

## NEPI Rockcastle N.V.

Incorporated and registered in the Netherlands

Registration number: 87488329

Share code: NRP

ISIN: NL0015000RT3

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



# NEPI ROCKCASTLE

# BUSINESS UPDATE

## DOUBLE DIGIT GROWTH IN NOI AND TENANT SALES

NEPI Rockcastle achieved a 12.7% uplift in net operating income (NOI) to €135 million in the first quarter (Q1) of 2024 versus Q1 2023. On a like-for-like (LFL) basis NOI was up 9.4%. This solid growth was driven by higher base rents and tenant turnover as well as tight management of operating costs.

Tenant sales increased by 10.5% in Q1 2024 versus the same period a year ago (LFL excluding hypermarkets), a very strong result continuing the upward trend seen in the last two years. Footfall was up by 2.1% (LFL), while the average basket size increased 8.8%, despite markedly lower inflation.

**Rüdiger Dany, NEPI Rockcastle's CEO**, said *"We continue to generate robust growth, on the back of strong tenant performance and active asset management across our high-quality portfolio in Central and Eastern Europe. The strength of our markets can be seen in the positive trajectory of consumer spend which translated into double-digit growth in retailers' sales. Demand for space, especially from international retailers, remains very strong, as shown by the high number of new leases signed and NEPI Rockcastle's industry-leading occupancy rate. The operating expenses decreased from previous period, while the recovery of operating costs has improved. We continue to look for additional sources of growth, such as our renewable energy production initiative which is already positively contributing to our results. A top-up to the sustainability linked loan facility syndicated by the IFC provides additional resources for short-term refinancing needs and further enhances the Company's green credentials."*

Retail vacancy was 2.2% on 31 March 2024, similar to the level as of 31 December 2023, confirming the strong demand for retail space from occupiers. Rent collection for Q1 2024 was over 96% (100% for the 2023 full year) as of end of April 2024.

## SHORT-TERM REFINANCING NEEDS MET THROUGH NEW FACILITY AND AMPLE LIQUIDITY

The Group has a very strong liquidity position with €1.4 billion in cash and available committed credit facilities on 31 March 2024. This includes a draw-down of €387 million, the first tranche of the green unsecured sustainability-linked loan facility syndicated by the International Finance Corporation (IFC) in December 2023. In April 2024, NEPI Rockcastle signed a €58 million increase to this facility bringing the total to €445 million. The facility is part of a strategic effort to support the Company's sustainability initiatives in Romania and Bulgaria, and to prepare for the repayment of a €500 million bond maturing in November 2024. Apart from this bond, the Group has no other significant debt due in 2024.

The loan-to-value ratio (LTV\*) was 31.5% as of 31 March 2024, comfortably below the Company's 35% strategic threshold.

The value of the investment portfolio was €7.0 billion as at 31 March 2024 (including Novi Sad in Serbia, classified as held for sale), marginally higher (+0.2%) compared with December 2023 due to investments in developments made during Q1 2024. No property valuations were done during Q1 2024. In line with the Company's policy, independent valuations are carried out twice a year and included in the half-year and year-end financial reports.

\*As of 31 March 2024, the reported gearing ratio (LTV) excludes the €55.3 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.

## OPERATING PERFORMANCE

### Trading update

Footfall was 2.1% higher in Q1 2024 compared to Q1 2023 (LFL). The pace of year-on-year growth accelerated slightly as compared to the second half of 2023.

LFL tenant sales (excluding hypermarkets) in Q1 2024 increased by 10.5% compared to Q1 2023. A positive trend for the year is emerging, with February and March showing higher year-on-year growth than January. All product categories recorded higher sales, except Sporting Goods (-2.3%). The best performing categories were Health & Beauty (+19%) and Services (+18%). Fashion, the largest segment, saw sales increase by 9%.

The average basket size continued to grow strongly (by almost 9% between Q1 2024 and Q1 2023) despite inflation rates coming down from the high levels in 2023. This continues the post-pandemic trend of consumers visiting less, but spending more each time they shop.

### Leasing activity

In Q1 2024, the Group signed 272 new leases and lease renewals, for more than 72,700m<sup>2</sup> (3.4% of total GLA), of which 42% by gross lettable area (GLA) are new leases. International tenants accounted for 76% of newly leased GLA.

Significant new leases signed in Q1 2024 include Half Price and Focus Hotel (Forum Gdansk, Poland), Reserved (Arena Centar, Croatia and Arena Mall, Hungary), New Yorker (Alfa Centrum Bialystok, Poland), Action! by Apollo (Galeria Mlyny, Slovakia), JD (Serdika Centre, Bulgaria), dm (Pitesti Retail Park, Romania), Adidas (Mega Mall, Romania), Fressnapf (Mammut Shopping Centre, Hungary).

New units opened in Q1 2024 include Half Price (Galeria Wolomin, Poland), Reserved (Karolinka Shopping Centre, Poland), Nike and JD Sports (Bonarka City Center, Poland), Hervis (Promenada Craiova, Romania), Lego (Arena Centar, Croatia).

## DEVELOPMENT UPDATE

Works at development projects under construction are on schedule and within budget. The extension of Promenada Bucharest is scheduled to open in the fourth quarter (Q4) 2026. Lease terms were agreed for 52% of the additional GLA. The redevelopment of Bonarka City Center is 68% complete and will be finalised in the second quarter (Q2) 2025. The 5,900m<sup>2</sup> extension of Ploiesti Shopping City is due to open in Q4 2024, with lease terms agreed for 79% of the additional GLA. Works on the refurbishment of Arena Mall Budapest started in April 2024 and will be completed in Q2 2028. Lease terms were agreed for 62% of the refurbished GLA.

Permitting is ongoing for Promenada Mall Plovdiv, a 60,500m<sup>2</sup> GLA retail project in Bulgaria's second largest city. Construction is expected to start in Q4 2024, with an estimated completion in Q4 2026. Preliminary retailer interest is very strong.

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# BUSINESS UPDATE

The first phase of the Company's green energy project, which involves installing photovoltaic panels across 27 locations in Romania, is almost complete. The investment to date is €34 million with total installed power capacity of 38 MW. Procurement for the second stage of this project, involving a roll out of the programme across other markets, has started.

NEPI Rockcastle's development pipeline under construction, or permitting, totals over €650 million, of which €206 million had been spent by 31 March 2024.

## CASH MANAGEMENT AND DEBT

As of 31 March 2024, NEPI Rockcastle has a very strong liquidity profile, with close to €1.4 billion in cash and undrawn committed credit facilities (adjusted for the repayment of the upcoming maturing bond in November 2024, the liquidity amounts to over €900 million). The Group's gearing ratio (interest bearing debt less cash, divided by investment property) was 31.5%, comfortably below the 35% strategic threshold.

The green financing agreement with the IFC, contracted in December 2023 and supplemented in April 2024, is structured as a senior unsecured green loan with sustainability-linked features focused on the reduction of greenhouse gas emissions and boosting energy efficiency across our property portfolio. The facility has competitive pricing linked to the Euribor rate and is set to mature in January 2029. Its first tranche was disbursed in February 2024, and the increase signed in April 2024 has a withdrawal availability period of three months.

**Eliza Predoiu, NEPI Rockcastle's Chief Financial Officer**, said: *"Sustainability is a strategic priority for NEPI Rockcastle - it lies at the core of our operations and the way in which we finance our business. The unsecured green loan arranged by the IFC reinforces our commitment to strengthening our operations and development pipeline in a sustainable way, with higher energy efficiency and lower emission factors. The support of the IFC together with leading international commercial banks and investment managers is a powerful statement of trust in our business strategy, solid financial standing and proven track record of delivering industry-leading performance in the CEE retail market."*

As of 31 March 2024, ratios for unsecured loans and bonds showed ample headroom compared to covenants, as follows:

- Solvency Ratio: 0.4 actual compared to maximum 0.6 requirement,
- Consolidated Coverage Ratio: 5.9 actual compared to minimum 2 requirement,
- Unencumbered consolidated total assets/unsecured consolidated total debt: 250% actual compared to minimum 150% requirement.

The Q1 2024 average cost of debt was 2.87% (corresponding to 2.64%, adjusted for the finance income resulting from the placement of the excess liquidity from the disbursed tranche of the IFC loan). As of March 2024, the balance exposed to variable interest rate corresponds to the disbursed tranche of the IFC loan and represents 13% of the total outstanding debt. Management continually monitor the interest rate market for opportunities to hedge our variable interest rate exposure.

## CHANGE TO THE BOARD OF DIRECTORS, APPOINTMENT OF AN INDEPENDENT NON-EXECUTIVE DIRECTOR

Ms. Jeanine Holscher was appointed as an Independent non-Executive Director of NEPI Rockcastle at the next Annual General Meeting of Shareholders held on 14 May 2024. Ms. Holscher possesses over 25 years of leadership experience spanning retail, travel, services industries, and international strategy consulting. Ms. Holscher brings a wealth of leadership experience, having served in various high-profile roles within the retail and service sectors.

## OUTLOOK

The Board reaffirms its guidance released in February 2024 that distributable earnings per share for the year will be approximately 4% higher than 2023 distributable earnings per share, with no change in the Company's current 90% dividend payout ratio.

This guidance does not consider the impact of greater political instability in the region or major macroeconomic disruption 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)

15 May 2024