Patrizia SE

3M 2023 Results

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Transcript

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Welcome, everyone, to our first quarter 2023 analyst and investor call. This is Martin Praum, Head of Investor Relations and Group Reporting speaking. I'm happy to have our CEO designate, Asoka Wöhrmann, and our CFO, Christoph Glaser, with us in the room today. Asoka was appointed only a few days ago, and I'm especially thankful he committed right away to attending today's call, to briefly introduce himself to our analysts and investors.

Christoph will, afterwards, provide an overview of the business development, and our preliminary financial results for the third month, as well as further details on the guidance for 2023, followed by a Q&A session. Given Asoka only joined us at the beginning of the month, I ask you for your understanding that he will not be available for Q&A today. So, Christoph and I will cover any questions you may have today, as has been common practice in the last few quarters.

During today's call, we will refer to the three month 2023 results presentation, which you can find on our website in the section shareholders, under most recent publications. The presentation includes the first quarter figures, and details about our guidance for the fiscal year 2023. In case of questions, the IR team is more than happy to take your calls.

As usual, this call will be recorded and will be made available on our website. We will also, as usual, offer a call transcript for further reference. With that, I'd like to hand over to Asoka. Asoka, the floor is yours.

Asoka Wöhrmann

Thank you, Martin. Good afternoon, everyone. My name is Asoka Wöhrmann, and I am very happy to be here today to introduce myself. Some of you may know me from my previous position as CEO of a stock market listed asset manager, DWS. So, it's probably not a surprise to you that I very much look forward to meeting some familiar faces again, but also, to meeting new analysts, colleagues, shareholders of Patrizia, and potential new shareholders shortly.

Before I start, I would like to ask for your understanding that I cannot comment on Patrizia’s strategy and performance during today's call, as I just came onboard a few days ago. So, give me a few weeks to deep dive into the organisation, and to get to know this great team better, who have built up Patrizia over the last decades. I will certainly be available for Q&A, starting with the next analyst and investor call.

Talking about decades, I am really honoured that Wolfgang, the founder and the majority shareholder of Patrizia, will hand over the CEO leadership of the company to me in the next months.

But at the same time, will stay onboard as an active colleague, member of the Board of Directors, and majority shareholder. Handing over the CEO role to a new person, after building and running the business for decades, is always a super tough and important decision, and I appreciate the trust Wolfgang puts into me.

But as you know him, he's a visionary and forward thinking entrepreneur, who takes bold decisions early, and when they are best for the company. I must say I'm really impressed with what he and the team have built over the last close to 40 years. Starting a business from scratch, and developing it to a close to 60 billion assets under management investment manager with an emerging global footprint is something that truly impresses me.

Now, that probably brings you to the question why did I join Patrizia? As you know, I have some experience in asset management, and Patrizia, to me, is at a decisive point in the evolution of the franchise. It is where some of the largest global asset managers stood ten to 15 years ago. First, it is on the brink of developing from a leading pan European to a leading global player in real asset investment management.

Secondly, and from what I've learnt in talking to the Board of Directors and staff in the last few weeks, it has a unique culture, and all the ingredients to create something powerful that will last. And thirdly, I see significant opportunities in the alternative investment market globally, and Patrizia offers a great real estate and infrastructure platform, but also, the balance sheet power to successfully continue on its growth path.

Will that power crystallise this quarter or next quarter? Probably not that quickly. We continue to be in a subdued environment, with lots of client hesitation to deploy capital, and question marks regarding interest rate levels and the right asset allocation strategy. But for Patrizia, this situation, in my view, offers ample opportunities. Let me stop here and hand over to Christoph, who is in the best position to provide you with an update on our company.

I very much look forward to meeting many of you shortly during one of our roadshows or broker conferences, and as you can hear, I am excited to be here, to lead Patrizia through the next phase of its evolution. Christoph, over to you.

Christoph Glaser

Thank you very much Asoka, and once again, on behalf of the whole team, welcome onboard. Great to have you on this call. Look, everybody, it's a privilege to be here again, after we talked last time about fiscal year 2022. As usual, we're going to cover strategic highlights and current trading first on a couple of slides, and after that, we will transition to a financial update and a bit

more information about guidance.

With that said, I will start on page four. And in addition to welcoming Asoka onboard, I would also like to highlight to all of you, once again, that as of June 1st, Patrizia will have a new Chief Operating Officer, Slava Shafir, who comes to us with an abundance of operational experience in relevant sectors across the Americas, Europe, and other markets. And so, we are happy to have Asoka on the team already, and we're also looking forward to welcoming Slava Shafir as of June 1st.

With that, let's go into the markets and what we see there. And I'd like to start on slide five and briefly talk about what we see as of today, and then maybe add a couple of comments as to how we see things evolving over the next couple of quarters. So, at the moment, we're seeing an exceptionally low level of market activity, and somewhat limited investment, especially in the real estate area, less so in infrastructure, where there's more action going on.

On the left side of the page, when you look at signed and closed transaction volumes, and you compare the three months of 2022 and the first three months of 2023, you can see a drop of total transactions signed by around about 60%. And the transactions we did sign in the three months just behind us are two thirds acquisition related and one third disposition related. So, again, we are more of a buyer than a seller, because we're operating out of a position of strength.

When you look at the closed transactions, the year-over-year drop is even more pronounced, and the EUR 300 million of transactions closed are purely acquisition related transactions. So, once again, you can see what we always said would happen, that we would become more of a net buyer and not a seller. And here, it's quite pronounced in the first quarter, unfortunately, at a very low absolute level.

And it also underpins that we saw some organic growth in the first quarter, because everything we did close was acquisition related. Now, equity raised has also been suffering on a year-over-year comparison basis by around about 90%, kind of expected. And the good news remains that we have around about EUR 4 billion of firepower available in the form of cash and structures, in the form of committed capital, and a fairly moderate leverage on top of that, which is quite reliable, simply because we have access to 250 banks.

Our product shell is well positioned, we've talked about that before, and with the firepower and structures, and the sales axis we have to our customer base, we do believe that we will gain momentum, when investment activity returns. Now, with that said, maybe a couple of additional comments, as I have been

talking to our transaction and capital market teams as recently as this morning.

The second quarter is going to continue to be very weak. And we've said that before that the first half is going to be weak. April, in an historical context, when you look back as far as 2009, has been the second worst month over that period of time on the real estate side. So, the second quarter will be another weak quarter. We do believe that there's a possibility that transactions will come back over the course of the third quarter.

And we feel moderately optimistic about the fourth quarter, which has also traditionally, from a seasonality point of view, been a good quarter. The key question remains when exactly that's going to happen, and what the extent of it's going to be. And that will also drive the answer as to how much transaction volumes will be generated, the mix of it, and the transaction fee income related to it, and we'll get to that a little bit later.

So, with that, let's move on to the financial update and guidance section on page seven, specifically. On page seven, you can see that based on our relatively forward thinking strategies deployed over the last couple of years, and a bit of focused M&A, we do see both continued net organic growth, and also, M&A driven organic growth of our AUMs.

And on a year-over-year comparison, looking at the end of the first quarter 2022 and how things developed afterwards over the next 12 months, you can see that our AUM has grown by around 5% from EUR 55.3 billion to EUR 58.1 billion. And the organic growth component of that is relatively significant. And you still see, over that horizon, a very minor positive valuation effect, which has obviously, in the more recent past, changed to a moderately negative trend in the recent short term.

So, net organic growth accounted for EUR 2.1 billion of the year-over-year growth, and it's predominantly driven by infrastructure office and residential. I don't think I need to comment on the moderate positive valuation effects right now. And the M&A driven AUM growth is largely driven by the consolidation of Advantage, which we happened to acquire in December last year, and we've talked about that already.

So, organic growth and M&A are the historic key drivers for the AUM development over the last 12 months, and with that, let's look at the developments between the end of last year and end of March, i.e., the first three months of this year. There, we see, in essence, a stable AUM in a challenging market environment. And I think it speaks for two things. It speaks to the fact that we have a high quality portfolio.

What we do transact, we'd rather buy than sell. And secondly,

the quality of the portfolio supporting that. So, EUR 59 billion downwards to EUR 58 billion, and the main drivers are, again, a very moderate net organic growth component. The moderate negative valuation effect of EUR 0.7 billion, and then there is half a billion, which is linked to M&A and other components.

And I would like to be a bit more specific here, because traditionally, the first quarter is always a quarter where cash dividends are being paid to investors, so there is a bit of cash outflow from certain vehicles linked to that, so quite a normal thing to see here, and that is in that third bucket. So, the key message here is perhaps that the net organic growth could not fully compensate for the negative evaluation effect, which is quite obvious, but expected.

And the AUM guidance that we've given, which represents a range of EUR 60 billion to EUR 65 billion for the total year of 2023, assumes that there will be an overcompensation of valuation effects by net organic growth over the course of the year, and this will have to happen over the course of the second half of the year, as I already alluded to before, hinging on the resumption of the transaction markets. So, that's, in a nutshell, the short term past, and the comment on the short to midterm future.

As you know, in that context, we do continue to believe that the valuation impact will be somewhere in the range of 4% to 5% negative for the full year. Having seen 1.2% so far year-to-date, we seem to be tracking all right, in that respect. But there are more valuations coming in June, in September, and in December, but our modelling suggests that we're going to somewhere get into that space, and then we will see how acquisition, sales mix, and transaction activity will stack up against that headwind.

So, with that, let's go to slide nine. And there, again, we just want to point it out that the high quality of our assets and the broad diversification of our AUMs are a key factor with regard to its stable development. Diversification levels remain high across geographies, across asset classes, and a couple of other parameters. Again, the total balance is virtually stable. If you ask me what we see in terms of trends today, we see definitely flight to quality. We have been seeing that for a while.

We do see a lot of work around future proofing assets from an ESG point of view, and we make a huge effort in that respect. And then there's a lot of focus on tech enabled assets in parallel. And the last two points, I guess, are going hand-in-hand, in a way, because of the good tech based assessment and the good ESG future proving strategy, asset by asset, is really what's going to differentiate us against competition going forward.

With that, let's switch to the P&L starting with slide ten. And I have to say, I'm actually quite pleased about the dynamic that's been unfolding here over the last quarters, including the first quarter of this year, because our recurring income has grown by 13.8%, compared to the first quarter of last year, and that's EUR 7.5 million, which is very nice to see. As expected, transaction fee income has dropped to an all-time low by another 50%, or 51%, to EUR 1.1 million.

I had already alluded to that last time we talked, that that drop will continue, and then hopefully, see a V shaped recovery later in the year. When you look at performance fees, again, as anticipated in the past, still a continuation of a drop, but less pronounced, compared to transaction fees. And then again, the expectation is that here, you will see an extended U shaped recovery, taking us through the first half of the cycle, which is hopefully, about to start in the second half of this year.

So, the total picture of seeing total service fee income increased by 1.1% to EUR 84 million almost, slightly above last year's level, under the given circumstances, is not great in absolute terms, but we do feel good about it, relatively speaking, and the quality of the mix has certainly improved. And that's something that will, hopefully, further future proof the company, and also, support and carry our equity story in that respect. And that's what we feel good about.

So, if we leave that topic, or actually, before we leave that topic, maybe one more comment on the composition of the performance fee, because we usually do get that question anyway. The EUR 20.4 million that you see there is largely dominated by around about EUR 19 million of the contribution from the Dawonia portfolio, which is, valuation wise, extremely stable operationally, performing well.

And we do believe that this contribution will remain a key pillar of our income profile going forward. And the levels of collaboration with our investors in that vehicle, and the evolution of strategic thinking there, are quite constructive and on a very, very good track. So, with that, we go to the cost side of the P&L on slide 11.

Again, a story here that started to unfold, which we like to see, because we do see that our strategic reorganisation and cost containment has started to improve our net operating expenses, as planned. They're down by 5.2% year-over-year. And if you compare it on a like-for-like basis, i.e., you back out the acquisitions we've made along the way, the saving on a sort of former core Patrizia business component level alone normalises, actually, even higher.

So, we feel very positive about that development, which again,

is primarily driven by active cost containment, both on the perex side and G&A. As well as the ambition to maintain a positive operating leverage, as a matter of principle, between recurring income and cost. Now, maybe one little add on comment here with regard to general and administrative expenses, which are usually about a third of the total company's expense base, after personal expenses, being two thirds of it.

That part of the cost equation, we got down to the levels pre-Whitehelm and Advantage Partners, i.e., the level of 2021. And we hold that level, after having acquired those businesses, and that gives us a quite significant advantage here. So, the key message being costs reflect positive outcome of recent reorg measures, and show our ability for containment. Quite due, under the current circumstances, and helping us to get the EBITDA equation into shape.

Speaking of which, you can see the entire picture on the next slide, where you can reflect on the composition of our EBITDA, which is benefiting from a continued increase in management fees, or recurring income, and a lower net cost drive, both of which, support the earnings before income tax and depreciation. So, up from EUR 26.4 million to EUR 27.2 million, so that's roughly 3%.

The net sales revenue and co-investment income declined year-over-year, but that's fully in line with budget and strategy, because some of you may recall that in the first quarter of last year, we had a positive one-off link to the disposition of a UK based assets named Trocoll House, which we had as an on balance sheet property, and that obviously didn't reoccur this time around. So, the EUR 1.7 million is what it is.

But again, the main messages here are recurring income up, overcompensating for transaction fee income loss and performance fees being softer, and delivering EBITDA growth of 3%. So, we kind of like what we see. It could always be more, but under the circumstances, a pretty decent performance. One thing that hasn't really changed, and if so, in the right direction, is the strength of our balance sheet.

So, I'd like to reflect on that, once again, a little bit on the next slide. It does provide for security and the ability to make strategic moves, if we feel like moving them. Balance sheet and liquidity, KPIs relatively stable, so a net equity ratio north of 70%, available liquidity around EUR 370 million, so quite rich. Certainly, no need for any refinancing activities, like you see elsewhere in the market.

And we will, most likely, come up at the shareholder meeting in May and ask for an authorisation to continue our ongoing share purchase, or repurchase, programmes, so you will hear more

about that when we meet. And treasury shares have slightly reduced from 6.5 million down, and that's because the first earn out trench for Whitehelm was delivered after cutting those accounts a couple of days ago.

Whitehelm being in quite good shape, and developing nicely, of course, under the current market conditions. Whitehelm also does occasionally see a couple of delays, with regards to certain transactions, but the infrastructure markets are good. Valuations are expected to continue to grow in a mid-single digit environment, and the teams are performing, so we feel good. So, in summary, when it comes to balance sheets, good liquidity.

We'll continue to actively deploy capital with a focus on strategic co-investments and M&A, if and when it makes sense. And we will propose to continue the share buyback programme, and at the moment, short term, the treasury shares are down from 6.8 to 6.5, because we addressed the first phase of the earnout for Whitehelm. The guidance related comments, I would like to make are summarised on the next slide.

And simply speaking, we are confirming our guidance, as we have issued it, so AUM guidance remains between EUR 60 billion and EUR 65 billion. Our EBITDA guidance remains wide for now with a range of EUR 50 million to EUR 90 million, and we have made up our mind to keep it that wide for now, because of the second quarter related comments I made earlier. We may choose to narrow our guidance here, as we proceed through the year, but at this stage, it's too early.

And again, as I mentioned before, the main driver for the width of the guidance is the remaining uncertainty, still, as to what's going to happen to the transaction markets in the second half of the year. Our EBITDA margin guidance also remains unchanged. Now, of course, with the first quarter under the belt, we feel good as to where we stand, running up against these guidance ranges, especially on the EBITDA side and the EBITDA margin side, driven by both recurring income and cost performance.

Obviously, the jury will be out on AUM growth and the resulting AUM levels versus guidance, because the key drivers there, valuation outlook being within the range we expect, may be moderately better than we have communicated, i.e., 4% to 5% versus 5% to 6%. On the other hand, the transaction activity is still very mute, so the key question is whether transactions with the right mix, in terms of focus on acquisition of assets, will overtake or overcompensate the currently unfolding moderate headwind from valuation development.

And we will just closely watch that over the course of the year. Depending on how it goes, the AUM outlook may come under a

little bit of pressure or not, and the EBITDA outlook may get into even better shape or not. So, those are really the key points on the guidance, and with that, I would like to proceed to the slide where we summarise the key takeaways for the first three months of the year.

There are four points we've highlighted here for you. There are probably more we could talk about, but those are the four we consider most essential. So, the market environment is very difficult, or has been very difficult, in the first quarter, probably one of the most difficult in the short, medium, and long term past. The AUM levels have proven to be very resilient, relatively resilient, and as I said, valuation pressure is moderate.

And new AUM additions will be the key question and the timing thereof. We have no pressure to sell for leverage reasons. We do have, generally speaking, low leverage across all of our portfolios. We do rely on very equity rich investors, we've talked about that in the past, and the management fee growth has managed to offset a temporarily weak transaction fee environment. The balance sheet is strong, so we will remain buyers and not become sellers.

We do foresee decent EBITDA development, and we will have the financial flexibility to move. So, as I mentioned before, depending on what opportunities arise, we could also see very quick and decisive action on either individual assets, or portfolios, or groups of portfolios, or even M&A targets, if they make sense. But there will always have to be a strategic angle to that, either from a distribution diversification point of view, or from a product suite enhancement point of view, or from a geographic expansion point of view.

So, we're watching along the lines of all these dimensions. So, decent performance, despite a challenging environment. Uncertainties remain for now, and we keep relying on our strengths and we keep trucking. And was that, Martin, I guess it's time to hand over back to the operator. Thank you very much.

Operator: 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 touchtone telephone. If you wish to remove yourself from the question queue, 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. The first question is from the line Andre Remke with Baader Bank.

Andre Remke: Good afternoon. Thank you for the presentation and your current introduction, Asoka. A couple of questions from my side, please, starting with the portfolio valuation or assets under management

valuation down by 1.2% on average. How much of the total assets under management has been revalued in the first quarter?

Is this one quarter, and therefore, we could expect the 4% to 5%? Or what does the calculation look like? And also, on your largest asset, Dawonia, has this been revalued too? Because there was a EUR 70 - 75 million lower value, or was this cash outflow, the cash dividend outflow? This is the first question, please.

Christoph Glaser

Thank you very much. I will certainly address them. Before I address those questions quite directly, I would like to make one more comment, to make sure that nobody misunderstood my comment on the continuation of the share buyback programme. We are going to ask the General Assembly of the Patrizia shareholders in late May for authorisation to continue it. And depending on the outcome of that, we will continue the programme. Just to clarify that for the avoidance of doubt.

Now, back to your two questions, which are obviously very relevant in the current environment. So, first of all, if we break down the company in the first step, we're starting with around EUR 58 billion of assets. And then you have infrastructure in the mix, where we generally see mid-single digits, positive valuation developments. And then we do see a bit of cash and structures.

And then we see a core portfolio of real estate, which adds up to the upper half of the EUR 40 billion or EUR 50 billion range. And in there, we have about 1,600 assets that we constantly revalue. Some of them annually, some of biannually, some of them quarterly. We do about 2,200 valuations, so compared to the number of assets under review, we do about 1.35 X as many valuations, simply because some get revalued several times during the year.

Now, when you break down this number of roughly 2,200 valuations, or 135% of the asset number, about 32% of those happened in the first quarter, that's about EUR 14 billion, then about 33% in the second quarter, then 29% in the third quarter, and 41% at year end. So, obviously, in particular, year end, but also, half year valuations are quite rich, in terms of volume. And that's how you capture, on a rolling year basis, what you have to do.

So, the first main message is we do value several assets more than once, and therefore, we do 2,200 valuations versus 1600 with the time distribution, I have already explained. Because of that, it's important to look at the valuation trends that we saw inside the first quarter, but also, what we saw, for instance, at the end of the year versus the beginning of last year, i.e., the 12 months before that.

And it's also important to look at, in aggregate, over the last 12 rolling months, so perhaps spring 2022 and how it developed towards spring 2023. So, inside 2022, we still, in aggregate, saw positive valuation effects to the tune of north of 3%, between 3% and 4%. And then towards the end of the year, we started to see negative valuation effects linked to the fourth quarter valuations. And then we continue to see that now in the first quarter, where we see about 1.2% of aggregate downward valuations.

And then if you ask me where those are, so in the first quarter of this year, the most negative ones geographically were distributed across, I would broadly say, northwestern Europe, so France, the UK, Netherlands, where we saw anything between negative 3% to 6% in aggregate. If you ask me what we saw across asset classes, we saw negative developments in other uses, up to 8%, logistics, industrial around 3% negative, and then clinics and others, maybe around 1% negative.

But there were still asset classes where we saw sideways movements, like commercial mixed use, like hotel, like office, mildly positive, retail, mildly positive, and also, residential, mildly positive. More pronounced positive healthcare and student housing, in particular, in some cases, up to 25%. So, there is quite a mixed picture.

And once again, before I answer the second question, what I was just referring to is for real estate, because I was making the point earlier that on infra side, we're seeing a stable, positive valuation trend of around mid-single digit percentage points, so 4% or 5% for the infra side. Now to Dawonia. Dawonia, the portfolio is at roughly 5.5 under AUM, it's a very solid and very well operated business.

And I would like to give you some numbers, so you get a feel for how real this value stability in that portfolio is. So, between the end of the third quarter and the end of the year, the Dawonia book, or value, mildly dropped from EUR 5.45 billion to EUR 5.38 billion. This little drop of EUR 70 million is reflective of 1.5%, but it does include 1% related to single asset sales in the Munich area, which means that only 0.5% relates to actual valuation changes.

So, about EUR 50 million of the EUR 70 million of value drop, or just assets, which have gone out, by the way, at book value, or <slightly above, and the other EUR 20 million are valuation effects, and that is round about 0.5%, so literally, a sideways move. Now, if you take that forward into the first quarter of this year, same picture, or very similar picture, and even slightly better. Because now we're taking the EUR 5.38 billion, and they're going, as of the end of March, something like EUR 5.37 billion.

So, there's only a ten million shift here, which is equal to 0.3%. So, the sideways movement continues, and the super moderate negative change is actually getting smaller, so the portfolio's literally stable. And we always get the question why is that? Well, first of all, high quality assets. Secondly, locations, which are subject to the highest rent level changes in the past, in the present, and in the foreseeable future in the city of Munich, we're talking about 20, to 21%.

Secondly, when we did value these assets in the past, we have always valued them around the middle of the range bracket, provided for certain markets, for certain groups of assets. We have never positioned them in the fourth quartile of that range, like some of our competitors have. We also always continued to deploy conservative, standardised, and unchanged valuation measures. So, in the upcycle, we have not, let's say, eaten the potential.

We have remained conservative, and we're now getting the upside of that, of being relatively stable. And recent transactions suggest that that values will continue to remain stable. So, that's a fairly longwinded answer, but to a very important question, and that's why I decided to spend a bit more time on it, as it's important to understand that. So, with that, let's go back to the to the next question, please.

Andre Remke

Thank you for the excellent answer. Many details. So, if I have got it right, also, the Dawonia portfolio will be valued on a quarterly basis, not one or two times a year, but on a consistent basis?

Christoph Glaser

We were actually looking at that portfolio quarterly. There's obviously a fully-fledged external effort in the mix once a year, and also, at the half year mark, a second one. And then, if I'm not mistaken, at the first quarter and third quarter mark, we're doing, or the Dawonia team is doing it, on an internal basis with some plausibility checks being done on the side. So, for points of reference a year.

Andre Remke

Okay, perfect. Thanks for that. The second question comes to the cost cutting measures. We know the first effects. Could we take the cost for the first quarter, the run rates for the following quarters, or is there more to come? You referred to the level two years ago. I'm not looking in my model for this, the deep level, but a more general question, is there more to come from cost cutting measures?

Christoph Glaser

First of all, back to the basics. On the perex side, where we see two thirds of our cost base, there's a certain dynamic and then there's a certain dynamic on the G&A base. Overall, the actuals are quite a promising, and we appreciate the upside they have generated versus our expectations. But we are still a little bit

cautious to suggest taking that as a run rate, because the activity coming back over the course of the year, there's a possibility that we will track favourably, but not as favourably anymore as we have been tracking in the first quarter.

So, if I would take an internal perspective here, which we don't generate, we have delivered better than expected in the first quarter against our internal goals, but we're not yet entirely sold on the question of whether all of that will be sticky, whether some of it is just subject to time shift. And secondly, whether some of the expected increased business activities, especially in the front end, may not lead to a run rate, which is not going to be quite as good as it was the first quarter.

So, directionally, I would say, yes, you can take a shot at that. For the time being, I would say, if you do that, maybe cushion it a little bit between prior experience and what you've seen in the first quarter.

Andre Remke

Perfect. My last question goes to the performance fees. You mentioned the EUR 20 million roughly, which, let's say, is completely related to Dawonia. Is it fair to assume that this is the largest part this year? You have mentioned you're expecting, also, for the second half, higher performance fees, but could you remind me where they should come from, and if you're expecting mostly positions in the second half, and write downs could probably, I'm not sure if I'm correct, but hurt performance fees.

Christoph Glaser

So, first quarter, very atypical in the sense that around about EUR 20 million were driven by EUR 19 million from Dawonia. And again, you'll also see that contributor next year and the year after, but at a slightly lower level, then that's set for the total year. We haven't given guidance on the individual revenue streams this year, because of the uncertainties in the market. But I guess you can expect the number for the total year to maybe be close to twice that level.

Which means, in turn, that there will be other contributors. We do currently see one other fairly strongly contributing vehicle in the later parts of the year, and we're tracking that, obviously, very carefully. We're talking around another EUR 10 million there. And then there will be a few smaller items, which could generate another EUR 0 million – EUR 10 million of performance fee income, all of which, will be adding up to something slightly south of EUR 40 million.

Obviously, it will be key to see those opportunities materialise, but as we're tracking them on a case by case basis, we feel reasonably confident. The transaction fee income line is the one that is very, very difficult to foresee at the moment. On the other two, we feel quite up to the game.

Andre Remke	The additional performance fees you mentioned, will they only materialise if there is a disposal?
Christoph Glaser	In principle, yes, and given the nature of the assets in question, the timing plans and the clients, or the vehicles and investors, they're backed against. And given the fact that they are, from a planning and agreement point of view, locked in, I see those to be quite safe to assume.
Andre Remke	Quite what, sorry?
Christoph Glaser	Safe to assume.
Andre Remke	Perfect. That's it, from my side. Thank you very much. Have a good weekend.
Christoph Glaser	You're more than welcome. Thanks for the questions.
Operator	The next question is from the line of Philipp Kaiser with Warburg Research. Your question, please.
Philipp Kaiser	Hello from my side. Thanks for the presentation and congrats for the quite good start to the year, despite this challenging environment. Only one question left regarding your guidance. So, after printing EUR 27.2 million EBITDA, and assuming a guidance of EUR 50 million to EUR 90 million, could you deliberate on your scenario for the lower end of the guidance for the course of the year?
Christoph Glaser	The lower end of the guidance is EUR 50 million, as you've seen. At the moment, I would say we're tracking, let's say in the third quartile of the range, probably, so north of the midpoint, and that's driven by all the things we've just discussed. So, the question will be what's going to happen to the third and the fourth quarter from a transaction fee income, as a negative potential headwind? And what's going to happen to the stickiness of our cost performance, which, so far, seems to be quite okay? The two together, contrary to a management fee perspective and performance perspective, are going to be the two drivers that will determine if our destiny is in that range. So, at the moment, assuming we're in the third quartile, if the market doesn't come back at all, I think we'll, for sure, drop into the second quartile of the guidance, i.e., below the mid-point. But I don't expect us to… Can you still hear me?
Philipp Kaiser	Yes.
Christoph Glaser	I do not expect us to drop into the first quartile of the guidance, i.e., the EUR 50 million to EUR 60 million bracket. But in a scenario where transaction fee income will really not appear, or reappear, and a portion of the cost run rate is going to be lost, I could see us in the second quartile. If we continue to do well on the cost side, I could see us still between the second and the

third quartile, more like in the upper part of the second quartile, even in a severe transaction fee headwind environment.

So, that's the dynamic we see. We might know more, as we come out of the second quarter and get into the early days of the third quarter, and that may be the first point where we may contemplate narrowing our guidance. As I said, that's where we are mentally here, on this topic.

Philipp Kaiser So, if we would assume the same market condition, what we see in the first quarter, in the course of the year, you would still reach the lower end of the guidance, is that right?

Christoph Glaser That is the point of the range that I'm not worried about. At the moment, I'm mentally in the third quartile of that range, and in a bad scenario, I'm in the second quartile of that range. I'm not thinking about the first quartile of that range, and I would only get into the highest and fourth quartile of that range, if I would get some opportunistic transactions under the belt, on top of normal ones.

Philipp Kaiser Perfect. Thanks a lot. That's all from my side.

Operator Ladies and gentlemen, as a reminder, if you would like to ask a question, please press star, followed by one, on your telephone. The next question is from the line of Lars vom Cleff with Deutsche Bank. Your question, please.

Lars vom Cleff Good afternoon, and thank you very much for taking my questions. I have two, and will ask them one by one, if that is okay for you. First of all, Asoka, great to have you back in the asset management industry. And best of luck for, and success in your new role.

Asoka Wöhrmann It's a pleasure.

Lars vom Cleff Speaking to some of my industry contacts, I tend to hear more often now that smaller real estate developers start running into problems, not least as banks also seem to tighten financial conditions for new loans. Are you seeing and hearing this as well? And maybe adding to this, could the acquisition of a smaller struggling developer be of interest to you?

Christoph Glaser It's a good question. I was actually, just a few days ago, chatting with some of our very experienced real estate development colleagues and private equities background driven transaction experts, and we were asking ourselves the question where should we maybe look for the most opportunistic play? And one of the answers, among several, was struggling developers.

Because equity is drying out for a lot of them, leverage, very difficult to get, liquidation of projects in development, difficult, unless you drop from a 31 multiple to a 25, 24 multiple. So, the opportunities are there and they're all over the place, and the

only way for some of these guys to stay in business is to accept debt or mezzanine instruments with coupons that are mind boggling, 25%, 30%, 35%.

So, basically, almost assuming that there will be failure, and therefore, then a plot of land, or a plot of land with some building rights, or something under construction, or something almost complete, but short of fit out. And then those assets, you could then pick up very cheaply, and given the skills we have around real estate development, ESG future proofing, and transactions, in terms of placements, into existing or new vehicles, would make this a huge opportunity.

So, we are looking into this space, but it would have to be something of critical mass. It would have to be something that we can handle from a skillset point of view. And it would probably have to be in a geography, where we have more than average real estate development and asset management skills. Now, compared to the competition, we are better than average, pretty much everywhere where we are.

But there are, let's say, certain markets where we would be more able, capacity and capability wise, to handle this and others. So, the answer is yes. That is a huge opportunity, but it depends, case by case, because there are also a lot of complicated opportunities out there with compliance, legal, financial baggage, all sorts of things, and we don't need that distraction. It would have to be a steady, pure, clearcut play.

Lars vom Cleff

Understood. Many thanks. And then secondly, you already mentioned in the presentation, and also, in the follow-up comment, that you're asking for the authorisation to acquire and use treasury shares again. And precondition, the AGM gives you the authorisation. I would be interested in the timeline, given your high liquidity position.

If you get the authorisation, is the new share buyback programme then something we should expect shortly? Or is that just to have it in your pocket, and ready whenever you're able or willing?

Christoph Glaser

Let's take it step-by-step. So, we will ask for the authorisation, and then we will certainly discuss how we will do that, from an intensity point of view, or a sequence or timing point of view. Because you could do it gradually, like on a linear curve, you could maybe do it on an exponential curve. We have had these discussions before, let's first get the authorisation, and then we can think about how dynamic we want to make it.

It depends on a few things. Because other alternatives, opportunities to spend the cash, may arise in the meantime. We're looking at co-investment opportunities, literally on a

	weekly basis, almost, at the moment, or biweekly basis. And we're thinking about M&A opportunities on a monthly basis. So, there could be a side shot, so to speak, from any of those two directions, which will then also have implications on how dynamic we want to make this part of the cash allocation.
	So, just stay with us, until we get through the authorisation, and then we will probably revert back after that, once we have made up our minds.
Lars vom Cleff	Very helpful, and much appreciated. Many thanks and have a great weekend later on. I'll go back into the line.
Christoph Glaser	Thank you very much. And by the way, we will be on the roadshow in the UK and Scotland, and also, the US, I think in June, Martin, right? So, we will also see you then. Any other questions from anybody?
Operator	The next question is from the line of Manuel Martin with ODDO. Your question, please.
Manuel Martin	Thank you very much. Just one question from my side, please From your perspective, if you have a look at the price evolvement in the market, do you have a feeling of how far or how big the is difference between bid and ask prices in the property market? Are buyers and sellers approaching a bid, or is there still a big difference? What's your impression, please?
Christoph Glaser	There's a wide range. I'll give you maybe some examples to give you a feel. So, just earlier this week, I was looking at a vehicle where we have quite a few dealership investors involved, and run about 20 pretty decent office assets in the mix. And because a minority of investors were thinking about redeeming their contribution, we have lined up a handful of assets for disposal, under the current conditions, which is, in this case, not an issue, because they're good quality.
	And as we've lined up those assets, we're seeing them positioned anywhere, 5% above book and valuation all the way to maybe minus 10% versus book. So, let's say, on average, compared to, say, smaller, single digit negative, so kind of okay, quite good. Then when you think about maybe development examples, and you go in there and look at that, the difference of expectations can be as big as 20% to 30%, which is something I saw recently.
	And again, we're more of a potential buyer there. And also, on the established asset side, we're more of a potential buyer. So, that's the range we're looking at. So, depending on the sector, depending on the whether it's development or established, anything from bids are up to 5% better than expected to 10% lower, and then on the development side, all the way up to 30% lower.

The range, you can calculate yourself, so in the first sample, it's about 15% revolving around zero, and in the second one, it's more like 30%, starting at zero and going down to minus 30%. So, that's the range now. Again, it really depends on the office side, it depends a lot on ESG fitness, it depends a lot on all the traditional parameters. The retail side, again, food is good, close to end user is good, and logistics last mile is good, second to last mile is good.

Infra, in general, is good, so we don't need to cover that one. And the geography also does matter. We see, as I said, in northwestern Europe a bit more of a delta, and we see a bit less of a delta in Germany, in central and Eastern Europe, and we see good signs in slightly stranger markets, like Mexico or further east, in established markets, like Japan.

Manuel Martin — I see. It is, indeed, a very wide field.

Christoph Glaser — You have got to nail this down to asset class location, and a couple of key questions around the parameters I alluded to.

Manuel Martin — All right. Thank you very much.

Christoph Glaser — A bigger challenge is probably still the breadth of the bidder range. There are usually not as many bidders showing up than you had in the past, at least at the moment.

Operator — There are no further questions, so I will hand back to Christoph Glaser for closing comments.

Christoph Glaser — Thank you very much. And once again, we appreciate the opportunity to be with all of you. We will see some of you during the upcoming roadshows, which we really look forward to. It's always great to dialogue about the company. On our side, we'll focus on the AGM at the end of May. The dividend will be up again, I assume you've taken note of that.

There are not a lot of companies doing that at the moment, especially in our sector. So, we feel good about that, and it will be paid on 30th May, which is also good news. And then we will obviously be focused on onboarding Asoka and our new CEO, Slava.

Martin Praum — COO.

Christoph Glaser — Sorry, COO, Slava, who will join us on 1st June, thank you, Martin. And with that, I'd like to close this call, and see you and talk to you soon. Thank you very much.