



2022 annual results: Improvement in recurring operating and financial performance confirming soundness of investment strategy

Jérôme Descamps, Chairman of SELECTIRENTE Gestion and Manager of SELECTIRENTE, said:

“During the 2022 financial year, SELECTIRENTE confirmed the relevance of its dynamic and rigorous investment strategy, posting a solid operational and financial performance. Amid persisting uncertainty and a depressed economic environment, the Company has strived to consolidate its financial structure while pursuing dynamic rental activity. SELECTIRENTE has strengthened its presence in major French cities, in Paris along with its inner-ring suburbs, and intends to continue its rigorous selection of development opportunities in 2023 to create long-term value.”

Growth in recurring income:

- Recurring EPRA earnings of €19.5m (up 16% from €16.8m in 2021)
- Net operating cash flow of €18.0m (up 16% from €15.5m in 2021)
- IFRS net income down to €13.4m (from €17.1m in 2021)

Investments and disinvestments:

- Acquisitions: €106.1m
- Disposals: €11.0m, generating a distributable capital gain of €5.1m

Operating performance:

- Rents up 25% at €28.1m (up 3.7% on a like-for-like basis)
- Average financial occupancy rate of over 96% in 2022
- 2022 rent collection rate of 93.7% at end-2022 (and 96.2% year to date)

Portfolio and valuation:

- Portfolio valuation: €604m at end-2022 (vs €510m at end-2021)
- 59% of assets located in Paris and 12% in the Parisian inner-ring suburbs
- Appraisal values at 31 December 2022: up 0.8% on a like-for-like basis
- EPRA NAV NDV: €93.11 per share (up 5% from €88.71 per share at 31 December 2021, up 4.5% from €89.11 per share at 30 June 2022)



Financial structure

- EPRA LTV debt ratio: 38.9%
- Cash: €20.4m at end-2022
- Undrawn bank financing: €45m
- Average cost of debt: 2.0%
- Hedged fixed-rate and floating-rate debt: 100% at time of release

Post balance sheet events and dividends:

- Change in ESG practices ⁽¹⁾:
 - On 25 January 2023, SELECTIRENTE published its Sustainable Development Commitments and announced its objectives regarding the three pillars: environment, social and governance. This binding document is the cornerstone of the Company's responsible and sustainable management policy and concerns all stakeholders. ESG criteria are thus incorporated into the Company's investment and management policy, from asset selection to long-term valuation and daily monitoring.
 - SELECTIRENTE's operations serve urban populations, promoting booming city-centre economies through the Company's impact on the development of local shops in a wide range of business sectors (beauty, healthcare, leisure, food, household and personal equipment, catering, services, etc.). With most of its portfolio located in city centres, the Company is able to limit greenhouse gas emissions generated by visitors travelling to its stores.
- Continued disinvestments since 1 January 2023, with the execution of a €1.1m disposal agreement and further disposal commitments currently totalling over €4m
- Given these robust results, proposed dividend of €3.80 per share, up 5.6% from the dividend paid in 2022, subject to approval by the General Meeting on 2 June 2023

SELECTIRENTE's Supervisory Board met on 15 February 2023 under the chairmanship of Pierre Vaquier and reviewed the IFRS separate and Group financial statements for the year ended 31 December 2022. Audit procedures are in progress.

(1) See press release entitled "SELECTIRENTE dévoile ses engagements de développement durable", published in French on 25 January 2023



2022 business review

2022 was marked by a significant increase in macroeconomic and geopolitical uncertainty, leading to strong intervention from central banks in order to curb high levels of inflation. However, despite numerous obstacles, the French economy seems to be standing firm in a constantly challenging international environment. Against this backdrop, SELECTIRENTE has shown resilience and remained prudent and selective in its investment strategy for local city-centre retail assets. In 2022, local shops took advantage of the gradual but sustained return of tourists to Paris, as well as the increase in household consumption, albeit moderate given the prevailing inflationary pressure. The French retail investment market continued to perform well and posted a record level of €5.5 billion in 2022, representing 21% of amounts invested in France in 2022 across all types of real estate assets, compared to 13% in 2021.

Firmly established in its markets, SELECTIRENTE invested €106.1 million during the year, thereby increasing the value of its portfolio by over 18% to over €600 million at present. Meanwhile, the Company demonstrated its resilience by posting an average financial occupancy rate of over 96% for the full year (96.3% in Q4 2022). The annual rent collection rate was 93.7% at 31 December 2022, up compared to the previous year. The collection rate has firmed to 96.2% at the date of this press release.

SELECTIRENTE remains confident regarding local shops and their diversification potential, particularly at times of macroeconomic disruption. The Company believes that the increased commitment of consumers to local shops, combined with positive changes in consumption trends and urban travel patterns favouring soft mobility, are all advantages that have led to the recognition of local retail premises as sustainable, resilient and profitable investments.

With its financial structure strengthened by the early February 2022 refinancing, SELECTIRENTE still boasts robust long-term fundamentals:

- quality locations (nearly 59% of assets located in Paris, 12% in the Parisian inner-ring suburbs and 16% in five of France's ten largest provincial cities);
- reasonable rents compared to current market rental values;
- strong portfolio granularity (over 600 rental units) reflecting solid pooling of rental risk;
- debt under control: EPRA LTV of 38.9%, a duration of nearly 4 years, average residual lifespan of over 4.5 years and debt fully hedged at 1 January 2023;
- cash and cash equivalents of €20.4 million, mainly under term deposits, plus €45 million in undrawn bank financing at present;
- disciplined, flexible and responsive management by a recognised and experienced team.

Operating activity in 2022

Over €106 million invested in 2022

SELECTIRENTE has continued its development by undertaking a major investment programme since the beginning of the 2022 financial year.

While maintaining its strict selectivity criteria, the Company closed the year posting **€106.1 million in direct real estate investments**.

The Company made a significant investment at the end of the first half by acquiring a portfolio comprising 22 local shops and one office space spanning two sections of *rue Rambuteau* located in central Paris (1st and 3rd arrondissements) in one of the capital's busiest districts, for a total surface area of over 4,000 m². The total cost price of this transaction came to €71.8 million.



2022 was also marked by the acquisition of 12 shops and an office space in the *Grands Hommes* shopping centre, located in the eponymous market square in the centre of Bordeaux's Golden Triangle. This acquisition represented a total surface area of nearly 3,000 m² for a total cost price of €24.1 million.

Other acquisitions in 2022 included 16 ground-floor shops (€10.2 million) in prime locations, mainly in Paris (80%) and the Paris region.

The yield on these investments made in 2022 averaged over 4.5%.

Refocusing disinvestments

Throughout the 2022 financial year, SELECTIRENTE pursued its aim of strategically refocusing its portfolio (assets that no longer match its investment target) by selling 16 assets, mostly located in medium and small provincial towns, for a total net sale price of nearly €11 million generating a distributable capital gain of €5.1 million.

At 31 December 2022, the Company had also started the process of selling an asset located in Pavillon-sous-Bois for a net sale price of €1.1 million.

Rental activity: further rent increases and a high average financial occupancy rate

SELECTIRENTE posted gross rental income of €28.3 million for 2022, up 25% year-on-year. On a like-for-like basis, rental income alone increased by nearly 3.7%, mainly due to rent indexation and the increase in occupancy rates recorded by the management team on a number of re-letting and lease renewal transactions. The Company estimates that 45% of its rental income could be affected by the 3.5% cap on indexation for 2023 voted by Parliament in favour of VSEs and SMEs. This estimate will be revised when more precise information is available regarding the tenants affected by this cap. Discussions with these tenants will be required in order to verify their eligibility for this scheme.

(€000)	2022	2021	% change
Gross rental income	28 085	22 420	25%
Related income	260	229	13%
Total gross rental income	28 345	22 649	25%

In 2022, rental management operations (re-letting, renewals and disposals with *despecialisation* of leases) concerned 30 commercial premises, resulting in an increase of €105,000 (up 8.5%) in the annual rents of the stores concerned. In addition, the Company received €49,000 in *despecialisation* compensation on lease transfers involving a change in the tenant's business.

The **financial occupancy rate** remains high, **averaging over 96% in 2022**, up more than 90 basis points compared to 2021 (95.1%) and reaching **96.3% in the fourth quarter of 2022**.



2022 financial performance

Recurring net income up 15.9%, net operating cash flow up 16.4%

(€000)	2022	2021	% change
Gross rental income	28 085	22 420	25%
Related income	260	229	13%
Rebilled rental expenses	4 356	3 341	30%
Rental charges and property taxes	(5 206)	(4 620)	13%
Net rental income	27 494	21 371	29%
Management fees and other overheads	(3 717)	(2 918)	27%
Change in value of investment properties	(5 078)	(354)	1335%
Gains/losses on disposal of investment properties	1 400	470	198%
Impairment losses on trade receivables	(529)	(355)	49%
Other income and expenses	(83)	(83)	0%
Operating income	19 487	18 131	7%
Dividends	2 127	2 201	-3%
Financial income	55	88	-38%
Financial expenses	(5 903)	(2 618)	125%
Change in value of financial assets/instruments and gains/losses on disposal of financial assets	(2 069)	(390)	431%
Net financial income/(expense)	(5 790)	(718)	706%
Earnings before tax	13 697	17 413	-21%
Corporate tax	(289)	(351)	-18%
Net income	13 408	17 062	-21,4%
Recurring net income	18 953	16 845	12,5%
Net operating cash flow	18 048	15 500	16,4%

IFRS net income was down, mainly due to 1) the increase in financial expenses related to the increase in outstanding loans and 2) the increase in investment property appraisal values (direct real estate) impacted by acquisition costs on 2022 investments recognised as a €9.3 million expense under IFRS, as well as changes in the value of indirect real estate assets.

EPRA Earnings, also known as IFRS recurring income, restated for changes in the value of investment properties and financial assets as well as non-recurring expenses, was up 15.9% year-on-year at €19.5 million (€4.68 per share). This result testifies to the resilience of the Company's rental income, robust management of SELECTIRENTE's portfolio and effective cost control.



Summary of EPRA performance indicators

EPRA KPIs	31/12/2022		31/12/2021	
	€m	€/share	€m	€/share
EPRA earnings	19,5	4,68	16,8	4,04
EPRA NRV	407,1	97,62	403,0	96,69
EPRA NTA	364,6	87,42	367,4	88,15
EPRA NDV	388,3	93,11	369,8	88,71
Net initial yield	5,0%		4,8%	
Net initial yield excluding rent relief	4,9%		4,9%	
Vacancy rate	1,6%		2,8%	
Cost ratio (including vacancy costs)	16,1%		19,6%	
Cost ratio (excluding vacancy costs)	15,5%		19,1%	
EPRA LTV	38,9%		27,0%	

EPRA added a new KPI this year: EPRA LTV (see the definition in the appended methodological notes). EPRA LTV stood at 38.9% at end-2022.

Net asset value per share, or Net Disposal Value under EPRA standards, was €93.11 at 31 December 2022, compared to €88.71 at the end of 2021, representing growth of 5.0% year-on-year and 4.5% versus the second half of 2022.

Portfolio valuation

Increase in real estate valuations

SELECTIRENTE's reassessed portfolio value has broken a new symbolic barrier of €600 million, standing at €604 million⁽¹⁾ excluding transfer duties at 31 December 2022, up 18% from €510 million at 31 December 2021.

Thanks to the quality of its locations and despite surging interest rates, the Company achieved a slight increase in the value of its direct real estate assets in the year ended 31 December 2022. As such, appraisal values show net year-on-year growth of 0.8% on a like-for-like basis and a 1.0% decline on a like-for-like basis since 30 June 2022.

In detail, the value of city-centre retail premises, which represent 84% of the overall portfolio, recorded year-on-year growth of 0.3% on a like-for-like basis. This increase was more pronounced for peripheral stores (up 7.3%) as well as for the few office spaces (up 1.7%) in prime locations. Geographically, appraisal values were up 1.2% in Paris, 1.0% in the Paris region and 0.2% in the provinces, representing over 99% of the overall portfolio, with assets located in Belgium (0.7% of said portfolio) suffering a 6% decline.

At the end of December 2022, the average yield resulting from these appraisals (including transfer duties) was 4.9% on the entire portfolio, a slight increase compared to the end of 2021 (4.7%). Rental yields stand at 4.8% for city-centre retail premises (including an average of 4.4% for Parisian premises

¹ The revalued portfolio at 31 December 2022 (€603.8 million) comprised directly held real estate assets valued at €577.8 million (appraisal values excluding transfer duties) and indirect property investments consisting of shares in SCPI and OPCI real estate investment companies, SCPI share usufructs and shares in the listed property company Vastned Retail NV totalling €26.0 million.

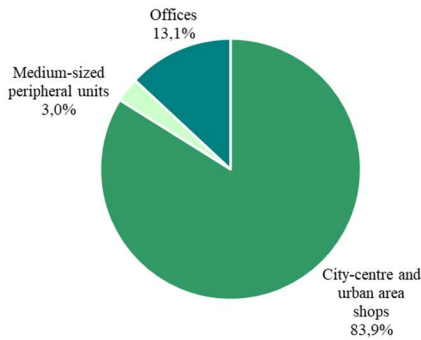


estimated at between 2.4% and 6.5%, and 5.5% in the Paris region), 7.6% for peripheral retail premises (which make up only 3.0% of the overall portfolio value) and 4.5% for office premises.

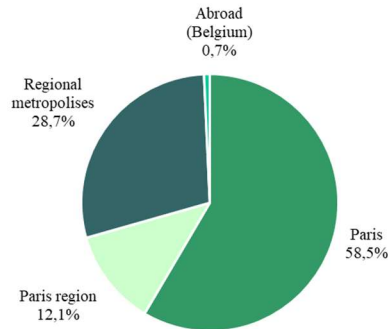
84% of the property portfolio is directly owned and located in city centres, including 59% in Paris

The value of SELECTIRENTE’s direct real estate assets, consisting of 615 rental units, amounted to €578 million (excluding transfer duties) at the end of December 2022, mainly consisting of city-centre retail premises in Paris and the Paris region. This portfolio breaks down as follows:

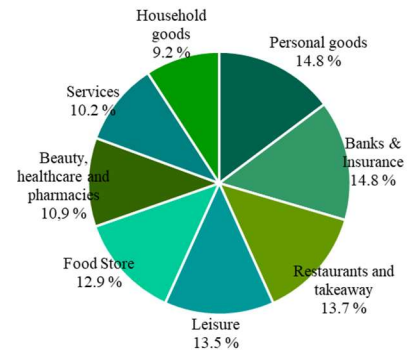
Distribution of the direct real estate portfolio by asset type
(% in value as at 31 december 2022)



Geographic distribution of direct real estate portfolio
(% in value as at 31 december 2022)



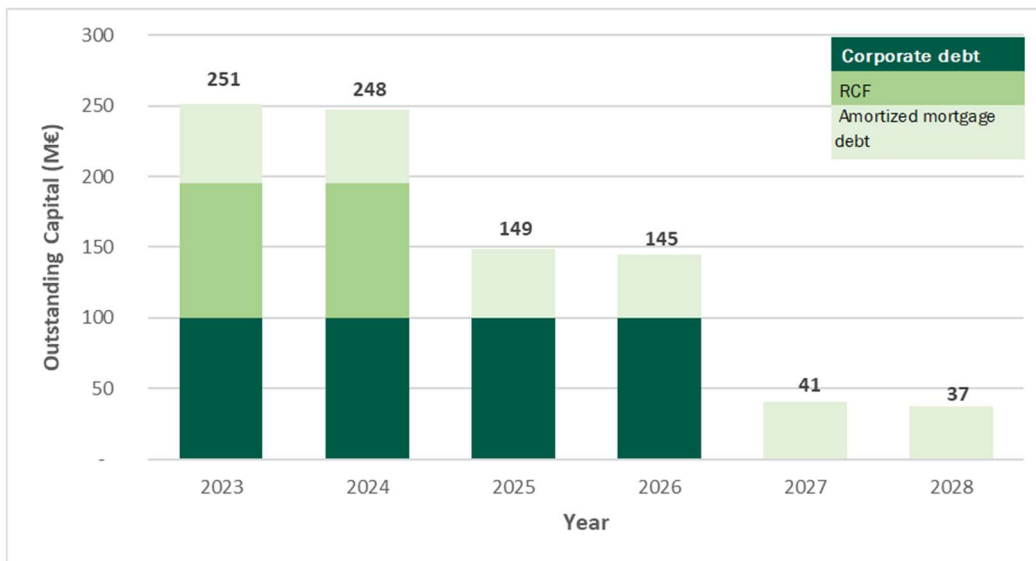
Sector distribution of direct real estate portfolio
(% of theoretical annual rental income)



Financial structure and partial refinancing through corporate debt

At 31 December 2022, SELECTIRENTE’s IFRS bank financing amounted to €254 million and was characterised by:

- an EPRA LTV ratio of 38.9% versus 27.0% at 31 December 2021, following the investment programme carried out in 2022;
- average annual cost of debt at nearly 2%;
- a duration of nearly 4 years and an average residual lifespan of over 4.5 years;
- hedging of 92% of fixed-rate and/or floating-rate debt.



The principal amount outstanding on SELECTIRENTE’s current debt is presented below, with the next material repayment maturity scheduled for 2025:



As a reminder, on 4 February 2022, SELECTIRENTE completed a €100 million transaction with BECM, HSBC, Crédit du Nord and Société Générale, the Company's long-standing bank partners, to partially refinance its mortgage debt by means of a five-year corporate loan enabling it to repay over €80 million in existing mortgage debt. The Company has also signed a €140 million three-year revolving credit facility (RCF) to boost its investment capacity.

This defining transaction allows the Company to step up its growth policy by pursuing its strategy of acquiring assets in Paris and the major French cities, which are dynamic communities with areas of high commercial density.

Increase in dividend per share (up 5.6%)

In view of the Company's 2022 performance, SELECTIRENTE's Supervisory Board will propose a 2022 dividend of €3.80 per share at the next General Meeting on 2 June 2023, up 5.6% compared to last year (€3.60).

2023 outlook

After a year marked by weakened macroeconomic growth prospects, SELECTIRENTE began the new year with solid fundamentals and a dynamic, rigorous and proven investment strategy. 2023 promises to be a year of opportunities and the Company will maintain a stringent and prudent selection process regarding investment projects while continuing to develop its business in Paris and major French cities.

SELECTIRENTE will aim to maintain sustained rental activity via the identification of long-term value creation opportunities by regularly generating capital gains on disposals, while placing increasing importance on the sustainable aspects of its investments.

2023 financial calendar:

03/05/2023 (after close of trading): Q1 2023 business and revenue

02/06/2023: Annual General Meeting

26/07/2023 (after close of trading): H1 2023 business and results

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About SELECTIRENTE

Founded in 1997 at the initiative of SOFIDY and real estate professionals, SELECTIRENTE was listed in 2006 and opted for the SIIC (French REIT) regime on 1 January 2007. SELECTIRENTE is one of the few real estate companies specialising in local retail premises.

SELECTIRENTE is managed by SELECTIRENTE GESTION, manager and general partner since 3 February 2021, which in turn relies on the know-how and skills of service provider SOFIDY (part of the Tikehau Capital Group's real estate business) in the fields of asset management, property management and the execution of investment, disinvestment and financing programmes.

With a property portfolio valued at over €600 million, almost 59% of which is located in Paris, the Company's strategic objective is to develop and increase the value of its city-centre retail assets in the most dynamic French and European cities.



Appendices to the 2022 business and results press release

- IFRS financial statements for 2022 (under audit)

o Financial statement (simplified)

<i>Assets (€000)</i>	31/12/2022	31/12/2021
Investment properties	576 657	481 580
Intangible assets	122	
Portfolio securities	24 376	26 372
Other non-current financial assets	1 459	1 513
Deferred tax assets		25
Non-current assets	602 614	509 490
Trade receivables and related accounts	5 243	4 333
Tax and other receivables	4 776	4 913
Cash and cash equivalents	20 374	23 364
Fair value of interest rate hedging instruments - share at less than a year	14 855	
Non-current assets held for sale	1 140	1 025
Current assets	46 388	33 634
TOTAL ASSETS	649 002	543 124

<i>Liabilities (€000)</i>	31/12/2022	31/12/2021
Share capital	66 767	66 767
Premiums	202 620	202 620
Reserves	81 606	80 967
Other items in the overall income	14 670	
Net income	13 408	17 062
Equity	379 071	367 416
Borrowings	254 041	131 837
Deferred tax liabilities	16	
Security deposits	7 230	5 879
Provisions	110	70
Non-current liabilities	261 397	137 786
Borrowings		27 466
Trade and other payables	8 523	8 422
Current tax and social security payables	10	2 034
Current liabilities	8 533	37 923
Total liabilities	269 931	175 709
TOTAL EQUITY AND LIABILITIES	649 002	543 124

- Operating cash flow statement

<i>(€000)</i>	FY 2022	FY 2021	Change
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	13 408	17 062	-21%
Elimination of non-cash or non-operating income and expenses			
- Changes in fair value of investment properties	5 078	354	1335%
- Gains/losses on disposal of investment properties	(1 400)	(470)	198%
- Provisions and impairment	100		N/A
- Reclassification of financial interests and other items of financial income and expense	5 790	718	706%
- Current and deferred tax expense	289	351	-18%
Cash flow before tax and working capital	23 264	18 015	29%
Taxes paid	(1 109)	(131)	746%
Change in operating working capital requirement	(2 198)	1 052	-309%
Net cash flow from operating activities	19 958	18 936	5%



- Methodological notes

o Glossary

EPRA loan-to-value

The aim of this ratio is to provide a consistent and comparable presentation of this market-disclosed KPI. The first main change involves the classification of hybrid debt instruments such as convertible bonds, which are considered as debt until conversion. In addition, EPRA LTV is calculated on a consolidated basis, thus including the Group share in the net debt and net assets of joint ventures and/or material investments.

Reassessed value of the portfolio

The reassessed value (excl. transfer duties) of the Company's portfolio is based on the following:

- the direct real estate portfolio is recognised at its appraisal value at 31 December 2022 or its acquisition cost excluding transfer duties and fees for acquisitions after 19 December 2022;
- indirect real estate investments, consisting of:
 - fully-owned SCPI shares recorded at their withdrawal value or market value as at 31 December 2022,
 - OPCI shares recorded at their most recent net asset value as at 31 December 2022,
 - Rose shares recorded at their most recent net asset value, and
 - Vastned Retail N.V. shares recorded at their stock market price at 31 December 2022.

Operating cash flow

Net operating cash flow corresponds to IFRS net income for the financial year restated for changes in the fair value of investment properties, gains/losses on disposal of investment properties and indirect real estate assets, the IFRS reclassification of certain financial items, current and deferred tax charges and change in operating working capital requirement.

Rents on a like-for-like basis

The change in rents on a like-for-like basis (in €m) is determined as follows:

<i>2021 rent</i>	<i>21,9</i>
<i>- 2021 rent neutralised of 2021 acquisitions</i>	<i>4,5</i>
<i>+ half-yearly 2021 rent for 2021 acquisitions</i>	<i>-1,3</i>
<i>- 2021 rent neutralised of 2021 disposals</i>	<i>-0,1</i>
<i>- 2021 rent neutralised of 2022 disposals</i>	<i>-0,9</i>
<i>Restated 2021 rent</i>	<i>24,1</i>
<i>2022 rent</i>	<i>28,1</i>
<i>- 2022 rent neutralised of 2022 disposals</i>	<i>-0,4</i>
<i>- 2022 rent neutralised of 2022 acquisitions</i>	<i>-2,7</i>
<i>Restated 2022 rent</i>	<i>25,0</i>
<i>% change</i>	<i>3,7%</i>