

HOWOGE

HOWOGE FY 2021 – Company Presentation



Agenda

Company Presentation

- 01 Overview and Highlights 2021
- 02 Market and Portfolio
- 03 Financials and Capital Structure
- 04 Appendix



01 Overview & Highlights



Overview

HOWOGE is one of the biggest real estate companies in Germany

HOWOGE

Company highlights

Overview

- State-owned residential real estate company with focus on affordable housing
- Declared goal of being climate-neutral by 2045 and taking on a pioneering role in the German housing industry through our sustainability strategy
- Total portfolio value of EUR 11.7bn and ~65,000 residential units (~73,500 units as of Jan 22)
- Efficient, fully integrated and scalable platform with strong local expertise
- Clear strategy and government support to expand its current portfolio by ~30,000 residential units through a mix of acquisitions and new developments
- The company is supporting the State of Berlin in its school construction initiative, making HOWOGE systemically highly relevant

Heritage

- Established in 1990 as a municipal real estate company
- In 1997, HOWOGE acquired the Wohnungsbaugesellschaft Lichtenberg (WBL), comprising a portfolio of ~26,000 residential units
- Foundation of HOWOGE-Servicegesellschaft (2001) and HOWOGE Wärme (2005) to ensure comprehensive facility management
- In January 2018, HOWOGE acquired 100% of the shares of Kramer + Kramer, a project management company
- In 2019, the Senate of Berlin contractually resolved that HOWOGE becomes vital part of the Berlin school building initiative
- In 2021, HOWOGE acquired c. 8k units from Vonovia and Deutsche Wohnen

Key financial highlights

Key metric	FY 2021 ⁽¹⁾
Total portfolio value ⁽²⁾	EUR 11.7bn
Net LTV ⁽³⁾	18.4%
Residential rent (EUR per sqm) ⁽⁴⁾	6.27
Residential vacancy rate	1.3%
Adj. EBITDA	EUR 216,1m
FTE	~900

1. excl. EUR 1.4bn acquisition

2. Total portfolio value is the sum of developed and undeveloped land/ inheritable building rights granted as well as assets under construction and Developments

3. Including recent acquisitions with transfer of title in Jan 22 the pro-forma LTV is ca. 27%

4. As of 31. Dec 2021

Strategic Growth

HOWOGE intends to expand portfolio to ~100,000 residential units




Organic Growth
(developments and acquisition of single properties)



Opportunistic growth
(acquisition of sizeable portfolios)



- Sufficient firepower under current credit rating to achieve target
- Clear mandate from State of Berlin to grow portfolio



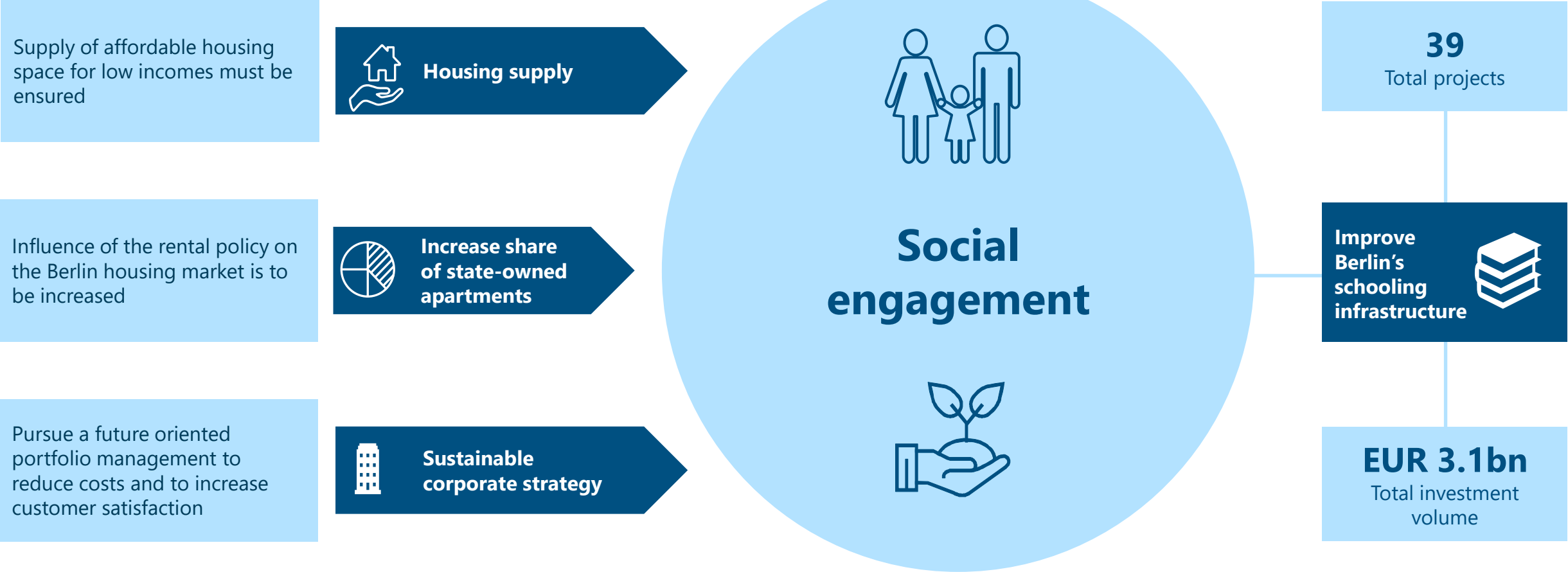
- Continue to acquire residential units in Berlin
- Recent acquisition of ~8.3k units proves ability to successfully execute sizeable acquisitions



- Strong development pipeline with > 12k units planned for the next 10 years

Corporate Responsibility

HOWOGEs programme is supported by the long-term agenda of Berlin



Achievements

HOWOGE continues growth and successfully entered capital markets



1 Acquisition of c. 8,300 apartments for EUR 1.4bn

- Transaction successfully closed in Jan 2022, integration on track
- Annualized rent of c. EUR 46m

2 Best in class investment grade rating achieved

- S&P Global Ratings A and Fitch Ratings AA- (stable outlook)
- Underlines the portfolio quality and resilience of underlying business model

3 EUR 1.7bn bond issuance to finance external growth

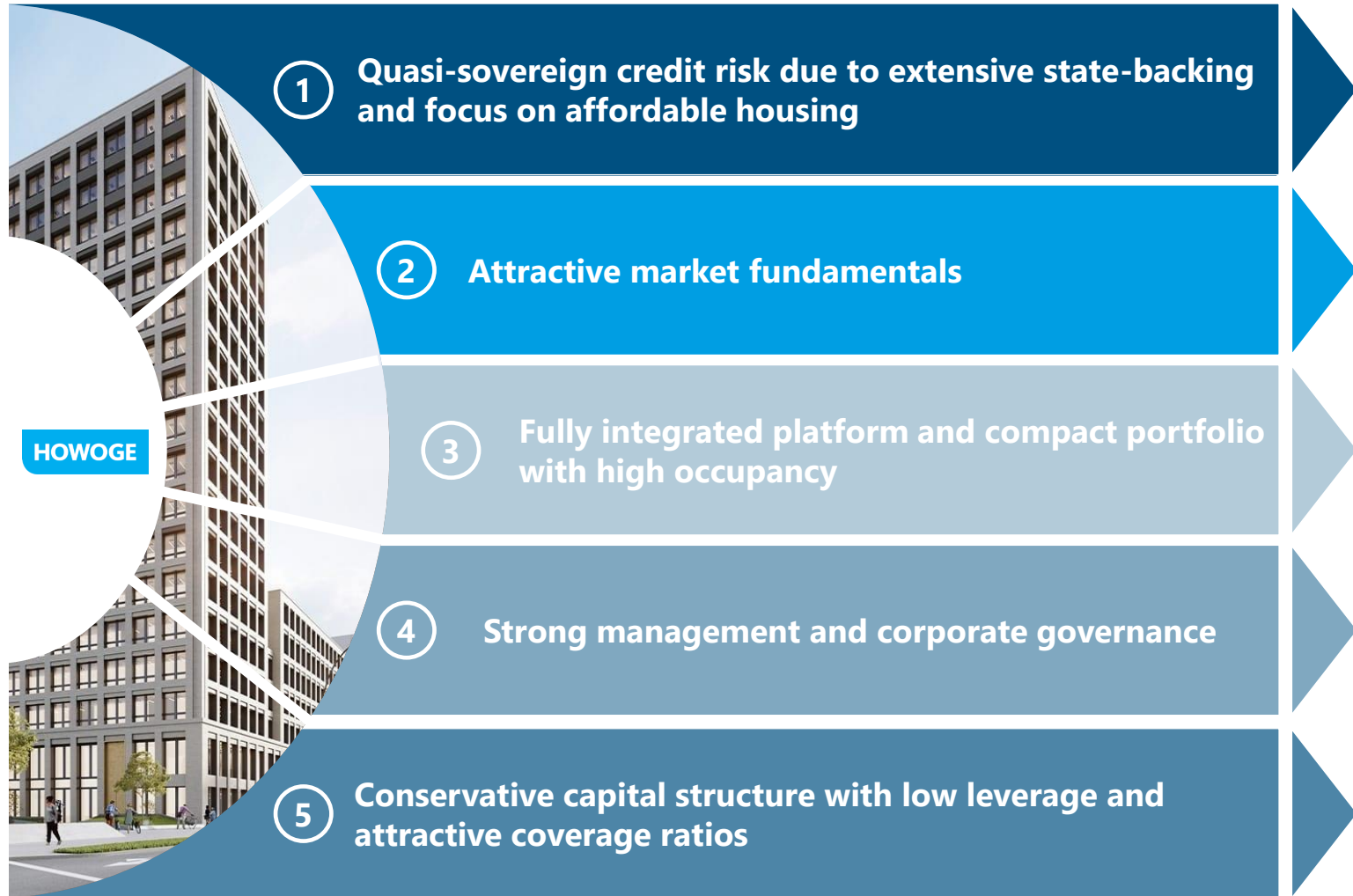
- Maturities (3, 7 and 12Y) fit well into existing maturity profile
- Avg. interest rate of 0.647% further support efficiency of capital structure

4 Robust financial results FY 2021

- FFO: EUR 180.5m (+2.4%)
- IFRS Profit: EUR 668.4m
- Equity: EUR 8bn (59% of total balance sheet)
- Net LTV: 18.4% (c. 27% including acquisitions)

Key Credit Highlights

HOWOGE is a company with excellent creditworthiness



 Systemically relevant for the State of Berlin	A S&P Rating	AA- Fitch Rating
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+7.1% population growth (2013-2020)
 Significant supply / demand imbalance

~73,500 Residential units ⁽¹⁾	~99% Occupancy rate
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E✓ New construction and refurbishments	S✓ Affordable housing	G✓ Two-tier board structure
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~27% Net LTV (pro-forma recent acquisitions)	~50% Financial policy ⁽²⁾ : max. net LTV
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1. Including recent acquisitions of ~8.3k units with closing in Jan 2022
 2. Financial policy excludes school initiative

02 Market & Portfolio

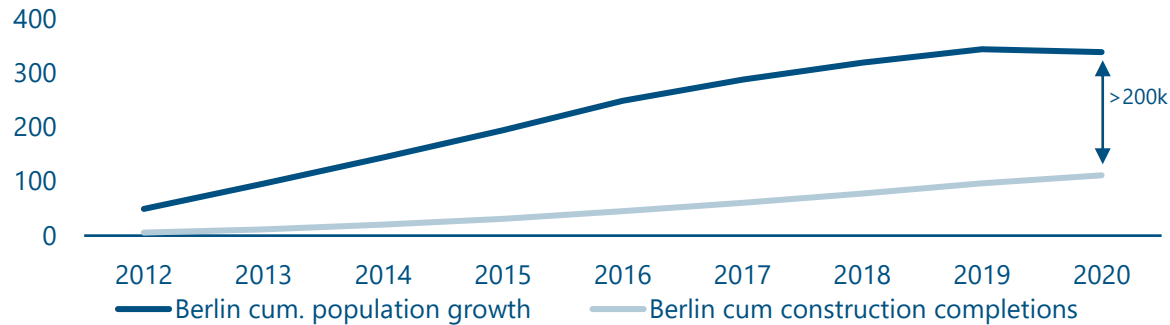


Market Fundamentals

Berlin offers attractive residential real estate market environment

Strong population growth and low construction activity ...

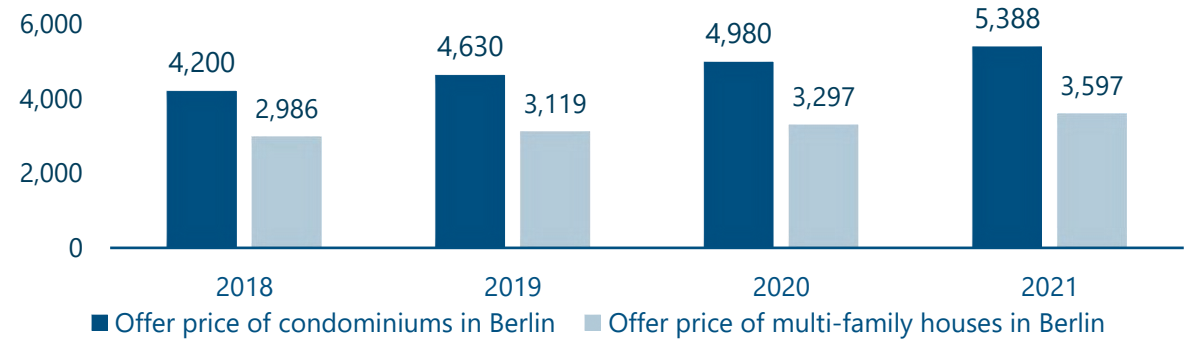
In '000s



Source: Statista, Statistical Office Berlin

... lead to increasing prices ...

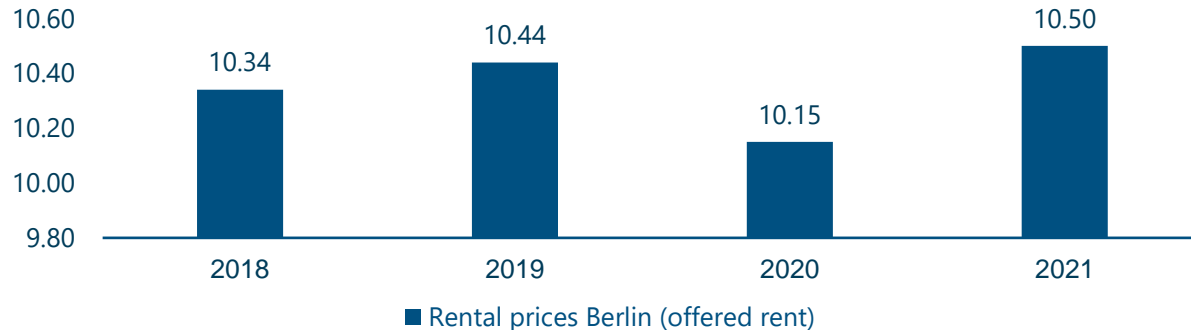
In EUR per sqm



Source: CBRE based on market database by Value AG

... and to increasing market rent levels.

In EUR per sqm per month



Source: CBRE based on market database by Value AG

Summary:

- **Population grows faster than housing stock:** housing supply is not able to meet strongly increasing demand
- **Strong migration balance:** driven by the strong migration balance, the population has been growing steadily in the last years, but completions were still too low, widening the supply / demand gap
- **Construction activity focus:** the construction focuses mainly on the upper price segment and condominiums
- **Rent and price increase:** supply / demand gap leads to increasing rent levels and house prices

Portfolio

HOWOGE owns a concentrated portfolio with regional focus

Portfolio and operations overview

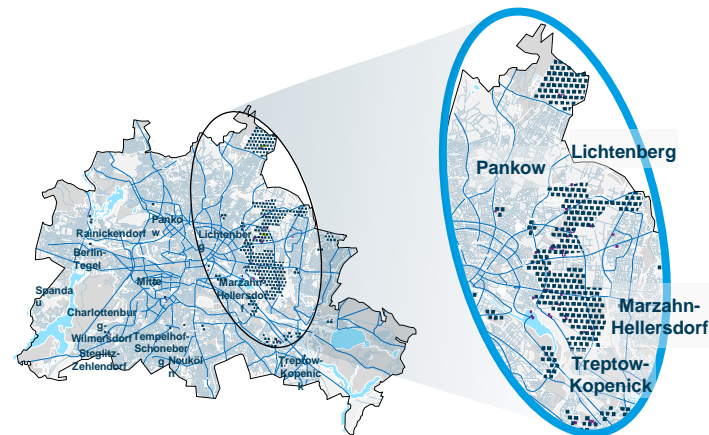
Portfolio and operations overview

The real estate portfolio is very efficiently managed due to its regional focus.

The units are organizationally divided into three different clusters (stock/construction/acquisition). According to the actual circumstances, the units are distributed as follows (as of Dec 31, 2021):

- 65,131 residential units,
- 874 commercial units,
- several undeveloped properties or proportional undeveloped properties

Key highlights



Type of use	Units	Rental area (k sqm)	In-place rent (EUR m)	% of total in-place rent	Avg. rent in EUR/sqm p.m.	Vacancy (units)
Residential	65,131	3,992	297.2	94%	6.27	1.3%
Commercial	874	132	12.0	4%	8.19	4.2%
Sub-total	66,005	4,124	309.2	98%	6.34	1.3%
Other ⁽¹⁾	12,578	n/a	6.7	2%	n/a	n/a
Total	78,583	4,124	315.9	100%	6.34⁽²⁾	1.3%

As of 31 Dec 2021, (excluding ~200 owner occupied units)

1. Other mainly includes parking spaces and garages

2. Based on total excl. other

3. Total portfolio value is the sum of developed land and undeveloped land/ inheritable building rights granted as well as assets under construction and Developments.

EUR 11.2bn

Fair value only including existing buildings (2021)

~65,000

Residential units

35.5x

In-place rent multiple

EUR 11.7bn

Total fair value⁽³⁾ (2021)

EUR 2,697

Fair value per sqm

29.3x

Market-rent multiple

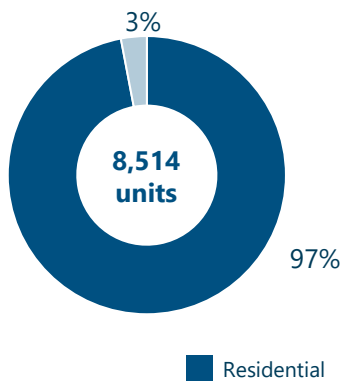
Latest Acquisition

HOWOGE expanded portfolio by 8,300 residential units

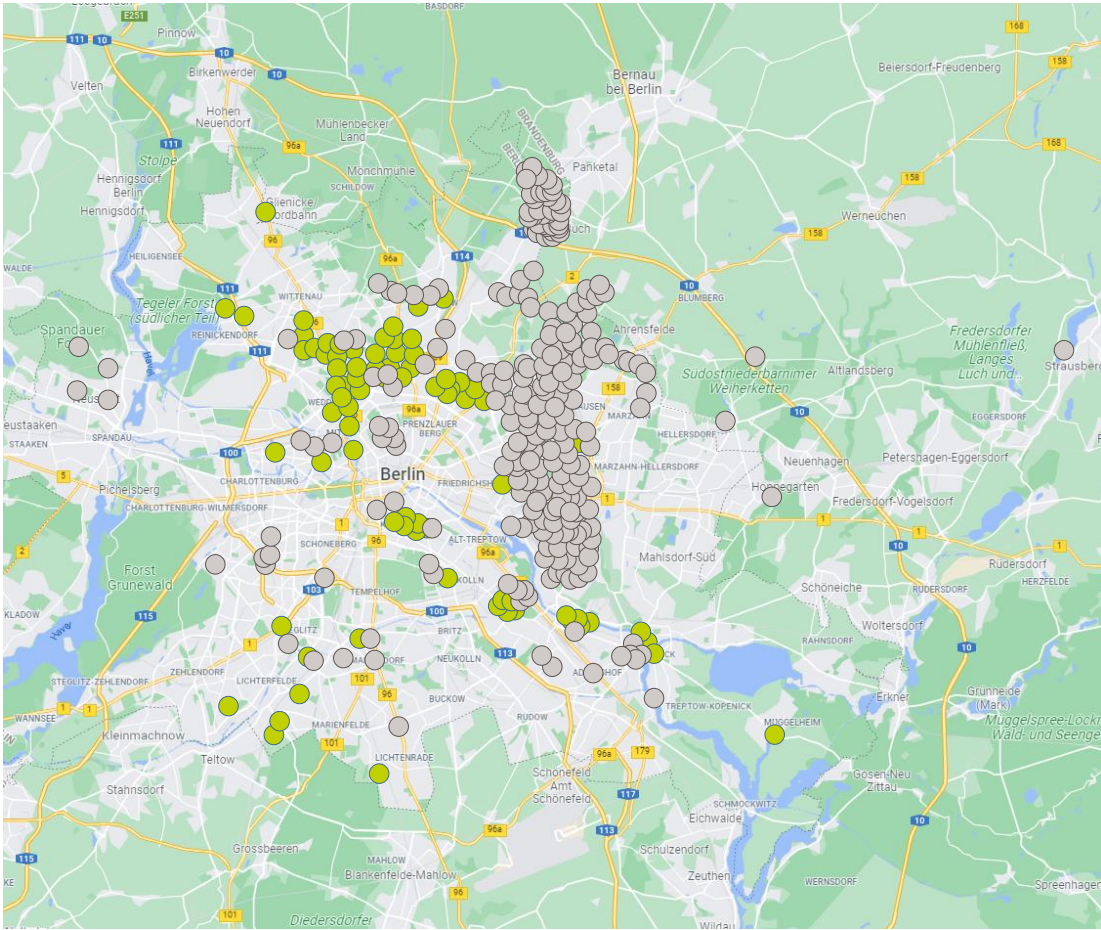
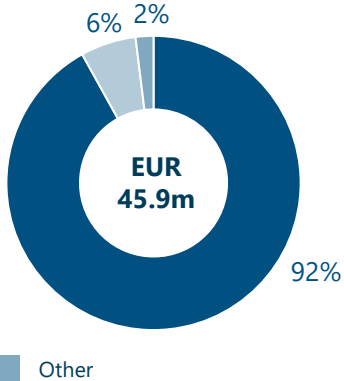
Portfolio overview (as at acquisition)

Type of use	Units	Rental area in sqm	Rent in EUR/sqm p.m.	In-place rent ⁽¹⁾ in EUR m p.a.
Residential	8,267	546,051	6.55	42.2
Commercial	247	28,755	9.08	2.8
Sub-total	8,514	574,806	6.67	45.0
Other ⁽²⁾	2,947	n/a	n/a	0.9
Total	11,461	574,806	6.67⁽³⁾	45.9

Breakdown of units



Breakdown of in-place rent



● HOWOGE existing portfolio ● Acquired portfolio

1. In-place rent is defined as current gross rent per month as agreed in the corresponding rent agreement before deducting recoverable operating costs. Residential in-place rent is often referred to as "net cold rent"

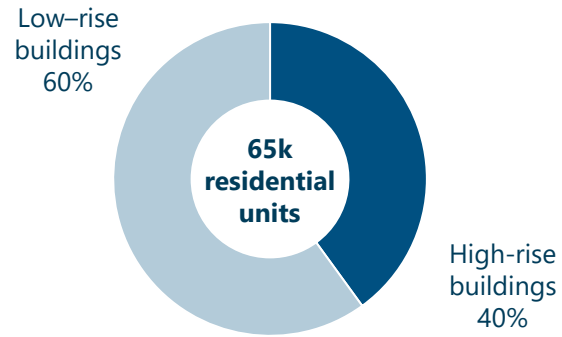
2. Other mainly includes parking spaces and garages
3. Based on total excl. other

Portfolio statistics

Low in-place rents and majority of assets built after 1980

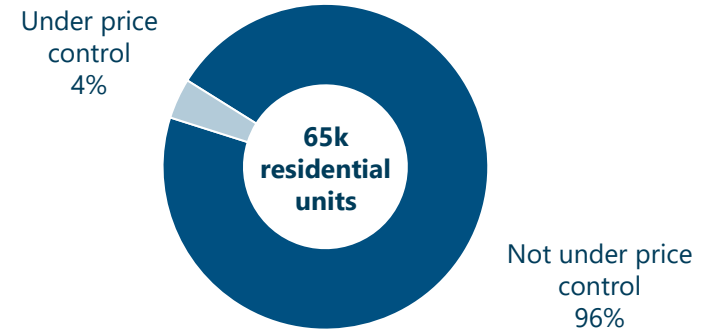
Building type⁽¹⁾

%



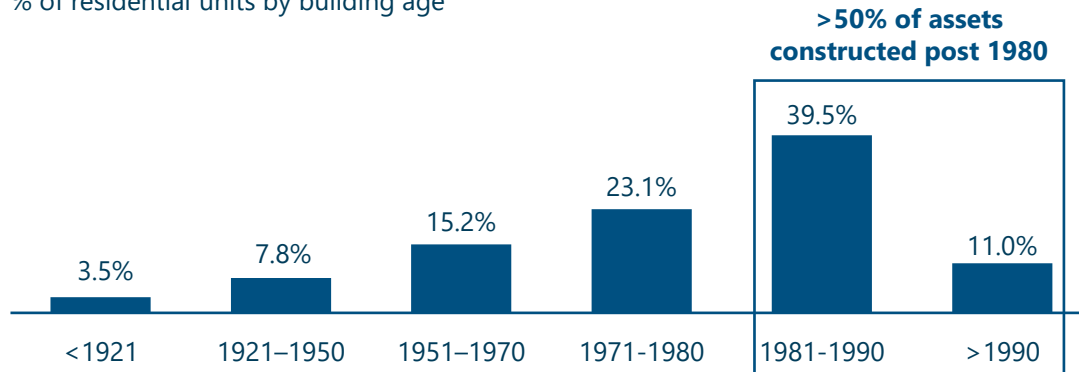
Rental restrictions⁽²⁾

%



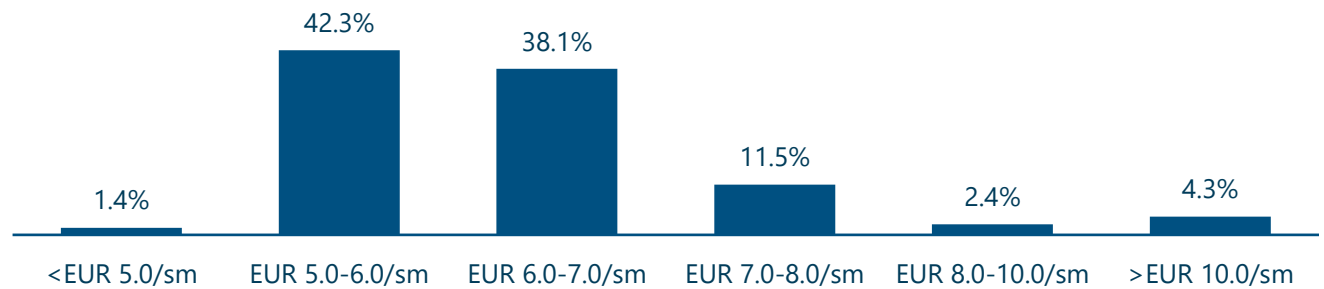
Building age⁽³⁾

% of residential units by building age



Rent distribution

% of total portfolio rent by rental level



1. High-rise buildings defined as building with 7 or more stories.

2. Rental restrictions refers to "Preisgebundene Wohnungen". Furthermore in the Cooperation Agreement with the city of Berlin, HOWOGE agreed to additional restrictions. Please see slide 26 for further details.

3. Building age refers to initial building age of property not considering any refurbishments.

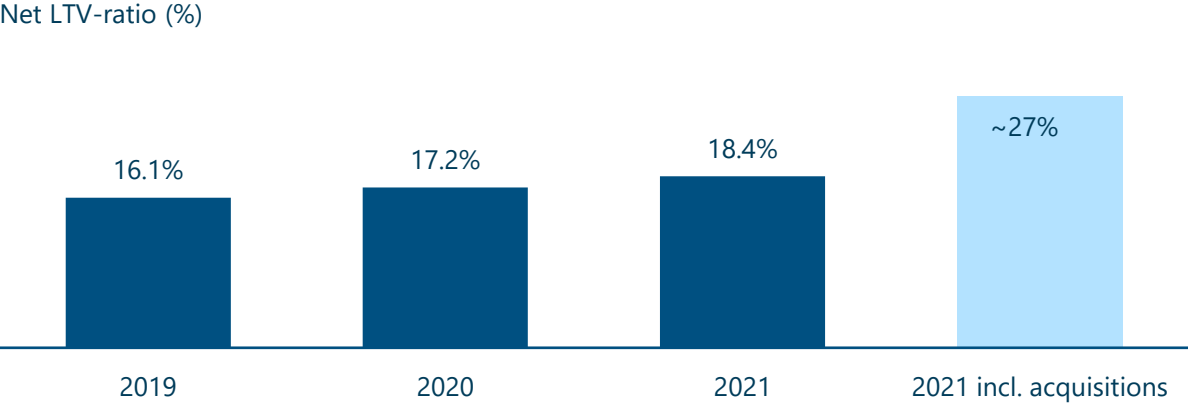
03 Financials and Capital Structure



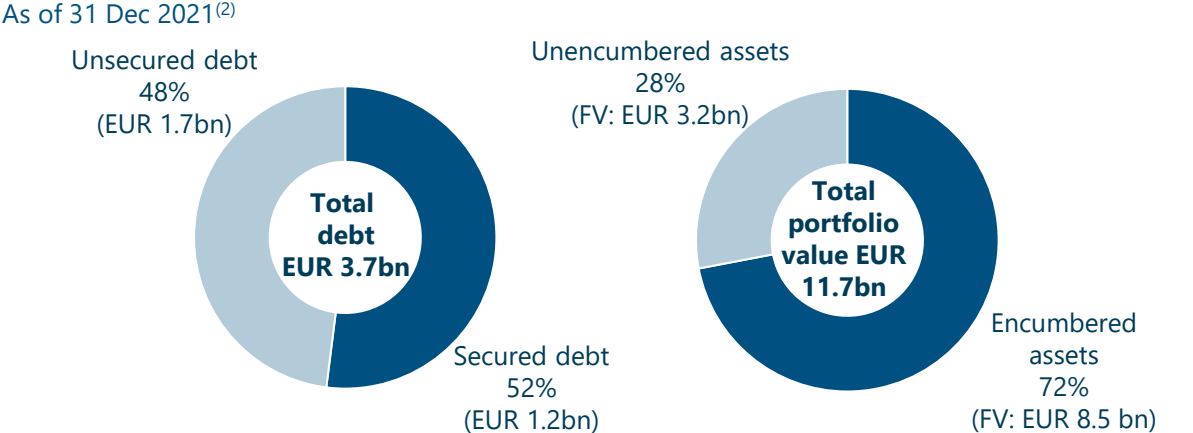
Conservative capital Structure

Low leverage and strong coverage ratios

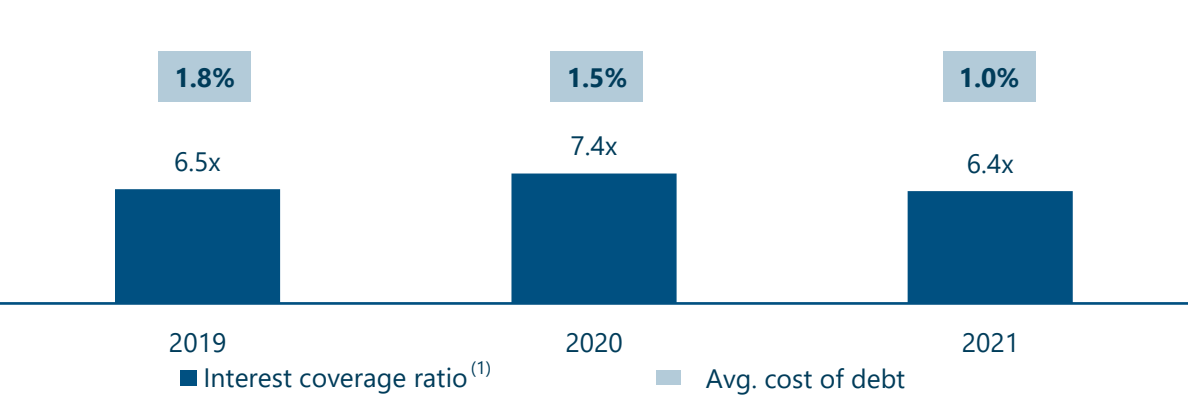
Very low current leverage



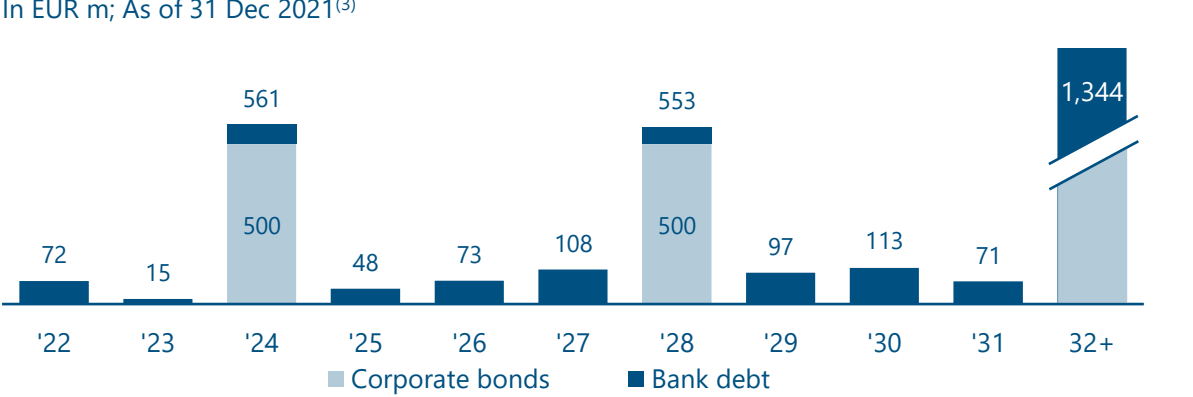
Funding and asset mix



Strong coverage ratios and low cost of debt



Long-dated maturity profile with no short-term maturities



1. ICR defined as Adj. EBITDA / cash interest expenses
 2. Excl. acquisitions
 3. Maturity profile is based on end of fixed-rate interest period excl. debt from school construction

Bond covenants

Current levels offer significant headroom

Bond covenant	Required level	Current level 31/Dec/2021
Consolidated LTV Total debt/ total assets	< 60%	26.9%
Consolidated secured LTV Total secured debt/ total assets	< 45%	14.1%
Interest coverage ratio Adjusted EBITDA/ cash interest	> 1.8x	6.4x
Unencumbered asset ratio Unencumbered assets/ unsecured debt	≥ 125%	291.9%

Rating and Corporate Bonds

Issue size	Issue date	Maturity date	Coupon p.a.	Issue price	ISIN
EUR 500m	01/Nov/2021	01/Nov/2024	0.000%	99.808%	DE000A3H3GE7
EUR 500m	01/Nov/2021	01/Nov/2028	0.625%	99.829%	DE000A3H3GF4
EUR 700m	01/Nov/2021	01/Nov/2033	1.125%	99.755%	DE000A3H3GG2

HOWOGE has achieved a Long-Term Issuer Rating by Fitch and Standard & Poor's:

Fitch:	AA-	outlook stable	last update: 11/Oct/2021
S&P:	A	outlook stable	last update: 11/Oct/2021

Consolidated Balance Sheet

EUR m	FY 2021	FY 2020
Investment property	11,666.6	10,543.9
Other non-current assets	256.8	206.3
Non-current assets	11,923.4	10,750.2
Inventories property and other inventories	21.4	19.5
Receivables and other assets	72.4	112.8
Cash and cash equivalents	1,511.2	43.5
Current assets	1,605.1	176.0
Assets held for sale	0.0	0.2
Total assets	13,528.4	10,926.2

EUR m	FY 2021	FY 2020
Equity	8,033.2	7,353.8
Non-current financial liabilities	3,608.9	1,799.7
Other non-current liabilities	1,694.3	1,551.5
Non-current liabilities	5,303.3	3,351.2
Current financial liabilities	75.3	74.6
Other current liabilities	116.7	146.6
Current liabilities	192.0	221.1
Total equity and liabilities	13,528.4	10,926.2

- Investment property increased by ~11% YoY and represents ~86% of total assets
- Cash position of ~EUR 1.5bn at YE 2021 temporary effect for financing of portfolio acquisition with transfer of ownership in Q1 2022
- Total assets up by ~24% YoY as a result of strong earnings contribution and the mentioned portfolio acquisition
- Equity increased by ~9% YoY; equity ratio decreased to ~59% (67% FY2020) as a result of debt financing
- Financial liabilities doubled to ~EUR 3.6bn, mainly reflecting the EUR 1.7bn bond issuance in October 2021

Adjusted EBITDA

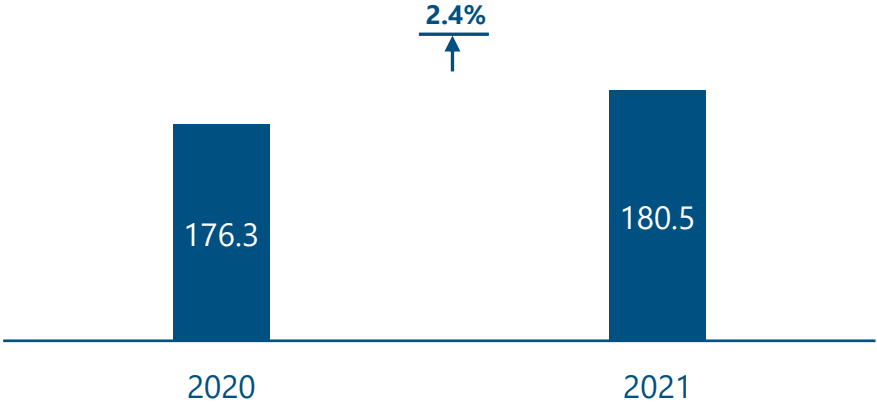
EUR m	FY 2021	FY 2020
Total revenues	397.6	386.2
Change in inventories for real estate and other	2.0	17.8
Result from disposal of real estate	0.1	0
Own work capitalized	2.9	2.2
Cost of materials	(102.0)	(118.3)
Personnel expenses	(50.0)	(48.6)
Other operating income	3.7	10.8
Impairment of financial assets	(0.7)	1.2
Other operating expenses	(39.3)	(24.9)
Financial income	4.9	0
Other taxes	(13.4)	(13.1)
One-offs	10.4	0.1
Adjusted EBITDA	216.1	213.5

- Higher costs of material in 2020 mainly due to school building activities (Δ EUR 16.7m)
- Other operating income in 2020 was mainly characterized by priorly received hereditary ground lease interest (Δ EUR 7.0m)
- Other operating expenses increased due to non-recurring costs (\sim EUR 10m) for acquisition and financing of M&A which have been added back as one-offs

Funds from Operations

Underline strong operational cashflow

EUR m	FY 2021	FY 2020
Adjusted EBITDA	216.1	213.5
Cash income tax expenses	(8.7)	(11.2)
Cash interest expenses	(29.2)	(28.8)
Expenses insurance policies	2.4	2.4
Sale of assets	(0.1)	0.5
FFO	180.5	176.3



Outlook:

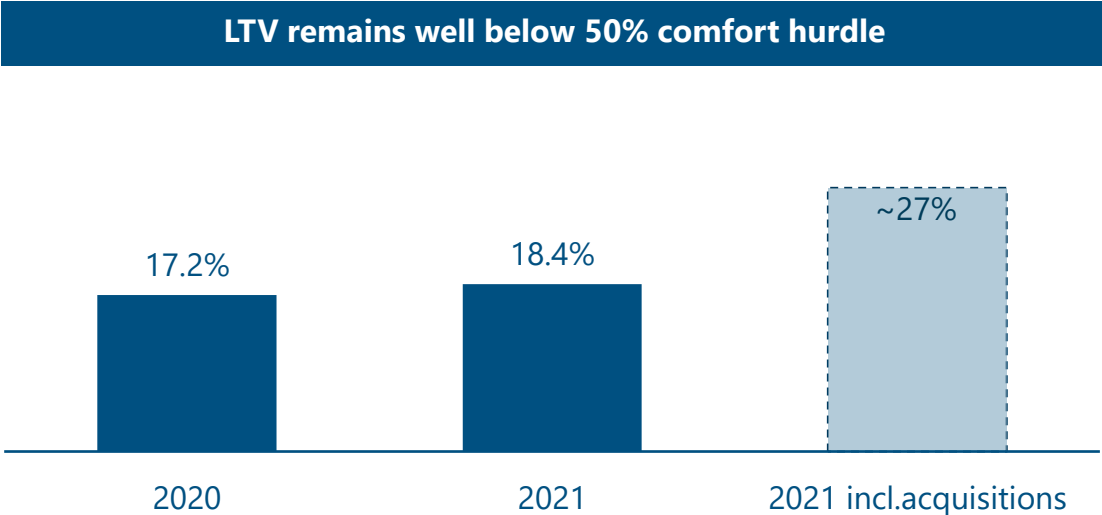
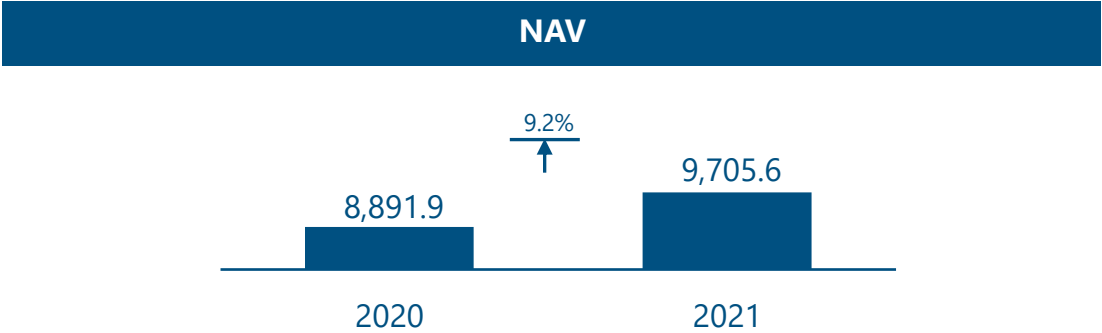
→ FFO of ~EUR 186m expected for FY 2022

NAV and Net LTV

Compelling balance sheet KPIs

EUR m	FY 2021	FY 2020
Total equity	8,033.2	7,353.8
Deferred tax liability on investment properties	1,672.4	1,538.1
NAV	9,705.6	8,891.9

EUR m	FY 2021	FY 2020
Financial liabilities	3,684.2	1,874.3
Cash and cash equivalents	(1,511.2)	(43.5)
Net financial liabilities	2,173.0	1,830.7
Fair value of investment property	11,666.6	10,543.9
Prepayments on investment property	120.6	79.3
Net LTV ratio	18.4%	17.2%



04 Appendix



Management Board

Experienced team with over 20 years of sector expertise

Thomas Felgenhauer

Managing Director (commercial)

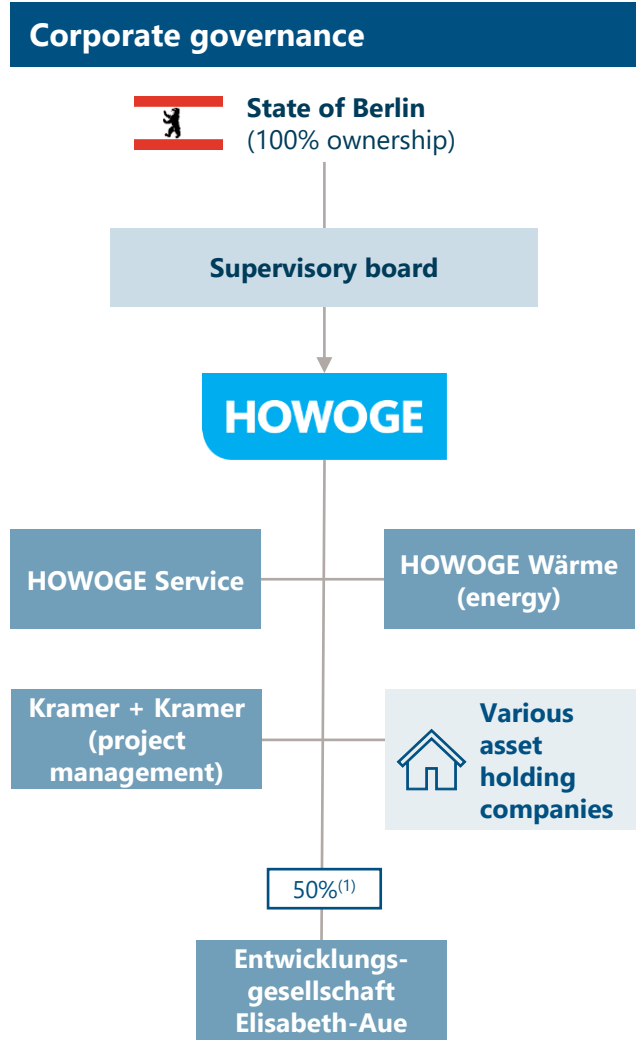
- Managing director since 2017
- Responsible for finance, legal, audit, IT and HR
- Previously, worked for Daimler heading the German real estate operations
- >20 years of experience in the real estate sector



Ulrich Schiller

Managing Director (operational)

- Managing director since 2019
- Responsible for asset and property management, operations, marketing and communication and new constructions
- Previously, headed Vonovia's northern region in Germany
- >20 years of experience in the real estate sector



Supervisory board

Hendrik Jellema Chairman	Elfriede Baumann Board Member Chairwoman of the Audit Committee	Babett Buschmann Board Member
Dr. Jochen Lang Vice Chairman	Jana Borkamp Board Member	Christian Gaebler Board Member
Kerstin Wittke Employee Representative	Jörn Lorenz Employee Representative	Frank Sparmann Employee Representative

Highly experienced and engaged senior management team

Thomas Felgenhauer Managing Director (commercial) >20 years of sector experience	Ullrich Schiller Managing Director (operational) >20 years of sector experience
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Second level management well above 20 years of experience


Christina Collin-Hoebel Finance & Controlling	Jörg Busse Legal and Procurement	Petra Stoklasek Strategic Portfolio Management
Jens Wadle School Initiative	Stefan Schautes Residential Development	

1. Jointly owned by HOWOGE (50% stake) and GESOBAU (50% stake)

Quasi-sovereign Credit Risk

High certainty due to state-backing and affordable housing focus

100% owned by State of Berlin



State of Berlin

100% owned by State of Berlin

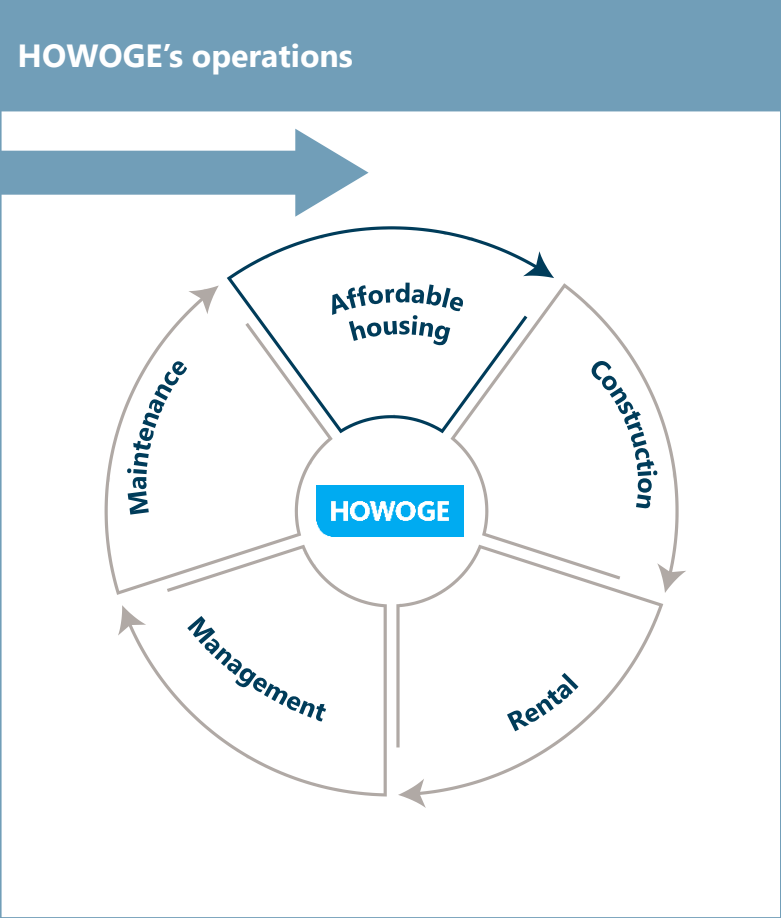
- Owned by the State of Berlin since inception in 1990
- Completed transformational merger with WBL in 1997

Cooperation agreement

- HOWOGE has signed a cooperation agreement (“Leistbare Mieten, Wohnungsneubau und soziale Wohnraumversorgung”) with State of Berlin

Equity contribution

- HOWOGE has received equity injections by way of land reserve contributions valued at ~EUR 100m from the State of Berlin



Importance of HOWOGE to Berlin

Affordable housing




- Supply of affordable housing space for low incomes must be ensured
- Successful execution of several new development project over the past years

School construction



- State of Berlin has selected HOWOGE to execute its school construction initiative
- The initiative makes HOWOGE systemically relevant

Social commitment



- Ensuring social stability within the society by providing essential services
- Through the foundation “Stadtkultur” HOWOGE also supports projects in the field of art, culture and education

HOWOGE is acting with the unrestricted support of its sole shareholder, the State of Berlin. Its strategy reflects the political agenda of all ruling parties.

Cooperation Agreement (summary of selected highlights)

“Affordable rents, new construction and the supply of social housing”⁽¹⁾

Strengthen tenant protection as well as participation, e. g. through the introduction of tenants’ councils

Adjustment of general rent increases to **1%** (until 2025) respectively to the **inflation rate** (from 2025)

Hardship policy:
decrease rent to **max. 30%** of the household’s income

Stock: provide **63%** of the apartments coming up for re-let annually for WBS⁽²⁾-eligible households (**thereof 25%** for special requirement groups)

Increase state-owned housing stock to **400,000 units** (until 2026)

Maximum of **EUR 11 per sqm** (average) applies to the rents of new-building projects without rent restriction

Step by step increase of lowered rents due to Law on Rent Limitation in Housing in Berlin

New-building:
offer minimum of **50%** to WBS⁽²⁾-eligible households



HOWOGE

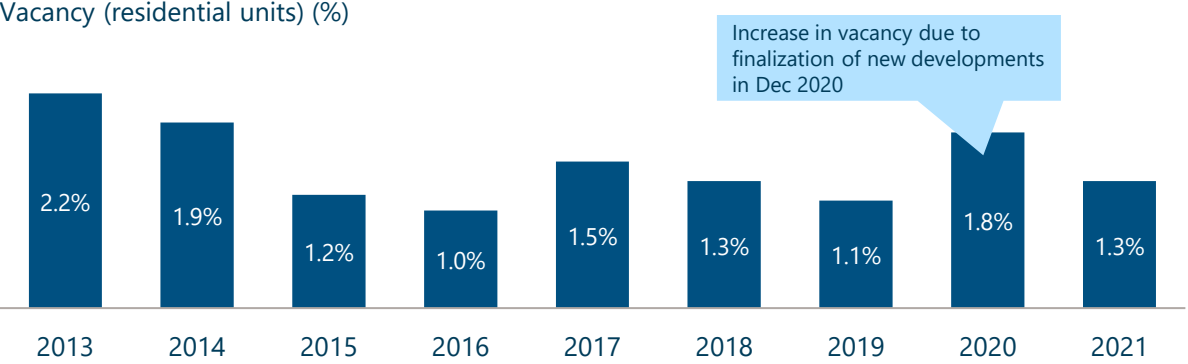
1. Current agreement between State of Berlin and HOWOGE Wohnungsbaugesellschaft mbH and the other state-owned housing companies. (As of 31 Dec 2021)

2. Housing eligibility certificate (“Wohnberechtigungsschein”) applies for households with income under a certain level.

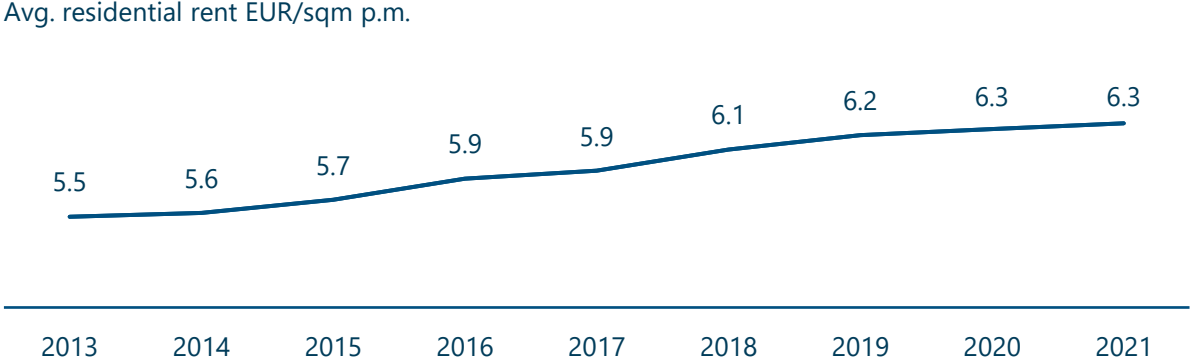
Operating Performance

Consistent rental growth and maintaining high occupancy

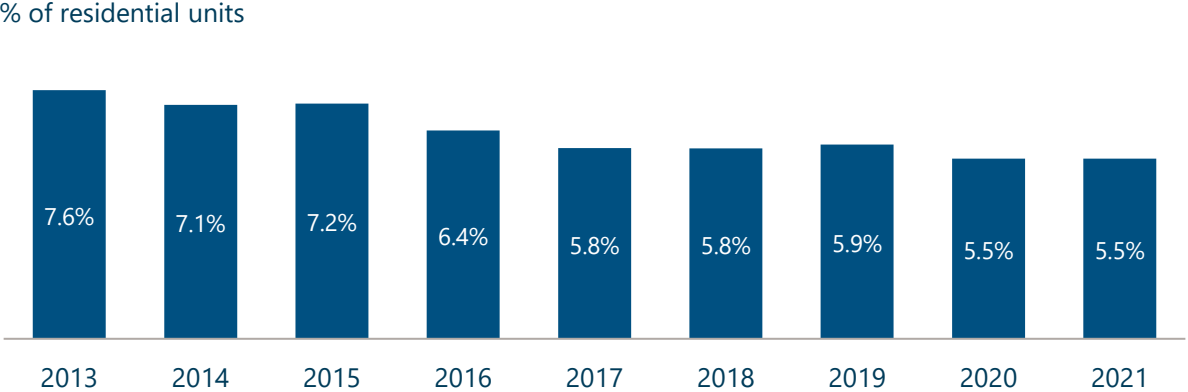
Portfolio basically fully occupied



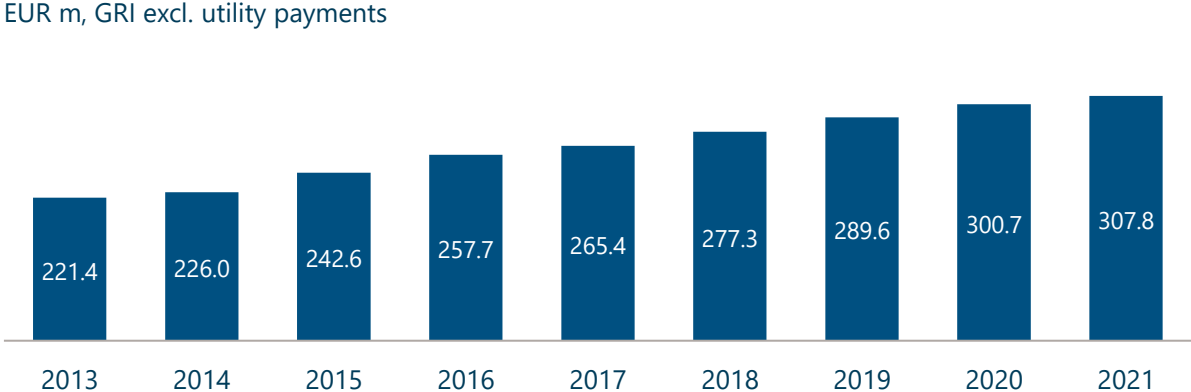
Consistent rental growth



Low churn rates



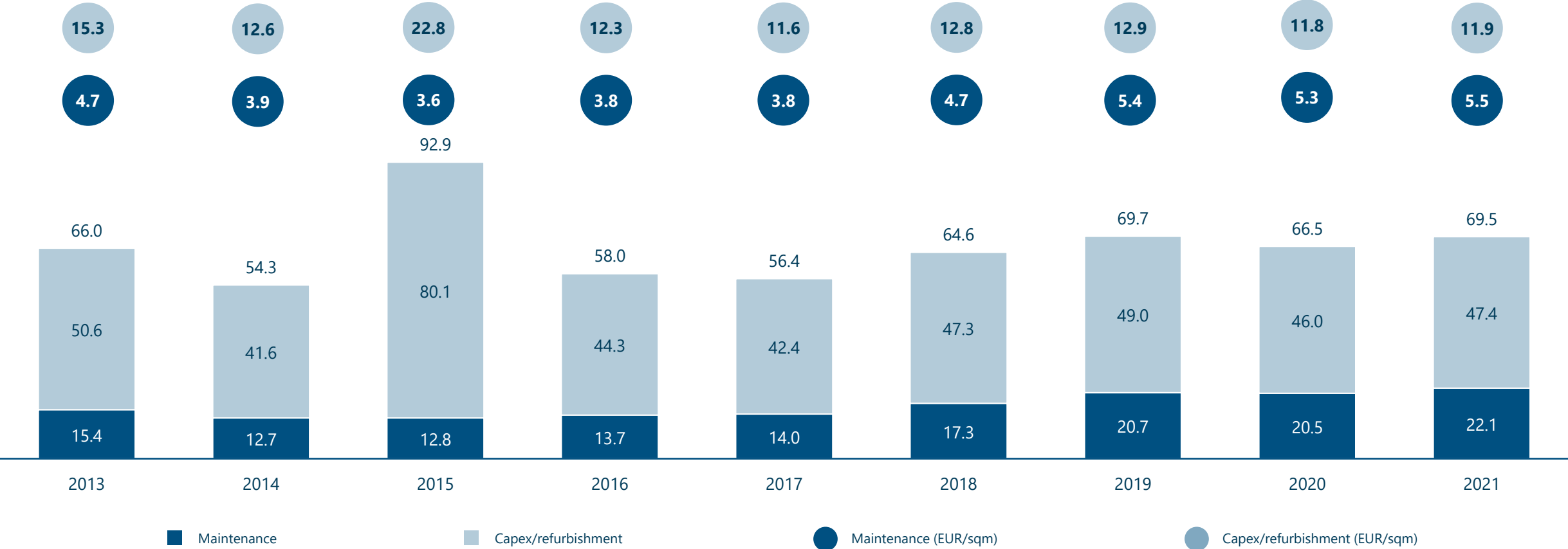
Track record of strong rental income growth



Investment activities

Investing in maintenance and capex secures high quality standards

EUR m

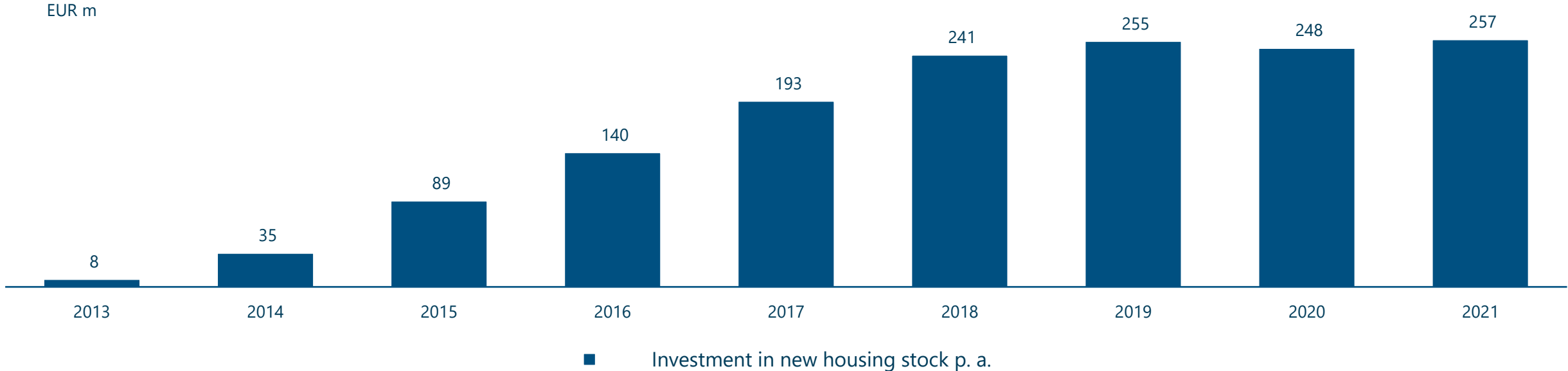


Investment activities

HOWOGE continues developing portfolio through new building activities

~ 5,000
Units completed since 2013

~ EUR 1.5bn
Total invested since 2013



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lebenswert. **Mehr als gewohnt.**

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Thank you.