

Media release

Zug, 4 September 2017

Varia US Properties increases total income and gross potential income significantly – half-year net profit boosted to USD 15.0 million

- **Total income up 31.2% to USD 43.3 million – rental income up 50.4% to USD 26.2 million**
- **Significant 50% rise in effective gross income to USD 28.4 million**
- **Net operating income of USD 13.5 million**
- **Value of property portfolio tops USD 500 million and consists of 47 properties**
- **Gross potential income increased to USD 71.1 million**
- **Substantial gain from portfolio value adjustment of USD 14.9 million**
- **Further solid financial results in US Dollars expected for 2017**

Varia US Properties, a Swiss based real estate company exclusively investing in US multifamily housing with a main focus on secondary and tertiary markets, saw its business activities perform positively in the first half of 2017. After the capital raise and the successful IPO of the Company at SIX Swiss Exchange in December 2016, the first six months were, as planned, dedicated to investments and consolidation. Overall, the half year results are very positive and line with the expectations in a growing portfolio.

Sustainable portfolio development secures future income growth

The resulting portfolio, as of 30 June 2017, consisted of 47 properties totalizing 7,289 units, representing USD 508.1 million of real estate value. The occupancy rate stood at 95.3%. In the first six months 2017, the portfolio generated a rental income of USD 26.2 million, compared to USD 17.4 million during the period from 28 September 2015 through 30 June 2016, and a total income of 43.3 million (previous year USD 33.0 million). The gross potential income as of 30 June 2017 increased to up to USD 71.1 million.

The net gain from fair value adjustment on investment property amounted to USD 14.9 million and reflects the execution of the value-add strategy of Varia US Properties.

Total operating expenses were USD 18.2 million (previous year USD 19.8 million), which results in an operating profit of USD 25.1 million (previous year USD 13.2 million). After deduction of the finance cost and the income tax provision, the profit for the period is USD 15.0 million (previous year USD 6.5 million), of which USD 12.2 million (previous year USD 2.9 million) are attributable to Varia.

With regard to the realized operating results, the effective gross income is USD 28.4 million and the total operating expenses is USD 14.9 million which give a net operating income of USD 13.5 million.

Focus on investing and consolidation – value-add strategy is working well

In the first six months of 2017, all of the equity raised in December 2016 amounting to USD 124.7 million was invested or committed to be invested (three deals to be completed and closed in the ongoing third quarter 2017) in properties that perfectly meet the Company's investment criteria. Overall, Varia acquired 13 new assets over the period. These new acquisitions are located in markets where the Company was not yet present, thus further diversifying its geographical exposure. The updated portfolio comprised four assets in the Dallas area, three in Arizona (2 in Tucson and 1 in Phoenix), four in the Midwest (2 in St Louis (Missouri), 1 in Louisville (Kentucky) and 1 in Evansville (Indiana)).

All projects are in line with Varia's strategy focusing on B and C properties in secondary and tertiary markets. They are all located in strong demographic and employment markets offering promising return prospects to the Company's shareholders.

Varia's portfolio is now composed of larger assets as well as assets closer to each other and closer to larger metropolitan areas. Almost all are value-add properties, which means that the Company invests significant amounts of money to redecorate most of the units and renovate all the common areas, as well as the amenities. Taking all acquisitions together, the total amount of Year 1 Capex is about USD 16.4 million, more than 10% of the equity deployed.

The strategy to add value not only facilitate the rental of units, it also allows substantial rental increase and value improvement. In a market where the demand for housing exceed the existing offer, the value-add strategy is a key differentiator and provides investors with new benefits.

Manuel Leuthold, Chairman of the Board of Directors of Varia, said: "The operational performance in the first six months of the year was very pleasing. We implemented the growth strategy as planned and worked on the existing portfolio, especially in terms of renovation, to improve the quality of our investments, to increase rents and to raise the value of the properties acquired. This value-add strategy is working well and brings additional revenues to the properties, outperforming initial expectations."

Hurricane Harvey

The Company has no damage to report after the terrible Harvey catastrophe end of August 2017, since its assets in Texas are located mostly around Dallas with one property in Fredericksburg, north of San Antonio. For the victims of the Hurricane, the board of the Company decided to make a donation to the American Red Cross of USD 25,000.

Key financial figures half-year 2017

In USD million	As of 30 June 2017	Period from 28 September 2015 through 30 June 2016
Rental income	26.2	17.4
Other income	2.1	1.4
Bargain on purchase of subsidiary	-	4.2
Net gain from fair value adjustment on investment property	14.9	10.0
Total income	43.3	33.0
Total operating expenses	18.2	19.8
Operating profit	25.1	13.2
Finance costs	4.7	4.8
Provision for income tax	5.4	1.9
Profit for the period	15.0	6.5
Profit attributable to Varia	12.2	2.9
Cash-on-cash yield	10.4%	8.9%
Net asset value per share (in USD)	34.03	32.46
Earnings per Share (in USD) calculated on the weighted average number of ordinary shares outstanding	1.83	1.39
Loan-to-value ratio	61.15%	67.0%
Occupancy rate	95.3%	94.5%

Outlook

Overall, the US real estate market has been developing very positively based on an ongoing solid job growth and positive economic indicators. The demand for B and C properties in secondary and tertiary markets remains strong, with suburban rental rates rising faster than urban rents. Especially Garden style apartments, that represents most of the Varia portfolio, are currently outperforming the market. Against this backdrop, Varia expects a solid second half of the year with a further increase of the value of the portfolio as well as with a strong distribution from the properties.

Patrick Richard, Delegate of the Board of Directors of Varia, said: “We intend to proceed on our growth mode. After completing our equity deployment in time, we laid a good foundation and are well positioned to benefit from the positive developments on the US real estate market. The second half of 2017 will be used to finish launching all the capex investment programs and the value-add strategy. In addition, Stoneweg, our asset manager, is expanding its presence in the US in order to select further promising assets. Thanks to the current progress and good market positions, we confirm our positive outlook issued in April 2017 that we will deliver this year solid results in US Dollar.”

The statutory accounts will be impacted by fluctuations in the US dollar against Swiss francs. Between 1 January 2017 and 30 June 2017, the dollar depreciated 6.6%, which would imply a currency loss in the statutory accounts. Nevertheless, this would not prevent the Company from proceeding with distributions out of its capital reserves.

Additional information

The analyst presentation of the results and the 2017 half-year report are available on the website of Varia at www.variausproperties.com/investors/financial-statements/

Today, Varia will host a media conference call at 10am CET. To participate in the call please dial:

+41 58 310 50 00 (Switzerland)

Key dates

Full-year results 2017

13 April 2018



Contact information

Juerg Staehelin, IRF Communications

Phone: +41 43 244 81 51, E-mail: investors@variausproperties.com

About Varia US Properties AG

Varia US Properties AG is a Swiss based real estate company exclusively investing in U.S. multifamily housing with a main focus on secondary and tertiary markets. Established in 2015, the Company acquires, holds, transitions and repositions properties in the boundaries of metropolitan regions of the U.S. in order to secure rental income and value growth. More information: www.variausproperties.com

Disclaimer

This communication expressly or implicitly contains certain forward-looking statements concerning Varia US Properties AG and its business. Such statements involve certain known and unknown risks, uncertainties and other factors, which could cause the actual results, financial condition, performance or achievements of Varia US Properties AG to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Varia US Properties AG is providing this communication as of this date and does not undertake to update any forward-looking statements contained herein as a result of new information, future events or otherwise.