



Q3 2022

KMC Properties ASA

27 October 2022

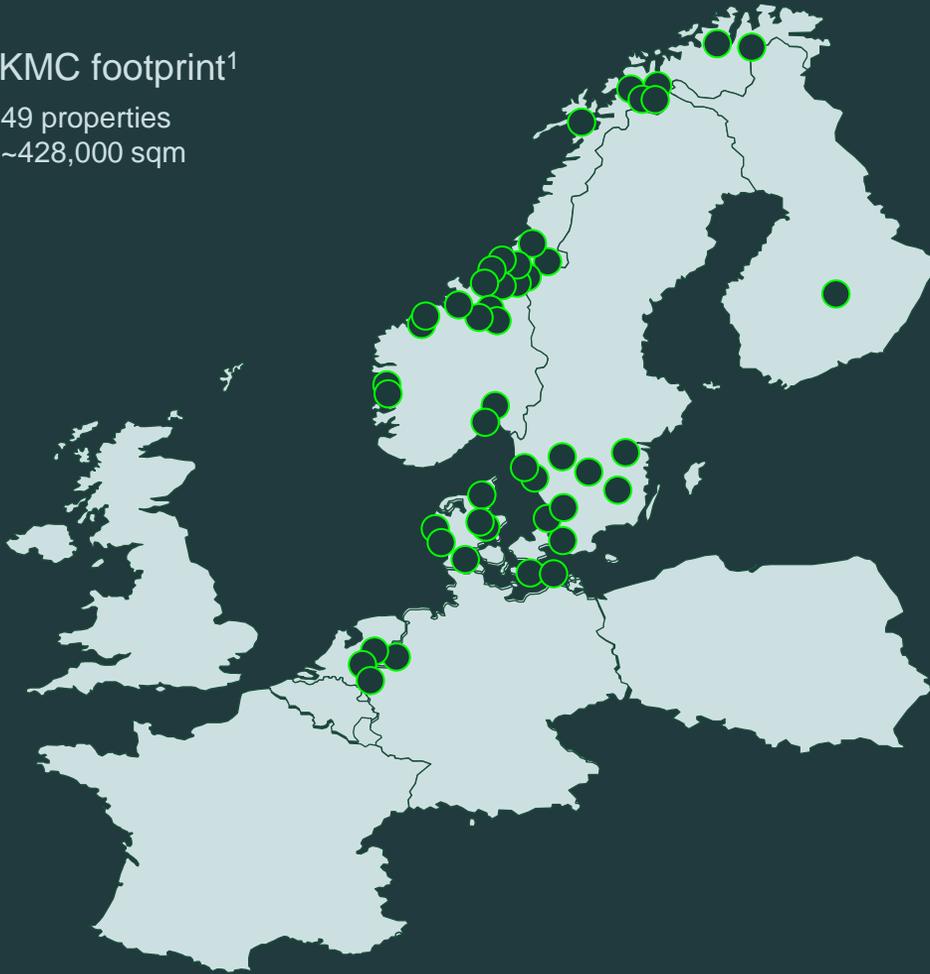


The preferred partner for logistics and industrial properties

Building on 40+ years of industrial knowhow

○ KMC footprint¹

49 properties
~428,000 sqm



Gross Asset Value²

NOK 4.4 bn

NOK ~10,300 pr sqm

% Net yield²

6.5%



WAULT²

9.8 years

51.2%

Group net LTV

Long-term value creation through light industry infrastructure investments



examples



Grøntvedt Pelagic AS, Uthaug (NO)



Insula Produksjon AS, Leknes (NO)



BEWI EPS AS, Senja (NO)



BEWI Automotive AB, Skara (SE)



PSW Technology AS, Mongstad (NO)



KPK Døre og Vinder A/S, Nykøbing Mors (DK)

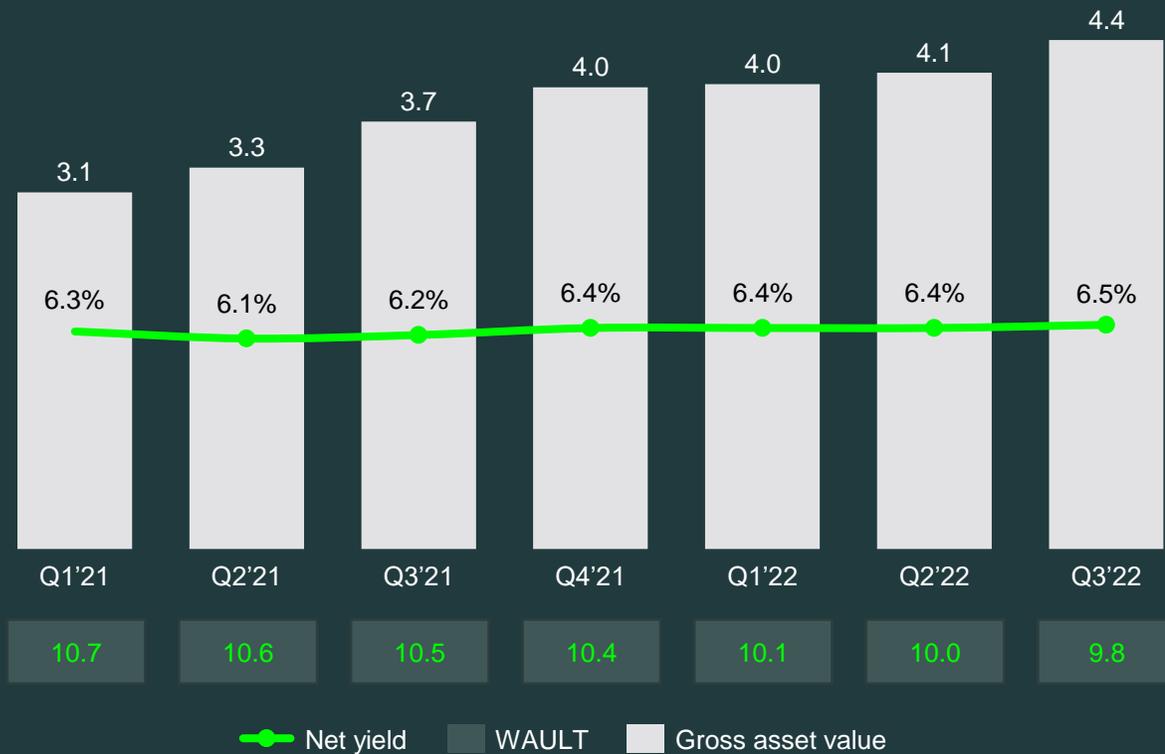
Functional, flexible and sustainable

- Properties with strategic locations
- Tenants with strong financial profiles positioned within established sectors
- Infrastructure investments in properties create stickiness
- Stable and high occupancy rates
- Long lease agreements and investment horizon

Executing on an expansive growth strategy

GAV, net yield and WAULT development

NOK billion, %, years



Key focus areas



Acquisitions in collaboration with current and new tenants, and other parties



Greenfield development of new facilities for new and existing clients



Contract extensions and investments in current portfolio (CAPEX)



Capital optimization

Well positioned for navigating high inflation environment

Solid tenants with long track records

% of net income

36% **BEW** Insulation, Packaging & Components
Founded in 1980

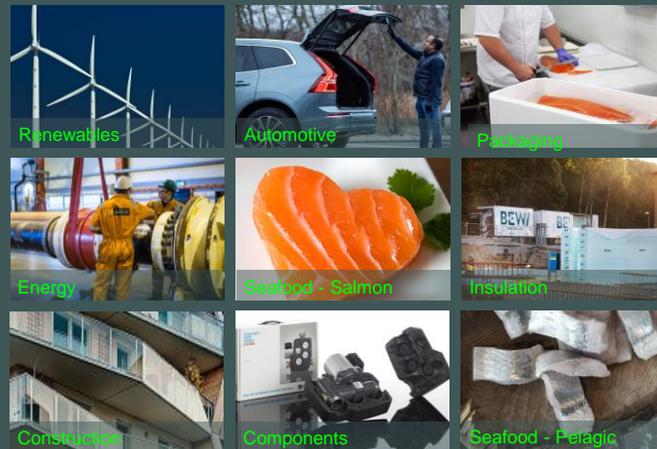
18% **INSULA** Seafood industry
Founded in 2015

11% **Grøntvedt Pelagic** Seafood industry
Legacy from 1830

11% **PSW** Energy products and services
Founded in 2007

+ 11 other companies

Industry exposure with strong local presence



Solid framework mitigating risks



Currency and interest swaps

50% hedge ratio currently reducing total interest rate by at least 1.17%. Weighted average life (WAL) on interest rate swaps is 3.08 years



Triple net bare house contracts

Tenants responsible for almost all property related cost



CPI adjustments

95% of contract 100% CPI adjusted
1% of contracts 80% CPI adjusted

KMC Properties board and management with strong industrial experience

Operational review





Executing on a solid acquisition pipeline

Acquisition criteria

- Targeting high yield industrial- and logistic properties with long lease agreements and solid tenants
- Strategic locations for tenants
- Substantial relocation cost
- Securing diversification across industries tenants, locations, and property types

Rogalandsvej 3 



inwido KpK Døre og Vindue A/S
Europe's largest window manufacturer

- Diversification contribution
- Strong tenant with good track record
- Attractive yield vs. lease duration

GAV		DKK 70m
GRI		DKK 5.5m (2022)
Gross yield		7.9%
Initial lease		9.7 years
Status		Closed

Fabriksvej 3 and 4 



inwido Outline Vinduer A/S
Europe's largest window manufacturer

- Diversification contribution
- Strong tenant with good track record
- Attractive yield vs. lease duration

GAV		DKK 81m
GRI		DKK 6.4m (2022)
Gross yield		7.9%
Initial lease		9.7 years
Status		Closed

Holsneset 23-25 



 Cflow Fish Handling AS
Provider of solutions and services for fish handling to wellboats, fishing vessels, delousing and other related services

- Diversification contribution
- Strong tenant with good track record
- Attractive yield vs. lease duration

GAV		NOK 52m
GRI		NOK 4.5m (2022)
Gross yield		8.7%
Initial lease		14.1 years
Status		Closed

Closed transactions in Q3 2022

Closing in on major portfolio transaction with BEWI

Up to 24 industrial facilities + 1 land plot

BEWI

Providing packaging, components and insulation solutions produced and consumed with minimized footprint

- Geographical diversification adding Germany, Belgium and Poland to KMC portfolio
- Total lettable area of 250.000 square meters

GAV  NOK ~2.0 bn

GRI  NOK ~126m

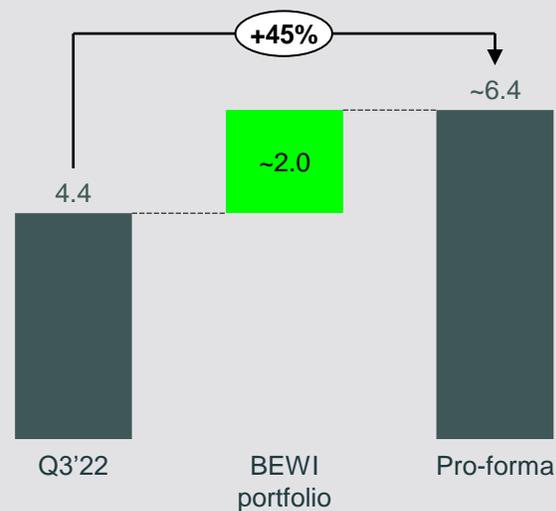
Gross yield  6.3%

WAULT  16.6 years

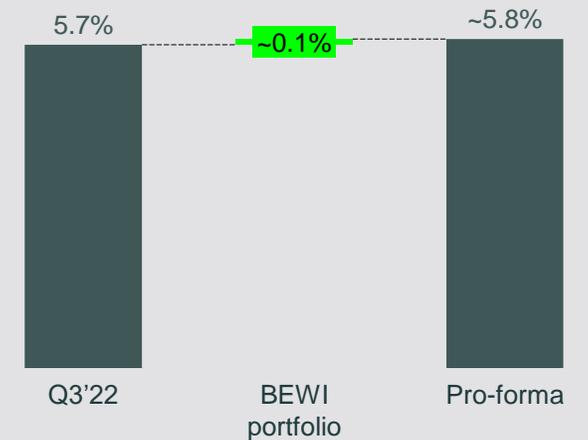
Status Agreement settled in Q2 2022

+45% gross asset value

Gross asset value, NOK billion



+0.1% EBITDA-yield



- **Increased size** implies potential for lower interest margin
- **Highly attractive EBITDA-yield** due to low additional recurring OPEX for KMCP



Ongoing greenfield projects progressing as planned

Greenfield project	Investment NOKm	Yield-on-Cost %	Lease term Years	Completion Estimate	Development
Salmon slaughterhouse for Slakteriet at Florø (NO)	~682	6.8%	20	H2'24	<ul style="list-style-type: none">• Progress to new conditional agreement with Slakteriet for the development of the salmon slaughterhouse• Land plot established and ready for infrastructure work
Packaging hub for BEWI at Jøsnøya (NO)	~160	7.5%	15	H2'23	<ul style="list-style-type: none">• Conditional long-term lease agreement with BEWI• Construction work started in September• BEWI has been rewarded a long-term agreement for supply of fish boxes to MOWI, along with running agreement with Lerøy Seafood
Automated storage facility for BEWI at Jøsnøya (NO)	~40	7.5%	10	Q4'23	<ul style="list-style-type: none">• Conditional long-term lease agreement with BEWI for a new automated storage facility integrated with MOWI's new salmon slaughterhouse• Construction start planned Q1'23
Production facility for Oppdal spekemat at Oppdal (NO)	~85	7.5%	15	Completed	<ul style="list-style-type: none">• Use permit has been granted and installations of machines are being completed• Completed October 2022



Continued investments in existing properties

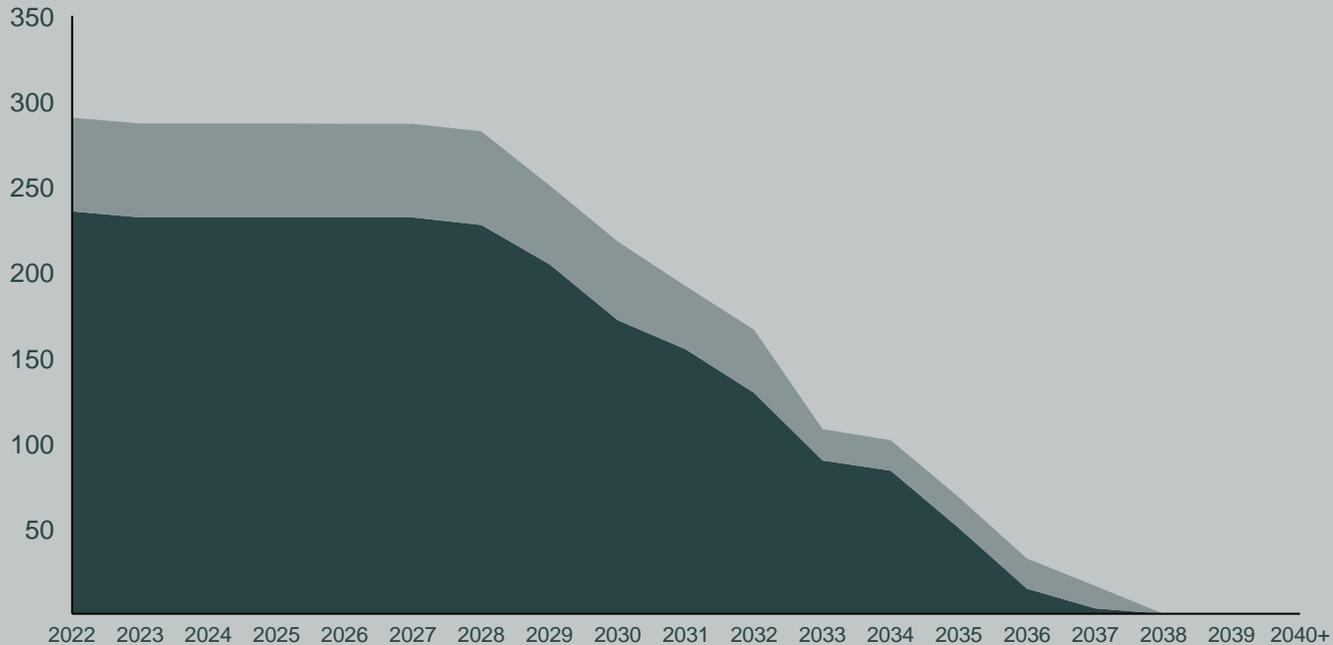


- Maintaining a close relation with customers to actively identify and engage in business development activities
- Project and real estate development makes it possible to meet the changing needs of tenants
- Maintenance investments of NOK 5.5 million across four properties in the third quarter of 2022
 - Related to roofing, HVAC, facade, and property specific development to meet client need

Expanding WAULT through several levers

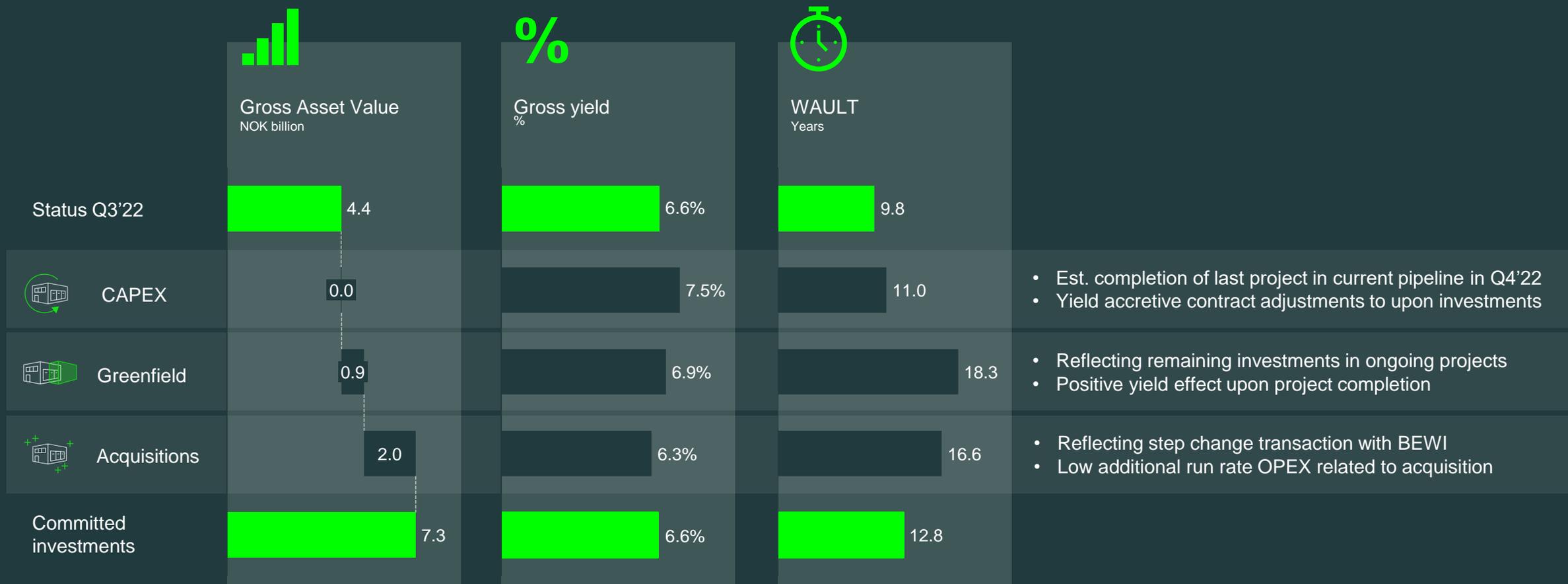
Annual contractual rent

NOK million ■ Year end 2021 ■ 2022 additions



- Continuous process to extend or renew contracts
- Identification of potential for investments in existing portfolio
- Acquisitions of new properties meeting investment criteria
- Identifying and engaging in business development activities

Current pipeline of value accretive opportunities

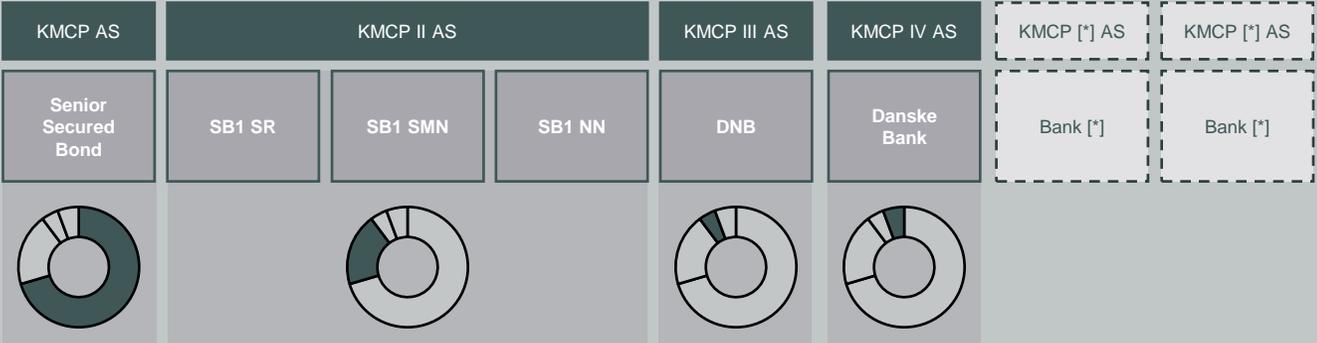


Note: detailed overview of pipeline in appendix

Group financing and structure accommodates growth

Group structure

- Current structure
- Growth potential



Share of property portfolio

- Continuously working to increase funding sources preparing for refinancing of bond (maturity date 11 December 2023)
- Initial property portfolio was solely financed by senior secured bond
- All new properties have been financed by Tier-1 banks, supportive to KMC's growth strategy

Financial review



Continued gross rental increase on a stable cost base

Profit and loss

NOK million, excluding discontinued operations¹

	Q3'22	Q3'21	YTD'22	YTD'21	FY'21
Gross rental income	65.7	52.7	193.1	149.9	205.0
Property related expenses	-0.8	0.0	-2.1	-2.2	-2.5
Net operating income (NOI)	64.9	52.7	190.9	147.7	202.4
OPEX	-8.2	-6.6	-28.0	-18.9	-30.4
Transaction cost	-1.0	-2.0	-3.7	-29.7	-33.3
EBITDA²	55.7	44.1	159.3	99.2	138.7
Depreciation	-0.1	-0.4	-0.1	-1.0	-0.3
Changes in value of investment properties	17.4	101.9	22.8	203.9	317.3
Net financials	8.0	-25.7	78.6	-66.4	-75.9
Tax expense	-3.7	-22.6	-46.8	-51.0	-76.9
Net profit from continued operations	77.2	97.4	213.8	184.7	302.9

¹ Excluding discontinued operations in Russia (see KMC Properties' Q3 2022 report for further details)

² See Alternative Performance Measure (APM) description in KMC Properties financial report

- Gross rental income +25% Q3'22 vs Q3'21
 - Increase mainly from new investments
 - CPI adjustments account for 4 pp.
- Limited property related expenses due to triple net bare house contract structure
- Stable OPEX-base at NOK 8.2 million in Q3'22
 - Low additional recurring OPEX related to the step-change transaction with BEWI
- EBITDA increase +26% Q3'22 vs Q3'21
- Net profit of NOK 77.2 million from continued operations

High financial and operational visibility in current structure

Annualised run-rate

NOK million, 12 months forward

	Q3'22 ¹	Q2'22	Q1'22
Gross rental income	290.1	268.4	258.9
Property related expenses	-4.2	-4.1	-4.1
Net operating income	285.9	264.3	254.8
OPEX ²	-34.1	-33.9	-33.6
EBITDA	251.8	230.4	220.7
Realised financial expenses	-136.5	-117.4	-111.3
Net income from property management	115.3	113.0	109.4

1) Based on final agreements as of period end.

2) Does not include transaction costs and variable remuneration to employees.

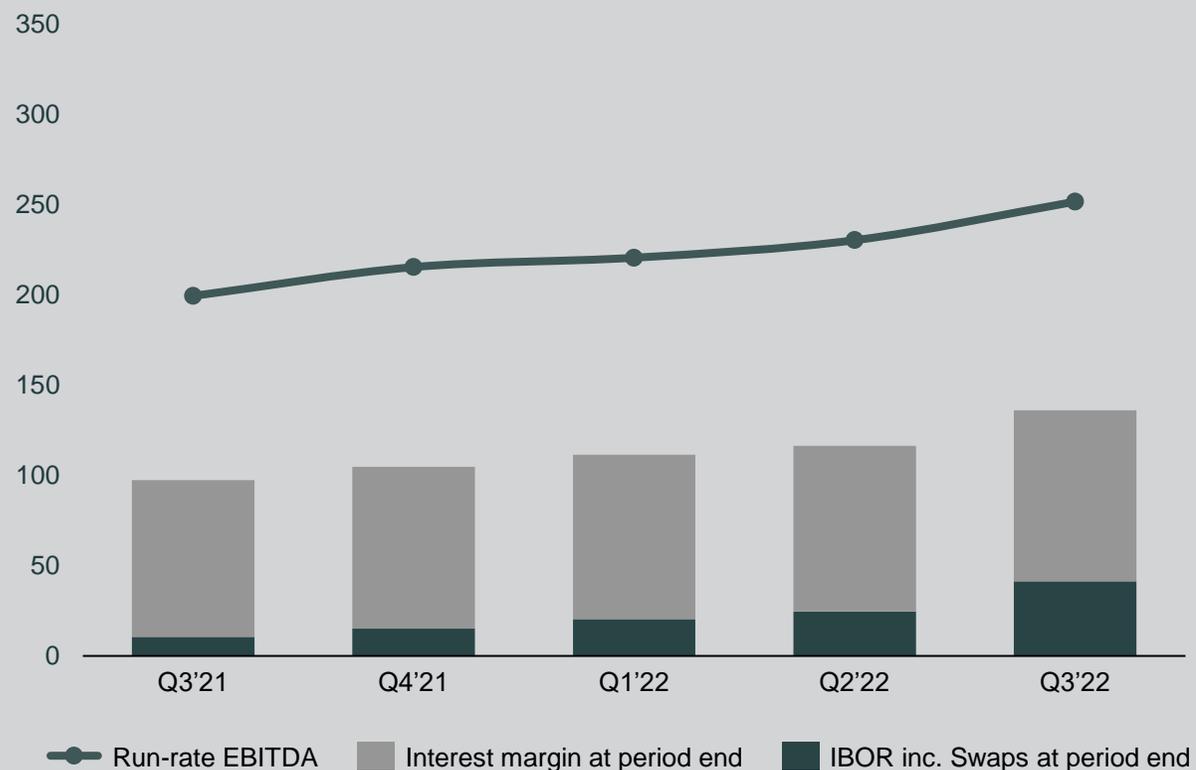
3) Based on 3 months Nibor and swap agreements at period end. Does not include interest expenses on revolving credit facility.

- Additional rental income comes from new investments
- Low increase in property related expenses due to triple net barehouse contracts
- OPEX-base stabile, with capacity beyond current asset base
 - Excluding transaction costs and variable remuneration to employees
- Financing cost driven by the interest-bearing debt and swap agreements at 30 September 2022

Positioning to expand EBITDA to interest expense gap

EBITDA to interest expense gap

Annualized run-rate 12 months forward, NOK million

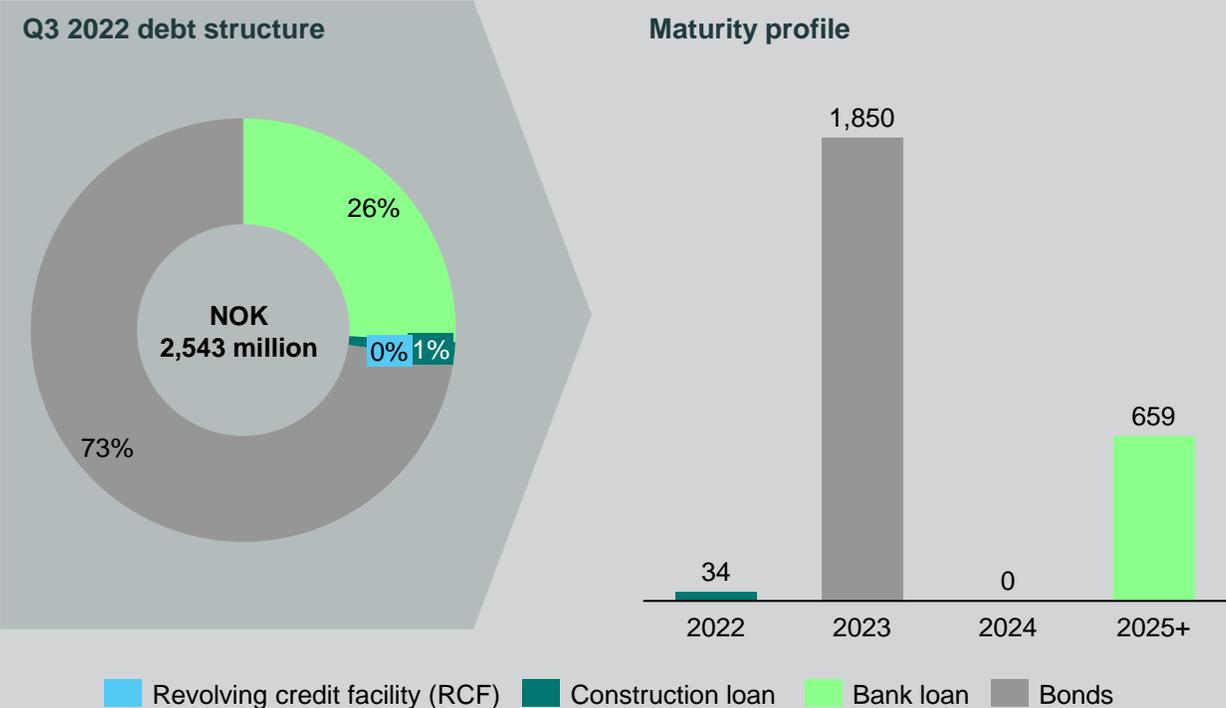


- New investments, renewals and CPI adjustments set to increase overall EBITDA
- BEWI-transaction highly EBITDA accretive not included in figures for Q3 2022
- Potential for interest margin contraction with increased scale post BEWI transaction
- IBOR, including swap agreements, set to increase with inflation

Current debt structure and maturity profile

Debt structure and maturity profile

NOK million



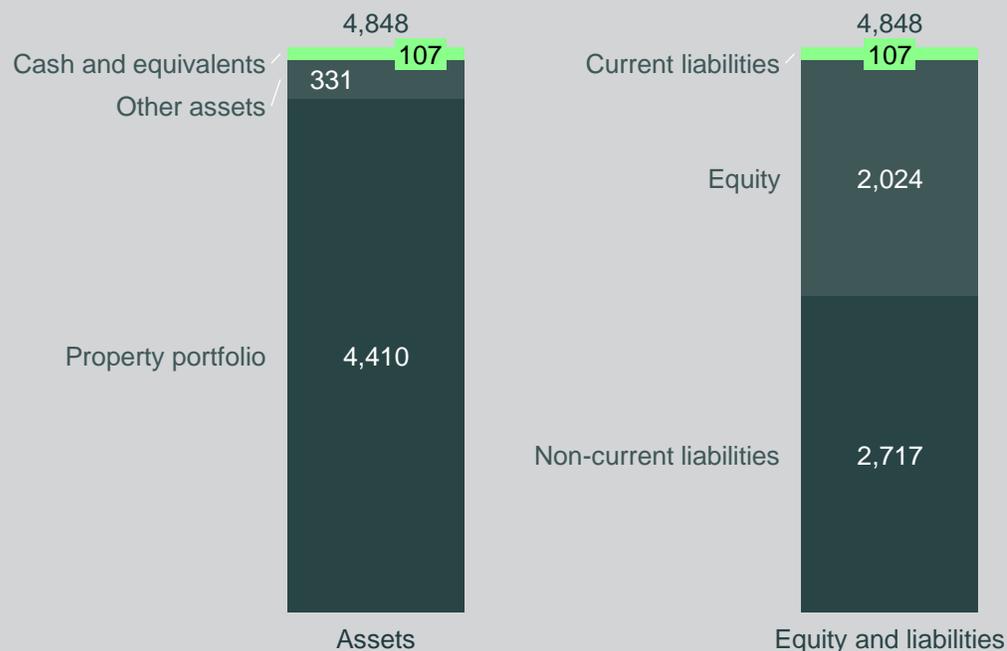
- Solid headroom to bond covenants
 - Interest cover ratio (ICR) of not less than 1.5x
 - Net-loan-to-value ratio below (NLTV) 75%
 - Liquidity not less than an amount equal to net interest costs for the next 6 months

- Refinancing schedule
 - Senior secured bond maturing year-end 2023 with potential for large bank refinancing
 - Construction loans rollover to bank loan at construction end

Solid balance sheet set to support continued growth journey

Balance sheet

NOK million



1) Portfolio valued by Cushman & Wakefield quarterly

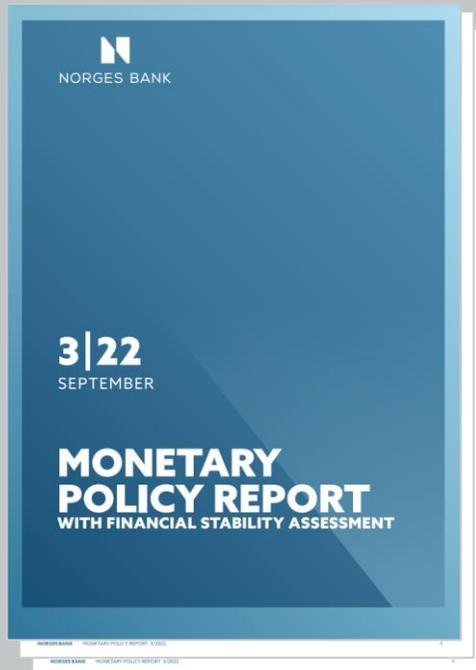
2) Assets held for sale relating to legacy property in Moscow

- Q3'22 main property portfolio changes:
 - Change in value¹ of investment properties of NOK 280.9 million
 - Expansion projects, investments in new facilities, and acquisitions of NOK 245.3 million
- Other assets mainly consists of interest rate and currency rate swap agreements and assets held for sale²
 - Received a bid for the asset held for sale in Russia valuing the building at USD 9 million
- Equity of NOK 2,024 million representing an equity ratio of 41.8%

Outlook



Facing a changing macro environment



- Sharp rise in global consumer prices on the back of high energy prices, strong demand and supply constraints
- Inflation hit a multi-decade high in many countries with rapid rise in prices for both goods and services
- Gas and electricity prices have risen sharply recently owing to the decline in Russian gas supply to Europe
- High level of activity in Norwegian economy, but clear signs of a slowdown

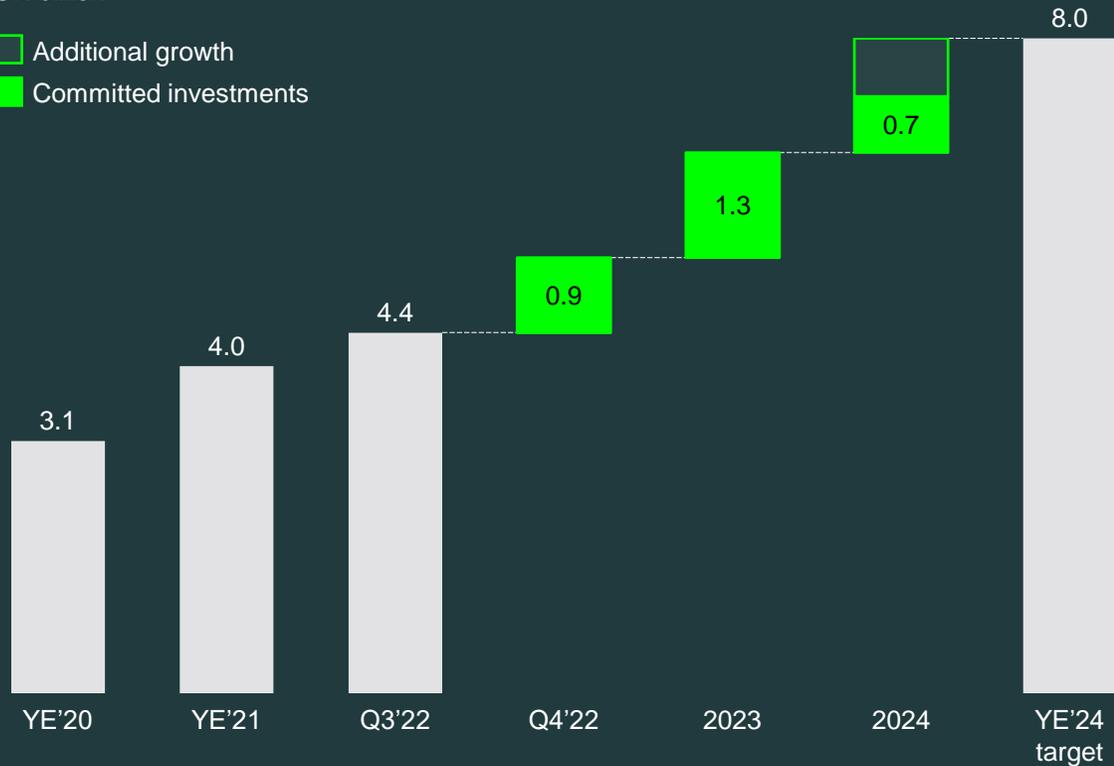
Source: Norges Bank (September 2022) [Monetary Policy Report 3|22](#)

Well positioned for continued value accretive growth

YE'24 Gross asset value target

NOK billion

- Additional growth
- Committed investments



Step-change transaction with BEWI set to unlock potential for interest margin compression

Continued accretive activities based on a defined set of investment criteria

Growth with low additions to current operational cost base increasing EBITDA yield

Synergies from utilizing industrial knowhow across a wider customer base



Q&A

Appendix I
Committed pipeline



Pipeline committed investments

Type	Tenant	Completion (estimated)	Value (NOKm) ¹⁾	Remaining investments	Gross yield	WAULT	Country
CAPEX	BEWI / Insula	Q4 2022	24	12	7.5%	11.0	NO
Greenfield ²⁾	Oppdal Spekemat	Q4 2022	85	4	7.5%	15.0	NO
Greenfield	BEWI (Jøsnøya, Hitra)	Q4 2023	200	183	7.5%	14.0	NO
Greenfield	Slakteriet Holding	H2 2024	682	682	6.8%	20.0	NO
Acquisition pipeline	BEWI	Q4 2022 / 2023	2,000	2,000	6.3%	16.6	Europe
			2,991	2,881	6.5%	17.1	

1) Pipeline per 30.09.2022

2) Completed in October 2022

Appendix II
Financials



Consolidated statement of comprehensive income

<i>Amounts in thousands NOK</i>	Q3 2022 unaudited	Q3 2021 <i>unaudited</i>	YTD Q3 2022 unaudited	YTD Q3 2021 <i>unaudited</i>	2021 <i>audited</i>
Rental income	65 707	52 659	193 060	97 225	204 976
Property related expenses	-825	46	-2 118	-2 216	-2 545
Net operating income	64 882	52 705	190 942	95 009	202 431
Salary expenses	-4 883	-4 147	-16 529	-6 207	-20 567
Other operating expenses	-4 470	-4 806	-15 288	-34 368	-43 477
Operating profit before changes in value	55 529	43 752	159 126	54 434	138 388
Changes in value of investment properties	17 422	101 891	22 842	102 025	317 331
Operating profit	72 951	145 643	181 968	156 459	455 719
Changes in value of financial instruments	17 695	4 414	117 812	31 263	63 812
Net currency exchange differences	23 385	-924	56 206	-26 765	-47 027
Financial income	787	0	2 224	240	6 553
Financial expenses	-33 899	-29 168	-97 662	-71 089	-99 243
Net financials	7 969	-25 678	78 580	-66 351	-75 905
Profit before tax	80 919	119 965	260 548	90 108	379 814
Tax expense	-3 739	-22 588	-46 753	-28 445	-76 880
Profit from continued operations	77 180	97 377	213 795	61 663	302 934
Profit from discontinued operations	-31 576	1 681	-81 102	4 178	1 914
Profit	45 604	99 058	132 693	65 841	304 847
Other Comprehensive Income					
<i>Items that may be reclassified to profit or loss:</i>					
Translation differences for foreign operations	-12 671	30 381	25 403	-35 893	-23 818
Comprehensive income	32 933	129 439	158 096	29 948	281 029
Profit attributable to:					
Equity holders of the company	45 604	99 058	132 693	65 841	304 847
Non-controlling interest	0	0	0	0	0
Total comprehensive income attributable to:					
Equity holders of the company	32 933	129 439	158 096	29 948	281 029
Non-controlling interest	0	0	0	0	0

Cash flow

<i>Amount in thousand NOK</i>	Q3 2022	Q3 2021	YTD 2022	YTD 2021	2021
Cash flow from operating activities					
Earning before tax	80 919	119 965	260 548	235 751	379 814
Depreciation of tangible assets	128	387	133	1 000	308
Fair value adjustment of investment properties	-17 422	-101 891	-22 842	-203 916	-317 331
Financial items	-7 969	25 678	-78 580	66 351	75 905
Change in working capital:					
Change in trade and other receivables	-2 842	-1 109	32 821	23 147	20 001
Change in trade and other payables, excl. corporate tax	19 664	8 738	-626	-65 019	-78 689
Taxes paid	-1 492	-5 376	-6 105	-6 651	-2 326
Net cash flow from operating activities	70 987	46 392	185 349	50 664	77 682
Acquisition of businesses, net of cash acquired	0	-442 446	0	-442 446	0
Purchase of investment properties	-213 560	146 502	-401 772	-5 003	-520 082
Capital expenditure on investment properties	-31 699	300	-84 617	300	-140 064
Interest received	787	0	2 224	0	0
Net cash flow from investment activities	-244 472	-295 644	-484 165	-447 149	-660 146
Cash flows from financing activities					
Capital increase from issue of shares	0	300 000	30 000	306 594	326 394
Proceeds interest bearing debt	173 489	290 268	238 489	324 948	439 480
Repayment interest bearing debt	-4 852	0	-11 663	0	-2 790
New current interest bearing debt	6 753	-172 500	35 330	0	0
Change in other non-current debt	-2 875	-6 326	-10 108	-1 553	2 636
Transaction fees paid and other financial costs	-58	-15 058	-955	-17 328	-14 547
Interest paid	-28 656	-17 424	-82 656	-64 299	-86 504
Net cash flow from financing activities	143 800	378 960	198 436	548 362	664 669
Effects of exchange rate changes on cash and cash equivalents	114	-913	-373	-913	191
Net change in cash and cash equivalents	-29 571	128 795	-100 753	150 964	82 396
Cash and cash equivalents at beginning of period	136 331	147 286	207 512	125 116	125 116
Cash and cash equivalents at end of period	106 759	276 080	106 759	276 080	207 512

Consolidated statement of financial position

<i>Amounts in thousands NOK</i>	30.09.2022 <i>unaudited</i>	30.09.2021 <i>unaudited</i>	31.12.2021 <i>audited</i>
ASSETS			
Non-current assets			
Investment properties	4 410 256	3 688 562	3 982 467
Site leaseholds, right-of-use assets	17 472	16 507	19 126
Financial derivatives	178 334	39 054	67 721
Other non-current assets	14 277	5 038	5 042
Total non-current assets	4 620 339	3 749 219	4 074 355
Current assets			
Trade receivables	576	14 774	24 458
Other receivables and other current assets	10 323	33 789	26 869
Cash and cash equivalents	106 759	276 080	207 512
Assets held for sale	110 002	-	-
Total current assets	227 660	324 643	258 839
Total assets	4 848 000	4 073 862	4 333 194
EQUITY AND LIABILITIES			
Equity			
Share capital	56 929	55 849	56 374
Share premium	1 225 469	1 177 195	1 196 023
Translation differences	-8 474	-15 571	-33 877
Retained earnings	750 172	503 235	617 479
Total equity	2 024 096	1 720 709	1 835 999
Non-current liabilities			
Deferred tax liabilities	177 688	103 633	132 002
Interest bearing debt	2 501 861	2 161 793	2 275 035
Lease liabilities	17 529	16 507	19 126
Other non-current liabilities	20 261	8 582	10 153
Total non-current liabilities	2 717 340	2 290 516	2 436 317
Current liabilities			
Current interest-bearing debt	35 330	-	-
Trade payables	33 213	19 593	23 608
Current tax liabilities	2 694	6 646	2 906
Other current liabilities	24 134	36 398	34 364
Liabilities held for sale	11 194	-	-
Total current liabilities	106 564	62 638	60 878
Total liabilities	2 823 904	2 353 153	2 497 195
Total equity and liabilities	4 848 000	4 073 862	4 333 194

