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<b>Speakers:</b>	Joni Nieminen, CEO Erik Hjelt, CFO
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## PRESENTATION

### Maija Hongas

Good morning ladies and gentlemen and welcome to Kojamo's Q1 results audiocast. Due to the coronavirus pandemic, we are not hosting this time a news conference at Kojamo's head office, but instead we are happy to present our results with this audiocast. Today's presenters are CEO, Jani Nieminen and CFO, Erik Hjelt. After the presentation, we have some time for questions. We start with the questions from the conference call line and after that it is also possible to ask questions with the chat function in the audiocast and we will be taking those after the conference call line questions. But without further delay, let's get started. Please Jani, you can start.

### Jani Nieminen

Good morning, everybody. Jani Nieminen here. Today we are providing information under different circumstances and I'm sitting alone here in my office room having a headset. It would be so much nicer to present our Q1 in front of real people. But anyway. Our strong Q1 is reflected to all our key figures. We've been able to continue profitable growth and our pipeline for new building projects is really strong. During this Covid-19 pandemic all our essential operations are still ongoing and our strong capability to provide digitalised services has made it possible for us to serve our clients and keep on renting our apartments. We are well in line with our strategy and we have specified the outlook in 2020.

I was just checking whether I have the authority to change the slides of course. So, let's move forward and see what's been going on.

So, I would like to start with providing some information about the impact of Covid-19 pandemic and as I said, all operations here are ongoing. We made a smooth transition to remote working. Actually, our people started working from home offices the 16<sup>th</sup> of March. We are able to provide services, for example, call centre is operated from home offices. We are providing a lot of information and access to customer questions with My Lumo services we are able to keep on renting our apartments with our web store.

We have used, I guess, a bit even more technology in order to rent the apartments and help our customers. Examples like using video streams in order to check out the apartments and create a marketing video. And if we look at the customer side, so far there has been no increasing needs for rent payment arrangement and it seems that also April and May rents are paid in normal manner, but of course we have made it possible if needed in the future, to create some payment arrangement if needed. In order to keep our people and our customers safe and sound, we've restricted the common spaces use and postponed non-urgent maintenance and repair visits in inhabited apartments.

Of course, we try to proceed with repairs outside these apartments in a normal manner, but in order to help this pandemic situation, there are no saunas at the moment for example, for tenants and we increase some cleaning in elevators and lobbies.

On construction side, the construction of new apartments and our development projects continues as normally for now and financially, we are able to continue our operative actions and growth in a normal manner.

If we then move forward, what's been going on during Q1. I would say that to start with, urbanisation is still the important megatrend and creates demand for new apartments and that is expected to continue and the significance of largest growth centres will increase. The pandemic will dampen economic activity and Finland's GDP is estimated to decrease. There is exceptional uncertainty in estimating future development of economic development and we provided some scenarios provided by the authorities at the moment but I would say that typically downturn in economy and decreasing consumer confidence has had an impact to housing trade. So, home buyers buying own occupied homes and that has created typically more demand towards rental apartments, and we estimate that long-term demand for rental apartments continues and may even grow a bit.

The number of new building permits was reducing already before Covid-19 pandemic and residential start-ups are estimated to contract by several thousand units until 2021. It seems that construction companies are postponing projects as home buyers are more careful and on the other hand, it seems that construction companies are having a bit harder times with financing their projects.

The increase of construction costs has levelled off and I estimate that the new situation will provide a situation where construction companies are providing more projects for us. At the moment it's really difficult to estimate the development of prices of dwellings or what's going to be happening with the housing market and people buying their homes, but I would say that estimates concerning rents seem still valid.

In the longer term, urbanisation keeps the demand high for rental apartments, especially of course Helsinki region as the biggest growth centres plays an important role. The number of households living in rental apartments has been increasing in all the big cities and we estimate that that trend will continue. Of course, now I'd say it's a combination of even more things providing an impact. On the other hand, we've already seen that people are increasingly attracted by the freedom provided by the rental housing and on the other hand, the development of household sizes, though I mean the number of households of one and two person is typically creating a lot of demand for rental homes. And now during the coronavirus pandemic it is estimated that housing trade will slow down and even further increase the popularity of rental apartments.

We've been focused our operations in in the seven biggest growth centres here in Finland and at the moment we have 73.1% of our assets located in Helsinki region and if we combine the three biggest growth areas, so Helsinki region, Tampere region, and Turku region. Today it's 87.5% of our housing assets located in these three regions together.

The final occupancy rate 96.9% during Q1 was actually the same as last year during Q1, so there's typically some chasing throughout the year.

And then if we look at the key figures, I would say that we've been able to keep on providing profitable growth. The revenue grew with 4.6% and our like for like growth was 2.9%. Last year Q1 like for like growth was 2.6, so a really strong like for like growth. We were able to increase our net rental income by 10.2% and there it is important to notice

that even though the number of apartments has been growing our maintenance expenses were actually €0.8 million lower than last year.

Funds from operation 29.4 million, there was an increase of 11.8% and of course, the strong net rental income growth provided a solid FFO growth as well. Today, the fair value of investment properties is €6.4 billion and gross investments €62.1 million is mainly new development projects. So, amount of new development property projects there is 58.5 million and the rest is basically modernisation investments.

The strong operative result 29.7 is 4.1% higher than last year and profit before taxes include a net gain in fair values of €22 million compared to last year's €10.4 million. So, I would say a really solid and strong beginning for this year.

We have a really strong pipeline for new development projects, and at the end of Q1 1,651 apartments under construction, all located here in Helsinki region and we started construction of 454 apartments and made an agreement with SRV providing another 676 apartments in Helsinki region. And actually, if we compare the number of apartments under construction at the end of Q1, all those projects are located in Helsinki region as last year of 1,280 apartments, of that in Helsinki region was located 1,010 apartments. And it's good to keep in mind that in order to grow, we are able to combine different sources like building new apartments, converting buildings into residential use and by buying existing apartments.

In addition, the projects under construction, we have existing agreements providing an additional 1,305 apartments here in Helsinki region and we signed an agreement with SRV in March including the highest rental tower building to be constructed in Finland. And actually the construction work has been started during April and the tower will be named Lumo 1.

The zoning process of Metropolia development project is currently ongoing and expected to be completed in 2020. We estimate that the Metropolia case will provide another 1,000 of apartments here in Helsinki city centre area.

And if we look at our projects under construction and on the other hand the binding pre-agreements, all the projects in our strong pipeline are located nicely along the public transportation and in Metropolia's case will provide 1,000 new apartments in the city centre of Helsinki.

And of course, I love talking about how we create services and combine technology. And as we believe in providing added value for our customers, we will continue creating new services and concepts for our customers. We've been already successful in combining technology and services, but for the future we are actually at the moment developing Kojamo's next digital roadmap. And of course, there are several aspects in order to create digital roadmap to mention some of course one would be customer experience and servitisation then scalability and employee experience, digitalization of properties and services, AI and knowledge management, and enabling technology and IT architecture. And at this point I would transfer to our CFO Erik Hjelt.

### **Erik Hjelt**

Well thank you, Jani, and good morning everyone from my side as well. Page 15, and total revenue growth was €4.2 million and the like for like growth was 2.9 and that contributed €2.6 million for the top line growth. Now we are gradually moving towards separate water charges and that contributes quite nicely to the like for like top line growth as well and we expect like for like growth to be between 2.1 and 2.5% going forward.

Completed apartments contributed €1.6 million for the top line growth. We completed 119 apartments during Q1 this year, but of course the completions last year after of Q1 19, 755 contributed as well, but then we sold 520 apartments last year also. So, the net contributes for the top line growth.

Profit before taxes includes the profit for change in fair value investment properties €22 million, two-thirds of that is coming through the ending restrictions and one-third is coming mainly through the fact that the updated cash flows in the calculation and we kept yield requirements unchanged when we made these valuations at the end of Q1.

The profit, excluding change in fair value investment properties grew €1.25 million, so net rental income constituted €5.2 million, SGA expenses was €0.9 million higher than in corresponding period mainly through the marketing activities. So, we had a lot of activities during Q1 and that will of course balance going forward this year.

Financial expenses was €3.2 million higher than in corresponding period. Most of that difference come through the change in valuation. So mainly no cash flow generating items there.

Page 17, net rental income. Net rental income margin was 58.9, but it's good to know that the full year property taxes was booked according to current requirements in Q1 – €11.6 million and calculate that as allocated for different quarters, so that has €8.7 million of our other quarters, a part of the property taxes is roughly 9% of our end of March. So, maintenance expenses was down by €0.8 million and there are several items behind that one was increased was property taxes so the increase there was €0.6 million sorry €0.8 million, but then again, we get savings when it comes to the heating and [inaudible 00:18:50] based on another, so thanks to mild winter we got to €1.4 million savings in heating and €0.7 million savings regarding the snow work if you like.

FFO growth was 11.8% – €3.1 million, so net rental income €5.2 million contributed the biggest part of the growth, SGA expenses was 0.9 negative and cash taxes was €1 million higher than in corresponding period giving a higher result compared to the corresponding period.

Page 17 occupancy rate, on the same level as in corresponding period. And page 18, so €62.1 million gross investments, roughly €60 million through development investments and €1.5 million through modernisation investments. Modernisation investments and repairs were slightly down, both €0.2 million repairs, and €1.1 million modernisation investments. We made only necessary works what comes to entering apartments given the Covid-19 epidemic and then of course plays a role why we got some savings there. Going forward we expect modernization investments and repairs put together to be between 60 and 70 million euros.

Page 19, fair value investment properties grew by €83.4 million, so developments contributed €62.1 million, change in fair value €22 million and we disposed some couple of apartments, disposals at €1.5 million.

At the end of Q1, we still had 2,876 apartments where we still have restrictions regarding valuation and those restrictions will end gradually by the end of 2024, and the impact of these ending restrictions is estimated to be somewhere between 230 and 240 million euros – 25% of that will crystallise this year and 30% in 2024 and the remaining part will be split evenly between the other years.

Page 20. The left-hand side column shows ongoing development activities or apartments under construction – 1,651 apartments, €205 million already invested and almost €200 million to be invested to complete these ongoing development projects. The mid column shows binding agreements, mainly agreements made between Kojamo and SRV and Hausia providing 1,305 apartments and then €331 million to be invested there. And the right-hand column

shows our land bank if you like. So, pure land and plots with existing residential buildings where the idea is to demolish them and build a new one there and these conversions are mainly Metropolia case.

We expect the total amount of development investments this year to be between 300 and 360 million euros – €300 million is pretty much what we already invested and what it takes to complete ongoing development activities. And then €360 million requires a couple of new projects to be started this year and 99% of the land bank is located in Helsinki region.

Page 21, we have some nice pictures of projects under construction. They are all in Helsinki region. They are quite nice buildings actually. We are thrilled to be able to finalise them and get them into the market.

Page 22, equity ratio and loan to value figures. Very strong. Very, very nice buffer against our target levels. The target equity ratio is 40%, to be above that then LTV below 50%.

Page 23. EPRA NAV per share improved nicely as well as equity per share. And of course, if you compare that figure to the ERN it is good to know that at the end of Q1 this year, that it was already out of this calculation. So, that of course plays a role there.

Page 25, financing. We have a versatile capital structure. Half of the financing coming from the bond market, the other half mainly from the Nordic banks and commercial paper programme as well. Strong financial key figures, average interest rate, including the cost of derivatives was 1.8 and the average fixed interest rate period and other loan maturity just below five years. And no major refinancing needs in the couple of next coming years. This €309 million maturing this year covers [? 0024:52] in commercial papers as well as €100 million bond that will be maturing later this month, but we have the cash to pay, so that is nicely covered already.

Page 25, at the end of Q1, we had cash and cash equivalents, almost €240 million and liquid financial assets worth €70 million and we had €300 million committed unused credit lines in place. So, the cash situation in the company is at a good level. We made some agreements during the period and after the periods, so we agreed €75 million, 5.5 years loan with OP Corporate Bank. We made a €50 million agreement with Danske Bank and we signed a loan agreement with the European Investment Bank of €34 million.

So, even the market has been quite challenging but we've been able to make all financing agreements we wanted to make. And we increased the issuance of commercial paper to be on the safe side if you like, so we wanted to increase the cash amount of the company when Covid-19 kicked in. And the normal level, if you like, is close to €50 million. And we put a EMTN programme in place – €2.5 billion and that covers the financial needs for the whole strategy period. And on top of that, refinancing of the two outstanding Eurobonds that will mature in 2024 and 2025.

Page 26, strategic targets. They are now unchanged and they were released in our annual account. One note there is that the FFO against total revenue at the end of Q1 was below this level, but there we include the whole year's property taxes. So if we allocate that for the whole year, we are at the end of Q1, we were nicely above this target level what comes to FFO against total revenue as well.

Page 28, our outlook for this year, slightly specified, so we kept the outlook for top line to be unchanged between 2% and 6% and we specified our FFO guidance to 146 to 158 million euros. The previous one was 142 to 156 million euros. So, this specification, actually the background for this is that we had a quite strong Q1 and we expect the operations of the company going forward to be on quite close to normal levels. And we expect that the weather later this year to be on a normal level. And of course, we include the apartments to be completed later this year.

And now I will hand it back to Jani

## **Jani Nieminen**

All right. There are some - in fact, I would say to wrap it up, we think that we are nicely able to continue our operations and grow despite of Covid-19 pandemic. So, digitalization and our capability to provide services from remote offices is strong, strong customer behaviour, we haven't seen it any big changes there. The demand will remain strong and we will keep on continuing investing according to our strategy. A slight risk there if Covid virus will have an impact on construction sites, there might be some small delays but at the moment we don't see any of that happening and financially we are in a strong position and are able to keep on investing.

The dividend policy is still the same as our payment strategy is to pay at least 60% of FFO provided that the equity ratio is 40% or more, taking account the company's financial position, which is at the moment strong.



And to summarise, I would say that the year began firmly and actually, according to our expectations, with like for like growth of 2.9% was really strong and we were able to strengthen the pipeline for new development projects, new building projects and we are in a good position in order to continue our operations and growth despite our Covid-19 pandemic.

And at this point I will forward to Maija and we will start with Q&A.

Do we have Maija online?

## Q&A

### **Maija Hongas**

Yes, apparently it seems that my microphone was not working, but now it is. So, thank you very much. Let's continue with the questions and we will first be taking questions from the conference call line. So, please operator, we are ready for the questions.

### **Operator**

Thank you. Ladies and gentlemen, if you do wish to ask a question, please press 01 on your telephone keypad. If you wish to withdraw your question, you may do so by pressing 02 to cancel. There will be a brief pause while questions are being registered.

So, question number one from Anssi Kiviniemi from SEB. You may proceed now.

### **Anssi Kiviniemi**

Yeah, hi guys, it's Anssi from SEB. I have three questions, so I will take them one by one if that's okay. First of all, what is your approach to rental increases in this market? We have seen many announcements on concessions for tenants

in the rental payments. So how do you approach this and was it that you highlighted previously in the call that you expect like for like rental growth to be about 2.5% in the near future, or did I misunderstand something. Thanks.

### **Jani Nieminen**

Jani here. I guess I will take this one. As I said, our customers have been paying rent in a normal manner. And I said that we do believe that the rent development will still be as estimated prior, so increases in the market slightly below 2% here in capital region. And on the other hand, we do believe that we are able to increase the rents this year as planned. So, I would say the rent increases and like for like growth, as Erik mentioned, we've been collecting more charges concerning water consumption and that creates like for like growth as well. So, I would say 2.9 is a really strong number. But in the longer run I would say of course at the end of the day, all the customers will be already paying the separate water charges. So, the like for like growth most probably will be between 2.1 or 2.2 to 2.5 as mentioned before.

### **Anssi Kiviniemi**

OK. Thanks. Then the second question on repair and maintenance expenses. They were low in Q1. Should we expect this trend to continue also in Q2/Q3/Q4 and then again, should we expect some kind of ramp up of repair expenses and maintenance cost in 2021?

### **Jani Nieminen**

I would say, as Erik provided information, we have avoided to enter apartments with tenants living inside and so only urgent needs have been handled. On the other hand, of course we tried to proceed with all the repairs outside the apartments as planned. At this point, we do believe, as Erik provided the information, mainly we are able to do all the repairs outside the apartment as planned. But of course, we are following the situation all the time, whether there are any delays or needs to postpone some of the projects. So, it's a bit early to provide the total information; we have to follow the situation. In a big picture, I don't believe that there will be a significant impact in any case for 2021.

### **Anssi Kiviniemi**

OK, thanks. Then the last question. It's on the transaction market. We have seen very little of public announcements and transactions happening in the market. But how's the activity, so to speak, behind the scenes? So, have you been offered more or less portfolios or what's the situation and what is your ambition? Meaning that you have currently pretty strong pipeline in historic terms in your own development going forward, so how do you look at the portfolio acquisitions going forward? Thanks.

## Jani Nieminen

Thank you for the question and as I mentioned, of course it's important for us that we are able to grow using multiple sources; so new building projects, converting premises into apartments and by buying existing portfolios and we are scanning all the possibilities all times. So, I think I provided the information that I do believe that more development projects will be provided for us. So, we are scanning probably more projects this year than typically.

On the other hand, of course we are scanning the market all the time in order to buy portfolios. I would say during the last month, special circumstances, so probably the bigger investors have been following what's really happening in Finland and we've been having restrictions in order to move around here in Finland. So hard to estimate what will happen throughout this year. But we are scanning and if we find some, a portfolio suitable for us, of course we are able to move fast. But in the big picture, I would estimate that the transaction market will be slower this year.

## Anssi Kiviniemi

OK, that's fair. That's all for me. Thank you very much.

## Operator

Thank you. Our next question is from Svante Krokfors from Nordea. You may now proceed.

## Svante Krokfors

Yes, good morning and thank you for taking my question. I have one left after Anssi's question and that goes to Erik. Do you want to comment something on the loan availability, cost of debt in banks and financing and bond financing? How has that developed? I think you have commented a bit on that earlier at least.

## Erik Hjelt

Banks seem to be quite selective and in our case we haven't had any difficulties to get the financing that we wanted and the margin in those transactions we made is clearly below what we have on average in our portfolio. But the bond market has been really a rollercoaster so at the beginning of this year in our case bank estimated that the spread would be somewhere around 100 basis points and when this Covid-19 started, the estimates were close to 300 and now the

market has already opened and it's improving, so we will be somewhere in between. So, there has been quite significant changes. But again, it's good to keep in mind that interest rates are still on extremely low levels. So, these levels are quite doable for a company like that, but the changes have been quite large actually. First upwards and gradually improved.

### **Svante Krokfors**

OK, thank you, that's very helpful. That's all from me. Thank you.

### **Operator**

Thank you. Our next question is from Jussi Nikkanen from Handelsbanken. You may now proceed.

### **Jussi Nikkanen**

Hi. Thank you for taking my questions. I have three actually. How do you see the valuation yields developing during this year or the next year?

### **Jani Nieminen**

At this point, our yields stayed the same and we've received no information that there would be pressure to make changes in the yield requirements.

### **Jussi Nikkanen**

OK. Then kind of two questions relating basically to your rating and there is kind of Moody's struggling with – or I don't know whether they are struggling – but still kind of the excess buffer that you're having in the financial target of the LTV below 50 and now when we know what happened last year with the fair value changes, is there some thoughts that you might revise down the LTV target based on the evaluation change you made last year?

### **Jani Nieminen**

I think Erik will provide information for this one.

## Erik Hjelt

Yes, when we made this change in valuation technique at the end of last year, Moody's released a comment and they saw this as a credit positive thing and they didn't change the rating as they usually don't do in this type of situation. But they really wanted to communicate that they saw this as a credit positive.

And we didn't change our financial targets and we still feel that these targets are quite suitable for the large resi company here in Finland. We have quite sizeable buffer against these levels currently. So, as Jani mentioned, we haven't seen any changes in yield requirements in the market and brokers are not commenting, actually, they're not at the moment forcing any changes there, but the view is of course quite short there. And a couple of weeks ago, Moody's released a comment regarding Kojamo as well and they state that the company is in good shape, that the key figures are strong and they maintain the current rating, the Baa2 with stable outlook.

Of course later this year, not that far away, we are going to have an annual meeting with Moody's and discuss through the situation. But we have quite strong KPIs and we haven't changed them and given the estimates for long-term demand driven by urbanisation here, so we think that the strategy to grow here is still valid. And our key figures gives a good background for us for that growth. So, we have the equity if you like already in place for additional growth and now we have access to different sources of financing as well.

## Jussi Nikkanen

Referring to the same report Moody's came out, a key metrics that they highly evaluate, which is kind of an unencumbered assets, they seem to struggle heavily with understanding the Finnish kind of pledged asset studies. Could that be something that you could assist with key metrics with unencumbered assets in the future in order to let them understand better your pledged asset situation.

## Erik Hjelt

In our case, we haven't had any difficulties, and we think that Moody's understands very well our position. When we applied for the first public rating more than two years ago, then we discussed about this portion of unencumbered asset and it was very clear for us and for Moody's that the target level is to be above 60% of unencumbered assets. And we had a path towards that and we are already above that level, so it's a non-topic in our case anymore.

### **Jussi Nikkanen**

But they kind of calculate the figure of the pledged asset. It's roughly almost a billion above your actually asset pledges, when looking at the outcome in the Moody's report. So somehow, they're misunderstanding there could be – I don't know, just looking at the bigger spots. Not a question as such.

### **Erik Hjelt**

It's a non-issue for us because Moody's seem to be quite satisfied with our current situation regarding the unencumbered assets.

### **Jussi Nikkanen**

OK. Thank you.

### **Operator**

All right, our next question is from Oliver Carruthers from Goldman Sachs. You may now begin.

### **Oliver Carruthers**

Hello. Thank you very much for the presentation. I just have a question on the flexibility arrangements that you discussed for tenants as a result of the coronavirus. Can you comment a little bit further about what sort of arrangements these are and what kind of update you expect on them? Thank you.

### **Jani Nieminen**

Yeah, I think we had a similar question in the chat as well, so I covered the whole topic. As I mentioned prior, we haven't seen any changes there. Actually, the rents have been coming in in a normal manner. We have prepared ourselves in case that the economic situation is getting worse and some of our customers might get unemployed. In that case, the tenant might end up in a situation that it will take some weeks or even a couple of months in order to get the decisions regarding subsidies. So, we are able to make a payment agreement for that period when the tenant is waiting for the subsidy decision. But so far, we haven't seen significant pressure there. It's been business as usual.

### **Oliver Carruthers**

OK, thank you. So, that would be, to clarify, a rent waiver if a decision was pending on a government subsidy if a tenant was made unemployed?

### **Jani Nieminen**

Yeah, of course there are several available like unemployment subsidies which the individual is able to get and then of course at the end of the day we do have a housing allowance system in place here in Finland.

### **Oliver Carruthers**

OK, thank you very much, very clear.

### **Operator**

All right, there are no further questions at his time, so please go ahead speakers.

### **Maija Hongas**

OK, thank you very much. We had one question from the chat, but actually Jani already answered that so now we have no further questions. Thank you very much for all of you to participating our audio cast today. Before you go, I would like to remind you that our half year report from January/June 2020 will be published on 20<sup>th</sup> of August and also to let you know that we are planning to hold our first capital markets day in Helsinki on the 29<sup>th</sup> of September if the circumstances permit, so please save the date. We will provide more information later.

But thank you very much. Enjoy the beautiful spring day and hopefully we will see you soon again. Thank you very much.