

Press release of 27th August 2020

Stable business performance in a turbulent semester

Intershop performed well in the first half of 2020:

- **As expected, net profit fell to CHF 33.9 million or CHF 18.06 per share, which equates to a return on equity of 10.3%.**
- **Shareholders' equity as at 30.06.2020 amounted to CHF 653.1 million or CHF 347.41 per share. This results in an equity ratio of 48.0%.**
- **The investment property portfolio generated a net yield of 5.2%.**
- **Despite the difficult environment, the vacancy rate of the investment property portfolio fell slightly to 7.9%.**

After a confident start, the first half of this year was marked by the rapidly spreading pandemic. In particular, the imposed lockdown had far-reaching effects on the economy. Fortunately, companies that were immediately and heavily affected by the lockdown, such as restaurants, hotels and non-food retailers do not form a large part of the Intershop tenant mix. However, a multitude of other sectors of the economy also suffered from the recession, and some tenants expressed difficulty in meeting their contractual obligations. After examining the situation, Intershop offered solutions where justified and primarily granted payment deferrals and, in individual cases, rent reductions. Including valuation adjustments on outstanding deferred payment schemes, this reduced earnings by approx. CHF 1.0 million in the reporting period.

As at the balance sheet date, the **property portfolio** comprised 53 properties, including development and promotional properties. Rental income by usage for the reporting period amounted to 49% office and education, 31% light-industrial and logistics, 7% retail and restaurants, and 13% residential and parking.

The **market value of the properties** amounted to CHF 1,323.6 million at the end of the reporting period. After deduction of the investments made, the market value increased by CHF 0.9 million or 0.1% of the portfolio value. The increase is mainly attributable to improved letting, and in part lower discount rates.

As expected, **rental income** fell significantly a result of the earlier property disposals and the termination of leases of two larger development properties in Pfäffikon/SZ and Baden. Furthermore, the rental successes achieved were not able to compensate for the aforementioned negative income effects due to the pandemic, with the result that rental income fell by 5.8% to CHF 39.5 million. The **gross yield** on the investment property portfolio therefore declined by 0.2 percentage points to 6.0%.

The **sale** of the residential complex in Kilchberg and part of the plot of land on the industrial park in Oberwinterthur-Neuhegi resulted in a profit contribution of CHF 14.5 million.

Property expense remained stable at a low 10.6% of rental income. The **net yield** of the investment property portfolio amounted to 5.2% despite the effects of the pandemic-related lockdown.

While **administrative expenses** were reduced by 10.3%, **personnel expenses** rose slightly by 1.5%.

Interest expense decreased by CHF 0.6 million to CHF 4.5 million due to lower interest rates despite the CHF 23 million increase in debt since the end of the prior-year period.

The significant year-on-year increase in **tax expense** of CHF 6.7 million to CHF 7.7 million is due to a reduction in deferred taxes of CHF 6.8 million resulting from the tax reform (STAF) in the prior-year.

The effects of the pandemic were also felt in the development business. Approval procedures in particular took more time and the imposed restrictions of the lockdown led to delays on most construction sites. As of the balance sheet date, however, the situation has eased and the projects are developing positively overall. The sale of the 78 commonhold apartments currently under construction on Römerstrasse, Baden, got off to a very successful start in April. As of the balance sheet date, 56 units had been sold and 19 reserved in writing. In addition, more than 70% of the commonhold apartments on Gellertstrasse, Basel, have already been sold. However, the legal transfer is not now expected to be completed until the end of the first quarter of 2021.

Intershop followed the transaction market very closely during the reporting period but was unable to identify any attractive purchase opportunities.

The total return of the share, which is made up of the price gain and the dividend paid, amounted to 4.4% in a difficult stock market environment and was significantly higher than the benchmark index SXI Swiss Real Estate Shares TR with -13.3%.

Outlook

The longer-term consequences of the pandemic and the associated constraints are difficult to assess. Although the situation on the letting market has eased, demand is still well below the level of the previous year. Despite the letting successes in the first half of the year, the vacancy rate is still expected to rise to a good 10% by the end of the year. Provided there is no further comprehensive lockdown, rental income should reach the volume of the first half on a comparable basis.

The transaction market will continue to be closely monitored. Any acquisition opportunities will only be considered if a sustainable added value can be achieved. Should attractive sales opportunities arise, they will be strongly considered.

Provided that the effects of the pandemic do not have an unexpected negative impact on the second half of the year, Intershop again expects to close the year with a good result, which should enable it to maintain its attractive dividend policy.

Attachment

Key figures Intershop Group

Contact

Cyrill Schneuwly, CEO
Thomas Kaul, CFO

Company portrait

Intershop is a real estate company listed on the SIX Swiss Exchange and active in Switzerland, which invests principally in commercial properties. As at 30/06/2020, its portfolio comprised 53 properties with a lettable area of approx. 563,000 m² and a market value of some 1.3 billion Swiss francs. Intershop invests mainly in the Zurich area, around Lac Lemman and along the main traffic arteries. Its portfolio combines high yields with security, thanks to diversification by geography and type of use, with considerable potential for value appreciation in the properties with development potential.

Agenda

02/03/2021	Publication of annual report 2020 with media and financial analysts conference
31/03/2021	Annual General Meeting 2021
26/08/2021	Publication of half-year report 2021 with online presentation for media and financial analysts

Summary half-year report 2020 (Download, pdf)

Further information on Intershop is available from the website www.intershop.ch

Key figures Intershop Group

1st Sem. 2020 1st Sem. 2019

FINANCIALS			
Net rental income	CHF m	35.3	37.7
Net gains from property disposal	CHF m	14.5	6.4
Changes in fair value of properties	CHF m	0.9	8.4
Operating result (EBIT)	CHF m	46.1	48.0
Earnings before taxes (EBT)	CHF m	41.7	42.9
Net profit	CHF m	33.9	41.9
Net cash from operations	CHF m	15.5	8.1
Investments in real estate	CHF m	27.8	12.6
Total assets ²⁾	CHF m	1,361.0	1,343.0
Total value of property portfolio ²⁾	CHF m	1,323.6	1,312.8
Financial liabilities ²⁾	CHF m	531.0	504.0
Shareholders' equity ²⁾	CHF m	653.1	666.1
Return on equity ¹⁾		10.3%	12.7%
Return on equity excluding changes in fair value of properties ^{1) 6)}		10.1%	10.7%

PORTFOLIO			
Number of investment properties ²⁾		41	42
Number of development properties ^{2) 7)}		12	12
Lettable area ²⁾	in m ²	562,939	565,880
Gross yield ^{2) 3) 4)}		6.0%	6.2%
Net yield ^{2) 3) 5)}		5.2%	5.4%
Vacancy rate ^{2) 3)}		7.9%	8.0%

PERSONNEL			
Number of employees ²⁾		75	72

SHARE			
Earnings per share ⁶⁾	CHF	18.06	21.77
Earnings per share excluding changes in fair value of properties ⁶⁾	CHF	17.69	18.34
Net asset value per share (NAV) ^{2) 8)}	CHF	347.41	354.33
Share price at balance sheet date ²⁾	CHF	567.00	567.00
Dividend paid ⁹⁾	CHF	25.00	22.00

1) Based on the average shareholders' equity during the reporting period, see «Alternative Performance Measures», Annual report 2019, page 118

2) Figures as per 30/06/2020 and 31/12/2019

3) Figures relate to investment properties as at the balance sheet date

4) Effective annual gross rental income in proportion to the market value of the properties at the balance sheet date, see «Alternative Performance Measures», Annual report 2019, page 118

5) Effective annual gross rental income less any directly attributable property expenses (excluding interest expense) in proportion to the market value of the properties as at the balance sheet date see «Alternative Performance Measures», Annual report 2019, page 118

6) See «Earnings per share», see Half-year report 2020, page 27

7) Including promotional properties

8) See «Net asset value per share», see Half-year report 2020, page 24

9) Dividend paid for the financial year 2019 and 2018 in the first half-year