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Oggetto : COIMA RES - Q3 2021 Results

<i>Testo del comunicato</i>

Vedi allegato.



COIMA RES - PRESS RELEASE

BOARD OF DIRECTORS APPROVES RESULTS AS OF SEPTEMBER 30th, 2021

SARCA PROPERTY DISPOSAL CRYSTALLISES VALUE

TOTAL DISPOSALS AT AN AVERAGE PREMIUM OF 10% ON PURCHASE PRICE

INCREASED GUIDANCE FOR 2021 BY 5%

EPRA NET TANGIBLE ASSET GROWTH OF 4.1%

APPROVED INTERIM DIVIDEND OF EURO 0.10 PER SHARE, IN LINE WITH 2020

LTV DECREASING TO 29%, AMPLE CASH POSITION OF MORE THAN EURO 90 MILLION

Highlights of 9M 2021 financial results

- Collected 100% of 9M 2021 rents due (vs 98.8% in 9M 2020)
- On a like for like basis, gross rents increased by 1.2% excluding Monte Rosa for which the value creating refurbishment started following the scheduled release of PWC
- Increased EPRA Earnings guidance for 2021 by 5% to Euro 0.42 per share
- Net profit up over 100% to Euro 25.7 million
- EPRA Net Tangible Assets per share up by 4.1% to Euro 12.93
- Net LTV 8.9 p.p. lower at 29.4% (vs 38.3% at December 2020)
- Net operating profit (EPRA Earnings) equal to Euro 12.1 million
- Ample cash position on balance sheet of Euro 90.5 million, primarily to fund capex plans
- Approved interim dividend of Euro 0.10 per share, in line with 2020

Resilient real estate portfolio with value creation opportunities

- Portfolio focussed on offices (86%), Milan (91%) and Porta Nuova (58%)
- Sarca property disposal worth Euro 82.5 million at 36% premium vs purchase price
- Total disposals at a weighted average premium of 10% over the purchase price
- High sustainability profile with 65% of the portfolio currently LEED certified
- Leased 1,800 sqm in 9M 2021 with a stabilized rent of approx. Euro 1.8 million
- Corso Como Place project successfully launched in September with Accenture
- Approx. 25% of current portfolio value added to be repositioned in the medium term
- Potential for meaningful aggregate rent reversion on the back of refurbishments
- Monte Rosa property next repositioning project to be activated

Milan office market update

- Market demand for prime buildings with prime yield stable at 3.00%
- Letting volumes up of 40%, stable rental levels across submarkets
- Overall investment volumes down of 10%

Manfredi Catella, Founder and CEO of COIMA RES, commented: *“COIMA RES' balance sheet and financial position was further strengthened thanks to the solid results obtained, also thanks to the 36% capital gain on the property in Viale Sarca in Milan, which increased available liquidity to over Euro 90 million. Looking forward, we will launch the programme to enhance the value of the development portfolio and continue the sale of mature assets.”*



Milan, November 5th, 2021 – The Board of Directors of COIMA RES approved the consolidated financial statements as at September 30th, 2021, at a meeting held today under the chairmanship of Massimo Capuano.

Financial Highlights, as of September 30th, 2021

Balance Sheet (Euro million)	Sep-21	Dec-20	Delta (%)	Delta
Real Estate Properties	694.5	758.1	(8.4%)	(63.6)
EPRA Net Reinstatement Value	487.3	466.9	4.4%	20.4
EPRA Net Tangible Assets	466.8	448.3	4.1%	18.5
EPRA Net Disposal Value	461.5	442.8	4.2%	18.7
Net Asset Value (IAS / IFRS)	464.5	445.5	4.3%	19.0
EPRA Net Reinstatement Value per share (Euro)	13.49	12.93	4.4%	0.56
EPRA Net Tangible Assets per share (Euro)	12.93	12.42	4.1%	0.51
EPRA Net Disposal Value per share (Euro)	12.78	12.26	4.2%	0.52
Net Asset Value (IAS / IFRS) per share (Euro)	12.87	12.34	4.3%	0.53
Net LTV	29.4%	38.3%	n.m.	(8.9) pp

Income Statement (Euro million)	9M 2021	9M 2020	Delta (%)	Delta
Gross Rents	31.7	33.2	(4.6%)	(1.5)
Net Operating Income (NOI)	28.2	30.2	(6.5%)	(2.0)
NOI margin	89.1%	90.9%	n.m.	(180) bps
EBITDA	38.2	23.2	64.4%	15.0
Net profit	25.7	7.7	>100%	18.0
Net operating profit (EPRA Earnings)	12.1	13.0	(6.9%)	(0.9)
Recurring FFO	16.1	17.9	(9.7%)	(1.8)
Net operating profit (EPRA Earnings) per share (Euro)	0.34	0.36	(6.9%)	(0.02)
Recurring FFO per share (Euro)	0.45	0.49	(9.7%)	(0.04)
EPRA Cost Ratio (including direct vacancy costs)	34.4%	31.1%	n.m.	3.3 p.p.
EPRA Cost Ratio (excluding direct vacancy costs)	32.1%	29.1%	n.m.	3.0 p.p.

Other Data	Sept-21	Dec-20	Delta (%)	Delta
EPRA Net Initial Yield	4.2%	5.1%	n.m.	(90) bps
EPRA Topped-up Net Initial Yield	5.1%	5.3%	n.m.	(20) bps
EPRA Vacancy Rate	13.9%	2.5%	n.m.	n.m.
WALT (years)	4.3	4.3	n.m.	n.m.



Highlights of 9M 2021 financial results

The 9M 2021 financial results mainly reflect the disposal of the Sarca property and the scheduled release by PwC of c. 8,000 sqm of the Monte Rosa property. The release will allow a value creating refurbishment of the Monte Rosa property in the 2021-2023 period which will ultimately lead to a substantial increase in the quality of the asset and meaningfully higher rents compared to the previous rent in place.

EBITDA increased by 64.4% to Euro 38.2 million mainly due to gain deriving from the disposal of the Sarca property. Financial expenses decreased by 3.2% to Euro 6.0 million due to lower average debt compared to the same period last year.

Net profit increased over 100% to Euro 25.7 million due to the lower negative fair value changes recorded for the portfolio in H1 2021 compared to H1 2020 and the gain deriving from the disposal of the Sarca property. Recurring FFO and net operating profit (EPRA Earnings) declined respectively by 9.7% to Euro 16.1 million and by 6.9% to Euro 12.1 million, mainly due to lower NOI partially offset by lower financial expenses.

As of November 5th, 2021, COIMA RES collected 100% of the 9M 2021 rents due (98.8% at the same date in 2020). On a like for like basis, gross rents increased by 1.2% (excluding Monte Rosa) on which the value generation project is launched.

In absolute terms, gross rents marginally declined by 4.6% in 9M 2021, the Net Operating Income (NOI) by 6.5% and the NOI Margin by 180 bps (to 89.1%), due to the release of PwC, which allows the start of the value generation of the Monte Rosa property, and to the positive results of the bank branches and Sarca property disposals program, partially offset by the evolution of rents on the properties in the portfolio.

G&A expenses marginally decreased by 0.6% to Euro 6.4 million due to some non-recurring evaluation effects.

Following of the Sarca property and a bank branch disposal, net of Euro 5.8 million of capex (on a pro-quota basis) spent and capitalised in 9M 2021 and Euro 0.6 million of fair value change (on a pro-quota basis), the value of the portfolio declined in 9M 2021 (on a pro-quota basis) to Euro 646.1 million, equal to 6.1% compared to December 31st, 2020.

EPRA Net Tangible Assets, as of September 30th, 2021, stood at Euro 466.8 million (or Euro 12.93 per share), an increase of 4.1% in 9M 2021. The increase is mainly related to net operating profit (EPRA Earnings) of Euro 12.1 million, gain deriving from Sarca property disposal of Euro 13.0 million and net revaluations for Euro 0.6 million (on a pro-rata basis), partially offset by the dividend payment of Euro 7.2 million. As of September 30th, 2021, the net LTV of COIMA RES stood at 29.4% (on a consolidated basis), a level 890 bps lower compared to December 31st, 2020. The consolidated cash position of COIMA RES as of September 30th, 2021, stood at Euro 90.5 million.

The solid operational performance since the beginning of the year (in particular in terms of rent collection) and the higher current visibility (compared to three months ago) of the expected activity between today and year end, allow COIMA RES to increase its 2021 guidance of EPRA Earnings per share by 5% to Euro 0.42 (from the previous guidance of Euro 0.40, published on July 29th, 2021). The estimate reflects the release of approximately half of the Monte Rosa property by PwC during Q1 2021, the disposal of the Sarca property and other prudential considerations in light of the persistence of the COVID-19 emergency.



Interim dividend for the fiscal year 2021 of Euro 0.10 per share

The Board of Directors of COIMA RES resolved to distribute to shareholders an interim dividend for the fiscal year 2021 of Euro 0.10 per share (amounting to Euro 3,610,655.80), in line with the interim dividend of the fiscal year 2020, with an ex-dividend date on November 15th, 2021, record date on November 16th, 2021 and payment date on November 17th, 2021. COIMA RES independent auditors have issued their report pursuant to Article 2433-bis, paragraph 5, of the Italian Civil Code. The Board's resolution on the interim dividend was made based on the accounts of the parent company COIMA RES S.p.A. SIIQ as of September 30th, 2021, which were prepared in accordance with IFRS.

Financing

Microsoft: During the month of February 2021, the extension and amendment of the Euro 22.0 million financing of the Microsoft headquarters (provided by Intesa Sanpaolo) was finalised. The maturity of the financing was extended for a period of 3 years, i.e. from December 21st, 2020, to December 21st, 2023, and the margin was reduced by c. 15 basis points. In addition, the amended agreement provides the possibility of increasing the amount of the financing provided by Intesa Sanpaolo to a maximum of Euro 49.5 million at the same economic conditions.

Real estate portfolio

As of September 30th, 2021, the COIMA RES portfolio consists of eight real estate properties mainly for office use located in Milan and 58 bank branches located in the North and Centre of Italy. The portfolio is valued at Euro 646.1 million (on a pro-quota basis), 91% of which is in Milan, 58% in Milan Porta Nuova and 86% is for office use. COIMA RES' portfolio has a high sustainability profile as approximately 65% of the portfolio is LEED certified. COIMA RES' portfolio of tenants is mostly comprised of mid to large sized multinational corporations: the list of the ten largest tenants (representing 89% of the stabilised rent roll on a pro-quota basis) includes Vodafone, Sisal Group, Deutsche Bank, BNP Paribas, Microsoft, IBM, Accenture, Techint, NH Hotel and Bernoni Grant Thornton. In line with its business model and strategy, COIMA RES is considering further disposals of mature, non-core and non-strategic assets as well as the refurbishment and repositioning of selected assets within its portfolio in order to align them to the evolution of tenants' demand and to generate rental growth.

Leasing

Microsoft: On April 6th, 2021, a new lease agreement was signed for ground floor retail in the Microsoft property (about 400 sqm), previously occupied by Microsoft. The new agreement has a duration of nine years (with eight months of free rents) with an annual rent, for the first two years, amounting to Euro 200 thousand and, for the following years, amounting to Euro 280 thousand.

Sarca: In June 2021, COIMA RES, before the disposal of the property, signed a binding offer with an energy supply company for approximately 700 sqm of office space. The space is currently occupied by Signify, which exercised the break-option with the release of the spaces in October 2021. The binding offer provides for the signing of a contract that has a duration of six years at a fee approximately 23% higher than to the one in place.



Corso Como Place: In April 2021, COIMA RES signed a new lease agreement with Mooney (formerly Sisal Pay) for approximately 3,250 sqm of office space. The new contract has a duration of six years and the rent is higher than the rent foreseen under the previous lease agreement.

Tocqueville: In May 2021, COIMA RES signed an amending agreement to the lease agreement with Sisal to extend the duration of a further three months, postponing the new contractual deadline to March 31st, 2022. The rent to be applied in the extension period provides for an increase equal to 50% compared to the current one.

Disposals

Bank branches: In January 2021, COIMA RES completed the disposal of a bank branch in Milan for a value of Euro 4.3 million. The disposal refers to a broader portfolio of 11 bank branches which was sold by COIMA RES in the period between January 2020 and January 2021 for a total value of Euro 23.5 million. The disposal of the portfolio of 11 bank branches was announced in November 2019. Since its IPO in 2016, COIMA RES has disposed approximately 48% of the initial bank branches portfolio at a valuation broadly in line with the IPO contribution value, raising gross proceeds from the disposals of approx. Euro 66.3 million.

Sarca: On August 5th, 2021, the disposal of the office building located in the Bicocca district of Milan, Viale Sarca 235 (the "Sarca" building) to a primary local investor was completed at a price of Euro 82.5 million. The sale price corresponds to a net exit yield of 4.6%, and a premium of 36% over the acquisition price. As part of the transaction, the seller issued, in favour of the purchaser, a guarantee in relation to the payment of rents by the tenants currently renting the property. COIMA RES had acquired the Sarca property in 2019 at a valuation of Euro 60.7 million (EPRA Topped-up Net Initial Yield of 5.9%) and the sale price implies an Unlevered IRR of 24% (Levered IRR of 39%).

Since the IPO, COIMA RES has acquired real estate assets for a total value of Euro 850.8 million (on a pro-rata basis) and made disposals for a total value of Euro 324.8 million (on a pro-rata basis), with the disposals taking place at a weighted average premium of 10% over the purchase price.

Development projects

Corso Como Place: The project was completed in Q4 2020 and has been delivered to the tenants Accenture and Bending Spoons in January 2021. As a reminder, in 2019 Accenture and Bending Spoons signed preliminary leasing agreements for the entire office portion of the project (buildings A and C) representing 95% of the surfaces developed.

Other projects: The release by PwC of the Monte Rosa property will allow a value creating repositioning of the asset in the medium term leading to a substantial increase in the quality of the asset and meaningfully higher rents compared to the previous rent in place. Further details on the redevelopment plan for the Monte Rosa property will be disclosed in due course. In addition to the Monte Rosa property, other assets are likely to be refurbished and repositioned in the 2022-2024 period. In aggregate the planned refurbishments are likely to lead, in aggregate for those assets, to a significant rental growth once refurbished and relet and a sensitive improvement in the sustainability profile of the Company's portfolio.

Outlook



The COVID-19 crisis has resulted in social and economic challenges on a global scale and will most likely remain an aspect to consider as of today. The Italian economy has experienced a sharp recession in 2020 and the pace of recovery will depend, amongst other things, on the pace of the vaccination campaign and on the implementation of the PNRR (Piano Nazionale di Ripresa e Resilienza) by the recently formed government headed by Mario Draghi.

COIMA believes that the potential increase in the adoption of the “working from home” practice will influence future tenant demand for office space from both a qualitative and quantitative point of view.

A survey carried by COIMA with 38 corporates who lease office space in Italy (and in particular in Milan), confirmed the fact that companies are likely to increase the possibility for employees to work remotely, however, such increase would not structurally undermine the need to have an office footprint. The likely reduction in office space requirements associated to the increased adoption of remote working by corporates appears relatively marginal, albeit not negligible, and therefore is not something that would create a structural impairment of the office sector going forward.

COIMA foresees that offices and their use will change in the medium-term from places of “production” to places of “interaction”. Therefore, the features of offices (from the point of view of their location as well as in terms of their technical and architectural characteristics) would need to evolve in order to maximise the engagement and productivity of employees and stimulate their creative potential.

Finally, COIMA believes that the polarisation between qualified neighbourhoods and undifferentiated neighbourhoods will consolidate and accelerate further and that qualified neighbourhoods will continue to attract high-quality office tenant demand and maintain limited level of office vacancy in the medium-term. COIMA defines qualified neighbourhoods as the districts which have a “higher than average” score in terms of accessibility to public transport, availability of services and wellness options, availability of public parks and a high degree of diversification in terms of end uses.



COIMA RES will discuss its results during a public conference call on November 5th, 2021, at 15:00 (CET). The call will be held in English and the presentation will be available on the company website (<https://www.coimares.com/en/investors/results-and-publications>). To participate in the call, please call on of the following numbers:

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This press release may contain forecasts and estimates which reflect the current management expectations on future events and developments and, therefore, by their nature, forecasts and estimates involve risks and uncertainties. Considering such risks and uncertainties, readers are cautioned not to place undue reliance on these forward-looking statements which should not be considered as forecasts of actual results. The ability of COIMA RES to achieve the expected results depends on many factors outside of management's control. Actual results could cause the results to differ materially (and to be more negative) from those expressed or implied in the forward-looking statements. Such forecasts and estimates involve risks and uncertainties that may significantly affect the expected results and are based on certain key assumptions. The forecasts and estimates expressed herein are based on information made available to COIMA RES as of the date hereof. COIMA RES does not assume any obligation to publicly update and review these forward-looking statements to reflect new information, events or other circumstances, subject to compliance with applicable laws.

The Executive responsible for the preparation of the company's accounting documents, Fulvio Di Gilio, declares that, pursuant to the art. 154-bis comma 2 of the Consolidated Financial Act, the accounting information given in this press release corresponds to accounting documents, books and entries.

For further information on the company: www.coimares.com.

COIMA RES is a Real Estate Investment Trust (REIT) founded in 2015 and listed on the Italian Stock Exchange since 2016. COIMA RES' strategy is focussed on the development and active management of a high-quality real estate portfolio with a high sustainability content that is positioned to meet the current and future demand from tenants. At present, COIMA RES owns and manages a real estate portfolio mainly concentrated on the Milan office segment. COIMA RES aims to offer to its shareholders a balanced risk-return profile characterized by a stable and sustainable dividend and by the potential for appreciation of the real estate portfolio over time.

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