

SFL – First-Half 2021 Results

Rental income: €86.1m (up 2.7% like-for-like)
EPRA earnings: €43.8m
Attributable net profit: €98.8m
Portfolio value: €7,323m (up 1.8% like-for-like)
EPRA NDV: €99.0/share

The interim consolidated financial statements for the six months ended 30 June 2021 were approved by the Board of Directors of Société Foncière Lyonnaise on 28 July 2021, at its meeting chaired by Juan José Brugera.

These financial statements show like-for-like growth in rental income and the portfolio's appraisal value, along with a stable NAV, reflecting the quality of SFL's portfolio.

The auditors have completed their review of the financial statements and issued their report on the interim financial information, which does not contain any qualifications or emphasis of matter.

Consolidated data (€ millions)

	H1 2021	H1 2020	Change
Rental income	86.1	91.2	-5.6%
Adjusted operating profit*	66.6	74.8	-11.0%
EPRA earnings	43.8	50.1	-12.5%
Attributable net profit	98.8	113.7	-13.1%

* Operating profit before disposal gains and losses and fair value adjustments

	30/06/2021	31/12/2020	Change
Attributable equity	4,654	4,647	+0.2%
Consolidated portfolio value excluding transfer costs	7,323	7,458	-1.8%
Consolidated portfolio value including transfer costs	7,838	7,946	-1.4%
EPRA NDV	4,608	4,596	+0.3%
EPRA NDV per share	€99.0	€98.8	

Results

Rental income

First-half 2021 consolidated rental income amounted to €86.1 million, down €5.1 million (5.6%) from the €91.2 million reported for the same period of 2020.

- On a like-for-like basis (i.e., excluding all changes in the portfolio affecting period-on-period comparisons), rental income climbed €2.2 million, up 2.7%, buoyed by higher rental income from the Edouard VII, Rives de Seine, 106 Haussmann and Washington Plaza buildings.
- Rental income from units being redeveloped or renovated in the periods concerned was down by €4.6 million, due to the renovation of several floors that were vacated in late 2020, mainly in the Cézanne Saint-Honoré et Washington Plaza buildings.
- The sale of the 112 Wagram and 9 Percier buildings in early 2021 led to a €2.7-million contraction in rental income for the period compared with first-half 2020.

Operating profit before disposal gains and losses and fair value adjustments to investment property came to €66.6 million in first-half 2021 versus €74.8 million in the year-earlier period.

Portfolio appraisal value

The portfolio's appraisal value at 30 June 2021 was 1.8% higher on a like-for-like basis than at 31 December 2020. The increase led to the recognition of positive fair value adjustments to investment property of €54.7 million in first-half 2021 compared with positive adjustments of €42.8 million in first-half 2020.

Net profit

Net finance costs amounted to €14.8 million in first-half 2021 compared with €13.7 million in the year-earlier period, an increase of €1.1 million that primarily reflects the Group's higher average cost of debt. The increase in this item was partly offset by a reduction in average debt.

After taking into account these core items, EPRA earnings came to €43.8 million in first-half 2021, versus €50.1 million in first-half 2020, while attributable net profit for the period came in at €98.8 million compared with €113.7 million in first-half 2020.

Business review

Rental operations

In a lacklustre rental market during the first four months of the period owing to the health crisis, SFL nevertheless bucked the trend, signing leases on some 17,000 sq.m. The main leases concerned:

- Cézanne Saint-Honoré: lease on 3,700 sq.m. signed with Wendel, scheduled for delivery in 2022;
- Washington Plaza: new lease with Finastra (3,200 sq.m.) and TP ICAP (2,000 sq.m.), who are already tenants at the site, and a lease on 1,200 sq.m. signed with Prologis;
- Edouard VII: leases signed on 3,300 sq.m., with two main agreements;
- 103 Grenelle: three leases signed on 2,000 sq.m.;
- 92 Champs-Élysées: commercial lease on 900 sq.m. signed with PSG.

The new office leases were signed at an average nominal rent of €753 per sq.m., corresponding to an effective rent of €647 per sq.m, for an average non-cancellable term of 7.7 years. These conditions attest to the very high quality of the Group's properties.

The physical occupancy rate for revenue-generating properties rose to 94.8% at 30 June 2021 compared with 93.7% at 31 December 2020. The remaining vacant units are located mainly in the Le Vaisseau building in Issy-les-Moulineaux and at 103 Grenelle. The EPRA vacancy rate was 4.6% at 30 June 2021 versus 6.0% at 31 December 2020.

Development operations

Properties undergoing development at 30 June 2021 represented roughly 20% of the total portfolio. They consist mainly of the Group's current three flagship projects concerning:

- The office building at 83 avenue Marceau (approximately 9,000 sq.m.). Redevelopment work is nearing completion and the building will be delivered within the next few weeks. This property has been fully pre-let.
- The Biome office complex on avenue Emile Zola (approximately 24,000 sq.m.). Redevelopment continued during the period with progress on the structural works phase of the new buildings, scheduled for delivery in 2022.
- Retail space in the Louvre Saint-Honoré building, which is scheduled for delivery in 2023 under a turnkey lease on over 20,000 sq.m. signed with the Cartier Foundation. During first-half 2021, site clearance and asbestos removal work was completed and the structural works phase began.

Capitalised work carried out in first-half 2021 amounted to €67.5 million, including the above projects for a total of €50.1 million and large-scale renovations of complete floors in the Washington Plaza and Cézanne Saint-Honoré buildings.

Portfolio operations

Disposal of the 112 Wagram and 9 Percier properties was completed during the period. The disposal processes were launched in 2020 under the Group's asset rotation policy. These properties were sold in January and February 2021 at a net sale price of €120.5 million and €143.5 million, respectively. Their price, already included in the fair value of these assets at 31 December 2020, represented a premium of 16% on their appraisal value at 31 December 2019.

No properties were acquired during the period.

Health crisis

During the period, SFL continued to apply the measures deployed in 2020 to limit the pandemic's effects on its business and results.

Rent collection rates remained highly satisfactory at 30 June 2021, at 98% for first-quarter rents and 96% for second-quarter rents. Past-due rents were reviewed on a case-by-case basis to determine whether a provision was needed. The Edouard VII and #cloud.paris conference centres, along with the Indigo hotel, remained closed for most of first-half 2021.

The rental market had slowed since the onset of the Covid-19 crisis, but it picked up towards the end of first-half 2021 and leases were signed on several significant units.

The value of SFL's office properties at 30 June 2021 proved resilient despite the health crisis, with an overall like-for-like increase of 1.8% in their appraisal values during the period.

Financing

As a result of the above transactions, consolidated net debt was reduced significantly from €1,890 million at 31 December 2020 to €1,748 million at 30 June 2021, representing a loan-to-value ratio of 22.3% based on the portfolio's appraisal value. The average cost of debt after hedging was 1.6% at 30 June 2021 and the average maturity was 4.0 years. At the same date, the interest coverage ratio stood at 4.7x.

The Company's liquidity position at 30 June 2021 was excellent, with €1,040 million in undrawn confirmed lines of credit.

Net asset value

The consolidated market value of SFL's portfolio at 30 June 2021 was €7,323 million excluding transfer costs, down 1.8% on 31 December 2020 (€7,458 million) following the disposals carried out in the period, but up 1.8% on a like-for-like basis. This increase results mainly from redevelopment projects

which continued under good conditions during the period, since the value of revenue-generating properties remained broadly stable.

The average EPRA topped-up net initial yield (NIY) was 2.9% at 30 June 2021, unchanged from 31 December 2020.

EPRA Net Disposal Value (NDV) stood at €4,608 million, or €99.0 per share at 30 June 2021, an increase of 2.3% including the dividend of €2.10 per share paid in April 2021, versus €98.8 per share at 31 December 2020.

Colonial's transaction involving SFL shares

On 3 June 2021, Colonial – SFL's majority shareholder – announced a proposed transaction in two parts: (i) a simplified mixed tender offer for the shares of SFL not yet held by Colonial and Prédica, and (ii) a change in the existing partnership between SFL and Prédica (see the 3 June 2021 press release).

On 8 July 2021, SFL's Board of Directors issued a favourable opinion on the proposed operation, and recommended that shareholders tender their shares to the offer (see 8 July 2021 press release).

The mixed public offer for SFL's shares was decided pursuant to the AMF's approval dated 20 July 2021, and will run from 22 July 2021 to 25 August 2021 inclusive (see the offer document in response dated 20 July 2021).

EPRA indicators

	H1 2021	H1 2020
EPRA Earnings (€m)	43.8	50.1
/share	€0.94	€1.08
EPRA Cost Ratio (including vacancy costs)	17.0%	16.1%
EPRA Cost Ratio (excluding vacancy costs)	15.1%	14.3%

	30/06/2021	31/12/2020
EPRA NRV (€m)	5,238	5,210
/share	€112.6	€112.0
EPRA NTA* (€m)	4,780	4,779
/share	€102.7	€102.7
EPRA NDV (€m)	4,608	4,596
/share	€99.0	€98.8
EPRA Net Initial Yield (NIY)	2.7%	2.7%
EPRA topped-up NIY	2.9%	2.9%
EPRA Vacancy Rate	4.6%	6.0%

* Transfer costs are included at their amount as determined in accordance with IFRS (i.e., 0).

Alternative Performance Indicators (APIs)

API EPRA Earnings

€ millions	H1 2021	H1 2020
Attributable net profit	98.8	113.7
Less:		
Profit (loss) on asset disposals	(0.1)	-
Non-recurring costs relating to disposals	2.5	
Fair value adjustments to investment property	(54.7)	(42.8)
Fair value adjustments to financial instruments, discounting adjustments to debt and related costs	-	0.2
Tax on the above items	(3.2)	(9.0)
Non-controlling interests in the above items	0.5	(12.0)
EPRA earnings	43.8	50.1

API EPRA NDV

€ millions	30/06/2021	31/12/2020
Attributable equity	4,654	4,647
Treasury shares	2	3
Fair value adjustments to owner-occupied property	22	22
Fair value adjustments to fixed rate debt	(70)	(76)
EPRA Net Disposal Value (NDV)	4,608	4,596

API net debt

€ millions	30/06/2021	31/12/2020
Long-term borrowings and derivative instruments	1,476	1,476
Short-term borrowings and other interest-bearing debt	371	481
Debt in the consolidated statement of financial position	1,848	1,957
Less:		
Current account advances (liabilities)	(62)	(52)
Accrued interest, deferred recognition of debt arranging fees, negative fair value adjustments to financial instruments	1	0
Cash and cash equivalents	(39)	(15)
Net debt	1,748	1,890

More information is available at www.fonciere-lyonnaise.com/en/publications/results

About SFL

Leader in the prime segment of the Parisian commercial real estate market, Société Foncière Lyonnaise stands out for the quality of its property portfolio, which is valued at €7.3 billion and is focused on the Central Business District of Paris (#cloud.paris, Edouard VII, Washington Plaza, etc.) and for the quality of its client portfolio, which is composed of prestigious companies in the consulting, media, digital, luxury, finance and insurance sectors. As France's oldest property company, SFL demonstrates year after year an unwavering commitment to its strategy focused on creating a high value in use for users and, ultimately, substantial appraisal values for its properties.

Stock market: Euronext Paris Compartment A – Euronext Paris ISIN FR0000033409 – Bloomberg: FLY FP – Reuters: FLYP PA

S&P rating: BBB+ stable outlook