

Inmobiliaria Colonial – FYQ2024 Results Presentation

[00:00:00.960] - Operator

Welcome to 2024 full year results presentation. The management of the company will run you through the presentation that will be followed by a question and answer session. You can ask a question by phone by pressing asterisk 5 on your telephone keypad. I would now like to introduce Mr. Pere Viñolas, CEO of Inmobiliaria Colonial. Please sir, go ahead.

[00:00:32.700] - Pere Viñolas Serra


Thank you. Good afternoon. This is Pere Viñolas speaking, CEO of Colonial. Joining me, we have Carlos Krohmer and Carmina Ganyet, as usual. It is a pleasure for me today to share the results for 2024. I believe they've been excellent and satisfactory, but I will be, in a minute now, showing the details with you. I would like to start maybe with a few words on where does Colonial stand today in terms of strategic positioning and how we've seen, generally speaking, 2024 and how do we see the evolution in 2025 based on last year. Then we'll be able to share results for the last year.

[00:01:32.230] - Pere Viñolas Serra

I would like to say that the strategic positioning of Colonial is based in two pillars. The pillar of the unique positioning of Colonial into prime asset class sector. We are clear believers that this is positioning the company in a unique position in terms of supply and demand, which is resulting in a pricing power that is delivering fantastic results that allow the company to leverage on its attraction of the best clients, and in the end, to have above-average rental growth. This has been resulting, and this year will be again now a good example, in a very strong earning growth. One thing that I would like to highlight is that with the results of this year, we've been so far having for the last 3 years a 15% CAGR growth in our EPS. There is a very clear link in our view between this performance and the fact that we own almost our entire portfolio position into prime asset class.

[00:02:51.690] - Pere Viñolas Serra

We are firm believers that there is a market that allows for enhanced returns with strong rental growth and superior pricing power in the sector where we are. Together with this, the other pillar of the strategy of Colonial, it's our capacity to evolve in the evolution of cities, in the evolution of



our client needs and in the trends that are surrounding us in terms of human transformation. I think that current and future returns of Colonial will be based on our base case strategy, which we like. On top of that, in the capital allocation that we may be deploying into new urban transformation themes.

[00:03:48.670] - Pere Viñolas Serra

How do we see year 2024? How do we see year 2025? I think that there are tailwinds in the operational performance of our sector, not only in the last few months, as you know, in the last few years. There are a number of reasons that explain why our operating performance is strong. First of all, macroeconomic fundamentals are strong in our home markets. You know that our positioning is Spain and France. For example, today, Spain is leading European growth in terms of performance, of GDP growth. It's a differential kind of performance, and we are benefiting from that. Second, we are also a super clear example of another trend that is happening, which is in the office sector further polarization.

[00:04:57.310] - Pere Viñolas Serra

There is a clear different performance between super prime office market and the secondary locations. Together with another fact that we are experiencing, which is a clear trend of corporations to favour people coming back to the office is an evidence in our daily life that this is happening. People coming back to the office in enhanced qualitative terms, meaning lower density, higher quality of the office environment. This is also providing a tailwind for our business. Last but not least, if you look at the dynamics of supply and demand, it's not only that demand is remaining strong, is that the scarcity play in our local market, in the niche where Colonial plays, it's becoming more and more evident for a number of reasons. It's not only where we are, it's a little bit irreplicable. You cannot replicate the best locations, even if you want.

[00:06:30.360] - Pere Viñolas Serra

On top of that, there are other megatrends that are happening in cities that are making the best offices even a more scarce source. We've seen, for example, in recent months, how a number of offices have been disappearing from the market to be transformed into residential. There was some recent research talking about almost 300,000 square meters of former office being transformed into residential. There's another example about the new urban planning in Paris being approved that is affecting several hundred of office assets that are expected to be transformed partially or totally into residential assets. That's creating an environment of additional scarcity. The office supply is shrinking. That's another tailwind that is helping us.



[00:07:36.110] - Pere Viñolas Serra

In the end, I think that the dynamics of our business are improving, remain very strong and explain the results that we are having. I think that with the presentation today, we will be able to explain and demonstrate this more in detail. Having said that, having gone through this introduction, I'm on page six to give you the highlights, the main KPIs of Colonial for the year 2024.

[00:08:06.990] - Pere Viñolas Serra

Our first numbers are referred to cash flow growth, which remains very important. We finished year 2024 with €391 million. More importantly, with a 6% like-for-like rental growth, which is a fantastic number in absolute terms and also in relative terms. Up until now we have not seen any other company reaching this kind of growth in like-for-like terms. Our EPRA Earnings are €193 million in terms of recurrent profits, which is 12% more than 2023. The EPS, that this means it's €0.33 cents. That means more than a range of guidance that we provide at the beginning of the year. Very strong sustained cash flow growth.

[00:09:15.630] - Pere Viñolas Serra

The second set of numbers have to do with our operational performance. The rental growth is 5% year-on-year. We compare whatever we signed with the previous year ERV numbers in our evaluations, 5% that becomes 6% if we talk about Paris in particular. Obviously, the pricing power, it's clearly demonstrated, and the rental growth goes hand in hand with the other dynamics that are happening at the company. If instead of rental growth, we talk about Release Spread, we talk about 8% year-on-year for the group, 20% in Paris. Finally, occupancy remains at 95%. We will explain more in detail the dynamics related to occupancy, but operational performance remains super strong.

[00:10:22.130] - Pere Viñolas Serra

The third set of numbers is about asset values. We've said in previous presentations that all of this cycle that we are going through was characterised on the one hand with the excellent operational performance as opposed to what some people may think when they read the newspapers, but numbers are numbers after so many years of evidence. The other thing we said is there's a one-off adjustment that has to take place or had to take place because of interest rates rising, and therefore yields rising. That was the tone that was affecting our situation 2022, 2023, and 2024, what we've seen is that asset values are bottoming out. Clearly, in the first half, we were seeing stabilisation of the market. This has been, again, the case by the end of the year.



If anything can be added, maybe is that you see already growth in our gross asset value. The gross asset value of the company stands at €11.6 billion at the end of 2024, with a like-for-like growth of 2.8%, which is good. As we will see later on, it's at the top of the evidence that we have today in our sector in Europe.

[00:12:00.480] - Pere Viñolas Serra

Net tangible assets grow more than half a billion to reach a number of €6 billion.

[00:12:08.400] - Pere Viñolas Serra


The net tangible assets per share it's now €9.62. You know that we went through a transaction in the first half of the year that had an impact in the number of shares that we have. Adjusted for that transaction, for that capital increase, there is a 1% like-for-like growth into our NTA. Asset values showing inflection point. Finally, we remain with a solid capital structure. After all of these years, our credit rating remains same at the BBB+. If anything, the Moody's rating has improved, Baa1, with a loan to value remaining in a very comfortable zone and financial cost also in a very safe haven of 1.2% interest rate.

[00:13:13.990] - Pere Viñolas Serra

We always share in our presentation, slide seven, to all of our friends because a picture is better sometimes than anything else. In this slide seven, you can see how we are, in terms of occupancy, a little bit explained because of where we are. Real prime locations deserve what you see here. Of course, as a consequence, at the top of this page, we are experiencing rental growth and net rental income like-for-like in very healthy terms. That is just a consequence of the definition of what the company is.

[00:14:05.830] - Pere Viñolas Serra

Finally, in this introduction, what we would like to share with you is our view of this inflection point that we are seeing in the office market at the end of 2024. You can see in the chart, on bottom of this page left, how the asset values have evolved 2021, 2024. They give a hint of where the cycle may be today. If operational performance has been always very good in all of these years, but asset values had to adjust to the new environment. Today, we see a return to growth in asset values on the back of a prime portfolio. Probably pointing out to a very much better cycle in next years. This is our introduction with the main highlights about the numbers that you can see have



been remarkable. Now we enter into the next section, we will provide you with more details about our financial performance. Carmina?

[00:15:22.640] - Carmina Ganyet i Cirera

Thank you, Pere. In page 10, you can see how rental income grows basically back on the core portfolio, growing year-on-year 4%, basically highlighting 6% growth like-for-like, thanks to the core portfolio. Additionally, 5%, thanks to the delivery project. These two main impacts, both of them has been overcompensated the negative impact due to the disposals that we did in the last year and at the beginning of this year, 2024. Very strong gross rental income, 6% like-for-like, growth of 4% year-on-year. If we go in next page 11, what are the main drivers behind the 6.4% gross rental income like-for-like. Basically, we have a very positive impact, as you know, thanks to the indexation. As you know, all of our contracts are linked to CPI in Spain and in ILAT in France, and this has been adding 3.7%. On top, the pricing power of the quality of portfolio are adding another additional 2%. Additionally, and finally, a slightly positive impact of thanks to the occupancy.

[00:16:44.630] - Carmina Ganyet i Cirera

This strong performance, this is strong like-for-like growth are across the market where we are, as you can see in this page, highlighting both gross rental income and net rental income, with 7% total group in terms of net rental income. When you look at Paris, Madrid and Barcelona, all of them with very outstanding levels of 7% and 6% in Madrid and Barcelona, well above other peers that we have seen recently in the market. This strong rental income, it's being translated into a very strong growth in EPRA EPS.

[00:17:24.870] - Carmina Ganyet i Cirera

In page 12, you could see what are the main impacts or the main drivers of this growth on EPRA EPS. The first one is 10% additional EPRA Earnings. Thanks to the core portfolio, this pricing power and this rental growth that then you will see in more details. The EPRA Earnings, we have a very positive impact of €11 million, 7%. Thanks to the project that we have delivered during the last part of 2023 and impacting full year in 2024. Additionally, 3%, €5 million, thanks to the financial cost and the very active debt management and cash management during 2024.



[00:18:20.090] - Carmina Ganyet i Cirera

So 12% increase in EPRA Earnings, when you look at in terms of EPRA EPS, this acceleration of rental growth has been impacted very positively, and of course, beating the upper range as you can see as well in this page. Last year, we guide the market between 30% and 32%. During the year, we were more guiding at the top level of this guidance. Thanks to this acceleration of rental growth, we are beating in the upper range of the guidance, closing the year with €0.33 per share.

[00:19:04.230] - Carmina Ganyet i Cirera

Another important impact on the P&L in December 2024 are the appraisals. As you know, we updated our appraisals twice per year. You could see here how the asset value increases, basically on the back of this rental growth, of this pricing power, and on the back as well of the project deliveries. The rental growth, thanks to that, it's increasing 2.8% and the gross asset value at the end of the year shows a figure of close to €12 billion, €11.6 billion. This growth acceleration of the appraisal has been, as you could see here, in other markets, probably outstanding in Paris, thanks to pricing power of rents. But Madrid and Barcelona as well, showing a positive growth of 2.4% in Madrid and 1.3% in Barcelona, basically accelerating in the second half of the year. This means we believe we are in the moment of recovering the appraisal based basically on the market fundamentals, in the market where we are, in the niche of the market where we are, bottoming out the yields, thanks to these rent rates being stabilised, and of course, thanks to the project pipeline that we are going to deliver.

[00:20:41.110] - Carmina Ganyet i Cirera

Very positive numbers of gross asset value growth and very positive in the projects that we see in the future. This translated into a significant increase of net total assets up to €6 billion. In absolute terms, we are increasing our net total assets of 12%, thanks to the NTA growth, but as well thanks to the capital increase that we have been executing during 2024. When we look at in relative terms, comparing X capital increase, the NTA increasing 1.1% in comparable terms. If we consider the new share in place after the capital increase, the NTA December 2024 shows a figure of €9.62 per share, beating the Alpha X guidance when we announced the capital increase during 2024 mid of the year.



[00:21:50.930] - Carmina Ganyet i Cirera

On the liability, as we have been sharing with you during the year in quarterly results, as you know, we have been able to do a very active cash management. But at the beginning of the year, we were able, again, to tap the market with €500 million green bond issuance. It was a very, I would say, outstanding capital markets demand with eight times oversubscribed, high demand, the highest that we see in the sector in the last two years. These higher demands at the end, we have been able to lower the spread, the lowest level that we've seen since 2022 in terms of the spread, and the resulting coupon for this €500 million green bonds has been in 3.25%. Thanks, as you know, of the pre-hedge position that we took in 2021, the cost assigned to this new green bond is 2.75%.

[00:22:55.790] - Carmina Ganyet i Cirera


Very positive feedback from the market perspective, top-tier order book, and we are proud that this eight times it was subscribed, we have been able to tap the market with a very, very interesting financial conditions. This means that during the year, this active liability management, capital increase, disposal that we were able to do during the beginning of the year, the debt has been reduced €400 million. The net EBITDA in the operational portfolio has been also improved to 10.7 times. Consequently, the loan-to-value shows a figure of 36% and the loan-to-value went from 47 to 43%.

[00:23:51.290] - Carmina Ganyet i Cirera

In terms of the liquidity, we have a very strong and healthy position in terms of liquidity, in terms as well of the cost of debt. Today, Colonial has benefits of having €3 billion in terms of cash and raw facilities of liquidity, which covers more than one time, 1.3 times the future debt maturities for the following 3 years. Carlos?

[00:24:20.470] - Carlos Krohmer

With this, we step to the operating KPIs to the portfolio management. On page number 18, you see the effort, all of the work done during the year. 134,000 square meters signed, 54,000 new lettings of new available space that has been signed. This is equivalent to an annual rent of €52 million, 46%. This is in Paris. This is securing close to €20 million. We've signed in Paris roughly 20,000 square meters, 20 million divided by 20,000. This is roughly €1,000 per square meter, more or less, on average. We are really setting the benchmark in terms of rental price, both in Paris, Madrid, and Barcelona. If we go to the next page, we see the metrics, more specifically



Release Spreads. Very high, 8%, basically driven by a high double-digit Release Spread. In Paris, 20%. Rental growth, very good, very high across the board in every city where we are, Paris, Madrid and Barcelona. Again, Paris with the highest level, and also contribution from indexation.

[00:25:33.590] - Carlos Krohmer

At the end, as Pere introduced at the beginning, this again proves that really we have the right product. There is a strong polarization going on to really have very specific high-end product. Moreover, office supply is shrinking, so the scarcity play is getting stronger and stronger, and we are having, now in a very super strong, short-term momentum, especially in Spain regarding the comparable economics.

[00:26:04.620] - Carlos Krohmer


If we then go on the next page, we see the vacancy profile. Vacancy profile is ultra strong. We are at a total vacancy of 4.9%, but 2.2% is basically new entries into operations of projects that have been delivered, and available space from the Criteria assets contribution that will be let up. These assets have been just contributed quite recently at the beginning of the month of July. If we then look at the like-for-like convertible portfolio, we are at 2.8% vacancy, so slightly below previous year. As you can see when we look at the breakdown of the 2.8%, there's almost no available space in the prime areas of Paris, Madrid and Barcelona. We have some available space from a very good product in Barcelona in the 22 ad that is gaining momentum. We are currently in conversations that if we succeed with them, the 1.1% that we have in vacancy attributable to the Barcelona, 22 ad segment would go down by 70 basis points to 0.4 and the like-for-like occupancy of 2.8 would go down to 2.1.

[00:27:23.470] - Carlos Krohmer

Very, very strong, very healthy, and at the end, this also allows us to have strong rental growth.

[00:27:31.420] - Carlos Krohmer

On the next page, we see one of the main short-term additional rent contributors that will fill the EPRA EPS and the EPRA Earnings during 2025. This is Méndez Álvaro in Madnum project that we have delivered now and entered into operation. We have already today signed and almost full signing close to 20,000 square meters, very good tenants. What is more important than that is quite a significant underwriting and significant rental price above the initial underwriting and also above our year, mid of the beginning of the year 2024. We have ongoing interest, strong market interest currently in conversations and or with market interest and a lot of visits for additional



20,000 square meters. This product, it is really unique. Urban campus is evolving very, very strong.

[00:28:41.880] - Carlos Krohmer

Page 22, some words on our sustainability credentials that at the end, it's a proxy for the high quality that our portfolio has. You can see it at the end, also in the sustainability credentials. What you see here is, as you know, we measure all of our carbon footprint, all of the categories that apply to our business, that apply to Colonial. We started with this in 2021. We have brought them down significantly from 117,000 kilotons to 53,000. This is also thanks to a very efficient management of our projects. We are experts in delivering high-quality project. We set a carbon target, and we are well below the embodied carbon target in the projects that have been delivered recently, Miguel Angel, Velazquez and beyond. If we go to the in-use emissions, to the energy transition view, we have reduced dramatically the in-use emissions from the first year. We started to measure this in 2018. We are today at a level of 3 kilos per square meter. We could almost say it's really neutral.

[00:29:58.240] - Carlos Krohmer


It's very difficult to go lower.

[00:30:01.040] - Carlos Krohmer

In terms of the portfolio, you know that it's a high-quality portfolio. As a consequence, all of the portfolio has BREEAM, LEED and HQE certificates. Not just quantitatively, also qualitatively, we have improved a lot, whereas last year, 94% of the portfolio had BREEAM better or equal than BREEAM good and LEED gold. Today, it's almost the full portfolio. Also, qualitatively a good performance. At the end, this is also reflected in ratings, Sustainalytics, we are leader on the IBEX35 across all industries and all participants in the world. We are among the 21 best companies, with the best rating among 15,000 companies. CDP, we have repeated for the fourth year in a row, the maximum rating, that is the A score. On GRESB, we also at the high end, a 5-star rating, very much relevant also. We are really at the top end in development. We are experts on creating the best products, so top-end rating in development.

[00:31:12.450] - Pere Viñolas Serra

Thank you, Carlos. Maybe now on my side, some closing remarks for the present, and some guidance and the vision for the future. I would like to share a number of thoughts and convictions. The first one is that... I am on page 26. In the end Colonial means a number of assets with a



unique positioning that it's proven that they deliver superior rental growth. That we are going to enhance this with the returns from our project pipeline and also with the support of a sound

financial strategy and capital recycling. All of these is resulting in a high double-digit EPRA ESPREADarnings growth for the last 4 years. The message is our base case, with what we owned, we are delivering very sound and solid returns in terms of operational performance.

[00:32:30.630] - Pere Viñolas Serra

The second message, which is page 27 is, on top of that, the moment of the cycle where we are means that rental growth is driving an uplift in portfolio valuation. Nothing is happening to the yields. Rental growth remains the main value driver in terms of future performance. In that scenario, what becomes important is who has the capacity of delivering a stronger rental growth. We are proving that we are delivering stronger rental growth. On top of what we've seen in the past at this vision of the cycle, that's another message that we can deliver in the future.

[00:33:18.650] - Pere Viñolas Serra

Page 28 reinforces this message of there is a market that is performing in a certain way in terms of operational performance. This is a market that is providing a hint of where the cycle is. But third message, some people are doing in a way and some people are doing in a different way. On page 28, you can see how we have been doing in the last year. All of you that follow us regularly, you will agree with me that it's not now that we come with this superior performance. It's almost in every presentation that we say a little bit of the same. If we go from beta to alpha, here we are with our superior performance.

[00:34:12.760] - Pere Viñolas Serra

My next message would be, our base case is strong, our base case is providing superior rental growth, but we'll have some ships in the shipyard that are about to deliver substantial additional performance in the next few years. Our pipeline of Alpha projects, the first thing to say about them is that they are of course in the course of being delivered, but the potential they have is substantial. To put it in a way that can be comparable, the number that we could share with you is that our Alpha X pipeline plus the recent Madnum project that is equivalent in terms of future power of €0.11 cents in our EPRA EPS. That means 33% compared to our EPS in 2024. We believe that when paying attention to Colonial, we have to pay attention and what we have now in hand and what it's there around the corner waiting to provide additional substantial cash flow.



[00:35:33.530] - Pere Viñolas Serra


A quick comment on this project, you can see on page 30, where we are. Scope, we've already deployed almost 29% of the CAPEX, but the project is on track with the objective of delivering by mid-26, almost 20 million of rents. That is more than a 9% on Ungeared IRR. Sancho de Ávila, the life science health care project, is also underway. We've just gone through the building permit. This will deliver additional 6 million of stabilised rents. This leads us to the next comment, which is in delivering these projects, we are also deploying Colonial capabilities in the direction of not only providing value through office use, but through whatever human transformation may mean for every specific building.

[00:36:42.130] - Pere Viñolas Serra

On the next page, on page 31, you can see Condorcet. We've just gone through the building permit. This is a project that will be providing more than 20 million of stabilised rent and more than 9% on Ungeared IRR. Finally, on page 32, Santa Hortensia, which is expected to deliver stabilised rents of €18 million, again, more than 9% IRR with the kind of mixed-use nature. The message is we'll have what we have, but then we expect what we expect from the pipeline that we are managing. As you can see in the Alpha X pipeline, it's not only about cash flow, it's also about the nature of the business that we are deploying. What you can see here is that we are looking for maximum value extraction from each asset, which means tackling into new users as the urban mixed-use that you can see in Santa Hortensia or the life science and health care use that you can see in Barcelona as well as in other places.

[00:38:08.030] - Pere Viñolas Serra

A couple of final comments. Geographically, we are happy to be focused in the leading European cities according to the European intention surveys that are available. Paris, Madrid and Barcelona are showing a lot of strength, and that's also very good positioning for us, which means in the end, page 34, that we expect to follow in the path that we have, which should send us from around €400 million to close to €600 million after the delivery of all of these projects. My final comments would be, we have shared with you today results that again are we believe, strong and outstanding, that are very good in absolute terms, that are better than all that we can see out there in the market, that it's not only a one-off of one year, it's now 15% CAGR in EPRA Earnings growth in the last three years. That is, of course, based in the excellent operational performance that our positioning in the market is delivering, but is also because of the particular moment of the



cycle where we are, which is also another interesting point when we look at the capital value growth and the inflection point that we are going through.

[00:39:50.510] - Pere Viñolas Serra

It is obvious now that we are delivering superior rental growth in terms of like-for-like. The 7% number that we've seen, it's very, very satisfactory. That is based on the positioning of our company into the prime end of this building.

[00:40:14.760] - Pere Viñolas Serra

Looking forward, we expect to add more than 150 million of additional rents. That's coming from an already existing pipeline. This pipeline is characterised for this uniqueness, but also because of its ability to extract maximum value through human transformation, taking advantage of these new themes. That's why we are adapting to our portfolio into a territory where you will see capital allocation in excess of €1 billion into new human transformation scheme. Our comments on guidance on the EPS and other fundamentals, we remain convinced of strong ongoing growth. We believe that revenue growth will remain in like-for-like terms in line with previous years in terms of growth. We believe that the EPRA, EPS, CAGR for the next few years will remain strong. Here, we always have to remember existing cash flow plus cash flow that will become available with the delivery of the pipeline. That will allow us to remain with this path of double-digit growth that we've seen in the past, also projected into the future. In the short term, you know that we have a reputation of our beginning of the year to remain prudent about our views that what we may deliver by the end of the year.

[00:41:57.730] - Pere Viñolas Serra

But our guidance for this year is already providing a range of €0.32-€0.35 as initial guidance of what our earnings can deliver.

[00:42:09.620] - Pere Viñolas Serra

Last but not least, the Board of Directors of Colonial will be submitting to the shareholders meeting dividend for 2024 to be paid in 2025 of €0.3 per share. That is a little bit more than a 10% compared to last year. Again, it's another milestone in the history of dividend growth that has been very substantial in recent years. This is obviously based on the conviction that the fundamentals of our company are being very strong and are expected to remain very strong in the near future. That would be our presentation today. Thank you for your attention. As usual, now we are available and ready for the questions you may have. Thank you.



[00:43:08.530] - Operator

Ladies and gentlemen, the Q&A session starts now. If you wish to ask a question, please press asterisk 5 on your telephone keypad. Thank you.

Now, we already have the first question. Markus Kulesa, please go ahead with your question.

[00:43:29.970] - Markus Kulesa

Hi, good evening everyone, and thank you for this presentation. I have three questions, if I may. The first one would be on the like-for-like revaluation because I see different numbers, so I'm a little bit lost between the plus 3% in your presentation and in the report, I think it's page 31, I see a lower number with a negative full year revaluation for Madrid, and the lower number actually makes more sense with your P&L revaluation, which is €126 million, so plus 1%. Maybe we can take this question first, €106 million.

[00:44:11.190] - Pere Viñolas Serra

You want us to answer three questions or one by one, Markus? What do you prefer?

[00:44:15.870] - Markus Kulesa

Okay. I can give you the three questions as you prefer.

[00:44:18.650] - Pere Viñolas Serra

No, as you wish. Go ahead with the three, and then we answer the three of them, of course.

[00:44:24.560] - Markus Kulesa

Okay. The second question is on your dividend. You surprised quite on the upside, and you're going to have a payout on P/AFFO probably way above 100%, 130%. To make it simple, you have 33% of earnings and 10% of maintenance. My question is why such a high payout, especially as it wasn't expected by the Street? Is one of your main shareholders asking for it, or is there any reason or anything which will next year make your cash flow increase massively to come back to 100% payout? Related to this question is my third one, is the increase in maintenance CAPEX, which went up 50%, if I'm right, from €28 to €56 million.



[00:45:18.820] - Pere Viñolas Serra

Look, as I would ask Carlos to enter into the first and third question. Thank you, Markus, for your questions. Maybe I will take the second one on the dividend. First of all, know that the dividend is not a requirement of anyone in particular. It's a joint view on where we are now as a company.

[00:45:42.700] - Pere Viñolas Serra

When you look at the historic EPS of the company and its performance, it's been super solid in the way of growing at a double-digit path. Of course, as you were saying, our EPS is 33 and our dividend is 30. On top of that, we look at the future, and of course, we look at the future short term and long term, and we see generation of cash, which is strong enough and a strong assurance to provide this. This high conviction on our capacities of delivering this EPS is what have been driving the decision on dividend, which, to be transparent, is just slightly above market consensus. Market consensus was 29.

[00:46:40.010] - Pere Viñolas Serra

In the end, when we realised the kind of returns, how things are evolving in 2025, we thought that we could be comfortable shifting from 29 to 30. It's because of this short-term and long-term conviction that we took this decision. Maybe Carlos, if you want to step on question number one and three.

[00:47:05.110] - Carlos Krohmer

On question number one, first of all, the like-for-like, as you can see, is positive 2.8 year-on-year, 3.3% Paris, 2.4% Madrid, 1.3% Barcelona. Then I imagine that you are looking at the detail on the operating portfolio in Madrid. There is a slight... It's like 1%. It's below 1%, a slight correction on the portfolio in operation. This comes basically from the first half of the year as there was still a correction when you look at the second half of the year. It's clearly on the recovery side. On the maintenance CAPEX, I don't have here really the details. It's the EPRA classification. I mentioned we can clarify in one on one call. Part of CAPEX that is here also, and it's not a pure project, it's the renovation programs. We have a little bit of renovation programs this year. This is the part of the maintenance CAPEX that is a little bit higher, so it's not the pure maintenance CAPEX.



[00:48:20.230] - Carlos Krohmer

Principal maintenance CAPEX is remaining in line with previous years.

[00:48:30.480] - Markus Kulesa

Okay. Thank you very much. I understood well the... You have a 2.8% total revaluation with a 2% just the standing portfolio and a big revaluation from the project, which makes market positive on the full year.

[00:48:45.140] - Carlos Krohmer

Exactly. As you see, we are delivering. We are coming out of the project delivery cycle in Madnum that is very significant. We are moreover pre-letting at much higher ERVs than expected. It's a big project. This is driving part of the project delivery Alpha created value creation.

[00:49:12.660] - Markus Kulesa

Okay. Thank you very much.

[00:49:13.890] - Pere Viñolas Serra

Thank you, Markus.

[00:49:18.040] - Operator

Thank you very much for the question. We now move on to next question. Veronique Meertens, please go ahead with your question.

[00:49:26.040] - Veronique Meertens

Good evening all. Thank you very much for taking my question and for the presentation. Maybe first looking into the guidance, it's quite a widespread that you gave, almost 10%. What is currently the uncertainty? Is that indeed pre-letting around Madnum and some of the other projects? Or what explains the big range that you provide us?



[00:49:50.670] - Pere Viñolas Serra

Veronique, you know us very well. I would say that at the beginning of the year, there's a potential for different things performing in a different way, but nothing relevant. I would say that at the beginning of the year, we prefer to do this more wider guidance and then to narrow it as year goes by, but nothing in particular.

[00:50:16.570] - Veronique Meertens

Okay. Then maybe looking at the 2.2% vacancy, you already mentioned briefly that there's around 20,000 square meters in discussions for Madnum. Is that also at the same level 7% or ahead of the previous year views? How are other discussions going around that 2.2% vacancy at the moment?

[00:50:35.930] - Pere Viñolas Serra

Very good. Maybe with this, I also provide a little bit of flavour of how do we see the year at this time, now that February is about to end. At this moment, I think that what we're seeing is a market performance completely in line with what we saw last year. If I had to say anything is that letting activity remains strong. Probably we will be sharing good news in particular regarding Barcelona that has been lagging a little bit, and there has been a number of progress in this front.

[00:51:24.350] - Pere Viñolas Serra

Regarding Madnum, we are quite confident as we speak about how this can behave during this year 2025. We've been close to 20,000 square meters of surface let. I think that we should be ready to make it at 80% or so let by the end of the year. Current conversations that we have today are supporting this conviction. So it's not, let's say, hope about what discussions we have in the future. Current discussions are good. We know this business, where there's a little bit of volatility at the beginning of these projects, because there are many conversations that can, in the end, be transformed into actual rents or not. But based on our experience, I would say that our conviction is on the high end of the things that can happen regarding Madnum. Generally speaking, letting activity remains very strong. Expectations for the project, in particular for Madnum, are very good, and rental growth, I would say, are in line with what we've seen in the last year.



[00:52:47.560] - Veronique Meertens

Okay. That's very clear. Thank you. Maybe one follow-up on that. You mentioned that there are still some reversionary potential also in Spain, but the re-leasing spreads this year were around zero. There are quite some breaks coming up in your portfolio in Spain. Are you still confident on positive reversion on those breaks and expiries this year?

[00:53:13.730] - Carlos Krohmer

On the reversion, as we also explained in previous calls during the year, most of the last 2 years, we've come through indexation, and indexation started earlier and much higher in Spain. So more or less many of the portfolios in the market are more or less at the asking ranges of the market rent. From there on, we will see now more and more differentiation between prime portfolios like ours and other portfolios because the Release Spread and the rental growth will be more or less at the same level.

[00:53:53.060] - Carlos Krohmer

All of the projects that we have now in Madnum and also the available space is really high quality space with a scarce supply in the market. So we should see a progressive similar number of yearly growth and Release Spread in our portfolio. We should see if other people are reporting probably more and more negative Release Spreads on assets that are in secondary locations or that are not that high quality. This is basically what we're going to see going forward in Spain. We are confident we have good product. We think it will go very well.

[00:54:37.080] - Veronique Meertens


Okay. Very clear. Thank you.

[00:54:39.350] - Operator

Next question, please. Pierre Clouard, go ahead.

[00:54:50.990] - Pierre-Emmanuel Clouard

Good evening. Thank you for taking my question. Just coming back on the guidance. Basically, you are expecting a like-for-like rental growth in line with previous year, so let's call it 6%. As indexation will be lower, are you expecting the uplift to be even stronger than in 2024, or do you



expect a strong improvement of the vacancy in Barcelona? If you can drive us through the top line expected growth for 2020, that would be useful.

[00:55:22.740] - Carlos Krohmer

As you correctly said, the indexation has more or less stopped this engine or has gone more down for everybody in the market. In Spain, as you can see, it's already more on stabilised levels for everybody. It's around 2%-3% also in our portfolio, the indexation contribution. Then you see that we have that our product always gets a significant extra spread on indexation in terms of rental growth, so this is going to remain strong. On the back of a scarce supply, we are confident on this. Then, as also our CEO mentioned, we are seeing, and we think it can continue, an increased momentum, especially also in the Spanish markets on the back of a stronger economy and increasing momentum in Barcelona. So, we should also have some additional contribution from improvement in occupancy. If we put all together, we are confident, and we are with a strong conviction that we will remain in these healthy levels of like-for-like that we have shown in the last years.

[00:56:37.360] - Pierre-Emmanuel Clouard

Okay, that's clear. A follow-up on the guidance. Did you take any disposals in the guidance or not?

[00:56:50.450] - Pere Viñolas Serra

You mean if in our expectations, there are relevant disposals? No.

[00:56:55.020] - Pierre-Emmanuel Clouard

Yes. Between 33 and 35, is there any disposals?

[00:56:59.910] - Pere Viñolas Serra

No, no, no. Well, as you know, this year, the main characteristic of this year is, let's put it this way, we have some ships in the shipyard that are not contributing to the EPS. Then there's also... Sorry, I was interrupted. Then, of course, is the different speed that we may expect about Madnum that may contribute more or less to... Finally, as you know, at this time of the year, we prefer to be more wide in expectations than narrow, but there's no specific topic that may bring us up or down just because of that specific topic.



[00:57:51.760] - Pierre-Emmanuel Clouard

Okay, understood. Then the final one on your capital allocation. How do you view your disposal acquisition strategy in 2025? Especially in light of your EPRA EPS at 44 and also given the fact that your net initial yield is still pretty low. Are you more now in the acquisition mode, or are you just betting on your pipeline?

[00:58:22.870] - Pere Viñolas Serra

Look, first of all, we have two convictions, is that we have long-term convictions that inspire whatever we do. Let's say, more importantly, that the short-term dynamics. In the short term, we are very much opportunistic in the opportunities that we may have on the sell side or on the acquisition side. By definition, we are fond of capital recycling that is providing with more value in selling and buying. Our conviction is that we will remain in this capital recycling mood. If I had to say something is that we would be more net buyers than net sellers. This is because of two reasons. One is we believe that if we read the cycle, that is what we have to do, most of all thinking about long-term value creation. When the cycle shows some specific shape, sometimes it's difficult to take certain decisions, but this is our conviction.

[00:59:35.520] - Pere Viñolas Serra

Second, we are firm believers on the strength of our capital structure. Sometimes some metrics may not help us in a certain direction. But as I said before, year after year, we are at the high end of the rating levels. Year after year, when you look at our performance in the bond market, we remain super strong in terms of appetite by the debt providers. Based on that, as I said, we remain opportunistic. We know that we are more prudent than the opposite as a company. But having said all that, we'll be recycling capital in an opportunistic matter. But if anything, more net buyers than net sellers.

[01:00:29.490] - Pierre-Emmanuel Clouard

Okay. What's your target in terms of EPRA LTV, up to 50% again?

[01:00:36.730] - Pere Viñolas Serra

No, we don't have... If you can want to take this one, Carmina?



[01:00:41.420] - Carmina Ganyet i Cirera

No, every time you ask for the target loan-to-value. We are not managing the company with targeting the loan-to-value. We are managing the company and as the CEO says, this capital recycling, trying to find good opportunities that create value, understanding what are the levels of the ratings approach, metrics they are doing. It's a fact of expected and predictable and quality of the cash flow. It's a matter of policy as well of hedging and liquidity. It's a matter of good opportunities that makes sense holistically being analysed by the rating agencies now.

[01:01:27.040] - Pierre-Emmanuel Clouard

Okay, thank you very much.

[01:01:31.030] - Pere Viñolas Serra

Thank you.

[01:01:31.110] - Operator

Next question, Celine Su. Please go ahead with your question.

[01:01:41.160] - Celine Su

Hi, Père. I've got three questions. My first question is about the contribution of the merger with SFL into your 2025 EPS guidance. If you could shed a light on that. The second one is about the surrender premium that's taken into account in your rental growth in 2024, what's that number? The third one is about more capital allocation. You've not indicated any disposals in your earnings guidance, but you still have CAPEX to fund a priority at 45%, so would you consider using equity again to fund this CAPEX and further opportunities? Thank you.

[01:02:22.020] - Pere Viñolas Serra

Thank you. I will start with the last one. We are not contemplating any equity raise. As I said, we are in terms of capital recycling, we will be opportunistic and always to remain with a healthy and very sound capital structure for the company as we always have. The other two questions, Carmina, if you want to add on the SFL question?



[01:02:52.400] - Carmina Ganyet i Cirera

Yes. On the SFL question, as we have been released last week, we approved the economic terms of the merger, but we need to follow all the legal paths that these transactions needs to fulfil. The following path, it's approving formally the merger agreement. But first, we need to release the annual result, which we are doing now in the market. Then all the legal process by the regulators.

[01:03:27.420] - Carmina Ganyet i Cirera

We expect probably more in the second half of 2025 rather than first half of 2025 because all these cross border measure regulations are not speedy, they need to follow different. This is as well in the guidance, as you was asking about what are including in the guidance, this is the reason why this guidance it's a little bit wider because we don't know today what could be the final resolution from the all the parts that we need to fulfil.

[01:04:11.160] - Celine Su

Okay coming out, is in the guidance currently and that's why it's wide? That's what you say?

[01:04:17.520] - Carmina Ganyet i Cirera

There is no direct impact in the guidance, but if it could be settled in the first half of the year, we could have a positive impact. If it's set in second half of the year, the positive impact would be more in 2026, not in 2025.

[01:04:33.950] - Pere Viñolas Serra

Celine, I missed the second question. Could you repeat it?

[01:04:41.130] - Celine Su

Yes. It's about the surrender premium that's in your rental growth, into your rental income, sorry, in 2024. How much was it?

[01:04:50.700] - Pere Viñolas Serra

I am not following you. I'm not understanding the question.



[01:04:53.810] - Pere Viñolas Serra

Surrender premium?

[01:04:54.410] - Celine Su

Tenant exit, so I'm guessing that's WeWork in Paris.

[01:05:00.590] - Carmina Ganyet i Cirera

It's very immaterial. What's happening, I think it's very immaterial.

[01:05:08.450] - Pere Viñolas Serra

Not relevant.

[01:05:09.350] - Carmina Ganyet i Cirera

Yes, it's not relevant. Someone will call you with exactly the number, but it's a very immaterial residential income, not significant.

[01:05:20.240] - Celine Su

Okay, thank you.

[01:05:22.420] - Pere Viñolas Serra

Thank you, Celine.

[01:05:26.880] - Operator

Next question from Florent Laroche. Please go ahead.

[01:05:34.790] - Florent Laroche-Joubert

Yes, good evening. Thank you for this presentation. I would have two questions. My first question is on your 150,000,000 future wins that you expect. How much can we expect maybe from reversion? Or maybe the question could be asked differently. How we can assess your potential of reversion at Colonial?



[01:06:04.290] - Florent Laroche-Joubert

My second question just to clarify on the guidance for the long term. You expect a strong April EPS growth. Do you take into account any disposals in this guidance or no disposals? Thank you.

[01:06:26.770] - Carlos Krohmer

I will start with the first question that you put, it's on Page 34. On Page 34, you have all of the building blocks of the additional rent potential that is in our portfolio. As you can see here, renovation program and Madnum are at the beginning, project pipeline. We have a last building block where we have the full potential of the reversion. This is called a combination of rental upgrade and leasing up the space up to 100%. Here is a significant amount of money to be captured.

[01:07:06.910] - Florent Laroche-Joubert

Thank you for that.

[01:07:11.120] - Pere Viñolas Serra

The second part is about long term guidance disposals assumptions on this long term guidance.

[01:07:24.040] - Carlos Krohmer

Yes, I think as it has been also answered in the previous questions, we are not factoring in the disposals even though we have a speed bit of capital recycling in general. If we dispose, it's to reinvest the money improving the average returns of our portfolio.

[01:07:48.150] - Florent Laroche-Joubert

But no disposals, okay.

[01:07:51.260] - Carlos Krohmer

Yeah.

[01:07:54.620] - Florent Laroche-Joubert

Okay, thank you very much.



[01:07:56.410] - Pere Viñolas Serra

Thank you.

[01:07:57.080] - Operator

Next question, Ana Escalante. Please go ahead.

[01:08:06.460] - Ana Escalante

I would like to ask about your capital allocation because if I understood it correctly, you are saying that you are looking to sell assets opportunistically and redeploy capital into developments.

[01:08:20.190] - Ana Escalante

But then when we look at the forecast for capital values that you saw in your presentation, those forecasts are quite, or they are forecasting quite significant growth in asset values in offices. What we're missing here is that you don't think that there's that much capital value growth ahead and therefore, acquisitions at current levels don't make sense? Or do think that you can achieve even better returns in developments rather than in asset acquisitions?

[01:08:51.270] - Pere Viñolas Serra

Ana, when you're talking about future capital values, you mean which ones in particular? You mean the one-

[01:09:05.120] - Ana Escalante

CVR forecasts that you saw in the presentation

[01:09:09.110] - Pere Viñolas Serra

Okay. No. What I think that here, what we are trying to share is our vision of where the cycle can be, and not a particular projection of our own capital values. But it's true that if we believe that capital values have an upside, these costs a number of implications. These have implications in your projected debt ratios into the future in the same way that we've now gone through a period where everybody was concerned about the LTV.



[01:09:50.700] - Pere Viñolas Serra

Because of the values going down, at some point, people may think that this same analysis should be done on your assumptions of values going into a different direction, so that's more or less what... That's why we're trying to share here. Having said that, and going back to the initial point, in terms of capital allocation, we are neutral, as I said, not net sellers, not net buyers and chasing opportunities. I said, if anything, maybe net buyers to capture opportunities that maybe they are in the market. But I think there's no particular mismatch of numbers because this projection of capital values was just a way of sharing our view that we have if we manage the company thinking in the long term, we should look at the cycle in a different way than if we were in 2021 or 2022. That's what we wanted to share.

[01:10:55.630] - Ana Escalante

Okay, thank you.

[01:10:57.150] - Pere Viñolas Serra

Thank you, Ana.

[01:11:03.080] - Operator

Fernando Abril, please go ahead with your question.

[01:11:10.560] - Fernando Abril Martorell

Hello. Thank you very much for taking my questions. I have three. First is with regard to interest expenses, so good liability management again this year. But I don't know if you had extraordinary interest income. I would like to know is your projection. What are you including in your guidance of EPS in 2025 with regard to interest payments? Secondly is with, sorry, because I joined late to the call, so I might miss these comments. But I would like to know your views on the investment market in Paris, whether you are seeing improvements or still mute? Third, it was... First, these two questions, please.

[01:12:10.010] - Pere Viñolas Serra

Yes, you can take the first one, Carmina, on interest expense.



[01:12:15.360] - Carmina Ganyet i Cirera

This year, on the interest expense, you see cost of debt, 1.7 net financial impact, 1.5 basically because as we have been released and shared with you in the last quarter, we have cash available during the year, thanks to the capital increase that now we are going to allocate in the CAPEX, and we have been managing this cash. This is the difference between 1.7 cost of debt and net, cost of debt of 1.5. This is a positive impact that has been during the year.

[01:12:49.400] - Carmina Ganyet i Cirera

But for the future as you know, we took a pre-hedge in 2021, basically hedging the future debt maturity, 50% of the future debt maturity for the following years. At what rates we could close this pre-hedge in 2021 at 70%.

[01:13:13.200] - Carmina Ganyet i Cirera

It means that 50% of the future debt that will expire during the following years, as you see in the information in the longest one in the business evolution. 50% are pre-hedged at very low rates and the remaining part is at floating rates or at the mid-swap at every moment.

[01:13:36.890] - Carmina Ganyet i Cirera

If you forecast the potential interest cost, consider this prefetch, which is publicly, and it's in the annual accounts very detailed, you can estimate the interest cost for the future in the following years. At the moment that we are updating 50% of the debt at market levels and the other 50% are prefetched at 2021 levels.

[01:14:04.140] - Pere Viñolas Serra

The second part of the question Fernando on the investment market in France, maybe several comments. The first comment is that with available figures, it remains very much in the low range of what historically has been, so no big news about that. We all know that it's still in a very low transactional level. What I may share is our personal experience about our specific market. Our specific market, which is prime CD, it's that if we pretend to buy anything above the yields implied in evaluations, you find nothing. There's no one there as a willing seller for a prime asset.

[01:15:04.920] - Pere Viñolas Serra

I have to say that ourselves, we have zero interest if we had to sell at a higher yield, let's say at a discount, because we are firm believer today that when you look at expected IRR that an existing asset with an existing yield that today has is about to deliver, I think it's a very good investment case for our shareholders. The experience I'm sharing today is in prime assets, a very low transactional volume, but because people are not willing to transact based on the conviction of the value that is there in those specific assets.

[01:15:58.620] - Pere Viñolas Serra

If we had to talk about other parts of the market, I think that my answer will be more difficult about why there's no more transactions if the yields are representing or not representing where the real market is now. But I can talk for our local market. Our local market, we cannot invest at higher yields than you can see in the market today, maybe that's why the local volume remains a little bit low compared to the history.

[01:16:40.060] - Fernando Abril Martorell

Okay, thank you. Just the last one was just to confirm, think it's obvious, but just wanted to confirm that the EPS guidance for '25 is based on a higher share count. It is including the full dilution of the criteria there. I understand that stable EPS from 0.33 to the range you've mentioned, it is assuming a big increase in the absolute number in euros.

[01:17:15.640] - Carlos Krohmer

Yes.

[01:17:16.400] - Fernando Abril Martorell

Thank you.

[01:17:18.060] - Carlos Krohmer

Considering today's number of shares post-Criteria deal, the €627 million of shares, yes.

[01:17:27.170] - Fernando Abril Martorell

Okay, perfect. Thank you very much.



[01:17:31.360] - Pere Viñolas Serra

Thank you, Fernando.

[01:17:34.290] - Operator

Okay, there are no further questions. I now give back the floor to Mr. Pere Viñolas.

[01:17:44.610] - Pere Viñolas Serra

Just a few seconds just to thank you for the attention, to share our satisfaction with 2024. It's been a very good year, again, and confirming with numbers, our convictions in terms of positioning. We are also convinced that 2025 is going to be in the same direction. We are at a very interesting moment of cycle. When the cycle may change it's always difficult to have visibility and to manage, but we are here for the long term and that's a very interesting moment. Hopefully in the future, we will be able to share with you additional good news in this sense. Thank you and have a very good day.