

A photograph of two young women looking out a window. They are both smiling and have their hands pressed against the glass, looking upwards. The woman on the right is wearing a white top and a white beaded necklace. The woman on the left is wearing a red and white striped top. The background shows a window with a view of a building.

Wereldhave

First transformation strategy in European Retail Real Estate

Strategy update

Matthijs Storm & Dennis de Vreede
7 February 2020

First transformation strategy in European Retail Real Estate

Actively transform our assets to Full Service Centers

- First European retail real estate company to transform
- Right-size the assets to new reality
- Restore the retail balance
- Add new functions & uses
- Transform on average 25% of traditional retail space

Strengthen the balance sheet

- Phase out France¹
- Dispose selective assets with below threshold IRRs and / or that cannot be transformed into a Full Service Center (FSC)

Build on strong team and presence in Benelux

- Become market leader in FSCs in Benelux
- Broaden customer experience and digital capabilities

1. Phase out France is a project, no decision to divest has yet been made, the French staff representative body will be duly informed and consulted beforehand in compliance with French legal requirements

We are well-positioned to transform our assets to Full Service Centers



Favorable locations

Densely populated and well-connected locations



Attractive rents

Current rent levels enable conversion to new uses



Scale and skill

Size of portfolio and local market knowledge in Benelux make transformation achievable



Total return strategy

Capital allocation based on total return

We are dealing with the market concerns on Wereldhave

Investment market concerns

Our response

Clear positioning

Target market leading position in FSCs in Benelux

Dividend not sustainable

Dividend expected to trough in 2022, followed by growth. Pay out unchanged at 75-85% of EPRA EPS

High leverage

Reduce LTV to 30-40%, without an equity / rights issue as disposals allow us to delever

France

Phase out France¹

Stuck in the middle

Right-size assets to new reality

Mixed use talk, but no walk

Started asset transformation program

Too much EPRA EPS oriented

Asset allocation strategy based on long-term total return

1. Phase out France is a project, no decision to divest has yet been made, the French staff representative body will be duly informed and consulted beforehand in compliance with French legal requirements

We hit the ground running

Executing asset transformations

- Launched our asset transformation program LifeCentral
- Developed Blueprints for all assets
- Started transformation of Belle-Ile and Vier Meren to FSCs

Strengthening balance sheet

- Sold one Dutch asset around book value (€ 26 Mn), completed post reporting date
- EUR 100m+ disposals in different stages of negotiation
- Signed partnership with Amvest to unlock residential value

Building capabilities

- Implemented Flow by Wereldhave app to better serve tenants
- Launched Customer Experience and Digital Transformation teams

Agenda

1	Wereldhave Strategy	7
2	Strategic Implications	16
3	From Strategy to Execution	29

1

Wereldhave

Wereldhave
Strategy



Our strategy in a nutshell

Mission

Help consumers fulfill all everyday life needs

Strategic steps

Transform

1

- Execute LifeCentral
- Deliver track record (Belle-Ile & Vier Meren in 2020)
- Complete 2 degrees roadmaps with aim to operate at net zero carbon by 2030
- Dispose selective assets with below threshold IRRs and / or that cannot be transformed into an FSC
- Follow an operationally and financially disciplined approach

Expand

2

- Acquire under-managed assets
- Ensure fit with strategy and where we can add value
- Acquire only if expected IRR exceeds public market implied WACC

Scale

3

- Leverage synergies to optimize operational costs
- Become market leader in FSCs in Benelux and strengthen bargaining power

Mission: help consumers fulfill everyday life needs

Four need areas covering the daily life needs



Fixing the basics

I want the basic tasks to not stop me live my life to the fullest



Self expression

I like to make a good impression and feel comfortable at the same time



Enjoying life

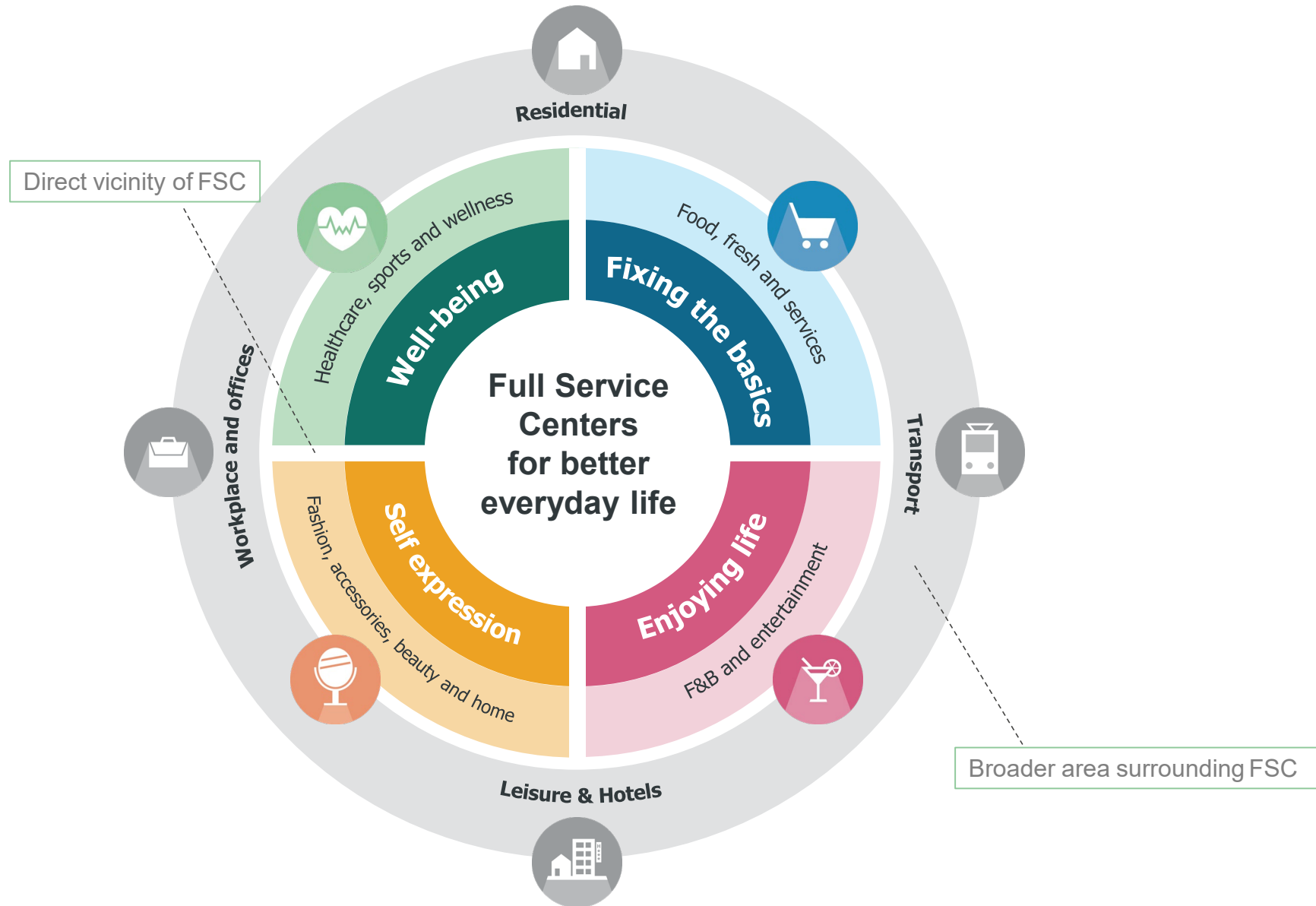
I love to do things that enrich my life such as spending time with people I love and who matter to me



Well-being

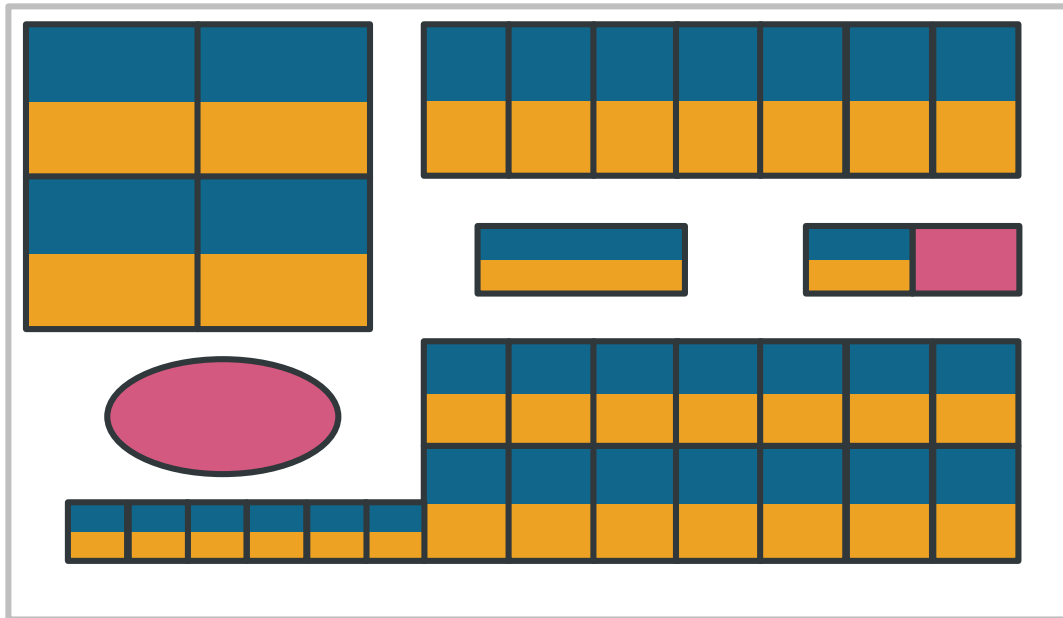
I feel a responsibility to take care of my loved ones and my own personal health and development

LifeCentral: much broader focus than retail

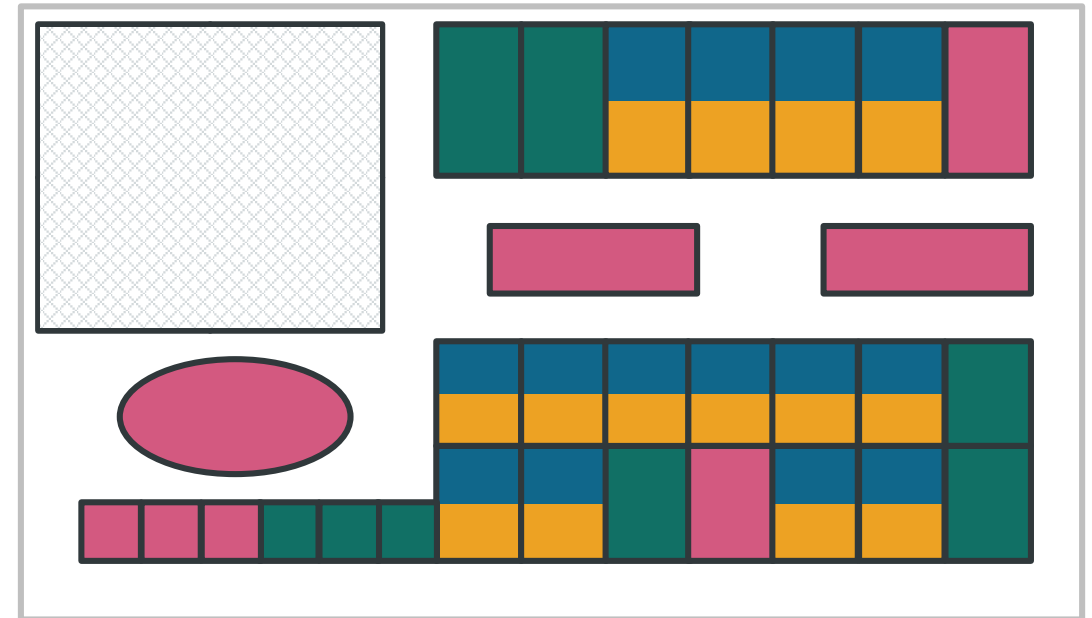



LifeCentral: transform shopping centers to FSCs

From Shopping Center...





... To Full Service Center



 Traditional Retail
(Fixing the basics & Self expression)

 F&B & Entertainment
(Enjoying life)

 Healthcare, Sports & Wellness
(Well-being)

 Right-size
(e.g. offices or residential)

LifeCentral: FSC concept explained

1

2

3

FSC characteristics

Well-balanced offer to fulfill everyday life needs

Mixture of retail, F&B, entertainment, fitness, wellness, healthcare, offices and residential to serve local consumer daily life needs

Densely populated locations

Easy accessible by e.g. public transport or car and >75K households within 10 minutes driving distance

Value-add digital services

For tenants and customers, e.g. insight generation, data sharing, personalization

Concepts & partnerships

Scalable concepts for e.g. entertainment, F&B and fashion
Partnerships with tenants, developers and municipalities

LifeCentral: build on capabilities to run FSCs

Capabilities

Consumer understanding

- Research and data science
- Consumer insights

Asset development

- Toolkit to transform assets into FSCs, incl. balanced tenant mix
- Identification of attractive assets

Concepts & partnerships

- Innovation and concept development
- Building partnerships

Marketing

- Local (digital) marketing and activation campaigns
- Asset positioning and branding

Data management

- Data gathering and analysis
- Digital tool development

Expand where we have right-to-win

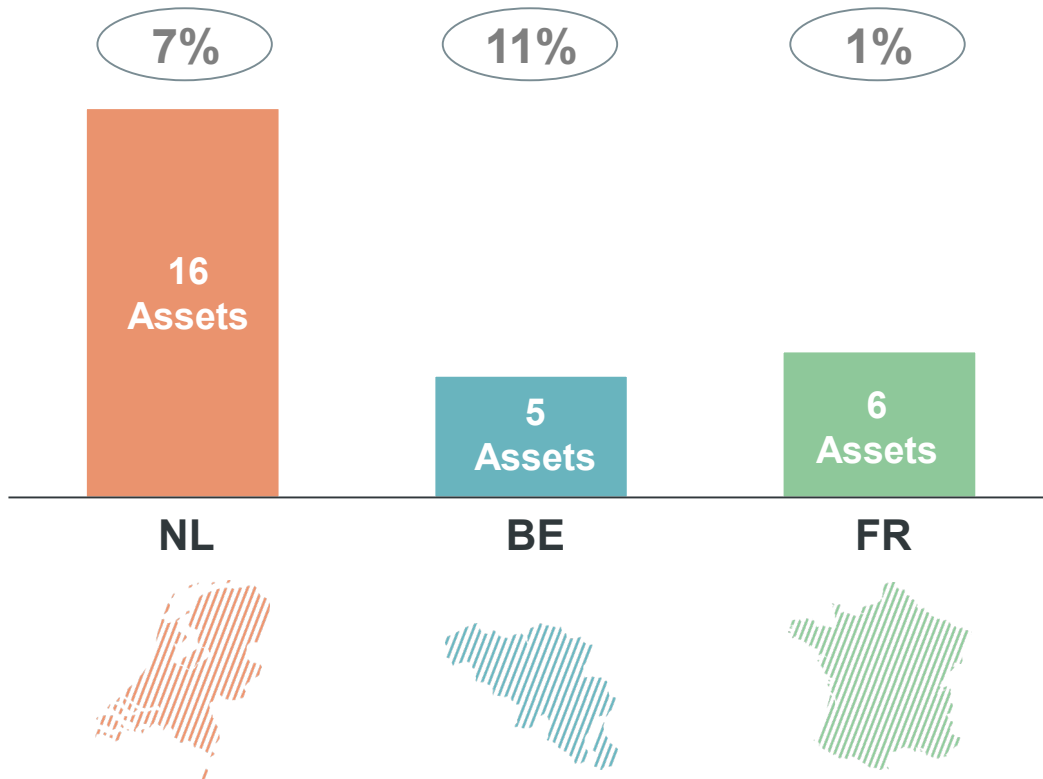
Criteria to acquire new assets



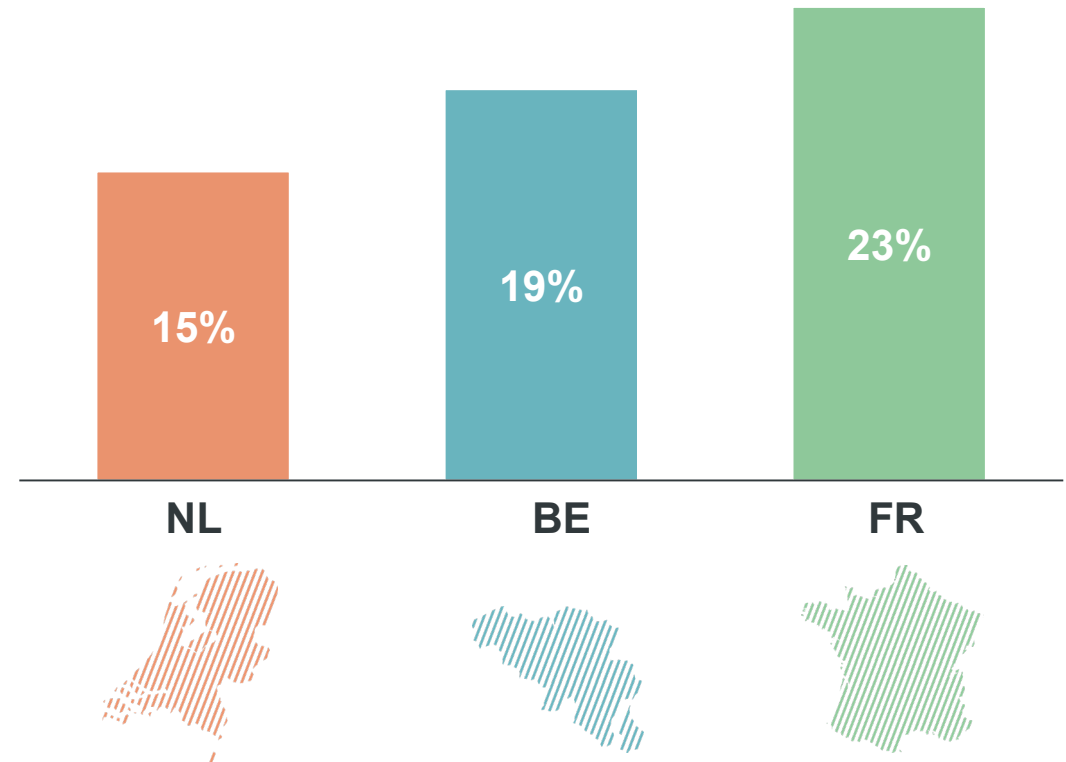
Size	Sweet spot: 15K – 50k m ²
Dense area	>75K households within 10 minutes driving distance
Control	Concept / tenant mix
Aligned municipality	For potential partnerships
Zoning	Flexible (broader than retail)
Sustainability	Ability to operate at net zero carbon by 2030
IRR	Unlevered IRR >6%

Operate at scale in the Benelux

Current market share



Operational costs¹



1. GENEX + OPEX as a % of GRI of standing portfolio

Source: Wereldhave, Cushman & Wakefield, Locatus, Oliver Wyman analysis

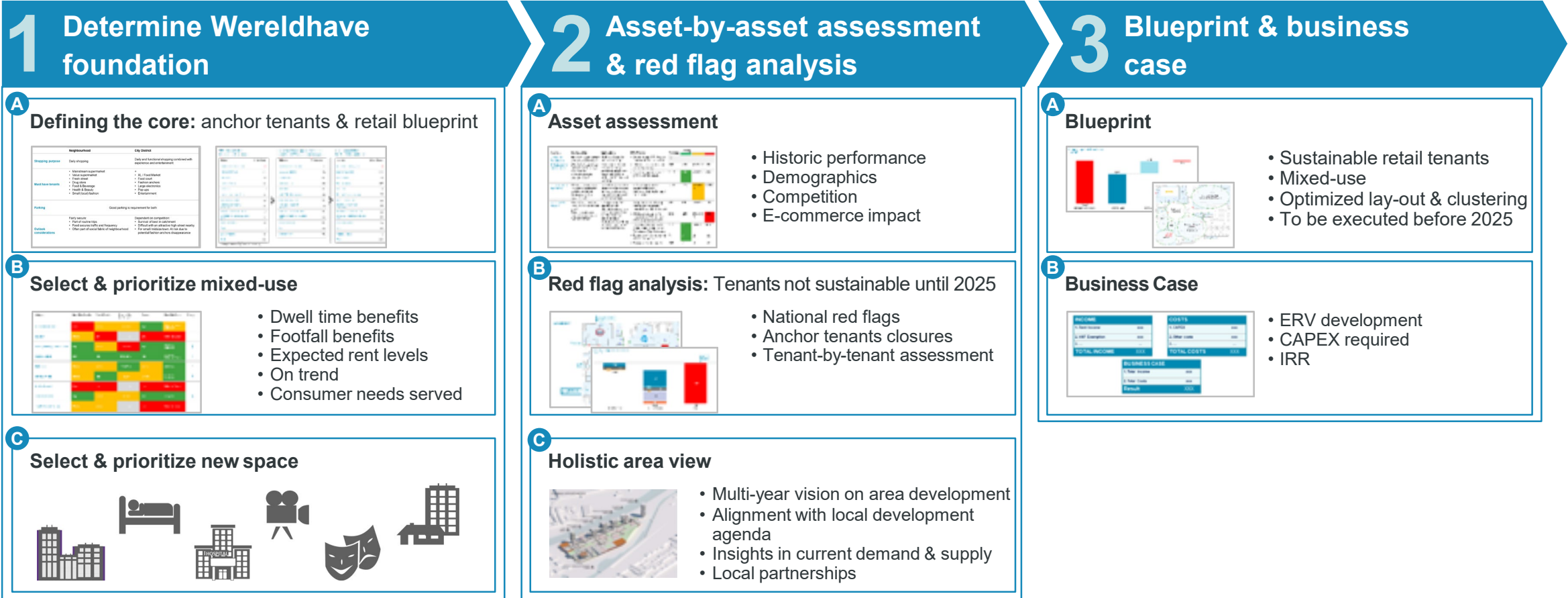
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Wereldhave

Strategic
Implications



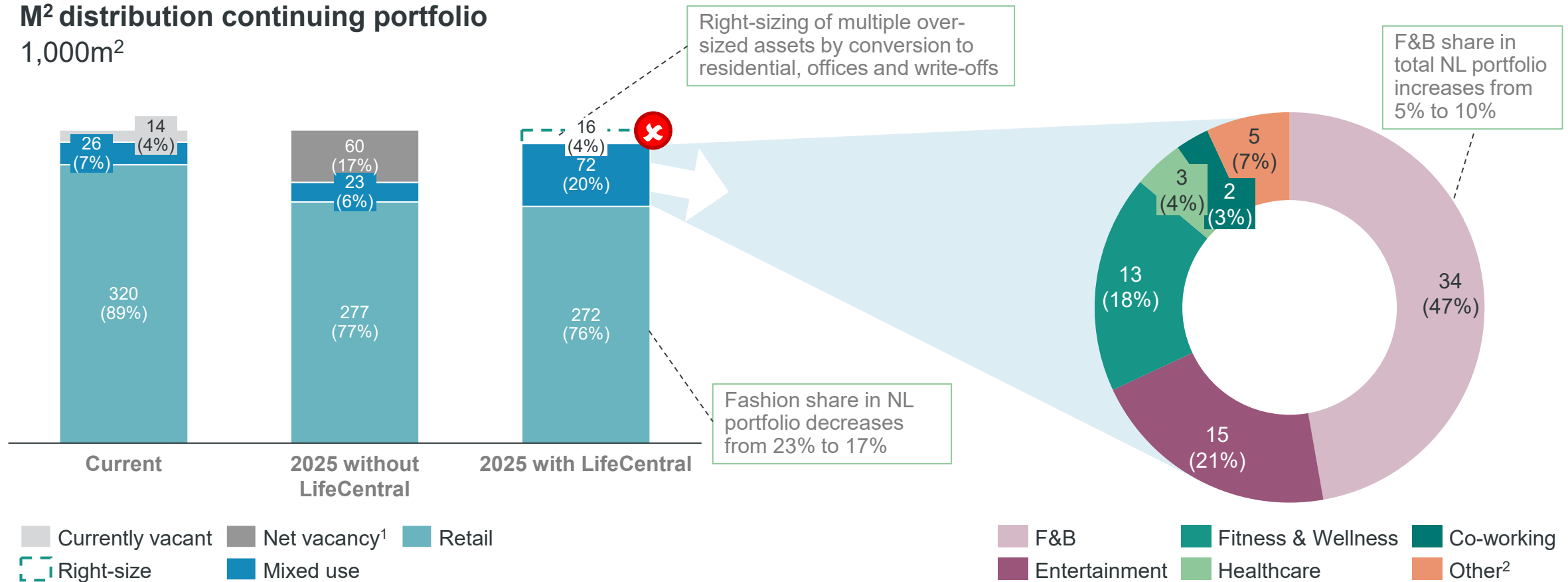
Asset-by-asset approach to design FSCs





Transform our assets to FSCs through LifeCentral (NL)

M² distribution continuing portfolio
1,000m²

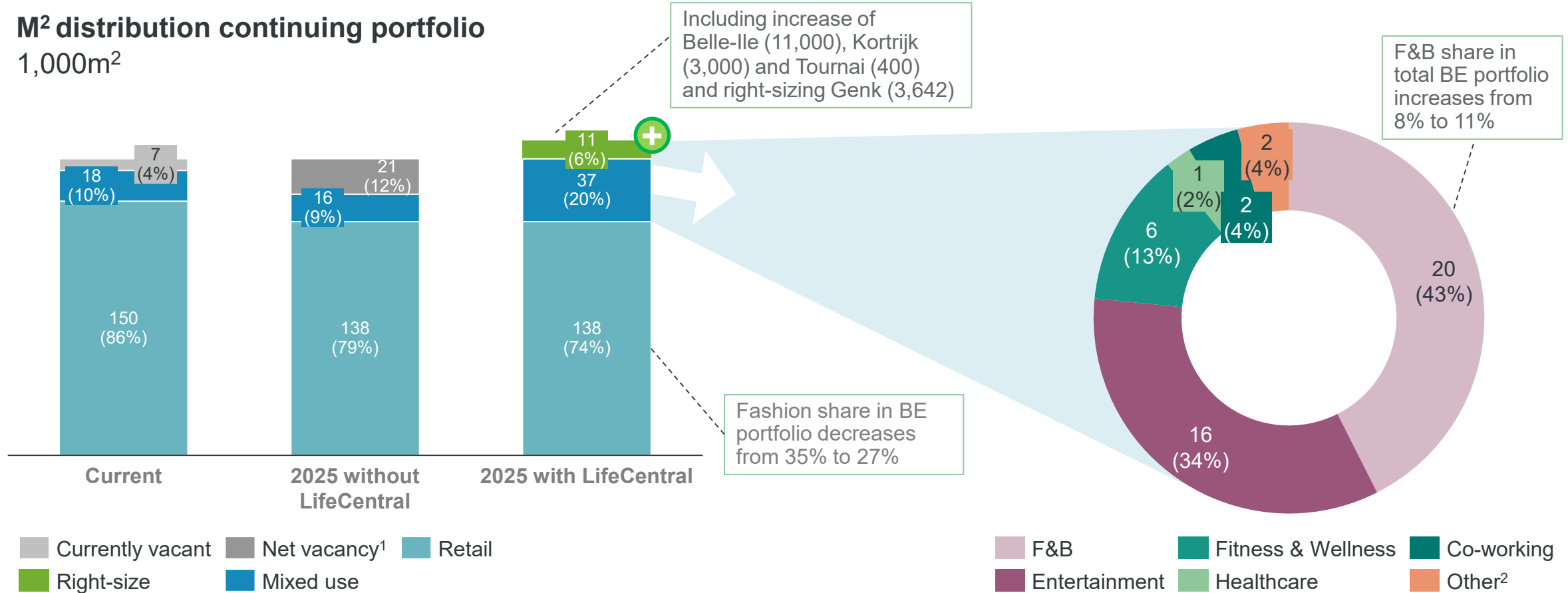


1. Expected vacancy minus new traditional retail tenants; 2. E.g. pop-up store, serving community concepts
Source: Wereldhave, Oliver Wyman analyses



Transform our assets to FSCs through LifeCentral (BE)

M² distribution continuing portfolio
1,000m²



1. Expected vacancy minus new traditional retail tenants; 2. Including new entrance for Belle-Ile
Source: Wereldhave, Oliver Wyman analyses

Measure LifeCentral success through four KPIs

KPIs on asset level¹



1 Financial target

Unlevered asset IRR > 6%



2 Customer feedback

Customer NPS > 20



3 Tenant feedback

Tenant satisfaction score² > 8



4 Retail balance

Mixed use > 20%

1. Will only be tracked pre and post transformation; 2. Survey-based scoring on a scale of 1 to 10



Transform Belle-Ile to FSC

Well-balanced offer to fulfill all everyday life needs
Restore the retail balance combined with adding high-quality F&B and entertainment to serve local consumer daily life needs

Densely populated locations
Unique well-connected city destination covering the broader up-market Liège area (>265k households in catchment)

Value-add (digital) services
Implementing full customer journey program, incl. new service concept “The Point” and launch of app “Flow by Wereldhave”

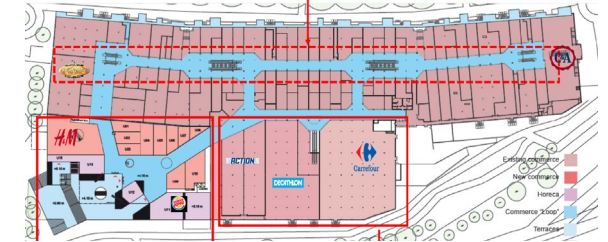
Concepts and partnerships
Scalable concepts for F&B and entertainment. Close cooperation with business park and high school in the same area and development-partnerships for hotels and student housing

KPIs	Belle-Ile Targets
Asset IRR > 6%	8%
NPS >20	>20
Tenant satisfaction >8	>8
Mixed use: >=20%	29%



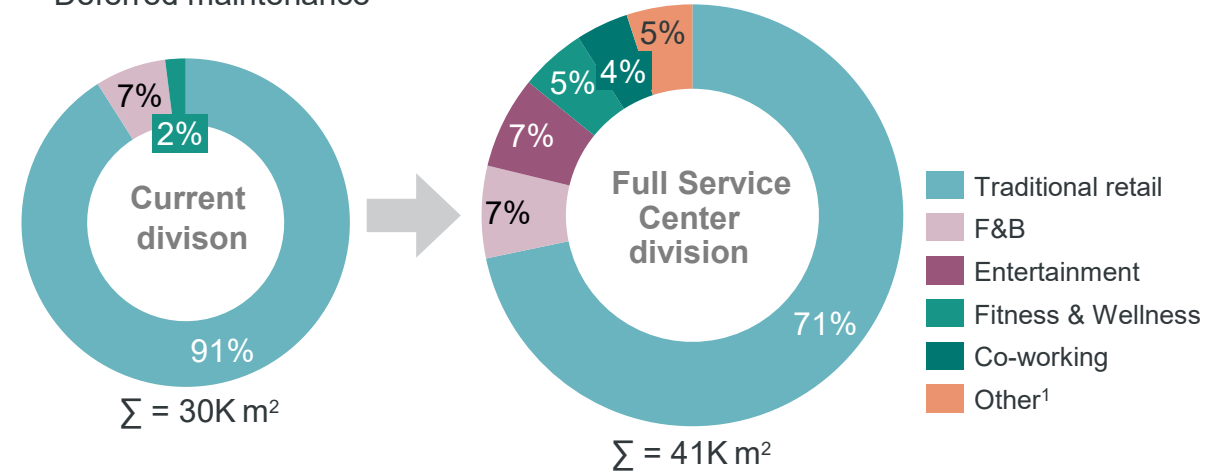
Full refurbishment

- Full upgrade of design and customer journey
- Renewal of machinery & equipment
- Deferred maintenance



Extension

- Attractive entrance
- Attractive indoor & outdoor F&B area
- Leisure and F&B able to operate 24/7
- Space for large fashion units



1. Includes among others new entrance (1,500m²)
Source: Wereldhave, Oliver Wyman analyses



Transform Vier Meren to FSC

Well-balanced offer to fulfill all everyday life needs
Restore the retail balance by adding a balanced mix of other uses like high quality F&B and the potential to build new (residential) units

Densely populated locations
High household income area with growing population (already >310k HH in catchment) through residential developments and well-connected to public transport, airport and highway

Value-add (digital) services
Implementing full customer journey program, incl. new service concept "The Point" and launch of app "Flow by Wereldhave"

Concepts and partnerships
Focus on establishment of complete Fitness & FB concept (incl. high quality restaurants, complementary fresh offer). Collaborate with municipality in order to improve attractiveness of Hoofddorp

KPIs	Vier Meren
Asset IRR > 6%	7%
NPS >20	>20
Tenant satisfaction >8	>8
Mixed use: >20%	26%

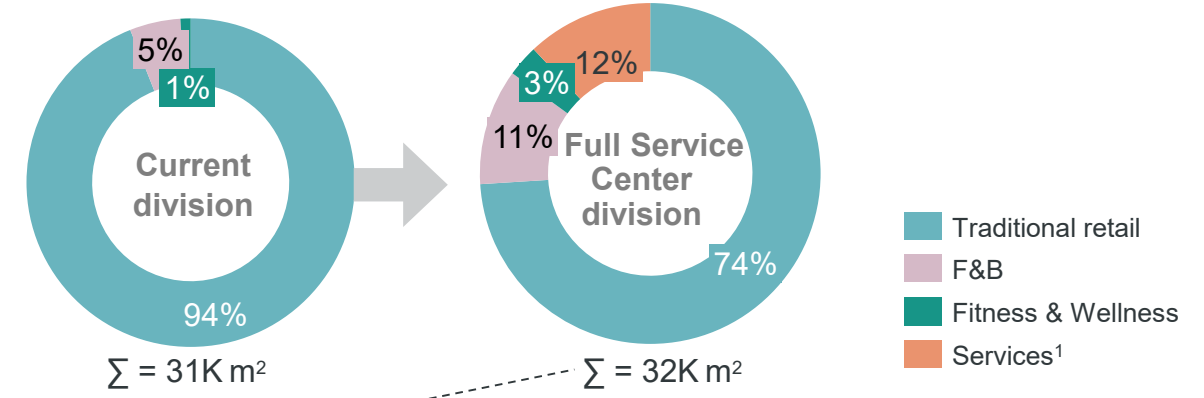


Full refurbishment

- Full upgrade of design & atmosphere
- Upgrade attractiveness of entrances and routing
- Improve climate
- Implement full customer journey program

Complete & sustainable offer

- Create competitive advantage by adding high quality F&B (indoor & outdoor), fresh offering and fitness
- Renovate or transform office building to potentially add flex-offices or hotel
- Launch new positioning



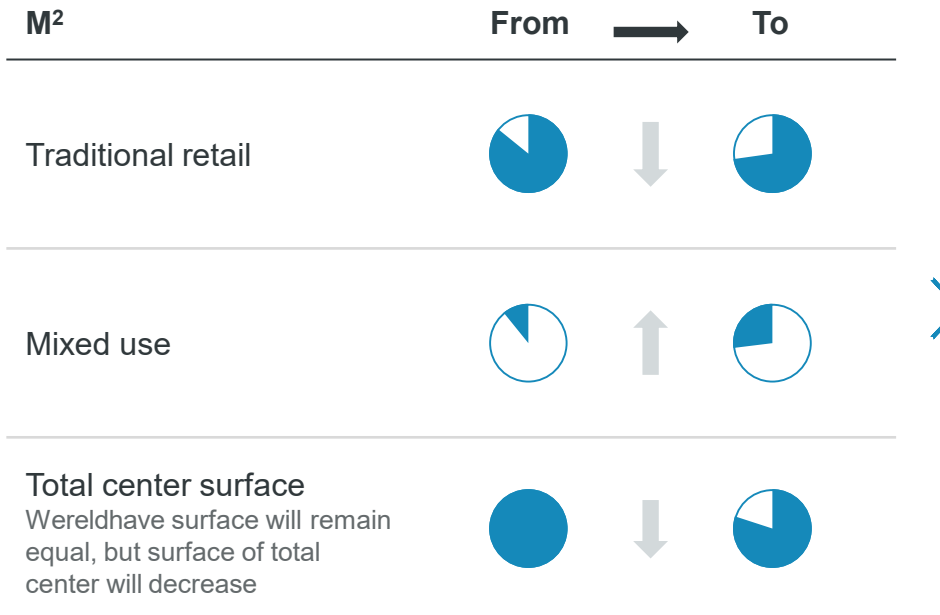
In addition, we will transform the current (outdated) 3.7k m² office building to a hotel or co-working location

1. E.g. serving community concept, pop-up stores
Source: Wereldhave, Oliver Wyman analyses

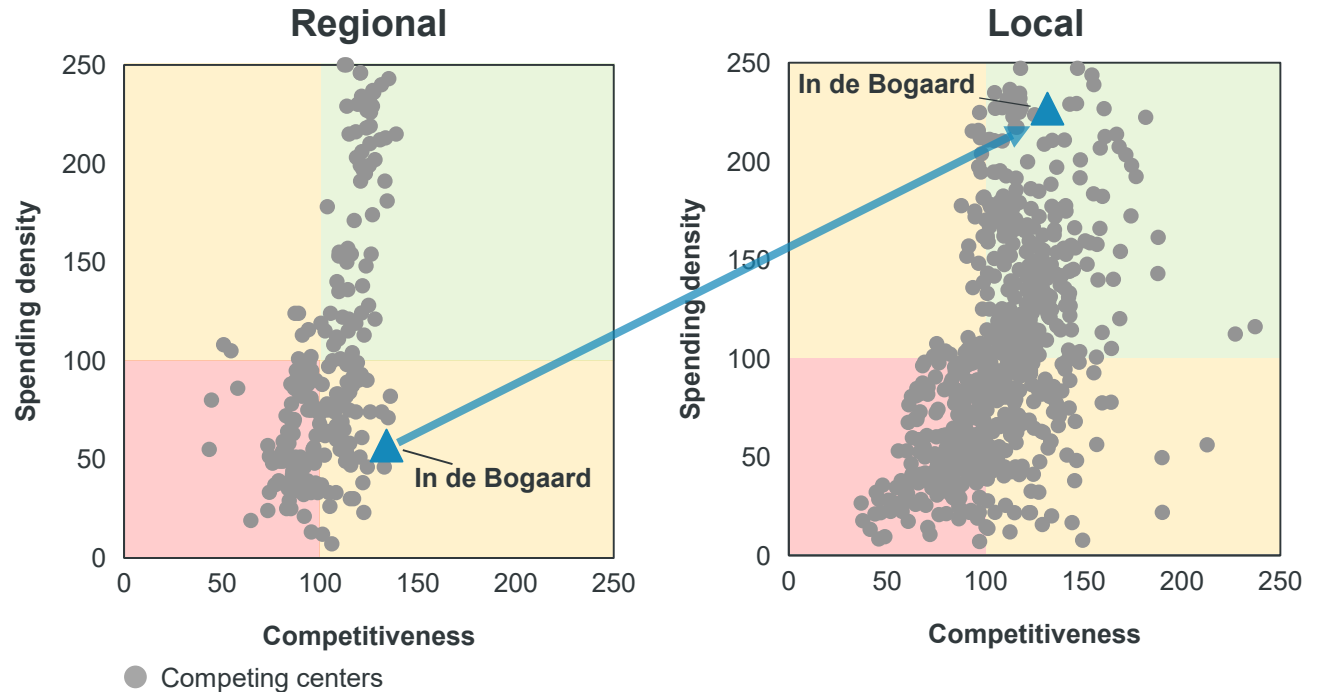
Right-sizing increases competitiveness

Illustrative example

Center adjustments In de Bogaard



Index of spending density vs. competitiveness^{1,2} 2018



1. Spending density in total income in the catchment (households in the catchment * average income per household); 2. Competitiveness measured in average floorspace (m²) per household in the catchment area (inverse index, e.g. high competitiveness indicates low floorspace per household)
Source: Locatus, Wereldhave, Oliver Wyman analyses

Underwriting the FSC business model

Illustrative example

Current situation		Full Service Centers	
Current ERV (€ Mn)	① 7.0	Current ERV (€ Mn)	① 6.70
Discount rate	② 6.25%	Discount rate	② 5.50%
Long-term rental growth	③ 0.00%	Long-term rental growth	③ 1.00%
CAPEX (€ Mn)	0.0	CAPEX (€ Mn)	18.0
Residual asset value	112	Residual asset value	163
Unlevered IRR	5.60%	Unlevered IRR	6.91%

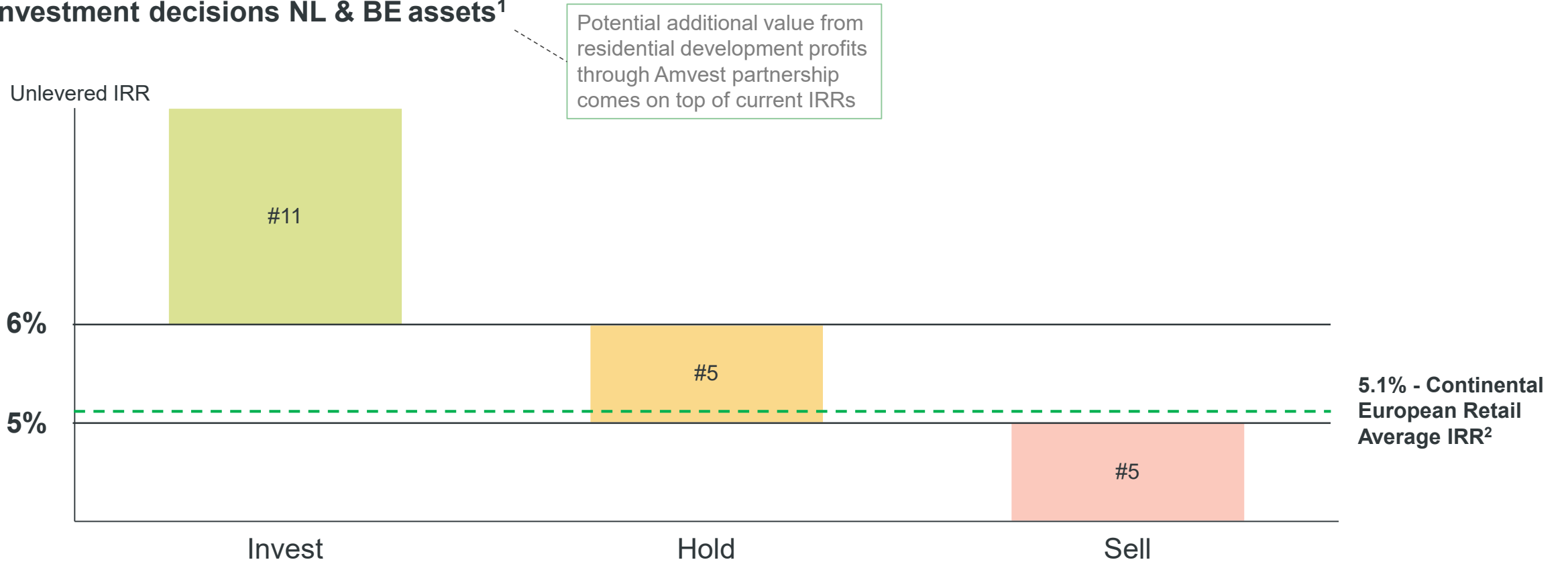
Partial conversion to residential can unlock additional value

Rationale

- ① **Adjusted ERVs:** New uses generate lower rents
- ② **Discount rate goes down** due to sustainable and lower-risk ERV
- ③ **Long-term rental growth** goes up from 0.00% to 1.00% due to:
 - Restored retail balance
 - Increased scarcity of retail space
 - Increased footfall, dwell time and / or basket size by adding new uses and better balancing the customer needs

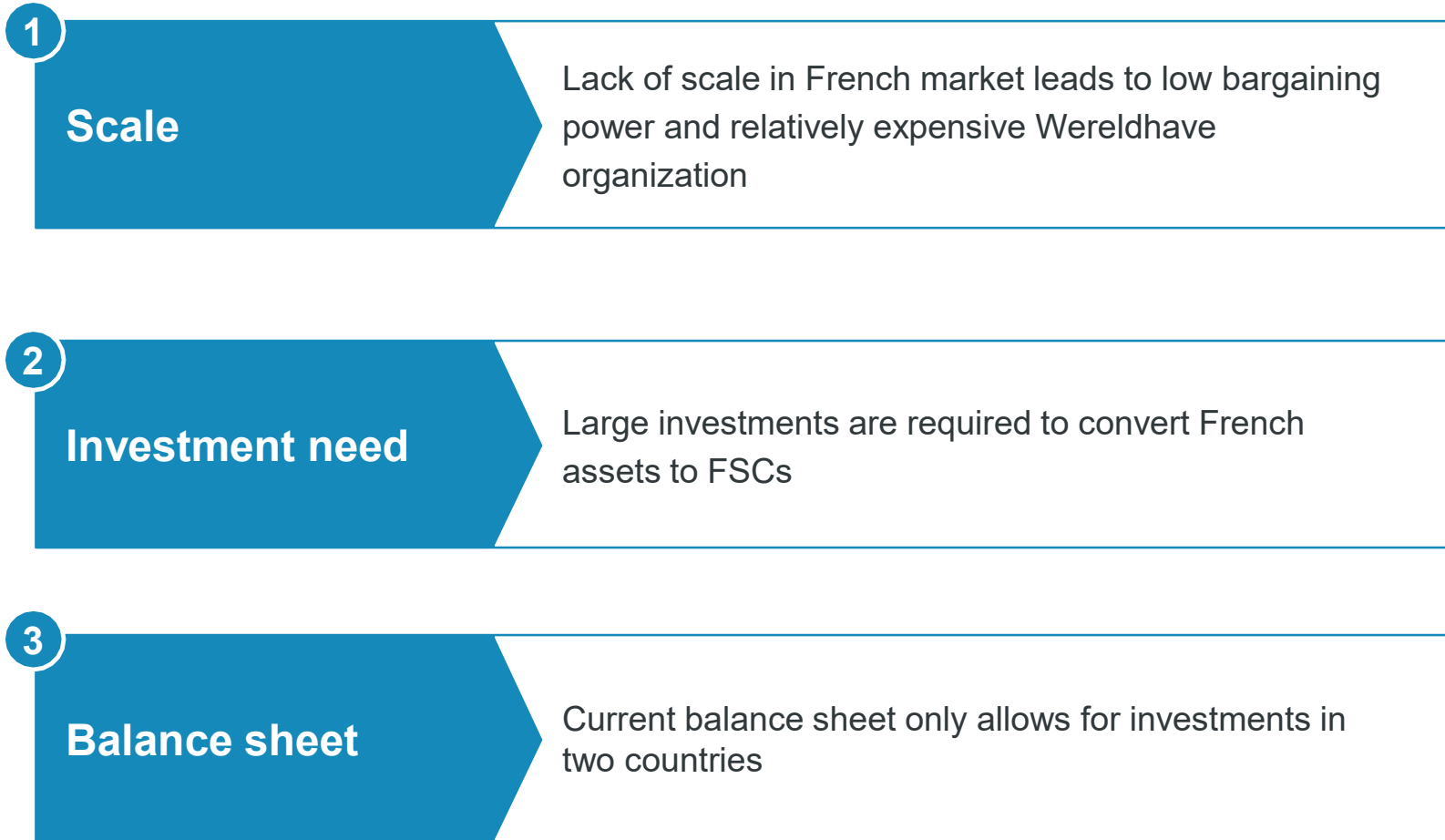
Execute LifeCentral only for NL & BE assets with above threshold IRRs

Investment decisions NL & BE assets¹



1. Excluding BE retail parks; 2. Returns shown are weighted averages based on Green Street's analysis of European retail companies under coverage, calculated as: Economic Cap Rate + Long term LFL NOI growth (source: Green Street Advisors (Global Property Allocator, February 2020))

Phase out France¹

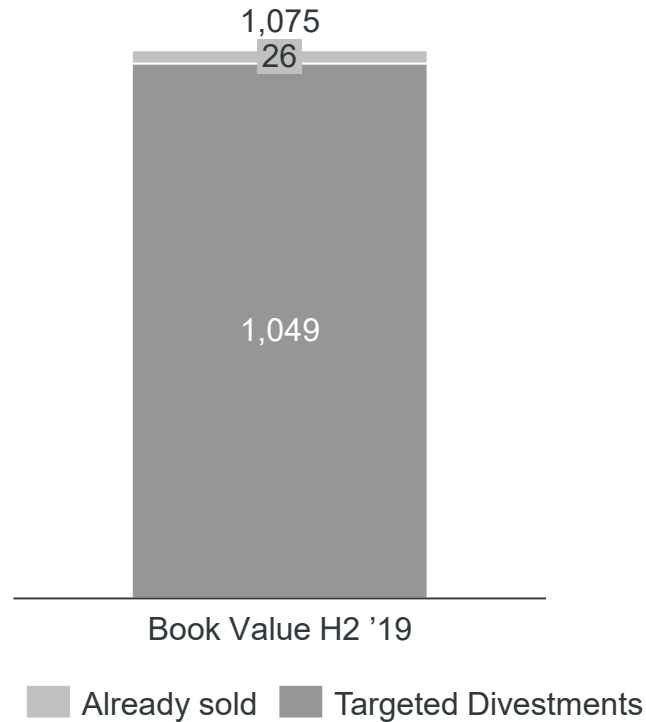


Use proceeds of phase out to strengthen balance sheet and fund investments in FSCs in Benelux

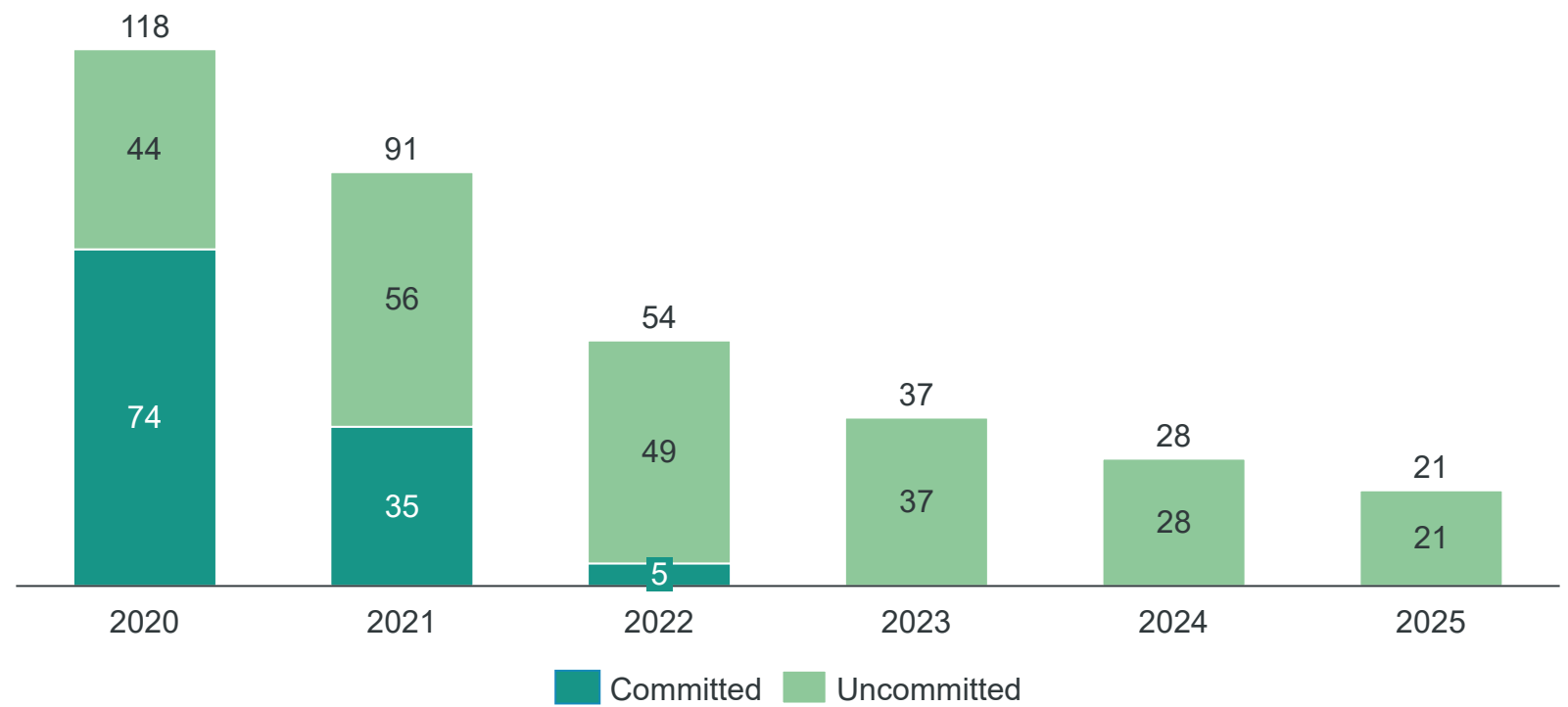
1. Phase out France is a project, no decision to divest has yet been made, the French staff representative body will be duly informed and consulted beforehand in compliance with French legal requirements

LifeCentral funded by divestments

Targeted divestments
€ Mn, 2020-2022



LifeCentral investments in NL and BE
€ Mn, 2020-2025



Investments only done in NL & BE assets with IRRs above threshold of 6%

Redefining our shareholder value creation model

Focus on total return

Focus on both dividend per share, and long-term growth of the intrinsic value of the company and outperform the benchmark of listed real estate stocks in Europe

Decrease the financial risk

Decrease financial risk as the operational risk of our business model increases: we will decrease LTV to 30-40% (currently 45%)

Invest only in assets exceeding hurdle rate

Invest in assets expected to exceed the hurdle rate only and dispose selective assets with below threshold IRRs and / or that cannot be transformed to an FSC

Align remuneration and incentive packages on total return KPIs

Align throughout the company, including management









3

Wereldhave

From Strategy
to Execution



We will deliver on our ambitions

Focus on	Target 2020-2022	Progress
Phase out France ¹	Phase out France	
Divestment program NL / BE	Dispose assets with book value of € 225 - € 275 Mn	
Restructuring balance sheet	Lower LTV to 30-40% (vs. currently 45%)	
Create FSC concepts	FSC concepts, for e.g. entertainment, F&B and fashion, completed and implemented in converted assets	
Successful FSC conversions	Converted 4 assets to FSC according to our KPI's and started 6 additional asset transformations	
Deliver digital tools	Launch at least 5 digital tools	
Right skill organization for future	Get Customer Experience and Digital Transformation teams fully running	
Corporate social responsibility	Maintain GRESB 5 star rating and complete a 2 degrees roadmap for each transformation	

Validation and investor interaction

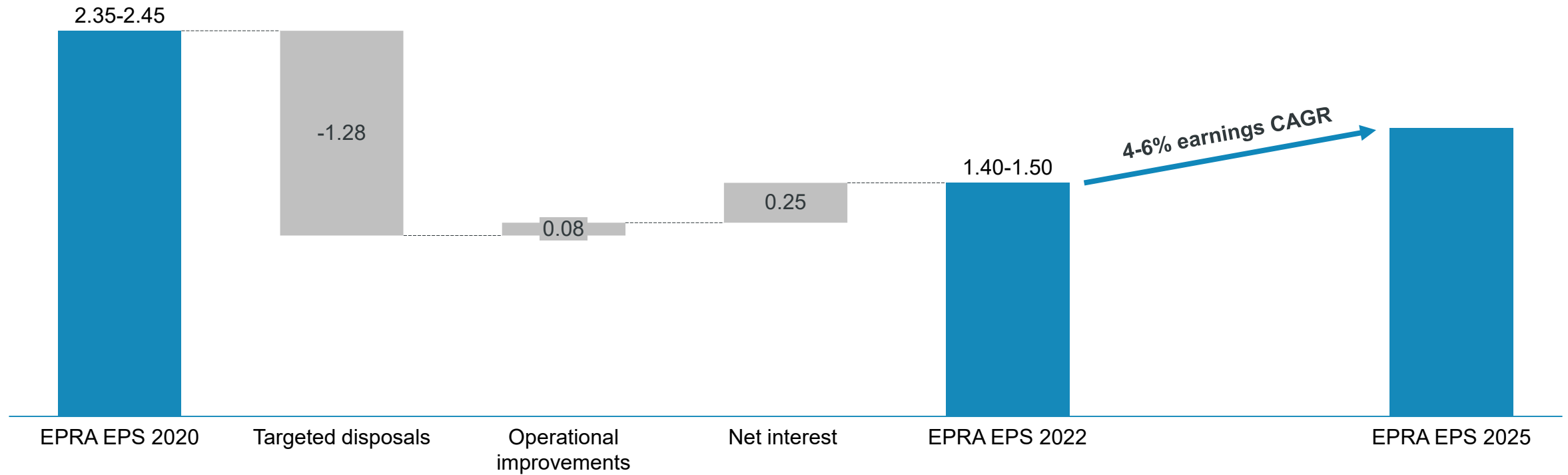
- Along the way, we will perform regular “pulse checks” to validate our strategy and financial targets and adjust as we go
- We will plan quarterly investor interactions to report our progress on LifeCentral

1. Phase out France is a project, no decision to divest has yet been made, the French staff representative body will be duly informed and consulted beforehand in compliance with French legal requirements

Post disposal program 4-6% annual earnings growth

EPRA EPS Forecast 2020-2025

€



Note: Our EPRA EPS projections for 2022 are based on assumed disposals to be executed before year-end 2021. Timing of these disposals could have a material impact on the outcome of these projections

A photograph of two women smiling and looking towards the camera. They are framed by a heart shape formed by two hands reaching towards each other from the top and bottom. The background is a blue wooden door set against a stone wall. The text 'Wereldhave' is centered at the top, and 'Appendix A Our Market Vision' is overlaid in the bottom left.

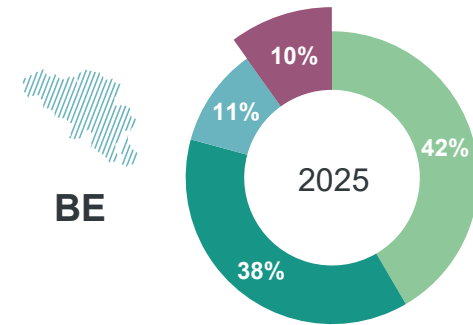
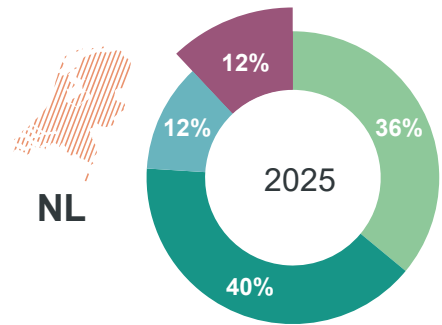
Wereldhave

Appendix A

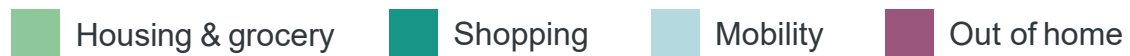
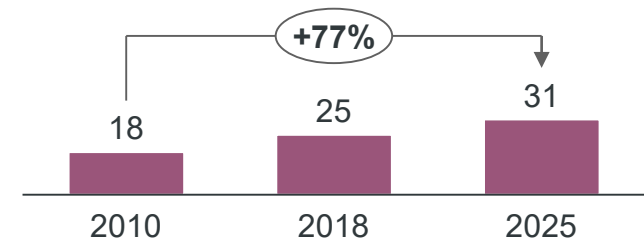
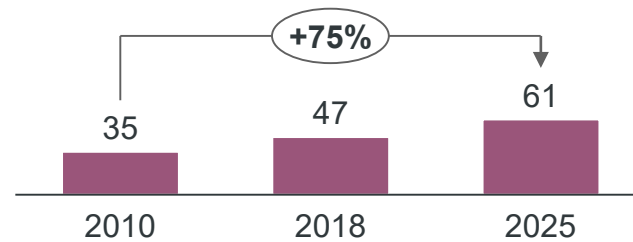
Our Market Vision

Growing out of home spending offers opportunity to diversify center exposure

Share of wallet distribution



Out of home expenditures In \$ Bn



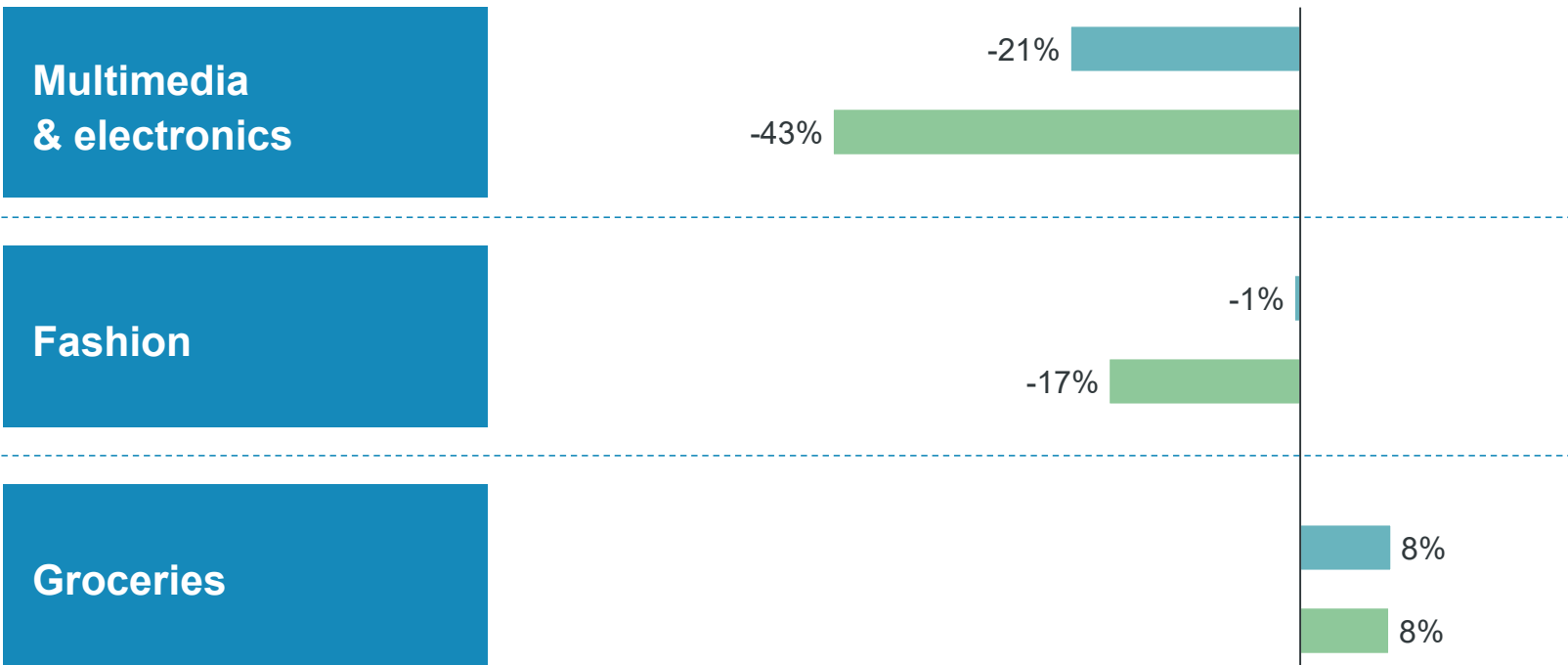
Incl. expenditures on catering, hotels, recreational activities and cultural services

Source: Euromonitor

More traditional retail space expected to disappear (NL)

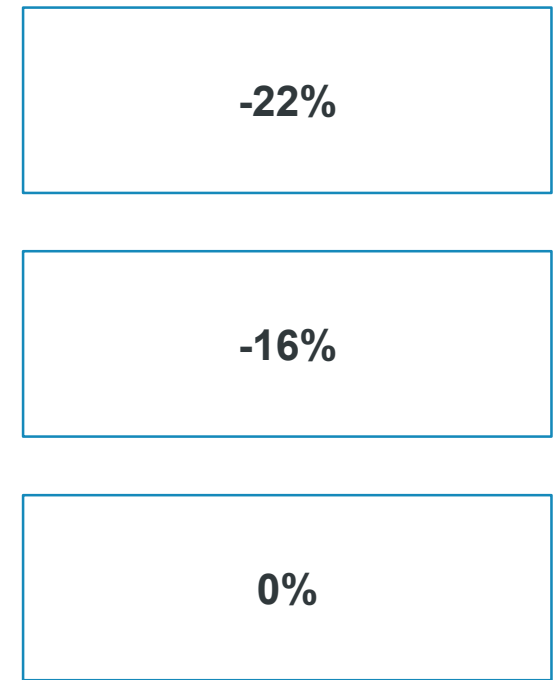


Floorspace development vs. In-store expenditures 2010-2025



The market will polarize: instead of space decrease per store, discrete choices on store closures will be made

Floorspace reductions Next 5 years



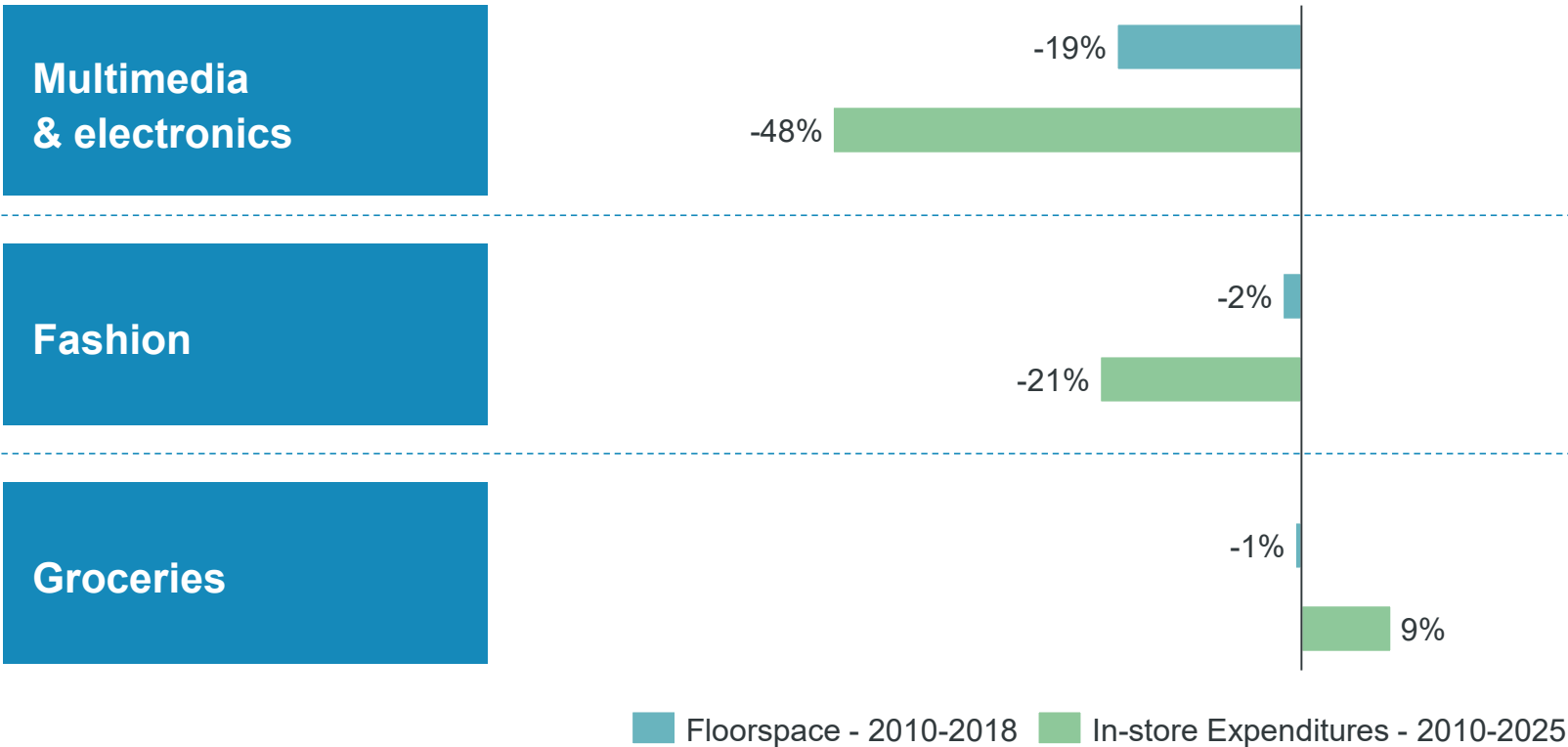
■ Floorspace - 2010-2018 ■ In-store Expenditures - 2010-2025

Source: Euromonitor, Oliver Wyman analyses

More traditional retail space expected to disappear (BE)

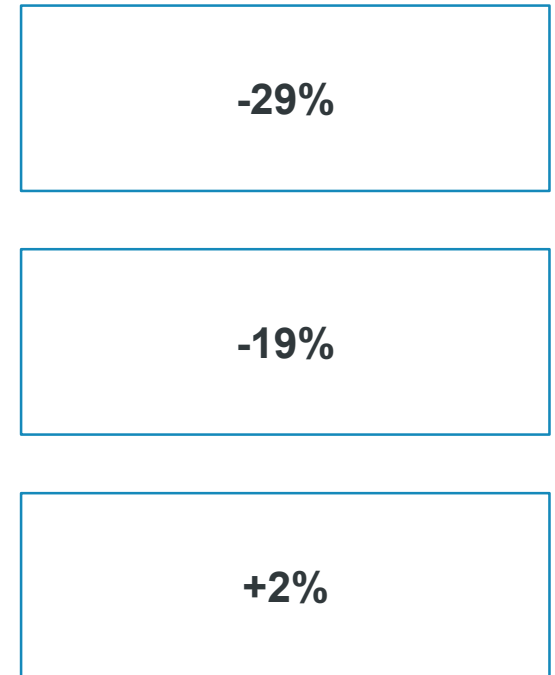


Floorspace development vs. In-store expenditures 2010-2025



The market will polarize: instead of space decrease per store, discrete choices on store closures will be made

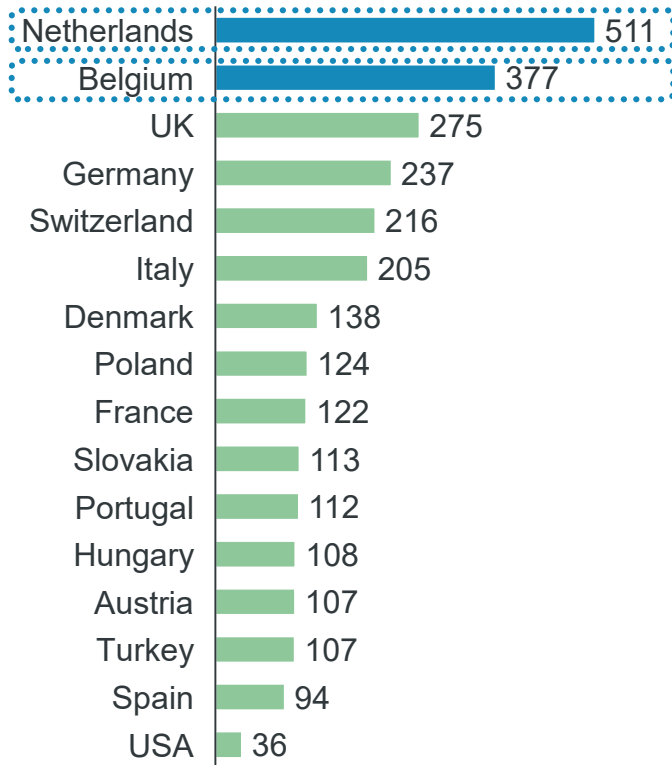
Floorspace reductions Next 5 years



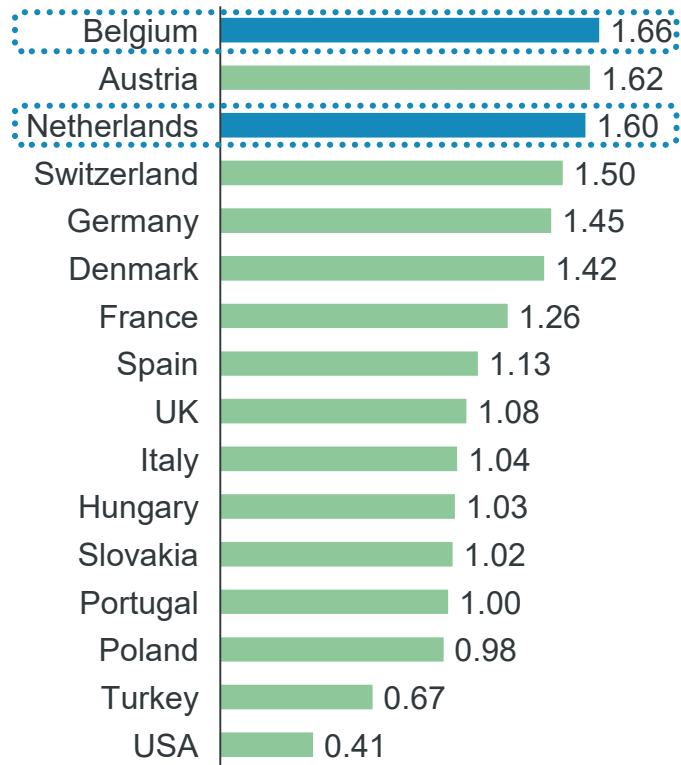
Source: Euromonitor, Oliver Wyman analyses

Wereldhave operates in dense & developed markets

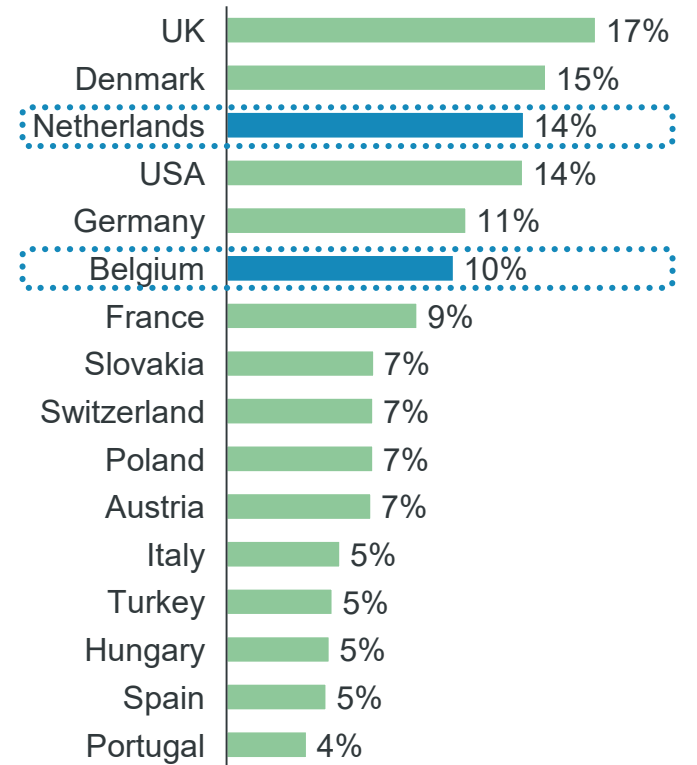
High population density
2018, persons per km²



High retail density
2018, m² per capita










High e-commerce share of wallet
2018



Source: Eurostat, GfK, Worldbank

We are better positioned than city centers

Ability to steer on relevant topics

Topic	Shopping Center		City Center
Ownership	Limited number of owners, so high level of influence and control		Multiple owners, so limited level of influence and control
Tenant mix	Ability to actively steer tenant mix, positioning and branding		Limited ability to steer tenant mix, positioning and branding
Look and feel	Ability to create a certain look and feel (adjustment of entrance, division into need areas like fresh street / F&B)		Limited ability to create a look and feel throughout the city center
Parking	Ability to create favorable parking facilities (e.g. indoor, no walking distance, free parking)		Dependent on parking facilities of municipality (e.g. paid parking, distance, outdoor)
Customer characteristics	Ability to 'know the customer': no one size fits all, implement digital tools and spend marketing budget		Limited ability to measure client characteristics
Experience and service	Ability to offer services (e.g. toilet, Wi-Fi), host events and create experience areas		Limited ability to offer general services and create experience areas, but strong ability to host 'local' events
Local offering	Ability to offer local brands and products		Strong ability to offer local brands and products 

 Best Positioned

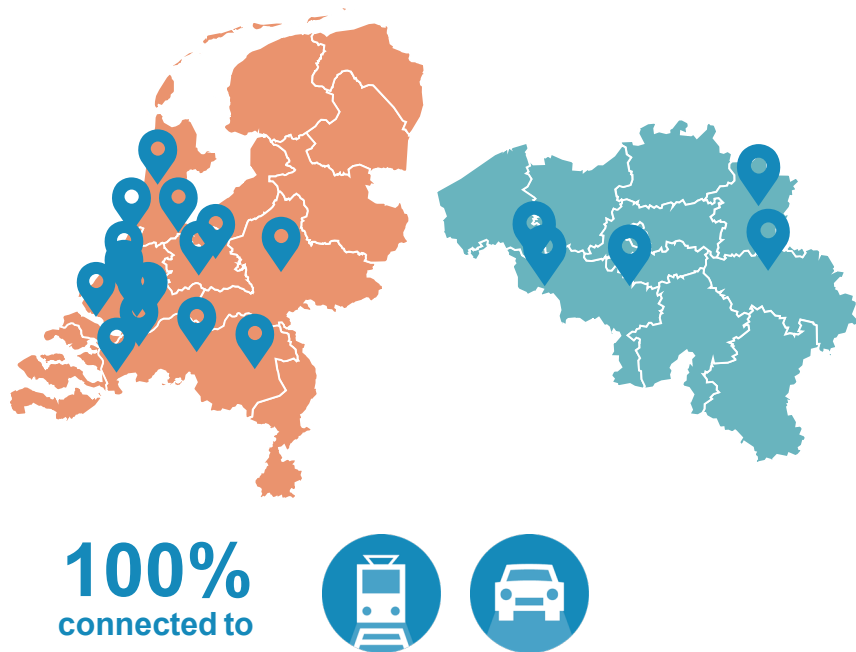
A woman with curly hair, wearing a light-colored quilted jacket, is standing in a clothing store. She is looking at a garment on a rack. The store has large windows in the background with gold-colored decorative elements. There are several racks of clothing, including a dark green jacket on the left and various other items on the right. The lighting is bright and natural, coming from the windows.

Wereldhave

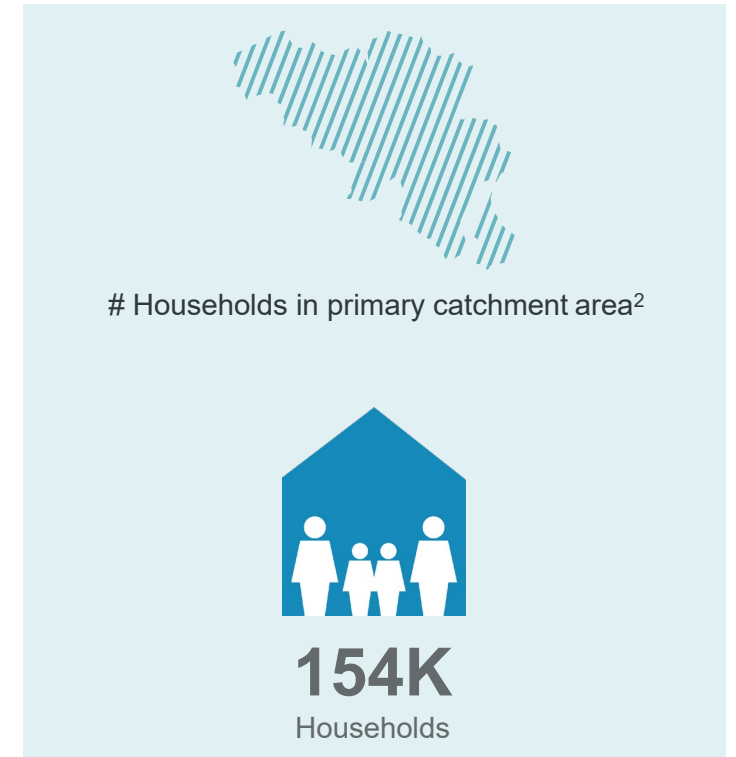
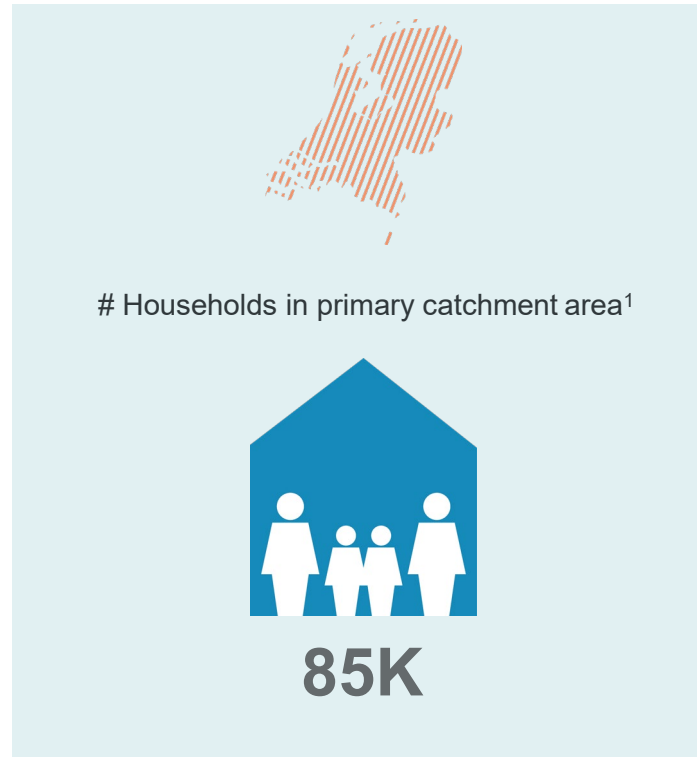
Appendix B LifeCentral Deepdives

We have attractive locations

Well-connected



Densely populated



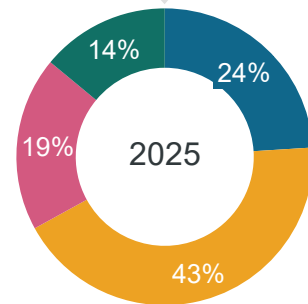
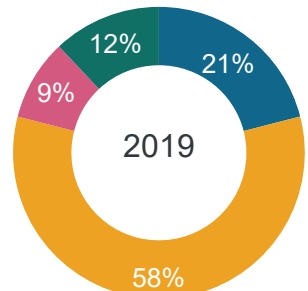
1. NL: 10 minutes driving distance from the asset; 2. BE: 20 minutes driving distance from the asset

2025: increased focus on Enjoying life & Well-being

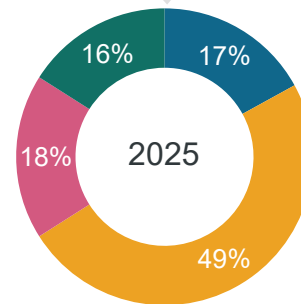
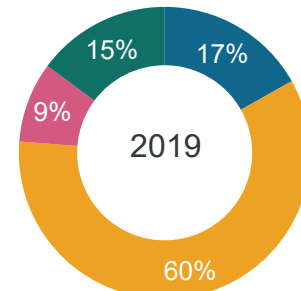
Wereldhave floorspace per need area¹ %



NL



BE



No floorspace reduction expected for food groceries

- Fixing the basics
- Self expression
- Enjoying life
- Well-being

1. For continuing portfolio

We need to invest in our organization



Capabilities

- Consumer understanding
- Center development
- Eco-system and partnerships development
- Marketing (proposition and local)
- Data management



KPI alignment

- Aligned with new strategy
- Long-term focused
- Reward innovation and new / unique concepts



Culture

- Focus on tenant and customer experience
- Insights driven, innovative and challenging mindset
- Engaged leadership & empowered workforce

Our core CSR goal: all m² within direct control of our organization to operate at net zero carbon by 2030



Main CSR goals:

- 2 degrees roadmap: all m² within direct control of our organisation to operate at **net zero carbon** by 2030, and a net zero value-chain by 2050
- Strengthen and validate commitment to climate action in 2020



Integrated impact on 6 relevant Sustainable Development Goals¹:

- “Paris-proofing” the portfolio (ambition: net zero carbon by 2030)
- Partner with tenants and visitors to reduce carbon and waste (ambition: net zero value-chain 2050)
- Increase m² of green areas per asset with ecological value and climate resilience
- 1% NRI contribution to socio-economic and social inclusion initiatives



Maintaining our GRESB 5 star rating

1. These are core goals, our CSR framework is based on SDG targets 7.2, 7.3, 8.8, 11.5, 11.6, 11.7, 11.B, 12.2, 12.5, 13.1, and 17.16

Our FSCs should be a healthy place and a place that is good for a better everyday life, business and the environment

Consumers

- Shift towards sustainable products and services that contribute to a better environment
- “Sales of products marketed as sustainable grew 5.6 times faster than those that were not.” (2013-2018).¹

Tenants

- Set energy reduction targets for their retail stores to grow customer loyalty and to save costs.
- “80% of European retail CFOs feel pressure to act on climate change, higher than any other sector... Their number one action is to improve energy efficiency of their buildings”²

Investors

- Accelerate the inclusion of ESG factors in investment decisions, engagement and voting.
- “In Europe, total assets committed to sustainable and responsible investment ... increased to 49% of total professionally managed assets”³

Wereldhave actions:

- Optimal tenant mix with sustainable products and services
- Add green spaces and social events that improve an FSC’s quality and help rise NPS to +20

- 2 degrees roadmap per asset (Bellelle in 2020)
- 100% of enclosed centers BREEAM-in-use Very Good from 2020 on
- 100% of new leases are green leases

- Maintain GRESB 5 star
- Rise to CDP A-level by 2025

Sources: 1. NYU Stern - Sustainable Share Index™: Research on IRI Purchasing Data (2013-2018); 2. Deloitte – CFO Signals, Q4 2019; 3. Global Sustainable Investment Review, 2018

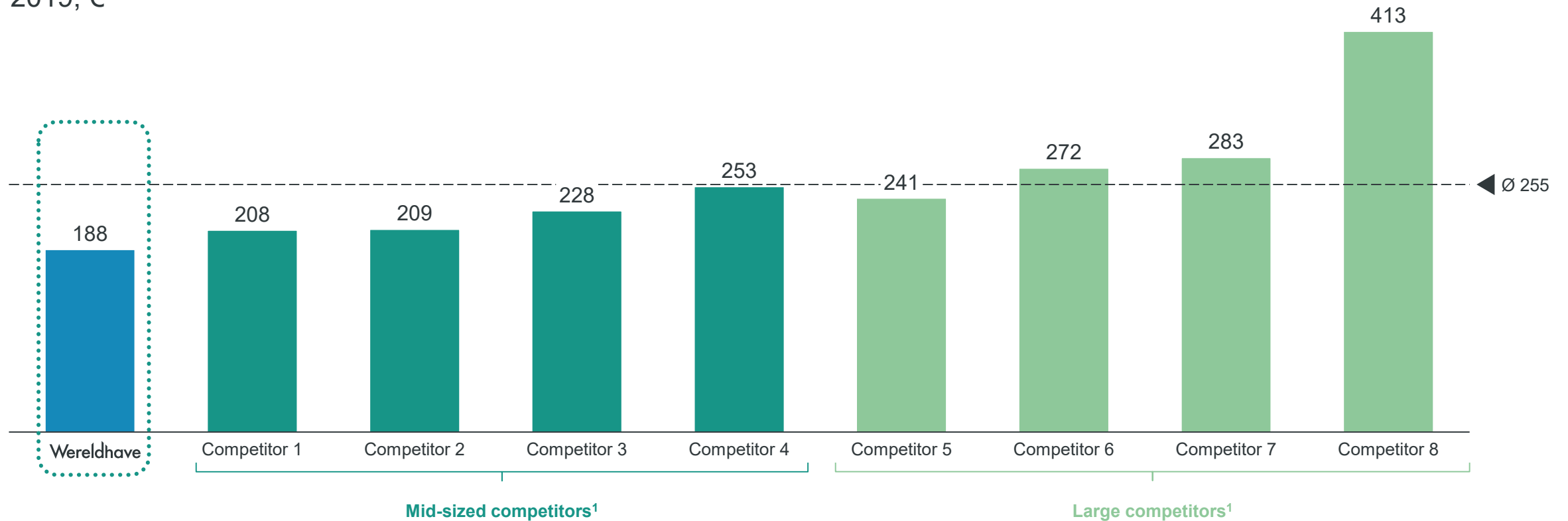
A woman with long brown hair, wearing a white shirt and a dark jacket, is shown in profile, looking to the right with a surprised expression. Her hands are pressed against her mouth. The background is a modern interior with glass railings and blurred lights.

Wereldhave

Appendix C Financial Deepdives

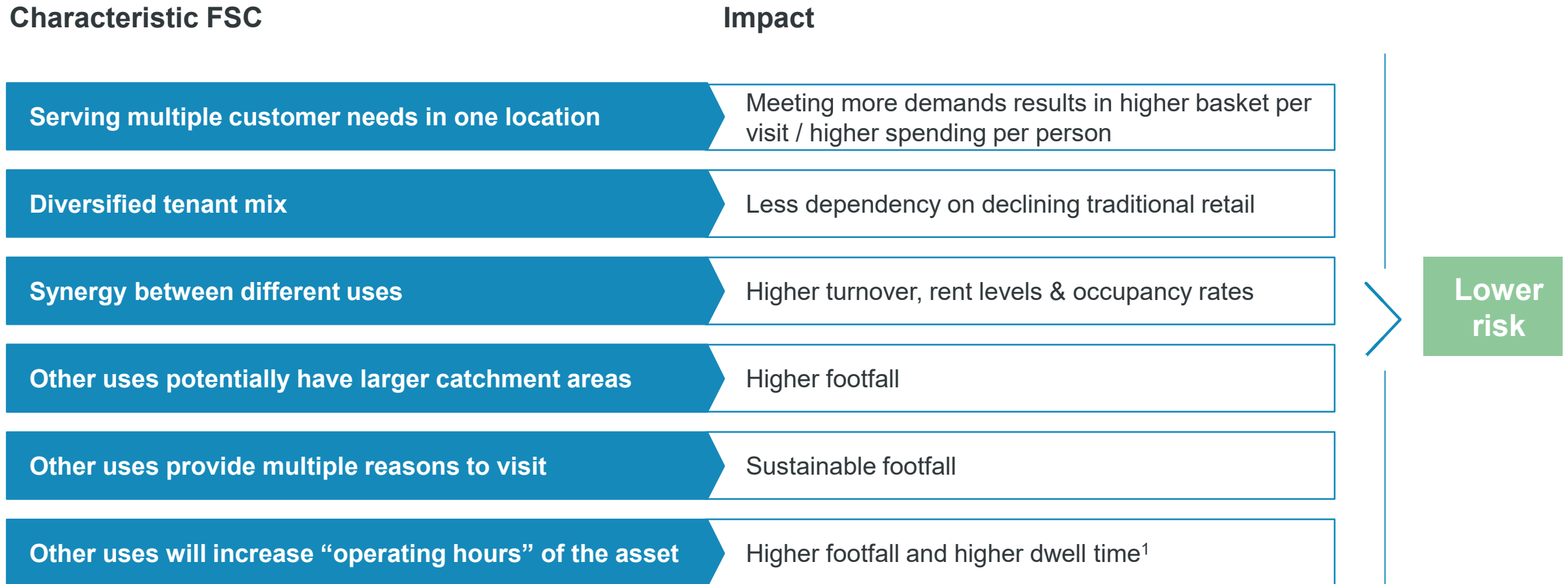
Current rent levels enable conversion to new uses

NRI / m²
2019, €



1. Competitors included in non-consecutive order: CityCon, ECP, Hammerson, Carmila, Dt. Euroshop, URW, Klépierre, Intu
Source: Wereldhave, Kempen analyst report April 2019

We believe FSCs should trade at lower cap rates than traditional shopping centers



1. Source: ICSC research: Food-Beverage-Study-UK

A photograph of three young women with long hair, all making playful, pouting faces. The woman in the center has sunglasses on her head and is wearing a necklace with a key pendant. The background is a bright, outdoor setting with a blue sky and some greenery. A semi-transparent triangle is overlaid on the image, centered on the woman in the middle.

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Appendix D Glossary

Glossary

Term	Explanation
CAGR	Compound Annual Growth Rate
CSR	Corporate Social Responsibility
DPS	Dividend per Share
EBITDA	Earnings Before Interest Tax Depreciation and Amortization
EPRA	European Public Real Estate Association
EPS	Earnings per Share
ERV	Estimated Rental Value

Term	Explanation
GENEX	General expenses
GRESB	Investor driven organization assessing the sustainability performance of real asset sector portfolio and assets
KPI	Key Performance Indicator
LTV	Loan to Value
NAV	Net Asset Value
NPS	Net Promotor Score
NRI	Net Rental Income