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## Tricon Reports Strong Q4 2019 Results Driven by 35% Growth in FFO

**Toronto, Ontario - February 26, 2020** - Tricon Capital Group Inc. (TSX: TCN) ("Tricon" or the "Company"), a residential real estate company primarily focused on rental housing in North America, announced today its consolidated financial results for the year ended December 31, 2019. All financial information is presented in U.S. dollars unless otherwise indicated.

The Company finished off a transformative year with strong operational and financial results in Q4 2019, including:

- Net income of \$45.3 million and basic and diluted earnings per share of \$0.23 and \$0.22, respectively;
- Adjusted EBITDA of \$95.8 million and adjusted basic and diluted earnings per share of \$0.24 and \$0.23, respectively;
- Funds from operations ("FFO") increased by 35% year-over-year to \$34.4 million; FFO per share remained unchanged at \$0.16 (C\$0.21 in Q4 2019 and C\$0.22 in Q4 2018);
- Assets under management ("AUM") increased by 41% year-over-year to \$8.0 billion (C\$10.5 billion);
- Tricon American Homes ("TAH") NOI grew by 28% year-over-year to \$52.9 million and Core FFO increased by 57% year-over-year to \$26.7 million, driven by the growing leased portfolio and improved operating performance including 95.9% stabilized occupancy, 5.1% blended rent growth and a 65.0% NOI margin;
- TAH achieved strong same home metrics of 65.5% NOI margin, 6.5% NOI growth, 5.3% blended rent growth, and 96.7% leased occupancy, and purchased 1,162 homes during the quarter;
- Tricon Lifestyle Rentals' ("TLR") U.S. Multi-Family Portfolio, acquired in Q2 2019, reported year-over-year total and same property NOI growth of 5.0% to \$17.0 million, a 160 bps increase in occupancy to 94.4%, renewal rent growth of 4.6% and a 59.2% NOI margin; and
- TLR Canada achieved 86% lease-up at The Selby, which was awarded the Rental Development of the Year by the Federation of Rental-housing Providers of Ontario.

Tricon achieved many strategic milestones during the year, including the following:

- TAH purchased 3,787 homes in its TAH JV-1 portfolio and reached a major milestone by acquiring its 20,000th single-family rental home;

- The Company completed the acquisition of Starlight U.S. Multi-Family (No.5) Core Fund (the "U.S. Multi-Family Portfolio") for total consideration of \$1.3 billion including assumed debt;
- TLR U.S. completed the disposition of its development holdings by selling its 90% interest in The McKenzie and The Maxwell;
- Tricon Housing Partners ("THP") entered into a \$450.0 million joint venture ("THPAS JV-1") with a leading institutional investor, targeting investments in the development of master-planned communities and single-family "build-to-rent" communities in the U.S. Sun Belt; and
- Subsequent to year end, Tricon completed the syndication of 50% of one of its direct THP investments to THPAS JV-1; the Company also internalized property management of its Canadian multi-family platform and asset management of its U.S. multi-family portfolio.

"Tricon's fourth quarter results were highlighted by 35% growth in FFO which capped off an exciting year of operational achievements and meaningful progress in our transition to a rental housing company," said Gary Berman, Tricon's President and CEO. "Our single-family rental portfolio continued to exhibit strong rent growth and margin expansion, delivering same home NOI growth of 6.5% in the quarter. Similarly, our U.S. multi-family rental portfolio benefited from improved occupancy to post an impressive 5.0% same home NOI growth in Q4. And our asset management business grew AUM by 41% as we expanded our suite of residential investments to include purpose-built single-family rental communities, an innovative housing solution with strong growth potential. The performance of these key businesses drove our FFO per share to \$0.16 (C\$0.21) for the quarter and \$0.42 (C\$0.55) for the year, surpassing the top end of our target by \$0.02 (C\$0.03) and establishing a strong FFO run-rate heading into 2020."

## Financial Highlights

For the periods ended December 31 (in thousands of U.S. dollars, except per share amounts)	Three months		Twelve months	
	2019	2018	2019	2018
Investment income - Tricon American Homes ("TAH")	\$ 42,451	\$ 38,159	\$ 162,193	\$ 218,932
Investment income - Tricon Lifestyle Rentals ("TLR")	16,812	10,653	34,980	15,406
Investment income - Tricon Housing Partners ("THP")	2,964	1,943	9,646	11,449
Investment income from discontinued operations and gain from disposal of investments held for sale - Tricon Lifestyle Communities ("TLC")	—	—	—	21,170
Private Funds and Advisory revenue	11,716	9,565	39,895	30,347
Net income	45,259	43,297	114,135	216,355
Basic earnings per share	0.23	0.30	0.65	1.57
Diluted earnings per share	0.22	0.23	0.63	1.28
Dividends per share	C\$ 0.07	C\$ 0.07	C\$ 0.28	C\$ 0.28

For the periods ended December 31 (in thousands of U.S. dollars, except per share amounts)	Three months		Twelve months	
	2019	2018	2019	2018
<b>Non-IFRS measures</b>				
Adjusted net income	46,647	46,116	147,297	224,675
Adjusted EBITDA	95,785	79,671	314,200	363,996
<i>Tricon share of fair value gain included in investment income - TAH</i>	(24,493)	(24,790)	(96,556)	(180,496)
<i>Adjusted EBITDA from discontinued operations - TLC</i>	—	—	—	(31,394)
Adjusted EBITDA excluding TAH fair value gain and TLC Adjusted EBITDA	71,292	54,881	217,644	152,106
Adjusted basic earnings per share	0.24	0.32	0.85	1.64
Adjusted diluted earnings per share	0.23	0.30	0.81	1.45
Funds from operations (FFO)	34,392	25,414	80,447	50,171
Funds from operations (FFO) per share	0.16	0.16	0.42	0.31
Funds from operations (FFO) per share (CAD)	C\$ 0.21	C\$ 0.22	C\$ 0.55	C\$ 0.42
Assets under management (AUM)			\$ 8,047,446	\$ 5,703,910

**Net income for the fourth quarter of 2019** was \$45.3 million compared to \$43.3 million in Q4 2018, and included:

- Investment income from TAH of \$42.5 million compared to \$38.2 million in Q4 2018 primarily as a result of TAH NOI of \$52.9 million compared to \$41.4 million in Q4 2018;
- Investment income from TLR of \$16.8 million compared to \$10.7 million in Q4 2018, including \$6.7 million investment income from the U.S. Multi-Family Portfolio acquired on June 11, 2019; and
- A fair value loss on embedded derivatives of \$1.3 million related to the Company's convertible debentures compared to an \$8.6 million gain recognized in Q4 2018, resulting in a \$9.9 million reduction in net income.

**Net income for the year ended December 31, 2019** was \$114.1 million compared to \$216.4 million for the year ended December 31, 2018. This equated to net income of \$0.65 and \$0.63 per basic and diluted share, respectively, compared to \$1.57 and \$1.28 for the year ended December 31, 2018. Net income for the year included:

- Investment income of \$162.2 million from TAH compared to \$218.9 million in the prior year as a result of a lower fair value gain of \$96.6 million in 2019 compared to \$180.5 million in the prior year, partially offset by higher NOI from a larger leased portfolio and a higher NOI margin;
- Transaction costs of \$32.6 million compared to \$0.1 million in 2018 related primarily to the acquisition of the U.S. Multi-Family Portfolio;
- A fair value gain on embedded derivatives of \$3.0 million related to the convertible debentures compared to a \$27.7 million gain recognized in 2018;
- Investment income from TLR of \$35.0 million compared to \$15.4 million in 2018, including \$13.5 million of investment income from the U.S. Multi-Family Portfolio; and

- Revenue from Private Funds and Advisory of \$39.9 million compared to \$30.3 million in 2018, primarily attributable to higher development fees from Johnson and higher performance fees generated from THP investments.

**Funds from operations (FFO) for the fourth quarter of 2019** was \$34.4 million, a 35% increase compared to \$25.4 million in Q4 2018, attributable to:

- Single-family rental Core FFO (net of third-party investor interests) of \$23.0 million in Q4 2019 compared to \$16.6 million in Q4 2018 driven by growth in portfolio size and strong operating metrics partly offset by higher interest expense on incremental debt;
- Multi-family rental Core FFO of \$7.0 million in Q4 2019 resulting from NOI of \$17.0 million partially offset by interest expense of \$9.3 million;
- Fee income from Private Funds and Advisory (net of non-controlling interests) of \$10.1 million in Q4 2019 compared to \$9.0 million in Q4 2018, primarily as a result of higher performance fees generated from THP investments and higher development fees from Johnson; and
- Corporate overhead remained largely unchanged at \$11.9 million compared to \$11.5 million in Q4 2018.

**Funds from operations (FFO) for the year ended December 31, 2019** increased by \$30.3 million or 60% to \$80.4 million compared to \$50.2 million in 2018 for the same reasons discussed above.

#### **Fourth Quarter Highlights by Business Unit**

##### **Tricon American Homes**

NOI increased by \$11.4 million or 28% to \$52.9 million for the fourth quarter compared to \$41.4 million in Q4 2018 as a result of a larger leased portfolio, continued strong rent growth and operational efficiencies achieved through cost containment. The NOI margin for the total portfolio was 65.0% compared to 64.5% in Q4 2018. The NOI margin increase was mainly driven by the following factors:

- Higher revenue from a growing portfolio of properties and strong average blended rent growth of 5.1% (6.0% on new leases and 4.7% on renewals); and
- Cost efficiencies realized for repairs and maintenance (R&M) and turns as TAH continues to use in-house personnel for its R&M function.

Core FFO increased by \$9.7 million or 57% to \$26.7 million in Q4 2019 compared to \$17.0 million in Q4 2018. The increase was largely a result of growth in portfolio size and strong operating metrics partly offset by higher interest expense on incremental debt balance to finance acquisitions.

On a same home basis, Q4 2019 NOI increased by 6.5% year-over-year and the NOI margin increased to 65.5% from 64.7% in Q4 2018 for reasons similar to those listed above as well as reduced turn costs attributable to a lower turnover rate of 25.7%. The same home portfolio generated strong operating metrics in Q4 2019, including 5.3% rent growth (6.3% on new leases and 4.8% on renewals) and occupancy of 96.7%.

TAH acquired 1,162 homes in Q4 2019, including a portfolio of 708 homes in Nashville, Tennessee acquired by TAH JV-1. The Nashville portfolio gives TAH a more efficient scale of operation within a key growth market characterized by strong population and employment growth. As of December 31, 2019, the total number of homes under management was 21,077 (including 5,624 for TAH JV-1).

Unless otherwise noted, the TAH operating metrics discussed in this press release (including NOI and Core FFO) reflect the performance of the entire portfolio under management, which includes the performance of the TAH JV-1 portfolio managed by a TAH subsidiary.

### **Tricon Lifestyle Rentals**

#### *Tricon Lifestyle Rentals U.S.*

NOI from the U.S. Multi-Family Portfolio increased by \$0.8 million or 5.0% to \$17.0 million in Q4 2019 compared to \$16.2 million in Q4 2018 driven by higher leasing activity and the realization of property tax recoveries. The NOI margin increased to 59.2% compared to 57.8% in Q4 2018 as a result of revenue growth from effective lease expirations management which improved occupancy to 94.4% in Q4 2019 compared to 92.8% in Q4 2018, supported by solid rent growth of 4.6% on renewed leases and higher ancillary revenue.

Subsequent to year-end, the Company fully transitioned the asset management function for the U.S. Multi-Family Portfolio from its previous manager, leveraging Tricon's many years of asset management experience across various residential asset classes in the United States.

Many of the historical metrics and financial information referenced in the discussion above are measures that were reported by Starlight U.S. Multi-Family (No. 5) Core Fund historically (and are available under its profile on SEDAR at [www.sedar.com](http://www.sedar.com)) and may not be directly comparable to the current period disclosures. Please refer to the Company's Management's Discussion and Analysis for explanations of any relevant differences. Management believes this information is useful in understanding the performance of the U.S. Multi-Family Portfolio.

#### *Tricon Lifestyle Rentals Canada*

TLR Canada continues to execute on its strategy of establishing itself as the leading developer, owner and operator of Class A rental apartments in the Greater Toronto Area. During the quarter, TLR Canada's first project, The Selby, reported 67 leases signed, bringing leased occupancy to 86%. The Selby achieved the strongest leasing velocity of any new purpose-built rental project in Toronto during 2019 (source: Urbanation).

At Blocks 8/20 of the West Don Lands project, below-grade construction commenced in late 2019, and a significant share of the project budget is on track to be tendered throughout the first half of 2020. In addition, TLR Canada has several development projects that are expected to commence construction in early 2020, bringing the total number of units under construction to nearly 1,400.

Subsequent to quarter-end, TLR Canada achieved a major platform milestone with the internalization of property management. Tricon now has a fully integrated Canadian multi-family rental platform which includes in-house investment, development and construction, and building operations. The internalization of property management will allow TLR Canada to fully control the resident experience by focusing on customer service and community engagement, while also overseeing building operations.

### **Private Funds and Advisory**

Revenue from Private Funds and Advisory (including contractual fees, general partner distributions and performance fees) was \$11.7 million in Q4 2019 compared to \$9.6 million in Q4 2018. Revenue included \$10.4 million of contractual and development fees from THP, \$1.0 million of asset management fees earned from TAH JV-1 and \$0.3 million of development management fees from TLR projects. The increase was largely attributable to an increase in development fees from Johnson

of \$3.0 million, as well as higher performance fees from THP commingled funds and separate accounts.

Johnson is credited with having three MPCs ranked in the top 50 in 2019 (source: RCLCO Real Estate Advisors) and Johnson communities delivered record third-party home sales in the year.

### **Quarterly Dividend and Normal Course Issuer Bid**

The Company announced a dividend of seven cents per share in Canadian dollars payable on or after April 15, 2020 to shareholders of record on March 31, 2020.

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](http://www.triconcapital.com).

On July 10, 2019, the Company announced that the Toronto Stock Exchange had approved its notice of intention to make a normal course issuer bid to repurchase up to two million of its common shares during the twelve-month period commencing July 15, 2019 (the "NCIB"). To date, the Company has repurchased 495,402 of its common shares for C\$4.9 million under the NCIB.

### **Subsequent Event**

In January 2020, the Company substantially completed its transition to an owner and operator of diversified rental housing in North America and therefore ceased to be an investment entity under IFRS 10.

As a result, effective January 1, 2020, the Company will begin to consolidate the financial results of controlled subsidiaries including its investments in single-family rental homes, U.S. multi-family rental properties and certain Canadian multi-family rental properties, resulting in the introduction of these subsidiaries' assets, liabilities, and non-controlling interests to the balance sheet of the Company. Similarly, these subsidiaries' income and expenses will be reported on the Company's statement of comprehensive income together with the non-controlling interests' share of income.

The Company continues to assess the impact on its consolidated financial statements of ceasing to be an investment entity and final conclusions have not yet been made. The anticipated changes are material and will be applied on a prospective basis. Refer to Note 26 to the annual consolidated financial statements for details.

### **Conference Call and Webcast**

Management will host a conference call at 10 a.m. ET on Thursday, February 27, 2020 to discuss the Company's results. Please call 647-427-2311 or 1-866-521-4909 (Conference ID #6177266). The conference call will also be accessible via webcast, and a supplementary conference call presentation will be provided at [www.triconcapital.com](http://www.triconcapital.com) (Investor Information - Events). A replay of the conference call will be available from 1.30 p.m. ET on February 27, 2020 until midnight ET on March 28, 2020. To access the replay, call 1-800-585-8367 or 416-621-4642, followed by passcode 6177266.

The Company's Financial Statements and Management's Discussion and Analysis for the year ended December 31, 2019 are available on Tricon's website at [www.triconcapital.com](http://www.triconcapital.com) and have been filed on SEDAR ([www.sedar.com](http://www.sedar.com)). The financial information therein is presented in U.S. dollars.

### **About Tricon Capital Group Inc.**

Tricon is a residential real estate company primarily focused on rental housing in North America, with approximately \$8.0 billion (C\$10.5 billion) of assets under management. Tricon invests in a portfolio of single-family rental homes, multi-family rental apartments and for-sale housing assets, and manages third-party capital in connection with its investments. Since its inception in 1988, Tricon has invested in real estate and development projects valued at approximately \$22 billion. More information about Tricon is available at [www.triconcapital.com](http://www.triconcapital.com).

### **For further information, please contact:**

Wissam Francis  
EVP & Chief Financial Officer  
Tel: 416-323-2484  
Email: [wfrancis@triconcapital.com](mailto:wfrancis@triconcapital.com)

Wojtek Nowak  
Managing Director, Capital Markets  
Tel: 416-925-2409  
Email: [wnowak@triconcapital.com](mailto:wnowak@triconcapital.com)

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*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](http://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, adjusted earnings per share ("EPS"), funds from operations ("FFO") and funds from operations per share ("FFO per share"), 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 year ended December 31, 2019, which is available on SEDAR at [www.sedar.com](http://www.sedar.com).*