

Instone Q3 results in line with expectations; essentially de-risked near term free cash flow from under construction projects in excess of EUR 600m; 2022 financial guidance confirmed

- *Adjusted revenues of EUR 441.9 million (9M 2021: EUR 405.6 million) above previous year's level driven by construction progress in pre-sold projects; sales continue at muted levels*
- *Adjusted gross profit margin of 25.8% demonstrates quality of Instone projects*
- *Earnings after tax down to EUR 34.0 million (9M 2021: EUR 40.3 million) reflecting lower gross margin and increased interest expenses*
- *Essentially de-risked and tangible cash flows from under-construction projects of which 97% have been pre-sold will secure significant near to mid-term cash generation in excess of EUR 600 million¹*
- *2022 financial guidance confirmed: revenues (adjusted) of EUR 600 to 675 million, net profit (adjusted) of EUR 40 to 50 million*

Essen, Germany, 10 November 2022: Although Instone Real Estate Group SE ("Instone") cannot escape the increasingly difficult conditions of the sector and macroeconomic environment, it has managed to maintain a decent profitability and provides strong visibility of near term essentially de-risked free cash flow. Overall, the business has developed in line with expectations.

In the first nine months of the 2022 financial year, adjusted revenues remained above the previous year's level. However, the rapid rise in interest rates has affected the affordability of real estate and triggered increased short-term uncertainty among private and institutional investors. This has had a significant negative impact on sales and revenue recognition over the period. In addition, material shortages continue to weigh on construction speed.

¹ Incl. at equity projects



The tightening of the procurement situation of key building materials as a result of both the COVID-19 pandemic and the war in Ukraine and subsequent rising energy prices resulted in a sharp increase in material costs and, therefore, construction costs. As evidenced by its continued strong gross margin, Instone has managed to mitigate the negative effects thanks to a high proportion of previously fixed procurement contracts, subsidies for energy efficient buildings and sales price adjustments. Also, cost inflation appears to be receding.

Based on Q3 results and expectations for the final quarter management confirms financial guidance for 2022 with expected adjusted revenues of EUR 600 to 675 million, an attractive gross profit margin of at least 25.0% and adjusted net profit of EUR 40 to 50 million.

Instone continues to maintain leading margin

Adjusted revenues in the first nine months of 2022 amounted to EUR 441.9 million, above previous year's level (9M 2021: EUR 405.6 million). Instone benefits from its EUR 2.7 billion projects under construction, of which 97% are pre-sold providing certainty regarding pricing and essentially de-risking a significant amount of the company's expected near term cash flows.

The adjusted gross profit margin, reached 25.8% in the first nine months of 2022 (9M 2021: 29.8%) and remains at an attractive level despite a more difficult operating environment. The company is benefitting from proactive early purchases of construction services, cost-conscious planning, positive price trends at the start of the year and subsidies for the construction of energy efficient buildings, all of which help mitigate the impact of increased construction costs.

Adjusted gross profit for the nine-month period to September 2022 decreased and – despite slightly reduced platform costs versus the prior year period - the nine-month adjusted operating profit (adjusted EBIT) decreased to EUR 60.9 million (9M 2021: EUR 65.3 million). Adjusted earnings after tax (EAT) amount to EUR 34.0 million (9M 2021: EUR 40.3 million), which is a disproportionate decrease due to higher interest expenses and a normalised tax rate.

"While we recognise current headwinds in the home builder market, we go into the downturn with a strong balance sheet and essentially de-risked near term free cash flow of more than EUR 600 million. Against that background we expect to benefit from attractive investment



opportunities once markets stabilise and our highly fragmented sector consolidates." says Kruno Crepulja, CEO of Instone Real Estate Group SE.

Highly predictable cash flows from pre-sold projects under construction

Instone's balance sheet remains strong, which is a particular competitive edge in the current macroeconomic environment. The Q3 ratio of net debt to contract assets plus inventories valued at cost (LTC) amounts to a moderate 26.0% (31 December 2021: 20.1%). At 2.2x, the ratio of net debt to adjusted operating profit before depreciation and amortisation (adjusted EBITDA) also remains at a benign level (31 December 2021: 1.5x). Available cash, including unused credit lines, as of 30 September 2022 was around EUR 325 million. In addition, the company has unused project financing lines of more than EUR 230 million.

Instone currently has projects worth EUR 2.7 billion under construction. Thereof EUR 2.6 billion or 97% have been pre-sold. From under-construction projects Instone expects essentially de-risked after tax free cash flows in excess of EUR 600 million. These funds will further strengthen the balance sheet, and position the company strongly for attractive investment opportunities once markets stabilise and as the highly fragmented German homebuilder sector consolidates.

Comprehensive project pipeline with strong degree of revenue visibility

The expected sales value of Instone's project portfolio (Gross Development Value, GDV) as of the quarterly reporting date was approximately EUR 7.8 billion (31 December 2021: EUR 7.5 billion). The under-construction and pre-construction part of the portfolio amounts to EUR 3.2 billion of which EUR 2.9 billion or 93% are already sold. This provides a strong degree of revenue as well as cash flow visibility and downside protection.

Financial forecast for 2022 is confirmed

On the basis of current business developments, the Management Board confirms the financial forecast for the current financial year. The Management Board assumes that the sales speed will continue to be significantly impaired versus the longer term average and that the shortage of certain materials and significant cost increases will persist for the remainder of this year and



beyond; though recent experience shows signs of receding upward pressure on prices and improved materials availability.

On the basis of these assumptions, the Management Board continues to expect adjusted revenues of EUR 600 to 675 million for 2022, an adjusted gross profit margin of at least 25.0% and adjusted earnings after tax of EUR 40 to 50 million. The expected volume of sales contracts for the financial year is around EUR 350 million.

The definitions of the key performance indicators mentioned in the statement can be found in the glossary on the company's homepage at: [Glossary:Instone Real Estate Group SE](#)

About Instone Real Estate

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 plus years. The company employs 493 employees at nine locations across Germany. As at 30 September 2022, the project portfolio included 53 development projects with an anticipated overall sales volume of approximately EUR 7.8 billion and 16,580 units.

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