

Media release

Ad hoc announcement pursuant to Art 53. LR

Zug, 30 March 2023

Strong 2022 results for Varia US Properties despite volatile market developments – increased rental income (+17.3%), EBITDA (+9.3%) and portfolio value (+20.7%)

- Rental income grew to USD 126.5 million (2021: 107.9 million)
- Total realized income at USD 188.4 million (2021: USD 163.6 million)
- Total income was USD 297.7 million (2021: USD 320.0 million)
- EBITDA grew to USD 88.2 million (2021: USD 80.7 million)
- Net Gain on revaluation of properties at USD 153.7 million (2021: USD 197.4 million)
- Operating profit incl. revaluation was at USD 197.6 million (2021: USD 237.1 million)
- Portfolio value increased to USD 1.704 billion (2021: 1.412 billion)
- NAV per share increased to USD 60.13 (2021: USD 50.79)
- Earnings per share of USD 12.11 (2021: USD 15.41)
- Proposed dividend of CHF 3.20 per share
- Meaningful ESG progress achieved; full ESG report 2022 to follow

Manuel Leuthold, Chairman of the Board of Directors of Varia US Properties AG, said: “The strong results of Varia US achieved in 2022 are due to the high quality of the portfolio and the effectiveness of its repositioning. It also demonstrates once more the solidity of the US workforce housing sector in the States where the company invests. For 2023, the Board anticipates a slight decrease of its portfolio valuation, but also anticipates strong operating results that will continue to benefit its investors.”

The US real estate market has been very volatile in 2022. The year started at a multi-year high with a frenetic market and still low capitalization and interest rates. As the year progressed, the Federal Reserve increased interest rates at the fastest pace ever observed which drove greater and greater capitalization rate expansion and resulted in fewer transactions in the marketplace. Hence, Varia US has only been marginally impacted so far by this complete market shift, due to the quality of its assets and its high proportion of fixed rate debt.

Financial development – strong results despite volatile markets

Overall, operating results and proceeds from the sales executed in 2022 were strong, in line with previous years. Rental income was up 17.3% to USD 126.5 million (2021: USD 107.9 million), thanks to the efforts of the teams and property managers. Rental income like for like – which considers assets that were held for the full business years 2021 and 2022 – was up 8.0% to USD 76.5 million (2021: 70.8 million). In 2022, the Company achieved a total realized income

of USD 188.4 million (2021: USD 163.6 million). Due to realized gains on disposals, EBITDA increased by 9.3% to USD 88.2 million (2021: USD 80.7 million), while EBITDA margin is slightly lower at 46.8% (2021: 49.3%).

Operating profit incl. revaluation decreased by 16.7% to USD 197.6 million (2021: USD 237.1 million). In comparison, operating expenses increased around 20.9% to USD 100.2 million (2021: USD 82.9 million). The net gain from fair value adjustment declines to USD 153.7 million (2021: USD 197.4 million), which includes USD 44.4 million realized gain from the properties sold in 2022 (2021: USD 41.0 million). This amount represents the change in valuation of the whole portfolio since January 1, 2022, and it includes the effect of capex invested throughout the reporting year.

The profit for the reporting year is USD 122.6 million (2021: USD 156.0 million), taking into account the payment of debt interest for USD 44.0 million (2021: USD 30.0 million), and a lower income tax expense of USD 29.4 million (2021: USD 48.5 million). In 2022, the company also had a gain on net foreign currency exchange of USD 462,000, compared to the USD 178,000 gain in 2021.

Portfolio development – continuous quality improvements

In 2022, the company continued to implement its strategy of improving the quality of the portfolio and of reducing risks related to location and vintage. Consequently, it sold more units than it acquired, but increased the overall value of the portfolio and its earnings potential. Varia US intends to continue to sell 10% to 15% of the portfolio per year (if suitable opportunities arise) and thus improve its quality.

At the end of 2022, the portfolio comprised 41 properties with 11,042 units in 14 States (compared to 43 properties with 11,887 units in 15 States at the end of 2021). The total value of the portfolio as of 31 December 2022 was USD 1.704 billion compared to USD 1.412 billion as of 31 December 2021. The occupancy rate of the portfolio remained high at 93.1% (2021: 94.6%).

Most of the assets are located in Kentucky (16%), Indiana (13%), Arizona (12%), North Carolina and Texas (11% each) and Missouri (10%). This diversification not only supports the implementation of Varia US' corporate strategy in times of economic volatility but is also an advantage in terms of the climate resilience of its portfolio.

ESG achievements – full report to follow

In 2022, Varia US also made significant progress in the area of sustainability (ESG). For example, the company participated for the first time in the real estate industry's leading ESG assessment GRESB, achieving strong results compared to its peers. Furthermore, Varia US now offers recycling as part of local waste management in more than 55% of its apartment communities

(2021: 21%). The goal is to be able to offer such a recycling solution for residents in all such communities by the end of 2023.

In order to also strategically anchor ESG topics within the company and to underline its commitment as a responsible company, Varia US formed an ESG Committee at Board level in 2022. This committee consists of three members of the Board of Directors and is supported by team members from Varia US' asset managers, Stoneweg.

Varia US will publish its full 2022 ESG report at the end of June 2023. It will be based on the Sustainability Accounting Standard Board (SASB) reporting index.

AGM 2023 – dividend of CHF 3.20 per share proposed

Based on the strong results achieved in 2022, the Board of Directors proposes to the forthcoming General Assembly on 25 April 2023 in Zurich to pay a true-up of CHF 1.20 per share on 10 May 2023. This is resulting in a proposed total dividend of CHF 3.20 per share for the business year 2022. The Board of Directors will also propose at the AGM 2023 to continue with the quarterly dividend payment¹ of CHF 0.50 per share² until the AGM 2024 to mitigate currency exchange risk.

Key financial figures 2022

In USD million	As of 31 December 2022	As of 31 December 2021	Δ in %
Rental income	126.5	107.9	17.3
Total income	297.7	320.0	-6.9
Effective gross income	158.1	138.0	14.6
Net gain from fair value adjustment on investment property	153.7	197.4	-22.1
Operating profit incl. revaluation	197.6	237.1	-16.7
EBITDA (operating profit less unrealized revaluation)	88.2	80.7	9.3
EBITDA margin	46.8%	49.3%	-2.6
Profit for the period	122.6	156.0	-21.4
Funds from operations (FFO; net profit excluding fair value gain and transaction costs, tax effected)	22.9	22.6	1.3

¹ Foreseen payment dates are 9 August 2023, 9 November 2023, 9 February 2024, and 9 May 2024.

² 50% of the dividend distribution are proposed to be paid out of the available earnings, the remaining 50% from capital contribution reserves.

Repair, maintenance and minor replacements	11.4	8.7	31.0
CAPEX invested	28.4	18.0	57.8
Earnings per share (in USD)	12.11	15.41	-21.4
Net asset value per share (in USD)	60.13	50.79	18.4
Net asset value per share (excluding deferred taxes) (in USD)	70.76	58.76	20.4

2023 Outlook – successful but challenging

Patrick Richard, Executive Member of the Board of Directors of Varia US Properties, commented: “Varia US looks forward to a successful but challenging 2023. At least in the first half of the year, the market should continue to be somewhat slow. Then the situation is expected to become more certain in terms of interest rates and capitalization rates, which will hopefully allow for the start of a recovery. The multifamily housing sector, especially the B segment, remains the most resilient real estate sector in the US, along with the industrial sector. The company will continue to pursue its repositioning strategy with a high ESG focus and intends to be ready for new investment opportunities in a market that will likely include distressed assets.”

In 2023, the company is again planning significant investments to maintain the existing portfolio and improve its ESG performance. In addition, the repayment of the first corporate bond is due in June 2023. Varia US currently expects these liabilities and projects to be largely paid for through additional sales proceeds. However, if the corporate bond is refinanced, the sales proceeds will be used for distributions and new acquisitions.

Additional information

The full Annual Report 2022 and the corresponding investor presentation as well as a separate leaflet summarizing the report in German are available for download on Varia US’ website at <https://variausproperties.com/investors/financial-statements/>.

Varia US will hold a video call for journalists and analysts at 1 pm CET today. Manuel Leuthold, Chairman, and Patrick Richard, Executive Member of the Board of Directors, will be available to answer your questions. Please contact handschin@irf-reputation.ch for the dial-in details.

Key dates

Annual General Meeting	25 April 2023
Q1 2023 Update	31 May 2023
ESG Report 2022	End of June 2023
Half-year results 2023	31 August 2023



Contact information

Juerg Staehelin, IRF

Phone: +41 43 244 81 51, E-mail: 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

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.