



**PIONEER
PROPERTY**

Pioneer Property Group ASA

Investor Presentation at ABG Sundal & Collier

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6. October 2016

Forward looking statements

This presentation contains certain forward-looking statements that involve risks and uncertainties. In some cases, we use words such as "ambition", "continue", "could", "estimate", "expect", "focus", "likely", "may", "outlook", "plan", "strategy", "will", "guidance" and similar expressions to identify forward-looking statements. All statements other than statements of historical fact, including, among others, statements regarding future financial position, results of operations and cash flows, and similar statements regarding future expected developments, may turn out to differ materially than currently expected and communicated as a result of one, several, or numerous currently unforeseen factors.

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Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot assure you that our future results, level of activity, performance or achievements will meet these expectations. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. Unless we are required by law to update these statements, we will not necessarily update any of these statements after the date of this report, either to make them conform to actual results or changes in our expectations

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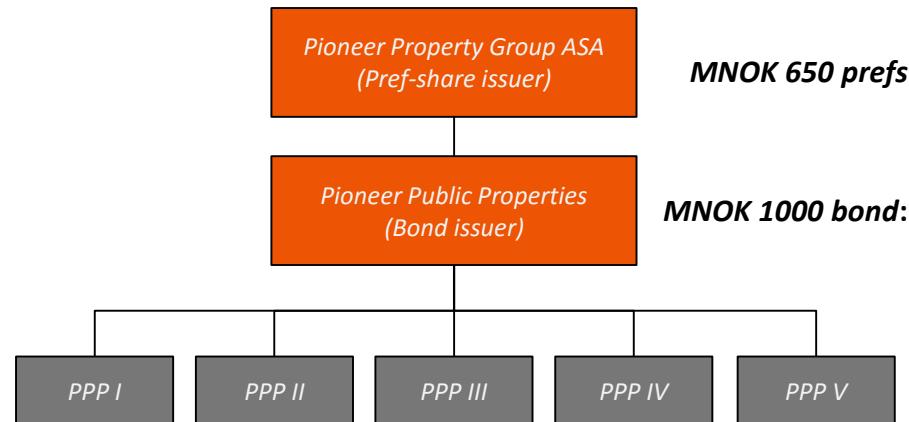
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Introduction to Pioneer Property Group ASA

Summary

- PPG owns 133 kindergartens through five separate SPVs
- The properties are primarily located in and around Norwegian cities.
- Properties are leased out to Norlandia, Espira, Touhula, and Kida
- Weighted average remaining lease term across the portfolio is 17+ years
- Key group financials
 - Annualized rental income MNOK 231
 - Property value MNOK 3805
 - Total debt: MNOK 2260
 - Bond: 1000m, Bankloans: 1260
 - Outstanding preference shares: MNOK 650

Company overview



Preschools: 18 23 45 26 22

Operator: Norlandia Norlandia Espira Kida Touhula / Norlandia

Main terms of Pioneer Property Group's preference share

PPG PREF

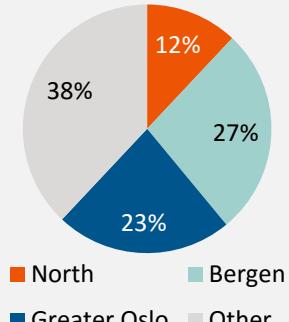
Share price:	Issued in 2015 at NOK 100. Latest share price NOK 96
Dividend:	NOK 7.50 per annum, quarterly payments in arrears After 5th anniversary (1 July 2020), the dividend is increased by NOK 1.00 annually up to NOK 10.00
Redemption:	Until 5 th anniversary: NOK 130.00 After 5 th anniversary: NOK 100.00
Voting right:	Each preference share carries 1/10 voting right
Outstanding amount:	Should dividends from the preference shares not be paid out in connection with a record date or should the dividend per preference share paid out be less than the amount per preference share that is supposed to be paid out, an amount equivalent to the difference is added to the <i>outstanding amount</i> . The outstanding amount is increased quarterly on a cumulative day to day basis by a factor equivalent to an annual interest rate of +5%, where the increase is calculated from the quarterly point in time when payment of the dividend should have occurred
Listed:	Oslo Axess, ticker PPG PREF
Other:	No dividend to shareholders of common equity before pay-out of dividend to preference shareholders (quarterly and accrued)

Introduction to Pioneer Property Group

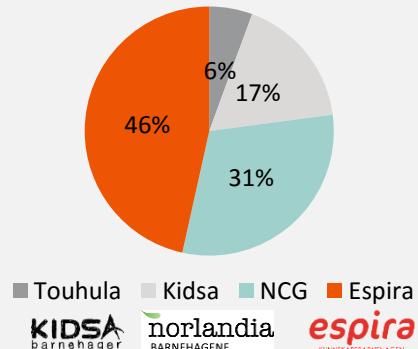
112 preschools with a total of 11,082 children

Total rent: NOK 209m (contractual rent 2016)

Rent by geography



Rent by tenant



Weighted average lease term

17 years

Loan to value (gross)

59%

The portfolio can be divided into four main clusters

The four tenants Kidsa Drift, Norlandia Preschool, Touhula and Espira, stand for 17%, 31%, 6% and 46% respectively of the total rent

Weighted average lease term is 17 years

Total net debt to book value of the properties

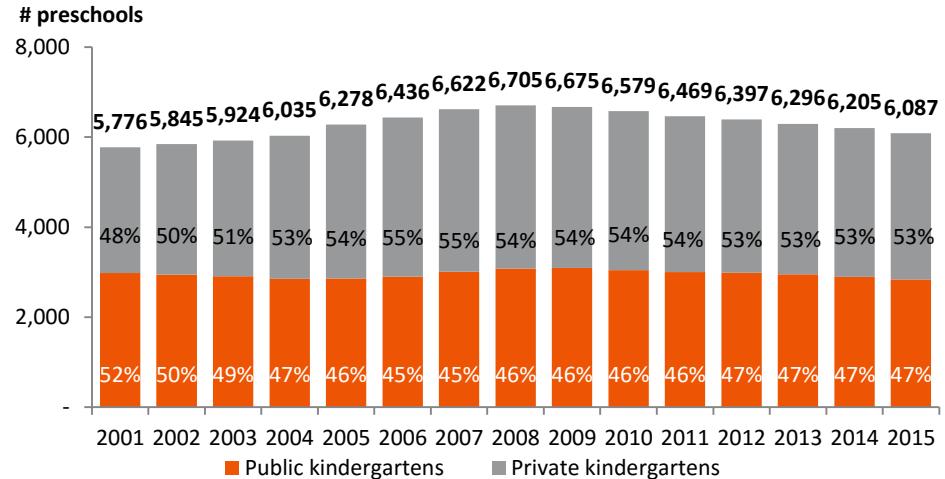
Large portfolio within four main geographical clusters, three strong counterparties and very long lease terms

The Norwegian preschool market

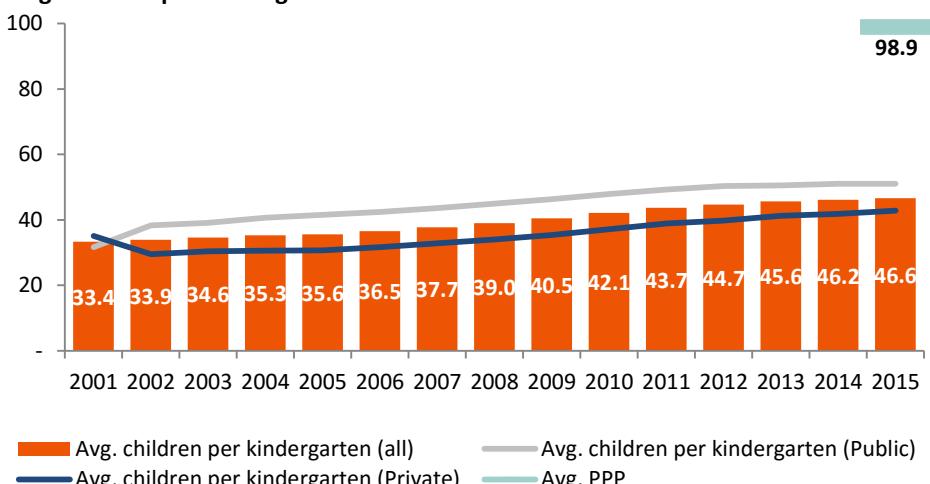
Regulatory framework

- **Preschool-law (“Barnehageloven”)**
 - All children between 1-6 have a legal right to attend preschool in their home municipality
 - Private operators are secured “equal treatment” – including financial support
- **Equal financial treatment**
 - Private preschools receive 100% contributions as the actual costs in the municipalities own-run preschools per child
 - Parents pay a maximum contribution of NOK 2,655 per month per child, but less if in low-income category
- **Property market strictly regulated**
 - License to build a preschool not be given unless there is a demand in the relevant area
 - Permission not given on a time-limited basis

Total market value in excess of NOK 50bn

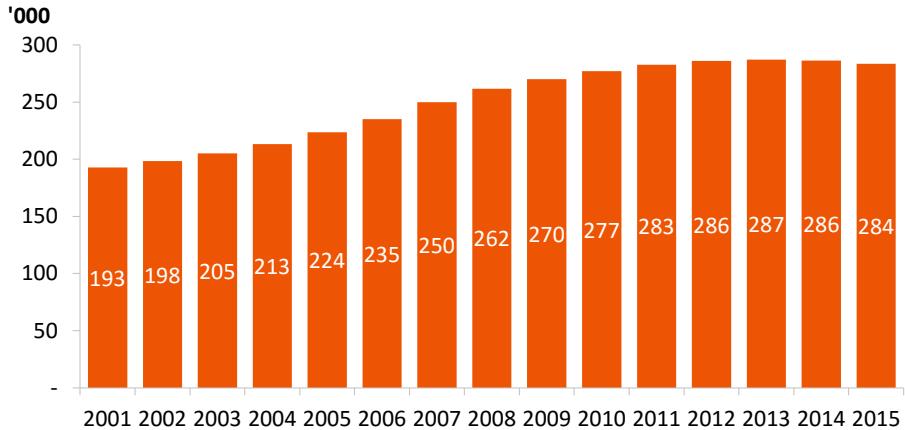


Avg. children per kindergarten



Private preschools have boosted coverage rates

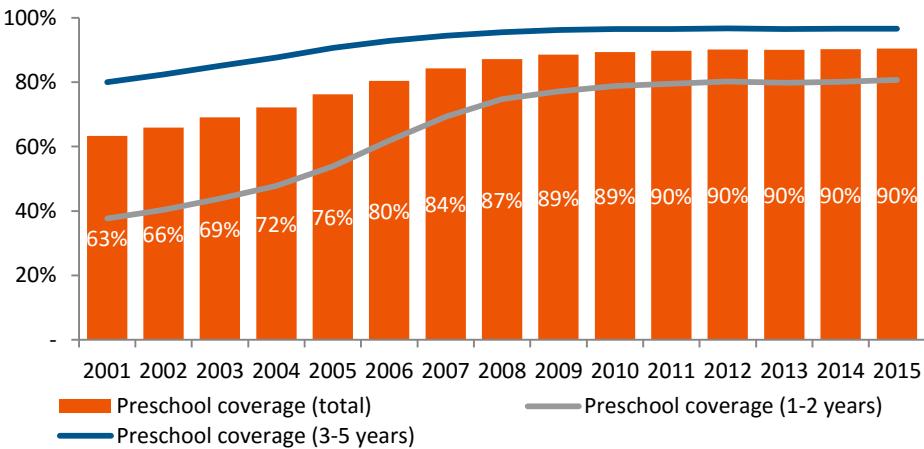
Children in preschool (1-5 years)



Private preschools fully integrated

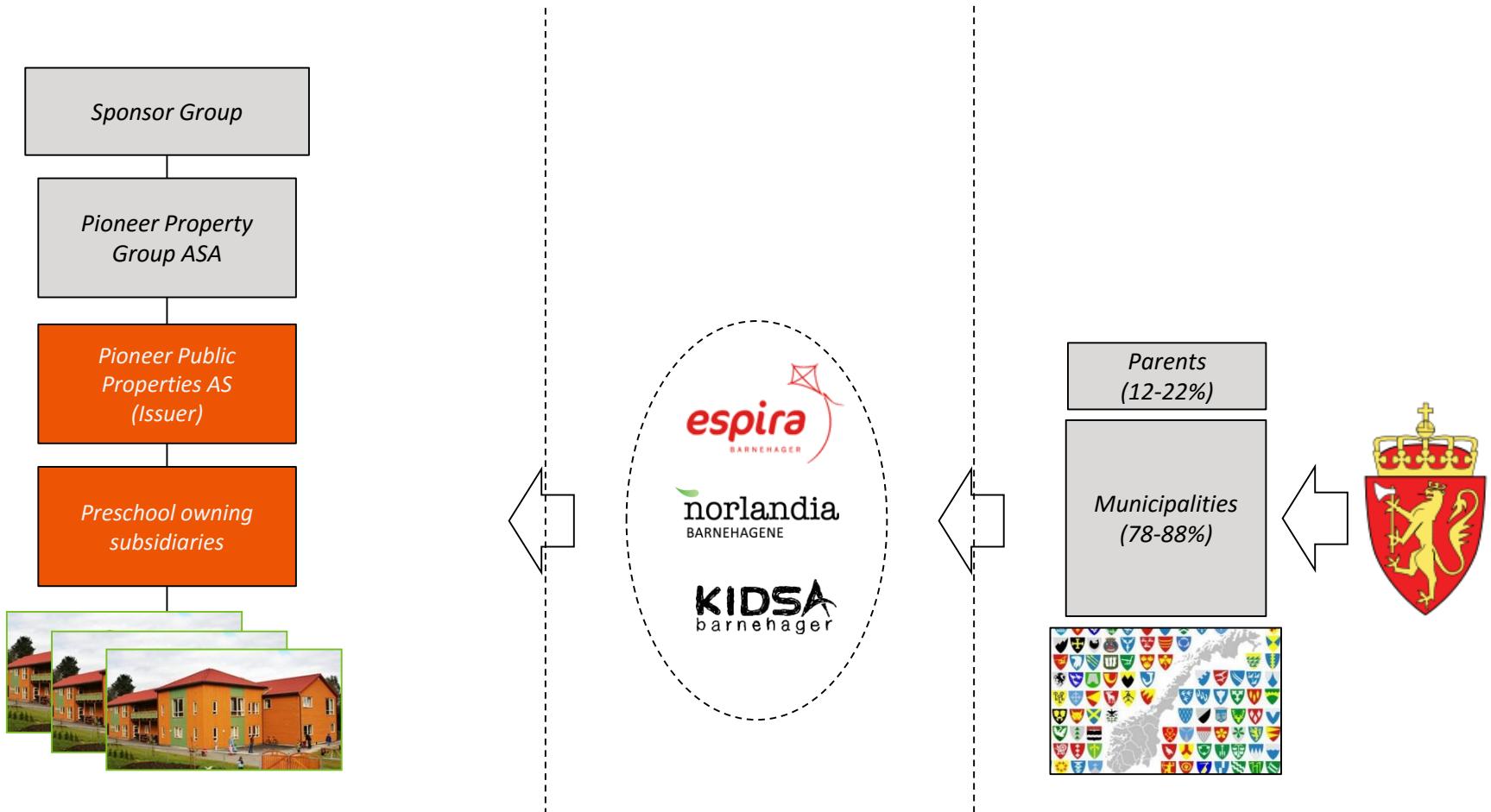
- Government stimulus through cheap state-financed loans and equal treatment of contributions for private and public players have contributed to strong growth for private preschools in order to reach the target of full coverage for all children
- The market remains fragmented with many local/small operators
- Supply side is strictly regulated in order to avoid oversupply and consequently low utilization and higher cost per child

Preschool coverage rates



- Coverage ratios have stabilized around 90%, where private operators account for approx. 53% of the market
- Further upside if the cash benefit scheme for parents ("kontantstøtte") is reduced or removed

Structure fully ring-fenced from operating entities

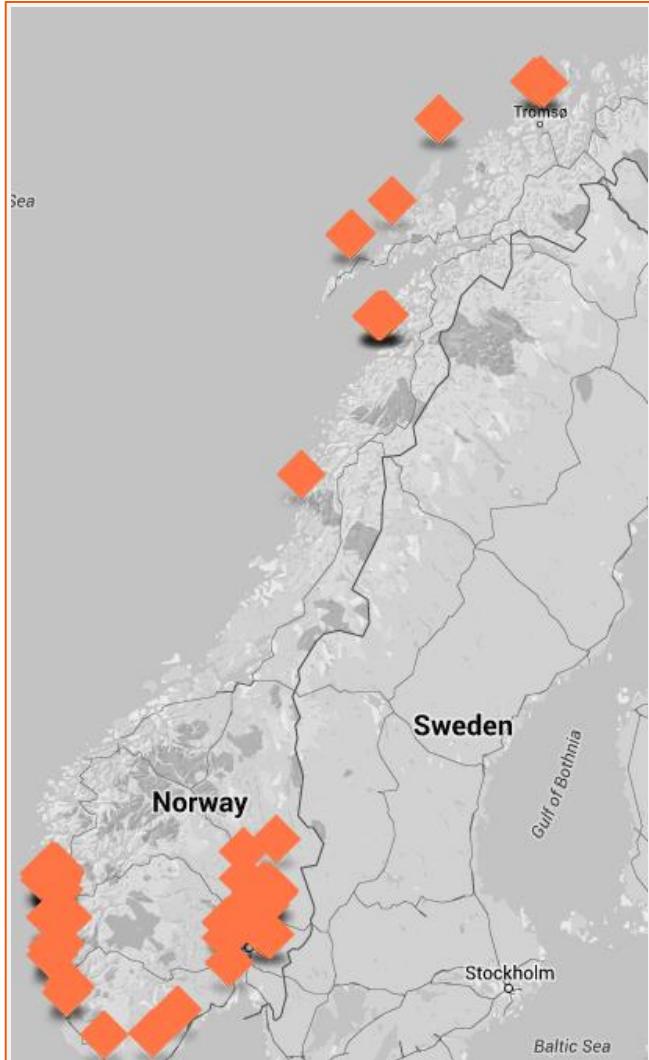


- Issuer-group fully ring fenced from sponsors
- Owns properties, licenses, and the ultimate right to receive government backed support

- Highly replaceable
- 'Commodity' product, with efficient market for services

- Government backed municipalities
- Parents/ultimate users

Geographic location



Clusters

Greater Oslo Region

Rent: NOK 55m
Rent of total: 23%*



Bergen

Rent: NOK 63m
Rent of total: 27%*



North

Rent: NOK 28m
Rent of total: 12%*



Other & Finland

Rent: NOK 88m
Rent of total: 38%*



* Contractual rent 2016

Triple net lease contracts secures low capex and minimal operational costs

- All Properties are modern and in line with current regulations
 - No need to upgrade the portfolio in the foreseeable future (no imminent capital expenditures of material size)
- The lease agreements with NCG are structured on a «bareboat» triple net basis where the tenant is responsible for all operating expenditures, including (but not limited to):
 - General maintenance (interior and exterior)
 - Insurance
 - All public duties
- The Espira leases are on a double net basis (triple net less real estate insurances and property taxes)
 - Will eventually be replaced with triple-net contracts
 - I.e. The step-in obligation from Norlandia Preschool is on a triple net basis
- Further development of the properties is possible conditioned on both parties agreeing



**No CAPEX & OPEX requirements
at the Issuer's part**

New build cost development underscores solid asset backing

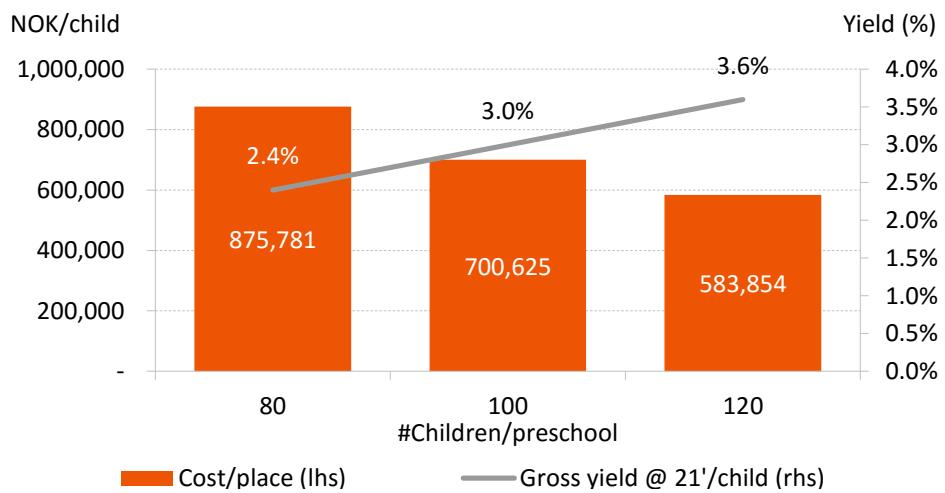
Comments

- The average cost to construct a preschool place has increased significantly over the last decade
- From 2000 to 2014, the total cost (construction cost and land cost) of building a kindergarten place has increased with a CAGR of 7.9%
 - The book value of NOK 3.4bn corresponds to a purchase price of NOK 308 thousand per place
- With the de-facto monopoly status existing preschools have one could argue that they should be valued higher than newbuilds as they are built primarily in the most densely populated areas
- Example: Bærum Preschool Plan assumes a cost of NOK 70 million per preschool, with a targeted size of 80-120 children in capacity per preschool
 - This corresponds to cost per preschool place of NOK 584' – 876', significantly above the historical cost per place
 - If considering the market rent of Newsec of NOK 21,000 per child per year, the gross yield is between 2.4-3.6%
 - Based on a required yield of 6% the rent should range between NOK 35,000-52,500 per child per year

Total cost per child development



Budgeted cost/child Bærum municipality 2013-2022



Pioneer Property Group ASA - Key financials

Q2 2016 key figures

Key income statement figures (NOKm)	Q2'2016
Rent	52.3
Owner cost	
EBITDA	47.5
EBITDA margin (%)	91%
Net interest expense	22.1
Net income	19.0

Key balance sheet figures (NOKm)	30.06.16
Cash	125.5
Total Borrowings	1,892.8
Property value	3,411.9
Total assets	3,554.5
Shareholders equity	1,661.6

Recent developments

- Refinancing of PPPII/III bond loans with new unsecured bond in PPP of MNOK 1000
- Acquisition of nine (9) preschools from Norlandia Preschools for MNOK 188
 - Annual rent MNOK 12.2
 - No additional debt
- Acquisition of twelve (12) preschools from Trevian for MEUR 22 (~MNOK 205)
 - Annual rent MEUR 1.4 (~MNOK 13) from EQT-owned Touhula
 - Bank debt of MEUR 13.2 (~MNOK 123)

Strategy

Pioneer Property
Group

Key focus on care services real estate

- Pioneer Property Group shall mainly own, manage and develop real-estate for government-backed operators
- To date the company has started consolidation of- and developed the Norwegian marked for preschool properties

Consolidate market through acquisitions and broaden foot-print into other government-backed real estate

- Build upon the company's strong financial capacity and professional real-estate management
- The preschool market is still highly fragmented and ripe for further consolidation through additional acquisitions
- Opportunities materializing within real estate with similar characteristics as the pre-school market (long-term lease contracts, public- and government-backed tenants, etc.)

Financial ambitions

- Continue to build portfolio through market consolidation and acquisitions
- Achieve yield compression through increased critical mass
- Best-in-class debt finance structures

Questions?

