AozoraStep

For professional clients

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Exit CLS Holdings: CFO resignation & property sales at 10% discount[1]

Company:	CLS Holdings (CLI)	**Market Cap:**	£280m (70.52p)
Industry:	Commercial real estate	**Net debt:**	£1bn (50.7% LTV)
Country:	UK, Germany, France	**Net asset value:**	£784m
Date:	1st July 2025	**Revenue:**	£114m
Dividend:	3.98p (5.69%)	**Free cash flow:**	£15m
Entry:	£270m (67.86p)	**Exit:**	£282m (71p) (+4.7%)

Why exit CLS Holdings?

- CFO leaving the business came as a surprise (announced without successor)
- The German property sales at 10% discount, whilst helpful for the refinancing of debt, raises questions about their net asset value, given that interest rates in Europe have come down and Germany launching its "big fiscal bazooka"

Surprises that justify an exit

Whilst the exit of the CFO was not reason enough for me to exit the position, the two German properties sold at a 10% discount[2] raised some concerns to me. Firstly, I would not have expected to see them selling properties at a discount in Germany after interest rates were lowered to 2%[3] and after Germany announced their €1trn spending plan[4]. The €41.3m sales were also lower than the targeted £70m of additional property sales in 2025. Whilst they might still sell more properties to get to the £270m total property sales announce in 2024[5], and the €41.3m sales enables the refinancing of all the debt that was due in 2025, it raises again questions about their net asset valuation. Especially, the UK portfolio might

[1] all assumptions and observations are based on internal modelling and data analysis
[2] https://otp.tools.investis.com/clients/uk/clsholdings2/rns/regulatory-story.aspx?cid=1759&newsid=1960925
[3] https://www.ecb.europa.eu/stats/policy_and_exchange_rates/key_ecb_interest_rates/html/index.en.html
[4] https://www.ft.com/content/80742c32-1af3-4881-a935-f3045df12b12
[5] https://otp.tools.investis.com/clients/uk/clsholdings2/rns/regulatory-story.aspx?cid=1759&newsid=1796394

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face further net asset value pressure, not the least because companies recently gained the right to negotiate cheaper office rents in England[6]. Overall, I could still exit the position with a profit and on a day with good liquidity/buyers. The discount to NAV is still extremely wide, which still makes this a potentially attractive investment, but at this point I prefer to stay cautious, as these two "surprises" were not in my initial investment thesis.

[6] https://www.ft.com/content/02897c7e-8fc3-47a3-b644-8e93d85b534d

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