

# CEO CFO

**Excel Trust, Inc.**  
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**As a Safe, Income, Growth and Value Play all Rolled into One Company,  
Excel Trust, Inc. is one Shopping Center REIT Focusing on Big Box Centers  
that is Well Positioned for Future Growth**

# EXCEL TRUST

Financial  
REIT-Diversified  
(EXL-NYSE)



**Gary B. Sabin**  
Chairman and CEO

**BIO:**

Mr. Sabin is Chairman and CEO of Excel Trust, Inc., a real estate investment trust (REIT) focused on the acquisition, development and management of retail shopping centers. The company trades publicly on the New York Stock Exchange (EXL). His involvement in the real estate industry started with the founding of his real estate company in 1978. Since then, he has been actively involved in the acquisition, development, financing

and management of several billion dollars of real estate projects worldwide. Mr. Sabin also currently serves as Chairman of The Sabin Children's Foundation and Vice Chairman of the Cystic Fibrosis Foundation. Mr. Sabin received a Master's Degree in Management from Stanford University as a Sloan Fellow and a Bachelor of Science in Finance from Brigham Young University. He and his wife, Valerie, are parents to five children and five grandchildren.

**Company Profile:**

Excel Trust, Inc. is a retail focused real estate investment trust that targets value oriented community and power centers, grocery anchored neighborhood centers and freestanding retail properties. Excel Trust trades publicly on the NYSE under the symbol EXL. The current management team has over 30 years of experience in the real estate sector having overseen several billion in retail related acquisitions and developments.

**Interview conducted by:**  
**Lynn Fosse, Senior Editor**  
**CEOCFOMagazine.com**

**CEOCFO:** Mr. Sabin, you have a long history in the industry, would you tell us about Excel Trust today; what is special?

**Mr. Sabin:** Excel Trust is in the business of what I like to call, "boxes and pads". We have large anchor boxes like a Costco, Walmart, Target, Home Depot, Lowes and Kohl's. We have junior boxes such as Bed Bath and Beyond, Ross, Marshalls or a sports company of some kind, like a Dick's Sporting Goods. We also have pads,

like a McDonald's or a restaurant. And these are all connected with shops. About 70% are national anchors with long-term leases, triple net leases where the tenant pays a base rent, adjusted to some type of fixed escalator or percentage of the sales in many cases. The tenant also pays their pro-rata share of operating expenses such as property taxes, common area maintenance and insurance. So, it is a very stable portfolio where you have long-term leases, with national credit tenants and you have a hedge against inflation because the tenants pay for the operating expenses. We like the model a lot, especially in today's environment where the cost of capital is as attractive as we have ever seen it. We purchased these properties in what we call the "smile states". If you were to draw a smile on the country you'd find our properties. We have shopping centers in northern California, southern California, Scottsdale, Dallas, in the southeast, and Washington D.C. The migration demographically speaking, has been favorable in those markets. Also the properties we focus on offer value oriented goods and services, which do well in both up and down markets.

**CEOCFO:** Is there a particular mix among types of properties or are your choices opportunistic?

**Mr. Sabin:** There are several property types we like. We pursue large big box centers that might have several large retailers such as Costco, Target, Kohl's, Walmart, Lowes etc. There are a number of the big box category retailers and because they are so dominant, there is really nobody that is going to compete with that. For example, we just bought a property re-

cently in Stockton, California, where it is right along the interstate, and it has most of the big boxes that you have heard of. So it is just hard for anybody to compete because there is no place else for them to go. We also like neighborhood centers, which might have a grocer and a drug store in an infill location where people just do their everyday shopping and it will always be there. This is because it is just hard to find any inroads to put a competing center. Occasionally we will buy a single tenant property such as a Walgreens with a 25 year lease backed by their credit. There is not a whole lot of risk in that type of property but single tenants are a small percentage of what we will do. We prefer to cobble a bunch of tenants like that together and you have either a community center, a neighborhood center, or a power center. Most of what we do are the big box centers.

**CEO CFO:** Do you see branching out in terms of geography or is Excel Trust settled where you are?

**Mr. Sabin:** We are a national company with a national platform. We have been public five times in various iterations. We have had as many as 350 or so properties all throughout the country. We like to seek out retail pockets of strength. However, these properties may not necessarily be in coastal infill locations where everybody is going and over paying to be in major urban areas. It may be something like our property in Gilroy, California, which is south of San Jose, but our property is at the very best corner right along Interstate 101, where it has a Target and a Kohl's and all these other box tenants and it is 100% leased. In fact, the Gilroy property remained 99% leased through the recession. So it may be something like that. We find more stable, well-located, attractively priced properties by searching for pockets of strength than by trying to compete and beat our heads against the wall with everybody else who is trying to buy in downtown Chicago, Los Angeles or San Francisco. So as far as expanding geographically, it will continue to be in that "smile state" area, northern and southern Califor-

nia, southwest and west to southeast and the northeast.

**CEO CFO:** Do retailers want to be in an Excel property?

**Mr. Sabin:** We do have a lot of repeat business from tenants because we try to pay attention to the details and manage our properties well. We try to keep them very nice and state-of-the-art. We pride ourselves on trying to maintain our properties, as well as have a good dialogue with our tenants. If they are successful, we are successful and at the end of the day you can charge high rents, but if the tenants do not have high sales, they are going to leave eventually. Therefore, we try to create a very good environment by identifying the location if we happen to be developing a property that will succeed. If we buy something that is existing, then we try to update it to the extent we can to make it attractive and desirable from a shoppers experience standpoint. We

**"You have a safe play, you have an income play, you have a growth play and a value play. This team has been in place for many years and is capable of managing a company several times our size." - Gary B. Sabin**

have been in the business since 1978 and we have had continual repeat business with tenants, lenders and developers.

**CEO CFO:** Would you tell us about several business structures that Excel has manifested over the years?

**Mr. Sabin:** It is really one team. We started in 1978 as Excel and we are still Excel. We still have a lot of the same people. The head of our acquisition team, Mark Burton, has been with me for 28 years. It is hard to find a real estate company that has the same CEO, CFO, General Counsel, Chief Investment Officer, because these people come and go a lot, but they do not come and go from Excel very often. We have a culture here that really validates people. A company is only as good as its people and we have a good time together, respect one another and we try to improve together. We have been either public or private mainly as a result of economic cycles. Therefore, it has not

been a change of entity; it has been more a change of structure.

**CEO CFO:** Integrity is one of your basic business principles; how does that play out day to day?

**Mr. Sabin:** You have to sleep well at the end of the day, and I really believe that is not just lip service. I believe everybody should be treated with respect. "We believe our reputation is more important than returns." It is also the smartest way to do business as people want to do business with you over and over again. Sometimes we are not the highest bidder, but because they know when we say we will do it, we will do it, we get the business and all this stuff will fade away eventually, but your integrity will still be there.

**CEO CFO:** Are there a particular number of projects that you take on at anytime?

**Mr. Sabin:** We are constantly sifting and looking at projects. We have a tremendous amount of deal flow, which I think comes because of the 30-plus years of relationships, having been in the business this long. We have right now about 12 or 13 different projects that we are actively doing due diligence on; reviewing and trying to decide whether we are going to purchase them or not. We will always have several hundred million dollars that we are sifting through; looking at opportunities and dropping the less favorable ones.

**CEO CFO:** What is the financial picture like today at Excel Trust?

**Mr. Sabin:** We have a very strong balance sheet. We increased our equity this last year and we also increased our capacity from the standpoint of our credit facility; we have a \$200 million unsecured credit facility. We have ten banks in our facility and it was oversubscribed when we went out to extend it. We lowered the rate, expanded its size, and we had more people that wanted to participate than we could allow. Therefore, we have good liquidity and we have good access to capital markets, both debt and equity and we could also use our currency by way of partnership units to

exchange for properties. We have one very nice property we are working on using shares right now. So we have a good balance sheet and good access to capital. We also have wonderful institutional partners that are knocking down our doors saying, "Can we partner with you, do you need more capital". So capital is not a constraint for us now.

**CEO CFO:** Would you tell us about the Sabin Children's Foundation?

**Mr. Sabin:** When we went public first in 1993 as Excel Realty Trust, we put some money aside to create that foundation to do research for children's diseases, particularly Cystic Fibrosis at the time. We looked around for other opportunities that would help children, because at the time there was not enough promising research in Cystic Fibrosis, so we had excess funds. We have partnered with caring people throughout the world in the Philippines, Africa, India, South America, and really almost everywhere in the Middle East. We do a lot of surgeries for eyes, cleft palates, we do a lot of water projects and we've done leprosy screenings. We try to find projects that have fallen between the cracks that are not being helped by governments or NGOs or other charities and we try to make a difference. We can cure someone from being blind for \$11. We have volunteer doctors, but we provide the

supplies. We will build a clinic and let them use it for their paying customers, as long as they give us so many charitable surgeries, so it has been a very good model.

**CEO CFO:** In closing, why should potential investors pay attention to Excel Trust today?

**Mr. Sabin:** Most investors are looking for one of four types of opportunities. They are looking for safety, especially in this volatile market. They are looking for income, they are looking for growth, or they are looking for a value play. It is very rare to find all four of those in one company. We offer a very safe, at least from my perspective, opportunity because we have long-term leases with national tenants that mostly provide basic goods or services that do well in up and down markets, in a low leveraged company – currently around 40% leveraged. You also have a platform that is diversified by tenant and geography. In addition, you have an income play, because you have a dividend that has been increasing every quarter that has ample coverage from the cash flow of the company, making it a stable dividend. Our yield is just under 6%, which is quite attractive by way of comparison today, and part of the income is sheltered by depreciation. Part of it is return of capital because of the depreciation on real estate, so it is actually a little bit better yield

when you compare apples and apples with some other income instruments. Therefore, you have a safe play, you have an income play, you have a growth play and a value play. This team has been in place for many years and is capable of managing a company several times our size. When we went private the last time, we just kept the people and infrastructure in place and waited for the opportunity to grow again. Now as we continue to buy properties, any new revenue falls to the bottom line, yet our expenses will not go up dramatically at all. We do not need to hire more senior people, even if we were going to grow the company two or three times its current size. We would add some more accounting and property management people, but it is very scalable with a very good growth opportunity and when you have a small company, you can move the needle meaningfully with a little bit of effort. Then you have a value play. If you look at the net asset value of the company and you take all of the assets we have you can sell them and pay off all the debt. After doing that, by my calculations you should end up with \$14 to \$15 a share and we are trading at roughly \$12.00, so we have a discount there to the net asset value. So it is hard to find safety, income, growth, and value in one opportunity.

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The logo for Excel Trust features the word "EXCEL" in a large, bold, blue serif font. The letter "X" is stylized with a diagonal slash. Below "EXCEL", the word "TRUST" is written in a smaller, blue, all-caps serif font.



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