IMMOFINANZ

Press Release | Corporate News

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IMMOFINANZ: 10.4% increase in rental income during first half-year, net profit negatively affected by crisis-related write-downs

- FFO 1 (before tax) at EUR 53.3 million, or EUR 0.53 per share
- Covid-19 leads to increase in the write-off of tenant receivables and property write-downs totalling 3.1% of the portfolio
- Net profit equals EUR -120.4 million
- Cash and cash equivalents and available credit line of EUR 442.2 million in total
- Equity ratio of 45.0% and net LTV of 44.7% at the end of June were further strengthened by capital measures in July (pro forma 47.8%, resp. 38.6%)
- Covid-19 update retail: Occupancy at high level, recovered visitor frequency, 95% of negotiations with retailers finalised by mid-August, rent collection retail at 67.8% in the first half of 2020
- Based on current uncertainties concerning the further direction of the pandemic and its effects, recommendation to the AGM to waive the dividend for 2019

KEY FIGURES (IN MEUR)	Q1-2 2020	Δ IN %	Q1-2 2019
Rental income	145.5	10.4%	131.8
Results of asset management	102.8	1.8%	101.0
Results of property sales	-0.7	n/a	1.7
Results of property development	-16.7	n/a	14.3
Results of operations	59.7	-39.5%	98.7
EBIT	-83.6	n/a	203.4
Financial results	-42.4	≤-100.0%	-5.2
Net profit	-120.4	n/a	185.3
FFO 1 (before tax)	53.3	-9.8%	59.0
FFO 1/share (before tax) in EUR	0.53	-3.0%	0.54

IMMOFINANZ started the 2020 financial year with strong operational performance, but the development of business in the second quarter was negatively influenced by the Covid-19 pandemic. Rental income rose by 10.4% to EUR 145.5 million due to the expansion of the portfolio through acquisitions and completions, but a crisis-related increase in receivables write-offs led to substantially higher property expenses. The results of asset management still improved by 1.8% to EUR 102.8 million despite these write-offs. The pandemic also influenced the valuation of investment property: revaluations totalled EUR -159.2 million, compared with clearly positive results in the first half of the previous year (Q1-2 2019: EUR 123.5 million). This reduction represents 3.1% of the total property portfolio. Net profit for the first half of 2020 amounted to EUR -120.4 million (Q1-2 2019: EUR 185.3 million).

"The effects of the Covid-19 pandemic have also confronted our company with challenges and had a negative effect on results for the first half-year. However, exactly the strengths that made IMMOFINANZ one of the leading providers of office and retail properties in our region are now helping us to master the crisis. These strengths include our high-quality, innovative office solutions and cost-efficient, comparatively crisis-resistant retail concepts, our focus on customers, the commitment of our employees and our conservative financing policy", commented Ronny Pecik, CEO of IMMOFINANZ, on the development. "On the capital side, we also acted quickly and proactively and, in July, took steps to strengthen our equity base and the indicators important for our investment grade rating."

FFO 1 from the standing investment business (before tax) declined by 9.8% year-on-year to EUR 53.3 million (Q1-2 2019: EUR 59.0 million), which represents FFO 1 per share of EUR 0.53 (Q1-2 2020: EUR 0.54). This FFO 1 includes, for the first time, the full year's coupon payment of EUR 13.1 million for the corporate bond 2023 which was made in January 2020. The straight-lining of this coupon payment over the full year results in FFO 1 of EUR 59.8 million for the first half-year, which is slightly higher than the comparative period.

Occupancy rate at high level

The real estate portfolio included 212 properties with a combined carrying amount of approximately EUR 5.0 billion as of 30 June 2020. Of this total, approximately 65.0% are attributable to the office business and 33.0% to the retail business. The occupancy rate is nearly unchanged at a high 95.9% (31 December 2019: 96.8%) and equalled 94.2% in the office properties and 97.8% in the retail properties. The gross return equalled 6.0% based on IFRS rental income and 6.2% based on invoiced rents.

Robust balance sheet indicators

IMMOFINANZ has a robust balance sheet structure with an equity ratio of 45.0% (31 December 2019: 46.0%) and a net-loan-to-value ratio of 44.7% (31 December 2019: 43.0%). A calculation including the capital measures implemented in July and based on the numbers as of 30 June 2020 shows an improvement in the equity ratio to 47.8% and in net-LTV to 38.6%. Cash and cash equivalents totalled EUR 342.2 million (31 December 2019: EUR 345.1 million) and are supplemented by a revolving credit line of EUR 100.0 million which was arranged in March. Average financing costs equal 1.89% per year including derivatives (31 December 2019: 1.91%). The hedging quota is stable at a high 90.7% (31 December 2019: 90.7%), and the unencumbered asset pool (investment property and S IMMO shares at EPRA NAV) total EUR 1.8 billion or 33.2% (31 December 2019: EUR 1.9 billion or 33.8%).

Basic EPRA NAV per share equalled EUR 30.93 as of 30 June 2020 (31 December 2019: diluted EUR 31.05). The calculation of EPRA NAV – in contrast to 31 December 2019 – does not include any potential diluting effects from the conversion of the IMMOFINANZ convertible bond 2024 because the bond was "not in the money" as of 30 June 2020. The absence of the diluting effect leads to an increase of EUR 1.23 per share. The book value per share equalled EUR 27.82 (31 December 2019: EUR 29.34).

Covid-19 update

Immediately at the start of the crisis, numerous measures were introduced to minimise the negative effects on IMMOFINANZ and strengthen the liquidity. These activities include, among others, the postponement of non-essential investments and the reduction of costs.

Individual solutions were quickly developed with the retail tenants to help them overcome the crisis. In exchange for the temporary reduction or deferral of rental payments, agreements were reached, among others, for contract extensions. Nearly 95% of these negotiations had been finalised by mid-August. Rent collection in the retail segment for the first half-year equalled roughly 67.8% of the invoiced rents as of mid-August.

Extensive security measures and marketing activities were also implemented to support the rapid recovery of visitor frequencies. The latest developments are as follows: All our retail areas have reopened with only a few exceptions, which primarily involve restaurants and cinemas in Romania and Serbia. Visitor frequency has recovered well, above all in the STOP SHOPs where the number of visitors on individual days is even higher than the comparable period in 2019. This also underscores the competitive advantage of our retail parks with their focus on everyday products and one-stop shopping with direct access to the stores from the parking areas and lower number of contact points to other people. Visitor frequency in the VIVO! shopping centers is still roughly 20% below the level at the beginning of the year. The development of our retailers' revenues also indicates that consumers are shopping less often but spending more per shopping trip. An analysis of the first six months of 2020 shows that the number of visitors in the STOP SHOP retail parks is roughly 24% lower year-on-year, but retailers' revenues have only declined by roughly 13% – and this is due, above all, to the phase of government-ordered shutdowns.

IMMOFINANZ office tenants receive support with back-to-office plans for their safe and smooth return to work. "In addition, we will be offering flexible 'all inclusive' office solutions beginning in September. They will give our tenants the option to rent space or individual workstations, also on a short-time basis. This 'all inclusive' offering, just like a vacation hotel, also includes a wide variety of services for our customers – from occupancy planning to cleaning and the organisation of coffee machines and plant care. Our customers can then concentrate on their core business in a modern office environment", indicated Dietmar Reindl, COO of IMMOFINANZ.

Outlook

IMMOFINANZ is very well positioned with a solid financial base, but uncertainty remains high over the further development of the Covid-19 pandemic as well as possible future containment measures and their effects on the economy and financing environment. The Executive Board has therefore decided not to issue any guidance on the development of FFO 1 during the full 12 months of 2020 at the present time.

In light of the recent events and after careful consideration of all circumstances known at the present time and the possible consequences of the Covid-19 pandemic, the Executive Board and Supervisory Board of IMMOFINANZ AG today approved a recommendation to the annual general meeting on 1 October 2020 which calls for the waiver of a dividend for the 2019 financial year and the carry forward of balance sheet profit. This recommendation does not represent a departure from the continuous dividend policy generally followed by IMMOFINANZ, but is intended to preserve the company's capital strength in view of the exceptional situation caused by the Covid-19 pandemic.

Ronny Pecik, CEO of IMMOFINANZ, explained: "We are living in extraordinary times which are characterised by significant uncertainty over further recovery. With a view towards the long-term development of our company, we are therefore convinced that we must act cautiously and protect IMMOFINANZ's ability to act from a position of strength during the crisis as well as the ability to utilise attractive opportunities and quickly return to a profitable growth course with acquisitions and development projects."

Results Q1-2 2020 in detail

Rental income increased by 10.4%, or EUR 13.7 million, to EUR 145.5 million, above all due to acquisitions and property completions in the previous year. The Covid-19 pandemic led to a substantial rise in the write-off of receivables from asset management to EUR -18.2 million (Q1-2 2019: EUR -0.5 million), whereby EUR -15.8 million are attributable to Covid-19. In contrast, maintenance and real estate marketing costs declined to EUR -7.2 million (Q1-2 2019: EUR -7.9 million), respectively EUR -1.7 million (Q1-2 2019: EUR -3.4 million). Property expenses were 63.8% higher year-on-year at EUR -38.9 million (Q1-2 2019: EUR -23.7 million). An adjustment for the Covid-19 effects on receivables write-offs shows a year-on-year reduction of 2.6% in property expenses.

The results of asset management improved by 1.8% to EUR 102.8 million (Q1-2 2019: EUR 101.0 million), and the results of property sales equalled EUR -0.7 million (Q1-2 2019: EUR 1.7 million). Properties with a volume of EUR 51.7 million were sold during the first half-year (asset and share deals), whereby the largest transactions involved an office property in Warsaw and land in Romania. The results of property development turned negative at EUR -16.7 million (Q1-2 2019: EUR 14.3 million). This decline resulted from the revaluation of properties under construction, which amounted to EUR -16.8 million (Q1-2 2019: EUR 18.2 million) and also reflected a slight Covid-19-related increase in market yields as well as subsequent purchase costs for land.

Other operating expenses rose by 19.0% to EUR -26.5 million (Q1-2 2019: EUR -22.3 million). The increase in personnel expenses included under this position is primarily attributable to a non-recurring payment related to the resignation of Oliver Schumy from the Executive Board. The results of operations equalled EUR 59.7 million and were 39.5% lower than the first half of the previous year (Q1-2 2019: EUR 98.7 million).

Results from the revaluation of standing investments and goodwill totalled EUR -143.4 million (Q1-2 2019: EUR 104.7 million), chiefly due to the negative effects of the Covid-19 pandemic. This decline in value represents roughly 3.1% of the carrying amount of the standing investments as of 30 June 2020. Retail properties were written down by EUR -68.1 million (4.2% of the carrying amount) and office properties by EUR -74.8 million (2.5% of the carrying amount). The external appraisals by CBRE reflected slightly higher market yields (increase of up to 0.5% in the retail segment) as well as changed assumptions concerning re-rentals in the portfolio properties. Operating profit (EBIT) declined from EUR 203.4 million to EUR -83.6 million.

Financing costs rose by 19.4% to EUR -37.7 million (Q1-2 2019: EUR -31.6 million) as a result of property acquisitions and a 14.1% increase in the total financing volume. Moreover, the comparative prior year value included a positive effect of EUR 4.2 million from the reduction of the coupon for the convertible bond 2024 (adjustment of the effective interest method). Average financing costs, including hedging, equalled 1.89% per year (31 December 2019: 1.91%). Other financial results amounted to EUR -12.4 million (Q1-2 2019: EUR -16.2 million) and resulted chiefly from the valuation of interest rate derivatives in the current low-interest environment. The share of profit/loss from equity-accounted investments amounted to EUR 6.4 million (Q1-2 2019: EUR 43.4 million), whereby EUR 4.5 million are attributable to the share of earnings from S IMMO. Financial results totalled EUR -42.4 million in the first half of 2020 (Q1-2 2019: EUR -5.2 million).

Profit before tax amounted to EUR -126.0 million (Q1-2 2019: EUR 198.2 million). The negative revaluation of investment properties led to a positive effect in deferred taxes, and income tax equalled EUR 5.7 million for the first half of 2020 (Q1-2 2019: EUR -16.9 million). Net profit amounted to EUR -120.4 million (Q1-2 2019: EUR 185.3 million), which represent earnings per share (basic) of EUR -1.19 (Q1-2 2019: EUR 1.72).

The interim report by IMMOFINANZ AG on the first half year 2020 as of 30 June 2020 will be available on the company's website under http://www.immofinanz.com/en/investor-relations/financial-reports starting on 27 August 2020.

On IMMOFINANZ

IMMOFINANZ is a commercial real estate group whose activities are focused on the office and retail segments of seven core markets in Europe: Austria, Germany, Poland, Czech Republic, Slovakia, Hungary and Romania. The core business covers the management and development of properties, whereby the STOP SHOP (retail), VIVO! (retail) and myhive (office) brands represent strong focal points that stand for quality and service. The real estate portfolio has a value of approx. EUR 5.0 billion and covers more than 210 properties. IMMOFINANZ is listed on the stock exchanges in Vienna (leading ATX index) and Warsaw. Further information under: http://www.immofinanz.com

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