

# Slate Grocery REIT

Investor Update

Q2 2020

**SLATE**



# Slate Grocery REIT

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100%

Grocery-anchored<sup>1</sup>

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TSX

SGR.UN  
SGR.U

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77

Properties  
All U.S. locations

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9.8M

Square feet

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20

States

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\$1.3B

Asset value<sup>2</sup>

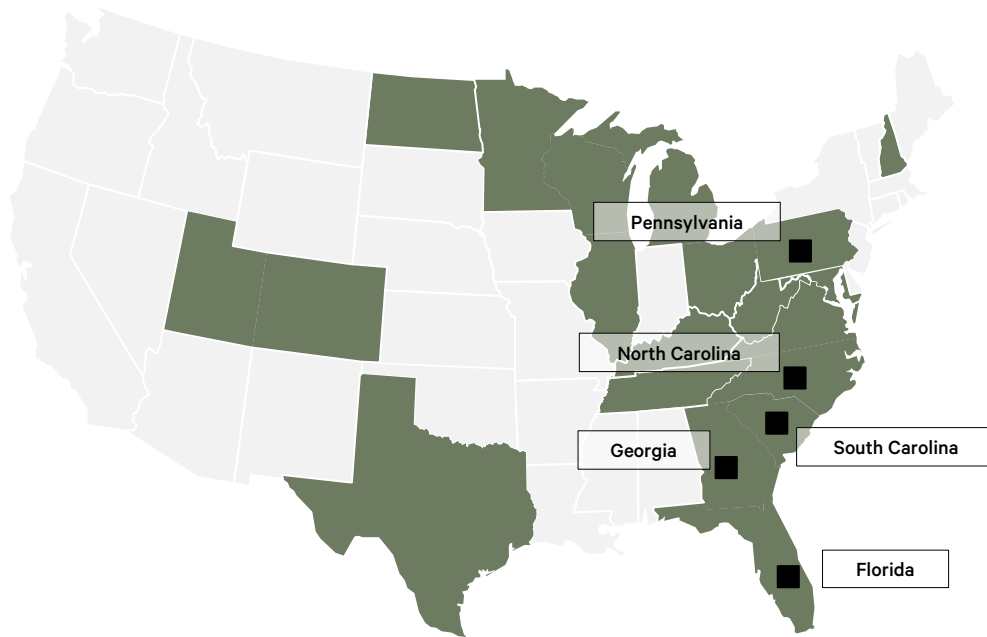
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U.S. grocery-anchored  
shopping centers with  
resilient cash flow








Note: As at June 30, 2020.  
<sup>1</sup> Excludes properties under development.  
<sup>2</sup> In US\$.

# Diversified Portfolio



## Top Five Tenants<sup>1</sup>

8.4%	Walmart	
8.1%	Kroger	
4.0%	Publix	
3.8%	Ahold Delhaize	
2.5%	Southeastern Grocers	
73.2%	Remaining tenants (1,128 leases)	

## Top Five States<sup>1</sup>

15.5%	Florida
13.6%	North Carolina
10.4%	Pennsylvania
8.5%	South Carolina
6.5%	Georgia

Geographically well diversified with **77** properties totaling **9.8M sq. ft.** in **20** states and **19** metropolitan statistical areas

Note: As at June 30, 2020.  
<sup>1</sup>Ranked by annual base rent.

# Name Change to Slate Grocery REIT

Slate Grocery REIT stands alone as the only 100% grocery-anchored business in the REIT sector and our name now reflects that differentiation

New Name, Same Strategy



Retail  
REIT



Grocery  
REIT

## Research Perspectives

*"SGR's grocery-anchored portfolio continues to demonstrate relative resilience compared with its retail peers as demonstrated by its above average rental collection rates and defensive tenant roster. The REIT is changing its name to Slate Grocery REIT, subject to receiving TSX approval. The name change more accurately reflects the focus on U.S. grocery-anchored real estate, a strategy the REIT has embarked upon since inception."*

*- Chris Couprie, CIBC, July 29, 2020*

*"We like the planned name change to 'Slate Grocery REIT' from 'Slate Retail REIT' as it is better reflective of the strategy given the portfolio is 100% grocery-anchored (vs ~40% average for the U.S. peer group with grocery exposure). Rent collection has improved progressively and continues to be above SGR's peer group due to its higher grocery exposure."*

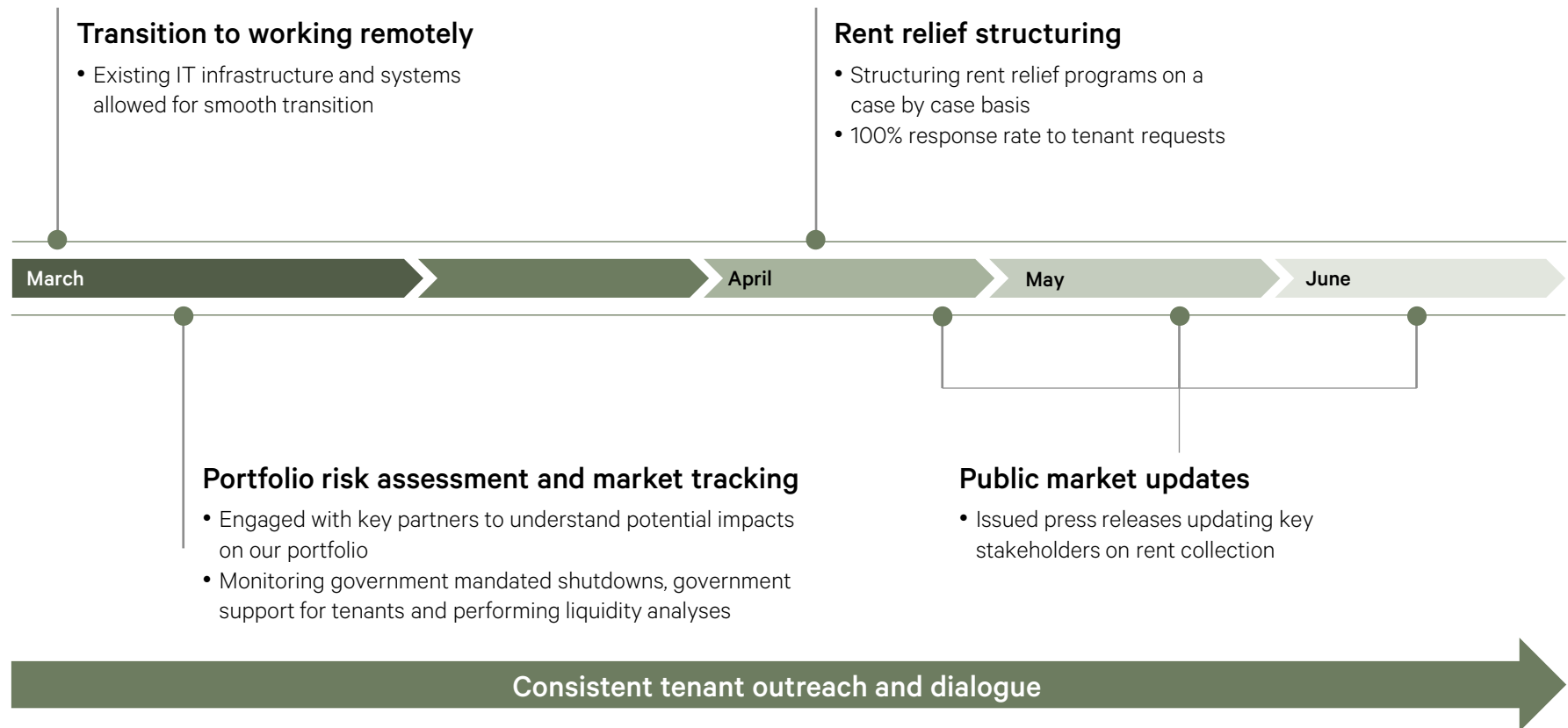
*- Himanshu Gupta, Scotiabank, July 29, 2020*

# COVID-19 Business Update



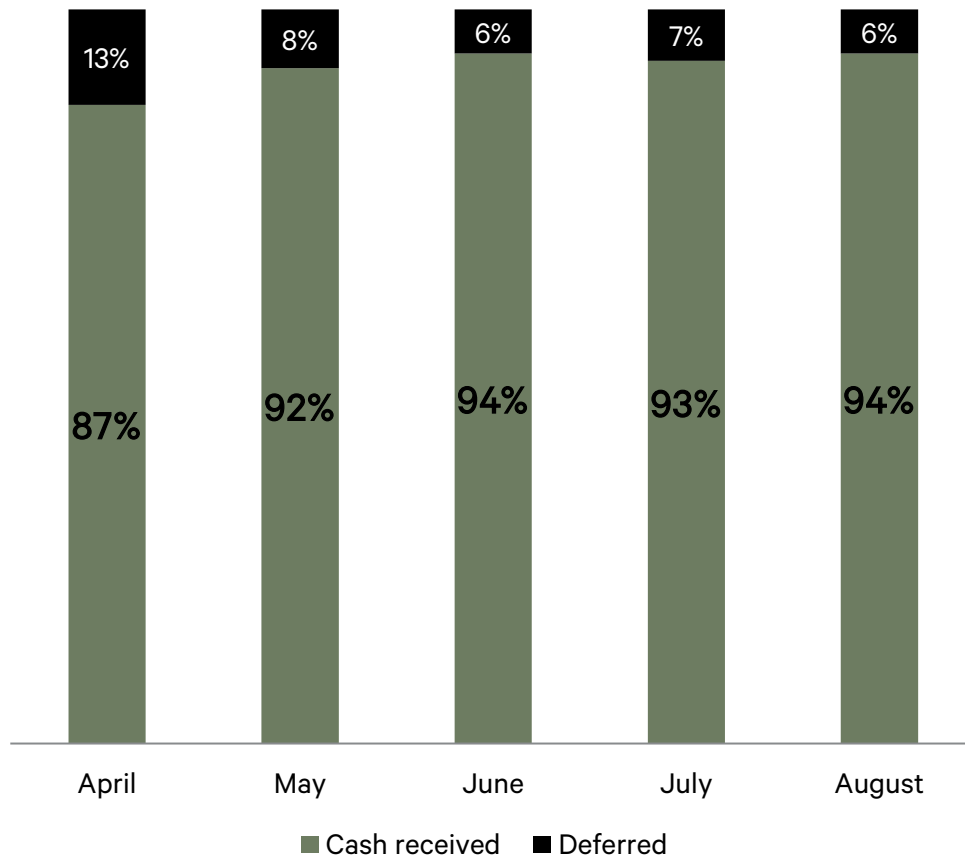
# COVID-19 Response

SGR remains committed to ensuring the safety and well-being of our team, tenants and partners



# Leading Rent Collection

Cash Rent Collections since April

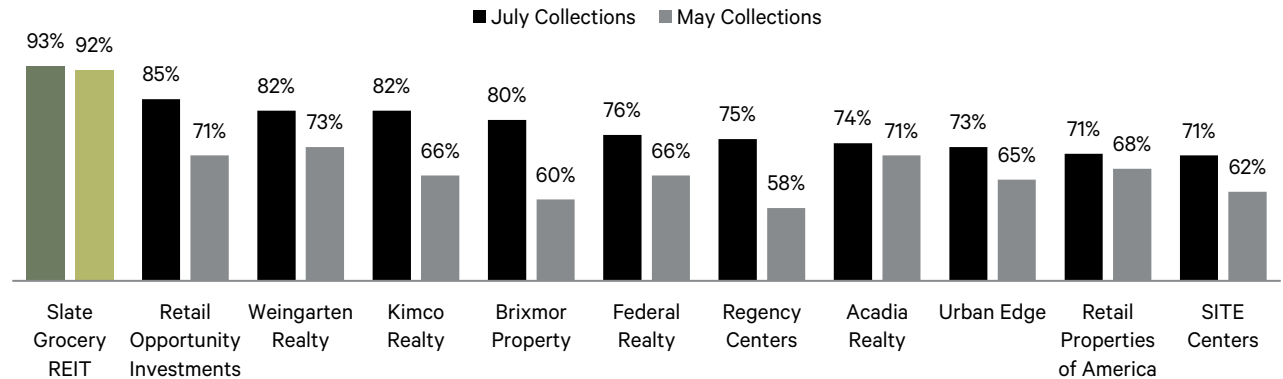


SGR's sector leading cash rent collections have continued, collecting 94% of August rents in cash

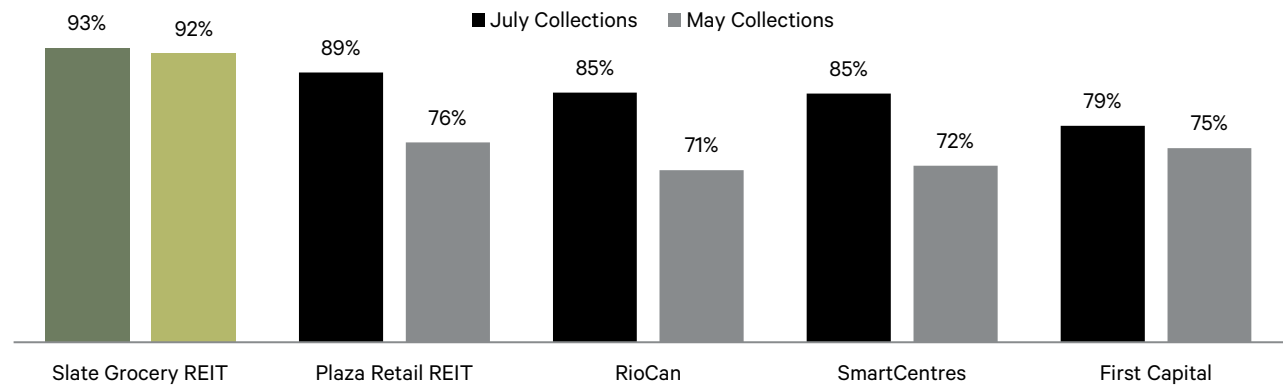
# Rent Collection

SGR's cash rent collections compare favourably to North American peers

## Cash Rent Collections vs. US Peers<sup>1</sup>



## Cash Rent Collections vs. Canadian Peers<sup>1</sup>

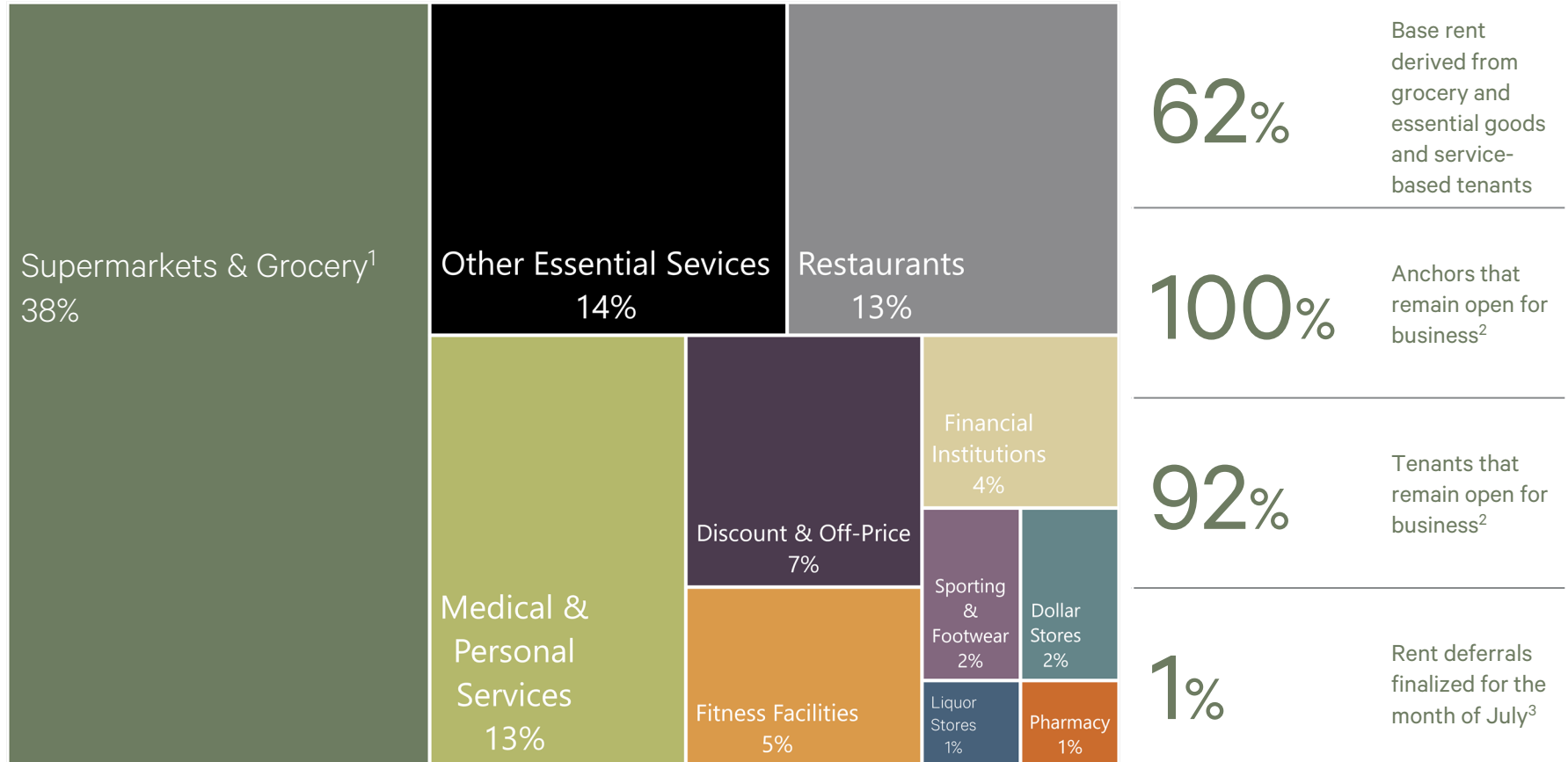


<sup>1</sup> Company public disclosure.



# Essential-Based Tenancy

Defensive portfolio comprised of grocery and essential tenants



<sup>1</sup> Includes Walmart.

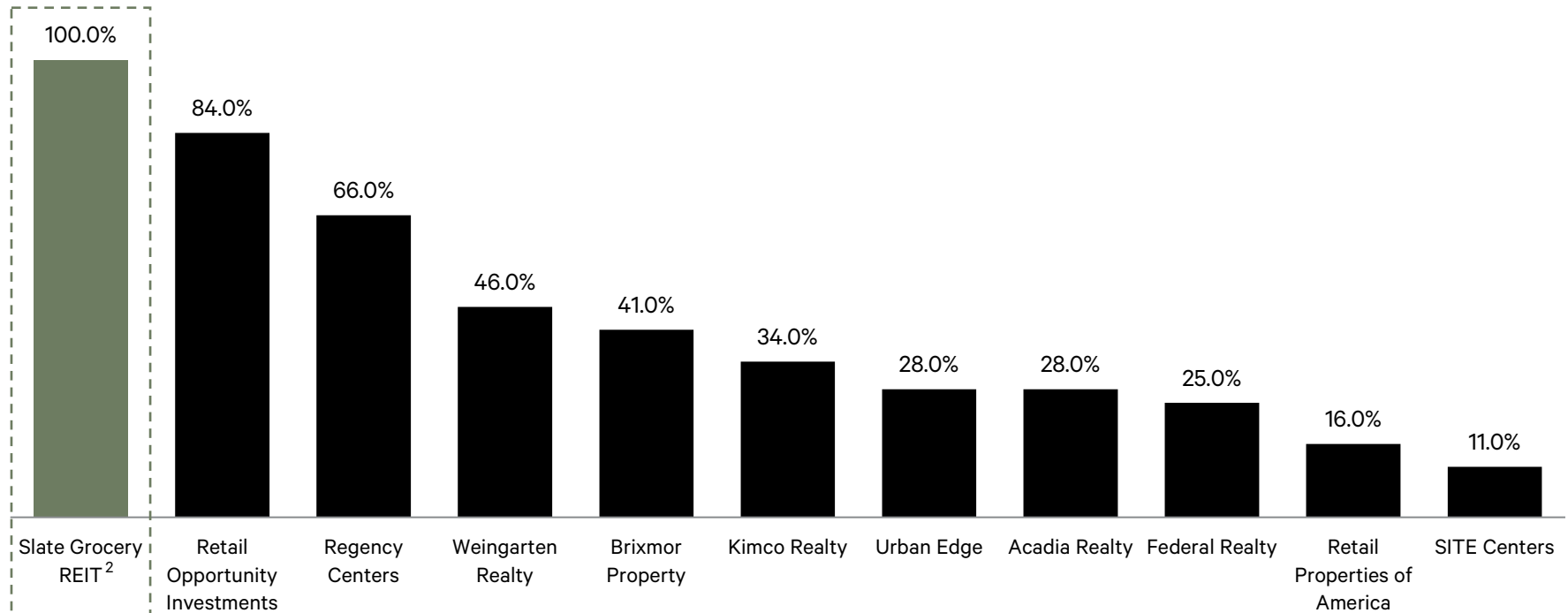
<sup>2</sup> Based on occupied GLA.

<sup>3</sup> Based on monthly gross rent.

# Grocery-Anchored Dominance

SGR's grocery-anchored portfolio composition is best-in-class

% of Total Rent from Grocery-Anchored Centers<sup>1</sup>



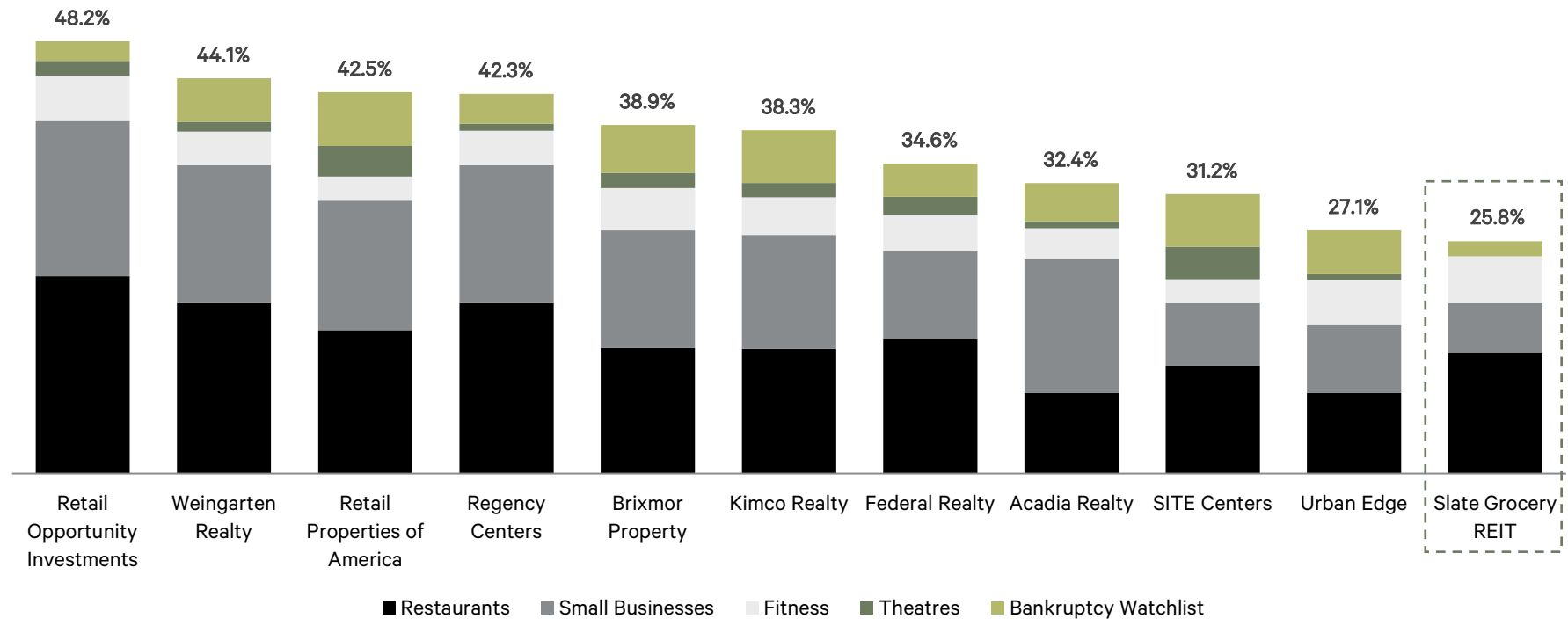
<sup>1</sup> Green Street Advisors, June 2020.

<sup>2</sup> Excludes properties under development.

# Essential-Based Tenancy

SGR has among the lowest exposure to COVID-19 sensitive tenants vs. US strip center REIT peers

Estimated Rent Exposure to COVID-19 Sensitive Tenants<sup>1</sup>



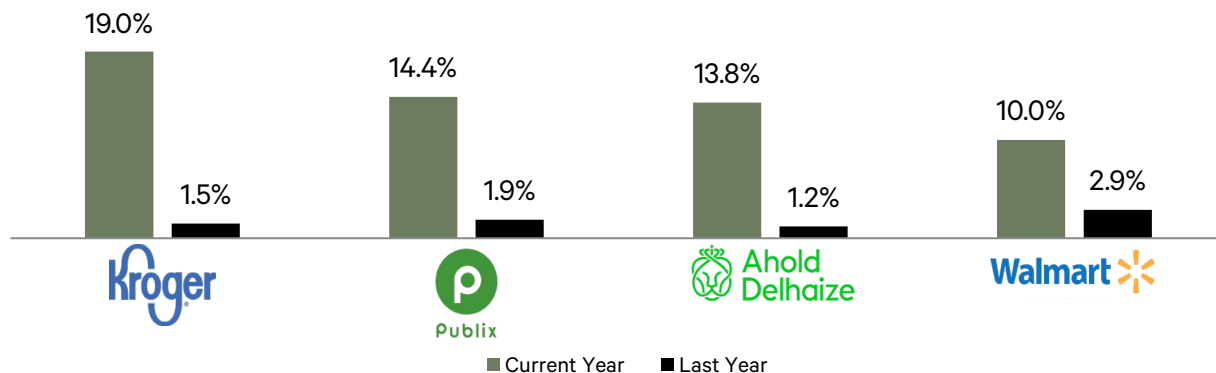
<sup>1</sup> Green Street Advisors, June 2020.

# Strength of Grocery

America's largest grocers have performed well throughout the COVID-19 pandemic, demonstrating the strength and resilience of the sector

## Same-Store Sales Growth<sup>1</sup>

Year-over-Year Change



## US Online Grocery Statistics – Delivery & Pickup<sup>2</sup>

Performance Metrics	August 2019	March 2020	April 2020	May 2020	June 2020
<b>Sales</b> (past 30 days)	\$1.2 billion	\$4.0 billion	\$5.3 billion	\$6.6 billion	\$7.2 billion
<b>Spend</b> (average per order)	\$72	\$85	\$85	\$90	\$84
<b>Orders</b> (past 30 days)	16.1 million	46.9 million	62.5 million	73.5 million	85.0 million
<b>Customers</b> (active during past 30 days)	16.1 million	39.5 million	40.0 million	43.0 million	45.6 million
<b>Frequency</b> (Monthly average/customer)	1.0x	1.2x	1.6x	1.7x	1.9x

Note: All amounts in US\$.

<sup>1</sup> Company public disclosure for Q1 2020 or latest available; F&D Reports, July 2020.

<sup>2</sup> Brick Meets Click / Mercatus Grocery Survey, June 2020.

# The Future of Grocery

Grocery stores are located close to where consumers reside and will continue to serve as critical food distribution points, fulfilling both in-store and online purchases

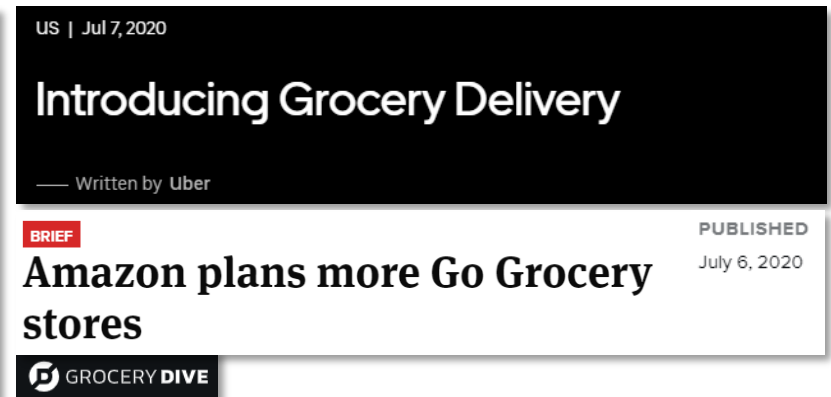
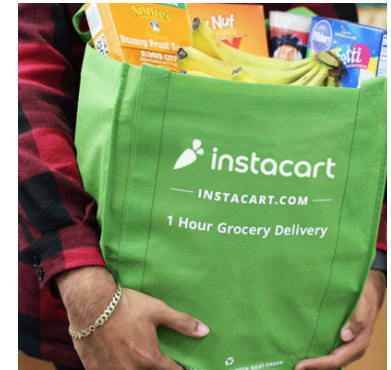
01

Click and collect



02

Personal shopper



# Operational Update

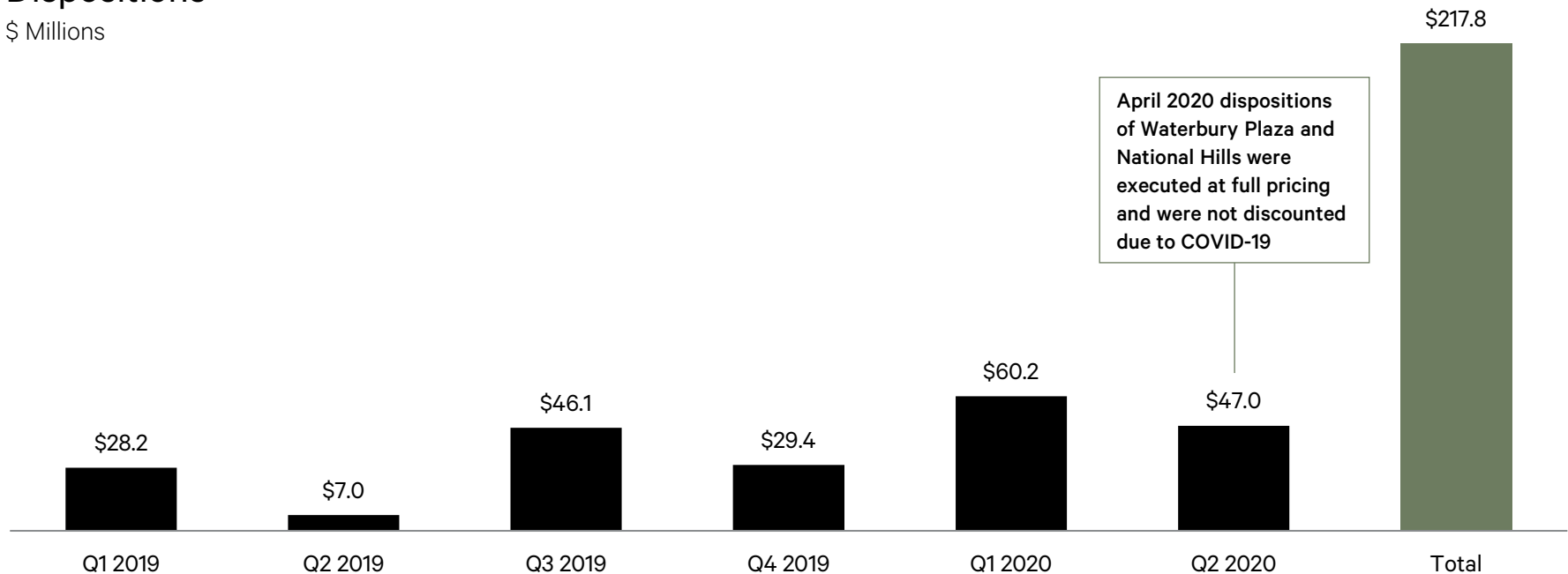


# Completion of Disposition Program

Completed \$218 million of dispositions since the beginning of 2019 at a weighted average cap rate of 7.2%

## Dispositions

\$ Millions



Note: All amounts in US\$.

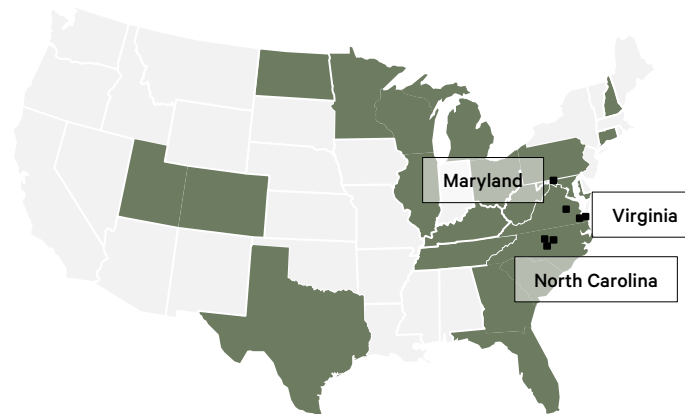
# Recent Acquisition of Grocery-Anchored Properties

Opportunistically completed the acquisition of 7 grocery-anchored properties in the Southeastern and Mid-Atlantic United States for \$90 million

## Acquisition Highlights

- Seven grocery-anchored properties comprising 623,766 square feet of gross leasable area
- Immediately accretive to FFO/unit and AFFO/unit
- Anchored by market dominant high-credit grocers including Harris Teeter (Kroger), Food Lion (Ahold Delhaize) and Weis Markets
- Well-located properties in markets where the REIT has an established presence
- Redeploying capital from completed dispositions of lower tier assets totaling \$218 million at a weighted average cap rate of 7.2% into higher quality grocery-anchored assets for \$90 million at a weighted average cap rate of 8.7%




## Portfolio Summary



### Geographic Summary<sup>1</sup>

45.6%	Virginia (3 Assets)
33.1%	North Carolina (3 Assets)
21.3%	Maryland (1 Asset)

### Tenant Summary<sup>1</sup>

25.8%	Harris Teeter	
11.5%	Food Lion	
9.5%	Weis Markets	
53.2%	Remaining tenants	

Note: All amounts in US\$.  
<sup>1</sup>Ranked by annual base rent.

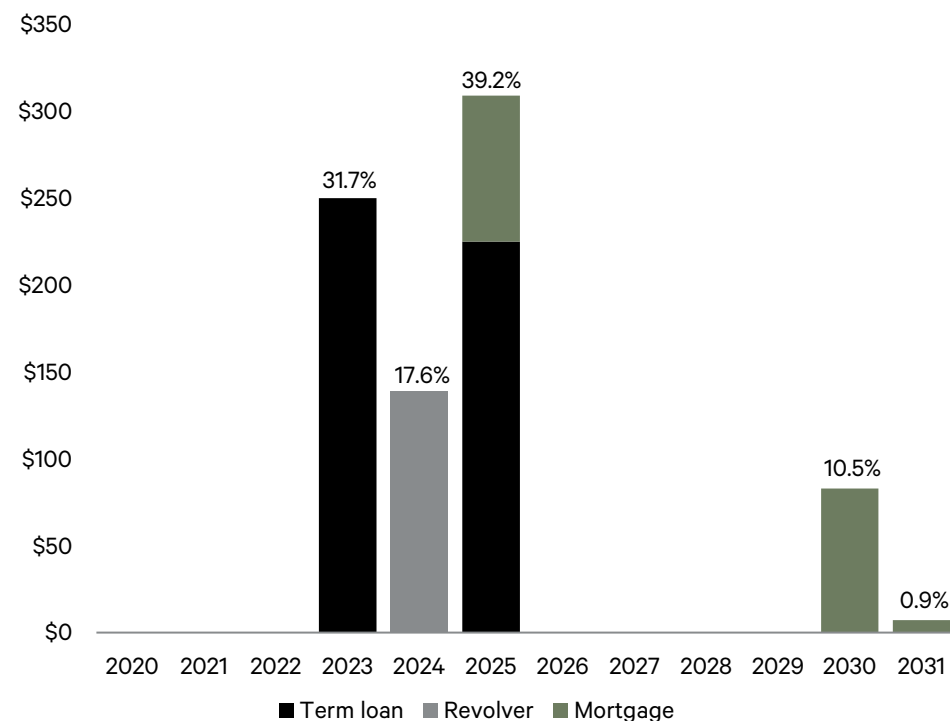


# Solidified Balance Sheet

Enhanced liquidity and no debt maturities until 2023

## Consolidated Debt Maturities

\$ Millions | % of total



\$161M

Borrowing capacity

4.6 years

Weighted average debt maturity<sup>1</sup>

98.3%

Fixed rate debt

3.96%

Weighted average interest rate<sup>2</sup>

2.52x

Interest coverage ratio<sup>3</sup>

77.9%

Flexible bank debt

Note: All amounts in US\$.

<sup>1</sup> Excludes the impact of the REIT's extension option.

<sup>2</sup> Includes the impact of pay-fixed receive-float swaps.

<sup>3</sup> For the three months ended June 30, 2020.

# Management Platform

**SGR benefits from the ability to leverage the entire C\$6.5B Slate Asset Management platform and the expertise of more than 90 real estate professionals**

- Annual asset management fee equal to 40 bps of Gross Book Value
- Performance fee totaling 15% of FFO per unit above \$1.34 (plus inflation mechanism). Calculation of FFO does not include gain from sales
- Acquisition fee equal to 75 bps of gross acquisition cost, capitalized upon closing
- No leasing, property management, construction, re-financing or disposition fees
- 5-year term(s) with internalization mechanism at \$750M market cap (C\$) equal to 1x trailing twelve-month fees
- Total trailing twelve-month fees of \$5.3M<sup>1</sup>
- Slate Asset Management and insiders own 8.0% of Slate Grocery REIT

## REIT Comparison – General & Administrative Expense

### U.S. REITs (US\$ thousands)<sup>2</sup>

	Slate Grocery REIT <sup>1</sup>	Acadia Realty	Brixmor	Federal Realty	Kimco Realty	Regency Centers	Retail Opportunity Investments	Retail Properties of America	SITE Centers	Urban Edge	Weingarten Realty
G&A (quarterly figure)	\$ 5,504	\$ 9,070	\$ 22,597	\$ 10,251	\$ 21,017	\$ 13,705	\$ 3,944	\$ 9,165	\$ 11,376	\$ 9,847	\$ 2,307
Total assets	\$ 1,300,866	\$ 4,305,138	\$ 8,662,083	\$ 7,759,914	\$ 11,305,134	\$ 11,568,311	\$ 2,963,891	\$ 4,369,593	\$ 4,445,081	\$ 3,143,600	\$ 4,384,788
Total revenue	\$ 62,297	\$ 71,420	\$ 282,301	\$ 231,557	\$ 289,744	\$ 283,658	\$ 74,872	\$ 118,695	\$ 114,082	\$ 93,360	\$ 111,352
G&A as % of total assets	0.2%	0.2%	0.3%	0.1%	0.2%	0.1%	0.1%	0.2%	0.3%	0.3%	0.1%
G&A as % of total revenue	8.8%	12.7%	8.0%	4.4%	7.3%	4.8%	5.3%	7.7%	10.0%	10.5%	2.1%

Note: All amounts in US\$.  
<sup>1</sup> Year-to-date as at June 30, 2020.  
<sup>2</sup> As at March 31, 2020.

# Growth Outlook

SGR has strong grocer relationships, significant liquidity and a sophisticated team prepared to act on opportunities as they arise

## Opportunities post COVID-19

- Expect a robust pipeline of attractive acquisition opportunities post COVID-19 as landlords look to generate liquidity

## Well-positioned to capitalize on acquisition opportunities

- Execution of the disposition program has de-risked the balance sheet
- Significant available liquidity
- Strong grocer relationships

## Growth markets

- Attractive markets with strong demographics (robust population and employment growth, favorable business climate) with the top 1-2 grocers in each MSA
- Markets where the REIT has an existing presence

# Analyst Coverage



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## 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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