



Simon Property Group Reports First Quarter 2019 Results

April 30, 2019

INDIANAPOLIS, April 30, 2019 /PRNewswire/ -- Simon, a global leader in premier shopping, dining, entertainment and mixed-use destinations, today reported results for the quarter ended March 31, 2019.



Results for the Quarter

- Net income attributable to common stockholders was \$548.5 million, or \$1.78 per diluted share, as compared to \$620.7 million, or \$2.00 per diluted share in 2018. The prior year period includes gains of \$135.3 million, or \$0.38 per diluted share, primarily related to disposition activity. Adjusting for the prior year gains, net income attributable to common stockholders per diluted share increased 9.9%.
- Funds from Operations ("FFO") was \$1.082 billion, or \$3.04 per diluted share, as compared to \$1.026 billion, or \$2.87 per diluted share, in the prior year period, an increase of 5.9% per diluted share. Adjusting the prior year for the \$11.3 million impact of expensing internal leasing costs due to the recently implemented ASC 842, FFO per diluted share increased 7.0%.

"I am pleased with our quarterly results, which exceeded the end of the first quarter First Call consensus estimate by \$0.10 per share," said David Simon, Chairman, Chief Executive Officer and President. "Our growing development and redevelopment pipeline, combined with our A-rated balance sheet, sets us apart and allows us to continue to strengthen our platforms with a focus on the future."

U.S. Malls and Premium Outlets Operating Statistics

- Reported retailer sales per square foot was \$660, an increase of 3.1%, for the trailing 12-months ended March 31, 2019.
- Occupancy was 95.1% at March 31, 2019, compared to 94.6% at March 31, 2018.
- Base minimum rent per square foot was \$54.34 at March 31, 2019.
- Leasing spread per square foot for the trailing 12-months ended March 31, 2019 was \$14.17, an increase of 27.3%.

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

Total portfolio NOI growth for the three months ended March 31, 2019 was 1.7%. Total portfolio NOI includes NOI from comparable properties, new developments, redevelopments, expansions, acquisitions, international properties and our share of NOI from investments. Comparable property NOI growth for the three months ended March 31, 2019 was 1.6%.

Dividends

Today, Simon's Board of Directors declared a quarterly common stock dividend of \$2.05 per share. This is a 5.1% increase year-over-year. The dividend will be payable on May 31, 2019 to shareholders of record on May 17, 2019.

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 28, 2019 to shareholders of record on June 14, 2019.

Development Activity

During the quarter, construction started on a 251,000 square foot upscale outlet located in Bangkok, Thailand, projected to open in February 2020. Simon owns 50% of this project.

Construction continues on three new international development projects including:

- Queretaro Premium Outlets (Queretaro, Mexico); scheduled to open in May 2019. Simon owns a 50% interest in this project.
- Malaga Designer Outlet (Malaga, Spain); scheduled to open in September 2019. Simon owns a 46% interest in this project.
- West Midland Designer Outlet (Cannock, England); scheduled to open in October 2020. Simon owns a 20% interest in this project.

Construction also continues on other significant redevelopment and expansion projects including The Shops at Riverside (Hackensack, NJ), Southdale Center (Edina (Minneapolis), MN), Northshore Mall (Peabody (Boston), MA), Paju Premium Outlets (Seoul, South Korea) and Gotemba Premium Outlets (Gotemba, Japan).

At quarter-end, redevelopment and expansion projects, including the redevelopment of former department store spaces, were underway at more than 30 properties in the U.S., Canada, Asia and Europe. Simon's share of the costs of all new development and redevelopment projects under construction at quarter-end was more than \$1.4 billion.

Shop Premium Outlets

On March 26, 2019, we launched Shop Premium Outlets® (SPO), a new online outlet shopping platform which drives business to the stores and online of participating retailers. SPO will enable the highly engaged Premium Outlets® customer base to shop 24/7 for their favorite fashion, luxury and lifestyle brands, all in one place, up to 65 percent off every day.

Balance Sheet Activity

As of March 31, 2019, Simon had approximately \$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.

The Company ended the first quarter with strong credit profile metrics, including:

- Net debt to NOI of 5.1X.
- Fixed charge coverage of 5.1X.

Common Stock Repurchase Program

On February 12th, the Company announced that its Board of Directors authorized a new common stock repurchase program. Under the new program, the Company may purchase up to \$2 billion of its common stock over the next 24 months, as market conditions warrant. The shares may be purchased in the open market or in privately negotiated transactions.

2019 Guidance

The Company reaffirms its previous financial guidance and continues to estimate net income to be within a range of \$7.30 to \$7.40 per diluted share for the year ending December 31, 2019 and that FFO will be within a range of \$12.30 to \$12.40 per diluted share.

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

For the year ending December 31, 2019

	Low End	High End
Estimated net income attributable to common stockholders per diluted share	\$7.30	\$7.40
Depreciation and amortization including Simon's share of unconsolidated entities	5.00	5.00
Estimated FFO per diluted share	<u>\$12.30</u>	<u>\$12.40</u>

Conference Call

Simon will hold a conference call to discuss the quarterly financial results today at 8:30 a.m. Eastern Time, Tuesday, April 30, 2019. 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 7, 2019. To access the audio replay, dial 1-855-859-2056 (international 404-537-3406) passcode 5667848.

Supplemental Materials and Website

Supplemental information on our first quarter 2019 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, if any, of the United Kingdom's exit from 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 subsequent other 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,	
	2019	2018
REVENUE:		
Lease income	\$ 1,280,058	\$ 1,267,893
Management fees and other revenues	27,544	28,181
Other income	145,232	98,108
Total revenue	1,452,834	1,394,182
EXPENSES:		
Property operating	111,549	113,448
Depreciation and amortization	328,643	316,936
Real estate taxes	115,459	114,187
Repairs and maintenance	27,922	27,684
Advertising and promotion	37,125	34,800
Home and regional office costs	52,560	41,064
General and administrative	9,136	12,628
Other	20,102	31,502
Total operating expenses	702,496	692,249
OPERATING INCOME BEFORE OTHER ITEMS	750,338	701,933
Interest expense	(198,733)	(205,492)
Income and other taxes	(10,102)	(6,220)
Income from unconsolidated entities	90,444	90,026
Gain on sale or disposal of, or recovery on, assets and interests in unconsolidated entities and impairment, net	-	135,277
CONSOLIDATED NET INCOME	631,947	715,524

Net income attributable to noncontrolling interests	82,638	94,036
Preferred dividends	834	834
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ 548,475	\$ 620,654
BASIC AND DILUTED EARNINGS PER COMMON SHARE:		
Net income attributable to common stockholders	\$ 1.78	\$ 2.00

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

	March 31, 2019	December 31, 2018
ASSETS:		
Investment properties, at cost	\$ 37,193,798	\$ 37,092,670
Less - accumulated depreciation	13,119,895	12,884,539
	24,073,903	24,208,131
Cash and cash equivalents	436,802	514,335
Tenant receivables and accrued revenue, net	733,159	763,815
Investment in unconsolidated entities, at equity	2,197,309	2,220,414
Investment in Klépierre, at equity	1,676,635	1,769,488
Deferred costs and other assets	1,723,968	1,210,040
Total assets	\$ 30,841,776	\$ 30,686,223
LIABILITIES:		
Mortgages and unsecured indebtedness	\$ 23,185,965	\$ 23,305,535
Accounts payable, accrued expenses, intangibles, and deferred revenues	1,157,477	1,316,861
Cash distributions and losses in unconsolidated entities, at equity	1,559,534	1,536,111
Other liabilities	1,012,976	500,597
Total liabilities	26,915,952	26,659,104
Commitments and contingencies		
Limited partners' preferred interest in the Operating Partnership and noncontrolling redeemable interests in properties	225,882	230,163
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	42,666	42,748
Common stock, \$ 0.0001 par value, 511,990,000 shares authorized, 320,435,571 and 320,411,571 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	9,706,021	9,700,418
Accumulated deficit	(4,979,489)	(4,893,069)
Accumulated other comprehensive loss	(120,962)	(126,017)
Common stock held in treasury, at cost, 11,449,963 and 11,402,103 shares, respectively	(1,435,309)	(1,427,431)
Total stockholders' equity	3,212,959	3,296,681
Noncontrolling interests	486,983	500,275
Total equity	3,699,942	3,796,956
Total liabilities and equity	\$ 30,841,776	\$ 30,686,223

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

	For the Three Months Ended	
	March 31,	
	2019	2018
REVENUE:		
Lease income	\$ 758,979	\$ 752,606
Other income	75,922	81,108
Total revenue	834,901	833,714
OPERATING EXPENSES:		
Property operating	144,721	146,293
Depreciation and amortization	170,258	159,836
Real estate taxes	68,717	68,267
Repairs and maintenance	22,376	23,196
Advertising and promotion	24,326	24,224
Other	49,316	49,732
Total operating expenses	479,714	471,548
OPERATING INCOME BEFORE OTHER ITEMS	355,187	362,166
Interest expense	(156,016)	(150,932)
Gain on sale or disposal of, or recovery on, assets and interests in unconsolidated entities, net	21,587	-
NET INCOME	\$ 220,758	\$ 211,234
Third-Party Investors' Share of Net Income	\$ 112,668	\$ 106,183
Our Share of Net Income	108,090	105,051
Amortization of Excess Investment (A)	(20,792)	(21,527)
Our Share of Gain on Sale or Disposal of Assets and Interests in Other Income in the Consolidated Financial Statements	(9,155)	-
Income from Unconsolidated Entities (B)	\$ 78,143	\$ 83,524

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)

	March 31,	December 31,
	2019	2018
Assets:		
Investment properties, at cost	\$ 18,887,972	\$ 18,807,449
Less - accumulated depreciation	6,971,412	6,834,633
	11,916,560	11,972,816
Cash and cash equivalents	1,012,497	1,076,398
Tenant receivables and accrued revenue, net	407,040	445,148
Deferred costs and other assets	617,399	390,818
Total assets	\$ 13,953,496	\$ 13,885,180
Liabilities and Partners' Deficit:		
Mortgages	\$ 15,202,622	\$ 15,235,415

Accounts payable, accrued expenses, intangibles, and deferred revenue	876,348	976,311
Other liabilities	560,101	344,205
Total liabilities	16,639,071	16,555,931
Preferred units	67,450	67,450
Partners' deficit	(2,753,025)	(2,738,201)
Total liabilities and partners' deficit	\$ 13,953,496	\$ 13,885,180

Our Share of:

Partners' deficit	\$ (1,184,895)	\$ (1,168,216)
Add: Excess Investment (A)	1,581,225	1,594,198
Our net Investment in unconsolidated entities, at equity	\$ 396,330	\$ 425,982

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,	
	2019	2018
Consolidated Net Income (D)	\$ 631,947	\$ 715,524
Adjustments to Arrive at FFO:		
Depreciation and amortization from consolidated properties	325,938	314,006
Our share of depreciation and amortization from unconsolidated entities, including Klépierre and HBS	134,630	134,925
Gain on sale or disposal of, or recovery on, assets and interests in unconsolidated entities and impairment, net	-	(135,277)
Unrealized change in fair value of equity instruments	(5,317)	3,029
Net loss attributable to noncontrolling interest holders in properties	917	92
Noncontrolling interests portion of depreciation and amortization	(4,882)	(4,648)
Preferred distributions and dividends	(1,313)	(1,313)
FFO of the Operating Partnership	\$ 1,081,920	\$ 1,026,338

Diluted net income per share to diluted FFO per share reconciliation:

Diluted net income per share	\$ 1.78	\$ 2.00
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	1.27	1.24
Gain on sale or disposal of, or recovery on, assets and interests in unconsolidated entities and impairment, net	-	(0.38)
Unrealized change in fair value of equity instruments	(0.01)	0.01
Diluted FFO per share	\$ 3.04	\$ 2.87

Details for per share calculations:

FFO of the Operating Partnership	\$ 1,081,920	\$ 1,026,338
Diluted FFO allocable to unitholders	(142,319)	(134,559)
Diluted FFO allocable to common stockholders	\$ 939,601	\$ 891,779
Basic and Diluted weighted average shares outstanding	308,978	310,584
Weighted average limited partnership units outstanding	46,800	46,863
Basic and Diluted weighted average shares and units outstanding	355,778	357,447
Basic and Diluted FFO per Share	\$ 3.04	\$ 2.87

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 Footnote 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-K.
- (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") Funds From Operations White Paper - 2018 Restatement. Our main business includes acquiring, owning, operating, developing, and redeveloping real estate in conjunction with the rental of real estate. Gains and losses of assets incidental to our main business are included in FFO. 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 sale, disposal or property insurance recoveries of, or any impairment related to, depreciable 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. 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 \$4.4 million and \$1.3 million for the three months ended March 31, 2019 and 2018, respectively.
 - Straight-line adjustments increased income by \$16.7 million and \$8.6 million for the three months ended March 31, 2019 and 2018, respectively.
 - Amortization of fair market value of leases from acquisitions increased income by \$1.3 million and \$1.4 million for the three months ended March 31, 2019 and 2018, respectively.

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SOURCE Simon

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