

# Company Strategy

2024-2028



# Agenda

- Strategy Components and Objectives
- Develia and the Market Landscape
- Strategy



# Strategy Components and Objectives

**The purpose of this document is to highlight Develia’s growth potential based on an analysis of the company, the market and the competition.**

**The presentation shows long-term goals and the potential to build shareholder value by 2028.**

## Main components of the strategy:

- Keeping the company resources focused on the dynamic development of the broader apartment market, including further strengthening of the position in the current regional markets, with the option to enter selected new markets with preference through partnerships or M&A
- The core segment within the apartment development business will remain popular, with the intention to clearly emphasise the added value of the product through eco-friendly solutions, functionality, modern technologies and blending into the surrounding areas. The portfolio will also include carefully selected investments in the upscale and premium segments to offer a variety of choices and respond to a wider range of market needs
- Competence building in the forward-looking PRS/PBSA segment (apartments for rent and student accommodation), with the option of operational involvement in the construction and management of a PRS/PBSA platform
- Completion of divestment of assets held on the balance sheet in the office and retail segments and the Malin project

**The aim of our growth strategy is to increase the value of the company and increase the dividend potential and ensure dynamic growth in the 2024–2028 time frame.**

## Objectives:

- Market share growth to 7–8% in the current markets of operation in the apartment market
- Apartment sales growth > 11% per annum (CAGR) in 2024–2028
- Annual sales of over 4,500 units
- Increasing the land bank base for further development
- Growth in the PRS segment as part of business diversification
- Completion of divestment in the commercial sector
- Ensuring attractive returns on capital at the Group level
- Generate dividends of 1.35 billion over the years 2024 to 2028, or 75% of adjusted net profit

# Management Board

## Andrzej Oślizło, Chairman of the Management Board

Andrzej Oślizło has a degree from the University of Economics in Katowice (Economics) and the Silesian University of Technology in Gliwice (IT). He graduated from the European University in Montreux, Switzerland, with an MBA. He has been managing business ventures for over twenty years. He specialises in corporate management, investment, mergers and acquisitions, and strategy and business development.

In his career, he has successfully served as chairman and board member of companies in such sectors as: ICT, TSL, aviation, finance and banking (including Schenker, LOT, Aviva, Expander Advisors, Burietta – Inelo Group). His professional experience also includes private equity funds.



## Paweł Ruszczak, Vice-President of the Management Board

Paweł Ruszczak holds a degree from the Warsaw School of Economics. He specialises in corporate financial management. He has been involved in the property development sector for more than 15 years, having held such role as Financial Director at Orco Poland, a Polish company of the Orco Property Group, and as Financial Director and Member of the Management Board of Archicom.



## Mariusz Poławski, Vice-President of the Management Board

Mariusz Poławski holds a degree in Management from the University of Warsaw. He has also taken courses on project economics, management, psychology of leadership and corporate governance. He has nearly 20 years of experience in management positions. Since 2003, he has been involved with the Marvipol Capital Group as Managing Director, Chief Operating Officer, Member of the Management Board and Vice-President of the Management Board. For the past 7 years, he has been primarily responsible for the residential and warehouse sector, including such projects as end-to-end execution and commercialisation of development projects. Member of the management board of the Warsaw and Wrocław branches of the Polish Association of Developers.



# 1. Develia and the Market Landscape

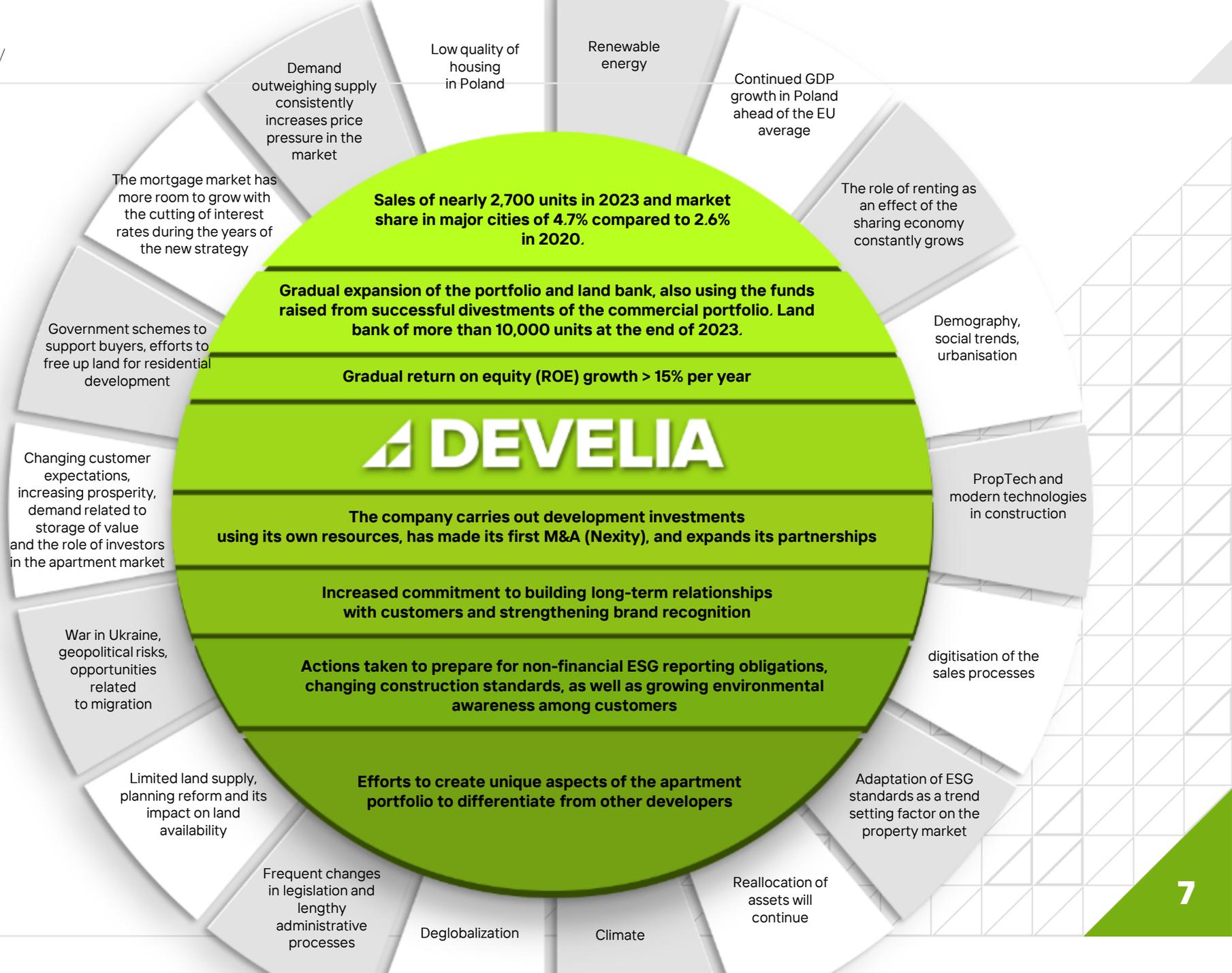


# Implementation of the 2021–2025 Strategy



- Develia is one of the leading apartment developers in Poland. In line with its strategy, it has significantly increased the scale of its operations from around 1,400 units per year in 2020 to nearly 2,700 in 2023, reaching the Top 5. The sales target set in the 2021–2025 Strategy is expected to be achieved one year ahead of schedule
- In order to meet sales targets, the strategy aimed to expand the portfolio and land bank while keeping the net debt/equity ratio below 0.5
- Significant increase in apartment market share from 2.6% in 2020 to 4.7% in 2023 in the current markets of operation
- Divestments were made in the commercial segment, including the sale of Sky Tower and Wola Retro in a difficult market landscape, with the capital raised invested in the apartment segment. Operational efficiency was significantly improved – ROE c. 18% compared to 7% in 2020
- Although there has been a significant increase in the scale of operations and the expansion of a land bank, the company has been sharing profits with shareholders – the dividend yield in the years covered by the strategy reached approximately 11%. The land bank and portfolio at the end of 2023 is over 12,500 units compared to 8,600 units at the end of 2020
- The company confirmed that it has the resources and know-how to support its growth with M&A transactions (purchase of the Polish Nexity companies) and partnerships (e.g. JV with Grupo Lar Polska and Hillwood Polska)
- The team will deliver the strategic objectives of the 2021–2025 Strategy one year ahead of the plan

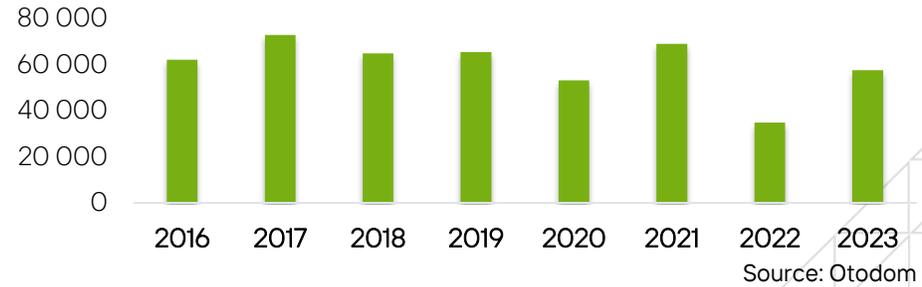
# Context



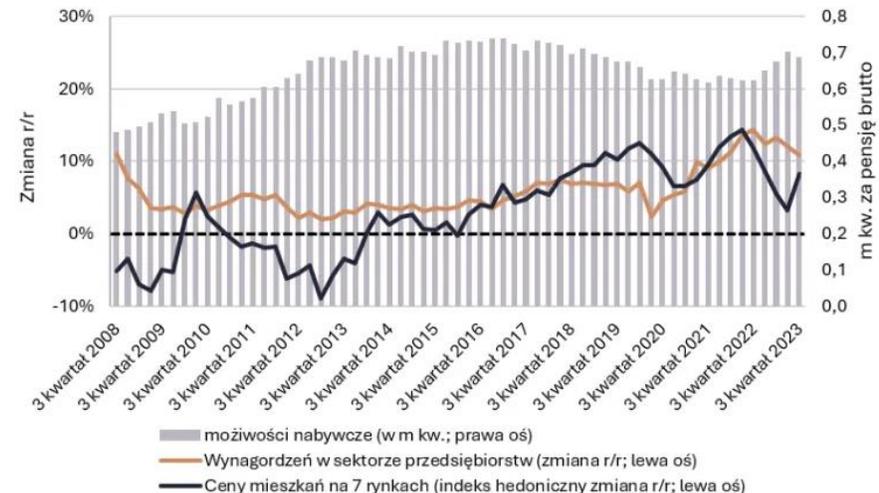
# Prospects for the apartment market

- Scale – the market covering 7 cities and 60,000 apartments per year, with extremely high fragmentation in local markets
- Production volume – 3 million square metres of apartments built by developers per year for the main markets identified
- Development market turnover (7 cities) – PLN 36 billion (with average net price of PLN 12,000)
- Despite rising debt levels, the level of household leveraging is low, which, with the increase in average wages, leaves some room in the households
- Key components of growth with regard to building market share:
  - Pipeline of land purchased, securing land at reasonable prices, time to prepare land for listing
  - Property market consolidations
  - Ensuring stable sources of off-balance sheet financing

Volume of annual sales in the markets of 7 Polish cities, pcs.



Zmiany płac i cen mieszkań w ostatnich latach



Opracowanie HREIT na podstawie danych NBP i GUS

Zmiany płac i cen mieszkań w ostatnich latach / HREIT - Heritage Real Estate Investment Trust

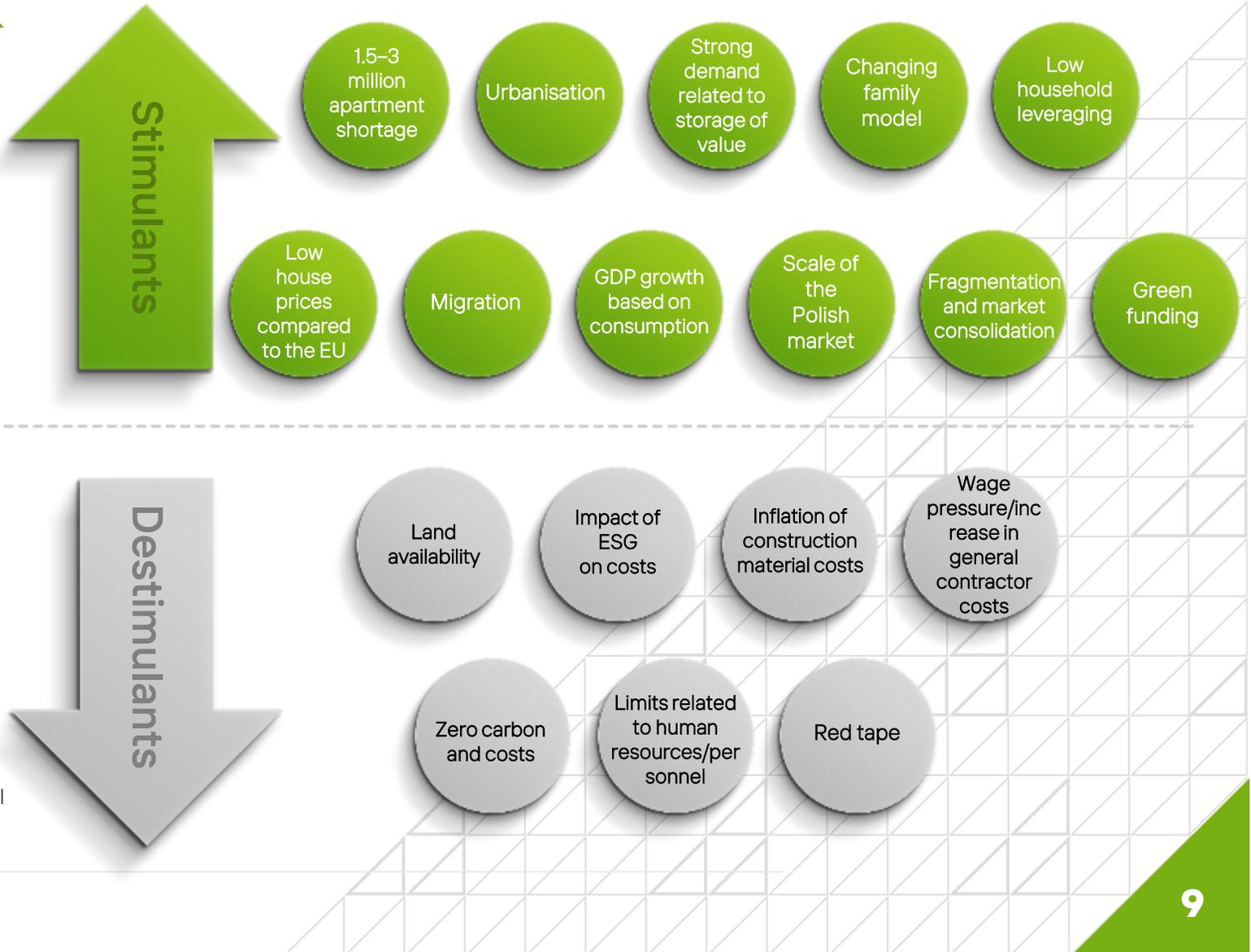
# Apartment Market Outlook to 2030

## Strong market fundamentals

- **Economics** – low-cost apartments in relation to wages/prices in EU, decreasing interest rates, government programmes supporting supply and demand in the market, Poland catching up with western Europe, increasing purchasing power
- **Demographics** – the decrease in population does not affect major urban centres, increase in urbanisation, increase in importance of foreign migration to Poland, war in Ukraine – influx of Ukrainians to Poland
- **Resources** – poor quality of existing inventory, apartment deficit depending on estimates of 1.5 to 3 million apartments, poor indicators compared to EU with a tendency to level off
- **Construction** – Poland is the 4th largest residential construction market in Europe

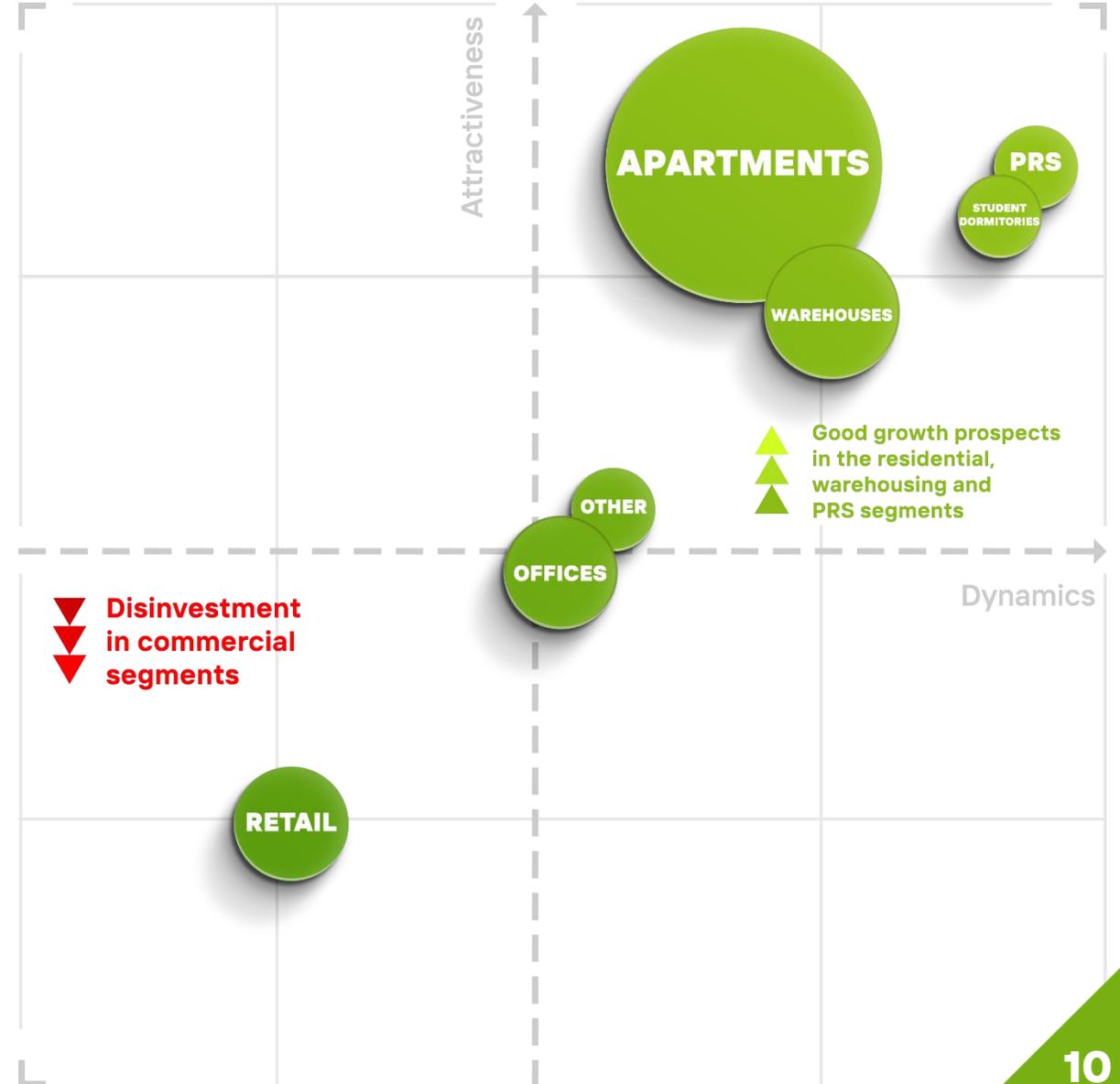
## Greater opportunities/market risks

- **Land** – low supply, no prospects for massive land release during this strategy years
- **Planning changes** – impact on land availability and prices
- **Inflation** – wage pressures/general contractor cost risks
- **Zero carbon** – impact on construction costs
- **Credit** – compared to the EU, the leveraging of the residential sector is still low, high percentage of cash purchases
- **Human resources** – shortage of good workers on the labour market
- **Green finance** – potentially cheaper corporate debt finance and green mortgages for consumers



# Segment Dynamics and Attractiveness

- **Apartment segment** – demand outweighs supply (housing gap of approx. 1.5 million units), good development prospects up to 2028, continuation of demand support policy will have positive impact on housing prices and creditworthiness, transfer of capital from deposits to the real estate sector as a storage of value (safe haven). Plans to release public sector lands
- **Warehouses** – the warehouse market is currently one of the few commercial market segments with good prospects for further growth in demand for modern warehouses, sorting and parcel facilities, thanks to developments in the logistics sector and the diversification of supply chains
- **PRS** – this sector is in its infancy in Poland and has a chance of rapid growth, including potential interest from western funds, but also their growing ESG expectations, with an opportunity of recurring revenue once interest rates stabilise in Europe
- **Student Dormitories** – a new segment with great potential for development of small commercial plots. This asset is highly sought after by investment funds at the moment mainly due to the lack of rent regulation in western European markets
- **Retail** – we observe a further shift of distribution channels to the internet at the expense of brick and mortar shops. There is a trend of closing unprofitable locations – transformation towards apartments
- **Offices** – downturn caused by COVID, increasing role of remote working, search for rental savings



# 2. Strategy



## VISION:

To be the leader of the apartment market in Poland.



## EXPANDED VISION:

To create space for living. To be a first choice employer and developer. To deliver attractive returns to our investors.

Our priority is to meet the needs of individual customers looking for apartments for their own needs, but also those intending to purchase property as an investment.

We aim to increase our market shares to strengthen our position in the current markets. Expanding into other major cities is not excluded.

In order to reach a leadership position, we will expand the core business with partnerships and remain open to further M&A.



We aim to increase competence and expand operations in the PRS segment (apartments for rent and student dormitories) to diversify our core operations.

The preferred option is to participate in the construction and management of a PRS platform or establish partnership with one of the selected strategic players in this segment.

Sources of funding will include funds raised from the completion of divestments in the office and retail sector.

## OBJECTIVE:

We build places where people want to live.

We cater for housing needs of customers in the largest cities in Poland by providing apartments for sale and rent to individual buyers and investors.

We want to offer compelling products and services to a broader market, taking ESG aspects into account. Customer satisfaction and the quality of our products are vital to us, which will be backed by growing brand recognition. We are also analysing the business potential of the green, low-carbon apartment segment.

Operational activities will be supported by state-of-the-art IT and innovations such as AI.

Teamwork and the pursuit of continuous development will also be important to us.



# Management and values

The company’s strategy and management style are geared towards growth of value and achievement of objectives.

Our **organisational culture** that we have been building for several years is a key component of this.

- Communication, collaboration and a committed and highly motivated team are crucial to our company
- We focus on ensuring **transparency** in our operations and **high quality** of our products
- We build our **credibility** through **integrity** in our practices and a **fully professional** approach to all groups of stakeholders
- We have a **team with highly versatile competences** to strengthen the company’s position on the market



# Strategy – Long-Term Goals



Continue to significantly scale up in the for-sale apartment segment to sell 4,500 units in 2028.



Systematic replenishment and securing of a land bank ensuring an average of more than 4 years of apartments sales. Increasing the base of conditionally secured land



Continued business development through partnerships and M&A transactions



Diversification of activities through PRS and student dormitory projects



Development of in-house project execution within the capital group



Increasing brand recognition and awareness and active branding as an enticing employer



Implementation of ESG strategy, including reporting and putting the emissions reduction plan into operation, and model solutions in this respect in apartment development



Completion of divestment of commercial assets

# Targets for 2024



1

Developer and preliminary agreement **sales** of **2,900–3,100 units**



4

**Arkady Wrocławskie**

The building will be prepared for sale in 2025.



2

**Handover** of **2,700–2,900 apartment units**



5

Continuing negotiations with institutional investors in the **living** segment – conclusion of a contract for at least one project



3

**Expanding** our portfolio and initiation of construction of **3,500–3,700 units**

# Strategy – Operational Activities

## ORGANIC GROWTH BASED ON THE CURRENT MODEL

### Strengthening the position in current markets

- Successive growth of the land bank
- JV investments with landowners
- Establishing relationships with external partners, including local authorities

### Geographical expansion

- Going beyond the administrative boundaries of major cities
- Entering 1–2 markets in smaller towns (partnerships, M&A)

### New related products

- Modern, standardised apartments
- End-to-end customer service (credit, finishing, tenancy management, other)
- Investment product, e.g. commercialised residential/commercial units built in the course of the development

### PRS/student dormitories

- Implementation of JV investments, forward sale/purchase formulae and/or own balance sheet based on land bank

## ADDITIONAL DEVELOPMENT AND GROWTH OPPORTUNITIES

### Disinvestments

- Malin – initiation of the exit process through development
- Sale of Arkady Wrocławskie
- Disinvestment in the Kolejowa project

### Platform for rentals

- Development of a platform with an equity partner. Building a portfolio of rental apartments/student dormitories with an option to exit after a period of 5–6 years
- Combining the benefits of diversification, improved efficiency and increased scale

### Partnership in apartments for sale

- Finding a partner for an additional investment financing model
- Potential for significant production growth with limited land acquisition budgets
- Higher expected returns on capital

### Supported by M&A and land development

#### Purchases with a view of adding to the land bank, geographic expansion and cost synergies

- M&A as a way of accelerating entry into a new market
- M&A as a way of strengthening positions in existing markets
- M&A can improve the multipliers obtained at company level due to increasing scale
- Land development provides additional investment land for the company, while allowing margins to be realised on the partial sale of the land to third parties

# Key Areas of Operational Activities

## Increase in apartment sales / Purchase of new land



- Focusing on strengthening the position on key current markets (Warszawa, Kraków, Wrocław, the Tricity, Poznań, Łódź, Katowice)
  - Streamlining and applying innovative tools to strengthen the sales process
- Analysis of cities in terms of M&A
  - Scale up purchasing within the organisation to provide the basis for strong growth
    - Develia Land Development growth
- Increase in share of preliminary and conditional contracts
  - Partnership projects

## Effectiveness sales and marketing/PR efforts



- Improving service quality and customer satisfaction
- Activities that build long-term customer relationships
- Further digitisation of the sales processes
  - Adoption and use of modern sales support tools
    - Brand strategy
    - Active brand promotion

## Design, implementation and automation of processes, ESG



- In-house execution
  - Standardisation, new level of quality, adoption of modern technology, prefabrication, environmentally and customer-friendly solutions
- Introduction of procedures, standard processes
  - Streamlining the design process, tenant changes and defect removal
- Aligning the company's operating model with ESG obligations and opportunities and establishing a team responsible for ESG issues
- Increasing the efficiency of the organisation based on modern IT tools and improving the company's management system

## Business diversification, partnerships, platforms, M&A



- Development of PRS and student dormitory projects
- Preparation of the PRS rental platform
- Development through partnerships and M&A transactions

# Assets – Characteristics

Most of the apartment development projects operated by the company in terms of standard are in the popular segment.

Because of its land holdings, the company also carries out investments in the upscale segment.

## Key strengths:

good quality, functionality, modern and green solutions,  
attractive location, compact layouts

Develia also has a highly diversified land bank.

Residential assets at 31 December 2023 amount to PLN 2,436 million and investment properties and assets held for sale amount to PLN 342 million.

In the apartment segment, at the end of 2023, the company had 2,651 units in its portfolio and over 10,000 units in the land bank.

The land bank in individual cities (number of units): over 3,500 in Warsaw, nearly 1,700 in Wrocław, nearly 2,700 in Kraków, nearly 1,300 in Gdańsk, nearly 300 in Łódź, nearly 200 in Katowice and nearly 700 in Poznań.



# Assets – Product Expansion

In an attempt to adapt residential property portfolio to current buyer expectations, the company is developing new products and will strive to take ESG aspects into account and use the following solutions:

## IN THE E ASPECT

- Smart building management system
- Solar panels
- Heat pumps
- Ventilation with heat recovery
- Enhanced insulation
- Parking facilities suitable for electric vehicles
- Electric external roller shutters
- Use of RES during construction
- LED lighting
- Green roofs

## IN THE S ASPECT

- Green courtyards and tall vegetation
- Bike racks/bike rooms
- Restriction of traffic
- Facilities for people with disabilities
- Parcel machines
- Attractive playgrounds
- Brine graduation towers
- Inclusivity included in land use

## IN THE G ASPECT

- Emission reporting
- Management of energy consumption by residents of apartment estates



The company is currently analysing the business potential of the green apartments segment (compliant with the requirements of the EU Taxonomy).

# Assets – apartment estates (\*)



## Aleje Praskie

Warsaw, Praga-Południe

- for sale: **269**
- in preparation: **1,226**



## Ceglana Park

Katowice, Brynów

- for sale: **337**
- in preparation: **197**



## Centralna Park

Kraków, Czyżyny

- for sale: **16**
- in preparation: **2107**



## Malta Point

Poznań, Rataje

- for sale: **107**



## Przemyska Vita

Gdańsk, Ujeścisko – Łostowice

- for sale: **95**
- in preparation: **256**



## Bochenka Vita

Kraków, Podgórze Duchackie

- for sale: **94**



## Orawska

Wrocław, Krzyki

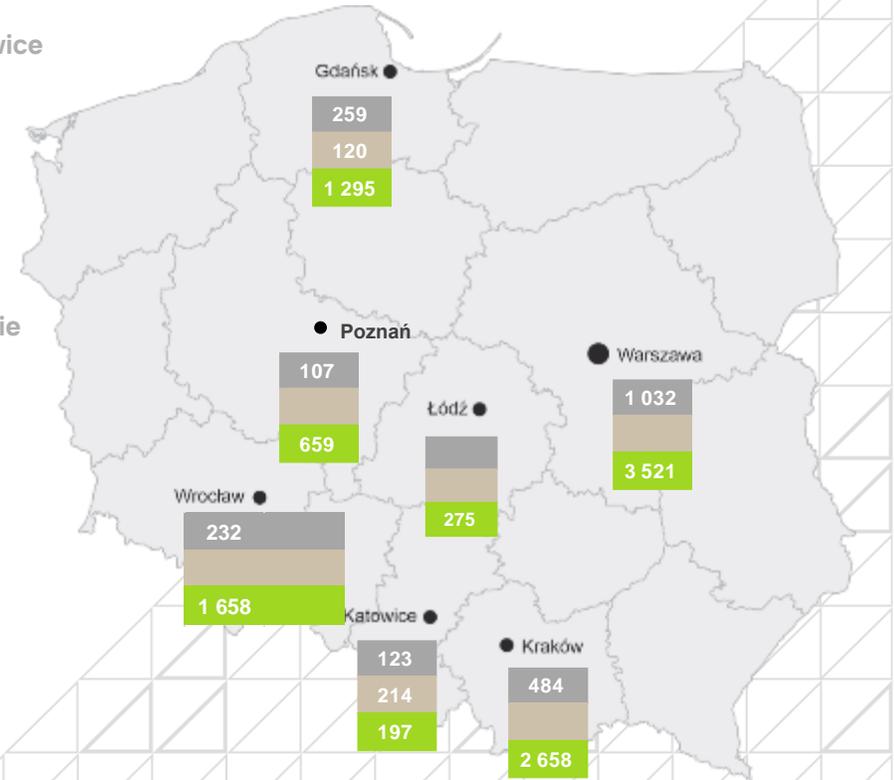
- for sale: **101**
- in preparation: **410**



## other investments in 6 cities

- for sale: **1,552**
- in preparation: **6,593**

The current land bank affords the company the basis to achieve sales of 2,800-3,100 units, and the assumed development plan is to increase sales to 4,500 units, hence the importance of securing and expanding the land bank to around 15,800 units in 2028.



Units in the portfolio with construction started and completed	2 237
Units in the portfolio prior to construction start	334
<b>Units in the land bank at 31 December 2023</b>	<b>10 263</b>

(\*) excluding JV Grupa Lar and the PRS segment

# Assets



**Commercial facility**

## Arkady Wrocławskie

- Lease area: 38,439 m<sup>2</sup>
- **A preliminary agreement for the sale of the property was concluded in December 2023**
- GAV 194.8 mPLN, NAV 144.6 mPLN



**Investment land**

## Malin, 169 hectares

- A JV agreement was signed in January 2023 regarding the intention to jointly develop a logistics park with the required technical and road infrastructure. The estimated income will be significantly higher than the current value of the property on the books. Develia's involvement in the JV agreement amounts to 25%
- Conditional purchase of land subject to amendment of the planning study and adoption of a Local Zoning Plan
- The planned total value of the entire project will exceed PLN 1.5 billion, and the entire investment is planned to be completed within six years of the zoning change of the property



**Investment land**

## Wrocław, ul. Kolejowa

- 5,428 m<sup>2</sup> of land
- In May 2023, a building permit was obtained for the construction of an office and hotel building with a retail and service area
- The planned total floor area for the complex is nearly 24,800 m<sup>2</sup>
- We are planning to sell the project, or alternatively convert the project into a PRS/student dormitory

# New companies



## LAND DEVELOPMENT

- Land acquisitions will require proactive action focusing on new trends, including converting areas and giving them a new function, and projects with highly complex formal and legal structures. These activities should also take into account broad cooperation with the public sector (PPP, etc.)
- Implementation of Integrated Investment Plans, the application of the special housing act, investment in brownfield sites or the conversion of areas with a different function
- Projects with a long-term preparatory period, which will provide multi-phase investment for the company during the strategy years
- DLD is responsible for the preparation of partnerships/joint venture projects and support and analysis for M&A
- For projects consisting of multiple stages, disposing of part of the land after an increase in its value is an acceptable formula
- Improving returns on investment (IRR) through conditional acquisitions and advance payments for land



## CONSTRUCTION

- Further development of Develia Construction's activities based on the company's investment projects – growth of financial efficiency of projects implemented in this formula results in higher margins at the Group level
- Creation of a team to provide cost monitoring of construction materials and contractor services (cost consultant for the entire Group)
- Entry into additional execution markets as a contractor (Tricity)
- Work of new technologies to increase construction efficiency: prefabrication, modern materials, reduction of construction time
- Expanding competence and creating material procurement advantages for the entire Group
- Exploiting the potential of group-wide procurement to optimise the cost of building materials, particularly fit-out and white goods or other appliances in the case of larger dormitory or PRS development projects
- Expansion of competence in the management of the apartment finishing process for the launch of PRS platforms/projects and student dormitories
- Implementation of LCA (Life Cycle Assessment) methodology and analysis and optimisation of the carbon footprint of projects

# Main KPIs for 2024–2028

The premise of the strategy is to maximise the value of the company while providing Develia with a base for further growth.



**Scaling up from nearly 2,700 to 4,500** (in 2028) in the apartments segment, market share growth **to 7–8%** in the sectors of operation



**Dividend potential of approx. PLN 1,350 million** in 2024–2028



The **Main** project – execution of a warehouse project as part of the JV



Budget for land purchases and M&A of more than **PLN 500 million** on average per year. Increase of conditionally secured land base. Expansion of the land bank to **approximately 15,800 units** in 2028, taking into account conditionally secured land



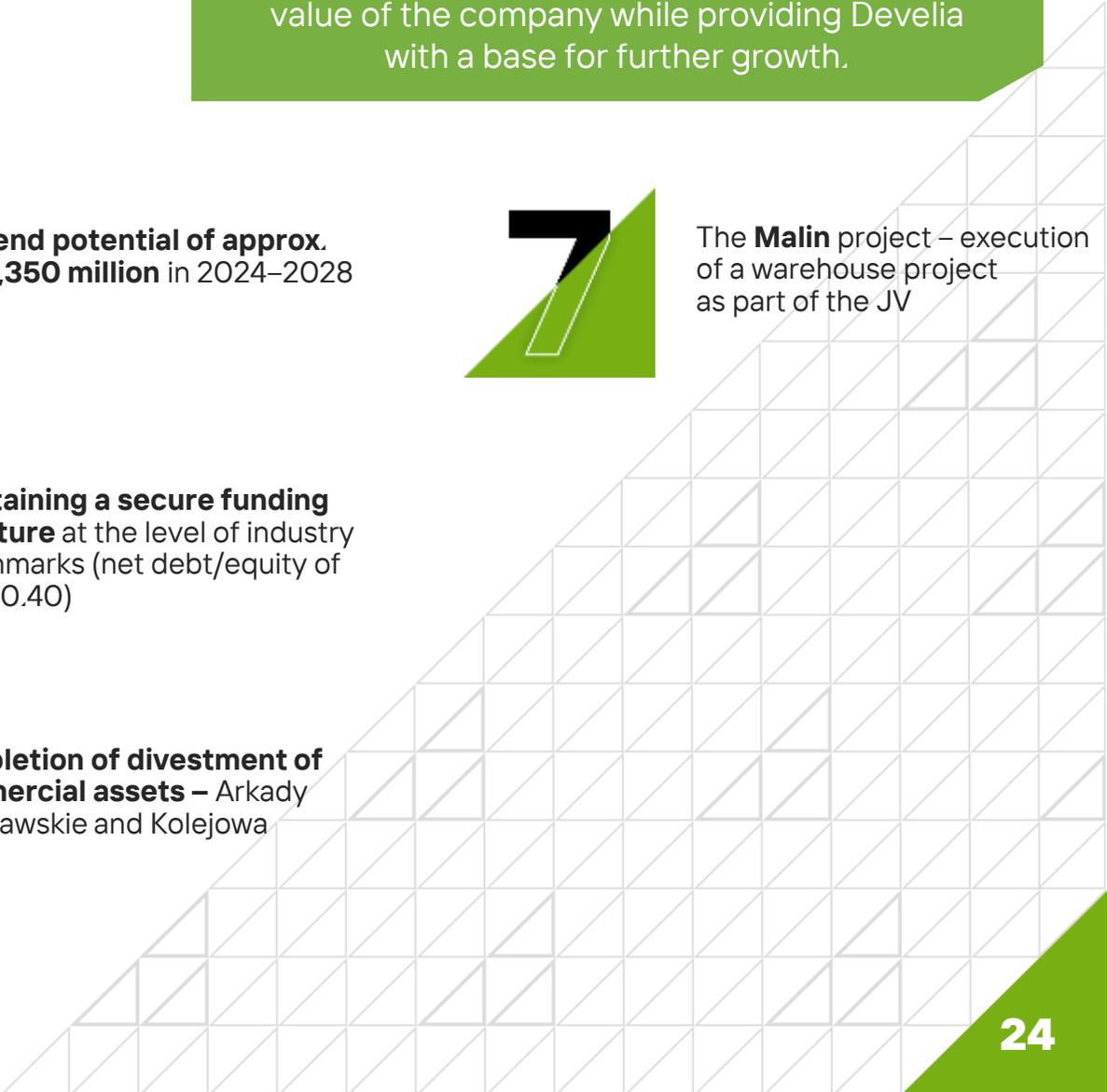
**Maintaining a secure funding structure** at the level of industry benchmarks (net debt/equity of 0.20–0.40)



Diversification of business through projects in the **PRS and dormitory** segments – **at least 2 projects on average per year**



**Completion of divestment of commercial assets** – Arkady Wrocławskie and Kolejowa



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