

CORPORATE PARTICIPANTS

Braden Lyons
Investor Relations

David Dunn
Chief Operating Officer

Andrew Agatep
Chief Financial Officer

Greg Stevenson
Chief Executive Officer

CONFERENCE CALL PARTICIPANTS

Sumayya Syed
CIBC World Markets

Johann Rodrigues
Raymond James

Jenny Ma
BMO Capital Markets

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by and welcome to the Slate Retail REIT Fourth Quarter 2019 Financial Results Conference Call.

At this time, all participants are in a listen-only mode. After the speaker's presentation, there will be a question-and-answer session. To ask a question during the session, you will need to press star one on your telephone. Please be advised that today's conference is being recorded. If you require any further assistance, please press star zero.

I would now like to hand the conference over to your speaker today, Braden Lyons, Investor Relations. Thank you. Please go ahead.

Braden Lyons, Investor Relations

Thank you, operator, and good morning, everyone. Welcome to the fourth quarter 2019 conference call for Slate Retail REIT. I am joined today by Greg Stevenson, Chief Executive Officer; David Dunn, Chief Operating Officer; and Andrew Agatep, Chief Financial Officer.

Before getting started, I would like to remind participants that our discussion today may contain forward-looking statements and therefore we ask you to familiarize yourself with the disclaimers regarding forward-looking statements as well as non-IFRS financial measures, both of which can be found in management's discussion and analysis.

You can visit Slate Retail REIT's website to access all of the REIT's financial disclosure, including our Q4 2019 investor update, which is available now.

I will now hand over the call to David Dunn for opening remarks.

David Dunn, Chief Operating Officer

Thank you, Braden, and thank you to all the participants for joining the call this morning.

Before we get into Q4 results, I would like to sincerely thank Greg Stevenson for his exceptional leadership and guidance over the last five years. Not only did he make a sizeable contribution to our portfolio, he also made a significant impact on our team, and for that we are all very grateful. Greg is retiring from the REIT and leaving us in the best position we have been in since inception. He has laid a solid foundation for the business to excel as we enter this exciting new chapter.

Today we are pleased to introduce Slate Retail REIT 2.0. Our team, our balance sheet, and our pipeline are in the best position they have ever been as the REIT enters this next chapter focused on growth. Although we have sacrificed growth over the last two years, our disciplined strategy has allowed us to de-risk the balance sheet and recycle capital to upgrade the property portfolio. These tradeoffs will benefit the business for the next several years.

Looking back, the REIT has not raised equity in three years, as we have focused on operations. Over the same time period we have achieved average leasing spreads of 11% while maintaining portfolio occupancy of at least 92%. We have repurchased units amounting to over 10% of our market cap and our Q4 2019 repurchases alone have resulted in annual savings on distributions of \$1.6 million. This offsets the distribution increase by a factor of four. We have sold more than \$100 million of non-core or stabilized assets at a cap rate of approximately 7%. The REIT has expanded its redevelopment pipeline. We will be investing \$23 million of capital with an estimated yield on cost of 12%. Despite selling assets and investing in value-add capital, we have demonstrated increased FFO per unit growth over this time period. We are very excited as we enter 2020. Our strategy has created an

increasingly durable portfolio, which allows us to enter the new decade from a position of strength.

Now looking forward, we have just refinanced our balance sheet, which has added significantly more term and has created \$1.7 million of annual interest savings. We estimate this will equate to approximately \$0.04 per unit of FFO growth. We have \$210 million of liquidity that can be spent without raising equity. We have been active in our underwriting and have a robust pipeline of acquisition opportunities. We expect to begin deploying capital this year into acquisitions that will be accretive to FFO per unit.

In conclusion, with a strong balance sheet, a higher-quality portfolio, and a robust pipeline of growth opportunities, we are poised to execute on our growth strategy and drive significant value for our unitholders going forward. We thank you for your continued support and I will now hand it over for Q&A.

QUESTION AND ANSWER SESSION

Operator

As a reminder, to ask a question you will need to press star one on your telephone. To withdraw your question, press the pound or hash key. Please stand by while we compile the Q&A roster.

Your first question comes from Sumayya Syed with CIBC. Your line is open.

Sumayya Syed, CIBC World Markets

Thanks. Good morning. Firstly, David, congrats on the new role, what do you see now as the biggest opportunities for Slate and can you speak to your immediate and longer-term priorities?

David Dunn, Chief Operating Officer

Thank you, Sumayya. Appreciate the kind words. Before I get into your question, I would just like to say I am very appreciative and excited for the opportunity to lead this business. I have worked on it for four years now executing our strategy. I believe in it, I believe in the team and I also look forward to getting to know the investment community as we move forward, especially with our new focus on growth.

I think I will just take a minute to express what this leadership change means for two reasons. From an operational standpoint, very little changes. The recent

management shuffle provides opportunities for our team to grow. We have a really strong team, very capable. Many of them have worked on the business for many years, some since inception. Growing our people internally is a hallmark of the REIT and of SLAM, Slate Asset Management, as a whole.

From a strategy standpoint, this is certainly a pivot point for us. We have been executing on our prior strategy, which was to retrench the business and sell non-core and some properties that we have executed on our business plan, and now we are focused on growth and deploying capital accretively and essentially to grow unitholder value in any way that we can going forward.

Sumayya Syed, CIBC World Markets

Okay. And then in your letter you also referenced upgrading the portfolio quality. Should we think about that in terms of cap rates or tenant mix or NOI growth? What does quality mean to you here in this context?

David Dunn, Chief Operating Officer

Essentially all of the above. We have sold off some of our older stock, some of the GAR properties that no longer fit our strategy. Going forward, we want to do more business with the traditional grocers, the ones that we are already highly weighted in. 25% of our portfolio is comprised of the four major grocers in the market, being Kroger, Wal-Mart, Publix and Ahold Delhaize. We want to look to increasingly stronger markets that we see growth and we think the market is at a good place to execute our growth strategy.

Sumayya Syed, CIBC World Markets

Okay, thank you. Just noting the retention rate, a bit of a dip in 2019. Where do you expect that number to end up in 2020?

David Dunn, Chief Operating Officer

Essentially, I would suggest otherwise. Our portfolio occupancy has been stable and it always has been. It has ranged from 92% to 96% since inception. At 93% we are right where we want to be and I think there are opportunities to grow. Going forward, we do not see this deviating very much, if at all.

Sumayya Syed, CIBC World Markets

That is fair. Thank you. That is all for me.

Operator

Your next question comes from Johann Rodrigues with Raymond James. Your line is open.

Johann Rodrigues, Raymond James

Hi, everyone. David, how do you see organic growth or same property NOI growth trending, both in 2020 but also longer term on a stabilized basis?

David Dunn, Chief Operating Officer

We look at organic growth from a total portfolio perspective. Guidance in the past has been 2.5% to 3% and we do not really see that changing going forward. I will break it out for you.

On an SPNOI basis our expectations, our target would be 0.5% to 1%. And I still consider redevelopment within our existing portfolio as organic growth and we are looking to generate 1% to 2% on that basis going forward, which should roll up to the 2.5% to 3% that we have stated in the past and still see going forward.

Andrew Agatep, Chief Financial Officer

It is Andrew here. I think it is also important to note that out of eight of the past twelve quarters we have reported positive same property NOI, something which we are really pleased with.

If you look at it from a trailing twelve-month basis too, our organic growth historically has been about 0.7%. And when you tack on the redevelopment that we have, that adds another 1%. So, well within range of what we have said historically and where we would expect to be in the future.

Johann Rodrigues, Raymond James

Okay. And then looking at your different buckets for capital allocation, if you had \$100 for 2020, how do you see that being allocated between acquisitions, deleveraging, unit buybacks, and capital upgrades?

David Dunn, Chief Operating Officer

Johann, thanks for the question. I will answer that one. We are constantly assessing the best way to allocate our capital to achieve the best returns for our investors. We are looking forward to grow. I would not put a percentage or a number on whether we are going to deploy capital more to investment, accretive investment opportunities or within our existing portfolio. We assess those opportunities as they come and we will continue to do so and we think the horizon is broad and we are excited to spend some cash in the next little while.

Johann Rodrigues, Raymond James

Okay. And roughly what is the volume of assets that you still plan to sell in the near term?

David Dunn, Chief Operating Officer

So, our disposition program has been underway for about 12 months. To end 2019, we closed \$111 million of dispositions at a seven cap. Our prior stated target was \$200 million. We think this program might extend into mid-year but we are still tracking along our prior stated guidance.

Johann Rodrigues, Raymond James

Okay, thanks. I will turn it back.

Operator

Your next question comes from Jenny Ma with BMO Capital Markets. Your line is open.

Jenny Ma, BMO Capital Markets

Thanks. Good morning. Congrats to David and Andrew on your new roles.

David Dunn, Chief Operating Officer

Thank you.

Andrew Agatep, Chief Financial Officer

Thank you.

Jenny Ma, BMO Capital Markets

So, I guess this is kind of like a question that Johann was asking. You have got the re-fi in place and you are talking about a lot of acquisition opportunities and development within the portfolio. I am just wondering how you think about your leverage target with it sitting at 60% to the extent that you have more acquisitions coming your way. Are you willing to push that line a little just to get it done?

David Dunn, Chief Operating Officer

Thanks for the question, Jenny. We continue to use leverage prudently, as we always have. We are very pleased with the demand and the support from our lending partners. We are excited about closing this latest round. We were oversubscribed on our debt, which is a nice vote of confidence.

We have trended down in leverage over a period of time and our goal in the near to mid-term is to bring it down into the mid-50s. Obviously, that is going to ebb and flow a little bit as we deploy capital and sell assets, but we are tracking to that range and we expect to get there within the relatively near future. It is all dependent on the disposition pipeline and our acquisitions as well.

Jenny Ma, BMO Capital Markets

Right. So, to that end, maybe you could talk about what kind of acquisitions you are seeing in the pipeline maybe. Any sort of guidance on potential volume over the next 12 to 24 months?

David Dunn, Chief Operating Officer

Certainly. We are excited about what we see in the pipeline. We have been active in underwriting, even though we have been in a disposition trend of late. We are going to strategically deploy up to \$200 million, which is our capacity, over the next period of time.

Our strategy is to continue to look at attractive markets by accretive deals, demographics, population and economic growth, strong employment. All of that is a high priority for our strategy. We always want to buy the top one to two grocers in each MSA. I would suggest we are going to focus east of the Mississippi going forward, but if opportunities present themselves, we will take a look at them and assess them as they come.

Jenny Ma, BMO Capital Markets

And what kind of cap rates are you seeing for these kinds of deals?

David Dunn, Chief Operating Officer

The market is strong. We think it is liquid and there are opportunities out there. Not a lot changes in the sense that we are still looking at 7 to 7.5 cap, but on a deal-by-deal basis, and we will essentially take them as they come.

Jenny Ma, BMO Capital Markets

Okay. That is helpful. With regards to the new lease at Westminster Plaza, can you give us a sense of the timing of when that will be cash flowing again?

David Dunn, Chief Operating Officer

Yeah, I certainly can. I worked on that deal in my old life, so I know it quite well. We are expecting, I mean it is subject to permitting and all of that stuff but we are expecting cash to flow by the end of 2020.

Jenny Ma, BMO Capital Markets

Great. And then my last question: Is there any update on potential opportunities coming from SLAM's relationship with Goldman Sachs? I know it is still somewhat early days, but I guess it has been about six months since it was announced, so is there anything that you are seeing trickling down to the Slate Retail REIT level?

David Dunn, Chief Operating Officer

Their impact has been significant on our overall business. We are proud to have partnered with them. We think they are going to help our business holistically move forward on a lot of levels. And honestly, we are just entering this relationship. So, yeah, I expect they will be positive influences going forward on all levels and we will have more to talk about that in the future, but as of right now we are digesting it and ramping up and strategizing with them.

Jenny Ma, BMO Capital Markets

Okay, great. That is all for me. And, Greg, if you are on the line, congrats and enjoy your retirement. Thanks, guys.

Greg Stevenson, Chief Executive Officer

Thanks, Jenny.

Operator

There are no further questions at this time. I will now turn the call back over to Braden Lyons for closing remarks.

Braden Lyons, Investor Relations

Thank you, everyone, for joining the fourth quarter 2019 conference call for Slate Retail REIT. Have a great day.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.
