

NEPI ROCKCASTLE N.V.
Incorporated in the Netherlands
Registration number: 87488329
Share code: NRP
ISIN: NL0015000RT3
(“NEPI Rockcastle” or “the Company” or “the Group”)



BUSINESS UPDATE

TENANT SALES PERFORMANCE AND ACQUISITIONS DRIVE 23% GROWTH IN NET OPERATING INCOME FOR THE FIRST NINE MONTHS OF 2023

NEPI Rockcastle’s net operating income (‘NOI’) rose 23% in the first nine months of 2023 (‘9M 2023’) to €365 million, versus the same period of 2022, continuing the robust pace of growth since the end of the Covid pandemic. The main drivers of the strong performance were a combination of tenant sales and the contribution of the acquisitions completed in 2022.

The three acquisitions made in 2022 - Forum Gdansk and Copernicus shopping centres in Poland and the 50% share of the Ploiesti Shopping City in Romania – contributed €28 million to the NOI for 9M 2023. On a like-for-like (‘LFL’) basis, NOI increased by 14% in 9M 2023, driven by higher base rents, turnover rents and short-term income, as well as a better recovery of operating costs (93% in 9M 2023 versus 91% in the same period of 2022).

Tenant sales (LFL, excluding hypermarkets) were 14% higher in 9M 2023 versus the same period a year ago, fuelled almost equally by an increase in footfall (+6%, LFL) and a rise in average spend per visit (+6%).

Demand from both international and regional retailers for the Group’s properties remained very strong resulting in retail vacancy falling to 2.2%. Rent collection rate for the period reached 97% by mid-November.

Rüdiger Dany, NEPI Rockcastle’s CEO, said *“This was another quarter of very solid results for NEPI Rockcastle, building on the exceptional performance we achieved in the first half of this year. We see robust growth continuing across our region as household income and consumer spend are holding up well, despite macroeconomic challenges. The acquisitions made in 2022 are showing their worth in delivering strong value, while organic growth is supported by an increased number of visitors and very strong tenant sales. Developments are also starting to deliver value. We opened Promenada Craiova in southern Romania in October, the largest retail scheme launched in the entire CEE region in 2023. Promenada Craiova was the first development of the Group where renewable energy production was integrated over the parking areas, supplying 70% of the energy needed by the shopping centre and its tenants. This project, together with the overall photovoltaic projects installed on the Romanian property portfolio, will ensure a 25-30% green energy consumption across these properties.”*

WELL CAPITALISED BALANCE SHEET, STRENGTHENED BY SCRIP TAKE-UP

The Group has no debt maturing in 2023 and liquidity remains very strong with €361 million in cash and €620 million in available committed credit facilities as of 30 September 2023.

Shareholders were offered an option to receive scrip for the first half ('H1') 2023 dividend distribution, which saw a 74% take-up rate. This was the equivalent of raising €121 million of equity and, together with the scrip take up equivalent of €145 million in April 2023, contributed to reducing the loan-to-value ratio ('LTV') to 32.9%, comfortably below the Company's 35% strategic threshold.

The property portfolio's value of €6.84 billion is 0.9% higher compared to June 2023 due to investments in developments made during third quarter ('Q3') 2023. In line with Company policy, no property valuations were undertaken during Q3 2023. Independent valuations are included in half-yearly and year-end financial reports.

In October 2023, NEPI Rockcastle established a robust Sustainability-Linked Financing Framework to guide its future funding initiatives. This framework incorporates Key Performance Indicators ('KPIs') and Sustainability Performance Targets ('SPTs') that are intricately linked to the Group's commitment to reduce greenhouse gas emissions and enhance energy efficiency across all its operations. Together with the Green Financing Framework ('GFF') revised during the first six months of the year, the two frameworks are showing the Group's strong commitment to sustainability.

OPERATING PERFORMANCE

Trading update

Total footfall in the third quarter of 2023 has stabilised at slightly below the levels of 2019, after a surge in the first half of this year, almost fully recovering since the end of the pandemic. The LFL increase in footfall was 6.2% in the first nine months of 2023, relative to the comparative period of 2022.

The pace of growth in tenant sales (LFL, excluding hypermarkets) was solid in the third quarter of the year at 8.2% higher relative to Q3 2022. Over 9M 2023, turnover increased across all retail segments, by an average of 13.6%. The best performing categories were Entertainment (+27%), Health & Beauty (+26%) and Services (+26%). In the largest segment, Fashion, tenant sales increased by 9%.

In 9M 2023, the occupancy cost ratio ('OCR') was at a sustainable level of 12.4%. Higher tenant sales more than offset the increase in rents and tenants' contributions to operating expenses.

Leasing activity

In Q3 2023, the Group signed 348 new leases and lease renewals, for more than 64,600 m², of which 37% by gross lettable area ('GLA') are new leases (1.1% of total GLA). International tenants accounted for 49% of newly leased GLA.

Significant new leases signed in Q3 2023 include Adidas, Flanco and Altex (Promenada Craiova, Romania), McDonalds (Severin Shopping Center, Romania), Reserved (Galeria Wolomin, Poland), Gym+ (Ozas Shopping and Entertainment Centre, Lithuania), Terranova (Galeria Mlyny, Slovakia), Ochnik (Alfa Centrum Bialystok, Poland), Nike (Bonarka City Center, Poland).

New units opened in Q3 2023 include Half Price (Karolinka Shopping Centre, Poland), Sport Vision, Mango and Hugo (Paradise Center, Bulgaria), Martes (Galeria Wolomin, Poland), CCC (Aura Centrum, Poland), Deichmann and Kiko (Serdika Center, Bulgaria).

DEVELOPMENT UPDATE

Promenada Craiova opened on 5 October 2023, with 99% occupancy for the shopping centre (GLA: 53,700 m²) and 85% occupancy rate for the retail park (GLA: 10,000 m²). On its first day of trading, approximately 55,000 people visited the scheme, with more than 100,000 visitors over the first weekend. The strength of demand from international retailers to open or expand their presence in the CEE was validated by the range of brands opened in Promenada Craiova, including the first store in Romania (and the CEE) for Inditex's value fashion brand Lefties and other newcomers to the city, including Calvin Klein, Carrefour, Massimo Dutti, Mohito, Peek & Cloppenburg, Tommy Hilfiger and Under Armour.

The extension of Promenada Mall Bucharest is on time and on budget and opening is projected for Q4 2025.

The installation of photovoltaic panels across the Group's Romanian assets continues, with 20 units already completed and functional.

NEPI Rockcastle's development pipeline under construction, or under permitting, amounts to approximately €600 million (excluding the completed Promenada Craiova development), of which €196 million was already spent by 30 September 2023.

CASH MANAGEMENT AND DEBT

NEPI Rockcastle has a very strong liquidity profile, with €981 million in cash and undrawn committed credit facilities, on 30 September 2023. The Group's LTV* (interest bearing debt less cash, divided by investment property) was 32.9%, while the Net Debt/ annualised EBIT[^] was at a very low 4.9x.

Ratios for unsecured loans and bonds showed ample headroom compared to covenants as of 30 September 2023, as follows:

- Solvency Ratio: 39% actual compared to 60% maximum.
- Consolidated Coverage Ratio: 6.3 actual compared to minimum of 2.
- Unencumbered consolidated total assets/unsecured consolidated total debt: 266% actual compared to 150% minimum.

The 9M 2023 average interest rate, including hedging, was 2.5%. Current exposure to variable interest rates is 100% hedged.

Fitch reaffirmed the Group's BBB+ investment grade credit rating (stable outlook). The Group also has an investment grade credit rating from S&P (BBB, stable outlook), which was reaffirmed this year.

** As of 30 September 2023, the reported loan-to-value ratio (LTV) excludes the €36.7 million right-of-use assets and equal amount of lease liabilities, related to long-term land concessions associated to part of the Group's properties located in Poland.*

[^] The Group includes Depreciation and Amortisation in its Administrative expenses. Earnings Before Interest and Taxes is a good proxy for EBITDA and represents the Group's Operating profit, defined as Net rental and related income less Administrative expenses.

OUTLOOK

The Company reaffirms its earnings guidance that distributable earnings per share ('DEPS') for the year will be approximately 12% higher than recurring 2022 DEPS (and 5% higher than nominal DEPS in 2022).

This guidance does not consider the impact of higher geopolitical instability in the region or major macroeconomic disruptions and assumes current trading trends continue. This guidance can be modified or withdrawn in the future if material changes unfold. This guidance has not been reviewed or reported on by NEPI Rockcastle's auditors and is the responsibility of the Board of Directors.

By order of the Board of Directors

Rüdiger Dany
Chief Executive Officer (CEO)
Eliza Predoiu
Chief Financial Officer (CFO)

16 November 2023

For further information please contact

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