Projecting Financial Statements

THE CASH FLOW STATEMENT

The Cash Flow Statement

Projecting Remaining B/S Items

Projecting Cash, Debt, and Equity

- The Cash Flow Statement (CF/S) is needed to project the three remaining B/S items – **Cash**, **Debt**, and **Equity**
- We need the CF/S to track all cash changes occurring on the Model P&L and Model B/S to ultimately make our Balance Sheet balance.
- The Model P&L already reflects cash-recurring income. Recall we were careful to filter out any non-cash and non-recurring income during our FFO projections
- The only P&L item we have not yet addressed in terms of its cash impact is **Dividends** which we still have to calculate.
- On the other hand, the B/S causes numerous cash-changes that are not yet reflected in our model. These need to be reconciled so that the B/S balances.
- An important rule to correctly track changes in B/S assets and liabilities is:
    a) When an **asset increases** there is a **decline in cash** – i.e. an asset increase is a **use of cash**. Conversely, a decline in an asset is a source of cash – i.e. cash rises when assets decline.
    b) When a **liability increases** there is **an increase in cash** – i.e. a liability increase is a **source of cash**. Conversely, a decline in a liability is a use of cash – i.e. cash declines when liabilities decline.

The Cash Flow Statement

Reconciling Cash Changes on the P&L and B/S

Alstria Model CF/S – Setting up the CF/S

- We set up the CF/S starting with **Net Income** and **Dividend Distributions** (which we still have to calculate) from the Model P&L and tracking changes in each B/S line item

Setting Up the CF/S

Cash Flow Statement	2011E	2012E
Net Income		
Dividend Distributions		
Operating CF after Dividends		
CFs from B/S Changes		
Change in IP		
Change in Equity Investments		
Change in PP&E		
Change in Intangibles, Derivatives and Financial Assets		
Change in Receivables		
Change in Derivatives & Profit Participation Rights		
Change in Other Provisions & Liabilties		
Change in Trade Payables		
Cash Flow from B/S Changes		
Operating CF after DIVs & B/S Changes		

Set up lines to track changes for each B/S item, except for **Cash, Debt,** and **Equity**

OPERATING CF AFTER DIVIDENDS

The Cash Flow Statement

Reconciling Cash Changes on the P&L and B/S

Alstria Model CF/S – Calculating Dividends

- We next calculate **Dividends** on the P&L based on the **2010A Payout Ratio** & **2010A FFO**, link **Dividend Distributions** down to the CF/S and calculate **Operating CF after Dividends**

Calculating Dividends and Operating CF after Dividends

	A	B	C	D	E
1					
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
7	Operating Expenses	(10,433)	(7,250)	(7,326)	(7,541)
8	NOI	92,077	81,844	85,550	91,193
9	*NOI Margin*	*89.8%*	*91.9%*	*92.1%*	*92.4%*
10	Corporate Expense	(10,352)	(10,355)	(10,355)	(10,355)
11	Other Expenses & Income, net	(214)	1,655	-	-
12	EBITDA	81,511	73,144	75,195	80,838
13	*EBITDA Margin*	*79.5%*	*82.1%*	*81.0%*	*81.9%*
14	D&A	(473)	(570)	(600)	(650)
15	EBIT	81,038	72,574	74,595	80,188
16	Cash Interest Expense, net	(52,117)	(42,887)	(45,000)	(50,000)
17	PBT	28,921	29,687	29,595	30,188
18	Cash Taxes	-	-	-	-
19	Tax Rate	-	-	-	-
20	JV Income & Other	(264)	(31)	(1,484)	363
21	Add back: D&A	473	570	600	650
22	FFO	29,130	30,226	28,711	31,201
23	Shares Outstanding (average)	56,833	57,525	57,525	57,525
24	FFO per Share	€0.51	€0.53	€0.50	€0.54
25	Dividends	€0.52	€0.50	€0.47	€0.52
26	Payout Ratio	*101%*	*95%*	*95%*	*95%*
27					
114	**Cash Flow Statement**			2011E	2012E
115	Net Income			28,111	30,551
116	Dividend Distributions			(27,321)	(29,690)
117	Operating CF after Dividends			790	861

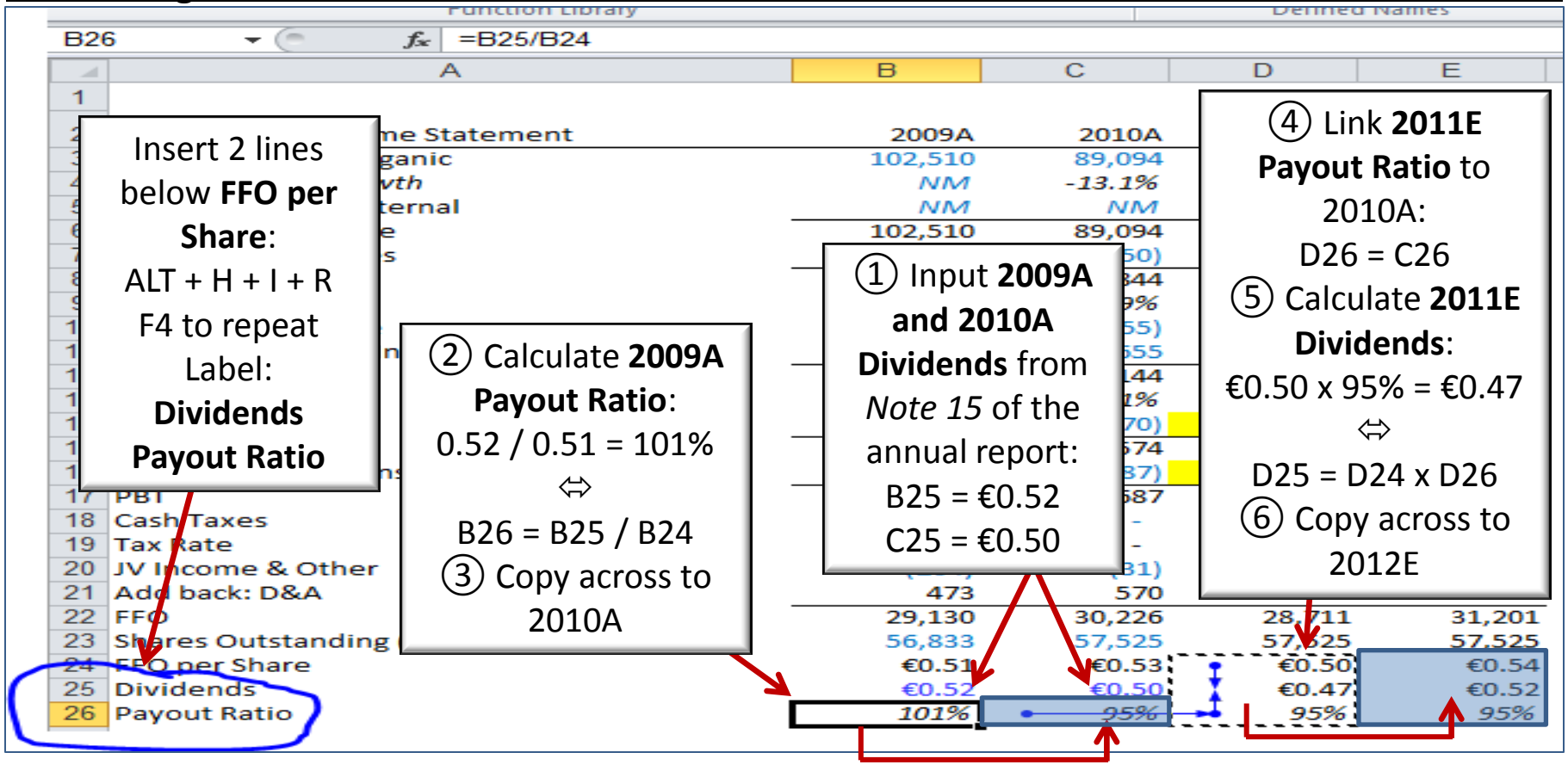
The Cash Flow Statement

Reconciling Cash Changes on the P&L and B/S

Alstria Model CF/S – Calculating Dividends

- We next calculate **Dividends** on the Model P&L so we can net these against **FFO** and derive the net cash effects from P&L activity. For simplicity, we assume the **2010A Payout Ratio** stays constant in 2011E and 2012E

Calculating Dividends



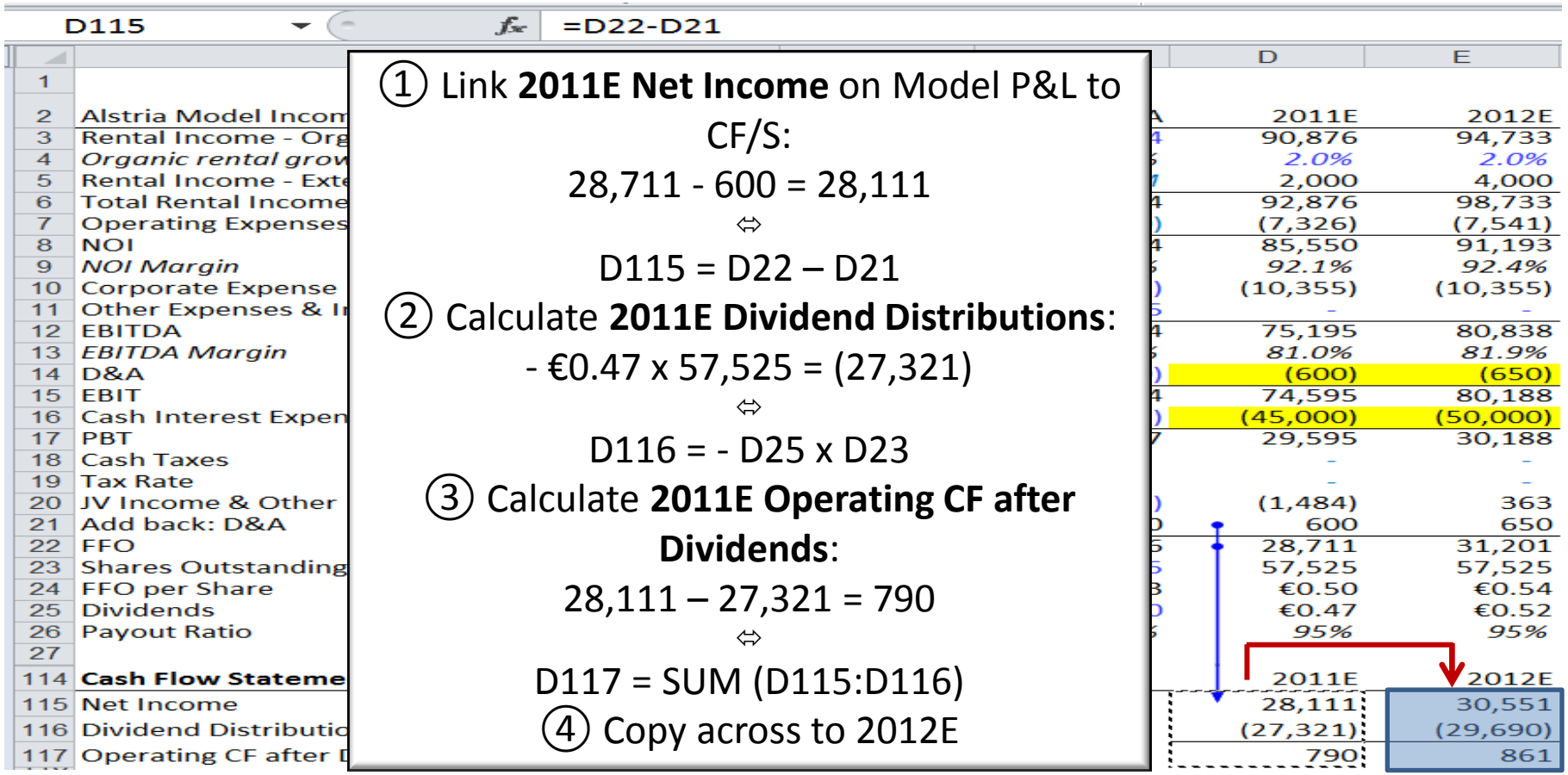
The Cash Flow Statement

Reconciling Cash Changes on the P&L and B/S

Alstria Model CF/S – Calculating Operating Cash Flow After Dividends

- We next calculate **Dividend Distributions** from **Dividends** and **Shares Outstanding** and net this against **Net Income** on the CF/S to derive **Operating Cash Flow After Dividends**

Calculating Operating Cash Flow After Dividends



		D	E
2	Alstria Model Incom	2011E	2012E
3	Rental Income - Org	90,876	94,733
4	*Organic rental grow*	*2.0%*	*2.0%*
5	Rental Income - Exte	2,000	4,000
6	Total Rental Income	92,876	98,733
7	Operating Expenses	(7,326)	(7,541)
8	NOI	85,550	91,193
9	*NOI Margin*	*92.1%*	*92.4%*
10	Corporate Expense	(10,355)	(10,355)
11	Other Expenses & I	-	-
12	EBITDA	75,195	80,838
13	*EBITDA Margin*	*81.0%*	*81.9%*
14	D&A	(600)	(650)
15	EBIT	74,595	80,188
16	Cash Interest Expen	(45,000)	(50,000)
17	PBT	29,595	30,188
18	Cash Taxes	-	-
19	Tax Rate	-	-
20	JV Income & Other	(1,484)	363
21	Add back: D&A	600	650
22	FFO	28,711	31,201
23	Shares Outstanding	57,525	57,525
24	FFO per Share	€0.50	€0.54
25	Dividends	€0.47	€0.52
26	Payout Ratio	*95%*	*95%*
27			
114	**Cash Flow Stateme**	2011E	2012E
115	Net Income	28,111	30,551
116	Dividend Distributio	(27,321)	(29,690)
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CALCULATING CHANGES IN B/S ASSETS & LIABILITIES

The Cash Flow Statement

Reconciling Cash Changes on the P&L and B/S

Alstria Model CF/S – Calculating Changes in B/S Assets & Liabilities

- We now calculate changes for all B/S assets & liabilities on the CF/S. Recall, a positive move in an asset leads to a negative CF. A positive move in liability leads to a positive CF.

Calculating Changes for B/S Assets

28	Alstria Model Balance Sheet	2010A	2011E	2012E
29	Investment Property	1,349,000	1,421,500	1,494,000
30	Equity Investments (JVs)	32,385	30,901	31,264
31	PP&E	7,826	10,257	12,569
32	Intangibles, Derivatives and Financial Assets	18,116	18,116	18,116
33	Receivables	14,221	14,825	15,760
34	Cash	120,788		
35	Total Assets	1,542,336	1,495,599	1,571,709
36				
37	Debt	794,206		
38	Derivatives & Profit Participation Rights	43,204	43,204	43,204
39	Other Provisions & Liabilties	9,494	9,593	9,875
40	Trade Payables	3,024	3,056	3,145
41	Total Liabilities	849,928		
42	Equity	692,408		
43	Total Liabilities & Equity	1,542,336		
45				
114	**Cash Flow Statement**		2011E	2012E
115	Net Income		28,111	30,551
116	Dividend Distributions		(27,321)	(29,690)
117	Operating CF after Dividends		790	861
119	*CFs from BS Changes*			
120	Change in IP		(72,500)	(72,500)
121	Change in Equity Investments		1,484	(363)
122	Change in PP&E		(2,431)	(2,312)
123	Change in Intangibles, Derivatives and Financial Assets		-	-
124	Change in Receivables		(604)	(935)
125	Change in Derivatives & Profit Participation Rights		-	-
126	Change in Other Provisions & Liabilties		99	282
127	Change in Trade Payables		32	90
128	Cash Flow from B/S Changes		(73,920)	(75,739)
130	Operating CF after DIVs & B/S Changes		(73,130)	(74,878)

The Cash Flow Statement

Reconciling Cash Changes on the P&L and B/S

Alstria Model CF/S – Calculating Changes in B/S Assets & Liabilities

- We start with changes to B/S assets: rises in assets = neg. CFs; declines in assets = pos. CFs. **NOTE: Change in PP&E** thus nets a *negative CF for the rise in **PP&E*** (i.e. **PP&E Additions**) against a *positive CF for the decline in **PP&E*** (i.e. **D&A).** In this way, the CF/S adds back the non-cash **D&A** by which **Net Income** (the first line of the CF/S) was previously reduced. CF/S lines are set up in the same order as B/S assets to facilitate copying formulas.

Calculating Changes for B/S Assets

D120 =-(D29-C29)

		C	D	E
28	Alstria Model Balance	2010A	2011E	2012E
29	Investment Property	1,349,000	1,421,500	1,494,000
30	Equity Investments (J	32,385	30,901	31,264
31	PP&E	7,826	10,257	12,569
32	Intangibles, Derivativ	18,116	18,116	18,116
33	Receivables	14,221	14,825	15,760
34	Cash	120,788		
35	Total Assets	1,542,336	1,495,599	1,571,709
36				
37	Debt	794,206		
38	Derivatives & Profit P	43,204	43,204	43,204
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119	*CFs from B/S Changes*			
120	Change in IP		(72,500)	(72,500)
121	Change in Equity Investments		1,484	(363)
122	Change in PP&E		(2,431)	(2,312)
123	Change in Intangibles, Derivatives and Financial Assets		-	-
124	Change in Receivables		(604)	(935)

① Calculate **2011E Change in IP**:
- (1,421,500 – 1,349,000) = (72,500)
⇔
D120 = - (D29 - C29)
② Copy down for all B/S assets through **Change in Receivables**
③ Copy across to 2012E

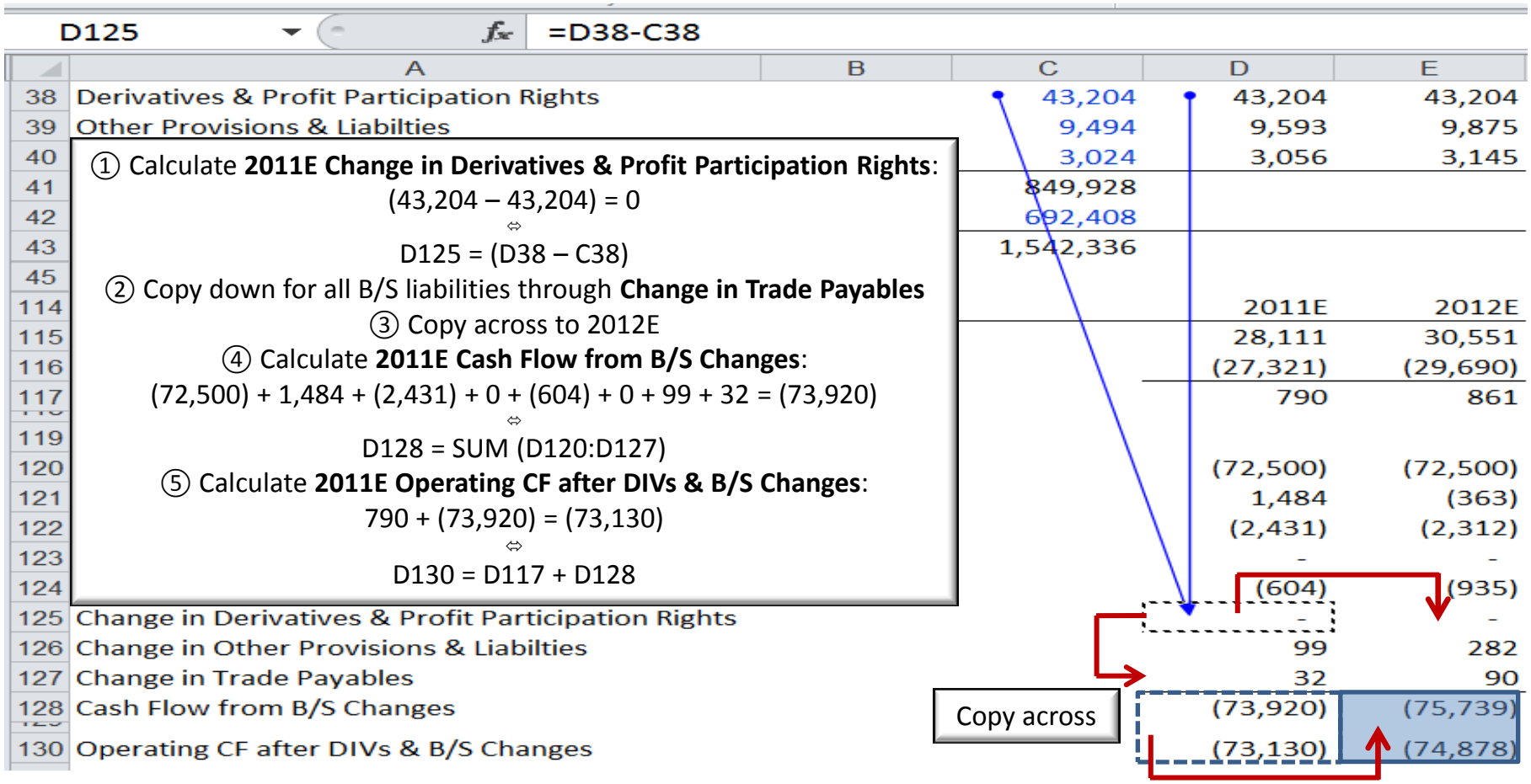
The Cash Flow Statement

Reconciling Cash Changes on the P&L and B/S

Alstria Model CF/S – Calculating Changes in B/S Assets & Liabilities

- Analogously, we calculate changes for B/S liabilities. A positive move in a liability leads to a positive CF. Again, CF/S line items are ordered the same as B/S liabilities.

Calculating Changes for B/S Liabilities



THE CASH AND DEBT SCHEDULES

The Cash Flow Statement

The Cash & Debt Schedules

Alstria Model CF/S – Calculating Cash & Debt Balances

- Having calculated **Operating CF after DIVs & B/S Changes**, **Cash** and **Debt** can be modeled on separate, related schedules. On these schedules, positive CFs either add to **Cash** or go to **Debt** paydown, while negative CFs either reduce **Cash** or add to the **Debt** balance

The Cash & Debt Schedules

131				
132	**Cash Schedule**	2010A	2011E	2012E
133	Cash - Beginning of Period			
134	Additions / (Reductions) from Operations and B/S Changes			
135	Excess Cash / (Cash Shortfall)			
136	*Minimum Cash Balance*			
137	Cash Raised from New Debt Issuance			
138	Cash Used for Debt Paydown			
139	Cash - End of Period			
140	Interest Rate on Cash			
141	Interest Income			
142				
143	**Debt Schedule**			
144	Debt - Beginning of Period			
145	Additions / (Reductions)			
146	Debt - End of Period			
147	Average Interest Rate			
148	Interest Expense			

Set up separate schedules to track **Cash** and **Debt** with line items as shown

The Cash Flow Statement

The Cash & Debt Schedules (cont'd)

Alstria Model CF/S – Calculating Cash & Debt Balances

- We link up to the Cash and Debt Schedules to historical **2010A Cash and Debt** balances from the B/S to the

Calculating Changes for B/S Assets

		2010A	2011E	2012E
28	Alstria Model Balance Sheet			
29	Investment Property	1,349,000	1,421,500	1,494,000
30	Equity Investments (JVs)	32,385	30,901	31,264
31	PP&E	7,826	10,257	12,569
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42	Equity	692,408		
43	Total Liabilities	1,542,336		
131				
132	**Cash Schedule**	2010A	2011E	2012E
133	Cash - Beginning			
134	Additions / (Rec			
135	Excess Cash / (C			
136	*Minimum Cash*			
137	Cash Raised fro			
138	Cash Used for Debt Paydown			
139	Cash - End of Period	120,788		
140	Interest Rate on Cash			
141	Interest Income			
142				
143	**Debt Schedule**			
144	Debt - Beginning of Period			
145	Additions / (Reductions)			
146	Debt - End of Period	794,206		
147	Average Interest Rate			
148	Interest Expense			

① Link **2010A Cash – End of Period** to **2010A Cash** on Model B/S:
C139 = C34

② Link **2010A Debt – End of Period** to **2010A Debt** on Model B/S:
C146 = C37

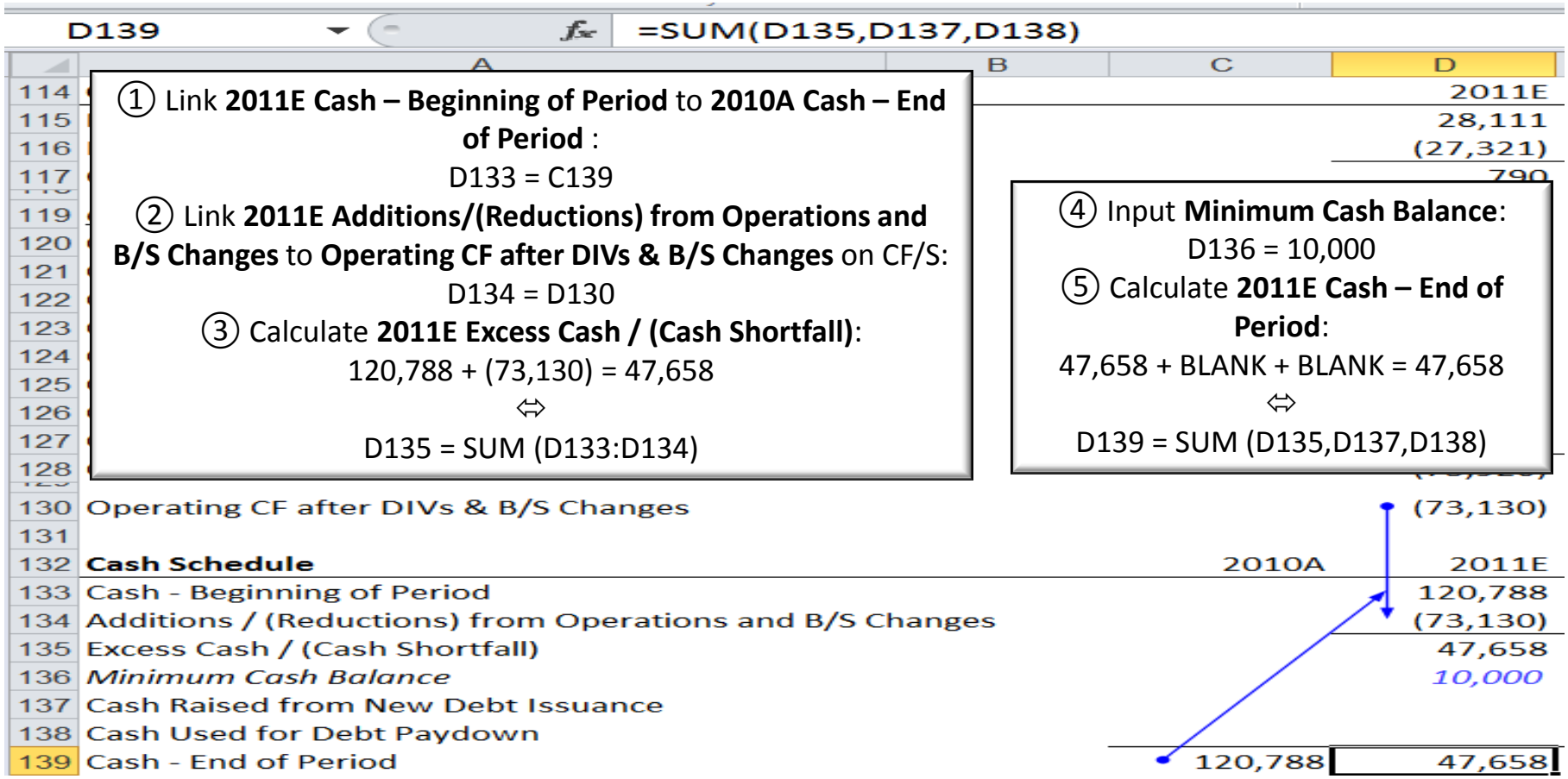
The Cash Flow Statement

The Cash & Debt Schedules (cont'd)

Alstria Model CF/S – Calculating Cash & Debt Balances

- We calculate the **Excess Cash / (Cash Shortfall)** using CFs calculated on the CF/S. We then choose a **Minimum Cash Balance** below which Alstria's cash balance shouldn't fall

Calculating Excess Cash / (Cash Shortfall)



The Cash Flow Statement

The Cash & Debt Schedules (cont'd)

Alstria Model CF/S – Calculating Cash & Debt Balances

- **Cash Raised from New Debt Issuance** automatically raises sufficient cash to maintain the **Minimum Cash Balance**
- Note: **Cash Raised from New Debt Issuance** will be:
  a) ZERO if **Excess Cash** is equal to or above the **Minimum Cash Balance** (as in 2011E) or
  b) positive for a negative **Cash Shortfall** or **Excess Cash** below the **Minimum Cash Balance** (as in 2012E)

Cash Raised from New Debt Issuance

Function Library | Defined Names

D137 | =MAX(-D135+D136,0)

	A	B	C	D	E
114	**Cash Flow Statement**			2011E	2012E
115	Net Income			28,111	30,551
116	Dividend Distributions			(27,321)	(29,690)
117	Operating CF after Dividends			790	861
119	*CFs from B/S Changes*				
120	Change in IP			(72,500)	(72,500)
121	Change in Equity Investments			1,484	(363)
122	Change in PP&E			(2,431)	(2,312)
123	Change in Intangibles, Derivatives and Fi			-	-
124	Change in Receivables			(604)	(935)
125	Change in Derivatives & Profit Participati			-	-
126	Change in Other Provisions & Liabilties			99	282
127	Change in Trade Payables			32	90
128	Cash Flow from B/S Changes			(73,920)	(75,739)
130	Operating CF after DIVs & B/S Changes			(73,130)	(74,878)
131					
132	**Cash Schedule**			20	2012E
133	Cash - Beginning of Period			120,788	47,658
134	Additions / (Reductions) from Operations and B/S Changes			(73,130)	(74,878)
135	Excess Cash / (Cash Shortfall)			47,658	(27,220)
136	*Minimum Cash Balance*			*10,000*	*10,000*
137	Cash Raised from New Debt Issuance			-	37,220
138	Cash Used for Debt Paydown				
139	Cash - End of Period		120,788	47,658	10,000

Calculate **2011E Cash Raised from New Debt Issuance**:
The ***maximum*** of
–47,658 + 10,000
or ZERO = ZERO
⇔
D137 = MAX (-D135 + D136,0)

Copy across

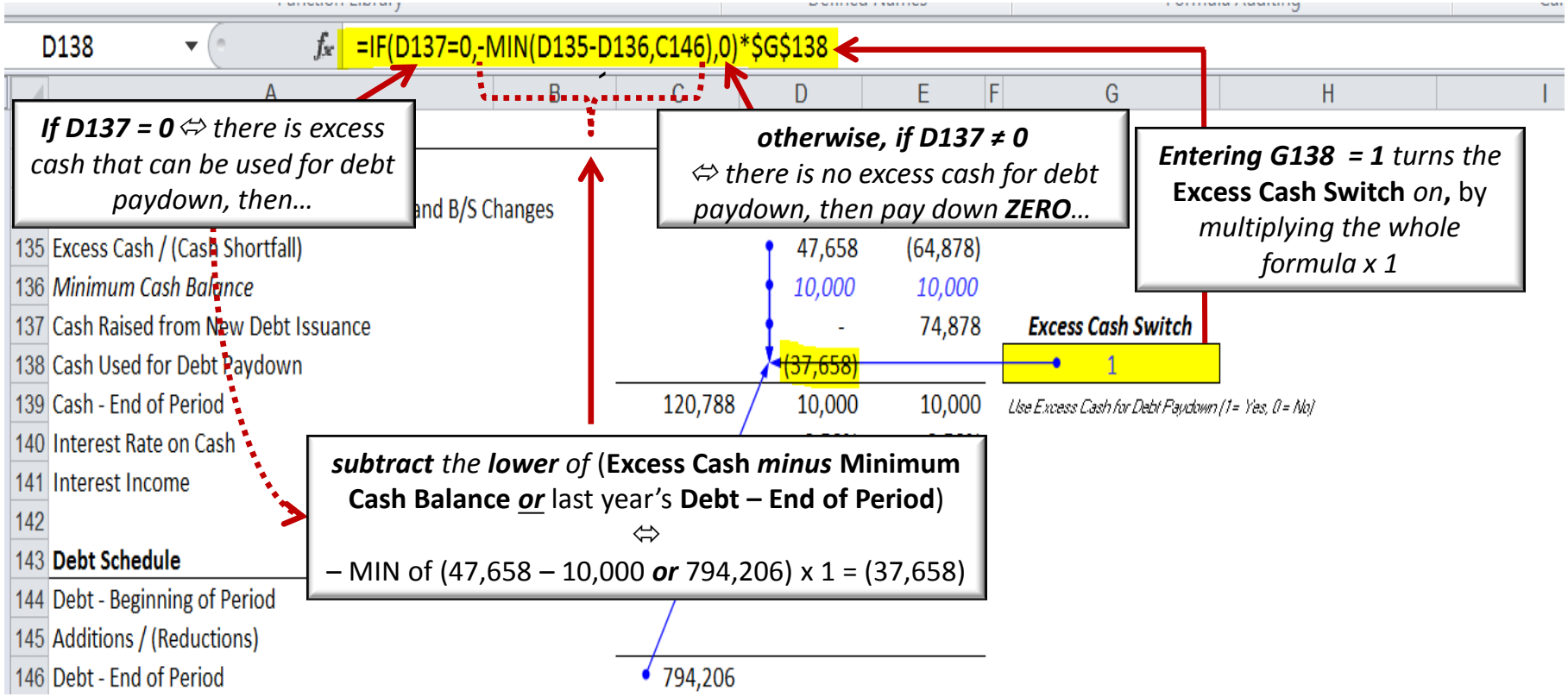
The Cash Flow Statement

The Cash & Debt Schedules (cont'd)

Alstria Model CF/S – Calculating Cash & Debt Balances

- If **Cash Raised from New Debt Issuance** (D137) is ZERO this means that there is **Excess Cash** (D135) above the **Minimum Cash Balance** (D136). If a "1" is entered in the **Excess Cash Switch** to activate automatic debt paydown:
  a) **Cash Used for Debt Paydown** (D138) will use **Excess Cash** over the **Minimum Cash Balance** (D135-D136) to repay debt, ***but only***
  b) up to a maximum of last year's **Debt – End of Period** (D146). This ensures no more than the total debt is repaid.

Cash Used for Debt Paydown



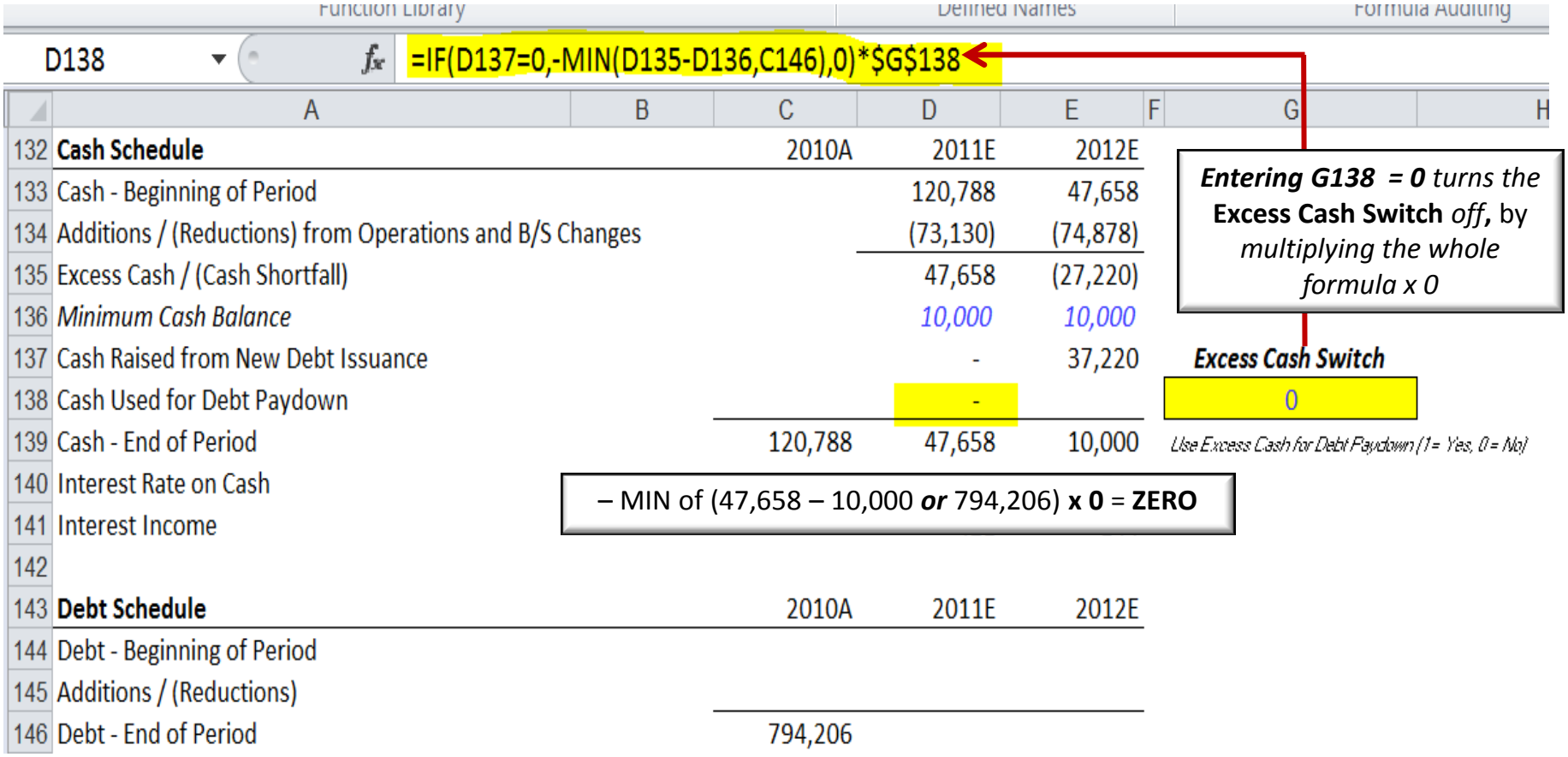
The Cash Flow Statement

The Cash & Debt Schedules (cont'd)

Alstria Model CF/S – Calculating Cash & Debt Balances

- A "0" entered into the **Excess Cash Switch** deactivates automatic debt paydown

Cash Used for Debt Paydown



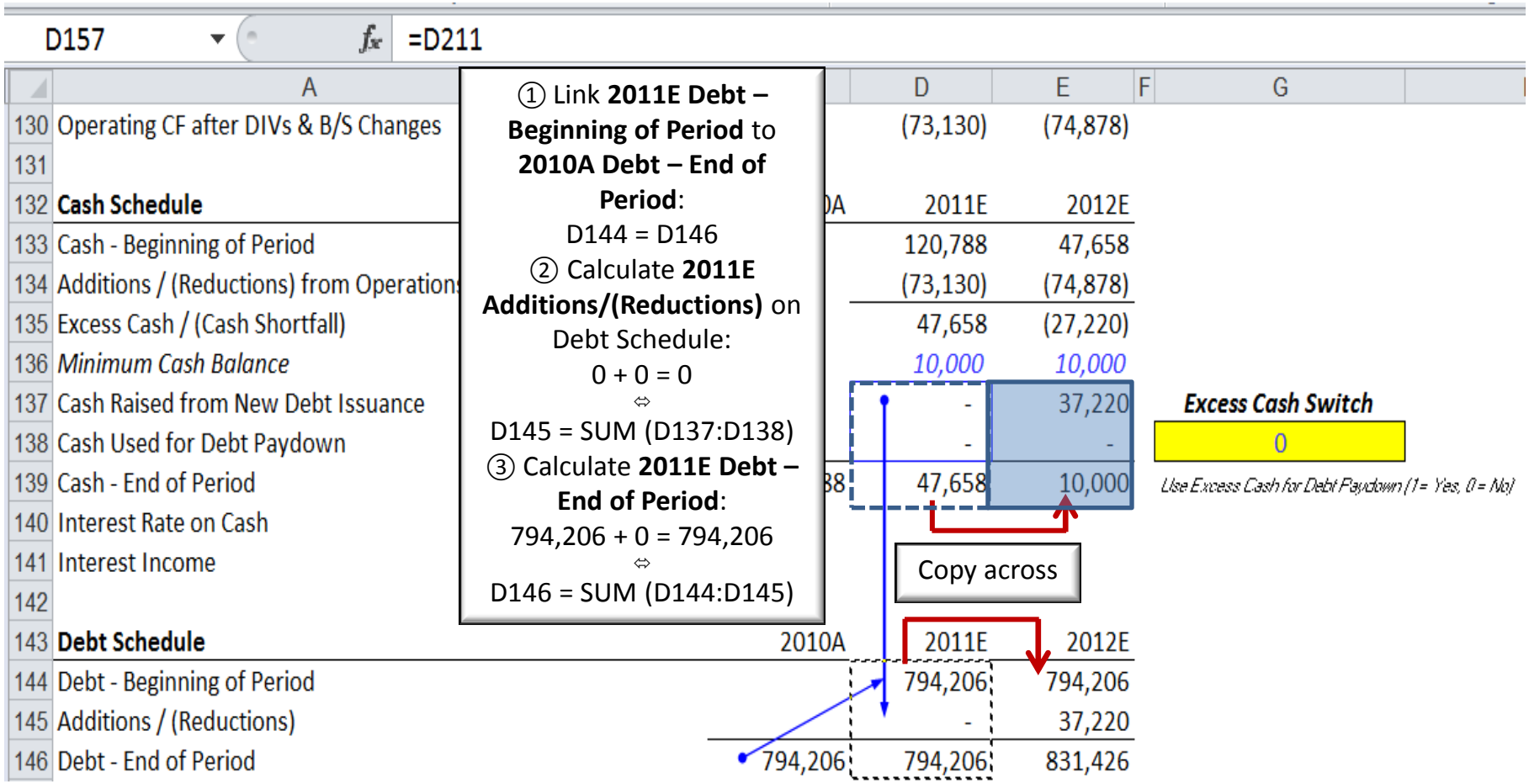
The Cash Flow Statement

The Cash & Debt Schedules (cont'd)

Alstria Model CF/S – Calculating Cash & Debt Balances

- Formulas can now be copied across and the Debt Schedule can be linked up to the Cash Schedule

Linking Cash and Debt Schedules



	A	D	E
130	Operating CF after DIVs & B/S Changes	(73,130)	(74,878)
131			
132	**Cash Schedule**	2011E	2012E
133	Cash - Beginning of Period	120,788	47,658
134	Additions / (Reductions) from Operations	(73,130)	(74,878)
135	Excess Cash / (Cash Shortfall)	47,658	(27,220)
136	*Minimum Cash Balance*	*10,000*	*10,000*
137	Cash Raised from New Debt Issuance	-	37,220
138	Cash Used for Debt Paydown	-	-
139	Cash - End of Period	47,658	10,000
140	Interest Rate on Cash		
141	Interest Income		
142			
143	**Debt Schedule**	2011E	2012E
144	Debt - Beginning of Period	794,206	794,206
145	Additions / (Reductions)	-	37,220
146	Debt - End of Period	794,206	831,426

The Cash Flow Statement

The Cash & Debt Schedules (cont'd)

Alstria Model CF/S – Calculating Interest Income and Expense

- With the Debt and Cash Schedules complete, we can now calculate **Interest Income** and **Interest Expense**
- The **2011E Average Interest Rate** on debt is assumed at 4.4%, declining by10-20bp in 2012, depending on whether cash is retained or used to pay down debt. The interest rate on cash is assumed at 0.5%.
- Note: Average interest rates are modeled within the AOX Model, but not discussed in detail due to complexity beyond the scope of this case study. The interested analyst may browse the Interest Rate Schedule for further details.

Interest Expense and Interest Income

D148 =AVERAGE(D144,D146)*D147

	A	B	C	D	E	F	G	H
125	Change in Derivatives & Profit Participation Rights			-	-			
126	Change in Other Provisions & Liabilties			99	282			
127	Change in Trade Payables			32	90			
128	Cash Flow from B/S Changes			(73,920)	(75,739)			
130	Operating CF after DIVs & B/S Changes			(73,130)	(74,878)			
131								
132	**Cash Schedule**		2010A	2011E	2012E			
133	Cash - Beginning of Period			120,788	47,658			
134	Additions / (Reductions) from Operations and B/S Changes			(73,130)	(74,878)			
135	Excess Cash / (Cash Shortfall)			47,658	(27,220)			
136	*Minimum Cash Balance*			*10,000*	*10,000*			
137	Cash Raised from New Debt Issuance			-	37,220			
138	Cash Used for Debt Paydown			-	-			
139	Cash - End of Period		120,788	47,658	10,000			
140	Interest Rate on Cash			0.50%	0.50%			
141	Interest Income			421	144			
142								
143	**Debt Schedule**		2010A	2011E	2012E			
144	Debt - Beginning of Period			794,206	794,206			
145	Additions / (Reductions)			-	37,220			
146	Debt - End of Period		794,206	794,206	831,426			
147	Average Interest Rate			*4.4%*	*4.2%*			
148	Interest Expense			34,945	34,289			
149								

① Calculate **2011E Interest Income**:
84,223 x 0.5% = 421
⇔
D141 = AVERAGE (D133,D139) x D140
② Calculate **2011E Interest Expense**:
794,206 x 4.4% = 34,945
⇔
D148 = AVERAGE (D144,D146) x D147
② Copy across 2011E to 2012E

FINALIZING LINKS TO THE P&L AND B/S

The Cash Flow Statement

Finalizing Links to the P&L and B/S

Alstria Model CF/S – Linking Remaining Items to the P&L

- With all B/S items and their related P&L effects now calculating dynamically, we link **D&A** and **Cash Interest Expense** to the Model P&L completing the **FFO** calculation

Finalizing the Model P&L

	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
7	Operating Expenses	(10,433)	(7,250)	(7,326)	(7,541)
8	NOI	92,077	81,844	85,550	91,193
9	*NOI Margin*	*89.8%*	*91.9%*	*92.1%*	*92.4%*
10	Corporate Expense	(10,352)	(10,355)	(10,355)	(10,355)
11	Other Expenses & Income, net	(214)	1,655	-	-
12	EBITDA	81,511	73,144	75,195	80,838
13	*EBITDA Margin*	*79.5%*	*82.1%*	*81.0%*	*81.9%*
14	D&A	(473)	(570)	(689)	(808)
15	EBIT	81,038	72,574	74,506	80,029
16	Cash Interest Expense, net	(52,117)	(42,887)	(34,523)	(34,139)
17	PBT	28,921	29,687	39,984	45,890
18	Cash Taxes	-	-	-	-
19	Tax Rate	-	-	-	-
20	JV Income & Other	(264)	(31)	(1,484)	363
21	Add back: D&A	473	570	689	808
22	FFO	29,130	30,226	39,189	47,062
23	Shares Outstanding (average)	56,833	57,525	57,525	57,525
24	FFO per Share	€0.51	€0.53	€0.68	€0.82
25	Dividends	€0.52	€0.50	€0.65	€0.78
26	Payout Ratio	*101%*	*95%*	*95%*	*95%*

The Cash Flow Statement

Finalizing Links to the P&L and B/S

Alstria Model CF/S – Linking Remaining Items to the P&L

- With all B/S items and their related P&L effects now calculating dynamically, we link **D&A** to the Model P&L

Linking D&A to the Model P&L

D14 =D98

	A	B	C	D	E
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
7	Operating Expenses	(10,433)	(7,250)	(7,326)	(7,541)
8	NOI	92,077	81,844	85,550	91,193
9	*NOI Margin*	*89.8%*	*91.9%*	*92.1%*	*92.4%*
10	Corporate Expense	(10,352)	(10,355)	(10,[illegible]	[illegible]355)
11	Other Expenses & Income, net	(214)	1,655		-
12	EBITDA	81,511	73,144	75,195	80,838
13	*EBITDA Margin*	*79.5%*	*82.1%*	*81.0%*	*81.9%*
14	D&A	(473)	(570)	(689)	(808)
15	EBIT	[illegible]	[illegible]4	74,506	80,029
16	Cash Interest Expense, net	[illegible])	[illegible])	(45,000)	(50,000)
17	PBT	[illegible]	[illegible]7	29,506	30,029
18	Cash Taxes			-	-
19	Tax Rate			-	-
20	JV Income & Other	[illegible]	[illegible])	(1,484)	363
21	Add back: D&A	[illegible]	[illegible]0	689	808
22	FFO	[illegible]	[illegible]6	28,711	31,201
23	Shares Outstanding (average)	[illegible]	[illegible]5	57,525	57,525
24	FFO per Share	[illegible]	[illegible]3	€0.50	€0.54
25	Dividends	[illegible]	[illegible]0	€0.47	€0.52
26	Payout Ratio	[illegible]	[illegible]%	*95%*	*95%*
27					
95	D&A from existing PP&E		(570)	(570)	(570)
96	D&A from 2011E PP&E Additions		*NM*	(119)	(119)
97	D&A from 2012E PP&E Additions		*NM*	*NM*	(119)
98	Total D&A		(570)	(689)	(808)

Copy across

Link **2011E D&A** on Model P&L to **2011E Total D&A** on PP&E Schedule: D14 = D98

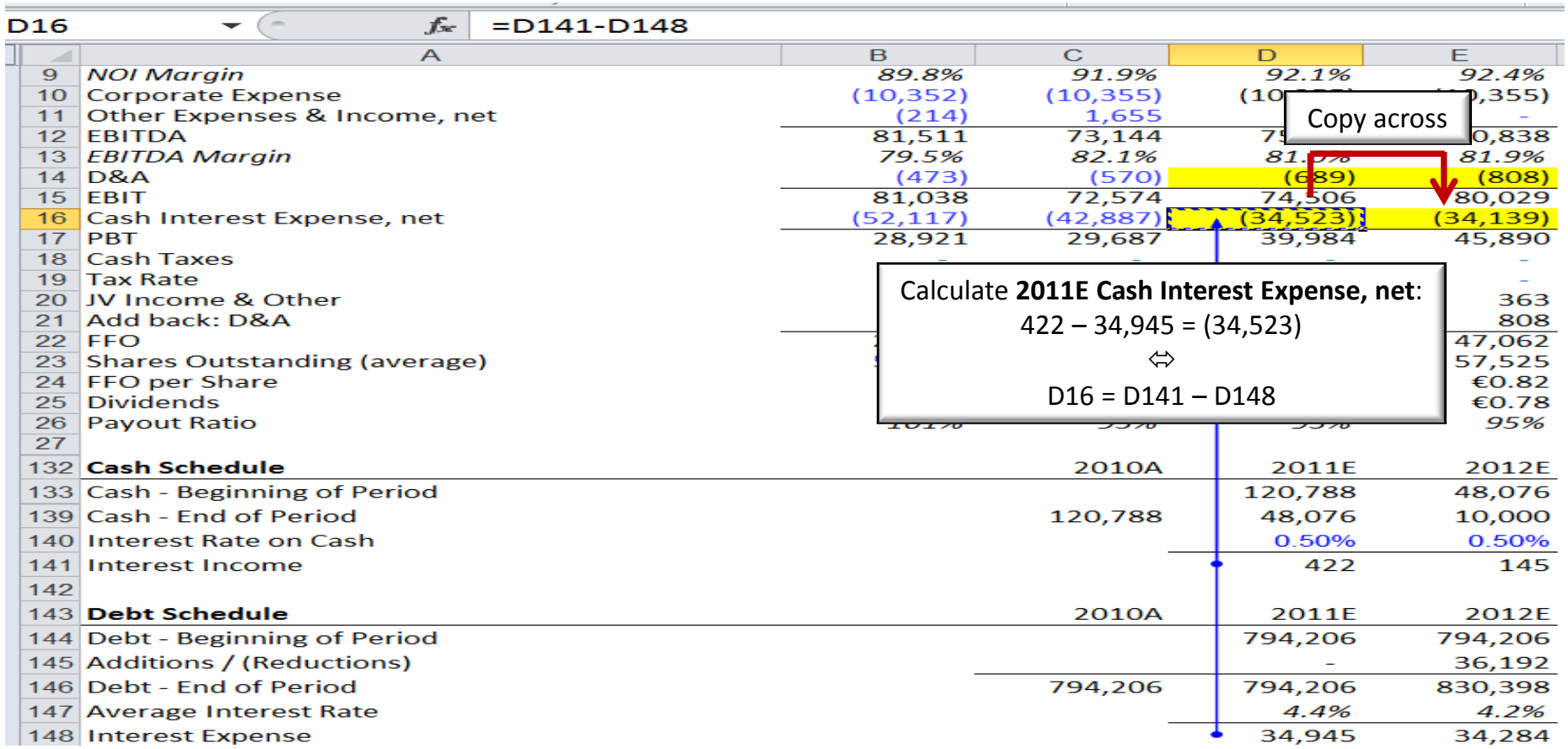
The Cash Flow Statement

Finalizing Links to the P&L and B/S

Alstria Model CF/S – Linking Remaining Items to the P&L

- Completing the Model P&L we calculate **Cash Interest Expense, net** from **Interest Income** and **Interest Expense** projected on the Cash and Debt Schedules

Linking Cash Interest Expense to the Model P&L



	A	B	C	D	E
9	*NOI Margin*	*89.8%*	*91.9%*	*92.1%*	*92.4%*
10	Corporate Expense	(10,352)	(10,355)	(10	,355)
11	Other Expenses & Income, net	(214)	1,655		-
12	EBITDA	81,511	73,144	7	,838
13	*EBITDA Margin*	*79.5%*	*82.1%*	*81.*	*81.9%*
14	D&A	(473)	(570)	(689)	(808)
15	EBIT	81,038	72,574	74,506	80,029
16	Cash Interest Expense, net	(52,117)	(42,887)	(34,523)	(34,139)
17	PBT	28,921	29,687	39,984	45,890
18	Cash Taxes				-
19	Tax Rate				-
20	JV Income & Other				363
21	Add back: D&A				808
22	FFO				47,062
23	Shares Outstanding (average)				57,525
24	FFO per Share				€0.82
25	Dividends				€0.78
26	Payout Ratio				*95%*
27					
132	**Cash Schedule**		2010A	2011E	2012E
133	Cash - Beginning of Period			120,788	48,076
139	Cash - End of Period		120,788	48,076	10,000
140	Interest Rate on Cash			0.50%	0.50%
141	Interest Income			422	145
142					
143	**Debt Schedule**		2010A	2011E	2012E
144	Debt - Beginning of Period			794,206	794,206
145	Additions / (Reductions)			-	36,192
146	Debt - End of Period		794,206	794,206	830,398
147	Average Interest Rate			*4.4%*	*4.2%*
148	Interest Expense			34,945	34,284

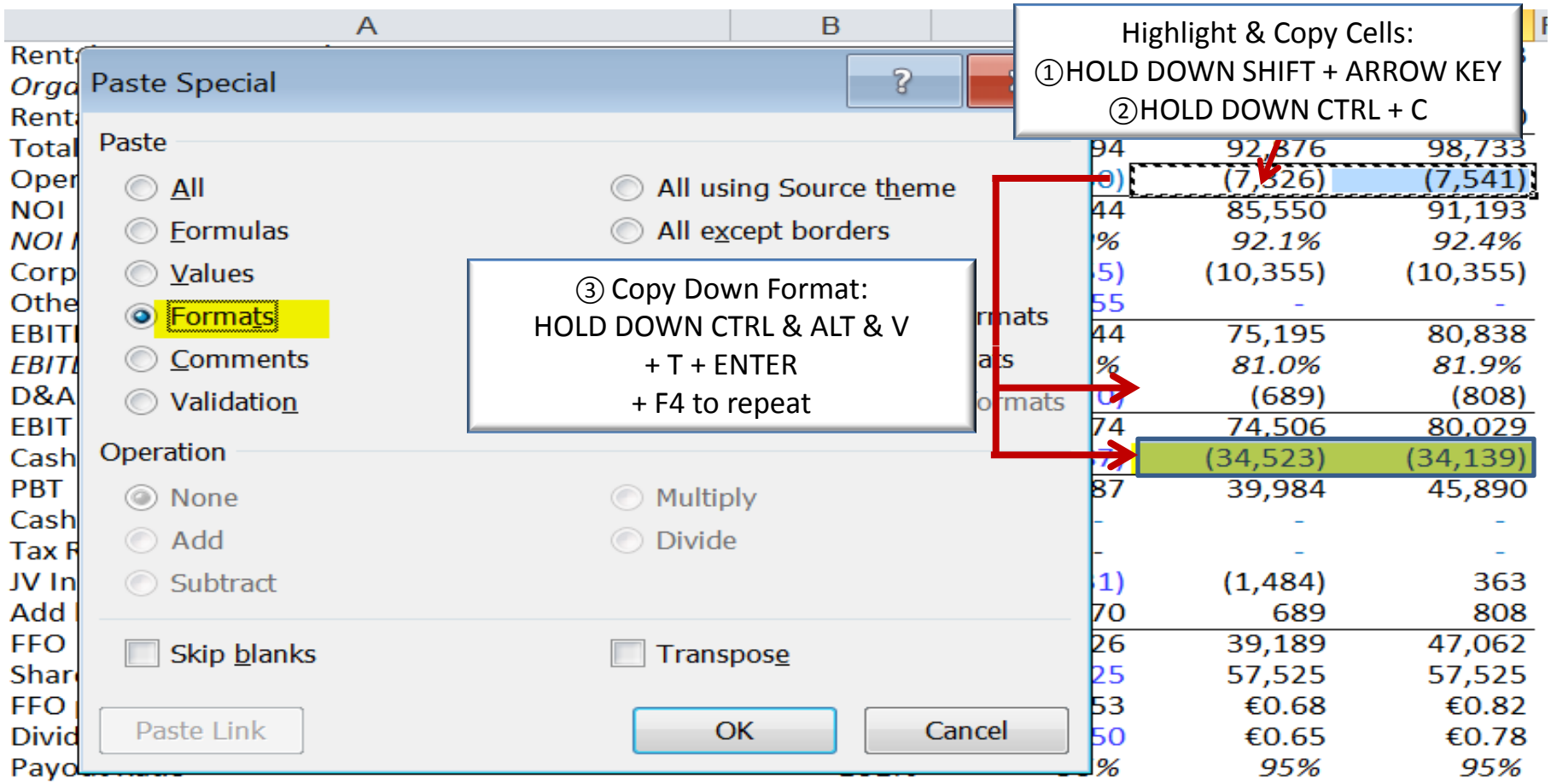
The Cash Flow Statement

Finalizing Links to the P&L and B/S

Alstria Model CF/S – Copying Down Formats

- We remove yellow highlights by copying down the format from previously formatted cells

Copying Down Formats



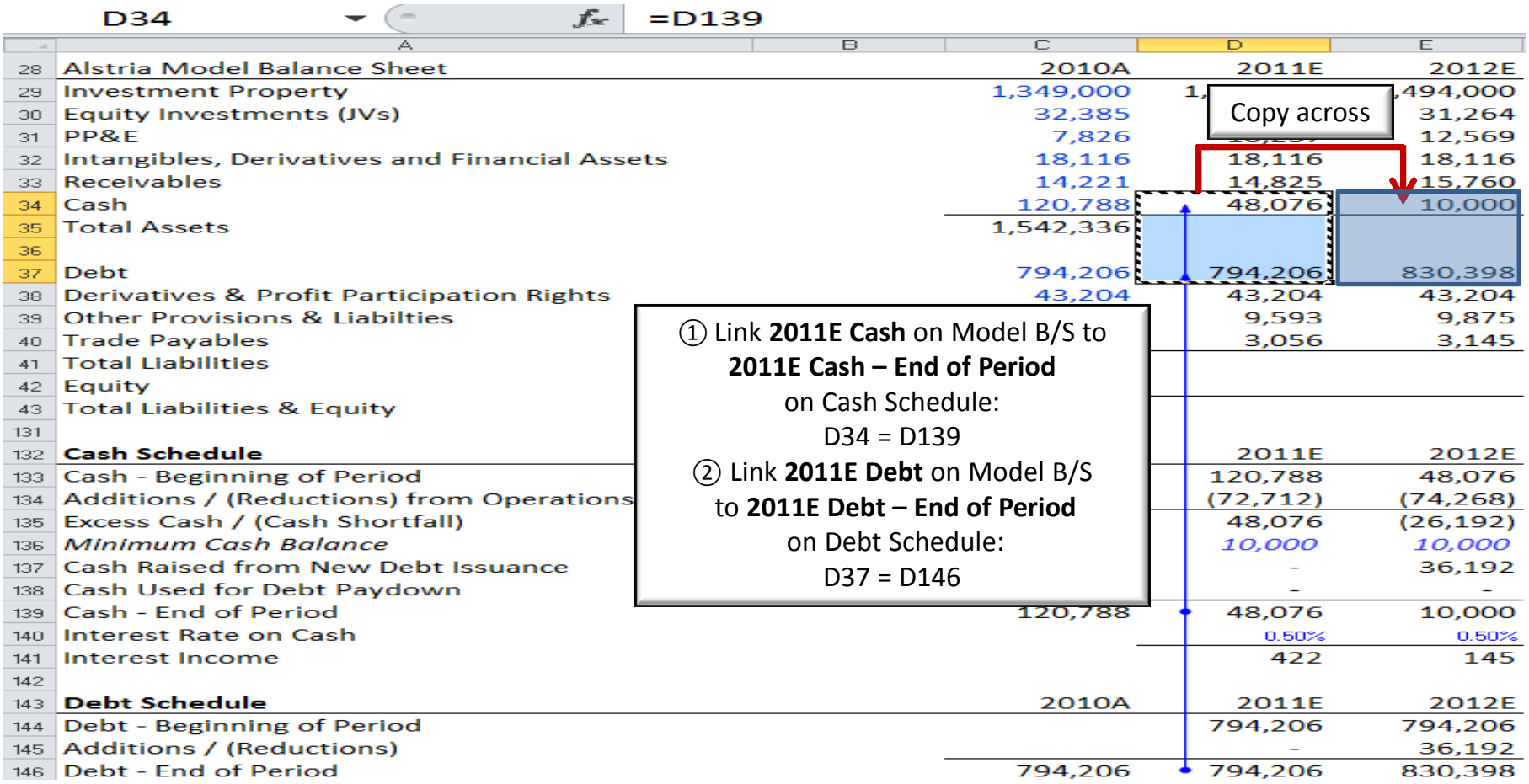
The Cash Flow Statement

Finalizing Links to the P&L and B/S

Alstria Model CF/S – Linking Remaining Items to the B/S

- We now link **Cash** and **Debt** from the Cash and Debt Schedules to the Model B/S

Link Cash and Debt to the Model B/S



	A	C	D	E
28	Alstria Model Balance Sheet	2010A	2011E	2012E
29	Investment Property	1,349,000	1,	,494,000
30	Equity Investments (JVs)	32,385		31,264
31	PP&E	7,826		12,569
32	Intangibles, Derivatives and Financial Assets	18,116	18,116	18,116
33	Receivables	14,221	14,825	15,760
34	Cash	120,788	48,076	10,000
35	Total Assets	1,542,336		
36				
37	Debt	794,206	794,206	830,398
38	Derivatives & Profit Participation Rights	43,204	43,204	43,204
39	Other Provisions & Liabilties		9,593	9,875
40	Trade Payables		3,056	3,145
41	Total Liabilities			
42	Equity			
43	Total Liabilities & Equity			
131				
132	**Cash Schedule**		2011E	2012E
133	Cash - Beginning of Period		120,788	48,076
134	Additions / (Reductions) from Operations		(72,712)	(74,268)
135	Excess Cash / (Cash Shortfall)		48,076	(26,192)
136	*Minimum Cash Balance*		*10,000*	*10,000*
137	Cash Raised from New Debt Issuance		-	36,192
138	Cash Used for Debt Paydown		-	-
139	Cash - End of Period	120,788	48,076	10,000
140	Interest Rate on Cash		0.50%	0.50%
141	Interest Income		422	145
142				
143	**Debt Schedule**	2010A	2011E	2012E
144	Debt - Beginning of Period		794,206	794,206
145	Additions / (Reductions)		-	36,192
146	Debt - End of Period	794,206	794,206	830,398

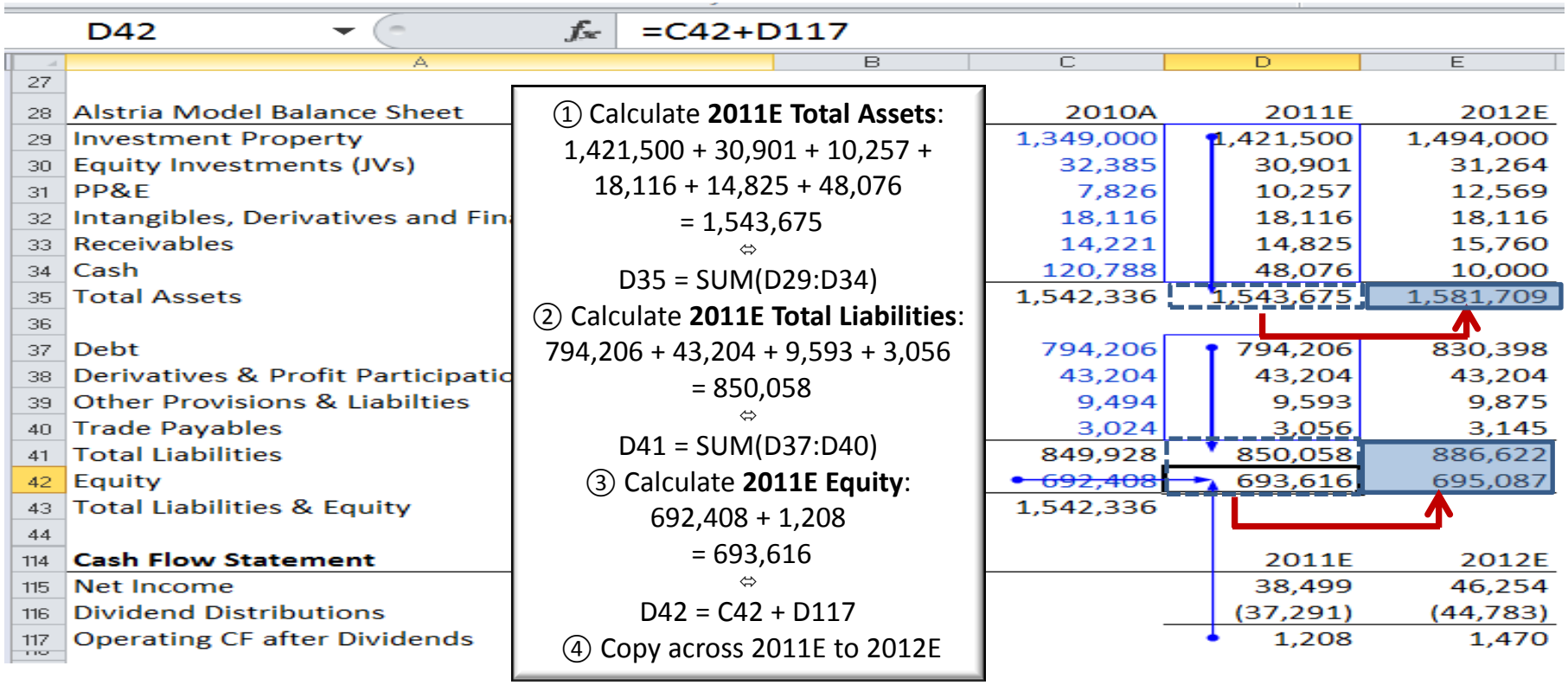
The Cash Flow Statement

Finalizing Links to the P&L and B/S

Alstria Model CF/S – Calculating B/S Totals and Equity

- We calculate **Total Assets** and **Total Liabilities** on the Model B/S
- **Equity**, the final B/S item, rises with **Net Income** and declines with **Dividend Distributions** – i.e. with **Operating CF after Dividends** on the CF/S.
- NOTE: **Equity** also fluctuates with various other items, including share issuances, option vesting and non-cash valuation changes. For simplicity, we ignore these effects in our model.

Calculate B/S Totals and Equity



① Calculate **2011E Total Assets**:
1,421,500 + 30,901 + 10,257 + 18,116 + 14,825 + 48,076
= 1,543,675
⇔
D35 = SUM(D29:D34)

② Calculate **2011E Total Liabilities**:
794,206 + 43,204 + 9,593 + 3,056
= 850,058
⇔
D41 = SUM(D37:D40)

③ Calculate **2011E Equity**:
692,408 + 1,208
= 693,616
⇔
D42 = C42 + D117

④ Copy across 2011E to 2012E

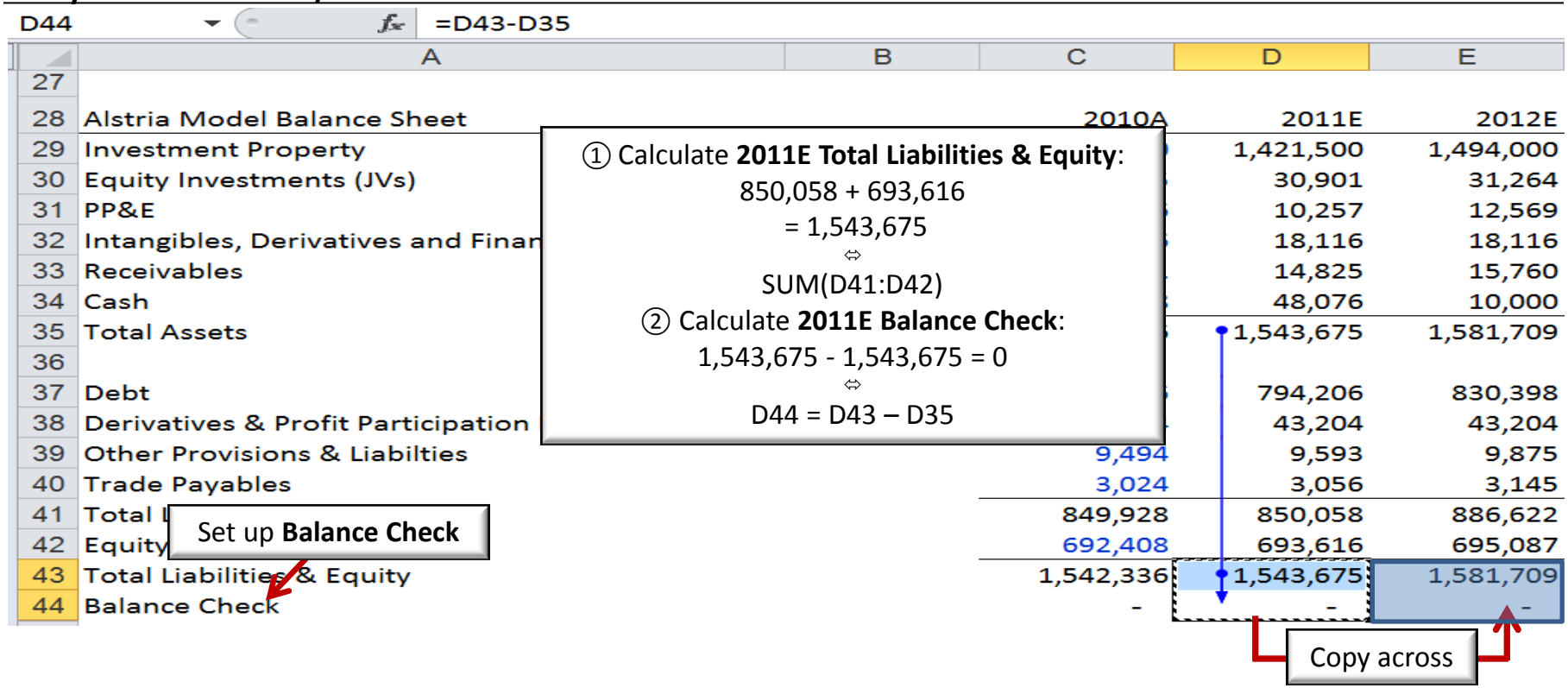
The Cash Flow Statement

Finalizing Links to the P&L and B/S

Alstria Model CF/S – Calculating B/S Totals and Equity

- The final step is to calculate **Total Liabilities & Equity** and verify that our Model B/S balances
- NOTE: **Total Assets** must equal **Total Liabilities & Equity**, otherwise a mistake has occurred somewhere within the model. Also note that we have left the "Excess Cash Switch" switched to ZERO, meaning that cash is retained instead of using it for debt paydown. If the switch were set to "1", the model would still balance, but final B/S and P&L amounts would be slightly different.

Verify that the Model B/S Balances



The Cash Flow Statement

Complete the Model as Described in Part IV

*Open **Full Model** file to complete cells highlighted in red*

Alstria Model Income Statement	2009A	2010A	2011E	2012E
Rental Income - Organic	102,510	89,094	90,876	94,733
Organic rental growth	*NM*	*-13.1%*	*2.0%*	*2.0%*
Rental Income - External	*NM*	*NM*	2,000	4,000
Total Rental Income	102,510	89,094	92,876	98,733
Operating Expenses	(10,433)	(7,250)	(7,326)	(7,541)
NOI	92,077	81,844	85,550	91,193
NOI Margin	*89.8%*	*91.9%*	*92.1%*	*92.4%*
Corporate Expense	(10,352)	(10,355)	(10,355)	(10,355)
Other Expenses & Income, net	(214)	1,655	-	-
EBITDA	81,511	73,144	75,195	80,838
EBITDA Margin	*79.5%*	*82.1%*	*81.0%*	*81.9%*
D&A	(473)	(570)	(600)	(650)
EBIT	81,038	72,574	74,595	80,188
Cash Interest Expense, net	(52,117)	(42,887)	(45,000)	(50,000)
PBT	28,921	29,687	29,595	30,188
Cash Taxes	-	-	-	-
Tax Rate	-	-	-	-
JV Income & Other	(264)	(31)	(1,484)	363
Add back: D&A	473	570	600	650
FFO	29,130	30,226	28,711	31,201
Shares Outstanding (average)	56,833	57,525	57,525	57,525
FFO per Share	€0.51	€0.53	€0.50	€0.54
Dividends	€0.52	€0.50	€0.47	€0.52
Payout Ratio	*101%*	*95%*	*95%*	*95%*

*** Unhide "Full Model - Complete" to compare your results by pressing: ALT + H + O + U + H + Enter*