

Simon Property Group Reports First Quarter 2021 Results And Raises Full Year 2021 Guidance

May 10, 2021

INDIANAPOLIS, May 10, 2021 /PRNewswire/ -- Simon, a global leader in the ownership of premier shopping, dining, entertainment and mixed-use destinations, today reported results for the quarter ended March 31, 2021.



"We are very pleased with our first quarter results," said David Simon, Chairman, Chief Executive Officer and President. "Our business has substantially improved after addressing the impacts from the COVID-19 pandemic including significantly restrictive governmental orders as evidenced by our improved profitability and cash flow growth, increasing shopper traffic, increasing retailer sales, and leasing momentum across our portfolio. We are also seeing similar results in the Taubman Realty Group portfolio and are encouraged by our collective progress in increasing its profitability. Today we are increasing our full-year 2021 guidance."

Results for the Quarter

- Net income attributable to common stockholders was \$445.9 million, or \$1.36 per diluted share for the three months ended March 31, 2021.
- Funds From Operations ("FFO") was \$934.0 million, or \$2.48 per diluted share for the three months ended March 31, 2021.
- Domestic and international properties net operating income ("NOI"), combined, declined 8.4% compared to the prior year period as a direct result of the impact of the COVID-19 pandemic. Portfolio NOI, which includes NOI from domestic properties, international properties and NOI from the Company's investment in Taubman Realty Group ("TRG"), increased 4.0% compared to the prior year period.

U.S. Malls and Premium Outlets Operating Statistics

- Occupancy was 90.8% at March 31, 2021.
- Base minimum rent per square foot was \$56.07 at March 31, 2021, an increase of 0.6% year-over-year.

Development Activity

West Midlands Designer Outlet opened on April 12, 2021, upon the lifting of COVID-19 restrictions which delayed the center's initial planned opening. The center includes 197,000 square feet of high-quality, name brand stores providing shoppers in the United Kingdom with one of the finest open-air retail and leisure experiences. Simon owns a 23% interest in this center.

Construction continues on redevelopments including Northshore Mall (Boston, MA), West Town Mall (Knoxville, TN), Burlington Mall (Boston, MA) and Tacoma Mall (Tacoma, WA). These redevelopments, scheduled to be completed in 2021, will significantly benefit the communities in which they operate.

Progress continues on transformative mixed-use redevelopments of Northgate (Seattle, WA) and Phipps Plaza (Atlanta, GA). The transformation of Northgate will feature the National Hockey League's Seattle Kraken corporate offices and practice and training facility. This first phase of the Northgate transformation is scheduled to be completed in the fall of 2021. The dynamic redevelopment at Phipps Plaza is headlined by a Nobu Hotel and Restaurant, Citizens food hall, Life Time athletic club and Life Time Work. These additions are scheduled to open in 2022.

Capital Markets and Balance Sheet Liquidity

The Company has been active in both the unsecured and secured credit markets.

During the quarter, the Company completed a two tranche senior notes offering totaling \$1.5 billion. Combined, the two new issues of senior notes had a weighted average term of 8.4 years and a weighted average coupon rate of 1.96%.

The Company, through one of its subsidiaries, also completed a Euro senior notes offering totaling €750 million with a 1.125% coupon rate and term of 12 years.

Net proceeds from the offerings were used to fund the optional redemption of the Company's \$550 million aggregate principal amount of 2.50% notes due July 2021 and fully repay the \$2.0 billion unsecured delayed-draw term loan facility.

The Company closed six non-recourse mortgage loans totaling approximately \$1.3 billion (U.S. dollar equivalent), of which Simon's share is \$589 million. The weighted average interest rate on these loans is 3.36%.

As of March 31, 2021, Simon had more than \$8.4 billion of liquidity consisting of \$1.5 billion of cash on hand, including its share of joint venture cash, and \$6.9 billion of available capacity under its revolving credit facilities, net of \$500 million outstanding under its U.S. commercial paper program.

Dividends

The Company paid its first quarter 2021 common stock dividend of \$1.30 per share, in cash, on April 23, 2021. Simon's Board of Directors will declare

a common stock cash dividend for the second quarter of 2021 on or before June 30, 2021.

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, 2021 to shareholders of record on June 16, 2021.

2021 Guidance

The Company currently estimates net income to be within a range of \$4.47 to \$4.57 per diluted share and FFO will be within a range of \$9.70 to \$9.80 per diluted share for the year ending December 31, 2021. The FFO per diluted share range is an increase from the \$9.50 to \$9.75 per diluted share range provided on February 8, 2021, or an increase of \$0.13 per diluted share at the mid-point.

The following table provides the GAAP to non-GAAP reconciliation for the expected range of estimated net income attributable to common stockholders per diluted share to estimated FFO per diluted share:

For the year ending December 31, 2021

	Low End	High End
Estimated net income attributable to common stockholders per diluted share	\$4.47	\$4.57
Depreciation and amortization including Simon's share of unconsolidated entities	5.47	5.47
Unrealized losses in fair value of equity instruments	0.01	0.01
Gain on acquisition of controlling interest, sale or disposal of, or recovery on, assets and interests in unconsolidated entities and impairment, net	<u>(0.25)</u>	<u>(0.25)</u>
Estimated FFO per diluted share	<u>\$9.70</u>	<u>\$9.80</u>

Conference Call

Simon will hold a conference call to discuss the quarterly financial results today at 5:00 p.m. Eastern Daylight Time, Monday, May 10, 2021. 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 17, 2021. To access the audio replay, dial 1-855-859-2056 (international 404-537-3406) passcode 5363499.

Supplemental Materials and Website

Supplemental information on our first quarter 2021 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 and portfolio 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 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 governmental restrictions intended to prevent its spread on our business, 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; changes in economic and market conditions that may adversely affect the general retail environment; the potential loss of anchor stores or major tenants; the inability to collect rent due to the bankruptcy or insolvency of tenants or otherwise; the intensely competitive market environment in the retail industry, including e-commerce; an increase in vacant space at our properties; the inability to lease newly developed properties and renew leases and relet space at existing properties on favorable terms; our international activities subjecting us to risks that are different from or greater than those associated with our domestic operations, including changes in foreign exchange rates; risks associated with the acquisition, development, redevelopment, expansion, leasing and management of properties; general risks related to real estate investments, including the illiquidity of real estate investments; the impact of our substantial indebtedness on our future operations, including covenants in the governing agreements that impose restrictions on us that may affect our ability to operate freely; 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; the transition of LIBOR to an alternative reference rate; our continued ability to maintain our status as a REIT; changes in tax laws or regulations that result in adverse tax consequences; risks relating to our joint venture properties, including guarantees of certain joint venture indebtedness; environmental liabilities; natural disasters; the availability of comprehensive insurance coverage; the potential for terrorist activities; security breaches that could compromise our information technology or infrastructure; and the loss of key management personnel. 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.

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

	For the Three Months	
	Ended March 31,	
	2021	2020
REVENUE:		
Lease income	\$ 1,145,058	\$ 1,262,232
Management fees and other revenues	25,296	29,166
Other income	69,597	61,962
Total revenue	1,239,951	1,353,360
EXPENSES:		
Property operating	86,619	105,624
Depreciation and amortization	315,738	328,262
Real estate taxes	116,012	117,543
Repairs and maintenance	21,355	24,431
Advertising and promotion	29,486	33,527
Home and regional office costs	35,999	54,370
General and administrative	6,576	6,894
Other	23,554	27,840
Total operating expenses	635,339	698,491
OPERATING INCOME BEFORE OTHER ITEMS	604,612	654,869
Interest expense	(202,016)	(187,627)
Loss on extinguishment of debt	(2,959)	-
Income and other tax benefit	5,898	5,783
Income from unconsolidated entities	15,069	50,465
Unrealized losses in fair value of equity instruments	(3,201)	(19,048)
Gain on acquisition of controlling interest, sale or disposal of, or recovery on, assets and interests in unconsolidated entities and impairment, net	93,057	962
CONSOLIDATED NET INCOME	510,460	505,404
Net income attributable to noncontrolling interests	63,766	66,965
Preferred dividends	834	834
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ 445,860	\$ 437,605
BASIC AND DILUTED EARNINGS PER COMMON SHARE:		
Net income attributable to common stockholders	\$ 1.36	\$ 1.43

Simon Property Group, Inc.
Unaudited Consolidated Balance Sheets
(Dollars in thousands, except share amounts)

	March 31,	December 31,
	2021	2020
ASSETS:		
Investment properties, at cost	\$ 37,786,371	\$ 38,050,196
Less - accumulated depreciation	14,881,480	14,891,937
	22,904,891	23,158,259

Cash and cash equivalents	935,837	1,011,613
Tenant receivables and accrued revenue, net	1,016,902	1,236,734
Investment in TRG, at equity	3,436,304	3,451,897
Investment in Klépierre, at equity	1,646,429	1,729,690
Investment in other unconsolidated entities, at equity	2,517,495	2,603,571
Right-of-use assets, net	510,642	512,914
Investments held in trust - special purpose acquisition company	345,000	-
Deferred costs and other assets	1,098,004	1,082,168
Total assets	\$ 34,411,504	\$ 34,786,846

LIABILITIES:

Mortgages and unsecured indebtedness	\$ 26,156,520	\$ 26,723,361
Accounts payable, accrued expenses, intangibles, and deferred revenues	1,195,851	1,311,925
Cash distributions and losses in unconsolidated entities, at equity	1,565,394	1,577,393
Dividend payable	489,396	486,922
Lease liabilities	513,351	515,492
Other liabilities	463,458	513,515
Total liabilities	30,383,970	31,128,608

Commitments and contingencies

Limited partners' preferred interest in the Operating Partnership and noncontrolling redeemable interests	511,698	185,892
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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	42,009	42,091
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Common stock, \$ 0.0001 par value, 511,990,000 shares authorized, 342,849,037 and 342,849,037 issued and outstanding, respectively	34	34
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Class B common stock, \$ 0.0001 par value, 10,000 shares authorized, 8,000 issued and outstanding	-	-
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Capital in excess of par value	11,177,207	11,179,688
Accumulated deficit	(6,087,013)	(6,102,314)
Accumulated other comprehensive loss	(183,866)	(188,675)
Common stock held in treasury, at cost, 14,317,645 and 14,355,621 shares, respectively	(1,884,138)	(1,891,352)
Total stockholders' equity	3,064,233	3,039,472
Noncontrolling interests	451,603	432,874
Total equity	3,515,836	3,472,346
Total liabilities and equity	\$ 34,411,504	\$ 34,786,846

Simon Property Group, Inc.

*Unaudited Joint Venture Combined Statements of Operations
(Dollars in thousands)*

For the Three Months Ended March 31,

REVENUE:

	2021	2020
Lease income	\$ 652,754	\$ 743,849
Other income	72,599	74,515
Total revenue	725,353	818,364

OPERATING EXPENSES:

Property operating	133,037	147,030
Depreciation and amortization	171,154	171,479
Real estate taxes	68,897	68,390
Repairs and maintenance	19,046	19,615
Advertising and promotion	19,444	22,753
Other	31,988	50,229
Total operating expenses	443,566	479,496

OPERATING INCOME BEFORE OTHER ITEMS	281,787	338,868
Interest expense	<u>(146,196)</u>	(156,640)
NET INCOME	<u>\$ 135,591</u>	<u>\$ 182,228</u>
Third-Party Investors' Share of Net Income	<u>\$ 68,141</u>	<u>\$ 92,859</u>
Our Share of Net Income	67,450	89,369
Amortization of Excess Investment (A)	(19,327)	(20,840)
Income from Unconsolidated Entities (B)	<u>\$ 48,123</u>	<u>\$ 68,529</u>

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

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

	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Assets:		
Investment properties, at cost	\$ 19,868,597	\$ 20,079,476
Less - accumulated depreciation	<u>7,986,377</u>	<u>8,003,863</u>
	11,882,220	12,075,613
Cash and cash equivalents	1,295,486	1,169,422
Tenant receivables and accrued revenue, net	621,516	749,231
Right-of-use assets, net	172,089	185,598
Deferred costs and other assets	<u>383,197</u>	<u>380,087</u>
Total assets	<u>\$ 14,354,508</u>	<u>\$ 14,559,951</u>
Liabilities and Partners' Deficit:		
Mortgages	\$ 15,462,903	\$ 15,569,485
Accounts payable, accrued expenses, intangibles, and deferred revenue	892,461	969,242
Lease liabilities	175,427	188,863
Other liabilities	<u>404,662</u>	<u>426,321</u>
Total liabilities	16,935,453	17,153,911
Preferred units	67,450	67,450
Partners' deficit	<u>(2,648,395)</u>	<u>(2,661,410)</u>
Total liabilities and partners' deficit	<u>\$ 14,354,508</u>	<u>\$ 14,559,951</u>
Our Share of:		
Partners' deficit	\$ (1,135,196)	\$ (1,130,713)
Add: Excess Investment (A)	<u>1,332,392</u>	<u>1,399,757</u>
Our net Investment in unconsolidated entities, at equity	<u>\$ 197,196</u>	<u>\$ 269,044</u>

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

Simon Property Group, Inc.
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,	
	2021	2020
Consolidated Net Income (D)	\$ 510,460	505,404
Adjustments to Arrive at FFO:		

Depreciation and amortization from consolidated

properties	313,575	326,039
Our share of depreciation and amortization from unconsolidated entities, including Klépierre, TRG and other corporate investments	204,237	136,706
Gain on acquisition of controlling interest, sale or disposal of, or recovery on, assets and interests in unconsolidated entities and impairment, net	(93,057)	(962)
Unrealized losses in fair value of equity instruments	3,201	19,048
Net loss attributable to noncontrolling interest holders in properties	938	172
Noncontrolling interests portion of depreciation and amortization and gain on consolidation of properties	(4,090)	(4,464)
Preferred distributions and dividends	(1,313)	(1,313)
FFO of the Operating Partnership	\$ 933,951	\$ 980,630

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

Diluted net income per share	\$ 1.36	\$ 1.43
Depreciation and amortization from consolidated properties and our share of depreciation and amortization from unconsolidated entities, including Klépierre, TRG and other corporate investments, net of noncontrolling interests portion of depreciation and amortization	1.36	1.31
Gain on acquisition of controlling interest, sale or disposal of, or recovery on, assets and interests in unconsolidated entities and impairment, net	(0.25)	(0.01)
Unrealized losses in fair value of equity instruments	0.01	0.05
Diluted FFO per share	\$ 2.48	\$ 2.78

Details for per share calculations:		
FFO of the Operating Partnership	\$ 933,951	\$ 980,630
Diluted FFO allocable to unitholders	(117,595)	(129,628)
Diluted FFO allocable to common stockholders	\$ 816,356	\$ 851,002
Basic and Diluted weighted average shares outstanding	328,514	306,504
Weighted average limited partnership units outstanding	47,322	46,688
Basic and Diluted weighted average shares and units outstanding	375,836	353,192
Basic and Diluted FFO per Share	\$ 2.48	\$ 2.78
Percent Change	-10.8%	

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 TRG. Amounts included in Footnote D below exclude our share of related activity for our investments in Klépierre and TRG. 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 \$0.7 million and \$5.2 million for the three months ended March 31, 2021 and 2020, respectively.

Straight-line adjustments (decreased) increased income by (\$9.1) million and \$12.0 million for the three months ended March 31, 2021 and -2020, respectively.

Amortization of fair market value of leases from acquisitions (decreased) increased income by (\$0.2) million and \$1.3 million for the three -months ended March 31, 2021 and 2020, respectively.

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SOURCE Simon

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