

# Consolidating Canada's Automotive Dealership Properties

Investor Presentation



November 2021



## **FORWARD-LOOKING STATEMENTS**

Certain statements contained in this presentation constitute forward-looking information within the meaning of applicable securities legislation. Forward-looking information may relate to the REIT's future outlook and anticipated events or results and may include statements regarding the financial position, business strategy, budgets, litigation, projected costs, capital expenditures, financial results, taxes, plans and objectives of or involving the REIT. Particularly, statements regarding future results, performance, achievements, prospects or opportunities for the REIT or the real estate or automotive dealership industry are forward-looking statements. The REIT has based these forward-looking statements on factors and assumptions about future events and financial trends that it believes may affect its financial condition, results of operations, business strategy and financial needs, including that the Canadian economy will remain stable over the next 12 months, that tax laws remain unchanged, that conditions within the automotive dealership real estate industry and the automotive dealership industry generally, including competition for acquisitions, will be consistent with the current climate, that the Canadian capital markets will provide the REIT with access to equity and/or debt at reasonable rates when required and that the Dilawri Organization will continue its involvement with the REIT. Although the forward-looking statements contained in this presentation are based upon assumptions that management believes are reasonable based on information currently available to management, there can be no assurance that actual results will be consistent with these forward-looking statements. Forward-looking statements necessarily involve known and unknown risks and uncertainties, many of which are beyond the REIT's control, that may cause the REIT's or the industry's actual results, performance, achievements, prospects and opportunities in future periods to differ materially from those expressed or implied by such forward-looking statements. The forward-looking statements made in this presentation relate only to events or information as of the date of this presentation. Except as required by law, the REIT and Dilawri undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. Please refer to "Forward-Looking Statements" in the REIT's regulatory filings.

## **NON-IFRS MEASURES**

This presentation makes reference to certain non-IFRS measures. Funds from operations ("FFO"), adjusted funds from operations ("AFFO"), net operating income ("NOI"), cash net operating income ("Cash NOI") and Same Property cash operating income ("Same Property Cash NOI") are key measures of performance used by management and real estate businesses. However, such measures are not defined by IFRS and do not have standardized meanings prescribed by IFRS. The REIT believes that AFFO is a key measure of economic earnings performance and is indicative of the REIT's ability to pay distributions from earnings, while FFO, NOI and Cash NOI are important measures of operating performance and the performance of real estate properties. The IFRS measurement most directly comparable to FFO, AFFO, NOI and Cash NOI is net income. Please refer to "Non-IFRS Measures" in the REIT's regulatory filings.

# Capital Market Profile (TSX: APR.UN)



Recent price: **\$13.30<sup>1</sup>**

Market capitalization:  
**\$652 million<sup>1</sup>**

**REIT Units: 39.1 million**

**Class B Units: 9.93 million**

Investment properties:

**\$1.0 billion<sup>2</sup>**

Total return:

IPO to Nov. 18, 2021: **115.2%<sup>3</sup>**

Annualized distribution

**\$0.804 / unit**

Yield <sup>1</sup>

**~ 6.0%**

Debt to GBV <sup>2</sup>

**40.1%**

TTM AFFO Payout Ratio <sup>2</sup>

**91.9%**

2020 tax treatment

**66%** Return of Capital

**34%** Interest income

**Internally  
Managed**

## Analyst coverage



(1) As at Nov. 18, 2021 (market capitalization includes Class B Units)

(2) As at Sept. 30, 2021

(3) Including reinvested dividends

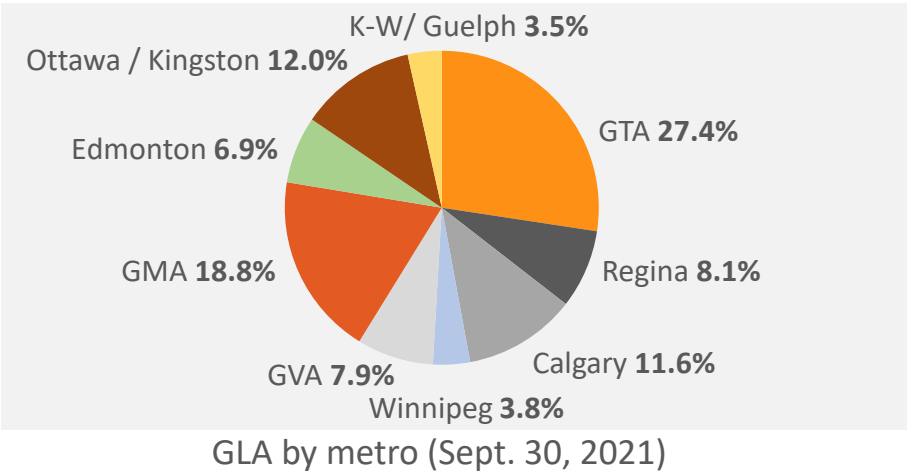




## High-quality portfolio of automotive properties in metropolitan markets across Canada



Audi Queensway (GTA)



Porsche Vancouver (GVA)

Long-term, triple-net leases with contractual rent escalators  
Representing 32 global manufacturers / brands



**66**  
income-producing properties

**200 + acres**  
of commercially-zoned  
urban real estate

**2.5 million**  
square feet of Gross Leasable  
Area ("GLA")

**> 80%**  
exposure to VECTOM  
markets

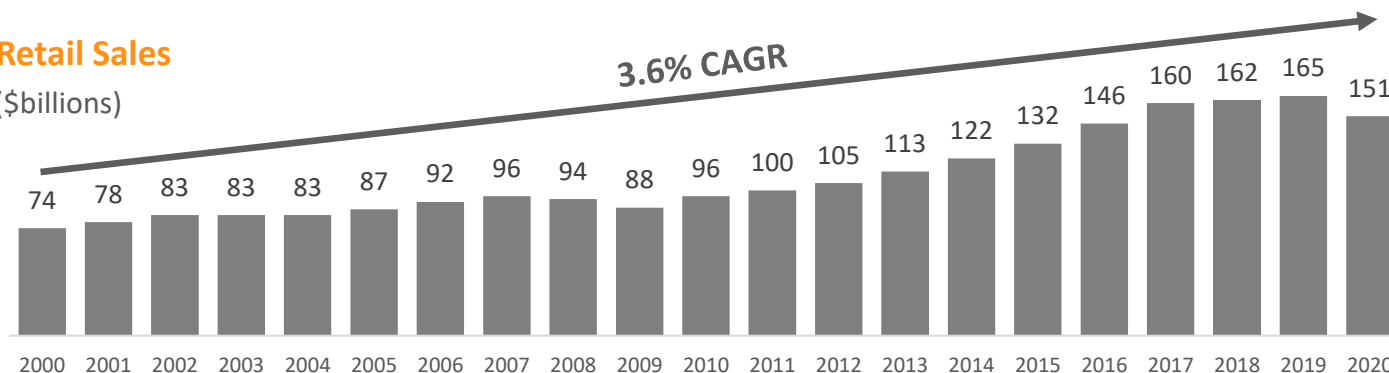
CANADA'S ONLY PUBLIC VEHICLE CONSOLIDATING AUTOMOTIVE PROPERTIES

# Canadian Automotive Dealership Industry



## Retail Sales

(\$billions)



# 25%

Auto industry's proportion of Canada's overall retail sales of products and merchandise in 2020

Automotive dealership retail sales include 4 revenue / profit centres

- 1 Parts, service and repair
- 2 Finance and Insurance
- 3 New vehicle sales
- 4 Used vehicle sales

New vehicle unit sales in Canada in 2020

# 1.57 Million

~20% decline from 1.96M unit sales in 2019 due to pandemic

Strong sales rebound in second half of 2020

# +12%

Increase in Canadian new car sales in first nine months of 2021 compared to the same period in 2020

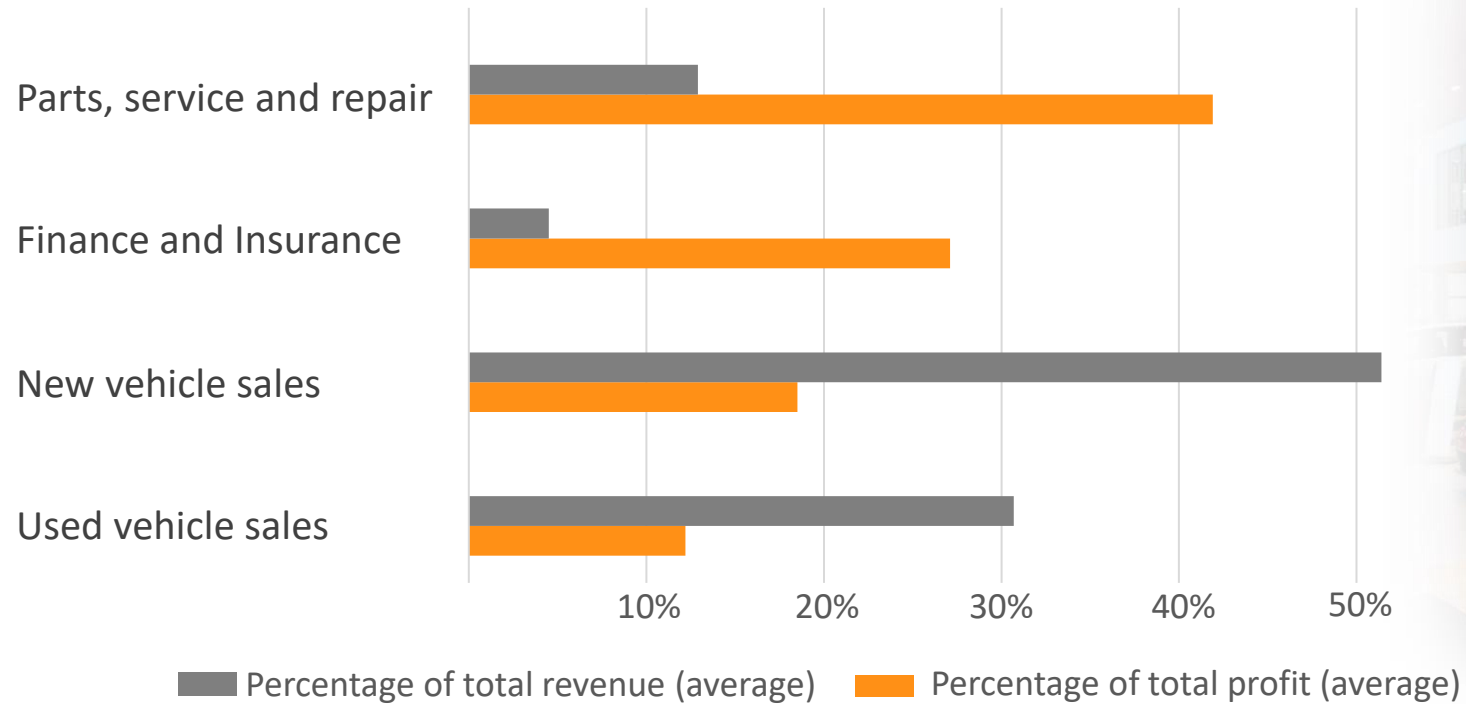
Source: Statistics Canada

## THE AUTOMOTIVE RETAIL SALES INDUSTRY IS CANADA'S LARGEST RETAIL SEGMENT

# Automotive Dealership Group Profit Centres



Average revenue / profit % contribution per business segment for major North American automotive dealership groups<sup>1</sup>



(1) Chart data is derived from the public disclosure of Asbury Automotive, AutoCanada, AutoNation, Group 1 Automotive, Lithia, Penske Automotive and Sonic Automotive. The data reflects the average revenue and profit contributions from 2019 and 2020

**> 80% OF PROFITS ARE GENERATED FROM REVENUE SOURCES OTHER THAN NEW CAR SALES**

# Strong Lead Tenants



- 76 automotive dealerships, representing ~30 brands
- Presence in QC, ON, SK, AB, BC
- REIT has the first right to acquire from Dilawri development and acquisition pipeline



- One of the largest automotive dealership groups in North America, with more than 270 locations
- Acquired Pfaff Automotive Partners in August 2021 to enter Canadian market
- NYSE: LAD

## Tesla

- Leading electric vehicle maker with largest market capitalization of any automotive company
- Global leader in transition to sustainable energy
- Nasdaq: TSLA



- 11 automotive dealerships, representing 10 brands
- Presence in ON



- 66 automotive dealerships, representing ~27 brands
- Presence in Canada and United States
- TSX: ACQ

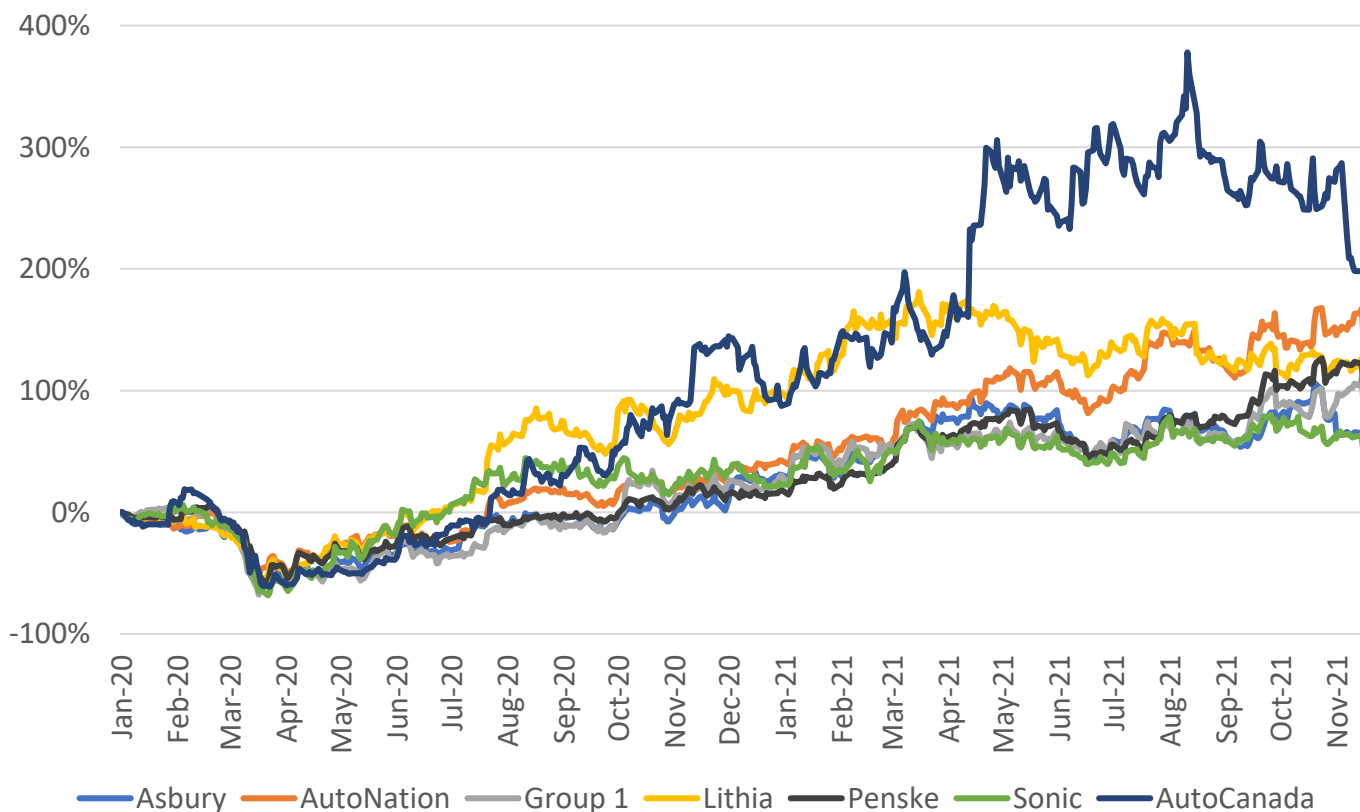


- 46 automotive dealerships, representing ~20 brands
- Presence in ON, AB, BC, NWT

# Strong Auto Dealership Performance



## Stock Performance (January 2020 to YTD 2021)<sup>1</sup>



- Sales have rebounded from lows in spring of 2020
- Many dealers generating record earnings
  - Rapid cost reduction achieved due to high variable cost component
- Profit margins per unit sold being enhanced through:
  - Technological improvements / enhanced e-commerce offerings and curbside pick-up for sales & service
  - Reduced headcounts
  - Lower SG&A costs

(1) As at Nov. 17, 2021

**THE AUTOMOTIVE DEALERSHIP INDUSTRY IS HIGHLY RESILIENT AND HAS RESPONDED EFFECTIVELY TO THE DISRUPTION CREATED BY THE COVID-19 PANDEMIC**



## Impact on Dealerships

- Dealerships were closed early in pandemic; fully open as of the end of May 2020
- Strong recovery in vehicle sales and service since June 2020
- Supply chain disruptions resulted in reduced inventories and enhanced dealer profit margins
- Dealerships reduced SG&A expenses, enhanced their e-commerce platforms and provided curbside delivery and drop-off service

## Impact on the REIT

- Prudently managing the REIT's available resources, with ability to take advantage of expected acceleration in consolidation opportunities as the pandemic is brought under control
- Strong liquidity position<sup>1</sup> with: Debt to GBV of 40.1%, \$74.2 million of undrawn credit facilities, \$5.0 million of cash on hand and seven unencumbered properties valued at \$103.2 million
- APR continues to collect 100% of its 2021 contractual base rent due under its leases and the payments due subject to rent deferral agreements with tenants

(1) As at Sept. 30, 2021

**THE CAPITALIZATION RATE APPLICABLE TO THE REIT'S PORTFOLIO WAS 6.4% AS AT SEPT. 30, 2021  
– 30 BPS LOWER THAN YEAR-END 2020 AND 10 BPS LOWER THAN 2018 LEVELS**

# Industry Resilience Results in Full Rent Collection



Base rent collected & limited rent deferral agreements

**100%**

YTD 2021<sup>1</sup> base rent collected under tenant leases, and the payments due subject to rent deferral agreements

**97%**

Base rent collected for 2020, with remaining amounts subject to deferral agreements

Temporary support for our tenants with no impact to distribution policy

Remaining tenant deferral rent receivable of less than  
~\$0.3 million as at Sept. 30, 2021



(1) Nine months ended Sept. 30, 2021

APR HAS WORKED WITH ITS TENANT PARTNERS TO PROVIDE SUPPORT DURING PANDEMIC-RELATED ECONOMIC DISRUPTION



Growth

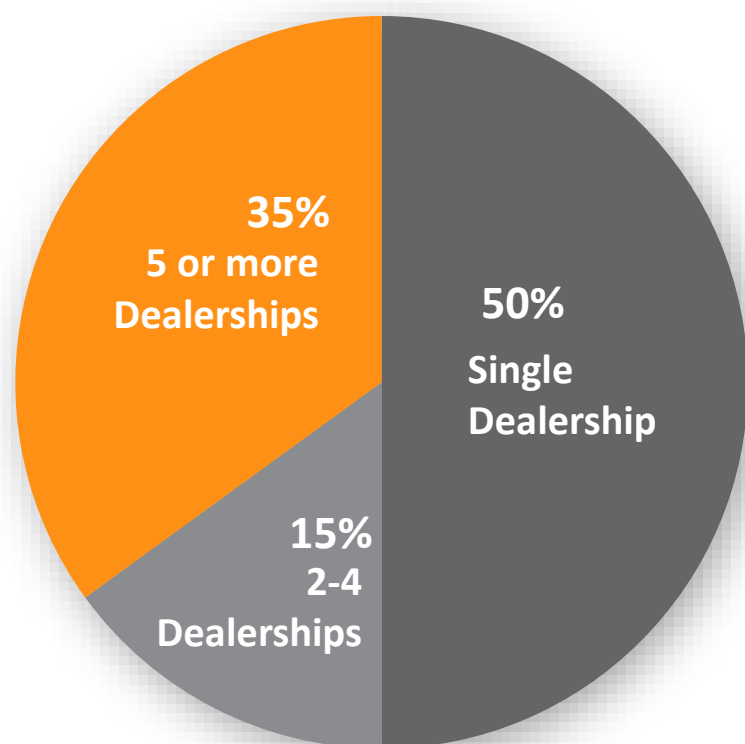




# Further Opportunity to Consolidate Highly Fragmented Industry



Proportion of Canada's ~ 3,500 Auto Dealerships  
Owned by Size of Ownership Group<sup>1</sup>



10 Dealership Groups: Approximately 11% of the Market<sup>2</sup>

Company	Dealerships	% of Total
<b>Dilawri Group<sup>(3) (4)</sup></b>	<b>76</b>	<b>2.2%</b>
<b>AutoCanada<sup>(3) (4)</sup></b>	<b>53</b>	<b>1.5%</b>
<b>Go Auto<sup>(3)(4)(5)</sup></b>	<b>46</b>	<b>1.3%</b>
Steele Automotive Group <sup>(3)</sup>	41	1.2%
Murray Auto Group <sup>(3)</sup>	33	0.9%
Gabriel-Prestige-President Group <sup>(3)</sup>	31	0.9%
Zanchin Automotive Group <sup>(3)</sup>	29	0.8%
Performance Group <sup>(3)</sup>	28	0.8%
Albi Group <sup>(3)</sup>	20	0.6%
O'Regan's Group <sup>(3)</sup>	20	0.6%
<b>Top 10 subtotal</b>	<b>377</b>	<b>10.8%</b>
Other	~ 3,123	89.2%
<b>Total</b>	<b>~ 3,500<sup>(1)</sup></b>	<b>100.0%</b>

(1) Source: DesRosiers Automotive Consultants Inc.

(2) As at December 31, 2020

(3) Information based on publicly available information

(4) Denotes current tenants of the REIT

(5) Excludes collision centres and RV/Marine dealerships



# Automotive Industry Developments & Evolution



- 373 new / refreshed /redesigned models planned for production by existing OEMs for 2019 – 2022
- New entrants expected into NA market (China & India)
- Consumer buying habits being met by enhanced dealership e-commerce offerings and curbside pick-up and service
- Electric vehicles – low penetration, but gradually increasing
  - EV market share rose to 2.5% in the United States in the first half of 2021, from 1.5% in the first half of 2020<sup>1</sup>
  - Implication on dealer infrastructure
- Automated vs. autonomous
  - Automated – safety / technology expected to be regulated
  - Autonomous – cultural shift
- Other influencers
  - Ride Sharing Platforms – Uber, Lyft

(1) Source: Experian

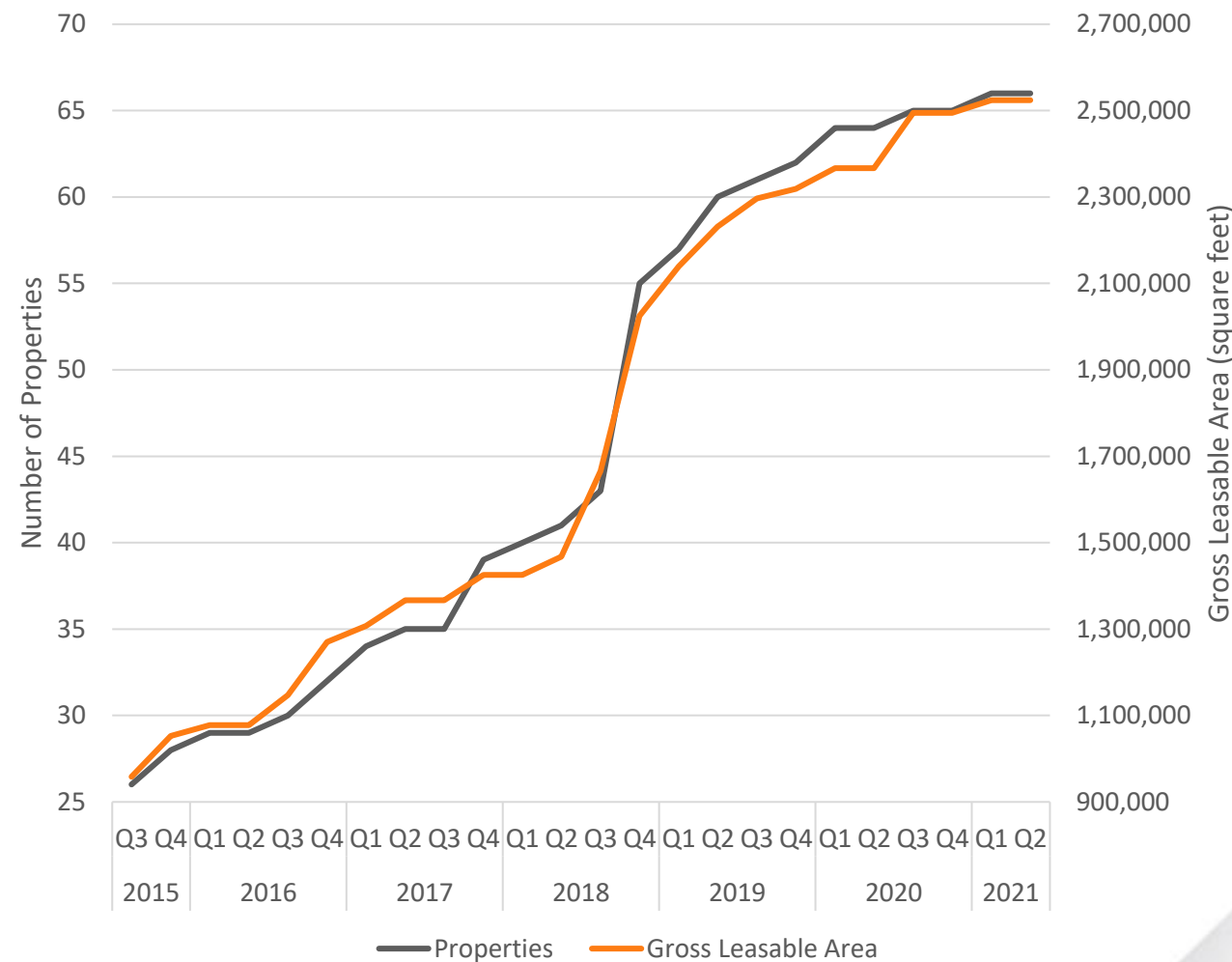


**CONTINUED FOCUS ON DEALERSHIP MODEL AND CONSOLIDATION**

# Acquisition Growth (July 2015 IPO to Present)



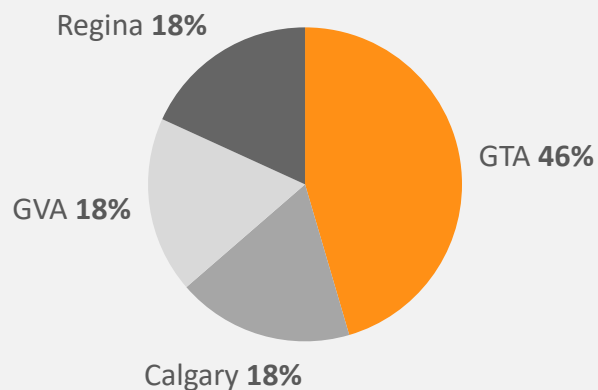
- **40** properties and three expansions
- **~\$530.2 million** combined purchase price
- Added **~1.6 million** square feet of **GLA** to portfolio
- Acquisitions indirectly funded by **six fully-subscribed equity offerings** totaling **~\$409.5 million**
- Increased **brand, geographic** and **tenant** diversification
- Enhanced **capital market liquidity**
- **Accretive** to AFFO per Unit



# Portfolio Diversification & Growth



At July 2015 IPO



Markets >  
(By GLA)

Dilawri 100%

Tenants >  
Base Rent

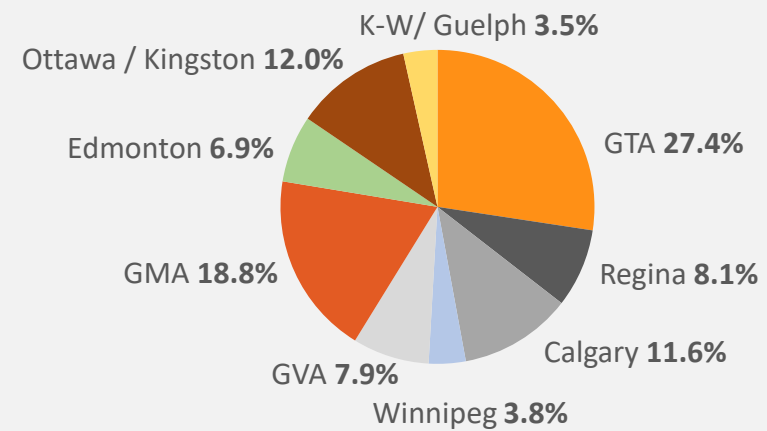
\$357.6 million

Investment Properties >

\$180.0 million

Market capitalization >

As at Sept. 30, 2021



Dilawri 61.5%

**\$1.0 billion<sup>1</sup>**

**\$652 million<sup>2</sup>**

(1) As at Sept. 30, 2021

(2) As at Nov. 18, 2021 (Includes Class B units)



**Stability**





# Stable Growth Platform



**5.4 years**

Weighted average term  
of fixed interest rates<sup>1</sup>  
(swaps)

**3.72%**

Weighted average  
fixed interest rate  
on debt<sup>1</sup>

**90%**

Portion of total debt at  
fixed interest rates<sup>1</sup>

**> 80%**

exposure to VECTOM  
markets<sup>1</sup>

**11.9 years**

Weighted average  
lease term<sup>1</sup>

**1.9%**

Q3 2021 Same Property  
Cash NOI growth (excluding  
bad debt reversal in Q3  
2020)<sup>1</sup>

**100%**

Effective occupancy

**40.1%**

Debt to GBV<sup>1</sup>

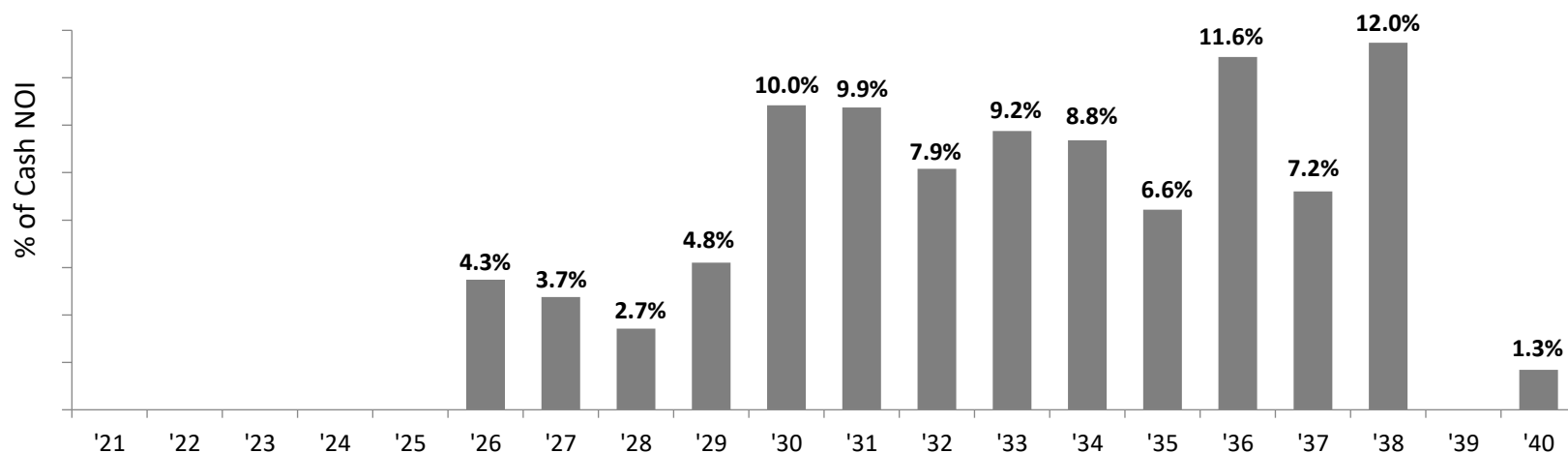
1) As at Sept. 30, 2021

# Strong Leasing Profile<sup>1</sup>



- Triple-net leases
- 96% of leases are indemnified by multi-brand, multi-location operators (e.g. AutoCanada, Dilawri Group, Go Auto and Lithia Motors)
- Weighted average term of 11.9 years
- Fixed 1.5% annual rent escalator for the 36 Dilawri properties over the next 4.6 – 18.2 years

## Lease Maturity Schedule<sup>2</sup>

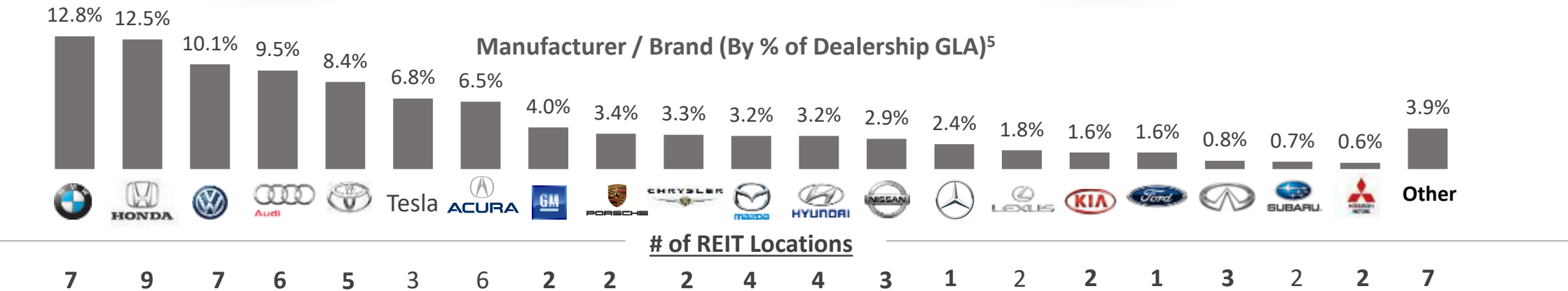
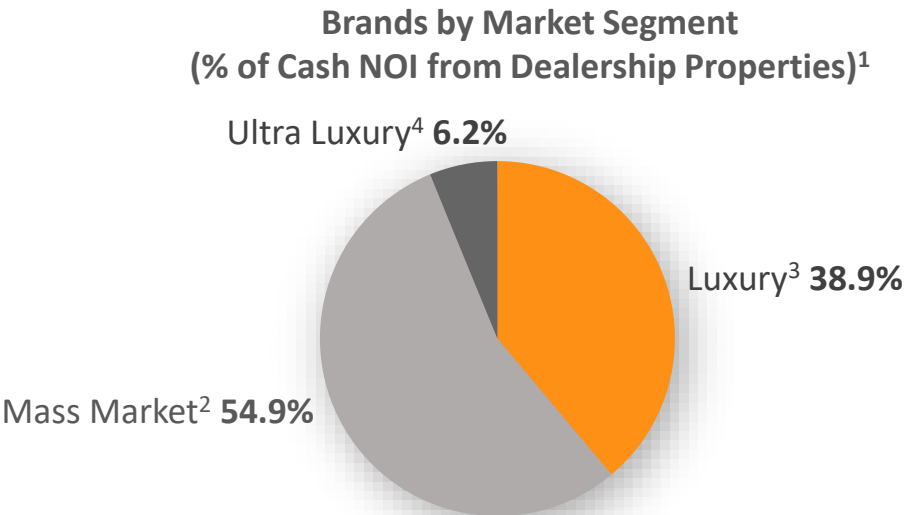
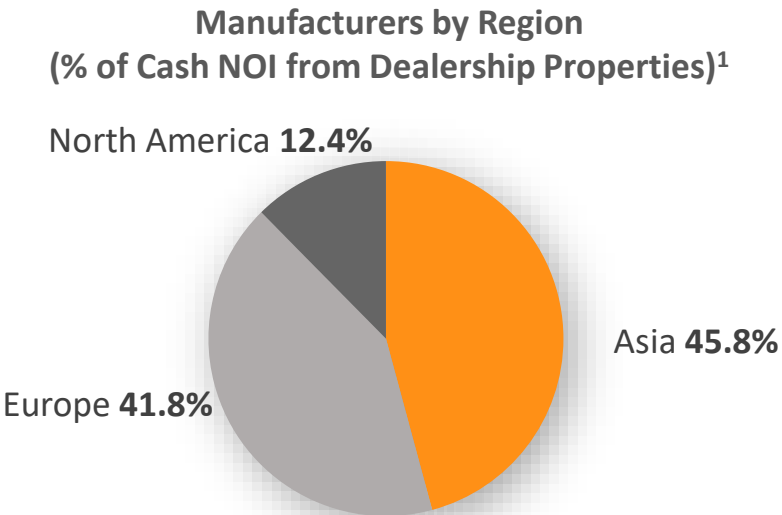


(1) As at Sept. 30, 2021

(2) Based on 12-month rolling average as at Sept. 30, 2021

**RELIABLE LONG-TERM CASH FLOW, WITH CONTRACTED, LONG-TERM RENTAL INCOME GROWTH**

# Manufacturer / Brand Diversification



(1) As at Mar. 23, 2021  
(2) Mass Market segment includes: Chrysler, Ford, General Motors, Kia, Nissan (including Nissan Infiniti), Honda, Hyundai, Mazda, Mitsubishi, Subaru, Toyota and Volkswagen  
(3) Luxury segment includes: Acura, Audi, BMW, Infiniti, Lexus, Mercedes-Benz and Tesla  
(4) Ultra-Luxury segment includes: Aston Martin, Bentley, Lamborghini, Land Rover, Lincoln, Porsche, Maserati and McLaren  
(5) As at Sept. 30, 2021

- As at Sept. 30, 2021, the REIT had cash on hand of ~\$5.0 million, undrawn credit facilities of \$74.2 million and seven unencumbered properties valued at \$103.2 million
- Debt to GBV as at Sept. 30, 2021 was 40.1%, compared to 44.8% as at Sept. 30, 2020
- Proactively amended covenants to remove the cap on the REIT's distributions at 100% of AFFO payout ratio on a rolling four quarter basis
- Certain credit facilities were increased and extended in Q4 2018 / Q1 2019, providing a well-balanced level of annual maturities
- With interest rate SWAPs, the weighted average term to maturity is approximately 5.4 years as at Sept. 30, 2021

At Sept. 30, 2021 (\$000s)	Maturity	Principal Amount	Effective Fixed Rate of Interest	Amount withdrawn against Revolving Credit Facility	Repayment
Facility 1 <sup>1</sup>	June 2023	\$180,351	3.75%	\$0 of \$30,000	Open
Facility 2 <sup>2</sup>	June 2024	\$91,893	3.52%	\$0 of \$15,000	Open
Facility 3 <sup>3</sup>	June 2026	\$102,006	4.05%	\$0 of \$30,000	Open
Mortgages	Multiple	\$24,367	3.24%	n/a	Closed
<b>Total/Weighted Average:</b>		<b>\$398,617</b>	<b>3.72%</b>	<b>\$0 of \$75,000</b>	

(1) Facility 1 consists of a non-revolving loan worth \$180.4 million and a \$30 million revolving credit facility (of which nil million was drawn as at Sept. 30, 2021)

(2) Facility 2 consists of a non-revolving loan worth \$91.9 million, and a \$15 million revolving credit facility (of which nil was drawn as at Sept. 30, 2021)

(3) Facility 3 consists of a non-revolving loan worth \$102.0 million, and a \$30 million revolving credit facility (of which nil was drawn as at Sept. 30, 2021). In November 2021, the non-revolving and revolving portions are committed to increase by \$10 million each





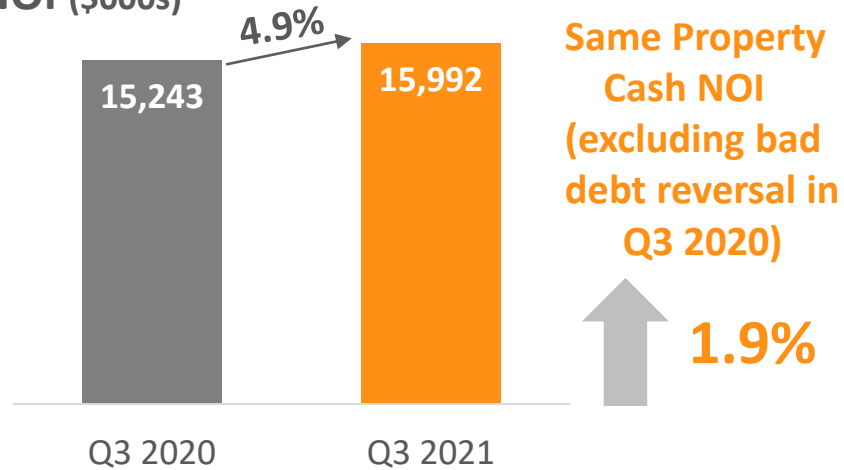
# Performance



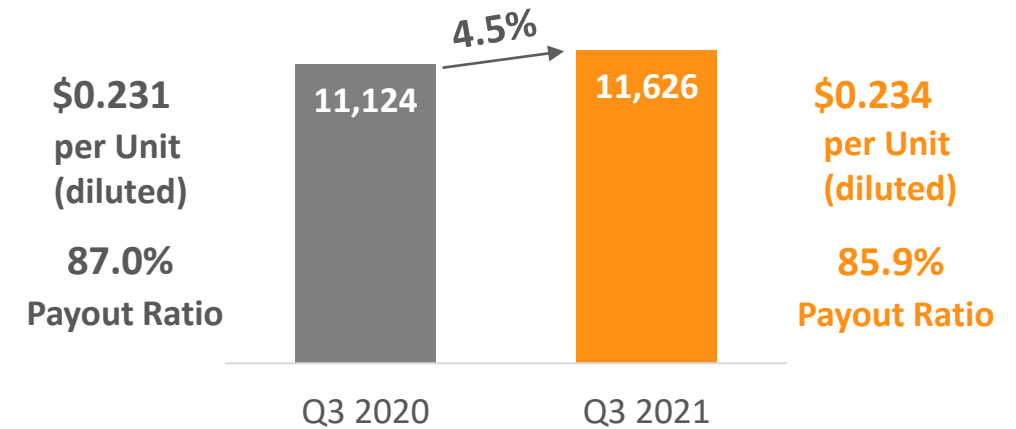
# Q3 2021 Financial Review



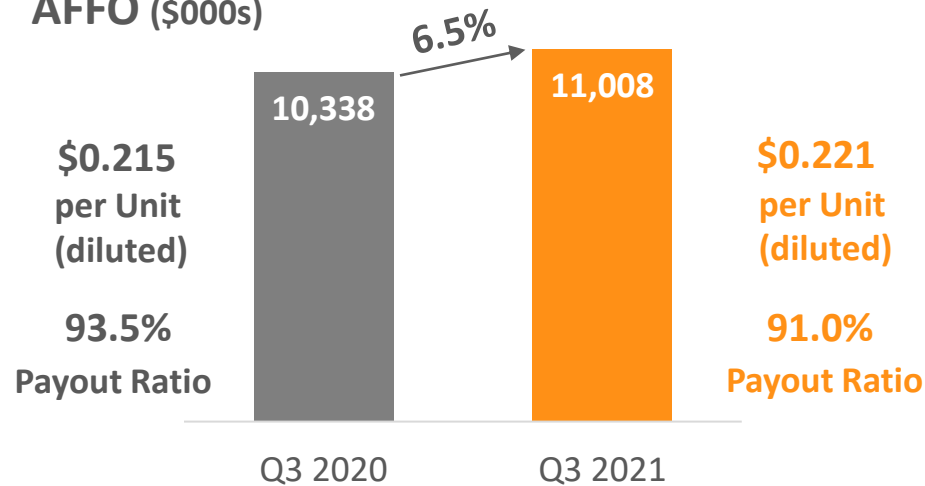
## Cash NOI (\$000s)



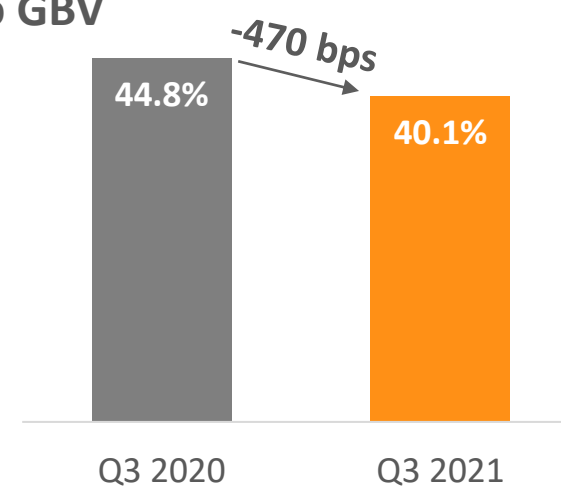
## FFO (\$000s)



## AFFO (\$000s)



## Debt to GBV



# YTD 2021 Financial Review



(\$000s, except per unit amounts and payout ratios)	Nine months ended Sept. 30, 2021	Nine months ended Sept. 30, 2020	Variance
Revenue from investment properties	\$ 58,438	\$ 56,033	4.3%
Cash NOI	48,257	44,914	7.4%
Same property Cash NOI <sup>1</sup>	44,698	44,031	1.5%
FFO	35,039	32,552	7.6%
AFFO	33,067	30,165	9.6%

Per Unit Amounts / Payout Ratios			
Distributions	\$ 0.603	\$ 0.603	--
FFO (diluted)	0.710	0.677	0.033
AFFO (diluted)	0.670	0.627	0.043
FFO payout ratio	84.9%	89.1%	-4.2%
AFFO payout ratio	90.0%	96.2%	-6.2%

(1) Excluding bad debt recovery/expense

# Investment Highlights



- APR a top performer in rent collection, solid growth in key performance metrics in Q3 2021
- Canadian automotive dealership industry proving its resilience as an essential business with increasing sales and service levels
  - Dealers have lowered operating expenses and leveraged e-commerce offerings
- APR's diversified lead tenants are well positioned to play a leading role in consolidating automotive dealerships in Canada
- High-quality portfolio of strategically located dealership properties across Canada, representing 32 global manufacturers / brands
- Long-term, triple-net leases with fixed rent escalators provide stable, predictable cash flows
- Strong liquidity position







# Appendix



# APR.UN Price Performance



Twelve months ended November 18, 2021



# Strong Majority Independent Board



Name & Domicile	Principal Occupation
<b>Louis Forbes</b> Ontario, Canada	Former Senior Vice President and Chief Financial Officer, CT Real Estate Investment Trust
<b>Patricia Kay</b> Massachusetts, US	Former Senior Vice President, Dealer Finance – Bank of America Merrill Lynch
<b>Milton Lamb</b> Ontario, Canada	President & CEO of Automotive Properties REIT
<b>Stuart Lazier</b> Ontario, Canada	Chairman, Northbridge Investment Management Inc. and former CEO of Fiera Properties Ltd.
<b>John Morrison, <i>Lead Trustee</i></b> Ontario, Canada	Former Vice Chairman and CEO of Choice Properties Real Estate Investment Trust
<b>Kap Dilawri, <i>Chair</i></b> Ontario, Canada	Co-founder, Vice President and Secretary of the Dilawri Group
<b>James Matthews</b> Ontario, Canada	Executive Vice President of the Dilawri Group

**MANAGEMENT & TRUSTEES FOCUSED ON LONG-TERM AFFO PER UNIT GROWTH  
AND SOUND GOVERNANCE**

# Acquisitions with Leading Dealership Tenants



**Porsche Centre /  
Jaguar Land Rover**  
Edmonton, AB  
December 2015  
**\$23.0 million**

**Go Mazda**  
Edmonton, AB  
March 2017  
**\$8.0 million**

**Ericksen Infiniti**  
Edmonton, AB

**Southtown Hyundai**  
Edmonton, AB

**Kentwood Ford**  
Edmonton, AB

**\$23.2 million** for three-property  
Portfolio (December 2017)



**BMW Laval**   **Sherwood Park VW**  
Montreal, QC   Edmonton, AB

**McNaught Cadillac**   **St. James VW**  
**Buick GMC**   Winnipeg, MB  
Winnipeg, MB

**Abbotsford VW**  
Abbotsford, BC

**Guelph Hyundai**  
Guelph, ON

**Wellington Motors**  
Guelph, ON

**\$55.5 million** for two-property  
portfolio (Sept. 2018)

**\$24.0 million** for two-property  
portfolio (March 2019)

**\$30.4 million** for three-property  
portfolio (June 2019)



**9 Dealership Portfolio**  
Ottawa & Kingston, ON  
December 2018  
**\$101.4 million** for 303,817 SF across 6 properties  
occupied by 9 dealerships, and 5 properties  
designated for ancillary dealership services



**Tesla Service Centre**  
Kitchener-Waterloo, ON  
February 2018  
**\$7.5 million**

**Straightline Kia**  
Calgary, AB  
December 2019  
**\$8.4 million**

**Tesla Service Centre**  
Laval, QC  
August 2020  
**\$13.5 million**



**Pfaff Audi (Lithia Motors)**  
Vaughan, ON  
September 2016  
**\$17.2 million**



**Brimell Toyota**  
Scarborough, ON  
December 2018  
**\$26.0 million**





# Acquisitions with Dilawri as Operating Tenant



**Mazda des Sources**  
Dorval, QC  
December 2017  
\$8.0 million



**Heritage Honda**  
Calgary, AB  
April 2017  
\$23.6 million



**Barrie Volkswagen**  
Barrie, ON  
March 2017  
\$8.9 million



**Audi Barrie**  
Barrie, ON  
January 2016  
\$11.1 million



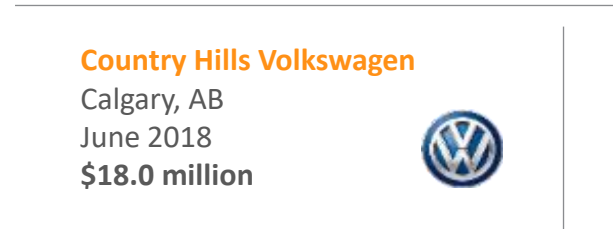
**Mercedes-Benz West Island**  
Dollard-des-Ormeaux, QC  
December 2016  
\$20.3 million



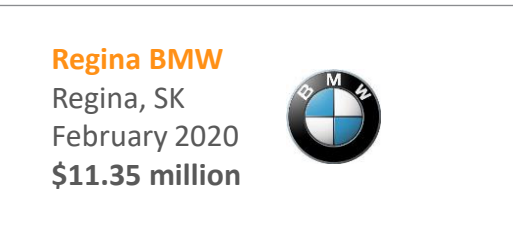
**St. Bruno Audi & Volkswagen**  
St. Bruno, QC  
December 2016  
\$14.3 million



**Toyota Woodland**  
Montreal, QC  
December 2015  
\$7.2 million



**Country Hills Volkswagen**  
Calgary, AB  
June 2018  
\$18.0 million



**Regina BMW**  
Regina, SK  
February 2020  
\$11.35 million



**Audi Queensway**  
Toronto, ON  
September 2019  
\$36.5 million



**Acura North Vancouver**  
North Vancouver, BC  
February 2020  
\$17.5 million



**Lexus Laval**  
Laval, QC  
March 2021  
\$14.8 million

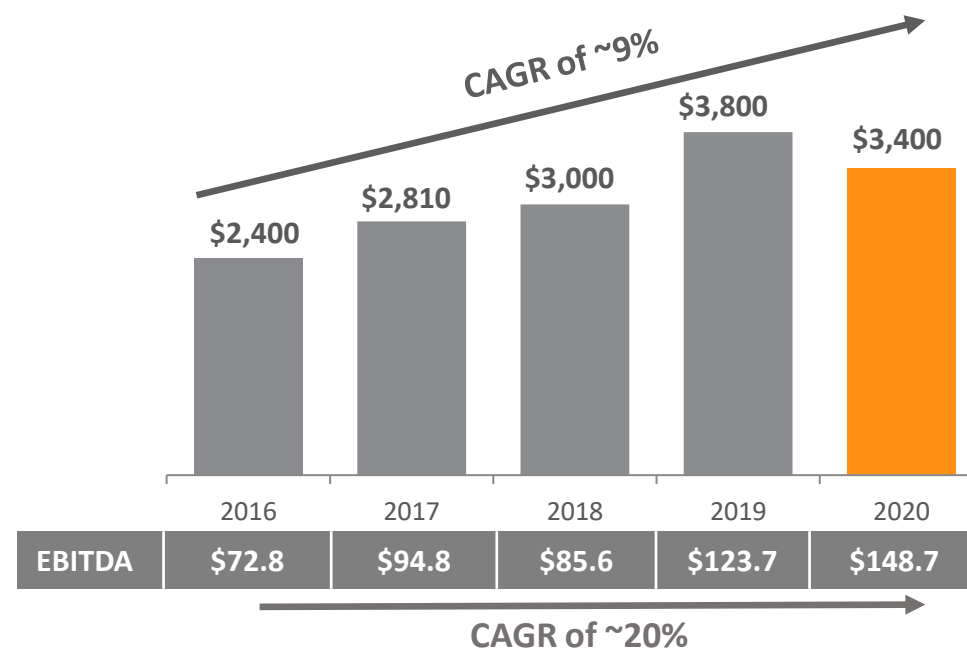






- REIT has the first right to acquire from Dilawri development and acquisition pipeline
  - Historically, Dilawri has, on average, opened or acquired five new automotive dealerships per year, including two to three automotive dealership properties
- Pro forma adjusted rent coverage ratio of 4.6x as at Sept. 30, 2021 (LTM)
- Pro forma adjusted rent coverage ratio of 3.4x as at Sept. 30, 2020 (LTM)

Dilawri 5-Year Historical Revenues (\$millions)



\* Dilawri financial information is not audited or reviewed

ALIGNMENT OF INTERESTS THROUGH DILAWRI'S 28.1% EFFECTIVE OWNERSHIP INTEREST IN THE REIT

## Termination of Administration Agreement with Dilawri

- REIT internalization became effective December 31, 2019
- The REIT's management, operating and support personnel now employed directly by the REIT
- Consistent with the REIT's stated strategy to pursue Internalization once it could be achieved on an economic basis
- No termination fees paid to Dilawri
- Strategic Alliance Agreement between the REIT and Dilawri remains intact



INTERNALIZATION REPRESENTS IMPORTANT MILESTONE FOR THE REIT