



KKR CREDIT INCOME FUND (ASX: KKC)

The KKR Credit Income Fund aims to provide Australian and New Zealand investors with attractive, risk-adjusted returns and access to a diversified portfolio of income generating alternative credit investments

KKC Investee Case Study: Integer

30 June 2021

Dear KKC Investor

This month, we would like to provide KKC investors with further details on the type of investments and portfolio companies, which are part of the KKC target market.

Below is an example of a loan, which until recently, was part of the European Direct Lending portfolio. We have outlined a summary of the loan, an overview of the company, and the KKR Credit Team investment thesis for this loan.

We look forward to keeping you updated on the KKC portfolio.

Loan Summary

Borrower: Integer/InPost

Country Headquarters: Poland

Date of Investment: September 2019

Security Type: First Lien Senior secured Loan

Spread: Euribor+6.50%

Original Issue Discount: 3% (i.e. price paid was 97%)

Currency: EUR

Company Overview

- Integer (the “Company”) is a leading private player in the Polish e-commerce parcel logistics market, having been the first and still the sole operator of automated parcel machines (“APMs”)
- The Company had EBITDA of ~A\$100m as of September 2019 and ~605k parcel lockers in Poland as of July 2019 (up from 345k in June 2018)
- The Company has three product offerings: (1) APM locker network where customers are charged for each parcel they either collect or drop off for delivery; (2) Courier to door offering; and (3) APM manufacturing

Summary of Initial Investment Thesis

The KKR Credit Investment Team were confident about Integer being a market leader in the alternative delivery service market due to its APM offering in Poland. It is also the number two player in global delivery markets through the combination of both its courier and APM solutions.

In Poland, 49% of the population live within a 7 minute walk to one of the Company’s lockers. KKR Credit believed this benefited Integer’s dense network, which they assessed as being difficult to replicate. In addition to these points, the KKR Credit Investment team were positive on the business due to the:

- Attractive per machine economics providing downside protection and predictable cash conversion
- Growing e-commerce delivery market which is expected to be sustained by increased online retail penetration in Poland; and
- Mutually co-dependent relationship with its e-retailers, who rely on the APM offering and, given the level of usage by Polish consumers, KKR Credit believes

they will continue to use the APM offering based on its cheaper pricing vs home delivery and high convenience for consumers.

Investment Outcome for KKC

Integer was a huge beneficiary of the Covid-related move to online shopping with its EBITDA more than doubling in less than 18 months. The Company successfully listed on its local stock exchange in January 2021 for ~A\$12.6bn and the EDL Fund was repaid its loan generating an IRR of 10.4%.

About KKR



years of experience



billion total assets under management¹



billion credit assets under management



KKR Investment Professionals



billion invested alongside our clients²

(1) Figures as of 31 December, 2020. Represents assets managed by KKR or its strategic partners (on a proportionate basis) as to which KKR is entitled to receive a fee or carried interest (either currently or upon deployment of capital) and proprietary general partner capital. (2) Includes investments/commitments made by KKR's balance sheet, KKR employees and other affiliates. Investments made by current and former KKR employees are retained by those individuals personally. Includes unfunded commitments made by individuals.



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