



November 20, 2019

Azrieli Group Releases the Results of Q3/2019

NOI in the quarter totaled NIS 407 million, up 5% compared with the same quarter last year

FFO in the quarter totaled NIS 311 million, up 11% compared with the same quarter last year

Same Property NOI up 4% compared with the same quarter last year

Net profit in the quarter totaled NIS 289 million, up 9% compared with the same quarter

Financial highlights for Q3/2019

- **NOI up 5%, totaling NIS 407 million**, compared with NIS 389 million last year.
- **Same Property NOI up 4%** compared with last year.
- **FFO up 11%**, totaling NIS 311 million, compared with NIS 280 million last year. **FFO excluding senior housing up 2%**, totaling NIS 282 million, compared with NIS 276 million last year.
- **Net profit up 9%, totaling NIS 289 million** compared with NIS 264 million last year.
- **During the quarter, the Group invested NIS 179 million in investment property**, development, the construction of new properties and the upgrade and betterment of existing properties.

Eyal Henkin, CEO of Azrieli Group: "We are concluding another good quarter for Azrieli Group with growth in all of the operating parameters, growth in the store revenues and an initial contribution from the Data Centers segment, after the first investment that we made in July of this year. In October 2019, we won a tender for the purchase of leasehold rights in land in the CBD of Modi'in, near Azrieli mall, designated for the construction of offices and retail project. We see considerable value in the ability to promote development of new projects near to existing properties, and are currently implementing this in most of the projects that we are building. We recently closed the sale of Supergas. This transaction is another step in realizing our strategy of focusing on our core income-producing real estate business. We have created significant value for our shareholders in the transaction, and for us it is tangible evidence of the appreciation in its value that we created over the years."

Azrieli Group Ltd.



Occupancy rates and store revenues

- **The average occupancy rate** in the malls segment was 99% and in the offices segment in Israel, also 98%.
- **During January-September, a 2.7% increase in store revenues was recorded** in Azrieli malls compared with the same period last year. Growth of 2.6% was recorded in the same-property store revenues. In July-September 2019, same-property store revenues were up 3.3%.

Developments during and after the quarter

- **Sale of Supergas** – After the quarter, the Company reported that it had closed the transaction for the sale of all of its holdings in Granite Hacarmel, a company which wholly owns Supergas, to Elco. The consideration totaled, as reported, NIS 1,017 million, less the net financial debt of Granite, Supergas and its subsidiaries which amounted, on October 31, 2019, to approx. NIS 199.5 million, compared with the early estimate in July of a net debt of approx. NIS 250 million. In view of the above, the profit (after tax) that the Company will record is expected to be around NIS 380 million. Upon the closing of the transaction, Elco paid approx. NIS 567.5 million out of the consideration. The balance of the consideration, in the sum of NIS 250 million, will be transferred in 7 annual installments. Elco gave Azrieli a fixed first-ranking charge over 80% of the share capital of Supergas to secure payment of the balance of the consideration.
- **Purchase of leasehold rights in land in Modi'in, near Azrieli mall** – After the balance sheet date, the Company reported that it had won a tender conducted by the Israel Land Authority for the purchase of leasehold rights in a lot of an area of around 17,300 sqm, designated for the construction of around 37,000 sqm of offices and retail above ground, in the city of Modi'in, near the Azrieli Modi'in mall. The consideration for the land is in the sum of around NIS 51 million, and according to the terms and conditions of the tender, the Company will pay, in addition to the cost of the land, around NIS 37 million for development expenses.
- **Azrieli Town** – The Company signed a lease agreement with a sole tenant, a leading technology company, for the lease of approx. 9,000 sqm, thus completing the lease of close to 100% of the office space in the building. Structural work is currently being carried out on the office tower and the residential tower. The construction of some of the offices is expected to be completed during 2020.
- **Entry into the Data Centers industry in North America** – During the quarter, the Company announced that it was acquiring 20% of Compass Holdco in consideration for \$135 million with an option to increase its holdings to 33%. Compass is an active platform with operations in North America, having significant future enterprise and development potential. Compass has 10 active sites and 3 sites under construction and development. Its facilities currently produce close to 30 MW and may produce approx. 560 MW per year after completion of the development projects and land pipeline in another few years. Compass currently generates an annualized NOI of approx. \$38 million, (including signed contracts that have not yet been closed), which is expected to increase significantly in the coming years with realization of the development in the existing pipeline.



Balance sheet (extended standalone) as of September 30, 2019

- The Group has **cash, deposits and short-term investments** in the sum of NIS 1,022 million.
- **Net debt** totaled NIS 9.1 billion.
- **The value of investment property and investment property under construction** totaled NIS 28 billion.
- **Equity to assets ratio** is 53% and **net debt to assets** ratio is 28%.
- **Unmortgaged properties** amount to NIS 23 billion.

Conference call

The Company will hold its quarterly conference call, hosted by the Group's senior management, today (Wednesday, November 20, 2019) at 17:00 Israel local time (15:00 CET; 15:00 United Kingdom time and 10:00AM Eastern Time). The call will include a review of the Company's Q3 2019 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:
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1-888-407-2553 from the U.S.
0-800-917-9141 from the U.K.
0-800-024-9936 from the Netherlands
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