

Bravo Property Fund REIT [BPY]

Latest updates

Bravo Property Fund REIT launched a capital increase procedure at the beginning of March. The Fund is looking to raise its capital by BGN 36.4 mln through an issue of 36.4 mln ordinary shares with par value and issue price of BGN 1 per share. The procedure will be successful if at least 36.0 mln shares are subscribed and fully paid. The capital increase is done through the issue of subscription rights. For every existing share, one right is issued. Every 1 right allow their holders to subscribe for 56 new ordinary shares. Investors may purchase rights on BSE starting from March 1st, 2019 until March 14th, 2019. The final date for subscription and payment of the shares is April 9th, 2019.

The SPO proceeds combined with an additional debt funding will be used for purchasing an office building called "OFFICE A" situated near "THE MALL" on Tsarigradsko Shosse Blvd. in Sofia which is a prime location for office spaces.

Company profile

- ◆ Bravo Property Fund REIT (BPY) is a special purpose vehicle for securitization of real estate in Bulgaria listed on alternative segment of the Bulgarian Stock Exchange;
- ◆ The investment strategy of the Fund is based on receiving regular operational income from real estate in the form of rental/leasing payments as well as from sales of such properties. It aims at structuring a stable "portfolio of operating income" with a balanced risk distribution for its shareholders and creditors;
- ◆ The Fund invests only in commercial properties (office, retail and industrial that are already 100% leased or properties where their previous owners remain as tenants (sale-leaseback transactions)).

Investment strategy and deal structure

- ◆ "OFFICE A" will be the first investment of the Fund since its inception in 2018 and the first asset in its portfolio. The building is located in a well-established and attractive office area;
- ◆ It has total a built-up area of 14 479 sq. m. comprising of 6 office floors with a total rentable area of 13 391 sq. m. and 2 underground levels with 240 parking spaces;
- ◆ It is a brand new building with high-quality construction and top technical specifications which don't require any additional capital expenditure in the foreseeable future;
- ◆ The transaction provides secured revenue guaranteed by signed long-term (10-year) lease agreements for the tenants with a weighted average unexpired lease term of above 5.1 years;
- ◆ The acquisition price of the building is BGN 61.7 (including transaction costs of BGN 2.4 mln and excluding BGN 12 mln VAT) or BGN 4 626 (EUR 2 179) per sq. m.
- ◆ An independent 3-party appraisal of the building valued it at BGN 63.4 mln;
- ◆ Expected net annual operating income of minimum BGN 4.6 mln
- ◆ Deal cap rate is 7.87% (net) which is in line with market levels;
- ◆ Expected dividend yield of 9% at a 100% payout ratio according to the management;
- ◆ To finance the acquisition of the building the REIT will use additional debt funding of BGN 42 mln. BGN 12 mln will come from a short-term bank loan to cover the VAT. The other BGN 30 will be structured as a 5-year corporate bond issue with quarterly coupon payments. The annual coupon rate will be no more than 4%.

Market data

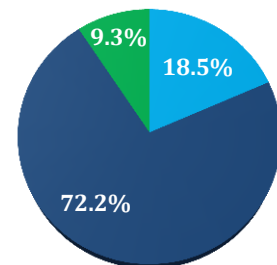
Market cap	BGN 669 500
Last price	BGN 1.03
Shares outstanding*	650 000
Avg. daily volume	BGN 30 900
52-weeks range	BGN1.03 - 1.03

* Excluding the new shares after the capital increase

SPO summary

Number of shares subject to SPO:	36.4 mln
Issue price	BGN 1.00
Threshold for success	36 mln
Time frame	March 2019 – April 2019
OFFICE A deal yield	7.9%
Expected dividend yield	9%
Loan to value ratio	48.6%

Existing shareholders



■ Advance Invest ■ Asen Lisev ■ Other

Risks

- ◆ Concentration of tenants – only 4 tenants rent 94% of the space as the two major ones combined rent 63%;
- ◆ No other assets in the portfolio to offer diversification of specific risk;
- ◆ Financial risk related to the use of debt financing and expected increase of interest rates in the near future.

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