



RETAIL ESTATES



PRESS RELEASE

Regulated information

Ternat, 4 September 2020, 5:40pm

INTERIM STATEMENT OF THE BOARD OF DIRECTORS – COVID 19 (CORONAVIRUS) UPDATE

FIRST QUARTER 2020-2021¹ (closed on 30.06.2020)

EPRA EARNINGS² FOR THE FIRST QUARTER OF THE FINANCIAL YEAR 2020-2021 AMOUNTS TO EUR 12.45 MILLION. COVID IMPACT LIMITED TO LESS THAN 5% OF CONTRACTUAL ANNUAL RENTS

THE FAIR VALUE OF THE REAL ESTATE PORTFOLIO TOTALS EUR 1,732.38 MILLION ON 30 JUNE 2020

RECOVERY OF RENTAL PAYMENTS AS FROM JUNE 2020

¹ The figures given in this press release are the consolidated, unaudited figures and are in accordance with the IFRS.

² EPRA earnings are calculated as follows: net result excluding changes in the fair value of investment properties, excluding the result on the disposal of investment properties and excluding changes in the fair value of financial assets and liabilities.

COVID19 (CORONAVIRUS) - UPDATE

After the successful settlement of the financial agreements that were made with respect to the rental income for the period of mandatory closure in Belgium as a result of the liquidity problems of its tenants, Retail Estates sees that payment transactions have recovered since 1 June 2020. The collection rate of the invoiced rents for the period June - August amounts to 98% (excluding Brantano, see below). All tenants in Belgium have de facto paid all rents except 1 month on average, which was waived. The COVID impact was limited to 4.81% of the contractual annual rents. No financial agreements have been made that relate to the period after June 30, 2020.

Information from tenants in the home furnishing segment (41% of the portfolio) shows an unprecedented increase in turnover as a result of the changed consumer behavior throughout the Benelux. As a result of the lockdown, consumers appear to have developed an increased interest in furnishing their homes. In the other segments, functional shopping (runshopping) appears to lead to unexpected increases in turnover. Significant savings were made in technical and commercial expenses in the first quarter. These cost savings have ensured that the operational margin was maintained at the level of the previous periods. These savings will mostly continue in the second quarter.

1. REAL ESTATE ACTIVITIES DURING THE FIRST QUARTER 2020-2021

1.1 RENTAL INCOME AND OCCUPANCY RATE¹

Net rental income amounted to EUR 21.34 million in the first quarter of the financial year, a decrease by 16.75% with respect to the comparable quarter in the 2019-2020 financial year. The decrease can be explained by the discounts granted within the context of COVID19 (EUR-5.65 million) and by the creation of a provision for doubtful receivables for EUR-1.90 million. The rental income has increased compared to last year (EUR + 2.96 million) thanks to the new investments of the current and the previous financial year.

We would like to draw the attention to the additional rental income of EUR 5 million (on an annual basis) coming from the new investments (see infra).

The occupancy rate of the entire portfolio was 97.46% on 30 June 2020, compared to 97.92% on 31 March 2020.

1.2 FAIR VALUE² OF THE REAL ESTATE PORTFOLIO

The fair value of the real estate portfolio (including non-current assets under construction) on 30 June 2020 amounted to EUR 1,732.38 million, which represents an increase by EUR 70.62 million (+4.25%) compared to the fair value on 31 March 2020 (EUR 1,661.75 million). This is attributable to the investments and divestments in the first quarter and the variations in the fair value of investment properties.

There is a limited depreciation in the fair value of the real estate portfolio (-0.43%) as a result of the covid 19 correction (-0.13%) on the one hand and as a result of the depreciation of the transaction costs of the acquisition of the retail parks at Den Bosch and Maastricht on the other hand.

No general depreciations were recorded on the portfolio, only rental adjustments of 1 to 9 months for specific fashion tenants. In the Netherlands, the depreciations mainly concerned 2 smaller retail parks with a local (more limited) attraction zone.

¹ The occupancy rate is calculated as the ratio of the surface area actually leased out to the surface area available for lease, expressed in m².

² Fair value: investment value as determined by an independent real estate expert, with hypothetical transfer taxed deducted. The fair value is the carrying amount under the IFRS (see also note 21 of the 2019-2020 annual report).

What the valuation by our real estate expert concerns, we find that like on 31 March 2020, the valuations on 30 June 2020 are represented on the basis of a “material uncertainty in relation to the valuation”.

The evolution of these valuations in the next quarters is something that cannot be predicted. Expectations are that the vacancy rate in the sector, which is now relatively low, may increase, causing pressure on rental price levels. After all, it is not certain whether customers, in particular in the fashion segment, will be able to find sufficient financing to rent and decorate vacant properties. This may have a negative influence on the valuations, which in turn will inevitably have an impact on the debt ratio.

1.3 INVESTMENTS – RETAIL PARKS

The Netherlands

PURCHASE OF RETAIL PARK “DE BOSSCHE BOULEVARD”

On 7 April 2020 Retail Estates acquired the retail park “De Bossche Boulevard”, situated in ‘s-Hertogenbosch (the Netherlands – province of North Brabant).

This retail park has a surface area of approximately 50,000 m² and has a strong regional appeal in an area of 960,000 inhabitants living a 20 minutes’ drive or less away. The city of Den Bosch itself has 154,000 inhabitants, accounting for the largest group of customers. The customer zone is located in the centre of the Breda-Utrecht-Eindhoven triangle. Together with the Randstad region and the province of Limburg, this is the area where Retail Estates concentrates its investments on account of the strong purchasing power present in the region and its economic performance. De Bossche Boulevard comprises 29 retail units, all of which are let, mainly to retail chains like Praxis, Mediamarkt, Leen Bakker, Kwantum, Prenatal and X2O. It’s a retail park of the latest generation, where not only large-scale retail activities are allowed, but where electric appliances, sports articles and baby items can be sold as well. The net rental income amounts to EUR 4.53 million, which comes down to an average rent of EUR 93/m².

This amount is below the national average and that of the other retail parks owned by Retail Estates in the Netherlands.

The amount invested is EUR 68.70 million and the fair value calculated by the real estate expert Cushman & Wakefield amounts to EUR 65.42 million. This acquisition was entirely financed with the proceeds of the successful issue of a bond loan of EUR 75 million, which was completed by Retail Estates in late December 2019.

PURCHASE OF RETAIL PARK BELVÉDÈRE MAASTRICHT (NETHERLANDS, PROVINCE OF LIMBURG)

On 13 February 2020 Retail Estates entered into an agreement with a view to the purchase of the retail park Belvédère (phase 1), that was under construction in Maastricht. The complex consists of 7,850 m² of retail area subdivided into five retail units, which will all be let to retail chains from the home decoration section (i.a. Jysk, Beter Bed, Leen Bakker, Carpetright).

Retail Estates acquired the buildings on 2 June. Rental agreements have been entered into for a period of 10 years, with an option for 5-year extensions. The investment amounts to EUR 10 million (exclusive of recoverable VAT) and generates a rental income of EUR 0.66 million. The real estate expert Cushman & Wakefield set the fair value at EUR 9.97 million. Maastricht is the capital of the Dutch province of Limburg and is known in the retail sector as one of the best shopping areas in the Netherlands. Its historic city centre attracts customers from beyond the Dutch borders. The city itself has approximately 121,000 inhabitants and is situated in a prosperous region, extending from Amsterdam over the Randstad region to the Southern Netherlands, where Retail Estates concentrates its investments. The construction of the Belvédère retail park is part of the Belvédère urban development plan, within the context of which the city of Maastricht aims at the reconversion of decommissioned industrial sites with a surface area of approximately 300 ha.

This development plan previously led to the conversion of a major industrial heritage site, the Sphinx factory, into a new city district that also accommodates retail trade in the form of a branch of Loods 55, a large-scale home decoration store. Conversely, the Belvédère retail park is constructed at a new business site that was created after the demolition of industrial buildings. The city of Maastricht is one of the last Dutch cities to grant permits for a retail park destined for large-scale retail trade. Retail Estates therefore regards this acquisition as a great opportunity, increasing the total number of its retail parks in the Netherlands to 17. The development of this new complex in retail park Belvédère was made possible by K&F Ontwikkeling BV, which is part of the K&F Group and owned by J.J. Krimpenfort, who became a reference on the Dutch out-of-town retail market after having expanded the retail network of Carpetright from a local to a national player. Over the past 20 years, he has extended his activities to project development and advice to national retailers.

1.4 DIVESTMENTS

In the past quarter, one retail unit in Ninove was sold to a private investor. An added value of EUR 0.32 million was recorded compared to the fair value.

1.5 EVENTS AFTER THE BALANCE SHEET DATE

FNG GROUP

On 8 July 2020, the judicial reorganisation proceedings were started with regard to the retail activities of the FNG group. Several factors, including the outbreak of the COVID-19 virus, caused a number of Belgian companies of the FNG group to be declared bankrupt earlier than expected (on 3 August 2020). At present, the decision-making power with regard to the retail activities of FNG lies in the hands of the trustees in bankruptcy for a few more weeks. In the month of July 2020 all rents were paid correctly by the FNG group. It's too early to make any predictions relating to the possible re-letting of the retail units that were let to these companies, as the trustees in bankruptcy are in a first phase trying to sell the majority of the retail activities to one or several parties. The trustees in bankruptcy have informed Retail Estates of the transfer of seven retail units to the Deichmann (Van Haren) group, effective on 1 October 2020. The seven rental agreements that will be transferred represent a rental income of EUR 0.84 million. The rental agreements were transferred at the same conditions as before.

On the date on which bankruptcy was declared, Brantano and its affiliates were the tenants of 26 retail units, representing a total rental income of EUR 3.2 million.

The judicial reorganisation proceedings relating to Maxitoys Belgium NV has led to an acquisition of 5 retail units from the portfolio of Retail Estates by the French King Jouet group at the same rental conditions as before. Only one retail unit was not acquired, and expectations are that the trustees in bankruptcy will terminate the rental agreement by 31 December. The potential loss of rental income amounts to EUR 0.11 million on an annual basis.

The judicial reorganisation proceedings relating to E5-mode was completed successfully with continuation of all the activities. A significant debt reduction was achieved. Retail Estates did not incur any losses in this respect.

2. KEY FIGURES AS AT 30 JUNE 2020

2.1 EPRA EARNINGS AND NET RESULT

On 30 June 2020, the EPRA earnings had evolved to EUR 12.45 million compared to EUR 16.25 million in the comparable period in the 2019-2020 financial year. The calculation of the EPRA earnings per share takes into account the weighted average number of shares on 30 June 2020, i.e. 12,630,414. The EPRA earnings per share (on the basis of the weighted average number of shares) amounted to EUR 0.99 on 30 June 2020, compared to EUR 1.41 on 30 June 2019 (on the basis of the weighted average number of shares at that time, i.e. 11,545,037).

On 30 June 2020 the net result amounted to EUR 1.67 million and takes into account the EPRA earnings (EUR 12.45 million), the variation in the fair value of the investment properties (EUR-7.61 million, see above), the result on disposals (EUR 0.29 million, see above) and the variation in the fair value of financial assets and liabilities (EUR-3.46 million). In order to limit the interest risk on the financing of its investments, Retail Estates has implemented a very cautious hedging strategy (cash flow hedges), according to which floating rate debts are converted into fixed-rate debts in the long term. This is an unrealised and non-cash cost.

2.2 WEIGHTED AVERAGE INTEREST RATE¹

On 30 June 2020 the weighted average interest rate was 2.05%, compared to 2.13% on 31 March 2020 and 2.20% on 30 June 2019, and results from the changed composition of the credit portfolio, partly on account of the reallocation of appropriations in the past financial year and partly on account of new appropriations. Retail Estates combines bilateral credits at different banking partners with private placements of bonds for institutional investors and with a commercial paper programme (fully covered by back-up lines). The average maturity of the credit portfolio is 4.4 years.

2.3 INFORMATION PER SHARE

	30.06.2020	31.03.2020
Number of shares in circulation	12.630.414	12.630.414
Weighted average number of shares	12.630.414	12.630.414
Net asset value per share IFRS ²	63.39	63.26
EPRA NAV ³	65.96	65.55
Net asset value per share (investment value) excluding dividend excluding the fair value of authorised hedging instruments	65.34	65.69
	30.06.2020	30.06.20219
EPRA earnings per share (based on weighted average number of shares)	0.99	1.41
EPRA earnings per share (based on number of shares entitled to dividends)	0.99	1.29

¹ The interest charges (including the credit margin and the cost of the hedging instruments) divided by the weighted average financial debt of the current period.

² This net asset value of 30 June 2020 already includes the processing of the payment of the dividend for the 2019-2020 financial year and includes the result dividend for the first quarter of the 2020-2021 financial year

³ EPRA NAV is calculated as follows: shareholders' equity (excluding the fair value of the authorised hedging instruments) divided by the number of shares

2.4 DEBT RATIO

The debt ratio amounts to 53.68% on 30 June 2020, compared to 53.10% on 31 March 2020. The increase in the debt ratio was limited because the credit lines to finance the acquisitions of De Bossche Boulevard and Belvédère Maastricht (see above) were already used before 31 March 2020.

3. OUTLOOK

Macroeconomic uncertainties do not allow predictions about the evolution of the fair value of investment properties nor about the changes in the fair value of interest rate hedging instruments. The evolution of the intrinsic value of the shares, which is sensitive to this, is therefore uncertain.

The expected dividend is maintained at EUR 4.40 gross per share. The low payout ratio of the past few years has resulted in the fact that the net rents had to considerably decrease (by more than 15%) in the aftermath of the Covid-19 crisis before the dividend amount would have to be reduced. This seems to be improbable at present, but the risk can never be excluded.

4. FINANCIAL CALENDAR

Announcement of the half-year results for the 2020-2021 financial year
Announcement of the annual results of the 2020-2021 financial year

20 November 2020
14 May 2021

ABOUT RETAIL ESTATES NV

The Belgian public real estate investment trust Retail Estates nv is a niche player specialised in making in out-of-town retail properties located on the periphery of residential areas or along main access roads to urban centres available to users. Real Estates NV acquires these real properties from third parties or builds and commercialises retail buildings for its own account. The buildings have useful areas ranging between 500m² and 3,000m². A typical retail building has an average area of 1,000 m².

As of 30 June 2020, Retail Estates nv has 1,004 premises in its portfolio with a total retail area of 1,194,788m², spread over Belgium and the Netherlands. The occupancy rate of the entire portfolio was 97.46% on 30 June 2020, compared to 97.92% on 31 March 2020. The fair value of the consolidated real estate portfolio of Retail Estates NV as at 30 June 2020 is estimated at EUR 1,732.38 million by the independent real estate experts.

Retail Estates NV is listed on Euronext Brussels and Euronext Amsterdam and is registered as a public regulated real estate company.

FORWARD-LOOKING STATEMENTS

This press release contains a number of forward-looking statements. Such statements are subject to risks and uncertainties which may lead to actual results being materially different from the results which might be assumed in this press release on the basis of such forward-looking statements. Major factors that may influence these results include changes in the economic situation, commercial, tax-related and environmental factors.

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