

2023 annual results

Robust operating and financial performance

Resilience of portfolio value

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

“The strength of SELECTIRENTE’s annual results has yet again vindicated the merits of the Company’s dynamic and rigorous investment strategy. As uncertainty continues to hover over the economic and geopolitical scene, SELECTIRENTE has endeavoured to strengthen its financial structure while pursuing its disciplined disposal policy and increasing the number of rental management transactions by nearly 50%. In 2024, the Company plans to continue rigorously selecting development opportunities in order to create value and develop its business model over the long term.”

Growth in recurring income:

- Recurring EPRA earnings up 14% to €22.3m, or €5.35/share
- Net operating cash flow up 3% to €18.5m, or €4.45/share
- IFRS net income stable at €13.2m, or €3.17/share

Investments and disinvestments:

- Acquisitions: €2.2m
- Disposals: €21.3m (nearly 4% above end-2022 appraisal values, 15% above end-2021 values), generating a distributable capital gain of nearly €11m

Operating performance:

- Rents up 8% at €30.3m. Up 2.2% on a like-for-like basis
- Significant increase in number of rental management transactions (re-letting and renewals)
- Average financial occupancy rate of 95.6% in 2023
- 2023 rent collection rate of 95% at end-2023 (96.5% at 9 February 2024)

Portfolio and valuation:

- Portfolio valuation: €577m at end-2023 (vs €604m at end-2022), including:
 - disposals carried out in 2023 (€21m);
 - a marginal 1% drop in 2023 appraisal values on a like-for-like basis.
- More than 60% of assets now located in Paris and 11% in the Parisian inner-ring suburbs
- EPRA NAV NDV: €90.31 per share (down 3.0% from €93.11 per share at 31 December 2022, down 0.3% from €90.59 per share at 30 June 2023)



Financial structure

- EPRA LTV debt ratio: 36.9% (vs 38.9% at 31 December 2022)
- Cash: €9m at end-2023
- Undrawn bank financing: €75m
- Average cost of debt in 2023: 1.93%
- Fixed-rate and hedged floating-rate debt: 100%

Post balance sheet events and dividends:

- SELECTIRENTE is currently acquiring an asset occupying a prime location on Rue de Rivoli, Paris, at a cost price of just under €2.9m
- Continued disposals since 1 January 2024, with commitments totalling €2.8m to date
- Given these solid results, proposed dividend of €4 per share, up over 5% from the dividend paid in 2023, subject to approval by the General Meeting on 31 May 2024

SELECTIRENTE's Supervisory Board met on 14 February 2024 under the chairmanship of Pierre Vaquier and reviewed the IFRS separate and Group financial statements for the year ended 31 December 2023. Audit procedures are in progress.



2023 business review

Although 2023 was marked by relatively turbulent macroeconomic and political conditions, retail premises nonetheless showed resilience in terms of amounts invested compared to other real estate asset classes. French household consumption proved resilient in the face of persisting inflation (up 0.7% vs 2022). Bolstered by holidaymakers and the return to on-site work for a portion of employees, city-centre retail premises also saw a recovery in footfall, with an average increase of 11% over 12 months (up 6.8% in 2022).

Against this backdrop, SELECTIRENTE once again proved the merits of its business model by selectively pursuing its strategy of investing in local city-centre retail assets.

In 2023, local retail activity generally recorded brisk sales, as shown by the strong momentum in food store revenue and the nationwide drop in the vacancy rate, especially in Paris (down 1.6 percentage points year-on-year to 5.2% at 31 December 2023). Bolstered by a number of government support schemes including “*Action Cœur de Ville 2*”, which was allocated a €5 billion budget for the 2023-2026 period, and “*Petites Villes de Demain*”, they also showed their ability to adapt to changing consumer needs and expectations.

The French retail investment market continued to perform well at €3 billion, representing 25% of amounts invested in France in 2023 across all types of real estate assets, compared to 21% in 2022.

SELECTIRENTE reaffirms its confidence 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 consumer trends and urban travel patterns favouring soft mobility, are all advantages that have led to the recognition of local retail premises as sustainable, secure and profitable investments.

Bolstered by its strong financial structure, SELECTIRENTE still boasts robust long-term fundamentals:

- **quality locations:** over 60% of assets located in Paris, 11% in the western Paris region and 18% in five of France’s largest provincial cities;
- **reasonable rents** compared to market rental values;
- **strong portfolio granularity** (413 assets) reflecting **solid pooling of rental risk** (547 leases);
- **limited debt** (EPRA LTV of 36.9% at 31 December 2023), available cash of over €9 million after the €30 million partial repayment of the RCF since June 2023, and an undrawn bank line of credit worth €75 million;
- **disciplined and responsive management** by a **recognised and experienced team**.

The Company once again demonstrated its resilience, recording a persistently high average financial occupancy rate of 95.6% over the past twelve months alongside a **limited 1.0% dip in portfolio appraisal values in 2023, excluding transfer duties, on a like-for-like basis**.



Operating activity in 2023

Investments in 2023 – Selectivity

Keen to preserve its solid financial position, SELECTIRENTE continued to pursue a rigorous and selective investment policy.

Accordingly, in 2023 the Company only completed one acquisition involving a portfolio of three retail premises occupying prime locations in Paris, on Rue de Grenelle, Avenue de la Motte-Picquet (7th) and Rue Brochant (17th), at a total cost price of €2.2 million. The yield on the investment amounts to 6.1% deed in hand.

Strategic refocusing disposals

During the 2023 financial year, SELECTIRENTE pursued its objective of strategically refocusing its portfolio (assets no longer corresponding to its investment target) by disposing of 24 assets, mainly located in small to medium-sized provincial cities, for a total net sale price of over €21 million (**nearly 4% above end-2022 appraisal values and 15% above end-2021 values**), generating a **distributable capital gain of nearly €11 million**.

At 31 December 2023, the Company was also committed to the disposal of an asset located in Auch (32) for a net sale price of €0.7 million.

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

SELECTIRENTE's gross rental income came to €30.6 million in 2023, up 8% on the previous year. On a like-for-like basis, rental income alone rose nearly 2.2%, boosted by rent indexation (up 3.4%), re-letting and lease renewals (up 3%) and curbed by vacancies (down 2.4%), insolvency proceedings (judicial liquidation) and business asset disposals (down 1.8%).

(€000)	2023	2022	% change
Gross rental income	30 316	28 085	8%
Related income	314	260	21%
Gross rental income	30 630	28 345	8%

In 2023, rental management transactions (re-letting, renewals and lease assignments involving a change of business) concerned 44 commercial premises (vs 30 in 2022), resulting in a **9.2% increase** (€190,000) in the annual rents of the stores concerned to €2.3 million.

In addition, the Company received €34,000 in lease transfer payments on four lease transfers involving a change in the tenants' business.

With regard to the 3.5% cap on indexation voted in 2023 by the French Parliament in favour of VSEs and SMEs, which has been renewed until 31 March 2024, only 35 capping requests had been received and granted by the Company by 31 January 2024, entailing a minimal loss of earnings of around €30,000 on the annual rents concerned.

The financial occupancy rate remains high, averaging 95.6% in 2023 (vs 96% in 2022). The rate dipped to 94.8 % in Q4 2023, mainly due to payment defaults by vulnerable independent tenants. In this respect, out of the 20 assets left vacant following judicial liquidation procedures in 2023, the Company has already re-let four, subject to a 37% increase in annual rent compared to the last invoiced annual rent.



2023 financial performance

Recurring net income up +14%, net operating cash flow up +3%

(€000)	2023	2022	% change
Gross rental income	30 316	28 085	8%
Related income	314	260	21%
Rebilled rental expenses	5 740	4 356	32%
Rental expenses and property taxes	(7 056)	(5 206)	36%
Net rental income	29 315	27 494	7%
Management fees and other overhead	(3 495)	(3 717)	-6%
Change in the value of investment properties	(7 757)	(5 078)	53%
Net gain/loss on disposal of investment properties	645	1 400	-54%
Impairment of customer receivables	(617)	(529)	17%
Other non-recurring income and expenses	(642)	(83)	N/A
Operating profit	17 447	19 487	-10%
Dividends	2 256	2 127	6%
Financial income	571	55	N/A
Financial expenses	(6 425)	(5 903)	9%
Change in value of financial assets/instruments and gains/losses on disposal of financial assets	(120)	(2 069)	-94%
Net financial income (expense)	(3 719)	(5 790)	-36%
Profit (loss) before tax	13 728	13 697	0%
Corporate income tax	(532)	(289)	84%
Net income	13 196	13 408	-2%
Recurring net income	22 303	19 530	14%
Net current cash flow	18 548	18 048	3%

IFRS net income dipped to €13.2 million, impacted by 1) the improvement in net rental income, 2) the increase in financial expenses corresponding to the increase in average outstanding finance debt, 3) the 1.0% like-for-like decrease in the appraisal values of investment properties (direct real estate) and 4) a €0.7 million provision recognised in respect of a pending dispute.

EPRA Earnings, also known as IFRS recurring net income, restated for changes in the value of investment properties and financial assets as well as non-recurring expenses, was up 14.2% compared to the previous year and amounted to €22.3 million (€5.35/share vs €4.68/share in 2022). This result shows the resilience of the Company's rental income as well as the robust management of SELECTIRENTE's portfolio coupled with tight cost control.



Summary of EPRA performance indicators

EPRA KPI	31/12/2023		31/12/2022	
	in € millions	€/share	in € millions	€/share
EPRA earnings	22,3	5,35	19,5	4,68
EPRA NRV	399,3	95,84	407,1	97,62
EPRA NTA	358,5	86,06	364,6	87,42
EPRA NDV	376,3	90,31	388,3	93,11
Net initial yield	5,1%		5,0%	
Net initial yield excluding rent concessions	5,1%		4,9%	
Vacancy rate	4,1%		2,5%	
Cost ratio (including vacancy costs)	16,0%		16,1%	
Cost ratio (excluding vacancy costs)	15,4%		15,5%	
EPRA LTV	36,9%		38,9%	

Net asset value per share, or Net Disposal Value (NDV) under EPRA standards, was €90.31 at 31 December 2023, compared to €93.11 at end-2022, down 3.0% year-on-year and down 0.3% versus the second half of 2023.

Portfolio valuation

Resilience of independent appraisal values

SELECTIRENTE's revalued portfolio at 31 December 2023 stands at €577 million⁽¹⁾ excluding transfer duties, down 4% from €604 million at 31 December 2022 mainly due to the disposals carried out in 2023 (€20 million).

At 31 December 2023, given the quality of its locations, the Company recorded only a slight fall in the valuation of its direct real estate assets, despite the significant increase in interest rates. As such, these appraisal values dipped 1.0% year-on-year on a like-for-like basis and 0.5% on a like-for-like basis since 30 June 2023.

In detail, the values of city-centre stores, which comprise 85% of the total portfolio, fell 1.3% year-on-year on a like-for-like basis, while office values fell 2.1%. In geographical terms, appraisal values fell slightly in Paris (down 1.5%) and the Paris region (down 1.9%) and increased in the provinces (up 0.7%), altogether accounting for over 99% of the total portfolio. Meanwhile, assets located in Belgium (0.7% of the total portfolio) fell 14%.

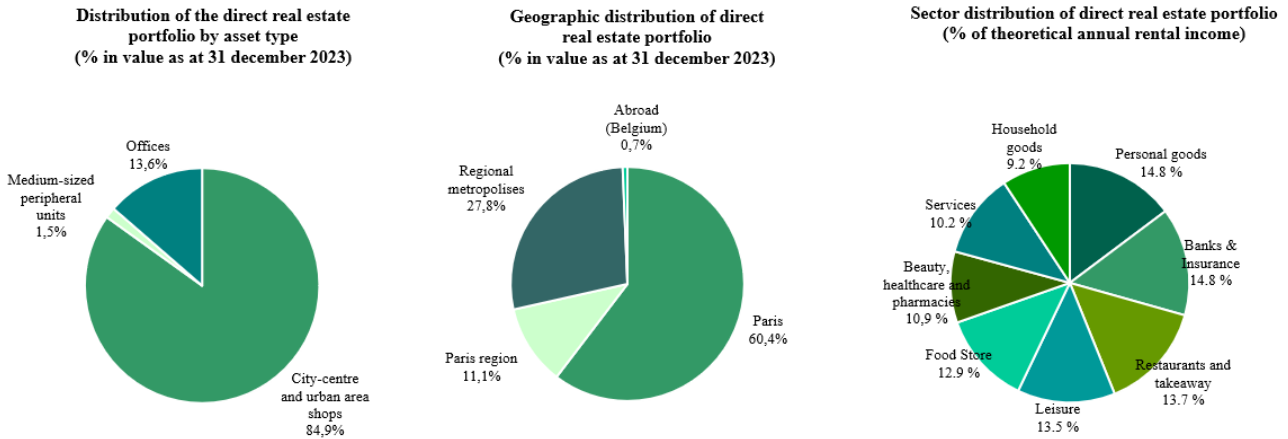
At 31 December 2023, the average yield resulting from these appraisals (including transfer duties) for the entire portfolio was 5.2%, up slightly compared to the end of 2022 (4.9%). The yield stands at 5.2% for city-centre retail premises (including an average of 4.9% for Parisian premises, 5.8% in the Paris region and 5.8% in major provincial cities), 8.0% for medium-sized peripheral units (now comprising only 1.5% of the total portfolio value) and 4.9% for offices.

⁽¹⁾ The revalued portfolio at 31 December 2023 (€577.1 million) comprised directly held real estate assets valued at €553.6 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 €23.5 million.



A directly held real estate portfolio comprising 85% city-centre retail premises and 60% assets located in Paris

The value of SELECTIRENTE’s direct real estate assets, consisting of 413 rental units covering a total area of over 100,000 m² and 547 leases, amounted to €554 million (excluding transfer duties) at 31 December 2023, mainly consisting of city-centre retail premises in Paris and the surrounding region. This portfolio breaks down as follows:



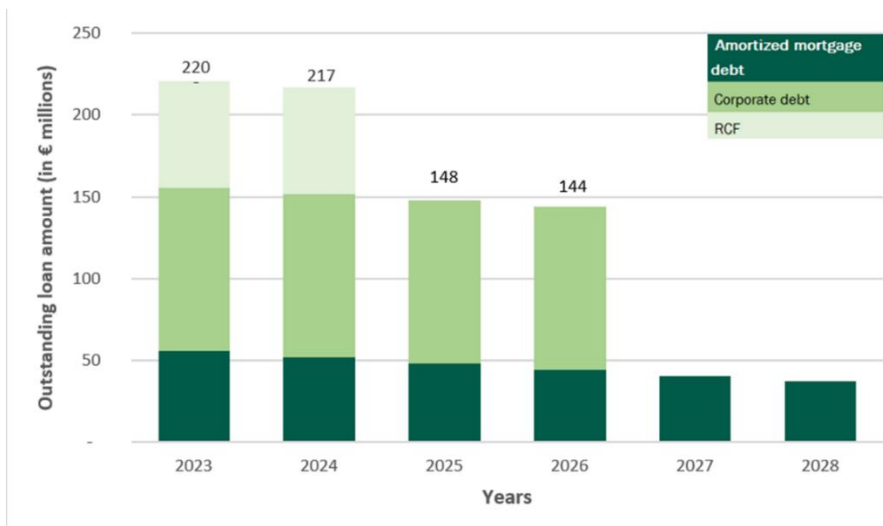
Financial structure and reduction in bank debt

At 31 December 2023, the Company rolled over only €65 million of the €95 million drawdown under the €140 million revolving credit facility, having repaid €30 million of its RCF debt in 2023 in line with the Company’s deleveraging policy.

As a result, at end-2023 SELECTIRENTE’s bank financing amounted to €220 million (vs €254 million at end-2022), characterised by:

- 25% fixed-rate mortgage debt and 75% fully hedged floating-rate corporate debt;
- an EPRA LTV debt ratio of 36.9%;
- average annual cost of debt of 1.93%;
- an average maturity of 3.8 years and average duration of 3.2 years;
- hedging of 100% of fixed-rate and/or floating-rate debt until the maturity of the corporate debt in 2027.

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





Change in ESG practices

Driven by its determination to tackle contemporary social and environmental challenges, SELECTIRENTE wishes to contribute to a more sustainable real estate sector while supporting virtuous local economic development. For this purpose, the Company has enshrined its commitments in an ESG Charter based on three pillars: promoting city-centre economic development, committing to an environmentally friendly business activity and making ESG issues an integral part of its governance policy. SELECTIRENTE has incorporated environmental, social and governance criteria into its investment and asset management policy spanning the whole process from asset selection to long-term value enhancement, as well as daily monitoring.

Entitled “Our sustainable development commitments”, the charter published in January 2023 and available for consultation on the Company website sets out the Company’s performance and quantified targets in terms of ESG policy, while encouraging all of SELECTIRENTE’s stakeholders (investors, shareholders, tenants, service providers, etc.) to commit to the same principles.

For instance, climate risks are now systematically analysed for all assets during the acquisition phase and then re-assessed each year. Furthermore, the Company carries out an annual carbon assessment and monitors its assets’ energy consumption. Since late 2022, the Company has raised awareness among all its tenants by appending an eco-guide to lease agreements.

5.2% increase in dividend per share

In view of the Company’s 2023 performance, SELECTIRENTE’s Supervisory Board will propose a 2023 dividend of **€4 per share** at the next General Meeting on 31 May 2024, **up 5.2%** compared to last year (€3.80).

Outlook for 2024

While macroeconomic and geopolitical uncertainties are likely to continue to impact the economy and financial markets, SELECTIRENTE intends to (1) continue its disposal policy as part of the strategic refocusing of its portfolio, (2) keep its level of debt under control at around 40% maximum and (3) seize opportunities for stepping up its development in anticipation of a potential improvement in market conditions over the coming months.

SELECTIRENTE will strive to maintain sustained rental activity, by identifying opportunities for long-term value creation by regularly generating capital gains on disposals, while assigning increasing importance to the sustainable aspects of its investments.

2024 financial calendar:

04/30/2024 (after close of trading): Q1 2024 business and revenue

05/31/2024: Annual General Meeting

07/24/2024 (after close of trading): H1 2024 business and results

Contacts

Dany Abi Azar – Chief Financial Officer, Selectirente Gestion – +33 (0)1 69 87 02 00 – dany.abiazar@selectirente.com

Aliénor Kuentz – SHAN communications agency – +33 (0)6 28 81 30 83 – alienor.kuentz@shan.fr



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, 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 nearly €580 million, over 60% 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.

Listed on: Euronext Paris Compartment B (SELER) – ISIN: FR0004175842

More information: www.selectirente.com



Appendices to the 2023 business and results press release

- IFRS financial statements for FY 2023 (under audit)

o Statement of financial position (simplified)

<i>Assets (€000)</i>	31 December 2023	31 December 2022
Investment properties	552,931	576,657
Intangible assets	1	122
Portfolio securities	22,754	24,376
Other non-current assets	931	1,459
Deferred tax assets	239	
Non-current assets	576,856	602,614
Trade receivables and related accounts	7,566	5,243
Tax and other receivables	4,405	4,776
Cash and cash equivalents	9,116	20,374
Fair value of interest rate hedging instruments - portion at less than one year	9,309	14,855
Non-current assets held for sale	665	1,140
Current assets	31,061	46,388
TOTAL ASSETS	607,917	649,002
<i>Liabilities (€000)</i>	31 December 2023	31 December 2022
Share capital	66,767	66,767
Premiums	202,717	202,620
Reserves	77,116	81,606
Other comprehensive income	7,916	14,670
Net income	13,196	13,408
Equity	367,711	379,071
loans	213,838	254,041
Deferred tax liabilities	165	16
Security deposits	7,318	7,230
Provisions	720	110
Non-current liabilities	222,041	261,397
loans	4,564	
Trade and other payables	12,819	8,523
Current tax and social security payables	781	10
Current liabilities	18,165	8,533
Total liabilities	240,206	269,931
TOTAL EQUITY AND LIABILITIES	607,917	649,002

- Operating cash flow statement

<i>(€000)</i>	31 December 2023	31 December 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	13,196	13,408
Elimination of non-cash or non-operating income and expenses		
- Changes in fair value of investment properties	7,757	5,078
- Gains/losses on disposal of investment properties	(645)	(1,400)
- Provisions and impairment	868	100
- Reclassification of interest and other financial income (expense)	3,719	5,790
- Current and deferred tax expense	533	289
Cash flow before tax and working capital	25,429	23,264
Taxes paid	(559)	(1,109)
Change in operating working capital requirement	2,036	(2,198)
Net cash flow from operating activities	26,906	19,958



- Methodological notes

Reappraised portfolio value

The reappraised value (excluding transfer duties) of the Company's portfolio is based on the following:

- the direct real estate portfolio is recognised at its 31 December 2023 appraisal value, as issued by an independent real estate appraiser, or at its acquisition cost excluding transfer duties and fees for acquisitions after 15 December 2023,
- indirect real estate investments, consisting of:
 - fully-owned SCPI shares recorded at their withdrawal value or market value as at 31 December 2023,
 - OPCI shares recorded at their most recent net asset value as at 31 December 2023,
 - 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 2023.

Net 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.