

Slate Retail REIT Reports Second Quarter 2018 Results

(All amounts are expressed in U.S. dollars unless otherwise stated)

TORONTO--(BUSINESS WIRE)--July 30, 2018--Slate Retail REIT (TSX: SRT.U) (TSX: SRT.UN) (the "REIT"), an owner of U.S. grocery-anchored real estate, today announced its financial results for the three and six months ended June 30, 2018. Senior management will host a conference call at 8:00 a.m. ET on Tuesday, July 31, 2018 to discuss the results and ongoing business initiatives of the REIT. The dial-in details can be found below.

"We continued to make solid progress in the second quarter. Total portfolio net operating income grew 2.1% quarter-over-quarter, total debt outstanding was reduced and non-core outparcels were sold to free up capital for active organic growth initiatives," commented Greg Stevenson, Chief Executive Officer of the REIT. "We continue to feel confident about our prospects heading into the second half of 2018 predicated on the depth and strength of the Slate Retail team to execute on our plans."

For the CEO's letter to unitholders for the quarter, please follow the link [here](#).

Second Quarter 2018 Highlights

- Subsequent to period end, the REIT fixed \$350 million of its floating rate debt with interest rate swaps. The REIT now has a total of \$750.0 million notional amount of interest rate swaps, with a weighted average term to maturity of 4.0 years and a weighted average fixed rate of 2.03%. This weighted average fixed rate compares favorably to current 1-month US LIBOR of 2.08%. On a pro-forma basis, at June 30, 2018, the REIT's debt has a weighted average interest rate of 4.05% and is 99.2% subject to fixed interest rates.
 - Completed 242,401 square feet of leasing in the quarter, comprised of 177,437 square feet of lease renewals at 9.8% weighted average spread above expiring rent and 64,964 square feet of new leasing which is 62.0% above the weighted average in-place rent for comparable space.
 - The REIT continued to actively repurchase units, with 0.2 million class U units purchased under the REIT's normal course issuer bid during the three months ended June 30, 2018 for a total cost of \$2.2 million at an average price of \$9.72 per unit. During 2018, the REIT has repurchased 0.5 million units, resulting in \$0.5 million of annual distribution savings. Subsequent to quarter end, including under the REIT's automatic securities repurchase plan, 0.1 million additional class U units were repurchased at an average price of \$9.73 per unit.
 - Occupancy increased by 0.2% during the quarter to 93.9%, with a significant portion of the REIT's leasing activity during the quarter to still impact future periods. Compared to the prior year, occupancy increased by 2.2% from 91.7%.
 - Rental revenue was \$35.7 million, which is an increase of \$9.1 million over the same period in the prior year. The increase is primarily due to rental rate growth from re-leasing at rates above in-place rents and new leasing in addition to net acquisitions. In the last 12 months, the REIT has acquired 13 properties and 1 property outparcel and disposed of 7 outparcels at certain properties.
 - Same-property NOI increased by 0.6% for the three month period ended June 30, 2018 (comprised of 64 properties) from the same period in the prior year. Including the impact of the completion of the North Augusta Plaza anchor redevelopment, same-property NOI increased by 1.9%.
 - Funds from operations ("FFO") per unit of \$0.32 represented a \$0.02 increase from the same period in the prior year, due to the aforementioned increase in rental revenue, partially offset by an increase in cash interest paid of \$3.7 million over the prior quarter.
 - Adjusted funds from operations ("AFFO") was \$9.5 million or \$0.21 per unit, lower by \$0.04 per unit compared to the same period in the prior year. AFFO was impacted by a \$3.0 million increase in capital, leasing, and tenant improvement spend to primarily support new leasing.
 - Net loss for the quarter was \$14.2 million, a decrease of \$30.3 million from the same quarter in the prior year. The decrease is primarily a result of the increase in the fair value of REIT units and exchangeable units of subsidiaries of \$37.3 million.
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<i>(in thousands of U.S. dollars, except per unit amounts)</i>	Three months ended June 30,			
	2018		2017	Change %
Rental revenue	\$ 35,669	\$	26,614	34.0%
NOI	\$ 25,304	\$	19,172	32.0%
Net (loss) income	\$ (14,201)	\$	16,049	(188.5)%
Leasing - shop space	164,881		137,424	20.0%
Leasing - anchor / junior anchor	77,520		200,282	(61.3)%
Total leasing activity (square feet)	242,401		337,706	(28.2)%
Weighted average number of units outstanding ("WA units")	46,153		42,832	7.8%
FFO ⁽¹⁾	\$ 14,542	\$	12,741	14.1%
FFO per WA units ⁽¹⁾	\$ 0.32	\$	0.30	6.7%
FFO payout ratio ⁽¹⁾	66.5%		70.8%	(4.3)%
AFFO ⁽¹⁾	\$ 9,465	\$	10,713	(11.6)%
AFFO per WA units ⁽¹⁾	\$ 0.21	\$	0.25	(16.0)%
AFFO payout ratio ⁽¹⁾	102.2%		84.2%	18.0%

<i>(in thousands of U.S. dollars)</i>	2018		2017	Change %
Same-property NOI (3 month period, 64 properties)	\$ 17,403	\$	17,304	0.6%
Same-property NOI (12 month period, 56 properties)	\$ 60,674	\$	60,975	(0.5)%

<i>(in thousands of U.S. dollars, except per unit amounts)</i>	2018		2017	As at June 30, Change %
Total assets	\$ 1,474,077	\$	1,225,065	20.3%
Total debt	\$ 864,051	\$	608,035	42.1%
Net asset value per unit	\$ 12.62	\$	12.91	(2.2)%
Portfolio occupancy	93.9%		91.7%	2.2%
Debt / GBV ratio	58.6%		49.6%	9.0%
Interest coverage ratio ⁽¹⁾	2.44x		3.52x	(26.3)%

(1) Refer to "Non-IFRS Measures" section below.

Amendment to the Declaration of Trust and Subdivision of Class A and I Units of the REIT

The REIT completed various steps to have its units presented as equity in its consolidated financial statements. The changes included the approval of a special resolution of an amendment to and restatement of the Declaration of Trust of the REIT (the "Third A&R DOT") making the features of the class A units, class I units and class U units identical among all three classes, among other things. Also on May 1, 2018, the board of trustees of the REIT approved the subdivision of each of the: (i) class A units issued and outstanding on May 3, 2018 (the "record date") on the basis of a subdivision ratio of one pre-subdivision class A unit for 1.0078 post-subdivision class A units; and (ii) class I units issued and outstanding on the record date on the basis of a subdivision ratio of one pre-subdivision class I unit for 1.0554 class I units (the "Subdivision"). The Third A&R DOT and the Subdivision were undertaken contemporaneously and the impact of such actions did not change the relative economics of the different classes of units of the REIT.

The Subdivision was completed on May 11, 2018. As a consequence of the Subdivision, the proportionate entitlement of the class A units and class I units with respect to distributions from the REIT has been adjusted to 1.0 and all class A units, class I units and class U units have equal rights with respect to distributions from the REIT, redemptions of units and on the termination of the REIT. Each class A unit and each class I unit have remained convertible into a class U unit but the conversion ratio is on a one-for-one-basis.

Conference Call and Webcast

Senior management will host a live conference call at 8:00 a.m. ET on Tuesday, July 31, 2018 to discuss the results and ongoing business initiatives.

The conference call can be accessed by dialing (647) 427-2311 or 1 (866) 521-4909. Additionally, the conference call will be available via simultaneous audio found at <http://www.snwebcastcenter.com/webcast/slate/2018/0731>. A replay will be accessible until August 14, 2018 via the REIT's website or by dialing (416) 621-4642 or 1 (800) 585-8367 (access code 5142808) approximately two hours after the live event.

About Slate Retail REIT (TSX: SRT.U / SRT.UN)

Slate Retail REIT is a real estate investment trust focused on U.S. grocery-anchored real estate. The REIT owns and operates approximately U.S. \$1.5 billion of assets located across the top 50 U.S. metro markets that are visited regularly by consumers for their everyday needs. The REIT's conservative payout ratio, together with its diversified portfolio and quality tenant covenants, provides a strong basis to continue to grow unitholder distributions and the flexibility to capitalize on opportunities that drive value appreciation. Visit slateretailreit.com to learn more about the REIT.

About Slate Asset Management L.P.

Slate Asset Management L.P. is a leading real estate investment platform with over \$5.5 billion in assets under management. Slate is a value-oriented manager and a significant sponsor of all of its private and publicly-traded investment vehicles, which are tailored to the unique goals and objectives of its investors. The firm's careful and selective investment approach creates long-term value with an emphasis on capital preservation and outsized returns. Slate is supported by exceptional people, flexible capital and a proven ability to originate and execute on a wide range of compelling investment opportunities. Visit sleteam.com to learn more.

Supplemental Information

All interested parties can access Slate Retail's Supplemental Information online at slateretailreit.com in the Investors section. These materials are also available on SEDAR or upon request to the REIT at info@sleteam.com or (416) 644-4264.

Forward Looking Statements

Certain statements herein may be forward-looking statements within the meaning of applicable securities laws. These statements reflect management's expectations regarding objectives, plans, goals, strategies, future growth, results of operations, performance and business prospects and opportunities of the REIT including expectations for the current financial year, and include, but are not limited to, statements with respect to management's beliefs, plans, estimates and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Statements that contain words such as "could", "should", "would", "anticipate", "expect", "believe", "plan", "intend", "will", "may", "might" and similar expressions or statements relating to matters that are not historical facts constitute forward-looking statements.

These forward-looking statements are not guarantees of future events or performance and, by their nature, are based on the REIT's current estimates and assumptions, which are subject to significant risks and uncertainties. Forward-looking statements contained herein are made as the date hereof and accordingly are subject to change after such date. The REIT does not undertake to update any forward-looking statements that are contained herein except as expressly required by applicable securities laws.

Non-IFRS Measures

This news release and accompanying financial statements are based on International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The REIT discloses a number of financial measures in this news release that are not measures used under IFRS, including NOI, same-property NOI, FFO, FFO payout ratio, AFFO, AFFO payout ratio, adjusted EBITDA and the interest coverage ratio, in addition to certain measures on a per unit basis.

- NOI is defined as rental revenue less operating expenses, prior to straight-line rent and IFRIC 21, *Levies* ("IFRIC 21") adjustments. Same-property NOI includes those properties owned by the REIT for each of the current period and the relevant comparative period excluding those properties under development.
- FFO is defined as net income adjusted for certain items including transaction costs, change in fair value of properties, deferred income taxes, unit expense and IFRIC 21 property tax adjustments.
- AFFO is defined as FFO adjusted for straight-line rental revenue and sustaining capital, leasing costs and tenant improvements.
- FFO payout ratio and AFFO payout ratio are defined as distributions declared divided by FFO and AFFO, respectively.
- FFO per WA unit and AFFO per WA unit are defined as FFO and AFFO divided by the weighted average class U equivalent units outstanding, respectively.
- Adjusted EBITDA is defined as earnings before interest, income taxes, distributions, fair value gains (losses) from both financial instruments and properties, while also excluding certain items not related to operations such as transaction costs from dispositions, acquisitions, debt termination costs, or other events.
- Interest coverage ratio is defined as adjusted EBITDA divided by cash interest paid.

The REIT utilizes these measures for a variety of reasons, including measuring performance, managing the business, capital allocation and the assessment of risk. Descriptions of why these non-IFRS measures are useful to investors and how management uses each measure are included in Management's Discussion and Analysis. Management believes that providing these performance measures on a supplemental basis to our IFRS results is helpful to investors in assessing the overall performance of our businesses in a manner similar to management. These financial measures should not be considered as a substitute for similar financial measures calculated in accordance with IFRS. Management cautions readers that these non-IFRS financial measures may differ from the calculations disclosed by other businesses, and as a result, may not be comparable to similar measures presented by others.

Calculation and Reconciliation of Non-IFRS Measures

The table below summarizes a calculation of non-IFRS measures based on IFRS financial information.

<i>(in thousands of U.S. dollars, except per unit amounts)</i>	Three months ended June 30,	
	2018	2017
Rental revenue	\$ 35,669	\$ 26,614
Straight-line rent revenue	(658)	(639)
Property operating expenses	(5,117)	(3,532)
IFRIC 21 property tax adjustment	(4,590)	(3,271)
NOI ⁽¹⁾	\$ 25,304	\$ 19,172
Cash flow from operations	\$ 19,943	\$ 12,343
Changes in non-cash working capital items	(6,024)	(303)
Disposition and acquisition costs	148	90
Finance charge and mark-to-market adjustments	(403)	(239)
Interest, net and TIF note adjustments	220	211
Capital	(1,018)	(940)
Leasing costs	(849)	(220)
Tenant improvements	(2,552)	(229)
AFFO ⁽¹⁾	\$ 9,465	\$ 10,713
Net (loss) income	\$ (14,201)	\$ 16,049
Disposition and acquisition costs	148	90
Change in fair value of properties	7,773	5,255
Deferred income tax expense	2,406	3,393
Unit expense (income)	23,006	(8,775)
IFRIC 21 property tax adjustment	(4,590)	(3,271)
FFO ⁽¹⁾	\$ 14,542	\$ 12,741
Straight-line rental revenue	(658)	(639)
Capital	(1,018)	(940)
Leasing costs	(849)	(220)
Tenant improvements	(2,552)	(229)
AFFO ⁽¹⁾	\$ 9,465	\$ 10,713
NOI ⁽¹⁾	\$ 25,304	\$ 19,172
Other expenses	(2,625)	(2,127)
Cash interest, net	(8,392)	(4,704)
Finance charge and mark-to-market adjustments	(403)	(239)
Capital	(1,018)	(940)
Leasing costs	(849)	(220)
Tenant improvements	(2,552)	(229)
AFFO ⁽¹⁾	\$ 9,465	\$ 10,713

(1) Refer to "Non-IFRS Measures" section above.

<i>(in thousands of U.S. dollars, except per unit amounts)</i>	Three months ended June 30,	
	2018	2017
NOI ⁽¹⁾	\$ 25,304	\$ 19,172
Other expenses	(2,625)	(2,127)
Adjusted EBITDA ⁽¹⁾	\$ 22,679	\$ 17,045
Cash interest paid	(9,287)	(4,848)
Interest coverage ratio ⁽¹⁾	2.44x	3.52x
WA units	46,153	42,832
FFO per WA unit ⁽¹⁾	\$ 0.32	\$ 0.30
FFO payout ratio ⁽¹⁾	66.5%	70.8%
AFFO per WA unit ⁽¹⁾	\$ 0.21	\$ 0.25
AFFO payout ratio ⁽¹⁾	102.2%	84.2%

(1) Refer to "Non-IFRS Measures" section above.

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