Plaza Retail REIT Announces Results for the Quarter Ended June 30, 2017

- FFO per unit benefits from developments/redevelopments, lower finance costs and lease termination revenues

FREDERICTON, Aug. 10, 2017 /CNW/ - Plaza Retail REIT (TSX: PLZ.UN) ("Plaza" or the "REIT") today announced their financial results for the three and six months ended June 30, 2017.

For the three and six months ended June 30, 2017, Funds from Operations ("FFO") per unit increased 7.5% and 5.3%, respectively, over the prior year, when non-recurring lease termination revenues are excluded. FFO per unit, including lease termination revenues for the three and six months ended June 30, 2017, increased 28.0% and 14.9%, respectively, over the same periods in the prior year.

Michael Zakuta, President and CEO said, "We are pleased with our strong results. Plaza's focus on value-add developments and redevelopments continues to generate FFO per unit growth for unitholders. Although our results benefitted from some non-recurring revenues in the quarter, our FFO per unit still showed strong growth over the prior year. We achieve our goals of FFO per unit growth and NAV growth by being opportunistic and by developing and redeveloping high quality retail projects leased to national retailers."

Financial Results Summary

(CAD$000s, except percentages, per unit amounts and coverage ratios)	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Change	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016	Change
Total property rental revenue	$26,755	$24,923	+ 7.4%	$52,095	$49,389	+ 5.5%
Total property operating expenses	$9,507	$9,644	- 1.4%	$19,534	$18,806	+ 3.9%
Total NOI	$17,248	$15,279	+ 12.9%	$32,561	$30,583	+ 6.5%
Same-asset rental revenue	$22,139	$22,262	- 0.6%	$44,447	$44,435	n/c
Same-asset operating expenses	$7,521	$7,799	- 3.6%	$15,280	$15,359	- 0.5%
Same-asset NOI	$14,618	$14,463	+ 1.1%	$29,167	$29,076	+ 0.3%
FFO	$9,809	$7,421	+ 32.2%	$18,135	$14,912	+ 21.6%
FFO per unit	$0.096	$0.075	+ 28.0%	$0.177	$0.154	+ 14.9%
FFO payout ratio	70.5%	87.0%	- 19.0%	76.2%	85.1%	- 10.5%
AFFO	$9,025	$6,694	+ 34.8%	$16,870	$13,731	+ 22.9%
AFFO per unit	$0.088	$0.067	+ 31.3%	$0.165	$0.142	+ 16.2%
AFFO payout ratio	76.6%	96.4%	- 20.5%	81.9%	92.4%	- 11.4%
Profit and total comprehensive income	$6,027	$11,335	- 46.8%	$6,306	$15,795	- 60.1%
EBITDA	$15,624	$13,703	+ 14.0%	$29,947	$27,939	+ 7.2%
Total distributions to unitholders	$6,912	$6,455	+ 7.1%	$13,818	$12,689	+ 8.9%
Interest coverage ratio	2.46 x	2.06 x	+ 19.4%	2.37 x	2.06 x	+ 15.0%
Debt coverage ratio	1.75 x	1.48 x	+ 18.2%	1.68 x	1.50 x	+ 12.0%

Refer to "Non-IFRS Financial Measures" below for further explanations.

Three Months Ended June 30, 2017 Financial Highlights

- FFO per unit increased to $0.096, up 28.0% from $0.075 in the prior year and adjusted funds from operations ("AFFO") per unit was $0.088, up 31.3%, from $0.067 in 2016. FFO and AFFO per unit were positively impacted by growth from developments and redevelopments, non-recurring lease termination revenues of $1.6 million and a decrease in finance costs;
- Even excluding the non-recurring lease termination revenues, FFO and AFFO per unit increased by 7.5% and 8.9%, respectively;
- FFO and AFFO payout ratios were 70.5% and 76.6%, respectively, compared to 87.0% and 96.4% in 2016;
- Net property operating income ("NOI") increased to $17.2 million, up 12.9% from $15.3 million in the same period in the prior year, impacted mainly by: (i) NOI from developments and redevelopments; and (ii) lease termination revenues received in the quarter resulting from two lease termination transactions;
- Same-asset NOI was $14.6 million compared to $14.5 million for the same period in the prior year, up 1.1%, mainly due to a decrease in non-recoverable costs and maintenance expenses, more than offsetting lower same-asset NOI from vacancies;
- Profit and total comprehensive income for the quarter was $6.0 million compared to $11.3 million for the prior year, mainly due to non-cash fair value adjustments; and
- The interest coverage ratio improved from 2.06x for the quarter ended June 30, 2016 to 2.46x for the quarter ended June 30, 2017. The debt coverage ratio also improved to 1.75x from 1.48x for the prior year. The improvements in the ratios reflect higher EBITDA and lower finance costs.

Six Months Ended June 30, 2017 Financial Highlights

- FFO per unit increased to $0.177, up 14.9% from $0.154 in the prior year and AFFO per unit was $0.165, up 16.2%, from $0.142 in 2016. FFO and AFFO per unit were positively impacted by growth from developments and redevelopments, non-recurring lease termination revenues of $1.6 million and a decrease in finance costs;
- Even excluding the non-recurring lease termination revenues, FFO and AFFO per unit increased by 5.3% and 5.5%, respectively;
- FFO and AFFO payout ratios were 76.2% and 81.9%, respectively, compared to 85.1% and 92.4% in 2016;
- NOI increased to $32.6 million, up 6.5% from $30.6 million in the same period in the prior year, impacted mainly by NOI from developments and redevelopments, as well as the lease termination revenues recorded relating to the two lease termination transactions;
- Same-asset NOI was $29.2 million compared to $29.1 million for the same period in the prior year, up 0.3%;
- Profit and total comprehensive income for the six months ended June 30, 2017 was $6.3 million compared to $15.8 million for the six months ended June 30, 2016, mainly due to non-cash fair value adjustments; and
- The interest coverage ratio improved from 2.06x for the six months ended June 30, 2016 to 2.37x for the six months ended June 30, 2017. The debt coverage ratio also improved to 1.68x from 1.50x for the six months ended June 30, 2016. The improvements in the ratios reflect higher EBITDA and lower finance costs.

Further Information
Further information is found in Appendix A below. A more detailed analysis of the REIT's financial and operating results is included in the REIT's Management's

Discussion and Analysis and Condensed Interim Consolidated Financial Statements, which have been filed on SEDAR and can be viewed at www.sedar.com or on the REIT's website at www.plaza.ca.

Conference Call
Michael Zakuta, President and CEO, and Floriana Cipollone, CFO, will host a conference call for the investment community on Friday, August 11, 2017 at 10:00 a.m. ET (11:00 a.m. AT). The call-in numbers for participants are 647-427-7450 or 888-231-8191.

A replay of the call will be available until Friday, August 18, 2017. To access the replay, dial 416-849-0833 or 855-859-2056 (Passcode: 50696190). The audio replay will also be available for download on the REIT's website for 90 days following the conference call.

About Plaza
Plaza is an open-ended real estate investment trust and is a leading retail property owner and developer, particularly in Eastern Canada. Plaza's portfolio at June 30, 2017 includes interests in 296 properties totaling approximately 7.6 million square feet across Canada and additional lands held for development. Plaza's properties include a mix of strip plazas, stand-alone small box retail outlets and enclosed shopping centres, anchored by approximately 91% national tenants. For more information, please visit www.plaza.ca.

Non-IFRS Financial Measures
This press release contains certain non-IFRS financial measures including FFO, AFFO, same-asset NOI and EBITDA. These measures are commonly used by entities in the real estate industry as useful metrics for measuring performance. However, they do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other publicly traded entities. These measures should be considered as supplemental in nature and not as a substitute for related financial information prepared in accordance with IFRS. Please refer to the REIT's Management's Discussion and Analysis for a reconciliation of these non-IFRS measures to standardized IFRS measures.

Forward-looking Information
This news release contains forward looking statements relating to our operations and the environment in which we operate, which are based on our expectations, estimates, forecasts and projections. These statements are not future guarantees of future performance and involve risks and uncertainties that are difficult to control or predict. Therefore, actual outcomes and results may differ materially from those expressed in these forward looking statements. Readers, therefore, should not place undue reliance on any such forward looking statements. Further, a forward looking statement speaks only as of the date on which such statement is made. We undertake no obligation to publicly update any such statement, to reflect new information or the occurrence of future events or circumstances, except for forward-looking information disclosed in prior disclosures which, in light of intervening events, requires further explanation to avoid being misleading.

The TSX does not accept responsibility for the adequacy or accuracy of this release.

Appendix A

New Leases / Renewals and Occupancy

	Strip Plazas	Enclosed Malls	Single-User Retail	Single-User QSR[(1)]
2017 – Q2 YTD				
Leasing renewals (sq. ft.)	146,040	83,354	14,296	9,526
Weighted average rent ($/sq. ft.)	$15.27	$15.50	$28.00	$39.68
Change in weighted average rent	3.4%	6.7%	4.7%	5.0%
Expiries that renewed (sq. ft.)	146,040	83,354	14,296	9,526
Weighted average rent ($/sq. ft.)	$14.77	$14.52	$26.75	$37.79
New leasing (sq. ft.)	39,477	9,386	-	1,790
Weighted average rent ($/sq. ft.)	$17.85	$15.43	-	$25.00
Expiries not renewed (sq. ft.)	60,665	7,711	8,268	4,038
Weighted average rent ($/sq. ft.)	$14.52	$13.34	$21.04	$25.06
2017 – Remainder of Year				
Expiries (sq. ft.)	84,570	28,035	2,485	14,648
Weighted average rent ($/sq. ft.)	$15.06	$16.81	$20.00	$36.37

(1) QSR refers to quick service restaurant.

- Same-asset committed occupancy and total committed occupancy remained high at 95.8% and 95.8%, respectively, at June 30, 2017, compared to 96.6% and 96.6%, respectively, at June 30, 2016.

Fair Value of Investment Properties
At the end of the quarter, investment properties were valued using an overall weighted average capitalization rate of 7.01%, a drop of two basis points from the year ended December 31, 2016 and a drop of one basis point from June 30, 2016. Fair value adjustments are determined based on the movement of various parameters, including changes in stabilized NOI and capitalization rates. The fair value decreases were largely due to changes in NOI.

Distributions
Distributions paid to REIT unitholders and Class B exchangeable LP unitholders of the REIT's subsidiary limited partnership were $6.9 million for the quarter ended June 30, 2017, representing an AFFO payout ratio of 76.6%, compared to distributions in the amount of $6.5 million paid in the prior year, representing an AFFO payout ratio of 96.4%.

Distributions paid to REIT unitholders and Class B exchangeable LP unitholders of the REIT's subsidiary limited partnership were $13.8 million for the six months ended June 30, 2017, representing an AFFO payout ratio of 81.9%, compared to distributions in the amount of $12.7 million paid in the prior year, representing an AFFO payout ratio of 92.4%.

Liquidity and Capital Structure
To fund ongoing operating activities, the REIT has a revolving operating facility with a Canadian chartered bank. It bears interest at prime plus 0.75% or bankers' acceptances ("BAs") plus 2.00%. In March 2017, the Trust pledged additional properties to increase its operating facility from $30.0 million to $43.5 million. At June 30, 2017 there was $13.1 million available on this facility (net of letters of credit issued).

To fund development activities the REIT has two revolving development facilities with Canadian chartered banks available upon pledging of specific development assets. One is a $20 million one-year revolving facility that bears interest at prime plus 0.75% or BAs plus 2.25%. The other is a $15 million two-year revolving facility that bears interest at prime plus 0.75% or BAs plus 2.00%. At June 30, 2017 there was $30.7 million available on these development facilities. The REIT also has two variable rate secured construction loans, one for $3.0 million and the other for $907 thousand on two of its Ontario development projects. The loans bear interest at a rate of prime plus 1.25% or BAs plus 2.50% and prime plus 1.00% or BAs plus 2.50%, respectively, and mature in May 2018 and December 2017, respectively. At June 30, 2017, $2.7 million and $0.5 million, respectively, were drawn on these loans.

During 2017 Plaza obtained new long-term financing in the amount of $11.2 million (at Plaza's consolidated share) with a weighted average term of 10.6 years and a weighted average interest rate of 3.90%. The REIT ended the quarter with total mortgages payable (excluding development, construction and operating lines mentioned above) of $440 million with a weighted average interest rate on fixed rate mortgages of 4.42% and a weighted average maturity of 6.3 years.

On November 30, 2016, the REIT issued a redemption notice for the 7.0% Series C convertible debentures to be redeemed on January 9, 2017. During 2016, $1.75 million in Series C convertible debentures were converted into 333 thousand units and $198 thousand in cash, in accordance with the terms of conversion, leaving a balance of $15.2 million in face value of debentures at December 31, 2016. Between January 3rd and 6th, 2017, $12.9 million in Series C convertible debentures were converted into 2.45 million units and $1.5 million in cash. On January 9, 2017, the remaining $2.3 million in Series C convertible debentures were redeemed and paid out.

On February 28, 2017, the Trust issued $6.0 million in Series II unsecured debentures with an interest rate of 5.0% per annum maturing on February 28, 2022.

Debt to gross assets, excluding convertible debentures, at June 30, 2017 was 48.8% and including convertible debentures was 52.7%. These compare to 47.9% and 53.4%, respectively at June 30, 2016. The increase over the prior year excluding convertible debentures was mainly due to the issuance of $6.0 million Series II unsecured debentures. The decrease over the prior year including convertible debentures was mainly due to the redemption of the Series B and C convertible debentures.

SOURCE Plaza Retail REIT

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