

# Message from our CEO

## A new strategy

Shareholders cannot be satisfied with the returns Wereldhave has delivered over the past few years. Although we posted strong operational results, our indirect result for 2019 was heavily affected by negative property revaluations, particularly in the Netherlands and France. These revaluations reflect the market reality of a harsh retail landscape.



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“I am proud of our local teams, who managed to produce a relatively strong result, in challenging operational markets. Despite several bankruptcies, the Dutch team managed to keep occupancy high. Adjusted for Hudson's Bay and Sportsworld, I-f-I rental growth would have been +0.8%. In Belgium, strong performance continues and the 5% growth in footfall is particularly impressive, particularly as two large Carrefour units were successfully repositioned in 2019. Retail sales growth of >1% in France is a result of significant operational improvements in the second half

of 2019. The strong local teams on the ground in my view lay the perfect foundation for our transformation strategy.

Due to our leasing efforts, overall occupancy remained high, but there is rental pressure as there is a surplus of retail floorspace. This rental pressure and rising yields have caused a negative total result for the year 2019. Our Loan-to-Value is now above the targeted range. We aim to bring the debt ratio back within the 30%-40% range with selected disposals but this impacts our earning capacity.

Given the developments over the past years it is clear that we need to develop and express new ambitions for Wereldhave. Over the past months we have put a lot of time and efforts in analyzing our own portfolio in relation to key market developments and trends. With our LifeCentral transformation program, we are convinced to have a strategic direction that sets us up for success. With it, we fundamentally change the traditional real estate approach into one where not the bricks and mortar, but today's and future consumer needs are at the heart of what we do.

The major difference is that retail has experienced 20 years of Golden Age (rental growth, yield compression). This time is over and the industry needs to adapt, transform itself and its products. The industry needs to be prepared for more active management, more capex and ultimately winners and losers. Being on the front-foot in retail transformations is a significant advantage to us. We want to become the market leader in Full Service Centers in the Benelux, broaden the customer experience and improve our digital capabilities. Through our LifeCentral program, we will actively transform our assets, right-sizing them to the new reality, restoring the retail balance and add new functions and uses. We will strengthen our balance sheet by divesting selective assets and plan to phase out our presence in France.

I believe we are well positioned to transform our assets to Full Service Centers. The assets are in densely populated and well connected locations, the size of our portfolio and current retail rent levels allow for the conversion towards mixed-use and we have capable teams in place, underpinned by strong operational results in 2019. Capital allocation will be based on the total property return, with a disciplined data driven, fact based approach. Assets with below threshold IRRs will be sold.

The transformation of our portfolio will be executed simultaneously with our disposal program. This will lower our debt and strengthen our balance sheet, but we expect our earnings per share will decrease over the next three years. We are confident that after the disposals have

been executed, we will be able to create rental growth, value growth and dividend growth. We will maintain our dividend policy with a pay-out between 75% and 85% of EPS. However, the new reality is that EPS will gradually decrease to bottom out at a range of € 1.40 - € 1.50 when we have completed our disposals in 2022. From there, we expect that we will deliver EPS growth again of 4-6% per annum until 2025.

We started the development of our new strategy with outside-in investor meetings, followed by internal blueprinting of all assets against an internal capital allocation framework. A lot of effort has been put into our new strategy. First and foremost I would like to thank the Wereldhave teams and the Supervisory Board for their inspirational input and sharing their vision and thoughts. I would also like to thank the investors for their valuable feedback in the outside-in meetings and our advisors for guiding us through the process and relentlessly updating the many draft versions of the documentation. I am convinced that actively transforming our shopping centers with LifeCentral to Full Service Centers, puts Wereldhave firmly on track for future growth.”

Matthijs Storm,  
CEO Wereldhave N.V.

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