SLATE Retail REIT

FINAL TRANSCRIPT

Q4 2015 Investor Call
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SPEAKERS

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ANALYSTS

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BMO Capital Markets

Dean Wilkinson
CIBC World Markets

Michael Smith
RBC Capital Markets

Jimmy Shan
GMP Securities

James Gellman
Richardson GMP

Operator

Good morning, ladies and gentlemen, and welcome to the Slate Retail REIT Q4 fiscal year 2015 financial results conference call. As a reminder, this call is being recorded today, Thursday, March 3, 2016, at 8:30 a.m. Eastern Standard Time. Your host for today's call is Conor McBroom. You may begin, sir.

Conor McBroom, Vice President, Investor Relations

Thank you, operator. Good morning, everyone. Welcome to the fourth quarter and 2015 year-end conference call for Slate Retail REIT.

Before getting started, I'd like to remind participants that our discussion today may contain forward-looking statements; therefore, we ask that you familiarize yourself with disclaimers regarding forward-looking statements as well as non-IFRS financial statements. Both of these can be found in management's discussion and analysis. You can visit Slate's website as well to access all of the REIT's financial disclosure, including our March 2016 investor update, which will be available shortly after today's call.

We'll devote most of our time to answering your questions but prior to this I'll briefly share with you some highlights from the past quarter and financial year end. I'll also touch upon two recently announced initiatives intended to further enhance our balance sheet. We'll remind you that all dollar amounts in this presentation are expressed in U.S. dollars unless otherwise noted.

So, to begin, the REIT's had another outstanding quarter highlighted by a 3 percent increase in monthly distributions reflecting the continued increase in income generated from our property portfolio. Along the same lines, the REIT recorded its seventh consecutive quarter of AFFO growth. Now that's going back to a listing in April of 2014.

Our average in-place rents are 25 percent below market and with that we're able to grow rental revenue appreciably over time. In this regard, we renewed over 115,000 square feet this quarter at renewal spreads for shop space of 7 percent above expiring rent. On the other hand, over 35,000 square feet of new leasing was completely at a 31 percent premium to portfolio-wide shop space rent.

During the 2015 fiscal year, the REIT acquired 25 grocery-anchored properties for 2.7 million square feet, including the 13-asset portfolio of Slate U.S. Opportunity (No. 3) Realty Trust. In total, acquisitions were completed at an average cost per square foot of $125, which, once again, is significantly below replacement cost. The SUSO3 acquisition was important from the standpoint that it provided exceptional value to SRT unitholders and it completed the amalgamation of Slate's U.S. retail strategy under the Slate Retail REIT platform.

Resulting from our organic and external growth in 2015 was an increase in funds from operations on an accretive basis to $1.32 per unit. This represents a 26.9 percent increase year over year.

Setting aside our financial results, the other big news today is our unit holder rights offering for net proceeds of approximately C$50 million. We've come back to our unitholders with this rights offering as we continue to uncover many attractive opportunities to grow the REIT on an accretive basis, not only through acquisitions but by way of the growing value add opportunities we identify within the existing portfolio. The rights offering will enhance our balance sheet and provide existing investors with a compelling opportunity to participate in future growth. We invite all unitholders to get in touch to discuss the rights offering in greater detail. Importantly, Slate Asset Management, still the REIT's largest investor, intends to fully exercise its subscription privilege to own additional units.

Yesterday we also announced that subsequent to the quarter end the REIT refinanced its revolving credit facility and term loan, increasing the available capacity by $135 million to total $585 million. We also extended the term of the facility to 2020. There's also an option to extend for an additional year. Notably, we achieved a reduction in the borrowing base of 25 basis points. Net of costs this refinancing is positive in so far as it's expected to save over $5.5 million in interest costs over the lifespan of the facility.

So, in closing, over the last two years we believe the REIT has established a premier platform of diversified grocery-anchored properties that creates meaningful cash flow for unitholders. Looking out into 2016 and 2017, we will continue to demonstrate discipline in our acquisition of well-located properties that provide opportunity for future value creation. We'll target a conservative 70 percent AFFO payout ratio while providing steady and reliable distributions to unitholders. We'll continue to grow net operating income through hands-on leasing and asset management. And, finally, we'll continue to increase the REIT's financial strength and flexibility through robust balance sheet management, as was demonstrated by recent undertakings outlined in today's call.

We appreciate the continued support of investors, many of whom have been involved in the strategy since day one. With that, operator, please open the line for questions. Thank you.

Q&A

QUESTION AND ANSWER SESSION

Operator

And if you would like to ask a question over the phone, please press star then the number one on your telephone keypad. And we'll pause for just a moment to allow those to queue. Your first question today comes from the line of Heather Kirk from BMO Capital Markets. Your line is open.

Heather Kirk, BMO Capital Markets
Good morning. The same-property NOI being flat I assume was impacted by the A&P situation. If you had taken that impact out, do you know what the same-property NOI would have been?

Greg Stevenson, Chief Executive Officer
It's Greg. Hey, Heather, how are you?

Heather Kirk, BMO Capital Markets
Good.

Greg Stevenson, Chief Executive Officer
It was in the back half of the quarter, so it impacted but not materially. I think that quarter over quarter same-property NOI growth will fluctuate as our margins do. I think I've said in the past on our calls that our margins in Q4 and Q1 over the years, they move around a bit due to seasonality of expenses. Really it was an increase in non-recoverable operating expenses in this quarter relative to Q4 of last year. So I don't think there'd be much of a change adjusting for A&P is the short answer to that question.

Heather Kirk, BMO Capital Markets
Okay. So, then as you look out to next year, what are your thoughts on the organic growth? Should it come in sort of in line with what we've seen in 2015? Or, I mean, do you have more muted expectations?

Greg Stevenson, Chief Executive Officer
No, I'm confident that they'll be better. I think what excites us about 2016 is that we've got a lot of opportunities for growth, both organically and externally. We're really picking up steam with the redevelopment opportunities we have in the REIT. Those are both what we think are going to be NAV and cash flow accretive. So I think it's still consistent. We'll outpace inflation with same-property NOI growth. I think every quarter's been almost the same with, you know, 5 -7, 7 to 10 percent on shop space renewals with, you know, 20 to 30 percent increases for new leases over above in-place shop-space rents. So that obviously takes time for those leasing spreads to roll through into the numbers and I think they'll start to over the next 12 months. So I think we continue to perform as we have. We're 96 percent occupied. This is a stable REIT. I don't think you see any wild swings, which is, what a lot of folks are looking for these days. So I think 2 to 3 percent is probably right down the middle of the fairway for us.

Heather Kirk, BMO Capital Markets
Okay. And in terms of the rights offering, do you have a sense of whether your significant shareholder will be participating in the offering?

Greg Stevenson, Chief Executive Officer

It's in the prospectus and, just for everyone's benefit, we put a Q&A on SEDAR with a lot of these questions and answers and the answer is yes, SLAM intends to participate, as do our insiders and trustees and folks like myself. So no change from the last two equity raises. We continue to participate and eat our own cooking, as you'd say.

Heather Kirk, BMO Capital Markets

Okay. And in terms of the development and acquisition opportunities, can you just give us a sense of what you're seeing in the market right now?

Greg Stevenson, Chief Executive Officer

Sure. I would say that we're really excited for 2016 because today, relative to the past, there's probably the largest opportunity sets we've seen in the past, which is great. I think a lot of it has to do with the fact that we're in the U.S. and we're investing in the U.S. and it's a very different place than Canada right now.

On the redevelopment side, we touched briefly on it in the Q2 letter to unitholders, which was to say, we've got partnerships with our grocers that at the time we didn't have a ton of clarity on as it related to size and timing, but we knew that they were coming at some point, and so a lot of these are coming to fruition today. So, just to recap, that's our grocers coming to us either before acquisition or shortly thereafter saying, "We want to redevelop our store, we want to spend a lot of money, we want to either change the box or keep it as is." But in conjunction with that, we're getting, you know, longer lease term, increased rents. We're usually able to improve the quality of the shop-space tenants more national and regional tenants. Again, increases in rent and increases in term. And we think these redevelopment opportunities are probably between 15 and 20 percent IRR opportunities for us. And remember that not all returns are created equally. So these are 15 to 20 percent returns that I think come with a very low risk. You know, this isn't "Slate Retail has a great idea: let's go around to our tenants and see what they think." This is tenants coming to us, saying, "Guys, this is what *we* want to do." So it's a very, on a risk-adjusted basis, great return that's going to be accretive to the REIT.

In addition to that, from the acquisition perspective, we've got a few things happening, 2006 being one of the largest years of CMBS issuance. Those ten-year maturities are coming due this year. We think they'll be forced sellers. There are a few smaller listed and non-listed REITs in the United States that have grocery assets that may be stuck allowing us to be opportunistic. In addition to that, I would say that we continue to not run into a lot of competition, maybe even more so today than even a few months ago on the acquisition side, where we're doing only grocery-anchored and only secondary markets and we're really the only ones doing that right now. So the benefit to us is that we're bringing institutional capital, we're bringing a best-in-class management team, a low cost of capital, and a very, very specific focus, investment theme, to these markets, and oftentimes we're buying from people who have either mismanaged, under-appreciated, or ignored assets, or they just weren't real estate operators. As a result we are able to drive rental rate and income growth on the operational side as well.

If you back up from all that you see there's a lot that we have going on and a lot of exciting opportunities in 2016, all of which is why we're doing the rights offering, and we've re-casted the debt. The U.S. is in a place right now in grocery, we're at a 35-year low in supply. There is no new space being built. Grocers are stronger than they've ever been. There's been consolidation in the sector. Their balance sheets are better. Food inflation's being passed to the customers. If you follow some of the public grocers you'll see they've had some of their best quarters they've had in the last 10 to 15 years. We are at just such an excellent part of the cycle. So we're really, really excited about that. What continues to happen though is that we're buying assets one by one and portfolios of the exact same assets continue to trade sub 7, low 6 cap range, you can point to RioCan, you can point to a few others. We're going to continue in 2016, as we have in the past, to take advantage of all of these opportunities.

Heather Kirk, BMO Capital Markets
Great, thanks for the colour.

Greg Stevenson
Yeah, no sweat.

Operator
Your next question comes from the line of Dean Wilkinson from CIBC World Markets. Your line is open.

Dean Wilkinson, CIBC World Markets
Thank you. Morning, guys. Just on the Wal-Mart shutting down the Wal-Mart Express, I think you had maybe one store exposed to that. Is that correct?

Greg Stevenson, Chief Executive Officer
No, none of our Wal-Marts closed. So far all of them performing, you know, exceptionally well.

Dean Wilkinson, CIBC World Markets
Okay. So the one in Charlotte, was that an Express or was that a Sam's Club?

Greg Stevenson, Chief Executive Officer
The one in Charlotte was a smaller Wal-Mart format grocery but that's a relatively new store. That's a 2010 store and, you know, sales going up. The health of the store is strong.

Dean Wilkinson, CIBC World Markets
That's not on the block for them.

Greg Stevenson, Chief Executive Officer
No, it's not on the block. No.

Dean Wilkinson, CIBC World Markets
Perfect. Okay. And then just the Q4 same-property NOI was flat. What was it on a full-year basis?

Greg Stevenson, Chief Executive Officer

We don't have that yet, just because we don't have the operating history. So Q3, if you remember, was 7. This was just 0.3 I think. I think it will jump around quarter over quarter but I think if, to Heather's question, if you take 7 then you take a 0.3 and over the next two quarters, you know, if we end up somewhere between, you know, 3 and 4 percent, I think that's where you'll see us shakeout.

Dean Wilkinson, CIBC World Markets
Okay, perfect. And then just in the case of the store at the Country Line Plaza, how much GLA did they occupy?

Greg Stevenson, Chief Executive Officer
So they were about 45 percent of the GLA. And, from a portfolio perspective it's, call it just shy of 50 basis points of total NOI for the entire 66 property portfolio.

Conor McBroom, Vice President
It's Conor. It is 36,000 square feet is the total area.

Dean Wilkinson, CIBC World Markets
36,000 feet. Okay. And there were co-tenancy clauses in those?

Greg Stevenson, Chief Executive Officer
They're not triggered yet. It takes six months. So if we find someone before then they don't get triggered; if not, they do. But it's six months. But that 0.5 percent of NOI that we spoke about in the MD&A, so that would include co-tenancy being triggered and that would include being a full 12 months. That is an annualized number. So, for whatever reason, which we're confident we will, we're able to outperform that, the negative impact will be even less.

Blair Welch, Partner & Co-Founder

Hey, it's Blair. Real quick, this store is in North Philly. We've always liked this location. When we bought this asset, you know, the downside was the tenant that was in place. And A&P has gone bankrupt. It's unfortunate for them but we love this location and I think Greg can talk about it. We know there's going to be another food use of this site. So, a 36,000 square foot box for a grocer, it's not a huge thing for the REIT, and we think we can reposition it as a food anchor. We're talking to a couple guys right now.

Greg Stevenson, Chief Executive Officer

Food Basics, if you recall, in Q2 of 2015, renewed their lease. And they were operating under the assumption that they'd continue to be doing business and this is a great store for them and really it speaks to our overall strategy, which is that we can't control all the time what happens at the parent co. level, but what we control is finding great real estate and finding stores with strong sales and low rent and high profitability. So, Food Basics wanted to be here. In the same vein, we're talking to a few other folks that want to be here. I think we could say the same about all 66 stores, that if any one of our grocers left there'd be someone there to backfill it. The only thing that I think is uncertain is the timing at which that happens.

Dean Wilkinson, CIBC World Markets

I'm assuming, given the condition of the location, that it wouldn't require a large tenanting or anything like that. It's basically changing the banner on the front of the store?

Greg Stevenson, Chief Executive Officer

Yes, that's exactly right.

Dean Wilkinson, CIBC World Markets

Okay. And then just turning to the 2016 maturities, looks like you've got about 276,000-some-odd square feet just shy of $14 bucks, do you got a sense of what kind of lifts you could be looking at there? Or are some of those sort of at the market?

Greg Stevenson, Chief Executive Officer

Yeah, I think—there's no grocer's in 2016 but I think we'll roll some of those maturities forward, i.e. we'll renew some grocers in 2016 in advance of their expiry. It's all shop space. So I think it will be consistent with what we've done in the past, somewhere between 7 and 10 percent.

Dean Wilkinson, CIBC World Markets

7 to 10 percent, okay. No advance notice from any that they're leaving?

Greg Stevenson, Chief Executive Officer

No.

Dean Wilkinson, CIBC World Markets
And then just last question on the G&A, because there was a fairly substantial sort of Q3 to Q4 drop there from sort of $2 million to $1.6 million: You know, is $1.6 million a run rate number you're comfortable with or do you have any sort of sense around that?

Greg Stevenson, Chief Executive Officer
Yes, I think it will be in and around there. I think we're comfortable with that. As you know, we're in transactional mode, i.e. we're in growth mode. We've more than doubled over the last 12 months. And I think that's going to be harder to do as we get bigger. But we're going to continue to grow. So I think that number will fluctuate but I think that's probably a fair guess.

Dean Wilkinson, CIBC World Markets
A fair guess, okay. That's it for me. Thanks, guys.

Operator
Your next question comes from the line of Michael Smith from RBC Capital Markets. Your line is open.

Michael Smith, RBC Capital Markets
Thank you and good morning. Just wondering what were the sales at the Food Basics at County Line Plaza and how does that compare with the Giant and the Acme in the same market?

Greg Stevenson, Chief Executive Officer
The sales were just over $450 a foot and the GROC, or gross rent as a percentage of sales was below 4 percent. So, very healthy sales, very profitable store. I think that Food Basics having renewed their lease in Q2 of 2015 for an additional five years sort of speaks to the strong sales and the fact that they wanted to be there and they are making money in that location. I think this was more of a parent co. issue than it was a specific location issue. Well, I don't think, I know. And how does that compare to the market? I mean sales per square foot you can't really compare that too well across grocers because, you know, a $300 per square foot Food Line is an excellent Food Line whereas a $400 Whole Foods is a terrible Whole Foods. So what we really focus on is the GROC and with the GROC below 4 percent in a market like Philadelphia, you know, we know the grocer's making money, and all that really translates into us is we know that someone else is likely going to want to be here as a grocery store.

Michael Smith, RBC Capital Markets

And how does that GROC compare with, let's say, the average of your portfolio?

Greg Stevenson, Chief Executive Officer
It's right in line. So our average GROC is about 2.7 percent. I think national average is just north of 4 percent. So obviously something that we pay close attention to.

Michael Smith, RBC Capital Markets
Okay. And does the Big Lots, is it the Big Lots that has a co-tenancy clause?

Greg Stevenson, Chief Executive Officer
Big Lots has a co-tenancy clause, yes.

Operator
And again that's star one on your telephone keypad if you'd like to ask a question.
Your next question comes from the line of Jimmy Shan from GMP Securities. Your line is open.

Jimmy Shan, GMP Securities
Thanks. Good morning, guys. I just wanted to go back to the rights offering. You guys have been pretty consistent buyers of your own stock throughout 2015 and I think you've bought up until even December of 2015 so I just want to sort of understand what the trigger point was for you in switching from being buyers of your stock to issuing paper. So what—I mean you talked about all these opportunities but what were the defining things that made you, you know, do this sort of about-face in strategy?

Greg Stevenson, Chief Executive Officer
High level as I mentioned to Heather, we've got a lot of great opportunities and I think that may sound confusing to Canadian investors because it's quite the opposite in Canada right now but that's just the benefit of being invested in the U.S. I don't think it was a change in strategy. Our strategy hasn't changed. If you take our $32 million of AFFO for 2015 and you payout 70 percent of that, which we're about 67.8 percent of a payout ratio, you're left with about $10 million of free cash. So we bought $13 million of units back and we kept $10 million of cash. So I don't think it's, you know, I don't want anyone to think too hard about this. We had free cash and it lined up almost exactly with the amount of units that we bought back. So I think that's how you sort of cancel that out. It wasn't, you know, let's buy stock today, let's not do it tomorrow. I think the benefit to having a low payout ratio is that we can retain cash to invest to increase dividends, we can buy back stock, we can acquire properties, and we can do a lot of great things with it. Through July and to the start of December in 2015, we were buying back stock with it.

The redevelopment opportunities and the rights offering going forward, you know, we're going to get, call it USD$35 million, of which I think $20 million or more right away is going to be spent on the existing portfolio for redevelopment opportunities, which, as a I talked about, are 15 to 20 percent levered IRRs on what I think is an extremely attractive risk-adjusted basis. And then you take into account the debt recast.

You read about Slate Retail REIT going out and taking on 35 percent more capacity than what's in place today, a lineup of lenders willing to participate and wanting to grow with the REIT. You take in the fact that we just did that in this market and got the 25-basis-point reduction in interest rates. All that really says is that institutional folks like our portfolio. They like it better today at 66 properties than they did when it was 29. They think bigger is better. We do too. We think it diversified risk. We think that when A&P goes dark and it's a blip on the radar for NOI, obviously we're going to lease that. It's because we're larger, it's because we're more diversified, and it's because we're bigger and we're better.

So I don't think it's a trigger. I just think it's we continue to have great opportunities. We haven't changed our mind, we haven't changed our strategy, and the really important thing here from the participation standpoint is that SLAM will continue to participate and be the single largest shareholder in the REIT. As we have in the last two equity raises, we haven't diluted ourselves downwards, and we won't on this raise either. So I think that's a hugely important part when you're thinking about how our management team thinks about the opportunities that we have for 2016.

Jimmy Shan, GMP Securities

Okay. So that's on the redevelopment opportunity side, so I think you're saying about $25 million to spend on that this year. So how many properties are we talking about and what's the nature of the redevelopment? It sounds to me that it was more kind of grocer expansion but maybe if you could provide any specifics on, you know, which assets are we talking about and what the nature of it is.

Greg Stevenson, Chief Executive Officer

It's between five and six assets right now. In another six months that could be close to ten. To give you specifics, I can talk about this one because we have signed the leases now, North Augusta Plaza in the Carolinas, we bought this centre, a Publix-anchored shopping centre, and the grocer is doing exceptionally well. It had a 90,000-square-foot Kmart box. As we talked about, we go where others don't. None of the institutional investors, regardless of the quality of the real estate and how well a grocer's doing, want to touch a Kmart. It's an automatic "No". Which we think is slightly foolish because this is a great piece of real estate. We bought Kmart out of their lease. We've since signed up four new tenants, great credit, and we've taken the $5 Kmart rent and our average rent's going to be between $9 and $12 on that 90,000 square feet. So you can do that math. These are high-teen, low-20 percent IRR opportunities. And in addition to the cash flow growth, what happens to your cap rate when you get rid of Kmart and replace them with a guy like Ross or Petco and some of these national, very strong-credit tenants, is you get meaningful cap rate compression too. So it's not just income growth; it's NAV growth as well.

Jimmy Shan, GMP Securities
And, sorry, those would be 15 to 20 percent levered IRR?

Greg Stevenson, Chief Executive Officer
Yes, and we have no intention to sell the asset. In addition to that, we've got more specific redevelopment opportunities with the grocers where the grocer comes to us and says, "Hey, Slate, we've really enjoyed working with you on some of these other projects. And our existing site we're at, we want to be bigger. So let's work that out." Or, you know, "There's an asset down the street that we're interested in." Maybe there's a Kmart box; maybe there's another tenant there. "If we go knocking on their door to buy that asset, they're going to know what we want to do. If you guys do that, they're probably not going to know, and so pricing is more advantageous."

So, as I said, grocers are bringing us these deals, and when you build a brand new grocery store there's the opportunity obviously to redo a lot of the shop space tenants. You know, you can drive around to some of the new grocery stores, very seldom do you redevelop the grocery box and leave the shop space untouched, because larger grocery, more sales drives more traffic, more traffic means more tenant interest in the shop space is really all it comes down to.

Jimmy Shan, GMP Securities
And so out of that, so that last opportunity that you just talked about, that wouldn't be, not that I'm trying to define the different opportunities but that would be part of your acquisition strategy as opposed to your redevelopment strategy? I mean like how do we think about this $35 million being allocated? $25 million would be to the redevelopment of your existing portfolio and then the other $10 million would be the one that you just mentioned in terms of, you know—.

Greg Stevenson, Chief Executive Officer
Yeah, that's exactly right. And the $10 million for acquisition in addition to the debt capacity that we've now taken on.

Jimmy Shan, GMP Securities
Right. Okay. So it's safe to say that in 2016 then, as you embark on these redevelopment strategies, that we may see some downtime as far as NOI impact and that sort of thing.

Greg Stevenson, Chief Executive Officer

Yeah, I think it'll be pretty muted, but there will be downtime in some of these assets.

Jimmy Shan, GMP Securities

Okay, thank you.

Operator

Your next question comes from the line of James Gellman from Richardson GMP. Your line is open.

James Gellman, Richardson GMP

Thank you. I think my analyst got at along the lines of what I wanted to ask, so I'll ask it a different way. I think we sort of feel that the stock that you're talking about or the rights issue will be issued at about a 20 percent, maybe higher, discount to the net asset value that we estimate to the company. So I want to ask you how you trade off your thinking about development opportunities in your sweet spot in the U.S. versus accepting share dilution in terms of what the asset value of the company is, how you're going to think about that now and going forward. And then I wanted to understand what the minimum amount would be based on what you guys internally are doing and what the thinking is about the fact that there may not be necessarily the full amount raised.

Greg Stevenson, Chief Executive Officer

So how we think about it is, we want to make sure that the money we raise is being used to drive accretive growth, both from a cash flow and NAV perspective in the REIT. I think it's really that straight-forward. You know, we're the largest shareholder, so we're very cognizant of dilution. I think the rights offering sort of speaks to that. We chose a rights offering.

Greg Stevenson, Chief Executive Officer

You know, $1 of equity raised we need to make sure that it's worth more than $1 of market value going forward, and really all the opportunity sets that we have in front of us and that we will be spending the money on, we think, you know, far outweighs any dilution effects from the issuance of equity. As it relates to the minimum raise, there is no minimum raise. We know what SLAM and our trustees and insiders are going to participate at their pro-rata shares.

James Gellman, Richardson GMP

How much is that?

Greg Stevenson, Chief Executive Officer

It's between 6 and 7 percent of the float today.

Blair Welch, Partner & Co-Founder

Hey, Jim. It's Blair. I think that what we can say, as Greg was saying, like last year in our business we've been growing substantially and last year, the market got a little bit hotter, and that's great, and we still participated, but right now in the United States, you can't get a CMBS finance loan. You can't get financed in a lot of things. It is almost back to where it was a couple of years ago.

We're in this sweet spot and we see so much opportunity right now because you have a lot, if you look at some publicly-listed companies that are in the grocery space on the smaller side in the U.S., they haven't performed that well and they can't tap the markets and privates can't access CMBS. We are in a situation where we think we can grow in great assets and that's why we're raising this capital. Moreover, this raise isn't a significant raise as related to our whole capital structure. We're very cognizant of that. As Greg mentioned, we're the largest shareholder. I feel very confident that the entire rights offering will be taken up, because there are so many compelling opportunities. We think it's a very interesting time to grow in this space in the U.S.

Operator

And we have no other questions in queue at this time so we'll turn the call back over to the presenters for closing remarks.

Greg Stevenson, Chief Executive Officer

Okay. Thanks, everyone. We really appreciate it. And thanks, Carol, for moderating the call. Please follow up if you have any other questions.

Operator

This concludes today's conference. You may now disconnect.