

Zug Estates Holding Ltd

# Financial year 2023

Patrik Stillhart, CEO  
Mirko Käppeli, CFO

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Agenda

- Overview of 2023 financial year
- Key financial ratios
- Real estate portfolio and projects
- Outlook

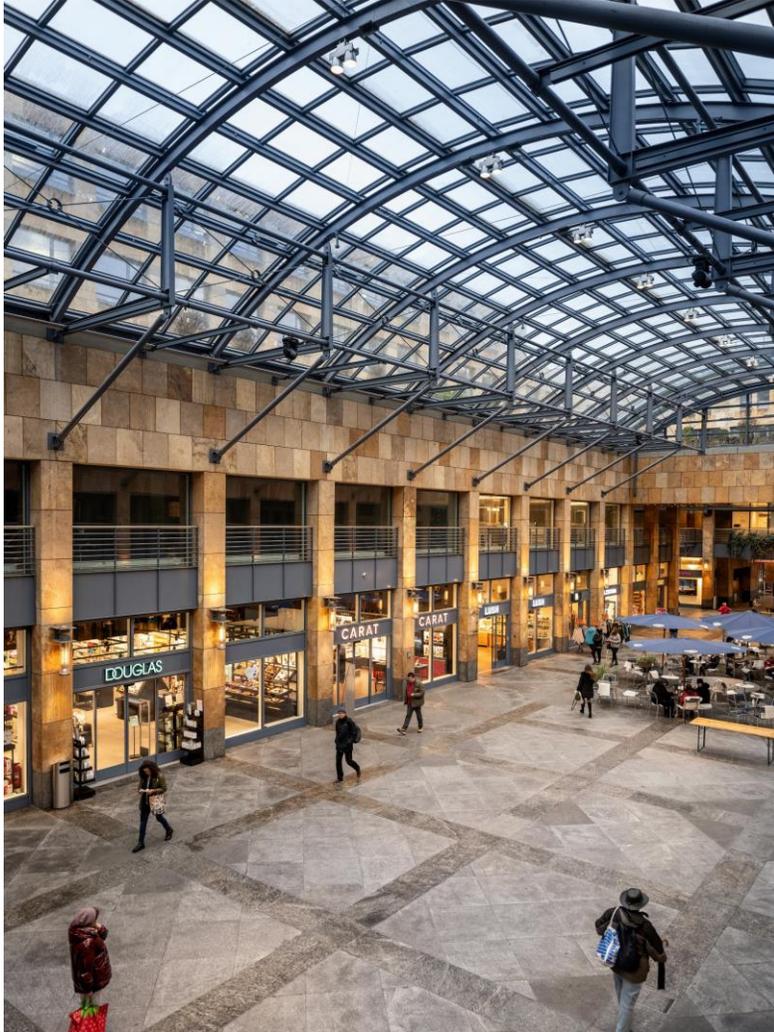


Financial year 2023

# Overview of 2023 financial year

## Overview of 2023 financial year

# The most important points in brief



### Overview

- Pleasing operating result
- Net income excluding revaluation and special effects slightly higher
- Proposal to raise the dividend

### Key developments in the real estate segment

- Increase in rental income
- Numerous rental successes in all segments
- Value of portfolio down slightly due to discount rate adjustments
- S43/45 project enters construction phase

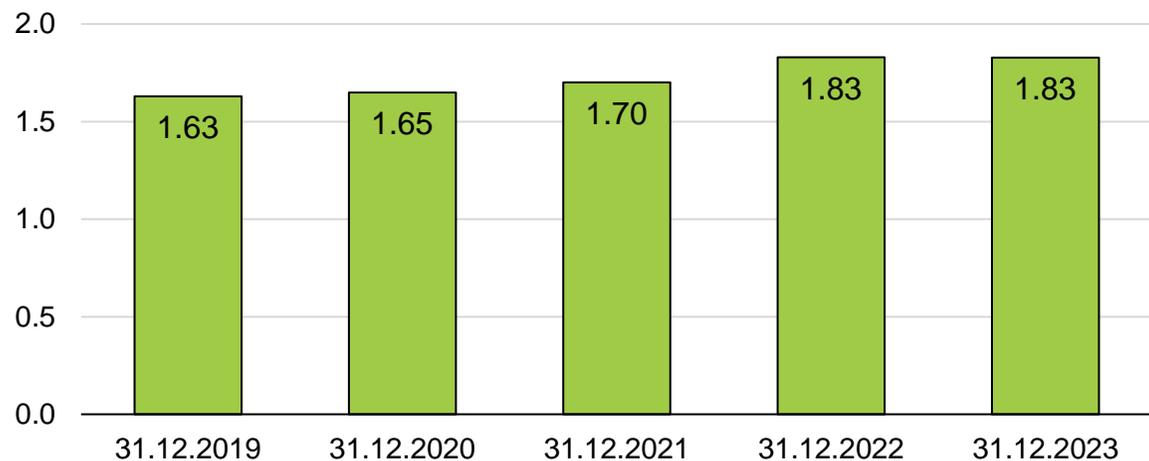
### Key developments in hotel & catering segment

- Successful conclusion of Park Hotel ground floor conversion and opening of aígu
- Repositioning of Garden Park Zug AG

## Overview of 2023 financial year

# Key figures in brief

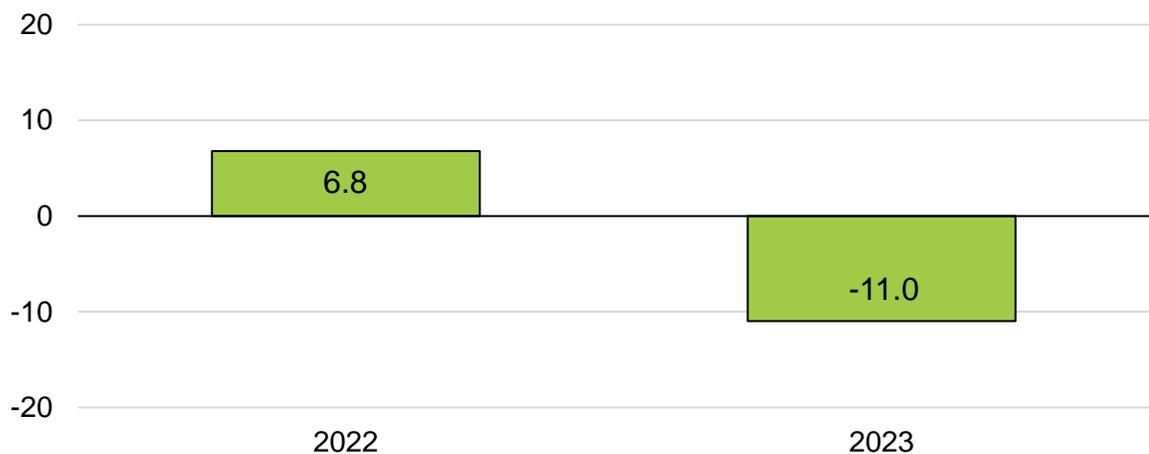
### Portfolio (in CHF billion)



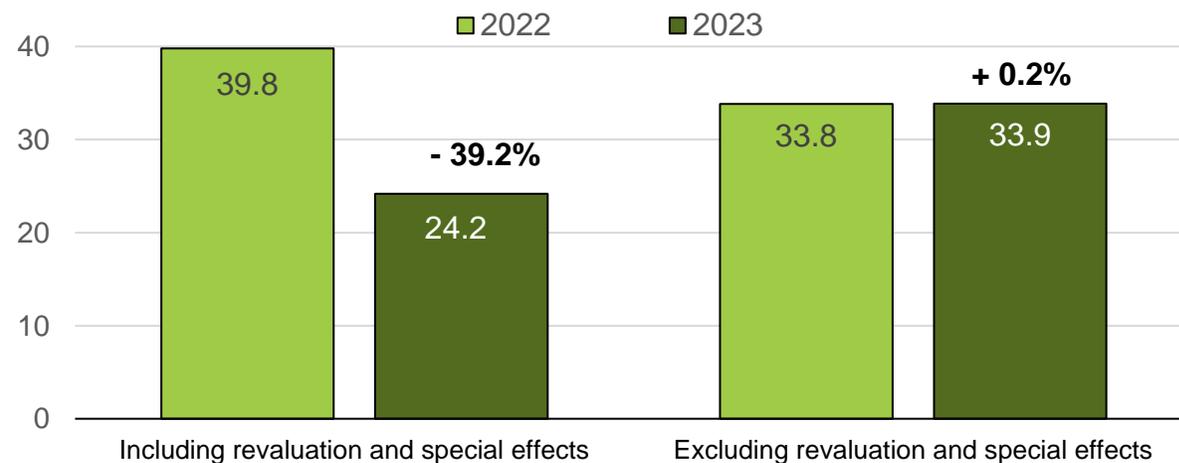
### Rental income (in CHF million)



### Revaluation gain (in CHF million)



### Net income (in CHF million)





Financial year 2023

## Key financial ratios

## Key financial ratios

# Net income 2023

| in CHF million  | 2022         | 2023         | %                  |
|---|--------------|--------------|--------------------|
| Property income   | 62.2         | 65.7         | +5.5% <sup>1</sup> |
| Hotel & catering income                                     | 14.7         | 15.2         | +3.5%              |
| Other income  | 3.2          | 3.9          | +22.2%             |
| <b>Total operating income</b>                               | <b>80.1</b>  | <b>84.8</b>  | <b>+5.8%</b>       |
| <b>Total operating expenses</b>                             | <b>-30.4</b> | <b>-32.6</b> | <b>-7.1%</b>       |
| Revaluation of investment properties (net)                  | 6.8          | -11.0        | -261.9%            |
| Depreciation and amortisation                               | -3.5         | -3.6         | -1.4%              |
| <b>EBIT</b>   | <b>53.0</b>  | <b>37.6</b>  | <b>-28.9%</b>      |
| Financial result  | -7.8         | -10.2        | -30.9%             |
| Tax expenses  | -5.4         | -3.2         | +39.1%             |
| <b>Net income</b>   | <b>39.8</b>  | <b>24.2</b>  | <b>-39.2%</b>      |
| <b>Net income excluding revaluation and special effects</b> | <b>33.8</b>  | <b>33.9</b>  | <b>+0.2%</b>       |

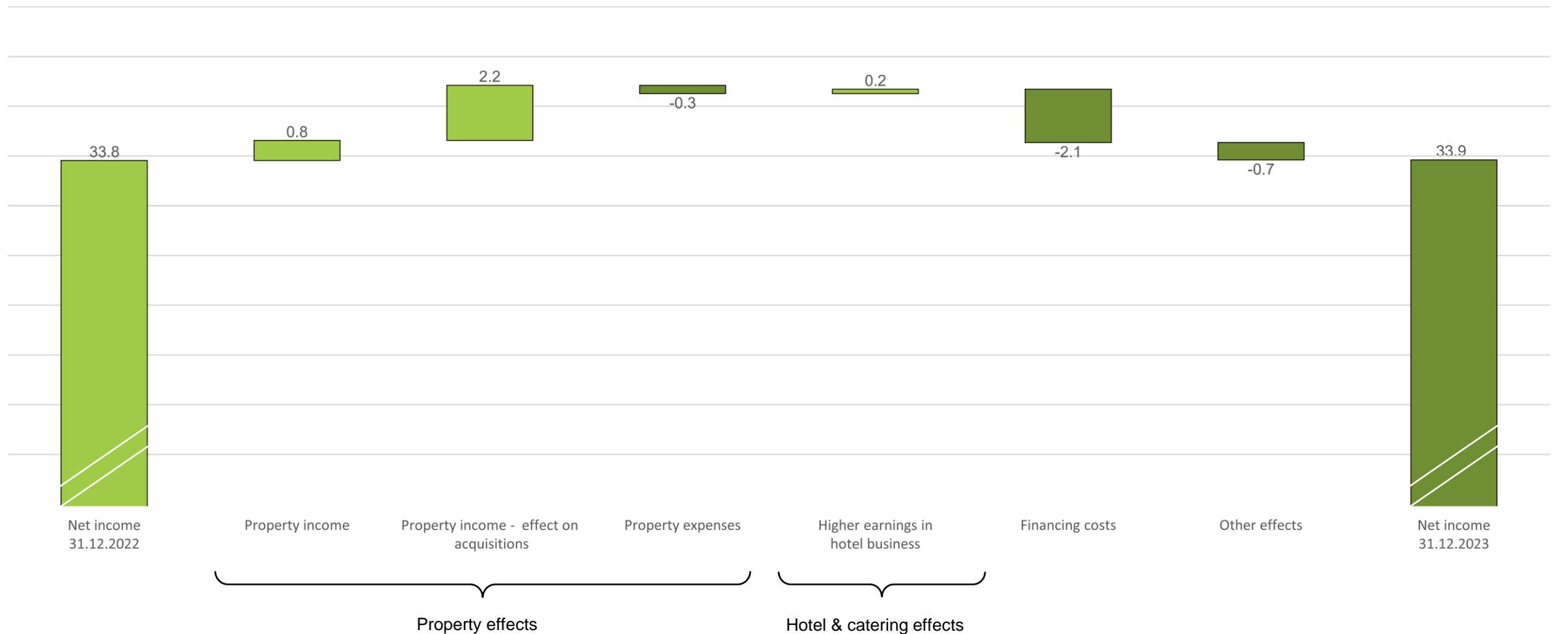
<sup>1</sup> Rental income like-for-like +1.5%

## Key financial figures

# Reconciliation of net income excluding revaluation and special effects

### Net income excluding revaluation and special effects compared to previous year

CHF million, income effects after corresponding taxes

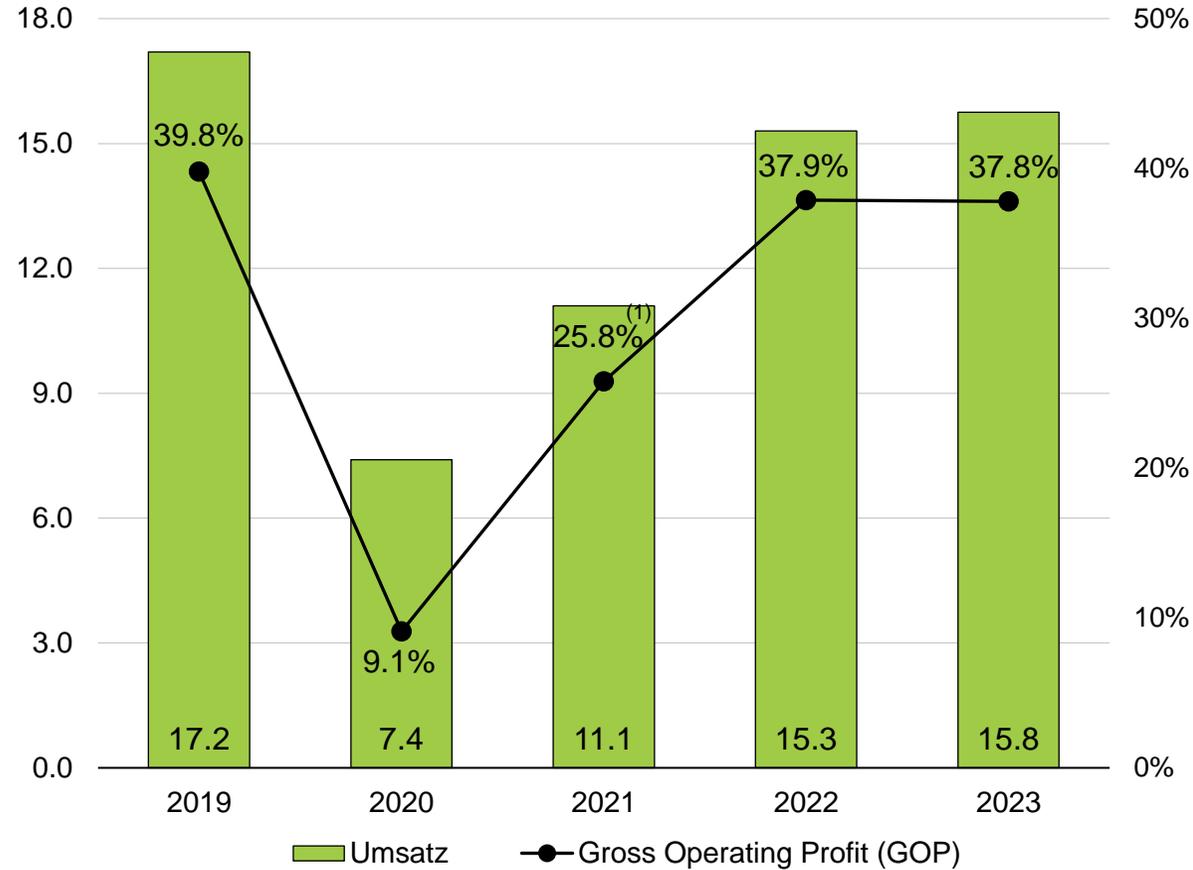


## Key financial ratios

# Pleasing result in hotel & catering segment despite renovation projects

### Development of operating income & gross operating profit

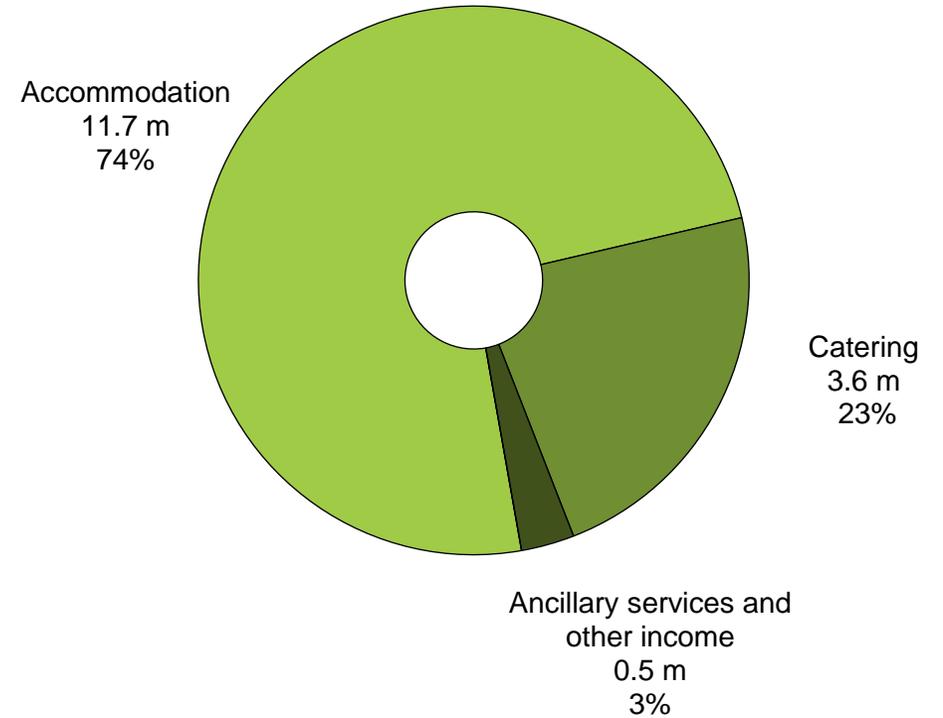
in CHF m, as at 31.12 from perspective of hotel & catering segment



<sup>1</sup> GOP excl. state hardship case compensation of CHF 2.1 m in financial year 2021

### Operating income hotel & catering segment by category

in CHF m, as at 31.12.2023 from perspective of hotel & catering segment



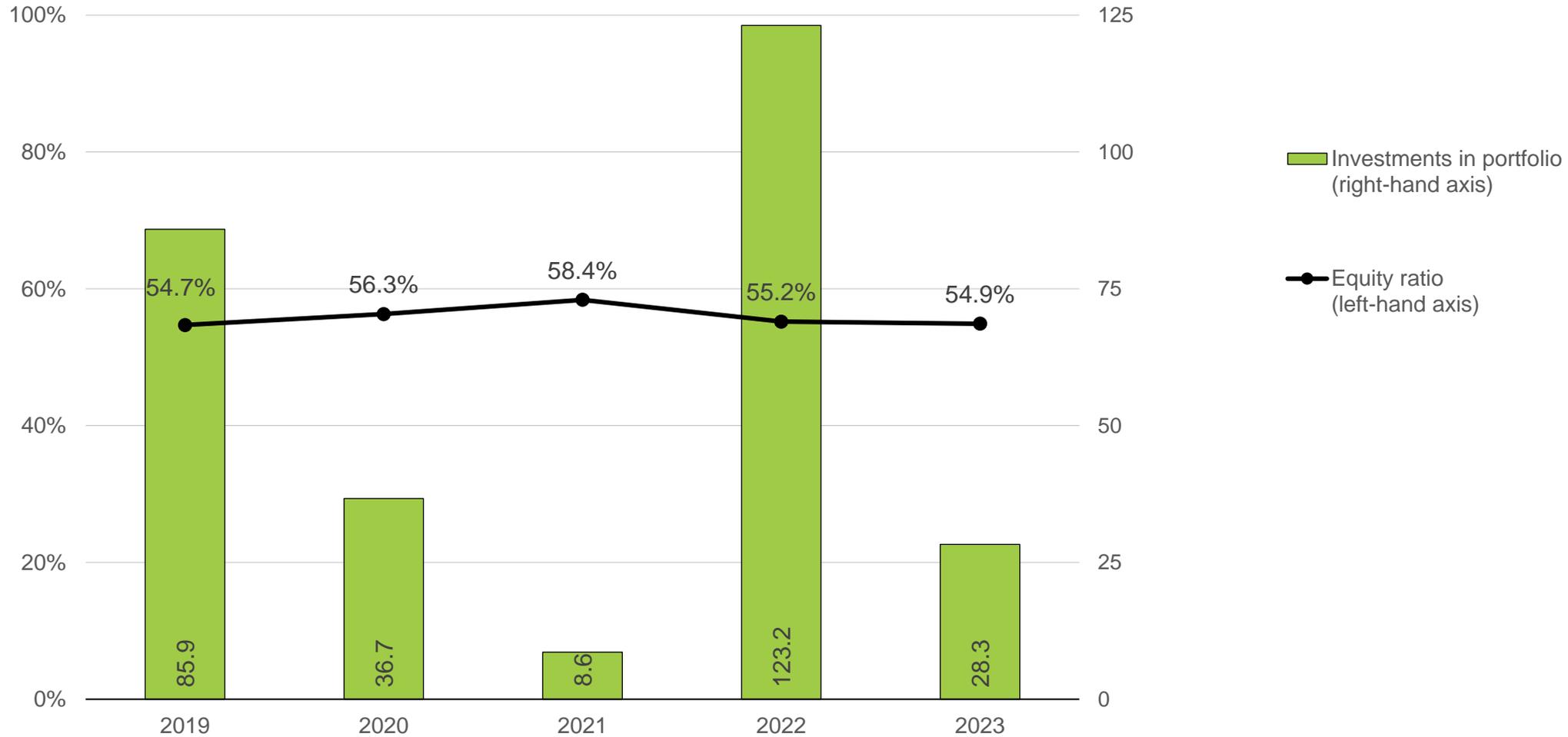
Total operating income hotel & catering segment CHF 15.8 m

## Key financial ratios

# Equity ratio remains solid

### Development of equity and investments in investment properties

in CHF m or %, always as at 31.12.

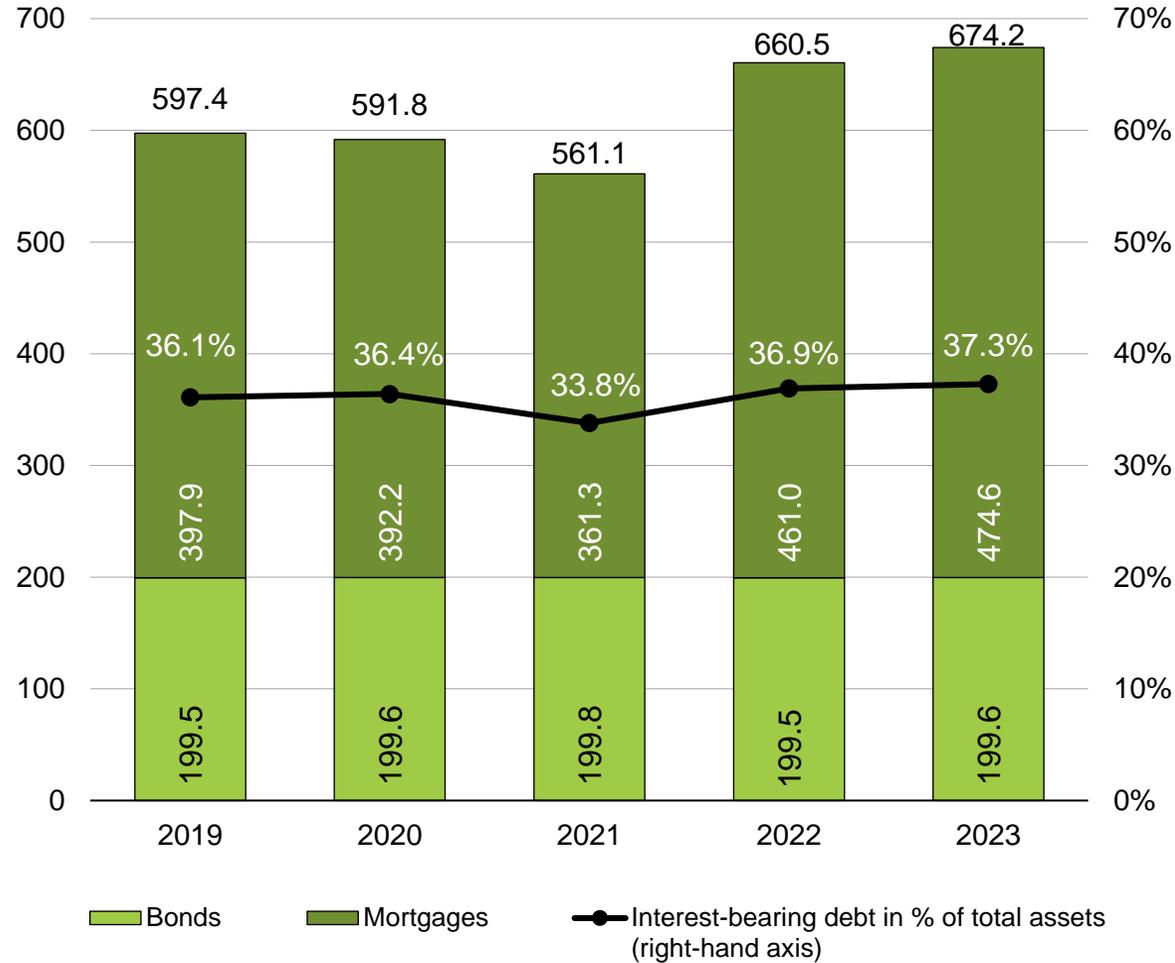


## Key financial ratios

# Slight rise in debt, rising borrowing costs

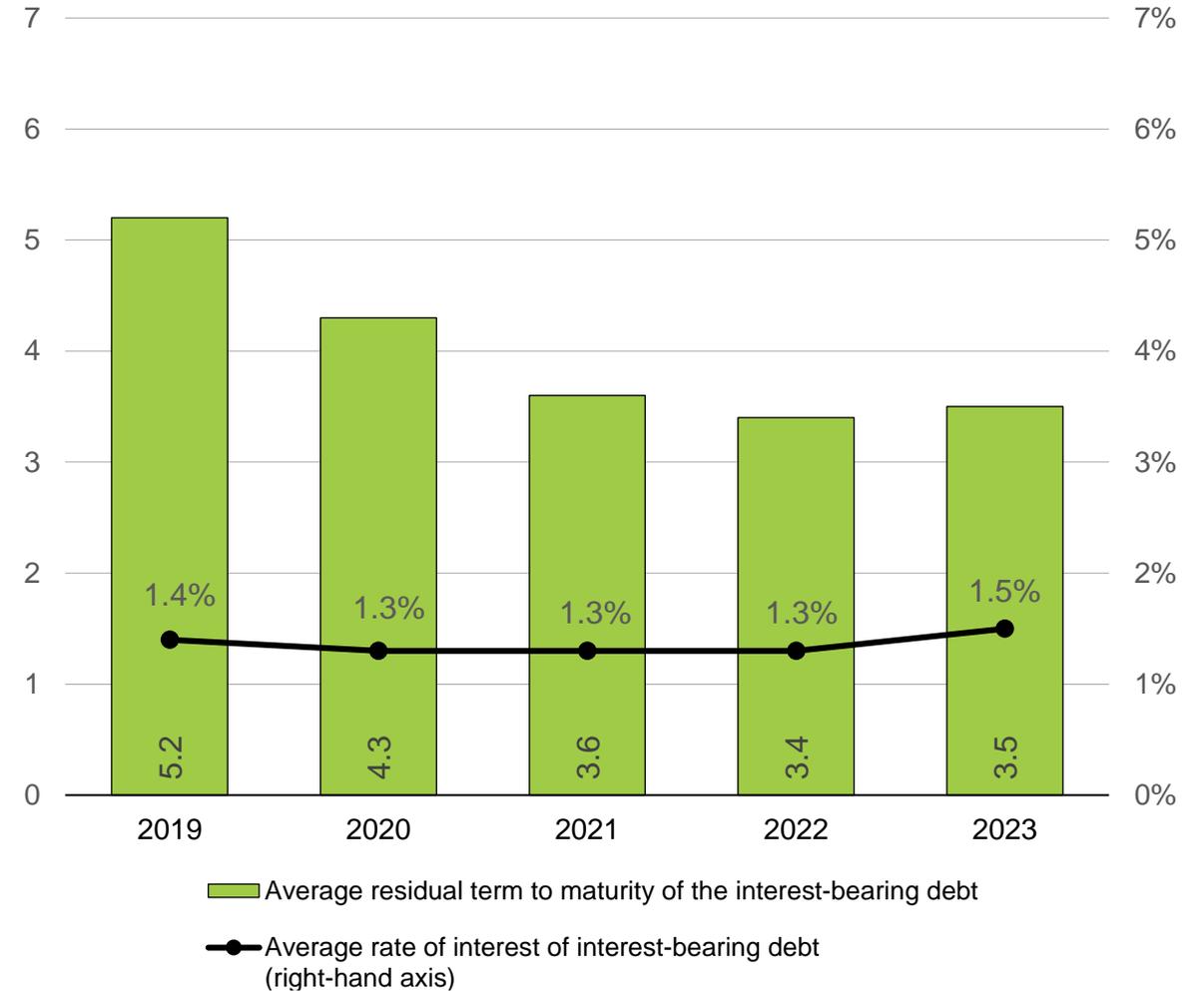
### Interest-bearing financial liabilities

in CHF m, always as at 31.12.



### Average residual term to maturity and interest

as at 31.12. in years, or for the respective period in %

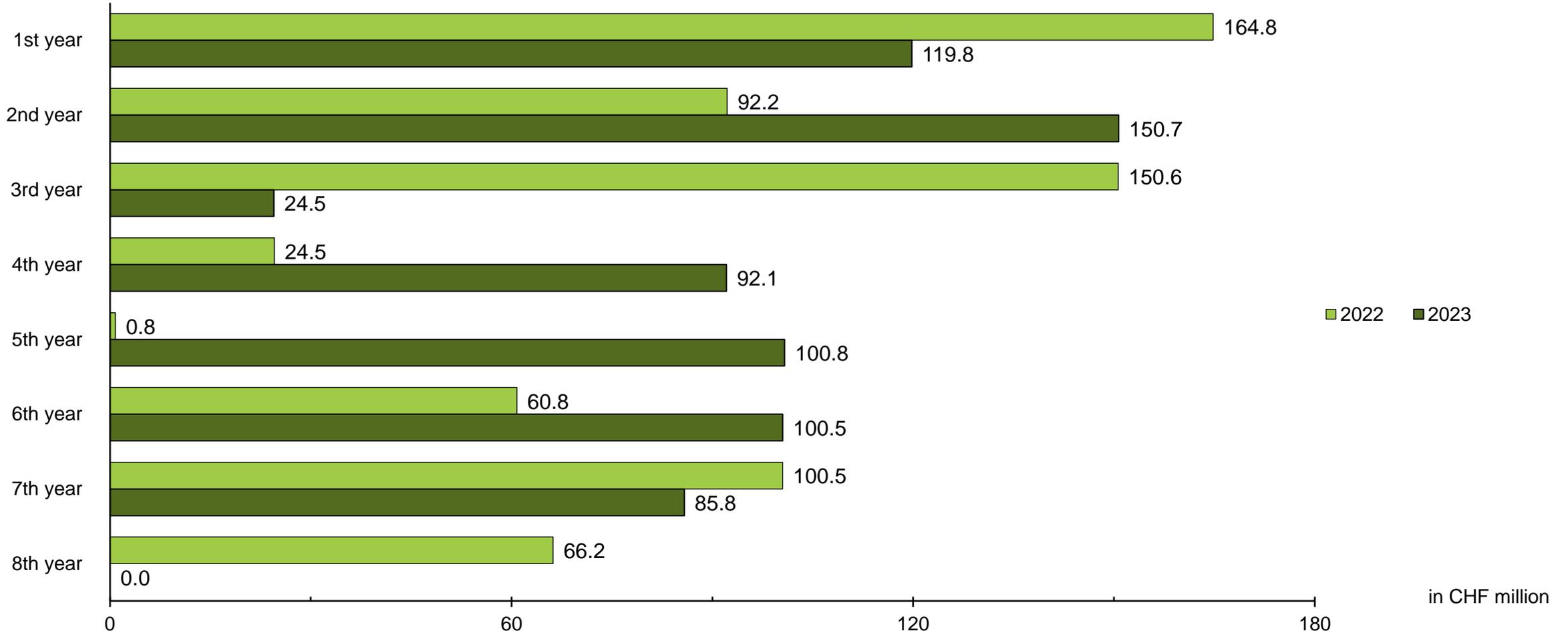


## Key financial ratios

# Due dates of financial liabilities

### Maturity structure of financial liabilities

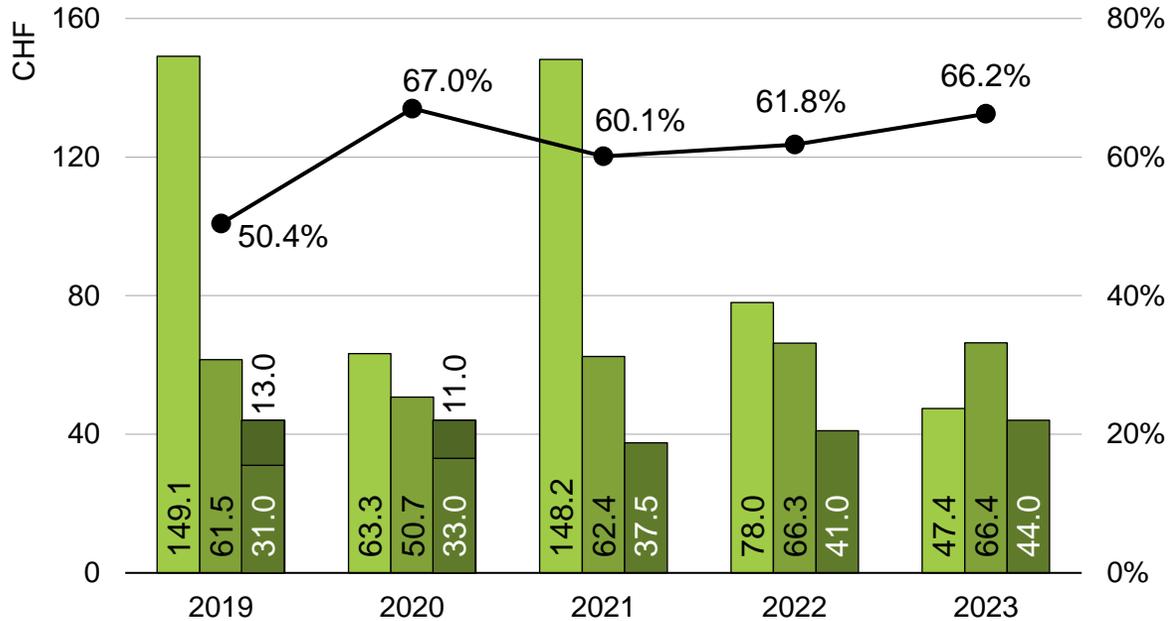
always as at 31.12, due within ...



## Key financial ratios

# Key figure developments per share

### Development of result and distribution per series B registered share



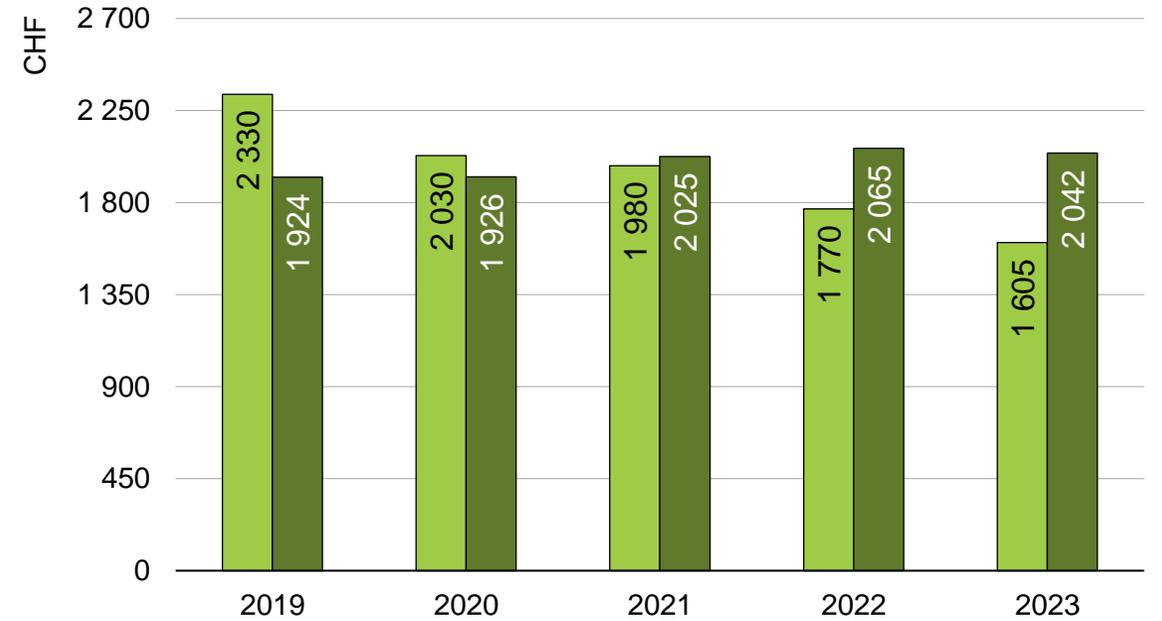
- Net income (1)
- Net income excl. revaluation gain (1, 2)
- Distribution to shareholders (incl. special dividend in the years 2019 and 2020)
- Payout ratio (excl. special dividend) in % of net income excl. revaluation and special effects (1, 2)

<sup>1</sup> In relation to number of shares on average outstanding (series A registered shares converted)

<sup>2</sup> Corresponds to net income excluding income from revaluation of investment properties (net), excluding income from the disposal of investment and promotional properties and corresponding deferred taxes as well as the effect of adjustments made to deferred tax rates

### Share price and NAV per series B registered share

always as at 31.12.



- Share price
- NAV at market value (3, 4)

<sup>3</sup> NAV at market value per share includes properties used for operational purposes at market value and corresponding deferred taxes

<sup>4</sup> In relation to number of shares outstanding (series A registered shares converted)



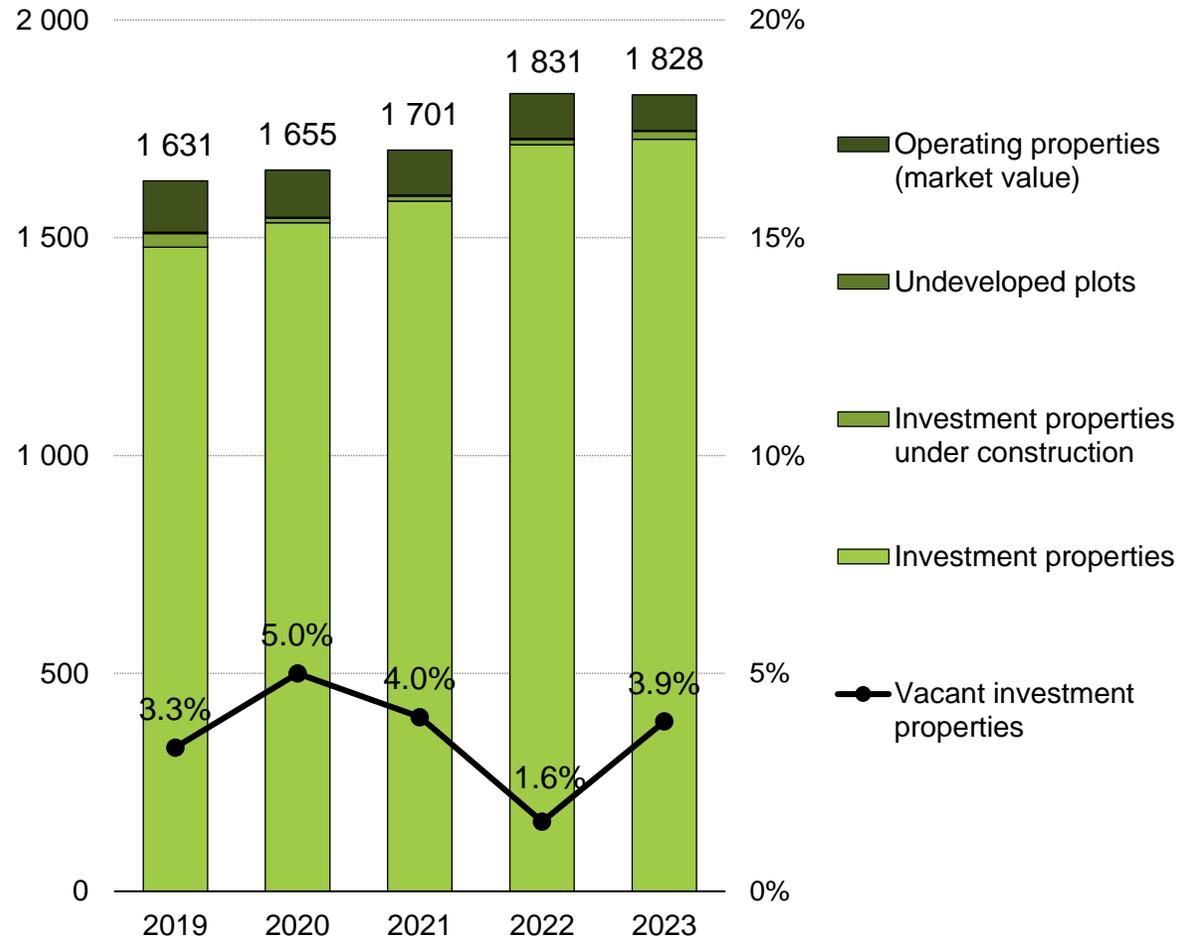
Financial year 2023

# Real estate portfolio and projects

# Portfolio value at previous-year's level

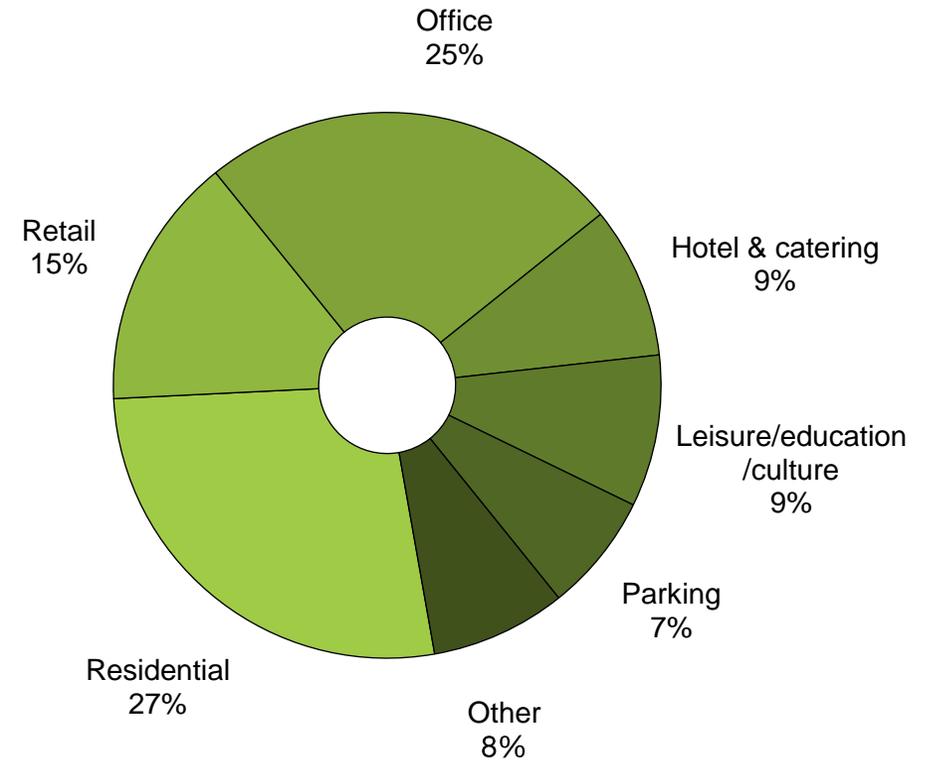
## Development of portfolio's market value and vacancies

in CHF million or %



## Portfolio by type of use

Based on projected rental income\* as at 31.12.2023

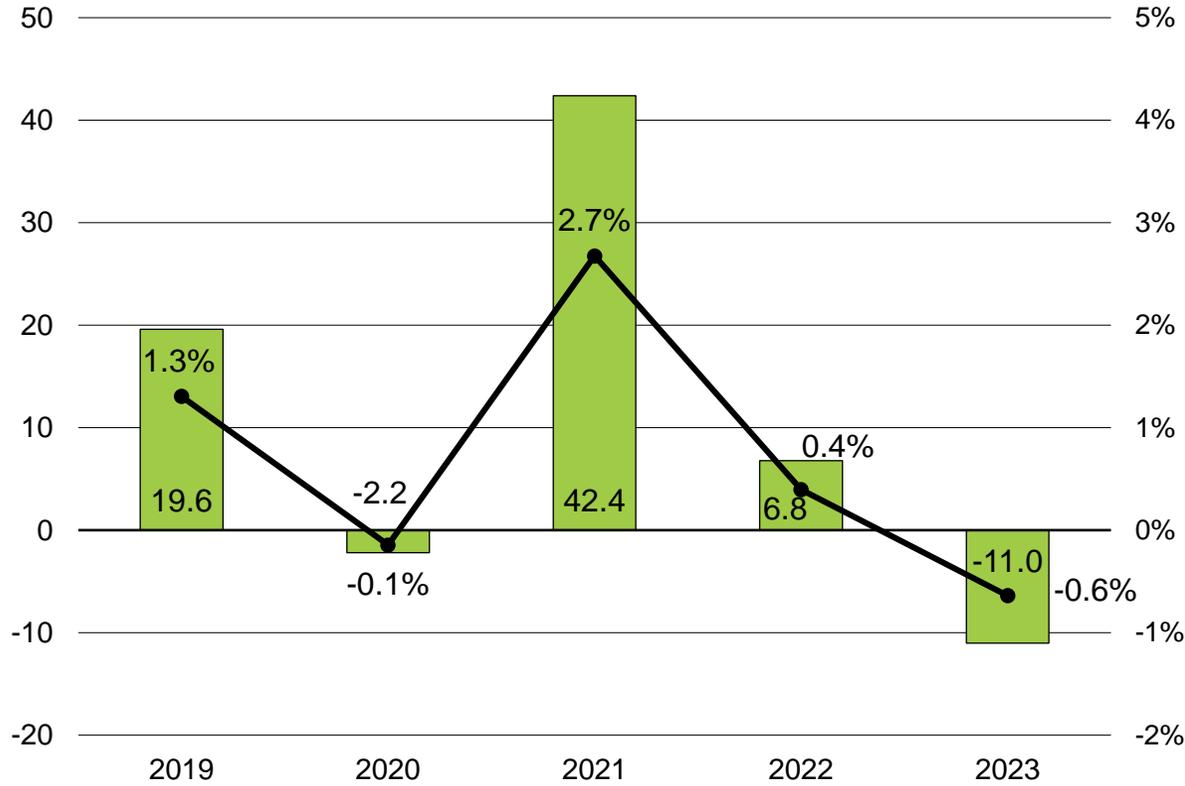


\* From perspective of real estate business unit

# Rise in discount rate leads to negative revaluation income

**Development of revaluation income**

in CHF million

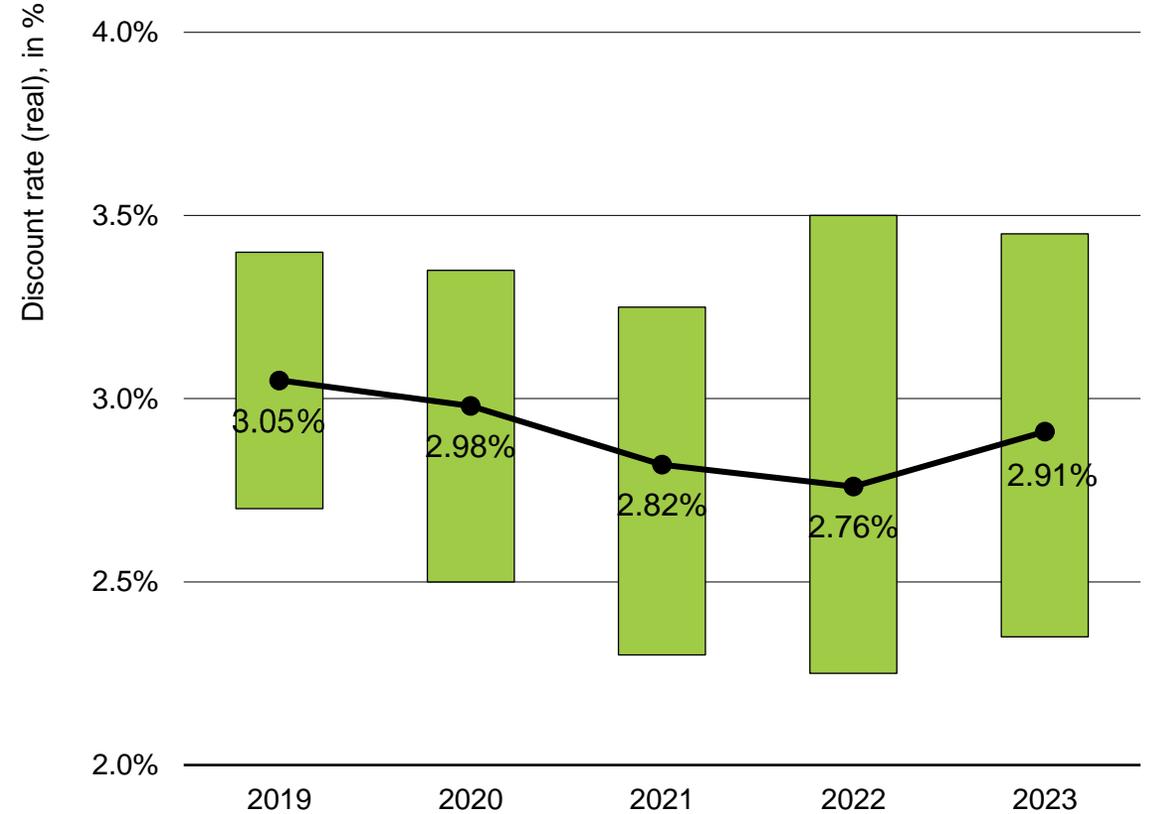


Revaluation income investment properties

Revaluation income investment properties in relation to market value of investment properties

**Development of discount rates**

real

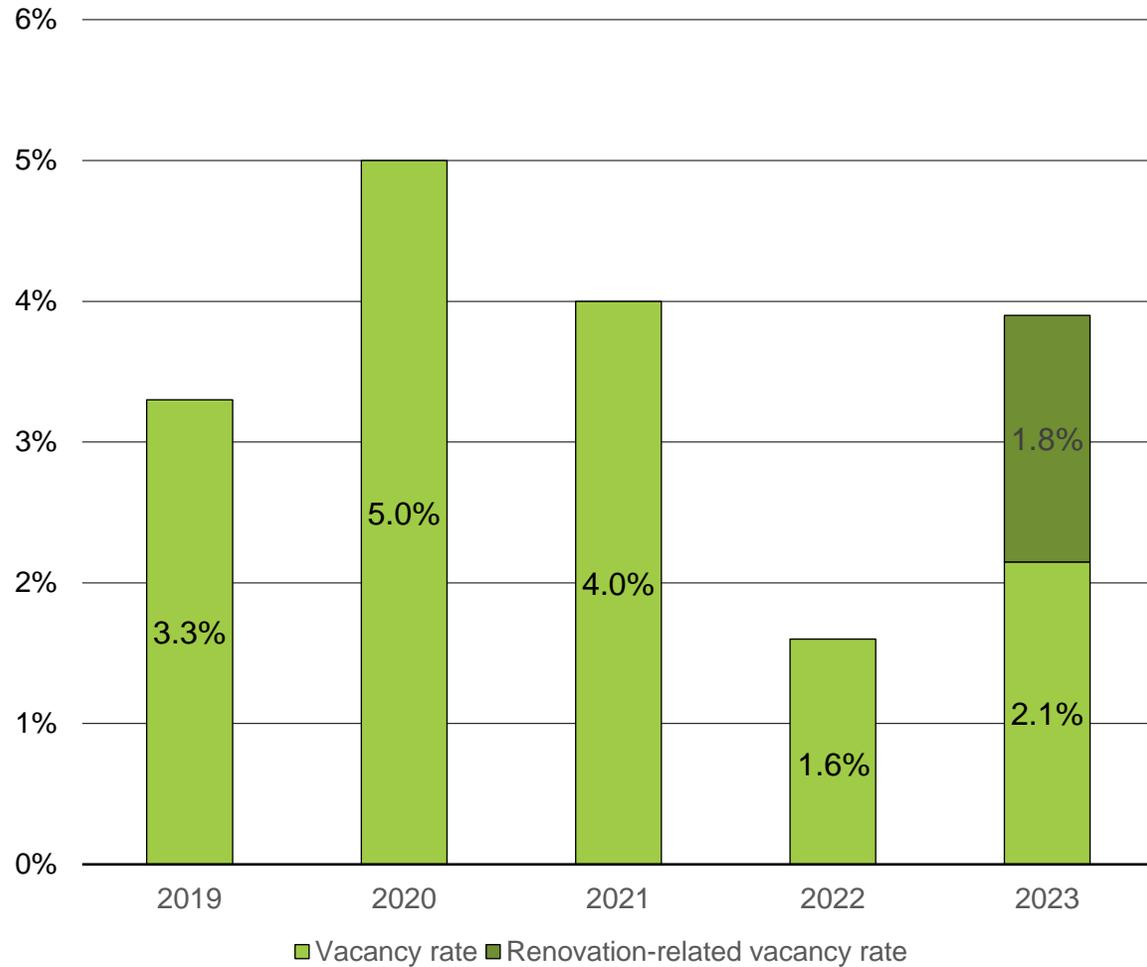


Bandwidth Weighted average

# Renovation-related increase in vacancy rate

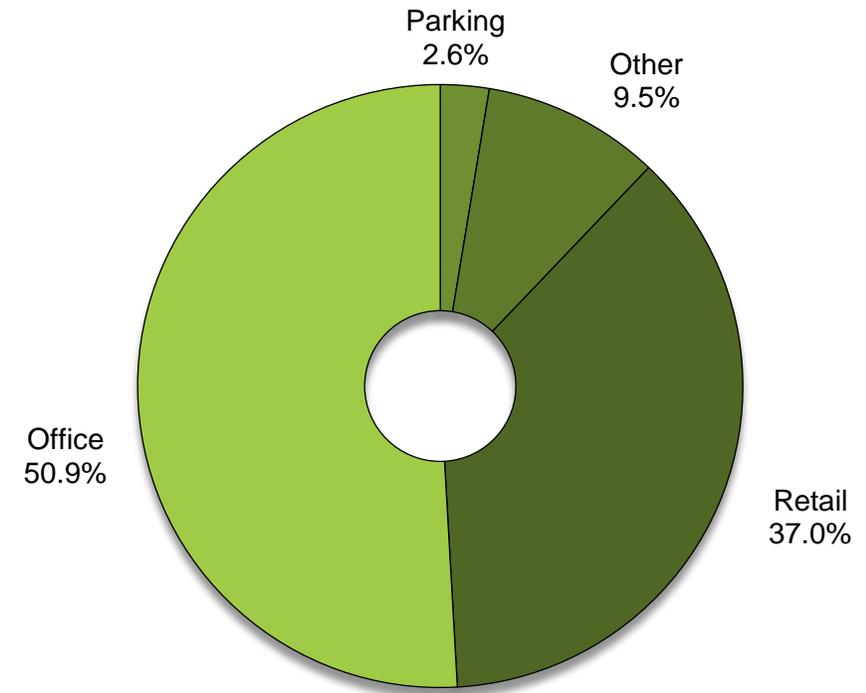
## Development of vacancy rate

always as at 31.12. in % of projected rental income (as at cut-off date)



## Breakdown of vacancy rate

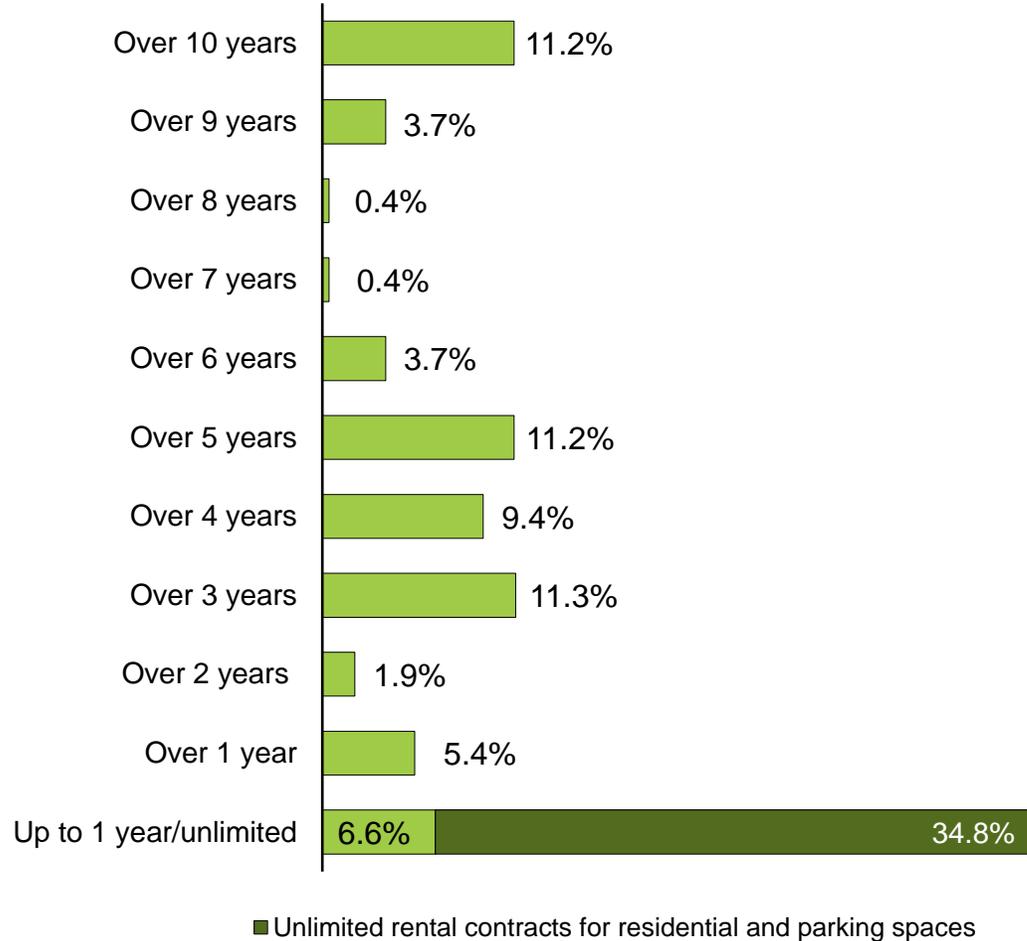
as at 31.12.2023 by type of use (as at cut-off date, in % of projected rental income of vacant properties)



# Average contract term remains at high level

## Contract terms

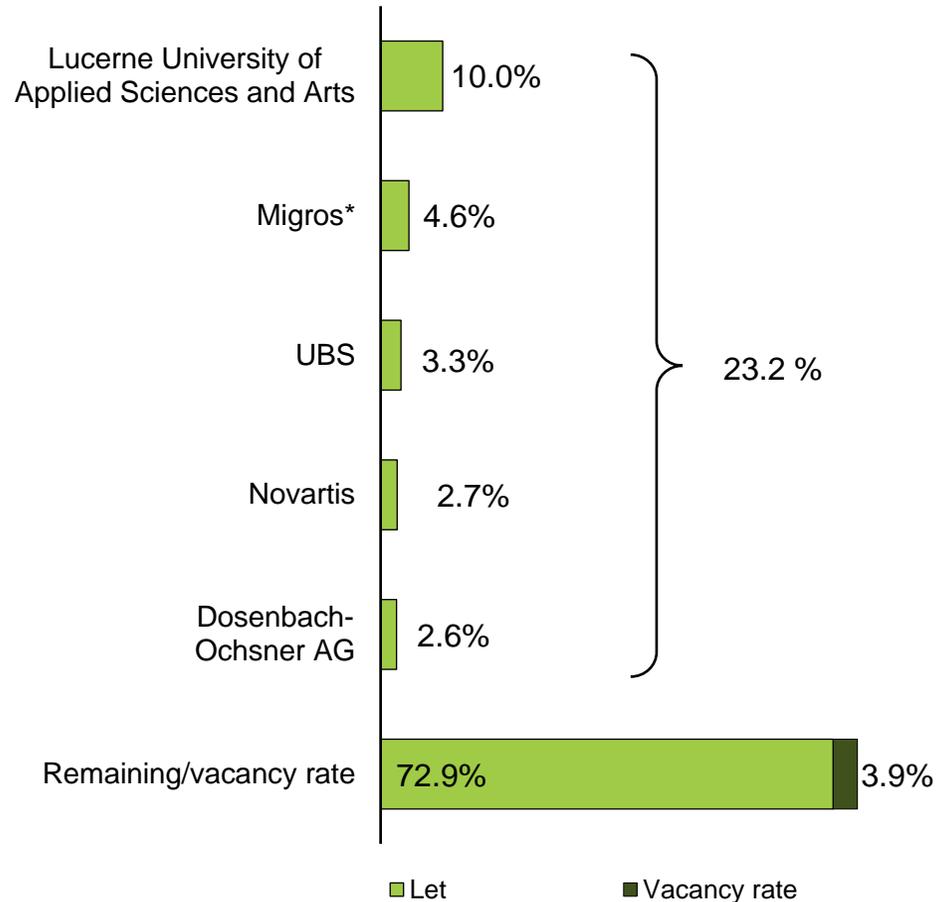
Investment properties, based on projected rental income as at 31.12.2023



WAULT (guaranteed rental contracts): 6.5 years

## Tenant structure

Investment properties, based on projected rental income as at 31.12.2023



\* Various companies of the Migros Group

## Numerous rental successes in all segments



- Commercial leases for space totalling around 24 000 m<sup>2</sup> and involving rental income of more than CHF 10.2 million p.a. were extended or concluded.
- All newly created shop units let to attractive brands that increase the variety of products on offer after the departure of C&A and Zara: LUSH, Maison Carat, Douglas, Lidl, doodah and PME Legend.
- S6 property taken over by the canton of Zug for a fixed term of 10 years in order to open a new cantonal school.
- Signing of new office rental contracts for the S14 property at the Suurstoffi site with Lombardi SA Ingegneri Consulenti and Pacojet International AG as well as several lease extensions (including with UBS AG for office space at the Metalli).
- New office premises of Zug Estates Ltd occupied at the Metalli site; reclassification of the property at Industriestrasse 12 from operating property to investment property.

## Opening of aigu restaurant and repositioning of Garden Park Zug AG



- Comprehensive refurbishment of ground floor of Park Hotel Zug including extension of restaurant, bar and conference area successfully concluded.
- Opening of aigu restaurant and renaming of Hotelbusiness Zug AG as Garden Park Zug AG.
- Tibits AG to open its first outlet in Zug in the Bären property in June 2024 after completion of the renovations. The property was reclassified from an operating property to an investment property in construction.



<https://www.gardenpark.ch/>

## Project developments – S43/45 project enters construction phase



- Plans for construction project S43/45 revision successfully concluded, the amended construction project was signed off by the authorities.
- The project consists of two buildings with total office and education space of around 14 400 m<sup>2</sup> as well as 1 100 m<sup>2</sup> of residential space for student living.
- The decision to realise the project was taken in view of the encouraging situation for rental properties at the Suurstoffi site and undiminished demand for attractive, well-connected rental spaces.
- Construction of the two buildings will result in investment costs of around CHF 85 million.
- Building work is due to start at the end of 2024, with leased spaces likely to be handed over to future tenants from mid-2027.

## Real estate portfolio and projects

# Project developments – further development of Metalli Living Space not yet finalised

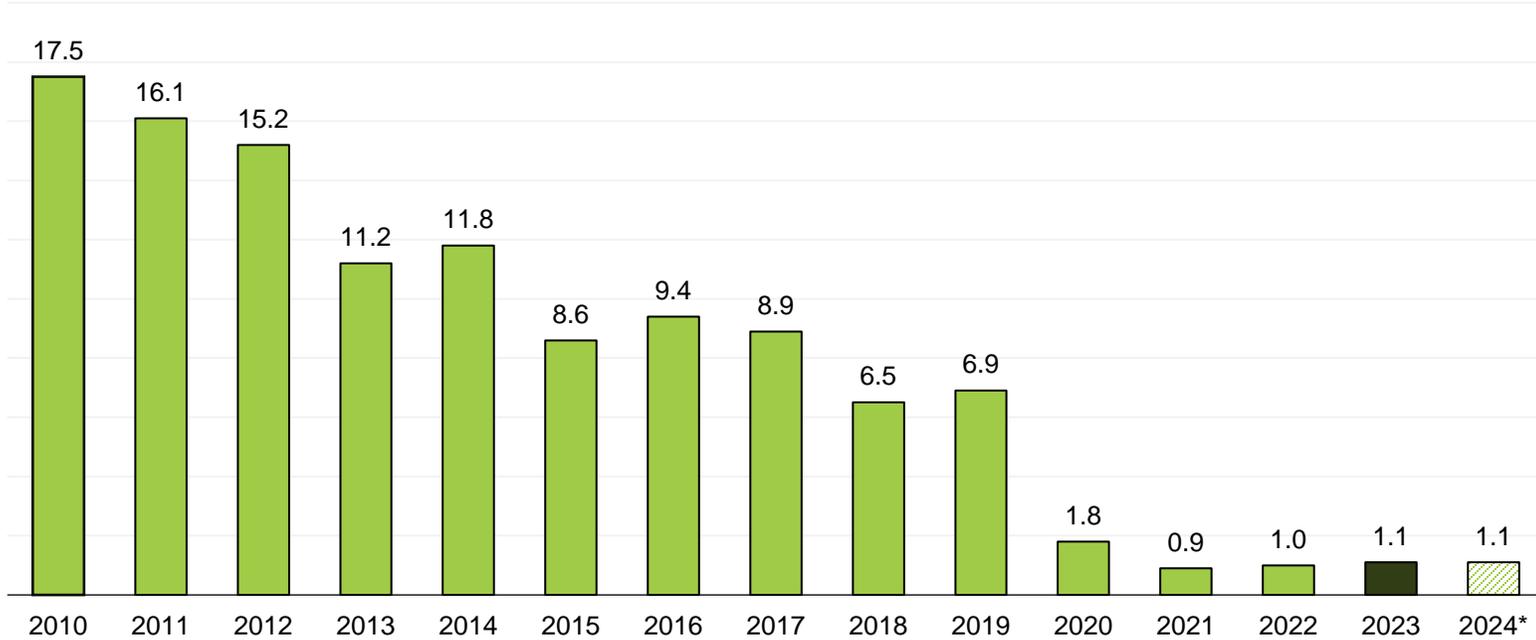
- In June 2023, voters in Zug narrowly approved the “2000 homes for Zug’s middle classes” city initiative, which requires that at least 40% of newly built residential space in all high-density areas be “affordable”.
- The adoption of the initiative resulted in an interruption to the process of adapting the two development plans for the Metalli and Bergli sites.
- Zug Estates is in close contact with the planning department of the City of Zug in order to clarify the concrete impacts on the two development plans.
- A conclusive assessment is not yet possible. The economic impact is, however, not negligible.
- It is not yet known whether – and if so to what extent – Zug Estates will pursue the two development plans and therefore the Metalli Living Space project.



# Comprehensive sustainability reporting

## Zug Estates reduction pathway (Scopes 1 and 2)

Greenhouse gas emissions (kg/m<sup>2</sup> energy reference area) | \*forecast



- First-time publication of the sustainability report in tandem with the annual report.
- With a figure of 1.1 kg per square metre of energy reference area, greenhouse gas emissions from the Zug Estates portfolio are significantly below the industry average.
- At the heart of the sustainability strategy is the reduction in greenhouse gas emissions from the operation and construction of properties as well as the creation and continuous development of future-proof, versatile living spaces.





Financial year 2023

# Outlook

# Outlook for 2024

| Area                     | Outlook/expectations for 2024  |
|--------------------------|--|
| Real estate segment      | <ul style="list-style-type: none"><li>– Significant reduction in the vacancy rate to around 1%, higher rental income and an improvement in the operating result thanks to the successful rental activity in the 2023 financial year as well as rent increases due to index and reference interest rate adjustments</li><li>– Slightly higher financing costs</li></ul> |
| Hotel & catering segment | <ul style="list-style-type: none"><li>– Increase in sales due to extended catering offering</li><li>– A slight decrease in the GOP margin expected due to the higher proportion of the comparatively low-margin catering sales</li></ul>   |
| Net income               | <ul style="list-style-type: none"><li>– Net income excluding revaluations and special effects of over CHF 35.0 million</li></ul>   |
| Dividend strategy        | <ul style="list-style-type: none"><li>– Amendment in favour of a more open formulation</li><li>– Zug Estates continues to endeavour to ensure a positive dividend trend. The distribution should ensure a solid, long-term financing structure in the future too and not amount to more than 90% of operating profit.</li></ul>  |



Financial year 2023

## Questions and answers

## Appendix

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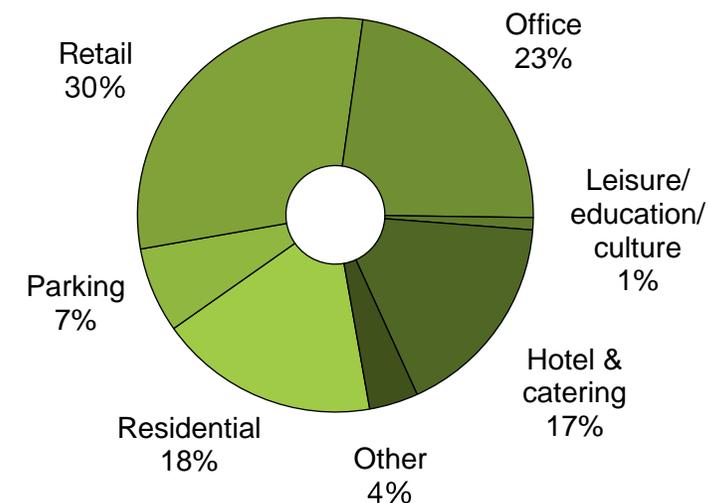
## Appendix

# City centre site/Metalli



| Key data as at 31 December 2023      | 2023 <sup>1</sup>     |
|--------------------------------------|-----------------------|
| Site area                            | 61 122 m <sup>2</sup> |
| Market value <sup>2</sup>            | CHF 875.5 million     |
| Book value                           | CHF 819.8 million     |
| Projected rental income <sup>2</sup> | CHF 37.0 million      |

Based on projected rental income<sup>2</sup> as at 31 December 2023



<sup>1</sup> From perspective of real estate business unit, incl. operating properties

<sup>2</sup> Market value and projected rental revenue for (co-owned) property at Baarerstrasse 20–22. Zug included on pro-rata basis

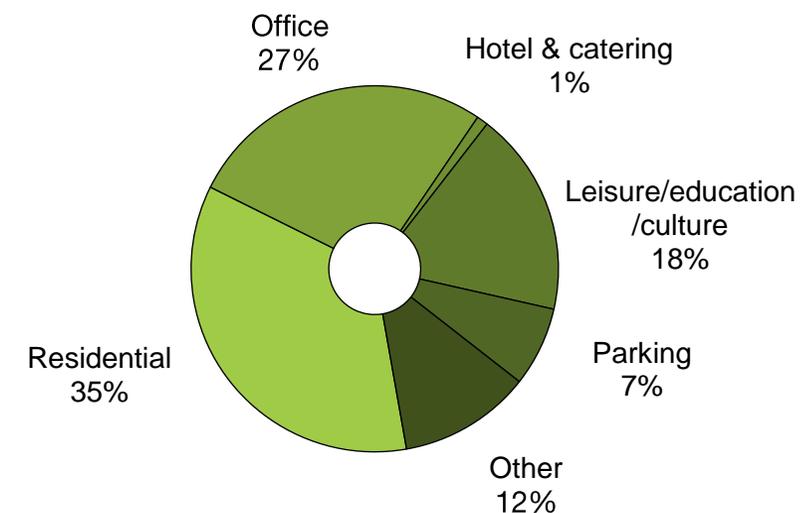
# Appendix

## Suurstoffi site



| Key data as at 31 December 2023 | 2023                   |
|---------------------------------|------------------------|
| Site area                       | 105 342 m <sup>2</sup> |
| Market value                    | CHF 854.1 million      |
| Book value                      | CHF 854.1 million      |
| Projected rental income         | CHF 35.4 million       |

Based on projected rental income as at 31 December 2023



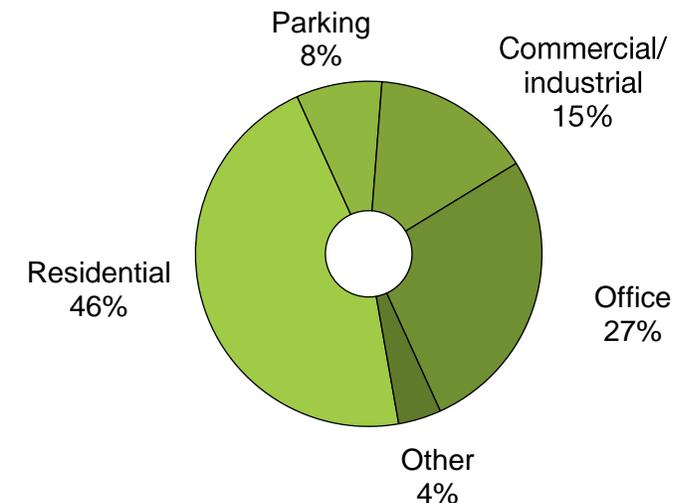
## Appendix

# Other investment properties



| Key data as at 31 December 2023 | 2023                  |
|---------------------------------|-----------------------|
| Site area                       | 20 864 m <sup>2</sup> |
| Market value                    | CHF 98.1 million      |
| Book value                      | CHF 98.1 million      |
| Projected rental income         | CHF 2.5 million       |

Based on projected rental income as at 31 December 2023



## Appendix

# Selected key financial data

### Selected key financial data

always as at 31.12.

| in CHF million                         | 2019  | 2020  | 2021  | 2022  | 2023  |
|--|-------|-------|-------|-------|-------|
| Total portfolio value                  | 1,631 | 1,655 | 1,701 | 1,831 | 1,828 |
| Interest-bearing debt                  | 597.4 | 591.8 | 561.1 | 660.5 | 674.2 |
| – In % of total assets                 | 36.1% | 36.4% | 33.8% | 36.9% | 37.3% |
| – LTV                                  | 36.6% | 35.8% | 33.0% | 36.1% | 36.9% |
| – % unsecured liabilities              | 33.4% | 33.7% | 35.6% | 30.2% | 29.6% |
| - Avg. interest rate                   | 1.4%  | 1.3%  | 1.3%  | 1.3%  | 1.5%  |
| – Avg. residual term to maturity       | 5.2 J | 4.3 J | 3.6 J | 3.4 J | 3.5 J |
| – Net debt / EBITDA <sup>1</sup>       | 10.6x | 11.6x | 10.0x | 12.9x | 12.5x |
| – Interest coverage ratio <sup>1</sup> | 9.7   | 6.9   | 7.2   | 6.4   | 5.1   |

<sup>1</sup> EBITDA excl. revaluation but incl. income from the disposal of investment properties

<sup>2</sup> In relation to average ' equity

<sup>3</sup> In relation to number of shares outstanding (series A registered shares converted)

always as at 31.12.

| in CHF million  | 2019    | 2020    | 2021    | 2022  | 2023  |
|---|---------|---------|---------|-------|-------|
| Equity  | 905.6   | 915.5   | 968.6   | 989.3 | 992.5 |
| – In % of total assets  | 54.7%   | 56.3%   | 58.4%   | 55.2% | 54.9% |
| – Return on equity <sup>2</sup> in %  | 8.7%    | 3.5%    | 8.0%    | 4.1%  | 2.4%  |
| Closing price (CHF)   | 2,330   | 2,030   | 1,980   | 1,770 | 1,605 |
| Market capitalisation <sup>3</sup>  | 1,188.3 | 1,035.3 | 1,009.8 | 902.7 | 818.6 |
| Earnings/series B registered share (CHF) <sup>4</sup>                                     | 149.1   | 63.3    | 148.2   | 78.0  | 47.4  |
| Earnings/series B registered share excl. revaluation & special effects (CHF) <sup>4</sup> | 61.5    | 50.7    | 62.4    | 66.3  | 66.4  |
| NAV at market value/series B registered share <sup>3, 5</sup>                             | 1,924   | 1,926   | 2,025   | 2,065 | 2,042 |
| Distribution/series B registered share (CHF) <sup>6</sup>                                 | 31.0    | 34.0    | 37.5    | 41.0  | 44.0  |

<sup>4</sup> In relation to number of shares on average outstanding (series A registered shares converted)

<sup>5</sup> NAV includes properties used for operational purposes at market value (incl. deferred taxes)

<sup>6</sup> Proposed by the Board of Directors

## Appendix

# Statement of income in a five-year comparison

| in CHF million  | 2019         | 2020         | 2021         | 2022         | 2023         |
|---|--------------|--------------|--------------|--------------|--------------|
| Property income   | 54.5         | 57.8         | 60.0         | 62.2         | 65.7         |
| Income from sale of promotional properties                  | 45.6         | 72.5         | -            | -            | -            |
| Hotel & catering income                                     | 16.6         | 7.0          | 8.4          | 14.7         | 15.2         |
| Other income  | 3.7          | 3.1          | 5.8          | 3.2          | 3.9          |
| <b>Total operating income</b>                               | <b>120.4</b> | <b>140.4</b> | <b>74.2</b>  | <b>80.1</b>  | <b>84.8</b>  |
| <b>Total operating expenses</b>                             | <b>-67.0</b> | <b>-90.8</b> | <b>-27.3</b> | <b>-30.4</b> | <b>-32.6</b> |
| Revaluation of investment properties (net)                  | 19.5         | -2.2         | 42.4         | 6.8          | -11.0        |
| Income from disposal of investment properties               | 1.0          | -            | 7.3          | -            | -            |
| <b>EBITDA</b>   | <b>73.9</b>  | <b>47.4</b>  | <b>96.6</b>  | <b>56.5</b>  | <b>41.2</b>  |
| Depreciation and amortisation                               | -3.4         | -3.6         | -3.4         | -3.5         | -3.6         |
| <b>EBIT</b>   | <b>70.5</b>  | <b>43.8</b>  | <b>93.2</b>  | <b>53.0</b>  | <b>37.6</b>  |
| Financial result  | -5.5         | -7.2         | -7.5         | -7.8         | -10.2        |
| Tax expenses  | 11.0         | -4.3         | -10.1        | -5.4         | -3.2         |
| <b>Net income</b>   | <b>76.0</b>  | <b>32.3</b>  | <b>75.6</b>  | <b>39.8</b>  | <b>24.2</b>  |
| <b>Net income excluding revaluation and special effects</b> | <b>31.4</b>  | <b>25.9</b>  | <b>31.8</b>  | <b>33.8</b>  | <b>33.9</b>  |

## Appendix

# Balance sheet in five-year comparison

| in CHF million   | 2019           | 2020           | 2021           | 2022           | 2023           |
|--|----------------|----------------|----------------|----------------|----------------|
| Cash and cash equivalents                                  | 21.4           | 17.2           | 18.7           | 17.3           | 20.1           |
| Properties held for sale and promotional properties        | 70.8           | 10.2           | -              | -              | -              |
| Other current assets                                       | 9.6            | 13.0           | 5.7            | 11.4           | 6.9            |
| <b>Total current assets</b>                                | <b>101.8</b>   | <b>40.4</b>    | <b>24.4</b>    | <b>28.7</b>    | <b>27.0</b>    |
| Investment properties                                      | 1,478.4        | 1,534.4        | 1,584.0        | 1,713.5        | 1,725.6        |
| Investment properties in construction                      | 31.4           | 9.8            | 11.3           | 11.8           | 18.2           |
| Operating properties and undeveloped plots                 | 34.9           | 34.5           | 32.9           | 32.6           | 28.2           |
| Other non-current assets                                   | 8.4            | 7.1            | 5.7            | 5.5            | 7.8            |
| <b>Total non-current assets</b>                            | <b>1,553.1</b> | <b>1,585.8</b> | <b>1,633.9</b> | <b>1,763.4</b> | <b>1,779.8</b> |
| <b>Total assets</b>  | <b>1,654.9</b> | <b>1,626.2</b> | <b>1,658.3</b> | <b>1,792.1</b> | <b>1,806.8</b> |
| Current financial liabilities                              | 60.8           | 55.8           | 125.8          | 164.8          | 119.8          |
| Other current liabilities                                  | 54.4           | 16.6           | 18.8           | 21.9           | 18.2           |
| <b>Total current liabilities</b>                           | <b>115.2</b>   | <b>72.4</b>    | <b>144.6</b>   | <b>186.7</b>   | <b>138.0</b>   |
| Long-term financial liabilities                            | 536.6          | 536.0          | 435.3          | 495.7          | 554.5          |
| Deferred tax liabilities and other non-current liabilities | 97.5           | 102.3          | 109.8          | 120.4          | 121.8          |
| <b>Total long-term liabilities</b>                         | <b>634.1</b>   | <b>638.3</b>   | <b>545.1</b>   | <b>616.1</b>   | <b>676.3</b>   |
| <b>Total equity</b>  | <b>905.6</b>   | <b>915.5</b>   | <b>968.6</b>   | <b>989.3</b>   | <b>992.5</b>   |
| <b>Total liabilities and equity</b>                        | <b>1,654.9</b> | <b>1,626.2</b> | <b>1,658.3</b> | <b>1,792.1</b> | <b>1,806.8</b> |