

February 14, 2020

To: Shareholders and RvC Wereldhave

Subject: 20-20 Vision

Dear stakeholders,

We like the new LifeCentral vision as presented by Mr. Storm. We would like to refine it in such a way that the core can be executed with greater '20-20' focus and longevity, while our Shareholder returns are dramatically improved.

Please find below our proposed **20-20 Vision**:

### 1. Executive Summary

	LifeCentral		LifeCentral 20-20
Assets*	1,500		900
EPS*	1.5		1.04
13 P/E value share	20		13
Asset sales*:			
France			19.9
WHB			9.9
NL underperf.			5.7
Debt reduction			<u>-19.0</u>
Total Value	0		16.5
Value in 2022	20		30
Return in 2022*	5	<b>Delta:</b>	15
	30%	<b>333%</b>	100%
Assets*:	In NL offices/residential are sold (20%), and reinvested in same malls		
EPS*:	In 20-20 vision +15% yield as no residential or offices, HQ rightsized, more focus		
Asset sales*:	Values copied from LifeCentral		
Return 2022*:	Base: current shareprice euro: 15		

## 2. Geography

### ✓ France

- We agree with the phased sale of all assets. The EPRA NIY of 4.6% matches the recent URW transaction so:
- **KPI: sale at bookvalue e800 mln in 2020-2022 (as proposed).**

### ✓ Belgium

- As WHB has no material synergies with NL, has a great market valuation at NAV, much higher NIY (lower Cost of Capital), a lower finance cost and a much lower LTV coupled with easy access to financial markets, thanks to stock listing the 66% shareholding should be sold in 2020.
- **KPI: sale at NAV e400 mln in 2020**

### ✓ Netherlands

- Selling above and Dutch underperformers will allow the LifeCentral vision to be focused on just a single digit number of Dutch centers, as proposed by Mr. Storm.
- **KPI: sale non-core, implement LifeCentral in 2020-2023.**

### ✓ Headquarters

- Given the above reduction a right-sizing can take place. Additionally and importantly, location can be shifted from expensive Schiphol to a LifeCentral location thanks to its mixed use. This will greatly reduce costs (for HQ), increase revenues (occupancy on location) while allowing HQ staff to have 'feet on the floor'.
- **KPI: As soon as possible relocate HQ to a LifeCentral center**

## 3. LifeCentral: a deeper dive financially

Currently the NL rents are amongst lowest in the market and occupancy stands at 95% (temporary down due to Hudson Bay).

LifeCentral views to:

- decrease m2 by exactly the vacancy percentage, and additionally
- allocate 20% to residential/offices,
- allocate additional 5% to F&B,
- allocate undefined but significant additional % to entertainment,
- allocate additional 18% to health etc.

➔ result: current tenants go from 95% to 40% of m2.

It is thus clear that immediately there will be a **tremendous upward pressure on rents** from current tenants based on halving of space and attractiveness of LifeCentral vision.

The LifeCentral strategy views to own the offices and residential spaces created. In line with the pre-Storm strategy, we view these activities as non-core. Moreover, we believe based on

calculations outlined in the LifeCentral presentation that the proceeds of the sale of this non-core business (20% of current m2) should more than suffice to fund the LifeCentral capex for the core 80% of space.

N.B.: In the unlikely event there would be temporary cash mismatches between sale (while upfront) and modernization capex, the refined per location plan to be worked out should highlight these.

**KPI: Our Vision 20-20 thus foresees:**

- ✓ **a finance plan per location that should be cash / CAPEX neutral or positive for WH.**
- ✓ **based on input per location a timetable can be established. From the presentation we are under the impression most could be done before 2022.**

#### 4. Making LifeCentral sustainable

Based on the success of the above and the LifeCentral concept, in 2022 at the end of his current term Mr. Storm would be offered an additional three years. His mission would be to separate the physical centers from the asset and operational management (i.e. his vision: the LifeCentral added value).

The physical assets could be sold to investors at much lower NIY than current, thus realizing a tremendous uplift for shareholders - thanks to LifeCentral.

**The new WH would thus be asset light and can focus fully on marketing its added value LifeCentral to the wide market of asset owners.** Significant economies of scale cq. commercial margins can thus be achieved. This is in line with current standard practice in the hotel industry and allows WH to capture an oversized percentage of the margin.

#### 5. Shareholder returns

Currently WH is trading at e15, grossly undervalued compared to NAV. The old LifeCentral strategy targets an EPS of 1.5, thus not providing much of an uplift. The current discount for NL is even 80% after deducting France and WHB (see below).

In 2022 when all non-core assets have been sold, and LifeCentral capex has been invested - but the NL assets (currently valued at e900 mln) are still owned - we would strive for a conservative LTV of 35% of current low valuations. This would allow sufficient headroom for fluctuations (to be confirmed by LifeCentral plans per center). Remaining debt would thus be e320 mln.

#### **The benefits of the 'refined LifeCentral' strategy**

Sale France:	e800
Sale WHB:	400
Sale Dutch underperformers:	230 mln
Total proceeds:	1.430 mln

After deducting the e200 mln debt owed by WHB, the current debt stands at e1.1 bln. To reach the desired 25% LTV or e320 mln, e780 mln of the proceeds will thus be used to repay debt.

The excess liquidity of e650 mln can now be distributed to shareholders as a superdividend or buy-back, representing as much as e15+ per share: a 100% return!

**Including dividends the shareholders thus stand to earn 120% over the next two years**, depending on speed of execution.

**The new WH would be worth e10 per share** at current low taxation valuation with EPRA NIY of 6.8%, **and potentially the current valuation of e15** if well implemented and EPRA NIY at around market rate of 4.5%.

**We suggest you compare the above returns to shareholders to the existing strategy, the difference is baffling. In our opinion it leaves WH no choice but to consider it through a deep dive, to be presented to you and to be reported to shareholders.**

## 6. Financial execution

We propose to appoint an accountable person dedicated to the asset sales in phase 1 and 2. From the above it is clear that this would be a tremendous step forward.

Additionally, the benefit is that the going concern WH can now **focus 20-20** on its future: LifeCentral.

Sincerely yours,

1. The Third Way, and:
2. NewPos
3. Ortega
4. PhilipArg
5. MFCons
6. Jos2233
7. NLvalue
8. Junkyard
9. 8ball
10. Thorgall
11. Protrek
12. hjs64
13. Berlijn
14. dubbeldraaien