

## Terra Firma Capital Corporation Reports Fourth Quarter & Full Year 2020 Financial Results

All amounts are stated in United States dollars unless otherwise indicated.

TORONTO, April 15, 2021 (GLOBE NEWSWIRE) -- Terra Firma Capital Corporation (TSX-V: TII) ("**Terra Firma**" or the "**Company**"), a real estate finance company, today announced its financial results for the three months and year ended December 31, 2020.

### Full Year 2020 Financial Highlights:

- Total Assets of \$133.1 million
- Total Investments (a non-IFRS financial measure)<sup>(1)</sup> of \$122.6 million
- Total Assets under management ("AUM," a non-IFRS financial measure)<sup>(4)</sup> of \$145.1 million
- Book Value per share increased by 3.9% to \$7.40 (CA\$9.41<sup>(3)</sup>) per share
- CA\$0.20 per share paid in dividends
- Revenues decreased by 7.2% to \$15.5 million
- Net income and comprehensive income decreased by 29.5% to \$2.2 million
- Adjusted net income and comprehensive income (a non-IFRS financial measure)<sup>(2)</sup> decreased by 13.9% to \$2.9 million
- Basic and diluted earnings per share decreased by 27.8% to \$0.39 (CA\$0.52<sup>(3)</sup>)
- Adjusted basic and diluted earnings per share (a non-IFRS financial measure)<sup>(2)</sup> decreased by 13.6% to \$0.51 (CA\$0.68<sup>(3)</sup>)

### Q4 2020 Financial Highlights:

- Revenues decreased by 22.5% to \$3.6 million
- CA\$0.05 per share paid in quarterly dividends
- Net income and comprehensive income decreased by 4.3% to \$846,000
- Adjusted net income and comprehensive income<sup>(2)</sup> decreased by 48.1% to \$532,000
- Basic and diluted earnings per share decreased by 6.3% to \$0.15 (CA\$0.20<sup>(3)</sup>)
- Adjusted basic and diluted earnings per share<sup>(2)</sup> decreased by 44.4% to \$0.10 (CA\$0.13<sup>(3)</sup>)

"Despite the challenges that faced Terra Firma over 2020 from the COVID-19 crisis, the Company made great strides in implementing systems and protocols to manage and safeguard its operations and capital effectively. The Company remained profitable throughout the pandemic. However, there was an overall decrease in net income for the fiscal year 2020. Two factors contributed to this decline. First, the tremendous strength of the U.S. housing market resulted in faster repayments of loan investments. Second, we deliberately decreased our loan originations in the second and third quarters due to the uncertainties related to the pandemic. Nevertheless, we generated loan originations totaling over \$39 million in the fourth quarter of 2020, which along with the loan originations expected in 2021, should have a delayed effect on the overall increase in AUM in 2021 as unfunded commitments are deployed over time," commented Glenn Watchorn, Chief Executive Officer of Terra Firma Capital Corporation.

"The good news is that Terra Firma is emerging from the pandemic as a stronger company. Terra Firma has not only successfully kept its key management personnel but has also put in place significant groundwork to excel once the pandemic is over. Since the beginning of the pandemic, the Company started planning the creation of several new investment funds. In January this year, it closed its first fund totaling \$37.5 million, which offers the Company the flexibility to originate land banking transactions without having to deal with the sourcing of capital for these investments. Terra Firma also managed to strengthen the relationship with some of its builders and developers, including two large homebuilders, which combined have already provided the Company with over \$50 million of loan originations since August 2020. With the expected increase in loan and investment originations in 2021, Terra Firma is poised for significant growth both in AUM and net income in 2021 and beyond."

For the year ended December 31, 2020, revenues decreased 7.2% to \$15.5 million, compared to \$16.7 million during the same period in 2019. The decrease in revenues is primarily due to interest and fee income decreasing by 15.6% to \$12.7 million compared to \$15.0 million in 2019. The repayments of loans and mortgage investments after December 31, 2019, resulted in a decrease in interest fees earned by \$6.7 million. The decrease is partially offset by interest and fees earned of \$1.5 million on loan and mortgage investments funded after December 31, 2019, and an increase in interest and fees of \$2.9 million earned on loan and mortgage investments and convertible note receivable existed December 31, 2019. Finance income in 2020 was \$2.6 million, compared to \$1.5 million in the previous year, due to an increase in investment in finance leases.

For the three months ended December 31, 2020, revenues decreased 22.5% to \$3.6 million, compared to \$4.6 million during the same period in 2019, primarily due to a decrease of interest and fee income by 28.2% to \$2.9 million compared to \$4.0 million in 2019. The decrease in interest fees earned of \$2.2 million is attributable to loan repayments and mortgage investments in 2020. This was partially offset by interest and fees earned of \$989,000 on loan and mortgage investments funded after December 31, 2019, and an increase in interest and fees earned of \$35,000 on loan and mortgage investments and convertible note receivable existed December 31, 2019. Finance income in 2020 was \$643,000, compared to \$541,000 in

the previous year, due to an increase in investment in finance leases.

Interest and financing expense for the year ended December 31, 2020, decreased by 10.8% to \$8.2 million, compared to \$9.2 million in the same period last year.

Interest and financing expense for the three months ended December 31, 2020, decreased by 24.8% to \$1.8 million, compared to \$2.4 million in the same period last year.

General and administrative expenses for the year ended December 31, 2020, was \$3.3 million compared to \$3.4 million for the same period last year. General and administrative expenses for the three months ended December 31, 2020, was \$1.2 million compared to \$1.1 million for the same period last year. The decrease in general and administrative expenses was primarily due to the Company not incurring legal fees relating to a loan in arrears.

The net income and comprehensive income attributable to common shareholders for the year ended December 31, 2020, was \$2.2 million or \$0.39 per basic and diluted share compared to \$3.1 million or \$0.54 per basic share and diluted share for the year ended December 31, 2019. The net income and comprehensive income attributable to common shareholders for the three months ended December 31, 2020, was \$846,000 or \$0.15 per basic and diluted share compared to \$884,000 million or \$0.16 per basic and diluted share for the same period last year.

The Company's Total Investments<sup>(1)</sup> at December 31, 2020, was \$122.6 million, compared to \$142.4 million at December 31, 2019, a decrease of 13.9% or \$19.9 million, primarily due to net repayments in loan and mortgage investments, which was partially offset by net fundings in investment in finance leases. The Company ceased all origination activities during the first half of the year due to the COVID-19 pandemic. The Company commenced origination activities beginning of Q3 2020.

The principal balance of the Company's loan and mortgage syndications decreased to \$71.4 million at December 31, 2020, as compared to \$88.2 million at December 31, 2019, representing a decrease of 19.1%.

The Company's Management's Discussion & Analysis and Financial Statements as at and for the year ended December 31, 2020 have been filed and are available on SEDAR ([www.sedar.com](http://www.sedar.com)).

## About Terra Firma

Terra Firma is a full service, publicly traded real estate finance company that provides real estate financings secured by investment properties and real estate developments in Canada and throughout the United States. The Company focuses on arranging and providing financing with flexible terms to real estate developers and owners who require shorter-term loans to bridge a transitional period of one to five years where they require capital at various stages of development or redevelopment of a property. These loans are typically repaid with lower cost, longer-term debt obtained from other Canadian financial institutions once the applicable transitional period is over or the redevelopment is complete or from proceeds generated from the sale of the real estate assets. Terra Firma offers a full spectrum of real estate financing under the guidance of strict corporate governance, clarity and transparency. For further information, please visit Terra Firma's website at [www.tfcc.ca](http://www.tfcc.ca).

## Non-IFRS Financial Measures

This press release refers to certain financial measures, including adjusted net income and comprehensive income and Total Investments, each as described below, which are not measures defined under International Financial Reporting Standards ("IFRS") as prescribed by the International Accounting Standards Board, do not have standardized meanings prescribed by IFRS and should not be construed as alternatives to profit/loss or other measures of financial performance or financial position calculated in accordance with IFRS. These measures may differ from those made by other companies and accordingly may not be comparable to such measures as reported by other companies. These measures have been derived from the Company's financial statements and disclosed herein because the Company believes they are of assistance in the understanding of the operational performance of the Company. Non-IFRS financial measures are commonly used by the financial community to analyze and compare the performance of companies engaged in the same industries and to help evaluate the trends more readily.

- (1) Total Investments (excluding cash) consists of the principal balance of loan and mortgage investments, investment in finance leases, portfolio investments, investments in associates, convertible note receivables and an investment property held in joint operations.
- (2) Adjusted net income and comprehensive income (as well as adjusted net income and comprehensive income attributable to common shareholders, adjusted diluted net income and comprehensive income attributable to common shareholders, which in the current periods are equal to adjusted net income and comprehensive income and adjusted earnings per share are calculated by adjusting the following (as applicable), irrespective of materiality:
  - foreign exchange gains/losses related to the Company's net U.S. dollar-denominated net assets;
  - impairment losses/reversals;
  - net gains/losses on the disposal of equity-accounted investments;
  - share-based compensation;
  - other unusual one-time items; and
  - the income tax impact of the items listed above.
- (4) Adjusted basic and diluted earnings per share for full-year 2020 and Q4 2020 were translated to CA\$ using the exchange

rate of \$1.3415 and \$1.3030, respectively. Book Value per share was translated to CA\$ using the exchange rate \$1.2725.

(5) Assets under management ("AUM") are the assets managed by the Company on behalf of the Company's syndicate investors, as well as the Company's assets, and do not include capital commitments that have not yet been funded.

Note that further information concerning such non-IFRS financial measures, including reconciliations of such non-IFRS financial measures to the most directly comparable measure specified, defined or determined under IFRS for the periods indicated, can be found in the Company's Management's Discussion & Analysis for the year ended December 31, 2020.

*The TSX-V has neither approved nor disapproved the contents of this press release. The TSX-V does not accept responsibility for the adequacy or accuracy of this press release.*

### Forward-Looking Information

*This Press Release contains forward-looking statements with respect matters concerning the business, operations, strategy and financial performance of Terra Firma, and include statements concerning Terra Firma's loan originations expected in 2021 and their impact on AUM, the potential for two large homebuilders to provide the Company with deployments, and potential significant growth both in AUM and net income in 2021 and beyond . These statements generally can be identified by use of forward-looking word such as "may", "will", "expects", "estimates", "indicates" "anticipates", "intends", "believe", "should" or "could" or the negative thereof or similar variations. The future business, operations and performance of Terra Firma could differ materially from those expressed or implied by such statements. Such forward-looking statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations, including the matters covered by any non-binding letters of intent that are not completed, as well as risks relating to market factors, competition, and dependence on tenants' financial conditions, environmental and tax related matters, and reliance on key personnel, as well as the risks discussed in Terra Firma's most recently filed annual Management's Discussion and Analysis, any subsequently filed interim Management's Discussion and Analysis or Terra Firma's most recently filed Annual Information Form. Forward-looking statements are based on a number of assumptions which may prove to be incorrect, including that the general economy, local real estate conditions and interest rates are stable, the absence of significant changes in government regulation, and the continued availability of equity and debt financing. There can be no assurances that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The cautionary statements qualify all forward-looking statements attributable to Terra Firma and persons acting on its behalf. Unless otherwise stated, all forward looking statements speak only as of the date of this Press Release and Terra Firma does not assume any obligation to update such statements, whether as a result of new information, future events or otherwise, except as required by applicable Canadian securities laws.*

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### Terra Firma Capital Corporation

#### Consolidated Statements of Income and Comprehensive Income

For the three months and years ended December 31, 2020 and 2019  
(Unaudited)

	Three months ended		Years ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019

#### Revenue

Interest and fees	\$	2,904,000	\$	4,046,909	\$	12,662,997	\$	15,003,292
Finance income		642,524		540,835		2,646,216		1,497,294
Rental		40,893		41,844		152,571		155,720
		3,587,417		4,629,588		15,461,784		16,656,306
<b>Expenses</b>								
Property operating costs		13,882		14,235		53,896		53,427
General and administrative		1,216,807		1,129,828		3,305,565		3,375,989
Share based compensation		305,272		120,594		279,224		474,168
Interest and financing costs		1,821,066		2,422,611		8,176,246		9,161,259
Provision for loan and mortgage investment loss		-		226,108		899,204		74,208
Provision for investment in finance lease loss		41,061		-		41,061		-
Provision for uncollectible receivables		-		-		161,428		-
Realized and unrealized foreign exchange gain		(364,687)		(114,885)		(118,268)		(156,901)
Fair value adjustment - portfolio investments		(149,120)		(56,124)		(149,120)		(56,124)
Share of income from investment in associates		(57,098)		(356,435)		115,494		(356,435)
		2,827,183		3,385,932		12,764,730		12,569,591
<b>Income from operations before income taxes</b>								
		760,234		1,243,656		2,697,054		4,086,715
Income taxes		(85,809)		359,377		527,816		1,008,958
<b>Net income and comprehensive income</b>								
	\$	846,043	\$	884,279	\$	2,169,238	\$	3,077,757
<b>Earnings per share</b>								
Basic	\$	0.15	\$	0.16	\$	0.39	\$	0.54
Diluted		0.15		0.16		0.39		0.54

**Terra Firma Capital Corporation**  
**Consolidated Statements of Financial Position**  
As at December 31, 2020 and 2019

		December 31, 2020		December 31, 2019	
<b>Assets</b>					
Cash and cash equivalents		\$	3,780,824	\$	1,931,451
Funds held in trust			5,862,799		1,805,229
Amounts receivable and prepaid expenses			596,864		1,520,698
Loan and mortgage investments			93,043,813		116,212,642
Investment in finance lease			20,489,655		17,959,374
Portfolio investments			2,292,991		2,042,937
Investment in associates			3,112,395		3,097,947
Investment property held in joint operations			1,735,712		1,700,303
Convertible note receivable			1,080,536		800,531
Right of use asset			1,056,879		912,436
Income taxes recoverable			-		247,719
<b>Total assets</b>		\$	133,052,468	\$	148,231,267
<b>Liabilities</b>					
Accounts payable and accrued liabilities		\$	8,670,756	\$	5,344,792
Lease obligations			1,074,518		913,129
Unearned income			391,112		692,264
Income taxes payable			609,499		-
Deferred income tax liabilities			219,337		450,017

Unsecured note payable	1,794,150	3,000,000
Credit facilities	6,700,964	8,878,839
Loan and mortgage syndications	71,374,100	88,249,414
Mortgages payable	1,055,379	1,067,440
<b>Total liabilities</b>	<b>91,889,815</b>	<b>108,595,895</b>

### **Equity**

Share capital	\$ 25,283,343	\$ 25,283,343
Contributed surplus	3,618,440	3,440,695
Foreign currency translation reserve	(6,885,398)	(6,885,398)
Retained earnings	19,146,268	17,796,732
<b>Total equity</b>	<b>41,162,653</b>	<b>39,635,372</b>
<b>Total liabilities and equity</b>	<b>\$ 133,052,468</b>	<b>\$ 148,231,267</b>