

LEG Immobilien AG  
**Q1-2020 Results**

11 May 2020



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**I. HIGHLIGHTS Q1-2020 & CORONAVIRUS CRISIS**

II. PORTFOLIO AND OPERATING PERFORMANCE

III. FINANCIAL PERFORMANCE

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# Strong start despite a difficult environment

## Guidance 2020 confirmed



### Strong Financials



- FFO I **+10.7%** to **€94.0m**
- EBITDA-Margin **74.1%**
- LTV **38.0%/** @ **1.43%**, **8.1y**
- Cash **€300m**, credit lines of **€200m**

### Performing Operations



- Net cold rent **+4.9%**
- L-f-I rental growth **+2.8%**
- L-f-I vacancy **3.4% (-20bps)**
- Acquisitions put **on-hold/** ambition of **7,000** units unchanged

### ESG Developments



- **10-point paper** to protect and safeguard customers and employees in the Corona crisis
- Dividend proposal of **€3.60** confirmed – Introduction of **scrip dividend** – AGM postponed

### Good start into 2020



- Guidance 2020 confirmed with FFO I of **€370m – €380m**
- Minimal Corona effect YTD
- Further revaluations gains expected
- Financial profile strengthened

# Manageable implications of Coronavirus crisis

## Impact on rental growth:

- Voluntary suspension of Mietspiegel rent increases: ~20bps on I-f-I rental growth
- Additional headwinds due to postponement of modernisation measures not started before mid-March

## Deferral of rents

- <1% of residential units
- Minor liquidity effect only

## New lettings/ Terminations

- New lettings on-going, total of ~200 units below prev. year (since mid March), increasing activity lately
- Termination of contracts ~400 units below prev. year level (since mid March)



## Capex spending

- Already started projects continued as planned and on-going – future projects depending on Corona development
- Focus on turn cost measures to realize additional value potential

## Pre-cautionary measures

- External hiring on-hold
- Non-personnel cost savings identified

## Acquisitions

- Markets starting to re-open
- Confirm our 7,000 units ambition

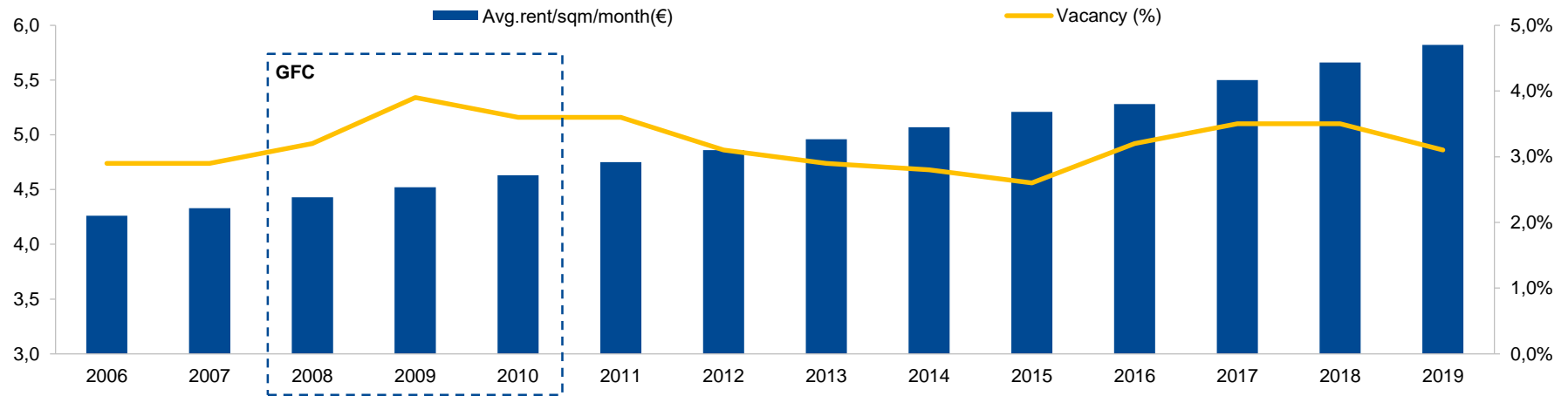
## Balance sheet

- Secured and unsecured financing at the peak of the crisis: €250m for 10Y @ 1.2%

# A very resilient business model with a strong track record



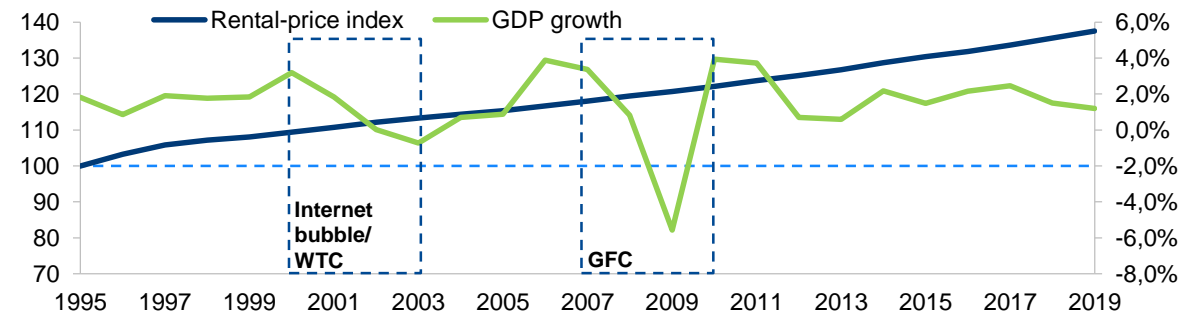
## LEG not materially affected during the GFC



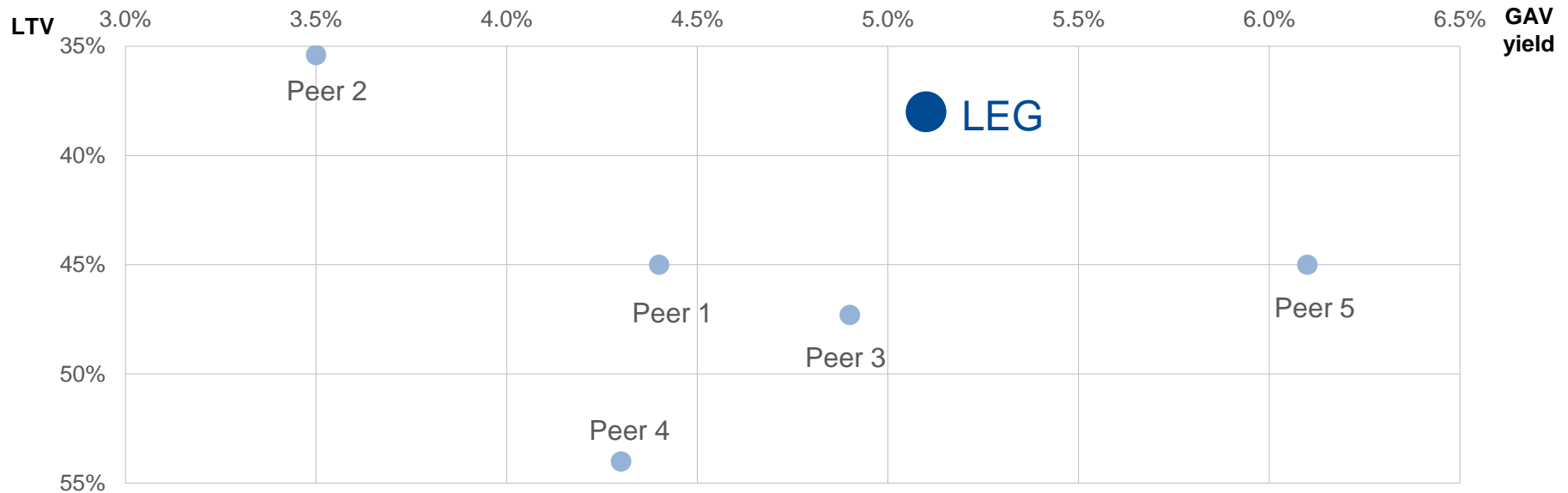
## LEG well positioned

- Non-cyclical business model
- LEG's attractive rent level of €5.88/sqm is key to provide affordable living to our tenants
- C. 25% of units subsidised
- German social system provides several strong layers of social security

## Resilience of German residential during the last economic crises



# A lean business model, a strong balance sheet and attractive returns allow to navigate through the crisis



## Additional layers of complexity



Source: Company information as reported as of FY19, incl. hybrid debt. Peers comprise ADO/Adler, Deutsche Wohnen, Grand City Properties, TAG, Vonovia.

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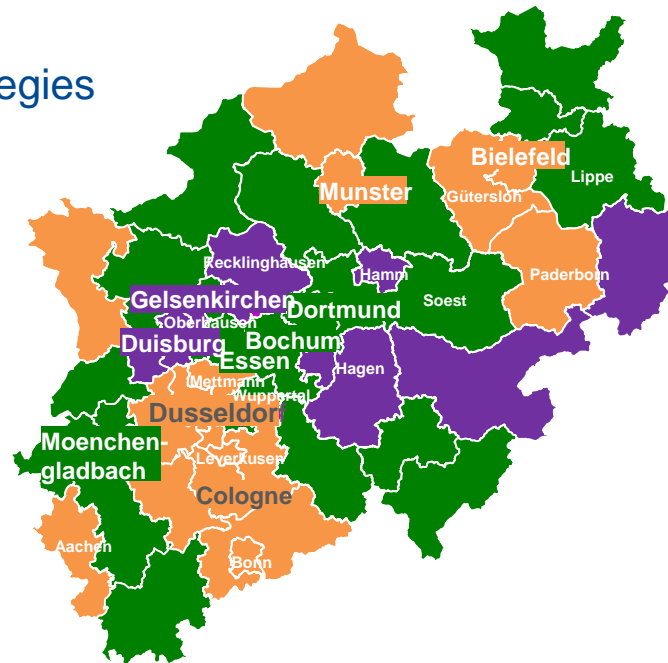
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# Positive rent development across all submarkets



Strong results on the basis of  
tailor-made management strategies



North Rhine-Westphalia  
(~131,600 units / ~97%)

Bremen

Lower Saxony

Rhineland-Palatinate

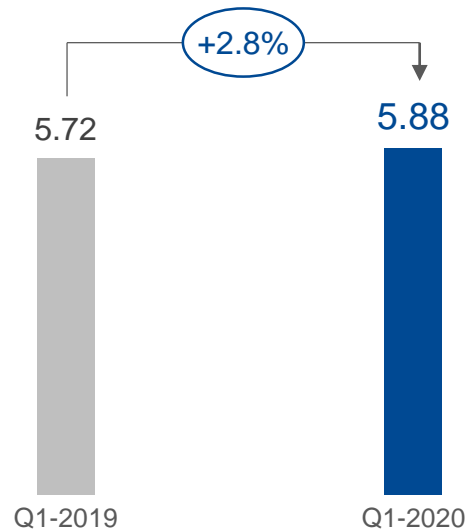
(~4,400 units / ~3%)

Markets	Total Portfolio		High-Growth		Stable		High-Yielding	
	Q1-2020	Δ (YOY)	Q1-2020	Δ (YOY)	Q1-2020	Δ (YOY)	Q1-2020	Δ (YOY)
# of units	136,217	+1.9%	41,886	+5.8%	52,682	+3.3%	41,649	-3.3%
In-place rent (sqm), I-f-I	€5.88	+2.8%	€6.68	+3.1%	€5.56	+3.2%	€5.40	+1.8%
EPRA-Vacancy, I-f-I	3.4%	-20 bps	1.9%	-20 bps	3.4%	-10 bps	5.6%	-20 bps

## +2.8% l-f-l rental growth

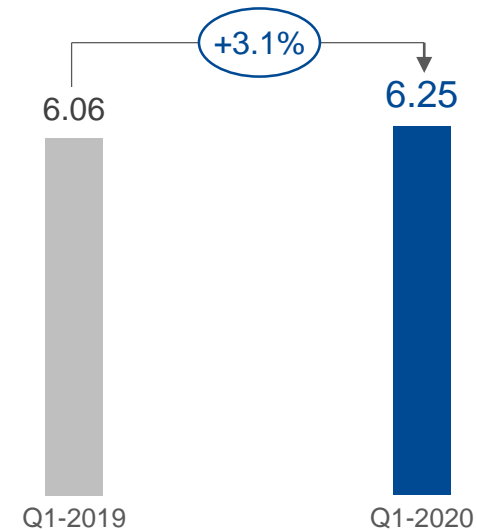
### L-f-l residential rent

(€/sqm/month)



### L-f-l free financed rent

(€/sqm/month)

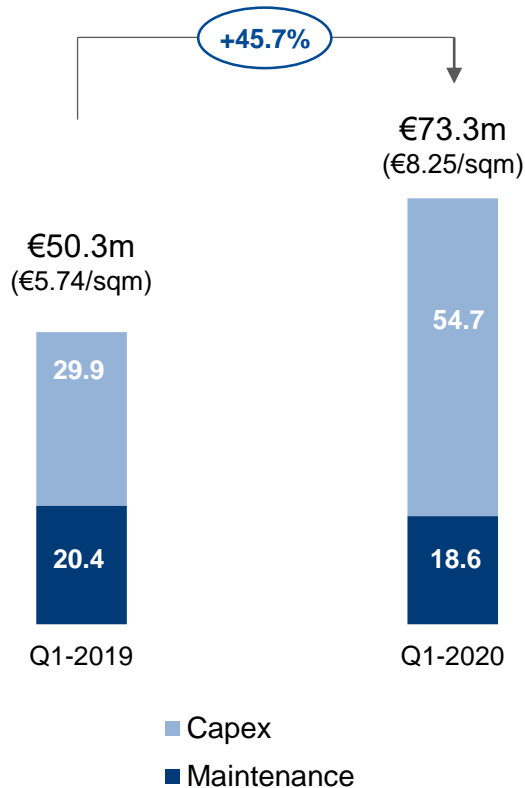


- Performance of free financed units demonstrates strong underlying fundamentals
- No material effects from Corona YTD
- Rent restricted units: +1.7% year-on-year (like-for-like) due to cost rent adjustment in January 2020
- High exposure to structural growth markets and respective commuter belts supports strong performance

## Ongoing focus on energy efficiency

### Lifting potential for growth and energy efficiency while maintaining high capital efficiency

€m



- Investments **increased c.45%** year-over-year due to strong increase in line with value enhancing capex
- Q1 increase driven by energy efficient modernization as well as value-enhancing turn-cost spending
- **~5,400 tons of CO<sub>2</sub> savings** assumed due to energetic refurbishment measures in FY 2019

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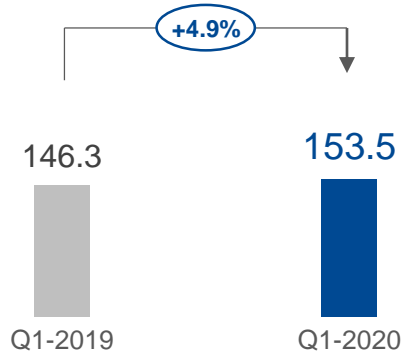
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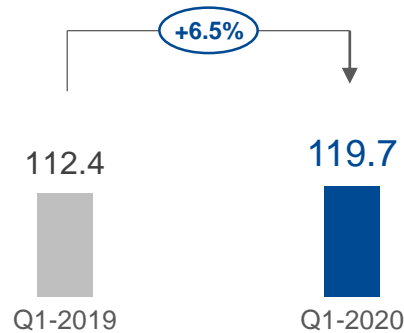
# Margin expansion story is set to continue



## Net Cold Rent €m

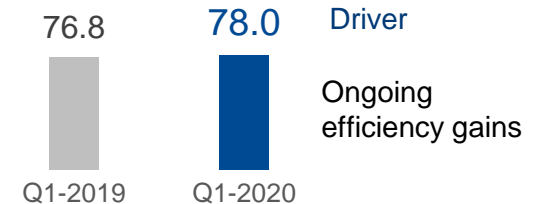


## Adj. Net Rental and Lease Income €m

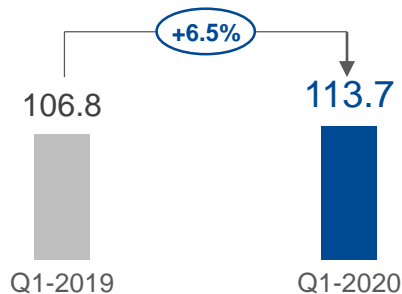


## Margin

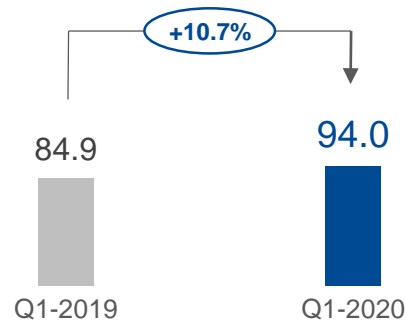
### Adj. Net Rental and Lease Income %



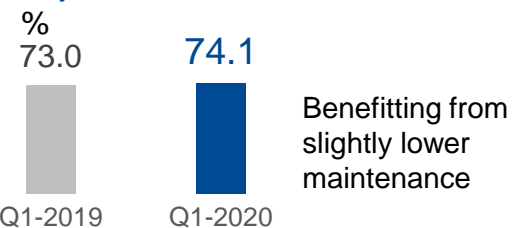
## Adj. EBITDA €m



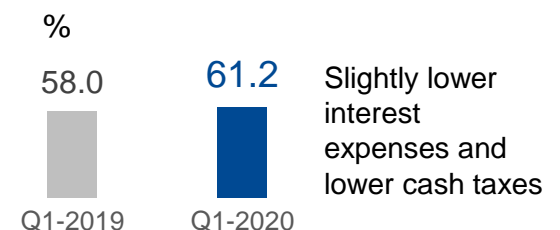
## FFO I €m



## Adj. EBITDA

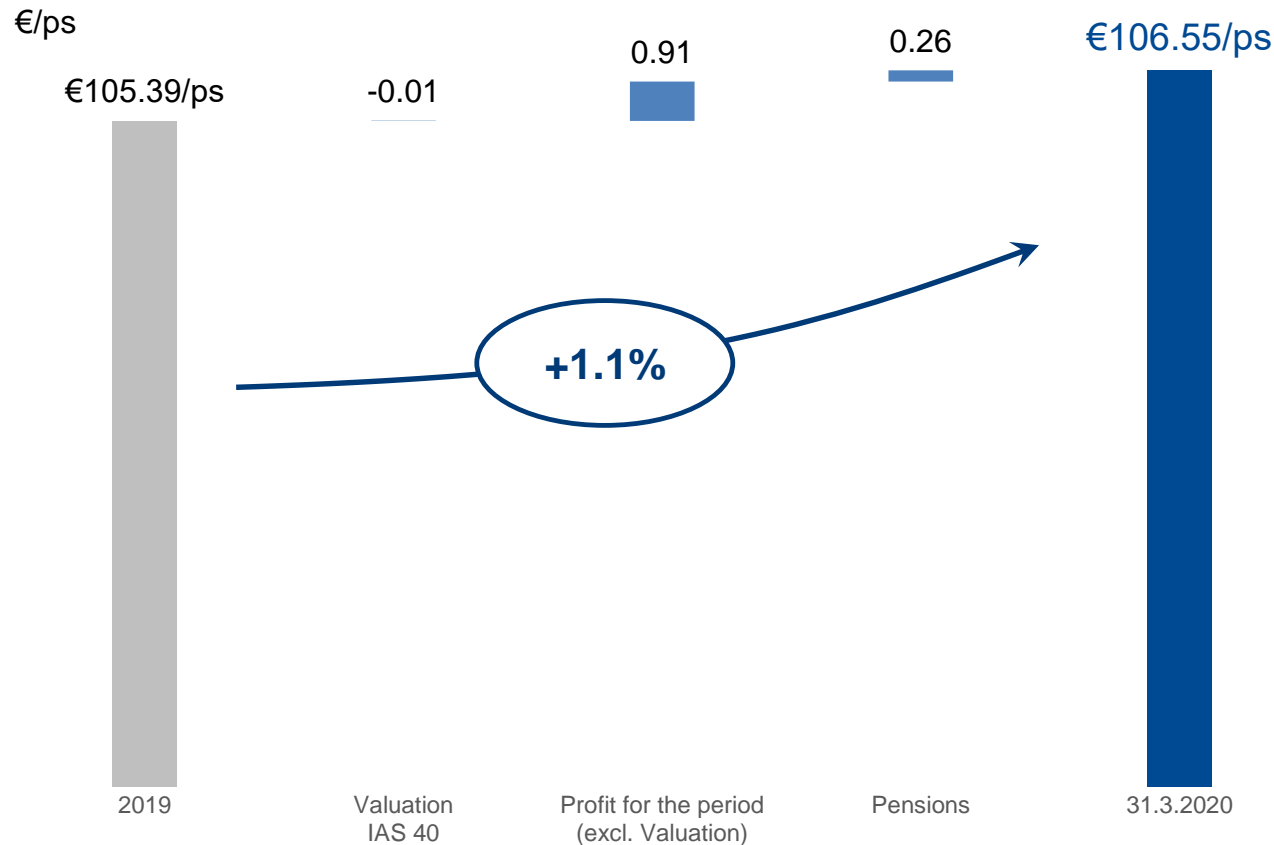


## FFO I





# EPRA Net Asset Value of €106.55 per share



- Profit as the key driver for NAV uplift in Q1
- Revaluation gains for H1 expected to be around last year's level (assuming no material Corona effect as of 30 June)

# Portfolio valuation: With €1,356/sqm @5.1% gross yield still at attractive levels in absolute and relative terms



Market segment	Residential Units	GAV Residential Assets (€m)	GAV/sqm (€)	Gross yield	In-Place Rent Multiple	Market Multiples <sup>1</sup>	GAV Commercial/ Other (€m)	Total GAV (€m)
High-Growth Markets	41,886	5,300	1,899	4.2%	24.1x	20.6x	249	5,548
Stable Markets	52,682	3,997	1,194	5.5%	18.2x	16.4x	134	4,131
Higher-Yielding Markets	41,649	2,466	973	6.4%	15.7x	14.4x	81	2,547
<b>Total Portfolio</b>	<b>136,217</b>	<b>11,763</b>	<b>1,356</b>	<b>5.1%</b>	<b>19.7x</b>	<b>17.5x</b>	<b>464</b>	<b>12,226</b>

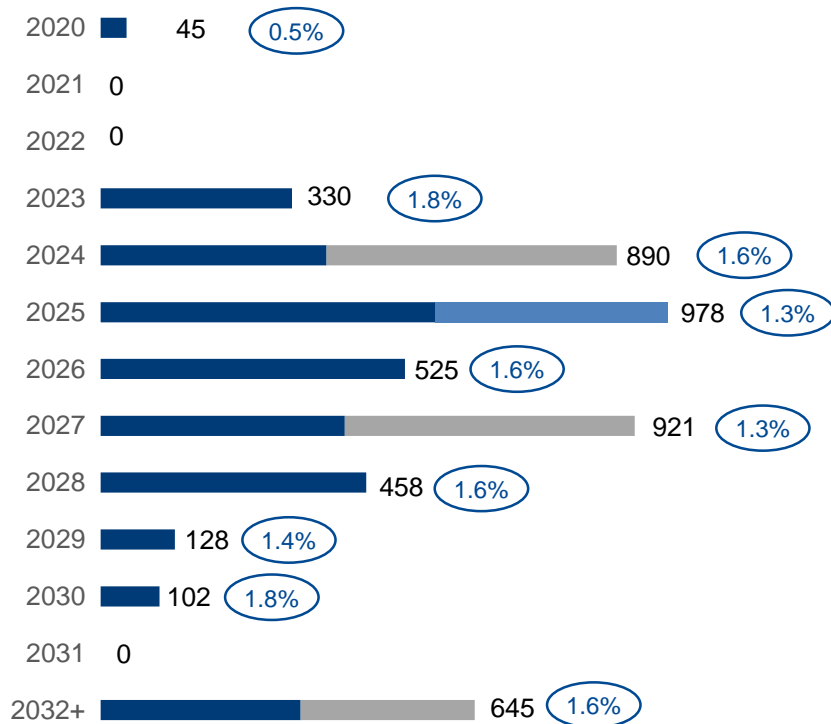
<sup>1</sup> Estimated rental values as of December 31, 2019.

# Strong financial profile – successfully tapped markets during the crisis



## Maturity profile

€m



■ Debt ■ Bonds ■ Convertible (%) Weighted avg. interest (excl. subsidised loans)

## Q1 highlights

- €250m of secured and unsecured financings at 1.2% for 10 years
- €300m cash position
- RCF's of €200m

## Average debt maturity (years)



## Average interest costs



## Loan-to-value



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## LEG's voluntary 10-point paper (21 March 2020) and additional measures taken, e.g.:

### Support and protection for tenants

- Suspension of rent increases in line with Mietspiegel from mid-March
- No termination of rental agreements, no evictions
- Supporting of small business/commercial tenants

### Social initiatives

- Special offers for system-relevant professionals
- €1m for corona aid measures through foundation („Your home helps“)
- Organisation of neighbourhood assistance
- Commitment to homeless people

### Protection of employees

- Work from home to provide safety and flexibility for employees and their families
- Protection gear for employees
- Benefits for employees during times of closed schools and nursery schools

## Legal amendment on federal level

- Tenants cannot be evicted if they are not able to pay their rents for April-June 2020 due to the coronavirus crisis
- Deferral until June 2022 at the latest; interests (4%) can be charged



# Guidance 2020 confirmed on the basis of strong operating numbers, a resilient business model and a strong balance sheet

## Strong Financials

- FFO I €370m – 380m
- EBITDA-Margin ~74%
- LTV 43% max
- Dividend 70% of FFO I

## Performing Operations

- L-f-I rental growth <2.8%<sup>1</sup>
- L-f-I vacancy slightly decreasing<sup>1</sup>
- Investments ~31-33€/sqm<sup>1</sup>
- Acquisition of ~7,000 units

## ESG Topics

- Energy efficient modernization of c.3% of the portfolio p.a.
- Development of TCFD and SASB reporting
- New compensation structure for board members reflecting also ESG criteria in STI-plan and LTI-plan<sup>2</sup>

<sup>1</sup> Subject to effects of the Corona crisis

<sup>2</sup> Proposal to AGM for new payment structure beginning 2021

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# Q1-2020 Key Figures



## Operating results

		Q1-2020	Q1-2019	%/bp
Net cold rent	€m	153.5	146.3	4.9
Net rental and lease income	€m	116.5	109.7	6.2
EBITDA adjusted	€m	113.7	106.8	6.5
FFO I	€m	94.0	84.9	10.7
FFO I per share	€	1.36	1.34	1.5
FFO II	€m	93.5	83.2	12.4
EBITDA-margin	%	74.1	73.0	110 bp
FFO I margin	%	61.2	58.0	320 bp

## Portfolio

		31.3.20	31.3.19	+/- %/bp
Residential units	number	136,217	133,637	1.9
In-place rent (I-f-I)	€/sqm	5.88	5.72	2.8
Capex	€m	54.7	29.9	82.9
Maintenance	€m	18.6	20.4	-8.8
EPRA vacancy rate (I-f-I)	%	3.4	3.6	-20 bp

## Balance sheet

		31.3.20	31.12.19	+/- %/bp
Investment properties	€m	12,269.0	12,031.1	2.0
Cash and cash equivalents	€m	300.1	451.2	-33.5
Equity	€m	6,010.1	5,933.9	1.3
Total financing liabilities	€m	5,004.7	5,053.9	-1.0
Current financing liabilities	€m	142.7	197.1	-27.6
Net debt	€m	4,674.7	4,570.9	2.3
LTV	%	38.0	37.7	+30 bp
Equity ratio	%	46.4	45.9	+50 bp
Adj. EPRA NAV, diluted	€m	7,352.9	7,273.0	1.1
Adj. EPRA NAV per share, diluted	€	106.55	105.39	1.1

# EPRA-Net Asset Value



€m	31.3.2020	31.12.2019
<b>Equity (excl. minority interests)</b>	<b>5,986.0</b>	<b>5,909.9</b>
Effect of exercising options, convertibles and other rights	26.1	26.1
<b>NAV</b>	<b>6,012.1</b>	<b>5,936.0</b>
Fair value measurement of derivative financial instruments	87.2	84.0
Deferred taxes <sup>1</sup>	1,337.0	1,336.4
<b>EPRA-NAV</b>	<b>7,436.3</b>	<b>7,356.4</b>
Number of shares fully-diluted incl. convertible (m)	69.010	69.010
<b>EPRA-NAV per share in €</b>	<b>107.76</b>	<b>106.60</b>
Goodwill resulting from synergies	83.4	83.4
<b>Adjusted EPRA-NAV (excl. goodwill)</b>	<b>7,352.9</b>	<b>7,273.0</b>
<b>Adjusted EPRA-NAV per share in €</b>	<b>106.55</b>	<b>105.39</b>

- €63.6m net profit
- €12.5m pensions

- Gross yield of 5.1% (thereof free financed portfolio: 5.3%) and value per sqm (€1,356) still reflect decent gap to recent portfolio transactions
- Value of services business not included in NAV
  - Scenario: additional value approx. €5.30-€8.00 per share (discount rate of 4.0%-6.0%)

<sup>1</sup> And goodwill resulting from deferred taxes on EPRA-adjustments.

# FFO Calculation

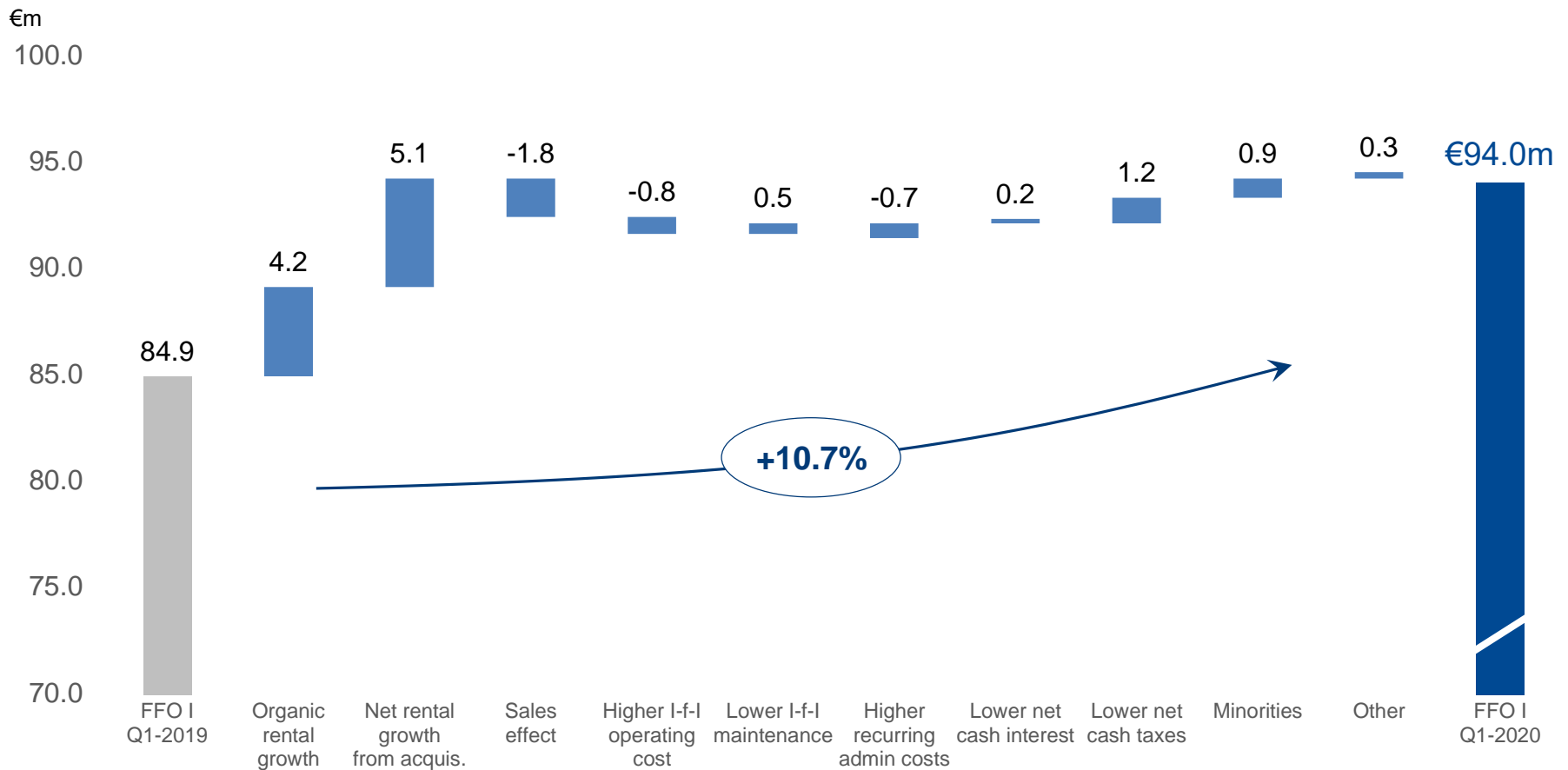


€m	Q1-2020	Q1-2019	
Net cold rent	153.5	146.3	▪ +€7.2m YOY/+4.9%
Profit from operating expenses	-0.8	-1.7	
Maintenance (externally-procured services)	-12.9	-13.8	
Staff costs	-17.7	-16.1	▪ Growth in staff costs mainly due to additional FTE's (operations and for crafts services) and increased tariff
Allowances on rent receivables	-2.3	-2.4	
Other	-0.8	-0.6	
Non-recurring project costs (rental and lease)	0.7	0.7	
<b>Recurring net rental and lease income</b>	<b>119.7</b>	<b>112.4</b>	▪ Adj. NRI increased by +€7.3m YOY (+6.5%); rising cost inflation more than offset by efficiency gains
<b>Recurring net income from other services</b>	<b>2.4</b>	<b>2.0</b>	
Staff costs	-5.6	-5.6	
Non-staff operating costs	-3.6	-2.9	
Non-recurring project costs (admin.)	0.8	0.8	
<b>Recurring administrative expenses</b>	<b>-8.4</b>	<b>-7.7</b>	▪ Higher IT, legal and consulting costs
<b>Other income and expenses</b>	<b>0.0</b>	<b>0.1</b>	
<b>Adjusted EBITDA</b>	<b>113.7</b>	<b>106.8</b>	▪ EBITDA increased by +€6.9m YOY (+6.5%)
Cash interest expenses and income	-19.0	-19.2	
Cash income taxes from rental and lease	-0.8	-2.0	
<b>FFO I (including non-controlling interests)</b>	<b>93.9</b>	<b>85.6</b>	▪ Stable interest costs (average costs in Q1-2020: 1.46% vs. 1.62% in Q1-2019) despite higher debt volume
Non-controlling interests	0.1	-0.7	
<b>FFO I (excluding non-controlling interests)</b>	<b>94.0</b>	<b>84.9</b>	
<b>FFO II (including disposal of investment property)</b>	<b>93.5</b>	<b>83.2</b>	
<b>Capex-adjusted FFO I (AFFO)</b>	<b>39.3</b>	<b>55.0</b>	



# FFO Bridge Q1-2020

## Increase of +€9.1m (+10.7%)



# Strong balance sheet



€m	31.3.2020	31.12.2019
Investment property	12,269.0	12,031.1
Other non-current assets	269.5	322.7
<b>Non-current assets</b>	<b>12,538.5</b>	<b>12,353.8</b>
Receivables and other assets	106.3	89.6
Cash and cash equivalents	300.1	451.2
<b>Current assets</b>	<b>406.4</b>	<b>540.8</b>
Assets held for sale	15.9	25.2
<b>Total Assets</b>	<b>12,960.8</b>	<b>12,919.8</b>
<b>Equity</b>	<b>6,010.1</b>	<b>5,933.9</b>
Non-current financing liabilities	4,862.0	4,856.8
Other non-current liabilities	1,656.6	1,654.2
<b>Non-current liabilities</b>	<b>6,518.6</b>	<b>6,511.0</b>
Current financing liabilities	142.7	197.1
Other current liabilities	289.4	277.8
<b>Current liabilities</b>	<b>432.1</b>	<b>474.9</b>
<b>Total Equity and Liabilities</b>	<b>12,960.8</b>	<b>12,919.8</b>

- Acquisitions €184.9m
- Capex €54.7m

- Cash flow from operating activities €80.2m
- Investing activities -€178.2m
- Financing activities -€53.1m
  - Net repayment of loans -€108.4m
  - Borrowing of bank loans €58.5m

# Strong credit profile in more volatile financing environment



€m	31.3.2020	31.12.2019
Financial liabilities	5,004.7	5,053.9
Excluding lease liabilities (IFRS 16)	29.9	31.8
Cash & cash equivalents	300.1	451.2
<b>Net Debt</b>	<b>4,674.7</b>	<b>4,570.9</b>
Investment properties	12,269.0	12,031.1
Properties held for sale	15.9	25.2
Prepayments for investment properties	13.0	53.5
<b>Property values</b>	<b>12,297.9</b>	<b>12,109.8</b>
<b>Loan to Value (LTV) in %</b>	<b>38.0</b>	<b>37.7</b>

- Strong balance sheet with LTV of 38.0% significantly below maximum target (43%) leaves headroom for growth investments

# Income Statement



€m	Q1-2020	Q1-2019	
Net rental and lease income	116.5	109.7	<ul style="list-style-type: none"> <li>Higher rental income +€7.2m YOY/+4.9%</li> <li>Higher personnel expenses (€1.6m)</li> </ul>
Net income from the disposal of investment property	-0.3	-0.3	
Net income from the valuation of investment property	-0.7	-0.2	
Net income from the disposal of real estate inventory	-1.4	-0.7	
Net income from other services	1.7	1.4	
Administrative and other expenses	-10.3	-9.5	<ul style="list-style-type: none"> <li>Recurring admin. costs +€0.7m due to a mix of higher IT, legal and consulting costs</li> </ul>
Other income	0.0	0.1	
<b>Operating earnings</b>	<b>105.5</b>	<b>100.5</b>	
<b>Net finance costs</b>	<b>-20.0</b>	<b>-139.0</b>	<ul style="list-style-type: none"> <li>Net income from fair value measurement of derivatives -€0.3m (Q1-2019: -€116.0m)</li> <li>Lower cash interests (€22.6m; -€3.0m YOY) despite rising debt volume</li> </ul>
<b>Earnings before income taxes</b>	<b>85.5</b>	<b>-38.5</b>	
<b>Income tax expenses</b>	<b>-19.0</b>	<b>-18.5</b>	<ul style="list-style-type: none"> <li>Cash taxes FFO I -€0.8m, cash taxes from disposals -€0.3m</li> </ul>
<b>Consolidated net profit</b>	<b>66.5</b>	<b>-57.0</b>	

# Cash Effective Interest Expense



€m	Q1-2020	Q1-2019	
Reported interest expense	-22.6	-25.6	
Interest expense related to loan amortisation	3.3	5.6	▪ Refinancing effect from early conversion of convertible bond
Interest costs related to valuation of assets/liabilities	0.0	0.2	
Interest expenses related to changes in pension provisions	0.3	0.6	
Other interest expenses	-0.1	0.0	
<b>Cash effective interest expense (gross)</b>	<b>-19.0</b>	<b>-19.2</b>	
Cash effective interest income	0.0	0.0	
<b>Cash effective interest expense (net)</b>	<b>-19.0</b>	<b>-19.2</b>	▪ Interest coverage improved further (6.0x up from 5.6x YOY)



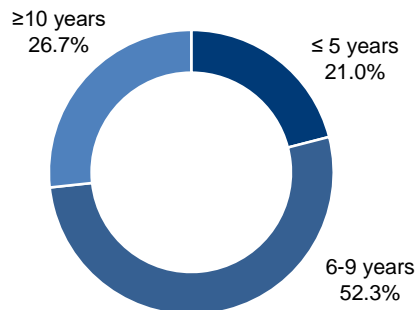
# Refinancing of subsidised loans lifting value



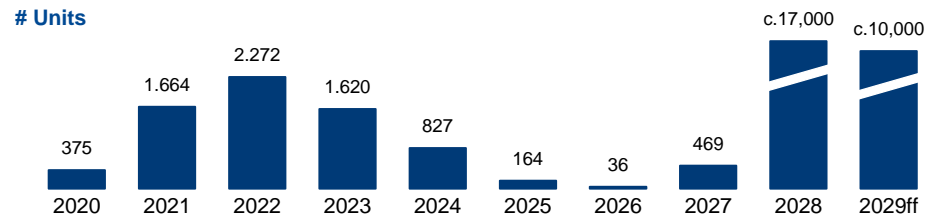
## Rent Potential Subsidised Units

- Until 2028, c. **24,000 units** will come off rent restriction
- Units show **significant upside to market rents**
- The **economic upside can theoretically be realised the year after restrictions expire**, subject to general legal and other restrictions<sup>4</sup>

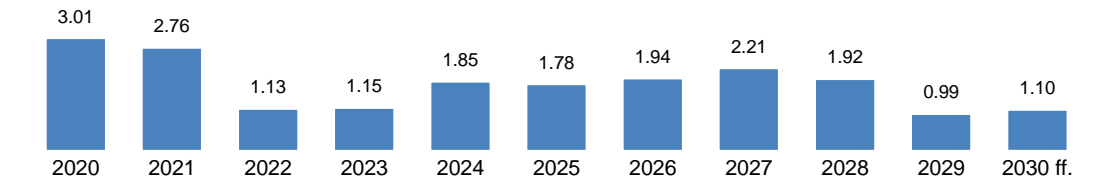
### Over 70% of units to come off restriction until 2028



## Number of Units Coming Off Restriction and Rent Upside



## Spread to Market Rent (in €/sqm/month)



	≤ 5 years <sup>2</sup>	6 – 10 years <sup>2</sup>	≥ 10 years <sup>2</sup>
In-place rent	€4.68	€4.97	€5.00
Market rent <sup>1</sup>	€6.43	€6.74	€6.10
Upside potential <sup>3</sup>	37%	36%	22%
Upside potential p.a. <sup>3</sup>	€9.8m	€23.4m	€10.1m

Source: LEG as of FY-2019

<sup>1</sup> Employed by CBRE as indicator of an average rent value that could theoretically be achieved, not implying that an adjustment of the in-place rent to the market rent is feasible, as stringent legal and contractual restrictions regarding rent increases exist.

<sup>2</sup> ≤5 years = 2020-2024; 6-10 years = 2025-2029; ≥10 years = 2029ff.

<sup>3</sup> Rent upside is defined as the difference between LEG in-place rent and market rent (defined in footnote 1).

<sup>4</sup> For example rent increase cap of 15% or 20% for three years.

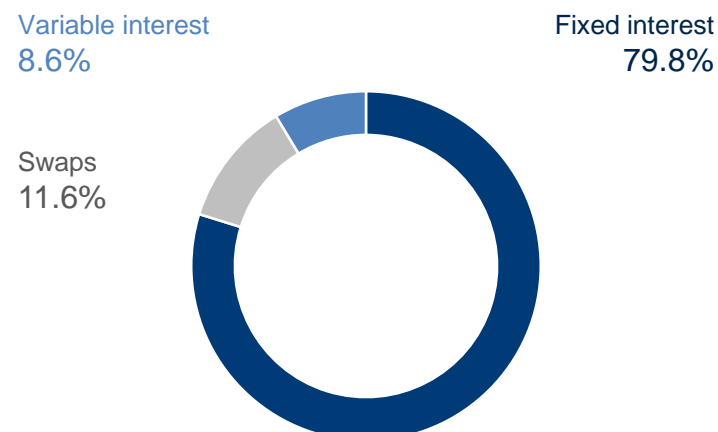
## Unsecured financing covenants

Covenant	Threshold	31.03.2020
Consolidated Adjusted EBITDA / Net Cash Interest	>1.8x	5.5x
Unencumbered Assets / Unsecured Financial Indebtedness	>125%	196%
Net Financial Indebtedness / Total Assets	<60%	36%
Secured Financial Indebtedness / Total Assets	<45%	22%

## Ratings (Moody's)

Type	Rating	Outlook
Long Term Rating	Baa1	Stable
Short Term Rating	P-2	Stable

## Financing mix



## Key financial ratios

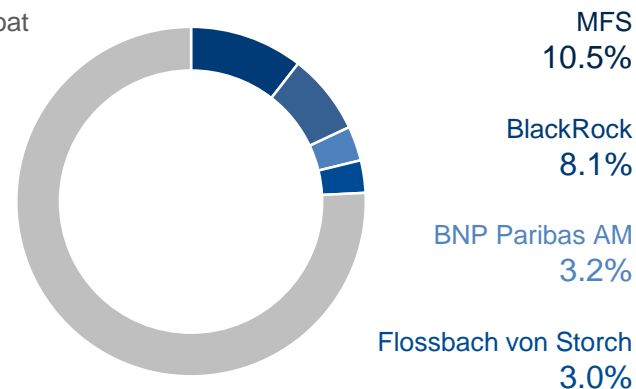
	31.3.2020	31.3.2019
Net debt / EBITDA	10.8x	10.5x
LTV	38.0%	40.1%

## Basic data

- Prime Standard, Frankfurt Stock Exchange
- Total no. of shares: 69,009,836
- Ticker symbol: LEG
- ISIN: DE000LEG1110
- Indices: MDAX, FTSE EPRA/NAREIT, GPR 250, Stoxx Europe 600, DAX ESG
- Weighting (31.3.2020): MDAX 3.40%; EPRA 3.49%
- Rating: Baa1 (stable) by Moody's

## Well-balanced shareholder structure<sup>1</sup>

Other free float  
75.8%



## Share price (5.5.2020, indexed; 31.1.2013 = 100)



<sup>1</sup> Source: LEG; shareholdings according to voting rights notifications.

March 2020

9<sup>th</sup>

Report/Event

Annual Report 2019

May 2020

11<sup>th</sup>

Quarterly Statement Q1 as of 31 March 2020

Annual General Meeting – postponed. New date to be announced

August 2020

7<sup>th</sup>

Quarterly Report Q2 as of 30 June 2020

November 2020

12<sup>th</sup>

Quarterly Statement Q3 as of 30 September 2020

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