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CAST.ST - Castellum AB to Discuss Increased Offer for Entra ASA -
Q&A Presentation

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CORPORATE PARTICIPANTS

Henrik Saxborn *Castellum AB (publ) - CEO*

Ulrika Danielsson *Castellum AB (publ) - CFO*

PRESENTATION

Henrik Saxborn - *Castellum AB (publ) - CEO*

Good morning, everyone. This is Henrik Saxborn at Castellum. The morning of the 21st of December 2020. We would like to give you updated -- the same introduction actually as we did Friday afternoon about our sales to Blackstone as well as to our new bid on Entra. So we will simply go through this quickly and then open for Q&As. So we can take the next slide, please.

Okay. We're doing 2 things here now, and I think it's good for explanation that we go through them rapidly again. We simply have agreed with Blackstone to sell 214 assets in 2 ranges. The first SEK 5 billion is sold whatever happens is 39 assets. And the second part is then up to SEK 13 billion, it's -- that we're selling when if we are acquiring Entra. This is done to a value uplift of 20% compared with our booked values. And then of course it's creating a value approximately about SEK 3 billion. So the first part of that is signed. And of course, this will affect our balance sheet in the Q4. And then you have the reversed offer on Entra. Here we simply increase our bids to approximately NOK 185, and it's done by that we have -- you can -- we're going to issue 8 new Castellum shares to every 13 shares of Entra, and we will also pay approximately NOK 54.4 to the shareholders. So that's the simple thing. So simply selling to Blackstone, uplift of 20% and then increasing the bid to Entra to NOK 185.

The next slide, please. The rationale behind doing this is, of course, that it gives us a fantastic company. It gives us the possibility to create something that hasn't been done before. And it also creates a possibility to be one of the strongest actors in the Nordics in office and logistics. Looking at the numbers, you can see then that we're creating synergies approximately SEK 300 million. We are creating a portfolio of approximately SEK 232 billion. This gives us a new rating for the Castellum part that will be in positive. It will give us Baa1 target to the total company, and that's part of the synergies we create. So simply one of the largest or the largest actor in the Nordics. We also have done the tenant side, creating something with 40% of the income coming from the public sector. And on top of that, we are giving us the opportunity to be more active in the logistics sector with building rights we already have there because we are saving approximately SEK 5 billion in the portfolio, and we are also saving the development pipeline in Stockholm and Gutenberg, especially up to 1 million square meters.

And this is not like 2 companies that is in need of doing this. This is 2 companies that can together create something fantastic. It's the sustainable champions. It's blue chip companies, somewhere who is on the top of also creating the next future on prop tech side. So the next slide, please.

On the next slide, you can see simply what we are selling and uplift on the values. And I think it's extremely important to understand, of course, that we are selling only SEK 5 billion if the Entra deal doesn't go through. But of course, we are targeting the Entra deal and then now selling up to in value than SEK 19 billion. And this is the 20% uplift from the booked values we have. It's achieved on approximately 4.7%. If anyone thinks they are high, as you can also imagine that this is a mix of different assets quality, and that is some of the assets is something that we have been and have had in the balance sheet for 25 years. Some of it's the high quality new ones we are building. [Some of it] is not logistics, in our view, it's more obvious or some is retail.

So this is a mixed portfolio. And the yield is of course going from approximately plus 4% to a little bit plus 5% in the mixed part of the portfolio. So this is showing the value that we carry in the existing Castellum balance sheet also going forward.

Okay. can take next slide, please. And then, the future, we list this in Castellum. With the sales, I think we actually can accelerate being more into new constructions, being a better partner for the existing logistic actors, and we already have the development pipeline approximately to 1 million square meters, and we are negotiating new deals on top projects that we hopefully can close the next coming years. So that combined -- that is that it gives us a opportunity to create almost the same volume that we are selling going forward up to 1.4 million square meters.

And as you know, we can create them, building approximately at 6.8% to plus 7% yield when we're doing new constructions. And with this, we have proven that the profit of doing that development is around then 30% and upwards.

Next slide, please. And the vision of what we're doing is the same as the 1 month ago. As I said earlier this is simply something we can't refuse of trying to do, it's creating one of the best in there -- bluechip company in the Nordics on the office and logistics sector. It will create new investment opportunities, but we already together in the combined new company create -- have a development pipeline that is the largest on office side in Nordics. We will also of course then have a road map on the sustainable road, that is one of the leading ones in Europe, maybe even globally. We will also try to create the best prop tech future for these companies and for our customers. We strongly believe that it's not about buying and selling assets going forward, but actually serving the customers to be attractive on flexibility, on prop tech, on sustainability, and this will give us the opportunity. On top of that, we are actually creating one of the strongest balance sheet that gives us the opportunity to give that back to the shareholders in some way going forward.

Next slide, please. And with that, I open for questions from the audience. Thank you.

QUESTIONS AND ANSWERS

Ulrika Danielsson - Castellum AB (publ) - CFO

We have one question here, Henrik. Are you working only with the Board or also with only -- not on the Board?

Henrik Saxborn - Castellum AB (publ) - CEO

No. We have been in contact with largest owners in Castellum and on the Entra side during this. I must say this has been calm and very good process from our side. We had to be on the sideline a little bit during the 2 to 3 weeks here. But in spite of that, we have been very, very calm and good process.

Ulrika Danielsson - Castellum AB (publ) - CFO

Another question. How do you intend to address the 50% blocking state value has in Entra given this new bid is not much higher than their average entry price.

Henrik Saxborn - Castellum AB (publ) - CEO

As I said, I think this will -- creates value for all shareholders. It's approximately 100,000 shareholders in the 2 companies, and (inaudible) is one of them. And hopefully, they will see the value that we see in doing this deal.

Ulrika Danielsson - Castellum AB (publ) - CFO

Then a question here regarding the sold portfolio, the 4.7%. Is the 4.7% yield on the sold portfolio the net initial yield or the valuation yield? If it's not the net initial yield, what is it? And what is the net initial yield on the SEK 5 billion and on the SEK 13.2 billion on the 2 different part?

Henrik Saxborn - Castellum AB (publ) - CEO

Yes, it's net yield. And the combined one is more or less the same as the small portfolio we're selling. So there are no differences. And the value uplift is the same on the 2 parts of the portfolio as well.

Ulrika Danielsson - *Castellum AB (publ) - CFO*

A new question then. How long would Castellum shareholders need to wait for the target synergies to show some P&L?

Henrik Saxborn - *Castellum AB (publ) - CEO*

Yes. It's a lot of buckets in here, but you can calculate it like we did it in Norrpotten AB. Approximately 2 years is the calculated time for this.

Ulrika Danielsson - *Castellum AB (publ) - CFO*

Yes. We have one more question. Is the 50% loan-to-value long-term target impact after the combination, will you target something more conservative like 45%?

I can say here that we have the 50% as a policy. But in reality, we also have a rating that first that we should be around or not above 45%. However, calculated in a more conservative way, of course. And that means that is more of the guidance. The deal as it is now is more that we target the same LTV as Castellum has today after the deal is done. But since we of course dispose a lot of assets, that means that we are going down in the LTV level even further. And that, of course, indicates that we have a lot of liquidity that could be used in the strong balance sheet to do further investment for the new group or give some of it back to our shareholders. So we have a very, very good and strong position.

Another question. Would you expect the Entra Board to be recommending this revised offer?

Henrik Saxborn - *Castellum AB (publ) - CEO*

That is still to be seen. I can only say that during this process, we have had dialogue with Board and the management from Entra.

Ulrika Danielsson - *Castellum AB (publ) - CFO*

Another question. What's the lowest acceptance threshold you would be willing to go to if some of the larger Entra holders don't want to accept the bid?

Henrik Saxborn - *Castellum AB (publ) - CEO*

We have one bid out in the market and it's 90%.

Ulrika Danielsson - *Castellum AB (publ) - CFO*

Now it seems like there are no more questions coming into -- to us. That's was the last one.

Henrik Saxborn - *Castellum AB (publ) - CEO*

Okay. And then we thank you, everyone, who has been listening this morning, 21 of December 2020, and wish you Merry Christmas. Thank you very much.

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