

27 November 2023

Azrieli Group Reports Q3/2023 Results

Same Property NOI in Q3 is up around 6%

**FFO (excluding senior housing) in Q3 is up around 14% totaling some NIS 367 million;
total FFO is up around 21% totaling some NIS 398 million**

After the report date, the Company closed the transaction for the sale of its holdings in Compass for gross consideration of approx. NIS 3.2 billion. Net cash flow (after a provision for tax and transaction expenses) is approx. NIS 2.7 billion and the accounting profit is expected to be around NIS 0.9 billion

Financial Highlights for Q3/2023

- **NOI in Q3** totaled some NIS 535 million, compared with some NIS 513 million year-over-year, up some 4%. The increase mainly derives from rent increases in malls and offices. The increase was partially offset by non-inclusion of Compass's results already in the current quarter.
- **Same Property NOI** was up around 6% in Q3.
- **FFO excluding senior housing** totaled some NIS 367 million in Q3 compared with around NIS 321 million year-over-year, up some 14%. In Q3, **the FFO** totaled approx. NIS 398 million, compared with around NIS 330 million year-over-year, up some 21%.
- **Net profit** attributable to the shareholders totaled approx. NIS 352 million in Q3 compared with approx. NIS 330 million year-over-year. **Comprehensive income** totaled some NIS 575 million in Q3 compared with approx. NIS 208 million year-over-year. In Q3, revaluation profits were recorded of some NIS 177 million, mainly in the subsidiary (100%) Green Mountain, which operates in the data centers segment. In the same quarter last year, similar revaluation profits were recorded in the sum of approx. NIS 174 million, which mainly derived from a rise in the CPI and rent increases.

Danna Azrieli, Chairwoman of Azrieli Group, said: "The State of Israel is in the midst of a war, and Azrieli Group is entirely committed to the effort and to civil aid on all fronts. This includes formulating an aid program for the mall tenants and launching an extensive support plan which combines strengthening the economic front throughout Israel, which is intended to strengthen the economy and set the wheels of commerce in motion, with direct aid for evacuated families and for businesses from the south and the north of Israel.

In these times, the Group's commitment to continue to develop and build Israel, as we have done throughout the years, is even greater, and remains a core principle of the Group's business. We will continue acting on this commitment while maintaining financial strength and responsible conduct in these challenging times, which create both a complex business environment and opportunities".

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Eyal Henkin, CEO of Azrieli Group, said: “As we mobilize and provide resources, Azrieli Group is closing another good quarter with continued growth in all parameters. The Group’s operations in the malls and offices segments presented good results and high occupancy rates. The malls segment is operating fully, with more than 99% of the stores open, opening hours are almost back to normal, as is the visitor traffic. Obviously the results of the malls segment in Q4 will be affected by the war, although to a relatively moderate degree, and our financial strength enables us to successfully address this impact.

The data centers segment continues to gather momentum in the subsidiary Green Mountain, as a growth engine.

All of us at Azrieli Group send our heartfelt condolences to the families of the victims and the fallen soldiers, wish all the injured a swift recovery, support our armed forces and hope for the speedy return of all of the hostages and missing persons.”

Occupancy Rates and Store Revenues

- **The average occupancy rate** (excluding properties under lease-up) was 99% in malls, 98% in offices in Israel, and 97% in senior housing.
- **Store revenues** – In January-September 2023, a 5.8% increase was recorded in store revenues year-over-year (the increase does not include store revenues of Mall Hayam in Eilat and the retail space in Azrieli Town Tel Aviv). In July-September 2023, a 1.5% increase was recorded in store revenues year-over-year.

Recent Business Developments

After the balance sheet date, at the beginning of October, the Group closed the transaction for the sale of its minority holdings in the U.S. company Compass. In June 2023, Azrieli’s partners announced that they had entered into an agreement for the sale of their holdings in Compass in an amount reflecting an enterprise value of \$5.7 billion, and an equity value of \$2.7 billion. In accordance with the mechanisms set forth in the agreement with the partners, the Company joined the sale transaction. **The transaction reflects a value of approx. NIS 3.2 billion for Azrieli Group’s share. Upon the closing of the transaction, the net cash flow (after a provision for tax and transaction expenses) will be approx. NIS 2.7 billion, and the estimated accounting profit will be approx. NIS 0.9 billion.** The sale of the Group’s minority holdings in Compass reflects a gross yield of x2.5 on the investment (in total, Azrieli Group invested in Compass approx. NIS 1.3 billion) with a duration of 2.3 years. The accounting effect of the transaction will be reflected in the Q4/2023 reports. The operating results of Compass are not included in the current quarter.

Balance Sheet as of 30 September 2023

- The Group has **cash, deposits, and short-term investments** totaling approx. NIS 1.3 billion, and together with Bank Leumi stock, cash and cash equivalents and marketable securities – around NIS 2.4 billion.
- **Net debt** (including Leumi) totals approx. NIS 18.4 billion.

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- **The value of investment property and investment property under construction** totals approx. NIS 43.5 billion.
- **The equity to assets ratio** is approx. 44% and the **net debt to assets ratio** is approx. 38%.
- **Unencumbered assets** total approx. NIS 35 billion.

Conference call

The Company will hold its quarterly conference call, hosted by the Group's senior management, today (Monday, 27 November 2023) at 11:00 am Israel local time (10:00 am CET; 9:00 am United Kingdom time, and 5:00 am Eastern Time).

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