

SWISS PRIME SITE

# RESULTS FINANCIAL YEAR 2019

ZÜRICH, 27 FEBRUARY 2020



# SWISS PRIME SITE

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## AGENDA

**1 WELCOME**

**2 HIGHLIGHTS FINANCIAL YEAR 2019**

**3 KEY FIGURES FINANCIAL YEAR 2019**

**4 OUTLOOK AND EXPECTATIONS 2020**

# Financial year 2019 with record results

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## OPERATING INCOME

Up 3.7% to CHF 1 258.8 million



## PROFIT

Rose by 95.7% to CHF 608.5 million  
(of which CHF 172.5 m from release of deferred tax liabilities as a result of cantonal tax rate reductions)



## PROPERTY PORTFOLIO

Up 5.0% to CHF 11.8 billion



## REVALUATIONS

Rose to CHF 203.4 million (previous year: CHF 67.6 million)



## VACANCY RATE

Decreased by 0.1 percentage points to 4.7% compared to previous year's figure



## ANNUAL GENERAL MEETING

Distribution of CHF 3.80 per share  
Ton Büchner proposed as member of the BoD and Chairman  
All members of the Board of Directors, with the exception of Hans Peter Wehrli, are standing for re-election



**SWISS PRIME SITE**

**WE OFFER  
PERSPECTIVES**



# SWISS PRIME SITE

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## AGENDA

**1 WELCOME**

**2 HIGHLIGHTS FINANCIAL YEAR 2019**

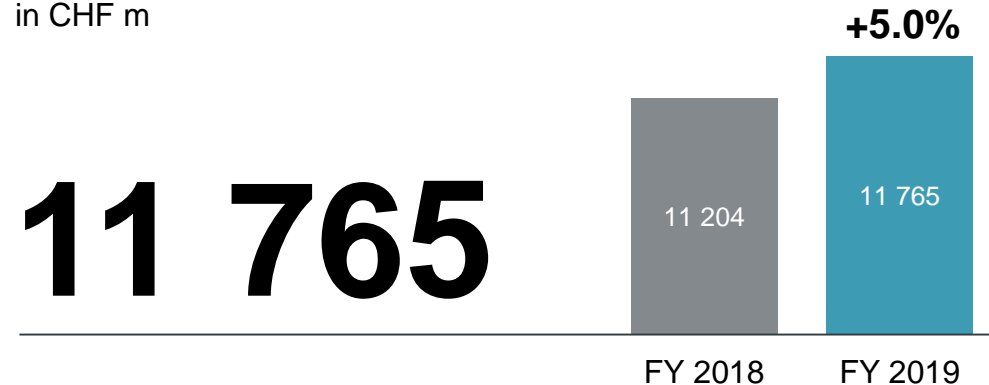
**3 KEY FIGURES FINANCIAL YEAR 2019**

**4 OUTLOOK AND EXPECTATIONS 2020**

# Operating income increased – above-average rise in EBIT

## PROPERTY PORTFOLIO

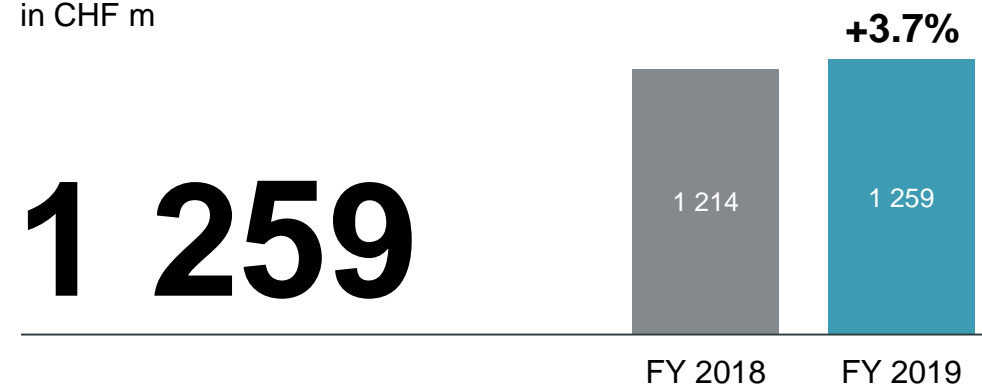
in CHF m



11 765

## OPERATING INCOME

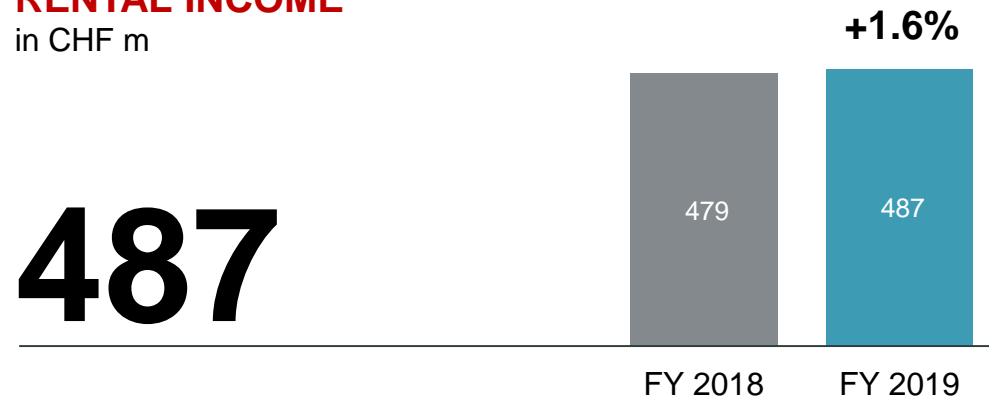
in CHF m



1 259

## RENTAL INCOME

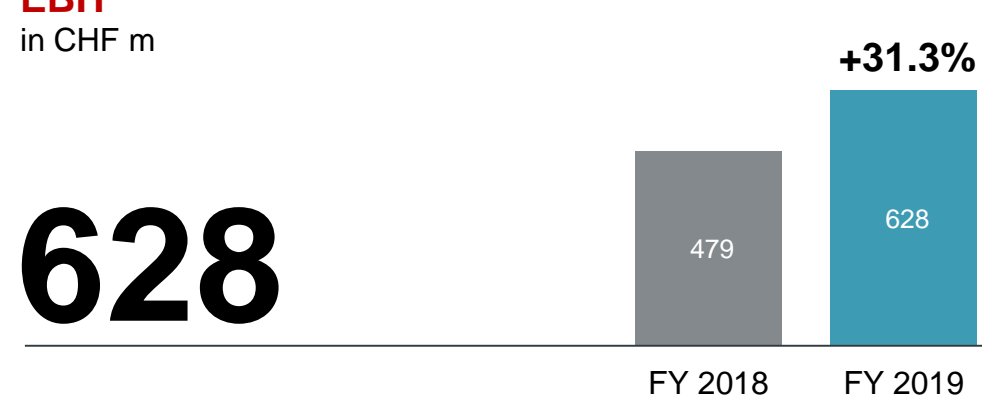
in CHF m



487

## EBIT

in CHF m



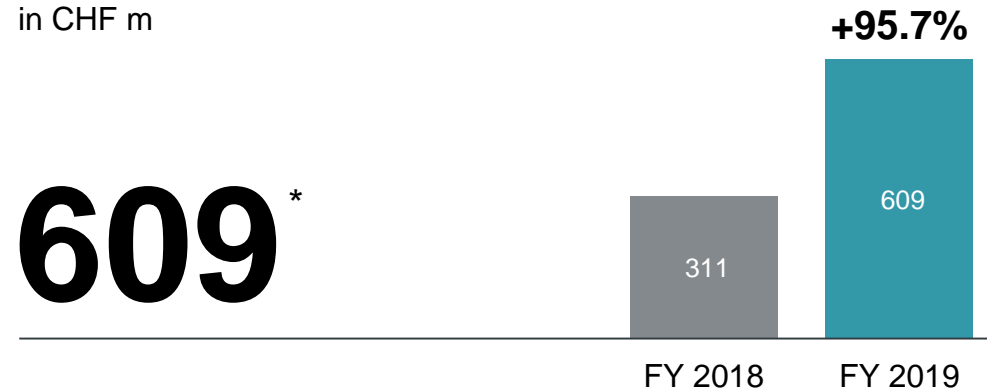
628



# Profit doubled and NAV growth of 6.1%

## PROFIT

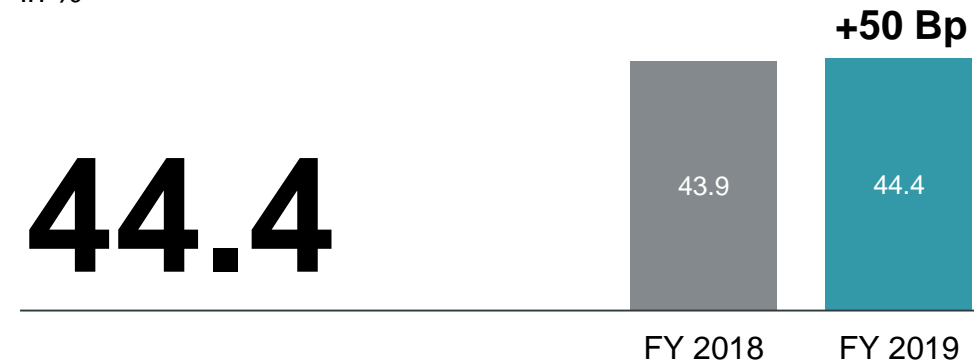
in CHF m



609\*

## EQUITY RATIO

in %



44.4

## EARNINGS PER SHARE (EPS)

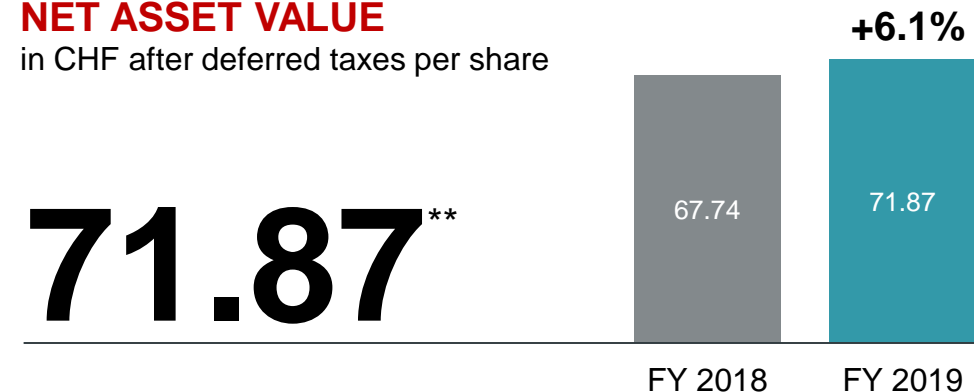
in CHF excluding revaluations and deferred taxes



4.14

## NET ASSET VALUE

in CHF after deferred taxes per share



71.87\*\*

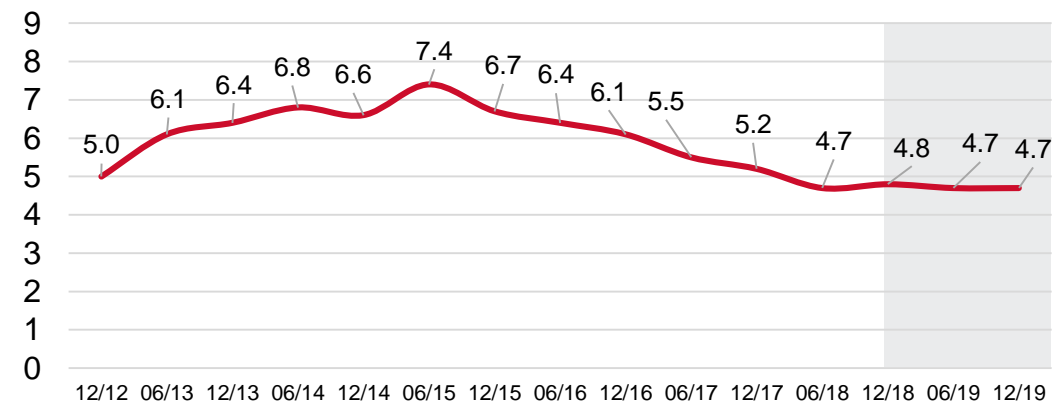
\* incl. CHF 172.5 m from release of deferred tax liabilities

\*\* Services segment (real estate-related business fields) included at book values only

# Revaluation gain of CHF 203.4 m significantly higher than 2018

<b>PROPERTY PORTFOLIO</b> in CHF m	<b>FY 2018</b>	<b>FY 2019</b>
Total	11 204.4	11 765.4
of which Projects   Developments	576.8	684.5
Properties (number)	190	187
Rental income	479.4	486.9
Revaluation gain	67.6	203.4
Net property yield (in %)	3.6	3.5
Discount rate, real (in %), Ø	3.22	3.06

## VACANCY RATE in % (group)



### COMMENTS

- **Increase in value:** Property portfolio grows to CHF 11.8 bn, attractive net yield of 3.5%
- **Revaluations:** CHF 175.2 m on investment properties and CHF 28.2 m on development properties

### COMMENTS

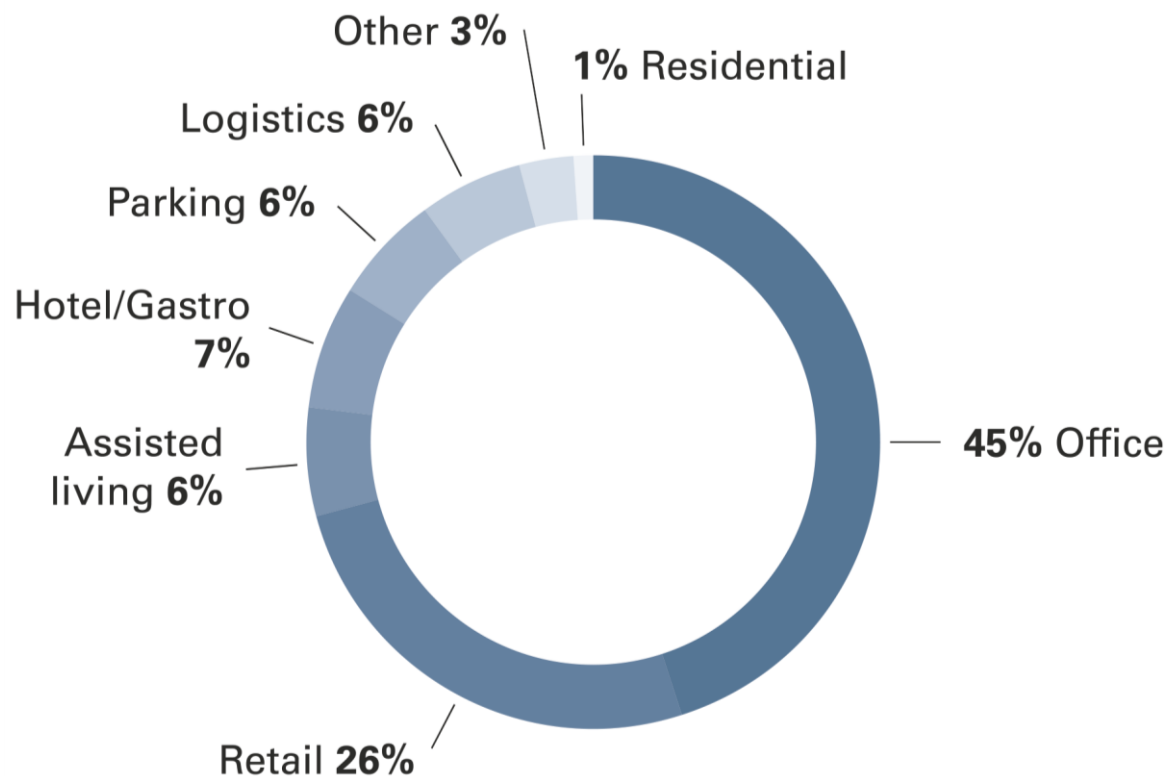
- **Stabilisation** of vacancy rate at low level of 4.7%
- **Trend** in vacancy rate for the financial year 2020, including completed project developments, expected to continue at < 5%



# With 45% «office» is the most important type of use within the portfolio

## PORTFOLIO SPLIT BY TYPE OF USE

Basis: net rental income as at 31 December 2019



## COMMENTS

- **Quality:** portfolio mainly comprises properties in prime locations and with stable values
- **Tenant structure:** focus on commercial and service companies as major tenants
- **Retail:** share of retail space within the portfolio reduced from 34% (2015) to 26% by the end of 2019
- **Maturity profile:** with a WAULT of >6 years, the maturity profile of the rental contracts is long-term | around 22% of the portfolio has a maturity of over 10 years

# Successful letting and transaction activity



Image: SkyKey, Zurich

## COMMENTS

- **Letting success:** Total of around 128 000 m<sup>2</sup> or 8% of the entire portfolio let (incl. reduction in vacancy), including Stücki Park, Basel: Lonza (8 000 m<sup>2</sup> new build); YOND, Zurich: ~90% let; Schönburg, Berne: ~95% let
- **Sales:** Retail property in Geneva (Q1 2019); building A in Planles-Ouates (Espace Tourbillon) in condominium ownership and other existing smaller properties in the second half of 2019
- **Purchases:** Purchase in Geneva development area Praille-Acacias-Vernets (PAV), two fully let properties in the regions of Basel (logistics) and Berne (office) and development plots in Uster (Zurich) and Augst (Basel-Land)
- **Project developments:** Design plan for Usego site, Olten; building permit for Tertianum projects in Richterswil and Monthey and JED new build in Schlieren and Alto Pont-Rouge in Lancy; topping-out ceremony in Stücki Park, Basel (new build); launch of architecture competition for maaglive

# Active and agile portfolio management (Müllerstrasse, Zurich)



Image: Müllerstrasse 16, 20, Zurich

## COMMENTS

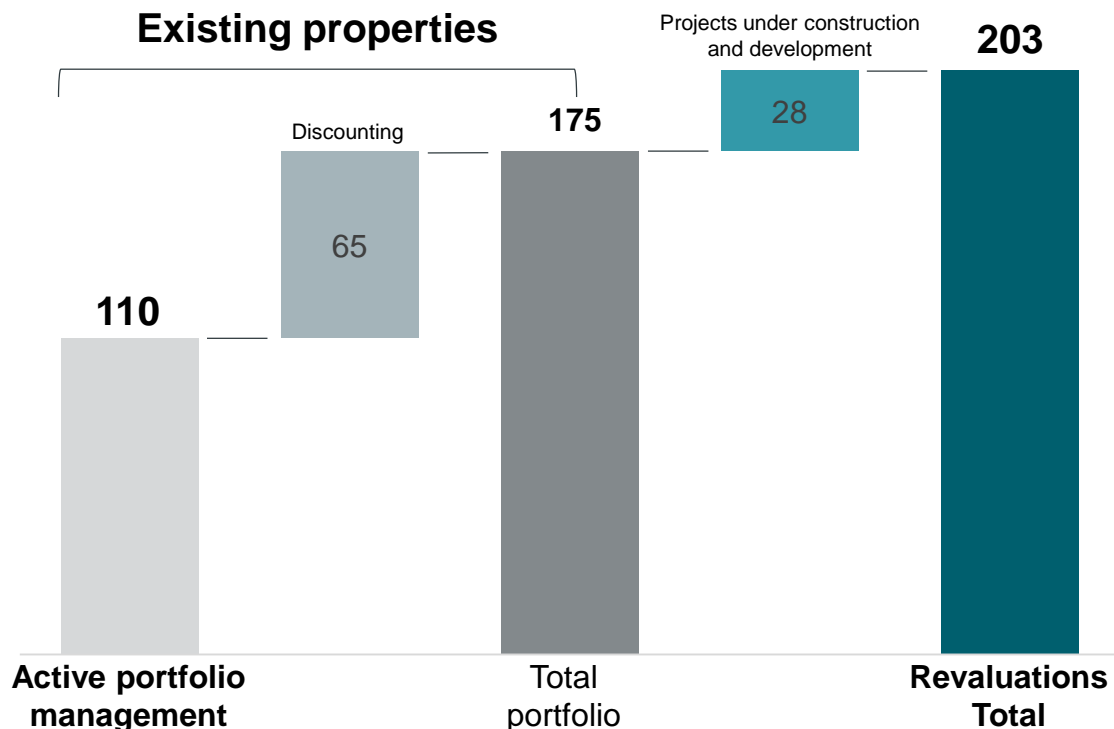
- **Purchase:** Acquired in October 2018 from a Credit Suisse real estate fund as part of the Sihlcity swap deal
- **Location:** First-class location near the main railway station in Zurich (rental area: 13 692 m<sup>2</sup>)
- **Current tenant:** Property is fully let until mid-2021 (no extension of contract with current tenant)
- **New tenant:** Long-term contract with a new tenant signed in autumn 2019
- **Revaluation:** Significant increase in market value by re-letting and significant contribution to revaluation gain (total CHF 203.4 m) in 2019 financial year



# Two-thirds of revaluation gain «internally» generated

## DETAILS OF REVALUATION GAINS

in CHF m



## COMMENTS

- CHF 110 m, equivalent to two-thirds of the revaluation gains, came from active portfolio management of the core real estate business
- The majority of this resulted from the property at Müllerstrasse 16, 20
- The value was significantly increased by re-letting the property and repositioning the building
- Revaluations arising from changes to the discount rate contributed CHF 65 m to the gain
- Construction and development projects contributed a further CHF 28 m



**SWISS PRIME SITE**

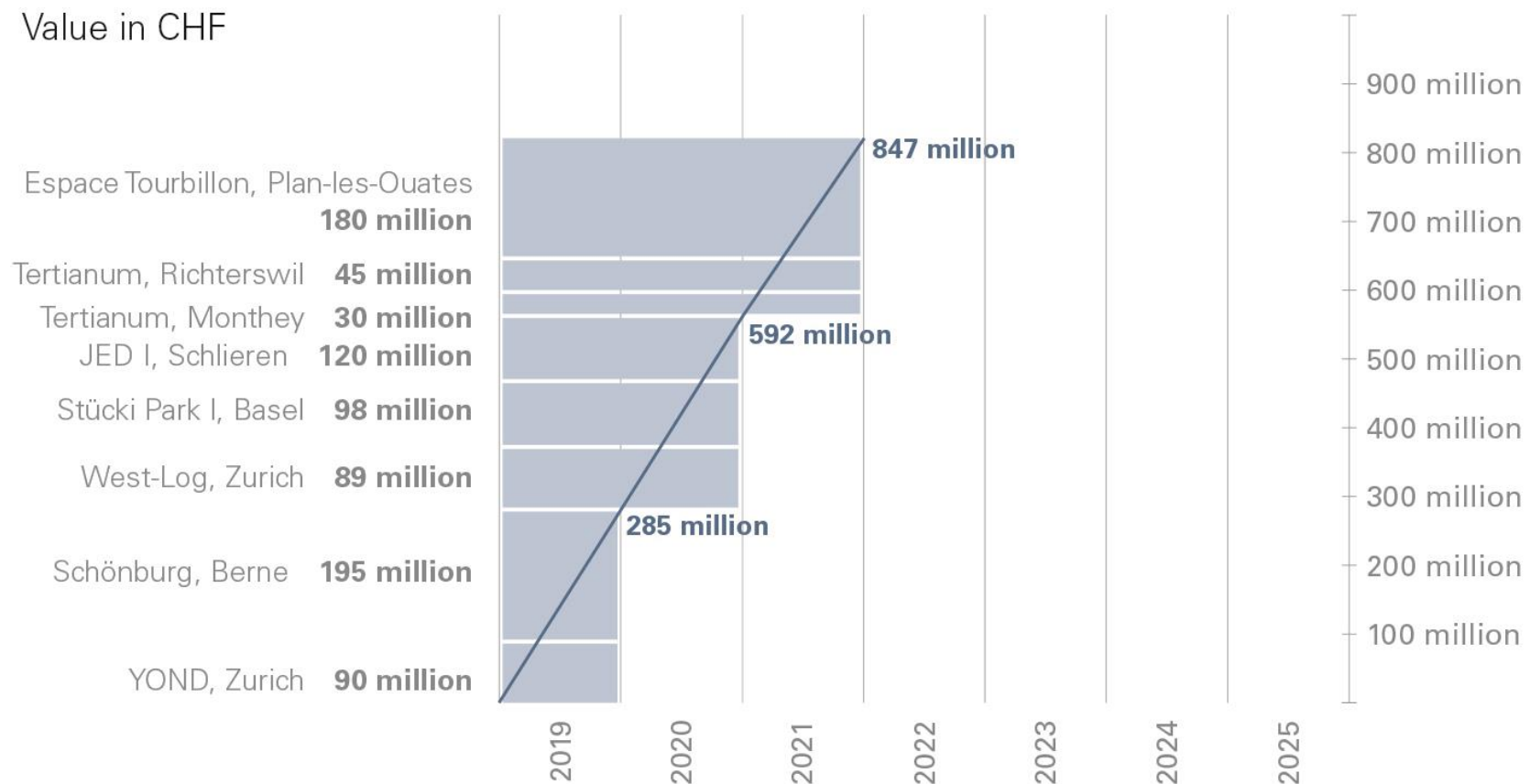


**WE CREATE  
LIVING SPACES**



# Projects under construction (1|4)

Value in CHF



**PIPELINE: CHF 2 BN**

**Under construction: ~ CHF 560 m\***

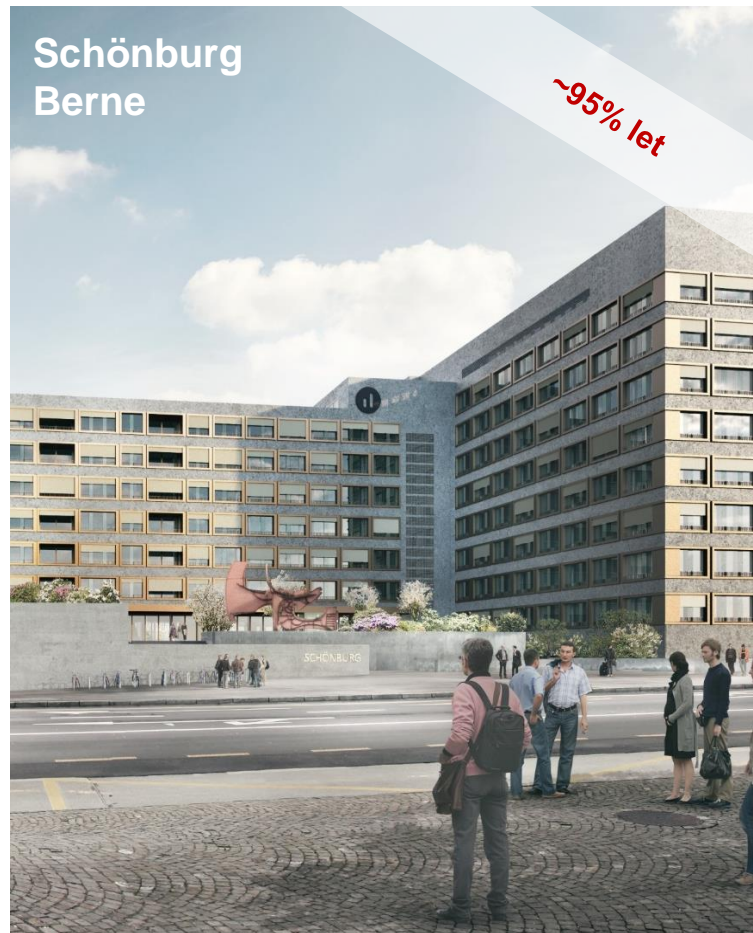
In development: ~ CHF 950 m

Reserves: ~ CHF 500 m

\* excl. Schönburg and YOND projects, which will be concluded in Q1 2020 and handed over to tenants

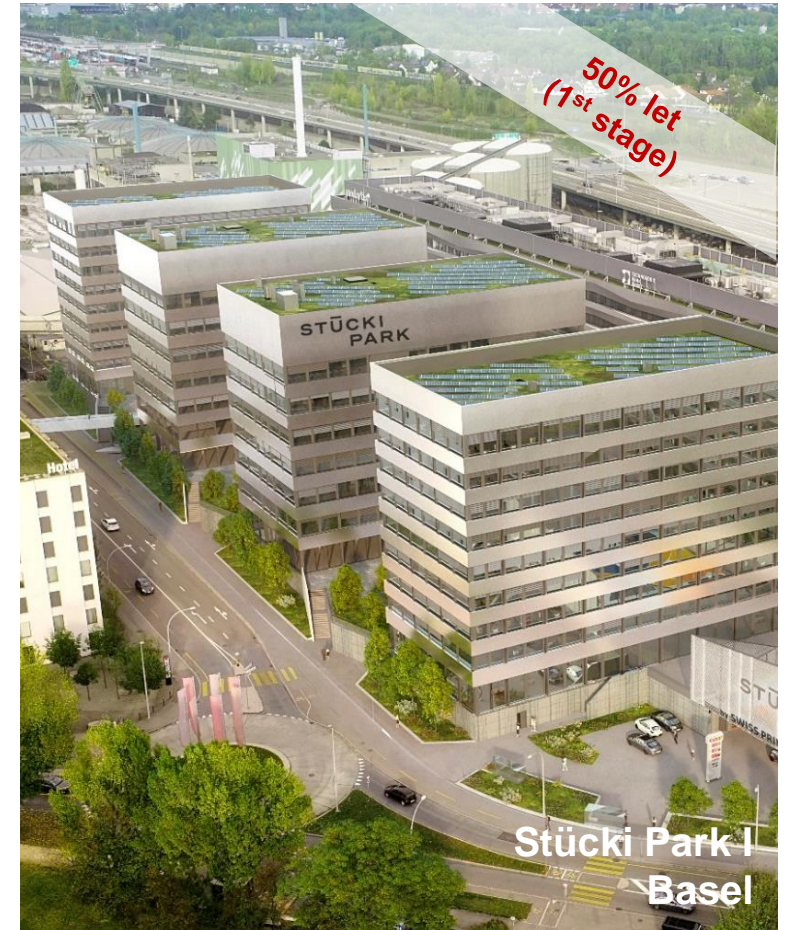


# Projects under construction (2|4)





# Projects under construction (3|4)



\* C & D: sold to Hans Wilsdorf Foundation; A: Sold in condominium ownership



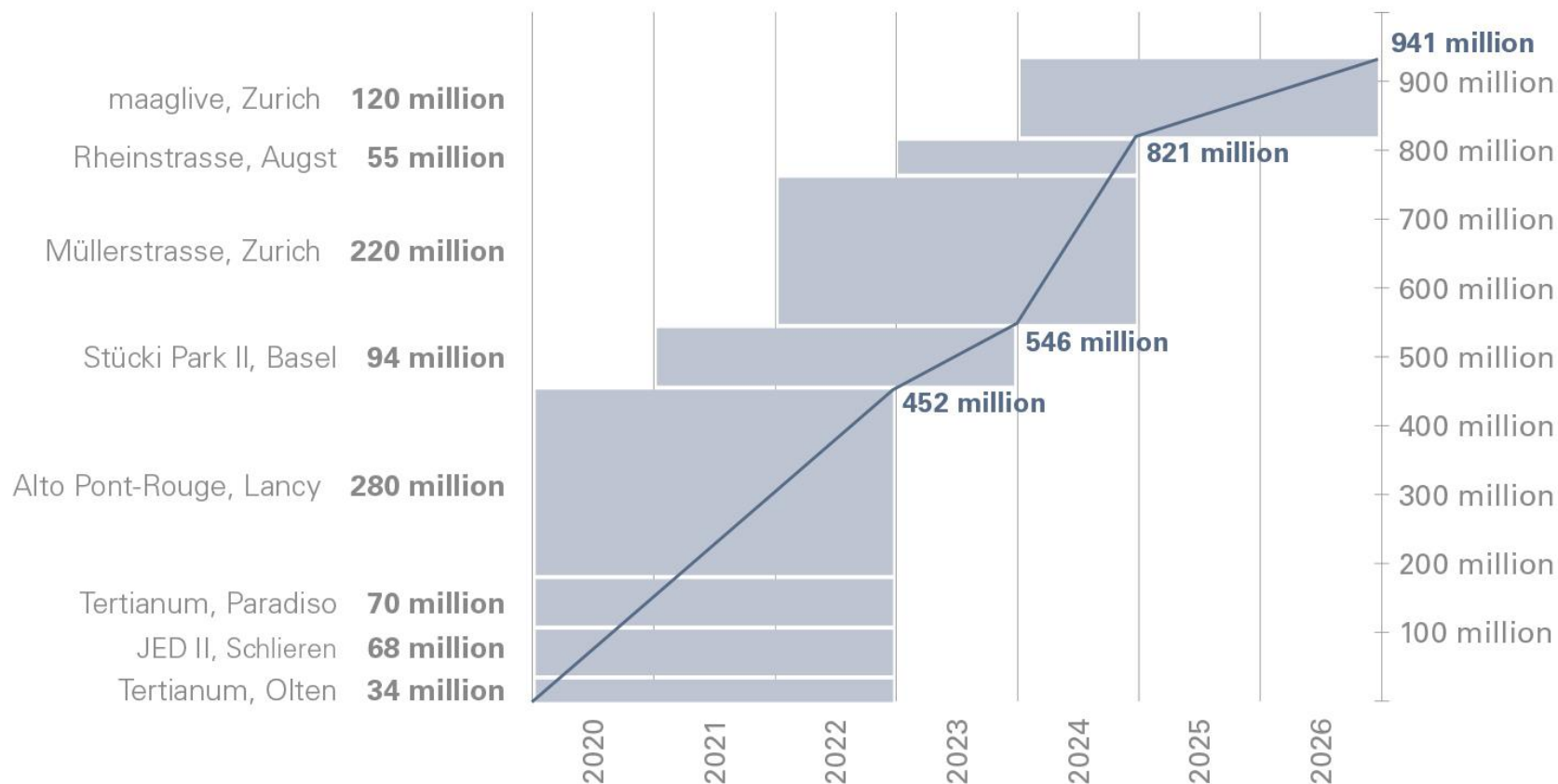
# Projects under construction (4|4)





# Projects in planning (1|2)

Value in CHF



**PIPELINE: CHF 2 BN**

Under construction: CHF ~560 m

**In development: ~ CHF 950 m**

Reserves: ~ CHF 500 m

# Projects in planning (2|2)

## PROJECTS



**Tertianum**  
Paradiso & Olten



**Rheinstrasse**  
Augst



**Alto Pont-Rouge**  
Lancy



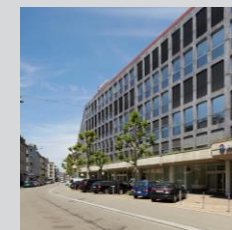
**JED II**  
Schlieren



**Stücki Park II**  
Basel



**maaglive**  
Zurich



**Müllerstrasse**  
Zurich

<b>Design plan</b>	published (Olten)	zone plan under way				architecture competition	
<b>Planning application</b>	submitted (Paradiso)						in preparation
<b>Building permit</b>			granted	granted	granted		
<b>Pre-letting status</b>	100%	interim letting	under negotiation	under negotiation	under negotiation		100%

# Pleasing Services segment results

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## GROUP COMPANY

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## COMMENTS

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- Increase in assets under management to CHF 71 bn (several new mandates)
- «streamnow» platform expanded (tenant / landlord app)
- Consequent and ongoing digitalisation of business model



- Opening of new «Beauty World» and Pallas Clinics in second half of 2019
- Expansion (2 500 m<sup>2</sup>) at Zurich Airport going according to plan (due to open in March/September 2020)
- New CEO Nina Müller starts April 1<sup>st</sup> 2020



SWISS PRIME SITE  
Solutions

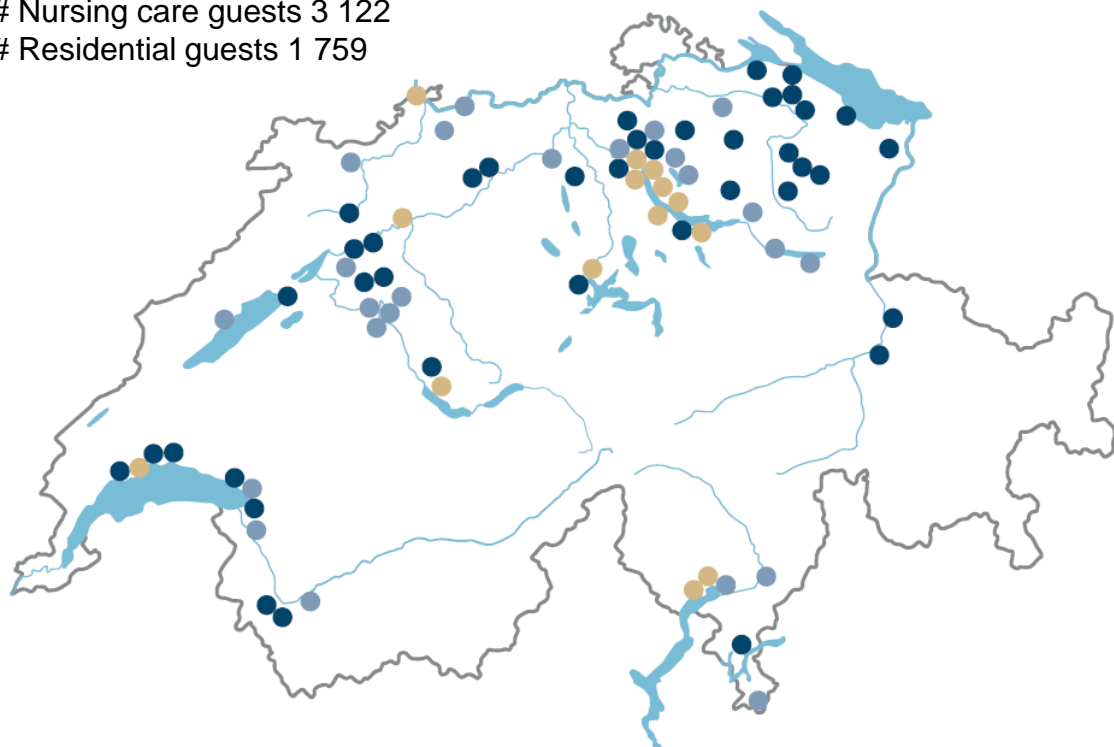
- Assets under management rose by 39% to CHF 2.3 bn
- Early extension of contract with Swiss Prime Investment Foundation (SPIF)
- EBIT increased from CHF 4.2 m to CHF 7.8 m



# Focus on Tertianum: successfully sold to Capvis

## GEOGRAPHIC OVERVIEW OF TERTIANUM NETWORK

# Employees ~4 900  
# Nursing care guests 3 122  
# Residential guests 1 759



● Residenz | Résidences | Residenza  
● Wohn- und Pflegezentren (ohne Wohnungen) | Résidences des soins (sans appartements) | Centri abitativi e di cura (senza appartamenti)  
● Wohn- und Pflegezentren (mit Wohnungen) | Résidences des soins (avec des appartements) | Centri abitativi e di cura (con appartamenti)

## COMMENTS

- **Rationale:** With a strong new owner, Tertianum can gain additional potential, leverage synergies and expand the value chain
- **Purchase agreement:** Comprises the operation of more than 80 residential and geriatric care centres and residences
- **Purchaser:** Swiss investment company Capvis based in Baar (canton of Zug)
- **Partnership:** Two projects under construction and two in development as well as 16 investment properties remain with Swiss Prime Site and will be let to Tertianum (rental income of ~CHF 34 m p.a. incl. projects)
- **Closing:** expected by end of February 2020
- **Implications for 2020:** Swiss Prime Site's income and results include Tertianum up to and including February 2020

# SWISS PRIME SITE

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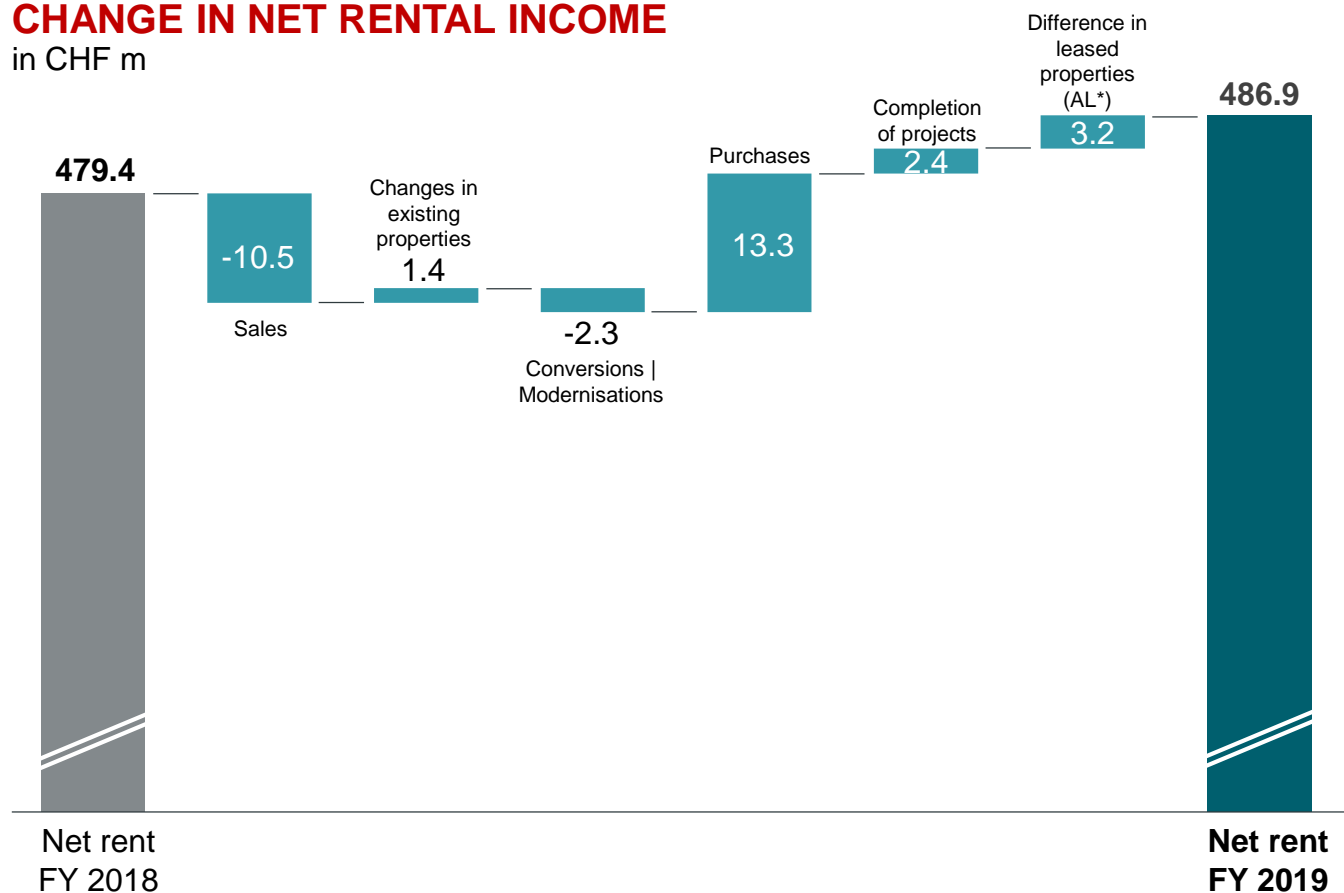
**3 KEY FIGURES FINANCIAL YEAR 2019**

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# Absolute and like-for-like increase in rental income

## CHANGE IN NET RENTAL INCOME

in CHF m



\* Assisted living

## COMMENTS

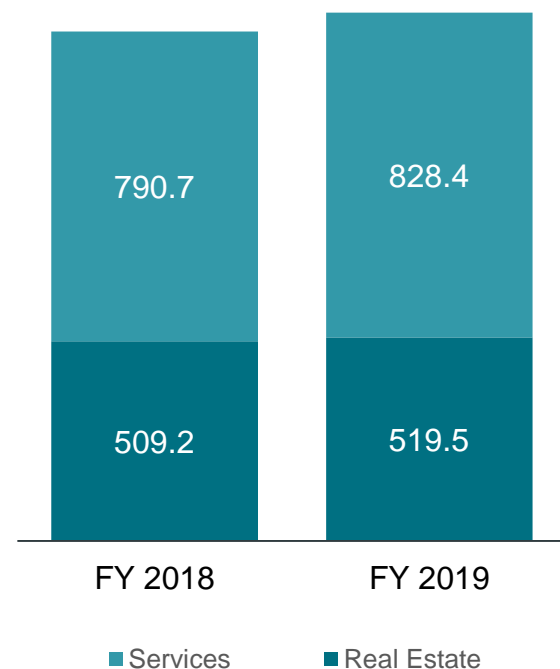
- EPRA-like-for-like increase in rental income of 0.8%
- Positive impact on rental income from turnover-based rents from Motel One
- Increase also from completed projects and purchases from the previous year (incl. Müllerstrasse 16, 20 and Beethovenstrasse 33, Zurich)
- Loss of rental income due to conversions of buildings (Stückli Park, Basel; A1, Oftringen) and sales (Sihlcity, Zurich)
- Effect of Tertianum sale see page 32



# Operating income and EBIT – growth in both segments

## OPERATING INCOME BY SEGMENT

in CHF m



## EBIT BY SEGMENT

in CHF m

	FY 2018	FY 2019
Real Estate	431.1	572.9
Services	47.6	55.5
<b>EBIT</b>	<b>478.6</b>	<b>628.3</b>

### Services segment per group company

	FY 2018	FY 2019
Tertianum	27.5	34.0
Wincasa	18.5	17.7
Jelmoli	-2.6	-4.0
Swiss Prime Site Solutions	4.2	7.8
<b>EBIT</b>	<b>47.6</b>	<b>55.5</b>

## COMMENTS

- Rise in EBIT in core Real Estate business due to operational improvements and revaluations
- Increase in EBIT of Tertianum as a result of growth strategy
- Contribution from Wincasa slightly less than in the previous year due to investments in digitalising the business model
- Jelmoli reported respectable results in challenging market conditions and with investments in a new location at Zurich Airport as well as e-commerce
- Swiss Prime Site Solutions reported strong results (incl. increase in assets under management)

# Growth on all levels

## INCOME STATEMENT SWISS PRIME SITE GROUP

in CHF m

	FY 2018	FY 2019
Operating income	1 214.1	1 258.8
Revaluation of investment properties	67.6	203.4
Income from investments in associates	1.1	1.0
Income from investment properties sales	18.4	20.8
<i>Profit on real estate developments (net)*</i>	15.5	16.9
Operating expenses	-822.6	-855.7
<b>EBIT</b>	<b>478.6</b>	<b>628.3</b>
Financial expenses	-75.8	-70.7
Financial income	1.2	1.9
Income taxes	-93.1	50.0
<b>Profit</b>	<b>310.9</b>	<b>608.5</b>
<b>Profit excluding revaluations / deferred taxes</b>	<b>287.8</b>	<b>315.7</b>

\* pro-rata profit from partial sale of Espace Tourbillon and Weltpost Park based on PoC method

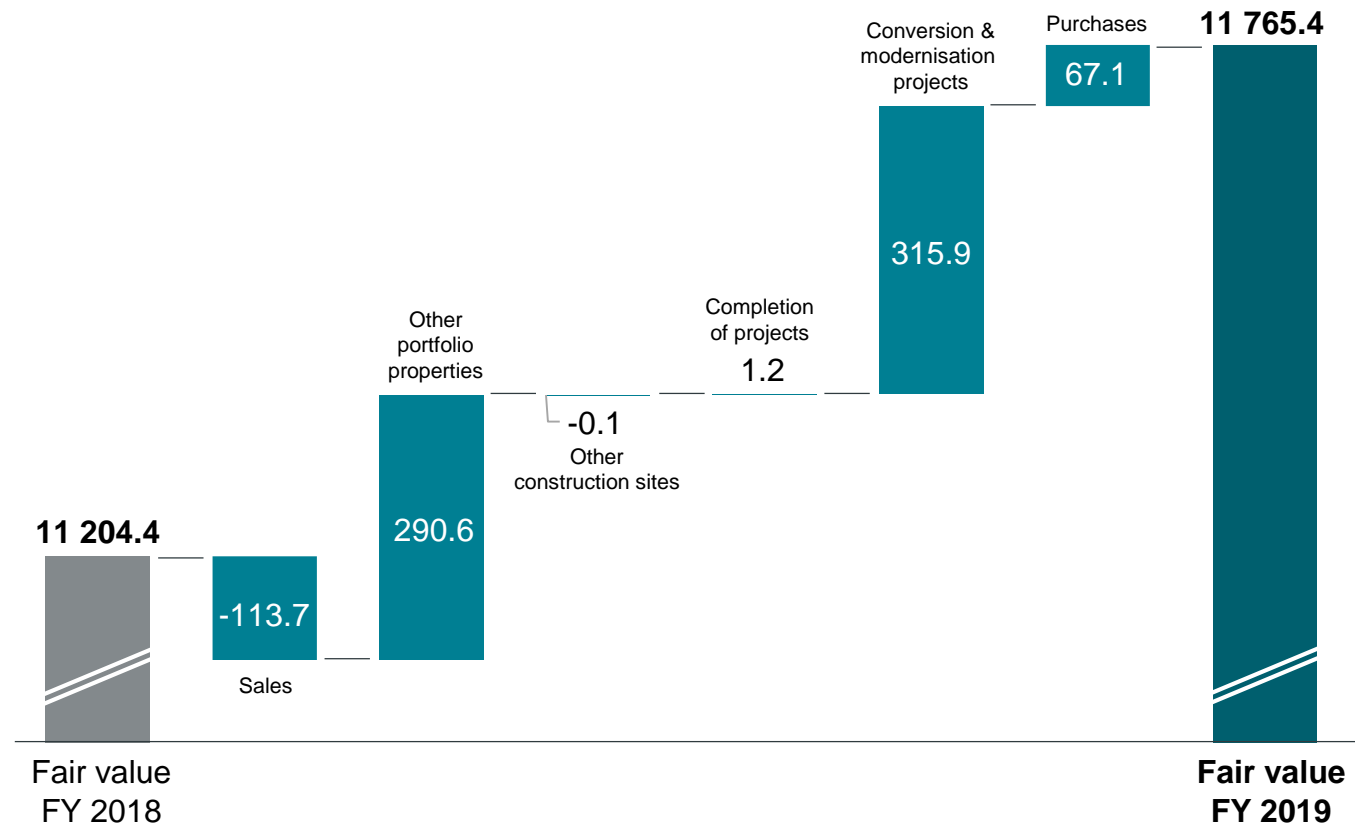
## COMMENTS

- Income from developments (recurring) and profit from the sale of existing properties totalling CHF 37.6 m (pre-tax)
- Increase in operating expenses due to sale of developments and growth in assisted living
- Fall in financial expenses due to attractive refinancing
- Tax income due to release of deferred tax liabilities totalling CHF 172.5 m (non-cash)
- Increase in profit both including and excluding revaluations and deferred taxes

# Property portfolio increased to CHF 11.8 bn

## PROPERTY PORTFOLIO (FAIR VALUE)

in CHF m



## COMMENTS

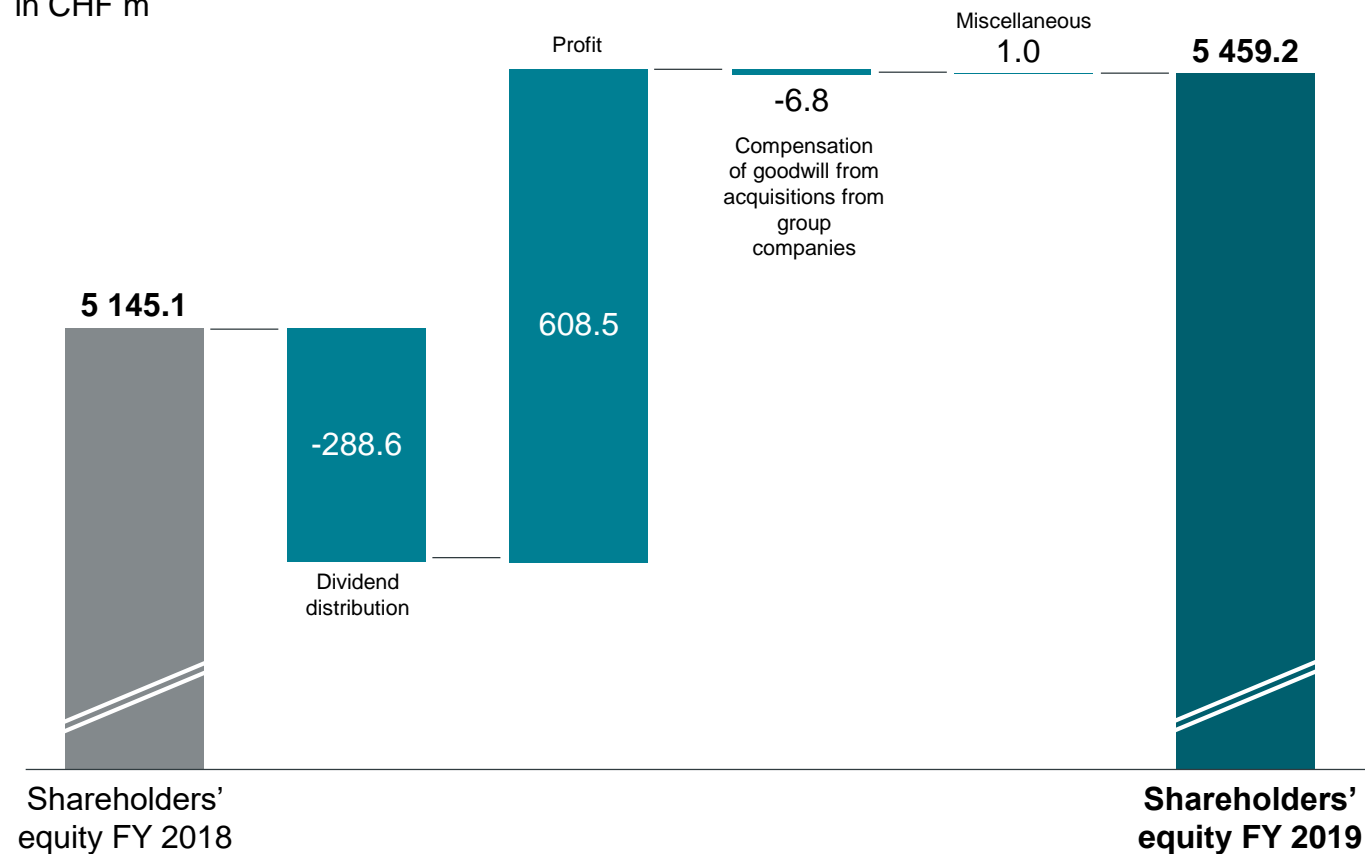
- Expansion of property portfolio by 5% compared to previous year
- Portfolio and development properties with positive revaluations
- Net yield of 3.5% in the market for prime investment properties at an attractive level
- Stable vacancy rate of 4.7%



# Solid capitalisation

## SHAREHOLDER'S EQUITY DEVELOPMENT

in CHF m



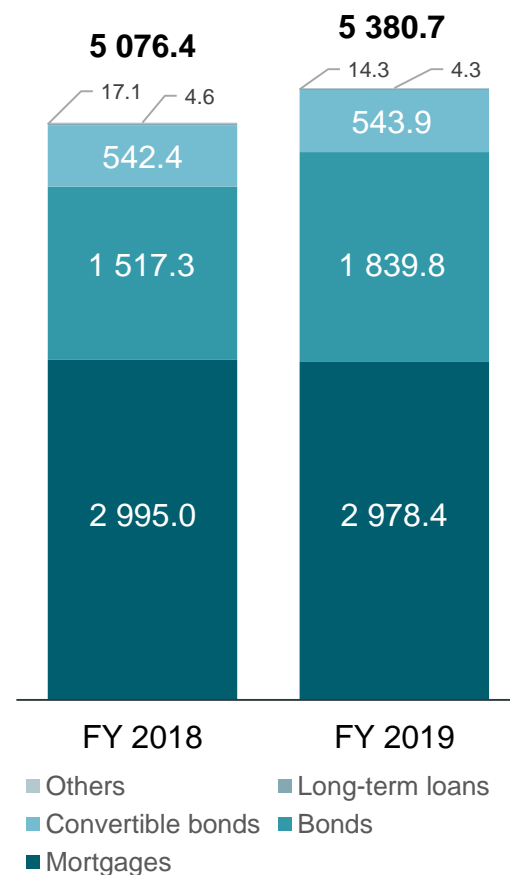
## COMMENTS

- NAV increase to CHF 71.87 per share (+6.1% compared to end of 2018)
- Dividend of CHF 3.80 per share paid out on April 4<sup>th</sup> 2019
- ROE of 11.5% significantly above long-term target range of 6 – 8%
- Equity ratio of 44.4% within target range of ~45%
- 2020E: Goodwill recycling of ~CHF 310 m and profit contribution from the sale of Tertianum with positive impact on equity / NAV in first half of 2020

# Further optimisation of capital market financing

## FINANCING STRUCTURE

in CHF m



## FINANCIAL LIABILITIES

	FY 2018	FY 2019
Ø interest rate (in %)	1.4	1.2
Ø residual term to maturity (in years)	4.3	4.2
Loan-to-value (in %)	45.3	45.7

in CHF m	FY 2018	FY 2019
Short-term	963.4	1 259.9
Long-term	4 113.0	4 120.8
<b>Total</b>	<b>5 076.4</b>	<b>5 380.7</b>

## COMMENTS

- Low interest rate on financial liabilities of 1.2% with maturity of 4.2 years
- Issue of an 8-year, 1.25% bond of CHF 350 m and a 12-year, 0.375% bond of CHF 170 m
- Ten bonds totalling CHF ~2.4 bn with maturity dates between 2020 and 2031
- Target loan-to-value of ~45%

# SWISS PRIME SITE

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# Key indicators for the real estate market 2020

## ECONOMY



**Global economic trends with «cooling down» risks**

## POPULATION



**Continuous migration with +40 000 households in 2019**

**Employment with 5.1 million jobs at record levels**

## CAPITAL MARKET



**SNB confirms expansionary policy**

**Expected continuation of negative interest rate policy**

## POLITICS



**Increasing regulation (including CO<sub>2</sub> law)**

**Rejection of «More Affordable Homes» Popular Initiative**

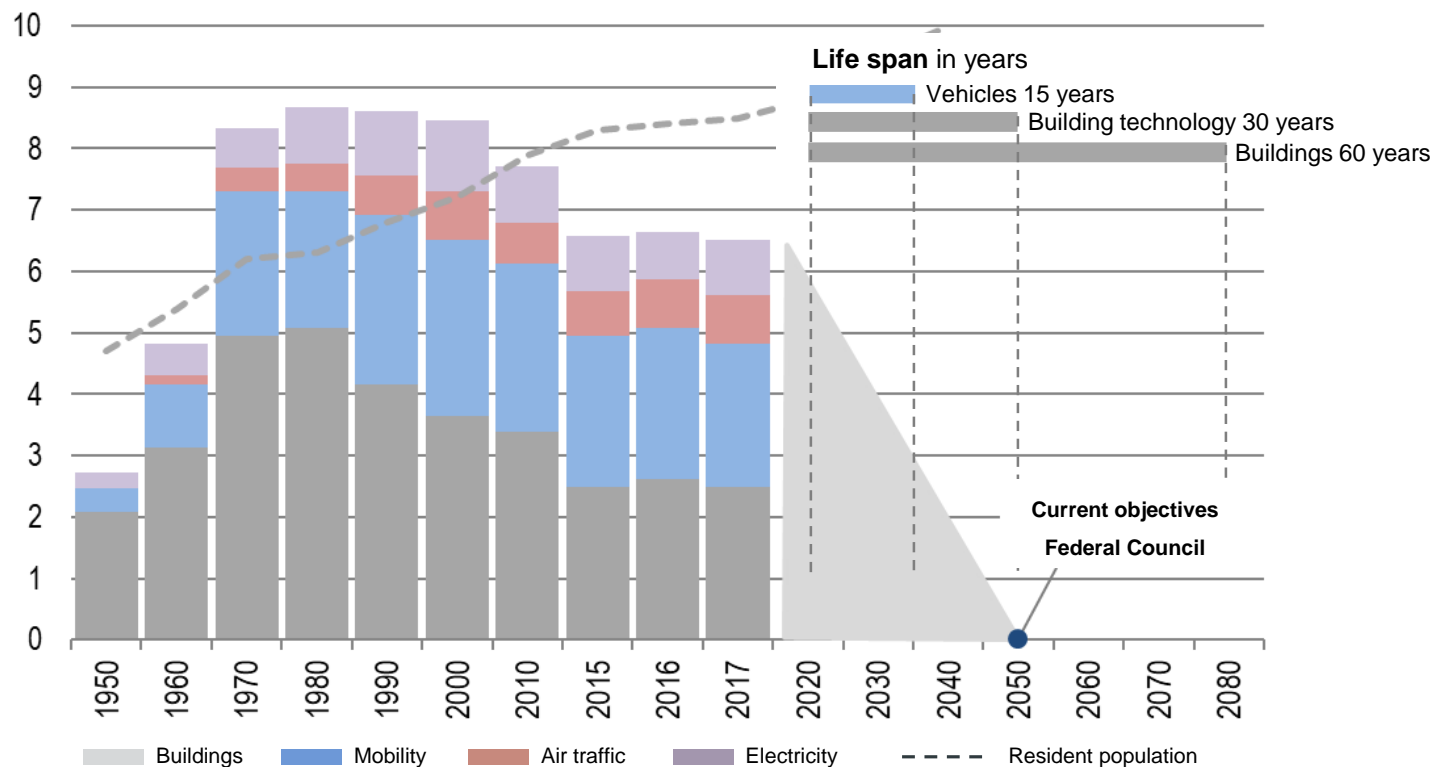
# Focus on sustainability

## CO<sub>2</sub> EQUIVALENT PER INHABITANT AND YEAR

in tons

## PERMANENT RESIDENT POPULATION

in million



Source: Markus Koschenz, HSLU T&A

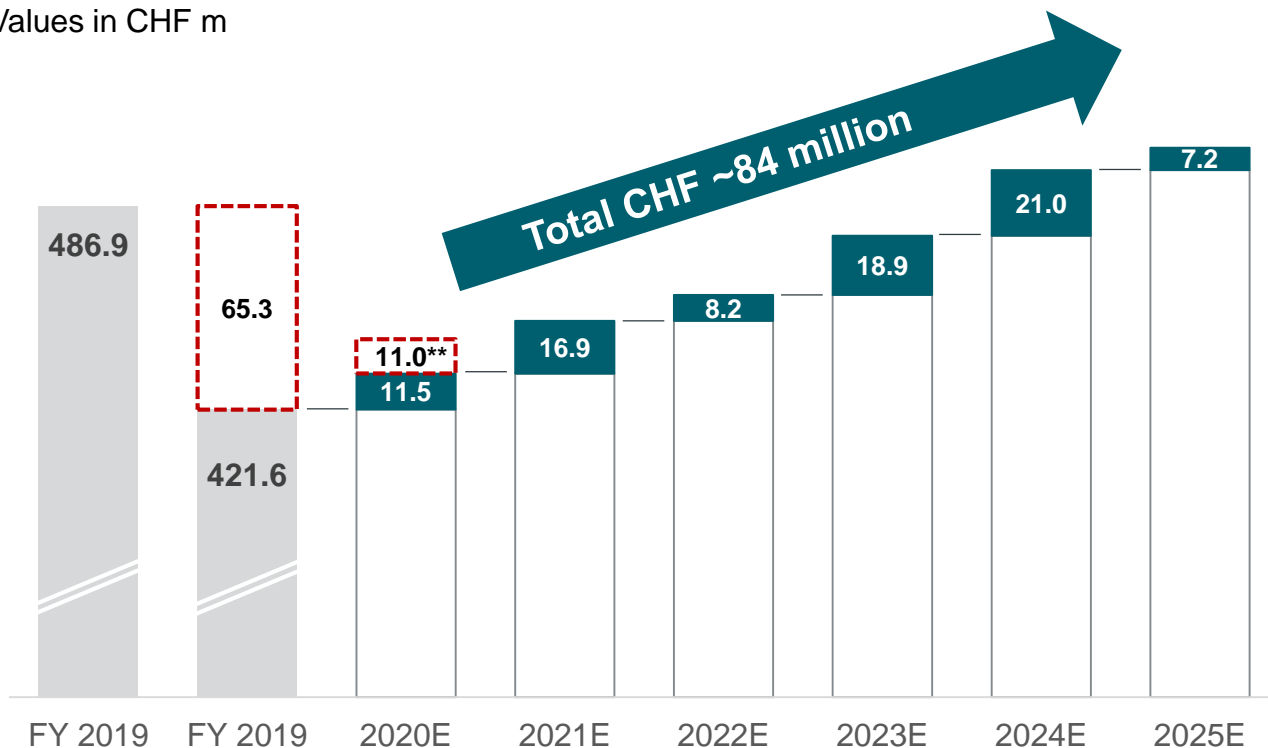
## COMMENTS

- To achieve the Swiss government's 2050 climate goals, Switzerland needs to act together as a society, immediately
- Properties being built now with a life cycle of 60+ years must be climate-neutral from the start
- Swiss Prime Site has developed a detailed CO<sub>2</sub> reduction pathway for the property portfolio which goes significantly beyond the 2 degree goal of the Paris Climate Agreement

# Guidance for expected rental income until 2025

## EXPECTED RENTAL INCOME FROM DEVELOPMENT PIPELINE\*

Values in CHF m



Tertianum

\* assuming full letting and incl. modifications of existing buildings

\*\* contribution of Tertianum for two months (January & February)

## VACANCY RATE 2020

Active vacancy management with an expected vacancy rate of < 5%



## EXPECTED PROFIT 2020

Increase before revaluation and deferred taxes due to significant profit from the sale of the Tertianum Group



## DIVIDEND POLICY

Swiss Prime Site maintains an attractive distribution policy for its shareholders





**SWISS PRIME SITE**

**WE SHAPE THE  
FUTURE**





# SWISS PRIME SITE

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## Analyst and investor contact

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## Media contact

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## Company calendar

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<b>Annual General Meeting</b>	24 March 2020
<b>First half-year 2020</b>	25 August 2020

## Headquarters

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## Zurich office

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**SWISS PRIME SITE**

**SUSTAINABILITY IS  
FUTURE VIABILITY**

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