

Press Release

Q1 2024 results

Good operating results for Vonovia at the start of the year – Prestigious SBTi sustainability rating – Sales programme is moving ahead

- **Rental as core segment of Vonovia continued to develop positively during first quarter – 2024 forecast confirmed.**
- **Bonds issued successfully – All short-term maturities covered – Risk premiums to normalise – BBB+ Fitch rating with stable outlook.**
- **Around €1.1 billion of €3 billion sales target in 2024 has already been reached.**
- **Value trough expected for 2024 – Return to growth track in sight – Organic value growth of around €3 billion p.a. possible from 2025.**
- **Climate protection targets reflected in strong sustainability ratings from SBTi and CDP – 845 housing units completed (+8.5%).**

Bochum, April 30, 2024 – Vonovia SE (“Vonovia”) started the year with good operating results. During the first quarter, the Bochum-based company raised the EBITDA contribution of its core segment, Rental, to €592.9 million.

Vonovia successfully launched its previously announced sales programme. In April, the housing company sold a residential portfolio and an undeveloped plot of land to two municipal housing companies in Berlin for a combined book value of €700 million.

“This year,” says Rolf Buch, CEO of Vonovia, “we plan to generate a €3 billion sales volume, and our current successes show that we are well on track and realising our target book values.” Vonovia has already reached around €1.1 billion of its €3 billion sales target.

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Value trough expected for 2024

At the beginning of the year, Vonovia issued three bonds in international markets: a sterling bond totaling £400 million (€465 million), followed by its first Swiss franc bond worth CHF 150 million (€159 million) and a Euro Social Bond with a nominal volume of €850 million.

“Early this year, we tapped into two new financial markets: the UK and Switzerland. Totaling around €1.5 billion, the aggregate amount of the three bonds shows that we’re attractive in the capital market,” says Philip Grosse, CFO of Vonovia. The bonds will enable Vonovia to redeem maturities ending 2025. “We have unlimited access to liquid funds, and our risk premiums have normalised at an acceptable level.”

The LTV (loan-to-value) pro forma ratio was 45.9%.

Comparing figures at reporting dates, the value of the housing portfolio remained stable at €83.7 billion. No revaluation was necessary at the end of the quarter, which is viewed positively by the company: “We expect property values to reach value trough this year, the need for balance sheet stabilization is coming to an end. Return to growth track is in sight. From 2025 at the latest, we want to shift gears and focus on increasing our earnings again.”

From 2025, Vonovia expects to see organic value growth (excluding valuation effects) of around €3 billion p.a., driven primarily by the housing shortage and a high demand for urban residential space.

BBB+ from Fitch: rating agency confirms high credit rating

This robust financial strategy has also been recognised by the independent agency Fitch, which gave Vonovia its first rating in March 2024. The agency rated Vonovia at BBB+, with a stable outlook. Fitch particularly emphasised the stability of Germany’s regulated housing market, its high demand for residential space and the extremely high occupancy rate of 98% at Vonovia.

With Fitch, S&P, Moody’s, and Scope, Vonovia now has good investment grade ratings from all renowned rating agencies.

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Robust business performance in first quarter and more new construction

As expected, Vonovia recorded a solid business performance in the first quarter. The company benefits from three megatrends: a major demand for housing, particularly in urban areas, full occupancy resulting from this demand, and a focus on climate protection. The company is continuing to head for climate neutrality as an important target for 2045.

“Our core business — rental — remains robust and has continued to thrive,” says Rolf Buch. “Our other segments will recover, albeit with a slight delay. We’ve developed our business around today’s megatrends in society, which are giving us a significant boost. This country needs affordable housing – and indeed with a low carbon footprint. It’s a massive task, but we’re well prepared as a company.”

The company’s Rental EBITDA was €592.9 million in the first quarter of 2024 (Q1 2023: €584.2 million). Thanks to efficiency improvements, low vacancy rates and synergies from the integration of Deutsche Wohnen, the core segment Rental performed positively. Rental prices rose by 3.8%, with an average effective monthly rental fee of €7.78 per square metre across the Group. In the German portfolio this figure was €7.67 per square metre. With a vacancy rate of 2.2%, the number of vacant housing remained consistently low. Typically, such units are currently undergoing renovation and refurbishment.

Despite higher construction costs, Vonovia managed to increase the number of new constructed housing units from 779 to 845 compared to last year (+8.5%). Nevertheless, the other segments were below the figures for the same quarter of the previous year. This was largely due to the company’s strategy of prioritising liquidity over profitability during the current period of high interest rates. The Adjusted EBITDA was €607.0 million, slightly lower than the previous year’s quarter.

The Adjusted EBT (earnings before taxes), the new leading measure of earnings, amounted to €416.5 million (-7.3%) and was mainly impacted by ongoing high interest rates.

On the other hand, the newly introduced key metric of internal financing and liquidity management – Operating Free Cash Flow (OFCF) – showed a highly positive trend, rising to €501.0 million in the first quarter of 2024 (+24.0%).

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For 2023, Vonovia intends to propose a €0.90 dividend at the upcoming AGM. The basis for calculating the 2024 dividend will be the Adjusted EBT plus surplus liquidity from the Operating Free Cash Flow. On this basis, Vonovia currently anticipates a dividend capacity of about €1 billion. Any additional capacity would primarily depend on the speed of increases in contributions from the other segments: Development, Value-add and Recurring Sales.

ESG ratings from SBTi and CDP for climate protection targets

At the beginning of the year, the sustainability ratings from the SBTi and CDP confirmed that Vonovia is making considerable progress with its sustainability initiatives. In its independent review, the Science Based Targets initiative (SBTi) confirmed that the company's climate targets are based on scientifically sound methods and consistent with the 1.5-degree target defined in the Paris Agreement. This makes Vonovia one of only a few housing companies in Germany whose science-based climate targets have been confirmed by the SBTi.

Furthermore, the extensive climate protection activities of Vonovia were also recognised with an A- rating from the Carbon Disclosure Project (CDP), placing the housing company in the "Leadership" category. The ambitious climate target of the company is to achieve a virtually climate-neutral buildings stock by 2045.

The housing and new construction sector plays a crucial role in achieving the 1.5-degree target, which is why investors are increasingly eager to obtain independent verification. Confirmations from the SBTi and CDP show that the sustainability strategy of Vonovia has been setting standards in the property sector for several years now. This year, too, Vonovia is to invest around €1 billion in new construction as well as in upgrading its existing residential units and thus also in decarbonising its building stock.

Clarity on rental regulations, but housing shortage remains an issue

The recent decision to extend the governmental rent freeze until 2029 met with criticism from many experts, including Vonovia. Rolf Buch explains why this policy harms not only landlords, but ultimately all those

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looking for accommodation: "We believe that the extension of the rent freeze is wrong. Rental regulation needs to be more nuanced and must not lead to market imbalances. The rent freeze is socially blind and does not take account of tenants' individual financial situations. With rent controls being extended, the development of rental fees will continue to lag well behind any growth in costs. As a result, the margin between prices and costs will widen even more, and when combined with the rise in construction costs, new construction is barely profitable right now. This makes it impossible to meet the urgent need for more housing. However, we expressly welcome the fact that there has been no further tightening of rules."

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Outlook for current financial year, 2024

Based on the development in the first quarter of 2024, Vonovia has confirmed its forecast for the year. Regarding organic rental growth, Vonovia has raised its expectations to between 3.8 and 4.1%, while anticipating a long-term annual increase of around 4% in this segment, also driven by investments.

At the same time, the company is expecting its Adjusted EBITDA to range between €2.55 and €2.65 billion. The new KPI, the Adjusted EBT, is likely to range between €1.7 and €1.8 billion. Vonovia is also confident to reach all its targets for the Sustainability Performance Index (SPI) in 2024.

Financial Key Figures in € million	Q1 2023*	Q1 2024	Change in %
Adjusted EBITDA Total (continued operations)*	627.9	607.0	-3.3
Adjusted EBITDA Rental	584.2	592.9	1.5
Adjusted EBITDA Value-add	26.4	11.5	-56.4
Adjusted EBITDA Recurring Sales	21.8	9.1	-58.3
Adjusted EBITDA Development	-4.5	-6.5	44.4
Adjusted EBT (continued operations)	449.1	416.5	-7.3
Adjusted EBT (continued operations) per share in €**	0.56	0.51	-9.4
Result from the valuation of investment properties*	-3,612.2	-	-100
Earning Before Taxes (EBT)*	-3,193.9	409.8	-
Profit for the period	-2,088.1	335.5	-
Total cost of maintenance, modernization, and new construction (to hold)	344.9	316.6	-8.2
thereof for maintenance*	168.9	161.0	-4.7
thereof for modernization*	122.0	107.8	-11.6
thereof for new construction (to hold)*	54.0	47.8	-11.5

Key Balance Sheet Figures in € million	31.12.2023	31.03.2024	Change in %
Fair value of real estate portfolio	83,927.7	83,663.8	-0.3
EPRA NTA	38,140.9	38,062.9	-0.2
EPRA NTA per share in €***	46.82	46.72	-0.2
LTV in %	47.3	46.9	-0.8
LTV pro forma in %	46.7	45.9	-1.7

Non-financial Key Figures	Q1 2023	Q1 2024	Change in %
Number of units managed	618,951	613,306	-0.9
thereof own apartments	548,368	543,427	-0.9
thereof apartments owned by others	70,583	69,879	-1.0
Number of apartments sold	663	2,816	>100
thereof Recurring Sales	282	407	44.3
thereof Non Core/other	381	2,409	>100
Number of new apartments completed	779	845	8.5
thereof own apartments	675	153	-77.3
thereof apartments for sale	104	692	>100
Vacancy rate (in %)	2.2	2.2	-
Monthly in-place rent in €/m ²	7.54	7.78	3.2
CO ₂ intensity in Germany in kg CO ₂ e/sqm	33.0	31.7	-3.9
Number of employees (as of March, 31)	12,009	11,999	-0.1

* Previous year's figures for 2023 adjusted to the current definition of key figures and segments.

** Based on the weighted average number of shares carrying dividend rights.

*** Based on the shares carrying dividend rights on the reporting date.

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The full Q1 report can be found at the following web address:

EN: <https://report.vonovia.com/2024/q1/en/>

Further details, photographic material and video footage can be found in the [Media Library](#).

Financial calendar 2024:

08.05.2024: Annual General Meeting

02.08.2024: Half-Year Report 2024

06.11.2024: Interim Statement for the Third Quarter 2024

About Vonovia

Vonovia SE is Europe's leading private residential real estate company. Vonovia currently around 543,000 residential units in all attractive cities and regions in Germany, Sweden and Austria. It also manages around 70,000 apartments. Its portfolio is worth approximately € 83.7 billion. As a modern service provider, Vonovia focuses on customer orientation and tenant satisfaction. Offering tenants affordable, attractive and livable homes is a prerequisite for the company's successful development. Therefore, Vonovia makes long-term investments in the maintenance, modernization and senior-friendly conversion of its properties. The company is also creating more and more new apartments by realizing infill developments and adding to existing buildings.

The Bochum based company has been listed on the stock exchange since 2013. Since September 2015 Vonovia has been a constituent in the DAX. Vonovia SE is also a constituent of additional national and international indices, including DAX 50 ESG, Dow Jones Sustainability Index Europe, STOXX Global ESG Leaders, EURO STOXX ESG Leaders 50, FTSE EPRA/NAREIT Developed Europe, and GPR 250 World. Vonovia has a workforce of approximately 12,000 employees.

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