

Adler Group S.A.: Resilient business - trusted for the future

- Fully integrated German residential real estate platform with total assets of €15bn
- ESG implemented as one of our three key strategic pillars
- Strong performance of rental portfolio with like-for-like rental growth outside Berlin of +3.9% and a sustained low vacancy rate in top 13 locations of 2.3%
- EPRA NRV stood at €6.0bn equating to EPRA NRV per share of €51.38
- Since the end of 2019, €4.0bn of equity and debt was issued and refinanced leading to significant improvement of all of our debt KPIs, most importantly WACD which as of today stands at 2.57%
- The company plans to propose a dividend equal to 50% of FFO 1 equal to DPS of €0.46 per share
- Total synergies of €112.8m realized ahead of the plan and exceeded the guidance of €78-92m for FY 2020
- Management introducing 2021 guidance, generating €325-339m of NRI and €127-133m of FFO1

Berlin, 31 March 2021 – After the successful consolidation with ADLER Real Estate (“ADLER”) and Consus Real Estate (“Consus”), Adler Group is now strongly positioned as a fully integrated German residential real estate platform. We hold and manage 69,722 residential units with an additional 10,000 units under development in Germany’s top 7 cities, valued at €1.3bn GAV which makes us one of Germany’s top housing providers. Our focus on the development of large and innovative neighbourhoods will further enhance our efficiency with regards to the management of our portfolio, which will in turn lead to higher margins and improved profitability.

In the year under review we achieved a number of major milestones. Capital structure was strengthened following the successful completion of a €457m rights issue with 98% take-up. Over the course of the year, we realised a substantial refinancing program to streamline the overall capital structure of the group. We successfully placed two bonds of €400m each that allowed us to re-finance existing short-term liabilities. In 2020, we refinanced debt and equity worth €2.0bn, with a further €2.0bn since the end of 2020, thereby extending our maturity profile and bringing down cost of debt at the group level.

We also made great progress in optimising our portfolio with two separate transactions selling in total 6,669 units of our rental assets and repositioning our portfolio by disposing higher vacancy in non-core markets outside of our top 13 cities.

ESG improvement high priority

ESG, which has become an ever more essential part to our business and has been implemented as one of our three key strategic pillars, together with achieving excellence in customer satisfaction and digitalisation. For the next years to come, ESG will have a key role in all our decision making. In addition,

we are working closely together with our stakeholders and various agencies to put a prudent ESG strategy in place. We expect to publish first ESG report at the end of April 2021.

Our increased focus has also already resulted in our first measurable ESG target, which is to reduce or CO2 emissions within the whole portfolio by 50% until 2030. With ESG being such a key role in our future strategy, our confidence to reach or even outperform this target is very high. This target is further supported by a set of various goals to improve our entire organisation and business.

Solid performance

Income from rental activities almost tripled in 2020 to €383.9m from €141.6m in 2019. This was primarily attributable to the first-time consolidation of ADLER at the beginning of April 2020 which was partially offset by the disposal of 5,900 units to Gewobag at the end of 2019 and two further disposals in 2020 with a total of 6,669 units. **Net rental income** increased to €293.4m for the year 2020 from €134.1m for 2019. The first full year effects of the consolidation of ADLER will show in our 2021 accounts.

EBITDA from rental activities more than doubled to €187.0m for 2020 compared to €92.0m in the same period of the previous year. **FFO 1** (from rental activities) increased to €107.1m for 2020 compared to €63.2m for 2019, corresponding to a FFO 1 per share of €1.34 (2019: €1.43 per share) meeting our FY 2020 guidance.

Despite the Berlin rental freeze legislation (“Mietendeckel”) coming into force on 23 February 2020, partially restricting like-for-like rental growth on c.50% of our rental portfolio, the portfolio performed strongly. Outside Berlin, we have been able to generate rental growth of 3.9% and are able to post a 2.2% **like-for-like rental increase** of our total rental portfolio for the financial year 2020. The **average in-place rent** of the rental portfolio increased to €6.30 per sqm per month as of 31 December 2020 (2019: €6.19). The **vacancy rate** for the top 13 cities for rental portfolio decreased to 2.3% as of FY 2020 (total vacancy as of FY 2020: 3.4%), a solid improvement compared to 2.6% as of FY 2019.

Resilient asset class

As at 31 December 2020, the **fair value** of Adler Group’s **portfolio** amounted to €11.4bn (FY 2019: €8.6bn pro-forma consolidated and €3.7bn reported). Despite the Berlin rent freeze legislation coming into force, valuations remained resilient with the like-for-like value uplift of +6.7% for the year. The portfolio comprised 69,722 units (FY 2019: 75,721 units pro-forma consolidated and 16,255 reported), with 82% of fair value located in the top 13 cities in Germany.

The **EPRA Net Reinstatement Value (EPRA NRV)** of the portfolio amounted to €6,037m (EPRA NAV: €5,214m) which represents €51.38 per share as of FY 2020 (EPRA NAV per share: €44.37).

Further €2.0bn already refinanced since the end of 2020

We realised a substantial refinancing program to streamline the overall capital structure of the group. We successfully placed two bonds of €400m each that allowed us to re-finance existing short-term liabilities. In January, we placed further €1.5bn dual tranche unsecured bond across 5 and 8 year maturities with a 1.875% and 2.250% coupon to repay the remaining bridge facility and refinance existing mezzanine debt. This brings us to a total capital market debt and equity issued to date of €2.8bn. Secured market remains attractive with €728m volume secured at 2.08% cost of debt for full year 2020 and a further €500m with an average cost of debt of 1.53% already arranged since the end of 2020.

In total, from the beginning of 2020 and up to the end of March 2021, €4.0bn of equity and debt was issued and refinanced which had significant impact on improvement of all of our debt KPIs, most importantly weighted average cost of debt (WACD) and weighted average debt maturity (WAM). As of today, WACD stands at 2.57% and WAM at 4.3 years.

Streamlining of portfolio at premium to book value

During the third quarter we successfully divested c. 5,000 units, or 18% of our non-Top 13 cities units, at a premium to book value to a listed international real estate company. The transaction as expected closed at the end of 2020 leading to reduction in net rental income by €18.6m per year. In December, we sold further 1,605 units with GAV of €75.7m at a slight premium to book value as of Q3 2020.

As we discontinue our presence in non-core markets, outside of our top 13 cities and dispose of higher embedded vacancy, we further streamline our portfolio and can increase cost efficiency.

Targeted synergies overachieved ahead of the plan

Substantial progress has been made in the integration of the three companies with the combined group ahead of schedule with €112.8m of the synergies significantly exceeding the €78-92m guidance for FY 2020 on the back of higher financing volume at lower financing costs than expected. Run rate financial synergies realized in 2020 stand at €63.8m with operating synergies reaching €49.0m.

Dividend proposal

The company plans to propose a dividend equal to 50% of FFO 1 realised in full year 2020. This equals to €54m or €0.46 per share which will be proposed to the shareholders at the Annual General Meeting in June 2021.

Introducing guidance for 2021

Adler Group introduces its guidance for net rental income, FFO 1 and dividend for the financial year 2021 as per table below.

	2021 guidance
Net rental income (€m)	€325-339m
FFO 1 (€m)	€127-133m
Dividend (€/share)	50% of FFO 1

Earnings call

An Analyst & Investor webcast and conference call will be held today, 31 March 2021, at 3pm CET / 2pm GMT / 9am EDT.

PLEASE USE THIS LINK FOR THE WEBCAST:

<https://webcast.meetyoo.de/index.html?e=0lu63lqUI2re>

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