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# AROUNDTOWN SA

POTENTIAL MERGER WITH TLG

[www.aroundtown.de](http://www.aroundtown.de)

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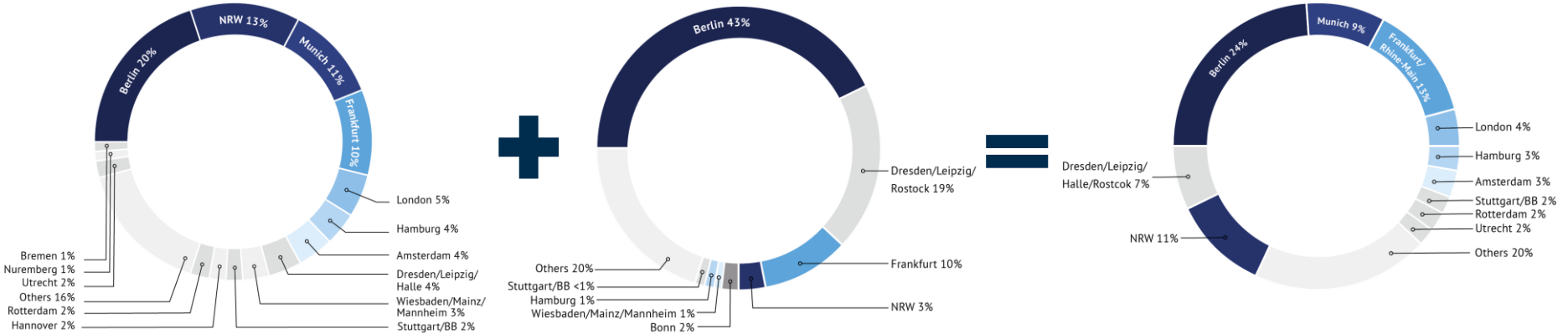


Sep 2019

- ➔ Aroundtown and TLG Immobilien AG started the **evaluation of a potential merger (“Merger”)** after TLG acquired a 9.99% stake in Aroundtown
- ➔ The Merger would create the leading European office and hotel real estate company with combined total assets in excess of €25 billion
- ➔ TLG Immobilien AG is a publicly listed (ISIN: DE000A12B8Z4) commercial real estate company with a strongly diversified portfolio in Germany. The majority of its portfolio focused on offices (43%) and Berlin (43%), a compelling development potential and a conservative capital structure (Baa2 rated by Moody’s). TLG’s total asset base is €5.4bn and market cap is €3bn
- ➔ Due to the **similar business models and portfolio focus** Aroundtown sees a lot of synergies which can be raised in the top and bottom line, including **commercial, capital market and financing as well as cost saving synergies**. The Merger is expected to support the credit rating of Aroundtown, and provide tailwinds to reach the long term target of an A- rating
- ➔ Aroundtown sees **further substantial synergies** in TLG’s **development portfolio** as a catalyst for further value creation, which is located primarily in top tier locations in Berlin such as Alexanderplatz. Both companies’ development potential strongly complement each other and will enhance the quality of the existing portfolio and is a substantial value add driver
- ➔ TLG acquired a 9.99% stake in Aroundtown from its largest shareholder, Avisco, at €8.3 per share equivalent to EPRA NAV as of June 2019. In addition, TLG could further increase its stake of up to 4.99% due to call/put option with Avisco at the same price. In the case of the full exercise of the option, TLG’s shareholding in Aroundtown would increase to 14.99%, making it the largest shareholder in Aroundtown.
- ➔ The merged company would be a candidate (due to increased free float, size and liquidity) to become a DAX company and other top indices. This will increase liquidity and rerate to lower cost of equity

**Aroundtown’s board of directors and executive management are supportive of the potential merger due to the accretive long-term shareholder value creation possibilities**

# COMBINED PORTFOLIO INCREASES FOCUS ON TOP CITIES

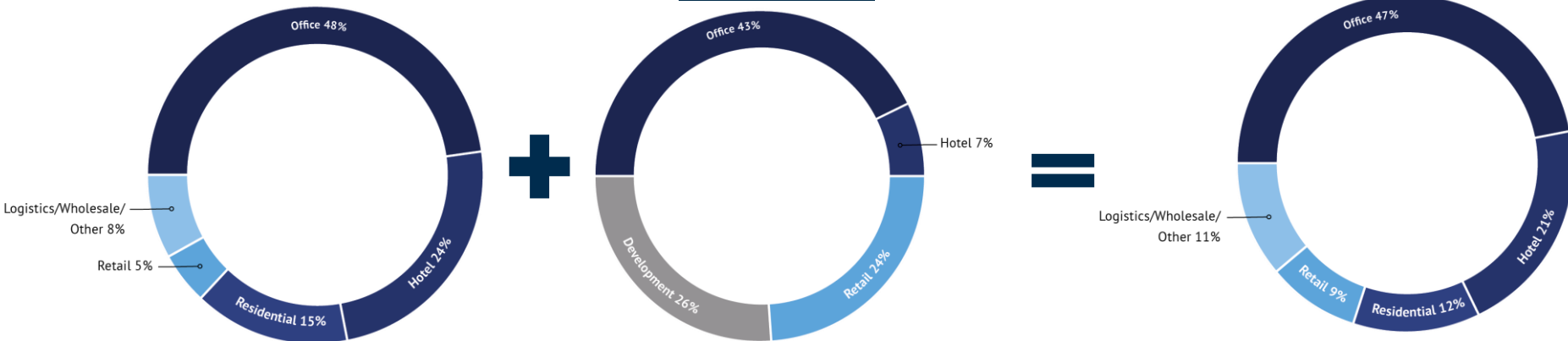


Portfolio size  
€19.2bn

Portfolio size  
€4.6bn

Combined portfolio size  
€23.8bn

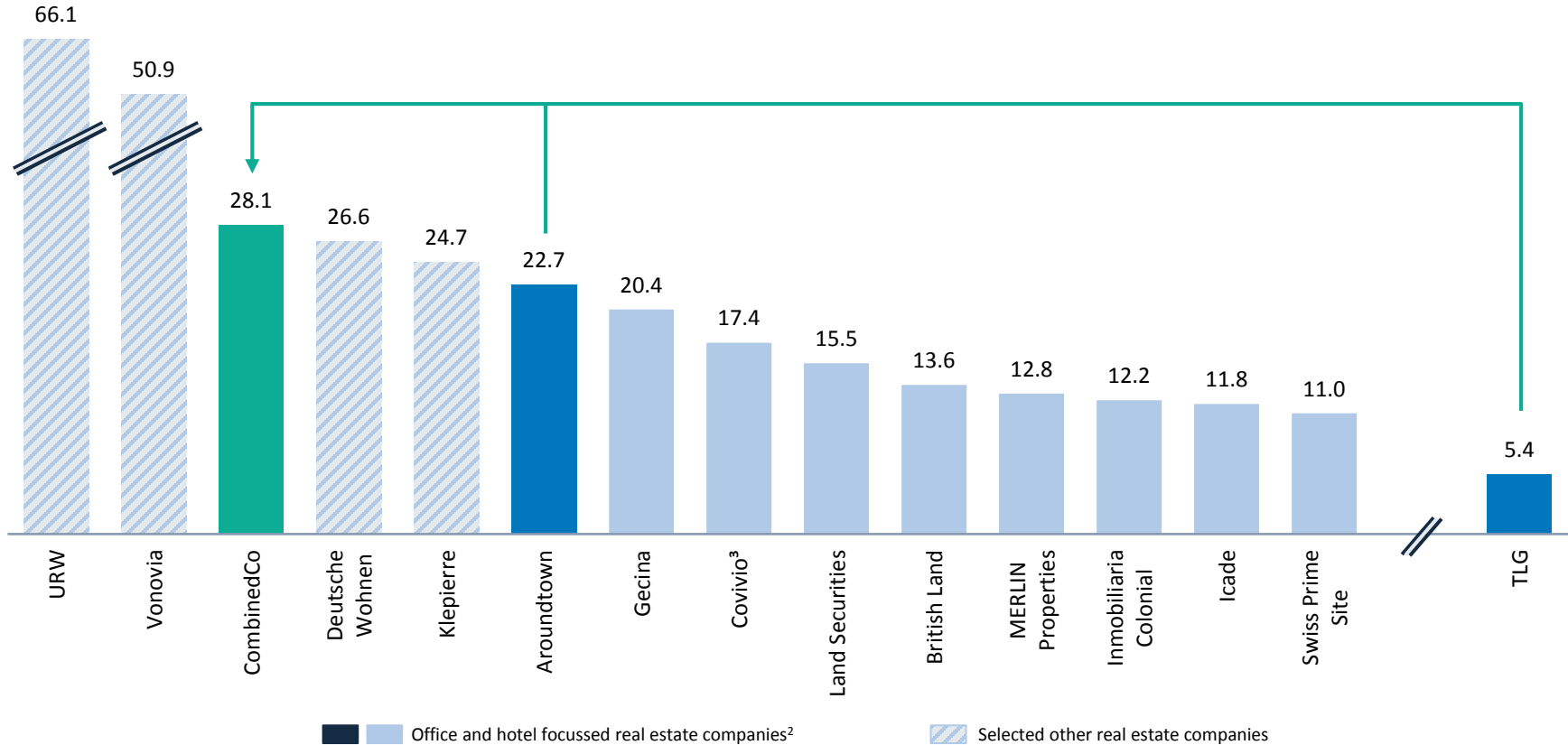
# COMBINED PORTFOLIO WITH FOCUS ON OFFICES AND HOTELS WITH DEVELOPMENT POTENTIAL



The combined companies will have in **total €1.9 billion** (AT €1.1 billion, TLG €0.8 billion) development potential, located primarily in strong locations in Germany's top tier cities, fueling future growth and enabling additional value add creation

# CREATING ONE OF THE LARGEST REAL ESTATE COMPANIES IN EUROPE COMBINED TO BE THE LARGEST OFFICE REAL ESTATE PLAYER IN EUROPE

Total assets<sup>1</sup> (EUR bn)



Sources: Latest reported company information

<sup>1</sup> Last reported total assets. Converted to EUR at spot where reporting in non-EUR currency

<sup>2</sup> Companies with >40% office and hotel exposure based on GAV

<sup>3</sup> Refers to Group Share

- ➔ Aroundtown's initial assessment of the potential merger shows significant synergies, increasing the rent upside and value add potential, while strengthening the operational platform and cost structure
- ➔ Aroundtown's sustainable competitive advantages, such as management and knowledge, letting and marketing platform, deal sourcing as well as liquidity and access to capital, will strongly support the ability to extract the upside potential embedded in TLG's current portfolio. In return, TLG will contribute its expertise and accumulated management and operational experience, significant development potential and Berlin commercial exposure
- ➔ In particular, Aroundtown management's know-how and track record in development of value add properties will contribute to extracting the potential in TLG's attractive development portfolio. Furthermore, Aroundtown believes that there is further potential to extract from TLG's portfolio which will provide additional value creation
- ➔ A Merger would result in a joint company with currently over €25 billion of quality assets with significant synergies from economies of scale. Benefits will include administrative and operational efficiencies, and financing savings
- ➔ Larger market cap and free float and increased trading volume will lead to higher index weighing and paving the path for DAX index inclusion

**Synergies to fuel organic growth and creating accretive operational profitability as well as increasing the value creation upside**

**Aroundtown believes that the envisioned merger will be credit rating supportive and will provide tailwinds to reach the long-term rating target of A-**

## **Increased Size**

Combined company to be one of the largest real estate companies in Europe with more than €25 billion of assets, resulting in lower perceived risk by rating agencies

## **Larger Footprint**

Strong geographic diversification with stronger presence and focus on top tier cities in Germany and the Netherlands

## **Higher Diversification**

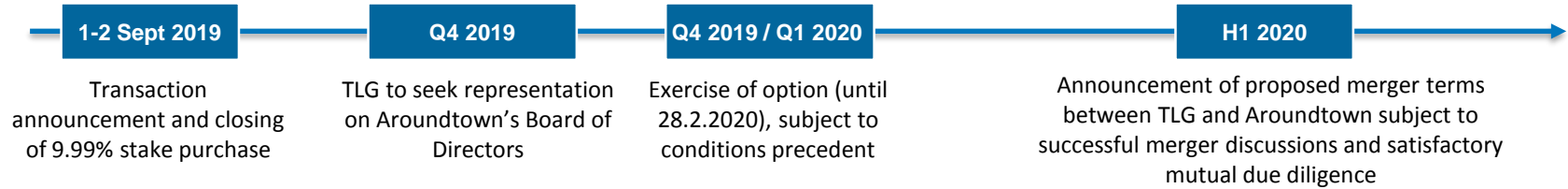
Further diversification of asset types while maintaining the focus on offices and hotels. Further diversified tenant structure with a larger amount of tenants

## **Lower Vacancy**

TLG's vacancy of 3% will reduce the total vacancy of the combined company, which is one of the parameters for rating upgrade

## **Higher Profitability**

Economies of scale and synergies, increasing profitability and supporting operational KPIs





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