

Retail Value Inc.

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Retail Value Inc. Reports Second Quarter 2021 Operating Results

BEACHWOOD, OHIO, August 3, 2021 – Retail Value Inc. (NYSE: RVI) today announced operating results for the quarter ended June 30, 2021.

Results for the Quarter and Recent Activity

- Second quarter 2021 net loss attributable to common shareholders was \$69.6 million, or \$3.30 per diluted share, as compared to net loss of \$1.9 million, or \$0.10 per share, in the year-ago period. The period-over-period increase in net loss is primarily attributable to impairment charges and asset sales recorded in 2021 partially offset by lower interest expense and the impact of the COVID-19 pandemic.
- Second quarter 2021 operating funds from operations attributable to common shareholders (“Operating FFO” or “OFFO”) was \$20.2 million, or \$0.96 per diluted share, compared to \$12.2 million, or \$0.61 per diluted share, in the year-ago period. The period-over-period increase in OFFO is primarily attributable to the COVID-19 pandemic and lower interest expense offset by the impact of asset sales. Second quarter results included \$2.3 million of net revenue related to prior year primarily from cash basis tenants.
- The Continental U.S. leased rate was 89.6% at June 30, 2021 as compared to 86.7% at March 31, 2021. The increase in the leased rate primarily related to the sale of three shopping centers with lower leased rates and new leasing activity.
- The Puerto Rico leased rate was 92.2% at June 30, 2021 as compared to 88.3% at March 31, 2021 primarily due to the sale of two shopping centers with lower leased rates.
- Sold three Continental U.S. assets and two Puerto Rico assets for an aggregate sales price of \$59.2 million. Net proceeds from the sales along with unrestricted cash on hand aggregating \$68.5 million were used to repay a portion of the mortgage loan.
- Funded additional voluntary prepayment of \$20.0 million on the mortgage loan in June 2021. The balance of the mortgage loan was \$214.5 million at June 30, 2021.
- In June 2021, entered into an agreement to sell the remaining nine assets in Puerto Rico for an aggregate sales price of \$550 million. In July 2021, the general due diligence period expired, and the purchaser posted a deposit of \$15 million with the escrow agent. Closing of the transaction is expected to occur by the end of the third quarter of 2021 subject to satisfaction of various closing conditions.

Key Quarterly Operating Results

The following metrics are as of June 30, 2021:

	Continental U.S.	Puerto Rico
Shopping Center Count	8	9
Gross Leasable Area (thousands)	3,779	3,537
Base Rent PSF	\$13.41	\$19.40
Leased Rate	89.6%	92.2%
Commenced Rate	87.7%	91.7%
NOI-Quarter (millions)	\$11.8	\$14.9

Impact of the COVID-19 Pandemic

The impact to the portfolio as of July 23, 2021 is as follows:

	Continental U.S.	Puerto Rico
% of Tenants open and operating (average base rent)	100%	100%
% of Second quarter 2020 rent paid	94%	81%
% of Third quarter 2020 rent paid	98%	93%
% of Fourth quarter 2020 rent paid	97%	93%
% of First quarter 2021 rent paid	99%	97%
% of Second quarter 2021 rent paid	99%	97%

- The Company calculates the aggregate percentage of rents paid for assets owned as of June 30, 2021, by comparing the amount of tenant payments received as of the date presented to the amount billed to tenants during the period, which billed amount includes abated rents, rents subject to deferral arrangements and rents owing from bankrupt tenants that were in possession of the space and billed. For the purposes of reporting the percentage of aggregate base rents collected for a given period, when rents subject to deferral arrangements are later paid, those payments are allocated to the period in which the rent was originally owed.
- As of July 23, 2021, agreed upon rent deferral arrangements and abatements that remain unpaid represented approximately 8% of second quarter 2020 rents (primarily abatements), 2% of third quarter 2020 rents and 2% of fourth quarter 2020 rents. There are no outstanding rent deferral arrangements with respect to 2021 rents.
- At June 30, 2021, the balance sheet reflects \$1.0 million of deferred rents for tenants with payment plans that are not accounted for on the cash basis.
- During the second quarter of 2021, the Company's rental revenue and net operating income ("NOI") benefited from \$2.3 million of payments related to 2020 rental income received from cash-basis tenants.

Property Net Operating Income Projection

The Company has updated its projection of 2021 NOI. The Company projects, based on the assumptions below, 2021 property level NOI to be as follows:

Portfolio	NOI Projection
Continental U.S.	\$38 – \$41 million
Puerto Rico (9 assets under contract)	\$50 – \$53 million

These Projections:

- Exclude all properties sold to date and assume all properties owned by the Company on August 3, 2021 are held through year end;
- Reflect payment of property management fees;
- Assume tenant collections at 100% for the second half of 2021 (as compared to the actual first and second quarter 2021 rent collection rates reflected above) and
- Assume no reserve reversals related to 2020 rents for the second half of 2021.

Because these projections are based on assumptions that are subject to change, including, without limitation, the Company's actual tenant collections and potential future sales of properties, they should not be viewed as guidance.

About RVI

RVI is an independent publicly traded company trading under the ticker symbol "RVI" on the New York Stock Exchange. RVI holds assets in the continental U.S. and Puerto Rico and is managed by one or more subsidiaries of SITE Centers Corp. RVI focuses on realizing value in its business through operations and sales of its assets. Additional information about RVI is available at www.retailvalueinc.com.

Non-GAAP Measures

Funds from Operations ("FFO") is a supplemental non-GAAP financial measure used as a standard in the real estate industry and is a widely accepted measure of real estate investment trust ("REIT") performance. Management believes that both FFO and Operating FFO provide additional indicators of the financial performance of a REIT. The Company also believes that FFO and Operating FFO more appropriately measure the core operations of the Company and provide benchmarks to its peer group.

FFO is generally defined and calculated by the Company as net income (loss) (computed in accordance with generally accepted accounting principles in the United States (“GAAP”)) adjusted to exclude (i) gains and losses from disposition of real estate property and related investments, which are presented net of taxes, if any, (ii) impairment charges on real estate property and related investments and (iii) certain non-cash items. These non-cash items principally include real property depreciation and amortization of intangibles. The Company’s calculation of FFO is consistent with the definition of FFO provided by NAREIT. The Company calculates Operating FFO by excluding certain non-operating charges and income. Operating FFO is useful to investors as the Company removes non-comparable charges and income to analyze the results of its operations and assess performance of the core operating real estate portfolio. Other real estate companies may calculate FFO and Operating FFO in a different manner.

The Company also uses net operating income (“NOI”), a non-GAAP financial measure, as a supplemental performance measure. NOI is calculated as property revenues less property-related expenses. The Company believes NOI provides useful information to investors regarding the Company’s financial condition and results of operations because it reflects only those income and expense items that are incurred at the property level and, when compared across periods, reflects the impact on operations from trends in occupancy rates, rental rates, operating costs and acquisition and disposition activity on an unleveraged basis.

FFO, Operating FFO and NOI do not represent cash generated from operating activities in accordance with GAAP, are not necessarily indicative of cash available to fund cash needs and should not be considered as alternatives to net income computed in accordance with GAAP as indicators of the Company’s operating performance or as alternatives to cash flow as a measure of liquidity. Reconciliations of these non-GAAP measures to their most directly comparable GAAP measures are included in this release herein. Reconciliation of 2021 projected NOI to the most directly comparable GAAP financial measure is not provided because the Company is unable to provide such reconciliation without unreasonable effort.

Safe Harbor

RVI considers portions of the information in this press release to be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, both as amended, with respect to the Company’s expectation for future periods. Although the Company believes that the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that its expectations will be achieved. For this purpose, any statements contained herein that are not historical fact may be deemed to be forward-looking statements. There are a number of important factors that could cause our results to differ materially from those indicated by such forward-looking statements, including, among other factors, the Company’s actual property NOI for 2021, which could differ materially from the NOI projections included in this press release; the impact of the COVID-19 pandemic on the Company’s ability to manage its properties and finance its operations and on tenants’ ability to operate their businesses, generate sales and meet their financial obligations, including the obligation to pay ongoing and deferred rents; our ability to sell assets on commercially reasonable terms; our ability to complete the sale of the remaining nine assets in Puerto Rico pursuant to the agreement entered into in June 2021 and dispositions of other assets under contract; property damage, expenses related thereto and other business and economic consequences (including the potential loss of rental revenues) resulting from extreme weather conditions and natural disasters in locations where we own properties, and the ability to estimate accurately the amounts thereof; sufficiency and timing of any insurance recovery payments related to damages from extreme weather conditions and natural disasters; local conditions such as an increase in the supply of, or a reduction in demand for, retail real estate in the area; the impact of e-commerce; dependence on rental income from real property; the loss of, significant downsizing of or bankruptcy of a major tenant and the impact of any such event on rental income from other tenants at our properties; our ability to secure equity or debt financing on commercially acceptable terms or at all; impairment charges; our ability to enter into definitive agreements with regard to our financing arrangements and our ability to satisfy conditions to the completion or extension of these arrangements; changes with respect to the Puerto Rican economy and government; the ability to secure and maintain management services provided to us, including pursuant to our external management agreement with one or more subsidiaries of SITE Centers; and our ability to maintain our REIT status. For additional factors that could cause the results of the Company to differ materially from those indicated in the forward-looking statements, please refer to the Company’s most recent report on Forms 10-K and 10-Q. The impacts of the COVID-19 pandemic may also exacerbate the risks described therein, any of which could have a material effect on the Company. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof.

Retail Value Inc.
Income Statement

in thousands, except per share

	<u>2Q21</u>	<u>2Q20</u>	<u>6M21</u>	<u>6M20</u>
Revenues:				
Rental income (1)	\$41,857	\$39,299	\$83,279	\$89,629
Other property revenues	54	(7)	91	32
	41,911	39,292	83,370	89,661
Expenses:				
Operating and maintenance (2)	11,433	12,193	23,304	25,807
Real estate taxes	3,757	5,483	8,023	11,202
	15,190	17,676	31,327	37,009
Net operating income (3)	26,721	21,616	52,043	52,652
Other income (expense):				
Asset management fees	(1,770)	(2,324)	(3,541)	(4,648)
Interest expense, net	(3,437)	(5,660)	(7,428)	(12,952)
Depreciation and amortization	(11,204)	(14,211)	(24,562)	(30,681)
General and administrative	(1,258)	(924)	(2,123)	(2,001)
Impairment charges	(79,050)	(10,910)	(81,060)	(26,820)
Debt extinguishment costs, net	(1,112)	(12)	(1,242)	(3,977)
Other income, net	197	0	197	334
Gain on disposition of real estate, net (4)	1,420	10,958	1,541	13,632
Loss before other items	(69,493)	(1,467)	(66,175)	(14,461)
Tax expense	(88)	(519)	(197)	(592)
Net loss	(\$69,581)	(\$1,986)	(\$66,372)	(\$15,053)
Weighted average shares – Basic & Diluted – EPS	21,094	19,816	21,006	19,782
Loss per common share – Basic & Diluted	(\$3.30)	\$(0.10)	(\$3.16)	(\$0.76)
(1) Revenue items:				
Minimum rents	23,161	30,348	48,057	61,738
Ground lease minimum rents	2,400	3,112	5,043	6,318
Percentage and overage rent	639	38	2,095	1,055
Recoveries	9,574	11,819	19,869	24,716
Uncollectible revenue	2,840	(6,820)	3,078	(7,678)
Ancillary and other rental income	1,455	783	3,264	2,961
Lease termination fees	1,788	19	1,873	519
(2) Operating expenses:				
Property management fees	(2,264)	(2,566)	(4,528)	(5,118)
(3) NOI from assets sold through June 30, 2021	172	3,705	2,044	10,445
(4) SITE Centers disposition fees	(592)	(210)	(592)	(1,766)

Retail Value Inc.
Other Financial Information

in thousands, except per share

	<u>2Q21</u>	<u>2Q20</u>	<u>6M21</u>	<u>6M20</u>
Net loss attributable to Common Shareholders	(\$69,581)	(\$1,986)	(\$66,372)	(\$15,053)
Depreciation and amortization of real estate	11,187	14,193	24,528	30,646
Impairment of real estate	79,050	10,910	81,060	26,820
Gain on disposition of real estate, net	(1,420)	(10,958)	(1,541)	(13,632)
FFO attributable to Common Shareholders	\$19,236	\$12,159	\$37,675	\$28,781
Debt extinguishment, transaction, other, net	915	12	1,045	3,644
Total non-operating items, net	915	12	1,045	3,644
Operating FFO attributable to Common Shareholders	\$20,151	\$12,171	\$38,720	\$32,425
Weighted average shares and units – Basic & Diluted – FFO & OFFO	21,094	19,816	21,006	19,782
FFO per share – Basic & Diluted	\$0.91	\$0.61	\$1.79	\$1.45
Operating FFO per share – Basic & Diluted	\$0.96	\$0.61	\$1.84	\$1.64
Common stock dividends declared, per share	N/A	N/A	N/A	N/A
Certain non-cash items:				
Straight-line rent	(258)	590	(822)	(517)
Straight-line fixed CAM	75	99	146	200
Loan cost amortization	(712)	(914)	(1,494)	(1,933)
Non-real estate depreciation expense	(17)	(18)	(34)	(35)
Capital expenditures:				
Maintenance capital expenditures	899	645	1,227	663
Tenant allowances and landlord work	665	1,020	1,273	1,611
Leasing commissions - SITE Centers	617	473	1,395	1,704
Leasing commissions - external	54	68	187	155
Hurricane restorations	486	4,538	2,334	8,012

Retail Value Inc.
Other Financial Information

in thousands, except per share

	Continental U.S.			
	2Q21	2Q20	6M21	6M20
Revenues:				
Minimum rents	10,215	15,089	21,782	32,100
Ground lease minimum rents	797	1,099	1,636	2,304
Percentage and overage rent	236	6	253	103
Recoveries	3,918	5,932	8,379	12,579
Uncollectible revenue	2,152	(3,199)	3,144	(4,050)
Ancillary and other rental income	91	150	282	472
Lease termination fees	1	0	86	500
Other property revenues	52	(26)	69	(2)
	17,462	19,051	35,631	44,006
Expenses:				
Operating and maintenance	2,179	2,755	4,563	6,544
Property management fees	701	1,099	1,401	2,198
Real estate taxes	2,767	4,299	5,901	8,787
	5,647	8,153	11,865	17,529
Net operating income (1)	11,815	10,898	23,766	26,477
Other income (expense):				
Asset management fees	(846)	(1,318)	(1,694)	(2,637)
Interest expense, net	(2,707)	(4,513)	(5,858)	(10,689)
Depreciation and amortization	(4,700)	(6,961)	(11,688)	(16,191)
General and administrative (not allocated to segment)	N/A	N/A	N/A	N/A
Impairment charges	0	(10,910)	0	(26,820)
Debt extinguishment costs, net	(1,076)	(12)	(1,149)	(3,977)
Other expense, net	0	0	0	0
Gain on disposition of real estate, net	1,696	10,958	1,845	13,632
Tax expense	(77)	(52)	(143)	(125)
Net loss	4,105	(1,910)	5,079	(20,330)
(1) NOI from assets sold through June 30, 2021	43	2,804	1,589	8,576

	Puerto Rico			
	2Q21	2Q20	6M21	6M20
Revenues:				
Minimum rents	12,946	15,259	26,275	29,638
Ground lease minimum rents	1,603	2,013	3,407	4,014
Percentage and overage rent	403	32	1,842	952
Recoveries	5,656	5,887	11,490	12,137
Uncollectible revenue	688	(3,621)	(66)	(3,628)
Ancillary and other rental income	1,364	633	2,982	2,489
Lease termination fees	1,787	19	1,787	19
Other property revenues	2	19	22	34
	24,449	20,241	47,739	45,655
Expenses:				
Operating and maintenance	6,990	6,872	14,213	14,145
Property management fees	1,563	1,467	3,127	2,920
Real estate taxes	990	1,184	2,122	2,415
	9,543	9,523	19,462	19,480
Net operating income (1)	14,906	10,718	28,277	26,175
Other income (expense):				
Asset management fees	(924)	(1,006)	(1,847)	(2,011)
Interest expense, net	(730)	(1,147)	(1,570)	(2,263)
Depreciation and amortization	(6,504)	(7,250)	(12,874)	(14,490)
General and administrative (not allocated to segment)	N/A	N/A	N/A	N/A
Impairment charges	(79,050)	0	(81,060)	0
Debt extinguishment costs, net	(36)	0	(93)	0
Other expense, net	197	0	197	334
Gain on disposition of real estate, net	(276)	0	(304)	0
Tax expense	(11)	(467)	(54)	(467)
Net loss	(72,428)	848	(69,328)	7,278
(1) NOI from assets sold through June 30, 2021	129	901	455	1,869

Retail Value Inc.
Balance Sheet

\$ in thousands

	At Period End	
	2Q21	4Q20
Assets:		
Land	\$337,869	\$397,699
Buildings	918,294	1,031,886
Fixtures and tenant improvements	114,580	134,335
	1,370,743	1,563,920
Depreciation	(554,434)	(593,691)
	816,309	970,229
Construction in progress	2,489	1,515
Real estate, net	818,798	971,744
Cash	67,185	56,849
Restricted cash (1)	59,048	115,939
Receivables and straight-line (2)	17,501	25,302
Intangible assets, net (3)	7,078	9,452
Other assets, net (4)	10,882	16,590
Total Assets	980,492	1,195,876
 Liabilities and Equity:		
Secured debt (5)	207,243	344,485
Dividends payable	0	23,002
Other liabilities (6)	30,420	38,603
Total Liabilities	237,663	406,090
 Redeemable preferred equity		
	190,000	190,000
Common shares	2,110	1,983
Paid-in capital	740,548	721,234
Distributions in excess of net income	(189,800)	(123,428)
Common shares in treasury at cost	(29)	(3)
Total Equity	552,829	599,786
Total Liabilities and Equity	\$980,492	\$1,195,876
(1) Asset sale proceeds	0	51,168
Hurricane related escrows	37,169	38,469
Other lender required escrows	21,879	26,302
(2) SL rents (including fixed CAM), net	11,337	13,683
(3) Operating lease right of use asset	1,402	1,509
(4) Note receivable	3,000	3,000
(5) Unamortized loan costs	(7,302)	(9,718)
(6) Operating lease liabilities	2,476	2,602
Below-market leases, net	11,828	13,829