Titularizadora
COLOMBIANA

Titularizamos sueños para **Impulsar al país**

Tin Títulos Inmobiliarios

Questions and Answers Presentation 2022-2H

¿What expectations do you have of Dividend Yield for 2023, taking into account the high interest rates and the inflationary situation?

We made a projection of the Dividend Yield for 2023 according to the current conditions of the market, the current conditions of vehicle debt and we have three scenarios to share with you. In an acidic scenario where we did not manage to make important debt repayments, where we did not raise fresh resources to reduce vehicle debt, we are projecting a Dividend Yield throughout the year between 3.3 and 3.6% depending on the operation of vehicle operating expenses. In a more favorable scenario where we raise fresh resources for 70,000 million pesos, our Dividend Yield has a very positive impact and goes up almost up to 5%. In the scenario where we managed to pay 100% of the debt, raising about 140,000 million fresh resources, the Dividend Yield goes up to more than 6%, we are estimating that it reaches 6.3%. This is a very important issue because investors who contribute fresh resources to this vehicle will see a repayment almost immediate every month in one way or another through an improvement in the current Dividend Yield. So obviously that is one of the most important points where we are currently focused, which is basically to maintain the highest possible level of the Dividend Yield.

Taking into account the high levels of inflation and the rise in interest rates and the level of debt of TIN, ¿what strategy has the vehicle followed to minimize this impact and what proportion of debt is indexed to the variable rate?

Well, we have followed a strategy that is based on three paradigms. The first is to make a credit renewal that was before with a variable rate and move it to a fixed rate. Today the vehicle is with all its credits in a fixed rate and thus we eliminate the risk of indexing to the IBL. The second is to be trading periodically, every week we are tracking the increase in rates with banks to see where we find better opportunities for renovations. And the third is to evaluate new alternatives such as synthetic credits. We were able to apply this type of credit last week with a credit renewal that allowed us to access 300 basic points below the national market.

¿What amount and percentage of the debt is paid in 2023? ¿What is the average interest rate? ¿Exactly in what months?

Today we have 100% of our debt with indebtedness in 2023, 90% is paid in the first semester and 10% is paid in the second semester and the average cost of our debt is 13.56%.

¿Why if the value of the portfolio via Avaluos grew by 5.9%, the value of the unit of the titles grew by double, 13%.

First of all, the growth of 5.9% of the Avaluos speaks only of the absolute countable value between one year and the next. That is why it does not take into account the effect of time. And the growth of 13%, which is the growth of the title, takes into account not only the update of the Avaluos, but also the indexation of those assets to the IPC during the year and the cash flow generated by the operation.

Contracts

¿What percentage of the contracts are indexed to IPC? ,have you had any type of renegotiation of this increase with the lenders given the high inflation?

100% of the contracts are indexed to inflation. There is even a percentage that has an inflation increase plus some spread. There have been some lenders who have approached us asking for revisions in that regard, and just as during the pandemic we seek to be the ally of our lenders, we are seeking to be that ally at this time. We have sat down with them and we have come to solutions where we have given them some kind of discount with a counterpart in that sense, which can be an extension of the contract, for example. So we have a particular case where we gave them a discount but extended the contract for two more years.

What is the lack of liquidity of the TIN title in the secondary market and what has the titling company done to improve it?

Here, let's understand a little the situation we are experiencing in the markets. This low liquidity of the TIN, in general of the participation titles and the shares, obeys this situation that we are seeing of high inflation and high interest rates, also pressured by the captures of financial entities on regulatory issues that are being implemented in Basel III, specifically the CFEN. In this context of high interest rates, we see that investors are preferring fixed income instruments that give them high returns and a slightly lower risk. In the short term, it is clear that these conditions will be maintained, so we hardly see liquidity returning to the market in a normal and abundant way of the real estate participation titles. However, thinking more in the medium and long term, the investment thesis of the title is still absolutely valid. Basically, these vehicles protect investors against inflation, as we have seen in 2022. Additionally, it provides very interesting returns and has a long-term vocation aligned with the characteristics of many of the portfolios that we see, both institutional and retail clients. So, as we see a slightly lower rate environment, we can have a return to normal liquidity and normal depth of the title market. We have tried to be very close to investors, both in the institutional segment and in the retail segment. Here we have tried to solve the doubts and concerns that there are regarding the operational issues of the vehicle so that they do not generate concern and do not generate an additional selling flow that can affect the price of the titles to a greater extent. But we consider that in the short term, it will continue to be affected, but in the medium and long term, this natural protection of the titles against inflation and the good returns and operational results will make the market very normal.

¿What time projection do you have for the migration to the equity market? Will there be any implementation of split and liquidity builder?

Yes, as we mentioned in the last extraordinary assembly last year, this is an issue that we are reviewing in great detail. We, as we mentioned last year, did not believe it was convenient at the time to migrate to the equity market, despite the fact that we are convinced that this type of vehicle should be transferred to the equity market in a definitive way. We are monitoring very well the evolution of other types of vehicles that have already migrated. We are reviewing very well how the liquidity is in the variable income market to find an ideal and more convenient time to migrate. In this year's ordinary assembly we are going to take this issue as an informative issue where we are going to ratify what I am telling you. For now we are not going to migrate to that equity market, but again we are convinced that it is the place where we should be operating. In terms of split and liquidity builder, we believe that they are also very suitable mechanisms to have options within our deck to give more liquidity to our title in the secondary market. So surely the moment we consider that migration to the equity market, we will try to incorporate splits, we will try to incorporate mechanisms to give it more versatility, which at the end of the day is the goal of all of us.

The value of the vehicle in the secondary market has remained very close to the patrimonial value, unlike what has happened with other vehicles that are negotiating 40-60% of their patrimonial value. What does this difference in price behavior explain?

Yes, it is true, we have seen a much lower price impact in the case of TIN compared to other comparable vehicles. To give us an idea of the magnitude, TIN was negotiated in 2022 with an average price of 92.6 and it is true that the discounts in other vehicles are close to 40-60%. This is partly due to good operational and profitability results that have generated lower supply flows. But why has the valuation value remained close to the patrimonial value? Because in the second semester we saw a lower volume of transactions. As there have not been so many transactions in the secondary market and due to the valuation methodologies that the two authorized price providers have, as there are no negotiations in the secondary market, the market value tends to converge to the patrimonial value. TIN, since October-November, converged to that patrimonial value, with which it valued at 100% and has remained close to 100% and we have seen this different from other vehicles. And in general, as I was saying, we have also seen a lower sales intention, lower sales flows, which in part we feel is due to the good operational and profitability results of TIN.

Dividend Yield

I have been in TIN since 2020 and I have always received the same percentage of performance, I have not perceived increases, very different from what they are presenting today. ¿What is the reason?

Yes, the issue of the dividend yield, which are the returns that are received monthly through our vehicle, that dividend yield has been maintaining constant levels higher than 6%. Even last year, where we had a very strong interest rate pressure on the SISTA due to the good management, as Carolina mentioned, of the debt, migrating to fixed rates, we managed to deliver an average dividend yield also close to 6%. So, in general, that dividend yield has remained at those very stable levels. Now, for this year, for 2023, where we continue to see a pressure on the SISTA in interest rates and we continue to maintain a bridge debt while we repay it with fresh resources, there we are going to have a greater impact in terms of that effect on the dividend yield, where we are projecting, as I told you a few minutes ago, a dividend yield close to 3.3 or 3.6%. So, there we are going to see a decrease in that dividend yield. But in history, in general, that dividend yield has been very stable because it is very tied and correlated with the natural increase and inflation adjustments in general of the entire portfolio that has continued to have a very healthy behavior. That is a bit in terms of that effect for this year, but we still consider that if we compare with other similar vehicles in the market, we are still training a much higher dividend yield and that will continue to be our focus for the year.

¿What do you expect from the office and commercial premises sector in this year 2023 with economic slowdown? What kind of assets do you have in the pipeline to maintain the profitability of the fund?

First of all, let's talk quickly about the office sector. We believe that the office sector is a very interesting sector, but a sector that is in the process of restructuring. After the pandemic, we found that approximately the necessary area where before they were needed, if the meters were sold, 70 meters were needed, which is why the offices have not only changed the way they are occupied, but surely their areas of need have decreased in some way. That is why we believe that it is a sector that is being reinvented. It is a sector that in the same way, as we mentioned, has been evolving a lot at the level of co-working, of key projects in hand, and we believe that it will be a medium-term dynamizer of this sector. But it is a sector that, as I say, is still going through restructuring, its vacancy has increased and in that sense it must still improve in order to continue being as interesting as it has always been. At the level of commercial premises, 2022 was historically the best year for trade, a point of reconsideration, as we also showed during the presentation, and we believe that this year, although the consumption trend will be affected by all the national macroeconomic conditions, we do see that it will be a year that will continue to be positive, especially in major cities and commercial centers that today are already stabilized and that have a successful history since its creation.

¿When do you plan to reactivate the acquisition process?

This is a question that depends a lot on the real estate market. Really, we, from the real estate management and from the hands of the real estate manager, have not given up. We have continued with active management in the search for real estate for our portfolio team. We believe, and we are convinced, that in times of crisis we find great opportunities in prices that allow us to offer better profitability to our investors, and that is why we have continued to present business to the Board of Directors for approval. We already have a lot of opportunities that we have scheduled for a fourth issuance, and very surely with payment alternatives, such as species payment or payment against emission, which would not affect the debt and therefore would not affect the dividend of our investors.

Valuation

We have also developed the valuation methodologies of the value of the titles to prevent that valuation from moving away from the prices of the title to market.

Here I must mention that we do not define these valuation methodologies. In an initial phase we worked very closely with the two price providers, commenting on the valuation methodology that they presented to the financial superintendence, but really these methodologies are developed and implemented by these price providers in the market. So really here we do not participate in these valuation methodologies, and that part of how the title is valued in the secondary market is not under our control. We act more on all the operational issues of the vehicle that allow us to impact the patrimonial value of the title, which is what reflects the financial states of the vehicle. So, in that order of ideas, we will continue to work on the most operational issues of debt that impact the profitability and the patrimonial value, but we leave the market value to the price providers and the implementation of these methodologies approved by the superintendence.

¿How have you evaluated the possibility of the sale of real estate assets for the payment of the debt?

The sale of assets is one of the alternatives that we have in the prospectus, the disinvestment. However, we consider that at this time of crisis it could not be a good opportunity because the price of the asset would be punished. And this would not be good for our investors. We see other opportunities and other alternatives, such as making an issuance at this time that allows us to lower the debt and be able to start from scratch with new sections and much more risks.