



## **Instone held up well in a year dominated by the coronavirus and has strengthened its base for accelerated growth in the coming years**

- *Adjusted earnings after tax (EAT) of EUR 41.1 million and a gross margin of 30.5 percent provide solid confirmation of the preliminary results (EAT approx. EUR 40 million and margin approx. 30 percent)*
- *Acquisition of projects representing a GDV of EUR 800 million strengthens the growth prospects for the coming years; further purchases currently under exclusive negotiation*
- *Strong demand for Instone products also continues into 2021*
- *2021 guidance confirmed: adjusted revenue of EUR 820 to 900 million; adjusted earnings after tax of EUR 90 to 95 million*
- *Instone supports UN Climate Agreement and the German Federal Government Climate Protection Plan; striving for CO2 neutrality by 2050*

**Essen, 18 March 2021:** Instone Real Estate Group AG ("Instone") performed well overall in 2020, a year that was dominated by the coronavirus pandemic. Revised full year earnings targets were exceeded thanks to a strong fourth quarter. Successful platform cost management, a strong pricing environment and, to a certain extent, benefits associated with lower-than-anticipated construction prices have all contributed to the outcome. Despite the headwinds, Instone has successfully strengthened the basis for dynamic growth in the coming years through land acquisitions with an expected future sales value of around EUR 800 million. In addition, the company launched its innovative "valuehome" (affordable housing) product, opening up a new market segment with tremendous growth potential. Funding of the planned step change in growth was secured with the successful execution of a capital increase. Furthermore, Instone has implemented a sustainability strategy and, by committing to climate neutrality by 2050, has underpinned the clear commitment to social responsibility, sustainable business management and the UN's climate goals.



### **Instone remains highly profitable, even in a year dominated by the coronavirus**

Despite the corona-related temporary weakness in demand and postponed sales starts, adjusted revenue in 2020 amounted to EUR 480.1 million, in line with the revised forecast (previous year: EUR 736.7 million). The previous year's strong adjusted revenue figure was influenced by the sale of the large-scale project "Westville" in Frankfurt. The adjusted 2020 gross margin amounts to an outstanding 30.5 percent (previous year: 25.5 percent). Instone benefited from a continued positive price trend for German residential properties and from lower-than-anticipated construction costs, especially in the fourth quarter. The margin is, moreover, clear proof of the premium quality of Instone's project pipeline, which focuses on attractive city-centre locations within A-cities and metropolitan regions, and of its expertise in project acquisition, development, and construction.

Adjusted operating profit (adjusted EBIT) amounted to EUR 83.8 million (previous year: EUR 129.6 million). Despite COVID-19-related revenues being below initial expectations and continued investments in the platform to support future growth, Instone was able to achieve a strong adjusted EBIT margin of 17.5 percent (previous year: 17.6 percent).

As expected, investments in the expansion of the project portfolio for planned future growth resulted in increased finance costs in the financial year (EUR -23.2 million compared to the previous year: EUR -16.1 million). Thanks to better-than-expected profitability in the final quarter, adjusted earnings after tax (adjusted EAT) of EUR 41.1 million (previous year: EUR 105.6 million) nevertheless significantly exceeded the revised forecast. The previous year's EAT figure benefitted from a substantially reduced tax rate due to the recognition of deferred tax assets associated with the first-time recognition of tax-loss carry forwards.

Based on this result, the Management Board and the Supervisory Board propose to the Annual General Meeting the distribution of an inaugural dividend of EUR 0.26 per share.

### **Strong balance sheet following successful capital hike provides basis for future growth**

Based on its solid operating performance, strong cash flow generation and the successful completion of its capital increase, Instone has further strengthened its balance sheet. The loan-to-cost ratio, i.e. the ratio of net financial debt divided by inventories plus contract assets is, for instance, at a low level of around 26 percent. In Q3 2020, Instone successfully executed a



rights issue with net proceeds amounting to approx. EUR 175 million. Cash, including unused corporate credit lines, amounted to around EUR 350 million as at the reporting date. In addition, the company has unused project financing lines of around EUR 164 million. Instone is therefore ideally positioned to achieve its ambitious growth targets while taking advantage of current land acquisition opportunities.

### **Increased growth potential through further acquisitions**

In 2020, Instone acquired projects with a future sales value of around EUR 800 million. As a result, the value of the project portfolio (GDV) has climbed to around EUR 6.1 billion (Q4 2019: EUR 5.9 billion). At the start of the year, yet another project with a GDV of around EUR 70 million was bought in Herrenberg. In addition, the company is currently in exclusive negotiations for further acquisitions including larger opportunities.

"Despite COVID-19-related headwinds, we were able to achieve satisfactory revenues and earnings for the 2020 financial year, demonstrating the resilience of our business model. Given our financial and operational strengths, we are now ideally positioned to follow through on our ambitious growth targets", says Dr Foruhar Madjlessi, CFO of Instone Real Estate Group AG.

### **Confirmation of earnings guidance for 2021**

Management confirms its previously communicated earnings guidance for 2021 – a year that will continue to be strongly affected by the COVID-19 pandemic. Accordingly, adjusted revenues of between EUR 820 and 900 million and adjusted earnings after tax of between EUR 90 and 95 million will be achieved. In addition, with Instone's retail sales ratio above the long-term average, the company has had a good start in the 2021 fiscal year. The company intends to keep its dividend policy, with a payout ratio of 30.0 percent of EAT, unchanged for 2021.

### **Sustainability is an essential part of Instone's corporate strategy**

Instone is committed to social responsibility and ESG goals as an integral part of its corporate strategy. Against this background, a new sustainability strategy has been developed and implemented. Instone supports the climate goals of the UN and the German Federal Government and strives for CO2 neutrality by 2050. In order to achieve this objective, the proportion of highly energy-efficient buildings (equivalent to the current KfW40 standard) is to



be increased to 100 percent by 2030. A key element for the implementation of the sustainability strategy is the planned inclusion of ESG targets in the basis for variable management remuneration. On a management board level, the CFO Dr Foruhar Madlessi has taken over the responsibility for ESG. Moreover, a dedicated Sustainability Officer has been appointed, who is supported by a Sustainability Committee.

"The growth prospects for Instone over the next few years are excellent. One major driver is the growth initiative in the area of affordable housing ("valuehome"). For us, taking advantage of economic potential must always go hand in hand with social responsibility and the protection of both the climate and the environment," confirms Kruno Crepulja, CEO Instone Real Estate Group AG.

The definitions of the key performance indicators mentioned in the statement can be found in the glossary on the company's homepage at:

<https://ir.en.instone.de/websites/instonereal/English/3600/glossar.html>

### **About Instone Real Estate (IRE)**

Instone Real Estate is one of the leading residential developers in Germany and is listed on the SDAX. The company develops attractive residential buildings and apartment complexes and also operates in the publicly subsidised residential construction sector. It also works on contemporary urban planning and the refurbishment of listed buildings. These are mainly marketed to owner-occupiers, private investors wanting to buy to let and institutional investors. We have developed more than one million square metres over the last 30 years. The company employs 413 employees at nine locations across Germany. As at 31 December 2020, the project portfolio included 52 development projects with an anticipated overall sales volume of approximately EUR 6.1 billion and 13,561 units.

### **Investor Relations**

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