



Q1 2023

KMC Properties ASA

Results Presentation | 4 May 2023

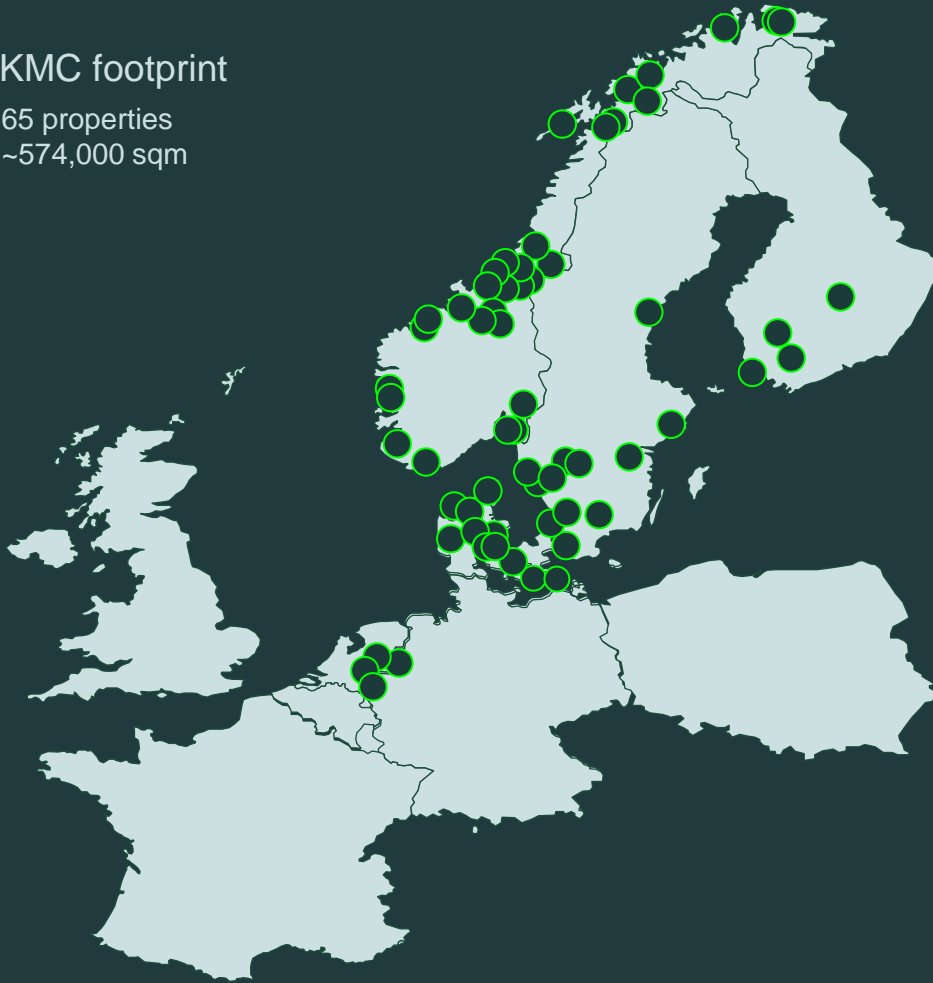
The preferred real estate partner for logistic and industrial companies



40+ years of industrial knowhow

○ KMC footprint

65 properties
~574,000 sqm



Q1 2023



Gross Asset Value¹

NOK 6.0 bn

NOK ~10,400 pr sqm

% Net yield¹

6.9%



WAULT¹

11.1 years

56.0%
EPRA LTV²



Strategic locations



Strong financial profiles
and established sectors



Infrastructure investments
creating stickiness



Stable and high
occupancy rates



Long lease agreements
and investment horizon

Properties with strong local dependency

Example properties

PSW Technology AS, Mongstad (NO)



BEWI EPS AS, Senja (NO)



Klädesholmen Seafood AB, Rönninge (SE)



BEWI Insulation A/S, Hedenstad (DK)



Close to natural resources



Close to key customers



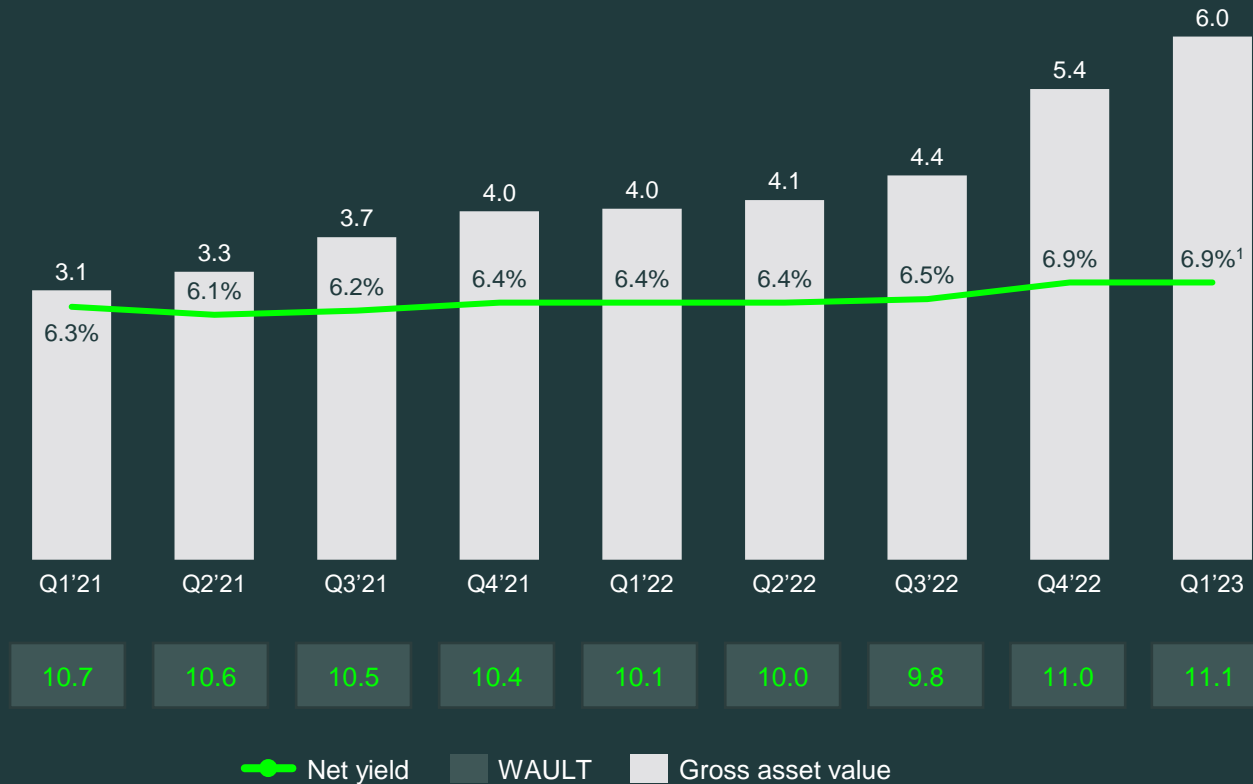
In an industrial cluster



Executing on 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)



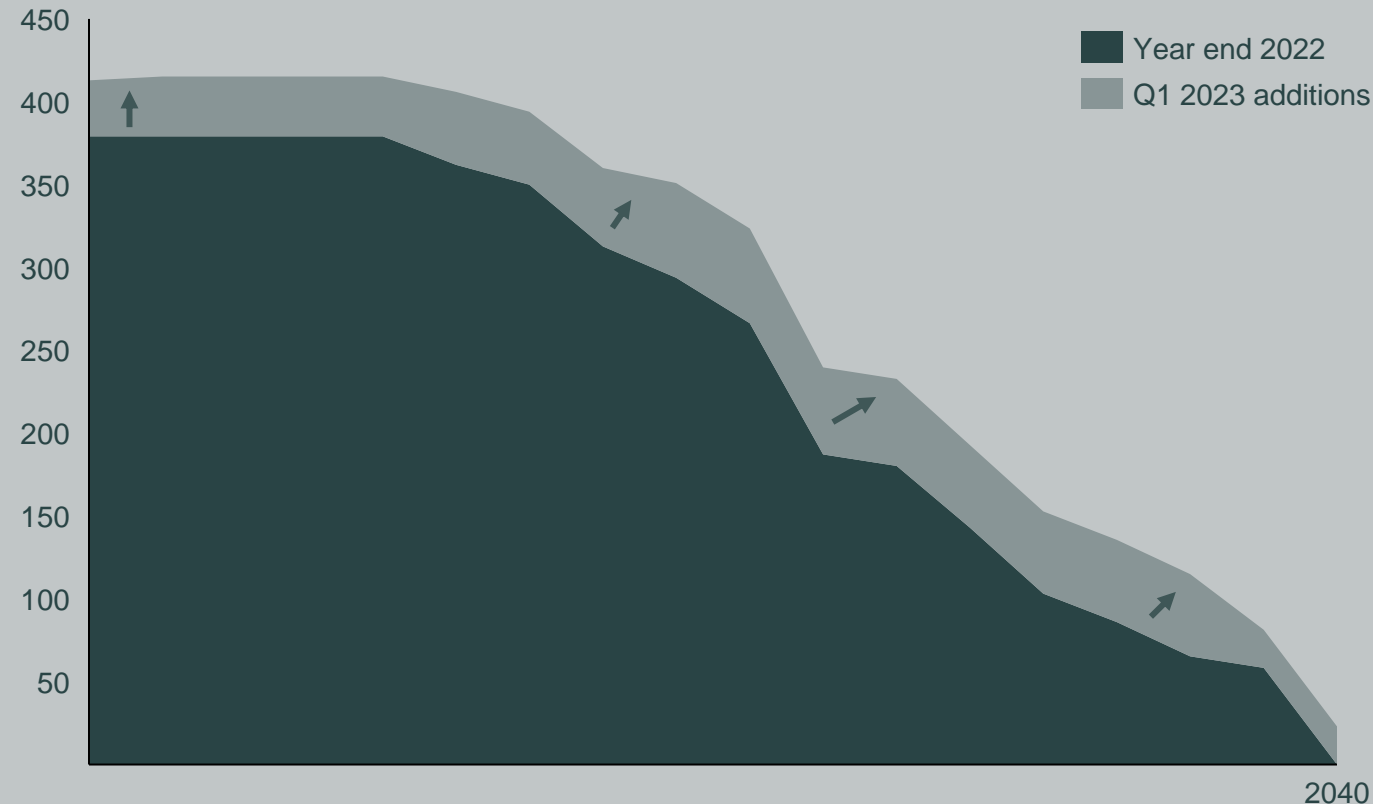
Capital optimization

1) EPRA Net Initial Yield, see definition in interim report, started in Q4'22

Contractual rent growth from acquisitions and contract adjustments

Annual contractual rent

NOK million



- 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

Well positioned for navigating high inflation environment

Solid tenants with long track records

% of net income

50%

BEWI

Insulation, Packaging & Components
Founded in 1980

15%



Seafood industry
Founded in 2015

8%



Seafood industry
Legacy from 1830

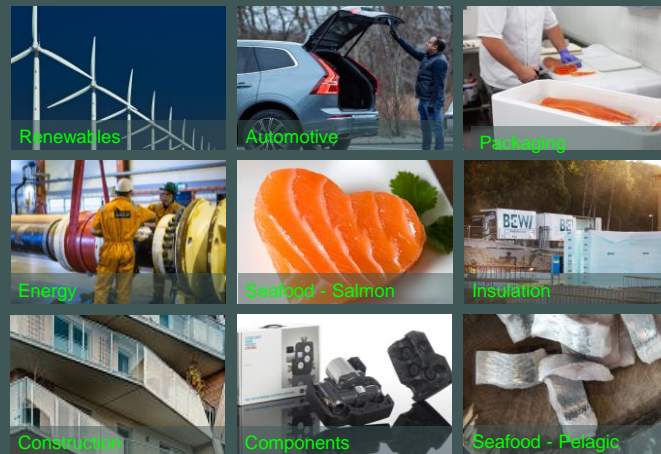
8%



Energy and Maritime services
Founded in 1987

+ 11 other companies

Industry exposure with strong local presence



Solid framework mitigating risks



Currency and interest swaps

37% hedge ratio currently reducing total interest rate by at least 1.13%. Weighted average life (WAL) on interest rate swaps 2.2 years



Triple net bare house contracts

Tenants responsible for almost all property related cost



CPI adjustments

99% of contract 100% CPI adjusted
1% of contracts 80% CPI adjusted

KMC Properties board and management with strong industrial experience

Operational review









Acquisitions – Logistics property Narvik

Acquisition criteria

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

Skarvenesveien 3, Narvik



	GAV	NOK 90m
	GRI	NOK 8.0m ¹
	Gross yield	8.9%
	Initial lease	12.3 yrs ²

- Logistics property including a dry, cold and freeze storage
- Located in logistics hub close to E6 motorway, the railway and port terminal
- Long lease agreements with solid tenants
- Half the property is vacant, enabling potential for additional income



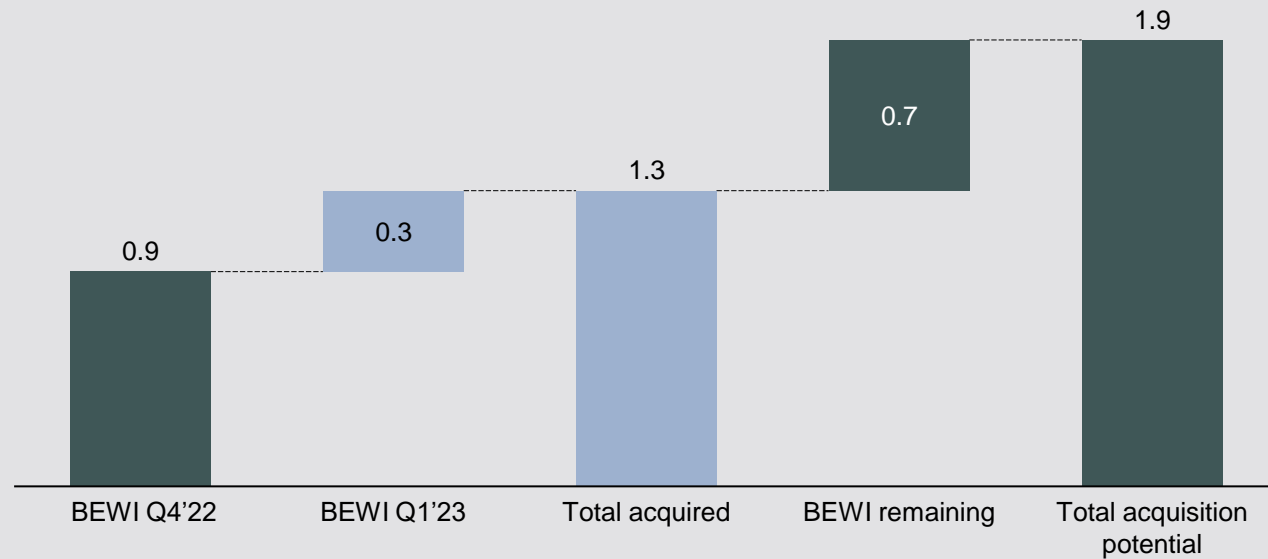
Acquisitions – BEWI portfolio

Acquisition criteria

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

Total NOK 1.3 billion acquired, remaining potential NOK 0.65 billion

Gross asset value, NOK billion



- Financials BEWI Q1'23 transaction: GAV NOK 348.0 million, GRI NOK 23.0 million, gross yield 6.6%, initial lease 17 years
- BEWI Q1'23 completes the Nordic share of the BEWI transaction
- Remaining option in BEWI transaction includes properties in Belgium, Germany, and Poland for approx. NOK 650 million



Greenfield projects progressing as planned

Greenfield project ¹	Completion (estimated)	Value (NOKm)	Remaining investments	Gross yield ²	WAULT	Development
Packaging hub for BEWI at Jøsnøya, Hitra (NO)	H2 2023	200	112	7.5%	15.0	<ul style="list-style-type: none">• Conditional long-term lease agreement with BEWI• Construction work started in September 2022• BEWI has been rewarded a long-term agreement for supply of fish boxes to MOWI, along with running agreement with Lerøy Seafood
Salmon slaughterhouse for Slakteriet at Florø (NO)	H1 2025	682	682	6.8%	20.0	<ul style="list-style-type: none">• Conditional agreement with Slakteriet for the development of the salmon slaughterhouse• Land plot established and ready for infrastructure work

1) Per 31.03.2023

2) Yield on cost for the project



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 14.8 million across five properties in the first quarter of 2023
 - Related to roofing, asphalt, facade, and property specific development to meet client need

ESG projects

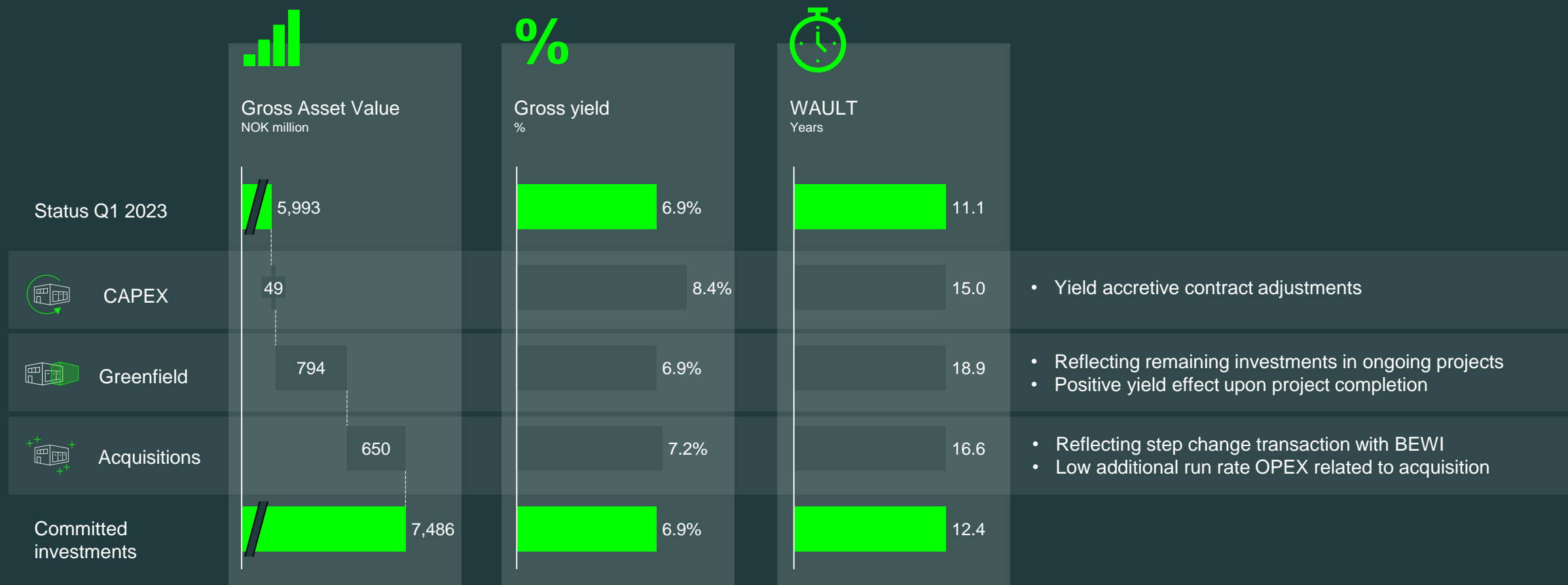


Action	Solar PV installations	ESS Battery installations	Improving energy labelling of properties
Description	<ul style="list-style-type: none"> Current total production of 400 000+ kWh/yr from installations at Mongstad, Ågotnes and Klädesholmen Ongoing pilot project at property in Fredrikstad with installment of 528 000 kWh/yr across 5,500 m² mounted on roof, wall and ground installations Mapping potential for large scale roll-out, reducing consumption of grid sourced electricity and energy costs 	<ul style="list-style-type: none"> Battery installations to create sustainable stabilization of the power grid as well as contribution to intraday capacity equalization Ongoing pilot project at property in Klädesholmen (Sweden) and Fredrikstad (Norway) to install 1MWh+ and 0,2MWh+ battery capacity to examine the sustainability and economy in both markets before large scale roll-out 	<ul style="list-style-type: none"> KMC is currently mapping the energy classification of the entire portfolio and analyzing feasible measures to improve the buildings' performance and classification character in accordance with the EU requirements

H1 2023: Planning phase + sustainability manager

H2 2023: Large scale roll-out

Current pipeline of value accretive opportunities



Financial review



Gross rental increase on a stable cost base

Profit and loss¹

NOK million

	Q1'23	Q1'22	FY'22	FY'21
Rental income	96	63	273	205
Property expenses	-1	-1	-3	-3
Net operating income	94	62	270	202
Administration expenses	-13	-11	-45	-31
Transaction expenses	-2	-2	-7	-33
EBITDA²	80	48	218	138
Net realised financials	-44	-25	-122	-82
Net income from property management	36	23	96	56
Net unrealised financials	62	-28	35	-53
Change in value of financial instruments	-64	91	111	59
Changes in value of investment properties	6	-3	41	317
Profit before tax	41	83	282	380
Profit from continued operations	23	64	244	303

1) Excluding discontinued operations

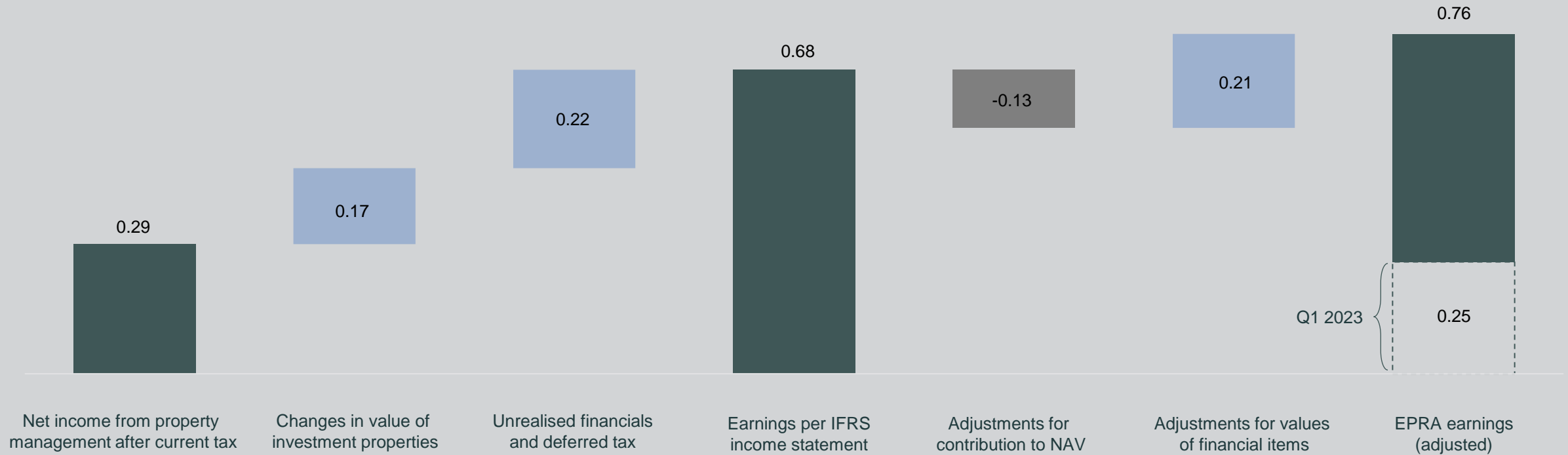
2) See Alternative Performance Measure (APM) description in KMC Properties financial report

- Rental income +52% Q1'23 vs Q1'22
 - CPI adjustments account for around 50% of the increase
 - Remainder of the increase is mostly from new investments
- EBITDA increase +66% Q1'23 vs Q1'22
 - Low property expenses
 - Administration expenses only 14% of NOI Q1'23 vs 18% Q1 '22
 - Share of transaction expenses also down
- Realized financial expenses increase due to
 - Increased interest bearing debt
 - Increased interest rates
- Slightly net positive change in value of investment properties
 - Negative effect from increased interest rates and negative market outlook
 - Positive effect from accretive investments and significant CPI adjustments

Earnings driven by income from property management

Earnings per share (EPS) last twelve months

NOK



Financial and operational visibility

Annualised run-rate

NOK million, 12 months forward

	Q1'23 ¹	Q4'22	Q3'22	Q2'22
Rental income	412	371	284	268
Property expenses	-5	-5	-4	-4
Net operating income	407	366	280	264
Administration expenses ²	-44	-41	-34	-34
EBITDA	364	325	246	230
Net realised financials ³	-205	-181	-137	-117
Net income from property management	159	144	109	113

1) Based on completed agreements as of period end.

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

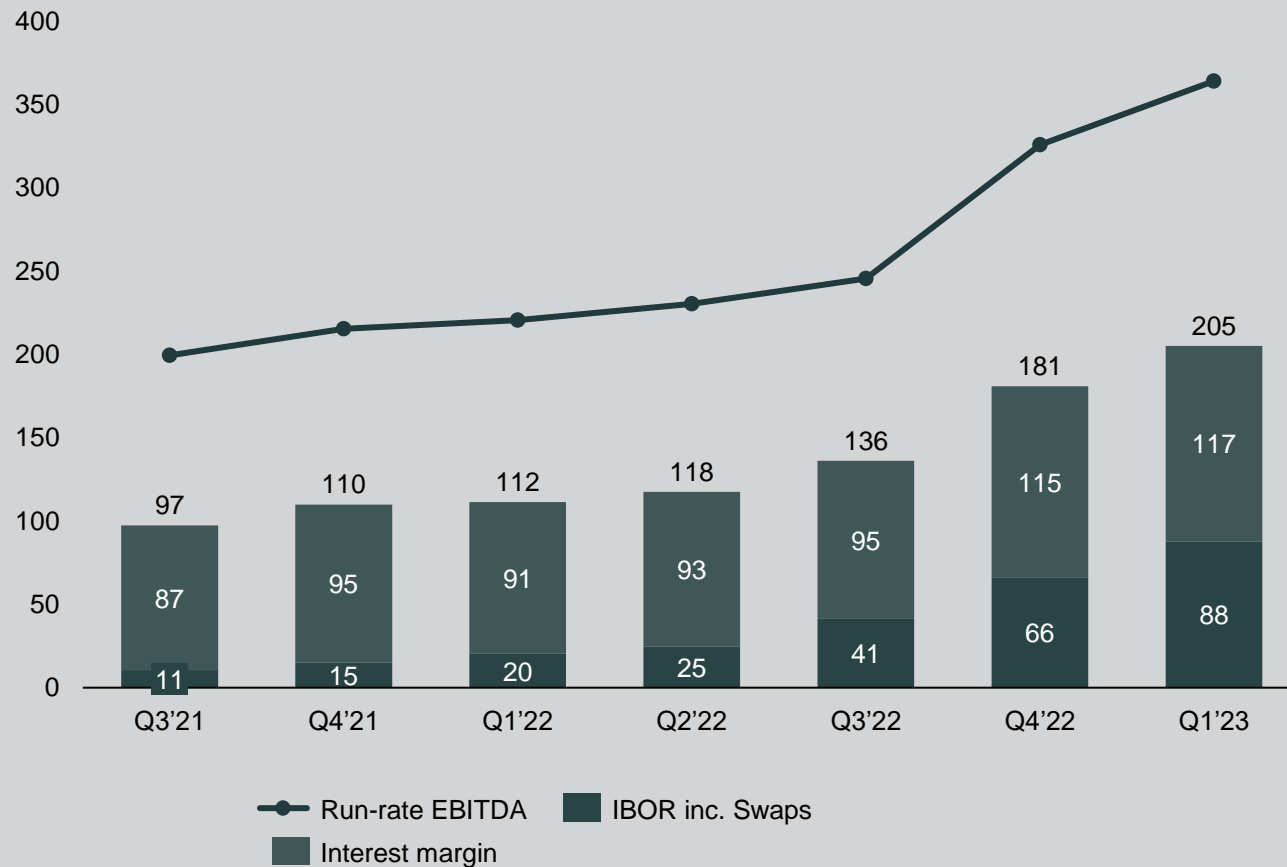
3) Based on floating interests and swap agreements at period end.

- Additional rental income from new investments and CPI adjustments
- Low increase in property related expenses due to triple net bare house contracts
- Administrative expenses increase due to additional costs from CPI and new hires
- Financing cost driven by increase in interest-bearing debt and increased floating interests

EBITDA to interest expense gap increasing

EBITDA to interest expense gap

Annualized run-rate 12 months forward, NOK million

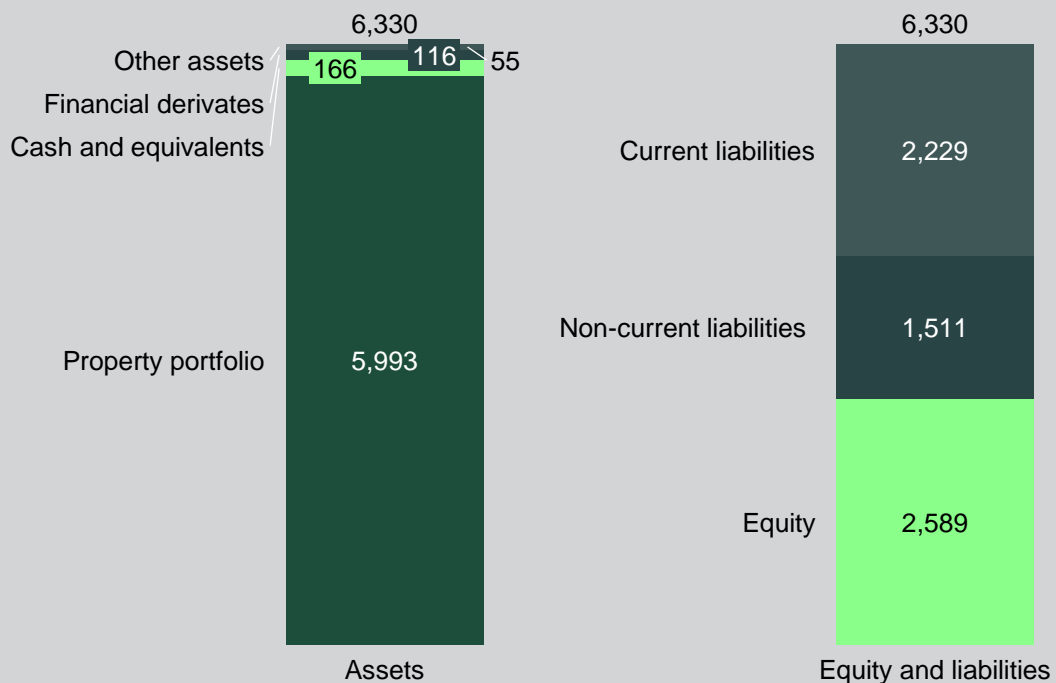


- New investments, renewals and CPI adjustments set to increase overall EBITDA
- BEWI-transaction highly EBITDA accretive
 - Two transactions of NOK 925 million and NOK 350 million of the NOK ~2,000 million transaction concluded in Q4 2022 and Q1 2023
- Potential for interest margin contraction with increased scale
- IBOR, including swap agreements, set to increase with inflation

Balance sheet set to support continued growth

Balance sheet

NOK million



1) Portfolio valued by Cushman & Wakefield quarterly

- Main property portfolio changes for Q1'23
 - Change in value¹ of investment properties of NOK 6 million
 - Expansion projects, investments in new facilities, and acquisitions of NOK 490 million
- NOK 166 million cash and equivalents
- Financial derivatives NOK 116 million down from 180 million
- Equity of NOK 2,589 million representing an equity ratio of 41%

Interest bearing debt overview

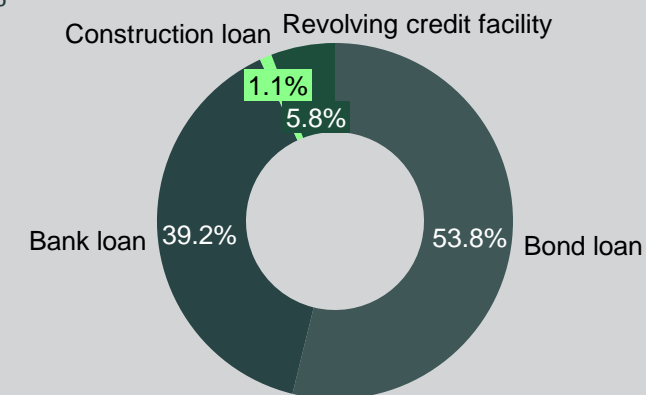
Capitalization table

NOKm

	Loan amount	Current interest %	Margin %
Bond loan	1850	7.73%	4.25%
Bank loan	1348	6.45%	2.64%
Construction loan	38	6.23%	2.75%
Revolving credit facility	200	5.73%	2.25%
Total	3436	7.10%	
Swap agreements		-1.13%	
Total including swap agreements		5.97%	

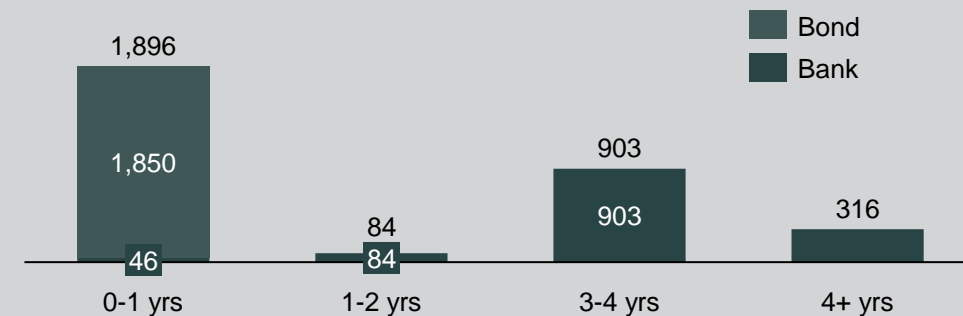
Interest bearing debt

Share of total %



Maturity profile

NOKm



┐ Outlook





Considerable uncertainty about future economic development

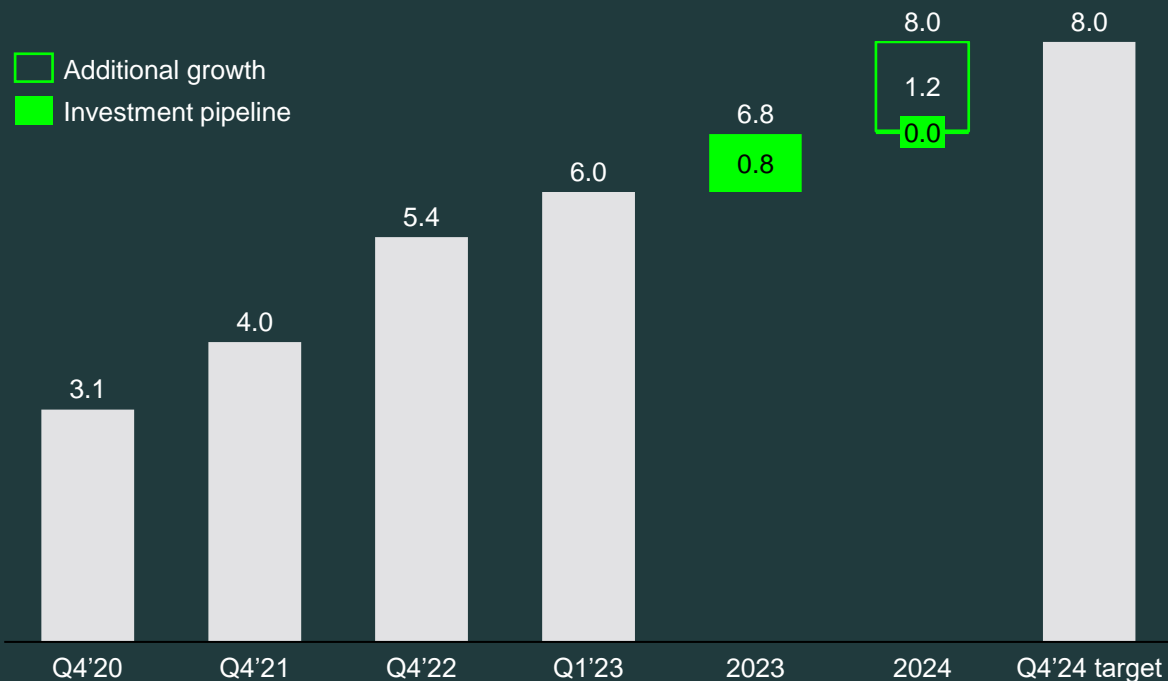
- Improved international growth prospects
- Consumer price inflation among Norway's main trading partners has receded in recent months due partly to gas and electricity prices
- Futures prices for the coming year are lower than in December
- GDP growth among trading partners is expected to dampen slightly, but still higher than earlier anticipated
- Labor markets are tight, and wage growth is high in many countries – may contribute to sustaining underlying inflation
- Weak krone due to international rates rising more than Norwegian interest rates and turbulence in financial markets
- Improved growth outlook for Norway from December report

Source: Norges Bank (March 2023) [Monetary policy report 1/2023](#)

Value accretive growth

Year end 2024 gross asset value target

NOK billion



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 pipeline



Pipeline investments



Type ¹	Tenant	Completion (estimated)	Value (NOKm)	Remaining investments	Gross Yield	WAULT	Country
CAPEX	BEWI (Thorsø)	Q2 2024	39	39	8.5 %	15.0	NO
CAPEX	Sentrallageret (Kuraas)	Q2 2023	10	10	7.9 %	15.0	NO
Greenfield	BEWI (Jøsnøya, Hitra)	H2 2023	200	112	7.5 %	15.0	NO
Greenfield	Slakteriet Holding	H1 2025	682	682	6.8 %	20.0	NO
Acquisitions	BEWI	Q3 2023	2,000	650	7.2 %	16.6	DE, BE, PL

1) Pipeline per 31.03.2023

