

May 12, 2023



Generation Income Properties Announces First Quarter 2023 Financial and Operating Results

TAMPA, FL / ACCESSWIRE / May 12, 2023 /Generation Income Properties, Inc. (NASDAQ:GIPR) ("GIPR" or the "Company") today announced its financial and operating results for the three-month period ended March 31, 2023.

Highlights

(For the 3 months ended March 31, 2023)

- Generated net loss attributable to GIPR of (\$1.3 million), or (\$0.52) per basic and diluted share.
- Generated Core FFO of (\$7) thousand, or (\$0.003) per basic and diluted share.
- Generated Core AFFO of (\$15) thousand, or (\$0.006) per basic and diluted share.

Commenting on the quarter, CEO David Sobelman stated, "With the capital markets evolving into today's market climate and transaction volume drastically decreasing from its historical highs, our patience is starting to pay off as pricing for assets that we target has become more congruent with what we would expect for this period of the economic cycle, and we're diligently positioning ourselves to be in a position to take advantage of buying opportunities as they arise".

FFO and related measures are supplemental non-GAAP financial measures used in the real estate industry to measure and compare the operating performance of real estate companies. A complete reconciliation containing adjustments from GAAP net income to Core FFO and Core AFFO is included at the end of this release.

Portfolio

- Approximately 62% of our portfolio's annualized base rent ("ABR") as of March 31, 2023 was derived from tenants that have (or whose parent company has) an investment grade credit rating from a recognized credit rating agency of "BBB-" or better. Our largest tenants are the General Service Administration, PRA Holdings, Inc., Pratt and Whitney, and Kohl's Corporation and contributed approximately 66% of our portfolio's annualized base rent.
- The Company's tenants are 100% rent paying and have been since our inception. Our portfolio is 93% leased and occupied.
- 100% of the leases in our current portfolio provide for increases in contractual base

rent during future years of the current term or during the lease extension periods.

- The average ABR per square foot is \$15.05 psf.

Liquidity and Capital Resources

- We had \$2.8 million in total cash and cash equivalents as of March 31, 2023.
- Total mortgage loans, net was \$35.8 million as of March 31, 2023.

Financial Results

- Total revenue from operations was \$1.3 million during the three-month period ended March 31, 2023, as compared to \$1.2 million for the three-month period ended March 31, 2022.
- Operating expenses, including G&A, for the same periods were \$2.0 million and \$1.6 million, respectively, due to increases in G&A, recoverable expenses and depreciation/amortization from acquisitions, and compensation costs.
- Net operating income ("NOI") for the same periods was \$1.0 million and \$928 thousand, a 10% increase from the same period last year, which is a direct result of the recognition of full quarter rents from acquisitions of properties during the three months ended March 31, 2022 as well as contractual rent increases incurred during the three months ended March 31, 2023.
- Other expense during the three months ended March 31, 2023 includes an accrual of \$506,000 relating to the potential reimbursement of federal, state and local income taxes that may be incurred by a remaining partner in one of our partnerships pursuant to a tax protection agreement.
- Net loss attributable to GIPR for the three months ended March 31, 2023 was \$1.3 million as compared to net income of \$575 thousand for the same period last year.

The Company is not providing guidance on future financial results or acquisitions and dispositions at this time. However, the Company will provide timely updates on material events, which will be broadly disseminated in due course. The Company's executives, along with its Board of Directors, continue to assess the advisability and timing of providing such guidance to better align GIPR with its industry peers.

About Generation Income Properties

Generation Income Properties, Inc., located in Tampa, Florida, is an internally managed real estate investment trust formed to acquire and own, directly and jointly, real estate investments focused on retail, office, and industrial net lease properties in densely populated submarkets. Additional information about Generation Income Properties, Inc. can be found at the Company's corporate website: www.gipreit.com.

Forward-Looking Statements

This press release, whether or not expressly stated, may contain "forward-looking" statements as defined in the Private Securities Litigation Reform Act of 1995. The words "believe," "intend," "expect," "plan," "should," "will," "would," and similar expressions and all statements, which are not historical facts, are intended to identify forward-looking statements. These statements reflect the Company's expectations regarding future events and economic performance and are forward-looking in nature and, accordingly, are subject

to risks and uncertainties. Such forward-looking statements include risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such forward-looking statements which are, in some cases, beyond the Company's control and which could have a material adverse effect on the Company's business, financial condition, and results of operations. These risks and uncertainties include the risk that we may not be able to timely identify and close on acquisition opportunities, our limited operating history, potential changes in the economy in general and the real estate market in particular, the COVID-19 pandemic, and other risks and uncertainties that are identified from time to time in our SEC filings, including those identified in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 filed on March 28, 2023, which are available at www.sec.gov. The occurrence of any of these risks and uncertainties could have a material adverse effect on the Company's business, financial condition, and results of operations. For these reasons, among others, investors are cautioned not to place undue reliance upon any forward-looking statements in this press release. Any forward-looking statement made by us herein speaks only as of the date on which it is made. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof, except as may be required by law.

Notice Regarding Non-GAAP Financial Measures

In addition to our reported results and net earnings per diluted share, which are financial measures presented in accordance with GAAP, this press release contains and may refer to certain non-GAAP financial measures, including Funds from Operations ("FFO"), Core Funds From Operations ("Core FFO"), Adjusted Funds from Operations ("AFFO"), Core Adjusted Funds from Operations ("Core AFFO"), and Net Operating Income ("NOI"). We believe the presentation of the financial measures are useful to investors because they are widely accepted industry measures used by analysts and investors to compare the operating performance of REITs. FFO and related measures, including NOI, should not be considered alternatives to net income as a performance measure or to cash flows from operations, as reported on our statement of cash flows, or as a liquidity measure, and should be considered in addition to, and not in lieu of, GAAP financial measures. You should not consider our Core FFO, Core AFFO, or NOI as an alternative to net income or cash flows from operating activities determined in accordance with GAAP. Our reconciliation of non-GAAP measures to the most directly comparable GAAP financial measure and statements of why management believes these measures are useful to investors are included below.

Consolidated Balance Sheets

	As of March 31, 2023 (unaudited)	As of December 31, 2022 (audited)
<u>Assets</u>		
Investment in real estate		
Land	\$ 12,577,544	\$ 12,577,544
Building and site improvements	39,760,694	39,764,890
Tenant improvements	907,382	907,382

Acquired lease intangible assets	4,677,928	4,677,928
Less: accumulated depreciation and amortization	<u>(6,176,672)</u>	<u>(5,623,318)</u>
Net real estate investments	51,746,876	52,304,426
Investment in tenancy-in-common	1,232,670	1,218,268
Cash and cash equivalents	2,737,145	3,718,496
Restricted cash	34,500	34,500
Deferred rent asset	305,645	288,797
Prepaid expenses	542,574	132,642
Accounts receivable	151,218	96,063
Escrow deposits and other assets	210,296	184,241
Right of use asset, net	<u>6,211,513</u>	<u>6,232,662</u>
Total Assets	<u>\$ 63,172,437</u>	<u>\$ 64,210,095</u>
<u>Liabilities and Equity</u>		
Liabilities		
Accounts payable	\$ 119,516	\$ 173,461
Accrued expenses	263,621	365,624
Accrued expense - related party	506,000	128,901
Acquired lease intangible liabilities, net	613,676	639,973
Insurance payable	338,047	46,368
Deferred rent liability	156,075	251,798
Lease liability, net	6,370,726	6,356,288
Other payable - related party	2,262,300	2,587,300
Loan payable - related party	1,500,000	1,500,000
Mortgage loans, net of unamortized debt issuance costs of \$688,516 and \$717,381 at March 31, 2023 and December 31, 2022, respectively	<u>35,111,116</u>	<u>35,233,878</u>
Total liabilities	47,241,077	47,283,591
Redeemable Non-Controlling Interests	6,326,737	5,789,731
Stockholders' Equity		
Common stock, \$0.01 par value, 100,000,000 shares authorized; 2,610,885 and 2,501,644 shares issued and outstanding at March 31, 2023 and December 31, 2022, respectively	26,108	25,016
Additional paid-in capital	19,099,595	19,307,518
Accumulated deficit	<u>(9,958,363)</u>	<u>(8,640,796)</u>
Total Generation Income Properties, Inc. Stockholders' Equity	9,167,340	10,691,738
Non-Controlling Interest	<u>437,283</u>	<u>445,035</u>
Total equity	<u>9,604,623</u>	<u>11,136,773</u>
Total Liabilities and Equity	<u>\$ 63,172,437</u>	<u>\$ 64,210,095</u>

Consolidated Statements of Operations
(unaudited)

	Three Months ended March 31,	
	2023	2022
Revenue		
Rental income	\$ 1,326,707	\$ 1,181,935
Other income	10,332	-
Total revenue	<u>\$ 1,337,039</u>	<u>\$ 1,181,935</u>
Expenses		
General, administrative and organizational costs	344,147	341,680
Building expenses	313,600	253,391
Depreciation and amortization	557,550	430,893
Interest expense, net	469,210	330,294
Compensation costs	<u>351,287</u>	<u>279,742</u>
Total expenses	<u>2,035,794</u>	<u>1,636,000</u>
Operating loss	(698,755)	(454,065)
Other expense	(506,000)	-
Income on investment in tenancy-in-common	<u>14,402</u>	<u>8,552</u>
Net income (loss)	<u><u>\$ (1,190,353)</u></u>	<u><u>\$ (445,513)</u></u>
Less: Net income attributable to non-controlling interest	<u>127,214</u>	<u>129,963</u>
Net income (loss) attributable to Generation Income Properties, Inc.	<u><u>\$ (1,317,567)</u></u>	<u><u>\$ (575,476)</u></u>
Total Weighted Average Shares of Common Stock Outstanding - Basic & Diluted	2,541,477	2,196,056
Basic & Diluted Income (Loss) Per Share Attributable to Common Stockholders	\$ (0.52)	\$ (0.26)

Reconciliation of Non-GAAP Measures

The following tables reconcile net income (loss), which we believe is the most comparable GAAP measure, to Net Operating Income ("NOI"):

	Three Months ended March 31,	
	2023	2022
Net income (loss) attributable to Generation Income Properties, Inc.	\$ (1,317,567)	\$ (575,476)
Plus: Net income attributable to non-controlling interest	<u>127,214</u>	<u>129,963</u>
Net income (loss)	(1,190,353)	(445,513)
Plus:		

General and administrative expense	\$ 344,147	\$ 341,680
Depreciation and amortization	557,550	430,893
Interest expense, net	469,210	330,294
Compensation costs	351,287	279,742
Other expense	506,000	-
Income on investment in tenancy-in-common	(14,402)	(8,552)
Net Operating Income	<u>\$ 1,023,439</u>	<u>\$ 928,544</u>

The following tables reconcile net income (loss), which we believe is the most comparable GAAP measure, to FFO, Core FFO, AFFO, and Core AFFO:

	Three Months ended March 31,	
	2023	2022
Net loss	\$ (1,190,353)	\$ (445,513)
Other expense	506,000	-
Depreciation and amortization	557,550	430,893
Funds From Operations	\$ (126,803)	\$ (14,620)
Amortization of debt issuance costs	28,865	33,673
Non-cash stock compensation	90,648	93,926
Adjustments to Funds From Operations	\$ 119,513	\$ 127,599
Core Funds From Operations	<u>\$ (7,290)</u>	<u>\$ 112,979</u>
Net loss	\$ (1,190,353)	\$ (445,513)
Other expense	506,000	-
Depreciation and amortization	557,550	430,893
Amortization of debt issuance costs	28,865	33,673
Above and below-market lease amortization, net	(26,297)	(23,884)
Straight line rent, net	18,738	(1,100)
Adjustments to net loss	\$ 1,084,856	\$ 439,582
Adjusted Funds From Operations	<u>\$ (105,497)</u>	<u>\$ (5,931)</u>
Non-cash stock compensation	\$ 90,648	\$ 93,926
Adjustments to Adjusted Funds From Operations	\$ 90,648	\$ 93,926
Core Adjusted Funds From Operations	<u>\$ (14,849)</u>	<u>\$ 87,995</u>
Net loss	\$ (1,190,353)	\$ (445,513)
Net income attributable to non-controlling interests	(127,214)	(129,963)
Net loss attributable to Generation Income Properties, Inc.	<u>\$ (1,317,567)</u>	<u>\$ (575,476)</u>

Our reported results are presented in accordance with GAAP. We also disclose funds from operations ("FFO"), adjusted funds from operations ("AFFO"), core funds from operations ("Core FFO") and core adjusted funds of operations ("Core AFFO") all of which are non-

GAAP financial measures. We believe these non-GAAP financial measures are useful to investors because they are widely accepted industry measures used by analysts and investors to compare the operating performance of REITs.

FFO and related measures do not represent cash generated from operating activities and are not necessarily indicative of cash available to fund cash requirements; accordingly, they should not be considered alternatives to net income or loss as a performance measure or cash flows from operations as reported on our statement of cash flows as a liquidity measure and should be considered in addition to, and not in lieu of, GAAP financial measures.

We compute FFO in accordance with the definition adopted by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT"). NAREIT defines FFO as GAAP net income or loss adjusted to exclude non-recurring or extraordinary items (as defined by GAAP), net gains from sales of depreciable real estate assets, impairment write-downs associated with depreciable real estate assets, and real estate related depreciation and amortization, including the pro rata share of such adjustments of unconsolidated subsidiaries. We then adjust FFO for non-cash revenues and expenses such as amortization of deferred financing costs, above and below market lease intangible amortization, straight line rent adjustment where the Company is both the lessor and lessee, and non-cash stock compensation to calculate Core AFFO.

FFO is used by management, investors, and analysts to facilitate meaningful comparisons of operating performance between periods and among our peers primarily because it excludes the effect of real estate depreciation and amortization and net gains on sales, which are based on historical costs and implicitly assume that the value of real estate diminishes predictably over time, rather than fluctuating based on existing market conditions. We believe that AFFO is an additional useful supplemental measure for investors to consider because it will help them to better assess our operating performance without the distortions created by other non-cash revenues or expenses. FFO and AFFO may not be comparable to similarly titled measures employed by other companies. We believe that Core FFO and Core AFFO are useful measures for management and investors because they further remove the effect of non-cash expenses and certain other expenses that are not directly related to real estate operations. We use each as measures of our performance when we formulate corporate goals.

As FFO excludes depreciation and amortization, gains and losses from property dispositions that are available for distribution to stockholders and non-recurring or extraordinary items, it provides a performance measure that, when compared year over year, reflects the impact to operations from trends in occupancy rates, rental rates, operating costs, general and administrative expenses and interest costs, providing a perspective not immediately apparent from net income or loss. However, FFO should not be viewed as an alternative measure of our operating performance since it does not reflect either depreciation and amortization costs or the level of capital expenditures and leasing costs necessary to maintain the operating performance of our properties which could be significant economic costs and could materially impact our results from operations. Additionally, FFO does not reflect distributions paid to redeemable non-controlling interests.

Investor Contacts

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