



Simon Property Group Reports First Quarter 2016 Results

April 26, 2016

INDIANAPOLIS, April 26, 2016 /PRNewswire/ -- Simon, a global leader in retail real estate, today reported results for the quarter ended March 31, 2016.



Results for the Quarter

- Funds from Operations ("FFO") was \$951.8 million, or \$2.63 per diluted share, as compared to \$830.7 million, or \$2.28 per diluted share, in the prior year period, an increase of 15.4%.
- Net income attributable to common stockholders was \$481.0 million, or \$1.55 per diluted share, as compared to \$539.1 million, or \$1.73 per diluted share, in the prior year period. Net income attributable to common stockholders in the prior year period included a non-cash gain of \$206.9 million, or \$0.57 per diluted share, solely related to Klépierre's issuance of additional shares of its common stock to complete its acquisition of Corio N.V.

"We continue to deliver strong results," said David Simon, Chairman and Chief Executive Officer. "FFO per share increased 15.4% over the prior year, driven by growth in operating income from our comparable properties and the accretive impact of our new developments and expansions."

U.S. Malls and Premium Outlets Operating Statistics

	As of	
	March 31,	
	2016	2015
Occupancy ⁽¹⁾	95.6%	95.8%
Base Minimum Rent per sq. ft. ⁽¹⁾	\$49.70	\$47.59
Releasing Spread per sq. ft. ⁽¹⁾⁽²⁾	\$10.24	\$11.19
Releasing Spread (percentage change) ⁽¹⁾⁽²⁾	17.5%	18.9%
Total Sales per sq. ft. ⁽³⁾	\$613	\$621

(1) Represents mall stores in Malls and all owned square footage in Premium Outlets.

(2) Same space measure that compares opening and closing rates on individual spaces leased during trailing 12-month period.

(3) Trailing 12-month sales per square foot for mall stores less than 10,000 square feet in Malls and stores less than 20,000 square feet in Premium Outlets for 2016.

Portfolio Net Operating Income ("NOI") and Comparable Property NOI

Total portfolio NOI growth for the three months ended March 31, 2016 was 7.8%. Total portfolio NOI includes comparable property NOI, NOI from new developments, redevelopments, expansions and acquisitions, NOI from international properties and our share of NOI from investments. Comparable property NOI growth for the three months ended March 31, 2016 was 5.1%.

Dividends

Today Simon's Board of Directors declared a quarterly common stock dividend of \$1.60 per share. This is a 6.7% increase year-over-year. The dividend will be payable on May 31, 2016 to stockholders of record on May 17, 2016.

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, 2016 to stockholders of record on June 16, 2016.

Development Activity

During the quarter, we completed the transformation of Roosevelt Field in Garden City, New York, which included a spectacular new Dining District, a 50,000 square foot expansion and the addition of Long Island's first Neiman Marcus store.

We started construction on a new development project, the Premium Outlet Collection – Edmonton International Airport, a 428,000 square foot center in Edmonton, Alberta, Canada scheduled to open in October 2017. Simon owns a 50% interest in this project.

Construction continues on three new development projects scheduled to open in 2016:

- The 500,000 square foot retail component to Brickell City Centre in Miami, Florida scheduled to open in the fall of 2016. Simon owns a 25% interest in this project.
- A 355,000 square foot outlet center located in Columbus, Ohio scheduled to open in June of 2016. Simon owns a 50% interest in this project.
- Clarksburg Premium Outlets, a 392,000 square foot center in Clarksburg, Maryland scheduled to open in October of 2016. Simon owns a 66% interest in this project.

Construction also continues on three other new development projects scheduled to open in 2017, including The Shops at Clearfork (Fort Worth, Texas), Siheung Premium Outlets (Siheung (Seoul), South Korea) and Provence Designer Outlet (Miramas, France).

During the first quarter, we started construction on significant redevelopment and expansion projects including a 60,000 square foot expansion at The Outlets at Orange in Orange (Los Angeles), California that will include additional small shops and a Bloomingdale's Outlet.

Construction continues on other significant expansion projects including The Fashion Centre at Pentagon City, King of Prussia, The Galleria in Houston, and Woodbury Common Premium Outlets.

At quarter-end, redevelopment and expansion projects, including the addition of new anchors, were underway at 33 properties in the U.S. and Europe. Simon's share of the costs of all new development and redevelopment projects under construction at quarter-end was approximately \$2.0 billion.

Acquisitions and Dispositions

In April 2016, we completed the acquisition of The Shops at Crystals in Las Vegas, Nevada in a 50:50 joint venture with Invesco Real Estate. The purchase price was approximately \$1.1 billion. Simon will lease and manage the center for the joint venture. During the first quarter, the Company sold two residential assets and one non-core retail asset.

Financing Activity

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

The Company completed a two tranche senior notes offering totaling \$1.35 billion with a weighted average coupon rate of 2.97% and weighted average term of 8.2 years.

With regard to secured debt activity, we completed four new loans totaling approximately \$600 million, of which Simon's share is \$500 million. The weighted average interest rate and term on these loans is 3.58% and 8.4 years, respectively.

As of March 31, 2016, Simon had over \$6.0 billion of liquidity consisting of cash on hand, including its share of joint venture cash, and available capacity under its revolving credit facilities.

2016 Guidance

The Company currently estimates that FFO will be within a range of \$10.72 to \$10.82 per diluted share for the year ending December 31, 2016, with net income to be within a range of \$6.01 to \$6.11 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:

For the year ending December 31, 2016

	Low End	High End
Estimated net income available to common stockholders per diluted share	\$6.01	\$6.11
Depreciation and amortization including Simon's share of unconsolidated entities	4.77	4.77
Gain upon acquisition of controlling interest, sale or disposal of assets and interests in unconsolidated entities, net	(0.06)	(0.06)

Estimated FFO per diluted share

\$10.72 \$10.82

Conference Call

Simon will hold a conference call to discuss the quarterly financial results today at 11:00 a.m. Eastern Time, Tuesday, April 26, 2016. A live webcast of the conference call will be accessible in listen-only mode at investors.simon.com. An audio replay of the conference call will be available until May 3, 2016. To access the audio replay, dial 1-855-859-2056 (international 404-537-3406) passcode 75916181.

Supplemental Materials and Website

Supplemental information on our first quarter 2016 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, portfolio net operating income growth 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 the Company's 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 its annual and quarterly periodic reports filed with the SEC. The Company may update that discussion in its periodic reports, but except as required by law, 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.

About Simon

Simon is a global leader in retail real estate ownership, management and development and an 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,	
	2016	2015
REVENUE:		
Minimum rent	\$ 818,536	\$ 753,445
Overage rent	28,916	38,957
Tenant reimbursements	371,613	340,170

Management fees and other revenues	33,400	35,078
Other income	84,250	48,585
Total revenue	1,336,715	1,216,235
EXPENSES:		
Property operating	103,060	99,757
Depreciation and amortization	300,614	288,106
Real estate taxes	109,423	106,888
Repairs and maintenance	26,065	29,734
Advertising and promotion	35,038	18,756
Provision for credit losses	3,664	3,847
Home and regional office costs	38,607	35,903
General and administrative	14,864	14,999
Other	20,479	19,074
Total operating expenses	651,814	617,064
OPERATING INCOME	684,901	599,171
Interest expense	(219,190)	(232,173)
Income and other taxes	(15,186)	(6,362)
Income from unconsolidated entities	90,626	64,872
Gain upon acquisition of controlling interests and sale or disposal of assets and interests in unconsolidated entities, net	22,688	206,927
CONSOLIDATED NET INCOME	563,839	632,435
Net income attributable to noncontrolling interests	82,010	92,467
Preferred dividends	834	834
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ 480,995	\$ 539,134
BASIC AND DILUTED EARNINGS PER COMMON SHARE:		
Net income attributable to common stockholders	\$ 1.55	\$ 1.73

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

	March 31, 2016	December 31, 2015
ASSETS:		
Investment properties at cost	\$ 34,192,700	\$ 33,463,124
Less - accumulated depreciation	10,109,531	9,915,386
	24,083,169	23,547,738

Cash and cash equivalents	805,076	701,134
Tenant receivables and accrued revenue, net	573,255	624,605
Investment in unconsolidated entities, at equity	2,442,442	2,481,574
Investment in Klépierre, at equity	2,026,942	1,943,363
Deferred costs and other assets	1,467,614	1,266,768
Total assets	\$ 31,398,498	\$ 30,565,182
LIABILITIES:		
Mortgages and unsecured indebtedness	\$ 22,975,821	\$ 22,416,682
Accounts payable, accrued expenses, intangibles, and deferred revenues	1,167,101	1,323,801
Cash distributions and losses in partnerships and joint ventures, at equity	1,371,741	1,368,544
Other liabilities	365,764	214,249
Total liabilities	25,880,427	25,323,276
Commitments and contingencies		
Limited partners' preferred interest in the Operating Partnership and noncontrolling redeemable interests in properties	155,530	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	43,651	43,733
Common stock, \$ 0.0001 par value, 511,990,000 shares authorized, 314,807,744 and 314,806,914 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	9,391,274	9,384,450
Accumulated deficit	(4,288,650)	(4,266,930)
Accumulated other comprehensive loss	(117,717)	(252,686)
Common stock held in treasury at cost, 5,398,908 and 5,394,345 shares, respectively	(438,005)	(437,134)
Total stockholders' equity	4,590,584	4,471,464
Noncontrolling interests	771,957	744,905
Total equity	5,362,541	5,216,369
Total liabilities and equity	\$ 31,398,498	\$ 30,565,182

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

	For the Three Months Ended March 31,	
	2016	2015
Revenue:		
Minimum rent	\$ 438,847	\$ 433,781
Overage rent	49,624	51,180
Tenant reimbursements	210,941	194,487
Other income	58,680	53,995
Total revenue	758,092	733,443
Operating Expenses:		
Property operating	131,081	130,804
Depreciation and amortization	131,480	141,659
Real estate taxes	61,509	58,574
Repairs and maintenance	19,754	20,361
Advertising and promotion	22,529	16,702
Provision for credit losses	2,690	1,853
Other	45,053	44,428
Total operating expenses	414,096	414,381

Operating Income	343,996	319,062
Interest expense	(143,758)	(147,020)
Gain on sale or disposal of assets and interests in unconsolidated entities	54,473	-
Net Income	<u>\$ 254,711</u>	<u>\$ 172,042</u>
Third-Party Investors' Share of Net Income	<u>\$ 118,809</u>	<u>\$ 89,114</u>
Our Share of Net Income	135,902	82,928
Amortization of Excess Investment (A)	(23,213)	(24,154)
Our Share of Gain on Sale or Disposal of Assets and Interests	<u>(36,153)</u>	-
Income from Unconsolidated Entities (B)	<u>\$ 76,536</u>	<u>\$ 58,774</u>

Note: The above financial presentation does not include any information related to our investments in Klépierre S.A. ("Klépierre") and HBS Global Properties ("HBS"). For additional information, see footnote B.

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

	March 31, 2016	December 31, 2015
Assets:		
Investment properties, at cost	\$ 16,642,365	\$ 17,186,884
Less - accumulated depreciation	5,819,381	5,780,261
	10,822,984	11,406,623
Cash and cash equivalents	759,262	818,805
Tenant receivables and accrued revenue, net	319,204	354,133
Investment in unconsolidated entities, at equity	-	-
Deferred costs and other assets	332,540	482,024
Total assets	<u>\$ 12,233,990</u>	<u>\$ 13,061,585</u>
Liabilities and Partners' Deficit:		
Mortgages	\$ 13,526,185	\$ 13,827,215
Accounts payable, accrued expenses, intangibles, and deferred revenue	736,613	985,159
Other liabilities	464,432	468,005
Total liabilities	14,727,230	15,280,379
Preferred units	67,450	67,450
Partners' deficit	(2,560,690)	(2,286,244)
Total liabilities and partners' deficit	<u>\$ 12,233,990</u>	<u>\$ 13,061,585</u>
Our Share of:		
Partners' deficit	\$ (1,136,585)	\$ (854,562)
Add: Excess Investment (A)	2,026,390	1,788,749
Our net Investment in unconsolidated entities, at equity	<u>\$ 889,805</u>	<u>\$ 934,187</u>

Note: The above financial presentation does not include any information related to our investments in Klépierre and HBS Global Properties. 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>2016</u>	<u>2015</u>
Consolidated Net Income (D)	\$ 563,839	\$ 632,435
Adjustments to Arrive at FFO:		
Depreciation and amortization from consolidated properties	297,196	284,227
Our share of depreciation and amortization from unconsolidated entities, including Klépierre and HBS	118,242	123,884
Gain upon acquisition of controlling interests and sale or disposal of assets and interests in unconsolidated entities, net	(22,688)	(206,927)
Net income attributable to noncontrolling interest holders in properties	(729)	(690)
Noncontrolling interests portion of depreciation and amortization	(2,714)	(885)
Preferred distributions and dividends	(1,313)	(1,313)
FFO of the Operating Partnership	<u>\$ 951,833</u>	<u>\$ 830,731</u>

Diluted net income per share to diluted FFO per share reconciliation:		
Diluted net income per share	\$ 1.55	\$ 1.73
Depreciation and amortization from consolidated properties and our share of depreciation and amortization from unconsolidated entities, including Klépierre and HBS, net of noncontrolling interests portion of depreciation and amortization	1.14	1.12
Gain upon acquisition of controlling interests and sale or disposal of assets and interests in unconsolidated entities, net	(0.06)	(0.57)
Diluted FFO per share	<u>\$ 2.63</u>	<u>\$ 2.28</u>

Details for per share calculations:		
FFO of the Operating Partnership	\$ 951,833	\$ 830,731
Diluted FFO allocable to unitholders	(136,899)	(120,305)
Diluted FFO allocable to common stockholders	<u>\$ 814,934</u>	<u>\$ 710,426</u>
Basic and Diluted weighted average shares outstanding	309,416	311,101
Weighted average limited partnership units outstanding	51,979	52,683
Basic and Diluted weighted average shares and units outstanding	<u>361,395</u>	<u>363,784</u>
Basic and Diluted FFO per Share	\$ 2.63	\$ 2.28
<i>Percent Change</i>	15.4%	

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 investments in Klépierre and HBS Global Properties. Amounts included in Footnotes D below exclude our share of related activity for our investments in Klépierre and HBS Global Properties. For further information on Klépierre, reference should be made to financial information in Klépierre'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 and FFO per share. 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 \$1.6 million and \$0.1 million for the three months ended March 31, 2016 and 2015, respectively.
- Straight-line adjustments to minimum rent of \$15.1 million and \$16.4 million for the three months ended March 31, 2016 and 2015, respectively.
- Amortization of fair market value of leases from acquisitions of \$2.6 million and \$3.4 million for the three months ended March 31, 2016 and 2015, respectively.
- Debt premium amortization of \$4.2 million and \$7.2 million for the three months ended March 31, 2016 and 2015, respectively.

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To view the original version on PR Newswire, visit: <http://www.prnewswire.com/news-releases/simon-property-group-reports-first-quarter-2016-results-300257140.html>

SOURCE Simon

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