

## Media release – Ad hoc announcement pursuant to Art 53. LR

Zug, 28 March 2024

### **In 2023, Varia US Properties achieved solid operating results while strategically reducing its debt and further optimizing its portfolio**

- **Rental income like for like increases by 6.1% to USD 89.0 million (2022: 83.8 million) despite the challenging market development**
- **Operating margin – excluding the loss/gain on revaluation of properties – was up at 32.3% (2022: 30.5%)**
- **Strategic reduction of debt (reduction of mortgages, repayment of bond VAR19)**
- **Continuation of portfolio optimization strategy (selling non-strategic assets, CAPEX investments, ESG improvements)**
- **Due to the sale of assets and the depreciation of the portfolio, its value decreased to USD 1,300 billion (2022: 1,704 billion)**
- **Numerous ESG progress achieved, significant improvement of GRESB results and rating, 21 new ENERGY STAR® certifications**
- **Net Asset Value (NAV) at USD 39.23 per share (2022: USD 60.13)**
- **Earnings/Loss per share (EPS) of USD -13.73 (2022: USD 12.11)**
- **The total distributed dividend for the year 2023 consists of ordinary distribution (CHF 2.00 per share) and extraordinary distribution (CHF 3.00 per share)**
- **The Board of Directors will propose to the upcoming Shareholder meeting the continuation of the quarterly dividend program**

Manuel Leuthold, Chairman of the Board of Directors of Varia US Properties, said: *“Like all market segments, US real estate has its cycles, and 2023 turned out to be the year of a downturn for the US multifamily sector. Consequently, valuations started to decrease, and transaction volumes froze. However, Varia US navigated through these challenging times with solid operating results, a strategic reduction of debt and with the continuation of its portfolio optimization strategy. We sold ten assets during 2023, generating total proceeds of USD 266.3 million. We used these proceeds to repay USD 135.8 million in mortgages as well as our first corporate bond of CHF 50 million, and we distributed to investors an extraordinary dividend of CHF 3.00 per share”.*

### **Financial development – solid operating results despite challenging markets**

Overall, operating results in 2023 were solid despite the real estate market downturn. Rental income like for like – which considers assets that were held for the full business years 2022 and 2023 – was up 6.1% to USD 89.0 million (2022: USD 83.8 million). The operating margin excluding the loss/gain on revaluation of properties was up at 32.3% (2022: 30.5%). In 2023, the Company achieved a total realized income of USD 146.4 million (2022: USD 188.4 million). EBITDA decreased by 50.0% to USD 44.2 million due to the reduction of realized gains through

sales (2022: USD 88.2 million), resulting in a decrease in EBITDA margin to 30.2% (2022: 46.8%).

Operating profit including revaluation decreased to a loss of USD 125.5 million (2022: profit of USD 197.6 million). Varia US recorded total operating expenses of USD 102.2 million (2022: USD 100.2 million), of which USD 15.5 million are transaction costs (2022: USD 15.8 million). The fair value adjustment resulted in a revaluation loss of USD 174.3 million (2022: gain of USD 153.7 million), which includes a realized accounting loss of USD 4.6 million from the ten properties sold in 2023 (2022: gain of USD 44.4 million).

The net loss for the reporting year is USD 139.0 million (2022: profit of USD 122.6 million). More than the depreciation of the portfolio, this number also includes an interest expense of USD 47.2 million (2022: USD 44.0 million) and foreign currency losses of USD 7.2 million (2022: gain of USD 0.5 million). The increase in interest expense was primarily due to prepayment penalties of USD 1.5 million incurred on disposed or refinanced properties as well as an increase in interest expense on variable rate borrowings.

### **Portfolio development – continuous quality improvements**

In 2023, Varia US continued to implement its strategy of improving the quality of the portfolio and of reducing risks related to location and vintage. Consequently, it sold ten assets comprising 2,524 units for a total of USD 266.3 million.

As per the end of 2023, the portfolio comprised 31 properties with 8,518 units in 13 States (compared to 41 properties with 11,042 units in 14 States as per the end of 2022). As a consequence of the sale of properties and of a 9.69% decrease of the appraised value of the portfolio, the total portfolio value as of 31 December 2023 decreased to USD 1.300 billion compared to USD 1.704 billion as of 31 December 2022. The occupancy rate continued to remain high at 92.2% (2022: 93.1%).

Most of the assets are located in Kentucky (19%), followed by Arizona (14%), Texas (13%), North Carolina (12%) and Missouri (11%). 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**

The Company also achieved a variety of ESG-related progress during 2023. For instance, its portfolio was again submitted to the Global Real Estate Sustainability Benchmark (GRESB) for being evaluated and rated. Compared to the initial rating in 2022, Varia US achieved a 30% improvement, 4 stars and 83 points. Also, 25 additional properties were awarded ENERGY STAR® Performance Certifications and/or Green Globes Certificates. Furthermore, Stoneweg, the asset manager of Varia US Properties, became a signatory of the UN-supported Principles for Responsible Investment (PRI).

The publication of the separate and comprehensive ESG Report 2023 is foreseen for the end of June 2024; an executive summary of the ESG progress achieved in 2023 is already included in the Annual Report 2023. For the business year, Varia US is already working on establishing a comprehensive GHG inventory and to develop science-based targets to further reduce CO2 emissions.

### AGM 2024 – continuation of quarterly dividend program proposed

Based on the 2023 results, the Board of Directors will recommend to the shareholders to approve the continuation of the quarterly dividend distribution program of CHF 0.50 per share and quarter and to forgo an additional true-up. This results in a total dividend of CHF 2.00 per share for the period from the AGM 2024 to the AGM 2025 (as long as the number of shares remains unchanged).

### Key financial figures 2023

In USD million	As of 31 December 2023	As of 31 December 2022	Δ in %
Rental income	124.0	126.5	-2
Total income	(23.3)	297.7	-107.8
Net (loss)/gain from fair value adjustment on investment property	(174.3)	153.7	-213.4
Operating margin (operating profit divided by total income), excluding the (loss)/gain on revaluation of properties (in %)	32.3%	30.5%	1.8 %
Operating profit incl. revaluation	(125.5)	197.6	-163.5
EBITDA (operating profit less unrealized revaluation)	44.2	88.2	-50.0
EBITDA margin (in %)	30.2%	46.8%	-16.7
Loss/Profit for the period	(139.0)	122.6	-213.4
Normalized funds from operations (Funds from operations less debt cost amortization, insurance proceeds, foreign exchange (loss)/gain, and other non-cash items)	13.9	20.1	-30.8%
CAPEX invested	36.8	28.4	29.6
Earnings per share (in USD)	(13.7)	12.11	-213.4
Net asset value per share (in USD)	39.23	60.13	-34.8
Net asset value per share (excluding deferred taxes) (in USD)	45.45	70.76	-35.8%

## 2024 Outlook

Patrick Richard, Executive Member of the Board of Directors of Varia US Properties, commented: *“For 2024, Varia US expects to continue to see strong operational results from its portfolio. Property valuations are still expected to go down, at least in the first two or three quarters of 2024. The market started the year very slow in terms of activities and transactions. The United States presidential election in November will also have an impact on 2024, as the transaction volume is always slowing down in the months leading up to the event. At the same time, the insurance market started to recover with more capacity and stability. We also see more stability on the interest rates side, and the market expects the US Fed to decrease interest rates later in 2024”.*

Richard added: *“Varia US plans to continue selling non-strategic assets. The Company is also committed to pursuing its strategy of improving the quality and ESG performance of the portfolio. Thus, Varia US should be well positioned to benefit significantly when the market rebounds”.*

## Additional information

The Annual Report 2023 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 via MS Teams for journalists, analysts and investors today at 2 pm CET. 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](mailto:handschin@irf-reputation.ch) for the dial-in details.

## Key dates

Annual General Meeting	24 April 2024
Q1 2024 Update	28 May 2024
ESG Report 2023	End of June 2024
Half-year results 2024	28 August 2024

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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](http://www.variausproperties.com)



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