IMMOFINANZ

Press Release | Corporate News

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IMMOFINANZ with strong 18% increase in results of operations in Q1 2020, negative valuation results due to Covid-19

- Rental income and results of asset management improve by 13.4%, resp. 18.1%
- FFO 1 (before tax) rises by 3.6% to EUR 29.1 million and FFO 1 per share by 11.5% to EUR 0.29
- Negative valuation effects lead to net profit of EUR -37.6 million
- Strong liquidity position of EUR 312.5 million and unsecured credit line of EUR 100.0 million
- Covid-19 update: 79% of the retail space in the portfolio has reopened; visible recovery in visitor frequency since reopening, above all in the retail park business; but full impact still not possible to estimate

KEY FIGURES (IN MEUR)	Q1 2020	Δ IN %	Q1 2019[1]
Rental income	74.0	13.4%	65.2
Results of asset management	59.5	18.1%	50.4
Results of property sales	-1.8	n.a.	1.0
Results of property development	-0.7	83.8%	-4.6
Results of operations	43.5	18.0%	36.8
EBIT	-1.5	n.a.	43.9
Financial results	-30.3	-62.1%	-18.7
Net profit	-37.6	n.a.	30.4
FFO 1 (before tax)	29.1	3.6%	28.1
FFO 1/share (before tax) in EUR	0.29	11.5%	0.26

[1] The comparative data were adjusted

IMMOFINANZ started the first quarter of the 2020 financial year with strong operational performance: Rental income rose by 13.4% to EUR 74.0 million, above all due to the expansion of the portfolio through acquisitions and completions as well as growth of 1.9% in like-for-like rental income. The results of asset management increased by 18.1% to EUR 59.5 million, and the results of operations were 18.0% higher at EUR 43.5 million. However, the revaluation results of EUR -45.0 million from standing investments and goodwill reflect the adverse effects of the Covid-19 pandemic. Net profit for Q1 2020 was therefore negative at EUR -37.6 million.

"We started the year with a strong operational base and were able to benefit from our high-quality portfolio expansion. The Covid-19 crisis slowed this growth beginning in mid-March, but we are working steadily to master these challenges. By now, 79% of our retail space has already reopened. We want to emerge from this crisis even stronger and continue IMMOFINANZ's growth course, whereby our focus will remain on the office and retail asset classes and on our brand strategy", indicated Ronny Pecik, CEO of IMMOFINANZ.

FFO 1 from the standing investment business (before tax) improved by 3.6% to EUR 29.1 million (Q1 2019: EUR 28.1 million). This indicator includes, for the first time, the annual coupon for the corporate bond 2023, which totalled EUR 13.1 million and was paid in January 2020. FFO 1 per share improved to EUR 0.29 (Q1 2019: EUR 0.26). If the coupon payment were spread over the full year, FFO 1 in Q1 2020 would equal EUR 38.9 million (plus 38.7% versus Q1 2019).

Occupancy rate stable at high level

The real estate portfolio included 211 properties with a combined carrying amount of approximately EUR 5.1 billion as of 31 March 2020. Most of these properties – 92.2% or EUR 4.7 billion – are standing investments. Of this total, 64.7% are attributable to the office business and 35.2% to the retail business. The occupancy rate remained nearly constant at 96.4% (31 December 2019: 96.8%). The gross return equalled 6.1% based on IFRS rental income and 6.4% based on invoiced rents.

Robust balance sheet indicators

IMMOFINANZ has a robust balance sheet structure with an equity ratio of 45.9% (31 December 2019: 46.0%). Cash and cash equivalents totalled EUR 312.5 million (31 December 2019: EUR 345.1 million). The net-loan-to-value ratio equalled 43.8% (12/2019: 43.0%) and was below the target value of roughly 45.0%. Average financing costs declined further to 1.90% per year including derivatives (31 December 2019: 1.91%). The hedging quota is stable at a high 90.8% (31 December 2019: 90.7%), and the unencumbered asset pool (investment property and S IMMO shares) amounted to EUR 1.9 billion or 33.4% (31 December 2019: EUR 1.9 billion or 33.8%).

Basic EPRA NAV per share rose to EUR 31.95 as of 31 March 2020 (31 December 2019: diluted EUR 31.05). The calculation of EPRA NAV – in contrast to 31 December 2019 – does not include any potential diluting effects from the conversion of the IMMOFINANZ convertible bond 2024 because the bond was “not in the money” as of 31 March 2020. The book value per share equalled EUR 28.69 (31 December 2019: EUR 29.34).

Covid-19 update

As previously announced, IMMOFINANZ immediately introduced numerous measures at the start of the Covid-19 crisis to minimise the potential negative effects on the Group. These measures included, among others, the postponement of non-time-critical maintenance, the reduction of operating costs and similar expenses, the reduction of scheduled principal payments on bank financing, a universal stop for all property acquisitions currently under consideration and the evaluation of tax deferrals and tax savings. The very sound liquidity position of EUR 312.5 million at the end of March was also strengthened by the conclusion of an additional unsecured credit line of EUR 100.0 million.

The legal regulations implemented to contain Covid-19 have been gradually lifted in recent weeks, beginning with mid-April in Austria, in nearly all countries where IMMOFINANZ owns retail properties. At the present time, 79% of IMMOFINANZ’s retail space has reopened. Romania represents an exception, where the four VIVO! shopping centers are still closed. “We are also making very good progress on the conclusion of agreements with our major retail tenants to develop fair solutions for the crisis months and the reopening phase. However, it is still to early to estimate the effects of the pandemic. Due to our operating performance and our solid liquidity position and financing structure, we are well positioned to handle the current challenges“, explained Dietmar Reindl, COO of IMMOFINANZ.

A clear positive development in visitor frequency, above all in the retail parks, is visible in the retail properties that have recently reopened. With approximately 3.2 million visitors per week in the STOP SHOP retail parks, the level reflects the beginning of the year. This development underscores the competitive advantage of the STOP SHOP concept: one-stop shopping with direct access from the parking area to the individual shops and reduced possibilities for contacts.

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Results in detail

Rental income increased by 13.4%, or EUR 8.8 million, to EUR 74.0 million, above all due to acquisitions and property completions in the previous year. Property expenses totalled EUR -12.4 million and were 9.7% higher than the previous year (Q1 2019: EUR -11.3 million), based on the substantial increase in investment property to EUR 4.9 billion as of 31 March 2020 (Q1 2019: EUR 4.0 billion). The vacancy costs included in operating expenses fell by 13.4% to EUR -1.8 million. In total, the **results of asset management** improved by 18.1% to EUR 59.5 million (Q1 2019: EUR 50.4 million). The adjusted margin of asset management/rental income improved to 82.2% (results of asset management adjusted for personnel expenses/rental income adjusted for IFRS 16 effects; Q1 2019: 81.6%).

The **results of property sales** amounted to EUR -1.8 million (Q1 2019: EUR 1.0 million), and the **results of property development** improved to EUR -0.7 million (Q1 2019: EUR -4.6 million).

Other operating expenses were 29.2% higher at EUR -13.8 million (Q1 2019: EUR -10.7 million). The increase in personnel expenses included under this position is primarily attributable to a non-recurring effect (resignation of Oliver Schumy from the Executive Board). The **results of operations** improved by 18.0% to EUR 43.5 million (Q1 2019: EUR 36.8 million).

The **revaluation results from standing investments and goodwill** totalled EUR -45.0 million due to the negative effects of the Covid-19 pandemic (Q1 2019: EUR 7.1 million). That represents 0.9% of IFRS investment property. The internal valuation of the portfolio properties reflected slightly higher market yields, above all for the retail business.

Financing costs rose to EUR -19.5 million (Q1 2019: EUR -14.9 million) based on property acquisitions and a resulting increase of 9.4% in the total financing volume. Moreover, the comparative prior year value included a positive effect of EUR 4.2 million from the reduction of the coupon for the convertible bond 2024 (adjustment of the effective interest method). Other financial results amounted to EUR -5.3 million (Q1 2019: EUR -7.9 million) and resulted chiefly from the valuation of interest rate derivatives in the current low-interest environment.

The share of profit/loss from equity-accounted investments amounted to EUR -4.2 million (Q1 2019: EUR 4.9 million), whereby EUR -5.5 million are attributable to the share of earnings from S IMMO. **Financial results** totalled EUR -30.3 million for the first quarter of 2020 (Q1 2019: EUR -18.7 million).

Earnings before tax amounted to EUR -31.8 million (Q1 2019: EUR 25.3 million), and income tax equalled EUR -5.9 million. Consequently, **net profit** totalled EUR -37.6 million for the first quarter of 2020 (Q1 2019: EUR 30.4 million). Earnings per share (basic) equalled EUR -0.37 (Q1 2019: EUR 0.28).

The interim financial statement by IMMOFINANZ AG on the first quarter 2020 as of 31 March 2020 will be available on the company's website under http://www.immofinanz.com/en/investor-relations/financial-reports starting on 28 May 2020.

On IMMOFINANZ

IMMOFINANZ is a commercial real estate group whose activities are focused on the office and retail segments of seven core markets in Europe: Austria, Germany, Poland, Czech Republic, Slovakia, Hungary and Romania. The core business covers the management and development of properties, whereby the STOP SHOP (retail), VIVO! (retail) and myhive (office) brands represent strong focal points that stand for quality and service. The real estate portfolio has a value of approx. EUR 5.1 billion and covers more than 210 properties. IMMOFINANZ is listed on the stock exchanges in Vienna (leading ATX index) and Warsaw. Further information under: http://www.immofinanz.com

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