

Wereldhave

Q3 2020

Trading update

23 October 2020

make every day count

Key items

EPRA EPS 2020 outlook raised to € 1.90 - 2.10

Q3 leasing above market rent for the third quarter in a row

Shopping center occupancy stable at 95%

Rent collection shows strong improvement with 82% for Q2 and 93% for Q3

Enhanced liquidity by extension of € 70m in revolving credit facilities

EPRA sBPR Gold Award for fifth consecutive year

Message from the CEO

Over the summer period our teams have worked extremely hard to achieve progress post the COVID-19 lockdown in H1. Whilst dealing with several COVID-19 lease agreements, rent collection for Q3 also proved to be more of a challenge than usual. Having said that, our teams in The Netherlands, Belgium and France have made further significant steps in both Q2 and Q3 rent collection, with the latter now at 93% which is encouraging. Multi-brand fashion and F&B remain the segments where collection proves the hardest. In the meantime, ordinary leasing business continues, which is underpinned by a new package deal with Dutch affordable fashion retailer TerStal. In all three countries we continue to sign new leases at or above ERV, also during Q3. This has resulted in a strong third quarter with € 0.62 EPRA EPS which is twice the level recorded for Q2.

Our business continues to prove resilient driven by a strong focus on everyday life, increasing mixed-use (whilst downsizing traditional retail) and a focus on proximity. Footfall has recovered gradually since the end of lockdowns in H1, however in recent weeks, with the arrival of the new COVID-19 wave, uncertainty has increased and the footfall recovery has stalled.

With the effects of the current second wave in mind, I would like to emphasize my appreciation towards our finance teams in the Netherlands and Belgium who secured our liquidity up until and including Q3 2022. Post obtaining over € 130m of new loans during early September, our teams have secured a further € 70m of new liquidity through extension of the maturity of our Belgian revolving credit facilities. This will have a slightly decreasing impact on our average cost of debt in 2021.

Despite the fact that our liquidity preservation mode remains in place, we continue to make progress on our LifeCentral strategy. As we have mentioned earlier, increasing new uses at our locations at the expense of traditional retail is underpinned and accelerated by the current COVID-19 environment.

To support our LifeCentral strategy it is key to execute on disposals. We continue to make progress as planned with the disposal of the French business. In the Netherlands, where we mentioned some caution regarding the transaction market in H1, we see some signs that the market is recovering. We expect the disposal of our Dutch non-core assets to be executed before year-end 2021.

In the meantime, whilst revenues are falling, focus on costs is essential. By implementing strict cost-control measures we have made significant steps with regards to cost savings during the 9 month period. This reduced our direct general expenses by 23%. With strong rent collection, slightly decreasing cost of debt, new leases signed above budget and significant cost cutting we managed to lift our 2020 EPRA EPS forecast significantly to € 1.90-2.10. For that, I am grateful to our teams, who worked hard to achieve this.

Matthijs Storm – CEO

Schiphol, 23 October 2020

Summary

	9M 2020	9M 2019	Change
Key financial metrics (x € 1,000)			
Gross rental income	143,570	154,963	-7.4%
Net rental income	101,666	128,775	-21.1%
Direct result	73,051	97,204	-24.8%
Indirect result	-167,291	-126,435	-32.3%
Total result	-94,241	-29,231	-222.4%
Per share items (€)			
Direct result	1.59	2.12	-25.2%
Indirect result	-3.78	-3.11	-21.5%
Total result	-2.19	-0.99	-121.2%
EPRA EPS	1.59	2.12	-25.2%
Total return based on EPRA NAV	-2.16	-1.02	-111.8%
Dividend paid	0.63	1.89	-66.7%

	30 Sep 2020	31 Dec 2019	Change
Key financial metrics (x € 1,000)			
Investment property	2,741,414	2,906,686	-5.7%
Assets held for sale	3,200	9,880	-67.6%
Net debt	1,250,473	1,314,824	-4.9%
Equity attributable to shareholders	1,226,168	1,319,598	-7.1%
EPRA performance metrics (€)			
EPRA NRV	33.09	36.07	-8.3%
EPRA NDV	29.05	31.80	-8.6%
EPRA Vacancy rate	5.6%	5.4%	0.2 pp
EPRA Cost ratio ¹⁾	22.0%	23.4%	-1.4%
EPRA Net Initial Yield	6.0%	5.8%	0.2 pp
Other ratios			
Net LTV	45.9%	44.8%	1.1 pp
ICR	5.7x	6.6x	-0.9x
IFRS NAV	30.51	32.78	-6.9%
Number of ordinary shares in issue	40,270,921	40,270,921	0.0%
Number of ordinary shares for NAV	40,191,662	40,255,423	-0.2%
Weighted avg. number of ordinary shares outstanding	40,219,428	40,251,654	-0.1%
Shopping Centers portfolio metrics			
Number of assets	30	31	-3.2%
Surface owned (x 1,000) ²⁾	840	851	-1.3%
LFL NRI growth	-20.0%	-0.6%	-19.4 pp
Occupancy rate	94.9%	94.8%	0.1 pp
Theoretical rent per sqm	225	227	-0.9%
ERV per sqm	214	215	-0.5%
Footfall growth	-19.3%	1.1%	-20.4 pp
Proportion of mixed-use (in m ²)	9.9%	9.4%	0.5 pp
Customer satisfaction Benelux (NPS)	-8	-	-8

1 Excluding COVID-19 impact

2 Excluding Emmapassage Tilburg

Operations and the impact of COVID-19

The effect of COVID-19 on our shopping center business gradually diminished over the third quarter. The number of visitors rebounded after the reopening of our centers to a level of around 88% compared to Q3 2019. This resulted in improving business for our tenants as well as better rent payment behavior. In response to the rise in COVID-19 infections over the past weeks in all of the countries in which we are active, new restrictions have been put in place by their governments. So far, recent implications for our shopping center business has been less severe than during the March-May period.

France

Occupancy in France has slightly improved to 90.7% with leasing activity executed at market rents. Following the outbreak of COVID-19, the number of bankruptcies in our portfolio has increased versus Q1 (e.g. Camaïeu, Alinea), most of them have a takeover plan behind it. Three Pittarosso stores have already been replaced by Chaussea. Despite the challenges the cinema industry currently faces, two renewals have been signed. One is with Pathé in Docks 76 and the other with Gaumont in Docks Vauban, both at market rent level. At Docks 76, a contract with qualitative food hall operator Biltoki has been signed as well as proximity food offerer Carrefour city, both will strengthen the food component in this largely fashion and entertainment oriented center. On top of that, the first Normal, a Danish brand, in our portfolio will open at Côté Seine.

Belgium

Occupancy in the Belgian shopping center portfolio remained at a high level of 96.3% with leasing 5% above market rents. The occupancy in the Belgian office portfolio decreased slightly to 85%. On top of the COVID-19 deals signed, the number of renewed and new contracts in Belgium was ahead of budget. Except for Camaïeu, bankruptcies have been limited up to and including Q3. So far, no solution has been found for the 25 Belgian Camaïeu stores, three of which are located in Wereldhave's Belgian portfolio (Belle-Île, Nivelles and Les Bastions). On the 16th of October the Belgian government announced closure of F&B for the period of 1 month. Belgian F&B represents 2.6% of the Wereldhave rent-roll.

Netherlands

In the Netherlands, Wereldhave was able to sign leases 8% above market rents. We signed a package deal for four locations with TerStal, an everyday affordable family fashion brand that has a strong connection with the customers in our catchment areas. Several brands that were part of the bankrupt FNG fashion group have restarted. The brands Didi, Espresso and Miss Etam are tenants in eight Dutch Wereldhave centers. For some locations the negotiations following the restart are in progress. For others, opportunities to reposition the location for alternative use are being explored.

On October 7, the Amsterdam court has granted Wereldhave's claim against HBC of € 2.2m pursuant to the rental guarantee for 2020. Wereldhave will follow up with legal proceedings in the Netherlands for remaining payments and in Canada for execution of the payments.

On 13 October the Dutch government announced a partial lockdown. Amongst other restrictions the most relevant impact for our business consists of the forced closure of food & beverage segment, except for counter function, and the urgent advice of the government to wear face masks inside a store. Dutch F&B represents 2.9% of the Wereldhave rent-roll.

Occupancy rate

	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Belgium	96.3%	96.3%	96.4%	96.0%	96.3%
France	92.2%	92.8%	90.5%	90.6%	90.7%
Netherlands	96.1%	95.1%	94.8%	96.4%	96.4%
Shopping centres	95.1%	94.8%	94.1%	94.8%	94.9%
Offices (Belgium)	91.7%	89.2%	87.0%	87.0%	85.1%
Total portfolio	95.0%	94.6%	93.8%	94.4%	94.4%

Rent collection & footfall

Wereldhave's adjusted rent collection rate of invoiced rents for Q3 2020 was 93% per 21 October 2020. Per this date, the rent collection rate for Q2 rents has increased to 82% from 59% recorded at the publication of the H1 2020 results.

Rent collection per 21 October 2020

	Q2 2020	Q3 2020	Q2 2020 adjusted ¹⁾	Q3 2020 adjusted ¹⁾
Belgium	78%	93%	93%	95%
France	54%	82%	60%	83%
Netherlands	80%	98%	89%	98%
Overall	74%	93%	82%	93%

¹⁾ Adjusted for arrangements such as deferred payments and discounts

Our guests found their way back to our centers following the reopening of all our French and Belgian centers late May. During Q3 the number of visitors improved significantly versus Q2, although it did not yet reach the levels comparable to last year. In France there are some specific reasons why footfall has been relatively lower in certain shopping centers as a result of the COVID-19 pandemic. Docks 76 and Docks Vauban are anchored by cinemas instead of a food anchor. As people work from home more, Mériadeck has less visitors due to its location in an office district.

Change in visitors (% yoy)

	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020
Shopping Centers					
Belgium	4.9%	5.9%	-7.1%	-51.3%	-13.6%
France	2.6%	2.2%	-18.5%	-56.8%	-19.9%
Netherlands	-0.2%	1.8%	-4.3%	-22.9%	-6.8%
Overall	-1.6%	-0.8%	-12.1%	-37.3%	-11.8%

Strategic developments

Wereldhave aims to become market leader in Full Service Centers (FSCs) in the Benelux. By creating an optimal tenant mix to cater to the customer's everyday needs in its catchment area, an FSC is Wereldhave's vision for the future. In February 2020, Wereldhave launched its LifeCentral strategy to transform its portfolio with a goal of reaching at least 25% of space to become mixed-use by 2025. Currently Wereldhave has 9.9% of its space dedicated to mixed-use. Wereldhave expects this percentage to increase by a particular focus on the development of residential space. A disposal program has been launched to provide the required funding for the LifeCentral strategy whilst strengthening the balance sheet. Since the COVID-19 pandemic, Wereldhave has increased its focus on strengthening the balance sheet and improving liquidity, through its liquidity preservation program. The latter is focused on increasing liquidity by extending existing and obtaining new credit facilities, cancellation of the 2019 final dividend, no further quarterly payments of dividends in 2020, reducing capex obligations as well as general expenses and increasing the focus on disposals.

Financing

Wereldhave increased liquidity through the disposal of the WoensXL shopping center in Eindhoven. Thereafter, Wereldhave has delayed € 75m in capex obligations towards its development pipeline during the first half of the year. After the announced arrangements of over € 130m early September, Wereldhave has extended the maturity of € 70m Belgian revolving credit facilities by three years, bringing the total volume to over € 200m. Wereldhave's liquidity profile is now sufficient to cover all debt maturities up to and including Q3 2022. In the upcoming period, Wereldhave continues to focus on executing its disposal program.

On 16 September 2020, Moody's Investors Service has recognized and acknowledged Wereldhave's improved financial profile. Moody's has confirmed Wereldhave's corporate family rating and senior unsecured bond rating at B1. The outlook improved from 'Rating under review for downgrade' to 'Negative'.

Disposal program

During the year, the investment market for shopping centers in France has deteriorated. However, we continue to make progress as planned with the disposal of the French business.

Four Dutch disposals are marketed in Q4 2020, for which Wereldhave expects to enter into negotiations during H1 2021. Execution of the disposals are aimed to be completed before year-end 2021.

Full Service Center Transformations

One of the focus areas to increase the FSC's service level is our 'The Point' concept that has already proven successful in Belgium. The first Dutch version is scheduled to be installed in November in Cityplaza, Nieuwegein. On top of the services offered in our Belgian portfolio, it will contain the sustainable parcel pick-up and delivery services of Parcls. Parcls combines the services of the many operators in the continuously growing parcels market and creates a solution for the customers challenge to handle the pick-up and returns of their packages. Customers can pick-up and return their orders from all e-commerce platforms in one location regardless of the parcel operator. Depending on the success of the Cityplaza pilot, Wereldhave will decide on the roll-out across the portfolio.

In two of its Dutch centers, Wereldhave has launched the Connect service that allows customers to pre-order at the local fresh food stores and pick-up the parcel at a convenient time or have the order delivered in a sustainable manner. Connect provides tenants with an additional, turn-key sales channel.

UpNext

UpNext is Wereldhave's new full service PopUp concept that facilitates brands, retailers and gastronomy concepts seeking to open a store quickly and with flexible conditions. It offers a variety of solutions ranging from flexible temporary stores to fully serviced, furnished and staffed shops. Just a few months into operation, UpNext has already signed leases for 11 units with tenants such as Cozy home decoration, Goldie Estelle, Invitalis Health and Steppin' Out.

Sustainability

For the fifth year in a row, Wereldhave obtained the maximum score (gold) for the EPRA Sustainability Best Practices Recommendation. Nine centers are on track to be BREEAM (re)certified with the ambition of Very Good. Our carbon target was submitted to the Science Based Targets initiative (SBTi) for a due diligence review. As part of World Green Building Week, Wereldhave kicked off a collaboration with Impact Nation to speed up the assessment of green roofs using artificial intelligence. Due to COVID-19, many social impact initiatives across the centers had to be put on hold. Our shopping centers in Belgium and the Netherlands now provide face-mask vending machines, with all profits going to the Red Cross.

Presikhaaf nominated for NRW 2020 award

Wereldhave's renewed Presikhaaf shopping center in Arnhem has been nominated for the NRW Annual Award of the Dutch Council of Shopping Centers. This award recognizes retail developments that stand out as inspiring examples for the sector. The NRW Annual Award winner will be announced on 10 December 2020.

Outlook

Wereldhave upgrades the outlook for 2020 EPRA EPS to €1.90-2.10 (previously € 1.70-1.90). The reasons for the upgrade are better than expected rent collection, less bankruptcies than expected, new leases signed above budget and significant cost cutting measures. Our outlook reflects no major re-instated lockdown measures other than known today.

As previously announced, Wereldhave will not pay quarterly dividends in 2020, but will move to an annual payment. The level of the 2020 dividend will be determined at the publication of the FY 2020 results (due 12 February 2021).

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