



## **CPI Property Group**

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### **Press Release - Corporate News**

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#### **CPI PROPERTY GROUP – Latest Short Seller Report**

CPI PROPERTY GROUP (“CPIPG” or the “Group”) has prepared a response to the latest report by our short seller.

Similar to the multiple reports published previously, the latest report is of poor quality. CPIPG clearly sees that our short seller needs to make money and is willing to write anything to damage the Group’s reputation. False statements, photos of our primary shareholder’s teenage daughters, apparently nothing is off limits.

This time, our short seller focused on last year’s contribution of assets in Dubai by our primary shareholder. Because the Dubai transaction took place after the short-seller’s initial misguided attack, CPIPG anticipated that we would receive questions. Hence, the transaction was subjected to extra layers of scrutiny and review.

#### Background

As outlined in CPIPG’s first response to the short seller in December 2023, Radovan Vitek contributed around €1.4 billion to CPIPG on a net basis between 2013 and 2022. Since the Group was founded more than 30 years ago, consistent with the practices of other closely held companies, CPIPG has provided loans to our shareholder, which were regularly repaid with proceeds from annual share buybacks or through asset contributions. All the loans were accurately disclosed, and the topic was regularly discussed with our banks, bondholders, and other stakeholders.

CPIPG understands that the practice of providing shareholder loans is not ideal for a company of our size and scale of public market activity. Therefore, the Group has committed to ending the practice and plans to rely only on share buybacks going forward.

In Q4 2023, CPIPG approached our shareholder about a capital contribution to strengthen the Group’s balance sheet and repay loans before year-end. Radovan Vitek proposed the contribution of the Dubai assets, which were acquired over the past few years as a personal investment. From a business perspective, CPIPG believed the assets had excellent potential for both quick sales and long-term price appreciation, considering the vibrant demand for luxury homes in the UAE.

#### Valuation and Disclosure

The valuation of the Dubai properties was subjected to multiple levels of scrutiny. The first level of valuation was conducted by Cavendish Maxwell, which is a highly respected expert in the UAE, in accordance with the RICS Red Book Global Standards. PwC reviewed the transaction, and Dentons provided legal advice. Finally, as an extra step the Group received an initial valuation from CBRE that was consistent with the original. The transaction was then reviewed and approved by CPIPG’s board of directors.

CPIPG disclosed that the properties were in various stages of development and that progress payments were being made. The valuation was based on recent sales of comparable units and was conducted on a net basis, e.g., net of any future capital expenditure required to complete the units. On that basis, CPIPG calculated that the €273m



acquisition price represented a 22% discount to a net valuation of €349 million, generating equity of €76 million. However, CPIPG decided to record a more conservative valuation of €298 million for year-end 2023, meaning that the transaction generated equity of €25 million.

The total expected capital expenditure associated with the Dubai assets is €233 million. Approximately €50 million per year is scheduled in 2024 and 2025, about €120 million at the end of 2026, and the balance in 2027. As capital expenditure is spent, the value of the properties would naturally increase. The properties can be sold prior to completion (e.g., before the capital expenditure is spent) or after completion.

Notably, capital expenditure related to the Dubai assets can be self-funded via sales of completed Dubai assets or through loans. CPIPG has already engaged in discussions with several UAE banks about financing the remaining payments with either a conventional or Islamic loan.

The Group's total capital expenditure was €376 million in 2023 and €382m in 2022. Future levels of capital expenditures should not deviate significantly from the past. Historically, about 25-30% of the Group's capital expenditures related to maintenance (e.g., repairing basic fixtures), about 30% was for refurbishment (including investments in environmental performance), with the remaining 40-45% for new development (partly for sale). In general, most new developments of the Group are fully financed with development loans from local banks.

Our short seller appears unable to differentiate between debt and capital expenditures. Future payment obligations are included as capital expenditures contracted (see Note 9 of CPIPG's 2023 Financial Statements), in line with IFRS accounting standards. The book value reflects the deduction of committed capital expenditure from the gross development value, and thus future payments are not considered debt. Finally, the Dubai assets were reported as "investment property" in the development segment of CPIPG's 2023 management report.

#### Recent Sales

CPIPG recently completed the sale of one of the smaller completed units, The Address Residence at Sky View, above book value (sale price of AED25.5 million or €6.3 million, relative to the book value of €5.8 million). CPIPG expects to announce additional sales in the coming months.

For further information, please contact:

#### **Investor Relations**

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For more on CPI Property Group, visit our website: [www.cpipg.com](http://www.cpipg.com)

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