

PRESS RELEASE

Aareal Bank sells 30 per cent stake in IT subsidiary Aareon to Advent International – long-term partnership agreed upon

- **Important milestone on the path for implementing the strategic development of Aareal Bank Group, as presented with “Aareal Next Level” in January 2020**
- **Aareal Bank and Advent join forces to strengthen Aareon: the parties have agreed to boost organic growth, step up M&A activity, further optimise operational excellence and provide Aareon with access to additional expertise**
- **Advent acquires a 30 per cent stake in Aareon, valuing the IT subsidiary at close to € 1 billion through the transaction**
- **Implementation of a value-creation plan will offer potential for markedly stronger medium-term revenue and profit growth than communicated to date, with the clear aspiration of Aareon evolving into a “Rule of 40” software company**
- **Considering the non-controlling interest, transaction costs and taxes, the purchase price of approximately € 260 million will lead to a capital gain of approximately € 180 million that will be recognised directly in Aareal Bank Group's consolidated equity, as carried on the statement of financial position and for regulatory purposes**
- **Aareal Bank will thus enhance its scope for exploiting value-enhancing opportunities in line with “Aareal Next Level”, gaining additional capital management flexibility**

Wiesbaden, 14 August 2020 – Aareal Bank AG has agreed on a long-term partnership with financial investor Advent International (“Advent”), to significantly further strengthen the growth momentum of its IT subsidiary Aareon AG. Within the scope of this agreement, Aareal Bank will sell a 30 per cent minority stake in Aareon to Advent. A share purchase agreement and a shareholders’ agreement, which also sets out all other material cornerstones of the future partnership, were signed today. The financial terms of the sale are based on an enterprise value for Aareon of approximately € 960 million. This corresponds to an equity value of approximately € 860 million, leading to a purchase price for the 30 per cent stake of approximately € 260 million, payable in cash. The transaction requires the approval of Aareal Bank AG's Supervisory Board. Closing of the transaction is subject to customary conditions, primarily related to anti-trust approvals, and is anticipated to occur in the fourth quarter of 2020.

With the new partnership agreed with Advent, Aareal Bank has swiftly brought the structured process for the sale of a significant minority stake in Aareon announced in May to a successful conclusion, benefitting from the currently very favourable market environment for resilient software-centric businesses. Aareon is the leading European consultancy and IT systems house for the property industry and its partners in the digital age, having generated € 252 million in sales revenues and EBITDA of € 61 million in the financial year 2019 with its ERP software and digital solutions for managing housing portfolios. The transaction agreed upon is an important milestone in developing a strong, independent value proposition for Aareon as a software company within the framework of Aareal Bank Group's further developed strategy, as presented in January 2020. Following the guiding principle of “Aareal Next Level – Activate. Elevate. Accelerate.”, Aareal Bank Group endeavours to tap additional growth potential over the coming years, in all areas of the Group.

The partnership agreed upon with Advent is a major step in this direction. Joining forces with Aareal Bank, Advent, a value-adding, long-term financial investor supporting sustainable value creation, will

help strengthen Aareon's market position and accelerate value appreciation. Aareon had already significantly increased its growth momentum in recent years. Both partners concur that the timing for further acceleration is favourable: Aareon is set to achieve "Rule of 40" performance by 2025 (i.e. the sum of Aareon's EBITDA margin and revenue growth rate will exceed 40 per cent). Essentially, this will go far beyond Aareon's ambition of at least doubling EBITDA, as communicated to date. The partnership creates an opportunity for Aareon to achieve its full potential as Europe's undisputed leader in software and digital solutions for the property industry. The European property technology market is still highly fragmented, and Aareon stands out as an innovation leader and consolidator.

Hermann J. Merkens, Chairman of the Management Board of Aareal Bank, said: "We have a clearly defined strategy geared towards long-term profitable growth for the entire Group, which we are gradually implementing. With Aareon, we have now taken an important step forward on this path. With Advent, we have found the ideal partner to realise Aareon's full potential as a part of Aareal Bank Group even faster – whilst securing the existing synergies between our IT subsidiary and the Bank's activities. As a long-term financial investor, Advent will contribute its broad expertise in the technology sector, its proven track record in the sustainable development of its investments, its M&A expertise, and its financial resources – all the requirements to substantially accelerate Aareon's value creation journey, together with us, raising Aareon to a new level of development over the coming years. This will benefit clients and shareholders of Aareal Bank Group alike."

Ranjan Sen, Managing Partner and Head of Advent International Germany, said: "Aareon is a pearl in the technology sector, with a long tradition in Germany and an extensive presence throughout Europe. We believe that it is well positioned to take advantage of consolidation opportunities – in an industry where digitalization is still in its infancy. We look forward to providing Aareon's management and Aareal Bank with the best possible support in the coming years."

Dr Manfred Alflen, Chairman of the Management Board of Aareon, added: "The partnership agreed upon between Aareal Bank and Advent presents a great opportunity for Aareon to substantially accelerate its own growth plan and thus write the next chapter in its success story. With the backing of two strong shareholders with a long-term view, we are confident we will evolve Aareon into an even stronger partner to its clients, an even more attractive employer for present and future talent, and an even better home for acquired businesses."

Under the agreement signed today, all parties involved have committed themselves to jointly develop over the coming months and thereafter execute a value creation plan that includes boosting organic growth, stepping up M&A activity and optimising operational excellence to help Aareon achieve "Rule of 40" performance by 2025. As a business without material leverage, Aareon is well positioned to mobilise substantial additional funds for M&A transactions by taking on a reasonable and sustainable level of debt, whilst Aareal Bank and Advent have agreed to contribute equity capital to fund Aareon's M&A ambitions to the extent required. Aareon will also benefit from Advent's extensive network and specific transaction execution and sector expertise to further build and action Aareon's M&A pipeline, to pursue attractive targets that can broaden its product suite and geographic footprint, with a focus on small to medium-sized transactions.

Following today's signing, Aareal Bank and financial investor Advent are fully aligned on Aareon's governance framework, with Advent being represented on Aareon's Supervisory Board. In addition, the partners have also agreed to establish a high-profile Advisory Board, which will provide Aareon's Management Board with access to deep industry and functional expertise for the implementation of the value creation plan.

For Aareal Bank's shareholders, the transaction announced today – as well as the partnership between majority shareholder Aareal Bank and Advent as a strong minority shareholder – offers the prospect of participating in Aareon's significantly enhanced future value creation journey. Besides the associated crystallising of Aareon's value, shareholders will directly benefit from a significant capital gain of approximately € 180 million (considering the non-controlling interest, transaction costs and taxes), which will be recognised in Aareal Bank Group's consolidated IFRS and regulatory equity, not affecting net income.

Whilst the inflow of funds will provide Aareal Bank with additional capital management flexibility, in particular, this will enhance its ability to pursue value-enhancing opportunities – both for Aareon's further growth and in both segments of Aareal Bank's business. Specifically, in the Structured Property Financing segment, experienced providers like Aareal Bank will continue to benefit from attractive new business opportunities going forward, especially against the background of the sustainability megatrend and in spite of turbulence caused by the Covid-19 pandemic. The focus in the Consulting/Services Bank segment will be on growing the product suite and on expanding into new markets – both organically and through acquisitions and cooperations.

Aareal Bank is being advised on this transaction by Arma Partners as Lead Financial Advisor and Hengeler Mueller as Legal Advisor.

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About Aareal Bank Group:

Aareal Bank Group, headquartered in Wiesbaden, is a leading international property specialist. It provides smart financings, software products, and digital solutions for the property sector and related industries, and is present across three continents: Europe, North America and Asia/Pacific. Aareal Bank AG, whose shares are included in Deutsche Börse's MDAX index, is the Group's parent entity. It manages the various entities organised in the Group's three business segments: Structured Property Financing, Consulting/Services Bank, and Aareon. The Structured Property Financing segment encompasses all of Aareal Bank Group's property financing and funding activities. Here, the Bank supports its clients in making large-volume commercial property investments. The investment properties mostly comprise office buildings, hotels, shopping centres, logistics and residential property, as well as student apartments. In the Consulting/Services Bank segment, Aareal Bank Group supports businesses from the housing, property management and energy industries as a digitalisation partner – combining extensive advisory services and product solutions with traditional corporate banking services and deposit-taking. Aareon, a leading European consultancy and IT systems house for the European property industry and its partner in the digital age, forms the third business segment. Aareon offers reliable, pioneering solutions in the fields of consulting, software and services to optimise IT-supported business processes, and to extend business models. The Aareon Smart World digital platform links businesses from the housing industry and related sectors with customers, staff and business partners, as well as connecting technical devices in apartments and buildings.