Plaza Retail REIT Announces its Second Quarter 2019 Results

FREDERICTON, Aug. 8, 2019 /CNW/ - Plaza Retail REIT (TSX: PLZ.UN) ("Plaza" or the "REIT") today announced its financial results for the three and six months ended June 30, 2019.

Michael Zakuta, President and CEO said, "We made significant progress with our development and redevelopment projects, including the conversion of two former Sears stores into up-to-date open-air centres in Brockville and Chicoutimi and the opening of Costco at The Shoppes at Galway project in St. John's. We have continued to expand our pipeline of new projects. In addition, we continued our major refinancing program where we are rolling mortgages at historically low rates. All of this activity will contribute to the growth of our FFO per unit."

Financial Results Summary						
(CAD$000s, except percentages, per unit amounts and coverage ratios)	**Three Months Ended June 30, 2019**	**Three Months Ended June 30, 2018**	**Change**	**Six Months Ended June 30, 2019**	**Six Months Ended June 30, 2018**	**Change**
FFO [1]	$8,416	$8,518	-1.2%	$21,676	$16,700	+29.8%
FFO per unit	$0.081	$0.082	-1.2%	$0.209	$0.162	+29.0%
FFO payout ratio	86.3%	85.0%	+1.5%	67.1%	86.5%	-22.4%
AFFO [1]	$7,473	$7,279	+2.7%	$19,607	$14,713	+33.3%
AFFO per unit	$0.072	$0.070	+2.9%	$0.189	$0.143	+32.2%
AFFO payout ratio	97.2%	99.5%	-2.3%	74.2%	98.2%	-24.4%
Profit and total comprehensive income	$16,954	$7,327	+131.4%	$33,244	$4,161	698.9%
Total property rental revenue	$26,373	$26,260	+0.4%	$58,120	$52,226	+11.3%
Total property operating expenses	$9,924	$10,135	-2.1%	$20,193	$20,741	-2.6%
Total NOI	$16,449	$16,125	+2.0%	$37,927	$31,485	+20.5%
Same-asset rental revenue	$23,030	$22,817	+0.9%	$46,216	$45,651	+1.2%
Same-asset operating expenses	$7,418	$7,126	+4.1%	$15,266	$14,719	+3.7%
Same-asset NOI [1]	$15,612	$15,691	-0.5%	$30,950	$30,932	+0.1%
Committed occupancy				96.5%	95.4%	+1.2%
Same-asset committed occupancy				96.4%	95.4%	+1.0%
Distributions per unit	$0.070	$0.070	-	$0.140	$0.140	-
Total distributions to unitholders	$7,263	$7,242	+0.3%	$14,540	$14,452	+0.6%
Normal course issuer bid – units repurchased	261	-	-	341	-	-
Interest coverage ratio	2.13x	2.20x	-3.2%	2.48x	2.21x	+12.2%
Debt coverage ratio	1.53x	1.58x	-3.2%	1.78x	1.58x	+12.7%
Debt to gross assets (excluding converts)				51.9%	48.8%	+6.4%
Debt to gross assets (including converts)				56.4%	53.8%	+4.8%
IFRS capitalization rate (for valuing investment properties)				7.10%	7.03%	+1.0%

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

Three Months Ended June 30, 2019 Financial Highlights

- For the three months ended June 30, 2019, funds from operations ("FFO") per unit was only marginally lower by 1.2% compared to the prior year, affected by: (i) the impact of the vacancies caused by two lease buyout transactions concluded in the first quarter of 2019; (ii) a decrease in net property operating income ("NOI") due to property sales; and (iii) an increase in administrative expenses as a result of additional non-recurring professional fees incurred. These were partly offset by growth in NOI from developments, redevelopments and acquisitions as well as growth in other income from development and leasing fees earned on co-owned properties. Adjusted funds from operations ("AFFO") per unit was 2.9% higher than the prior year, further impacted by lower leasing costs. Excluding the impact of lease buyouts, additional

non-recurring professional fees incurred and any loan defeasance and early mortgage discharge fees from the current and prior year, FFO per unit would have been almost 3.0% higher than the prior year, while AFFO per unit would have been 7.0% higher than the prior year.
- Profit and total comprehensive income for the current quarter was $17.0 million compared to $7.3 million in the prior year. The increase was mainly due to an increase in the fair value of investment properties mainly due to the decrease in capitalization rates in the quarter, largely stemming from higher values on a number of appraisals received on properties during the quarter.
- NOI was $16.4 million, up 2.0% from $16.1 million in the same period in 2018, largely due to classification of land lease expense out of NOI as a result of new accounting rules in effect January 1, 2019. Growth from developments/redevelopments and acquisitions added $1.8 million to NOI, compared to $1.6 million in the prior year, while property sales decreased NOI by $389 thousand.
- Same-asset NOI was relatively consistent at $15.6 million. The impact from two lease buyouts concluded in the first quarter, as well as the bankruptcy of a tenant, were offset by new lease up and rent increases in the portfolio. Excluding the effect of the lease buyouts, same-asset NOI would have increased by 1.3%.

Six Months Ended June 30, 2019 Financial Highlights

- For the six months ended June 30, 2019, FFO per unit was 29.0% higher than the prior year and AFFO per unit was 32.2% higher than the prior year. The increase was mainly due to $5.5 million of lease buyout revenues recorded in the first quarter, primarily from two significant lease buyout transactions. FFO and AFFO were also impacted by: (i) a decrease in NOI due to property sales; (ii) the impact of the vacancies caused by the two lease buyout transactions; (iii) growth in NOI from developments, redevelopments and acquisitions; (iv) growth in other income from development and leasing fees earned from co-owned properties; and (v) an increase in administrative expenses as a result of additional non-recurring professional fees incurred. AFFO was further impacted by higher leasing costs compared to the prior year. Excluding the impact of the lease buyouts, the additional non-recurring professional fees incurred and any loan defeasance and early mortgage discharge fees from the current and prior year, FFO per unit would have been 0.4% higher than the prior year, while AFFO per unit would have been consistent with the prior year.
- Profit and total comprehensive income year-to-date was $33.2 million compared to $4.2 million in the prior year. The increase was mainly due to an increase in the fair value of investment properties over the prior year. The fair value increase was mainly due to the decrease in capitalization rates, largely stemming from higher values on a number of appraisals received on properties.
- NOI was $37.9 million, up 20.5% from $31.5 million in the same period in 2018, mainly due to the lease buyout revenues noted above, as well as classification of land lease expense out of NOI as a result of new accounting rules in effect January 1, 2019. Growth from developments/redevelopments and acquisitions added $3.4 million to NOI, compared to $2.9 million in the prior year, while property sales decreased NOI by $713 thousand.
- Same-asset NOI remained relatively consistent at $31.0 million. The impact from the two lease buyouts, as well as the bankruptcy of a tenant, were offset by new lease up and rent increases in the portfolio. Excluding the effect of the lease buyouts, same-asset NOI would have increased by 1.3%.
- Effective September 28, 2018, Plaza instituted a normal course issuer bid ("NCIB") and on March 1, 2019, Plaza entered into an automatic securities repurchase plan with its designated broker in order to facilitate purchases of units under the NCIB. At June 30, 2019, 348,389 units have been repurchased, 341,389 of which have been settled and cancelled.

Leasing and Occupancy

- Same-asset committed occupancy and total committed occupancy were 96.4% and 96.5%, respectively, at June 30, 2019, compared to 95.4% and 95.4%, respectively, at June 30, 2018.

Further Information

Information appearing in this news release is a select summary of results. 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 9, 2019 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 August 16, 2019. To access the replay, dial 416-849-0833 or 855-859-2056 (Passcode: 1076269). 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 June 30, 2019 includes interests in 277 properties totaling approximately 8.4 million square feet across Canada and additional lands held for development. Plaza's properties include a mix of open-air centres, 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 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.

Cautionary Statements Regarding Forward-looking Information

This news release contains forward-looking statements relating to our operations and the environment in which we operate that do not relate to historical facts. Examples of forward-looking statements in this press release are that we anticipate being able to announce new projects by the end of 2019 and that our refinancing program will contribute to the growth of FFO per unit. Forward-looking statements are not future guarantees of future performance and involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Plaza to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements contained in this press release, including but not limited to general economic and market factors and those described in Plaza's Annual Information Form for the year ended December 31, 2018 and Management's Discussion and Analysis for the period ended June 30, 2019 which can be obtained on SEDAR at www.sedar.com. 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 new projects will come on-line as anticipated and that our refinancing program will continue at low interest rates as anticipated. 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. All forward-looking statements speak only as of the date of this press release and Plaza undertakes no obligation to publicly update any such statements, except as required by law. These cautionary statements qualify all forward-looking statements contained in this press release.*

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