

HOWOGE

# HOWOGE H1 2022 – Company Presentation



# Agenda

## Company Presentation

- 01 Highlights H1 2022
- 02 Portfolio
- 03 Financials and Capital Structure
- 04 Appendix



# 01 Highlights H1 2022



# 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 13.6bn and ~74,500 residential units
- Efficient, fully integrated and scalable platform with strong local expertise
- Clear strategy and government support to expand its current portfolio by ~25,000 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, transfer of title occurred in Q1 2022

## Key financial highlights

Key metric	H1 2022
Total portfolio value <sup>(1)</sup>	EUR 13.6bn
Net LTV	27.2%
Residential rent (EUR per sqm) <sup>(2)</sup>	6.37
Residential vacancy rate	1.6%
Adj. EBITDA	EUR 120.3m
FTE	948

1. Total portfolio value is the sum of developed and undeveloped land/ inheritable building rights granted as well as assets under construction and developments  
 2. As of 30.06.2022.

# Highlights H1 2022

## HOWOGE shows resilience despite challenging macro environment



### 1 Strong operational performance

- Occupancy consistently at >98%
- New construction: 734 apartments completed in H1 2022

### 2 Best in class investment grade rating confirmed in annual review

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

### 3 Sustainability reporting in line with sustainability code (DNK)

- HOWOGE is reporting in line with DNK guidelines since 2011
- [Link to CSR Report 2021](#)



### 4 Solid financial results H1 2022

- FFO: EUR 95.4m (+6.4%)
- IFRS Profit: EUR 187.8m
- Equity: EUR 8.2bn (59% of total balance sheet)
- Net LTV: 27.2%

## 02 Portfolio



# Portfolio

## HOWOGE owns a concentrated portfolio with regional focus

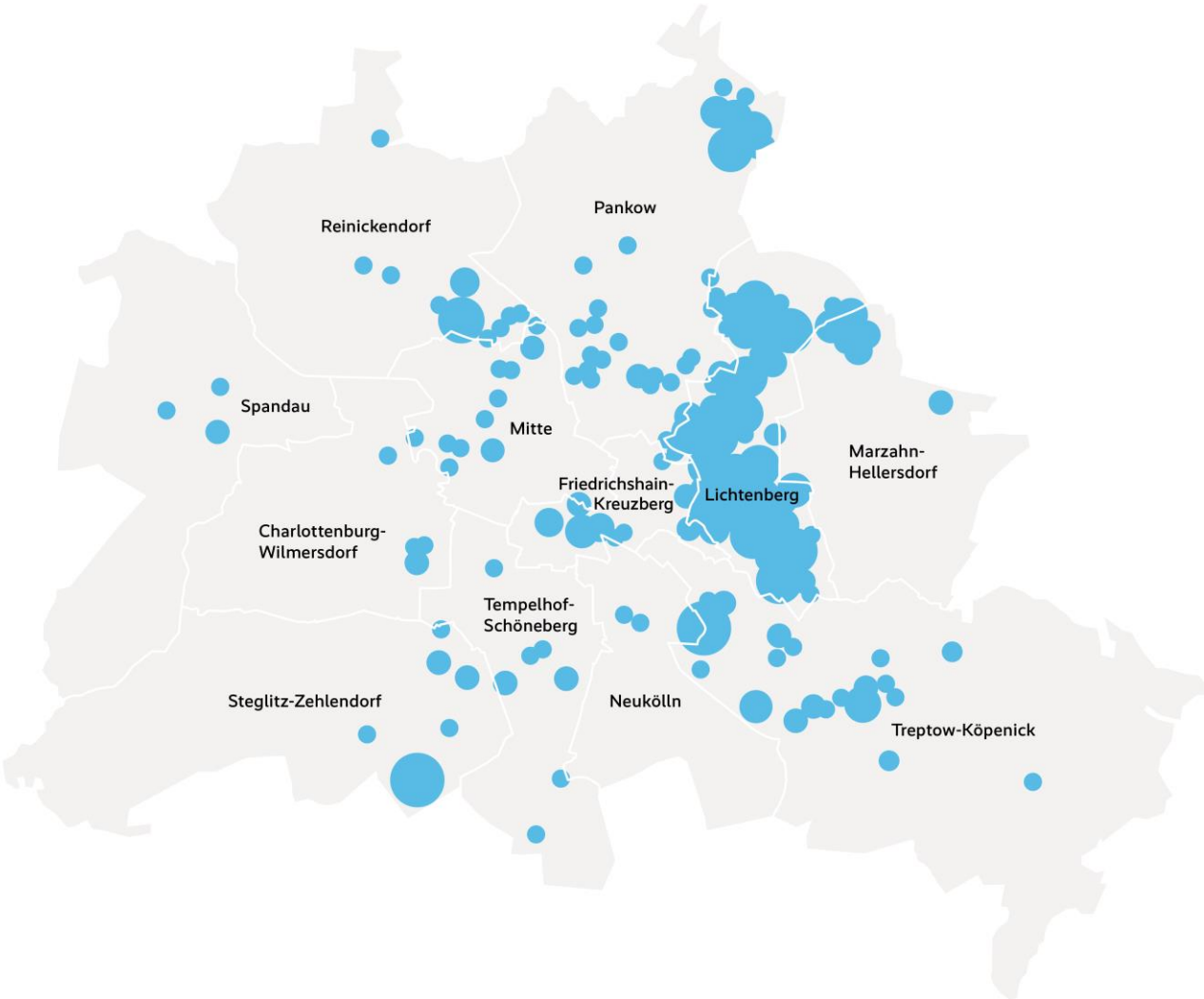
### Portfolio and operations overview

The real estate portfolio is very efficiently managed due to its regional Berlin 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 30 June 2022):

- 74,493 residential units,
- 1,140 commercial units,
- several undeveloped properties / undeveloped land

<p><b>EUR 12.9bn</b> Fair value only including existing buildings</p> <p><b>~74,500</b> Residential units</p> <p><b>35.1x</b> In-place rent multiple</p>	<p><b>EUR 13.6bn</b> Total fair value<sup>(1)</sup></p> <p><b>EUR 2,710</b> Fair value per sqm</p> <p><b>29.1x</b> Market-rent multiple</p>
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As of 30 June 2022



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

# Portfolio

## Overview key figures

Type of use	Units	Rental area (k sqm)	In-place rent <sup>(1)</sup> annualized (EUR m)	% of total in- place rent	Avg. Rent (EUR/sqm p.m.)	Vacancy (% in sqm)
Residential	74,493	4,605	351.9	93%	6.37	1.6%
Commercial	1,140	172	17.3	4%	8.39	10.6%
<b>Sub-total</b>	<b>75,633</b>	<b>4,777</b>	<b>369.3</b>	<b>97%</b>	<b>6.44</b>	<b>1.9%</b>
Other <sup>(2)</sup>	16,135	297	9.9	3%	n/a	n/a
<b>Total</b>	<b>91,768</b>	<b>5,074</b>	<b>379.2</b>	<b>100%</b>	n/a	n/a

As of 30 June 2022

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"

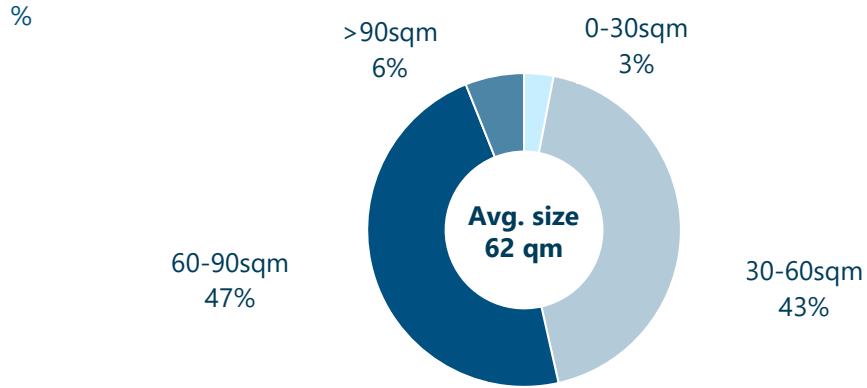
2. Other mainly includes parking spaces and garages



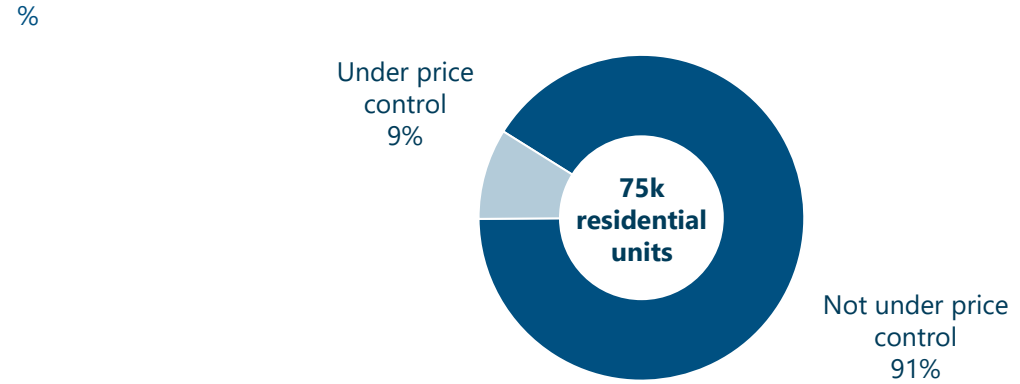
# Portfolio statistics

## Low in-place rents and relatively young asset base

### Apartment size

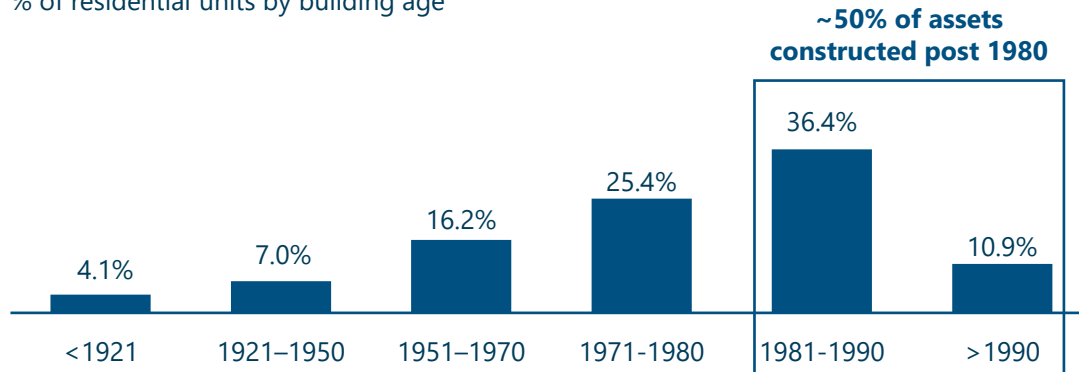


### Rental restrictions<sup>(1)</sup>



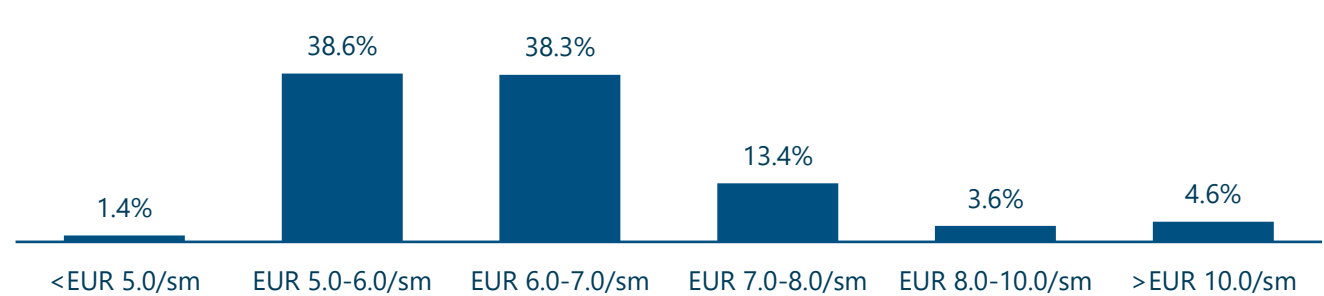
### Building age<sup>(2)</sup>

% of residential units by building age



### Rent distribution

% of total portfolio rent by rental level



1. Rental restrictions refers to "Preisgebundene Wohnungen". Furthermore in the Cooperation Agreement with the city of Berlin, HOWOGE agreed to additional restrictions.  
 2. Building age refers to initial building age of property not considering any refurbishments.

# 03 Financials and Capital Structure

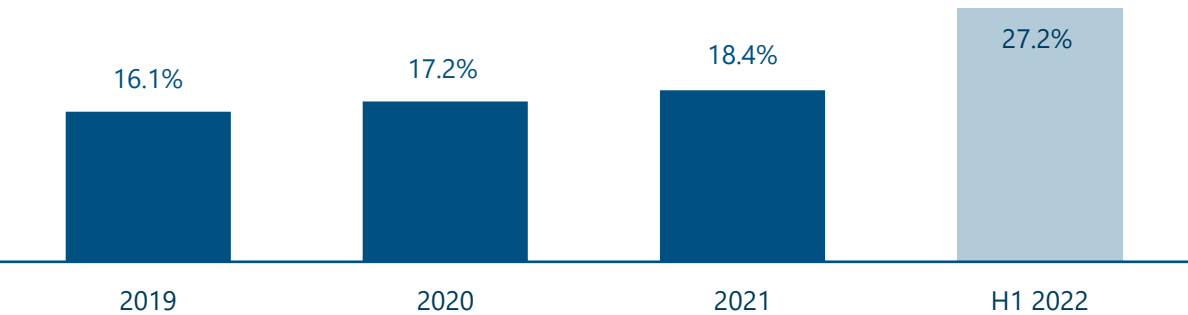


# Conservative capital Structure

## Low leverage and strong coverage ratios

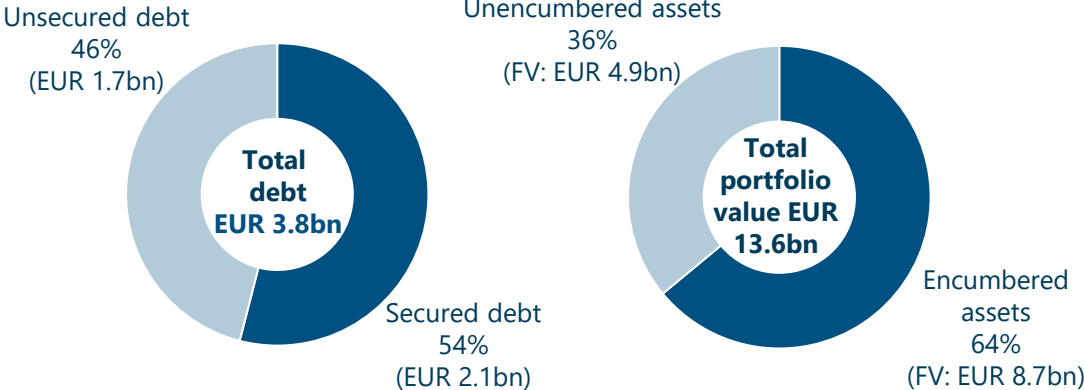
### Very low current leverage

Net LTV-ratio (%)

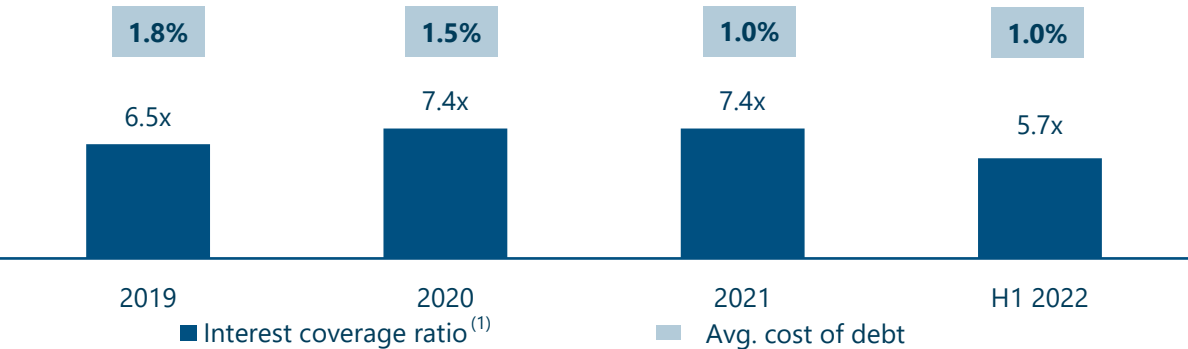


### Funding and asset mix

As of 30 Jun 2022

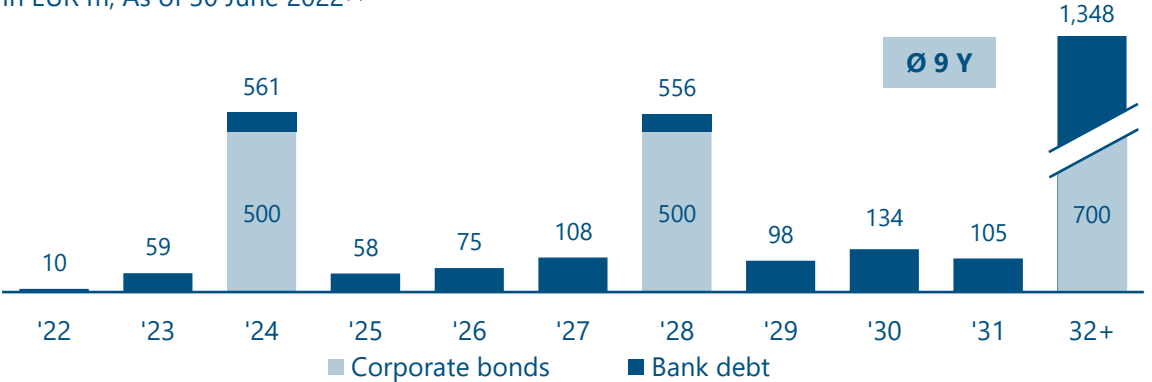


### Strong coverage ratios and low cost of debt



### Long-dated maturity profile with no short-term maturities

In EUR m; As of 30 June 2022<sup>(3)</sup>



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 <sup>(1)</sup>	Required level	Current level 30/Jun/2022
<b>Consolidated LTV</b> Total debt/ total assets	< 60%	26.7%
<b>Consolidated secured LTV</b> Total secured debt/ total assets	< 45%	14.2%
<b>Interest coverage ratio</b> Adjusted EBITDA/ cash interest	> 1.8x	5.7x
<b>Unencumbered asset ratio</b> Unencumbered assets/ unsecured debt	≥ 125%	300.6%

1. All covenants are based on the residential segment and excluding school construction. The exact definitions for the Covenants and its calculation are set out in the terms and conditions

# 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: 05/Jul/2022
S&P:	A	outlook stable	last update: 01/Aug/2022

# Consolidated Balance Sheet

EUR m	30/06/2022	31/12/2021
Investment property	13,543.5	11,666.6
Other non-current assets	209.4	256.8
<b>Non-current assets</b>	<b>13,752.9</b>	<b>11,923.4</b>
Inventories property and other inventories	91.3	21.4
Receivables and other assets	62.9	72.4
Cash and cash equivalents	119.0	1,511.2
<b>Current assets</b>	<b>273.2</b>	<b>1,605.1</b>
Assets held for sale	11.2	0.0
<b>Total assets</b>	<b>14,037.3</b>	<b>13,528.4</b>

EUR m	30/06/2022	31/12/2021
<b>Equity</b>	<b>8,222.2</b>	<b>8,033.2</b>
Non-current financial liabilities	3,801.3	3,608.9
Other non-current liabilities	1,847.3	1,694.3
<b>Non-current liabilities</b>	<b>5,648.6</b>	<b>5,303.3</b>
Current financial liabilities	9.9	75.3
Other current liabilities	156.5	116.7
<b>Current liabilities</b>	<b>166.4</b>	<b>192.0</b>
<b>Total equity and liabilities</b>	<b>14,037.3</b>	<b>13,528.4</b>

- Investment property increased by ~16% since FY 2021 and represents ~97% of total assets
- Cash position of ~EUR 1.5bn at FY 2021 has been used for financing of portfolio acquisition with transfer of ownership in Q1 2022
- Total assets up by ~4% YoY as a result of earnings contribution including revaluation gains
- Equity ratio remains stable at ~59%

# Adjusted EBITDA up by 13%

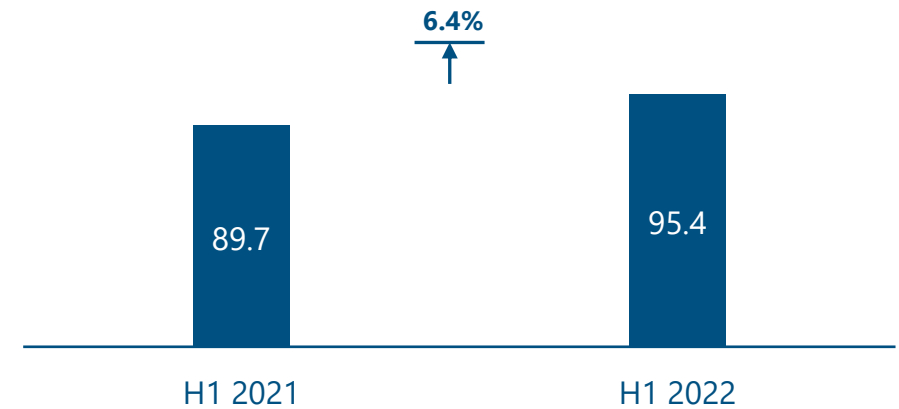
EUR m	H1 2022	H1 2021
<b>Total revenues</b>	<b>206.9</b>	<b>194.4</b>
Change in inventories for real estate and other	69.8	7.9
Own work capitalized	1.8	1.4
Cost of materials	(131.3)	(53.1)
Personnel expenses	(25.6)	(23.3)
Other operating income	2.2	4.1
Impairment of financial assets	(1.6)	1.0
Other operating expenses	(15.3)	(16.0)
Financial income	2.5	0
Other taxes	(14.8)	(13.4)
One-offs	(28.4)	3.4
<b>Adjusted EBITDA</b>	<b>120.3</b>	<b>106.4</b>

- Total revenues increased mainly due to larger asset base (acquisitions and new constructions) and rent adjustments
- Higher Cost of materials in H1 2022 also driven by larger asset base from acquisitions and significant increase in energy prices (heating etc.)
- One-offs include extraordinary change in inventory stemming from school construction (one time effect)

# Funds from Operations

Proving strong operational cashflow

EUR m	H1 2022	H1 2021
<b>Adjusted EBITDA</b>	<b>120.3</b>	<b>106.4</b>
Cash income tax expenses	(4.9)	(3.9)
Cash interest expenses	(21.1)	(14.6)
Expenses insurance policies	1.1	1.9
Sale of assets	0	(0.1)
<b>FFO</b>	<b>95.4</b>	<b>89.7</b>



## Outlook:

→ FFO of ~EUR 200m expected for FY 2022

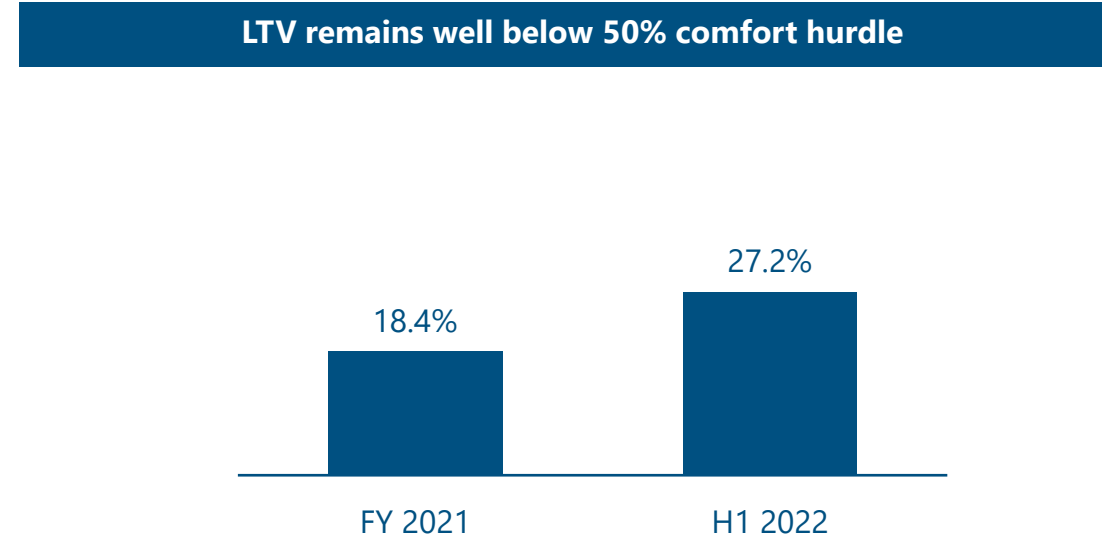
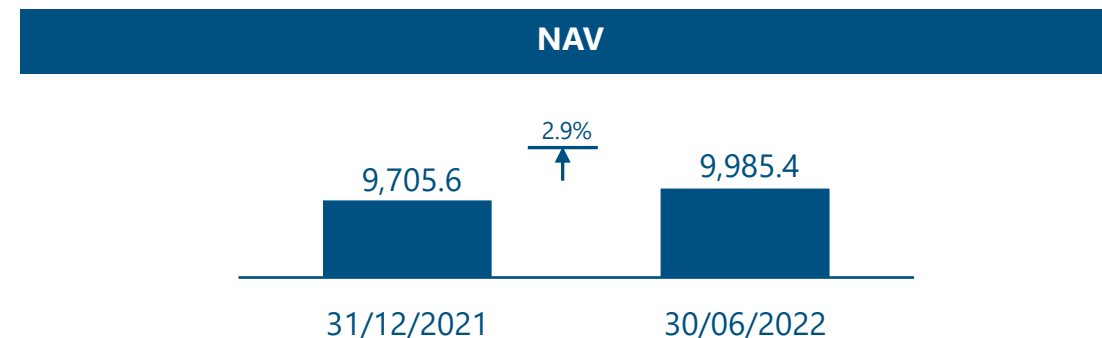


# NAV and Net LTV

## Compelling balance sheet KPIs

EUR m	30/06/2022	31/12/2021
<b>Total equity</b>	<b>8,222.2</b>	<b>8,033.2</b>
Deferred tax liability on investment properties	1,763.2	1,672.4
<b>NAV</b>	<b>9,985.4</b>	<b>9,705.6</b>

EUR m	30/06/2022	31/12/2022
Financial liabilities	3,811.3	3,684.2
Cash and cash equivalents	(119.0)	(1,511.2)
<b>Net financial liabilities</b>	<b>3,692.3</b>	<b>2,173.0</b>
Fair value of investment property	13,543.5	11,666.6
Prepayments on investment property	55.9	120.6
<b>Net LTV ratio</b>	<b>27.2%</b>	<b>18.4%</b>

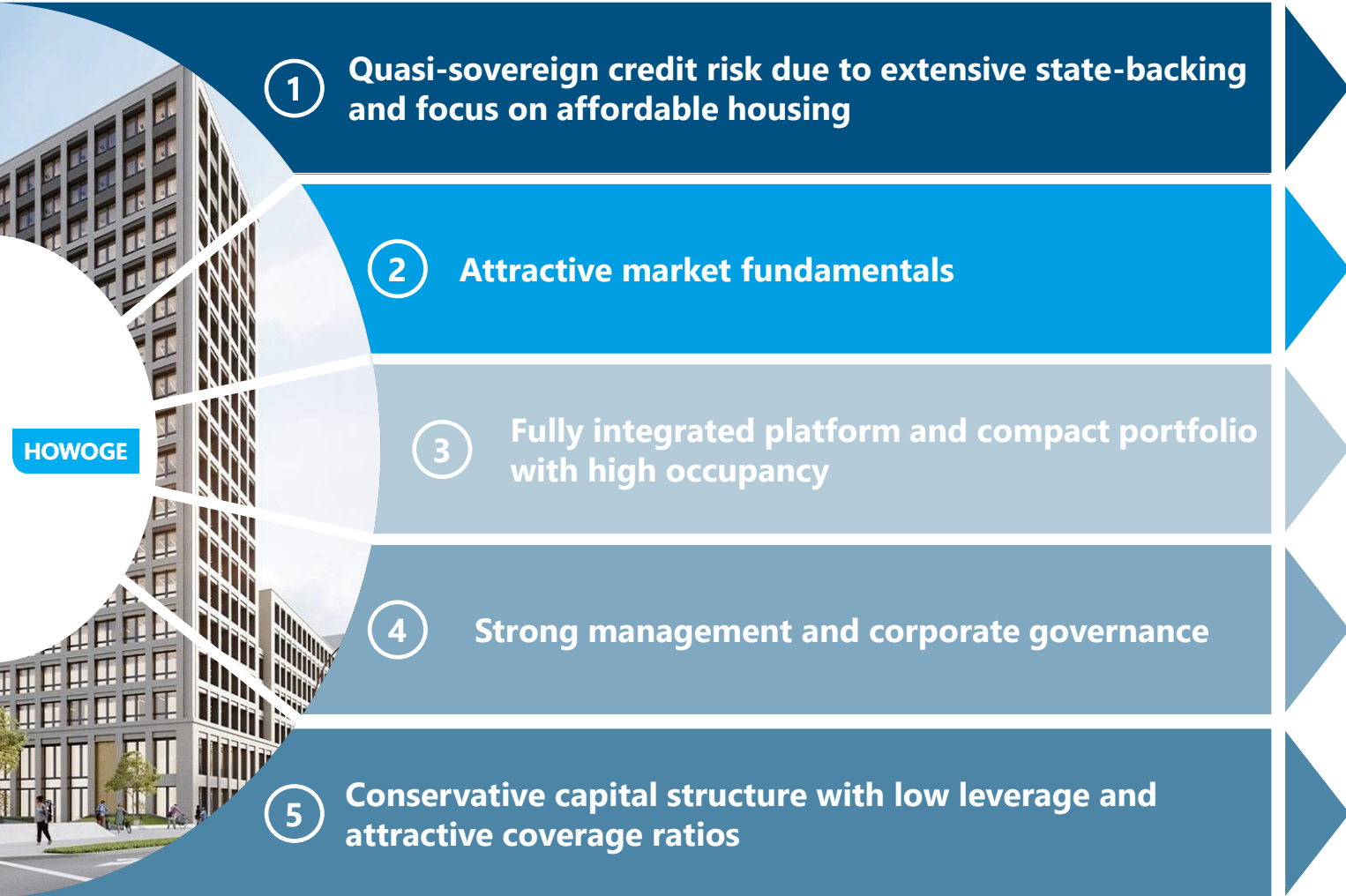


# 04 Appendix



# Key Credit Highlights

HOWOGE is a company with excellent creditworthiness



 Systemically relevant for the State of Berlin	<b>A</b> S&P Rating	<b>AA-</b> Fitch Rating
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**+10.6%** population growth (2011-2021)  
 Significant supply / demand imbalance

<b>~74,500</b> Residential units <sup>(1)</sup>	<b>~98%</b> Occupancy rate
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<b>E✓</b> New construction and refurbishments	<b>S✓</b> Affordable housing	<b>G✓</b> Two-tier board structure
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<b>~27%</b> Net LTV	<b>~50%</b> Financial policy <sup>(1)</sup> : max. net LTV
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1. Financial policy excludes school initiative

# 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**

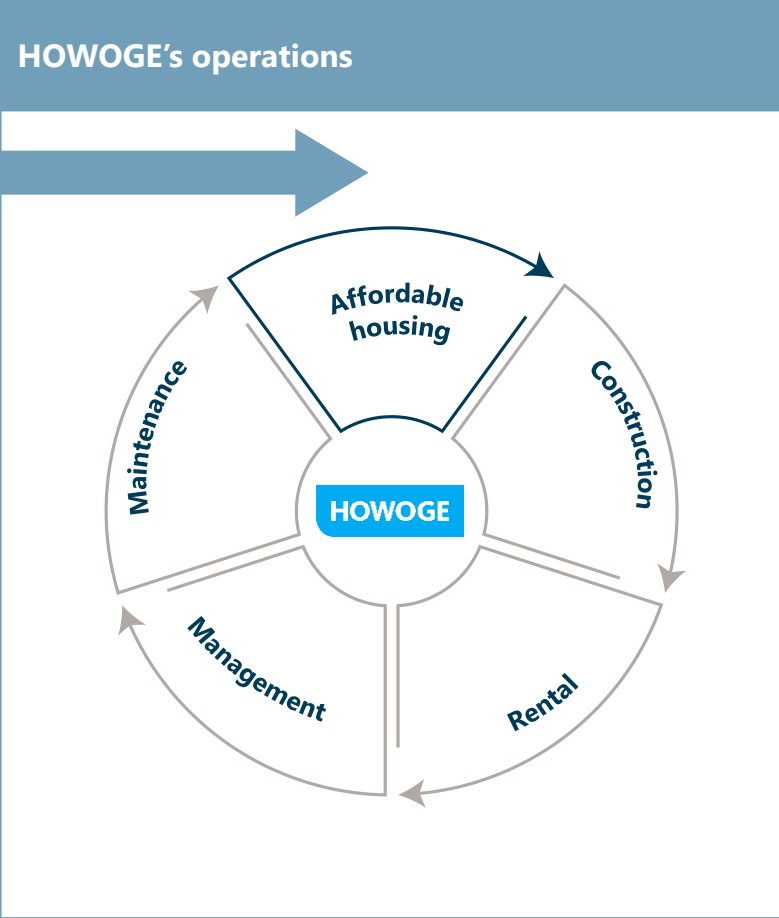
- Owned by the State of Berlin since inception in 1990
- Completed transformational merger with WBL in 1997

**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.**

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Wir gestalten das Berlin der Zukunft  
lebenswert. **Mehr als gewohnt.**

**HOWOGE**

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**Thank you.**