

Renewed strategy of Appeninn Holding Plc.

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Appeninn
Holding Nyrt.

Appenninn Plc.: with an updated strategy to create shareholder value



Initial situation

- **Development:** since its foundation in 2009, Appenninn Plc has undergone dynamic development and several changes.
- **Consistency:** In June 2018, the Company adopted its 5-year business strategy, which we continue to believe should be followed in principle.

2020-2021 changes

- **Shift** in ownership in Q2 2020
- **New management** arrived in 2020 Q3
- **Challenging** external factors affecting the real estate market, such as COVID-19 pandemic, change in interest rate environment
- **Scope** changed the rating of the Company's Bond Funding for Growth Scheme (BFGS) in 2021

New and reinforced priorities

I. New priorities

- **Restoration of first BFGS** (Bond Funding for Growth Scheme) rating
- **Energy efficiency** renovations
- **Further efficiency improvements and operating expenditure reductions**
- **ESG:** operating in line with environmental and sustainability considerations, establishing a strategy

II. Sustainable elements

- **Creating shareholder value** through well-financed acquisitions with above-market returns
- **Target segments:** regional presence in CEE, SEE, high quality office buildings in BP, retail properties
- **Dynamic** expansion
- **Focus** on the BP market, which is high yielding by international standards, with an international outlook
- **RIC** (Regulated Investment Company) transformation

Key figures for Appeninn Plc in 2021

Key data for the company in 2021*



Total real estate value: EUR 212 m



Total rentable core portfolio area: 79,413 square metres



Core portfolio occupancy %: 92 %

WAULT: 2.9 years
Market capitalisation : 12 m EUR

Assessor



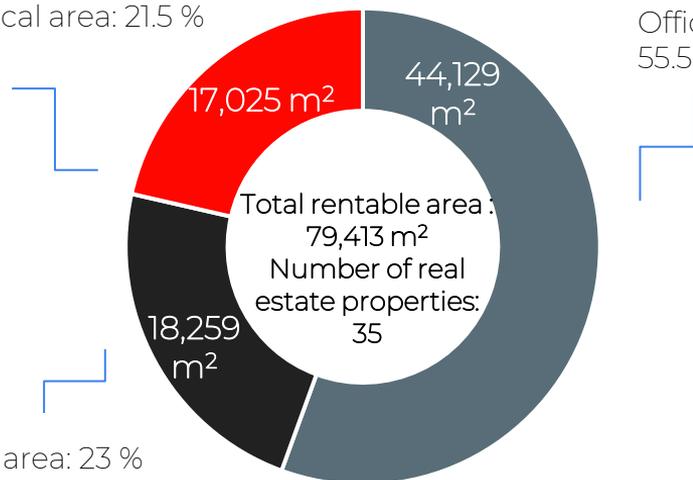
Auditor



Distribution of the Company's core business real estate portfolio

Logistical area: 21.5 %

Office area: 55.5 %



Retail area: 23 %

Largest tenants:

- Leading media, retail and telecom companies
- Bank, insurance, tourism companies, healthcare, IT and education enterprises

* 2021 results subject to change during year-end closing and audit

Growth remains the focus of the strategy



The growth strategy is based on the same basic elements

- Appeninn Plc aims to create shareholder value in line with its core business objectives (profitable operations, improving liquidity) through continued acquisitions and the development of existing portfolio elements, while divesting lower yielding elements.
- The occupancy rate of the existing core portfolio has increased significantly, resulting in a positive operating result for real estate in 2020, despite the effects of Covid. This can be further strengthened by reducing operating costs.
- The change in the business strategy is justified by the repair of the negative bond rating in 2021. Appeninn Plc is a professional real estate investment company that takes a strict financial and business decision on each of its projects, and the Company plans to sell the project assets in its tourism portfolio at a favourable time and risk point for development projects, generating significant profit.



Strategic target segments

- **Office market:** growth should be driven by selective acquisitions of high yielding, high quality office buildings, mainly in CEE and SEE regions and Budapest
- **Retail:** we seek to expand the portfolio through the involvement of industry experts, based on careful return calculations, continuing to diversify nationally, complemented by carefully selected exposure to Central and Eastern European and Southern European markets.



Financing

- In 2019, the company successfully participated in the **Bond Funding for Growth Scheme (BFGS)** with an issue value of HUF 20.1 billion, and continued to seek long-term fixed-rate financing solutions.
- Successful refinancing at the end of 2021 for a total amount of EUR 25.5 million to redeem ERSTE loans, providing the company with a more balanced liquidity management in the medium and long term to implement its further strategy.

Exploring further strategic directions

I. Energy and cost efficiency

- In order to increase the Company's operating results, it is essential to **create energy efficient operations** for both the current and future core business **portfolio**, generating significant positive impacts for both partners and the Company. The resources freed up by the sale of the tourism portfolio will enable energy improvements to the existing core portfolio and the acquisition of additional core portfolio elements. By strengthening the core portfolio, the aim is to achieve an efficient plant size, which will increase the Company's cost efficiency and thus its profitability.
- The effect of increasing the operating size of the core portfolio will be more beneficial in terms of economies of scale, and overall, it may allow for more **cost-effective operations** while maintaining the current high quality service levels.

II. RIC-transformation

- The **acquisition of the RIC** (Regulated Investment Company) **classification** is still on the agenda. At the same time as the reparation of the Scope rating, the sale of development projects will allow the Company to meet another legal requirement for becoming a RIC. The favourable conditionality may have a positive impact on the Company's operations in the future.

III. Regional presence

- The resources freed up from tourism will give the Company renewed **access to the markets of Central and Eastern Europe and Southern Europe**. The Covid period and the need to secure resources for development projects have made regional opening more difficult. In order to continue to use the BFGS funds effectively, Appeninn Plc remains convinced that this step should only be taken after very careful selection, with the right local professional partners and the chance to build a solid portfolio.
- There are more mature markets in the region, with lower returns but lower risk - e.g. Poland, Slovakia, and on the other hand, there are also more immature markets with higher returns but high risk, e.g. Serbia, Croatia, Romania, Bulgaria. Our intention is that a **well-chosen element of each of these two types of markets** will be Appeninn Plc's target market abroad.

IV. New target segments

- In addition to existing segments, new target segments can also provide a source of growth. The scope of these is **under constant review by the company**, subject to certain constraints, such as the requirement to expand in areas that fit in with the elements of today's portfolio.
- Appeninn Plc intends to continue to evaluate opportunities in similar **new target segments** in the coming years, while maintaining the priority of today's core business.

Forecast financial projections

Change 2018-2021

Prognosis 2022



	2017	2018	2019	2020	2021*	2022
Asset value millin EUR	63,0	117,8	147,7	172,4	212.0	225,0
Net asset value per share EUR	0,8	1,3	1,5	1,6	1,7	1,7
Real estate rental income milli EUR	4,9	7,0	7,4	7,4	9,2	9,8
EBITDA, without revaluation million EUR	1,9	3,0	7,9	4,3	4,8	5,2
Loan-To-Value	55%	46%	45%	39%	38%	39%

Dynamic growth in assets over the last three years

The increase in assets since 2018 has been achieved with the same level of subscribed capital.

We consider rental income to be basically revenue. Other revenues are expected to come primarily from new income-producing properties from mid-2022

Future EBITDA growth in line with asset growth at market-conform rates and utilisation

We aim to keep the level of indebtedness and debt service capacity within the credit rating band

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Value preservation and value creation

- The social aspirations and expectations of the 21st century, climate change and the dwindling availability of resources, require the players of the real estate market to turn to new trends and technical solutions and to establish their objectives and strategies based on the principles of sustainability. In addition, domestic and international investors are increasingly demanding the application of ESG guidelines. Appeninn Plc. is committed to the principles of value preservation and value creation in its operations, and aims to meet these principles and expectations to the best of its ability. Among sustainable corporate activities, Appeninn Plc. intends to keep energy efficiency, responsible water management, etc. in mind in its acquisitions and in the development of its existing properties.
- In Hungary, for historical reasons, there is a significant amount of real estate that is either in an undignified state of disrepair or is underdeveloped and underutilised in relation to its location.
- It is the conviction and practice of Appeninn Plc. that the location of these properties, the assessment of their development potential, the holding of appropriate discussions, the acquisition of elements promising a return in business terms and the development of green building in accordance with ESG principles, where appropriate, is not only a business opportunity but also a responsibility for a Hungarian-owned public limited company.
- We intend to adopt a similar approach in all property segments. In addition, we will apply a **green approach**, energy efficient and low-carbon solutions to our developments, in line with a long-term approach to value creation.

Jogi nyilatkozat

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Thank you for your attention!

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