

Media release

Ad hoc announcement pursuant to Art 53. LR

Zug, 31 August 2021

Very strong operational half-year results for Varia US: Total income more than doubled to new record level of USD 113.2 million – portfolio value tops one billion mark first

- **Total income of USD 113.2 million (June 30, 2020: USD 52.4 million; +116.0%)**
- **Effective gross income of USD 71.1 million (June 30, 2020: USD 54.6 million; +30.2%)**
- **Net gain from fair value adjustment on investment property of USD 54.8 million (June 30, 2020: USD -2.2 million)**
- **Realized gain on disposal of properties of USD 12.7 million**
- **For the first time, property portfolio value exceeds the one billion threshold at USD 1.060 billion as of June 30, 2021 (December 31, 2020: USD 928.2 million; +14.2%)**
- **Operating profit with revaluation of USD 75.6 million (June 30, 2020: USD 20.9 million; +261.7%)**
- **Profit for the period of USD 48.7 million (June 30, 2020: USD 6.8 million; +616.2%)**
- **EBITDA of USD 33.5 million (June 30, 2020: USD 23.1 million; +45.2%)**
- **Funds from operations (FFO¹) of USD 20.7 million (June 30, 2020: USD 11.4 million; +82.1%)**
- **Earnings per share of USD 4.81 (June 30, 2020: USD 0.76)**
- **NAV per share of USD 40.19 (June 30, 2020: USD 35.43)**
- **Varia US is well positioned with its resilient property portfolio to face the next months and to benefit from the relaunch of the US economy**
- **The Board of Directors is considering the issuance of a new bond in the third quarter of the year to support the further growth and development of the Company**

Manuel Leuthold, Chairman of the Board of Directors of Varia US, said: “We are very pleased with the excellent operating results in the first six months of the year 2021. These results reflect the strong and growing financial performance of our portfolio. They also demonstrate our ability to dispose non-strategic assets with a significant premium as well as our capacity to find strong off-market deals to grow Varia US’ portfolio, both in terms of size and quality. Based on the positive development of our business and as long as the overall health and economic environment does not change tremendously, we expect a solid second half of the year allowing to continue a strong distribution policy to our valued shareholders.”

¹ FFO defined as EBITDA less interest expense

Total income at record level – rental income up 5.9% like for like

The Company portfolio, as of 30 June 2021, consisted of 45 properties totaling 10,870 units in 17 US states. The real estate value appraised by third party appraisers topped the one billion threshold with USD 1.060 billion for the first time (December 31, 2020: USD 928.2 million). The increase is due to new acquisitions, capex investments, sale of properties and the gain from fair value adjustments. The occupancy rate stood at 96.3% (December 31, 2020: 95.4%). Total income more than doubled to USD 113.2 million and reached a new record high (June 30, 2020: USD 52.4 million). In the first six months of 2021, the portfolio generated an effective gross income (defined as total income less unrealized revaluation) of USD 71.1 million (June 30, 2020: USD 54.6 million). The average rent per unit was USD 882 per month (December 31, 2020: USD 824 per month). Rental income like for like between January and June 2021 increased by 5.9% compared to the corresponding period in 2020.

The fair value adjustment of the portfolio was up to USD 54.8 million for the first half of 2021 after a negative adjustment on investment property of USD 2.2 million the previous year.

Total operating expenses amounted to USD 37.5 million (June 30, 2020: USD 31.5 million). The operating profit with revaluation amounted to USD 75.6 million (June 30, 2020: USD 20.9 million). After deduction of the finance cost and the income tax provision, the profit for the period is USD 48.7 million (June 30, 2020: USD 6.8 million). Funds from operations (FFO) improved significantly to USD 20.7 million (June 30, 2020: USD 11.4 million).

Varia US also increased its profitability, as the EBITDA increased by 45.2% to USD 33.5 million (June 30, 2020: USD 23.1 million). EBITDA margin improved to 47.2% compared to 42.3% the year before. Earnings per share for the first half of 2021 were up to USD 4.81 (June 30, 2020: USD 0.76) – a new record level as well as the Net asset value (NAV) per share at USD 40.19 (June 30, 2020: USD 35.43).

Ongoing optimization of the portfolio – development of ESG strategy on track

During the first six months of the year, Varia US acquired four properties. The Company purchased a portfolio of three properties in Indianapolis (Indiana), adding 849 units to the 342 bought in 2020 in that new market. Varia US observed an important population and job growth there and intends to benefit from that organic and economic growth and to deliver strong results to its investors. The other acquisition was in a suburb of Louisville (Kentucky). The Company bought a 200 unit property and increased its presence in this solid and promising market.

At the same time, Varia US sold three properties in Idaho and Mississippi for a total sale price of USD 44.3 million, generating a blended 31% net IRR for the Company.

Subsequent to June 30, 2021, Varia US also closed the sale of Altitude property, a 330 unit property in Salt Lake City (Utah), one of its largest asset in portfolio but with a reduced net cash on cash yield. The sale price achieved was 25% above December valuation, generating a 28.3% net IRR for the Company.

The Company continues to consider the strategic disposition of another six properties this year in order to further improve the portfolio mix and cash flow returns.

After the end of the period, two properties in Fayetteville (North Carolina) with 360 units and in Louisville (Kentucky) with 600 units were placed under contract and should be closed in the next few weeks.

At the last Annual General Meeting (AGM) in April, the shareholders confirmed the distribution of a true-up of CHF 0.82 per share for the business year 2020 and the continuation of a quarterly distribution for the business year 2021. The Board of Directors intends to distribute most of the FFO to shareholders and to reinvest the proceeds of the property sale to support the organic growth of the Company. The Board expects the FFO of the business year 2021 to be higher than last year and plans to take this increase in consideration when proposing the true-up amount for the next AGM in April 2022.

Varia US is working with the Green Building Initiative and Corporate Sustainability Strategies, Inc. to develop its ESG strategy and to frame its initiatives. It is the goal to publish its first ESG report together with the Annual Report 2021. Furthermore, the Company partnered with Esusu: This non-for-profit organization reports the on-time payment of rents to credit bureaus in order to help renters build their credit. A good credit score is key in the US to qualify for a job, buy a car or find a place to live.

Key financial figures half-year 2021

In USD million	As of and for the half year June, 30 2021	As of and for the half year June 30, 2020	Δ%
Rental income	52.0	48.8	6.7
Other income and insurance proceeds	6.4	5.8	9.6
Effective gross income	71.1	54.6	30.2
Net gain/(loss) from fair value adjustment on investment property	54.8	(2.2)	2'590.9
Total income	113.2	52.4	116.0
Total operating expenses	37.5	31.5	19.0

Operating profit with revaluation	75.6	20.9	261.7
Profit for the period	48.7	6.8	616.2
Rental income like for like	44.3	41.8	5.9
EBITDA (Operating profit less unrealized revaluation)	33.5	23.1	45.2
EBITDA margin (in %)	47.2	42.3	4.9
FFO (EBITDA less interest expense)	20.7	11.4	82.1
Earnings per share (EPS) (in USD)	4.81	0.76	532.9
Net asset value (NAV) per share (in USD) ²	40.19	35.43	13.4

Outlook

Patrick Richard, Delegate of the Board of Directors of Varia US, said: “Varia US is very confident with the solidity and the positioning of its portfolio. The long-term fundamentals supporting our investment strategy have been reinforced by and with the pandemic. More and more people are moving into the markets where we operate and where the job growth is very strong. Our assets are well positioned both geographically and demographically to benefit from the relaunch of the economy which validates the strategy of our Company since inception. All in all, we are confident that we will deliver again positive convincing results for the full year.”

Projections for the remaining of the year are hard to make. There are still some uncertainties in the market but the situation is much better than it was a year ago. The seasonally-adjusted national unemployment rate was at 5.9% at the end of June 2021. This reduced rate supports Varia US' residents and improves their situation. The Company expects this trend to continue in the next few months, as there are signs everywhere of companies looking to hire more people.

The national eviction moratorium was maintained throughout the reporting period but the impact was manageable. Varia US does not expect a higher eviction rate once the moratorium is lifted. The political scene is generally much less disrupted and the lights seem to be green to continue an expansion and a solidification of the US economy.

² NAV at June 30, 2021 would be USD 42.36 excluding accrued but unpaid distribution (USD 38.18 at June 30, 2020).



Additional information

The media release, the analyst presentation of the results and the 2021 half-year report are available on Varia US' website at www.variausproperties.com/investors/financial-statements/.

Key dates

3 rd Quarter 2021 Update	November 11, 2021
Next fixed dividend payment	November 11, 2021
Full-year results 2021	March 30, 2022
Annual General Meeting	April 29, 2022

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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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