



Simon Property Group Reports First Quarter 2015 Results And Raises Quarterly Dividend And Full Year 2015 Guidance

April 24, 2015

INDIANAPOLIS, April 24, 2015 /PRNewswire/ -- Simon, a leading global retail real estate company, today reported results for the quarter ended March 31, 2015.

Results for the Quarter

- Funds from Operations ("FFO") was \$830.7 million, or \$2.28 per diluted share, as compared to \$865.3 million, or \$2.38 per diluted share, in the prior year period. Results for the three months ended March 31, 2014 included FFO per diluted share of \$0.24 from the Washington Prime Group Inc. ("WPG") properties that were spun-off effective May 28, 2014. On a comparable basis, FFO per diluted share was \$2.28 in the first quarter of 2015 as compared to \$2.14 in the first quarter of 2014.
- Net income attributable to common stockholders was \$362.2 million, or \$1.16 per diluted share, as compared to \$341.6 million, or \$1.10 per diluted share, in the prior year period. On a comparable basis, net income per diluted share was \$1.16 in the first quarter of 2015 as compared to \$0.99 in the first quarter of 2014.
- Growth in FFO per diluted share for the three months ended March 31, 2015 was 6.5%, excluding the FFO from the WPG properties as detailed in the table below.

	Three Months Ended March 31,	
	2015	2014
Reported FFO per share	\$2.28	\$2.38
Less: FFO from WPG properties	--	(0.24)
Comparable FFO per share	<u>\$2.28</u>	<u>\$2.14</u>
Comparable FFO per share growth	6.5%	
Reported earnings per share	\$1.16	\$1.10
Comparable earnings per share	\$1.16	\$0.99
Comparable earnings per share growth ⁽¹⁾	17.2%	

(1) For a reconciliation of Reported EPS to Comparable EPS, please see Footnote H of the Footnotes to Unaudited Reconciliation of Non-GAAP Financial Measures.

"We are off to a strong start in 2015 with the acquisition of two significant properties and the reporting of strong financial and operational results," said David Simon, Chairman and CEO. "Given our accomplishments this quarter and our current view for the remainder of 2015, today we raised our quarterly dividend and are increasing our full-year 2015 guidance."

U.S. Malls and Premium Outlets Operating Statistics

	As of March 31,		Year-over-Year Change
	2015 ⁽¹⁾	2014	
Occupancy ⁽²⁾	95.8%	95.5%	+30 bps
Base Minimum Rent per sq. ft. ⁽²⁾	\$47.59	\$42.77	+11.3%
Releasing Spread per sq. ft. ⁽²⁾⁽³⁾	\$11.19	\$9.90	+\$1.29
Releasing Spread (percentage change) ⁽²⁾⁽³⁾	18.9%	19.5%	-60 bps
Total Sales per sq. ft. ⁽⁴⁾	\$621	\$576	+7.8%

(1) Excludes WPG properties.

- (2) Represents mall stores in Malls and all owned square footage in Premium Outlets.
- (3) Same space measure that compares opening and closing rates on individual spaces leased during trailing 12-month period.
- (4) Trailing 12-month sales per square foot for mall stores less than 10,000 square feet in Malls and all owned square footage in Premium Outlets.

Comparable Property Net Operating Income

Comparable property NOI growth for the three months ended March 31, 2015 was 3.5%. Comparable properties include U.S. Malls, Premium Outlets and The Mills.

Dividends

Today Simon's Board of Directors declared a quarterly common stock dividend of \$1.50 per share. This is a 15.4% increase year-over-year and an increase of \$0.10 or 7.1% from the previous quarter. The dividend will be payable on May 29, 2015 to stockholders of record on May 15, 2015.

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, 2015 to stockholders of record on June 16, 2015.

Development Activity

During the quarter, we completed a 265,000 square foot expansion of Yeosu Premium Outlets, a highly productive center in Seoul, Korea.

Construction continues on other significant expansion projects including Roosevelt Field, Del Amo Fashion Center, King of Prussia, The Galleria in Houston, Woodbury Common Premium Outlets, Las Vegas North Premium Outlets, San Francisco Premium Outlets and Chicago Premium Outlets.

At quarter-end, redevelopment and expansion projects, including the addition of new anchors, were underway at 24 properties in the U.S. and Asia.

Construction continues on three new Premium Outlets and one new Designer Outlet opening in 2015:

- Vancouver Designer Outlet in Vancouver, British Columbia, Canada is a 242,000 square foot center scheduled to open in July of 2015. Simon owns a 45% interest in this project.
- Gloucester Premium Outlets in Gloucester, New Jersey, serving the greater Philadelphia metropolitan area, is a 375,000 square foot center scheduled to open in August of 2015. Simon owns a 50% interest in this project.
- Tucson Premium Outlets is a 366,000 square foot center scheduled to open in September of 2015. Simon owns 100% of this project.
- Tampa Premium Outlets is a 441,000 square foot center scheduled to open in October of 2015. Simon owns 100% of this project.

Simon's share of the costs of all development and redevelopment projects under construction at quarter-end was approximately \$2.1 billion.

Acquisitions

In January 2015, we completed the acquisition of two properties – Jersey Gardens in Elizabeth, New Jersey (renamed The Mills at Jersey Gardens) and University Park Village in Fort Worth, Texas. The aggregate purchase price was \$1.09 billion which includes the assumption of existing mortgage debt of \$405 million.

Joint Venture Transactions

In February 2015, we entered into an agreement with Hudson's Bay Company to form a joint venture. The joint venture will build on the strength of HBC's existing real estate assets and identify new real estate growth opportunities with a focus on credit tenant, net-leased and multi-tenanted retail buildings in the United States and internationally.

Subsequent to the quarter end, we created a joint venture with Sears Holdings Corporation that includes 10 Sears stores located at our malls. Sears Holdings will lease back and continue to operate the existing stores at the properties and the joint venture will have the ability to create additional value through re-developing the contributed properties and re-leasing space at each property to third-party tenants. In addition to the joint venture, we separately agreed to acquire a Sears Holdings store at the La Plaza Mall in McAllen, Texas.

Financing Activity

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

During the quarter, the Company extended and expanded its \$2.0 billion revolving credit facility, increasing the revolver's capacity to \$2.75 billion. This facility can be further increased to \$3.5 billion during its term, which will initially mature on June 30, 2019 and can be extended for an additional year to June 30, 2020 at our sole option. The pricing on the facility was reduced to LIBOR plus 80 basis points and the facility fee was reduced to 10 basis points.

In addition, the Company also increased the maximum aggregate program size of its global commercial paper note program from \$500 million to \$1 billion, or the non-U.S. dollar equivalent thereof.

With regard to secured debt activity, we closed or locked rate on three new loans totaling approximately \$1.9 billion, or the non-U.S. dollar equivalent thereof, of which SPG's share is \$0.9 billion. The weighted average interest rate on these loans is 3.0% and term is 8.4 years.

As of March 31, 2015, Simon had over \$6 billion of liquidity consisting of \$1.2 billion of cash on hand, including its share of joint venture cash, and its available revolving credit facility capacity.

Common Stock Repurchase Program

Subsequent to the quarter end, the Company announced that its Board of Directors authorized a common stock repurchase program. Under the 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.

2015 Guidance

Today, the Company is raising both the low and high ends of its previously provided full year 2015 FFO range by \$0.05 and currently estimates a range of \$9.65 to \$9.75 per diluted share for the year ending December 31, 2015, with net income to be within a range of \$5.10 to \$5.20 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:

	Low	High
	<u>End</u>	<u>End</u>
Estimated net income available to common stockholders per diluted share	\$5.10	\$5.20
Depreciation and amortization including Simon's share of unconsolidated entities	<u>4.55</u>	<u>4.55</u>
Estimated FFO per diluted share	<u>\$9.65</u>	<u>\$9.75</u>

Conference Call

Simon will hold a conference call to discuss the quarterly financial results today at 11:00 a.m. Eastern Time, Friday, April 24, 2015. Live streaming audio of the conference call will be accessible at investors.simon.com. An online replay will be available until May 8, 2015 at investors.simon.com.

Supplemental Materials and Website

Supplemental information on our first quarter 2015 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 at 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, comparable FFO per share, comparable earnings per share 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 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: the Company's ability to meet debt service requirements, the availability and terms of financing, changes in the Company's credit rating, changes in market rates of interest and foreign exchange rates for foreign currencies, changes in value of investments in foreign entities, the ability to hedge interest rate and currency risk, risks associated with the acquisition, development, expansion, leasing and management of properties, general risks related to retail real estate, the liquidity of real estate investments, environmental liabilities, international, national, regional and local economic conditions, changes in market rental rates, security breaches that could compromise our information technology or infrastructure or personally identifiable data of customers of our retail properties, trends in the retail industry, relationships with anchor tenants, the inability to collect rent due to the bankruptcy or insolvency of tenants or otherwise, risks relating to joint venture properties, the intensely competitive market environment in the retail industry, costs of common area maintenance, risks related to international activities, insurance costs and coverage, the loss of key management personnel, terrorist activities, changes in economic and market conditions and maintenance of our status as a real estate investment trust. The Company discusses these and other risks and uncertainties under the heading "Risk Factors" in our annual and quarterly reports filed with the SEC. 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 unless required by law.

About Simon

Simon is a global leader in retail real estate ownership, management and development and a 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.

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

**For the Three Months
Ended March 31,**

	<u>2015</u>	<u>2014</u>
REVENUE:		
Minimum rent	\$ 753,445	\$ 722,283
Overage rent	38,957	31,674
Tenant reimbursements	340,170	325,471
Management fees and other revenues	35,078	30,607
Other income	48,585	46,987
Total revenue	1,216,235	1,157,022
EXPENSES:		
Property operating	99,757	94,947
Depreciation and amortization	288,106	280,493
Real estate taxes	106,888	94,305
Repairs and maintenance	29,734	29,766
Advertising and promotion	18,756	22,619
Provision for credit losses	3,847	4,423
Home and regional office costs	35,903	35,288
General and administrative	14,999	14,855
Other	19,074	19,361
Total operating expenses	617,064	596,057
OPERATING INCOME	599,171	560,965
Interest expense	(232,173)	(254,234)
Income and other taxes	(6,362)	(6,863)
Income from unconsolidated entities	64,872	57,078
Gain upon acquisition of controlling interests and sale or disposal of assets and interests in unconsolidated entities, net	-	2,655
Consolidated income from continuing operations	425,508	359,601
Discontinued operations and gain on disposal	-	41,502
CONSOLIDATED NET INCOME	425,508	401,103
Net income attributable to noncontrolling interests	62,500	58,621
Preferred dividends	834	834
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ 362,174	\$ 341,648
BASIC AND DILUTED EARNINGS PER COMMON SHARE:		
Income from continuing operations	\$ 1.16	\$ 0.99
Discontinued operations	-	0.11
Net income attributable to common stockholders	\$ 1.16	\$ 1.10

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

	<u>March 31,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
ASSETS:		
Investment properties at cost	\$ 32,537,403	\$ 31,318,532
Less - accumulated depreciation	9,146,094	8,950,747
	23,391,309	22,367,785
Cash and cash equivalents	833,732	612,282
Tenant receivables and accrued revenue, net	523,734	580,197
Investment in unconsolidated entities, at equity	2,158,205	2,378,800
Investment in Klepierre, at equity	1,516,749	1,786,477
Deferred costs and other assets	1,851,798	1,806,789
Total assets	\$ 30,275,527	\$ 29,532,330
LIABILITIES:		
Mortgages and unsecured indebtedness	\$ 21,694,055	\$ 20,852,993
Accounts payable, accrued expenses, intangibles, and deferred revenues	1,122,444	1,259,681

Cash distributions and losses in partnerships and joint ventures, at equity	1,372,575	1,167,163
Other liabilities	295,853	275,451
Total liabilities	24,484,927	23,555,288
Commitments and contingencies		
Limited partners' preferred interest in the Operating Partnership	25,537	25,537
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	43,980	44,062
Common stock, \$ 0.0001 par value, 511,990,000 shares authorized, 314,803,818 and 314,320,664 issued and outstanding, respectively	31	31
Class B common stock, \$ 0.0001 par value, 10,000 shares authorized, 8,000 issued and outstanding	-	-
Capital in excess of par value	9,437,338	9,422,237
Accumulated deficit	(4,289,099)	(4,208,183)
Accumulated other comprehensive loss	(151,831)	(61,041)
Common stock held in treasury at cost, 3,543,043 and 3,540,754 shares, respectively	(103,974)	(103,929)
Total stockholders' equity	4,936,445	5,093,177
Noncontrolling interests	828,618	858,328
Total equity	5,765,063	5,951,505
Total liabilities and equity	\$ 30,275,527	\$ 29,532,330

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

	For the Three Months Ended	
	March 31,	
	2015	2014
Revenue:		
Minimum rent	\$ 433,781	\$ 424,785
Overage rent	51,180	48,797
Tenant reimbursements	194,487	192,793
Other income	53,995	112,706
Total revenue	<u>733,443</u>	<u>779,081</u>
Operating Expenses:		
Property operating	130,804	161,421
Depreciation and amortization	141,659	152,148
Real estate taxes	58,574	54,791
Repairs and maintenance	20,361	19,641
Advertising and promotion	16,702	18,810
Provision for credit losses	1,853	3,108
Other	44,428	52,929
Total operating expenses	<u>414,381</u>	<u>462,848</u>
Operating Income	319,062	316,233
Interest expense	(147,020)	(151,637)
Income from Continuing Operations	172,042	164,596
Income from operations of discontinued joint venture interests	-	2,985
Net Income	\$ 172,042	\$ 167,581
Third-Party Investors' Share of Net Income	\$ 89,114	\$ 89,313

Our Share of Net Income	82,928	78,268
Amortization of Excess Investment (A)	(24,154)	(25,598)
Our Share of Income from Unconsolidated Discontinued Operations	-	(345)
	<u>\$ 58,774</u>	<u>\$ 52,325</u>

Note: The above financial presentation does not include any information related to our investment in Klepierre S.A. ("Klepierre"). For additional information, see footnote B.

Simon Property Group, Inc. and Subsidiaries
Unaudited Joint Venture Balance Sheets
(Dollars in thousands)

	<u>March 31, 2015</u>	<u>December 31, 2014</u>
Assets:		
Investment properties, at cost	\$ 16,010,766	\$ 16,087,282
Less - accumulated depreciation	5,525,606	5,457,899
	10,485,160	10,629,383
Cash and cash equivalents	763,917	993,178
Tenant receivables and accrued revenue, net	308,358	362,201
Investment in unconsolidated entities, at equity	-	11,386
Deferred costs and other assets	507,735	536,600
Total assets	<u>\$ 12,065,170</u>	<u>\$ 12,532,748</u>
Liabilities and Partners' Deficit:		
Mortgages	\$ 13,629,050	\$ 13,272,557
Accounts payable, accrued expenses, intangibles, and deferred revenue	861,041	1,015,334
Other liabilities	440,651	493,718
Total liabilities	14,930,742	14,781,609
Preferred units	67,450	67,450
Partners' deficit	(2,933,022)	(2,316,311)
Total liabilities and partners' deficit	<u>\$ 12,065,170</u>	<u>\$ 12,532,748</u>
Our Share of:		
Partners' deficit	\$ (1,064,025)	\$ (663,700)
Add: Excess Investment (A)	1,849,655	1,875,337
Our net Investment in unconsolidated entities, at equity	<u>\$ 785,630</u>	<u>\$ 1,211,637</u>

Note: The above financial presentation does not include any information related to our investment in Klepierre. For additional information, see footnote B attached hereto.

Simon Property Group, Inc. and Subsidiaries
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,	
	<u>2015</u>	<u>2014</u>
Consolidated Net Income (D)	\$ 425,508	\$ 401,103
Adjustments to Arrive at FFO:		
Depreciation and amortization from consolidated properties	284,227	322,604
Our share of depreciation and amortization from unconsolidated entities, including Klepierre	123,884	147,256

Gain upon acquisition of controlling interests and sale or disposal of assets and interests in unconsolidated entities, net	-	(2,897)
Net income attributable to noncontrolling interest holders in properties	(690)	(523)
Noncontrolling interests portion of depreciation and amortization	(885)	(897)
Preferred distributions and dividends	(1,313)	(1,313)
FFO of the Operating Partnership (E)	\$ 830,731	\$ 865,333

Diluted net income per share to diluted FFO per share reconciliation:		
Diluted net income per share	\$ 1.16	\$ 1.10
Depreciation and amortization from consolidated properties and our share of depreciation and amortization from unconsolidated entities, including Klepierre, net of noncontrolling interests portion of depreciation and amortization	1.12	1.29
Gain upon acquisition of controlling interests and sale or disposal of assets and interests in unconsolidated entities, net	-	(0.01)
Diluted FFO per share (F)	\$ 2.28	\$ 2.38

Details for per share calculations:		
FFO of the Operating Partnership (E)	\$ 830,731	\$ 865,333
Diluted FFO allocable to unitholders	(120,305)	(124,878)
Diluted FFO allocable to common stockholders (G)	\$ 710,426	\$ 740,455
Basic and Diluted weighted average shares outstanding	311,101	310,623
Weighted average limited partnership units outstanding	52,683	52,386
Basic and Diluted weighted average shares and units outstanding	363,784	363,009
Basic and Diluted FFO per Share (F)	\$ 2.28	\$ 2.38

Simon Property Group, Inc. and Subsidiaries
Footnotes to Unaudited Reconciliation of Non-GAAP Financial Measures

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 investment in Klepierre. Amounts included in Footnotes D below exclude our share of related activity for our investment in Klepierre. For further information, reference should be made to financial information in Klepierre'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, FFO per share, comparable FFO per share and comparable EPS. 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 \$0.1 million and \$6.8 million for the three months ended March 31, 2015 and 2014, respectively.

- Straight-line adjustments to minimum rent of \$16.4 million and \$14.0 million for the three months ended March 31, 2015 and 2014, respectively (including \$0.1 million related to WPG in 2014).
 - Amortization of fair market value of leases from acquisitions of \$3.4 million and \$5.4 million for the three months ended March 31, 2015 and 2014, respectively (including \$0.2 million related to WPG in 2014).
 - Debt premium amortization of \$7.2 million and \$16.1 million for the three months ended March 31, 2015 and 2014, respectively (including \$0.1 related to WPG in 2014).
- (E) Includes FFO of the operating partnership related to WPG of \$88.4 million for the three months ended March 31, 2014.
- (F) Includes Basic and Diluted FFO per share related to WPG operations of \$0.24 for the three months ended March 31, 2014.
- (G) Includes Diluted FFO allocable to common stockholders related to WPG of \$75.6 million for the three months ended March 31, 2014.
- (H) Reconciliation of reported earnings per share to comparable earnings per share.

	THREE MONTHS ENDED MARCH 31,	
	2015	2014
Reported earnings per share	\$ 1.16	\$ 1.10
Less: Earnings per share from WPG properties	-	(0.11)
Comparable earnings per share	\$ 1.16	\$ 0.99
Comparable earnings per share growth	17.2%	

Logo - <http://photos.prnewswire.com/prnh/20150227/178536LOGO>

To view the original version on PR Newswire, visit: <http://www.prnewswire.com/news-releases/simon-property-group-reports-first-quarter-2015-results-and-raises-quarterly-dividend-and-full-year-2015-guidance-300071622.html>

SOURCE Simon

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