



**PIONEER
PROPERTY**

Pioneer Public Properties AS

Condensed Investor Presentation for the PPP AS unsecured bond placement

June 2016

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Indicative main terms and conditions

Issuer:	Pioneer Public Properties AS
Status:	Senior unsecured
Issue Amount:	NOK [800-1,000] million
Borrowing Limit:	NOK 1,000 million
Settlement Date:	Expected to be 1 July 2016
Maturity Date:	28 May 2021
Tenor:	Approx. 4 years and 11 months
Coupon Rate:	3m NIBOR + [5.00-5.25]% with NIBOR floor of zero
Amortization:	Bullet
Use of Proceeds:	The net proceeds shall be used to partly refinance existing financial indebtedness and the remainder to be used for general corporate purposes, including potential new property investments
Call structure:	Non-call 3, thereafter callable @ 102.75% /101.25%/100.0% until 12/3/0 months prior to the Maturity Date
Financial Covenants:	<ul style="list-style-type: none"> • Minimum equity ratio of 25% on a consolidated basis for the Group • Minimum liquidity of unrestricted cash in the Group on a consolidated basis of NOK 75 million • Ratio between Unsecured Debt to total Financial Indebtedness of the Group shall not fall below 30%
Distributions:	The Issuer can distribute up to 50% of the operational net profit (excl. asset appreciation/write-downs) and subject to the equity ratio being 35% up to 75% of the operational net profit
Change of Control:	At 101% upon CoC event, being if the sponsors cease to have decisive influence over the Issuer or if anyone else gains decisive influence over the Issuer
Governing Law:	Norwegian
Trustee:	Nordic Trustee ASA
Sole Manager:	Pareto Securities

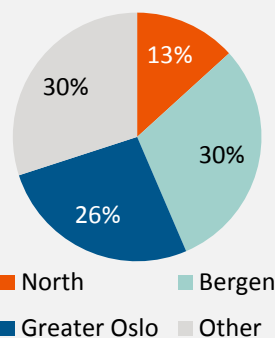
Please see Term Sheet for further details

Introduction to Pioneer Public Properties

112 preschools with a total of 11,082 children

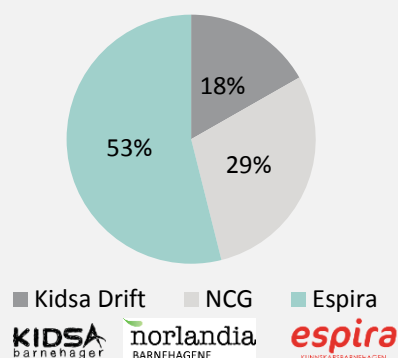
Total rent: NOK 209m (contractual rent 2016)

Rent by geography



The portfolio can be divided into four main clusters

Rent by tenant



The three tenants Kidsa Drift, Norlandia Preschool and Espira, stands for 18%, 29% and 53% respectively of the total rent

Weighted average lease term

17.7 years

Weighted average lease term is 17.7 years (First expiry in 2034)

Loan to value (gross)*

59-64%

Total book value of the properties of NOK 3,411 million financed through NOK [1,997-2,197] million (pro-forma NOK [800-1,000] million bond) of interest bearing debt

Large portfolio within four main geographical clusters, three strong counterparties and very long lease terms

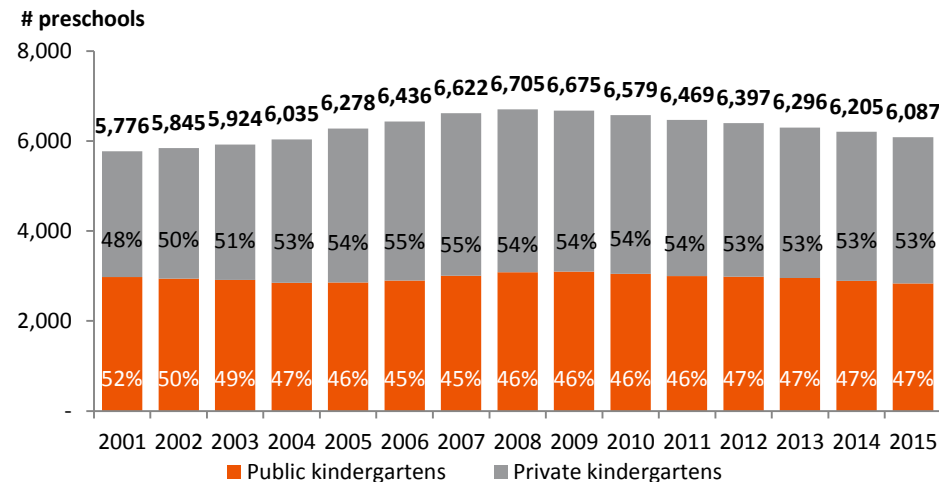
* The book value is supported by the latest third party valuation by Newsec (Nov-15)

The Norwegian preschool market

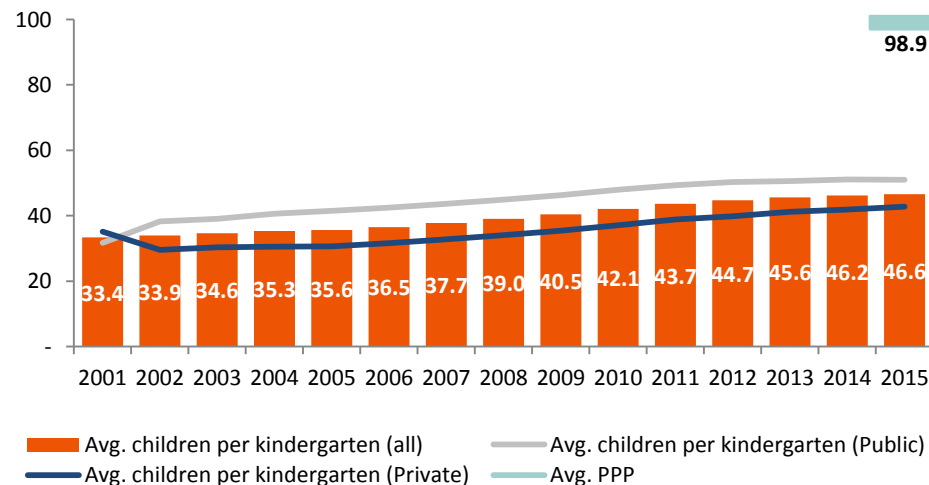
Regulatory framework

- **Preschool-law (“Barnehageloven”)**
 - All children between 1-6 have a legal right to attend preschool in their home municipality
 - Private operators are secured “equal treatment” – including financial support
- **Equal financial treatment**
 - Private preschools receive 100% contributions as the actual costs in the municipalities own-run preschools per child
 - Parents pay a maximum contribution of NOK 2,655 per month per child, but less if in low-income category
- **Property market strictly regulated**
 - License to build a preschool not be given unless there is a demand in the relevant area
 - Permission not given on a time-limited basis

Total market value in excess of NOK 50bn

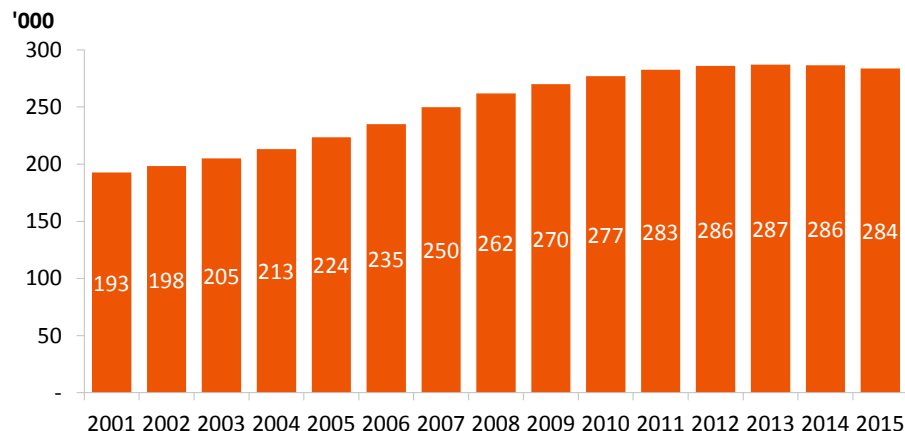


Avg. children per kindergarten



Private preschools have boosted coverage rates

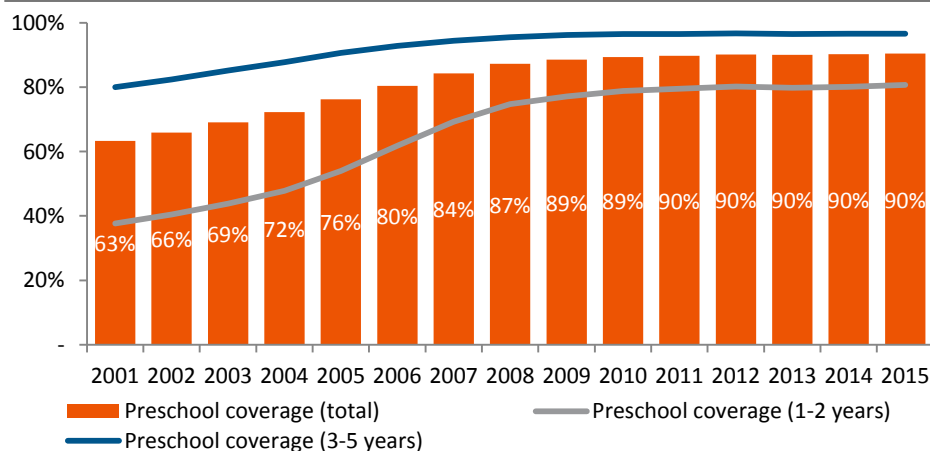
Children in preschool (1-5 years)



Private preschools fully integrated

- Government stimulus through cheap state-financed loans and equal treatment of contributions for private and public players have contributed to strong growth for private preschools in order to reach the target of full coverage for all children
- The market remains fragmented with many local/small operators
- Supply side is strictly regulated in order to avoid oversupply and consequently low utilization and higher cost per child

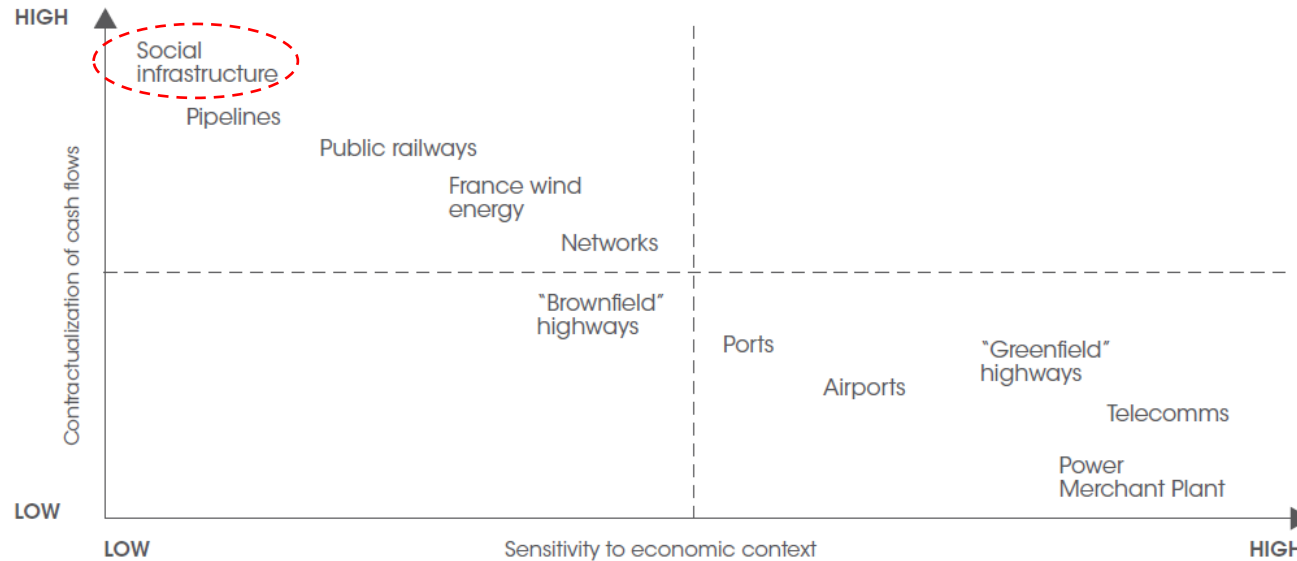
Preschool coverage rates



- Coverage ratios have stabilized around 90%, where private operators account for approx. 53% of the market
- Further upside if the cash benefit scheme for parents (“kontantstøtte”) is reduced or removed

Social infrastructure: Lowest risk infrastructure assets

Secure cash flows with limited correlation to the economic development



Extract from JP Morgan's 'Guide to Infrastructure Investing'

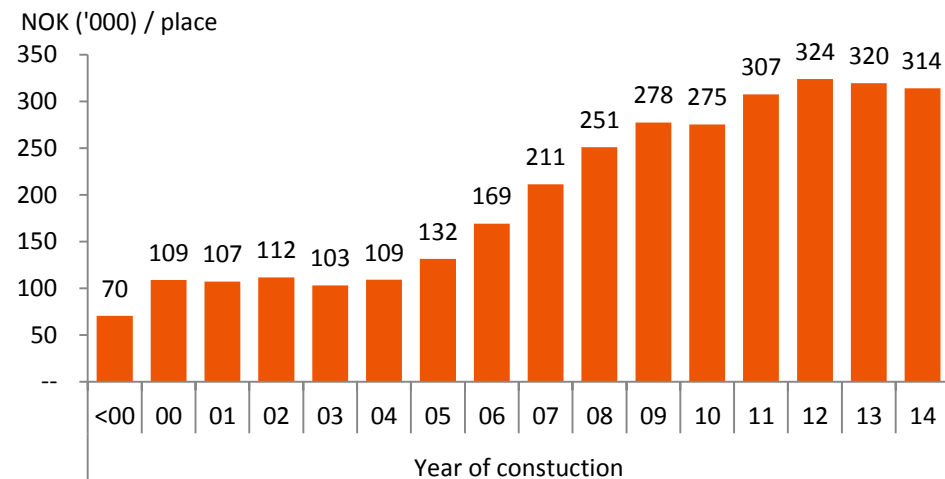
- Social infrastructure generates revenues that are most closely linked to inflation than to economic growth. In fact, usage has little direct effect on revenues, as they often take the form of a fee paid by a public authority to, say, a hospital, based on certain performance and availability criteria.
- From an investor's point of view, the main characteristic of social infrastructure is that their maintenance charge and service cost are paid not by the end-user but by the local authority. In particular, the category covers facilities where use does not result in the user's receiving an invoice : those of an administrative, educational (university), medical (hospitals, clinics and emergency units), judicial (courts, prisons) or military nature.
- The demand risk for this type of infrastructure is thus minimal, and the charges are relatively stable since they are paid by the state. That is, assuming the asset continues to be managed according to its contract or predefined service-quality conditions (availability, technical specifications, etc.). Hence, investments in social infrastructures are considered to be among the least risky in the infrastructure sector.

New build cost development underscores solid asset backing

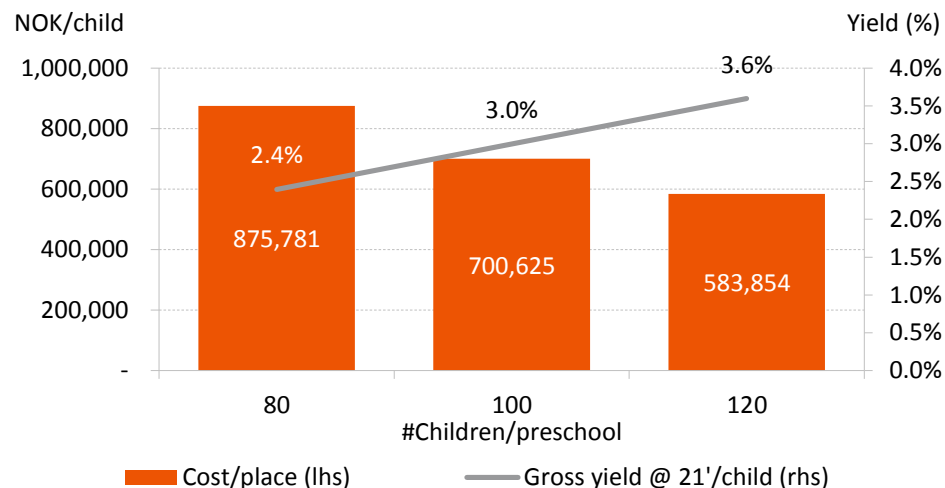
Comments

- The average cost to construct a preschool place has increased significantly over the last decade
- From 2000 to 2014, the total cost (construction cost and land cost) of building a kindergarten place has increased with a CAGR of 7.9%
 - The book value of NOK 3.4bn corresponds to a purchase price of NOK 308 thousand per place
- With the de-facto monopoly status existing preschools have one could argue that they should be valued higher than newbuilds as they are built primarily in the most densely populated areas
- Example: Bærum Preschool Plan assumes a cost of NOK 70 million per preschool, with a targeted size of 80-120 children in capacity per preschool
 - This corresponds to cost per preschool place of NOK 584' – 876', significantly above the historical cost per place
 - If considering the market rent of Newsec of NOK 21,000 per child per year, the gross yield is between 2.4-3.6%
 - Based on a required yield of 6% the rent should range between NOK 35,000-52,500 per child per year

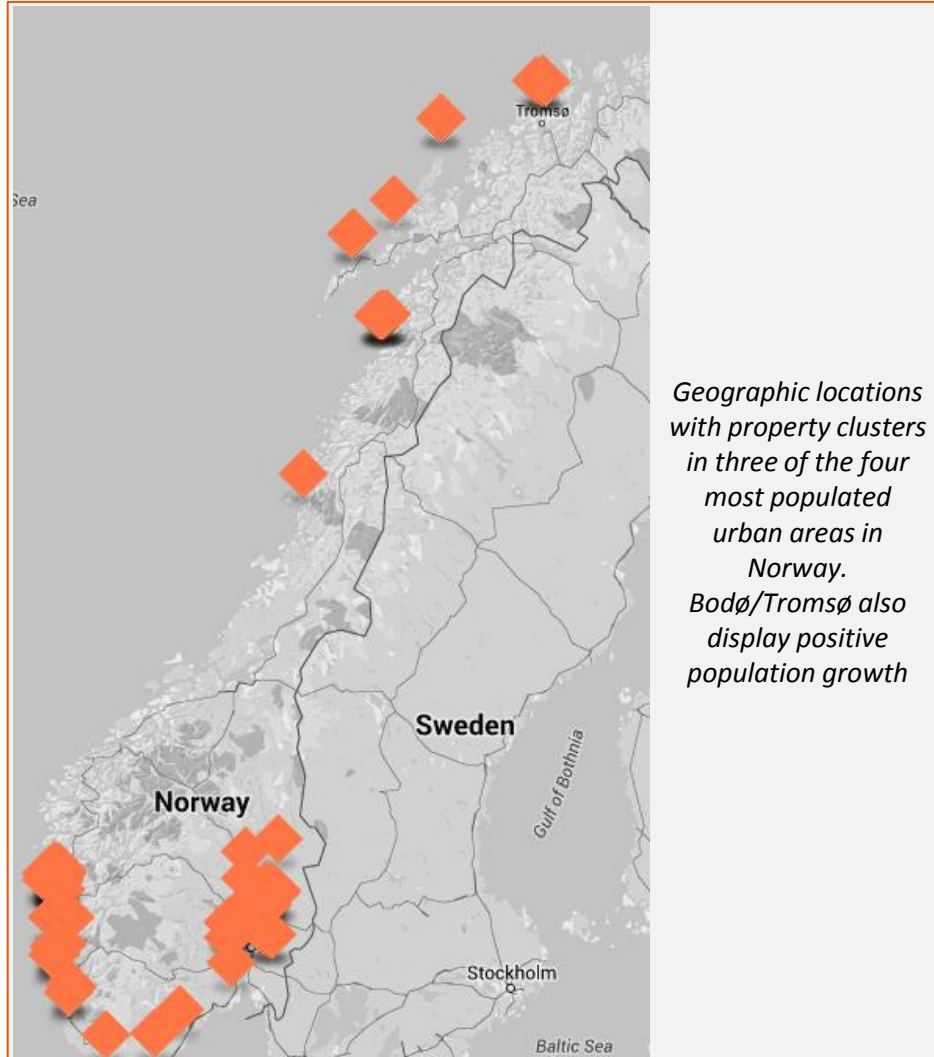
Total cost per child development







Budgeted cost/child Bærum municipality 2013-2022



Geographic location



Clusters

Greater Oslo Region	<i>Rent*: NOK 55m</i> <i>Rent of total: 26%</i>	
Bergen	<i>Rent*: NOK 63m</i> <i>Rent of total: 30%</i>	
North	<i>Rent*: NOK 28m</i> <i>Rent of total: 13%</i>	
Other	<i>Rent*: NOK 63m</i> <i>Rent of total: 30%</i>	

* Contractual rent 2016

Triple net lease contracts secures low capex and minimal operational costs

- All Properties are modern and in line with current regulations
 - No need to upgrade the portfolio in the foreseeable future (no imminent capital expenditures of material size)
- The lease agreements with NCG are structured on a «bareboat» triple net basis where the tenant is responsible for all operating expenditures, including (but not limited to):
 - General maintenance (interior and exterior)
 - Insurance
 - All public duties
- The Espira leases are on a double net basis (triple net less real estate insurances and property taxes)
 - Will eventually be replaced with triple-net contracts
 - I.e. The step-in obligation from Norlandia Preschool is on a triple net basis
- Further development of the properties is possible conditioned on both parties agreeing



**No CAPEX & OPEX requirements
at the Issuer's part**

Pioneer Public Property AS - Key financials

Financial summary Q1'16 and pre/post bond issue

Key income statement figures (NOKm)	Q1'2016
Rent	52.3
Owner cost	5.3
EBITDA	47.1
EBITDA margin (%)	90%
Net interest expense	24.5
Net income	17.0

Key balance sheet figures (NOKm)	Pre-transaction 25.05.16	Post-transaction 25.05.16
Cash	5.0	212.0
Total Borrowings	1,747.0	2,168.5
Subordinated shareholder loan	187.0	-
Total assets	3,419.0	3,626.0
Shareholders equity	1,415.9	1,388.3

Preschool values (NOKm)

Book value	3,412	3,412
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Covenants

Liquidity (min. NOK 75m)	212.0
Equity Ratio (min 25%)	38%
Unsecured Debt Ratio (min 30%)	46%

Comments

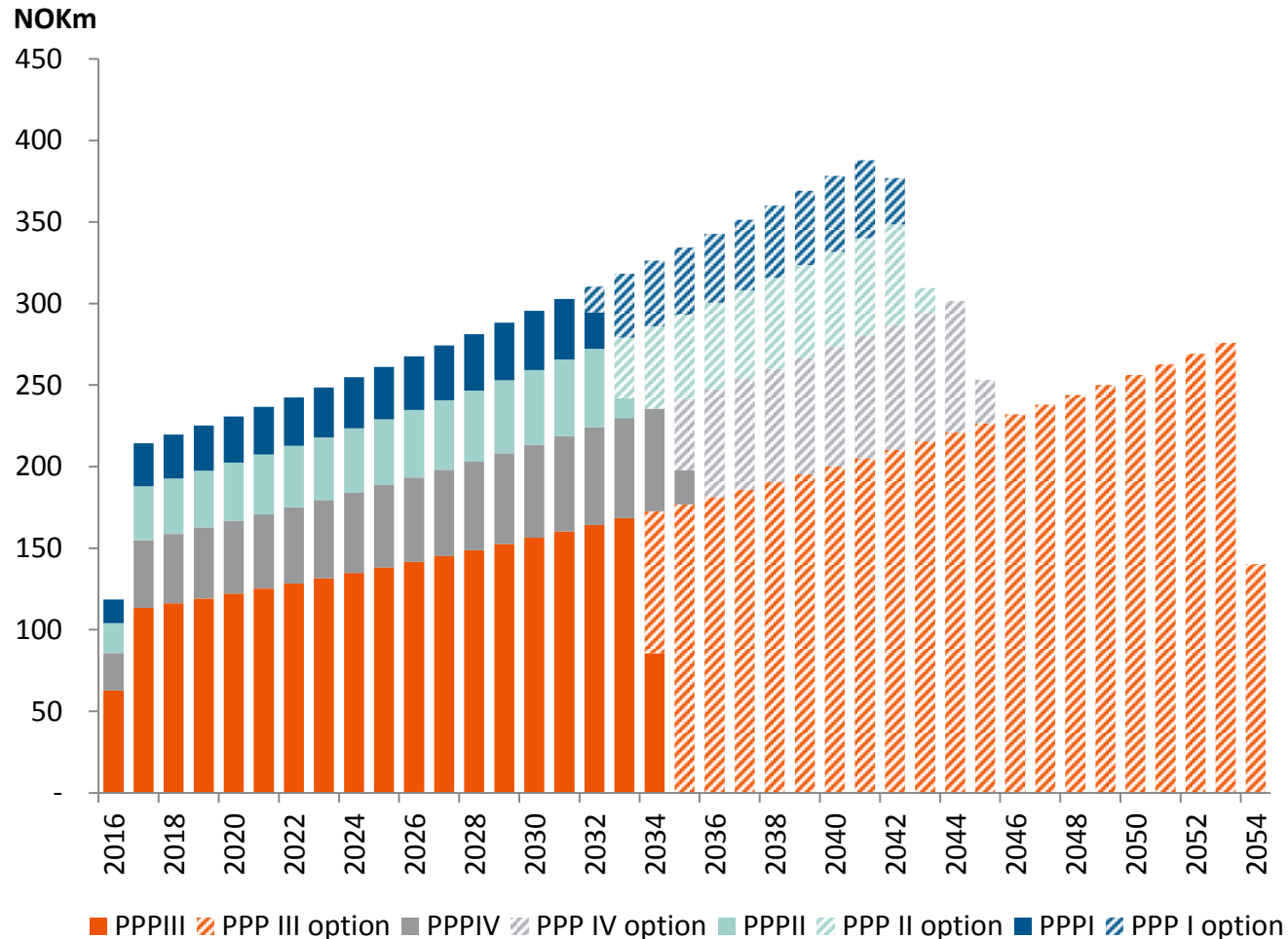
- EBITDA of NOK 47m in Q1'16 with a stable EBITDA margin of 90%
- Total senior debt post recapitalization of ~NOK 2,200m
 - Husband loans – NOK 780m
 - Subsidized loans from the Norwegian state bank Husbanken
 - 1. lien security in preschool properties
 - Long tenor – maturity from 2023-2042 – average remaining tenor of 23.7 years
 - Commercial bank loans – NOK 420m
 - Four facilities; two facilities with 1. lien security in properties and two facilities with 2. lien security
 - Average remaining tenor of 3.5 years
 - Contemplated PPP bond – NOK 1,000m
- The post-transaction column illustrates the Issuer's pro forma balance sheet as of 25 May 2016 adjusted for the contemplated transactions
 - issuance of an unsecured bond in Pioneer Public Properties AS
 - repayment of the bonds in PPPII and PPPIII
 - repayment of a subordinated shareholders loan
 - transaction fees

Comment: Please refer to the Investor Presentation for complete P&L, balance sheet and cash flow statement

1. Unaudited pro-forma estimates – certain outstanding IFRS-related accounting principles may impact audited figures marginally

Long and stable cash flow – remaining average lease period of 17.7 years

Total backlog of NOK 10.8bn including NOK 6.2bn in options



- Annual rent in 2016 of NOK 209m
 - All contracts are adjusted based on CPI
- Remaining lease period of 15.3-19 years
 - Weighted average of 17.7 years
 - Additional ten years option in PPPI, PPP II and PPP IV¹
 - Additional ten + ten years options in PPP III¹
- Operating costs are small and predictable
 - Management cost of NOK 80,000 per property
 - Accounting and audit of approximately NOK 5m per annum
 - Property tax and insurance are covered by the tenants expect for in PPP3

Comment: Rent levels adjusted based on the long-term CPI target of 2.5%

1. Based on the step-in agreements with Norlandia Preschool

Strategy

Pioneer Property Group

Key focus on care services real estate

- Pioneer Property Group shall mainly own, manage and develop real-estate for government-backed operators
- To date the company has started consolidation of- and developed the Norwegian market for preschool properties

Consolidate market through acquisitions and broaden foot-print into other government-backed real estate

- Build upon the company's strong financial capacity and professional real-estate management
- The preschool market is still highly fragmented and ripe for further consolidation through additional acquisitions
- Opportunities materializing within real estate with similar characteristics as the pre-school market (long-term lease contracts, public- and government-backed tenants, etc.)

Financial ambitions

- Continue to build portfolio through market consolidation and acquisitions
- Achieve yield compression through increased critical mass
- Best-in-class debt finance structures

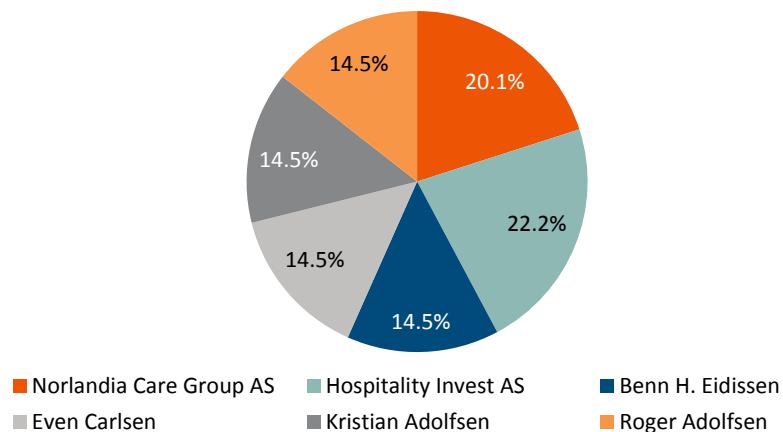
Pioneer Public Properties

The infrastructure arm of the group

- The Issuer will continue to develop public-private partnerships through inter alia preschool
- Other social infrastructural investments with similar characteristics can also be considered to be included in the Issuer Group

Shareholders

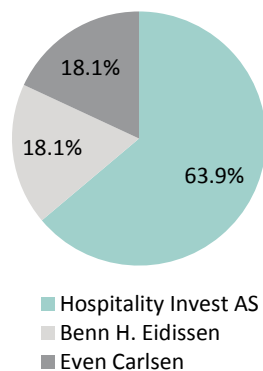
Pioneer Property Group ASA*



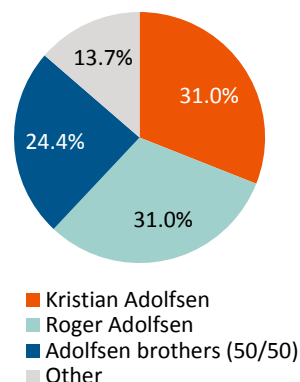
Hospitality Invest / Adolfsen Group

- Through investment and holding companies Kristian and Roger Adolfsen have the indirect controlling interest (together) in Pioneer Property Group
- Their primary investment company is Hospitality Invest AS (“HI”), where they control 86.4% of the shares. HI, together with the other companies Kristian and Roger Adolfsen have a material ownership in, are jointly referred to as the “Adolfsen Group”
- HI is investing in four main segments: Care, Staffing, Real estate and Hotel operations
- Consolidated turnover for HI of NOK 5.3bn with more than 8,000 employees across the various portfolio companies (2015)
- The largest segment “Care” includes Norlandia Care Group, an operator of preschools, nursing homes and patient hotels; and Hero, an operator of asylum centers and related services. As of Q1’16, Aberia is also consolidated into the Care segment

Norlandia Care Group



Hospitality Invest



Hospitality Invest – Company structure



1) Of total revenue as consolidated excl. other/eliminations (NOK 5.3bn)

*100% owner of the Issuer. Shareholders of the ordinary shares of Pioneer Property Group ASA. Ownership is through different holding/investment companies

Summary

1
Stable and attractive
underlying fundamentals

2
Stable earnings and great
cash flow visibility

3
Attractive general terms for
private players to own and
operate preschools in
Norway

4
Attractive property
portfolio

5
Operators highly
replaceable

6
Leading operators with
diversified revenues

7
Experienced sponsors and
organization

8
Conservative financial
structure and leverage

9
Social infrastructure in a
stable legal environment
and AAA cash flow

10
Strategy

