

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

Zug, 28 August 2024

Strong operational results with higher total income, EBITDA and operating margin – lower net loss on revaluation of properties

- **Rental income like for like increased by 4.3% at USD 55.6 million (H1 2023: USD 53.3 million)**
- **Total income improved by 54.4% at USD 34.6 million (H1 2023: USD 22.4 million)**
- **EBITDA: USD 30.7 million (H1 2023: USD 27.9 million)**
- **Net loss on revaluation of properties: USD 32.7 million (H1 2023: net loss of USD 57.2 million)**
- **Operating margin excluding revaluation: 42.7% (H1 2023: 27.8%)**
- **Portfolio value at USD 1.257 billion (as per end of 2023: USD 1.300 billion)**
- **NAV per share: USD 35.57 (as per end of 2023: USD 39.23)**

The first six months of 2024 have seen the beginning of a stabilization in the US real estate market, with Fed rates remaining constant, insurance markets were gaining both capacity and price stability, and inflation decreasing steadily. Varia US continued to pursue its strategy in the reporting period and achieved strong operational results: Occupancy rates improved, like for like rental income grew consistently with past performances, and valuations decreased slightly on a like for like basis since the beginning of the year, which is a significant improvement compared to the first half of 2023. One non-strategic property was sold during H1 2024 and a further two post period, in July.

Patrick Richard, Executive Member of the Board of Directors of Varia US Properties, commented: *“These results are reflecting the beginning of the stabilization of the US multifamily real estate market. The fair value loss is less significant compared to the first half of 2023, and our Company continues to perform well on the operating side. The portfolio is getting stronger, and its quality keeps improving with the sale of non-strategic properties. Stoneweg, the Asset Manager of Varia US Properties, is positioning the portfolio to benefit from the expected market rebound”.*

Financial development – increased rental income like for like

Rental income was at USD 56.3 million (H1 2023: USD 67.0 million) and rental income like for like increased by 4.3% to USD 55.6 million (H1 2023: USD 53.3 million). Varia US incurred a fair value loss of USD 32.7 million in the reporting period (H1 2023: loss of USD 57.2 million), which includes a realized gain of USD 2.0 million on the sale of properties (H1 2023: USD 5.8 million). As a result, total income was up 54.4% up to USD 34.6 million (H1 2023: USD 22.4 million).

Total operating expenses for the first half of 2024 declined to USD 38.6 million (USD 57.4 million for the same period in 2023). This decrease is due to the reduced size of the portfolio and to lower transaction costs.

The Company closed the reporting period with a loss of USD 13.4 million (H1 2023: loss of USD 46.9 million), which translates into a loss per share of USD 1.33 (H1 2023: loss of USD 4.64 per share). This performance resulted mainly from the net loss from fair value adjustment on investment properties.

Portfolio development – improving quality and vintage pays off

The physical occupancy rate of the portfolio was up to 93.7% on average (92.2% as of December 31, 2023). The average rent per unit continued to increase, yet at a slower pace, thanks to the improvement of the portfolio quality, reaching USD 1,241/month at the end of the reporting period (USD 1,223/month as of December 31, 2023) for an average value per unit of USD 150,812 (USD 152,619 as of December 31, 2023).

The value of the real estate portfolio appraised by Colliers International decreased to USD 1.26 billion as of June 30, 2024 (USD 1.30 billion as of December 31, 2023). On a like for like basis, this represents a slight decrease of 1.8%. The remaining difference is due to the sale of the property Beau Jardin with 182 units located in St. Louis (MO). It was acquired in April 2017 and sold seven years later, resulting in a gross IRR for this investment of 13.6% and a gross multiple of 2.09x.

As per 30 June 2024, there were four additional dispositions pending, one in Cleveland (OH), one close to Louisville (IN), one in Kansas City (MO), and one in Cummings (GA). The sale of the Cleveland and Louisville properties were both successfully closed in July, shortly after the reporting period.

At the end of H1 2024, the portfolio consisted of 30 properties (31 as of December 31, 2023), totaling 8,336 units (8,518 as of December 31, 2023) in 13 US states.

ESG achievements – third GRESB rating to follow

In the first half of 2024, Varia US has again made significant strides in advancing its ESG initiatives. The Company started two Fitwel and two BREEAM certifications and successfully secured two ENERGY STAR® Performance Certifications, with three additional certifications currently in progress. Varia US remains on track to meet or exceed the number of ENERGY STAR certifications received in 2023 by the end of this year.

For the third consecutive year, Varia US submitted its GRESB assessment, demonstrating continued commitment to transparency and sustainability. The results will be disclosed later in 2024 and are expected to reflect the enhanced asset-level data collection efforts that have been a focus in recent years. In addition, Stoneweg US, on behalf of Varia US, is submitting its ESG data to the Carbon Disclosure Project (CDP) for the first time in 2024 (covering the 2023

calendar year). A significant basis for this is the report published in the first half of the year on the carbon footprint of the Varia US real estate portfolio: the “Carbon Footprint Analysis 2023” quantifies the emissions of the properties, establishes a baseline for tracking future progress, informs resource allocation, sets targets in line with the Science Based Target Initiative (SBTi) and meets reporting requirements such as those of CDP.

Varia US has now achieved coverage of over 80% of its property and apartment consumption data, which will make it easier to plan and implement further measures to improve building efficiency.

Outlook

Patrick Richard concluded: *“Until the end of 2024, the US real estate market should continue to warm up despite the presidential election in November. More and more transaction opportunities are expected to appear on the market and valuations should start to level up at a gradual pace. Operations should remain strong, and the portfolio will continue to perform well. Varia US has started its process of refinancing its bond due in September 2025 and the Company is well positioned to benefit significantly when the market rebounds, which is expected for next year”.*

Key financial figures H1 2024

In USD million	As of 30 June 2024	As of 30 June 2023	Δ in %
Rental income	56.3	67.0	-15.9
Net loss on revaluation of properties	(32.7)	(57.2)	-42.8***
Total income	34.6	22.4	54.4
Operating margin (in %) excluding revaluation*	42.7%	27.8%	14.9
Operating loss incl. revaluation	(4.0)	(35.1)	-88.6***
EBITDA (operating loss less unrealized revaluation)	30.7	27.9	10.1
EBITDA margin (in %)	44.3%	32.7%	11.6
Net loss for the period	(13.4)	(46.9)	-71.4***
Normalized Funds From Operations FFO (per share)**	6.2	7.9	-21.5
Earnings per share (in USD)	-1.33	-4.64	-71.3***
Net Asset Value (NAV) per share (in USD – as of 30 June 2024 and 31 December 2023)	35.57	39.23	-9.3

* Calculated as Operating Profit/(Loss) less Net (Loss)/Gain on revaluation of properties divided by Total Income less Net (Loss)/Gain on revaluation of properties.

** Defined as FFO less debt cost amortization, insurance proceeds, foreign exchange (loss)/gain, and other non-cash items).

*** Relative to H1 2023, the loss for H1 2024 decreased which represents income growth relative to the comparative period.



Additional information

Varia US' Half Year 2024 Report and the H1 2024 investor presentation as well as a leaflet summarizing the report in German are available for download on the Company's website at <https://variausproperties.com/investors/financial-statements/>.

Key dates

Q3 2024 Update	28 November 2024
Annual Report 2024	31 March 2025
Ordinary General Meeting 2025	30 April 2025
Next quarterly dividend payment	7 November 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

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