



Investor webinar

Plan to issue new units by private placement

26 June 2024



Improving the capital structure of the Fund

- The goal is to **improve the capital structure of the Fund** and show a stronger monthly operating profit by end of 2024;
- Current **LTV is 59%** with target **LTV at 50%** in line with industry standards in the region;
- The goal is also to **improve financial flexibility** and reduce the overall Fund risk for the future;
- **EUR 8 million** of bond shall be refinanced in July but the **NOI will be recovering** over the coming quarters with the tenants moving in over the next 12 months while **cost of debt is decreasing**;
- There is also a **CAPEX need** in order to reach the **maximum NOI potential**;
- Fund's goal is to achieve a **portfolio occupancy of at least 90% by end of 2024 and 95% by end of 2025.**



Plan 2025 and dividend

- The Fund targets to reach **full stability by 2025**;
- Current monthly **NOI is EUR 1 mEUR** and the aim is to reach a monthly **NOI of up to EUR 1,4 mEUR** in 2025. At the same time the goal is to decrease the cost of debt by partially redeeming the bond;
- **Effective solution** in order to stabilize the Fund include:
 - To dispose one non-strategic asset for approx. **EUR 10 million**;
 - Refinancing loans to extract additional funds of up to **EUR 5 million**.
 - Raise equity from current and new investors of up to **EUR 10 million**;
 - Of the new capital we expect approx. 50% to be committed by current anchor investors and Northern Horizon management team;
- Ultimate goal is to **strengthen the balance sheet** of the Fund and become a **dividend payer** again in 2025.



Private Placement VS Public Offering

	Private Placement	Public offering
Investors	Targeting limited number of investor, usually with higher tickets. <ul style="list-style-type: none"> up to 149 retail investors per EU member country can be targeted (not including institutional investors such as banks and pension funds). 	Targeting wide number of regional retail and institutional investors with less limitations.
Amount	Limited amount of new units up to 20% and up to EUR 10 million depending on the average 90-day market price level before the actual offering.	Usually higher amount in total e.g. EUR 20-40 million.
Type	A private placement is a standard procedure that ensures a cost-effective and swift process.	A public offering is a large undertaking with full prospectus in several languages, engaging investment banks and auditors.
Cost	10-20 000 EUR	50-200 000 EUR
Timeline	4-6 weeks	5-6 months

The Fund shall act in accordance with the regulations and other guidelines. A private placement is a procedure that is commonly used, and Baltic Horizon has completed several private placements in its lifetime at different price levels.

Q&A session

1. Why is the capital raise needed – is it due to financial problems?

The capital raise is one of several measures taken to further stabilizing the fund. New capital will increase the fund's liquidity and enable us to invest into our properties in case needed to welcome new tenants and lower the vacancy of the portfolio. At the same time the Fund is putting all of its efforts to repay EUR 8 million of expensive bonds and is looking for ways how to further deleverage and reduce cost of debt and debt amortization.

2. Why are you planning a private placement and not a public one?

Private placements, which are also cost efficient in nature, are preferred to be offered to institutional or larger investors with higher commitments, and we need to follow strict rules applicable to this type of offering. If investors are interested in the offering, the Fund can take note of this and reach out once the actual offering will take place. At the same time, we note that all investors can defend their position and can also acquire up to 20% of additional fund units during trading hours on Nasdaq Tallinn or Nasdaq Stockholm from selling investors. At the moment it even seems that one can acquire units cheaper than the 90-day average unit price proposed for the private placement.

3. Why are you planning the private placement now when the unit price is at its lowest value and much lower than the value of the portfolio?

Right now, the unit price is at a low value and much lower than what we believe the value of the portfolio is, but unfortunately, we are not able to control the market price. 90-day average pricing mechanism has been market practice for the Fund in the past and our largest investors are also accustomed to such approach. The fund aims to be fully stabilized by 2025. To achieve this, we believe that taking action now ultimately will help to improve operating results and the unit price to recover.

4. Who will be invited to participate in the private placement?

Private placement is normally targeting investors known to us with larger tickets. The offering can also be targeted to up to 149 retail investors per EU member country (not including institutional investors such as banks and pension funds).

5. Are the Management Board or other representatives from the management company acquiring units?

Of the new capital we expect approx. 50% to be committed by current anchor investors and Northern Horizon management team as the belief is that when the financial standing of the Fund improves, the long-term ROI will be positive and the fund will become more sustainable.

6. Why is a private placement in the interest of smaller investors?

The Fund is looking for ways how to improve the capital structure of the Fund. It can be done through disposing assets, refinancing expensive debt and with new equity. Ultimately we believe achieving these goals is in the interest of all investors as the Fund aims to be fully stabilized by 2025 and once again become a dividend payer.

7. Why are the smaller investors not invited to participate?

Private placement is normally targeting investors known to us with larger tickets. The offering can also be targeted to up to 149 retail investors per EU member country (not including institutional investors such as banks and pension funds). At the same time, we note that all investors can defend their position and can also acquire up to 20% of additional fund units during trading hours on Nasdaq Tallinn or Nasdaq Stockholm. At the moment, it even seems that one can acquire units cheaper than the 90-day average unit price proposed for the private placement.

8. The plan is to issue up to 20% more units. How will this affect the unit price?

We don't know how the unit price is affected, however, the Fund aims to be fully stabilized by 2025. To achieve this, we believe that taking action now ultimately will help to improve operating results and the unit price to recover.

9. What can I do to maintain the holding that I have now?

If an investor believes in the future of the Fund, the way how to defend against dilution is to acquire up to 20% of additional units from the market. The offering can also be targeted to up to 149 retail investors per EU member country (not including institutional investors such as banks and pension fund).

10. What will happen if shareholders vote against the private placement?

In this case the management team continues to focus on other two avenues: disposing a non-strategic asset in a challenging market and refinancing expensive debt.

11. Why do you not just close down the fund?

After thorough analysis and based on the non-solicited offers we have received for our properties in the market, closing the Fund, we believe is not in the best interest of investors at this time. The sales prices are at the low point and limited amount of value can be extracted. Furthermore, the sales processes can be lengthy and expensive. At the same time, the management has seen potential when signing new long-term anchor leases for the vacancies and we believe there is much value to be restored through active asset management today.

