

SAUL CENTERS, INC.
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Saul Centers, Inc. Reports Third Quarter 2022 Earnings

November 8, 2022, Bethesda, MD.

Saul Centers, Inc. (NYSE: BFS), an equity real estate investment trust ("REIT"), announced its operating results for the quarter ended September 30, 2022 ("2022 Quarter"). Total revenue for the 2022 Quarter increased to \$61.1 million from \$60.3 million for the quarter ended September 30, 2021 ("2021 Quarter"). Net income decreased to \$15.5 million for the 2022 Quarter from \$16.9 million for the 2021 Quarter primarily due to (a) higher general and administrative expenses of \$0.9 million, (b) loss on early extinguishment of debt of \$0.6 million, (c) lower recovery income, net of expenses of \$0.3 million, partially offset by (d) higher base rent across the portfolio of \$0.4 million. Net income available to common stockholders decreased to \$9.2 million, or \$0.38 per basic and diluted share, for the 2022 Quarter from \$10.3 million, or \$0.44 per basic and diluted share, for the 2021 Quarter.

Same property revenue increased \$0.8 million, or 1.4%, and same property operating income increased \$0.1 million, or 0.3%, for the 2022 Quarter compared to the 2021 Quarter. Same property revenue and same property operating income are non-GAAP financial measures of performance and improve the comparability of these measures by excluding the results of properties that were not in operation for the entirety of the comparable reporting periods. We define same property revenue as total revenue minus the revenue of properties not in operation for the entirety of the comparable reporting periods. We define same property operating income as net income plus (a) interest expense, net and amortization of deferred debt costs, (b) depreciation and amortization of lease costs, (c) general and administrative expenses, (d) change in fair value of derivatives, and (e) loss on early extinguishment of debt minus (f) gains on sale of property and (g) the results of properties not in operation for the entirety of the comparable periods. No properties were excluded for same property results for the 2022 Quarter. Shopping Center same property operating income for the 2022 Quarter totaled \$33.7 million, a \$0.2 million decrease from the 2021 Quarter. Mixed-Use same property operating income totaled \$11.4 million, a \$0.3 million increase from the 2021 Quarter. Reconciliations of (a) total revenue to same property revenue and (b) net income to same property operating income are attached to this press release.

As of September 30, 2022, 93.0% of the commercial portfolio was leased, compared to 92.5% at September 30, 2021. As of September 30, 2022, the residential portfolio was 97.2% leased compared to 97.8% at September 30, 2021.

For the nine months ended September 30, 2022 ("2022 Period"), total revenue increased to \$183.5 million from \$179.0 million for the nine months ended September 30, 2021 ("2021 Period"). Net income increased to \$50.0 million for the 2022 Period from \$45.8 million for the 2021 Period. The increase in net income was primarily due to (a) lower interest expense, net and amortization of deferred debt costs of \$2.4 million and (b) higher base rent across the portfolio of \$2.3 million, partially offset by (c) loss on early extinguishment of debt of \$0.6 million. Net income available to common stockholders increased to \$29.9 million, or \$1.25 per basic and diluted share, for the 2022 Period compared to \$27.8 million, or \$1.17 per basic and diluted share, for the 2021 Period.

No properties were excluded for same property results for the 2022 Period. Same property revenue increased \$4.5 million, or 2.5%, and same property operating income increased \$3.3 million, or 2.5% for the 2022 Period, compared to the 2021 Period. Shopping Center same property operating income increased \$1.7 million, or 1.7%, and Mixed-Use same property operating income increased \$1.6 million, or 4.9%. Shopping Center same property operating income increased primarily due to (a) higher base rent of \$0.8 million, (b) lower credit losses on operating lease receivables and corresponding reserves, net of \$0.6 million and (c) higher percentage rent of \$0.2 million. Mixed-Use same property operating income increased primarily due to (a) higher base rent of \$1.5 million, (b) higher parking income, net of expenses of \$0.4 million, (c) higher other property revenue of \$0.2 million, (d) lower credit losses on operating lease receivables and corresponding reserves, net of \$0.1 million partially offset by (e) lower recovery income, net of expenses of \$0.8 million.

Funds from operations ("FFO") available to common stockholders and noncontrolling interests (after deducting preferred stock dividends) was \$24.9 million, or \$0.75 and \$0.73 per basic and diluted share, respectively, in the 2022 Quarter compared to \$26.6 million, or \$0.82 and \$0.79 per basic and diluted share, respectively, in the 2021 Quarter. FFO is a non-GAAP supplemental earnings measure that the Company considers meaningful in measuring its operating performance. A reconciliation of net income to FFO is attached to this press release. The decrease in FFO available to common stockholders and noncontrolling interests was primarily the result of (a) higher general and administrative expenses of \$0.9 million, or \$0.03 per basic and diluted share, (b) loss on early extinguishment of debt of \$0.6 million, or \$0.02 per basic and diluted share, (c) lower recovery income, net of expenses of

\$0.3 million, or \$0.01 per basic and diluted share, and (d) higher interest expense, net and amortization of deferred debt costs of \$0.2 million, or \$0.01 per basic and diluted share, partially offset by (e) higher base rent across the portfolio of \$0.4 million, or \$0.01 per basic and diluted share.

FFO available to common stockholders and noncontrolling interests, after deducting preferred stock dividends increased to \$78.5 million, or \$2.36 and \$2.31 per basic and diluted share, respectively, in the 2022 Period from \$75.3 million, or \$2.37 and \$2.29 per basic and diluted share, respectively, in the 2021 Period. FFO available to common stockholders and noncontrolling interests increased primarily due to (a) lower interest expense, net and amortization of deferred debt costs of \$2.4 million, or \$0.07 per basic and diluted share, (b) higher base rent of \$2.3 million, or \$0.07 per basic and diluted share, (c) lower credit losses on operating lease receivables and corresponding reserves, net of \$0.7 million, or \$0.02 per basic and diluted share, partially offset by (d) higher general and administrative expenses of \$1.8 million, or \$0.05 per basic and diluted share, and (e) loss on early extinguishment of debt of \$0.6 million, or \$0.02 per basic and diluted share.

As of October 31, 2022, payments by tenants of contractual base rent and operating expense and real estate tax recoveries totaled approximately 99% for the 2022 Quarter. For additional discussion of how the COVID-19 pandemic has impacted the Company's business, please see Part 1, Item 2 (Management's Discussion and Analysis of Financial Condition and Results of Operations) of our Quarterly Report on Form 10-Q for the quarter ended September 30, 2022.

Although we are and will continue to be actively engaged in rent collection efforts related to uncollected rent, and we continue to work with certain tenants who have requested rent deferrals, we can provide no assurance that such efforts or our efforts in future periods will be successful. As of September 30, 2022, of the \$9.4 million of rents previously deferred, \$8.0 million has come due and \$0.3 million has been written off. Of the amounts that have come due, \$7.6 million, or approximately 95%, has been paid.

Saul Centers, Inc. is a self-managed, self-administered equity REIT headquartered in Bethesda, Maryland, which currently operates and manages a real estate portfolio of 61 properties, which includes (a) 50 community and neighborhood shopping centers and seven mixed-use properties with approximately 9.8 million square feet of leasable area and (b) four land and development properties. Over 85% of the Saul Centers' property operating income is generated by properties in the metropolitan Washington, DC/Baltimore area.

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Safe Harbor Statement

Certain matters discussed within this press release may be deemed to be forward-looking statements within the meaning of the federal securities laws. For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Although the Company believes the expectations reflected in the forward-looking statements are based on reasonable assumptions, it can give no assurance that its expectations will be attained. These factors include, but are not limited to, the risk factors described in our Annual Report on (i) Form 10-K for the year ended December 31, 2021 and (ii) our Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 and include the following: (i) general adverse economic and local real estate conditions, (ii) the inability of major tenants to continue paying their rent obligations due to bankruptcy, insolvency or a general downturn in their business, (iii) financing risks, such as the inability to obtain equity, debt or other sources of financing or refinancing on favorable terms to the Company, (iv) the Company's ability to raise capital by selling its assets, (v) changes in governmental laws and regulations and management's ability to estimate the impact of such changes, (vi) the level and volatility of interest rates and management's ability to estimate the impact thereof, (vii) the availability of suitable acquisition, disposition, development and redevelopment opportunities, and risks related to acquisitions not performing in accordance with our expectations, (viii) increases in operating costs, (ix) changes in the dividend policy for the Company's common and preferred stock and the Company's ability to pay dividends at current levels, (x) the reduction in the Company's income in the event of multiple lease terminations by tenants or a failure by multiple tenants to occupy their premises in a shopping center, (xi) impairment charges, (xii) unanticipated changes in the Company's intention or ability to prepay certain debt prior to maturity and (xiii) an epidemic or pandemic (such as the outbreak and worldwide spread of COVID-19), and the measures that international, federal, state and local governments, agencies, law enforcement and/or health authorities implement to address it, which may (as with COVID-19) precipitate or exacerbate one or more of the above-mentioned and/or other risks, and significantly disrupt or prevent us from operating our business in the ordinary course for an extended period. Given these uncertainties, readers are cautioned not to place undue reliance on any forward-looking statements that we make, including those in this press release. Except as may be required by law, we make no promise to update any of the forward-looking statements as a result of new information, future events or otherwise. You should carefully review the risks and risk factors included in (i) our Annual Report on Form 10-K for the year ended December 31, 2021 and (ii) our Quarterly Report on Form 10-Q for the quarter ended September 30, 2022.

Saul Centers, Inc.
Consolidated Balance Sheets
(Unaudited)

<i>(Dollars in thousands, except per share amounts)</i>	<u>September 30, 2022</u>	<u>December 31, 2021</u>
Assets		
Real estate investments		
Land	\$ 511,529	\$ 511,529
Buildings and equipment	1,574,872	1,566,686
Construction in progress	285,810	205,911
	<u>2,372,211</u>	<u>2,284,126</u>
Accumulated depreciation	(679,121)	(650,113)
	1,693,090	1,634,013
Cash and cash equivalents	10,291	14,594
Accounts receivable and accrued income, net	58,682	58,659
Deferred leasing costs, net	22,221	24,005
Other assets	25,734	15,490
Total assets	<u>\$ 1,810,018</u>	<u>\$ 1,746,761</u>
Liabilities		
Notes payable, net	\$ 969,109	\$ 941,456
Revolving credit facility payable, net	125,747	103,167
Term loan facility payable, net	99,344	99,233
Accounts payable, accrued expenses and other liabilities	39,169	25,558
Deferred income	25,887	25,188
Dividends and distributions payable	22,445	21,672
Total liabilities	<u>1,281,701</u>	<u>1,216,274</u>
Equity		
Preferred stock, 1,000,000 shares authorized:		
Series D Cumulative Redeemable, 30,000 shares issued and outstanding	75,000	75,000
Series E Cumulative Redeemable, 44,000 shares issued and outstanding	110,000	110,000
Common stock, \$0.01 par value, 42,000,000 shares authorized, 24,001,546 and 23,840,471 shares issued and outstanding, respectively	240	238
Additional paid-in capital	445,456	436,609
Partnership units in escrow	39,650	39,650
Distributions in excess of accumulated net income	(268,451)	(256,448)
Accumulated other comprehensive income	3,063	—
Total Saul Centers, Inc. equity	404,958	405,049
Noncontrolling interests	123,359	125,438
Total equity	<u>528,317</u>	<u>530,487</u>
Total liabilities and equity	<u>\$ 1,810,018</u>	<u>\$ 1,746,761</u>

Saul Centers, Inc.
Consolidated Statements of Operations
(In thousands, except per share amounts)

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Revenue	(unaudited)		(unaudited)	
Rental revenue	\$ 59,951	\$ 59,058	\$ 179,765	\$ 175,634
Other	1,136	1,198	3,759	3,351
Total revenue	<u>61,087</u>	<u>60,256</u>	<u>183,524</u>	<u>178,985</u>
Expenses				
Property operating expenses	8,995	8,210	26,174	24,420
Real estate taxes	7,078	7,154	21,652	22,121
Interest expense, net and amortization of deferred debt costs	11,103	10,914	32,162	34,559
Depreciation and amortization of lease costs	12,195	12,467	36,899	37,852
General and administrative	5,555	4,626	15,988	14,234
Loss on early extinguishment of debt	648	—	648	—
Total expenses	<u>45,574</u>	<u>43,371</u>	<u>133,523</u>	<u>133,186</u>
Net Income	15,513	16,885	50,001	45,799
Noncontrolling interests				
Income attributable to noncontrolling interests	(3,563)	(3,747)	(11,670)	(9,653)
Net income attributable to Saul Centers, Inc.	11,950	13,138	38,331	36,146
Preferred stock dividends	(2,798)	(2,798)	(8,395)	(8,395)
Net income available to common stockholders	<u>\$ 9,152</u>	<u>\$ 10,340</u>	<u>\$ 29,936</u>	<u>\$ 27,751</u>
Per share net income available to common stockholders				
Basic and diluted	<u>\$ 0.38</u>	<u>\$ 0.44</u>	<u>\$ 1.25</u>	<u>\$ 1.17</u>

Reconciliation of net income to FFO available to common stockholders and
noncontrolling interests (1)

<i>(In thousands, except per share amounts)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income	\$ 15,513	\$ 16,885	\$ 50,001	\$ 45,799
Add:				
Real estate depreciation and amortization	12,195	12,467	36,899	37,852
FFO	27,708	29,352	86,900	83,651
Subtract:				
Preferred stock dividends	(2,798)	(2,798)	(8,395)	(8,395)
FFO available to common stockholders and noncontrolling interests	\$ 24,910	\$ 26,554	\$ 78,505	\$ 75,256
Weighted average shares and units:				
Basic	33,295	32,237	33,238	31,774
Diluted ⁽²⁾	34,005	33,656	33,957	32,877
Basic FFO per share available to common stockholders and noncontrolling interests	\$ 0.75	\$ 0.82	\$ 2.36	\$ 2.37
Diluted FFO per share available to common stockholders and noncontrolling interests	\$ 0.73	\$ 0.79	\$ 2.31	\$ 2.29

- (1) The National Association of Real Estate Investment Trusts (NAREIT) developed FFO as a relative non-GAAP financial measure of performance of an equity REIT in order to recognize that income-producing real estate historically has not depreciated on the basis determined under GAAP. FFO is defined by NAREIT as net income, computed in accordance with GAAP, plus real estate depreciation and amortization, and excluding impairment charges on real estate assets and gains or losses from real estate dispositions. FFO does not represent cash generated from operating activities in accordance with GAAP and is not necessarily indicative of cash available to fund cash needs, which is disclosed in the Company's Consolidated Statements of Cash Flows for the applicable periods. There are no material legal or functional restrictions on the use of FFO. FFO should not be considered as an alternative to net income, its most directly comparable GAAP measure, as an indicator of the Company's operating performance, or as an alternative to cash flows as a measure of liquidity. Management considers FFO a meaningful supplemental measure of operating performance because it primarily excludes the assumption that the value of the real estate assets diminishes predictably over time (i.e. depreciation), which is contrary to what the Company believes occurs with its assets, and because industry analysts have accepted it as a performance measure. FFO may not be comparable to similarly titled measures employed by other REITs.
- (2) Beginning March 5, 2021, fully diluted shares and units includes 1,416,071 limited partnership units that were held in escrow related to the contribution of Twinbrook Quarter. Half of the units held in escrow were released on October 18, 2021. The remaining units held in escrow are scheduled to be released on October 18, 2023.

Reconciliation of revenue to same property revenue (3)

(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(unaudited)		(unaudited)	
Total revenue	\$ 61,087	\$ 60,256	\$ 183,524	\$ 178,985
Less: Acquisitions, dispositions and development properties	—	—	—	—
Total same property revenue	<u>\$ 61,087</u>	<u>\$ 60,256</u>	<u>\$ 183,524</u>	<u>\$ 178,985</u>
Shopping Centers	\$ 42,478	\$ 42,485	\$ 128,615	\$ 126,935
Mixed-Use properties	18,609	17,771	54,909	52,050
Total same property revenue	<u>\$ 61,087</u>	<u>\$ 60,256</u>	<u>\$ 183,524</u>	<u>\$ 178,985</u>
Total Shopping Center revenue	\$ 42,478	\$ 42,485	\$ 128,615	\$ 126,935
Less: Shopping Center acquisitions, dispositions and development properties	—	—	—	—
Total same Shopping Center revenue	<u>\$ 42,478</u>	<u>\$ 42,485</u>	<u>\$ 128,615</u>	<u>\$ 126,935</u>
Total Mixed-Use property revenue	\$ 18,609	\$ 17,771	\$ 54,909	\$ 52,050
Less: Mixed-Use acquisitions, dispositions and development properties	—	—	—	—
Total same Mixed-Use property revenue	<u>\$ 18,609</u>	<u>\$ 17,771</u>	<u>\$ 54,909</u>	<u>\$ 52,050</u>

- (3) Same property revenue is a non-GAAP financial measure of performance that improves the comparability of reporting periods by excluding the results of properties that were not in operation for the entirety of the comparable reporting periods. Same property revenue adjusts property revenue by subtracting the revenue of properties not in operation for the entirety of the comparable reporting periods. Same property revenue is a measure of the operating performance of the Company's properties but does not measure the Company's performance as a whole. Same property revenue should not be considered as an alternative to total revenue, its most directly comparable GAAP measure, as an indicator of the Company's operating performance. Management considers same property revenue a meaningful supplemental measure of operating performance because it is not affected by the cost of the Company's funding, the impact of depreciation and amortization expenses, gains or losses from the acquisition and sale of operating real estate assets, general and administrative expenses or other gains and losses that relate to ownership of the Company's properties. Management believes the exclusion of these items from same property revenue is useful because the resulting measure captures the actual revenue generated and actual expenses incurred by operating the Company's properties. Other REITs may use different methodologies for calculating same property revenue. Accordingly, the Company's same property revenue may not be comparable to those of other REITs.

Reconciliation of net income to same property operating income (4)

<i>(In thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
	(unaudited)		(unaudited)	
Net income	\$ 15,513	\$ 16,885	\$ 50,001	\$ 45,799
Add: Interest expense, net and amortization of deferred debt costs	11,103	10,914	32,162	34,559
Add: Depreciation and amortization of lease costs	12,195	12,467	36,899	37,852
Add: General and administrative	5,555	4,626	15,988	14,234
Add: Loss on early extinguishment of debt	648	—	648	—
Property operating income	45,014	44,892	135,698	132,444
Less: Acquisitions, dispositions and development properties	—	—	—	—
Total same property operating income	\$ 45,014	\$ 44,892	\$ 135,698	\$ 132,444
Shopping Centers	\$ 33,652	\$ 33,845	\$ 101,513	\$ 99,848
Mixed-Use properties	11,362	11,047	34,185	32,596
Total same property operating income	\$ 45,014	\$ 44,892	\$ 135,698	\$ 132,444
Shopping Center operating income	\$ 33,652	\$ 33,845	\$ 101,513	\$ 99,848
Less: Shopping Center acquisitions, dispositions and development properties	—	—	—	—
Total same Shopping Center operating income	\$ 33,652	\$ 33,845	\$ 101,513	\$ 99,848
Mixed-Use property operating income	\$ 11,362	\$ 11,047	\$ 34,185	\$ 32,596
Less: Mixed-Use acquisitions, dispositions and development properties	—	—	—	—
Total same Mixed-Use property operating income	\$ 11,362	\$ 11,047	\$ 34,185	\$ 32,596

(4) Same property operating income is a non-GAAP financial measure of performance that improves the comparability of reporting periods by excluding the results of properties that were not in operation for the entirety of the comparable reporting periods. Same property operating income adjusts property operating income by subtracting the results of properties that were not in operation for the entirety of the comparable periods. Same property operating income is a measure of the operating performance of the Company's properties but does not measure the Company's performance as a whole. Same property operating income should not be considered as an alternative to property operating income, its most directly comparable GAAP measure, as an indicator of the Company's operating performance. Management considers same property operating income a meaningful supplemental measure of operating performance because it is not affected by the cost of the Company's funding, the impact of depreciation and amortization expenses, gains or losses from the acquisition and sale of operating real estate assets, general and administrative expenses or other gains and losses that relate to ownership of the Company's properties. Management believes the exclusion of these items from property operating income is useful because the resulting measure captures the actual revenue generated and actual expenses incurred by operating the Company's properties. Other REITs may use different methodologies for calculating same property operating income. Accordingly, same property operating income may not be comparable to those of other REITs.