



hamborner  
**REIT**



ZUKUNFT BRAUCHT SUBSTANZ

## Conference Call H1 2020 & Strategy update

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30 July 2020

**1**

**Update on H1 2020 performance**

**2**

**Strategy update**

## Highlights

### **Solid operational business development**

- Despite challenging market environment, HAMBORNER with solid financial performance in H1-2020
- Cash collection rates almost back to pre-Corona level given high share of tenants with strong financial profiles and operations in systematically relevant sectors
- Successful onboarding of newly constructed office assets with total investment volume of € 79.5 million<sup>(1)</sup>

### **Strategic advancement**

- Updated corporate strategy with regards to portfolio structure and further investment profile
- Enhancement of business model to enable additional accretive growth
- Retention of strengths of HAMBORNERs conservative business model

### **Forecast and dividend update**

- Risk diversified asset and tenant structure allows HAMBORNER to remain well positioned irrespective of difficult market conditions
- Updated forecast 2020
- Updated dividend proposal

# Development of key figures

## H1 2020

Key figures	H1 2020	H1 2019	Change
Income from rents and leases	€ 43.9 million	€ 42.3 million	+3.7%
<i>Rents like-for-like</i>	-0.3%	-0.1%	
Operating result	€ -0.8 million	€ 16.9 million	-104.7%
Profit for the period	€ -8.5 million	€ 9.2 million	-192.2%
Funds from operations	€ 27.0 million	€ 26.6 million	+1.5%
Funds from operations per share	€ 0.34	€ 0.33	+1.5%
Vacancy rate	1.8%	2.0%	-0.2%-points

Key figures	30 June 2020	31 December 2019	Change
REIT equity ratio	54.7 %	57.3 %	-2.6%-points
Loan to value (LTV)	43.1 %	42.4 %	+0.7%-points
Net asset value (NAV) per share	€ 11.27	€ 11.59	-2.8%

## Portfolio additions H1 2020



### Neu-Isenburg Office

Purchase price: € 16.3 million  
Annual rents: € 0.9 million  
Gross initial yield: 5.5%  
WALT<sup>(1)</sup>: 5.8 years  
Transfer of possession: 1 Jan 2020



### Bonn Office

Purchase price: € 22.8 million  
Annual rents: € 1.4 million  
Gross initial yield: 5.3%  
WALT<sup>(1)</sup>: 11.8 years  
Transfer of possession: 14 Feb 2020



### Aachen Office

Purchase price: € 37.7 million  
Annual rents: € 1.9 million  
Gross initial yield: 5.1%  
WALT<sup>(1)</sup>: 11.2 years  
Transfer of possession: 1 Jun 2020

Despite challenging market conditions, onboarding of three newly constructed office properties at attractive locations with long-term secured cash-flows

## Asset Disposal



### Osnabrück

Asset type:	High Street Retail
Selling price:	€5.9 million
WALT:	1.8 years
Annual rental income:	€0.3 million
Book value <sup>(1)</sup> :	€3.1 million
Transfer of possession:	Q3/Q4 2020e

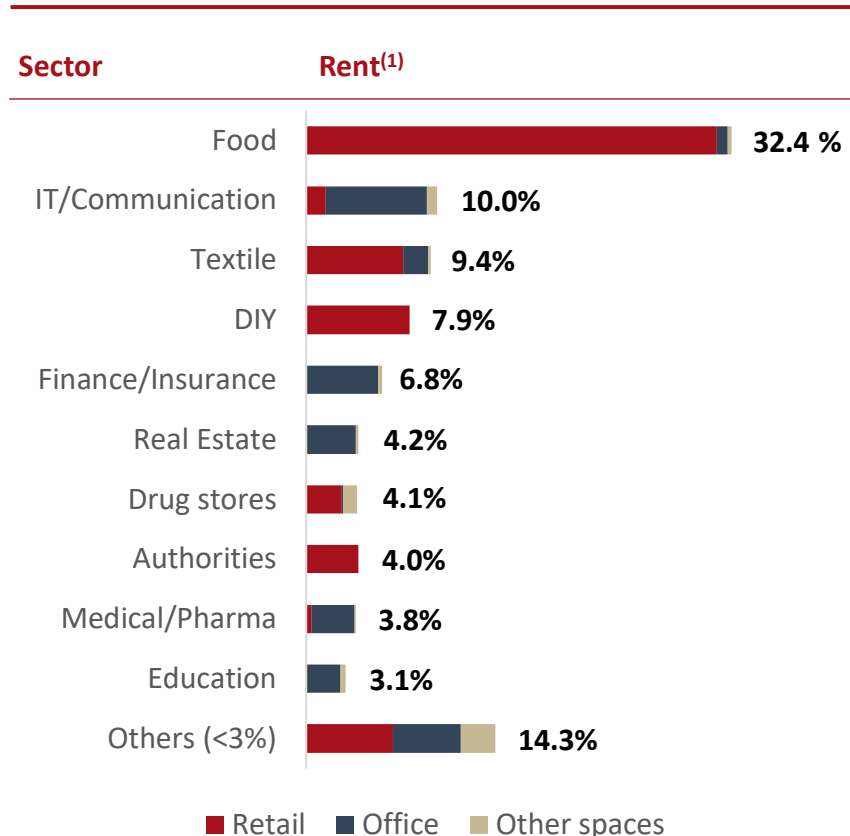
**Disposal of High Street Retail asset in line with HAMBORNER portfolio strategy**

## Tenant structure

### Top 10 tenants (as of 30 June 2020)

Tenant	Sector	Rent <sup>(1)</sup>
EDEKA	Food retail	11.5%
Kaufland	Food retail	5.7%
REWE	Food retail	5.3%
Real	Food retail	5.2%
OBI	DIY store	4.8%
Jobcenter	Agency of unemployment	3.1%
Barmer	Insurance	2.2%
NetCologne	IT/Communication	2.0%
Globus	DIY store	1.9%
C&A	Textile retail	1.5%
<b>Total</b>		<b>43.3%</b>

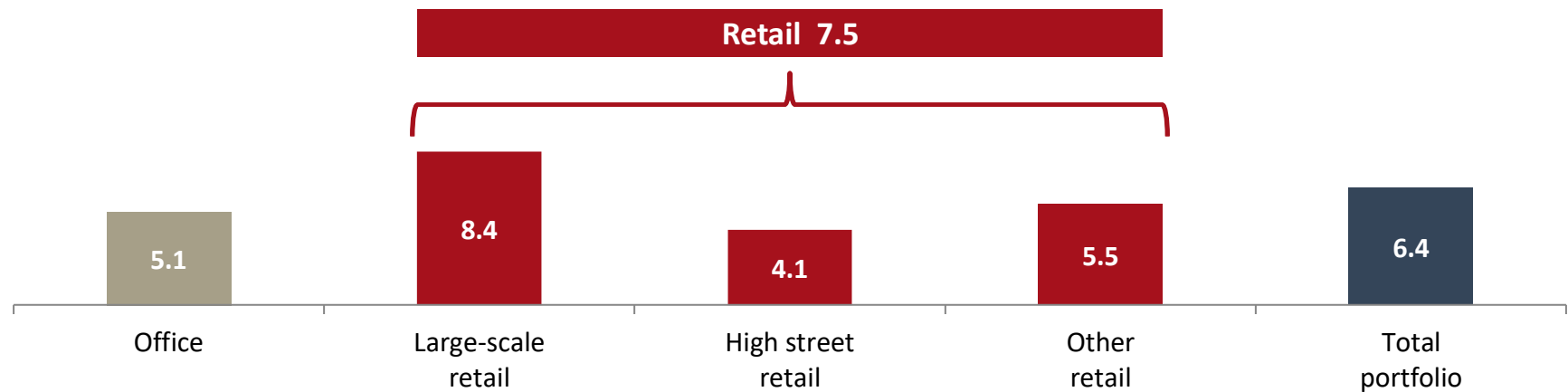
### Sector distribution (as of 30 June 2020)



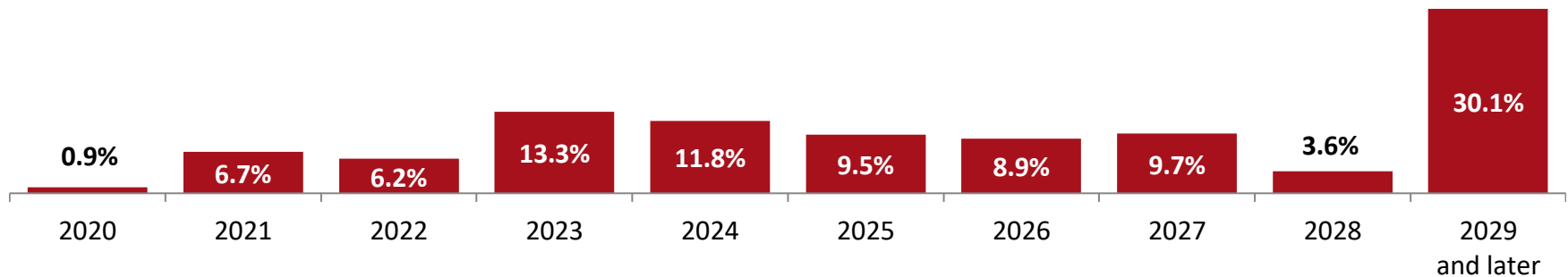
**HAMBORNER** benefits from high share of tenants (approx. 50% of annualized rents) with strong financial profiles and operations in systemically relevant sectors (especially food retail)

## Lease contracts

### Weighted average lease expiry by type (as of 30 June 2020, in years)



### Lease expiry schedule (as of 30 June 2020; % of annual rents)

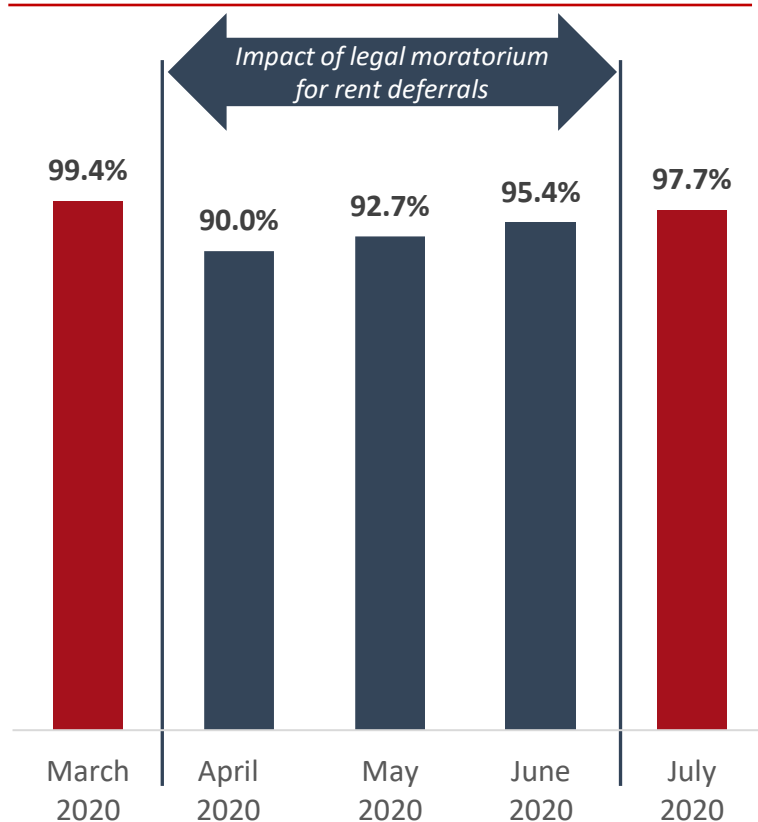


- HAMBORNER maintains high WALT level
- Lease expiries evenly distributed throughout the years with comparatively low volume until 2023

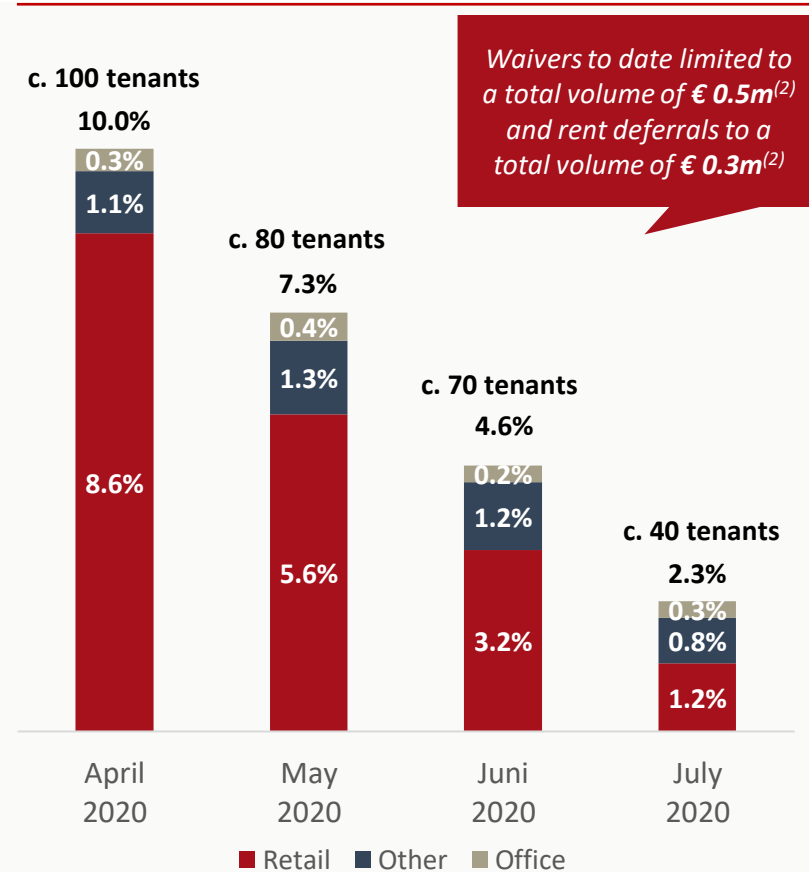


## Rental operations – Corona Update

Rent collection rates<sup>(1)</sup> (as of 29 July 2020)



Rent deferrals/reductions<sup>(1)</sup> (as of 29 July 2020)



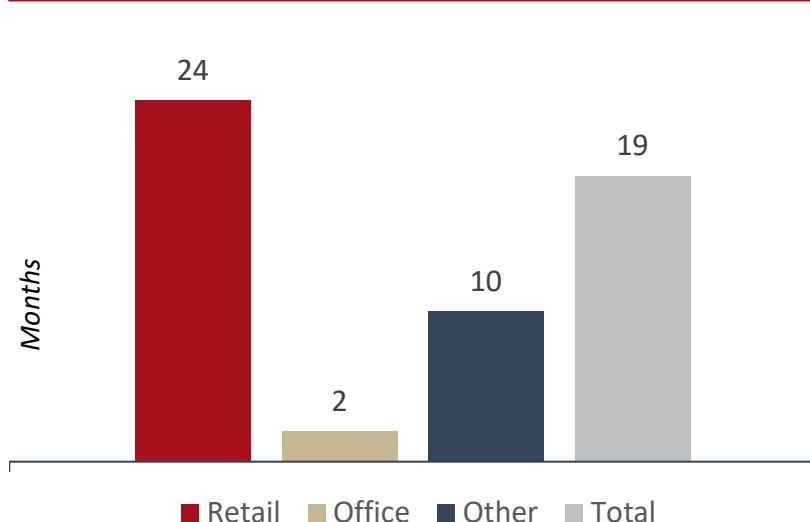
Portfolio has proven high resilience even in very challenging economic environment

## Rental operations – Corona Update

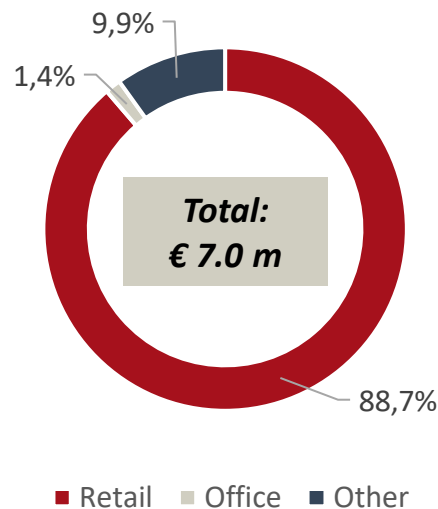
### Asset management achievements (as of 29 July 2020)

- Trustworthy cooperation with our tenants to counter adverse impacts from Corona lock-down
- Negotiations of rent deferrals and reductions (waivers) as well as contract prolongations
- Early prolongation of rental contracts (Ø lease prolongation: **19 months**)
- Corresponds to **€ 7.0m** additional rental income from contract extensions

#### Average lease extension in months<sup>(1)(2)</sup>



#### Additional rental income from contract extensions<sup>(1)</sup>



**Strong asset management performance based on very solid tenant relationships**

# Funds from Operations (FFO)

## Profit and loss statement

in € thousand	H1 2020	H1 2019	Change
<b>1 Income from rents and leases</b>	<b>43,868</b>	<b>42,303</b>	<b>+3.7%</b>
Income from passed-on incidental costs	6,985	6,623	+5.5%
Operating expenses	-9,619	-9,076	+6.0%
Maintenance	-2,604	-2,734	-4.8%
<b>Net rental income</b>	<b>38,630</b>	<b>37,116</b>	<b>+4.1%</b>
<b>2 Administrative expenses</b>	<b>-631</b>	<b>-694</b>	<b>-9.1%</b>
<b>3 Personnel expenses</b>	<b>-2,576</b>	<b>-2,366</b>	<b>+8.9%</b>
Other operating income	1,032	926	+11.5%
<b>4 Other operating expenses</b>	<b>-1,652</b>	<b>-695</b>	<b>+137.7%</b>
Financial result	-7,802	-7,691	+1.4%
<b>FFO</b>	<b>27,001</b>	<b>26,596</b>	<b>+1.5%</b>
<b>5 Capex</b>	<b>-651</b>	<b>-1,635</b>	<b>-99.6%</b>
<b>AFFO</b>	<b>26,350</b>	<b>24,961</b>	<b>+8.1%</b>
<b>FFO per share in €</b>	<b>0.34</b>	<b>0.33</b>	<b>+1.5%</b>
<b>AFFO per share in €</b>	<b>0.33</b>	<b>0.31</b>	<b>+6.5%</b>

- 1 Increase attributable to new acquisitions
- 2 Decrease in administrative expenses due to postponement of AGM
- 3 Personnel expenses slightly increased as result of management changes
- 4 Mainly includes impairments of accounts receivables (due to Corona related rent collection losses) as well as legal and advisory costs
- 5 Decrease in Capex due to corona-related postponement of selected measures

**No Corona-related adjustments have been applied to FFO in H1 2020**

# Net Asset Value (NAV)

## NAV according to EPRA

in € million	30 Jun 2020	31 Dec 2019
1 Balance sheet long-term assets	1,253.3	1,224.0
2 + Balance sheet short-term assets	32.8	10.7
3 - Non-current liabilities and provisions	671.3	638.7
- Current liabilities and provisions	108.1	81.3
<b>Balance sheet NAV</b>	<b>506.7</b>	<b>514.7</b>
1 + hidden reserves investment property	391.8	409.6
<b>NAV</b>	<b>898.5</b>	<b>924.3</b>
<b>NAV per share in €</b>	<b>11.27</b>	<b>11.59</b>

1 Increase of long-term assets (incl. hidden reserves) resulting from newly acquired assets, partly offset by negative revaluation adjustments of 2.8%

Like-for-like market value development of -3.3% due to market/Corona related effects (primarily with reference to High Street Retail properties)<sup>(1)</sup>

2 Increase in short-term assets mainly related to increase in liquidity position

3 Non-current liabilities and provisions increase related to additional financing related to newly acquired assets

# Balance sheet

## IFRS

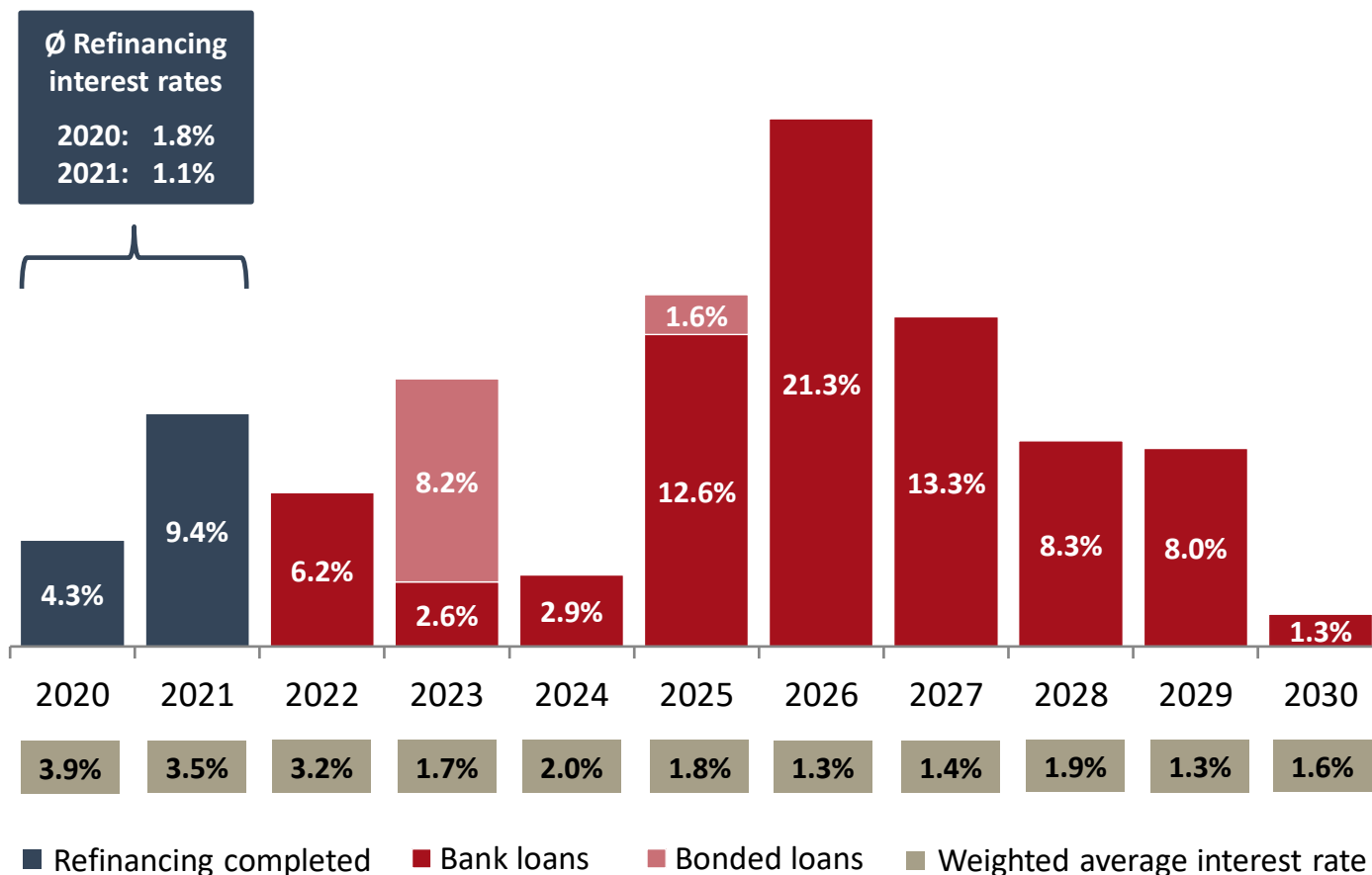
ASSETS € million	30 June 2020	31 Dec 2019	Change
<b>Non-current assets</b>	<b>1,253.3</b>	<b>1,224.0</b>	<b>-0.9%</b>
① <i>Investment Properties</i>	<i>1,247.9</i>	<i>1,202.7</i>	<i>+3.8%</i>
<i>Other</i>	<i>5.4</i>	<i>21.3</i>	<i>-74.6%</i>
<b>Current assets</b>	<b>32.8</b>	<b>10.7</b>	<b>+207.3</b>
② <i>Trade receivables and other assets</i>	<i>4.2</i>	<i>2.3</i>	<i>+80.0%</i>
③ <i>Cash and cash equivalents</i>	<i>28.6</i>	<i>8.4</i>	<i>+242.7%</i>
<i>Non-current assets held for sale</i>	<i>0</i>	<i>0</i>	
<b>Total assets</b>	<b>1,286.1</b>	<b>1,234.7</b>	<b>+4.2%</b>

Equity and Liabilities € million	30 June 2020	31 Dec 2019	Change
<b>Equity</b>	<b>505.9</b>	<b>513.6</b>	<b>-1.5%</b>
<b>Financial liabilities &amp; derivative instruments</b>	<b>733.4</b>	<b>689.5</b>	<b>+6.4%</b>
<b>Other liabilities and provisions</b>	<b>46.8</b>	<b>31.6</b>	<b>+48.1%</b>
<b>Total equity and liabilities</b>	<b>1,286.1</b>	<b>1234.7</b>	<b>+4.2%</b>

- ① Corona related revaluation adjustment of investment properties offset by inclusion of newly acquired assets in Aachen, Bonn and Neu-Isenburg
- ② Increase due to Corona related rent arrears
- ③ Significant increase of liquidity resulting from refinancing and operating cash flow generation. Currently additional undrawn financing facilities of approx. € 50 million available

# Financial situation

## Expiration of financial liabilities (as of 30 June 2020)



**54.7 %**  
REIT Equity ratio

**43.1 %**  
LTV

**€763.1m**  
Financial liabilities<sup>(1)</sup>

**1.93 %**  
Ø cost of debt <sup>(1)</sup>

**5.2 years**  
Ø maturity of debt <sup>(1)</sup>

**4.5x**  
EBITDA/Interest coverage

**Asset refinancing of 2020 and 2021 completed at favorable terms**

## Guidance 2020

- Rental income: **€87-88 million** (previous year: €85.2 million)
- FFO: **€52-54 million** (previous year: €54.3 million)
- Decline in NAV per share in a single-digit percentage range

## AGM & Dividend

- Virtual AGM to be held on 8 October 2020
- Dividend proposal of **€0.47** per share

## Operational outlook

- Continued handling of Corona-related asset management tasks
- Further optimization of financing structure
- Implementation of strategy update

**1**

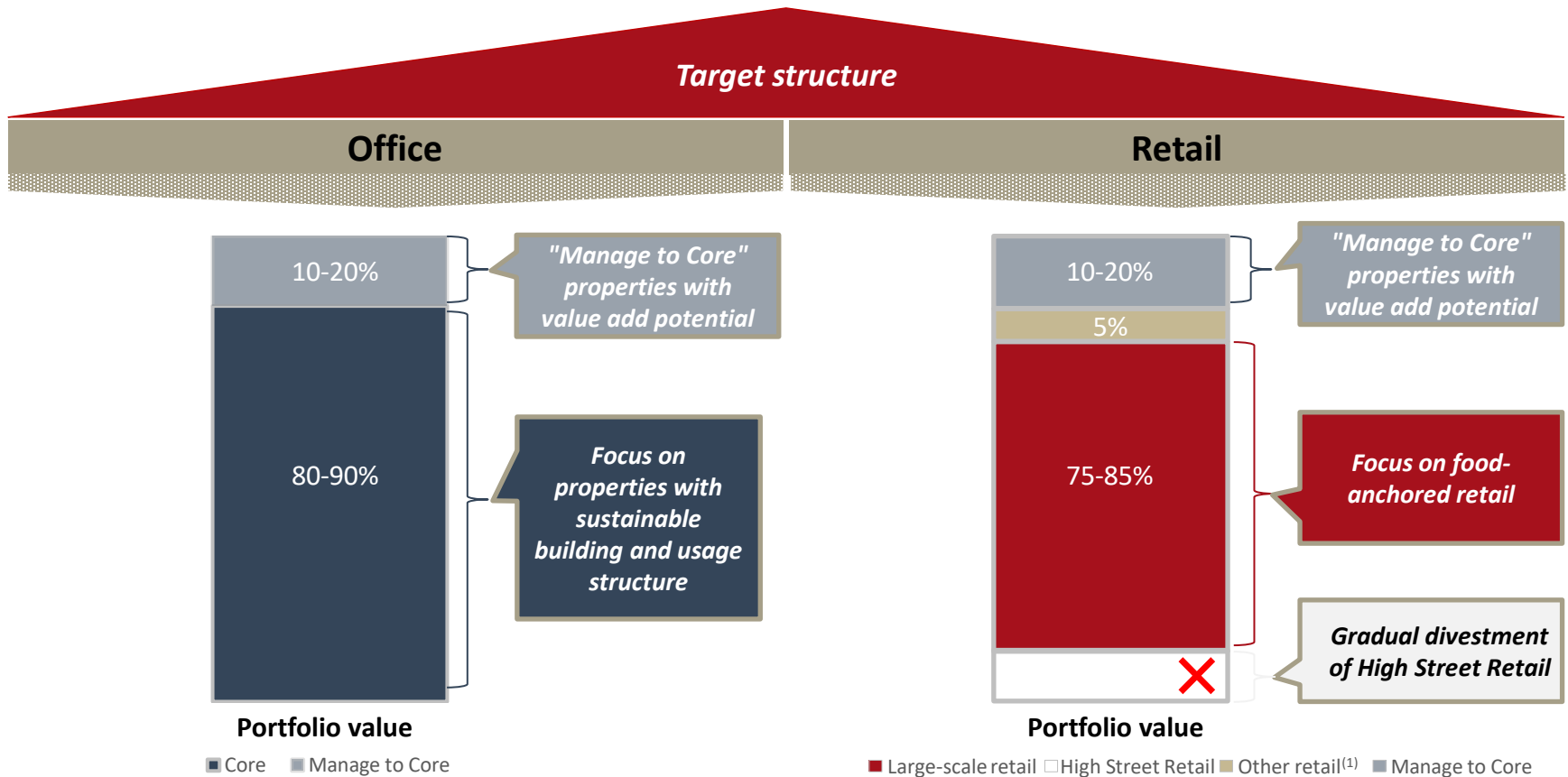
**Update on H1 2020 performance**

**2**

**Strategy update**



# Portfolio strategy – Target “two-pillar” portfolio structure



- “Two-pillar” portfolio structure with continued focus on asset classes office and retail
- Pro-rata portfolio weighting in accordance with market development (growth opportunities, value-creation capability, potential COVID-19 pandemic effects)

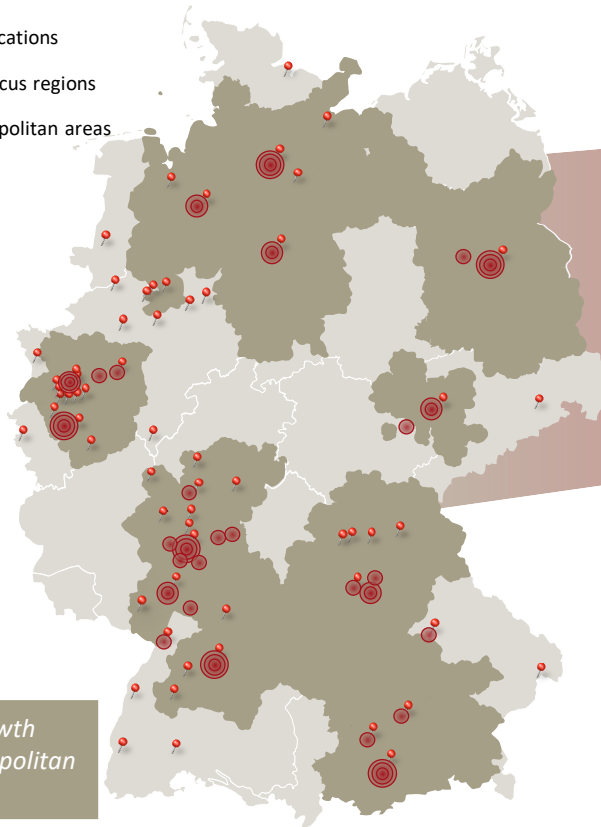
# Portfolio strategy – Updated investment approach

	Solid basis (to date)	Broadening of solid basis (prospective)
Asset classes	Office, Retail	Office, Retail
Risk profile	Core	Core, <b>Manage to Core</b>
Lot size	<ul style="list-style-type: none"> <li>▪ &gt;€ 10 m (retail) and &gt;€ 20 m (office)</li> </ul>	<ul style="list-style-type: none"> <li>▪ &gt;€ 10 m (retail) and &gt;€ 20 m (office)</li> </ul>
	<ul style="list-style-type: none"> <li>▪ Investment focus: Core</li> <li>▪ Forward deals to secure quality properties in early stage (higher yield)</li> <li>▪ Acquisition of Core+ properties only in particular cases</li> <li>▪ High-quality “nucleus” portfolio</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Maintain focus on Core investments</b></li> <li>▪ <b>Addition of “Manage to Core” properties with larger asset management needs</b> (refurbishment, letting etc.)</li> <li>▪ <b>Realization of value potential</b> within existing portfolio (incl. selective development activity)</li> <li>▪ If applicable, <b>participation in investment partnerships</b> (co-investments, joint ventures)</li> </ul>
Portfolio management approach	<ul style="list-style-type: none"> <li>▪ Predominantly buy and hold</li> <li>▪ Acquisition focus on gross target yield, occupancy rate, WALT and selective financing features</li> </ul>	<ul style="list-style-type: none"> <li>▪ Active “<b>buy-hold-sell</b>” portfolio management</li> <li>▪ <b>Constant portfolio streamlining</b> in line with strategic parameters</li> <li>▪ Interlocking of performance indicators from capital market and property perspective</li> <li>▪ Investments following defined <b>sustainability strategy</b></li> </ul>

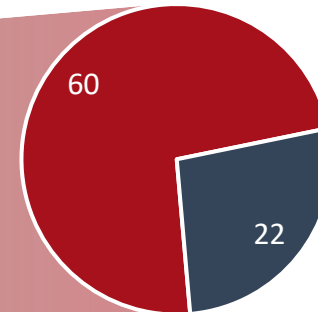
**More active portfolio management approach: Ensuring flexible adjustment to market changes and enabling further valuable growth**

# Portfolio strategy – Regional focus

- HAMBORNER locations
- HAMBORNER focus regions
- Key cities metropolitan areas



## Split of HAMBORNER portfolio by no. of assets (as of 30 June 2020)



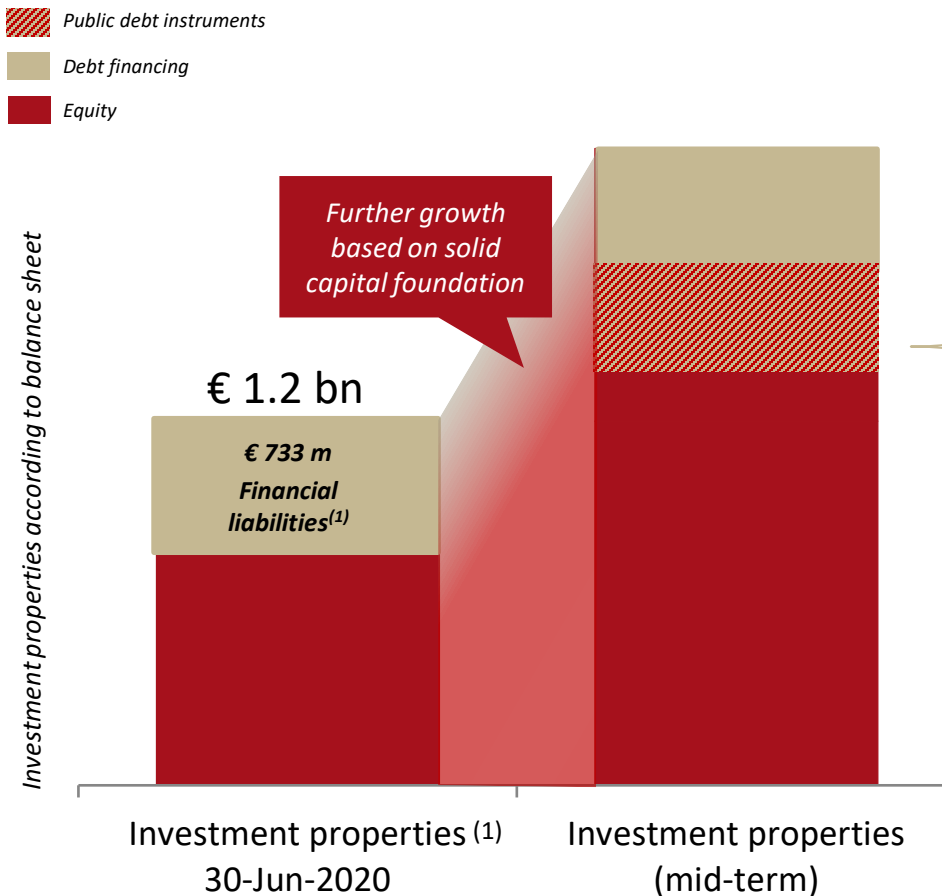
- Within metropolitan region<sup>(1)</sup> ■ Outside metropolitan region

- Frequent characteristics of Metropolitan regions:
  - Surpassing macro-economic metrics
  - Strongly prospering key cities and regional areas
  - Superior quality of (public and private) infrastructure
- **More than 70% of HAMBORNER properties located in metropolitan regions**
- **Office focus on properties in relevant key cities**
- **Retail focus on strong micro-locations within the regions**

Metropolitan regions	Population	Area	Share of GDP Germany <sup>(2)</sup>
Total share Germany	65.74%	56.11%	72%

**Focus on metropolitan regions incorporates specific investment profile for both asset classes and enables greater flexibility in exploiting market opportunities**

## Investment properties and funding split



### Diversification of funding sources

- Evaluation with regard to adding public debt instruments, e.g. convertible, bond etc.

### Optimisation of existing financing structure

- Enhancement of internal financing capacity
- Optimization of individual topics (e.g. amortization structure, product selection)
- Maintaining solid / conservative LTV-ratio
- Increase unencumbered asset ratio
- Potential credit rating

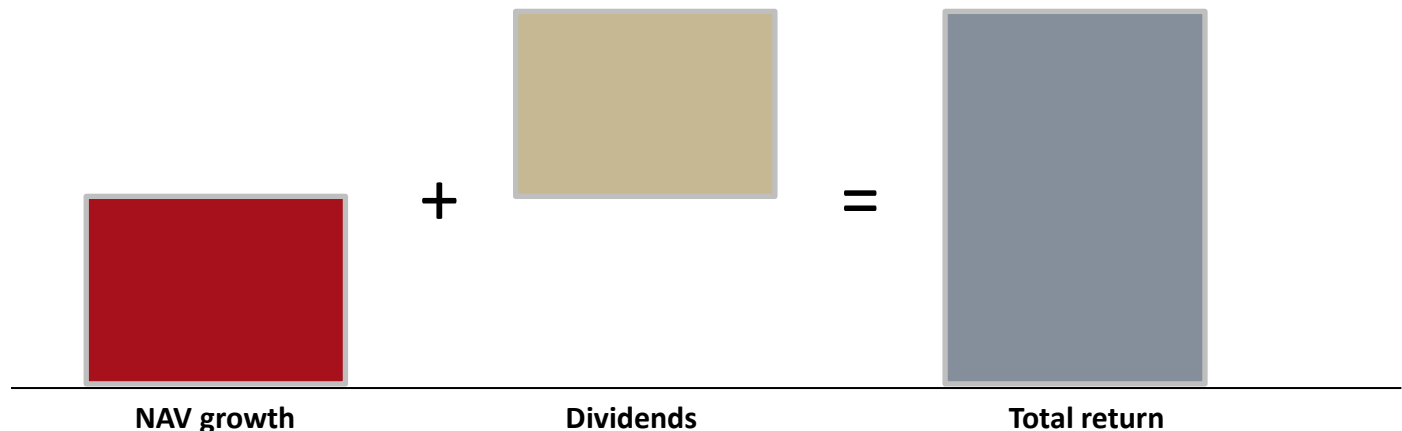
- **HAMBORNER committed to maintain its conservative financing strategy**
- **Focus on diversification of funding sources and optimization of existing financing facilities**

## Going forward

### Approach

- Increased focus on **total return concept**
- Alignment of dividend amount with corporate strategy and market environment
- Contemplation to offer **scrip dividend** to shareholders in the future
- **Enhancement of internal financing capability** to enable **additional accretive growth**

### Total return concept



### Commitment

- HAMBORNER committed to pay **attractive and sustainable dividend**

**Modified dividend strategy: Linked to the development of total return and aligned with overall strategy as well as prevailing market environment**

## Portfolio strategy

- **HAMBORNER is committed to continuing its growth** strategy – further development of the business model taking into account market effects from Corona situation
- **Continuation of established “two-pillar business model” (office and retail)**
- Main focus remains on **Core segment**; addition of **assets with additional value potential (“Manage to Core”)**
- **Realization of inherent value potential** within existing property portfolio – including selective project development measures
- Active **“buy-hold-sell”** approach
- Investment focus on properties in strong growth metropolitan areas with institutional lot sizes under consideration of sustainability profile and asset specifics

## Financing strategy

- **Further optimization and diversification** of financing structure
- In particular, assessment of future **public debt financing measures**
- Unchanged focus on maintaining solid/conservative balance sheet structure

## Dividend strategy

- Continued commitment to **attractive and sustainable dividend**
- Dividend level considering **total return for HAMBORNER shareholders**
- Creating additional flexibility for HAMBORNER to **realize value enhancing business opportunities**
- Contemplation to offer **scrip dividend** to shareholders in the future

## HAMBORNER Management



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## Financial Calendar

<b>HAMBORNER REIT AG - Financial Calendar</b>	
<b>Quarterly financial statement Q3 2020</b>	<b>11 November 2020</b>
<b>Preliminary figures 2020</b>	<b>4 February 2021</b>
<b>Annual report 2020</b>	<b>17 March 2021</b>
<b>Quarterly financial statement Q1 2021</b>	<b>27 April 2021</b>



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