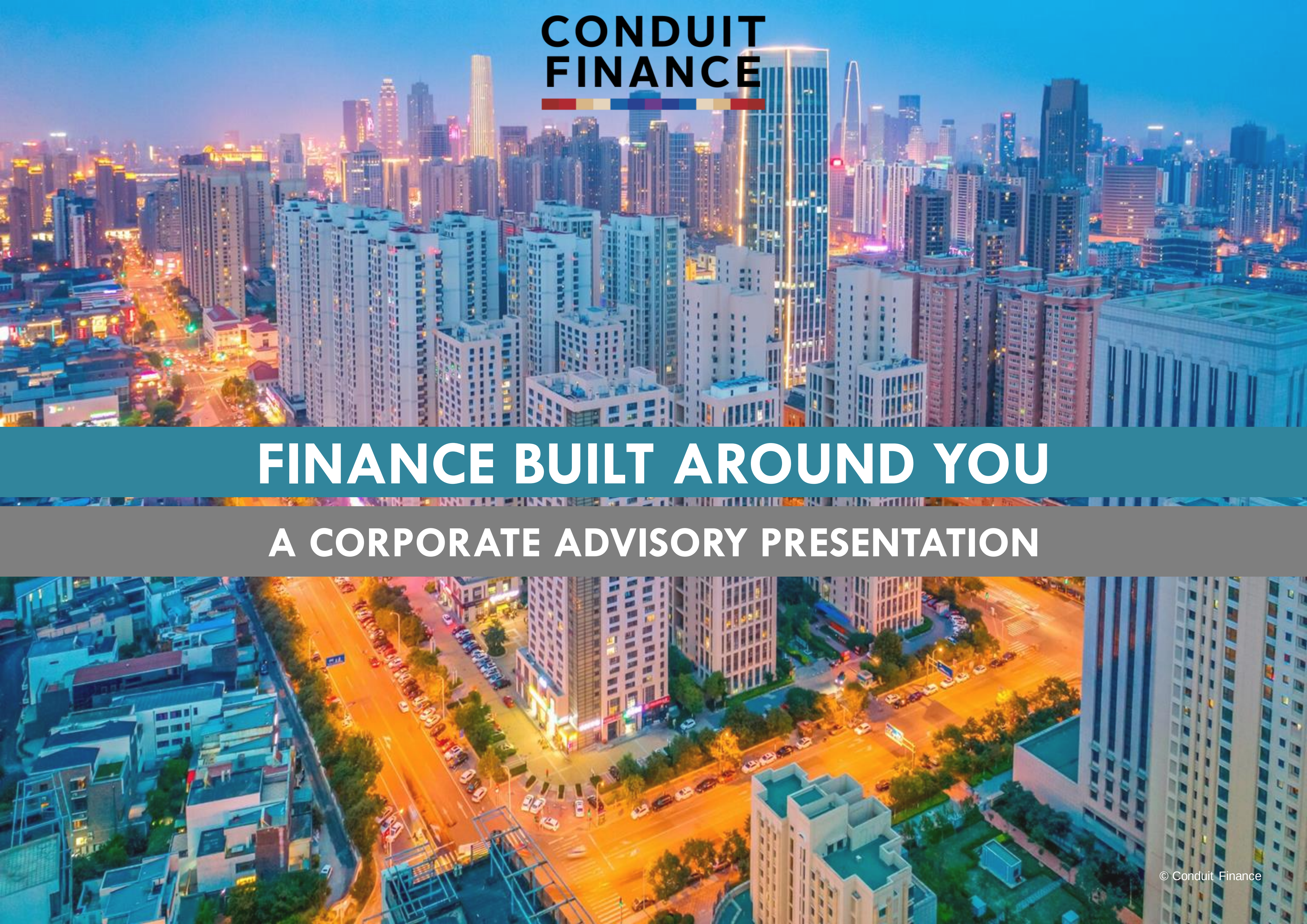
CONDUIT FINANCE



FINANCE BUILT AROUND YOU

A CORPORATE ADVISORY PRESENTATION

ABOUT US

A SNAPSHOT OF CONDUIT FINANCE

We are a Property, Corporate Finance and Advisory boutique based in Edinburgh.

12+	UK & EU	£700m+	1,155	6x
Years of success	Client geographies	Raised to date	Lenders products	Team

- Routinely fundraising for Real Estate and Corporate transactions; Equity, Debt, Mezzanine and hybrid funding solutions.
- Experienced team of finance professionals with strong Banking & Accountancy technical backgrounds.
- Actively supporting Developers and Landlords within Residential, Commercial, Student, Hotel, Industrial & Senior Living.
- Focused on raising capital throughout the process from strategic land stage to a stabilised investment.
- Transactional support services including financial modelling, preparation of investment memorandums & business plans.

TIMELINES & SERVICES

Short Term

- Address the SPV level funding requirements
- Includes bridging financing, refinance, LTV/price focus.
- Well-known funder network focused on new to market
- Reducing transactional risk, cost and timescales

Medium Term

- Platform capital solutions such as Private Equity & RCF
- Growth based strategies to build towards an exit/IPO
- Strategic capital advisory services pre-transaction
- Market research and data led report creation

Conduit Finance offers a wide range of corporate real estate advisory services, a few of which are covered in the subsequent slides

1. DEBT FOR PROPERTY INVESTMENT

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TERM DEBT

LOW RATES

Some debt funders can lend at 1.50% pa all in but that's not common, LTV is c55%.

More accessible would be a 1.75% to 2.50% margin for LTVs up to 65%.

INTEREST ONLY

Amortisation can soak up capital needed for growth. Partial amortisation can be a useful middle ground.

Interest only profiles are possible across the price spectrum up to 70% LTV.

LONG TENURE

Refinancing every 5 years is expensive & needlessly exposes you to market conditions.

More lenders can now offer 60%+ LTVs on 10 to 30 product terms.

HIGH LTV

Retail banks can be cheap but there are usually restricted by LTV.

Funds are channeling pension & institutional capital into the upper end of the capital stack, up to 80%.

2. PORTFOLIO FUNDING OPTIONS

THE RATIONALE

Conduit has been actively working with ambitious developers to help them break free of the equity intensive SPV funding model

ASPECTS	TRADITIONAL SPV FUNDING	PORTFOLIO FUNDING
1. Process	Tends to be both a long and slow process.	Once in place drawdowns are in 5-10 business days
2. Fundraising	Constant need to secure new funding.	Remove the need for continual fund raising.
3. Cost	Expensive; multiple fees borne over time on multiple projects.	Cheaper; a one-time cost to secure the required funding. Latent equity utilised as real equity/cash.
4. Management	Distracted; senior team need to constantly fundraise.	Focused; managers spend more time on new sites, construction and strategy.
5. Growth	Slower rate of growth as funding takes time to secure, equity intensive & administratively laborious.	Accelerated rate of growth as funding is readily available subject to projects fitting the agreed scope.
6. Returns	Lower returns; mix of higher sponsors equity and capital cost.	Significantly higher returns from simplified capital structure; low requirements & capital costs.

FUNDING OPTIONS

Based on some of our most recently completed transactions we are aware of a few alternative funding models and have highlighted three select portfolio funding products (options) for your consideration.

I. Revolving Credit Facilities (RCF)

II. Equity Management Agreements / JV Funding

III. Corporate Bonds

IV. Debt for Property Investment

The above funding options could be setup either individually or in combination with another option. We believe that your business should consider portfolio funding as it provides several financial and operational advantages.

3. DEBT FOR PROPERTY DEVELOPMENT

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DEVELOPMENT

SENIOR DEBT

Recent examples include 70% LTGDV at 5.5% pa.

We work with new to market debt funds, retail banks, specialists, funds and challenger banks.

LAND

Interest rate costs are invariably between 8% pa and 12% pa at LTV's to 70%.

Lower leverage requirements can attract all in rates around 4%.

MEZZANINE

From 8% per annum up to 85% LTC. Recently delivered as a commercial development.

Market average is around 11% and higher for smaller projects.

STRETCH SENIOR

Senior and whole loan facilities up to 90% LTC.

All in annual cost ranging from 6% to 9% dependent on deal quality. 0.5%-1% Arr Fee. Exit Fee from 0% to 1% (of loan/GDV).

4. PRE-TRANSACTION ADVISORY SERVICES

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STAGE	FOCUS	COVERAGE
CURRENT	GROUP / HOLD CO. LEVEL	❑ Commencing 9 to 12 months ahead of a transaction. ❑ Assess capital types, uses, sources, quantum and cost. ❑ Early stage funder discussions to create options report. ❑ Strategic objectives established & capital shaped to suit.
	INDIVIDUAL SPV LEVEL	❑ Stakeholder management and SPV level risk review ❑ Executive support on profitability improvement ❑ Capital restructuring to optimise tax & capital cost structures ❑ Outlining capital leverage, utilisation & cashflow profiles.
FUTURE	M&A AND PORTFOLIO SALE	❑ Acquisition and re-organisation analysis ❑ Pre-emptive profit optimisation planning. ❑ Portfolio sale support - domestic & international buyers. ❑ Joint venture analysis, sourcing, structuring & delivery.

2019 CASE STUDIES – COMMERCIAL SIZED LOANS

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➢ **Development finance**

Our client was a Milton Keynes based developer who converted an existing barn into 3 residential units in Buckingham. We helped them secure a Senior Debt loan of £1.7m which was provided on a rate of sub 7% pa, over an 18-month period.

We also helped them secure a Mezzanine finance facility to provide funding up to their target gearing which was 75% Loan to Gross Development Value.

➢ **Investment finance**

Our client was a Birmingham based landlord who refinanced a commercial property in Halesowen.
They had developed the property and intended to retain the asset owing to the strong yield on cost.
We helped them secure a loan of £4,000,000 which was provided at an annual rate of 5.35% plus BOE base rate, over a 10-year part interest only and part capital repayment profile.

➢ **Land funding**

Our client was a South Africa based developer who needed to refinance unencumbered land (stables and staff accommodation), with outline consent, in Epsom. Despite being based in Pretoria we raised the land bridge at of 0.79% pm on a 9-month loan term with interest and fees deducted from the loan
The finance was used to fund the planning process, associated professional fees and to contribute to the subsequent development.

2020 should be a good year for borrowers. Liquidity and lender competition remains at an all-time high.

PRIVATE EQUITY (JV) AND REVOLVING CREDIT FACILITIES (RCF)

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REVOLVING CREDIT FACILITY (RCF)	
Case Study	
Size:	£80,000,000
Geography:	North of England
Summary:	Principal of a well established property company keen to simplify existing corporate structure and to accelerate growth.
Role:	Supported the executive team in capital raise, strategy, financial models and the negotiation of the RCF heads of terms and LMA facility documentation.
Result:	• The right partner was introduced offering an RCF with flexible capital structure. • Access to £160m of capital over a 5 year term. • Increasing the volume of units developed per annum to 500 pa. • £90m raised for the term debt facilities. • Conduit retained by sponsor as advisor.

EQUITY MANAGEMENT AGREEMENT (JV)	
Case Study	
Size:	£50,000,000
Geography:	Scotland
Summary:	Specialist affordable housing developer keen to secure a funding line for both acquisitions and developments.
Role:	Supported the executive team to help prepare for an investment, including discussions around structuring and developing the financial model whilst managing the entire process end to end.
Result:	• Secured an institutional investor provided equity facility by way of a joint venture agreement. • Access to c.£100m of funding capital if used twice over the 5 years. • Increased development run rate by 5x pa. • Conduit retained by client as a board member and an advisor relating to the future capital structure.



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SCOTTISH PROPERTY AWARDS 2020
Commercial and Public Property
FINALIST

Nominee - Finance Team of the Year

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