



## Simon Property Group Reports First Quarter 2017 Results And 9.4% Year-Over-Year Increase In Quarterly Dividend

April 27, 2017

INDIANAPOLIS, April 27, 2017 /PRNewswire/ -- Simon, a global leader in retail real estate, today reported results for the quarter ended March 31, 2017.



### Results for the Quarter

- Net income attributable to common stockholders was \$477.7 million, or \$1.53 per diluted share, as compared to \$481.0 million, or \$1.55 per diluted share, in the prior year period. The prior year period includes gains of \$22.7 million, or \$0.06 per diluted share, related to acquisition and disposition activity.
- FFO was \$985.0 million, or \$2.74 per diluted share, as compared to \$951.8 million, or \$2.63 per diluted share, in the prior year period, an increase of 4.2%.

"We are off to a good start in 2017 with the reporting of financial and operational results that exceeded our expectations, led by 3.8% growth in comparable property net operating income," said David Simon, Chairman and Chief Executive Officer. "We continue to strengthen our retail real estate portfolio through our investment activities, including the opening of two new international outlet centers. Today, even in the current choppy retail environment, we are pleased to reaffirm our outlook for the year which is a testament to the strength of our company."

### U.S. Malls and Premium Outlets Operating Statistics

- Occupancy was 95.6% at March 31, 2017, unchanged from March 31, 2016.
- Base minimum rent per square foot was \$51.87 at March 31, 2017, an increase of 4.4% compared to the prior year period.
- Leasing spread per square foot for the trailing 12-months ended March 31, 2017 was \$8.31, an increase of 13.0%.

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

Total portfolio NOI growth for the three months ended March 31, 2017 was 5.6%. 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, 2017 was 3.8%.

### Dividends

Today, Simon's Board of Directors declared a quarterly common stock dividend of \$1.75 per share. This is a 9.4% increase year-over-year. The dividend will be payable on May 31, 2017 to stockholders of record on May 17, 2017.

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 30, 2017 to stockholders of record on June 16, 2017.

## **Development Activity**

Subsequent to quarter end, we opened two new outlet developments.

- On April 6<sup>th</sup>, we opened Siheung Premium Outlets, in Siheung (Seoul), South Korea, a 452,000 square foot center offering more than 200 domestic and international brands. Siheung Premium Outlets is our fourth outlet center in South Korea. Simon owns a 50% interest in this center.
- On April 13<sup>th</sup>, we opened Provence Designer Outlet, in Provence, France. This 269,000 square foot center offers more than 100 high-quality, name-brand stores and is the first designer outlet in the South of France. Simon owns a 90% interest in this center.

Construction continues on four other new development projects including:

- The Shops at Clearfork (Fort Worth, Texas); scheduled to open in September 2017. Simon owns a 45% interest in this project.
- Genting Highlands Premium Outlets (Kuala Lumpur, Malaysia); scheduled to open in June 2017. Simon owns a 50% interest in this project.
- Norfolk Premium Outlets (Norfolk, Virginia); scheduled to open in June 2017. Simon owns a 65% interest in this project.
- Premium Outlet Collection Edmonton IA (Edmonton, Alberta, Canada); scheduled to open in May 2018. Simon owns a 50% interest in this project.

Construction also continues on significant redevelopment and expansion projects at properties including The Galleria in Houston, La Plaza Mall, The Shops at Riverside, Woodbury Common Premium Outlets, Allen Premium Outlets and Toronto Premium Outlets.

At quarter-end, redevelopment and expansion projects, including the addition of new anchors, were underway at 25 properties in the U.S., Canada and Europe. Simon's share of the costs of all new development and redevelopment projects under construction at quarter-end was approximately \$1.7 billion.

## **Financing Activity**

The Company was active in both the unsecured and secured credit markets in the first quarter, continuing to lower our effective borrowing costs.

During the quarter, the Company amended and extended its \$4.0 billion unsecured multi-currency revolving credit facility. This facility can be increased to \$5.0 billion during its term, which will initially mature on June 30, 2021 and can be extended for an additional year to June 30, 2022 at our sole option. The pricing on the facility was reduced to LIBOR plus 77.5 basis points.

With regard to secured debt activity, we closed on two mortgage loans totaling approximately \$269 million (U.S. dollar equivalent), of which Simon's share is \$186 million. The weighted average interest rate and weighted average term on these loans is 2.40% and 5.0 years, respectively.

As of March 31, 2017, Simon had over \$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, the Company's Board of Directors authorized a two year extension of its \$2.0 billion common stock repurchase program that had previously been announced on April 2, 2015. The extended common stock repurchase program will expire on March 31, 2019. During the quarter ended March 31, 2017, the Company repurchased 870,692 shares of its common stock.

## **2017 Guidance**

The Company reaffirms its previous financial guidance and continues to estimate net income to be within a range of \$6.50 to \$6.60 per diluted share for the year ending December 31, 2017 and that FFO will be within a range of \$11.45 to \$11.55 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, 2017

	Low End	High End
Estimated net income available to common stockholders per diluted share	\$6.50	\$6.60
Depreciation and amortization including Simon's share of unconsolidated entities	4.95	4.95
Estimated FFO per diluted share	<u>\$11.45</u>	<u>\$11.55</u>

## Conference Call

Simon will hold a conference call to discuss the quarterly financial results today at 10:00 a.m. Eastern Time, Thursday, April 27, 2017. A live webcast of the conference call will be accessible in listen-only mode at [investors.simon.com](http://investors.simon.com). An audio replay of the conference call will be available until May 4, 2017. To access the audio replay, dial 1-855-859-2056 (international 404-537-3406) passcode 93122266.

## Supplemental Materials and Website

Supplemental information on our first quarter 2017 performance is available at [investors.simon.com](http://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 at our investor relations website, [investors.simon.com](http://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 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 adversely affects 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 retail real estate ownership, management and development and an S&P100 company (Simon Property Group) (NYSE:SPG). Our industry-leading retail properties and investments across North America, Europe and Asia provide shopping experiences for millions of consumers every day and generate billions in annual retail sales. For more information, visit [simon.com](http://simon.com).

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

	<b>For the Three Months Ended March 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>REVENUE:</b>		
Minimum rent	<b>\$ 846,798</b>	\$ 818,536
Overage rent	<b>28,204</b>	28,916
Tenant reimbursements	<b>378,915</b>	371,613
Management fees and other revenues	<b>30,547</b>	33,400
Other income	<b>61,299</b>	84,250
<b>Total revenue</b>	<b>1,345,763</b>	1,336,715
<b>EXPENSES:</b>		
Property operating	<b>104,048</b>	103,060
Depreciation and amortization	<b>310,832</b>	300,614

Real estate taxes	106,659	109,423
Repairs and maintenance	25,601	26,065
Advertising and promotion	35,948	35,038
Provision for credit losses	5,210	3,664
Home and regional office costs	42,979	38,607
General and administrative	14,001	14,864
Other	23,814	20,479
<b>Total operating expenses</b>	<b>669,092</b>	<b>651,814</b>
<b>OPERATING INCOME</b>	<b>676,671</b>	<b>684,901</b>
Interest expense	(198,202)	(219,190)
Income and other tax benefit (expense)	3,521	(15,186)
Income from unconsolidated entities	69,085	90,626
Gain upon acquisition of controlling interests and sale or disposal of assets and interests in unconsolidated entities, net	-	22,688
<b>CONSOLIDATED NET INCOME</b>	<b>551,075</b>	<b>563,839</b>
Net income attributable to noncontrolling interests	72,505	82,010
Preferred dividends	834	834
<b>NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS</b>	<b>\$ 477,736</b>	<b>\$ 480,995</b>
<b>BASIC AND DILUTED EARNINGS PER COMMON SHARE:</b>		
Net income attributable to common stockholders	<b>\$ 1.53</b>	<b>\$ 1.55</b>

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

	March 31, 2017	December 31, 2016
<b>ASSETS:</b>		
Investment properties, at cost	\$ 35,309,727	\$ 35,226,089
Less - accumulated depreciation	11,079,988	10,865,754
	<u>24,229,739</u>	24,360,335
Cash and cash equivalents	513,400	560,059
Tenant receivables and accrued revenue, net	621,600	664,619
Investment in unconsolidated entities, at equity	2,374,693	2,367,583
Investment in Klépierre, at equity	1,821,994	1,797,394
Deferred costs and other assets	1,384,667	1,353,588
<b>Total assets</b>	<b>\$ 30,946,093</b>	<b>\$ 31,103,578</b>
<b>LIABILITIES:</b>		
Mortgages and unsecured indebtedness	\$ 23,149,053	\$ 22,977,104
Accounts payable, accrued expenses, intangibles, and deferred revenues	1,081,185	1,214,022
Cash distributions and losses in partnerships and joint ventures, at equity	1,360,077	1,359,738
Other liabilities	459,926	455,040
<b>Total liabilities</b>	<b>26,050,241</b>	<b>26,005,904</b>
Commitments and contingencies		
Limited partners' preferred interest in the Operating Partnership and noncontrolling redeemable interests in properties	166,847	137,762
<b>EQUITY:</b>		
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	43,323	43,405

Common stock, \$ 0.0001 par value, 511,990,000 shares authorized, 319,823,256 and 319,823,322 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	9,558,328	9,523,086
Accumulated deficit	(4,559,037)	(4,459,387)
Accumulated other comprehensive loss	(100,843)	(114,126)
Common stock held in treasury, at cost, 7,629,046 and 6,756,748 shares, respectively	(834,536)	(682,562)
Total stockholders' equity	4,107,267	4,310,448
Noncontrolling interests	621,738	649,464
<b>Total equity</b>	<b>4,729,005</b>	<b>4,959,912</b>
<b>Total liabilities and equity</b>	<b>\$ 30,946,093</b>	<b>\$ 31,103,578</b>

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

	<b>For the Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2017</b>	<b>2016</b>
<b>REVENUE:</b>		
Minimum rent	\$ 451,055	\$ 438,847
Overage rent	51,369	49,624
Tenant reimbursements	215,780	210,941
Other income	64,327	58,680
Total revenue	<u>782,531</u>	<u>758,092</u>
<b>OPERATING EXPENSES:</b>		
Property operating	132,985	131,081
Depreciation and amortization	153,455	131,480
Real estate taxes	66,583	61,509
Repairs and maintenance	20,230	19,754
Advertising and promotion	22,198	22,529
Provision for credit losses	3,777	2,690
Other	43,355	45,053
Total operating expenses	<u>442,583</u>	<u>414,096</u>
<b>OPERATING INCOME</b>	<b>339,948</b>	<b>343,996</b>
Interest expense	(142,204)	(143,758)
Gain on sale or disposal of assets and interests in unconsolidated entities	-	54,473
<b>NET INCOME</b>	<u><b>\$ 197,744</b></u>	<u><b>\$ 254,711</b></u>
<b>Third-Party Investors' Share of Net Income</b>	<u><b>\$ 99,686</b></u>	<u><b>\$ 118,809</b></u>
<b>Our Share of Net Income</b>	<b>98,058</b>	135,902
<b>Amortization of Excess Investment (A)</b>	<b>(22,457)</b>	(23,213)
<b>Our Share of Gain on Sale or Disposal of Assets and Interests</b>		
<b>Included in Other Income in the Consolidated Financial Statements</b>	-	(36,153)
<b>Income from Unconsolidated Entities (B)</b>	<u><b>\$ 75,601</b></u>	<u><b>\$ 76,536</b></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,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
<b>Assets:</b>		
Investment properties, at cost	\$ 17,851,775	\$ 17,549,078
Less - accumulated depreciation	<u>6,034,375</u>	<u>5,892,960</u>
	11,817,400	11,656,118
Cash and cash equivalents	758,716	778,455
Tenant receivables and accrued revenue, net	337,507	348,139
Deferred costs and other assets	<u>368,558</u>	<u>351,098</u>
Total assets	<u>\$ 13,282,181</u>	<u>\$ 13,133,810</u>
<b>Liabilities and Partners' Deficit:</b>		
Mortgages	\$ 14,290,665	\$ 14,237,576
Accounts payable, accrued expenses, intangibles, and deferred revenue	834,650	867,003
Other liabilities	<u>352,123</u>	<u>325,078</u>
Total liabilities	15,477,438	15,429,657
Preferred units	67,450	67,450
Partners' deficit	<u>(2,262,707)</u>	<u>(2,363,297)</u>
Total liabilities and partners' deficit	<u>\$ 13,282,181</u>	<u>\$ 13,133,810</u>
<b>Our Share of:</b>		
Partners' deficit	\$ (990,000)	\$ (1,018,755)
Add: Excess Investment (A)	<u>1,777,705</u>	<u>1,791,691</u>
Our net investment in unconsolidated entities, at equity	<u>\$ 787,705</u>	<u>\$ 772,936</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**

	<u>For the Three Months Ended</u> <u>March 31,</u>	
	<u>2017</u>	<u>2016</u>
<b>Consolidated Net Income (D)</b>	\$ 551,075	\$ 563,839
<b>Adjustments to Arrive at FFO:</b>		
Depreciation and amortization from consolidated properties	307,688	297,196
Our share of depreciation and amortization from unconsolidated entities, including Klépierre and HBS	131,218	118,242
Gain upon acquisition of controlling interests and sale or disposal of assets and interests in unconsolidated entities, net	-	(22,688)
Net loss (income) attributable to noncontrolling interest holders in properties	244	(729)
Noncontrolling interests portion of depreciation and amortization	(3,900)	(2,714)
Preferred distributions and dividends	<u>(1,313)</u>	<u>(1,313)</u>
<b>FFO of the Operating Partnership</b>	<u>\$ 985,012</u>	<u>\$ 951,833</u>

<b>Diluted net income per share to diluted FFO per share reconciliation:</b>		
<b>Diluted net income per share</b>	<b>\$ 1.53</b>	<b>\$ 1.55</b>
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	1.21	1.14
Gain upon acquisition of controlling interests and sale or disposal of assets and interests in unconsolidated entities, net	-	(0.06)
<b>Diluted FFO per share</b>	<b>\$ 2.74</b>	<b>\$ 2.63</b>

Details for per share calculations:		
FFO of the Operating Partnership	\$ 985,012	\$ 951,833
Diluted FFO allocable to unitholders	(129,429)	(136,899)
Diluted FFO allocable to common stockholders	<u>\$ 855,583</u>	<u>\$ 814,934</u>
Basic and Diluted weighted average shares outstanding	312,810	309,416
Weighted average limited partnership units outstanding	47,320	51,979
Basic and Diluted weighted average shares and units outstanding	<u>360,130</u>	<u>361,395</u>
Basic and Diluted FFO per Share	\$ 2.74	\$ 2.63
Percent Change	4.2%	

**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 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 charges 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 charges relating to, previously depreciated retail operating properties. We include in FFO gains and losses realized from the sale of land, outlot buildings, marketable and non-marketable securities, 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 \$2.7 million and \$1.6 million for the three months ended March 31, 2017 and 2016, respectively.
  - Straight-line adjustments increased minimum rent by \$10.2 million and \$15.1 million for the three months ended March 31, 2017 and 2016, respectively.

- Amortization of fair market value of leases from acquisitions increased income by \$1.7 million and \$2.6 million for the three months ended March 31, 2017 and 2016, respectively.
- Debt premium amortization of \$0.1 million and \$4.2 million for the three months ended March 31, 2017 and 2016, respectively.

To view the original version on PR Newswire, visit: <http://www.prnewswire.com/news-releases/simon-property-group-reports-first-quarter-2017-results-and-94-year-over-year-increase-in-quarterly-dividend-300446776.html>

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