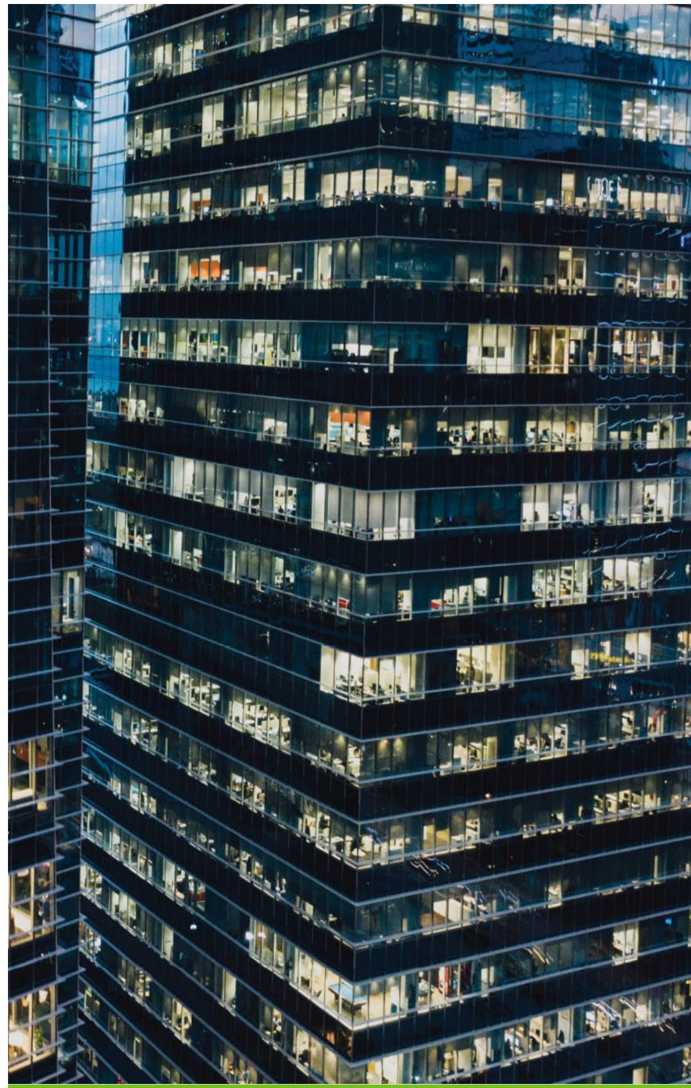
Prospect Case Study 2021



CUSHMAN & WAKEFIELD

BIGFOOT REDUCTION, INC.
REDUCING YOUR CARBON FOOTPRINT

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BIGFOOT INC
REDUCING YOUR CARBON FOOTPRINT.

Summary Case Study Using Current Cushman Wakefield Public Information on Cost Recovery as it Impacts Earnings Report by Employing Eaas.

Summary

Cushman is a prime example of a mixed portfolio of assets, including undeveloped land, large downtown commercial office space, general commercial office space, and industrial buildings. It boasts on its website, as seen in the illustration below, that it has 4.1 billion in square feet under management, $7.8B in Annual Revenue and has an international reach of 60 countries.

Source for image
https://ir.cushmanwakefield.com/about-us/default.aspx

Some of the biggest challenge's large REITs and commercial portfolio type companies have are,

1. Small changes have large impacts, but are time consuming to make. The lead/lag measure is inconsistent and often not measured.
2. Waste adds up, but is hard to see what causes it, because of siloed visibility. The CFO is not the COO. Skill sets don't overlap well.
3. Geopolitical risk and local resource trade and practices are not consistent across portfolios.
4. Large scale implementation can be costly and devastating. This creates fear.

"More of the same bad thing, only makes more of the same bad result."

Highlights

- **CW had a net loss of $17M in Q1 2021.**
- **Operating costs, to include, utility, were $280.8M in Q1 2021.**
    - **Unknown the amount of utility cost.**

(in millions)	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020	% Change in USD	% Change in Local Currency
Revenue:				
Property, facilities and project management	$ 768.1	$ 732.1	5 %	2 %
Leasing	291.7	301.8	(3)%	(5)%
Capital markets	166.4	182.1	(9)%	(10)%
Valuation and other	111.4	104.4	7 %	2 %
Total service line fee revenue[1]	1,337.6	1,320.4	1 %	(1)%
Gross contract reimbursables[2]	586.2	575.0	2 %	— %
Total revenue	$ 1,923.8	$ 1,895.4	1 %	(1)%
Costs and expenses:				
Cost of services provided to clients	$ 1,003.3	$ 1,023.8	(2)%	(4)%
Cost of gross contract reimbursables	586.2	575.0	2 %	— %
Total costs of services	1,589.5	1,598.8	(1)%	(3)%
Operating, administrative and other	280.8	284.0	(1)%	(3)%
Depreciation and amortization	43.1	72.0	(40)%	(41)%
Restructuring, impairment and related charges	17.6	26.1	(33)%	(34)%
Total costs and expenses	1,931.0	1,980.9	(3)%	(5)%
Operating loss	(7.2)	(85.5)	(92)%	(92)%
Interest expense, net of interest income	(42.4)	(36.5)	16 %	14 %
Earnings from equity method investments	2.4	1.3	85 %	66 %
Other income, net	2.0	39.1	(95)%	(94)%
Loss before income taxes	(45.2)	(81.6)	(45)%	(49)%
Benefit from income taxes	(28.0)	(26.5)	6 %	5 %
Net loss	$ (17.2)	$ (55.1)	(69)%	(73)%
Adjusted EBITDA[3]	$ 99.7	$ 70.3	42 %	38 %
Adjusted EBITDA margin[3]	7.5 %	5.3 %		
Net loss	$ (17.2)	$ (55.1)	(69)%	
Adjusted net income[3]	25.5	6.9	270 %	
Weighted average shares outstanding, basic	222.3	219.9		
Weighted average shares outstanding, diluted[4]	223.9	223.9		
Loss per share, basic and diluted	$ (0.08)	$ (0.25)		
Adjusted earnings per share, diluted[3]	$ 0.11	$ 0.03		

[1] Service line fee revenue represents revenue for fees generated from each of our service lines.

[2] Gross contract reimbursables reflects revenue from clients which have substantially no margin.

[3] See the end of this press release for reconciliations of (i) Adjusted EBITDA to net income (loss); and (ii) Adjusted net income to net income (loss); and for explanations on the calculations of Adjusted EBITDA margin and Adjusted earnings per share, diluted. See also the definition of, and a description of the purposes for which our management uses these non-GAAP measures under the Use of Non-GAAP Financial Measures section in this press release.

[4] For all periods with GAAP net loss, weighted average shares outstanding, diluted is used to calculate Adjusted earnings per share, diluted.

Assumption

Since it is unknown what the utility cost was for the buildings operated under CW, we will make a few assumptions here.

1. **Utility bills would be in line with industry averages based on BOMA report. (BOMA – Building Owners and Associations International)**

Private Sector Office Building Expense Figures

- Cleaning: $1.68 psf
- Utility: $2.14 psf
- Fixed: $5.57 psf
- Parking: $0.58 psf
- Roads/grounds: $0.24 psf
- Repair/maintenance: $2.15 psf
- Real estate taxes: $5.32 psf

Source
https://www.boma.org/BOMA/Research-Resources/3-BOMA-Spaces/Newsroom/PR91818.aspx

- **Based on the above, this would account for approx. 20% of building operating costs are in utilities.**
  - **$280M x .2 = $56M/quarter ($224M/year) was spent on utility costs**
- **At an average expense of $2.14 psf (price per square foot), being spent on utilities.**

Assumption 2
- **CW has about 4.1B SF under management**
- **At an avg price of $2.14 psf, that would equate to $1.915B/year or $478M/quarter spent on utility bills.**

****Discrepancy – Carry over costs and annual report allocation, because utilities are billed in rears. In addition, each region has different pricing on utility, that would also explain the discrepancy between $56M in quarterly utility expenditure and $478M.**

Assumption 3
- **We will use an assumed annual utility cost between $200M-$400M/year for CW.**

Opportunity

Based on the above known public information and assumption 3, we created an opportunity.

Utility Spend	Saving 10%	Saving 20%	Saving 30%	Saving 40%
$200M	$20M	$40M	$60M	$80M
$250M	$25M	$50M	$75M	$100M
$300M	$30M	$60M	$90M	$120M
$350M	$35M	$70M	$105M	$140M
$400M	$40M	$80M	$120M	$160M
$450M	$45M	$90M	$135M	$180M

(in millions of dollars annually)

Conclusion

- **On the low end, if CW spends $200M/year on its portfolio for utilities, then a 10% energy savings would bring in $20M in cost recovery, thereby reducing annual losses by 29.4%.**
- **If there was a quarterly loss of $17M/quarter that stayed the same over a one-year period, this would equate to a loss of $68M/year, based on current trend line.**
- **Cost recovery breakeven points are highlighted to bring losses to a net zero in blue.**
  - **Gains are highlighted in green.**