

KMC Properties ASA

Q1 2022

19 May 2022



An aerial photograph of a large industrial facility, possibly a refinery or chemical plant, situated on a rocky peninsula. The facility features several large, interconnected industrial buildings with grey roofs, several tall white storage silos, and a central processing unit with a dark roof. The peninsula is surrounded by calm blue water, and a long pier extends from the right side into the sea. In the background, a small coastal town with numerous houses is visible, followed by a range of rolling hills and mountains under a clear blue sky.

The preferred partner for logistics and industrial properties

Today's presenters



Liv Malvik
CEO



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CFO

Disclaimer

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

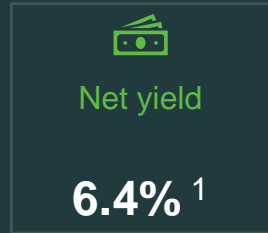
The Company assumes no obligations to update the forward-looking statements contained herein to reflect actual results, changes in assumptions or changes in factors affecting these statements. This presentation contains alternative performance measures, or non-IFRS financial measures. Definitions and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

┌ First quarter 2022



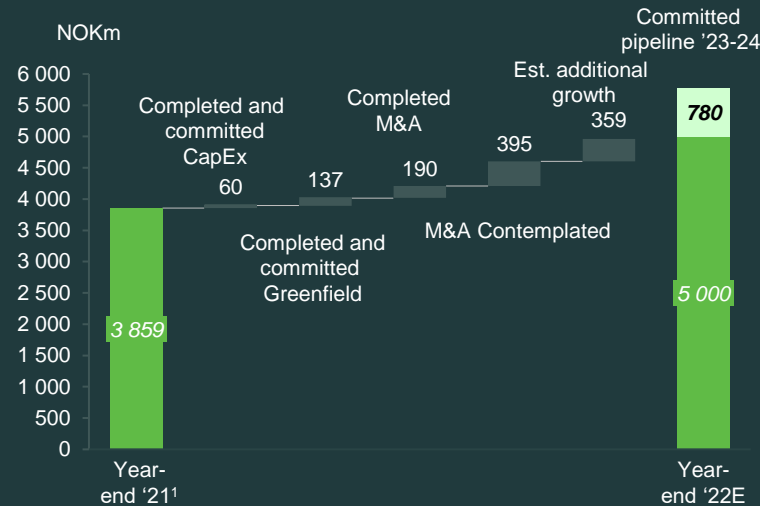
KMC Properties at glance

We are KMC Properties



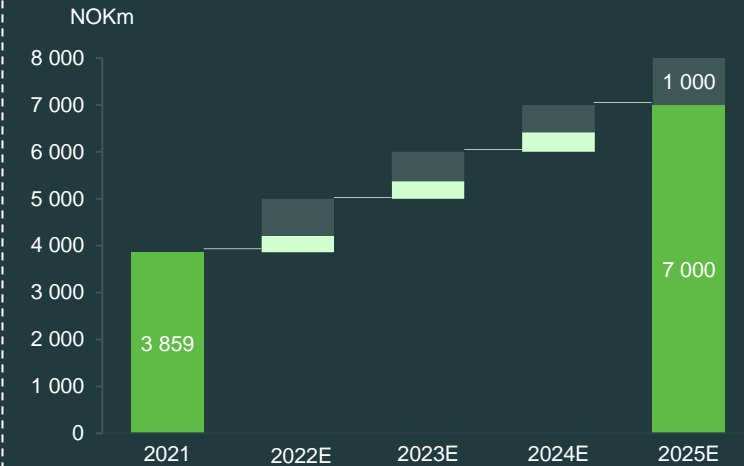
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- Portfolio of 47 assets, primarily in the Nordics, constitution approx. ~377,000 sqm on 31 March 2022
- Long-term lease agreements with solid counterparties
- Two largest tenants are BEWI and Insula – owned by the Bekken and Witzøe families respectively

... we deliver accretive growth ²



- Completed and committed investments in current portfolio (capex) of NOK ~60 million in 2022, at yield-on-cost of ~7.5%
- Completed and committed investments in greenfield projects of NOK ~137 million in 2022, at yield on cost of ~7.5%
- Completed acquisitions of NOK ~190 million year to date 2022 with gross yield of ~7.7%
- Actively pursuing concrete acquisitions of NOK ~395 million with weighted average gross yield of ~7.2%. Estimated additional potential growth before year-end at NOK 369 million²

...and have strong growth ambitions ²



- Strategic target of NOK 8bn by year end 2025
- Committed and completed investments at NOK ~377 million year to date 2022.
- For 2023 and 2024, committed pipeline amount to NOK ~375 million and NOK ~415 million respectively
- Continued focus on assets we know well: foodstuff facilities, light industry – infrastructure for our lessees

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Solid customer base of market leading companies with long track records and exposure to an attractive industry

Company overview

% of net operating income¹

BEWI
39%

- Listed at the Oslo Børs, majority-owned by the Bekken family, the founder of the company in 1980
- Annual revenues of EUR ~750 million, with solid EBITDA margins
- Leading European provider of packaging, components, and insulation solutions
- Proven buy-and-build strategy with more than 30 M&A transactions executed and integrated since 2014
- Frontrunner in innovation and sustainability

INSULA
21%

- Nordic seafood group built through 20 acquisitions since foundation in 2015
- Vertically integrated from fish stations through processing and transportation to strong consumer brands
- Majority-owned by Kverva (95.8%), with 1,100 employees across the Nordics
- Margins negatively impacted by operational restructuring and efficiency-improving initiatives completed in 2019

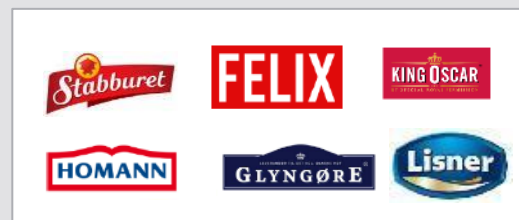
Grøntvedt Pelagič
12%

- One of the world's leading pelagic companies specializing in herring products customized to customer preferences
- Strategically located close to rich fishing grounds of the Northeast Atlantic with a long heritage dating back to 1830
- The business is certified by MSC and Grøntvedt aims to utilize 100% of its raw materials

PSW
12%

- PSW Group is a provider of products, systems and services to the oil & energy industry
- The group was established in 2007 and is currently owned by the private equity firm Herkules Capital
- The tenant, PSW Technology is one of a total of four business areas

Key customers / brands



Highlights for the first quarter

Key events for the quarter

- Acquisition of meat processing facility near Narvik in Northern Norway for NOK 100 million at gross yield of 7.8%
- Acquisition of herring facility in Sweden from Klädesholmen for SEK 94 million at gross yield of 7.5%
- Invested ~NOK 22.2 million in development of existing properties
- Re-classified office building in Moscow, Russia, as held for sale, including a write-down of NOK 53.1 million



Key figures

NOK million	Q1 2022	2021
Gross rental income	62.7	205.0
Net Income from property management	22.9	56.3
Net asset value adjusted (NAV)	2,003	1,968
WAULT (years)	10.1	10.4
Occupancy rate (%)	100%	98.8%

Key developments and subsequent events

- Announced conditional agreement for acquisition of two properties in Denmark for DKK ~151 million

Highlights for the first quarter - continued

Completed acquisitions year-to-date

Herring production facility in Sweden

- Consideration of SEK ~94 million
- Tenant is Klädesholmen Seafood, owned by Grøntvedt, KMC Properties' fourth largest tenant
- Modern herring production company
- 19 873 sqm BTA of land and 11 670 sqm BTA of buildings
- Gross yield of ~7.5%
- Triple-net bare house agreement with initial lease of 15 years

Meat processing facility in Narvik, Norway

- Consideration of NOK ~100 million
- Tenant is Kuraas AS
- Modern facility, with strategic location near E6 highway, the railway and port terminal
- 10 303 sqm BTA of land and 6 093 sqm BTA of buildings
- Gross yield of ~7.8%
- Bare house agreement with 6.5 years remaining lease term with an option to extend

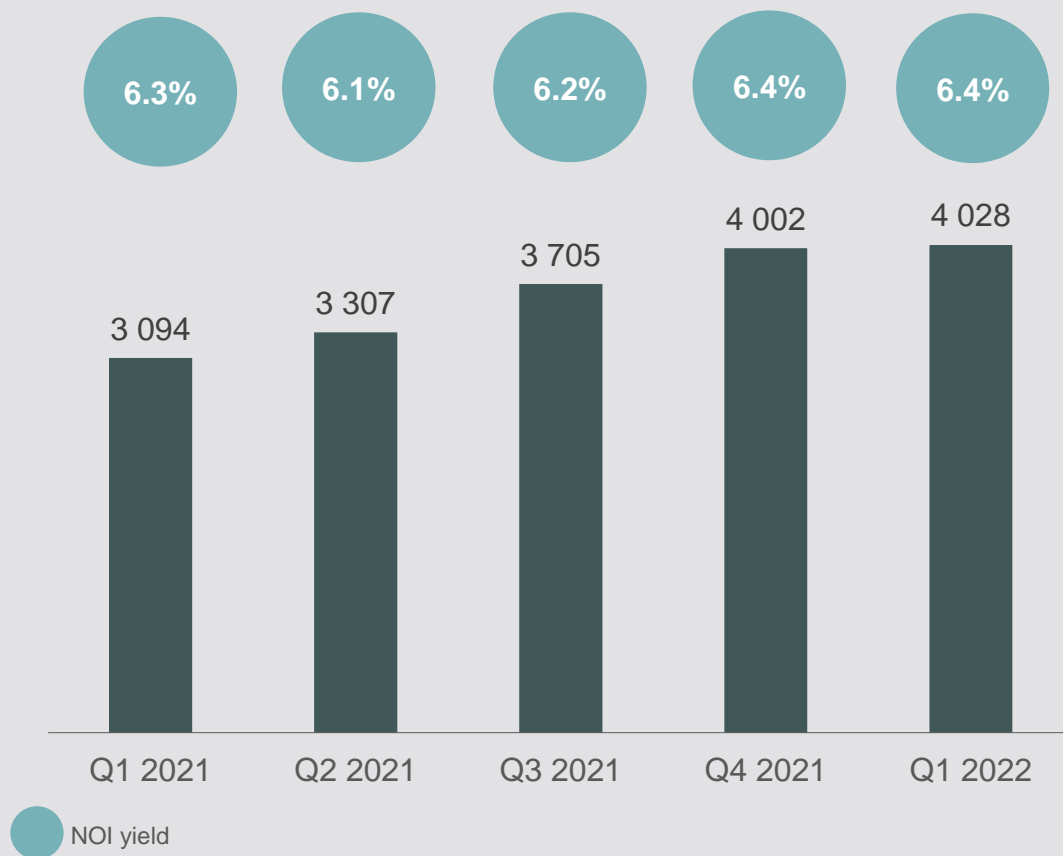
Re-classification of office building in Moscow, Russia

- Re-classified property as «asset held for sale» per 31 March 2022
- Valued at NOK 75.4 million on 31 March 2022 by Cushman & Wakefield
 - Property valued at NOK 142.6 million on 31 December, change includes write-down of NOK 53.1 million and currency adjustments
- Sales process initiated following decision to discontinue operations in Russia
- Rental income of RUB 15 million per month as of 18 May 2022
- 91.2% occupancy with solid tenants as of 18 May 2022
- Solid liquidity - cash deposit of RUB 33 million per 8 May 2022
- Attractive surrounding area – large development projects to be completed within few years

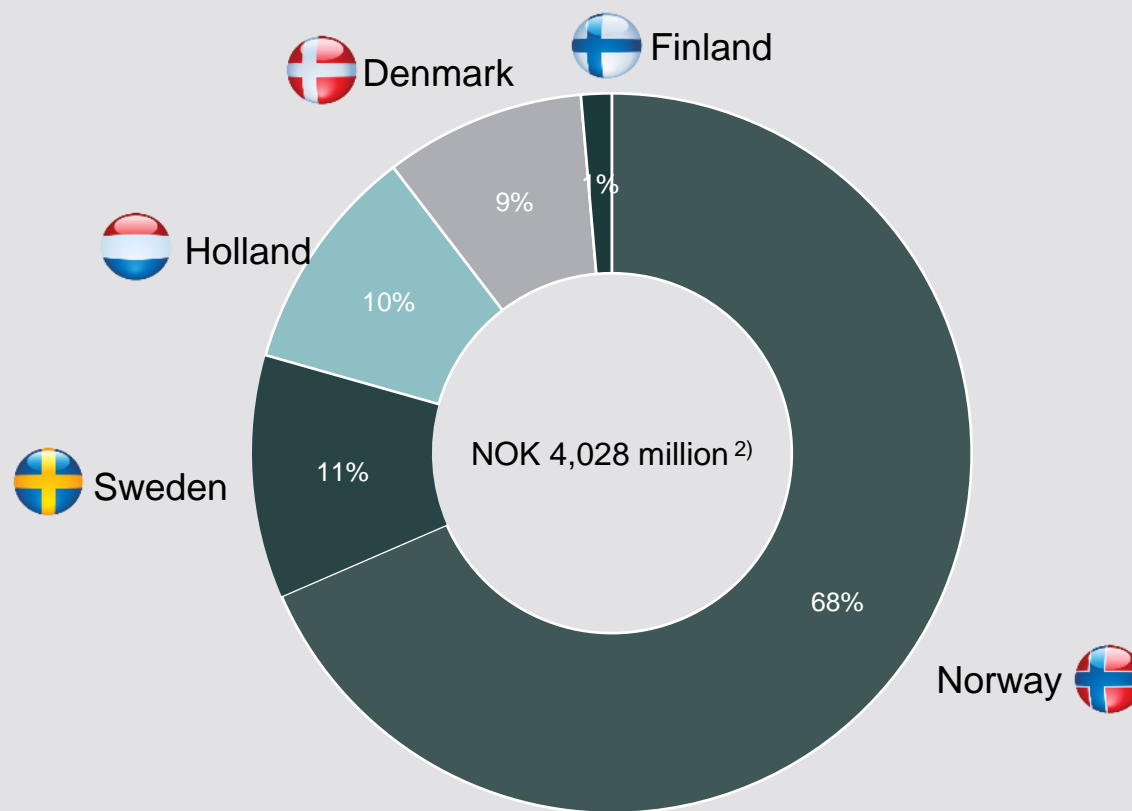
Property value and yield

Gross asset value and NOI yield development over time

NOK million



Total appraisal value and split per country¹



Executing on growth strategy

Company strategy and growth targets



- ✓ **Contract renewal** and expansions for existing customers
- ✓ **Greenfield development** of new facilities for new and existing clients
- ✓ **Acquisitions** in collaboration with current & new tenants, and other parties

Growth target of NOK 1bn in GAV per year, hitting GAV of NOK 8bn 2025

Growth initiatives in 2022

Type	Tenant	Completion (estimated)	Value (NOKm) ¹⁾	Investments in 2022	Yield	WAULT	Country
CAPEX	BEWI/ Insula	2022	60	60	7.5%	11	
Greenfield	Oppdal Spekemat	Q3 2022	85	57	7.5%	15	
Greenfield	BEWI (Jøsnøya)	Q4 2023	180	70	7.5%	15	
Greenfield	Slakteriet Holding	H1 2024	682	10	6.8%	20	
Acquisition	Kuraas	Completed	100	100	7.7%	6.5	
Acquisition	Klädesholmen Seafood	Completed	90	90	7.5%	15	
Acquisition pipeline	N/A	2022	395	395	7.2	14	
			1 592	782	7.1%	16.2	

Financials



Key reported P&L metrics

P&L (NOK million)

	Q1 2022	Q1 2021	2021	Q4 2021
Gross rental income	62.7	48.2	205,0	55.1
Direct property related expenses	-1.0	-2.3	-2.5	-0.4
Net operating income	61.7	46.0	202.4	54.7
Other operational expenses and depreciation	-13.3	-24.2	-64.0	-14.5
Net fair value Adjustments on Investment Property	-2.9	65.1	317.3	113.4
Total operating profit (loss) (EBIT)	45.4	86.9	455.7	153.6
Net financial income (expenses)	37.8	-12.9	-75.9	-9.5
Tax	-19.5	-15.9	-76.9	-25.9
Net income from continuing operations	63.8	58.1	302.9	118.3

Comments

- Rental income and costs in Russia is not included in the figures.
- Rental income increased by 13.8% from Q4 2021 to Q1 2022, mainly explained by income from new investments and CPI adjustment
- Transaction costs of NOK 2.6 million in Q122
- Net realised financials of NOK ~25.5 million
- Tax expense was NOK 19.5 million in Q1 2022, of which NOK 0.2 million is tax payable and the remaining NOK 19.3 million is change in deferred tax.

Development in adjusted annualised run-rate

Annualised run-rate (NOK million)

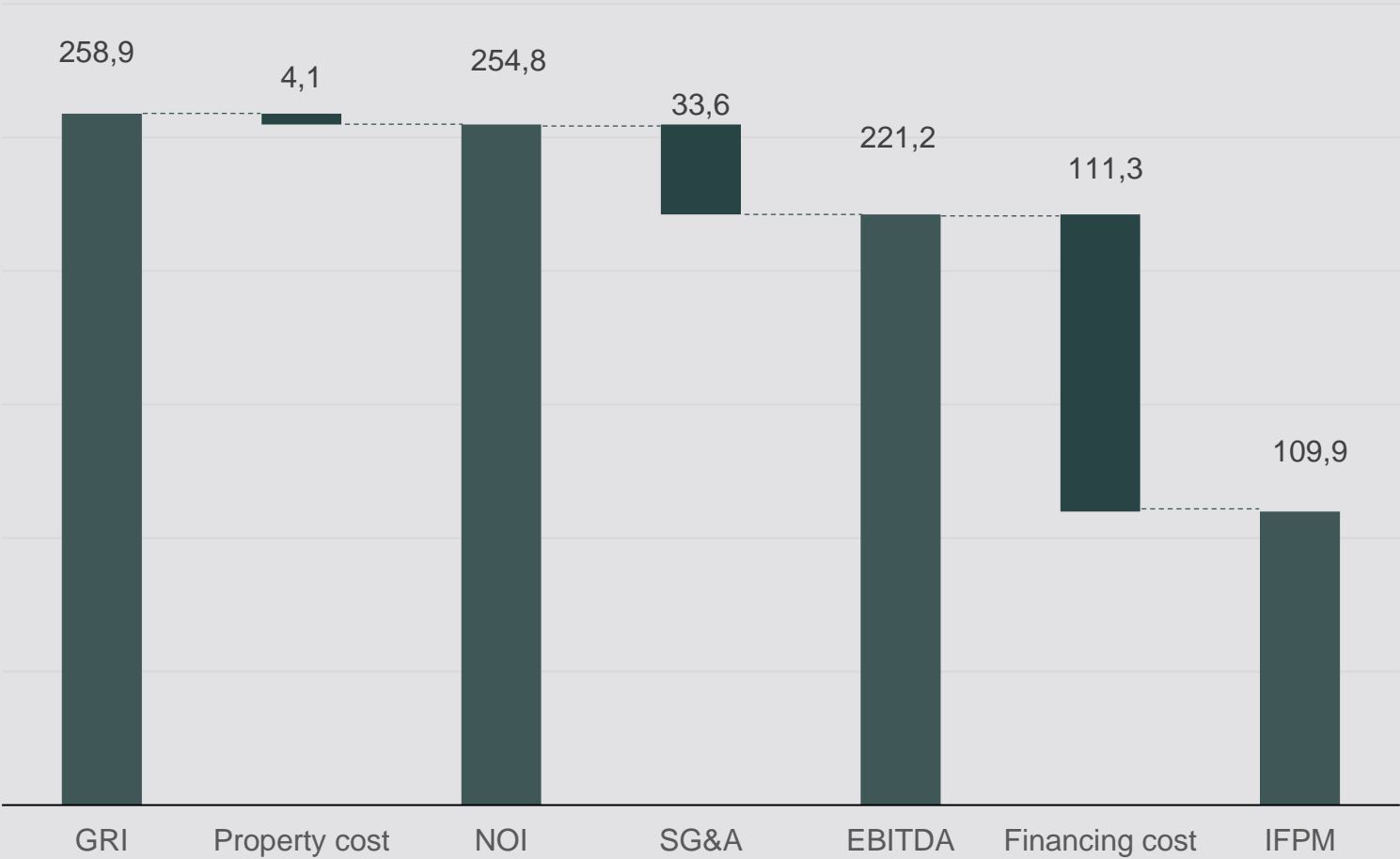
	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Gross rental income	258.9	284.0	247.0	246.3	212.8
Property related expenses	-4.1	-13.0	-11.0	-12.7	-12.5
Net operating income	254.8	271.0	236.0	233.6	200.3
SG&A expenses	-33.6	-28.0	-26.0	-25.0	-24.2
EBITDA	220.7	243.0	210.0	208.6	176.1
Realised financial expenses	-111.3	-110.0	-99.5	-93.1	-79.5
Net income from property management	109.4	133.0	110.5	115.5	96.6

Comments

- Q1 2022 is based on final agreements as of 31 March 2022 and does not include income and costs from the Moscow property. The figures from previous periods includes income and costs from the Moscow property.
- Relatively stable costs despite high rental income growth due to new investments

Current run-rate

Run-rate bridge from GRI to IFPM

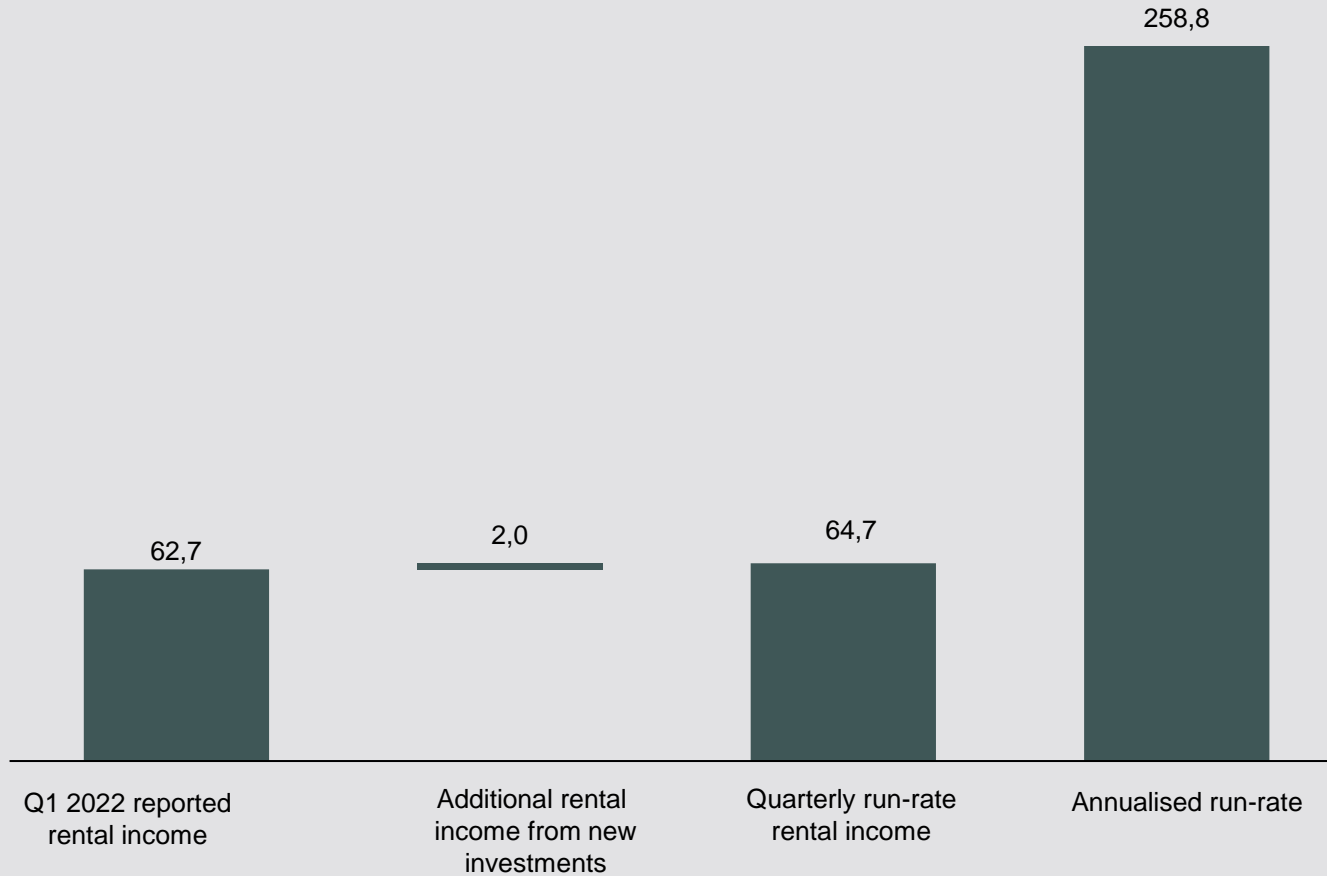


Comments

- Property cost at NOK 4.1 million after reclassification of costs in Russia (c. 1.6% of GRI). Expected to remain low due to mainly triple net lease contracts in the portfolio.
- SG&A related to overhead costs of running the operations including salaries and administrative expenses.
- Fair value adjustments and transaction costs not included in run-rate EBITDA
- Financing cost driven by the interest-bearing debt and swap agreements at 31 March 2022.

Run-rate figures: Key metrics

Run-rate bridge from GRI to IFPM



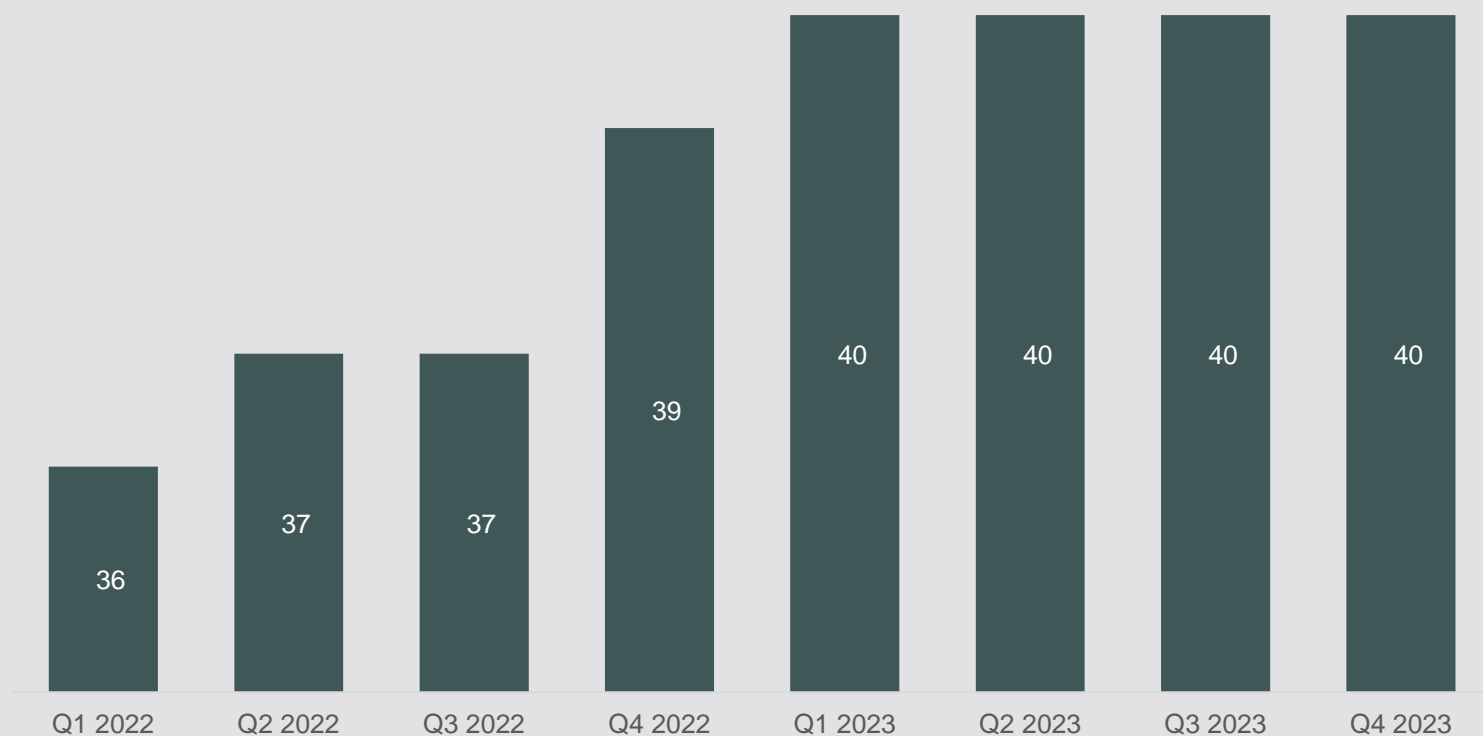
Comments

- Additional rental income comes from new investments in Q1 2022.

Existing contracts provide solid cash flow

Contractual gross rental income for the period 2022-2023¹ less estimated interests expenses²

NOK million



Comments

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

1) Based on contracts as of 31 March 2022, excluding rental income from the office building in Moscow. CPI adjustments in 2023 is set to 2.0%.

2) Based on current interest-bearing debt, swap agreements and interest rates. Does not include interests on the revolving credit facility

Balance sheet at 31.03.2022

Balance sheet build-up



Comments

- Portfolio valued by Cushman & Wakefield quarterly
- In Q1 2022, value of property portfolio increased by NOK 26,5 million to a total value of NOK 4 028 million
- Assets consists of interest rate and currency rate swap agreements (NOK 159.2 million), trade receivables (NOK 3.8 million), prepaid expenses, VAT receivables, tax receivables, and other current receivables (NOK 7.9 million), assets held for sale (NOK 83.7 million) and NOK 124.3 million in cash
- Total current liabilities of NOK 48.2 million, mainly including trade payables (NOK 18.4 million), taxes (NOK 3.1 million) and liabilities held for sale (NOK 6.7 million)
- Total non-current liabilities of NOK 2 511.3 million, mainly including interest bearing debt (NOK 2 339.6 million), deferred tax liabilities (NOK 150.0 million) and land lease liabilities (NOK 18.8 million)
- Total equity was NOK 1 852.5 million, representing an equity ratio of 42.0%

Interest bearing debt

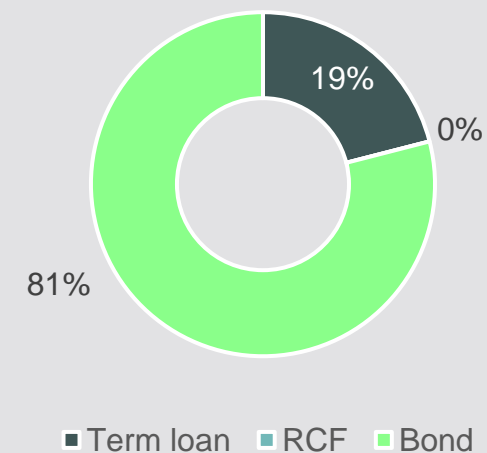
Financing activity in the quarter

- New bank loans of NOK 65 million at 3m NIBOR + 240bps
- No utilization of the revolving credit facility in Q1 2022

Maturity profile and composition of interest-bearing debt

All amounts in NOK million	0-1 yrs	1-2 yrs	2-3 yrs	>3yrs
Revolving credit facility (RCF)	0	0	0	0
Bank loan	0	0	0	500
Bonds	0	0	1 850	0
Total	0	0	1 850	500

Source of funds

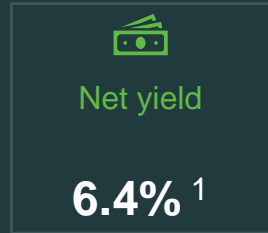


┐ Outlook and summary



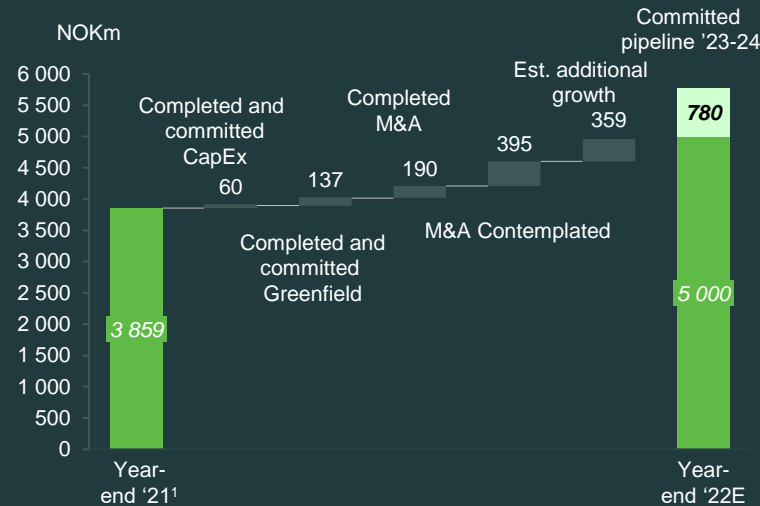
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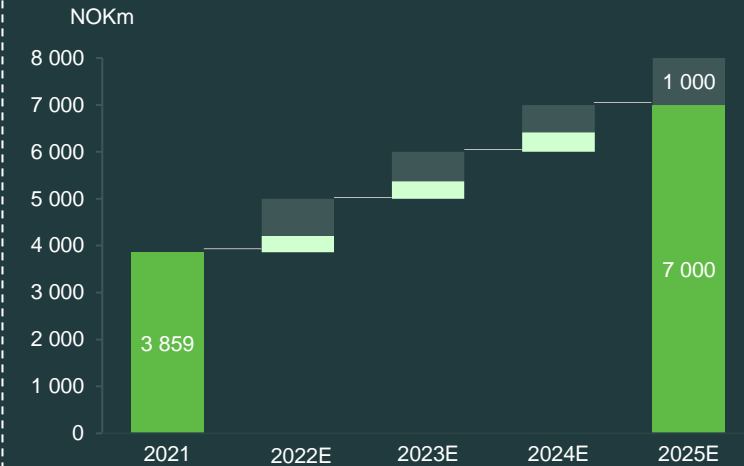
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Q&A

