# Section 1: 8-K (8-K)

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

# FORM 8-K

**CURRENT REPORT**
**PURSUANT TO SECTION 13 OR 15(d)**
**OF THE SECURITIES EXCHANGE ACT OF 1934**

**Date of Report (Date of earliest event reported): May 6, 2020**

# SAUL CENTERS INC.
**(Exact name of registrant as specified in its charter)**

| Maryland | 1-12254 | 52-1833074 |
|---|---|---|
| (State or Other Jurisdiction of Incorporation) | (Commission File Number) | (IRS Employer Identification Number) |

**7501 Wisconsin Avenue, Bethesda, Maryland 20814**
**(Address of principal executive office) (Zip Code)**

**Registrant's telephone number, including area code (301) 986-6200**

**Not Applicable**
**(Former name or former address, if changed since last report)**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

| *Title of each class:* | *Name of exchange on which registered:* | *Trading symbol:* |
|---|---|---|
| Common Stock, $0.01 par value | New York Stock Exchange | BFS |
| 6.125% Series D Preferred Stock, $0.01 par value | New York Stock Exchange | BFS/PRD |
| 6.000% Series E Preferred Stock, $0.01 par value | New York Stock Exchange | BFS/PRE |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§

230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

**Item 2.02. Results of Operations and Financial Condition.**

On May 6, 2020, Saul Centers, Inc. issued a press release to report its financial results for the quarter ended March 31, 2020. The release is furnished as Exhibit 99.1 hereto.

**Item 9.01. Financial Statements and Exhibits.**

(c) Exhibits

99.1 Press Release, dated May 6, 2020, of Saul Centers, Inc.

104. Cover Page Interactive Data File (the Cover Page Interactive Data File is embedded within the Inline XBRL document).

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**SAUL CENTERS, INC.**

By: **/s/ Scott V. Schneider__________**

Scott V. Schneider Executive Vice President, Chief Financial Officer and Treasurer

Dated: May 6, 2020

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# Section 2: EX-99.1 (EXHIBIT 99.1)

EXHIBIT INDEX

| **Exhibit No.** | **Description** |
|---|---|
| 99.1 | Press Release, dated May 6, 2020, of Saul Centers, Inc. |

## Section 2: EX-99.1 (EX-99.1)

**Exhibit 99.1**

SAUL CENTERS, INC.
7501 Wisconsin Avenue, Suite 1500, Bethesda, Maryland 20814-6522
(301) 986-6200

**Saul Centers, Inc. Reports First Quarter 2020 Earnings**

May 6, 2020, Bethesda, MD.

Saul Centers, Inc. (NYSE: BFS), an equity real estate investment trust ("REIT"), announced its operating results for the quarter ended March 31, 2020 (“2020 Quarter”). Total revenue for the 2020 Quarter decreased to $56.9 million from $59.8 million for the quarter ended March 31, 2019 (“2019 Quarter”). Net income decreased to $16.8 million for the 2020 Quarter from $17.1 million for the 2019 Quarter. Net income decreased due to (a) lower other revenue, primarily lease termination fees ($1.4 million), (b) lower base rent, primarily due to the lease expiration and re-leasing of the grocery anchors at Seven Corners, which opened in March 2020, and at Shops at Fairfax, projected to open in the third quarter of 2020 (collectively, $0.4 million) and (c) lower expense recoveries net of property expenses ($0.2 million), partially offset by (d) lower interest expense, net and amortization of deferred debt costs due to higher capitalized interest ($1.6 million). Net income available to common stockholders was $10.5 million ($0.45 per diluted share) for the 2020 Quarter, unchanged from the 2019 Quarter ($0.46 per diluted share).

Same property revenue decreased $2.0 million (3.5%) and same property operating income decreased $1.3 million (3.0%) for the 2020 Quarter compared to the 2019 Quarter. We define same property revenue as total revenue minus the revenue of properties not in operation for the entirety of the comparable reporting periods. We define same property operating income as net income plus (a) interest expense, net and amortization of deferred debt costs, (b) depreciation and amortization of deferred leasing costs, (c) general and administrative expenses and (d) change in fair value of derivatives minus (e) gains on sale of property and (f) the results of properties which were not in operation for the entirety of the comparable periods. Shopping Center same property operating income for the 2020 Quarter totaled $32.5 million, a $0.9 million decrease from the 2019 Quarter. Mixed-Use same property operating income totaled $10.1 million, a $0.4 million decrease from the 2019 Quarter. The decrease in Shopping Center same property operating income was primarily the result of lower termination fees ($0.9 million). The decrease in Mixed-Use same property operating income was primarily the result of (a) lower expense recoveries net of property expenses ($0.3 million) and (b) lower parking income ($0.1 million).

As of March 31, 2020, 95.3% of the commercial portfolio was leased (not including the residential portfolio), compared to 95.2% at March 31, 2019. On a same property basis, 95.3% of the commercial portfolio was leased as of March 31, 2020, compared to 95.7% at March 31, 2019. As of March 31, 2020, the residential portfolio was 96.7% leased compared to 99.0% at March 31, 2019.

Funds from operations ("FFO") available to common stockholders and noncontrolling interests (after deducting preferred stock dividends) was $25.3 million ($0.81 per diluted share) in the 2020 Quarter compared to $25.8 million ($0.84 per diluted share) in the 2019 Quarter.

FFO is a non-GAAP supplemental earnings measure which the Company considers meaningful in measuring its operating performance. A reconciliation of net income to FFO is attached to this press release. The decrease in FFO available to common stockholders and noncontrolling interests was primarily due to (a) lower other revenue, primarily lease termination fees ($1.4 million), (b) lower base rent, primarily due to the lease expiration and re-leasing of the grocery anchors at Seven Corners, which opened in March 2020, and at Shops at Fairfax, projected to open in the third quarter of 2020 (collectively, $0.4 million) and (c) lower expense recoveries net of property expenses ($0.2 million), partially offset by (d) lower interest expense, net and amortization of deferred debt costs due to higher capitalized interest ($1.6 million).

A novel strain of coronavirus (“COVID-19”) was reported to have surfaced in Wuhan, China in December 2019, and has since spread globally, including to every state in the United States. On March 11, 2020, the World Health Organization declared COVID-19 a pandemic, and on March 13, 2020, the United States declared a national emergency with respect to COVID-19. As a result, the COVID-19 pandemic is negatively affecting almost every industry directly or indirectly.

The actions taken by federal, state and local governments to mitigate the spread of the novel coronavirus ("COVID-19") by ordering closure of nonessential businesses and ordering residents to generally stay at home have resulted in many of our tenants announcing mandated or temporary closures of their operations and/or requesting adjustments to their lease terms. Experts predict that the COVID-19 pandemic will trigger a period of global economic slowdown or a global recession.

COVID-19 could have a material and adverse effect on or cause disruption to our business or financial condition, results from operations, cash flows and the market value and trading price of our securities.

While the Company’s grocery stores, pharmacies, banks and home improvement stores generally remain open, restaurants, if open, are operating with delivery and curb side pick-up only, and most health, beauty supply and services, fitness centers, and other non-essential businesses remain closed. As of May 5, 2020, approximately 32% of the Company’s contractual base rent and operating expense and real estate tax recoveries for April 2020 remains unpaid, excluding rent subject to executed deferral agreements totaling approximately $355,600 (2%). The Company is generally not charging late fees or delinquent interest on these past due payments and, in many cases, additional rent deferral agreements are being negotiated to allow tenants temporary relief where needed. For additional discussion of how the COVID-19 pandemic has impacted the Company's business, please see Part 1, Item 2 (Management's Discussion and Analysis of Financial Condition and Results of Operations) of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020.

Saul Centers, Inc. is a self-managed, self-administered equity REIT headquartered in Bethesda, Maryland, which currently operates and manages a real estate portfolio of 60 properties which includes (a) 50 community and neighborhood shopping centers and six mixed-use properties with approximately 9.4 million square feet of leasable area and (b) four land and development properties. Approximately 85% of the Saul Centers' property operating income is generated by properties in the metropolitan Washington, DC/Baltimore area.

Contact: Scott Schneider
(301) 986-6220

Safe Harbor Statement

Certain matters discussed within this press release may be deemed to be forward-looking statements within the meaning of the federal securities laws. For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. Although the Company believes the expectations reflected in the forward-looking statements are based on reasonable assumptions, it can give no assurance that its expectations will be attained. These factors include, but are not limited to, the risk factors described in our Annual Report on (i) Form 10-K for the year ended December 31, 2019 and (ii) our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 and include the following: (i) general adverse economic and local real estate conditions, (ii) the inability of major tenants to continue paying their rent obligations due to bankruptcy, insolvency or a general downturn in their business, (iii) financing risks, such as the inability to obtain equity, debt or other sources of financing or refinancing on favorable terms to the Company, (iv) the Company’s ability to raise capital by selling its assets, (v) changes in governmental laws and regulations and management’s ability to estimate the impact of such changes, (vi) the level and volatility of interest rates and management’s ability to estimate the impact thereof, (vii) the availability of suitable acquisition, disposition, development and redevelopment opportunities, and risks related to acquisitions not performing in accordance with our expectations, (viii) increases in operating costs, (ix) changes in the dividend policy for the Company’s common and preferred stock and the Company’s ability to pay dividends at current levels, (x) the reduction in the Company’s income in the event of multiple lease terminations by tenants or a failure by multiple tenants to occupy their premises in a shopping center, (xi) impairment charges, (xii) unanticipated changes in the Company’s intention or ability to prepay certain debt prior to maturity and (xiii) an epidemic or pandemic (such as the outbreak and worldwide spread of the novel coronavirus ("COVID-19")), and the measures that international, federal, state and local governments, agencies, law enforcement and/or health authorities implement to address it, which may (as with COVID-19) precipitate or exacerbate one or more of the above-mentioned and/or other risks, and significantly disrupt or prevent us from operating our business in the ordinary course for an extended period. Given these uncertainties, readers are cautioned not to place undue reliance on any forward-looking statements that we make, including those in this press release. Except as may be required by law, we make no promise to update any of the forward-looking statements as a result of new information, future events or otherwise. You should carefully review the risks and risk factors included in (i) our Annual Report on Form 10-K for the year ended December 31, 2019 and (ii) our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020.

**Saul Centers, Inc.**
**Consolidated Balance Sheets**
(In thousands)

| | March 31, 2020 | December 31, 2019 |
|---|---|---|
| | *(Unaudited)* | |
| **Assets** | | |
| Real estate investments | | |
| Land | $ 453,322 | $ 453,322 |
| Buildings and equipment | 1,300,605 | 1,292,631 |
| Construction in progress | 345,880 | 335,644 |
| | 2,099,807 | 2,081,597 |
| Accumulated depreciation | (572,912) | (563,474) |
| | 1,526,895 | 1,518,123 |
| Cash and cash equivalents | 31,935 | 13,905 |
| Accounts receivable and accrued income, net | 49,994 | 52,311 |
| Deferred leasing costs, net | 27,546 | 24,083 |
| Prepaid expenses, net | 3,611 | 5,363 |
| Other assets | 4,859 | 4,555 |
| Total assets | $ 1,644,840 | $ 1,618,340 |
| **Liabilities** | | |
| Notes payable | $ 798,343 | $ 821,503 |
| Term loan facility payable | 74,716 | 74,691 |
| Revolving credit facility payable | 123,507 | 86,371 |
| Construction loan payable | 122,510 | 108,623 |
| Dividends and distributions payable | 19,350 | 19,291 |
| Accounts payable, accrued expenses and other liabilities | 35,122 | 35,199 |
| Deferred income | 24,686 | 29,306 |
| Total liabilities | 1,198,234 | 1,174,984 |
| **Equity** | | |
| Preferred stock, 1,000,000 shares authorized: | | |
| Series D Cumulative Redeemable, 30,000 shares issued and outstanding | 75,000 | 75,000 |
| Series E Cumulative Redeemable, 44,000 shares issued and outstanding | 110,000 | 110,000 |
| Common stock, $0.01 par value, 40,000,000 shares authorized, 23,326,963 and 23,231,240 shares issued and outstanding, respectively | 233 | 232 |
| Additional paid-in capital | 415,962 | 410,926 |
| Distributions in excess of accumulated earnings | (223,075) | (221,177) |
| Total Saul Centers, Inc. equity | 378,120 | 374,981 |
| Noncontrolling interests | 68,486 | 68,375 |
| Total equity | 446,606 | 443,356 |
| Total liabilities and equity | $ 1,644,840 | $ 1,618,340 |

**Saul Centers, Inc.**
**Consolidated Statements of Operations**
(In thousands, except per share amounts)

| | Three Months Ended March 31, | |
|---|---|---|
| | **2020** | **2019** |
| **Revenue** | (unaudited) | |
| Rental revenue | $ 55,415 | $ 56,803 |
| Other | 1,528 | 2,947 |
| Total revenue | 56,943 | 59,750 |
| **Expenses** | | |
| Property operating expenses | 7,036 | 8,001 |
| Real estate taxes | 7,153 | 7,148 |
| Interest expense, net and amortization of deferred debt costs | 9,594 | 11,067 |
| Depreciation and amortization of deferred leasing costs | 11,281 | 11,643 |
| General and administrative | 5,050 | 4,814 |
| Total expenses | 40,114 | 42,673 |
| **Net Income** | 16,829 | 17,077 |
| **Noncontrolling interests** | | |
| Income attributable to noncontrolling interests | (3,565) | (3,630) |
| **Net income attributable to Saul Centers, Inc.** | 13,264 | 13,447 |
| Preferred stock dividends | (2,798) | (2,953) |
| **Net income available to common stockholders** | $ 10,466 | $ 10,494 |
| **Per share net income available to common stockholders** | | |
| Basic and diluted | $ 0.45 | $ 0.46 |
| **Dividends declared per common share outstanding** | $ 0.53 | $ 0.53 |

Reconciliation of net income to FFO available to common stockholders and noncontrolling interests (1)

| (In thousands, except per share amounts) | Three Months Ended March 31, 2020 | 2019 |
|---|---|---|
| | (unaudited) | |
| Net income | $ 16,829 | $ 17,077 |
| Add: | | |
| Real estate depreciation and amortization | 11,281 | 11,643 |
| FFO | 28,110 | 28,720 |
| Subtract: | | |
| Preferred stock dividends | (2,798) | (2,953) |
| FFO available to common stockholders and noncontrolling interests | $ 25,312 | $ 25,767 |
| Weighted average shares: | | |
| Diluted weighted average common stock | 23,299 | 22,863 |
| Convertible limited partnership units | 7,897 | 7,835 |
| Average shares and units used to compute FFO per share | 31,196 | 30,698 |
| FFO per share available to common stockholders and noncontrolling interests | $ 0.81 | $ 0.84 |

(1) The National Association of Real Estate Investment Trusts (NAREIT) developed FFO as a relative non-GAAP financial measure of performance of an equity REIT in order to recognize that income-producing real estate historically has not depreciated on the basis determined under GAAP. FFO is defined by NAREIT as net income, computed in accordance with GAAP, plus real estate depreciation and amortization, and excluding impairment charges on real estate assets and gains or losses from real estate dispositions. FFO does not represent cash generated from operating activities in accordance with GAAP and is not necessarily indicative of cash available to fund cash needs, which is disclosed in the Company’s Consolidated Statements of Cash Flows for the applicable periods. There are no material legal or functional restrictions on the use of FFO. FFO should not be considered as an alternative to net income, its most directly comparable GAAP measure, as an indicator of the Company’s operating performance, or as an alternative to cash flows as a measure of liquidity. Management considers FFO a meaningful supplemental measure of operating performance because it primarily excludes the assumption that the value of the real estate assets diminishes predictably over time (i.e. depreciation), which is contrary to what the Company believes occurs with its assets, and because industry analysts have accepted it as a performance measure. FFO may not be comparable to similarly titled measures employed by other REITs.

Reconciliation of revenue to same property revenue (2)

| *(in thousands)* | Three months ended March 31, 2020 | Three months ended March 31, 2019 |
|---|---|---|
| | (unaudited) | |
| **Total revenue** | $ 56,943 | $ 59,750 |
| Less: Acquisitions, dispositions and development properties | (130) | (889) |
| Total same property revenue | $ 56,813 | $ 58,861 |
| | | |
| **Shopping Centers** | $ 41,441 | $ 43,159 |
| **Mixed-Use properties** | 15,372 | 15,702 |
| Total same property revenue | $ 56,813 | $ 58,861 |
| | | |
| **Total Shopping Center revenue** | $ 41,571 | $ 43,159 |
| Less: Shopping Center acquisitions, dispositions and development properties | (130) | — |
| Total same Shopping Center revenue | $ 41,441 | $ 43,159 |
| | | |
| **Total Mixed-Use property revenue** | $ 15,372 | $ 16,591 |
| Less: Mixed-Use acquisitions, dispositions and development properties | — | (889) |
| Total same Mixed-Use property revenue | $ 15,372 | $ 15,702 |

(2) Same property revenue is a non-GAAP financial measure of performance that improves the comparability of reporting periods by excluding the results of properties that were not in operation for the entirety of the comparable reporting periods. Same property revenue adjusts property revenue by subtracting the revenue of properties not in operation for the entirety of the comparable reporting periods. Same property revenue is a measure of the operating performance of the Company’s properties but does not measure the Company’s performance as a whole. Same property revenue should not be considered as an alternative to total revenue, its most directly comparable GAAP measure, as an indicator of the Company’s operating performance. Management considers same property revenue a meaningful supplemental measure of operating performance because it is not affected by the cost of the Company’s funding, the impact of depreciation and amortization expenses, gains or losses from the acquisition and sale of operating real estate assets, general and administrative expenses or other gains and losses that relate to ownership of the Company’s properties. Management believes the exclusion of these items from same property revenue is useful because the resulting measure captures the actual revenue generated and actual expenses incurred by operating the Company’s properties. Other REITs may use different methodologies for calculating same property revenue. Accordingly, the Company’s same property revenue may not be comparable to those of other REITs.

Reconciliation of net income to same property operating income (3)

| *(In thousands)* | Three Months Ended March 31, 2020 | 2019 |
|---|---|---|
| | (unaudited) | |
| **Net income** | $ 16,829 | $ 17,077 |
| Add: Interest expense, net and amortization of deferred debt costs | 9,594 | 11,067 |
| Add: Depreciation and amortization of deferred leasing costs | 11,281 | 11,643 |
| Add: General and administrative | 5,050 | 4,814 |
| Property operating income | 42,754 | 44,601 |
| Less: Acquisitions, dispositions and development properties | (104) | (628) |
| Total same property operating income | $ 42,650 | $ 43,973 |
| | | |
| **Shopping Centers** | $ 32,545 | $ 33,471 |
| **Mixed-Use properties** | 10,105 | 10,502 |
| Total same property operating income | $ 42,650 | $ 43,973 |
| | | |
| **Shopping Center operating income** | $ 32,649 | $ 33,471 |
| Less: Shopping Center acquisitions, dispositions and development properties | (104) | — |
| Total same Shopping Center operating income | $ 32,545 | $ 33,471 |
| | | |
| **Mixed-Use property operating income** | $ 10,105 | $ 11,130 |
| Less: Mixed-Use acquisitions, dispositions and development properties | — | (628) |
| Total same Mixed-Use property operating income | $ 10,105 | $ 10,502 |

(3) Same property operating income is a non-GAAP financial measure of performance that improves the comparability of reporting periods by excluding the results of properties that were not in operation for the entirety of the comparable reporting periods. Same property operating income adjusts property operating income by subtracting the results of properties that were not in operation for the entirety of the comparable periods. Same property operating income is a measure of the operating performance of the Company’s properties but does not measure the Company’s performance as a whole. Same property operating income should not be considered as an alternative to property operating income, its most directly comparable GAAP measure, as an indicator of the Company’s operating performance. Management considers same property operating income a meaningful supplemental measure of operating performance because it is not affected by the cost of the Company’s funding, the impact of depreciation and amortization expenses, gains or losses from the acquisition and sale of operating real estate assets, general and administrative expenses or other gains and losses that relate to ownership of the Company’s properties. Management believes the exclusion of these items from property operating income is useful because the resulting measure captures the actual revenue generated and actual expenses incurred by operating the Company’s properties. Other REITs may use different methodologies for calculating same property operating income. Accordingly, same property operating income may not be comparable to those of other REITs.

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