

Supplemental Information Package

Quarters ending December 31, 2021, and 2020

March 4, 2022

Primaris



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NOTICE TO THE READER

Supplemental Information

On December 31, 2021, Primaris became a stand-alone entity following the successful completion of a tax-free spin-out transaction implemented by way of a plan of arrangement (the “Arrangement”) pursuant to which 27 properties (the “Primaris Properties”) formerly held by H&R Real Estate Investment Trust (the “Former Parent”) were spun-out to Primaris. Immediately after the completion of the Arrangement, Primaris acquired an additional 8 investment properties (the “HOOPP Properties”) from Healthcare of Ontario Pension Plan (“HOOPP”).

Primaris’ Management’s Discussion and Analysis for the years ended December 31, 2021 and 2020 (the “MD&A”) and the consolidated statement of financial position and combined carve-out financial statements and the accompanying notes for the years ended December 31, 2021 and 2020 (the “Financial Statements”) have been prepared on a continuity-of-interests basis, whereby the Former Parent’s historical accounting basis continues to be used as the accounting basis for Primaris.

Purpose of the Supplement

The net operating income** (NOI**) measures disclosed in the MD&A and Financial Statements were calculated on the results of the Primaris Properties and did not include the HOOPP Properties.

This Supplement is intended to provide an investor pro forma net income for the 2021 and 2020 fiscal years as if the Arrangement and acquisition of the HOOPP Properties had taken place at the beginning of each such fiscal year with NOI** reflecting results from the Primaris Properties as well as the HOOPP Properties.

Interest expense was calculated based on the reported debt balances as at December 31, 2021 after taking into effect the acquisition of the HOOPP Properties. Furthermore, the net income reflects the estimated potential general and administrative expenses Primaris would have incurred as a stand-alone public entity.

Caution

The information contained in this Supplement includes material information up to March 4, 2022. Readers should be cautioned that there is a significant risk that future results will vary materially from the pro forma net income presented.

This Supplement has been compiled by management and has not been audited, reviewed or verified by Primaris’ auditor or any other accounting firm. Readers are cautioned that this Supplement may not be appropriate for their purposes.

Pro forma

For the years ended December 31, (\$ thousands)	2021			2020		
	Primaris Properties ¹	HOOPP Properties ²	Combined Carve- Out	Primaris Properties ¹	HOOPP Properties ²	Combined Carve-Out
Rental revenue	253,979	102,172	356,151	270,230	106,361	376,591
Property operating costs	(112,385)	(62,006)	(174,391)	(141,756)	(75,781)	(217,537)
Pro forma Net Operating Income**			181,760			159,054
Pro forma income (expense):						
Management fee income ³			2,500			2,500
Interest expense ⁴			(32,310)			(32,310)
General and administrative expense ⁵			(17,305)			(17,305)
Pro forma Net Income and Funds from Operations			134,645			111,939
Pro forma Trust Units outstanding:						
Basic - in thousands ⁶			101,600			101,600
Diluted - in thousands ⁶			101,800			101,800
Pro forma FFO per unit** - basic			\$ 1.33			\$ 1.10
Pro forma FFO per unit** - diluted			\$ 1.32			\$ 1.10
Pro forma total debt ⁴			923,210			923,210
Pro forma Debt to Adjusted EBITDA**			5.5			6.4

Basis of preparation of these pro forma carve-out results for the years ended December 31, 2021 and 2020:

- 1 Primaris Properties: The results for the years ended December 31, 2021 and 2020 were derived from audited results. Certain amounts for the December 31, 2020 results were reclassified from those originally presented in the Former Parent's management information circular dated November 5, 2021 (the "Circular") to eliminate the internal management fees of \$7.3 million and conform to the December 31, 2021 presentation.
- 2 HOOPP Properties: Results for the year ended December 31, 2020 were derived from audited figures previously presented in the Circular. Results for the year ended December 31, 2021 were prepared by HOOPP under the same basis as the December 31, 2020 audited results.
- 3 Pro forma management fee income was estimated based on the fees earned in the year ended December 31, 2021 as presented in the MD&A.
- 4 Pro forma interest expense was calculated based on the debt outstanding as at December 31, 2021 as per the MD&A at a 3.50% annual interest rate.

Mortgages payable	580,000		
Credit facilities	143,000		
Credit facilities draw to pay Note payable	200,210		
	<u>923,210</u>	@ 3.50%	\$ <u>32,310</u>

5 Pro forma general and administrative expenses as presented in the MD&A have been adjusted to include an estimate reflecting the costs that would have been incurred if Primaris had been a stand-alone public entity for the entire year. The basis of the adjustment considers the \$7,355 forecasted value presented in the Circular plus the reclassification of management fees of \$9,950 from the December 31, 2021 results.

6 The outstanding units presented in the pro forma on a basic and diluted basis are rounded amounts of those presented in the MD&A. These pro forma results assume no changes to the outstanding units.

Occupancy

	In-place Occupancy	Committed Occupancy
Primaris Properties	87.5%	89.4%
HOOPP Properties	83.2%	83.8%
Portfolio	86.0%	87.5%

	In-place Occupancy	Committed Occupancy
Primaris Properties ¹	90.0%	92.1%
HOOPP Properties	83.2%	83.8%
Portfolio	87.6%	89.1%

¹ Excluding Northland Village

NON-GAAP MEASURES

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). However, in this Supplement, a number of measures are presented which do not have a standardized meaning prescribed under generally accepted accounting principles ("GAAP") in accordance with IFRS. These non-GAAP measures include non-GAAP financial measures and non-GAAP ratios, each as defined in National Instrument 52-112, Non-GAAP and Other Financial Measures Disclosure. These non-GAAP measures are more fully defined and discussed in the MD&A, available at www.primarisreit.com and on www.sedar.com.

Certain non-GAAP measures included herein and not in the MD&A and the reasons why management believes them to be useful to investors, are described below:

FFO: Management considers FFO a meaningful additional financial measure of operating performance, as it excludes fair value adjustments and other items included in Primaris' net income that may not be the most appropriate determinant of the long-term operating performance of the Trust. Management uses and believes that FFO is a useful measure of the Trust's performance that, when compared period over period, reflects the impact on operations of trends in occupancy levels, rental revenue, occupancy costs and other expenses of the Trust. FFO is often presented on a per unit basis.

Total Debt: Defined as the mortgages payable and the draw on the credit facilities as at December 31, 2021, and the pro forma draw on the credit facilities for the repayment of the note payable to HOOPP.

Adjusted EBTDA: Adjusted EBITDA is defined in the MD&A and calculated in this pro forma as net income excluding interest expense.

Debt to EBITDA: Calculated as Total Debt divided by Adjusted EBITDA. This ratio is used to assess the financial leverage of Primaris, to measure its ability to meet financial obligations and to provide a snapshot of its balance sheet strength.

Management believes these are useful measures of Primaris' performance period over period and its ability to meet its financial obligations. However, none of the non-GAAP measures should be construed as an alternative to financial measures calculated in accordance with GAAP. Furthermore, these non-GAAP measures may not be comparable to similar measures presented by other real estate entities and should not be construed as an alternative to financial measures determined in accordance with IFRS.

Non-GAAP measures in this Supplement are denoted by the suffix "***".

UNITHOLDERS' INFORMATION

AUDITORS: KPMG LLP

LEGAL COUNSEL: Blake, Cassels & Graydon LLP

PLAN ELIGIBILITY: RRSP, RRIF, DPSP, RESP, RDSP, TFSA

STOCK EXCHANGE LISTING: Units of PRIMARIS are listed on the Toronto Stock Exchange under the trading symbol PMZ.UN.

REGISTRAR AND TRANSFER AGENT: TSX Trust Company (Canada), P.O. Box 4229, Station A, Toronto, Ontario, Canada, M5W 0G1, Telephone: 1-800-387-0825 (or for callers outside North America 416-682-3860), Fax: 1-888-488-1416, E-mail: inquiries@canstockta.com, Website: www.canstockta.com.

Investors, investment analysts and others seeking financial information should go to our website at <https://www.primarisreit.com> or contact:

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Chief Executive Officer, Primaris REIT

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President & Chief Operating Officer, Primaris REIT

1. Investment Committee
2. Compensation, Governance and Nominating Committee
3. Audit Committee



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