Wereldhave

Q1 2024

Trading update 24 April 2024

better everyday life, better business

Key items

Full Service Center footfall continues to power ahead: 10% above Q1 2023

Retail sales +5%, well above inflation

Polarizing leasing market in the Benelux with several expanding formulas but also some bankruptcies

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Leasing spreads in the Netherlands moving into positive territory

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Rent collection >97% underpinning tenant quality

LTV improved to 41.5% due to positive Belgian revaluations (ERV driven) and targeted CAPEX

Update on short-term strategic focus: rotating capital out of the Netherlands to further reduce LTV

Full Service Center Sterrenburg awarded with the 2024 Kern annual development award

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Forecast FY 2024 DRPS € 1.75 reiterated

Message from our CEO

At our 2023 full-year results presentation, we mentioned our growth ambitions – phase 2 of our LifeCentral strategy. This, combined with the slightly dilutive effect from our December 2023 share issue, has caused some underperformance in our share price. We also received further feedback on our growth plans during recent roadshows and other investor interactions. We would like to make it clear that external growth is a long-term ambition. For now, our priority is to find a buyer for our two remaining French assets and rotate capital out of the Netherlands (via joint ventures or disposals) – the latter with a view to optimizing our Dutch tax situation. We expect to use the proceeds to further strengthen our balance sheet and reduce our loan-to-value ratio (LTV), while we consider all options to maximize shareholder value, including share buy-backs.

From an operational perspective our assets performed very well. Footfall increased by +6% for our core portfolio and +10% for our Full Service Centers (FSC). And even more important, underlying retail sales improved by +5% vs. the first quarter of 2023, reflecting the success of our FSCs and the improving physical retail sales market in The Netherlands, and, to a lesser extent, in Belgium.

Our gross rental income increased by 9% to € 41.9m, compared to Q1 2023, partially driven by indexation and positive leasing spreads. Our direct result per share (DRPS) for Q1 2024 decreased however to € 0.41. It is important to mention that the first quarter was impacted by some negative elements such as the settlement of service charges and refinancing. For the full year 2024 we still expect a DRPS of € 1.75. In the Netherlands, the only significant recent bankruptcy – that of discounter Big Bazar – occurred in Q4 2023. We are glad to report that all six Big Bazar stores have now been re-let for a higher total rent than previously.

In Belgium, several bankruptcies occurred during Q1, including Grand Optical (two stores) and Ken Shoe Fashion (three stores). In the case of Grand Optical, several other optical and eyewear chains have expressed their interest in the take-over of the chain and/or leases. In addition, fashion retailer Cassis-Paprika is vacating three stores at Wereldhave centers as part of its restructuring (out of eight stores) but will restart operations following an injection of new equity. Even with these developments, we don't expect a significant impact on our Belgian occupancy rate going forward, as we have tenants lined up to fill these vacant units, which are mostly in the Walloon area where vacancy in our centers is very limited.

In addition, the bankruptcies we've experienced so far this year were widely "expected" and delayed only by Covid-19 support. Vacancies now provide an opportunity for us to increase mixed use in our centers in line with our LifeCentral strategy or allow us to replace these tenants with traditional retail, further reducing our occupancy cost ratio (OCR).

We have no new Full Service Centers scheduled for this year, though our teams are working hard on deliveries for 2025 (our Kronenburg center in Arnhem and Nivelles in Belgium), while making significant progress on existing businesses (including leasing). In addition, we are studying new projects in Liège and Bruges (extensions of our current centers), set to begin once our cost of capital and construction costs have decreased.
For the second year in a row we celebrate winning the Kern annual development award, now for our Full Service Center Sterrenburg in Dordrecht. The annual Kern award honours the best retail and mixed-use development project in the Netherlands, and the winner is chosen by industry experts.

Our balance sheet continues to strengthen, with our net loan-to-value (LTV) improving to 41.5% at end-Q1 (compared with 42.7% at end-Q4). In Q1, our Belgian portfolio saw an increase in valuations, stemming from FSC completions and increased market rents (ERV), among other factors, while capital expenditures were very limited. We intend to remain cautious on expenditures for the remainder of 2024.

We remain on track for approximately 5% like-for-like rental growth in 2024; we are also reconfirming our DRPS outlook for the full year 2024 of € 1.75.

Matthijs Storm, CEO

Amsterdam, 24 April 2024

Summary

Key IFRS financial measures (x € 1,000 unless otherwise noted)			
	Q1 2024	Q1 2023	Change
Gross rental income	41,899	38,264	9.5%
Net rental income	33,837	31,729	6.6%
Result	57,419	16,967	238.4%
Basic earnings per share (in €)	0.94	0.35	166.2%
Weighted average number of ordinary shares outstanding	43,652,348	40,047,140	9.0%
	31 Mar 2024	31 Dec 2023	Change
Investment property	2,205,257	2,162,411	2.0%
Cash and cash equivalents	12,962	25,544	-49.3%
Interest-bearing liabilities	926,781	941,362	-1.5%
Equity attributable to shareholders	1,004,891	964,481	4.2%

EPRA and other performance measures (x € 1,000 unless otherwise noted)			
	Q1 2024	Q1 2023	Change
Direct result	21,437	22,339	-4.0%
Indirect result	35,982	-5,372	769.9%
Direct result per share (€)	0.41	0.46	-11.8%
Indirect result per share (€)	0.53	-0.11	573.5%
Total return based on EPRA net tangible assets per share (€)	0.94	0.38	147.4%
Dividend per share (€)	-	-	-
Interest coverage ratio	4.2x	5.9x	-1.7x
EPRA earnings per share (€)	0.39	0.39	0.0%
EPRA cost ratio including direct vacancy costs (%)	24.3%	29.6%	-5.3 pp
	31 Mar 2024	31 Dec 2023	Change
Net debt	913,819	915,817	-0.2%
Net loan-to-value (%)	41.5%	42.7%	-1.2 pp
EPRA loan-to-value (%)	46.5%	47.9%	-1.4 pp
IFRS net asset value per share (€)	23.02	22.09	4.2%
EPRA net tangible assets per share (€)	22.84	21.90	4.3%
Number of ordinary shares in issue	43,876,129	43,876,129	0.0%
Number of ordinary shares for net asset value	43,652,348	43,661,957	0.0%
EPRA vacancy rate total portfolio (%)	4.7%	4.2%	0.5 pp
Shopping Center operations			
Occupancy rate (%)	95.9%	96.6%	-0.7 pp
Footfall growth	6.5%	12.4%	-5.9 pp
Like-for-like net rental income growth (%)	2.2%	14.3%	-12.1 pp
Proportion of mixed-use Benelux (in % of m2)	14.1%	14.1%	0.0 pp

Operations

In the first quarter of 2024, we continued to work on all elements of our LifeCentral strategy.

Netherlands

In Q1 2024, 29 new contracts were signed at an average of 11% above market rent (ERV).
Danish health and beauty chain Normal leased two units that became vacant following the bankruptcy of Big Bazar, in Middenwaard (Heerhugowaard) and De Koperwiek (Capelle aan den IJssel). An other former Big Bazar in Kronenburg, Arnhem, was leased by fashion retailer KiK. Scapino (shoes) leased more than 700m^2 on the 1st floor in Cityplaza, Nieuwegein. With that all former Big Bazar units have been re-leased.
Food retailer Zuivelhoeve leased two units, in Winkelhof (Leiderdorp) and in our Eggert center (Purmerend).

Footfall in Q1 was 6.6% higher than in the same period in 2023.

With 95.3%, the shopping center occupancy was almost stable compared to the previous quarter.

Our Full Service Center Sterrenburg in Dordrecht, officially opened in 2023, was awarded the Kern 2024 annual development award, an acknowledgment of the joint effort between Wereldhave, Jumbo Foodmarkt Dordrecht and NEOO. A jury of industry professionals praised the complexity of the development project, the excellent 'Full Service Center' mix of retail, F&B, services and amenities and the social function of Sterrenburg as the vibrant meeting point in the heart of the community. Special mention was made of the investments and efforts in making the center more sustainable.

Belgium

During the first quarter of 2024, 11 new contracts for shopping centers were signed, on average 33% above ERV and 5% above their previous rent (MGR).
Among the new contracts were a lease for fashion and household retailer Juttu for our Belle-Île center in Liège and fashion retailer Jack & Jones.

Footfall in Q1 2024, was 4.4% higher than in the same period in 2023, despite disturbances such as heavy snowfall and farmers' protests.

Shopping center occupancy went down to 97.1% from 98.2% at the end of 2023. As per the usual seasonal pattern pop-ups and temporary stores are peaking in Q4 and experience a trough in Q1. Office occupancy went up, by 0.8 percentage point, to 85.5%.

France

No new leases have been signed for the two centers in France, but several constructive negotiations are underway.

Visitor numbers in France in the first quarter of 2024 were 10% higher than in the same period last year, boosted by the full operation of the new F&B area in Mériadeck, Bordeaux.

Tenant sales for the first quarter of 2024 were a solid 6% higher than the same period last year.

The occupancy rate of shopping centers in France decreased and stood at 94.6% at the end of Q1 2024.

Occupancy rates

	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
Belgium	96.9%	96.4%	97.0%	98.2%	97.1%
France	96.6%	94.6%	94.5%	96.6%	94.6%
Netherlands	95.7%	95.6%	95.4%	95.5%	95.3%
Shopping centers	**96.2%**	**95.8%**	**95.9%**	**96.6%**	**95.9%**
Offices (Belgium)	86.1%	86.2%	85.2%	84.7%	85.5%
Total portfolio	**95.6%**	**95.2%**	**95.2%**	**95.8%**	**95.3%**

Overview operational performance

	# of contracts	Leasing volume	ERV uplift	MGR uplift	Occupancy rate	LFL NRI growth
Shopping centers						
Belgium	11	1.7%	33.2%	4.9%	97.1%	0.8%
France	-	-	-	-	94.6%	15.9%
Netherlands	29	3.3%	11.4%	0.1%	95.3%	1.7%
Total	**40**	**2.7%**	**16.4%**	**1.0%**	**95.9%**	**2.2%**

Change in visitors (yoy comparison of quarterly figures)

Shopping centers	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
Belgium	11.4%	5.4%	7.3%	3.6%	4.4%
France	-0.2%	0.4%	4.7%	5.5%	10.0%
Netherlands	15.5%	6.6%	3.6%	6.6%	6.6%
Overall	**12.4%**	**5.5%**	**4.5%**	**5.8%**	**6.5%**

Strategic developments

Full Service Center transformations

In line with our LifeCentral strategy, we continue to transform our centers into FSCs.

In 2023, we delivered four new Full Service Centers, taking us to nine in total and making it our most productive year for transformations yet. These new centers continue the roll-out of our new concept for retail real estate, where daily life retailers are combined with “mixed-use” tenants, including fresh food and restaurants, healthcare, gyms, leisure and cinemas – all in one space. We see the mix of shopping and leisure as the bedrock of our future. Thanks to the rate at which we have carried out LifeCentral so far, we are able to take our time with transformations in 2024, to spread capital expenditure and avoid high construction costs and interest rates.

That said, in 2024, we continue work on phase 1 of our transformation of Kronenburg in Arnhem, as well as the Cityplaza transformation in Nieuwegein and starting transformations on Middenwaard in Heerhugowaard and Nivelles Shopping in Nivelles. This progress will keep us on track to transform 13 of our 17 traditional shopping centers from our core portfolio into Full Service Centers by 2026.

Our delivered FSCs continue to perform well on their KPIs, including total return, leasing spread, footfall and occupancy.

Improving customer experience

Based on the analysis of our portfolio NPS Score (stable for multiple quarters) and new customer feedback items in the quarterly NPS survey per center, we have adjusted the frequency of our NPS surveys from four times a year to twice a year. This change reflects our commitment to efficiency while ensuring we continue to capture meaningful customer insights.

NPS customer feedback is used to improve day-to-day center operations and integrated in our center business planning and FSC blueprint processes. Our latest NPS (Net Promoter Score) results continue to show a clear outperformance of completed FSCs compared to shopping centers and centers in transformation.

Our tenant support program for tenants launching new stores or businesses in our centers remains an appreciated initiative. Leveraging our local digital, social and incenter audience to drive store footfall and sales, we have helped more than 25 of our tenants with store opening activities and commercial marketing communications in Q1.

In 2023, we launched our fragrance concept. Following research confirming its positive impact on customer perceptions of cleanliness and safety in the center, we successfully implemented the concept across all five Belgian centers.

Environmental, Social & Governance (ESG)

Linked to our LifeCentral strategy is A Better Tomorrow, our 2030 sustainability program.

A Better Tomorrow

Our ESG-program A Better Tomorrow was developed to provide a roadmap from 2020 to 2030, with intermediate targets for 2025. It aligns with the Sustainable Development Goals (SDG’s) relevant for Wereldhave and includes elements from leading ESG benchmarks such as GRESB and BREEAM. The program is based on three focus areas, each with clear ambitions:

- Better Footprint - reduce carbon emissions by 30% by 2030 for all m^2 under Wereldhave's operational control (SBTi approved) and become Paris Proof in 2045 (DGBC approved)
- Better Nature - 100% of assets have action plans to mitigate physical effects of climate change and double the surface of vegetation roofs and green spaces
- Better Living - Contribute at least 1% of net rental income to socio-economic and social inclusion initiatives and aim for zero safety incidents at Wereldhave centers.

In 2024 we will continue the progress made in 2023, in which we, among others, secured a 10th consecutive five-star GRESB rating and put live our new smart energy system. Within the scope of the Better Footprint pillar, we have developed roadmaps for all our centers in the Netherlands and Belgium, that set out clear priorities to reduce our carbon footprint, in alignment with 2030 SBTi targets and our Paris Proof commitment.

In Q1 2024 we kicked off with our project teams to further prepare for upcoming changes in sustainability reporting and disclosure regulations, in line with EU Taxonomy and the Corporate Sustainability Reporting Directive (CSRD).

As we have already reached our 2030 carbon emissions reduction target, we are assessing the need for an updated ambition that will tackle real estate decarbonization challenges and maximize opportunities in our markets.

On 1 April 2024, a dedicated technical Project Manager Sustainability joined Wereldhave, to accelerate the progress of our assets in the scope of A Better Tomorrow.

Outlook

With like-for-like rental growth on track, we reiterate our 2024 direct result per share (DRPS) outlook of € 1.75, despite higher interest charges.

Glossary of terms

This glossary includes definitions of measures used in our reporting. The Company uses a variety of financial and non-financial measures to assess and explain our performance. A number of the financial measures used, including net debt, direct result, direct result per share and the measures in accordance with the industry best practices as published by the European Public Real Estate Association (EPRA), are not defined under International Financial Reporting Standards (IFRS) and therefore considered alternative performance measures (APMs). APMs are not considered superior to the relevant IFRS measures, rather management use them alongside IFRS measures to monitor the Company's financial performance because they help illustrate the performance and position of the Company. These measures are determined on a consistent and comparable basis with our latest published annual report, unless otherwise noted.

Customer satisfaction Benelux (Net Promoter Score) is calculated as the 1-year moving average Net Promoter Score (NPS), measured over the entire portfolio of continued operating shopping centers in the Benelux. Continued operating shopping centers exclude developments and refurbishments.

Direct result is based on the EPRA earnings which further excludes project related or other expenditures which are not considered by management to be part of the operational performance of the Company.

Direct result per share (DRPS) is calculated by dividing Direct result attributable to shareholders by the weighted average number of shares.

EPRA cost ratio including direct vacancy costs takes total property expenses, net service charges and general costs and divide this by gross rental income from the IFRS income statement. The gross rental income and total costs are adjusted in case of income that is specifically intended to cover overhead expenses.

EPRA earnings is a measure of operational performance and the extent to which its dividend payments to shareholders are underpinned by income generated from operational activities. The measure is based on the result from the IFRS income statement attributable to shareholders excluding valuation results, results on disposals and the fair value of changes of financial instruments.

EPRA earnings per share is calculated by dividing EPRA earnings by the weighted average number of shares.

EPRA loan-to-value (EPRA LTV) is based on net debt divided by net assets as defined by EPRA and based on a proportional consolidation of non-controlling interests.

EPRA net disposal value (EPRA NDV) takes IFRS NAV including the fair value of the interest-bearing liabilities attributable to shareholders.

EPRA net Initial yield (EPRA NIY) is calculated using the annualized rental income based on cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the market value of the property, including estimated purchasers' cost on the basis of the valuation reports from appraisers at reporting date.

EPRA net reinstatement value (EPRA NRV) takes IFRS NAV excluding the fair value of financial instruments and deferred tax liabilities and including real estate transfer tax of the investment portfolio attributable to shareholders.

EPRA net tangible assets (EPRA NTA) takes IFRS NAV excluding intangible assets, the fair value of financial instruments and 50% of the value of the deferred tax liabilities attributable to shareholders.

EPRA vacancy rate is the estimated rental value of vacant units as a percentage of the total estimated rental value of the portfolio, excluding development units, units under offer or occupied by the Group.

Estimated rental value (ERV) is the Company's external appraisers' opinion at valuation date of the market rent which could reasonably be expected to be obtained on new letting or renewal of the unit or property.

Footfall is the number of visitors in our shopping centers during the period.

Footfall growth is the change in footfall calculated as the footfall in current period divided by the footfall in the same period last year.

Gross loan-to-value (Gross LTV) is calculated based on the loan covenants and excludes the cash and cash equivalents compared to the Net LTV.

IFRS Net asset value per share (IFRS NAV) is equity attributable to shareholders divided by the total number of ordinary shares for net asset value.

Indirect result includes the items that are excluded from the IFRS income statement for the determination of the EPRA earnings as well as further exclusions made as part of the determination of the Direct result.

Indirect result per share is calculated by dividing Indirect result attributable to shareholders by the weighted average number of shares.
Interest coverage ratio is the ratio of net rental income and the interest expense on interest-bearing liabilities (excluding amortized costs) as included in net interest in the income statement. The calculation is based on the loan covenants included in our financing agreements.

Like-for-like net rental income growth is the change in net rental income of the portfolio that has been consistently in operation during the two full reporting periods. This excludes acquisitions, disposals or developments.

MGR vs ERV is the percentage change calculated as the MGR on new or renewed contracts signed divided by the applicable ERV during the period.

MGR Uplift is the percentage change in MGR from renewed lease agreements signed during the reporting period compared to the MGR before the renewal.

Minimum guaranteed rent (MGR) on reporting date based on the lease agreements in place.

Net debt is the sum of the non-current and current interest-bearing liabilities less cash and cash equivalents.

Net loan-to-value (Net LTV) is the ratio of net debt, including the value of the foreign exchange derivatives, to the aggregate value of investment properties including assets held for sale as well as property leased out under finance lease less the present value of future ground rent payments.

Number of ordinary shares for net asset value are the total number of ordinary shares in issue less the treasury shares held by the Company at the end of the period.

Occupancy rate is calculated as 100% less the EPRA vacancy rate.

Occupancy cost ratio (OCR) is the total cost of occupation that includes rent, service charges and marketing contributions divided by the retail sales obtained from the tenant.

Proportion of mixed-use Benelux is the percentage of square meters devoted to tenants that operate in branches that are considered mixed-use in comparison to the total available square meters in our Benelux shopping centers.

Solvency is calculated as the total equity less intangible assets and provisions for deferred tax assets divided by total assets per balance sheet less intangible assets.

Retail sales are the sales figures provided by our tenants from our shopping center portfolio.

Tenant satisfaction is measured through tenant surveys which provides a score for customer satisfaction on a defined scale.

Total property return is a measure of the unlevered return of our investment portfolio and is calculated as the change in fair value, less any investments made, plus net rental income, expressed as a percentage of fair value at beginning of period plus the investments made during the period concerned, excluding land.

Total return based on EPRA net tangible assets per share is calculated as the total of the dividend paid per share and the change in EPRA NTA per share compared to prior period.

Total shareholder return is a performance measure of the Company's share price over time. It is calculated as the share price movement from the beginning of a defined period to the end of the defined period plus dividends paid, divided by the average share price in the three months preceding the start of the defined period.

Weighted average number of shares includes the weighted average of the number of ordinary shares outstanding during the period (excluding treasury shares).

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