

Ad hoc announcement pursuant to Art. 53 LR Zug, 22. August 2024

Pleasing results for first of half 2024 thanks to almost fully let portfolio

- *Net income of CHF 28.2 million was substantially higher than the previous year's figure (CHF 1.9 million)*
- *After adjusting for revaluation and special effects, net income showed a slight increase of 0.4% to CHF 18.1 million.*
- *Property income rose by 3.1% in the first half of 2024 to CHF 33.8 million.*
- *The vacancy rate fell significantly to a very low 0.7% (3.9% as at 31 December 2023).*
- *The pleasing rental situation and rise in rental income led to a revaluation gain of CHF 11.5 million.*
- *The portfolio value increased by CHF 14.9 million to CHF 1.84 billion.*
- *The very solid equity ratio as at 30 June 2024 was unchanged at 54.9%.*
- *The Swiss Sustainable Building Council awarded the Suurstoffi site – as the first site in Switzerland – the DGNB Platinum Certificate for the planning and construction of sustainable districts.*

Zug Estates recorded a pleasing increase in net income in the first half of 2024. Demand for attractive, well-connected rental space remains intact given Zug's dynamic growth as a place to live and work, coupled with limited supply. Together with the large number of rental successes seen in the previous year, this led to a significantly lower vacancy rate and an increase in property income.

The changed interest rate situation following the two cuts in key interest rates by the Swiss National Bank had a favourable impact on the financing environment in the first half of 2024; this led to a better-than-expected financial result and had a positive effect on real estate values.

Net income increased by a substantial CHF 26.3 million year on year, from CHF 1.9 million to CHF 28.2 million; this was attributable to a positive revaluation result compared with the first half of 2023. After adjustment for revaluation and special effects, net income showed a slight increase of CHF 0.1 million or 0.4%, from CHF 18.0 million to CHF 18.1 million.

Higher property income, but subdued demand for hotel rooms

Property income rose by CHF 1.0 million or 3.1%, from CHF 32.8 million to CHF 33.8 million. This was attributable to a distinctly lower vacancy rate, which in the previous year had been affected by refurbishment work on retail space at the Metalli shopping mall in Zug. On a like-for-like basis, property income was up CHF 0.7 million or 2.1% year on year.

In the hotel & catering segment, on the other hand, larger companies are currently taking a cautious approach to the booking of business travel and events. This led to a reduction in hotel & catering income of CHF 0.4 million or 5.5%, from CHF 8.1 million to CHF 7.7 million. Gross operating profit (GOP) fell from 42.3% to 37.8% following the expansion of the catering offering – which is characterised by lower margins than the hotel business – in 2023.

In total, operating income rose by CHF 0.5 million or 1.2%, from CHF 42.9 million to CHF 43.4 million. Operating expenses increased only slightly by CHF 0.1 million or 0.6% from CHF 15.7 million to CHF 15.8 million.

Higher portfolio value

Due mainly to revaluation effects, the market value of the overall portfolio increased by CHF 14.9 million or 0.8%, from CHF 1 827.7 million as at 31 December 2023 to CHF 1 842.6 million as at 30 June 2024. The revaluation gain of CHF 11.5 million (previous year: revaluation loss of CHF 18.3 million) or around 0.7% of the portfolio value of all investment properties, is due to the pleasing rental situation and the rise in rental income. At 2.90% as at 30 June 2024, the average real discount rate was practically unchanged compared with the previous year (2.91% as at the end of 2023).

A total of CHF 3.5 million was invested in the portfolio in the period under review. This compares with the previous year's figure of CHF 22.8 million, the bulk of which was attributable to the acquisition of additional co-ownership shares in Miteigentümerschaft (MEG) Metalli.

Solid equity ratio

The pleasing operating result and low level of investment in the portfolio led to a slight reduction in interest-bearing debt of CHF 1.5 million or 0.2%, despite payment of a CHF 22.4 million dividend. Interest-bearing debt fell to CHF 672.7 million as at 30 June 2024 from CHF 674.2 million as at 31 December 2023. As a percentage of total assets, interest-bearing debt decreased from 37.3% to 37.0% thanks to the additional increase in the value of the portfolio.

The already very solid equity ratio as at 30 June 2024 was unchanged at 54.9%.

As no major loans became due for extension, the average residual maturity of loans fell from 3.5 years as at 31 December 2023 to 3.0 years as at 30 June 2024. The average interest rate was unchanged at 1.5%.

Significant reduction in vacancy rate

Commercial leases for space totalling around 3 700 m², involving rental income of around CHF 1.5 million p.a., were extended or concluded in the first half of 2024. The agreements concluded related to both office space in Zug and Rotkreuz and retail space at the Metalli complex. The Suurstoffi 14 property, which was originally used exclusively by Novartis, is fully let again.

Together with the numerous rental agreements concluded in the previous year, the leases agreed in the reporting period led to a significant reduction in the vacancy rate. The vacancy rate fell from 3.9% as at 31 December 2023 to a very low 0.7% as at 30 June 2024. The weighted average unexpired lease term (WAULT) of 6.1 years (6.5 years as at 31 December 2023) remained at a very high level for the industry.

New retail and catering options at City Centre site

The refurbishment of the former Zara space at the Metalli shopping mall was completed, with the ground-level space having been subdivided into three shop units – one of which is now connected to the basement. Lidl (foods), doodah and PME Legend (both clothing) opened their new stores in April and May 2024.

In addition, the comprehensive refurbishment of the listed Bären property – which has been underway since April 2023 – is nearing completion. Within this classical building, Tibits AG is set to open its first venue in Zug at the end of August 2024.

Start of construction on final Suurstoffi plot at end 2024

Preparatory work for the start of construction work on the one remaining undeveloped plot at the Suurstoffi site is in full swing. Construction of the two buildings, S43/45, with a total of around 14 400 m² of office and education space as well as 1 100 m² of residential space for student living will come at an investment cost of around CHF 85 million and will take three to four years.

Building work is due to commence at the end of 2024, with leased spaces likely to be handed over to future tenants from mid-2027. The residential space for student living will be leased and operated by Lucerne University of Applied Sciences and Arts Marketing has begun for the office and education space, and talks are underway with parties interested in the attractive, versatile rental space at the two buildings.

Metalli Living Space development

Clarification is under way regarding implementation of the “2000 homes for Zug’s middle classes” initiative approved by voters. The requirement that at least 40% of newly built residential space in all high-density areas be affordable has implications for the development plans for both the Metalli and Bergli sites. Zug Estates is therefore in close dialogue with the City of Zug and is examining its options in terms of implementation and optimisation of the project.

In view of the consequences of the initiative, Zug Estates has already decided against pursuing the Bergli development plan and will instead focus on the plan for Metalli. The basis of the project is currently being reviewed in consultation with the City of Zug, with changes being made to the development plan to ensure implementation of the initiative. The aim is to finalise this work by the end of 2024 so as to ensure that – in the event of a decision to continue with the project – the political process for implementation of the Metalli development plan can begin in the first half of 2025.

Suurstoffi site awarded DGNB Platinum Certificate

Zug Estates has pursued ambitious sustainability targets over many years and is focused on reducing greenhouse gas emissions within its operations as well as in connection with the construction of properties, together with the creation and continuous development of future-proof, diverse living spaces. Zug Estates’ major ambitions have now been recognised in the form of DGNB certification. In March 2024, the Swiss Sustainable Building Council awarded Suurstoffi – as the first site in Switzerland – the DGNB Platinum Certificate for the planning and construction of sustainable districts.

Positive outlook for 2024

Thanks to successful rental activity in the 2023 financial year and first half of 2024 as well as rent increases due to index and reference interest rate adjustments, we expect higher property income and an improvement in operating income for the real estate segment on a full-year basis too. The vacancy rate at the end of 2024 is likely to be significantly lower than a year earlier.

For the hotel & catering segment, we expect total income to be roughly on a par with the previous year’s level despite a fall in demand on the part of larger companies. The GOP margin is likewise expected to be in line with the previous year’s figure.

All in all, we continue to expect net income excluding revaluation and special effects for the 2024 financial year of over CHF 35 million.

Publication of Half-Year Report on 22 August 2024

A video conference (in German) for analysts and media will be held at 2 p.m today. CEO Patrik Stillhart and CFO Mirko Käppeli will present the 2024 half-year results and will be available to answer your questions afterwards.

Please register for the conference via the following link. We look forward to seeing you.
<https://zugestates.ch/en/stories/video-conference-for-analysts-and-media-on-the-2024-half-year-results>

The detailed Half-Year Report and the presentation for the video conference can be found on our website: <https://zugestates.ch/en/downloads>

Key dates:

27 August 2024	Sustainability Forum
20 February 2025	Publication of Annual Report and Sustainability Report 2024
10 April 2025	General meeting of shareholders

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About Zug Estates

Zug Estates Group conceives, develops, markets and manages properties in the Zug region. It focuses on central sites that are suitable for a wide range of uses and allow for sustainable development. The real estate portfolio primarily consists of the two sites in Zug and Risch Rotkreuz. In addition, the Group operates a city resort in Zug comprising the leading business hotels Park Hotel Zug and City Garden as well as a complementary catering offer. The portfolio had a total value of CHF 1.84 billion as at 30 June 2024. Zug Estates Holding AG is listed on SIX Swiss Exchange, Zurich (ticker: ZUGN, security number: 14 805 212).

Selected key figures

Income statement		H1 2024	H1 2023	
Property income	TCHF	33 820	32 799	3.1%
Operating income ¹	TCHF	43 395	42 901	1.2%
Operating expenses	TCHF	15 831	15 739	0.6%
Operating result before depreciation and revaluation	TCHF	27 564	27 162	1.5%
Revaluation of investment properties (net)	TCHF	11 463	– 18 271	162.7%
Operating result (EBIT)	TCHF	37 018	7 152	417.6%
Net income	TCHF	28 152	1 922	1 364.7%
Net income excluding revaluation and special effects ²	TCHF	18 065	18 000	0.4%
Balance Sheet		30.06.2024	31.12.2023	
Total assets	TCHF	1 817 691	1 806 813	0.6%
Interest-bearing debt	TCHF	672 681	674 240	–0.2%
– Interest-bearing debt in % of total assets		37.0%	37.3%	
– Average rate of interest of the interest-bearing debt (period)		1.5%	1.5%	
– Average maturity of the interest-bearing debt	Years	3.0	3.5	
Equity	TCHF	998 249	992 537	0.6%
– Equity ratio		54.9%	54.9%	
Employees		30.06.2024	31.12.2023	
Headcount	FTE	132.6	134.4	–1.3%
Share		H1 2024	H1 2023	
Closing price	CHF	1 725	1 595	8.2%
Market capitalisation ³	TCHF	879 750	813 450	8.2%
Earnings per series B registered share ⁴	CHF	55.2	3.8	1 364.7%
Earnings per series B registered share excl. revaluation and special effects ^{2,4}	CHF	35.4	35.3	0.4%
NAV at market value per series B registered share ^{3,5}	CHF	2 055.2	2 027.8	1.4%
Portfolio		30.06.2024	31.12.2023	
Investment properties	TCHF	1 736 823	1 725 597	0.7%
Investment properties under construction	TCHF	24 492	18 235	34.3%
Undeveloped plots	TCHF	0	2 524	–100.0%
Total real estate portfolio	TCHF	1 761 315	1 746 356	0.9%
Operating properties (market value) ⁶	TCHF	81 320	81 320	0.0%
Total portfolio	TCHF	1 842 635	1 827 676	0.8%
Vacancy rate investment properties ⁷		0.7%	3.9%	
Gross return investment properties ⁸		4.0%	3.9%	
Weighted average unexpired lease term of rental contracts in portfolio (WAULT)	Years	6.1	6.5	
Average discount rate (real)		2.9%	2.9%	

¹ Excluding income from revaluation of investment properties and gains on the sale of investment properties.

² Corresponds to net income excluding income from revaluation of investment properties (net), excluding income from the sale of investment properties and corresponding deferred taxes as well as the effect of adjustments made to deferred tax rates (see page 16).

³ In relation to number of shares outstanding (series A registered shares converted).

⁴ In relation to average number of shares outstanding (series A registered shares converted).

⁵ NAV at market value includes properties used for operational purposes at market value and corresponding deferred taxes.

⁶ Operating properties are revalued once a year at year-end.

⁷ As at the balance sheet date, as a percentage of projected rental income.

⁸ Projected rental income (annualised) as a percentage of the market value on the balance sheet date.