

SWISS PRIME SITE

PRESS RELEASE

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Swiss Prime Site increases EBIT excluding revaluations by 79.8%

- Value of the real estate portfolio increases by 3.6% to CHF 11.9 billion
- Sale of Tertianum Group with a sales result of CHF 204.2 million (net)
- Profit increased to CHF 320.0 million (+111.5%) excl. revaluations and def. taxes
- Net Asset Value per share significantly increased by 10.2% to CHF 75.62

2020 is a year that will enter the history books. The COVID-19 pandemic has had a significant social and economic impact. This can be clearly felt in both the Swiss real estate sector and the Swiss Prime Site Group. Nevertheless, Swiss Prime Site performed well in the first half of 2020. When comparing the result, there are four factors that had at least some impact on the previous year, but even more so on the current financial year. The CHF 204.2 million result from the sale of the Tertianum Group has had a significant positive impact in the first half of 2020. The COVID-19 pandemic impacted the real estate portfolio (revaluations of CHF –47.3 million respectively 0.4% of the portfolio) and the operating expenses (impairments of CHF –14.0 million). In contrast to the previous year, profit in the first half of 2020 was subject to only a minor positive tax effect of CHF 6.0 million from the reversal of deferred tax liabilities arising from cantonal tax rate reductions. In the same period last year, the positive tax effect was CHF 158.1 million.

Operating income

In challenging market conditions, the core real estate business reported a rise in rental income to CHF 217.0 million (+0.7%, like-for-like: –0.9%). This takes into account lower than expected turnover based and parking rental income due to the pandemic of CHF 2.5 million and CHF 1.1 million of already granted and confirmed rent waivers. Income from real estate developments of CHF 22.8 million [CHF 34.7 million] resulted in operating income of CHF 240.5 million [CHF 251.9 million] in the Real Estate segment, slightly down on the previous year. Active asset management and good tenant retention as well as forward-looking letting and renewal activities played a valuable part in achieving a reasonable vacancy rate of 5.4% [4.7%].

In the first half of 2020, the Services segment reported operating income of CHF 218.7 million [CHF 399.1 million]. This includes two months of results from the Tertianum Group, which was sold at the end of February 2020. Wincasa increased income from real estate services to CHF 72.2 million (+1.6%), slightly up on the previous year. Digitalisation of the business model continues apace. The portfolio of properties managed by Wincasa reached a market value of CHF 71.2 billion.

Jelmoli reported a significant fall in March, April and May due to the ordered closure. In addition to the own operated floor space, all service businesses (hairdressers, beauty clinic, fitness studio, etc.) and all shop-in-shop concepts also had to close. Income from retail reached CHF 43.7 million (–23.6%), significantly below the previous year. The rapid re-opening of the food department involved significant effort, but was important and the right thing to do. Income from this department exceeded forecast levels and the previous year.

Swiss Prime Site Solutions conducted the sixth capital increase for the Swiss Prime Investment Foundation. Due to the lower level of transactions compared to the previous year, income from asset management fell to CHF 4.8 million (–45.0%). Assets under management increased compared to the previous year by 5.0% to CHF 2.3 billion.

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Operating result

Swiss Prime Site's operating result (EBIT) excluding revaluations increased sharply by 79.8% to CHF 361.0 million. Including revaluations the EBIT grew by 9.6% to CHF 313.6 million. The result from the sale of the Tertianum Group contributing substantially to this. EBIT excluding revaluations for the core real estate business was CHF 162.1 million [CHF 177.8 million]. Including revaluations of CHF -47.3 million [CHF 85.7 million], EBIT was CHF 114.8 million [CHF 263.5 million]. This marginal change of 0.4 percentage points across a real estate portfolio worth CHF 11.9 billion highlights Swiss Prime Site's resilience and the high quality of its properties. It is also encouraging to see a positive net change in value of CHF 0.9 million for investment properties under construction. The average real discount rate as at 30 June 2020 was 3.05%, only one basis point below the value at the end of 2019. Pre-tax profits from sold development projects (Espace Tourbillon in Geneva and Weltpost Park in Berne) and a smaller investment property sold in Berne in Q1 2020 amounted to CHF 13.7 million [CHF 12.6 million]. The operating expenses of the Real Estate segment increased slightly by CHF 4.7 million to CHF 84.2 million [CHF 79.6 million]. This increase is primarily due to additional costs relating to the coronavirus pandemic. Impairments amounted to CHF 14.0 million.

The Services segment EBIT was CHF 198.8 million [CHF 22.6 million]. This includes the recognised result of CHF 204.2 million from the sale of the Tertianum Group. Excluding the sales result, the EBIT figure of CHF -5.3 million is dampened primarily due to the months-long compulsory partial closure of Jelmoli. At Wincasa, ongoing investment in the digitalisation of the business model and additional costs relating to numerous enquiries from tenants led to a lower profit than last year. By contrast, after the record year of 2019 due to income from transactions, results at Swiss Prime Site Solutions were in line with expectations. The operating expenses of the Services segment fell significantly to CHF 224.0 million [CHF 376.0 million]. This reduction is primarily due to the substantial lower headcount and expenses as a result of the sale of Tertianum's operational business with around 4 900 employees.

Profit

Excluding revaluations and deferred taxes, profit rose significantly to CHF 320.0 million [CHF 151.3 million]. The result of CHF 204.2 million arising from the sale of the Tertianum Group included in the EBIT contributing substantially to this. Including revaluations and deferred taxes, Swiss Prime Site recorded a profit of CHF 269.7 million [CHF 356.5 million] in the first half-year of 2020. In contrast to the previous year, this only includes a marginal positive tax effect of CHF 6.0 million [CHF 158.1 million] from the reversal of deferred tax liabilities arising from cantonal reductions in tax rates. Thanks to attractive refinancing, financial expenses in the first half of 2020 fell to CHF 31.4 million [CHF 36.6 million]. Earnings per share (EPS) were CHF 3.55 [CHF 4.69]. EPS excluding revaluations and deferred taxes were CHF 4.21 [CHF 1.99]. This represents the highest cash half-year profit for Swiss Prime Site in the company's history.

Balance sheet

The weighted average interest rate on financial liabilities fell to 1.2% [1.4%]. The weighted average residual term to maturity of interest-bearing financial liabilities was 4.6 years [4.3 years]. The comparison between the interest rate of 1.2% [1.4%] and the net yield of 3.3% [3.5%] on the real estate portfolio shows a stable attractive interest rate spread of 2.1% [2.1%]. As at 30 June 2020, the equity ratio of Swiss Prime Site increased strongly to 46.0% [43.6%]. The main contributor to the positive change was the result from the sale of the Tertianum Group of CHF 508.7 million, of which CHF 304.5 million was a return of goodwill recorded directly in the equity and CHF 204.2 million was booked as sales result in EBIT. In addition, a small number of conversions of convertible bonds resulted in a rise in shares issued to 75 970 364 [end of 2019: 75 946 349] and a rise in equity of CHF 2.4 million. The loan-to-value ratio of the real estate portfolio (LTV) was 45.1% [46.6%], in line with the target ratio of around 45%.

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At CHF 75.62 per share, the NAV after deferred taxes was 10.2% higher than the previous year and 5.2% above the value at the end of 2019. This takes into account the dividend of CHF 3.80 per share paid out in April 2020. As at 30 June 2020, the EPRA NAV is CHF 90.77 per share (+4.0% compared to the end of 2019). Swiss Prime Site's annualised return on equity reached 9.6% [13.8%] and remains above the Company's long-term target.

Outlook

Swiss Prime Site expects the economic and political conditions over the whole of 2020 to start returning to normal compared to the first half-year. Uncertainty will remain about the extent to which national politics will intervene in private rental agreements, making mutual and amicable solutions with tenants more difficult. The target vacancy rate of <5% is confirmed. For 2020 the vacancy rate will temporarily remain above 5% due to the corona pandemic. The continued realisation of the project pipeline and the further strategic reduction of the retail type of use at B and C locations as well as in the non-food sector will have a positive impact on the core real estate business' operational and strategic objectives in 2020 and beyond. In the real estate-related Services segment, Swiss Prime Site expects a recovery in the second half of 2020, particularly in the group company Jelmoli. Despite sales after the end of lockdown being above forecast levels and those of the previous year, it will not be possible to make up the drop caused by the corona pandemic over the course of 2020. Due to the one-time result from the sale of the Tertianum Group, the profit for 2020 excluding revaluations and deferred taxes – as envisaged by Swiss Prime Site at the end of February 2020 – will exceed that of the previous year.

Anastasius Tschopp (1979) will be appointed to the Executive Board of Swiss Prime Site from 1 January 2021. Since 2018 he is CEO of the group company Swiss Prime Site Solutions. Prior to this (from 2014), he set important accents in the core business as Head of Portfolio Management and Member of the Executive Board of the group company Swiss Prime Site Immobilien. With the appointment of Anastasius Tschopp, all group companies will be represented on the Executive Board from 2021.

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SELECTED KEY FIGURES

	in	30.06.2019	31.12.2019	30.06.2020
Group key figures				
Investment properties at fair value	CHF m	11 467.8	11 765.4	11 880.9
Rental income from properties	CHF m	239.3	486.9	219.9
Income from real estate developments	CHF m	34.7	79.8	22.8
Income from real estate services	CHF m	57.0	117.5	58.6
Vacancy rate	%	4.7	4.7	5.4
Net property yield	%	3.5	3.5	3.3
Weighted average interest rate on financial liabilities	%	1.4	1.2	1.2
Total operating income	CHF m	607.7	1 258.8	425.2
Revaluation of investment properties, net	CHF m	85.2	203.4	- 47.3
Result from investment property sales, net	CHF m	5.6	20.8	5.7
Result from sale of participations, net	CHF m	-	-	204.2
Operating result before depreciation and amortisation (EBITDA)	CHF m	297.2	653.4	322.6
Operating result (EBIT)	CHF m	286.1	628.3	313.6
Profit	CHF m	356.5	608.5	269.7
Key figures: Real Estate segment				
Rental income from properties	CHF m	215.5	437.3	217.0
Income from real estate developments	CHF m	34.7	79.8	22.8
Total operating income	CHF m	251.9	519.5	240.5
Operating result (EBIT)	CHF m	263.4	572.9	114.8
Key figures: Services segment				
Rental income from properties	CHF m	52.0	106.0	22.2
Income from real estate services	CHF m	71.1	148.1	72.2
Income from retail	CHF m	57.2	127.8	43.7
Income from assisted living	CHF m	206.1	423.9	72.4
Income from asset management	CHF m	8.8	13.5	4.8
Total operating income	CHF m	399.1	828.4	218.7
Operating result (EBIT)	CHF m	22.6	55.5	198.8
Group key financial figures				
Shareholders' equity	CHF m	5 213.3	5 459.2	5 744.4
Equity ratio	%	43.6	44.4	46.0
Loan-to-value ratio of property portfolio (LTV)	%	46.6	45.7	45.1
Return on equity (ROE)	%	13.8	11.5	9.6
Return on invested capital (ROIC)	%	6.6	5.6	4.9
Earnings per share (EPS)	CHF	4.69	8.00	3.55
NAV before deferred taxes per share ¹	CHF	82.71	86.34	90.05
NAV after deferred taxes per share ¹	CHF	68.64	71.87	75.62
Group key figures excluding revaluations and all deferred taxes				
Operating result (EBIT)	CHF m	200.8	424.9	361.0
Profit	CHF m	151.3	315.7	320.0
Earnings per share (EPS)	CHF	1.99	4.14	4.21
Return on equity (ROE)	%	6.1	6.3	11.3

¹ Services segment (real estate-related business fields) included at book values only

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Swiss Prime Site

Swiss Prime Site AG is the leading listed real estate company in Switzerland. Its high-quality real estate is worth approximately CHF 12 billion and consists of properties with good value retention in prime locations, which predominantly comprise office and retail floor space. Swiss Prime Site Immobilien AG invests in high-quality buildings and land, which together with conversion and development of entire areas form the company's core business. Among the property-related group companies, Switzerland's leading premium department store Jelmoli in central Zurich and at Zurich airport has a retail floor space of around 24 000 m². This includes third-party shop-in-shop concepts and its own formats. Wincasa is the biggest and most important integral real estate service provider in Switzerland and an ideal complement to Swiss Prime Site's core business. The company's innovative services portfolio encompasses the entire property life cycle. Assets under management amount to CHF 71.2 billion. Swiss Prime Site Solutions is an asset manager focused on the property sector. The business develops tailor-made services and investment products for third-party clients and has assets under management of CHF 2.3 billion.

Swiss Prime Site is distinguished by its experienced management team, high earnings continuity and outstanding risk-return profile. The company has been listed on the SIX Swiss Exchange since 2000 and has a market capitalisation of over CHF 6 billion.

SIX Swiss Exchange | Symbol SPSN | Securities number 803 838

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