


# KMC Properties ASA

Q2 2021

26 August 2021





The preferred partner  
for logistics and  
industrial properties

# Today's presenters



**Liv Malvik**  
CEO



**Kristoffer Holmen**  
CFO

# Disclaimer

This presentation, prepared by KMC Properties ASA (the "Company"), may contain statements about future events and expectations that are forward-looking statements. Any statement in this presentation that is not a statement of historical fact including, without limitation, those regarding the Company's financial position, business strategy, plans and objectives of management for future operations is a forward-looking statement that involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. Although management believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurances that they will materialize or prove to be correct. Because these statements are based on assumptions or estimates and are subject to risks and uncertainties, the actual results or outcome could differ materially from those set out in the forward-looking statements.

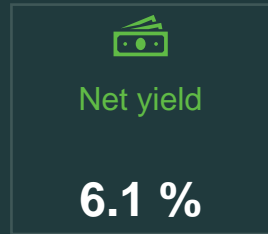
The Company assumes no obligations to update the forward-looking statements contained herein to reflect actual results, changes in assumptions or changes in factors affecting these statements. This presentation contains alternative performance measures, or non-IFRS financial measures. Definitions and calculations are presented in our quarterly report.

Second quarter 2021



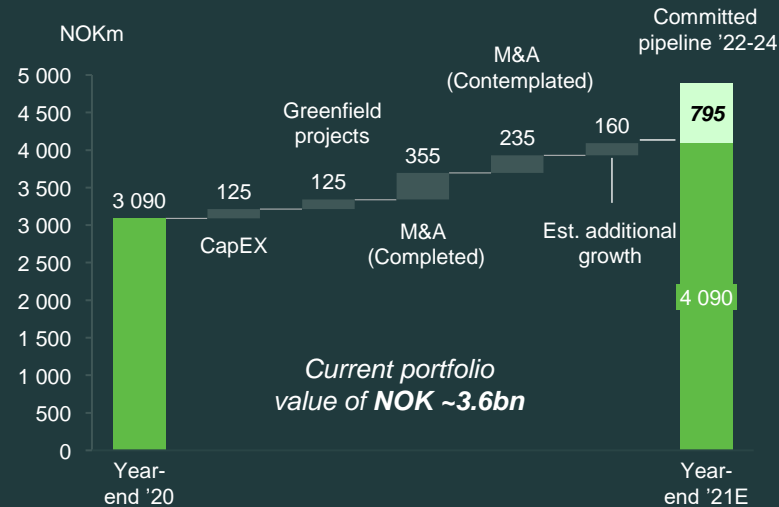
# KMC Properties at glance

## We are KMC Properties



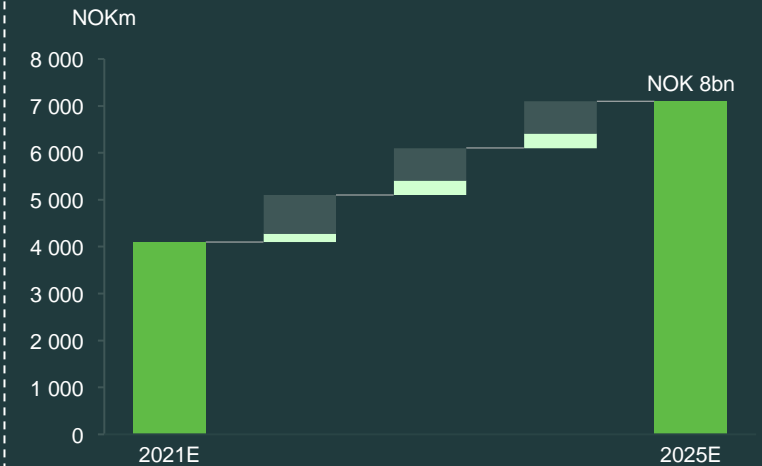
- Real estate company focused on owning industrial and logistics properties
- Portfolio of 40+ assets, primarily in the Nordics, constitution approx. ~349,000 sqm at 30 June 2021
- Long-term lease agreements with solid counterparties
- Two largest tenants are BEWI and Insula – owned by the Bekken and Witzøe families respectively; both large shareholders in KMCP

## ... we deliver accretive growth



- Current portfolio gross yield of ~6,5%
- Investments for lessees in current portfolio of NOK ~125 million, at yield-on-cost of ~7.3%
- Ongoing greenfield projects of NOK ~125 million, at yield on cost of ~7.5%
- Completed acquisitions of NOK ~355 million at YoC of 7.5%
- Actively pursuing further acquisitions of NOK ~235 million at ~7.7% average YoC. Estimate additional potential growth before year-end to NOK 160 million<sup>2</sup>
- Assuming all investments are completed, GAV may grow to NOK ~ 4.1bn by year end<sup>2</sup>

## ...and have strong growth ambitions



- Strategic target of NOK 8bn by year end 2025
- Committed greenfield projects pipeline for 2022 totaling NOK 795 million, at yield on cost of ~6.9%
- Planned growth well within expected possibility in the sector – corresponding to approx. 4% of average relevant Nordic real estate volumes<sup>1</sup>
- Continued focus on assets we know well: foodstuff facilities, light industry – infrastructure for our lessees

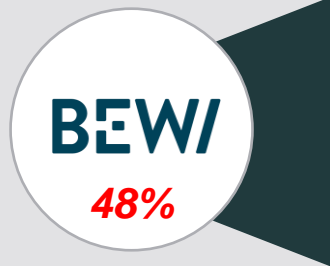
1) Pangea Nordic Property Outlook 2021: average Nordic «Industrial/Storage» transaction volume, 2016-2020, of EUR ~2,45 bn.

2) Current company estimates, based on current transaction pipeline and market visibility and outlook. No assurances can however be given that any such acquisitions will be concluded, or at what terms. Further information will be provided in due course, as and when relevant or appropriate.

# Solid client base of market leading companies with long track records and exposure to and attractive industry

## Company overview

% of net operating income<sup>1</sup>



- Listed at the Oslo Børs
- Founded in 1980 by the Bekken family
- Leading European provider of packaging, components, and insulation solutions
- Proven buy-and-build strategy with 22 deals 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

## Key customers / brands



# Highlights of the second quarter

## Key events

- Conditional offer accepted for production facility in Denmark for DKK 75 million
- LOI with Slakteriet Holding AS to build a NOK 620 million slaughterhouse facility
- Long-term lease agreement with BEWI for new packaging hub at Jøsnøya
- Agreement with Oppdal Spekemat for construction of new production facility
- Acquisition of industrial property with long-term lease at Mongstad for NOK 285
- Acquisitions of two industrial properties in Norway and Denmark for NOK ~72 million



## Key figures

NOK million	Q2 2021	1H 2021
Gross rental income	53.7	106.8
Net Income from property management	14.7	19.2
Net asset value adjusted (NAV)	1,403	1,403
WAULT (years)	10.6	10.6
Occupancy rate (%)	98.8%	98.8%

## Key developments

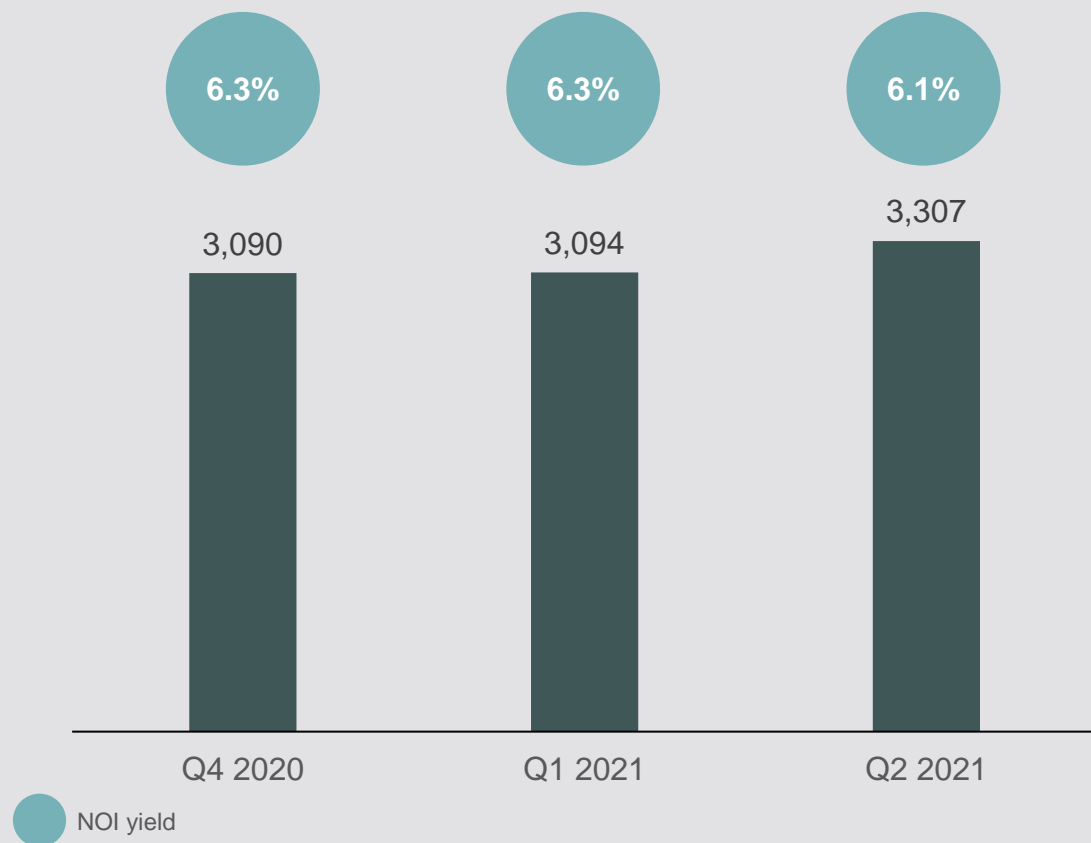
- Capex pipeline of NOK 95 million in H2 2021 split on projects
- Greenfield pipeline of NOK 75 million in H2 2021 and NOK 795 million after 2021
- Actively pursuing concrete acquisitions ~NOK 235 million at average YoC of ~7.7%
- Estimated additional growth in 2021 ~NOK 160 million



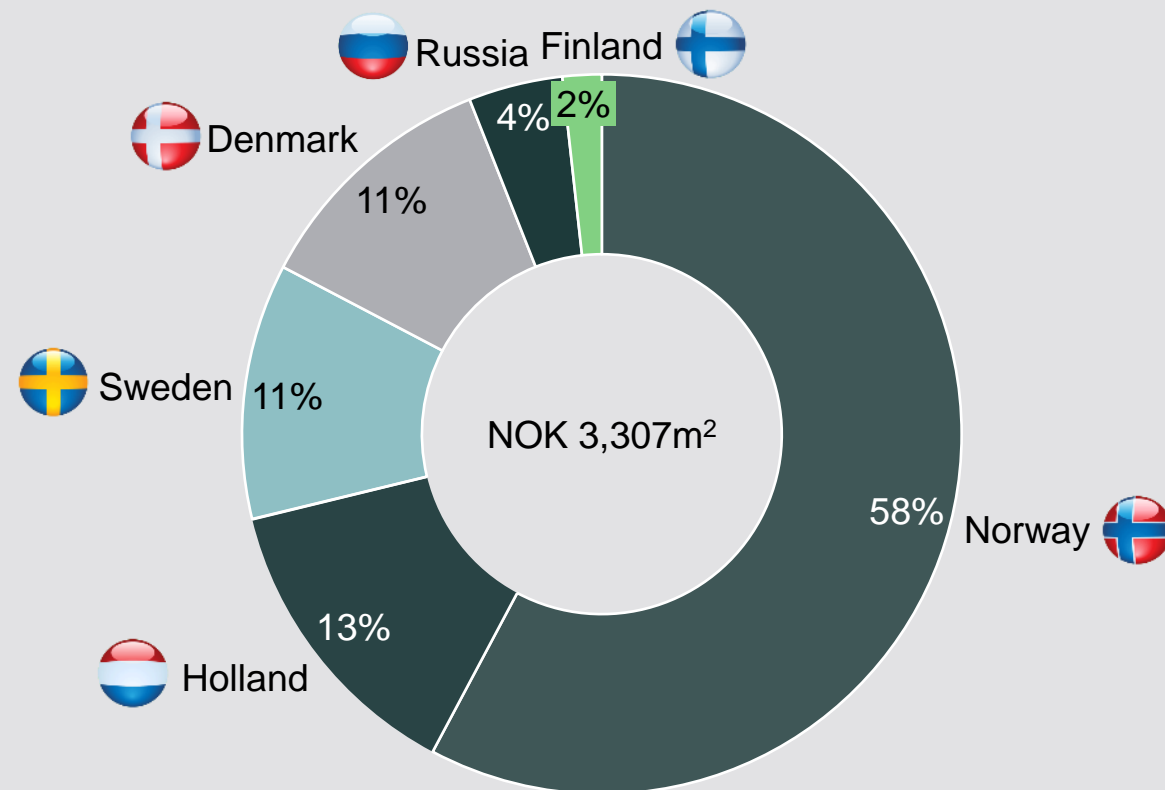
# Property value and yield

Gross asset value and NOI yield development over time

NOK million



Total appraisal value and split per country<sup>1</sup>



# Ambitious growth strategy for portfolio



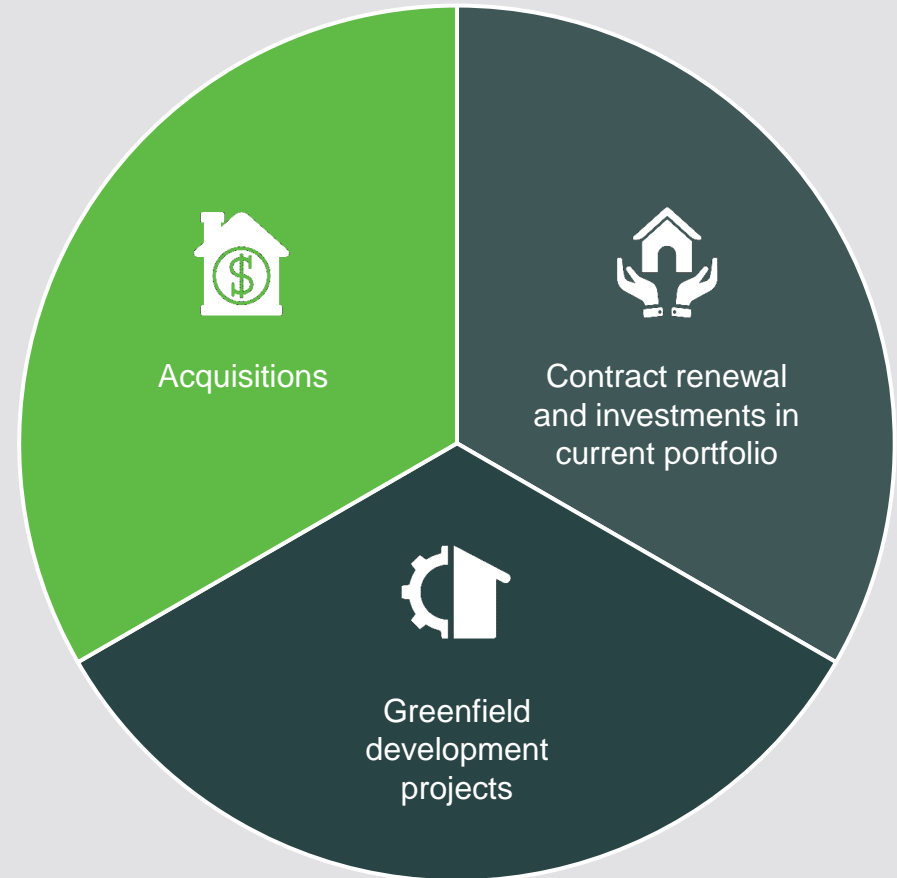
Investments in expansion projects for existing clients






Investments in new facilities for new and existing clients





Acquisitions in collaboration with current and new tenants, as well as third parties



# Selected ongoing projects

	<u>Location</u>	<u>Expected completion</u>	<u>Gross yield / Yield-on-cost<sup>1</sup></u>	<u>Tenant</u>	<u>Est. total project cost / value of property (NOKm)</u>
 <b>Expansion projects (Capex)</b> Ongoing projects existing tenants		2021	~7.3%	BEWI/Insula	125
 <b>New facilities (Capex)</b> Fish box facility Senja Production facility Oppdal Packaging hub Hitra	Senja, Norway	Q3 2021	~7.5%	BEWI	85
	Oppdal, Norway	Q3 2022	~7.5%	Oppdal Spekemat	30
	Hitra, Norway	Q1 2023	~7.5%	BEWI	10
 <b>Completed acquisitions</b> Packaging facility Denmark Production facility, Norway Industrial property Norway	Denmark	Q2 2021	~7.2%	BEWI Cellpack	28
	Molde, Norway	Q2 2021	~7.1%	PTG Friornordica	43
	Mongstad, Norway	Q2 2021	~7.7%	PSW Technology AS	285
<b>Sum / weighted avg</b>			<b>~7.5%</b>		<b>605</b>

# Selected ongoing projects

	<u>Location</u>	<u>Expected completion</u>	<u>Gross yield / Yield-on-cost<sup>1</sup></u>	<u>Tenant</u>	<u>Est. total project cost (NOKm)</u>
	M&A Contemplated	2021	~7.7%	Other	235
	M&A Estimated additional growth	2021	~7.0%	Other	160
<b>Sum / weighted avg 2021</b>			<b>~7.4%</b>		<b>1 000</b>
<b>Greenfield projects 2022 -</b>					
	Salmon Slaughterhouse Facility	Florø, Norway	2023/2024	~6.8%	Slakteriet Holding 620
	Production facility Oppdal	Oppdal, Norway	Q3 2022	~7.5%	Oppdal Spekemat 60
	Packaging hub Hitra	Hitra, Norway	Q1 2023	~7.5%	BEWI 115
<b>Sum /weighted avg 2021 and committed 2022-</b>			<b>~7.3%</b>		<b>1 795</b>

# Financials



# Key reported P&L metrics

## P&L (NOK million)

	Q2 2021	Q1 2021	2020
Gross rental income	53.7	53.1	51.8
Direct property related expenses	-2.0	-4.2	-2.8
<b>Net operating income</b>	<b>51.7</b>	<b>48.9</b>	<b>49.0</b>
Other operational expenses and depreciation	-19.1	-24.6	-18.5
Net fair value Adjustments on Investment Property	36.9	65.1	404.6
<b>Total operating profit (loss) (EBIT)</b>	<b>71.5</b>	<b>89.4</b>	<b>435.0</b>
Net financial income (expenses)	-27.8	-12.9	-28.1
Tax	-12.8	-15.9	-94.3
<b>Net income</b>	<b>30.9</b>	<b>60.6</b>	<b>312.6</b>

## Comments

- Stable rental income in Q2 compared to Q1
- NOK 10.2 million in transaction costs in Q2 compared to NOK 17.5 million in Q1.
- Net realised financials ~NOK 19.9 million in Q2

# Development in adjusted annualised run-rate

## Annualised run-rate (NOK million)

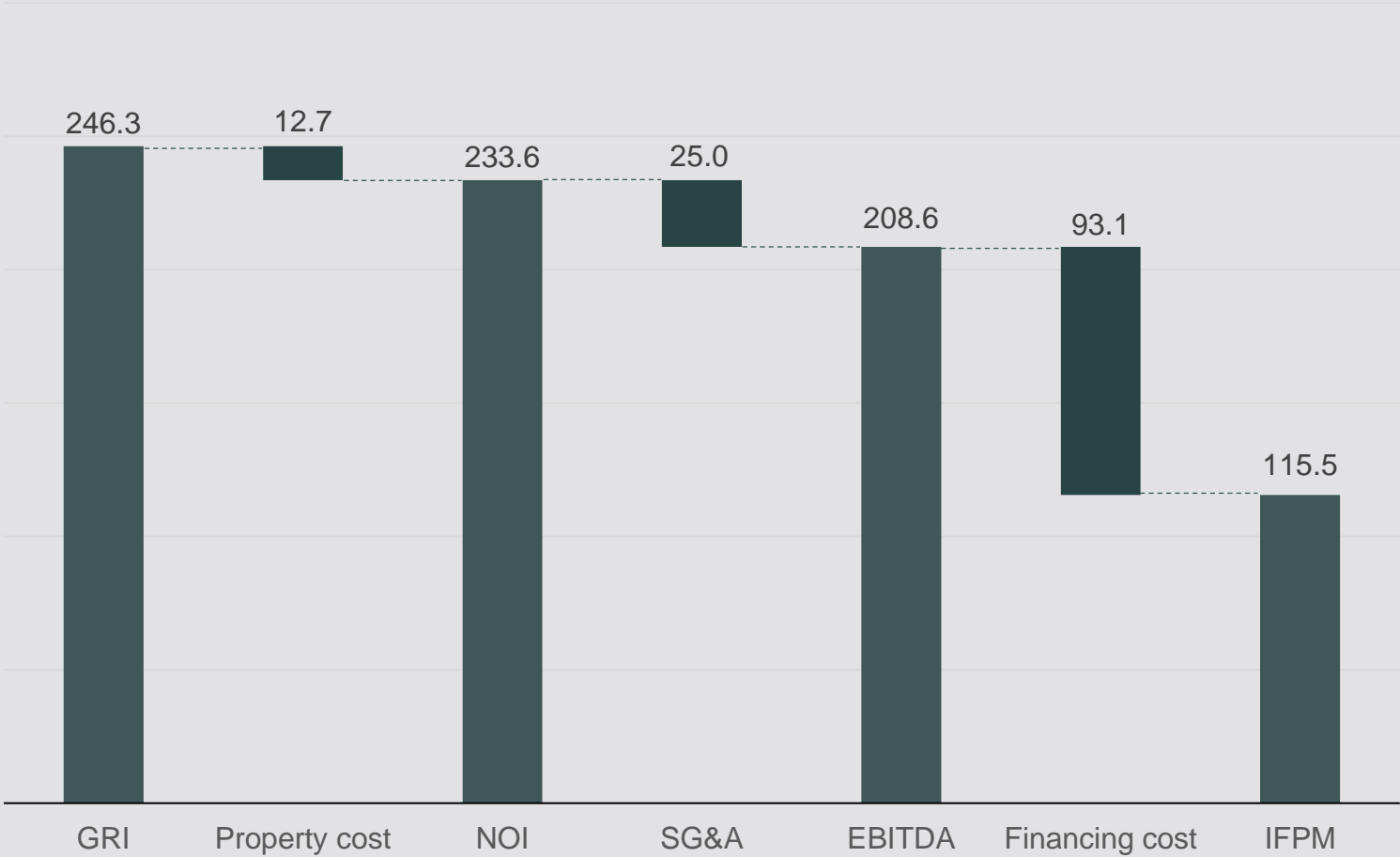
	Q2 2021	Q1 2021	Q4 2020
Gross rental income	246.3	212.8	212.8
Property related expenses	-12.7	-12.5	-12.5
<b>Net operating income</b>	<b>233.6</b>	<b>200.3</b>	<b>200.3</b>
SG&A expenses	-25.0	-24.2	-24.2
<b>EBITDA</b>	<b>208.6</b>	<b>176.1</b>	<b>176.1</b>
Realised financial expenses	-93.1	-79.5	-79.5
<b>Net income from property management</b>	<b>115.5</b>	<b>96.6</b>	<b>96.6</b>

## Comments

- No change in Q1 due to no additional agreements.
- Q2 2021 is based on final agreements as of 25 August 2021.
- Change in gross rental income due to:
  - Investments in H1 2021 ~NOK 151 million
  - Acquisition of Mongstad property ~NOK 285 million
- Stable costs despite rental income growth

# Current run-rate

Run-rate bridge from GRI to IFPM



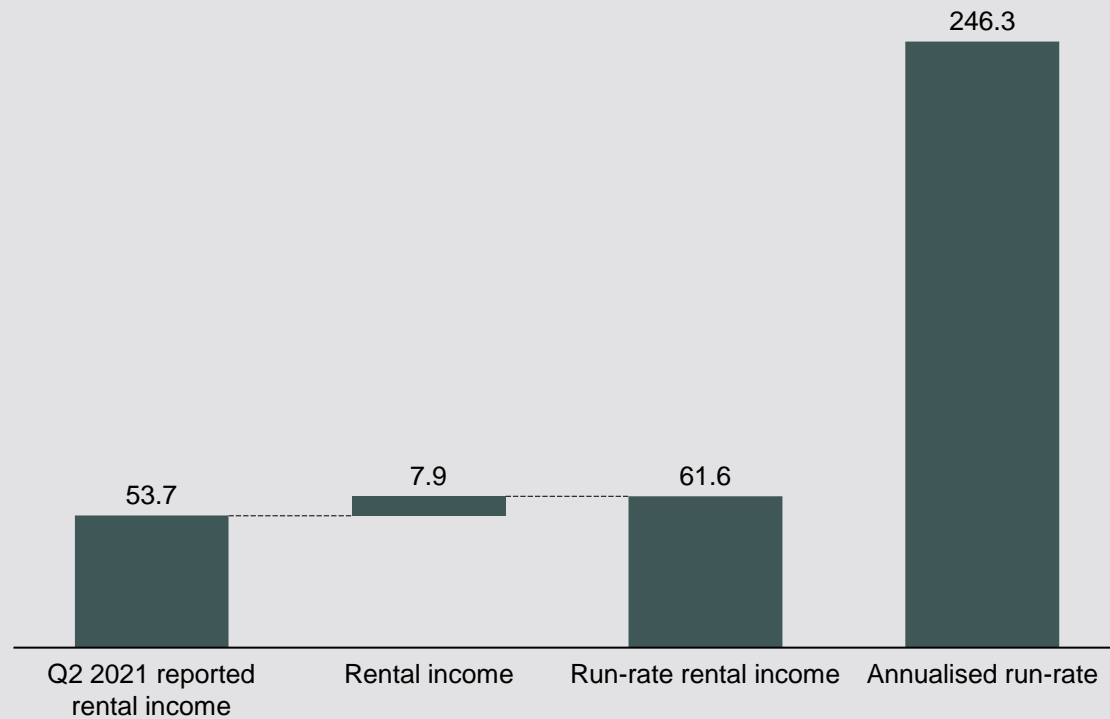
## Comments

- GRI including income from the recently acquired property at Mongstad for NOK 285 million which will come into effect in Q3 2021
- Property cost at c. 5% of GRI and expected to remain stable due to the nature of the business focusing on bear house contracts
- SG&A related to overhead costs of running the operations including salaries and administrative expenses
- Changes to property valuation and transaction cost not included in run-rate EBITDA
- Financing cost driven by the NOK 1,850 million bond and NOK 326 million in bank loans



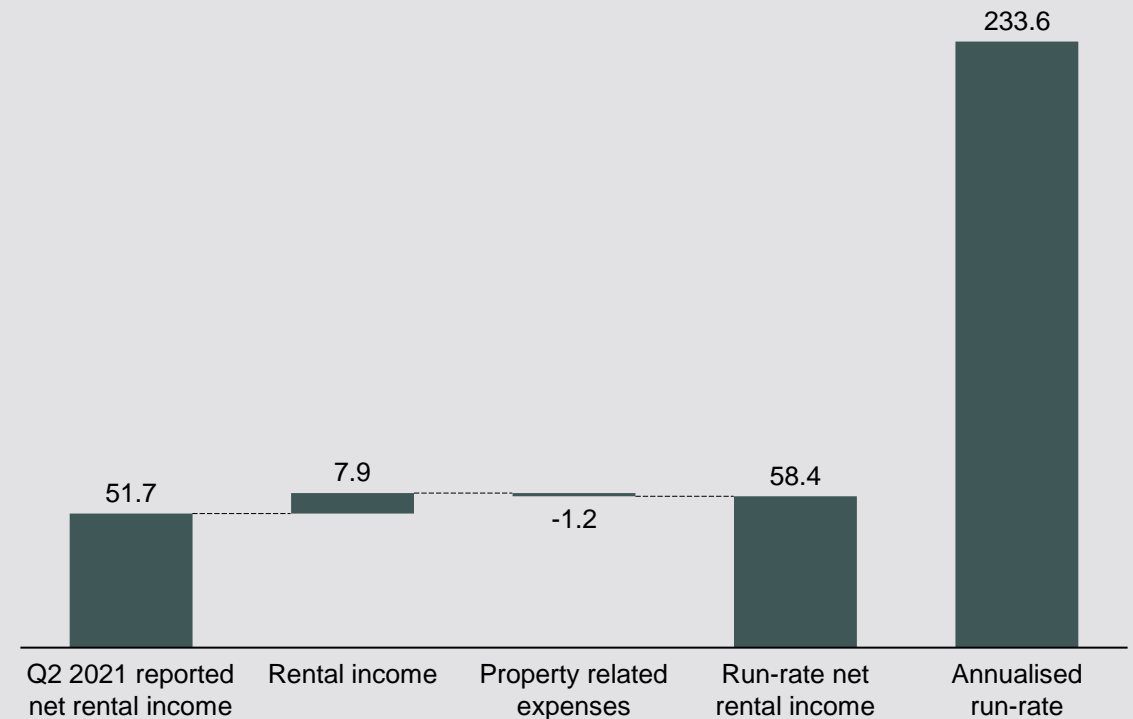
# Run-rate figures: Key metrics

Gross rental income (NOKm) – Q2 2021 reported to run-rate



- New contracts post 30 June 2021, including PSW Technology AS as a result of the acquisition of Storemyra at Mongstad ~NOK 285 million

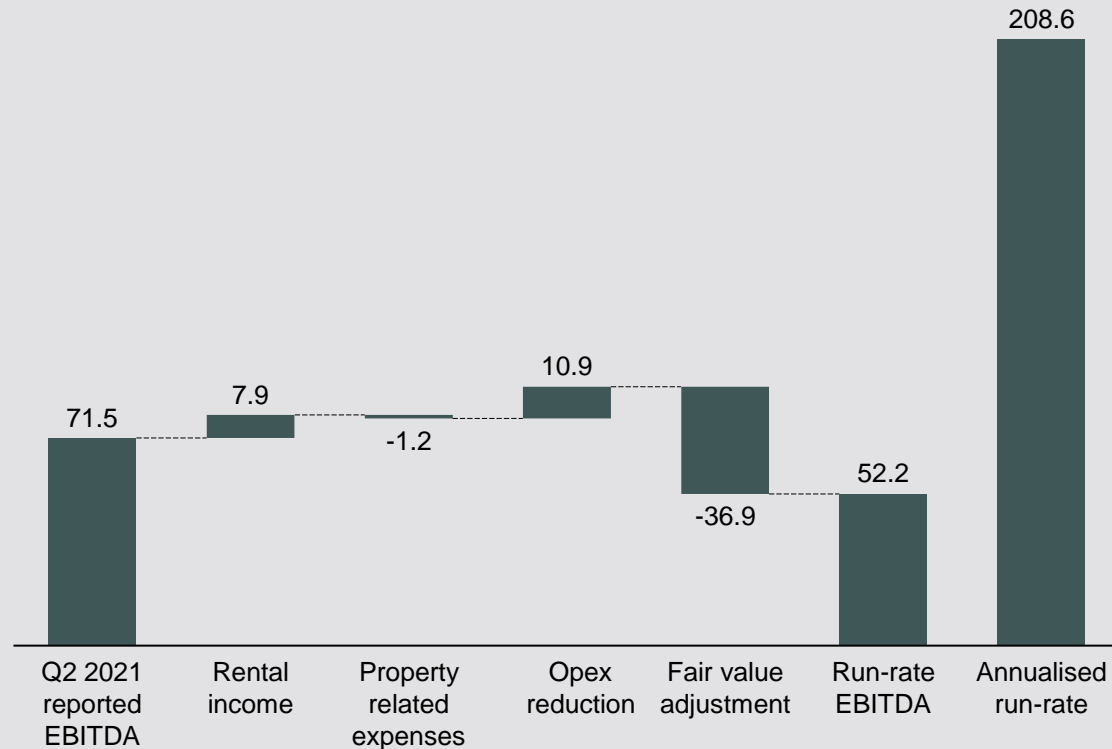
Net rental income (NOKm) – Q2 2021 reported to run-rate



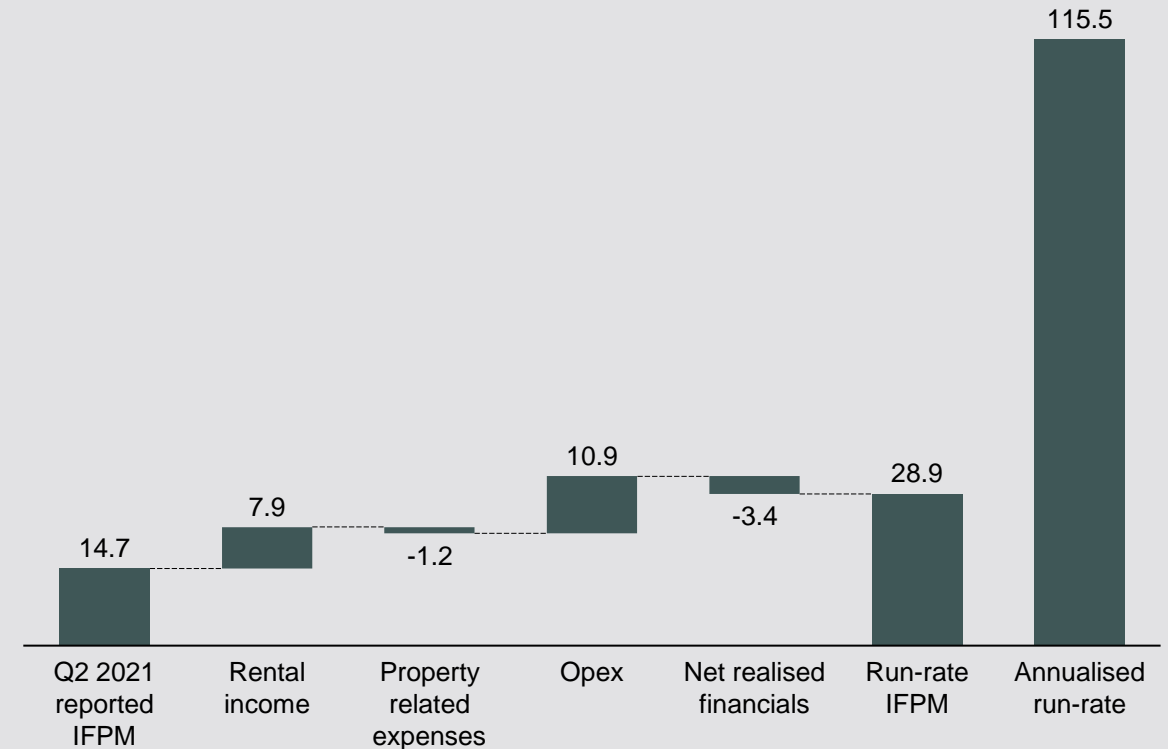
- Additional rental income less property related expenses from the new contracts

# Run-rate figures: Key metrics (continued)

EBITDA (NOKm) – Q2 2021 reported to run-rate



IFPM (NOKm) – Q2 2021 reported to run-rate



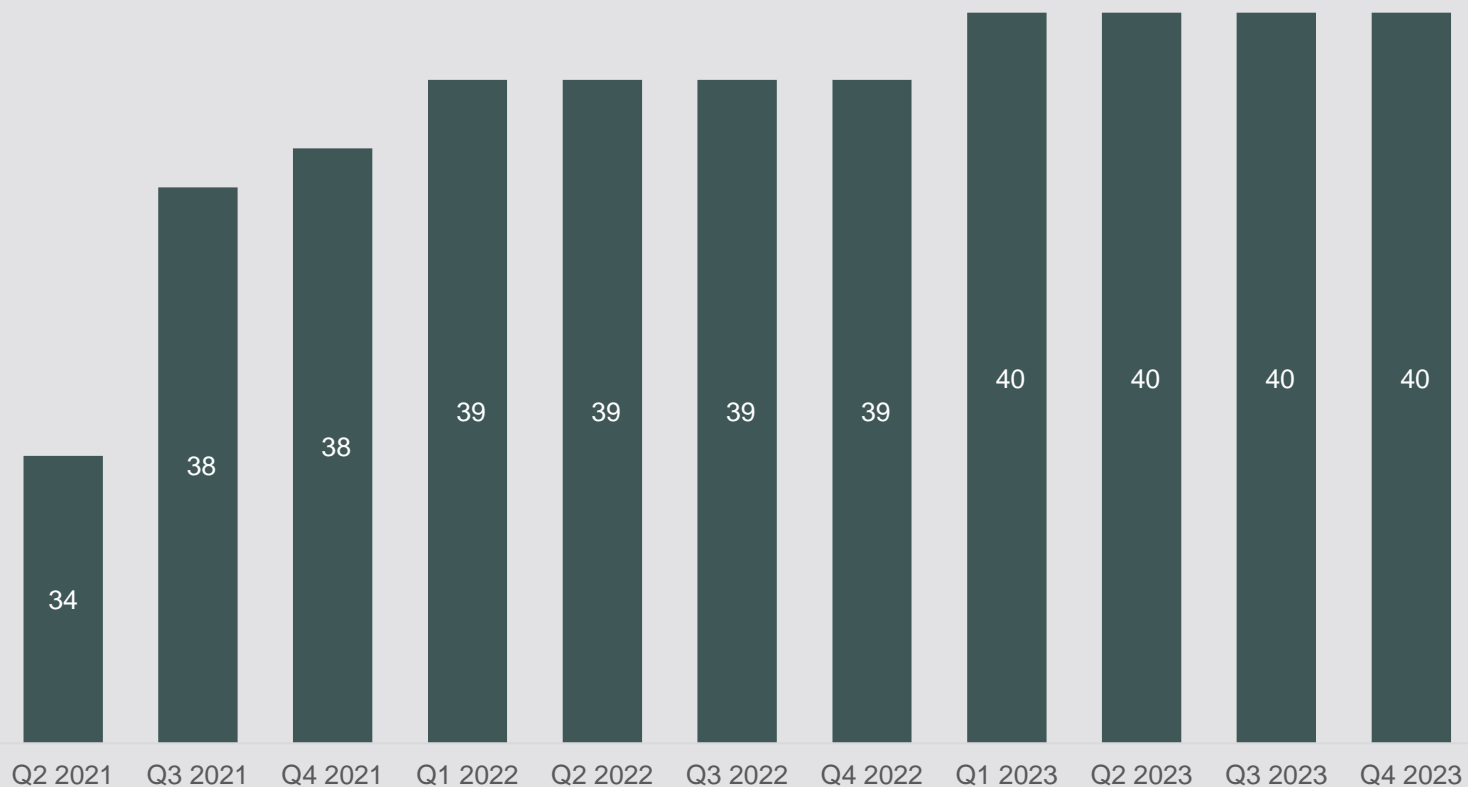
- Run-rate opex does not include transaction costs
- Reported EBITDA Q2 2021 include the fair value adjustment of investment properties in the period, which are excluded from the run-rate calculations

- Run-rate net realised financials higher than reported Q2 2021 figures due to additional interest bearing debt and additional swap agreements after 30 June 2021

# Existing contracts provide solid cash flow

Contractual gross rental income for the period 2021-2023<sup>1</sup> less estimated interests expenses<sup>2</sup>

*NOK million*



Comments

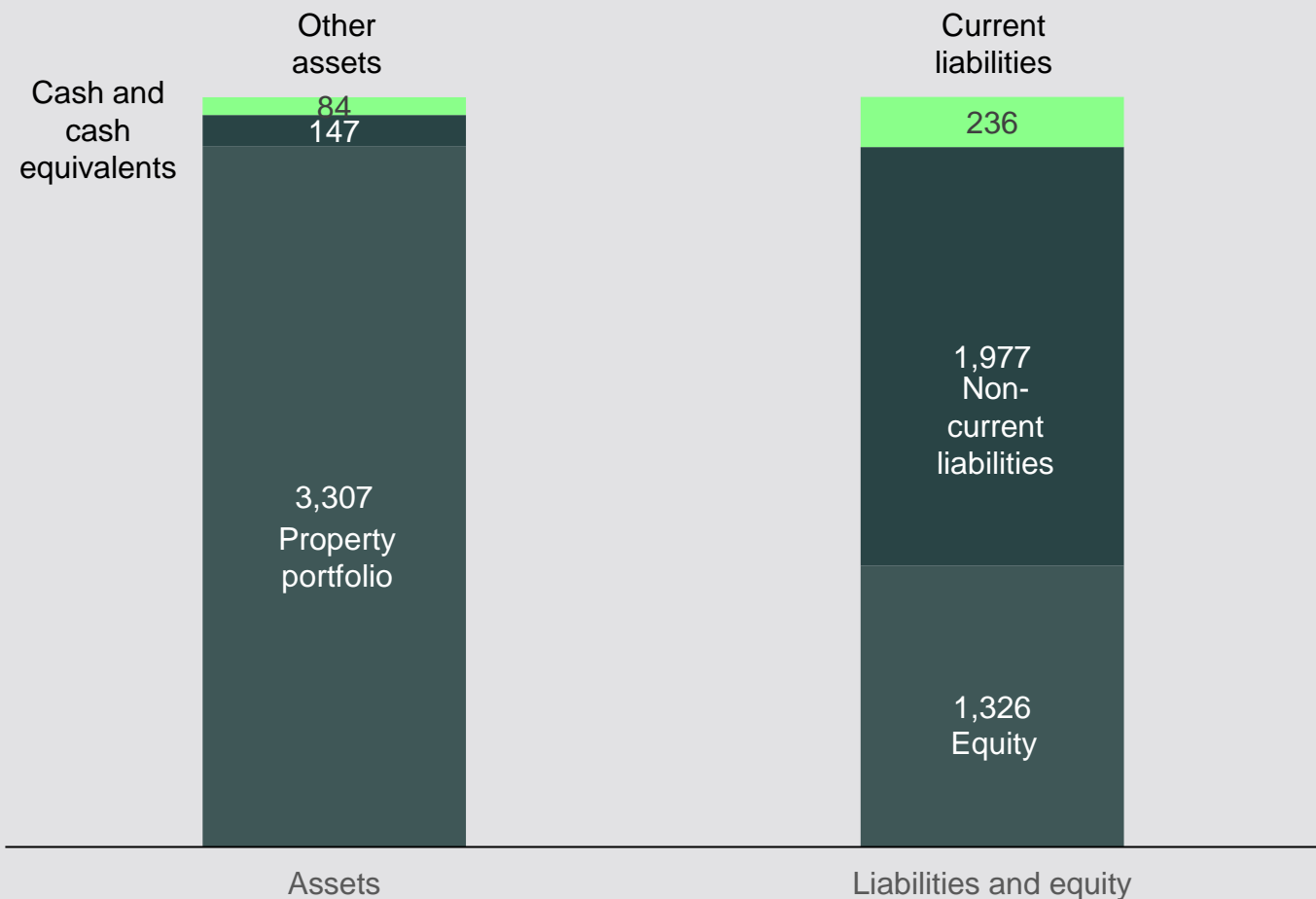
- Contracts with solid tenants, with COVID-19 resilient business models
- Low OPEX and SG&A expenses due to triple net bare-house lease contracts
- Cash flow provide strong debt capacity and flexibility for further growth

1) Based on contracts as of 25 August 2021. CPI adjustment is set to 1.5%. Rental income from the Gasfield property (spot contracts) is estimated to be stable during the period.

2) Based on current swap agreements and interest rate for the current quarter. Does not include interests on the revolving credit facility

# Balance sheet at Q2 2021

## Balance sheet build-up



## Comments

- The portfolio is valued by Cushman & Wakefield quarterly. Total change in value in H1 2021 amounted to NOK 218 million bringing the property portfolio to NOK 3,307 million
- Furthermore, assets consists of interest rate and currency rate swap agreements (NOK 35 million), trade receivables (NOK 11 million), prepaid expenses, VAT receivables, tax receivables, and other current receivables (NOK 36 million), and NOK 147 million in cash
- Total current liabilities amounted to NOK 236 million and consisted mainly of utilisation of the revolving credit facility (NOK 173 million), trade payables (NOK 23 million), taxes (NOK 8 million) and prepaid rent (NOK 20 million)
- Total non-current liabilities amounted to NOK 1 977 million and consist mainly of interest bearing debt (NOK 1 867 million), deferred tax liabilities (NOK 78 million) and land lease liabilities (NOK 17 million)
- Total equity was NOK 1 326 million, representing an equity ratio of 37.5%

# Interest bearing debt

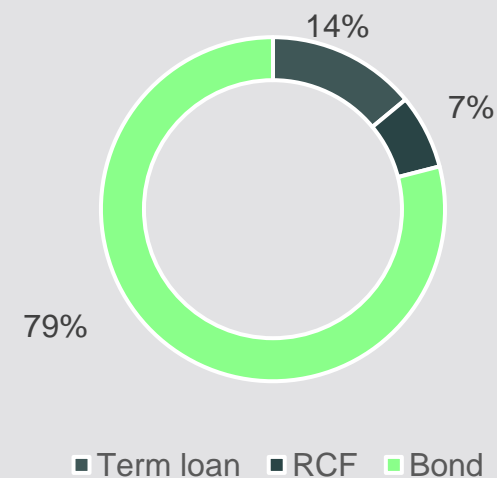
## Financing activity in the quarter

- Utilised NOK 173 million of revolving credit facility priced at 3m NIBOR + 225bps
- New bank term loan facility of NOK 326m at 3m NIBOR + 250bps

## 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)	173	0	0	0
Bank loan	0	0	0	326
Bonds	0	0	1 850	0
<b>Total</b>	<b>172.5</b>	<b>0</b>	<b>1 850</b>	<b>326</b>

## Source of funds

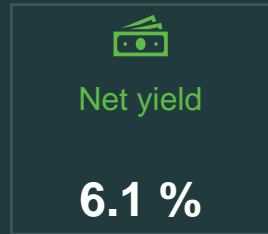


# Outlook and summary



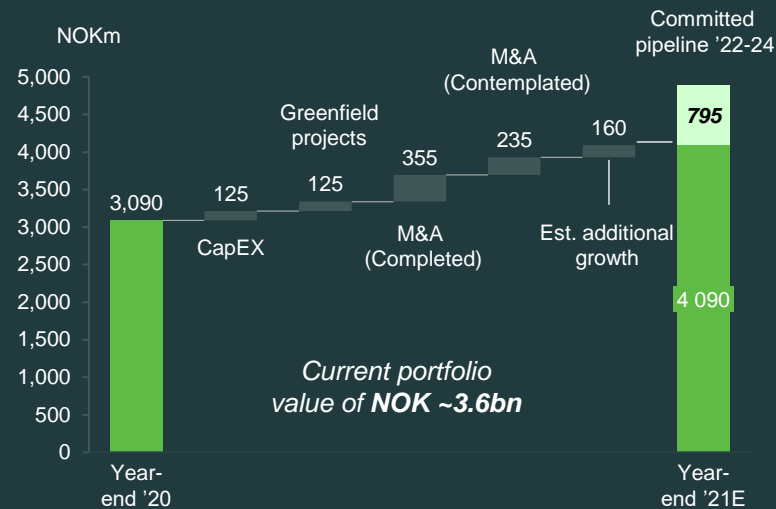
# KMC Properties at glance

## We are KMC Properties



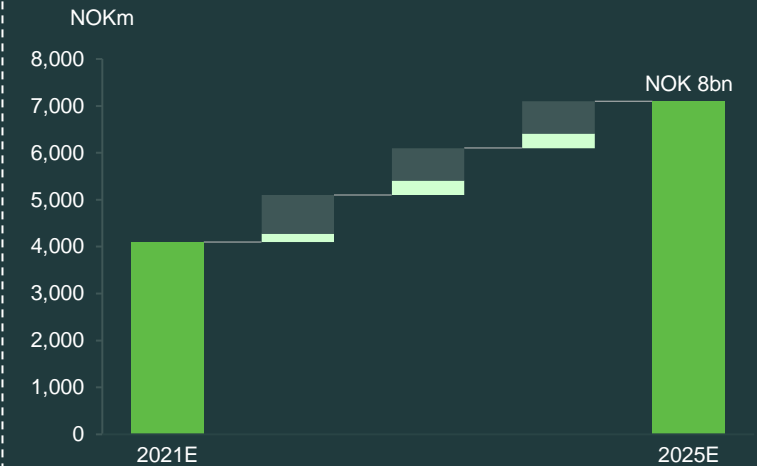
- Real estate company focused on owning industrial and logistics properties
- Portfolio of 40+ assets, primarily in the Nordics, constitution approx. ~349,000 sqm at 30 June 2021
- Long-term lease agreements with solid counterparties
- Two largest tenants are BEWI and Insula – owned by the Bekken and Witzøe families respectively; both large shareholders in KMCP

## ... we deliver accretive growth



- Current portfolio gross yield of ~6,5%
- Investments for lessees in current portfolio of NOK ~125 million, at yield-on-cost of ~7.3%
- Ongoing greenfield projects of NOK ~125 million, at yield on cost of ~7.5%
- Completed acquisitions of NOK ~355 million at YoC of 7.5%
- Actively pursuing further acquisitions of NOK ~235 million at ~7.7% average YoC. Estimate additional potential growth before year-end to NOK 160 million<sup>2</sup>
- Assuming all investments are completed, GAV may grow to NOK ~ 4.1bn by year end<sup>2</sup>

## ...and have strong growth ambitions



- Strategic target of NOK 8bn by year end 2025
- Committed greenfield projects pipeline for 2022 totaling NOK 795 million, at yield on cost of ~6.9%
- Planned growth well within expected possibility in the sector – corresponding to approx. 4% of average relevant Nordic real estate volumes<sup>1</sup>
- Continued focus on assets we know well: foodstuff facilities, light industry – infrastructure for our lessees

1) Pangea Nordic Property Outlook 2021: average Nordic «Industrial/Storage» transaction volume, 2016-2020, of EUR ~2,45 bn.

2) Current company estimates, based on current transaction pipeline and market visibility and outlook. No assurances can however be given that any such acquisitions will be concluded, or at what terms. Further information will be provided in due course, as and when relevant or appropriate.

Q&A

