EfTEN Real Estate Fund III AS (EFT1T ET)

Company Update

25th Nov 2020

Corporate Sponsored Research


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EfTEN Review

Q3 2020 market and results recap

Trends in the Baltic Real Estate Market

As per CBRE, during the first nine months of 2020, the real estate market's investment volume declined by one-third to EUR 471m, on a y-o-y basis. Despite the COVID-19 crisis, capitalisation rates for most industrial, office, and residential assets have remained firm, but it declined for retail and hotel segments. More specifically, in terms of the segments in which EfTEN Real Estate Fund III (hereinafter referred to as 'EfTEN' or the 'Fund') operates, CBRE's view could be summarised as follows:

Office

The Baltic office market exhibited strong confidence and resilience despite the COVID-19 pandemic. So far during the year, the segment received EUR 296m worth of investment. However, the segment also suffered losses, which caused budget cuts, unemployment, and the need for better optimisation of office space. Additionally, with an increasing trend towards working from home or a hybrid system of working, there is a doubt over the long-term prospect of the traditional office segment.

Retail

There is a downward trend in the Baltic retail real estate market, especially in the consumer discretionary market. In 9M 2020, the investment volumes in the retail real estate market declined to EUR 85m. The pandemic has brought about a change in consumer demand and behaviour, including consumers preferring e-commerce shopping over physical retailers. While consumer confidence and purchasing power are likely to rebound, the question remains to what extent the new shopping behaviour is becoming engrained into purchasing habits, as this could lead to higher uncertainty.

Logistics

The logistics and industrial segment has remained resilient, and a low supply of available assets has led to a limited investment. Due to the growth in e-commerce, supporting consumer spending and manufacturing output, there has been an improvement in investor confidence in the sector.

COVID-19 Implications for EfTEN

In its Q3 2020 report, EfTEN indicated that, so far, the negative impact of the COVID-19 pandemic has not been as severe as it had expected. It attributed this ultimate resilience to several factors, including:

- Portfolio diversification (both geographic and sectoral diversification)
- Strong tenant base

Key Numbers (EURm)	2017	2018	2019	2020E*	2021E*	2022E*
Sales (EURm)	7.3	8.7	9.5	10.7	12.1	12.2
Sales growth (%)	36.9	18.8	9.7	12.7	12.8	1.0
Net profit (EURm)	6.6	6.3	7.7	2.8	9.0	9.1
EPS (EUR)	2.4	2.0	2.1	0.7	2.1	2.2
P/E (x)	6.4	8.3	8.7	27.4	8.4	8.3
Payout per share (EUR)#	0.7	0.9	0.8	0.8	1.0	1.1
Payout yield (%)	4.4	5.9	4.6	4.2	5.7	5.8
P/B (x)	1.1	1.0	1.1	1.1	1.0	0.9
EV/Sales (x)	11.9	11.6	12.4	12.8	11.3	11.2
EV/EBITDA (x)	15.5	14.9	15.8	15.8	13.7	13.6
EV/EBIT (x)	10.8	12.1	11.7	29.5	12.3	12.2
ROE (%)	17.1	13.0	12.7	3.9	12.2	11.5

Source: EFT1T, LHV *2020E-2022E multiples are based on the share price (23rd Nov 2020) of EUR 18.00 per share # Payout per share include dividends and share capital reduction.

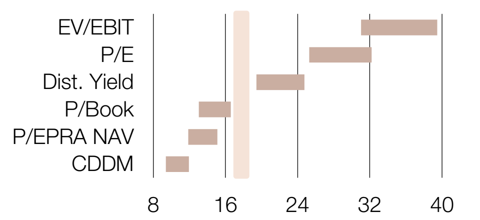
Company Profile	
Listing Market:	Baltic Main List
Bloomberg Ticker:	EFT1T ET
ISIN:	EE3100127242
Industry:	Financials
Sector:	Financial Services
No. of Employees:	12
Website:	www.eref.ee

Share Data, as of 23rd Nov 2020	
Current Share Price (EUR):	18.00
Fair Value Range (FVR), EUR:	17.50-18.40
Downside, % (to mid-point of FVR):	0.28
52-week High/Low (EUR):	19.30/13.60
3m Avg. Daily Volume (th):	0.85
Market Cap (EURm):	76.01
Ordinary Shares (m):	4.22

Key Shareholders, as of 23rd Nov 2020	
Altius Capital OÜ	14.26%
Järve Kaubanduskeskus Osaühing	10.23%
OÜ Hoiukonto	10.19%

12-Month Price Performance

LHV Fair Value Range: EUR 17.50-18.40*



* As of 24th August 2020

- Good capitalisation
- Conservative financing strategy

This was in spite of the fact that the Fund was put under pressure to provide temporary discount relief to its tenants due to the stress caused by the pandemic and related lockdowns. However, it saw its rental rates return to a normalised level towards the end of the third quarter. It would be interesting to see how the property portfolio will be revalued towards the end of the year, and whether there would be any revaluation gains, following c.a. EUR 4.0m write down recorded at the end of June 2020.

The pandemic has not prevented the Fund from expanding its portfolio. In August 2020, the Fund acquired a new Vilnius-based office building for c.a. EUR 11.8m. The acquisition was 39% equity funded, using the remaining portion of EUR 16m raised last year. The office building's anchor tenant is Atea UAB (an IT company).

Q3 2020 Financial Performance Recap

Despite the COVID-19 crisis, the Fund reported Q3 2020 revenues at EUR 2.8m (+7.6% y-o-y), resulting in January-September 2020 revenues of EUR 7.7m. The operating profit for the quarter was EUR 2.3m, taking the January-September 2020 operating profit to EUR 1.9m. This nine-month result was weighed down by a revaluation loss of EUR 4.0m during Q2 2020.

The Fund explained that its revenues increased, on a y-o-y basis, due to the addition of airBaltic's office building, Kekava logistics building, and the newly built Tähesaju Hortes. The Fund mentioned that like-for-like revenues declined by 1.6% y-o-y in Q3 2020. This decline was due to the temporary discounts offered as a result of the COVID-19 pandemic, with rental income returning to normal levels during September. That said, there is still uncertainty regarding the situation going forward, especially the upcoming winter season, with COVID-19 cases on the rise again.

The new Atea UAB office building acquisition took the portfolio to a total of 14 properties at the end of Q3 2020, with the portfolio being relatively evenly split between the retail, logistics, and office sectors. In our view, the Fund has a quite strong tenant base, with several properties being occupied by only one tenant (As of Q3 2020, five out of the 14 properties had ten or more tenants). Therefore, it is

EFT1T ET: Results Review, EURm	Q3/20A	Q3/19A	% y-o-y	Q3/20E	Dev, abs	Dev, %
Revenue	2.8	2.6	7.6	2.8	0.0	1.2
Gross profit	2.8	2.4	16.7	n.a.	n.a.	n.a.
Operating profit	2.3	1.9	n.m.	n.a.	n.a.	n.a.
Net profit	1.8	1.4	n.m.	1.7	0.1	6.6
Gross margin, %	97.4	89.7				
Operating margin, %	81.1	71.6				
Net margin, %	64.0	54.3				

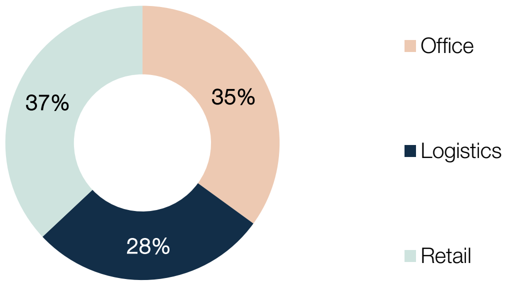
Source: EfTEN, LHV

Investment Properties as of 30th September 2020	Fair Value	NLA	Estimated Annual Rental Revenue, EURm	Occupancy, %	Average Length of Rental Agreements	Number of Tenants
DSV Tallinn	12,520	16,014	1,020	100	6.1	1
DSV Riga	8,673	12,149	725	100	6.1	1
DSV Vilnius	8,740	11,687	708	100	6.1	1
Piepilsetas logistics center, Kekava	8,403	13,327	672	99	3.5	4
Total Logistics	**38,336**	**53,177**	**3,125**	**100**	**5.7**	**7**
Saules Miestas shopping centre	32,059	19,881	3,110	98	3.9	123
Hortes gardening centre, Laagri	3,360	3,470	268	100	11.7	1
Selver in Laagri	6,320	3,063	493	100	7.2	10
Hortes gardening centre, Tallinn	5,850	5,300	515	100	14.0	1
ABC Motors Autokeskus, Tallinn	3,160	2,149	260	100	8.4	1
Total Retail	**50,749**	**33,863**	**4,646**	**99**	**5.9**	**136**
Ulonu office building, Vilnius	8,932	5,174	737	86	3.3	12
Evolution office building, Vilnius	10,603	6,172	839	100	4.0	45
L3 office building, Vilnius	10,045	6,151	812	100	2.5	33
airBaltic office building, Riga	6,870	6,217	495	100	5.4	1
Atea office building, Vilnius	11,819	6,811	856	100	3.9	3
Total Office	**48,269**	**30,525**	**3,739**	**97**	**3.7**	**94**
Total Portfolio	**137,354**	**117,565**	**11,510**	**99**	**5.1**	**237**

Source: EfTEN

likely that the Fund will continue to retain a higher average level of occupancy, with the total portfolio vacancy rate sitting at only c.a. 1%.

Real Estate Portfolio by Sector, 30th September 2020



Source: EfTEN

At the end of October 2020, the Fund's NAV and EPRA NAV increased by 0.9% (m-o-m) each to EUR 16.53 and EUR 17.62, respectively. EfTEN has also recently indicated that its October revenues remained flat m-o-m at EUR 1.0m, resulting in relatively flat (m-o-m) EBITDA of EUR 946k.

Entering into a new market segment through the latest acquisition

On 23rd November 2020, EfTEN announced that its newly established SPV signed a contract under the law of obligations to acquire a property located at Hunditubaka tee 12 / Karukella tee 5 in Tallinn from OÜ Arca Varahaldus. According to EfTEN, by the end of 2020, the construction of an aged care home will be completed on this property, and it will be rented to Pirita Kodu OÜ under a long-term agreement. With this transaction, EfTEN enters a new market segment, as the property will be the first aged care home in its portfolio. Considering the underlying trends in Estonia's demographic situation and continuous demand for care services, we believe this segment has a stable outlook.

The size of the property is 13,270 sqm, while the total area of the building under construction is c.a. 6,000 sqm. The care home, which will be called the Pirita Pansionaat, will have beds for 250 clients. Pirita Kodu OÜ will operate the Pirita Pansionaat based on a ten-year rental agreement, with an option to extend it for another ten years. Following the acquisition, the total number of properties in the portfolio reached 15. The breakdown of the portfolio by market segments will look as follows: retail - 35%, office - 34%, logistics and manufacturing - 27%, and aged care homes - 4%. The geographical distribution of the Fund will be dominated by Lithuania with 57%, followed by Estonia with 26%, and Latvia with 17% of the total.

The acquisition price of the property is c.a. EUR 6.2m (excluding VAT), half of which is financed with equity capital of the Fund and remaining with a loan taken by the respective SPV from Swedbank. As the Fund has fully invested the previously raised equity capital, the equity part is currently injected by the Fund, using the bridge financing facility of EUR 3.1m, arranged by Swedbank. This loan will be refinanced with the proceeds from the share issue to be organised in the spring of 2021. The exact terms of the SPO will be decided by the management at the end of Q1 2021 to be submitted to the AGM for approval. EfTEN claims that the yield on non-leveraged rental income for the first full year of operations is about 7% a year. It should be noted that the tenant will start making the rental payments only from 1st April 2021 and the rental fee will gradually increase during the launch period, reaching the full amount only at the beginning of January 2022.

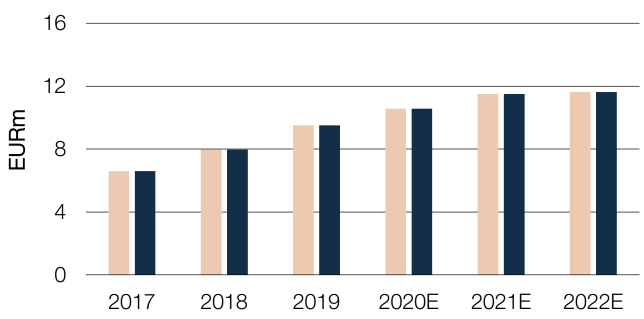
Financial Outlook

Although we do not expect the Fund to face any obstacles to complete the transaction and sign a real right contract after it receives consent from the Competition Authority, we decided not to include the new property into our projections yet. We will wait for more detailed information regarding the new property's NLA, expected rental income, and operating costs as well as financing terms before adjusting our financial projections for the Fund. Our base assumption is that the planned SPO will be priced at close to the market level of the shares at the time of the issue. Considering the size of this acquisition, being less than 5% of the total portfolio, the new property is not expected to impact the valuation of the Fund per share considerably. Accordingly, our current financial projections include only the existing portfolio of 14 properties.

Net Rental Income

EfTEN generates revenues by leasing properties in its real estate portfolio. The revenue forecasts are determined by multiplying the NLA of each portfolio by the estimated occupancy rate and rental price. It has been assumed the NLA and occupancy rate would remain stable, with an overall average occupancy rate of 99% (with the lowest being Ulonu office building at 86%). It is assumed that, for the rest of 2020 and 2021, the rental rates could remain at the Q3 2020 average level and slowly begin to rise again in 2022.

Gross Rental Income



Source: EfTEN for historicals, LHV for estimates

The historical annual growth in gross rental income ('GRI') is correlated with the expanding property portfolio. In 2019, the aggregated GRI was EUR 9.5m, and with the inclusion of airBaltic office building, the Piepilsetas logistics centre, and the Atea UAB office building, it is estimated to reach EUR 10.6m in 2020. Assuming no further developments or acquisitions (a very conservative outlook), the current portfolio is forecast to generate a GRI of c.a. EUR 11.5-11.6m p.a. in 2021 and 2022. This should translate into a net rental income ('NRI') of c.a. EUR 10.4m for 2020, rising to EUR 11.9m by 2022.

Operating Expenses and Other Income

EfTEN's main expenses are the general and administrative expenses. It has been assumed that the total annual general and administrative expenses will stabilise above the EUR 1.5m level, while marketing costs, as a percentage of sales, could stabilise around the 2.3% mark.

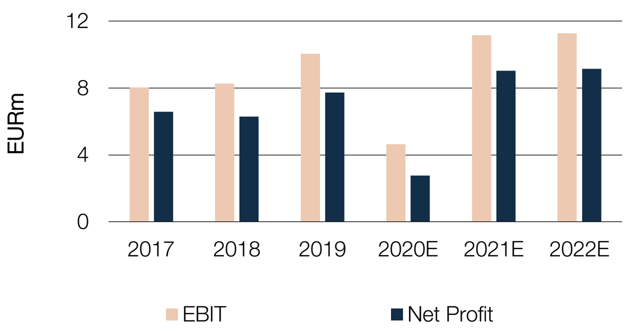
Another key item for EfTEN is gains or losses from the revaluation of investment properties. This has generally been a strong contributor to the Fund's profitability, with gains being recorded continuously for the last five years. In 2019, the gain on revaluation was c.a. EUR

3.1m, but, due to the COVID-19 pandemic, it recorded a EUR 4.0m revaluation loss at the end of June 2020. While the market currently appears to have settled, it is not assumed that the Fund will record a notable gain or loss in December 2020. Looking ahead, depending on the stabilisation of the pandemic, it is assumed that EfTEN will continue to record positive revaluation gains.

Profitability

With gradually increasing levels of GRI and assumed continued gains from the revaluation of the investment properties, EfTEN's operating profit is projected to improve from EUR 10.0m in 2019 to EUR 11.2m and EUR 11.3m in 2021 and 2022, respectively. In 2020, though, the operating profit is expected at only EUR 4.7m on account of the large H1 2020 loss on the value of the property portfolio. Assuming stable financial expenses, as discussed below, this would imply that the net profit could grow from EUR 7.7m in 2019 to EUR 9.0m in 2021 and EUR 9.1m in 2022, following a dip to EUR 2.8m in 2020.

Profit Development



Source: EfTEN for historicals, LHV for estimates

However, with all of the assumptions, it needs to be reminded that EfTEN is currently operating in an uncertain environment due to the COVID-19 pandemic. While we do not perceive EfTEN as being a high-risk investment during the current health crisis, the underlying risk cannot be overlooked. Therefore, this financial outlook assumes a sooner rather than later stabilisation of the pandemic and swift recovery of economic activities in the Baltics.

Financial Debt

With the assumption that EfTEN will not be increasing its portfolio in the short- to medium-term, it is assumed that the financial expenses should remain relatively stable around the current levels. At the end of Q3 2020, the Fund had borrowings of c.a. EUR 67.4m, implying a debt-to-equity (D/E) ratio of nearly 1.0x. Assuming the growth in profitability and repayment of debt, it is estimated that, by the end of 2020-2022 forecast period, the D/E ratio could decline to c.a. 0.7x.

For future portfolio development, it is important that EfTEN maintains strong relationships with the financial institutions and continues to have access to debt facilities. The strength of the relationship with the banks was reinforced during the COVID-19 crisis when EfTEN managed to successfully negotiate with the banks to receive grace periods on the principal repayments to match the relief offered by the Fund to its tenants on their rental payments.

Valuation Considerations

In valuing the Fund, LHV has maintained its conservative expectations in terms of the property portfolio, namely that the current portfolio and occupancy levels would remain unchanged, and the rental rates would be kept unchanged in 2020 and 2021 before gradually rising at 1.0% p.a. from 2022. It is also assumed that, from 2021, the Fund will benefit from a gain on revaluation of its property portfolio, conservatively estimated up to EUR 1.2m a year, driven mostly by rising rental rates and potentially lower property yields.

The Fund's valuation is based on six metrics, including:

- P/E
- P/Book
- EV/EBIT
- Cash Distribution Yield
- P/EPRA NAV
- Cash Distribution Discount Model

Relative Valuation

In terms of compiling a peer group for the relative valuation, there is only one listed peer in the region similar to EfTEN, i.e., Baltic Horizon Fund (NHCBHFFT). Also, there are a limited number of real estate funds with reliable data available from Central and Eastern Europe. As such, Nordic real estate entities have been included, thereby increasing the peer group to 15 companies that are mostly engaged in managing office and retail properties. However, please note that all selected peers are larger than EfTEN.

In calculating a peer-implied fair value range, we considered the peers' P/E, P/Book, and EV/EBIT multiples as well as Dividend Yield expectations for 2020, 2021, and 2022. These multiples were applied to our forecasts for net profit, equity, EBIT, net debt, and annual cash distribution per unit for the respective years. In order to calculate the fair value range, we then applied different weights to the implied values for each year. Taking into account the unusual aspects of 2020 and large volatility in the peer companies' financials due to various discounts in rental rates and revaluations of properties, we decided to give only a 10% weight to 2020 indicative values, leaving 45% each to 2021 and 2022. Besides, considering the fact that most of the peers are substantially larger than EfTEN, with more diversified portfolios and better stock liquidity, while the share prices of the peer companies have experienced great volatility recently, we decided to apply a conservative 20% discount relative to the peer-implied range. Due to EfTEN's depressed profitability in 2020, the peer comparison resulted in a relatively wide range of implied values per share, especially those derived from P/E and EV/EBIT ratios:

- P/Book – EUR 14.2-15.0
- Distribution Yield – EUR 17.7-22.9
- P/E – EUR 11.9-32.4
- EV/EBIT – EUR 11.8-39.2

P/EPRA NAV

P/EPRA NAV is a standard valuation metrics used by real estate funds and property developers. The EPRA NAV is calculated by adjusting the equity book value for deferred tax liabilities and financial instruments. According to the definition used by the European Public Real Estate Association ('EPRA'), the Fund's assets should be long term, and the value of the deferred tax liabilities and any financial hedging instruments should be regarded as zero as they are unlikely to materialise.

Based on the H1 2020 EPRA NAV levels for ten peers (after excluding five companies without reliable EPRA NAV data), the peer P/EPRA NAV range varies from 0.58x to 1.05x. When applied to EfTEN's Q3 2020 EPRA NAV, the implied EPRA NAV price range is EUR 11.88-15.12 per share, with a median value of EUR 13.50 per share.

Cash Distribution Discount Model

For the Cash Distribution Discount Model ('CDDM'), we have used the estimated financials for the Fund and expected cash distributions from 2020 to 2024. The forecasts do not include new acquisitions, development of existing properties, loans and capital raisings, and reflects the view on EfTEN's capacity to distribute cash based on its current property portfolio.

Additionally, there is a risk premium that we assigned to EfTEN to reflect what we perceive to be a COVID-19 risk exposure. On our scale of 1-5, we have given EfTEN a risk score of 3.0.

Based on these assumptions, the calculated CDDM-based value for EfTEN is just EUR 45m or EUR 10.65 per share. It should be noted that this method is susceptible to changes in primary assumptions. Additionally, this assumes a very conservative rental growth rate and assumption of no new additions to the property portfolio.

Valuation Summary

EfTEN's fair value range has then been established according to the six metrics (peer multiples and dividend discount model) based on the weights tabulated below. As the peer group companies are much larger than EfTEN and their share prices and financials have witnessed some elevated volatility recently, we continue to prefer the CDDM and P/EPRA NAV as more prominent valuation metrics for the Fund, compared to other peer valuation metrics. Thus, we have given both the CDDM and P/EPRA NAV a 25% weight in the total value, leaving the total contribution of other metrics at 50%, including a 15% weight each for P/BV and Dividend Yield multiples and 10% each for P/E and EV/EBIT. Overall, based on our current projections for EfTEN and other assumptions, we decided to maintain our FVR unchanged at EUR 17.50-18.40 per share. 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 FVR reflects a medium-term outlook, it is also based on the prevailing market conditions, which, in high volatility periods, may change over a short period. Major risk factors to our valuation are related to the COVID-19 pandemic, which may lead to a further deterioration of the economic environment in the Baltics, pressurising occupancy and rental rates.

Company	Market Cap (EURm)	EV/EBIT (x)			P/E (x)			P/B (x)			Dividend Yield (%)		
		2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E
EfTEN Real Estate Fund III	**71**	**15.2**	**12.7**	**12.2**	**25.5**	**7.8**		**1.0**	**0.9**		**4.5**	**4.5**	
Baltic Horizon Fund	131	n.a.	15.3	15.1	n.a.	10.1	9.7	0.9	0.9	0.9	8.5	5.8	5.3
Castellum	9,917	23.9	24.2	23.5	19.7	20.1	19.4	1.3	1.3	1.2	3.1	3.2	3.2
Fabege	6,935	35.9	34.0	32.3	31.7	30.7	28.2	1.1	1.1	1.1	2.4	2.5	2.6
Hufvudstaden	3,687	31.1	28.9	28.2	38.6	28.2	27.4	1.0	1.0	1.0	2.9	3.0	3.0
Entra	4,497	23.4	23.3	21.6	21.7	19.2	18.3	1.1	1.1	1.0	3.4	3.5	3.7
Atrium Ljungberg	4,129	29.0	28.8	27.3	28.9	24.6	23.5	1.0	1.0	1.0	2.8	2.8	3.0
Wihlborgs Fastigheter	5,123	24.5	24.0	23.2	16.6	17.8	16.9	1.5	1.4	1.3	2.5	2.7	2.8
Olav Thon Eiendomsselskap	3,444	15.3	14.8	n.a.	n.a.	10.9	11.0	0.6	0.6	0.6	3.6	3.5	4.4
Citycon	3,486	19.7	19.4	19.2	13.5	13.7	13.4	0.8	0.8	0.8	6.4	6.1	6.1
Kungsleden	3,674	23.3	22.4	21.4	16.7	16.6	15.1	1.0	1.0	1.0	2.3	2.5	2.4
Globe Trade Centre	1,740	26.5	25.8	11.8	n.a.	27.5	8.1	0.7	0.7	0.6	n.a.	5.1	6.8
Dios Fastigheter	2,218	20.1	19.2	18.1	11.8	10.8	10.2	1.1	1.0	0.9	4.6	4.8	5.0
Platzer Fastigheter	2,191	26.5	25.5	22.8	13.9	19.9	16.8	1.3	1.2	1.0	2.2	2.4	2.6
Norwegian Property	1,289	n.a.	n.a.	n.a.	43.7	20.4	18.6	0.7	0.7	0.7	0.4	2.7	2.5
NP3 Fastigheter	1,365	18.8	18.0	17.1	13.6	13.3	13.1	1.6	1.5	1.4	3.1	3.2	3.4
Median		23.9	23.6	21.6	18.2	19.2	16.8	1.0	1.0	1.0	3.0	3.2	3.2
Average		24.5	23.1	21.7	22.5	18.9	16.6	1.1	1.0	1.0	3.4	3.6	3.8
	Net Debt	**EBIT**			**Net Profit**			**Book Value**			**Cash Contribution**		
Respective denominator for EfTEN, EURm	(51.4)	4.7	11.2	11.3	2.8	9.0	9.1	71.2	77.0	81.8	3.2	4.3	4.4
Size and liquidity discount	20%												
Indicative share price		11.82	39.15	36.55	11.86	32.39	28.85	14.21	14.84	14.96	17.71	22.89	22.25
Weight		10%	45%	45%	10%	45%	45%	10%	45%	45%	10%	45%	45%
Implied weighted share price			**35.25**			**28.74**			**14.83**			**22.08**	

Source: Bloomberg, LHV

As of 30th June 2020				
	Currency	Share Price	EPRA NAV per share	P/EPRA NAV per share
Baltic Horizon Fund*	EUR	1.15	1.43	0.81
Castellum	SEK	191.10	199.00	0.96
Fabege	SEK	112.80	150.00	0.75
Hufvudstaden**	SEK	114.90	188.00	0.61
Entra	NOK	127.00	155.60	0.82
Atrium Ljungberg	SEK	135.20	204.60	0.66
Wihlborgs Fastigheter	SEK	149.20	142.19	1.05
Citycon	SEK	6.59	11.33	0.58
Kungsleden	PLN	70.45	96.13	0.73
Dios Fastigheter		58.60	73.80	0.79
Median				**0.77**
EFT: EPRA NAV per share				17.46
Unit's price				**13.50**

Source: Company Reports * LHV estimates ** 31st March 2020

DDM Assumptions:	
Risk free rate	2.5%
Market risk premium	5.1%
Country risk premium	1.2%
Levered Beta	0.65
Adjusted company risk premium	7.9%
Terminal growth rate	2.5%
Cost of equity	**15.0%**

Source: LHV

DCF Sensitivity to Changes in Assumptions

Terminal growth rate \ CoE	12.0%	13.0%	14.0%	15.0%	16.0%	17.0%	18.0%
2.2%	13.13	12.09	11.23	10.49	9.87	9.32	8.84
2.3%	13.22	12.16	11.29	10.54	9.91	9.36	8.87
2.4%	13.31	12.24	11.35	10.59	9.95	9.39	8.90
2.5%	13.41	12.31	11.41	10.65	9.99	9.43	8.93
2.6%	13.50	12.39	11.47	10.70	10.04	9.47	8.97
2.7%	13.60	12.47	11.54	10.75	10.08	9.50	9.00
2.8%	13.70	12.55	11.60	10.80	10.13	9.54	9.03

Source: LHV

DCF Valuation, EURm	2020E	2021E	2022E	2023E	2024E	Term
Cash distributions	3.2	4.3	4.4	4.6	4.9	39.3
PV of FCFF	**3.2**	**3.9**	**3.7**	**3.5**	**3.4**	**27.3**
Equity Value						45.0
Units outstanding						4.22
Share price						10.66

Source: LHV

Weighted Value Per Share, EUR	Total weighted value	Weights	Contribution to value
Method			
CDDM	10.66	25.0%	2.66
P/EPRA NAV	13.50	25.0%	3.37
P/Book	14.83	15.0%	2.22
Div Yield	22.08	15.0%	3.31
P/E	28.74	10.0%	2.87
EV/EBIT	35.25	10.0%	3.52
Total weighted value per unit			**17.97**

Source: LHV

Financial Tables

Income Statement, EURm	2017	2018	2019	2020E	2021E	2022E
Total revenue	7.3	8.7	9.5	10.7	12.1	12.2
Cost of services sold	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Gross Profit	**7.1**	**8.4**	**9.2**	**10.4**	**11.8**	**11.9**
Marketing costs	(0.4)	(0.4)	(0.4)	(0.3)	(0.3)	(0.3)
General and administrative expenses	(1.6)	(1.2)	(1.8)	(1.5)	(1.5)	(1.5)
Gain / loss from revaluation of investment properties	2.9	1.6	3.1	(4.0)	1.2	1.2
Other operating income and expenses	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	**8.0**	**8.3**	**10.0**	**4.7**	**11.2**	**11.3**
Interest income	-	-	0.0	-	-	-
Finance expenses	(0.7)	(1.1)	(1.2)	(1.3)	(1.2)	(1.1)
Pre-tax profit	**7.3**	**7.2**	**8.9**	**3.4**	**10.0**	**10.2**
Income tax	(0.8)	(0.9)	(1.1)	(0.6)	(1.0)	(1.0)
Net profit/(loss)	**6.6**	**6.3**	**7.7**	**2.8**	**9.0**	**9.1**
Minority interest	-	-	-	-	-	-
Net profit/(loss) attributable to shareholders	**6.6**	**6.3**	**7.7**	**2.8**	**9.0**	**9.1**

Source: EfTEN for historicals, LHV for estimates

Balance Sheet, EURm	2017	2018	2019	2020E	2021E	2022E
Assets						
Cash and equivalents	8.1	4.9	13.0	5.4	7.1	7.8
Short-term deposits	-	-	6.0	-	-	-
Accounts receivable	0.6	0.7	0.7	1.5	1.5	1.5
Prepaid expenses	0.0	0.0	0.1	0.0	0.0	0.0
Total Current Assets	**8.8**	**5.6**	**19.7**	**7.0**	**8.7**	**9.4**
Long-term receivables	0.0	0.0	-	-	-	-
Investment property	88.4	102.8	113.0	137.4	138.5	139.7
Fixed assets	0.0	0.1	0.1	0.2	0.2	0.2
Intangible assets (patents, licenses, trademarks)	0.0	-	-	-	-	-
Total Non-Current Assets	**88.5**	**102.9**	**113.1**	**137.6**	**138.7**	**139.9**
Total Assets	**97.3**	**108.5**	**132.8**	**144.5**	**147.4**	**149.3**
Liabilities						
Borrowings - ST portion	2.1	8.1	21.1	21.6	20.6	19.6
Derivative instruments	0.1	0.2	0.3	0.3	0.3	0.3
Payables and prepayments	1.8	1.0	1.1	0.9	0.9	0.9
Total Current Liabilities	**4.0**	**9.3**	**22.6**	**22.8**	**21.8**	**20.8**
Borrowings	43.7	44.7	34.2	45.0	43.0	41.0
Other LT liabilities	0.4	0.5	0.6	0.9	0.9	0.9
Deferred income tax liabilities	2.9	3.5	4.3	4.6	4.6	4.6
Total Non-Current Liabilities	**46.9**	**48.7**	**39.1**	**50.5**	**48.5**	**46.6**
Total Liabilities	**50.9**	**58.0**	**61.7**	**73.4**	**70.4**	**67.4**
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
Statutory reserve capital	0.3	0.6	0.9	1.3	1.3	1.3

Balance Sheet, EURm...continued	2017	2018	2019	2020E	2021E	2022E
Retained earnings	10.2	14.0	18.4	18.0	23.8	28.6
Total Equity	**46.4**	**50.5**	**71.2**	**71.2**	**77.0**	**81.8**
Total Equity and Liabilities	**97.3**	**108.5**	**132.8**	**144.5**	**147.4**	**149.3**

Source: EfTEN for historicals, LHV for estimates

Cashflow Statement	2017	2018	2019	2020E	2021E	2022E
Operating cash flow						
Net Profit	**6.6**	**6.3**	**7.7**	**2.8**	**9.0**	**9.1**
Financial income	-	-	(0.0)	-	-	-
Interest paid	0.8	1.1	1.2	1.3	1.2	1.1
Other financial costs	(0.1)	-	-	-	-	-
Gain (loss) from revaluation of investment property	**(2.9)**	**(1.6)**	**(3.1)**	**4.0**	**(1.2)**	**(1.2)**
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	0.6	1.0	1.0
Cash flow from operations before changes in working capital	**5.6**	**6.7**	**7.0**	**8.7**	**10.0**	**10.1**
Change in accounts receivable	-	-	0.3	(1.1)	-	(0.0)
Change in prepaid expenses	-	-	-	0.0	0.0	(0.0)
Change in accounts payable	-	-	-	0.1	-	0.0
Change in working capital	**(1.5)**	**(0.1)**	**0.3**	**(1.0)**	**0.0**	**(0.0)**
Cash Flow from Operating Activities	**(1.5)**	**(0.1)**	**0.3**	**(1.0)**	**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)	(12.7)	-	-
Acquisition of subsidiaries	(1.1)	(0.1)	-	(8.6)	(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)**	**(15.3)**	**(0.0)**	**(0.0)**
Financing cash flow						
Loans received	5.1	9.5	6.8	7.3	-	-
Loan repayments	(2.0)	(2.4)	(4.3)	(3.1)	(3.0)	(3.0)
Interest paid	(0.8)	(1.0)	(1.1)	(1.2)	(1.2)	(1.1)
Proceeds from issuance of shares	11.0	-	16.0	-	-	-
Income tax paid on dividends	(0.0)	(0.1)	(0.1)	(0.5)	(1.0)	(1.0)
Dividends paid	(1.5)	(2.2)	(3.1)	(2.7)	(3.2)	(4.3)
Change in other LT liabilities	-	-	-	0.0	-	0.0
Change in deferred income tax liabilities	-	-	-	0.3	-	0.0
Cash Flow from Financing Activities	**11.8**	**3.8**	**14.2**	**0.1**	**(8.3)**	**(9.4)**
Cash and equivalents at beginning of the period	3.2	8.1	4.9	13.0	5.4	7.1
Total cash flows for the period	4.9	(3.3)	8.1	(7.6)	1.7	0.7
Cash and cash equivalents at end of the period	**8.1**	**4.9**	**13.0**	**5.4**	**7.1**	**7.8**

Source: EfTEN for historicals, LHV for estimates

Key Ratios	2017	2018	2019	2020E	2021E	2022E
Key Financial Data						
Revenue	7.3	8.7	9.5	10.7	12.1	12.2
Gross Profit	7.1	8.4	9.2	10.4	11.8	11.9
EBIT	8.0	8.3	10.0	4.7	11.2	11.3
Net Profit to company s/h	6.6	6.3	7.7	2.8	9.0	9.1
Growth						
Revenue (%)	36.9	18.8	9.7	12.7	12.8	1.0
Gross Profit (%)	38.4	17.1	9.9	13.5	13.1	1.0
EBITDA (%)	43.2	19.4	11.2	16.3	15.5	1.0
EBIT (%)	38.8	2.8	21.6	(53.7)	140.0	1.0
Pre-tax Profit (%)	43.2	(2.5)	23.7	(61.8)	195.5	1.7
Net Profit (%)	51.2	(4.2)	22.8	(64.1)	225.5	1.2
EPS (%)	14.4	(18.2)	5.1	(68.0)	225.5	1.2
Profitability						
Gross margin (%)	97.7	96.3	96.5	97.2	97.5	97.5
EBITDA margin (%)	77.0	77.4	78.5	80.9	82.9	82.9
EBIT margin (%)	110.0	95.2	105.6	43.4	92.3	92.3
PBT margin (%)	100.6	82.6	93.2	31.6	82.8	83.3
Net Profit margin (%)	90.1	72.6	81.3	25.9	74.7	74.9
Return						
ROCE (%)	9.73	8.45	8.74	3.52	8.02	7.97
ROE (%)	17.14	13.00	12.72	3.90	12.20	11.52
ROA (%)	7.53	6.12	6.41	2.00	6.19	6.17
Liquidity						
Current ratio (x)	2.2	0.6	0.9	0.3	0.4	0.5
Quick ratio (x)	2.2	0.6	0.6	0.3	0.4	0.4
Leverage						
Net Debt	37.6	48.0	42.4	61.2	56.5	52.8
Net gearing (x)	0.8	1.0	0.6	0.9	0.7	0.6
Debt/Equity ratio (x)	1.0	1.0	0.8	0.9	0.8	0.7

Source: EfTEN for historicals, LHV for estimates

Key Definitions/Formulas	
ROE	Net profit divided by average equity book value
ROCE	EBIT divided by average capital employed
ROA	Net profit divided by average total assets
EPS	Net profit attributable to shareholders divided by weighted average number of shares
BVPS	Equity book value divided by year end number of shares
Net debt	Total financial debt less cash and cash equivalents
P/E	Corresponding share price divided by earnings per share
P/BVPS	Corresponding share price divided by book value per share
EV/Sales	Enterprise value divided by sales
EV/EBITDA	Enterprise value divided by EBITDA
EV/EBIT	Enterprise value divided by EBIT
Net gearing	Net financial debt divided by total equity
Debt/Equity	Total financial debt divided by total equity
Enterprise value	Market Capitalisation plus total debt plus minority interest plus preferred equity at market value plus unfunded pension liabilities and other debt-deemed provisions minus value of associate companies minus cash and cash equivalents.
Market Capitalisation	Number of outstanding shares at the end of the period multiplied by share price.

Source: LHV

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