Questions and Answers

Teleconference for the presentation of Q3 2024 Financial Results

November 2024

1. **Could you provide details about the legal proceedings with MMT and the current status?**

Answer:

Regarding the legal proceedings with MMT, procedural steps have been taken so far. A new hearing is scheduled for December 10, and we hope to be able to start discussions on the merits of the case. As soon as we have more information, we will certainly keep you informed. The process is ongoing, and we are closely monitoring it. As mentioned, the next court date is set for February 10, 2025.

2. **Could you provide more details about the contract with PENNY or be a bit more specific compared to the announcement published on the Stock Exchange's website?**

Answer:

What we can share at this time is that we have an agreement with the REWE Group for a partnership aimed at developing several projects. As mentioned, our portfolio of revenue-generating projects will not solely involve collaborations with the REWE Group. Some projects will be developed with this group, while others will involve a well-known chain of clinics, and in this segment, we are also considering additional opportunities.

At this stage, we have not signed specific agreements for each location we intend to develop, but we do have a preliminary agreement with the REWE Group. Due to confidentiality clauses, we cannot provide precise details at this moment, but we will communicate them once the final transactions are signed.

What I can tell you is that the financial structure of these projects is relatively straightforward. We are targeting triple-net yields, with yields ranging between 8% and 9%. These yields are calculated based on rental revenues that are already net of administrative costs and property taxes, providing a clean income stream without additional costs.

Our strategy includes leveraging bank financing, with an all-in-all interest rate between 5% and 6.5%, which makes the leverage effect positive. Bank financing will have a loan-to-value (LTV) ratio of 50%-60%, meaning the return on our equity in these projects will exceed 10%, not accounting for inflation indexing included in the lease contracts or potential income from future asset revaluation. In the context of declining interest rates, the value of these assets could increase. An important aspect is that these lease contracts are locked in for the long term, between 10 and 15 years. All specific details will be made public upon the signing of each transaction. For every project developed, there will be a dedicated announcement.

At this point, only the general outlines of the projects have been established, and for additional details, you will receive specific information for each project.

3. **Regarding the project in Piața Victoriei, where you mentioned that it involves only a plot of land, how will the construction for the clinic and the healthcare company be developed?**

Answer:

In partnership with a highly experienced real estate developer, we plan to come back with concrete details about the project structure. At the moment, we are bound by confidentiality clauses, which are standard practice in the real estate market, at least until the transaction is finalized. It is essential for us to secure these agreements, as they bring significant benefits at this stage, which we will build upon later. At the same time, we must adhere to market practices, and for this specific project, we will provide detailed information as soon as the sale-purchase contract is finalized. Currently, there is a sale-purchase promise in place, which includes certain suspensive conditions that must be fulfilled. Regarding the ownership of the building, it will depend on the negotiations we conduct. We will certainly be co-owners, although the exact percentages are not yet known, but we anticipate an equal share of at least half. Meta Estate Trust will own both the land and the associated construction.

4. **Regarding the preferential shares, a capital increase and a decrease are mentioned. The increase is calculated as 11 million multiplied by RON 2.8, while the decrease is 11 million multiplied by RON 1. Therefore, will there be an effective capital increase of 11 million multiplied by RON 1.8? In the end, will the share capital increase by 11 million multiplied by RON 1.8?**

Answer:

We will organize a dedicated discussion on this topic because it seems complex and important to have our attention and a dedicated session. After all, the interest is mutual. Yes, you have understood correctly. In the end, the share capital will increase by 11 million multiplied by RON 1.8, but with that value difference. Essentially, what is happening is a technical conversion, representing a buyback with the incorporation of receivables into the share capital. The company will start repurchasing the preferential shares, gaining ownership rights over them without paying the cession price. In this context, a claim will be created between the company and each shareholder, and this claim will be used to be incorporated into the share capital, resulting in the issuance of a corresponding number of ordinary shares. The preferential shares that remain under the company’s ownership will, of course, be canceled as this is the clearly stated purpose in the General Meeting’s convening notice

5. **The Ordinary General Meeting of Shareholders from April 2024 decided to initiate liability proceedings against Meta Management Team SRL. Why, after almost seven months, did the company not implement the shareholders' resolution?**

Answer:

The legal strategy is managed at the Board of Directors level, and steps have been taken in this regard. Most likely, the liability proceedings will be initiated by the end of the year. It is true that during this period, we have been engaged with various legal matters, as reflected in the structure of expenses, which required prioritizing the management of the legal portfolio. We have not been able to carry out all actions simultaneously, but we are taking into account the instructions given by the General Meeting. I am confident that the liability proceedings will be initiated by the end of the year.

6. **On the stock market, investor perception and trust in company management are essential elements. How has Meta Estate Trust SA managed the conflict of interest at the executive and board levels, given the litigation with Meta Management SRL, which involves members of both structures through first-degree relatives?**

Answer:

The conflict of interest was managed primarily through the declaration of interests, and on the legal side, we implemented a clear process of separation of interests and of those who could have been in a conflict of interest in this context. The conflict with Meta Management Team SRL is handled at the Board of Directors level, where we have taken measures to prevent such issues. This is a topic we have analysed in detail, and identified solutions for. And, so far, we consider these solutions to be working effectively. We continue to monitor this aspect, and if any issues arise, we will adjust the solutions accordingly.

7. **There are two corporate events in progress: "share capital increase - METR01" and "redemption of preferential shares - for each preferential share redeemed at a price of RON 2.8, shareholders will receive a number of ordinary shares equivalent to the value of the converted receivable". For the share capital increase - METR01, I understand that we can purchase METR01 x 0.0303981821 new shares at the price of RON 1. However, I don't understand why I would do this, considering that the market price is RON 0.6. For the redemption of preferential shares, I understand that preferential shares are redeemed by offering ordinary shares in exchange. Preferential shares are valued at RON 2.8, and ordinary shares at RON 1, which would mean that for each preferential share, we receive 2.8 ordinary shares. Is this correct?**

Answer:

First, regarding the ongoing share capital increase: this represents the component of the capital increase with free shares, approved in the General Meeting of Shareholders in April. Due to an asymmetrical distribution of ordinary shares between the holders of preferential and ordinary shares, the law requires that diluted shareholders have the option to subscribe for shares to maintain their undiluted stake. As previously mentioned, it is not necessarily economically advantageous to subscribe at the price of 1 RON when the market price is significantly lower. For this reason, we do not expect a high number of subscriptions within this capital increase. However, this was a legislative requirement that we were obligated to fulfil and offer to shareholders. Regarding the second question: yes, this is correct. For each preferential share, 2.8 ordinary shares will be received.

8. **It is well-known that the current Articles of Association of MET are entirely inadequate for the governance practices of listed companies in Romania and highly unfavorable to the investors we aim to attract. Why, after more than seven months in office, did the Board of Directors not restructure the Articles of Association, despite declaring this as a goal at the April General Shareholders' Meeting?**

Answer:

This question involves several aspects related to the company's Articles of Association. The issue has been one of timing until now. From our perspective, it was necessary to prioritize the topics we needed to address. The subject of amending the Articles of Association will be added to our agenda at some point in the future. Given the current context, we believed that other issues had a higher priority, which we have focused on so far. Additionally, we considered it important to resolve the issue of preferential shares before amending the company's Articles of Association. As you know, changing the Articles of Association for essential aspects requires a supermajority, which, based on our analysis, we concluded would have been difficult to obtain. Therefore, the way we prioritized and addressed the issues led to this topic being postponed, particularly regarding its impact on the company's development. However, we have not forgotten this topic; it remains on our agenda and will be addressed when we believe that other urgent issues have been resolved. One key item on our agenda has been the legislative framework regarding rights and financial investment companies. We will discuss this topic together at the beginning of next year, and we will likely include it in an informative session, alongside other details related to the preferential shares. It is essential to understand that, in the current context, we prioritize our decisions based on the company's development. Therefore, we considered it was not the right time to prioritize amending the Articles of Association, focusing instead on issues that, in our opinion, had a greater impact on the company's progress. Nonetheless, this topic remains on our agenda and will be addressed at the appropriate time.

9. **The results for the first nine months are mainly disappointing in terms of profit and investment activity. At the same time, expenses have significantly increased in almost all areas. In this context, to what extent do you consider that Meta Estate Trust still adheres to the initial accelerated development plan that attracted funding from stock market investors?**

Answer:

The results for the first nine months align with the revenue and expenditure budget approved by the General Meeting of Shareholders in April. This budget serves as the cornerstone of our strategy, and we are focused on closely following it, ensuring that it is at least met. Therefore, we do not understand the remark about disappointing results, as they are in line with what the company's shareholders approved. Meta Estate Trust's development plan remains unquestionably in place. As a young company, it is essential for us to grow. The current structure of fixed expenses can support a much broader activity than what we have now and represents the minimum necessary for growth. At the same time, we must consider the market context and its imposed limitations. Since the beginning of 2023, the economic context has been unfavourable for real estate investment companies. This is clearly reflected in international markets, where REITs—large, listed companies active in real estate—have faced significant challenges. These challenges have been caused by both the decline in the value of owned assets and the reduced interest from the capital markets. The shares of companies investing in real estate are positioned in terms of risk and return profile between bonds and traditional equities. In a high-interest-rate environment, government or corporate bonds become more attractive, offering higher yields. This phenomenon has led to reduced interest and liquidity for shares in the real estate segment. However, we look toward 2025 with optimism, hoping for an improvement in the situation. Our plan includes scaling through bank financing and bond issuances, and we will closely monitor the right time for a capital increase.

10. **The development strategy and directions of action are the prerogative of the shareholders. Who granted the current executive team the mandate to present and implement a strategy that was not submitted for approval by the General Meeting of Shareholders (GMS)?**

Answer:

We carefully reviewed the issuance prospectus of Meta Estate Trust. In that prospectus, the company's strategy and business plan have always included a component of assets generating current income. Thus, our focus on these investments is not new but aligns with the vision upon which the company was founded. We believe the choice between residential or commercial assets depends solely on the opportunities available. Furthermore, investments will be carried out in the following financial years and will, of course, receive approval at the General Meeting of Shareholders through the revenue and expenditure budget. In this framework, we will present how much we intend to allocate to this line of activity and to the other investment directions. We will continue to maintain transparency, as we have done so far. I would like to add an important point to what has already been mentioned. The area of recurring revenues represents an extremely attractive business line from the perspective of bank financing. To develop the company and achieve organic growth, there are two main options: raising capital from the stock market—which, in the last two years has been challenging due to high costs and expensive capital—or bank financing. Developing the business along bank-financeable lines represents a solid strategy for organic growth. The recurring revenue area is particularly appealing to banks, even in the real estate sector, where they have not traditionally had significant exposure. However, assets generating recurring revenues are considered safe due to long-term leases guaranteed by contracts, the indexing of these leases to inflation, and the predictable nature of the generated income.

11. Does Meta Estate Trust have a partnership with any credit broker? I'm referring to the residential projects in which Meta Estate Trust participates together with the developer.

Answer:

We have not established a partnership with a credit broker so far. It is a good idea, and we can explore it and evaluate it on a case-by-case basis for each of the projects we are developing or will contract upon completion in the near future. At this moment, we do not have such a partnership.

12. Can preferential shares be sold? Why is the share price decreasing on the market, even though the company is evolving positively?

Answer:

Preferential shares are not listed. As a company, we cannot facilitate this sale. However, shareholders can, of course, sell them between individuals or legal entities through a sale contract. So, they can be sold, but not on the regulated market as they are not listed, and not through the company, but directly via direct negotiations between existing shareholders and potential investors. Regarding the question about the decline in the share price, we have observed that it has been stagnating for some time in the 0.6–0.7 range. There haven't been any significant positive or negative developments. In the agenda of the Extraordinary General Meeting of Shareholders (EGMS), along with the conversion of preferential shares, and in the meeting and dedicated conference we plan to organize soon specifically on this topic, we will present an overview so that the company's shareholders can better understand this process. This process starts with the conversion of preferential shares and extends to the transition to the Main Market of the Bucharest Stock Exchange (BVB). We aim to transition to the Main Market upon the completion of the preferential share conversion process. We believe that the Main Market will react, hopefully, significantly better to the company's positive financial results, which could improve our legitimacy and, naturally, the company's share price.

13. Is Meta Estate Trust considering the outdoor advertising market - billboards? This is one of the niches developed by most global players in the industry, former media owners like Clear Channel. I am referring to the opportunity of acquiring billboards, which can be seen as a "studio apartment" rented on a long-term basis.

Answer:

I'm not sure if, philosophically speaking, a billboard falls into the real estate category, but I would say yes, because, practically, it is a rented property. Honestly, we have not followed or studied this segment. However, we will take a look at it, especially if it is attractive. Although it is quite far from what we are currently doing, we remain open to opportunities.

If you have expertise in this area or have studied the market and have an idea, feel free to send us an email with the information. We respond to emails almost weekly and usually within a maximum of two days. In any case, before deciding on a change in the investment strategy, we will certainly consult with the shareholders.

14. **Since you brought up the topic of REITs and financing based on recurring revenues and bank loans, I would like to present the following scenario. You mentioned that this is a very convenient strategy: let's assume we have a portfolio of 10 apartments intended for generating recurring revenues, with a total value of €100,000. We go to the bank and obtain a loan of, for example, €1,000,000, secured by these apartments and based on the loan payments being supported by the recurring revenues. Did I understand this correctly? What will happen with this money afterward, given that it is ultimately based on real estate assets already owned by Meta Estate Trust?**

Answer:

In the upcoming period, we aim to better understand the legislative framework regulating REITs, including the characteristics and obligations imposed on real estate investment trusts. So far, we have begun analyzing the legislative draft currently under debate in Parliament, which will result in the final form. However, we do not yet have a finalized business model for a REIT scenario to present to the market and shareholders, along with the relevant details. At the moment, we do not have a business line that fully complies with the legislative requirements of a REIT. While we could theoretically explore some ideas together, we currently do not have a concrete business model to present.

Meta Estate Trust currently relies on bank financing, which is closely tied to specific projects. This type of financing helps us improve the yield on those projects. However, Meta Estate Trust does not have a portfolio of projects that could be used as collateral to obtain significant loans for reinvestment. Current loans are intended to fund projects already underway, and the revenues generated by these projects are used to repay the loans. This bank financing mechanism allows us to use our capital, which is a limited resource, more efficiently. This way, we can secure a larger portfolio and expand the scope of our investments. For instance, with €1 million in equity and a bank loan we can make investments worth €2 million, provided that the loan is allocated to a clear objective. In practice, our strategy does not involve obtaining loans without a specific purpose. Instead, we use equity and bank financing to access investments in income-generating assets. This approach allows us to achieve a more attractive return on equity. By using bank leverage, we can increase the return on equity from around 8-8.5% (which is not sufficiently attractive) to 10-11%, with prospects for further growth in the future. Essentially, Meta Estate Trust’s investment portfolio is structured around 3-4 business lines, each with its specifics and treasury. This diversification helps us manage resources efficiently and focus on increasing the overall return and portfolio size.