

Quartiers Properties AB (publ)

PRESS RELEASE

Stockholm, 28 February 2020

Quartiers Properties year-end report – January to December 2019

Quartiers Properties AB (publ) (“Quartiers Properties” or “the Company”) has today published the company’s year-end report for period January–December 2019.

Summary of the full year and half year

- Net sales amounted to kSEK 93,377 (kSEK 29,098), of which the second half of the year accounted for kSEK 36,989 (kSEK 25,856). Since 1 January 2019, the Company has been running operator business under its own management. This, together with the opening of the first phase of the Boho Club project in September, led to a rise in income from operator business from kSEK 5,188 in 2018 to kSEK 25,245 in 2019. At the same time, income from the divestment of properties has increased from kSEK 23,910 in 2018 to kSEK 68,132 in 2019.
- Operating profit/loss totalled kSEK -26,449 (kSEK 23,255), of which the second six months of the year accounted for kSEK -26,659 (kSEK 15,128). Operating profit/loss before depreciation and non-realised changes in value (EBITDA) totalled kSEK -14,823 (kSEK -20,411), of which the second half of the year accounted for kSEK -17,447 (kSEK 10,614). The operating profit/loss during the second six months of the year was negatively affected by the Boho Club start-up costs. The Company has completed a number of rationalisation measures designed to improve the efficiency of the business, and this work will continue in 2020. The start-up costs the Company has recognised for the Boho Club are one-time costs and are not expected to have an impact on profits in the future.
- Profit/loss after tax amounted to kSEK -37,446 (kSEK 10,158), of which the second half of the year accounted for kSEK -33,677 (kSEK 8,474). Profits for the previous year included changes in value on the Company’s investment properties in the amount of kSEK 45,567. No changes in value have been recognised for 2019 given that the Company’s investment properties have been reclassified as operating properties. Depreciation on operating properties amounted to kSEK -9,595 (kSEK 0).
- Cash flow from operating activities before changes in operating capital and divestment of properties amounted to kSEK -38,563 (kSEK -21,537), of which the second half of the year accounted for kSEK -40,854 (kSEK -21,640).
- According to the external valuation of its property holdings that the Company commissioned at 31 December 2019, the market value is estimated at MSEK 844 (MSEK 680), which corresponds to a 24 percent increase in the value of the portfolio compared to the same period in the previous year.
- Earnings per share before dilution for the period totalled SEK -0.73 (SEK 0.35).
- Equity totalled kSEK 337,731 (kSEK 373,172).
- The Company’s net asset value is kSEK 400,019 (kSEK 360,633), equivalent to SEK 8.26 (7.44) per share.
- The 22byQuartiers project was concluded in 2019 after the final sale of the project was completed during the year.

Significant events during the second half of the year

- September saw the opening of the restaurant as the first part of the Boho Club project. The first phase of the hotel, comprising 30 finished rooms, was then opened in December.
- In July, the Company refinanced its previous short-term loan of MEUR 1.5 from the property fund Frux, and agreed an additional MEUR 1.5 line of credit. Prior to the extension of the loan the Company had repaid MEUR 1.0 of the MEUR 2.5 of the original loan.

Significant events after the end of the period

- In January, the Company completed a new issue of preference shares, generating proceeds of around MSEK 25 after share issue expenses.

Other events after the end of the period

- The Company has sold three apartments (full payment or binding agreement and 30 percent paid) in the Company's apartment hotel in Benahavis. The sales were made at prices in line with the market evaluation received or at prices that exceed the current market evaluations used as a basis for the Company's net asset value calculation. As such, these sales confirm that the Company's net asset value is reasonable.

Message from the CEO

In 2019 we continued to reinforce our net asset value, which now amounts to SEK 8.26 per ordinary share, noting growth of 11 percent compared to year-end 2018. The ongoing positive development of net asset value per ordinary share confirms that the measures we introduced during the year have continued to contribute to creating value for our shareholders. At the same time, we have paid MSEK 7 in dividends to our preference shareholders and maintained a stable share price in same. With ordinary shares currently being traded at a significant discount (46 percent) on their net asset value, we hope that even more investors will find our ordinary share interesting and choose to invest in the Company in 2020.

The increase in net asset value has been powered by a combination of measures, where a strong working relationship with our financiers in Spain and the extremely solid teamwork within the organisation made a great contribution to the year's successes. Significant accomplishments during the year included the opening of Boho Club, the final sale of the 22byQuartiers project, and improved profits on our apartment hotel in Benahavis.

The year commenced with our securing the financing of Boho Club, after which we commenced the intensive work to execute the renovation, employ staff and open the business – aims we successfully achieved over the autumn and winter. The restaurant opened at the beginning of September and the hotel welcomed its first guests in the middle of December. Boho Club has already established itself as one of the most popular restaurants in Marbella, and the hotel recently kicked off the new year in a positive fashion with plenty of satisfied customers – which generally translates into repeat customers. With Boho Club, we are looking to generate solidarity with our target group which, in the long term, should result in frequently returning guests and an attractive foundation for both the restaurant and the hotel. The profit/loss for the year at Group level has, as expected, been negatively affected by the Boho Club start-up costs, but with these costs already met, we are looking forward to an exciting 2020 where our focus will be shifting from the investment and start-up phases to income-generating activities. We will, of course, continue to develop the property and the guest experience in order to remain relevant to our target group in the long term.

In Benahavis, the work on our apartment hotel has been streamlined and we have clearly demonstrated that our internal skills in the field of operation exceeded those of our formerly contracted operator, resulting in a rise in both earnings and profits. We are performing at a high level in relation to comparable installations. Over the past year we succeeded in particular in increasing the occupancy level during the off-season, which contributed to creating a secure, vibrant apartment area all year round. This was a key piece of the puzzle in our refinement work and thus an important factor in the appreciation in value in the area. The principal purpose of our leasing business has been to contribute to the value generation taking place in the apartment hotel and, indirectly, in the associated projects 22byQuartiers and Ocean View. As a result of this, we successfully completed and sold the 22byQuartiers project in 2019. On the basis of the great demand, we also chose to sell a number of apartments in our existing holdings in the apartment hotel. The move confirmed our value creation in the holdings of 110 percent since the acquisition, which is assimilated into the calculation of our net asset value per ordinary share.



Our “to-do” list for 2020 now features the launch of 60 new apartments in the Ocean View project, which will take the form of a continuation of 22byQuartiers in a more modern, environment-oriented direction. In addition, we will continue working on the refinancing of our costly loans, which have functioned as a type of construction financing during the Boho Club project period. With the new valuation in place and both hotel and restaurant now operating, opportunities are opening up for financing terms that are sure to prove more sustainable in the long term.

In addition, we are now another six months closer to the anticipated new general plan for the Municipality of Marbella compared to the situation at the time of our half-year report 2019. As I have mentioned previously, the plan is likely to open up opportunities for us to receive construction rights to appreciably more square metres than we currently hold at our Golden Mile property Centro Forestal Sueco, of which Boho Club forms part. If this proves to be the case, we can expect a highly positive effect on our net asset value per ordinary share, which is not included in the estimate published today.

Marcus Johansson Prakt
CEO, Quartiers Properties

Please address questions to:

Quartiers Properties

Marcus Johansson Prakt, Chief Executive Officer
Email: marcus.prakt@quartiersproperties.se
Phone: +46 72 018 59 98

The company in brief

Quartiers Properties is a Swedish property development company with operations on the Spanish Costa del Sol. The Company was founded in 2014, since when it has built up a strong portfolio of investment properties and project properties. The Company develops, sells and leases properties.

Mangold is the Company’s certified adviser. Mangold can be contacted on +46 8-503 015 50 or by email to ca@mangold.se.

Quartiers Properties AB (publ) is required to disclose this information under the EU Market Abuse Regulation. This information was provided through the agency of the contact person stated above for publication at 08:30 on 28 February 2020.