



March 10, 2022

Dear Shareholder,

The Aubuchon Realty Company, Inc. (ARC) celebrates 90 years of operations in 2022! We are grateful for the hard work of those that made this milestone possible, and excited for what's in store for our Corporation's future. At the same time, we are mindful that our 2021 achievements outlined below are not the result of a single year's performance, but the planning, governance, and commitment of many individuals over years and frankly, decades. I am reminded, quite often, how fortunate I am to lead an organization that benefits from this rich history. Looking closer to the present, the Company had its best year ever in terms of top line Revenue, now exceeding \$9,000,000 as well as record EBITDA and Net Income. In the following pages I'll share a more detailed look into the Corporation's Income Statement and Balance Sheet, and then provide picture recap of 2021 acquisitions and development projects.

Our Rental Income increased a total of \$500,000 or 6.0 percent, due in large part to acquisitions of CVS – Granby, 661 Boston Post Road – Marlborough, and several development projects completed in 2020 and 2021. Additional increases were sourced from Sean's hard work in stabilizing occupancies in Fitchburg, Marlborough Village and Lewiston, which combined brought \$100,000 in revenues compared to the 2020 higher vacancy caused by pandemic effects. Total Revenue increased \$537,000 or 6.5 percent, and the portfolio is 98 percent occupied as of December 31, 2022. Our Revenue increase is even more notable when considering the \$200,000 in offsets of rents from five properties that were disposed of in 2021. Our continued strategy of selling legacy assets that are under \$1M and tough to manage and tenant will serve the portfolio well in the long term. Greg's work consulting WEA in his "retirement" added \$31,000 in new Professional Services income, up 100% year over year. Greg's institutional knowledge and generational perspective to WEA's landlord network is valuable to hardware and ARC.

Operating expenses increased at a higher rate than initially budgeted, and we will focus in 2022 in correcting this trend. Property Taxes were up 3 percent due to increases in several real estate assessments across the portfolio, as well the 661 Boston Post Road acquisition, offset in part, by the disposition of five properties. Salaries and Related Benefits were up 16 percent or \$115,000 caused by: Presidents pay in place for a full year 2021 compared to 2020, new addition of Alex, and payment of back overtime which was owed due to a payroll error spanning several years. Repair and Maintenance was up \$70,000 or 14 percent to \$562,000. Alex' good work staying on top of ongoing and deferred maintenance, along with a Corporate wide focus on better facilities management, has increased our Maintenance and Repairs. Taking care of the portfolio through this expense category is a net positive. Furthermore, our property management plan instituted performance metrics for Alex in regards to more competitive bidding, savings for work done in-house, and accounted time/travel where we are able to bill tenants back through net billings. In one year since implementing this strategy we've realized tangible improved performance, and have been able to measure and pass along this performance metrics on to employees. Utilities were down \$18,000 or 9 percent, while Professional Fees were up 42 percent or \$66,000. This item is attributed in large part to two new outside Board members for FY-2021. Insurance was stable for 2021, which was no small feat given the upward pressure experienced for property and casualty across the industry.

General Expenses increased \$12,300 or 26 percent due in part to charitable giving and misc. expenses. On that note, effective this month we've placed Camp North into Airbnb.org's free housing pool for refugees fleeing Ukraine. We do not know if accommodations will be needed in Vermont in the coming weeks and months, but if they are, we wanted to help out. This week we also made a donation through the Airbnb.org Refugee Fund, which will go towards providing free accommodations for refugees in surrounding countries in Europe.

Wrapping up our expense summary, Rent for leased property (our Corporate office) increased due to our first full year at the new office. Bad Debt decreased as the portfolio improves in overall health from the Tenants that moved out or closed in 2020 due to COVID. Legal Fees similarly are down, and finally accounting fees are up modestly 6 percent or \$2,200.

EBITDA was up 4.9 percent to \$5,758,610 which was at our target metric forecasted for 2021 of \$5.75M. Below the line, Interest Expense was down 9 percent, while Depreciation and Amortization were up 10 percent due to new, higher value assets being added to the portfolio such as Lancaster, Sandwich and 661 Boston Post Road - Marlborough. Our Gain on Disposal of Assets totaled \$2,678,398 a 67 percent increase over 2020. This category accounts for the often discussed GAAP rule of Commercial Substance. While we did not incur capital gains on the value difference between our 1031 exchanges bought/sold, we do carry this gain on the sale of assets for GAAP purposes when comparing these sold assets and the value of what we traded into via exchange. After consideration for Current and Deferred Income Taxes, Net Income increased a substantial 13 percent to \$4,118,375.

Moving on to the enclosed Balance Sheet, Total Assets increased a considerable \$3,928,404 or 8 percent. Notable changes in Asset categories include our deployment of \$3,375,000 in Cash into Buildings, Improvements and Land. We closed the year with \$3.7M sitting in our 1031 exchange account pending the closing of our newest asset in West Warwick, RI. We purchased this O'Reilly Auto and Dollar Tree anchored property right after the New Year for \$5,000,000. Our Liabilities were down a modest \$55,000, with \$1.1M in Long Term Mortgage notes paydown, offset by the increase in Deferred Income Taxes which we are required to hold as a Liability after recognizing a deferred gain via our 1031 activity summarized above. The Increase in Assets coupled with the flat Liabilities results in a sizeable gain in Total Equity to \$36,757,989, up \$3,982,554.

After accounting for the removal of the interest rate SWAP position, the 2022 Book Value is \$365.61 per share. Total dividends paid were \$526,639 or 1.45 percent of Book Value. Combining dividends paid with the total increase in Shareholder Equity, results in a Total Return of 12.6 percent for year end December 31, 2021.

Consistent with the Board of Directors confidence in the overall financial performance, and a positive outlook for 2022, the Board voted to approve a \$1.45 per share Dividend, an 11.5 percent increase over the last years' quarterly Dividend of \$1.30 per share.

As mentioned in our February letter about our new stock transfer agent, we have appointed ClearTrust to handle processing requests, paying dividends, managing the company's dividend reinvestment, and contact details among many other services. You should have all received an email from me two weeks ago, as well as a mailing with login credentials to setup your ClearConnect account. I found the process easy to setup, but if you have questions please email: [inbox@cleartrusttransfer.com](mailto:inbox@cleartrusttransfer.com). Kara and her team are great, and very helpful. Additional features on ClearConnect include reviewing the Document Exchange for viewing this very letter, or a historical archive of 2021 quarterly letters. Moreover, you'll be able to vote your proxy online this year, in addition to a bunch of helpful features. To that end...

This year's Annual Meeting will be held on Saturday, May 14, 2022 at the headquarters of The Aubuchon Company (WEA). We will be running a hybrid meeting for the first time, encouraging folks to either join us in-person or remotely. The WEA and ARC team have been working diligently to prepare for this new style meeting, with improvements in audio and video quality with the help of third-party providers. A formal package will be mailed to all Shareholders of record in early April from the Chair and Clerk.

Looking a bit further in the calendar, a Shareholder Reunion Committee was formed after the strong feedback of a poll that Jean-Marc Aubuchon was kind enough to circulate. Originally the Committee was eyeing May of 2022 for the party, but due to venue scheduling conflicts, the Committee has thoughtfully targeted a Fall of 2022 date. Keep an eye out for a save-the-date in the coming weeks. I very much appreciate the hard work by the volunteer Committee in making this idea, become a reality!

We will be sending out camp solicitation requests in early April, and hope to have another full season up at Wyman's Pond.

In closing, I want to thank you all for the opportunity to continue to work for this great Company. Our rich history is something that guides our core principles and overall strategy, and we endeavor to have continued success in the years to come!

My best,

A handwritten signature in blue ink, appearing to read "Eamon D. Moran". The signature is fluid and cursive, with a large initial "E" and "M".

Eamon D. Moran  
President

# 2021 DEAL SUMMARY



DG -  
Weare  
Q2

**DOLLAR  
GENERAL®**

DG -  
Sunapee  
Q4 Sale



W. Warwick, RI  
Q-22 Purchase





# NEW TENANTS AT PARKHILL PLAZA



**ENERGIZED**  
FITNESS & TRAINING



**ZADE CELL FIX**  
774-232-9539



**SAFE ROADS DRIVING ACADEMY**  
Your keys to successful driving!  
www.SafeRoadsDrivingAcademy.com

