

A close-up photograph of a woman with curly brown hair and a golden retriever dog. The woman is on the left, looking towards the dog on the right. The dog is looking directly at the camera. A large, semi-transparent white triangle is overlaid on the image, pointing downwards from the top center. The text is placed within or near this triangle.

Wereldhave

Q3 2021

Trading update

October 22, 2021

make every day count

Key items

Outlook for 2021 direct result per share € 1.80 - 1.85 at upper end of previous range

Disposal of four French centers executed

Stable occupancy and high rent collection underpin resilience of the portfolio

Benelux retail investment market continues to improve

Customers increasingly appreciate our centers with NPS growing to +23

Recognition for sustainability efforts further advances

Message from our CEO

With Covid restrictions fading and government support mostly at an end, we can now focus fully on our operations. With that in mind, I am very pleased with the performance of our teams during Q3. Once again, they managed to keep occupancy rates stable and collect nearly all rental bills in our two core markets, the Netherlands and Belgium. Despite the end of government support for our tenants, there wasn't a single bankruptcy in our portfolio in Q3.

The disposal of four French centers to Lighthouse is now complete, according to the terms and conditions we announced in July. I am grateful to our transaction team who worked hard over the summer to achieve this result. As we made clear at the time, there are no further financial obligations for Wereldhave. We will continue to manage the four assets until the end of the year, for which we will receive compensation from the buyer.

Our centers in Paris and Bordeaux, meanwhile, are planned to be managed by an external manager as of 2022, subject to consultation with the staff representation body in France. This is cost efficient and offers some level of flexibility regarding the future planned disposal of these assets. We will communicate more on cost savings alongside our full-year results, but I can already reveal that we will continue to strive for cost efficiency and will be able to achieve double-digit general expenditure savings in 2022. As a consequence of the future planned disposals, our French organization would be dismantled at the end of this year.

In our H1 update, we wrote about a possible improvement in values in our core markets. During Q3, we became more confident in this, with significant buyer interest evident in both the Netherlands and in Belgium – the latter primarily for retail parks. In Q3 – for the first time since 2019 – we saw an increase in the externally measured valuations in Belgium.

With our Dutch and most of our French disposals now complete, our LTV stands at 42%, which is one of the lowest in the listed European retail industry. As we believe a strong balance sheet is a key enabler of executing our strategy, we are committed to further reduce this LTV to our targeted range of 30-40%. Whilst Benelux values are stabilising, we can at the same time commit ourselves fully to the transformation of our remaining Benelux assets into Full Service Centers. Clearly, Covid has slowed this process, but given that the pandemic seems to be ending and we have the necessary financial resources, we will now focus on delivering transformations from 2022 when projects at Kortrijk, Tilburg, Hoofddorp and Dordrecht should all be finalized.

In the meantime, thanks to strong rent collection, strict cost controls and the future planned finalization of our French disposals, I am pleased to announce that we are able to narrow our Direct Result Per Share (DRPS) forecast for the full year 2021 to €1.80 - 1.85, which is at the upper end of the previous € 1.75 - 1.85 range.

Matthijs Storm – CEO

Schiphol, 22 October 2021

Summary

	9M 2021	9M 2020	Change
Key financial metrics (x € 1,000)			
Gross rental income	126,045	143,570	-12.2%
Net rental income	94,325	101,666	-7.2%
Direct result	68,385	73,051	-6.4%
Indirect result	-290,000	-167,291	-73.4%
Total result	-221,615	-94,241	-135.2%
Per share items (€)			
Direct result	1.47	1.59	-7.3%
Indirect result	-7.17	-3.78	-89.7%
Total result	-5.70	-2.19	-160.3%
Total return based on EPRA NTA	-5.77	-2.15	-168.4%
Dividend paid	0.50	0.63	-20.6%

	30 Sep 2021	31 Dec 2020	Change
Key financial metrics (x € 1,000)			
Investment property	1,940,543	2,577,580	-24.7%
Assets held for sale	3,200	3,200	0.0%
Net debt	801,163	1,185,779	-32.4%
Equity attributable to shareholders	863,056	1,124,296	-23.2%
EPRA performance metrics (€)			
EPRA EPS for 9 months (€/share)	1.44	1.56	-7.9%
EPRA NRV (€/share)	23.87	30.26	-21.1%
EPRA NTA (€/share)	21.47	27.74	-22.6%
EPRA NDV (€/share)	20.63	26.59	-22.4%
EPRA Vacancy rate	6.0%	5.9%	0.1 pp
EPRA Cost ratio (including direct vacancy costs) for 9 months	29.4%	34.1%	-4.7%
EPRA Net Initial Yield	6.0%	6.0%	-0.0 pp
Other ratios			
Net LTV	42.0%	46.7%	-4.7 pp
ICR	5.5x	5.3x	+0.2x
IFRS NAV (€/share)	21.51	27.97	-23.1%
Number of ordinary shares in issue	40,270,921	40,270,921	0.0%
Number of ordinary shares for NAV	40,124,745	40,191,662	-0.2%
Weighted avg. number of ordinary shares outstanding	40,154,021	40,212,448	-0.1%
Shopping Centers portfolio metrics			
Number of assets	22	29	-24.1%
Surface owned (x 1,000m ²) ¹⁾	588	809	-27.3%
LFL NRI growth	2.1%	-21.0%	23.1 pp
Occupancy rate	95.3%	95.0%	0.3 pp
Theoretical rent per m ² (€)	219	221	-0.7%
ERV per m ² (€)	208	211	-1.5%
Footfall growth	-8.1%	-22.8%	14.7 pp
Proportion of mixed-use (in m ²)	10.4%	10.0%	0.4 pp
Customer satisfaction Benelux (NPS)	23	4	19

¹⁾ Excluding developments

Operations

During Q3, our shopping center business improved significantly as the effects from the pandemic were further reduced. Our leasing efforts paid off, as shopping center occupancy rose 40bps this quarter to 95.3%. The number of visitors was down 1.9% versus Q3 2020 (on a continuing portfolio basis) and visitor numbers were 11.3% lower than in Q3 2019 before the pandemic began. Of our markets, Belgium stands out as a positive, and France has received the hardest hit in this respect. In the Benelux, payment behavior has returned almost to normal. In addition, we have now nearly finalized negotiations with retailers on outstanding rent. In Q3, we were able to switch our focus to leasing our Full Service Center space.

France

In Q3, the occupancy rate for our continuing portfolio in France was 94.8%. Footfall in France in Q3 had a negative impact from the restrictions on restaurants and cinemas and the requirement of the Sanitary Pass that started on August 9 and lasted until mid-September. Mériadeck saw an additional negative impact from social protests in Bordeaux held every Saturday of September, as well as the refurbishment of the Auchan hypermarket. Footfall in Q3 for the continuing French portfolio was 17.7% lower compared with 2020, and 32.6% down versus 2019. During the quarter, we signed six new leases out of which Foot Korner at Côté Seine and The Hemp Concept at Mériadeck in Bordeaux, as well as pop-up leases with Générale d'Optique and Smile.

Belgium

In Belgium, the food & beverage sector completely reopened at the end of the Q2, positively impacting the traffic in the centers; other than face masks, all restrictions on visitors were lifted and even the face masks are not anymore mandatory in the Flemish region as from the first of October. This resulted in a 5% increase in visitor numbers, year-on-year. Visitor numbers were still 9% below 2019 levels, however most of the sectors are since the reopening of the food & beverage overperforming their turnovers of 2019 with the exception of travel agencies, multimedia and shoes. Shopping center occupancy in Belgium remained stable in Q3 at 96.0% (96.2% in Q2) – well above levels seen at year-end 2020 and beginning of 2021. In all, 15 new leases were signed – at 5% above market rents on average. New leases included two Dunkin' Donuts at Nivelles and Les Bastions in Tournai, and a Maisons du Monde at Belle-Île, near Liège.

Occupancy rates at our offices in Belgium, meanwhile, rose with 90bps to 75.5% thanks to the signature of 2 new leases with KH Engineering and Salty Lemon. In total, we signed four contracts during the quarter, of which two were new contracts, at 7% above estimated rental value (ERV); the remaining two were renewals of existing leases.

Netherlands

In the Netherlands, the occupancy rate remained stable at 94.9%, which included the delayed effects from last year's bankruptcy of fashion store Miss Etam this quarter. During the quarter, several of our locations were used as temporary outlets to sell the remaining Miss Etam inventory.

In total, we signed 28 leases in Q3, at an average of 7.5% below market rents, as which mainly related to one single strategic leasing deal. The new leases included a Shoeby at our Winkelhof center in Leiderdorp, Blossom and Voyer La Rue at Eggert in Purmerend, and De Bloemist at De Koperwiek in Capelle aan den IJssel. We expect leasing activity to increase in the fourth quarter, particularly in the mixed use segment. At Cityplaza, we are pleased to welcome Starbucks, which will occupy the former Rituals unit. Rituals will be relocated to a larger unit.

Occupancy rate

	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021
Belgium	96.3%	94.4%	95.1%	96.2%	96.0%
France	90.7%	92.8%	92.3%	93.5%	94.8%
Netherlands	96.4%	96.6%	94.9%	94.9%	94.9%
Shopping centers	94.9%	95.0%	94.3%	94.9%	95.3%
Offices (Belgium)	85.1%	77.5%	70.8%	74.7%	75.5%
Total portfolio	94.4%	94.1%	93.1%	93.8%	94.0%

Rent collection & footfall

For Q3, our year-to-date adjusted rent collection rate at 95% has now returned almost to pre-pandemic levels, particularly in Belgium 97% and the Netherlands 96%. We have been actively pursuing unpaid rents for 2020 (for which the adjusted rent collection rate now stands 98%). In France, for the four centers sold, the Q3 rents were paid in full by the new owner. As such, the 81% rent collection in France mentioned in the table below consists only of the continuing portfolio. On 15 October the European Commission has approved a support scheme for certain retailers and services affected by the pandemic. This should have a positive impact on the rents from H1 2021 that are still to be collected in France.

Rent collection per 20 October 2021

	FY 2020	YTD Q3 2021	FY 2020 adjusted ¹⁾	YTD Q3 2021 adjusted ¹⁾
Belgium	90%	93%	99%	97%
France ²⁾	90%	80%	91%	81%
Netherlands	95%	90%	99%	96%
Overall	92%	91%	95%	95%

1 Adjusted for arrangements such as deferred payments and discounts

2 Remaining assets

During Q3, footfall was relatively stable compared with 2020 (down 1.9% on a continuing portfolio basis). In Belgium, footfall increased by 5%, with fewer restrictions on visitors offsetting the effect of poor weather in July and August. In the Netherlands, footfall was stable (down just 0.5%), which can be considered as strong, as Dutch our centers in 2020 in Q3 were also fully open and could rely on resilient convenience elements. For our two remaining centers in France, footfall declined 17.7% year-on-year.

Change in visitors (% yoy)

	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021
Shopping Centers					
Belgium	-13.6%	-38.5%	-14.7%	63.6%	5.0%
France	-19.9%	-39.3%	-43.4%	31.5%	-17.7%
Netherlands	-6.8%	-22.5%	-39.6%	10.4%	-0.5%
Overall	-11.8%	-30.4%	-36.9%	22.3%	-1.9%

Strategic developments

Wereldhave aims to become market leader in Full Service Centers (FSCs) in the Benelux. By creating an optimal tenant mix and offering the right services 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 10.4% of its space dedicated to mixed-use in the Benelux.

Financing

On 30 September 2021, we received payment from the sale of four of our French shopping centers. Proceeds were used to reduce debt, freeing up the Group's revolving credit facilities. As a result of the sale, our loan-to-value ratio improved to 42%. A reduction in our net debt position will eventually result in lower interest costs; in the near term, however, we expect the Group's average cost of debt to increase by 0.4% to 2.3%. This is because we have repaid debt under credit facilities with lower-than-average interest rates, albeit that these repayments were without penalties.

Disposal program

The disposal program in the Benelux was already completed during the first half of 2021. In France, four out of six assets have been sold and transferred on 30 September 2021. We plan to sell the remaining two French assets before year-end 2022.

Full Service Center Transformations

During Q3, we increased the proportion of retail floor space devoted to mixed use by 10bps to 10.4%. Several new contracts contributed to this increase, including health studio Bailine at Presikhaaf in Arnhem and food & beverage operator Hawaiian Poké Bowl at our Ring Kortrijk location in Courtrai.

Rising Customer Satisfaction

We measure customer satisfaction for each of our centers, expressed in the Net Promoter Score (NPS). This helps us gauge the effect of our customer-centric approach within our Full Service Center strategy. In Q3, NPS for our Benelux centers rose 7 points to +23. In Belgium, several factors contributed to this increase, including the introduction of chargers for electric bicycles, our health & relaxation offer, lending strollers to parents, The Point and the roll-out of our Play & Relax concept. In the Netherlands, lending strollers, toilet facilities, The Point, food & beverage and leisure sectors all scored highly.

Connect

During Q3, we continued the validation and optimization of our “Connect” concept. Connect brings together small grocery shops at our centers and provides them with a single platform to sell to customers online. We first launched Connect last year at our Presikhaaf and Koningshoek centers; it was extended in March this year to Kronenburg in Arnhem. Connect also offers convenience to shoppers who don’t always have time to visit several stores to buy groceries. Connect is based on the principle of “one platform, one shopping basket.” Orders can be delivered or picked up at our centers; so far, around half of shoppers using the service have requested home delivery.

The Point

In November last year, we launched a Dutch pilot “The Point” at our Cityplaza center in Nieuwegein, following its success in Belgium. In the first nine months of this year, 37,000 customers used The Point’s pick-up and delivery services in Nieuwegein; the number of users is growing each quarter. Over the same period, the most used services included the pick-up & return facility, ATM and public-transport ticket machines. Year-to-date, The Point has made over 4,000 deliveries, nearly 8,000 pick-ups and sent more than 400 packages. The success of The Point at Cityplaza is visible in footfall and customer satisfaction. Cityplaza had 6.9% more footfall growth year-to-date relative to the average of our portfolio in the Netherlands. The Point is also mentioned as number three reason by our visitors at Cityplaza for the improvement in customer satisfaction.

Last-mile delivery

In Q3, we started working with StoreShippers to support “ship-from-store” for retailers. A pilot project is underway at Ring Kortrijk in Courtrai. If successful, the concept may be extended to the Netherlands. Shipping from store can help retailers improve customer service by adding same-day delivery, reduce costs and expand the role of the store by decentralizing distribution. StoreShippers is a leader in fast, sustainable delivery for local retailers.

UpNext

During the quarter, we continued to expand our UpNext “full service pop-up” concept, by signing four new contracts. We now have ten UpNext contracts in place – examples include SF Mode, Shoebys, Loads of Stock and The Fashion Factory. UpNext was introduced last year to support retailers looking to open stores quickly, in a flexible manner and with minimum investment.

Environmental, Social & Governance

Wereldhave has again received awards for its ESG program “A Better Tomorrow”:

- For the eighth consecutive year, the Group received a 5-star rating from GRESB, the global ESG benchmark for real estate. Wereldhave now ranks second among listed European shopping center companies
- Wereldhave received its sixth Gold Award for best practice sustainability reporting from the European Public Real Estate Association (EPRA)
- MSCI ESG upgraded Wereldhave to an A rating from BBB for its sustainability performance

Outlook

Wereldhave now expects a Direct Result Per Share for 2021 of €1.80-1.85, compared with our previous outlook of €1.75-1.85, the result of better than expected rent collection, the effect of recent cost-cutting measures and fewer bankruptcies. Our outlook assumes no significant Covid-19 measures are re-introduced, other than those already announced.

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