

Media release

Zug, 27 August 2020

Varia US Properties AG with very strong operational half-year results – significantly increases effective gross income (+16%) and EBITDA¹ (+19%)

- **Effective gross income of USD 54.6 million (June 30, 2019: USD 47.1 million; +16.0%)**
- **EBITDA of USD 23.1 million (June 30, 2019: USD 19.4 million; +19.2%)**
- **Increase of EBITDA margin at 42.3% (41.2% at June 30, 2019: +1.2%)**
- **Property portfolio value at USD 919.0 million as of June 30, 2020 (December 31, 2019: USD 915.1 million; +0.4%)**
- **Funds from operations (FFO²) of USD 11.4 million (June 30, 2019: USD 8.8 million; +29.5%)**
- **Potential gross income up 1.0% to USD 118.8 million (December 31, 2019: USD 117.6 million)**
- **Varia is well positioned with its resilient business model to weather these extraordinary times and to cover its current fixed dividend policy**

Manuel Leuthold, Chairman of the Board of Directors of Varia, said: “We are very pleased with the positive operating results in these extraordinary times. These very strong operational half-year results also reflect the resilience and growing financial performance of the portfolio. At the beginning of this year, Varia focused on the further implementation of its growth and value-add strategy. The second quarter was characterized by the COVID-19 pandemic and to best serve the tenants, while maximizing rent collections and reducing the cost side. This stable business development makes us quite optimistic for the full year and beyond, provided that circumstances are not significantly worsened by the pandemic.”

Rental income up 3.5% like for like – occupancy rate rises thanks to renewal strategy

The Company portfolio, as of 30 June 2020, consisted of 53 properties totaling 10,896 units in 19 US states, representing USD 919.0 million of real estate value appraised by Colliers International (December 31, 2019: USD 915.1 million). The occupancy rate stood at 95.0% (December 31, 2019: 93.3%). This is the result of a strong renewal strategy during the pandemic time. In the first six months 2020, the portfolio generated an effective gross income (defined as total income less unrealized revaluation) of USD 54.6 million (June 30, 2019: USD 47.1 million) and a total income of USD 52.4 million (June 30, 2019: USD 66.1 million). The average rent per unit was USD 818 per month (December 31, 2019: USD 810 per month).

¹ EBITDA defined as operating profit less unrealized revaluation

² FFO defined as EBITDA less interest expense

Rental income like for like between January and June 2020 increased by 3.5% compared to the corresponding period in 2019.

For the first half of 2020, the fair value of the portfolio increased by USD 3.8 million, which is reduced by capex investment during the period at USD 6.1 million, resulting in a negative adjustment on investment property of USD 2.2 million (June 30, 2019: USD 19.0 million).

Total operating expenses amounted to USD 31.5 million (June 30, 2019: USD 27.7 million). After deduction of the finance cost and the income tax provision, the profit for the period is USD 6.8 million (June 30, 2019: USD 22.2 million). Excluding the net loss/gain from fair value adjustment on investment property, the profit for the period is USD 9.0 million (June 30, 2019: USD 3.2 million). Funds from operations (FFO) improved to USD 11.4 million (June 30, 2019: USD 8.8 million). EBITDA increased by 19.2% to USD 23.1 million (June 30, 2019: USD 19.4 million). EBITDA margin without revaluation improved at 42.3% (June 30, 2019: 41.2%).

Due to the absence of non-realized gain, earnings per share for the first half of 2020 were down to USD 0.76 (June 30, 2019: USD 2.47).

Continuation of quarterly distributions – restart of green initiative

At the Annual General Meeting in June, the shareholders confirmed the distribution of CHF 2.60 per share for the business year 2019 and to continue quarterly distributions for the business year 2020. Given the current uncertainties, the Board of Directors decided not to issue any guidance for its distribution for the business year 2020 currently but will do its utmost to maintain the same level of performance as the previous year. In addition, Gregoire Baudin has been elected as a new board member.

As part of the Company-wide green initiative, Varia continued to implement its water conservation and energy saving programs at the beginning of the year. The Corona crisis put the efforts on hold regarding data collection and analysis. The Company relaunched the project in mid-June in order to establish and maintain a database to measure the impact of the initiatives across the portfolio. The project should be finalized by end of this year.

Subsequent to June 30, 2020, a property in Indianapolis (Indiana) with 342 units was placed under contract and should be closed in October. Varia is also considering the strategic disposition of its Cardinal portfolio in Florida that was acquired in 2015. The portfolio has been put on the market in July.

Key financial figures half-year 2020

In USD million	As of and for the half year June, 30 2020	As of and for the half year June 30, 2019	Δ%
Rental income	48.8	42.4	15.1
Other income and insurance proceeds	5.8	4.7	23.4
Effective gross income	54.6	47.1	16.0
Net gain/(loss) from fair value adjustment on investment property	(2.2)	19.0	(111.6)
Total income	52.4	66.1	(20.7)
Total operating expenses	31.5	27.7	13.7
Operating profit with revaluation	20.9	38.4	(45.5)
Profit for the period	6.8	22.2	(69.4)
Rental income like for like	43.4	42.4	3.5
EBITDA (Operating profit less unrealized revaluation)	23.1	19.4	19.2
EBITDA margin (in %)	42.3	41.2	1.2
FFO (EBITDA less interest expense)	11.4	8.8	29.5
Earnings per share (EPS) (in USD)	0.76	2.47	(69.2)
Net asset value (NAV) per share (in USD) ³	35.43	35.08	1.0

Outlook

Patrick Richard, Delegate of the Board of Directors of Varia, said: “Thanks to the hard work of both our asset management team and our property managers, the first half of the year was very successful. Varia is very well positioned to weather these extraordinary times by optimizing rent collections, reducing costs and maintaining the properties at best. We have a strong balance sheet, professional teams and many scenarios in place to respond to new shifts in the operating environment. At the same time, we will be on the look out for new investment

³ NAV at June 30, 2020 would be USD 38.18 excluding accrued but unpaid distribution (USD 37.13 at June 30, 2019).

opportunities offering attractive performances for our investors. All in all, we remain confident with the solidity of the portfolio and the strength of the Company. The fundamentals supporting Varia's investment strategy have not changed, if not getting better, with the current pandemic. The multifamily sector resisted well and has been the top performing asset class in real estate since the beginning of the pandemic.”

Projections for the remaining of the year are difficult to make. Varia expects some health, political and economic disruptions but the Company's main scenario is that things will get balanced and that the strength and resilience of the country will carry on.

Additional information

The media release, the analyst presentation of the results and the 2020 half-year report are available on the website of Varia at www.variausproperties.com/investors/financial-statements/.

A webinar will be organized to dig into these results on August 31, 3pm CET. Please register on https://us02web.zoom.us/webinar/register/WN_RmTkV46mQq6A4VCCSDapCw by August 28.

Key dates

3 rd Quarter 2020 Update	November 10, 2020
Next fixed dividend payment	November 12, 2020
Full-year results 2020	March 30, 2021
Annual General Meeting	April 29, 2021

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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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