

# GENOVA

Press release

Stockholm 16 August 2023

## Genova Property Group Interim Report January–June 2023

### January–June 2023 period

- Rental income amounted to SEK 254.5m (185.7), an increase of 37%.
- Net operating income amounted to SEK 186.4m (132.3), an increase of 41%.
- Income from property management decreased 57% to SEK 24.1m (56.3), of which income from property management attributable to shareholders was SEK 15.2m (31.1), corresponding to SEK -0.33 (0.74) per share. The decline was mainly due to negative changes in the values of properties in joint ventures of approximately SEK -29m and higher interest expense.
- Net income after tax amounted to SEK -148.3m (342.5), corresponding to SEK -4.89 (7.06) per share.
- Long-term net asset value attributable to shareholders decreased 4% to SEK 3,516.1m (3,649.5), corresponding to SEK 77.09 (86.94) per share.

### April–June 2023 quarter

- Rental income amounted to SEK 125.6m (92.1), an increase of 36%.
- Net operating income amounted to SEK 95.5m (68.8), an increase of 39%.
- Income from property management decreased 49% to SEK 12.8m (25.4), of which income from property management attributable to shareholders was SEK -7.8m (11.9), corresponding to SEK -0.17 (0.28) per share. The decline was mainly due to negative changes in the values of properties in joint ventures of approximately SEK -10m and higher interest expense.
- Net income after tax amounted to SEK -106.6m (175.5), corresponding to SEK -3.04 (3.87) per share.

### Significant events during and after the end of the quarter

#### Second quarter April–June 2023

- During the quarter, 66 residential units in the Tryckeriet project in Norrtälje were completed for a rental value of approximately SEK 6.0m.
- In May, Genova repurchased bonds in the amount of SEK 115m of a bond loan due on 30 September 2023.
- In May, Genova announced that its climate targets had been validated and published by the Science Based Target initiative. The targets are to reduce the company's GHG emissions by 42% by 2030 compared with levels in 2021 in Scope 1 and Scope 2, and to measure and reduce emissions in Scope 3.
- In May, Genova agreed to sell the Gredelby 7:89 property in central Knivsta. The sale was transacted at an underlying property value of SEK 85m. The annual rental value amounted to approximately SEK 6.0m and the remaining duration was approximately 4.5 years.
- The Annual General Meeting resolved to introduce a long-term incentive programme by way of a directed issue of warrants with subsequent transfer to the participants.

#### Events after the end of the quarter

- In July, an agreement was signed to divest two fully leased hotel properties in Palma, Majorca, for approximately EUR 35m, corresponding to approximately SEK 410m. The properties are not of a long-term strategic nature for the company and are low-leveraged, and the divestment provides Genova with net liquidity of approximately SEK 350m, which will be used to reduce the company's indebtedness. Exit is planned for September 2023.

## CEO'S STATEMENT

We find ourselves in a challenging time with rising interest rates that are weighing on profitability in the industry, which is leading to higher yield requirements resulting in declining property value. The key for Genova in this market climate is to act proactively and ensure a long-term stable balance sheet and strong liquidity. During and after the end of the period, we have taken several steps to strengthen our financial position and reduce interest expense.

Operations continued to perform stably during the first half of the year in both property management and project development. We reported positive growth in rental income of 37% and an increase in net operating income of 41%, mainly due to a larger investment property portfolio and completed projects. Income from property management was impacted by rising interest expense, and in particular negative changes in value in associated companies, falling to SEK 24m compared with SEK 56m last year. We conduct an external assessment of our investment properties every quarter and noted negative changes in value of approximately SEK 200m, mainly due to higher yield requirements. Overall, this had a negative impact on net asset value per share.

### Financing

During the quarter, work continued to ensure strong liquidity and to reduce indebtedness. We conducted a number of divestments that strengthened our balance sheet and reduced our annual interest expense by approximately SEK 50m. In May, an investment property was sold in Uppsala for SEK 85m and after the end of the period an agreement was signed to divest two hotel properties in Palma, Majorca, for approximately SEK 410m. The properties do not constitute a strategic holding for the company and are low-leveraged, entailing a significant contribution in net liquidity of approximately SEK 350m, which will be used to reduce our indebtedness.

During the first half of the year, bonds in the amount of just over SEK 115m were repurchased under the bond that matures in September 2023. The remaining bonds of SEK 410m will be redeemed on the maturity date. Thereafter, we have approximately SEK 725m in an outstanding bond loan due in September 2024. Our ambition is to continue to work proactively with our balance sheet and to safeguard our liquidity.

### Investments

During the period, we continued to invest in project development, which mainly comprises newly developed rental apartments in ongoing projects in Norrtälje, Enköping, Upplands-Bro and Knivsta. Demand for the apartments we develop remains strong and we can see clear interest in newly developed rental apartments in the investor market. Occupancy began in Knivsta during the second quarter and the remainder will be gradually completed in 2023 and 2024. In Norrtälje, 66 residential units were completed for occupancy in the first half of 2023. Occupancies in 2023 will help to strengthen our long-term earnings.

Genova's business model, which combines good, stable cash flows from investment properties with profitable project development, provides us with a stable foundation, even in a challenging market. Our existing property portfolio, focusing above all on Stockholm and Uppsala, generates stable earnings. Divestments during the period generated liquidity and our bond repurchases have reduced our interest expense. Concurrently, we control almost 600,000 sqm of land with significant excess value that is not reflected in our balance sheet. Since the company was founded in 2006 it has grown with good profitability and high growth in net asset value. We have a long-term approach and are firmly committed to emerge strong when the market recovers.

*Michael Moschewitz, CEO*

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**About Genova**

Genova Property Group AB (publ) is a modern property company with a personal touch that owns, manages and develops properties with focus on Greater Stockholm area and Uppsala Region. On 30 June 2023, the value of the company's property portfolio amounted to approximately SEK 10.2 billion with a lettable area of approximately 366,000 sqm and the company held approximately 8,900 building rights for residential units. Genova's share has been listed on Nasdaq Stockholm since June 2020.

This information is such information that Genova Property Group AB (publ) is obligated to make public pursuant to the EU Market Abuse Regulation and the Securities Market Act. The information was submitted for publication, through the agency of the contact persons set out above, on 16 August 2023 at 8.30 a.m. CEST.

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