
# Consolidating Canada's Automotive Dealership Properties

Investor Presentation


Automotive Properties REIT™

**May 2023**

# Disclaimer

**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)

Automotive Properties REIT

Recent price: $11.25 [1]

Market capitalization:

$552 million [1]

REIT Units: 39.73 million

Class B Units: 9.33 million

Investment properties:

$1.17 billion [2]

Total return:

IPO to May 12, 2023: 105.6% [3]

| Annualized distribution | Yield [1] | Debt to GBV [2] | LTM AFFO Payout Ratio [2] | 2022 tax treatment | |
|---|---|---|---|---|---|
| $0.804 / unit | ~ 7.1% | 45.2% | 89.6% | 38% Return of Capital<br>51% Interest Income<br>11% Capital Gain | Internally Managed |

## Analyst coverage

BMO · Canaccord Genuity · CORMARK SECURITIES INC. · Desjardins · iA Capital Markets · LAURENTIAN BANK SECURITIES · NATIONAL BANK FINANCIAL MARKETS · RAYMOND JAMES · RBC · Scotiabank · TD Securities

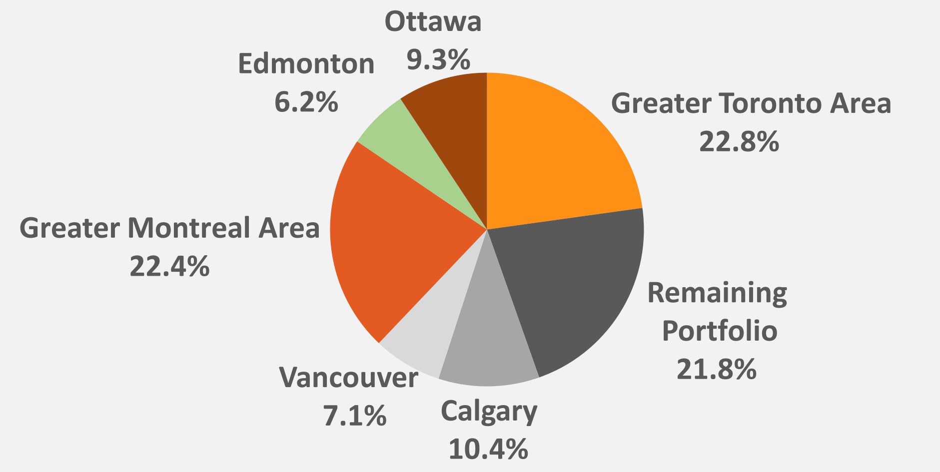
(1) As at May 16, 2023 (market capitalization includes Class B Units)
(2) As at Mar. 31, 2023
(3) Including reinvested dividends

# REIT Overview

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

Audi Queensway (GTA)

GLA by metro (March 31, 2023)




Porsche Vancouver (GVA)

**Long-term, triple-net leases with contractual rent escalators**

**Representing 32 global manufacturers / brands**

**76**
income-producing properties

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

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

**~ 80%**
exposure to VECTOM markets

**CANADA'S ONLY PUBLIC VEHICLE CONSOLIDATING AUTOMOTIVE PROPERTIES**

# Strong Lead Tenants

Automotive Properties REIT

DILAWRI
CANADA'S LARGEST AUTOMOTIVE GROUP

- 75+ automotive dealerships, representing ~35 brands
- Presence in QC, ON, SK, AB, BC, and United States
- REIT has the first right to acquire from Dilawri development and acquisition pipeline

Tesla

- Leading global electric vehicle maker with largest market capitalization of any automotive company
- Nasdaq: TSLA

AutoCanada

- 82 automotive dealerships, representing ~28 brands
- Presence in NS, NB, QC, ON, MB, SK, AB, BC, and United States
- TSX: ACQ

LITHIA MOTORS, INC.

- One of the largest automotive dealership groups in North America, with more than 250 locations
- Acquired Pfaff Automotive Partners in August 2021 to enter Canadian market
- NYSE: LAD

MIERINS AUTOMOTIVE GROUP (Alpha Auto Group)

- 16 automotive dealerships, representing ~10 brands
- Presence in ON and United States

goAuto

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

Groupe Olivier Capital
Operated by:
GROUPE OLIVIER

- 26 automotive dealerships, representing ~10 brands
- Presence in QC

*Data based on publicly available information (as at January 4, 2023)

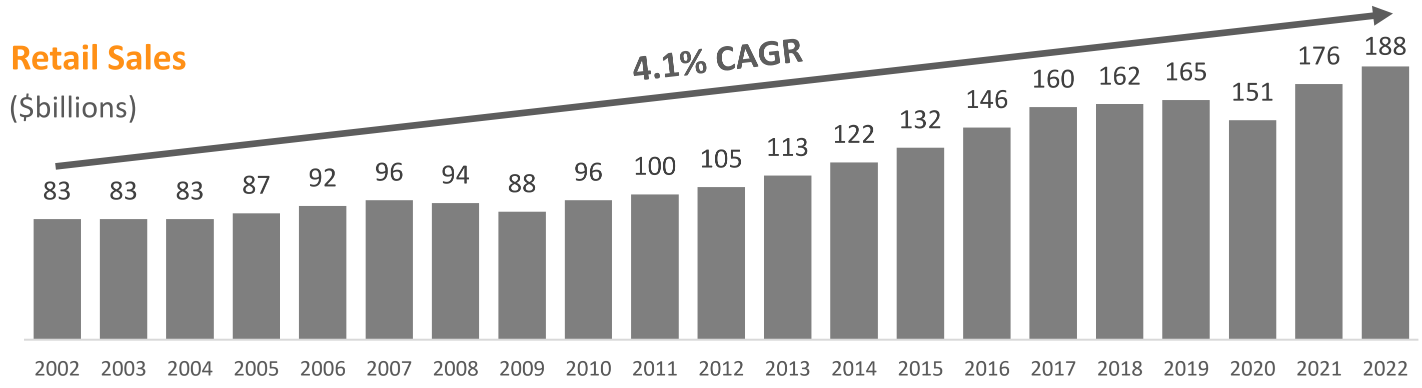
# Managing Inflation

## REIT Structure and Strategy to Mitigate Inflation

- Interest rate swaps and mortgages (as at Mar. 31, 2023)
  - Weighted average interest rate swap and mortgage term of 5.5 years
  - 94% of debt fixed through interest rate swaps and mortgages
- Contractual rent increases, including CPI-linked increases
  - Fixed annual increases or CPI-linked adjustments
  - Leases with CPI adjustments represent ~26% of base rent in 2023
  - For 2024, leases with uncapped CPI-related adjustments represent ~26% of base rent, and leases representing an additional ~10% of base rent will be subject to capped CPI-related adjustments
- Property-level costs are the responsibility of tenants under triple-net leases
  - Tenants pay for repairs and maintenance, realty taxes, property insurance, utilities and non-structural capital improvements

**THE REIT IS WELL POSITIONED FOR AN ENVIRONMENT OF ELEVATED INFLATION**

# Canadian Automotive Dealership Industry




**~25%**

Auto industry's proportion of Canada's overall retail sales of products and merchandise in 2022

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 2022

**1.58 Million**

**~5.9% decrease from 2021 levels**

**Supply chain constraints impacted sales volumes**

**Canadian new light vehicle sales increased 5.2% year-over-year in Q1 2023, reflecting continued consumer demand for new vehicles (Source: DesRosiers Automotive Consultants Inc.)**

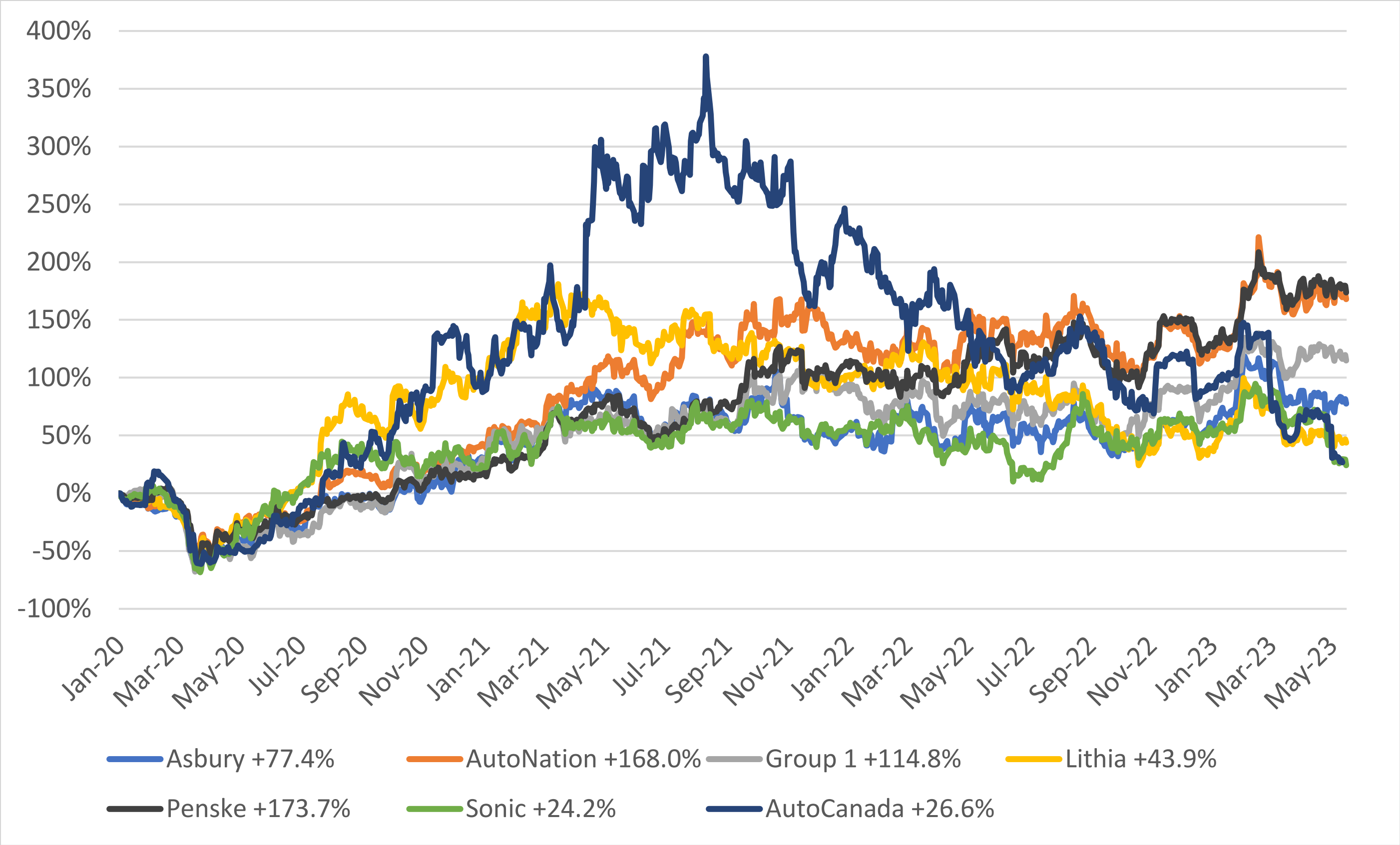
**THE AUTOMOTIVE RETAIL SALES INDUSTRY IS CANADA'S LARGEST RETAIL SEGMENT**



Source: Statistics Canada, except for DesRosiers Automotive Consultants data as indicated

# Strong Auto Dealership Performance

## Stock Performance (December 31, 2019 to May 16, 2023)

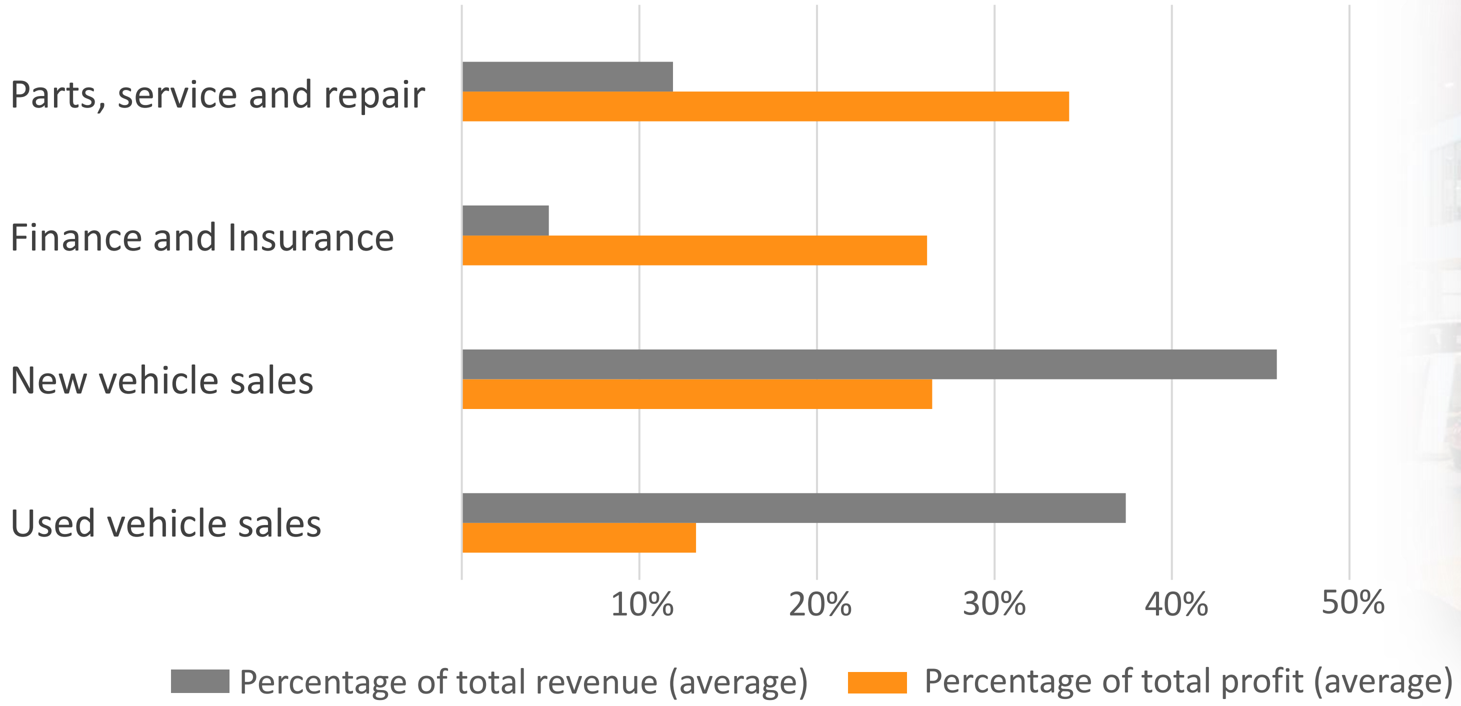



- Sales have rebounded from lows in spring of 2020
- Many dealers generating record earnings
  - Rapid cost reduction achieved due to high variable cost component
- Profit margins per unit sold being enhanced through:
  - Technological improvements / enhanced e-commerce offerings and curbside pick-up for sales & service
  - Reduced headcounts
  - Lower SG&A costs
- Supply chain constraints impacted new vehicle sales in 2022

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

# Automotive Dealership Group Profit Centres

Average revenue / profit % contribution per business segment for major North American automotive dealership groups[1]





(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 2021 and 2022

**SIGNIFICANT MAJORITY OF PROFITS ARE GENERATED FROM REVENUE SOURCES OTHER THAN NEW CAR SALES**

# Automotive Industry Developments & Evolution

- New entrants expected into NA market from Asia
- 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 registrations comprised 5.6% of new U.S. light vehicle registrations in 2022, compared to 3.1% in 2021 [1]
  - 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

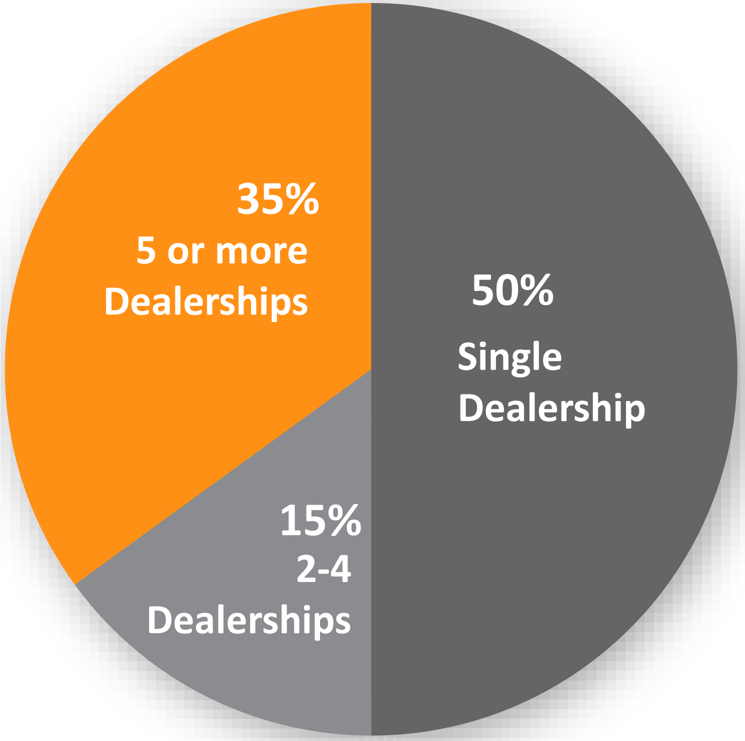
**CONTINUED FOCUS ON DEALERSHIP MODEL AND CONSOLIDATION**


# Growth

Automotive Properties REIT™

# Further Opportunity to Consolidate Highly Fragmented Industry

### Proportion of Canada's ~ 3,500 Auto Dealerships by Size of Ownership Group [1]




### 10 Dealership Groups: Approximately 12% of the Canadian Market [2]

| Company | Dealerships | % of Total |
|---|---|---|
| **Dilawri Group [3]** | **74** | **2.1%** |
| **AutoCanada[3]** | **64** | **1.8%** |
| **Go Auto[3]** | **54** | **1.5%** |
| Steele Automotive Group | 52 | 1.5% |
| Groupe Gabriel | 38 | 1.1% |
| Zanchin Automotive Group | 38 | 1.1% |
| Murray Auto Group | 31 | 0.9% |
| Performance Auto Group | 28 | 0.8% |
| **Groupe Olivier[3]** | 21 | 0.6% |
| O'Regan's Automotive | 20 | 0.6% |
| **Top 10 subtotal** | **420** | **12.0%** |
| Other | ~ 3,080 | 88.0% |
| **Total** | **~ 3,500[1]** | **100.0%** |

(1) Source: DesRosiers Automotive Consultants Inc.
(2) As at January 4, 2023 – data based on publicly available information
(3) Denotes current tenants of the REIT

# January 2023 Acquisitions

- Acquisition of **six properties** in Quebec (four in GMA / two in Sorel Tracy) from separate third parties for aggregate purchase price of **$98.5 million**
- Affiliates of **Groupe Olivier Capital** are the operating tenants
  - long-term, triple-net leases with **contractual annual rent increases** based on the Quebec CPI, and no less than 1.5%, after year one
  - **weighted average term ~16 years** / indemnified by Groupe Olivier
- Concurrently increased non-revolving component of one of our credit facilities by $70 million
- Funded by draws on revolving and non-revolving credit facilities, and cash on hand
  - Cash portion included $18 million from our recent sale of Kingston Toyota and Lexus of Kingston properties

| | | |
|---|---|---|
| Chomedey Toyota (Laval) | Hamel Honda (St. Eustache) | Honda St. Rose (Laval) |
| Mazda de Laval (Laval) | Hyundai Sorel (Sorel Tracy) | Kia Sorel (Sorel Tracy) |

**187,421 sq. ft. of GLA / 21.7 acres**

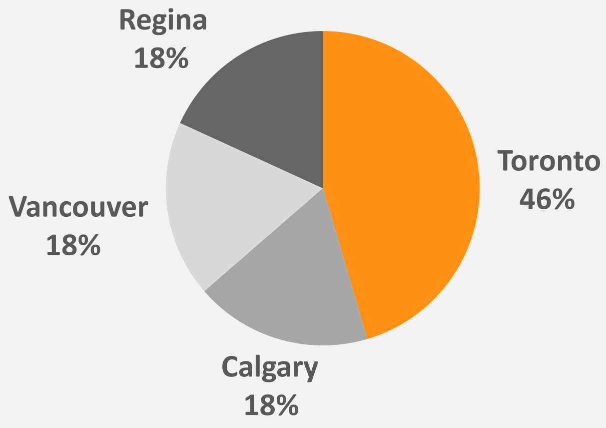
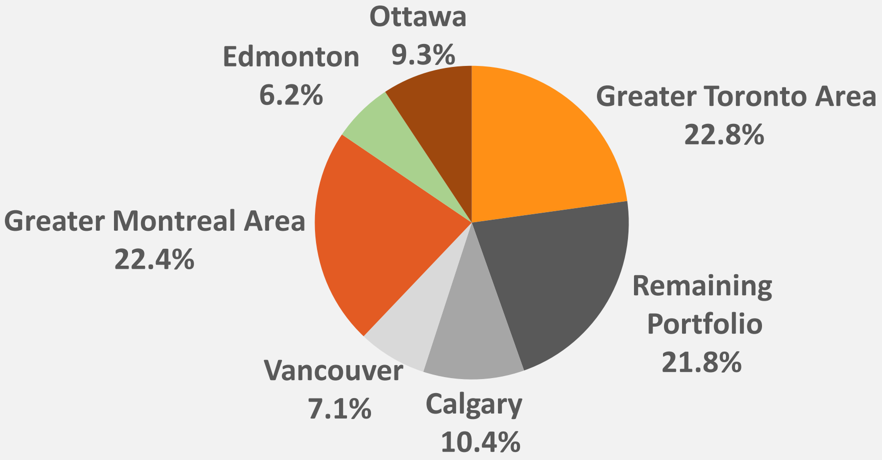
2200 Boulevard Chomedey, Laval – Mazda de Laval


2385 Boulevard Chomedey, Laval – Chomedey Toyota

# Acquisition Growth (July 2015 IPO to Present)

- **52** properties acquired / four property expansions / two property divestitures
- **~$694 million** deployed
- Added **~1.8 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**
- Focused on **AFFO per Unit growth**
- Additional $16.1 million acquisition of dealership property in Brossard, Quebec announced in May 2023
    - Under lease with Groupe Park Avenue Volvo & Jaguar Land Rover
    - Lease is subject to annual adjustments linked to CPI in Quebec

# Portfolio Diversification & Growth

| | At July 2015 IPO | | Current |
|---|---|---|---|
| Markets > (By GLA) |  | |  |
| Tenants > Base Rent | Dilawri 100% | | Dilawri 53.7% |
| Investment Properties > | $357.6 million | → | $1.17 billion[1] |
| Market capitalization > | $180.0 million | → | $552 million[2] |

(1) As at Mar. 31, 2023
(2) As at May 16, 2023 (Includes Class B units)


# Stability

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# Stable Growth Platform


**5.5 years**
Weighted average interest rate swap term and mortgage remaining[1]

**4.18%**
Weighted average fixed interest rate on debt[1]

**94%**
Portion of total debt at fixed interest rates[1]

**~ 80%**
exposure to VECTOM markets[1]

**10.7 years**
Weighted average lease term[1]

**2.4%**
Q1 2023 Same Property Cash NOI growth

**100%**
Effective occupancy

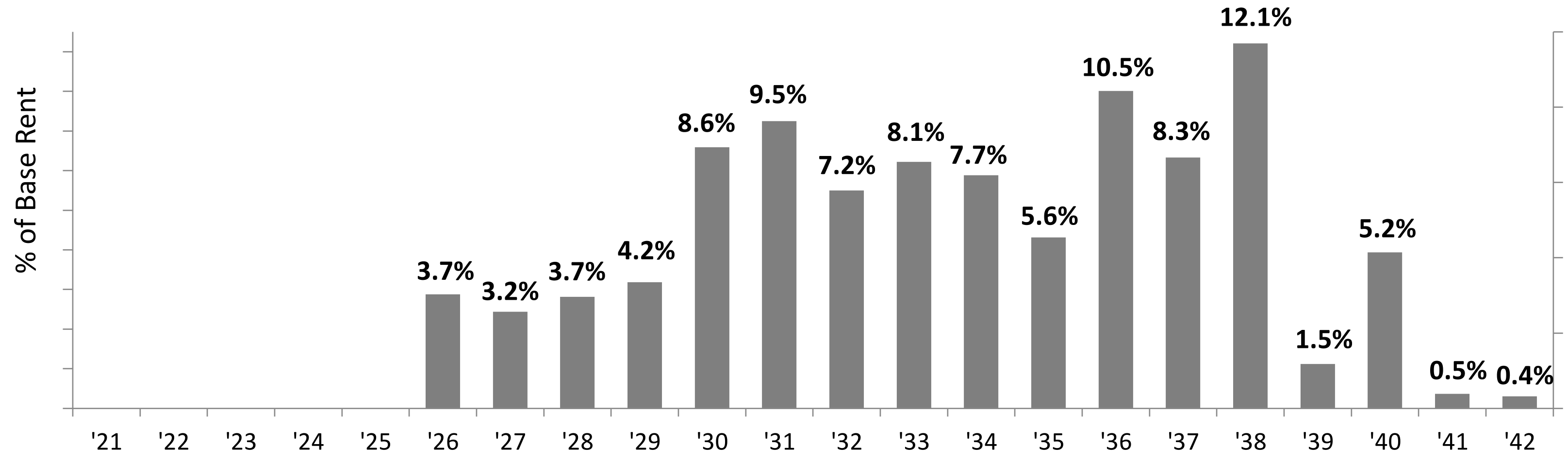
**45.2%**
Debt to GBV [1]

1) As at Mar. 31, 2023.

# Strong Leasing Profile[1]

- Triple-net leases
- Leases are indemnified by multi-brand, multi-location operators / OEM (e.g. AutoCanada, Dilawri Group, Go Auto, Lithia Motors, and Tesla)
- Weighted average term of 10.7 years
- Fixed 1.5% annual rent escalator for the 36 Dilawri properties over the next 3.2 – 16.8 years

## Lease Maturity Schedule[2]

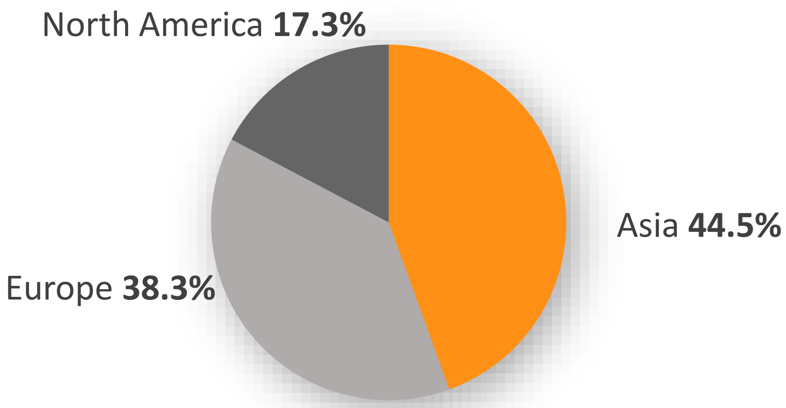



(1) As at Mar. 31, 2023
(2) Based on 12-month rolling average as at Mar. 31, 2023

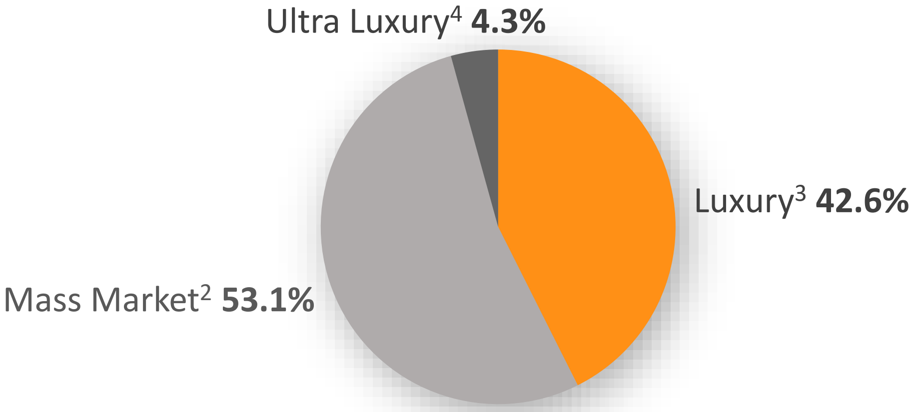
**RELIABLE LONG-TERM CASH FLOW, WITH CONTRACTED, LONG-TERM RENTAL INCOME GROWTH**

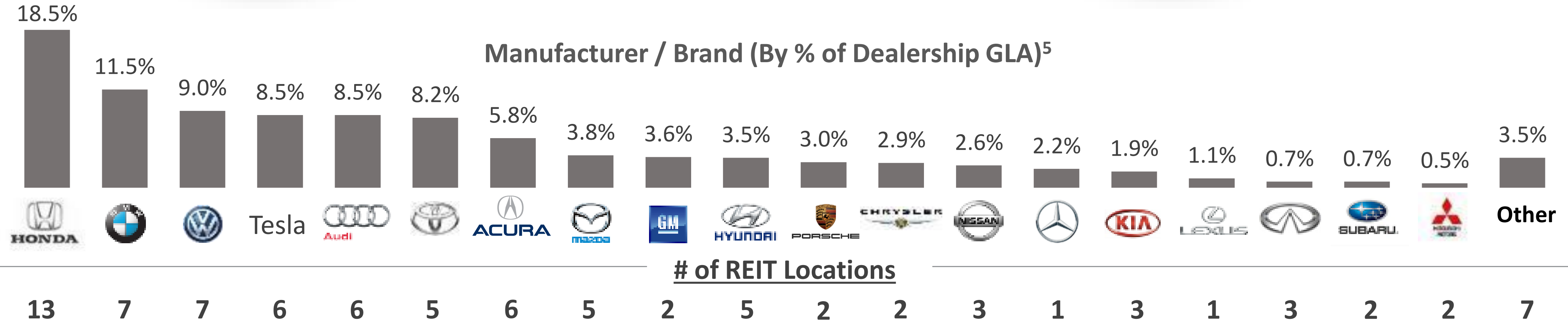
# Manufacturer / Brand Diversification

## Manufacturers by Region
(% of Base Rent from Dealership Properties)[1]




## Brands by Market Segment
(% of Base Rent from Dealership Properties)[1]




(1) As at Dec. 31, 2022
(2) Mass Market segment includes: Chrysler, Ford (including Lincoln), 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, Jaguar, Lamborghini, Land Rover, Porsche, Maserati and McLaren
(5) As at Mar. 31, 2023

# Debt Strategy

- As at Mar. 31, 2023, the REIT had cash on hand of ~$0.1 million, undrawn revolving credit facilities of $52.4 million and four unencumbered properties valued at ~$61.5 million
  - $82.0 million of undrawn credit revolving facilities and four unencumbered properties valued at ~$61.5 million as at May 11, 2023
- In January 2023, as a result of the Quebec property acquisitions, the REIT increased the non-revolving portion of Facility 3 by $70 million at the same credit spread
  - Entered into floating-to-fixed interest rate swaps for a weighted average term of 7.6 years at a blended rate of 4.91%
- In February 2023, the REIT entered into a new $9 million mortgage for a term of five years at an interest rate of 5.05%
- Debt to GBV as at Mar. 31, 2023 of 45.2%
- With interest rate swaps, the weighted average term to maturity is approximately 5.5 years as at Mar. 31, 2023

| At Mar. 31, 2023 ($000s) | Maturity | Principal Amount | Effective Fixed Rate of Interest | Amount withdrawn against Revolving Credit Facility | Repayment |
|---|---|---|---|---|---|
| **Facility 1**[1] | June 2027 | $242,481 | 4.34% | $26,400 of $30,000 | Open |
| **Facility 2**[2] | January 2025 | $90,281 | 3.65% | $5,600 of $15,000 | Open |
| **Facility 3**[3] | June 2026 | $168,565 | 4.32% | $0 of $40,000 | Open |
| **Mortgages** | Multiple | $32,009 | 3.52% | n/a | Closed |
| **Total/Weighted Average:** | | **$533,336** | **4.18%** | **$32,000 of $85,000** | |

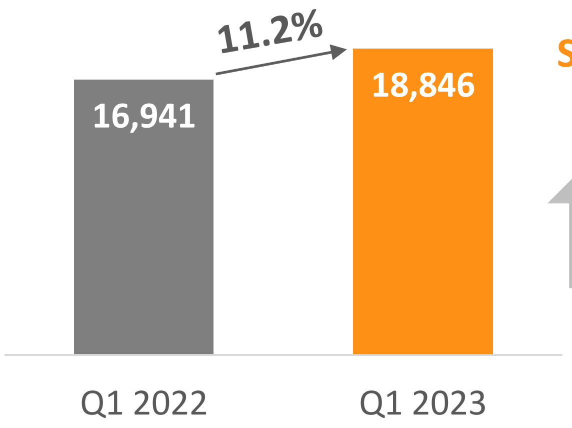
(1) As at Mar. 31, 2023, Facility 1 consisted of a non-revolving loan worth $216.1 million, and a $30 million revolving credit facility (of which $26.4 million was drawn and $0.6 million was secured for the issuance of irrevocable letters of credit), both maturing in June 2027
(2) As at Mar. 31, 2023, Facility 2 consisted of a non-revolving loan worth $84.7 million, and a $15 million revolving credit facility (of which $5.6 was drawn), both maturing in January 2025
(3) As at Mar. 31, 2023, Facility 3 consisted of a non-revolving loan worth $168.6 million, and a $40 million revolving credit facility (of which nil was drawn), both maturing in June 2026


# Performance

Automotive Properties REIT

# Q1 2023 Financial Review

## Cash NOI ($000s)



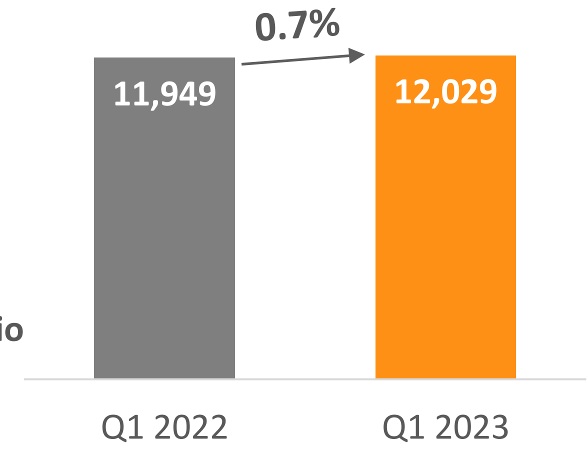

Same Property Cash NOI

2.4%

## FFO ($000s)

$0.240 per Unit (diluted)

83.8% Payout Ratio



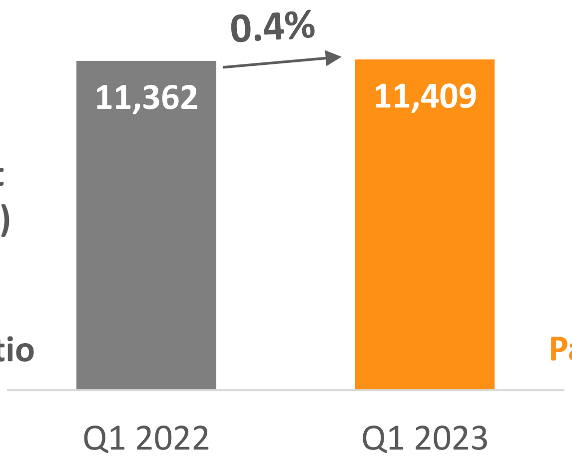

$0.241 per Unit (diluted)

83.4% Payout Ratio

## AFFO ($000s)

$0.228 per Unit (diluted)

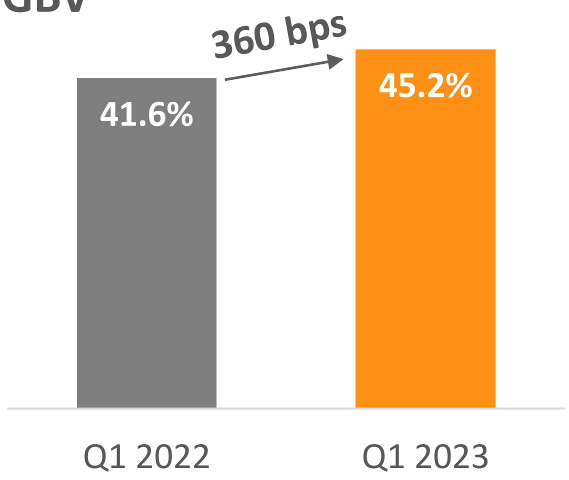
88.2% Payout Ratio




$0.229 per Unit (diluted)

87.8% Payout Ratio

## Debt to GBV



# 2022 Financial Review

| ($000s, except per unit amounts and payout ratios) | 12 months ended December 31, 2022 | 12 months ended December 31, 2021 | Variance |
|---|---|---|---|
| Revenue from investment properties | **$ 82,861** | $ 78,218 | **5.9%** |
| Cash NOI | **68,533** | 64,225 | **6.7%** |
| Same property Cash NOI[1] | **64,155** | 62,706 | **2.3%** |
| FFO | **46,748** | 46,529 | **0.5%** |
| AFFO | **44,707** | 43,987 | **1.6%** |
| **Per Unit Amounts / Payout Ratios** | | | |
| Distributions | **$ 0.804** | $ 0.804 | **--** |
| FFO (diluted) | **0.939** | 0.941 | **-0.002** |
| AFFO (diluted) | **0.898** | 0.890 | **0.008** |
| FFO payout ratio | **85.6%** | 85.4% | **0.2%** |
| AFFO payout ratio | **89.5%** | 90.3% | **-0.8%** |

(1) Excluding bad debt recovery in 2021

# Investment Highlights

- Solid growth in key performance metrics in 2022
- Canadian automotive dealership industry proving its resilience as an essential business with strong 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 or CPI adjustments provide stable, predictable cash flows
- Interest rate swaps and triple-net lease structure reduce the REIT's exposure to interest rate increases
- Pursuing acquisitions on a strategic basis
    - Deployed ~$163.4 million on property acquisitions since the start of 2022 (excluding the announced $16.1 million acquisition in Brossard, Quebec)
- Strong liquidity position


# Appendix

Automotive Properties REIT

# APR.UN Price Performance

12 months ended May 16, 2023

# Strong Majority Independent Board

| Name & Domicile | Principal Occupation |
|---|---|
| **Kap Dilawri,** ***Chair***<br>Ontario, Canada | Co-Founder and President of the Dilawri Group |
| **Patricia Kay**<br>Massachusetts, United States | Former Senior Vice President, Dealer Finance – Bank of America Merrill Lynch |
| **Milton Lamb**<br>Ontario, Canada | President & CEO of Automotive Properties REIT |
| **Stuart Lazier**<br>Ontario, Canada | Chairman, Northbridge Investment Management Inc. and former CEO of Fiera Properties Ltd. |
| **James Matthews**<br>Ontario, Canada | Executive Vice President of the Dilawri Group |
| **Julie Morin**<br>Ontario, Canada | Chief Financial Officer of The Minto Group |
| **John Morrison,** ***Lead Trustee***<br>Ontario, Canada | Former Vice Chairman and CEO of Choice Properties Real Estate Investment Trust |

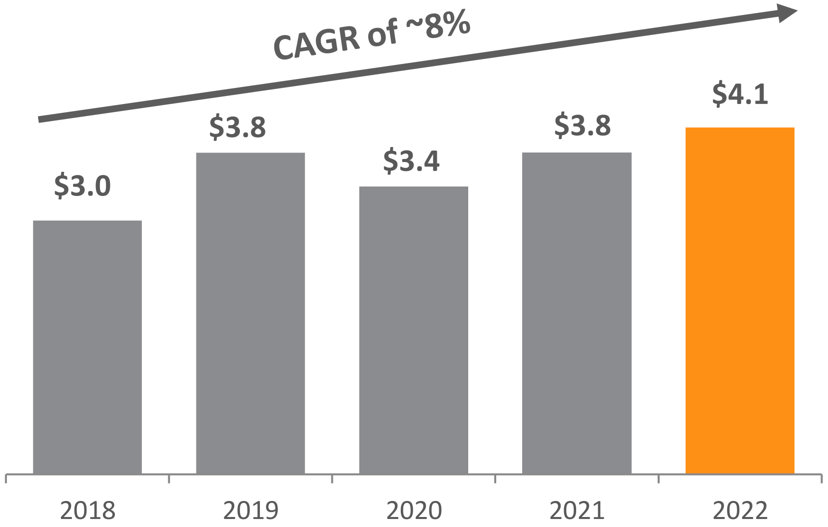
**MANAGEMENT & TRUSTEES FOCUSED ON LONG-TERM AFFO PER UNIT GROWTH AND SOUND GOVERNANCE**

# Dilawri Group

DILAWRI
CANADA'S LARGEST AUTOMOTIVE GROUP

- 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 5.8x as at Mar. 31, 2023 (LTM)
- Pro forma adjusted rent coverage ratio of 5.1x as at Mar. 31, 2022 (LTM)

**Dilawri 5-Year Historical Revenues ($billions)**




| EBITDA | $85.6 | $123.7 | $148.7 | $213.3 | $235.4 |
|---|---|---|---|---|---|

CAGR of ~29%

* Dilawri has agreed to provide the financial information above up to the year ending December 31, 2023

**ALIGNMENT OF INTERESTS THROUGH DILAWRI'S 31.5% EFFECTIVE OWNERSHIP INTEREST[1] IN THE REIT**

1) As at Mar. 31, 2023