EDISON

Secure Property

Targeted property investment in emerging Europe

Initiation of coverage

Real estate

Secure Property (SPDI) is focused on growing operating cash flow by acquiring commercial and industrial properties in South-East and Eastern Europe, with strong tenants and at attractive prices. Future capital gains are a prospect. The May acquisition of a logistics centre in Romania and additional acquisitions expected by management in the near term (our forecasts assume c US$30m) are leveraging equity raised in 2013 with new debt; a full-year contribution from these should significantly increase 2015 cash flow. There is uncertainty about the Ukraine assets, which represent a material but decreasing share of the current total although cash flows are substantially pegged to the US dollar. Management believes the crisis may be a catalyst to unlock Ukraine's economic potential after years of underperformance. Meanwhile, SPDI seeks further substantial growth and diversification via acquisitions funded by new equity and debt (see p 13).

Year end	Revenue (US$m)	PBT* (US$m)	EPS* (c)	DPS (c)	NAV/share (c)	NAV/share (p)	Discount to NAV (%)
12/12	2.1	(3.8)	(32.8)	0.0	267	157	60
12/13	3.6	(1.5)	(5.9)	0.0	162	95	35
12/14e	5.8	(0.2)	(0.5)	0.0	165	97	36
12/15e	9.2	1.4	3.3	0.0	168	99	37

Note: *PBT and EPS (fully diluted) are normalised, excluding intangible amortisation, exceptional items and share-based payments. NAV is fully diluted and converted at US$1.70/£.

Near-term Ukrainian risks being managed

New management has restructured and recapitalised SPDI, and improved cash flow at its legacy completed asset, a logistics warehouse in Kiev. Ukraine exposure remains high (we estimate c 62% of income, all from fully let warehouse space in Kiev, and c 74% of the property portfolio, including development sites), but should fall (to c 39% of income and 50% of property assets) if planned 2014 acquisitions complete. Ukrainian rental income is substantially US$-pegged, matching debt, and providing protection against the c 50% currency devaluation ytd, while (non-Ukraine) acquisitions diversify exposure with immediate forecast cash generation.

Progress on legacy issues

Management is working through legacy issues including a significant (EBRD, US$15.0m) loan restructuring that it reports is agreed but yet to formally close, and securing ownership rights to a legacy development site where legal progress is reported. Despite the US$ rent-peg, the Ukraine situation creates uncertainties, about long-term tenant demand and the valuation of property assets (see page 9).

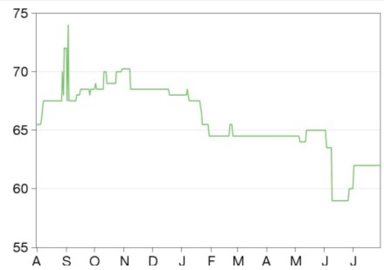
Valuation: Cash flow-positive acquisition strategy

With a full year contribution from acquisitions, we forecast 4.3p per share of 2015 operating cash flow after debt costs (4.3% of NAV), and management plans significant further growth. The discount to NAV (36%) provides support, but there are a number of sensitivities (see page 11), and future acquisitions will require equity issuance, with likely NAV per share dilution. Clearly, a resolution of the Ukrainian situation should be positive for near-term sentiment and longer-term prospects.

31 July 2014

Price	**62p**
Market cap	**£17m**
	US$1.70/£
Net debt (US$m) December 2013	2.5
Shares in issue	28.2m
Free float	10%
Code	SPDI
Primary exchange	AIM
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	3.3	(3.9)	(5.3)
Rel (local)	3.1	(3.6)	(8.6)
52-week high/low		74p	59p

Business description

Secure Property Development and Investment (SPDI) is a Central and South-East European focused property investor and developer. Its portfolio comprises a logistics park (Kiev), four development projects in Ukraine and a recently acquired logistics park in Bucharest.

Next event

AGM	November 2014

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Edison profile page

Secure Property is a research client of Edison Investment Research Limited

Investment summary: Investor in undervalued assets

Company description: Property investment and development

Secure Property Development and Investment (SPDI), under new internalised management since August 2011, has been restructured and recapitalised and has focused its strategy on cash-generative portfolio growth and diversification by investing in commercial and industrial properties in South-East and Eastern European markets, with strong tenants, at attractive prices. The legacy assets consist of a well let income producing warehouse asset and a number of development sites in Ukraine. In May 2014 SPDI completed the (US$17m) acquisition of the Innovations logistic park in Bucharest, Romania, the first diversification of its existing Ukraine portfolio, which includes a warehouse/logistics building, on the outskirts of Kiev (the warehouse space is now fully let), and four development sites. Similar additional acquisitions have been identified, which SPDI hopes to soon complete on terms that generate immediate positive operating cash flow, capitalising on the potential to gear existing equity and acquire assets at distressed prices. Our forecasts assume c US$30m of assets at a c 10% ungeared initial yield in H214 with c US$5.0m met from its existing resources, and the balance from new debt funding that SPDI expects to arrange (see page 7).

Financials: Positive outlook for operating cash flow

SPDI raised c US$29.0m of equity during 2011-13 and is in the process of leveraging that with cash-generative acquisitions. In current market conditions, it targets a leveraged cash return on its cash equity invested of more than 15% pa (and an IRR in excess of 25% including valuation gains, should valuation yields converge in the same way as similar regional markets, see page 10). Our forecasts show SPDI cash flow positive (operating income after financing costs) in FY14, and more substantially so in 2015 as acquisitions fully contribute. Management sees the potential for continuing cash accretive acquisitions on similar terms (see page 13), raising the prospect of future shareholder distributions that should support the rating. As we explain on page 9, for 2014, the Ukraine situation and devaluation has limited near-term impact on US$-pegged cash flows despite a c 50% devaluation versus the US$ since the beginning of 2014, but creates uncertainty about longer-term tenant demand and property values.

Valuation: Positive cash flow, with plans for further growth

The investment case for SPDI rests on the forecast of operating cash flow (after financing costs). Our forecasts suggest 4.3p per share in 2015 (or 4.3% of NAV), and management plans to increase this further by acquisition. The substantial (c 40%) discount to existing and forecast NAV/share provides additional underpinning and may benefit from future yield compression on the newly acquired properties. For now it remains significantly based on the legacy Ukrainian portfolio (see page 5 for a discussion of valuation sensitivities) and is likely to be diluted by equity issuance to fund acquisitions beyond those already assumed in our forecasts. Ukraine accounts for c 74% of investment property assets but a lower 63% of group income, although this will fall (we estimate to c 50%, and c 33% of income) if near-term acquisitions are successfully completed.

Sensitivities: Legacy issues and Ukraine uncertainty

Management is working through legacy issues including a significant (EBRD, US$15.0m) loan restructuring that it reports is agreed but yet to formally close, and securing ownership rights to a legacy development site where legal progress is reported. Although Ukraine rents are US$-pegged, providing significant US$ income protection and US$ asset and liability matching, the political and economic situation adds uncertainty, especially for the valuation of let assets and development sites (see page 9). Other sensitivities include the positioning of three dominant shareholders, holding 77%; ownership rights to legacy development sites; and potential NAV per share dilution associated with the ongoing expansion strategy. These are detailed on page 11.

Investor in property in emerging European markets

Background: AIM listing in August 2007

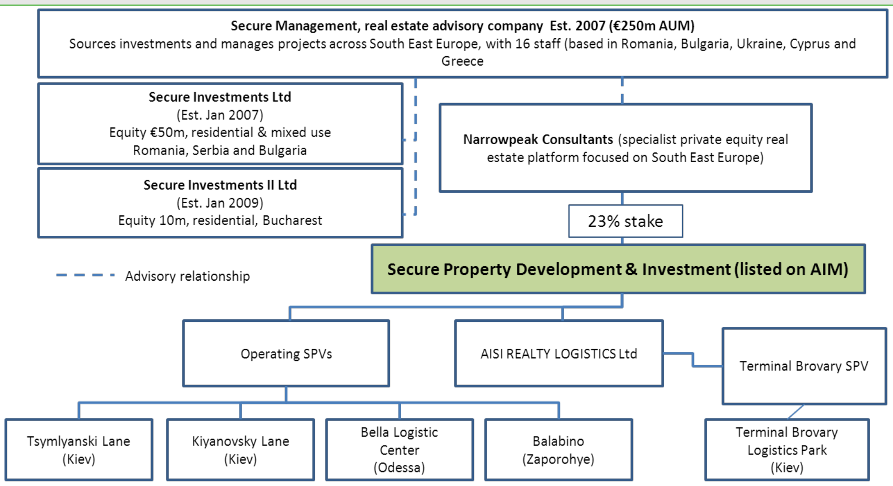
The group has its origins in Aisi Realty, which listed on AIM in 2007 as a vehicle to invest in and develop property in Ukraine. By mid-2009, its trading performance reflected difficult conditions in its domestic market and the uncertain economic outlook due to the global financial crisis. Development of its initial asset, a warehouse/logistics centre on the outskirts of Kiev (Terminal Brovary), was well underway, however the global financial crisis hit Ukraine very hard (2009 GDP fell c 15%) and net asset value fell sharply from US$142.5m to US$63.1m in the 12 months to June 2009. By late 2010 all group funds had been depleted and development projects (including Brovary) were put on hold.

The shares were suspended in June 2011 as the company, still then named Aisi, sought funding to continue as a going concern. An independent, third-party investor group, Narrowpeak Consultants, provided a working capital facility to enable it to meet its short-term obligations, and injected US$8m via a convertible bond in July 2011, converted in December 2011 into 5.1m shares at 95p/share. Narrowpeak is a BVI company established specifically to invest in Aisi. Three high-net-worth individuals, investors who undertook to finance the restructuring of the group, own it.

During 2012, a series of follow-on equity issues at 95p and the exercise of warrants saw Narrowpeak's holding increase from 47% to 52.2% Its holding has since been reduced to 23% in February 2013 as two Narrowpeak investors, Peter Munk (chairman and founder of Canada's Barrick Gold, the world's largest gold mining company), together with Toronto-listed financial conglomerate Dundee Corporation (DC.A) subscribed directly for a US$17.5m equity issue at 74p/share. As a result, Peter Munk currently holds a c 27% stake in SPDI, while Dundee holds c 24%. Ned Goodman, founder of the Dundee Group of companies, and president and CEO of Dundee Corporation, was appointed as a special adviser to the SPDI board in October 2013.

Narrowpeak is led by SPDI CEO Lambros Anagnostopoulos. He has been active in the region since 2000 either through LAMDA Development (see below) or Secure Management (post 2007), of which he is CEO and founder. Secure Management is a privately owned Cyprus domiciled company, which advises funds on behalf of institutional investors and high-net-worth individuals. Its focus is on real estate, and, in addition to Narrowpeak, it has been advising two property investment vehicles, Secure Investments Ltd and Secure Investments II Ltd. The former (launched in 2007) targeted residential and commercial development in South-East Europe, and the latter (launched in 2009) targets distressed residential properties in Bucharest. The proximity to and experience of SPDI's management in the targeted investment region allows for the establishment and exploitation of commercial relationship networks in sourcing deals and managing assets.

Exhibit 1: Group structure – Secure Management, Narrowpeak and SPDI



Source: Company documents

Management team experienced in target markets

The management team appointed by the incoming investors in August 2011 has experience of Eastern and South-East European real estate and has managed private and publicly listed property companies in its target European countries.

SPDI is independently run and has 18 full-time equivalent staff in Romania, Bulgaria and Ukraine, as well as expertise in design, construction and asset management. Its team track record is over 800,000sqm of space built/under management in the last two decades.

SPDI's CEO was the founder of LAMDA Development SA (subsequently quoted on the Athens Stock Exchange with a c €400m market cap), which has developed commercial, residential, and infrastructure property in Romania and Greece. In 2000 LAMDA partnered with EFG Eurobank to found the first Greek REIT, EFG Eurobank Properties.

The board consists of nine members, including seven non-executive directors. Management biographies are provided on page 16.

The current portfolio

The portfolio (Exhibit 2) includes the recently acquired Innovation logistics park. The legacy income-producing asset, Brovary, a logistics property with associated office and office and mezzanine space, is located on the outskirts of Kiev (and seemingly at little risk from civil disturbance). On average it was c 90% occupied at the end of 2013 (c 100% for the warehouse space by year end), with rental income up 33% in 2013. Management anticipates no material weakening of this as Brovary is substantially let to international tenants and rents are directly linked to the US dollar, providing protection to US$ income from fluctuations in the Ukrainian currency, the hryvnia. The hryvnia was fixed at 8:1 versus the US$ until mid-January 2014, but has since been allowed to float. It has recently been trading at c 11.8:1, a c 50% devaluation. SPDI anticipates a very limited impact on like-for-like US$-based revenues in 2014, with substantially all (90-95%) of the impact, other than rent reductions specifically agreed with tenants, covered by the US$ rental link. For 2014, we are forecasting a small (c 2%) increase in average occupancy based on 2013 year end occupancy levels. The expected weakness of the economy (2014 GDP estimated to fall c 6.5%) and the implied local currency price increases of imported goods should be expected to affect the underlying business of the tenants for as long as current conditions prevail, but their occupancy strategy in relation to Brovary is likely to meanwhile be determined by their longer-term views on the Ukraine situation. At the end of 2013, the average unexpired lease length at Brovary was just under three years, with the largest tenant accounting for c 27% of total rental income.

The Innovation logistic park (17,000sqm of fully let space) in Bucharest, Romania, was acquired since year end (May 2014). Nestle is the anchor tenant at Innovation, leasing more than 60% of the floor space (c 70% of the income), with the balance let to local businesses.

The other assets are development sites, all in the Ukraine, which may be developed subject to pre-lets or sales, or disposed of if market liquidity permits.

Including Innovation, 74% of total property assets are located within the Ukraine, although the Ukraine share of group income is lower (we estimate 63%). It is worth noting that the Bela Logistics Center (Odessa, 14% of the total) and Balabino (Zaporozhye, 7%) are in regions that the 2001 census data (admittedly rather dated by now) showed to have a relatively high Russian-speaking population (between 41% and 65%). Some observers believe that the events in Crimea have increased the strategic significance and potential prospects of the Odessa region, home of the largest Ukrainian sea port, one of the largest ports in the Black Sea basin.

Exhibit 2: Portfolio and valuations (US$000s)

Investments	Location	Description	US$000s			%
			2011	2012	2013	Pro-forma 2013
Terminal Brovary Logistics Park	Brovary, Kiev, Oblast, Ukraine	Warehouse/logistics/offices	29,940	25,115	25,200	38%
Bela Logistic Center	Odessa Oblast, Ukraine	Land and development works	8,100	8,353	9,000	14%
Kiyanovsky Lane	Podil, Kiev City Centre, Ukraine	Land for residential development	8,000	7,435	7,400	11%
Tsymlyanskiy Lane (55% SPDI)	Podil, Kiev City Centre, Ukraine	Land for residential development	2,500	2,360	2,400	4%
Balabino	Zaporozhye Oblast, SE Ukraine	Land for retail	4,500	4,320	4,600	7%
Portfolio as at 31 December			53,040	47,583	48,600	74%
Innovation Logistics Park*	Bucharest	Warehouse/logistics/offices	N/A	N/A	17,262	26%
Pro-forma portfolio value			53,040	47,583	65,862	100%

Source: Company data, Edison Investment Research. Note: *Acquisition value at 23 May 2014 converted at US$1.37/€.

In 2013, SPDI appointed CBRE (Ukraine) as its valuer. The appraisal values as at 31 December 2013 have been determined using a range of valuation techniques, and management believes that carried values at year-end were conservatively set. Despite this, and despite the linkage of Brovary rents to the US$, the expected weakness of the economy and ongoing political uncertainty may be expected to influence future valuations, although the share price discount to NAV arguably discounts that risk.

Following the acquisition of Innovation, development sites in the Ukraine (including the Bela Logistics Center) represent 36% of the total. We explain related short-term valuation and technical ownership issues related to the development sites on pages 9 and 11. We note that the (US$) land site values have already been substantially written down by SPDI's incoming management in 2011 and 2012. In management's view, all the sites are well located and have the potential for valuation recovery once the situation in the country normalises. For 2014 management is optimistic that combined overall values of both Brovary and the land sites will show little change, with some values increasing and some falling. We discuss this in more detail on page 9. However, their continuing value is likely to be determined by the prospects for future occupancy and US$ rental income on development.

As we explain below, our forecasts include the assumption of the completion of two further acquisitions during 2014, for which negotiations are at an advanced stage according to management. In aggregate these would add US$30m of non-Ukraine assets to the portfolio, reducing the Ukraine share to c 50%.

Ukraine situation gives added impetus to regional investment

Management believes that with many European real estate investors focused on prime assets in core western markets since the financial crisis, there is an attractive remaining opportunity within the South-East and eastern European markets. Prime real estate values fell heavily following the financial crisis of 2008 and are yet to fully recover, providing attractive yields (ungeared net initial yields of c 10%) and risk-adjusted return potential (supported by good-quality tenants and capital appreciation potential). Under new management, SPDI's strategy has so far been to consolidate the existing Ukraine assets as a base to pursue growth and diversification across South-East and Eastern European markets, investing in rented, income-producing assets or developing pre-let property.

Having successfully improved occupancy and cash flow at Brovary, the development assets in the Ukraine are now in a holding pattern until the situation normalises, although management is optimistic about the long-term potential for Ukraine (see below). The ultimate goal is to create a leading regional property company and in March 2014, SPDI completed the acquisition of the Innovation logistics centre in Romania adding c US$1.9m of income on a full-year basis (compared with Brovary c US$3.0m expected in 2014). Management indicates that it is close to adding two further acquisitions, which we estimate may add an additional US$2.9m of non-Ukraine income on a full-year basis. These acquisitions are to be financed out of the additional US$18.6m of equity (the February 2013 US$17.5m equity raising plus debt conversion in November 2013) that was raised in 2013, plus new debt. The combination of an improving economic situation across most of the CEE gives added impetus to SPDI to accelerate its acquisition of income producing regional assets, at the same time diversifying its exposure away from the Ukraine where the situation has deteriorated.

The immediate focus for further acquisitions is Romania (the location of the completed Innovation acquisition), Greece and Bulgaria where management identifies favourable demand-supply dynamics for modern property driven by favourable macro fundamentals and constrained supply.

Driven by a strong industrial sector, Romanian GDP increased by 3.5% in 2013, a faster pace of growth than for the region as a whole for the first time since 2007. Growth is forecast to be lower this year, but the World Bank recently raised its 2014 GDP estimate from 2.5% to 2.8% and to 3.2% for 2015. Bulgarian growth is also forecast to accelerate, towards 3.0% pa by 2016. Management regards current asset pricing in these market as attractive for economies well-placed to outperform a generally weak outlook for emerging Europe, and a perceived more stable real estate market. As it has shown with the Innovation acquisition, SPDI can access Grade-A commercial assets at prices that generate an unlevered net initial rental yield well above all-in costs, let at market rents to financially robust tenants for typically five years, the standard regional commercial lease length, indexed to inflation.

Management has also indicated that it is giving increased attention to investment in the Greek property market where recovery appears underway. It emphasises the need for selectiveness however. The IMF is forecasting GDP growth of 0.6% in 2014, which would be the first year of growth since 2007, and following a more than 25% cumulative decline during the crisis.

Will Ukraine emerge stronger than before?

The global financial crisis hit the Ukraine economy hard, with GDP declining by almost 15% in 2009. A partial recovery through 2010-11 was running out of steam in 2012 (0.2% growth) and the IMF is now forecasting a drop of 6.5% in GDP in the current year.

For the legacy Ukrainian assets, near-term uncertainty remains. It is outside the scope of this report to speculate about the future political and economic development of the country (although we discuss the potential near-term impacts of economic weakness and devaluation on earnings, cash flow and valuations on page 9).

We should note that management is optimistic about the longer-term potential for Ukrainian property assets once the current political uncertainties have been resolved. It is the second largest country in Eastern Europe with a 45 million population. However, economic performance and the business environment have been poor for much of the period since Ukraine left the USSR; a relatively low GDP per capita gives an indication of the potential for economic catch-up, especially with countries such as Poland; the Polish economy is now around twice the size of that of Ukraine, having been at a similar size at the time of Ukraine's USSR exit. In April 2014 the IMF and Ukraine agreed a US$17bn support package, part of an overall US$30bn international support package for the economy. The agreement includes a commitment by the Ukraine government to economic reforms including adjustments of the previously over-valued currency and subsidised energy prices, both of which are thought to have hindered the development of a broader export base and new technologies in the support of traditional industries and export markets.

Equity raised in 2013 supporting 2014 acquisitions

Exhibit 3: Estimates for Innovation acquisition, based on transaction details and management guidance

US$000s	2014e	2015e	2016e
Rental income	1,079	1,886	1,924
Indexation	–	0	0
Utility and property expenses not recovered by tenants	(11)	(19)	(19)
NOI	1,068	1,868	1,905
Property maintenance	(11)	(19)	(19)
Corporate admin and opex expenses	(128)	(116)	(116)
Interest expense	(282)	(472)	(461)
Depreciation	(100)	(172)	(172)
NPBT	548	1,089	1,136
Tax	(88)	(174)	(182)
Tax rate	0	0	0
NPAT	460	914	955
Add back depreciation	100	172	172
FCF	560	1,086	1,126

Source: Company data, Edison Investment Research. Note: Assumes US$1.37/€.

Consideration for the Innovation acquisition was €12.6m (US$17.2m at US$1.37/€). It produces €1.35m in income per annum, a net initial yield of c 10.7%. SPDI paid €4.4m in cash from existing resources, issued 785,000 redeemable shares with a value of c €700,000, and raised €7.5m of debt (c 60% of the acquisition price) at a cost of 420bp above three-month Euribor (currently c 0.3%). The acquisition is included in our estimates from the date of completion and contributes c US$500k of PBT and free cash flow in 2014, increasing to a little more than US$1.0m in the first full year (2015). The forecast free cash flow yield on the c US$7m investment (before debt) is c 16%. A 1% reduction in the valuation yield would increase the property valuation compared with the assumed acquisition prices by c US$1.1m and increase the five-year IRR to c 21%.

Management is in discussions to acquire two further properties, and we understand these negotiations to be at an advanced stage. We believe the value of these transactions, involving substantially let properties, is likely to be c US$30m in aggregate with a net initial yield of c 10%, similar to Innovation. Our estimates for these acquisitions, which are based on management guidance, are included in our forecasts for the group, from an assumed completion date of 1 October 2014. We have included these properties in our estimates because our discussions with management lead us to believe the transactions are likely to complete. However, this is not yet certain, and the terms may not be the same as those that we have assumed. In Exhibit 4 we show a summary of our group forecasts both including and excluding the acquisitions.

Exhibit 4: Summary forecasts including and excluding acquisitions

	2013	2014e			2015e		
		Acquisitions	Existing	Total	Acquisitions	Existing	Total
Revenue - rent, service charges & utilities	3,609	719	5,129	5,848	2,935	6,300	9,235
Investment property operating expenses	-721	-4	-1,049	-1,053	-17	-1,354	-1,371
Gross Profit	2,887	715	4,079	4,795	2,918	4,946	7,864
Administration expenses	-3,288	-162	-3,068	-3,230	-647	-3,185	-3,832
Other income, net	658		0	0		0	0
Operating Profit before valuation gains/(losses)	258	553	1,011	1,565	2,270	1,761	4,031
Valuation gains/(losses) from investment property	843	0	0	0	0	0	0
Operating Profit	1,101	553	1,011	1,565	2,270	1,761	4,031
Net Interest	-1,106	-290	-1,477	-1,767	-1,123	-1,551	-2,674
Profit Before Tax (FRS 3)	-5	263	-466	-202	1,148	209	1,357
Tax	-167	-57	97	40	-261	-10	-271
Minorities	-14	0	0	0	0	0	0
Profit After Tax (FRS 3)	-185	206	-368	-162	887	199	1,086
Normalised Profit After Tax	-1,687	206	-368	-162	887	199	1,086

Source: Company data, Edison Investment Research. Note: Existing includes complete Innovation acquisition; acquisitions include Edison estimates for two further property acquisitions assumed to complete by 1 October 2014.

At the end of 2013, SPDI held cash balances of US$13.3m and had net debt of US$2.5m. The Innovation acquisition consumed upfront cash of c US$6.0m. Management guides that it has agreed but not formally completed financing for the two additional acquisitions, and that it will include a higher share of debt than both Innovation (loan to acquisition cost 60%) and the existing Brovary property (loan to value also c 60%). Management indicates that the cash element of acquisition may be c US$5-6m, although some of this may be deferred. On this basis, the loan to cost of acquisition is likely to be a relatively high 80% or perhaps more, and management indicates that it expects to be able to secure debt funding at rates of between 4.75% and 5.00%. Management believes the acquisitions are priced below market value (ie, the loan to value will be less than 80%) and the loan to cost ratios are supported by:

1. the immediate cash income nature of the properties (on our assumptions, income before non-cash depreciation covers net interest by c 1.6x), and
2. the low starting point for net debt within the group, and an estimated net debt to property assets (including development sites) post acquisitions of c 53.

To highlight the impact on earnings and NAV per share of SPDI being able to arrange financing on the terms that management expects, in Exhibit 5 we show an alternative scenario whereby loan to acquisition cost (of an assumed US$30m of assets) is pegged at 60%, requiring an additional US$6m cash contribution from SPDI, which we assume would need to be equity funded.

Exhibit 5: Illustration of alternative equity funded contribution to acquisitions

US$000s	2014	2015	2016
Normalised profit after tax	(98)	1,086	1,200
Shareholders' equity	53,067	54,153	55,353
EPS – normalised & fully diluted (c)	(0.3)	3.3	3.7
NAV per share – fully diluted (c)	165	168	172
Existing fully diluted number of shares (m)	32.2	32.2	32.2
Existing average fully diluted number of shares	32.7	32.7	32.7
Additional equity (US$m)	6,000		
Shares issuance price (p)	60		
US$/£	1.70		
New shares issued (m)	5.9		
New fully diluted number of shares (m)	38.1	38.1	38.1
New average fully diluted number of shares (m)	34.2	38.6	38.6
Diluted earnings & NAV:			
Adjusted Profit After Tax	(40)	1,314	1,428
Adjusted shareholders' equity	59,067	54,153	55,353
Adjusted EPS – normalised & fully diluted (c)	(0.1)	3.4	3.7
Adjusted NAV per share – fully diluted (c)	155	142	145

Source: Company data, Edison Investment Research. Note: Assumed equity raise at 1 October 2014.

On the assumption that US$6m is raised in conjunction with the expected acquisitions, on 1 October 2014, at a share price of 60p, the impact on normalised fully diluted EPS in minimal in each forecast year. However, compared with our base assumptions, the additional shares in issue would dilute fully diluted NAV per share by approximately 16%.

Financials: Improvement in underlying cash flows

2013 was roughly break-even at the PBT level, but this benefited from positive valuation movements (US$843k) and other non-recurring income and expense items (US$658k). Before taking account of the Innovation acquisition, we estimate a recurring PBT loss of c US$1m (normalised PBT loss of US$6.7m in 2011), a small positive operating cash flow, but c US$1m of negative free cash flow after debt servicing. We estimate that Innovation will provide c US$1.1m of PBT and a similar amount of free cash flow (before debt amortisation) in its first full year (2015). In aggregate, post the Innovation acquisition we look for a small positive PBT and cash flow, providing SPDI with a solid base from which to build, through acquisitions, a growing portfolio to generate increasing rents and cash flow, and potentially also NAV growth.

The equity raising that has already been undertaken through 2011 to 2013 has involved significant NAV per share dilution; while equity has generally been raised at a premium to the prevailing share price, it has been at a c 50% discount to fully diluted NAV. We estimate that the cash raised in 2013 (year-end cash balance US$13.3m and net debt US$2.5m) provides SPDI with the resources to pursue additional acquisitions that are at an advanced stage of negotiation, in addition to the completed Innovation acquisition (cash consideration US$6.0m). As we have shown on page 7, this should move SPDI's operational profile from broadly break even cash/earnings to net positive, and should begin to shift the market's valuation consideration from the NAV discount towards an EPS/yield-based rating backed by realistic prospects for NAV/share growth if acquired assets benefit from local property markets recovery. Management has indicated that it can complete the anticipated two further acquisitions from existing cash resources (equity raised in 2013) without need for further equity issuance and we have included this assumption in our forecasts. On page 7 we also show the potential dilution impact that would arise if this were not the case and additional equity were necessary. In our view, investors should consider further equity issuance to be likely, supporting management's desire to grow the business beyond the current deal pipeline and future NAV dilution should be seen as quite possible.

Our forecasts are on a fully diluted basis, incorporating both the current number of shares (but not future issuance) and the anticipated conversion of the 'B Warrants' – which must be exercised by September 2016 – at 12.5% of the group's equity as it stands at that date.

US$ pegging of Ukraine rents should protect cash flow

SPDI's base reporting currency is the US dollar. At the end of 2013, before the Romanian acquisition, all of the property assets were in Ukraine, and the majority of liabilities were represented by EBRD loan for Brovary construction, denominated in US dollars.

The Brovary rents are pegged to the US dollar, and despite the weakness in the economy, management indicates that 92-95% of the c 50% currency devaluation in 2014 (from c UAH8.0/US$ to c UAH12.8/US$) has been recovered in higher US$ rents, with only small underlying reductions agreed with tenants. This is reflected in our earnings and cash flow forecasts. Over the medium term, it is unclear how quickly the situation in the Ukraine will improve and how tenants may react. The expected weakness of the economy (2014 GDP estimated to fall c 6.5%) and the implied local currency price increases of imported goods should be expected to affect the underlying business of the tenants for as long as current conditions prevail, but their occupancy strategy in relation to Brovary is likely to meanwhile be determined by their longer-term views on the Ukraine situation. Our forecasts for 2015 assume unchanged occupancy and US$ rents at Brovary.

To assess the impact of the 2014 devaluation on NAV, Exhibit 6 splits the 2013 assets and liabilities into those that management guides are unlikely to show material US$ movements, and those that are. On the liability side of the balance sheet, the movement is minimal and confined to some working capital items, with the main debt facility denominated in US$. Similarly on the asset side of the balance sheet, there are some small changes in working capital values, but the main factor is the US$ values of the income producing Brovary and the development sites. Management indicates that the valuations are determined in US$ and that they are likely to change very little, with some increasing and some declining. Management guides that it has recent opinion to this effect from its valuers. This result essentially assumes an unchanged capitalisation rate of current (Brovary) and expected future US$ income (the development sites), but in our view is an area of uncertainty; at the very least, there is no scheduled external valuation due until year-end 2014.

The 2013 rent at the income producing Ukraine asset, Brovary (c 90% occupancy), represents a yield of 11.3% on the 2013 year-end valuation. To give some insight into the sensitivity of the valuation to changes in capitalisation rates, if our rent assumption for 2014 of US$3.04m, were to be capitalised at a 1% higher rate (to reflect a change in risk profile) of 12.3%, this would give a property value of US$24.8m, down from the US$25.2m. At 13.3%, the valuation would be US$23.3m.

As the sites are undeveloped, it is not possible to show a similar sensitivity but we observe elsewhere in this report, by way of illustration, that a 50% discount from the year-end 2013 carrying value would reduce our forecast 2014 NAV/share by 22% to 75p on a fully diluted basis.

Using management's guidance of minimal US$ asset value impact, the overall effect of the 2014 currency devaluation on 2013 year-end US$ NAV (US$53.3m) is well managed at an estimated US$321k. Given the uncertainty regarding the year-end exchange rate, we have not included this small amount in our forecasts.

Exhibit 6: Illustration of recent FX impacts on year-end 2013 NAV (US$000s)

Assets	As reported	Re-valued for FX	Liabilities	As reported	Re-valued for FX
Assets assumed unchanged in US$ value			Liabilities assumed unchanged in US$ value		
Investment property	39,600	39,600	Deposits by tenants	435	435
Investment property under construction	9000	9,000	Interest bearing borrowings	15,277	15,277
Advances for investments	5,000	5,000	Provisions	164	164
Non-UAH cash	13,130	13,130			
Other assets	143	143			
Sub-total	66,873	66,873	Sub-total	15,876	15,876
Assets assumed to revalue in US$			Liabilities assumed to revalue in US$		
Prepayments and other assets	4,959	3,388	Trade and other payables	1,738	1,187
Cash held in UAH	203	139	Finance lease liabilities	566	387
			Taxes	584	399
Sub-total	5,162	3,526	Sub-total	2,888	1,574
Total assets	72,035	70,400	Total liabilities	18,764	17,450
Net assets	53,271	52,950			
Devaluation impact on net assets	(321)				

Source: Company data, Edison Investment Research. Note reported data at UAH8.0/US$ revaluation at UAH11.7/US$.

As discussed above, the majority of the FY13 year-end debt is accounted for by the construction loan secured on Brovary and led by EBRD (US$15.0m out of total debt of US$15.3m). SPDI says that it has agreements with both EBRD and the B lender, Bank of Cyprus, for a rescheduled loan with an amortisation schedule matched to likely cash flows. When the legal documentation accompanying this agreement has been signed and the contract concluded, the balance sheet risk of early repayment will be eliminated. For the Innovation acquisition, management says that it has arranged five-year funding at 400bp above Euribor, with annual repayments and an 89% bullet repayment at the end of year five.

As guided by management, our forecasts build in the assumption of additional debt funding to support additional asset purchases of c US$30m, on a relatively high 80% loan to cost of acquisition (see page 7).

Potential profit from exits over next three to five years

Not included within our estimates, but a potentially important component of future returns is profitable asset sales as markets pick up from cyclical lows. For its initial acquisitions, management anticipates sales at 7-8% net initial yields may be possible in three to five years if markets develop in a manner similar to other regional markets that have seen valuations benefit from capitalisation rate convergence. In overall group terms, that need to be considered alongside the current uncertainty regarding Ukraine property asset values (see above), but if it is the case, the implied valuation of Innovation (Romania) and the other two assumed (non-Ukraine) acquisitions (using our initial rent assumption) would be c US$60-68m, compared with an assumed acquisition cost of c US$46m.To support this view management cites 1) its ability to buy at net initial yields that are slightly above the current 10% market yield for good-quality warehouse property as a result of its access to finance in a buyer's market, and 2) its focus on Grade-A assets in undersupplied markets, let to tenant covenants that are suitable for institutional investors. If exits were not achieved at acceptable prices, focus would turn to ability to re-let or extend leases at expiry on terms acceptable to lenders, and further positive cash generation.

Sensitivities: Financing new investment

We highlight below a number of sensitivities that could have a significant bearing on our earnings and cash flow forecasts for SPDI as well as net asset value.

- SPDI reports that both EBRD and Bank of Cyprus have agreed to amend the terms of existing debt, but that the transaction still awaits formal signing. Our forecasts assume conclusion of the restructuring, but this is not certain. If not concluded, it would imply a significant financing issue for the group and it is beyond the scope of this note to speculate how its future might develop. Management fully expects this approval in due course and believes the delay is entirely procedural.
- Completion of the two further acquisitions that we have assumed in our forecasts for 2014 is not guaranteed, and if SPDI is unsuccessful both profits and cash flow will be lower than we have estimated. In 2015, the first full year's contribution from both, we estimate a PBT contribution of US$1.1m compared with US$1.4m for the whole group. Looking forwards, the successful execution on SPDI's strategy to build a leading regional property company and further enhance free cash flow significantly depends on acquisitions, requiring access to new assets, equity and debt on suitable terms.
- The 2013 property valuations in the balance sheet were struck by the external valuer (CBRE, Ukraine) at the end of 2013 and political and economic conditions in Ukraine appear to have worsened since (see page 5).
- We estimate that after the acquisition of Innovation in May 2014, Ukraine represents c 63% of SPDI's property income and c 74% of its portfolio. Ukraine's economy is facing significant near-term political and economic challenges. Our forecasts assume the successful completion of further acquisitions during 2014 that we estimate will see the Ukraine share of income fall to c 39% and c 50% of the portfolio value.
- Target investments are in less transparent/liquid property markets. That increases the risk of volatility in asset and rental values. In order to limit exposure to factors outside management's control the investment focus is on Grade-A assets and blue-chip tenants.

- Results are reported in US dollars, but the shares (and possible future distributions) are quoted in sterling. Operational foreign exchange risk is managed by setting all underlying rents and expenses in euros or US dollars to hedge local currency exposure.
- The auditors draw attention to a risk that SPDI could lose its right to some of its development sites if development is not undertaken according to an agreed schedule. At 31 December 2013, development site assets were US$23.4m in total but management indicates that the risks are remote (it continues to pay c US$0.25m pa in licences) and argues that this situation applies to only two of the sites where it owns less than 100%, with aggregate exposure (after minority interests) of c US$6m.
- Assets include c US$5m in respect of a pre-payment for an aborted acquisition. The new management team has been engaged in litigation to secure legal ownership of the site in Kiev by way of collateral and reports that it has recently received a favourable court ruling that will enable it to shortly establish clear legal ownership of the site.
- There is a potential risk of future equity dilution from equity issuance to support portfolio growth plans. In February 2013, SPDI issued 14.6m new shares vs 11.1m shares in issue. Although pre-emption rights were not made available to save costs, existing shareholders were invited to apply for their pro-rata entitlements.

Valuation: NAV support but cash generation is key

Exhibit 7: NAV summary

	FY11	FY12	FY13	FY14e	FY15e
Attributable shareholders' equity	31,423	33,891	52,208	53,003	54,089
Shares outstanding (m)	9.278	11.112	28.172	28.172	28.172
Fully diluted shares outstanding (m)	10.915	12.699	32.196	32.196	32.196
NAV per share – basic (c)	339	305	185	188	192
NAV per share – fully diluted (c)	288	267	162	165	168
NAV per share – basic (p)	199	179	109	111	113
NAV per share – fully diluted (p)	169	157	95	97	99
US$/£	1.70	1.70	1.70	1.70	1.70

Source: Company data, Edison Investment Research

In 2013, shareholders' equity increased by c US$18.6m, almost entirely the result of February's new share issuance and to a lesser extent the November conversion of Narrowpeak's convertible loan to the company; the loss recorded in total comprehensive income was just US$0.3m. Fully diluted NAV per share, converted at a constant US$/£ rate of 1.70 declined to 95p from 157p, almost entirely due to new share issuance at prices below NAV. We do not see the continuing NAV discount as a sufficient investment case on its own. The discount may be justified by weighting to Ukraine (74%) and undeveloped sites (36%), and debt negotiations that are yet to be fully contracted. The shares are 42% below our diluted FY14e NAV/share forecast, but the sites are unlikely to be realisable at book value in the short term, despite having been marked down by c 60% over the past few years. If we discount them by another 50% to offset uncertainty, fully diluted FY14e NAV/share falls from 97p (Exhibit 7) to 75p. SPDI is also seeking to secure the legal transfer of a site taken as collateral for an aborted US$12m acquisition in central Kiev in 2007. This has been written down to the US$5m site value, or c 13p of current NAV/share. More positively, our forecasts include assumed additional acquisitions during 2014 on net initial yields of 10%. Given that SPDI is seeking to leverage the equity finance that it has already raised during 2013 to acquire good-quality, let properties at attractive prices, we believe there is a real prospect of valuation gains on the properties acquired (including Innovation) that we have not included in our forecast.

Exhibit 8: EPS and cash flow/share summary

	2011	2012	2013	2014e	2015e
EPS – IFRS (c)	(25.2)	1.3	(0.7)	(0.6)	3.9
EPS – normalised and fully diluted (c)	(162.3)	(32.8)	(5.9)	(0.5)	3.3
Operating cash after financing costs per share – fully diluted (c)	(125.7)	(36.3)	(8.1)	1.2	7.2
Operating cash after financing costs per share – fully diluted (p)	(73.9)	(21.3)	(4.7)	0.7	4.2

Source: Company data, Edison Investment research

In our view, it is the potential for SPDI to build further upon its growing, income producing asset bases (Brovary, Innovation, and, in our forecasts, two further properties during 2014), in combination with the discount to NAV, that provides the more interesting investment case. Our forecasts, including the two additional acquisitions, already show positive operational cash flow in 2014 and positive earnings in 2015, the first full year for the new income producing assets. Our forecast of 4.2p fully diluted operating cash flow per share for 2015 is equivalent to a c 4.3% return on NAV. Further purchases of assets capable of generating positive operating cash flow in their first year of ownership should further enhance earnings and cash flow per share, even if further equity issuance may dilute NAV per share. That should in due course deliver sufficient funds for distribution, and also enable SPDI to hold assets for income pending exit opportunities over three to five years.

Management targets significant cash-generative acquisitions

Management believes it has the opportunity to build a company with more than US$400m in gross assets (2013: US$72m). Clearly this will depend on access to additional equity and debt funding. In Exhibit 9 we illustrate the impact of an incremental US$25m acquisition at an ungeared net initial yield of 10%. Equity is assumed to represent 40% of the acquisition cost and newly arranged debt 60% at an assumed 5% interest rate. Incremental corporate and administrative expenses are assumed to be minimal (US$125,000), in line with management's guidance that it could support a business of more than US$400m in assets with c US$5m of expenses (2015e US$3.8m). The assumed tax rate of 15% represents a broad average of rates applicable in Romania, Bulgaria and Greece.

Exhibit 9: Illustration of cash flow and net asset per share impact of US$25m acquisition (US$'000s)

Rental Income	2,500
Utility and Property expenses not recovered by tenants (1.5%)	-38
NOI	2,463
Property maintenance (1.0%)	-25
Corporate admin and operating expenses	-125
Interest expense	-750
Cash flow before tax	1,563
Tax	-234
Tax rate	15%
Cash flow after tax	1,328
Cash return on cash equity	13.3%
Forecast operating cash-flow after financing costs	2,357
Operating cash flow after financing costs (inc $15m acquisition)	3,685
Acquisition costs	25,000
Equity (40%)	10,000
Debt (60%)	15,000
Interest rate	5%
Net initial yield	10%
Equity issued ($)	10,000
$/£	1.70
Equity issued (£)	5,882

Source: Company data, Edison Investment Research. Note: US$/£ = 1.70.

In Exhibit 10 we illustrate how the above acquisition would affect our current operating cash flow per share estimates and NAV per share estimates, for a range of potential equity issuance prices. Because of the immediately cash-generative nature of the illustrated acquisition, cash flow per share is enhanced in each case. At the range of share issuance prices illustrated, the NAV per share is diluted; at higher share prices the dilution is reduced.

Exhibit 10: Per share impact of illustrated US$25m acquisition on 2015 estimates

Issuance price (p)	55	60	65	70
2015 forecast operating cash-flow after financing costs (US$m)	2,357	2,357	2,357	2,357
Operating cash flow after financing costs (inc US$25m acquisition) (US$m)	3,607	3,607	3,607	3,607
2015 forecast operating cash after financing costs per share (p)	0.43	0.43	0.43	0.43
Operating cash after financing costs per share, inc US$25m acquisition (p)	0.49	0.51	0.51	0.52
2015 forecast NAV per share (p)	99	99	99	99
NAV per share inc US$25m acquisition (p)	88	90	91	93
Cash flow per share accretion	15%	17%	19%	21%
NAV per share dilution	-11%	-9%	-8%	-6%

Source: Company data, Edison Investment Research. Note: US$/£ = 1.70.

Similar income-focused strategies are supporting higher valuations

Given continuing low interest rates, strategies aimed at exploiting the margin between the attractive yields that can be earned on good-quality real estate let to sound tenants, and financing costs, to generate cash returns available for shareholder distribution, are still finding favour.

We note that the much larger and more diversified New Europe Property Investments (NEPI) is, at a share price of €6.5, trading at 1.76x its 2013 adjusted NAV/share of €3.70, supported by a 4.1% distribution yield. It has a market cap of c €1.5bn and is focused on the Romanian market (c 90%) with a portfolio of 51 properties at end 2013.

Similarly focused on Romania, Globalworth Real Estate Investments (market cap c €250m at a share price of €5.85) is trading at a small discount to its 2013 year-end EPRA NAV of €6.03 per share. The company was only listed in early 2013, and is still to fully build its portfolio. It has not yet declared a dividend. In March 2014 it successfully raised €144m of new capital, including €79m in equity at €5.90 per share and €65m in convertible debt (convertible into ordinary shares at €5.90 per share in December 2014).

Our forecasts show SPDI generating a c 4.3% operating cash flow (after financing costs) return on NAV in 2015. To get to that point, we look for the company to complete c US$30m in additional cash-generative acquisitions in H214 and to continue to successfully navigate the uncertainties presented by the crisis in Ukraine. Including the two additional acquisitions, Ukraine exposure will decline from c 62% of income, all from fully-let warehouse space in Kiev, and c 74% of the property portfolio (including development sites) to c 39% of income and 50% of property assets.

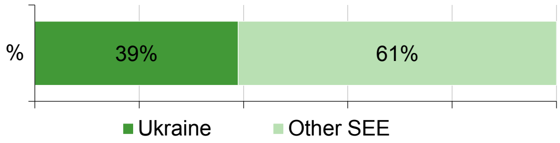
If management is able to execute on its regional expansion strategy, the combination of enhanced cash flow per share and the increased property and country diversification within the portfolio would have the potential to lift valuation and offset the NAV per share dilution that would result from issuing equity to part-fund growth.

EDISON

Exhibit 11: Financial summary

US$000s	2011	2012	2013	2014e	2015e	2016e
Year end December	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS						
Revenue – rent, service charges & utilities	527	2,121	3,609	5,848	9,235	9,419
Investment property operating expenses	(172)	(554)	(721)	(1,053)	(1,371)	(1,397)
Gross Profit	354	1,567	2,887	4,795	7,864	8,023
Administration expenses	(5,445)	(3,242)	(3,288)	(3,230)	(3,832)	(3,890)
Other income, net	6,521	524	658	0	0	0
Operating Profit before valuation gains/(losses)	1,430	(1,152)	258	1,565	4,031	4,132
Valuation gains/(losses) from investment property	(629)	3,452	843	0	0	0
Operating Profit	801	2,301	1,101	1,565	4,031	4,132
Net Interest	(1,645)	(2,155)	(1,106)	(1,767)	(2,674)	(2,632)
Profit Before Tax (FRS 3)	(844)	145	(5)	(202)	1,357	1,500
Tax	(250)	(84)	(167)	40	(271)	(300)
Minorities	10	70	(14)	0	0	0
Profit After Tax (FRS 3)	(1,084)	132	(185)	(162)	1,086	1,200
Adjusted earnings:						
PBT (IFRS3)	(844)	145	(5)	(202)	1,357	1,500
Adjust for:						
Valuation gains/(losses) from investment property	629	(3,452)	(843)	0	0	0
Other income, net	(6,521)	(524)	(658)	0	0	0
Normalised PBT	(6,736)	(3,831)	(1,506)	(202)	1,357	1,500
Tax	(250)	(84)	(167)	40	(271)	(300)
Minorities	10	70	(14)	0	0	0
Normalised net profit	(6,976)	(3,845)	(1,687)	(162)	1,086	1,200
Closing Basic Number of Shares Outstanding (m)	9.3	11.1	28.2	28.2	28.2	28.2
Closing Fully Diluted Number of Shares Outstanding (m)	10.9	12.7	32.2	32.2	32.2	32.2
Average Basic Number of Shares Outstanding (m)	4.3	10.2	24.8	28.2	28.2	28.2
Average Fully Diluted Number of Shares Outstanding (m)	4.3	11.7	28.8	32.6	33.0	33.0
EPS – normalised (c)	(162.3)	(37.9)	(6.8)	(0.6)	3.9	4.3
EPS – normalised and fully diluted (c)	(162.3)	(32.8)	(5.9)	(0.5)	3.3	3.6
EPS – (IFRS) (c)	(25.2)	1.3	(0.7)	(0.6)	3.9	4.3
Dividend per share (c)	0.0	0.0	0.0	0.0	0.0	0.0
NAV per share – basic (c)	339	305	185	188	192	196
NAV per share – fully diluted (c)	288	267	162	165	168	172
NAV per share – basic (p)	199	179	109	111	113	115
NAV per share – fully diluted (p)	169	157	95	97	99	101
US$/£	1.70	1.70	1.70	1.70	1.70	1.70
BALANCE SHEET						
Fixed Assets	49,059	52,679	53,743	99,653	99,004	98,356
Investment properties	35,937	39,230	39,600	85,732	85,832	85,933
Investment property under construction	8,100	8,353	9,000	9,000	9,000	9,000
Prepayments made for investments	5,000	5,000	5,000	5,000	5,000	5,000
VAT non-current	0	0	0	0	0	0
Property plant & equipment	22	96	143	(79)	(828)	(1,577)
Current Assets	5,760	5,705	18,292	7,590	8,908	9,892
VAT & other tax receivables	4,675	4,256	3,637	3,637	3,637	3,637
Other prepayments & other current assets	330	1,192	1,322	1,350	1,350	1,350
Cash & equivalents	755	256	13,333	2,603	3,921	4,904
Current Liabilities	(21,100)	(20,018)	(17,132)	(12,863)	(18,283)	(19,707)
Interest bearing borrowings	(15,814)	(16,564)	(15,277)	(11,008)	(16,427)	(17,851)
Trade & other payables	(4,094)	(2,562)	(1,075)	(1,075)	(1,075)	(1,075)
Taxes payable	(815)	(530)	(584)	(584)	(584)	(584)
Provisions	(349)	(335)	(164)	(164)	(164)	(164)
Finance lease liabilities	(28)	(28)	(32)	(32)	(32)	(32)
Long Term Liabilities	(1,213)	(3,436)	(1,632)	(40,314)	(34,478)	(32,189)
Interest bearing borrowings	0	(1,778)	0	(37,760)	(31,451)	(29,138)
Finance lease liabilities	(652)	(566)	(534)	(534)	(534)	(534)
Trade & other payables	(497)	(665)	(663)	(1,279)	(1,279)	(1,279)
Deposits from tenants	(64)	(428)	(435)	(741)	(1,214)	(1,238)
Net Assets	32,506	34,930	53,271	54,066	55,152	56,352
Minorities	(1,083)	(1,039)	(1,063)	(1,063)	(1,063)	(1,063)
Shareholders' Equity	31,423	33,891	52,208	53,003	54,089	55,289
CASH FLOW						
Operating Cash Flow	(4,170)	(2,878)	(1,178)	2,114	5,303	4,955
Net Interest	(1,135)	(1,127)	(1,032)	(1,767)	(2,674)	(2,632)
Tax	(97)	(247)	(107)	40	(271)	(300)
Capex	(890)	(199)	(236)	(150)	(150)	(151)
Acquisitions/disposals (inc debt)	0	0	0	(44,458)	0	0
Financing	8,000	2,354	17,045	0	0	0
Dividends	0	0	0	0	0	0
Other	(1,532)	(843)	1,677	0	0	(0)
Net Cash Flow	177	(2,940)	16,170	(44,221)	2,207	1,872
Opening net debt/(cash)	(15,916)	(15,739)	(18,679)	(2,509)	(46,730)	(44,523)
Other	0	0	0	0	0	0
Closing net (debt)/cash	(15,739)	(18,679)	(2,509)	(46,730)	(44,523)	(42,651)

Source: Company data, Edison Investment Research. Note NAV/share converted at US$/£ = 1.70

Contact details	Net operating income by geography (2015e)
16 Kyriakou Matsi Avenue Eagle House, 10th floor Agioi Omologites Nicosia, Cyprus +30 210 72 26470 www.secure-property.eu	

CAGR metrics		Profitability metrics		Balance sheet metrics		Sensitivities evaluation	
EPS 2012-16e	N/A	ROCE 15e	N/A	Gearing 15e	82.2%	Litigation/regulatory	◖
EPS 2014-16e	N/A	Avg ROCE 2014-16e	N/A	Interest cover 15e	1.5x	Pensions	○
EBITDA 2012-16e	N/A	ROE 15e	2.0%	CA/CL 15e	N/A	Currency	●
EBITDA 2014-16e	N/A	Gross margin 15e	85.2%	Stock days 15e	N/A	Stock overhang	◖
Sales 2012-16e	45.2%	Operating margin 15e	43.7%	Debtor days 15e	N/A	Interest rates	◖
Sales 2014-16e	26.9%	Gr mgn / Op mgn 15e	2.0x	Creditor days 15e	N/A	Oil/commodity prices	○

Management team

CEO: Lambros Anagnostopoulos

Appointed August 2011. Founder/CEO of Athens-listed property developer LAMDA (2000-06) and vice-chairman of Greece's first REIT, EFG Eurobank Properties (2000-07). Founded SECURE Management in 2006, a private equity platform established to manage property investment and development vehicles in South-Eastern Europe. From 1992 a Geneva-based executive of the Latsis Group and directed its global business planning and development.

CFO: Constantinos Bitros

CFO of SECURE Investments from 2007, a private company with over US$250m of assets under management in three South-Eastern European countries. Previous career includes: Kantor Management Consultants (2005-06), investment firms in Greece (2000-04) and from 1998 to 2000 he ran a US$150m private equity derivatives portfolio in the United States. Has set up and implemented risk management systems for financial and industrial mid to large size companies in the US and Greece, and created and managed venture capital and long/short equity market neutral hedge funds.

Commercial Director: George Dopoulos

Supervisor of SPDI's Ukrainian (since 2012) and Romanian operations. He joined SECURE Management in 2009. Prior to that was a partner of Phoenix Real Estates and supervised development of 250km² of industrial/logistics centres in Romania. Previously he held project management related positions with international firms (Hill International, Parsons) focusing on South-East Europe and the Middle East, leading project planning, financial structuring, team augmentation and project implementation/completion tasks.

Principal shareholders	(%)
Dundee Corporation	26.6
Narrowpeak Consultants Ltd	22.6
PM Capital Inc	16.6
MNC Finance Establishment	10.0
Fidelity Investments	2.2

Companies named in this report

LAMDA Development SA (LAMDA.ATH), Eurobank Properties (EUPRO.ATH)

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Germany	United Kingdom	US	NSW 2000, Australia	New Zealand