

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



Tricon Announces Corporate Rebranding and Q1 2020 Results; Provides Operational Update

Toronto, Ontario - May 14, 2020 - Tricon Capital Group Inc. (TSX: TCN) ("Tricon" or the "Company"), a rental housing company focused on serving the middle-market demographic in North America, announced a corporate rebranding and reported consolidated financial results for the three months ended March 31, 2020. The company also provided an update on recent operating trends. All financial information is presented in U.S. dollars unless otherwise indicated. Highlights include:

- Tricon completed its transition to a rental housing company by realigning its corporate structure and senior reporting relationships, adopting consolidated accounting and REIT-like disclosure, and proposing to change its name to **Tricon Residential Inc.**
- Achieved Core FFO per share of \$0.13 (C\$0.18) in Q1, an increase of 160% year-over-year reflecting strong growth and improved operating metrics in Tricon's single-family and multi-family rental businesses, as well as lower corporate overhead expenses year-over-year.
- Reported earnings per diluted share of (\$0.21) in Q1 compared to \$0.16 in the prior year resulting from a \$79.6 million fair value write-down (\$0.41 per diluted share) of its interests in for-sale housing investments, underscoring Tricon's expectation for lower for-sale housing asset values in light of the ongoing COVID-19 pandemic and the Company's continued de-emphasis of this legacy business.
- Tricon collected 98% of April rents across its rental portfolios, which equates to 99% of historical collections prior to COVID-19. Rent deferral plans are in place for less than 1% of single-family residents and ~3% of multi-family residents.

"While Tricon's Q1 results showed a continuation of positive operating trends across our rental businesses, our focus has quickly shifted to navigating the unprecedented economic and social disruption arising from the COVID-19 pandemic," said Gary Berman, Tricon's President and CEO. "Over the better part of ten years, we have transformed Tricon into a diversified rental housing business that is focused on providing essential shelter to the broad middle-market demographic. Our business is designed to be resilient through economic cycles and so far is performing as intended, having achieved ~99% of historical rent collections for the month of April. Rent collections in May are so far tracking on a similar path to April's, bolstered by government mandates to self-shelter and record stimulus designed to help the workforce."

"With our business on solid footing, we were able to devote significant time in the quarter to complete our transformation to a rental housing company by adopting consolidated accounting, revamping our supplementary disclosure to conform with many REITs, and collapsing our parent company/operating subsidiary structure to create one unified company under the new name Tricon Residential. As we begin our next chapter under an exciting new banner, we believe that Tricon is very well-positioned to not only withstand the economic fallout from COVID-19, but also to capitalize on growth

opportunities that may emerge. I want to take this opportunity to congratulate Jon Ellenzweig, Kevin Baldrige and Sherrie Suski on their promotions to the C-Suite, to recognize our broader team for their hard work and dedication during these challenging times, and to thank our shareholders for their ongoing support.”

Completing the Transformation to a Rental Housing Company

Tricon’s goal is to become North America’s pre-eminent rental housing company focused on the broad middle-market demographic by owning quality properties in attractive markets, committing to operational excellence, and delivering exceptional customer service through its integrated technology-enabled operating platform. As a final step in its transformation to a rental company, the Company has realigned its operating structure, is rebranding itself and its operations, and proposes to change its name to "Tricon Residential Inc.", subject to shareholder approval at Tricon’s upcoming annual meeting. The new operating structure establishes one unified company and eliminates the parent company/operating subsidiary model that existed under investment entity accounting (including business-to-business names TAH, TLR and THP). The Company intends to continue to have its common shares trade on the TSX under the trading symbol “TCN”.

In keeping with the restructuring, changes were made to Tricon's leadership team to reflect the realignment of operations under one entity. The senior executives reporting directly to Gary Berman, President and Chief Executive Officer, are as follows:

- Wissam Francis - EVP and Chief Financial Officer
- Jonathan Ellenzweig - promoted to Chief Investment Officer
- Kevin Baldrige - promoted to Chief Operating Officer
- David Veneziano - Chief Legal Officer
- Sherrie Suski - promoted to Chief People Officer

Financial Highlights

(in thousands of U.S. dollars, except per share amounts which are in U.S. dollars, unless otherwise indicated)

	Q1 2020	Q1 2019
<i>Financial highlights on a consolidated basis</i>		
Net income (loss), including:	(40,505)	22,666
Fair value gain on rental properties	20,637	32,674
Income (loss) from investments in for-sale housing	(79,579)	2,227
Basic earnings (loss) per share	(0.21)	0.16
Diluted earnings (loss) per share	(0.21)	0.15
Dividends per share	C\$ 0.07	C\$ 0.07
Weighted average shares outstanding - basic	195,080,609	144,345,582
Weighted average shares outstanding - diluted	196,452,674	146,162,105
<i>Non-IFRS⁽¹⁾ measures on a proportionate basis</i>		
Core funds from operations ("Core FFO")	27,034	8,700
Adjusted funds from operations ("AFFO")	20,391	3,170
Core FFO per share ⁽²⁾	0.13	0.05
Core FFO per share (CAD) ^(2,3)	0.18	0.07
AFFO per share ⁽²⁾	0.10	0.02
AFFO per share (CAD) ^(2,3)	0.14	0.03

(1) Non-IFRS measures are presented to illustrate a normalized picture of the Company's performance.

(2) Core FFO per share and AFFO per share are calculated using the total number of weighted average potential dilutive shares outstanding (including convertible debt), which was 212,934,511 and 162,653,502, respectively, for the three months ended March 31, 2020 and March 31, 2019.

(3) USD/CAD exchange rates used are 1.4187 at March 31, 2020 and 1.3363 at March 31, 2019.

The comparative figures in the table above and throughout this news release have been recast to conform with the Company's current reporting framework under consolidation, adopted effective January 1, 2020.

Net loss for the first quarter of 2020 was \$40.5 million compared to net income of \$22.7 million in Q1 2019, and included:

- Revenue from rental properties of \$116.2 million compared to \$67.5 million in Q1 2019, reflecting the U.S. multi-family rental portfolio acquisition in the second quarter of 2019 and significant growth of the single-family rental portfolio along with improvements in average monthly rent and occupancy.
- Direct operating expenses of \$41.8 million compared to \$23.7 million in Q1 2019, resulting from the aforementioned growth in the multi-family and single-family rental portfolios, as well as higher property taxes across both portfolios due to higher assessed property values.
- Income from investments in Canadian multi-family developments of \$5.2 million compared to a loss of \$0.9 million in the prior year, driven by the achievement of significant development milestones.
- Compensation and general and administration expense of \$13.3 million, unchanged from the prior year as a result of the Company's cost containment efforts.
- Fair value gain on rental properties of \$20.6 million compared to \$32.7 million in Q1 2019, reflecting a moderation of home price appreciation in Tricon's single-family rental portfolio.
- Loss from investments in for-sale housing of \$79.6 million compared to income of \$2.2 million in Q1 2019, attributable to updated assumptions regarding the timing and magnitude of future cash flows to reflect achievable values in the context of the current market environment being negatively impacted by COVID-19.

Core funds from operations ("Core FFO") for the first quarter of 2020 was \$27.0 million, an increase of \$18.3 million or 211% compared to \$8.7 million in Q1 2019, reflecting growth and operational improvements in the rental portfolios and higher income from Canadian multi-family developments, partially offset by higher interest expense associated with the larger rental portfolios.

Adjusted funds from operations ("AFFO") for the first quarter of 2020 was \$20.4 million, reflecting recurring capital expenditures of \$6.6 million in Tricon's single-family and multi-family rental properties. Tricon's AFFO payout ratio in Q1 was 47%.

Operating Highlights

For the three months ended March 31

(in thousands of U.S. dollars, except for percentages)

		2020		2019
SINGLE-FAMILY RENTAL				
Net operating income (NOI)	\$	47,668	\$	41,300
Same home net operating income (NOI) margin		65.7%		65.5%
Same home net operating income (NOI) growth		5.5%		N/A
Same home occupancy		96.5%		96.1%
Same home annualized turnover		20.9%		22.6%
Same home average quarterly rent growth - blended		6.1%		6.4%
U.S. MULTI-FAMILY RENTAL^(1,2)				
Net operating income (NOI)	\$	16,439	\$	—
Net operating income (NOI) margin		57.6%		—
Occupancy		94.4%		—
Annualized turnover		47.5%		—
Average quarterly rent growth - blended		1.1%		—

(1) Tricon's U.S. multi-family rental portfolio was acquired on June 11, 2019, and operating metrics represent portfolio results for Tricon's ownership period only.

(2) For the three months ended March 31, 2020, the total property results equate to same property results for the U.S. multi-family rental portfolio.

Single-family rental operating metrics in the table above and throughout this news release reflect Tricon's proportionate share of the managed portfolio and exclude limited partners' interests in the SFR JV-1 portfolio.

Single-family rental NOI was \$47.7 million for the three months ended March 31, 2020, an increase of \$6.4 million or 15% year-over-year. The variance in NOI is attributable to an increase of \$8.6 million in rental revenue as a result of a larger leased portfolio (Tricon's proportionate share of leased homes was 17,360 in Q1 2020 compared to 16,190 in Q1 2019) as well as strong rent growth and higher occupancy. This change was partially offset by an increase in direct operating expenses of \$2.7 million on a larger leased portfolio, including a \$1.3 million increase in property taxes as a result of higher assessed property values.

Single-family rental same home NOI growth was 5.5% in Q1. Same home revenues increased by 5.4% driven by higher occupancy and rent growth, as well as higher ancillary revenue. Same home operating expenses increased by 5.0%, driven primarily by higher property taxes as well as higher repairs, maintenance and turnover expense caused by elevated storm activity.

Multi-family rental NOI of \$16.4 million reflected the acquisition of the U.S. multi-family rental portfolio in the second quarter of 2019. Tricon's primary focus has been on improving occupancy, which was reflected in an occupancy increase of 130 basis points compared to the same period in 2019 (reported under prior ownership). In addition, this quarter's annualized turnover rate of 47.5% is a record low for Tricon's portfolio, reflecting the Company's proactive approach to asset management and a desire to drive strong occupancy and retention by providing a high level of customer service. Blended rent growth of 1.1% reflects this strong occupancy bias as well as COVID-19 related softness in March. Prior to this, blended rent growth in the first two months of the year was tracking at 1.9% while same property NOI growth was approximately 3% (compared to NOI reported under prior ownership).

Change in Net Assets

As at March 31, 2020, Tricon's net assets (book value) totalled \$1,594 million, or \$8.28 per share (C\$11.75), compared to \$1,653 million on December 31, 2019. The \$59.1 million decrease reflects a net loss of \$40.5 million reported in the quarter (including a fair value gain on its single-family rental properties of \$20.6 million and a loss from investments in for-sale housing of \$79.6 million), as well as a \$6.6 million foreign currency translation loss and \$9.5 million of dividends accrued, among other items. The Company recorded no fair value change on its U.S. multi-family rental properties in Q1.

Tricon's net asset value for its for-sale housing investments decreased by \$129.3 million from \$300.7 million as at December 31, 2019 to \$171.4 million as at March 31, 2020, mainly attributable to a fair value loss of \$79.6 million and distributions of \$51.5 million primarily from the syndication of the Company's investment in the Trinity Falls project. As a result, Tricon's for-sale housing assets now represent less than 3% of total assets of the Company.

Investment Activity

During the quarter, Tricon acquired 538 single-family rental homes, bringing its total managed portfolio to 21,583 homes. The Company has since paused the acquisition of homes and other non-essential capital expenditures to preserve liquidity and safeguard employees and contract workers.

Across Tricon's Canadian multi-family developments, construction continues at The Taylor, West Don Lands (Block 8) and The Ivy, subject to essential construction regulations, and is largely being funded by construction loans.

In Q1, investments in for-sale housing distributed \$51.5 million to Tricon, primarily from the syndication of a 50% interest in the Trinity Falls master-planned community investment. For-sale housing investments currently represent less than 3% of Tricon's total assets and are projected to generate approximately \$340 million of net cash flow over the next ten years.

Balance Sheet and Capital Markets Activity

As at March 31, Tricon's consolidated net debt (excluding convertible debentures) was \$3.9 billion compared to total assets of \$6.5 billion, for a net debt to assets ratio of 61.5%.

On March 4, 2020, the Company repurchased and cancelled 1,867,675 common shares as a result of the exercise of the put rights applicable to certain common shares issued in connection with Tricon's acquisition of the U.S. multi-family portfolio.

Liquidity

Tricon's liquidity consists of a \$500 million corporate credit facility with approximately \$174 million of undrawn capacity as at March 31, 2020. This facility matures in July 2022. The Company also had approximately \$53 million of unrestricted cash on hand.

Tricon's near-term debt maturities include three debt instruments in its single-family rental business totalling \$426 million, which have initial maturities in 2020 that are extendible at Tricon's option. In addition, Tricon's U.S. multi-family rental business has a \$114 million credit facility with a major Canadian financial institution that matures in December 2020. The Company is in active discussions with the lender to extend this maturity to the end of 2021.

Post Q1 Operational Update

In light of the ongoing COVID-19 pandemic, the Company provided a more current update on its operations.

Single-family rental

In the single-family rental business, same home occupancy increased to 97.4% as of April 30, 2020, and annualized turnover increased marginally to 22.1% during the month although remaining well below historical levels. Average blended rent growth in April remained strong at 5.0%, driven by 5.6% growth on new move-ins and 4.7% growth on renewals.

The Company collected 98% of April rents, and fewer than 1% of Tricon's single-family rental residents have requested a rent deferral plan because of economic hardship.

As of May 13, 2020, Tricon has collected 90% of May rents, with collections tracking slightly above April's pace at the same point in time.

U.S. multi-family rental

In the U.S. multi-family rental business, occupancy remained stable at 93.6% as of April 30, 2020, and annualized turnover decreased to 43.3% during the month. Average rents for leases signed in April decreased by 2.2% from the previous lease, comprised of a 6.7% decrease on new move-ins offset by 1.0% growth on renewals. The Company collected 98% of April rents, and approximately 3% of Tricon's multi-family rental residents have been approved for a rent deferral plan because of economic hardship.

As occupancy stabilized during April, the Company began to increase effective rents, and average rents for leases signed during May were down by 0.8% (versus the 2.2% reduction in April). The Company has also collected 90% of May rents thus far, with collections tracking slightly above April's pace at the same point in time.

Canadian multi-family rental (The Selby)

In the Canadian multi-family rental business, occupancy at The Selby remained stable at 87.2% as of April 30, 2020. The Company collected 98% of April rents and 93% of May rents thus far.

Quarterly Dividend

The Company announced a dividend of seven cents per share in Canadian dollars payable on or after July 15, 2020 to shareholders of record on June 30, 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.

Conference Call and Webcast

Management will host a conference call at 10 a.m. ET on Friday, May 15, 2020 to discuss the Company's results. Please call 647-427-2311 or 1-866-521-4909 (Conference ID #4539588). 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 May 15, 2020 until midnight ET on June 15, 2020. To access the replay, call 1-800-585-8367 or 416-621-4642, followed by passcode 4539588.

The Company's Financial Statements and Management's Discussion and Analysis for the three months ended March 31, 2020 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.

Founded in 1988, Tricon is a rental housing company focused on serving the middle-market demographic. Tricon owns and operates approximately 30,000 single-family rental homes and multi-family rental units in 21 markets across the United States and Canada, managed with an integrated technology-enabled operating platform. 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
Managing Director, Capital Markets
Tel: 416-925-2409
Email: wnowak@triconcapital.com

* * * *

This news release may contain forward-looking statements relating to expected future events (including the proposed name change, which remains subject to shareholder approval, and the rebranding of the Company and its operations) 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, its business plans, and its 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, net operating income ("NOI"), funds from operations ("FFO"), core funds from operations ("Core FFO"), adjusted funds from operations ("AFFO"), Core FFO per share, AFFO per share, Core FFO payout ratio and AFFO payout ratio, 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 4 and 5 of the Company's MD&A for the three months ended March 31, 2020, which is available on SEDAR at www.sedar.com.