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Fair value for CA Immo

30 November 2017

Executive summary

- CA Immo ("CAI") is under threat of an undesired merger or takeover and has to prepare its balance sheet to reflect market value, not "conservative accounting"
- We oppose a nonsensical merger process as Immofinanz ("IIA") is not ready or trusted, and as we see no 75% majority for the merger
- Therefore, now is the time to exhibit the fair economic value of CAI's asset base
  - Petrus Advisers believe that CAI's landbank and development pipeline contain substantial hidden reserves and valuation upside of at least €4/share
  - Recent successes in property sales, such as Tower 185 in Frankfurt for ~€258m[1] at a yield of ~3.9%[1] and profit of ~€46m[1] demonstrate the upside potential of the current property portfolio
  - CAI's massive residential landbank of 900k sqm in/close to Munich, valued at ~€20/sqm bears enormous hidden reserves
- The pro-forma property loan-to-value ratio ("LTV") of CAI is extremely low at ~28%[2]
  - The IIA stake worth €120m[3] at current market prices must be monetised
  - Management should grow FFO by investing in yielding assets
  - CAI's short-term excess capital of ~€0.5-0.7bn should be invested and carries FFO potential of €17-23m[4]
- The revaluation and refinancing point to ~€29/share - this is further supported by FFO gains from investing surplus capital and equity released from projects to be sold

Source: Company filings, Bloomberg

1) *Value of CAI's 33% stake in Tower 185; the transaction was announced on 30 November 2017. The transaction amounted to €775m x 33% = €258m. Yield calculation is based on 5.2% rental yield at 31 December 2016 and the realised sale value.*
2) *Assumes the sale of CAI's stakes in IIA and Tower 185, and is pro-forma of a revaluation of the landbank (as detailed on slide 3).*
3) *Assumes the sale of CAI's stake in IIA as detailed on slide 5.*
4) *Assumes 5.3% rental yield, 0.3% admin costs,1.5% financing cost, 40% LTV and a 25% tax rate.*

Landbank is worth at least €4/share

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- Revaluing the landbank using management estimates, we see additional value of ~€4/share
- This valuation is based on a conservative 8% discount rate; however, in the current market environment many investors benefit from a much lower cost of capital
- This analysis excludes any value from development activity beyond 2025

Breakdown of development potential

€m		
Development profit[1]	17.50%	A
Total new development investment	**4,100**	B
o/w Land	291	C, From BS
o/w dev. Profit (land)	51	D = A x C
o/w construction cost	3,198	E = (B - C - D) / (1+A)
o/w dev. Profit (construction cost)	560	F = (B - C - D - E)
Total Development Potential	**4,100**	
CEE development		
CEE - Construction cost	58	
CEE - Profit on land	5	
CEE - Land	27	
CEE - Profit on construction cost	10	
CEE - Total Dev. Potential	**100**	
Germany development		
Germany - Construction cost	3,140	
Germany - Profit on land	46	
Germany - Land	265	
Germany - Profit on construction cost	549	
Germany - Total Dev. Potential	**4,000**	

Valuation and sensitivity

	k Sqm	BV[2] (€m)	BV / sqm	Prof on co. cost (€m)	Profit on land (€m)
Germany	1,161	265	€228	549	46
CEE	1,317	27	€20	10	5
Total	**2,478**	**291**	**€118**	**560**	**51**
BV of profits on construction cost and land[3]					611
Tax rate					25%
Tax impact[4]					(153)
Discount rate					8.0%
After-tax PV of profits on construction cost and land[5]					329
Value / share					**€3.5**

		Development Profit Margin				
		12.5%	15.0%	17.5%	20.0%	22.5%
Discount Rate	7.0%	€2.7	€3.2	€3.6	€4.1	€4.5
	7.5%	€2.7	€3.1	€3.6	€4.0	€4.4
	8.0%	€2.6	€3.1	€3.5	€3.9	€4.3
	8.5%	€2.6	€3.0	€3.4	€3.9	€4.2
	9.0%	€2.5	€3.0	€3.4	€3.8	€4.2

Source: Company filings as at Q4 2016, Petrus estimates

1) *Management guidance is for 15-20% development profit on cost. We have adopted the mid-point of this range in our base-case.*
2) *As at 31 December 2016, as interim disclosures are insufficient to perform such analysis.*
3) *Profit on construction cost + profit on land = €560m + €51m.*
4) *Taxes on revaluations and profit on construction cost/land that are initially deferred, but realised upon sale.*
5) *Present value of €458m in equal instalments over 8 years (= €611m - €153m) at a 8% discount rate. Assumes the profits are earned evenly over the development horizon, with the first payment at the end of 2018.*

Landbank represents significant hidden reserves and growth optionality

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- The development activity in CAI's core commercial real estate business will result in dramatic lift of land value
- The residential landbank of ~900k sqm in/close to Munich[1] is substantial and at ~€20/sqm bears massive value upside

Germany			Nature	Space (k sqm)	Value (€m)	Value / sqm (€)
Germany	Berlin	Europacity, Europaplatz, Baufeld Rest	Office	12.4	16	€1,322
Germany	Berlin	Tiergarten, Heidestraße	Office	76.7	27	€357
Germany	Berlin	Europacity LSQ 8	Office	1.6	25	€15,875
Germany	Berlin	Hamburger Bahnhof	Office	19.3	8	€396
Germany	Frankfurt	Europaviertel, Millenium Tower	Office	8.7	70	€8,034
Germany	Frankfurt	Europaviertel, Tower 1	Office	4.8	53	€11,063
Germany	Frankfurt	Parkhaus Hauptbahnhof	Hotel	2.9	20	€6,793
Germany	Munich	AW Freimann	Mixed[2]	49.0	14	€278
Germany	Munich	Bf Freimann I	Mixed[2]	27.9	6	€218
Germany	Düsseldorf	BelsenPark Oberkassel	Office	22.3	7	€300
Germany	Feldkirchen	Feldkirchen, ehem. Kiesgrube	Residential[3]	260.1	6	€24
Landbank Germany	N/A	Properties with a fair value <€5m	Residential[3]	674.8	13	€19
Subtotal				*1,160.5*	*265*	*€228*
Eastern Europe						
Czech Republic	Prague	RCP Beta	Mixed[2]	6.3	6	€962
Romania	Sibiu	Retail Park Sibiu	Retail	170.0	5	€32
N/A	N/A	Properties with a fair value <€5m	Mixed[2]	1,141.0	15	€13
Subtotal				*1,317.3*	*27*	*€20*
Total				**2,477.8**	**291**	

Source: company filings as at Q4 2016

1) Small portion of Düsseldorf and Mainz included.

2) Includes commercial and residential real-estate.

3) Primarily residential use.

Excess capital of ~€500-700m can be reinvested at attractive yields, boosting FFO

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- Pro-forma for optimising its portfolio and revaluing its landbank, CAI is left with a very low LTV
- Adopting more commercial levels of financing can free up capital for other, more accretive uses

Bridge to pro-forma LTV

Figures in €m, unless stated	
Net debt, Q3 2017	1,395
Property, Q3 2017	3,748
Property LTV, Q3 2017	**37.2%**
IIA stake sale[1]	120
Tower 185 sale[2]	150
Pro-forma net debt	**1,125**
Landbank revaluation[3]	329
Pro-forma property	**4,077**
Pro-forma LTV	**27.6%**

Pro-forma LTV is far below the bottom end of the company's 40-45% target

Re-leveraging potential

Figures in €m, unless stated		
Target LTV	40%	45%
Implied excess capital	**506**	**710**

Excess capital adds to CAI's growth options:

- Investment in FFO-yielding assets at 5-6% yield
- Acceleration of development activity
- M&A/consolidation of German and CEE prime office markets

1) *Assumes the sale of CAI's stake in IIA at the 90-day trailing VWAP as at 28 November 2017 of €2.195 and gains taxed at the Austrian corporate rate of 25%.*
2) *As per the 30 November 2017 announcement, the net inflow of cash is ~€150m.*
3) *As detailed on the previous slide.*

Only a cash purchase for ~€29/share would be acceptable to CAI shareholders

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- Our conversations with CAI shareholders lead us to believe that a majority of >75% in CAI is unlikely to be available for purchase at a normal premium to the pro-forma NAV
- IIA would obviously have to finance funds certain for a full control bid and will need its cash reserves and a partner or mezzanine debt to get there
  - Even after selling Russia and borrowing substantial sums of money, we estimate IIA can acquire only 75-80% of CAI's outstanding shares on its own, without help from a partner
- CAI has a compelling equity story:
  - CAI shareholders will be unwilling to part with their shares at current levels, and will require a substantial premium incorporating the hidden value in the landbank and CAI's depressed LTV
  - We have started to engage with the CAI supervisory board to ensure no unfair preference is given to IIA along the way

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