

# Starwood is failing CAImmo and its shareholders

February 2021

# Executive Summary

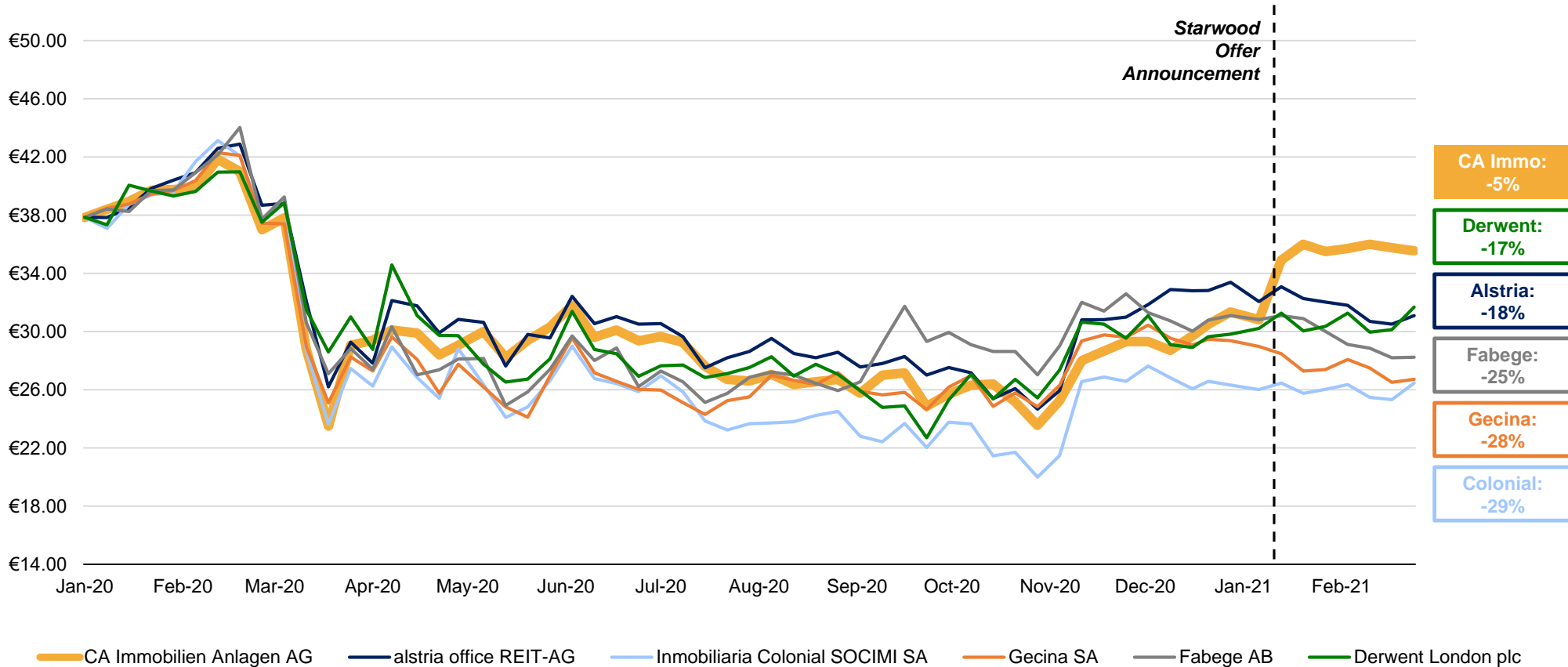
- Petrus Advisers are longterm, active shareholders in CA Immo. We hold some 3,5% of the company
- We have watched Starwood's failure in German speaking Europe with dismay. Since their purchase of the golden share package three years ago, Starwood have fostered third rate "talent" like Quint and Viscius, lost good people at Starwood Europe and within CA Immo and have thus lost credibility and ensured CA Immo goes sideways while creating nothing but immense legal cost for Starwood's investors and market volatility from their own knuckleheaded margin financing of their CA Immo share package
- Now Starwood is failing not only the company but also its shareholders. Having wasted three years to find investors, they promised the world to Pimco and have placed a ridiculous bid. Intelligent? Not! Starwood continue not to listen to the advice of their world leading investment bankers at GS and MS: A bid at Euro 36 will be their next failure.
- In our November 2020 letter to Starwood, we argued that the standing properties and the landbank on CA Immo's balance sheet are grossly undervalued, and the company lacks a clear strategy to create value for shareholders under the current management team and Starwood's stewardship
- The unsolicited offer from Starwood seems to suggest that they are trying to cement control of CA Immo at depressed valuation levels – even below EPRA NAV – while offering only a fraction of the true value of the company to minority shareholders
  - Our analysis suggests that the fair value of CA Immo is ~€45-52 p.s. with a mid-point at ~€48 p.s., significantly above the amended Starwood offer of €36.00 p.s.
    - We believe that the commercial and residential landbank has tremendous hidden value and is worth between ~€835m-€1.25bn or ~€8-13 p.s., compared to a book value on balance sheet of only ~€315m (~€3.2 p.s.) as at September 2020
    - A bottom-up analysis performed by third party Real Estate experts on selected land plots supports our view that the fair value of CA Immo's landbank is vastly superior to its book value
    - The expected increase in CAI's EPRA NAV to ~€40 p.s. as at Dec-2020E demonstrates the quality of the assets
- We are confident that CA Immo's Supervisory Board can only reject Starwood's offer

**We are disinterested in Starwood's attempt to cement their control of CA Immo without paying a control premium and recommend that shareholders refuse the amended €36.00 p.s. bid**

# Starwood's Chosen „Leadership" and „Strategy" Ensures that CA Immo gets 100% Correlation Despite being a Trophy Asset

Before the offer announcement, CA Immo was trading ~25% below pre Covid-19 levels and in line with most European office players despite its prime exposure, low leverage and substantial land reserves, suggesting an opportunistic timing by Starwood

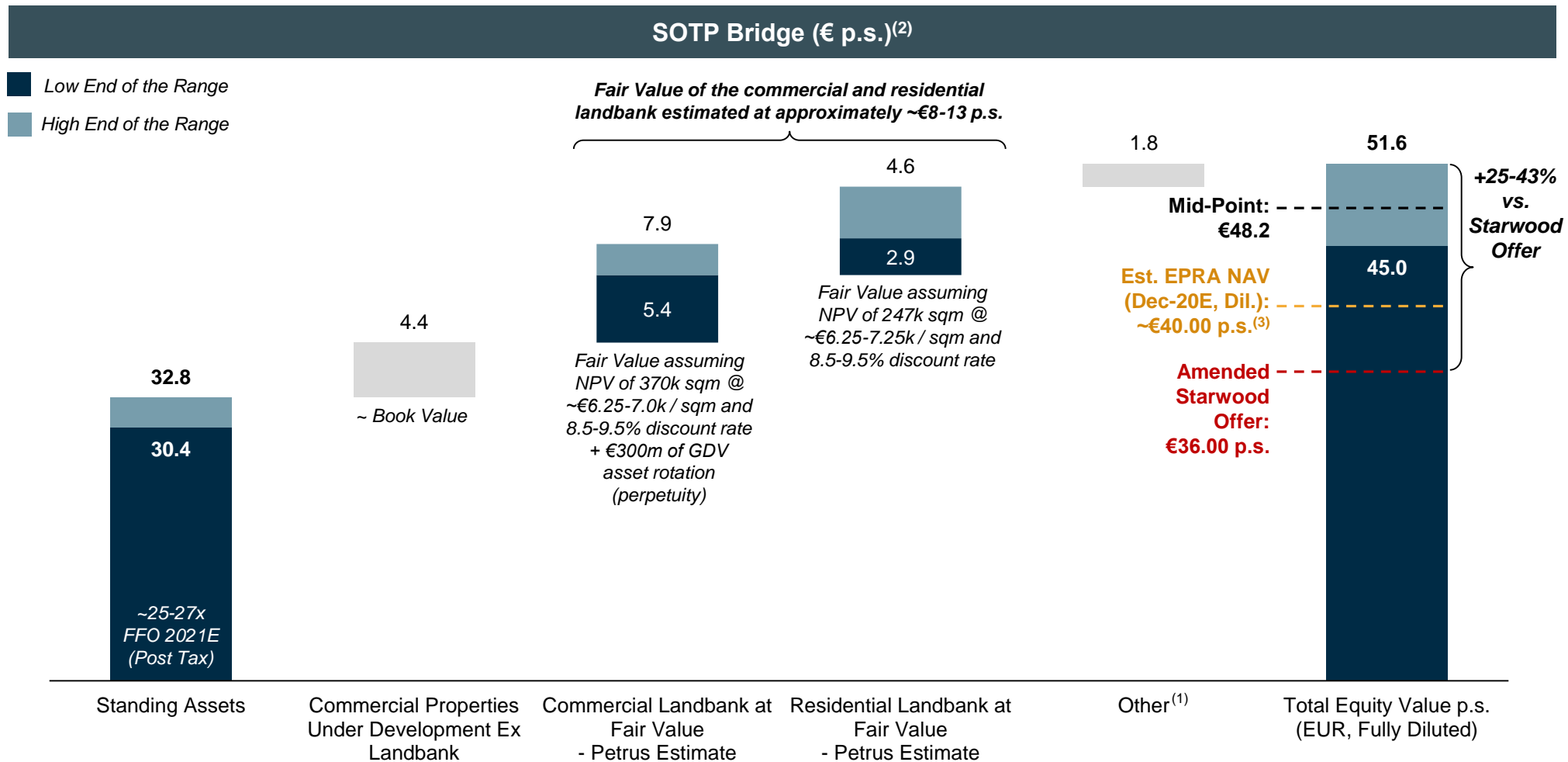
CA Immo Share Price Performance vs. Peers (Rebased to CAI)



# Petrus Advisers' View: CA Immo's Is Worth ~€48 p.s. at SOTP Mid-Point



While not fully captured by EPRA NAV, the commercial and residential landbank is worth ~€8-13 p.s. alone, leading to a fair valuation of ~€45-52 p.s. with mid-point at ~€48 p.s.



Notes: (1) Includes NPV of the Eggartensiedlung Residential project, own used properties and other JVs; (2) Based on fully diluted shares; (3) Illustrative estimate based on company's latest announcement (10-Feb-2021) relating to positive result from property valuation of around €180m expected for FY2020.

Source: Company filings, Factset, broker research, ENA EXPERTS, Petrus Advisers estimates

# REALITY CHECK 1: SOTP Valuation Mid-Point at ~€48 p.s.

A conservative SOTP valuation including some uplift for the large and valuable landbank points to a fair value of ~€48 p.s. at mid-point and a ~€45-52 p.s. range, well above the Starwood offer

SOTP Valuation (€m)		Low	Mid	High
(EURm)				
<b>A</b>	Standing Assets			
	FFO 2021 <sup>(1)</sup>	121	121	121
	x Multiple	25.0x	26.0x	27.0x
	Implied Equity Value	3,030	3,151	3,273
	Implied Equity Value p.s. (EUR)	30.4	31.6	32.8
<b>B</b>	Commercial Properties Under Development Ex Landbank (~ BV)	440	440	440
	Implied Equity Value p.s. (EUR)	4.4	4.4	4.4
<b>C</b>	Commercial Landbank at Fair Value - Petrus Estimate	543	660	792
	Implied Equity Value p.s. (EUR)	5.4	6.6	7.9
<b>D</b>	Residential Landbank at Fair Value - Petrus Estimate	294	372	461
	Implied Equity Value p.s. (EUR)	2.9	3.7	4.6
<b>E</b>	Others (JVs + Own Assets)	184	184	184
	Implied Equity Value p.s. (EUR)	1.8	1.8	1.8
<b>Total Equity Value</b>		<b>4,492</b>	<b>4,808</b>	<b>5,150</b>
<b>Total Equity Value p.s. (EUR, Fully Diluted)</b>		<b>45.0</b>	<b>48.2</b>	<b>51.6</b>
<b>% Premium to Starwood Amended Offer Price</b>		<b>25%</b>	<b>34%</b>	<b>43%</b>

Key Assumptions	
<b>A</b>	<p><b>Standing Assets:</b></p> <ul style="list-style-type: none"> <li>Valuation based on FFO multiple in line with average / median of selected European Prime Office Real Estate players<sup>(2)</sup> + / - 1.0x</li> <li>FFO 2021E in line with broker consensus<sup>(1)</sup></li> </ul>
<b>B</b>	<p><b>Commercial Assets Under Development Ex Landbank:</b></p> <ul style="list-style-type: none"> <li>Includes: (i) properties under development, (ii) properties held for sale and (iii) properties held for trading as at Sep-2020, stripping out the ~€315m Residential and Office landbank book value</li> </ul>
<b>C</b>	<p><b>Fair Value of Commercial Landbank:<sup>(3)</sup></b></p> <ul style="list-style-type: none"> <li>Cash flows from sale of the current office landbank pipeline at €6.25-7.0k / sqm and discounted at 8.5-9.5% cost of equity; avg. of ~10 years to develop</li> <li>Perpetuity: GDV of €300m / year, 17.5% developer profit, 2% growth rate</li> </ul>
<b>D</b>	<p><b>Fair Value of Residential Landbank:<sup>(3)</sup></b></p> <ul style="list-style-type: none"> <li>Cash flows from sale of the current residential landbank pipeline at €6.25-7.25k and discounted at 8.5-9.5% cost of equity; avg. of ~10 years to develop</li> </ul>
<b>E</b>	<p><b>Others:</b></p> <ul style="list-style-type: none"> <li>Includes: NPV of the Eggartensiedlung Residential project (64k sqm, sale at ~€8.5k / sqm, 9% cost of equity, 10 years to develop), book value of JVs ex Eggartensiedlung and own used properties</li> </ul>

Notes: (1) In line with Petrus compiled FFO consensus estimates incl. Wood, Kepler, Jefferies, as per Factset data and research reports; (2) Includes: Gecina, alstria office REIT, Inmobiliaria Colonial, Fabège, Derwent London; (3) Please refer to appendix for more detailed assumptions.

Source: Company filings, Factset, broker research, Petrus Advisers estimates



## REALITY CHECK 2:

### The €36.00 p.s. Offer Is Substantially Below EPRA NAV...

- The €36.00 p.s. offer represents a ~10% discount to the estimated EPRA NAV 2020E of €40.00 p.s. (diluted)
- Based on valuation work performed by experts, we deem CA Immo's reported NAV as extremely conservative

(EURm)	EPRA NAV (€m)		
	Petrus Estimate	Company Reported	
	31-Dec-20E Diluted	30-Sep-20 Diluted	30-Sep-20 Undiluted
NAV (IFRS)		3,131	2,961
NAV (EUR p.s.)		31.4	31.8
Value Adjustments for:			
Own Used Properties		9	9
Short-term Property Assets		128	128
Financial Instruments		2	2
Deferred Taxes		468	468
<b>EPRA NAV After Adjustments</b>	<b>3,990<sup>(1)</sup></b>	<b>3,738</b>	<b>3,568</b>
<b>EPRA NAV (EUR p.s.)</b>	<b>~40<sup>(1)</sup></b>	<b>37.48</b>	<b>38.36</b>
<b>Starwood Offer (EUR p.s.)</b>	<b>36.00</b>	<b>36.00</b>	<b>36.00</b>
<b>% Implied Discount to EPRA NAV</b>	<b>(10%)</b>	<b>(4%)</b>	<b>(6%)</b>

# Recent Land Plot Sales Have Been Multiple Times Above Book Value

Recent landbank disposals have been materially above book value and clearly demonstrate that the book value of CA Immo's land reserves by no means reflects its market value, implying that Starwood want to have the undisclosed upside to themselves

## CA Immo's Disposals Since 2020

Property	Date	Sqm	Book Value (EURm)	Gross Sale Proceeds (EURm)	% Premium to Book Value	Sale Price / Sqm
Land Plot in Lubeck (Hotel)	Dec-20	6,000	0.4	3.6	800%	600
Land Plot in Dusseldorf (Residential)	Dec-20	17,614	25.2	61.9	146%	3,514
Two Land Lease Retail Plots in Graz	Dec-20	107,000	n.a.	55	50%	514
Land Plot in Dortmund	Dec-20	10,000	n.a.	n.a.	1,100%	n.a.
NEO Living Residential Building in Munich	Oct-20	5,200	n.a.	n.a.	38% <sup>(1)</sup>	n.a.
Zagrebtower Office Building	Oct-20	25,900	n.a.	n.a.	5%	n.a.
cube Office Building in Berlin	Jul-20	17,500	n.a.	n.a.	50% <sup>(1)</sup>	n.a.
Hafenallee I Building in Mainz (Mixed Use)	H1 2020	12,500	n.a.	n.a.	300%	n.a.
<b>Average<sup>(2)</sup></b>					<b>400%<sup>(2)</sup></b>	

Notes: (1) Premium to cost; (2) Average excluding premia to cost.  
Source: Company filings, press, Jefferies research

# Landbank Value Uplift: Selected Case Studies

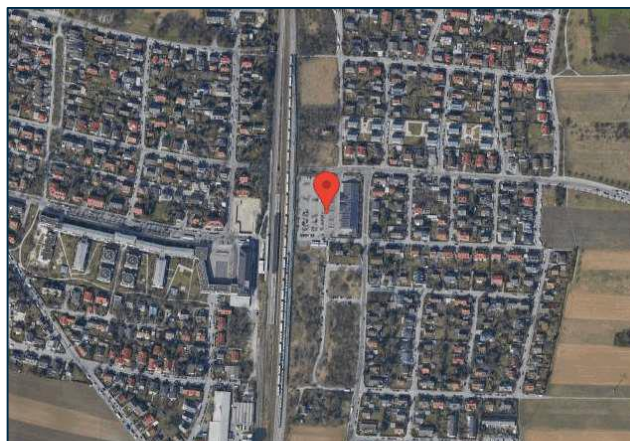
- The work of third party Real Estate experts points to substantial hidden value in CA Immo's landbank
- Residential plots could see an instant uplift of up to ~800% upon receiving a building permit

Munich – AW Freimann<sup>(1)</sup>



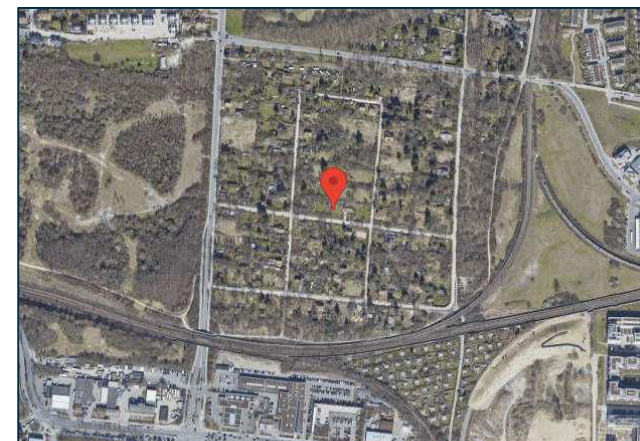
Use	Commercial
Book Value (EURm)	32
Size (ha)	4
GLA (Sqkm)	50,000
Implied Book Value (EUR / Sqkm)	859
Avg. Commercial Valuation in the Area (EUR / Sqkm) <sup>(4)</sup>	7,834
Est. Construction Costs (EUR / Sqkm)	(3,750)
<b>Implied Headline Value Post Const. Costs (EURm)<sup>(3)</sup></b>	<b>204</b>
<b>% Implied Uplift vs. Book Value Post Sale</b>	<b>542%</b>

Munich – Ratoldstrasse



Use	Residential
Book Value (EURm)	16
Size (ha)	9
Implied Book Value (EUR / Sqkm)	178
<b>Comparable Resi Land Valuation (EUR / Sqkm)<sup>(4)</sup></b>	<b>1,600</b>
<b>% Implied Uplift vs. Book Value Post Permit</b>	<b>798%</b>
Floor Area Assumption	0.60
Implied Floor Area (Sqkm)	53,880
Avg. Resi Valuation in the Area (EUR / Sqkm) <sup>(4)</sup>	8,617
Est. Construction Costs (EUR / Sqkm)	(3,250)
<b>Implied Headline Value Post Const. Costs (EURm)<sup>(3)</sup></b>	<b>289</b>
<b>% Implied Uplift vs. Book Value Post Sale</b>	<b>1,707%</b>

Munich – Eggartensiedlung<sup>(2)</sup>



Use	Residential
Book Value (EURm, CAI's 50% Stake)	45
Size (ha, CAI's 50% Stake)	9
Implied Book Value (EUR / Sqkm)	491
<b>Comparable Resi Land Valuation (EUR / Sqkm)<sup>(4)</sup></b>	<b>1,600</b>
<b>% Implied Uplift vs. Book Value Post Permit</b>	<b>226%</b>
Floor Area Assumption <sup>(4)</sup>	0.70
Implied Floor Area (Sqkm)	64,190
Avg. Resi Valuation in the Area (EUR / Sqkm) <sup>(4)</sup>	8,617
Est. Construction Costs (EUR / Sqkm)	(3,250)
<b>Implied Headline Value Post Const. Costs (EURm)<sup>(3)</sup></b>	<b>345</b>
<b>% Implied Uplift vs. Book Value Post Sale</b>	<b>666%</b>

Notes: (1) Includes AW Freimann and Campus Freimann BF A & BF B; (2) Relates to CAI's 50% stake; (3) Represents headline value, before discounting the relevant cash flows (i.e. not NPV); (4) As per ENA EXPERTS bottom-up estimates.  
Sources: ENA EXPERTS, CA Immo, Petrus Advisers estimates



# Discredited "Managers" Quint and Viscius Ensure that Brokers are Giving up - yet They See Value Significantly Above €36.00 p.s.

Average target price of ~€37.6 p.s., with two reports published after the offer announcement pointing to a target price of €43-46 p.s.

## Broker Outlook – Target Prices & Ratings

Broker	Rating	Target Price (EUR p.s.)	Date
Baader - Helvea	Underweight	34.00	08-Jan-21
Erste Group	Buy	35.50	28-Jan-21
SRC	Overweight	39.00	28-Jan-21
Jefferies	Buy	43.00	10-Feb-21
Deutsche Bank	Buy	46.00	10-Feb-21
Kepler Cheuvreux	Hold	35.50	11-Feb-21
Wood & Company	Buy	30.50	22-Feb-21
<b>Mean</b>		<b>37.6</b>	
<b>% vs. Starwood Offer Price</b>		<b>4.6%</b>	

**Appendix**

# CA Immo – Trading Comparables

CA Immo's prime office assets are best-in-class and, together with the substantial landbank hidden value, deserve a premium vs. European office peers

## Selected European Prime Office Real Estate Comparables

Company	Country	Mkt Cap (€m)	Premium / (Disc.) to EPRA NAV <sup>(2)</sup>	Premium / (Disc.) To Book NAV <sup>(2)</sup>	FFO Yield			FFO Multiple			Div Yield 2021E	Occupancy Rate	LTV	EPRA NI Yield	P / E		% Perf Since Jan-2020
					2019A	2020E	2021E	2019A	2020E	2021E					2021E	2022E	
CA Immobilien Anlagen	Austria	3,546	(5%)	13%	3.2%	3.2%	3.4%	31.6x	31.4x	29.3x	3.1%	95%	33%	4.5% <sup>(1)</sup>	23.3x	20.5x	(5%)
<b>Selected Prime Office Peers</b>																	
Gecina	France	8,444	(34%)	(32%)	5.1%	5.0%	4.7%	19.6x	20.1x	21.2x	4.6%	94%	34%	3.1%	20.8x	19.6x	(28%)
alstria office REIT	Germany	2,447	(25%)	(25%)	4.7%	3.6%	3.6%	21.2x	28.1x	27.6x	3.9%	92%	27%	3.3%	22.0x	19.0x	(18%)
Inmobiliaria Colonial	Spain	4,103	(28%)	(28%)	3.3%	3.3%	4.2%	29.9x	29.9x	23.8x	2.3%	95%	35%	2.9%	30.3x	21.4x	(29%)
Fabege	Sweden	3,758	(24%)	(8%)	3.9%	3.9%	3.8%	25.5x	25.6x	26.6x	3.2%	91%	35%	n.a.	25.9x	23.9x	(25%)
Derwent London	United Kingdom	4,269	(15%)	(15%)	2.7%	3.1%	3.5%	36.8x	32.2x	28.6x	2.4%	99%	17%	3.4%	28.8x	25.5x	(17%)
<b>Average</b>			<b>(25%)</b>	<b>(22%)</b>	<b>4.0%</b>	<b>3.8%</b>	<b>4.0%</b>	<b>26.6x</b>	<b>27.2x</b>	<b>25.5x</b>	<b>3.3%</b>	<b>94%</b>	<b>30%</b>	<b>3.2%</b>	<b>25.6x</b>	<b>21.9x</b>	<b>(23%)</b>
<b>Median</b>			<b>(25%)</b>	<b>(25%)</b>	<b>3.9%</b>	<b>3.6%</b>	<b>3.8%</b>	<b>25.5x</b>	<b>28.1x</b>	<b>26.6x</b>	<b>3.2%</b>	<b>94%</b>	<b>34%</b>	<b>3.2%</b>	<b>25.9x</b>	<b>21.4x</b>	<b>(25%)</b>

# The Landbank Alone Represents a Hidden Reserve Worth ~€8-13 p.s. PETRUSADVISERS

The fair value of the Residential landbank is conservatively estimated at ~€372m (mid-point) vs. a book value of ~€32m, while the conservatively estimated Office landbank adds some ~€660m (mid-point) vs. a book value of ~€285m

## Estimated Landbank Volumes

Landbank Book Value			Development Volumes (EURm) <sup>(2)</sup>			Development Volumes (Sqm) <sup>(4)</sup>		
Sep-2020	(EURm)	%	Sep-2020	(EURm)	%	Sqm	%	
<b>Total Land Reserves Book Value<sup>(2)</sup></b>	<b>315</b>	<b>100%</b>	Residential Development Volume	1,660	40%	<b>Total Landbank Plot Area (Sqm)</b>	<b>617,000</b>	<b>100%</b>
O/w: ~ Held at Cost = Resi <sup>(3)</sup>	32	10%	Office Development Volume	2,449	59%	O/w: Residential	247,000	40%
O/w: ~ Held at FV = Office and Others <sup>(3)</sup>	284	90%	Other Development Volume	42	1%	O/w: Office	370,000	60%
			<b>Total Est. Development Volumes</b>	<b>4,150</b>	<b>100%</b>			

## Petrus Advisers Assumptions & Estimated Fair Value of Landbank

	Office <sup>(1)</sup>		
	Low	Mid	High
Development Volume (EURm) - Incl. Developer Profit	2,313	2,449	2,590
Pipeline Buildable Area (Sqm)	370,000	370,000	370,000
Selling Price Incl. Developer Profit (EUR / Sqm)	6,250	6,618	7,000
Estimated Developer Profit	17.5%	17.5%	17.5%
<b>Selling Price Pre Developer Profit (EUR / Sqm)</b>	<b>5,319</b>	<b>5,632</b>	<b>5,957</b>
Estimated Construction Costs (EUR / Sqm)	(3,750)	(3,750)	(3,750)
<b>Headline Office Landbank FV (EUR / Sqm)</b>	<b>1,569</b>	<b>1,882</b>	<b>2,207</b>
Avg. Years to Develop	10	10	10
Ke	9.5%	9.0%	8.5%
GDV @ Perp. (EURm)	300	300	300
<b>NPV of Office Landbank Cash Flows (EURm)<sup>(1)</sup></b>	<b>543</b>	<b>660</b>	<b>792</b>
<b>NPV p.s. (EUR)<sup>(1)</sup></b>	<b>5.4</b>	<b>6.6</b>	<b>7.9</b>

	Residential <sup>(5)</sup>		
	Low	Mid	High
Development Volume (EURm) - Incl. Developer Profit	1,544	1,660	1,791
Pipeline Buildable Area (Sqm)	247,000	247,000	247,000
Selling Price Incl. Developer Profit (EUR / Sqm)	6,250	6,721	7,250
Estimated Developer Profit	17.5%	17.5%	17.5%
<b>Selling Price Pre Developer Profit (EUR / Sqm)</b>	<b>5,319</b>	<b>5,720</b>	<b>6,170</b>
Estimated Construction Costs (EUR / Sqm)	(3,250)	(3,250)	(3,250)
<b>Headline Resi Landbank FV (EUR / Sqm)</b>	<b>2,069</b>	<b>2,470</b>	<b>2,920</b>
Avg. Years to Develop	10	10	10
Ke	9.5%	9.0%	8.5%
<b>NPV of Residential Landbank Cash Flows (EURm)<sup>(5)</sup></b>	<b>294</b>	<b>372</b>	<b>461</b>
<b>NPV p.s. (EUR)<sup>(5)</sup></b>	<b>2.9</b>	<b>3.7</b>	<b>4.6</b>

Notes: (1) Includes NPV of cash flows from office landbank development assuming avg. of 10yrs to completion, 35% LTV, 2% growth rate, plus perpetuity of €300m GDV under capital rotation programme p.a. following completion of current landbank and assuming 17.5% developer profit; (2) Fully consolidated as at Sep-2020, as per Company's disclosure in Nov-2020 Investor Presentation; (3) Petrus Advisers estimate based on Company's guidance; (4) Based on Company's disclosures in Apr-2020 Investor Presentation; (5) NPV of cash flows from residential landbank development assuming avg. of 10yrs to completion, 35% LTV, 2% growth rate. Sources: Company filings, Factset, broker research, Petrus Advisers estimates

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