# Entering the Growth phase with the acquisition of six shopping centres in France

*Schiphol*
*16 October 2014*

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# Becoming the leading specialist in mid-sized shopping centres

**Acquisition of a €850m portfolio from Unibail-Rodamco**

- 6 modern high quality shopping centres
- 5.5% net initial yield
- Immediately EPS accretive

**Important and coherent addition to Wereldhave's platform, entering the Growth phase**

- New retail country with long term positive fundamentals
- Instant critical mass in the French retail market
- Excellent fit with the portfolio: decisive step towards becoming the leading specialist in mid-sized shopping centres in North-Western Continental Europe

**Modern and high quality portfolio with demonstrated resilience**

- Located in the heart of major French cities
- Dominant in sizeable catchment areas
- Diversified tenant base and established cash flows
- Identified value creation opportunities

**Attractive financial terms**

- Conservative balance sheet maintained with a LTV of 35% - 40%
- Immediately EPS accretive



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# Key terms of the transaction

**Acquisition**

- Acquisition agreement follows exclusive discussions between Wereldhave and Unibail-Rodamco
- 6 shopping centres: Le Havre, Rouen (2x), Argenteuil (Greater Paris), Bordeaux, Strasbourg
- Total consideration of €850m
- Signed NRI €46.4m
- Net initial yield 5.5%

**Organisation**

- Integration plan in place to manage the portfolio from day 1
- CEO Dirk Anbeek will personally lead the French retail organisation until a French retail director has been recruited
- Current French platform provides basis for successful back office integration of the portfolio

**Financing**

- Fully funded, subject to the EGM approval of rights issue
- Up to €550m rights issue to be approved by the EGM
- c€150m to be drawn upon existing debt facilities, cost of debt below 1.2%
- €150m available cash to be used

**Envisaged timeline**

- 16 October EGM convocation
- 28 November EGM to approve rights issue
- 2 December Launch of rights issue
- 16 December Settlement of rights issue
- 19 December Closing of acquisition

# Agenda

- Strategy update
- Portfolio
- Organisation
- Financials
- Update Q3 2014

# Strategy

# Update


Docks Vauban – Le Havre



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# Derisk and Regroup phases completed

**Key achievements since mid 2012:**

### Portfolio

- More focused portfolio
- Pipeline close to completion


### Organisation

- Management Team strengthened
- Robust country retail teams established

### Results

- Solid occupancy rate and like-for-like rental growth
- Cost control established



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# Regroup phase completed (as per H1 2014)

| Targets Regroup phase 2013-2015 | H1 2014 results |
|---|---|
| **1. Operational excellence** | |
| ▪ Average LfL rental growth of 125 bps above indexation | ✓ 230 bps |
| ▪ ≥ 98% occupancy | ✓ 98.5% |
| ▪ Overhead reduction to ≤ €16m in 2013 and ≤ €14m in 2014 | ✓ On target |
| ▪ Strengthen talent development | ≈ In progress |
| ▪ Standardise best practices between core countries | ≈ Planned for 2014 |
| **2. Controlled development pipeline** | |
| ▪ Retail €330m and offices €110m | ≈ €240m spent so far |
| ▪ Expected average yield on cost 6.5% | ≈ On track |
| ▪ From 2015 ≤ 10% investment portfolio | ≈ On track |
| **3. Maximise value Itis** | |
| ▪ Redevelopment completed mid 2014 within budget (€102m) | ≈ €86m spent so far |
| ▪ Rent level 2015 €33m, yield on cost of 7% | ≈ On track |
| **4. Reinvest in core markets** | |
| ▪ Acquisitions of €400m | ≈ €215m reinvested |
| ▪ Disposals €150m | ≈ €45m sold |
| **5. Alignment with all stakeholders** | |
| ▪ Expand and strengthen Supervisory Board | ✓ 1 addition and 2 rotations |
| ▪ Evaluate anti-takeover structure | ✓ Changes adopted at AGM 2014 |
| ▪ Integrate sustainability in overall strategy | ✓ CRS framework adopted at AGM 2014 |



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# Entering the Growth phase

## A clear framework for target markets:

**Core markets**

- Retail: Further expansion
- Paris office market: Selective growth

**Entry in new markets under stringent criteria**

- Northwest continental Europe
- Stable economies with solid long term perspectives
- Starting portfolio at least €500m - €750m
- Established cash flows
- Ability to build a highly qualified local team

## Focus for 2015:

- Execute integration plan France
- Continued strong focus on operations
- Selective investments and disposals in core markets only
- No new markets

# Maintaining focus on mid-sized shopping centres

**Acquisition criteria:**

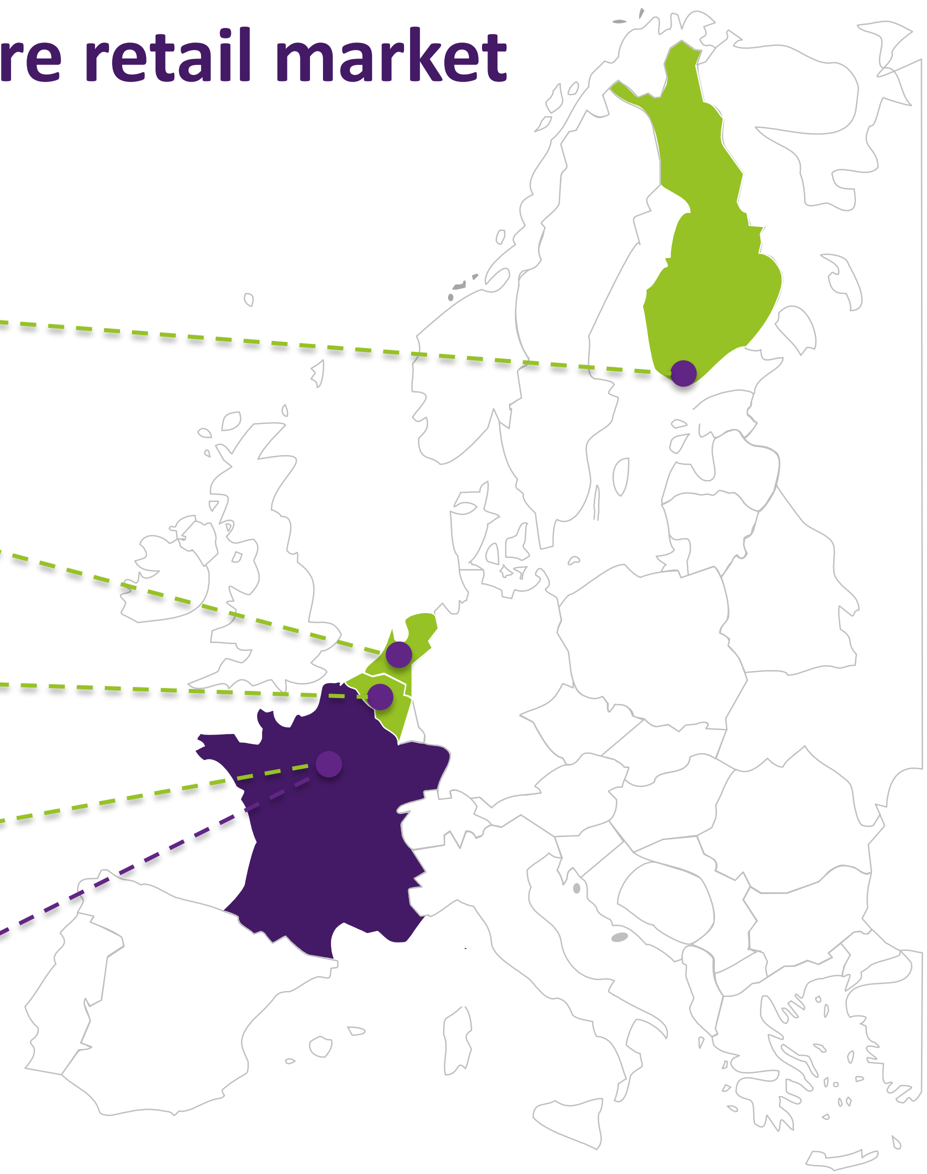
- 90% of shopping needs (min. 20,000m$^2$ GLA)
- Top-of-mind in catchment area
- At least 100,000 inhabitants within 10 minutes drive time
- Easy accessibility
- Strong (inter)national brands and local heroes
- Embedded food, beverage and entertainment
- Food anchored

**Rationale for focusing on mid-sized shopping centres:**

- Conveniently close
- Natural footfall
- Resilience

# France becoming fourth core retail market

| | |
|---|---|
| Finland | 1 shopping centre<br>Average GLA: 104,000m$^2$<br>Average footfall: 16m |
| Netherlands | 10 shopping centres<br>Average GLA: 19,119m$^2$<br>Average footfall: 4m |
| Belgium | 8 shopping centres<br>Average GLA:16,380m$^2$<br>Average footfall: 3.5m |
| Paris | 3 office buildings<br>Average GLA:17,567m$^2$ |
| France | 6 shopping centres<br>Average GLA: 33,750m$^2$<br>Average footfall: 7m |





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# Fundamentals and considerations on France

**Long term positive fundamentals**

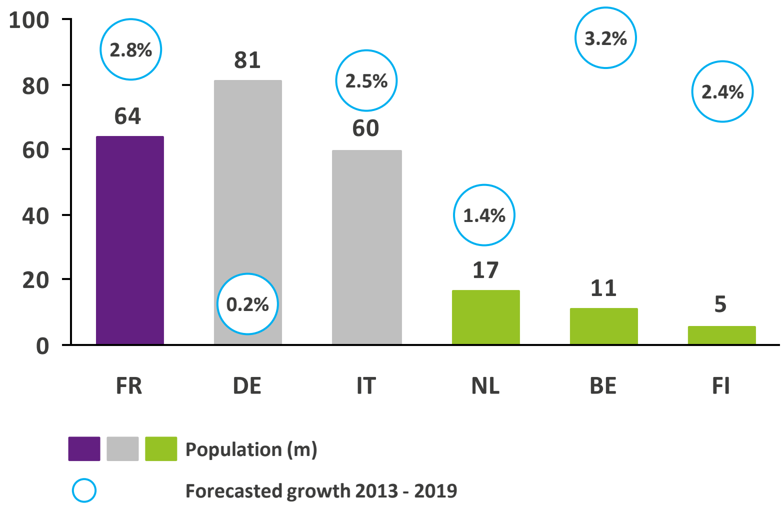
- ✓ Europe’s 2nd largest economy
- ✓ Growing population
- ✓ High savings rate
- ✓ Low private sector indebtedness
- ✓ Preferred destination for retailers
- ✓ Large and transparent real estate market

**Considerations**

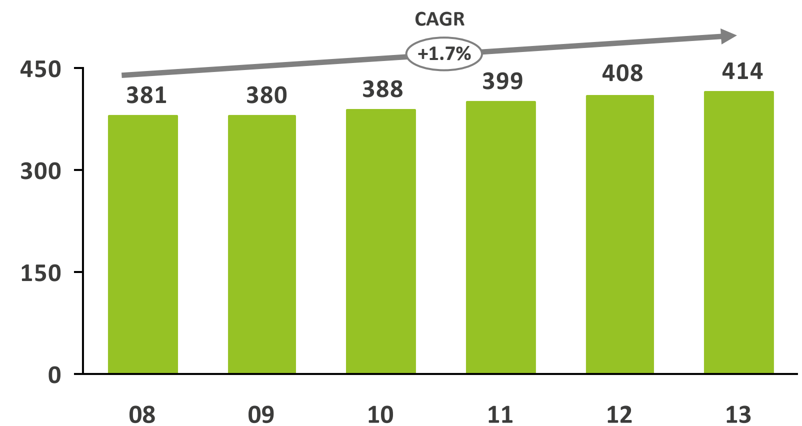
- ≈ Reforms ahead
- ≈ Government debt
- ≈ Unemployment
- ≈ Labour market

# Europe's 2nd largest economy, proven resilience

### Population




### Retail spending in France (€bn)




**Solid fundamentals:**

- Second largest European country by size, population growth and GDP
- Retail spending stable through the downturn
- Strong interest from national and international investors in the French real estate market

Source: IMF, Euromonitor



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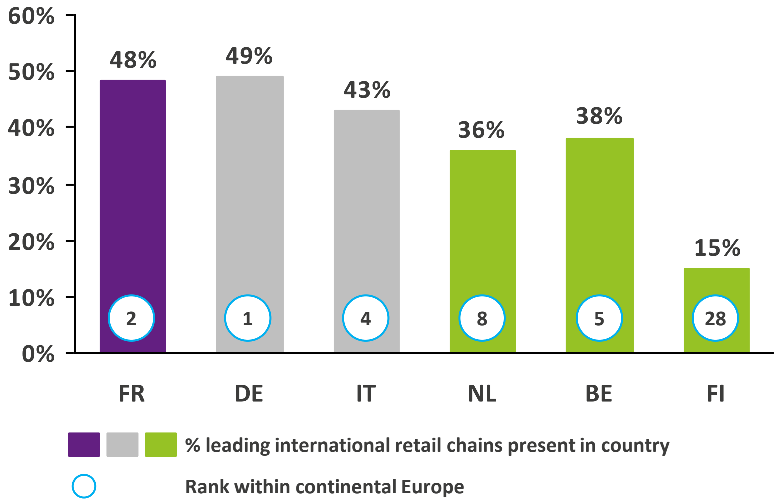
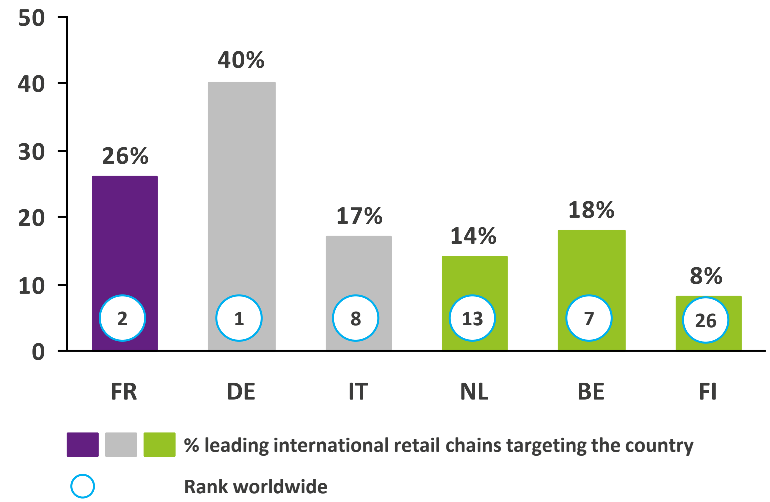
# Attractive destination for retailers

## Presence of leading retailers




## Preferred destination of leading retailers




## Continuous flow of international retailers

- Second preferred destination for leading international retailers
- Attractive market for retailers looking to open stores in 2014

Source: CBRE



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# Portfolio


Rivétoile - Strasbourg



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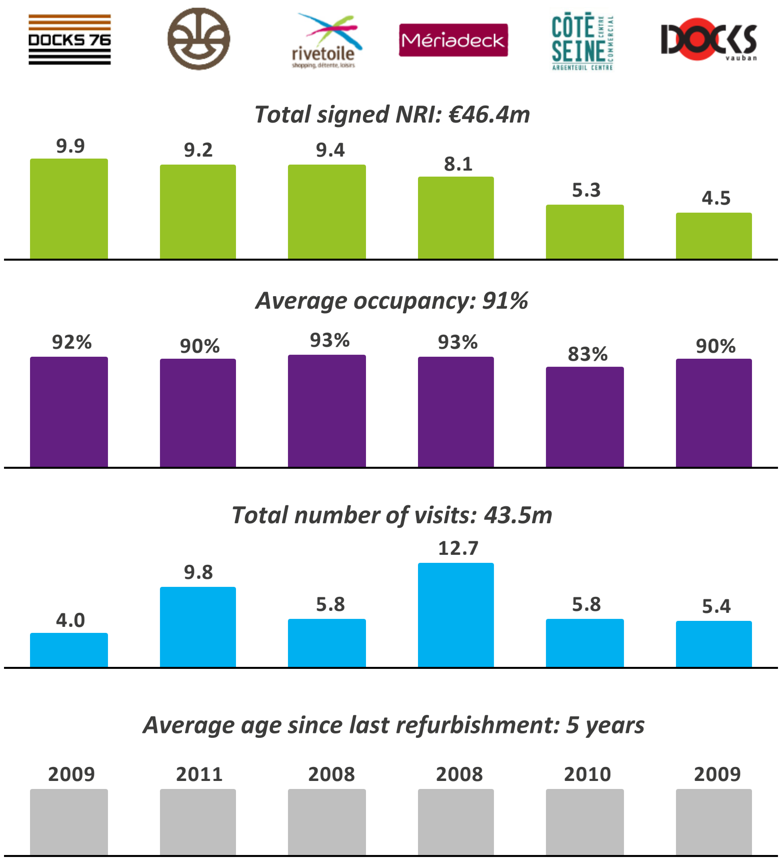
# Key portfolio metrics

| Number of assets | 6 |
|---|---|
| **Total GLA (‘000m²)** | **233.3** |
| *Average GLA (‘000m²)* | *38.9* |
| **Owned GLA (‘000m²)** | **202.5** |
| *Average owned GLA (‘000m²)* | *33.8* |
| **Total signed NRI (Jul-2014, €m)** | **46.4** |
| *Average signed NRI (€m)* | *7.7* |
| **Occupancy cost ratio[1] (%)** | **12.7%** |
| **Average age after last refurbishment** | **5** |
| **Sales incl. VAT (2013, €m)** | **487.8** |
| *Average sales (2013, €m)* | *81.3* |
| **Footfall (2013, million visits)** | **43.5** |
| *Average footfall (2013, million visits)* | *7.3* |




1 Occupancy cost ratio is based on minimum guaranteed rent + service charges (31 July 2014) / sales incl. VAT (last 12 months July 2014)



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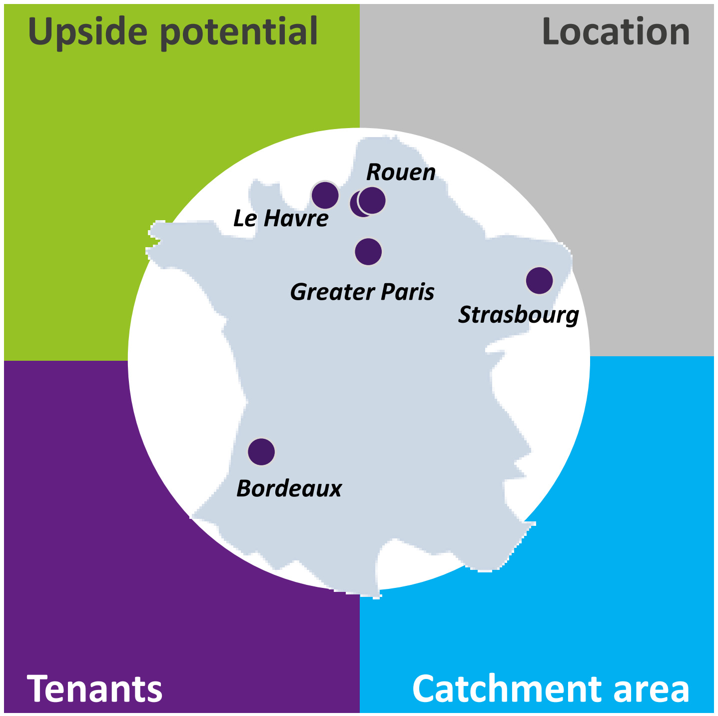
# Modern and high quality portfolio with identified upside potential




- Located in the heart of major French cities
- Easily accessible
- Dominant in sizeable catchment areas
- Above average spending power
- Proven track record
- Diversified tenant base and established CF’s
- Identified value creation opportunities

# Located in the heart of major French cities, easily accessible

## Meriadeck: the urban convenience shopping centre of Bordeaux city


| | |
|---|---|
| Total GLA | 39,500m² |
| Owned GLA | 32,400m² |
| NRI | €8.1m |
| Footfall | 12.7m |
| Ownership | 100% |
| Accessibility | |

## Côté Seine: the urban convenience shopping centre of Argenteuil city, Greater Paris


| | |
|---|---|
| Total GLA | 28,900m² |
| Owned GLA | 16,200m² |
| NRI | €5.3m |
| Footfall | 5.8m |
| Ownership | 100% |
| Accessibility | |



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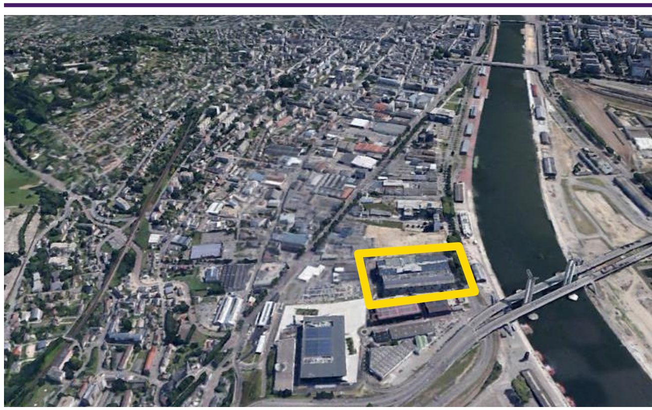
# Located in the heart of major French cities, easily accessible

## Saint Sever: the urban convenience shopping centre of Rouen city

| | |
|---|---|
| Total GLA | 45,400m² |
| Owned GLA | 34,400m² |
| NRI | €9.2m |
| Footfall | 9.8m |
| Ownership | 100% |
| Accessibility | |

## Docks 76: the shopping and leisure destination of Rouen area



| | |
|---|---|
| Total GLA | 37,600m² |
| Owned GLA | 37,600m² |
| NRI | €9.9m |
| Footfall | 4.0m |
| Ownership | 100% |
| Accessibility | |



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# Located in the heart of major French cities, easily accessible

## Docks Vauban: the shopping and leisure destination of Le Havre area

| | |
|---|---|
| Total GLA | 53,500m² |
| Owned GLA | 53,500m² |
| NRI | €4.5m |
| Footfall | 5.4m |
| Ownership | 100% |

Accessibility

## Rivétoile: the unique trendy destination of Strasbourg area


| | |
|---|---|
| Total GLA | 28,400m² |
| Owned GLA | 28,400m² |
| NRI | €9.4m |
| Footfall | 5.8m |
| Ownership | 100% |

Accessibility



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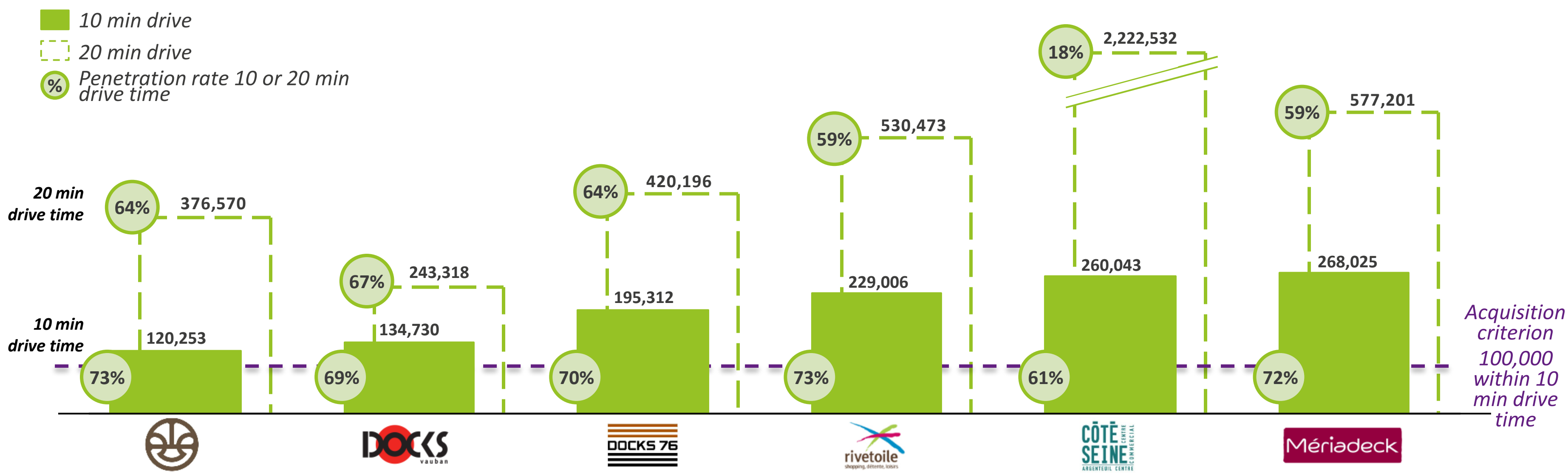
# Dominant in sizeable catchment areas

## No. inhabitants in catchment area




### Strong and sizeable catchment areas

- Very sizeable catchment areas compared to acquisition criterion
- High percentage of people in each catchment area visiting the centre (penetration rate)
- Catchment areas of Rivétoile and Docks76 are growing due to adjacent residential and office developments

Source: INSEE, Unibail-Rodamco phone survey April 2014



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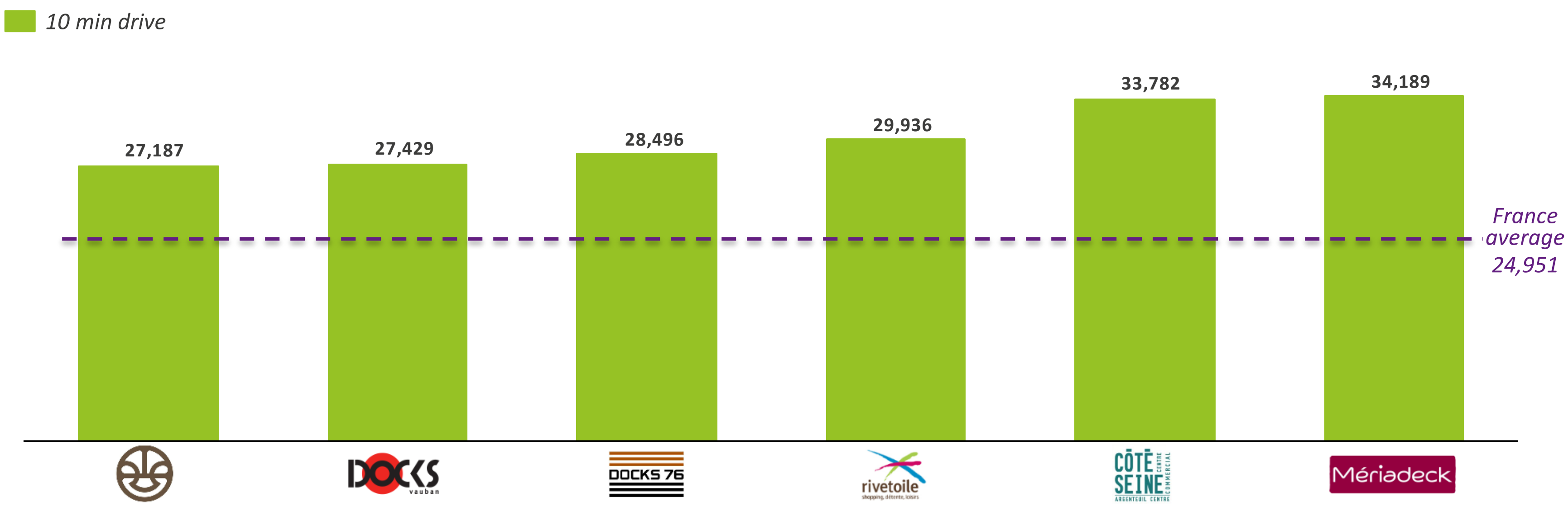
# Above average spending power

## Household income in catchment area (€)



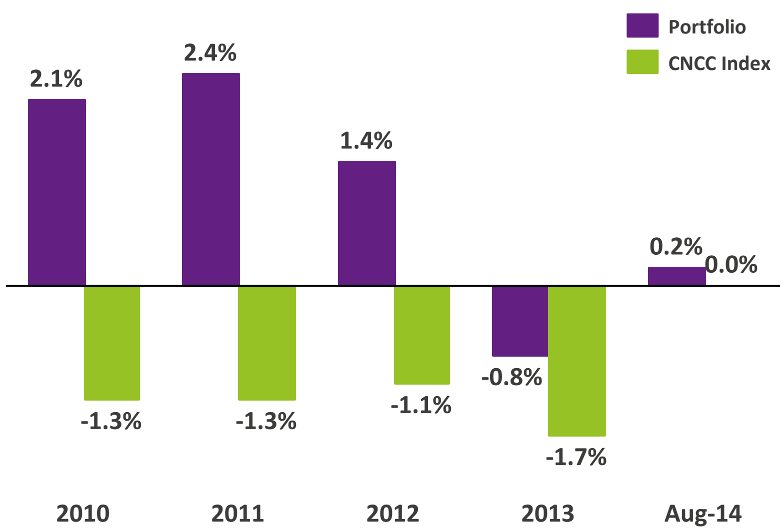

**Spending power above average**

- Household income well above French average
- Shopping centres are located in the wealthier part of their cities, except Côté Seine

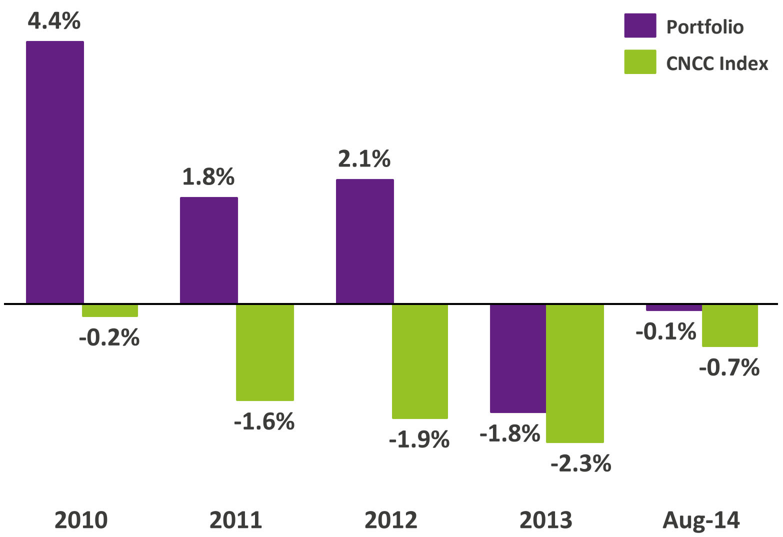
Source: INSEE

# Proven track record of this portfolio

### Portfolio footfall growth vs CNCC index




### Tenant sales vs CNCC index




### Resilient footfall and sales

- Portfolio outperforms the CNCC index on footfall and sales
- Robust performance for each centre

Source: CNCC



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# Diversified tenant base…

**Strong food anchors**

**Leading international brands**

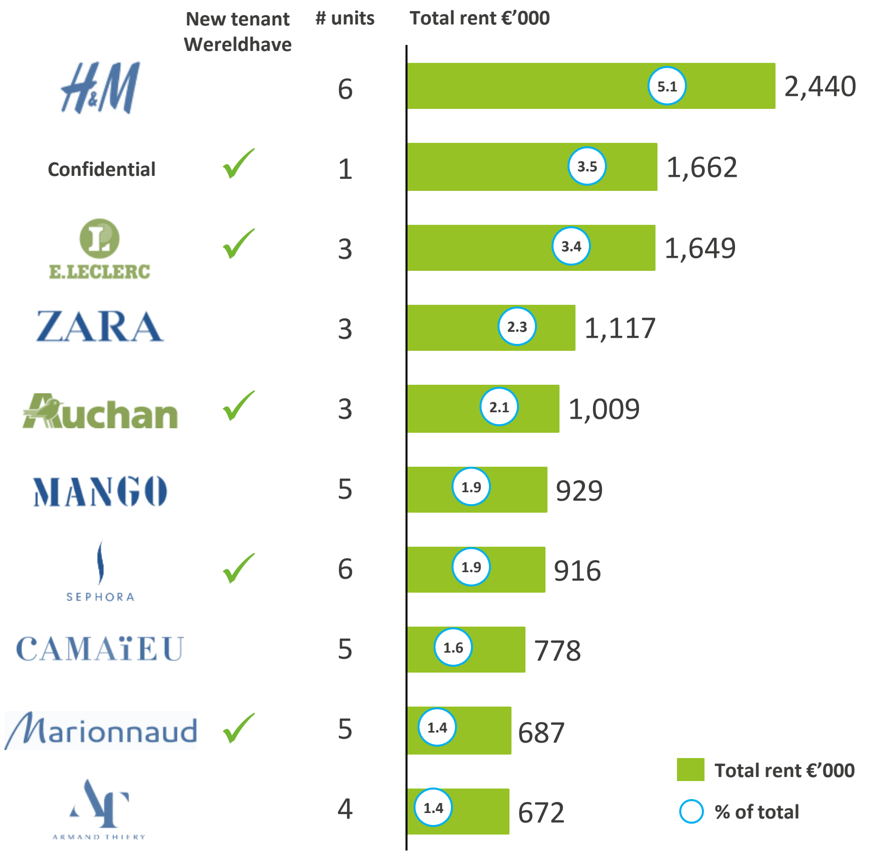
**Embedded food, beverage and entertainment**

**High quality tenant base**

- Servicing 90% of shopping needs
- Fully embedded food, beverage and entertainment functions
- Sizeable food anchors

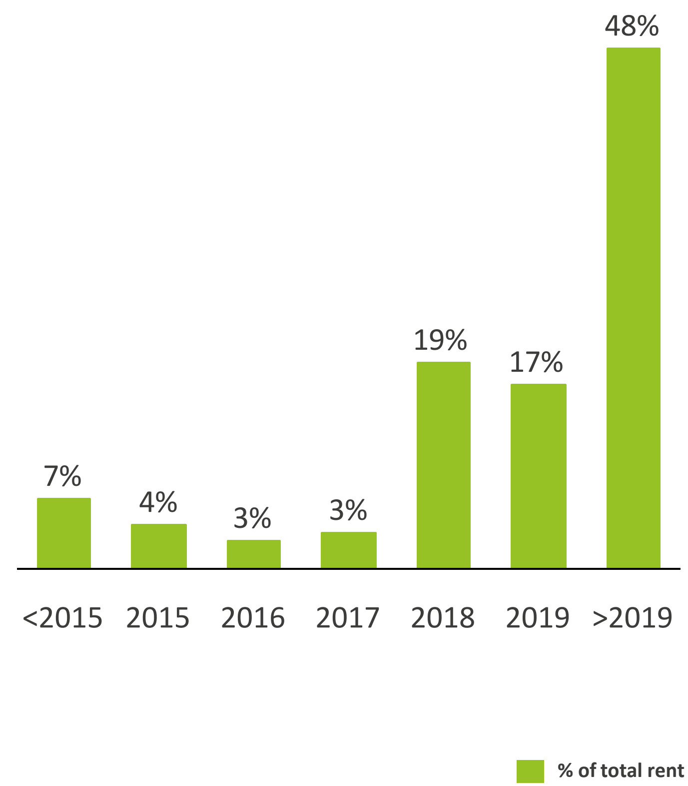
# …and established cash flows

## Well diversified tenant base (31 July 2014)




Total rent: €12m (25% of total portfolio)

## Lease expiration schedule (31 July 2014)



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# Identified value creation opportunities

| Envisaged portfolio approach | | # shopping centres | |
|---|---|---|---|
| ***Re-tenanting*** | ▪ Maximise occupancy | 6 | ***Maximise occupancy (NIY 5.5%, if fully leased 6.2%)*** |
| | ▪ Attract new anchors | 3 | |
| | ▪ Optimise brand mix | 4 | |
| ***Re-programming*** | ▪ Improve customer flow | 2 | ***Optimise footfall*** |
| | ▪ Extend food offering | 3 | |
| | ▪ Improve natural lighting | 2 | |
| | ▪ Introduce kids playground | 2 | |
| ***Extensions*** | ▪ Study logical extensions (e.g. new hypermarket, food court) | 3 | ***Realise selective extensions*** |

***Ambition to increase NIY by +20bps in 2016 and +20bps in 2017 as result of re-tenanting and re-programming***



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# Saint Sever, Rouen

## *the urban convenience shopping centre of Rouen city*

Construction: 1978

Fully renovated in 2011

8 restaurants, 14 screen cinema

**BREEAM** Very good

**Identified value creation opportunities**

- Create new escalators to the 2nd floor (€1m) and benefit from improvement of customer flow
- Increase food and convenience offer, including all retail basics
- Attract new anchor tenant
- Limited capex

Mériadeck

# Meriadeck, Bordeaux

*the urban convenience shopping centre of Bordeaux city*

Construction: 1980

Renovated in 2008

11 restaurants

**BREEAM** Excellent

**Identified value creation opportunities**

- Re-tenant 2nd floor after arrival of new anchor PittaRosso
- Update amenities (€1m) and develop seated food offer
- Reposition Les Passages
- Limited capex

Auchan ZARA H&M MANGO CAMAïEU HEMA

# Côté Seine, Argenteuil, Greater Paris

*the urban convenience shopping centre of Argenteuil city*


Construction: 2002

Renovated in 2010

7 restaurants

**BREEAM** Outstanding

**Identified value creation opportunities**

- Refreshments and refurbishments
- Reposition retail mix to price oriented national brands
- Create better connection between upper and ground floor
- Expected capex €3m - €4m

C&A · SEPHORA · new look · La Grande Récré · Etam · celio*

# Rivétoile, Strasbourg

## *the unique trendy destination of Strasbourg area*


Construction: 2008

12 restaurants

Next to 9th largest cinema in France

**BREEAM** Very good

**Identified value creation opportunities**

- Maintain tenant rotations to keep attracting modern brands
- Realise new food court to optimise customer stay
- Improve footfall by connecting directly to the 9th largest cinema in France
- Limited capex

H&M MANGO ZARA HOLLISTER CALIFORNIA E.LECLERC celio*

# Docks Vauban, Le Havre

*the shopping and leisure destination of Le Havre area*

Construction: 2009

Anchored by a 12 screen cinema

9 restaurants

**BREEAM** Outstanding

**Identified value creation opportunities**

- Attract new anchor tenant
- Endeavour leasing out offices on first floor
- Improve restaurant offer
- Limited capex

Gaumont ZARA H&M G-STAR RAW E.LECLERC ESPRIT

# Docks 76, Rouen

*the shopping and leisure destination of Rouen area*

Construction: 2009

Anchored by a 14 screen cinema

8 Restaurants

**BREEAM** Very good

**Identified value creation opportunities**

- Add food offer and maintain tenant rotations to keep attracting modern brands
- Study extension opportunities including food offer and hypermarket
- Limited capex

H&M | ESPRIT | PATHE! | HOLLISTER CALIFORNIA | new look | PittaRosso

# Organisation


**Saint Sever - Rouen**

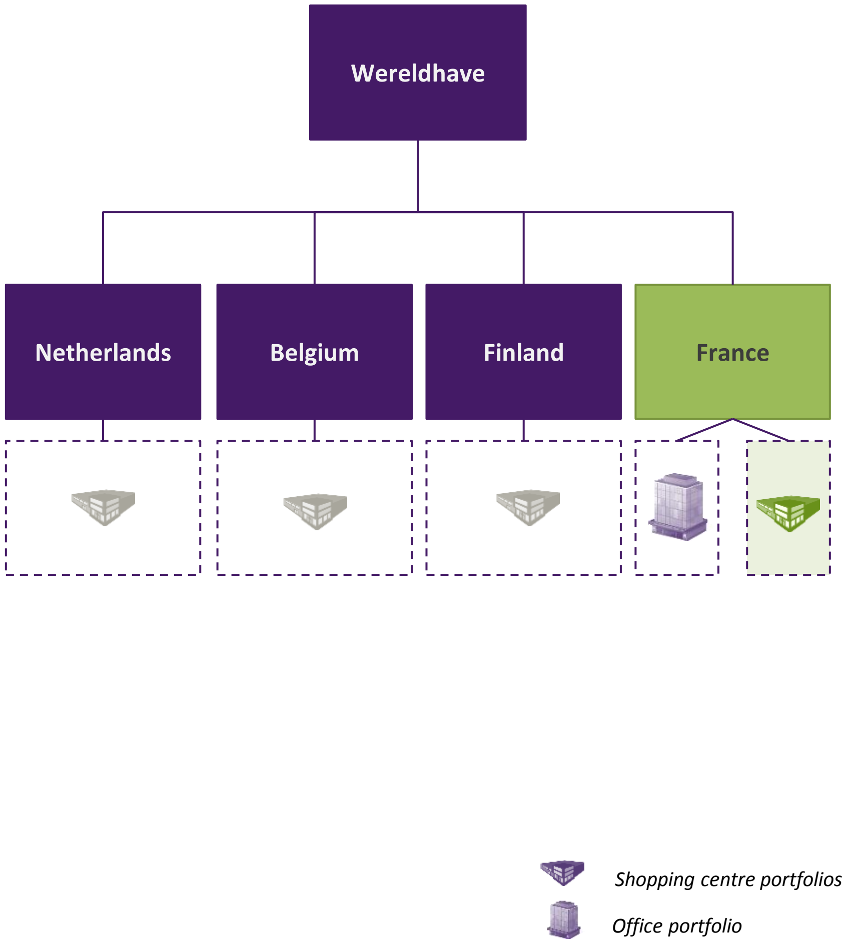
# Current platform offers basis for successful integration of the portfolio

- Current French platform provides
  - SIIC status
  - Office in Paris
  - Accounting and IT systems

- Wereldhave organisation is strengthened
  - New CIO and HR director hired
  - Strong country retail teams

- Strengthened organisation allows Wereldhave management to focus on France

- Portfolio size and quality enables Wereldhave to attract and retain highly qualified teams



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# Building the French retail team

**Integration plan for France**

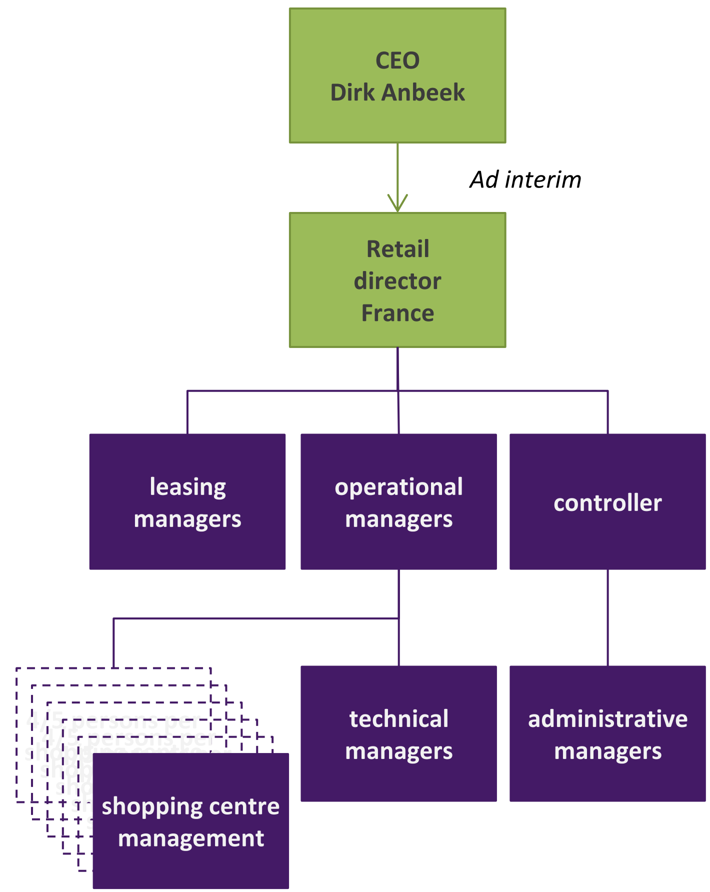
- Prepared and in place
- Start execution mid October
- CEO Dirk Anbeek will personally lead the French retail organisation until a French retail director has been recruited

**French retail team**

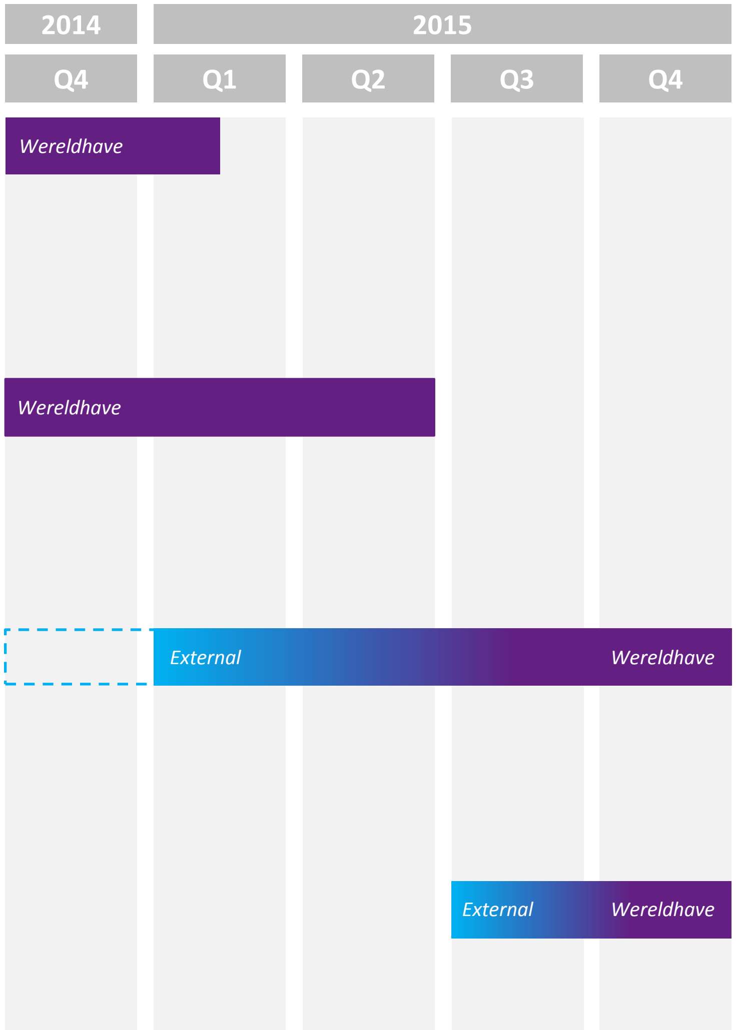
- Total organisation c45 FTEs (c50% recharged to tenants)
- Unibail-Rodamco on-site personnel transferred to Wereldhave
- General cost c€2m p.a.

**Management**

- Highly experienced French retail property management company (Convergences, Jerome Le Grelle) is engaged
- Gradual transition when local organisation is established



# Integration plan for the platform




## Actions

*Wereldhave*
*External party*

**Portfolio integration (Q4)**

- Back office
- IT systems
- Invoicing (Q1 done by Unibail-Rodamco, shadow by Wereldhave)

**Recruitment (Q4-Q2)**

- Attract retail director France
- Unibail-Rodamco on-site personnel transferred to Wereldhave
- Recruit staff

**Leasing / shopping centre management capabilities (≥Q4)**

- Leasing to maximise occupancy
- Prepare business plan per shopping centre
- Start executing identified value creation opportunities

**Development capabilities (Q3-Q4)**

- Study potential extensions
- Execute refurbishments

# Financials


Côté Seine – Argenteuil, Greater Paris

# Financials post-acquisition

| | Wereldhave H1 2014 | Acquisition | Post-acquisition |
|---|---|---|---|
| Investment properties (€m) | 2,326 | 850 | **3,176** |
| Interest bearing debt (€m) | 962 | c150 | **c1,112** |
| Net LTV (%) | 35 | c35 | **c35** |
| Shopping centres (#) | 18[1] | 6 | **24** |
| Offices (#) | 7 | - | **7** |
| GLA owned total portfolio ($m^2$) | 546,340 | 202,500 | **748,840** |
| Net rental income (€m) | 57.6[2] | 46.4[3] | **n.a.** |

1 18 Shopping centres per 30 June 2014, Kortrijk is acquired (11,000$m^2$) mid-September 2014

2 NRI H1 2014 includes Spain NRI of €2.5m; Vier Meren acquired on 31 January 2014 for €147.5m at 5.8% NIY; Koperwiek acquired on 11 March for €60m at 6.1% NIY

3 NRI acquisition is based on 12 months NRI per 31 July 2014



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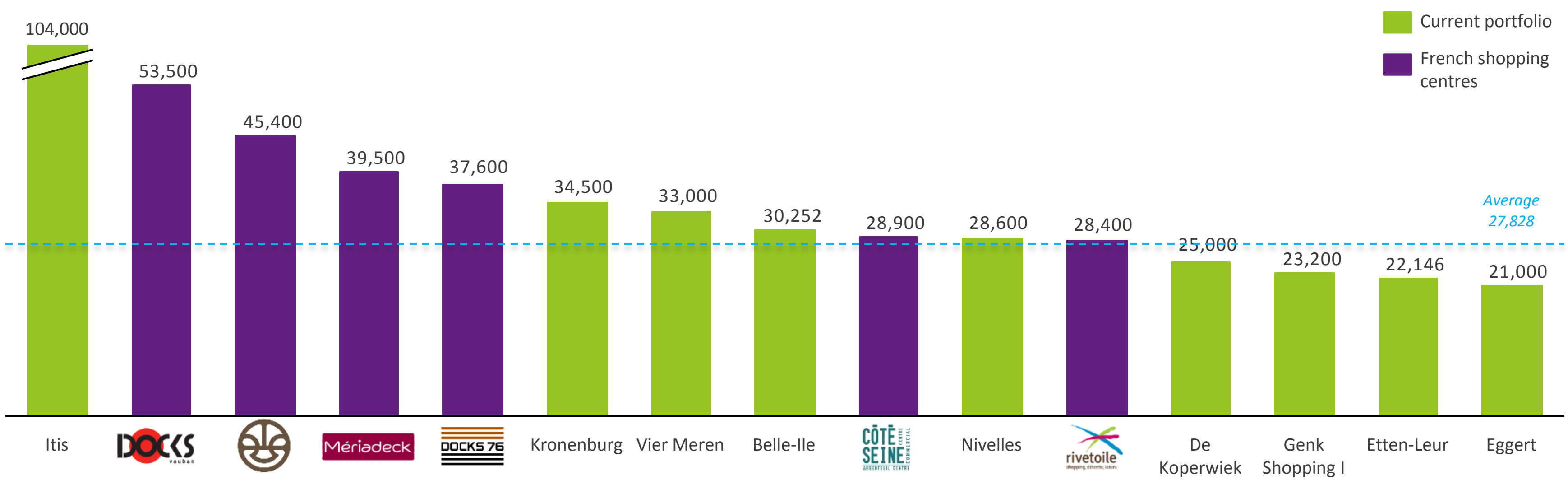
# Seamless fit with current portfolio

## Total GLA per shopping centre (m²)




**Logical addition to current portfolio**

- Stable income generating properties
- Fulfilling our acquisition criteria



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# Key acquisition terms

| Key terms | Comments |
| --- | --- |
| ▪ €850m acquisition price | ▪ Including all costs |
| ▪ €46.4m NRI | ▪ Signed NRI as of 31 July 2014<br>▪ NRI includes €1.5m overhead expenses[1] that Wereldhave classifies as general costs (see below)<br>▪ For a number of vacant units with a total rent of €2m, Unibail-Rodamco finalises the leasing and guarantees the rental income for 2015 |
| ▪ 5.5% net initial yield | ▪ Based on €46.4m signed NRI and €850m acquisition price<br>▪ Ambition to increase NIY by +20bps in 2016 and +20bps in 2017 as result of re-tenanting and re-programming |
| ▪ 6.2% net initial yield if fully let | ▪ Potential additional NRI of €6.3m if fully leased |
| ▪ €2m p.a. estimated general cost | ▪ Estimated cost of French organisation taking into account that 50% of costs are recharged to tenants |

1 NRI excluding overhead expenses equals €47.9m (€46.4m NRI + €1.5m overhead expenses) in order to compare with Wereldhave's current NRI and general cost definitions



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# Key financing terms

| Key terms | Comments |
|---|---|
| ▪ Up to €550m equity raising | ▪ EGM to approve rights issue |
| ▪ c€150m to be drawn upon existing debt facilities | ▪ Sufficient remaining headroom c€503m via current facilities<br>▪ Low marginal cost of debt, below 1.2%<br>▪ Conservative balance sheet post transaction |
| ▪ €150m available cash | ▪ From current cash position |
| ▪ Conditions precedent for the transaction | ▪ Customary conditions<br>▪ EGM to approve rights issue |



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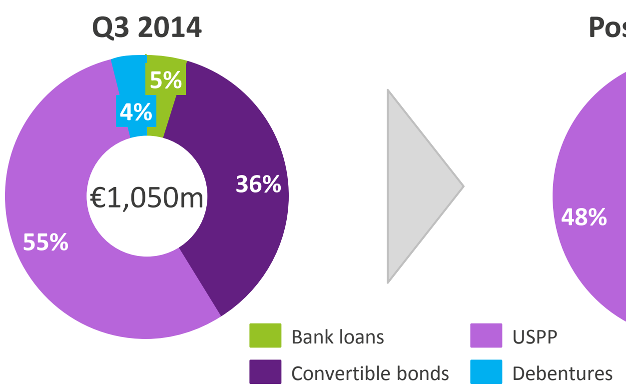
# Debt profile: post-acquisition

### Key parameters

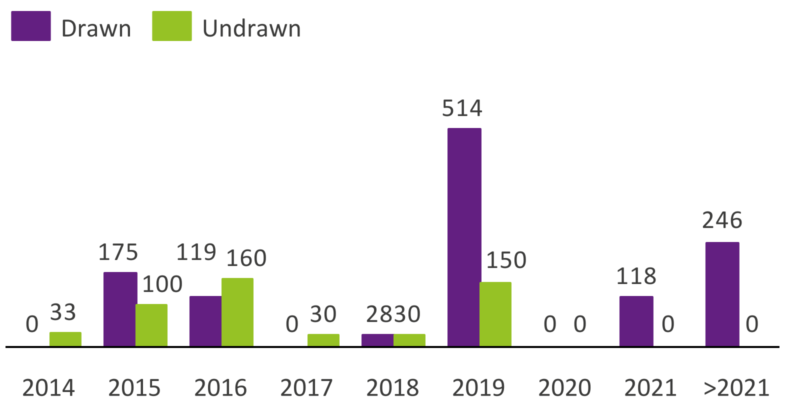
| | Post-acquisition | Q3/14 |
|---|---|---|
| Interest bearing debt | €1,200m | €1,050m |
| Average cost of debt | 2.4% | 2.6% |
| Borrowing capacity | €503m | €653m |
| Cash position | €105m | €255m |
| Fixed vs floating debt | 84% vs. 16% | 96% vs. 4% |
| Average drawn debt maturity | 5.1 yrs | 5.2 yrs |

- c€150m drawn on existing debt facilities
- All newly drawn debt at variable interest rates
- Maturity of newly drawn debt of 4.5 years

### Diversification of debt (€m)




### Debt expiration profile post-acquisition (€m)



# Rights issue allowing eligible shareholders to participate

- Rights issue of up to €550m to finance the acquisition
- EGM on 28 November to approve the rights issue
- Pricing of the rights issue post EGM approval
- Underwriting by syndicate banks
- Non-refundable deposit towards purchase consideration of €17m to be forfeited if rights issue is not approved

# Indicative timeline

| | |
|---|---|
| *28 November* | ▪ EGM to approve rights issue |
| *2 December* | ▪ Start subscription period rights issue |
| *11 December* | ▪ Rump placement |
| *16 December* | ▪ Settlement rights issue |
| *19 December* | ▪ Closing acquisition |

# Becoming the leading specialist in mid-sized shopping centres

- Acquisition of a €850m portfolio of six mid-sized shopping centres
- Important and coherent addition to Wereldhave's platform, entering the Growth phase
- Modern and high quality portfolio with demonstrated resilience
- Attractive financial terms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# Update
# Q3 2014

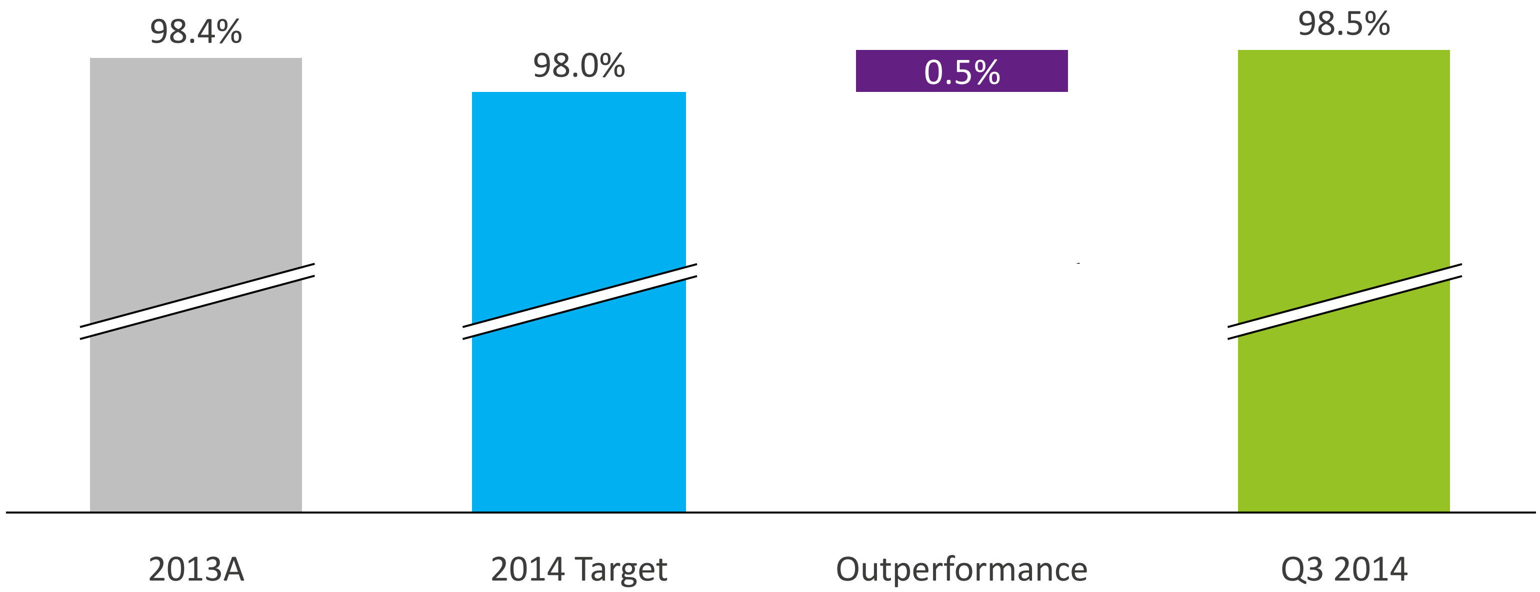

Meriadeck - Bordeaux

# Outlook 2014: reconfirmed

- Target LfL rental growth 2014 for the Shopping centre portfolio of 200 bps
- Direct result FY 2014 between € 3.35 and € 3.45 per share (excluding rights issue)

# Core retail occupancy

*Performance of 98.5%: outperformance of 0.5%*




**Leasing activity was high:**

- Belgium: 98.0%
- Finland: 99.3%
- The Netherlands: 98.4%

# Development pipeline per Q3 2014

| Committed (in €m) | Total investment | Capex (net) so far | Capex spend 2014 | Expected NIY | Percentage pre-let | Completion |
|---|---|---|---|---|---|---|
| Itis (FI) | 102 | 90 | 15 | 7.0% | 93% | Q4 2014 |
| Issy-Les-Moulineaux (Noda, FR) | 138 | 132 | 18 | 7.0% | 65% | Q4 2014 |
| Genk (BE) | 86 | 74 | 19 | 6.5% | 75% | Q4 2014 |
| NL redevelopment program (NL) | 79 | 16 | 16 | 5.9% | - | 2016 |
| NL refurbishment capex (NL) | 30 | 10 | 6 | - | - | 2016 |
| Total | 435 | 322 | 74 | | | |

- Itis: Prelet percentage remains stable at 93% impacted by adverse economy
- Issy-les-Moulineaux (Noda): Discussions with potential tenants on-going still focusing on single tenant occupation
- Genk: Letting is progressing slow but steady, currently 75% pre-let
- De Eggert: First part of redevelopment delivered on 23 August. New anchor tenant H&M and food & beverage square opened
- Koningshoek: New agreement with Hema to open a new store (1,566m$^2$) in the extension



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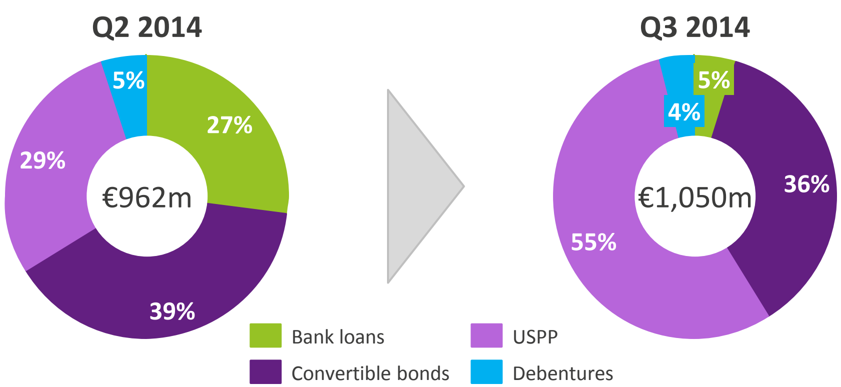
# Debt profile: update per Q3 2014

## Key parameters

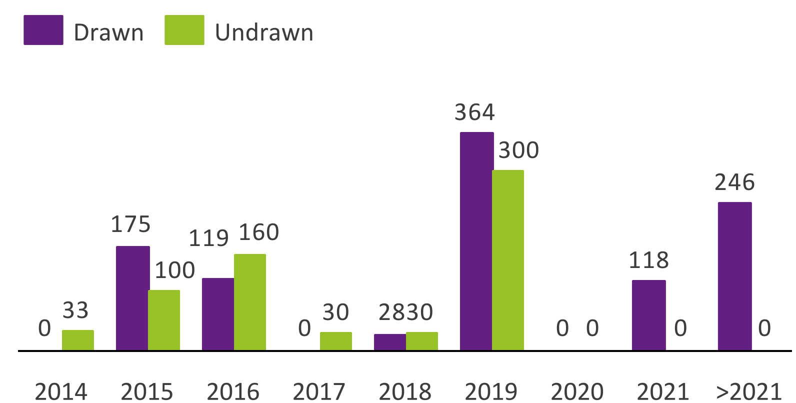
| | Q2/14 | Q3/14 | Covenant |
|---|---|---|---|
| Interest bearing debt | €962m | €1,050m | |
| Average cost of debt | 2.2% | 2.6% | |
| Borrowing capacity | €499m | €653m | |
| Cash position | €122m | €255m | |
| Fixed vs floating debt | 68%/32% | 96%/4% | |
| LTV | 35.4% | 33.6% | ≤60% |
| ICR | 7.3 x | 6.5 x | ≥2.0x |
| Negative pledge | 3.1% | 2.9% | 40% |

- Senior unsecured notes (€265m) issued through USPP in July 2014 with an average maturity of 10.1 years and a fixed effective average interest of 2.9%
- Proceeds have been used to reduce drawings on facilities, and have increased the cash position up to €255m (including proceeds from Spanish portfolio disposal)

## Diversification of debt (€m)




## USPP increased maturity from 3.7 to 5.2 years



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