

Gratifying result in 2020 financial year despite coronavirus

Glattpark, 24 February 2021: **Allreal's net profit for the 2020 financial year was gratifying despite the challenges posed by the coronavirus pandemic. The company's net profit including revaluation effect amounted to CHF 167.2 million (2019: CHF 243.2 million), with revaluation gains positively impacting the total as in the previous year. The Board of Directors will propose profit distribution of CHF 6.75 per share – in line with the previous year – at the Annual General Meeting of Shareholders.**

In response to the outbreak of the coronavirus pandemic and the subsequent officially prescribed regulations, Allreal was faced with numerous requests for deferral or waiver of rent payments. The company sought quick and uncomplicated individual solutions with tenants of office or commercial space, who suddenly had run into payment difficulties. Allreal came to an agreement with every single tenant who was struggling during the lockdown in spring 2020, and waived rent payments amounting to CHF 1.5 million.

If revaluation gains are excluded, the company managed to record a decent net profit of CHF 124.7 million (2019: CHF 142.0 million). This decrease of 12.2 percent is largely down to one-off effects from selling development properties in the previous year.

Based on the good result and the stable business development expected in the long term and considering the short-term uncertainty caused by the coronavirus pandemic, the Board of Directors will propose profit distribution of CHF 6.75 per share – in line with the previous year – at the Annual General Meeting of Shareholders scheduled for 16 April 2021. This is composed of an ordinary dividend of CHF 3.50 per share and a distribution of CHF 3.25 per share from capital reserves, which is tax-free to Swiss private investors.

Impressive stability within the Real Estate division

During the second half of 2020, Allreal purchased an office building in Wetzikon ZH for around CHF 84 million, which started to fully contribute towards earnings in November 2020. This attractive, modern property is occupied by long-term tenant Reichle & De-Massari, a leading global provider of cabling and connectivity solutions for communication networks. In the previous year, full ownership of a residential property in Zurich Schwamendingen was also transferred to the company. With the addition of properties being completed from own development projects by the end of 2020, rental income is expected to increase. During the period under review, rental income amounted to CHF 200.4 million (2019: CHF 203.1 million).

The cumulative vacancy rate saw another considerable drop of 0.8 percentage points to 1.4 percent compared to the previous year, marking its lowest level that Allreal has ever achieved. This value reflects the robustness of the portfolio and the excellent performance in both portfolio and property management. Despite the ongoing challenges posed by the coronavirus

pandemic, the vacancy rate is only expected to increase slightly in the coming year.

As expected, direct expenses for yield-producing properties in the period under review increased slightly to CHF 27.9 million, putting the expenditure rate at 13.9 percent. The net yield amounted to a gratifying 4.1 percent.

The transaction market continues to be characterised by strong yield compression. The overall value of the portfolio grew by CHF 55.2 million based on the low vacancy rate and stable rental income in the following years. The revaluation carried out by the external property valuer as well as changes in the portfolio resulted in the market value of the entire portfolio being increased by around 5 percent to CHF 4.53 billion.

Good result within the Projects & Development division

During the period under review, earnings from the Projects & Development division amounted to CHF 46.6 million (2019: CHF 66.3 million), which is a decrease of 29.7 percent compared to the previous year. The division did, however, significantly benefit from a positive one-off effect due to the partial sale of a development re-serve in the 2019 financial year.

The gross margin in third-party business fell slightly to 12 percent, as the volume of projects to be completed did not increase quite as much as expected, particularly during the second half of the year, due to the ongoing global situation.

The Projects & Development division reported operating profit (EBIT) of CHF 10.6 million (2019: CHF 25.5 million).

During the period under review, the Development department worked on projects for Allreal's own portfolio and for third parties with a potential construction volume of several hundred million francs. Consequently, it made a significant contribution towards maintaining a stable workload as far as realisation was concerned. By working intensively on acquisition, the Development department managed to purchase a plot ideal for residential property development and realisation in Zurich Albisrieden representing an investment volume of around CHF 60 million.

The volume of projects completed by the Realisation department increased during the year under review to CHF 363.4 million. Of this volume, third-party projects represented 77.2 percent and own projects 22.8 percent.

The secured order backlog as at the end of the year amounted to around CHF 741 million, corresponding to capacity utilisation for around 24 months.

Strong financial position

As at the cut-off date, financial liabilities had increased to CHF 2.18 billion, putting them up CHF 177.6 million on last year. The average interest rate for financial liabilities had decreased again to 0.71 percent by 31 December 2020, by which point the average fixed-interest period had decreased to 49 months (31.12.2019: 56 months).

In September 2020, Allreal issued a 0.7 percent bond issue of CHF 175 million maturing in 2028, meaning that the company had refinanced 55.9 percent of financial liabilities through the capital market by the cut-off date. The share of fixed-rate mortgages amounted to 26.1 percent and that of fixed advances to 18 percent.

Group equity rose to CHF 2.41 billion, corresponding to a net asset value (NAV) per share of CHF 169.40. The equity ratio on the cut-off date amounted to 48.4 percent and net gearing to 88.6 percent. Thanks to its debt capacity of almost CHF 1.5 billion, the company continues to enjoy a high level of entrepreneurial freedom and space for financial manoeuvre.

Positive outlook dependent on future of coronavirus pandemic

With interest rates remaining low, the future is still looking bright for the Swiss property and construction market. The financial forecasts for the 2021 financial year suggest that Allreal will see increased returns on property within the Real Estate division and better results within the Projects & Development division. Despite those positive predictions, it is difficult to predict the impact of the pandemic.

Weighing up all of these risks and opportunities, Allreal is expecting an operating net profit of more than CHF 125 million in the 2021 financial year.

Since the 2020 financial year, Allreal has changed over from using IFRS reporting standards to applying Swiss GAAP FER. The company simplifies, as a result, its financial reporting while maintaining high transparency and significance.

This news release and the annual report are also available electronically:
www.allreal.ch

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The Allreal Group

Allreal combines a stable-income real estate portfolio with the activities of a general contractor (development and realisation). The value of the real estate portfolio amounts to CHF 4.53 billion. In fiscal year 2020, the project volume effectively handled amounted to CHF 363.4 million. Allreal employs a staff of over 200 in Zurich, Basel and Berne. Allreal's headquarters are located in Glattpark and the company operates in Switzerland only. Allreal Holding AG is listed on the SIX Swiss exchange.

Key figures at a glance

		2020 as at 31.12.2020	2019* as at 31.12.2019	Change in % ¹
Group				
Total sales ²	CHF million	563.8	543.8	3.7
Operating profit (EBIT) incl. revaluation gains	CHF million	225.3	329.8	-31.7
Net profit incl. revaluation effect ³	CHF million	167.2	243.2	-31.3
Return on equity incl. revaluation effect ³	%	7.0	10.6	-3.6
Operating profit (EBIT) excl. revaluation gains	CHF million	170.1	189.8	-10.4
Net profit excl. revaluation effect ³	CHF million	124.7	142.0	-12.2
Return on equity excl. revaluation effect ³	%	6.2	7.2	-1.0
Equity ratio on cut-off date	%	48.4	49.6	-1.2
Net gearing ⁴ on cut-off date	%	88.6	83.5	5.1
Market value investment real estate	CHF million	4'428.5	4'242.4	4.4
Market value investment real estate under construction	CHF million	96.8	99.6	-2.8
Income from renting investment real estate	CHF million	200.4	203.1	-1.3
Sales Projects & Development division	CHF million	363.4	340.7	6.7
Earnings from Projects & Development division ⁵	CHF million	46.6	66.3	-29.7
Employees on cut-off date	FTE	206	220	-14
Share				
Earnings per share incl. revaluation effect ³	CHF	10.52	15.30	-31.2
Earnings per share excl. revaluation effect ³	CHF	7.84	8.94	-12.3
Net asset value (NAV) per share after deferred taxes on cut-off date	CHF	151.75	148.00	2.5
Share price on cut-off date	CHF	203.50	192.40	5.8
Dividend/Profit distribution yield ⁶	%	3.3	3.5	-0.2
Operating key figures				
Net yield real estate portfolio ⁷	%	4.1	4.3	-0.2
Vacancy rate real estate portfolio ⁸	%	1.4	2.2	-0.8
Gross margin third-party projects P&D division ⁹	%	12.0	13.3	-1.3
Average interest rate on financial liabilities on cut-off date	%	0.71	0.83	-0.12
Average duration of financial liabilities	months	49	56	-7
Valuation on cut-off date				
Market capitalisation ¹⁰	CHF million	3'235.6	3'058.6	5.8
Enterprise value (EV) ¹¹	CHF million	5'374.1	5'022.7	7.0

* Should no further particulars be given, values referring to the income statement concern the full year and balance sheet the cut-off dates on 31.12.2020 as at 31.12.2019. In 2020, the consolidated financial statements were prepared in accordance with Swiss GAAP FER for the first time. The previous year's figures were adjusted accordingly.

¹ Changes in quantum and percentage values shown as absolute difference

² Income resulting from rental of investment real estate plus completed project volume Projects & Development division

³ Revaluation effects correspond to gains from the revaluation of investment real estate less deferred taxes on revaluation

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

⁵ Income from realisation Projects & Development, sales development, capitalised company-produced assets and diverse income minus direct expenses for realisation Projects & Development and sales Development

⁶ Yield corresponds to the distribution per share as a percentage of the share price on the cut-off date (Board of Directors proposal of CHF 6.75 per share for the 2020 financial year)

⁷ Rental income from investment real estate as percentage of continued market value as at 01.01.

⁸ As percentage 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 debts