



Press release

First half 2019 results

- **MRM is now a pure-play retail property investment company**
- **Portfolio value: €163.5m, up 2.6% like-for-like**
- **Net rental income up 5.5%**
- **Net operating cash flow up sharply to €1.7m**
- **Solid financial position**

Paris, 26 July 2019: MRM (Euronext code ISIN FR0000060196), a real estate investment company specialising in retail property, today announced its results for the first half of 2019. This publication follows the review and approval of the half year financial statements by MRM's Board of Directors at its meeting on 25 July 2019.

Asset management and rental activity during the period

Sale of the Urban building

On 30 January 2019, MRM announced the sale of Urban, an unoccupied 8,000 sqm office building forming part of the La Croix de Chavaux property development in Montreuil, for €6.3 million (excluding transfer taxes). This sale marks the completion of MRM's plan to refocus its portfolio on retail property initiated in June 2013.

Nova, MRM's last occupied office building, was sold in May 2018.

Dynamic management of retail assets

Letting activity was good in the first half of 2019, with 17 new leases or lease renewals signed and representing an annual rent of €0.9 million. They included:

- a lease for a 1,200 sqm unit at Aria Parc in Allonnes;
- six leases in the Valentin shopping centre, which is currently being redeveloped and extended;
- seven leases for a total of 1,700 sqm of office space in the Carré Vélizy mixed-use property. The office space (6,100 sqm) is currently 68% let compared to 51% six months earlier, while the retail space (5,500 sqm) is still fully occupied.

The **occupancy rate**¹ for the entire portfolio space stood at 84% at 1 July 2019, unchanged from 1 January 2019. The financial occupancy rate rose from 83% at 1 January 2019 to 84% at 1 July 2019. The positive impact of the arrival of new tenants was offset by two lease terminations during the first half. Leases signed but not yet effective at 30 June 2019 represent an increase of 300 bps in the physical occupancy rate and 220 bps in the financial occupancy rate.

Annualised net rents were nearly stable at €8.1 million at 1 July 2019 (-0.6% compared with 1 January 2019). This change mainly reflects the temporary closure of the Valentin shopping centre Cafeteria (1,000 sqm) pending its move to a new unit in the centre extension currently being built. Leases signed but not yet effective at 30 June 2019 represent additional annualised net rents of €0.7 million.

Increase in portfolio value on a like-for-like basis

€m	30 June 2019	31 December 2018	Change reported	Change like-for-like ²
Retail	163.5	159.3	+2.6%	+2.6%
Offices	-	5.4	-100.0%	-
Portfolio value (excl. TT)	163.5	164.7	-0.6%	+2.6%

At 30 June 2019, the portfolio comprised only **retail assets**, the scope of which did not change during the first half. Its value stood at €163.5 million at 30 June 2019, up 2.6% compared with 31 December 2018. This growth resulted in part from investments made in the first half and in part from a moderately favourable capitalization rate effect on some assets due either to an improvement of their rental situation or to progress in investments made during the period.

On a reported basis, i.e. including Urban, MRM's last remaining office building which was sold in January 2019, the portfolio value declined slightly by 0.6% compared with 31 December 2018 (€164.7 million).

Investments made during the first half amounted to €3.0 million, mainly relating to:

- Continued redevelopment/extension works on the Valentin shopping centre, due for completion in the second quarter of 2020;
- Renovation and repositioning of Galerie du Palais in Tours during the first half, now renamed Passage du Palais. The customer pathway has been redesigned and services improved to create a true city-centre living place that meets the needs of the town's residents.

¹ Calculated on the basis of total lots including those held strategically vacant

² Adjusted for the asset sale in first half 2019

Net rental income up 5.5%

€m	H1 2019	H1 2018	Change reported	Change like-for-like ³
Retail	4.6	4.3	+7.0%	+7.0%
Offices	0.0	0.8	-100.0%	-
Gross rental income	4.6	5.1	-9.6%	+7.0%
Non-recovered property expenses, of which:	(1.2)	(1.8)	-36.3%	
• Retail	(1.1)	(1.3)	-19.4%	
• Offices	(0.1)	(0.5)	-82.0%	
Net rental income	3.4	3.2	+5.5%	

Revenues for first half 2019 correspond entirely to **gross rental income** from retail assets that increased by 7.0% to €4.6 million. Growth was driven mainly by the impact of new effective leases, including the high street store in Reims. Rent indexation also had a positive albeit moderate impact.

Reported gross rental income fell by 9.6% compared with first half 2018, which included €0.8 million of rent from the Nova office building until 15 May 2018, when it was sold.

The significant 36.3% decline in non-recovered property expenses in first half 2019 compared with same period last year was due to:

- The favourable impact of the sale of Urban, which was vacant, and Nova, which was 80% occupied;
- Retail lettings and work on reducing property expenses on some retail assets.

All in all, the decrease in non-recovered property expenses more than offset the decline in reported gross rental income. Consequently, **net rental income** rose by 5.5% to €3.4 million versus €3.2 million the previous year.

Net operating cash flow⁴ up 49%

€m	H1 2019	H1 2018	Change
Net rental income	3.4	3.2	+5.5%
Operating expenses	(1.3)	(1.4)	-9.7%
Other operating income and expenses	0.2	0.2	-2.9%
EBITDA	2.3	2.0	+16.0%
Net cost of debt	(0.6)	(0.8)	-27.7%
Net operating cash flow	1.7	1.1	+49.0%

³ The change in revenues is calculated on a like-for-like basis by deducting the rental income generated by acquired assets from the revenues reported for the current year and deducting the rental income generated from assets sold from the revenues reported for the previous year.

⁴ Net operating cash flow = consolidated net income before tax adjusted for non-cash items.

EBITDA amounted to €2.3 million in first half 2019 compared with €2.0 million in first half 2018, an increase of 16.0% driven partly by growth in net rental income and partly by a reduction in operating expenses.

Net cost of debt decreased to €0.6 million compared with €0.8 million in first half 2018, reflecting the reduction in debt following the sale of Nova.

Consequently, **net operating cash flow** rose sharply by 49.0% to €1.7 million compared with €1.1 million in first half 2018.

Positive operating income and net income

Operating expenses decreased by 9.7% in first half 2019. Recognition of non-recurring lease penalties, which made up the bulk of the €1.6 million positive net balance of other operating income and expenses, was offset by the write-down of the corresponding receivable.

All in all, the reduction in operating expenses combined with growth in net rental income led to a sharp 29.9% increase in **operating income before asset sales and change in fair value**.

After deducting investments during the period, the rise in appraisal values resulted in a positive change in the portfolio fair value of €1.2 million compared with a negative change in first half 2018.

Net financial expense amounted to €0.7 million compared with €1.1 million in first half 2018.

Consequently, **consolidated net income** for first half 2019 came to a €2.4 million profit compared with a loss of €4.9 million in the same period the previous year.

The simplified income statement is attached in an appendix.

Solid financial position

Gross debt stood at €73.2 million at 30 June 2019 compared with €74.1 million at 31 December 2018. No significant loan repayments fall due before end 2021. At 30 June 2019, 85% of debt was fixed-rate, with an average cost of debt down 19 bps (156 bps in first half 2019 compared with 175 bps in first half 2018).

Cash and cash equivalents at end-June 2019 amounted to €11.9 million compared with €13.5 million at 31 December 2018. The net LTV ratio was 37.5% compared with 36.8% six months earlier.

MRM has an available credit line of €6.3 million for partial financing of capital expenditure.

Taking into account the dividend⁵ paid in first half 2019 in respect of financial year 2018 (€4.8 million), net operating cash flow generated during the first half (€1.4 million) and the positive change in fair value of the portfolio (€1.2 million), **EPRA NNAV** came to €100.2 million compared with €102.7 million at end-December 2018 (see table in appendix).

⁵ Distribution of premiums

Outlook

MRM is carrying on the final phase of its €35.5 million investment plan initiated in 2016 and devoted to seven of its nine retail property lines. All the renovation and extension programmes have been committed on a staged basis. Five have already been completed (Halles du Beffroi in Amiens, Sud Canal in Saint-Quentin-en-Yvelines, Carré Vélizy in Vélizy-Villacoublay, Aria Parc in Allonnes and Passage du Palais in Tours). At 30 June 2019, investments remaining to be paid totalled €12.4 million.

All in all, out of the 6,900 sqm of additional space that are part of the investment plan, 4,300 sqm have already been built or acquired, bringing MRM's total retail portfolio⁶ to 85,000 sqm at end-June 2019.

At 30 June 2019, the works that have yet to be carried out include:

- Completion of the 1,000 sqm redevelopment and 2,600 sqm extension of the Valentin shopping centre, MRM's biggest investment programme, the shell units being due to be delivered to the lessees in the second quarter of 2020 for public opening in the third quarter of 2020;
- The smaller redevelopment program on the ground floor of Passage de la Réunion in Mulhouse.

The investment programme is due to be completed at the end of first half 2020. Beyond then, MRM will pursue letting, re-letting and tenant rotation activities, confirming its target of total annualised net rents in excess of €10 million, based on an assumed physical occupancy rate of 95%. This target is based on the current portfolio excluding acquisitions and disposals.

Calendar

Third quarter 2019 revenues will be published on 8 November 2019 before market opening.

About MRM

MRM is a listed real estate investment company that owns and manages a portfolio of retail properties across several regions of France. Its majority shareholder is SCOR SE, which owns 59.9% of share capital. MRM is listed in Compartment C of Euronext Paris (ISIN: FR0000060196 - Bloomberg code: MRM:FP - Reuters code: MRM.PA). MRM opted for SIIC status on 1 January 2008.

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⁶ Plus 1,000 sqm temporarily closed in the Valentin shopping centre pending completion of the Redevelopment stage of this project.

Appendix 1: Second quarter 2019 rental income

€m	Q2 2019	Q2 2018	Change	Change like-for-like ³
Retail	2.30	2.14	+7.4%	+7.4%
Offices	-	0.26	-100.0%	-
Total gross rental income	2.30	2.40	-4.2%	+7.4%

Appendix 2: Simplified IFRS income statement

€m	H1 2019	H1 2018	Change
Net rental income	3.4	3.2	+5.5%
Operating expenses	(1.3)	(1.4)	-9.7%
Provisions net of reversals	(1.7)	(0.4)	
Other operating income and expenses	1.6	0.2	
Operating income before disposals and change in fair value	2.0	1.6	+29.9%
Net gains/(losses) on disposal of assets	(0.0)	(0.1)	
Change in fair value of properties	1.2	(5.2)	
Operating income	3.1	(3.8)	
Net cost of debt	(0.6)	(0.8)	-27.7%
Other financial income and expense	(0.1)	(0.3)	
Net income before tax	2.4	(4.9)	
Tax	-	-	
Consolidated net income	2.4	(4.9)	

Appendix 3: Simplified IFRS balance sheet

€m	30 June 2019	31 December 2018
Investment properties	163.3	159.1
Assets held for sale	0.2	5.7
Current receivables and other assets	8.7	6.3
Cash and cash equivalents	11.9	13.5
Total assets	184.1	184.6
Equity	100.2	102.7
Bank debt	73.2	74.1
Other debt and liabilities	10.7	7.8
Total equity and liabilities	184.1	184.6

Appendix 4: Net Asset Value

	30 June 2019		31 December 2018	
	Total €m	Per share €	Total €m	Per share €
EPRA NNAV	100.2	2.30	102.7	2.35
Replacement NAV	111.1	2.55	113.4	2.60

*Number of shares
(adjusted for treasury stock)*

43,604,110

43,597,305