

Media release

Ad hoc announcement pursuant to Art 53. LR

Zug, 30 March 2022

Excellent 2021 results for Varia US Properties – significant increase of total income (+ 110.0%), EBITDA (+ 33.8%) and portfolio value (+ 52.1%)

- **2021 has been an exciting business year with above average performances, both in terms of rent and valuation increases**
- **Total income more than doubled to USD 320.0 million (2020: USD 152.4 million)**
- **Effective gross income increased to USD 138.0 million (2020: USD 106.7 million)**
- **EBITDA grew to USD 80.7 million (2020: USD 60.3 million)**
- **Net Gain on revaluation of properties up to USD 197.4 million (2020: USD 42.5 million)**
- **Operating profit incl. revaluation increased substantially to USD 237.1 million (2020: USD 83.0 million)**
- **Property value was at USD 1.412 billion (2020: USD 928.2 million)**
- **NAV per share increased to USD 50.8 (2020: USD 38.5)**
- **Earnings per share grew significantly to USD 15.4 (2020: USD 3.9)**
- **Proposed dividend of CHF 3.20 per share (2020: CHF 2.60)**
- **Initial company ESG report published**

Manuel Leuthold, Chairman of the Board of Directors for Varia US Properties, said: “These extraordinary results are due to a very strong underlying market, but they also demonstrate the rightfulness of the strategy initiated six years ago, as well as the quality of our Company’s assets and its management. We assume that markets will stabilize at high level and that the balance between raising interest rates, higher rents, inflation and migration will hold on. This will be beneficial for Varia US Properties.”

The COVID-19 pandemic remained noticeable in the reporting year. Hence, in the U.S., the support provided by the federal government as well as by the state and local authorities was efficient and helped Varia US’ residents significantly. The decreased severity of the virus, the protection granted by vaccines and a reduced level of uncertainties have all be factors that supported the strong results of the reporting year. In addition, several patterns reinforced the positioning and strategy of Varia US, most notably the migration of a large number of people from downtown districts to more suburban areas, from northern to southern states, and from states with high tax rates to states with lower tax rates.

Financial development – total income more than doubled

Overall, the operating results and the proceeds from the sales executed in 2021 were excellent. The Company benefitted from a very strong market; the strategy and geographical assets allocation have also been key to this success.

Rental income was up 9.7% to USD 107.9 million (2020: USD 98.4 million); rental income like for like – which considers assets that were held for the full business years 2020 and 2021 – was up 6.5% to USD 82.5 million (2020: 77.4 million). Depending on the local market, rents in 2021 increased between 5% to 25% compared to 2020. Without considering the gain on the properties sold in 2021, the Company generated a realized income of USD 122.6 million (2020: USD 109.8 million). This increase is mostly the result of better operations in assets with higher rents. Effective gross income increased to USD 138.0 million (from USD 106.7 million in 2020).

Due to realized gains on disposals, EBITDA increased by 33.8% at USD 80.7 million (2020: USD 60.3 million), EBITDA margin is up 2.8% at 49.3% (2020: 46.5%). Operating profit incl. revaluation increased by almost 190% to USD 237.1 million (2020: USD 83.0 million). In comparison, operating expenses increased only around 20% to USD 82.9 million (2020: USD 69.4 million).

The net gain from fair value adjustment is stunningly USD 197.4 million (2020: USD 42.5 million), which includes USD 41.0 million realized gain from the properties sold in 2021 (2020: USD 19.9 million). This high amount represents the change of valuation for the whole portfolio since 1st January 2021, and it does not include the CAPEX invested through the reporting year.

The comprehensive income (net profit) for the reporting period is USD 156.0 million (2020: USD 35.5 million), taking into account the payment of debt interests for USD 30.0 million (2020: USD 24.5 million), and a much higher income tax expense of USD 48.5 million (2020: USD 9.9 million). In 2021, the Company also had a gain on net foreign currency exchange of USD 178,000, compared to the USD 6.3 million loss in 2020.

Portfolio development – targeted acquisitions and disposals

In 2021, the Company acquired nine assets (or 2,772 units), and sold ten properties (or 1,153 units). Thus, Varia US continued to upgrade and institutionalize its portfolio with larger deals in larger metropolitan areas. Consequently, as of 31 December 2021, the portfolio consisted of 43 assets comprising 11,887 units in 15 States (2020: 44 assets comprising 10,269 units in 19 States). The occupancy rate remained at a high level of 94.6% (2020: 95.4%).

The total value of the portfolio as of 31 December 2021 is USD 1.412 billion (2020: USD 928.2 million) as appraised by Collier. The variance includes the properties acquired in 2021 for USD 416.4 million, the capital improvements invested (USD 18.0 million), the sales executed (USD 148.0 million) and the net gain from fair value adjustment (USD 197.4 million).

ESG achievements – first report published

In 2021, Varia US Properties framed its ESG initiatives and worked with the Green Building Initiative (GBI), a US-based NGO that supports ESG implementation programs. With GBI's accompaniment, the Company defined a complete ESG strategy. More information can be found in the separate ESG report that Varia US published today and that can be downloaded from the Company's website.

Among the main ESG achievements in 2021, Varia US continued to work on its water and energy initiatives, thus reducing consumptions with more LED lights installed, more leaks detected, and more low-flow hardware installed. In addition, Varia US continued to collect and analyze consumption data to prepare its GRESB (a leading rating system for measuring the sustainability performance of real estate companies and real estate funds) application and for general reporting purposes, and partnered with the company ESUSU to offer a direct reporting to credit agencies of ontime payment of rents and utility bills for residents.

AGM 2022 – dividend of CHF 3.20 per share proposed

For the business year 2021, Varia US intends to increase the total dividend by 23.1% to CHF 32.40 million. The total distribution for 2021 will be CHF 3.20 per share, comprising a regular dividend of CHF 2.50 per share as well as an additional dividend of CHF 0.70 per share that comes out of the gain realized on the 2021 property sales. At the last AGM in April 2021, shareholders already approved four installements of CHF 0.50 each for 2021. Consequently, the Board of Directors of Varia US Properties will therefore propose to the Shareholders' meeting to be held on 29 April 2022 to distribute a true-up of CHF 1.20 per share, to achieve the proposed distribution of CHF 3.20 per share.

Key financial figures 2021

In USD million	As of 31 December 2021	As of 31 December 2020	Δ in %
Total income	320.0	152.4	110.0
Effective gross income	138.0	106.7	29.3
Net gain from fair value adjustment on investment property	197.4	42.5	363.9
Operating profit incl. revaluation	237.1	83.0	185.8
EBITDA (operating profit less unrealized revaluation)	80.7	60.3	33.8
EBITDA margin	49.3%	46.5%	2.8
Profit for the period	156.0	35.5	339.3

Funds from operations (FFO; EBITDA less interest expense)	50.7	35.8	41.6
Repair, maintenance and minor replacements	8.7	8.3	4.8
Year 1 CAPEX invested	18.0	13.0	38.5
Earnings per share (in USD)	15.41	3.91	294.0
Net asset value per share (in USD)	50.79	38.48	32.0
Net asset value per share (excluding deferred taxes) (in USD)	58.76	42.26	39.1

2022 Outlook – again a positive business year to be expected

2022 is expected to be another positive year for Varia US in a market that should flatten. The Company intends therefore to focus on the crystallisation of gains and on the adjustment of its investment strategy to further benefit from market evolution. The terrible events currently occurring in Ukraine have no direct impact on Varia US' activity, but its implications on the financial markets and the indirect effects on the US multifamily sector are monitored regularly by the Company and its asset manager, Stoneweg. Patrick Richard, Executive Member of the Board of Directors of Varia US, said: "According to the commercial real estate service provider CBRE, the multifamily sector is set for a record-breaking 2022 amid solid fundamentals and heightened investor interest. With tremendous liquidity and a growing range of debt options available, multifamily pricing will be as strong as ever. The Asset manager of the Company as well as its Board of Directors of Varia US Properties are therefore looking forward to a successful 2022."

Additional information

This media release, the corresponding analyst presentation of the results, the annual report 2021 as well as the ESG report are available on Varia US' website at <https://variausproperties.com/investors/financial-statements/>.

Varia US will held a video call for media and analysts at 2 pm CET today. Manuel Leuthold, Chairman, and Patrick Richard, Executive Member of the Board of Directors, will be available to answer your questions. Please register via handschin@irf-reputation.ch in order to receive the dial-in details.



Key dates

Annual General Meeting	29 April 2022
Q1 2022 Update	19 May 2022
Half-year results 2022	29 August 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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