

Plaza Retail REIT Announces Third Quarter 2024 Results

FREDERICTON, NB, Nov. 7, 2024 /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, 2024.

"We are pleased with our Q3 results as we continue to achieve strong lease renewal spreads and same-asset NOI growth" said Michael Zakuta, President and CEO. "Our portfolio, dominated by open-air essential needs and value retail properties, continues to perform, and demand for our retail space remains strong. As interest rates decline, we also benefit from lower borrowing costs, which we anticipate will positively contribute to our results through the remainder of the year and into 2025."

Summary of Selected IFRS Financial Results								
(CAD\$000s, except percentages)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	\$ Change	% Change	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023	\$ Change	% Change
Revenues	\$30,414	\$28,294	\$2,120	7.5 %	\$90,657	\$85,102	\$5,555	6.5 %
Net operating income (NOI) ⁽¹⁾	\$19,651	\$18,460	\$1,191	6.5 %	\$56,093	\$52,918	\$3,175	6.0 %
Net change in fair value of investment properties	(\$3,596)	(\$10,919)	\$7,323	-	(\$12,224)	(\$10,472)	(\$1,752)	-
Profit and total comprehensive income	\$5,119	\$3,355	\$1,764	-	\$17,012	\$24,091	(\$7,079)	-

(1) This is a non-GAAP financial measure. Refer to the Non-GAAP Financial Measures defined here and in Part I and VII of the Management's Discussion and Analysis ("MD&A") ending September 30, 2024 for more information on each non-GAAP financial measure.

Quarterly Highlights

- **NOI** was \$19.7 million, up \$1.2 million or 6.5% from the same period in 2023. The increase in NOI is from rent escalations and lease-up in same-asset properties, developments and properties transferred to income-producing in 2023 and 2024, partially offset by a decrease in NOI from properties sold.
- **Profit and total comprehensive income** for the current quarter was \$5.1 million compared to \$3.4 million in the same period in the prior year. The increase was mainly due to the change in fair value of investment properties, with a \$3.6 million decrease in the current quarter compared to a \$10.9 million decrease recorded in the same quarter in the prior year. Profit and total comprehensive income was also impacted by an increase in finance costs and administrative expenses, offset by the NOI increase noted above. Profit was also impacted by changes in non-cash fair value adjustments relating to share of profit from associates, interest rate swaps, the Class B exchangeable LP units, and convertible debentures.

Year-To-Date Highlights

- **NOI** was \$56.1 million, up \$3.2 million or 6.0% from the same period in 2023. NOI was impacted by rent escalations and lease-up in same-asset properties, an increase in NOI from developments and properties transferred to income producing in 2023 and 2024, offset by a decrease in NOI from properties sold.
- **Profit and total comprehensive income** for the current year to date was \$17.0 million compared to \$24.1 million in the same period in the prior year. The decrease was mainly due to the change in fair value of investment properties, with a \$12.2 million decrease recorded in the current year compared to a \$10.5 million decrease recorded in the same period in the prior year. Profit and total comprehensive income was also impacted by an increase in finance costs

and administrative expenses, offset by the NOI increase noted above Profit was also impacted by an increase in the share of profit of associates relating to the non-cash fair value adjustment of the underlying properties in the current year, a decrease in investment and other income, along with changes in non-cash fair value adjustments relating to interest rate swaps, the Class B exchangeable LP units, and convertible debentures.

Summary of Selected Non-IFRS Financial Results								
(CAD\$000s, except percentages, units repurchased and per unit amounts)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	\$ Change	% Change	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023	\$ Change	% Change
FFO ⁽¹⁾	\$11,405	\$11,392	\$13	0.1 %	\$31,948	\$31,458	\$490	1.6 %
FFO per unit ⁽¹⁾	\$0.102	\$0.102	-	-	\$0.286	\$0.289	(\$0.003)	(1.0 %)
FFO payout ratio ⁽¹⁾	68.4 %	68.5 %	n/a	(0.1 %)	73.3 %	73.2 %	n/a	0.1 %
AFFO ⁽¹⁾	\$9,640	\$9,424	\$216	2.3 %	\$25,873	\$25,360	\$513	2.0 %
AFFO per unit ⁽¹⁾	\$0.086	\$0.085	\$0.001	1.2 %	\$0.232	\$0.233	(\$0.001)	(0.4 %)
AFFO payout ratio ⁽¹⁾	81.0 %	82.8 %	n/a	(2.2 %)	90.5 %	90.8 %	n/a	(0.3 %)
Same-asset NOI ⁽¹⁾	\$18,618	\$18,266	\$352	1.9 %	\$53,984	\$52,491	\$1,493	2.8 %
Normal course issuer bid – units repurchased	-	8,054	n/a	n/a	4,920	19,627	n/a	n/a
Committed occupancy – including non-consolidated investments ⁽²⁾					97.5 %	97.2 %	n/a	0.3 %
Same-asset committed occupancy ⁽³⁾					96.9 %	96.9 %	n/a	-

⁽¹⁾ This is a non-GAAP financial measure. Refer to the Non-GAAP Financial Measures defined here and in Part I and VII of the MD&A ending September 30, 2024 for more information on each non-GAAP financial measure.

⁽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 September 30, 2024, FFO on a dollar basis increased \$13 thousand or 0.1%. FFO per unit was consistent with the same period in the prior year. FFO was impacted by higher NOI from same-asset, developments, and properties transferred to income producing, offset by a decrease in NOI from property dispositions and higher administrative and finance costs. AFFO on a dollar basis increased \$216 thousand or 2.3%, and AFFO per unit increased by \$0.001 or 1.2% compared to the same period in the prior year. AFFO was impacted mainly due to the changes in FFO noted above, as well as increased maintenance capital expenditures and lower leasing costs.
- **Same-asset NOI** increased by \$352 thousand or 1.9% due to lease-up and rent escalations, along with the completion of the repositioning of certain properties, offset by higher operating expenses.

Year-To-Date Highlights

- **FFO & AFFO:** For the nine months ended September 30, 2024, FFO on a dollar basis increased \$490 thousand or 1.6%. FFO per unit decreased by \$0.003 or (1.0%) compared to the same period in the prior year. FFO was impacted by higher NOI from same-asset, developments, and properties transferred to income producing, offset by a decrease in NOI from property dispositions and higher administrative and finance costs. AFFO on a dollar basis increased \$513 thousand or 2.0%. AFFO per unit decreased by \$0.001 or (0.4%) compared to the same period in the prior year mainly due to the changes in FFO noted above, as well as increased maintenance capital expenditures from extraordinary expenditures, and lower leasing costs. FFO and AFFO per unit were also impacted by the issue of 8.5 million trust units in March 2023.
- **Same-asset NOI** increased by \$1.5 million or 2.8% due to lease-up and rent escalations, along with the completion of the repositioning of certain properties, and lower operating expenses.

Non-GAAP Financial Measures

This press release contains certain non-GAAP 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 a standardized meaning prescribed by IFRS Accounting Standards 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 Accounting Standards. For further explanation of non-GAAP measures and their usefulness in assessing Plaza's performance, please refer to the section "Basis of Presentation" in Part I and the section "Explanation of Non-GAAP Measures" in Part VII of the REIT's Management's Discussion and Analysis as at September 30, 2024, which can be found on Plaza's website at www.plaza.ca and on SEDAR at www.sedar.com.

The following tables reconcile the non-GAAP measures FFO, AFFO, and NOI to the most comparable IFRS measures.

Funds from Operations (FFO) and Adjusted Funds from Operations (AFFO)

Plaza's summary of FFO and AFFO for the three and nine months ended September 30, 2024, compared to the three and nine months ended September 30, 2023, is presented below:

	3 Months Ended September 30, 2024	3 Months Ended September 30, 2023	Change over Prior Period	9 Months Ended September 30, 2024	9 Months Ended September 30, 2023	Change over Prior Period
(000s – except per unit amounts and percentage data, unaudited)						
Profit and total comprehensive income for the period attributable to unitholders	\$ 5,073	\$ 3,375		\$ 16,862	\$ 24,009	
Incremental leasing costs included in administrative expenses ⁽⁷⁾	383	319		1,248	1,056	
Amortization of debenture issuance costs ⁽⁸⁾	(18)	(18)		(54)	(123)	
Distributions on Class B exchangeable LP units included in finance costs – operations	81	81		243	245	
Deferred income taxes	(99)	(143)		97	(119)	
Right-of-use land lease principal repayments	(205)	(202)		(611)	(601)	
Fair value adjustment to restricted and deferred units	280	(227)		134	(383)	
Fair value adjustment to investment properties	3,596	10,919		12,224	10,472	
Fair value adjustment to investments ⁽⁹⁾	(1,460)	(451)		(1,400)	121	
Fair value adjustment to Class B exchangeable LP units	544	(416)		243	(1,017)	
Fair value adjustment to convertible debentures	426	(450)		279	(658)	
Fair value adjustment to interest rate swaps	2,366	(1,486)		1,737	(2,014)	
Fair value adjustment to right-of-use land lease assets	205	202		611	601	
Equity accounting adjustment ⁽¹⁰⁾	264	(33)		370	(58)	
Non-controlling interest adjustment ⁽⁶⁾	(31)	(78)		(35)	(73)	
FFO⁽¹⁾	\$ 11,405	\$ 11,392	\$ 13	\$ 31,948	\$ 31,458	\$ 490
FFO change over prior period - %			0.1 %			1.6 %
FFO⁽¹⁾	\$ 11,405	\$ 11,392		\$ 31,948	\$ 31,458	
Non-cash revenue – straight-line rent ⁽⁵⁾	(169)	(16)		(387)	(27)	
Leasing costs – existing properties ^{(2) (5) (11)}	(1,022)	(1,732)		(3,952)	(5,173)	
Maintenance capital expenditures – existing properties ⁽¹²⁾	(603)	(223)		(1,778)	(901)	
Non-controlling interest adjustment ⁽⁶⁾	29	3		42	3	
AFFO⁽¹⁾	\$ 9,640	\$ 9,424	\$ 216	\$ 25,873	\$ 25,360	\$ 513
AFFO change over prior period - %			2.3 %			2.0 %
Weighted average units outstanding – basic ⁽¹⁾⁽³⁾	111,537	111,530		111,528	108,797	
FFO per unit – basic⁽¹⁾	\$ 0.102	\$ 0.102	-	\$ 0.286	\$ 0.289	(1.0 %)
AFFO per unit – basic⁽¹⁾	\$ 0.086	\$ 0.085	1.2 %	\$ 0.232	\$ 0.233	(0.4 %)
Gross distribution to unitholders ⁽¹⁾⁽⁴⁾	\$ 7,806	\$ 7,806		\$ 23,417	\$ 23,020	
FFO payout ratio – basic⁽¹⁾	68.4 %	68.5 %		73.3 %	73.2 %	
AFFO payout ratio – basic⁽¹⁾	81.0 %	82.8 %		90.5 %	90.8 %	
FFO⁽¹⁾	\$ 11,405	\$ 11,392		\$ 31,948	\$ 31,458	
Interest on dilutive convertible debentures	180	179		537	533	
FFO – diluted⁽¹⁾	\$ 11,585	\$ 11,571	\$ 14	\$ 32,485	\$ 31,991	\$ 494
Diluted weighted average units outstanding ⁽¹⁾⁽³⁾	114,067	114,060		114,058	111,327	
AFFO⁽¹⁾	\$ 9,640	\$ 9,424		\$ 25,873	\$ 25,360	
Interest on dilutive convertible debentures	180	179		537	533	
AFFO – diluted⁽¹⁾	\$ 9,820	\$ 9,603	\$ 217	\$ 26,410	\$ 25,893	\$ 517
Diluted weighted average units outstanding ⁽¹⁾⁽³⁾	114,067	114,060		114,058	111,327	

FFO per unit – diluted ⁽¹⁾	\$ 0.102	\$ 0.101	1.0 %	\$ 0.285	\$ 0.287	(0.7 %)
AFFO per unit – diluted ⁽¹⁾	\$ 0.086	\$ 0.084	2.4 %	\$ 0.231	\$ 0.233	(0.9 %)

- (1) This is a non-GAAP financial measure. Refer to the Non-GAAP Financial Measures defined here and in Part I and VII of the REIT's MD&A ending September 30, 2024 for more information on each non-GAAP financial measure.
- (2) Based on actuals.
- (3) Includes Class B exchangeable LP units.
- (4) Includes distributions on Class B exchangeable LP units.
- (5) Includes proportionate share of revenue and expenditures at equity-accounted investments.
- (6) The non-controlling interest ("NCI") adjustment, includes adjustments required to translate the profit and total comprehensive income attributable to NCI of \$46 thousand and \$150 thousand for the three and nine months ending September 30, 2024, respectively (September 30, 2023 – loss of \$20 thousand and profit of \$82 thousand, respectively) to FFO and AFFO for the NCI.
- (7) Incremental leasing costs included in administrative expenses include leasing costs of salaried leasing staff directly attributed to signed leases that would otherwise be capitalized if incurred from external sources. These costs are excluded from FFO in accordance with RealPAC's definition of FFO.
- (8) Amortization of debenture issuance costs is deducted on a straight-line basis over the remaining term of the related convertible debentures, in accordance with RealPAC.
- (9) Fair value adjustment to investments relate to the unrealized change in fair value of equity accounted entities which are excluded from FFO in accordance with RealPAC's definition of FFO.
- (10) Equity accounting adjustment for interest rate swaps includes the change in non-cash fair value adjustments relating to interest rate swaps held by equity accounted entities, which are excluded from FFO in accordance with RealPAC's definition of FFO.
- (11) Leasing costs – existing properties include internal and external leasing costs except to the extent that leasing costs relate to development projects, in accordance with RealPAC's definition of AFFO. See the Gross Capital Additions Including Leasing Fees note on page 27 of the MD&A.
- (12) Maintenance capital expenditures – existing properties include expenditures related to sustaining and maintaining existing space, in accordance with RealPAC's definition of AFFO. See the Gross Capital Additions Including Leasing Fees note on page 27 of the MD&A.

Net Property Operating Income (NOI) and Same-Asset Net Property Operating Income (Same-Asset NOI)

	3 Months Ended September 30, 2024 (unaudited)	3 Months Ended September 30, 2023 (unaudited)	9 Months Ended September 30, 2024 (unaudited)	9 Months Ended September 30, 2023 (unaudited)
(000s)				
Same-asset NOI ⁽¹⁾	\$ 18,618	\$ 18,266	\$ 53,984	\$ 52,491
Developments and redevelopments transferred to income producing in 2023 & 2024 (\$7.5 million annual stabilized NOI)	1,490	906	3,767	1,684
NOI from properties currently under development and redevelopment (\$650 thousand annual stabilized NOI)	-	(179)	-	(51)
Straight-line rent	169	22	387	42
Administrative expenses charged to NOI	(887)	(898)	(2,963)	(2,829)
Lease termination revenue	168	-	201	-
Properties disposed	80	324	697	1,500
Other	13	19	20	81
Total NOI⁽¹⁾	\$ 19,651	\$ 18,460	\$ 56,093	\$ 52,918
Percentage increase over prior period	6.5 %		6.0 %	

- (1) This is a non-GAAP financial measure. Refer to the Non-GAAP Financial Measures defined here and in Part I and VII of the REIT's MD&A for more information on each non-GAAP financial measure.

Cautionary Statements Regarding Forward-looking Information

This press release contains forward-looking statements relating to Plaza's operations, prospects, outlook, condition and the environment in which it operates, including with respect to Plaza's outlook or expectations regarding the future of its business, continuation of strong retailer demand and the impact of lower interest rates on Plaza's overall success through the remainder of the year and into 2025. 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, implied or projected by forward-looking statements contained in this press release, including but not limited to changes in economic, retail, capital market, or debt market conditions, including recessions and changes in, or the extent of changes in, interest rates and the rate of inflation; supply chain constraints; competitive real estate conditions; and others described in Plaza's Annual Information Form for the year ended December 31, 2023 and Management's Discussion and Analysis for the three and nine months ended September 30, 2024 which can be obtained on the REIT's website at www.plaza.ca or on SEDAR+ at www.sedarplus.ca. 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 progress continues on Plaza's development and redevelopment program, the strength of Plaza's tenant base, that tenant demand for space continues, that Plaza is able to lease or re-lease space at anticipated rents and that interest rates continue to decline. 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.

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 can be found on the REIT's website at www.plaza.ca or on SEDAR at www.sedar.com.

Conference Call

Michael Zakuta, President and CEO, Jim Drake, CFO, and Jason Parravano, COO, will host a conference call for the investment community on Friday, November 8, 2024 at 10:00 a.m. EST. The call-in numbers for participants are 1-437-900-0527 (local Toronto) or 1-888-510-2154 (toll free, within North America).

A replay of the call will be available until November 15, 2024. To access the replay, dial 1-289-819-1450 (local Toronto) or 1-888-660-6345 (Passcode: 52498#). 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, 2024 includes interests in 218 properties totaling approximately 8.8 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 with a focus on the essential needs, value and convenience market segments. For more information, please visit www.plaza.ca.

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