



Simon Property Group Reports Record Fourth Quarter And Full Year 2018 Results And Raises Quarterly Dividend

February 1, 2019

INDIANAPOLIS, Feb. 1, 2019 /PRNewswire/ -- Simon, a global leader in premier shopping, dining and entertainment destinations, today reported results for the quarter and twelve months ended December 31, 2018.



Results for the Year

- Net income attributable to common stockholders was \$2.437 billion, or \$7.87 per diluted share, as compared to \$1.945 billion, or \$6.24 per diluted share in 2017, a 26.1% increase per diluted share.
- Funds from Operations ("FFO") was \$4.325 billion, or \$12.13 per diluted share, as compared to \$4.021 billion, or \$11.21 per diluted share in 2017, an 8.2% increase per diluted share.

Results for the Quarter

- Net income attributable to common stockholders was \$712.8 million, or \$2.30 per diluted share, as compared to \$571.1 million, or \$1.84 per diluted share in 2017, a 25.0% increase per diluted share.
- FFO was \$1.151 billion, or \$3.23 per diluted share, as compared to \$1.115 billion, or \$3.12 per diluted share, in the prior year period, an increase of 3.5% per diluted share.

"This was an excellent quarter and year for Simon Property Group, capped off by our twenty-fifth anniversary as a public company in December. Over that 25-year period, we are proud to have delivered a total return to shareholders of 2,752%," said David Simon, Chairman and CEO. "In 2018, we opened two new shopping destinations; delivered five significant property transformations and expansions; started construction on several redevelopments of former department store spaces; and importantly, our reported FFO per share for the year beat the top end of our initial guidance, and our 2018 dividend was 10.5% higher than in 2017."

U.S. Malls and Premium Outlets Operating Statistics

- Reported retailer sales per square foot was \$661, an increase of 5.3%, for the trailing 12-months ended December 31, 2018.
- Occupancy was 95.9% at December 31, 2018, compared to 95.6% at December 31, 2017.
- Base minimum rent per square foot was \$54.18 at December 31, 2018.
- Leasing spread per square foot for the trailing 12-months ended December 31, 2018 was \$7.75, an increase of 14.3%.

Portfolio Net Operating Income ("NOI") and Comparable Property NOI

Total portfolio NOI growth for the 12-months ended December 31, 2018 was 3.7%. Total portfolio NOI includes NOI from comparable properties, new developments, redevelopments, expansions, acquisitions, international properties and our share of NOI from investments. Comparable property NOI growth for the 12-months ended December 31, 2018 was 2.3%.

Dividends

Today, Simon's Board of Directors declared a quarterly common stock dividend of \$2.05 per share. This is a 5.1% increase year-over-year. The dividend will be payable on February 28, 2019 to shareholders of record on February 14, 2019.

Simon's Board of Directors also declared the quarterly dividend on its 8 3/8% Series J Cumulative Redeemable Preferred Stock (NYSE: SPGPrJ) of \$1.046875 per share, payable on March 29, 2019 to shareholders of record on March 15, 2019.

Development Activity

During the quarter, the 140,000 square-foot expansion of Toronto Premium Outlets opened adding enhanced amenities, elevated food offerings and more than 40 new, exciting brands. Simon owns 50% of this center. Also during the quarter, the 45,000 square-foot, phase III expansion of Johor Premium Outlets (Johor, Malaysia) opened. Simon owns 50% of this center.

Construction continues on three new international development projects including:

- Queretaro Premium Outlets (Queretaro, Mexico); scheduled to open in summer 2019. Simon owns a 50% interest in this project.
- Malaga Designer Outlet (Malaga, Spain); scheduled to open in fall 2019. Simon owns a 46% interest in this project.
- Cannock Designer Outlet (Cannock, United Kingdom); scheduled to open in spring 2020. Simon owns a 20% interest in this project.

Construction also continues on other significant redevelopment and expansion projects including The Shops at Riverside (Hackensack, NJ), Southdale Center (Edina (Minneapolis), MN), Northshore Mall (Peabody (Boston), MA) and Paju Premium Outlets (Seoul, South Korea).

Construction also started on five significant redevelopment projects of former department store spaces at Broadway Square, Cape Cod Mall, Midland Park Mall, Ocean County Mall and Phipps Plaza.

Financing Activity

During 2018, the Company closed on 22 mortgage loans totaling approximately \$3.2 billion, (U.S. dollar equivalent), of which Simon's share is approximately \$1.3 billion. The weighted

average interest rate and weighted average term on these loans is 3.69% and 8.1 years, respectively.

As of December 31, 2018, Simon had more than \$7.5 billion of liquidity consisting of cash on hand, including its share of joint venture cash, and available capacity under its revolving credit facilities.

Common Stock Repurchase Program

During the quarter ended December 31, 2018, the Company repurchased 286,947 shares of its common stock. The Company also redeemed 405,485 Limited Partnership units in cash.

2019 Guidance

The Company currently estimates net income to be within a range of \$7.30 to \$7.40 per diluted share for the year ending December 31, 2019 and that FFO will be within a range of \$12.30 to \$12.40 per diluted share.

The following table provides the 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, 2019

	Low End	High End
Estimated net income attributable to common stockholders per diluted share	\$7.30	\$7.40
Depreciation and amortization including Simon's share of unconsolidated entities	5.00	5.00
Estimated FFO per diluted share	<u>\$12.30</u>	<u>\$12.40</u>

Conference Call

Simon will hold a conference call to discuss the quarterly financial results today at 8:30 a.m. Eastern Time, Friday, February 1, 2019. 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 February 8, 2019. To access the audio replay, dial 1-855-859-2056 (international 404-537-3406) passcode 1675707.

Supplemental Materials and Website

Supplemental information on our fourth quarter 2018 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: 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; decreases in market rental rates; the intensely competitive market environment in the retail industry; the inability to lease newly developed properties and renew leases and relet space at existing properties on favorable terms; risks related to international activities, including, without limitation, the impact, if any, of the United Kingdom's exit from the European Union; changes to applicable laws or regulations or the interpretation thereof; 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; 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; changes in the value of our investments in foreign entities; our ability to hedge interest rate and currency risk; 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; environmental liabilities; changes in insurance costs, the availability of comprehensive insurance coverage; security breaches that could compromise our information technology or infrastructure; natural disasters; the potential for terrorist activities; 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 its 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 December 31,		For the Twelve Months Ended December 31,	
	2018	2017	2018	2017
REVENUE:				
Minimum rent	\$ 906,730	\$ 880,475	\$ 3,488,522	\$ 3,440,009
Overage rent	57,656	52,870	162,189	147,471
Tenant reimbursements	381,485	386,767	1,520,340	1,532,923
Management fees and other revenues	30,780	30,400	116,286	121,259
Other income	84,092	77,180	370,582	296,978
Total revenue	1,460,743	1,427,692	5,657,919	5,538,640
EXPENSES:				
Property operating	115,216	112,951	450,636	443,177
Depreciation and amortization	329,145	325,187	1,282,454	1,275,452

Real estate taxes	112,790	107,976	457,740	440,003
Repairs and maintenance	26,081	24,247	99,588	96,900
Advertising and promotion	43,262	42,416	151,241	150,865
(Recovery of) provision for credit losses	(1,284)	539	12,631	11,304
Home and regional office costs	30,584	24,243	136,677	135,150
General and administrative	10,830	11,883	46,543	51,972
Other	40,030	28,798	109,322	131,477
Total operating expenses	706,654	678,240	2,746,832	2,736,300
OPERATING INCOME BEFORE OTHER ITEMS	754,089	749,452	2,911,087	2,802,340
Interest expense	(204,341)	(204,986)	(815,923)	(809,393)
Loss on extinguishment of debt	-	-	-	(128,618)
Income and other taxes	(10,422)	(6,362)	(36,898)	(23,343)
Income from unconsolidated entities	149,987	123,059	475,250	400,270
Gain (loss) upon acquisition of controlling interests, sale or disposal of, or recovery on, assets and interests in unconsolidated entities and impairment, net	143,879	(1,342)	288,827	3,647
CONSOLIDATED NET INCOME	833,192	659,821	2,822,343	2,244,903
Net income attributable to noncontrolling interests	119,562	87,871	382,285	296,941
Preferred dividends	834	834	3,337	3,337
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ 712,796	\$ 571,116	\$ 2,436,721	\$ 1,944,625
BASIC AND DILUTED EARNINGS PER COMMON SHARE:				
Net income attributable to common stockholders	\$ 2.30	\$ 1.84	\$ 7.87	\$ 6.24

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

	December 31, 2018	December 31, 2017
ASSETS:		
Investment properties, at cost	\$ 37,092,670	\$ 36,393,464
Less - accumulated depreciation	12,884,539	11,935,949
	<u>24,208,131</u>	<u>24,457,515</u>
Cash and cash equivalents	514,335	1,482,309
Tenant receivables and accrued revenue, net	763,815	742,672
Investment in unconsolidated entities, at equity	2,220,414	2,266,483
Investment in Klépierre, at equity	1,769,488	1,934,676
Deferred costs and other assets	1,210,040	1,373,983
Total assets	\$ 30,686,223	\$ 32,257,638
LIABILITIES:		
Mortgages and unsecured indebtedness	\$ 23,305,535	\$ 24,632,463
Accounts payable, accrued expenses, intangibles, and deferred revenues	1,316,861	1,269,190
Cash distributions and losses in unconsolidated entities, at equity	1,536,111	1,406,378
Other liabilities	500,597	520,363
Total liabilities	26,659,104	27,828,394
Commitments and contingencies		
Limited partners' preferred interest in the Operating Partnership and noncontrolling redeemable interests in properties	230,163	190,480
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	42,748	43,077
Common stock, \$ 0.0001 par value, 511,990,000 shares authorized, 320,411,571 and 320,322,774 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	9,700,418	9,614,748
Accumulated deficit	(4,893,069)	(4,782,173)
Accumulated other comprehensive loss	(126,017)	(110,453)
Common stock held in treasury, at cost, 11,402,103 and 9,163,920 shares, respectively	(1,427,431)	(1,079,063)
Total stockholders' equity	3,296,681	3,686,168
Noncontrolling interests	500,275	552,596
Total equity	3,796,956	4,238,764
Total liabilities and equity	\$ 30,686,223	\$ 32,257,638

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

	For the Three Months Ended December 31,		For the Twelve Months Ended December 31,	
	2018	2017	2018	2017
REVENUE:				
Minimum rent	\$ 505,906	\$ 485,253	\$ 1,949,523	\$ 1,868,613
Overage rent	67,001	60,533	230,145	210,909
Tenant reimbursements	213,974	216,759	880,042	860,778
Other income	93,828	80,225	326,575	290,515
Total revenue	880,709	842,770	3,386,285	3,230,815
OPERATING EXPENSES:				
Property operating	153,203	141,584	590,921	551,885
Depreciation and amortization	164,870	170,402	652,968	640,286
Real estate taxes	62,070	60,419	259,567	245,646
Repairs and maintenance	23,441	21,797	87,408	81,309
Advertising and promotion	21,924	22,609	87,349	86,480
Provision for (recovery of) credit losses	664	(984)	14,042	6,645
Other	43,757	50,477	187,292	184,037
Total operating expenses	469,929	466,304	1,879,547	1,796,288
OPERATING INCOME BEFORE OTHER ITEMS	410,780	376,466	1,506,738	1,434,527
Interest expense	(158,154)	(154,669)	(663,693)	(593,062)
Gain (loss) on sale or disposal of, or recovery on, assets and interests in unconsolidated entities, net	7,575	(2,239)	33,367	(2,239)
NET INCOME	\$ 260,201	\$ 219,558	\$ 876,412	\$ 839,226
Third-Party Investors' Share of Net Income	\$ 132,593	\$ 110,001	\$ 436,767	\$ 424,533
Our Share of Net Income	127,608	109,557	439,645	414,693
Amortization of Excess Investment (A)	(20,804)	(21,760)	(85,252)	(89,804)
Our Share of (Gain) Loss on Sale or Disposal of, or Recovery on, Assets and Interests in Unconsolidated Entities, net	(2,841)	1,342	(12,513)	1,342
Income from Unconsolidated Entities (B)	\$ 103,963	\$ 89,139	\$ 341,880	\$ 326,231

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)

	December 31, 2018	December 31, 2017
Assets:		
Investment properties, at cost	\$ 18,807,449	\$ 18,328,747
Less - accumulated depreciation	6,834,633	6,371,363
	11,972,816	11,957,384
Cash and cash equivalents	1,076,398	956,084
Tenant receivables and accrued revenue, net	445,148	403,125
Deferred costs and other assets	390,818	355,585
Total assets	\$ 13,885,180	\$ 13,672,178
Liabilities and Partners' Deficit:		
Mortgages	\$ 15,235,415	\$ 14,784,310
Accounts payable, accrued expenses, intangibles, and deferred revenue	976,311	1,033,674
Other liabilities	344,205	365,857
Total liabilities	16,555,931	16,183,841
Preferred units	67,450	67,450
Partners' deficit	(2,738,201)	(2,579,113)
Total liabilities and partners' deficit	\$ 13,885,180	\$ 13,672,178
Our Share of:		
Partners' deficit	\$ (1,168,216)	\$ (1,144,620)
Add: Excess Investment (A)	1,594,198	1,733,063
Our net Investment in unconsolidated entities, at equity	\$ 425,982	\$ 588,443

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.

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 December 31,		For the Twelve Months Ended December 31,	
	2018	2017	2018	2017
Consolidated Net Income (D)	\$ 833,192	\$ 659,821	\$ 2,822,343	\$ 2,244,903
Adjustments to Arrive at FFO:				
Depreciation and amortization from consolidated properties	326,273	321,397	1,270,888	1,260,865
Our share of depreciation and amortization from unconsolidated entities, including Klépierre and HBS	129,818	139,026	533,595	540,718
(Gain) loss upon acquisition of controlling interests, sale or disposal of, or recovery on, assets and interests in unconsolidated entities and impairment, net (E)	(137,263)	1,342	(282,211)	(3,647)
Unrealized change in fair value of equity instruments	16,423	-	15,212	-
Net income attributable to noncontrolling interest holders in properties	(10,642)	(734)	(11,327)	(13)
Noncontrolling interests portion of depreciation and amortization	(5,082)	(4,248)	(18,647)	(17,069)
Preferred distributions and dividends	(1,313)	(1,313)	(5,252)	(5,252)
FFO of the Operating Partnership (G)	<u>\$ 1,151,406</u>	<u>\$ 1,115,291</u>	<u>\$ 4,324,601</u>	<u>\$ 4,020,505</u>
Diluted net income per share to diluted FFO per share reconciliation:				
Diluted net income per share	\$ 2.30	\$ 1.84	\$ 7.87	\$ 6.24
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	1.27	1.28	5.01	4.98
Gain upon acquisition of controlling interests, sale or disposal of, or recovery on, assets and interests in unconsolidated entities and impairment, net (F)	(0.39)	-	(0.79)	(0.01)
Unrealized change in fair value of equity instruments	0.05	-	0.04	-
Diluted FFO per share (H)	<u>\$ 3.23</u>	<u>\$ 3.12</u>	<u>\$ 12.13</u>	<u>\$ 11.21</u>

Details for per share calculations:

FFO of the Operating Partnership (G)	\$ 1,151,406	\$ 1,115,291	\$ 4,324,601	\$ 4,020,505
Diluted FFO allocable to unitholders	(152,122)	(146,935)	(568,817)	(529,595)
Diluted FFO allocable to common stockholders (I)	<u>\$ 999,284</u>	<u>\$ 968,356</u>	<u>\$ 3,755,784</u>	<u>\$ 3,490,910</u>
Basic and Diluted weighted average shares outstanding	309,294	310,856	309,627	311,517
Weighted average limited partnership units outstanding	47,102	47,169	46,893	47,260
Basic and Diluted weighted average shares and units outstanding	<u>356,396</u>	<u>358,025</u>	<u>356,520</u>	<u>358,777</u>
Basic and Diluted FFO per Share (H)	\$ 3.23	\$ 3.12	\$ 12.13	\$ 11.21
Percent Change	3.5%		8.2%	

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 properties.
- (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"). 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, previously depreciated 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.

We have adopted NAREIT's clarification of the definition of FFO that requires it to include the effects of nonrecurring items not classified as extraordinary, cumulative effect of accounting changes, or a gain or loss resulting from the sale, disposal or property insurance recoveries of, or any impairment relating to, previously depreciated retail operating properties. We include in FFO gains and losses realized from the sale of land, outlot buildings, equity instruments, and investment holdings of non-retail real estate. 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 \$2.4 million and \$2.2 million for the three months ended December 31, 2018 and 2017, respectively, and \$6.3 million and \$12.3 million for the twelve months ended December 31, 2018 and 2017, respectively.
 - Straight-line adjustments increased income by \$6.7 million and \$7.4 million for the three months ended December 31, 2018 and 2017, respectively, and \$28.5 million and \$34.5 million for the twelve months ended December 31, 2018 and 2017, respectively.
 - Amortization of fair market value of leases from acquisitions increased income by \$1.4 million and \$1.4 million for the three months ended December 31, 2018 and 2017, respectively, and \$4.4 million and \$6.0 million for the twelve months ended December 31, 2018 and 2017, respectively.
- (E) Gain upon acquisition of controlling interests, sale or disposal of, or recovery on, assets and interests in unconsolidated entities and impairment for the three and twelve months ended December 31, 2018 was \$143.9 million and \$288.8 million, respectively. Noncontrolling interest portion of the gain for the three and twelve months ended December 31, 2018 was \$6.6 million.
- (F) Includes noncontrolling interests gain upon acquisition of controlling interests, sale or disposal of, or recovery on, assets and interests in unconsolidated entities and impairment of \$0.02 per share for the three and twelve months ended December 31, 2018.
- (G) Includes a loss on the extinguishment of debt of \$128.6 million for the twelve months ended December 31, 2017.
- (H) Includes Basic and Diluted FFO per share related to a loss on the extinguishment of debt of \$0.36 for the twelve months ended December 31, 2017.
- (I) Includes Diluted FFO allocable to common stockholders related to a loss on the extinguishment of debt of \$111.7 million for the twelve months ended December 31, 2017.

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SOURCE Simon

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