

**Adler Group**  
Conference Call  
16.02.2022 | 10:30 AM CET

Transcript

**Speakers:**

Dr. A. Stefan Kirsten

Dr. A. Stefan Kirsten

Good morning, ladies and gentlemen. Thank you for joining at short notice, thank you for being so many, thank you for your interest in Adler, and please have patience to listen to me for approximately ten minutes.

I will then take some questions, caveats to be mentioned at the end of my short speech. My name is Stefan Kirsten, and some of you might still know me as the former CFO of Vonovia from 2011 to 2018.

Since then, I've been a nonexecutive director, an investor, a consultant, and somebody who was allowed to sleep more than six hours a night, which was at Vonovia not always the case.

The board of Adler has co-opted me into its midst today, and I've been elected chairman as of this morning. My predecessor, Peter Maser, will stay as my deputy, and I owe him gratitude for not leaving the company and supporting me in this complex situation.

Ladies and gentlemen, this is a franchise, and I, as the new kid on the block, need every help, experience, and expertise with Adler.

Why did this happen at this time? Why me? You would have to ask yourself. We all know and we can see that Adler is besieged. The Viceroy report of October 2021 has created quite some damage.

The company has been rather mute about the situation. By the way, this is owed to a certain degree also by the advice of our special legal counsel. We had departures from the board, namely my friend and former colleague, Michael Bütter.

We have a special audit underway with KPMG in Germany. BaFin is looking into our last published year-end 2020. By the way, they do this since summer last year.

We've had a rating downgrade from S&P last Friday, and we informed the market about possible delays for the 2021 year-end, with all the consequences. This all, ladies and gentlemen, has led to a crisis.

A crisis in communication is a crisis in trust, in the company, its board, its management, and therefore it has also led to a significant erosion of the share price as well, and has had negative effects to the bonds.

Here is the point where I would like to talk about an unrelated, I repeat unrelated, but relevant topic, Wirecard. Ladies and gentlemen, let's not fool ourselves, Wirecard has cost Germany, or better the German-listed space, their

governance, their checks and balances, a lot of credibility. And rightly so.

But this is a fact against which we have to battle uphill to regain confidence in our own company. All these effects which I've just mentioned have been clearly seen by the board, and one consequence is now my appointment after the resignation of Michael Bütter.

By the way, that was completely unrelated to Adler, as we stated very clearly in our ad hoc. So, how do I define my mandate? The company has to get its act together, and there I will help and support the managing directors, Maximilian Rienecker, Thierry Beaudemoulin, as well Sven-Christian Frank.

We will work as good and as quickly as possible with KPMG Germany to come to an end of the special audit. As I speak, I do not have any knowledge about any things on timing or even results, because I intend to meet KPMG this afternoon.

When the report comes in, we will publish the results as quickly as legally possible. This report will show our statements about three areas which were highlighted by the Viceroy report, related party transactions, portfolio evaluation, and the loan-to-value definition.

First contact with KPMG has been the day after the Viceroy report. They are mandated since October 21<sup>st</sup> last year. Once we have a firm date for the conclusion, we will immediately inform the market. I am expecting a clear statement of facts and resulting recommendations wherever relevant, and I expect the chips to fall as they fall.

So, there will be no pre-emptive measures by this board in the meantime. Our goal now is to help KPMG with a level playing field, so that they can come to conclusions on the best data available.

The company will then reflect this special audit report if necessary, and only if necessary, in its 2021 year-end accounting. This will be audited by KPMG Luxembourg and will be published as usual.

Afterwards, I will accompany the senior management in its efforts to present and explain the results to the equity as well as the debt markets.

We will also then see in the board together which consequences the last year has for our governance. My personal guidance, which I'd like to follow, is to keep the good and improve what needs improving.

I can also confirm that BaFin has selected the 2020 year-

end for an event-driven review. For the Germans amongst you, it's an "anlassbezogene Überprüfung", a fantastic bureaucratic German word.

We have received notice, I think in August last year already, and have received their questions. We will answer them as quickly as possible. Such a review is neither a surprise nor damaging for any party.

We will work as good as quickly as possible with BaFin to come to a satisfying end of this audit as well. Due to the clear correlation this has had towards the share price, I expect the board to comment on the results once they're known.

By the way, the process didn't get delayed by Adler. BaFin changed the way how they audit companies. You might have seen that the Financial Reporting Enforcement Panel, FREP, ceased to exist on 31<sup>st</sup> December, and therefore you had a change of guards, a change of hands, and we will accompany this process as professionally as every listed company does.

Ladies and gentlemen, one of the prerequisites for all this is my personal independence, which is why I resigned from four property related mandates today, to avoid even the slightest appearance of any conflict of interest.

My independence in every direction also gives me the means to be unswerving and consequent in governance questions. In my view, this is one of the key factors of the future of Adler.

As much as the special audit and its repercussions and the Viceroy report and all these things have resonated in the markets, let us not forget the successes of the last months. Closing of a disposal of approximately 15,500 units to LEG, net cash of approximately 800 million received end of December 2021.

Signing of a disposal of approximately 14,400 units to KKR Velero, net cash of approximately 600 million expected in the upcoming months. And the sale of a 7% stake in Brack Capital, plus a grant of an irrevocable tender commitment for the remaining shares.

Proceeds of at least 840-million plus in the case of LEG, drawing the option, which we consider most likely or we wouldn't have done it.

This all has led to a significant deleveraging of the company, bringing us not only close, but clearly below the 50% LTV target, which has been reached with the disposals. If Brack

also flies, we will be in the lower 40%, or around 40% or even lower.

This all, by the way, is not a result of the Viceroy report, so let's not fool ourselves here. Just think about the timing and how long it takes to get deals like this together. This was already in the making, because the board had that shift in thinking already.

Ladies and gentlemen, before I take any questions, please allow me to articulate some caveats. I will not, I repeat not, speculate about any details on the special audit BaFin or the board reaction to it. Why?

A, because our lawyers advise it. But B, first and foremost, because I have no clue about these facts. All my knowledge is from public sources only. I know what you know. I will also not speculate about the 2021 numbers for all the same reasons. With that, please fire away. Stuart, over to you.

Stuart

Thank you, Stefan. 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're 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.

One moment for the first question, please. First question is from the line of Sander Bunck from Barclays. Please go ahead.

Sander Bunck

Hi. Good morning, team. Good morning, Stefan. Nice to have you back on the listed side. It's Sander here, from Barclays. A couple of questions from me.

The first one, I was just wondering, you mentioned that you resigned from I think four property related board positions today. I was just wondering which boards those were.

And the question I had was, I'm just curious about who approached you for this position, and why you decided to accept this position at this point in time.

Dr. A. Stefan Kirsten

Sander, thank you. The four boards, the most important one is actually the chairmanship at Vonovia Finance B.V., which is the bond financing arm of Vonovia. I also resigned from the advisory board role at Amir Dayan's Vivion, in Luxembourg.

I'm an advisor to a fund called Fundamental, which is doing

building things. I resigned there too. And last but not least, there is a very ambitious German family holding, the so-called Banner Holding, who directly compete in the market when they buy and sell residential real estate. There I was in the advisory board too.

It's a matter of hygiene and also of time management, but first and foremost of hygiene, to immediately resign. I couldn't tell them anything earlier, so that all happened between seven and eight o'clock this morning.

I was approached by Mr Maser, and after Michael Bütter resigned, and he obviously put in a good word for me, I got contacted. That happened I think on 3<sup>rd</sup> February, and we discussed whether or not I can work as a consultant for the company. So, I got NDA'd on the fourth.

And I spent a week in the US. I was reading some things, but not going into any meetings because of my eight hours' time difference to Arizona. And Peter and I discussed a lot of things yesterday, and we came up with, why don't we fill the vacancy? And why don't I, with my current skillset, take on the chairmanship, and he steps a little bit back?

And I think this is good news because we and the board can now have a fresh start. I'm independent, I'm hopefully qualified, that's a judgement you guys have to make, and I will put my work into this. Sander, does this answer your question?

Sander Bunck

It does. Thank you very much.

Dr. A. Stefan Kirsten

Thank you.

Stuart

As a reminder, if anybody would like to ask a question, please press star followed by one on your touchtone telephone.

Dr. A. Stefan Kirsten

This is Stefan again. Silver bullet chance. Come on.

Stuart

Please press star followed by one if you'd like to ask any more questions. There's a question from the line of Peter Yu from Amundi. Please go ahead.

Peter Yu

Hey, Stefan. I've just got a quick question, just in terms of you mentioned that the level of information you have in the company is similar from us on the outside. It's just if the discussions with Peter Maser more recently have increased that knowledge, or any more details on your own due diligence in the company would be quite helpful.

Dr. A. Stefan Kirsten

Yes, you can assume that everything which is on their website has been read by me. Don't quiz me on it, but you can assume it. That's the first point. The second aspect is,

of course we talked about it because, as I said before, I'm not intending to influence any content, but I'll definitely try to influence the process of the KPMG special audit.

And from that point of view, I of course looked at engagement letters, I looked at Q&A catalogues and things like that. This is a normal process. But what I did not do, and I can clearly state that, is I didn't go into board minutes. I definitely didn't look at the past.

So, I concentrated on three aspects. Governance. By the way, I have experience, as chairman of the board of a Luxembourg company listed in Germany, because I've been the chairman of the board of Gagfah. At that time, Deutsche Annington took over, the predecessor of Vonovia.

So, I've looked at governance, I've of course looked at the whole special audit situation, and at the whole BaFin situation, because these are obviously the time-critical and pressing points the company can only communicate if it gets out of its quiet period.

And that is something where I would clearly put my focus onto at the moment. Peter, is that answering your question?

Peter Yu

Yes, that's clear. Thank you.

Stuart

There are no further questions at this time, and I would like to hand back to Stefan Kirsten for closing comments. Please go ahead.

Dr. A. Stefan Kirsten

Stuart, thank you very much. Many people in the call, everybody a little bit shy. Okay, you have to get used to me again. No, ladies and gentlemen, thank you very much.

Thank you for spending the time with me. It comes from the heart. It is important for me that I was reaching out to you. By the way, I will also reach out to the rating agency today, I will be reaching out to the media today, but I was reaching out to you at my very first day.

We will hear from each other I hope in the near future, with all sorts of results, as I mentioned in my call. I'm grateful that I was allowed to join the company and help them. I'm grateful that I'm allowed to work with the people here on this rather complex issue.

And in principle, I'm very much looking forward to see you all, hopefully in person, in the next month. Thank you very much. Operator, thank you very much for running it.