

CORPORATE PARTICIPANTS

Braden Lyons
Investor Relations

David Dunn
Chief Executive Officer

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Chief Financial Officer

CONFERENCE CALL PARTICIPANTS

Jenny Ma
BMO Capital Markets

Sumayya Syed
CIBC World Markets

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by and welcome to the Slate Retail REIT First Quarter 2020 Financial Results Conference Call.

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

I would now like to hand the conference 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 first quarter 2020 conference call for Slate Retail REIT. I am joined today by David Dunn, Chief Executive 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.

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

David Dunn, Chief Executive Officer

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

Before speaking to our quarterly results, I would like to comment on the COVID-19 pandemic and why we believe our portfolio is well positioned to weather these current challenges.

Since early March, our top priority has been and continues to be ensuring the safety and well-being of our team, tenants and partners. As the COVID-19 pandemic continues to evolve, the importance of grocery stores and food logistics have never been more apparent and 100% of our properties have remained open throughout the crisis. Scenes of empty grocery store shelves and the mass purchasing of essential goods have been prevalent.

Slate Retail REIT is unique in that our portfolio is 100% grocery anchored. By comparison, the typical strip centre REIT in the United States is less than half grocery anchored.

We own the critical infrastructure that communities continue to rely upon for their daily needs. Our portfolio of grocery-anchored assets was assembled to generate significant and durable cash flow in all market conditions and it has shown its resilience during this period of economic uncertainty.

We are pleased but not surprised to have collected 85% of April rents in cash. 85% collection is a clear outperformance of retail REITs in the United States. Very simply, our high concentration of grocery has driven these collections. With the deferral agreements our team has secured working with our tenants, the REIT expects to substantially collect April rents. We expect these strong rent collections to continue based on the essential nature of our tenants and the strength of our team.

Now a few comments on the first quarter of 2020: We achieved solid operational results and our business was not materially impacted by COVID-19. Our team completed over 260,000 square feet of leasing with a weighted average spread of 8.5%. Our retention and occupancy rates remained consistent at 93.0% and 92.8%, respectively. Same property net operating income increased 1.2% year over year. Of the last 12 quarters, the REIT has had eight quarters of positive same property NOI growth.

Additionally, we continued to make progress on our strategic initiatives during the quarter. We sold four properties totalling \$60 million in the first quarter and subsequent to quarter end we sold two more assets totalling \$47 million, bringing our total disposition proceeds since the beginning of 2019 to \$218 million at a cap rate of 7.2%. Our disposition program is now substantially complete.

We refinanced \$858 million of total debt in February, securing annualized interest savings of \$1.7 million, or \$0.04 per unit, and extending the weighted average debt maturity to 4.9 years. The REIT now has no debt maturities until 2023.

Subsequent to quarter end, we entered into a strategic partnership with 1045, Inc., a Kroger-related property management company, where 1045 will manage the REIT's 14 Kroger-anchored assets on our behalf. Of the many benefits, the new relationship should contribute to a decrease in property operating expenses, the REIT secured three Kroger lease extensions and, perhaps most importantly, the partnership will create an even stronger relationship with one of our biggest tenants and one of the largest grocers globally.

What has impressed me the most in recent weeks is the passion and dedication of the individuals that make up Slate Retail REIT. The entire team has risen to the challenge to help steer our business through this crisis. With our defensive portfolio of grocery-anchored assets, I am confident our investment thesis, business model and superior team will allow the REIT to emerge from this time in a position of strength and ready for the many opportunities that lay ahead.

On behalf of the entire Slate Retail team, we wish you and yours good health and we thank you for your continued support. I will now hand it over for Q&A.

QUESTION AND ANSWER SESSION

Operator

As a reminder, if you would like to ask a question, please press star then one on your telephone keypad. Again, star one if you would like to ask a question. The first question is from Jenny Ma with BMO Capital Markets. Your line is open.

Jenny Ma, BMO Capital Markets

Hi, good morning, everyone. Dave, I was wondering if you could talk to us about Kroger's expansion using the

Ocado system. I am not sure where they are at in the United States on that automated delivery model and whether or not any of your stores have any involvement in that distribution channel.

David Dunn, Chief Executive Officer

Hey, Jenny. Thanks for the question. To my knowledge, Kroger is still rolling that program out, and the details that I am aware of suggest that it is an initiative that is going to optimize their supply chain and distribution to their stores.

We assume, of our 14 assets, that many of them will be part of this program and efficiencies that get product to the stores that can help disperse it to the communities, is always a good thing.

Jenny Ma, BMO Capital Markets

So, it is not something that you have discussed with them at this point given that it is still early days.

David Dunn, Chief Executive Officer

Yes, it is early days, and we continue to talk to Kroger and their executives on the real estate front. I actually have a discussion with their team tomorrow, so I will be sure to address that with them then.

Jenny Ma, BMO Capital Markets

Great. Okay. So, wondering about the acquisition, the portfolio acquisition that you announced earlier this year and then was subsequently dropped. I am just wondering if you can give us some colour about why that was the case. Was it just something you found in due diligence in the normal course or did COVID-19 sort of change your mind on how to approach capital allocation or just the portfolio in and of itself? Anything would be helpful.

David Dunn, Chief Executive Officer

Happy to address that. We really liked the deal. We had been working on it for some time. As we progressed, certain closing conditions in favour of the REIT were not satisfied and we exercised rights available to us within the Purchase and Sale Agreement, and we ended up not closing the deal.

Jenny Ma, BMO Capital Markets

Was there any penalty to the REIT or were you able to walk away without any issues?

David Dunn, Chief Executive Officer

No, there was no penalty to the REIT.

Jenny Ma, BMO Capital Markets

Okay. And then my last question is just to get your thoughts on the distribution. It is a new year, we have some different challenges and also you are new to the role. I know previously the thought was to raise it a little bit every year, but I am just wondering if I could get your thoughts on how to approach the distribution with maybe a different philosophy and given the challenges that everybody is facing at this time.

David Dunn, Chief Executive Officer

Certainly. First of all, we were pleased to announce our May distribution this morning to be payable in June, consistent with our standard payment protocols. What this crisis has done for our business has been for us to essentially prove out our thesis. We have always believed it was a durable and resilient business assembled to generate significant cash flows and having secured 85% of rent in April and the latest number, as of this morning, for May collections in cash is 83.5%. So we feel really good about the strength of our business and our investment thesis and, as we always do, we talk to our board about prudent allocations of capital and that is no different in this environment and we are going to continue to look closely at our business in that regard.

Jenny Ma, BMO Capital Markets

Okay, great. Thank you. I will turn it back.

Operator

And again, as a reminder, please press star one if you would like to ask a question. The next question is from Sumayya Syed with CIBC. Your line is open.

Sumayya Syed, CIBC World Markets

Thanks. Good morning. Could you just give us a high-level view of the health of your small shop tenants and if there is any concern so far about more longer-term survivability there.

David Dunn, Chief Executive Officer

Good morning, Sumayya. Look, we collected a lot of rent. We outperformed our retail REIT peers across the board. So, a lot of our shop tenants are paying. We have 63% essential based tenancies and we have an appropriate weighting of the non-essential tenants. Our team has worked tirelessly with these tenants. We had 20% of our portfolio ask for rent relief and our team has been ever-present working with these tenants and they are paying rent.

One example is restaurants. We have an appropriate weighting of restaurants; however, the majority of the restaurant weighting comprises tenants who generate most of their sales through drive-thru, delivery, and pick-up in the normal course. A lot of these tenants are doing quite well during these times. So, we are happy with the merchandising mix and the tenant mix in our portfolio and we think the effort that the team has put forward to work with these tenants and provide deferrals where it is warranted and where they need it is going to help our business thrive and help our tenants get through this crisis.

Sumayya Syed, CIBC World Markets

Okay. And then how is leasing and renewal activity been since the shutdown for the smaller space? Has there been any activity and what is your outlook for renewal spreads going forward?

David Dunn, Chief Executive Officer

One thing our team has been doing, we reported 3.9% of outstanding renewals in the near term that have not been handled. Since March 31st, that number has shrunk to 2.6%, so our team has done a lot of leasing. That will help provide further stability to our business and our cash flow and we think that is a telling sign of how resilient our business is. And we are essentially protecting ourselves from any potential downside going forward having limited the near-term expiry profile.

Sumayya Syed, CIBC World Markets

Okay, great. And just lastly, how do you expect the M&A environment to look post a recovery with grocery-based retail being pretty resilient and would you expect more capital to flow to these types of assets? Just your general thoughts there.

David Dunn, Chief Executive Officer

I think the defensive nature of grocery-anchored shopping centres has certainly risen up above the rest of the retail landscape. We are the only pure play grocery-anchored REIT in North America and I think people are taking note of our rent collections and the stability thereof. So, we are excited. It has been a tough time, but we are now starting to look ahead and we are excited for the opportunities and it would not surprise me if others feel the same way.

Sumayya Syed, CIBC World Markets

Great. Thank you.

Operator

I am showing no further questions at this time. I will turn the call back to the presenters.

Braden Lyons, Investor Relations

Thank you, operator, and thank you, everyone for joining the first quarter 2020 conference call for Slate Retail REIT. Have a great day.

Operator

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