

Transcript  
Q1 2024 Earnings Call  
April 30, 2024



## Rene Hoffmann

Thank you, Moritz. - Welcome everybody to our Q1 update call! Our speakers today are once again CEO Rolf Buch and CFO Philip Grosse. They will be happy to provide an update on the year so far and then answer your questions.

But before we start, let me say a few additional remarks: You all remember our last earnings call and we have received unanimous feedback that it was too long. And we agree.

We also received very clear feedback that the Q&A should be just that, a question and answer session, not a place to discuss the wider view of the world. Questions should be related to the business and Q1 results – and here we agree, too. That is why we have reduced the volume of our presentation. I am sure you have probably noticed. To be clear: We are not leaving anything out that you are used to from previous presentations; we have only moved some of the slides into the Appendix, so they are still there.

The other pages have not changed from the full-year presentation. So no need to include them again.

Rolf's and Philip's presentation, I expect, should not take longer than 20 minutes. We are also targeting to let the total call, including the Q&A, not run longer than about 60 minutes. I kindly ask for your support here and for your understanding that we are limiting questions to two per participant.

If you do have more questions, you are more than welcome, especially as they relate to modelling, and you know where to find me and the team after the call.

With that, over to Rolf.

## Rolf Buch

Thank you, Rene, and a good afternoon also from my side. A few things may change, as you have heard from Rene, but we still start with the highlights, and this is page 3: Liquidity. With the three bond issuances across three currencies, all of them multiple times oversubscribed, we have proven again that our access to liquidity is unrestricted, also on the bond side. And the risk premia for unsecured financing are normalizing compared to secured levels.

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Disposals. We have signed 1.1 billion year-to-date, so we are well on track for our 2024 target of 3 billion. Make no mistake – we will deliver the 3 billion and we think this will be sufficient to complete the stabilization of our balance sheet. If it turns out that 3 billion is not enough, our disposal efforts to delever will continue. And I tell you: there is still a lot of potential in the pipeline.

As expected, the value decline continues to lose steam. We expect the trough in 2024. Can I tell you whether I think that will be in H1 or more likely in H2? I cannot, because I don't have the perfect glass ball.

But that is, from my point of view, not the question anyways. What matters is that in any case it will not be significant enough to impact our balance sheet risk. And there can be no doubt that once values have found their trough, the direction of travel will change because of the sustainable long-term rental growth.

Speaking of rental growth: The Mietpreisbremse, the 10% cap on relettings, will be extended. But all other plans in the coalition agreement are off the table now. This is a huge success. So any remaining regulatory uncertainty has been removed. This allows us to increase our rent growth guidance to 3.8 to 4.1% for this year and to around 4% for the years thereafter.

Our dividend policy gives us an estimated dividend capacity of around 1 billion for this year, which is of course a combination of 50% EBT plus surplus liquidity. Any additional capacity will mostly depend on our ability to grow the non-rental segments back to pre-crisis level and beyond. The prerequisite for this will be that we can stop prioritizing delevering over profitability.

Organic value growth. Yield compression before the interest rate changes and yield expansion over the last two years have overshadowed the second growth component of our business, and this what I call organic value growth. If market yields are stable, the organic value growth from the structural rental growth should deliver more than 3 billion per year. This will create optionality for shareholder value generation in the form of value growth on the balance sheet or distributable earnings via disposals.

And finally, megatrends. We have spoken about megatrends many times in the past but it is so important for us that I want to reiterate this point. I understand that some of you are more pessimistic about the short-term and maybe even about the medium-term outlook than others; certainly more than we are. But there can be little doubt that the supply/demand imbalance in urban areas and the need to

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decarbonize residential real estate create a very favourable environment for Vonovia. And we can probably all agree that the focus for real estate investments should not be short term.

Let's go to page 4. Our disposal target for 2024 is 3 billion and as of the end of April we're at 1.1 billion, so very well on track. The 1.1 billion includes the larger disposal to Berlin and around 360 million additional disposals across different sales channels. The Berlin deal includes 4,500 apartments in East Berlin and a land plot. The purchase price of 700 million is 2 million higher than the fair value, so we did what we have been saying – we are selling at fair value. And in this case the fair value translates into a gross yield of 3.5%.

What is important to understand is that this is a share deal, so we sold a company with an IFRS equity value of 500 million for 700 million and had no cash tax leakage. This is an example for what I call a more intelligent transaction I referred to on the last earnings call. The remaining 360 million proceeds come from non-core, multifamily homes, recurring sales, development, commercial and nursing. With the exception of the 28 million proceeds from commercial assets, everything else was sold either at or above fair value. In total, it was slightly above fair value.

Let's go to page 5. First of all, any remaining regulatory risk is now off the table. Yes, the Mietpreisbremse has been extended but that was expected. It doesn't mean it's right or that we're supportive of this decision. It looks as if Germany's Private Landlord Association is going to challenge this in the Federal Constitutional Court, so let's see where it goes.

What is for us much more important is that we have certainty around the other regulatory risks: They are all now gone. As a consequence, we are increasing our guidance to now 3.8 to 4.1% for this year. And even more importantly, we see rent growth of around 4% per year for many years to come. The two tables at the bottom of page 5 illustrate how we get there. Please do not take this as a specific guidance on exactly how much the Mietspiegel and how much the investments contribute in a given year. This is rather meant to be a broad explanation how we expect to grow rents by 4% per annum in the future. And this is the long-term future.

So what gives us the comfort that the higher market rent growth is sustainable for the longer term? This is page 6. Let's take Berlin as an example because that is where we have the largest exposure. On the one hand, you have what I would call

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the regulated rent levels. This is our in-place rent, the Mietspiegel and the reletting rents with and without investments. There is a clear set of rules on how much we can grow these rents over a certain period. And that is why these rental levels are what they are. However, the reality in a supply-constrained market is that the gap to rents for new constructions and to the real asking prices is growing. And that means that the general direction of travel for the regulated rents remains upward because these levels feed back into the new Mietspiegel. Understanding this concept is important, it's also relevant for the valuation debate. Of course you get to a lower yield if you look at today's rent. But the whole point is that today's rent is meaningless in a few years from now because there is structural rent growth already embedded in today's rental contract.

On page 7, we show what our investment program includes: optimize apartment, upgrade building, and space creation. The weighted average net initial yield for all these programmes together is between 6 and 7%. Of course, the initial yield for space creation is significantly lower as an initial return.

This is not Capex. We included page 30 in the Appendix that explains the difference between maintenance expenses, capex and investments. Our investment programme is a highly attractive source of growth, and with the new metrics we make sure that we finance it appropriately. That means 60% is equity and 40% is debt, so leverage-neutral. In addition to the investment programme, we also have our Development to Sell segment. About 4% of our balance sheet are committed to this part of the business. This year we expect to invest 700 million but we're also finishing about 1 billion of new products that we're looking to sell. In a normalized environment we expect on these sales a gross margin between 15 and 20%.

Let's go shortly to page 8 before I hand over to Philip. As a summary, what we are saying is: there is a current dividend capacity of about 1 billion. And in addition to this dividend policy, there is organic value growth of 4% which should translate roughly into another 3% part of total shareholder return from rental growth if market yields are stable.

## Philip Grosse

Thank you, Rolf, and also welcome from my side. Let's move to page 9.

The Adjusted EBITDA Total, as you can see, is down 3.3% because, essentially, the continuously strong Rental segment could not fully compensate the lower

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profitability of our non-rental segments. Here, we essentially continue to see the consequences of our strategic decision that we do prioritize cash generation vis-à-vis profitability.

The adjusted net financial result in Q1 this year was about 10 million lower and that was driven by the full-year effect of the 2023 financings. As a result, if you look at the Adjusted EBT, that was down 7% year on year. We're now showing the EBT minorities and the Q1 2024 increase is related to the two Apollo JVs, as you would expect. And finally, our Operating Free Cash Flow, so basically the "Vonovia AFFO", is up 24%, largely as the result of a positive contribution from net working capital and that is specifically related to the Development business.

In a nutshell – the numbers reflect our general strategy: profitability is negatively impacted by the focus on cash and this is confirmed by the Operating Free Cash Flow growth you can see in the numbers.

On page 10 very briefly on the rental KPIs. Rent growth is up and you can see that market rent growth is accelerating, as we have been guiding for. Fluctuation is also higher than the previous period for a change but I would not speak of a reversal of trend as this is still well within the general range we have been seeing for this number.

Vacancy remains low and essentially only a function of turnaround time in case of fluctuation. Similarly, if you look at the collection rate, it remains extremely high. And finally, expensed and capitalized maintenance is very much in line with the prior-year period.

On the financial KPIs, page 11: We have a pro-forma cash position of almost 4 billion euros. If you look at the details, that is including • 1.4 billion cash on the balance sheet, • another 800 million euros of undrawn loans and • altogether 1.7 billion euros from disposals which have been signed but not closed yet, obviously including the recent transaction with the City of Berlin.

This is sufficient to cover all our near-term maturities. In addition, as you know, as a safety back-up, we also have a 3 billion RCF/CP which is fully undrawn. So funding is not a concern at all, especially when you look at the maturity profile for the next two years. The relevant debt KPIs are shown on the lower left-hand side and while they are still elevated, we are convinced that we have them under control for the reasons Rolf mentioned at the beginning of the call.

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Moving to page 12, on guidance: First, in terms of highlight: We are increasing our rent growth guidance for this year by 40 to 50 basis points to now 3.8 to 4.1%. Some of it is timing which is why you see the additional rent increase claim changing from "more than 2%" to "around 2%."

Second, we are guiding also EBT minorities and expect them to be around 10% of Adjusted EBT for 2024. Here, the biggest constituencies are Deutsche Wohnen as well as the Apollo joint ventures.

And third, a dividend capacity of 1 billion will give you a pretty good understanding of where we think we will end up on the Operating Free Cash Flow. We've included some colour around the different moving parts on page 25 of this presentation. I am proud to say that this is probably a level of transparency on the bottom-line cash flow number that I don't think you'll see that often in our, but also in other industries.

And with that, back to Rolf.

## Rolf Buch

There are two minutes left, so we will make it with the 20-minutes target.

Let me just wrap up: We have unfettered access to liquidity. We are well on track to reach our 3 billion disposal target for this year. We will deliver it and we are committed to do so, there is no doubt that we will deliver it. We expect the value trough for 2024. More importantly, any remaining value declines are expected to be insignificant for balance sheet risk. We expect an annual run rate of around 4% for our rent growth going forward. Our dividend capacity for this year will be around 1 billion. We estimate the annual organic rental growth to be around 3 billion if market yields are stable. The relevant megatrends for our asset class continue to provide a highly positive environment.

With that, back to Rene.

## Rene Hoffmann

Thank you, Rolf and Philip. – For the Q&A let me please remind you that we will be limiting the number of questions to two. I kindly ask you to honour this request.

With that, over to the moderator.

## QUESTION AND ANSWER SESSION

### Operator

The first question comes from Jonathan Kownator from Goldman Sachs. – Please go ahead.

### Jonathan Kownator

Good afternoon! Thank you for taking my questions. So two questions, if I may, please.

The first one: You are raising your organic guidance for 2024. You're not raising your EBITDA Total and Adjusted EBT guidance. Are there specific reasons or do you have on the non-rental EBITDA a lower start than expected? If you can comment on that, that would be great, please. And then I'll go to the second question. Thanks.

### Philip Grosse

Jonathan, essentially this is where we expect to have year-end rent levels for the organic like-for-like rental growth guidance. The cash impact and therefore the translation into profitability is always lagging, which is why you see that in like-for-like rental growth, but you don't see that in full in the EBITDA, EBT respectively.

### Jonathan Kownator

Okay, thanks. So no specific weakness in non-rental effectively linked to that.

### Philip Grosse

Nothing.

### Jonathan Kownator

Okay. The second question: You're guiding to effectively a stabilization of valuation, getting LTV where you want it to be. So what does the next phase look like effectively? What is the offense scenario for you? Are you able to raise the CapEx from 1 billion higher than this or is 1 billion a stabilized level? What is the plan?

And would you have any acquisitions, opportunities or anything in terms of value creation you would want to do next? Thanks.

### Rolf Buch

Jonathan, you are completely right: The most attractive possibility to invest more money is our Optimize Apartment programme, which comes with a yield and actually a close to double-digit initial yield. So priority will be Optimize Apartment. So we will do more, and this of course depends on fluctuation. If we have used all the possibility on Optimize Apartment we will go for Upgrade Building, which also helps us to get a nice yield but also to reduce our CO<sub>2</sub> charges.

If we have done this – and you have seen us in the past having a significantly higher portion on a smaller portfolio, so there is, of course, room to increase it –, then of course we can look for other options like acquisitions or whatever, but I think the priority is on the investment programmes at the moment.

### Jonathan Kownator

Thank you.

### Operator

The next question comes from Valerie Jacob from Bernstein. – Please go ahead.

### Valerie Jacob

Hi, good afternoon! I've got two questions. My first one is on the regulation. You're increasing your guidance because you see that the association said that the regulatory measures are not going to be agreed. But what makes you confident? If you could elaborate on what makes you confident that this is off the table for good.

If I look at the old manifesto, it wasn't implemented anyway. So if you could explain why this is for good or can it be another point of debate in six months' time? Thank you.

### Rolf Buch

To be very clear: We expect that the Mietpreisbremse will come into place even if the association is going against court. So what we assume in our guidance,

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everything also for the next year, is that the Mietpreisbremse is in place. If not, this would be another positive surprise.

We are in very close relationship with the politicians, the Chancellor, the Minister of Justice and the Minister of Construction. We now know that for the next 18 months, there will be no more further rental regulation. You know, in the paper of the coalition agreement, there was a reduction of the Kappungsgrenze from 15 to 11. And there was also an extension of the Mietspiegel period. This is off the table, and that's why we do not have to put any risk factors in it anymore. And that's why, until the end of 2025, at least, there will be no more rental regulation. Because technically – you know we have an election next year – the government would have to come with new renewal regulation until October this year. And we know for sure that there's nothing else in the making.

Just may allow me one further remark: I think German politicians of nearly all parties understand that you do not solve a shortage in housing by further rent regulation. So this is going in the right direction at the moment.

### Valerie Jacob

Okay. Thank you. And my second question is on margin. On page 7 of the presentation you say that you think that in normalized markets you should have 15 to 20% gross margin on Development to Sell. And I was wondering if you could share your expectations for this year on Development to Sell and also on retail sales.

### Philip Grosse

We will certainly not see the 15 to 20% this year. This comes back to the clear priority we have in our Development to Sell business, that we look at liquidity generation and not so much on profitability.

We are not making a loss, to be very clear. So fair value is always the trough value, if you will. But we are sacrificing some of the margin in order to make liquidity. And it's a very similar story in our privatization business again for this year, which is why you also see in our privatization business that gross margins have come down to something slightly above 10%.

### Valerie Jacob

Thank you.

## Operator

The next question comes from Thomas Neuhold from Kepler Cheuvreux. – Please go ahead.

## Thomas Neuhold

Good afternoon! Thank you very much for the presentation and taking my two questions.

The first one is on the 1 billion dividend capacity. I was wondering if you can share your thoughts on the advantage of a higher cash scrip dividend versus using a portion of the 1 billion dividend capacity for a potential share buyback, particularly as the stock is still trading at a massive discount to NTA.

## Philip Grosse

Part of our dividend policy is that we will offer shareholders the option between a cash or a scrip dividend. I think your question about share buyback, in principle, is a fair one. That is depending on alternatives in investment opportunities we do have if there is an ability to invest, but we don't find interesting investment opportunities. A share buyback is an option as part of the capital distribution.

## Thomas Neuhold

Thank you. My second question is on the Development business. Can you share your thoughts on the impact of this decelerating depreciation? Could it be or is already on the demand in the Development to Sell business? Can you please also remind us about the total size and composition? Helped it sell portfolio for your total potential development pipeline?

## Rolf Buch

Just to explain, because not everybody in the call is probably aware: There is an additional amortization of 5% per year for people who are investing in residential apartments to let it out. So, this is a traditional programme which we call for the dentists, so high-wealth income, because they are actually compensating this with their normal income tax.

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So, 5% special amortization with a roughly 50% income tax ratio is actually adding 2.5% of the whole investment every year to your return profile which is, of course, net very attractive, which actually compensates more or less fully the increase in interest rates.

So, of course, we see an increasing demand for this product. But, of course, now we have to deliver the product first. Because there is a clear framework when the building is new construction, not an existing one. Yes, but it will help and we see an increase in demand. You will not see too much in the 2024 figures, but later. This is actually the answer.

The big part of the development that we have today is probably not suitable for this. This will be the development of the future.

### Thomas Neuhold

Thank you. And that potential development pipeline, can you remind us how large it is and the composition?

### Rolf Buch

I think the rule is, what we are always saying, that we want to have roughly 3 billion invested in the development pipeline. We have roughly a turnaround of three years. So every year a billion, which is actually our assumption for the ongoing future.

### Thomas Neuhold

Thank you very much.

### Operator

The next question comes from Rob Jones from BNP Paribas. - Please go ahead.

### Rob Jones

Two quick ones. I appreciate you've got sufficient liquidity near term and, obviously, a decent appetite regarding your recent unsecured issuance. Just remind me: In terms of the timing of the cash receipts of the 1.7 billion to come in from recently signed disposals, Philip, how much of that is by the end of Q2, end of Q3,

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end of Q4? I appreciate, obviously, Berlin is end of the year, but just a breakdown of the remaining receipts from the likes of Dresden and CBRE, etc.

### Philip Grosse

I don't have this specific breakdown by quarter. But it's all in 2024. The majority is really in Q4 because this is when the Berlin deal closes and also some other pockets of the 1.7 billion euros. So it's a bit biased towards the end of 2024.

### Rob Jones

Okay. No problem. And the second one was on portfolio values. I think I read in your Q1 statement that you believe, from a kind of desktop valuation perspective, that portfolio values in Q1 were flat. Now you've had transactional evidence to demonstrate that. But, Rolf, you said that you weren't sure whether values were trough in H1 or potentially H2. Implicitly, should I read into your expectation, therefore, that for Q2 you expect to see some further degradation of portfolio values, albeit at a smaller rate than we've seen in recent reporting periods?

### Rolf Buch

No. Just to add, there was not only our transaction in Berlin which confirms the value, but it was also the Covivio transaction that from my understanding also confirms the value.

So please don't overinterpret my message. I just wanted to say: I'm not sure what the values will be in H1 - this was the message - because it's just too early. What I am sure about is that the trough will be somewhere in 2024.

### Rob Jones

Very clear. Thank you, team.

### Rolf Buch

This information is based on several sources. It's based on the data we have. It's based on the demand/supply patterns for investments. It's based on our discussions which we have. Because if we want to sell another 2 billion, you must be in discussions now. That's why we know that people are ready to talk about the prices and the values. So this is much more educated than only looking at data.

## Rob Jones

Great. Thank you very much.

## Operator

The next question comes from Véronique Meertens from Van Lanschot Kempen. – Please go ahead.

## Véronique Meertens

Thank you very much for taking my questions, also two from my side. Maybe first on the disposal that you recently did with the State of Berlin. Are there more, likewise, discussions ongoing, perhaps with other municipalities or states?

Besides that, have you seen a bit of a change in appetite or acceleration in discussions following the news about the regulation or the majority of the regulations being off the table?

## Rolf Buch

For the first one: I have said in the last call, it's unpredictable when you are transacting with municipality because they are following different rules and different mathematics or different timelines, because this is also election-driven. That's why, honestly, I cannot tell you. We are of course in discussions, but I cannot give you a short agenda on this. We will deliver the 3 billion without municipalities. But to be precise, I'm not excluding further municipality deals. I'm just saying it's unpredictable.

And the second part of the question was?

## Philip Grosse

The impact of regulation on the transaction market.

## Rolf Buch

This is clear. The regulation is off the table for everybody of us. So everybody knows that, over the next two years, you don't have to put any risk into your calculation because there is no risk left.

In general, we all see the megatrends. Vonovia is not the only player in the market which understands the concept of megatrends.

### Véronique Meertens

My question was if you've actually seen maybe a shift in your discussions or increased appetite with that risk now being off the table?

### Rolf Buch

No, not really. We see a general interest, and we don't know if this is off the risk or not.

### Véronique Meertens

Okay. Thank you very much.

### Operator

The next question comes from Thomas Rothäusler from Deutsche Bank AG. - Please go ahead.

### Thomas Rothäusler

Hi, good afternoon! One question, actually, from my side on the Berlin rent table, which I understand will be published end of May. Maybe you can provide some colour: How relevant is it for you for 2024 rental growth guidance? And actually, what did you assume for the current guidance?

Maybe you can also provide some colour on the outcome of the rent table. What we've heard reasonably is that the survey is based on a less favourable sample. I am just wondering if you could confirm that.

### Rolf Buch

I will not comment the rent table and I don't know the outcome. I can tell you: The outcome of the rent table is more or less irrelevant for us for the guidance of 2024, because you know the story about the Kappungsgrenze. The guidance for the 2024 outcome is not relevant.

### Thomas Rothäusler

So it's rather relevant for the next years.

### Rolf Buch

Probably for the year 2026/27 onward.

### Thomas Rothäusler

Okay. Thank you.

### Operator

The next question comes from Bart Gysens from Morgan Stanley. - Please go ahead.

### Bart Gysens

Hi, good afternoon! Two questions, please. The first one is a specific one on Slide 10. Philip, you say, maintenance or CapEx expensed and capitalized is broadly flat year on year. It's down 4%. So you can call that broadly flat. But we've had a lot of inflation over that period. So in real terms it's down double-digit. I would have thought that goes up a bit because everything got a little bit more expensive. Should we read something into this or is this more a matter of the fact that this is a three-month number and therefore it can be a bit volatile?

### Philip Grosse

In all fairness, I think you shouldn't read too much into it. What we have been able, and that is thanks to much of the expensed but also capitalized maintenance being undertaken by our own craftsmen organization, is that we have been essentially able to compensate inflation by efficiency gains, which is why that number is not really comparable to the broader market universe.

### Rolf Buch

Bart, to add one thing: As I have said in the full-year call, in the very good times, we have spent much more maintenance than needed. So this was our what we call savings account. You can see it also if you compare our maintenance spending to

the maintenance spending of our peers. So now we are coming probably back to more normal levels because we are not building up additional savings accounts. I think we have discussed it in length in the last call. It's a stable number.

### Bart Gysens

That's clear. And then my other question is about your recent transaction. I mean, you've been quite vocal or clear that you strongly believe that values could be stabilizing, although we're seeing record low transactions. So it's tricky for us to have a good understanding of what the basis is for your statements.

The recent deal, again, came with a land plot, like the Dresden deal. Do you have a lot more of these plots of land that you intend to sell alongside portfolios? It would be helpful, I think, for all of us to see a clean transaction where it's just a portfolio rather than a plot of land. Land values can be anything, right? 7 hectares of buildable land can be worth quite a bit.

So, how should we see this? Do you intend to continue being creative when you do these disposals, not just creative on the tax side, which clearly you did very well, but also creative on adding land sweeteners to the deal? Thank you.

### Rolf Buch

To be very clear: The land is as the buildings valued in our IFRS accounts by the auditor. This goes through the same process and everything else. If your assumption is that we have land which is undervalued in our balance sheet, this is not the case.

Of course, the portion of land we have in the balance sheet is meaningful. I don't have the figure with me, but it's a meaningful portion because we have said that only in the Development business it's 60,000 apartments which can be built. So there's a lot.

To be very clear: There is no land as a sweetener; that doesn't work. To be very clear: In the political debate, the politicians need the land to tell the people that they can build. Financial-wise, it's meaningless. From the political message of a mayor, it's very important for him that he's buying existing buildings and possibilities to build.

## Bart Gysens

Okay. Thank you.

## Operator

The next question comes from Manuel Martin from Oddo BHF. - Please go ahead.

## Manuel Martin

Thank you, gentlemen. Two questions from my side. The first question is on the dividend capacity. You stated that there is a dividend capacity of approximately 1 billion euros for 2024.

If I calculate correctly, that would be more than the 50% from Adjusted EBT when I have a look at the guidance. Can we read into that that you have reserves for more investment or maybe you might increase your payout ratios, maybe not this year, but in the future years. Maybe you could say some words on this, please.

## Philip Grosse

We have given last time the ingredients for our probably not very easy to digest dividend policy. And this is just to give you a better grip on the level you can expect for the running year, which is a combination of a) the 50% of EBT, as you mentioned, and b) the surplus liquidity we have after allowing for the equity financing of our guided investment programme. And the outcome is roughly 1 billion euros, which will be divided by the share count.

## Manuel Martin

Okay. So, on future payout ratios, it's maybe too early to say something?

## Philip Grosse

The additional notion is that this year is still a year where we don't have biggest expectations on our non-rental business, because we prioritize liquidity vis-à-vis profitability. So the chances are really to the upside. But then it's going to be a question of investment opportunities vis-à-vis liquidity. But it's a long way in saying that I would consider the 1 billion euros really at the lower end of what to also expect in future years in terms of dividend.

### Manuel Martin

Okay, right. The non-rental, that leads me to my second question. The non-rental segment, the Value-add segment, has been relatively weak in the first quarter. It's about reduced investment volume and a higher cost base.

Can you give us a kind of flavour of what we could expect of the Value-add segment for the remaining year?

### Rolf Buch

It will definitely become better. We are don't giving you a detailed guidance. To be very clear: In the Value-add business, especially in the craftsmen organization, we are preparing ourselves for higher investments.

### Manuel Martin

Okay. Thank you very much.

### Operator

The next question comes from Marc Mozzi from Bank of America. - Please go ahead.

### Marc Mozzi

Thank you very much. – Very good afternoon, all! Sorry, again a follow-up on Bart's question, but slightly more precise from my side.

Having talked to the buyer of your 700 million recent disposals, it looks like that the land plot valuation seems to be a debate. What is precisely the amount at which you are evaluating in the 700 million the 40 hectares of land plots in your transaction?

### Rolf Buch

The transaction is a package and it's 700 million. 698 million is the fair value which we have, which is audited. And we are selling actually a company which has an IFRS value of 500 for 700 million. A pretty good deal, I would say.

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Marc Mozzi

I understand that. So the value of the land plot is how much? 50 million?

Rolf Buch

The value of the land plot in our IFRS accounting is less than 1% of the total value.

Marc Mozzi

So that's 7 million euros?

Rolf Buch

Less than 7 million euros, yes. You are always talking about the size of the land. The biggest part of the size never will be built because it's not - -

Marc Mozzi

It's 7 hectares precisely which is ...

Rolf Buch

Yes.

Marc Mozzi

So that would mean you're selling a plot of land at 1 million per hectare, buildable.

Rolf Buch

It has no building construction, and it has no building construction since the last 20 years, for good reasons.

Marc Mozzi

I'm just trying to understand what is the difference with the communication of the buyer saying it's worth between 50 and 60 million euros.

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### Rolf Buch

The question of the buyer is - - But I don't want to go in detail because it's not my point. There were two municipality companies with a different capacity of balance sheet. And the Senator of Berlin has actually to use these two balance sheets. So, it's a question completely inside politics.

### Marc Mozzi

Maybe we need to have this discussion outside of the call. Okay. Thank you very much.

### Operator

The next question comes from Pierre-Emmanuel Clouard from Jefferies. - Please go ahead.

### Pierre-Emmanuel Clouard

Thank you. Good afternoon! Two questions. Just coming back on CapEx, just to make sure that you are still expecting an increase of the overall CapEx spend in 2024. Maybe it could be useful to give us a breakdown between the maintenance and the capitalized CapEx that you are expecting in 2024.

### Rolf Buch

I think it's very simple. You look at page 30 of our presentation. If there's any further question, please come back to Rene.

### Pierre-Emmanuel Clouard

Okay. And the second question is on the ICR. Can you give us a view on where you're expecting the ICR to land by the end of the year?

### Philip Grosse

We are more or less done on the financing side, have good visibility. I expect ICR to come down slightly from the 4.0 times to, let's call it, 3.8/3.9. That is my expectation for year end. So we have seen or are above the trough levels.

## Pierre-Emmanuel Clouard

All right, that's clear. Thank you very much.

## Operator

The next question comes from Paul May from Barclays. - Please go ahead.

## Paul May

Hi! Thanks for taking my two questions, slightly different ones. I take them one at a time.

I think you mentioned a few times the 3 billion of value creation, assuming no change to yields moving forward. But at the full-year results, I think, you said at today's rent levels, whatever measure you take, the yield is not sustainable. Are you now saying that your yields are sustainable and will be flat, or do you still expect yields to expand as rents increase, which I think is happening with the disposals you've done, given the deferred completion at today's values? Thank you.

## Philip Grosse

We do expect to see trough values in 2024. If we assume no change in yields, no expansions, but also no tightening of yields, then it's a simple translation: 4% rental growth on a top line of 4 billion euros times 25, which is our in-place rent multiplier, is roughly the 3 billion euros organic rent growth one should expect once we have seen trough levels in valuation.

## Paul May

Sorry, just to confirm: You're saying you expect yields to be flat, or you assume that yields will increase as rents increase?

## Philip Grosse

We assume that yields remain where they are. That is just the additional rent which is translating into what we consider or what we call organic rent growth.

### Paul May

Okay. And what's changed since the year end when the yield was not sustainable?

### Philip Grosse

Again, Paul, the statement is that we have embedded rental growth for the long term. Applying that rental growth, it will do something, if you assume stable yields, with the value growth you achieve. And that is the simple mathematics of the 4% long-term rental growth we see embedded in our business. But that is translating in terms of value growth once we have seen stabilization in yields.

### Paul May

Thank you. My second question: I understand that both Glass Lewis and ISS have recommended that shareholders vote against your remuneration policy. I think that's due to the sort of retrospective change in KPIs under the new KPIs.

I think at the full-year result you said there'd be no change to your current LTIPs as per the changing KPIs. So I just wondered, are you considering any changes to the remuneration policy given that recommendation, or will it be put to the vote with Glass Lewis and ISS recommending against? Thank you.

### Rolf Buch

I think this question is not a question for this Earnings Call because the Supervisory Board is responsible for the management remuneration, not the management, which is good. I think this is nothing for this call.

### Paul May

Okay. I'll take it up with them. Thank you.

### Operator

Ladies and gentlemen, that was the last question. I would now like to turn the conference back over to Rene for any closing remarks.

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**Rene Hoffmann**

That's it from us for today. Thanks for joining. If there are any further questions, which I assume there may be one or two, as always, please do reach out to me or my colleagues any time.

For today, that's it. Stay safe, happy and healthy. And have a great day, everyone. Bye-bye.

**Operator**

Ladies and gentlemen, the conference is now concluded and you may disconnect. Thank you for joining and have a pleasant day. Goodbye!

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