

*Projecting Financial Statements*

# **THE P&L**

# Projecting the P&L

## *Top Line Projections – Rental Income*

Alstria Model P&L – Projecting Rental Income

---

- We are now ready to begin projecting the P&L, beginning with Rental Income. For this we need to project:
  1. Organic growth: growth prospects for the in-place rental income from the existing portfolio, including redevelopment of existing assets
    - a) Note: Some development activity is modeled within **JV Income and Other** (not within rental income) as AOX has two development projects in 49%-owned JVs, more later.
  2. External growth: growth from new acquisitions, less rent lost from asset sales

# Projecting the P&L

## *Organic Rental Growth (cont'd)*

Alstria Model P&L – Projecting Rental Income

---

- To project organic rental income we:
  1. Choose temporary placeholder values (best guesses) for our organic rental growth rates
  2. Project organic rental income as a function of those placeholder growth rates & last year's actual rental income
- Note: We will refine our temporary placeholder assumptions at a later time, using published financials, and management guidance

# Projecting the P&L

## Organic Rental Growth (cont'd)

### Alstria Model P&L – Projecting Rental Income

- Set up **Rental Income Organic** as a simple growth formula using temporary growth rates and last year's actual **Total Rental Income**

### Placeholder Growth Rates & Organic Growth Calculation

| Function Library |                          |         |              |
|------------------|--------------------------|---------|--------------|
| D3               |                          | $f_x$   | $=C6*(1+D4)$ |
|                  |                          |         | D            |
| 1                |                          |         |              |
| 2                | Alstria Model            |         | 2011E        |
| 3                | Rental Income - Organic  | 102,510 | 89,094       |
| 4                | Organic rental growth    | NM      | -13.1%       |
| 5                | Rental Income - External | NM      | NM           |
| 6                | Total Rental Income      | 102,510 | 89,094       |

① Choose temporary organic growth rate: D4 = 2.0%

② Calculate **2011E Rental Income – Organic**:  
 $89,094 \times (1+2.00\%) = 90,876$

↔

D3 = C6 x (1+D4)

# Projecting the P&L

## Organic Rental Growth (cont'd)

### Alstria Model P&L – Projecting Rental Income

- Calculate **Total Rental Income** and copy the formulas over

#### Total Rental Income & Copying Over Formulas

| Function Library |                                |         |        |             |        |
|------------------|--------------------------------|---------|--------|-------------|--------|
| D6               |                                | fx      |        | =SUM(D3,D5) |        |
|                  | A                              | B       | C      |             |        |
| 1                |                                |         |        |             |        |
| 2                | Alstria Model Income Statement | 2009A   | 2010A  | 2011E       | 2012E  |
| 3                | Rental Income - Organic        | 102,510 | 89,094 | 90,876      | 92,693 |
| 4                | Organic rental growth          |         | 13.1%  | 2.0%        | 2.0%   |
| 5                | Rental Income - External       |         | NM     |             |        |
| 6                | Total Rental Income            |         | 89,094 | 90,876      | 92,693 |

② Highlight 2011E:  
HOLD DOWN SHIFT + ARROWS

③ Copy over 2011E to 2012E:  
HOLD DOWN CTRL + C  
ARROW to 2012E  
ENTER

① Calculate **2011E Total Rental Income:**  
 $90,876 + 0 = 90,876$   
 $\Leftrightarrow$   
 $D6 = \text{SUM}(D3,D5)$

# Projecting the P&L

## *Rental Income – External Growth*

Alstria Model P&L – Projecting Rental Income

---

- We next focus on external growth, set up the Acquisitions Section, choose placeholders, and calculate formulas
- A standard (simplifying) assumption is the **mid-year convention** – i.e. that all acquisitions & sales occur midyear
- In reality acquisition & sales close throughout the year. To approximate this we assume that **all deals close June 30**
- So if property worth **€100mm** is bought at **6.5% gross yield** it will generate **€6.5mm in total rental income**.
- But **what hits the P&L in the year of acquisition is only half of that**.
- So **€3.25mm** (½ of the total €6.5mm) – flows onto the P&L in 2011E and the remaining **€3.25mm** will hit the P&L in 2012E

# Projecting the P&L

## External Growth (cont'd)

### Alstria Model P&L – Projecting Rental Income

- “\$-locking” a cell with F4 allows copying over a formula while continuing to reference a specific cell, here **\$D\$48**. Pressing F2 within a cell allows scrolling through the formula.

### Calculate New Rent from 2011E Acquisitions

Function Library Defined Name

E50  $f_x$  **=\$D\$48\*(1/2)**

|    | A  | B | C | D | E |  |  |  |  |
|----|--|---|---|---|---|--|--|--|--|
| 1  | <div style="border: 1px solid black; padding: 5px;"><p>① Calculate <b>New Rent from 2011E Acquisitions:</b><br/><math>6,500 \times (1/2) = 3,250</math><br/><math>\Leftrightarrow</math><br/><math>D48 \times (1/2) = D50</math></p><p>② F2 to scroll through formula to D48<br/>③ F4 to “\$-lock” cell D48 =&gt;<br/><math>\\$D\\$48 \times (1/2)</math></p><p>④ Copy over 2011E (D50) to 2012E (E50)</p></div> |   |   |   |   |  |  |  |  |
| 43 |  |   |   |   |   |  |  |  |  |
| 44 |  |   |   |   |   |  |  |  |  |
| 45 |  |   |   |   |   |  |  |  |  |
| 46 |  |   |   |   |   |  |  |  |  |
| 47 |  |   |   |   |   |  |  |  |  |
| 48 |  |   |   |   |   |  |  |  |  |
| 49 |  |   |   |   |   |  |  |  |  |
| 50 |  |   |   |   |   |  |  |  |  |
|    |  |   |   |   |   |  |  |  |  |

|  | 2010A | 2011E   | 2012E   |
|--|-------|---------|---------|
|  | NM    | 100,000 | 100,000 |
|  | NM    | 6.50%   | 6.50%   |
|  | NM    | 6,500   | 6,500   |
|  |       | 3,250   | 3,250   |

# Projecting the P&L

## External Growth (cont'd)

### Alstria Model P&L – Projecting Rental Income

- **New Rent from 2012E Acquisitions** receives  $\frac{1}{2}$  of the **2012E Rental Income Gained, total per acquisition**
- Since our model goes only through 2012E, the second  $\frac{1}{2}$  of the rent from new acquisitions in 2012 won't be seen, as it would hit the P&L only in 2013

### New Rent from 2012E Acquisitions

|     |  | Function Library                            |              |    | Defined Name |         |
|-----|--|---|--------------|----|--------------|---------|
| E51 |  | $f_x$                                       | =E\$48*(1/2) |    |              |         |
| 3   |  | A   | B            | C  | D            | E       |
| 1   |  |   |              |    |              |         |
| 43  |  |   |              |    |              |         |
| 44  |  | <b>EXTERNAL GROWTH DRIVERS</b>              |              |    |              |         |
| 45  |  | <b>Acquisitions, net of Sales</b>           |              |    |              |         |
| 46  |  | Acquisition Volume                          |              |    | 2011E        | 2012E   |
| 47  |  | Acquisition Yield (gross)                   |              |    | 100,000      | 100,000 |
| 48  |  | Rental Income Gained, total per acquisition |              |    | 6.50%        | 6.50%   |
| 49  |  |   |              |    | 6,500        | 6,500   |
| 50  |  | New Rent from 2011E Acquisitions (mid-year) | NM           | NM | 3,250        | 3,250   |
| 51  |  | New Rent from 2012E Acquisitions (mid-year) | NM           | NM | -            | 3,250   |

Calculate **New Rent from 2012E Acquisitions:**

$6,500 \times \frac{1}{2} = 3,250$

$\Leftrightarrow$

$\$E\$48 \times \frac{1}{2} = E51$

# Projecting the P&L

## External Growth (cont'd)

### Alstria Model P&L – Projecting Rental Income

- **New Rent from Acquisitions, per year** is a simple sum of the two years above – e.g.  
**2011E New Rent from Acquisitions, per year = New Rent from 2011E Acquisitions + New Rent from 2012E Acquisitions**

### New Rent from Acquisitions, per year

| Function Library |   |   | Defined Name |         |         |
|------------------|---|---|--------------|---------|---------|
| E52              |   | $f_x$ =SUM(E50:E51)   |              |         |         |
|                  | A   | B   | C            | D       | E       |
| 1                |   |   |              |         |         |
| 43               |   |   |              |         |         |
| 44               | EXTE  | <div style="border: 1px solid black; padding: 5px;"> <p>① Calculate <b>2011E New Rent from Acquisitions, per year:</b><br/> <math>3,250 + 0 = 3,250</math></p> <p style="text-align: center;">&lt;=&gt;</p> <p style="text-align: center;">SUM (D50:D51) = D52</p> <p>② Copy over 2011E (D52) to 2012E (E52)</p> </div> |              |         |         |
| 45               | Acqu  |   |              | 2011E   | 2012E   |
| 46               | Acqu  |   |              | 100,000 | 100,000 |
| 47               | Acqu  |   |              | 6.50%   | 6.50%   |
| 48               | Rent  |   |              | 6,500   | 6,500   |
| 49               |   |   |              |         |         |
| 50               | New Rent from 2011E Acquisitions (mid-year) | NM  | NM           | 3,250   | 3,250   |
| 51               | New Rent from 2012E Acquisitions (mid-year) | NM  | NM           | -       | 3,250   |
| 52               | New Rent from Acquisitions, per year        | -   | -            | 3,250   | 6,500   |

# Projecting the P&L

## External Growth (cont'd)

### Alstria Model P&L – Projecting Rental Income

- We can copy down the whole block of formulas just set up in the Acquisitions Section

#### Copy & Paste Formulas from Acquisitions Section

|    | A  | B     | C     | D       | E       | F |
|----|--|-------|-------|---------|---------|---|
| 45 | <b>Acquisitions, net of Sales</b>            | 2009A | 2010A | 2011E   | 2012E   |   |
| 46 | Acquisition Volume                           | NM    | NM    | 100,000 | 100,000 |   |
| 47 | Acquisition Yield                            | NM    | NM    | 6.50%   | 6.50%   |   |
| 48 | Rental Income                                | NM    | NM    | 6,500   | 6,500   |   |
| 49 |  |       |       |         |         |   |
| 50 | New Rent from 2011E Acquisitions (mid-year)  | NM    | NM    | 3,250   | 3,250   |   |
| 51 | New Rent from 2012E Acquisitions (mid-year)  | NM    | NM    | -       | 3,250   |   |
| 52 | New Rent from Acquisitions, per year         | -     | -     | 3,250   | 6,500   |   |
| 53 |  |       |       |         |         |   |
| 54 | Sales Volume                                 | NM    | NM    | 50,000  | 50,000  |   |
| 55 | Sales Yield (gross)                          | NM    | NM    | 5.00%   | 5.00%   |   |
| 56 | Rental Income Lost, total per sale           | NM    | NM    | 2,500   | 2,500   |   |
| 57 |  |       |       |         |         |   |
| 58 | Rent lost from 2011E Acquisitions (mid-year) |       | NM    | 3,250   | 3,250   |   |
| 59 | Rent lost from 2012E Acquisitions (mid-year) |       | NM    | -       | 3,250   |   |
| 60 | Rent lost from Acquisitions, per year        |       | -     | 3,250   | 6,500   |   |

D56    fx    =D54\*D55

Simple multiplicative formulas require no adjustments, just a copy & paste

“\$-locked” formulas are initially incorrectly linked to the “Acquisitions Section” above. These need to be relinked.

# Projecting the P&L

## Rental Income – External Growth (cont'd)

### Alstria Model P&L – Projecting Rental Income

- We relink the three “\$-locked” formulas incorrectly linked to the Acquisitions Section to the Sales Section

### Relink “\$-locked” formulas and Sum Net External Rents

| Function Library         |                                      |       | Defined Names |         |
|--------------------------|--------------------------------------|-------|---------------|---------|
| E59                      |                                      |       | D             | E       |
| fx <b>=\$E\$56*(1/2)</b> |                                      |       |               |         |
| 45                       | <b>Acquisitions, net of Sales</b>    |       | 2011E         | 2012E   |
| 46                       | Acquisition Volume                   |       | 100,000       | 100,000 |
| 47                       | Acquisition Yield (gross)            |       | 6.50%         | 6.50%   |
| 48                       | Rental Income Gained, to             |       | 6,500         | 6,500   |
| 49                       |                                      |       |               |         |
| 50                       | New Rent from 2011E Ac               |       | 3,250         | 3,250   |
| 51                       | New Rent from 2012E Ac               |       | -             | 3,250   |
| 52                       | New Rent from Acquisitions, per year |       | 3,250         | 6,500   |
| 53                       |                                      |       |               |         |
| 54                       | Sales Volume                         | NM NM | 50,000        | 50,000  |
| 55                       | Sales Yield (gross)                  | NM NM | 5.00%         | 5.00%   |
| 56                       | Rental Income Lost, total per sa     |       | 2,500         | 2,500   |
| 57                       |                                      |       |               |         |
| 58                       | Rent lost from 2011E Sales (mi       |       | (1,250)       | (1,250) |
| 59                       | Rent lost from 2012E Sales (mi       |       | -             | (1,250) |
| 60                       | Rent lost from Sales, per year       |       | (1,250)       | (2,500) |
| 61                       |                                      |       |               |         |
| 62                       | <b>Rental Income - External</b>      |       | 2,000         | 4,000   |

① Relink the three “\$-locked formulas”  
**Rent lost from 2011E & 2012E Sales:**  
 F2 to scroll within formulas  
 Relink to Row 56 (from Row 48)

② Add a “minus” sign at beginning of each formula to show “Rent lost” as negative value

① Calculate **Rental Income - External:**  
 $3,250 + (1,250) = 2,000$   
 $\Leftrightarrow$   
 $D52 + D60 = D62$

② Copy over 2011E (D62) to 2012E (E62)

# Projecting the P&L

## External Growth (cont'd)

### Alstria Model P&L – Projecting Rental Income

- After setting up temporary external growth projections (we will refine these later), we can link the projected external rent forecasts to our model P&L
- We improve on-screen visibility by grouping & hiding rows

### Linking External Growth Drivers to the Model P&L

| Clipboard |  |   |   | Font    |        |         |         | Alignment |  |  |  |
|-----------|--|---|---|---------|--------|---------|---------|-----------|--|--|--|
| D5        |  |   |   | =D62    |        |         |         |           |  |  |  |
| 1         | 2  | 3 | A | B       | C      | D       | E       |           |  |  |  |
| 2         | Alstria Model Income Statement               |   |   | 2009A   | 2010A  | 2011E   | 2012E   |           |  |  |  |
| 3         | Rental Income - Organic                      |   |   | 102,510 | 89,094 | 90,876  | 94,733  |           |  |  |  |
| 4         | Organic rental growth                        |   |   | NM      | -13.1% | 2.0%    | 2.0%    |           |  |  |  |
| 5         | Rental Income - External                     |   |   | NM      | NM     | 2,000   | 4,000   |           |  |  |  |
| 6         | Total Rental Income                          |   |   | 102,510 | 89,094 | 92,876  | 98,733  |           |  |  |  |
| 43        |  |   |   | 2009A   | 2010A  | 2011E   | 2012E   |           |  |  |  |
| 54        | Sales Volume                                 |   |   | NM      | NM     | 50,000  | 50,000  |           |  |  |  |
| 55        | Sales Yield (gross)                          |   |   | NM      | NM     | 5.00%   | 5.00%   |           |  |  |  |
| 56        | Rental Income Lost, total per sale           |   |   | NM      | NM     | 2,500   | 2,500   |           |  |  |  |
| 58        | Rent lost from 2011E Sales (mid-year)        |   |   | NM      | NM     | (1,250) | (1,250) |           |  |  |  |
| 59        | Rent lost from 2012E Acquisitions (mid-year) |   |   | NM      | NM     | -       | (1,250) |           |  |  |  |
| 60        | Rent lost from Acquisitions, per year        |   |   | -       | -      | (1,250) | (2,500) |           |  |  |  |
| 62        | Rental Income - External                     |   |   | NM      | NM     | 2,000   | 4,000   |           |  |  |  |

① Group Rows (optional):  
ALT + A + G + G + R  
ENTER

② Hide / Unhide Grouped Rows:  
MOUSE CLICK on "+" symbol

① Link-up Rental Income - External to Acquisition Section:  
D5 = D62

② Copy over 2011E (D5) to 2012E (D6)