

NEPI Rockcastle N.V.

(formerly NEPI Rockcastle S.A.)
Incorporated and registered in the
Netherlands Registration number
87488329

Share code: NRP

ISIN: NL0015000RT3

("NEPI Rockcastle" or "the Group" or "the Company")



PRE-CLOSING UPDATE

"It has been another challenging yet successful year for NEPI Rockcastle. Our shopping centres' operations made a complete recovery from the effects of Covid-19, as indicated by record NOI and tenant sales, above 2019 pre-pandemic levels. High inflation and surging energy costs, partly fueled by the conflict in Ukraine which started in February, had less of an impact than anticipated, due to our active asset management and continuous cooperation with tenants. Changes at the corporate level, including the appointment of a new executive management team and the relocation of the parent company to the Netherlands, were implemented smoothly and without disruptions. The Company continued to invest in its future by allocating capital to the development and acquisition of properties with great potential, and also to sustainability projects (including the production of green energy). We are confident that NEPI Rockcastle is well prepared for the future and has the ability to cope with the market challenges and seize the opportunities that may come our way." - Rüdiger Dany, CEO

Operational update

- The first quarter of 2022 was characterized by the lingering effects of Covid-19 with partial social distancing restrictions still in place. After all restrictions were lifted, the recovery in customer visits and tenant turnover were faster and stronger than initially expected. By year-end, retailer sales in the Group's shopping centres are expected to exceed 2019 levels by over 10%. Despite rising costs, NEPI Rockcastle estimates an increase of NOI versus 2019 by 8% and versus 2021 by 18%.
- EPRA occupancy rate of the property portfolio was 97% as of 30 November 2022.
- At the end of November 2022, the collection rate for the first 11 months of the year was 97% and this continues to improve during the current holiday season.
- As of 30 November, leases expiring in 2023 represent approximately 13% of rental income, with a major proportion of renewals having already been agreed.
- By the end of October 2022, year-to-date cumulative tenant sales were 28.3% higher than in the prior year (on a like-for-like basis (LFL) and 11.6% higher than in the same period of 2019, LFL. Footfall for the same period was 17.8% higher than in 2021 and 12% lower than in 2019, in LFL properties.
- During 2022, NEPI Rockcastle implemented an internal process aimed at better integrating and streamlining roles, functions, and procedures across the nine countries where the Group operates. As part of this process, the Group commenced the internalisation of the property management for those assets where property management was outsourced to different external companies.

Investments

The execution of the Group's development pipeline, with a total investment value of €665 million, is well under way. Construction works in Bucharest for the extension of Promenada Mall started this year. The new development in Craiova proved to be such a great success with retailers in the pre-leasing phase that the Company decided to build a retail park with 10,000 sqm GLA adjacent to the shopping centre. Both retail destinations will be opened in the autumn of next year. The apartments at NEPI Rockcastle's first residential development, Vulcan Residence in Bucharest, to be completed in 2023, are almost 50% sold. All the above mentioned developments, together with the ones under permitting and pre-leasing phase, will support the growth of NEPI Rockcastle over the coming years.

In September 2022, the Group acquired its joint-venture partner's 50% stake in Ploiesti Shopping City, opening the way for a future redevelopment. In Q4, it acquired two top class assets in Poland, for a total value of €377 million. Copernicus Shopping Center in Toruń is an excellent property that will contribute to the Company's growth from 2023, adding approximately €9.6 million to sustainable Group NOI in the medium term. Forum Gdansk, acquired on 19 December 2022, is a real 'trophy' asset, that will significantly improve the Company's Polish portfolio. Located in the heart of Gdansk, one of the country's largest cities which attracts millions of visitors each year, Forum Gdansk is expected to generate approximately €16.5 million in NOI per year.

Financial policy and ESG

Total liquidity after the Polish acquisitions completed in December 2022, including cash and undrawn revolving facilities, is estimated at approximately €600 million. The LTV ratio after these transactions is estimated at 36.5%, assuming no change in the valuation of the property portfolio relative to June 2022. Management envisages to reducing LTV below the strategic threshold of 35% in the upcoming 12 to 18 months.

In January 2022, the Group refinanced a €500 million green bond that was three times oversubscribed, for a fixed coupon of 2%. The bond issue significantly increased the average maturity of the Company's debt and kept the cost of financing at comparatively low levels in a rising interest rate environment. This year NEPI Rockcastle was upgraded by the rating agency Fitch from BBB to BBB+, which is a very positive sign for the capital markets.

Also in 2022, NEPI Rockcastle completed the relocation of its holding company from the Isle of Man to the Netherlands, a process supported by an absolute majority of shareholders.

This year, the Company created a new ESG department that reviewed its environmental, social and governance goals until 2030 and will support all functions to execute the strategy designed to implement these goals. The Group decided to invest €37 million in the production of green energy by installing photovoltaic panels on its property portfolio in Romania. This will cover up to 30% of current energy consumption in those assets. Besides improving the Company's ESG scoring, these investments are highly accretive to bottom-line profitability.

Outlook

As announced on 23 November 2022, the Company's expected distributable earnings per share for 2022 is 48% higher than in 2021. The growth includes the strong operational performance and favourable impact of the settlement agreement on the Serenada dispute.

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