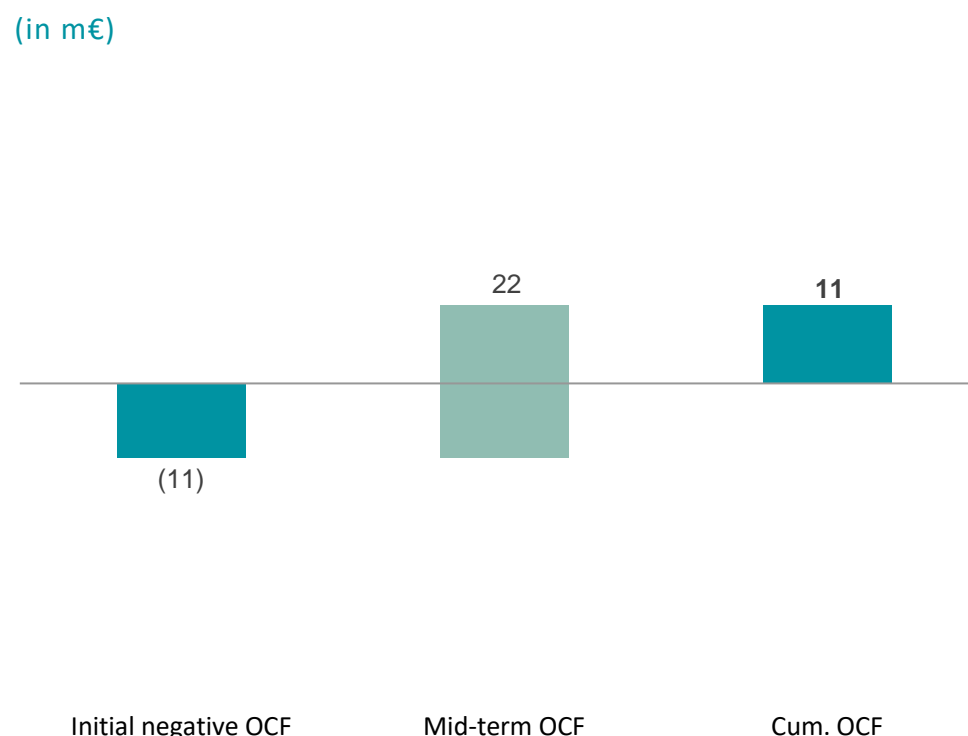
<sup>2)</sup> AuM are wound down without assumed sales fees, thus no transaction volume shown

# NON-CORE CASH FLOW TO COVER 135M€ NEW NOTES – CORE GROUP OFFERS EQUITY UPSIDE FOR SHAREHOLDERS

## Non-core Group (mid-term)



## Core Group (mid-term)



- Cash burn on operating level in the short term in Non-core Group primarily driven by special issues/one-offs
- Proceeds from asset disposals sufficient to repay 135m€ New Notes in the mid-term

- Objective to return to positive cash flow generation on operating level in the mid-term for Core Group mainly due to topline expansion with limited marginal costs
- Business with mid-term objective of >20m€ EBITDA representing equity value for shareholders (no residual debt)

<sup>1)</sup> Does not include 50m€ assets with limited liquidity

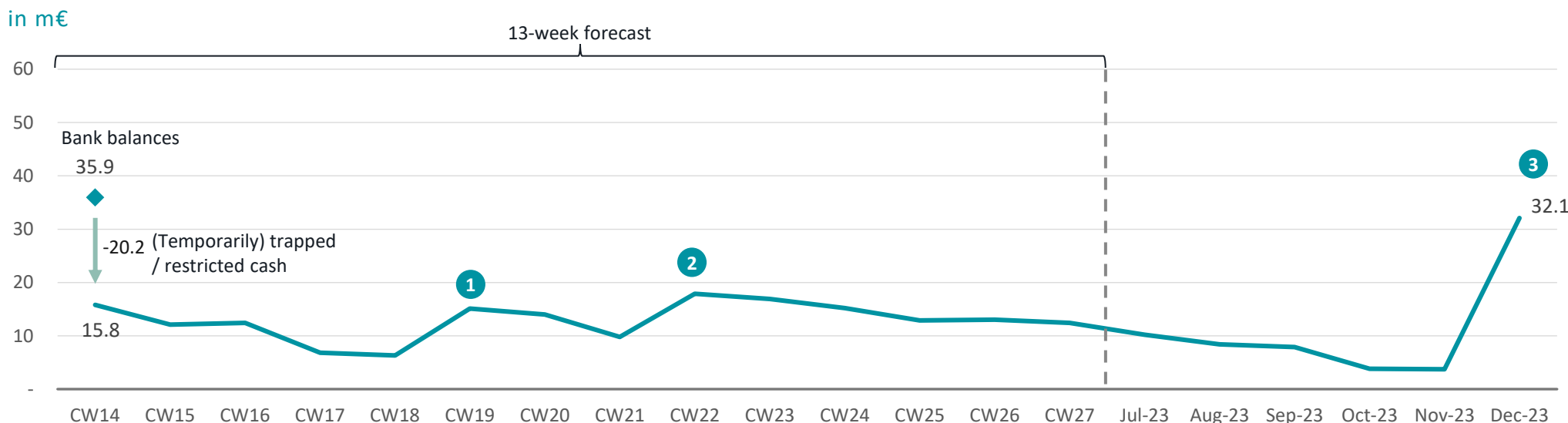
<sup>2)</sup> 135m€ debt repayment netted with 25m€ inflow from debt issuance planned during period

<sup>3)</sup> Planned interest payments on New Notes according to term sheet agreed during November 2022 creditors assembly (8% interest of which 4% cash and 4% PIK; business plan illustratively assumes bullet repayment in 2026 (hence full interest for entire period)

<sup>4)</sup> Total cash including trapped cash of c.26€m

# LIQUIDITY STATUS DEPENDENT ON ADD. BRIDGE INSTRUMENTS AND TIMING OF ASSET DISPOSALS / ONE-OFFS

## 2023 direct cash flow forecast (free liquidity<sup>1)2)</sup>



- 1 Additional 15m€ liquidity inflow from additional bridge instrument assumed in CW19<sup>3)</sup>
- 2 Second additional 10m€ liquidity inflow from an additional bridge instrument planned in CW22
- 3 Timing of cashflows highly dependent on realisation of asset sales and outflows for special issues/one-offs

<sup>1)</sup> Free liquidity includes CCHSA as well as group entities where CCHSA is confident to access available liquidity (particularly Corestate Capital Group GmbH and Corestate Capital Advisors GmbH). In particular, Corestate Bank GmbH (c.8m€ liquidity as of CW14) is not included. Hannover Leasing GmbH & Co. KG (c.8m€ liquidity as of CW14) is included in the figure, however, liquidity transfer from this entity to CCHSA is currently limited

<sup>2)</sup> Based on direct cash flow forecast as of 07-Apr-23

<sup>3)</sup> Formerly planned by means of Super Senior Notes the implementation of which, however, will be delayed due to the required extended timeframe for implementation of the proposed Alternative Concept

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# UPDATE ON RESTRUCTURING PROCESS

## Key short-term objectives

1	<b>Completion of restructuring negotiations</b>	Agreement on Alternative Concept to be achieved between stakeholders in April 2023
2	<b>Funding of additional bridge financing</b>	Funding of additional bridge financing to be provided in May 2023
3	<b>Restructuring opinion</b>	FTI-Andersch to finalize update of restructuring opinion in order to progress restructuring implementation (CP to closing)