

ALPHA DEEPLABS

[00:00:00] - Operator

Welcome to Alpha Deeplabs 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 *5 on your telephone keypad. I would now like to introduce Mr. Pere Viñolas, CEO of Inmobiliaria Colonial. Please, sir, go ahead.

[00:00:29] - Pere Viñolas Serra

Thank you. Good afternoon. This is Pere Viñolas speaking live from Paris. I'm happy to introduce today also here in Paris to Carmina Ganyet, Chief Corporate Officer. Juanma Ortega, Chief Operating Officer, joining us from Madrid, Carlos Krohmer, Chief Corporate Development Officer, and the rest of the team, joining us from Barcelona. We are very happy today to share with you a new investment opportunity that we have done. It's about a Colonial entering into the science and innovation arena with a lot of promising details. But before going into these details, let's play a small video, very short, that will introduce better what we will be talking about in a few minutes.

[00:01:27] - Video

Innovation, science, and talent need modern spaces to grow and achieve success, and that is what Deeplabs is today, a vibrant ecosystem formed by three interconnected science and innovation campuses, over 138,000 square meters where companies can develop, located within a rare convergence of institutes, universities, hospitals, and research centres. In essence, a place bursting with talent, knowledge, and innovation.

[00:02:03] - Video

At Deeplabs, we are committed to driving progress, that's why we have created bespoke spaces that go beyond the traditional office and lab model, setting a standard of excellence for our tenants. Deeplabs is fascinated by science, excited about innovation, and understands the changing needs of science companies. We are guided by the philosophy of deep science, deep innovation, deep impact.

[00:02:31] - Video

Our mission is to make a positive impact in society by accelerating research and development. With leading campuses in Madrid and Barcelona, Deeplabs is looking to expand its vision and community to new cities and countries. We aim to be part of this change by partnering with the companies and individuals who will drive the world forward and define the future. The future is Deeplabs, science and innovation districts.

[00:03:09] - Pere Viñolas Serra

A little bit as an introduction, what this investment is about. Let me now be a little bit more specific about what we are presenting here today. We are presenting a specific investment, but as important as this investment is the context and the future beyond this specific investment. The investment is about Colonial buying an existing portfolio, which is today the leader in the life science, science and innovation sector in Spain for a total amount of around €200 million. This is what the deal is about.

[00:03:48] - Pere Viñolas Serra

I think that more important than the investment on this existing portfolio is to understand the context of what is beyond this initial investment. Colonial is investing in this existing portfolio because of the quality and returns of this portfolio, as we will see later, but also because this is a first stage of a strategy that has to go very well above this initial milestone.

[00:04:23] - Pere Viñolas Serra

What Colonial is doing is investing, first of all, into a build-up strategy based on the global megatrends accelerating the need for science and innovation space. It's about demographics, it's about technology, it's about geopolitics. These are megatrends that are supporting this accelerating need for science and innovation space. We are investing in an existing portfolio, but we are here also to invest in a megatrend, in a build-up strategy.

[00:05:04] - Pere Viñolas Serra

It's not only about investing in this asset class, it is also about how are we investing in this asset class. We are doing this through a unique partnership between Colonial and Stoneshield. Stoneshield is a very well-recognised leading asset manager with a fantastic track record in the science and innovation field, and we believe that together we can create a success history, and therefore this alliance is also a fundamental part of our investment.

[00:05:41] - Pere Viñolas Serra

We are also structuring this new strategy, not only based on this alliance between Colonial and Stoneshield, not only with this investment being done by Colonial, but opening this opportunity to third-party money that is with a new business model to be developed that will allow us to fulfil our goal, which is the pan-European ambition of creating the leader in the science and innovation segment.

[00:06:20] - Pere Viñolas Serra

An ambition that today is about the existing portfolio that we are investing in, but it's also, as I said, about growth. It's about short-term growth, and it's about long-term growth. Short-term growth, it's about 700 million of identified pipeline in the short-term that we can achieve. It's about long-term in a scenario where we can target in excess of 2 billion of investments across Europe.

[00:06:54] - Pere Viñolas Serra

As you will see, it's about asset classes, new asset classes in the science and innovation field. It is also about Europe. It's about where Europe is today and the opportunities that it offers. Of course, it's about returns. As we will see later on in the presentation today, it's investing into a vertical that allows for a stabilized yield on costs between the range of 7% or 8%, and it's about long-term IRRs of double digits in the field of 15%.

[00:07:31] - Pere Viñolas Serra

These are the main characteristics of this investment, which, as I said, is about seizing the European real estate opportunity behind a strategic growth. Maybe an additional comment that I would like to make, and I am in the slide 7 of the presentation, is that this investment is fully consistent with our strategy in Colonial.

[00:07:58] - Pere Viñolas Serra

As you know, Colonial has, for many years, been focused on a strategy where, on the one hand, Colonial had a good recognition for an irreplicable portfolio of trophy assets in the office arena, oriented to long term capital preservation and growth. But it was also about putting at work the capabilities of Colonial in urban transformation, in creating new top products, in expanding into high-flow industries with increasing demand.

[00:08:37] - Pere Viñolas Serra

We already gave some examples of this last year with the Alpha X initiative. This investment opportunity that we are presenting today is about expanding into this philosophy, is about expanding this capability into a new segment of thriving ecosystems. Therefore, as I said, it's not about reshaping Colonial strategy, it's about being consistent with this long-term strategy.

[00:09:12] - Pere Viñolas Serra

Alpha X were a number of projects that we presented last year. This science and innovation SOCIMI are the projects that we are launching this year as part of this alliance with Stoneshield. This falls within our long-term strategy of matching together the core pricing power of a long-term exposure to a prime office product with value-add, urban transformation opportunities as the one that we are presenting today.

[00:09:45] - Pere Viñolas Serra

In the next sections of this presentation, we'll be presenting a little bit the rationale of this investment as a sector, later on, the specificity of the European leader where we are investing right now, and finally, the growth profile and returns that this investment opportunity is offering. Please, Carmina, step in on section number 2.

[00:10:10] - Carmina Ganyet

Thank you, Pere. In this section, as Pere mentioned, we are going to analyse the main driving forces that underpins the proposal we present today and why we especially think that now it's the key moment. I am in page 10. As you know, the science and innovation sector is an ecosystem of interconnected industry involving diverse knowledge-intensive corporates, highly specialized.

[00:10:34] - Carmina Ganyet

The global market is expected to be more than \$6.3 trillion, with significant expected for future growth on the back of megatrends. This means this growth means increasing demand for science and innovation, real estate, and specialized space. The growth estimated at 14%, backed by multiple underlying industries across pharma, biotech, medtech, technology, energy, defence and security and research and development.

[00:11:03] - Carmina Ganyet

Size and growth reinforce the momentum. This momentum is not just now. I'm on page 11. We strongly believe that the market of reference of the science and innovation, backed by a clear

megatrend, as you have seen, is not conjunctural. It could be here, it can be here, will be here for a while. Why we believe this is an important avenue for the coming years? Different factors playing into our favour.

[00:11:31] - Carmina Ganyet

Demographic factors, ageing population, expectancy of life as a key driver, especially in Europe, where the population over 65 years old will increase 43% versus 2019. As well as technology, artificial intelligence is accelerating strategic discoveries, and especially in US, the size of semiconductor market is expected in 2030, increasing four times, as well as quantum computing, 14% in a yearly basis. Finally, geopolitics, the important bet by Europe through an ambition plan to fund value-added industry and defence and security, accelerating the strategic autonomy for Europe.

[00:12:16] - Carmina Ganyet

In page 12, this ambition is being strongly pushed by recent announcement in Europe with an unprecedented plan of expenditure and investment across the key science and innovation industry, allocating a government budget for R&D, research and development, expecting to double in 2030, and with annual expenditure increasing by three times, so that means the opportunity we present today is the right moment and in the right place. The big bet for Europe is an important tailwind accelerator and is sizing the Europe real estate behind the strategic autonomy of Europe.

[00:12:59] - Carmina Ganyet

This sector is more location-specific. In page 13, we show you who drives the locations, where the ecosystem can be built through a quadruple helix model: government, civil society, universities, and business. This location concentrates skills and talent pool of people, capital, meaning high-quality tenants and a specialized knowledge industry.

[00:13:29] - Carmina Ganyet

Consequently, on page 14, based on the science and innovation, real estate remains the key emerging sector in Europe, with an alternative real estate by forms in clusters. Europe becomes a growth destination for this industry, supported by a significant strategic commitment to Europe, as we have highlighted in the previous pages, and by organic megatrends, as we have been sharing.

[00:13:57] - Carmina Ganyet

Capital inflows in 2023 in Europe for this sector have been 45 billion, increasing 18% since 2020. This environment creates a unique opportunity attracting global demand in Europe. We strongly believe in the good momentum for this industry.

I am in page 15.

[00:14:20] - Carmina Ganyet

Europe is a less mature market in comparison to other international markets, with a strong growth, projections especially in Europe, and with very few consolidated locations with specialized infrastructure. We see critical and the supply of strategic innovation infrastructure across Europe, and this is why we strongly believe that it's a good opportunity for now this investment we present today.

[00:14:47] - Carmina Ganyet

This momentum also for Barcelona, Madrid, and Paris as an international science innovation destination, where strategic infrastructure for European sovereignty in this field is located as well. Especially, where Colonial has a strong presence and Deeplabs has been starting this activity in Madrid and Barcelona.

[00:15:08] - Carmina Ganyet

Let me start some comments about Barcelona. I am in page 16. Barcelona is the favourite city for research and development investment. Let me give you some indicators. In the appendix, by the way, you have more detailed KPIs on different cities. But in the case of Barcelona, more than 50,000 students across 12 specialized science innovation universities, 12,000 researchers, being number three in Europe.

[00:15:40] - Carmina Ganyet

Approximately represents this sector 8% of the GDP, 7% of the employment, the second job creation in Europe, and the third-largest economic sector. This is the reason, by the way, why AstraZeneca decided to allocate the new hub of more than with 1,000 employees in Barcelona and with an additional expansion plans as well in the city.

[00:16:06] - Carmina Ganyet

A very important driver, you can see here some examples of the strategic infrastructure, but one of the important driver in life science is the clinical development. Barcelona, I don't know if you are

familiar with, but it's very well positioned, meaning that in clinical trial in advanced therapies, it's number 4 in Europe and number 8 worldwide.

[00:16:34] - Carmina Ganyet

Highlighting some of the infrastructures you can see here, some examples in this page, the Supercomputing Center, for example, is one of the most important in Europe, critical for life science, climate change and developments, and artificial intelligence, quantum computing, and the chips industry. This is the reason that recently, InnoFAB, a very strategic European project has been decided Barcelona, or has selected Barcelona to allocate the large generation microchips factory for the semiconductor industry. It is very key for the Europe strategy, as you know very well.

[00:17:14] - Carmina Ganyet

Another key infrastructure of Europe for its strategic innovation plan is the Synchrotron Park. It's number seven. The accelerator of electrons, which are very few in Europe, by the way, and it's used by a lot of researchers and innovation industry. These are some examples for Barcelona.

[00:17:36] - Carmina Ganyet

Let me jump in Madrid in page 17. Madrid is another existing key location of Deeplabs today, and it's another important hub of international biomedical and innovation centres. Takeda, GlaxoSmithKline are some of the examples. In the same line, a lot of well-known international research institutes. You can see here some examples. But some biology centres, biotechnology and genomics centres are some of the strong ecosystem that attracts new innovation hubs and international talent.

[00:18:11] - Carmina Ganyet

In the defence and security field, Indra, is a prominent, as you know, Spanish defence and tech company. In Tres Cantos, where Deeplabs has an important presence, there is a space hub focused on satellite communications technology. Civil Space Command, the National Institute of Outer Space, are located in the area, and collectively contribute to Madrid's role as a centre node in defence and security innovation scape.

[00:18:39] - Carmina Ganyet

Finally, you know that we have also our presence in Paris. We have a lot of capacities as well in this large science and innovation destination, which is Paris. This is as well an important network of

world-class research institutes such as Institut Pasteur, Université Paris Cité, the Centre national de la recherche scientifique. You have here some examples.

[00:19:04] - Carmina Ganyet

This is the major players of medical and digital health as well, have a very strong presence in this city, such as Sanofi, Ipsen and Pfizer, among others. Recently, France has also launched a new updated innovation plan for 2030, has been updated at a higher scale, €7.5 billion, to reinforce the destination of Paris as an important hub for this industry.

[00:19:36] - Carmina Ganyet

As a conclusion, not only the megatrends are an important lever for the growth in demand and a specialized demand for adequate infrastructure for this industry, but also the strong commitment and the ambitions for Europe in innovation, technology, defence, and security reinforce the momentum.

[00:19:56] - Carmina Ganyet

Our presence in the market, Colonial is present in Madrid, Barcelona, and Paris, as that is all of them a clear destination due to the strength of the ecosystem and a strategic infrastructure, reinforce, especially the alliance we present today with the Stoneshield as a unique opportunity to invest today in the science and innovation real estate. This partnership with Colonial Stoneshield becomes an early mover aligned with our long-term strategy.

[00:20:27] - Pere Viñolas Serra

Thank you. We now enter the new section, Juanma, when you wish.

[00:20:34] - Juan Manuel Ortega

Thanks. Now in this section, I will describe how we are going to capture the beauty and the value of the megatrends explained by Carmina by offering the right product to the clients in the science and innovation arena. For that, let me walk you through what we have acquired with Deeplabs and how this platform sets the stage for our ambition to become a leading pan-European science and innovation player.

[00:20:58] - Juan Manuel Ortega

Let me move to slide 20. What are we buying, and where are the strengths of this platform? We've acquired a powerful innovation platform, 22 assets across two hubs, MASID and BASID, located in



the cities of Madrid and Barcelona. That is five properties in Barcelona accounting for 60,000 square meters, and 17 properties in Madrid accounting for 87,000 square meters. It's not just about real estate, it's also about the team behind it, a solid group of both real estate and science professionals who created from the scratch and operates the platform.

[00:21:36] - Juan Manuel Ortega

What makes Deeplabs to stand out? First its scale because it's already a leader in Spain with a strong market share of 33%. Second, the ecosystems it has built. It is about dynamic environments that mix workspaces, wet and dry labs, research and development areas, amenities, and much more. This has been possible thanks to this talented team.

[00:22:01] - Juan Manuel Ortega

The team knows how to transform outdated assets into high demand customised innovation spaces. The team has strong sourcing skills. They are a great spot in opportunities where it's turning existing space into lab or acquiring assets with triple net leases, where the team offers different options to tenants to make the most of the opportunity of its critical infrastructure.

[00:22:25] - Juan Manuel Ortega

I'm now on slide 21, and this is about the ecosystem in action. As I mentioned, the mix of experienced people and strategic hubs has created a real ecosystem. Looking at the map on the right-hand side, you'll see the hubs in Madrid and Barcelona. These clusters have been created by Deeplabs through many different acquisitions.

[00:22:46] - Juan Manuel Ortega

The tenant mix includes major pharma companies, biotech firms, manufacturing, research institutions, among others. Good idea of it, just have a look to the corporate logos in this presentation. Sector-wise, the portfolio touches many key areas. 30% of the clients comes from the pharma biotech-medtech industries, 20% are space, defence, and mobility, and circa 11% automotive and telecom.

[00:23:17] - Juan Manuel Ortega

How is the value growth captured? It is through an integrated platform with strong operational expertise and tailored approach. Deeplabs and Colonial share two core strategies. The first one is the Alpha strategy that Pere was mentioning before, and this is about creating tailored work

environments that fit client needs. The second one, also mentioned in this presentation, is about the urban transformation strategy, creating spaces and neighbourhoods.

[00:23:45] - Juan Manuel Ortega

Together, both the strategies plus the operational matter of Deeplabs team and consulting support from Biolnnova, we are bringing real value into this transaction. It's not just about the space, as I said, it's about how it's managed and used.

[00:24:02] - Juan Manuel Ortega

I'm now in slide 22. Let me introduce what's the value proposition of the deal. In terms of product design, we are talking about specialised spaces, wet labs for microbiology, biochemistry, cryotanks, etcetera, dry labs like data visualisation rooms, computation centres, research and development workspaces, tailored to technical needs. That is in terms of product design.

[00:24:28] - Juan Manuel Ortega

In terms of clients, I think it's important to highlight, why do science and innovation tenants stay longer? This is because the spaces require heavy investments, equipment, certifications, critical infrastructure, and what they do cannot be done remotely. That creates strong tenant stickiness.

[00:24:49] - Juan Manuel Ortega

Finally, in terms of results, having into consideration the product design and the clients, we achieve rental premium, longer contract durations, and from a value perspective, a resilient portfolio with greater liquidity and yield compression. In the end, 40% to 50% increase in workspace rental values, plus three times the rent in the space devoted to labs and technical facilities. Here you can see on the right-hand side, a real example in one of the properties in Madrid, which is in Encuartes 19.

[00:25:26] - Juan Manuel Ortega

Finally, let's move to slide 23. After describing what we are acquiring, let me go to what are we building from here. Looking ahead, we see a clear path for growth, not just in Spain, but across other European clusters, as it was introduced by Pere at the beginning of this presentation. We are targeting markets with supply constraints with a strong innovation fundamentals.

[00:25:53] - Juan Manuel Ortega

We have a pipeline of €2 billion, and 40% of it is already identified. That was referred as the short-term pipeline, including €200 million in advanced negotiations or under exclusivity in cities like Madrid, Barcelona, and beyond. We want to capitalise on a first mover advantage. Together with the joint capabilities of Colonial and Stoneshield, we're confident we can accelerate that growth, bringing in third-party capital to scale up quickly and efficiently.

[00:26:28] - Juan Manuel Ortega

To sum up, we're not just buying a portfolio, we're something that successfully works. We're investing in a platform with proven execution, strong fundamentals, and with the opportunity to replicate the model across different European destinations. Thanks all for your attention. Let me now hand back over to Pere Viñolas.

[00:26:49] - Pere Viñolas Serra

Thank you, Juanma. Let's now talk about returns and growth profile. As Juanma was saying, this is about three things. First of all, it's about investing in the existing portfolio. Second, it's about a build-up strategy. Third, it's about putting at stake the asset management capabilities that Colonial has. It's about these three components that we are talking about returns.

I'm now on page 26.

[00:27:28] - Pere Viñolas Serra

Let's talk first about the existing portfolio, which is, roughly speaking, €400 million. Here we are talking about the 130,000 square meters, the leading portfolio in Spain, an existing reality already, a proven concept. Here we are talking about a combination of yielding assets, some pre-leased assets, and some additional projects. Here we expect a stabilised yield on cost between 6% and 7%, and this is the base case of the returns of this portfolio.

[00:28:09] - Pere Viñolas Serra

Then it comes the second part, which is the short-term pipeline. Maybe the most important idea about this short-term pipeline is the visibility. We already have very high visibility on the investment opportunities that our platform can acquire, and therefore we can do some assessments on the returns based on solid fundamentals. In this respect, we expect a second layer of yields in this range between 7% and 8% of stabilised yield on cost.

[00:28:48] - Pere Viñolas Serra

Finally, there is this growth ambition, the acceleration of this business model, and the idea of doing this through asset management on third-party capital. If we put these three things together, and on the next slide, we are talking about an estimated Geared IRR of 15%, and we are talking about a stabilised yield on investment which is above 10%. It's a double-digit. Certainly, it's an opportunity with very high returns in return of the hard job that we expect to do here.

[00:29:35] - Pere Viñolas Serra

Implications of this for shareholder value. First, we believe that regarding NTA, this will be slightly accretive in the short-term, but definitely accretive in the long-term, as anyone could imagine with this kind of returns. Certainly, will mean an important growth of the assets under management of the company.

[00:30:07] - Pere Viñolas Serra

Concerning the EPRA EPS, we believe that the combination of existing yield income-producing assets and new projects will mean that in the short-term, the EPS will be very slightly accretive. In other words, we do not change the guidance that we've provided to the market for 2025.

[00:30:34] - Pere Viñolas Serra

On the other hand, we believe that this portfolio can be very accretive in the midterm. Some back-of-the-envelope numbers, also our more precise modelling, what is telling us is that this can add approximately 3 cents to our EPS in the midterm. I'm talking about 2027, 2028. Last but not least, all of this is designed to be done within a framework of a stable EPRA LTV. That means without any harm or without any downside on the solvency of our capital structure. Therefore, very good prospects in terms of returns.

[00:31:27] - Pere Viñolas Serra

Let me now go through some final conclusions. First of all, as I said, this is an initiative that is rooted in the long-term strategy of Colonial. You know that we see ourselves not only as a holding company of irreplaceable assets, we see ourselves as a unique platform that, as I several times mentioned, most of these unique assets that we own is because at some point we manage them as we transform them. It's a company that has solid grounds in a trajectory of urban transformation.

[00:32:10] - Pere Viñolas Serra

In this respect, we have long-term had a strategy of putting together a portfolio of stable yield income producing assets with very good growth profile, our unique portfolio of trophy assets, but also this hand in hand with our capacity of putting urban transformation capabilities at stake and devoting some of our portfolio, around 10% of our portfolio, in value-added initiatives. It's in this context that we see this investment in science and innovation in the alliance with Stoneshield.

[00:32:53] - Pere Viñolas Serra

First of all, the first message is about consistency in the strategy of Colonial. The second, of course, is a message of confidence in the strong growth that the science and innovation space will have in Europe and is already having. It's a number of things that are happening at the same time. It's about demographics, an ageing population that is having an impact in the growth of science.

[00:33:26] - Pere Viñolas Serra

It's about technology and all of the impact that have in innovation. It's also about geopolitics. I think that Europe is changing. Europe is changing in the direction of more growth, more spending, more innovation. It's crystal clear that the deglobalisation is reshaping the European landscape. Is it on the back of all of these megatrends that we see this opportunity as an important one.

[00:34:01.760] - Pere Viñolas Serra

Not forgetting that as Juanma explained, this is not about global megatrends only. It's about micro returns obtained through real estate management based on our capabilities. As I said, this investment opportunity, it's about a combination of things. What we're presenting today is the investment on a portfolio, 200 million being invested on very solid grounds, but it's also about investing in a build-up strategy, it's about investing in a new business model, it's about investing in a new environment of growth.

[00:34:52] - Pere Viñolas Serra

All of this is based on this alliance with Stoneshield, but it's also based on the existence already of a prime leader of Deeplabs, which is the main operator in science and innovation in Spain, will be the basis for this growth strategy. Well, this is the presentation we wanted to share today. Thank you for your attention. Now, as usual, we will be open to any questions you may have. Thank you.

[00:35:27] - Operator

Ladies and gentlemen, the Q&A session starts here. If you wish to ask a question, please press *5 on your telephone keypad. Thank you. The first question comes from Mr. Adam Shapton from Green Street. Please, sir, go ahead.

[00:35:49] - Adam Shapton from Green Street

Hello, Pere. Hello, team. Thank you for the presentation. I hope you can hear me okay. I have a lot of questions, but I'll stick to two. First is, what do you envisage being Colonial's share of the JV in the long-term? Obviously, the initial investment, but as you invite third-party capital and work towards a target AUM of about two and a half billion euros, what would you expect your share to be? Maybe why would you not have ambitions to fund the whole thing yourself with an operating partner?

[00:36:29] - Adam Shapton from Green Street

Then maybe more of a real estate question. Just wondering what the mix of lab space and conventional office space is that you'd envisage for the portfolio? I mean, science and innovation can be quite a broad term, including all the types of lab space you mentioned, but it could equally be conventional office for science and innovation company. I wonder what the mix of lab and other would be in the 2 billion with AUM. Thank you.

[00:36:59] - Pere Viñolas Serra

Thank you, Adam. Very, very good question, both of them. I think that regarding our long-term share, first of all, of course, we always have in mind our capital structure and its strength. We are a company with a reputation of holding solid fundamentals. Basically, that's one of the constraints in order to have this long-term view. I would say that here there will be three phases. The phase number one is that Colonial is, of course, holding the major share of this existing investment because they are the founding investor at this stage in this portfolio together with Stoneshield.

[00:37:50] - Pere Viñolas Serra

Then second phase, I think that is key to leverage on the appetite that third-party money, third investors will have. This is not only about money, it's also about strategy, and it's also about returns. We will be diluting our share in this platform, we understand that we should go below 50%. Let's say that a 40% number in the midterm would be reasonable.

[00:38:29] - Pere Viñolas Serra

Then, as you suggest, well, maybe depending on the trends and returns and the performance, different things may happen. We may increase again or down, that will depend on the long term.

We don't have a rigid view on this. I think that the initial phase is for us to give a little bit of room to third-party investors and to dilute ourselves below 50%.

[00:39:00] - Pere Viñolas Serra

Your second question is about the mix labs versus office. Before going into this specific question, let's also say that we will pay a lot of attention about the right combination between actual cash flow versus great ideas. When you are in this sector with growth, you have to be wise and prudent in putting together existing streams of cash flows with solid growth together with a great capacity that some new ventures may offer. That's another combination that we will have very present in our thoughts.

[00:39:43] - Pere Viñolas Serra

Answering your question, we believe that wet and dry labs will have a share of 25% of the total assets on the management, always bearing in mind that all of this exposure would be to this science and innovation sector. Therefore, even if its offices will be a very unique cluster that will have a specific focus to this vertical. I also wanted to emphasize, as I said before, it's not about a narrow view of, let's say, health care, of life science. It's about this. It's about energy sector. It's about technology. It's about defence. It's about a number of sectors, but that was the answer to your question. Thank you, Adam.

[00:40:36] - Adam Shapton from Green Street

Great. Thank you. Sorry. Can I just have one supplemental just on the JV? Do you expect to earn fees? Do you expect to earn fees in the long term as you bring in third-party capital? Will there be fees flying to the Colonial?

[00:40:49] - Pere Viñolas Serra

Yes. The business model is based on this assumption. In fact, we are partnering with one of the leaders in this with a very successful, proven track record in doing this for a number of years with several billion under management. Yes, this is a part of our business model in this phase. I think that it's also wise, if you may allow me the expression, in the current environment that we have.

[00:41:18] - Pere Viñolas Serra

I think that when you have a platform like Colonial, it is wiser to expose them to, let's say, capital markets as we know them in direct capital markets, but also leverage on your capabilities to also put your values at stake with the access to private capital or third-party money, which is a way to leverage the returns that in the end we're offering to our shareholders.

[00:41:45] - Adam Shapton

Great. Thank you.

[00:41:48] - Operator

We have another question from Veronique Meertens from Kempen. Please, ma'am, you have the floor.

[00:41:59] - Veronique Meertens from Kempen

Good evening all. Thank you very much for the presentation. Also, a few questions on my side. Maybe to start, just so I understand correctly, what's now exactly Stoneshield's share in the JV now in Deeplabs, because you're acquiring for 200 million for 400 million of assets?

[00:42:19] - Pere Viñolas Serra

Yes, Veronique. Look, there are two different levels. Here we are talking first about an asset management company where Stoneshield and Colonial will be partners or are already partners at a 50% basis, both in equal terms. That would be the management company of the portfolio. Then at the portfolio level, at the beginning, at this moment, Colonial, because of this investment, will be holding 90% of the property of the existing asset.

[00:42:54] - Veronique Meertens from Kempen

Thank you. That's very clear. Then maybe you mentioned the short term and 700 million of assets identified. What is short term, is that 1 to 2 years, or what should I think about?

[00:43:08] - Pere Viñolas Serra

Yes, we wonder about this, too. No, look, I think we are talking about 1 year because there's a lot of work that has been done on the next layer of pipeline and the appetite of the investors is there. That's why we are very precise in identifying this, let's say, short term pipeline, because we would like to execute this part in a period that would be more close to 1 year than to 2 years.

[00:43:45] - Carmina Ganyet

Veronique, sorry, there is a pipeline that are in the same areas that today Deeplabs is being developed. There are some tenants that they are willing to expand and to strengthen the campus. We have been identifying additional, I would say, assets in the same areas that we are now developed. It's very active.

[00:44:12] - Veronique Meertens from Kempen

Very clear. Thank you. Then maybe on valuation of these assets, what yields in the end do you think you can get on these assets? What development gains do you expect on these developments or redevelopment?

[00:44:26] - Carmina Ganyet

Well, the strategy is a triple net lease. They have the capacity, this platform, as well we as Colonial are very close to our tenants to do some transactions in the line of sale and leaseback, so this triple net lease strategy. As we said, they are yielding assets and repricing and re-rating and the refurbishment or reconversion into potentially some part of wet labs or dry labs provide this additional yield. This is why the expected yields, even being a yielding asset, it's stabilized in 7%, 8%.

[00:45:13] - Veronique Meertens from Kempen

That's a good experience. What gains do you expect to make on this or nothing significant?

[00:45:20] - Pere Viñolas Serra

Can you repeat, Veronique? The line was cut for a second. Can you repeat?

[00:45:24] - Veronique Meertens from Kempen

What development gains, for instance, for that 700 million pipeline that you have, what do you have in mind there?

[00:45:32] - Carmina Ganyet

Yes, in this range, as we highlight, 7%, 8% yield.

[00:45:40] - Veronique Meertens from Kempen

Maybe one last for the 700 million. That's already for third capital, just to be sure?

[00:45:46] - Pere Viñolas Serra

Yes.

[00:45:47] - Veronique Meertens from Kempen

The second phase?

[00:45:49] - Pere Viñolas Serra

Yes.

[00:45:50] - Veronique Meertens from Kempen

Thank you very much.

[00:45:52] - Pere Viñolas Serra

Thank you, Veronique.

[00:45:56] - Operator

We have another question from Emmanuel Clouard from Jefferies. Please, sir, go ahead.

[00:46:04] – Pierre-Emmanuel Clouard from Jefferies

Yes, thank you. Good evening. Actually, I have a couple of questions on my side. Can you give us the average age of the portfolio, the existing portfolio, excluding the pipeline?

[00:46:17] - Pere Viñolas Serra

Maybe Juanma, you can deal with this one.

[00:46:21] - Juan Manuel Ortega

Most of the portfolio has been recently renovated since 2021. I'll say that from renovation for 4 years. The assets requiring transformation are currently underway. It's an updated real estate portfolio.

[00:46:44] - Pierre-Emmanuel Clouard from Jefferies

Can you give us an idea on when those buildings have been built?

[00:46:50] - Juan Manuel Ortega

These buildings were built... You mean acquire?

[00:46:56] - Pierre-Emmanuel Clouard from Jefferies

No, built.

[00:46:58] - Juan Manuel Ortega

The buildings in the northern region of Madrid were built between 1990 to 2010. It's a diversified range of building age, because this is not that they came, and they acquired one portfolio of assets. They were acquiring many different assets to conform the existing ecosystems.

[00:47:29] - Pierre-Emmanuel Clouard from Jefferies

In terms of CapEx plan in 2025, 2026, can you give us a broad breakdown, how the €700 million that you want to spend?

[00:47:44] - Juan Manuel Ortega

From the existing portfolio, there is still 21 million included in the price to be deployed as CapEx. For the €700 million, most of the already pipeline in 2025 is not requiring a lot of CapEx. It would require light CapEx and re-transformation.

[00:48:08] - Pierre-Emmanuel Clouard from Jefferies

Maybe a final one. What is the average price per square metre of the existing portfolio, and if you can give us more colour, is there a big discrepancy between Madrid and Barcelona?

[00:48:22] - Juan Manuel Ortega

Yeah, the Euro per square meter is quite appealing because it's below replacement cost, standing at €2,700 per square meter. The distribution in Barcelona and Madrid, it's more or less equal. It's not a big difference. It's not a big difference in rent either. The blended average is 2,700, including the Capex, to be deployed as a measure before the €21 million.

[00:48:52] - Pierre-Emmanuel Clouard from Jefferies

Thank you very much.



[00:48:54] - Juan Manuel Ortega

You're welcome.

[00:48:57] - Operator

There's another question from Ana Escalante from Morgan Stanley. Please, madame, you have the floor.

[00:49:07] - Ana Escalante from Morgan Stanley

Hello. I have a question about the long term weight of this opportunity, because if I understand it correctly, the total pipeline of 2 billion, that's the gross assets we're talking about, or that's Colonial's expected investment. Because even if it was all from Colonial, that would represent what? Maximum 10% of your portfolio, assuming you keep the 50% stake, maybe 40%, even less.

[00:49:39] - Ana Escalante form Morgan Stanley

I don't know. Why do you think this is going to turn the story... Another way to ask the question, if you think that this is the most interesting story at the moment, why doing only 200 million at the moment and aiming for 10% of the portfolio? Why not doing more? Is it because of balancing constraint, because this is more experimental and therefore, conviction will come with time? Or why not doing more?

[00:50:14] - Pere Viñolas Serra

Yes. Thanks, Ana. We don't exclude doing more. We want to do this in different stages. As I said, first of all, we are taking almost everything that is available today, like 90%. Second, we believe that it's strategic and even better for the history to allow for third-party money to step in. Then third, this becomes more uncertain, in the midterm, we may consider doing more or doing a lot more. That will depend on the prospects.

[00:51:01] - Pere Viñolas Serra

What is true, following your statement, is that at this moment, yes, you're right, this is not changing the history of Colonial. This is part of our value-added portfolio. This is part of the 10% of the assets under management that we invest more in urban transformation. With these levels, we are not going to change the balance sheet of Colonial. But yes, what we are going to do is to enhance your returns in a significant way, even only with this in the midterm.

[00:51:38] - Pere Viñolas Serra

As I said before, our expectations in terms of EPS, this may add like a 3 cents in just 2 or 3 years. It's about, let's say, return enhancement or EPS enhancement is not about revisiting our history. You're right in this. It's true that this is an initial investment, and we remain open to take advantage of this if the opportunity arises. We believe that in the short term, it's strategic to open this to third-party capital.

[00:52:23] - Ana Escalante from Morgan Stanley

Thank you for the answer. Then in terms of the K-Lab, is the initial target to keep that split in terms of Opco/Propco under which Colonial will own most of the assets, particularly thinking on different geographies where you are versus the ones that you are currently present at the moment? Or will that come mainly for the asset management capabilities, but not necessarily from an asset ownership point of view?

[00:52:54] - Pere Viñolas Serra

Well, first of all, at the asset management level, this is a long-term alliance between Colonial and Stoneshield. We are investing here together with the belief that this is a fantastic history for the long term. In that sense, we have a share a joint venture, 50/50, that is here to remain, clearly speaking.

[00:53:22] - Pere Viñolas Serra

At a different level about exposure of Colonial at the asset level, yes, at the beginning, our exposure is 90% because of this strategy of growth on one side, and second, giving access to private capital. Our central scenario is that our presence should be diluted even below 50%. That would be our midterm projection central scenario. After that, as I said, our strategy will be revisited, but that will be our initial base case.

[00:54:06] - Ana Escalante from Morgan Stanley

Thank you.

[00:54:07] - Pere Viñolas Serra

Thank you, Ana.

[00:54:10] - Operator

It seems that there are no further questions. I'll give back the floor to Mr. Pere Viñolas to close the session.

[00:54:18] - Pere Viñolas Serra

Well, it has been a pleasure to share with you this new initiative. It's a very interesting one. It's a new one, so it's not business as usual. That particularly means that we are, as always, but even more in this circumstance, fully available to additional questions, inquiries, or anything that you would like to share with our teams. We'll be very happy, because there has been a hard work that has been done in order to be today in this situation.

[00:54:55] - Pere Viñolas Serra

Behind what we have been presenting today is a very well-grounded analysis of individual properties, and it's a very well-grounded business plan supporting this. This needs, of course, being familiar with this. We are very much open and available to have additional contacts with you.

[00:55:20] - Pere Viñolas Serra

Having said that, thank you very much for sharing this with us today, and I hope to be with you talking about new returns on this soon. Thank you and have a very good day.