

PROPERTYEU

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TOP LOGISTICS DEVELOPERS

PANATTONI POWERS INTO TOP SPOT

WALL OF CAPITAL

Investors struggle to deploy cash

DEAL OF THE DECADE

Celebrating real estate royalty

PANATTONI TOPS RANKING

COMPLETED EUROPEAN
LOGISTICS PROJECTS 2014-16



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RIC LEWIS
CEO TRISTAN CAPITAL PARTNERS

'We are now in a market where you need to take on more risk to get 15% returns'



EMMA HUEPFL
DIRECTOR LAXFIELD CAPITAL

'UK banks were in a strong position last year to persuade borrowers to extend loans early'



MAURIZIO GRILLI
HEAD OF STRATEGY BNPPRE

'Southern Europe needs to catch up on online retail, so logistics will be the next big thing there'

INTERVIEW

JOCHEN KEYSBERG,
CEO OF APLEONA



EQT gives Apleona and GVA a leg-up

Former Bilfinger unit Apleona is seeking to expand in Europe following its acquisition last year by Swedish private equity firm EQT

BY JUDI SEEBUS

The official launch of Apleona, formerly Bilfinger Real Estate, at Expo Real in October last year followed its takeover by Swedish private equity firm EQT last summer. It also marked the starting shot for an ambitious European expansion plan that aims to lift Apleona's revenue by 50% to €3 bn in 2021 and double the value of its UK business GVA over the same period, Apleona's CEO Jochen Keysberg tells PropertyEU.

There was a lot of enthusiasm for the new parent, he says. 'EQT will help accelerate our further development. Our new owner takes us from being part of a global services group to a real estate service provider focused on growth within Europe. EQT is quite selective in its takeover targets and has the goal to elevate them to the next level.'

The Swedish private equity firm owns around 70 companies in a variety of industries including automotive such as Daimler, facility services such as E.ON and engineering such as Siemens, with 140,000 employees and revenues of €17 bn in total. The firm has already been active in facility management, having acquired the ISS business in the early 2000s which it subsequently transformed into one of the world's largest facility managers. The business went public in 2014.

OUTSOURCING GROWS

EQT's motivation for adding Apleona to its stable is its belief that the European real estate services sector is set to benefit from the growth of outsourced real estate services and a trend towards an integrated service offering to customers. Apleona's focus going forward lies on further developing its integrated services offering across

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its European platform. The plan is to expand Apleona's platform through organic growth as well as via acquisitions, Keysberg confirms. 'We aim to grow faster than the market in Europe.'

The former Bilfinger unit traditionally has a stronger focus on facility management and technical services while GVA has a strong foothold as an advisor in the public sector in the UK as well as project management. Indeed, Apleona claims to be the market leader for FM services in the DACH region (Germany, Austria and Switzerland) as well as a leading property manager in Germany and Switzerland.

Real estate service providers in Europe will be successful in the future only if they are capable of acting as multi-service providers or integrated service providers, Keysberg claims. Earlier this year, the company's new management was engaged in 'a very comprehensive strategy process' to identify the biggest growth opportunities, he continues. 'We will invest in three areas: people, IT and digitalisation, and M&A.' Getting good people on board is a key priority, he added. 'Real estate is a people business.'

Under its new owner, Apleona will stand on two legs, Keysberg adds: real estate advisory services and facility



PERSONAL PROFILE

Jochen Keysberg joined the Bilfinger group in 1997 and is now CEO of Apleona, formerly part of the real estate arm of German construction group Bilfinger. He has held a number of management positions at Bilfinger both in Germany and abroad. Keysberg holds a degree in civil engineering and a doctorate from the Hamburg University of Technology.

management. 'What differentiates us from a traditional broker is our focus on advisory and technical expertise.' Apleona is not deal-driven but looks for long-term relationships with its clients, he adds. 'We're coming from the facility and real estate management arena with a background in energy consulting and maintenance works. That's a relatively unique combination.' While many of the more traditional advisory firms come from an investment and/or leasing background, Apleona owes its specific strength and technical expertise to its legacy as a former unit of German construction firm Bil-

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finger, Keysberg notes. 'We want to grow our European platform and deliver more international contracts. The outsourcing trend is growing and it is now coming into focus for big industrial concerns. Large corporates like banks and insurers have been doing this for some time in a bid to use their real estate more efficiently. Some of them are now engaged in moving staff out of entire buildings in order to reduce their rental costs. But industrial companies are just at the beginning of this process. We serve the international portfolios of many corporate clients and definitely see the outsourcing trend as a chance for growth.'

As part of its growth plan, Apleona is also seeking to become 'a fully digitalised company' in five to seven years' time, Keysberg says. That means digitalising processes where it can on its new cloud-based IT infrastructure which was created following the carve-out operation

from Bilfinger. The company is doing that in-house rather than via an external software company and has established a dedicated internal team that can act as a partner for its clients. It already has good access to data due to its strong base in the German-speaking countries which Keysberg sees as a big advantage. 'Wherever we can automate digital processes with our client, we will.'

Cost-cutting is a key driver, he continues, pointing to systems that monitor occupancy and flexible work processes. 'It's all about how to use space more efficiently and looking at where there is potential to cut costs. That means monitoring processes for an extended period – not just for two or three days – to see how occupancy correlates with holidays or the weather. By using more sensors we can obtain more data which helps us analyse and identify the pain points and where the potential lies for cost cutting.'

Apleona and its UK subsidiary GVA are by no means the only advisors seeking to tap into the outsourcing market which, experts estimate, generates combined revenues of around \$1 tn annually. CBRE has been aggressively stepping up its presence in this segment for several years. After acquiring UK-based Norland for £250 mln (€290 mln) in 2013, it went on to buy JCI's Global Workplace Solutions (GWS) business for \$1.5 bn (€1.3 bn) in 2015. JLL also has ambitions in this area but failed in its bid to acquire Bilfinger's real estate unit.

In contrast to the traditional outsourcing specialists such as ISS and Sodexo, Apleona is being positioned as an all-round advisory firm with a solid technical profile that can help its clients both before and after they have acquired a building, Keysberg notes. 'We understand the entire life cycle of an asset and are able to offer services that focus on every stage, from investment and development, management and operation through to sale. We aim for growth, but at the same time we want a resilient business that will continue to do well during an economic slowdown.'

INTEGRATED SERVICES

Apleona also differentiates itself by offering more integrated services, he adds. 'Looking at where we see potential for growth, this is an interesting area. Not all our clients want integrated services and we still serve separate clients with separate services. In fact, the majority of our clients procure single services. But we believe the vertical integration of services will increase and that real estate service providers in Europe will be successful in the future only if they are capable of acting as multi-service providers or integrated service providers.'

The move towards more integrated services won't happen overnight, he adds. 'It's a process of evolution, but it makes a lot of sense from our point of view.'

With activities in 13 countries in Europe, Apleona is well-positioned for this new and growing trend, Keysberg says. 'There are few companies that can go for the big portfolios. It is an interesting market for us and we foresee quite some growth in this area in the future. We are already one of the leading players in this field and have several contracts with big international names.'

Apleona already has several clients in the pharmaceuticals business as well as a number of leading German industrial companies including Siemens and Deutsche Bahn. More recently, it was awarded a five-year contract by ABB, a leading technology company headquartered in Switzerland, for facility management services for more than 120 ABB locations across Europe. The order includes the coordination, delivery and development of a large number of facility management services.

For the moment the focus will be on Europe, he adds. 'We still see lots of opportunities here. For the next five years or more, we don't envisage there will be any markets that require us to go beyond our current borders.' That said, the company does follow its clients: in China Apleona is engaged in a flagship project for Siemens aimed at clean air in the workplaces in just one year. It is one of the first projects of its kind in China and its technical implementation in particular is groundbreaking, the company claims on its website. 'Some of our business is already outside our current borders,' Keysberg confirms.

APLEONA STANDS FOR COMPREHENSIVE

Apleona's ambition to become a key player offering integrated real estate services is reflected in its new name. Apleona has its origins in the Greek word *pleon*, which can be roughly translated into English as 'more or comprehensive'. 'The two "a"s at the beginning and at the end of the name stand for the idea of "from the beginning to the beginning" and not just "from beginning to the end",' Keysberg explains. 'The name Apleona symbolises our business model of providing all services over the lifecycle of real estate from a single source.' The Latin word *leo*, or lion, can also be found in the name, he confirms. 'This brings together strength, power and bite – characteristics that we want to exemplify in the future as the leading real estate services provider in Europe.'

In addition to its strong base in German-speaking countries, Apleona has a foot in the UK market since 2014 through its subsidiary GVA. Interestingly, GVA – previously known as Bilfinger GVA – has come into its own as part of the rebranding and is now known as GVA, an Apleona company.

'We decided on a brand structure that allows us to maintain at company level those brand names such as GVA but also HSG (Apleona's facility management arm ed.) that are established and well-known in their respective

market segments,' Keysberg explains. 'We are thus building a bridge between our experience and heritage on the one hand and our strategy and future on the other.'

Like Apleona, GVA is a somewhat unusual beast in the brokerage arena due, in this case, to its strong focus on the public sector. Not the most prestigious corner of the real estate advisory universe, but one that is generating rising income – and profit – for GVA. In October last year the firm reported a sharp increase in turnover to £190 mln (€225 mln) while operational profit surged 38% to £23.5 mln.

The UK company is also seeking to beef up its status as the go-to firm for major development and regeneration projects, GVA's new CEO Gerry Hughes said in a recent interview with UK trade publication Property Week. He described the UK firm as 'the bridge between Europe and North America' and 'the centrepiece, the fulcrum, the focal point' of Apleona GVA. In other words, GVA

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is one of the two real estate advisory legs that Apleona stands on and the group will continue to invest in developing and strengthening its new business lines in the UK and its cooperation with GVA Worldwide.

While GVA is a relatively small player in investment transactions, the firm had a good year in the UK last year, despite the Brexit vote and the decline in investment, Keysberg points out. 'GVA's focus on advisory is quite a resilient business model. This is an approach that we're going to accelerate in Germany and continental Europe.' ■

COMPANY PROFILE

Apleona is the new name of the real estate arm of German construction firm Bilfinger. The unit was acquired in the summer of 2016 by Swedish private equity firm EQT for around €1.2 bn and also includes UK-based advisory firm GVA which has been rebranded since the takeover as GVA, an Apleona company. In 2016 Apleona generated revenue of €2 bn excluding the €500 mln of revenue from the construction unit which was sold at the end of the year. Apleona has a particularly strong presence in the German-speaking countries – Germany, Austria and Switzerland – as well as the UK, Italy, the Netherlands, Poland and Turkey.