Up & coming

(not our title...)

Hans Jørgen Mørland, CEO and Mikael G. Skovrup, CFO
About Scala

- **Properties**: 19
- **Rent**: NOK 430m
- **Turnover**: NOK 8.5bn
- **Size**: 374,000 m²

Company established in 2012 and have so far delivered 24% return on equity annually.
Our owners

Three family-owned companies with strong track records within retail based real estate:

Norway’s fifth largest company and market leader in food/grocery category - owns 42 % share

Leading real estate company in Østfold region – owns 34 % share

Oslo based real estate company with strong track record from shopping centre segment – owns 24 % share

We believe the local ownership element gives Scala competitive advantages thru:

i) Low bureaucracy and rigidity → rapid decision processes
ii) Understanding of local market traits
iii) Flexibility to grow and to partner with others
Our strategic drivers

The typical Norwegian:

1. Is «decentralized»: lives in a small town or city – but always with strong ties to his/her local community/neighbourhood
2. Shops in an unplanned manner (3,5 times a week...)
3. Is less likely to migrate his/her daily needs online than the more planned shopping (we believe)
4. Loves convenience and solving many errands in «one go»
5. Wants to be perceived as «modern»
Our strategy

The local centre that «owns» it's market - preferably *in a place with underlying growth in population*

Right sized to solve local market needs including more and more non-shopping

Based on a core that serves daily needs / errands with strong grocery anchor

Delivers above average on convenience and modernity
What can drive value in our setup?

Life is too short (and required returns too high) to settle for just getting the annual indexation based rise in leases (KPI)

... hence Scala always look for at least one of the following:

- residential and health potential
- occupancy fixes
- rental upside
- expansion potential
Our rental cash flow

Turnover segment mix, weighted towards everyday necessities

- Groceries 33%
- Specialist retail 26%
- Specialist retail 26%
- Textile 16%
- House and furniture 16%
- Serving 4%
- Services 3%
- Office and other 2%

Turnover segment mix, weighted towards everyday necessities

- Where 80% of the tenants are part of a chain

How revenue volatility affects rent

- Variable at minimum (38%)
- Variable over minimum (38%)
- No variability (25%)
- -5%
- 0
- 5%
- 10%
- 15%
- 20%
- 25%
- 30%

- -25%:
  - 97.3
- 25%:
  - 105.5
Our financing and views on growth

NOK 4bn in debt, distributed 75/25 between bank and bonds

Around 55-60% LTV

We seek to grow through:
- Organic rental uplift (10% identified)
- Projects (NOK 1,200m is in planning, yields typically > 8% on cost)
- M&A (currently few buyers and somewhat unrealistic sellers)
With rough waters ahead – what do we believe in?

1. This is an industry – do not try this at home ... or as a part time operation
2. Scale, scale, scale!
3. Risk is high – but manageable with a clear strategy and great people
4. Risk mitigation happens in the pre-project or pre-aquistion phase

And...

5. Prices will come down – creating some possibilities (for those with a clear strategy, great people ... and available capital)