

SIMON[®]
MALLS

The logo for Simon Malls features a stylized icon above the text. The icon is composed of two interlocking diamond shapes that form a continuous, flowing path. Below the icon, the word "SIMON" is written in a bold, uppercase, sans-serif font, followed by a registered trademark symbol (®). Underneath "SIMON", the word "MALLS" is written in a smaller, uppercase, sans-serif font.

MEET THE TEAM



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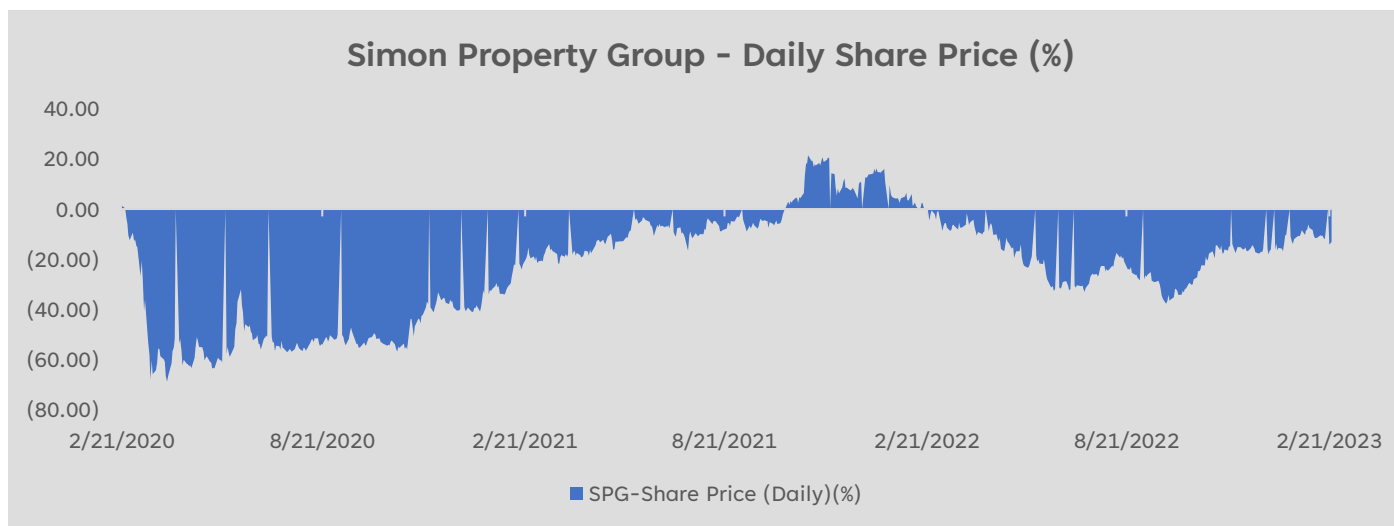
BS Real Estate,
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COMPANY OVERVIEW

Company Highlights

- **About:** Simon Property Group is a real estate investment trust engaged in the ownership of premier shopping, dining, entertainment, and mixed-use destinations and an S&P 100 company (NYSE: SPG).
- **History:** Simon was founded in 1993 by the Simon brothers after doing real estate business since the 1960s. The current CEO, David Simon, is the son of one of the founders, Melvin. Founded and based in Indianapolis, Indiana.
- **Strategy:** Simon Property Group specializes in retail development centers. Simon focuses on attracting brands to premier destinations through the use of financial flexibility and redevelopment. Also, Simon Group is an industry leader in innovation, data-driven marketing, and global portfolio management.
- **Ownership:** 87.14% institutional ownership, .58% insider ownership, 12.22% public ownership
- **Location:** Simon owns and operates locations in the United States, United Kingdom, Japan, and more.

SPG Daily Share Price (%)



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Valuation & Share Performance

Key Valuation Statistics (\$mm)

Enterprise Value	\$65,994	Revenue (FY22e)	\$6,044
Market Cap	\$40,431	EBITDA (FY22e)	\$3,857
Price/ FFO	13.57x	EBITDA Margin	73%
Price/ Book*	13.55x	Net Income Margin	40%
Cash	\$621	Total Debt	\$25,458

*All numbers are based on FY22e data

Share Price	Current: \$121.10	52 WK High/Low: \$144.11 / \$86.02
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Revenue Mix	%	Gross (\$mm)
Rental Revenue	81%	\$4,905.18
Partnership Revenue	11%	\$647
Property Management Revenue	2%	\$117

Key Metrics (\$mm)	Performance
Total Debt/ Gross Properties	65.57%
Credit Rating	A-
Dividend Yield	6.13%
FFO Payout	57.74%
ROAE	67.78%
ROAA	7.29%

HOLDINGS BREAKDOWN

Current Holdings Map

COMPANY HIGHLIGHTS 2021

175M

Square Feet of GLA in North America

199

U.S. Portfolio Properties²

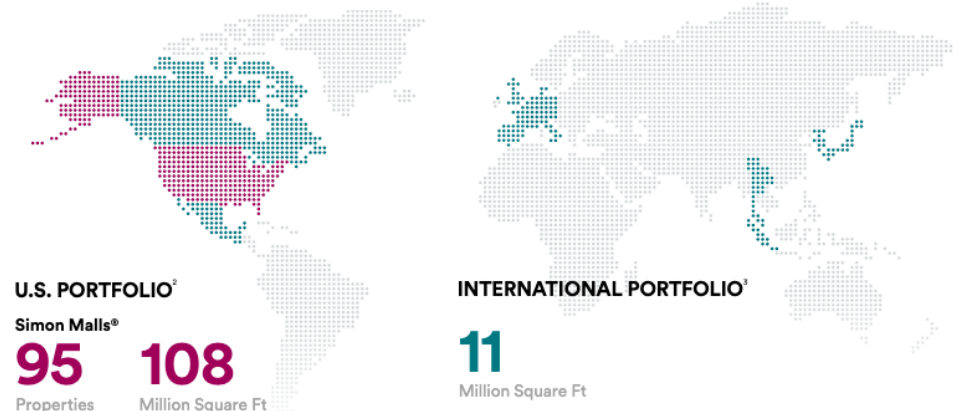
Renovation Pipeline

Northgate Station	Saint Johns Town Center
Southdale Center	Stanford Shopping Center
The Falls	Towne East Square

All renovation projects = 2% of SPG

² As of December 31, 2021
³ Not included in sustainability reporting boundaries

PORTFOLIO HIGHLIGHTS



U.S. PORTFOLIO²

Simon Malls[®]

95 **108**
Properties Million Square Ft

Simon Premium Outlets[®]

69 **30.4**
Properties Million Square Ft

The Mills[®]

14 **21**
Properties Million Square Ft

Interest in The Taubman Realty Group³

80%

Owner & operator of 24 regional, super-regional, and outlet malls in the U.S. and Asia

INTERNATIONAL PORTFOLIO³

11
Million Square Ft

Premium Outlets

22
Premium Outlets (Canada, Japan, Malaysia, Mexico, South Korea, and Thailand)

Designer Outlets

11
Designer Outlets (Austria, Canada, France, Germany, Italy, the Netherlands, Spain, and the UK)

Interest in Klépierre

22.4%

A publicly traded real estate company based in Paris with a portfolio of high-quality shopping centers in 14 European countries

Source: Simon Property Group 2021 Sustainability Report

Notable Portfolio Transactions (\$mm)



Disposition of Livingston Mall

Acquisition Date: September 24, 1998
Acquisition Type: Merger
Portfolio Acquisition Price: **\$6**
Disposition Date: June 30, 2022
Disposition Type: Single Property Sale
Single Property Disposition Price: **\$59**

Source: S&P Global IQ Transactions & Property Locations

Current Construction



Paris-Giverny Designer Outlet – Douains, France

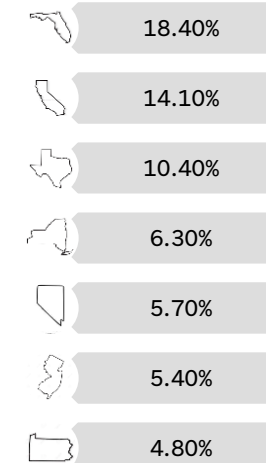


Phipps Plaza – Atlanta Georgia



Roosevelt Field – Uniondale, New York

NOI Location Split



Top Tenants

Tenant Name	% of revenue	Credit
1 The Gap Inc.	3.1	BB
2 Victoria's Secret	1.7	BBB-
3 Tapestry Inc.	1.7	BB-
4 Signet Jewelers	1.6	BBB-
5 PVH Corp	1.5	BBB-
6 American Eagle	1.4	NA
7 Capri Holdings	1.4	BBB-
8 Luxottica	1.3	BBB+

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THE RETAIL SECTOR

Retail Sector Analysis

- The retail real estate market’s solid fundamentals—positive net absorption, rising rents, lower vacancies—are largely driven by the lack of new supply (CBRE)
- With new construction remaining cost-prohibitive, retail developers and investors will focus on redesigning and redeveloping existing space to attract more shoppers. This will be especially true in prime trade areas, which are experiencing record-high occupancy levels and asking rents due to strong demand. Some of this redevelopment activity will involve conversions to other uses, such as office, industrial and residential (CBRE)
- Continued supply side constraints will suppress expansions by retail occupiers, who prefer to wait for prime space rather than invest in lesser trade areas, especially as development costs remain inflated (CBRE)
- Retail REIT's, as a whole, are down -13.29%; this presents investment opportunities for undervalued stocks
- As the next generation of AI computing power takes root, experts believe retailers will be able to deliver personalized and relevant digital marketing messages, enhanced by first-party data, that not only cuts through digital noise but, more importantly, drives conversion (NRF)

12-Month Net Absorption of Retail Space during 2011 Q1 to 2022 Q2

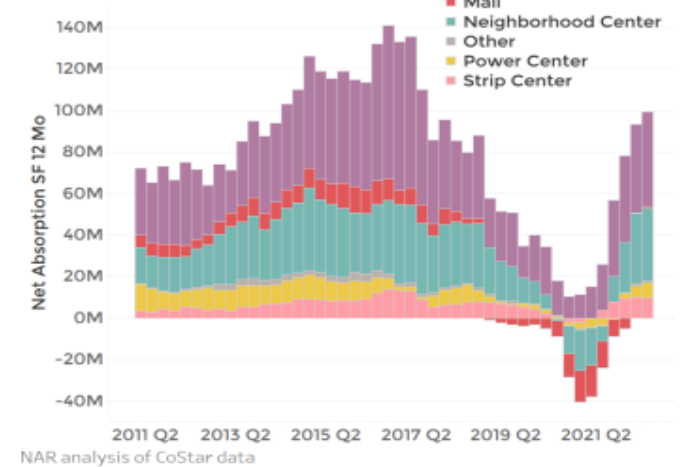


Figure 13: Retail Sales per SF & Retail Space per Capita



Sources: CoStar, St. Louis FRED, CBRE Research, Q3 2022.

Investment Performance by Property Sector and Subsector

Sector	Number of Constituents	Total Return (%)		Dividend Yield (%)	Market Capitalization (\$) ¹		
		2021	December 2022: YTD		Equity	Implied	
FTSE Nareit All Equity REITs	147	41.30	-4.97	-24.95	3.97	1,188,333,662	1,213,567,521
Retail	33	51.91	-2.08	-13.29	4.99	179,360,137	186,420,227
Shopping Centers	18	65.05	-5.33	-12.54	4.27	61,292,116	62,228,938
Regional Malls	3	92.05	-1.19	-22.91	6.08	41,267,020	46,880,316
Free Standing	12	19.72	0.23	-6.53	4.97	76,801,001	77,310,973

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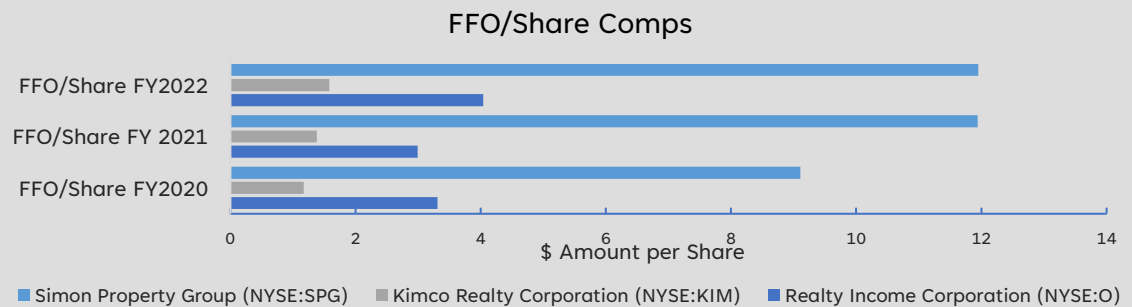
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FINANCIALS

Financial Breakdown

SPG FFO Overview

	2018FY	2019FY	2020FY	2021FY	2022FY
FFO (\$mm)	\$4,325	\$4,272	\$3,236	\$4,486	\$4,480
FFO Per Share	12.13	12.04	9.11	11.94	11.95
FFO Growth (%)	7.56	-1.21	-24.23	38.62	-0.14
FFO Share Growth (%)	8.2	-0.7	-24.3	31.1	0.1



FFO Comp

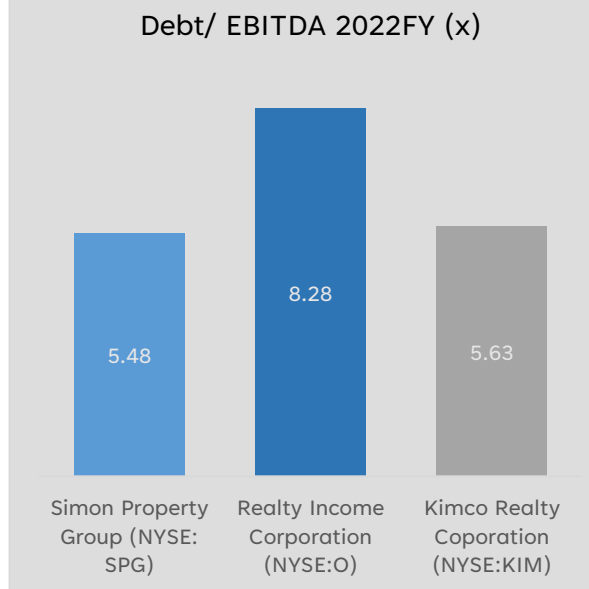
REIT Name	Price/FFO
Realty Income Corporation (NYSE:O)	43.19
Kimco Realty Corporation (NYSE:KIM)	13.39
Federal Realty Investment Trust (NYSE:FRT)	17.26
Brixmor Property Group Inc. (NYSE:BRX)	11.91
Spirit Realty Capital, Inc. (NYSE:SRC)	12.04
Simon Property Group, Inc. (NYSE:SPG)	10.35
Average	19.56

We believe that Simon Property Group's lower P/FFO than industry average is an indicator that the stock is undervalued.

Debt Overview

Debt Ratios	2022FY
Total Debt/Total Capitalization	36.52%
EBITDA/Interest Expense	5.94x
Variable-Rate Debt / Total Debt	8.88%
Fixed-Rate Debt/Debt	91.13%

Due to the high percentage of Fixed-Rate Debt, SPG's interest rate risk is mitigated.



Total Debt (\$mm)

Year	Total Debt Amount (\$mm)
2018FY	23,205
2019FY	24,680
2020FY	27,238
2021FY	25,827
2022FY	25,458

Debt Maturity Schedule Per Year

Year	Amount Due (\$mm)
2022	\$1,217
2023	\$2,822
2024	\$2,672
2025	\$3,944

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Financial Breakdown – Net Asset Value

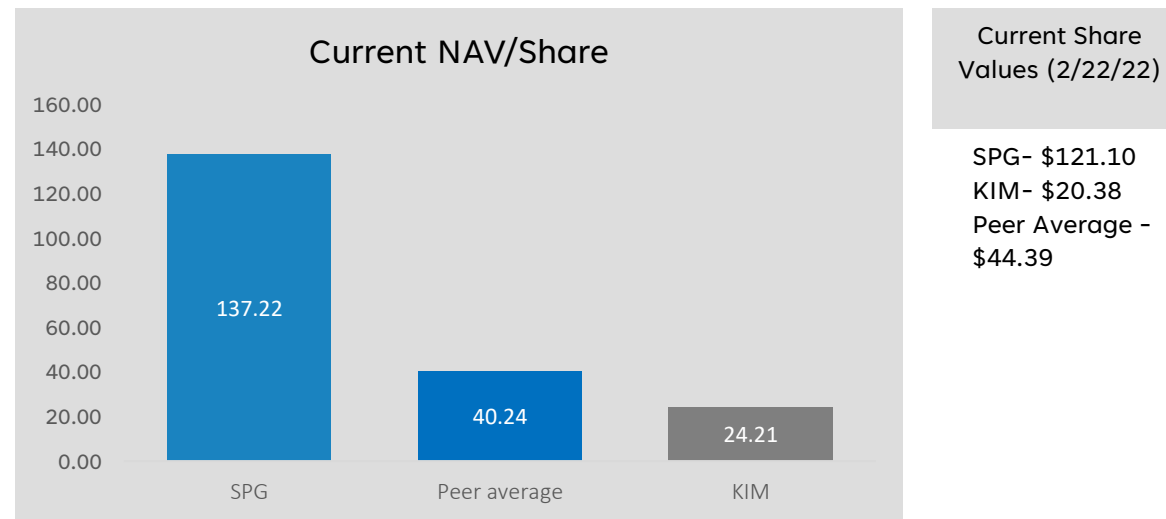
2022FY NAV Breakdown

<i>Average Derived Cap Rate (2018FY-2022FY) (%)</i>	5.7
<i>Price/NAV @ 4.0%</i>	52.49
<i>Price/NAV @ 6.0%</i>	93.32
<i>Price/NAV @ 10.0%</i>	247.07
<i>NAV per Share @ 4.0% (\$)</i>	223.8
<i>NAV per Share @ 6.0% (\$)</i>	125.88
<i>NAV per Share @ 10.0% (\$)</i>	47.55
<i>NAV @ 4.0% (\$mm)</i>	83,760
<i>NAV @ 6.0% (\$mm)</i>	47,113
<i>NAV @ 10.0% (\$mm)</i>	17,795

The NAV for Simon Property Group illustrates a 12.09% discount to NAV. When compared to the Dow Jones Equity All REIT Index with a 4.7% discount, SPG looks to be selling at an attractive discount. After averaging the last five years (2018FY – 2022FY), the cap rate came out to 5.7%. Accounting for future uncertainty we came to a 6% cap. This demonstrates a Price/Nav of 93.32%, NAV per Share of \$125.88, and NAV of \$47,113 (\$mm).

All three metrics present a discounted price for SPG. Relating the findings to the above graphic, in 2023 the Price/NAV has dropped to 87.9%. This depicts a current 12.1% discount to NAV at a closing price of \$120.62.

The outlook on Simon Property Group real estate holdings is viewed as positive due to high quality, the recent shakeout, and strong geographic placement.



NAV Comp				
Entity	Pricing Date	Price/NAV	Closing Price (\$)	Premium/ Discount
Simon Property Group, Inc.	2/22/23	87.9	120.62	-12.1
Dow Jones Equity All REIT Index	2/21/23	93.7	NA	-4.7

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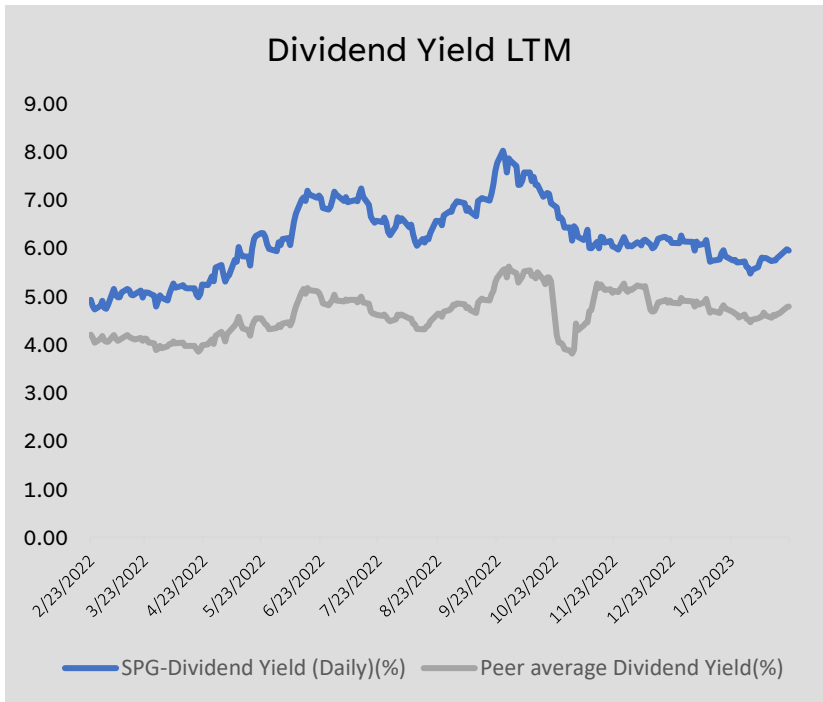
DIVIDEND ANALYSIS

Dividend Breakdown

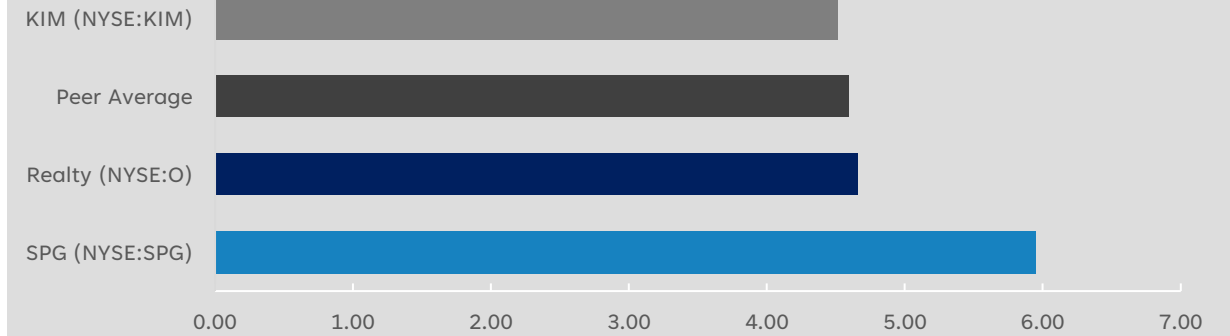
Simon Property Group Dividend Analysis

	2018FY	2019FY	2020FY	2021FY	2022FY
Dividend Yield (%)	4.76	5.64	6.1	4.13	6.13
Dollar Amount of Dividend	\$7.90	\$8.30	\$6.00	\$5.85	\$6.90

Source: S&P Capital IQ SPG Dashboard



Dividend Yield (%) Comps 2022 FY



Dividend Comparison Analysis

Entity Name	FFO Payout (%) Latest Fiscal Year	Dividend Payout Ratio (%) Latest Fiscal Year	Total Dividends Paid (\$) Latest Fiscal Year	Dividend Yield (%) Latest Fiscal Year
Simon Property Group, Inc. (NYSE:SPG)	57.7	105.8	6.9	6.1
Realty Income Corporation (NYSE:O)	94.7	327.0	2.8	4.1
Kimco Realty Corporation (NYSE:KIM)	53.2	525.0	0.8	4.3
Regency Centers Corporation (NASDAQGS:REG)	61.0	89.9	2.5	NA
Federal Realty Investment Trust (NYSE:FRT)	67.9	91.3	4.3	NA
Brixmor Property Group Inc. (NYSE:BRX)	49.2	83.8	1.0	NA
The Macerich Company (NYSE:MAC)	31.6	NM	0.6	NA
Spirit Realty Capital, Inc. (NYSE:SRC)	77.1	187.1	2.5	5.3
National Retail Properties, Inc. (NYSE:NNN)	69.7	114.3	2.2	4.8
Kite Realty Group Trust (NYSE:KRG)	42.3	NM	0.8	4.6
Average	60.7	202.6	1.9	4.6

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ADDITIONAL INFORMATION

Occupancy

Sector Occupancy and Rent Growth

As of Q3 2022, Source: CoStar Group, Inc.

Occupancy Rate	95.66%
Rent Growth YOY	4.50%

Simon Property Group Occupancy and Rent Growth

As of September 2022: Simon Property Group

	Sept. 2021	Sept. 2022	% Change
Average Base Minimum Rent for U.S. Mall and Premium Outlets (psf)	\$53.91	\$54.80	1.7%
Ending Occupancy	92.8%	94.5%	1.7%

JLL Market U.S. Retail Outlook 2023

“The retail sector has recovered faster than many anticipated and enters 2023 in a position of strength. Retailer bankruptcies and store closures have decreased. Consumers have returned to spending in physical locations, including bars and restaurants - which will benefit centers boasting such offerings.”

2.21

Outperform



Insider Trading

Insider Trading Flows

Metric	Last 3 months	Last 1 Year	Last 5 Years
Share Value Bought (\$M)	0.4	1.4	25
Share Value Sold (\$M)	0.97	1.07	9.78
Buyers to Sellers	20 - 8	21 - 8	25 - 13

- Over the last 5 years share purchases by insiders have been net positive
- Over the last year share purchases remained net positive but the gap has closed dramatically
- Over the last three months share purchases have been net negative
- The Chief Administration Officer recently (1-1-23) recently sold \$202,888 of SPG stock

Analyst Coverage

	Target Price (\$)	LT Growth (%)	IND. NAVPS (\$)	Cap Rate (%)
Mean	132.71	2.03	137.22	6.71
Median	130	2	130.22	6.5
High	160	3.53	189.12	8.1
Low	110	0.56	100.44	5.5
Standard Deviation	12.13	1.21	21.15	0.87
Number of Analysts	17	3	11	8

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RECOMMENDATION

Recommendation: BUY

Our recommendation is BUY with a 2.5% (\$55,000) allocation

- SPG is undervalued based off the discrepancy of Price/FFO vs industry average
- Strong dividend yield
- 80% of our leases are not sales number based; mitigates the risk of market and consumer spending conditions
- 91.13% of our debt is fix, insulated from interest rate risk
- Flight to quality
- The portfolio has strong geographic exposure

Risk Factors

- Consumers' shopping behaviors will ultimately determine if 2023 is a good year for retail — or not (NRF)
- The personal saving rate is now at 3.1%, much lower than pre-pandemic levels. A shift in spending to services will therefore weigh on retail sales at stores selling consumer goods (CBRE)
- Inflation has lowered consumers' purchasing power despite gains in nominal income due to the strong labor market (CBRE)
- A slowing economy will keep retail sales growth in check; In the event of a recession (which Deloitte rates at a 35% probability), the economy would contract, and unemployment would rise (CBRE)

Mitigants

- SPG's High-Quality tenants mitigate the risk of tenant bankruptcy
- SPG has a diversified tenant base. No single tenant represents more than 3% of revenue. Average tenant sits at roughly 1.7% of total rev.
- To address the risk of slowing consumer spending and retail sales, 80% of Simon Property Group's leases are independent of tenant sales numbers
- 91% of SPG's debt is fixed rate, which insulates them from interest rate risk in this
- Many retail stores have integrated order online, pick up in-store strategies to stay relevant in the presence of e-commerce

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