



## Icade - Half-year results and 2019-2022 Plan

- H1 results on the rise, driven by all three business lines
  - FY 2018 guidance raised: NCCF (€ per share) expected to grow by over 7%
  - New 2019-2022 plan: focus on development and growth
- Group NCCF: €167.4 million, €2.26 per share, i.e. +6,6%<sup>1</sup>
  - Portfolio value: €11.4 billion<sup>2</sup>, i.e. +5.3% vs. December 2017
  - EPRA triple net asset value per share at €86.6, +2.1% vs. December 2017, +10.2% yoy
  - Commercial Property Investment: EPRA earnings up +6.4%<sup>3</sup> to €104.8 million
  - Healthcare Property Investment: EPRA earnings up +7.9%<sup>3</sup> to €51.1 million
  - Property Development: NCCF at €16.2 million (+117%<sup>4</sup>), ROE<sup>5</sup> at 15.6%
  - 2018 outlook: guidance revised upward, NCCF (€ per share) up by over 6% compared to 2017 reported NCCF (over 7% compared to 2017 restated)
  - 2019–2022 Plan unanimously approved by the Board of Directors

Key figures	06/30/2018	06/30/2017 reported	Change (%)
EPRA earnings from Property Investment (in millions of euros)	155.9	145.8	+6.9%
EPRA earnings from Property Investment per share	€2.11	€1.97	+6.8%
Group net current cash flow (in millions of euros)	167.4	157.0	+6.6%
Group net current cash flow per share <sup>(1)</sup>	€2.26	€2.12	+6.6%

	06/30/2018	12/31/2017 reported	Change (%)
EPRA triple net asset value per share	€86.6	€84.8	+2.1%
Average cost of debt	1.56%	1.59%	-3 bps
LTV ratio	41.8%	41.0%	+80 bps
Property Development ROE	15.6%	12.5%	+310 bps

<sup>1</sup> Based on Group NCCF per share as of June 30, 2017 restated for new accounting standards applicable from January 1, 2018 (mainly IFRS 15), growth stands at +8.0%

<sup>2</sup> Value of the Commercial and Healthcare Property Investment divisions' portfolios (Group share: 56.77% of Icade Santé)

<sup>3</sup> vs. EPRA earnings as of June 30, 2017 on a reported basis

<sup>4</sup> vs. Property Development NCCF as of June 30, 2017 restated for IFRS 15

<sup>5</sup> Return on equity (Net profit/(loss) attributable to the Group from Property Development calculated over a 12-month rolling period / Weighted average value over the period of equity attributable to the Group)

## 1. Growth across Icade's three business lines in H1 2018

### 1.1 Commercial Property Investment: favourable dynamic

#### Strong leasing activity

As of June 30, 2018, the Commercial Property Investment Division's **financial occupancy rate** stood at 92.5%, stable compared to December 31, 2017. On a like-for-like basis, financial occupancy was up +0.2 pp in the office segment and +1.4 pp in the business park segment. **The weighted average unexpired lease term** rose from 4.8 to 4.9 years, with a significant improvement for business parks (+0.4 year).

In H1, the Commercial Property Investment Division **renewed 30 leases** across its whole portfolio. They cover a total floor area of 100,940 sq.m, with a weighted average unexpired lease term of 6.2 years and €22.7 million of annualised headline rental income. These leases were renewed with rents in line with the market rental value.

**New leases signed in H1** represented a total floor area of 45,602 sq.m and €10.9 million in annualised headline rental income.

**Like-for-like exits** resulting from tenant departures totalled 36,995 sq.m and €8.4 million of annualised headline rental income.

On a reported basis, **gross rental income** from the Commercial Property Investment Division was up +7.3% to €200.2 million, mainly due to the acquisition of ANF Immobilier.

On a like-for-like basis, the change was **+1.2%**, reflecting a positive momentum both in the office and business park segments (+1.5% and +0.8%, respectively).

The **margin rate** for office and business park assets grew sharply to **88.3%** from 85.7% as of June 30, 2017.

**Significant leases<sup>6</sup> have been signed with first-class tenants** since the beginning of the year (leases starting in H1 or later), including among others:

- **Crystal Park** in Neuilly: 6,100 sq.m which will make it possible to reach ultimately 100% occupancy,
- **Gambetta** building in the 20<sup>th</sup> district of Paris: 16,000 sq.m, resulting in over 97% of this 20,000-sq.m project being pre-let,
- The **Pont de Flandre business park**: the 8,400-sq.m Brabant building is already 100% pre-let, one year before its completion, which is scheduled for the summer of 2019,
- The **Roissy Paris Nord 2 business park**: Française des Jeux for 4,000 sq.m,
- The **Orly-Rungis business park**: ESI Group for 5,600 sq.m,
- The **Portes de Paris business park**: Atalian for 3,800 sq.m and BNP for 2,100 sq.m,
- **Orianz project in Bordeaux** with Erasmus France for 2,200 sq.m.

In addition, a number of significant **leases renewed** with first-class tenants including Pierre & Vacances (18,900 sq.m) and Club Méditerranée (12,500 sq.m) in the Pont de Flandre business park made it possible to secure leases and maintain a high financial occupancy rate for this business park.

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<sup>6</sup>Leases on Crystal Park, Gambetta and Brabant were signed after June 30, 2018

## Strong investment dynamic

In H1, **investments** amounted to €266.7 million, including among others:

- Off-plan acquisitions for a total of €116.4 million
- Developments (new builds/extensions/refurbishments) for €112.1 million,
- Renovation or restoration costs for €32.3 million.

**Asset disposals** carried out in H1 totalled €14.2 million.

As of June 30, 2018, **portfolio value** for the Commercial Property Investment Division reached €8,997 million (group share), a +1.6% increase compared to December 31, 2017 on a like-for-like basis (+5.5% on a reported basis):

- The **value of the office portfolio** stood at €5,074 million, an improvement of +1.7% on a like-for-like basis (+7.4% on a reported basis),
- The **value of the business park portfolio** was €3,741 million, up +1.7% on a like-for-like basis (+3.2% on a reported basis).

These increases in portfolio value reflect, on the one hand, the positive impact of leasing activity and indexation and, on the other hand, the decrease in capitalisation rates for the most secure assets.

The pipeline of **projects under development** represented over 413,000 sq.m and **€2.1 billion in investments**, a €300 million rise compared to December 31, 2017. The average yield on cost for this pipeline is 6.4% and the **expected value creation is about €0.6 billion**, of which only one-third is reflected in the NAV as of June 30, 2018. A total of 85% of these projects are located in major commercial hubs of the Greater Paris area and 15% in major French cities other than Paris (Lyon, Bordeaux, Toulouse and Marseille). Projects started represent an investment of €1.4 billion and are already 53% pre-let.

## 1.2 Healthcare Property Investment: further growth and new prospects

In H1, the Healthcare Property Investment Division posted growing **gross rental income** (compared to H1 2017), at €115.1 million, i.e. +8.6% on a reported basis, mainly due to the acquisitions carried out in 2017 and completions in the half year of 2 assets from the pipeline: the Reims-Bezannes polyclinic (30,000 sq.m, 12-year off-plan lease with no break option with Courlancy Santé) and Bromélia (16,000 sq.m, 12-year off-plan lease with no break option with Elsan).

The **financial occupancy rate** of the portfolio is 100%. The **weighted average unexpired lease term** stands at 7.4 years.

**Investments** carried out in H1 2018 in the Healthcare Property Investment Division amounted to €59.6 million, relating mainly to:

- Developments for €28.9 million (mostly for the La Croix du Sud, Bromélia and Clinique de l'Atlantique projects),
- Works on healthcare facilities in operation for €16.3 million which will generate additional rental income

Icade Santé continued to invest with the acquisition on July 18 of a post-acute care establishment operated by Ramsay Générale de Santé (€17,6 million), bringing the portfolio to 115 assets.

In addition, Icade Santé made its first investment **in the nursing home sector** on July 4 by acquiring 14 such facilities (€189 million) from the Residalya group, which will remain the tenant and operator of these nursing homes under new 12-year leases with no break options. Through this transaction, Icade Santé has implemented its strategy to diversify into long-term facilities.

Finally, the **value of Icade Santé's portfolio** stood at €2.4 billion (on a proportionate consolidation basis), up +2.6% on a like-for-like basis (compared to December 31, 2017), mainly due to a decrease in capitalisation rate for prime assets

and significant additional revenues. On a reported basis, the increase was +4.5% as a result of further acquisition-led growth and 2 completions from the pipeline in H1.

### 1.3 Property Development: business and earnings indicators improve sharply

The **economic revenue** was stable (vs. restated for IFRS 15) in H1 at **€523 million** with:

- **Residential revenue** at €360.4 million: the increase in sales and construction starts expected for H2 2018, should significantly boost the revenue to be recorded by the Residential Property Development business in 2018 compared to 2017.

Net new housing orders grew by +11.8% year-on-year in value terms, reaching 2,751 units. In late June 2018, orders from institutional investors represented 40.1% (up compared to the end of June 2017 (30.4%)) and the proportion of investors using the Pinel tax incentive scheme remained high (25.9% of total orders).

As of June 30, 2018, the land portfolio represented 10,840 units and potential revenues of €2.3 billion including taxes, up +4.3% from June 30, 2017.

- **Commercial revenue** rising by +1.4% (€162.6 million): driven in particular by the off-plan sale of the office building located in Villejuif (18,000 sq.m for €95 million).

Furthermore, two major project contracts have been won by Icade Promotion since the start of the year:

- Construction of the new “Terres de Versailles” neighbourhood, scheduled from 2019 to 2026,
- “Inventing the Greater Paris Metropolis” project on the Bercy-Charenton site, a mixed-use scheme with Sogaris and Poste Immo, including offices and a hotel, scheduled to be carried out from 2020 to 2023.

**The current economic operating margin<sup>7</sup> grew by +60 bps compared to June 30, 2017 to 6.2%<sup>8</sup>**, primarily driven by higher margins from Commercial Property Development (8.8% vs. 6.2% as of June 30, 2017).

**Property Development NCCF** increased by a substantial +117%<sup>9</sup> year-on-year to **€16.2 million**.

As of June 30, **ROE** stood at 15.6% (vs. 9.2% as of June 30, 2017), a 640-bp increase explained by improved net profit attributable to the Group and continued optimisation of allocated capital (€235.8 million of average allocated capital as of June 30, 2018 vs. €284.9 million as of June 30, 2017).

The **Property Development backlog as of the end of June 2018** amounted to €1,504 million (stable vs. December 2017):

- The backlog for the **Residential segment was equivalent to €1,122.2 million**, a +11.1% change (vs. December 2017), resulting from higher housing orders in H1 (+11.8%). These indicators were boosted by the positive impact of the “Pinel” tax incentive scheme combined with housing loans at still low interest rates.
- The backlog for the **Commercial, Public and Healthcare segment was worth €347.1 million**, a 24.1% drop resulting from the progress of ongoing projects (especially the Villejuif scheme and a large number of projects completed at the beginning of the year).

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<sup>7</sup> Current economic operating margin = Current economic operating profit/(loss) (IFRS current operating profit/(loss) adjusted from IFRS 11 and for trademark royalties and holding company costs) / economic revenue (IFRS revenue adjusted from IFRS 11)

<sup>8</sup> Current economic operating margin calculated based on data as of June 30, 2017 restated for IFRS 15

<sup>9</sup> vs. Property Development NCCF as of June 30, 2017 restated for IFRS 15

## 2. H1 2018 results on the rise

**EPRA earnings from Property Investment** rose by **+6.9% (vs. reported)** to €155.9 million, including €104.8 million for the Commercial segment (+6.4%) and €51.1 million for the Healthcare segment (+7.9%).

**Group net current cash flow** was boosted by positive performance across all business lines and reached €167.4 million, up **+6.6%** compared to NCCF reported as of June 30, 2017 (and **+8.1%** compared to NCCF as of June 30, 2017 restated for IFRS 15 and IFRS 2).

As of June 30, 2018, **the portfolio was worth** €11.4 billion (on a proportionate consolidation basis), up +5.3% compared to the end of 2017 (+1.8% on a like-for-like basis). Portfolio value is €13.3 billion on a full consolidation basis.

**EPRA triple net asset value** reached €6,435.7 million, i.e. €86.6 per share, implying an increase of **+2.1%** (+7.2% excluding the impact of the dividend payment). It was driven by the increase in NCCF and property values.

**Net profit attributable to the Group** totalled €27.1 million.

The **cost of debt continued to decrease while debt maturity increased** (6.7 years as of June 30, 2018 vs. 6.5 years as of December 31, 2017).

H1 was highlighted by continued liability optimisation, with the successful issue of a €600 million bond in February (10-year, 1.625% bond). In line with this issue, Icade successfully completed a bond tender offer for three outstanding issues (for an aggregate amount of €200 million with a maturity of less than 3 years).

This new transaction makes it possible for Icade to improve its average debt maturity and hedging policy while maintaining a very attractive average cost of debt (1.56% as of June 30, 2018 vs. 1.59% in 2017 (-3 bps)).

The **LTV ratio** stood at 41.8% as of June 30, 2018.

## 3. Shareholding structure and governance

The General Meeting held on June 29, 2018 approved the appointment of Mr **Guillaume Poitrinal**<sup>10</sup> as independent director. The Board of Directors is now composed of 14 members including 5 independent directors and 50% of women. Independent directors account for 35.71% of the Board in compliance with the recommendations set out in the AFEP-MEDEF Corporate Governance Code.

Guillaume Poitrinal, who formerly headed Unibail-Rodamco (2005-2013), is the founding partner, head and member of the Management Board of **ICAMAP S.à.r.l.**, an independent company specialised in managing funds investing in listed and unlisted real estate in Europe. He is also co-founder and 50% shareholder of the Woodeum company, a low carbon real estate developer.

ICAMAP Investments S.à.r.l. owns a 1.83% equity interest in Icade and stated that it is acting in concert with the funds **GIC Pte Ltd and Future Fund Board of Guardians**. These three entities together have a 5.00% shareholding in Icade<sup>11</sup>.

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<sup>10</sup> See the press release dated June 29, 2018 available on our website

<sup>11</sup> As last notified to the company on July 5, 2018

## 4. ANF Immobilier/Icade merger

The General Meetings of ANF Immobilier and Icade held on June 28 and 29, 2018<sup>12</sup> approved the merger of ANF Immobilier into Icade. In consideration for the transfer value, Icade increased its capital by creating 420,242 new shares.

This capital increase, totalling a net amount of €21.1 million, represents a dilution of only 0.57% to Icade's shareholders.

## 5. 2018 outlook: Guidance raised

**Given the company's outlook, the guidance for 2018 Group net current cash flow (€ per share) has been revised upward: it is now expected to "grow by more than 6% compared to 2017 reported Group net current cash flow", i.e. an increase of over 7% compared to 2017 Group net current cash flow restated for IFRS 15 and IFRS 2.**

## 6. 2019–2022 Plan

Icade maintains its value-creating business model for the period 2019–2022 and announces its new medium-term plan. This plan is definitely growth-oriented and is based on four pillars:

- 1-Leader in office real estate in the Greater Paris region & major cities outside Paris – Focus on development & asset rotation
- 2-Icade Santé: listed European leader in healthcare real estate in 2 to 3 years' time
- 3-Icade Promotion: key player in property development
- 4-Best-in-class player in terms of CSR & Innovation and new real estate services

This plan was unanimously approved by the Board of Directors.

The 2019–2022 plan includes the following operational priorities:

### Commercial Property Investment:

- Market leader in commercial real estate in prime Grand Paris locations and major cities outside Paris
- Focus on development and the realisation of the embedded value creation potential
- Faster development and/or extraction of value from the land bank
- Opportunistic asset rotation
- Increased selectivity of portfolio assets
- Acceleration of the growth

### Healthcare Property Investment:

- Continued growth of Icade Santé in France and diversification into the nursing home sector
- Launch of international expansion by investing in Continental Europe (30% of Icade Santé's portfolio)
- Ambition to create a leading European platform dedicated to healthcare real estate
- Liquidity of Icade Santé by 2020/2022

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<sup>12</sup> A separate press release issued on June 29, 2018 is available on our website

## Property Development:

- Exposure maintained below 10% of Icade's equity and a target ROE of around 15%
- More significant development in the Commercial segment
- Contribution to Group NCCF above 10% over the course of the plan
- A sector undergoing significant change: potential opportunities

In addition, Icade will continue its CSR and innovation-related investments and initiatives in order to remain among the real estate companies with the highest ESG ratings.

The 2019–2022 plan includes the following financial objectives:

- LTV ratio at around 40% and over 90% of debt hedged against interest rate risk
- Target CAGR for Group NCCF of around 4.5% over the course of the plan
- Dividend policy unchanged

## 7. Financial calendar 2018

**Q3 financial information:** October 19, after the market closes

**Investor day:** November 26

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*The Statutory Auditors issued their review report on the interim financial information on July 20, 2018, after conducting:*

- *A limited review of the condensed interim consolidated financial statements of the company Icade SA for the period from January 1, 2018 to June 30, 2018, which were prepared under the responsibility of the Board of Directors' meeting held on July 20,*
- *A verification of the information contained in the interim management report.*

*The Half-Year Financial Report as of June 30, 2018 can be **viewed or downloaded from the website** ([www.icade.fr](http://www.icade.fr)), in the section:*

*In French: <http://www.icade.fr/finance/resultats-publications/rapport-annuel-document-reference-rapport-financier-semestriel>*

*In English: <http://www.icade.fr/en/finance/results-and-publications/annual-report-reference-document-interim-financial-report>*

**André Martinez**, Chairman of the Board, **Olivier Wigniolle**, CEO of Icade, and **Victoire Aubry**, member of the Executive Committee in charge of Finance **will present the 2018 half-year results to the analysts on July 23, 2018, at 10:00 am.**

**The presentation will be available on the following website:**

In French: <http://www.icade.fr/finance/resultats-publications/presentations-financieres>

In English: <http://www.icade.fr/en/finance/results-and-publications/financial-presentations>

**Live webcast with synchronised slides will be accessible from 9:30 am (Paris time) on the website, via the following link:**

In French: <https://edge.media-server.com/m6/go/icadeHY2018>

In English: <https://edge.media-server.com/m6/go/icadeHY2018/lan/en>

Conference ID: SFAF Icade French: **2865120**

Conference ID: SFAF Icade English: **6220562**

For an audio-only telephone conference, dial any of the following numbers:

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## ABOUT ICADÉ

### Building for every future

As an investor and a developer, Icade is an integrated real estate player which designs innovative real estate products and services adapted to new urban lifestyles and habits. By placing corporate social responsibility and innovation at the core of its strategy, Icade is closely involved with stakeholders and users in the cities—local authorities and communities, companies and employees, institutions and associations... As a commercial and healthcare property investor (portfolio value of €11.4bn as of 06/30/18 on a proportionate consolidation basis) and as a property developer (2017 economic revenues of €1,209m), Icade has been able to reinvent the real estate business and foster the emergence of tomorrow's greener, smarter and more responsible cities. Icade is a significant player in the Greater Paris area and major French cities. Icade is listed on Euronext Paris as a French Listed Real Estate Investment Company (SIIC). Its leading shareholder is the Caisse des dépôts Group.

The text of this press release is available on the Icade website: [www.icade.fr](http://www.icade.fr).

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