



Instone Group is on track to meet its full year targets with continued solid business performance; private demand is picking up noticeably

- *Adjusted revenues of EUR 384.5 million for 9M-2024 (9M-2023: EUR 433.3 million) in line with expectations*
- *A continued high adjusted gross profit margin of 24.2 percent (9M-2023: 25.5 percent) once again demonstrates the quality of the projects and cost leadership of Instone Group*
- *Sales amounting to EUR 156.6 million (9M-2023: EUR 91.3 million) confirm further recovery in demand; strong positive seasonal effects in Q4-2024 expected*
- *Adjusted earnings after tax of EUR 29.0 million (9M-2023: EUR 37.1 million) indicate that Instone Group is well on track to achieve its earnings targets*
- *High operating cash flow (9M-2024: EUR 127.1 million) has resulted in a further strengthening of the balance sheet (loan-to-cost: 8.8 percent). Instone Group is therefore ideally positioned to take advantage of attractive growth opportunities*
- *Outlook for 2024 confirmed: adjusted revenues of EUR 500 to 600 million, adjusted earnings after tax of EUR 30 to 40 million*

Essen, Germany, 7 November 2024: Instone Real Estate Group SE ("Instone Group") continued to deliver very solid performance as expected in the third quarter of 2024 in an industry environment that remains challenging. As expected, adjusted revenues and adjusted earnings after tax were below the level of the previous year due to a decline in construction output. Based on business performance in the first nine months, Instone Group is well on track overall to achieve its 2024 targets.

Demand remains the biggest challenge in the current environment. While the institutional market is still characterised overall by a reluctance to buy, there has been a clear uptick in demand in retail sales to private investors. With interest rates decreasing from their peaks,



real estate prices continuing to stabilise and initial indications of positive effects from the incentives implemented under the Growth Opportunities Act, the mood among private investors has improved. Sales in the first three quarters of 2024 were significantly higher than the previous year's level at EUR 156.6 million (9M-2023: EUR 91.3 million). Based on a strong seasonality in sales in the final quarter of 2024, the achievement of the sales target of at least EUR 300 million in 2024 is expected. In addition to a positive trend in retail sales, the signing of at least one additional institutional deal is also anticipated.

Instone Group maintains leading profitability in a difficult market environment

At EUR 384.5 million, adjusted revenues in 9M-2024 were, as expected, below the previous year's level (9M-2023: EUR 433.3 million) as a result of the lower construction output. Instone Group continues to benefit from the high share of projects that have already been sold. Of the projects under construction, with a volume of around EUR 2.9 billion, 91 percent had already been sold by the end of the quarter.

The adjusted gross profit margin in the first three quarters of 2024 was 24.2 percent (9M-2023: 25.5 percent), still at a high and industry-leading level. This industry-leading profitability underscores the quality of the project portfolio and can also be attributed to structural competitive advantages such as economies of scale in purchasing and the considerable vertical integration with in-house construction management.

The adjusted operating profit (adjusted EBIT) fell to EUR 45.4 million due to the lower revenues and slightly reduced gross profit margin (9M-2023: EUR 65.8 million). Despite improved financial results and a lower tax rate, adjusted earnings after tax (EAT) of EUR 29.0 million (9M-2023: EUR 37.1 million) were also down on the previous year, as expected. The results, however, show that the company is well on track to achieve its profit targets for full year 2024.

Demand picking up noticeably in retail sales

In the first nine months of 2024, Instone Group sold properties worth EUR 156.6 million, representing a significant increase of 71.5 percent on the previous year's low level (9M-2023: EUR 91.3 million).



The market currently still shows a somewhat mixed picture. While in the institutional market there is still a pronounced reluctance to buy despite increasing investor interest, demand in retail sales is currently showing clear signs of recovery. The growing understanding that prices for new builds have bottomed out owing to continued dynamic rent growth and the fact that mortgage rates have now fallen sharply from the previous year's highs have contributed to a significant improvement in sentiment among private buyers. In addition, the first positive demand effects from the increased tax depreciation under the Growth Opportunities Act can be seen. The planned sales starts for products tailored to the new legislation and the increased degressive tax depreciation of 5.0 percent with an additional linear special tax depreciation of a further 5.0 percent over four years promise a significant boost for demand in 2025 due to the attractive expected returns.

Despite the continued reluctance among institutional investors, Instone Group is confident that it will be able to sign at least one additional institutional transaction in the fourth quarter of 2024 as a contribution to achieving its annual targets.

High operating cash flow leads to further strengthening of the balance sheet

A very high operating cash flow of EUR 127.1 million was recorded in the first three quarters, due largely to projects already sold. This has led to a further significant strengthening of the balance sheet ratios.

The strength of Instone Group's balance sheet is a significant competitive advantage, particularly in the current market environment, and is intended to be utilised to capitalise on attractive growth opportunities. The ratio of net debt to contract assets plus balance sheet inventories valued at cost (loan-to-cost, LTC) at 30 September 2024 has dropped to a very low level of only 8.8 percent (31 December 2023: 15.1 percent). The ratio of net debt to adjusted EBITDA is just 1.5x (31 December 2023: 2.1x).

Freely available cash amounted to some EUR 270 million as at 30 September 2024. In addition, the company has substantial unused credit lines (RCFs) as well as project financing lines.



Attractive project portfolio offers significant revenue potential for the coming years

The expected sales value of the Instone Group project portfolio (gross development value, GDV) as at the end of the quarter was approximately EUR 7.1 billion (31 December 2023: EUR 7.0 billion). The current size of the pipeline is already securing the business potential for the next few years. The net growth achieved since the reporting date is due to the acquisition of two projects in the first half of 2024. These are located in the attractive A-cities of Frankfurt and Dusseldorf with a future sales value of at least EUR 260 million; these acquisitions more than offset project completions.

The part of the portfolio that is in the construction phase totals around EUR 2.9 billion, of which some EUR 2.6 billion, or around 91 percent, has already been sold. This also ensures a high level of visibility with regard to future revenues and cash flows and a significant mitigation in the risk profile.

"Our results show that we are well on track to achieve our targets for 2024 in a challenging environment. There are growing signs of a recovery in demand. As the housing shortage continues to worsen, we continue to see very good medium-term growth prospects for our business model ", says Kruno Crepulja, CEO of Instone Real Estate Group SE.

Outlook for 2024 confirmed

Based on the results of the first three quarters of 2024, the Management Board confirms the financial outlook for 2024 and continues to expect adjusted revenues of EUR 500 to 600 million, an adjusted gross profit margin of around 22.0 percent, adjusted earnings after tax of EUR 30 to 40 million and sales of at least EUR 300 million.

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



About Instone Real Estate Group SE (Instone Group)

The Instone Group is one of the leading residential developers in Germany and is listed on the Prime Standard of the German stock market. Since 1991, we have been developing future-proof and sustainable urban residential quarters with apartments for sale or rent throughout Germany – to provide a long-lasting good life in the country’s metropolitan areas. Our diverse expertise, combined with efficient processes and a solid financial basis, creates real added value for our stakeholders in environmental, social and economic terms. This means we are taking responsibility for one of the most pressing social issues of our time – creating needs-based and attractive living space. The company employs 418 employees at nine locations across Germany. As at 30 September 2024, the project portfolio included 45 development projects with an anticipated overall sales volume of approximately EUR 7.1 billion and around 14,700 residential units. www.instone-group.de/en

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