

Simon Property Group Reports Second Quarter 2021 Results And Increases Full Year 2021 Guidance And Raises Quarterly Dividend

August 2, 2021

INDIANAPOLIS, Aug. 2, 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 June 30, 2021.



"I am pleased with the profitability and substantial improvement in cash flow that were generated in the second quarter," said David Simon, Chairman, Chief Executive Officer and President. "We are encouraged by the increase in our shopper traffic, retailer sales and leasing activity. Based upon our results to date and expectations for the remainder of 2021, we are again increasing our full-year 2021 guidance and again raising our quarterly dividend."

Results for the Quarter

- Net income attributable to common stockholders was \$617.3 million, or \$1.88 per diluted share, as compared to \$254.2 million, or \$0.83 per diluted share in 2020. Results for the second quarter of 2021 include a non-cash gain of \$118.4 million, or \$0.32 per diluted share, because of the reversal of a deferred tax liability associated with an international investment.
- Funds From Operations ("FFO") was \$1.217 billion, or \$3.24 per diluted share, as compared to \$746.5 million, or \$2.12 per diluted share, in the prior year period, a 52.8% increase. FFO for the second quarter 2021 includes the \$0.32 per diluted share non-cash gain related to the deferred tax liability reversal, mentioned above.
- Net operating income ("NOI") from domestic and international properties, combined, increased 16.6% compared to the prior year period. Portfolio NOI, which includes NOI from domestic properties, international properties and NOI from the Company's investment in Taubman Realty Group ("TRG"), increased 32.5% compared to the prior year period.

Results for the Six Months

- Net income attributable to common stockholders was \$1.063 billion, or \$3.24 per diluted share, as compared to \$691.8 million, or \$2.26 per diluted share in 2020. Results for the six months ended 2021 include the aforementioned non-cash gain related to the deferred tax liability reversal.
- FFO was \$2.151 billion, or \$5.72 per diluted share, as compared to \$1.727 billion, or \$4.90 per diluted share, in the prior year period, a 16.7% increase. FFO for the six months ended 2021 includes the aforementioned non-cash gain related to the deferred tax liability reversal.
- NOI from domestic and international properties, combined, increased 2.8% compared to the prior year period. Portfolio NOI increased 16.7% compared to the prior year period.

U.S. Malls and Premium Outlets Operating Statistics

- Occupancy was 91.8% at June 30, 2021.
- Base minimum rent per square foot was \$55.03 at June 30, 2021.

Development Activity

West Midlands Designer Outlet in England opened on April 12, 2021. The center includes 197,000 square feet of high-quality, name brand stores. Simon owns a 23% interest in this center.

During the quarter, construction restarted on Paris-Giverny Designer Outlet, a new 222,000 square foot upscale outlet center located in Normandie, France, projected to open in the first quarter of 2023. Simon owns 74% of this project.

Construction continues on redevelopments including 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 Station (Seattle, WA) and Phipps Plaza (Atlanta, GA). The dynamic redevelopment at Phipps Plaza is headlined by a Nobu Hotel and Nobu Restaurant, Citizens food hall, Life Time Athletic and Life Time Work and One Phipps Plaza, a LEED certified, 13-story Class A office building designed for the workplace of the future. These additions are scheduled to open in 2022. The transformation of Northgate Station will feature the National Hockey League's Seattle Kraken corporate offices and the Kraken Community Iceplex. This first phase of the Northgate Station transformation is scheduled to be completed in the fall of 2021.

Capital Markets and Balance Sheet Liquidity

The Company was active in both the unsecured and secured credit markets through the first six months of the year.

During the first six months, the Company closed on 13 non-recourse mortgage loans totaling approximately \$2.2 billion (U.S. dollar equivalent), of which Simon's share is \$1.3 billion. The weighted average interest rate on these loans is 2.90%.

As of June 30, 2021, Simon had more than \$8.8 billion of liquidity consisting of \$1.9 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 second quarter 2021 common stock dividend of \$1.40 per share, in cash, on July 23, 2021, a 7.7% increase sequentially and year-over-year.

Simon's Board of Directors declared a quarterly common stock cash dividend of \$1.50 for the third quarter of 2021. This is a 15.4% increase year-over-year and a 7.1% increase compared to the second quarter 2021 dividend. The dividend will be payable on September 30, 2021 to shareholders of record on September 9, 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 September 30, 2021 to shareholders of record on September 16, 2021.

2021 Guidance

The Company currently estimates net income to be within a range of \$5.47 to \$5.57 per diluted share and FFO will be within a range of \$10.70 to \$10.80 per diluted share for the year ending December 31, 2021. The net income per diluted share and FFO per diluted share ranges include the \$0.32 per diluted share non-cash gain related to the deferred tax liability reversal. The FFO per diluted share range is an increase from the \$9.70 to \$9.80 per diluted share range provided on May 10, 2021, or an increase of \$1.00 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

	<u>Low</u>	<u>High</u>
	<u>End</u>	<u>End</u>
Estimated net income attributable to common stockholders per diluted share	\$5.47	\$5.57
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>\$10.70</u>	<u>\$10.80</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, August 2, 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 August 9, 2021. To access the audio replay, dial 1-855-859-2056 (international 404-537-3406) passcode 7455849.

Supplemental Materials and Website

Supplemental information on our second 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 June 30, 2021		For the Six Months Ended June 30, 2020	
REVENUE:				
Lease income	\$ 1,158,825	\$ 1,013,510	\$ 2,303,883	\$ 2,275,742
Management fees and other revenues	26,061	21,035	51,358	50,201
Other income	69,260	27,496	138,856	89,458
Total revenue	1,254,146	1,062,041	2,494,097	2,415,401
EXPENSES:				
Property operating	96,073	70,620	182,692	176,243
Depreciation and amortization	315,732	324,140	631,470	652,402
Real estate taxes	114,695	117,221	230,706	234,764
Repairs and maintenance	19,036	14,080	40,391	38,511
Advertising and promotion	19,565	12,689	49,050	46,216
Home and regional office costs	47,699	36,090	83,698	90,460
General and administrative	7,254	7,296	13,830	14,190
Other	29,369	29,037	52,926	56,878
Total operating expenses	649,423	611,173	1,284,763	1,309,664
OPERATING INCOME BEFORE OTHER ITEMS	604,723	450,868	1,209,334	1,105,737
Interest expense	(200,419)	(197,061)	(402,435)	(384,688)
Loss on extinguishment of debt	-	-	(2,959)	-
Income and other tax (expense) benefit	(47,003)	62	(41,105)	5,845
Income from unconsolidated entities	348,545	44,322	363,614	94,787
Unrealized gains (losses) in fair value of equity instruments	23	202	(3,177)	(18,846)
Gain (loss) on acquisition of controlling interest, sale or disposal of, or recovery on, assets and interests in unconsolidated entities and impairment, net	-	(7,845)	93,057	(6,883)
CONSOLIDATED NET INCOME	705,869	290,548	1,216,329	795,952
Net income attributable to noncontrolling interests	87,778	35,501	151,543	102,465
Preferred dividends	834	834	1,669	1,669
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ 617,257	\$ 254,213	\$ 1,063,117	\$ 691,818
BASIC AND DILUTED EARNINGS PER COMMON SHARE:				
Net income attributable to common stockholders	\$ 1.88	\$ 0.83	\$ 3.24	\$ 2.26

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

	June 30,	December 31,
	2021	2020
ASSETS:		
Investment properties, at cost	\$ 37,938,181	\$ 38,050,196
Less - accumulated depreciation	15,176,790	14,891,937
	22,761,391	23,158,259
Cash and cash equivalents	1,290,799	1,011,613
Tenant receivables and accrued revenue, net	952,731	1,236,734
Investment in TRG, at equity	3,415,996	3,451,897
Investment in Klépierre, at equity	1,706,661	1,729,690
Investment in other unconsolidated entities, at equity	2,746,162	2,603,571
Right-of-use assets, net	508,371	512,914
Investments held in trust - special purpose acquisition company	345,000	-
Deferred costs and other assets	1,100,745	1,082,168
Total assets	<u>\$ 34,827,856</u>	<u>\$ 34,786,846</u>
LIABILITIES:		
Mortgages and unsecured indebtedness	\$ 26,231,704	\$ 26,723,361
Accounts payable, accrued expenses, intangibles, and deferred revenues	1,230,595	1,311,925
Cash distributions and losses in unconsolidated entities, at equity	1,565,366	1,577,393
Dividend payable	527,508	486,922
Lease liabilities	511,211	515,492
Other liabilities	546,619	513,515
Total liabilities	<u>30,613,003</u>	<u>31,128,608</u>
Commitments and contingencies		
Limited partners' preferred interest in the Operating Partnership and noncontrolling redeemable interests	507,414	185,892
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	41,927	42,091
Common stock, \$0.0001 par value, 511,990,000 shares authorized, 342,907,608 and 342,849,037 issued and outstanding, respectively	34	34
Class B common stock, \$0.0001 par value, 10,000 shares authorized, 8,000 issued and outstanding	-	-
Capital in excess of par value	11,193,774	11,179,688
Accumulated deficit	(5,931,119)	(6,102,314)
Accumulated other comprehensive loss	(188,307)	(188,675)
Common stock held in treasury, at cost, 14,296,445 and 14,355,621 shares, respectively	(1,884,511)	(1,891,352)
Total stockholders' equity	3,231,798	3,039,472
Noncontrolling interests	475,641	432,874
Total equity	<u>3,707,439</u>	<u>3,472,346</u>
Total liabilities and equity	<u>\$ 34,827,856</u>	<u>\$ 34,786,846</u>

Simon Property Group, Inc.
Unaudited Joint Venture Combined Statements of Operations
(Dollars in thousands)

For the Three Months Ended June 30, For the Six Months Ended June 30,

2021	2020	2021	2020
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REVENUE:				
Lease income	\$ 681,349	\$ 574,246	\$ 1,334,103	\$ 1,318,096
Other income	64,694	46,205	137,293	120,718
Total revenue	<u>746,043</u>	<u>620,451</u>	<u>1,471,396</u>	<u>1,438,814</u>
OPERATING EXPENSES:				
Property operating	136,129	107,309	269,166	254,339
Depreciation and amortization	170,443	165,511	341,597	336,989
Real estate taxes	68,123	60,634	137,021	129,023
Repairs and maintenance	16,304	13,589	35,350	33,204
Advertising and promotion	14,797	10,016	34,241	32,768
Other	37,657	15,734	69,643	65,964
Total operating expenses	<u>443,453</u>	<u>372,793</u>	<u>887,018</u>	<u>852,287</u>
OPERATING INCOME BEFORE OTHER ITEMS	302,590	247,658	584,378	586,527
Interest expense	(152,447)	(152,409)	(298,644)	(309,050)
Gain on sale or disposal of, or recovery on, assets and interests in unconsolidated entities, net	33,371	-	33,371	-
NET INCOME	\$ 183,514	\$ 95,249	\$ 319,105	\$ 277,477
Third-Party Investors' Share of Net Income	\$ 92,745	\$ 53,989	\$ 160,886	\$ 146,848
Our Share of Net Income	90,769	41,260	158,219	130,629
Amortization of Excess Investment (A)	(15,268)	(20,761)	(34,595)	(41,601)
Our Share of Gain on Sale or Disposal of Assets and Interests in Other Income in the Consolidated Financial Statements	(14,941)	-	(14,941)	-
Income from Unconsolidated Entities (B)	\$ 60,560	\$ 20,499	\$ 108,683	\$ 89,028

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)

	June 30, 2021	December 31, 2020
Assets:		
Investment properties, at cost	\$ 19,885,109	\$ 20,079,476
Less - accumulated depreciation	<u>8,157,942</u>	<u>8,003,863</u>
	11,727,167	12,075,613
Cash and cash equivalents	1,356,266	1,169,422
Tenant receivables and accrued revenue, net	571,652	749,231
Right-of-use assets, net	168,752	185,598
Deferred costs and other assets	<u>387,285</u>	<u>380,087</u>
Total assets	<u>\$ 14,211,122</u>	<u>\$ 14,559,951</u>
Liabilities and Partners' Deficit:		
Mortgages	\$ 15,430,065	\$ 15,569,485
Accounts payable, accrued expenses, intangibles, and deferred revenue	840,432	969,242
Lease liabilities	172,281	188,863
Other liabilities	<u>395,463</u>	<u>426,321</u>
Total liabilities	16,838,241	17,153,911
Preferred units	67,450	67,450
Partners' deficit	<u>(2,694,569)</u>	<u>(2,661,410)</u>
Total liabilities and partners' deficit	<u>\$ 14,211,122</u>	<u>\$ 14,559,951</u>
Our Share of:		
Partners' deficit	\$ (1,150,296)	\$ (1,130,713)
Add: Excess Investment (A)	<u>1,317,383</u>	<u>1,399,757</u>
Our net Investment in unconsolidated entities, at equity	<u>\$ 167,087</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 June 30, 2021		For the Six Months Ended June 30, 2021		2020	
Consolidated Net Income (D)	\$ 705,869	\$ 290,548	\$ 1,216,329	\$ 795,952		
Adjustments to Arrive at FFO:						
Depreciation and amortization from consolidated properties	313,572	321,707	627,147	647,745		
Our share of depreciation and amortization from unconsolidated entities, including Klépierre, TRG and other corporate investments	202,515	129,309	406,752	266,017		
(Gain) loss on acquisition of controlling interest, sale or disposal of, or recovery on, assets and interests in unconsolidated entities and impairment, net	-	7,845	(93,057)	6,883		
Unrealized (gains) losses in fair value of equity instruments	(23)	(202)	3,177	18,846		
Net loss attributable to noncontrolling interest holders in properties	1,531	3,628	2,469	3,799		
Noncontrolling interests portion of depreciation and amortization and gain on consolidation of properties	(5,259)	(5,048)	(9,348)	(9,511)		
Preferred distributions and dividends	(1,313)	(1,313)	(2,626)	(2,626)		
FFO of the Operating Partnership	\$ 1,216,892	\$ 746,474	\$ 2,150,843	\$ 1,727,105		

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

Diluted net income per share	\$ 1.88	\$ 0.83	\$ 3.24	\$ 2.26
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	1.27	2.72	2.57
(Gain) loss on acquisition of controlling interest, sale or disposal of, or recovery on, assets and interests in unconsolidated entities and impairment, net	-	0.02	(0.25)	0.02
Unrealized (gains) losses in fair value of equity instruments	-	-	0.01	0.05
Diluted FFO per share	\$ 3.24	\$ 2.12	\$ 5.72	\$ 4.90

Details for per share calculations:

FFO of the Operating Partnership	\$ 1,216,892	\$ 746,474	\$ 2,150,843	\$ 1,727,105
Diluted FFO allocable to unitholders	(153,089)	(98,537)	(270,684)	(228,166)
Diluted FFO allocable to common stockholders	\$ 1,063,803	\$ 647,937	\$ 1,880,159	\$ 1,498,939
Basic and Diluted weighted average shares outstanding	328,594	305,882	328,555	306,193
Weighted average limited partnership units outstanding	47,281	46,528	47,301	46,608
Basic and Diluted weighted average shares and units outstanding	375,875	352,410	375,856	352,801
Basic and Diluted FFO per Share	\$ 3.24	\$ 2.12	\$ 5.72	\$ 4.90
Percent Change	52.8%		16.7%	

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 \$0.9 million and \$1.1 million for the three months ended June 30, 2021 and 2020, respectively, and \$1.6 million and \$6.3 million for the six months ended June 30, 2021 and 2020, respectively.

-Straight-line adjustments (decreased) increased income by (\$5.9) million and (\$2.6) million for the three months ended June 30, 2021 and 2020, respectively, and (\$15.0) million and \$9.4 million for the six months ended June 30, 2021 and 2020, respectively.

-Amortization of fair market value of leases from acquisitions (decreased) increased income by (\$0.2) million and \$1.1 million for the three months ended June 30, 2021 and 2020, respectively, and (\$0.4) million and \$2.4 million for the six months ended June 30, 2021 and 2020, respectively.

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SOURCE Simon

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