



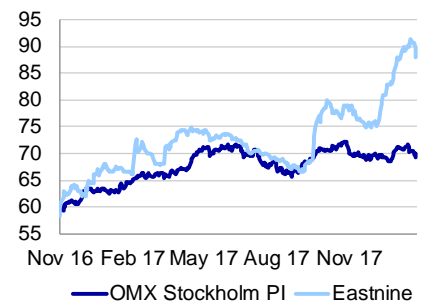
# Eastnine

Investment companies | Sweden

## Key data

Country	Sweden
Bloomberg	EAST SS
Reuters	EAST9.ST
Share price	87.00
Free float	94.6%
Market cap (m)	SEK 2,159
Website	www.eastnine.com
Next report date	16 February 2018

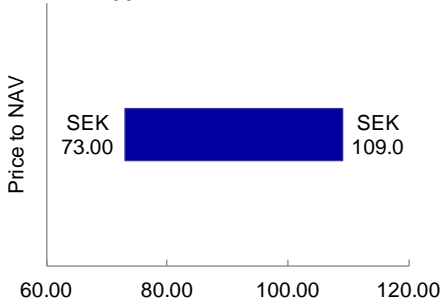
## Absolute and relative performance



	-1M	-6M	-12M	YTD
Absolute	6%	27%	22%	6%
Relative	5%	25%	16%	5%

Source: FactSet and Bloomberg

## Valuation approach



Source: FactSet and Nordea Markets

## Back to Biznesa – ramping up real estate in Riga

### Eastnine acquires Alojās Biznesa Centrs in Riga

On Friday, Eastnine announced the acquisition of Alojās Biznesa Centrs, a fully rented **class-A office complex** located in the intersection of Krišjāņa Valdemāra iela and Alojās iela close to **Riga**, Latvia. The transaction totals **EUR 29.6m**, 16% of which accounts for a class-B office facility and a building currently dedicated to retail adjacent to the centre. As neither class-B offices nor retail real estate is in line with Eastnine's strategy, we believe the company plans to extend the centre and/or remodel the class-B office. We expect Eastnine to account for some of the rental income during Q1.

As the company reports that the facilities will add some EUR 2.4m in rental income a year, it seems as if the **acquisition yield is around 6.5%**, assuming a surplus ratio of ~80%. We consider such a yield reasonable in this area, but if Eastnine sees potential for development of the facilities, which seems to be the case, acquiring at this yield could be a positive rather than a neutral move.

We expected an acquisition of this size to occur in Q4 2017 or Q1 2018, and **expect one or more acquisitions of this size in the next six months.**

### Macro fundamentals of Latvia and Riga

Latvia experiences net migration of about -1%, a sign of the supply of skilled labour, which also attracts expansion to Riga by foreign firms. Nordea Markets expects GDP growth in 2018 to be ~3.9%, with consumer prices following suit at 3%. Unemployment levels are expected by Nordea Markets to decline by about 1 pp from 2017 to 2019, possibly fuelling office demand. Newsec expects office yields to decline by some 50 bp until 2019.

### Upcoming report on 16 February

In the upcoming report, we look out for news on MFG, which we expect to be impacted by tailwinds from Russian macro trends and recent efforts within the company. We also look out for possible revaluations and divestments among non-core investments.

## FULL-YEAR DATA

	2015	2016	2017	Current
Mcap, EURm	158	196	219	219
NAV, EURm	254	248	n.a.	226
NAV per share growth	3%	9%	n.a.	4% <sup>1</sup>
NDA NAV discount	n.a.	n.a.	n.a.	7% to 22%
Rep. NAV discount	38%	28%	n.a.	11%
No. of shares (m)	28.5	28.2	24.8	24.8 <sup>2</sup>
DPS, SEK	0.80	0.90	n.a.	
Dividend yield	1.58%	1.35%	n.a.	

1. Year to date. 2. Adjusted for shares held by the company: 22.8

Source: Company data and Nordea Markets

## OTHER KEY DATA

Performance	Q3	9m <sup>1</sup>	LTM <sup>2</sup>	LYTD <sup>3</sup>
NAV/share perf.	2%	2%	13%	4%
NAV/share perf. rel. OMX	1%	-7%	0%	-4%
Change in discount	-2.9 pp	-7.6 pp	-10.9 pp	-17.1 pp
<b>Average discount</b>	<b>-3m</b>	<b>-12m</b>	<b>-5y</b>	<b>-10y</b>
Reported NAV	18%	23%	34%	32%
Nordea discount	n.a.	n.a.	n.a.	n.a.

1. From Jan '17 to Sept '17. 2. From Oct '16 to Sept '17. 3. FY '17 + YTD

## Updated NAV valuation

### PRICE/NAV ESTIMATES OF EASTNINE

	Q3 30/09/17	Market value adj.	Other adj.	E9 est. 02/02/18	NDA adj.	NDA NAV 02/02/18
<b>Real estate - directly owned</b>						
Vertas	29.7			29.7	-0.7 to 1.0	29 to 30.7
3 Bures	27.6			27.6	-4.2 to 7.0	23.4 to 34.6
3 Bures development	10.0			10.0		10.0
Alojas Biznesa Centrs + adjacent			29.6	29.6		29.6
<b>Total</b>	<b>67.2</b>		<b>29.6</b>	<b>96.8</b>	<b>-4.9 to 8.1</b>	<b>91.9 to 104.9</b>
<b>Real estate funds</b>						
EC Baltic Property Fund II	30.7		-9.4	21.3		21.3
EC Baltic Property Fund III	15.5			15.5		15.5
<b>Total</b>	<b>46.1</b>		<b>-9.4</b>	<b>36.7</b>		<b>36.8</b>
<b>Total Real Estate</b>	<b>113.3</b>		<b>20.2</b>	<b>133.5</b>	<b>-4.8 to 8.2</b>	<b>128.7 to 141.7</b>
<b>Other investments</b>						
Melon Fashion Group	39.6	-1.2		38.4	-4.5 to 22.5	33.9 to 60.9
EC Deep Value Fund	20.7		-2.0	18.7		18.7
EC Global Frontier Markets Fund	11.3	1.1		12.4		12.4
Komercijalna Banka Skopje	10.6	2.0		12.6		12.6
Miscellaneous investments	1.3		0.0	1.3		1.3
<b>Total</b>	<b>83.5</b>	<b>1.9</b>	<b>-2.0</b>	<b>83.4</b>	<b>-4.5 to 22.5</b>	<b>78.9 to 105.8</b>
<b>Total invested portfolio</b>	<b>196.8</b>	<b>1.9</b>	<b>18.2</b>	<b>216.9</b>	<b>-9.2 to 30.7</b>	<b>207.6 to 247.6</b>
Cash and cash equivalents	38.2	-	-26.1	12.1		12.1
Other assets and liabilities net	-2.7			-2.7		-2.7
<b>NAV</b>	<b>232.3</b>	<b>1.9</b>	<b>-7.9</b>	<b>226.2</b>	<b>-9.2 to 30.7</b>	<b>217 to 256.9</b>
<b>net cash &amp; listed</b>	<b>172.2</b>	<b>-1.2</b>	<b>18.2</b>	<b>189.2</b>	<b>-9.2 to 30.7</b>	<b>180 to 219.9</b>
Number of shares outstanding (m)	23.7		-1.0	22.8		22.8
NAV/share, EUR	9.79			9.94		9.5 to 11.3
NAV/share, SEK	94.49			97.84		93.8 to 111.1
Price, EUR	7.8			8.8		8.8
Price, SEK	75.0			87.0		87.0
Price/NAV	79.4%			88.9%	-3.8pp to 10.6pp	78.3% to 92.7%
<b>Premium (+)/Discount (-)</b>	<b>-20.6%</b>			<b>-11.1%</b>	<b>-3.8pp to 10.6pp</b>	<b>-21.7% to -7.3%</b>
<b>net cash</b>	<b>-24.7%</b>			<b>-11.7%</b>	<b>-4pp to 11.1pp</b>	<b>-22.8% to -7.7%</b>
<b>net cash &amp; listed</b>	<b>-27.8%</b>			<b>-13.2%</b>	<b>-4.4pp to 12.1pp</b>	<b>-25.4% to -8.8%</b>
EUR/SEK	9.65			9.84		9.84
Market cap, EURm	192.9			219.4		219.4
Market cap, SEKm	1,861			2,159		2,159

Source: Company Data and Nordea Markets

## Updated NAV valuation for end of year 2017

### PRICE/NAV ESTIMATES OF EASTNINE

	Q3 30/09/17	Market value adj.	Other adj.	E9 est. 31/12/17	NDA adj.	NDA NAV 31/12/17
<b>Real estate - directly owned</b>						
Vertas	29.7			29.7	-0.7 to 1.0	29 to 30.7
3 Bures	27.6			27.6	-4.2 to 7.0	23.4 to 34.6
3 Bures development	10.0			10.0		10.0
<b>Total</b>	<b>67.2</b>			<b>67.2</b>	<b>-4.9 to 8.1</b>	<b>62.3 to 75.3</b>
<b>Real estate funds</b>						
EC Baltic Property Fund II	30.7		-9.4	21.3		21.3
EC Baltic Property Fund III	15.5			15.5		15.5
<b>Total</b>	<b>46.1</b>		<b>-9.4</b>	<b>36.7</b>		<b>36.8</b>
<b>Total Real Estate</b>	<b>113.3</b>		<b>-9.4</b>	<b>103.9</b>	<b>-4.8 to 8.2</b>	<b>99.1 to 112.1</b>
<b>Other investments</b>						
Melon Fashion Group	39.6	-0.6		39.0	-5 to 21.9	33.9 to 60.9
EC Deep Value Fund	20.7		-2.0	18.7		18.7
EC Global Frontier Markets Fund	11.3	0.9		12.2		12.2
Komercijalna Banka Skopje	10.6	-0.3		10.3		10.3
Miscellaneous investments	1.3		-1.3	0.0		0.0
<b>Total</b>	<b>83.5</b>	<b>-0.1</b>	<b>-3.3</b>	<b>80.1</b>	<b>-5 to 21.9</b>	<b>75.1 to 102</b>
<b>Total invested portfolio</b>	<b>196.8</b>	<b>-0.1</b>	<b>-12.7</b>	<b>184.0</b>	<b>-9.8 to 30.1</b>	<b>174.2 to 214.1</b>
Cash and cash equivalents	38.2	-	5.1	43.3		43.3
Other assets and liabilities net	-2.7			-2.7		-2.7
<b>NAV</b>	<b>232.3</b>	<b>-0.1</b>	<b>-7.6</b>	<b>224.6</b>	<b>-9.8 to 30.1</b>	<b>214.8 to 254.8</b>
<b>net cash &amp; listed</b>	<b>172.2</b>	<b>-0.6</b>	<b>-12.7</b>	<b>158.9</b>	<b>-9.8 to 30.1</b>	<b>149.1 to 189</b>
Number of shares outstanding (m)	23.7		-0.8	22.9483050		22.9
NAV/share, EUR	9.79			9.79		9.4 to 11.1
NAV/share, SEK	94.49			96.24		92 to 109.1
Price, EUR	7.8			8.3		8.3
Price, SEK	75.0			81.8		81.8
Price/NAV	79.4%			84.9%	-3.9pp to 10pp	74.9% to 88.8%
<b>Premium (+)/Discount (-)</b>	<b>-20.6%</b>			<b>-15.1%</b>	<b>-3.9pp to 10pp</b>	<b>-25.1% to -11.2%</b>
<b>net cash</b>	<b>-24.7%</b>			<b>-18.7%</b>	<b>-4.7pp to 11.6pp</b>	<b>-30.2% to -14%</b>
<b>net cash &amp; listed</b>	<b>-27.8%</b>			<b>-21.3%</b>	<b>-5.2pp to 12.5pp</b>	<b>-33.8% to -16.1%</b>
EUR/SEK	9.65			9.83		9.83
Market cap, EURm	192.9			206.3		206.3
Market cap, SEKm	1,861			2,029		2,029

Source: Company Data and Nordea Markets

## Disclaimer

Nordea Markets is the commercial name for Nordea's international capital markets operation.

The information provided herein is intended for background information only and for the sole use of the intended recipient. The views and other information provided herein are the current views of Nordea Markets as of the date of this document and are subject to change without notice. This notice is not an exhaustive description of the described product or the risks related to it, and it should not be relied on as such, nor is it a substitute for the judgement of the recipient.

The information provided herein is not intended to constitute and does not constitute investment advice nor is the information intended as an offer or solicitation for the purchase or sale of any financial instrument. The information contained herein has no regard to the specific investment objectives, the financial situation or particular needs of any particular recipient. Relevant and specific professional advice should always be obtained before making any investment or credit decision.

The document has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination.

Nordea Bank AB (publ), Company registration number/VAT number 516406-0120/SE663000019501. The board is domiciled in Stockholm, Sweden.

## Conflict of interest

Readers of this document should note that Nordea Markets has received remuneration from the company mentioned in this document for the production of the marketing material. The remuneration is predetermined and is not dependent on the content.

It is important to note that past performance is not indicative of future results.

Nordea Markets is not and does not purport to be an adviser as to legal, taxation, accounting or regulatory matters in any jurisdiction.

This document may not be reproduced, distributed or published for any purpose without the prior written consent from Nordea Markets.

Completion date: 05 February 2018, 08:50 CET