

LEG Immobilien SE

# Accelerating growth

1 December 2021

**LEG**

2021



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# Significant push for LEG's market positioning

15,400 units acquired and clear road to majority for BCP secured

## Two building blocks improve the market position and offer growth potential

### 1 Portfolio acquisition

- **C. 15,400** units acquired from Adler S.A.
- **Total acquisition price** for 100% of the asset holding companies of **€1,291m** (**19.8x** net cold rent)
- **Focus on affordable living** with significant top- and bottom-line potential
- **FFO I** contribution in year 1 of **€29m**, expected to grow by over **30%** within 5 years
- **Accretive** deal, positive on FFO I and NTA basis

### 2 BCP N.V. majority secured: 31% direct + call option

- **Perfect fit - securing attractive portfolio with 12,100 units** in LEG target markets and offering new entry opportunities
- **24.1%** directly acquired shares from institutional minorities
- **6.8%** directly acquired shares from Adler S.A
- **63.0%** secured via a call option from Adler S.A.
- **Total acquisition price** for the shares of **€328m** (**-4%** to NTA<sup>1</sup>)
- **Call option** 1 January - 30 September 2022, strike price **€157** per share (+10% to NTA<sup>1</sup>)



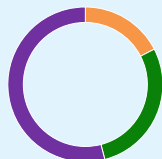
- Significant broadening of footprint – **20%** of units now outside NRW
- All debt-financing – bridge financing secured at attractive terms. Take out via debt and disposals
- Guidance 2022 raised to FFO I **€475m – €490m** (prev. **€450m – €460m**)
- **€5m** contribution to foundation “Dein Zuhause hilft” for social work within new locations

# Major portfolio acquisition in target markets outside NRW

C. 15,400 units mainly in North-Western Germany

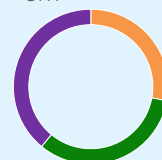
## Acquired portfolio

in units

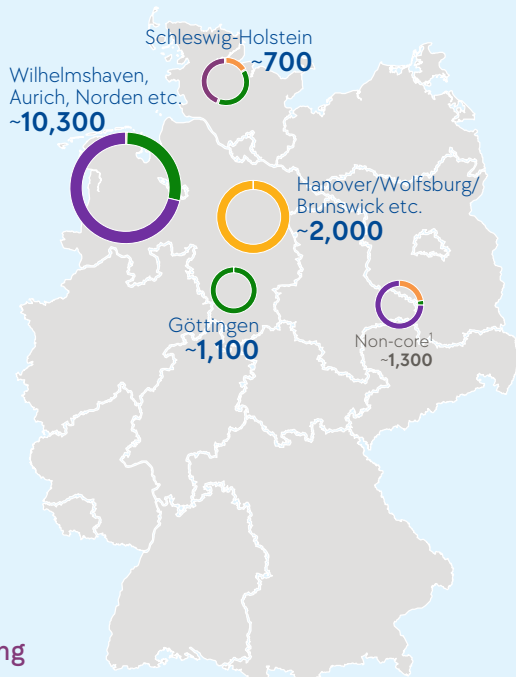


in GAV

€m



High-Growth  
Stable  
Higher-Yielding



1 Non-core assets: Mainly Mecklenburg-West Pomerania, Thuringia, Saxony

2 On comparable basis, i.e. similar market mix

3 After financing costs

## Background & rationale

- C. 15,400 units – acquisition of 100% of asset holding companies
- Acquisition price of €1,291m
- Net cold rent multiple of c. 19.8x based on in-place rent, i.e. superior yield of 5.1% to LEG portfolio (4.4% as of Q3 21)
- Annualised FFO I contribution of c. €29m in 2022³ - over 30% growth until 2026
- Transfer of units as at year end 2021
- Focus on affordable living with actual average rents of 5.93€/sqm, 3% subsidised units
- Strengthening of our presence outside NRW in Lower Saxony and Schleswig-Holstein
- C.1,300 units (8% of portfolio) mainly in Eastern Germany as non-core units and up for disposal within 12 months

Locations	Units	of total	Rent €/sqm	Market
Wilhelmshaven	6,800	44%	5.70	Higher yielding
Wolfsburg	1,300	8%	6.66	High-growth
Göttingen	1,100	7%	5.85	Stable
<b>Top15</b>	<b>12,600</b>	<b>82%</b>		
Non-core	1,300	8%		
<b>Total</b>	<b>15,400</b>	<b>100%</b>	<b>5.93</b>	

# Wilhelmshaven with c. 6,800 units to become a major LEG location **LEG**

Similar structure as our higher yielding markets – further potential via active management

## Wilhelmshaven to be among top3 LEG higher-yielding markets

Market segment	Location	LEG units	LEG rent €/sqm	EPRA -Vacancy
Higher-Yielding	Recklinghausen	9,018	5.47	2.3%
	Gelsenkirchen	7,260	5.71	7.5% <sup>4</sup>
	<b>Wilhelmshaven</b>	<b>6,831</b>	<b>5.70</b>	<b>7.2%</b>
	Duisburg	6,315	6.02	2.8%

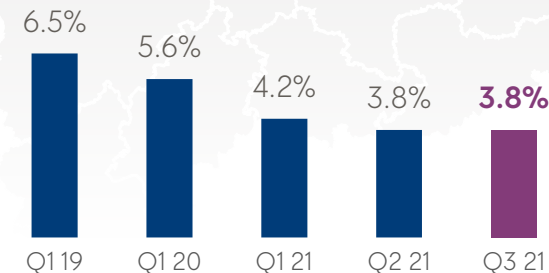


**Wilhelmshaven**

## Similar to existing major LEG markets

Market characteristics	Wilhelmshaven	Duisburg	Gelsenkirchen	
Purchasing power per capita	<b>20,635 €</b>	19,582 €	18,817 €	✓
Unemployment rate	<b>10.3%</b>	11.9%	14.3%	✓
Average age of population	<b>46 years</b>	44 years	44 years	✓
Share population above 65 years	<b>26.0%</b>	20.4%	20.7%	✓
CAGR in-place rents last 5 years	<b>3.9% p.a.</b>	3.5% p.a.	2.6% p.a.	✓
Vacancy	<b>6.1%</b>	4.3%	4.7%	✓

## LEG actively managing vacancy in its higher yielding markets



Sources: 1. 21stRE – Real Estate Location Analytics (RELAS) 2. VALUE AG market data base, asking rents Q3 2016 – Q3 2021 3. CBRE/Empirica vacancy index 2020 (data as of 2019) 4. Gelsenkirchen vacancy reduced by almost 5%-pts since Q1 2017

# Remarkable growth and value potential

Significant modernisation projects in two of the biggest and most attractive locations

## Wolfsburg

Start **2020**



Completion **2026**



## Göttingen



## Highlights

- Holistic modernisation plan including comprehensive energetic refurbishment (KfW55-85) for **~2,200** units (**14%** of portfolio acquired)
- Increase in number of units by **475** units via redensification and heightening of buildings
- **~3,500** new balconies, **~375** new parkings
- Total rentable space **+24%** (36k sqm)
- **80** new subsidised units
- **Two new kindergartens and playgrounds** to revitalize districts
- LEG foundation „**Dein Zuhause hilft**“ ready to support and implement social initiatives
- Planned completion by **2026**
- Total investments c.**€280m**, driver for increased investment guidance (representing c. €2.75/sqm of investments in 2022)



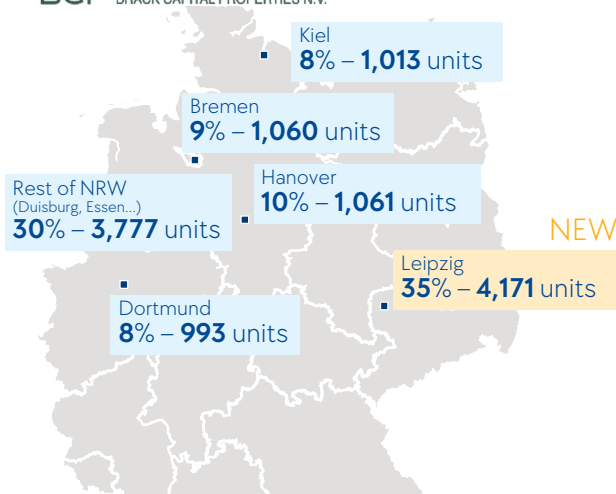
# BCP: A clear road to majority in an attractive asset

A perfect fit to LEG

LEG

## Portfolio overview c.12,100 units

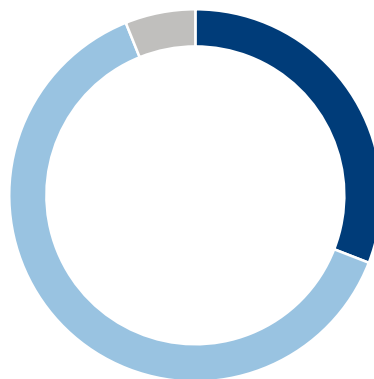
BCP BRACK CAPITAL PROPERTIES N.V.



### General data

Total lettable area **714k sqm**  
 Rental income p.a. **€59.4m<sup>1</sup>**  
 Avg. rent € per sqm **7.61**

## BCP N.V. shareholder (%)



■ LEG directly **30.9**  
 ■ Adler S.A. / LEG call option **63.0**  
 ■ Minorities **6.1**

## Transaction summary

- **Perfect fit** - securing attractive portfolio with **12,100** units in LEG target markets and offering new entry opportunities
- **24.1%** shares directly acquired from mostly institutional minorities
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## Background

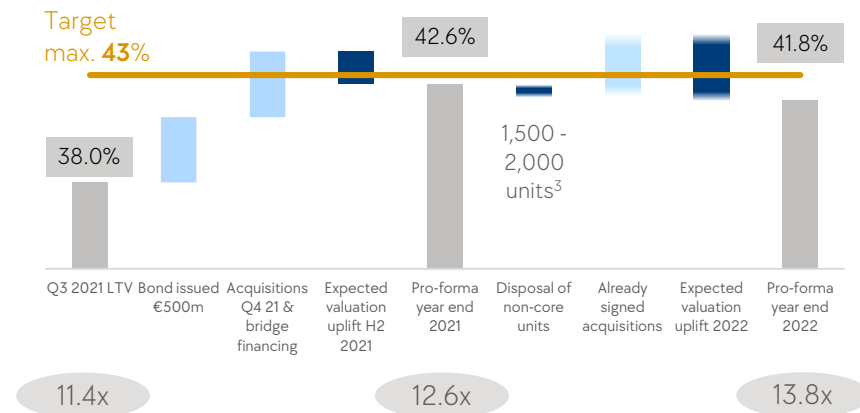
- Gross asset value implies **21.9x** net cold rent
- LTV **36.6%**
- Deal follows LEG's strategy to buy directly into attractive assets
- Accounted under at-equity method while call option not being exercised

# Strong balance sheet provides financing flexibility

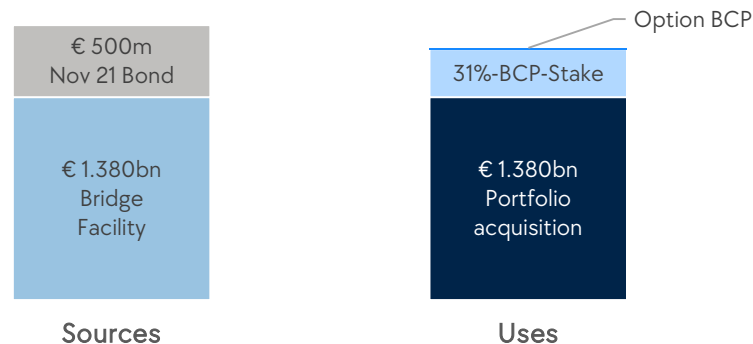
## Key parameter of the transaction<sup>1</sup>

Portfolio acquisition:	€ 1,380m
Acquisition price	€ 1,291m
Other	€ c.88m
31%-stake BCP:	€ 328m
Option on 63.0% stake in BCP:	€ 8m
<b>Total</b>	<b>€ 1.716bn</b>

## LTV development & rolling Net Debt/EBITDA<sup>2</sup>



## Sources & uses



## Comments

- Total purchase price for combined portfolio and BCP stake of € 1.716bn
- Currently full debt financing planned within LTV target range assuming non-core asset disposals and moderate revaluation gains
- Refinancing of bridge starting from beginning 2022 depending on market conditions

1) rounded figures; 2) 12 month quarterly average net debt to adjusted EBITDA (LTM), light-blue: increasing LTV, dark-blue: decreasing LTV; 3) 1,300 non-core units from portfolio acquisition plus annual disposal program



# 2021 guidance confirmed – new financial guidance 2022



## 2021

### Financial targets

FFO I	Upper end of € <b>410m – 420m</b>
I-f-I rent growth	c. <b>3.0%</b>
adj. EBITDA margin	c. <b>75%</b>
Investments	c. <b>40 – 42€/sqm</b>
LTV	max. <b>43%</b>
Dividend	<b>70%</b> of FFO I
Acquisition ambition	c. <b>7,000</b> units

## 2022

### Previous financial targets

### New financial targets

FFO I	€ <b>450m – 460m</b>	€ <b>475m – 490m</b>	<b>NEW</b>
I-f-I rent growth	c. <b>3.0%</b>	c. <b>3.0%</b>	
adj. EBITDA margin	c. <b>75%</b>	c. <b>75%</b>	
Investments	c. <b>44 – 46€/sqm</b>	c. <b>46 – 48€/sqm<sup>2</sup></b>	<b>NEW</b>
LTV	max. <b>43%</b>	max. <b>43%<sup>3</sup></b>	
Dividend	<b>70%</b> of FFO I	<b>70%</b> of FFO I	
Acquisition ambition <sup>1</sup>	c. <b>7,000</b> units <sup>1</sup>	c. <b>7,000</b> units <sup>1</sup>	

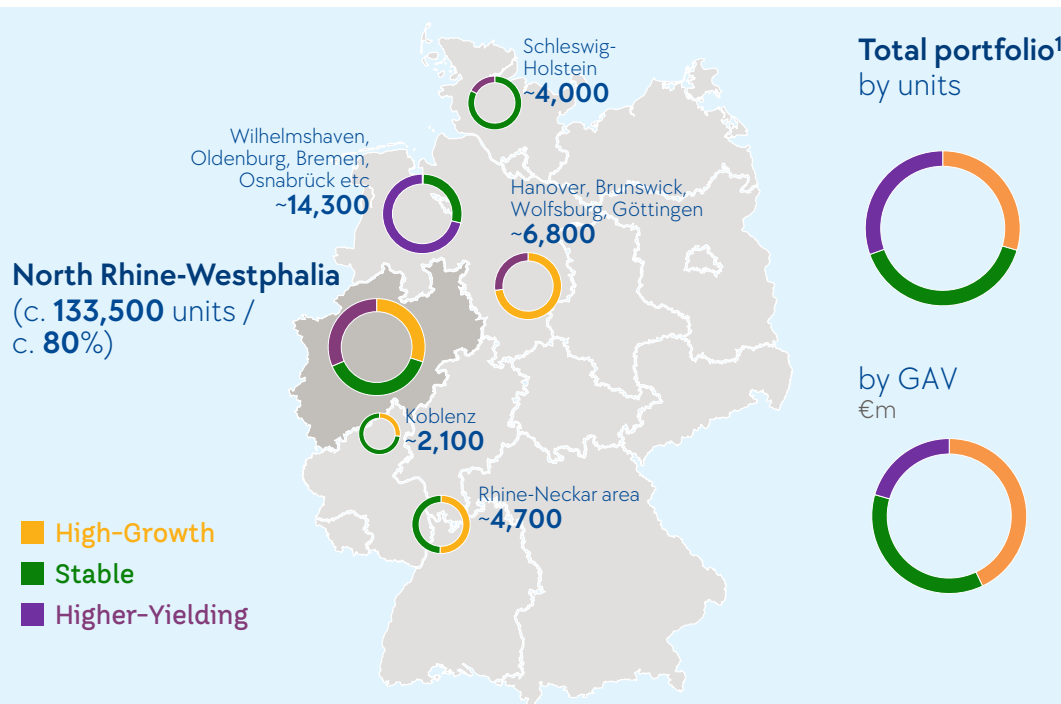
<sup>1</sup> Not reflected in 2022 guidance. <sup>2</sup> Includes €2.75/sqm for projects in Wolfsburg and Göttingen <sup>3</sup> back to max. 43% position within 12 months



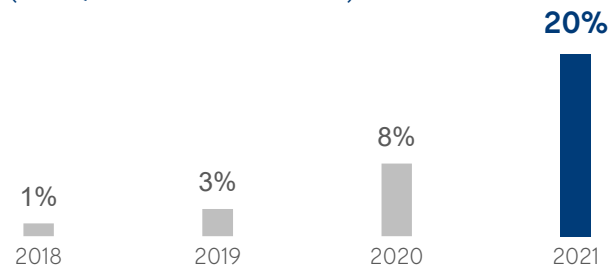
# Appendix

# LEG year-end 2021 pro-forma portfolio with >166.000 units

Well balanced portfolio with significant exposure now in target markets outside NRW



## Outside North Rhine-Westphalia (c. 32,800 units<sup>2</sup> / c. 20%)



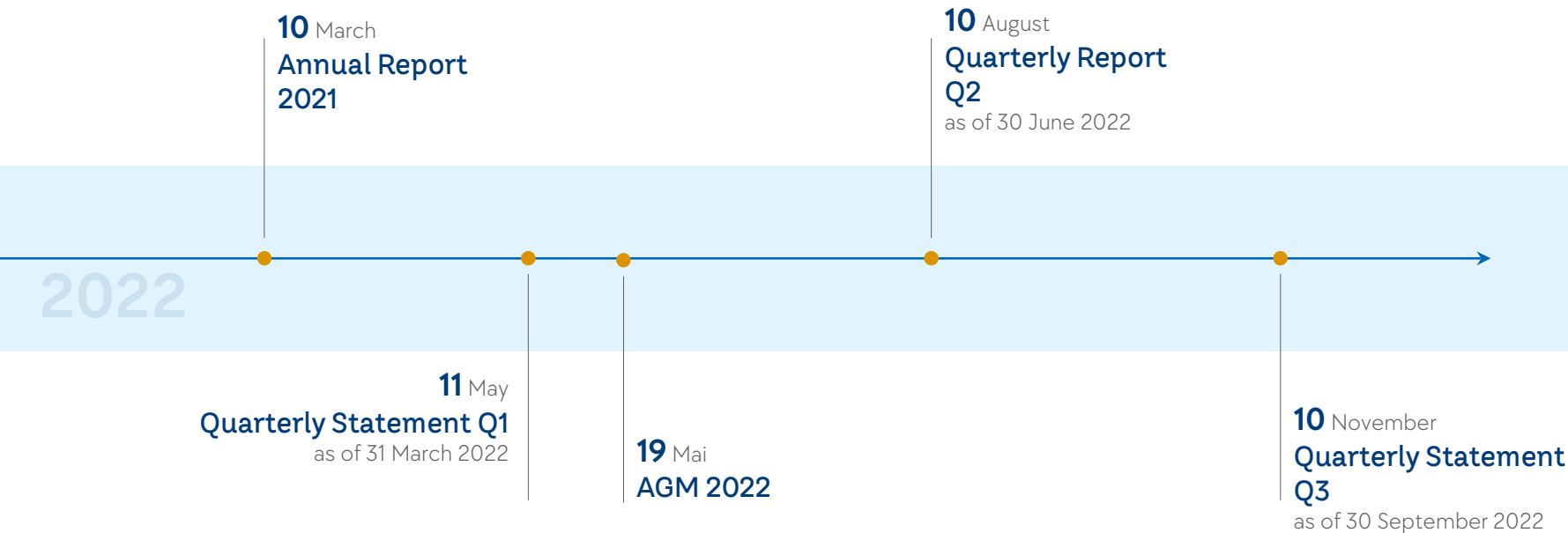
## Growth along our investment criteria

- Asset class **affordable living** ✓
- Entry in new markets outside NRW via **orange** and **green** markets ✓
- >1,000 units per location ✓

➤ Critical size in locations outside NRW reached, allowing for growth into **higher-yielding** markets

1 pro-forma year-end 2021, data as at 1st December 2021 2. incl. c. 1,300 units non-core assets: Mecklenburg-West Pomerania, Thuringia, Saxony

# Financial calendar



For our detailed financial calendar, please visit our IR web page

# IR Contact



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