



Simon Property Group Reports First Quarter 2018 Results and Raises Full Year 2018 Guidance

April 27, 2018

INDIANAPOLIS, April 27, 2018 /PRNewswire/ -- Simon, a global leader in premier shopping, dining and entertainment destinations, today reported results for the quarter ended March 31, 2018.



Results for the Quarter

- Net income attributable to common stockholders was \$620.7 million, or \$2.00 per diluted share, as compared to \$477.7 million, or \$1.53 per diluted share, in the prior year period. The first quarter 2018 results include net gains primarily related to disposition activity of \$135.3 million, or \$0.38 per diluted share.
- FFO was \$1.026 billion, or \$2.87 per diluted share, as compared to \$985.0 million, or \$2.74 per diluted share, in the prior year period, an increase of 4.7%.
- Year-over-year increase in quarterly common stock dividend of 11.4%.

"We delivered strong results to start the year," said David Simon, Chairman and Chief Executive Officer. "Portfolio net operating income increased 4.8% over the prior year, driven by growth in operating income from our comparable properties and the accretive impact of our new developments, redevelopments, expansions and investments. Given our accomplishments this quarter and our current view for the remainder of 2018, today we are increasing our full-year 2018 guidance."

U.S. Malls and Premium Outlets Operating Statistics

- Reported retailer sales per square foot for the trailing 12-months ended March 31, 2018 was \$641, an increase of 4.2%.
- Occupancy was 94.6% at March 31, 2018.
- Base minimum rent per square foot was \$53.54 at March 31, 2018, an increase of 3.2% compared to the prior year period.
- Leasing spread per square foot for the trailing 12-months ended March 31, 2018 was \$8.45, an increase of 12.6%.

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

Total portfolio NOI growth for the three months ended March 31, 2018 was 4.8%. Total portfolio NOI includes comparable property NOI, NOI from new development, redevelopment, expansion and acquisitions, NOI from international properties and our share of NOI from investments. Comparable property NOI growth for the three months ended March 31, 2018 was 2.3%.

Dividends

Today, Simon's Board of Directors declared a quarterly common stock dividend of \$1.95 per share. This is an 11.4% increase year-over-year. The dividend will be payable on May 31, 2018 to stockholders of record on May 17, 2018.

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 June 29, 2018 to stockholders of record on June 15, 2018.

Development Activity

The Company recently announced transformational redevelopment plans for former Sears stores at five key locations. The properties involved are:

Brea Mall (Brea, CA), Burlington Mall (Burlington, MA), Midland Park Mall (Midland, TX), Ocean County Mall (Toms River, NJ) and Ross Park Mall (Pittsburgh, PA). These redevelopments will significantly benefit the existing retailers in these destinations as well as the communities in which they operate. The projects will feature significant enhancements to the properties such as entertainment, fitness, restaurants and dining pavilions, residential, hotel and office as well as new retail brands. Construction is slated to commence on a number of these projects in 2018.

During the first quarter, construction started on a transformational redevelopment at Southdale Center (Edina, MN), replacing a former department store with a Life Time Athletic, Life Time Sport and Work, specialty shops and restaurants.

On May 2, 2018, Premium Outlet Collection Edmonton IA (Edmonton, Alberta, Canada) will open with 428,000 square feet of high-quality, name brand stores. Simon owns a 50% interest in this center.

Construction continues on three new development projects including:

- Denver Premium Outlets (Thornton, Colorado); scheduled to open in September 2018. Simon owns 100% of this project.
- Queretaro Premium Outlets (Queretaro, Mexico); scheduled to open in December 2018. Simon owns a 50% interest in this project.
- Malaga Designer Outlet (Malaga, Spain); scheduled to open in spring 2019. Simon owns a 46% interest in this project.

Construction also continues on significant redevelopment and expansion projects at other properties including Town Center at Boca Raton and Toronto Premium Outlets.

At quarter-end, redevelopment and expansion projects, including the addition of new anchors, were underway at 28 properties in the U.S., Canada and Asia.

During the first quarter, construction started on a 197,000 square foot upscale outlet center located in Cannock, United Kingdom, projected to open in spring 2020. Simon owns 20% of this project.

Financing Activity

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

During the quarter, the Company amended and extended its \$3.5 billion unsecured multi-currency revolving credit facility. This facility can be increased to \$4.5 billion during its term. The facility will mature on June 30, 2022 but at our sole option can be extended for an additional year to June 30, 2023. The pricing on the facility was reduced to LIBOR plus 77.5 basis points.

With regard to secured debt activity, we closed or committed on six mortgage loans totaling approximately \$513 million, (U.S. dollar equivalent), of which Simon's share is \$220 million. The weighted average interest rate and weighted average term on these loans is 3.39% and 4.6 years, respectively.

As of March 31, 2018, Simon had more than \$7.0 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 March 31, 2018, the Company repurchased 1,473,588 shares of its common stock.

2018 Guidance

The Company currently estimates net income to be within a range of \$7.33 to \$7.43 per diluted share for the year ending December 31, 2018 and that FFO will be within a range of \$11.95 to \$12.05 per diluted share.

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

For the year ending December 31, 2018

	Low <u>End</u>	High <u>End</u>
Estimated net income available to common stockholders per diluted share	\$7.33	\$7.43
Depreciation and amortization including Simon's share of unconsolidated entities	5.00	5.00
Gain upon acquisition of controlling interest, sale or disposal of assets and interests in unconsolidated entities, net	<u>(0.38)</u>	<u>(0.38)</u>
Estimated FFO per diluted share	<u>\$11.95</u>	<u>\$12.05</u>

Conference Call

Simon will hold a conference call to discuss the quarterly financial results today at 8:30 a.m. Eastern Time, Friday, April 27, 2018. 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 3, 2018. To access the audio replay, dial 1-855-859-2056 (international 404-537-3406) passcode 9738947.

Supplemental Materials and Website

Supplemental information on our first 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 of the United Kingdom's vote to leave 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 March 31,	
	2018	2017
REVENUE:		
Minimum rent	\$ 860,172	\$ 846,798
Overage rent	32,990	28,204
Tenant reimbursements	380,363	378,915
Management fees and other revenues	28,181	30,547
Other income	98,108	61,299
Total revenue	1,399,814	1,345,763
EXPENSES:		
Property operating	113,448	104,048
Depreciation and amortization	316,936	310,832

Real estate taxes	114,187	106,659
Repairs and maintenance	27,684	25,601
Advertising and promotion	34,800	35,948
Provision for credit losses	5,632	5,210
Home and regional office costs	41,064	42,979
General and administrative	12,628	14,001
Other	31,502	23,814
Total operating expenses	697,881	669,092
OPERATING INCOME	701,933	676,671
Interest expense	(205,492)	(198,202)
Income and other tax (expense) benefit	(6,220)	3,521
Income from unconsolidated entities	90,026	69,085
Gain upon acquisition of controlling interests, sale or disposal of assets and interests in unconsolidated entities and impairment, net	135,277	-
CONSOLIDATED NET INCOME	715,524	551,075
Net income attributable to noncontrolling interests	94,036	72,505
Preferred dividends	834	834
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ 620,654	\$ 477,736
BASIC AND DILUTED EARNINGS PER COMMON SHARE:		
Net income attributable to common stockholders	\$ 2.00	\$ 1.53

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

	March 31, 2018	December 31, 2017
ASSETS:		
Investment properties, at cost	\$ 36,383,699	\$ 36,393,464
Less - accumulated depreciation	12,074,719	11,935,949
	24,308,980	24,457,515
Cash and cash equivalents	367,207	1,482,309
Tenant receivables and accrued revenue, net	686,158	742,672
Investment in unconsolidated entities, at equity	2,268,956	2,266,483
Investment in Klépierre, at equity	2,011,919	1,934,676
Deferred costs and other assets	1,374,640	1,373,983
Total assets	\$ 31,017,860	\$ 32,257,638
LIABILITIES:		
Mortgages and unsecured indebtedness	\$ 23,647,623	\$ 24,632,463
Accounts payable, accrued expenses, intangibles, and deferred revenues	1,180,851	1,269,190
Cash distributions and losses in unconsolidated entities, at equity	1,421,879	1,406,378
Other liabilities	532,491	520,363
Total liabilities	26,782,844	27,828,394
Commitments and contingencies		
Limited partners' preferred interest in the Operating Partnership and noncontrolling redeemable interests in properties	201,680	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	42,994	43,077
Common stock, \$ 0.0001 par value, 511,990,000 shares authorized, 320,328,774 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	9,647,272	9,614,748
Accumulated deficit	(4,774,442)	(4,782,173)
Accumulated other comprehensive loss	(102,747)	(110,453)
Common stock held in treasury, at cost, 10,638,880 and 9,163,920 shares, respectively	(1,307,203)	(1,079,063)
Total stockholders' equity	3,505,906	3,686,168
Noncontrolling interests	527,430	552,596
Total equity	4,033,336	4,238,764
Total liabilities and equity	\$ 31,017,860	\$ 32,257,638

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

	For the Three Months Ended March 31,	
	2018	2017
REVENUE:		
Minimum rent	\$ 475,956	\$ 451,055
Overage rent	59,661	51,369
Tenant reimbursements	223,490	215,780
Other income	81,108	64,327
Total revenue	840,215	782,531
OPERATING EXPENSES:		
Property operating	146,293	132,985
Depreciation and amortization	159,836	153,455
Real estate taxes	68,267	66,583
Repairs and maintenance	23,196	20,230
Advertising and promotion	24,224	22,198
Provision for credit losses	6,501	3,777
Other	49,732	43,355

Total operating expenses	<u>478,049</u>	442,583
OPERATING INCOME	362,166	339,948
Interest expense	(150,932)	(142,204)
NET INCOME	<u>\$ 211,234</u>	<u>\$ 197,744</u>
Third-Party Investors' Share of Net Income	<u>\$ 106,183</u>	<u>\$ 99,686</u>
Our Share of Net Income	105,051	98,058
Amortization of Excess Investment (A)	<u>(21,527)</u>	<u>(22,457)</u>
Income from Unconsolidated Entities (B)	<u>\$ 83,524</u>	<u>\$ 75,601</u>

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

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

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
Assets:		
Investment properties, at cost	\$ 18,514,552	\$ 18,328,747
Less - accumulated depreciation	<u>6,508,984</u>	<u>6,371,363</u>
	12,005,568	11,957,384
Cash and cash equivalents	963,029	956,084
Tenant receivables and accrued revenue, net	382,153	403,125
Deferred costs and other assets	<u>361,497</u>	<u>355,585</u>
Total assets	<u>\$ 13,712,247</u>	<u>\$ 13,672,178</u>
Liabilities and Partners' Deficit:		
Mortgages	\$ 14,886,840	\$ 14,784,310
Accounts payable, accrued expenses, intangibles, and deferred revenue	930,075	1,033,674
Other liabilities	<u>392,747</u>	<u>365,857</u>
Total liabilities	16,209,662	16,183,841
Preferred units	67,450	67,450
Partners' deficit	<u>(2,564,865)</u>	<u>(2,579,113)</u>
Total liabilities and partners' deficit	<u>\$ 13,712,247</u>	<u>\$ 13,672,178</u>
Our Share of:		
Partners' deficit	\$ (1,136,015)	\$ (1,144,620)
Add: Excess Investment (A)	<u>1,721,330</u>	<u>1,733,063</u>
Our net Investment in unconsolidated entities, at equity	<u>\$ 585,315</u>	<u>\$ 588,443</u>

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

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>2018</u>	<u>2017</u>	

Consolidated Net Income (D)	\$	715,524	\$	551,075
Adjustments to Arrive at FFO:				
Depreciation and amortization from consolidated properties		314,006		307,688
Our share of depreciation and amortization from unconsolidated entities, including Klépierre and HBS		134,925		131,218
Gain upon acquisition of controlling interests, sale or disposal of assets and interests in unconsolidated entities and impairment, net		(135,277)		-
Unrealized change in fair value of equity instruments		3,029		-
Net loss attributable to noncontrolling interest holders in properties		92		244
Noncontrolling interests portion of depreciation and amortization		(4,648)		(3,900)
Preferred distributions and dividends		(1,313)		(1,313)
FFO of the Operating Partnership	\$	<u>1,026,338</u>	\$	<u>985,012</u>
Diluted net income per share to diluted FFO per share reconciliation:				
Diluted net income per share	\$	2.00	\$	1.53
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		1.24		1.21
Gain upon acquisition of controlling interests, sale or disposal of assets and interests in unconsolidated entities and impairment, net		(0.38)		-
Unrealized change in fair value of equity instruments		0.01		-
Diluted FFO per share	\$	<u>2.87</u>	\$	<u>2.74</u>

Details for per share calculations:

FFO of the Operating Partnership	\$	1,026,338	\$	985,012
Diluted FFO allocable to unitholders		(134,559)		(129,429)
Diluted FFO allocable to common stockholders	\$	<u>891,779</u>	\$	<u>855,583</u>
Basic and Diluted weighted average shares outstanding		310,584		312,810
Weighted average limited partnership units outstanding		46,863		47,320

Basic and Diluted weighted average shares and units outstanding	<u>357,447</u>	<u>360,130</u>
Basic and Diluted FFO per Share	\$ 2.87	\$ 2.74
Percent Change	4.7%	

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 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 Footnotes 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-Q.
- (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 sales or disposals 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 or disposal of, or any impairment relating to, previously depreciated retail operating properties. We include in FFO gains and losses realized from the sale of land, outlet 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 \$1.3 million and \$2.7 million for the three months ended March 31, 2018 and 2017, respectively.
 - Straight-line adjustments increased income by \$8.6 million and \$10.2 million for the three months ended March 31, 2018 and 2017, respectively.
 - Amortization of fair market value of leases from acquisitions increased income by \$1.4 million and \$1.7 million for the three months ended March 31, 2018 and 2017, respectively.

 View original content with multimedia: <http://www.prnewswire.com/news-releases/simon-property-group-reports-first-quarter-2018-results-and-raises-full-year-2018-guidance-300637806.html>

SOURCE Simon Property Group, Inc.

Tom Ward, 317-685-7330, Investors; Les Morris, 317-263-7711, Media