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Analyst meeting

1 June 2015

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# Retail warehousing Trends 2015



# 1. Demand side: retailers

- ★ High absorbency rate:
  - Sale Home Market - Orchestra
- ★ Limited amount of new retailers:
  - Mainly further consolidation
- ★ Push private equity – acceleration bank financing retailers
- ★ Ongoing exodus from city centres:
  - Smaller: Kruidvat, Ici Paris XL, Veritas, Hunkemöller
  - Services: Bank



## 2. Supply side

- ✦ Basic assumption:
  - Promotors: develop on greenfield locations
  - Investors: invest on locations in demand
  
- ✦ Promotion – coming to an end?
  - Financing
  - Lucrative basis
  
- ✦ Supply existing retail properties:
  - Family investor: buyer on balance more as seller
  - Private funds (closed-end)
  - Retailers: the sky is the limit?
  - Foreign institutionals
  - Belgian institutionals
  - Other: tax environment, complexity regulations, succession
  
- ✦ New regulation retail permits: Brussels – Wallonia – Flanders



## 3. Rental prices and valuation

### ★ 3.1 Rental prices

- Flat indexation – evolution?
- Higher tax pressure (property tax, local tax)
- “Covenants” with local government
- Rental discounts and step-ups
- Lease renewals:
  - Smaller surface
  - Higher prices
- Variable rent



# 3. Rental prices and valuation

## ★ 3.2 Valuation

### ➤ Yield:

- Individual locations – private market versus institutional
- Clusters – institutional market

### ➤ ERV

- Reference framework



## 4. Investment policy Retail Estates

- ★ Acquisition retail parks (25%)
  - Wetteren (out-of-town) – 10,423m<sup>2</sup> – 14 properties – fair value 20.34 million – rental income 1.30 million – extension
  - Oudenaarde (edge-of-town) – 7,963m<sup>2</sup> – 10 properties – fair value 7.58 million – rental income 0.67 million
  - Joint ventures: Beringen (18,000m<sup>2</sup>) – fully let – 1 July-30 September 2015
- ★ Clusters (50%) – 41 locations
  - Orchestra deal – investment value 34.59 million – 14 properties
- ★ Solitary locations (25%)
  - Local economy (food, clothing, shoes, DIY) – every city its retail park!
- ★ Improvement / renovation / expansion
  - Erembodegem – distribution centre Brantano
  - Winterslag - Aldi
  - Erpent - Namen

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# Consolidated income statement as of 31.03.2015



Net rental income	Actual YTD 2015	Actual YTD 2014
In 000 Eur	52,706	47,024
Var %		12.08%
Var Eur		5,682

### Context

- Rental charges and occupancy rate (98.78%) at a high level

### Variance Q4 2015 versus Q4 2014

- Gross rents + 5,502 (see next slide)



## Variance Q4 (YTD) 2015 versus Q4 (YTD) 2014 (excl. Distri-Land)

Description	Amount (in EUR 000)
Purchases 2014 / 2015 – Reception projects 2014 / 2015	5,642
Rent renewals same tenant - new tenant	155
Discounts – Vacancy 2014 (not longer applicable)	530
Discounts – Vacancy 2015	-279
Disposals 2014 / 2015	-897
Indexation	351
<b>TOTAL</b>	<b>5,502</b>



Property result	Actual YTD 2015	Actual YTD 2014
In 000 Eur	52,334	46,761
Var %		11.92%
Var Eur		5,573

### Variance Q4 2015 versus Q4 2014

- In line



Property charges	Actual YTD 2015	Actual YTD 2014
<b>In 000 Eur</b>	<b>-3,362</b>	<b>-3,044</b>
<b>Var %</b>		<b>-10.44%</b>
<b>Var Eur</b>		<b>-318</b>
Technical costs	-1,466	-1,275
Commercial costs	-239	-230
Vacancy costs	-135	-122
Property management costs (office, housing, fees, staff)	-1,518	-1,417
<i>Office &amp; IT</i>	-93	-91
<i>Housing costs</i>	-61	-52
<i>Fees to third parties</i>	-241	-224
<i>Public relations</i>	-11	-3
<i>Staff costs</i>	-1,071	-1,017
<i>Management fees</i>	23	53
<i>Depreciations on office furniture, IT equipment and software</i>	-65	-83
Other	-4	0



Property charges	Actual YTD 2015	Actual YTD 2014
In 000 Eur	-3,362	-3,044
Var %		-10.44%
Var Eur		-318

### Variance Q4 2015 versus Q4 2014

- Technical costs +190K due to increase portfolio
- Staff costs +54K



Operating property result	Actual YTD 2015	Actual YTD 2014
In 000 Eur	48,972	43,716
Var %		12.02%
Var Eur		5,256
% Net rent	92.91%	92.96%
% Increase result versus % Increase net rental income		12.02% 12.08%

### Benchmark 31.03.2015

- Vastned Retail Belgium: 90.45%
- Ascencio: 92.78% (results 31 December)

Increase of charges remains in relation to growth portfolio – low scale advantage property charges

Few non-recurring elements



Operating corporate costs	Actual YTD 2015	Actual YTD 2014
In 000 Eur	-2,888	-2,400
Var %		-20.33%
Var Eur		-488
<i>Office &amp; IT</i>	-116	-111
<i>Housing costs</i>	-74	-69
<i>Fees to third parties</i>	-573	-258
<i>Public relations</i>	-49	-48
<i>Staff costs</i>	-836	-773
<i>Remuneration of board of directors</i>	-201	-220
<i>Taxes and legal costs</i>	-1,039	-921



Operating corporate costs	Actual YTD 2015	Actual YTD 2014
In 000 Eur	-2,888	-2,400
Var %		-20.33%
Var Eur		-488

### Variance Q4 2015 versus Q4 2014

- Increased compared to last year due to:
  - Third party fees: +315K (status change to Belgian REIT: 200K + M&A 130K)
  - Taxes and legal costs: +120K
    - Increase fees valuation experts due to increase portfolio
    - Increase ICB-tax (so called “abonnementstax”)





Operating result (before result on portfolio)	Actual YTD 2015	Actual YTD 2014
In 000 Eur	46,084	41,316
Var %		11.54%
Var Eur		4,768
% Net rent	87.44%	87.86%
% Increase operating result versus % Increase net rental income		11.54% 12.08%

### Variance Q4 2015 versus Q4 2014

- Decrease operating margin by increase corporate charges, mainly costs regarding change of status

### Benchmark

- Ascencio: 84.82% (results 31 December)
- Vastned Retail Belgium: 84.24%



Financial result	Actual YTD 2015	Actual YTD 2014
In 000 Eur	-17,128	-15,787
Var %		-8.49%
Var Eur		-1,341

### Variance Q4 2015 versus Q4 2014

- Financial costs:
  - Debt financing acquisitions
  - Average interest rates 4.35% (4.50% per 31 March 2014)



Taxes (tax leakage)	Actual YTD 2015	Actual YTD 2014
<b>In 000 Eur</b>	<b>-328</b>	<b>-457</b>
Income tax	-27	-424
Deferred tax	-326	-158
Exit tax	25	125
Var %		28.23%
Var Eur		129

### Variance Q4 2015 versus Q4 2014

- Corporate tax: depends on the number of subsidiaries active at the specific moment
- Exit tax: depends on the number and timing of the mergers and valuation at that moment



Net current result	Actual YTD 2015	Actual YTD 2014
In 000 Eur	28,628	25,072
Var %		14.18%
Var Eur		3,556
Net current result Group	28,628	25,072



Portfolio result	Actual YTD 2015	Actual YTD 2014
In 000 Eur	6,610	3,496
Disposals	479	236
Valuations	6,131	3,260

### Verkopen Q4 2015 actual

- Plus value on disposal properties:
  - 9 premises sold at 8.08 mio EUR
  - 1 cy BR1LUX : 8.22 mio EUR

### Waarderingen Q4 2015 actual

- Rent renewals (mainly Distri-Land – increase valuation 1.96 mio EUR)
- Yield compression



Net result	Actual YTD 2015	Actual YTD 2014
In 000 Eur	35,238	28,568
Var %		23.35%
Var Eur		6,670



Earnings per share	Actual YTD 2015	Actual YTD 2014
In 000 Eur		
Net current result (Group)	28,628	25,072
Result on portfolio	6,610	3,496
Net result (Group)	35,238	28,568
Number of shares	7,559,473	7,290,411
Weighted average number of shares	7,381,081	6,930,195
Current result / share (group) (weighted average number of shares)	3.88	3.62
Current result / share (group) (total number of shares entitled to dividend)	3.79	3.44
Result on portfolio/ share (weighted average number of shares)	0.90	0.50
Net result / share (weighted average number of shares)	4.78	4.12





# Consolidated balance sheet as of 31.03.2015



Assets: Investment properties*	31.03.2015	31.03.2014
In 000 Eur	837,121	745,916
Var %		12.23%
Var Eur		91,205

## Note

Most important purchases and receptions during the financial year :

- Acquisition by purchase or contribution real estate companies : 28.38 mio
- Investments for 71.03 mio
- Disposal real estate cy's: -6.87 mio
- Disposal investment properties: -2.31 mio
- Transfer to assets held for sale: -5.91 mio
- Portfolio valuation : 6.89

\* Includes project developments in accordance with the amended IAS 40 standard (34,170). The projects are booked at fair value when they are contracted, licensed and let. The projects for which no license and / or tenant were found, are recorded at acquisition costs plus capitalised finance costs.



Assets: Assets held for sale	31.03.2015	31.03.2014
In 000 Eur	4,819	4,385
Var %		9.89%
Var Eur		434

### Note

These are properties for which a sales agreement has been signed, but the notarial deed is not yet signed. As of 31 March 2015, these properties are :

- Plots of land of “Zee en Polder” (3,258 KEUR) (for these plots of land no agreement has been signed, but they are actively put on the market since they are no strategic investment – the plots of land which will not be sold before 31 December 2017 will be rebought by the promotor)
- Bilzen: 1,560 KEUR



## Note

### DETAIL PROJECT DEVELOPMENTS (included in investment properties)

TOTAL =	34,170
Erpent :	2,664
Projects RWI :	179
Waremmes :	705
Waver Berlot :	385
Jambes :	2,549
Champion 3 :	298
Barchon :	516
Genk :	2,305
Mol :	1,003
Be-Mine :	19,273
Verviers :	515
Tienen – Orchestra :	3,049
Erembodegem – Mercedes :	260
Frun Park Wetteren :	27
Other :	442



Assets: Trade receivables	31.03.2015	31.03.2014
In 000 Eur	1,168	725
Var %		61.10%
Var Eur		443

- Increase mainly due to increase trade receivables



Assets: Tax receivables	31.03.2015	31.03.2014
In 000 Eur	1,399	1,899
Var %		-26.33%
Var Eur		-500

- Withholding tax for an amount of 550 has been received



Assets: Cash and cash equivalents	31.03.2015	31.03.2014
In 000 Eur	1,469	2,189
Var %		-32.89%
Var Eur		-720



Shareholders' equity	31.03.2015	31.03.2014	Var Eur
in 000 Eur			
<b>Total shareholders' equity</b>	<b>381,212</b>	<b>356,523</b>	<b>24,689</b>
<b>Shareholders' equity Group</b>	<b>381,212</b>	<b>356,523</b>	<b>24,689</b>
Capital	166,902	160,962	5,941
Issue premium	101,839	93,095	8,744
Legal reserve	411	436	-26
Reserve portfolio result	88,757	86,926	1,831
Available reserve	9,103	7,859	1,244
2.5% transaction costs	-20,861	-18,387	-2,474
Variation fair value swaps	-24,587	-23,882	-705
Result carried forward	24,409	20,946	3,463
Result of the financial year	35,238	28,568	6,670



Liabilities	31.03.2015	31.03.2014	Var Eur
in 000 Eur			
<b>Total</b>	<b>466,227</b>	<b>399,341</b>	<b>66,886</b>
Financial debt LT	340,379	327,677	12,702
Financial debt ST	57,209	22,421	34,788
Financial derivates	24,587	23,882	705
Other long-term debts	14,251	14,267	-16
Other short-term debts	29,800	11,094	18,706
Debt ratio	51.54%	49.10%	2.44%

## Note

The increase of the financial debts relates to:

- Variance Financial debt (ST + LT)
  - Bond + 30 mio
  - Bilateral financial debt = 19 mio
- Negative value financial instruments + 705
- Other long term debts include debt regarding minority Retail Warehousing Invest
- Other short term debts include debt regarding minority Mijn Retail







# Financial debts

- ★ Average interest rate 31.03.2015 = 4.35%
- ★ Average maturity 31.03.2015 = 36 months
- ★ Ratio fixed-variable = 94.71% fixed or swapped\*

\* Taking into account the outstanding credit lines, the hedging ratio is 73.61%.



# Financial debts: overview hedgings

Hedging	
IRS	272,444,026
Fixed interest rate	74,332,848
Bond with fixed interest rate	30,000,000
CAP	0
FLOOR	0
<b>Total</b>	<b>376,776,874</b>



## Financial debt: overview maturity

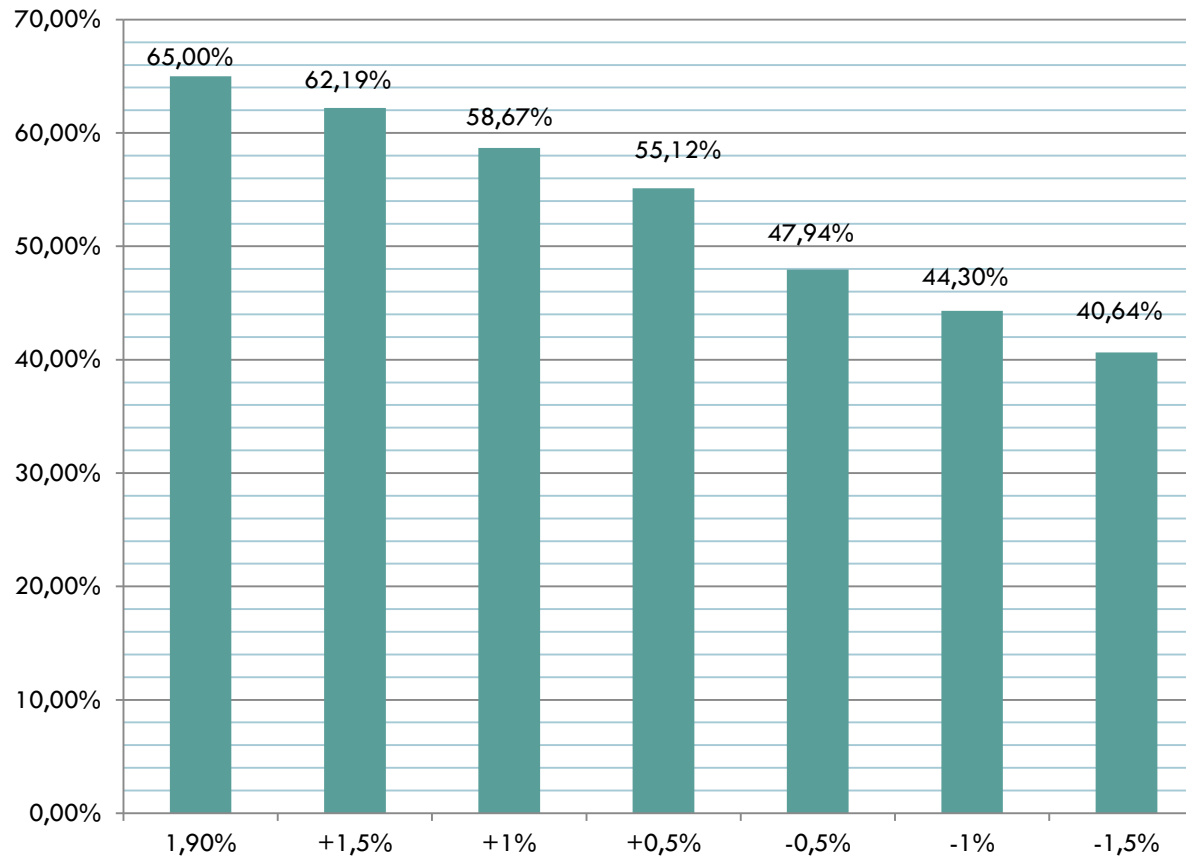
year	amount	%
<b>31/03/2016</b>	57,209,360	<b>14.38%</b>
<b>31/03/2017</b>	93,705,106	<b>23.55%</b>
<b>31/03/2018</b>	111,366,173	<b>27.99%</b>
<b>31/03/2019</b>	1,629,144	<b>0.41%</b>
<b>31/03/2020</b>	89,599,952	<b>22.52%</b>
<b>31/03/2021</b>	11,417,377	<b>2.87%</b>
<b>31/03/2022</b>	31,272,363	<b>7.86%</b>
<b>31/03/2023</b>	1,030,358	<b>0.26%</b>
<b>2023-2031</b>	610,730	<b>0.15%</b>
<b>TOTAL</b>	<b>397,840,563</b>	<b>100.00%</b>

Net asset value per share	31.03.2015 excl. dividend	31.03.2014 excl. dividend
Net asset value per share (fair value) – excl. dividend	47.33	45.90
Cancellation negative value swaps	3.25	3.28
Net asset value per share (fair value excl. IAS financial instruments)	50.58	49.18
Cancellation provision 2.5% transaction costs	2.76	2.52
Net asset value per share (investment value)	53.34	51.70





# Yield sensitivity





# Investment capacity

- ✦ Increase debt ratio to 65%\* = EUR 326 million
- ✦ Increase debt ratio to 60%\* = EUR 179 million
- ✦ Increase debt ratio to 55%\* = EUR 65 million

\* Without the effect of the capital increase which has a pro forma effect of EUR 152 mio leverage



# Guidance 2015 - 2016

- ✦ Gross rental income: EUR 54 million\*
- ✦ Dividend: EUR 3.20 / share

\* Only signed contracts



# END

★ Remarks / questions?





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1 June 2015