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SL Green Realty Corp. (SLG)

Q2 2021 Earnings Call

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Analyst, Piper Sandler & Co.

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MANAGEMENT DISCUSSION SECTION

Operator: Thank you, everybody, for joining us and welcome to SL Green Realty Corp's Second Quarter 2021 Earnings Results Conference Call. This conference call is being recorded.

At this time, the company would like to remind listeners that during the call management may make forward-looking statements. You should not rely on forward-looking statements, as predictions of future events as actual results and events may differ from any forward-looking statements that management may make today. All forward-looking statements made by management on this call are based on their assumptions and beliefs as of today. Additional information regarding the risks, uncertainties and other factors that could cause such differences appear in the risk factors and M&A section of the company's latest Form 10-K and other subsequent reports filed by the company with the Securities and Exchange Commission

Also, during today's conference call, the company may discuss non-GAAP financial measures as defined by Regulation G under the Securities Act. The GAAP financial measure most directly comparable to each non-GAAP financial measure discussed and the reconciliation of the differences between each non-GAAP financial measure and the comparable GAAP financial measure can be found on both the company's website at www.slgreen.com by selecting the press release regarding the company's second quarter 2021 earnings and in our supplemental information filed with our current report on Form 8-K relating to our second quarter 2021 earnings.

Before turning the call over to Marc Holliday, Chairman and Chief Executive Officer of SL Green Realty Corp., I ask that those of you participating in the Q&A portion of the call to please limit yourself to two questions per person. Thank you.

I will now turn the call over to Marc Holliday. Please go ahead, Marc.

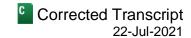
Marc Holliday

Chairman & Chief Executive Officer, SL Green Realty Corp.

Thank you, and good afternoon, everyone. We appreciate you joining the call today and giving us an opportunity to review the second quarter earnings with you. I have some items that I'll open up with and obviously will then turn it over for some questions and answers to whatever is on everyone's mind today. But starting with the quarter, we accomplished quite a bit in these three months. Since our last call with you, we successfully completed several asset sales, a significant joint venture that we closed this morning, an important fee acquisition, over half a million square feet of office leasing, over 2 million shares of stock buybacks, and maybe most notably a record-setting \$3 billion SASB financing of One Vanderbilt. Our first-half accomplishments have exceeded much of our earlier goals and objectives and we are now very well situated to benefit from what we believe will be an even better Market environment in the second half of this year. At the beginning of and throughout the year, I shared my optimism with you for a sharply rebounding New York, and when I survey where we are mid-year, I think that optimism was well founded. With a year-to-date total return exceeding 30% through yesterday's close, our stock has performed very well as the Market is resetting its views of the New York economy after COVID-related restrictions were lifted on May 19th.

Average physical occupancy in SLG's portfolio is approaching 25% as tenants are reopening their doors and more and more workers return to the office. Business leaders are now more than ever voicing their strong support, preference, and adherence to continued work-from-home model – I'm sorry, continued work-from-office model – I see a lot of raised eyebrows here – continued work-from-office model in a collaborative, communicative,

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and physically present matter. The majority of our tenants are planning for their workers to return after Labor Day. And more importantly, we do not see any material trends in hot desking or shrinking footprints. To the contrary, we see a trend of businesses availing themselves of this moment in time in the Market to lock-in space and make investments and improve work environments, technology, and amenities as a way of competing for talent and making a compelling case to their employees for work-from-office.

The space plans we are reviewing today that are submitted by tenants as they begin their build-outs have decidedly more common space, amenities, food and beverage offerings, collaborative meeting spaces, specialty areas, de-densified workstations, breakout rooms for privacy, and generally more thoughtful and efficient and healthy use of space. Within our portfolio, this has led to almost one million square feet of new and renewal office leasing at rents that are generally flat with expiring escalated rents and TI packages that are marginally higher than pre-COVID levels. We are currently tracking about 0.5 percentage point higher in occupancy than originally projected at the beginning of the year. And with over 600,000 square feet of additional leasing and pipeline we hope to maintain outperformance through year-end.

Foot traffic at our properties has increased considerably in response to a strong underlying New York City business economy, calls for return to office, and a slow but steady jobs recovery. There are about 6,000 to 7,000 new office jobs being created monthly, which trends is expected to continue and result in re-attaining pre-COVID office employment levels by mid-2022. Interestingly, the job creators to-date are being led by information and technology and professional business services, while the greatest amount of leasing demand seems to be coming from the finance sector. Wall Street profits, which ended 2020 with a near record \$51 billion in profits has already posted \$18 billion in profits in just the first quarter. And the big five banks reported a 150% increase in second quarter earnings year-over-year, and last year was a good year for the banks. There is now essentially a war for talent among large companies and high growth businesses, a competition that New York City will win given its diverse, educated, and highly skilled workforce and deep talent pool. It should come as no surprise that New York City personal and corporate income tax collections are at all-time record levels of \$15 billion and \$5 billion respectively. It is in this economic backdrop with record low interest rates and substantial investment capital for deployment that we believe New York City is situated to outperform other major Markets on a near- and long-term basis.

Looking forward into the coming quarter, we've got many milestones and achievements that we are busy to – you know, to be able to report positive movement on the next time we speak such as making ready for workers returning to the office after Labor Day, completion of Demo and all the column reinforcement for the commencement of vertical construction next month at One Madison. The commencement of marketing all of the residential units at 185 Broadway will begin next week. The commencement of full demolition of 760 Madison Avenue, now that we just received our DOB permit to make way for the new Giorgio Armani retail boutique and condominiums. We have planned additional asset sales that we expect to achieve in the third and fourth quarters of the year with much of the proceeds going towards additional stock buybacks, consistent with the original plan and certainly and maybe most excitedly, the grand opening of Summit One Vanderbilt on October 21st. It's something that we've been working on for three years and we fully expect and hope it will become one of the topperforming and most visited experiential attractions in New York City once it opens. And that now is well within our sights, and looking forward to the opening of Summit.

So with that, I would say the third quarter financial results were all in line – second quarter financial results were all in line with our expectations. And we're happy to open it up now to take questions on any of the specifics.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from the line of Caitlin Burrows from Goldman Sachs. Your line is now open.

Caitlin Burrows

Analyst, Goldman Sachs & Co. LLC

Oh, hi, good afternoon. You commented on the first quarter call that lease concessions had stabilized and it appears from the signed leasing data you provided that this was indeed the case in the second quarter. So, just wondering if you could go through what you're seeing on the concession side. Have they stabilized and are they perhaps even improving yet?

Steven M. Durels

Executive Vice President, Director-Leasing & Real Property, SL Green Realty Corp.

Yeah. I don't – I certainly don't think they've improved, but they've stabilized – we saw stabilization starting in the fourth quarter of last year and that's carried forward through today. And it's – you know, it's very important that when you look at the numbers quarter-over-quarter and you really need to dig into it and understand the complexion of the deals that are signed in any one particular quarter, whether heavily weighted towards raw space or space that's been retrofitted renewal deals versus new deals.

But on balance what we've seen is, TIs for raw space long-term deals are generally in that 110 to 130 range – that's been consistent for the past six to nine months – and free rents anywhere from 12 to 14 months typically for new deals inclusive of construction time. And then obviously depending on whether it's a renewal deal or shorter term duration, then those concessions can be dramatically less than raw space.

Marc Holliday

Chairman & Chief Executive Officer, SL Green Realty Corp.

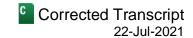
Yeah. I would – Caitlin, I just want to add to that. I see a lot of commentary about TIs and what the brokers are saying about TIs. I would caution in a couple ways. One, brokers talking up the book for their client tenants saying TIs are going up and up is – I think you have to be – you have to be very discerning when you look at that data versus what we disclose on a quarterly basis. Matt can take you through the actual TIs disclosures for the quarter, but on a half – an over half a million square feet of leasing, our TIs were I think relatively efficient and as I said in my commentary at – at or marginally above pre-COVID levels for both new and renewal deals. And we don't buy up rents. So, you have to – TIs have to be talked about in connection with the rents. Our rents, which I also said in the commentary, are marginally flat with previous escalated rents. Those rents could be higher if we bought the rents up with more TI. And that is – that's a strategy that some of our competition will do. It's not good or bad. It's just – it's not what we do. We meet the market on rents and we try and keep the TIs as efficient as possible. And you have to look at the two in tandem. So, for the commentary out there to be on these vastly escalating TIs, I think you have to compare it to what we actually have done for the quarter in the year. Matt, can you sort of review again with what those numbers are?

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

Yeah. So, we reported last night that for the second quarter – this all excluding the One Vanderbilt leasing, since the numbers are dramatically different at One Vanderbilt. On the rest of the portfolio, TIs were \$17 a foot and that

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compared to a significantly higher number last quarter. But to Steve's point on – you know, never look at quarter-to-quarter because it depends on the buildings and the spaces and also the blend between new and renewal, we had a significant portion of our leasing this quarter, renewal leasing, and the TI there was almost zero. On one lease it was zero, a 100,000 foot lease. On the new leases, it's \$59 a foot. So, it's a blend every quarter. For the year our TIs on the comparable spaces is \$40 a foot and that is pretty close to the historical average, maybe marginally higher, and all dependent on the blend between new and renewal and what buildings we're leasing in.

Caitlin Burrows

Analyst, Goldman Sachs & Co. LLC

Got it. Okay. Thanks for that. And then, maybe just a question on One Vanderbilt. You guys have clearly made a lot of progress there on leasing up. So just wondering if you could give some comments on the rents there and how the rents and concessions are trending relative to your underwriting and versus recent quarters?

Marc Holliday

Chairman & Chief Executive Officer, SL Green Realty Corp.

Well, it's – the trending is it's – basically, we're almost stabilized. We're at about 90% leased. We have a couple leases in pipeline that we hope to get done the next one to three or – one to three weeks or so, bring us over 90%. And at that point, obviously we're going to work hard to get to full occupancy. But we'll be very selective about how we finish off essentially the top of the building, those two or three or four floors at the top which are higher rent floors and very special floors. And we're so far ahead in terms of velocity, whether – that may be a 2022 event, we'll see, I mean hopefully sooner, but certainly we haven't planned for sooner. And the NOI and the rental levels are right on top of underwriting, maybe – certainly slightly ahead on velocity, probably right on top on economics. We've gone through every December what those underlying assumptions are, what those NOI goalposts are. We're trending towards the high end of those goalposts with an expected NOI stabilization I think of close to \$250 million I think is the – or is that \$220?

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

Yeah. Between \$200 million, \$250 million. Yeah.

Marc Holliday

Chairman & Chief Executive Officer, SL Green Realty Corp.

Between \$200 million and \$250 million just depending on which year you pick, but that's in the next two years or so. So, the valuation of that stream of flow supported a \$5 billion plus appraisal and a \$3 billion financing execution and we're – it closes out the chapter pretty much on what was just a – you know, a transformational project for the company.

Caitlin Burrows

Analyst, Goldman Sachs & Co. LLC

Got it. Thank you.

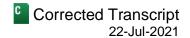
Operator: Thank you. Our next question comes from the line of Alex Goldfarb from Piper Sandler. Your line is now open.

Alexander Goldfarb

Analyst, Piper Sandler & Co.



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Thank you. Hey, good afternoon. So two questions. Steve, maybe I'll start with you. With everything that's gone on – you know we're reading articles about Delta variant and companies like Apple delaying return to office. You guys obviously are pretty active on the leasing front, but the gap of the leased rate versus occupancy has widened. In your view, in totality, when do you think the market will have - will stop the negative absorption? Do you think that's at the end of this year, do you think that's 2022, or do you think it's going to take longer than that?

Steven M. Durels

Executive Vice President, Director-Leasing & Real Property, SL Green Realty Corp.

Boy! I mean that's so speculative, Alex, that I don't think I'm going to venture a guess. It's still like exactly when return. I will say this, I think the trend line – I think the general consensus for our position and supported by the brokerage community is that – the first quarter of this year the market hit its bottom and the trend line is that with increasing velocity and a strong economy and in expectation of tenants and employees reoccupying the spaces after Labor Day that you know it's sort of all green lights at this point as far as the market repairing itself. How long that process takes, I'm not - that's a crystal ball I don't have. But from our position, as we sit with a portfolio that's well leased and well positioned in the marketplace, I think that we'll outperform the market in total, and certainly our experience at One Vanderbilt and what we're seeing in the rest of portfolio will support that expectation.

Alexander Goldfarb

Analyst, Piper Sandler & Co.



Okay. And then on the asset sale front, can you guys just give an update on the Kenneth Cole site? I think you guys had potentially looked at that maybe for a life science conversion, whether you guys do that or sell it. We had heard from just your conversations that perhaps the site would be a - could be conceived as a last mile warehouse site. So, can you give just sort of your sense on that, because it seems like that could be a potential source of some meaningful dollars?

Steven M. Durels

Executive Vice President, Director-Leasing & Real Property, SL Green Realty Corp.



Well, it is in a life sciences corridor for the city and we are in the process of applying for a ULURP on the site which would be a significant increase to the potential square footage of that asset. And at the same time, we had a sale process that was ongoing and continues and we're evaluating offers for the asset through that sale process. So, it's a small asset for us, but one that is getting a lot of focus, just because it's in an area of the city that is very hot right now. And we're working on a couple of different options to try to maximize value there.

Alexander Goldfarb

Analyst, Piper Sandler & Co.



[indiscernible] (19:22) you think that's a second half resolution or that spills into next year?

Steven M. Durels



Executive Vice President, Director-Leasing & Real Property, SL Green Realty Corp.

Well, the ULURP would be an 18-month process. So, I'm not sure if it'll be a resolution in the second half, a sale or joint venture or if we decide to hold it and take it down the ULURP path and be a longer term redevelopment asset.

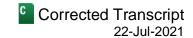
Alexander Goldfarb

Analyst, Piper Sandler & Co.



Okay. Thank you.

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Operator: Thank you. Our next question comes from the line of Michael Lewis from Truist Securities. Your line is now open.

Michael Lewis

Analyst, Truist Securities, Inc.

Thank you. My first question, just following up on something that Alex asked about. As I talked to investors today I heard a lot about Apple pushing back their return to office and a lot about the Delta variant. Maybe help us set the goalposts. I heard this concern that post Labor Day maybe it becomes a bus that everybody starts pushing back. I mean, maybe help us - what's the expectation for physical occupancy post Labor Day where you would say things are trending in the right direction versus what that number might be that could cause some concern. Kind of an expectation post Labor Day what the office physical occupancy would look like.

Marc Holliday

Chairman & Chief Executive Officer, SL Green Realty Corp.



Look, I don't think we are in a position – and I think that's what Steve said to Alex as well. We survey our tenants. We've also seen larger surveys – like there was a Goldman Research survey that surveyed a much broader swath of tenants. And I think we can only speak to what the current expectations are. But I don't know that we can modify those expectations [indiscernible] (21:09) what a Delta variant may or may not portend in the fall. There is - the consensus in the reports which is echoed by our tenant base is very decisive, whereas 80% of workers expect to be essentially back to a full work week by no later than early 2022 starting in earnest after Labor Day. And that's kind of what we've been saying for six months now. You know, the work week was never five days a week. The work week was kind of, you know four, four-and-a-quarter days a week, four-and-a-half maybe. And that may shrink to a in-office work week to like 4-0 or 4-1. There's no narrative within our portfolio where we speak to people going to you know five, four, three days a week at home. It really - and this is what we said in the last call – is more in the nature of, might there be floating work-from-home days and flexibility built into a schedule. But it doesn't reduce desks and it doesn't, more importantly, reduce the recognition by the business leaders you see, notwithstanding Apple may want to push back their return by a month. But if they push it back by a month, they push it back by a month.

The commentary you are hearing from us is commentary you should think about over a period of years to come, not September versus October, because that really has no bearing on our performance or portfolio. If - you know we'll be prepared for return for workers more robust than we have today come right after Labor Day because that's what our tenants are telling us. Whether the Delta variant is going to cause that to be delayed by a month or so, I don't know; but even if we did know, it really wouldn't change anything we're doing here in our business and I don't think it would change anything that tenants are doing for their 5 and 10-year long-term planning because that really is evidenced by the ink on leases, which was a 1 million square foot of leases done in the first half, 600,000 pending. Everybody is fully familiar with the Delta variant. I mean, not just - I don't think it's a secret. Everyone knows it's out there and we're going to take precautions against it. The incidence of COVID in our portfolio as workers have returned is almost I think none to negligible.

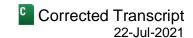
So, I continue to maintain the safest place to be is in healthy offices which have policies and protocols in place. And where the spread may be taking place is not within the SL Green portfolio that I can tell you. And I don't think it's going to cause people not to return to offices. New York City is about 60% vaccinated. Hopefully that number goes up. I think the office population is more highly vaccinated. If you take our office as a barometer of that, it's much higher than 60%. It's higher than 80%. So, we're just not in a position to comment on Delta variant. But if we are in a position to say that everything we see in here leads us to believe that businesses are awaiting the opportunity to get everybody in and that the plans are to commence in September.

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Steven M. Durels Executive Vice President, Director-Leasing & Real Property, SL Green Realty Corp.	A
Michael, I would just add, we're signing leases – many leases with companies that are not back in the office ye	
Michael Lewis Analyst, Truist Securities, Inc.	Q
So, are the people you're talking to saying those people are signing leases and	d never coming back to the office?
Marc Holliday Chairman & Chief Executive Officer, SL Green Realty Corp.	A
No. I don't think that's the case.	
Michael Lewis Analyst, Truist Securities, Inc.	Q
Okay. So we're looking at lease velocity?	
Marc Holliday Chairman & Chief Executive Officer, SL Green Realty Corp.	A
Yeah. So, look, if they are $-$ the tenants $-$ I think business leaders have spoke Fortune 500 companies are going five days a week work-from-home. And for tempetitively suffer. But that's my opinion.	
Michael Lewis Analyst, Truist Securities, Inc.	Q
That all makes sense and actually answers a couple of my questions. Maybe I	'll [ph] ask (25:33)
Marc Holliday Chairman & Chief Executive Officer, SL Green Realty Corp.	A
Okay.	
Michael Lewis Analyst, Truist Securities, Inc.	Q
I think we're about one year out from the reset underground lease on 625 Ma about this from time to time. I don't know if there is any update or indication of but also maybe the timing of when we'll know what that will be.	
Matthew J. DiLiberto Chief Financial Officer, SL Green Realty Corp.	A
No. No update in status there. The rent reset is the middle of next year and the there's no update in status there.	e rent will be known before then, but
Marc Holliday	А

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I would say we are actively engaged in – with our team on the process surrounding the rent reevaluation, so the process is under way. The team is hard at work on it and it is about a one-year process. That's just the way it works.

Michael Lewis

Analyst, Truist Securities, Inc.

Thank you.

Operator: Thank you. Our next question comes from the line of Blaine Heck from Wells Fargo. Your line is now open.

Blaine Heck

Analyst, Wells Fargo Securities LLC

Great, thanks. Good afternoon. Probably from Marc or Steve, wanted to follow up on some of the nuances in the return to office if possible. Are you guys seeing any major difference in the pace of the increase in utilization or physical occupancy between newer, higher quality buildings that had better overall office environments versus more commodity buildings that maybe weren't really updated much during the pandemic and may have less of an energetic feel for lack of a better way of phrasing it?

Steven M. Durels

Executive Vice President, Director-Leasing & Real Property, SL Green Realty Corp.

Yeah. I mean, there's no doubt that tenants and their employees are gravitating towards better quality buildings with better, healthier work environments which is why you've seen in our portfolio, certainly at One Vanderbilt where we're starting to see the tenants onboard as they finish their construction. But throughout the rest of the portfolio where we put so much effort into upgrading air filtration with MERV-14, MERV-15, MERV-16 level of filtration such that it produces the healthiest work environment possible and enhanced cleaning and other protocols that we've implemented. But as it's – as the months have gone by, essentially we've seen almost a 1% increase in physical occupancy as each week goes by. Last week we were at 22% occupied throughout the portfolio and through – two, three months ago we were as low as 11%. So it's – there's a wave of tenants that are coming back, and their employees are coming back. But clearly they favor the healthy – the healthier buildings and their employees want to see it and feel it.

Blaine Heck

Analyst, Wells Fargo Securities LLC

Great. That's helpful, Steve. And maybe one more quick one for you. I know it's still somewhat early in your process, but can you give us any color on the interest from prospective tenants at One Madison?

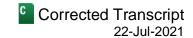
[indiscernible] (28:52)

Marc Holliday

Chairman & Chief Executive Officer, SL Green Realty Corp.

I would say that for where we stand in the deal – in the development which is three-plus years ahead of completion, relative to that same point in time on One Vanderbilt the interest level – the early interest level is far higher. Large tenants are the ones that are moving fairly decisively within just a small selective band I think of competitive properties that can meet their needs for end of 2023/beginning of 2024 move-in. Obviously we have 1.4 million square feet to offer, but the beauty of One Madison is we've got sort of building within a building. We've

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got 93,000 square foot podium floors that are relatively more affordably priced. And then we've got state-of-the-art, even more efficient tower floors at 35,000 feet that appeal towards a different segment of the market. So, we're seeing activity on both right now. We're seeing activity I would say in a volume ahead of what we would have expected from large tenants over three years out from completion. I would say that some of the interest is not – is fairly serious interest in terms of people taking hard looks and even some paper being passed back and forth. So with that said, we have no anticipation of signing a lease in 2021. That was not in our guidance. We really, I think on the numbers we had put out there in December had talked about mid second half of 2022. So I would say that where we sit today, I still feel very good about that guidance. We'll obviously try and exceed it. And based – most importantly, based on the early feedback, I think we have the right product; it's the right product in the right area with the right amenity mix that I believe strongly is going to be leased and is going to be leased consistent with our projections. So, the early feedback is good. And I'd say we are marginally ahead of where we expect to be, but I wouldn't think that's going to translate into anything announcable in 2021, nor did we expect it to.

Blaine Heck

Analyst, Wells Fargo Securities LLC

Great. Thanks, Marc.

Operator: Thank you. Our next question comes from the line of Manny Korchman from Citi. Your line is now open.

Emmanuel Korchman

Analyst, Citigroup Global Markets, Inc.

Hey. Good afternoon, everyone. I don't know if – this one's for maybe Marc, but on the sale of 220 East 40nd, did anything change in the market that made you want to JV that rather than sell it outright as you planned to a few months ago?

Marc Holliday

Chairman & Chief Executive Officer, SL Green Realty Corp.

You know Andrew, why don't you – I mean you know that was entirely – I was resolved to own it long-term. So, Andrew, why don't you – sort of – you know the evolution of how we got to where we got to, which was again an above average – above-expected execution.

Andrew W. Mathias

President & Director, SL Green Realty Corp.

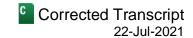
I think the – we were able to achieve a price that was equivalent to the pre-COVID price if you adjust for the deposit that we retained on the sale. And we're pretty optimistic about the prospects for the building, because it has a great base of very long term lease space and some low rent rolling space that – you know I would say our view for that – the prospects for that space has gotten more positive over the last couple years. So, you know whereas it was a price we were willing to sell, we're quite happy to hold 50% of the building. We got great financing done last April/May on the asset and we just decided there was upside in the rent roll that we wanted to continue mining.

Marc Holliday

Chairman & Chief Executive Officer, SL Green Realty Corp.

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I think it's another great data point about the global appetite for well-positioned midtown real estate. It's a sizeable deal. I think it's reflective of this disconnect between private market that really is looking for yield, you know looking for high credit yield which obviously the news building affords. It's, as Andrew said, very well-financed. And in this market there seems to be no shortage of capital that wants to deploy into deals like that. So, good data point for the market, good data point for our portfolio. And I wouldn't take it in isolation. I would combine that with the success we achieved at 1,200 a foot on 635-641 Sixth and the deal we did at the end of last year at 410, 10th which was nearly \$1 billion for a newly completed asset and a plethora of other deals that we've started and finished in a post-COVID world.

Emmanuel Korchman

Analyst, Citigroup Global Markets, Inc.

Thanks for that additional color, Marc. Just to dig into your point on capital out there for a second, do you think that there is as big an appetite for taking out, whether it'd be a larger single asset or a larger portfolio of assets or do you really think that the capital sources today are focused on sort of more [indiscernible] (35:12) single asset deals that don't take the larger commitment of capital?

Marc Holliday

Chairman & Chief Executive Officer, SL Green Realty Corp.

Well, just to put some meat on the bones, larger, smaller, it's – I think the largest investments for single assets, maybe small portfolios is in that check range of \$500 million, I think is a sweet spot for large deals. I think if it approaches \$1 billion, you start to thin out very rapidly as to who can write that check. And it's not commentary, I don't think on the attractiveness of the opportunity or maybe even the desire, it's just that \$1 billion-plus checks are rarer to come by and anything between \$500 million and \$1 billion will normally take care of even the largest of New York City assets on an outright purchase or JV. And to aggregate up buildings to make a portfolio deal – you can do it. And for people who can write that check, I think it's enormous opportunity. There's just less people and less groups that can handle it at those levels.

Emmanuel Korchman

Analyst, Citigroup Global Markets, Inc.

Thanks for that.

Operator: Thank you. Our next question comes from the line of Frank Lee from BMO. Your line is now open.

Frank Lee

Analyst, BMO Capital Markets Corp.

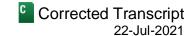
Hi. Good afternoon, everyone. First question is for Steve. Can you provide any additional color on the 600,000 square feet leasing pipeline? What's the breakdown between new versus renewal? What type of tenants are in pipeline and if you're able to provide the average lease term?

Steven M. Durels

Executive Vice President, Director-Leasing & Real Property, SL Green Realty Corp.

So, we have 355,000 square feet of leases in execution or in negotiation and another 264,000 square feet of term sheets which we think of a high degree of probability of conversion over to a lease. And of the leases that are out, there's roughly 300,000 square feet of new tenants and about 30,000 square feet of -35,000 square feet of renewal tenants. And then on the term sheets, it's roughly 200,000 square feet of new and 68,000 square feet of renewal tenants. And then as far as the complexion of the tenants with the leases that are there out or out for

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signature, 39% of the square footage is our legal tenants – legal law firms, 29% are financial service tenants and 17% are tech tenants, which by and large mirrors what we've seen in leasing velocity year-to-date. Little flip-flop on the legal versus financial services, whereas financial services has clearly led the market to-date. But in our pipeline we've got one larger law firm yield that skews that data a little bit.

But I – just to broaden the answer a little bit, I'd say where we're seeing most activity in the marketplace is financial services throughout the portfolio. We have a disproportionate number of leases – maybe not total square footage, but disproportionate number of leases that are out with financial service tenants.

Frank Lee

Analyst, BMO Capital Markets Corp.

Okay. Thanks. So it sounds like the majority of the leasing pipeline is coming from new leases. Do you have a sense of what's driving this? Is – are these tenants looking to upgrade space or just simply looking to relocate?

Steven M. Durels

Executive Vice President, Director-Leasing & Real Property, SL Green Realty Corp.

Yeah. I think you've seen – across the market you've seen a pivot by tenants that have sort of moved away from the short-term renewals – and I've said that there aren't short-term renewals. But was a lot more activity with tenants that are making long-term newbies commitments as they get back to business as usual, looking to create new work environments, restack, change the densification of how they operate their companies. And tenants are going more on the offensive where they're not just hibernating in place, scared of the world, but now that they're getting past COVID, they're getting back to business as usual. And that philosophy is picking up and that's why we're seeing more relocations.

Frank Lee

Analyst, BMO Capital Markets Corp.

Okay, great. Thank you.

Operator: Thank you. Our next question comes from the line of Steve Sakwa from Evercore ISI. Your line is now open.

Steve Sakwa

Analyst, Evercore ISI

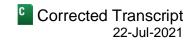
Thanks. Marc, I was just wondering if you could comment. I know leasing spreads bounce around quarter-to-quarter and same store NOI is choppy and can add some unusual comparisons. But your leasing spreads year-to-date are only down maybe 1% or 2%. I know your expectation was down 5% to 10% at the Investor Day. And same store NOI growth is a little weaker than you had projected too. Do you just have any comments about the back half on either of those trends and anything that may be playing out as expected or better than you thought?

Marc Holliday

Chairman & Chief Executive Officer, SL Green Realty Corp.

Well, I mean, again we don't look at everything over the course of a year. I mean, we budget based on the course of a year, we do a reforecast, which we just finished up based on the balance of the year and on that basis, we feel like most of our goals and objectives we are either on track or we hope to exceed. I mean, there's 18 of them. So I'm just – in general there may – there are obviously going to be ones that we stretch, we may or may not hit or we miss by little, but I'd say by and large we're on track or ahead. I wouldn't – whether we're a couple of points

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above or below in July, we have our numbers run out through the end of the year. I think mark-to-market we are pretty much on track with that or maybe slightly ahead of our projections. As with velocity, Matt can address the same store.

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

A

Yeah, same store, like the other metrics, we are on – on a full year basis on our expectations, maybe slightly ahead. You got to remember, the first half of this year is comping to mostly a pre-COVID comp in the first six months of last year, whereas the last six months will comp to post-COVID last six months of last year. So the comps will be better and that will trend us what looks to be off from our expectations in the first half or year that will put us back on our expectations for the back half of the year.

Marc Holliday

Chairman & Chief Executive Officer, SL Green Realty Corp.



The other thing I would say and I alluded to earlier, you can't really just look at the rent because you got to take that capital into play. I think we are probably ahead on net effective relative to budget because our capital in Q2 was down. So – yeah, we sit here talking about, well, is TI up 30%, 20%, 10%. Our TIs were down in the second quarter. Now, they may be up again the third and fourth. And we feel like for the full year, we are on or ahead of schedule relative to what our TI capital budget was, meaning within our TI capital budget. Little hard to do quarter-to-quarter. But we certainly are not experiencing the trauma on concessions that I read about in all the tenant broker reports. And I just think you have to take [ph] it with a (42:49) little bit of a grain of salt.

Steve Sakwa

Analyst, Evercore ISI



Okay, thanks. Second question, you alluded to bringing more assets to market second half of the year. Can you just maybe help frame out sort of the potential size or bucket of asset sales? And then the corollary to that is obviously share buybacks. I think we're much stronger in Q2 than certainly we saw it – and we thought it'd be a little more back end loaded. But how do we think about asset sales back half of the year and share buybacks back half of the year?

Marc Holliday

Chairman & Chief Executive Officer, SL Green Realty Corp.



Well, I mean I would say we're reviewing our business plan based on the success that we've had with the assets we've rolled out to-date and the fact that the appetite out there is voracious for New York City assets on a relatively quick closing basis. So it's – we're reexamining the art of the possible for the second half and we definitely will be back active in the capital markets. Just can't dimension exactly how large at this time. Share buybacks, Matt can speak to, but...

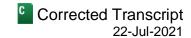
Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.



Yeah. Consistent with what you've seen us do in the first half of the year, the bias is to use proceeds from asset sales for share repurchases. We only do share buybacks with the proceeds from asset sales. But we have taken the opportunity to pay down debt to keep the leverage levels in line with some of the asset sales too. So, to Andrew's point on dimensioning it depending on what the dimension is and what that does to the balance sheet, again, our bias is to buy back stock with the proceeds unless we need to pay down debt to manage that leverage level.

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Steve Sakwa

Analyst, Evercore ISI

That's it. Thanks.

Operator: Thank you. Our next question comes from the line of Jamie Feldman from Bank of America. Your line is now open.

James Feldman

Analyst, Bank of America Merrill Lynch

Thank you. Steve, I was hoping to get a little bit more granular on the leasing pipeline or at least kind of the segments of demand. I mean, I think everything we've seen is that the most active tenants in the market – and certainly you guys have had success at One Vanderbilt – have been that kind of higher end boutique type [ph] finance services (45:01) law firm. As people are thinking about getting back to the office, how should we think about that next group kind of maybe larger tenants but not quite as high end. What are they looking for? Is it still a focus around Grand Central? Do you think that they're going to look at other parts of the market? I'm just curious what – like kind of that – what stage two is going to look like in terms of New York leasing picking up after the pandemic?

Steven M. Durels

Executive Vice President, Director-Leasing & Real Property, SL Green Realty Corp.

Well, maybe a couple other sound bites that round off the, call it commentary on leasing other than the very specific percentages I gave on the last answer. I think we're seeing certainly more focus on transit-centric-located buildings. Certainly more focus on the buildings that are amenitized and a focus on buildings that have a healthier workplace environment. The good news in all of that is by comparison to the first half of the year, we're starting to see more tours, proposals and leases in negotiation on the kind of smaller tenants in the market.

What we saw in the first half of the year were a lot of activity on the premier buildings, the Class A products, but now we're starting to see life for the smaller guys in the more commodity buildings. So in our portfolio, if you use Graybar as a good example of that, we've got a lot more leasing activity in that building than we have in the first half of the year, which I think – one that's – in prior market disruptions, it was always the small guys that stayed busy, the big guys put out of the market. This is the first time in my career where I remember that the big guys were the ones driving the market and the small guys were on the sidelines. But I think as we're getting past COVID, those smaller commodity guys are now starting to awaken to come back into the market. And we're certainly seeing it in our Grand Central portfolio in some of the more commodity type of product like a Graybar or 711 Third Avenue.

James Feldman

Analyst, Bank of America Merrill Lynch

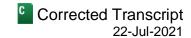
Okay. Thank you. And then – I mean now that we know who won the primary premier, any thoughts on what Eric Adams would mean for New York real estate, some of the concerns around crime, maybe cost – operating cost for landlords? Any early read?

Marc Holliday

Chairman & Chief Executive Officer, SL Green Realty Corp.

Well, there's still a general election to go in November. So, Eric looks very well-positioned to become next mayor. But I think when you speak to him, he still has work to do before that's mission-accomplished. And I think that in a

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more broad context, looking at increased voter turnout – there was like an extra 150,000 voters than usual in a city that doesn't have high voter turnout to begin with – I think demonstrated the positive results of activism within the resident and business community to get people to get out the vote to make sure that all voices were heard and not just a segment of the voices heard. And the top two leading candidates were both considered moderate candidates, candidates who believed in safety and affordable housing, but – and working with businesses to create an environment that is – that will be favorable for the next four years. And I think that was a major and positive step forward.

And I think Eric's going to do a great job if he – if and when he becomes mayor. And I think he – we've seen him in the past work through difficult land use issues and other issues in his borough in Brooklyn. And we have respect for what he brings to the table in a total package of being able to work with the policing and security community, the business community, the minority community, the homeless and people who are in the – need the affordable rent segment of the market. And we're looking forward to continuing to have good relations with City Hall and do our part more than anything else. We want to do our part to help improve transportation infrastructure, the built environment, contribute towards affordable housing like we did with Sky and 185 Broadway. And we'll do everything possible to support him and his administration just like we have with Mayor de Blasio and his administration.

James Feldman Analyst, Bank of America Merrill Lynch	C
Okay. Thank you.	
Operator : Thank you. Our next question comes from the line of Craig Mailman from KeyBanc Capital Mark Your line is now open.	ets.
Craig Mailman Analyst, KeyBanc Capital Markets, Inc.	C
Hey, everyone. I know lease terms have been kind of elongating from the contraction you saw earlier in the pandemic, but are any tenants looking for more flexibility in terms of early-outs in some of the longer leases they're taking? Is that something that's taking hold, or not a conversation?	

Steven M. Durels

Executive Vice President, Director-Leasing & Real Property, SL Green Realty Corp.

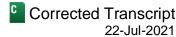
Well, whenever you've got a market where the tenants feel that they've got more leverage than they had previously, then one of the things they go for as part of their overall negotiations is greater flexibility. I don't think that's driven by COVID – post-COVID, state of the economy, a different perspective on the real estate market. It's just that tenants come to the table asking for a lot of different components on their transactions. So yeah, we're seeing requests for more flexibility whether it's to shed space midterm or cancel early. But having said that the number of times that we actually acquiesce to and give that kind of flexibility is still very rare. It's not a foregone conclusion that just because you ask for it, you're going to get it.

Craig Mailman

Analyst, KeyBanc Capital Markets, Inc.

Okay, that's helpful. Then just on the One Vandy financing, you know after you guys repaid the \$1.750 billion that you had out, can you just talk about the excess proceeds, how much of that needs to be kind of retained within the JV for anything laid out in the CMBS stocks versus – and how much if any is kind of being returned to partners as excess proceeds or return of capital?

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Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

Sure. It's Matt. So, you know the – at closing we had about a \$1.550 billion out on the construction financing. We repaid that. And then after reserves, first costs and then predominately reserves for executed leasing TIs, [ph] free rent (52:34) that type of thing, \$650 million was repaid back to SL Green which then went to all pay down debt.

Craig Mailman

Analyst, KeyBanc Capital Markets, Inc.

Okay, great. Thank you.

Operator: Thank you. Our next question comes from the line of Anthony Paolone from JPMorgan. Your line is now open.

Anthony Paolone

Analyst, JPMorgan Securities LLC

Great. Thanks. So I guess for maybe Marc or Andrew, with the valuation you got on OVA, where do you think that puts land values and what does that do for your appetite to pursue other potential large scale projects or even carry-downs for that matter?

Andrew W. Mathias

President & Director, SL Green Realty Corp.

Well, there are some other sites trading around Grand Central or in the market at least. And I would say that's indicating strong land values in the Grand Central area. Just specific to Grand Central, we're seeing – I think the biggest impact to us is really One Madison where we're very confident with the decision we made with that asset and think we have a chance to replicate or exceed the success we've had on One Vanderbilt with One Madison. So that's where it sort of impacts us the most I think, more so than taking on another large scale development in this immediate area because we sort of have one ongoing at One Madison.

Anthony Paolone

Analyst, JPMorgan Securities LLC

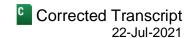
Okay. And then just my second one is maybe for Matt. Can you give us any guideposts or any additional color as we think about FFO from 2Q to 3Q with the – I think the Latham & Watkins, I don't know if they are moving out or not or if they are holding over. And just how to think about that as we roll the numbers?

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

Sure. Yeah. Latham & Watkins left in June. End of June was the expiration of their lease, so they're out. That asset will move into redevelopment phase now for the balance of the year. FFO is somewhat a function not just of NOI but of the other things that we have in the business plan. So, depending on the timing of things, third quarter could be equal to or slightly below the second quarter. And then fourth quarter pops up or – or the inverse of that. We have some things in the pipe that are timing-dependent. And whether or not they happen in third or fourth we're indifferent to. As we said earlier, we're given annual guidance. We don't look at stuff on a quarterly basis as long as we're within our annual guidance and we are squarely within our range as we sit now.

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Steven M. Durels

Executive Vice President, Director-Leasing & Real Property, SL Green Realty Corp.

Just to add to that, Latham & Watkins, when we took control of the building, we knew that they were – they had already signed the lease to move out of the building. So, it was no surprise to us. So when we bought the building, we bought it with the intention to do a redevelopment plan and that plan has now been fully designed. It is in the early stages of beginning to execute.

Anthony Paolone

Analyst, JPMorgan Securities LLC

Okay. Thanks.

Operator: Thank you. Our next question comes from the line of Vikram Malhotra from Morgan Stanley. Your line is now open.

Vikram Malhotra

Analyst, Morgan Stanley & Co. LLC

Thanks so much. Matt, maybe just sticking with you on not necessarily the FFO, but from One Vanderbilt, can you just clarify or give us the sort of GAAP contribution you've baked in for each quarter, the third and fourth quarter? And then what's your expectation for the Summit in the fourth quarter?

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

So, in sticking with the commentary so far I won't give quarterly guidance but I will stick with my annual number of low-30s GAAP NOI contribution from One Vanderbilt for 2021. Our Summit numbers – [ph] we're opening (56:47) October 21st. We have modeled in very conservative ramp. So the contribution for the back half of the year is very light.

Vikram Malhotra

Analyst, Morgan Stanley & Co. LLC

Okay. That's helpful. And then just on industry retail portfolio, can you just clarify or give us more color on 85th Fifth Avenue? I think it showed a 100% occupied the prior quarter, but not this quarter. Can you just clarify what went on there?

[indiscernible] (57:21)

Matthew J. DiLiberto

Chief Financial Officer, SL Green Realty Corp.

Did you say a 100% occupied or 100% vacant?

Vikram Malhotra

Analyst, Morgan Stanley & Co. LLC

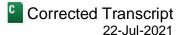
No. It was vacant this quarter. So last quarter was fully occupied.

[indiscernible] (57:31)

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Matthew J. DiLiberto Chief Financial Officer, SL Green Realty Corp.	A
We signed a lease yesterday for the space, all of it, a long-term lease. So, the next quarter, reflect occupied again.	i
Steven M. Durels	А
Executive Vice President, Director-Leasing & Real Property, SL Green Realty Corp. Yeah.	,
Matthew J. DiLiberto	А
Chief Financial Officer, SL Green Realty Corp. [ph] Anthropology's (57:40) lease expires.	/ \
	A
Who is it?	
Matthew J. DiLiberto Chief Financial Officer, SL Green Realty Corp.	A
They left and we signed the lease	
Marc Holliday Chairman & Chief Executive Officer, SL Green Realty Corp.	Α
Vikram, you've taken wind out of the sails for third quarter forcing us to go – we just signed a full building leathat deal yesterday.	ase on
Vikram Malhotra Analyst, Morgan Stanley & Co. LLC	Q
Okay.	
Marc Holliday Chairman & Chief Executive Officer, SL Green Realty Corp.	А
You got to leave something on the bones for Q3 my friend.	
Vikram Malhotra Analyst, Morgan Stanley & Co. LLC	Q
So the Street retail is fully leased back up and	
Marc Holliday Chairman & Chief Executive Officer, SL Green Realty Corp.	A
Is leased again, no worries.	
Vikram Malhotra	
Analyst Morgan Stanley & Co. LLC	

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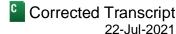


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Okay. Any comments or any color on the economics relative to where it was prior?	
Marc Holliday Chairman & Chief Executive Officer, SL Green Realty Corp.	A
We'll talk about it more. You're using your third question of two.	
Vikram Malhotra Analyst, Morgan Stanley & Co. LLC	Q
Okay.	
Marc Holliday Chairman & Chief Executive Officer, SL Green Realty Corp.	A
We'll talk about it more when we reveal the deal.	
Vikram Malhotra Analyst, Morgan Stanley & Co. LLC	Q
Okay. That sounds good. I just have – so we – I get that color offline. Just one sort of clarif about capital, obviously buybacks in terms of capital deployment the – all the development just in time with your commentary about New York coming back near-term, long-term, one big JV to focus on their markets, but also look at more value-add-type development – or ty wondering your appetite from here on, on focusing on something like that or value-add bui acquisitions, but also just given the debt markets, growing the DPE book from here.	s that you're doing. But of your peers formed a pe acquisitions. I'm just
Marc Holliday Chairman & Chief Executive Officer, SL Green Realty Corp.	A
Well, we are very actively pursuing desires of not just value add, full on ground-up develop have value add opportunities we've acted on recently like 885 Third, which is I think a great now well underway. 750 Third is a redevelopment within the portfolio. We have other deals We closed a DPE deal in Q2. We just are closing. We have other pipeline for Q3 we expect to discuss on the next call. So, I mean we're very much in business. We've got like seven a deals and redevelopment deals going on right now. We have fairly active pipeline of opport disproportionately, just given the extreme divergence of value and stock price, we've decided cash flow towards the stock buyback and will continue to do so.	at example of that and so like that in pipeline. It to close and be able active development tunity, but
Vikram Malhotra Analyst, Morgan Stanley & Co. LLC	Q
Okay. Fair enough. Thanks so much.	
Operator: Thank you. Our next question comes from the line of Nick Yulico from Scotiaba open.	ank. Your line is now
Nicholas Vulico	

Thanks. Hi, everyone. Page 30 is on the lease expirations. I just had a question there. If you look last quarter, it was talking about there being 450,000 square feet of expirations in the second quarter. You still listed over 400,000 square feet in this quarter. And so, I am just trying to understand what - looks like you have now

Analyst, Scotia Capital (USA), Inc.

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additional month-to-month tenants in the portfolio and - maybe if you could provide some clarity on that. And how much is office versus retail?

Steven M. Durels

Executive Vice President, Director-Leasing & Real Property, SL Green Realty Corp.

Well, you're in the weeds on that one, Nick, but – so I'll – I will say there is hold over tenants from guarter-toquarter, so that'll probably contribute to it. As to the complexion of it, I don't know that one off the top of my head. So, I can research it further and get back to you offline.

Nicholas Yulico

Analyst, Scotia Capital (USA), Inc.

Okay. Appreciate that. Thanks. I guess my other question is just as we think about the leasing activity that's in the pipeline that Steve was talking about earlier and then we relate that back to page 29 in the supp where you do give the occupied number for same store versus the leased number and that spread is converged closer, meaning that you used to - you tend to have a higher lease number than an occupied number. You still do, but it's not as big of a spread. I'm just trying to think about that leasing that's in the pipeline, what that means in terms of your leased number in the same store portfolio. Is that going to be additive to that?

Steven M. Durels

Executive Vice President, Director-Leasing & Real Property, SL Green Realty Corp.

I think we addressed that earlier in saying, we are still comfortable with the goals and objectives we put out there including occupancy. I would hope to exceed our goal, which was 93% by the end of the year.

Nicholas Yulico

Analyst, Scotia Capital (USA), Inc.

Okay. Thanks, everyone.

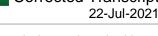
Operator: Thank you. At this time, I am showing no further questions. I would like to turn the call back over to Marc Holliday for closing remarks.

Marc Holliday

Chairman & Chief Executive Officer, SL Green Realty Corp.

Okay. Well, appreciate the opportunity for those still on to discuss all that we accomplished in Q2. It's great three months. We'll be working hard these next three. And look forward to speaking to you again.

Operator: This concludes today's conference call. Thanks for participating. You may now disconnect.



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