



May 26, 2021

## Azrieli Group Releases Q1/2021 Results

Given the Covid-19 pandemic and the lockdown imposed for most of the quarter, NOI in Q1/2021 totaled approx. NIS 301 million and FFO totaled approx. NIS 228 million

Despite the lockdown imposed for most of the quarter, the office segment NOI increased by 9% year-over-year and by 14% from the last quarter;

After the balance sheet date, the Company signed three mega deals in the office segment: Leases for approx. 13,500 m<sup>2</sup> in Azrieli Center's Triangular Tower and another 14,000 m<sup>2</sup> in the Spiral Tower with Rapyd, a FinTech company, and an agreement for construction of the new campus in Herzliya for solar energy giant SolarEdge.

Further to the Company's announcement the previous quarter that the Board had approved a dividend distribution of NIS 450 million and would discuss an additional distribution of up to NIS 150 million later in the year, the Company's Board has approved the additional distribution, making the total dividend NIS 600 million

### Financial Highlights for Q1/2021

- **NOI** this quarter totaled approx. NIS 301 million, up 34% from the previous quarter and down 27% from Q1/2020. The decrease results from the lockdown imposed during the quarter, following which the malls were closed for about 57% of the days. The office segment recorded an increase of 9% year-over-year. Following Bezeq's relocation out of the Triangular Tower in Azrieli Tel Aviv and into HaManor Holon and the vacation of over 24,000 sqm in the Triangular Tower, all of the vacated space has been leased to several large tenants, with a total rent increase of 53%.
- **FFO excluding senior housing** totaled approx. NIS 206 million this quarter, up approx. 36% from the previous quarter and down approx. 30% from Q1/2020. **Total FFO** this quarter amounted to approx. NIS 228 million, up approx. 7% from the previous quarter and down approx. 25% from Q1/2020. The decrease derives from the lockdown imposed during the quarter, following which the malls were closed down.
- **Net profit** attributed to the shareholders increased by approx. 20% this quarter and totaled approx. NIS 110 million, compared with approx. NIS 92 million in Q1/2020.
- **During the quarter, the Group invested approx. NIS 303 million in investment properties**, acquisition, development, construction of new properties and upgrade and betterment of preexisting properties.

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**Eyal Henkin, CEO of Azrieli Group:** "We are experiencing a strong exit from Covid-19, with high occupancy rates in all of the Group's properties, record store revenues in malls, strong demand for offices, and significant transactions in income-producing real estate. With the re-opening of retail towards the end of February, we saw a major leap in store sales and footfall in all of the Group's properties, which we find highly encouraging looking at the rest of the year and the performance of this segment in general. The office segment continues to demonstrate strong results, and we have recently announced several exceptional transactions that serve as another indication for the segment's strength. Over the course of Q1, we felt the increasing contribution of the office buildings in HaManor Holon and Azrieli Town Tel Aviv, and we are in the process of working to prepare the Triangular Tower in Tel Aviv for the new tenants who are expected to move in starting next year, as Bezeq had moved out and relocated to HaManor. At the same time, we are continuing to promote the Group's future growth drivers and are looking forward to the opportunities with which we are presented."

### **Occupancy Rates and Mall Store Sales**

- **The average occupancy rate** was 98% in the mall segment (excluding properties under lease-up) and 99% in the Israel office segment (excluding properties under lease-up).
- **Mall store sales** – In March 2021, mall store sales increased by 30% relative to the same period in 2019 (excluding tenants that did not resume full operations due to the restrictions).

### **Business Developments**

- **New contracts signed in the office segment** – Over the year's course and until shortly before the report release date, 82 new contracts and/or exercised options came into force and effect, and preexisting contracts were extended for approx. 45,549 m<sup>2</sup> for rent that is approx. 18% higher relative to the contracts that preceded the renewed/extended contracts or the contracts signed with substitute tenants.

5 transactions were also signed for projects which are being leased-up for the first time / will be leased-up in the future for 55,357 m<sup>2</sup>, which will generate annual lease revenues of NIS 76.5 million.

- **New contracts signed in the mall segment** – Over the year's course and until shortly before the report release date, 263 new contracts and/or exercised options came into force and effect, and preexisting contracts were extended for approx. 28,434 m<sup>2</sup>, with a slight decrease of 1.6% in the rent, compared with the previous rent for these areas.
- In May 2021, Azrieli Group and SolarEdge announced that they had signed an agreement, whereby Azrieli Group would build the new SolarEdge campus on land that Azrieli is acquiring in the North Gllot Site. The land spans approx. 26 thousand m<sup>2</sup> and is located north of the Gllot Site on the eastern side of the Coastal Highway. The SolarEdge campus will be built on an area of approx. 16.5 thousand m<sup>2</sup> and will consist of a separate building of approx. 38 thousand m<sup>2</sup> and 950 parking spaces. The term of the lease agreement with SolarEdge is 15 years, with options for extension up to a total period of 24 years and 11 months. The agreement is expected to generate an annual

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NOI of approx. NIS 62 million. Total costs of construction of the campus (including the portion of the land dedicated to the construction of the campus) are expected to total approx. NIS 860 million. Azrieli Group is expected to deliver the project in 2025, and it will be planned together with SolarEdge. The rest of the land which is available for construction holds approx. 9 thousand m<sup>2</sup>, and Azrieli Group plans to develop additional retail and office areas of similar size, which are expected to generate a similar amount of additional NOI. The Company intends to promote a zoning plan for additional rights in respect of such area.

- In April 2021, Azrieli Group and Rapyd, the FinTech company, announced that they had signed a significant lease agreement for approx. 13,500 m<sup>2</sup> in the Triangular Tower in Azrieli Center and also approx. 14,000 m<sup>2</sup> in the Spiral Tower, which is scheduled to be occupied in 2026. The two towers are located in proximity to one another and are part of the Azrieli Tel Aviv Center. The amount of the transaction is estimated at NIS 100 million for the Triangular Tower and approx. NIS 150 million for the Spiral Tower, over the first five years of the agreement in respect of each tower. This is one of the largest lease transactions in Israel in recent years, both in terms of area and in terms of rent.
- **Intensified operations in the residential rental segment** – At the end of February 2021, Azrieli Group announced that it would expand the strategic step to intensify its operations into the residential rental segment and signed an agreement for the acquisition of land in Tel Aviv, which holds a building that presently serves the Abraham Hostel and includes rights of approx. 10,000 m<sup>2</sup> for the construction of 110 residential units.

### **Balance Sheet as of March 31, 2021**

- The Group has **cash, deposits and short-term investments** amounting to approx. NIS 2.4 billion, and together with Bank Leumi stock, cash and cash equivalents and marketable securities – NIS 3.4 billion.
- **Net debt** totals approx. NIS 9.1 billion.
- **The value of investment properties and investment properties under construction** totals approx. NIS 29.5 billion.
- **The equity to assets ratio** is approx. 51% and the **net debt to assets ratio** is approx. 26%.
- **Unpledged assets** amount to approx. NIS 25 billion.

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### Conference call

The Company will hold its Interim conference call, hosted by the Group's senior management, today (Wednesday, May 26<sup>th</sup>, 2021) 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 Q1 2021 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  
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