Macerich Announces Quarterly Results

August 1, 2018

SANTA MONICA, Calif., Aug. 1, 2018 /PRNewswire/ -- The Macerich Company (NYSE Symbol: MAC) today announced results of operations for the quarter ended June 30, 2018, which included net income attributable to the Company of $7.8 million or $.05 per share-diluted for the quarter ended June 30, 2018 compared to net income attributable to the Company for the quarter ended June 30, 2017 of $26.6 million or $.19 per share-diluted. For the second quarter, 2018, funds from operations ("FFO") diluted was $125.7 million or $.83 per share-diluted compared to $148.6 million or $.98 per share-diluted for the quarter ended June 30, 2017. Excluding $.13 per share for costs related to activism, FFO per share for the quarter ended June 30, 2018 was $.96. A description and reconciliation of EPS per share-diluted to FFO per share-diluted is included in the financial tables accompanying this press release.

Results and Highlights

- Mall tenant annual sales per square foot for the portfolio increased by 7.1% to $692 for the year ended June 30, 2018 compared to $646 for the year ended June 30, 2017.
- The re-leasing spreads for the year ended June 30, 2018 were up 12.3%.
- Mall portfolio occupancy was 94.3% at June 30, 2018 compared to 94.0% at March 31, 2018 and 94.4% at June 30, 2017.
- Average rent per square foot increased to $58.84, up 4.0% from $56.60 at June 30, 2017.

"During the quarter our portfolio continued to perform well. We achieved good re-leasing spreads strong tenant sales growth and quarter over quarter occupancy gains," said the Company's chief executive officer, Arthur Coppola. "The leasing environment continues to improve including a significant number of deals with legacy retailers as well as with digitally native retailers. We continue to be encouraged by digitally native retailers' growing demand for great real estate locations."

Non-Core Asset Sales:
The Company continued its strategy of selling non-core assets and recycling the capital into its higher quality assets. The Company and its joint venture partners recently sold two power centers -Casa Grande Center (May 17, 2018) and The Market at Estrella Falls (July 6, 2018). Both assets are in the suburban Phoenix market. The company's share of the net proceeds totaled $35 million.

Redevelopment:
Construction is complete on the $100 million redevelopment of our well-situated Kings Plaza in Brooklyn, New York. A redevelopment of the former Sears box, the project was designed to significantly improve the merchandise mix and shopper experience, and transform the presence of Kings Plaza from Flatbush Avenue. The redevelopment delivered openings in July of Brooklyn's first Primark store, a new Burlington, and a new JCPenney, with Zara slated to open August 23. Combined, these retailers are expected do over $110 million in annual sales.

Scottsdale Fashion Square currently is undergoing a multi-dimensional redevelopment. Along with adding Arizona's first Saint Laurent as well as new locations for Louis Vuitton, St. John, Gucci, and Bottega Venetta, the luxury upgrades also include the creation of an all-new entrance near Neiman Marcus and the addition of new restaurants and high end fitness in a 70,000 square foot expansion that will elevate and enhance the shopper experience at this already iconic shopping destination. Other important elements include two new tenants within the former Barney's space along Scottsdale Road, a cutting edge, technology flagship retailer and an industry leading co-working concept. The project will be completed in 2019. Project costs are expected to be in the range of $140 to $160 million (or $70 to $80 million at the Company's pro rata share).

Redevelopment continues on The Fashion District of Philadelphia, a three-level retail hub spanning over 800,000 square footage across three city blocks in the heart of downtown Philadelphia. The scope of the project has increased with the addition of numerous entertainment and dining elements. Estimated project costs are now expected to be in the range of $400 - $420 million (or $200 to $210 million at the Company's pro rata share). We have signed leases or are in active lease negotiations with tenants for over 80% of the leasable area. Noteworthy commitments include Century 21, Burlington, H&M, Polo Ralph Lauren, Forever 21, Columbia Sportswear, AMC Theaters, City Winery and Dallas BBQ. The grand opening is planned for September 2019.

2018 Earnings Guidance:
The Company is modifying its previously issued earnings guidance to reflect the dilution from asset sales in 2018 that were not reflected in the original guidance and for our current estimate of lease termination revenue for the remainder of 2018. A reconciliation of estimated EPS to FFO per share-diluted follows:

	2018 range
Diluted EPS	$ .24 - .34
Plus: real estate depreciation and amortization	3.15 - 3.15
Plus: loss on sale or write-down of depreciable assets	.31 - .31

Less: financing expense due to accounting rule change ASC606	.01 - .01
FFO per share-diluted	3.69 - 3.79
Plus: costs related to shareholder activism	.13 - .13
FFO per share-diluted excluding costs related to shareholder activism	$ 3.82 - $3.92

As a result of a stronger leasing environment and good tenant sales growth there has been less demand than forecast from retailers to terminate leases early. Accordingly our guidance for lease termination revenue is being reduced from $22 million to $15 million for 2018. That also results in the same center net operating income growth assumption changing to a range of 1.5% to 2.0%. In addition, $.05 per share of the reduced guidance relates to dilution from the sale of assets during 2018, which were not in the original guidance. More details of the guidance assumptions are included in the Company's Form 8-K supplemental financial information.

Macerich, an S&P 500 company, is a fully integrated self-managed and self-administered real estate investment trust, which focuses on the acquisition, leasing, management, development and redevelopment of regional malls throughout the United States.

Macerich currently owns 52 million square feet of real estate consisting primarily of interests in 48 regional shopping centers. Macerich specializes in successful retail properties in many of the country's most attractive, densely populated markets with significant presence in the Pacific Rim, Arizona, Chicago, and the New York Metro area to Washington DC corridor. A recognized leader in sustainability, Macerich has earned NAREIT's prestigious "Leader in the Light" award every year from 2014-2017. For the third straight year in 2017 Macerich achieved the #1 GRESB ranking in the North American Retail Sector, among many other environmental accomplishments. Additional information about Macerich can be obtained from the Company's website at www.macerich.com.

Investor Conference Call

The Company will provide an online Web simulcast and rebroadcast of its quarterly earnings conference call. The call will be available on The Macerich Company's website at www.macerich.com (Investors Section). The call begins August 2, 2018 at 11:00 AM Pacific Time. To listen to the call, please go to the website at least 15 minutes prior to the call in order to register and download audio software if needed. An online replay at www.macerich.com (Investors Section) will be available for one year after the call.

The Company will publish a supplemental financial information package which will be available at www.macerich.com in the Investors Section. It will also be furnished to the SEC as part of a Current Report on Form 8-K.

Note: This release contains statements that constitute forward-looking statements which can be identified by the use of words, such as "expects," "anticipates," "assumes," "projects," "estimated" and "scheduled" and similar expressions that do not relate to historical matters. Stockholders are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks, uncertainties and other factors that may cause actual results, performance or achievements of the Company to vary materially from those anticipated, expected or projected. Such factors include, among others, general industry, as well as national, regional and local economic and business conditions, which will, among other things, affect demand for retail space or retail goods, availability and creditworthiness of current and prospective tenants, anchor or tenant bankruptcies, closures, mergers or consolidations, lease rates, terms and payments, interest rate fluctuations, availability, terms and cost of financing and operating expenses; adverse changes in the real estate markets including, among other things, competition from other companies, retail formats and technology, risks of real estate development and redevelopment, acquisitions and dispositions; the liquidity of real estate investments, governmental actions and initiatives (including legislative and regulatory changes); environmental and safety requirements; and terrorist activities or other acts of violence which could adversely affect all of the above factors. The reader is directed to the Company's various filings with the Securities and Exchange Commission, including the Annual Report on Form 10-K for the year ended December 31, 2017, for a discussion of such risks and uncertainties, which discussion is incorporated herein by reference. The Company does not intend, and undertakes no obligation, to update any forward-looking information to reflect events or circumstances after the date of this release or to reflect the occurrence of unanticipated events unless required by law to do so.

(See attached tables)

THE MACERICH COMPANY
FINANCIAL HIGHLIGHTS
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

Results of Operations:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	Unaudited		Unaudited	
	2018	2017	2018	2017
Revenues:				
Minimum rents	$142,883	$152,893	$285,290	$298,448
Percentage rents	1,515	2,060	3,399	3,978
Tenant recoveries	66,762	68,948	134,854	141,360
Other income	12,889	13,519	26,698	28,783
Management Companies' revenues	10,496	10,003	21,038	21,899
Total revenues	234,545	247,423	471,279	494,468
Expenses:				
Shopping center and operating expenses	68,072	71,032	142,582	146,929
Management Companies' operating expenses	20,966	26,216	59,289	54,733
REIT general and administrative expenses	4,956	7,458	12,975	15,921
Costs related to shareholder activism	19,369	-	19,369	-

Depreciation and amortization	78,868	83,243	158,805	166,316
Interest expense (a)	38,915	42,321	91,550	83,622
Total expenses	231,146	230,270	484,570	467,521
Equity in income of unconsolidated joint ventures	15,669	16,936	32,541	32,779
Co-venture expense (a)	-	(4,123)	-	(8,000)
Income tax (expense) benefit	(684)	(437)	2,265	3,047
(Loss) gain on sale or write down of assets, net	(9,518)	(477)	(47,030)	49,088
Net income (loss)	8,866	29,052	(25,515)	103,861
Less net income attributable to noncontrolling interests	1,050	2,414	242	7,980
Net income (loss) attributable to the Company	$7,816	$26,638	($25,757)	$95,881
Weighted average number of shares outstanding - basic	141,137	141,695	141,081	142,640
Weighted average shares outstanding, assuming full conversion of OP Units (b)	151,535	152,221	151,426	153,199
Weighted average shares outstanding - Funds From Operations ("FFO") - diluted (b)	151,535	152,254	151,434	153,246
Earnings per share ("EPS") - basic	$0.05	$0.19	($0.19)	$0.67
EPS - diluted	$0.05	$0.19	($0.19)	$0.67
Dividend declared per share	$0.74	$0.71	$1.48	$1.42
FFO - basic (b) (c)	$125,688	$148,634	$249,201	$282,237
FFO - diluted (b) (c)	$125,688	$148,634	$249,201	$282,237
FFO - diluted, excluding costs related to shareholder activism (b) (c)	$145,057	$148,634	$268,570	$282,237
FFO per share - basic (b) (c)	$0.83	$0.98	$1.65	$1.84
FFO per share - diluted (b) (c)	$0.83	$0.98	$1.65	$1.84
FFO per share, excluding costs related to shareholder activism - diluted (b) (c)	$0.96	$0.98	$1.77	$1.84

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(a) On January 1, 2018, in accordance with the adoption of ASC Topic 606, Revenue from Contracts with Customers ("ASC 606"), the Company changed its accounting for its investment in the Chandler Fashion Center and Freehold Raceway Mall ("Chandler Freehold") joint venture from a co-venture arrangement to a financing arrangement. As a result, the Company has included in interest expense (i) a credit of $8,768 and $4,386 to adjust for the reduction of the fair value of the financing arrangement obligation during the three and six months ended June 30, 2018, respectively (ii) distributions of $2,464 and $4,466 to its partner representing the partner's share of net income for the three and six months ended June 30, 2018, respectively and (iii) distributions of $1,411 and $3,049 to its partner in excess of the partner's share of net income for the three and six months ended June 30, 2018, respectively.

(b) The Macerich Partnership, L.P. (the "Operating Partnership" or the "OP") has operating partnership units ("OP units"). OP units can be converted into shares of Company common stock. Conversion of the OP units not owned by the Company has been assumed for purposes of calculating FFO per share and the weighted average number of shares outstanding. The computation of average shares for FFO - diluted includes the effect of share and unit-based compensation plans, stock warrants and convertible senior notes using the treasury stock method. It also assumes conversion of MACWH, LP preferred and common units to the extent they are dilutive to the calculation.

(c) The Company uses FFO in addition to net income to report its operating and financial results and considers FFO and FFO-diluted as supplemental measures for the real estate industry and a supplement to Generally Accepted Accounting Principles ("GAAP") measures. The National Association of Real Estate Investment Trusts ("NAREIT") defines FFO as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from extraordinary items and sales of depreciated operating properties, plus real estate related depreciation and amortization, impairment write-downs of real estate and write-downs of investments in an affiliate where the write-downs have been driven by a decrease in the value of real estate held by the affiliate and after adjustments for unconsolidated joint ventures. As a result of changes in accounting standards effective January 1, 2018 (ASC 606), the Company began treating its joint venture in Chandler Freehold as a financing arrangement for accounting purposes. In connection with this treatment, the Company recognizes financing expense on (i) the changes in fair value of the financing arrangement, (ii) any payments to such joint venture partner equal to their pro rata share of net income and (iii) any payments to such joint venture partner less than or in excess of their pro rata share of net income. The Company excludes from its definition of FFO the noted expenses related to the changes in fair value and for the payments to such joint venture partner less than or in excess of their pro rata share of net income. Although the NAREIT definition of FFO predates this guidance for accounting for financing arrangements, the Company believes that excluding the noted expenses resulting from the financing arrangement is consistent with the key objective of FFO as a performance measure and it allows the Company's current FFO to be comparable with the Company's FFO from prior quarters. Adjustments for unconsolidated joint ventures are calculated to reflect FFO on the same basis. The Company also presents FFO excluding costs related to shareholder activism.

FFO and FFO on a diluted basis are useful to investors in comparing operating and financial results between periods. This is especially true since FFO excludes real estate depreciation and amortization, as the Company believes real estate values fluctuate based on market conditions rather than depreciating in value ratably on a straight-line basis over time. The Company believes that such a presentation also provides investors with a more meaningful measure of its operating results in comparison to the operating results of other real estate investment trusts ("REITs"). In addition, the Company believes that FFO excluding non-routine costs related to shareholder activism provides useful supplemental information regarding the Company's performance as it shows a more meaningful and consistent comparison of the Company's operating performance and allows investors to more easily compare the Company's results. The Company believes that FFO on a diluted basis is a measure investors find most useful in measuring the dilutive impact of outstanding convertible securities.

The Company further believes that FFO does not represent cash flow from operations as defined by GAAP, should not be considered as an alternative to net income (loss) as defined by GAAP, and is not indicative of cash available to fund all cash flow needs. The Company also cautions that FFO as presented, may not be comparable to similarly titled measures reported by other REITs.

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Reconciliation of net income (loss) attributable to the Company to FFO attributable to common stockholders and unit holders - basic and diluted, excluding costs related to shareholder activism (c):	**For the Three Months Ended June 30,**		**For the Six Months Ended June 30,**	
	Unaudited		**Unaudited**	
	2018	**2017**	**2018**	**2017**
Net income (loss) attributable to the Company	$7,816	$26,638	($25,757)	$95,881
Adjustments to reconcile net income (loss) attributable to the Company to FFO attributable to common stockholders and unit holders - basic and diluted:				
Noncontrolling interests in the OP	562	1,987	(1,888)	7,095
Loss (gain) on sale or write down of consolidated assets, net	9,518	477	47,030	(49,088)
Add: gain on undepreciated asset sales from consolidated assets	548	-	1,355	-
Loss on write-down of consolidated non-real estate assets	-	-	-	(10,138)
Noncontrolling interests share of (loss) gain on sale or write-down of consolidated joint ventures	(10)	-	580	-
Gain on sale or write down of assets from unconsolidated joint ventures (pro rata), net	(203)	-	(46)	(2,269)
Add: gain (loss) on sales or write down of undepreciated assets from unconsolidated joint ventures (pro rata), net	307	-	(1,778)	660
Depreciation and amortization on consolidated assets	78,868	83,243	158,805	166,316
Less depreciation and amortization allocable to noncontrolling interests in consolidated joint ventures	(3,635)	(3,715)	(7,276)	(7,608)
Depreciation and amortization on unconsolidated joint ventures (pro rata)	42,596	43,450	86,180	88,215
Less: depreciation on personal property	(3,322)	(3,446)	(6,667)	(6,827)
Financing expense in connection with the adoption of ASC 606 (Chandler Freehold)	(7,357)	-	(1,337)	-
FFO attributable to common stockholders and unit holders - basic and diluted	125,688	148,634	249,201	282,237
Costs related to shareholder activism	19,369	-	19,369	-
FFO attributable to common stockholders and unit holders, excluding costs related to shareholder activism	$145,057	$148,634	$268,570	$282,237

Reconciliation of EPS to FFO per diluted share (c):

	For the Three Months Ended June 30,		**For the Six Months Ended June 30,**	
	Unaudited		**Unaudited**	
	2018	**2017**	**2018**	**2017**
EPS - diluted	$0.05	$0.19	($0.19)	$0.67
Per share impact of depreciation and amortization of real estate	0.76	0.79	1.53	1.57
Per share impact of loss (gain) on sale or write down of assets, net	0.07	0.00	0.31	(0.40)
Per share impact of financing expense in connection with the adoption of ASC 606 (Chandler Freehold)	(0.05)	-	(0.01)	-
FFO per share - diluted	$0.83	$0.98	$1.64	$1.84
Per share impact of costs related to shareholder activism	0.13	0.00	0.13	0.00
FFO per share - diluted, excluding costs related to shareholder activism	$0.96	$0.98	$1.77	$1.84

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Reconciliation of Net income (loss) attributable to the Company to Adjusted EBITDA:

	For the Three Months Ended June 30, Unaudited		For the Six Months Ended June 30, Unaudited	
	2018	2017	2018	2017
Net income (loss) attributable to the Company	$7,816	$26,638	($25,757)	$95,881
Interest expense - consolidated assets	38,915	42,321	91,550	83,622
Interest expense - unconsolidated joint ventures (pro rata)	28,227	25,452	53,660	50,758
Depreciation and amortization - consolidated assets	78,868	83,243	158,805	166,316
Depreciation and amortization - unconsolidated joint ventures (pro rata)	42,596	43,450	86,180	88,215
Noncontrolling interests in the OP	562	1,987	(1,888)	7,095
Less: Interest expense and depreciation and amortization allocable to noncontrolling interests in consolidated joint ventures	(9,232)	(5,997)	(18,013)	(12,209)
Loss (gain) on sale or write down of assets, net - consolidated assets	9,518	477	47,030	(49,088)
Gain on sale or write down of assets, net - unconsolidated joint ventures (pro rata)	(203)	-	(46)	(2,269)
Add: Noncontrolling interests share of (loss) gain on sale or write down of consolidated joint ventures, net	(10)	-	580	-
Income tax expense (benefit)	684	437	(2,265)	(3,047)
Distributions on preferred units	100	98	199	194
Adjusted EBITDA (d)	$197,841	$218,106	$390,035	$425,468

Reconciliation of Adjusted EBITDA to Net Operating Income ("NOI") and to NOI - Same Centers:

	For the Three Months Ended June 30, Unaudited		For the Six Months Ended June 30, Unaudited	
	2018	2017	2018	2017
Adjusted EBITDA (d)	$197,841	$218,106	$390,035	$425,468
REIT general and administrative expenses	4,956	7,458	12,975	15,921
Costs related to shareholder activism	19,369	-	19,369	-
Management Companies' revenues	(10,496)	(10,003)	(21,038)	(21,899)
Management Companies' operating expenses	20,966	26,216	59,289	54,733
Straight-line and above/below market adjustments	(8,668)	(8,756)	(16,840)	(16,175)
NOI - All Centers	223,968	233,021	443,790	458,048
NOI of non-Same Centers	(6,186)	(11,657)	(13,469)	(24,303)
NOI - Same Centers (e)	217,782	221,364	430,321	433,745
Lease termination income of Same Centers	(2,394)	(9,046)	(5,273)	(11,717)
NOI - Same Centers, excluding lease termination income (e)	$ 215,388	$ 212,318	$ 425,048	$ 422,028

(d)Adjusted EBITDA represents earnings before interest, income taxes, depreciation, amortization, noncontrolling interests in the OP, extraordinary items, loss (gain) onremeasurement, sale or write down of assets, loss (gain) on extinguishment of debt and preferred dividends and includes joint ventures at their pro ratashare. Management considers Adjusted EBITDA to be an appropriate supplemental measure to net income because it helps investors understand the ability of the Company to incur and service debt and make capital expenditures. The Company believes that Adjusted EBITDA should not be construed as an alternativeto operating income as an indicator of the Company's operating performance, or to cash flows from operating activities (as determined in accordancewith GAAP) or as a measure of liquidity. The Company also cautions that Adjusted EBITDA, as presented, may not be comparable to similarly titled measurementsreported by other companies.

(e)The Company presents Same Center NOI because the Company believes it is useful for investors to evaluate the operating performance of comparable centers.Same Center NOI is calculated using total Adjusted EBITDA and eliminating the impact of the management companies' revenues and operating expenses, theCompany's general and administrative expenses and the straight-line and above/below market adjustments to minimum rents and subtracting out NOI from non-Same Centers.