

Simon Property Group Reports First Quarter 2020 Results and Provides Business Update

May 11, 2020

INDIANAPOLIS, May 11, 2020 /PRNewswire/ -- Simon, a real estate investment trust engaged in the ownership of premier shopping, dining, entertainment and mixed-use destinations, today reported results for the quarter ended March 31, 2020.



"Our thoughts are with everyone affected by COVID-19 and we salute all of the individuals on the front lines fighting the pandemic," said David Simon, Chairman, Chief Executive Officer and President. "The Simon team is meeting these unprecedented challenges with unwavering commitment to the safety of our employees, shoppers, retailers and the communities we serve. We have successfully navigated challenging times throughout our company's history, and we will endure and gain strength as we weather this disruption. The resilience of our people, our innovative business approach and our strong balance sheet with ample liquidity will serve us well."

"Business was off to a good start in January and February, with shopper traffic, tenant demand, reported retailer sales and other underlying portfolio fundamentals trending at or above our expectations," said Simon. "In March, we quickly pivoted to address the rapid spread of COVID-19, temporarily closing U.S. properties, reducing operating costs and increasing financial resources. We are beginning to reopen properties and are encouraged by the consumer response thus far."

Results for the Quarter

- Net income attributable to common stockholders was \$437.6 million, or \$1.43 per diluted share, as compared to \$548.5 million, or \$1.78 per diluted share in 2019. Results for the first quarter of 2019 included a combined \$83.6 million, or \$0.24 per diluted share, of proceeds from an insurance settlement and a gain on the sale of our interest in a multi-family residential property. The current year period includes a \$19.0 million, or \$0.05 per diluted share, unrealized loss in fair value of equity instruments compared to a gain of \$5.3 million, or \$0.01 per diluted share, in the prior year period, from the Company's ownership of Washington Prime Group Inc. partnership units as part of the 2014 spin-off.
- Funds From Operations ("FFO") was \$980.6 million, or \$2.78 per diluted share, as compared to \$1.082 billion, or \$3.04 per diluted share, in the prior year period. The first quarter 2019 results also included the \$0.24 per diluted share noted above. The current year period reflects a negative impact of approximately \$0.06 per diluted share (pre-tax) from the Company's investments in retailers primarily due to store closures as a result of COVID-19.
- Comparable property Net Operating Income ("NOI") for the three months ended March 31, 2020 was flat and portfolio NOI declined 0.2%.
- Operating statistics for the Company's combined U.S. Malls and Premium Outlets:
 - Occupancy was 94.0% at March 31, 2020.
 - Base minimum rent per square foot was \$55.76 at March 31, 2020.
 - Leasing spread per square foot for the trailing 12 months ended March 31, 2020 was \$2.80, an increase of 4.6%.
 - Reported retailer sales per square foot were \$673 for the trailing 12 months ended March 31, 2020. This was an increase of 2.1%; however, it was impacted by the Company's temporary closure of its U.S. retail properties effective March 18, 2020. This impact is shown by comparing the trailing 12 months ended February 29, 2020, sales per square foot of \$703, an increase of 6.5%.

Business Update – COVID-19

As we developed and implemented our response to the impact of COVID-19 on our business, our primary focus has been on the health and safety of our employees, our shoppers and the communities in which we serve. We implemented a series of actions to reduce costs and increase liquidity in light of the impacts of the pandemic, including:

- Significantly reduced all non-essential corporate spending
- Significantly reduced property operating expenses
- Implemented a temporary furlough of certain corporate and field employees due to the closure of the Company's U.S. retail properties as a result of governmental "stay-at-home" orders; reduced certain corporate and field personnel and implemented a temporary freeze on company hiring efforts
- Suspended or eliminated more than \$1.0 billion of redevelopment and new development projects
- David Simon, the Company's Chairman, Chief Executive Officer and President elected to reduce his base salary to zero and deferred his approved 2019 bonus until the market conditions in which the Company operates have improved
- Implemented a temporary decrease to the base salary of certain of its salaried employees ranging from 10% to 30%, depending on each employee's compensation level
- The Company's Board of Directors agreed to temporarily suspend payment to the independent directors of their board service cash retainer fees
- Drew \$3.75 billion under its Revolving Credit Facilities

In addition, we launched "[Simon Supports Communities](#)" to assist charitable organizations, hospitals and local communities impacted by COVID-19. The program deploys Simon's physical, digital and social media assets to help nonprofit organizations make a difference. Initiatives underway include utilizing parking lots at Simon centers for drive-through COVID-19 testing in local communities; hosting food banks; and deploying our network of over 200 websites and social media channels to support the American Red Cross "[Sleeves Up](#)" campaign aimed at boosting depleted blood supplies.

Reopening of Simon's Retail Properties

As of May 11, the Company has reopened 77 of its U.S. retail properties in markets where local and state orders have been lifted and retail restrictions have been eased. As part of the reopening process, the Company published its comprehensive "[COVID-19 Exposure Control Policy](#)", developed in conjunction with a team of leading experts in the fields of Epidemiology and Environmental Health and Safety (EHS), in order to provide a high level of safety standards at its properties.

In addition, as of May 11, twelve of Simon's Designer and international Premium Outlets properties have reopened.

Development Activity

The Company has suspended or eliminated more than \$1.0 billion of capital for new and redevelopment projects. The Company will re-evaluate all suspended projects over time. Construction continues on certain redevelopment and new development projects in the U.S. and internationally that are nearing completion. Simon's share of remaining required cash funding for these projects that are currently scheduled to be completed in 2020 or 2021 is approximately \$160 million.

Capital Markets and Balance Sheet Liquidity

During the quarter, the Company took certain steps to increase financial flexibility.

As previously announced in March, the Company amended and extended its \$4.0 billion senior unsecured multi-currency revolving credit facility with a \$6.0 billion senior unsecured credit facility comprised of a \$4.0 billion multi-currency revolving credit facility and a \$2.0 billion delayed draw term loan facility. Subject to additional commitments, the revolving credit facilities can be increased by \$1.0 billion, for an aggregate up to \$7.0 billion. The revolving facility initially matures on June 30, 2024, and the term facility initially matures on June 30, 2022.

As of March 31, 2020, Simon had approximately \$8.7 billion of liquidity consisting of \$4.1 billion of cash on hand, including its share of joint venture cash, and \$4.6 billion of available capacity under its revolving credit facilities and term loan, net of outstanding U.S. and Euro commercial paper.

Dividends

Simon's Board of Directors will declare a common stock dividend for the second quarter before the end of June. Simon intends to maintain a common stock dividend paid in cash and expects to distribute at least 100% of its REIT taxable income.

Simon's Board of Directors declared the quarterly dividend on its 8 3/8% Series J Cumulative Redeemable Preferred Stock (NYSE: SPGPrJ) of \$1.046875 per share, payable on June 30, 2020 to shareholders of record on June 16, 2020.

Withdrawal of 2020 Financial Guidance

Given the evolving nature of COVID-19 and the global economic disruption it has caused, it is not currently possible to predict with certainty the pandemic's impact on the rest of the year's financial results. As such, the Company is withdrawing its full-year 2020 guidance for estimated net income attributable to common stockholders per diluted share, estimated FFO per diluted share and comparable property NOI growth, which were provided on February 4, 2020.

Conference Call

Simon will hold a conference call to discuss the quarterly financial results today at 5:00 p.m. Eastern Time, Monday, May 11, 2020. A live webcast of the conference call will be accessible in listen-only mode at [investors.simon.com](#). An audio replay of the conference call will be available until May 18, 2020. To access the audio replay, dial 1-855-859-2056 (international 404-537-3406) passcode 6984058.

Supplemental Materials and Website

Supplemental information on our first quarter 2020 performance is available at [investors.simon.com](#). This information has also been furnished to the SEC in a current report on Form 8-K.

We routinely post important information online on our investor relations website, [investors.simon.com](#). We use this website, press releases, SEC filings, quarterly conference calls, presentations and webcasts to disclose material, non-public information in accordance with Regulation FD. We encourage members of the investment community to monitor these distribution channels for material disclosures. Any information accessed through our website is not incorporated by reference into, and is not a part of, this document.

Non-GAAP Financial Measures

This press release includes FFO, FFO per share, portfolio net operating income growth and comparable property net operating income growth, which are financial performance measures not defined by generally accepted accounting principles in the United States ("GAAP"). Reconciliations of these non-GAAP financial measures to the most directly comparable GAAP measures are included in this press release and in Simon's supplemental information for the quarter. FFO and comparable property net operating income growth are financial performance measures widely used in the REIT industry. Our definitions of these non-GAAP measures may not be the same as similar measures reported by other REITs.

Forward-Looking Statements

Certain statements made in this press release may be deemed "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Although the Company believes the expectations reflected in any forward-looking statements are based on reasonable assumptions, the Company can give no assurance that its expectations will be attained, and it is possible that the Company's actual results may differ materially from those indicated by these forward-looking statements due to a variety of risks, uncertainties and other factors. Such factors include, but are not limited to: uncertainties regarding the impact of the COVID-19 pandemic and restrictions intended to prevent its spread on our tenants' businesses, financial condition, results of operations, cash flow and liquidity and our ability to access the capital markets, satisfy our debt service obligations and make distributions to our stockholders; the inability to collect rent due to the bankruptcy or insolvency of tenants or otherwise; changes in economic and market conditions that may adversely affect the general retail environment; the intensely competitive market environment in the retail industry; changes to applicable laws or regulations or the interpretation thereof; risks associated with the acquisition, development, redevelopment, expansion, leasing and management of properties; the inability to lease newly developed properties and renew leases and relet space at existing

properties on favorable terms; the potential loss of anchor stores or major tenants; decreases in market rental rates; the impact of our substantial indebtedness on our future operations; any disruption in the financial markets that may adversely affect our ability to access capital for growth and satisfy our ongoing debt service requirements; any change in our credit rating; changes in market rates of interest and foreign exchange rates for foreign currencies; general risks related to real estate investments, including the illiquidity of real estate investments; security breaches that could compromise our information technology or infrastructure; risks relating to our joint venture properties; our continued ability to maintain our status as a REIT; changes in tax laws or regulations that result in adverse tax consequences; changes in the value of our investments in foreign entities; our ability to hedge interest rate and currency risk; changes in insurance costs; the availability of comprehensive insurance coverage; risks related to international activities, including, without limitation, the impact, if any, of the United Kingdom's exit from the European Union; natural disasters; the potential for terrorist activities; environmental liabilities; the loss of key management personnel; and the transition of LIBOR to an alternative reference rate. The Company discusses these and other risks and uncertainties under the heading "Risk Factors" in its annual and quarterly periodic reports filed with the SEC. The Company may update that discussion in subsequent other periodic reports, but except as required by law, the Company undertakes no duty or obligation to update or revise these forward-looking statements, whether as a result of new information, future developments, or otherwise.

About Simon

Simon is a global leader in the ownership of premier shopping, dining, entertainment and mixed-use destinations and an S&P 100 company (Simon Property Group, NYSE: SPG). Our properties across North America, Europe and Asia provide community gathering places for millions of people every day and generate billions in annual sales. For more information, visit simon.com.

Simon Property Group, Inc.
Unaudited Consolidated Statements of Operations
(Dollars in thousands, except per share amounts)

	For the Three Months Ended March 31,	
	2020	2019
REVENUE:		
Lease income	\$ 1,262,232	\$ 1,280,058
Management fees and other revenues	29,166	27,544
Other income	61,962	145,232
Total revenue	1,353,360	1,452,834
EXPENSES:		
Property operating	105,624	111,549
Depreciation and amortization	328,262	328,643
Real estate taxes	117,543	115,459
Repairs and maintenance	24,431	27,922
Advertising and promotion	33,527	37,125
Home and regional office costs	54,370	52,560
General and administrative	6,894	9,136
Other	27,840	25,419
Total operating expenses	698,491	707,813
OPERATING INCOME BEFORE OTHER ITEMS	654,869	745,021
Interest expense	(187,627)	(198,733)
Income and other tax benefit (expense)	5,783	(10,102)
Income from unconsolidated entities	50,465	90,444
Unrealized (losses) gains in fair value of equity instruments	(19,048)	5,317
Gain on sale or disposal of assets and interests in unconsolidated entities, net	962	-
CONSOLIDATED NET INCOME	505,404	631,947
Net income attributable to noncontrolling interests	66,965	82,638
Preferred dividends	834	834
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ 437,605	\$ 548,475
BASIC AND DILUTED EARNINGS PER COMMON SHARE:		
Net income attributable to common stockholders	\$ 1.43	\$ 1.78

(Dollars in thousands, except share amounts)

	March 31,	December 31,
	2020	2019
ASSETS:		
Investment properties, at cost	\$ 37,901,273	\$ 37,804,495
Less - accumulated depreciation	14,088,615	13,905,776
	23,812,658	23,898,719
Cash and cash equivalents	3,724,853	669,373
Tenant receivables and accrued revenue, net	793,490	832,151
Investment in unconsolidated entities, at equity	2,414,642	2,371,053
Investment in Klépierre, at equity	1,628,343	1,731,649
Right-of-use assets, net	519,175	514,660
Deferred costs and other assets	1,227,953	1,214,025
Total assets	\$ 34,121,114	\$ 31,231,630
LIABILITIES:		
Mortgages and unsecured indebtedness	\$ 27,553,413	\$ 24,163,230
Accounts payable, accrued expenses, intangibles, and deferred revenues	1,253,757	1,390,682
Cash distributions and losses in unconsolidated entities, at equity	1,611,795	1,566,294
Lease liabilities	521,378	516,809
Other liabilities	457,624	464,304
Total liabilities	31,397,967	28,101,319
Commitments and contingencies		
Limited partners' preferred interest in the Operating Partnership and noncontrolling redeemable interests in properties	212,194	219,061
EQUITY:		
Stockholders' Equity		
Capital stock (850,000,000 total shares authorized, \$ 0.0001 par value, 238,000,000 shares of excess common stock, 100,000,000 authorized shares of preferred stock):		
Series J 8 3/8% cumulative redeemable preferred stock, 1,000,000 shares authorized, 796,948 issued and outstanding with a liquidation value of \$39,847	42,338	42,420
Common stock, \$ 0.0001 par value, 511,990,000 shares authorized, 320,567,121 and 320,435,256 issued and outstanding, respectively	32	32
Class B common stock, \$ 0.0001 par value, 10,000 shares authorized, 8,000 issued and outstanding	-	-
Capital in excess of par value	9,768,175	9,756,073
Accumulated deficit	(5,583,485)	(5,379,952)
Accumulated other comprehensive loss	(119,301)	(118,604)
Common stock held in treasury, at cost, 14,819,950 and 13,574,296 shares, respectively	(1,926,160)	(1,773,571)
Total stockholders' equity	2,181,599	2,526,398
Noncontrolling interests	329,354	384,852
Total equity	2,510,953	2,911,250
Total liabilities and equity	\$ 34,121,114	\$ 31,231,630

Simon Property Group, Inc.

Unaudited Joint Venture Combined Statements of Operations

(Dollars in thousands)

	For the Three Months Ended March 31,	
	2020	2019
REVENUE:		
Lease income	\$ 743,849	\$ 758,979
Other income	74,515	75,922
Total revenue	818,364	834,901
OPERATING EXPENSES:		
Property operating	147,030	144,721
Depreciation and amortization	171,479	170,258

Real estate taxes	68,390	68,717
Repairs and maintenance	19,615	22,376
Advertising and promotion	22,753	24,326
Other	50,229	49,316
Total operating expenses	<u>479,496</u>	<u>479,714</u>
OPERATING INCOME BEFORE OTHER ITEMS	338,868	355,187
Interest expense	(156,640)	(156,016)
Gain on sale or disposal of assets and interests in unconsolidated entities, net	-	21,587
NET INCOME	<u>\$ 182,228</u>	<u>\$ 220,758</u>
Third-Party Investors' Share of Net Income	<u>\$ 92,859</u>	<u>\$ 112,668</u>
Our Share of Net Income	89,369	108,090
Amortization of Excess Investment (A)	(20,840)	(20,792)
Our Share of Gain on Sale or Disposal of Assets and Interests in Other Income in the Consolidated Financial Statements	-	(9,155)
Income from Unconsolidated Entities (B)	<u>\$ 68,529</u>	<u>\$ 78,143</u>

Note: The above financial presentation does not include any information related to our investments in Klépierre S.A. ("Klépierre") and HBS Global Properties ("HBS"). For additional information, see footnote B.

Simon Property Group, Inc
Unaudited Joint Venture Combined Balance Sheets
(Dollars in thousands)

	March 31, 2020	December 31, 2019
Assets:		
Investment properties, at cost	\$ 19,500,080	\$ 19,525,665
Less - accumulated depreciation	<u>7,493,263</u>	<u>7,407,627</u>
	12,006,817	12,118,038
Cash and cash equivalents	844,940	1,015,864
Tenant receivables and accrued revenue, net	445,799	510,157
Right-of-use assets, net	180,638	185,302
Deferred costs and other assets	<u>371,875</u>	<u>384,663</u>
Total assets	<u>\$ 13,850,069</u>	<u>\$ 14,214,024</u>
Liabilities and Partners' Deficit:		
Mortgages	\$ 15,328,574	\$ 15,391,781
Accounts payable, accrued expenses, intangibles, and deferred revenue	789,129	977,112
Lease liabilities	182,465	186,594
Other liabilities	<u>362,323</u>	<u>338,412</u>
Total liabilities	16,662,491	16,893,899
Preferred units	67,450	67,450
Partners' deficit	<u>(2,879,872)</u>	<u>(2,747,325)</u>
Total liabilities and partners' deficit	<u>\$ 13,850,069</u>	<u>\$ 14,214,024</u>
Our Share of:		
Partners' deficit	\$ (1,248,877)	\$ (1,196,926)
Add: Excess Investment (A)	<u>1,504,586</u>	<u>1,525,903</u>
Our net Investment in unconsolidated entities, at equity	<u>\$ 255,709</u>	<u>\$ 328,977</u>

Note: The above financial presentation does not include any information related to our investments in Klépierre and HBS Global Properties. For additional information, see footnote B.

Unaudited Reconciliation of Non-GAAP Financial Measures (C)
(Amounts in thousands, except per share amounts)

Reconciliation of Consolidated Net Income to FFO

	For the Three Months Ended	
	March 31,	
	2020	2019
Consolidated Net Income (D)	\$ 505,404	\$ 631,947
Adjustments to Arrive at FFO:		
Depreciation and amortization from consolidated properties	326,039	325,938
Our share of depreciation and amortization from unconsolidated entities, including Klépierre and HBS	136,706	134,630
Gain on sale or disposal of assets and interests in unconsolidated entities, net	(962)	-
Unrealized losses (gains) in fair value of equity instruments	19,048	(5,317)
Net loss attributable to noncontrolling interest holders in properties	172	917
Noncontrolling interests portion of depreciation and amortization	(4,464)	(4,882)
Preferred distributions and dividends	(1,313)	(1,313)
FFO of the Operating Partnership	\$ 980,630	\$ 1,081,920

Diluted net income per share to diluted FFO per share reconciliation:

Diluted net income per share	\$ 1.43	\$ 1.78
Depreciation and amortization from consolidated properties and our share of depreciation and amortization from unconsolidated entities, including Klépierre and HBS, net of noncontrolling interests portion of depreciation and amortization	1.31	1.27
Gain on sale or disposal of assets and interests in unconsolidated entities, net	(0.01)	-
Unrealized losses (gains) in fair value of equity instruments	0.05	(0.01)
Diluted FFO per share	\$ 2.78	\$ 3.04

Details for per share calculations:

FFO of the Operating Partnership	\$ 980,630	\$ 1,081,920
Diluted FFO allocable to unitholders	(129,628)	(142,319)
Diluted FFO allocable to common stockholders	\$ 851,002	\$ 939,601
Basic and Diluted weighted average shares outstanding	306,504	308,978
Weighted average limited partnership units outstanding	46,688	46,800
Basic and Diluted weighted average shares and units outstanding	353,192	355,778
Basic and Diluted FFO per Share	\$ 2.78	\$ 3.04
<i>Percent Change</i>	-8.6%	

Simon Property Group, Inc.
Footnotes to Unaudited Financial Information

Notes:

- (A) Excess investment represents the unamortized difference of our investment over equity in the underlying net assets of the related partnerships and joint ventures shown therein. The Company generally amortizes excess investment over the life of the related assets.
- (B) The Unaudited Joint Venture Combined Statements of Operations do not include any operations or our share of net income or excess investment amortization related to our investments in Klépierre and HBS Global Properties. Amounts included in Footnote D below exclude our share of related activity for our investments in Klépierre and HBS Global Properties. For further information on Klépierre, reference should be made to financial information in Klépierre's public filings and additional discussion and analysis in our Form 10-K.
- (C) This report contains measures of financial or operating performance that are not specifically defined by GAAP, including FFO and FFO per share. FFO is a performance measure that is standard in the REIT business. We believe FFO provides investors with additional information concerning our operating performance and a basis to compare our performance with those of other REITs. We also use these measures internally to monitor the operating performance of our portfolio. Our computation of these non-GAAP measures may not be the same as similar

measures reported by other REITs.

We determine FFO based upon the definition set forth by the National Association of Real Estate Investment Trusts ("NAREIT") Funds From Operations White Paper - 2018 Restatement. Our main business includes acquiring, owning, operating, developing, and redeveloping real estate in conjunction with the rental of real estate. Gains and losses of assets incidental to our main business are included in FFO. We determine FFO to be our share of consolidated net income computed in accordance with GAAP, excluding real estate related depreciation and amortization, excluding gains and losses from extraordinary items, excluding gains and losses from the sale, disposal or property insurance recoveries of, or any impairment related to, depreciable retail operating properties, plus the allocable portion of FFO of unconsolidated joint ventures based upon economic ownership interest, and all determined on a consistent basis in accordance with GAAP. However, you should understand that FFO does not represent cash flow from operations as defined by GAAP, should not be considered as an alternative to net income determined in accordance with GAAP as a measure of operating performance, and is not an alternative to cash flows as a measure of liquidity.

(D) Includes our share of:

-Gains on land sales of \$5.2 million and \$4.4 million for the three months ended March 31, 2020 and 2019, respectively.

-Straight-line adjustments increased income by \$12.0 million and \$16.7 million for the three months ended March 31, 2020 and 2019, respectively.

-Amortization of fair market value of leases from acquisitions increased income by \$1.3 million and \$1.3 million for the three months ended March 31, 2020 and 2019.

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SOURCE Simon

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