Terra Firma Capital Corporation Reports Second Quarter 2022 Financial Results

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

TORONTO, Aug. 29, 2022 -- 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, 2022.

Q2 2022 Financial Highlights:

- Total Assets of $146.2 million
- Total Investments (a supplementary financial measure)(4) of $123.7 million
- Total Assets under management ("AUM," a non-IFRS financial measure) (3) of $129.9 million as compared to $122.3 million as at December 31, 2021
- Book Value per share increased by 0.6% to $7.88 (CA$10.14, translated to CA$ using the exchange rate of $1.2873) per share
- CA$0.06 per share paid in dividends
- Total Revenue decreased by 6.8%, as compared to Q2 2021, to $3.8 million
- Net income and comprehensive income was $0.3 million, a decrease of 58.3% as compared to Q2 2021
- Adjusted net income and comprehensive income (a non-IFRS financial measure)(1) remained consistent as Q2 2021, at $0.7 million
- Basic and diluted earnings per share decreased by 54.5%, as compared to Q2 2021, to $0.05 (CA$0.06, translated to CA$ using the exchange rate of $1.2765)
- Adjusted basic and diluted earnings per share (a non-IFRS financial measure)(2) has remained consistent at $0.12 (CA$0.15, translated to CA$ using the exchange rate of $1.2765)

“Terra Firma increased its earnings per share from the first quarter by 71% (Q1 2022 - $0.07 to Q2 2022 - $0.12) on an adjusted basis and also experienced a robust quarter in terms of originations having closed $58MM of new commitments. However, the housing market has been in flux given the macro-economic shifts related to inflation and interest rates. As such, homebuilders and land developers have been slowing their acquisitions and the Company has been proceeding more cautiously. Nevertheless, with our strong relationships we are well positioned to benefit from them once the market improves. Fortunately, at the end of the quarter the Company had secured both its highest level of future funding commitments to date at $131MM and also the required capital in place to finance these future funding obligations. This should aid Terra Firma in its ability to more fully deploy its balance sheet and increase AUM even though new originations are expected to slow down during Q3 2022,” commented Glenn Watchorn, President and Chief Executive Officer of Terra Firma Capital. “TFCC’s current institutional fund-raising efforts in combination with the success of its second private investor fund (now with total committed capital amounting to $77MM) and a more fully deployed balance sheet over time will be key factors to the Company’s overall growth in the future,” he later said.

Net income and comprehensive income attributable to common shareholders for the three months ended June 30, 2022, was $0.3 million or $0.05 per basic and diluted share compared to $0.6 million or $0.11 per basic and diluted share for the same period in the prior year. Net income and comprehensive income attributable to common shareholders for the six months ended June 30, 2022, was $0.8 million or $0.15 per basic and diluted share compared to $1.4 million or $0.26 per basic share and $0.25 per diluted share for the same period in the prior year. The decrease in net income and comprehensive income was primarily due to a one-time severance allowance, income tax expense related to unrealized foreign exchange gains and lower interest and fees earned. During the three months ended June 30, 2022, the Company recorded a one-time severance allowance of CA $0.7 million related to the departure of its former Chief Financial Officer & Corporate Secretary due to health reasons. In addition, higher income tax expense was due to unrealized foreign exchange gain resulting from the Company’s functional currency related to certain subsidiaries. Further, net income and comprehensive income was impacted by a decrease in total revenue due to lower interest and fees earned from the loan and mortgage investments related to repayments as the Company continued to shift its focus to land banking arrangements. This decrease was primarily offset by various other factors including: a lower share-based compensation expense as a result of fluctuation in the share price, increase in share of income from investment in associates from the Company’s investment in its first debt fund (“Debt Fund I”) and its second debt fund (“Debt Fund II”) and a fair value gain on the Company’s portfolio investments.

For the three months ended June 30, 2022, the Company reported total revenue of $3.8 million compared to $4.1 million the same period in the prior year, representing a decrease of $0.3 million or 6.8%. Revenue for the six months ended June 30, 2022, was $7.6 million as compared to $7.7 million in the same period in the prior year, representing a decrease of $0.07 million or 0.9%. The decrease in total revenue was due to certain loan and mortgage investments being partially or fully repaid in the prior year resulting in a decrease in interest and fees for the current period. As at June 30, 2022, the loans and mortgage investment balance was $47.0 million compared with a balance of $89.0 million as at June 30, 2021. This decrease in the loan and mortgage investment balance was in line with expectations as the Company continued to shift its focus to land banking arrangements. Partially offsetting the decrease in total revenue was an increase in finance income related to the Company’s shift to land banking transactions (investment in finance leases). As at June 30, 2022, the Company significantly increased its investment in finance leases to $63.9 million compared with $37.5 million as at June 30, 2021.

General and administrative expenses for the three months ended June 30, 2022, was $1.0 million compared to $1.1 million for the same period in the prior year. The decrease in general and administrative expenses was primarily due to a decrease in salary and benefits and professional fees as a result of the reversal of certain provisions that were no longer required. Partially offsetting the decrease was an increase in other expenses which was due to an increase in insurance expense in addition to the Company incurring costs related to short-term contract hires compared with no such expenses in the same period in the prior year. General and administrative expenses for the six months ended June 30, 2022, was $2.1 million compared to $1.9 million for the same period in the prior year. The increase in general and administrative expenses was due to above noted increase in insurance expense and short-term contract hires. The increase in salary and benefits was due to annual salary increases and new hires and the increase in professional fees was due to recruitment costs incurred related to the hiring of new personnel. Partially offsetting the above noted increase in salary and benefits and professional fees was the reversal of provisions that were no longer required.

To date, the Company has continued to implement its strategic plan which has included expansion into the U.S. market and its shift in focus to land banking transactions (investment in finance leases). As at June 30, 2022, 89.0% of the Company's investments are located in various U.S. markets which include high growth markets such as: Atlanta, Phoenix, Dallas, Jacksonville and Charlotte. Over the course of the past 18 months, the Company has committed to approximately $209.0 million in new transactions that are still in the process of being funded. With this significant increase in transactions, which have been primarily land banking transactions, the Company's balance sheet is now fully committed to provide, in combination with Debt Fund I and Debt Fund II (together the "Funds"), for the future funding commitments of $130.7 million as at June 30, 2022. The Company manages future funding commitments through forecasting cash flow from operations and considering available capital from its own balance sheet as well as outside managed capital. The Company expects to meet these future funding commitments using cash on hand, capital available on its line of credit, proceeds from repayments of investments as well as capital available within Debt Fund I and Debt Fund II. While the Company's cash balance was $15.3 million and the Company has not drawn on its line of credit, this available capital will be required to fund its portion of the future funding commitments. Over time, with the deployment of the capital to meet the future funding commitments, the Company and the Funds will become fully invested.

The Company's Management's Discussion & Analysis and Financial Statements as at and for the three and six months ended June 30, 2022 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 And Other Supplementary Financial Measures

In this press release, as a complement to results provided in accordance with IFRS, the Company discloses certain financial measures not recognized under International Financial Reporting Standards ("IFRS") as prescribed by the International Accounting Standards Board, which do not have standard meanings prescribed by IFRS (collectively the "non-IFRS financial measures"). These non-IFRS and other supplementary financial measures are further described below.

Non-IFRS Financial Measures

1. Adjusted net income and comprehensive income as well as adjusted net income and comprehensive income attributable to common shareholders, for the stated period, are calculated by adjusting the net income and comprehensive income for the following (as applicable and collectively called other non-operating items), irrespective of materiality:

- foreign exchange gains/losses related to the Company's non-functional currency denominated net assets;
- impairment losses/reversals;
- net gains/losses on the disposal of equity-accounted investments;
- share-based compensation;
- non-recurring items;
- severance cost; and
- the income tax impact of the items listed above.

	Three months ended			Six months ended		
	June 30, 2022	June 30, 2021	Change Increase / (decrease)	June 30, 2022	June 30, 2021	Change Increase / (decrease)
Net income and comprehensive income	$ 258,103	$ 619,281	$ (361,178)	$ 835,679	$ 1,438,037	$ (602,358)
Provision for loan and mortgage investment, investment in finance leases and uncollectible receivable						

losses (tax adjusted)	(12,524)	40,364	(52,888)	(44,211)	82,735	(126,946)
Fair value adjustment - portfolio investment	(136,758)	-	(136,758)	(136,758)	-	(136,758)
Share based compensation (tax adjusted)	104,873	222,457	(117,584)	6,246	266,609	(260,363)
Foreign exchange gain (tax adjusted)	56,398	(203,631)	260,029	93,070	(411,607)	504,677
Severance accrual (tax adjusted)	381,128	-	381,128	381,128	-	381,128
Adjusted net income and comprehensive income (1)	$ 651,220	$ 678,471	$ (27,251)	$ 1,135,154	$ 1,375,774	$ (240,620)

(1) Adjusted net income and comprehensive income is a Non-IFRS Financial Measure. See "Non-IFRS Financial Measures".

2. Adjusted earnings per share is adjusted net income and comprehensive income divided by the weighted average number of outstanding shares and adjusted net income and comprehensive income divided by the weighted average number of diluted shares outstanding.

3. 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.

	June 30, 2022	December 31, 2021
Loan and mortgage investments	$ 47,061,725	$ 47,089,194
Investment in finance leases	63,965,157	55,849,312
Portfolio investments	304,528	676,421
Investment in associates (1)	2,022,414	2,174,527
Investment property held in Joint Operations	1,733,941	1,747,799
Convertible note receivable	1,605,598	1,572,510
Syndicates investors' share of investment	13,164,904	13,224,860
Total AUM	$ 129,858,267	$ 122,334,623

(1) Investment in associates includes investment in Lan Partnership and TFCC Royal Palm Beach Inc.

These non-IFRS financial measures are not defined by IFRS, do not have a standardized meaning, and may not be comparable with similar measures presented by other issuers. The Company has presented such non-IFRS financial measures which have been derived from the Company's financial statements and applied on a consistent basis because the Company believes they are of assistance in evaluating the underlying operational and financial performance of the Company. Non-IFRS financial measures are also commonly used by the financial community to analyze and compare the performance of companies engaged in the same industries. These non-IFRS financial measures should not be construed as alternatives to financial measures determined in accordance with IFRS as indicators of the Company's performance.

Supplementary Financial Measures

4. Total Investments (excluding cash) consists of the loan and mortgage investments, investment in finance leases, portfolio investments, investments in associates, convertible note receivables and an investment property held in joint operations.

Note that further information concerning such non-IFRS and supplementary financial measures can be found in the Company's Management's Discussion & Analysis for the three and six months ended June 30, 2022.

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 Q3 2022 and their impact on AUM, as well as unfunded commitments and their deployment. 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
Interim Condensed Consolidated Statements of Income and Comprehensive Income
For the three and six months ended June 30, 2022 and 2021
(Unaudited)

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Revenue				
Interest and fees	$ 1,900,132	$ 2,849,254	$ 3,660,538	$ 5,645,978
Finance income	1,863,375	1,192,719	3,889,913	1,978,682
Rental	42,618	43,347	86,031	83,906
	3,806,125	4,085,320	7,636,482	7,708,566
Expenses				
Property operating costs	14,553	15,049	29,624	29,886
General and administrative	958,192	1,132,855	2,061,728	1,870,539
Severance	524,577	-	524,577	-
Share based compensation	142,685	302,662	8,498	362,733
Interest and financing costs	2,010,601	2,112,967	4,526,310	4,098,745
Recovery of loan and mortgage investment loss	(12,292)	(109,187)	(38,058)	(155,322)
Provision for (recovery of) investment in finance lease loss	(4,747)	154,327	(22,093)	258,110
Provision for uncollectible receivables	-	9,776	-	9,776
Realized and unrealized foreign exchange gain	(179,697)	(126,171)	(202,460)	(203,869)
Fair value adjustment - portfolio investments	(186,065)	-	(186,065)	-
Share of income from investment in associates	(183,066)	(87,428)	(418,136)	(167,055)
	3,084,741	3,404,850	6,283,925	6,103,543
Income from operations before income taxes	721,384	680,470	1,352,557	1,605,023
Income taxes	463,281	61,189	516,878	166,986
Net income and comprehensive income	$ 258,103	$ 619,281	$ 835,679	$ 1,438,037
Earnings per share				
Basic	$ 0.05	$ 0.11	$ 0.15	$ 0.26
Diluted	0.05	0.11	0.15	0.25

Terra Firma Capital Corporation

Consolidated Statements of Financial Position
As at June 30, 2022 and December 31, 2021
(Unaudited)

		June 30, 2022		December 31, 2021
Assets				
Cash and cash equivalents	$	15,318,098	$	18,107,159
Funds held in trust		5,562,152		3,971,799
Amounts receivable and prepaid expenses		972,226		817,558
Loan and mortgage investments		47,018,423		47,007,834
Investment in finance lease		63,866,807		55,728,869
Portfolio investments		304,528		676,421
Investment in associates		9,035,070		8,364,711
Investment property held in joint operations		1,733,941		1,747,799
Convertible note receivable		1,605,598		1,572,510
Right of use asset		738,365		851,833
Income taxes recoverable		52,939		459,474
Total assets	$	146,208,147	$	139,305,967
Liabilities				
Unearned income		710,559		373,622
Loan and mortgage syndications		20,368,710		22,043,144
Loans payable		70,284,284		63,053,210
Mortgages payable		981,492		1,018,183
Accounts payable and accrued liabilities		9,208,599		7,793,961
Credit facilities		(83,330)		(115,321)
Unsecured note payable		-		289,744
Lease obligations		772,748		881,314
Deferred income tax liabilities		77,005		388,890
Total liabilities		102,320,067		95,726,747
Equity				
Share capital	$	25,293,007	$	25,293,007
Contributed surplus		3,617,372		3,617,372
Foreign currency translation reserve		(6,885,398)		(6,885,398)
Retained earnings		21,863,099		21,554,239
Total equity		43,888,080		43,579,220
Total liabilities and equity	$	146,208,147	$	139,305,967