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Maija Hongas: Good morning ladies and gentlemen and welcome to Kojamo's interim report, January-September 2019 news conference. My name is Maija Hongas and I am Manager, Investor Relations here at Kojamo, and today's presenters will be CEO Jani Nieminen and CFO Erik Hjelt. After the presentation we have some time for questions, and first we take the questions here from the conference room and after that from the conference call line. You have also an opportunity to ask questions from the web cast chat function, but let's get started. Please, Jani, the stage is yours.

Jani Nieminen: First of all, good morning everybody. I am happy to provide some colour on how Kojamo is doing and today as usual we will cover the summary of the first nine months and then our CFO, Erik Hjelt will provide some information concerning the actual numbers, and then we have some specifications concerning the outlook for this year. And of course, at first it's good to notice that this year is really in line with our expectations and our strong operating performance is quite visible in all the key performance indicators. And on the other hand, we've been really successful on how to create more pipeline for the future. There's an increase in a new building project pipeline. If you look at the summary. So, the general operating environment is still positive for us. And of course, the urbanisation is the biggest factor creating demand for new rental homes. According to the latest estimate by Statistics Finland, all the regions where we operate, so the growth centres in Finland, are expected to grow by 2030, and that creates a lot of demand for new homes in these areas. Of course, still Helsinki region, the

capital region, is growing the fastest and the most and will be the biggest winner, but all the focus areas are expected to grow and that of course creates demand for new rental homes.

What we see in the market was, that as I assumed, that the estimate concerning the number of new building permits is slightly coming down and seems that the building volume is returning to so-called normal level and concentrating to grow centres. The construction cost increase seems to be levelling off as we estimated and it seems that there's a steady increase concerning both the housing prices and the rents here in the capital area. And my estimate is that as there are some slight changes in the market, we expect that the construction companies will provide us some projects during the next 12 months so that will be adding on to our pipeline for new construction projects.

No big changes here. Of course, still the big question is that the number of small households here in Finland is increasing all the time and especially the number of one-person households. And that creates a lot of demand for small apartments and we also see that more and more of those kinds of people who could be able to buy the apartment, especially the millennials, they are choosing not to buy their own owner-occupied apartment and choosing to rent the apartment. And there, it's important how we are able to create easy and effortless living because it seems that there is a big change in people's values towards the ownership. They wanted the freedom, easy and effortless life. As the urbanisation continues, it is visible in all the figures that the number of households living in rental apartments is increasing in all the biggest cities.

If we compare the figures 2018 against 2017, we see that that still there's an increase in all the biggest cities, in Helsinki and then even bigger change in Turku and Tampere. So in all these three big cities, basically half of the households today live in rental apartments. And this portion seems to be increasing all the time.

Operationally a really strong year, no surprises. We've been able to provide profitable growth as we expect in our strategy. The total revenue has grown with 4.7% and on the other hand the net rental income with 7.6% and we do have a like for like growth of 2.8%. And when we compare that to previous year at the same time, then it was 2%. So, we've been able to create a good like for like growth and at the same time improve the occupancy. FFO is still doing really nicely compared to last year, but of course we have to keep in mind that it's a combination of the increase in net rental income and on the other hand slightly there was more paid taxes last year so that has an impact which now it's levelling off towards the end of the year.

The fair value of investment properties according to our strategy and we've been able to invest and grow today 5.4 billion euros and the gross investment side, 175.6 million euros. They're actually the investments concerning new building projects and modernisation investments we'd be investing more. We haven't been buying a big portfolio so far, only 117 apartments. But we've been investing in new development projects and modernisation investments, profit excluding changes in value, 7.5% better than a year before. So, a really strong operative performance and profit before taxes, even though of course there's a big positive change in fair values this year as well, but it was even bigger a year ago.

Today 68% of the value of our assets located in Helsinki region. And if we combine Helsinki with Turku and Tampere, is more than 83.5% today. And last time we were discussing about the financial occupancy rate in different areas and it's nice to provide some colour that we've been able to increase the occupancy rate in all the areas except Lahti. Lahti region still there, the numbers is roughly the same as last time. Today the overall figure 97.1 so a good improvement during Q3 and we are satisfied with this figure because we are combining of course all the time financial occupancy rate and our ability to create like for like growth.

We have at the moment roughly 1,200 apartments under construction and of them 95% here in Helsinki region and we were really satisfied with our reverse tender offering process which provided two agreements and will provide more than 900 new apartments here in Helsinki region. And of course, those projects are not yet all visible in our figures concerning the number of apartments under construction. But it creates a really solid pipeline for our growth and we are able to combine different sources for our growth. So building new apartments, converting premises to apartments, buying portfolio. So we are using multiple sources at all times.

We do believe that it's important to be able to create added value for the customers and create high quality customer experience. The customer values easy and effortless living and it's in our mission how to create better urban living. We will keep on focusing on how to create better services, whether they are digital services, any easy access services on the other hand as well, new kind of services related to the living in the premises, like maybe a dog walking service which we are launching at the moment but a lot of different kinds of services and actually quite many peoples are using these services today. And I'm really happy that we are receiving a new CDO Katri Harra-Salonen from January. With her experience I think we are even more competent on providing new kinds of digital services.

Of course, today Lumo web store plays an important role in our business. Today more actually than more than 14,000 agreements already through the Lumo web store. Half of all the new clients today are coming from the web store. Here in Helsinki region, actually more than 60% of new tenants are coming through the web store. So we are still in a growing phase concerning these digitalised services and experience in how to get the apartment easy and effortlessly so you actually are able to rent the apartment 24/7 for example with your mobile phone. People seem to value this kind of service a lot and we have to keep in mind that a great deal of the demand for new homes comes from the fact that people are moving inside Finland towards the biggest growth centres. And now we are providing an easy access to the apartment. You don't have to travel in order to see the apartment, fill in any application, you just rent it from the web store.

To provide some colour, what's going on concerning those 1,200 apartments under construction today. Only one project actually outside Helsinki region and it's located in Turku, one of the biggest growth centres in Finland. We are growing there where the demand is the highest and as I said we expect to find new projects as well. Some new projects might come from construction companies and might be ready even next year. A good example was that the agreements with SRV and Hausia provided already two projects completed this year. So the estimate is, this is an ongoing pipeline and now we are adding more than 900 apartments with these two agreements. It's important to notice that they are really nicely located along the public transportation along the subway, the train stations and it meets the demand quite nicely. We have to keep in mind that the average size of the portfolio is roughly 45 square meters.

And now I would pass to Erik who can provide some deeper colour concerning numbers. Please Erik.

Erik Hjelt: Thank you Jani. And good morning everybody from my side as well. So our figures came out strongly and then the total revenue increased by 4.7% and the main driver there behind this growth was like for like growth 2.8%. And 2.4 came from the increase in rents and 0.4 in improved occupancy rate. Other biggest contributor for the top line growth was completed apartments, 7.9 million euros. Of course, that includes apartments completed this year and after the Q3 last year. Profit before taxes, if we first exclude change in fair value investment properties growth 7.5%. That's 8.3 million euros, and main contributor there, net rental income growth by 3.2 million euros. SGA expenses flat. And then financial expenses negative figure, 4.3 million euros and there's 3.3 million euros change in fair value of interest

rate derivatives. We apply hedge accounting but smaller impact will come through the P&L as well. And of course, it's good to note that IFRS16 had a minus 1.8 million euros negative impact to finance expenses, but of course a positive impact on the maintenance cost side.

Then if you look at the trends in fair value investment properties, 71 million euros. That's a healthy amount, but it is slightly smaller than in corresponding period. That's why the change in profit before taxes including change in fair value of investment properties was slightly negative. Main part of the change in fair values during the Q3 came from the changes in market prices, only minor part came from the ending restrictions. So during the Q4, the portion of ending restriction is going to be much bigger than in previous quarters this year.

Net rental income grew 7.6%. So that net rental income is growing with the faster pace than top line and that pushed our net rental income margin to 66.8% year to date. And during the Q3 the margin was even higher. Maintenance expenses increased 1.4 million euros to 2.1% increase in maintenance expenses. Two reasons there: heating 0.9 million euros increased mainly during the first three months in this year, and then property taxes up by 0.6 million euros. Repairs 2 million euros less than corresponding period, that 7.7% minus figure there. We achieved some savings there and some project has been postponed. Then funds from the operations increased almost 30%. It's good to note that during the corresponding period in the in the first quarter last year, we paid 13.5 million euros cash taxes because of the disposal of a sizable portfolio.

This year's figures, during the Q4, we booked a 4.4 million euro's cash taxes because of the disposal completed in Q3 this year. Other contributors for the FFO growth, was of course net rental income growth, 13.2 million euros. And we have a slightly narrowed the range what comes to the guidance for FFO this year, and the midpoint of that guidance is based on assumptions that the weather is going to be on average in the remaining part of this year and that the repairs are going to be on a higher level than in corresponding period as well as earlier this year.

Occupancy rate: improvement there so 0.3% improvement compared to previous year and 0.2 compared to the H1 figure. So healthy growth there and then a turnover remains roughly on the previous level.

Gross investments, 175 million euros. There's development investments 123.8 million euros, and acquisitions 30.2 million euros, and modernisation investments 21.6 million euros. We have acquired 117 apartments, completed 710 apartments year to date. And there are three

apartments demolished or altered. And on the divestment side, we have completed the divestment of 482 apartments, and the price there was 24.3 million euros. Modernisation investments and repairs up by 10%, a higher level than in corresponding period. And we estimate those to be between 60 and 68 million euros this whole year, depending on one or two projects, whether we start them or not at the end of this year.

The value of investment properties increased in line with the strategy and here again it's good to note that last Friday we disclosed the range for the impact of the change in valuation technique and these figures of course are prepared applying the old valuation technique. And fair value investment properties up by little more than 280 million euros year to date. IFRS16 contributed 60 million euros, developments 175 million euros, change in fair value of investment properties 71 million euros, and disposals 24.3 million euros.

On the right side of this page we see the number of apartments under each valuation technique that we currently apply. The change in valuation technique that comes into force at the end of this year will have an impact for those apartments that are currently valued under transaction-based valuation technique and yield-based valuation technique. So, it's these apartments put together that have an impact when we change the valuation technique to yield-based valuation techniques. We estimated that regardless of this change in valuation technique the uplift in values when restrictions ends going forward, is going to be in the same range as we have estimated earlier. So between 250 and 300 million euros put them all together.

Our pipeline on the upper part of this page shows what we currently have in our balance sheet, so plots means the pure land where we have a potential for 1,200 apartments, plots and existing residential buildings. The idea there is to demolish them and to build a new one where gross 700 apartments. Currently there is 300 apartments. So the net impact is going to be 400 apartments and then conversions roughly 1,200 apartments, and then the biggest portion by far is the Metropolia case. They are in a rezoning phase, no news there. But it seems to take some time before we get the new zoning in place but that is coming slowly but steadily. And we are very thrilled to get those started when the zoning is in place. This lower part of this picture, they are off balance sheet items if you like. So this 236.3 million euros, giving roughly 1,033 apartments covering SRV portfolio, covering Housia portfolio and two other properties.

It's good to note that 99% of this whole pipeline is located in Helsinki region. This is extremely well located, taking account the strategy of the company.

Equity ratio and loan to value: we have the target to have equity ratio above 40% and loan-to-value below 50%. And we are well in line with these targets. EPRA NAV per share improved as well as equity per share. And just one note that these are of course based on the old valuation technique.

Our capital structure, no excitement there. So we haven't made any new arrangements there. Half of the portfolio from bond market, half from Nordic banks and local commercial paper market. We have 250 million euros, commercial paper program a 50 million euros currently outstanding and 300 million credit line in place.

Financial key figures unchanged if you like. Average interest rate at the 1.8, including cost of derivatives. And we are again there quite conservative. So hedging ratio was at 90% at the end of Q3. And no major refinancing needs in coming next two or three years.

And then finally the change valuation technique. Last Friday we disclosed to a range for the impact of this change. We have prepared of course our own calculations and we have discussed with Jones Lang LaSalle, that has been appointed partner regarding the valuation and is going to give an external valuator's report when we start to apply this new valuation technique. And we estimate that the impact for the shift of the valuation technique is going to be between 760 and 840 million euros at the end of Q3. If we take the midpoint of this range, so that is going to have roughly in a ballpark of 5% impact for equity ratio, positive impact, and roughly 7% for a loan to value, a positive impact there as well. And now back to Jani.

Jani Nieminen: It's easy to say that we are progressing toward our strategy goals, well on the way. The strategy has been all the time a combination of different aspects. So there's a growth target of us being a 6 billion euro company by the end of 2021, and roughly it means 38,000 apartments. And the story behind there has been that we are aiming to build roughly 1,000 new apartments a year. Actually, the pipeline is really solid and might be in place already, but we will keep on working. We've been saying that the other part that on average we are buying 500 apartments from the market. Actually, last year we bought more than 1,000 units from the market. So we were ahead of the strategy. So even though we haven't been buying more than a bit more than 100 apartments this year, we are well in line with our strategy.

It's easy to put in Excel that you are buying each year exactly 500 apartments, but the real life goes in such a manner that sometimes you are able to buy 1,000 and sometimes a bit less. But we are able to buy whenever we find a portfolio matching our parameters and it's a combination of, of course pricing, but the micro location, the average size of the apartments,

the technical condition of the building. So we are combining all the parameters but as I said prior, we are able to use multiple sources in order to grow. If we find new development projects more than estimated, we are increasing the amount of new building projects. The other part of the strategy says we are actually growing in order to be even more profitable. The aim has been that we want to keep the FFO against turnover about 32% and actually today it is 37.9 so we are investing in order to be even more profitable.

And the third aspect is how we handle the risks. So we want to keep the loan to value under 50, today 46.7, and the equity ratio above 40, today 42. So it's been a well-balanced strategy and we have been able to grow with all the strategic parameters and of course we don't forget the customer and that's the target that by the end of 2021 then NPS will be 40.

And we've been doing some specifications concerning the outlook for this year. So actually the revenue increase outlook is that it will increase by 3-5% so no changes there on year on year. There FFO range will be 137-145 million excluding one-off items. Previously it was 134-144 so a bit more narrow and 1 million upwards. And the third part was that prior, we estimated that we would all put together invest roughly 300 million and that would require a sizeable portfolio deal. But today we expect that we are not making a sizeable portfolio deal by the end of this year. So the amount of investments will be approximately between 190-210 millions. So that's what we've been doing with our specified outlook and now I guess we are ready to move forward. No change in the dividend policy, so still the same. Dividend will be at least 60% of the FFO provided that the equity ratio is 40% or more.

And if we put all together and summarise what's been happening. As Erik said on the financial side, no surprises. On the operating performance, no surprises. A really strong operating performance. We've been able to create both, like for like growth, improve the occupancy level and we've been able to actually increase the pipeline for new development projects. So the growth seems solid. Thank you and now Maija.

Maija Hongas: Thank you Jani. And thank you Erik. Now we have some time for questions. First, we'll take questions from the conference room.

Svante Krokfors: Svante Krokfors from Nordea. First, the question regarding the apartments within rent restrictions. I calculate that your valuation yield will decline by some 70 basis points. Shouldn't that impact also the valuation of the apartments coming out of the restrictions where you have a guidance of 250-300 million potential increase in value?

Erik Hjelt: There's actually two things that is behind the fact that we estimate that the range is going to remain unchanged. One is that the new valuation technique will be applied for those apartments that still have restrictions but are valued based on a yield-based valuation technique. So the amount of apartments coming out of restrictions and have an impact for values when valuation restrictions ends is going to be smaller going forward. But of course, this is shift in valuation technique will have an impact for the amount of value change when each apartment restriction ends. So combine these two things.

Svante Krokfors: Ok, that's clear. Then, another question also regarding the balance sheet. Your loan to value it will decline seven percentage points and equity ratio increase five. How will you use this? I mean, could you consider extra dividends or will you focus more on perhaps growing faster?

Eric Hjelt: It's good to note that we haven't given any other releases regarding this valuation change. So it remains to be seen. We have now a new chairman of the board and of course he started a strategic process and it remains to be seen what is going to be outcome. And then of course we come out as soon if there's something to be told going forward.

Svante Krokfors: And then regarding potential portfolios in the market, which you obviously haven't found, is it only that the price has continued to increase or is that the only reason you haven't bought anything or are locations?

Jani Nieminen: Actually I, as I mentioned, for us it's a combination of all the elements. So the pricing, the location, the micro location, average size of the apartments inside the property, the technical condition. There hasn't been that many portfolios available. We are scanning the market all the time and we are ready to move fast if we find a suitable. But on the other hand we have been able to find new means for our growth, like the reverse tender offering process so we are scanning all the possibilities all the time.

Svante Krokfors: Ok, thank you. And then final question regarding the supply in the market. A lot of apartments that have been built in order to be bought by consumers have been transferred into rental apartments and the international investors are keen to be here. Do you, do you see any risk of oversupply or is it just a regional thing? You have to be in the right place?

Jani Nieminen: I think we have already seen the offering peaking last year and this year, and at least in our numbers, it's quite visible that we are not suffering. So of course there has been some micro location challenges with new construction projects for all the players in the market.

But on the other hand, we've been doing quite nicely and it seems that there will be still a lot of new apartments coming to the market this year and the first half of next year. It's not changing the market. There's a lot of demand for new rental apartments.

Svante Krokfors: So your best guess for the like for like development, this what we have seen in the last quarters...

Jani Nieminen: Like we'd been estimating prior, so we still believe that roughly 2.5.

Svante Krokfors: Ok. Thank you.

Anssi Kiviniemi: Anssi Kiviniemi from SEB. Svante already cleaned the table, but I have a one follow up. You now invest into acquired apartments less. Is one factor that you believe, that during next 12 months the market will be more favourable for buying portfolios?

Jani Nieminen: It's not easy to see the future but we've been focusing on how to create profitable growth and for example, these announced deals with SRV and Housia. The net initial yield was 4%, for 1,000 new apartments in Helsinki region. So we were quite happy with those transactions made. So we are scanning all the potential in the market and it seems that the construction increase is levelling off. There might be some projects coming available and we have always provided the information that we pay the fair price and the right price for portfolios.

Anssi Kiviniemi: Perhaps a second question. We have seen many construction companies struggle in these markets with low profitability and kind of project postponements, limited amount of employees, etc. Kind of a lot of issues. How do you handle the situation, when you choose a construction company to construct the property for you and kind of how does that process work for you? And have you changed the process in some way in the last, let's say one year?

Jani Nieminen: Of course we've been following the market closely and as I said already in the beginning of this year that my estimate is that the volume of construction work is basically coming down for the reason that it's not healthy for the construction companies, that all the resources are in use and they are not able to make money. So the subcontractor chain, the full capacity is in use. We use tender processes when we buy projects from construction companies, of course we follow that and evaluate the risks connected the construction companies, and we've been able to do ok. We do have a really capable team here in Kojamo on both evaluating the projects and on the other hand, the companies providing those projects.

Anssi Kiviniemi: Thank you.

Erkki Vesola: Hi, it's Erkki Vesola from Inderes. A couple of questions from me as well. Regarding the new validation technique, what kind of impact, if any, did it have on the terms of your existing loan facilities and the linked financial covenants? I mean, is there more head room now?

Erik Hjelt: There's clearly more headroom there. Yes.

Erkki Vesola: Very clear, indeed.

Eric Hjelt: And then of course, to add that we don't know how, for example, rating agencies will look this. Our assumption is that they are going to see this as a credit positive and this gives a more headroom for the company but they haven't given any releases yet and we haven't given any additional releases. So the financial targets for the company remains the same. And as discussed earlier, of course, if the outcome of strategy process is something else and then we are going to do to give our releases, but that work is ongoing. So if we don't have any results there yet. But clearly it gives us a quite nice headroom actually regarding current loan facilities, what we have in place.

Erkki Vesola: Sounds great. And then for Jani. I know I asked this already three months ago, but could you provide us with any kind of update on the Lumo services in terms of revenue and profitability development during the last three months.

Jani Nieminen: Actually, we're not providing any colour number-wise. We've been piloting new services launching and we will launch some new services for piloting even this year, by the end of this year. And actually it's a combination. Most often I get the question that are we able to create like extra revenue, outside the paid rents? Although on the other hand, I guess one proof of the concept is that we are able to create 2.8% like for like growth. So, we are quite happy with the current level that we are able to increase the occupancy level and increase the like-for-like growth. So it's an element backing the like for like growth.

Erkki Vesola: So the Lumo revenues, is it following a trend? I mean is it accelerating, staying the same or a deaccelerating the growth rate?

Jani Nieminen: As I said, at the moment the like for like growth was 2.8 and we estimate to be able to keep it roughly on 2.5 level. And of course, in the future we do believe that we are able to create revenues from the services part, but today it's not on the table.

Erkki Vesola: Okay. Thank you.

Jussi Nikkanen: Jussi Nikkanen Handelsbanken. You have a very positive challenge with the strategy goals when achieving the targets well ahead the 2021. With the portfolio increasing to 6 billions rather nicely now estimated here in 19. Do you still continue with investments as earlier stated and you're saying, and whether you have a kind of down level target for your leverage for example, as you're having going 50% kind of upper limits, whether you have a lower limit for the leverage?

Jani Nieminen: As Erik provided colour, we do have the existing strategy in place and we keep on working on that one at the moment. And of course with a new chairman, we are in a strategy process and thinking about what's going to happen after 2021, because life will keep on going and probably the demand is still there and that means that we are providing more new homes.

Erik Hjelt: One comment to add. Yes, we are after this value change if it is in the range what we have given, we are already above this 6 billion euros. But we have actually told that the 6 billion euros target is without any changes in fair value investment properties. So this 300 million euros on average per year to be invested for development project acquisitions is still there.

Jussi Nikkanen: How do you see the foreign investor interest currently in the Finnish housing market as it has been rather strong previously during the last two years?

Jani Nieminen: We have seen a lot of interest towards the Finnish housing market and I think there is no big changes. The interest levels are low. Real estate is interesting for investors. And Finland is a good operating environment.

Jussi Nikkanen: Ok. Can I also ask a question about sustainability? You slightly suffer from the carbon dioxide emissions through the Helsinki Energy fuelling having rather large coal field operations currently. What are your plans to have an input in there to decrease the emissions?

Jani Nieminen: I think of course this Helsinki question will be decided by the city of Helsinki. And they've been providing quite positive views on that one by the mayor. For us as a company, these types of questions are part of our company DNA and we try on daily basis to work on these kinds of matters. We've been, for example, providing lean heat system. So artificial intelligence on how to combine outside temperature with the room temperature, and the weather forecast how to really optimise the heating and the amount of energy we use. For example, the electricity we use in our properties today is carbon-free.

Maija Hongas: Ok. Let's move on to the questions from the conference call line, please.

Operator: Thank you. Ladies and gentlemen, if you do wish to ask a question, please press zero one on your telephone keypad. If you wish to withdraw your question, you may do so by pressing zero two to cancel. And just as a reminder that was zero one on your telephone keypad. And as there are no questions, I'll hand it back to the speakers.

Maija Hongas: Ok, thank you. We have a couple of questions from the chat function. They are touching the same subject that we have been already discussing, but I'm going to ask them anyway. First of all, to what extent are you considering to amend your financial policy or targets following the significantly lower LTV expected at end of this year based on the new valuation technique?

Jani Nieminen: I think Erik will provide the same colour.

Eric Hjelt: I think we already covered that. But just to repeat myself actually is that we haven't set any new financial targets for the company. So this 40 equity ratio and 50 loan to value is still there. And of course, this change in fair values is going to give a larger headroom against these targets and this strategic process is ongoing. We need to be patient there and then look what the outcome is going to be and the growth target for the company to invest roughly 300 million euros per year that remains the same. So of course, the company is looking for the growth but the 2021 is approaching and the strategic process is prudent to have at this dates and we will give you more colour once the strategic process is finalised.

Maija Hongas: And to continue with the same subject. The new valuation approach will lower LTV by approximately 6-6.5 percentage points according to my calculations, which will improve the ratio towards 40 percentage targets stipulated by Moodys for an upgrade. On the back of the lower LTV, will Kojamo used this head room to increase leverage and enable further growth or will your target to improve the credit profile in the eyes of Moody's and strive for a better rating, which would improve financial cost markedly?

Erik Hjelt: We haven't changed the final targets, but most likely rating agencies will look this as a credit positive, but that sort of thing.

Maija Hongas: Ok. Thank you very much for the questions and for coming here today. Our next report will be the full year report, which will be published on the 13th of February next year. So we hope to see you all there. Thank you very much.

Jani Nieminen: Thank you.