



CREATING  
GREAT  
PLACES

# COMPANY PRESENTATION

JUNE 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

CE portfolio focused on quality urban assets in  
Warsaw and Prague

Conservative Balance sheet with strong liquidity

€2.6bn

standing investment  
portfolio

€1.7bn  
Poland

€1bn  
5 assets Warsaw

€0.5bn  
Czech

€0.4bn  
2 assets Prague

34.5%<sup>1</sup>

net LTV

€446m

Cash and RCF

€328m as at 11/6/2020

72%/€1.9bn

unencumbered assets

4.6 yr

average maturity

<sup>1</sup> Based on portfolio fair value of 31 December 2019

The portfolio figures exclude 5 assets classified as held for sale



# Q1 2020 RESULTS OVERVIEW



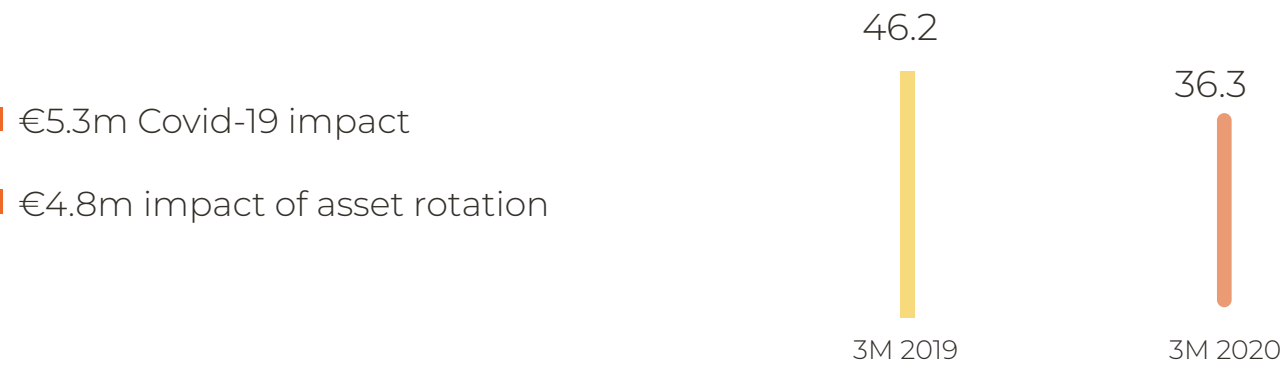


LFL Net rental income excl. the impact of Covid-19



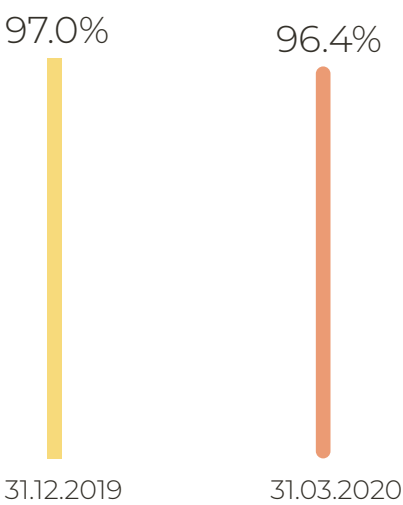
- +3.0% Poland and Czech
- +1.9% Group LFL NRI
- +2.1% Group LFL NRI excl. held for sale assets
- Russia- impact of previously announced anchor retenancing

Underlying net rental income broadly flat  
(in million €)



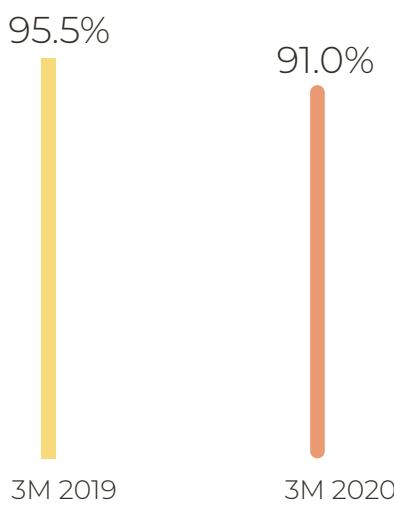
96% Occupancy  
(31/03/2020)

Occupancy remained strong at 31/3/2020 (no Covid-19 impact yet seen)



Operating margin

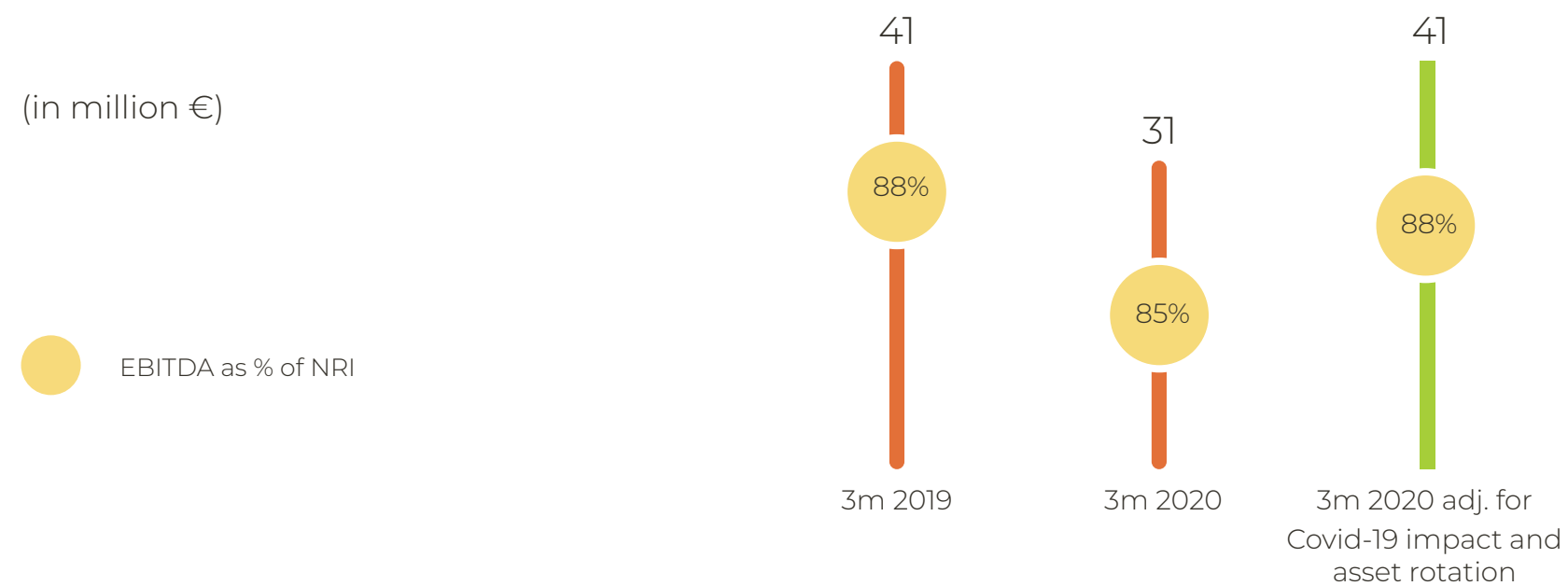
Covid-19 (Poland) and redevelopments impacted the Group operating margin



# EARNINGS: AFFECTED BY THE DECREASE IN NRI

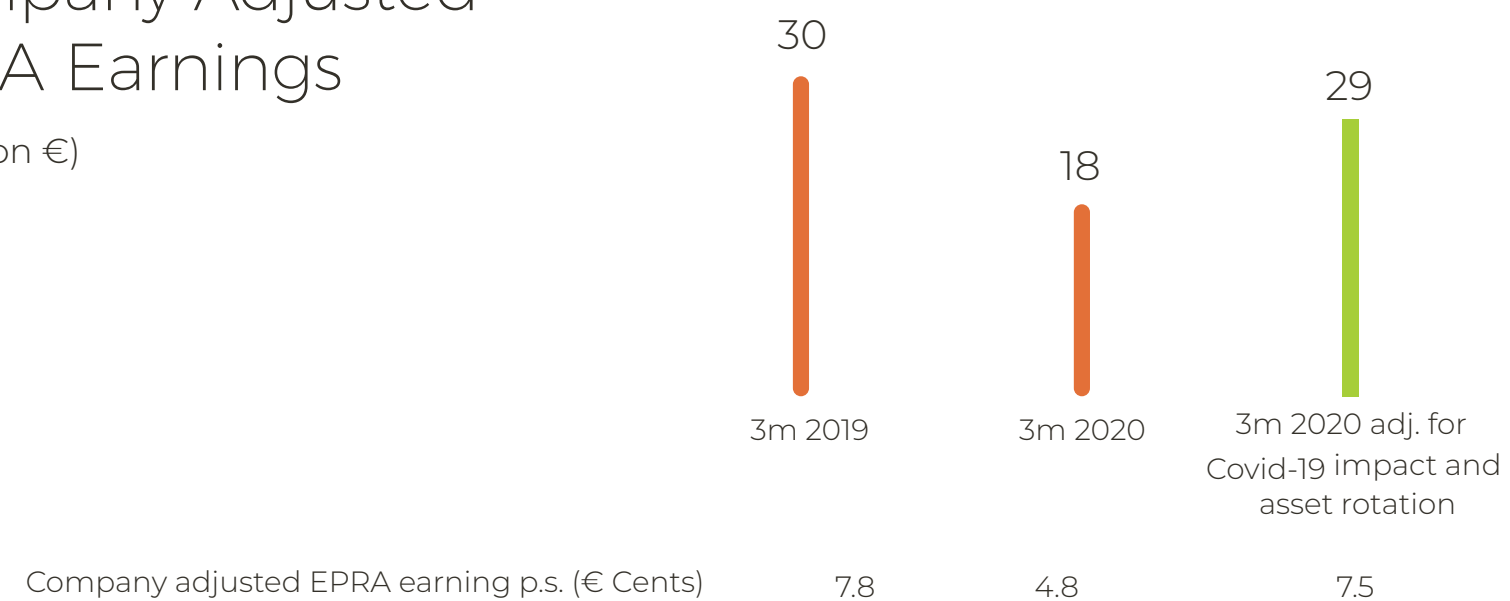
## Underlying EBITDA margin flat at 88%

(in million €)



## Company Adjusted EPRA Earnings

(in million €)

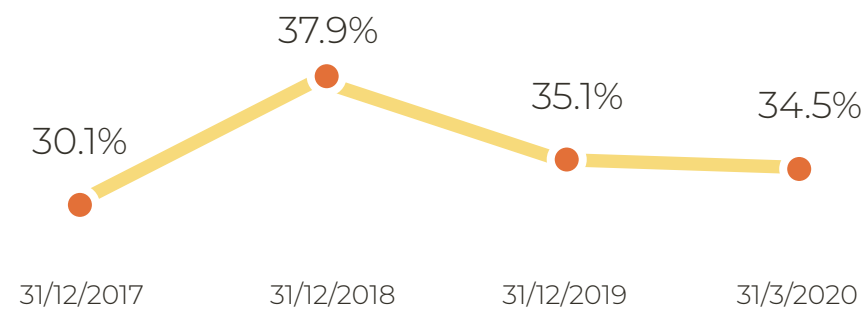


# A STRONG FINANCIAL POSITION TO MANAGE OUR LIQUIDITY NEEDS DURING THE COVID-19 PANDEMIC



Net LTV 34.5%<sup>1</sup>

40% remains our long term target



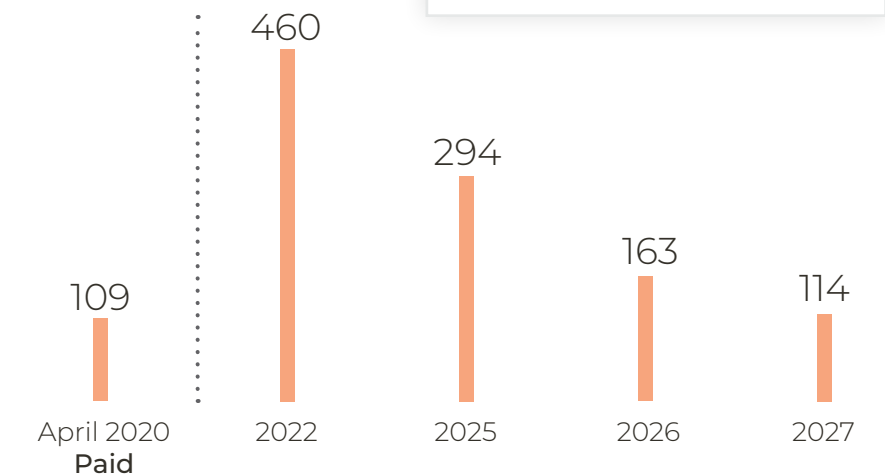
€446m<sup>2</sup> cash  
31/3/2020

<sup>2</sup> Revolving credit facilities fully drawn, €133m bonds settled by April 2020

Bond and loan maturities  
(in million €)

Next bond repayment is not due until October 2022

4.6<sup>3</sup> years  
average maturity



<sup>3</sup> Post bonds repayment in April 2020

## Financial Performance Indicators

EPRA NAV per share

€4.92<sup>1</sup>

31/12/2019 €4.96

Cost of Debt

c. 3%

Borrowings  
(as at 31/03/2020)

Bonds	€863m
Loans	€300m
RCF	€300m

72%/€1.9bn  
unencumbered  
standing investments

€1.5bn  
Total Debt

Moody's: Baa3 (negative)

Fitch: BBB (stable)

<sup>1</sup> Based on portfolio fair value of 31 December 2019

# COVID-19 IMPACT



**Reopening of our shopping centres: 86% GLA is open in Poland, Czech and Slovakia and is expected to increase progressively, whilst footfall is also gradually increasing**

- Opening dates: Poland 4 May, The Czech Republic 11 May, Slovakia 20 May, Russia - our 2 shopping centres in Moscow opened on 1 June
- 85% GLA is open in Poland, 88% in Czech and 91% in Slovakia
- The trading indications are positive and customers are reacting positively to the new safety rules

**Government imposed trading restrictions have been applied to shopping centres in all our countries of operations**

- In Poland, tenants can receive mandatory rental and service charge relief in exchange for lease extensions of 6 months + the time that the unit was in an enforced closure
- The Czech government approved a rent subsidy program for April-June where 50% of the rent is paid by the state, 20% by the tenant and 30% landlord
- In Russia, the rent for the closed period and 50% of the rent until October 2020 will be deferred to 2021-2023

90% of rent due for Q1 2020 was collected, 72% of rent due for April (20% of rent roll including one time Polish imposed rent relief) and 62% for May (24% of rent roll)



# COVID-19 – WHERE THE COMPANY STANDS

Atrium's management believes the Company is well placed to cope with the Covid-19 pandemic

In addition to a portfolio of high-quality assets, Atrium is in a strong financial position with sufficient liquidity to enable it to continue its operations and meet its obligations

## Strong financial flexibility

- | Cash balance of €328m as of 11/6/2020, revolving credit facilities fully drawn
- | 72%/€1.9bn unencumbered assets
- | Low net LTV of 34.5%<sup>1</sup>
- | €133m bonds matured and settled by April 2020, next bond repayment is not due until October 2022

## Atrium action plan

- | **Cost reduction and cash preservation**
  - Significant reduction in non-essential capital expenditures of approx. €15m to €11m for 2020, €3m reduction in operational costs and €2m in administrative costs
  - €54m of planned investment in redevelopments for 2020 postponed to 2022/2023
- | **Continuous dialogue with our tenants about a joint approach to address the challenges that Covid-19 is presenting**
- | **A voluntary Scrip Dividend Programme for each of the Q2, Q3 and Q4 2020 dividend distributions**

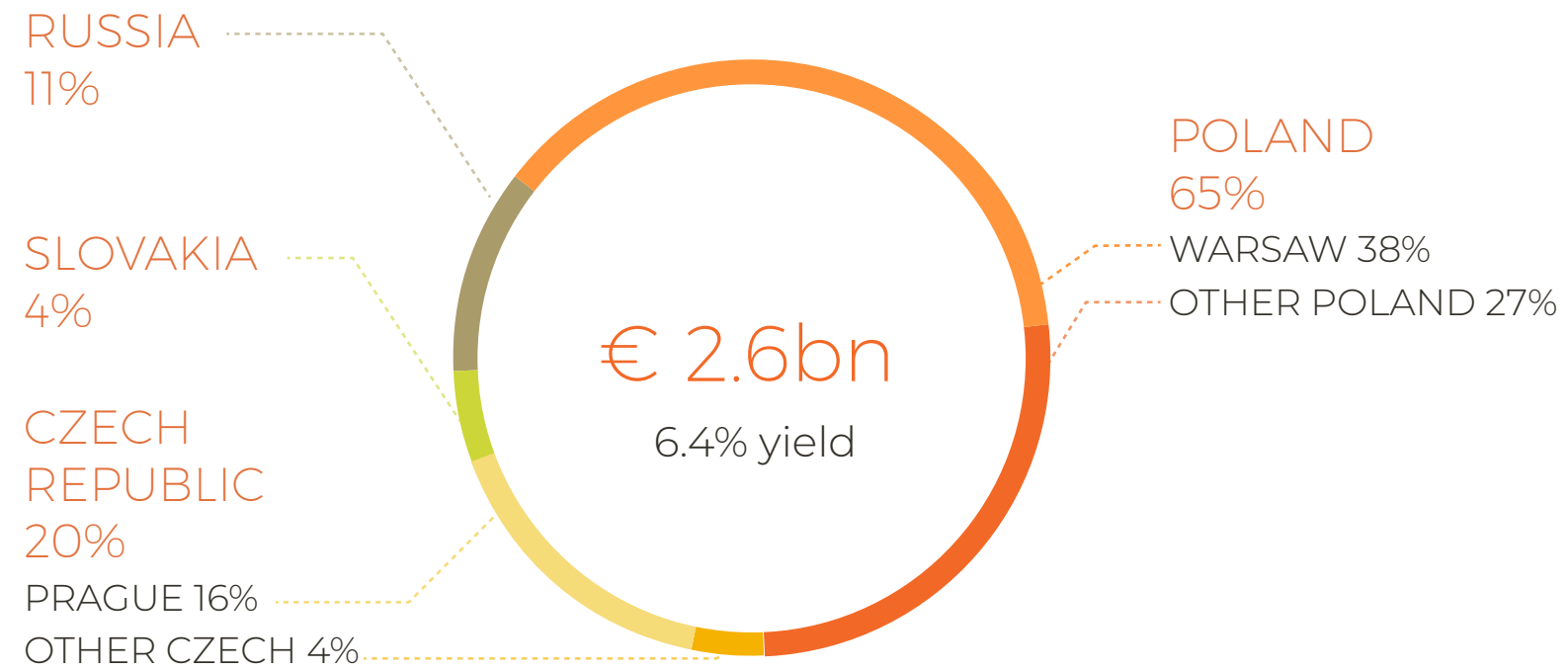


# FOCUS ON POLAND AND THE CZECH REPUBLIC





# PORTFOLIO OVERVIEW, WARSAW AND PRAGUE CENTRIC ASSET BASE



The portfolio figures exclude 5 assets classified as held for sale, an agreement was signed with completion expected in the third quarter of 2020

	Dec. 2019 Market value €m	Net equivalent yield %
Warsaw	1,006	5.2%
Other Poland	689	6.5%
<b>POLAND</b>	<b>1,695</b>	<b>5.7%</b>
Prague	418	5.1%
Other Czech	104	5.8%
<b>CZECH REPUBLIC</b>	<b>522</b>	<b>5.3%</b>
Slovakia	121	6.7%
Russia	287	12.8%
<b>TOTAL</b>	<b>2,625</b>	<b>6.4%</b>





# CONTINUED ASSET ROTATION INTO PRIME DOMINANT ASSETS IN MAJOR CITIES



- | **2014 to date:** €0.5bn prime assets purchased, €0.8bn secondary assets sold
- | **2019:** €0.4bn secondary assets sold at or above book value, King Cross, our 5th asset in Warsaw purchased for €43m
- | 29% in Warsaw and Prague in 2014 → 31/03/20: 54%

## WARSAW THE HEART OF POLAND <sup>1</sup>

	WARSAW	POLAND
Nr of inhabitants	1.8m	38m
Average monthly salary	€1,586	€1,143

## PRAGUE THE HEART OF THE CZECH REPUBLIC <sup>1</sup>

	PRAGUE	CZECH
Nr of inhabitants	1.3m	10.7m
Average monthly salary	€1,667	€1,326

31/03/20:  
38% in Warsaw

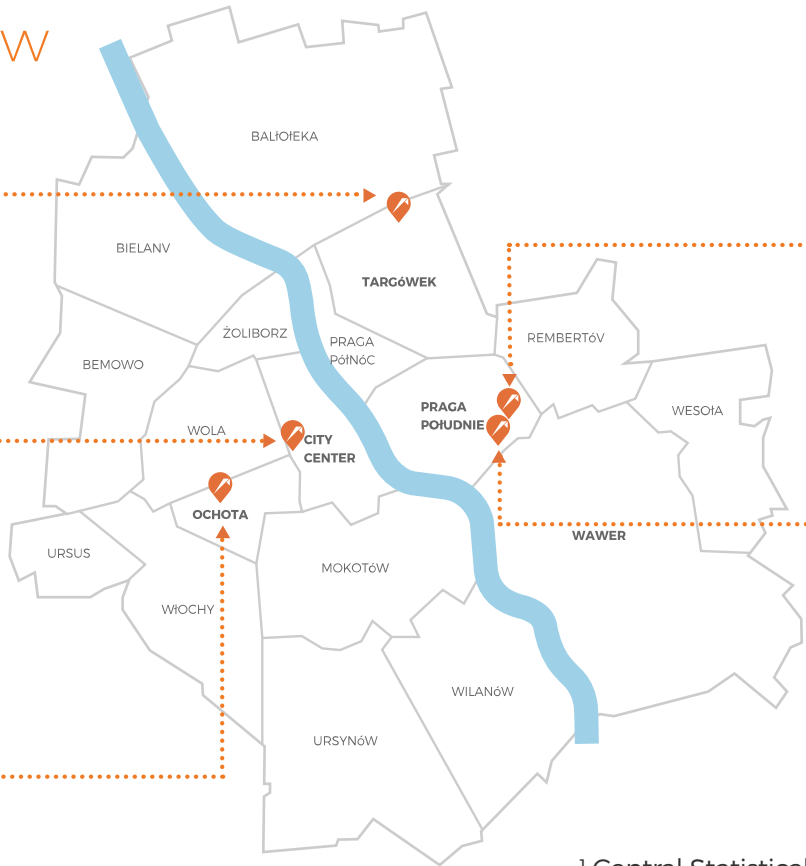
Atrium Targowek



Wars Sawa Junior



Atrium Reduta



King Cross

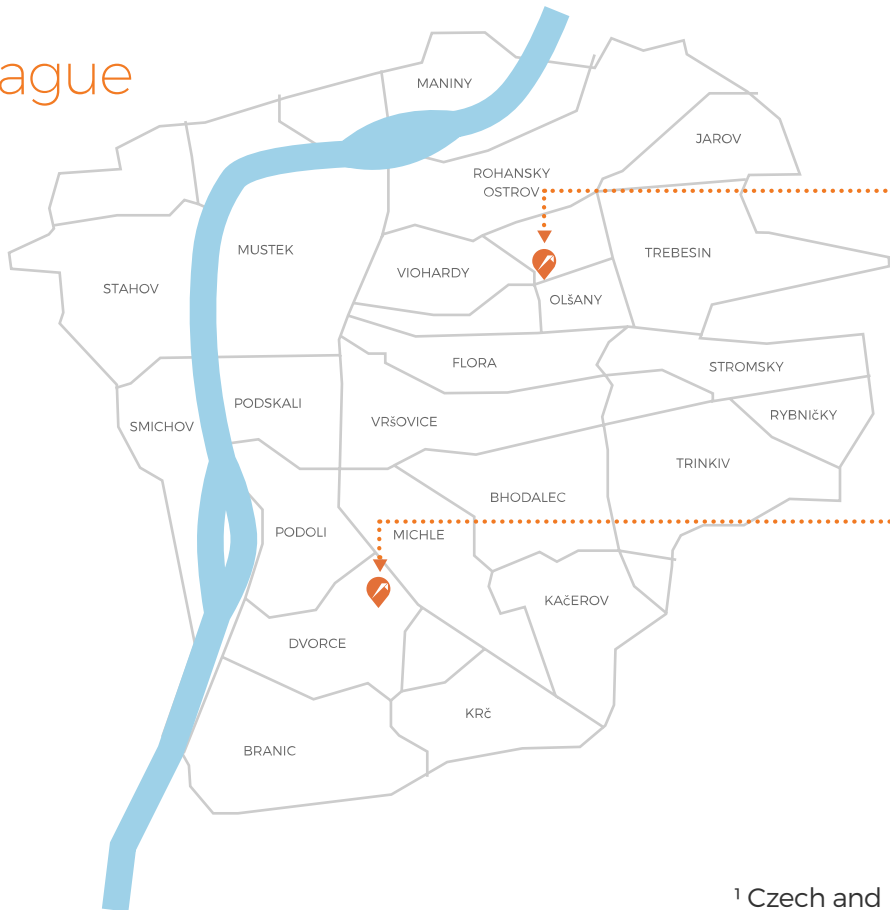


Atrium Promenada



<sup>1</sup> Central Statistical Office of Poland, GfK

31/03/20:  
16% in Prague



Atrium Flora



Arkady Pankrac



<sup>1</sup> Czech and Prague Statistics Offices



# 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
- | 43% of our rent and over 50% of GLA is from well known global retailers
- | Strengthening the portfolio through extensions and portfolio rotation, evaluating diversifications
- | Increasing experience and offer, adding 70,000 sqm in Warsaw



## 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 and operating margin of 96% and 95.5% <sup>2</sup>, respectively
- | Deep expertise in CE retail market, 370 employees, pro active hands-on asset management

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

<sup>2</sup> Q1 2020 excl. the impact of Covid-19 and redevelopments



## Strong Financial Profile And Liquidity To Support Growth

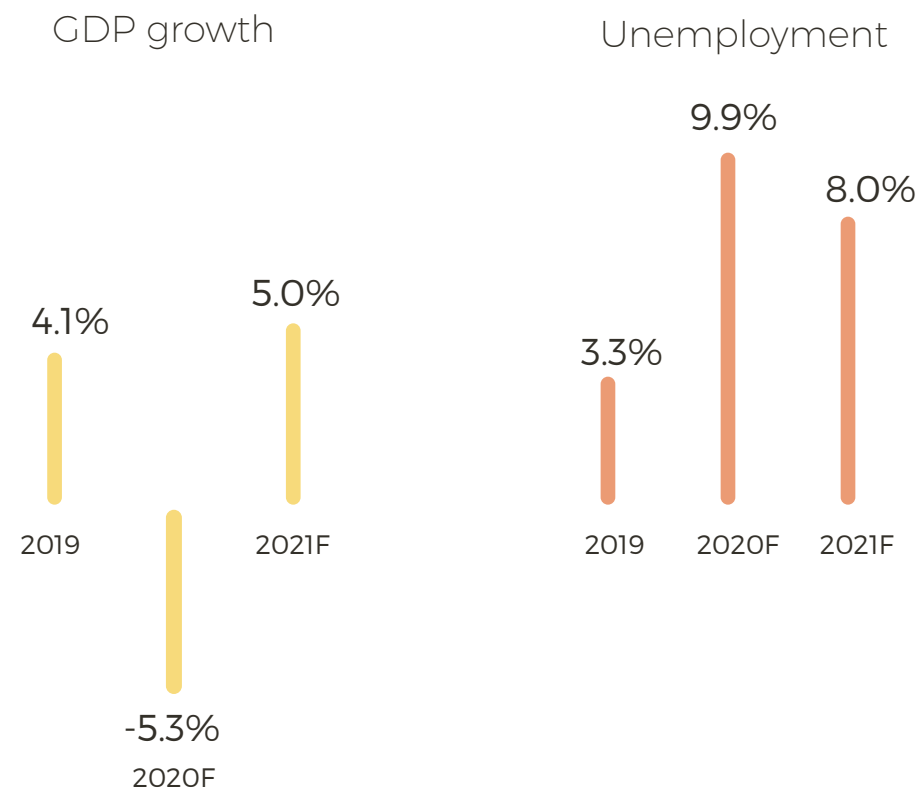
- | 34.5% net LTV, 4.6 years average debt maturity, 3% cost of debt
- | €300m revolving credit facility (fully drawn)
- | 72%/€1.9bn unencumbered standing investments



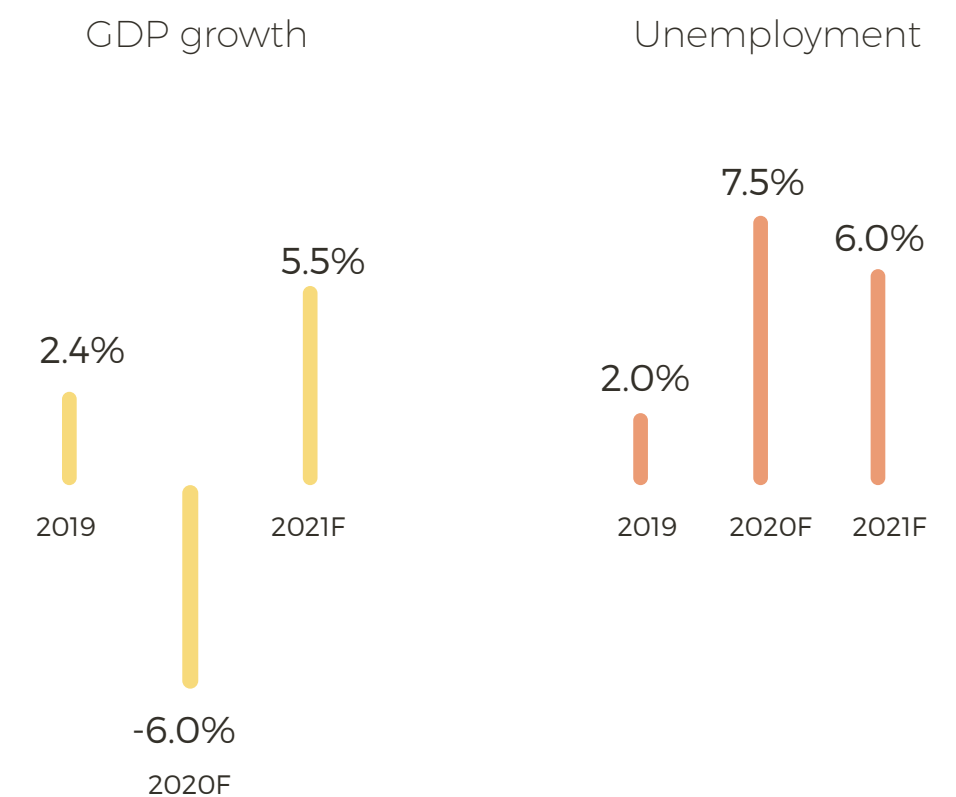
# POLAND AND CZECH - STRONG RECOVERY EXPECTED IN 2021

- | 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 starts with a moderate debt ratios
- | Considerable hit from Covid-19: Poland +4.1% GDP in 2019 and -5.3% expected in 2020F, Czech +2.4% to -6.0% in 2020F
- | Rebound expected in 2021 to +5.0% in Poland and +5.5% Czech
- | Retail sales are expected to be positive in 2020 for Poland at c.+2% and c. +6% in 2021, Czech: c. -2.5% in 2020 and c.+8% in 2021

## Poland



## Czech Republic





# CHANGING RETAIL ENVIRONMENT





# CHANGING RETAIL ENVIRONMENT



## Change in consumer behavior amid Covid-19

- | Low consumer optimism since mid-March, Poland expects an increase in future spending
- | Consumer income is expected to decrease
- | Discretionary spending across categories is anticipated to pull back
- | Consumers expect long lasting effect of Covid-19 on their personal routines and finances

## E-commerce penetration

- | 16% penetration in 2019 in Czech with no impact on footfall in our high quality centres
- | Increase in online retailing during Covid-19, might have a long term impact
- | We bring e-commerce tenants (like e-obuwie) to brick and mortar store
- | Footfall to be converted to revenue overtime

## Less supply coming to CE market

- | Limited further competition with pressure on owners for constant improvement
- | Atrium focused redevelopment programme of €0.4bn in Warsaw and Prague
- | Dominant assets in strong urban location remain relevant

## Shoppers expectation- shop, socialise, enjoy, experience

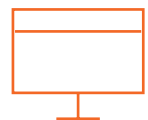
- | Atrium engaged in entertainment and community involvement programmes
- | Opened Fifth Dimension local community centre in Promenada to be rolled out to other centres
- | Response to constant pressure for retail to change and to changing customer needs

## Retailers changing shop formats

- | Retailers rationalize their locations and adopt a "fewer, larger store" strategy
- | Creates opportunities for bringing new formats and offers (Uniqlo in Atrium Kazan, Russia)
- | Exit non-core markets
- | Add to the portfolio food, beverage, entertainment, 7 new/upgraded food courts from 2016, one new cinema



# POWERFUL SYNERGY BETWEEN PHYSICAL STORES AND DIGITAL CHANNELS



Online sales up  
but profitability  
is low

- | E-commerce penetration is expected to be 20% in 2022, but varies from country to country
- | High cost of building a brand and acquiring new customers
- | High purchase returns - 20% e-commerce, 8% bricks and mortar
- | High cost of delivery
- | Low margins



Physical stores are  
essential to the  
success of retailers

- | Stores drive online sales
- | Opening a new physical store => + 37% in overall web traffic
- | Closing stores causes a drop in the share of web traffic
- | Integration of the two channels drive better margins to retail
- | Brick and mortar provide customer experience = touch and feel
- | Physical stores boost brand awareness





# VALUE CREATION- REDEVELOPMENT PROJECTS

As part of Atrium's action plan for reducing the impact of Covid-19 on the business, €54m of planned investment in redevelopments for 2020 will be postponed to 2022/2023







## ATRIUM PROMENADA, WARSAW

- | Stage 1 completed in Oct. 2016, Stage 2 completed in Oct. 2018 with full modernization
- | GLA increased by 7,800 sqm

### NEXT STAGES OF EXTENSION

- | Above 35,000 sqm GLA to c.100,000 sqm incl. office
- | Refurbishment and upgrades of c.30,000 sqm
- | Additional car park spaces 870 (2,700 in total)
- | Evaluation of densification to residential for rent opportunities



## IMPROVE THE OFFER AND EXPERIENCE IN ARKADY PANKRAC, PRAGUE

- | Modern dominant fashion centre, located in a developing office neighbourhood of Prague with an comfortable access to a metro line
- | Ca. 5,000 new office employees moved into the district following development of several office building
- | Repositioning of over 20 fashion concepts to bring latest offering and increase of food and beverage offer
- | Redevelopment programme aimed on upgrading and extending the food court in response to competition and changes in catchment
- | Expecting a rental increase with significant uplift in food & beverage rents



# 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 31/3/2020<sup>1</sup>



## ATRIUM 2024

RETAIL 100%

CEE  
PORTFOLIO



29%  
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



54%  
WARSAW  
& PRAGUE

DOMINANT ASSETS WITH  
DENSIFICATION POTENTIAL

€2.6<sub>bn</sub> 6.4%<sub>yield</sub>

NO. OF ASSETS

26

AVG. ASSET VALUE

€101M

<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

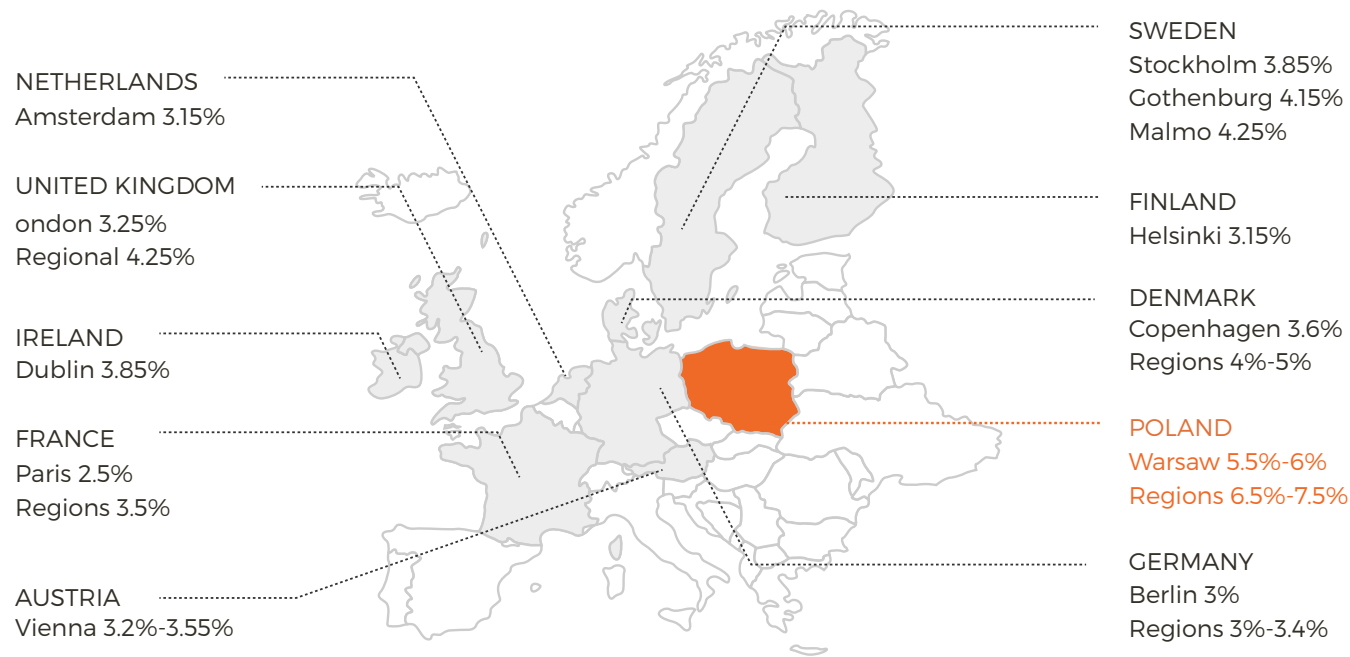
- | Capitalizing on growing residential for rent market
  - Strong demographic fundamentals
  - Largest business service center in CE
- | Diversifying our sources of income
- | Focus on high quality build to rent products
  - size and management efficient
  - client experience
  - on-site amenities.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

## ATTRACTIVE RETURNS

- | Attractive going in yields of 5.5%-6% 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, 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

1.3%  
historically low  
unemployment  
rate

4%  
expected population  
growth in the coming  
years

Increase in The  
Average Salary y/y  
6.3%



Growth Engine #2  
SERVICE CENTERS

Business Service  
Centers in Warsaw  
236

Employees in the  
Service Sector  
56,000  
(62,000+Q1/20)

Job Creation CAGR  
2016-2019  
14%



Growth Engine #3  
EDUCATION

Students  
216,000

Universities  
and Colleges  
68



# 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

Conservative balance sheet with strong liquidity

Poland, Czech and Slovakia have started to trade again, 86% of their GLA is now open

€2.6bn

standing investment  
portfolio

€1.7bn  
Poland

€1bn  
5 assets Warsaw

€0.5bn  
Czech

€0.4bn  
2 assets Prague

Low net  
LTV 34.5%

with financial flexibility

Strong liquidity:

€446m cash

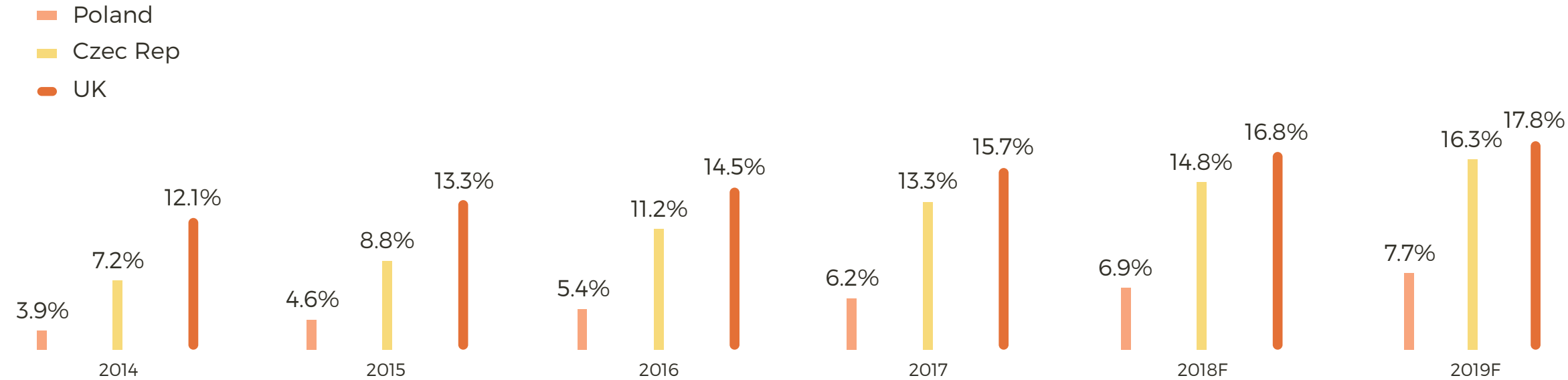
(€328m as at 11/6/2020)

€1.9bn  
unencumbered  
assets





## E-commerce penetration



Sources: Trading Economics

- On-line sales are rising but the increase is different across countries
- Repositioning plan completed in the Czech Republic
- No available data for 2020 amid Covid-19

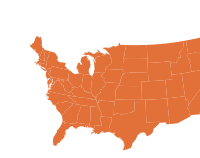
CE



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



% OF ANNUALISED RENTAL INCOME	GROUP NAME	MAIN BRANDS
4%	LPP	RESERVED  <b>house</b> M O H I T O <b>CROPP</b> <b>sinsay</b>
3%	Hennes & Mauritz	
3%	CCC	 
2%	AFM	   <b>orsay</b>
2%	Inditex	ZARA HOME  <b>Bershka</b> OYSHO <b>PULL&amp;BEAR</b>  <b>Stradivarius</b> <i>Massimo Dutti</i>
2%	Carrefour	
2%	EM&F Group	<b>empik</b>
1%	A.S. Watson	 <b>ROSSMANN</b> <i>Marionnaud</i>
1%	Metro Group	
1%	TJX Poland Sp. z o.o.	



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