

# InvenTrust Properties Corp

## Third Quarter 2021 Earnings Conference Call

Tuesday, November 2, 2021, 11:00 AM Eastern

### **CORPORATE PARTICIPANTS**

**DJ Busch** - *President, Chief Executive Officer*

**Mike Phillips** - *Chief Financial Officer*

**Christy David** - *Chief Operating Officer*

**Dave Heimberger** - *Senior VP of Capital Markets and Transactions*

**Dan Lombardo** - *Investor Relations*

---

## PRESENTATION

### Operator

Good morning and welcome to the InvenTrust Properties Corp Third Quarter 2021 Earnings Conference Call. All participants will be in listen only mode. Should you need assistance, please signal conference specialist by pressing the star key followed by zero. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star then one on your touchtone phone. To withdraw your question, please press star then two. Please note this event is being recorded. I would now like to turn the conference over to Dan Lombardo. Please go ahead.

### Dan Lombardo

Thank you, operator. Good morning and welcome to InvenTrust Properties Third Quarter 2021 Earnings Conference Call. Joining me today are DJ Bush, President and Chief Executive Officer; Mike Phillips, Chief Financial Officer; Christy David, Chief Operating Officer; and Dave Heimberger, Senior VP of Capital Markets and Transactions.

On October 12, InvenTrust listed our shares on the NYSC. We are pleased to be here with you on our first earnings call as a publicly traded company. As a reminder, today's discussion may contain forward looking statements about the company's views on the future of our business and financial performance, including forward looking earnings guidance, and future market conditions. These are based on management's current beliefs and expectations and are subject to various risks and uncertainties. Any forward looking statements speak only as of today's date, and we assume no obligation to update any forward looking statements made on today's call, or that are in the quarterly financial supplemental or press release. These factors and risks are described in more detail in our filings with the SEC in our most recent form 10-K and 10-Q filings. In our discussion today, we will also reference certain non-GAAP financial measures. The comparable GAAP financial measures are included in this quarter's earnings materials which are posted on our Investor Relations website. With that, I will turn the call over to DJ.

### Daniel Busch

Thanks, Dan. This is an exciting time for InvenTrust and we are pleased to be conducting our first earnings call today as a freely traded company. When I joined in 2019, I was impressed with the platform in place; that is a hyper-focused Sun Belt portfolio anchored by top grocery tenants and a balance sheet positioned for significant self-funded growth. While the pandemic did cause disruption in the retail sector, it also validated our investment thesis, the strength and resiliency of our portfolio became very apparent, and with the positive momentum in the retail space, we believed that the window of opportunity to provide the immediate option of liquidity to our stockholders was upon us.

Our team with the help of our outside counsel and advisors was able to efficiently execute a direct listing for our current shareholders. InvenTrust's strategy is simple and focused. We operate almost exclusively in the Sun Belt. 90% of our income comes from this region, and we hope to



grow this concentration even further. Christie will discuss this in a bit more detail, but it's important to note that these markets continue to benefit from powerful positive migration and demographic trends that are expected to continue in the years to come.

We have a merchandise mix that is anchored by necessity based retailers that meet the daily needs of all the communities in which we serve. This model has proven durable in the midst of a significant transformation in the retail industry, some of which was accelerated by the pandemic. Our centers lend themselves to new fulfillment methods such as infill distribution centers, curbside pickup, and the use of common areas for outdoor dining, providing tenants with options to meet and in some cases exceed their customers' expectations. This has been critical to preserve--preserving the health of our tenants over the past 18 months.

Further, top grocers and essential retail tenants continue to drive traffic to our centers, which has resulted in improved leasing demand. With roughly 85% of our centers containing a grocer or mass merchant, we believe this proven strategy will continue to demonstrate strong performance in--on the near and longer term basis.

InvenTrust is not only a curator of Premier Sun Belt assets, we are also an expert local operator in our markets. Over the past 18 months our operational presence within our markets allowed us to act quickly and work tirelessly with our tenants to make sure they could remain open and operating in a safe manner for their customers. This in the field knowledge provided our operations team a real time understanding of the challenges faced in each sub-market by our tenants and helped build stronger relationships. These partnerships provide us invaluable insight into retailer trends and initiatives as the retail landscape continues to evolve.

Lastly, our low leverage and liquidity position remains a cornerstone for our growth story moving forward. Our available liquidity from our capital structure will not only support our \$100 million Dutch tender set to expire next week, but also allow us to grow our Sun Belt grocery-anchored portfolio of assets over the next few years, while still maintaining a conservative leverage profile. Our external growth and capital allocation plan is expected to drive meaningful cash flow growth in the future.

Equally as important, our balance sheet position was instrumental in sustaining our dividend policy. Not only did we maintain our quarterly distribution rate, we actually raised our dividend twice during the pandemic. InvenTrust was one of the select few shopping center REITs that did not suspend or cut its dividend. We are pleased to report a solid quarter reflecting additional stabilization in our occupancy driven by leasing demand. Our portfolio foot traffic is above pre-pandemic levels and still growing, which in turn is driving consumer spending at our centers, translating into further demand for space and supporting our ability to drive rent.

I'll now turn it over to Mike to discuss our third quarter financial results in more detail.

**Mike Phillips**



Good morning, everyone. In the third quarter, we generated \$0.38 of core FFO up from \$0.31 for the same period last year. Year to date, our core FFO was \$1.02. Our pro rata same property NOI for the quarter reached \$38.6 million, growing 8.2%. Our year to date results totaled \$108.5 million, up 5% compared to the same period last year. The increases in pro rata same property NOI were primarily driven by the stabilization of the portfolio with new rent coming online and collection of prior period rental income.

As DJ mentioned, InvenTrust capital structure is simple. For the quarter, our trailing 12 month net debt to adjusted EBITDA is 3.6 times, with over \$500 million of liquidity available on our balance sheet, and only \$22.5 million dollars of maturities coming through in 2022. In September, we amended and restated our credit facility, extending the maturity of the company's \$350 million unsecured revolving line of credit and \$400 million of unsecured term loans. This extension pushes out weighted average years to maturity to 4.3 years, with a weighted average interest rate of 2.7%.

Finally, InvenTrust previously announced that our Q4 2021 dividend paid in early January will increase by 5% to 20 and a half cents per share. Turning to 2021 guidance, we expect core up FFO to be between \$1.38 and \$1.42 per share. InvenTrust same property NOI growth is expected to be in the range of 3.25 to 4.75%. With that, I'm going to turn the call over to Christy to discuss InvenTrust portfolio and operations.

### **Christy David**

Thanks, Mike, and good morning, everyone. Before I start to review our quarterly portfolio metrics, I wanted to expand on some of DJ's earlier comments with regards to our portfolio structure. InvenTrust portfolio comprises 63 assets clustered in about 15 markets. With 90% of our income coming from Sun Belt markets, we have by far the highest concentration of Sun Belt properties compared to our shopping center REIT peers. We see our markets outpacing other markets in the key categories of population and income growth as well as educational attainment.

Now, focusing on our leasing activity for the quarter, we are pleased with our deal pipeline and continue to see improved demand at our centers. We are seeing strong activity across the board and active interest from tenants in categories such as medical, quick service restaurants, pet related uses, off price, health and wellness, just to name a few.

As of September 30th, 2021, or leased occupancy is up to 93.5%, up from 92.9% in the second quarter. Total junior and big box anchor percent leased, which includes spaces greater than or equal to 10,000 square feet, was 96.7% and small shops was 87.6%, both up 0.6% on a sequential basis. In the third quarter we signed 79 leases totaling approximately 700,000 square feet of GLA. Our blended comparable lease spreads for the quarter were 4.8% and our focus remains to balance rate and occupancy to drive cash flow.

Although activity is strong, retail operators are facing some new challenges. We are closely monitoring how ongoing supply chain issues and labor shortages may impact our tenants. That



said, we believe our centers are well located in market and our tenants will adapt and overcome these momentary challenges.

Turning quickly to redevelopments, we maintain a modest and disciplined approach. Our strategy is to reinvest in our portfolio throughout parcel plan development, anchor repositioning efforts, and to revitalize, re-tenant, and remerchandise where appropriate. To highlight one of our active projects, the redevelopment at our Publix anchored center outside of Orlando is under construction and on track to reopen toward the end of the second quarter 2022. This project has already generated new leasing demand. We are thrilled at the market's response to our initial effort.

With that, I will turn the call back over to DJ to discuss our growth strategy.

### **Daniel Busch**

Thanks, Christy. To close out our prepared remarks, I wanted to provide a little color on InvenTrust growth strategy. As Mike mentioned, our balance sheet is going to provide InvenTrust significant flexibility which we feel can deliver meaningful cash flow growth. What provides us comfort in our ability to execute successfully on this strategy is that we have the platform and an experienced team already in place with a proven track record.

As it pertains to external growth, the deep relationships we've cultivated within our markets during our portfolio transformation have earned InvenTrust a reputation of being a proven closer, and it's a key advantage during a very competitive acquisition environment. Our pipeline for acquisitions is strong, with over \$400 million currently being explored and nearly half of that under contract. As we explore new assets to add to the portfolio we will remain disciplined in our investment thesis. Our team is focused on deploying capital within the Sun Belt that we feel will continue to see significant population and income growth.

In closing as we move forward as a publicly traded company, our goal is to maintain our simple story: 90% Sun Belt concentration with the expectation to move higher, 85% grocery anchored with the lowest leverage in the sector, and the ability to grow in the coming years.

Operator, this concludes our prepared remarks. Please open the line for any questions.

### **QUESTION AND ANSWER**

#### **Operator**

We will now begin the question and answer session. To ask a question you may press star then one on your touchtone phone. If you're using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star then two. At this time, we will pause momentarily to assemble our roster. Remember to ask a question today, it is star then one.



---

There being no questions today, this will conclude our question and answer session. I would like to turn the conference back over to DJ Busch for any closing remarks.

## **CONCLUSION**

### **Daniel Busch**

Yeah, thank you to all who were able to listen in today. As a new company to the public market, our goal is to be as transparent and as accessible as possible. So to that end, if you have any follow up questions, please reach out directly to the team and we'd be happy to discuss the results and our strategy further. Thank you again and we look forward to speaking with many of you in the near future. Have a great day.

### **Operator**

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.