

# Westfield Corporation

2015 Full Year Results  
24 February 2016

*Westfield*

# DISCLAIMER



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The financial information included in this release is based on the Westfield Corporation's IFRS financial statements. Non IFRS financial information has not been audited or reviewed.

This release contains forward-looking statements, including statements regarding future earnings and distributions that are based on information and assumptions available to us as of the date of this presentation. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward looking statements. These forward-looking statements are not guarantees or predictions of future performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, and which may cause actual results to differ materially from those expressed in the statements contained in this release.

Except as required by law or regulation (including the ASX Listing Rules) we undertake no obligation to update these forward-looking statements.

**All figures within this presentation are presented in US dollars unless otherwise stated**

# RESULTS HIGHLIGHTS

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- Funds From Operations (“FFO”) of 37.7 cents per security and Distribution of 25.1 cents per security in-line with forecast
- Continued strong operating performance
- Significant progress on development program:
  - Successfully completed over \$1bn of developments
  - Commenced \$2.5bn of developments including Century City, UTC and Westfield London
- Divestment of six non-core assets achieving gross proceeds of \$1.3bn in late 2015
- \$925m joint venture over three regional assets in February 2015 (Net Proceeds: \$700m)

# RESULTS HIGHLIGHTS (CONT'D)



Funds From Operations (\$m)	12 months to Dec 15	Assets under Management / Balance Sheet (\$bn)	As at 31 Dec 15
• Net Property Income	861	• Assets under Management	29.0
• Management Income	44	• Total Assets	20.0
• Project Income	124	• Net Debt	6.3
• <b>FFO</b>	<b>783</b>	• <b>Gearing:</b>	
		– Enterprise Value	29.9%
		– Book Value	33.2%
• FFO per Security	37.7c	• Available Liquidity	4.5bn
• Distribution per Security	25.1c	• Interest Cover	4.7x

Note: WFD was established on 30 June 2014 and does not have prior comparable earnings

# RESULTS HIGHLIGHTS (CONT'D)



## OPERATING

- High productivity portfolio with annual specialty retail sales of \$726 psf, up 6.4% for the 12 months to December 2015:
  - Flagship: \$902 psf, up 8.0%
  - Regional: \$454 psf, up 3.2%
- High levels of occupancy with the portfolio 95.9% leased at year end, up 0.1% from December 2014:
  - Flagship: 96.6%, 0.3% lower
  - Regional: 94.8%, 1.2% higher
- Comparable net operating income growth of 3.9% for the 12 months to December 2015:
  - Flagship: +4.2%
  - Regional: +2.7%
- Continued progress on innovation and digital technology through Westfield Labs with the roll out of unified digital platform and the piloting of digital suite of services at Westfield London

# RESULTS HIGHLIGHTS (CONT'D)



## DEVELOPMENT

- Significant progress on the development program during 2015:
  - Completed over \$1bn of developments including The Village at Topanga (Los Angeles) and Bradford (UK)
  - Commenced \$2.5bn of projects including Century City, UTC and Westfield London
  - Current and future development program now \$10.5bn (WFD: \$6bn)
- WFD has \$3.7bn of developments currently under construction:
  - Westfield World Trade Center (\$1.4bn) now fully leased and scheduled to open in August 2016
  - \$800m redevelopment at Century City in Los Angeles
  - \$585m (WFD: \$293m) expansion of UTC in San Diego
  - £600m (WFD: £300m) expansion of Westfield London
- Predevelopment activity continues on the future development program including:
  - Valley Fair in Silicon Valley expected to commence in 2016
  - Westfield Milan in Italy and Croydon in South London expected to commence between 2017 and 2018
  - 2,500 residential apartments at Westfield London and Stratford City<sup>1</sup>

<sup>1</sup> Not included in \$10.5bn development program

# RESULTS HIGHLIGHTS (CONT'D)



## CAPITAL ACTIVITY

- \$1bn 144A debt issue in September 2015 with duration of 5 years and coupon of 3.25%
- \$2.2bn in capital transactions during 2015:
  - Divestment of six non-core assets achieving gross proceeds of \$1.3bn in late 2015
  - \$925m joint venture over three regional assets in February 2015
- Investment of \$0.9bn in development activities for 12 months to December 2015

## OUTLOOK FOR 2016:

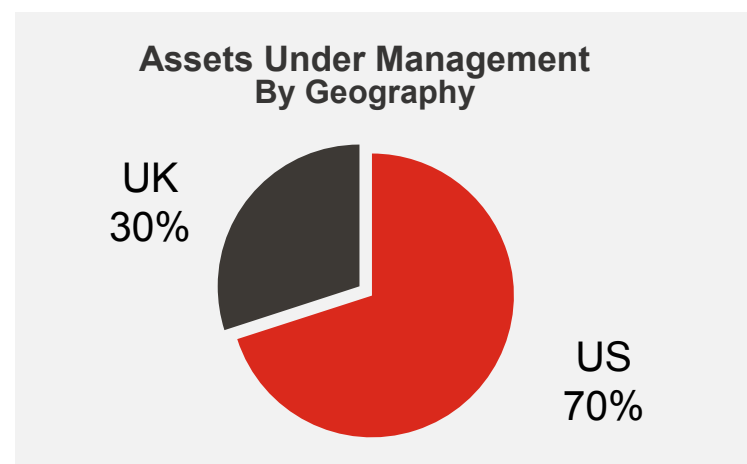
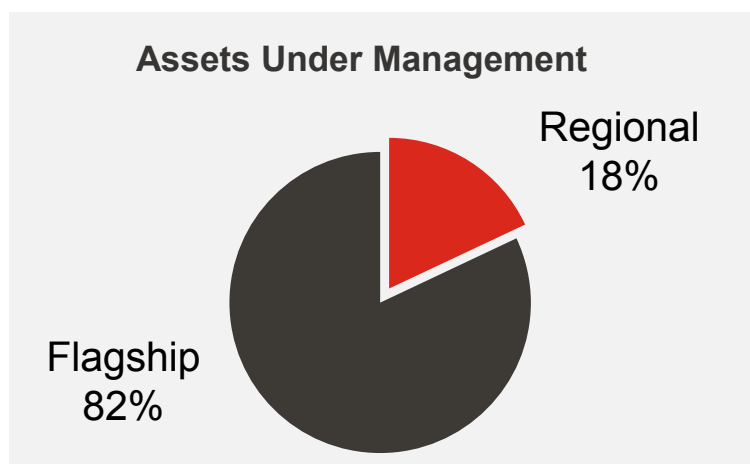
- After taking into account the dilution from the non-core divestments completed in late 2015 and lost income at the Century City development<sup>1</sup>, WFD expects to achieve for full year 2016:
  - FFO: 34.2 – 34.5 cents per security
  - Distribution: 25.1 cents per security
- Represents pro-forma FFO growth of between 3% and 4% from 2015
- Assumes no further capital transactions and no material change in foreign currency exchange rates

<sup>1</sup> Lost income at the Century City development estimated 1c impact on FFO for 2016.

# PORTFOLIO SUMMARY



December 2015	Flagship	Regional	Total
▪ Centres	16	18	34
▪ Retail Outlets	3,769	2,711	6,480
▪ GLA (m sqf)	23.8	19.8	43.6
▪ Assets Under Management (bn)	\$23.7	\$5.3	\$29.0
▪ WFD Interests (bn)	\$14.5	\$3.0	\$17.5
▪ JV Partner Interests (bn)	\$9.2	\$2.3	\$11.5
▪ WFD Interests (%)	61%	57%	60%





# PORTFOLIO STATISTICS



As at 31 December 2015	Assets under Management (\$bn)	% of Portfolio	Portfolio Leased (%)	Specialty Occupancy Cost (%)	Specialty Retail Sales (MAT/ psf)	Specialty Retail Sales Growth (%) <sup>1</sup>	Average Specialty Store Rent		Comparable NOI Growth (%) <sup>1</sup>
							Amount (psf)	Growth YOY (%)	
Flagship	23.7	82%	96.6	14.7	\$902	8.0	\$106.90	5.1	4.2
Regional	5.3	18%	94.8	14.0	\$454	3.2	\$54.55	(0.8)	2.7
Total	29.0		95.9	14.5	\$726	6.4	\$86.59	2.9	3.9

<sup>1</sup> 12 months to 31 December 2015

# SPECIALTY RETAIL SALES GROWTH



Period ending 31 December 2015	Flagship		Regional	
	12 months	3 months	12 months	3 months
Specialties	8.0%	4.8%	3.2%	(1.1)%
<b>By Category:</b>				
Fashion	5.3%	3.6%	0.4%	(0.6)%
Jewellery	6.1%	5.4%	7.4%	7.6%
Leisure	10.9%	6.5%	3.4%	(9.1)%
Food retail	4.0%	1.0%	2.2%	0.8%
General retail	10.4%	5.5%	5.7%	1.7%

# CURRENT DEVELOPMENT ACTIVITY



- \$3.7bn of current projects (WFD: \$3.0bn, of which \$1.4bn incurred to date) with an estimated yield range of between 6.5% and 8.0%. In 2015 WFD:
  - Commenced \$2.5bn of projects including Century City, UTC and Westfield London
  - Completed over \$1bn of projects including The Village at Topanga (Los Angeles) and Bradford (UK)

Current Projects	Total Project \$m	WFD \$m	Anticipated Completion
▪ Westfield World Trade Center (New York)	1,425	1,425	August 16
▪ Century City (Los Angeles)	800	800	2H17
▪ UTC (San Diego)	585	293	2H17
▪ Westfield London (UK) <sup>1</sup>	£600	£300	2H18
<b>Total</b>	<b>\$3.7bn</b>	<b>\$3.0bn</b>	

<sup>1</sup> Represents retail component

# FUTURE RETAIL DEVELOPMENT ACTIVITY



- Westfield Corporation is undertaking pre-development work on \$6.8bn (WFD: Approx. \$3bn) of future development projects with an estimated yield range of 7% - 8%

	Total Project	WFD
<b>2016</b>		
▪ Valley Fair (Silicon Valley) <sup>1</sup>	\$0.9bn	50%
▪ Topanga (Los Angeles)	\$0.15bn	55%
<b>2017 – 2018</b>		
▪ Milan (Italy)	€1.4bn	75%
▪ Croydon (London)	£1.4bn	50%
Other Future Projects	\$2.2bn	
<b>Total</b>	<b>\$6.8bn</b>	

<sup>1</sup> Including Stage 1 car park

# FUNDS FROM OPERATIONS

## 12 MONTHS TO 31 DECEMBER 2015



\$m	Proportionate IFRS Profit <sup>1</sup>	Adjustments to determine FFO <sup>2</sup>	FFO
Net Property Income			
▪ Flagship	554	19	<b>573</b>
▪ Regional	263	25	<b>288</b>
<b>Total Net Property Income</b>	<b>817</b>	<b>44</b>	<b>861</b>
Management income	44	-	<b>44</b>
Project income	124	-	<b>124</b>
<b>Gross Income</b>	<b>985</b>	<b>44</b>	<b>1,029</b>
Overheads	(117)	-	<b>(117)</b>
<b>EBIT</b>	<b>868</b>	<b>44</b>	<b>912</b>
Gross Interest and mark to market of interest rate derivatives	(242)	64	<b>(178)</b>
Less: Interest capitalised	110	-	<b>110</b>
Property revaluations	632	(632)	-
Currency derivatives	11	(11)	-
Minority interest	(52)	30	<b>(22)</b>
Capital Transactions	(97)	97	-
<b>Earnings before tax</b>	<b>1,230</b>	<b>(408)</b>	<b>822</b>
Current tax	(39)	-	<b>(39)</b>
Deferred tax <sup>3</sup>	1,132	(1,132)	-
<b>IFRS Profit and Funds from Operations</b>	<b>2,323</b>	<b>(1,540)</b>	<b>783<sup>1</sup></b>
<i>Weighted average number of securities (millions)</i>			<i>2,078.1</i>
<b>FFO per security</b>			<b>37.7 cents</b>

<sup>1</sup> The UK operations have been translated at an average exchange rate USD/GBP 0.6544

<sup>2</sup> Refer to Directors' Report Appendix B

<sup>3</sup> Accounting of the deferred tax liability recognised at the relevant tax treaty rate.

# SUMMARISED IFRS INCOME STATEMENT

## 12 MONTHS TO 31 DECEMBER 2015



\$m	Proportionate IFRS Profit	Consolidated	Equity Accounted
Property revenue	1,224	562	662
Contribution from equity accounted investments	-	791	(791)
Management income	44	44	-
Project income	124	124	-
<b>Total Income</b>	<b>1,392</b>	<b>1,521</b>	<b>(129)</b>
Property expenses and outgoings	(407)	(197)	(210)
Overheads	(117)	(117)	-
Property revaluations	632	206	426
Financing costs	(68)	19	(87)
Interest on other financial liabilities	(22)	(22)	-
Mark to market of derivatives, currency gain/(loss) and preference shares	(83)	(83)	-
Capital Transactions	(97)	(97)	-
<b>Profit before tax</b>	<b>1,230</b>	<b>1,230</b>	<b>-</b>
Tax expense	(39)	(39)	-
Deferred tax	1,132	1,132	-
<b>Profit after tax</b>	<b>2,323</b>	<b>2,323</b>	<b>-</b>

# PROPORTIONATE BALANCE SHEET<sup>1</sup>



\$m	31 Dec 15 <sup>2</sup>	31 Dec 14 <sup>2</sup>
Cash	1,207	401
Property investments		
▪ Shopping centres	15,034	15,425
▪ Assets held for joint venture	-	439
▪ Construction in progress	1,432	1,209
▪ Assets held for redevelopment	1,019	1,032
<b>Total Property investments</b>	<b>17,485</b>	<b>18,105</b>
Other assets	1,321	1,128
<b>Total assets</b>	<b>20,013</b>	<b>19,634</b>
Interest bearing liabilities	7,502	7,429
Deferred tax liabilities	1,761	2,922
Other liabilities	1,193	1,314
<b>Total liabilities<sup>3</sup></b>	<b>10,456</b>	<b>11,665</b>
<b>Net Assets</b>	<b>9,557</b>	<b>7,969</b>
Minority interest	(257)	(235)
<b>Net Assets attributable to the Westfield Corporation</b>	<b>9,300</b>	<b>7,734</b>
<i>Number of securities (millions)</i>	<i>2,078.1</i>	<i>2,078.1</i>

<sup>1</sup> The net investment in equity accounted entities of \$7,729m (31 Dec 2014 \$6,815m) has been allocated to individual assets and liabilities

<sup>2</sup> The UK operations have been translated at period end exchange rate USD/GBP 0.6786 (31 Dec 2014 0.6409)

<sup>3</sup> Excludes \$257m (31 Dec 2014 \$235m) of convertible preference securities shown in minority interest given their equity characteristics

# PROPERTY INVESTMENTS



\$bn

12 months to 31 Dec 15

Property investments opening balance	18.1
Divestments	(1.8)
<b>Property investment (post joint venture with O'Connor and asset divestments)</b>	<b>16.3</b>
Revaluations	0.6
Capital expenditure	0.9
Exchange rate impact	(0.3)
<b>Property investments closing balance</b>	<b>17.5</b>

	Shopping Centres – 31 Dec 15		Weighted Average Cap Rate	
	WFD (\$bn)	WFD (%)	31 Dec 15	31 Dec 14
Flagship	12.0	80%	4.7%	4.9%
Regional	3.0	20%	5.7%	6.4%
<b>Total</b>	<b>15.0</b>		<b>4.9%</b>	<b>5.3%</b>



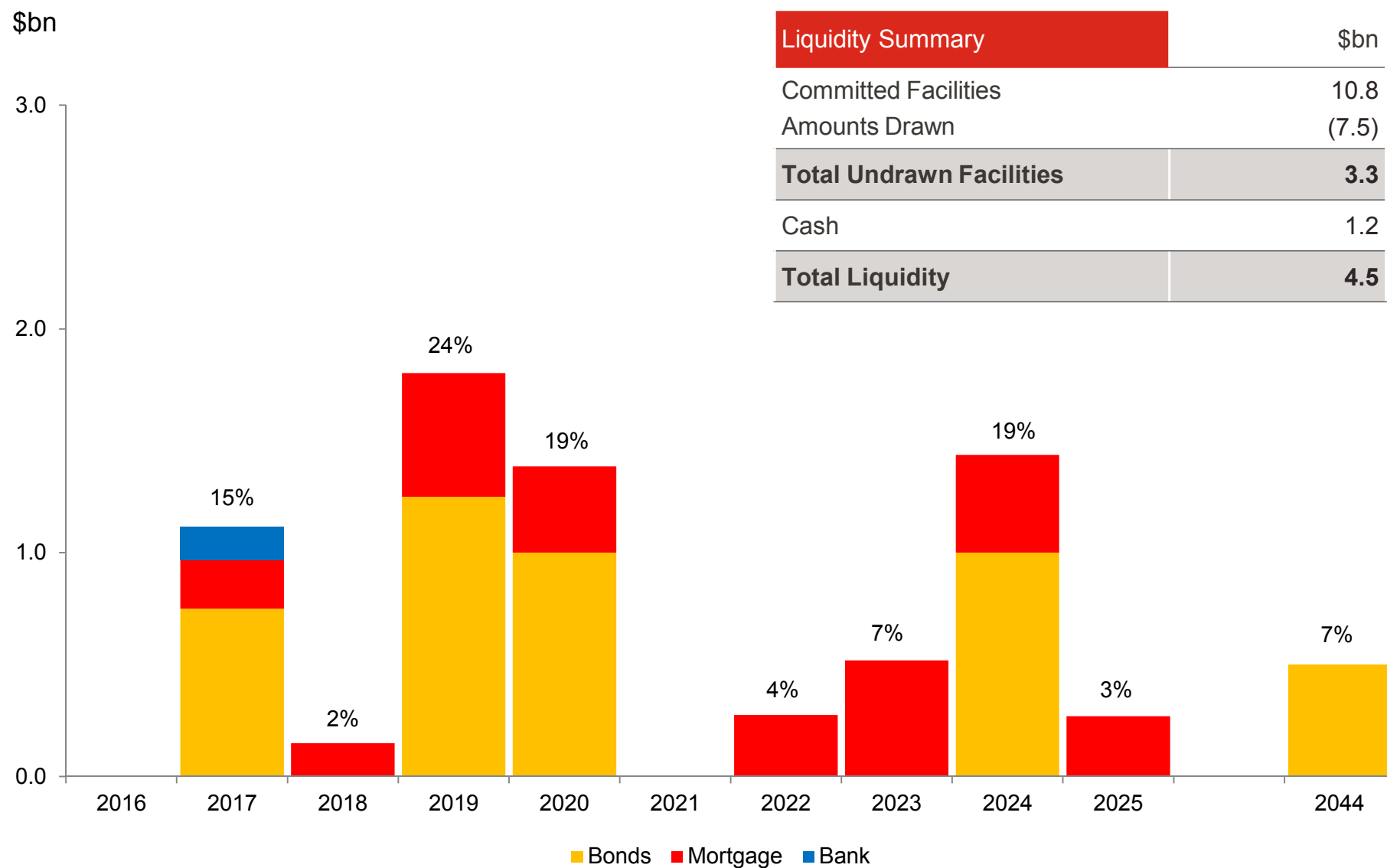
# CURRENT FINANCIAL POSITION



- Financing activity for the year:
  - Retirement of bridge facility
  - \$0.6bn (WFD: \$0.4bn) of new secured mortgages
  - \$1bn 144A debt issue in September 2015 with duration of 5 years and coupon of 3.25%
- Financing facilities totaling \$10.8bn:
  - \$3.5bn of bank facilities (\$3.3bn undrawn)
  - \$4.5bn of 144A bonds
  - \$2.8bn of secured mortgages
- Gearing:
  - 29.9% based on enterprise value<sup>1</sup>
  - 33.2% based on book value
- 4.7 times interest cover
- \$4.5bn available liquidity provided by committed bank facilities and cash
- Average term of bonds and mortgages (\$7.3bn) at 6.8 years and bank facilities (\$3.5bn) at 3.4 years

<sup>1</sup> Based on Market Capitalisation

# LIQUIDITY & DEBT MATURITY PROFILE

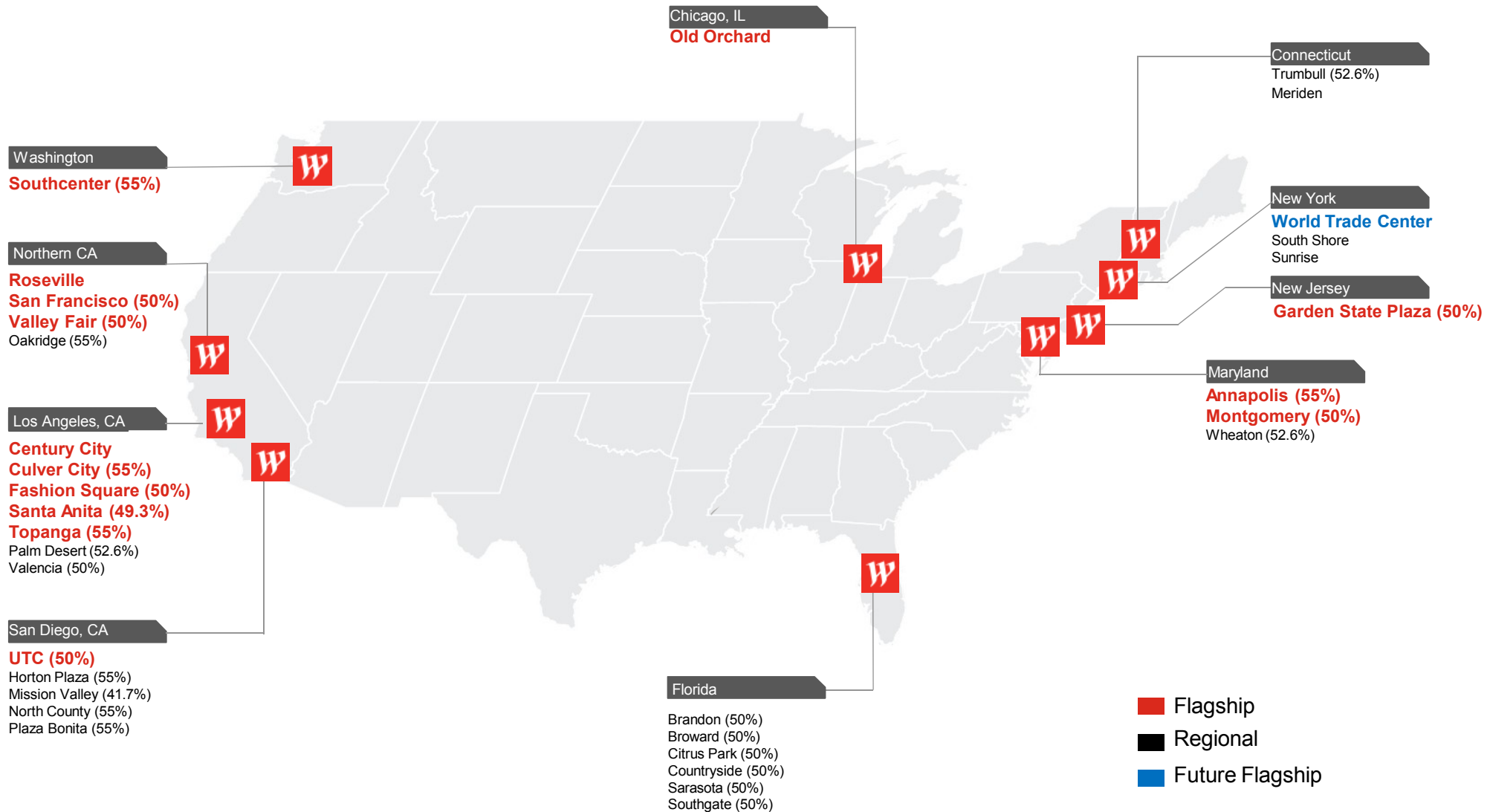


Liquidity Summary		\$bn
Committed Facilities		10.8
Amounts Drawn		(7.5)
<b>Total Undrawn Facilities</b>		<b>3.3</b>
Cash		1.2
<b>Total Liquidity</b>		<b>4.5</b>

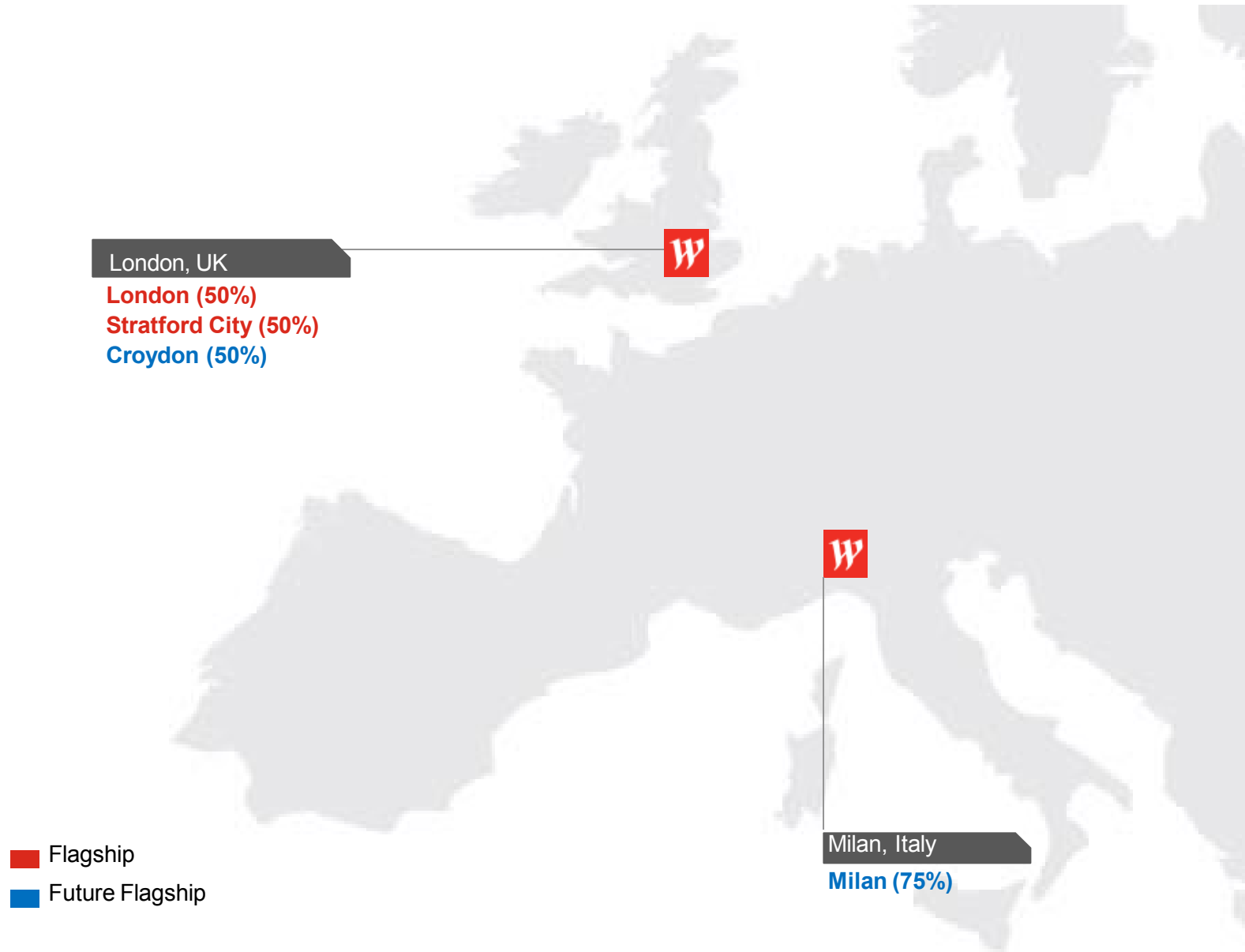
# APPENDIX

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# ASSETS – UNITED STATES



# ASSETS – UK/EUROPE



# DETAILED BALANCE SHEET

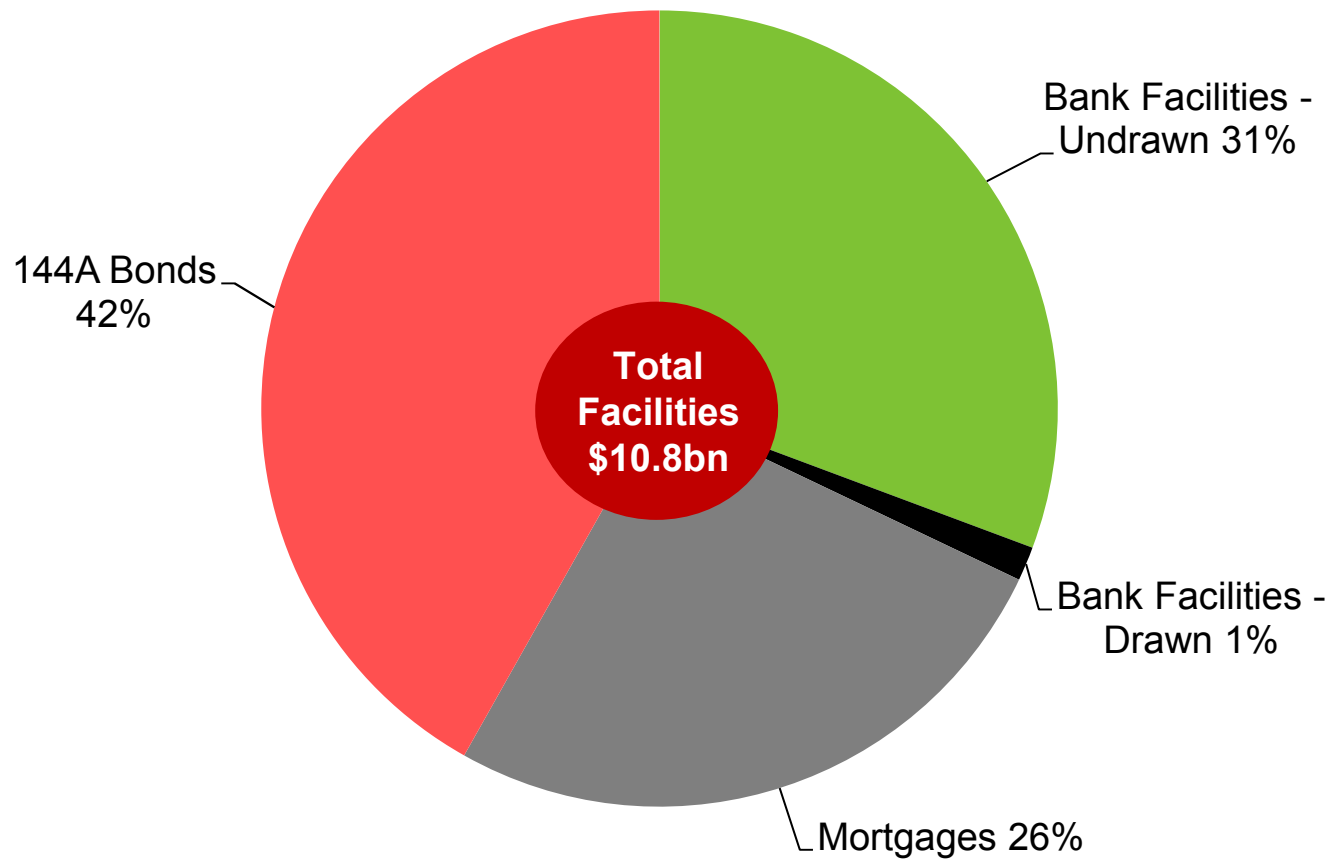


\$m	Consolidated	Equity Accounted	Total
Cash	1,107	100	1,207
Property investments			
▪ Shopping centres	5,503	9,531	15,034
▪ Construction in progress	1,304	128	1,432
▪ Assets held for redevelopment	671	348	1,019
<b>Total property investments</b>	<b>7,478</b>	<b>10,007</b>	<b>17,485</b>
Net investment in equity accounted entities	7,729	(7,729)	-
Other assets	1,268	53	1,321
<b>Total assets</b>	<b>17,582</b>	<b>2,431</b>	<b>20,013</b>
Interest bearing liabilities			
▪ Current	3	5	8
▪ Non-current	5,268	2,226	7,494
Deferred tax liabilities	1,761	-	1,761
Other liabilities	993	200	1,193
<b>Total liabilities</b>	<b>8,025</b>	<b>2,431</b>	<b>10,456</b>
<b>Net Assets</b>	<b>9,557</b>	<b>-</b>	<b>9,557</b>
Minority interest <sup>1</sup>	(257)	-	(257)
<b>Net Assets attributable to Westfield Corporation</b>	<b>9,300</b>	<b>-</b>	<b>9,300</b>

<sup>1</sup> Includes \$257m of convertible preference securities shown in minority interest given their equity characteristics

# FINANCING FACILITIES

- Diversified funding base comprising bonds, bank facilities and secured mortgages



# KEY FINANCIAL RATIOS<sup>1</sup>



31 Dec 15

Gearing (enterprise value<sup>2</sup>) 29.9%

Gearing (book value) 33.2%

Secured Debt 14.1%

Interest Coverage 4.7 times

Unencumbered Leverage 258%

<sup>1</sup> On a proportional basis

<sup>2</sup> Based on Market Capitalisation



# INTEREST RATE HEDGING PROFILE



Outstanding as at Dec-15	US\$ fixed debt payable		£ fixed debt payable		US\$ interest swap payable		£ interest swap payable		US\$ interest swap receivable	
	US\$m	Fixed Rate <sup>1</sup> %	£m	Fixed Rate <sup>1</sup> %	US\$m	Fixed Rate <sup>2</sup> %	£m	Fixed Rate <sup>2</sup> %	US\$m	Fixed Rate <sup>2</sup> %
2016	(6,596.0)	3.61%	(375.0)	2.69%	(1,350.0)	1.39%	(461.1)	3.26%	3,950.0	2.89%
2017	(5,620.3)	3.76%	(375.0)	2.69%	-	-	(461.1)	3.26%	1,200.0	3.43%
2018	(5,610.9)	3.76%	(375.0)	2.69%	-	-	(461.1)	3.26%	1,200.0	3.43%
2019	(4,350.3)	4.06%	-	-	-	-	(461.1)	3.26%	1,200.0	3.43%
2020	(2,989.6)	4.00%	-	-	-	-	-	-	-	-
2021	(2,986.4)	4.00%	-	-	-	-	-	-	-	-
2022	(2,708.1)	3.98%	-	-	-	-	-	-	-	-
2023	(2,206.7)	4.00%	-	-	-	-	-	-	-	-
2024	(769.2)	4.42%	-	-	-	-	-	-	-	-
2025	(500.0)	4.75%	-	-	-	-	-	-	-	-

<sup>1</sup> Includes margin

<sup>2</sup> Excludes margin