

Terra Firma Capital Corporation Reports Second Quarter 2021 Financial Results

All amounts are stated in United States dollars unless otherwise indicated

TORONTO, Aug. 18, 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 and six-month periods ended June 30, 2021.

Q2 2021 Financial Highlights (as compared to Q2 2020, where applicable):

- Total Assets of \$141.7 million
- Total Investments (a non-IFRS financial measure)⁽¹⁾ of \$136.7 million
- Total Assets under management ("AUM," a non-IFRS financial measure)⁽²⁾ of \$159.6 million
- Book Value per share increased by 1.3% to \$7.58 (CA\$9.40⁽³⁾) per share
- Paid CA\$0.05 per share in the quarterly dividend
- Revenues increased by 9.2% to \$4.1 million
- Net income and comprehensive income increased by 91.0% to \$619,000
- Adjusted net income and comprehensive income (a non-IFRS financial measure)⁽⁴⁾ decreased by 1.2% to \$678,000
- Basic and diluted earnings per share increased by 91.2% to \$0.11 (CA\$0.14⁽³⁾)
- Adjusted basic and diluted earnings per share (a non-IFRS financial measure)⁽⁴⁾ remained consistent at \$0.12 (CA\$0.15⁽³⁾)

"Terra Firma had a strong quarter with \$30 million of new transactions. We continue to benefit from a robust U.S. housing market and have subsequently closed or signed letters of intent, securing an additional \$69 million of new transactions," commented Glenn Watchorn, Chief Executive Officer of Terra Firma Capital Corporation. "The Company now has relationships with four large U.S. national homebuilders for repeat business that should deliver annual programmatic transactions that we expect should produce as much as \$200 million of new transactions per annum. We have also established significant connections with many other large developers and builders in 12 separate markets across the U.S. As a result of our expected higher transactional volume and the announcement of our second fund, we are very optimistic about the prospects for earnings growth in the coming quarters and years ahead and feel that we are now at an inflection point in the overall growth of the Company."

For the three months ended June 30, 2021, revenues increased 9.2% to \$4.1 million, compared to \$3.7 million during the same period in 2020, primarily due to an increase in finance income from \$737,000 in 2020 to \$1.2 million in 2021, offset by a decrease in interest and fees earned of \$118,000. The decrease in interest fees earned of \$965,000 is attributable to loan and mortgage investments repaid subsequent to June 30, 2020, which is partially offset by interest and fees earned of \$466,000 on new loan and mortgage investments funded subsequent to June 30, 2020, and an increase in interest and fees earned of \$381,000 on loan and mortgage investments convertible note receivable that existed at June 30, 2020.

For the six months ended June 30, 2021, revenues decreased 0.7% to \$7.7 million, compared to \$7.8 million during the same period in 2020, primarily due to a decrease of interest and fee income by 10.7% or \$677,000 to \$5.6 million compared to \$6.3 million in 2020. The decrease was primarily due to the \$2,015,000 loss of interest and fees revenue from loan and mortgage investments repaid after June 30, 2020. The decrease was partially offset by an increase in interest and fees of \$681,000 from new loans funded subsequent to June 30, 2020, and \$657,000 of additional interest earned from loans that existed at June 30, 2020. The Company's principal balance of the loan and mortgage investments decreased by \$4.2 million, from \$93.8 million at December 31, 2020, to \$89.6 million at June 30, 2021. Finance income in 2021 was \$2.0 million, compared to \$1.4 million in the previous year, an increase of \$610,000, due to an increase in investment in finance leases.

Interest and financing expense for the three months ended June 30, 2021, remained relatively the same at \$2.1 million, compared to the same period last year. Interest and financing expense for the six months ended June 30, 2021, decreased by 6.1% to \$4.1 million compared to \$4.4 million from the same period last year.

General and administrative expenses for the three months ended June 30, 2021, were \$1.1 million compared to \$732,000 for the same period last year. General and administrative expenses for the six months ended June 30, 2021, were \$1.9 million compared to \$1.5 million for the same period last year.

For the three months ended June 30, 2021, the Company recognized a foreign exchange gain of \$126,000 compared to a foreign exchange gain of 360,000 for the same period last year. For the six months ended June 30, 2021, the Company recognized a foreign exchange gain of \$204,000 compared to a foreign exchange loss of \$436,000 for the same period last year.

The net income and comprehensive income attributable to common shareholders for the three months ended June 30, 2021, was \$619,000 or \$0.11 per basic and diluted share compared to \$324,000 or \$0.06 per basic diluted share for the same period last year. The net income and comprehensive income attributable to common shareholders for the six months ended June 30,

2021, was \$1.4 million or \$0.26 per basic share and \$0.25 per diluted share compared to \$198,000 or \$0.04 per basic and diluted share for the same period last year.

The Company's Total Investments⁽¹⁾ at June 30, 2021, was \$136.7 million, compared to \$122.6 million at December 31, 2020, an increase of 11.6% or \$14.2 million, resulting primarily from the increase in the investment in finance leases totaling \$17.3 million.

The principal balance of the Company's loan and mortgage syndications decreased to \$62.1 million at June 30, 2021, as compared to \$71.4 million at December 31, 2020, representing a decrease of 13.0%.

The Company's Management's Discussion & Analysis and Financial Statements as at and for the three and six months ended June 30, 2021 have been filed and are available on SEDAR (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.

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) 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.
- (3) Adjusted basic and diluted earnings per share for Q2 2021 were translated to CA\$ using the exchange rate of \$1.2280, respectively. Book Value per share was translated to CA\$ using the exchange rate \$1.2398.
- (4) 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 one-time items; and
 - the income tax impact of the items listed above.

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 three and six months ended June 30, 2021.

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 size of new transactions expected to result from

outstanding LOIs, anticipated transactions to result from relationships with U.S. national homebuilders, prospects for future earnings growth Terra Firma's loan originations expected in 2021 and their impact on AUM, and the potential to raise a much larger second fund. 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 and six months ended June 30, 2021 and 2020
 (Unaudited)

	Three months ended		Six months ended	
	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
Revenue				
Interest and fees	\$ 2,849,254	\$ 2,967,009	\$ 5,645,978	\$ 6,323,414
Finance income	1,192,719	737,218	1,978,682	1,368,425
Rental	43,347	35,768	83,906	73,294
	4,085,320	3,739,995	7,708,566	7,765,133
Expenses				
Property operating costs	15,049	13,051	29,886	26,476
General and administrative	1,132,855	731,795	1,870,539	1,470,854
Share based compensation (recovery)	302,662	113,965	362,733	(95,589)
Interest and financing costs	2,112,967	2,086,628	4,098,745	4,365,058
Allowance for (recovery of) loan and mortgage investment loss	(109,187)	811,234	(155,322)	916,971
Allowance for investment in finance lease loss	154,327	-	258,110	-
Allowance for uncollectible receivables	9,776	161,428	9,776	161,428
Realized and unrealized foreign exchange loss (gain)	(126,171)	(359,638)	(203,869)	436,252
Share of income from investment in associates	(87,428)	(39,876)	(167,055)	(85,337)

	3,404,850	3,518,587	6,103,543	7,196,113
Income from operations before income taxes	680,470	221,408	1,605,023	569,020
Income taxes (recovery)	61,189	(102,501)	166,986	371,422
Net income and comprehensive income	\$ 619,281	\$ 323,909	\$ 1,438,037	\$ 197,598
Earnings per share				
Basic	\$ 0.11	\$ 0.06	\$ 0.26	\$ 0.04
Diluted	0.11	0.06	0.25	0.04

Terra Firma Capital Corporation
Consolidated Statements of Financial Position
As at June 30, 2021 and December 31, 2020

	June 30, 2021	December 31, 2020
Assets		
Cash and cash equivalents	\$ 880,231	\$ 3,780,824
Funds held in trust	2,882,409	5,862,799
Amounts receivable and prepaid expenses	658,170	596,864
Loan and mortgage investments	88,988,492	93,043,813
Investment in finance lease	37,541,038	20,489,655
Portfolio investments	1,875,139	2,292,991
Investment in associates	4,478,434	3,112,395
Investment property held in joint operations	1,781,492	1,735,712
Convertible note receivable	1,153,682	1,080,536
Right of use asset	979,100	1,056,879
Income taxes recoverable	381,940	-
Deferred income tax asset	89,860	-
Total assets	\$ 141,689,987	\$ 133,052,468
Liabilities		
Unearned income	398,546	391,112
Loan and mortgage syndications	62,113,577	71,374,100
Loan payable to Debt Fund I	21,867,328	-
Mortgages payable	1,065,410	1,055,379
Accounts payable and accrued liabilities	6,083,636	8,670,756
Credit facilities	6,461,410	6,700,964
Unsecured note payable	539,152	1,794,150
Lease obligations	1,006,012	1,074,518
Income taxes payable	-	609,499
Deferred income tax liabilities	-	219,337
Total liabilities	99,535,071	91,889,815
Equity		
Share capital	\$ 25,283,343	\$ 25,283,343
Contributed surplus	3,618,440	3,618,440
Foreign currency translation reserve	(6,885,398)	(6,885,398)
Retained earnings	20,138,531	19,146,268
Total equity	42,154,916	41,162,653
Total liabilities and equity	\$ 141,689,987	\$ 133,052,468