



Analyst Conference Call

Delivering on “Aareal Next Level”: Accelerate Aareon’s growth and value creation by partnership with Advent

August 14, 2020

Hermann J. Merkens, CEO

Aareal
YOUR COMPETITIVE ADVANTAGE.

Important milestone on the path to implementing “Aareal Next Level“

1

Keep structured property financing on track

Structured
property
financing



ACTIVATE!

- Leverage on expanded origination, structuring and exit opportunities – flexibly „play the matrix“ (countries, asset classes, structures)
- Expand servicing and digitisation opportunities
- De-risk balance sheet and flexibility where appropriate
- Protect the group’s backbone and retain “best in class position”
- Contribute to mega-trend ESG by focusing on high-quality, long lasting value property financing

2

Leverage and grow our housing and adjacent industries business

Housing &
adjacent
industries



ELEVATE!

- Elevate product range by utilising deep understanding of customer processes and infrastructure...
- ...by further expanding product suite with a focus on fee income
- Take opportunities of joint business model developments with customers and other market players (e.g. “objego”; joint-venture with ista)
- Support affordable housing through our cost-efficient payment solutions

3

As an integral part of our strategy strengthen Aareon’s position as the leading software company for the European real estate industry over time and become a company with a strong independent value proposition

Aareon



ACCELERATE!

- Continue execution of already announced organic growth strategy to double EBITDA in the mid-term...
- ...particularly by expanding our digital solutions portfolio organically
- On top: accelerate through additional M&A activities – if and when opportunities arise
- Further invest in digital ecosystems relating sectors to meet today’s challenges (e.g. virtual assistance, digitalised maintenance, mobile services)

Strategic milestone: Aareal Bank enters into a long-term partnership with Advent to accelerate growth and value creation of Aareon

Advent acquires 30% of Aareon

- 30% minority stake in Aareon will be acquired by Advent at an attractive Enterprise value of € ~960 mn¹
- Corresponding equity value of €~860 mn¹ of which Aareal Bank will receive net cash proceeds of € ~260 mn as of closing
- Additionally Advent granted an earn-out component of up to € 50 mn dependent on certain performance conditions
- Closing of the transaction is subject to customary conditions, primarily related to anti-trust approvals, and is anticipated to take place in the fourth quarter of 2020

Financial effects on Aareal Bank Group

- Expected realisation (as of closing) of a significant, P&L neutral, capital gain of € ~180 mn after taking into account minority interest in equity, transaction costs and taxation on capital gain
- CET1 capital to be strengthened accordingly
- Upfront capital gain significantly outweighs minor EPS dilution (FY 2020: ~0.05 EUR²)
- EPS effect to be compensated over time by significantly raised Aareon ambition level and reinvestment of proceeds



The transaction takes advantage of the very favourable market environment for resilient software-centric businesses

Rationale for the transaction: Aareal Bank and Advent to jointly support Aareon on its way to “Next Level”

Unlock potential 	<ul style="list-style-type: none"> ▪ Create a platform for Aareon to achieve its full potential ▪ Become Europe’s undisputed software leader facilitating the digitalisation of the real estate industry ▪ Leverage the strategic advantages offered by digitalisation to contribute to a more sustainable economic growth
Value creation 	<ul style="list-style-type: none"> ▪ Cornerstones of a value creation plan have been agreed upon; updated business plan to be defined and presented over the coming months ▪ Core elements: Boost organic growth, drive operational excellence and execute M&A
Roll-up M&A strategy 	<ul style="list-style-type: none"> ▪ Support and enhance existing M&A roadmap and significantly step up M&A activity ▪ Drive consolidation in a fragmented ecosystem ▪ Benefit from Advent’s extensive network, transaction execution and sector expertise
Strategic support 	<ul style="list-style-type: none"> ▪ Advent to be represented in Aareon’s Supervisory Board ▪ Advisory Board to support Aareon Management with industry and functional expertise with a view to achieve mutually agreed visions
Financial support 	<ul style="list-style-type: none"> ▪ Utilise Aareon’s significant debt capacity for M&A ▪ Further equity contribution from Aareal Bank and Advent on a pro rata basis as required ▪ Support by Advent with debt, equity and capital markets expertise

Ambition level: Become a „Rule of 40“ software company

	today	by 2025
Annual revenue growth	30%	>40%
+		
EBITDA margin		

“Rule of 40”: Sum of Aareon’s annual revenue growth and EBITDA margin will at least reach 40 per cent

Partnering with Advent will enable Aareal Bank and Aareon to even stronger support our clients

Aareal



Advent International
GLOBAL PRIVATE EQUITY



Aareon is ideally positioned to help its clients with the challenges and opportunities that come with the rapid digitisation of the real estate industry – Covid-19 seen as a catalyst for digitisation



Continued R&D investment will allow Aareon to underpin its role as a digital pioneer in the real estate industry by expanding its suite of innovative products and digital solutions for our clients



As the natural consolidator and a great home for acquired businesses, Aareon will bring the best products and solutions in the ecosystem to our clients



As Aareal Bank will remain the majority shareholder committed to Aareon's long-term performance, the existing synergies between the parent and subsidiary will be preserved – in the interests of both institutions' clients

Value crystallisation today and strengthen the upsides for the future boost shareholder value

Value crystallisation today



- Crystallise Aareon's current value in a very favourable market environment for resilient software-centric businesses for Aareal Bank
- Realise an attractive capital gain as of closing, hence...
- ...significant increase of our regulatory capital

Upsides for the future



- Achieve higher value contribution to our shareholders in a partnership by...
 - further accelerating Aareon's EBITDA and revenue growth beyond promised 2025 levels
 - multiple re-rating of Aareon as a "Rule of 40" company
- Minor EPS effect on Aareal Bank Group level to be compensated over time by significantly raised Aareon ambition level

Use of proceeds



- Unlock additional growth potential as promised in "Aareal Next Level":
 - Pursue value-enhancing sustainable opportunities in both segments of the Bank's business
 - Further support Aareon's M&A roadmap with strong new partner
- Enhance flexibility regarding capital management actions

See
next
page

Additional boost by investing the proceeds value-enhancing

Proceeds of the transaction

Investing in our business...

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Structured property financing	 ACTIVATE!
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2	Leverage and grow our housing and adjacent industries business
Housing & adjacent industries	 ELEVATE!
	<ul style="list-style-type: none">▪ Elevate product range by utilising deep understanding of customer processes and infrastructure...▪ ...by further expanding product suite with a focus on fee income▪ Take opportunities of joint business model developments with customers and other market players (e.g. "objego"; joint-venture with ista)▪ Support affordable housing through our cost-efficient payment solutions
3	As an integral part of our strategy strengthen Aareon’s position as the leading software company for the European real estate industry over time and become a company with a strong independent value proposition
Aareon	 ACCELERATE!
	<ul style="list-style-type: none">▪ Continue execution of already announced organic growth strategy to double EBITDA in the mid-term...▪ ...particularly by expanding our digital solutions portfolio organically▪ On top: accelerate through additional M&A activities – if and when opportunities arise▪ Further invest in digital ecosystems relating sectors – meet today’s challenges (e.g. virtual assistance, digitalized maintenance, mobile services)

...leading to

Increased optionality regarding value-enhancing opportunities, if and when they arise

Advanced flexibility regarding potential capital management actions



**By doing so
create
sustainable value
for Aareal Bank
and hence our
shareholders...**



Appendix

Aareal
YOUR COMPETITIVE ADVANTAGE.

Aareal Bank and Aareon have 60+ years of shared history and look forward to an exciting future with Advent

Foundation & spin-off 1957-2002



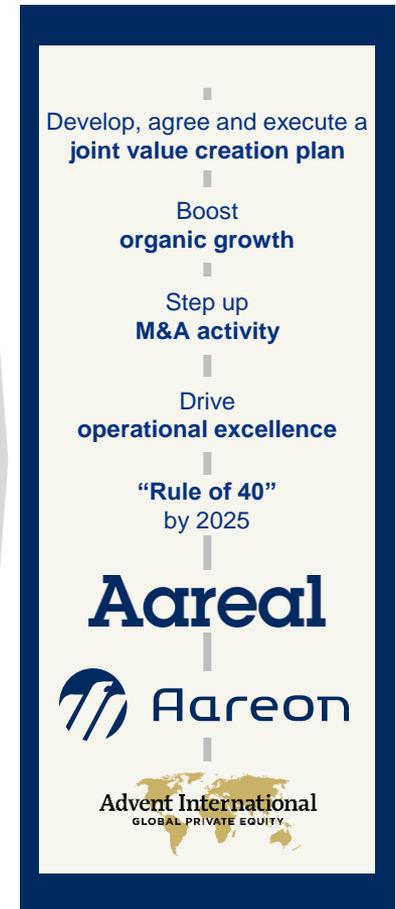
Positioning & growth 2002-2020



Market leader Today



Accelerated growth Tomorrow



This landmark transaction delivers on one of the key pillars of “Aareal Next Level”

Aareal

YOUR COMPETITIVE ADVANTAGE.

Structured Property Financing (SPF)	Consulting/Service (C/S) Bank	Aareon
<p>Commercial real estate financing solutions across 3 continents: Europe, North American and Asia/Pacific</p> <p>Diverse property types</p> <ul style="list-style-type: none"> Hotels, logistics, offices, retail, residential and student housing Additional industry experts in hotels, logistics and retail properties <p>Investment finance</p> <ul style="list-style-type: none"> Single asset, portfolio, value add Portfolio size: c.€26bn; average LTV: 57% 	<p>Integrated payment transaction system for the housing industry (market-leading) and the utility sector</p> <p>Financial solutions</p> <ul style="list-style-type: none"> Payment processing provider Deposit bank <p>Software solutions</p> <ul style="list-style-type: none"> Intelligent solutions to improve connectivity and efficiency for bank and non-bank customers Average deposit volume of €10.5bn in Q1 2020 	<p>European leader for real estate software, 60+ years in the market serving c.3k customers and 10m+ units with 40 locations in DACH, Netherlands, France, Nordics and UK</p> <p>Mission-critical ERP and broad set of modular Digital Solutions built on a cloud-enabled PaaS platform</p> <p>Sustainable and resilient business model with strong downside protection delivers decades of consistent profitable growth</p> <p>Experienced leadership team combining deep software expertise and longstanding real estate experience with a strong M&A roll-up track-record</p>
<p>“Activate”</p>	<p>“Elevate”</p>	<p>“Accelerate”</p>

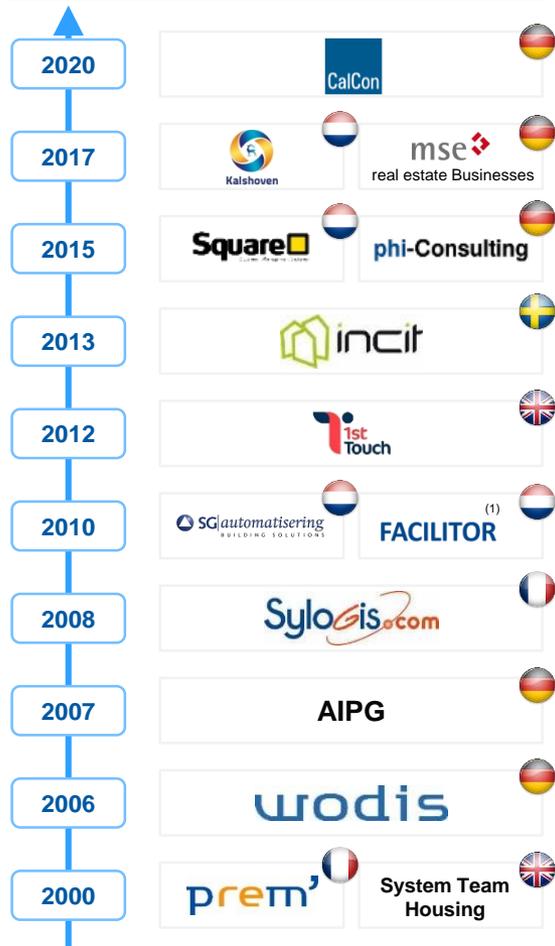
Aareal

Ideally positioned to drive consolidation in the fragmented real estate ecosystem by further stepping up M&A activity

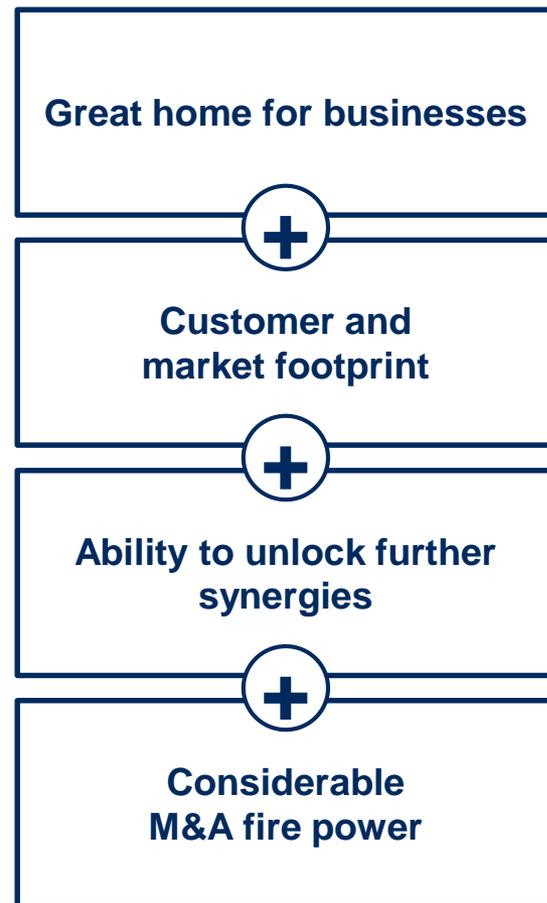
Ideally positioned to drive industry consolidation



Track record of successful M&A execution and integration



Accelerated M&A add-on strategy with support of Advent



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Thank you.

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