



November 25, 2020

## **Azrieli Group Releases Q3/2020 Results**

**Against the backdrop of the COVID-19 pandemic and the relief given to tenants in the malls, the NOI in the quarter totaled NIS 352 million and the FFO totaled NIS 282 million**

**In the offices segment, new contracts have been signed since the beginning of the year for 130 thousand sqm, up 11% on average**

### **Financial Highlights for Q3/2020**

- **NOI** in the quarter totaled NIS 352 million, compared with NIS 407 million in the same quarter last year. The decrease derives from relief given to tenants in the malls, which was recognized and depreciated in full this quarter. In the offices segment, a very slight decrease of NIS 1 million was recorded, which derived mainly from a decrease in income from parking garages, due to low presence in the offices by the end of the quarter. In view of the decrease in the malls' activity, the same-property NOI was down 13% compared with last year.
- **FFO excluding senior housing** totaled NIS 260 million, compared with NIS 292 million in the same quarter last year. The **total FFO** totaled NIS 282 million compared with NIS 321 million in the same quarter last year. The decrease derives mainly from the relief given to tenants in the malls.
- **Net profit attributable to the shareholders** totaled NIS 192 million in the quarter, compared with NIS 289 million last year. The decrease in profit derives from the decrease in the NOI due to the COVID-19 crisis, together with a rise in financing expenses which totaled NIS 44 million in the quarter compared with financing income last year of NIS 9 million due to the change in the CPI between the quarters.
- **In the quarter the Group invested NIS 307 million in investment properties**, in the development and construction of new properties and in the upgrade and improvement of existing properties.

**Eyal Henkin, CEO of Azrieli Group:** "Despite these challenging times, in which a key strategic arm of the Group is closed on Government orders, we present strong profitability, attesting to the strength and depth of our business. The offices sector is continuing to demonstrate a strong and stable horizon and we are seeing keen demand. The pace of new contract signings and option exercises during the year is similar to the pace pre-COVID-19.

Looking to the future, we are continuing full steam ahead with development on a huge scale, and are investing tremendous efforts in the data centers sector, which is seeing significant global growth. We identify many opportunities for collaboration with the largest players in the industry, and are working tirelessly to seize these opportunities.

The senior housing sector is also growing, and the new home in Lehavim will continue contributing to the Group's results as occupancy gradually increases, coupled with the many contracts signed throughout the Palace chain.

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Thanks to the exceptional financial strength with which we entered the COVID-19 crisis, our low leverage and high cash and cash equivalents balance, we were able to dedicate the utmost attention, as is required in these times, to the responsible and sensitive management of our current operating activities in all sectors. As always, and also in the current challenging reality, we are able to look ahead and plan our next steps, and continue with accelerated development and promotion of our business plans, while also identifying new opportunities at the same time.”

### **Occupancy rates and store revenues**

- **The average occupancy rate** was 98% in the malls segment (net of properties under lease-up) and 98% in the offices in Israel segment (net of properties under lease-up).
- **Store revenues** – due to the fact that many sectors had still not resumed normal operations or were operating on a partial basis during the quarter (schools, gyms, movie theatres and restaurants), also in the period when the malls resumed operations, the quarter’s figures cannot be compared with the corresponding quarter.

**Net of the said sectors, the store revenues reported by the tenants from the beginning of the year until September 18, 2020 (the date of the closing of the malls in the current lockdown) were 1.2% higher than the store revenues that were reported in the same period last year.** The store revenues do not take into account the months of March-April, the lockdown periods in May and in September, store revenues of tenants that did not resume normal operations or operated on a partial basis in the period due to regulatory restrictions and government decisions pertaining to the spread of COVID-19, including store revenues of restaurants and coffee shops, movie theatres, food courts, gyms, conference centers, etc. and Azrieli Tel Aviv mall, much of whose footfall comes by public transport, particularly Israel Railways, which were shut down this year for a prolonged period of time due to the restrictions.

### **Business developments**

- **The Opening of Azrieli HaManor** – in September 2020 the construction of an office building with a total area of 28,000 sqm in the Holon commercial zone, close to Azrieli Holon Center, was completed, 3 month prior to the original estimated completion date. In October, Bezeq occupied an area of approx. 20,000 sqm of the office building.
- **Opening of Palace Lehavim** – In the middle of the previous quarter, the Company launched the fourth Palace chain senior home, the Palace Lehavim project, and residents have begun moving into the apartments. As of the report release date, more than 50% of Phase A has been marketed (contracts, options and resident move-ins).
- **Signing of new contracts in the offices segment** – In the course of the year, until close to the report release date, 203 new contracts and/or option exercises took effect, and existing contracts were extended for around 130,000 sqm, for rent 10.7% higher than contracts renewed / extended or signed with a substitute tenant.
- **Signing of new contracts in the malls segment** – In the course of the year, until close to the report release date, 736 new contracts and/or option exercises took effect, and existing contracts were extended for around 78,000 sqm, with a slight decrease of 1% relative to the previous rent for such space.

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## **Balance Sheet as of September 30, 2020**

- The Group has NIS 2.8 billion in **cash, deposits and short-term investments**, and NIS 3.5 billion including the Bank Leumi stock, cash and cash equivalents and marketable securities.
- **Net debt** totaled NIS 9.1 billion.
- **The value of investment properties and investment properties under construction** totaled NIS 29 billion.
- **Equity to assets ratio** is 52% and **net debt to assets** ratio is 26%.
- **Unencumbered properties** amount to NIS 24 billion.

### **Conference call**

The Company will hold its quarterly conference call, hosted by the Group's senior management, today (Wednesday, November 25<sup>th</sup>, 2020) at 17:00 Israel local time (16:00 CET; 15:00 United Kingdom time and 10:00AM Eastern Time). The call will include a review of the Company's interim Q3 2020 performance as well as a discussion of the Company's strategy and expectations for the future. A Question & Answer session will follow the discussion.

To participate, please dial:  
03-9180664 from Israel  
1-888-407-2553 from the U.S.  
0-800-917-9141 from the U.K.  
0-800-024-9936 from the Netherlands  
1-888-604-5839 from Canada  
Or +972-3-9180664 internationally.

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