

Company Baltic Horizon Fund / Northern Horizon Capital AS

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Attachments:

- BalticHori-10003376011-en.pdf (<http://oam.fi.ee/en/download?id=4566>)
- BalticHori-10003376012-en.pdf (<http://oam.fi.ee/en/download?id=4567>)
- BalticHori-10003376014-et.pdf (<http://oam.fi.ee/en/download?id=4568>)
- BalticHori-10003376015-et.pdf (<http://oam.fi.ee/en/download?id=4569>)

Currency

Title Baltic Horizon Fund Consolidated Unaudited Interim Results for Q1 2020

Management Board of Northern Horizon Capital AS has approved the unaudited consolidated interim financial results of Baltic Horizon Fund (the Fund) for Q1 2020.

Impact of COVID-19 pandemic

At the beginning of 2020 new coronavirus (COVID-19) started spreading all over the world, which has had an impact on businesses and economies, including in the Baltics. The virus outbreak has caused significant shifts in the Fund's operating environment, which will likely lead to a negative overall effect on the Fund's expected 2020 performance.

As the situation is uncertain and developing fast the Fund management team at this point is not yet able to assess the full financial consequences of the virus outbreak. The results of Q1 2020 remained largely unaffected by the pandemic and indicated a strong performance during the quarter. A significant impact on the Fund's operating performance will be visible in Q2 2020 as the first effects of the pandemic emerged at the end of March 2020.

In response to the COVID-19 outbreak, Northern Horizon Capital AS, the Management Company of the Fund, has taken assertive action to manage the risks arising from the pandemic and to protect the long-term value for the investors. The Management Company is focusing on optimizing operating costs and continuing active communication with the tenants to ensure long-term rent collection. The Fund has opted to retain approx. EUR 1.8 million of distributable cash flow for Q1 2020 results to strengthen the Fund's financial position. The Management Company will continue to actively monitor the economic impact of the pandemic and reassess future distribution levels depending on the upcoming operating results.



The Fund is implementing a number of relief initiatives focused on alleviating the financial hardship of the most vulnerable group of tenants, whose operations were mostly severely affected by the outbreak. The Fund has agreed to grant rent payment deferral for a period of 90 days and waive all penalties and interest arising from the rent deferral for the most affected tenants.

Baltic Horizon Fund is having active negotiations with mainly retail tenants regarding rent reductions and waivers during the quarantine period, which will have a negative impact on the Fund's performance in Q2 2020. As of 15 May 2020, the Fund management has decided on various discounts for the quarantine period based on discussions with retail tenants. The Fund assessed the impact of COVID-19 on each tenant's operating performance during the lockdown and granted discounts to the most affected tenants. For those affected, the discounts from the Fund side on average are around 50% considering the government support measures and may be applicable only up until July 2020.

#### Distributions to unitholders for Q4 2019 and Q1 2020 Fund results

On 31 January 2020, the Fund declared a cash distribution of EUR 3,175 thousand (EUR 0.028 per unit) to the Fund unitholders for Q4 2019 results. This represents a 2.16% return on the weighted average Q4 2019 net asset value to its unitholders.

On 24 April 2020, the Fund declared a cash distribution of EUR 1,701 thousand (EUR 0.015 per unit) to the Fund unitholders for Q1 2020 results. This represents a 1.12% return on the weighted average Q1 2020 net asset value to its unitholders.

#### Net profit and net rental income

In Q1 2020, the Group recorded a net profit of EUR 3.4 million, which increased by 54.3%, compared to a net profit of EUR 2.2 million for Q1 2019. Net profit was significantly impacted by the increase in net rental income due to new property acquisitions during 2019. The positive impact of an increase in net rental income was partially offset by an increase in administrative expenses and net financing costs. The increase in net financing costs arose from a higher average cost of financing. Earnings per unit for the quarter were EUR 0.03 (Q1 2019: EUR 0.03).

During the quarter, the Group recorded net rental income of EUR 5.8 million against EUR 3.9 million in Q1 2019. The increase was achieved through new acquisitions that were made following the capital raisings in 2019. The acquisition of the largest asset in the portfolio (Galerija Centrs) and North Star office building had a significant effect on the Group's net rental income growth in Q1 2020 as compared to Q1 2019. On an EPRA like-for-like basis, portfolio net rental income over the year increased by 2.8% mainly due to stronger performance in the Estonian and Latvia markets. The increase was partially offset by the weaker performance in the Lithuanian market due to provisions related to the lockdown in the Baltic States.



Portfolio properties in the office segment contributed 49.2% (Q1 2019: 55.1%) of net rental income in Q1 2020 followed by the retail segment with 46.2% (Q1 2019: 38.4%) and the leisure segment with 4.6% (Q1 2019: 6.5%).

Retail assets located in the central business districts (Postimaja, Europa and Galerija Centrs) accounted for 36.1% of total portfolio net rental income in Q1 2020. Total net rental income attributable to neighbourhood shopping centres accounted for 10.1% in Q1 2020.

During the quarter, investment properties in Latvia and Lithuania contributed 39.9% (Q1 2019: 28.0%) and 34.6% (Q1 2019: 36.8%) of net rental income respectively, while investment properties in Estonia contributed 25.5% (Q1 2019: 35.2%).

#### Gross Asset Value (GAV)

At the end of Q1 2020, the GAV increased to EUR 373.3 million (31 December 2019: EUR 371.7 million) which was a rise of 0.4% over the quarter. The increase is mainly related to the capital investments made into the Meraki office building development project. The Fund aims to continue the construction of the Meraki office building throughout 2020 once the extent of the potential impact of the COVID-19 pandemic becomes clearer. The Management Company will continue to actively monitor the economic impact of the pandemic and ensure sufficient liquidity levels during the construction period.

#### Net Asset Value (NAV)

At the end of Q1 2020, the Fund NAV was EUR 152.5, remaining stable as compared to the end of 2019. The increase in operational performance over the quarter was offset by a EUR 3.2 million dividend distribution to the unitholders and a negative cash flow hedge reserve movement of EUR 0.2 million. At 31 March 2020, NAV per unit stood at EUR 1.3452 (31 December 2019: EUR 1.3451), while NAV per unit based on EPRA standards was EUR 1.4349 (31 December 2019: EUR 1.4333).

#### Investment properties

The Baltic Horizon Fund portfolio consists of 15 cash flow investment properties in the Baltic capitals and an investment property under construction on the Meraki land plot. At the end of Q1 2020, the appraised value of the Fund's portfolio was EUR 360.3 million (31 December 2019: EUR 358.9 million). During the quarter, the Group invested EUR 0.1 million in the existing property portfolio and an additional EUR 1.3 million in the Meraki development project.

#### Interest bearing loans and bonds

Interest bearing loans and bonds remained at a similar level as at 31 December 2019 amounting to EUR 205.8 million. Outstanding bank loans decreased slightly due to regular bank loan amortization. Annual loan amortization forms 0.2% of total debt outstanding.

#### Cash flow

Cash inflow from core operating activities for Q1 2020 amounted to EUR 4.3 million (Q1 2019: cash inflow of EUR 3.0 million). Cash outflow from investing



activities was EUR 0.1 million (Q1 2019: cash outflow of EUR 17.9 million) due to subsequent capital expenditure on existing portfolio properties. Cash outflow from financing activities was EUR 4.6 million (Q1 2019: cash inflow of EUR 5.6 million). During the quarter, the Fund made a cash distribution of EUR 3.2 million and paid regular interest on bank loans and bonds. At the end of Q1 2020, the Fund had a sufficient amount of cash (EUR 9.4 million) to cover its liquidity needs amid the COVID-19 pandemic.

#### Key earnings figures

EUR '000	Q1 2020	Q1 2019	Change (%)
Net rental income	5,772	3,916	47.4%
Administrative expenses	(889)	(709)	25.4%
Other operating income	8	6	33.3%
Valuation gains (losses) on investment properties	(4)	-	-
Operating profit	4,887	3,213	52.1%
Net financing costs	(1,376)	(897)	53.4%
Profit before tax	3,511	2,316	51.6%
Income tax	(157)	(143)	9.8%
Net profit for the period	3,354	2,173	54.3%
Weighted average number of units outstanding (units)	113,387,525	78,496,831(1)	44.4%
Earnings per unit (EUR)	0.03	0.03	-

#### Key financial position figures

EUR '000	31.03.2020	31.12.2019	Change (%)
Investment properties in use	356,666	356,575	0.0%



Investment property under construction	3,669	2,367	55.0%
Gross asset value (GAV)	373,345	371,734	0.4%
Interest bearing loans and bonds	205,765	205,827	(0.0%)
Total liabilities	220,813	219,216	0.7%
Net asset value (NAV)	152,532	152,518	0.0%
Number of units outstanding (units)	113,387,525	113,387,525	-
IFRS Net asset value (IFRS NAV) per unit (EUR)	1.3452	1.3451	0.0%
EPRA Net asset value (EPRA NAV) per unit (EUR)	1.4349	1.4333	0.1%
Loan-to-Value ratio (%)	57.1%	57.3%	-
Average effective interest rate (%)	2.6%	2.6%	-

1. The number of units excludes 255,969 units acquired by the Fund as part of the unit buy-back program.

#### Property performance

During Q1 2020, the average actual occupancy of the portfolio was 97.6% (Q4 2019: 98.0%). Taking into account all rental guarantees, the effective occupancy rate was 97.6% (Q4 2019: 98.0%). The occupancy rate as of 31 March 2020 was 97.4% (31 December 2019: 98.3%). The average direct property yield during Q1 2020 was 6.7% (Q4 2019: 6.6%). The net initial yield for the whole portfolio for Q1 2020 was 6.5% (Q4 2019: 6.4%). The increase in property yields is mainly related to the stronger like-for-like performance of the Estonian properties. The average rental rate for the whole portfolio for Q1 2020 was EUR 13.5 per sq.



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Property name	Sector	Fair value(1) (EUR '000)	NLA (sq. m.)	Direct property yield(2)	Net initial yield(3)	Occupancy rate for Q1 2020
Vilnius, Lithuania						
Duetto I	Office	16,460	8,587	7.5%	6.8%	100.0%(4)
Duetto II	Office	18,935	8,674	7.3%	7.1%	100.0%(4)
Europa SC	Retail	40,721	16,856	6.2%	5.7%	95.1%
Domus Pro Retail Park	Retail	16,670	11,247	7.7%	7.2%	97.5%
Domus Pro Office	Office	7,740	4,831	8.7%	7.3%	100.0%
North Star	Office	20,104	10,550	7.0%	7.3%	100.0%
Meraki Development		3,669	-	-	-	-
Total Vilnius		124,299	60,745	7.1%	6.6%	98.2%
Riga, Latvia						
Upmalas Biroji BC	Office	24,209	10,458	7.5%	7.4%	100.0%
Vainodes I	Office	20,902	8,052	6.8%	6.9%	100.0%
LNK Centre	Office	17,007	7,453	6.4%	6.5%	100.0%
Sky SC	Retail	4,851	3,254	7.7%	8.0%	98.4%
Galerija Centrs	Retail	76,408	20,022	6.0%	5.9%	93.0%
Total Riga		143,377	49,239	6.5%	6.4%	97.0%
Tallinn, Estonia						
Postimaja & CC Plaza complex	Retail	32,250	9,145	4.5%	4.8%	95.6%



Postimaja & CC Leisure Plaza complex	15,150	8,664	9.0%	7.1%	100.0%
G4S Office Headquarters	17,550	9,179	7.8%	6.9%	100.0%
Lincona Office	17,820	10,871	8.2%	7.3%	100.0%
Pirita SC Retail	9,889	5,508	6.0%	7.5%	86.5%
Total Tallinn	92,659	43,367	6.5%	6.3%	97.3%
Total portfolio	360,335	153,351	6.7%	6.5%	97.6%

1. Based on the latest valuation as at 31 December 2019, subsequent capital expenditure and recognised right-of-use assets.
2. Direct property yield (DPY) is calculated by dividing NOI by the acquisition value and subsequent capital expenditure of the property.
3. The net initial yield (NIY) is calculated by dividing NOI by the market value of the property.
4. Effective occupancy rate is 100% due to a rental guarantee.

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

EUR '000	01.01.2020-31.03.2020	01.01.2019-31.03.2019
Rental income	6,209	4,151
Service charge income	1,356	763
Cost of rental activities	(1,793)	(998)
Net rental income	5,772	3,916
Administrative expenses	(889)	(709)
Other operating income	8	6
Valuation losses on investment properties	(4)	-
Operating profit	4,887	3,213



Financial income	1	2
Financial expenses	(1,377)	(899)
Net financing costs	(1,376)	(897)
Profit before tax	3,511	2,316
Income tax charge	(157)	(143)
Profit for the period	3,354	2,173
Other comprehensive income that is or may be reclassified to profit or loss in subsequent periods		
Net gains (losses) on cash flow hedges	(178)	(556)
Income tax relating to net gains (losses) on cash flow hedges	13	36
Other comprehensive income (expense), net of tax, that is or may be reclassified to profit or loss in subsequent periods	(165)	(520)
Total comprehensive income for the period, net of tax	3,189	1,653
Basic and diluted earnings per unit (EUR)	0.03	0.03

#### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR '000	31.03.2020	31.12.2019
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Non-current assets		
Investment properties	356,666	356,575
Investment property under construction	3,669	2,367
Derivative financial instruments	29	73
Other non-current assets	55	54
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Total non-current assets	360,419	359,069
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Current assets		
Trade and other receivables	2,291	1,794
Prepayments	358	301
Other current assets	893	734
Cash and cash equivalents	9,384	9,836
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Total current assets	12,926	12,665
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Total assets	373,345	371,734
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Equity		
Paid in capital	138,064	138,064
Cash flow hedge reserve	(1,721)	(1,556)
Retained earnings	16,189	16,010
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Total equity	152,532	152,518
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Non-current liabilities		
Interest bearing loans and borrowings	205,661	205,718
Deferred tax liabilities	6,343	6,199
Derivative financial instruments	1,862	1,728



Other non-current liabilities	1,327	1,298
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Total non-current liabilities	215,193	214,943
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Current liabilities		
Interest bearing loans and borrowings	405	414
Trade and other payables	4,546	3,171
Income tax payable	-	8
Other current liabilities	669	680
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Total current liabilities	5,620	4,273
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Total liabilities	220,813	219,216
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Total equity and liabilities	373,345	371,734
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For more information, please contact:

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The Fund is a registered contractual public closed-end real estate fund that is managed by Alternative Investment Fund Manager license holder Northern Horizon Capital AS. Both the Fund and the Management Company are supervised by the Estonian Financial Supervision Authority.

This announcement contains information that the Management Company is obliged to disclose pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the above distributors, at 23:05 EET on 15 May 2020.

