

Company EfTEN Real Estate Fund AS
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Attachments:

- EfTEN Real Estate Fund III_6_kuud_2021_ENG.pdf (<http://oam.fi.ee/en/download?id=5653>)
- EfTEN Real Estate Fund III_6_kuud_2021_EST.pdf (<http://oam.fi.ee/en/download?id=5654>)

Currency

Title EfTEN Real Estate Fund III AS unaudited results for 2nd quarter and st half year 2021

Comment of the fund manager Viljar Arakas:

The financial results of EfTEN Real Estate Fund III AS in the first half of 2021 have been good beyond expectations. The fund's EBITDA for the first six months of this year totals 4.89 million euros, which is 27% higher than the EBITDA for the same period of last year. By the beginning of the year, the alarmingly rapid spread of the coronavirus had severely limited business, especially in Latvia and Lithuania, and the outlook was pessimistic. In Estonia, significant movement restrictions came into force in February. Nevertheless, we were able to keep all the fund's assets running successfully - as far as restrictions allowed, and we applied very strict controls on running costs.

In terms of management, the focus in the first half of the year was primarily on our customers i.e. tenants. Customer-specific solutions were found for all kinds of business interruptions caused by the pandemic, and the occupancy rate of the fund's rental space has been very good. As at the end of June, the vacancy rate of the fund's real estate portfolio is only 0.7%. Despite the delays in payments due to the corona crisis (mainly in the Saules Miestas shopping center), the payment behavior of tenants has also been good. In connection with payment problems, we have also made agreements with tenants to defer payment, mainly until the end of August, and we have been able to keep the rotation number of tenants to a minimum.

The successful emission of shares in the first half of the year in the total amount of 15.13 million euros is also worth noticing. A total of 4,564 subscription orders were submitted in the emission and it was oversubscribed 3.6 times. The costs of emission were again minimal for investors, amounting to only about 0.4% of the issue volume. The external advisors were involved minimally by the management company to the organization of the emission and the offer was made only in Estonia.



In the first half of 2021, we made additional investments in the fund's existing portfolio, mainly in the territory of the Saules Miestas shopping center in Shiauliai, Lithuania, where the fund's subsidiary built a separate KFC fast food restaurant building. As fund managers, we are constantly looking for ways to increase the value of our existing assets through additional developments. As an additional example of such investments, we can cite the construction of a solar park on the roof of the Laagri Selver shopping center building.

In the first half of the year, we made one new investment, acquiring two industrial and warehouse buildings in Panevezhys, Lithuania, for a total of 10 million euros. The unleveraged entry yield of the transaction with a bank loan was 8.0% and the purchase price of the building per square meter was 500 euros, which is lower than the restoration value of the house. The building is leased by ADAX UAB on the basis of a 16-year lease agreement. The transaction was financed by Siauliu bankas in the amount of 6 million euros.

The successful first half of the fund allows us to look at the second half of 2021 with an optimistic look.

Financial overview

EfTEN Real Estate Fund III AS's consolidated sales revenue for the second quarter of 2021 totaled 3.088 million euros (2nd quarter of 2020: 2.422 million euros), increasing by 27.5% (0.666 million euros) compared to the previous year. Of the increase in rental income, 349 thousand euros (52%) was the rental income from the acquisition of new investments (Pirita care home, Rutkauskio office building and Ramygalos warehouse and industrial building complex). The remaining increase was mainly due to temporary rent discounts from last year's Covid-19 discount on the existing real estate portfolio (like-for-like).

EfTEN Real Estate Fund III AS's consolidated sales revenue for the first half of 2021 is 5.955 million euros (first half of 2020: 4.865 million euros), increasing by 22.4% (1.090 million euros) compared to the previous year. Rental income from investment properties acquired during the last 12 months totaled 665 thousand euros (61%).

The Group's profit before revaluations of investment properties, changes in the fair value of interest rate swaps and income tax expense in the first half of 2021 totaled 3.951 million euros (first half of 2020: 3.132 million euros), increasing by 28.3% year-on-year.

In the first half of 2021, the fund earned consolidated EBITDA of 4.9 million euros (first half of 2020: 3.8 million euros).

During the next 12 months, the loan agreements of the two subsidiaries of the Group will mature. Most of the Group's loans are concluded with a term of 5 years, which is refinanced upon termination of the loan agreement. Over the next



12 months, 7.5 million euros, i.e. 10% of the total loan portfolio, will be refinanced from the Group's loan liabilities. As of 30.06.2021, the average interest rate of the Group's loan agreements (incl. considering interest rate swap agreements) is 2.2% (31.12.2020: 2.3%) and LTV (Loan to Value) 46% (31.12.2020: 50%).

During the first half of 2021, the Group has earned a free cash flow of 2.2 million euros (6 months of 2020: 1.7 million euros), of which the cash flow from investment properties during the last 12 months amounts to 215 thousand euros.

In mid-June 2021, the Group acquired one new investment property in Panevezhys, Lithuania. The cost of investment property, including transaction costs, totaled 10.011 million euros and the annual rental income is 799 thousand euros.

As of the end of June, 2021, the Group has 16 (31.12.2020: 15) commercial real estate investments with a fair value of 157.162 million euros (31.12.2020: 144.235 million euros) and an acquisition cost of 147.137 million euros (31.12.2020: 136.349 million euros) at the balance sheet date.

In June, the fund conducted its usual valuation of investment properties, during which the value of the fund's real estate portfolio increased by 1.4% (2.020 million euros). The change in value was mainly due to improved cash flow expectations in Saules Miestas and the Ulonu office building. The increase in the value of other objects was mainly due to a decrease in exit yield by half or a quarter of a percentage point.

The net asset value of EfTEN Real Estate Fund III shares as of 30.06.2021 was 17.60 euros (31.12.2020: 16.93 euros). The net asset value of EfTEN Real Estate Fund III AS increased by 4.0% in the first half of 2021.

In April 2021, the general meeting of the fund decided to distribute a total of 2,798 thousand euros (66.3 eurocents per share) in net dividends from the net profit of 2020. Without the distribution of dividends, the net asset value of the fund's share would have increased by 6.7% in the first half of the year.

In June 2021, EfTEN Real Estate Fund III AS conducted a public offering of shares, as a result of which the share capital of the fund increased by 8,500 thousand euros. During the share emission payments in the amount of 15,130 thousand euros were made to the fund's share capital.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousands	II quarter		I half of the year	
	2021	2020	2021	2020
Revenue	3,088	2,422	5,955	4,865



Cost of services sold	-73	-59	-139	-147
Gross profit	3,015	2,363	5,816	4,718
Marketing costs	-59	-43	-90	-136
General and administrative expenses	-492	-358	-876	-772
Gain / loss from revaluation of investment properties	2,020	-3,986	2,020	-3,986
Other operating income and expense	3	-5	6	0
Operating profit	4,487	-2,029	6,876	-176
Other finance income and expense	-418	-345	-839	-678
Profit before income tax	4,069	-2,374	6,037	-854
Income tax expense	-394	201	-567	49
Net profit for the financial year(1)	3,675	-2,173	5,470	-805
Earnings per share				
- Basic	0.83	-0.51	1.27	-0.19
- Diluted	0.83	-0.51	1.27	-0.19

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30.06.2021	31.12.2020
EUR thousands		
ASSETS		
Cash and cash equivalents	9,932	5,128
Receivables and accrued income	2,120	2,018



Prepaid expense	19	128
Inventory	29	0
Total current assets	12,100	7,274
Long-term receivables	4	18
Investment property	157,162	144,235
Property, plant and equipment	150	101
Intangible assets	3	4
Total non-current assets	157,319	144,358
TOTAL ASSETS	169,419	151,632
LIABILITIES AND EQUITY		
Borrowings	10,695	28,781
Derivative instruments	180	246
Payables and prepayments	1,102	1,995
Total current liabilities	11,977	31,022
Borrowings	62,197	43,587
Other long-term debt	1,015	957
Deferred income tax liability	4,944	4,583
Total non-current liabilities	68,156	49,127
Total liabilities	80,133	80,149
Share capital	50,725	42,225
Share premium	16,289	9,658



Statutory reserve capital	1,489	1,323
Retained earnings	20,783	18,277
Total equity	89,286	71,483
TOTAL LIABILITIES AND EQUITY	169,419	151,632

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