Updated valuation of CA Immo

31 October 2018

Executive summary

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- In February this year, we published our valuation thoughts on CA Immo ("CAI"), stating we believed the company is worth at least €32 / share

- Since then, two things have changed:
  - The company has released additional information about their development activities to 2025 and beyond
  - The IMF have increased their growth and inflation forecasts for CEE

- Incorporating this information into our valuation model yields a price in the range of €35 - €40 / share

- This material is intended as a support to our letter dated 30 October 2018.

FFO1 to double in 6-7 years as development programme ramps up

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in €m, unless stated	2016A	2017A	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	Change	CAGR
Rental income total	**166**	**180**	**194**	**217**	**243**	**274**	**291**	**316**	**340**	**364**	**198**	**9%**
o/w existing assets	166	180	194	194	205	219	222	231	241	242	77	4%
o/w pipeline	0	0	0	23	38	54	70	85	99	122	122	n.m.
pipeline % of total	0%	0%	0%	10%	16%	20%	24%	27%	29%	33%	33%	
Funds from operations 1 (FFO1)[1]	**92**	**106**	**98**	**121**	**135**	**155**	**161**	**184**	**200**	**217**	**125**	**10%**
o/w existing assets	92	106	98	105	108	114	111	124	127	125	33	4%
o/w pipeline	0	0	(0)	16	28	41	50	61	73	91	91	n.m.
pipeline % of total	0%	0%	0%	13%	20%	26%	31%	33%	36%	42%	42%	
LTV	**31.2%**	**32.4%**	**39.5%**	**40.6%**	**39.6%**	**36.8%**	**38.7%**	**36.9%**	**33.9%**	**29.9%**	**-1.3%**	
Total assets[2]	4,309	4,769	4,881	5,244	5,541	6,008	6,496	6,863	6,965	7,224	2,915	6%
Cumulative revaluations[3]	100	151	204	294	401	518	648	766	888	1,008		
Net debt	1,069	1,252	1,712	1,904	1,962	1,882	2,198	2,225	2,118	1,912	843	7%

- **Key assumptions:**
  - **Timing of development programme:** development commences in 2018, and is completed by 2025. Investment volume is split 16% 2018-2021 / 84% 2022-2025
  - **Pipeline volume:** €4.1b as per CAI guidance
  - **Keep vs. sell:** 50% of developed properties are sold (resulting disposal profits not included in FFO1)
  - **Rent development:** rent within existing contracts grows with highly conservative CPI (c. 2% assumed)
  - **Development economics:** 5.95% rental yield on cost, 17.5% development profit, 20% vacancy
  - **Development financing:** ~70% LTV during the construction phase, ~65% LTV upon completion, 2.00% cost of new debt
  - **Dividends / return of capital to shareholders:** normal dividend representing ~35% of net income

1) *Petrus Advisers definition of FFO1. It is identical to CAI's definition except Petrus Advisers deducts cash taxes in calculating FFO1.*
2) *Includes revaluation results.*
3) *Net of revaluation gains on sold assets.*

Summary valuation approach

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Item	Value / Share[1]	Comment
Standing portfolio	€24.5	• 17.5x forward FFO1 multiple applied to future years' FFO 1 and discounted at 8%
Pipeline (sold)	€6.3	• Cash flows from sale of 50% of development pipeline, discounted at 8% cost of equity • Perpetuity: growth at 2%, GDV €300m / year, development profits in line with current guidance
Residential landbank	€2.3	• Assumed value of residential landbank of c. €250/sqm
Properties HFS	€0.2	• Book value of properties held-for-sale
Properties HFT	€1.0	• Book value of properties held-for-trading
Dividends	€2.5	• NPV (8%) of future dividends • Payout ratio of c. 35% of net income
IIA stake	€1.2	• Current market value
Total	**€38.0**	

1) *Based on valuation date for Standing Portfolio and Sold Pipeline properties of 2020 and discounted at 8%.*

Significant growth results in SotP valuation of min. €35 / share

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Sum-of-the-parts valuation

	Input	2018E	2019E	2020E	2021E	2022E	2023E	2024E
Standing portfolio								
Valuation date	30/10/2018							
FFO I - standing portfolio, €m		98	121	135	155	161	184	200
FFO I / share		€1.05	€1.30	€1.45	€1.66	€1.73	€1.98	€2.14
Multiple (1-year fwd)	17.5x	17.5x	17.5x	17.5x	17.5x	17.5x	17.5x	17.5x
Implied equity value / share		€22.75	€25.35	€29.02	€30.23	€34.58	€37.52	€40.63
Discount factor	8.0%	0.99	0.91	0.85	0.78	0.73	0.67	0.62
Implied PV / share		**€22.46**	**€23.17**	**€24.56**	**€23.69**	**€25.09**	**€25.21**	**€25.28**
Sold development assets								
Cash profits after tax, €m		0	24	20	24	58	95	101
Cash profits after tax / share		€0.00	€0.26	€0.22	€0.25	€0.62	€1.02	€1.08
Discount factor	8.0%	0.99	0.91	0.85	0.78	0.73	0.67	0.62
PV of cash profits / share		€0.00	€0.24	€0.18	€0.20	€0.45	€0.69	€0.67
Perpetuity	2.0%	€2.95						
Total PV / share[1]		**€6.26**						
Total PV/share		**€6.26**	**€6.26**	**€6.26**	**€6.26**	**€6.26**	**€6.26**	**€6.26**
Adjustments to asset values								
Value of residential landbank[2]/share		€2.34	€2.34	€2.34	€2.34	€2.34	€2.34	€2.34
Properties held for sale / share		€0.20	€0.20	€0.20	€0.20	€0.20	€0.20	€0.20
Properties held for trading / share		€0.89	€0.89	€0.89	€0.89	€0.89	€0.89	€0.89
Total adjustments to asset values		**€3.43**	**€3.43**	**€3.43**	**€3.43**	**€3.43**	**€3.43**	**€3.43**
Dividends								
Dividend / share		€0.84	€0.87	€0.98	€1.11	€1.26	€1.33	€1.47
Cumulative dividends / share		€0.84	€1.71	€2.69	€3.81	€5.07	€6.39	€7.86
Discount factor	8.0%	0.97	0.96	0.89	0.82	0.76	0.70	0.65
PV dividend / share		€0.81	€0.83	€0.87	€0.92	€0.96	€0.94	€0.96
PV cumulative dividends / share		**€0.81**	**€1.65**	**€2.52**	**€3.43**	**€4.39**	**€5.33**	**€6.28**
Immofinanz stake								
IIA shares held, k		5,481	5,481	5,481	5,481	5,481	5,481	5,481
IIA share price	€20.90	€20.90	€20.90	€20.90	€20.90	€20.90	€20.90	€20.90
IIA stake market value, €m		115	115	115	115	115	115	115
Value IIA stake / CAI share		**€1.23**	**€1.23**	**€1.23**	**€1.23**	**€1.23**	**€1.23**	**€1.23**
Present value of equity		**€34.19**	**€35.73**	**€38.00**	**€38.04**	**€40.40**	**€41.46**	**€42.48**
Prior Petrus valuation		€32.26	€31.80	€33.00	€33.91	€34.46	€35.05	€37.82
Difference		*6.0%*	*12.4%*	*15.1%*	*12.2%*	*17.2%*	*18.3%*	*12.3%*

Sensitivity to multiple[3]

	Valuation date						
FFO multiple	2018	2019	2020	2021	2022	2023	2024
16.0x	€32.3	€33.7	€35.9	€36.0	€38.2	€39.3	€40.3
16.5x	€32.9	€34.4	€36.6	€36.7	€39.0	€40.0	€41.0
17.0x	€33.5	€35.1	€37.3	€37.4	€39.7	€40.7	€41.8
17.5x	€34.2	€35.7	€38.0	€38.0	€40.4	€41.5	€42.5
18.0x	€34.8	€36.4	€38.7	€38.7	€41.1	€42.2	€43.2
18.5x	€35.5	€37.1	€39.4	€39.4	€41.8	€42.9	€43.9
19.0x	€36.1	€37.7	€40.1	€40.1	€42.6	€43.6	€44.6

Sensitivity to discount rate[4]

	Valuation date						
Discount rate	2018	2019	2020	2021	2022	2023	2024
5%	€39.5	€41.8	€44.8	€45.6	€49.0	€51.0	€53.0
6%	€36.9	€38.9	€41.7	€42.2	€45.2	€46.9	€48.6
7%	€35.3	€37.1	€39.6	€39.9	€42.5	€43.9	€45.2
8%	€34.2	€35.7	€38.0	€38.0	€40.4	€41.5	€42.5
9%	€33.4	€34.7	€36.7	€36.5	€38.6	€39.4	€40.1
10%	€32.7	€33.8	€35.6	€35.2	€37.0	€37.6	€38.1

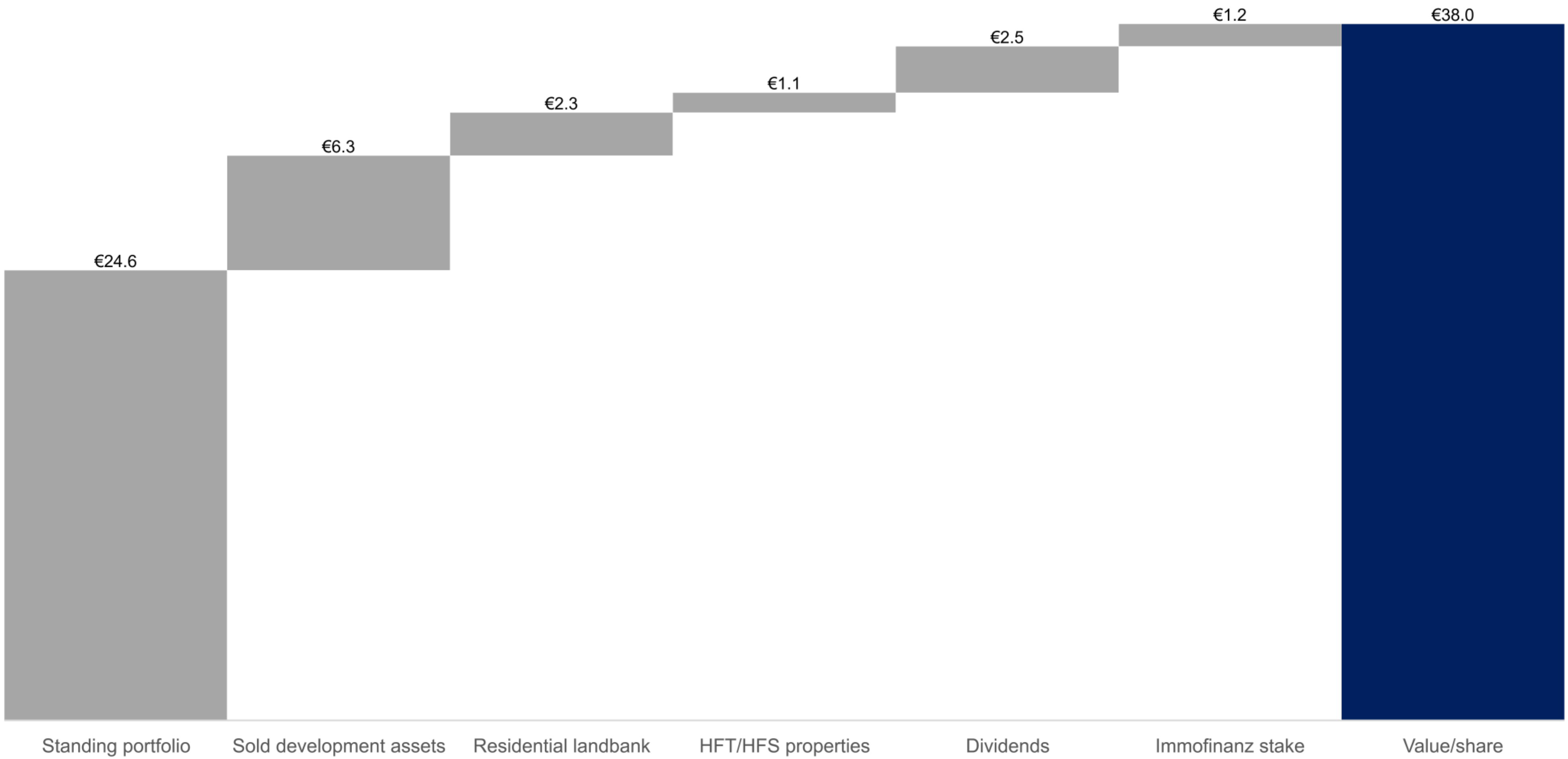
Sensitivity to in-place rent/sqm CAGR

	Valuation date						
In-place rent/sqm CAGR	2018	2019	2020	2021	2022	2023	2024
0%	€33.5	€34.5	€36.2	€36.0	€38.0	€38.9	€39.7
1%	€33.9	€35.2	€37.2	€37.0	€39.2	€40.2	€41.1
2%	€34.3	€35.9	€38.1	€38.1	€40.5	€41.5	€42.6
3%	€34.8	€36.6	€39.1	€39.3	€41.8	€43.0	€44.1
4%	€35.2	€37.3	€40.1	€40.5	€43.2	€44.6	€45.8
5%	€35.7	€38.0	€41.2	€41.8	€44.7	€46.2	€47.7
6%	€36.2	€38.8	€42.2	€43.1	€46.2	€48.0	€49.6

1) *This figure includes the sum of the "PV of cash profits / share" and "Perpetuity" lines. For display purposes, the cash flows from 2025 and 2026 have been left off the table, but have been included in the "Total PV / share".*
2) *Gain on land reflects the assumed NPV of ~€250/sqm related to permitting and development activity using CAI's residential landbank in and around Munich.*
3) *Multiple applied to the standing portfolio only. Assumed discount rate = 8%.*
4) *Assuming the same FFO multiples as stated in the "sum of the parts valuation" table.*

Petrus Advisers view: CA Immo is worth €38 / share

Assuming a illustrative valuation in 2020 based on 2021 FFO1 and FFO2; and applying an 8% discount rate



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