

Media release

Zug, 3 April 2019

Successful year for Varia US Properties AG – substantial increase of total income (+14%) and EBITDA (+47%)

- **Total income of USD 100.8 million (+14.3%)**
- **Effective gross income of USD 86.0 million (+30.7%)**
- **Portfolio value adjustment of USD 14.7 million**
- **EBITDA of USD 38.9 million (+46.6%)**
- **EBITDA margin of 43.6% (2017: 40.3%)**
- **Property portfolio value of USD 767.5 million as of 31 December 2018 (+24.2%)**
- **NAV growth to USD 37.14 (2017: USD 34.38)**
- **Earnings per share of USD 2.79 (2017: USD 4.15)**
- **Distribution of CHF 2.50 per share for the business year 2018 proposed to the Annual General Meeting 2019**

In 2018, Varia focused on the buyout of the former non-controlling interest holder (NCI) and gained ownership on 100% of its portfolio and financial data. The Company also continued its growth path being focused on workforce housing in the US and on implementing its value-add strategy. It finally started to implement a green initiative program that will be further developed in the years to come. The 2018 results are in-line with the guidance provided and demonstrate the efficiency of the strategy adopted by Varia.

Total income up to USD 100.8 million

The Company portfolio, as of 31 December 2018, consisted of 52 properties totalizing 9,737 units in 19 states, representing a real estate value of USD 767.5 million (2017: USD 618 million). The occupancy rate stood at 93.7% (2017: 94.3%) due to a faster implementation of the value-add strategy. In 2018, the portfolio generated a yearly effective gross income of USD 86.0 million (2017: USD 65.8 million) and a total income of USD 100.8 million (2017: USD 88.2 million). Total operating expenses were USD 50.2 million (2017: USD 39.2 million), which results in a net operating profit of USD 50.6 million (2017: USD 48.9 million). After deduction of the finance cost and the income tax provision, the profit for the period is USD 24.9 million (2017: USD 34.9 million). Accordingly, the earnings per share was at USD 2.79 (2017: USD 4.15). The difference between those figures is due to a reduced fair value adjustment, the absence of the 2017 tax cut and a one-off tax adjustment after the NCI buyout, all being non-cash entries.

In terms of EBITDA margin, Varia increased its profitability up to 43.6% (2017: 40.3%).

The net gain from fair value adjustment on investment property amounted to USD 14.7 million (2017: USD 22.4 million) and reflects the translation of the value-add strategy of Varia in the assets purchased. This number also include the successful sale of the property Pine Ridge in December 2018, resulting in a net IRR of 30.5%.

Manuel Leuthold, Chairman of the Board of Directors of Varia, said: “We are very satisfied with the operational performance of Varia in 2018. The very good results emphasize the effectiveness of our focus on workforce housing in secondary and tertiary markets in the US. We accelerated once again the implementation of our value-add strategy resulting in increased income level of the properties. The higher gross potential income combined with the positive market conditions for the workforce multifamily sector creates interesting growth perspectives for our Company.”

Dividend yield of 6.7% – quarterly distribution to shareholders at AGM 2019 proposed

For the business year 2018, Varia intends to distribute a dividend of CHF 2.50 per share representing a 6.7% yield based on a stock price of CHF 37.20 after the Annual General Meeting 2019 on 30 April 2019. This dividend is composed of an ordinary part of CHF 2.20 and an non recurring part of CHF 0.30 coming from the sale of the Pine Ridge property in December 2018. This distribution is subject to the approval of the shareholders.

In order to reduce the cash dilution effect in the Company and mitigate the risk of currency exchange rates, the Board of Varia will also propose to the next Annual General Meeting on 30 April 2019 to start with a quarterly distribution to shareholders from Q2 2019 onwards.

Key financial figures 2018

In USD million	As of 31 December 2018	As of 31 December 2017	Δ%
Total income	100.8	88.2	14.3
Effective gross income	86.0	65.8	30.7
Net gain from fair value adjustment on investment property (including USD 3 million of realized gain on property sold)	14.7	22.4	-34.3
Operating profit	50.6	48.9	3.4
EBITDA (Defined as operating profit less unrealized revaluation)	38.9	26.5	46.6
Profit for the period	24.9	34.9	-28.5
Repair, maintenance and minor replacements	5.9	4.9	20.4
Year 1 capex invested	11.9	6.9	72.5

Earnings per share (in USD)	2.79	4.15	-32.8
Net asset value per share (in USD)	37.14	34.38	8.0
Net asset value per share (excluding deferred taxes) (in USD)	39.07	35.74	9.3

2019 Outlook

The workforce housing segment of the US real estate market will remain robust in 2019 due to the strength of the US economy, a rising number of tenants, especially the Millennials, will be a driving force, and an ongoing high demand for multifamily housing in growing suburban markets. Varia will transition properties profiting from Low Income Housing Tax Credit (LIHTC) into local market conditions in order to generate attractive rental profit and realize value growth. Therefore, Varia expects a positive business year 2019 with a further increase of the portfolio value, generating solid distributions from the properties.

In addition, Varia has started to execute in 2018 a Company-wide green initiative that will be further evaluated and implemented in the next few years. Main purpose of this initiative is to replace shower heads, toilet tanks and faucets with water conservation efficient solutions. The initiative will be completed over time with an electricity conservation program which includes replacing regular bulbs with LED products as well as old appliances as refrigerators and dish machines with more efficient ones.

Patrick Richard, Delegate of the Board of Directors of Varia, said: "Varia is well positioned to further benefit from existing US conditions. We will stick to our workforce housing strategy and continue selecting the markets where job and population growth can be expected. Additionally, we expect to see the first benefits of the non-controlling interest buyout, of the green initiative and of the transitioning of the LIHTC properties towards market conditions. Varia has set the frame and strong results should continue to be presented for the financial year 2019."

Additional information

The media release, the analyst presentation of the results and the 2018 annual report are available on the website of Varia at www.variausproperties.com/investors/financial-statements/.

Today, Varia will host a media and analyst event at Haus zum Rüden, Limmatquai 42 in Zurich at 9am CET.

Key dates

Annual General Meeting 2019 30 April 2019

Half-year results 2019 29 August 2019



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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

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