

Convincing 2019 Half-year Results

Zurich, 27 August 2019: The operating result reported by Allreal for the first six months of 2019 derived from letting property and its activity as a general contractor including revaluation gains amounted to gratifying CHF 85.1 million. The result was strongly characterised by the market-related valorisation of the portfolio by CHF 29.7 million and, therefore, is reported at 21.1 percent above the previous year's result.

In the period under review, the two divisions, Real Estate and Projects & Development, reported higher operating net profit compared to the previous year of CHF 63.8 million.

For the entire 2019 financial year the company now expects operating net profit to be reported above that of the previous year.

Real Estate division remains on growth track

Portfolio expansion carried out in the second half of 2018 by means of two properties resulted in a 4.8 percent increase in rental income compared to the period the previous year to a total of CHF 102.6 million.

The cumulative vacancy rate in the first half of 2019 remained stable at a low 1.9 percent. Owing to the low number of rental agreements up for renewal and the high quality of management, a lower vacancy rate is consequently expected for the entire 2019 financial year.

Direct expenses relating to yield-producing properties in the period under review amounted to CHF 11.4 million, corresponding to an expense rate of 11.1 percent. The growth compared to the previous year resulted from the implementation start of several new renovation and refurbishment projects.

Despite expected higher real estate expenses, net yield of yield producing properties remained at 4.5 percent, which is outstanding also by market comparison.

Earnings before interest and taxes (EBIT) excluding revaluation gains reported by the Real Estate division for the first half of 2019 amounted to CHF 85.8 million.

In the period under review, the portfolio of yield-producing properties remained numerically unchanged. On the cut-off date it comprised 65 properties – 21 residential and 44 commercial buildings – as well as 2 units classified as investment real estate under construction.

Valuation by an external real estate valuer as at 30 June 2019 of the 67 investment real estate properties resulted in total appreciation before taxes of CHF 29.7 million. Of this amount, the portfolio of yield-producing properties accounts for CHF 23.8 million and that of investment real estate under construction for CHF 5.9 million.

The total value of the entire portfolio on the cut-off date amounted to CHF 4.24 billion. The market value of the residential properties recognised in the portfolio of yield-producing properties amounted to CHF 924.4 million, or 22.2 percent, and that of commercial properties to CHF 3239.4 million, or 77.8 percent. The market value of real estate under construction amounted to CHF 73.7 million.

The Projects & Development division profitable at a high level

Income generated in the first half of 2019 by the Projects & Development division from development and realisation for third parties, sale of development real estate, and company-produced assets amounted to CHF 28.1 million.

This result is reported 3.3 percent above that of the comparable period the previous year and reflects the high competitiveness of the division.

Income generated from Realisation in the Projects & Development division amounted to CHF 20.7 million, or 2.5 percent above the previous year. The resulting gross margin of 14.0 percent connected with development and implementation of projects for third parties remained approximately at the previous year's level.

In the period under review, income resulting from the sale of residential property in Bülach ZH amounted to CHF 3.4 million and own performance capitalised in connection with own projects amounted to CHF 3.4 million.

Consequently, of the income generated by Projects & Development, third-party projects accounted for 75.8 percent and 12.1 percent each for the sale of development real estate and for capitalised own performance.

Operating expense reported by the Projects & Development division of CHF 23.2 million for the first half-year 2019 was below the comparable value the previous year.

Project volume completed by Realisation in the period under review amounted to CHF 178.9 million. Of this amount, CHF 147.4 million, or 82.4 percent, relate to third-party projects and CHF 31.5 million, or 17.6 percent, to own projects for sale to third parties or for the company's own portfolio. Allreal expects the completed project volume to rise in the second half of the year.

Secured order backlog as at 30 June 2019 of about CHF 639 million represents utilisation of available capacity for a period of about 18 months.

Advantageous financing secured long-term

In the first half of 2019, the group's financial liabilities as at 30 June 2019 grew by CHF 50 million to CHF 2122 million. Of this amount, bond issues represent 45%, fixed-rate mortgages 28%, and fixed advances 27%.

Growth of the share of fixed advances compared to the previous year is the result of refinancing repayment in the second quarter of 2019 of a 1.25% bond issued in 2014 to the amount of CHF 125 million.

The average interest rate for financial liabilities on the cut-off date was stated as 1.27 percent, thus 21 base points below the comparable value at 31 December 2018. The average duration of the fixed-interest period on the cut-off date amounted to 46 months.

Lines of credit available short-term as at 30 June 2019 amounted to CHF 446 million. The company therefore continues to enjoy the desired high level of financial freedom to act and the connected ability to secure large investments without loss of time.

As at 30 June 2018, Allreal's equity ratio amounted to 47.1% and net gearing to 94.3% at an interest coverage ratio of 6.8.

Increased of profit forecast for the 2019 financial year

Based on the positive results of the period under review and the emerging development, a continued gratifying course of business is expected for the second half of 2019.

In the Real Estate division, continuation of the low vacancy rate and a stable earnings position are expected owing to the low number of rental agreements up for extension or conclusion despite a project-related increase in real-estate expenses.

Especially owing to the good cooperation of its two departments, Development and Realisation, the Projects & Development division is ideally positioned to take advantage of opportunities in a market characterised by price pressure and eroding margins. Allreal's consistent focus on the development and realisation of projects that are profitable long term, aimed at quality-conscious owners and for the own portfolio, allows for continued profitable business activity, promising specialization in demanding construction projects, and extension of the service portfolio.

A high degree of financial security and freedom of action allow the company to invest in properties and projects while taking advantage of opportunities. Moreover, thanks to its own portfolio and the development projects, Allreal enjoys considerable potential for long-term growth.

For the entire 2019 financial year, the company now expects operating net profit to be reported above that of the previous year.

This news release and the half-year report are also available electronically:
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Key figures at a glance

		1 st half-year 2018 resp. 30.06.2018*	1 st half-year 2017 resp. 31.12.2017*	Change in % ¹
Group				
Total sales ²	CHF million	281.5	266.9	+5.5
Operating profit (EBIT) incl. revaluation gains	CHF million	121.8	104.9	+16.1
Net profit incl. revaluation effect	CHF million	85.1	70.3	+21.1
Return on equity incl. revaluation effect ³	%	7.7	6.6	+1.1
Operating profit (EBIT) excl. revaluation gains	CHF million	92.1	92.0	+0.1
Net profit excl. revaluation effect	CHF million	63.8	61.3	+4.1
Return on equity excl. revaluation effect ³	%	6.6	6.4	+0.2
Equity ratio on cut-off date	%	47.1	48.1	-1.0
Net gearing ⁴ on cut-off date	%	94.3	91.5	+2.8
Market value yield-producing properties	CHF million	4'163.8	4'136.6 ⁵	+0.7
Market value investment real estate under construction	CHF million	73.7	58.1	+26.9
Income from renting yield-producing properties	CHF million	102.6	97.9	+4.8
Sales Projects & Development division	CHF million	178.9	166.0	+7.8
Earnings from Projects & Development division ⁶	CHF million	28.1	27.2	+3.3
Employees on cut-off date	FTE	220	216	+4
Share				
Earnings per share incl. revaluation effect	CHF	5.36	4.42	+21.3
Earnings per share excl. revaluation effect	CHF	4.02	3.86	+4.1
Net asset value (NAV) per share after deferred taxes on cut-off date	CHF	138.95	139.65	-0.5
Share price on cut-off date	CHF	168.00	153.10	+9.7
Operating key figures				
Net yield real estate portfolio ⁷	%	4.5	4.5	-
Vacancy rate real estate portfolio ⁸	%	1.9	2.0	-0.1
Gross margin third-party projects Projects & Development division ⁹	%	14.0	14.4	-0.4
Average interest rate on financial liabilities on cut-off date	%	1.27	1.48	-0.21
Average duration of financial liabilities	months	46	52	-6
Valuation on cut-off date				
Market capitalisation ¹⁰	CHF million	2'669.0	2'432.1	+9.7
Enterprise value (EV) ¹¹	CHF million	4'751.9	4'463.4	+6.5

* Should no further particulars be given, values referring to the income statement concern the 1st half-year and balance sheet the cut-off dates on 30.06.2019 resp. 31.12.2018

¹ Changes in quantum and percentage values shown as absolute difference

² Sales resulting from rental of investment real estate and real estate management services plus completed project volume Projects & Development division

³ annualised

⁴ Finance liabilities minus cash and marketable securities as percentage of equity

⁵ Market value as at 01.01.2019, including first adoption IFRS 16

⁶ Income from realisation Projects & Development, sales development, capitalised company-produced assets and diverse income minus direct expenses for realisation Projects & Development and sales development

⁷ Rental profit from investment real estate as percentage of continued market value as at 1 January, without right-of-use investment real estate

⁸ in percent of targeted rental income, cumulated at cut-off date

⁹ Earnings from realisation Projects & Development in percent of income from realisation Projects & Development

¹⁰ Stock price at balance sheet date multiplied by the number of outstanding shares

¹¹ Market capitalisation plus net finance debts