

KMC Properties ASA

Q2 2022

16 August 2022





The preferred partner for logistics and industrial properties

Today's presenters



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CEO



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Second quarter 2022



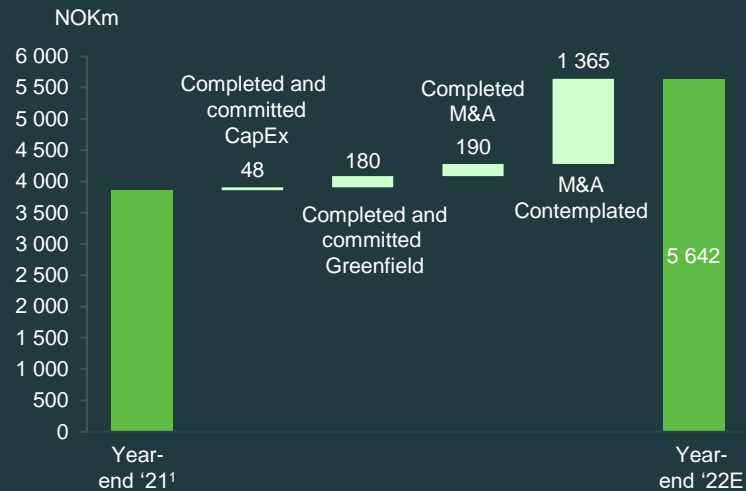
KMC Properties at glance

We are KMC Properties



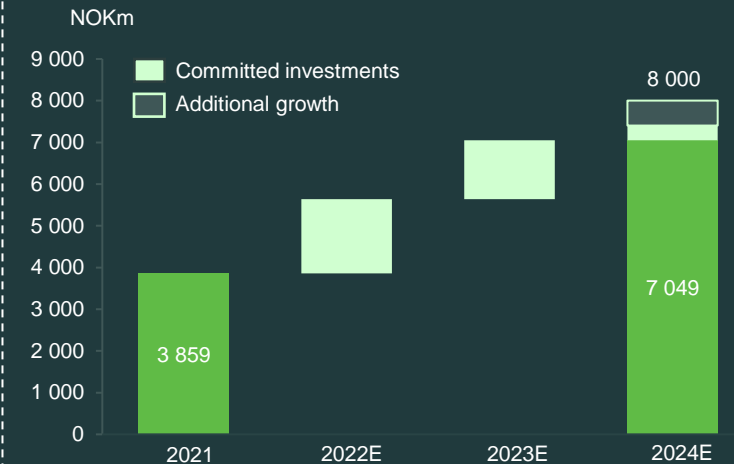
- Real estate company focused on owning high yielding industrial and logistics properties
- Portfolio of 46 assets, primarily in the Nordics, constitution approx. ~377,000 sqm on 30 June 2022
- Long-term lease agreements with solid counterparties
- 95% of rental income is 100% CPI adjusted, 1% of rental income is 80% CPI adjusted, and 4% of rental income has no CPI adjustment
- Low operational expenses due to mainly triple net bare-house lease contracts

... we deliver accretive growth²



- Completed and committed investments in current portfolio (capex) of NOK ~48 million in 2022, at yield-on-cost of ~7.5%
- Completed and committed investments in greenfield projects of NOK ~180 million in 2022, at yield on cost of ~7.1%
- Completed acquisitions of NOK ~190 million in H1 2022 with gross yield of ~7.6%
- Contemplated acquisitions of NOK ~1,365 million in H2 2022, with weighted average gross yield of ~6.6%, of which the BEWI transaction amounts to NOK 970 million in 2022²

...and have strong growth ambitions²



- Strategic target of NOK 8bn by year end 2024, one year ahead of previous growth plan
- Committed and completed investments in 2022 at NOK ~1,783 million year to date
- For 2023 and 2024, committed pipeline amount to NOK ~1,410 million and NOK ~360 million respectively
- Continued focus on assets we know well: foodstuff facilities, light industry – infrastructure for our lessees

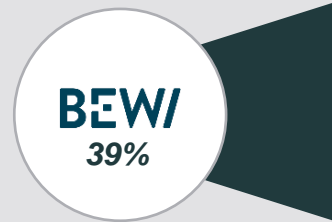
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Solid customer base of market leading companies with long track records and exposure to an attractive industry

Company overview

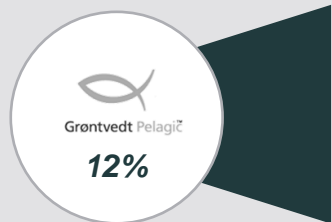
% of net operating income¹



- Listed at the Oslo Børs, majority-owned by the Bekken family, the founder of the company in 1980
- Annual revenues of EUR ~750 million, with solid EBITDA margins
- Leading European provider of packaging, components, and insulation solutions
- Proven buy-and-build strategy with more than 30 M&A transactions executed and integrated since 2014
- Frontrunner in innovation and sustainability



- Nordic seafood group built through 20 acquisitions since foundation in 2015
- Vertically integrated from fish stations through processing and transportation to strong consumer brands
- Majority-owned by Kverva (95.8%), with 1,100 employees across the Nordics
- Margins negatively impacted by operational restructuring and efficiency-improving initiatives completed in 2019



- One of the world's leading pelagic companies specializing in herring products customized to customer preferences
- Strategically located close to rich fishing grounds of the Northeast Atlantic with a long heritage dating back to 1830
- The business is certified by MSC and Grøntvedt aims to utilize 100% of its raw materials



- PSW Group is a provider of products, systems and services to the oil & energy industry
- The group was established in 2007 and is currently owned by the private equity firm Herkules Capital
- The tenant, PSW Technology is one of a total of four business areas

Key customers / brands



Highlights for the second quarter

Key events for the quarter

- Agreement with BEWI for a transformative acquisition of a property portfolio consisting of up to 24 properties and a land plot for approximately NOK 2 billion
- Invested ~NOK 30.7 million in development of existing properties
- Ongoing process for sales of office building in Moscow

Key figures

NOK million	Q222	Q221	1H22	1H21
Gross rental income	64.7	49.0	127.4	97.2
Net Income from property management	28.2	12.7	51.1	14.8
Net asset value adjusted (NAV)	2 157	1 404	2 157	1 404
WAULT (years)	10.0	10.6	10.0	10.6
Occupancy rate (%)	100.0%	98.8%	100.0%	98.8%

Key developments and subsequent events

- Acquisition of two industrial properties in Denmark for DKK ~151 million







BEWI property portfolio: Step-change acquisition for KMC Properties

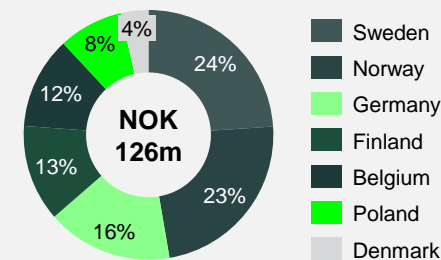
Sound strategic rationale

High-quality asset	✓ High-quality property portfolio of 24 industrial facilities (and one land plot) strategically located
End-market diversification	✓ Significant geographical diversification – adding new countries to the portfolio (Germany, Belgium and Poland)
Growing with tenants	✓ Following BEWI into new locations solidifying industrial knowledge and extending property type experience
Well-known industry	✓ Expansion within KMC Properties core sector focus of light industrial properties
Continuous buy-and-build	✓ Another milestone transaction with significant value contribution – Flexibility to acquire portfolio in parts (e.g. acquire Norwegian and Swedish properties first)

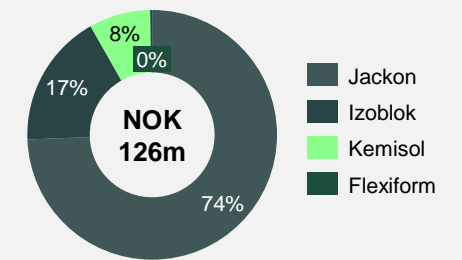
Key metrics (for total portfolio)

	Rental income: NOK c.126m
	BTA: 245k
	Occupancy rate: 100%
	Lease agreement: <ul style="list-style-type: none"> 16.6 years WAULT Triple net (tenant responsible for all costs related to the property) Option 2x5 years Rent settled in local currency 100% CPI adjustment Properties is let "as-is"

Rental income per country



Rental income per tenant



Acquisitions: Delivering on growth strategy by acquiring three single assets with accretive project economics








Undisclosed industrial property

INWIDO – Rogalandsvej 3

INWIDO – Fabriksvej 3 and 4



The tenant delivers a wide range of products and services to the horeca market, concept customers and the grocery industry.

-  Tenant: [●] (not disclosed) 
-  Est. property value: NOK 191m¹
-  GRI: NOK 12.4m
-  Gross yield: 6.5%
-  WAULT: 18 years
-  Status and expected closing:
Advanced discussions, closing Q3/Q4-22

- KMC is in advanced discussions of acquiring an industrial property in Norway
- Solid project economics; increases overall portfolio WAULT
- Thematically good fit with KMC's sector focus (protein and food production)
- Transaction sources through KMC's extensive industrial network – testament to deal sourcing capabilities



The property is leased to KPK Døre and Vinduer A/S which is a part of the Swedish Inwido group – Europe's largest window manufacturer.

-  Tenant: INWIDO 
-  Est. property value: NOK 94m
-  GRI: NOK 7.3m
-  Gross yield: 7.9%
-  WAULT: 10 years
-  Status and expected closing:
Closing Q3-22

- Contributes to tenant and portfolio diversification
- Strong and solvent tenant with positive development and track record
- Tenant with exposure in one of KMC's core sector focus (building materials)
- Attractive yield vs lease duration



The property is leased to Outline Vinduer A/S which is a part of the Swedish Inwido group – Europe's largest window manufacturer.

-  Tenant: INWIDO 
-  Est. property value: NOK 109m
-  GRI: NOK 8.5m
-  Gross yield: 7.9%
-  WAULT: 10 years
-  Status and expected closing:
Closing Q3-22

- Contributes to tenant and portfolio diversification
- Strong and solvent tenant with positive development and track record
- Tenant with exposure in one of KMC's core sector focus (building materials)
- Attractive yield vs lease duration

In line with communicated growth strategy acquiring properties with solid and accretive project economics

Executing on growth strategy

Company strategy and growth targets



- ✓ **Contract renewal** and expansions for existing customers
- ✓ **Greenfield development** of new facilities for new and existing clients
- ✓ **Acquisitions** in collaboration with current & new tenants, and other parties

Growth target of NOK 1bn in GAV per year, hitting GAV of NOK 8bn 2024

Growth initiatives in 2022

Type	Tenant	Completion (estimated)	Value (NOKm) ¹⁾	Investments in 2022	Yield	WAULT	Country
CAPEX	BEWI/ Insula	2022	48	48	7.5%	11.0	
Greenfield	Oppdal Spekemat	Q3 2022	85	55	7.5%	15.0	
Greenfield	BEWI (Jøsnøya, Hitra)	Q4 2023	180	40	7.5%	15.0	
Greenfield	Slakteriet Holding	H1 2024	682	85	6.8%	20.0	
Acquisition	Kuraas	Completed	100	100	7.7%	6.5	
Acquisition	Klädesholmen Seafood	Completed	90	90	7.5%	15.0	
Acquisition pipeline	BEWI	2022/ 2023	2,000	970	6.3%	16.6	Europe
Acquisition pipeline	N/A	2022	395	395	7.2%	14.0	NO/DKK
			3,580	1,783	6.7%	16.4	

New platform set for accelerated value creation

Key KPIs



76

Properties



701k

GLA (sqm)



NOK 476m

Run rate NOI



NOK 7,434m

GAV



13.0 yrs

WAULT

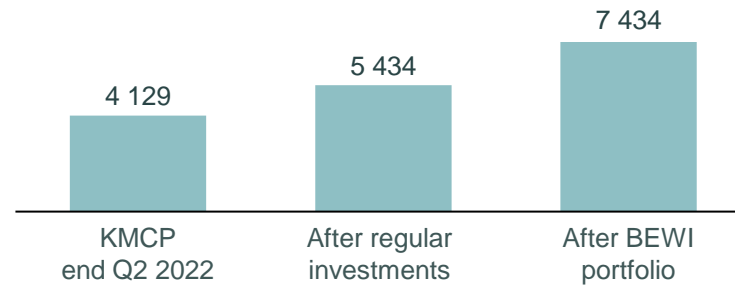


6.6%

Gross yield

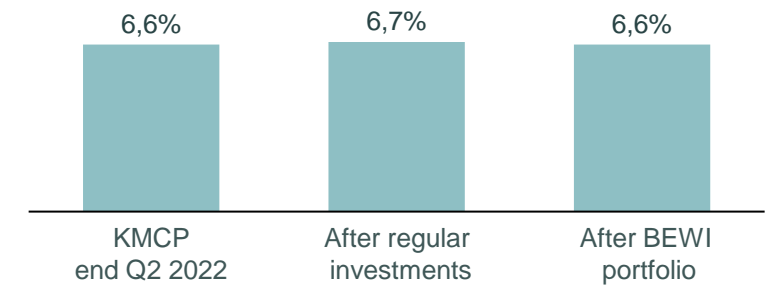
Significantly larger base to grow from

Gross asset value development (NOKm)



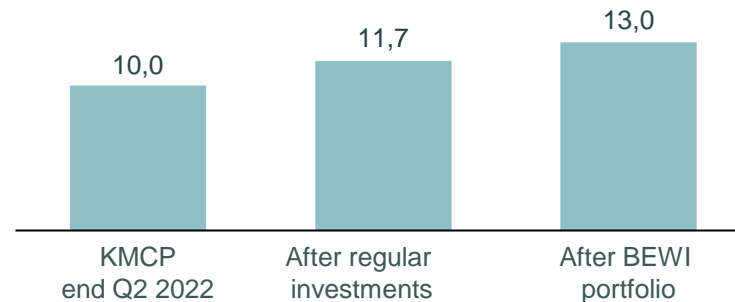
Maintaining portfolio gross yield

Gross yield development (%)



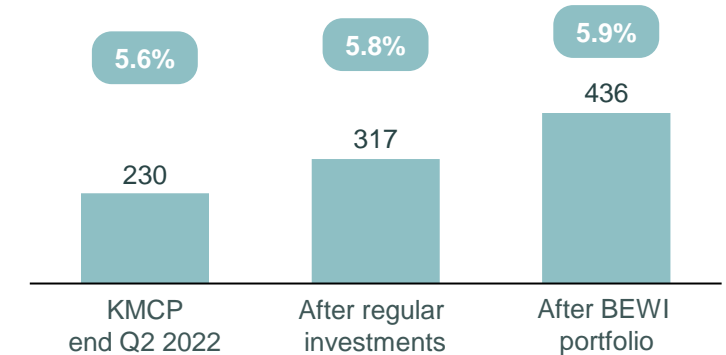
Improving WAULT

WAULT development (years)



Substantial EBITDA uplift

EBITDA and EBITDA yield development (NOKm, %)



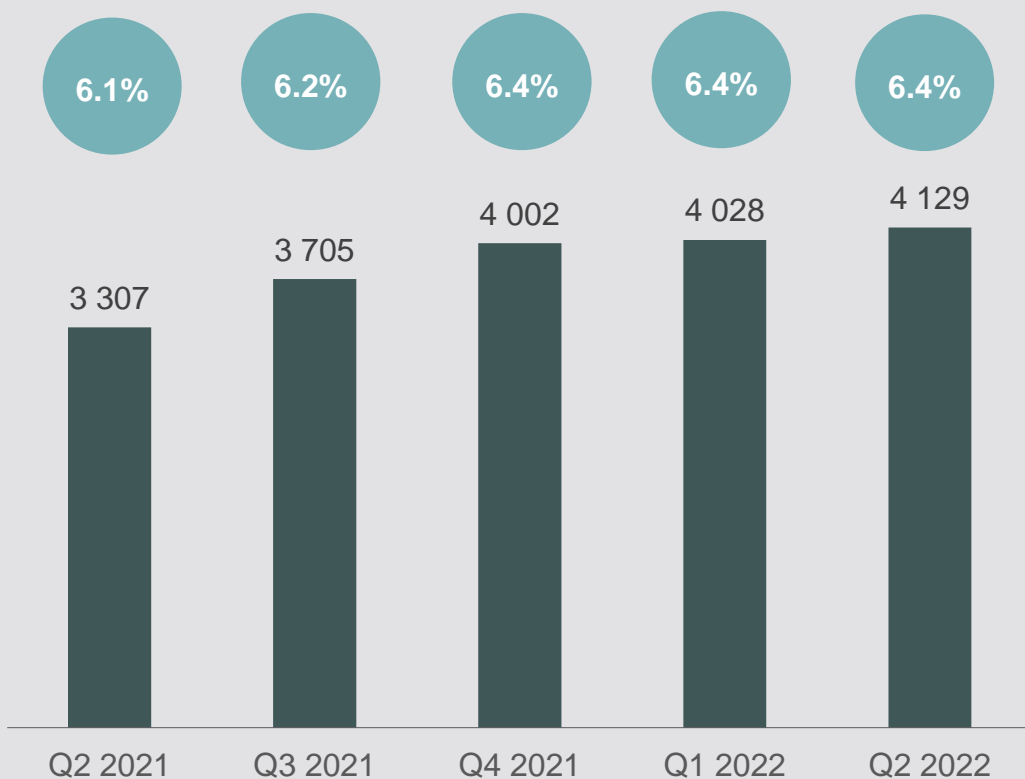
Financials



Property value and yield

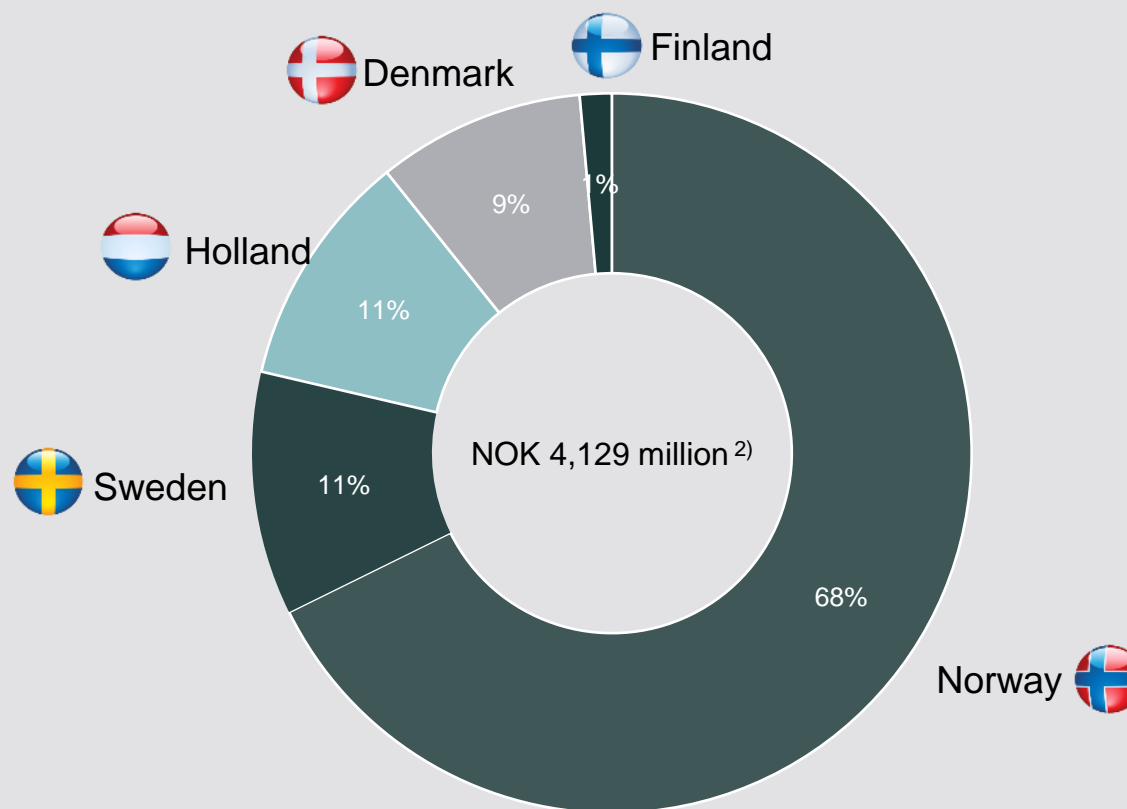
Gross asset value and NOI yield development over time

NOK million



NOI yield

Total appraisal value and split per country¹



Key reported P&L metrics

P&L (NOK million)

	Q2 2022	Q2 2021	H1 2022	H1 2021	2021
Gross rental income	64.7	49.0	127.4	97.2	205,0
Direct property related expenses	-0.3	0.1	-1.3	-2.2	-2.5
Net operating income	64.4	49.0	126.1	95.0	202.4
Other operational expenses and depreciation	-9.1	-16.4	-22.5	-40.6	-64.0
Net fair value Adjustments on Investment Property	8.3	37.0	5.4	102.0	317.3
Total operating profit (loss) (EBIT)	63.6	69.6	109.0	156.5	455.7
Net financial income (expenses)	32.8	-27.8	70.6	-40.7	-75.9
Tax	-23.5	-12.6	-43.0	-28.4	-76.9
Net income from continuing operations	72.8	29.2	136.6	87.3	302.9

Comments

- Rental income and costs in Russia is not included in the figures.
- Rental income increased by 32.0% from Q2 2021 to Q2 2022, mainly explained by income from new investments and CPI adjustment.
- Transaction costs of NOK 0.1 million in Q2 2022.
- Net realised financials of NOK ~27.1 million in Q2 2022.
- Tax expense was NOK 23.5 million in Q2 2022, of which NOK 9.0 million is tax payable and the remaining NOK 14.5 million is change in deferred tax.

Development in adjusted annualised run-rate

Annualised run-rate (NOK million)

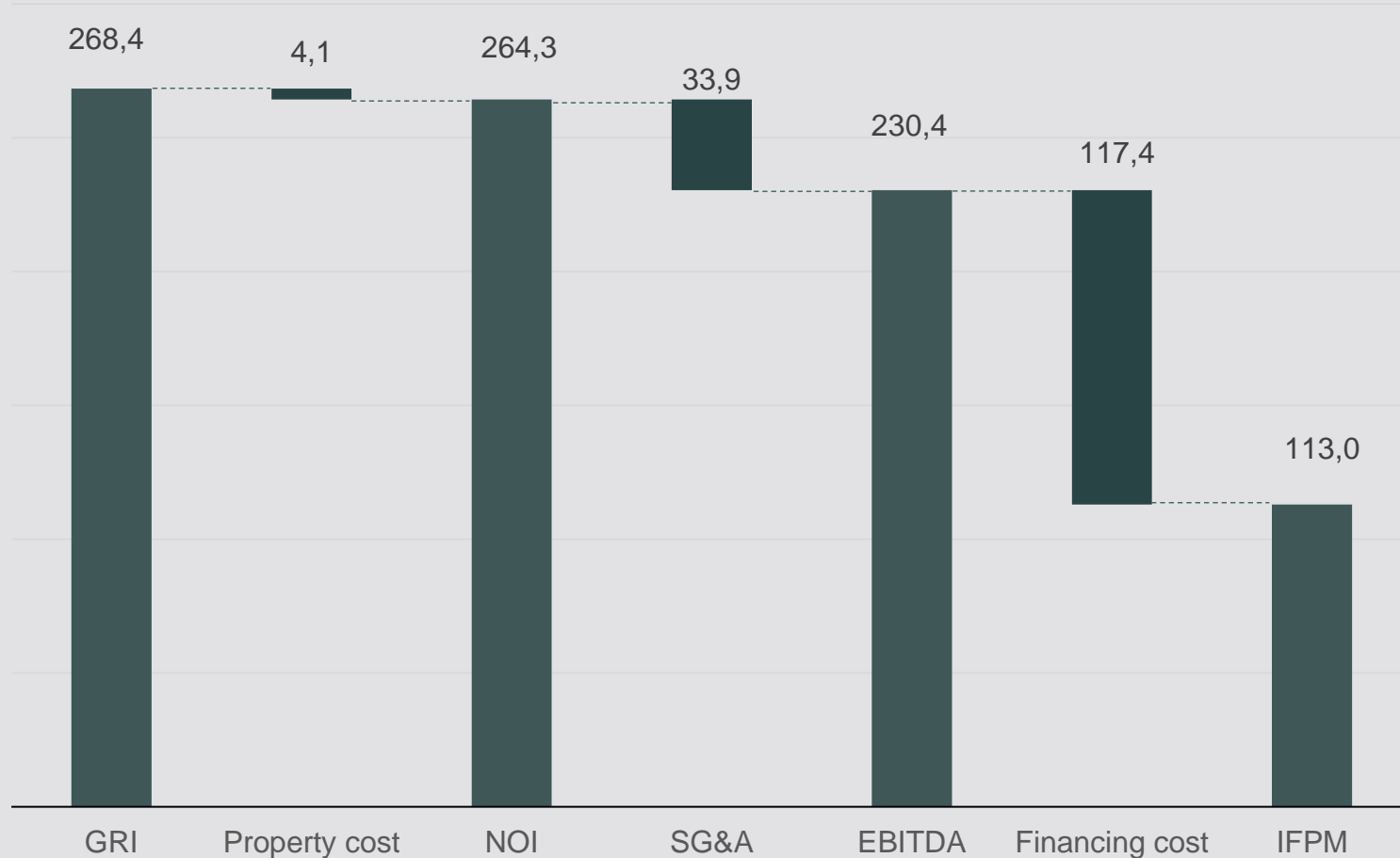
	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Gross rental income	268.4	258.9	284.0	247.0	246.3	212.8
Property related expenses	-4.1	-4.1	-13.0	-11.0	-12.7	-12.5
Net operating income	264.3	254.8	271.0	236.0	233.6	200.3
SG&A expenses	-33.9	-33.6	-28.0	-26.0	-25.0	-24.2
EBITDA	230.4	220.7	243.0	210.0	208.6	176.1
Realised financial expenses	-117.4	-111.3	-110.0	-99.5	-93.1	-79.5
Net income from property management	113.0	109.4	133.0	110.5	115.5	96.6

Comments

- Q2 2022 is based on final agreements as of 30 June 2022 and does not include income and costs from the Moscow property. The figures from periods before Q1 2022 includes income and costs from the Moscow property.
- Relatively stable costs despite high rental income growth due to new investments

Current run-rate

Run-rate bridge from GRI to IFPM

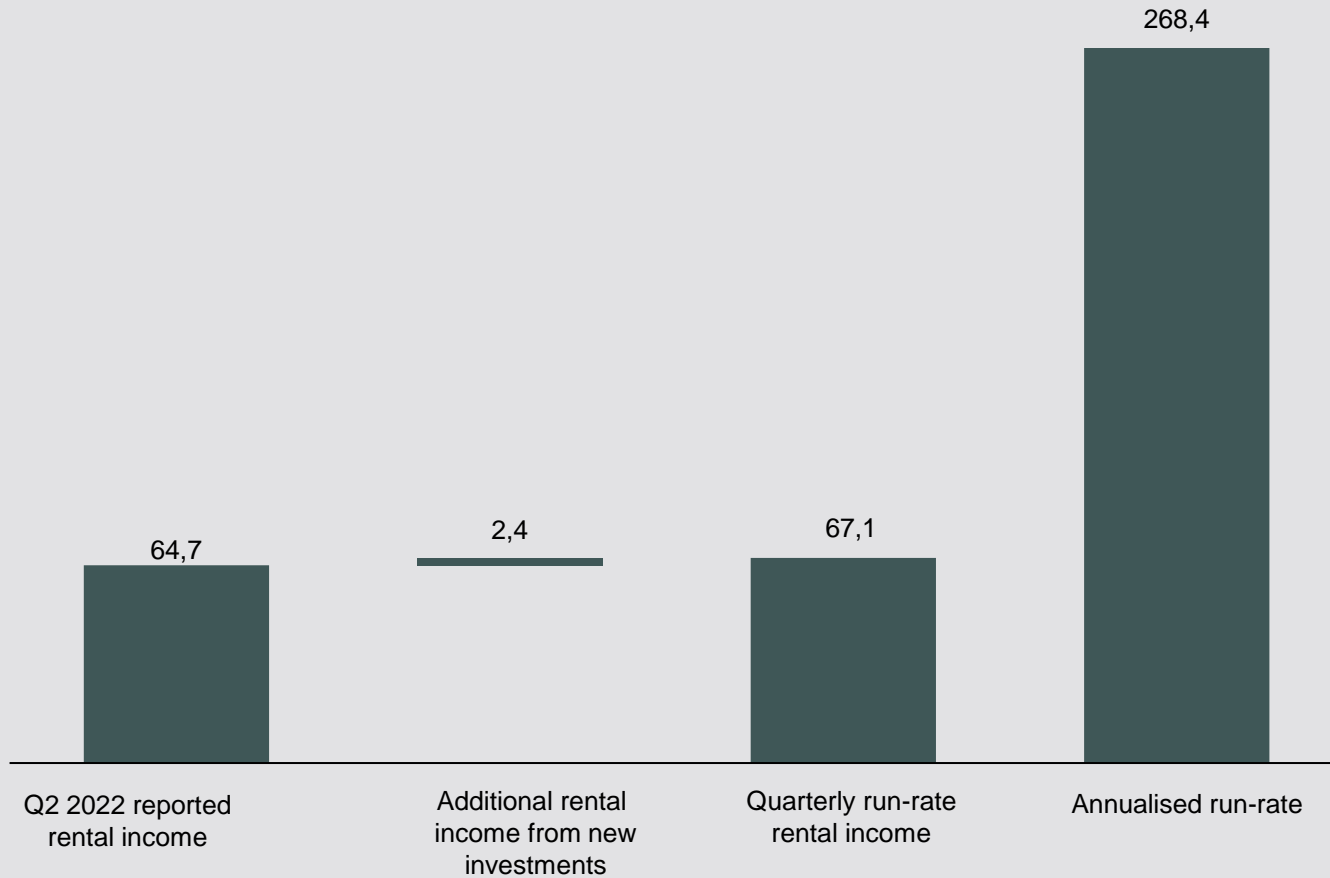


Comments

- Property cost at NOK 4.1 million after reclassification of costs in Russia (c. 1.5% of GRI). Expected to remain low due to mainly triple net lease contracts in the portfolio.
- SG&A related to overhead costs of running the operations including salaries and administrative expenses.
- Fair value adjustments and transaction costs not included in run-rate EBITDA
- Financing cost driven by the interest-bearing debt and swap agreements at 30 June 2022.

Run-rate figures: Key metrics

Run-rate bridge from GRI to IFPM



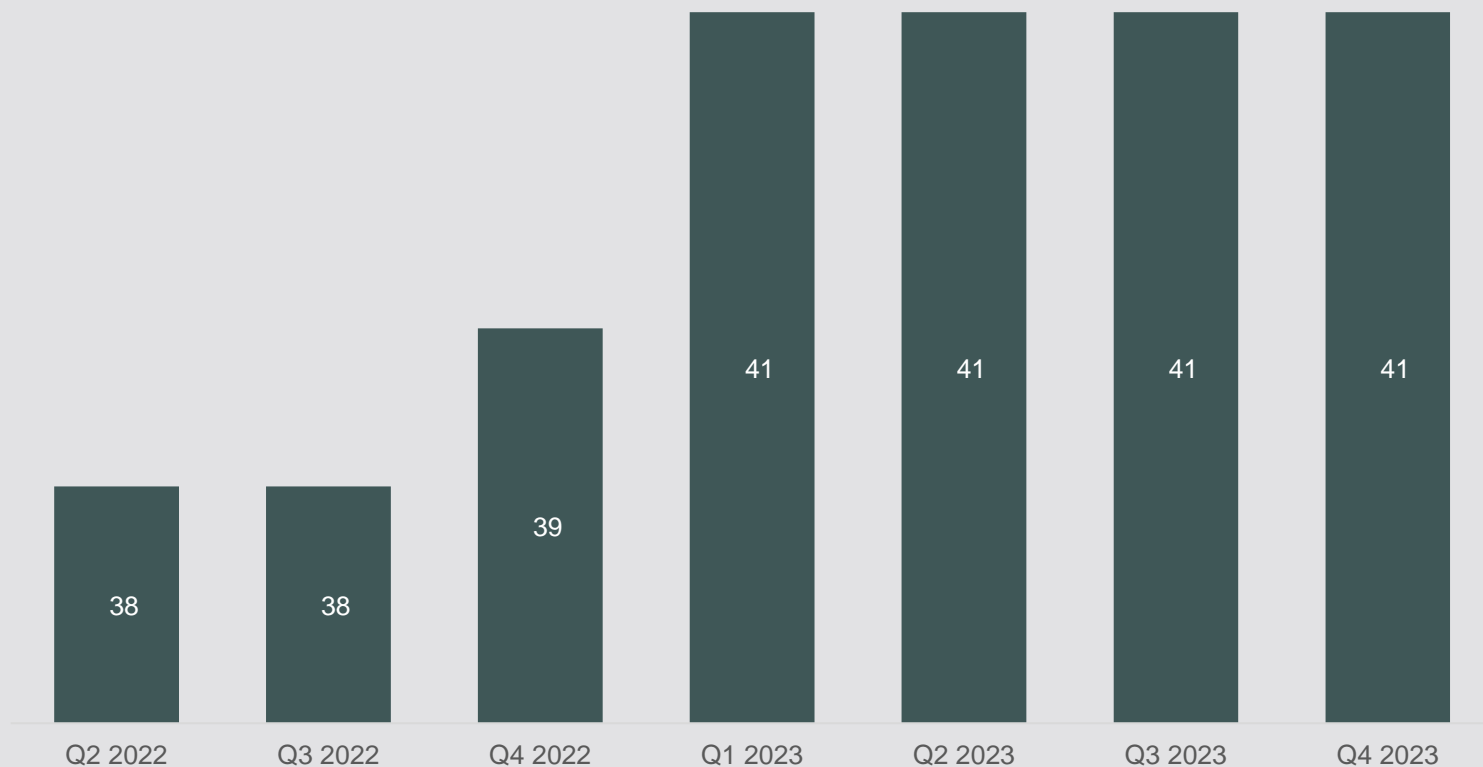
Comments

- Additional rental income comes from new capex investments.

Existing contracts provide solid cash flow

Contractual gross rental income for the period 2022-2023¹ less estimated interests expenses²

NOK million



Comments

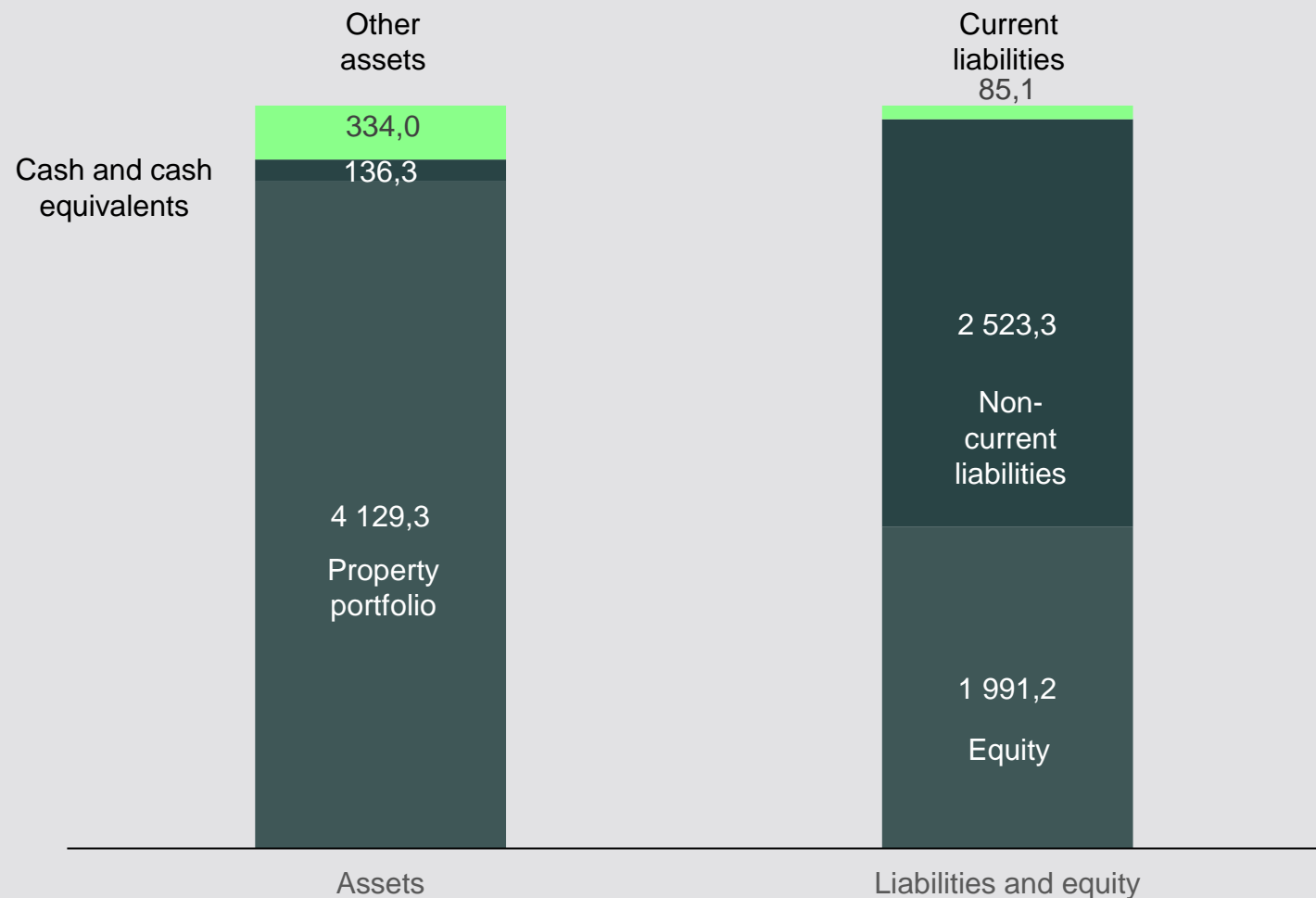
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- 95% of rental income is 100% CPI adjusted, 1% of rental income is 80% CPI adjusted, and 4% of rental income has no CPI adjustment
- Low operational expenses due to mainly triple net bare-house lease contracts
- Cash flow provide strong debt capacity and flexibility for further growth

1) Based on contracts as of 30 June 2022, excluding rental income from the office building in Moscow. CPI adjustments in 2023 is set to 2.0%.

2) Based on interest-bearing debt, swap agreements and interest rates at period end. Does not include interests on the revolving credit facility

Balance sheet at 30.06.2022

Balance sheet build-up



Comments

- Portfolio valued by Cushman & Wakefield quarterly
- In Q2 2022, value of property portfolio increased by NOK 101.2 million to a total value of NOK 4 129.3 million
- Assets consists of interest rate and currency rate swap agreements (NOK 162.1 million), other long-term assets (NOK 5.0 million), trade receivables (NOK 8.0 million), prepaid expenses, VAT receivables, tax receivables, other current receivables (NOK 7.8 million), assets held for sale (NOK 151.2 million) and NOK 136.3 million in cash
- Total current liabilities of NOK 85.1 million, mainly including short-term interest bearing debt (NOK 28.6 million), trade payables (NOK 23.5 million), taxes (NOK 3.6 million), other current liabilities (NOK 18.0 million) and liabilities held for sale (NOK 11.5 million)
- Total non-current liabilities of NOK 2 523.3 million, mainly including interest bearing debt (NOK 2 336.2 million), deferred tax liabilities (NOK 165.9 million) and land lease liabilities (NOK 18.0 million)
- Total equity was NOK 1 991.2 million, representing an equity ratio of 43.3%

Interest bearing debt

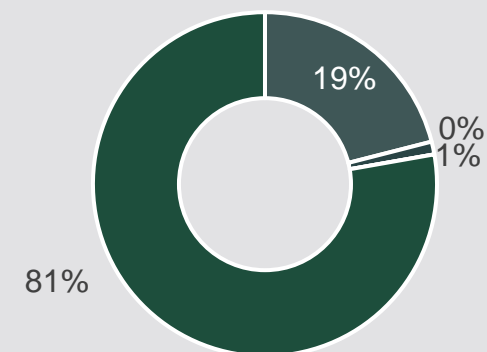
Financing activity in the quarter

- New construction loans of NOK 28.6 million at 3m NIBOR + 300bps
- No utilization of the revolving credit facility in Q2 2022

Maturity profile and composition of interest-bearing debt

All amounts in NOK million	0-1 yrs	1-2 yrs	2-3 yrs	>3yrs
Revolving credit facility (RCF)	0	0	0	0
Construction loan	28.6	0	0	0
Bank loan	0	0	0	494.9
Bonds	0	0	1 850.0	0
Total	28.6	0	1 850.0	494.9

Source of funds



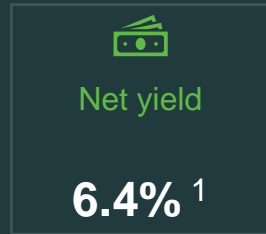
■ Term loan ■ Construction loan ■ RCF ■ Bond

└ Outlook and
summary



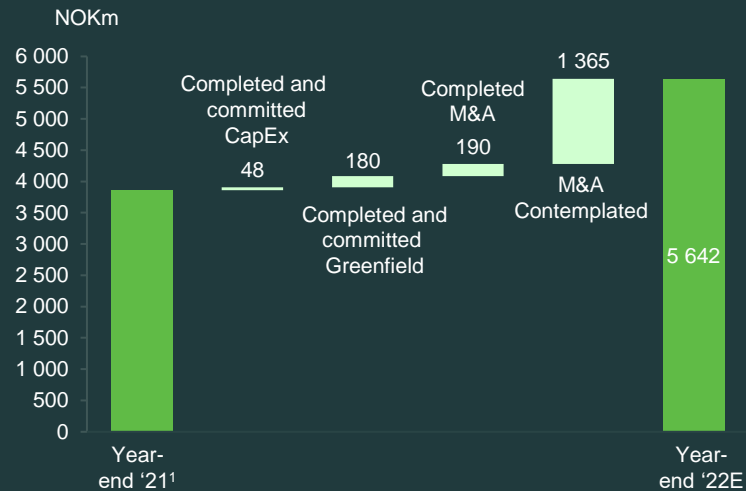
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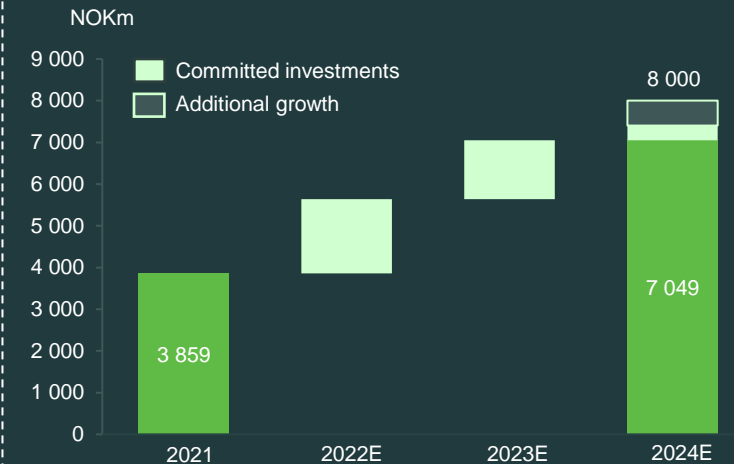
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Q&A

