



Tricon Delivers Strong Q1 2019 Results Driven by Record Operating Metrics at Tricon American Homes

Toronto, Ontario - May 7, 2019 - 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 three months ended March 31, 2019. All financial information is presented in U.S. dollars unless otherwise indicated.

Key operational and financial highlights for Q1 2019 include:

- Tricon American Homes ("TAH") NOI increased by 23% year-over-year to \$43.7 million and Core FFO increased by 28% year-over-year to \$16.3 million, driven by strong operating performance including 97.4% stabilized occupancy, 5.7% blended rent growth and 64.7% NOI margin;
- TAH achieved 9.3% same home NOI growth in Q1 2019, 5.7% same home blended rent growth, 97.7% leased occupancy and an increase of 220 bps in its same home NOI margin to 65.2%;
- Private Funds and Advisory revenue increased by 35% year-over-year to \$7.5 million, reflecting growth in third-party capital as well as additional development fees earned from Johnson;
- Tricon Lifestyle Rentals ("TLR") expanded its multi-family development program to over 3,000 units in Toronto, Canada with the acquisition of 7 Labatt in partnership with a major Canadian institutional investor;
- The Selby, TLR Canada's first project to commence leasing, had 123 units under signed lease or approved application as of March 31, following the commencement of leasing on November 30, 2018;
- Adjusted EBITDA of \$69.9 million and Adjusted basic and diluted earnings per share of \$0.25 and \$0.23, respectively;
- Subsequent to quarter-end, TLR U.S. completed the sale of its 90% interest in The McKenzie project partnership for net proceeds to Tricon of approximately \$50 million, which represents an IRR and ROI of 18% and 1.6x, respectively; and
- On April 2, 2019, the Company entered into an arrangement agreement under which Tricon will acquire Starlight U.S. Multi-Family (No. 5) Core Fund, which owns a portfolio of 23 multi-family properties, in a transaction valued at \$1.4 billion.

"Tricon's strong operating trends of the past year continued into the first quarter of 2019 with our largest business, Tricon American Homes, delivering same home NOI growth of 9.3%, rent growth of 5.7% and leased occupancy of 97.7%. These metrics underscore the strength of TAH's service offering and middle market strategy," said Gary Berman, Tricon's President and CEO. "Subsequent to quarter-end, we announced the acquisition of Starlight U.S. Multi-Family (No. 5) Core Fund, which will add a major source of recurring income (projected to be approximately \$68 million of NOI), pivot our U.S. multi-family investment strategy to the middle market and serve as another platform for

attracting third-party capital. We are off to a great start in 2019 and look forward to another year of pursuing profitable growth for both public and private investors.”

Financial Highlights

For the three months ended March 31

(in thousands of U.S. dollars,
except per share amounts)

	2019	2018
Investment income - Tricon American Homes ¹	\$ 43,553	\$ 86,442
Investment income - Tricon Lifestyle Rentals	5,387	1,017
Investment income - Tricon Housing Partners	2,227	2,885
Investment income from discontinued operations and gain from disposal of investments held for sale - Tricon Lifestyle Communities	—	1,568
Private Funds and Advisory revenue	7,489	5,567
Net income	24,063	99,469
Basic earnings per share	0.17	0.74
Diluted earnings per share	0.16	0.46
Dividends per share	C\$ 0.07	C\$ 0.07
Non-IFRS measures		
Adjusted EBITDA ¹	\$ 69,870	\$ 115,309
Adjusted net income	35,809	76,376
Adjusted basic earnings per share	0.25	0.57
Adjusted diluted earnings per share	0.23	0.49
Assets under management (AUM)	\$ 5,939,254	\$ 4,757,399

(1) Includes fair value gain of \$29,818 in Q1 2019 compared to a gain of \$76,096 recorded in Q1 2018.

Net income for the first quarter of 2019 was \$24.1 million compared to \$99.5 million in Q1 2018, and included:

- A fair value loss on embedded derivatives of \$6.9 million related to the Company's outstanding convertible debentures compared to a \$29.3 million gain recognized in Q1 2018, which resulted in a decrease of \$36.1 million in net income;
- Investment income of \$43.6 million from TAH compared to \$86.4 million in Q1 2018 as the combination of BPO and HPI valuation methodologies resulted in lower fair value growth of \$29.8 million in Q1 2019 compared to \$76.1 million in Q1 2018. The HPI increase in Q1 2019 was 0.9% (3.6% annualized) compared to a 1.5% HPI increase Q1 2018 (6.0% annualized). Excluding the impact of fair value gains, investment income from TAH would have been \$13.8 million in Q1 2019 and \$10.3 million in Q1 2018, representing an increase of \$3.5 million or 34% year-over-year;
- Investment income of \$5.4 million from TLR compared to \$1.0 million in Q1 2018, driven by \$4.8 million of fair value gains on TLR U.S. projects held for sale; and
- Private Funds and Advisory revenue of \$7.5 million earned from all three of Tricon's investment verticals, including management fees of \$1.0 million from TAH JV-1, which was established on June 27, 2018.

Adjusted EBITDA for the first quarter of 2019 was \$69.9 million compared to \$115.3 million in Q1 2018, driven by:

- A TAH fair value gain of \$29.8 million in Q1 2019 as compared to \$76.1 million in Q1 2018, a decrease in the gain of \$46.3 million;
- An increase of \$8.1 million or 23% in TAH NOI to \$43.7 million compared to \$35.6 million in Q1 2018;
- An increase of \$4.5 million or 216% in TLR Adjusted EBITDA to \$6.5 million compared to \$2.1 million in Q1 2018, reflecting fair value gains recognized on The McKenzie, which was sold subsequent to quarter-end; and
- A partially offsetting decrease in Tricon Lifestyle Communities ("TLC") Adjusted EBITDA to nil compared to \$8.2 million in Q1 2018, as its portfolio of 14 manufactured housing communities was disposed of in June 2018.

Tricon American Homes

NOI increased by \$8.1 million or 23% to \$43.7 million compared to \$35.6 million in Q1 2018 as a result of a larger leased portfolio, strong rent growth and containment of controllable expenses. The NOI margin for the total portfolio in the quarter was 64.7% compared to 62.8% in Q1 2018. The NOI margin increase was a result of the following factors:

- Higher revenue from a higher number of leased properties and strong average blended rent growth of 5.7% (7.6% on new leases and 4.7% on renewals);
- Lower turn expenses attributable to a record low turnover rate of 20.8%;
- Savings in repairs and maintenance ("R&M") costs due to internalization of the R&M function; and
- Increased property tax expense driven by higher home values.

Core FFO was \$16.3 million in Q1 2019 compared to \$12.7 million in Q1 2018. This increase was attributable to the high rent growth discussed above, partially offset by an increase in corporate overhead associated with staffing increases to accommodate the growth plan for TAH JV-1.

On a same home basis, Q1 2019 NOI increased by 9.3% year-over-year and the NOI margin increased to 65.2% from 63.0% in Q1 2018 for reasons similar to those listed above. The same home portfolio generated strong operating metrics in Q1 2019, including 5.7% rent growth (including 7.6% on new leases) and a 22.9% annualized turnover rate accompanied by a 0.8% increase in occupancy to 97.7% from 96.9% in Q1 2018.

TAH acquired 730 homes in Q1 2019 (565 for TAH JV-1 and 165 TAH wholly-owned homes), bringing the total number of homes under management to 18,131 (including 2,568 for TAH JV-1).

The TAH operating metrics discussed above (including NOI and Core FFO) reflect the performance of the entire portfolio under management, including the TAH JV-1 portfolio, which is managed by a TAH subsidiary.

Tricon Lifestyle Rentals

TLR Canada's active projects under development progressed according to their business plans during the first quarter of 2019. In particular, The Selby experienced strong leasing demand during the quarter, with 105 new lease applications approved and signed, despite a seasonally slower winter period. As of March 31, 2019, The Selby had 123 units under signed lease or approved application, with the building's first 35 floors available for rent and the final 15 floors expected to become available in the second quarter of 2019.

In February 2019, TLR Canada announced the formation of a new separate account in a partnership with TAS Design Build and an institutional investor to develop and manage 7 Labatt, a 1.3-acre mixed-use project in downtown Toronto. The total equity commitment for the project is approximately \$60 million (C\$80 million), with Tricon contributing 30% of the equity. TLR Canada's portfolio now comprises of approximately 3,000 rental units under pre-development, construction or lease-up with an aggregate expected cost of \$1.2 billion (C\$1.6 billion).

Subsequent to quarter-end, TLR U.S. completed the sale of its 90% interest in The McKenzie project partnership for net proceeds to Tricon of approximately \$50 million, which were used in part to repay a portion of Tricon's revolving term credit facility. Tricon still intends to liquidate its last U.S. development project, The Maxwell, in an orderly manner as part of the disposition of its TLR U.S. development holdings.

On April 2, 2019, the Company announced that it has entered into an arrangement agreement pursuant to which it will acquire all of the issued and outstanding limited partnership units of Starlight U.S. Multi-Family (No. 5) Core Fund in an all-share transaction (the "Starlight Transaction"), which is expected to close by the end of the second quarter of 2019, subject to outstanding closing conditions. The Starlight Transaction will result in the indirect acquisition of the Fund's portfolio of 23 multi-family properties totaling 7,289 units located primarily in the U.S. Sun Belt and is valued at approximately \$1.4 billion. This transformational acquisition will enable Tricon to establish a U.S. multi-family rental platform with immediate scale in attractive U.S. Sun Belt markets, and positions the Company for future growth through organic acquisitions and the ability to raise third-party capital for new multi-family investment strategies.

Tricon Housing Partners

On February 1, 2019, Tricon Housing Partners ("THP") closed the acquisition of Bryson, a fully-entitled 530-acre master-planned community development near Austin, Texas, with Johnson as the developer. The project has flexible entitlements for the build-out of approximately 1,250 single-family homes and 83 acres of mixed-use development. Tricon's capital commitment to the project is \$25.4 million, including \$19.6 million funded upon closing.

THP has commenced a sale process to syndicate a majority interest in Trinity Falls to a third-party investor. It also intends to ultimately syndicate its ownership interest in the Bryson master-planned community development.

THP continued to experience cost increases and timing delays, resulting in muted fair value gains during the quarter. Despite these challenges, projected net cash flows remain largely unchanged across the existing portfolio.

Quarterly Dividend

The Company announced a dividend of seven cents per share in Canadian dollars payable on or after July 15, 2019 to shareholders of record on June 30, 2019.

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 Wednesday, May 8, 2019, to discuss the Company's results. Please call 647-427-2311 or 1-866-521-4909 (Conference ID #4765759). 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 8, 2019 until midnight ET on June 8, 2019. To access the replay, call 1-800-585-8367 or 416-621-4642, followed by passcode 4765759.

The Company's Financial Statements and Management's Discussion and Analysis for the three months ended March 31, 2019 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 residential real estate company primarily focused on rental housing in North America, with approximately \$5.9 billion (C\$7.9 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 \$20 billion. More information about Tricon is available at www.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, including statements regarding the proposed Starlight Transaction. 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 months ended March 31, 2019, which is available on SEDAR at www.sedar.com.