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Tricon Delivers Record Earnings and Third-Party AUM Growth in 2018

Toronto, Ontario - February 27, 2019 - Tricon Capital Group Inc. (TSX: TCN) ("Tricon" or the "Company"), an investment manager focused on the residential real estate industry, announced today its consolidated financial results for the year ended December 31, 2018. All of the financial information is in U.S. dollars unless otherwise indicated.

Key operational and financial highlights for 2018 include:

- Net income increased by 212% year-over-year to \$216.4 million, and basic and diluted earnings per share increased by 191% and 137%, respectively, to \$1.57 and \$1.28;
- Assets under management ("AUM") increased by 23% year-over-year to \$5.7 billion (C\$7.8 billion), driven by 39% growth in third-party managed assets;
- In Q2 2018, the Company entered into a \$2 billion joint venture with two leading institutional investors to assemble a portfolio of 10,000-12,000 single-family rental homes which will be acquired and managed by Tricon American Homes ("TAH");
- TAH's NOI increased by 32% year-over-year to \$151.2 million and Core FFO increased by 51% year-over-year to \$54.0 million; the results were driven by strong operating performance including 96.2% stabilized occupancy, 6.4% blended rent growth and 62.7% NOI margin;
- TAH achieved 7.0% same home NOI growth in 2018, 6.0% same home blended rent growth, and an increase of 140 bps in its same home NOI margin to 61.2%;
- Tricon Lifestyle Rentals ("TLR") recognized fair value gains of \$20.4 million, driven primarily by development progress at The Selby and both TLR U.S. projects, which are now in the lease-up stage;
- Tricon realized gross proceeds of \$172.5 million (net proceeds of \$85.2 million) from the sale of Tricon Lifestyle Communities' ("TLC") portfolio, generating a 25% IRR and 1.7x ROI to Tricon;
- Private Funds and Advisory revenue increased by 19% year-over-year to \$30.3 million, reflecting the growth in third-party capital as well as additional development fees earned from new TLR Canada projects; and
- Adjusted EBITDA increased by 35% to \$364.0 million; and Adjusted basic and diluted earnings per share increased by 36% and 32% year-over-year, respectively, to \$1.64 and \$1.45.

“Tricon achieved record results in 2018, underscoring a year of significant growth, operational success and a renewed focus on raising third-party capital,” said Gary Berman, Tricon’s President and CEO. “The formation of a \$2 billion single-family rental joint venture with two leading institutional investors was a significant milestone for Tricon, enabling us to scale faster, generate additional fee income and broaden our appeal among large private investors. In what we call Tricon 3.0, we intend to optimize our balance sheet by accelerating the use of third-party capital in all of our housing verticals, thereby driving return on equity.

Operationally, our largest business vertical, TAH, led the way with strong metrics including same home NOI growth of 7.0%, total portfolio turnover of 26.8% and blended rent growth of 6.4% in 2018. Our multi-family vertical, TLR, added 1,700 units to its development pipeline in Toronto, advanced existing projects on time and on budget, and quickly positioned itself as a leader in the burgeoning Class A multi-family development sector in Canada. These efforts, along with the successful disposition of our manufactured housing investment, have added to our track record of growing book value per share by 23% per annum since entering the single-family rental sector in 2012. We believe that our investment and operational performance will ultimately be rewarded by the public markets and that the gap between our strong fundamentals and stock price will narrow.”

Financial Highlights

For the periods ended December 31 (in thousands of U.S. dollars, except per share amounts)	Three months		Twelve months	
	2018	2017	2018	2017
Investment income - Tricon American Homes	\$ 38,159	\$ 45,709	\$ 218,932	\$ 113,067
Investment income - Tricon Lifestyle Rentals	10,653	5,950	15,406	12,391
Investment income - Tricon Housing Partners	1,943	1,236	11,449	18,209
Investment income from discontinued operations and gain from disposal of investments held for sale - Tricon Lifestyle Communities	—	1,187	21,170	7,381
Private Funds and Advisory revenue	9,565	7,331	30,347	25,399
Net income	43,297	25,724	216,355	69,348
Basic earnings per share	0.30	0.19	1.57	0.54
Diluted earnings per share	0.23	0.19	1.28	0.54
Dividends per share	C\$ 0.07	C\$ 0.065	C\$ 0.28	C\$ 0.26
Non-IFRS measures				
Adjusted EBITDA	\$ 79,671	\$ 96,956	\$ 363,996	\$ 269,709
Adjusted net income	46,116	59,486	224,675	153,626
Adjusted basic earnings per share	0.32	0.44	1.64	1.21
Adjusted diluted earnings per share	0.30	0.39	1.45	1.10
Assets under management (AUM)			\$ 5,703,910	\$ 4,622,309

Net income for the fourth quarter of 2018 was \$43.3 million compared to \$25.7 million in Q4 2017. Net income per basic and diluted share was \$0.30 and \$0.23, respectively, compared to \$0.19 and \$0.19 in Q4 2017. Net income for the quarter included:

- Investment income of \$38.2 million from TAH compared to \$45.7 million in Q4 2017, reflecting lower fair value gains as determined by the combination of the BPO and HPI methodologies, net of capital expenditures;

- Investment income of \$10.7 million from TLR compared to \$6.0 million in Q4 2017, driven by higher fair value gains as The Selby neared substantial completion and The Taylor (formerly 57 Spadina) achieved development milestones;
- Private Funds and Advisory revenue of \$9.6 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; and
- A fair value gain on embedded derivatives of \$8.6 million related to the Company's outstanding convertible debentures compared to a \$13.4 million loss recognized in Q4 2017.

Net income for the year ended December 31, 2018 was \$216.4 million compared to \$69.3 million for the year ended December 31, 2017. This equated to net income of \$1.57 and \$1.28 per basic and diluted share, respectively, compared to \$0.54 and \$0.54 for the year ended December 31, 2017. Net income for the year included:

- Investment income of \$218.9 million from TAH compared to \$113.1 million in the prior year, which is a result of strong operating results, a full-year inclusion of homes acquired with Silver Bay Realty Trust Corp. ("Silver Bay") in May 2017, and higher fair value gains of \$180.5 million compared to \$144.0 million in 2017 reflecting home price appreciation on a larger portfolio;
- A fair value gain on embedded derivatives of \$27.7 million related to the convertible debentures compared to a \$23.3 million loss recognized in 2017; and
- Interest expense of \$31.7 million compared to \$23.7 million in 2017 resulting primarily from a higher outstanding credit facility balance as well as a higher weighted average interest rate throughout the year.

Adjusted net income for the fourth quarter of 2018 was \$46.1 million compared to \$59.5 million in Q4 2017. Adjusted basic and diluted earnings per share were \$0.32 and \$0.30, respectively, compared to \$0.44 and \$0.39 in Q4 2017. The decrease in Adjusted net income on an absolute and per-share basis is primarily attributable to lower fair value gains at TAH in Q4 2018 compared to the same period in 2017.

Adjusted net income for the year ended December 31, 2018 was \$224.7 million compared to \$153.6 million in 2017. Adjusted basic and diluted earnings per share were \$1.64 and \$1.45, respectively, compared to \$1.21 and \$1.10 in 2017. The increase in Adjusted net income on an absolute and per-share basis was attributable to strong fair value gains and operational results at TAH and the gain on the disposition of TLC, partly offset by higher interest expense.

Investment income - Tricon American Homes

Investment income from TAH was \$38.2 million for the quarter compared to \$45.7 million in Q4 2017 as a result of (i) fair value gains of \$24.8 million for the quarter compared to \$51.3 million in the same period in the prior year, from the combination of BPO and HPI valuation methodologies, and (ii) NOI of \$41.4 million compared to \$34.7 million in Q4 2017 driven by high rent growth and expense containment achieved across the portfolio.

For the full year of 2018, investment income from TAH was \$218.9 million compared to \$113.1 million in 2017 as a result of (i) additional home price appreciation and NOI contribution from Silver Bay homes for the full year as opposed to eight months in the prior year, (ii) strong rent growth and expense containment achieved across the portfolio, and (iii) a decrease in transaction costs and non-recurring items as 2017 included Silver Bay acquisition costs.

The NOI margin for the total portfolio in the quarter was 64.5% compared to 63.0% in Q4 2017 as a result of strong average blended rent growth of 6.4% (7.9% on new leases and 5.6% on renewals), partly offset by higher property tax expense. On a same home basis, Q4 2018 NOI increased by 8.6% year-over-year and the NOI margin increased to 62.6% from 61.1% in Q4 2017 for similar reasons. Core FFO was \$17.0 million in Q4 2018 compared to \$12.8 million in Q4 2017. This favourable variance was attributable to higher rental revenue from more leased properties and 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.

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.

Investment income - Tricon Lifestyle Rentals

Investment income from TLR was \$10.7 million for the quarter compared to \$6.0 million in Q4 2017, driven primarily by fair value gains of \$12.1 million as The Selby neared substantial completion and The Taylor achieved development milestones. The fair value gains were offset by \$1.0 million of interest expense and \$0.6 million of operating losses as certain projects in the lease-up phase ceased to meet the criteria for capitalizing interest and other costs as development costs.

For the full year, investment income from TLR was \$15.4 million compared to \$12.4 million in 2017, driven primarily by fair value gains of \$20.4 million earned across various projects and an income tax recovery of \$2.7 million. These were offset by an unfavourable foreign currency adjustment of \$3.7 million, income attributable to non-controlling interest of \$1.8 million along with operating losses and other costs totaling \$2.2 million.

Subsequent to year-end, TLR Canada announced its participation in a partnership with TAS Design Build and an institutional investor to develop and manage 7 Labatt, a mixed-use project in downtown Toronto.

Investment income - Tricon Housing Partners

Investment income from THP was \$1.9 million for the quarter compared to \$1.2 million in Q4 2017. Investment income was comprised of \$5.3 million from separate accounts, predominantly as a result of continued strong performance from Cross Creek Ranch and Viridian, as well as \$3.6 million of investment income from Trinity Falls. These gains were partially offset by fair value losses at THP1 US, THP2 US and side-cars as a result of increased competition in the active-adult market, lower demand for premium-priced product and delayed project timelines and sales.

For the full year of 2018, investment income was \$11.4 million compared to \$18.2 million in 2017. Investment income for the full year was predominantly driven by the same factors listed above.

Private Funds and Advisory

Revenue from Private Funds and Advisory (including contractual fees, general partner distributions and performance fees) for the quarter was \$9.6 million compared to \$7.3 million in Q4 2017. Revenue included fees of \$7.0 million from THP, \$1.5 million of revenue from TLR and \$1.0 million of management fees earned from TAH JV-1. Revenue from THP of \$7.0 million included \$1.5 million in performance fees earned mainly from the Mahogany master-planned community ("MPC") development in Calgary, Alberta.

For the full year of 2018, revenue from Private Funds and Advisory was \$30.3 million compared to \$25.4 million in 2017. This was comprised of \$24.5 million from THP, \$3.8 million from TLR and \$2.1

million from the TAH JV-1. Of note, nearly 40% of the revenue from THP was generated through development fees at Johnson. Johnson is credited with being the only developer in the U.S. to have six MPCs ranked in the top 50 in 2018 with record third-party home sales in the year.

Quarterly Dividend

The Company announced a dividend of seven cents per share in Canadian dollars payable on or after April 15, 2019 to shareholders of record on March 31, 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 Thursday, February 28, 2019 to discuss the Company's results. Please call 647-427-2311 or 1-866-521-4909 (Conference ID # 7684609). 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 February 28, 2019 until midnight ET on March 7, 2019. To access the replay, call 1-800-585-8367 or 416-621-4642, followed by passcode 7684609.

The Company's Financial Statements and Management's Discussion and Analysis for the year ended December 31, 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 an investment manager focused on the residential real estate industry in North America with approximately \$5.7 billion (C\$7.8 billion) of assets under management. Tricon invests in a portfolio of single-family rental homes, purpose-built 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. 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 year ended December 31, 2018, which is available on SEDAR at www.sedar.com.