



Instone Group achieves upper end of earnings guidance; outlook for 2024 assumes continued solid profitability in a year of transition

- *Adjusted revenues were nearly stable at EUR 616.0 million in 2023 (2022: EUR 621.0 million), mainly based on construction of sold units progressing according to plan*
- *A continued high adjusted gross profit margin of 25.1 percent (2022: 25.3 percent) underscores the quality of Instone Group projects and cost discipline*
- *Sales of EUR 211.4 million (2022: EUR 292.1 million) below previous year due to the market situation, but with positive momentum in the fourth quarter and clear achievement of the forecast of over EUR 150 million*
- *At EUR 48.2 million, adjusted earnings after tax were also pretty stable compared to the previous year (2022: EUR 50.0 million) and at the upper end of the guidance range (EUR 40–50 million)*
- *A high operating cash flow of EUR 107.7 million helped to further strengthen the balance sheet (loan-to-cost: 15.1 percent)*
- *The Management Board and Supervisory Board propose the payment of a dividend of EUR 0.33 per share to the Annual General Meeting*
- *Outlook for 2024: adjusted revenues of EUR 500 to 600 million, adjusted earnings after tax of EUR 30 to 40 million, sales of more than EUR 300 million*

Essen, Germany, 19 March 2024: Instone Real Estate Group SE (“Instone Group”) performed well in 2023 in a very challenging sector and macroeconomic environment. Overall, the result underlines the high resilience of the Instone Group. Based on a high number of projects already sold, adjusted revenues on the basis of the planned construction progress was around the same level as in the previous year. With a continuing high adjusted gross margin, the earnings contribution from a successful joint venture project in Berlin and slightly



improved net interest result, the company achieved almost stable earnings at the upper end of the guidance range.

Due to the challenging market situation, demand for new residential buildings in 2023 fell short of previous years. The negative effects of higher interest rates and the increased uncertainty of private and institutional investors remained clearly noticeable in 2023. However, there was an upturn in retail sales during the course of the year and particularly in the final quarter. Sales contracts with a volume of EUR 211.4 million (2022: EUR 292.1 million) were ultimately concluded in 2023 and therefore the forecast (over EUR 150 million) was more than comfortably achieved.

Instone Group maintains leading profitability in a difficult market environment

Adjusted revenues in 2023 amounted to EUR 616.0 million, almost at the previous year's level (2022: EUR 621.0 million). The Instone Group continues to benefit from the high share of projects that have already been sold. Of the projects currently for sale, around EUR 2.9 billion of which are under construction, almost 90.0 percent had already been sold by year end, thus largely securing the expected cash flows from these projects in the coming years.

The adjusted gross profit margin in 2023 was 25.1 percent (2022: 25.3 percent), still on an attractive and industry-leading level, and with stabilising construction costs. The company benefits from fixed-price contracts and economies of scale in purchasing, the structural advantages of a high level of vertical integration and its many years of expertise in construction.

On the cost side, the measures introduced to increase efficiency will contribute to a noticeable reduction in platform costs. The target of reducing the recurring annualised platform costs to around EUR 70 million was achieved by the end of the fourth quarter of 2023.

The adjusted operating profit (adjusted EBIT) declined slightly to EUR 86.1 million (2022: EUR 88.6 million). Adjusted earnings after tax (EAT) amounted to EUR 48.2 million with a slightly higher tax rate (2022: EUR 50.0 million), almost at the same level as in the previous year.



Retail sales with a noticeable upturn in the final quarter

In 2023, the Instone Group sold properties worth EUR 211.4 million, which is below the previous year's level (2022: EUR 292.1 million). Overall, this reflects the weakness in demand resulting from the rise in interest rates and the general uncertainty of both private and institutional investors. Conversely, the volume of sales contracts achieved in the final quarter of 2023 was around EUR 120 million, constituting the largest sales volume in a quarter since the beginning of 2022. This is due in part to an institutional sale and contractually agreed purchase price indexation in the Westville project. Overall, however, the institutional market is still marked by a pronounced reluctance to buy. In retail sales, on the other hand, the moderate recovery trend continued in the fourth quarter. This was also backed up by a positive response to the sales starts for two new projects.

Strong balance sheet combined with a large number of pre-sold projects provides the basis for future cash flows

The Instone Group has a strong balance sheet, which is a key competitive advantage in the current market environment. The ratio of net debt to contract assets plus balance sheet inventories valued at cost (loan-to-cost, LTC) at 31 December 2023 had fallen to a very low level of just 15.1 percent (31 December 2022: 20.8 percent). The ratio of net debt to adjusted EBITDA was just 2.1x (31 December 2022: 2.8x).

Based on the secured cash inflows from pre-sold projects, a high operating cash flow of EUR 107.7 million was achieved in 2023, which contributed significantly to the further improvement of the key balance sheet ratios.

Freely available cash, including unused credit lines (RCFs), amounted to around EUR 428 million as of 31 December 2023. In addition, the company has unused project financing lines of approximately EUR 145 million.

“Our figures once again demonstrate that we have managed to maintain leading profitability and to strengthen our balance sheet even further in a difficult environment. We want to capitalise on this strength. We will again be taking advantage of opportunities for project



acquisitions in 2024 to create a basis for future growth”, says Kruno Crepulja, CEO of Instone Real Estate Group SE.

Extensive project pipeline secures business potential for the next few years

The expected sales value of the Instone Group project portfolio (gross development value, GDV) as of the reporting date was approximately EUR 7.0 billion (31 December 2022: EUR 7.7 billion). The current size of the pipeline will continue to secure the business potential for the next few years. The part of the portfolio that is under construction totals EUR 2.9 billion, of which EUR 2.6 billion, or around 90.0 percent, has already been sold. Once again, this provides high visibility with regard to the expected future revenues and cash flows. This significantly mitigates the risk profile of the Instone Group.

The part of the portfolio under construction corresponds to around 4,900 residential units. With over 950 apartments, a significant proportion of these are subsidised apartments. The Instone Group is thereby making an important contribution to reducing the shortage of affordable housing in Germany, even in the current difficult environment.

Outlook for 2024 assumes continued solid profitability and increased sales volume

Lower demand in 2022 and 2023 will have a dampening effect on revenues in 2024. The Management Board anticipates that demand and accordingly also sales volumes will pick up (more than EUR 300 million) in 2024, particularly in the second half of the year; it therefore considers 2024 to be a year of transition. Hence, the Management Board expects adjusted revenues of EUR 500 to 600 million for 2024, an adjusted gross profit margin of around 22.0 percent, adjusted earnings after tax of EUR 30 to 40 million and sales of more than 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 441 employees at nine locations across Germany. As at 31 December 2023, the project portfolio included 45 development projects with an anticipated overall sales volume of approximately EUR 7.0 billion and over 14,200 residential units. www.instone-group.de/en

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