

## **Vonovia Is Highly Confident In Its Resilient Asset-backed Business Model – Outlook for 2020 Earnings and Value Growth Confirmed**

**March 18, 2020.**

- Company remains highly confident in achieving its 2020 FFO guidance and y-o-y value growth
- Majority of the company's value lies in real estate with extremely robust cash flows; the demand for our product remains unbroken and is not affected by Corona pandemic
- Vonovia's liquidity position is very comfortable and not impacted by current developments

Against the background of overall economic turbulence caused by the Corona pandemic and severe market concerns, Vonovia emphasizes the following points with regards to the resilience of its business model:

### **Value**

The majority of the company's value lies in the assets, held in a geographically diversified portfolio of multifamily homes in urban markets that are characterized by a structural supply/demand imbalance. Our business is asset-backed in the very sense of the word. The net asset value of these assets was €51.93 per share as of Dec. 31, 2019 (not accounting for additional value from our operating platform and our value-add business). This represents a gross asset value of €1,865 per sqm. The Corona pandemic, in our view, leads to no changes to these values. The current situation will not change the supply and demand of housing, and hence we see no reason why the strong demand for our products should change in the current environment.

### **Earnings**

We confirm our 2020 Group FFO guidance of €1,275m – €1,325m. In terms of our organic rent growth that we have guided with 3.5% - 4.0%, there are two drivers. The first is market rent growth, which we expect to be unaffected because it is largely immune from macroeconomic impacts. We experienced that during the financial crisis in 2008 and 2009 market rents continued to grow in spite of the GDP decline. Additionally, Vonovia's business model based on residential real estate has no relevant supply chain that could be interrupted.

The second driver is our investment-driven rent growth. While we might experience minor delays in the completion of some of our investments for a period

of time, which in turn could impact the organic rent growth KPI for 2020, this would only be a timing effect, and we would see the incremental rent growth later.

There have been discussions in some countries about rent holidays, rent waivers etc. to alleviate the burden for tenants. We believe this is not something that in general terms applies to Germany, mainly because the country's social welfare system that has been in place for decades provides for people who cannot afford to pay their own rent. This makes Vonovia's top line exceptionally resilient to macroeconomic turbulences. However, Vonovia is committed to its business principles that, for instance, protect tenants in cases of hardship. Just now people are spending the majority or even all of their time in the confines of their home these days which re-emphasizes the emotional value of one's accommodation. A person's home is not a commodity but a profoundly personal product very close to the heart.

## **Liquidity**

Our liquidity position is comfortable and not impacted by the current developments. In addition to the ongoing stable cash flow from our robust operating business, we also have access to a variety of financing sources. These range from funds available overnight to access to the covered bond market (Pfandbriefmarkt), which was available in all previous economic and market crises. We can also rely on stable banking partners who have been working closely and trustfully with us for many years.

## **Safety for our employees has highest priority**

Our first priority is to safeguard the health of our employees, especially for those that are particularly at risk because of age or pre-existing conditions. We have taken appropriate measures including highly flexible working hours and home office solutions. At the same time, we have made sure that the infrastructure to service our tenants remains intact. We have developed emergency plans that would allow us to maintain our service infrastructure even in a highly adverse environment. Finally, we are fully committed to helping our tenants including through uncomplicated, pragmatic solutions where appropriate.