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Pennsylvania Real Estate Investment Trust (PEI)

Dropping Coverage

We are dropping coverage of Pennsylvania Real Estate Investment Trust (PEI) due to a reallocation of resources. Our last rating on PEI shares was Sell. Research issued before 9/17/20, the date of termination, should not be relied upon going forward.

Company Description

Pennsylvania REIT (PEI) is a real estate investment trust (REIT) that owns and manages a portfolio of regional malls and strip and power centers primarily in the Mid-Atlantic region.

Recent Performance

PEI's YTD total return was -85.1%, compared to the RMZ total return of -9.9% over the same time period.

Company Risks

The company is highly leveraged and faces further bankruptcies in retail due to the pandemic.

We've known Joe Coradino, CEO of PEI, for quite some time and have a high degree of respect for him. Best wishes to Joe and the rest of PEI team.

Drop Coverage

Price (Sep. 17, 2020)	\$0.72
52-Wk Range	\$6.39-\$0.72
Market Cap (\$M)	\$58
ADTV	1,125,022
Shares Out (M)	79.6
Short Interest Ratio/% Of Float	24.9%
Dividend/Yield	\$0.08/11.1%
Enterprise Value (\$M)	\$57.5
NAV/Share	\$(5.44)

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Pennsylvania REIT (PEI)

Truist Securities

in \$m, except per share

Source: Company data and Truist Securities Estimates

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020E</u>	<u>2021E</u>	<u>2022E</u>	<u>2023E</u>	<u>2024E</u>
FFO per Share - "NAREIT"	\$1.60	\$1.54	\$1.33	\$0.65	\$0.36	\$0.35	\$0.33	\$0.36
	(15.3%)	(3.6%)	(13.9%)	(51.2%)	(44.4%)	(3.8%)	(3.6%)	8.9%
FFO per Share - Normalized	\$1.67	\$1.54	\$1.05	\$0.42	\$0.36	\$0.35	\$0.33	\$0.36
	(12.2%)	(8.0%)	(32.0%)	(59.6%)	(15.0%)	(3.8%)	(3.6%)	8.9%
FAD per Share	\$0.92	\$0.77	\$0.60	(\$0.78)	\$0.16	(\$0.16)	(\$0.13)	(\$0.04)
	(17.5%)	(16.4%)	(22.6%)	(230.2%)	(120.1%)	(204.2%)	(18.7%)	(70.2%)
DIV per Share	\$0.84	\$0.84	\$0.84	\$0.27	\$0.08	\$0.08	\$0.08	\$0.08

Weighted average c/s outstanding (dilute)-F 77.7 78.2 78.9 80.5 80.9 80.9 80.9 80.9

EBITDA per share	\$2.99	\$2.81	\$2.35	\$1.72	\$1.60	\$1.68	\$1.81	\$1.92
Interest Coverage	3.6x	3.2x	2.6x	2.0x	2.0x	1.9x	1.8x	1.8x
Fixed Charge Coverage	2.4x	2.3x	1.9x	1.4x	1.4x	1.4x	1.3x	1.3x
FAD Div. Coverage	1.1x	.9x	.7x	-2.9x	1.9x	-2.0x	-1.6x	-5x
Net Debt + pref/EBITDA	10.0x	10.2x	13.2x	15.2x	16.6x	16.5x	15.8x	15.3x
Net Debt/Assets	53%	53%	55%	49%	50%	53%	55%	66%
CapEx % of NOI	22%	24%	14%	13%	25%	23%	20%	16%
Construction Pipeline % of GAV	2.9%	1.6%						
G&A & mgmt costs as a % of total REV	9.6%	10.3%	13.3%	14.1%	14.1%	13.9%	13.5%	13.1%

Source: Company Filings and Truist Securities

Pennsylvania REIT (PEI)

Truist Securities

In US\$millions

INCOME STATEMENT	2019	1Q20	2Q20E	3Q20E	4Q20E	2020E	2021E	2022E	2023E	2024E	2025E
Revenues:						13.25265					
Minimum rents	\$302.3	\$67.7	\$66.5	\$65.2	\$65.6	\$265.1	\$248.4	\$253.9	\$262.1	\$271.7	\$280.2
Tenant recoveries	20.0	4.3	3.7	3.8	3.2	14.9	12.4	13.8	17.9	22.5	26.3
Percentage rents	-	-	-	-	-	-	-	-	-	-	-
Equity in earnings of JV's	8.3	0.8	2.2	2.0	2.8	7.8	9.0	9.2	9.5	9.6	9.6
Management revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Income/lease termination revenue	14.5	2.2	(10.5)	0.5	1.0	(6.8)	9.5	11.6	14.0	14.5	15.0
Total Revenues	\$345.1	\$75.1	\$61.9	\$71.5	\$72.6	\$281.0	\$279.3	\$288.4	\$303.4	\$318.3	\$331.2
Expenses:											
CAM and real estate taxes	\$113.3	\$27.5	\$23.8	\$24.1	\$23.1	\$98.5	\$94.3	\$95.9	\$99.1	\$103.0	\$106.6
Depreciation/Amortization	137.8	30.3	36.7	34.4	33.0	134.3	130.5	136.6	141.1	148.3	156.5
Utilities and other operating expenses	23.3	5.0	5.2	5.3	5.1	20.6	20.7	21.1	21.8	22.6	23.4
Property management costs	-	-	-	-	-	-	-	-	-	-	-
Provision for doubtful accounts	-	-	-	-	-	-	-	-	-	-	-
Other expenses/project costs/acq costs	(0.4)	0.2	0.2	0.2	1.6	2.1	11.6	11.7	11.9	12.1	12.3
General/Administrative	46.0	10.7	9.9	9.0	10.1	39.6	39.3	40.1	40.9	41.7	42.6
Interest expense	64.0	16.9	16.9	16.9	15.5	66.1	62.4	69.7	81.0	87.8	94.5
Total Expenses	\$384.0	\$90.5	\$92.7	\$89.9	\$88.2	\$361.3	\$358.7	\$375.2	\$395.9	\$415.5	\$435.8
Op. Expenses/Revenues	40%	44%	49%	43%	43%	44%	47%	46%	45%	45%	44%
Total Expenses/Revenues	111%	121%	150%	126%	122%	129%	128%	130%	130%	131%	132%
Income from Operations	(\$38.9)	(\$15.5)	(\$30.8)	(\$18.4)	(\$15.6)	(\$80.3)	(\$79.4)	(\$86.8)	(\$92.4)	(\$97.2)	(\$104.7)
Minority interest in income of consolidated entities	-	-	-	-	-	-	-	-	-	-	-
Interest income	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0
Loss from early extinguishment of debt	24.9	-	-	-	-	-	-	-	-	-	-
Gain (loss) on property sale	6.0	1.9	6.0	6.0	6.0	20.0	-	-	-	-	-
Impairment charge	(5.0)	-	-	-	-	-	-	-	-	-	-
Extraordinary Items (Impairments/restructuring)	-	-	-	-	-	-	-	-	-	-	-
Income from Continuing Operations	(\$13.0)	(\$13.549)	(\$24.8)	(\$12.4)	(\$9.6)	(\$60.3)	(\$79.4)	(\$86.7)	(\$92.4)	(\$97.2)	(\$104.6)
Discontinued Operations											
Income (loss) from operations, net of min int	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Gain/(loss) on property disposition, net of min int	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income	(\$13.0)	(\$13.549)	(\$24.8)	(\$12.4)	(\$9.6)	(\$60.3)	(\$79.4)	(\$86.7)	(\$92.4)	(\$97.2)	(\$104.6)
Add: allocation to noncontrolling interests	2.1	0.5	0.9	0.5	0.4	2.3	3.0	3.3	3.5	3.7	4.0
Net income attributable to Penn REIT	(\$10.9)	(\$13.0)	(\$23.8)	(\$11.9)	(\$9.2)	(\$58.0)	(\$76.3)	(\$83.4)	(\$88.9)	(\$93.5)	(\$100.6)
Redemption of preferred stock	(27.4)	(6.8)	(6.8)	(6.8)	(6.8)	(27.4)	(27.4)	(27.4)	(27.4)	(27.4)	(27.4)
Dist to pfd shareholders	(27.4)	(6.8)	(6.8)	(6.8)	(6.8)	(27.4)	(27.4)	(27.4)	(27.4)	(27.4)	(27.4)
NI Avail to common shareholders	(\$38.2)	(\$19.9)	(\$30.7)	(\$18.7)	(\$16.1)	(\$85.4)	(\$103.7)	(\$110.8)	(\$116.2)	(\$120.8)	(\$128.0)
Depreciation & Amortization	\$136.4	\$29.9	\$36.2	\$33.8	\$32.5	\$132.4	\$128.5	\$134.5	\$139.0	\$146.1	\$154.1
Gain (loss) on property disposition	(2.8)	(2.0)	0.0	0.0	0.0	(2.0)	0.0	0.0	0.0	0.0	0.0
noncontrolling interest in OP	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Partners share of consolidated JV depreciation	(2.1)	(0.5)	(0.9)	(0.5)	(0.4)	(2.3)	(3.0)	(3.3)	(3.5)	(3.7)	(4.0)
Equity in loss of unconsolidated entities net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
PEI's share of JV FFO	9.9	\$3.6	1.8	1.6	2.3	9.3	7.4	7.5	7.7	7.9	7.9
FFO Reconciliation/ Extraordinary Items	1.5	\$0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FFO - "NAREIT"	\$104.6	\$11.2	\$6.3	\$16.2	\$18.3	\$52.1	\$29.1	\$28.0	\$27.0	\$29.4	\$30.0
Topic D-42 Charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Early Retirement of Debt	(24.9)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Extraordinary Items (Impairments/restructuring)	2.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other non recurring/losses/M2M on derivatives	0.8	\$0.1	(6.0)	(6.0)	(6.0)	(18.0)	0.0	0.0	0.0	0.0	0.0
FFO - Normalized	\$82.6	\$11.3	\$0.3	\$10.2	\$12.3	\$34.1	\$29.1	\$28.0	\$27.0	\$29.4	\$30.0
Straight line rents	(5.0)	(1.0)	(4.7)	(2.8)	0.0	(72.1)	27.1	0.1	0.1	0.1	(2.0)
FAS 141/142	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)
Tenant allowances/improvements & capped leas	(13.0)	(1.2)	(4.7)	(4.7)	(4.7)	(15.4)	(27.2)	(28.1)	(24.5)	(19.1)	(15.6)
Non-CAM expenditures/CapX	(17.6)	(1.0)	(2.4)	(2.4)	(3.0)	(8.9)	(16.4)	(13.2)	(13.3)	(13.5)	(13.9)
Other non-cash items included in FFO	-	-	-	-	-	-	-	-	-	-	-
FAD - Diluted	\$47.0	\$8.027	(\$54.3)	(\$20.7)	\$4.5	(\$62.5)	\$12.6	(\$13.1)	(\$10.7)	(\$3.2)	(\$1.5)
EPS	(\$0.51)	(\$0.26)	(\$0.40)	(\$0.24)	(\$0.21)	(\$1.11)	(\$1.35)	(\$1.44)	(\$1.51)	(\$1.57)	(\$1.67)
FFO per Share - "NAREIT"	\$1.33	\$0.14	\$0.08	\$0.20	\$0.23	\$0.65	\$0.36	\$0.35	\$0.33	\$0.36	\$0.37
FFO per Share - Normalized	\$1.05	\$0.14	\$0.00	\$0.13	\$0.15	\$0.42	\$0.36	\$0.35	\$0.33	\$0.36	\$0.37
FAD per Share	\$0.60	\$0.10	(\$0.67)	(\$0.26)	\$0.06	(\$0.78)	\$0.16	(\$0.16)	(\$0.13)	(\$0.04)	(\$0.02)
DIV per Share	\$0.84	\$0.21	\$0.02	\$0.02	\$0.02	\$0.27	\$0.08	\$0.08	\$0.08	\$0.08	\$0.08
Weighted average shares outstanding-EPS	75.2	76.8	76.8	76.8	76.8	76.8	76.8	76.8	76.8	76.8	76.8
Weighted average shares outstanding-FFO	78.9	79.3	80.9	80.9	80.9	80.5	80.9	80.9	80.9	80.9	80.9

Source: Company Filings and Truist Securities

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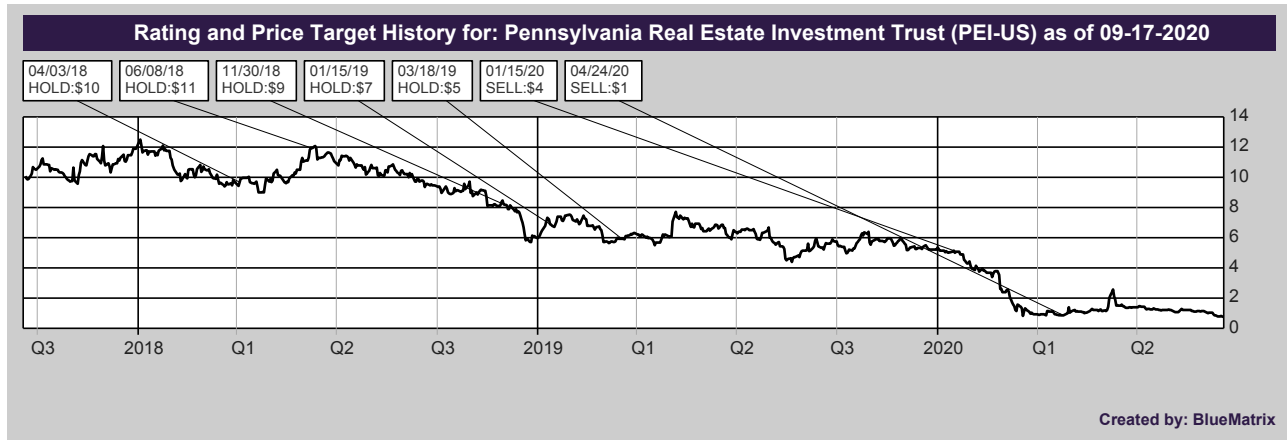
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