

Office  
REIT

**SLATE**

SLATE OFFICE REIT

INVESTOR UPDATE

Q4 2018

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# SLATE OFFICE REIT



**Pure play North American  
office REIT**



**High quality assets  
located in target markets  
with strong operating  
histories**



**Managed by Slate Asset  
Management L.P. ("SLAM")  
which owns 9.3% of the  
REIT**

## **Mission**

Own and operate a quality office portfolio that provides a meaningful total return to unitholders through net asset value growth and an attractive yield

# SLATE OFFICE REIT

**7.6M**  
Square Feet

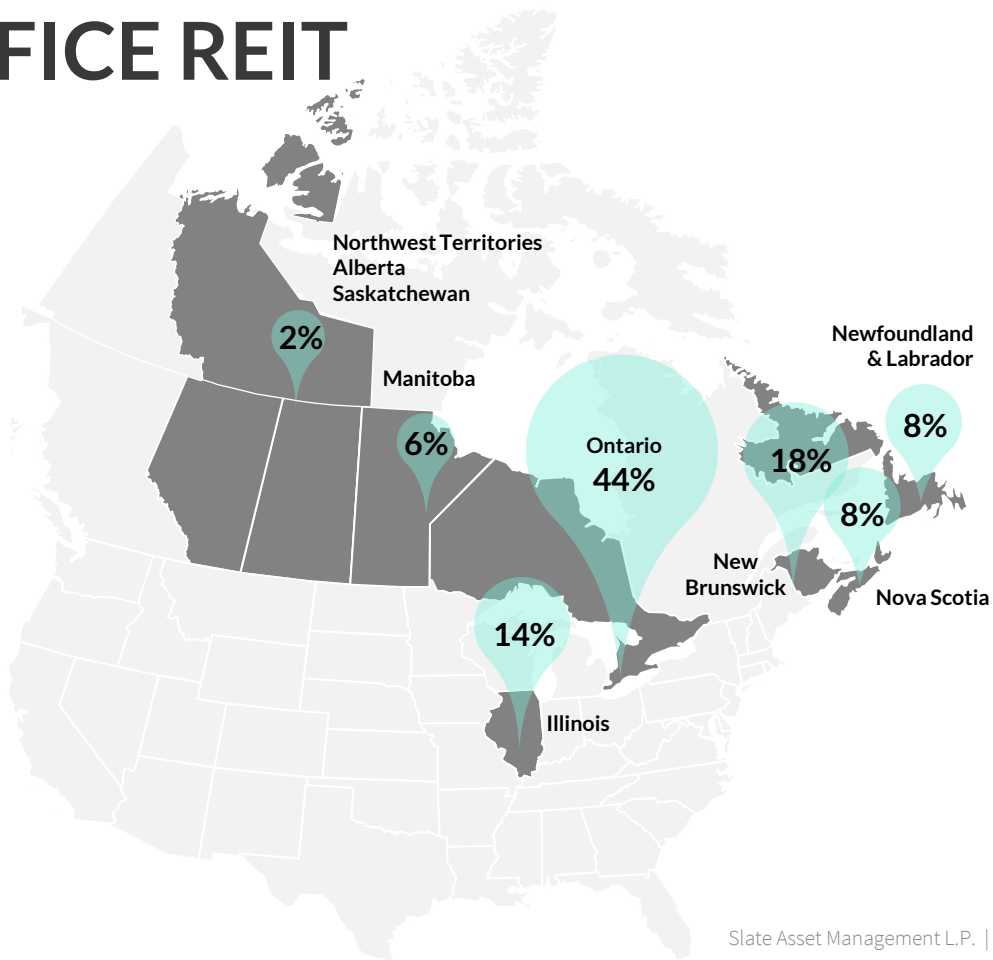
**\$1.7B**  
Total Enterprise Value

**41**  
Assets<sup>1</sup>

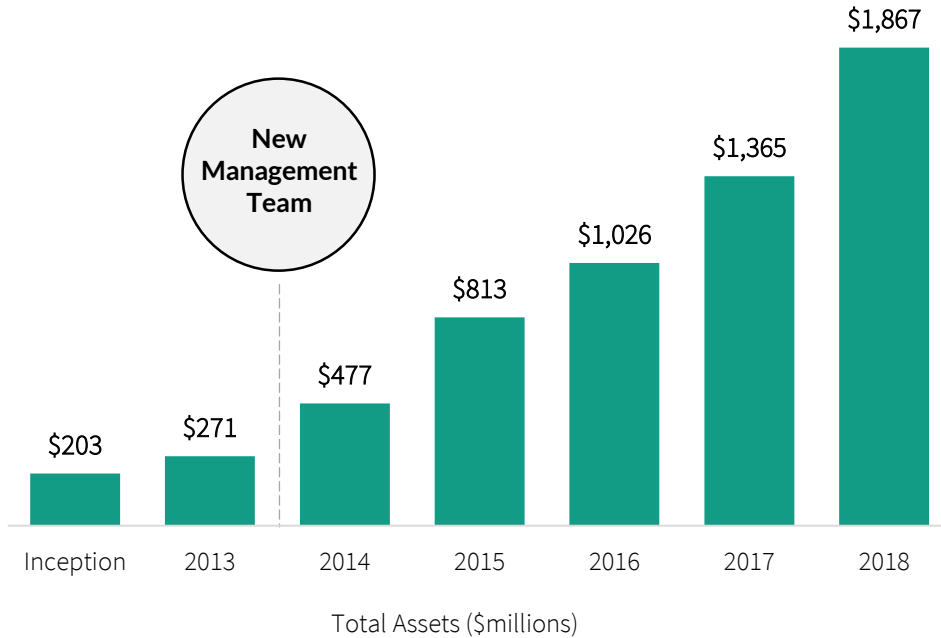
**\$511M**  
Equity Market Cap

**SOT.UN**  
TSX

<sup>1</sup>As at December 31, 2018



# PORTFOLIO GROWTH



**\$203<sub>M</sub>**  
Inception

**\$1.9<sub>B</sub>**  
Q4 2018

**44.7%**  
Compound Annual Growth Rate

# VALUE CREATION INITIATIVES



## **Capital Recycling Program**

The sale of whole or partial property interests allows the REIT to recycle capital to reduce leverage and create liquidity for future investments that are accretive to net asset value



## **Validation of Net Asset Value**

Recent acquisitions along with the completion of a joint venture arrangement validate the net asset value of the REIT



## **Capital Allocation**

New capital allocation initiatives will increase financial flexibility, allowing the REIT to make accretive new investments that will generate strong total returns

# GREATER TORONTO AREA JOINT VENTURE

Sale of a 25% interest in six GTA properties to Wafra<sup>1</sup>, a strategic joint venture partner for \$132M

## Capital Partner

Aligns the REIT with an institutional capital partner with potential future co-investment opportunities

Attractive premium to IFRS value and a levered return of 19%

## Market Valuation

Validates the net asset value of SOT and supports the quality of the REIT's portfolio

Proceeds will be used to reduce outstanding debt

## Liquidity

Reduces leverage, increases financial flexibility and strengthens financial position

<sup>1</sup>Represents an investment fund advised by Wafra Inc. ("Wafra")

# NET ASSET VALUE

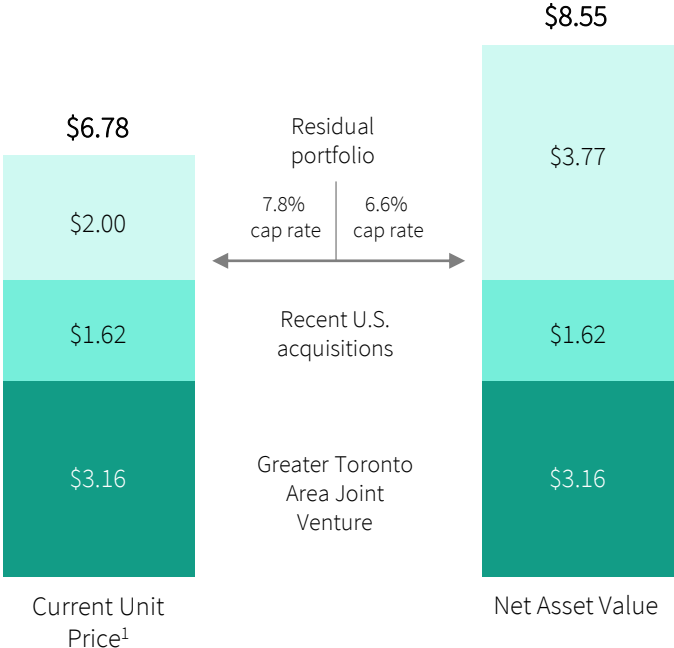
Joint venture arrangement and recent U.S. acquisitions provide a substantive basis that supports the net asset value of the REIT

*(all amounts in C\$ millions, except per unit amounts)*

		<b>Total</b>
Greater Toronto Area Joint Venture Portfolio	\$	527.2
Recent U.S. acquisitions		328.7
Other properties <sup>1</sup>		983.2
Debt and working capital		(1,195.5)
<b>Net asset value</b>	<b>\$</b>	<b>643.6</b>
<b>Net asset value per unit</b>	<b>\$</b>	<b>8.55</b>

<sup>1</sup>Valuation is equal to a 6.6% capitalization rate on next twelve months net operating income. Properties have an in-place occupancy of 87.1%.

# ATTRACTIVE OPPORTUNITY



Current trading price is at a substantial discount to net asset value

Joint Venture arrangement and recent acquisitions made in the U.S. validate more than 46% of the REIT's net asset value

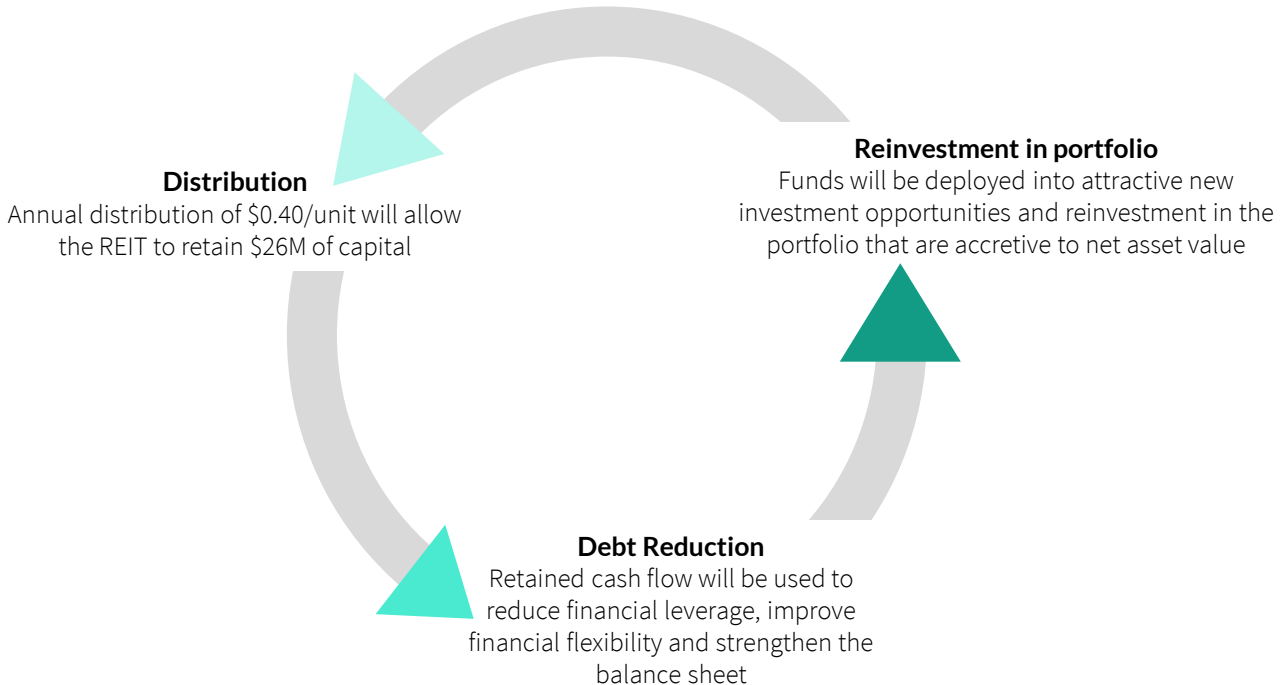
Attractive investment opportunity to purchase units at a discount, providing potential for strong returns

<sup>1</sup>As at March 1, 2019



# CAPITAL ALLOCATION

SOT has undertaken new capital allocation initiatives that will position the REIT to deliver strong total returns



# CAUTIONARY STATEMENTS

## Forward-Looking Statements

This presentation contains forward-looking information within the meaning of applicable securities laws. These statements include, but are not limited to, statements concerning the REIT's objectives, its strategies to achieve those objectives, as well as statements with respect to management's beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Readers should not place undue reliance on any such forward-looking statements. Forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the REIT to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained herein. Such forward-looking statements are based on a number of assumptions that may prove to be incorrect, including, but not limited to, the continued availability of mortgage financing and current interest rates; the extent of competition for properties; assumptions about the markets in which the REIT and its subsidiaries operate; the global and North American economic environment; and changes in governmental regulations or tax laws. Although the forward-looking information contained in this presentation is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Certain statements included in this presentation may be considered "financial outlook" for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this presentation. Except as required by applicable law, the REIT undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

## Non-IFRS Measures

This presentation contains financial measures that do not have a standardized meaning under International Financial Reporting Standards ("IFRS") as prescribed by the International Accounting Standards Board. Slate Office uses the following non-IFRS financial measures: Funds from Operations ("FFO"), Adjusted Funds from Operations ("AFFO"), Net Operating Income ("NOI"), and Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA"). Management believes that in addition to conventional measures prepared in accordance with IFRS, investors in the real estate industry use these non-IFRS financial measures to evaluate the REIT's performance and financial condition. Accordingly, these non-IFRS financial measures are intended to provide additional information and should not be considered in isolation or as a substitute for performance measures prepared in accordance with IFRS. In addition, they do not have standardized meanings and may not be comparable to measures used by other issuers in the real estate industry or other industries.

## Use of Estimates

The preparation of the REIT financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Management's estimates are based on historical experience and other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates under different assumptions.



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