Funding & Capital Allocation

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GROUP CFO

CMD23

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Capital Markets Day
Spielberk, Brno

by CTP.

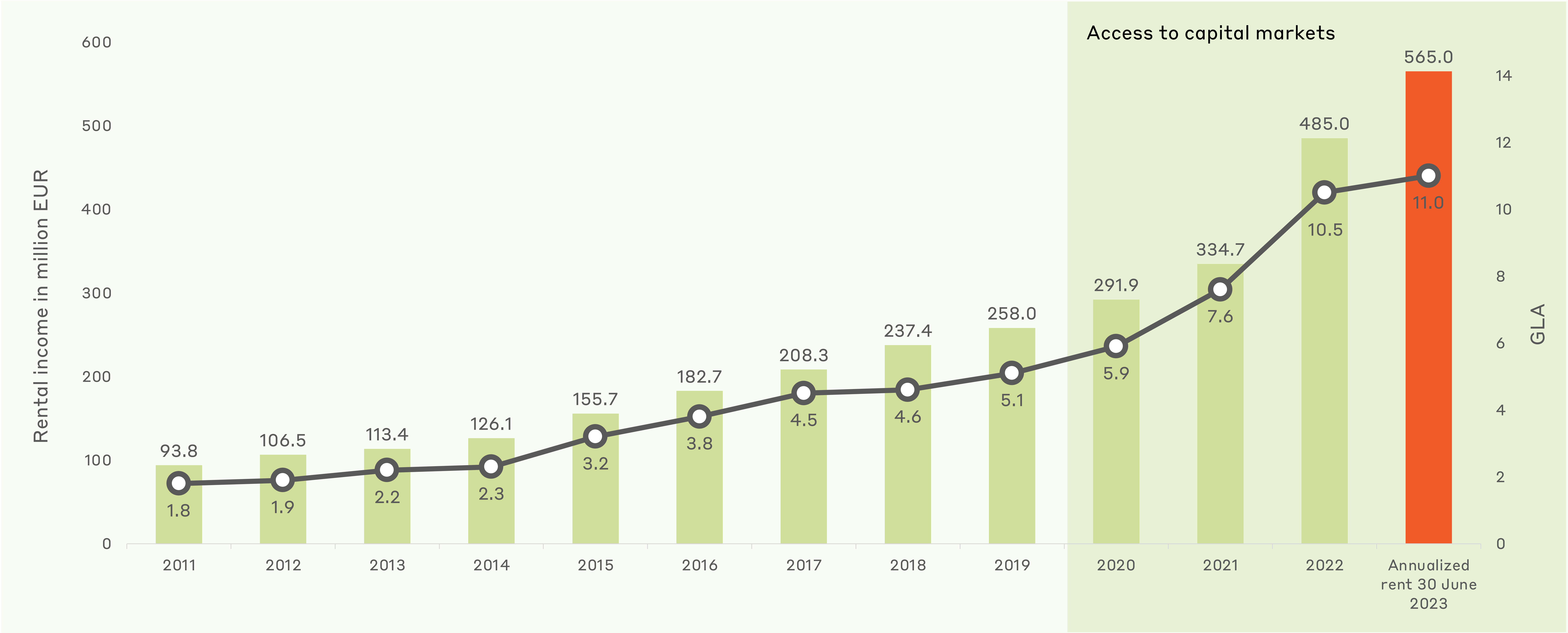
Session presenter

Richard Wilkinson
GROUP CFO

As Group CFO, Richard oversees and works constantly to expand CTP's core business in its CEE markets. Among his many achievements to date as CFO, he organised the largest industrial real estate refinancing in CEE history, led CTP's debut green bond issue, guided CTP's IPO process in 2021 and oversaw the takeover of Deutsche Industrie REIT.

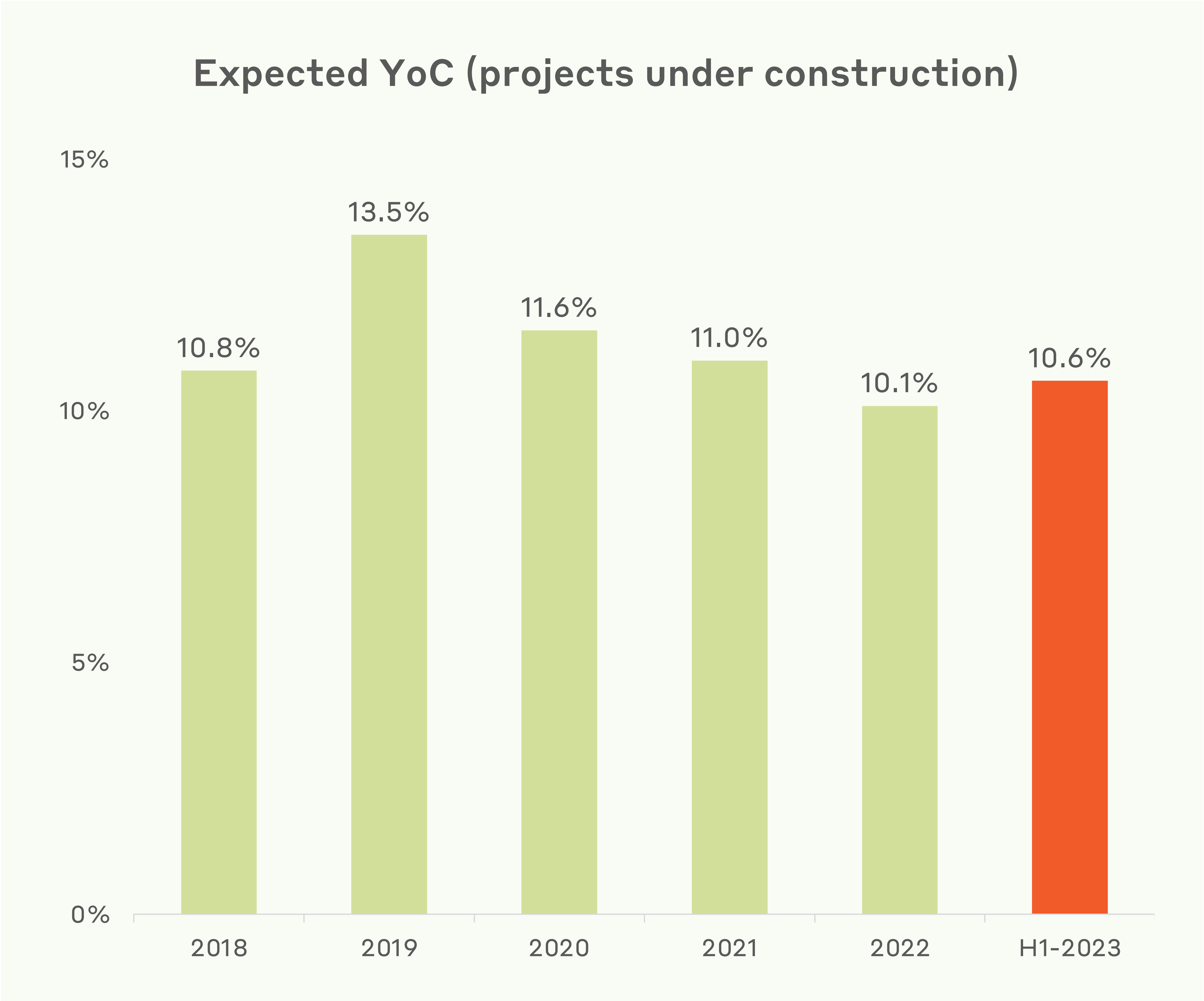
- Controlling
- Accounting & Consolidation
- Risk management & internal audit
- Compliance
- Treasury
- IR
- Funding

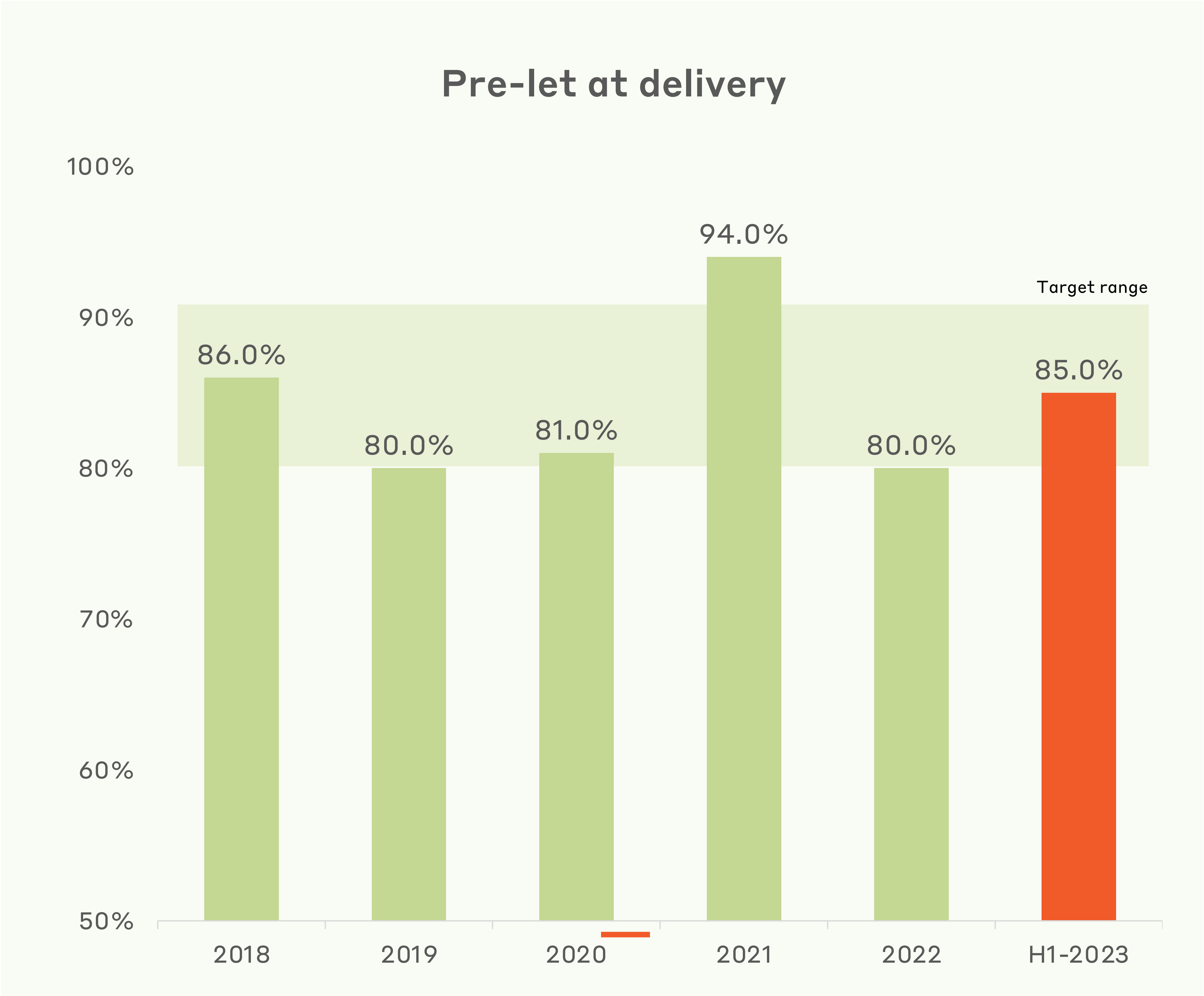
Track record: consistent rental income and GLA growth



CMD23 ctp

Track record: deliveries with double digit YoC and 80 – 90% pre-let at delivery





Industry leading YoC

$$\frac{\text{Headline rent}}{\text{Hard + soft construction cost (incl. agent fees) + land at fair market value}} = \text{YoC}$$

Yield on Cost

- Construction costs 2023E: average ~€500 per sqm[1]
  - Hard construction cost: ~€375 per sqm
  - Soft construction cost: ~€75 per sqm
  - Infrastructure: ~€35 per sqm
  - Agent fees: ~€15 per sqm (1/4 of annual rent)
- Landbank valued at €49 per sqm
- 50% built up ratio, i.e. 2 sqm of land for 1 sqm of GLA
- Headline rent of €66 per annum / €5.5 per month results in YoC of 11%

YoC comparison with peers

- No **interest capitalization**
  → if adjusted, would increase CTP's EPRA earnings, neutral to IFRS earnings and shareholders' equity
- No capitalization of **internal project management**
  → if adjusted, would increase CTP's EBITDA margin and EPRA earnings, neutral to IFRS earnings and shareholders' equity
- No **rent incentives**
  → limited impact, rent incentives up to 1-2 months for a 5-year contract and 3 months for a 10-year contract
- Solar income and cost excluded, as those are evaluated as standalone projects. 15% YoC target for solar projects.

1. As at 30 June 2023

Funding – LTV in conjunction with cash flow metrics

- LTV metrics very easy to understand, but comparison of one absolute number with one relative number
- Different business models and valuations, justify divergent LTV's
- Same LTV translates into significant different cash flow metrics
- CTP sees cash flow metrics like Net Debt to EBITDA as better guides to leverage levels

	Scenario 1	Scenario 2	Scenario 3
Net Debt	4,000	4,000	4,000
Assets at fair market value	10,000	10,000	10,000
LTV	40%	40%	40%
ERV	300	600	900
Yield	3%	6%	9%
+100 bps yield widening	4%	7%	10%
Debt	4,000	4,000	4,000
Assets	7,500	8,571	9,000
LTV	53%	47%	44%
EBITDA	250	450	750
Net Debt to EBITDA	16.0x	8.9x	5.3x

Funding – forward looking cash flow metrics

- As developer, CTP always has front loaded debt to finance developments, while the development income follows 12 – 24 months later.
- Forward looking metrics therefore more relevant—which are also used by rating agencies as they present a look through view.

Normalised Net Debt to EBITDA

- EBITDA includes full annualized income of last 12-month deliveries and annualized income of the current investment properties under development
- Net Debt includes debt needed to finalize the current investment properties under development
- **30 June 2023: 9.5x**

Forward looking ICR

- EBITDA includes full annualized income of last 12-month deliveries and annualized income of the current investment properties under development
- Interest expense denominator is annualized next 12-month
- **30 June 2023: 5.0x**

Ratios consistent with strong Investment Grade credit rating

Credit ratings confirmed

Moody's

Baa3 with stable outlook

3 August 2023

S&P

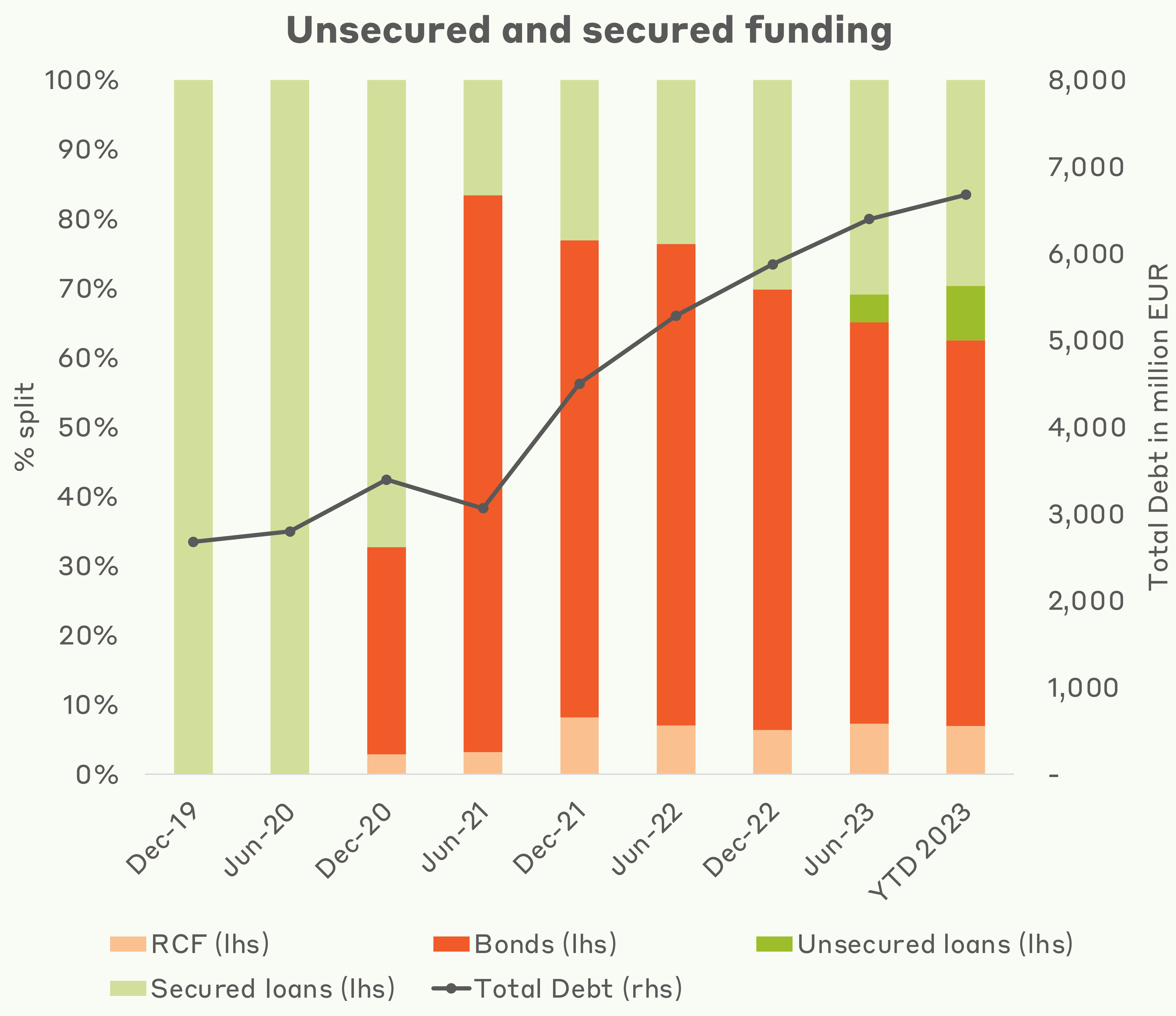
BBB- with stable outlook

15 September 2023

Ample access to liquidity to fund our growth

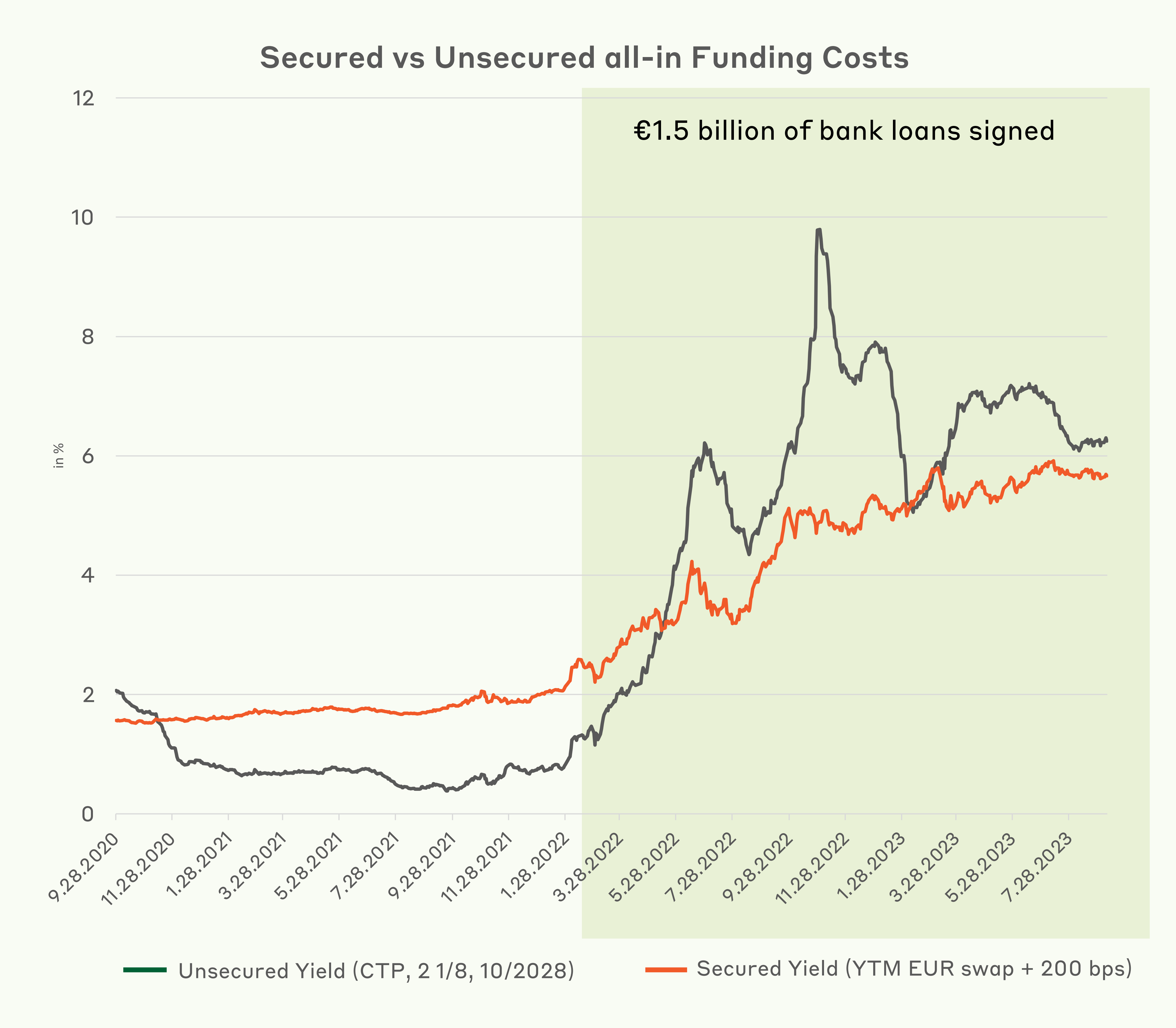
Funding Strategy Principles:

- LTV target 40 – 45% - in the context of CTP's portfolio yield of 6.6%, expect to trend back to this range over time as deliveries come online
- Focus on cash flow metrics, like Normalised Net Debt to EBITDA
- Proactive strategy, refinancing maturities at least 12 months in advance, currently working on refinancing H1-2025 expiries
- Smooth maturity profile
- No interest rate exposure, all loans hedged till maturity
- Keep unsecured financing in 60 – 70% range, which allows us to keep material head room to the Unencumbered Asset Test and Secured Debt Test
- Access new sources of capital and liquidity (i.e., unsecured bank market)



Funding – bond market

- Bond market spreads have come down materially for CTP in recent weeks
- However, pricing not yet competitive with the secured and unsecured bank lending market, allowing CTP to keep its unsecured financing in the 60 – 70% range
- CTP has good access to both the secured and unsecured bank lending market as illustrated by the financings done earlier this year. Banks are underweight logistics, want to finance standing diversified portfolios, and are looking for sponsors with a good management track records, all of which CTP offers
- Bank – which have substantial exposure and concentrated tickets – do more credit work and price credit materially cheaper for good sponsors than the bond market does
- Return to the bond market anticipated for 2024



Development potential without impacting LTV

Retained earnings potential

- 70% - 80% dividend pay-out AREPS
  - 2023 AREPS ~€320 million (72 cents per share * 446 million shares outstanding)
  - 50% - 50% scrip vs. cash take-up assumed
- Retained earnings potential ~€200 million

Impact of development

GLA assumption:	1 million sqm
CAPEX requirement:	€500 million (1 million sqm * €500 per sqm)
Revaluation potential in %:	~67% (from 11% YoC to 6.6% portfolio yield)
Revaluation potential in EUR:	€400 million (based on total investment of €500 million CAPEX and €100 million land bank)

Assets	Liabilities
€100 million land	*€100 million debt*
€500 million CAPEX + €400 million revaluation + €200 million retained earnings	€500 million debt

Incremental LTV of developments: ~45%

Capital allocation

Priorities

- → Mobilize the existing landbank → highest incremental return
- → Secure additional landbank through options → decrease capital tied up in landbank
- → No disposals assumed to protect park maker model
  - Long term partner for municipalities
  - Grow with tenants in existing locations
  - Full control about infrastructure, grid, management within the park

Capital allocation

- YoC target for the Group is 11%
- Internal YoC expectations differ, higher for Eastern European countries (Romania, Serbia, Bulgaria), than for Western European Countries (Germany, The Netherlands)
- Focus on countries – when landbank and tenant demand is available – with highest revaluation potential like Czech Republic and Poland

	Germany	Czech Republic	Poland	Serbia
Land bank cost in EUR per sqm	150	60	60	40
Construction cost in EUR per sqm	675	525	400	400
Total cost in EUR per sqm	1,000	645	520	480
Rent	85	70	55	60
YoC	8.7%	10.9%	10.6%	12.5%
Standing Yield	5.0%	6.0%	6.0%	8.5%
Revaluation in EUR per sqm	725	523	397	226
Revaluation in %	74%	81%	76%	47%

PARKMAKERS

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