MOI GLOBAL

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EUROPEAN Investing Summit

PATRIZIA SE (XTRA:PAT)

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Disclaimer:

- I have used information and images from Patrizia, TEG Immobilien and other sell side reports for this presentation.

- We have been accumulating shares in Patrizia from mid-2022 and hence I am biased and it is important to do your own research on this name. I could have made a genuine mistake in my analysis. We would be nimble in this position and scale up or scale down our position based on how the situation evolves.

Content Index

Elevator Pitch

Patrizia – Cheap valuations creating an asymmetric investment opportunity

A top-3 European real estate asset manager with a strong balance sheet (25%+ of market cap as net cash) is available at 0.2% of AUM and 0.7X Price to Book despite having an owner-operator who has compounded book value per share at 15.5% over last decade. Potential to get re-rated as a capital light compounder with a recurring earnings stream.

Key Investment Thesis

1.) Successful business transformation !

- Patrizia has transformed from being a capital heavy real estate operator into an asset light investment manager with 56 billion Euros of AUM and 500+ institutional clients. In 2012, over 94% of the firm’s income was from principal investments/ real estate operations and in 2022, almost 95+% of income is through fee based sources.

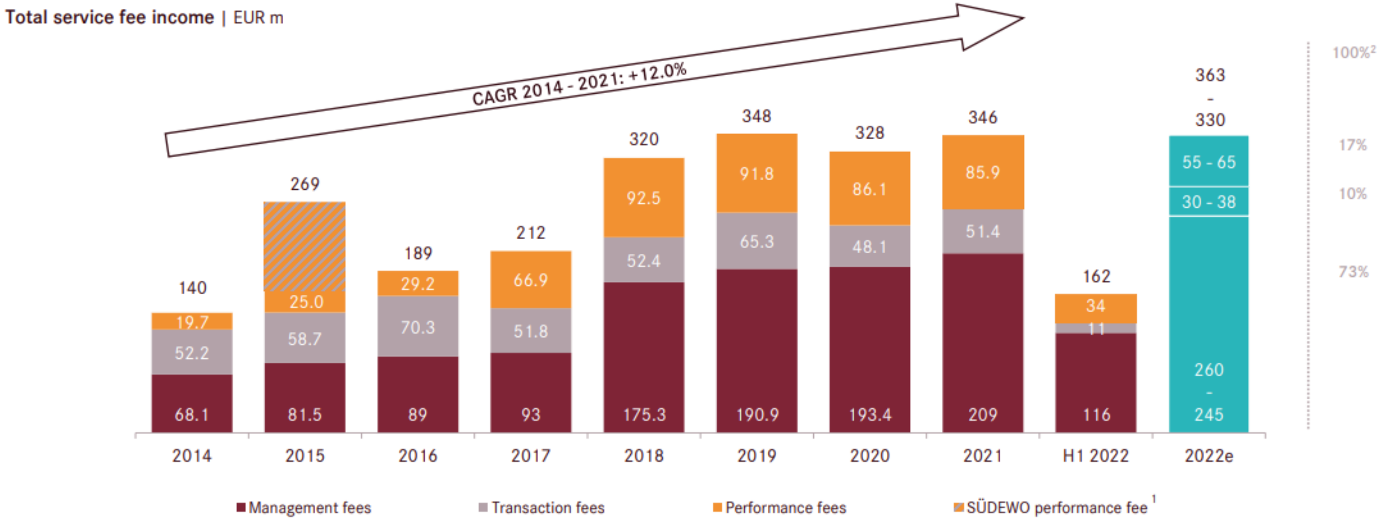
- Patrizia is now a scaled up platform as the firm has grown AUM at 24% CAGR (including inorganic) over the last decade. Over 80% of their AUM is in perpetual or 10 year+ vehicles and that provides strong resiliency to the business through a predictable management fee stream.

- Their historical experience as a real estate operator has allowed Patrizia to have an in-house development and asset management team and that provides their investment team an edge in buying distressed properties and to reduce execution risk in complex transactions.

Recurring revenues + growth

Total service fee income over time

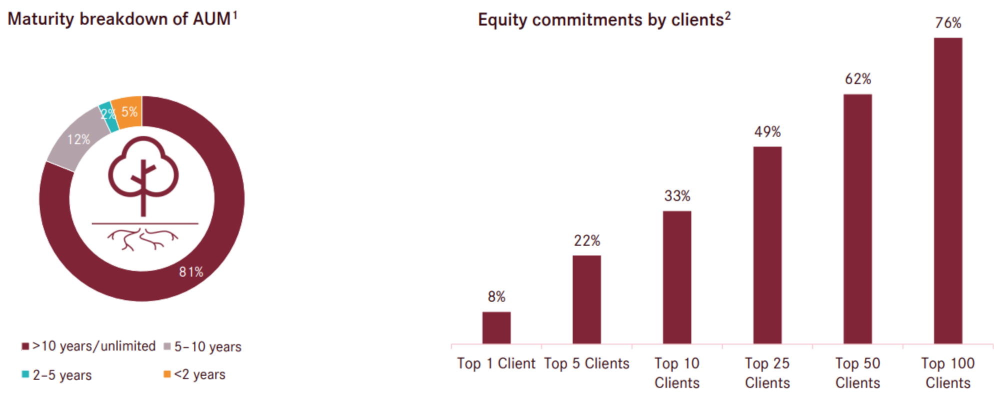
PATRIZIA continues to grow while still delivering superior investment performance for clients



[1] EUR 165.2m excluding SÜDEWO performance fee | [2] At mid-point of guidance range

Predictable management fees and diversified client base

81% of our AUM have a maturity of more than 10 years

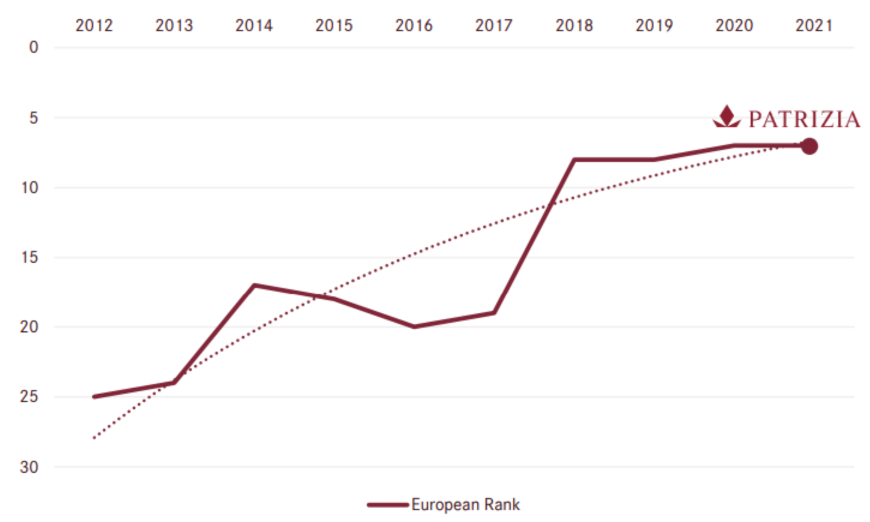


Scaled up platform

IREI Global Investment Managers 2021

PATRIZIA ranks as Europe's #2 fully independent investment manager in 2021

IREI Ranking 2012 to 2021



Top 10 Managers based on European real assets (EUR m), 2021

Swiss Life Asset Managers	1	insurance group subsidiary
AXA IM Alts	2	insurance group subsidiary
Blackstone Group	3	independent alternatives manager
CBRE Investment Management	4	agency subsidiary, commercial focus
Deka Immobilien Investment	5	banking group subsidiary
Credit Suisse Asset Management	6	banking group subsidiary
PATRIZIA	7	fully independent real assets manager
Aberdeen Standard Investments	8	financial group subsidiary
Union Investment	9	insurance group subsidiary
UBS Global Asset Management	10	Banking group subsidiary

Top 5 Dealmakers 2018-2022 (aggregate)

Blackstone	1
CBRE Investment Management	2
Swiss Life Asset Managers	3
PATRIZIA	4
AXA Investment Managers	5

Data as at 30.06.2022. Source: IREI Global Investment Managers, published from 2012 to September 2021 (latest available set). Ranking based on assets under management.

2.) Conservative culture !

- Patrizia at its core has a conservative Bavarian culture anchored by the 54% ownership by the founder. This conservatism exhibits itself through balance sheet leverage, valuation markings, employee renumeration, portfolio mix, carry accounting etc.

- Over 80% of the real funds are in the Core & Core+ categories compared with just 20% in the higher risk value-add segment. Patrizia does not accrue carry income to the financial statements until realized except in SPVs where IFRS forces them to. The leverage on their properties is also lower than peers with an average of 33% LTV.

- Their valuation marks are conservative as they have always used a 10-year average discounting rate and thus never benefited as much as their peers from the declining interest rates of the previous few years. The unaccounted carry provides a buffer to the current valuations. This allows the management to be confident that even with the current dislocation in interest rates, their AUM valuations could be hit by <5% over the next 12-18 months, indicating lower volatility than peers.

Strong balance sheet

PATRIZIA's capital allocation as at 30 June 2022

	Assets under Management EUR m	Invested capital (fair value) EUR m	Invested capital (at cost) EUR m	Participations in %
Third-party business	47,114.9	0.0		
Co-Investments	9,093.9	581.6	101.8	
Real estate - residential	5,430.4	551.8	78.5	
thereof Dawonia GmbH	5,351.4	178.7[1]	51.7	5.1
thereof Dawonia performance fee claims		346.4[1]	0.0	0.1
Real estate - balanced	2,529.5	12.1	10.0	
Real estate - commercial	638.2	15.5	11.1	
Infrastructure	495.7	2.2	2.2	
Principal investments	2.3	2.1		
Other balance sheet items		451.2[2]		
Tied-up investment capital	56,211.1	1,034.9		
Available liquidity		401.2		
Total investment capital	56,211.1	1,436.1		
of which debt (bonded loans)		158.0		
of which equity PATRIZIA (without non-controlling interests)		1,278.1		

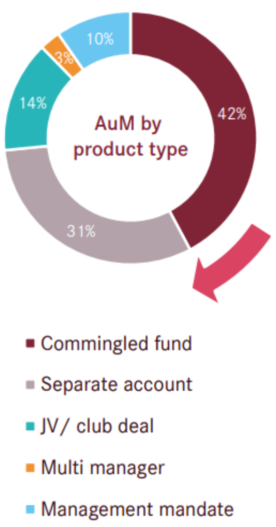
Strong balance sheet

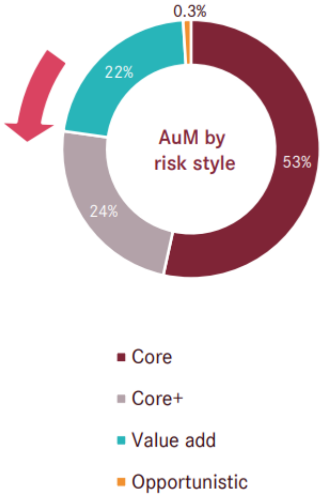
EUR m	30.06.2022
Total assets	1,924.3
Equity (excl. non-controlling interests)	1,278.1
Equity ratio	66.4%
Cash and cash equivalents	288.5
+ Deposits and securities	+150.9
– Bank loans	–17.3
– Bonded loans	–158.0
= Net cash	264.0
Net equity ratio[1]	73.1%

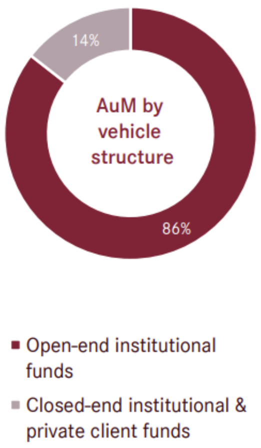
Significant liquidity

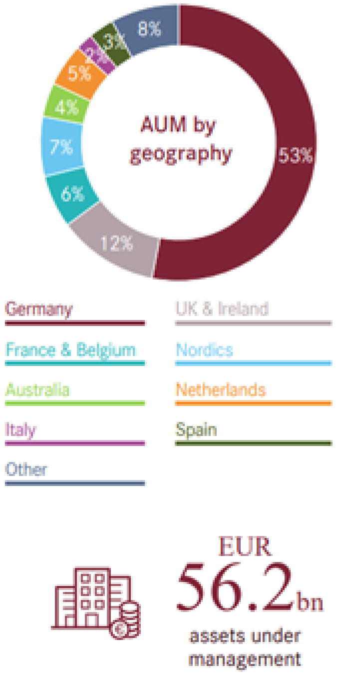
EUR m	30.06.2022
Bank balances, cash, deposits and securities	439.4
- Regulatory reserve for asset management companies	-38.1
- Liquidity in closed-end funds business property companies	-0.1
= Available liquidity[2]	401.2

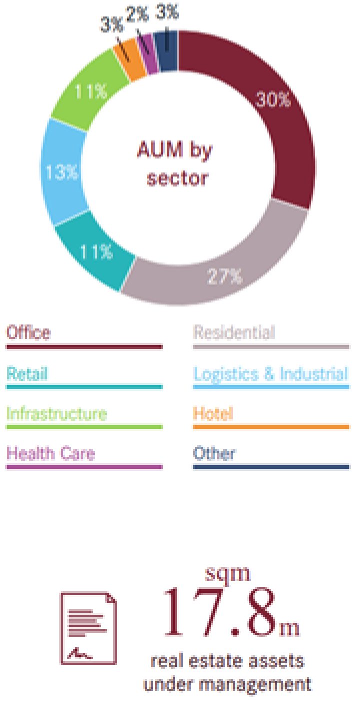
Well diversified – strategy, clients, asset class











Low management remuneration

Total remuneration

EUR k	2021 granted	2021 paid out	2020 granted	2020 paid out
Remuneration and fringe benefits	3,377	3,377	3,421	3,421
Short-Term-Incentives	3,857	3,360	3,693	3,268
Benefits after termination of the employment relationship	6	889	806	216
Benefits on the occasion of the termination of the employment relationship	0	0	0	0
Share-based payment	1,107	0	1,093	0
Remuneration Supervisory Board[2]	256	256	150	150
Total remuneration	**8,603**	**7,882**	**9,164**	**7,055**

[1] Key management personnel: Management Board members, Supervisory Board members of the AG and Management Board members of the parent companies
[2] Remuneration Supervisory Board Net without VAT. In addition, travel and incidental expenses are reimbursed.

Members of the Management Board of the parent company

The following are members of the Management Board:

- Wolfgang Egger, CEO (Chairman of the Management Board)
- Thomas Wels, Co-CEO
- Alexander Betz, CDO
- Karim Bohn, CFO
- Dr Manuel Käsbauer, CTIO
- Anne Kavanagh, CIO
- Simon Woolf, CHRO

Total remuneration of the Management Board

The total remuneration of the Management Board is as follows:

Remuneration granted Management Board as a whole

EUR k	2020 Actual	2021 Actual	2021 Min	2021 Max
Fixed remuneration	2,696	3,067	3,067	3,067
Fringe benefits[1]	104	105	106	106
Sub-total	**2,800**	**3,172**	**3,173**	**3,173**
One-time-sign-on-bonus	0	0	0	0
Short-term variable remuneration (STI)	3,693	3,857	375	7,339
STI in cash	2,496	2,565	250	4,880
STI Deferral (in phantom shares)[2]	1,198	1,292	125	2,459
Long-term variable remuneration (LTI)[2]	1,093	1,107	0	2,214
Total	**7,587**	**8,136**	**3,548**	**12,726**
Service cost[3]	177	205	205	205
Total remuneration	**7,764**	**8,341**	**3,753**	**12,932**

[1] The item primarily contains benefits for insurance premiums and the use of a company car or car allowance
[2] LTI maximum amount based on average share price at award date
[3] The item primarily includes pension contributions

- I am not sure if this is a long term negative, but the management remuneration is extremely low compared with other alternate asset management businesses. This is also a reflection of their conservative culture.

- Low management remuneration could be a long term issue as they would need to attract good investing talent to succeed in newer asset classes that the firm has entered over the last few years.

3.) Resilient investment performance !

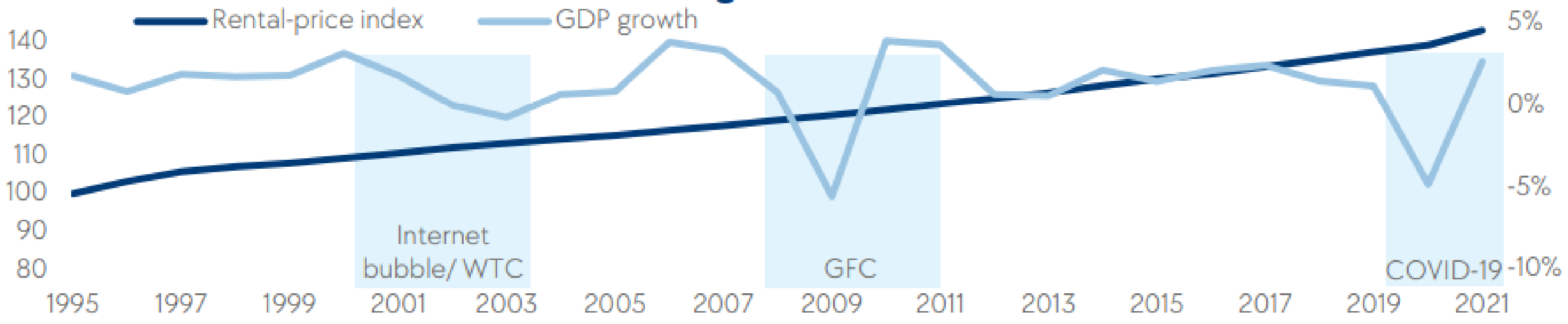
- The long term performance of their funds is healthy with a 4.2% out performance versus benchmark.

- Management wants to be a strong buyer of assets during the current market dislocation. They have cash at both the holding company level and at the funds level to take advantage of the current crisis. During the 2013 crisis, Patrizia was able to acquire a South German residential portfolio (Dawonia) in which their investment of 115 million Euros has grown to 550 million Euros today (net of deferred taxes) as they have benefited from performance fees in addition to the underlying value appreciation.

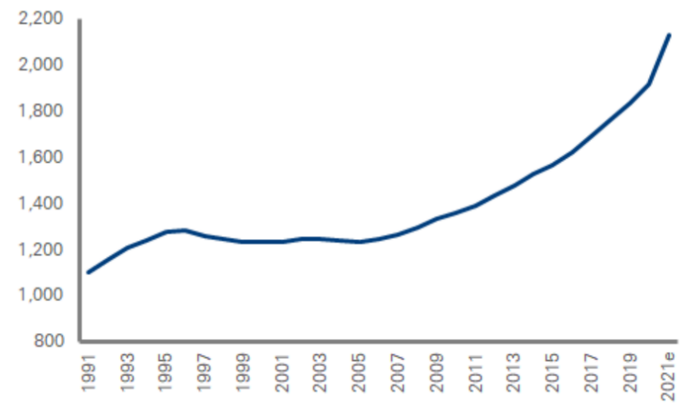
- On a normal year, transactions are 10-15% of AUM and that provides Patrizia with lucrative fee income along with an ability to book carry income. With the current market uncertainty, I believe that the transaction and performance fee streams should be weak for the next few quarters. The management expects to get to 250 million of management fees yearly in the medium term and that should provide strong visibility on profitability. Management expects AUM to continue its organic growth of 8% even during this tough environment.

German real estate – Very resilient asset class

Resilience of German residential during the last economic crises



German housing: New construction cost per housing unit per sqm (in EUR)*

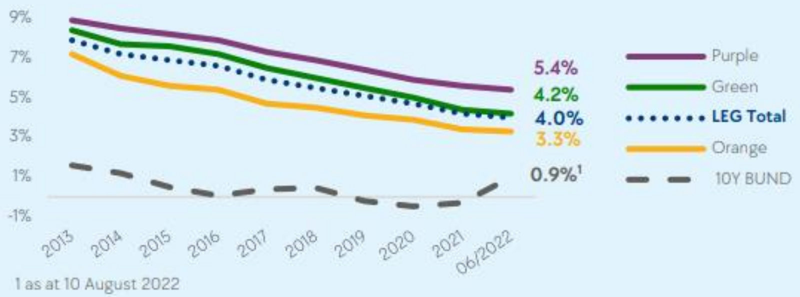


Source: Destatis, 2021 estimate by Metzler Research; costs per DIN 276 (cost groups 300 and 400), incl. VAT
* EXCLUDING land, cost as estimated during planning process; includes apartments in multi-family houses as well as single houses

Replacement cost Vs Value (GCP & TEG)

Attractive yields in inflation-proof model

Still attractive spreads vs. 10Y BUND



1 as at 10 August 2022

Rent development in line with inflation

- Historic rent development strongly linked to inflation
- 20% of LEG's portfolio is restricted with CPI-linked rent increases every third year (next: January 2023)

4.) Capital light growth!

- The firm does not need any incremental capital for growth and hence I would expect strong dividend pay outs going forward (upwards of 75% of profits). Patrizia has sold down almost all of their development and co-investment assets except Dawonia. For almost 50 billion of AUM, their co-investments from balance sheet is less than 50 million.

- On incremental AUM's, Patrizia will be able to earn 20 bps per year without any capital tied up. This will enable healthy growth in profitability with high ROE's, if the management is able to grow its AUM to 80 billion Euros as it wishes to in the next 3 years.

- Dawonia portfolio, which is the last large balance sheet asset, can be sold down at the current market value to release over 500 million Euros of capital. The end date for this co-investment portfolio is 2023. With the current market conditions, most investors would want to HOLD on to the portfolio and thus extend the fund life. Even on extension, there could be a technical trigger of exit which can potentially release capital next year (at least on the 350 million of performance fee claims). This can be a large catalyst to the share price.

5.) Cheap valuations!

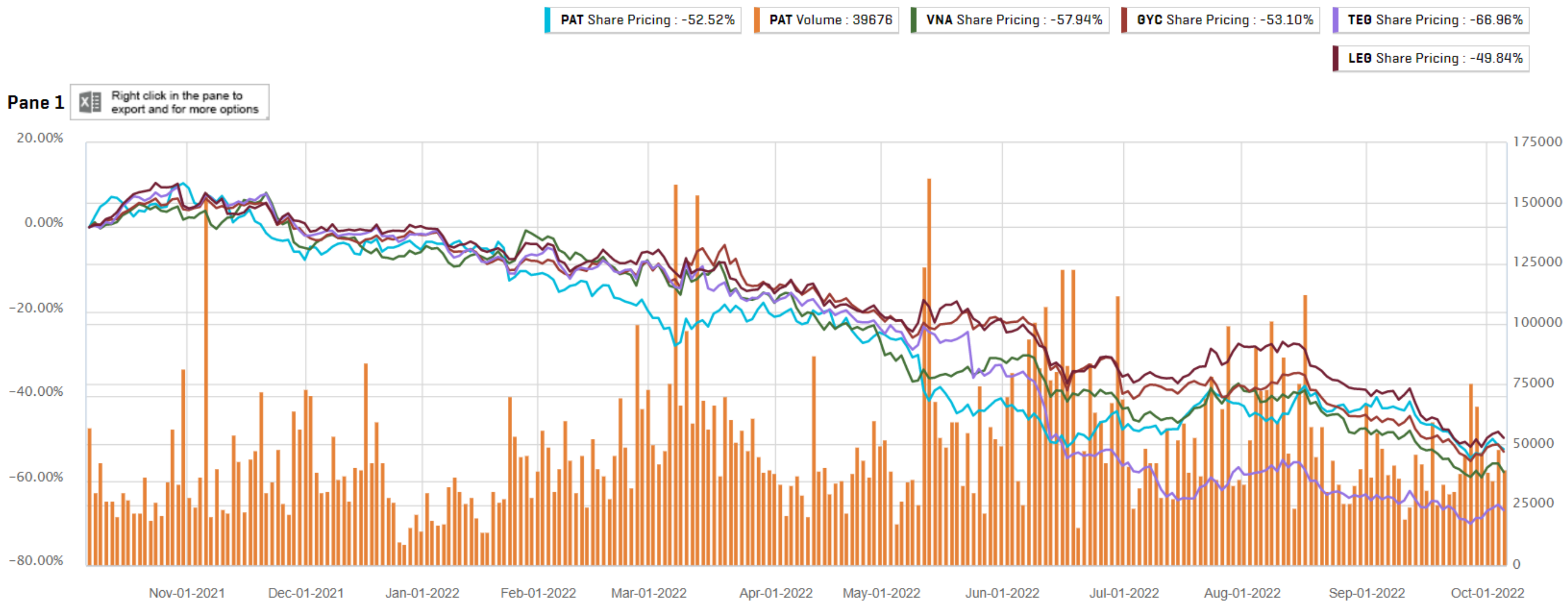
- The current market cap of Patrizia is less than 900 million Euros. The net cash on the firm's balance sheet is around 250 million Euros. Their co-investment portfolio (primarily Dawonia) is worth 550 million Euros. Hence, the asset management business with 56 billion of AUM is available for less than 100 million Euro valuation (20 bps of AUM) which is several times cheaper than private market transactions in the alternate asset management space.

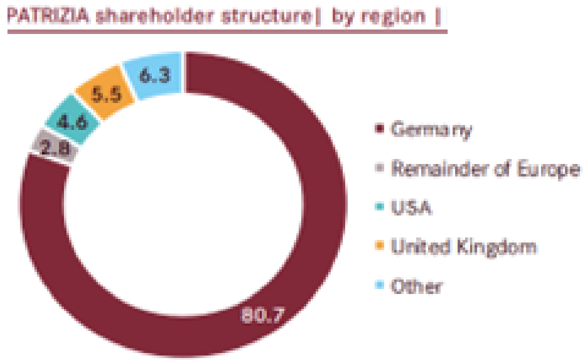
- Dawonia is a solid Munich residential real estate portfolio that is currently marked at a 3%+ rental yield. With increasing cost of construction and under supply in Munich, there should not be any big mark down in this value. It has low leverage and can pass on indexed rent inflation.

- Even on traditional metrics, the P/B is 0.7X, tangible P/B is 1X (adjusted for deferred tax liabilities of 117 million), EV/EBITDA is 6X and dividend yield is 3%. Even though we await markets to value them as an alternate asset manager, there is strong downside protection due to the solid asset base.

- Once the current bearish sentiment around Europe turns around, I believe Patrizia's shareholder returns will come from all the 3 levers - revenue growth, margin expansion and valuation re-rating. Thus the Risk-Reward is extremely asymmetric for an investor at the current share price.

German investor base causing mispricing





- Patrizia share price has an almost 1:1 co-relation with German residential REIT's which have LTV's of almost 50%. I believe that the German investor base doesn't have good asset management business comparable to Patrizia and hence is bracketing the firm with peers who have a very different business model.

Increased coverage might help reduce mispricing

PATRIZIA Analysten Coverage / PATRIZIA as seen by analysts
Stand: 20. September 2022 / as at 20 September 2022

PATRIZIA

	Datum / Date	Rating Änderung / Rating change	Rating	Kursziel / Price target EUR	EBITDA[1]			Immobilienvermögen / Assets under Management [2]			Ergebnis je Aktie / EPS [3]			Dividende je Aktie / DPS [3]		
					2022e	2023e	2024e	2022e	2023e	2024e	2022e	2023e	2024e	2022e	2023e	2024e
BAADER HELVEA Andre Remke	13.09.2022	→	kaufen/ buy	14.80	103.3	114.8	126.4	56.9	58.7	61.0	0.31	0.56	0.65	0.33	0.34	0.35
BERENBERG Kai Klose	20.09.2022	→	kaufen/ buy	21.80	108.0	111.0	133.0	-	-	-	0.40	0.41	0.55	0.33	0.33	0.35
Deutsche Bank Lars Vom Cleff	12.08.2022	→	kaufen/ buy	25.00	106.0	126.0	145.0	57.5	61.5	66.4	0.38	0.71	0.86	0.38	0.41	0.44
DZ Bank Karsten Oblinger	15.08.2022	→	kaufen/ buy	18.50	110.0	130.0	143.0	-	-	-	0.45	0.71	0.82	0.34	0.36	0.38
KEPLER CHEUVREUX Thomas Neuhold	05.07.2022	→	kaufen/ buy	24.00	118.9	145.9	157.3	55.3	59.8	62.8	0.78	0.99	1.10	0.36	0.39	0.41
Metzler Capital Markets Jochen Schmitt	05.09.2022	→	kaufen/ buy	18.00	109.5	123.7	142.8	58.0	62.0	66.5	0.42	0.67	0.84	0.35	0.38	0.41
ODDO BHF Manuel Martin	12.05.2022	→	kaufen/ buy	24.50	151.0	162.0	-	-	-	-	1.05	1.14	-	0.40	0.44	-
WARBURG Philipp Kaiser	12.08.2022	→	kaufen/ buy	23.60	108.0	135.0	140.0	57.4	61.7	67.3	0.53	0.95	1.03	0.19	0.37	0.39
Durchschnitt / Average				21.28	114.3	131.1	141.1	57.0	60.7	64.8	0.54	0.77	0.84	0.34	0.38	0.39
Median				22.70	108.8	128.0	142.8	57.4	61.5	66.4	0.44	0.71	0.84	0.35	0.38	0.39
Maximum				25.00	151.0	162.0	157.3	58.0	62.0	67.3	1.05	1.14	1.10	0.40	0.44	0.44
Minimum				14.80	103.3	111.0	126.4	55.3	58.7	61.0	0.31	0.41	0.55	0.19	0.33	0.35

Rating

positiv/positive (kaufen/buy, add, overweight, outperform, accumulate	8
neutral (halten/hold, market perform, inline etc.)	0
negativ/negative (verkaufen/sell, reduce, underweight, underperform)	0

[1] in Mio. EUR / in EUR m
[2] in Mrd. EUR / in EUR bn
[3] in EUR

Potential Risks & Conclusion

Potential risks

- Patrizia has historically evolved from acting as a transaction manager for institutional investors to a fund model. Hence, unlike other scaled up asset management firms like Blackstone, Patrizia has an inefficient revenue and cost structure. They manage their 55 billion AUM across 146 funds and only the recent few are 1 billion+ vehicles with better economics. The older vehicles have a structurally lower margin profile. Transaction and Management fees are grouped together as a recurring revenue stream only in the new fund vehicles. Hence, there will always be a valuation multiple difference versus alternate asset management peers.

- Despite the very attractive valuations and cash on the balance sheet, Patrizia’s management is buying back shares only at a very slow pace, spending just 30 million Euros on buyback (3%+ of existing market cap). Management believes that they would always like to stay public as there are huge benefits of being a listed firm when scaling up their asset management business. With the owner-operator continuing to own 54%, they don’t want their buyback to shrink the float even further. This clearly takes away the easiest catalyst, of the firm retiring 20%+ of their shares at current prices and creating value.

- In my view, management has historically acquired smaller asset management firms at slightly elevated multiples (12.5% ROCE) to help them diversify their business. Patrizia has gone into non-German real estate, Infrastructure funds, real estate credit funds etc. They need to execute well and prove that these diversifications can be successful as I don’t see any clear ‘Right to Win’ for their business outside the core European real estate asset class.

Final Summary

- If there is financial repression (holding interest rates below inflation for a prolonged period) due to unsustainable levels of debt in the developed world, I believe that real estate as an asset class at the very least will continue to hold on to its purchasing power and thus continue to get strong institutional flows. The demand-supply dynamics of increasing urbanization (+ immigration) combined with increased construction costs will provide inflation protection to good properties in European cities.

- With EUR 16.9bn equity raised over the past 10 years, PATRIZIA is the second most successful fundraiser globally for Europe-focused Private Real Estate Funds. Even in 2021, they raised 2.1 billion Euros. Thus the platform is well positioned to profit from increased allocation to real assets. Even if there is no incremental fund raise, their existing base of assets will continue to provide fee generation opportunities for the next decade.

- European equities and assets are currently out of favour and that provides us attractive valuations to buy into a good firm like Patrizia at distressed valuations. I believe that Patrizia is a defensive stock to own during a period of great macro uncertainty as their solid balance sheet and perpetual fee earning funds provide downside protection and visibility to earnings. The bet is asymmetric as there could be meaningful upside if the firm continues to grow its earnings and markets re-rate it as a capital light compounder with recurring earnings.

Thank You!