

Simon Property Group Reports First Quarter 2022 Results and Increases Full Year 2022 Guidance and Raises Quarterly Dividend

May 9, 2022

INDIANAPOLIS, May 9, 2022 /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, 2022.



"We are very pleased with our first quarter results," said David Simon, Chairman, Chief Executive Officer and President. "Leasing momentum, retailer sales and cash flow all accelerated. Given our accomplishments this quarter and our current view for the remainder of 2022, today we raised our quarterly dividend and are increasing our full-year 2022 guidance."

Results for the Quarter

- Net income attributable to common stockholders was \$426.6 million, or \$1.30 per diluted share, as compared to \$445.9 million, or \$1.36 per diluted share in 2021. Results for the first quarter of 2022 include a non-cash unrealized loss of \$31.0 million, or \$0.08 per diluted share, from a mark-to-market in fair value of equity instruments. The prior year period includes gains of \$93.1 million, or \$0.25 per diluted share, primarily related to disposition activity.
- Funds From Operations ("FFO") was \$1.046 billion, or \$2.78 per diluted share, prior to the aforementioned unrealized loss in fair value of equity instruments of \$0.08 per diluted share, as compared to \$934.0 million, or \$2.48 per diluted share, in the prior year, a 12.1% increase.
- Domestic property Net Operating Income ("NOI") increased 7.5% and portfolio NOI increased 8.8%, compared to the prior year period.

U.S. Malls and Premium Outlets Operating Statistics

- Occupancy was 93.3% at March 31, 2022, compared to 90.8% at March 31, 2021.
- Base minimum rent per square foot was \$54.14 at March 31, 2022.

Development Activity

Construction continues on two new international development projects including:

- [Fukaya-Hanazono Premium Outlets®](#) (Tokyo, Japan); projected to open in October 2022. Simon owns a 40% interest in this project.
- [Paris-Giverny Designer Outlet](#) (Normandy, France); projected to open in the first quarter of 2023. Simon owns a 74% interest in this project.

Progress continues on the transformative mixed-use redevelopment of Phipps Plaza (Atlanta, GA), which will open in October 2022. The opening of Nobu Hotel and Nobu Restaurant, Life Time Athletic and Work, Citizens Food Hall, and a 13-story Class A office tower will further elevate this premier destination.

Construction also continues on other redevelopment projects, including The Falls (Miami, FL), Roosevelt Field (Garden City, NY), Stanford Shopping Center (Palo Alto, CA) and Towne East Square (Wichita, KS).

Capital Markets and Balance Sheet Liquidity

The Company was active in both the secured and unsecured credit markets in the first quarter.

During the quarter, the Company completed a two tranche senior notes offering totaling \$1.2 billion. Net proceeds from the offering were used to repay indebtedness outstanding under the Company's \$3.5 billion senior unsecured revolving credit facility and for general corporate purposes.

The Company also completed seven non-recourse mortgage loans totaling approximately \$1.1 billion (U.S. dollar equivalent), of which Simon's share was \$639 million. The weighted average interest rate on these loans was 2.92%.

As of March 31, 2022, Simon had approximately \$8.2 billion of liquidity consisting of \$1.1 billion of cash on hand, including its share of joint venture cash, and \$7.1 billion of available capacity under its revolving credit facilities, net of \$240 million outstanding under its U.S. commercial paper program.

Dividends

Simon's Board of Directors declared a quarterly common stock dividend of \$1.70 on May 9, 2022, for the second quarter of 2022. This is a 21.4% increase year-over-year. The dividend will be payable on June 30, 2022 to shareholders of record on June 9, 2022.

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, 2022 to shareholders of record on June 16, 2022.

Share Repurchase Authorization

Simon's Board of Directors has authorized a new common stock repurchase program. Under the program, which will become effective on May 16, 2022, the Company may purchase up to \$2 billion of its common stock over the next 24 months as market conditions warrant. The shares may be repurchased in the open market, in block trades or in privately negotiated transactions.

2022 Guidance

The Company currently estimates net income to be within a range of \$5.93 to \$6.08 per diluted share and Comparable FFO will be within a range of \$11.60 to \$11.75 per diluted share for the year ending December 31, 2022. The Comparable FFO per diluted share range is an increase from the \$11.50 to \$11.70 per diluted share range provided on February 7, 2022, or an increase of \$0.08 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 and Comparable FFO per diluted share:

<u>For the year ending December 31, 2022</u>	Low	High
	End	End
Estimated net income attributable to common stockholders per diluted share	\$5.93	\$6.08
Depreciation and amortization including Simon's share of unconsolidated entities	5.60	5.60
Gain on acquisition of controlling interest, sale or disposal of, or recovery on, assets and interest in unconsolidated entities and impairment, net	<u>(0.01)</u>	<u>(0.01)</u>
Estimated FFO per diluted share	\$11.52	\$11.67
First Quarter 2022 unrealized losses in fair value of publicly traded equity instruments of non-retail real estate	<u>0.08</u>	<u>0.08</u>
Estimated Comparable FFO per diluted share	<u>\$11.60</u>	<u>\$11.75</u>

Conference Call

Simon will hold a conference call to discuss the quarterly financial results today from 5:00 p.m. to 6:00 p.m. Eastern Daylight Time, Monday, May 9, 2022. 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 16, 2022. To access the audio replay, dial 1-844-512-2921 (international 1-412-317-6671) passcode 13727965.

Supplemental Materials and Website

Supplemental information on our first quarter 2022 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, Comparable FFO, Comparable 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; the conflict in Ukraine; 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 real estate investment trust engaged 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,	
	2022	2021
REVENUE:		
Lease income	\$ 1,207,867	\$ 1,145,058
Management fees and other revenues	27,587	25,296
Other income	60,468	69,597
Total revenue	1,295,922	1,239,951
EXPENSES:		
Property operating	103,664	86,619
Depreciation and amortization	310,163	315,738
Real estate taxes	111,691	116,012
Repairs and maintenance	22,304	21,355
Advertising and promotion	25,263	29,486
Home and regional office costs	52,197	35,999
General and administrative	7,833	6,576
Other	42,416	23,554
Total operating expenses	675,531	635,339
OPERATING INCOME BEFORE OTHER ITEMS	620,391	604,612
Interest expense	(185,159)	(202,016)
Loss on extinguishment of debt	-	(2,959)
Income and other tax benefit	1,435	5,898
Income from unconsolidated entities	81,184	15,069
Unrealized losses in fair value of equity instruments	(31,032)	(3,201)
Gain on acquisition of controlling interest, sale or disposal of, or recovery on, assets and interests in unconsolidated entities and impairment, net	1,491	93,057
CONSOLIDATED NET INCOME	488,310	510,460
Net income attributable to noncontrolling interests	60,846	63,766
Preferred dividends	834	834
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ 426,630	\$ 445,860
BASIC AND DILUTED EARNINGS PER COMMON SHARE:		
Net income attributable to common stockholders	\$ 1.30	\$ 1.36

	March 31, 2022	December 31, 2021
ASSETS:		
Investment properties, at cost	\$ 37,903,758	\$ 37,932,366
Less - accumulated depreciation	<u>15,804,885</u>	<u>15,621,127</u>
	22,098,873	22,311,239
Cash and cash equivalents	514,929	533,936
Tenant receivables and accrued revenue, net	819,829	919,654
Investment in TRG, at equity	3,276,296	3,305,102
Investment in Klépierre, at equity	1,636,946	1,661,943
Investment in other unconsolidated entities, at equity	3,126,897	3,075,375
Right-of-use assets, net	501,910	504,119
Investments held in trust - special purpose acquisition company	345,000	345,000
Deferred costs and other assets	<u>1,130,747</u>	<u>1,121,011</u>
Total assets	<u>\$ 33,451,427</u>	<u>\$ 33,777,379</u>
LIABILITIES:		
Mortgages and unsecured indebtedness	\$ 25,169,837	\$ 25,321,022
Accounts payable, accrued expenses, intangibles, and deferred revenues	1,208,643	1,433,216
Cash distributions and losses in unconsolidated entities, at equity	1,749,692	1,573,105
Dividend payable	1,850	1,468
Lease liabilities	504,684	506,931
Other liabilities	<u>525,849</u>	<u>540,912</u>
Total liabilities	<u>29,160,555</u>	<u>29,376,654</u>
Commitments and contingencies		
Limited partners' preferred interest in the Operating Partnership and noncontrolling redeemable interests	558,305	547,740
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	41,681	41,763
Common stock, \$0.0001 par value, 511,990,000 shares authorized, 342,905,419 and 342,907,608 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	11,213,621	11,212,990
Accumulated deficit	(5,948,261)	(5,823,708)
Accumulated other comprehensive loss	(170,094)	(185,186)
Common stock held in treasury, at cost, 14,266,824 and 14,295,983 shares, respectively	<u>(1,881,334)</u>	<u>(1,884,441)</u>
Total stockholders' equity	3,255,647	3,361,452
Noncontrolling interests	<u>476,920</u>	<u>491,533</u>
Total equity	<u>3,732,567</u>	<u>3,852,985</u>
Total liabilities and equity	<u>\$ 33,451,427</u>	<u>\$ 33,777,379</u>

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

	For the Three Months Ended March 31,	
	<u>2022</u>	<u>2021</u>
REVENUE:		
Lease income	\$ 717,768	\$ 652,754
Other income	<u>112,585</u>	<u>72,599</u>
Total revenue	<u>830,353</u>	<u>725,353</u>

OPERATING EXPENSES:

Property operating	149,515	133,037
Depreciation and amortization	170,562	171,154
Real estate taxes	65,324	68,897
Repairs and maintenance	21,481	19,046
Advertising and promotion	19,318	19,444
Other	48,843	31,988
Total operating expenses	<u>475,043</u>	<u>443,566</u>

OPERATING INCOME BEFORE OTHER ITEMS 355,310 281,787

Interest expense (144,448) (146,196)
NET INCOME \$ 210,862 \$ 135,591

Third-Party Investors' Share of Net Income \$ 104,657 \$ 68,141

Our Share of Net Income 106,205 67,450
Amortization of Excess Investment (A) (15,139) (19,327)

Income from Unconsolidated Entities (B) \$ 91,066 \$ 48,123

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

Simon Property Group, Inc.

*Unaudited Joint Venture Combined Balance Sheets
(Dollars in thousands)*

	<u>March 31, 2022</u>	<u>December 31, 2021</u>
Assets:		
Investment properties, at cost	\$ 19,533,151	\$ 19,724,242
Less - accumulated depreciation	<u>8,255,410</u>	<u>8,330,891</u>
	11,277,741	11,393,351
Cash and cash equivalents	1,392,710	1,481,287
Tenant receivables and accrued revenue, net	517,657	591,369
Right-of-use assets, net	161,471	154,561
Deferred costs and other assets	<u>369,541</u>	<u>394,691</u>
Total assets	<u>\$ 13,719,120</u>	<u>\$ 14,015,259</u>
Liabilities and Partners' Deficit:		
Mortgages	\$ 15,075,434	\$ 15,223,710
Accounts payable, accrued expenses, intangibles, and deferred revenue	823,553	995,392
Lease liabilities	149,194	158,372
Other liabilities	<u>414,084</u>	<u>383,018</u>
Total liabilities	16,462,265	16,760,492
Preferred units	67,450	67,450
Partners' deficit	<u>(2,810,595)</u>	<u>(2,812,683)</u>
Total liabilities and partners' deficit	<u>\$ 13,719,120</u>	<u>\$ 14,015,259</u>
Our Share of:		
Partners' deficit	\$ (1,260,901)	\$ (1,207,396)
Add: Excess Investment (A)	<u>1,267,144</u>	<u>1,283,645</u>
Our net Investment in unconsolidated entities, at equity	<u>\$ 6,243</u>	<u>\$ 76,249</u>

Note: The above financial presentation does not include any information related to our investments in Klépierre, TRG and other platform investments. 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,	
	<u>2022</u>	<u>2021</u>
Consolidated Net Income (D)	\$ 488,310	\$ 510,460
Adjustments to Arrive at FFO:		
Depreciation and amortization from consolidated properties	307,913	313,575
Our share of depreciation and amortization from unconsolidated entities, including Klépierre, TRG and other corporate investments	225,086	204,237
Gain on acquisition of controlling interest, sale or disposal of, or recovery on, assets and interests in unconsolidated entities and impairment, net	(1,491)	(93,057)
Unrealized (gains) losses excluded from FFO (E)	-	3,201
Net loss attributable to noncontrolling interest holders in properties	996	938
Noncontrolling interests portion of depreciation and amortization, gain on consolidation of properties, and loss (gain) on disposal of properties	(4,389)	(4,090)
Preferred distributions and dividends	(1,313)	(1,313)
FFO of the Operating Partnership	<u>\$ 1,015,112</u>	<u>\$ 933,951</u>
Diluted net income per share to diluted FFO per share reconciliation:		
Diluted net income per share	\$ 1.30	\$ 1.36
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	1.41	1.36
Gain on acquisition of controlling interest, sale or disposal of, or recovery on, assets and interests in unconsolidated entities and impairment, net	(0.01)	(0.25)
Unrealized (gains) losses excluded from FFO (E)	-	0.01
Diluted FFO per share	<u>\$ 2.70</u>	<u>\$ 2.48</u>
Unrealized (gains) losses included in FFO (E)	0.08	-
Comparable FFO per share (1)	<u>\$ 2.78</u>	<u>\$ 2.48</u>

Details for per share calculations:

FFO of the Operating Partnership	\$ 1,015,112	\$ 933,951
Diluted FFO allocable to unitholders	(127,645)	(117,595)
Diluted FFO allocable to common stockholders	<u>\$ 887,467</u>	<u>\$ 816,356</u>
Basic and Diluted weighted average shares outstanding	328,606	328,514
Weighted average limited partnership units outstanding	47,264	47,322
Basic and Diluted weighted average shares and units outstanding	<u>375,870</u>	<u>375,836</u>
Basic and Diluted FFO per Share	\$ 2.70	\$ 2.48
<i>Percent Change</i>	8.9%	
Comparable FFO per share	\$ 2.78	\$ 2.48
	12.1%	

(1) Comparable FFO was \$1.046 billion, prior to the \$31.0 million mark-to-market unrealized loss in fair value adjustments of publicly traded equity instruments of non-retail real estate.

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, TRG and other platform investments. Amounts included in Footnote D below exclude our share of related activity for our investments in Klépierre, TRG and other platform investments. 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, FFO per share, Comparable FFO and Comparable 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 retail 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:
 - (Loss) gain on land sales of (\$0.1) million and \$0.7 million for the three months ended March 31, 2022 and 2021, respectively.
 - Straight-line adjustments decreased income by (\$10.3) million and (\$9.1) million for the three months ended March 31, 2022 and 2021, respectively.
 - Amortization of fair market value of leases decreased income by (\$0.1) million and (\$0.2) million for the three months ended March 31, 2022 and 2021, respectively.
- (E) Unrealized (gains) losses excluded from FFO relate to mark-to-market fair value adjustments of publicly traded equity instruments of retail real estate.

Unrealized (gains) losses included in FFO relate to mark-to-market fair value adjustments of publicly traded equity instruments of non-retail real estate.

 View original content to download multimedia: <https://www.prnewswire.com/news-releases/simon-property-group-reports-first-quarter-2022-results-and-increases-full-year-2022-guidance-and-raises-quarterly-dividend-301542907.html>

SOURCE Simon

Tom Ward, 317-685-7330, Investors, or Ali Slocum, 317-264-3079, Media