

## Media release

Zug, 13 April 2018

**Strong performance in 2017 for Varia US Properties AG with significant increase of total income and net profit doubled to USD 34.9 million<sup>1</sup> – total earnings per share of USD 4.15 in 2017 – positive outlook for 2018**

- Total income of USD 88.2 million, plus 36.5%
- Effective gross income of USD 65.8 million (+ 68.0%)
- Significant gain from portfolio value adjustment of USD 22.4 million (including USD 6.9 million of capex invested)
- Net operating profit before debt, taxes and exceptional of USD 48.9 million, up 60%
- Earnings per share of USD 4.15<sup>2</sup> (2016: USD 3.37)
- Property portfolio value of USD 618 million as of 31 December 2017, plus 79.9%
- Total equity of USD 270.4 million
- Balance sheet total of USD 668.2 million
- Gross potential income increased to USD 83.9 million, up 68.8%
- NAV growth to USD 34.38 (USD 33.65 as of 31.12.16) after a total distribution in 2017 of CHF 3.45
- Targeted distribution of CHF 2.50 per share for the business year 2018 to be paid after the 2019 General Assembly

2017 was a very positive year for Varia US Properties. In its first full year as a listed company on SIX Swiss Exchange, Varia continued to be focused on further implementing its growth and value-add strategy. The business year was dedicated to additional promising investments and the consolidation of the business. Overall, the full-year results are above the expectations. They demonstrate the potential of the US multifamily housing for secondary and tertiary markets as well as the effectiveness of the strategy adopted by Varia.

**Effective gross income of USD 65.8 million – gross potential income up to USD 83.9 million**

The resulting portfolio, as of 31 December 2017, consisted of 50 properties totalizing 8,245 units in 18 states, representing USD 618 million of real estate value (2016: USD 343.5 million). The occupancy rate stood at 94.3% (2016: 95.5%). The portfolio generated in 2017 a yearly effective gross income of USD 65.8 million (2016: USD 39.1 million) and a total income of USD 88.2 million (2016: USD 64.6 million). Total operating expenses were USD 39.2 million (2016: USD 33.9 million), which results in a net operating profit of USD 48.9 million (2016: USD 30.6 million). After deduction of the finance cost and the income tax provision, the profit for the period is USD

---

<sup>1</sup> Including a USD 4.8 million profit from tax reform

<sup>2</sup> Without the tax reform impact the earnings per share would be USD 3.4

34.9 million<sup>1</sup> (2016: USD 16.2 million), of which USD 28.1 million are attributable to Varia (2016: USD 8.9 million).

The net gain from fair value adjustment on investment property amounted to USD 22.4 million (2016: USD 21.2 million) and reflects the capex investments as well as the execution of the value-add strategy of Varia US Properties.

Manuel Leuthold, Chairman of the Board of Directors of Varia, said: “Varia is outperforming expectations and has gained further profile in the last year. The very good results underscore the efficiency of our investment strategy focusing on secondary and tertiary markets in growing urban submarkets in the US. Our value-add strategy is working very well and brings additional revenues to the properties. This makes us confident about Varia’s further growth.”

### **Further exploitation of promising investments**

The capital raised within the IPO in December 2016 was fully committed at the end of June 2017. Varia invested in 13 properties in the amount of USD 269.7 million that perfectly meet the company’s investment criteria. Most of these acquisitions are located in markets the company was not yet present, thus further diversifying its geographical exposure. These assets are also larger than the initial portfolio, closer to large metropolitan areas and grouped to enhance economy of scales.

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. Almost all are value-add properties, which means that the company invests significantly in the common areas, in the amenities as well as in the units to improve the quality of the assets and allow a rent premium.

For the business year 2018, Varia intends to distribute a dividend of CHF 2.50 per share after the 2019 General Assembly. This projection is subject to reaching the anticipated results underlying such a target dividend and subject to approval of the shareholders.

### **Ongoing enhancement of the portfolio – more than USD 81.5 million already invested in Q1 2018**

Varia has completed two further capital increases in the fourth quarter 2017 to allow a new anchor investor to enter into the company (October 2017) as well as to exploit promising investment opportunities in the targeted markets and regions in the USA and to further enhance the existing portfolio (December 2017).

In the first three months of 2018, the proceed of the newly raised capital which is expected to be fully deployed by 30 June 2018 was very successful. As of 31 March 2018, more than USD 81.5 million have already been invested in four properties. Several more properties are at present under due diligence. The strong pipeline with further attractive properties and the speed of the deployment of the new capital is supporting the currently positive outlook for 2018.

In December 2017, Varia signed an agreement with Peak Capital Partners to take full ownership and control of its assets and to liquidate the non-controlling interest position in its financial statements. The non-controlling interest holders will receive assets of the portfolio up to their net equity participation, which will be calculated based on the appraisals of 31 December 2017 prepared by Colliers International. After full execution and completion, Varia will own 100% of 44 properties with no more non-controlling interests. The transaction is expected to be completed in the half year results 2018.

### Key financial figures 2017

In USD million	Period from 1 Jan 2017 through 31 Dec 2017	Period from 28 Sept 2015 through 31 Dec 2016	Δ%
Effective Gross Income	65.8	39.1	68.0
Net gain from fair value adjustment on investment property	22.4	21.2	5.7
Net operating profit	48.9	30.6	59.8
Profit for the period	34.9	16.2	115.4
Repair and capex below threshold	4.9	5.8	-15.5
Year 1 capex invested	6.8	NA	NA
Net cash flow	16.7	8.2	103.6
Annualized cash flow	19.7	8.6	129.1
Annualized Cash-on-cash yield	9.2%	8.4%	10.8
Earnings per share	4.15	3.37	23.1
Net asset value per share (in USD)	34.18	33.65	1.5
Net asset value per share (excluding deferred taxes) (in USD)	35.53	35.93	-1.1

### Outlook

The affordable housing segment of the US real estate market will remain strong in 2018 thanks to a booming US economy, a growing number of tenants and a continuing high demand for B and C properties in secondary and tertiary markets. Varia will also benefit from the tax reform adopted at the end of 2017, among others because of the reduction of the tax rate for the companies. Overall, Varia expects a further increase of the value of the portfolio and a solid distribution from the properties.



Patrick Richard, Delegate of the Board of Directors of Varia, said: “Varia will continue on the path we have taken last year and will further enhance its US real estate portfolio. Fast acquisitions of promising new properties combined with the implementation of our value-add strategy will allow us to generate and optimize returns swiftly. Varia is well positioned to benefit from existing US conditions and we are confident that we will provide furthermore solid results for the financial year 2018.”

### **Additional information**

The analyst presentation of the results and the 2017 annual report are available on the website of Varia at [www.variausproperties.com/investors/financial-statements/](http://www.variausproperties.com/investors/financial-statements/).

Today, Varia will host a media and analyst event at Haus zum Rüden in Zurich at 9am CET.

### **Key dates**

Annual General Meeting	24 May 2018
Half-year result 2018	30 August 2018

### **Contact information**

Juerg Staehelin, IRF Communications

Phone: +41 43 244 81 51, E-mail: [investors@variausproperties.com](mailto: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](http://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.