

ZugEstates

## **Zug Estates Group Media and analysts' conference**

## **2016 financial year**

Tobias Achermann, CEO  
Gabriela Theus, CFO

Rotkreuz, March 10, 2017

# Agenda

- 1. At a glance**
2. 2016 financial year in figures
3. Business activity and projects
4. Outlook
5. 2017 general meeting of shareholders
6. Q&A

# 2016 in a nutshell



Metalli shopping mall, Zug

## – Consolidation of growth

Property income	CHF 40.1 m	+2.3%
Net income excl. revaluation	CHF 24.0 m	-0.1%
Portfolio value	CHF 1.3 bn	+8.5%
Payout per share <sup>1</sup>	CHF 23.00	+12.2%
Total return per share	15.8%	

<sup>1</sup> Proposal of the board of directors

- Vacancy rate at a record low 1.8%
- Development projects under construction or in the planning stage (investment volume: CHF 440 million) will generate a substantial increase in income as of 2018

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# Property income up by 2.3%

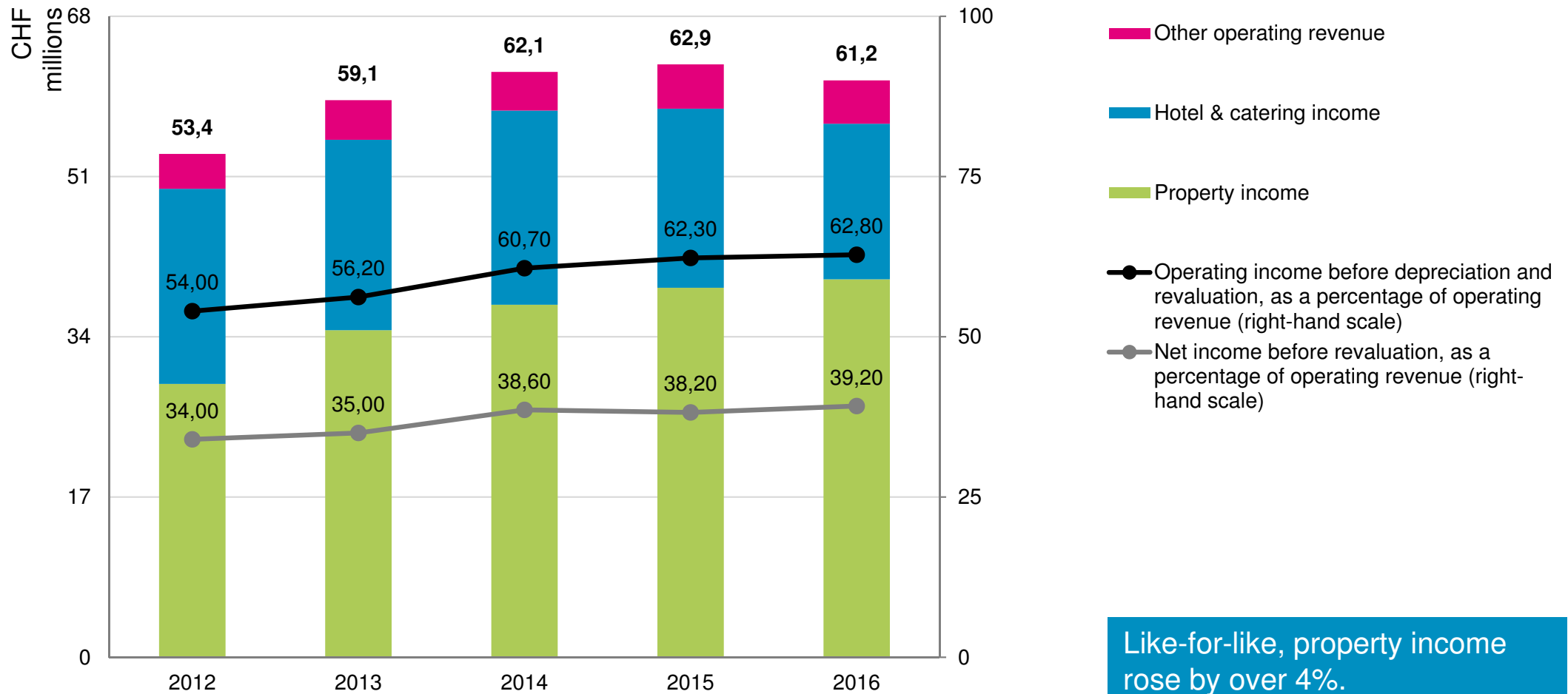
in CHF million	2012 <sup>1</sup>	2013	2014	2015 <sup>2</sup>	2016		Δ 16/15
Property income	29.0	34.7	37.4	39.2	40.1	↗	2.3 %
Hotel & catering income	20.7	20.2	20.6	19.0	16.5	↓	-13.5 %
Additional income/Other op. revenue	3.8	4.2	4.1	4.7	4.7	→	-0.5 %
<b>Total operating revenue</b>	<b>53.5</b>	<b>59.1</b>	<b>62.1</b>	<b>62.9</b>	<b>61.2</b>	↘	<b>-2.7 %</b>
Revaluation (net)   Income from sale inv. prop.	50.0	26.9	21.8	50.5	28.5	↓	-43.5 %
<b>EBITDA</b>	<b>78.9</b>	<b>60.1</b>	<b>59.5</b>	<b>89.6</b>	<b>66.9</b>	↓	<b>-25.3 %</b>
<b>EBITDA excl. revaluation</b>	<b>28.9</b>	<b>33.2</b>	<b>37.7</b>	<b>39.2</b>	<b>37.8</b>	→	<b>-1.9 %</b>
<b>EBIT</b>	<b>75.2</b>	<b>56.5</b>	<b>55.9</b>	<b>86.3</b>	<b>63.8</b>	↓	<b>-26.1 %</b>
<b>EBIT excl. revaluation</b>	<b>25.2</b>	<b>29.6</b>	<b>34.1</b>	<b>35.9</b>	<b>35.3</b>	→	<b>-1.6 %</b>
<b>Net income</b>	<b>57.9</b>	<b>44.8</b>	<b>45.1</b>	<b>67.1</b>	<b>48.4</b>	↓	<b>-28.0 %</b>
<b>Net income excl. revaluation</b>	<b>18.2</b>	<b>20.7</b>	<b>24.0</b>	<b>24.1</b>	<b>24.0</b>	→	<b>-0.1 %</b>

<sup>1</sup> Pro-forma figures; <sup>2</sup> previous figures adjusted (new revenue collection rules in Swiss GAAP FER)

# Consolidation growth, stronger margin

## Operating revenue and income

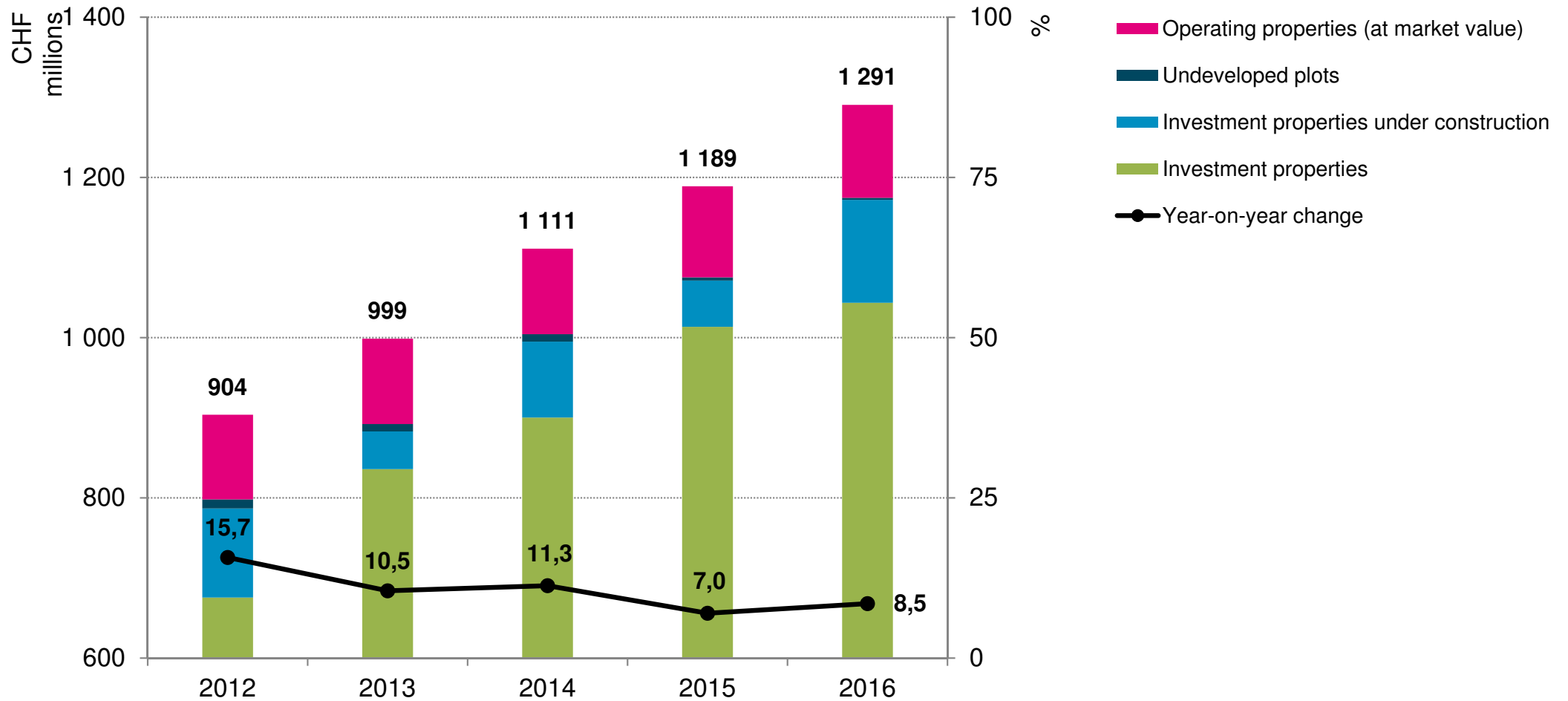
in CHF million or %



# Continuation of growth strategy

## Fair value of portfolio

in CHF million or %

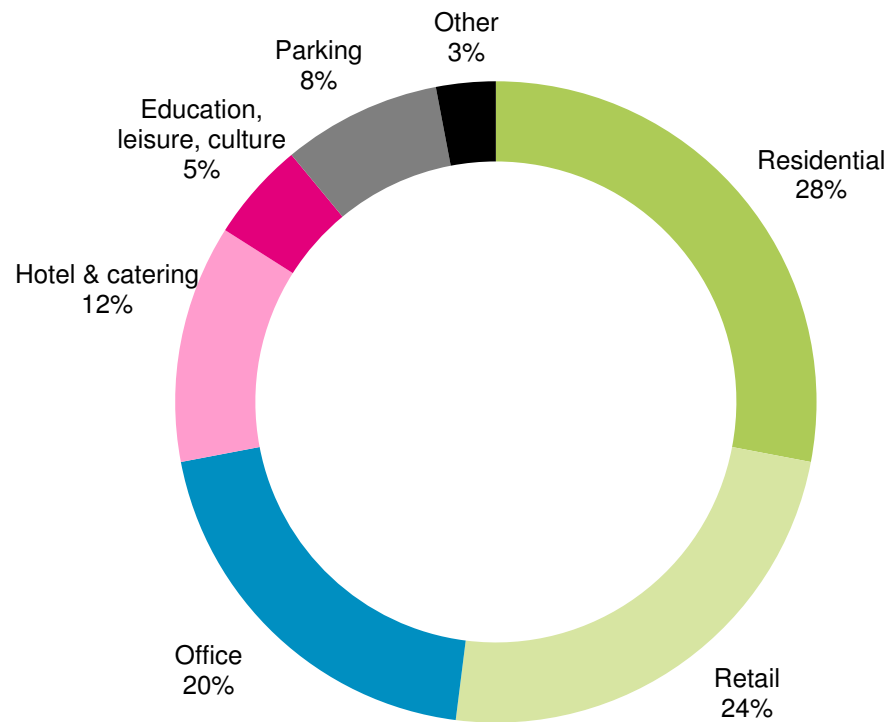




# High residential proportion, solid principal tenants

## Portfolio by use

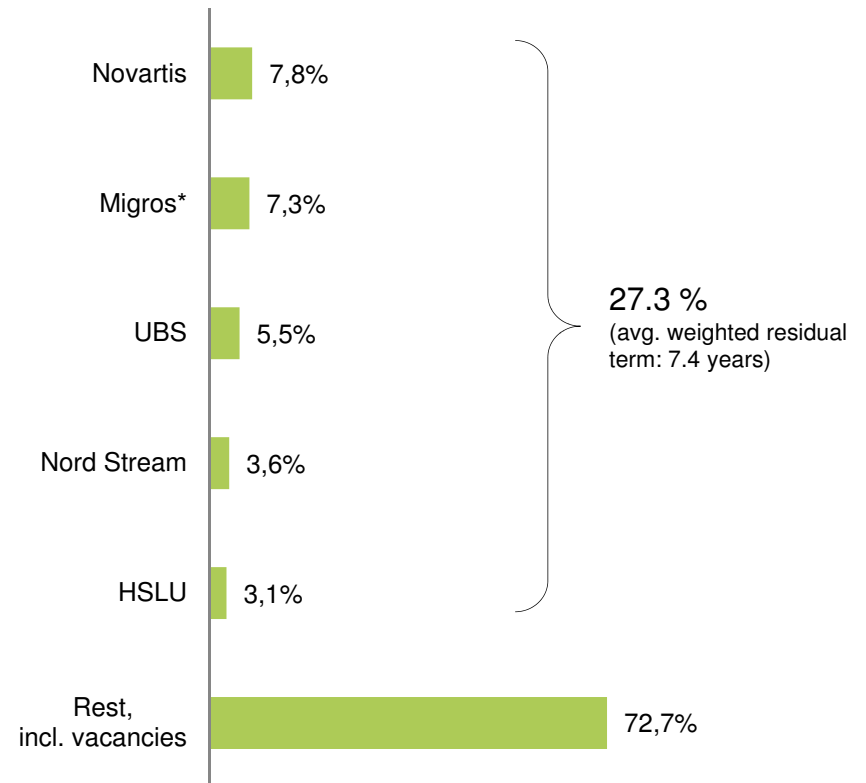
Based on projected rental revenue\* as at December 31, 2016



\*From point of view of real estate business unit, incl. rents of hotel & catering business

## Tenant structure

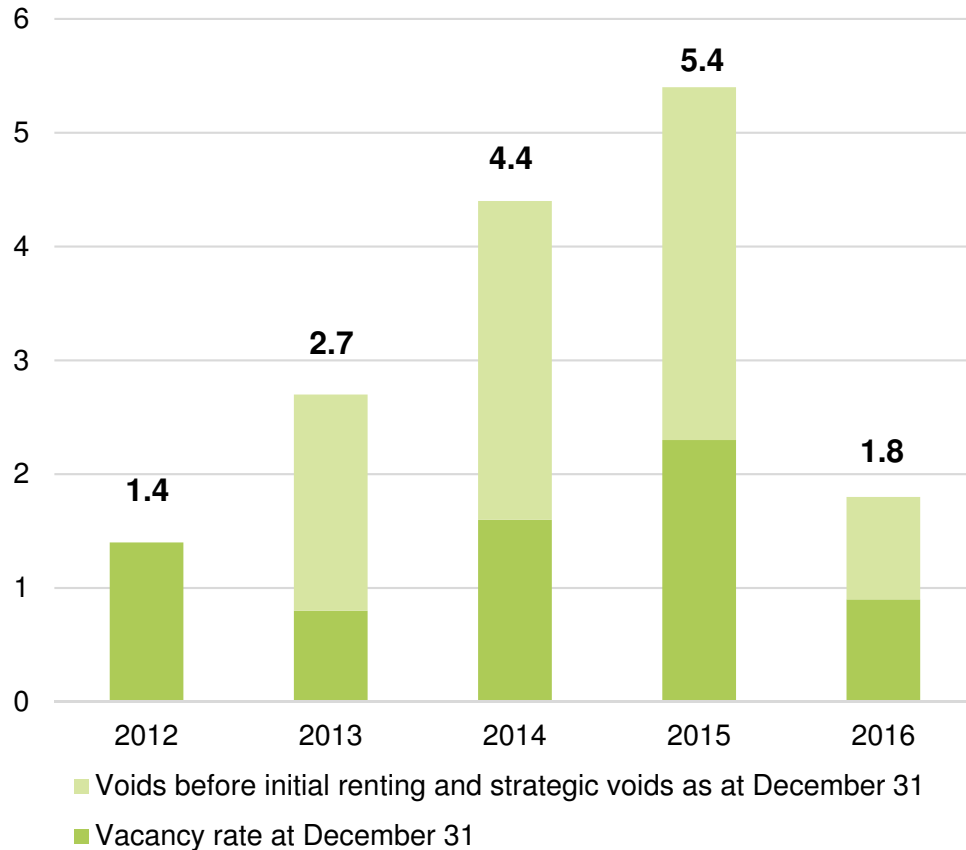
Investment properties, based on projected rental revenue as at December 31, 2016



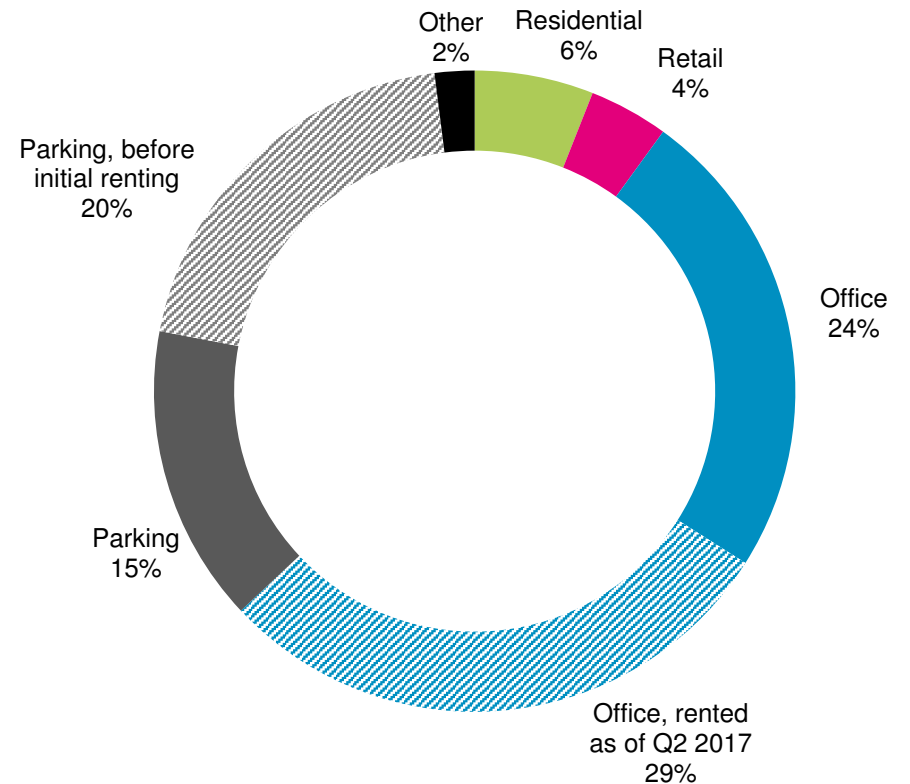
\* various companies of the Migros Group

# Vacancy rate at 1.8%

**Vacancy rate (on reference date)**  
in %

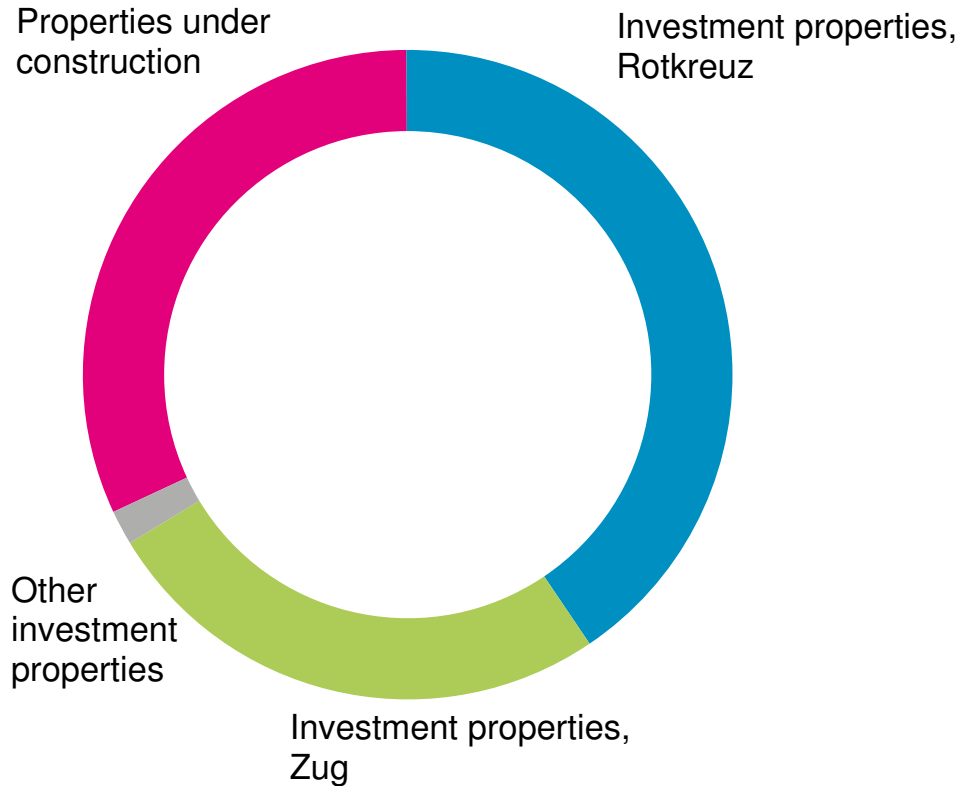


**Breakdown of vacancies as at December 31, 2016**  
by use

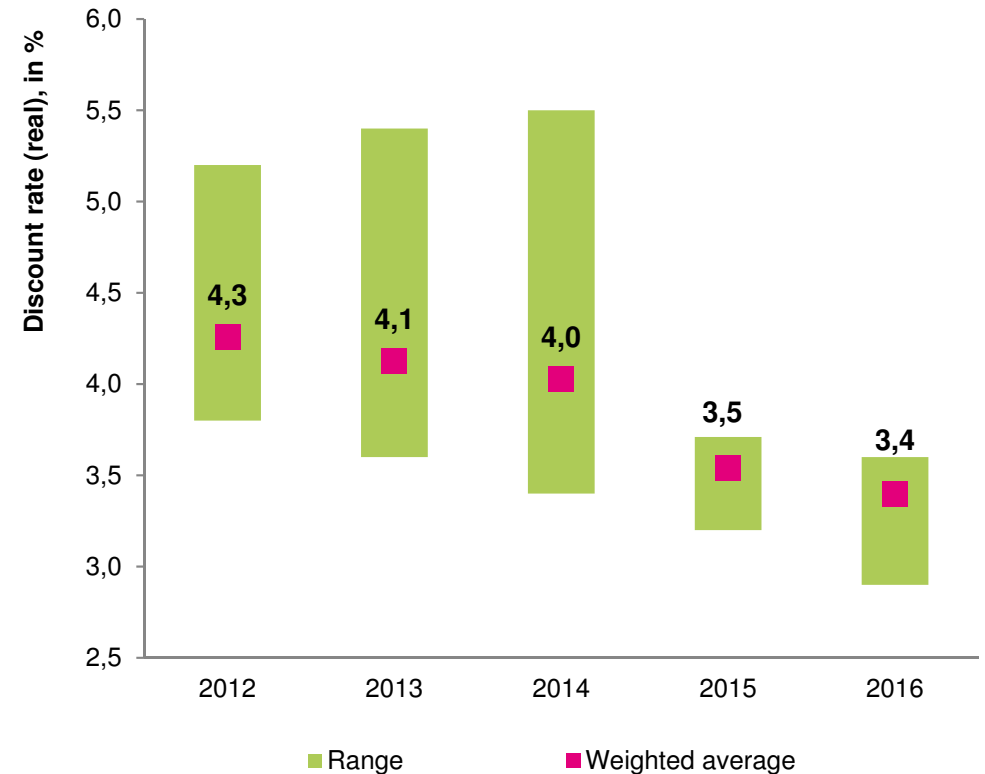


# Income from revaluation thanks to continuous project development

**Split income from revaluation**  
2016



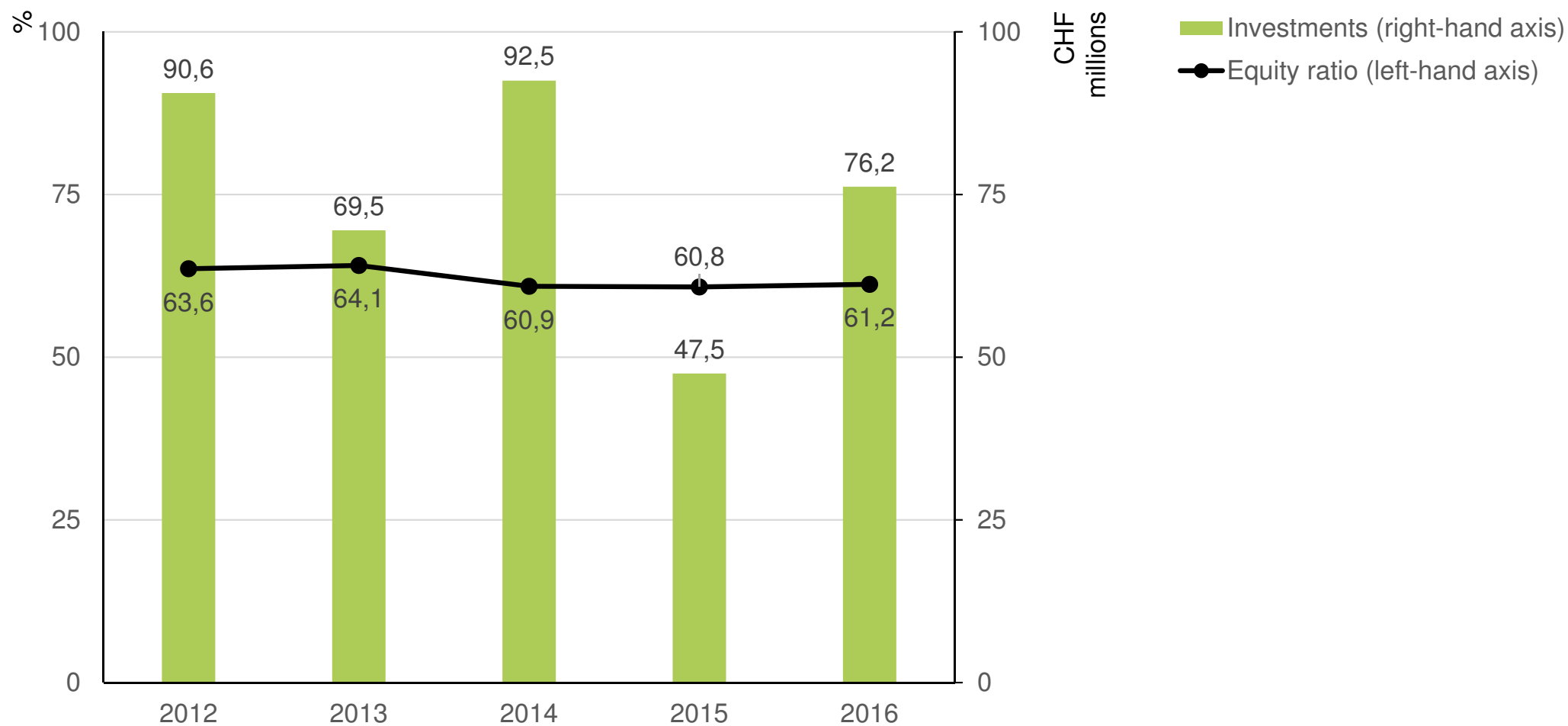
**Discount rates**  
real



# Solid equity base offering long-term stability

## Equity and investments

in CHF million or %



# Systemic risk minimized by long-term fixed interest rates and low level of borrowing

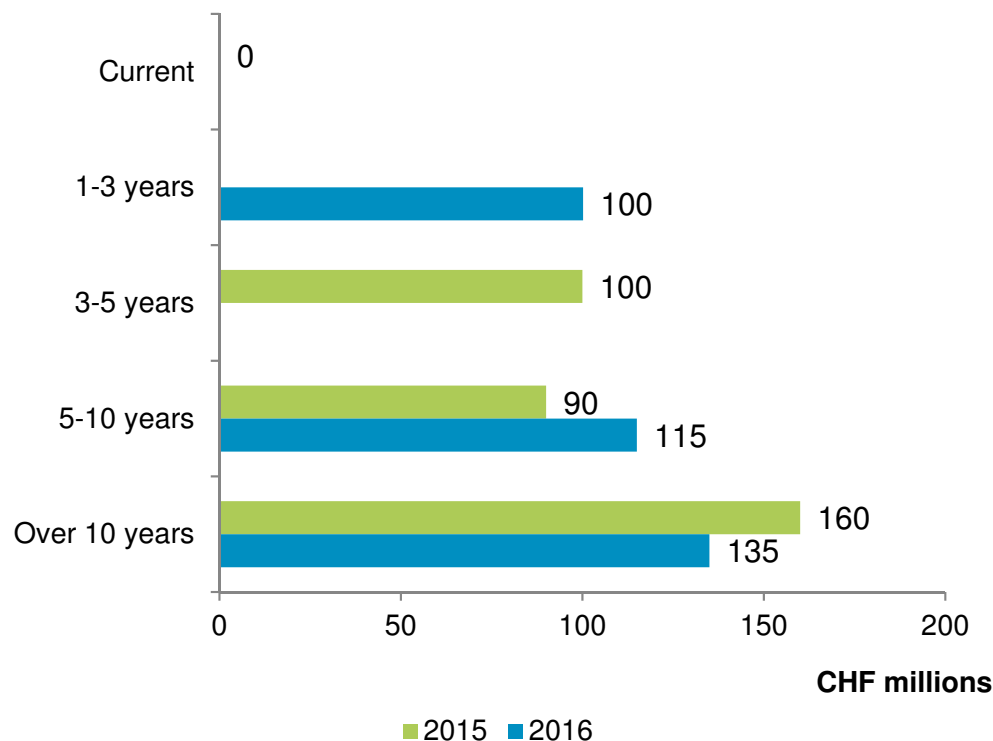
## Selected key figures

as at December 31

in CHF million	2012	2013	2014	2015	2016
Cash and cash equivalents	75.7	23.8	24.2	55.2	18.4
Fair value of portfolio	903.8	998.7	1111.0	1188.9	1290.5
Interest-bearing debt	250.0	250.0	320.0	350.0	350.2
- In % of total assets	26.4%	25.5%	29.4 %	29.4%	27.7%
- LTV	27.7%	25.0%	28.8%	29.4%	27.1%
- Avg. interest rate	2.6%	2.6%	2.2%	2.5%	2.5%
- Avg. residual term	10.5 Y	9.5 Y	7.6 Y	9.2 Y	8.2 Y
- Interest coverage	4.1 x	4.7 x	5.1 x	4.5 x	4.2 x

## Maturity structure of financial liabilities

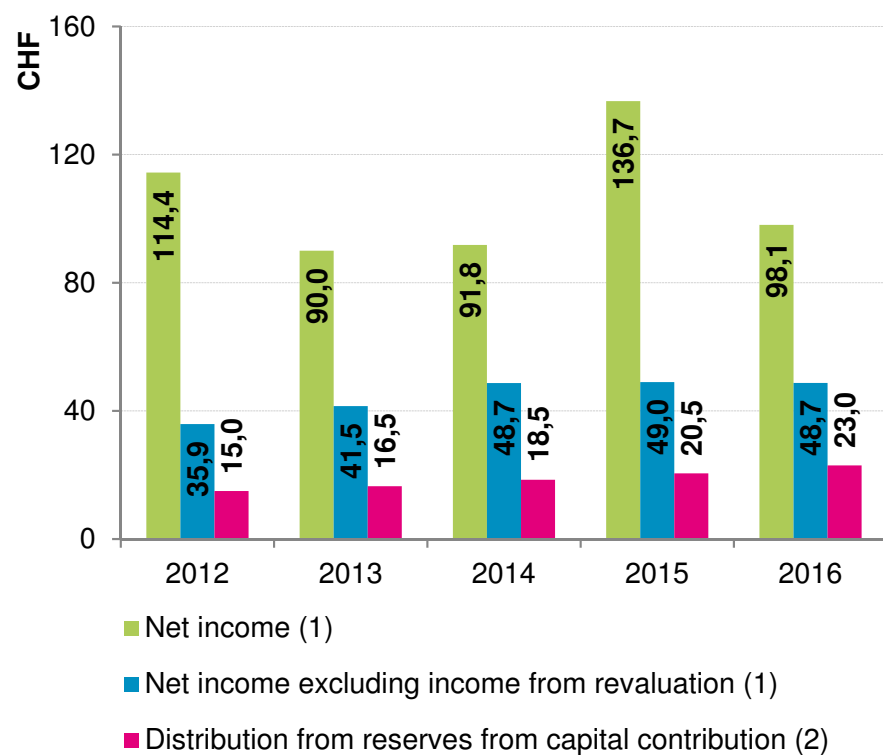
as at December 31



In January 2017, a 0.7% CHF 100 million bond with a term of 5 years was issued to finance development projects. The Group also has undrawn credit lines of CHF 160 million.

# Payout increases by 12.2%

## Income and payout per series B registered share

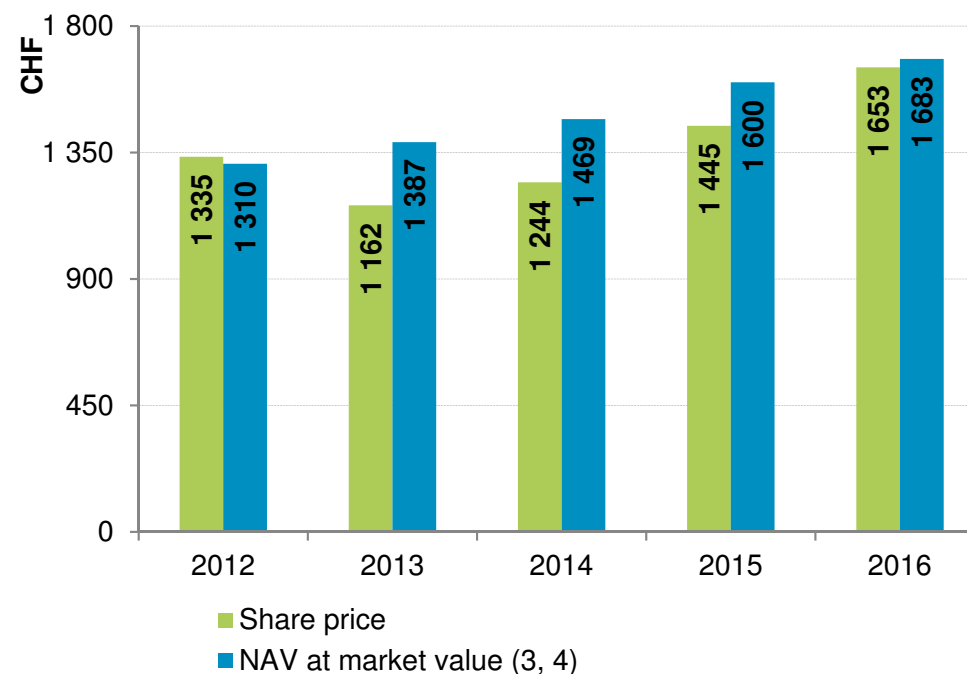


<sup>1</sup> In relation to number of shares on average outstanding (series A registered shares converted)

<sup>2</sup> Payable in the following year 2016: proposal of the board of directors

## Stock market price and NAV per series B registered share

as at December 31

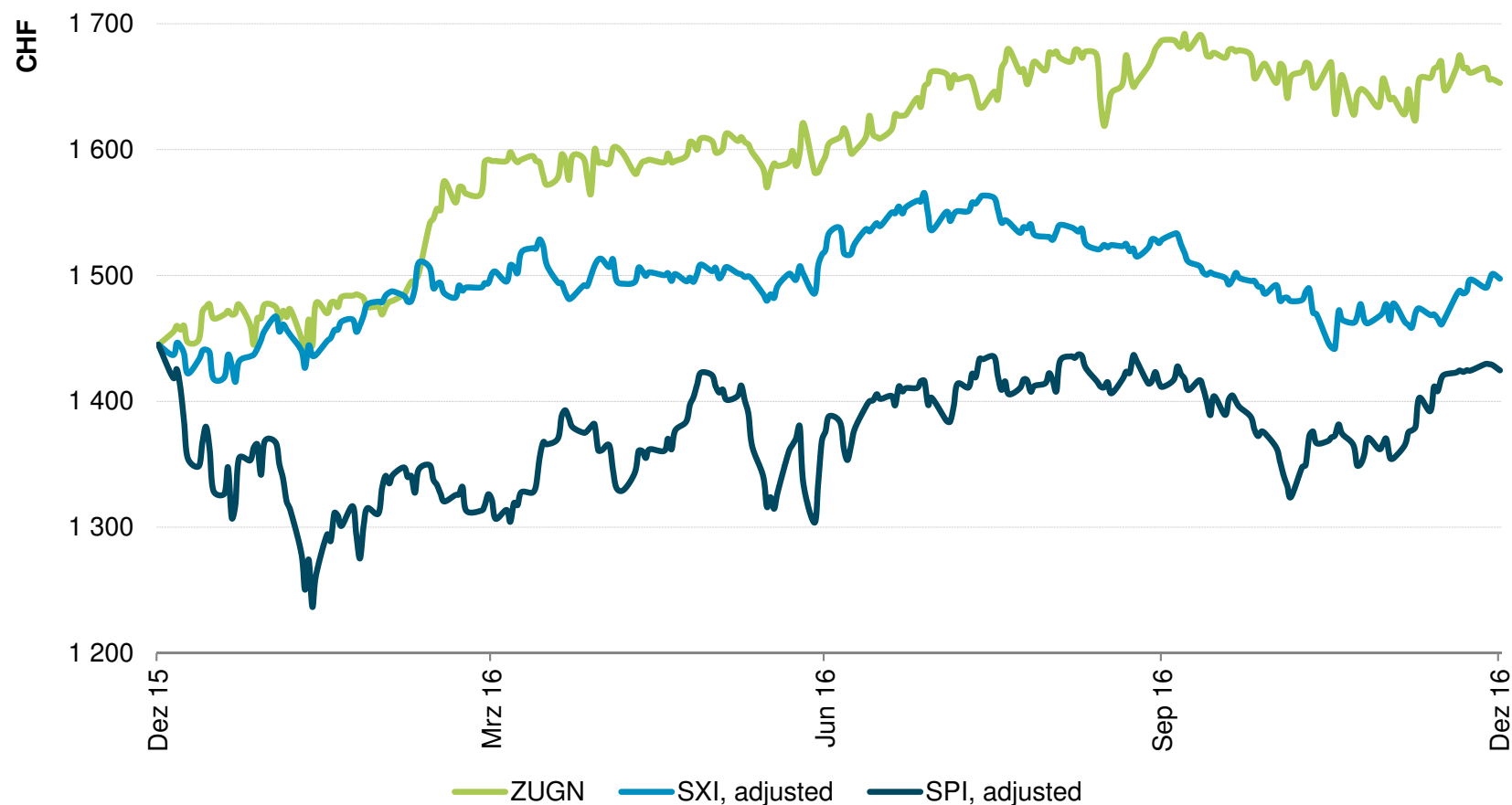


<sup>3</sup> NAV at market value includes properties used for operational purposes at market value and the corresponding deferred taxes

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

# Total return per share at 15.8%

## Performance series B registered share



## Performance in 2016

<b>ZUGN</b>	<b>+ 14.4%</b>
<b>SXI</b>	<b>+ 3.6%</b>
<b>SPI</b>	<b>- 1.4%</b>

# Segment information

## 2016

in CHF million	Real estate	Hotel & catering	Corporate & eliminations	Total
Total operating revenue	50.1	17.1	- 6.0	61.2
Total operating expenses	- 12.1	- 15.9	5.2	- 22.8
Revaluation   Income from sale of investment property	28.5	0.0	0.0	28.5
<b>EBITDA</b>	<b>66.5</b>	<b>1.2</b>	<b>- 0.8</b>	<b>66.9</b>
<b>EBIT</b>	<b>64.3</b>	<b>0.3</b>	<b>- 0.8</b>	<b>63.8</b>

## 2015

in CHF million	Real estate	Hotel & catering	Corporate & eliminations	Total
Total operating revenue	49.1	19.8	- 6.0	62.9
Total operating expenses	- 10.5	- 18.4	5.2	- 23.7
Revaluation   Income from sale of investment property	50.5	0.0	0.0	50.5
<b>EBITDA</b>	<b>89.0</b>	<b>1.4</b>	<b>- 0.8</b>	<b>89.6</b>
<b>EBIT</b>	<b>86.8</b>	<b>0.4</b>	<b>- 0.9</b>	<b>86.3</b>

- EBIT hotel & catering incl. operating properties: CHF 4.4 million (previous year: CHF 4.3 million)
- EBITDA return at fair value of operating properties: 6.0% (previous year: 6.4%)



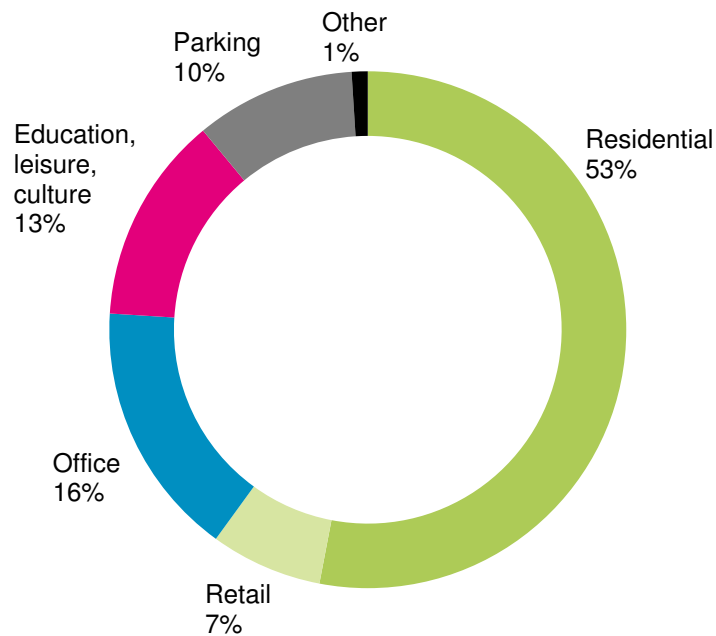
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# Suurstoffi – multifaceted residential area

## Mix of uses

Based on projected rental revenue as at December 31, 2016



**Excellent accessibility** with short distances

**Diverse spectrum of rental apartments** – Almost 400 apartments with different floor plans and 22 serviced rooms for people at all stages of life

**Modern office space and training facilities** for around 500 workplaces and 650 students

**Complementary neighborhood amenities** with children's daycare center, fitness center and restaurant

**Park-style outside space** with high recreational quality

**CO<sub>2</sub>-free energy concept** with on-site power generation

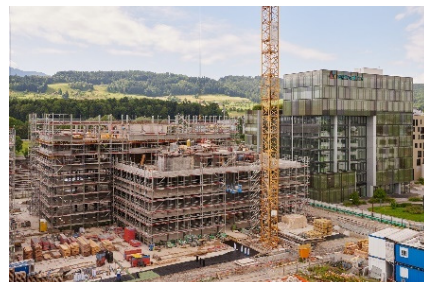




# Suurstoffi – third development phase under construction



Visualization Suurstoffi 16-20, Risch Rotkreuz



## **Serviced accommodation**

- 152 rental apartments with 1.5 to 5.5 rooms, 72% reserved (end-Feb. 2017)
- 8 student apartments (52 rooms), operated by JUWO

## **Additional workplaces**

- 9 500 m<sup>2</sup> office and commercial space, 76% rented (end-Feb. 2017)
- Anchor tenants GfK with 200 workplaces and Mobility with 130

**Occupancy** in phases from fall 2017 to early 2018

**Investment volume** approx. CHF 110 million



# Suurstoffi – office building S22 under construction, due for completion in summer 2018



Vizualizations Suurstoffi 22, Risch Rotkreuz



**Office building** for around 600 workplaces

**Long-term rental contract** with anchor tenant Amgen; negotiations with other interested parties at advanced stage

**Tallest wooden building** in Switzerland (hybrid timber-concrete construction)

**Start of construction in summer 2016**, occupancy in summer 2018

**Investment volume** approx. CHF 55 million



# Suurstoffi – Aglaya garden high-rise as of 2019



Visualizations Suurstoffi 37/39, Risch Rotkreuz

**70-meter tall garden high-rise** at center of site

- 85 single-story condominiums with spacious, greened external areas
- Office space for approx. 75 workplaces

**Sale of condominium properties**

- Innovative marketing approach with housing configurator
- 6% of apartments with notarization, 26% with reservation (Feb. 2017)

**Start of construction in 2016**, occupancy early 2019

**Investment volume** approx. CHF 100 million (90% promotion)



# Suurstoffi – home to the new IT department of Lucerne University of Applied Sciences and Arts



Visualization Suurstoffi campus, Lucerne University of Applied Sciences and Arts



## Long-term rental contact

with Lucerne University of Applied Sciences and Arts

## Construction of Suurstoffi campus

with focus on IT and finance , in two phases:

- **Transitional solution** since summer 2016 in the buildings Suurstoffi 12 and Suurstoffi 41
- **Definitive location** near train station from summer 2019

**Modified development plan** with higher plot ratio approved by Municipal Assembly in November 2016, expected to become legally binding in April 2017

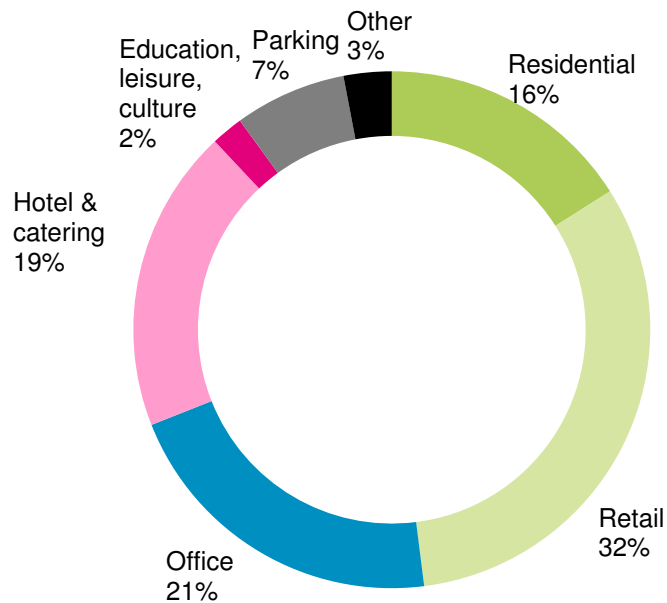
**Start of construction** in 2nd half of 2017, occupancy in summer 2019

**Investment volume** approx. CHF 175 million

# Metalli – living hub with wide range of amenities

## Mix of uses

Based on projected rental revenue\* as at December 31, 2016



\*from point of view of real estate business unit, incl. rents of hotel & catering business

**Metalli shopping mall** with approx. 16 000 m<sup>2</sup> of accessible sales area, annual turnover of around CHF 170 million, a frequency rate of more than 4 million people per year and a high revenue per unit area (>10 000 CHF/m<sup>2</sup>)

**Strong catchment area** – some 110 000 residents and workers can be reached within 10 minutes.

**New design of outer area** creates attractive environment and new retail areas

**New brands** such as Rituals and The Butcher add to the appeal





# City Center site – long-term development potential



**Development and densification** of portfolio

**Mixed use** at a central location

**Cantonal structure plan** shows the City Center site to be situated largely in a level II densification area with a plot ratio of up to 3.5 (standard value)

**Master plan** initiated; aim is to start developing from 2020

**Investment potential** at CHF 300 to 400 million



# Clearly defined development will drive growth from 2018

## Development pipeline

As at December 31, 2016

### Suurstoffi 16–20

152 rental apartments, 52 accommodation units for students, approx. 500 workplaces – MobilityMarket Research company GfK

### Suurstoffi 22

Approx. 600 workplaces  
Amgen

### Suurstoffi 37/39 (Aglaya)

85 condominium apartments,  
approx. 75 workplaces

### Suurstoffi 2–6

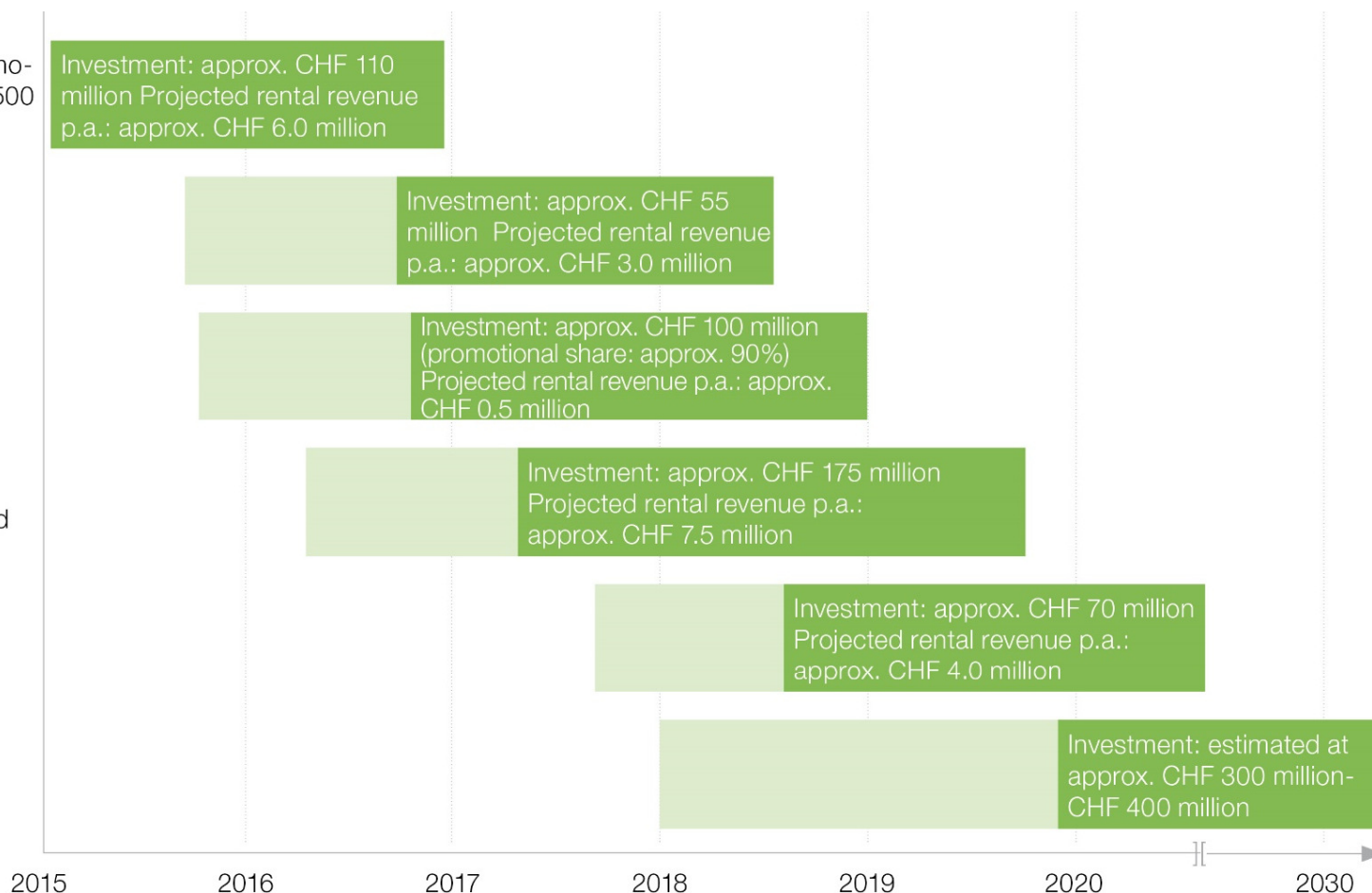
Zug Rotkreuz campus of Lucerne University of Applied Sciences and Arts, approx. 500 workplaces

### Suurstoffi 43/45

Approx. 700 workplaces

### Zug City Center site

Development vision for 2030



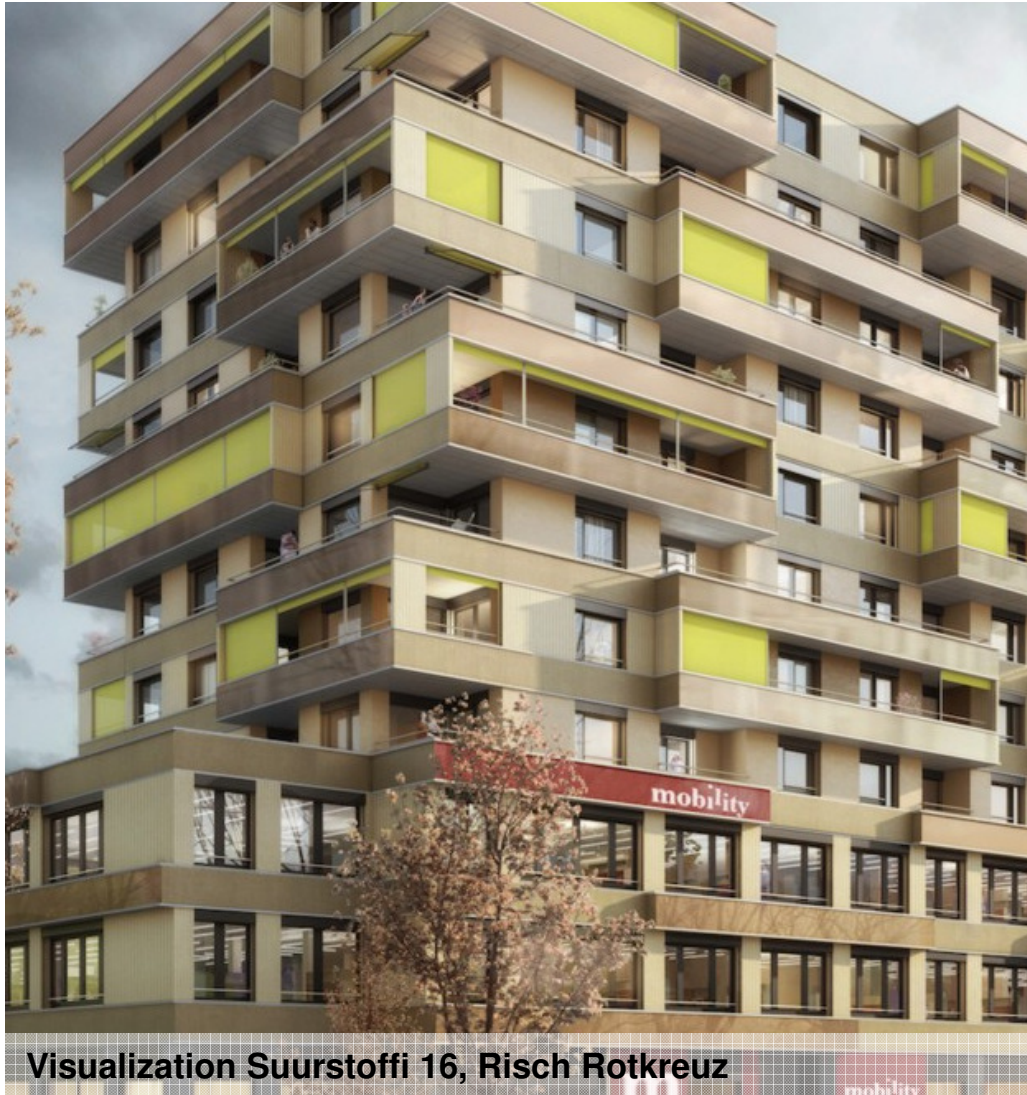
Design phase

Construction phase

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# 2017 financial year – outlook



- Rise in rental income
- Preparations for imminent, major growth drive result in higher costs and maintenance
- Consolidation of hotel & catering business unit; renovation of rooms at Parkhotel in summer
- Operating income before depreciation and revaluation on a par with previous year
- Revaluation of investment properties (net) down year-on-year
- Net income excl. revaluation up year-on-year
- Investments (incl. promotional property) of approx. CHF 150 million

# New Zug Estates Group CFO as of May 2017: Mirko Käppeli (born 1979)



## Professional background

2010 – 2017 in various financial roles within the Seewarte Group, CFO since 2011.

Previously worked as a Finance Manager in various companies, including Mobimo between 2005 and 2009.

## Activities on governing and supervisory bodies

None

## Education

University of St. Gallen, Master's in Business Administration (lic. oec. HSG)

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# Proposals to the 2017 general meeting of shareholders

- Payout of CHF 2.30 per series A registered share and CHF 23.00 per series B registered share from the reserves from capital contributions
- Dr. Beat Schwab as new chairman of the board of directors
- Reduction in number of members of the board of directors from 7 to 5

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# Q&A





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