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**CORESTATE, Preliminary Figures
of FY 2017, February 20, 2018
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00:00 Operator

Ladies and gentlemen, welcome to the Corestate preliminary results of fiscal year 2017. At our customer's request, this conference will be recorded, all participants will be in a listen-only mode. There will be an opportunity to ask questions via the telephone lines. May I now hand you over to Mr. Kai Klinger, Head of Investor Relations, who will lead you through this conference.

01:05 Kai Klinger,

Thank you so much, hello everyone, a warm welcome to our first call in 2018 of the presentation of the preliminary results for financial year 2017, which is simultaneously my premiere on a investor and analyst call after my entry in the beginning of the year. Coming back to the formalities: To start with I would like to point you to the forward-looking statement and final wording on page 2 of our presentation. The safe harbor language applies to the presentation and all comments to be made today. I would also like to mention that everything is being recorded, after the call a replay will be available on our website. The time frame of this call is about 30 minutes and now I am very pleased to turn the call over to Lars Schnidrig, CFO of Corestate.

01:23 Lars Schnidrig

Thank you, Kai, and also a warm welcome from my side. So, to be honest I am very proud that the Corestate group has again delivered as promised. First and foremost, we have out-performed our guidance 2017, which is for me another important step in the track record of Corestate. I will come back to this with more details on the next slide. In terms of our operational perspective, we are situated in very prospering areas. Compared to Autumn 2017, our deal sourcing pipeline could even get more increased to 6 billion of potential transactions for our investment teams. This gives us basic comfort and headroom for our ambitious organic growth targets in 2018 and underpins again an important USP of the Corestate Group that is the resourcing of assets for our trusted clients. According to our financial performance and our statements from the past, we are currently dealing with a proposal for the upcoming AGM which is at the end of April to double our dividend to 2 euro per share. This would represent a decent dividend sum of 42 million or payout ratio between 40 and 50% of the adjusted net cost. The final dividend proposal gets published as usual based on our annual report on March 13. Another very important topic of the past month was our progress on the integration of our major exposition as well as the roll-out of our future group initiative to create the best in class multi-boutique platform. Again, only good news to report from my side. We are on all layers and projects ahead of our schedule. Many initiatives are already completed, for instance our comprehensive SAP implementation is accomplished as scheduled by 31 December last year and the system is working since the beginning of 2018, fully flat and at full speed. On the personnel side, we have further strengthened the company's management team by hiring senior professionals such as Philip LaPierre, our co-CIO, Stephan Scherer, our COO and last but not least our new CEO Michael Bütter who I will introduce later in the presentation. We have also improved our balance sheet structure where we could release from the initial burdens of our acquisitions financing again at the earliest possible point in time. Some highlights since last November were our Double B+ rating and the issuance of the 200 million convertible bond which was well over-subscribed and proved the trust of the capital markets in our sustainable business model. We have furthermore refinanced subsequently the 150 million HFS acquisition loan and executed the uplisting to the prime standard of Deutsche Börse. As a very positive after-math and as I promised you, we were able to achieve two major broker research initiation, one from Commerzbank in December and last week the other one from Jefferies. In times of MIFID II I am very pleased about this recognition of our equity story and credit in our management team. At the same time, I can assure you that the equity research is on top of my list for 2018.

Looking now a little deeper into the numbers of 2017 on the next slide. Beyond every acquisition and integration effort we have achieved or over-achieved all financial and operational targets in our important growth year 2017. This reflects our strong capability to perform on both layers, strategically and on the ground, even in times of dynamic external growth. Our top line has more than tripled to 195 million, the base effect came of course from the acquisition, nevertheless to outreach the guidance needs more and this was the excellent operational performance in all segments backed our attractive product range, the supportive market environment and rising demand from our clients. Additionally, we can show very high stability in our fee income scheme, roughly 85% are recurring. Even more pleasant was the development of our adjusted EBITDA which was roughly quintupled to 123 million against previous year figures. The same with adjusted net profit of 93 million compared to 19 million in 2016. With that we have outreached our own ambition guidance ranges on all three lines. The direct impact on each share reflects the increase of earnings per share based on our net profit which more than doubled to 3 euro cents. Now let's take a look of the success story of Hannover Leasing. This strategic acquisition and success story is a great achievement below the big group figure. Furthermore, this is an illustration of Corestate competence in making smart acquisitions with subsequent additional product offering to our clients. We can show there after the decent increase in profitability in the first quarter 2017

another strong quarter with sustainable net income contribution to our group profit. After closing our books and records we have reached 10 million net profit in the 2nd half of 2017, consolidated in our group account. Notwithstanding the obvious question from the outside, where is the magic trick, or better what happens behind the curtain in such a short period of time, of course save control, the answer is quite easy and comprehensible. Firstly, effective SPA structuring, secondly highly efficient integration and control in combination with the short-term implementation of a comprehensive savings program. And finally, the most important lever, consistent business development overall Hannover Leasing is back to business. Obviously, I am very pleased that we could manage this together with the Hannover Leasing team to make the company so quickly but not hectic profitable again. Already today, Hannover Leasing plays an important role in our multi-boutique platform and we expect in the future more to come in terms of fees and growth. Also, we are only at the beginning of the year and have just mostly concluded our integration. I am very pleased to show you the first synergies we have derived from the Corestate platform.

To give you a better idea of what we did strategically and how our platform works in reality, I present you a synergy case study on this slide. As most of you know we have announced in January our outstanding client project with the Bavarian Pension Fund BVK about a target asset value of 670 million euro. For this forward deal we have structured an acquired pipe project development in urban areas across Germany where we will realize our well-proven and market leading micro-living concept on a broader scale. The special features of this deal are signed and now it could get implemented. The key success factors was the close collaboration of firstly the Corestate client team as trusted investment manager for the Bavarian pension fund, secondly a state of the art investor product with high market potential and an attractive risk return profile which was also designed and structured by our investment team at Corestate, and finally broad access to development in Germany based on an in-depth market view and close on-going relationships with the big players, HFS could provide all of this. At the end of the day all puzzle pieces were highly efficient together like a Swiss watch with a huge embedded, and that is most important for us and the client, in terms of just in time structuring and delivering from a one-stop shop. Before I introduce our new CEO Michael Bütter to you who will start on May 1 I would like to thank Wilhelm for his tremendous commitment and support having developed Corestate where it stands today, also in the name of my trusted colleagues. As already announced the supervisory board has appointed two weeks ago our new group CEO Michael Bütter who will start at Corestate on May 1 and will be in charge of group strategy, our international expansion and M & A activities, the main client relations and of course typical CEO functions like HR, Legal and Compliance. As a very active member of our senior advisory board he knows and understands the sense and spirit of Corestate quite well. Michael brings in a long-term expertise in real estate, growth, market consolidation and of course corporate governance. He is currently the CEO of Immobilienscout and a member of the group management team of Scout 24. He holds seats on the supervisory boards of TLG Immobilien AG and ADO Properties SA and is a board member of RICS Germany, the Royal Institution of Chartered Surveyors. He is also a former management board member at Deutsche Annington Immobilien SE, the predecessor of Vonovia, where by the way we met first and worked very close together. Before that he was in his original profession as lawyer a highly reputable real estate and private equity partner at Hogan Lovells. I am very happy about his nomination and looking forward to our close collaboration here again at Corestate.

The outlook for 2018

According to common practice, we are coming now to our financial guidance of the on-going year 2018. As afore-mentioned, our general set-up is in a favorable starting position to base our ambitious financial growth targets of 2018 which we have already given last autumn. We are backed by our attractive market environment, our strong product line, rising customer needs for risk return solution and further cross-selling in other synergy potentials from our multiple TEAK platform. We expect aggregated revenues of between 230 million to 240 million, adjusted EBITDA of between 155 million and 165 million and adjusted net profit of between 120 and 130 million. As usual this forecast is based on our current portfolio and excludes possible further acquisitions. Having said this, we are tackling of course selective acquisitions of further asset managers with complementary asset classes to satisfy the needs of our clients. But always based on a reasonable pricing and an attractive market position of our potential partners. The next crucial capital market date will be the publication of our annual report on March 13. With that I would like to conclude my presentation and would like to highlight once again that we as a management team are very happy about the performance of the year 2017, and now I will hand over back to the operator. Thank you.

Q AND A SESSION

14:43 Andre Remke (Baader Bank)

Good afternoon sir, can you hear me? Perfect. A couple of questions starting where you see as a management you did not mention that in the release but in general what are your assumptions for this year's guidance with regard to transaction volume or organic management growth? Is there a number in your mind or do you have an official target or how can we?

15:24 Lars Schnidrig

I think Andreas, you know this, I am not so into targets of events but looking at our guidance that includes roughly growth of 5%. Why am I saying this? We are not targeting AUMs because we are more addicted and committed to margins obviously, and again looking into our guidance it is a growth assumption, it is a combination of 5%.

15:50 Remke

Okay, then a question regarding your financing or your potential financing. Can you elaborate a bit on that, especially on the current cash position – do you see any financing needs, especially for the warehousing business this year, or do you see any this year?

16:20 Lars Schnidrig

So first of all, the guidance 2018 is already financed, if we would accelerate our M & A activities obviously we would come back to the market, now we have the full sphere, so that means we can go from equity to equity link to Bond and that is the parallel advantage if you have a rating. But to answer the question, the guidance is fully financed. Will we optimize our cost of capital always having a strong view on that and strong eye on that but currently as you know we are reliable but not predictable?

17:07 Remke

And another question regarding your dividend you mentioned the 2 euros 40-50% based on the adjusted net profit. Is this what we could view as the kind of already at this stage of the company's development as a kind of dividend policy also going forward? Or will you really decide every year for the in your view attractive dividend?

17:41 Lars Schnidrig

Yes, I think we don't do the strategy of the day, so obviously we always announce or envisage somewhere around 50%, leaving a bit adjusted or not adjusted. Obviously, it is about stability so that means we also want to provide our investors a clear dividend development and looking where we are having executed such a strong growth I think it is a very attractive dividend that we are currently paying, let's see where we are next year but we will as I said the idea is develop a dividend policy which is reliable for our investors.

18:24 Remke

But this is not set in stone at this point in time? Did I get it right?

18:27 Lars Schnidrig

The 2 euros for this year are the recommendation of the management board and going forward the dividend for 2018 I cannot obviously announce now as you know, but again when I say dividend policy and dividend development when you look at other companies, I think it is pretty clear where we are going to, that means I would not expect, but this is not what I am saying, I would not expect a strong deviation from what we have done now. If you look at the current share-price we are at 4% dividend yield, I think that is a very attractive number for a growth company and as stated always we want to be a reliable dividend title as well.

19:20 Remke

Okay, okay, then a question on the one-off Adjusted net profit is now amounted to 35 million roughly near – could you provide us with at least a rough split? Is it fully based on the acquisitions or how can we see this? Because I can remember that in one or two calls earlier we discussed the number of 10 or 20 million, now it is 35 million. Are there any surprises, especially when it comes to the transaction cost of the transactions?

20:06 Lars Schnidrig

First of all, no surprises. As stated, last numbers – because I cannot give you detailed numbers because obviously we will see this then in the audited year-end accounts, however you can take approximately 90 million from the depreciation, and that is non-cash, from the depreciation of our management contracts, in German: *Verwalterverträge*, which you simply depreciate over the lifetime of the management contract, so again it is non-cash and then you can account approximately a bit higher than 10 million on the M and A and transactional related cost, and in addition we have a prepayment fee obviously to be paid around 3.5, 4 million for our refinancing which we actually executed on the 150 million loans but to be very clear, crystal clear here, I stand fully behind this because we have taken this out loan on a first possible day and simply first of all locked in the lower interest environment, secondly saved massive cost by refinancing that earlier. And more details – yes sorry, just to finish this – more details to come once we have published our year-end report.

21:41 Remke

Yes, sure. The last number you mentioned the 90 million for the depreciation management contract, was this an on-going topic or is this one-off this year? Or should we account this for models for going forward?

22:00 Lars Schnidrig

You can account that during the lifetime of these contracts, to answer your question, yes. I would account it for the next four years.

22:15 Remke

Okay, perfect. And then a very last question on Hannover Leasing, the trend of the performance in the 2nd half you mentioned the 10 million – at least for this year that you will be able to double this for the full year 2018? Or is it due to the potential synergy come in and trigger a higher value for this year?

22:50 Lars Schnidrig

So, why are we not doing segmentation on the individual asset manager? Because from the perspective of our clients we placed the product best in the asset manager's which gives them the biggest value. So that means if you ask me to double or any number regarding Hannover Leasing, that would be unfair and will simply restrict our options to provide our clients with what they exactly need. So I did this now twice to show this and it simply proves that it was an absolute impressive turn-around of a company that was integrated in the Corestate Group, but I will not do this going forward, so therefore please forgive me, I cannot answer this, because there are some products – I will give you one example: Some clients like transactions to be structured via service companies, KGBs in Germany, some like it international, and therefore depending which asset manager we are choosing to provide our clients solutions. And therefore, I unfortunately cannot give you the segmentations. But what I can ensure you: We will do everything that Hannover Leasing continues this path of being a contributor to our profitable P and L.

24:24 Remke

Okay. Probably a fair enough question on M and A as you mentioned the external growth remains the Of this year and we had some discussions in the past – do you see any changes over the last couple of months, given the fact that you were very active in this stage? There are some listed, some take-over of asset managers, only Is the company active in this market – do you see any changes in the consolidation field in terms of competition or pricing, etc.? Or are there still enough or plenty of opportunities, how would you see the situation right now?

25:21 Lars Schnidrig

Actually I don't see any changes since we spoke last time but again to emphasize and you can see this in the Austria acquisitions, in particular my colleagues have executed in early July, these have been all in themselves pretty smart deals, and now the task was to get them integrated on a platform, what we have done, and I assume the pressure with smaller asset managers will increase competition because due to ongoing regulations we discussed this depth, the AIFMD which has to be implemented by this year. But again, we will only acquire, and we are looking at obviously on-going at other asset managers if that asset value for our clients so that means so that we can enlarge our risk return profile, our products, as we did in the past and this you see in particular in the example of the synergy slide I showed you, it simply works and we will continue by executing We will not just shop in order to shop, we will shop around even only if it is of value to our stakeholders.

26:40 Remke

Thank you.

26:50 Kai Klose (Berenberg)

... also, on the outlook 2018 (even harder to understand) the nine results you mentioned – 5.6 billion. So, what are your assumptions for acquisitions and disposals? The second question is also on the run-off portfolio In 2017, are there any one-offs... Spilling over into 2018 M and A synergies or is there anything we should incorporate into our models? The new CEO, obviously you are buying commercial and volatile properties and he is a supervisory board member in several real estate Companies - how do you deal – or do you see potential conflict of interest and how are you going to deal with this?

27:53 Lars Schnidrig

Thank you Kai, so first of all – Kai, maybe you can go on mute – Kai you are making a lot of noise I hope you can hear – first of all to the pipeline, the pipeline has grown by 5% from 5.7 to 6 billion in a very short time and you know we emphasize that the pipeline is the basis for our internal for organic growth targets, so there we take a lot of comfort and it simply also proves that by combining the four asset managers that one plus one is not two any more, but is rather three or four. So, to answer your question, the pipeline has increased to 6 billion. The one-off, and that is on purpose, we have no one-off that goes to say that are carried over to 2018. Why is it on purpose? Because we want to deliver to you and want to give you the opportunity to start with clean numbers in 2018. So therefore, we put everything in the 2017 numbers. Conflict of interest regarding Michael Bütter, well I have known Michael for 10 years and you can be sure if there is a conflict of interest – because he is very reputable senior manager, if there would be a conflict of interest he would step down obviously from his board position in that interest, but I leave this in all fairness to Michael Bütter. All I can answer, and guarantee is that Michael Bütter stands for German corporate governance and that means he will definitely not step into any conflict of interest.

30:00 Klose

Thank you

30:07 Thomas Mitchell (Lodbrok Capital)

Thank you very much, three quick questions for you, the first one is concerning your financial position. What is the net debt figure that you reported at the end of the year, I guess in the preliminary numbers I could not quite see that. And what is your financial policy with respect to leverage? Looking at the shareholder structure, e.g. you could answer the question for future acquisitions and equity rates would be considered and also in light of financial policies? That is question number one. Question number two: I would be interested in your fee structure, you say 85% of your fees are actually recurring, what would be the definition of that? And the final question is – given what is happening in the financial markets, including a rise in German government bond yields, how does that fundamentally impact your business? I guess when you look at e.g. the Bayerische Versorgungskammer acquiring development assets or you acquiring those assets on behalf of your clients, would you be concerned about a fundamental risk to such buyers remaining in the market if yields rise? Thank you.

31:25 Lars Schnidrig

Sorry, your first question, net debt to EBITDA, our financial policy has simply not changed and we have a very clear view in the management board and also shared with the supervisory board that we will level around, which we have also stated publicly, around 3.0 to 2.5, that is also we spoke with our rating agency Standard Poor's, medium-term, long-term, that can even be more delivered but there I am talking about the next three to four or five years, so that is the first thing. We have not published the net debt to EBITDA in the prelim, that will be shown in the year-end audited account and obviously I am just talking about our financial policies throughout 18, right? Because it does not make sense now to delever on a very unstructured way, put it this way, because that would put us under pressure, we would get cornered in the market, and we simply do not have the flexibility throughout 18 to get there. So, then you are talking about the recurring fee pattern. We always say 85%, unfortunately I cannot give you the exact numbers today because that will also be published in the year-end account and it would be asymmetric information who don't join the call, simply. Furthermore, I think the most obvious non-recurring item, although we have a very decent track record on that is our promote fee income. That means you may know part of our clients obviously are semi-institutional investors where we also invest our own equity called alignment capital. And out of these investments, once we have exited them, we get a so-called promote and obviously we don't consider recurring although I have kind of audited numbers from our auditor, who is Ernst and Young, that shows a decent track-record from acquisition to access in these transactions which shows IRR around 22% and cash money multiples of 1.4, so these are decent numbers in many transactions we have achieved. And coming to your third question, the allocation, the allocation that I see in data is that the pension fund insurance companies want to increase their allocation in real estate. So, what happens if the bond yields rise? Will they all flip to the bond markets?

Obviously, some money, I am absolutely with you, will flow over but there is huge appetite for real estate and I am absolutely convinced, and this is simply what research data is showing that pension funds will always, and needs for risk purposes and risk purposes in risk asset ... invest into real estate. And now the question what happens if yields rise on which real estate investment asset manager would you as a big investment seek investment of this? I would go to the best in class, and this is what the CORESTATE vision is and where we are and therefore I rather expect if yields rise that the smaller ones will be cut off because obviously for a chief investment officer of a huge pension fund it is more difficult to argue in front of his committee why he has trusted his money to a smaller rather than to a standardized listed real estate investment asset manager who provides also best in class services and also best in class risk management, best in class reporting, reporting to – this is all very important for these guys and if you ask me when bond yields are 10%, maybe I would argue a bit different but I think this is a bit far out of the universe.

Okay, to finish this. Thank you for the on-going support and in the name of the management board I say thank you to the team here, it is impressive. I think there are not many companies that have done such a good job in integration and in parallel driving the new business and therefore we can really be proud about the numbers that we have delivered. We are looking forward to 2018. Thank you and good-bye.