

SFL – 2021 Annual Results

Rental income: €174.6m (up 3.0% like-for-like)
EPRA earnings: €92.4m
Attributable net profit: €292.0m
Portfolio value: €7,606m (up 5.7% like-for-like)
EPRA NTA: €107.9 per share (up 5.1%)

The financial statements for the year ended 31 December 2021 were approved by the Board of Directors of Société Foncière Lyonnaise on 18 February 2022 at a meeting chaired by Juan José Brugera.

As reflected in these financial statements, the portfolio's appraisal value and NAV per share both increased in 2021, attesting to the quality of SFL's assets. Rental income also increased significantly on a comparable portfolio basis.

The auditors have completed their audit of the annual financial statements and are in the process of issuing their report.

Consolidated data (€ millions)

	2021	2020	Change
Rental income	174.6	182.4	-4.3%
Adjusted operating profit*	134.2	152.6	-12.0%
EPRA earnings	92.4	100.8	-8.3%
Attributable net profit	292.0	286.9	+1.8%

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

	31/12/2021	31/12/2020	Change
Attributable equity	4,387	4,647	-5.6%
Consolidated portfolio value excluding transfer costs	7,606	7,458	+2.0%
Consolidated portfolio value including transfer costs	8,138	7,946	+2.4%
EPRA NDV	4,375	4,596	-4.8%
EPRA NDV per share	€102.1	€98.8	+3.3%

Results

Rental income

Rental income amounted to €174.6 million in 2021 versus €182.4 million the previous year, a decline of €7.8 million (or 4.3%) as reported.

- On a like-for-like basis (excluding all changes in the portfolio affecting period-on-period comparisons), rental income was €4.6 million higher, a 3.0% increase that was primarily attributable to the improved occupancy rate for revenue-generating units. The main contributors to the increase were the Washington Plaza, 106 Haussmann, Rives de Seine and Edouard VII properties.
- Rental income from units being redeveloped or renovated in the periods concerned was down by €6.3 million, due to the renovation of several floors vacated in late 2020, mainly in the Cézanne Saint-Honoré and Washington Plaza buildings. Conversely, the 83 Marceau building contributed to rental income for the first time, following its delivery in the second half of 2021 after two years of restructuring. This property is fully let.
- Finally, the early 2021 sale of the 112 Wagram and 9 Percier buildings led to a €6.1 million reduction in rental income.

Operating profit before disposal gains and losses and fair value adjustments to investment property came to €134.2 million in 2021, versus €152.6 million the year before.

Portfolio appraisal value

The portfolio's appraisal value at 31 December 2021 was 5.7% 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 €255.2 million in 2021 compared with positive adjustments of €176.5 million in 2020.

Net profit

Net finance costs contracted by €4.1 million to €30.2 million in 2021, from €34.3 million in 2020. Of the total decrease, €2.5 million concerned non-recurring costs and the other €1.6 million concerned recurring costs, reflecting the positive impact of the reduction in debt and its average cost.

After taking account of these key items, EPRA earnings stood at €92.4 million in 2021, versus €100.8 million the previous year. EPRA earnings per share amounted to €2.05 in 2021 versus €2.17 the previous year, a controlled decrease of 5.2%.

Attributable net profit for the year amounted to €292.0 million, versus €286.9 million in 2020.

Business review

Rental operations

After four very lacklustre months at the beginning of 2021, the Paris commercial property rental market recovered strongly, ending the year with volumes up 32% on 2020. Against this backdrop, SFL performed exceptionally well, signing leases on 57,000 sq.m., representing total annual rental income of approximately €47 million. The main new leases concerned the following properties:

- Washington Plaza, with leases signed on approximately 16,000 sq.m., notably with two existing tenants, Finastra and TP ICAP, and new companies such as Advancy, Prologis, Havea Group and Puig.
- #cloud.paris, where the lease with an existing tenant was rolled over and extended to cover a total of 13,700 sq.m.
- Cézanne Saint-Honoré, which was 90% pre-let during the year, with three companies – listed investment company Wendel Investissement, the Lacourte Raquin Tatar law firm, and the Lincoln International investment bank – taking up a total of 8,600 sq.m. to be delivered in 2022.
- Edouard VII, with 9,000 sq.m. let during the year, mainly under three leases.
- 103 Grenelle, with four leases signed on a total of 4,500 sq.m.
- 92 Champs-Élysées, with a lease on 900 sq.m. of retail space signed with the Paris Saint-Germain football club.

The average nominal rent on these leases stands at €768 per sq.m., corresponding to an effective rent of €652 per sq.m, for an average non-cancellable term of 7.2 years. These lease terms attest to the very high quality of the Group's properties.

The revenue-generating properties are virtually fully let, with the physical occupancy rate standing at 98.0% as of 31 December 2021 compared to 93.7% at the previous year-end. The EPRA vacancy rate was 1.7%, versus 6.0% at 31 December 2020.

Development operations

Properties undergoing development at 31 December 2021 represented roughly 20% of the total portfolio. The three main projects concern:

- The Cézanne Saint-Honoré building, where one of the two buildings (approximately 10,000 sq.m.) is being renovated and a roof top terrace is being created. Delivery is scheduled for mid-2022 and the building is currently 90% pre-let.
- The Biome office complex on avenue Emile Zola (approximately 24,000 sq.m.). Redevelopment work continued at a brisk pace in 2021 and the complex is scheduled to be delivered in the third quarter of 2022.

- The retail space in the Louvre Saint-Honoré building (approximately 20,000 sq.m.). The space to be redeveloped has been cleared and work has begun. All of the 20,000 sq.m. have been pre-let to the Fondation Cartier and should be delivered by the end of 2023.

In addition, refurbishment work was carried out on various units that became vacant as tenants rotated, in Washington Plaza, Edouard VII and other buildings.

The 83 Marceau building was delivered as planned in the second half of 2021 and is fully let.

Capitalised work carried out in 2021 amounted to €150 million.

Portfolio operations

Disposal of the 112 Wagram and 9 Percier properties was completed in early 2021. 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. The sale prices, which were already reflected in the two assets' fair value carrying amounts at 31 December 2020, represented a premium of around 17% on their appraisal value at 31 December 2019. The success of these two property disposals in a troubled market where investors are particularly demanding, is further evidence of the quality and liquidity of SFL's assets.

No properties were acquired in 2021.

Covid-19 crisis

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

The rent collection rate was very satisfactory throughout the year (at between 96% and 98% in each of the quarters). Past-due rents were reviewed on a case-by-case basis to determine whether a provision was needed. Very few new support measures were granted to tenants during the year.

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

The Covid-19 crisis had little impact on appraisal values at 31 December 2021. In particular, SFL's office properties proved to be resilient despite the Covid-19 crisis, with an overall like-for-like increase of 5.7% in their appraisal values during the year.

Financing

During the year, a number of transactions were carried out as part of SFL's proactive balance sheet management strategy. The focus was on further improving the Group's financial liquidity, extending the average maturity of its debt and optimising its future average borrowing costs.

- The outstanding 2014 1.875% bonds, which matured in November 2021, were redeemed for €250 million.
- The Parholding sub-group entities' mortgage loans due in July 2022 were repaid in advance for a total of €196 million.
- €500 million were raised through a 6.5-year bond issue due 21 April 2028. The 0.50% interest rate on the bonds represents a record low for SFL.
- Lastly, a new €100 million five-year revolving line of credit was obtained from Banca Intesa Sanpaolo (Paris branch).

Net debt at 31 December 2021 amounted to €1,792 million versus €1,890 million at the previous year-end. The loan-to-value ratio is a very conservative 22.0%, leaving significant headroom for future investments. The average cost of debt after hedging was 1.2% at 31 December 2021 and the average maturity was 4.6 years. The interest coverage ratio stood at 4.9x in 2021.

Lastly, at 31 December 2021, SFL had access to €1,140 million in undrawn confirmed lines of credit.

Net asset value

The portfolio's appraisal value at 31 December 2021, on a consolidated basis and excluding transfer costs, was €7,606 million versus €7,458 million at end-2020. The year-on-year increase was 5.7% like-for-like; however, on a reported basis, it was only 2%, due to the sale of two properties during the year. The appraisal values of properties under development are very satisfactory, reflecting the quality of the development work performed to date and the success of pre-marketing campaigns. Growth in the appraisal values of other revenue-generating assets was more subdued and the value of retail units continued to decline.

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

At 31 December 2021, EPRA Net Tangible Assets stood at €4,627 million and the EPRA Net Disposal Value was €4,375 million.

Over the year, EPRA NTA per share increased by 5.1% to €107.9 and EPRA NDV per share by 3.3% to €102.1, after distribution of a dividend of €2.10/share in April 2021.

Transactions in SFL shares by Colonial

In 2021, Colonial – SFL's majority shareholder – launched a two-step transaction:

- A public cash and paper offer for the SFL shares not already held by Colonial and Prédica, with €46.66 in cash and 5 Colonial shares offered for each SFL share.
- Restructuring of the partnership between SFL and Prédica, involving the buyout by SFL of Prédica's interests in the Washington Plaza, 106 Haussmann, 90 Champs-Élysées and Galerie des Champs-Élysées buildings, and the buyback and cancellation of 3.66 million SFL shares held by Prédica, in exchange for Prédica's acquisition of a 49% interest in the #cloud.paris, Cézanne-Saint Honoré, 92 Champs-Élysées and 103 Grenelle buildings. The remaining SFL shares held by Prédica were exchanged for Colonial shares on the basis of 9.66 Colonial shares for one SFL share.

In July 2021, SFL's Board of Directors recommended that shareholders support these transactions, which were finalised in August 2021.

They led to a reduction in the number of outstanding SFL shares from 46,528,974 to 42,864,715 and an increase in Colonial's interest in SFL's capital and voting rights to 98.33%.

The main impacts of the transaction on the consolidated financial statements are as follows:

- Equity attributable to owners of the parent: a decrease of €465 million, of which €355 million was due to the share cancellations and €109 million to changes in percentage interests.
- Equity – non-controlling interests: increase of €487 million, due to changes in percentage interests.
- Profit attributable to non-controlling interests: €55 million reduction in net profit attributable to owners of the parent for 2021 (including a €3 million reduction in attributable EPRA earnings).

The transaction also had a negative 1.5% impact in absolute terms on the value of the portfolio excluding non-controlling interests, which contracted to €6,537 million (excluding transfer costs) at 31 December 2021 from €6,635 million at 31 December 2020.

Dividend

At the Annual General Meeting to be held on 7 April 2022, the Board of Directors will recommend paying a dividend of €4.20 per share.

EPRA indicators

	2021	2020
EPRA Earnings (€m)	92.4	100.8
/share	€2.05	€2.17
EPRA Cost Ratio (including vacancy costs)	16.2%	15.8%
EPRA Cost Ratio (excluding vacancy costs)	14.4%	14.0%

	31/12/2021	31/12/2020
EPRA NRV (€m)	5,084	5,210
/share	€118.6	€112.0
EPRA NTA* (€m)	4,627	4,779
/share	€107.9	€102.7
EPRA NDV (€m)	4,375	4,596
/share	€102.1	€98.8
EPRA Net Initial Yield (NIY)	2.5%	2.7%
EPRA topped-up NIY	2.9%	2.9%
EPRA Vacancy Rate	1.7%	6.0%

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

Alternative Performance Indicators (APIs)

EPRA Earnings API

€ millions	2021	2020
Attributable net profit	292.0	286.9
Less:		
Fair value adjustments to investment property	(255.2)	(176.5)
Profit (loss) on asset disposals	(0.1)	-
Non-recurring costs relating to disposals	8.1	-
Fair value adjustments to financial instruments, discounting adjustments to debt and related costs	2.6	5.0
Expenses related to asset contributions	2.0	-
Tax on the above items	(9.0)	(7.9)
Non-controlling interests in the above items	52.0	(6.7)
EPRA earnings	92.4	100.8
Average number of shares (in thousands)	45,002	46,529
EPRA Earnings / share	€2.05	€2.17

EPRA NRV/NTA/NDV APIs

€ millions	31/12/2021	31/12/2020
Attributable equity	4,387	4,647
Treasury shares	2	3
Fair value adjustments to owner-occupied property	34	22
Unrealised capital gains on intangible assets	4	2
Elimination of financial instruments at fair value	(4)	0
Elimination of deferred taxes	211	109
Transfer costs	451	427
EPRA NRV (Net Reinstatement Value)	5,084	5,210
Elimination of intangible assets	(2)	(1)
Elimination of unrealised gains on intangible assets	(4)	(2)
Elimination of transfer costs*	(451)	(427)
EPRA NTA (Net Tangible Assets)	4,627	4,779
Intangible assets	2	1
Financial instruments at fair value	4	0
Fixed-rate debt at fair value	(47)	(76)
Deferred taxes	(211)	(109)
EPRA NDV (Net Disposal Value)	4,375	4,596

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

Net debt API

€ millions	31/12/2021	31/12/2020
Long-term borrowings and derivative instruments	1,489	1,476
Short-term borrowings and other interest-bearing debt	413	481
Debt in the consolidated statement of financial position	1,902	1,957
Less:		
Current account advances (liabilities)	0	(52)
Accrued interest, deferred recognition of debt arranging fees, negative fair value adjustments to financial instruments	5	0
Cash and cash equivalents	(115)	(15)
Net debt	1,792	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 €7.6 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
