

**Please Ignore  
Advent/Centerbridge  
on Aareal...**

January 2022

# Executive Summary – Please Ignore Advent/Centerbridge on Aareal



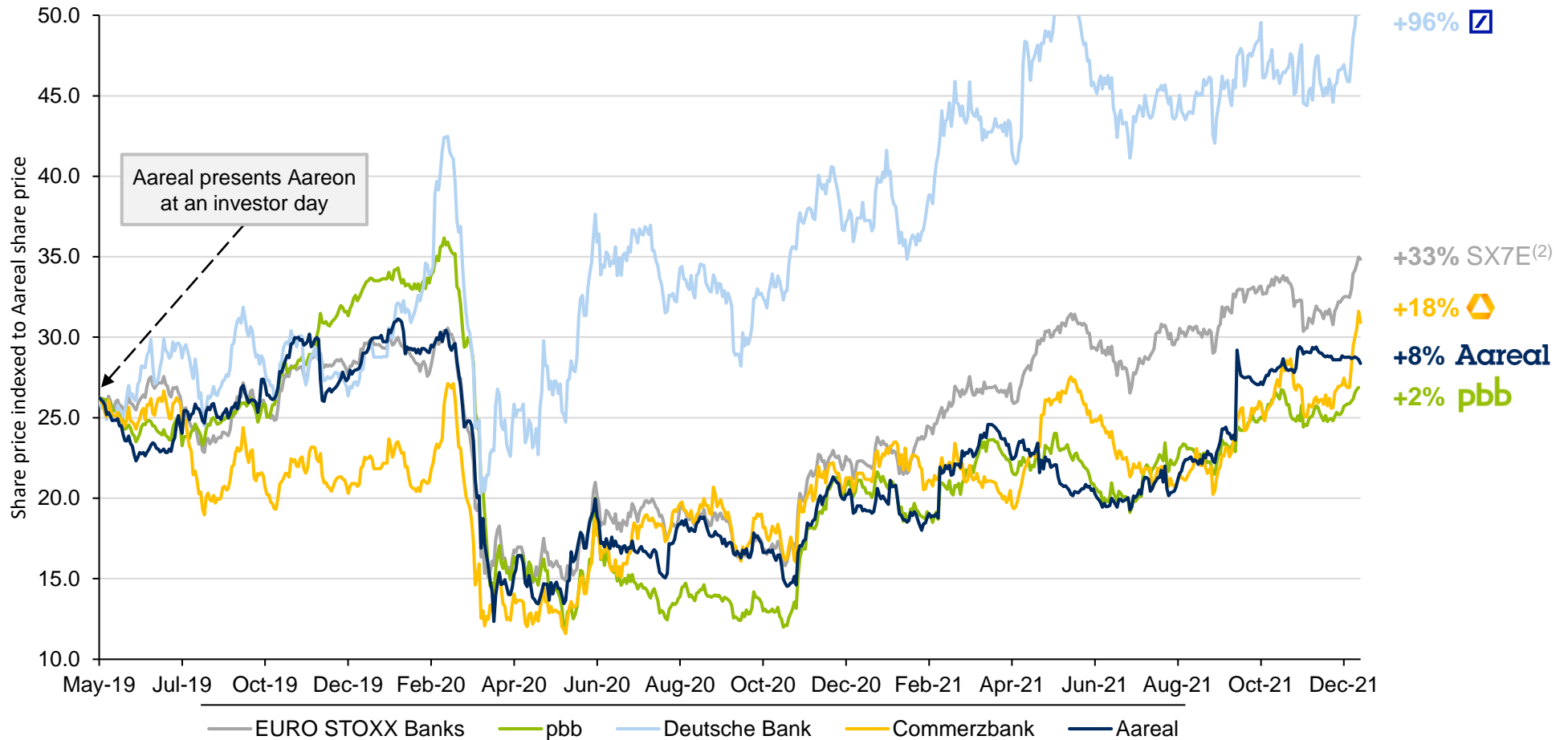
- Petrus Advisers are the largest shareholder of Aareal Bank AG (“**Aareal**”)
- The outcome of the 9 December 2021 EGM (“**EGM**”) has demonstrated that shareholders have no trust in the current leadership – we fail to find people who appreciate the takeover offer by Advent/Centerbridge (“**Offer**”)
  - According to press articles, Morgan Stanley did not submit the votes as instructed by Teleios, a 6% shareholder
  - Adjusted for the ‘mistake’ by Morgan Stanley, more than 60% of all shareholders present voted against Korsch/von Dryander/Voigtländer representing more than 32% of all shareholders and thus more than the 30% required to block the 70% condition of the Offer
  - The independent candidates proposed by Petrus Advisers were not voted in for now because of Morgan Stanley’s ‘mistake’
- Petrus Advisers believe in the value presented by Aareal
  - **Aareon:** we believe Aareon stand-alone is worth **€1.7-2.3 billion Enterprise Value (100%) or ~€19-26 per Aareal share (70% Aareal stake)**
  - **Aareal Bank:** our estimate for the value of Aareal’s banking operations based on management’s – conservative – guidance, is **€1.5-1.7 billion equivalent to ~€25-28 per share**
  - **The combined value of Aareal Group exceeds the bid by large amounts**
  - The Offer proves that Private Equity investors targeting 20-25% return per year seem to be sharing our view
- We have no intention to sell our shares at €29 and instead will push hard for the value in Aareal to be unlocked including changes to Aareal’s business practices

**Petrus Advisers will ignore the Advent/Centerbridge bid**

# Value of Aareon Not Reflected in Aareal's Share Price

*Since the Aareon Investor Day in 2019, Aareal has underperformed most German peers and the broader European banks index*

Share Price Evolution<sup>(1)</sup> Since Aareon Investor Day (28 May 2019)



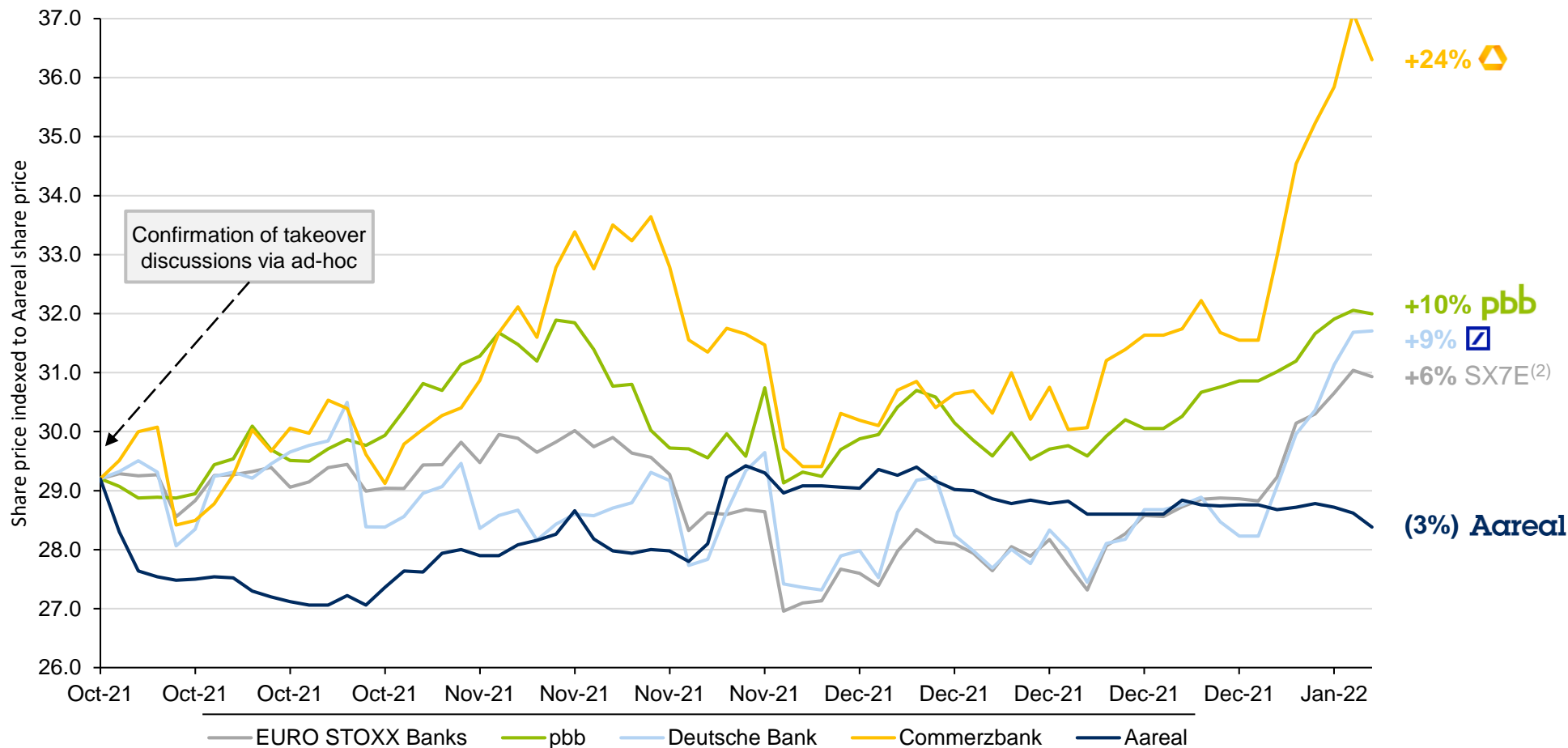
Notes: (1) Adjusted for dividend payments (pre-tax); (2) SX7E index based on equal weighting.  
Source: Factset as of 10-Jan-2022

# Significant Re-rating of Aareal's Peers Since the Confirmation of Takeover Discussions Reducing Attractiveness of €29 Offer

PETRUSADVISERS

Since the confirmation of takeover discussions, German peers have realised share price increases of 9-24% reducing the effective premium of the Offer substantially

Share Price Evolution<sup>(1)</sup> Since Aareal Ad-hoc Announcement (7 October 2021)



Notes: (1) Adjusted for dividend payments (pre-tax); (2) SX7E index based on equal weighting.  
Source: Factset as of 10-Jan-2022

# Aareon's Value is Not Reflected in Aareal's SOTP Valuation

**Implied value of Aareal Bank<sup>(1)</sup> based on the €29 per share takeover offer ranges from 0.06x-0.23x book value and does not reflect the potential of Aareal's banking franchise**

<i>(EURm unless stated otherwise)</i>	Aareon Valuation			
	Valuation @ RealPage Buyout EV/Sales <sup>(4)</sup>	Valuation @ RealPage Buyout EV/EBITDA <sup>(5)</sup>	Petrus Advisers Valuation – lower end <sup>(6)</sup>	Petrus Advisers Valuation – upper end <sup>(6)</sup>
<b>Aareon Enterprise Value (100%)</b>	<b>2,324</b>	<b>1,929</b>	<b>1,700</b>	<b>2,300</b>
Relevant EV/Sales multiple <sup>(2)</sup>	8.8x	7.3x	5.4x	7.3x
Relevant EV/EBITDA multiple <sup>(2)</sup>	38.1x	31.6x	21.9x	29.7x
<b>Aareon Equity Value (Aareal's 70% Stake)</b>	<b>1,589</b>	<b>1,313</b>	<b>1,152</b>	<b>1,572</b>
Implied Aareon Equity Value per Aareal share (70%, €)	26.5	21.9	19.2	26.3
<b>Implied Aareal Bank Equity Value<sup>(1,3)</sup></b>	<b>147</b>	<b>423</b>	<b>584</b>	<b>164</b>
<b>Implied Aareal Bank Equity Value p.s. (€)<sup>(1,3)</sup></b>	<b>2.45</b>	<b>7.07</b>	<b>9.75</b>	<b>2.74</b>
<b>Implied Aareal Bank<sup>(1)</sup> Multiples</b>				
P/E 2021E (Adj.) <sup>(7)</sup>	1.5x	4.4x	6.1x	1.7x
P/E 2022E <sup>(7)</sup>	1.1x	3.3x	4.5x	1.3x
<b>P/B (Sep-2021)<sup>(8)</sup></b>	<b>0.06x</b>	<b>0.17x</b>	<b>0.23x</b>	<b>0.06x</b>

Notes: (1) Aareal Bank considered as Aareal Group excluding Aareon; (2) For RealPage buyout, multiples refer to LTM financials and for Petrus Advisers Valuation, multiples refer to 2022E; (3) Based on €29 per share offer; (4) Based on Thoma Bravo / RealPage transaction in December 2020 and an implied 8.8x Sales 2020A multiple; (5) Based on Thoma Bravo / RealPage transaction in December 2020 and an implied 31.6x EBITDA 2020A multiple; (6) Based on various valuation methodologies incl. regression: EV / EBITDA 2022E vs. EBITDA CAGR 21E-23E, regression: EV / EBITDA 2022E vs. Sales CAGR 21E-23E, regression: EV / Sales 2022E vs. Sales CAGR 21E-23E, ERP peer group EV / Sales 22E multiples and others; (7) Based on Petrus Advisers estimates. Adjustment in 2021 refers to €37m non-recurring tax items; (8) Based on Aareal Bank's (i.e. Aareal Group ex Aareon) ~€2.5bn equity book value as at Sep-2021.

Source: Company filings, Factset as per 10-Jan-2022, Petrus Advisers analysis

# Fair Value of Aareal Bank (Aareal Group excluding Aareon) Estimated in the Range of €1.5-1.7bn

*Valuations based on run-rate profitability (assumed to be reached in 2023) and Basel IV phase-in*

Methodology	Valuation (€m)	Per share (€)	Per share				P/CET1	P/CET1	Div yield	Div yield
			P/E 2022E	P/E 2023E	P/BV 2021E	P/BV 2022E	2021E	2022E	2022E <sup>(1)</sup>	2023E
Gordon growth @Petrus return <sup>(2)</sup>	1,444	24.1	11.1x	8.4x	0.58x	0.58x	0.63x	0.62x	6.3%	7.6%
Gordon growth @Target return <sup>(2)</sup>	1,550	25.9	12.0x	9.0x	0.63x	0.62x	0.68x	0.67x	5.8%	7.1%
European banks regression <sup>(3)</sup> @Petrus return	1,560	26.1	12.0x	9.1x	0.63x	0.63x	0.68x	0.67x	5.8%	7.1%
European banks regression <sup>(3)</sup> @Target return	1,707	28.5	13.2x	9.9x	0.69x	0.68x	0.74x	0.74x	5.3%	6.5%
L5Y average pbb dividend yield (SNTM)	1,575	26.3	12.2x	9.2x	0.64x	0.63x	0.69x	0.68x	5.7%	7.0%
L5Y average pbb P/E multiple (SNTM)	1,845	30.8	14.2x	10.7x	0.75x	0.74x	0.80x	0.80x	4.9%	6.0%
Current excess capital adjusted pbb P/E multiple (2023E) <sup>(4)</sup>	1,460	24.4	11.3x	8.5x	0.59x	0.59x	0.64x	0.63x	6.2%	7.5%
										Valuation driver
<b>Grand median</b>	<b>1,560</b>	<b>26.1</b>	<b>12.0x</b>	<b>9.1x</b>	<b>0.63x</b>	<b>0.63x</b>	<b>0.68x</b>	<b>0.67x</b>	<b>5.8%</b>	<b>7.1%</b>
<b>Grand average</b>	<b>1,592</b>	<b>26.6</b>	<b>12.3x</b>	<b>9.3x</b>	<b>0.64x</b>	<b>0.64x</b>	<b>0.69x</b>	<b>0.69x</b>	<b>5.7%</b>	<b>6.9%</b>

Overarching valuation assumptions: cost of equity of 11% (to capture some execution risk of 2023 plan, otherwise 9-10% would be more applicable) and long-term growth rate of 1%; Excess capital cancels out headwinds from B4 migration and is thus not taken into account.

Notes: (1) Dividend adjusted for the one-off €37m tax-loss expected for 2021. Dividend yield refers to dividend paid in the year, i.e. prior year's profit; (2) Gordon growth based on 2023 ROCET1 @15%, discounting dividends until then; Target ROCET1 implied based on target ROE of 8% by 2023. Our understanding is that the target refers to ROE based on a 15% CET1 ratio; (3) European banks regression (SX7E + pbb and BAWAG), ROCET1 2023 vs. P/CET1 2022, implied valuation based on 2023 ROCET1 @15%; (4) Adjusting for pbb's "true" B4 excess capital.

Source: Company filings, Factset as per 10-Jan-2022, Petrus Advisers analysis

# Disclaimer

---

***This document is issued by Petrus Advisers Ltd. (“Petrus”) which is authorised and regulated by the Financial Conduct Authority (“FCA”). It is only directed at those who are Professional Clients or Eligible Counterparties only (as defined by the FCA).***

The information included within this presentation and any supplemental documentation provided are based on publicly available information and should not be copied, reproduced or redistributed without the prior written consent of Petrus. The information and opinions contained in this document are for background purposes only and do not purport to be full or complete and do not constitute investment advice. No reliance may be placed for any purpose on the information and opinions contained in this document or their accuracy or completeness. No representation, warranty or undertaking, expressed or implied, is given as to the accuracy or completeness of the information or opinions contained in this document.

**Detailed information** can be obtained from Petrus Advisers Ltd., 100 Pall Mall, London, SW1Y 5NQ; or by telephoning 0207 933 88 08 between 9am and 5pm Monday to Friday; or by visiting [www.petrusadvisers.com](http://www.petrusadvisers.com). Telephone calls with Petrus may be recorded.

This presentation does not constitute an offer, invitation or inducement to distribute or purchase shares or to enter into an investment agreement by Petrus in any jurisdiction in which such offer, invitation or inducement is not lawful or in which Petrus is not qualified to do so or to anyone to whom it is unlawful to make such offer, invitation or inducement.

Investors should take their own legal advice prior to making any investment. In particular, investors should make themselves aware of the risks associated with any investment before entering into any investment activity. The information contained in the presentation shall not be considered as legal, tax or other advice. All information is subject to change at any time without prior notice or other publication of changes.