

# Plaza Retail REIT Announces Second Quarter 2020 Results

FREDERICTON, NB, Aug. 6, 2020 /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, 2020.

"Despite the impact caused by the COVID-19 pandemic, our portfolio which is dominated by essential needs tenants and open-air properties, has proven to be resilient as evidenced by our performance over the last quarter. We are encouraged by the improving business conditions for our tenants as over 98% of our leased space is now open. We are pleased to have supported our small business tenants through participation in the Canada Emergency Commercial Rent Assistance ("CECRA") program and have taken a collaborative approach in order to support all of our retailers negatively impacted by the pandemic. This strategy has resulted in solid levels of rent collection of 82% in Q2 and over 92% in the month of July, including contributions from the federal government under the CECRA program." said Michael Zakuta, President and CEO.

| Summary of Selected GAAP Financial Results                |                                  |                                  |            |                                |                                |            |
|-----------------------------------------------------------|----------------------------------|----------------------------------|------------|--------------------------------|--------------------------------|------------|
| (CAD\$000s, except percentages and per units repurchased) | Three Months Ended June 30, 2020 | Three Months Ended June 30, 2019 | Change     | Six Months Ended June 30, 2020 | Six Months Ended June 30, 2019 | Change     |
| Property rental revenue                                   | \$26,781                         | \$26,373                         | \$408      | \$54,103                       | \$58,120                       | (\$4,017)  |
| Net operating income (NOI)                                | \$16,094                         | \$16,449                         | (\$355)    | \$32,982                       | \$37,927                       | (\$4,945)  |
| Net change in fair value of investment properties         | (\$28,639)                       | \$11,485                         | (\$40,124) | \$(48,511)                     | \$18,114                       | (\$66,625) |
| Profit (loss) and total comprehensive income (loss)       | (\$31,299)                       | \$16,954                         | (\$48,253) | \$(33,397)                     | \$33,244                       | (\$66,641) |
| Normal course issuer bid – units repurchased              | 29,800                           | 267,924                          | (238,124)  | 389,497                        | 348,389                        | 41,108     |

## Quarterly Highlights

- **NOI** was \$16.1 million, down \$0.4 million (2.2%) from the same period in 2019, primarily as a result of an increase in bad debt expense, offset by lower operating expenses and growth in NOI from acquisitions, developments, and new leasing in same-asset properties.
- **Loss and total comprehensive loss** for the current quarter was \$31.3 million compared to a profit and total comprehensive income of \$17.0 million in the prior year. The decline was mainly due to a \$28.6 million unfavourable change in the fair value of investment properties as a result of an increase in the weighted average capitalization rate to 7.35% at June 30, 2020 from 7.10% at June 30, 2019, and more conservative assumptions for underwritten NOI and re-leasing costs.

## Year-To-Date Highlights

- **NOI** was \$33.0 million, down \$4.9 million (13.0%) from the same period in 2019, primarily as a result of lease buyout revenues in the prior year, and an increase in bad debt expense, offset by lower operating expenses and growth in NOI from acquisitions, developments, and new leasing in same-asset properties in the current year.
- **Loss and total comprehensive loss** for the six months ended June 30, 2020 was \$33.4 million compared to a profit and total comprehensive income of \$33.2 million for the same period in the prior year. The decline was mainly due to a \$48.5 million year-to-date unfavourable change in the fair value of investment properties as a result of an increase in the weighted average capitalization rate and more conservative assumptions for underwritten NOI and re-leasing costs.

| Summary of Selected Non-GAAP Financial Results                            |                                  |                                  |           |                                |                                |           |
|---------------------------------------------------------------------------|----------------------------------|----------------------------------|-----------|--------------------------------|--------------------------------|-----------|
| (CAD\$000s, except percentages and per unit amounts)                      | Three Months Ended June 30, 2020 | Three Months Ended June 30, 2019 | Change    | Six Months Ended June 30, 2020 | Six Months Ended June 30, 2019 | Change    |
| FFO                                                                       | \$7,919                          | \$8,416                          | (\$497)   | \$17,055                       | \$21,676                       | (\$4,621) |
| FFO per unit                                                              | \$0.077                          | \$0.081                          | (\$0.004) | \$0.165                        | \$0.209                        | (\$0.044) |
| FFO payout ratio                                                          | 91.0%                            | 86.3%                            | +4.7%     | 84.6%                          | 67.1%                          | +17.5%    |
| AFFO                                                                      | \$7,046                          | \$7,473                          | (\$427)   | \$14,780                       | \$19,607                       | (\$4,827) |
| AFFO per unit                                                             | \$0.068                          | \$0.072                          | (\$0.004) | \$0.143                        | \$0.189                        | (\$0.046) |
| AFFO payout ratio                                                         | 102.3%                           | 97.2%                            | +5.1%     | 97.6%                          | 74.2%                          | +23.4%    |
| Same-asset NOI                                                            | \$15,857                         | \$16,854                         | (\$997)   | \$32,297                       | \$33,208                       | (\$911)   |
| Committed occupancy – including non-consolidated investments <sup>2</sup> |                                  |                                  |           | 96.2%                          | 96.7%                          | (0.5%)    |
| Same-asset committed occupancy <sup>2</sup>                               |                                  |                                  |           | 95.8%                          | 96.4%                          | (0.6%)    |

<sup>1</sup> Refer to "Non-IFRS Financial Measures" below for further explanations.

<sup>2</sup> Excludes properties under development. Same-asset committed occupancy excludes properties under development and non-consolidated investments.

## Quarterly Highlights

- **FFO & AFFO:** For the three months ended June 30, 2020, FFO per unit decreased by \$0.004 (4.9%) compared to the prior year, affected by a decrease in same-asset NOI as a result of an increase in bad debt expense in the current year, partially offset by lower operating and administrative expenses, a decrease in finance costs and an increase in NOI from acquisitions and properties transferred to IPP in 2019 and 2020. AFFO per unit was \$0.004 (5.6%) lower than the prior year due to the changes in FFO noted above.
- **Same-asset NOI** decreased by \$997 thousand (5.9%) due to an increase in bad debt expense, partially offset by lower operating expenses in the current year.

Excluding the impact of the lease buyouts from the current and prior period:

- FFO per unit for the quarter would have been 7.6% lower than the prior year, while AFFO per unit for the quarter would have been 7.8% lower than the prior year.
- Same-asset NOI for the quarter would have been 6.5% lower.

Excluding the impact of the lease buyouts from the current and prior period, CECRA impacts and bad debt expense from the current year:

- FFO per unit for the quarter would have been 11.8% higher than the prior year, while AFFO per unit for the quarter would have been 17.6% higher than the prior year.
- Same-asset NOI for the quarter would have been 2.2% higher.

## Year-To-Date Highlights

- **FFO & AFFO:** For the six months ended June 30, 2020, FFO per unit decreased by \$0.044 (21.1%) compared to the prior year, affected by lease buyout revenues in the prior year, which were partly offset by lower operating expenses in the current year, growth in NOI from acquisitions and developments, growth in same-asset NOI due to new leasing, a decrease in administrative costs and a decrease in finance costs. AFFO per unit was \$0.046 (24.6%) lower than the prior year due to the changes in FFO noted above.
- **Same-asset NOI** decreased by \$911 thousand (2.7%) due to an increase in bad debt expense, partially offset by lower operating expenses in the current year.

Excluding the impact of the lease buyouts from the current and prior period:

- FFO per unit for the six months would have been 2.8% higher than the prior year, while AFFO

per unit for the quarter would have been 1.7% higher than the prior year.

- Same-asset NOI for the six months would have been 2.6% lower.

Excluding the impact of the lease buyouts from the current and prior period, CECRA impacts and bad debt expense from the current year:

- FFO per unit for the six months would have been 12.8% higher than the prior year, while AFFO per unit for the six months would have been 15.0% higher than the prior year.
- Same-asset NOI for the six months ended June 30, 2020 would have been 1.8% higher.

## **COVID-19 Update**

The outbreak of COVID-19 has resulted in numerous measures implemented by the governments of Canada to combat the spread of the virus. These measures, including physical distancing, retail closures and travel restrictions, have resulted in material disruption to businesses, and have had a material impact on the economy, including equity and capital markets.

Although the fair value of Plaza's properties reflects its best estimates as at June 30, 2020, Plaza is continuing to review its future NOI and cash flow projections. Depending on the duration and full impacts of COVID-19, certain aspects of Plaza's operations could be affected, including rental and occupancy rates, demand for retail space, capitalization rates, and the resulting value of Plaza's properties.

The pandemic has also had an impact on Plaza's development program, with minor temporary delays as a result of construction shut-downs in certain jurisdictions and delays with planning, rezoning and permitting.

COVID-19 has impacted Plaza's cash flow, as the Trust has received requests from tenants for rent deferrals and abatements, and certain tenants have withheld rent. To assist certain of Plaza's tenants that demonstrate a need for assistance, Plaza has agreed to defer a portion of their rent, with an agreement to repay the amount over a specified period, generally commencing in Q3 2020. Plaza has also, to a very limited extent, agreed to abate rent, or a portion thereof, for certain tenants in Q2. In addition, Plaza has participated in the CERCA program, which provides 75% rent abatement for eligible tenants for April through July, funded via a 25% write-off by the landlord and 50% funded by the federal government. The Quebec provincial government also announced that it would participate in the program by reimbursing landlords for 50% of their write-off, thereby reducing the landlord's write-off for Quebec properties to 12.5%.

To mitigate the impacts from COVID-19, the Trust is prudently managing its capital, including temporarily deferring new acquisitions and developments that are not committed, proactively managing costs to reduce operating, general and administrative expenses, deferring monthly mortgage payments during Q2 under agreements with certain lenders, and deferring elective capital expenditures. Plaza continues to actively monitor the availability and anticipated effect of government relief programs that may be applicable, and participating in such programs where beneficial to the Trust and its tenants.

The full extent and duration of COVID-19, including the resulting impacts on Plaza's business and its tenants, remains uncertain at this time.

## **Rent Collections**

For Q2, Plaza collected 78% of monthly gross rent charged and agreed to defer 7%, with the landlord's write-off under the CECRA program representing 2% and the receivable from the government under this program representing 4% of gross rent charged. Including the federal government contribution under the CECRA program most of which was received in July, Q2 collections were 82% of gross rent charged. Rent collection rates have improved from 80% in April

and May to 86% in June and 92% for July, all including the federal government contribution under the CECRA program as most of the funding from the federal government has been received to date. Plaza continues to work with its tenants on a case-by-case basis to determine acceptable rent payment solutions for any remaining unpaid rent.

With provincial governments relaxing COVID-19 mandated closures, 98% of Plaza's portfolio is now open for business.

### **Further Information**

Information appearing in this press 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 Consolidated Financial Statements, which have been filed on SEDAR and can be viewed at [www.sedar.com](http://www.sedar.com) or on the REIT's website at [www.plaza.ca](http://www.plaza.ca).

### **Conference Call**

Michael Zakuta, President and CEO, and Jim Drake, CFO, will host a conference call for the investment community on Friday, August 7, 2020 at 10:00 a.m. EDT. The call-in numbers for participants are 647-427-7450 or 888-231-8191.

A replay of the call will be available until August 14, 2020. To access the replay, dial 416-849-0833 or 855-859-2056 (Passcode: 9379333). 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, 2020 includes interests in 272 properties totaling approximately 8.4 million square feet across Canada and additional lands held for development. Plaza's portfolio largely consists of open-air centres and stand-alone small box retail outlets and is predominantly occupied by national tenants. For more information, please visit [www.plaza.ca](http://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 press release contains forward-looking statements relating to Plaza's operations, strategy, condition and the environment in which it operates, which can generally be identified by the use of forward-looking words, such as "may", "would", "could", "continue" and other expressions or phrases that do not relate to historical facts. 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 forward-looking statements contained in this press release, including but not limited to general economic and market factors, the impacts of COVID-19 described above, and those described in Plaza's Annual Information Form for the year ended December 31, 2019 and Management's Discussion and Analysis for the quarter ended June 30, 2020 which can be obtained on SEDAR at [www.sedar.com](http://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 and, although 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 forward-looking statements. 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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**For further information:** Jim Drake, Chief Financial Officer, Plaza Retail REIT, Tel: 902.483.4064; Kim Sharpe, Director of Business Development, Plaza Retail REIT, Tel: 506.476.4855

CO: Plaza Retail REIT

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