

Reviewing Baltic Property Funds

The cases of Baltic Horizon Fund and EfTEN Real Estate Fund III

The COVID-19 pandemic is hurting businesses worldwide, and Baltic Horizon Fund ('BHF'; 'NHCBHFFT ET'), as well as EfTEN Real Estate Fund III ('EfTEN'; 'EFT1T ET' (jointly referred to as the "Funds")), are also feeling the heat. Both Funds have cautioned about the impact of the COVID-19 crisis as it is putting pressure on tenants, especially within the retail and office sectors.

This is confirmed by the Colliers International Q2 2020 Baltic property market report published on 10th July 2020, which states that:

- Q2 2020 saw the completion of several new office projects in the Baltic states. These new entrants into the market further contributed to an increase in vacancy levels and left tenants in a stronger position to negotiate.
- The effect of COVID-19 on the retail market continued to linger following a sharp collapse in both footfall and turnover as a result of the lockdown. The changed spending habits of consumers are likely to continue to have a more significant impact on secondary shopping centres, especially in Vilnius, where vacancies could continue to rise.

Overall, though, the outlook is still uncertain, especially in terms of business survival in the Baltic states. This would impact the property market, with market participants indicating that they are preparing for the next the COVID-19 wave that is expected to hit in autumn. In order to insure against this, market participants are incorporating additional clauses into new and existing agreements. This is particularly the case for retailers, who are trying to negotiate turnover-based rental rates in the case of another outbreak.

Tale of Two Funds

Both Funds took decisive action to limit the impact, including providing tenants with temporary relief and seeking debt relief. BHF has even opted to retain the H1 2020 distributable cash flow of EUR 2.7m so as to protect and strengthen its financial position. EfTEN's management stated that the negative economic impact of the Covid-19 crisis, though, has been smaller than the management had initially anticipated. It has stated that this was partially due to:

- the diversified nature of the property portfolio in terms of sectors and countries;
- the strong tenant base;
- its good capitalisation; and
- its conservative financing strategy.

In light of the situation, though, both Funds had a downward revision to their property portfolio value at the end of June 2020.

- BHF's valuation was performed by Newsec Baltics. The result was a 4.4% or EUR 15.7m drop in the fair value of the portfolio to EUR 345.5m. This valuation loss was attributed to downward revisions to valuation assumptions brought on by the coronavirus crisis. In particular, Newsec Baltics adopted higher discount rate assumptions (+0.3%) and lower cash flow projections compared to the previous valuations. The exit yields assumptions, though, remained unchanged due to a lack of comparable market deals during the lockdown.
- Colliers International did the valuation of EfTEN's property portfolio. While the yields as an input to the property valuations

did not change for any investment property, the discount rates for most of the properties were increased by 0.3pp due to the expected rise in interest rates. However, the valuation took into consideration a lower cash flow forecast, which had a more pronounced effect on the portfolio value. Colliers International has estimated that the rental income could decline by c.a. 4% from its normal level and, based on these assumptions, the value of EfTEN's real estate portfolio has decreased by 3.1% or EUR 4.0m.

The Funds may be considered comparable in the sense that they are both Baltic property funds, but there are some distinct differences between the two.

EfTEN is better diversified in terms of segments, especially during the pandemic period. The retail and leisure segments have potentially been hit the hardest during the crisis, while EfTEN has the added advantage of the logistics segment. BHF's retail segment has faced some write-downs on its retail properties and increased vacancy rates.

Likewise, there is a difference in the tenant structure of the Funds, with EfTEN's largest tenants being DSV Transport AS (10.2%), DSV SIA (7.2%), and DSV Transport UAB (7.0%), and others including air-Baltic, ABC Motors, and Hortes. Comparatively, BHF's main clients are large tenants, including Rimi Baltic (9.4%), Latvian State Forestry (5.4%), Forum Cinemas (4.5%), G4S (4.3%), and SEB (4.2%). However, in many ways, large tenants could prove to be equally detrimental as at the time of the crisis can be more demanding than smaller tenants and less flexible in meeting mutually agreeable arrangements during the pandemic.

As of 30 th June 2020	Baltic Horizon Fund	EfTEN Real Estate Fund III*
Listing	Baltic Fund List	Baltic Main List
Market capitalisation	EUR 131m	EUR 72m
Sector split	Leisure – 4% Office – 46% Retail – 50%	Logistics – 31% Office – 29% Retail – 40%
Geographical split	Estonia – 25% Latvia – 40% Lithuania – 35%	Estonia – 25% Latvia – 19% Lithuania – 56%
Cities	Riga, Tallinn, Vilnius	Kekava, Laagri, Riga, Siauliai, Tallinn, Vilnius
Number of properties	16	13
LNA	153,351 sqm	110,754 sqm
Portfolio market value	EUR 345.5m	EUR 125.3m
Occupancy	96%	99%
Net rental income, H1 2020	EUR 10.4m	EUR 4.7m
P/EPRA NAV	0.88x	0.99x

Source: BHF, EfTEN

* EfTEN excludes the newly acquired ATEA office building

In terms of the property portfolios, BHF is the larger fund with 16 properties in its portfolio and a total net leasable area ('NLA') of 153,351 sqm. With a value of EUR 345.5m, this would imply an average value of c.a. EUR 2,250/sqm. Comparatively, at the end of H1 2020, EfTEN's portfolio included 13 properties with an NLA of 110,754 sqm, with an implied average value of c.a. EUR 1,130/sqm. That said, with different independent valuers, it may sometimes be the case that it is difficult to compare the two funds on a like-for-like basis.

In terms of the Funds' EPRA NAV value, under current market conditions, BHF and EfTEN are priced at P/EPRA NAV multiples of 0.88x and 0.99x, respectively. These are both priced higher than the peer median multiple (based on 30th June 2020 EPRA NAV values) of 0.75x. However, the Funds adopt different valuation methods and valuers, which somewhat limits the comparability of the EPRA NAV value.

Additionally, these two funds differ financially with regards to:

1. Annual NOI to book value – the NOI to book value for EfTEN is 7.5% compared to 5.9% for BHF.
2. Financing – EfTEN amortises its loans monthly (i.e. makes bank loan principal payments) whereas BHF has bullet loans with only monthly interest paid (i.e. no monthly principal repayments) and corporate bonds.
3. Dividend yield – as a result of the above, EfTEN has lower cash flows available for distribution compared to BHF.

Financial Considerations

Baltic Horizon Fund

In H1 2020, BHF earned net rental revenues of EUR 10.4m (+EUR 2.2m y-o-y), supported by the acquisition of Galerija Centrs (+EUR 1.8m) and North Star (+EUR 0.7m). These new properties more than compensated for the fact that Q2 2020 net rental income growth had been adversely impacted by the relief measures granted to tenants during the COVID-19 pandemic.

However, as a result of a EUR 15.8m loss on the revaluation of its investment properties, BHF recorded a net loss of EUR 9.5m for H1 2020. Despite this, on 27th July 2020, S&P Global Ratings affirmed the MM3 mid-market rating for BHF and removed it from Credit-Watch with negative implications.

This write-down may be the reason that BHF applied to its bondholders to reduce its equity ratio covenant from 35% to 25% (a decision that was adopted on 29th July 2020), related to the EUR 50m bond issue that matures in 2023. The Fund explained that the motivation behind the request was the impact of the COVID-19 outbreak. The bond covenants currently include:

Covenant	Requirement	30 th June 2019	30 th Sep 2019	31 st Dec 2019	31 st Mar 2019	30 th June 2020
Equity Ratio	>25.0%	39.2%	40.5%	42.6%	42.4%	40.0%
Debt Service Coverage Ratio	>1.2x	3.5x	3.4x	3.3x	3.4x	3.3x

Source: Baltic Horizon Fund, *Equity ratio = Equity adjusted for the cash flow hedge reserve divided by total assets excluding financial assets and cash equivalents as defined in the accounting policies; Debt Service Coverage Ratio = EBITDA divided by the principal payments and interest expenses of interest-bearing debt obligations, on a rolling 12-month basis.

BHF explained that despite the negative impact of the pandemic, its ability to meet its financial obligations relating to the bond has not been affected. It has stated that the COVID-19 crisis impacted its centrally located retail and entertainment centres, with vacancies increasing to c.a. 15%. BHF stated that the property portfolio has mostly withstood the crisis, and the cumulative negative effect

on net operating income ('NOI') for 2020 should not exceed 10%.

Based on the results of the first half of this year and our assumption that rental income would stabilise during H2 2020, we believe that 2020 revenues will be higher, on a y-o-y basis. We expect that, by the end of 2020, total revenues could reach EUR 23.1m. However, due to the revaluation loss in June 2020, we estimate that the net profit could drop from EUR 8.8m in 2019 to a loss of EUR 4.1m in 2020. In 2021, we expect that net profit could climb to EUR 12.9m, assuming revenue normalises to EUR 23.7m, and there might be a EUR 2.4m revaluation gain.

EfTEN Real Estate Fund III

In H1 2020, EfTEN recorded revenues and EBITDA of EUR 4.9m (H1 2019: EUR 4.6m) and EUR 3.8m, respectively, despite the COVID-19 crisis. EfTEN explained that its EBITDA had increased annually by EUR 0.3m due to the addition of airBaltic's office building and Kekava logistics building while the addition of the newly built Tāhesaju Hortes provided an incremental EBITDA of EUR 0.2m. However, EBITDA was also adversely affected by EUR 0.2m as a result of the Covid-19 crisis, which necessitated temporary discounts that will end no later than September 2020. Due to the EUR 4.0m revaluation loss, EfTEN ended H1 2020 with a loss of nearly EUR 1.1m.

This was followed by strong July 2020 revenues of EUR 860k – the highest single month revenue for the year – and EBITDA of EUR 699k. EfTEN explained that this was supported by the post-crisis recovery from the Saules Miestas shopping centre and the reduced vacancies in the Evolution office building.

In July 2020, the temporary discounts on the DSV's logistics buildings and the Hortes Horticultural Centers continued. It is estimated that these discounts cost EfTEN c.a. EUR 65k. It is expected that rental income will return to normal from August and September of this year.

More recently, EfTEN announced that it had acquired the ATEA headquarters in Vilnius for EUR 11.8m, including EUR 4.5m from equity and the balance from a loan issued by SEB bank. This takes the property portfolio to 14 and extends the gross leasable area by a further c.a. 6,800 sqm. This is likely to add value to EfTEN and provide additional revenues.

Based on the factors mentioned above, we expect total revenues to reach EUR 10.6m in 2020. However, due to the revaluation loss in June 2020, we estimate that the net profit could drop from EUR 7.7m in 2019 to EUR 2.5m in 2020. With an assumption that revenues would normalise to EUR 11.6m and there might be a EUR 1.1m revaluation gain, the net profit could increase to EUR 7.8m in 2021.

Valuation Considerations

In valuing these two funds, LHV used the same conservative expectations in terms of the property portfolios, i.e. the portfolios and occupancy levels would remain unchanged. We assume that the rental rates would experience a decline in 2020, remain unchanged in 2021, and begin to rise gradually at 1.0% p.a. from 2022. We

also assumed that from 2021 the Funds would record revaluation gains 2021 onwards. Our assumptions are conservative, but, with the current level of uncertainty driven by the COVID-19 crisis, we believe that prudence is required.

There remains significant uncertainty about the likelihood of second and future pandemic waves, the longevity of the crisis, or the absolute economic impact that it will have. Markets have continued to rally, which has an impact on the valuation of the Funds, especially in terms of the peer valuation.

For comparative purposes, though, we have used the same underlying key assumptions for both Funds. The only difference is the additional premium that we assigned to BHF to reflect what we perceive it to have a slightly higher COVID-19 risk exposure due to the heavier retail weighting. On our scale of 1-5, we have given BHF a risk score of 3.5 and EFTEN a score of 3.0. This lowers the

company-specific risk premium for EFTEN relative to BHF.

In addition to the CDDM, we considered several peer multiples, including:

- P/E
- EV/EBITDA
- Distribution yield
- P/B
- P/EPRA NAV

We have used the same peer multiples (as of 11th August 2020) for both Funds. With the exception of Hufvudstaden, which is based on 31st March 2020 data, the EPRA NAV values are based on 30th June 2020 values.

	Share Price (local ccy)	EPRA NAV per share (local ccy)	P/EPRA NAV per share
Baltic Horizon Fund	1.15	1.43	0.81
EFTEN Real Estate Fund III	16.80	17.00	0.99
Castellum	191.10	199.00	0.96
Fabege	112.80	150.00	0.75
Hufvudstaden	114.90	188.00	0.61
Entra	127.00	155.60	0.82
Atrium Ljungberg	135.20	204.60	0.66
Wihlborgs Fastigheter	149.20	142.19	1.05
Citycon	6.59	11.33	0.58
Kungsleden	70.45	96.13	0.73
Dios Fastigheter	58.60	73.80	0.79
Median			0.75

Source: Company Reports, LHV

Under current market conditions, we should exercise caution when considering prevailing fair value ranges, as there is a high level of volatility in the market that has a significant impact on the outcome.

While the fair value range reflects a medium-term outlook, it is also based on the prevailing market conditions, which, in a time of volatility, may change over a short period of time.

Average implied fair value, EUR	Weight	EFTEN	BHF
CDDM	25%	10.10	0.57
P/EPRA NAV	25%	13.14	1.01
Distribution Yield	15%	24.69	1.52
P/Book	15%	13.82	1.04
EV/EBIT	10%	41.85	1.73
P/E	10%	21.85	1.28
Previous implied FVR		EUR 16.20-17.00	EUR 1.30-1.45
New implied FVR		EUR 17.50-18.40	EUR 1.05-1.15
Last close, 13 th August 2020		EUR 16.80	EUR 1.1542

Source: Bloomberg, BHF, EFT, LHV

Financial Tables

Baltic Horizon Fund

Income Statement (EURm)	2017	2018	2019	2020E	2021E	2022E
Gross Rental Income (GRI)	11.8	15.9	20.8	23.1	23.7	23.9
Expenses reimbursement income / Service charges	3.7	2.8	4.5	5.2	5.4	5.4
Total revenue	15.5	18.6	25.3	28.3	29.0	29.3
Cost of rental activities	(4.8)	(3.8)	(6.1)	(7.1)	(7.5)	(7.5)
Net Rental Income (NRI)	10.8	14.8	19.2	21.2	21.5	21.7
Administrative expenses	(2.8)	(2.8)	(3.3)	(3.0)	(3.0)	(3.1)
Other operating income / expenses	0.0	0.1	0.0	0.5	0.7	0.7
Valuation gains / (loss) on investment properties	3.7	2.0	(2.1)	(15.8)	2.4	2.4
Operating profit	11.7	14.1	13.9	2.9	21.6	21.7
Financial income	0.0	0.0	0.0	0.0	0.0	0.0
Financial expenses	(1.5)	(2.8)	(4.7)	(5.9)	(6.4)	(6.4)
Profit before tax	10.2	11.3	9.2	(3.0)	15.1	15.3
Income tax charge	(0.8)	(1.3)	(0.4)	(1.2)	(2.2)	(1.8)
Profit for period	9.4	10.0	8.8	(4.1)	12.9	13.5

Source: Baltic Horizon Fund for historicals, LHV for estimates

Balance Sheet, EURm	2017	2018	2019	2020E	2021E	2022E
Assets						
Non-current assets						
Investment properties	189.3	245.2	358.9	347.3	353.2	359.1
Other non-current assets	0.2	0.6	0.1	0.1	0.1	0.1
Total non-current assets	189.6	245.8	359.1	347.4	353.2	359.2
Current assets						
Trade and other receivables	1.6	2.7	2.5	3.2	3.4	3.6
Prepayments	0.1	0.2	0.3	0.5	0.5	0.5
Subscriptions receivable	-	-	-	-	-	-
Cash and cash equivalents	24.6	12.2	9.8	7.6	9.9	10.3
Total current assets	26.2	15.1	12.7	11.3	13.8	14.5
Total assets	215.8	260.9	371.7	358.7	367.1	373.6
Equity and Liabilities						
Equity						
Paid-in capital	91.8	93.7	138.1	138.1	138.1	138.1
Own units	-	(0.3)	-	-	-	-
Cash flow hedge reserve	(0.1)	(1.0)	(1.6)	(1.9)	(2.0)	(2.2)
Retained earnings	15.2	17.5	16.0	2.0	7.6	14.3
Total equity	107.0	109.8	152.5	138.2	143.6	150.1
Non-current liabilities						
Interest bearing loans and borrowings - LT	96.5	140.4	205.7	205.5	208.2	207.7
Deferred tax liabilities	5.2	5.8	6.2	5.3	4.0	2.7
Derivative financial instruments - LT	0.1	1.1	1.7	1.9	2.0	2.1
Other non-current liabilities	0.9	0.9	1.3	1.5	1.5	1.6
Total non-current liabilities	102.7	148.2	214.9	214.3	215.7	214.1

Balance Sheet, EURm...continued	2017	2018	2019	2020E	2021E	2022E
Current liabilities						
Interest bearing loans and borrowings	1.6	0.1	0.4	0.4	0.4	0.4
Trade and other payables	4.2	2.4	3.2	4.5	5.3	6.2
Income tax payable	0.0	-	0.0	0.5	1.3	2.0
Derivative financial instruments	0.0	-	-	-	-	-
Other current liabilities	0.3	0.4	0.7	0.8	0.8	0.8
Total current liabilities	6.2	2.9	4.3	6.2	7.7	9.4
Total liabilities	108.8	151.1	219.2	220.5	223.5	223.5
Total equity and liabilities	215.8	260.9	371.7	358.7	367.1	373.6

Source: Baltic Horizon Fund for historicals, LHV for estimates

Cashflow Statement	2017	2018	2019	2020E	2021E	2022E
Operating activities						
Profit before tax	10.2	11.3	9.2	(3.0)	15.1	15.3
Adjustments for non-cash items						
Value adjustment of investment properties	(3.7)	(2.0)	2.1	15.8	(2.4)	(2.4)
Change in allowance for bad debts	0.0	0.1	0.2	0.2	-	-
Financial income	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Financial expenses	1.5	2.8	4.7	5.9	6.4	6.4
Non-realised exchange differences	-	-	(0.0)	(0.0)	-	-
Working capital adjustments						
Decrease/increase in trade and other receivables	(0.2)	(0.8)	0.8	(1.2)	(0.2)	(0.3)
Increase/decrease in other current assets	(0.0)	(0.5)	(0.4)	(0.4)	(0.0)	(0.0)
Increase/decrease in other non-current assets	(0.2)	(0.1)	0.1	(0.1)	-	-
Increase/decrease in trade and other payables	(0.1)	(0.5)	0.2	1.3	0.8	0.9
Decrease/increase in other current liabilities	(0.0)	0.7	(0.3)	0.1	(0.5)	(0.5)
Refunded/paid income tax	(0.0)	(0.6)	(0.0)	(1.2)	(2.2)	(1.8)
Net cash flow from operating activities	7.5	10.4	16.4	17.4	17.2	17.6
Investing activities						
Interest received	0.0	0.0	0.0	0.0	0.0	0.0
Acquisition of subsidiaries, net of cash acquired	(8.6)	(16.9)	(38.2)	-	-	-
Acquisition of investment properties	(14.4)	(36.6)	(38.6)	(0.1)	-	-
Disposal of investment properties	-	-	0.0	-	-	-
Investment property development expenditure	(1.2)	(2.2)	(0.7)	(1.3)	-	-
Capital expenditure on investment properties	(4.0)	(0.6)	(0.7)	(2.1)	(3.5)	(3.5)
Net cash flow from investing activities	(28.1)	(56.4)	(78.2)	(3.5)	(3.5)	(3.5)
Financing activities						
Proceeds from the issue of bonds	-	40.0	10.0	-	-	-
Proceeds from bank loans	40.6	26.0	57.4	-	-	-
Repayment of bank loans	(24.1)	(23.3)	(37.8)	(0.3)	2.7	(0.4)
Proceeds from issue of units	25.6	2.4	44.7	-	-	-
Profit distribution to unitholders	(5.1)	(7.7)	(10.3)	(10.0)	(7.5)	(6.9)
Repurchase of units	-	(0.9)	-	-	-	-
Transaction costs related to loans and borrowings	-	(0.4)	(0.2)	-	-	-
Interest paid	(1.6)	(2.4)	(4.5)	(5.9)	(6.4)	(6.4)
Net cash flow from financing activities	35.3	33.7	59.4	(16.2)	(11.3)	(13.8)

Cashflow Statement...continued	2017	2018	2019	2020E	2021E	2022E
Net change in cash and cash equivalents	14.7	(12.3)	(2.4)	(2.2)	2.4	0.3
Cash and cash equivalents at beginning of year	9.9	24.6	12.2	9.8	7.6	9.9
Cash and cash equivalents at end of year	24.6	12.2	9.8	7.6	9.9	10.3

Source: Baltic Horizon Fund for historicals, LHV for estimates

Key Ratios	2017	2018	2019	2020E	2021E	2022E
Growth						
Revenue (%)	48.4	19.9	35.9	11.8	2.5	1.0
Net Rental Income (%)	50.5	37.5	29.8	10.1	1.8	1.0
EBITDA (%)	49.9	20.5	(1.1)	(78.9)	633.0	0.7
EBIT (%)	49.9	20.5	(1.1)	(78.9)	633.0	0.7
Pre-tax Profit (%)	55.6	10.7	(18.4)	(132.4)	n.m.	1.0
Net Profit (%)	64.0	5.8	(12.0)	(147.1)	n.m.	4.1
EPU (%)	25.0	(15.4)	(28.2)	(140.1)	n.m.	4.1
Profitability						
Net Rental Income margin (%)	69.3	79.5	76.0	74.8	74.2	74.2
EBITDA margin (%)	75.2	75.6	55.1	10.4	74.3	74.1
EBIT margin (%)	75.2	75.6	55.1	10.4	74.3	74.1
PBT margin (%)	65.7	60.7	36.4	(10.6)	52.2	52.2
Net Profit margin (%)	60.8	53.7	34.7	(14.6)	44.6	46.0
Return						
ROCE (%)	6.7	6.2	4.6	0.8	6.2	6.1
ROE (%)	10.3	9.2	6.7	(2.9)	9.2	9.2
ROA (%)	5.1	4.2	2.8	(1.1)	3.6	3.6
Liquidity						
Current ratio (x)	4.3	5.3	3.0	1.8	1.8	1.5
Quick ratio (x)	4.2	5.2	2.9	1.7	1.7	1.5
Leverage						
Net Debt	73.5	128.3	196.3	198.3	198.6	197.9
Net gearing (x)	0.7	1.2	1.3	1.4	1.4	1.3
Debt/Equity ratio (x)	0.9	1.3	1.4	1.5	1.5	1.4

Source: Baltic Horizon Fund for historicals, LHV for estimates

Financial Tables

EFTEN Real Estate Fund III

Income Statement, EURm	2017	2018	2019	2020E	2021E	2022E
Total revenue	7.3	8.7	9.5	10.6	11.6	11.7
Cost of services sold	(0.2)	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)
Gross Profit	7.1	8.4	9.2	10.2	11.2	11.3
Marketing costs	(0.4)	(0.4)	(0.4)	(0.4)	(0.6)	(0.6)
General and administrative expenses	(1.6)	(1.2)	(1.8)	(1.4)	(1.4)	(1.4)
Gain / loss from revaluation of investment properties	2.9	1.6	3.1	(4.0)	1.1	1.1
Other operating income and expenses	0.0	0.0	0.0	(0.0)	(0.0)	(0.0)
EBIT	8.0	8.3	10.0	4.4	10.3	10.4
Interest income	-	-	0.0	-	-	-
Finance expenses	(0.7)	(1.1)	(1.2)	(1.4)	(1.3)	(1.3)
Pre-tax profit	7.3	7.2	8.9	3.0	9.0	9.1
Income tax	(0.8)	(0.9)	(1.1)	(0.5)	(0.9)	(0.9)
Net profit/(loss)	6.6	6.3	7.7	2.5	8.1	8.3
Minority Interest	-	-	-	-	-	-
Net profit/(loss) attributable to shareholders	6.6	6.3	7.7	2.5	8.1	8.3

Source: EFTEN Real Estate Fund III for historicals, LHV for estimates

Balance Sheet, EURm	2017	2018	2019	2020E	2021E	2022E
Assets						
Cash and Equivalents	8.1	4.9	13.0	10.0	10.4	11.0
Short-term deposits	-	-	6.0	-	-	-
Accounts receivable	0.6	0.7	0.7	1.4	1.4	1.4
Prepaid expenses	0.0	0.0	0.1	0.1	0.1	0.1
Total Current Assets	8.8	5.6	19.7	11.5	11.9	12.5
Long-term receivables	0.0	0.0	-	-	-	-
Investment property	88.4	102.8	113.0	137.1	138.2	139.3
Fixed assets	0.0	0.1	0.1	0.2	0.2	0.1
Intangible assets (Patents, licenses, trademarks)	0.0	-	-	0.0	0.0	0.0
Total Non-Current Assets	88.5	102.9	113.1	137.3	138.4	139.5
Total Assets	97.3	108.5	132.8	148.8	150.3	152.0
Liabilities						
Borrowings - ST portion	2.1	8.1	21.1	36.6	35.6	34.6
Derivative instruments	0.1	0.2	0.3	0.3	0.3	0.3
Payables and prepayments	1.8	1.0	1.1	4.9	4.9	4.9
Total Current Liabilities	4.0	9.3	22.6	41.8	40.8	39.8
Borrowings	43.7	44.7	34.2	30.2	28.2	26.2
Other LT liabilities	0.4	0.5	0.6	0.9	0.9	1.0
Deferred income tax liabilities	2.9	3.5	4.3	5.0	5.0	5.0
Total Non-Current Liabilities	46.9	48.7	39.1	36.1	34.1	32.2
Total Liabilities	50.9	58.0	61.7	77.9	74.9	72.0
Equity						
Share capital	32.2	32.2	42.2	42.2	42.2	42.2
Share premium	3.7	3.7	9.7	9.7	9.7	9.7

Balance Sheet, EURm...continued	2017	2018	2019	2020E	2021E	2022E
Statutory reserve capital	0.3	0.6	0.9	2.1	3.6	5.2
Retained earnings	10.2	14.0	18.4	16.9	19.8	22.9
Total Equity	46.4	50.5	71.2	70.9	75.4	80.0
Total Equity and Liabilities	97.3	108.5	132.8	148.8	150.3	152.0

Source: EFTEN Real Estate Fund III for historicals, LHV for estimates

Cashflow Statement	2017	2018	2019	2020E	2021E	2022E
Operating cash flow						
Net Profit	6.6	6.3	7.7	2.5	8.1	8.3
Financial income	-	-	(0.0)	-	-	-
Interest paid	0.8	1.1	1.2	1.4	1.3	1.3
Other financial costs	(0.1)	-	-	-	-	-
Gain (loss) from revaluation of investment property	(2.9)	(1.6)	(3.1)	4.0	(1.1)	(1.1)
Gain from selling investment properties	(0.0)	(0.0)	(0.0)	-	-	-
Change in the success fee liability	0.5	-	-	-	-	-
Depreciation and amortisation	0.0	0.0	0.1	0.0	0.0	0.0
Income tax expense	0.8	0.9	1.1	0.5	0.9	0.9
Cash flow from operations before changes in working capital	5.6	6.7	7.0	8.4	9.2	9.3
Change in Accounts Receivable	-	-	0.3	(0.9)	-	(0.0)
Change in Prepaid Expenses	-	-	-	(0.0)	0.0	(0.0)
Change in Accounts Payable	-	-	-	0.8	-	0.0
Change in working capital	(1.5)	(0.1)	0.3	(0.1)	0.0	0.0
Cash Flow from Operating Activities	(1.5)	(0.1)	0.3	(0.1)	0.0	0.0
Investing cash flow						
Purchase of property, plant and equipment	(0.0)	(0.1)	(0.0)	(0.0)	-	-
Sale/(Purchase) of investment property	(9.8)	(13.5)	(7.3)	(0.5)	-	-
Acquisition of subsidiaries	(1.1)	(0.1)	-	(20.4)	(0.0)	(0.0)
Short-term deposits	-	-	(6.0)	6.0	-	-
Interest received	-	-	-	0.0	-	-
Cash Flow from Investing Activities	(11.0)	(13.7)	(13.4)	(15.0)	(0.0)	(0.0)
Financing cash flow						
Loans received	5.1	9.5	6.8	6.6	-	-
Loan repayments	(2.0)	(2.4)	(4.3)	(2.2)	(3.0)	(3.0)
Interest paid	(0.8)	(1.0)	(1.1)	(1.3)	(1.3)	(1.3)
Proceeds from issuance of shares	11.0	-	16.0	-	-	-
Income tax paid on dividends	(0.0)	(0.1)	(0.1)	(0.3)	(0.9)	(0.9)
Dividends paid	(1.5)	(2.2)	(3.1)	-	(3.6)	(3.6)
Change in other LT liabilities	-	-	-	0.2	-	0.0
Change in deferred income tax liabilities	-	-	-	0.8	-	0.0
Cash Flow from Financing Activities	11.8	3.8	14.2	3.7	(8.8)	(8.7)
Cash and equivalents at beginning of the period	3.2	8.1	4.9	13.0	10.0	10.4
Total periods cash flow	4.9	(3.3)	8.1	(3.0)	0.4	0.6
Cash and cash equivalents at end of the period	8.1	4.9	13.0	10.0	10.4	11.0

Source: EFTEN Real Estate Fund III for historicals, LHV for estimates

Key Ratios	2017	2018	2019	2020E	2021E	2022E
Growth						
Revenue (%)	36.9	18.8	9.7	11.1	9.9	1.0
Gross Profit (%)	38.4	17.1	9.9	11.5	9.8	1.0
EBITDA (%)	43.2	19.4	11.2	12.2	9.9	1.0
EBIT (%)	38.8	2.8	21.6	(56.6)	136.0	1.0
Pre-tax Profit (%)	43.2	(2.5)	23.7	(66.2)	198.9	1.8
Net Profit (%)	51.2	(4.2)	22.8	(68.2)	230.0	2.0
EPS (%)	14.4	(18.2)	5.1	(71.7)	230.0	2.0
Profitability						
Gross margin (%)	97.7	96.3	96.5	96.9	96.8	96.8
EBITDA margin (%)	77.0	77.4	78.5	79.3	79.3	79.3
EBIT margin (%)	110.0	95.2	105.6	41.3	88.7	88.7
PBT margin (%)	100.6	82.6	93.2	28.4	77.3	77.8
Net Profit margin (%)	90.1	72.6	81.3	23.3	69.9	70.6
Return						
ROCE (%)	9.7	8.4	8.7	3.3	7.4	7.4
ROE (%)	17.1	13.0	12.7	3.5	11.1	10.6
ROA (%)	7.5	6.1	6.4	1.7	5.4	5.5
Liquidity						
Current ratio (x)	2.2	0.6	0.9	0.3	0.3	0.3
Quick ratio (x)	2.2	0.6	0.6	0.3	0.3	0.3
Leverage						
Net Debt	37.6	48.0	42.4	56.9	53.4	49.8
Net gearing (x)	0.8	1.0	0.6	0.8	0.7	0.6
Debt/Equity ratio (x)	1.0	1.0	0.8	0.9	0.8	0.8

Source: EFTEN Real Estate Fund III for historicals, LHV for estimates

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