

Plaza Retail REIT Announces Second Quarter 2021 Results

FREDERICTON, NB, Aug. 5, 2021 /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, 2021.

"We are very pleased with our performance. Our geographically diverse portfolio of open-air centres focused on essential needs retail continues to perform well. Our focus has clearly shifted from managing the effects of the pandemic to pursuing growth opportunities. We are progressing with a number of development projects, and are continuing to pursue additional development and redevelopment opportunities across our geography," said Michael Zakuta, President and CEO.

Summary of Selected IFRS Financial Results								
(CAD\$000s, except percentages)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	\$ Change	% Change	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020	\$ Change	% Change
Property rental revenue	\$29,944	\$26,781	\$3,163	11.8%	\$56,652	\$54,103	\$2,549	4.7%
Net operating income (NOI)	\$20,204	\$16,094	\$4,110	25.5%	\$36,512	\$32,982	\$3,530	10.7%
Net change in fair value of investment properties	\$9,283	(\$28,639)	\$37,922	--	\$12,381	(\$48,511)	\$60,892	--
Profit (loss) and total comprehensive income (loss)	\$19,622	(\$31,299)	\$50,921	--	\$31,846	(\$33,397)	\$65,243	--

Quarterly Highlights

- **NOI** was \$20.2 million, up \$4.1 million (25.5%) from the same period in 2020, primarily as a result of growth in NOI from acquisitions and developments, lower operating expenses including lower bad debt expense, and lease buyout revenues.
- **Profit and total comprehensive income** for the current quarter was \$19.6 million compared to a loss of \$31.3 million in the prior year. The increase was mainly due to an increase in the fair value of investment properties recorded in Q2 2021 as a result of a decrease in the weighted average capitalization rate in the current quarter and appraisals obtained, compared to a decrease in fair value of investment properties recorded in Q2 2020.

Year-To-Date Highlights

- **NOI** was \$36.5 million, up \$3.5 million (10.7%) from the same period in 2020, primarily as a result of growth in NOI from acquisitions and developments, lower operating expenses including lower bad debt expense, and lease buyout revenues.
- **Profit and total comprehensive income** for the current year was \$31.8 million compared to a loss of \$33.4 million in the prior year. The increase was mainly due to an increase in the fair value of investment properties recorded in the current year as a result of a decrease in the weighted average capitalization rate and appraisals obtained, compared to a decrease in fair value of investment properties recorded in the prior year.

Summary of Selected Non-IFRS Financial Results ⁽¹⁾								
(CAD\$000s, except percentages, units repurchased and per unit amounts)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	\$ Change	% Change	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020	\$ Change	% Change
FFO	\$13,054	\$7,919	\$5,135	64.8%	\$22,608	\$17,055	\$5,553	32.6%
FFO per unit	\$0.127	\$0.077	\$0.050	64.9%	\$0.220	\$0.165	\$0.055	33.3%
FFO payout ratio	55.2%	91.0%	n/a	(39.3%)	63.8%	84.6%	n/a	(24.6%)
AFFO	\$11,158	\$7,046	\$4,112	58.4%	\$19,834	\$14,780	\$5,054	34.2%
AFFO per unit	\$0.108	\$0.068	\$0.040	58.8%	\$0.193	\$0.143	\$0.050	35.0%

AFFO payout ratio	64.6%	102.3%	n/a	(36.9%)	72.7%	97.6%	n/a	(25.5%)
Same-asset NOI	\$16,874	\$15,993	\$881	5.5%	\$33,146	\$32,733	\$413	1.3%
Normal course issuer bid – units repurchased	6,750	29,800	n/a	n/a	14,600	389,497	n/a	n/a
Committed occupancy – including non-consolidated investments ⁽²⁾					95.9%	96.2%	n/a	(0.3%)
Same-asset committed occupancy ⁽³⁾					95.5%	95.9%	n/a	(0.4%)

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

(2) Excludes properties under development.

(3) Same-asset committed occupancy excludes properties under development and non-consolidated investments.

Quarterly Highlights

- **FFO & AFFO:** For the three months ended June 30, 2021, FFO per unit increased by \$0.050 (64.9%) compared to the prior year. FFO was impacted by an increase in NOI from acquisitions and developments, lower operating expenses including bad debt, a decrease in administrative costs due to lower salary expenses and lower travel costs, a decrease in finance costs mainly due to lower mortgage interest, and lease buyout revenue in the current quarter, partially offset by a decrease in NOI from property disposals. AFFO per unit was \$0.040 (58.8%) higher than the prior year due to the changes in FFO noted above along with higher maintenance capital expenditures. In Q2 2020, maintenance capital expenditures were lower due to the pandemic, as leasing activity was curtailed and elective capital expenditures were deferred. Maintenance capital expenditures in Q2 2021 are higher due to additional leasing activity and completion of previously deferred elective capital expenditures.
- **Same-asset NOI** increased by \$881 thousand (5.5%) mainly due to lower operating expenses, driven by lower bad debt expense in the current quarter.

Excluding the impact of COVID-related bad debt expense and write-offs, lease buyouts and insurance proceeds:

- FFO per unit for the quarter would have been 7.8% higher than the prior year. AFFO per unit for the quarter would have been 6.1% lower than the prior year due to higher maintenance capital expenditures incurred in the current quarter, as noted above.
- Same-asset NOI for the quarter would have been 2.7% lower than the prior year. This measure still includes certain other impacts of the COVID-19 pandemic on NOI, such as its impact on occupancy.

Year-To-Date Highlights

- **FFO & AFFO:** For the six months ended June 30, 2021, FFO per unit increased by \$0.055 (33.3%) compared to the prior year. FFO was impacted by an increase in NOI from acquisitions and developments, lower operating expenses including bad debt, a decrease in administrative costs due to lower salary expenses and lower travel costs, a decrease in finance costs mainly due to lower mortgage interest, and lease buyout revenue in the current year, partially offset by a decrease in NOI from property disposals. AFFO per unit was \$0.050 (35.0%) higher than the prior year due to the changes in FFO noted above along with lower leasing costs offset by higher maintenance capital expenditures, as noted in the quarterly highlights above.
- **Same-asset NOI** increased by \$413 thousand (1.3%) mainly due to lower operating expenses, driven by lower bad debt expense in the current year.

Excluding the impact of COVID-related bad debt expense and write-offs, lease buyouts and insurance proceeds:

- FFO per unit for the year would have been 7.2% higher than the prior year, while AFFO per unit for the year would have been 3.4% higher than the prior year.
- Same-asset NOI for the year would have been 1.4% lower than the prior year. This measure

still includes certain other impacts of the COVID-19 pandemic on NOI, such as its impact on occupancy.

COVID-19 Update

Plaza's focus on essential needs and value retail, as well as our presence in primary and strong secondary markets in Ontario, Quebec and Atlantic Canada, has served us well. Plaza's portfolio is currently fully-open.

Rent collections have improved significantly since Q2 2020, and rent deferrals and abatements have decreased substantially, as follows:

	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Gross rent collected from tenants	98.5%	99.1%	99.4%	95.2%	89.2%
CECRA – Federal and Quebec Government contribution	-	-	-	2.9%	4.0%
Total collections including government contributions under CECRA	98.5%	99.1%	99.4%	98.1%	93.2%
CECRA – 25% Landlord write-off	-	-	-	1.0%	1.5%
Rent abated	0.4%	0.2%	0.2%	0.4%	2.6%
Rent deferred with a definitive repayment schedule	0.6%	0.4%	-	0.1%	0.7%
Remaining tenant accounts receivable ⁽¹⁾	0.5%	0.3%	0.4%	0.4%	2.0%
Totals	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Remaining tenant accounts receivable excludes allowance for doubtful accounts.

For deferred rent that was to be repaid in Q1 and Q2 2021, Plaza collected 97.5% of same.

Although the operating environment has improved significantly, and continues to improve, the uncertainty of subsequent waves of the COVID-19 pandemic may again impact Plaza's business and its tenants.

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 or on the REIT's website at 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 6, 2021 at 10:30 a.m. EDT. The call-in numbers for participants are 416-764-8659 (local Toronto) or 902-704-0254 (local Halifax) or 888-664-6392 (toll free, within North America).

A replay of the call will be available until August 13, 2021. To access the replay, dial 416-764-8677 (local Toronto) or 888-390-0541 (Passcode: 331736). 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, 2021 includes interests in 263 properties totaling approximately 8.6 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.

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, including those relating to Plaza's continued pursuit of development and redevelopment opportunities and its ability to continue to advance projects. 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 duration and full impacts of COVID-19, and those described in Plaza's Annual Information Form for the year ended December 31, 2020 and Management's Discussion and Analysis for the quarter ended June 30, 2021 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 development and redevelopment opportunities continue to be available and can be completed within reasonable timeframes and at reasonable costs, and that tenant demand for space in such projects continues. 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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