



RETAIL ESTATES



Press release

Ternat, 22 February 2021

INTERIM STATEMENT OF THE BOARD OF DIRECTORS

THIRD QUARTER 2020-2021¹ (CLOSED ON 31.12.2020)

NET RENTAL INCOME OF € 75.87 MILLION.

EPRA EARNINGS² FOR THE THIRD QUARTER OF FINANCIAL YEAR 2020-2021 AMOUNT TO € 47.91 MILLION (€ 3.79 PER SHARE). DECREASE COMPARED TO THE SAME PERIOD LAST YEAR LIMITED TO € 3.73 MILLION OR 7.23%, DESPITE THREE MONTHS OF COMPULSORY CLOSURE OF BELGIAN SHOPS.

THE FAIR VALUE OF THE REAL ESTATE PORTFOLIO³ TOTALS € 1,730.68 MILLION ON 31 DECEMBER 2020. THIRD CONSECUTIVE QUARTER OF NO DECREASE IN PORTFOLIO VALUE, IN CONTRAST TO OTHER RETAIL PROPERTY.

DIVIDEND: PROGNOSIS OF € 4.40 GROSS DIVIDEND CONFIRMED. SAME LEVEL AS LAST YEAR'S DIVIDEND DESPITE THE CORONA CRISIS.

ARBITRATION WITHIN REAL ESTATE PORTFOLIO FREES UP RESOURCES FOR CURRENT INVESTMENTS.

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.

³ Including land reserves and projects under development.

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

1.1. Rental income and occupancy rate¹

The net rental income amounts to € 75.87 million for the first three quarters of the financial year, a decrease by € 4.24 million compared to the same period in the past financial year 2019-2020. This decrease is due to the coronavirus but could largely be compensated by the additional rental income from investments in the past and current financial year. An amount of EUR €1.85 million relates to the partial cancellation of rents related to the closure period in November 2020. The rental income on 31 December 2020 does not include the effect of the mandatory closure in the Netherlands. This closure period started on 15 December 2020 and will end on 2 March 2021, subject to extension. Retail Estates has 25 tenants in the horeca industry, whose businesses have been closed for a long time, both in Belgium and in the Netherlands.

The occupancy rate of the portfolio was 96.29% on 31 December 2020, compared to 97.98% on 31 December 2019. The decrease is entirely due to the impact of the bankruptcy of various tenants in the Belgian portfolio. The majority of the retail properties for which the lease agreement was suddenly terminated by the trustees of the bankrupt companies were immediately let again without loss of rental income. For 11 of the retail premises vacated by bankruptcy, a tenant is still searched or permits have been applied for with a view to letting them in a different retail segment. In spite of the repeated mandatory closures, there is still a strong demand for retail properties, especially by tenants from the home improvement and the food/consumer goods sector.

1.2. Fair value² of the real estate portfolio

The fair value of the real estate portfolio (including non-current assets under construction) amounted to € 1,730.68 million on 31 December 2020, which represents an increase by € 68.92 million (+4.15%) compared to the fair value on 31 March 2020 (€ 1,661.75 million). This is attributable to the investments and divestments in the first three quarters, the variations in the fair value of investment properties and a few strategic divestments.

The variation in the fair value of the real estate portfolio is €-3.22 million and can mainly be explained by an increase in value of the real estate portfolio by € 2.19 million and the one-off depreciation of the transaction costs at the time of the initial valuation for the acquisition of the retail parks in Den Bosch and Maastricht and the retail property in Duiven (€-5.41 million).

Over the last three quarters, the valuation of the portfolio, at a constant perimeter and therefore abstracting from purchases or sales during the financial year, has remained stable or even increased slightly. In contrast to other segments of retail properties, the peripheral retail property market is very stable. The fact that there was no general write-down on the value of the portfolio as a result of the corona crisis is mainly explained by the favourable development of the level of rent collection when the shops reopened, as well as the continuing appetite of entrepreneurs and the demand for shop premises.

As of 31 December 2020, the real estate portfolio consists of 993 properties with a lettable surface of 1,188,253 m².

¹ The occupancy rate is calculated as the effective leased surface area in relation to the lettable surface area, expressed in m².

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

1.3. Arbitration within the real estate portfolio

Since the start of the financial year, Retail Estates has taken advantage of the high prices that are currently paid by private investors in Belgium for solitary retail properties. In addition, the company sold its edge-of-town retail park in Alphen aan den Rijn (the Netherlands) to an institutional investor for an amount of € 15.60 million¹. In particular, in the past quarter, two retail properties in Belgium were sold to private investors, with a total sales revenue of € 6.12 million. This concerned a retail property in Deinze that is let to Hubo, with an annual rental income of € 0.29 million, and a vacant retail property in Fléron that used to be let to Orchestra for an annual rent of € 0.09 million.

These transactions resulted in a total capital gain of € 1.72 million compared to the fair value of these retail properties estimated by the real estate experts on 30 September 2020.

The sales revenue of € 21.68 million was mainly invested in the acquisition of a retail property in Duiven (the Netherlands), the ongoing construction projects in Jambes-Namur (Belgium) and Hognoul-Liège (Belgium) and the reorganisation of retail parks in Roosendaal (the Netherlands) and Apeldoorn (the Netherlands).

This arbitrage makes it possible for Retail Estates to optimise its portfolio without an additional increase in the debt ratio.

2. EVENTS AFTER THE BALANCE SHEET DATE

With the exception of the evolutions related to COVID 19, there are no significant events that have occurred after 31 december 2020.

3. KEY FIGURES AS AT 31 DECEMBER 2020

3.1 EPRA Earnings

On 31 December 2020 the EPRA earnings had evolved to € 47.91 million compared to € 51.64 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 31 December 2020, i.e. 12,647,510. The EPRA earnings per share (on the basis of the weighted average number of shares) amounted to € 3.79 on 31 December 2020, compared to € 4.21 on 31 December 2019.

3.2. Net result

The net result, which also takes into account the results on disposals of investment properties (€ 1.82 million), the variations in the fair value of the investment properties (€-3.23 million), the other result on portfolio (€ 0.01 million) and the variations in the fair value of financial instruments (€-3.60 million) amounted to € 42.91 million as at 31 December 2020.

¹ We refer to the published half-year report 2020-2021 for more information.

3.3. Information per share

	31.12.2020	31.03.2020
Number of shares in circulation	12.665.763	12.630.414
Weighted average number of shares	12.647.510	12.359.942
Net asset value per share IFRS	62,29	63,26
EPRA NAV	64,87	65,55
Net asset value per share (investment value) excluding dividend excluding the fair value of authorised hedging instruments	66,40	65,73
	31.12.2020	31.12.2019
EPRA earnings per share (based on weighted average number of shares)	3,79	4,21
EPRA earnings per share (based on number of shares entitled to dividends)	3,78	4,09

3.4. Debt ratio

The debt ratio is 52.93% on 31 December 2020, compared to 53.10% on 31 March 2020.

4. OUTLOOK – DIVIDEND PROGNOSIS

The dividend forecast is maintained at € 4.40 gross per share (€3.08 net per share), which is the same level as the dividend for the 2019-2020 financial year, despite the 3-month store closure in Belgium and the Netherlands as a result of the corona crisis.

Macroeconomic uncertainties and the further evolution of the corona pandemic 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.

It is expected that the uncertainties experienced by consumers when shopping will continue to benefit the peripheral retail locations until at least the end of 2021.

5. FINANCIAL CALENDAR

Announcement of the annual results of the 2020-2021 financial year	25 May 2021
General meeting	19 July 2021
Ex-coupon date dividend	26 July 2021
Dividend made available for payment	28 July 2021

ABOUT RETAIL ESTATES NV

The 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 31 December 2020, Retail Estates nv has 993 premises in its portfolio with a total retail area of 1,188,253 m², spread over Belgium and the Netherlands. The occupancy rate of the portfolio was 96.29% on 31 December 2020, compared to 97.92% on 31 March 2020. The fair value of the consolidated real estate portfolio of Retail Estates NV as at 31 December 2020 is estimated at € 1,730,674,786.71 by 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.

Ternat, 22 February 2021

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