



Issuing Bonds in Israel

November 2019

INFIN CAPITAL - OVERVIEW

- ▶ Lead underwriter and advisory firm in Israel offering an array of services for Israeli and US based companies
- ▶ Our clients benefit from InFin's rating expertise & long-lasting close relationships with all major institutional investors in Israel
- ▶ During the last few years, InFin has raised over US\$12bn acting as the lead book-runner & advisor in over 80 transactions
- ▶ Over US\$1.8bn issued for US-based companies in more than 20 transactions
- ▶ Most active rating advisory firm, providing ongoing advisory services for 18 companies, including 5 companies with AA group rating

Selected Clients



OUR SERVICES

InFin provides a wide range of solutions for companies seeking to raise debt and equity in Israel

Advisory

- » Deal structuring
- » Rating consultancy
- » On-going market updates
- » Hedging strategies




















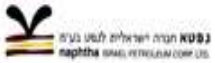



Deal Management

- » Managing the process
- » Selecting the issuance team
- » Working with the ISA
- » Deed of trust preparation
- » Marketing material preparation
- » Roadshow
- » Underwriting the deal
- » Distribution
- » Tender management

On-Going

- » Investors' relationship
 - » Ongoing calls
 - » Non – deal roadshow
 - » Marketing materials
- » Market updates
- » Rating support
- » Lead future issuances/private placements

SELECTED ISSUANCES

 <p>The Related Companies</p> <p>US\$ 210,000,000 US Based Real Estate Firm Public Bonds Issuance March 2015</p>	 <p>Cornerstone Properties</p> <p>US\$ 76,000,000 US Based Real Estate Firm Public Bonds Issuance December 2016</p>	 <p>Cornerstone Properties</p> <p>US\$ 41,000,000 US Based Real Estate Firm Public Bonds Issuance September 2019</p>	 <p>Copperline Partners</p> <p>US\$ 97,000,000 US Based Real Estate Firm Public Bonds Issuance October 2015</p>	 <p>Copperline Partners</p> <p>US\$ 75,000,000 US Based Real Estate Firm Public Bonds Issuance February 2017</p>	 <p>The Klein Group</p> <p>US\$ 55,000,000 US Based Real Estate Firm Bond Exchange December 2017</p>
 <p>MGG Investment Group</p> <p>US\$ 144,000,000 US Based Debt Fund Public Bonds Issuance September 2019</p>	 <p>MGG Investment Group</p> <p>US\$ 65,000,000 US Based Debt Fund Public Bonds Issuance November 2018</p>	 <p>Delshah Capital</p> <p>US\$ 111,000,000 US Based Real Estate Firm Public Bonds Issuance January 2016</p>	 <p>Delshah Capital</p> <p>US\$ 51,000,000 US Based Real Estate Firm Public Bonds Issuance August 2017</p>	 <p>Copperline Partners</p> <p>US\$ 23,000,000 US Based Real Estate Firm Public Bonds Issuance January 2018</p>	 <p>The Klein Group</p> <p>US\$ 25,000,000 US Based Real Estate Firm Public Bonds Issuance March 2017</p>
 <p>Encore Properties</p> <p>US\$ 144,000,000 US Based Real Estate firm Public Issuance of Bonds June 2017</p>	 <p>Isramco</p> <p>1,575,827,000 NIS Oil & Gas company Public Bonds Issuance May 2017</p>	 <p>Summit</p> <p>210,872,000 NIS Israel Based Real Estate Firm Public Bond Issuance January 2019</p>	 <p>Mivne Group</p> <p>607,923,000 NIS Real Estate Firm Public Bonds Issuance September 2016</p>	 <p>Nitsba Holdings</p> <p>200,000,000 NIS Real Estate Firm Commercial Papers November 2015</p>	 <p>YHK</p> <p>400,105,000 NIS Israel Based Holding Firm Public Bond Issuance January 2018</p>
 <p>Isras Group</p> <p>250,000,000 NIS Real Estate Firm Public Bonds Issuance September 2019</p>	 <p>Airport City</p> <p>500,000,000 NIS Real Estate Firm Public Bond Issuance June 2019</p>	 <p>NAFTA</p> <p>420,000,000 NIS Israel Based Real Estate Firm Public Bond Issuance January 2019</p>	 <p>Gibui Eitan</p> <p>50,000,000 NIS Financial Services Public Bond Issuance April 2019</p>	 <p>Equital Group</p> <p>550,000,000 NIS Israel Based Holding Firm Public Bonds Issuance February 2019</p>	 <p>Matslawi</p> <p>73,335,000 NIS Real Estate Firm Public Bonds Issuance January 2018</p>

A dark, grayscale photograph of a city skyline, likely New York City, reflected in water. The skyline features several prominent skyscrapers, including the Freedom Tower. The text "ISSUING DEBT IN ISRAEL" is overlaid in the center of the image in a white, sans-serif font.

ISSUING DEBT IN ISRAEL

THE OPPORTUNITY

The Opportunity	Issuance of unsecured corporate debt in the Israeli
The Place In The Capital Structure	Corporate debt - subordinated to any traditional property level finance
Market Drivers	<p>High perception for US Real Estate and Private Debt</p> <p>Over US\$900 bn of public funds growing at a monthly phase of ~US\$3bn driven by mandatory savings regulation</p> <p>Low amount of local issuers compared to investors needs</p> <p>Corporate bonds are trading at low spreads above government bonds</p> <p>Size advantages for foreign companies</p> <p>Efficient bond market with a strong liquidity and high trading volume</p> <p>Rating advantages (driven by a local rating scale)</p>
Short Time To Market	The initial issuance will take 3 - 4 months; subsequent issuances could be completed in less than 1 week (based on the same pool of assets)
Use Of Proceeds	Very flexible - including equity for new transactions, partner buyouts, refinancing of expensive debt, etc.
Competitive Rate	Between 3.5% and 7.0% (depending on the company's size and rating. A detailed indication will be provided post an initial analysis)

THE ISRAELI BOND MARKET

Key Facts

- ▶ 640 Corporate bond series
- ▶ Over 220 issuers
- ▶ Total issued amount of US\$Xm
- ▶ Average annual issuances of ~US\$15bn
- ▶ ~63% dominated by Real Estate and Financing activities
- ▶ ~73% of the bonds are unsecured debt
- ▶ Over 99% of the debt is refinanced inside the Israeli bond market
- ▶ Only ~7% of the market is related to US issuers (~US\$7.3bn)

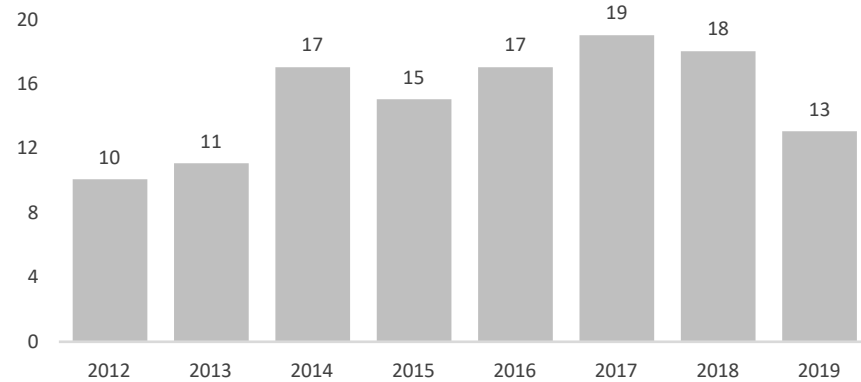


Tel Bond 60 Yield*

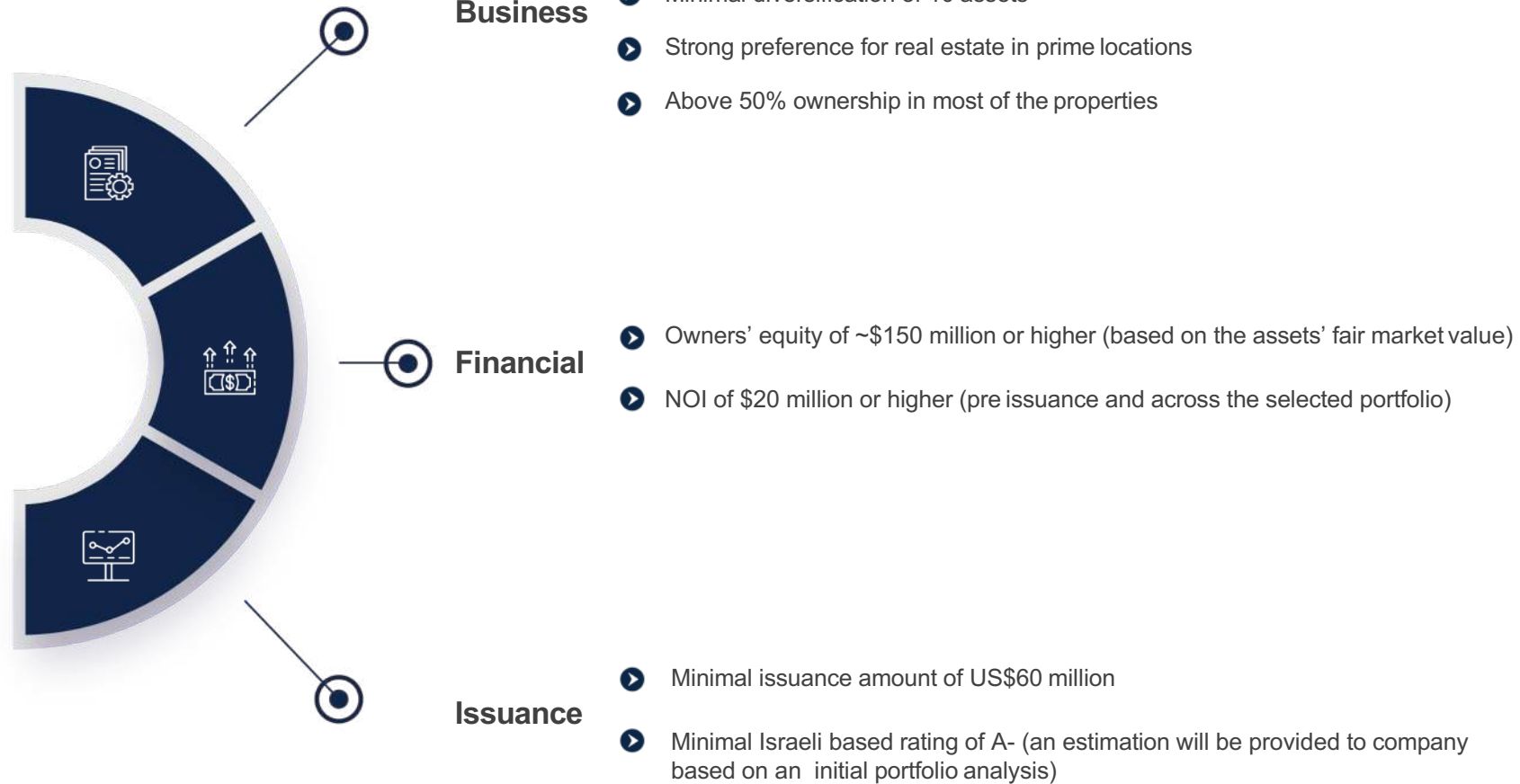


*Top 60 CPI linked bonds

Corporate Bond Issuances (US\$bn)



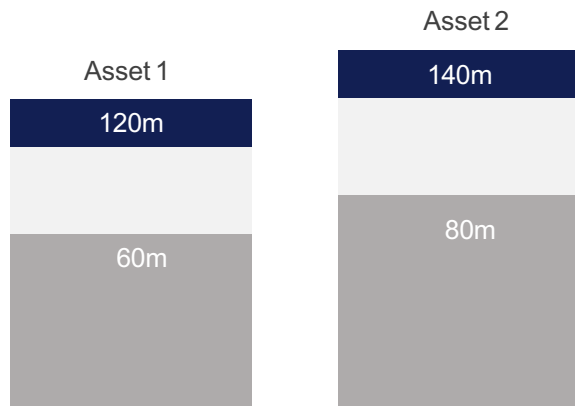
KEY REQUIREMENTS



THE BONDS' POSITION IN THE CAPITAL STACK

- ▶ The bonds will be subordinated to any type of traditional debt (senior or mezz)
- ▶ All assets will be marked to **their full fair market value** taking into consideration their projected cash flow
- ▶ Post initial issuance, the company will have the **ability to raise additional bonds very quickly based on the same pool of assets, supporting any value appreciation or amortization payments**
- ▶ Unlike traditional debt the issuance amount will be driven by the company's effective leverage (and not coverage ratios) supporting additional debt

Before the issuance



Value: 120m
Debt: 60m

Value: 140m
Debt: 80m

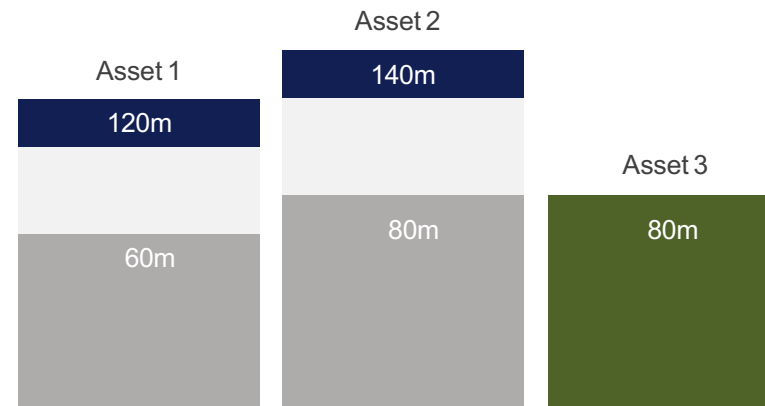
Leverage

54%



US\$80m Issuance

After the issuance



Value: 120m
Debt: 60m

Value: 140m
Debt: 80m

Value: 80m
Bonds: 80m

Leverage

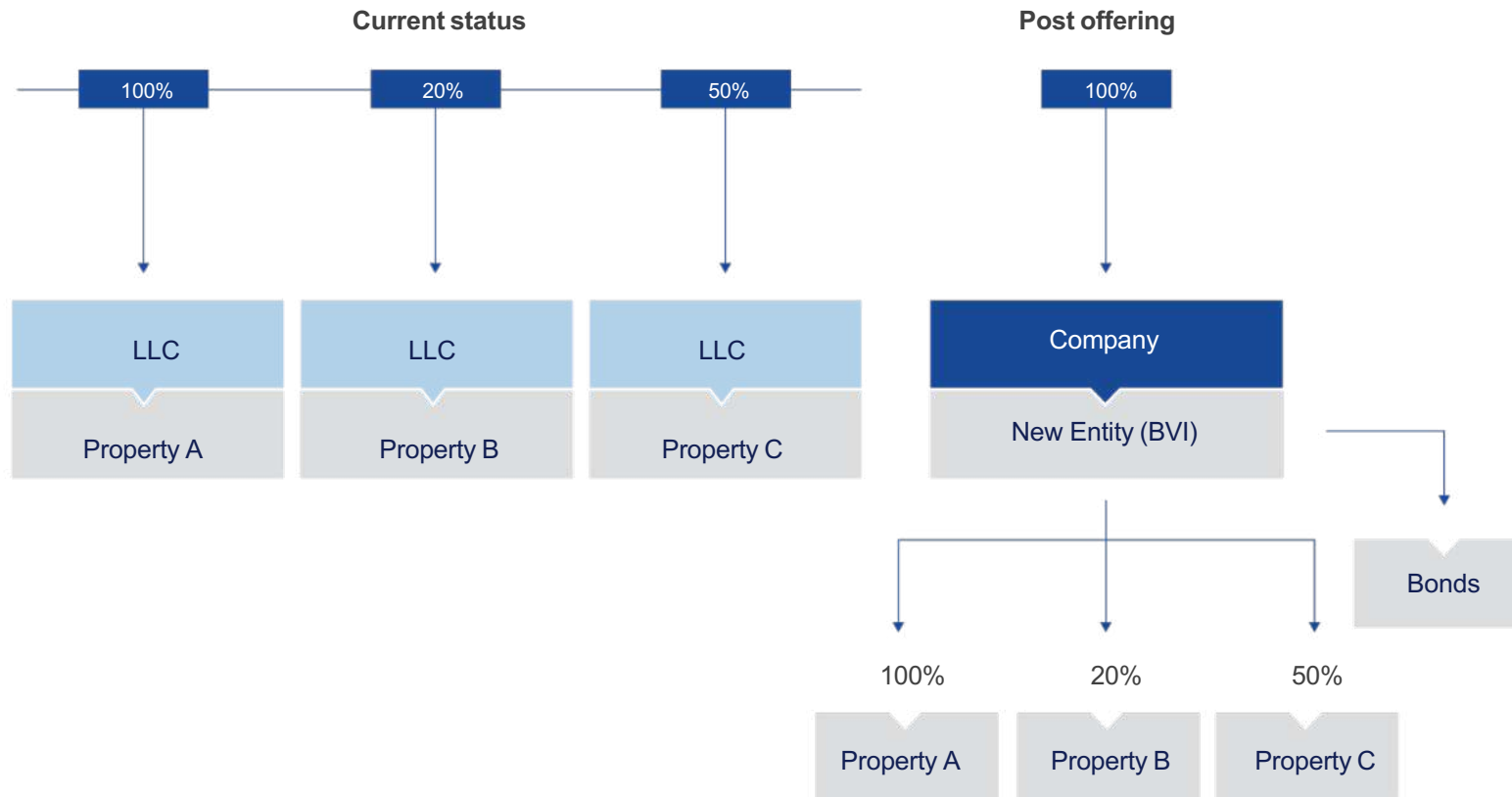
65%

A dark, grayscale photograph of a city skyline, likely New York City, reflected in water. The skyline features numerous skyscrapers, including the Freedom Tower. The text "THE PROCESS" is overlaid in the center of the image in a white, sans-serif font.

THE PROCESS

LEGAL STRUCTURE

- ▶ A new entity will be formed to which ownership will transfer its share in each of the LLC's
- ▶ The process will not affect the legal structure or create tax implications in the US*

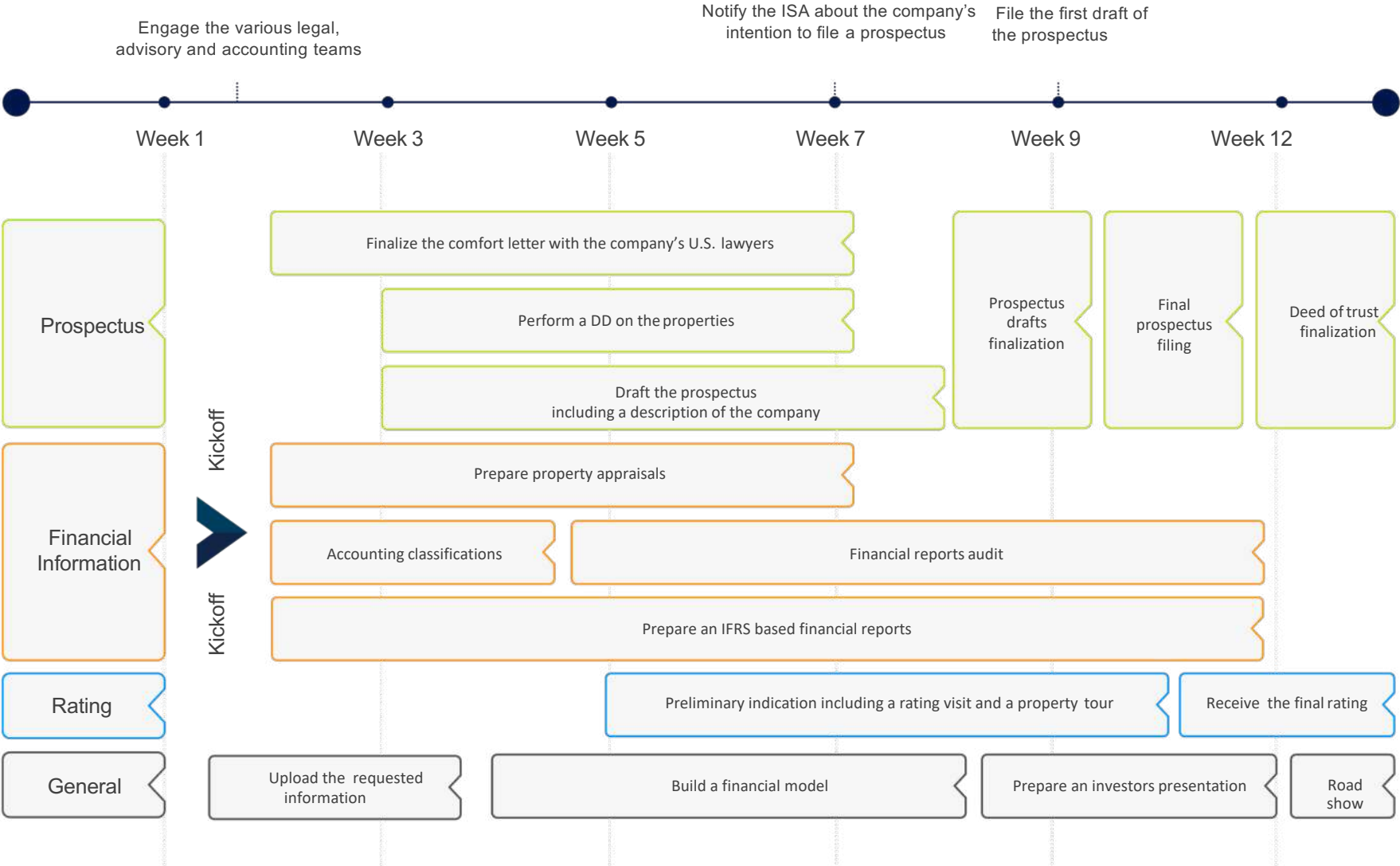


Only the owner's share will be transferred to the new entity

* Will be approved by the company's lawyers

TIMELINE (3-4 MONTHS FOR THE INITIAL ISSUANCE)

THE PROCESS



THE RATING PROCESS

- ▶ InFin provides ongoing rating advisory services for 18 companies, including 5 who are rated in the AA rating group
- ▶ Local Agencies: S&P And Midroog (A Subsidiary Of Moody's)
- ▶ Both agencies use a local rating scale which has 5 - 6 notches difference from the global rating scale (US BBB- will be rated as AA in the Israeli market)
- ▶ The rating will influence the issuance interest rate, and could impact the investors' diversification & their participation capabilities
- ▶ The rating process is based on a peer group comparison (a benchmark) taking into account the company's projections

Key evaluating parameters

Quantitative Parameters	Qualitative Parameters
NOI, EBITDA, FFO	Management and governance
Debt cover ratios	Operating & financial management
Leverage ratios	Information and reporting systems
Profitability	Organizational structure
Dividend and liquidity policy	Legal organization structure
Hedging	Track record



Moody's USA	Moody's Israel
A2	Aaa
Baa1 – A3	Aa1
Baa2 – Baa3	Aa2
Ba1 – Baa3	Aa3
Ba2	A1
Ba3	A2
B1	A3
B2	Baa1
B3	Baa2
Caa1	Baa3
Caa1 – Caa3	Ba1 – Caa3
Ca	Ca
C	C

S&P USA	S&P Israel
BBB and higher	AAA
BB / BBB	AA
B / BB	A
B	BBB
CCC	BB
CCC	B
CCC	CCC
CC	CC
SD	SD
D	D

CORPORATE GOVERNANCE

Post issuance, the company will be required to become a reporting entity and will be subjected to the following:

Board



- ▶ Minority board representation of 2 to 3 external / independent directors
- ▶ Majority of the board can be internal directors

Reporting



- ▶ Quarterly and annual IFRS based financial statements
- ▶ On-demand reporting of material business events and activity

Deed of Trust



- ▶ The deed of trust is the agreement between the issuer and the trustee on behalf of the bondholders and will include legal and financial covenants
- ▶ The covenants will be adjusted for the issuer's activity and its projected performance
- ▶ Financial covenants includes:
 - » Minimum equity
 - » Maximum LTV
 - » Portfolio based coverage ratios

A dark, grayscale photograph of a city skyline, likely New York City, reflected in water. The skyline features numerous skyscrapers, including the Freedom Tower. The text "CASE STUDIES" is overlaid in the center in a white, sans-serif font.

CASE STUDIES

THE RELATED COMPANIES



- » Major US commercial real estate owner
- » Portfolio of 1,208 Units & ~2M SF of commercial space
- » Rating iIA+ (by S&P)
- » Financial snapshot:

\$MM	At Issuance	As of 30.6.2019
Equity	465	749.4*
Asset Value	798.6	1.65
Annual NOI	15.3	101.4

- ▶ Related Companies issued ~US\$210 million unsecured bonds with 5 years maturity which are currently traded at ~2% yield
- ▶ The company's tender was the first offering that gained the interest of local institutional investors and achieved an over-subscription in excess of NIS1.3 billion
- ▶ The bonds were issued based on 7 assets. Since the issuance date, the company has acquired 4 new assets from The Related Companies (using the bond proceeds)
- ▶ Related is a long-standing American real estate company owned by Mr. Stephen Ross. Its property portfolio is worth over US\$20 billion and includes 55,000 affordable apartments, 10,000 free-lease apartments and 836,127 SF meters of various commercial properties

* Based on IFRS

** The data presented above refers to the Related Companies & include the data of the BVI company



CORNERSTONE



- » Leaders in Affordable Housing in Florida
- » Portfolio of ~ 6,800 Units
- » Rating A1 (by Midroog)
- » Financial snapshot:

\$MM	At Issuance	As of 30.6.2019
Equity	196	406
Asset Value	519	771.4*
Annual NOI	17.9	42.0

- ▶ Led by InFin, Cornerstone Properties, a Florida based real estate firm, has successfully issued ~US\$117 million in two bond issuances
- ▶ Series A were rated iIA1 (by Midroog) while the bonds were issued for a maturity of 4.5 years with a coupon of 4.9% (NIS fixed) and are currently traded at ~2.3%
- ▶ Cornerstone Properties is a private company focused on affordable housing in South Florida. The company owns and manages ~14,000 affordable units
- ▶ The initial issuance included 20 assets with an aggregate value of US\$520 million
- ▶ During September 2019, InFin has led an issuance of Series B, for a duration of 4.2 years. **Oversubscribed by 300%** of the initial issuance amount – the transaction led to expand the issuance to ~US\$41m. **The coupon of the new bonds was set at 3.08%** much lower compared to their senior debt and the lowest record among the US issuers. Series B has a duration of 4.2 years

* Based on IFRS



COPPERLINE PARTNERS



- » Income producing real estate in NY, Florida & Connecticut
- » Portfolio of 3,400 Units & 1 Luxury Miami Hotels
- » Rating iIA (by S&P)
- » Financial snapshot:

\$MM	At Issuance	As of 30.6.2019
Equity	317	373
Asset Value	638	896
Annual NOI	33	44

- ▶ Led by InFin, Copperline has successfully issued ~US\$215 million in 4 bond issuances
- ▶ Active for over 50 years with income producing real estate focuses on Multifamily, where it has gained a substantial edge with involvement in multiple transactions
- ▶ The issuance included a portfolio of 23 assets with an aggregate value of US\$675 million. Overall ~3,000 residential units and 2 hotels; generating an annual NOI of ~US\$32m
- ▶ During February 2017, InFin has led an issuance of Series B, for a maturity of ~8 years and a final maturity on 2025. Oversubscribed by 300% of the initial issuance amount; led to expand the issuance to ~US\$75m. The coupon of the new bonds was set at 5.1%; series B was expanded in Jan 2018 at 4.25% yield

* Based on IFRS



DELSHAH

- » NYC commercial & residential assets
- » Portfolio of 1,450 Units + 20,000 SF of retail space
- » Rating A3/(by Midroog)
- » Financial snapshot:

\$MM	At Issuance	As of 30.6.2019
Equity	222	312
Asset Value	376	728
Annual NOI	12	27

- ▶ Led by InFin, Delshah Capital, a NYC based firm raised an overall amount of ~US\$190m in 6 different transactions
- ▶ Focused on value-add and long-term holding of income producing assets in NYC (residential including HUD and retail)
- ▶ The company's portfolio includes 44 assets with a total value of ~US\$837m
Stabilized NOI of ~US\$43m
- ▶ Rated A3, until today Delshah had issued 3 bond series with durations ranging between 3.2 and 5.6 years
- ▶ The new series was issued in a Mezzanine structure with financing up to 80% LTC of Morningside's project; a 205 unit high-end residential project. The tender was closed at 6.15% coupon with a final maturity to 2021 – almost 50% lower than similar US debt cost

* Based on IFRS

DELSHAH



ENCORE ENTERPRISES



- » Income producing – residential, office, retail & hospitality
- » Portfolio of 23 assets
- » Rating iIBBB+ (by Maalot S&P)
- » Financial snapshot:

\$MM	At Issuance	As of 30.6.2019
Equity	85	160
Asset Value	81	529*
Annual NOI	13	29.9

- ▶ Led by InFin, Encore Enterprises, a Dallas based company has issued ~US\$170m in 2 separate bond series with a duration of 5.5 years (series A) and 4.5 years (series B)
- ▶ The portfolio included 23 assets with a total value of US\$535m (Encore's share is ~US\$320m), out of which 3 are currently under development
- ▶ Series A (secured series) is backed by 7 income producing assets (2 offices, 1 hotel, 4 retail) with a total value of US\$180m based on 75% LTV (according to the properties' full fair market value) while Series B was issued as unsecured debt series
- ▶ The tender received an overall demand of US\$205m (~140% over-subscription)
- ▶ The bond proceeds were used for buying out partners and for refinancing expensive debt

* Based on IFRS



THE KLEIN GROUP



- » Income producing retail assets – Manhattan & N.J.
- » Portfolio of 25 properties
- » Rating iIA- (by Maalot S&P)
- » Financial snapshot:

\$MM	At Issuance	As of 30.6.2019
Equity	131	137
Asset Value	217	330*
Annual NOI	9.8	20

- ▶ Led by InFin, The Klein Group, a New Jersey based retail property owner has successfully issued ~US\$140m in 4 transactions
- ▶ Klein’s bonds are rated as iLA3 (by Midroog), and were issued for a maturity of 6 years with a 6.4% coupon
- ▶ The institutional tender was extremely successful achieving an over subscription of 150%; two weeks after the initial issuance, InFin had arranged a private placement for an additional US\$10m expansion of the bond series
- ▶ The Klein Group is an income producing company who focuses on retail assets in New Jersey and Manhattan. At the time of the issuance, the company's portfolio included 21 assets with a total value of ~US\$330m, a shareholder's equity of ~103m and a total NOI of ~US\$13m
- ▶ The bond proceeds are being used by the company for acquiring minority partners and for expanding the company's portfolio

* Based on IFRS



MGG INVESTMENT GROUP



- » NY based Private Middle Market Lender (debt fund)
- » Portfolio of 45 loans
- » Rating **iiA+/positive outlook (by S&P)**
- » **Financial snapshot:**

\$MM	At Issuance	As of 30.6.2019
Equity	279	234
Asset Value	363	396`
Annual Revenue	42	71

- ▶ Led by InFin, MGG has successfully issued ~US\$209m in two separate transactions
- ▶ First of its kind in Israel – issuing bonds for a non-real estate private fund activity
- ▶ Working with S&P US, InFin’s team had successfully achieved a ‘iiA+’ rating for MGG’s bonds
- ▶ During November 2018, MGG’s series A unsecured bonds were issued for a maturity of 5 years at a fixed rate of 6% and are currently trading at ~4.9% YTM
- ▶ On October 2019, the company had issued US\$144m in Series B. 80% of the bonds are held by 7 large institutional investors. Series B has a coupon of 4.75% for a maturity of 6 years
- ▶ The firm was established in 2014 and is managed by a strong team of professionals led by Mr. Kevin Griffin and Mr. Gregory Racz, both have **over 20 years of experience and track record of investing over US\$5bn (in more than 100 loans since 2007)**



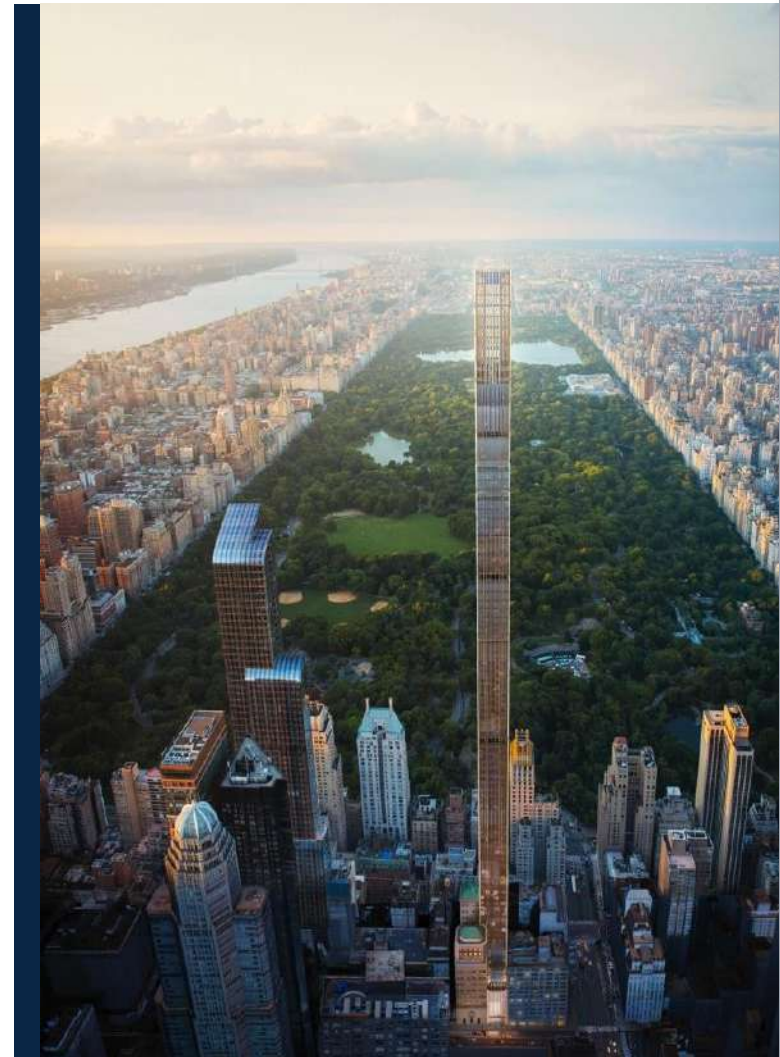
FUND REPRESENTATION – MADISON REALTY CAPITAL

- ▶ Lead real estate debt fund based in NY
- ▶ Expertise in special situations, senior loan origination, note acquisition, preferred. equity & mezzanine debt transactions
- ▶ Established track record of originating, structuring & closing over 400 transactions totaling US\$ 8BN in debt & equity transaction since inception
- ▶ Manages over US\$ 4BN of gross assets across its debt and equity funds
- ▶ Consistently delivered superior risk adjusted returns through all economic
- ▶ cycles Targeted IRR: 14%

Being the fund's exclusive representative in Israel, InFin has raised for Madison's Debt Fund IV ~US\$ 400M from Israeli Institutional Investors, including:



MEITAV DASH.



WHY INFIN?

Well experienced team with a wide range of expertise

Proven track record

Creative & sophisticated solutions



Strong connection with the local investors

Deep understanding of the US market

Providing one stop shop for US entities seeking to raise debt and equity in Israel



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