

Plaza Retail REIT Announces its Third Quarter 2018 Results

FREDERICTON, Nov. 13, 2018 /CNW/ - Plaza Retail REIT (TSX: PLZ.UN) ("Plaza" or the "REIT") today announced its financial results for the three and nine months ended September 30, 2018.

Michael Zakuta, President and CEO said, "We continue to deliver solid and sustainable results. We are unafraid of doing the right thing for our portfolio and our business, even if it involves non-recurring revenues or charges. Our unit price currently does not reflect the underlying value of our business nor our very strong pipeline of development and redevelopment projects that we anticipate coming on stream in 2019 and 2020. We remain very optimistic about our future prospects."

Financial Results Summary						
	Three Months Ended September 30, 2018	Three Months Ended September 30, 2017	Change	Nine Months Ended September 30, 2018	Nine Months Ended September 30, 2017	Change
<i>(CAD\$000s, except percentages, per unit amounts and coverage ratios)</i>						
FFO ¹	\$9,382	\$9,172	+2.3%	\$26,082	\$27,161	-4.0%
FFO per unit	\$0.090	\$0.089	+1.1%	\$0.252	\$0.265	-4.9%
FFO payout ratio	77.4%	75.4%	+2.7%	83.3%	76.3%	+9.2%
AFFO ¹	\$8,125	\$8,483	-4.2%	\$22,838	\$25,207	-9.4%
AFFO per unit	\$0.078	\$0.083	-6.0%	\$0.221	\$0.246	-10.2%
AFFO payout ratio	89.4%	81.6%	+9.6%	95.1%	82.3%	+15.6%
Profit and total comprehensive income	\$6,983	\$7,611	-8.3%	\$11,144	\$13,917	-19.9%
Total property rental revenue	\$25,723	\$25,113	+2.4%	\$77,949	\$77,208	+1.0%
Total property operating expenses	\$9,024	\$8,805	+2.5%	\$29,765	\$28,339	+5.0%
Total NOI	\$16,699	\$16,308	+2.4%	\$48,184	\$48,869	-1.4%
Same-asset rental revenue	\$22,351	\$22,304	+0.2%	\$67,192	\$67,281	-0.1%
Same-asset operating expenses	\$7,000	\$7,022	-0.3%	\$22,735	\$22,636	+0.4%
Same-asset NOI ¹	\$15,351	\$15,282	+0.5%	\$44,457	\$44,645	-0.4%
Committed occupancy				95.9%	95.4%	+0.5%
Same-asset committed occupancy				96.0%	95.8%	+0.2%
Distributions per unit	\$0.070	\$0.0675	+3.7%	\$0.210	\$0.2025	+3.7%
Total distributions to unitholders	\$7,264	\$6,919	+5.0%	\$21,716	\$20,737	+4.7%
Interest coverage ratio	2.44x	2.41x	+1.2%	2.29x	2.38x	-3.8%
Debt coverage ratio	1.72x	1.71x	+0.6%	1.63x	1.69x	-3.6%
Debt to gross assets (excluding converts)				48.2%	49.1%	-1.8%
Debt to gross assets (including converts)				53.2%	53.0%	+0.4%
IFRS capitalization rate (for valuing investment properties)				7.03%	7.00%	+0.4%

¹ Refer to "Non-IFRS Financial Measures" below for further explanations.

Three Months Ended September 30, 2018 Financial Highlights

- For the three months ended September 30, 2018, funds from operations ("FFO") per unit increased to \$0.090, up 1.1% from \$0.089 for the same period in 2017 and adjusted funds from operations ("AFFO") per unit was \$0.078, down 6.0% from the same period in 2017. Impacting FFO and AFFO per unit were growth in net property operating income ("NOI") from developments/redevelopments/acquisitions (net of property dispositions). AFFO per unit was further impacted by higher leasing costs relating to new tenancies in the current quarter;
- Profit and total comprehensive income for the current quarter was \$7.0 million compared to \$7.6 million in the prior year. The decrease was mainly due to a decrease in share of profits of associates mainly relating to a decrease in non-cash fair value adjustments to the underlying

investment properties.

- NOI was \$16.7 million, up 2.4% from \$16.3 million in the same period in 2017. Growth from developments/redevelopments and acquisitions were more than offset by the impact of sales of properties; and
- Same-asset NOI was \$15.4 million, up 0.5% from the prior year at \$15.3 million. Higher same-asset occupancy, rent increases and lower operating costs in the portfolio contributed to the increase in same-asset NOI.

Nine Months Ended September 30, 2018 Financial Highlights

- For the nine months ended September 30, 2018, FFO per unit was \$0.252, down 4.9% from \$0.265 for the same period in 2017, and AFFO per unit was \$0.221, down 10.2% from the same period in 2017. The decrease in FFO and AFFO per unit was mainly due to lease buyout revenues of \$1.6 million recorded in the prior year. Also impacting the change in FFO and AFFO per unit were (i) growth in NOI from developments/redevelopments and acquisitions (net of property dispositions), and (ii) higher other income due to an increase in development and leasing fees earned from co-owned properties. These were partly offset by higher interest expense mainly due to the amount and timing of the issue of the Series E convertible debentures versus the redemption of the Series D convertible debentures, as well as higher early mortgage discharge fees paid compared to the prior year. AFFO per unit was further impacted by higher leasing costs relating to new tenancies. Excluding the non-recurring one month overlap of interest on the convertible debentures, the impact of the 2017 lease buyouts and the early mortgage discharge fees paid, FFO per unit would have been 3.2% higher than the prior year mainly from growth in NOI, and AFFO per unit would have only been 1.8% lower than the prior year due to the higher leasing costs;
- Profit and total comprehensive income for the year-to-date was \$11.1 million compared to \$13.9 million in the prior year. The decrease was mainly due to convertible debenture issuance costs of \$2.3 million for the Series E convertible debentures which are fully expensed for accounting purposes and a decrease in NOI mainly due to the lease buyout revenues recorded in the prior year. These were partly offset by a net reduction in losses from non-cash fair value adjustments as well as the increase in other income;
- NOI for the year-to-date was \$48.2 million, down 1.4% from \$48.9 million in the same period in 2017. Growth from developments/redevelopments and acquisitions were more than offset by the impact of sales of properties and the lease buyout revenues recorded in the prior year; and
- Same-asset NOI was \$44.5 million compared to \$44.6 million for the same period in 2017, down 0.4%, mainly due to a \$182 thousand bad debt expense recorded due to a tenant going into creditor protection. The vacancies from the two lease buyouts concluded in 2017, which negatively impact same-asset NOI by \$276 thousand, and vacancies at one of Plaza's enclosed malls, were offset by new lease up and contractual rent increases in the portfolio. The lease buyouts were done in order to bring on other more stable tenants, which are expected to be in place by the fourth quarter of this year. As well, Plaza is in the process of stabilizing the occupancy at the enclosed mall. Occupancy at that mall is up 5% from December 31, 2017 and rents from some new tenants there will commence late in the fourth quarter of 2018. Excluding the impact of the lease buyouts, same-asset NOI would have been up 0.2% over the prior year.

Leasing and Occupancy

- Same-asset committed occupancy and total committed occupancy were 96.0% and 95.9%, respectively, at September 30, 2018, compared to 95.8% and 95.4%, respectively, at September 30, 2017.

Further Information

A more detailed analysis of the REIT's financial and operating results is included in the REIT's Management's Discussion and Analysis and 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 Thursday, November 15, 2018 at 10:00 a.m. ET. The call-in numbers for participants are 647-427-7450 or 888-231-8191.

A replay of the call will be available until November 22, 2018. To access the replay, dial 416-849-0833 or 855-859-2056 (Passcode: 5057668). 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, focused on Ontario, Quebec and Atlantic Canada. Plaza's portfolio at September 30, 2018 includes interests in 285 properties totaling approximately 8.0 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 90% 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 and same-asset NOI. 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. An example of a forward looking statement in this press release is that Plaza's deal pipeline will contribute to growth as anticipated. Forward looking 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 or implied by these forward looking statements. Although the forward looking statements contained in this press release are based upon information currently available to management and what management believes are reasonable expectations and assumptions, there can be no assurances that forward looking statements will prove to be accurate. Readers, therefore, should not place undue reliance on any such forward looking statements. Forward looking statements are based on a number of expectations and assumptions made in light of management's experience and perceptions of historical trends and current conditions including that projects will come on-line within the timeframes anticipated. 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. More detailed information about risks and uncertainties that could affect Plaza is described in Plaza's Annual Information Form for the year ended December 31, 2017 and Management's Discussion and Analysis for the period ended September 30, 2018 which can be obtained on SEDAR at www.sedar.com.

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

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