

Not for distribution to U.S. Newswire services or for distribution in the United States.



Tricon Delivers Strong Q2 2018 Results

Completes landmark TAH joint venture, successful TLC sale
and new TLR investments; Adds new director

Toronto, Ontario - August 8, 2018 - Tricon Capital Group Inc. (TSX: TCN) ("Tricon" or the "Company"), a principal investor and asset manager focused on the residential real estate industry, announced today its consolidated financial results for the three and six months ended June 30, 2018. All of the financial information presented in this news release is expressed in U.S. dollars unless otherwise indicated.

Key operational and financial highlights for Q2 2018 include:

- Net income of \$39.8 million and basic and diluted earnings per share of \$0.29 compared to a net loss of \$21.6 million and basic and diluted loss per share of \$0.17 in the same quarter in the prior year;
- Assets under management ("AUM") increased by 24% year-over-year to \$5.6 billion (C\$7.4 billion);
- Tricon American Homes' ("TAH") NOI increased by 32% year-over-year to \$36.5 million and its Core FFO increased by 56% year-over-year to \$11.3 million, driven by improved operating performance including 97.1% stabilized occupancy, 6.4% blended rent growth and 62.0% NOI margin;
- TAH achieved 5.1% same home NOI growth year-over-year, 61.1% same home NOI margin, and 6.3% same home blended rent growth;
- TAH also entered into a \$2 billion joint venture with two leading institutional investors to acquire and manage a portfolio of 10,000-12,000 single-family rental homes;
- Tricon realized gross proceeds of \$172.5 million (net proceeds of \$85.2 million) from the sale of Tricon Lifestyle Communities' ("TLC") portfolio;
- Tricon Lifestyle Rentals ("TLR") secured two new development sites in Toronto, bringing its total development pipeline to ~2,700 multi-family rental units; and
- Adjusted EBITDA increased by 95% year-over-year to \$92.9 million; Adjusted diluted earnings per share increased 129% year-over-year to \$0.39.

"The second quarter was a period of significant operational and strategic progress across our various investment verticals, with clear evidence of our team delivering on what we promised to our shareholders," said Gary Berman, Tricon's President and CEO. "Our Tricon American Homes single-family rental platform continued to drive same home NOI growth above 5% while entering into a landmark joint venture that introduces third-party capital to the business vertical and provides the opportunity to grow to nearly 30,000 homes. Tricon Lifestyle Rentals has established a clear path to scale in Toronto with the recent acquisition of two marquee sites, increasing the Canadian development pipeline to ~2,700 multi-family rental units. And with the successful sale of Tricon Lifestyle Communities, we continued to simplify our business and generated net proceeds of ~\$85 million for debt repayment. As we look forward, we remain focused on growing our three housing verticals and continuing to attract third-party capital to scale faster, generate additional fee income and drive shareholder value."

Financial Highlights

For the periods ended June 30 (in thousands of U.S. dollars, except per share amounts)	Three months		Six months	
	2018	2017	2018	2017
Investment income (loss) - Tricon American Homes	\$ 40,681	\$ (1,954)	\$ 127,123	\$ 10,315
Investment income - Tricon Housing Partners	3,312	6,568	6,197	12,236
Investment income - Tricon Lifestyle Rentals	2,547	2,847	3,564	4,778
Investment income from discontinued operations and gain from disposal of investments held for sale - Tricon Lifestyle Communities	19,602	1,613	21,170	3,932
Private Funds and Advisory revenue	7,474	6,359	13,041	12,103
Net income (loss)	39,763	(21,643)	139,232	(13,888)
Basic earnings (loss) per share	0.29	(0.17)	1.04	(0.12)
Diluted earnings (loss) per share	0.29	(0.17)	0.79	(0.11)
Dividends per share	C\$ 0.07	C\$ 0.065	C\$ 0.14	C\$ 0.13
Non-IFRS measures				
Adjusted EBITDA	\$ 92,927	\$ 47,583	\$ 208,236	\$ 76,959
Adjusted net income	60,134	21,830	136,510	37,230
Adjusted basic earnings per share	0.45	0.17	1.02	0.31
Adjusted diluted earnings per share	0.39	0.17	0.88	0.30
Assets under management (AUM)			\$ 5,637,580	\$ 4,556,263

Net income for the second quarter of 2018 was \$39.8 million compared to a net loss of \$21.6 million in Q2 2017. Net income per basic and diluted share was \$0.29 compared to a loss of \$0.17 per basic and diluted share in Q2 2017. Net income for the quarter included:

- Investment income from TAH of \$40.7 million, which is a result of strong operating results and home price appreciation for a significantly larger portfolio of homes compared to last year, partly offset by transaction costs related to TAH's 2018-1 securitization transaction and higher interest expense;
- Investment income from TLC of \$19.6 million comprised of a gain from disposition of investment properties of \$26.2 million less transaction costs on disposition and non-controlling interest; and
- Corporate-level expenses of \$33.9 million, including: (i) corporate overhead of \$12.6 million; (ii) fair value loss on embedded derivatives of \$9.5 million related to the convertible debentures; and (iii) interest expense of \$8.6 million.

Adjusted net income for the second quarter of 2018 was \$60.1 million, an increase of 175% from \$21.8 million in Q2 2017. Adjusted basic and diluted earnings per share were \$0.45 and \$0.39, respectively, an increase of 165% and 129% compared to Adjusted basic and diluted earnings per share of \$0.17 in Q2 2017. The increase in Adjusted net income on an absolute and per-share basis is attributable to strong fair value gains and operational results at TAH and the realized gain from the sale of the TLC properties, partially offset by higher interest expense and income tax expense.

Investment income - Tricon American Homes

Investment income from TAH was \$40.7 million for the quarter compared to a \$2.0 million loss in Q2 2017. The increase was driven by:

- significantly lower transaction costs of \$7.4 million attributable to the TAH 2018-1 securitization facility compared to \$28.4 million of Silver Bay transaction costs incurred in Q2 2017 (which largely contributed to the \$2.0 million loss);
- fair value gains of \$37.3 million compared to \$19.8 million in Q2 2017 as a result of home price appreciation resulting from BPOs performed on 519 homes and home price index appreciation of 1.7% (6.8% annualized) applicable to a larger portfolio; and
- NOI of \$36.5 million compared to \$27.6 million in Q2 2017, mainly attributable to the inclusion of a full quarter of NOI from Silver Bay homes acquired on May 9, 2017, as well as strong average blended rent growth and an improvement in NOI margin as discussed below.

The NOI margin for the total portfolio in the quarter was 62.0% compared to 60.8% in Q2 2017 as a result of strong average blended rent growth of 6.4% (9.4% on new leases, 4.8% on renewals) and disciplined expense management. On a same home basis, NOI increased by 5.1% year-over-year and NOI margin increased to 61.1% in Q2 2018 from 60.5% in Q2 2017 for similar reasons. Core FFO was \$11.3 million for Q2 2018 compared to \$7.3 million in Q2 2017. This favourable variance was driven by the increase in NOI as discussed above, partly offset by higher interest expense.

Investment income - Tricon Housing Partners

Investment income from THP was \$3.3 million for the quarter compared to \$6.6 million in Q2 2017. Investment income declined year-over-year as a result of ongoing project budget revisions reflecting higher construction costs and extended timelines, as well as shifting preferences within THP's active-adult projects towards smaller, lower-margin homes. Additionally, lower investment balances following cash distributions from maturing projects led to further decreases in investment income.

Investment income - Tricon Lifestyle Rentals

Investment income from TLR was \$2.5 million for the quarter compared to \$2.8 million in Q2 2017, driven by fair value gains of \$3.7 million, partly offset by \$0.7 million of unfavourable currency translation adjustment due to the weakening Canadian dollar. The fair value gains were attributable to the achievement of development milestones across TLR U.S. projects.

In April 2018, in partnership with Dream Unlimited Corp. and Kilmer Group, TLR Canada entered into 99-year land leases to develop and manage two large parcels totaling nine acres located between Toronto's Distillery District and Corktown Common Park ("West Don Lands"). Additionally, in June 2018, TLR Canada acquired a 47% interest in 6-8 Gloucester Street, a fully entitled development site at the intersection of Yonge and Gloucester Streets in Toronto. The acquisitions add immediate scale to TLR's multi-family development and rental business in Canada, which now has approximately 2,700 units under active development with a total construction value of approximately C\$1.3 billion.

Disposition of Tricon Lifestyle Communities

On June 29, 2018, Tricon successfully completed the previously-announced sale of TLC's portfolio of 14 manufactured housing communities to an institutional asset manager for gross proceeds of \$172.5 million. In the three months ended June 30, 2018, TLC recognized a gain from disposal of investment properties of \$26.2 million. Tricon recognized investment income from discontinued operations of \$19.6 million after deducting transaction costs and proceeds to TLC's operating partner.

The sale resulted in net proceeds to Tricon of \$85.2 million, after deducting property-level debt, transaction costs and proceeds to TLC's operating partner.

Private Funds and Advisory

Revenue from Private Funds and Advisory (including contractual fees, general partner distributions and performance fees) for the quarter was \$7.5 million, an 18% increase compared to \$6.4 million in Q2 2017. The increase was mainly driven by performance fees of \$0.8 million earned from THP1 Canada. Additionally, revenue increased as a result of higher land sales at Johnson as well as higher TDG development fees earned from TLR Canada's second purpose-built rental development project, 57 Spadina.

New Director Appointment

Tricon is very pleased to announce the appointment of Camille J. Douglas to its board of directors as its eighth member.

Camille J. Douglas is a senior executive in the real estate industry with over 30 years' experience in real estate acquisitions, development, finance and investment strategy. Her work has included corporate and project based acquisitions, dispositions and financing, including pioneering work on commercial mortgage-backed securities and cross-border equity investment.

Ms. Douglas is currently a Senior Managing Director, Acquisitions and Capital Markets, at LeFrak. Since joining the firm in January 2010, she has been responsible for strategic real estate acquisitions and development outside New York and led the company's expansion into the Miami market in 2011 after focusing on the UK in 2010-2011.

Ms. Douglas is also a member of the Real Estate Advisory Committee of the New York State Common Retirement Fund and serves on the Board of Trustees of Starwood Property Trust, where she is a member of the Audit Committee. In addition, she is an Adjunct Professor in Finance and Economics at Columbia Business School. She received her Master of Urban Planning degree from Harvard University Graduate School of Design and also holds a Bachelor of Arts from Smith College.

"We are delighted to add Camille Douglas to our board," said David Berman, Tricon's Executive Chairman. "She brings to Tricon a deep expertise in real estate investment, development and finance through a decorated career that includes key advisory roles at Olympia and York, LeFrak and the New York State Common Retirement Fund. In many ways, her background and sensibility are perfectly suited for Tricon's growth-oriented and opportunistic business model."

Quarterly Dividend and Subsequent Events

The Company announced a dividend of seven cents per share in Canadian dollars payable on or after October 15, 2018 to shareholders of record on September 30, 2018.

Tricon's dividends are designated as eligible dividends for Canadian tax purposes in accordance with subsection 89(14) of the *Income Tax Act* (Canada), and any applicable corresponding provincial and territorial legislation. Tricon has a Dividend Reinvestment Plan ("DRIP") which allows eligible shareholders of the Company to reinvest their cash dividends in additional common shares of the Company. Common shares issued pursuant to the DRIP in connection with the announced dividend will be issued from treasury at a 1% discount from the market price, as defined in the DRIP. Participation in the DRIP is optional and shareholders who do not participate in the plan will continue to receive cash dividends. A complete copy of the DRIP is available in the Investor Information section of Tricon's website at www.triconcapital.com.

Conference Call and Webcast

Management will host a conference call at 10 a.m. ET on Thursday, August 9, 2018 to discuss the Company's results. Please call 647-427-2311 or 1-866-521-4909 (Conference ID # 3898165). The conference call will also be accessible via webcast, and a supplementary conference call presentation will be provided at www.triconcapital.com (Investor Information - Events). A replay of the conference call will be available from 1 p.m. ET on August 9, 2018 until midnight ET on August 16, 2018. To access the replay, call 1-800-585-8367 or 416-621-4642, followed by passcode 3898165.

The Company's Financial Statements and Management's Discussion and Analysis for the three and six months ended June 30, 2018 are available on Tricon's website at www.triconcapital.com and have been filed on SEDAR (www.sedar.com). The financial information therein is presented in U.S. dollars.

About Tricon Capital Group Inc.

Tricon is a principal investor and asset manager focused on the residential real estate industry in North America with approximately \$5.6 billion (C\$7.4 billion) of assets under management. Tricon invests in a portfolio of single-family rental homes, for-sale housing assets and purpose-built rental apartments, and manages third-party capital in connection with its investments. Our business objective is to invest for investment income and capital appreciation through our principal investment business and to earn fee income through our Private Funds and Advisory business. Since its inception in 1988, Tricon has invested in real estate and development projects valued at approximately \$20 billion. More information about Tricon is available at www.triconcapital.com.

For further information, please contact:

Wissam Francis
EVP & Chief Financial Officer
Tel: 416-323-2484
Email: wfrancis@triconcapital.com

Wojtek Nowak
Director, Corporate Finance and Investor
Relations
Tel: 416-925-2409
Email: wnowak@triconcapital.com

* * * * *

This news release may contain forward-looking statements relating to expected future events and financial and operating results and projections of the Company. Such forward-looking information and statements involve risks and uncertainties and are based on management's current expectations, intentions and assumptions in light of its understanding of relevant current market conditions, investee business plans, and the Company's prospects. If unknown risks arise, or if any of the assumptions underlying the forward-looking statements prove incorrect, actual results may differ materially from management expectations as projected in such forward-looking statements. Examples of such risks are described in the Company's continuous disclosure materials from time to time, available on SEDAR at www.sedar.com. Accordingly, although the Company believes that its anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking statements and information. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

The Company has included herein certain supplemental measures of key performance, including, but not limited to, adjusted EBITDA, adjusted net income and adjusted earnings per share ("EPS"), as well as certain key indicators of the performance of its investees. The Company utilizes these measures in managing its business, including performance measurement and capital allocation, and believes that providing these performance measures on a supplemental basis is helpful to investors in assessing the overall performance of the Company's business. However, these measures are not recognized under IFRS. Because non-IFRS measures do not have standardized meanings prescribed by IFRS, Tricon's use of these measures may not be comparable to similar measures reported by other issuers and they should not be construed as alternatives to net income (loss) or cash flow from the Company's activities, determined in accordance with IFRS, in measuring the Company's performance. The definition, calculation and reconciliation of the non-IFRS measures used herein are provided in Sections 6 and 7 of the Company's MD&A for the three and six months ended June 30, 2018, which is available on SEDAR at www.sedar.com.