PATRIZIA SE

PATRIZIA's 9M 2022 Interim Statement Call

Transcript

Speakers:

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Martin Praum

Welcome everyone to your nine month 2022 Analyst and Investor call. This is Martin Praum, Head of Investor Relations and Group Reporting speaking. I'm happy to have our CFO, Christoph Glaser with us today, to present to you an overview of the business development and financial results for nine months 2022. As well as further details on the adjusted guidance for fiscal year 2022, followed by the Q&A session. During today's call, we will refer to the Nine Month 22 Results Presentation, which you can find on our website, in the section Shareholders, under most recent publications.

The presentation includes the nine months figures, details about our adjusted guidance, and in case of questioning, you know there are teams always there to help. As usual this call will be recorded, and it will be made available on our website. And we also offer a call transcript for further reference. With that, I'd like to hand over to Christoph to start the presentation.

Christoph Glaser

Thank you very much Martin. Good afternoon, everybody and welcome to this call. I would like to start taking you away and briefly talk about what we see in the markets and what that means for PATRIZIA and what we're doing in that context. So, if you would please turn to page four to start with. Needless to say, that we're all still faced these geo-political risks and unusually high inflation rates. Interest rates are rising. So there is a lot of volatility. And both, stocks and bonds are negatively affected by the current use flow.

There is a lot of questions rolling around over the future performance of other asset classes, like real assets included. There is a bit of risk aversion on the investor's side. A lot of people are sitting on the side-lines right now. Especially probably in some aspects of the European Real Estate Market. Quite a bit of investment activity has been put on hold. Now we see all of that to be somewhat temporary in nature. Although of course, opinions differ as to what temporary means. But one thing that is for sure, for the short and medium term, that the market has changed from a seller to a buyer market.

And for us of course, the key question is, what does it mean for PATRIZIA and what should we do about that? So first of all, we do not expect any more stabilisation of either the political environment or the market conditions in the short term. And because of that, we had to adjust our guidance for Fiscal Year 22, which we already briefly talked about last week. In addition to that and what is probably more important, management is actively taking action to address PATRIZIA's cost base. But also, to reallocate resources, both human resources and capital, to support selected critical growth initiatives.

Because one thing we do not want to do, as a company, as a strong balance sheet and strong culture and strong skills. We do not want to sacrifice our mid-term strategy or at least the most important parts of that to short term purposes. So there needs to be some balance. And so we talk a lot about rebalancing the company for growth.

So with that, let's briefly go to page five, where we have summarised for you, the adjustment of our guidance for 2022. So there is really in essence, not so much news as of today anymore. Because we communicated last Wednesday. So most of it you know, but what is important for me to focus you on once again, is that against this backdrop of a sustained market uncertainty, a bit of client inactivity and the slowdown in transaction activity, I just want to make it very clear where the drivers for the guidance adjustment are. And you can see here on the slide that roughly 60% of the guidance adjustment is driven by, what I would call a reduced revenue expectation. Against the backdrop of a little bit of lower AUM assumptions. But in particular, transaction fee income assumptions and to a much lesser degree, slightly lower management fee assumptions.

40% of the guidance change is really driven by expected one of expenses and reorganisation. Roughly half of it was in the EBITDAR space. And roughly half of that below the EBITDAR line. And it's reflective of measures were taken to future proof PATRIZIA. And we do that quite precisely. So on the one hand we addressing the cost base including personal expense, but not only. We are right siding capacities, which are not business critical. We are emphasising critical gross capacities. We support a strong and stable core business, so we are not going to put our service levels at risk. Our investors are the forefront of our interest, and those interests will be protected. And we will stay a reliable partner.

There will be a bit of increased focus on flagship investment strategies, and a lot of discretionary capital deployment. And our global diversification will continue. Beyond Germany, inside Europe, into Asia and beyond. And this infrastructure really, across the globe.

So the chart on the right side summarises that. So once again, we are tackling the issue from two directions. We do avoid too much future cost increases. We are getting rid of things that are core, and we are addressing all cost profile as I mentioned before. Again, no sacrifice of core growth initiatives that underpin our mid-term strategy. With that, let's go to a couple of strategic and operational highlights, starting on page seven, if I am not mistaken.

Firstly, because it always attracts a lot of attention, I'd like to give you a short update on one of our larger portfolios, which is the DAWONIA portfolio, which PATRIZIA turned its investment managers on behalf of two dozens of very strategic, very important and very long-term oriented investors. It's a fantastic portfolio, it's roughly EUR 5.4bn assets under management. Associated with that is a profit entitlement which is seen on our balance sheet, to the tune of EUR 355m after tax. And I'm very pleased to tell you that based on strong relationships we have with our investor base; we have agreed to extend the investment phase beyond the ten-year mark into the mid-term. Which means that, in the context of ongoing future discussions, we will agree with our investor base as to how to proceed long term with this vehicle. And we're going to do this in a context of a very constructive and strategic discussion, and not be distracted by short term market volatility.

So all options are being kept open on the table. And of course, I cannot pre-empt those talks at this stage. The general entitlement to the variable profit share remains, it is actually slightly increased at the quarter mark and we expect it to be stable in the short term.

So with that, let's move to page eight for a quick update on other strategically, quite relevant, forward looking activities. In a very simple way, on the left side, I would like to talk a little bit about infrastructure. Because this is a huge topic for us now and going forward. And on the right side, I'd like to talk a little bit more about our traditional real estate investment business. Maybe before diving here into the detail, what's perhaps important to realise once again is that, until the end of last year PATRIZIA was really more of a European and partially Asian real estate investor, investment manager.

And as of the beginning of this year, especially colony acquisition of Whitehelm, we're now really a well-diversified real asset investment manager with global transaction capabilities, and global asset investment and capabilities. So what's really here on the slide on the left side, you can see a couple of future proof investments that we have done in line with our convictions and beliefs and certain mega trends. So in Norway, a new platform that will support decarbonisation methods efforts in Norway around CCS capabilities.

In Italy, there has been a second investment in a Smart Street lighting company, which we literally just announced Friday last week, if I am not mistaken. And so we are very much able now to offer our investors well thought after products at the right time, where the cycle is going and to achieve decarbonisation targets worldwide.

On the right side you see a quite different portfolio of activities. So we invested in a couple of purpose build student accommodation properties across Europe. One in Italy, one in Spain. Great locations against the backdrop of a very significant demand. So the message here really being, PATRIZIA as of 2022 is a globally acting real asset investment manager. And the focus is both on real estate and infrastructure. And perhaps, where the cycle is going, obviously a stronger emphasis on infrastructure in the short and medium term, which will underpin the expected growth in mid-term.

So with that, let's briefly talk about our financials, and we'll start that by going into the assets under management development in 22 on page ten. So there is some good news here, which is summarised on the left side of the chart. Compared to the year end of 21, our assets under management continue to increase, against the backdrop of partially adverse market environment already in the first three quarters of the year. Of course a lot of it can be attributed to the completion of the Whitehelm capital position. We've talked about that in the past. There has also been a bit of healthy net organic gross. A bit of positive valuation effects. Of course, as I've said already before, last time we talked, some of those effects are fading out a little bit in the short term.

And so, we really see still some of that. And closed acquisitions have played quite a role here as well. Maybe one point to stress here is that, when you think about it from an AUM point of view in EUR 57.1bn Assets under management now. Our debt levels at the fund level, so across our roughly 145 vehicles, it's actually quite low. It's an average level of 31% right now. And in some of our larger higher quality funds, it's even below the 30% mark. I'm making that point specifically to pre-empt maybe some questions regarding valuation developments, where higher interest rates to be paid on certain medium or long-term debts and facilities inside those funds could obviously hurt valuations. But in our world, that is comparatively speaking less of a problem than for some other market participants.

So we are way below market average here, which is quite advantageous from a portfolio resilience point of view. In fact, maybe one last comment on that topic, we see a lot of investors who contemplating to go all in with equity certain topics. So this is quite an interesting dynamic here, depending on where you are.

What is equally important when we talk about AUM is what we have tried to illustrate here briefly, on page 11. As you know, we're an asset light player, who is very actively managing investments across the board. Institutional investor base, and some future coins. And our portfolio is quite resilient for a second reason. So not only the low level of leverage, or loan to value. But also because of its diversity across geographies, risk classes, and asset classes. That provides a lot of safety and security from a company point of view. As less exposure under adverse markets, circumstances. Maturity that you can see, is actually very largely centring around long term versus medium term, or short term. In fact, you can say that roughly 9.5% are long term in nature. Which is also not the norm in the market. But as I mentioned on our last call, our institutional investor base of roughly 500 key players, is very strategic in nature. Very long term oriented. And the relationships have been forged over up to 30 or more years, in some cases. So that is very pleasant to observe.

Maybe a couple of more points on the risk classification. So 80% of the AUM seem to be core or core plus, in terms of strategies that are being followed Investments. There is a long term feature in the portfolio, will face a lower downward pressure. And so we will sail through the cycle. And the fact that we have been consistently following a fairly conservative valuation approach, helps us as well. Some people have asked us recently whether some of our investors have a tendency to quit their investments, or to walk away. We don't see that. We do not see that. We have a strong and stable investor base. Long term-oriented cash rich. We don't see anything that we can, liquidation issues at all. And as I mentioned the duration speaks for itself.

To sum it up, are we immune to potential negative valuation impacts, as we leave 22, or go into 23? No, we are not of course. But it will be very small and very moderate and very measured in nature, and relative to competitors, clearly favourable. And the portfolio makes support to that assumption. With that, let's move to page 12.

Where, I'm going to, not really spend a lot of extra time, because we've captured some of these points already. The geographic diversification has progressed. We're now almost 50% outside of our historical core market. That trend is going to continue. I expect us to be north of 50% in those other markets in the foreseeable future. From an asset class point of view, there is a degree of diversification also increasing and improving. And the risks style, as I explained, largely core and core plus.

So we have a platform and we have the product offer that we need, at the right point in time. And so, we're opening the first chapter strategically here, to become really global, and really multi-asset class and covering those infrastructures and real estate makes us robust and gives us also confidence that we're able to go through the cycle.

Let's talk a little bit more about financial details here. We start the conversation of EBITDA, nine months year to date, on page 13. Look it's obvious that our EBITDA came in a bit weaker than last year. Which is regrettable. But the overall level was still relatively decent, year to date. I emphasise that. And we continue to invest in further international eyes. Total service fee income at almost EUR 250m, again slightly below last year's level of EUR 255m. But it's a relatively moderate decline of 2.6%. And the recurrent management fees, which is probably the most important thing here, has actually grown by almost 19%, to a level north of EUR 180m.

That is something that we like a lot, because we are in a long term protectory to improve the quality of our earnings towards recurring, reliable, plannable income streams. And that trend has continued this year to date. And it will continue going into next year. So we will in the future be less dependent on transaction fee income performance income. Although we will of course be happy to harvest it, if and when it comes.

Net sales, revenues and pro investment income has increased 16%. That was quite pleasant to see. But as you see in the middle of the chart, and I've already alluded to this, transaction fee income has dropped from a level north of EUR 30m to somewhere around EUR 15m. And performance fees have dropped by about a quarter, from a level north of EUR 60m to EUR 50m. So that is really where we have seen some pressure. But net-net the increase in recurring management fees has almost managed to compensate for this, which is something we feel good about. But it shouldn't distract us from the fact that the outlook for the fourth quarter is more negative on the transaction performance fee outlook. And our ability to compensate with that will eventually fade away in the short term. So that's also one of the reasons why we talked already about energy change.

So, let's go to page 14, where you see a little bit more detail here, with regard to service fee income, Transaction fee income and performance fee income. I'll keep it short, as I mentioned we've reached EUR 180m, up 19% on the first category. And we're down on the second and third. Overall managed to almost compensate. So this is just again, to illustrate all the relevant numbers year to date 21, year to date 22. And then also the outlook for 22 as a total estimate. So in total we are expecting no management fees for a total year, something between EUR 235m and 245m, transaction fees at a more moderate level EUR 20m to 25m, and performance fees EUR 55m to 60m. That outlook is quite well substantiated for the remainder of the year. So we feel comfortable from a quality of estimation vis a vie the fourth quarter.

Let's move to page 15. Our net operating expenses. We've made an effort here to explain that in quite some detail. You can see on the left side of the chart nine months 21 the level of EUR 166m. And you can see that cost has increased, but it requires some explanation to allow you to put it in a perspective. So there's some increase in staff costs, which is related to head count change, which is mainly driven by the acquisition and consolidation of Whitehelm capital, which came around about 17 employees, if I'm not mistaken. There are some other operating expenses that we had to incur, linked to organic COSCO. So no surprise there, but there's been a couple of one off items linked to the preparation of the Whitehelm acquisition, and the execution of it.

And there have been other costs that have been positively impacted at the level of EUR 7.4m. Now, there's one unnormaly in here, which is important to point out, in the net operating expense section, which is very clearly shown in our financial statements. We were able to de-consolidate a very successful project development in Hamburg, which was only temporarily held by us on the balance sheet. And it had a significant relieving effect on the operating expenses to the tune of almost EUR 18m. On the other hand there had been also one off items as negative impact in the space of the mid to large single digit amount, linked to the organisation expenses, among other things to the tune of EUR 2.5m, for instance, as of year to date.

So that's the picture on that operating expenses, and we believe that we have provided here quite some detailed overview that helps you put it into perspective. With that, let's go to page 16. Which continues to be one of my favourite pages in all these update calls because it speaks about the solid balance sheet and liquidity available which provides us with a good amount of capacity to seize opportunities, if and when they arrive. And in the past we may have discussed whether it is good or bad to have such a strong position.

Today, I am feeling and am thinking that it is good to be in that position, because it allows us to be on the buy side when the market becomes a buyers' market. And when other parties have to sell, and we will directionally be more of a buyer on the buy side. Our equity ratio is at 66.1%. The net equity ratio is quite impressive, 72.6%. Available liquidity of EUR 361m. And we're following our active capital deployment policy. Which is geared around boosting or turbo charging a key flagship vehicle strategies around infrastructure. Around real estate funds. Trans-European portfolios. Following our research convictions.

And an example there would be for instance, deployment of EUR 30m to boost our low carbon infrastructure funds. Or to deployment of a few million Euros to support our sustainable venture futures fund. And so on and so forth. That said, our share buyback programme shows good progress. We just crossed the 5% threshold. We're sticking to what we have decided to do.

And we're executing as planned, no change to that. We're holding now almost 5m treasury shares. And we feel good about going into a tough short term period here, transition between cycles. We do have reasons to believe we will come out of it stronger.

You know and some of the regular transactions that we may not see, and some of the acquisitions we may not do in that context and so on. The AUM that we may be missing in that context, could be meeting, maybe a tailwind coming from opportunities that may pop up when other's sell and we're going to buy. So let's see how that's going unfold. But the one thing that's important here, is that we have the capacity to act if it makes sense. And so if the right stuff comes along at a reasonable price, we will take it.

So with that, let's go to page 17, where we once again, summarised the updated guidance for the fiscal year 22. Key message here is that, and we've talked about this to some degree already. The guidance increase in costs is driven by reorganisation efforts, and one off items that we will expect to see in the fourth quarter. Because, in case of that, which is going to take a more conservative steps, given the circumstances. And that in combination with the reorganisation we're going to execute with regard to personnel expenses and general administrative expenses. Which in totality that will amount to something like EUR 20m are equally split across these two categories. That is one important message.

And maybe it's also important to say that in our view, it's quite unlikely that all three revenue lines which hit the lower end of the guidance range, at the same time, as a worst case scenario, are not 100% correlated between the three items. So we feel good about what we have given into the market last week. And I'd just like to reiterate this today.

The cost base is of course something that we can directly impact. And so that's what we do. Maybe compared to that the revenue side is something where we are depending a bit more on external factors. But again, management fee outlook is quite well grounded in our existing AUM base and what we expect there. And, as I mentioned before, the transaction performance key outlook is also quite well substantiated, bottom up. And there's not much room for unallocated expectations.

So, with that, I would like to hand it back to the operator to take questions. We have quite a bit of time left here, more than half an hour to address those. And so, go ahead.

Speaker	Ladies and gentleman, 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 que, you may press star, followed by two. If you are 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. And the first question is from the line of Andre Remke with Baader Bank. Your question please.
Andre Remke	Yes, good afternoon together. A couple of questions from my side. So starting with market question. Could you liberate a bit on more on the demand, or the situation across your different product categories? We all observe the European real estate market, but what about potential demand for infrastructure and real assets? So category which you are more and more focussing on. Is the situation completely the same?
Christoph Glaser	Thanks very much for the question. Look, we're sitting on a quite a good pipeline still, actually. And it's more of a buy pipeline, than a sell pipeline, I am happy to say. And if you asked me where the interest is, there's a lot of interest in infrastructure as an asset class. A lot of interest in anything that has to do with ESG and decarbonisation. We see still, and we're happy about that, because that's where we are good. We see a lot of flight to quality. And since our, I just want to mention, are usually high quality. We don't lose them, and we see more demand for them. Now not across every sector to the same degree. But the living sector keeps attracting a lot of attention, especially when you run research-based strategies as we do. Like living cities as an example. High quality office is also in good demand. Although, it is very important here that the demand across the office as an asset class is very much differentiated depending on where you are of course, and what type of asset you offer. But high-quality office is in demand. Healthcare is an interesting other topic to talk about. But if you ask me what's really in high demand. I would probably name infrastructure first as I mentioned, the nice thing is that we have equity investment opportunities there. We have that investment opportunities there. They are global in nature. Asia, Europe, and then decarb and we look forward also to our sustainable cities vehicle. Which will be quite interesting. And some more stuff we are going to do on the infrastructure side. So that's in a nutshell, where we see most of the demand. And as is said, I think in times like these, it's equally important to be focussed on losing less and acquiring more. And on the losing less side, I think we're in quite good shape, because we are already on a quality space.

Sorry one more comment before I forget. Because I actually had an interesting discussion about that topic yesterday. There is a trend towards preparing for value-add plays. So, as the outlook of value-add plays improving in the short term, clients are positioning to consider benefit from that. And we are preparing for that as well. Either with existing vehicles, or through the setup of specific vehicles, or if we need to, we would even think about temporarily warehousing certain cool assets we get as value add plays. And then send them out to existing vehicles. Sorry that was just an add on comment.

Andre Remke: Yes, sure. But for all you mentioned, so there is still demand but the execution is on hold? And this is the same, not only in real estate and in different topics, but also in infrastructure. And energy and investment as well?

Christoph Glaser: I would say at the moment a lot of reflections are on hold on the real estate side. On the infrastructure side, I would not necessarily say that there is an ongoing flow of transaction happening. I just gave you two examples earlier today. So I would differentiate between the two.

Andre Remke: Okay. That is what I expected. So then a second question on you mentioned selected growth initiatives. What does it mean? Do you mean, for example the flagship investment strategy with that, or what is the main focus here?

Christoph Glaser: The pillars of our mid-term growth strategy, which is aimed at, let's say, doubling the size of our business in the medium term. and to globalise it. They centre around asset class diversification Today we're sitting on 11% of infrastructure in the Aareal portfolio. In the mid-term future this should be somewhere around 25%, 30% perhaps. So that is a key pillar of our growth initiatives. And there are flagship funds associated with that. And we do intend to continue to allocate capital there, human resources. And that is something we need to protect, even in a down cycle. Because it makes a lot of sense and especially in a down cycle that part of the strategy makes a lot of sense.

Then there is of course, the geographic expansion into Asia which is organic in nature and we are making decent progress there. I'm very happy to report we will be a bit more specific in that respect very soon. But focussing on some of the more established markets in East Asia and Southeast Asia, where we now have a licence. We are on a good track. And that's also, it's an early-stage fledgling initiative. Getting good traction. And then that one we are protecting as well.

And then of course, there are the corner stones of our existing strategy which are not change and which revolve around our German and European or a national trans-European flagship funds the Tap Series for instance and so on. DAWONIA, I mentioned already before. So the further nurturing of our German core business and the efforts to make it bigger. And to be able to continue to rely on that. And to maybe, spin it a bit more into value add direction on one or the other occasion, play a key role and the same applies to our London manged trans-European funds, which are hugely important for us to grow. And so that's also two more key growth initiatives where capital is going, where human resources will be maintained, or even increased.

And that's just four examples. So infrastructure, real estate Asia, trans-European flagships on the real estate side, and the German flagships that we focus on. If you look at this at the fund or vehicle level, it's probably 20 to 25 vehicles that, in aggregate, would fall under these four plus initiatives. And I've already given you four out of probably eight or nine that we're mentally focused on.

Andre Remke

Okay, perfect. Then on your cost cutting measures. You applied EUR 10m costs for that. What is the target cost reduction amount here? Are you able to say it and what could be a potential timeframe to reach the full effect of that?

Christoph Glaser

Let me put it this way. The amount of restructuring expense we're seeing right now that we will have to incur is around EUR 10m, yes. Which is part of the negative guidance adjustment below the EBITDAR line. Expect the pay back of this to be within less than a year for sure. It's going to be significant in size. But it's measured in a way, because we're not only removing cost, personal expenses or G&A, where it's not critical to core or where it's maybe questionable from a performance point of view.

But we also, at the same time, closing gaps where we have resource gaps, executing growth strategy. And of course, as you would appreciate, in a high inflation environment, you need to bear in mind that there will be headwinds stemming from inflation. That we will have at least to partially address. Some of it we will self-fund, but there has to be some moves. When you look about what's happening. Some of the Anglo Saxon markets or else in Europe in terms of cost of living inflation. We have to address part of that as well across the employee base.

So it's really a combination. But the payback overall will be quite swift. And as I also said, equally important, also coming out of ten great years, is to make sure that we don't add to our cost base. As we have in the past, maybe occasionally done too easily. So the bar for that is essentially higher now. And the bottom line impact of what we do depends also a little bit on our gross profile in 23, and as I mentioned already before, inflation.

But the strategy there is already driving here, because we have the balance sheet strengths. Again, it's balance between short and long term. And more focussed growth strategy and an unrelenting review of what's not critical to daily business and what's not critical to investor service, transactions and so on.

And the company has become a lot more self-aware and self-critical, in that context.

Andre Remke

Your target is to increase the profitability for them overall. So in the past year you achieved 40% roughly EBITDA margin and down to 35% this year below 20% etc. Do you have a mid-term or long term EBITDA margin in your mind? Or a sustainable margin? As an asset manager in real estate should earn?

Christoph Glaser

That's a bit tough to comment on at the moment. I mean the level that we had at the 40% mark was to some degree driven by performance fee income and transaction fee income in the up cycle. So I would not necessarily consider that long term sustainable. What we have today at the level below that is much better. But the absolute level is lower. Now, if you ask me about a range where we could be in the mid-term, I don't know, 30% to 40%. And it's grounded in the assumption that short-term management fee income will be, I think in good shape.

As I mentioned, because we will do some deals, there will be some growth, valuation pressure should be moderate. We may do some opportunistic moves and I think the income flows coming from that, it will be quite reliable. Short-term transaction fee will be still suppressed. In performance fees as well. They will only come back in the mid-term. But if you then are in the mid-term rise with resurrected transaction fees and perhaps also slowly improving performance fees. That in combination with a bigger AUM base, I think we can get back to that 40% level at some stage. And look, really Q1 23 is still going to be depressed somehow.

So for us the key question is how quickly are we going to improve over the course of 23? So we're going to leave 22, under the circumstances, okay pipeline, but it's not comparable to how we left 21. So the early months of 23 will still be tough, I would say. After that, comes summer and some opportunities. And then the second half, where we think may, start again. But things will only start to normalise then later on towards the end of 23 really, and early 24.

Andre Remke

Yes, got it. This is the last question on the DAWONIA portfolio. What is meant by mid-term, in respect to all, you mention mid-term, in respect to investment phase of the clients? Your own stake and the profit contribution on your side. Are there concrete timeframes you agreed on, or how should I read it. Or did you simply agree not to decide in such a market environment right now?

Christoph Glaser: Look, it's well known that the vehicle was conceived almost ten years ago, and the original, the intended investment phase would have ended in late spring next year. As we are here together with very established and reliable and long-term running investors, we have of course, as part of our ongoing dialogues, decided collectively and quite unanimously that the last thing we want to do is to make important decisions under circumstances as they are. So we have simply bought us collectively, enough time to sail through this short-term uncertainty. And to think through options for the long term and to make those decisions when there is more stability. But I'm not going to talk about the specific date, or I'm not going to talk about specific considerations. Because that would pre-empt internal discussions that I think the investors and PATRIZIA Investments are only privy to.

Maybe importantly, there is not significant change to the conditions as they stand now. So think about it like a mid-term freeze. So freeze in a positive sense.

Andre Remke: Yes, this is what I expected.

Christoph Glaser: Which is the right thing to do. And really, we are super pleased by the collaboration that we have with those strategic investors and it is also a sign of trust. It's a premium portfolio. It is a premium portfolio, we're not concerned about valuation pressure there. Rents are improving. Market rents, comparable are improving. When we occasionally sell units or blocks, we get good price, at book or above even very recently. So it's the right thing to wait a little bit until things have calmed down.

Andre Remke: Okay, perfect. That's all my side. Thank you very much Christoph.

Christoph Glaser: Welcome.

Speaker: Ladies and gentlemen, if you would like to ask a question please press star followed by one at this time. The next question is from the line of Manual Martin with ODDO BHF. Your question please.

Manuel Martin: Yes, thank you for taking my questions. Two questions from my side. Actually one follow up question on the progress of PATRIZIA in acquiring new clients. So, we heard from you that you are quite optimistic on Asia that there might be some positive news still in the pipeline. What about other regions? Europe, or in particular US. Is there anything new in these difficult times?

Christoph Glaser: Yes, thank you for the question Manuel. Look we're making progress with regard to new client acquisition. Although it's a little bit slower right now, unexpectedly than it used to be until spring. In Europe it's quite gradual I would say. We raised something around EUR 1.8bn or 1.9bn year to date, it's going to be north of two for sure, towards the end of the year. So not as great as we were hoping, but decent. And a lot of that comes from new clients. In Europe it's gradual. In Asia, of course we're starting from a very, very low level. Sorry I take that back. I was referring to the asset side.

On the investor side we're starting at a lower level compared to Europe, but still quite decent. So the acquisitions there are probably happening at a higher speed. The Middle East is going to be quite interesting for us. Let's see. I mean there is a lot of money there, which needs to be invested. And we are quite actively improving our sales and distribution and marketing activities there, starting at the very top of the company.

But we're also strengthening our capital market teams for that space. Same applies to Asia. And in Asia we do expect further growth now. That further growth is not only going come out of PATRIZIA proper, but also out of Whitehelm, because Whitehelm has the physical presence in Asia, quite a lot. Not only on the infrastructure side, but also some pockets of real estate. So for us, that enables us to expand our Japan and Korea and Singapore focused activities also into Australia, New Zealand. And so we do expect more clients to show up from the Aussie side and a couple of assets to be picked up down under. So it should be quite interesting to see a bit of Asia growth, both on the investor and the asset sides, across those four, five jurisdictions.

Manuel Martin — Okay.

Christoph Glaser — We have a licence now. We have got teams on the ground. And with Whitehem Capital an established job.

Manuel Martin — Okay, I see. Second question, also in relations to clients. The interest environment has dramatically changed compared to, let's say a couple of years ago. Have you noticed any preference, or shift in preference amongst your clients, rather towards fixed income bonds? I mean, Treasury Bonds are yielding higher, coming back to actually attract different levels in terms of yield.

Is there a shift to bonds, or do you see clients still striving to improve, or to increase their real estate ratio in their asset allocation?

Christoph Glaser — That is a question we have been pondering a lot for quite a few months already. Now, interestingly the short answer is, we don't see a lot of change of behaviour. And maybe it's important to ask ourselves, what the key considerations here are. First of all, across our roughly 500 or so meaningful signed institutional investors, the question is how equity rich are they versus not now. And the majority is extremely equity rich. Pension funds, Savings banks, Sovereign wealth bonds, whatever.

Some of them feature very low costs of capital. That's also a consideration. A lot of them are thinking about bonds as being too risky, given the volatility from a valuation point of view. Some of them, especially in the case of PATRIZIA, and given our history.

Let's give an example. Say, we have more than 200 savings banks we co-operating with in the debt funding side. A lot of them are also institutional investors. And a lot of them have partly commercially and partly politically motivated investment strategies. There's real estate focus, regional focus. Certain core asset class focus. They have a long way to go before they feel real pain from a return point of view.

And that in combination with what I said before, on the other features, puts quite a bit of inherent stability into our AUM base. And then some of those who have these specific strategies I just alluded to, they are then of course looking also into alternatives. But they tend to stay with our portfolio of offers. So we are discussing infrastructure, maybe not all of infrastructure. But say, Telco networks or decarbonisation related efforts. Maybe not in the first closing, but in the second closing.

And so there is a lot of stability. And when there is consideration of diversification, then very often it stays within our portfolio and I see very rare occasions only of capital leaving. Very few. And they usually not strategic in nature, and small or inside certain vehicles. Maybe certain minorities that have, discretionary global considerations and they operate differently than the majority of our core class investors.

So we feel, maybe we need to be grateful for the history of the company here in terms of 34 or 35 years of organic build up on that client base. It's trust.

Manuel Martin — Okay, I see, thank you.

Speaker — Ladies and gentlemen, there are no further questions and I hand back to Christoph Glaser for our closing comments.

Christoph Glaser — You know, we will be quite active again later in the fourth quarter going on the road across Europe and elsewhere. So we'll see some of you there. I look forward to meeting you again. We will talk a lot about the resilience of our business model and our mid-term strategy when we meet. And maybe also the one or other operating highlights that will pop in by then.

And maybe at the last point I would say, our share had a tough time here to date. We are acutely aware of that. Don't like it. A lot of it is the market. Some of it is also ourselves. We're working on that as we just explained. And you get our operating business, if I would make a smart ass comment at the end. I would say, given the current valuations you are getting, our operating business almost for free at the moment.

And maybe that's an opportunity in some way. So we feel good. And we are looking forward to sail through the cycle inflection point as an active player and we appreciate your attention. Thank you very much.