

Baltic real estate market review

9M 2021

December 30, 2021



SIGNET

PRIVATE
BANK

9M 2021 Real estate market review



Sector highlights

- Most companies showed revenue growth in Q3 2021 boosted by recovery in overall economic activity, as well as continued property portfolio expansion.
- During Q3 2021 there was a positive trend of employees returning to the offices due to easing of Covid-19 related regulatory restrictions, which also improves the vacancy rates for the reviewed companies and funds.
- During 2021 the reviewed real estate companies and funds attracted financing through bond issuance. In Q2 2021 Baltic Horizon completed a bond issue of EUR 4m for Meraki project, Mainor Ülemiste issued EUR 5m bonds, Summus Capital completed their debut EUR 10m bond issue, Akropolis issued their debut Eurobond of EUR 300m and during Q3 Eastnine issued their first green bond in the amount of EUR 45m.
- At the moment, there is a tendency of decreasing coupon rates for real estate bonds. However, at the same time there has been a relatively large number of bond issues lately in the sector, which gives a wider selection for investors and puts an upwards pressure on the yields.
- Most of the reviewed companies devote significant attention and resources to sustainable operations by acquiring either BREEAM or LEED certifications for their investment portfolio.

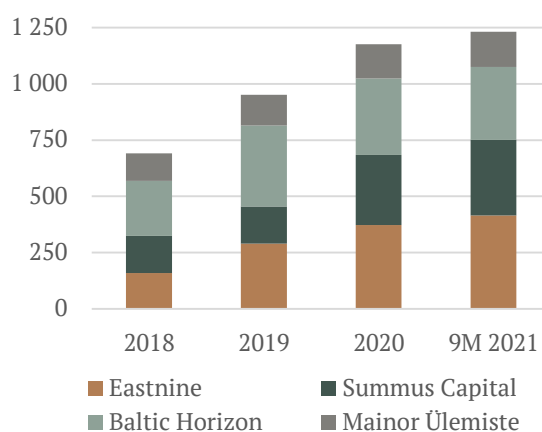
SUMMUS
CAPITAL

eastnine

BALTIC
HORIZON

MAINOR
ÜLEMISTE

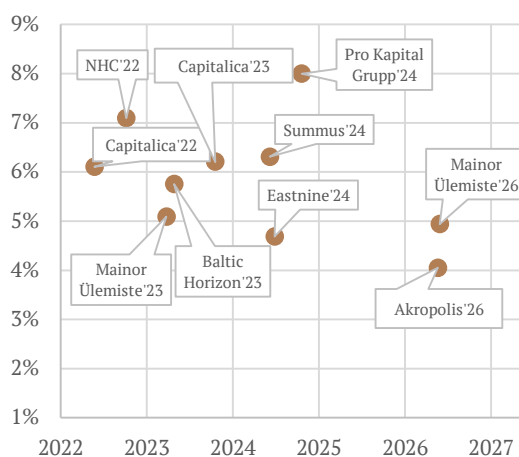
Investment properties value, EUR m



9M 2021 Financial highlights

EUR m	Baltic Horizon	Mainor Ülemiste	Summus Capital	Eastnine
Revenue	18.5	9.4	21.9	16.1
Net profit	-6.9	5.3	8.4	25.1
Investment properties	324.8	155.6	334.7	415.5
Borrowings	209.8	99.3	209.6	242.7
Total Equity	126.1	121.5	150.5	328.7
Capitalization ratio	36%	53%	40%	55%

Yield to Maturity (YTM)



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9M 2021 Summus Capital



SUMMUS
CAPITAL

Key parameters

Founded: 2013	Bonds outstanding: EUR 10m
Headquarters: Tallinn, Estonia	Auditor: KPMG
Portfolio value: EUR 334.7m	Rating: BB by Scope Ratings

Company description: Summus Capital is a family owned real estate holding company with a portfolio of 11 properties. Half of the investment portfolio's value consists of properties in Lithuania and the remaining part is split between Estonia and Latvia. The net leasable area for the Group is 184 414 sq. m and there are currently 305 tenants in the properties.

Financial highlights

- During 9M 2021 the Revenue of Summus Capital reached EUR 21.9m despite the Covid-19 related discounts granted to the tenants. The increase was supported by gradual easing of Covid-19 related restrictions as well as expansion of investment portfolio.
- Adjusted EBITDA has reached EUR 15.6m during 9M 2021 and net profit came in at EUR 8.4m. Increase in net profit can be partially attributed to a grant received in the amount of EUR 1m regarding a Covid-19 support scheme to retail sector.
- At the end of 9M 2021 Summus Capital had a high cash balance of EUR 18.7m, as the Group is preparing for upcoming acquisitions.
- Historically the Group has financed its operations primarily through shareholder funds (in the form of shareholder loans) and bank loans. In Q2 2021 the Group converted largest part of its shareholder loans into equity, thus, significantly strengthening the equity base, and further diversified its funding structure, through its first unsecured bond issue. The Group's total borrowings as of 9M 2021 stood at EUR 209.6m (+11% YTD).
- The Group's investment property portfolio has steadily increased during the past years and currently stands at EUR 334.7m. A steep increase in portfolio value was in 2020 which came from the acquisition of Park Town East Hill in Lithuania and Riga Plaza in Latvia, while in 2021 Veerenni 2 was acquired in Estonia.

Key developments

- In June 2021 Summus Capital completed its debut EUR 10m unsecured bond issue with a maturity of three years and a coupon rate of 6.75%. In October, the bonds were listed on the Nasdaq Baltic First North market.
- Scope Ratings, the German-based international rating agency has assigned first-time issuer rating of BB/Stable to Summus Capital.
- Summus Capital is now cooperating with a new investment management partner for the investment portfolio Green Formula Capital OÜ, thus, emphasizing the Group's focus on green real estate concept.

Financial highlights, EUR m

	9M 2021 ¹	YTD	FY 2019	FY 2020	
Revenue	21.9	n/a	15.5	17.8	+14%
Adjusted EBITDA²	15.6	n/a	10.8	11.1	+3%
Net profit	8.4	n/a	0.9	22.8	n/a
Total assets	378.3	+9%	194.7	345.2	+77%
Investment properties	334.7	+8%	164.9	311.4	+89%
Cash	18.7	+63%	21.7	11.5	-47%
Adjusted Equity³	150.5	+5%	85.4	142.8	+67%
Total borrowings	209.6	+11%	89.4	188.9	+111%
DSCR⁴	1.8x	+16%	1.3x	1.5x	+19%
Capitalization ratio	40%	-1pp	44%	41%	-3pp

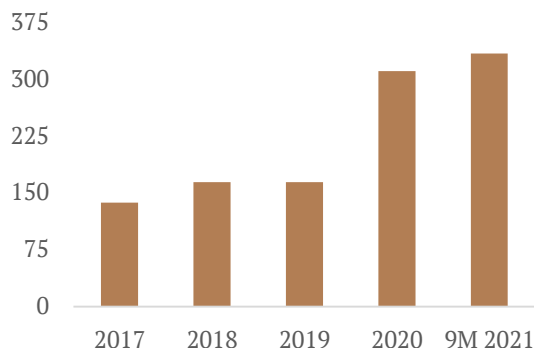
¹No comparison to 9M 2020 due to unavailability of data

²EBITDA – changes in investment properties valuation

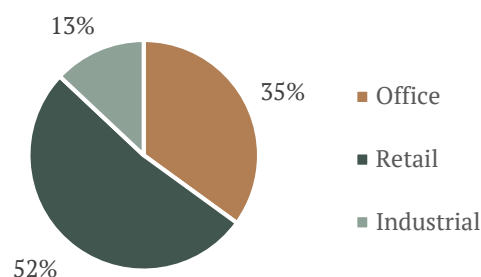
³Including shareholder loans

⁴DSCR ratio for only Q5 2021

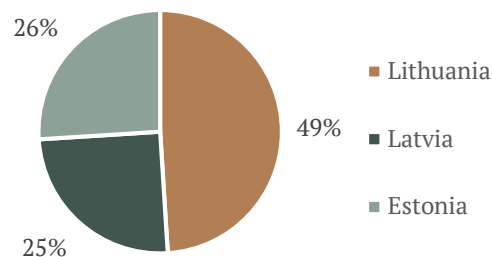
Portfolio balance sheet value, EUR m



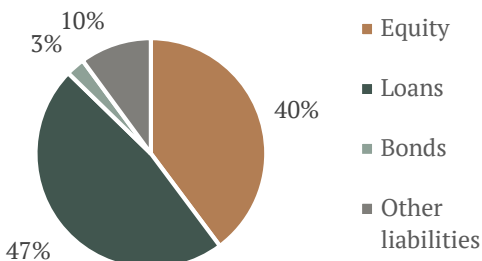
Portfolio value split by segment



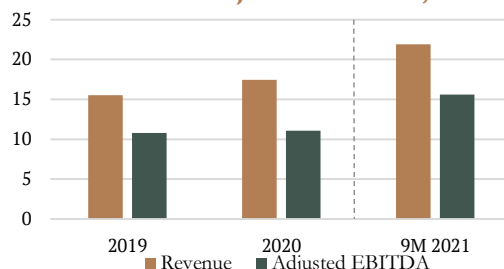
Portfolio value split by countries



Funding structure



Revenue and Adjusted EBITDA, EUR m



9M 2021 Baltic Horizon



BALTIC
HORIZON

Key parameters

Founded: 2016	Bonds outstanding: EUR 54m
Headquarters: Tallinn, Estonia	Auditor: KPMG (IFRS)
Portfolio value: EUR 324.8m	Rating: MM3 (BB+) by S&P

Company description: Baltic Horizon Fund is a regulated closed-end investment fund registered in Estonia. The value of 15 investment properties is split similarly across the Baltic countries and the Fund mainly focuses on office and retail buildings. The Fund owns net leasable area of 153 351 sq. m and has more than 230 tenants in the portfolio.

Financial highlights

- The revenue has decreased by 9% in 9M 2021 compared to the same period last year and came in at EUR 18.5m, which was mainly driven by temporary discounts granted to the tenants with the aim of providing support during Covid-19 crisis.
- Net loss in the amount of EUR 6.9m in 9M 2021, resulting from revaluation losses on the investment properties. Excluding the valuation impact, the net profit for 9M 2021 would have amounted to EUR 7.4m (EUR 8.9m in 1H 2020).
- Sufficient liquidity reserves and a DSCR of 2.6x as of 9M 2021, showing a comfortable position to meet financial obligations.
- Total borrowings in 9M 2021 were at EUR 209.8m (EUR 206.0m in 9M 2020), mainly consisting of bank loans, unsecured bonds in the amount of EUR 50m and a secured bond of EUR 4m. During the same period last year, the financing structure was similar – the largest part consisted of bank loans and bonds of EUR 50m.
- Starting from June 2021, the portfolio valuations are conducted by Colliers (previously Newsec Baltics) and in 9M 2021 the portfolio value has decreased to EUR 324.8m (EUR 342.8 as of 9M 2020) due to uncertainty regarding rents in the retail markets caused by Covid-19. All real estate properties in the Fund must be appraised at least once a year at the end of the financial year (the portfolio will be appraised twice in 2021 and the first appraisal was carried out as of 30 June 2021).

Key developments

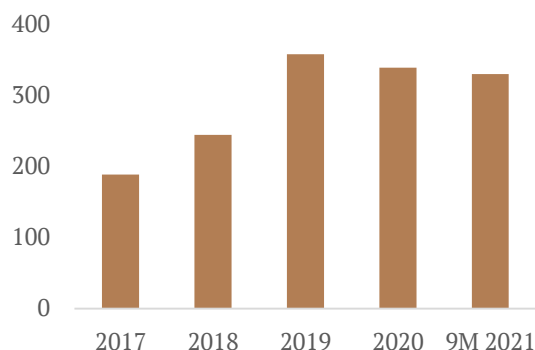
- On 12 May 2021, BH Meraki UAB (subsidiary of the Fund) completed a private bond placement in the amount of EUR 4.0m, with a maturity of 18 months and 5% coupon rate that saw large investor interest. The funds raised from the issue will be used to finance construction of Meraki office building (Lithuania).
- The occupancy rate of the portfolio as of 9M 2021 was 92.9%. (96.2% as of 9M 2020).
- On 12 April 2021, S&P affirmed Baltic Horizon Fund MM3 mid-sized companies' rating, which is comparable to BB+/BB on the global rating scale.
- As a part of the Group's ESG activities, Baltic Horizon has set a goal of obtaining BREEAM certificates for all of the office buildings by the end of 2021.

Financial highlights, EUR m

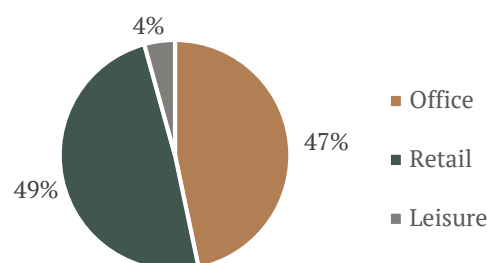
	9M 2020	9M 2021		FY 2019	FY 2020	
Revenue	20.3	18.5	-9%	25.3	26.7	+5%
Adjusted EBITDA¹	13.2	11.0	-17%	16.0	17.2	+8%
Net profit	-6.9	-6.9	-0%	8.8	-13.5	n/a
Total assets	358.4	349.6	-2%	371.7	355.6	-4%
Investment properties	342.8	324.8	-5%	356.6	334.5	-6%
Cash	8.4	14.6	+74%	9.8	13.3	+36%
Total Equity	138.9	126.1	-9%	152.5	136.3	-11%
Total borrowings	206.0	209.8	+2%	206.1	205.9	-0%
DSCR	3.2x	2.6x	-18%	3.3x	3.1x	-8%
Capitalization ratio	39%	36%	-3pp	41%	38%	-3pp

¹EBIT – changes in investment properties valuation

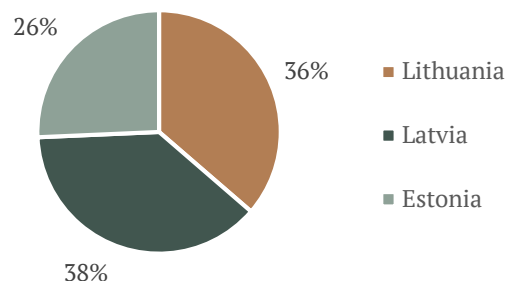
Portfolio balance sheet value, EUR m



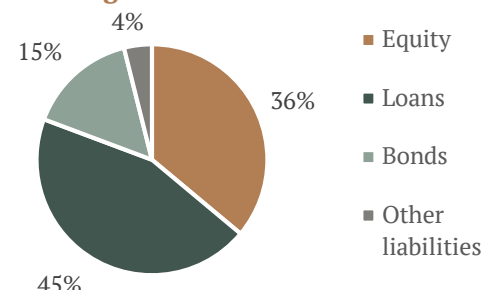
Portfolio value split by segment



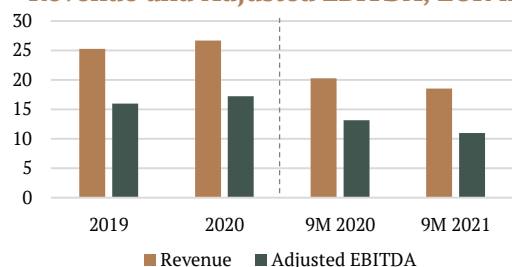
Portfolio value split by countries



Funding structure



Revenue and Adjusted EBITDA, EUR m



Key parameters

Founded: 2007	Bonds outstanding: EUR 45m
Headquarters: Stockholm, Sweden	Auditor: KPMG (IFRS)
Portfolio value: EUR 415.5m	Rating: -

Company description: Eastnine is a publicly listed Swedish real estate Group that mainly focuses on first-class office properties, however, recently the board has decided to start including prime logistics properties. The portfolio of 12 properties and a net leasable area of 130 531 sq. m has most of the properties in Lithuania, while Latvia takes up the rest. The tenants primarily are large Nordic companies.

Financial highlights

- The revenue has increased by 15% y-o-y in 9M 2021 and reached EUR 16.1m. The increase is mostly attributable to a larger property portfolio.
- The investment property portfolio is growing at a high rate each year and in 9M 2021 it stood at a record high of EUR 415.5m (+16% y-o-y). During 9M 2021 Eastnine acquired 2 properties – Zaļā 1 office building in Riga and UNIQ business centre in Vilnius.
- Net profit in 9M 2021 amounted to EUR 25.1m, which is significantly higher than in the same period last year (EUR -1.3m in 9M 2020), when the Group generated net loss due to significant losses from changes in value of investments.
- As a part of their assets, Eastnine holds shares in Melon Fashion Group (Russian fashion retailer) and East Capital Baltic Property Fund II (EUR 114.2m combined investment), which are providing the Group with considerable dividend income (EUR 3.9m in 9M 2021) and increases in value, therefore, substantially increasing the profits for the Group. However, Eastnine intends to free up the capital from these investments in the future in order to dedicate it to property investments.
- The borrowings of the Group have increased and currently stand at EUR 242.7m (+39% y-o-y) as a result of a bond issue as well as refinancing and increasing bank loans. There are no debt maturities during 2021 and 2022 due to the refinancing – large loan repayments are scheduled in years 2023 and 2024.
- Cash balance in 9M 2021 stands at EUR 63.6m, a large liquidity reserve, which has increased from the bond issue and has not been used yet.

Key developments

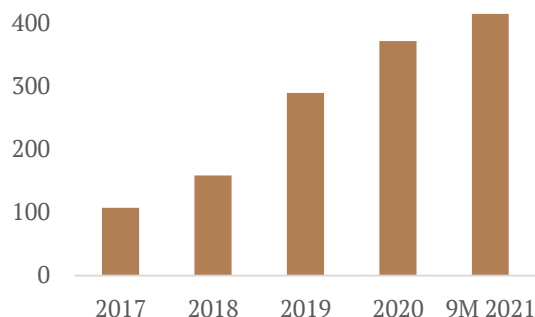
- Eastnine issued its first green bond of EUR 45m in July 2021, with a maturity of three years and a coupon rate of 3M EURIBOR + 5%. The raised capital will be invested according to Eastnine's green framework, including sustainability-certified buildings holding high class of LEED or BREEAM certification, high energy use scores.

Financial highlights, EUR m

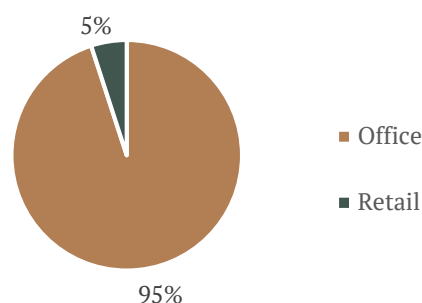
	9M 2020	9M 2021		FY 2019	FY 2020	
Revenue	13.9	16.1	+15%	13.3	19.2	+44%
Adjusted EBITDA¹	9.6	11.6	+21%	7.8	13.9	+78%
Net profit	-1.3	25.1	n/a	35.3	36.2	+3%
Total assets	459.5	598.6	+30%	420.3	502.2	+19%
Investment properties	356.9	415.5	+16%	290.3	372.4	+28%
Cash	13.8	63.6	+361%	37.4	24.3	-35%
Total Equity	261.5	328.7	+26%	268.2	309.9	+16%
Total borrowings	174.7	242.7	+39%	137.8	173.2	+26%
ICR	3.6x	3.0x	-17%	3.5x	3.7x	+6%
Capitalization ratio	57%	55%	-2pp	64%	62%	-2pp

¹EBITDA – changes in investment properties valuation

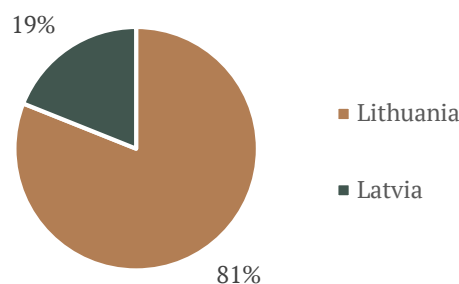
Portfolio balance sheet value, EUR m



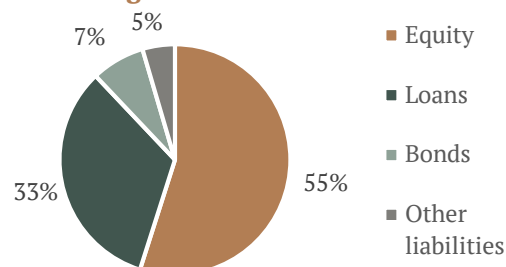
Portfolio value split by segment



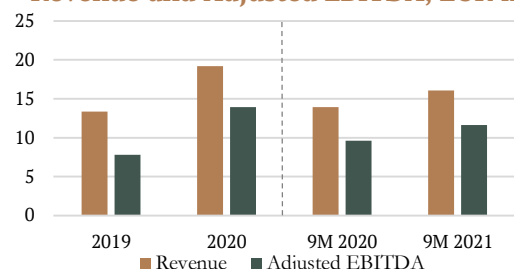
Portfolio value split by countries



Funding structure



Revenue and Adjusted EBITDA, EUR m



9M 2021 Mainor Ülemiste



Key parameters

Founded: 1997	Bonds outstanding: EUR 15m
Headquarters: Tallinn, Estonia	Auditor: EY (IFRS)
Portfolio value: EUR 155.6m	Rating: -

Company description: Mainor Ülemiste is the main developer of the prominent commercial real estate project Ülemiste City in Tallinn, which includes a full range of amenities and makes a complete business environment. All of the Group's investment properties are located in Ülemiste City, mainly consisting of office spaces and a net leasable area of 111 400 sq. m and includes an international tenant base.

Financial highlights

- The Group's revenue and EBITDA increased by 15% and 14% y-o-y during 9M 2021, reaching EUR 9.4m and EUR 4.5m respectively.
- Nevertheless, the Group's net income for the period remained unchanged y-o-y and stood at EUR 5.3m due to a significantly higher level of expenses (primarily interest expenses).
- Cash balance stands at EUR 13.1m as of 9M 2021, showing a 38% increase from 9M 2020, due to a bond issue as well as dividends received from Technopolis Ülemiste AS.
- Technopolis Ülemiste AS is an associate company in which Mainor Ülemiste holds 49% shares (value of EUR 44.4m as of 9M 2021) and it owns investment properties in Ülemiste City, as well as pays dividends to Mainor Ülemiste. This can be regarded as a liquid long term investment due to a put option stipulated in the shareholder agreement, which would initiate a buyback of Mainor Ülemiste's stake.
- The interest bearing liabilities of the Group have reached EUR 99.3m in 9M 2021 (+5% y-o-y). The financing structure consists of bank loans from such banks as SEB, Luminor, OP Bank, LHV and COOP Pank, as well as bonds in the amount of EUR 15m.
- The investment portfolio value has been steadily increasing over the years with the development of Ülemiste City and it has reached EUR 155.6m in 9M 2021. The portfolio maintains a diversified mix of Office, Industrial and a variety of other buildings (health care, educational, sports). The property valuation is conducted by Colliers International Advisors OÜ.

Key developments

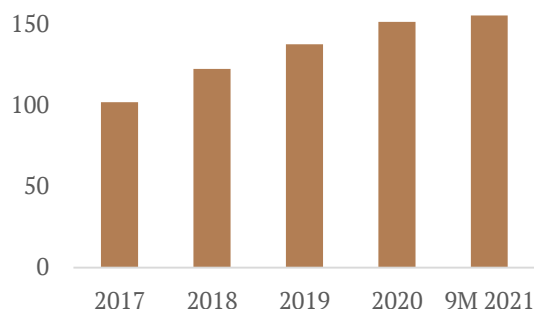
- In June 2021, Mainor Ülemiste completed a private placement of EUR 5m unsecured bonds with maturity of 5 years and a record low coupon rate of 4.75% to further finance the development of Ülemiste City. The newly issued bonds were listed on the Nasdaq Baltic First North market as of June 11, 2021.
- The Ülemiste City has become the largest business hub in the Baltic region. It is especially developed in the IT sector, and the IT companies headquartered in Ülemiste City generate one quarter of the total income for Mainor Ülemiste.

Financial highlights, EUR m

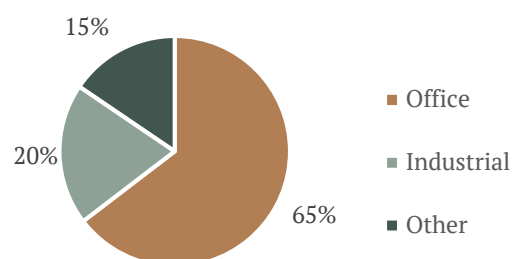
	9M 2020	9M 2021		FY 2019	FY 2020	
Revenue	8.2	9.4	+15%	10.6	11.3	+7%
Adjusted EBITDA¹	3.9	4.5	+14%	4.9	5.3	+8%
Net profit	5.3	5.3	+0%	12.1	9.4	-22%
Total assets	210.9	227.7	+8%	201.1	216.2	+8%
Investment properties	149.3	155.6	+4%	137.8	151.7	+10%
Cash	9.5	13.1	+38%	12.9	9.6	-26%
Total Equity	113.6	121.5	+7%	109.7	117.8	+7%
Total borrowings	91.1	99.3	+5%	86.5	95.1	+10%
DSCR	1.1x	1.0x	-7%	n/a	n/a	n/a
Capitalization ratio	54%	53%	-1pp	55%	54%	-1pp

¹EBITDA – changes in investment properties valuation

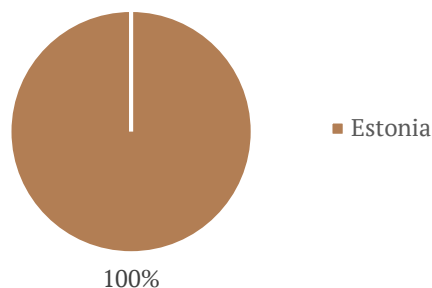
Portfolio balance sheet value, EUR m



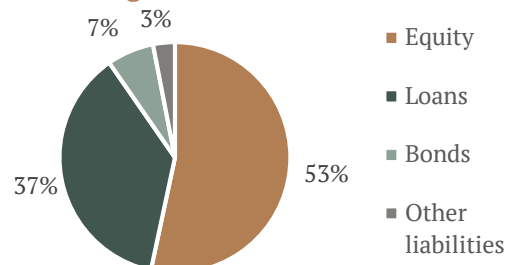
Lease income split by segment



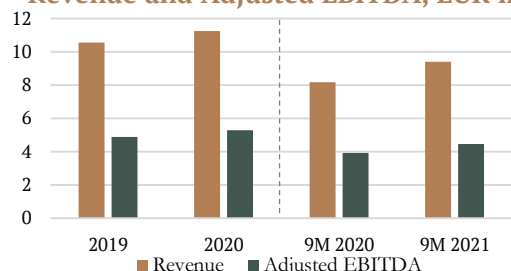
Portfolio value split by countries



Funding structure



Revenue and Adjusted EBITDA, EUR m



Current bond issues



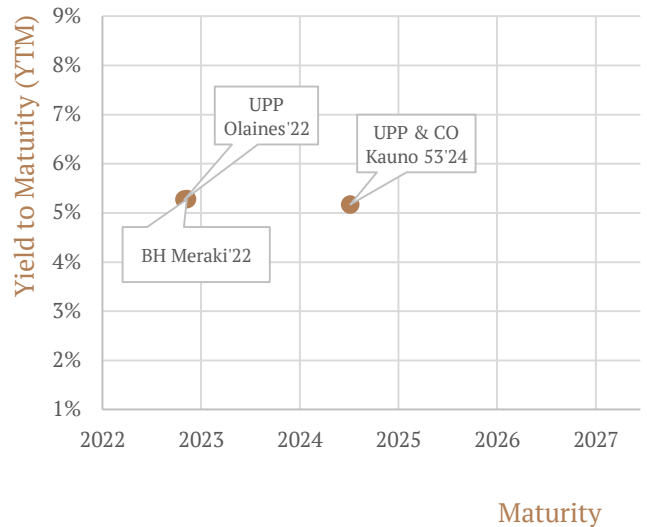
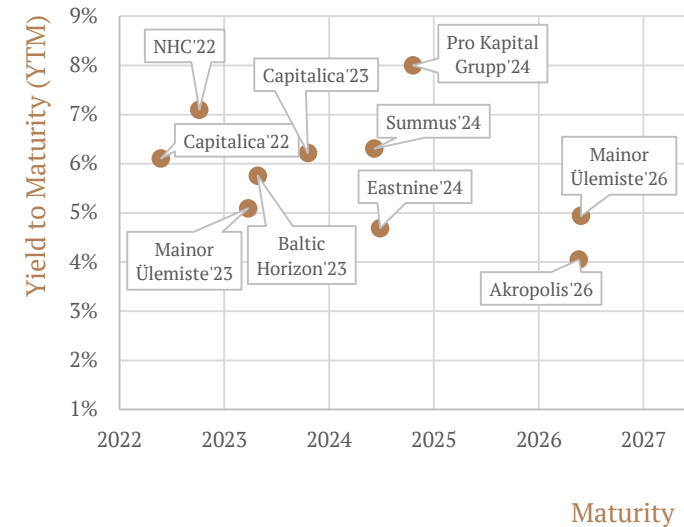
Holding level bonds

	Issuer	ISIN	Maturity	Coupon	Issue size	YTM ¹	Call option	Collateral	Listing
	Summus Capital OÜ (Estonia)	LV0000802478	18.06.2024	6.75%	EUR 10 000 000	6.31%	Yes	Unsecured	Nasdaq Baltic First North
	Northern Horizon Capital AS (Estonia)	EE3300111467	08.05.2023	4.25%	EUR 50 000 000	5.75%	Yes	Unsecured	Nasdaq Tallinn
	Mainor Ülemiste AS (Estonia)	EE3300111343	05.04.2023	5.50%	EUR 10 000 000	5.09%	Yes	Unsecured	Nasdaq Baltic First North
		EE3300002138	10.06.2026	4.75%	EUR 5 000 000	4.94%	Yes	Unsecured	Nasdaq Baltic First North
	Eastnine AB (Sweden)	SE0013719788	08.07.2024	3M EURIBOR + 500bp	EUR 45 000 000	4.69%	Yes	Unsecured	Nasdaq Stockholm and Frankfurt Stock Exchange
	Akropolis Group UAB (Lithuania)	XS2346869097	02.06.2026	2.875%	EUR 300 000 000	4.05%	Yes	Unsecured	Nasdaq Vilnius and Dublin Euronext
	UAB Capitalica Baltic Real Estate Fund I (Lithuania)	LT0000432528	03.06.2022	5.00%	EUR 5 000 000	6.11%	-	Unsecured	Nasdaq Baltic First North
		LT0000404725	30.10.2023	6.50%	EUR 8 000 000	6.21%	-	Unsecured	Nasdaq Baltic First North
	AS Pro Kapital Grupp (Estonia)	EE3300001676	31.10.2024	8.00%	EUR 9 685 426	8.00%	Yes	Unsecured	Nasdaq Tallinn
	New Hanza Capital AS (Latvia)	LV0000802312	16.10.2022	4.90%	EUR 10 000 000	7.09%	Yes	Unsecured	Nasdaq Riga

Project level bonds

	Issuer	ISIN	Maturity	Coupon	Issue size	YTM ¹	Call option	Collateral	Listing
	BH Meraki UAB (Lithuania)	LT0000405243	19.11.2022	5.00%	EUR 4 000 000	5.28%	Yes	Secured	Nasdaq Baltic First North
	UPP & CO KAUNO 53 OÜ (Estonia)	EE3300111152	17.07.2024	6.00%	EUR 4 700 000	5.17%	Yes	Secured	Nasdaq Tallinn
		EE3300111350	10.11.2022	7.00%	EUR 6 215 000	5.27%	Yes	Secured	Nasdaq Tallinn

¹Source: Bloomberg, Nasdaq. Data as of 17 December 2021





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