Liven, Q1 2025 unaudited financial results presentation, 30 April 2025

Chairman of the Board, Andero Laur; Chief Financial Officer, Joonas Joost

An unofficial automatic translation of the original Estonian transcription.

Hello from today! Let's start by presenting Liven's unaudited financial results for the first quarter of 2025.

I am Joonas Joost, Liven's Chief Financial Officer and Andero Laur, Chairman of the Board, presenting the results today.

Before we go any further, similar to the last time - questions can be asked during the webinar by writing them here in the comments corner of the questions, where you will find these triangular squares and round balls. Then selecting 'questions and answers' from there and then writing the questions there. But let's get straight on to the content and I'll give the floor to Andero here.

Thank you and welcome again from me. Briefly about Liven - a residential developer, mainly based in Tallinn, with one project in Berlin. We focus exclusively on residential development. We also have commercial property in our portfolio but only as much as we can bring in, usually first floors and so on. We are very proud that Kantar Emor chose us last year as the most reputable real estate developer in Estonia, and the feedback from our clients has also made a good jump and is very high. Strategically speaking, in terms of how Liven differentiates itself from others, we are betting on a global trend like mass customization, which means that we are looking for ways to effectively offer as much flexibility as possible to all home buyers so that they can customize their home according to their needs. Whether it's adapting layouts to suit their needs, choosing interior finishes, or making a home more personal with built-in furniture.

To sum up the first quarter - very low sales, because we have very few finished homes to hand over, so we started the year with very little inventory. I think that's actually a good thing, but in practice it means that the quarterly results are very erratic, because the sales revenue is generated when we deliver homes. We handed over a few individual homes and their profitability was about the same as it was at the end of last year. But we signed more new debt sales than last year. That's a good sign because the first two months are usually pretty quiet for new development sales and they were again this time, with March being the main month.

Customer feedback has increased significantly. Those clients who have been handed over homes or sales have taken place and we have asked for feedback, we have received very good feedback, which we are very happy about. If I comment on why last year was so low, it was again related to the projects that we had already started in 2021-2022, where construction was delayed and where some of the construction was interrupted in the meantime and had to be continued. So it was extremely difficult to get that good feedback.

It can also be pointed out that one new project was added. It is a joint project with another developer, Oma Group, in which we have acquired a 50 per cent stake, and we hope to start construction on this project this year as all the building permits are already in place, which is a prerequisite for construction to start.

Coming back to the sales revenue - we started the quarter with advance sales totalling about 35.5 million and we made new sales for 7 million, of which only 1.9 million could be realised as sales proceeds, or rights in rem, and 5.1 million were then added to advance sales. Most of the pre-sales are in those projects which will also come to an end this year. So we continue to believe that our kind of year-end sales forecast that we gave at the beginning of the year and also the profit forecasts are realistic, despite this first quarter performance.

Important events:

We made our first paid reservations at the Wohngarten project in Berlin, Germany. These are currently for about 20 percent of the project. It takes us a bit longer to get to a notary there than it does in Estonia. It's just that the process and the level of detail that we have to agree there is significantly higher. Pre-registration in favour of the buyers and registration in the land register and so on. Providing that flexibility is a bit more complicated because of that legal side. Because that is what differentiates Liven, we have explored this possibility more and spent a bit more time on it. But we don't have that kind of setback of not being able to be flexible. You can but you have to maybe build the arrangements with the customers a bit differently.

We started with pre-sales for two projects. The first paid reservations in the Olemuse project in Nõmme, which we bought at the end of last summer. And also in the Virmalise project, located in the city centre. There, we haven't done any contracts of obligations yet, only paid reservations. We are expecting these contracts of obligation in the second quarter for these projects.

A successful green bond issue on the Tallinn Nasdaq stock exchange. Perhaps an additional comment I would make is that what makes me particularly happy is that we were able to do it with very low internal costs. The cost of issuing the bonds, taking into account marketing and consultancy and so on, was quite modest, which gives us the opportunity then to channel that money that we have saved towards better developments and improving profitability. So raising money in this way is quite a sensible way to go if we can keep the issuing costs down.

Several of the projects' previous loans came to an end, although the outstanding loans were not very high because they were construction-related contracts. These loans were also repaid with the sale of the last apartments. We did one financing for the Olemuse project, where we had a bank loan and some construction financing contracts, and I won't mention them here because it's a normal construction activity.

A new project was added, where we then acquired 50 percent of the development in partnership with Oma Group, and it is planned that Liven will manage the sales, design and development activities in general, and Oma Group will then have Oma Builder, their subsidiary, to carry out the construction.

From Turku. All dotted lines then represent trades or the number of bids and all solid lines represent prices. When it comes to prices, the green line at the top of the list shows the asking prices for new developments. Then we have the prices per square metre of apartments on the KV.ee portal, and then the last one is the average transaction price in Tallinn according to the Land Registry. As you can see, prices for new developments seem to have made a small jump. In fact, if you look at the statistics, it is the addition of a few very expensive projects to the offer, for example, the high-rise building Eedu, whose price per square metre remains above 7 thousand, and this has quite an impact on the market statistics.

If you look at the different projects, you can actually say that the price per square metre of the same development has remained the same. I can't really say the same about the KV.ee data because supply has been so erratic - there have been a lot of additions in between and then supply has decreased. One can guess that the were bought up and now there are some more being added.

But perhaps the most immediate indicator or the most accurate indicator is the price per square metre in Tallinn, according to the Land Registry, and it can be said that for the last 2.5 years, soon it will be 3 years, it has been around 3 thousand and it can be said that it has remained stable. I have already commented a little bit on the number of offers and transactions, there are no big changes. The number transactions in Tallinn has stayed in the usual range that it was before the corona crisis, meanwhile the average was a bit higher and now it has come down again.

However, I can say that the share of new developments has decreased compared to what it was in 2022 and 2021, which means that it is less. But in the big picture, it's a fairly stable market, although there's also a lot of supply, so that's keeping prices stable. If we look again at the new build market in more detail, supply has increased. It's been around 2 thousand before, before the corona crisis, so these numbers in themselves are nothing too mystical for the Tallinn market.

The backlog of completed apartments, over a thousand, has not been there for a very long time and now it has stabilised and is rather starting to come down a little. But new projects are coming on, many of which have not yet started construction. I would say that a little bit more monthly sales are needed for this stock to start coming down from where it is now.

In general, if you look at what affects our demand and outlook the most, it is the demand for customers' homes and the low consumer insurance sentiment. If you look at what has happened with the Euribor, which is already at 2.15% today (6-month Euribor), the main reason is still low consumer confidence, which is holding back these purchasing decisions. Incomes have risen quite a lot in the meantime, prices have been flat, so this affordability, or how high the monthly salary and the monthly payment, if you compare the two things, if current trends continue, could reach pre-coronet crisis levels by about the end of the year. This should not be a problem per se (the financial side), but rather it is the low consumer confidence that continues to delay these decisions and why few are made. The biggest variable that we don't yet know how it will affect us is everything that is going on in America, how the tariffs that are imposed will affect the world economy and through the world economy, then also Estonia. Different scenarios can be written, but internally we are trying to be as prepared as possible for different situations, in other words, to try to pre-sell as many developments as possible before they go into construction, and through that to secure as much of the sales revenue as possible. That is the way we try to be as unaffected as possible in terms of crises.

If you look at our development portfolio at the end of the quarter, this table does not include our newly acquired project, which we co-own. The big picture hasn't changed from previous times. There are a few projects where construction is complete, there are a few individual apartments still remaining. Most of the sales are still happening today on those that are still going into construction or under construction. This year we will finish the construction of the first phase of Regati. The construction of a phase of apartment buildings in Iseära will be completed, as well as the construction of a phase of terraced houses. I believe that the sales of all these phases will be about 80 per cent done by the time they are completed, give or take five, so we can be very satisfied with the result today. But that assumes a continuation of today's trends and situation, not a significant improvement, and not vice versa.

I would also like to mention that there is an upcoming general meeting of shareholders. There is nothing extraordinary on the agenda. We will approve the annual report. Decision on the distribution of profits. Our long-standing dividend policy is to pay out 25 per cent of the pre-tax profit as a dividend, and we have been following that for several years and we will continue to do so. Unless there are any extraordinary events to change this in a logically justifiable way, which we do not foresee at the moment. So we will continue with the same auditor that we have had so far, KPMG. Here is a small photo of the first phase of the Regati development.

Let's say a 3D illustration, which will then be completed at the beginning of the fourth quarter of this year or, if good circumstances are right, at the end of the third quarter.

On the results, as Andero already mentioned briefly in his introduction. As we delivered only five homes and one commercial property, which is significantly less than in previous quarters, the sales revenue was also significantly lower at EUR 1.9 million. Also, profitability on homes completed in these projects was similar to the previous quarter, or rather lower.

Marketing and general administrative expenditure largely reflects the preparation and marketing of projects in progress and in the pipeline. Included in these costs are also success fee events for projects and there has also been some increase in general costs related to the German project. As the sales volume was as expected low this quarter, the net loss for the quarter is also negative with a net net loss of EUR 705 thousand.

Key financial indicators. Assets increased to nearly EUR 89 million by the end of the period. This represents a change of EUR 10.5 million compared to the previous quarter. This is strongly driven by the ongoing construction works and the volume of inventories in the Regati and Iseära projects, but also by the cash raised through bonds at the end of the quarter. Borrowings have also increased by a similar amount. Shareholders' equity is somewhat lower at EUR 17.6 million due to the losses incurred during the quarter. The equity ratio, from which we take the construction loans out of this calculation, is 25.5 percent and the results of the last 12 months in terms of net lending are essentially now at zero. So the net return on equity is also zero. Looking visually at the slide, the same way you can see the increase in the stock of construction projects in particular. On the liabilities side, it is also mainly bank loans related to construction and the addition of bonds.

If you look ahead a little bit now, this is broadly a summary of what Andero said earlier, that there are challenges in the environment. The fall in the Euribor, the rise in real wages, these are the positive factors, in particular, that are improving market demand and the outlook for the market situation. Uncertainty among consumers will probably still persist to some extent. We are currently continuing with pre-sales in various projects, including the new project that has been added. If pre-sales of projects reach a sufficient level, we would in fact like to start construction of these projects as well. The fact has not changed that we can theoretically deliver a maximum of 194 residential and commercial units during the year. The maximum estimated sales revenue for this volume is EUR 75 million. Obviously, it will not materialise quite at that level. We continue to see that our projection is EUR 55 million in sales, of which the projects still to be completed in the course of the year will actually have contracts for EUR 41 million in sales. In the same way, as was actually said earlier, the majority of the results will then come to us in the following quarters. In the second quarter, the apartment buildings in the Iseära project will be completed. In the second half of the year, both townhouses will be completed in the same project. The Regati construction will be completed at the end of the third quarter or the beginning of the fourth quarter.

If we have addressed through this presentation, in the first summary slide, the achievement of the 20% return on equity, the dividend policy execution, then actually the third point is there as well - the ratio or the level of equity to assets.

I would like to give an overview of the dynamics and also the outlook, as a rule construction loans are then a bit more volatile in nature. The balance of construction loans rises to a high level just before construction is completed and then falls rapidly with the delivery of homes. This can be seen, for example, in the dynamics of the third and fourth quarters of 2023. In fact, we can see that at the end of 2024, in the quarter that has now ended, and in fact, we foresee that the construction loan balance will be rising in the next quarter as well. With construction completions and home deliveries, it will be declining in subsequent quarters. This forecast is the best we know today and it will depend on construction schedules, completions, pre-sales, new construction starts, and could still change but the dynamics and logic clearly looks like this. So maybe the best we can know today, the estimate of the balance of the loan commitments at the end of the year could be a little bit around EUR 40 million. Perhaps a similar level to what it was a few years ago. The balance of construction loans is more in the order of EUR 10 million. So that's a brief overview from our side.

Let's move on to the questions. **What is Regati's share of the €40 million in debt contracts signed and when will Regati's construction be completed and the revenue generated?**

The construction of the Regati, as we talked about, is going to be completed at the end of the third quarter, beginning of the fourth quarter, and out of that 40 million, that share is well over half, the vast majority.

You have signed 104 debt contracts for this year. What proportion of this covers all the possible debt contracts that could potentially be signed for developments under way or about to enter the construction phase?

In other words, how many of them will become a right in rem this year, i.e. a sales turnover. In theory, everything that has been concluded to date. For the new projects, where we have started sales, there are no contracts of obligation yet. There are only advance payments and reservations. In theory, 104. In practice, we are now completing four different houses in Regati. I'm afraid we're still going to hand over one of these houses next year. It depends a bit on how well the construction goes. Maybe 20 or 25 of them. Let's say we could certainly do 80 per cent of the ones that have been contracted to date. Some more will certainly come from the projects that will be completed this year.

In the history of Liven, have there been any cases of customers backing out of a debt contract, what clauses, penalties have been included to avoid this?

I will start from the back. It is possible to withdraw from a contract of obligation if the developer commits some kind of breach. At the moment, as far as I know, there are no such risks. Usually, they are then primarily related to deadlines, not being able to finish on time. There are no such risks at present. The things that we have in the pipeline here will get done. Ten per cent is generally the penalty that the buyer will then have to pay if he does not come to close the deal. I think we have had maybe a couple of cases in the whole history of Liven. The customer generally does not pay anything extra, but the penalty is calculated on the deposit that he has made when he entered into the contract of sale. It is just a question of, if he paid in 15 per cent, for example, we may have to pay him back five per cent but we can then charge him a penalty of 10 per cent of that. A couple of times this has happened. Usually, in practice, perhaps what happens more is that a client may lose his job and not be able to come and sign the contract immediately. He then has to rearrange the financing somehow by negotiating with the bank, looking for additional guarantees. In such cases, if it is a real concern and the person really wants to buy the home, we have generally tried to find solutions so that we do not have to apply this penalty. In that case it takes a little longer and eventually we find a solution. Sometimes we've helped the person to resell the mortgage contract so that they can still get their money back. This has generally always worked. In a couple of cases, somehow this communication has gone wrong and then it has finally had to be implemented.

Next question. **The indicative revenue from the sale of mortgaged homes is around €41 million. With the current cost structure, is a potential return on equity of 20% already achievable on this volume?** Yes, it is.

And now for the last question that has been received. **Perhaps you could clarify on the ongoing projects, are the construction prices fixed? Are you open to the price risk of different inputs?**

We have both contracts. There are those that are open as well as there are certain cap prices and target prices in those contracts. Above the ceiling price, the builder takes more responsibility or takes at least half of the cost in those contracts, we have today. But there are also fixed price. I think in Iseära everything is probably fixed price, in Regati we are partially exposed to the risk of price changes. But there, the vast majority of the costs are already fixed through subcontracts. So, the further the construction goes, the less the risk becomes. Obviously, we will be flexible in the future as to which contract format to choose. We have a lot of people internally who are working as construction managers and working as contractors, who have predominantly all been general contractors themselves and are able to manage that contract format quite well because they have that experience themselves. Sometimes it makes more sense to share the risk with the builder and sometimes it makes more sense to agree a fixed price. It depends on the length of the project and perhaps the complexity of the project and ultimately what the partners, the main contractors, are prepared to offer at the time.

The question has been asked, **what could be the forecast for interest expenditure in 2025?**

I would specify, as a technical nuance, that essentially all interest costs in projects where construction is ongoing or has not yet started and where development is ongoing, the interest costs are capitalised in inventories and, once the homes are sold, the inventories are expensed in the cost of goods sold and cost of production. In effect, they do not directly enter or appear in the profit and loss account on the interest expense line as such.

Now to the substance. The loan balance at the end of the first quarter is €57 million. The average, if you look at it like that, could be estimated to be somewhere around EUR 50 million. Loan rates vary, on average somewhere around eight to eight percent. For the sake of simplicity, let's say ten, or an average of five million, or a little under five million, is basically the financial cost. In the case of some loans, these costs or interest are not payable periodically, but at the end of the loan. So in cash terms, the cost is probably somewhat lower. If you look at the gross profitability, which was low, twelve percent, and on a small turnover, the profitability was actually already within these developments and the finance cost that was expensed because it came through inventory. Just as a technical clarification, those projects where the construction is completed (last year there were situations where the apartments were completed) but they are not sold yet and there is a loan on top of that project, then after the homes are completed, that part of the interest expense does not go through inventory, so it goes directly through the income statement. This dynamic does not affect the large business model to any great extent.

So, do we have any more questions?

It seems that there will be no. If it does, you can always send questions, either to our e-mail address or to investor@liven.ee. If there are no questions in the meantime, we will report back on the results for the next quarter in three months' time in a webinar. Many thanks for participating and see you then. Thank you. Have a good day.