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Press Release - Corporate News

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CPI PROPERTY GROUP publishes financial results for 2023

CPI PROPERTY GROUP (hereinafter “CPIPG”, the “Company” or together with its subsidiaries the “Group”), a leading European landlord, hereby publishes audited financial results for the financial year ended 31 December 2023.

“CPIPG’s results in 2023 demonstrate the **resilient and high-yielding nature of real estate** in the CEE region,” said David Greenbaum, CEO. “For 2024, our key objectives are **maintaining operational excellence, decreasing leverage, and reducing complexity.**”

Highlights of the 2023 financial year include:

- **Total assets were €21.9 billion**, and EPRA NRV (NAV) was €7 billion.
- **CPIPG’s property portfolio was €19.5 billion** (versus €20.9 billion at year-end 2022) due to €930 million of completed disposals and a negative revaluation result of €1.1 billion, partially offset by €376 million of CapEx and other additions.
- **The Group has signed €2 billion of disposals** since August 2022, ahead of schedule, with **nearly €900 million closed or expected to be closed during Q1 and Q2 2024**. A further €2 billion of assets have been identified for disposal in the coming 12 to 24 months.
- **Net rental income increased by 25.9% to €796 million**, and net business income rose to €874 million.
- **Annualised topped-up net rental income increased by 2.7% to €801 million.**
- **Hotels reported net income of €76 million**, an increase of 66% compared to 2022 and 89% above 2019 results.
- **Consolidated adjusted EBITDA was €778 million; FFO1 increased to €390 million.**
- **Strong rental income growth of 7.9% on a like-for-like basis** reflects the contribution from inflation indexation and a stable market environment.
- **Occupancy remained high at 92.1%** with a stable WAULT of 3.5 years.
- **The EPRA topped-up net initial yield increased by 0.7% to 5.4%**, reflecting the high-yielding nature of our portfolio and the optimisation achieved by selling lower-yielding assets.
- **Net Loan-to-Value (LTV) was 52.3%** at year-end 2023, above our target, due to the negative revaluation result and timing of disposals; **Net LTV is 49.8%** pro-forma for disposals already signed.
- **Net Debt was reduced** by more than €400 million.
- The Group raised over €2.5 billion of secured and unsecured external financing in 2023, **including €1.2 billion of fresh cash.**

- **Total available liquidity was €1.4 billion** as of 31 December 2023, which is expected to improve by about €700 million once all signed disposals are closed and proceeds are received. Debt maturities are limited to €1.1 billion over the next 24 months, with most being bank loans that are typically rolled over ahead of maturity.
- **Unencumbered assets decreased to 48%**, reflecting the completion of new secured loans during 2023.
- **Net ICR was 2.5x**, reflecting the relatively higher cost of the Group’s temporary bridge financing arrangements, partly offset by the reduction in outstanding gross debt. **Excluding the impact from the bridge, the ICR would have been 3.3x.**
- **CPIPG repaid over €1 billion in bridge debt**, with the year-end 2023 balance at €608 million, further reduced to below €530 million as of Q1 2024. CPIPG continues to aim for full bridge repayment by the end of H1 2024.

Additional Considerations

Disposals and Equity

CPIPG announced a €2 billion disposal pipeline in August 2022, with target completion by August 2024. As of 28 March, the Group has signed €2 billion of disposals, of which €900 million have closed or are expected to close during Q1 and Q2 2024.

Considering the strategic priority of reducing leverage, the Group has identified a further €2 billion disposal pipeline with a goal of execution in the next 12 to 24 months.

On 10 March, CPIPG announced that the Group is in advanced negotiations about a potential equity investment by Apollo Funds into GSG via a subscription of common shares for a total value of up to EUR 450 million. A decision to proceed with the transaction has not been made and is subject to final agreement on binding transaction documents and confirmation of rating agency treatment. The Group is also in advanced discussions about potential equity investments in Poland and Italy. The Group is prepared to proceed with one or more transactions, so long as the goal of preserving our credit ratings is achieved in the process.

Distributions

During 2022 and 2023, CPIPG cut our annual distributions (as a % of FFO) to reduce leverage and preserve cash.

CPIPG is currently in the process of reviewing our policies regarding distributions and related party transactions, with the goal of significantly reducing or eliminating both in the near-to-medium term. Once a decision has been reached, following consultation with our advisors about best practices and considering market sensitivities about these topics in the current environment, CPIPG will inform our stakeholders.

Annual results webcast

CPIPG will host a webcast in relation to its financial results for 2023. The webcast will be held on **Monday, 8 April 2024, at 1:00 pm CET / 12:00 am UK.**

Please register for the webcast in advance via the link below:

<https://edge.media-server.com/mmc/p/v3r8x98w/>

FINANCIAL HIGHLIGHTS

Performance		2023	2022	Change
Total revenues	€ million	1,694	1,282	32.1%
Gross rental income (GRI)	€ million	934	749	24.8%
Net rental income (NRI)	€ million	796	632	25.9%
Net hotel income	€ million	76	46	66.2%
Net business income (NBI)	€ million	874	676	29.4%
Consolidated adjusted EBITDA	€ million	778	608	28.1%
Funds from operations (FFO)	€ million	390	355	9.9%
Net profit for the period	€ million	(877)	557	(257.5%)

Assets		31-Dec-2023	31-Dec-2022	Change
Total assets	€ million	21,930	23,521	(6.8%)
Property portfolio	€ million	19,531	20,855	(6.3%)
Gross leasable area	sqm	6,462,000	6,784,000	(4.7%)
Share of green certified buildings*	%	40.6	37.5	3.1 p.p.
Occupancy	%	92.1	92.8	(0.7 p.p.)
Like-for-like gross rental growth**	%	7.9	7.6	0.3 p.p.
Total number of properties***	No.	711	855	(16.8%)
Total number of residential units	No.	13,630	16,767	(18.7%)
Total number of hotel rooms****	No.	8,019	7,810	2.7%

* According to property portfolio value

** Based on gross headline rent, CPIPG standalone

*** Excluding residential properties in the Czech Republic

**** Including hotels operated, but not owned by the Group

Financing structure		31-Dec-2023	31-Dec-2022	Change
Total equity	€ million	8,257	9,263	(10.9%)
EPRA NRV (NAV)	€ million	7,033	8,005	(12.1%)
Net debt	€ million	10,220	10,625	(3.8%)
Net Loan-to-value ratio (Net LTV)	%	52.3	50.9	1.4 p.p.
Net debt/EBITDA	x	13.1x	17.5x	(4.4x)
Secured consolidated leverage ratio	%	24.0	19.5	4.5 p.p.
Secured debt to total debt	%	46.5	38.9	7.6 p.p.
Unencumbered assets to total assets	%	47.8	54.4	(6.6 p.p.)
Unencumbered assets to unsecured debt	%	174%	179%	(5.0 p.p.)
Net ICR	x	2.5x	3.2x	(0.7x)

CONSOLIDATED INCOME STATEMENT

(€ million)	Twelve-month period ended	
	31 December 2023	31 December 2022
Gross rental income	934.1	748.5
Service charge and other income	426.7	315.1
Cost of service and other charges	(396.7)	(281.8)
Property operating expenses	(168.6)	(150.0)
Net rental income	795.5	631.8
Hotel revenue	248.0	165.1
Hotel operating expenses	(172.2)	(119.6)
Net hotel income	75.8	45.5
Other business revenue	85.0	53.2
Other business operating expenses	(82.1)	(54.8)
Net other business income	2.9	(1.6)
Total revenues	1,693.8	1,281.9
Total direct business operating expenses	(819.6)	(606.2)
Net business income	874.2	675.7
Net valuation gain/(loss)	(1,144.8)	(88.8)
Net gain on disposal of investment property and subsidiaries	(34.4)	35.9
Amortization, depreciation and impairment	(287.9)	(99.5)
Administrative expenses	(138.0)	(128.7)
Other operating income	12.1	331.8
Other operating expenses	(28.1)	(24.9)
Operating result	(486.9)	701.5
Interest income	39.0	20.3
Interest expense	(348.0)	(210.2)
Other net financial result	(70.7)	151.3
Net finance costs	(379.7)	(38.6)
Share of gain of equity-accounted investees (net of tax)	(20.2)	19.1
Profit before income tax	(886.8)	682.0
Income tax expense	9.3	(124.8)
Net profit from continuing operations	(877.5)	557.2

Net rental income

Net rental income increased by €163.7 million (25.9%) to €795.5 million in 2023, primarily due to last year's acquisitions in Austria (S IMMO of €105.7 million and IMMOFINANZ of €78.9 million) and overall growth across the Group's portfolio.

Net hotel income

Net hotel income increased from €45.5 million in 2022 to €75.8 million in 2023 primarily due to an increase of income from CPI Hotels by €10.5 million, S IMMO's hotels by €10.3 million, and Suncani Hvar by €6.8 million.

Net valuation loss

In 2023, the net valuation loss of €1,144.8 million represents primarily revaluation loss incurred by Berlin offices (€516 million), IMMOFINANZ (€324 million) and S IMMO (€174 million).

Other operating income

In 2023, the Group realised other operating income of €12.1 million. The decrease of €320 million relates to the recognition of bargain purchases as part of the IMMOFINANZ and S IMMO acquisitions in 2022.

Interest expense

Interest expense increased by €137.8 million in 2023 compared to 2022, mainly due to the overall increase in the cost of financing. Interest expenses related to IMMOFINANZ and S IMMO increased by €7.1 million and €27.8 million, respectively.

Other net financial result

The other net financial result decreased from €161 million to €-71 million, mainly due to the revaluation of non-hedging financial derivatives (loss of €92.6 million) and the effect of retranslation of IP and IC loans.

Income tax expense

In 2023 and 2022, the Group's effective tax rate in respect of continuing operations was 17.1% (not counting one-off effects, primarily changes in tax rates of €59.6 million, sales taxes and effects of intra-group transactions in total of €83.1 million) and 18.0%, respectively.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(€ million)	31 December 2023	31 December 2022
NON-CURRENT ASSETS		
Intangible assets and goodwill	129.8	126.7
Investment property	17,262.7	18,486.2
Property, plant and equipment	866.5	1,100.0
Deferred tax assets	118.2	176.8
Equity accounted investees	717.2	732.3
Other non-current assets	452.1	668.5
Total non-current assets	19,546.5	21,290.5
CURRENT ASSETS		
Inventories	73.5	23.5
Trade receivables	227.7	197.8
Cash and cash equivalents	1,022.6	1,033.2
Assets linked to assets held for sale	722.7	596.5
Other current assets	337.3	379.7
Total current assets	2,383.8	2,230.7
TOTAL ASSETS	21,930.3	23,521.2
EQUITY		
Equity attributable to owners of the Company	5,567.6	6,579.8
Perpetual notes	1,585.2	1,584.4
Non-controlling interests	1,104.5	1,098.8
Total equity	8,257.3	9,263.0
NON-CURRENT LIABILITIES		
Bonds issued	4,274.1	4,680.4
Financial debts	6,325.7	6,165.6
Deferred tax liabilities	1,547.7	1,727.9
Other non-current liabilities	223.7	208.2
Total non-current liabilities	12,371.2	12,782.1
CURRENT LIABILITIES		
Bonds issued	209.2	405.8
Financial debts	412.2	360.4
Trade payables	218.3	232.2
Other current liabilities	462.1	477.7
Total current liabilities	1,301.8	1,476.1
TOTAL EQUITY AND LIABILITIES	21,930.3	23,521.2

Total assets

Total assets decreased by €1,590.9 million to €21,930.3 million as at 31 December 2023 compared to 31 December 2022. The change was driven primarily by a decrease in investment property by €1,223.5 million, primarily as a result of a net valuation loss of €1,145 million and disposals of €393.8 million. Property, plant and equipment decreased by €234.2 million and assets held for sale increased by €126.2 million.

Total liabilities

Total liabilities decreased by €585 million to €13,673 million at 31 December 2023 compared to 31 December 2022. Non-current and current bonds primarily drove the decrease by €603 million.

The decrease in deferred tax liability primarily reflects valuation loss, disposals, and transfers to AHFS during the period. This is partly compensated by the increased income tax rate in the Czech Republic from 19% to 21% for future periods.

EQUITY AND EPRA NRV

Total equity decreased by €1,006 million to €8,267.6 million as at 31 December 2023. The movements of equity components were mainly as follows:

- Loss incurred of €878 million;
- Decrease of share capital and share premium due to share buyback of €80 million;
- Decrease of translation, revaluation and hedging reserves in total of €49 million;
- Capital contribution of €25 million;
- Sale of minority stake in IMMOFINANZ of €52 million;
- Payments to perpetual bonds holders of €75 million.

EPRA NRV was €7,033 million as at 31 December 2023, representing a decrease of 12.1% compared to 31 December 2022. The decrease of EPRA NRV was driven by the above changes in the Group's equity attributable to the owners.

	31 December 2023	31 December 2022
Equity attributable to the owners (NAV)	5,568	6,580
Effect of exercise of options, convertibles and other equity interests	-	-
Diluted NAV	5,568	6,580
Fair value of financial instruments	(93)	(243)
Deferred tax on revaluations	1,601	1,711
Goodwill as a result of deferred tax	(43)	(43)
EPRA NRV (€ million)	7,033	8,005



For disclosures regarding Alternative Performance Measures used in this press release please refer to our Annual Management Report 2023, chapters Glossary of terms, Key ratio reconciliations and EPRA performance; accessible at <http://cpipg.com/reports-presentations-en>.

Audited documents will be available tonight at the following link:
<http://www.cpipg.com/reports-presentations-en>

2023 audited financial report
2023 audited management report

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