

Inmobiliaria Colonial – Alpha X

[00:00:00.000] – Moderator

Ladies and gentlemen, welcome to the Inmobiliaria Colonial presentation of the project Alpha X. 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 * 5 on your telephone keypad.

[00:00:20.680] - Moderator

I would now like to introduce Mr. Pere Viñolas, CEO of Inmobiliaria Colonial. Please, sir, go ahead.

[00:00:31.330] - Pere Viñolas

Thank you. Good afternoon. This is Pere Viñolas speaking. I will be presenting the transaction that we want to share with you today. But as usual, I have with me, Carmina Ganyet, Chief Corporate Officer, and Carlos Krohmer, Chief Corporate Development Officer, for any additional comment or question that it may be necessary.

[00:01:00.260] - Pere Viñolas

What we would like to share today to you, it's one initiative that, in fact, represents two different initiatives that we would like to present. The first one has to do with our capital structure. We would like to announce that today, we sign an agreement with CriteriaCaixa, that will become, as a consequence of this agreement, a new reference shareholder of Colonial.

[00:01:38.990] - Pere Viñolas

This will happen through a capital increase in kind for a total amount of €622 million, which will deserve a number of shares that will represent a blended price of €6.1 per share per dividend. Pardon, €7.1, very important, per share per dividend. That is a very significant premium on current share price. If you allow me on the weighted average price of the last few days, I think that in excess of 20% if we look at the last 10 days.

[00:02:36.270] - Pere Viñolas

This contribution will include two different layers. The first one is a contribution in cash of €350 million, and there is a second one of a contribution of assets that currently belong to Criteria, more specifically to InmoCaixa, which is real estate branch. This second layer of contribution, the one in assets, will include 60% of assets in the category of living or residential, and 40% of this contribution will be in the office segment.

[00:03:29.880] - Pere Viñolas

This contribution and this initiative of Criteria in order to become a new reference holder in Colonial is in the framework of a strong endorsement of Colonial strategy, which is taking place with a long-term strategic investor with an industrial growth approach. This is the first thing that I wanted to share today.

[00:04:01.400] - Pere Viñolas

There's another thing which is very much related, which is the fact that at the same time we are announcing the launching of a new project, a pipeline the so-called Alpha X, which is an initiative in order to develop in excess of 110,000 square metres that will involve a Capex for circa €385 million. That is a very interesting initiative of growth opportunities where we expect very interesting returns with a leverage IRR in the range or in excess of 9%.

[00:04:50.090] - Pere Viñolas

This new initiative will go hand in hand with the assets contributed by Criteria for a total amount of 272. As I said, this contribution will have a mixed nature, 60% living, 40% office, also with interesting expected returns. I think that putting both things together, the capital structure, re-enhanced with Criteria as a new shareholder and this reloading of Colonial's growth profile, I think that we have to understand this in a framework of increased financial flexibility for opportunistic acquisitions. That is, we expect these initiatives to be the first layer of this growth story, but we are doing this in a framework of increased financial flexibility in the future.

[00:06:03.070] - Pere Viñolas

The financial impacts of this transaction are as follows. First of all, we would like to highlight a more qualitative element, and that is that this transaction allows for a more attractive total shareholder return, basically because it allows Colonial to fully to develop its capacity through new growth projects, and because the company is doing this to increase financial flexibility. That would be the first qualitative element that is more linked to the long-term strategy.

[00:06:46.410] - Pere Viñolas

More going into the short term of the immediate financial impacts or financial implications. We believe that this deal is attractive, first of all, because it's taking place at a relevant premium on share price. As I said before, I think it's 22% above the weighted average of last week. That means a strong endorsement for the value of a company.

[00:07:23.380] - Pere Viñolas

From a capital structure point of view, it's very accretive in terms of LTV, that is an improvement of more than 450 basis points. That is, of course, because this transaction includes no debt whatsoever. At this level, I would like to highlight that we believe that this LTV improvement is to remain sustained over time, not only as an immediate impact.

[00:07:59.960] - Pere Viñolas

Regarding the EPS, we confirm that the guidance that we disclosed for this year remains unchanged post-transaction. That is, looking at the return profile of Colonial for the year 2024, the 30-32 range in terms of euros per share remains unchanged, which is relevant, taking into account the nature of this transaction that includes a capital increase.

[00:08:40.910] - Pere Viñolas

Of course, this transaction has a slightly dilutive impact on the last reported NTA, which I would like to emphasise that is the NTA of December 2023. We estimate that a new number post-deal would be around €9.55 per share, that is 4% less than the available number for the end of 2023.

[00:09:15.010] - Pere Viñolas

Finally, and by the way, I'm on page four of the presentation, a comment on governance. As I said, CriteriaCaixa is expected to own circa 17% of Colonial post-transaction, roughly speaking in line with Qatar investment authority that will remain in a similar range. Last but not least, to be more specific, what we find today is an MOU that now we have to execute. This means that we will have to call for a general shareholders' meeting, an extraordinary shareholders' meeting that probably will take place during the month of June after the formal issues that have to take place in a contribution in kind, not a capital increase, have been fulfilled, which will take place in the remaining part of this month of May.

[00:10:25.130] - Pere Viñolas

I will go now more into the details. First of all, I would like to go more in depth on the first thing that I mentioned, which is the fact that Colonial is reinforcing its capital structure with CriteriaCaixa as a new shareholder. On page 6, just to emphasise again, we will be doing a capital increase of €622 million at the price of €7.1 per share per dividend. This will be subscribed by an institutional long-term investor like CriteriaCaixa is at an obvious premium to the share price that we've seen recently, and this we believe that is showcasing Colonial's value potential.

[00:11:23.990] - Pere Viñolas

This €7.1 is a premium on year to date VWAP and above also, obviously, current trading. This transaction is all equity, so will provide substantial deleveraging and will provide enhanced financial flexibility, and of course, will significantly increase the market cap of the company post-transaction.

[00:11:53.360] - Pere Viñolas

This contribution is distributed in two different layers. There's first a contribution in assets for a total amount of 272. The way this €7.1 blended price has been drafted is based on the fact that the 272 contribution of assets is being valued with an NTA parity, December 2023 as the basis for the contribution. The contribution in kind, 350, is done at 5.80, which is the average price of the last few days. These two things put together is what are leading us to this €7.1 of blended average price.

[00:13:01.610] - Pere Viñolas

We emphasise a technical issue just for clarification. As you know, the next ordinary shareholders' meeting will be approving and therefore, distributing an ordinary dividend, the one that we already expect of €0.27 per share, as this contribution of Criteria and the delivery of the shares to them will happen after the dividend is paid, the blended price post-dividend will be €6.83. We believe that this transaction is very positive, very good for Colonial from a short-term point of view, but more importantly, from a long-term point of view. It's even more important, the qualitative element, the quantitative element. CriteriaCaixa is one of Europe's leading investment holding companies, and what we are doing through this transaction is reinforcing our capital structure with a new long-term and prestigious shareholder that is a total catalyst for Colonial's growth strategy.

[00:14:27.190] - Pere Viñolas

I will now jump into Section 3, which is about the transaction rationale of this announcement. I will jump into the other part of the equation, the fact that today we are also announcing the reloading of Colonial's growth with the launch of a new project Pipeline. I'm on page eight of the presentation. We announced that we'll be launching a project Pipeline that will include four projects, two based in Spain: one in Madrid, and one in Barcelona, two based in Paris.

[00:15:20.230] - Pere Viñolas

These four projects account for more than 110,000 square metres of prime assets, including 385 million of capex to be invested. All of them are within a philosophy of urban transformation with good returns, as you will see, with a respected yield on cost in excess of 6%, that will allow for substantial reversion to be captured with more than 64 million of rental revenues. As I said, within a framework of urban regeneration, that means that all of them include philosophy that goes into the direction of urban mix-use transformation in other nature, like healthcare of life science or business campus.

[00:16:18.520] - Pere Viñolas

Besides this project Pipeline to be launched, Colonial will be developing and extracting additional value from eight assets to be contributed by CriteriaCaixa in this transaction, again in line with this urban regeneration strategy, as I said before, with a total value of 272 million, 40% office, 60% living, and on one side, offices based in Madrid, CBD, and Méndez Álvaro, and one asset based in Barcelona, and a number of units in the living sector, also basically Madrid and other cities.

[00:17:10.680] - Pere Viñolas

To go more into detail, page nine, the first four projects that I was describing that are based on the existing portfolio of Colonial, what we intend to develop is, as I said, project, two projects in Spain, two projects in France. On the left-hand side of this slide number nine, it will be the first one, we already provide certain details in the past, is Sancho d'Avila, a project of transformation of a current office building into a healthcare unit, into a healthcare project based on an already existing agreement, already pre-led with a leading Spanish operator with a 30-year contract. That means that we expect from this project a very sound return, but particularly and even more, a very good risk-adjusted return because we are talking about a pre-led unit.

[00:18:27.330] - Pere Viñolas

The second one, and I go into the Paris zone for a minute. It has to do with Condorcet. Condorcet is an existing asset that belongs to SFL, 24,000 square metres. Here we are launching a project for a future campus on the 9th quartier, where we pretend to create additional GLA in a mixed-use approach basically based in office, but also open to other users in the field of sustainable housing and sustainable accommodation.

[00:19:14.410] - Pere Viñolas

The third one would be Santa Hortensia, the former IBM headquarters in Madrid, almost 50,000 square metres. There we are in advance progress for identifying different mix-use strategies that will be able to deliver very attractive on-gear returns and also elaborate returns with, as I said at development of a mixed-use approach based in offices and other uses.

[00:19:49.350] - Pere Viñolas

Finally, another one that is already on the way is the project scope in a building which is the former Rives de Seine headquarters in Paris, where a multipurpose building offering a unique range of services with generous outdoor spaces is already being developed by SFL. It's a project next to one of the main transportation hubs, the Gare de Lyon in Paris, and obviously, it will have the best standards in terms of ESG and the best characteristics for a business camp.

[00:20:29.850] - Pere Viñolas

On page 10, you can see where these projects are located, always in line with strategy of Colonial, being very much focused in prime CBD. On page 11, you can see a summary of what we intend to do. You may see the distribution for different kinds of users, and all of them in urban central areas, but with a transformational element which is very much central to the overall strategies for the different units. You may see that the delivery of these projects is expected to happen between 2026 and 2028, and the total value of these projects will allow for on-year returns that will be able to create substantial value for shareholders.

[00:21:33.920] - Pere Viñolas

Page 12, there's a little bit of detail for the assets that are to be contributed by CriteriaCaixa. We are talking, first of all, as I said, 40% of the contribution is office, is what you may see. I don't know if you are following the presentation, and you can see that there are three that are in a blue framework. There are these three office units, office projects. One is based in Barcelona, the other two are central CBD in Madrid, Gran Via 30 is the address, and the other is based in Méndez Álvaro, which is the so-called Visionary building, which is a next-generation building that has just been recently refurbished with the best standards, which is geographically very close to our own projects in Méndez Álvaro.

[00:22:43.700] - Pere Viñolas

Besides this, the 60 % of the contribution have to do with five different residential units that are already listed, that are basically in Madrid, but then with two additional projects in Málaga and in Zaragoza. For us, the exposure to residential, we see it as a very good natural complement for any strategy of any company which wants to develop office projects inside urban central areas.

[00:23:24.700] - Pere Viñolas

Let's go to the next section, which is section 4 on the financial impacts of this project. As I said at the beginning, for us, first of all, the important thing to emphasise is that we believe that this transaction allows for Colonial to accelerate its total return for shareholders. That means this transaction is based on a number of projects that we are launching, based on a solid financial framework. This means that the expected total shareholder return for shareholders will be enhanced, will be better. At the same time, what will be better is the capital structure that will be enhanced in a material way because of the nature of this transaction.

[00:24:24.670] - Pere Viñolas

We believe that this transaction allows for additional flexibility, flexibility to develop the projects that you have presented today, but also any other opportunistic acquisition that may be available in the market. This qualitative element and meet to long-term element is very important.

[00:24:47.610] - Pere Viñolas

Having said that, now, if I go into the short-term impacts, the first one are more obvious is that this transaction is happening at a relevant premium on share price. The second element is that this transaction allows for a material reduction of the LTV. The EPRA LTV is to go down for more than 450 bp . The third element is that the EPS guidance is to remain where it was, that is, confirmed at a level of 30–32 cents per share. The final element is that there's a slight dilutive effect on the last reported NTA on the December NTA, now looking to 9.55 post-deal NTA after this transaction is executed.

[00:25:49.410] - Pere Viñolas

There's another set of comments regarding not so much the short term, but the mid term. The first thing that we would like to highlight is that this improved LTV is expected to be sustained over time. That is that we don't expect to go, let's say, materially down LTV just immediately, but then not being able to remain low because of the different activities that the company may do.

[00:26:20.150] - Pere Viñolas

These initiatives of Capex that we are announcing are spread among the next four years. Our expectations for the EPRA LTV is that we will remain in this new level in line with the number that we are seeing post-transaction. That's, by the way, in line with our strategy and intention as a company. We believe that we want to have our LTV in this new set of range, and that strategy and this transaction is, therefore, consistent with our strategy.

[00:27:07.999] - Pere Viñolas

Also for the mid to long term, we expect this transaction to be accretive on a forward-looking EPRA EPS. That obviously is because of the high return attached to the new projects. Also, as a consequence, we expect this transaction to provide for a certain mid term acceleration in NTA growth, again, because the return expected for these transactions is materially higher than the current yield for our asset.

[00:27:43.460] - Pere Viñolas

Let's go into final conclusions. I'm on page 16. We are very happy with this transaction. It has the two sides of the coins that today we believe that you need to have. You need to have a growth profile that is reloaded, and you need to have, at the same time, a framework with solid fundamentals, with fundamentals that are even better than what you had.

[00:28:17.480] - Pere Viñolas

That, from, let's say, business point of view, quantitative point of view, at the same time, I'm going back to the new shareholder issue. If you can do that with an additional shareholder which is very much in line with Colonial strategy, we believe that that's a true and real catalyst. Obviously, this transaction provides for significant de-leverage.

[00:28:52.290] - Pere Viñolas

I would like to maybe emphasise that as we've been sharing in many presentations, Colonial today, it's under no stress regarding leverage. We don't have any maturities in the next 3 or 4 years that are not covered by our existing cash. Our unused-grade facilities are in excess of two billions. Our cost of debt is at 1.7 and expected to remain for the next few years in this range.

[00:29:25.920] - Pere Viñolas

Last but not least, just a few days ago, S&P confirmed the rating of the company at the BBB+. That means that when talking about leverage, we see this more as a preferred choice in terms of capital structure because of the financial flexibility that is providing more than particular constraints that we have to face in the short term. Therefore, one thing we like of this transaction is the additional fire power that it offers in order to accelerate Colonial's growth profile, and particularly at the moment of the cycle where very interesting alpha strategies can be identified.

[00:30:17.250] - Pere Viñolas

We believe that this enhancement of our capital structure goes hand in hand with a new set of alpha projects that are very much in line with our history and where we believe that we will be able to generate value, very good returns, and a very interesting transformation for the assets that we will be managing.

[00:30:44.120] - Pere Viñolas

Finally, we are also happy with the assets that are contributed by Criteria. You will have seen that both in the office and the residential sector. Two comments regarding this. More long term strategic kind of thinking, we believe that to be in the office means to be in the urban transformation business today. To have exposure to residential is a very good complement which allows for the best use of your assets and your spaces, which allows you to put at stake your best capabilities. Therefore, we like that more from a short-term point of view, we believe that for those assets, we have the capacity of extracting additional value that we can extract meaningful strategies that will provide good returns also on these assets.

[00:31:47.590] - Pere Viñolas

All of this together will mean substantial reinforcement of the growth profile of the company with rent, as you can see, in a chart of this page that will jump from €412 millions of rents to an estimate of potential rent above €560 million euros.

[00:32:13.170] - Pere Viñolas

Some final comments on the transaction agreed with Criteria. Today, what we did is a signature of a MOU in order to execute everything that I described today. By the way, this happened after an approval by Colonial's Board of directors that I have to say that unanimously approved the transaction with high conviction from all directors and existing relevant shareholders sitting at the board.

[00:32:57.070] - Pere Viñolas

After this signature of the MOU, we start with a formal procedure for this kind contribution in kind of a projects. That means that we'll have to deliver an independent expert report that will lead us to the signature of a contribution agreement. This final agreement will have to be approved by an external shareholders meeting that we expect to happen during the month of June. The delivery of the shares, the final issuance of the shares, and the effective contribution will take place either by the end of June or more probably during the month of July.

[00:33:49.140] - Pere Viñolas

This is the transaction that we wanted to share with you. As I said in a word note, we think that it's very good for the company, it's very good for its growth profile, for its financial structure. We believe that it's very good for the short term, and we believe that it's very good for the long term, and from a quantitative and financial impact point of view, but also from a qualitative impact.

[00:34:17.810] - Pere Viñolas

This is it. Thank you very much for your attention. Now, as always, we are available for any question that you may have.

[00:34:27.230] - Moderator

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

[00:34:39.860] - Moderator

The first question comes from Ben Richford. Please go ahead.

[00:34:46.460] - Ben Richford

Hi. Good evening. Thank you for answering my questions. Got a few. Firstly, on the properties that you're acquiring, how can you give us more comfort around the upside potential? Have these been underworked assets? Do they have high occupancy rates versus your existing portfolio? Are they under-rented? What are the property yields on them? Just a bit more around the current valuation and upside of the assets you're acquiring.

[00:35:23.620] - Ben Richford

A second question just around the pipeline of existing assets you're redeveloping and launching today. To what extent is this accelerated because of obsolescence, in particular, around ESG? A third question, could you give us some yields on costs and profit margins for those schemes, please? That's all my questions. Thank you.

[00:35:52.600] - Pere Viñolas

All of them will be handled by Carlos Krohmer. Carlos, go ahead, please.

[00:36:01.210] - Carlos Krohmer

First on the contributed asset, as you have seen in the presentation, basically, it's concentrated on assets in Madrid and one asset in Barcelona. They're very well-located assets. One of them recently brand new refurbished. We are doing here together with the Manu project, a really build-up bet on the Méndez Álvaro subsegment in the Madrid City Center. You know that it's one of the most dynamic markets in Madrid with the highest rental growth profile at the moment. We are very happy with this exposure. The other asset of Madrid is in the CBD and fully rented, and we think we can, with our active management, extract significant additional rents and value.

[00:36:46.270] - Carlos Krohmer

On the next point, if you want me to step in. The first two comments still on the first question to be more specific. In certain assets, we see upside because occupancy is still not at its maximum. I would put, as an example, Visionary building, which is a brand-new building, by the way, that now that you were mentioning ESG elements with the best standards and with a very good state-of-the-art design, but this building was just finished not so long ago, and now it's being leased so that's where we see part of the potential.

[00:37:41.840] - Carlos Krohmer

More broadly speaking, and that would be specifically applicable to the resi assets, we have a vision that these assets are still under-rented based on the analysis that we have done. We believe that we can extract a capacity of additional yield between initial yield and reversionary yield of 0.3, 0.4. To be more specific, the leading portfolio is generating 4.2 initial yield, which we believe that can be enhanced for at least 30-40 basis points. The same applies to the office buildings, where the initial yield of 4.5 could be enhanced to the range of 6%.

[00:38:36.600] - Carlos Krohmer

The second question about ESG standards. I understand that you're talking about our projects. No, it's not that they become obsolete. This was not the reason for them. It's mainly that they have the opportunity because they were becoming vacant. To go to one example, IBM, at the time that we bought the building many years ago, we understood that there was a probability of IBM staying or leaving. We were happy with both things happening because we had identified a number of strategies that could provide value in the case that it has to be this redevelopment because the tenant was leaving.

[00:39:28.230] - Carlos Krohmer

But having said that, it is true that the best ESG standards is at the heart of our strategy. Maybe it's not today to go very much into details about that, but Colonial has been recognised in the last 12 months at the top level of ESG standards in everything we do. As I said, at the heart of our strategy. I think that the third question was already answered. We were talking about deals on cost. If we could provide a little bit more of colour, I think that I already went through this.

[00:40:06.460] - Moderator

Thank you. We'll give the floor to Véronique Meertens, who has the next question.

[00:40:16.450] - Carlos Krohmer

Thank you.

[00:40:18.220] - Moderator

Please, go ahead.

[00:40:20.620] - Veronique Meertens

Thank you very much all, and congratulations on the new project. For me, also a few questions. I'm also looking a little bit at slide 21, and I noticed that the bridge on the left side, you do have the disposals for 23, but the bridge on the right side, I don't see disposals for 24. Just wondering, are you also going to dispose less or at least no additions to what you've announced before, or is that already incorporated somewhere else in this waterfall?

[00:40:54.900] – Carlos Krohmer

On the disposals, that we have done in 2024 have no impacts on rents because they were not generating any rents, none of them. It has not had any impact on the passing rent that we show here, the adjusted passing rent.

[00:41:16.980] - Veronique Meertens

But there was the 500 million disposal program. Is that also being cancelled now or is that still the plan to be completed?

[00:41:27.130] – Carlos Krohmer /Pere Viñolas

No, this is just the actual figures. A pro forma based on actual figures and on the guidance. But on the fundamental question that you are asking, we are not cancelling the divestment program. It is true that we always emphasise that this disposal program, it's done in a way that it's taking into account the moment of the cycle, the nature of our stocks, and so we are not in a particular hurry to develop these divestments in the very short term.

[00:42:11.330] - Pere Viñolas

But in the overall philosophy, and I don't know if this is related to the question that Ana was about to ask before, we remain committed to a very strong balance sheet, and we are not cancelling this sales. We think, anyway, that a capital cycle tackling, it will be more and more an important part of the strategy of any real estate company. Therefore, to be able of taking advantages of new investment opportunities, certain divestments have to be done also.

[00:42:43.690] - Moderator

Thank you. The previous question was from Ana Escalante, and we've been able to recover. Please, could you state your question again, please, Ana? Apologies.

[00:43:00.900] - Ana Escalante

No problem at all. Can you hear me okay?

[00:43:05.020] - Pere Viñolas

Yes, Ana. Good afternoon.

[00:43:06.660] - Ana Escalante

Good afternoon. My question before, as you probably had advanced, yes, was related with the capital structure and the LTV. My question is, you've said that you would try to keep the LTV at the performer level resulting from this transaction, so that would be around 43%.

[00:43:28.360] - Ana Escalante

What makes you confident that that's the appropriate LTV for engaging into a new development pipeline? Are you expecting values to remain broadly flat from here on, or would you be willing to make further disposals in case valuations fall from here?

[00:43:56.050] - Ana Escalante

Any colour you can provide on why such target level, if you believe it's appropriate, it would be appreciated. Thank you.

[00:44:05.230] - Pere Viñolas

Thank you, Ana. Let me rephrase or maybe be more specific. What we are saying is a number of things. The first thing is that we are happy about the fact that the LTV is going down, the fact that there is a material reduction in the LTV of almost 500 basis points. It's material and important, and we are very happy about this.

[00:44:36.200] - Pere Viñolas

The second thing we wanted to share is that we don't expect the LTV to go higher again in the future, and furthermore, that it will be our strategic focus for this LTV not to go higher. I'm saying that because I understand that if we are disclosing a transaction where certain equity is injected into the company, at the same time, we are announcing certain projects that will mean some Capex.

[00:45:14.250] - Pere Viñolas

Let's say the immediate simplistic approach to this could be that the LTV goes low just for a brief period of time, and then it goes up again. I would like to emphasise that all of these projects that I mentioned, it's for a four-year framework, are very much distributed in a long period of time. In our own internal projections, the way that is going to impact on LTV will mean, as I say, that the LTV will not go higher.

[00:45:47.140] - Pere Viñolas

The third comment I wanted to make is about using the word comfort or about using the word right level of LTV. Here, that's a very, let's say, a very sensitive topic. The way we look at this is as follows. First, the approach you have to do regarding leverage has to distinguish those companies that are in need or under a certain threat because they have maturities, because they have a cost that is rising, because they have a rating that is going down.

[00:46:38.920] - Pere Viñolas

You have to distinguish that from those companies that are not in this situation. Therefore, the decision on leverage has different drivers. What I wanted to highlight is that the financial strategy that we follow, I think, does not put us in the first chapter.

[00:47:00.630] - Pere Viñolas

My second comment is that the desired level of debt, in our opinion, goes a little bit beyond the LTV. It has to look at a number of things, which are the assets and the quality of assets that are supporting this debt, which is the strategy of the company, which is the risk profile, many different things.

[00:47:25.990] - Pere Viñolas

Usually, the way to evaluate this is with a broader approach. One example can be the rating. That's why I was emphasising that at the current level that we are, we've been able, before the announcement of this transaction, to have sustained a BBB+ non-level for our company, and therefore, we believe that this transaction is adding additional comfort.

[00:47:58.040] - Pere Viñolas

The message I wanted to pass is that we are going in the right direction, number one, and that we are, moreover, with a commitment to remain firm into this direction. I think that going beyond this, it would be maybe being too precise.

[00:48:19.100] - Carmina Ganyet

Sorry, Ana, if I may add something. As Pere mentioned, we have been confirmed by the SMB recently, but to give you a number after the transaction, the levels of the analysis that the rating agencies are doing will be improved 500 bits below the threshold for maintaining the BBB+. It means that being confirmed recently after the transaction, we are improving all the metrics that has been analysed by SMB.

[00:48:49.170] - Moderator

Thank you. The next question comes from Thomas from Deutsche Bank. Please go ahead.

[00:48:58.530] - Thomas

Hi, good evening. Just a few follow-ups, actually, on your intention to keep the LTV stable. Just wondering, what are your key assumptions there regarding values? Also, it seems like you need to pick up your disposal activity in order to keep the LTV stable. If you consider all the investments you planned, the new investments, basically. Just maybe to get a better understanding.

[00:49:35.050] - Pere Viñolas

Look, we don't do specific assumptions about evaluations in the short term, and we don't do specific assumptions about valuations and yield in the mid term. I think that our assumptions are more based on the microanalysis of our assets, the Capex they will need, the rents that they will generate, and the valuation that this may deserve with the current yield framework. With all of this together, that's where we see this LTV remaining at this level. But we are not, let's say, depending on assumptions about short term or long-term movements on valuations.

[00:50:28.250] - Thomas

Okay. The second question is actually on EPS accretion. Maybe we can get a bit more colour for what you plan in the mid term and by when do you see the most [inaudible 00:50:46], basically? You say this year you keep the guidance unchanged, so what can we expect then next year on the following?

[00:50:57.040] - Pere Viñolas

Yes. On the short term, we can be very specific because we've been working in deed on the situation of a colonial pre-transaction and also post-transaction. We've been looking at what can be generated from both ends during the year. Our best estimate as of now is that we still remain in this range of 30-32, despite the fact that we're issuing quite a number of shares, if you allow me, regarding this transaction. But that's our best estimate coming from an individual analysis of the cash flow generation capacity of each asset.

[00:51:46.230] - Pere Viñolas

In the longer term, we cannot provide specific guidance. The only thing that we could highlight and what we are doing, is that when looking at the specific new projects that we are embracing, we have good initial expectations in terms of yield on cost, and of course, in due course, that will enhance the EPS profile of the company. But going beyond that, we're still not providing EPS guidance for the next few years.

[00:52:20.260] - Thomas

I understand. Maybe a last one. Maybe you can roughly explain how it comes to the deal. Did Caixa approach you or the other way around, or what was the key driver for you?

[00:52:37.310] - Pere Viñolas

I think that there was a coincidence of strategic views. First of all, probably most of you will be aware that the history of Colonial and Criteria Caixa, are somewhat related, so the relationship has always been in excellent terms. We are not far away from each other as institutions.

[00:53:06.200] - Pere Viñolas

Then, as I said, I think that there's a coincidence based on the strategies that Criteria is having and Colonial is also having. Probably it's not for me to talk on behalf of Criteria and its strategy, but I think that what I can say is that they clearly stated that they want to be involved in companies with a long-term strategic framework, with a value creation framework, with a good, strong cash flow generation and very much looking at fundamentals and giving a higher priority to an industrial long-term approach more than to a speculative bets based on short-term cycles.

[00:54:03.260] - Pere Viñolas

As I said, maybe I'm not the one to talk on their behalf, but I think that they've been clearly vocal about that. That being said, they like the industrial approach, they like a long-term framework, they like looking at fundamentals of the company.

[00:54:21.990] - Pere Viñolas

Where do we stand at Colonial? It's basically the same kind of conviction for the long term. Maybe I would add that in the more short term, we think that the companies that we are trying to work out the best we can, the current situation, we have to be able both at the same time to be able to fit the company with very good growth opportunities and at the same time to do it with healthier fundamentals from a capital structure point of view.

[00:55:00.600] - Pere Viñolas

Putting everything together, I think that it was natural to have an approach, and we swiftly went into conversations that we reached into this final transaction. I would like to emphasise, again, when I mean Colonial, that I'm talking about Colonial and more specifically about its board of directors and more specifically, also about current shareholder.

[00:55:30.130] - Pere Viñolas

Therefore, what I'm saying is that this vision is supported enthusiastically and unanimously by existing shareholders and existing members of the board. But that's more or less the grounds for such agreement to be happening.

[00:55:54.730] - Thomas

Okay, thank you.

[00:55:57.650] - Moderator

Thank you. The next question comes from Marco, Bank of America. Please go ahead.

[00:56:06.270] - Marco

Hi, everyone. It's Marco from Bank of America. Congratulations also from my side. A few follow-up questions. The first one on the deliberation impact. Do you have any numbers on the net debt to EBITDA improvement?

[00:56:24.480] - Carmina Ganyet

Yeah. Marco, as you know, we published in the year-end results. The top-up debt to EBITDA, you know that they're considering all the projects that become during the year into operation, this is the way that we approach. We release at that moment a debtor with the 8 is a part of 12 times. After this transaction, the debt to EBITDA would remain in the range of 10.

[00:56:55.060] - Marco

Okay, thank you. Just to make sure on the timing of the process, so I understood everything happens in H2. There's no increase in number of shares in H1.

[00:57:06.750] - Carmina Ganyet

Yes, that's right. The transaction will be executed at the end of June, beginning July. The impact of the new income and new shares would be second half.

[00:57:19.620] - Marco

Okay, thank you. Do you have a number of pre-let percentage on the new development projects, even probably some are very long-term? Do you have a number of existing rent of these projects? Maybe you have published it somewhere.

[00:57:39.320] - Pere Viñolas

For the colonial projects?

[00:57:42.760] - Marco

Projects, yes.

[00:57:43.310] - Pere Viñolas

Out of the four, Condorcet has no pre-letting yet, and [inaudible 00:57:50] has no pre-letting yet. On the two, in Spain, Sancho de Ávila is already fully pre-let to a local leading operator. For IBM, there are very good advance ongoing discussions for different pre-let structures. We are having discussions in order to decide which is the best outcome. Still no formal pre-letting, but quite advanced ongoing discussions.

[00:58:23.110] – Carlos Krohmer

Let me add some comments on the Sancho de Ávila. As you've seen in the presentation, it's a 30-year contract with the first rec option at year 15, a rent well above the prime office rent in that area. This is quite a relevant issue in terms of letting risk. There's no letting risk at all. We are starting a project with a fully 15-year locked-in pre-let. This is a very relevant element.

[00:58:53.910] – Carlos Krohmer

On the other projects, we have conversations as our CEO said on the Santa Hortensia. It's a mixed-use scheme. You will have noticed that all of these projects are large scheme with large floor plates that are much more competitive. We really expect very high rent at the transformation of these products. We have flagged a yield on cost in excess of 6%. On the Spanish project, it's even a little bit higher. We are very confident that this would be a good risk-adjusted cash flow and value creation scheme.

[00:59:36.390] - Marco

Yeah. Thank you. Two very quick. Last one. First, is there a lock-up period? What's the lock-up period for Criteria? Then the last question is, you're creating an exposure to residential, which probably is well perceived by credit rating agencies.

[00:59:55.800] - Marco

Is this a new business line? I know you put it a bit on your band mixed-use schemes, but I'm just wondering if you have thought about a potential conglomerate discount like Covivio has been suffering off by mixing too many different property asset classes and not being a pure play on an asset class?

[01:00:24.270] - Pere Viñolas

Yes. If you want to start with this last question, and then Carmina can jump into the previous one because your question is a very good one and important. We are having additional exposure to resi through this transaction. This does not mean that we want to be a relevant operator on the residential segment. We believe that this is a business that requires scale and that's a different business, and it's not our strategy to become a relevant operator.

[01:00:59.930] - Pere Viñolas

At the same time, we are a firm believer that to be in the business where Colonial is today, you are better off if you can deliver in residential as a complement to what you do. We see this more and more because in many circumstances, sometimes the microanalysis of each project comes with an answer that the best outcome is a mixed-use approach.

[01:01:30.250] - Pere Viñolas

We saw that in Méndez Álvaro and IBM, it's another alternative, which is obviously there. In Condorcet, it's also going to happen. That has two drivers. One is the demand, where the market is, which is supporting this view. The other is the urban planning trends in major cities across Europe. The more you think of mixed-use kind of approaches, the better support you're going to have from an urban planning point of view.

[01:02:15.720] - Pere Viñolas

We see this approach that we're having as one that allows us to be better off. But coming to the beginning of the question, and I thank you for your question because it allows us to clarify, that doesn't mean that we are going to shake our strategy and to become a different animal that we've been... We are adapting the animal that we are to the new, let's say, challenges of our sector. On the lock-up question?

[01:02:46.410] - Carmina Ganyet

Yes, the answer is yes. There is a lock-up period for Criteria.

[01:02:49.740] - Marco

How long is it or is it not public?

[01:02:54.150] - Carmina Ganyet

It's not public. It will be public the moment that we fulfil all the preliminary conditions, and we announce the extraordinary general shareholders meeting.

[01:03:02.970] - Marco

Okay. Thank you very much.

[01:03:06.380] - Carmina Ganyet

Thank you.

[01:03:07.610] - Pere Viñolas

Thank you.

[01:03:07.880] - Moderator

Thank you. The next question comes from Florent Laroche. Please go ahead.

[01:03:16.070] – Florent Laroche.

Hi. Good evening. Thank you to take my questions. A lot of questions have been asked, but maybe I would have one question. Today you have signed just a memorandum, and the transaction would be executed in the coming months after the general meeting. Why are you confident that there will be a positive vote at the general meeting? Why should we be confident that you will be able to close this transaction?

[01:03:54.740] - Pere Viñolas

Yes, because as you know, just at the board level, we have shareholders that, roughly speaking, are around 50% of the voting rights today, and they are fully supportive of the transaction. Having said that in a very humble way, it's for the shareholders to decide, and the EGM is open to whatever the shareholders may decide, but we are confident that the EGM is going to be supportive.

[01:04:32.020] – Florent Laroche

Okay. Thank you. And maybe another question. You have said, I think that this is the first, let's say, opportunity to reinvest in the structure cycle. Can we ask you the question if you are looking for other opportunities like that or some other opportunities?

[01:04:56.840] - Pere Viñolas

Yes. I would like to put this in the right framework. I think that we are in the business where two things happen. The first one is that we are investors, mainly to buy and hold and enhance the quality of the assets that we own.

[01:05:21.500] - Pere Viñolas

At the same time, I think that our business has another layer where we are expected to do a little bit of in capital recycling, providing value by divesting when the opportunity is there and also being able to invest when the opportunity is there.

[01:05:43.050] - Pere Viñolas

Do we see the opportunity for investing in additional files that we can see, yes, and we keep on doing an analysis of everything? But just to be clear on this, at the same time that we look at opportunities to sell assets that we could do in good terms, and also at the general framework that whatever we buy and whatever we sell, must allow us to remain with a healthy kind of balance sheet that we want to have. Within this framework, yes, we are actively looking at additional investment opportunities that may happen.

[01:06:29.000] – Florent Laroche

Okay. By keeping the same level of balance sheet, so meaning maybe LTV that would be in the range of 30%-33%, or are you able maybe to go a little bit higher?

[01:06:42.090] - Pere Viñolas

In rough terms, yes, we would not like our LTV to go higher.

[01:06:47.610] – Florent Laroche

Okay.

[01:06:50.210] - Pere Viñolas

Thank you.

[01:06:52.060] – Florent Laroche

Thank you very much.

[01:06:52.420] - Pere Viñolas

Thank you, Florents

[01:06:53.870] - Moderator

Thank you. The next question comes from Veronique Meertens . You have the floor.

[01:07:04.430] - Veronique Meertens

Hi all. Thank you. Sorry, I was cut off earlier. Also, apologies if something has been addressed. But just going back to that slide 21, looking at the 83 million of rent that will be generated by Alpha X, you mentioned it's indeed the project pipeline contributed assets, but could you remind me what you expect from Diagonal 197? [inaudible 01:07:26] split right on where you see the future rent of growth coming from?

[01:07:31.900] – Carlos Krohmer

Basically, on the 83, we have the 64 million coming out of the project pipeline, and the rest is a combination of the contributed assets and the renovation program in Barcelona that will come to the market soon.

[01:07:52.130] - Veronique Meertens

Okay, but you couldn't split out the last two parts for me. How much actually comes from the Diagonal renovation program?

[01:08:03.580] – Carlos Krohmer

The renovation program is roughly 4.5 million, so the rest will be then a contribution of the EPS.

[01:08:10.130] - Veronique Merteens

Okay, very clear. Then I have one follow-up question just to make sure you mentioned the EPR, EPS, obviously the guidance is confirmed, and in the mid term, you say there should be upside. Just to be sure, because when I first run my numbers, I do see a bit of a dip in EPS. Just wanted to make sure the arrow up doesn't mean that you expect only EPS growth from now on, or should I interpret it as really the midterm where you see an acceleration in EPS?

[01:08:43.160] - Pere Viñolas

We are not specific on long-term EPS, but broadly speaking, we are talking more about mid term and not being specific about any particular year.

[01:08:56.170] - Veronique Martens

Okay. Those were my follow-up questions. Thank you very much.

[01:08:59.610] - Pere Viñolas

Thank you, Veronique.

[01:09:00.550] - Moderator

Thank you. The next question comes from Fernando Abril from Alantra. You have the floor.

[01:09:11.860] - Fernando Abril

Hello. Thank you very much for the presentation. I have a couple of questions, please. First is with regards the difference between the ungeared IRR plus 9% and the actual yield and cost on the project pipeline, which is roughly 6.2%. I understand that in the past the difference was way lower. I understand the difference is around inflation, but it seems a bit high for me. I don't know if you can walk through the assumptions you are taking on the Pride Pipeline forecast.

[01:09:48.860] - Fernando Abril

Then second, again, on Pipeline. Basically, you estimate a potential value creation between 400 and 600 million, which, correct me if I'm wrong, but it would imply a market yield of 4%, which is below current market yield. I don't know, in Madrid, Barcelona, market yield is at around 5%. I don't know why do you expect this lower market yield than current yield? I don't know if because of the mix, residential has a lower yield. I don't know what are the assumptions embedded in this potential value creation.

[01:10:33.340] - Fernando Abril

Last is with regards EPS again, a follow-up question. I don't know, but this year, it is true that it is not going to be the full dilution of the capital increase, but next year you may be including the dilution plus probably you will lose the condor set—sorry for this horrible French—asset. Then also you will face probably slightly increase in the cost of debt. My question is, I don't know if you expect next year to grow as well in EPS, or it should be more, let's say, midterm guidance?

[01:11:17.770] - Pere Viñolas

Sadly, Fernando, I give you the answer for the last question. A number of assumptions you did were right, but we still are not providing guidance for next year. That's all I can say regarding EPS, assuming that a number of things that you said were right. Maybe Carlos, on the other two.

[01:11:40.890] - Carlos Krohmer

What we've done here is eight-year on-gate RRR with all the fundamental assumptions. You know how we've guided in the past and how has been our delivery. Basically, we expect a significant extraction of value due to the transformation of the asset in itself. This gives us a significant reversion in rent because we are totally non-transforming the asset itself. This is reflected in the yield on cost.

[01:12:12.120] - Carlos Krohmer

From that on, we also expect these assets to benefit in the current environment where top product and even more urban mixed-use product is really super scarce and with a profile that is really in terms of risk profile at the best at the next level of the market. For instance, on the central areas, something totally atypical for Spain, that we have a 30-year contract with a first break option at year 15. This is really almost like a bond in an environment where there's going to be some a life science ecosystem even. The other assets, they have a balanced mix of different uses that will really have a significant enhancement of the asset.

[01:13:01.380] - Carlos Krohmer

But putting all this together, this is our range of estimate as of today, what the value of this asset could be once they are stabilised. Let's see how everything evolves. You have seen how we guided in the past, you have seen how we delivered in the past. We are comfortable on these figures because it's very a unique product with large floor plates.

[01:13:25.220] - Fernando Abril

Okay. Thank you very much.

[01:13:29.480] - Moderator

Thank you. The next question comes from Céline Soo from Barclays. Please go ahead.

[01:13:38.420] - Céline Soo

Hi, Pere. I got four questions, if you don't mind. The first one is on the transaction. Can you confirm what is the least length on the asset you contributed in kind? Also, I just wanted to follow up on Marcus's question because I understand the rationale that you said around the mixed-use strategy, but you also sold the residential asset on the end of our campus. I was just wondering why do you think now is the right time to go into really? Why is that strategic now?

[01:14:13.700] - Céline Soo

Then my second question is, why is your EPS guidance reiterated if the yield you're acquiring at is higher than the net initial yield of your portfolio? Because initially, it doesn't make sense to me.

[01:14:29.190] - Céline Soo

The third question is on the pipeline. The new pipeline can confirm the average yield on cost for the pipeline. I was getting to 4.6% yield on cost for scope in Paris. If you could confirm that this number is correct.

[01:14:47.430] - Céline Soo

My fourth question is about governance. How many seats is Caixa getting? Thank you.

[01:14:56.260] - Pere Viñolas

Okay, Céline. Let's see if I got all your questions right. Maybe I go in this last one on governance. There is an assumption that CriteriaCaixa is going to have two seats at the board level in short level in line with their exposure to the share of Colonial.

[01:15:24.120] - Pere Viñolas

Let me see your question. You mentioned another one on non-dilutive EPS and how this could be consistent with a higher yield coming from the asset. I think that there are several things that are happening from, let's say, mathematical point of view. There are these yields that are better, but then there are a number of shares that are issued at the blended price of seven, which has an initial dilutive impact that we have to put hand-in-hand with the previous higher yield, at the same time with the revised expectations that we may have for our original pre-transaction colonial asset.

[01:16:10.320] - Pere Viñolas

It's a mix of everything that when we put all together, we see the shares that we will have at Colonial after the transaction. We see the earnings that will come from the contributed assets. We see an updated view of the original colonial asset. We do this, let's say, bottom-up calculation, and we come with this conclusion. That's more or less my answer to that.

[01:16:40.860] - Pere Viñolas

I will cover another question that you mentioned, the question would be, if I understand correctly, if you are buying resi, why you are selling another resi, like in Méndez Álvaro? I think that maybe the answer is in something that I said before.

[01:16:57.070] - Pere Viñolas

We are in a business that it means two things. One is basically having a vision of what asset you want and basically do a simplistic buy-and-hold strategy. You expect them to have these assets and remain on your balance sheet. Then you have on top of that a capital recycling, a more tactical strategy where you can buy or sell assets based on the value that you have created, on the expectations of additional value that you see, on the pricing that you may receive.

[01:17:37.660] - Pere Viñolas

In the case of Méndez Álvaro, we thought that we were doing a good deal at the time by deciding to sell this. We do not see this inconsistent with now having additional resi assets. In the same way that we've been selling some office assets, and we don't see this inconsistent with investing in another.

[01:18:02.170] - Pere Viñolas

Maybe the important thing about that is something that I mentioned before. We want to be in the resi segment as a natural complement for our office exposure. This would be, let's say, a stable strategy. Naturally, you would see things more to remain than to be transacted. But sometimes it will happen that we buy and sell something based on the current circumstances and the individual characteristics of each asset.

[01:18:35.540] - Pere Viñolas

I think there was a question.

[01:18:37.940] - Céline Soo

Okay, yes. It makes sense. Yeah, on the yield on cost, if you could confirm that.

[01:18:43.040] - Carlos Krohmer

Basically, as you can see in our presentation, we guided 64 million on stabilised range of the portfolio, divided by 1 billion is the yield on cost in excess of 6%.

[01:18:54.020] - Céline Soo

Okay. Do you think it's a reasonable yield on cost?

[01:18:58.780] - Pere Viñolas

Sorry, again.

[01:19:00.720] - Céline Soo

Do you think it's an attractive and reasonable yield on costs right now?

[01:19:07.060] - Pere Viñolas

We think it's a reasonable yield on cost. That's why we're doing this project, correct? Combined with the other factors, it gives a very good IRR. This is why we are doing this. If you allow me, Celina, a personal comment. It's rather personal. I think that at this moment of the cycle, me, myself, I'm more interested in the IRRs of the project and yields and cost that, in my opinion, are too static.

[01:19:33.240] - Pere Viñolas

At the moment, now that you see the yields, and you see the interest rates, I don't want to, let's say, be too much constrained by a simple comparison between yields and interest rates, because the very important element today is that we are in a new cycle where inflation, at the very least, it's a very important element in order to explain everything that is happening.

[01:20:03.590] - Pere Viñolas

Then on top of that, the element that is always there for us as an industrial player is additional value that you can extract in the cash flows that a project can deliver. I think that yield on cost work for me more when inflation and rental growth is not so important. When it is, I like to be more, let's say, close to the IRR analysis, which is in fact the one that I would like to compare with nominal interest rates.

[01:20:38.790] - Pere Viñolas

That's why the answer to your question is, are we happy with the 6% yield on cost? Yes, but we are happy with this yield on cost because it means non-leveraged IRR above 9%.

[01:20:50.190] - Céline Soo

Okay, I hear you. Thank you very much.

[01:20:54.140] - Pere Viñolas

Thank you, Celine. Thank you very much.

[01:20:55.090] - Moderator

Thank you. The next question comes from Ignacio Dominguez from JB Capital. You have the floor.

[01:21:05.730] - Ignacio Dominguez

Good afternoon. Thank you for your presentation and taking our questions. I have two from my side. Firstly, do you plan to refer this residential assets and sell them in the mid term? Or keep them in your balance sheet? Secondly, why now focussing on assets located in Malaga and Zaragoza? Thank you.

[01:21:27.080] - Pere Viñolas

Yes. I think that we still don't have a specific business plan updated for these assets. I think that's still too early to provide guidance of exactly what to do and when. The only thing I can say is that we see potential for rental growth going up as they are today.

[01:21:54.720] - Pere Viñolas

Then on top of that, we have some ideas. The team have some ideas that they would like to explore, and then we will evaluate if these ideas are better than the current assets as they are. In a nutshell, still maybe too late to provide an answer on this now. In the case of Malaga and Zaragoza, I think that they are a complement to the portfolio. It's something that is generating good rent. We see a good potential, and so we are happy with them as part of our portfolio.

[01:22:31.500] - Ignacio Dominguez

Okay, thank you.

[01:22:36.740] - Pere Viñolas

Thank you, Ignacio.

[01:22:37.440] - Moderator

Thank you. The next question comes from Ignacio Romero from Banco Sabadell. You have the floor.

[01:22:47.940] - Ignacio Romero

Yes, hello. This is Ignacio Romero from Sabadell. I have a question regarding just a clarification the asset contribution and what you mean by NTA parity, please. Does NTA parity mean that the gross asset value of the assets contributed is 272 million euros, or does it mean that these assets are valued at the same discount as colonial assets are valued as implied by the share price?

[01:23:29.160] - Pere Viñolas

Yes, Ignacio, thank you. The answer would be as follows. The blended price of this transaction, the number of shares that will be given to Criteria in a change of the cash and the assets contributed is 7.1 pre-dividend. We said that a way to explain how this blended price could be constructed, could be structured. It's on the one hand, taking the wall for last week for the stock price, which was around 5.8 on the one hand, and on the other, yes, looking at an NTA parity, meaning that we would take the valuation existing December 2023 for those assets that are being contributed.

[01:24:30.960] - Pere Viñolas

In order to calculate the number of shares that are being delivered, taking into consideration the existing NTA for Colonial at December 2023, which was 995. In other words, this asset contribution is as if we were paying those assets with shares of Colonial at a value of 9.95 for each share that we are giving in a change of those assets. That's what the NTA parity means. If you look at this leg, this side of the transaction, and then at the other side of the transaction, which was the previous comment on the cash contribution, that's what explains the 7.1. I don't know if that answered properly your question.

[01:25:26.510] - Carmina Ganyet

I'm sorry for add something, Ignacio. This is the way how the price has been structured, but it would be one single transaction, which is a capital increase of 622 at a lended price of 7.1, but it is one set of transaction.

[01:25:47.880] - Ignacio Romero

Okay, very clear. Thank you.

[01:25:49.210] - Moderator

The next question comes from Beltran Palazuelo from DLTV. You have the floor.

[01:25:58.740] - Beltran Palazuelo

Hello. Good afternoon, all of you, Carlos, Pere and Carmina. Sorry to not be as positive as our peers that were talking, but I have a couple of questions, so you can give me a little bit more rational for the operation, because if you really analyse the operation, there's a lack of clarity on a lot of things. First of all, what is the clarity? You were saying the first part of the operation, first of all, capital increase and then NTA parity contributing assets. Criteria contributes assets in Malaga, Zaragoza, and in B parts of Madrid.

[01:26:41.240] - Beltran Palazuelo

We give them super prime assets in Paris, Barcelona, and Madrid. Don't understand. Second of all, you say you do not have a problem of balance sheet, but you're increasing capital at minus 42%. Then you say it is a credit in page 17 of the presentation and say, because you might increase rent 17%, but you also have to remind that we also will have 17% more service. Clearly, there's the illusion of the FFO.

[01:27:15.470] - Beltran Palazuelo

Then, do you really feel comfortable on having, let's say, a semi-public investor in your board that might not willing to take, let's say, decisions only on the value creation? Then, I'm really puzzled if I tell you the truth, that all the board of directors have a proof debt. I'm very happy to talk here in public and say, well, maybe people think different things about this operation, really. If you do not have a problem with balance sheet, keep divesting, let's say, some assets as you have been doing very good and reduce debt.

[01:27:49.310] - Beltran Palazuelo

Why this? It's very, very puzzling, if I tell you the truth. I'm also very puzzled that all the research analysts do not ask the real thing, but as an investor, of Colonial supporting you is what we see.

[01:28:05.180] - Pere Viñolas

Thank you, Beltran, and most of all for the honesty. I appreciate the honesty in your remarks and the ability to discuss on them, and maybe not only today, but in the next few days or weeks, and be able to discuss this further if needed. Going through the different angles of this transaction. Talking about dilution, that is a word that you mentioned in your statements, and talking about the pricing and the quality.

[01:28:42.920] - Pere Viñolas

First of all, just to be clear, we are accepting a transaction where we are delivering shares in a change of asset and cash at the blended value of 7.1 This is 22 % more than the share price of last week. We believe that this in terms of return for shareholders, it's clearly a credit. When going into the analysis of the asset quality, of course, we can have, let's say, an analysis that remains at the specific asset, and we can have at the broader picture.

[01:29:30.860] - Pere Viñolas

Certainly, there are assets that can have a higher quality here and a lower quality there. Well, everything in the end, the better and not so better quality of each asset is translated into evaluation with different rents and different yields depending on the quality. What we basically are agreeing for the asset contribution is an NTA versus NTA. If the asset valuation is correctly done, this doesn't mean that it is dilutive in terms of quality for us. It's fair.

[01:30:05.640] - Pere Viñolas

That's what it means in our view. Generally speaking, we believe that this combination of cash and assets, in terms of the balance sheet of Colonial, we are better off the day after than the day before. That's our view. Then you mentioned the dilution that we should have just because we're issuing more shares. Well, it's not the case, because as I said before, if we...

[01:30:46.440] - Pere Viñolas

It's true that we've been able to do the math, and maybe you still don't have all the capacity not to be in the details, but by doing the detail analysis of the EPS, to take an example. In the EPS, we have on our side assets coming from Criteria that have a higher yield than Colonial. Then second, it's true that because we are issuing the shares that we are issuing, there's also a dilutive impact on the other side. Third is the earning capacity that we see in Colonial as a whole after we look at the cost transaction situation.

[01:31:27.780] - Pere Viñolas

Our number is not a wishful thinking number. It's the number that comes out of our model, and that's why we say EPS is to remain the same. Yes, it's remarkable that it remains the same after issuing the shares that we have to issue in this transaction. We still say EPS, it's not going down because of this transaction. Last comment on the nature of the investor. There we disagree again a little bit, Beltran. We are happy with Criteria.

[01:32:07.240] - Pere Viñolas

We believe that they are a very much institutional investor with a good reputation, with a professional approach to what they do, to a vision in the long term. We are basically comfortable. When I say 'we', again, more than the management, I would like to mention the board as the one who is sharing this view. Sadly, we disagree, but hopefully in your course, with additional discussions, we can come to a more shared view on this transaction.

[01:32:48.190] - Beltran Palazuelo

Thank you very much, Pere, for your detailed answer, but still, for example, the company, Colonial, is not given detailed numbers of accretion. Because, for example, in the page 17, say reversion 46, 19, and 83 from Alpha X, part of the Alpha X. We are in 17 % more shares to get that. Second of all, as you know, you're one of the persons in Spain and Europe that know more of real estate. Yields, lower yields, higher yields, it's not the same as apples to apples.

[01:33:24.480] - Beltran Palazuelo

It's not the same to give a real estate asset in Zaragoza at whatever a yield the best asset in Europe in Paris. Hopefully I would like that a lot of people in the board of directors that have gone for this that really look at the operation and to vote against, because clearly we're diluting the quality and probably we also dilute in the free cash flow of serve. That is our view as our independent shareholder, but also thank you very much for your time.

[01:33:55.320] - Pere Viñolas

Thank you. Beltran. Thank you for your statement.

[01:33:59.230] - Moderator

Ladies and gentlemen, it seems that there are no further questions, so I will give the floor back to Mr. Pere Viñolas to close the meeting.

[01:34:08.430] - Pere Viñolas

Oh, thank you. I just like to thank you for your attention. It's been a very long, very interesting meeting. I hope you like the transaction. On our side, we like very much your contribution, your questions and suggestions. I expect that everything has been very interesting for you. Thank you and have a very good day. Thank you. Bye-bye.