

Paris, 05 December 2022



2022 Capital Markets Day

A resilient business model

Covivio's Capital Markets Day in Berlin tomorrow is the opportunity to review the strength of the Group's diversified business model and the robustness of its balance sheet. Covivio's positioning is illustrated by the resilience of asset values in the second half of 2022. Taking into account the new environment, Covivio is adjusting its strategy, aiming to dispose €1.5 billion of assets by the end of 2024, with already €154 million new disposal agreements signed over the last few weeks. Covivio also benefits from a strong operating performance (rental income growth of 14% on a like-for-like basis at end-September) which should continue in 2023.

A diversified and high-quality portfolio

Covivio owns a portfolio of €17.8 billion Group share, diversified in terms of asset classes (offices, residential, hotel real estate) and countries (mainly Germany, France and Italy). Building on three strategic pillars (centrality, development and client-centricity), the Group has transformed its portfolio and reinforced its quality:

- 80% of assets were in prime locations at end-June 2022 vs. 55% at end-2015;
- 91% of assets have environmental certifications vs. 35% at end-2015;
- The assets are highly valued by tenants, as illustrated by the 96% occupancy rate and customer satisfaction scores: 4.3/5 for property management satisfaction in offices,¹ Focus Money magazine award for the quality of customer relationships for housing in Germany, Booking.com rating of 8.8/10 for hotels (location).

The portfolio's resilience is confirmed by the trend in appraisal values against the backdrop of higher yields demanded by investors. The preliminary feedbacks from the portfolio appraisal campaign for the second half of 2022 point to a contained decline of between -2% and -3% in asset values. Based on these preliminary data, portfolio values are expected to be down between -1% and 0% on a like-for-like basis, over the full year.

A sound and robust balance sheet

At end-September 2022, Covivio has a sound balance sheet. Its debt has an average maturity of five years and is composed of diversified funding sources: 49% mortgage loans, 41% bonds and 9% commercial papers (i.e. €756M, more than covered by €1.4 billion undrawn credit lines). Furthermore, cumulative debt maturities between now and April 2024 are very limited, running at approximately €200

¹ Kingsley Institute survey conducted in February-March 2022 among 265 Covivio and Wellio office clients in France and Italy



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million, and are fully covered. Roughly 33% of maturities in 2024 (€479 million) relate to six credit facilities in France and Germany, under renewal and greening process. Only 20% (€300 million) relate to bonds. The remaining 47% (€683 million) is comprised of bank mortgages that are well diversified in terms of asset class and by country: 25% in Germany Residential, 40% in Germany Offices, 30% in Italy Offices and 5% in hotel real estate. No single facility maturing in 2024 exceeds €350 million.

Debt is 86% hedged, with an average maturity of the hedging instruments of 6.5 years.

Strategic adjustments to the environment...

In an environment impacted by inflation and a rise in interest rates, Covivio is adjusting its strategy by prioritising the strength of its balance sheet:

1. Active disposal policy: target of €1.5 billion by end-2024

Covivio aims to sell €1.5 billion of assets by the end of 2024. The portfolio's diversity, both geographically and in terms of asset class and building size, opens up a broad spectrum of potential investors. In offices, recent sales demonstrate the appeal of Covivio's assets for equity investors. In Germany Residential, Covivio can count on the granularity of its assets (unit size of €7 million) and €1 billion in housing units already divided into condominium and free of any sales regulations. In hotels, new joint disposals alongside Accorinvest are planned, mainly to franchisees. The Group also plans to sell mature hotels post-asset management work, both in France and abroad.

As part of the disposal plan, Covivio has signed new binding disposal agreements totalling €154 million in recent weeks, in line with appraisal values at end-2021. Since the beginning of the year, Covivio thus signed €441 million new disposal agreements. In addition, disposals totalling €300 million are under discussions.

2. Reduction of the investment plan

In offices, Covivio has opted to suspend two development projects for which construction works had not started yet, one in France and the other in Milan, with a total cost of €114 million. Adding in the €394 million projects delivered since June, the committed pipeline now stands at €2 billion total cost, with on average €200 million in Capex/year to be spent until 2026. With 80% of projects located in the city centers of Paris, Berlin or Milan and 65% pre-let, these projects offer an average yield of 5.2%.

In Germany Residential, Covivio has a pipeline of 225,000 m², of which more than 80% is located in Berlin, the city with the largest housing shortage in Germany. The Group is adapting its strategy by switching projects from a build-to-rent to built-to-sell strategy, thereby limiting financing requirements while creating value through the development margin. The build-to-sell projects now account for 65% of the pipeline, vs. 35% previously, reducing financing requirements by €30 million in 2023 and €100 million by 2025.

...with unchanged ambitions

With its purpose – *Build sustainable relationships and well-being* – as its backbone, Covivio aims to pursue its strategy of offering new buildings in central locations that meet the needs of users.

In addition to maintaining a sound balance sheet, the disposal plan by end-2024 will allow for further improvement in the portfolio's quality. Investments will be more limited and will be focused on the development of prime assets with value creation potential.

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Covivio also plans to continue investing to improve its operating assets, notably to reduce its carbon footprint. Covivio has set itself the goal of reducing its greenhouse gas emissions by -40% by 2030 (which includes scopes 1, 2 and 3, with construction and refurbishment). This goal, which exceeds regulatory targets, is backed by a Capex plan estimated at around €30 million per year between now and 2030, large part of which is already included in annual Capex plans.

Well oriented operational trends

Covivio benefits from a favourable operational dynamic in its various activities. As such, revenues at the end of September were up 13.9% on a like-for-like basis, including +4.5% in offices and +85% in hotels. The occupancy rate stood at 96% for an average firm lease term of 7 years. This trend continued in October: variable hotel rents and revenues from hotel operating properties were respectively 12% and 15% above their 2019 levels.

This momentum is expected to continue in 2023 thanks to the acceleration of indexation, the continued strong recovery in hotels and the reversion potential of the portfolio. In offices, assets in city centers (64% of the portfolio) offer a significant reversionary potential. This is the case, for example, with the Paris portfolio (+20% on average). In Germany Residential, rents are 15% to 20% below regulated levels and 30% below market rents. In hotels, the strong business growth, which now significantly exceeds 2019 levels, is supporting the increase in variable revenues. This is accompanied by asset management transactions to free up rental reversion. Since the beginning of the year, the various asset management operations on hotels in France and Spain have enabled to increase their rents by 30% on average.

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 **ABOUT COVIVIO**

Thanks to its partnering history, its real estate expertise and its European culture, Covivio is inventing today's user experience and designing tomorrow's city.

A preferred real estate player at the European level, Covivio is close to its end users, capturing their aspirations, combining work, travel, living, and co-inventing vibrant spaces.

A benchmark in the European real estate market with €27bn in assets, Covivio offers support to companies, hotel brands and territories in their pursuit for attractiveness, transformation and responsible performance.

Build sustainable relationships and well-being, is the Covivio's Purpose who expresses its role as a responsible real estate operator to all its stakeholders: customers, shareholders and financial partners, internal teams, local authorities but also to future generations and the planet. Furthermore, its living, dynamic approach opens up exciting project and career prospects for its teams.

Covivio's shares are listed in the Euronext Paris A compartment (FR0000064578 - COV) and on the MTA market (Mercato Telematico Azionario) of the Milan stock exchange, are admitted to trading on the SRD, and are included in the composition of the MSCI, SBF 120, Euronext IEIF "SIIC France" and CAC Mid100 indices, in the "EPRA" and "GPR 250" benchmark European real estate indices, EPRA BPRs Gold Awards (financial + extra-financial), CDP (A-), 5 Star GRESB and in the ESG FTSE4 Good, DJSI World & Europe, Euronext Vigeo (World 120, Eurozone 120, Europe 120 and France 20), Euronext® CDP Environment France EW, ISS ESG, Ethibel and Gaïa ethical indices and also holds the following awards and ratings: CDP (A-), GRESB (5-Star, Sector Leader), Vigeo-Eiris (A1+), ISS-ESG (B-) and MSCI (AAA).

Notations solicited:

Financial part: BBB+ / Stable outlook by Standard and Poor's

Extra-financial part: A1+ by V.E (part of Moody's ESG Solutions) / 83/100 by S&P