



Mälardalens Omsorgsfastigheter

Mälardalens Omsorgsfastigheter have entered into an agreement for the acquisition of a portfolio of 43 properties from SBB and intends to carry out a directed share issue

Mälardalens Omsorgsfastigheter Holding AB (publ) (“MOFAST” or the “Company”) have entered into an agreement with a subsidiary to Samhällsbyggnadsbolaget i Norden AB (“SBB”) to acquire 100 percent of the shares in an indirectly property owning company (the “Transaction”), comprising of a portfolio of 43 public use properties, mainly within the LSS and HVB segments, located foremost in the mid- and southern part of Sweden. The Transaction is based on an underlying property value of SEK 842 million, after deduction of deferred tax of SEK 27 million. The transaction costs and working capital adds up to SEK 33 million. The total capital requirement to SEK 875 million will be financed through a credit facility of SEK 490 million and a directed share issue of at least SEK 350 million and up to SEK 385 million (the “Directed Share Issue”). SBB will subscribe for new shares for an amount of SEK 33 million in the Directed Share Issue. If the Directed Share Issue is not fully subscribed, SBB will provide a shareholder loan for the remaining amount of up to SEK 35 million. As a result of the Transaction, the Board of Directors in MOFAST has resolved to summon an Extraordinary General Meeting to approve an issue authorisation for the Board of Directors. The Directed Share Issue is conditional upon, inter alia, approval of the issue authorisation by the Extraordinary General Meeting in MOFAST for the resolution of the Directed Share Issue. The Directed Share Issue has support among the main shareholders in MOFAST.

The Transaction in brief

- The acquisition is in line with MOFAST’s strategy and represents an opportunity to grow MOFAST into a larger, attractive portfolio with potential for institutional and international interest.
- The acquisition provides potential synergies for MOFAST to decrease actual cost for central administration (SEK/sq.m.) for the aggregated portfolio. The acquisition contributes to achieve a more diversified risk in terms of the individual locations of properties through scale. The Transaction also offers the possibility to explore new markets.
- The Transaction is based on an underlying property value of SEK 842 million, after deduction of deferred tax of SEK 27 million.
- Newsec has provided an external valuation that supports the underlying property value.
- The total consideration (together with transaction related costs and working capital) is intended to be financed through a new credit facility totalling SEK 490 million and the Directed Share Issue of new shares in MOFAST generating gross proceeds of up to approximately SEK 385 million.
- Main shareholders in MOFAST have pre-committed to subscribe for a combined SEK 87 million, and SBB has pre-committed to subscribe for SEK 33 million (SEK 120 million in total) in the Directed Share Issue.
- If the Directed Share Issue is not fully subscribed, the residual of the equity financing will be covered through a shareholder loan from SBB, of up to SEK 35 million.
- The Directed Share Issue is conditional upon approval of issue authorisation for the Board of Directors by MOFAST’s Extraordinary General Meeting for which a separate press release with the notice will be published today, and that the Board of Directors resolves on the Directed Share Issue by virtue of such authorisation.
- MOFAST and the target company (the “Group”) combined will have a property value of approx. SEK 1,4 billion, and an estimated rental income of SEK 98 million and a net initial yield of 5,3%.



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- Closing of the Transaction is planned to take place in March 2020.

“The acquisition represents a unique opportunity to acquire a portfolio generating a long term strong cash flow for MOFAST. The acquisition also achieves a well diversified add on to the existing properties and gives the company the possibility to increase NOI through active property management which offers attractive returns for the investors” says Mattias Bülow, CEO of MOFAST.

Background and reasons

MOFAST is a Swedish real estate company that owns and manages a portfolio encompassing 25 public use properties in the greater Stockholm region.

MOFAST acquired the current property portfolio in June 2019 based on an agreed property value of SEK 550 million and was financed through a share issue of SEK 200 million and a debt facility of SEK 355 million. The portfolio was acquired to a net yield of 5.1% and initial LTV was 65%.

MOFAST is a publicly listed company traded at Spotlight Stock Market. The Company has a market capitalization of approximately SEK 212 million. Average daily turnover, measured over the last 2 months, has been approximately SEK 525,000.

The real estate portfolio consists of 25 public care homes; care home for disabled people, pre-schools and health centers located in the greater Stockholm area and Mälardalen. The tenants are either public or financed by the public, resulting in a relatively secure cash flow. The portfolio encompasses a total gross lettable area of approximately 16,700 sq.m. with a total gross rental income of approximately SEK 32 million. The portfolio has a weighted average unexpired lease term of approximately 7 years.

The Company have entered into an agreement with a subsidiary to SBB to acquire 100 percent of the shares in a target company, owning a portfolio of 43 public use properties in Sweden. The Transaction is based on an underlying property value of SEK 842 million, after deduction of deferred tax of SEK 27 million. As a result of the Transaction, the Board of Directors in MOFAST has resolved to summon an Extraordinary General Meeting to approve an issue authorisation for the Board of Directors to resolve the Directed Share Issue, which will be issued as part of the financing for the Transaction. The Directed Share Issue is conditional upon, inter alia, issue authorisation granted by the Extraordinary General Meeting in MOFAST and that the Board of Directors resolves on the Directed Share Issue. The Extraordinary General Meeting will be held on 24 January 2020.

The target company consists of 43 properties, mainly within the LSS (care homes for disabled) and HVB (care homes for youth and families) segments, located foremost in the mid- and southern part of Sweden. The tenants are primarily public or financed by the public, resulting in a relatively secure cash flow. The underlying property value for the Transaction is SEK 869 million. The rental income is estimated to SEK 65 million and the NOI is estimated to SEK 47 million in 2020, which corresponds to a net yield of 5,4%. The target portfolio comprises a total of 59,000 sqm lettable area and a total land area of 365,500 sqm.

The acquisition represents an opportunity to grow MOFAST into a larger, attractive portfolio with potential for institutional and international interest.

The closing of the Transaction is planned to take place in March 2020.



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MOFAST property portfolio after the acquisition

After the acquisition, MOFAST will own 68 properties with a property value of around SEK 1.4 billion and with a rental income of around SEK 98 million.

Preliminary proforma earnings capacity after the Transaction

Amounts in SEK million	MOFAST	Sambo	Proforma
Rental income	32.8	65.0	97.7
Property costs	-4.1	-17.8	-21.9
Net operating income	28.7	47.2	75.8
Central administration	-3.1	-4.6	-7.7
Profit before financial items	25.6	42.6	68.1
Net financials	-9.5	-12.3	-21.8
Profit from property management	16.0	30.3	46.3

The proforma showing earnings capacity per annum, based on the current property composition and rent roll / contract base. The earnings capacity does not include an assessment of the future development of rent, vacancy rates, real estate costs, interest rates, changes in value, purchase or sale of properties or other factors.

The rental income is based on the current rent roll / contracted rent for the two portfolios respectively as per December 2019, and is adjusted according to a 2% CPI change to represent the 2020 level.

Property costs consist of an assessment of normalised operating costs, maintenance expenses and property management.

Financial income and expenses have been calculated on the basis of the company's actual average interest rate and credit portfolio, but have not been adjusted for effects regarding accrual of loan costs.

The figures should be considered as theoretical estimates and are presented for illustrative purposes only.

Preliminary proforma balance sheet

Amounts in SEK million	MOFAST 30 Sep 2019	Financing	Acquisition	Proforma
ASSETS				
Properties	559.5	-	871.0	1,430.5
Plot rights	7.2	-	-	7.2
Non-current assets	566.7	-	871.0	1,437.7
Accounts receivables	7.7	-	-	7.7
Prepayments and accrued income	1.7	-	-	1.7
Other receivables	0.6	-	-	0.6
Cash and cash equivalents	18.1	875.0	-871.0	22.1
Current assets	28.1	875.0	-871.0	32.1
TOTAL ASSETS	594.8	875.0	-	1,469.8



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EQUITY AND LIABILITIES

Share capital	2.0	3.9 ¹	-	2.0
Other equity	198.0	381.1 ¹	-	583.0
Retained earnings / profit for the year	10.1	-	-	10.1
Equity	210.1	385.0	-	560.1
Deferred tax	6.1	-	-	6.1
Long-term interest-bearing debt	354.7	490.0	-	844.7
Leasing debt, plot rights	7.2	-	-	7.2
Non-current liabilities	368.0	490.0	-	858.0
Accounts payable	0.6	-	-	0.6
Tax payable	1.0	-	-	1.0
Other short-term liabilities	5.4	-	-	5.4
Accrued costs and prepaid income	9.8	-	-	16.8
Current liabilities	16.8	-	-	16.8
TOTAL EQUITY AND LIABILITIES	594.8	875.0	-	1,469.8

KPIs

Number of shares (in million)	2.00	3.85 ¹	-	5.85
Loan to value (%)	63%			59%
Operating result per share (SEK)	8.0			7.9
Interest coverage	2.7x			3.1x

The proforma balance sheet is based on the balance sheet for MOFAST as per 30 September 2019, and is adjusted for the financing and acquisition of the properties in order to present a combined proforma balance sheet after the Transaction. The illustrated booked property value for the acquisition is based on the purchase price of SEK 842 million and capitalised transaction costs of SEK 29 million. The property value is supported by an external valuation provided by Newsec.

Consideration

The purchase price is based on an underlying property value of SEK 842 million, after deduction of deferred tax of SEK 27 million. The transaction related costs and working capital requirement totals to SEK 33 million.

Interest-bearing financing

MOFAST will enter into an additional credit facility of approximately SEK 490 million in relation to the acquisition. The credit facility is based on a binding offer. The loan maturity is approximately 6 years with the same covenants as the existing credit facility.

If the Directed Share Issue is not fully subscribed, the residual equity financing will be covered through a shareholder loan from SBB, of up to SEK 35 million. The shareholder will be remunerated with an interest rate

¹ For illustrative purposes, assuming that the Directed Share Issue is fully subscribed and a subscription price of SEK 100 per share.



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equal to the equity yield. The shareholder loan can be converted to equity, in part or in full, by a set-off issue at the same subscription price as in the Directed Share Issue.

Issue of shares

The Board of Directors in MOFAST has resolved to request an authorisation to issue shares from the Extraordinary General Meeting, by virtue of which the Board of Directors will resolve on the Directed Share Issue.

MOFAST will issue new shares, generating gross proceeds of SEK 350 million to SEK 385 million, to finance part of the Consideration. Institutional and qualified investors have committed to subscribe for a combined SEK 120 million in the Directed Share Issue.

Conditions for the closing of the Transaction

The closing of the Transaction is conditional upon:

1. the Extraordinary General Meeting resolution to authorize the Board of Directors to resolve on the Directed Share Issue, and;
2. the Directed Share Issue raises a minimum gross proceed of SEK 350 million.

If these conditions are not fulfilled within a specified time period from the signing of the sale and purchase agreement, both MOFAST and SBB have the right to terminate the sale and purchase agreement.

Transaction costs

MOFAST total costs for the Transaction are estimated to amount to approximately SEK 29 million, which includes approximately SEK 18 million in arrangement fees, approximately SEK 6 million in due diligence costs and start-up costs and approximately SEK 5 million in debt financing establishment costs.

Financial, legal and commercial advisors

Carnegie Investment Bank AB (publ) is acting as financial advisor and sole bookrunner, Wigge & Partners, Svalner, Real Value Management and Amblin as transaction advisors to MOFAST.

Preliminary timetable for completion of the Transaction

23 Dec, 2019	Announcement of the Transaction
27 Dec, 2019	Notice to Extraordinary General Meeting in MOFAST
24 Jan, 2020	Extraordinary General Meeting in MOFAST
3 Mar, 2020	Closing of the Transaction



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Extraordinary General Meeting and voting commitments

The Transaction is conditional upon that the Extraordinary General Meeting amend the articles of association and resolves on the issue authorisation for the Directed Share Issue. These resolutions will require the support of shareholders representing not less than two-third of both the votes cast and of the shares represented at the Extraordinary General Meeting in MOFAST. If this condition, or any other condition precedent for completion of the Transaction, is not fulfilled within a specified time period from the signing of the acquisition agreement, both MOFAST and SBB have the right to terminate the sale and purchase agreement.

An Extraordinary General Meeting in MOFAST is planned to be carried out on 24 January 2020 to approve the authorisation for the Board of Directors to resolve the issuance of shares. For further information, please refer to the notice and announcement of the outcome in the Directed Share Issue in separate press releases which will be published later on, and the documentation which will be held available on MOFAST's website, <https://mofastab.se/>.

Further information

For further information, please contact:

Mattias Bülow, managing director Mälardalens Omsorgsfastigheter Holding AB

Mail: post@mofastab.se

Tel: +46 (0) 707-450 16

Mälardalens Omsorgsfastigheter Holding AB (publ)

c/o Kvalitena AM AB

Strandvägen 5 A

114 51 Stockholm

Organisation number: 559124-6052

Homepage: www.mofastab.se

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