

Green Cities '09 – Brisbane – 3 March 2009
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Blindspots in Company Valuation:
Uncovering out-performance through
understanding sustainable property



Outline

1. Sustainable investment in one paragraph
2. Getting from sustainability issues ... to pricing risk and growth
3. Investors are from Mars and green buildings are from Venus...

Sustainable investment in one paragraph



A short history of everything



Official Emblem for International Anti-Apartheid Year



Getting from sustainability issues... to pricing risk and growth



Company value



Analysis shows
75% of the value
of the typical Australian company
is made up of intangibles

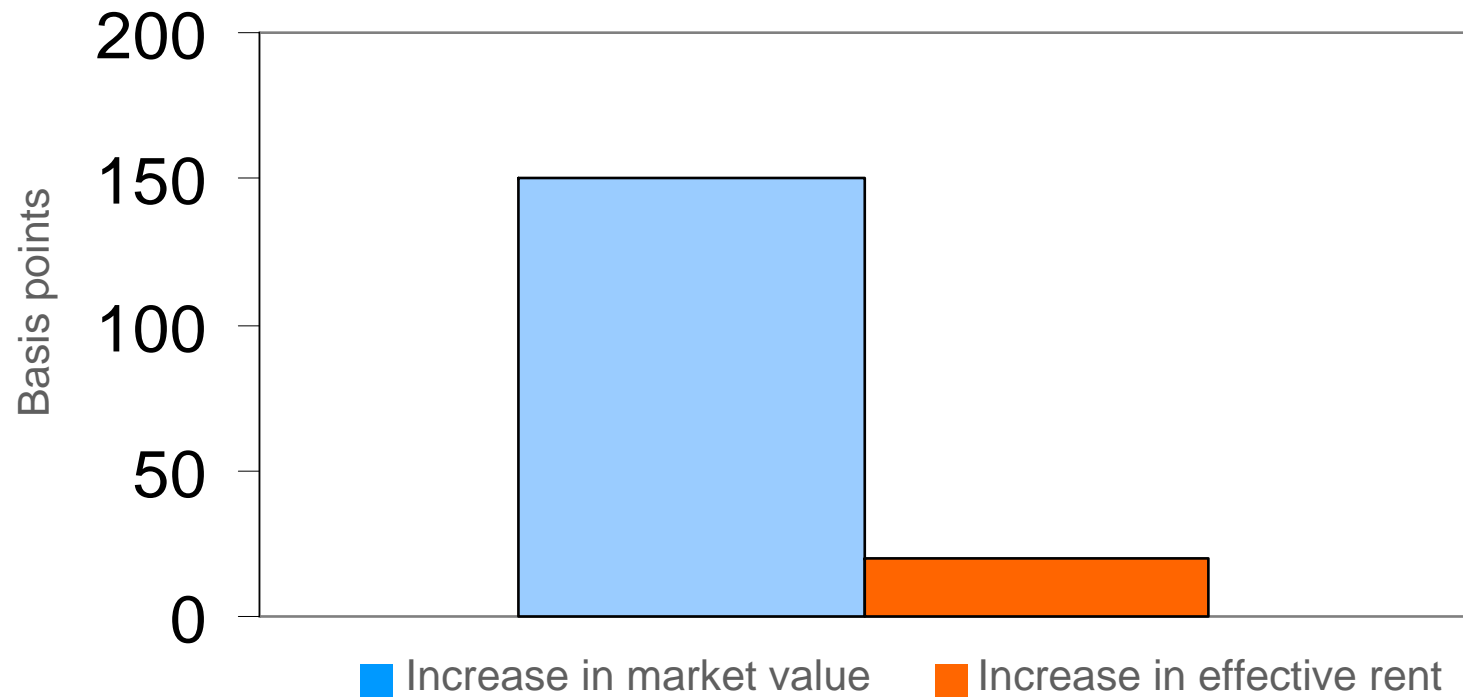
Source: AMP Capital Sustainable Alpha Analysis,
ASX Top 200 Companies. (Dec 2007)

Adding value through researching more dimensions



Uncovering value: green investment

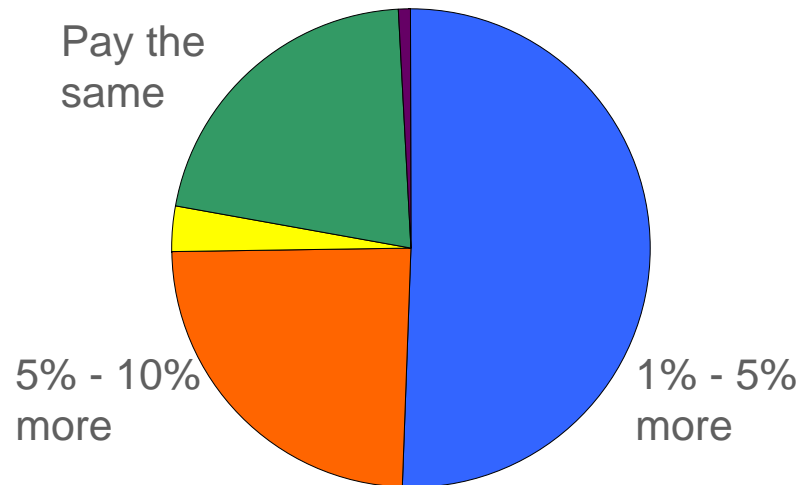
Impact of 10% increase in energy efficiency



Kok et al (2009)

Uncovering value: green investment

Tenants willing to pay a green premium



Green buildings cost roughly 2% more to build in contrast to public perception expressed by business leaders that green buildings are on average 17% more expensive

Source: WBCSD 2007, JLL 2007, Good Energies 2009

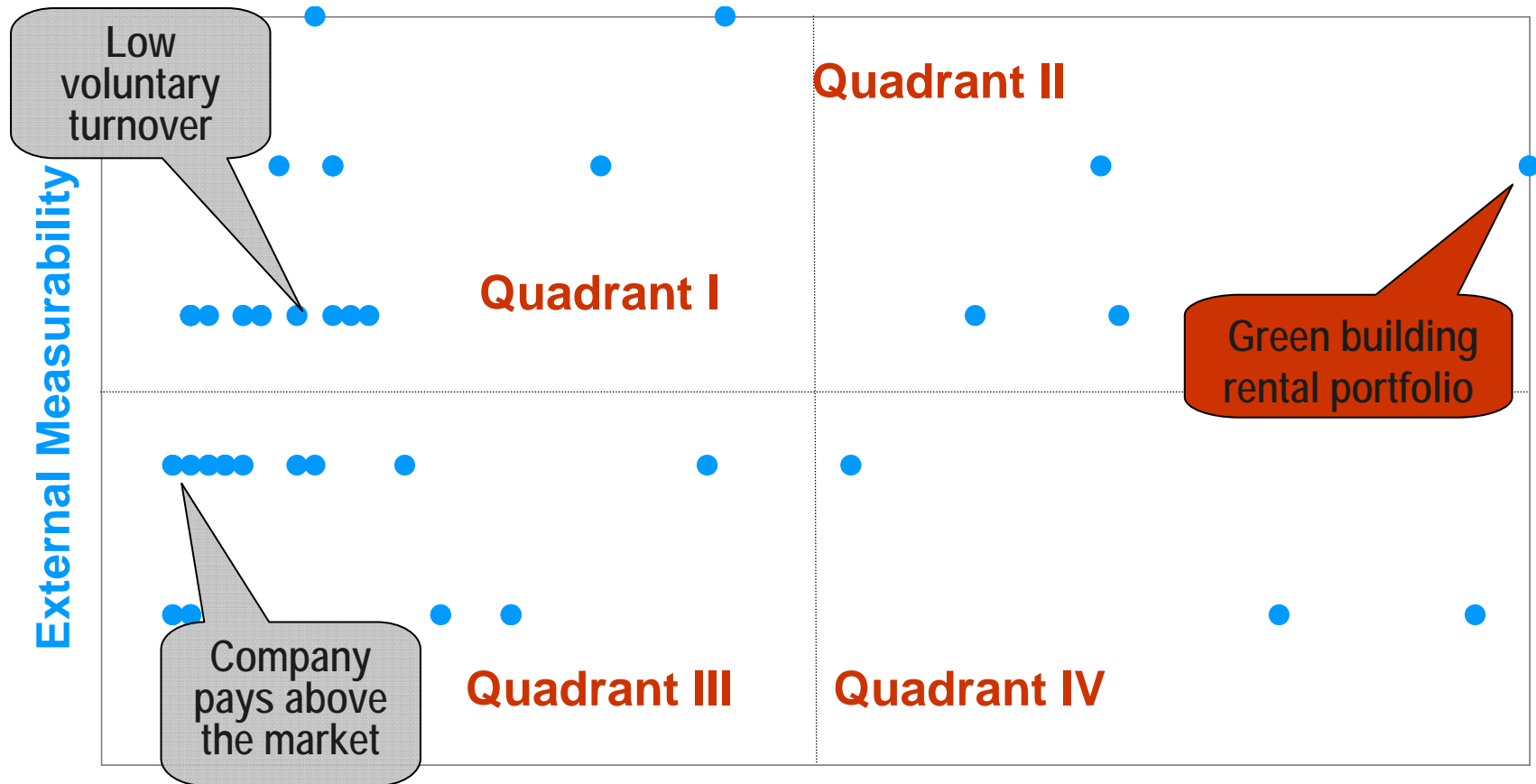
Measure the right things – finding Quadrant II



Link to Total Shareholder Return or Asset Premiums*

* AMPCI interpreted TSR data from Watson Wyatt (2001); Kok et al (2009)

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Company valuation

Price = Cash Flow grown over time and discounted

$$= \frac{\text{Cash Flow}}{[\text{risk free rate} + \text{risk premium}] - \text{growth}}$$

- Impact on operating margins
 - Impact on revenue growth
 - Impact on risk premium
- } Impact on growth

Investors are from Mars and
green buildings are from Venus...



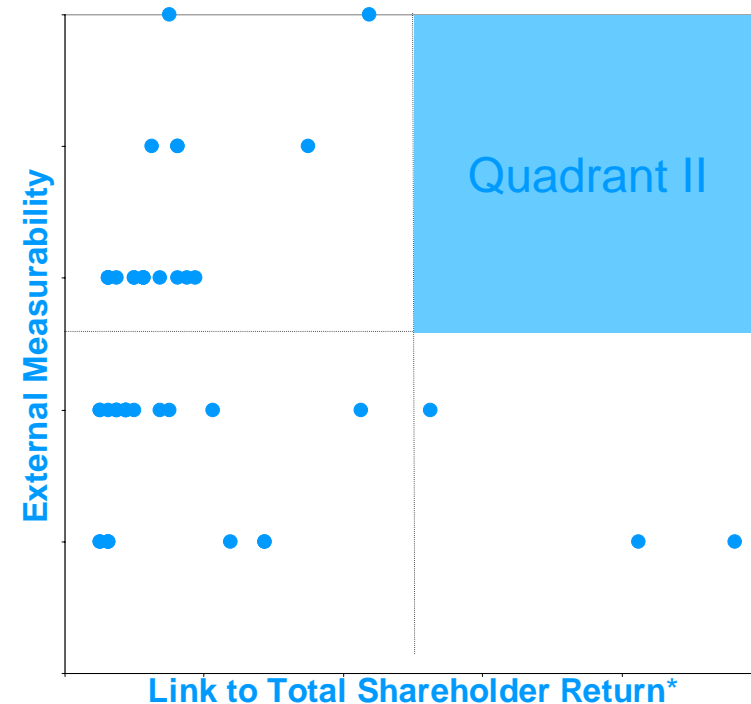
Four Reasons for planetary non-alignment

- 1. Investors are unclear where to look for the value**



Four Reasons for planetary non-alignment

1. Investors are unclear where to look for the value
2. **Investors do not have the tools to analyse the map**



Four Reasons for planetary non-alignment

1. Investors are unclear where to look for the value
2. Investors do not have the tools to analyse the map
- 3. Investors do not have the expertise to use the tools**

B. Econ/Fin

One size fits all ?



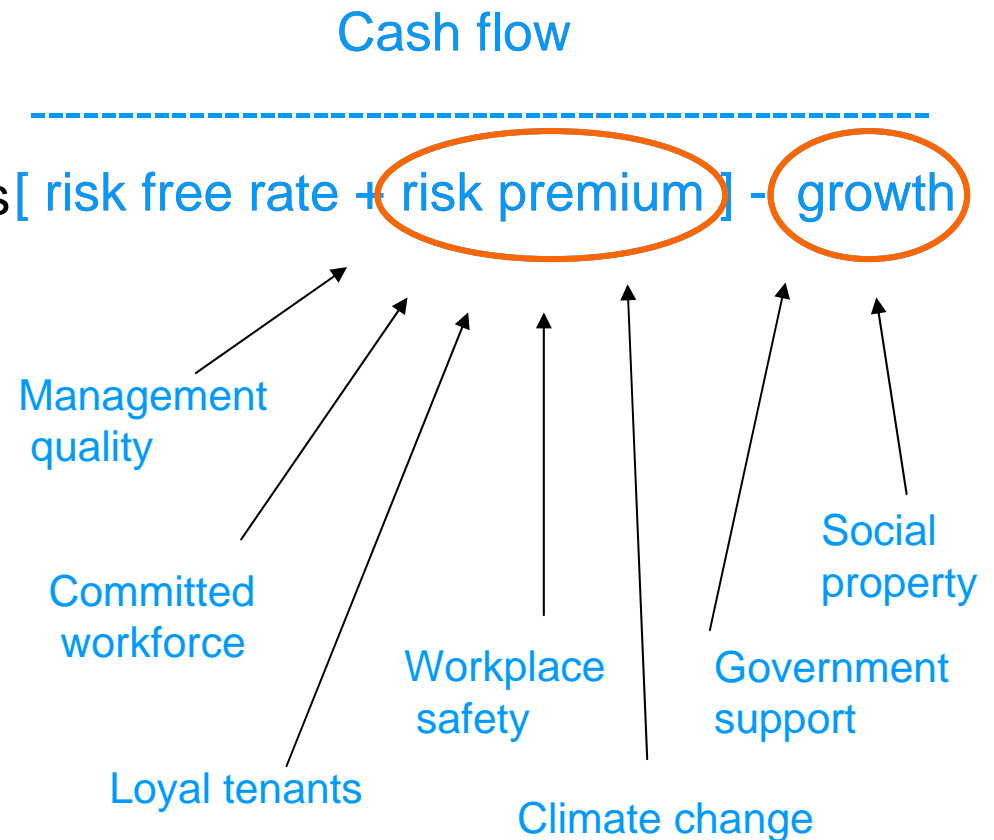
Four Reasons for planetary non-alignment

1. Investors are unclear where to look for the value

2. Investors do not have the tools to analyse the map

3. Investors do not have the expertise to use the tools

4. **Investors are not sure how to unlock the value to great effect**



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