



Matthew Peterson

Managing Partner, Peterson Capital Management



Peterson Investment Fund I, LP

Recycling Real Estate

SERITAGE
GROWTH PROPERTIES



Peterson Capital Management, LLC

Best Ideas 2022, Hosted by MOI Global

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AGENDA

- 1. Seritage Management and Business Overview**
2. Property Portfolio Analysis
3. Net Asset Value (NAV)
4. Financing and Cash Flow
5. Applied Structured Value



Seritage Growth Properties (NYSE: SRG)

A self-administered and self-managed Real Estate Investment Trust

- Misunderstood Business (REIT with Reinvested Revenue and Zero Dividends)
- Repurposing and Unlocking Value of 170 Diversified Real Estate Properties
- Quality Management Team and Shareholder Base
- Highly Undervalued (Graham and Fisher)
- Small-cap Compounder with Years of Reinvestment Opportunity



What's Not to Hate

- | | | | |
|---|---------------------------------------------------------------------------------------------------------------|----|--------------------------------------------------------------|
| 1 | C-Suite Turnover
(CEO, CFO, COO Recently Departed) | 6 | Sears Bankruptcy |
| 2 | REIT Without a Dividend
(REITs Designed for Tax Efficiency and Dividends for Income Producing Real Estate) | 7 | All Debt Maturing July 2023
(100% Berkshire Owned) |
| 3 | Confusing Corporate Structure
(Eddie Lampert Has Convertible Units) | 8 | Negative Cash Flow
(Revenue Invested into Redevelopments) |
| 4 | Shift to E-commerce
(Demise of Commercial RE Demand) | 9 | Confusing Property Set and Strategy |
| 5 | Mall Ownership During a Pandemic | 10 | Lack of Transparency |



Management Team



Benjamin Schall
CEO / President



Andrea L. Olshan
CEO / President



Brian R. Dickman
Chief Financial Officer



Amanda Lombard
Chief Financial Officer



Image
Unavailable

John Garilli
Chief Financial Officer



Ken Lombard
Executive Vice President & Chief
Operating Officer



Eric Dinenberg
Executive Vice President of
Development and Construction



Mission Statement

The mission is to maximize value for shareholders by repositioning the Company's portfolio through leasing, redevelopment, formation of strategic partnerships and other bespoke solutions.

“ It's a value creation story ”

“ Looking to demystify the company ”

“ We are all NAV all day long ”

- Andrea L. Olshan, CEO

Andrea Olshan has aggressively reorganized the firm and portfolio to provide transparency, drive efficiency and obtain lower cost property level refinancing.

Transparency is Improving – Supplemental Detail Organizes Properties by Use Case

Multi-tenant Retail

4588 Virginia Beach Boulevard
12000 Fair Oaks Mall
5261 Arlington Avenue
160 North Gulph Road
12605 North Gessner Road
575 Fletcher Parkway
10700 Biscayne Boulevard
1209 Plaza Drive
145 West Hillcrest Drive
201 Central Park Mall
1460 West 49th Street
40710 Winchester Road
1191 Galleria Boulevard
3111 East Colonial Drive
141 West Lee Highway
2300 Tyrone Boulevard North
2010 North Main Street
4201 Coldwater Road
1500 South Willow Street
53 West Towne Mall
2860 South Highland Avenue
4100 Belden Village Avenue Northwest
2500 Wabash Avenue
4000 Jericho Turnpike
200 Grossman Drive
7801 Rivers Avenue
1302 Bridford Parkway
200 Eastview Mall
7503 West Cermak Road
1640 Route 22
12025 North 32nd Street
5200 South 76th Street
19563 Coastal Highway
3801B Clemson Boulevard
101 West Lincoln Highway
4700 2nd Avenue
4570 Poplar Avenue
12625 North Interstate Highway 35

Value
Estimates

\$600 million

Premier Mixed-Use Properties

4575 La Jolla Village Dr
195 North Broadway
302 Colorado Ave
2200 148th Avenue Northeast
13131 Preston Road
5900 Glades Road
19505 Biscayne Boulevard

\$300 million

Residential

7780 W Arrowhead Towne Center
2800 North Germantown Parkway
8000 West Broward Boulevard
1675 West 49th Street
4000 North Shepherd
20701 Southwest 112th Avenue
5900 Sunrise Mall
100 Inland Center
5901 Florin Road
3001 White Bear Avenue North
7611 West Thomas Road
2 Orland Square Drive
300 Baybrook Mall
425 Rice Street
2501 Irving Mall
5901 Duke Street
15700 Emerald Way
3800 US Highway 98 North
72880 Highway 111
3001 Iowa Avenue
3340 Mall Loop Drive
2100 Southfield Road
3207 Solomons Island Road
1180 Southeast 82nd Avenue
7875 Johnnycake Ridge Road
6301 Northwest Loop 410
6515 East Southern Avenue
4125 Cleveland Avenue
850 Hartford Turnpike
14250 Buck Hill Road
310 Daniel Webster Highway
6950 West 130th Street
Alderwood

\$600 million

Retail

Brookfield Retail Partners Joint Venture Properties

Altamonte Mall
Coastland Center
Willowbrook Mall
Stonebriar Centre
Natick Collection

Simon Joint Venture Properties

Santa Rosa Plaza
Briarwood
The Shops at Nanuet
Woodland Hills Mall
Barton Creek Square

Macerich Joint Venture Properties

Chandler Fashion Center
Los Cerritos Center
Vintage Faire Mall
Danbury Fair
Depfford Mall
Freehold Raceway Mall
Washington Square Mall

Other

1445 New Britain Ave
126 Shawan Road
12625 North Interstate Highway 35
20700 South Avalon Boulevard

\$310 million

**Densification capability is misunderstood and an underappreciated opportunity.
Multi-family housing units are being constructed to convert legacy parking lots into valuable cash producing assets.**

Transparency is Improving

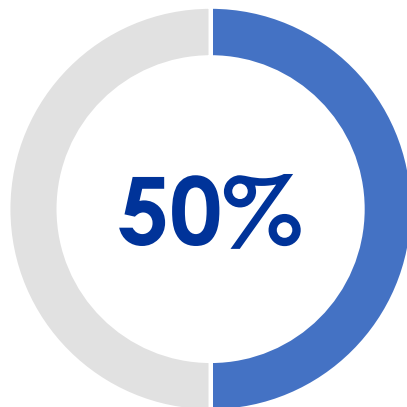
Other – Potential Distributions

2180 Tully Road	32123 Gratiot Avenue
1625 Northwest 107th Avenue	400 North Best Avenue
5715 Johnston Street	3751 South Dogwood Road
1 South Tunnel Road	2308 Highway 45 North
100 Westminster Mall	1420 Travis Boulevard
1178 El Camino Real	1855 Main Street
565 Broadway	42126 Big Bear Boulevard
3295 East Main Street	5101 Hinkleville Road
7171 North Davis Highway	1011 West Olive Avenue
1400 East 104th Avenue	5050 South Kedzie Avenue
1325 Broadway	2801 West State Street
5080 East Montclair Plaza Lane	3408 West Central Avenue
2700 Miamisburg Centerville Road	3700 South Campbell Avenue
1401 Greenbrier Parkway	317 Greece Ridge Center Drive
3100 Southwest College Road	3010 Fort Campbell Boulevard
3636 North Blackstone Avenue	3231 Chicago Road
5400 Meadowood Mall Circle	417 Main Street
650 Bald Hill Road	3101 Northview Drive
27001 U.S. 19 North	2250 El Mercado Loop
50 Fox Run Road	3150 South 4th Avenue
3930 McCain Boulevard	1560 US 31 South
9484 Dyer Street	1 Flower Valley Shopping Center
4501 66th Street North	171 Delaware Avenue
7350 Manatee Avenue West	1405 South Grand Avenue
4400 South Western Avenue	4155 State Route 31
8201 South Tamiami Trail	2760 I-75 Business Spur
1425 Central Avenue	2307 Superior Street
4600 1st Avenue Northeast	PR 167 & Las Cumbres
77 Rockingham Park Boulevard	400 Calle Betances
5950 East Broadway Boulevard	Plaza Carolina Station
3100 Washtenaw Road	PR Road 2, Km 149.5
600 Lee Boulevard	
700 East Northern Lights Boulevard	
200 Town Center East	
10785 West Colfax Avenue	
733 North Highway 231	
4000 Meadows Lane	
1700 North Main Street	

**“Other” properties (for sale) consist of over 10 million sq ft of gross leasable area.
At \$100 per sq foot they are worth over \$1 billion**

Esplanade in Aventura, FL: Premier Mixed-Use Property

Today Seritage has leased over 50% of its 215,000 square feet in Aventura, FL



Reported Base Rent*
(Per Square Foot):

- Low: \$56
- Median: \$100
- High: \$125



Average Rent Assumption: \$90
Stabilized NOI ~\$70



CBRE Cap Rate Survey
Fort Lauderdale Suburb Retail
Cap Rate:
5.25-5.75

*Source: Seritage Growth Properties - Nareit REITworld June 2021 Annual Conference

~\$70 stabilized NOI per sq ft on 215,000 sq ft at 5.5% cap rate = \$270,000,000

Heritage Village in Hicksville, NY: Premier Mixed-Use Property

Seritage is repurposing a legacy Sears Unit and Sears auto center outparcel into 250,000 sq ft of commercial and retail property



Assumptions



- \$200 PSF to build
- \$100 PSF land value
- Build to a 7% Cap Rate
- Stabilized NOI 5% Cap Rate
- Discount Rate of 15%; 36 months until completion

Calculations



- **Development Cost: \$75m** = ($\$200 * 250k$ sq. ft + $\$100 * 250k$ sq. ft land value)
- **NOI: \$5.25m** (Build to a 7% Cap Rate)
- **NAV at stabilized NOI: \$105m** (projected NOI at 5% cap)
- **\$30m in Equity Value Creation** (Net Asset Value Less Development cost excluding land)

Land value today \$25m with a future \$30m (Present Value: \$20m) in equity value creation. ~\$45m Present Value

Assets and Debt












- Property and Cash: \$3b
- Debt: \$1.5b
- 56m diluted shares
- .5 Loan to Value











Property Portfolios	Sq Ft.	Acres	PV NAV Estimate
Multi-Tenant Retail	5 m	500	\$600m
Premier Mixed Use	1.35 m	107	\$300m
Residential	6 m	480	\$600m
Retail	1.75 m	140	\$310m
Other	10 m	843	\$1 billion
Total Equity Portfolio			\$2.8 billion
Cash			\$160 m
Total Assets			~\$3 billion

Debt	Value
Berkshire Hathaway (7%)	\$1.44 b
Preferred Shares (7%)	\$77 m
Total Debt	~\$1.5 billion

\$1.5 billion in net value with 56m diluted shares equates to \$26 in per share value, over 100% upside from today's price.

Top Tenants

	Number of Leases / SF	Total Rent / Total Rent %
	12 / 780,970	12,511,539 / 10.4%
	10 / 288,181	8,355,362 / 6.9%
	8 / 342,623	7,225,205 / 6.0%
	4 / 168,074	4,915,923 / 4.1%
	6 / 217,259	4,676,390 / 3.99%
	9 / 342,720	4,420,706 / 3.7%
	7 / 773,665	4,231,030 / 3.5%
	3 / 134,065	3,168,751 / 2.6%
	11 / 243,866	2,960,412 / 2.5%

	Number of Leases / SF	Total Rent / Total Rent %
	2 / 99,218	2,802,681 / 2.3%
	6 / 137,738	2,489,450 / 2.1%
	9 / 184,116	2,355,774 / 2.0%
	2 / 73,300	2,217,400 / 1.8%
	3 / 163,912	1,865,502 / 1.5%
	2 / 143,548	1,691,216 / 1.4%
	2 / 77,646	1,628,966 / 1.4%
	1 / 17,053	1,534,770 / 1.3%
	1 / 26,515	1,482,139 / 1.2%
	2 / 71,235	1,257,772 / 1.0%

Large value-based retailers continued to thrive during the pandemic. They are willing to sign 8-10 year lease agreements and looking to expand

Seritage Growth Properties (\$711 million market cap fully diluted; \$12.7/share)

1



Current Rent: \$93m
80% for NOI: \$74m
Value: \$1.1b (7% cap rate)

In Place Leases

- NNN tenant leases (Dicks, Burlington, etc.)
- Industry standard cap rate 5% today

2



Rent \$36m
NOI (80%): \$29m
Value: \$414m (7% cap)
+
Future NOI: \$45m
Future Value: \$642m
Combined Value: \$1.05b

Signed but Not Operating (SNO) Leases

- Projects Underway
- Densification and Diversification
- Mixed Use: Residential, office and life sciences

3



Non-Core Assets:
10.3m sq ft @ \$100/sq foot
Value \$1b

Non-Core Assets

- Potential liquidation candidates
- Capital used to develop future lease projects

Ancillary: Cash* 160m; Debt 1.44b; 3-year cash spend and project cap ex \$800m

Bonus: JV multifamily apartments \$450m; Significant land acres \$0

*Recent debt payment may have reduced cash

2025 value: 1.1 + 1.05 + 1 + .16 - 1.44 - .80 + .45 = \$1.5 billion
56m diluted shares: \$26 / share by 2025 (19% IRR)

Property Level Financing

Today

Berkshire Hathaway
\$1.44b @ 7%

\$100m in annual interest
expense

2023

Potential Property Level Financing
~\$1.5b @ 4%

\$60m in Annual interest
expense

\$40m in CF savings annually



2023

Berkshire Hathaway
\$800m @ 7% extended through 2025 and available if needed

The threat of a 2023 liquidity issue is no longer a risk

Joint Venture Partners – An Alternative to Debt Financing

1

Brookfield

- Almonte Mall
- Coastland Center
- Willbrook Mall
- Stonebriar Centre
- Natick Collection

2



- Santa Rose Plaza
- Briarwood
- The Shops at Nanuet
- Woodland Hills Mall
- Barton Creek Square

3



- Chandler Fashion Center
- Los Cerritos Center
- Vintage Faire Mall
- Danbury Fair
- Deptford Mall
- Freehold Raceway Mall
- Washington Square Mall

4



- 302 Colorado Ave, Santa Monica
- 4575 La Jolla Village Dr., San Diego

5

Other

- West Hartford
- Cockeysville
- Austin
- Carson



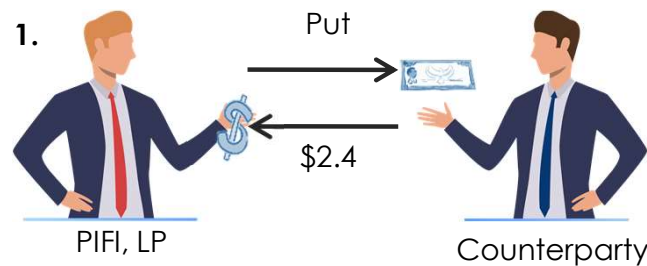
Structured Value (Case Study – Seritage Growth Properties)

Structured value provides an advantage over a traditional buy and hold strategy. We are paid a premium up front that reduces the net purchase price relative to the market price.

Example

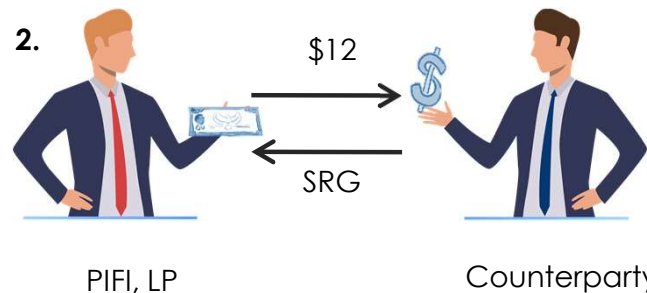
1. Target SRG Shares at \$12
2. Sell \$12 strike cash secured puts for \$2.40 expiring January 2023
3. Collect \$2.40 for the contract immediately and commit to purchase undervalued securities for \$12 for a net cost of \$9.60
4. Hold contracts until expiration
5. Keep the premium and potentially purchase the shares

Potential Outcome



Opening Position:

Write (sell) a 12-month cash secured put contract with a strike of \$12 for a price of \$2.40.



Closing Position:

In the event that share prices are below \$12 we will be put shares for a net cash outflow of \$9.60.

In the event that share prices are above \$12 we earn \$2.40 on \$9.60 in collateral over 12 months for a 25% annualized IRR.

How can I obtain SRG shares for \$9.6 when the market price is \$12.75?



Margin of Safety:

Shares prices can decline 25% from the current price of \$12.7 and we still make money!

High Quality Partners Own Over 15% of Diluted Shares Outstanding



Warren Buffett

Shares Held (Personal Account): 2,000,000
Ownership: 3.6%
Estimated Price Paid: ~\$35
Quarter 1st Owned: Q4 2015
Via Berkshire Hathaway: \$1.6B Term Loan Facility



Guy Spier

Shares Held: 500,000
Ownership: 0.9%
Estimated Price Paid: ~\$38
Quarter 1st Owned: Q1 2016



Eddie Lampert

Chairman of the Board (Seritage)
Shares Held: 4,073,189
Ownership: 7.3%
Quarter 1st Owned: Since Inception – Q2 2015



Mohnish Pabrai

Shares Held: 3,456,010
Ownership: 6.2%
Estimated Price Paid: ~\$11
Quarter 1st Owned: Q2 2020

Our modestly sized fund now owns over half a percent of Seritage.

Q & A



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Disclaimer



Joint Ventures Provide Greater Increase in Value

Why do joint ventures make sense for Seritage?

- 1** Provides a meaningful source of capital for large-scale, multi-year projects
- 2** Allows for partnership with strategic development partners, synergistic value creation and quicker execution timelines
- 3** Reduces Seritage cash equity requirements through imputed pro-rata land value contributed to joint venture
- 4** Potentially generates increased returns on project through promotes and fees

Illustrative Large-scale Development Joint Venture

(dollar amounts in millions)

	Wholly-owned
Stabilized NOI	\$ 55.0
Land value	\$ 175.0
Development costs	755.0
Total costs	\$ 930.0
Return on cost	5.91%
Stabilized capitalization rate (1)	5.50%
Stabilized value	\$ 1,000
Value creation	\$ 70
% increase in value over cost	7.5%

Construction debt (60% of costs)	\$ 453.0
Cash equity funding required	\$ 302.0

	50/50 Joint Venture
SRG cost (land value + cash equity (2))	\$ 238.5
Return on cost	11.5%

Stabilized value (@ share)	\$ 500
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Value creation	\$ 35
% increase in value over cost	14.7%

1) Stabilized capitalization rates are illustrative and actual results may differ.

2) Cash equity is computed as 50% of total costs less construction debt, minus 50% of the land value.

