Slate Grocery REIT

April 30, 2024

Slate Grocery REIT Reports First Quarter 2024 Results

TORONTO, ON - Slate Grocery REIT (TSX: SGR.U) (TSX: SGR.UN) (the "REIT"), an owner and operator of U.S. grocery-anchored real estate, today announced its financial results and highlights for the three months ended March 31, 2024.

"Throughout the first quarter, our team converted strong demand for our high-quality, grocery-anchored spaces into nearly 800,000 square feet of leasing at double-digit leasing spreads," said Blair Welch, Chief Executive Officer of Slate Grocery REIT. "At the same time, we saw steady growth in our net operating income, which we expect to build on in the coming months, as new leases completed over the last 12 months start to come online. Looking forward, our team will continue to capitalize on the tailwinds in the grocery-anchored sector to unlock additional value for our unitholders."

For the CEO's letter to unitholders for the quarter, please follow the link here.

Highlights

- Completed 770,784 square feet of total leasing in the quarter at attractive spreads that drove revenue growth
  - New deals were completed at 30.9% above comparable average in-place rent, and non-option renewals at 15.2% above expiring rent
  - As at quarter end, portfolio occupancy was 94.4%
  - Adjusting for completed redevelopments, same-property Net Operating Income ("NOI") increased by $1.0 million or 2.5% year over year
- Continued to prudently manage balance sheet to ensure the REIT remains protected in the current interest rate environment
  - The REIT exercised a six-month extension option on its $300.0 million revolver
  - 94.2% of the REIT's total debt is fixed, with a weighted average interest rate of 4.4%, providing positive leverage and stability to the REIT
  - At $12.49 per square foot, average rent in the REIT's portfolio remains well below market, providing significant runway for continued rent increases and NOI growth
- The REIT's units are trading at a discount to Net Asset Value ("NAV"), presenting a compelling investment opportunity for unitholders looking for an attractive total return
  - As at March 31, 2024, the REIT's unit price indicates an implied capitalization rate of 8.0% based on trailing twelve-month NOI, representing a 39.8% discount to NAV

Summary of Q1 2024 Results

(thousands of U.S. dollars, except per unit amounts)	Three months ended March 31, 2024	2023	Change %
Rental revenue	$ 51,915	$ 50,789	2.2%
NOI [1 2]	$ 40,572	$ 39,838	1.8%
Net income [2]	$ 13,612	$ (14,831)	(191.8)%
Same-property NOI (3 month period, 113 properties) [1]	$ 39,229	$ 38,818	1.1%
Same-property NOI (12 month period, 96 properties) [1]	$ 119,968	$ 119,529	0.4%
New leasing (square feet) [2]	98,198	137,008	(28.3)%
New leasing spread [2]	30.9%	17.1%	13.8%
Total leasing (square feet) [2]	770,784	589,804	30.7%
Total leasing spread [2]	10.8%	10.0%	0.8%
New leasing – anchor / junior anchor [2]	10,000	63,130	(84.2)%
Weighted average number of units outstanding ("WA units")	60,307	61,460	(1.9)%
FFO [1 2]	$ 16,198	$ 15,955	1.5%
FFO per WA units [1 2]	$ 0.27	$ 0.26	3.9%
FFO payout ratio [1 2]	80.1%	82.8%	(2.7)%
AFFO [1 2]	$ 13,045	$ 13,397	(2.6)%
AFFO per WA units [1 2]	$ 0.22	$ 0.22	—%
AFFO payout ratio [1 2]	99.4%	98.7%	0.7%

(thousands of U.S. dollars, except per unit amounts)	March 31, 2024	December 31, 2023	Change %
Total assets, IFRS	$ 2,241,191	$ 2,235,798	0.2%
Total assets, proportionate interest [1]	$ 2,453,308	$ 2,448,127	0.2%
Debt, IFRS	$ 1,165,036	$ 1,161,756	0.3%
Debt, proportionate interest [1]	$ 1,371,478	$ 1,369,053	0.2%
Net asset value per unit	$ 14.01	$ 13.97	0.3%
Number of properties [2]	117	117	—%
Portfolio occupancy [2]	94.4%	94.7%	(0.3)%
Debt / GBV ratio	52.0%	52.0%	—%
Interest coverage ratio [1]	2.70x	2.72x	(0.7)%

[1] Refer to "Non-IFRS Measures" section below.

[2] Includes the REIT's share of joint venture investments.

Conference Call and Webcast

Senior management will host a live conference call at 9:00 am ET on May 1, 2024 to discuss the results and ongoing business initiatives of the REIT.

The conference call can be accessed dialing (289) 514-5100 or 1 (800) 717-1738. Additionally, the conference call will be available via simultaneous audio found at https://onlinexperiences.com/scripts/Server.nxp?LASCmd=AI:4;F:QS!10100&ShowUUID=F194EEF0-F3C1-4FCB-B6D4-7D43001F98CF&LangLocaleID=1033. A replay will be accessible until May 15, 2024 via the REIT's website or by dialing (289) 819-1325 or 1 (888) 660-6264 (access code 49272#) approximately two hours after the live event.

About Slate Grocery REIT (TSX: SGR.U / SGR.UN)

Slate Grocery REIT is an owner and operator of U.S. grocery-anchored real estate. The REIT owns and operates approximately $2.4 billion of critical real estate infrastructure across major U.S. metro markets that communities rely upon for their everyday needs. The REIT's resilient grocery-anchored portfolio and strong credit tenants provide unitholders with durable cash flows and the potential for capital appreciation over the longer term.
Visit slategroceryreit.com to learn more about the REIT.

About Slate Asset Management

Slate Asset Management is a global alternative investment platform. We focus on fundamentals with the objective of creating long-term value for our investors and partners. Slate's platform focuses on four areas of real assets, including real estate equity, real estate credit, real estate securities, and infrastructure. We are supported by exceptional people and flexible capital, which enable us to originate and execute on a wide range of compelling investment opportunities. Visit slateam.com to learn more, and follow Slate Asset Management on LinkedIn, X (Twitter), and Instagram.

Supplemental Information

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

Forward Looking Statements

Certain information herein constitutes "forward-looking information" as defined under Canadian securities laws which reflect management's expectations regarding objectives, plans, goals, strategies, future growth, results of operations, performance, business prospects and opportunities of the REIT. The words "plans", "expects", "does not expect", "scheduled", "estimates", "intends", "anticipates", "does not anticipate", "projects", "believes", or variations of such words and phrases or statements to the effect that certain actions, events or results "may", "will", "could", "would", "might", "occur", "be achieved", or "continue" and similar expressions identify forward-looking statements. Management believes that the expectations reflected in its forward-looking statements are based upon reasonable assumptions, however, management can give no assurance that actual results, performance or achievements will be consistent with these forward-looking statements. Such forward-looking statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations.

Forward-looking statements are necessarily based on a number of estimates and assumptions that, while considered reasonable by management as of the date hereof, are inherently subject to significant business, economic and competitive uncertainties and contingencies. When relying on forward-looking statements to make decisions, the REIT cautions readers not to place undue reliance on these statements, as forward-looking statements involve significant risks and uncertainties, and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not the times at or by which such performance or results will be achieved. A number of factors could cause actual results to differ, possibly materially, from the results discussed in the forward-looking statements. Additional information about risks and uncertainties is contained in the filings of the REIT with securities regulators.

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").

We disclose 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, IFRIC 21, *Levies* ("IFRIC 21") property tax adjustments and adjustments for equity investment. 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, change in fair value of financial instruments, deferred income taxes, unit income (expense), adjustments for equity investment 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 NOI less general and administrative expenses.
- Interest coverage ratio is defined as adjusted EBITDA divided by cash interest paid.
- Net asset value is defined as the aggregate of the carrying value of the REIT's equity, deferred income taxes and exchangeable units of subsidiaries.
- Proportionate interest represents financial information adjusted to reflect the REIT's equity accounted joint ventures and financial real estate assets and its share of net income (losses) from equity accounted joint ventures and financial real estate assets on a proportionately consolidated basis at the REIT's ownership percentage of the related investment.

We utilize 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. We believe 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. We caution 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.

SGR-FR

For Further Information

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Calculation and Reconciliation of Non-IFRS Measures

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

	Three months ended March 31,	
(in thousands of U.S. dollars, except per unit amounts)	2024	2023
Rental revenue	**$ 51,915**	**$ 50,789**
Straight-line rent revenue	(114)	(118)
Property operating expenses	(37,600)	(36,917)
IFRIC 21 property tax adjustment	21,145	20,547
Contribution from joint venture investments	5,226	5,537
NOI [1 2]	**$ 40,572**	**$ 39,838**
Cash flow from operations	**$ 17,039**	**$ 19,179**
Changes in non-cash working capital items	452	(2,086)
Finance charge and mark-to-market adjustments	(557)	(630)
Interest, net and TIF note adjustments	125	30
Adjustments for joint venture investments	2,431	2,979
Non-controlling interest	(3,343)	(3,502)
Capital expenditures	(736)	(1,082)
Leasing costs	(808)	(684)
Tenant improvements	(1,558)	(807)
AFFO [1 2]	**$ 13,045**	**$ 13,397**
Net income (loss) [1 2]	**$ 13,612**	**$ (14,831)**
Change in fair value of financial instruments	(2,186)	—
Change in fair value of properties	(13,682)	17,880
Deferred income tax expense (recovery)	1,591	(4,624)
Unit income	(612)	(902)
Adjustments for joint venture investments	385	1,982
Non-controlling interest	(4,055)	(4,097)
IFRIC 21 property tax adjustment	21,145	20,547
FFO [1 2]	**$ 16,198**	**$ 15,955**
Straight-line rental revenue	(114)	(118)
Capital expenditures	(736)	(1,082)
Leasing costs	(808)	(684)
Tenant improvements	(1,558)	(807)
Adjustments for joint venture investments	(649)	(462)
Non-controlling interest	712	595
AFFO [1 2]	**$ 13,045**	**$ 13,397**

[1] Refer to “Non-IFRS Measures” section above.
[2] Includes the REIT's share of joint venture investments.

(in thousands of U.S. dollars, except per unit amounts)	Three months ended March 31, 2024	2023
NOI[1 2]	$ 40,572	$ 39,838
General and administrative expenses	(3,945)	(3,847)
Cash interest, net	(13,460)	(12,607)
Finance charge and mark-to-market adjustments	(557)	(630)
Current income tax expense	(325)	(724)
Adjustments for joint venture investments	(2,795)	(2,558)
Non-controlling interest	(3,343)	(3,502)
Capital expenditures	(736)	(1,082)
Leasing costs	(808)	(684)
Tenant improvements	(1,558)	(807)
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Net income (loss)[1]	**$ 13,612**	**$ (14,831)**
Interest and financing costs	14,017	13,237
Change in fair value of financial instruments	(2,186)	—
Change in fair value of properties	(13,682)	17,880
Deferred income tax expense (recovery)	1,591	(4,624)
Current income tax expense	325	724
Unit income	(612)	(902)
Adjustments for joint venture investments	2,531	4,078
Straight-line rent revenue	(114)	(118)
IFRIC 21 property tax adjustment	21,145	20,547
Adjusted EBITDA[1 2]	**$ 36,627**	**$ 35,991**
NOI[1 2]	40,572	39,838
General and administrative expenses	(3,945)	(3,847)
Adjusted EBITDA[1 2]	**$ 36,627**	**$ 35,991**
Cash interest paid	(13,585)	(12,637)
Interest coverage ratio[1 2]	**2.70x**	**2.85x**
WA units	60,307	61,460
FFO per WA unit[1 2]	$ 0.27	$ 0.26
FFO payout ratio[1 2]	80.1%	82.8%
AFFO per WA unit[1 2]	$ 0.22	$ 0.22
AFFO payout ratio[1 2]	99.4%	98.7%

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Finance charge and mark-to-market adjustments	(557)	(630)
Interest, net and TIF note adjustments	125	30
Adjustments for joint venture investments	2,431	2,979
Non-controlling interest	(3,343)	(3,502)
Capital expenditures	(736)	(1,082)
Leasing costs	(808)	(684)
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(in thousands of U.S. dollars, except per unit amounts)	March 31, 2024			December 31, 2023		
	Statement of Financial Position	Joint Venture Investments	Proportionate Share (Non-IFRS)	Statement of Financial Position	Joint Venture Investments	Proportionate Share (Non-IFRS)
ASSETS						
Non-current assets						
Properties	$ 2,061,799	$ 307,900	$ 2,369,699	$ 2,062,599	$ 307,300	$ 2,369,899
Joint venture investments	108,486	(108,486)	—	107,101	(107,101)	—
Interest rate swaps	14,621	612	15,233	7,652	580	8,232
Other assets	558	4,551	5,109	718	4,268	4,986
	$ 2,185,464	**$ 204,577**	**$ 2,390,041**	**$ 2,178,070**	**$ 205,047**	**$ 2,383,117**
Current assets						
Cash	23,407	4,709	28,116	23,587	4,420	28,007
Accounts receivable	21,846	1,442	23,288	22,172	1,813	23,985
Other assets	6,167	—	6,167	6,985	—	6,985
Prepaids	4,307	1,389	5,696	4,984	1,049	6,033
	$ 55,727	**$ 7,540**	**$ 63,267**	**$ 57,728**	**$ 7,282**	**$ 65,010**
Total assets	**$ 2,241,191**	**$ 212,117**	**$ 2,453,308**	**$ 2,235,798**	**$ 212,329**	**$ 2,448,127**
LIABILITIES						
Non-current liabilities						
Debt	$ 595,634	$ 205,433	$ 801,067	$ 859,637	$ 205,831	$ 1,065,468
Deferred income taxes	149,417	2	149,419	146,651	2	146,653
Other liabilities	4,365	434	4,799	4,346	482	4,828
	$ 749,416	**$ 205,869**	**$ 955,285**	**$ 1,010,634**	**$ 206,315**	**$ 1,216,949**
Current liabilities						
Debt	569,402	1,009	570,411	302,119	1,466	303,585
Accounts payable and accrued liabilities	41,292	5,239	46,531	43,217	4,548	47,765
Distributions payable	4,323	—	4,323	4,323	—	4,323
Exchangeable units of subsidiaries	7,661	—	7,661	8,269	—	8,269
	$ 622,678	**$ 6,248**	**$ 628,926**	**$ 357,928**	**$ 6,014**	**$ 363,942**
Total liabilities	**$ 1,372,094**	**$ 212,117**	**$ 1,584,211**	**$ 1,368,562**	**$ 212,329**	**$ 1,580,891**
EQUITY						
Unitholders' equity	$ 688,102	$ —	$ 688,102	$ 687,443	$ —	$ 687,443
Non-controlling interest	180,995	—	180,995	179,793	—	179,793
Total equity	**$ 869,097**	**$ —**	**$ 869,097**	**$ 867,236**	**$ —**	**$ 867,236**
Total liabilities and equity	**$ 2,241,191**	**$ 212,117**	**$ 2,453,308**	**$ 2,235,798**	**$ 212,329**	**$ 2,448,127**