



CREATING  
GREAT  
PLACES

# COMPANY PRESENTATION

OCTOBER 2020



# CONTENT



**Liad Barzilai**

Group CEO

c.12 years at Atrium, c.14+ in real estate  
Prior experience as CIO of Gazit-Globe



**Ryan Lee**

Group CFO

c.5 years at Atrium  
c.20 years experience as CFO in Central Europe

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# ATRIUM IN A SNAPSHOT





# TRIUM IN A SNAPSHOT - 30 JUNE 2020

**CE portfolio** focused on quality urban assets in Warsaw and Prague

**2015 to date:** from 153 assets to 26, €17m average value to €98m

**Redevelopment pipeline** of up to €400m

**2020-2024:** diversification to residential for rent in Warsaw/Prague

€2.5bn

standing investment  
portfolio

€1.6bn  
Poland

€1bn  
5 assets Warsaw

€0.5bn  
Czech

€0.4bn  
2 assets Prague

808,100

sqm GLA

>95%

Occupancy

6.5%

Net equivalent yield  
(31/12/2019: 6.4%)

5.3 yr

WALT

The portfolio figures exclude 5 assets classified as held for sale, sold in July 2020



# STRONG LIQUIDITY AND FINANCIAL FLEXIBILITY

Strong track record in DCM with **investment grade rating since 2012**

Balance sheet proactively managed to remain **efficient and optimally leveraged**

**6.5%** net equivalent yield / **2.9%** cost of debt

36.1%

Net LTV

€274m

Liquidity

€40m cash, €234m unutilised  
credit facility as of today

BBB

Fitch

Baa3

Moody's

72%

Unencumbered  
assets

2.9%

Cost of debt

€4.65

EPRA NAV



# 2015 TO DATE - A PORTFOLIO FOCUSED ON QUALITY



30.06 2020 <sup>1</sup>	Portfolio Market value	Number Of Assets	Number Of Countries	Average Asset Size In GLA	Average Asset Value
<sup>1</sup> Excl. 5 assets in Poland sold in July 2020	€ 2.5 bn	26	4	31,000 sqm	€ 98 m
31.12 2014	€ 2.6 bn	153	7	8,900 sqm	€ 17 m



€0.5bn prime assets purchased

€0.8bn secondary assets sold

€48m of land plots monetised



# FOCUS ON POLAND AND THE CZECH REPUBLIC





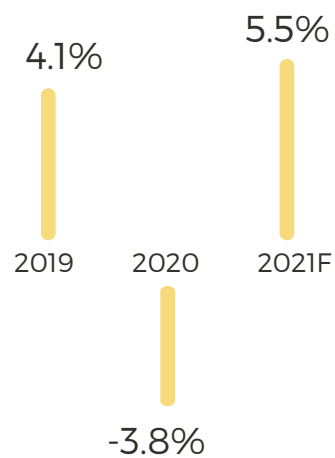
# POLAND AND CZECH - STRONG RECOVERY EXPECTED BEYOND 2020



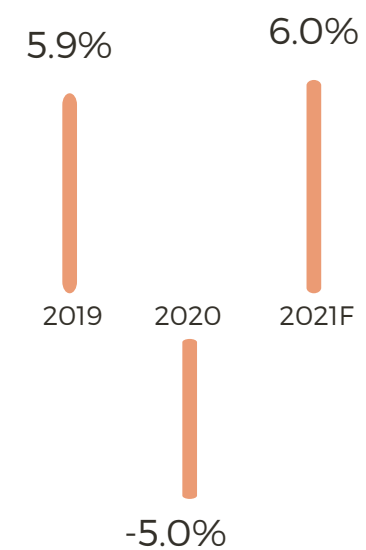
- CE countries go into the crisis in much better shape financially than Western Europe and responded quicker to COVID-19
- Poland and Czech implemented early and effective lockdowns and as a result have already been able to ease restrictions
- Growth contraction and fiscal support packages will see fiscal deficits and debt ratios spike, however Poland and Czech had moderate debt ratios to begin with
- Considerable hit from COVID-19:
  - GDP in Poland and Czech expected to be -3.8% and -6.3% respectively in 2020, **rebound expected in 2021 to +5.5% in Poland and +6.3% in Czech**
  - Retail sales growth in 2020 is expected to fall to -5.0% for Poland and -6.3% for Czech in 2020, **rebound expected in 2021 to +6.0% in Poland and +5.3% in Czech**

## Poland

GDP growth

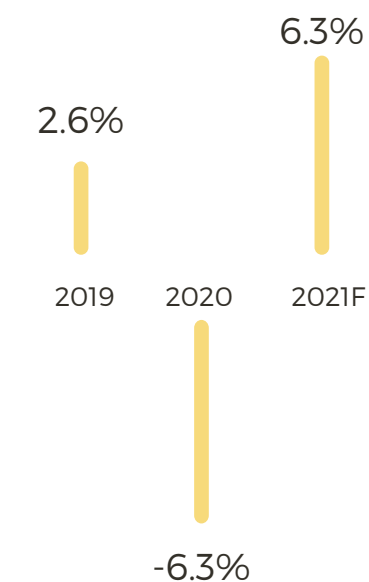


Retail sales growth

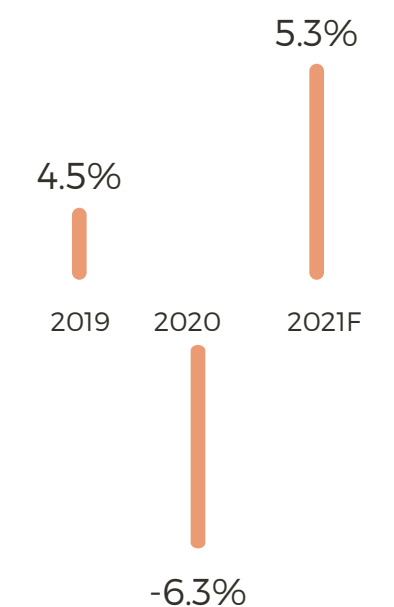


## Czech Republic

GDP growth



Retail sales growth









# STRATEGIC FOCUS AND FUTURE GROWTH: CE SIGNIFICANTLY ABOVE EUROPEAN AVERAGE



## Portfolio Repositioning - Strong Macro Environment and Urban Demographic Growth

- | High quality assets in strong urban locations
- | Focus on Poland and Czech – region's strongest economies
- | Scaling up in Warsaw and Prague – over 50% of the portfolio
- | 44% of our rent and over 43% of GLA is from well known global retailers
- | Strengthening the portfolio through extensions and portfolio rotation



## Operational Excellence

- | 26 assets managed by our internal professional team <sup>1</sup>
- | Strong, diversified range of retail and leisure operators that are appealing to consumers
- | Forging strong long term relationships with our tenants
- | Strong occupancy of 95.4%
- | Deep expertise in CE retail market, 385 employees, pro active hands-on asset management

<sup>1</sup> Arkady Pankrac is managed by an external manager



## Strong Financial Profile

- | 36.1% net LTV, 5.0 years average debt maturity, 2.9% cost of debt
- | €274m liquidity<sup>2</sup>
- | 72%/€1.8bn unencumbered standing investments
- | Investment Grade Rating
- | Next bond repayment of €242m in October 2022

<sup>2</sup> €40m cash, €234m unutilised credit facility as of today



# H1 2020 RESULTS





# COMPANY OPERATIONAL INDICATORS H1 2020



	H1 2020 (in €m)	H1 2019 (in €m)	Change (%/ppt)
Net rental income ("NRI")	71.4	92.4	(22.8)
NRI excl. impact of COVID-19 and disposals	93.1	92.4	0.7
EPRA Like-for-Like NRI	52.2	60.9	(14.2)
EBITDA	61.6	81.5	(24.4)
EBITDA excl. impact of COVID-19 and disposals	82.8	81.5	1.5
Company adjusted EPRA earnings per share (€ cents)	9.8	15.4	(36.4)
Occupancy rate (%)	95.4	97.0 <sup>1</sup>	(1.6)
Operating margin (%)	90.0	95.8	(5.8)

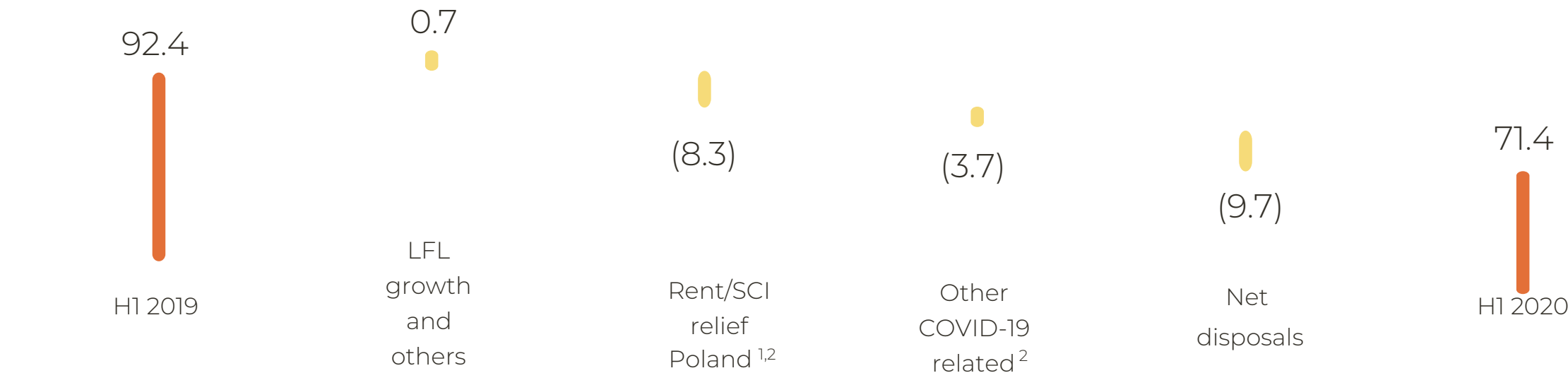


# NRI -€21m vs H1 2019: €12m COVID-19, €10m DISPOSALS, OFFSET BY €0.7m LFL GROWTH



## NRI decreased 22.8% due to COVID-19 and disposals

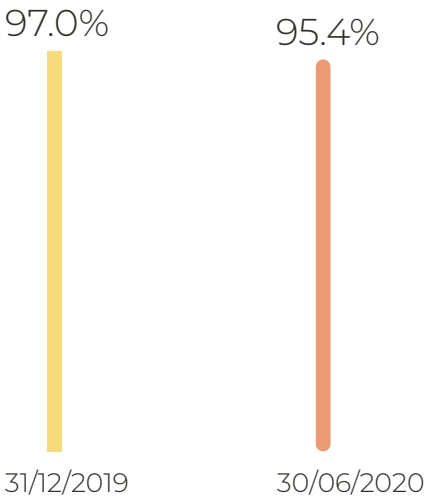
(in million €)



<sup>1</sup> Polish Government imposed rental/service charge relief for the lockdown period.  
<sup>2</sup> Rent concessions from 1/4/2020 were straight-lined over the remaining lease term.

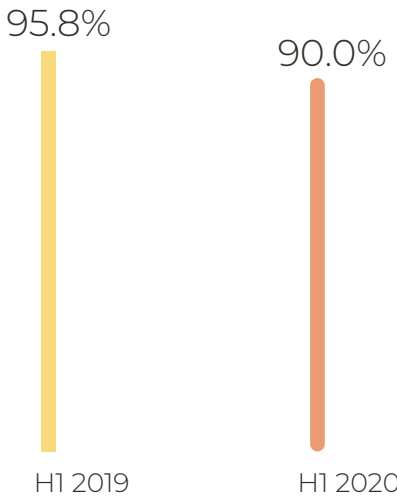
## 95.4% Occupancy (30/06/2020)

High occupancy due to proactive asset management and tenant support



## Operating margin

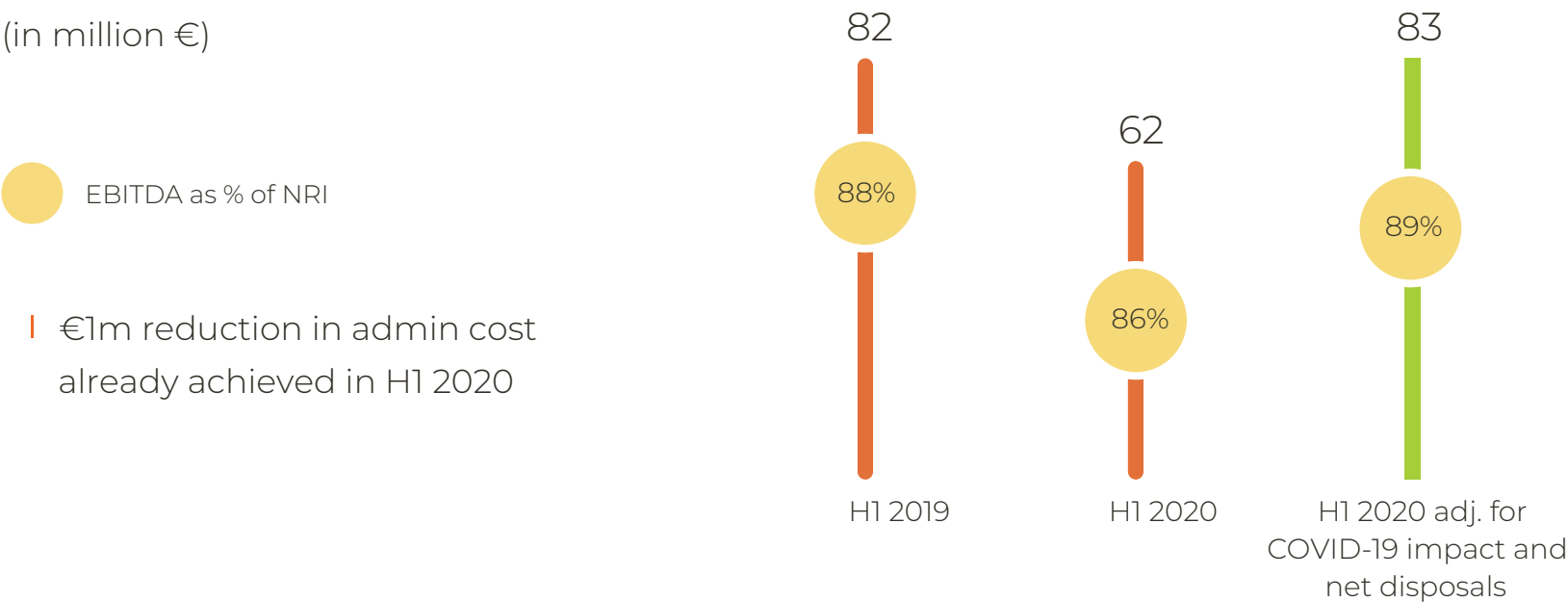
- 4.3% due to COVID-19 (Poland Government service charge relief)
- 1.5% redevelopments and others





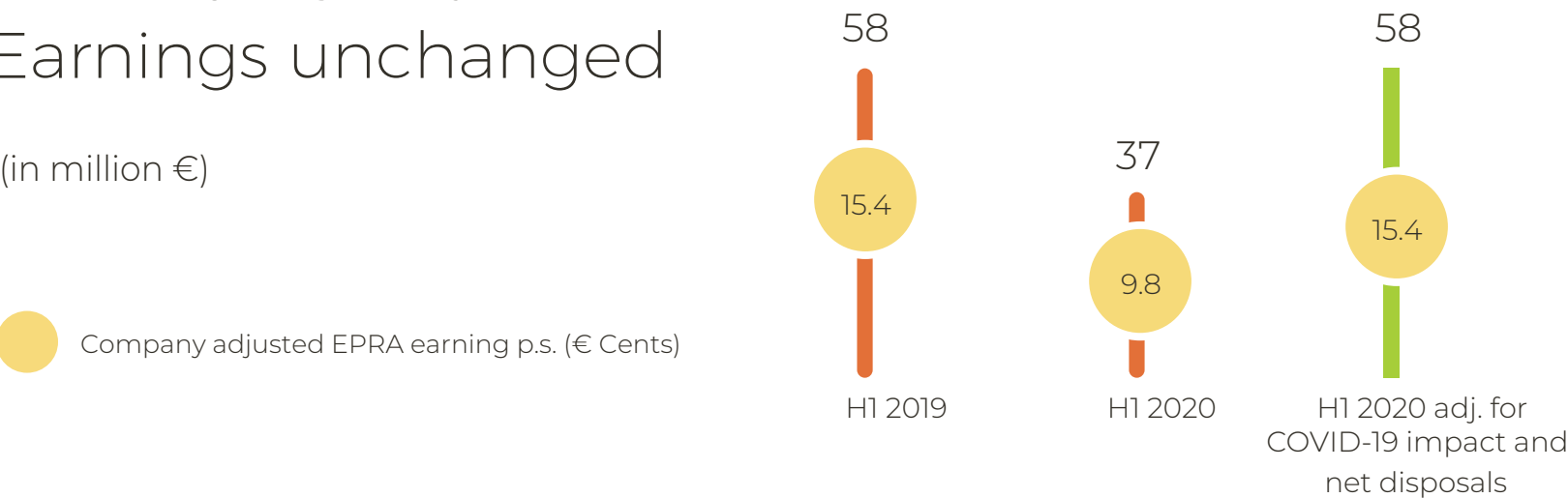
## Underlying EBITDA and EBITDA margin are stable

(in million €)



## Underlying Adj. EPRA Earnings unchanged

(in million €)





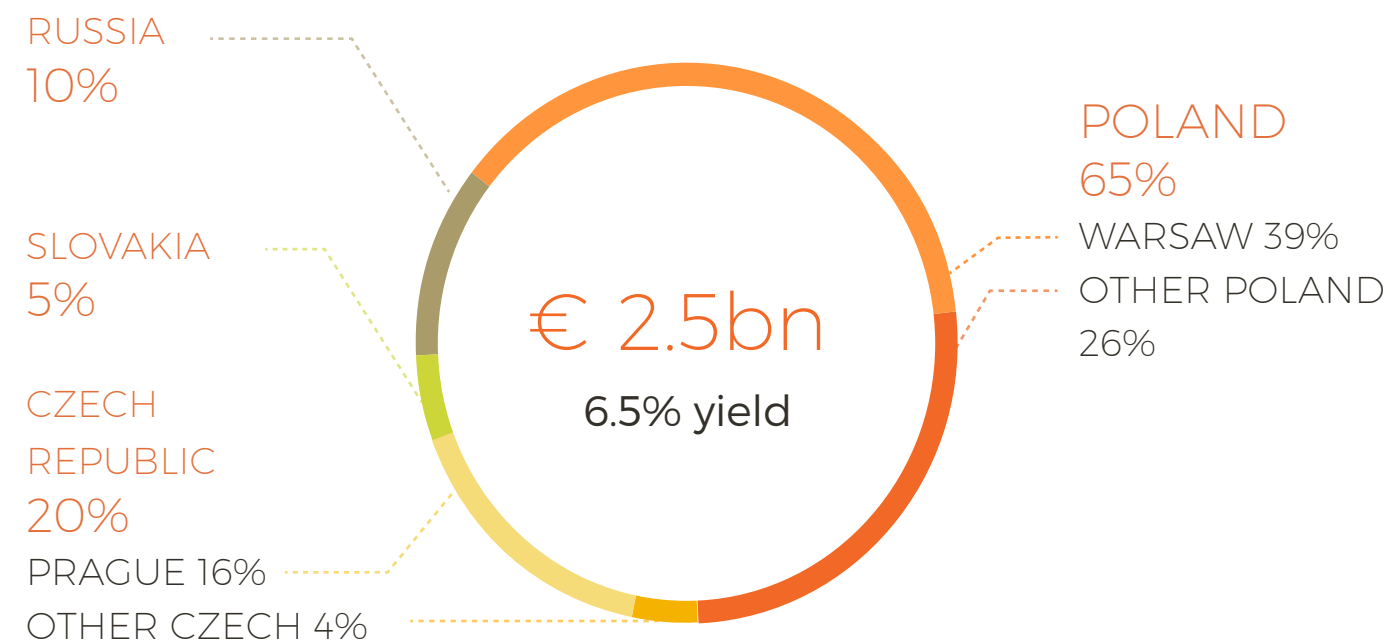
# RESILIENT WARSAW AND PRAGUE CENTRIC ASSET BASE



€88m devaluation - yield expansion and short term tenant support

- Warsaw Prague quality assets - more resilient
- Prague and Warsaw valuation change -2.7%, total portfolio excl. Russia -2.9%

## Portfolio overview



	Market value 30/6/2020 €m	Revaluation H1 2020 €m	Revaluation H1 2020 %	NEY <sup>1</sup> 30/6/2020
Warsaw	981	(26.7)	(2.7%)	5.3%
Other Poland	663	(26.9)	(3.9%)	6.7%
<b>POLAND</b>	<b>1,644</b>	<b>(53.6)</b>	<b>(3.2%)</b>	<b>5.9%</b>
Prague	408	(11.8)	(2.8%)	5.3%
Other Czech	102	(2.4)	(2.3%)	6.0%
<b>CZECH</b>	<b>510</b>	<b>(14.2)</b>	<b>(2.7%)</b>	<b>5.4%</b>
Slovakia	121	-	-	6.7%
<b>SUBTOTAL</b>	<b>2,275</b>	<b>(67.8)</b>	<b>(2.9%)</b>	<b>5.8%</b>
Russia	268	(20.1)	(7.0%)	12.7%
<b>TOTAL</b>	<b>2,543</b>	<b>(87.9)</b>	<b>(3.3%)</b>	<b>6.5%</b>

Property valuation is down  
**3.3%**

-2.0% market effect  
-1.3% one time cash flow effect

NEY  
**6.5%**  
up 10 bps

+12 bps on average in Warsaw and Prague  
+21 bps in other cities



# A STRONG FINANCIAL POSITION TO MANAGE LIQUIDITY NEEDS



€ 274m  
liquidity

36.1%  
Net LTV

Investment grade rating  
**BBB** (stable) Fitch  
**Baa3** (negative) Moody's

€40m cash

€234m available committed  
unsecured revolving facility

5.0 years weighted average maturity

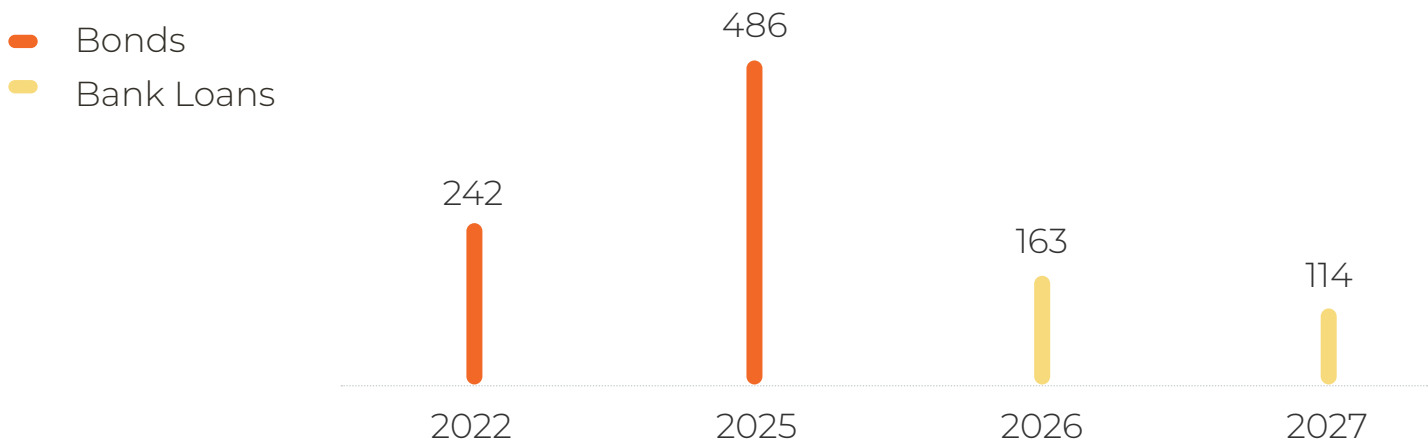
2.9% cost of debt

72% unencumbered standing investments

June 2020: €200m bond tap and €218m  
bond buyback extended maturity to 5 YR

## Bonds and loans maturities<sup>1</sup>

(in million €)  
Next bond repayment of €242m is not due until October 2022



<sup>1</sup> Excluding utilised revolver credit facility

## Significant headroom under the Bonds covenants

	Threshold	30/06/2020
Solvency ratio	< 60%	42.9%
Secured solvency ratio	< 40%	9.4%
Consolidated coverage ratio	> 1.5:1	2.25



# BUSINESS OVERVIEW / COVID-19 IMPACT



# PRE COVID-19 THE COMPANY CONTINUED TO PERFORM WELL

- | Strong LFL NRI of +3% in Poland and Czech<sup>1</sup>
- | Tenant sales +8% January / February
- | Footfall stable in January / February YoY
- | Q1 collection rate 98%
- | Portfolio Strategy execution continued with the sale of Atrium Duben in Slovakia for €37m

<sup>1</sup> Q1 2020 excl impact of COVID-19



# LOCKDOWN PERIOD (MID MARCH TO MAY / JUNE)

- | Shopping centres are closed
- | Company action plan
  - Implementation of health and safety measures
  - Dialogue with tenants on a joint solution
  - Capital expenditures reduction
  - Operational and administrative cost reduction
  - Postponement of Redevelopment investments
  - Extending liquidity: Bond refinancing
  - A voluntary scrip dividend programme





## I Operational performance

- 98% of the stores within our centres are open
- Tenant discussions extend into Q3 2020
- Footfall and sales gradually recovering to pre- COVID-19 levels
- Focus on collections, H1 2020 91% (Q1: 98%, Q2: 82%)

## I Liquidity and financial strength

- €40m cash, €234m unutilised credit facility as of today
- Next bond repayment of €242m in October 2022
- Net LTV 30/6/2020 36.1%, 5 YR maturity
- Completed the sale of 5 assets in Poland for €32m
- A voluntary scrip dividend programme for Q2-Q4 dividends





# MOMENTUM CONTINUES TOWARDS PRE-COVID-19 LEVELS



Consumers gain confidence in the public health measures that have been taken

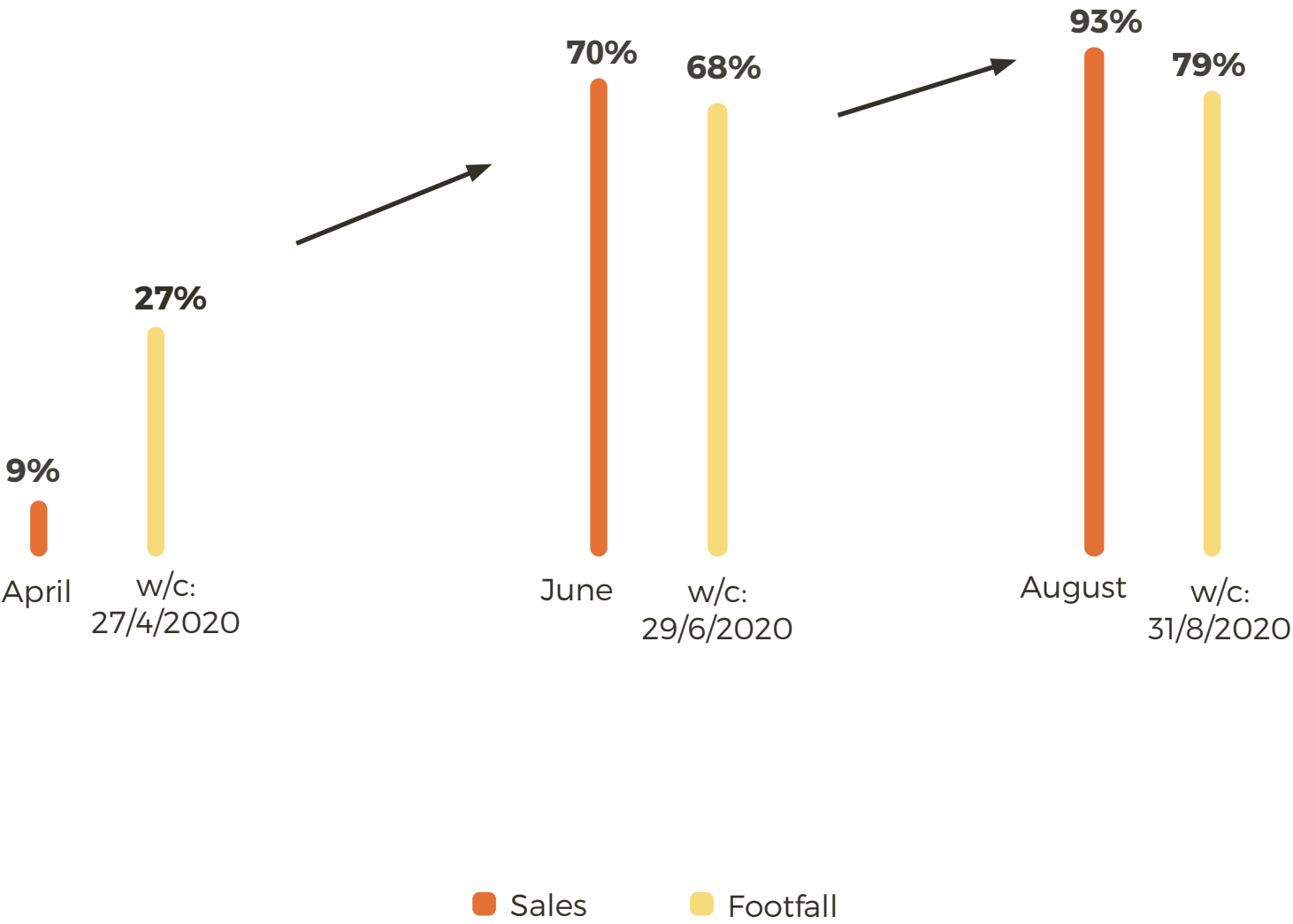
**August sales** at **93%** vs last year

**Footfall** at **79%** in the last week of August vs the same week in 2019

Sales are down less than footfall: Higher **conversion** and average **basket**

Positive trends in footfall and sales continue

Footfall and sales as a % of last year levels





# CHANGING RETAIL ENVIRONMENT





# CHANGING THE WAY CONSUMERS SHOP, WORK AND LIVE – COVID-19 IMPACT

- | Changes to free time and expected lower disposable income are influencing attitudes and behaviors
- | Discretionary spending across categories is anticipated to pull back
- | Consumers remain cautious about visiting public places post the pandemic
- | Health and safety priorities are a strategic differentiator
- | Safety measures implemented by Atrium



Visible sanitizing stations



Vending machines for staff and customers to buy protective masks and gloves



Communication about safety measures and hygiene products visible in all centres





# CHANGING WHAT AND HOW CONSUMERS BUY

Consumers are shopping more consciously and efficiently



- Greater awareness of the environment, health and cost
- Atrium advertised “discount” days in 7 major centers in Poland

Efficient shopping motto to reduce sales journey and improve customer experience



Put in place changes that help consumers feel more comfortable in stores, and encouraging them to return

Increased demand for local goods, redefining relationships between retailers and communities



- We are engaged in community involvement programmes
- Opened Fifth Dimension local community centre in Atrium Promenada
- Community workshop projects running during holiday periods

Less people inside with greater shopping done at a time



Higher conversion and average basket

Increase in online retailing during COVID-19, might have a long term impact



- Increased investment in omnichannel services and capabilities
- Improved shipping options are engaged in community involvement

Enhanced customer engagement for greater conversions



- Wars Sawa Junior: vine outdoor, wine & food festival
- Atrium Biata: introduction of “beach space”, roller-skating rink
- Atrium Pardubice: food truck festival



# ATRIUM BY 2024

CORPORATE STRATEGY

Announced on 26/2/2020





# Mission

# Capital structure

- 1 Continue the rotation of the retail portfolio into prime dominant assets in major cities
- 2 Reinforcement of dominant retail assets via redevelopments and residential for rent densification
- 3 Diversification into modern, purpose built residential for rent assets in our core geographies

- | Capital recycling of non core retail assets and land bank into residential for rent
- | Optimal balance sheet - extending debt maturity
- | Long term net LTV c. 40%



## 2024 Portfolio

- | A unique Warsaw/Prague portfolio of 60% retail / 40% residential for rent
- | Cash generating and resilient retail portfolio with a sustainable LFL growth
- | First class retail/residential destinations for our retailers, customer and residents
- | Being at the heart of our communities





# ATRIUM 2014-2024 - THE JOURNEY CONTINUES



## ATRIUM 2014



## ATRIUM 30/6/2020<sup>1</sup>



## ATRIUM 2024

RETAIL 100%

CEE  
PORTFOLIO



30%  
WARSAW  
& PRAGUE

7 COUNTRIES  
PORTFOLIO

€2.6<sub>bn</sub> 8.0%<sub>yield</sub>

NO. OF ASSETS

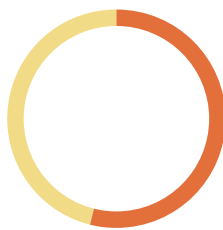
153

AVG. ASSET VALUE

€17M

RETAIL 100%

Centralized  
URBAN  
PORTFOLIO



55%  
WARSAW  
& PRAGUE

DOMINANT ASSETS WITH  
DENSIFICATION POTENTIAL

€2.5<sub>bn</sub> 6.5%<sub>yield</sub>

NO. OF ASSETS

26

AVG. ASSET VALUE

€98M

<sup>1</sup> Excluding assets classified as held for sale

RESIDENTIAL  
TO RENT

40%



WARSAW/PRAGUE  
PRIME SHOPPING  
CENTRES

60%

RETAIL STRATEGY  
CREATING VALUE THROUGH  
A REDEVELOPMENT AND  
DENSIFICATION PIPELINE

RESIDENTIAL STRATEGY

TARGET 5,000 UNITS

MAJOR CITIES, WARSAW CENTRIC



# RESIDENTIAL FOR RENT: CAPITILIZING ON THE EMERGING POLISH RESIDENTIAL RENTAL MARKET



## INVESTMENT THESIS

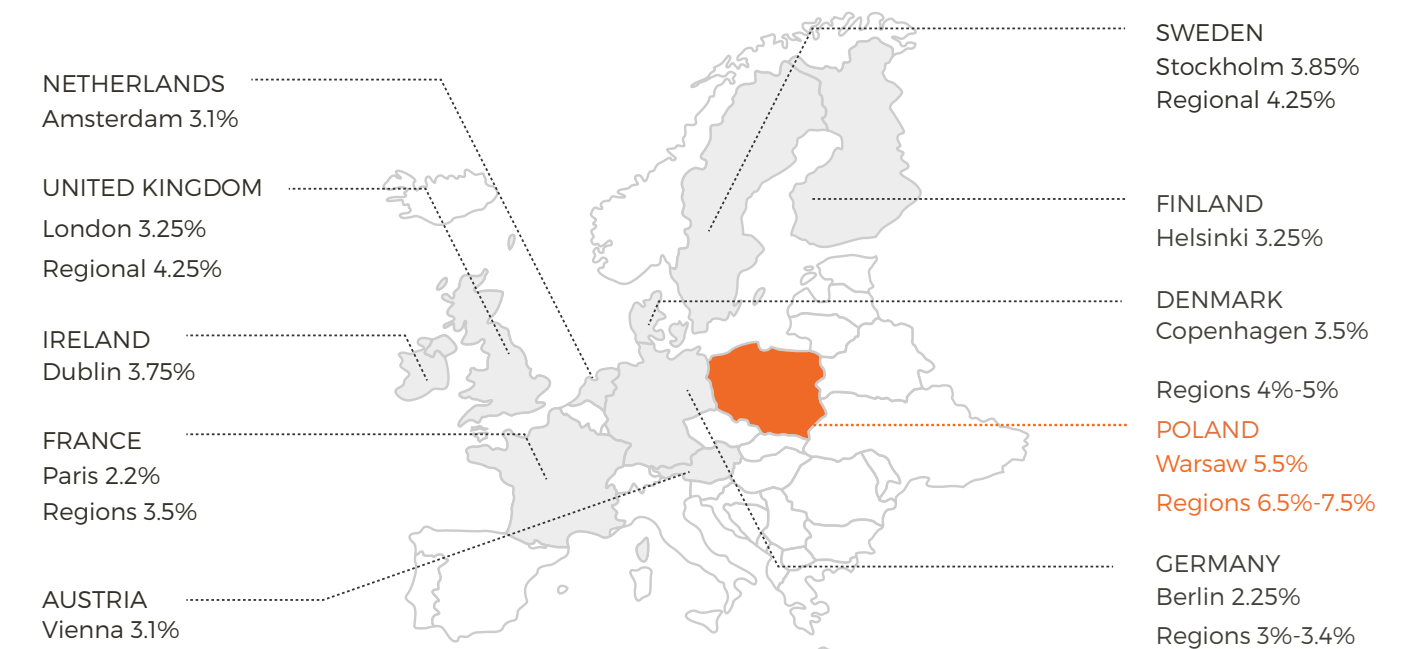
- | Capitalizing on growing residential for rent market
  - Strong demographic fundamentals
  - Largest business service center in CE
- | Diversifying our sources of income
- | Focus on high quality build to rent products
  - size and management efficient
  - client experience
  - on-site amenities.
- | First mover advantage
- | Leveraging our local management team skills

## ATTRACTIVE RETURNS

- | Attractive going in yields of 5.5% compared with <4% in comparable European cities
- | Robust rental growth creates an opportunity for value uplift
- | Superior return on investment

## ATTRACTIVE GOING IN YIELDS COMPARED WITH OTHER EUROPEAN CITIES

Prime yields in the BtR sector



Source: CBRE, Q2 2020, CBRE Q2 2020, Q3 2019



# WHY WARSAW?



## UNDERDEVELOPED RENTAL MARKET

- | 10-12% residential for rent stock
- | Fragmented ownership, primarily by private investors
- | Supply shortfall



Growth Engine #1  
DEMOGRAPHIC  
AND LABOR MARKET

1.8m

Inhabitants

4%

expected population  
growth in the  
coming years

Increase in The  
Average Salary y/y

4.5%



Growth Engine #2  
SERVICE CENTERS

Business Service  
Centers in Warsaw

279

Employees in the  
Service Sector

64,000

Job Creation CAGR  
2016-2020

14%



Growth Engine #3  
EDUCATION

Students and Graduates

267,600

Universities  
and Colleges

69



# SUMMARY





A CE portfolio focused on quality urban assets in Warsaw and Prague, representing long-term growth opportunities, both in retail and through diversification into residential for rent

Strong liquidity and financial flexibility

Robust recovery forecast in CE economies in 2021

€2.5bn

standing investment  
portfolio

€1.6bn  
Poland

€1bn  
5 assets Warsaw

€0.5bn  
Czech

€0.4bn  
2 assets Prague

Net LTV  
36.1%

with financial flexibility

Strong liquidity:

€40m  
cash

€234m  
unutilised credit facility

95.4%  
EPRA occupancy

5.3 yr  
WALT





# APPENDICES




































# APPENDIX 1: TOP 15 TENANTS\* - WELL-KNOWN GLOBAL RETAILERS



A healthy diversified tenant mix

% OF ANNUALISED RENTAL INCOME	GROUP NAME				
4%	LPP				
3%	Hennes & Mauritz				
3%	AFM				
3%	Carrefour				
2%	Metro Group				
2%	TJX Poland Sp. z o.o.				
2%	A.S. Watson				
2%	Tengelmann Group				
2%	CCC				
2%	M.Video				
1%	EM&F Group				
1%	Sephora				
1%	Inditex				
1%	New Yorker				
1%	Douglas				
30%	TOP 15 TENANTS				

\*As at 30/06/2020



# APPENDIX 2: MACRO OVERVIEW OF OUR MARKETS

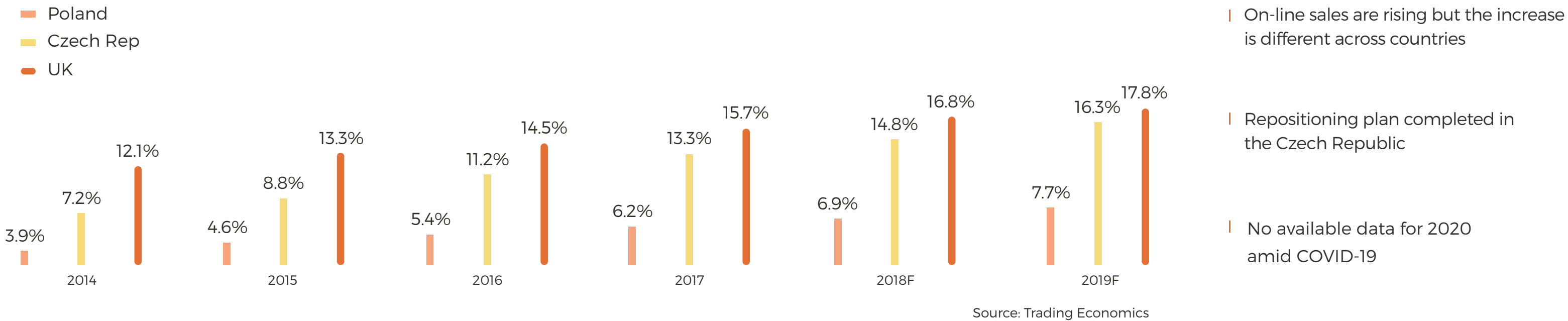
Macro Indicator	Poland	Czech Republic	Russia	Slovakia	Total / Average <sup>1</sup>	France	Germany
2019 population (million people)	37.8	10.7	145.9	5.5	199.9	65.1	83.5
2019 real GDP growth (%)	4.1%	2.6%	1.3%	2.3%	2.6%	1.3%	0.6%
2020F real GDP growth (%)	-3.8%	-6.3%	-5.0%	-7.5%	-5.6%	-3.8%	-6.0%
2021F real GDP growth (%)	5.5%	6.3%	4.0%	6.8%	5.6%	2.7%	6.5%
2019 unemployment (%)	3.3%	2.0%	4.6%	5.8%	3.9%	8.5%	3.2%
2020F unemployment (%)	11.4%	7.5%	7.7%	8.3%	8.7%	12.4%	4.5%
2021F unemployment (%)	10.6%	5.5%	7.5%	6.8%	7.6%	9.8%	3.6%
2019 inflation (%)	3.4%	3.2%	3.0%	3.2%	3.2%	1.6%	1.5%
2020F inflation (%)	1.7%	1.6%	3.9%	1.4%	2.1%	-0.1%	0.3%
2021F inflation (%)	3.6%	2.2%	3.5%	1.3%	2.6%	1.4%	1.3%
2019 retail sales growth (%)	5.9%	4.5%	7.8%	4.7%	5.7%	2.5%	0.8%
2020F retail sales growth (%)	-5.0%	-6.3%	-2.7%	-6.7%	-5.2%	-8.1%	-12.5%
2021F retail sales growth (%)	6.0%	5.3%	10.8%	6.9%	8.1%	8.0%	2.7%
2019 consumer spend growth (%)	3.9%	3.0%	2.5%	2.1%	2.9%	1.2%	1.6%
2020F consumer spend growth (%)	-7.0%	-7.8%	-8.0%	-9.3%	-8.0%	-9.4%	-11.7%
2021F consumer spend growth (%)	6.0%	5.3%	5.5%	4.3%	5.3%	6.7%	3.5%
Country rating / outlook – Moody's	A2 / stable	Aa3 / stable	Baa3 / stable	A2 / stable	n.a.	Aa2 / stable	Aaa / stable
Country rating / outlook – S&P	A- / stable	AA- / stable	BBB- / stable	A+ / negative	n.a.	AA / stable	AAA / stable
Country rating / outlook – Fitch	A- / stable	AA- / stable	BBB- / stable	A / stable	n.a.	AA / negative	AAA / stable

Source: IMF, Eurostat, Oxford Economics, PMR, C&W, Capital Economics

<sup>1</sup> Simple arithmetic average for comparison purposes



E-commerce penetration



	CE	Western Europe	US
Shopping Centre space (sqm millions)	15.9	109.7	674.2
Population (millions)	64.3	397.5	327.2
Shopping Centre per 1,000 capita per sqm	248	276	2,060

Supply of shopping centers per capital within CE is significantly lower with strong opportunities for growth



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