

Terra Firma Capital Corporation Reports Third Quarter 2022 Financial Results

All amounts are stated in United States dollars unless otherwise indicated

TORONTO, Nov. 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 nine-month periods ended September 30, 2022.

Q3 2022 Financial Highlights:

- Total Assets of \$142.6 million
- Total Investments (a supplementary financial measure)⁽⁴⁾ of \$122.5 million
- Total Assets under management ("AUM", a non-IFRS financial measure)⁽³⁾ of \$128.6 million
- Future funding commitments of \$125.2 million
- Book Value per share increased by 1.0% to \$7.91 (CA\$10.94 translated to CA\$ using the exchange rate of \$1.3829) per share
- CA\$0.06 per share paid in dividends
- Total Revenue decreased by 11.3% to \$3.7 million
- Net income and comprehensive income of \$0.5 million, a decrease of 13.0%
- Adjusted net income and comprehensive income (a non-IFRS financial measure)⁽¹⁾ decreased by 49.4% to \$0.4 million
- Basic and diluted earnings per share decreased by 20.0%, as compared to Q3 2021, to \$0.08 (CA\$0.10, translated to CA\$ using the exchange rate of \$1.3056)
- Adjusted basic and diluted earnings per share (a non-IFRS financial measure)⁽²⁾ decreased by 46.2%, as compared to Q3 2021, to \$0.07 (CA\$0.09, translated to CA\$ using the exchange rate of \$1.3056).

"During the third quarter, Terra Firma has been focused on de-risking and retaining balance sheet liquidity due to the significant softening of the U.S. housing market as a result of the combined effect of CPI inflation, ongoing supply chain issues and rapidly rising mortgage rates. The impact from these macroeconomic issues to homebuilders' cost structures as well as homebuyers' affordability has put significant pressure on resale and new home sales volumes and, to a lesser extent, home prices. As such, the Company continues to be cautious in its approach to selecting new investments and pricing until there is more clarity with housing and land market valuations. We believe that this will become more defined by early 2023," commented Glenn Watchorn, President and CEO of Terra Firma Capital. "TFCC expects its AUM to continue to grow through its existing funding obligations. The Company also has a strong conviction that its investments will continue to perform through this current market uncertainty," he further said.

Net income and comprehensive income attributable to common shareholders for the three months ended September 30, 2022, was relatively consistent with the same period in the prior year at \$0.5 million. Basic and diluted earnings per share for the three months ended September 30, 2022, was \$0.08 compared with \$0.10 per basic and diluted earnings per share for the same period in the prior year. Net income and comprehensive income attributable to common shareholders for the nine months ended September 30, 2022, was \$1.3 million or \$0.23 per basic and diluted share compared to \$2.0 million or \$0.35 per basic and diluted share for the same period in the prior year. Overall, net income and comprehensive income was impacted by the Company's shift to fund management requiring it to direct all of its investments to the Funds (as defined below) until the Funds are fully invested. This has resulted in the Company's increase in cash and available credit, resulting in lower net income and comprehensive income over the periods. Additionally, the decrease in net income and comprehensive income was primarily due to the higher income tax expense related to unrealized foreign exchange gains. During the third quarter of 2022, the Company recorded a fair value gain of approximately \$0.6 million on the Company's portfolio investment related to its Savannah development project located within close proximity to the historic district of Savannah, Georgia considered a high-growth market due to it being a desirable tourist destination and one of the largest ports on the eastern-seaboard in the U.S.

For the three months ended September 30, 2022, the Company reported total revenue of \$3.7 million compared to \$4.2 million in the same period in the prior year, representing a decrease of \$0.5 million or 11.3%. Revenue for the nine months ended September 30, 2022, was \$11.4 million compared to \$11.9 million in the same period in the prior year, representing a decrease of \$0.5 million or 4.6%. The decrease in total revenue was due to certain loan and mortgage investments being partially or fully repaid resulting in a decrease in interest and fees for the current period. Partially offsetting the decrease was an increase in finance income related to the Company's shift to land banking transactions (investment in finance leases). As at September 30, 2022, the Company's loans and mortgage investment balance was \$45.7 million compared with a balance of \$85.6 million as at September 30, 2021. This decrease in the loan and mortgage investment balance was partially offset by a significant increase in the Company's investment in finance leases to \$63.6 million as at September 30, 2022, compared with \$43.7 million as at September 30, 2021, due to the Company's shift in focus from acquisition and development loans to land banking arrangements with large public and private homebuilders.

General and administrative expenses for the three months ended September 30, 2022, remained relatively consistent at \$1.0 million compared with the same period in the prior year. The period over period variance in general and administrative expenses was primarily due to an increase in other expenses and professional fees offset by a decrease in salary and benefits. During the third quarter of 2022, a \$0.1 million increase in other expenses was related to the Company incurring higher short term contract personnel costs and an increase in travel expenses compared with the same period in the prior year. Professional fees increased by \$0.03 million due to higher legal and tax fees incurred in the current quarter compared to the same period in

the prior year. Offsetting the above noted increase was a \$0.1 million decrease in salary and benefits primarily related to lower incentive accruals recorded during the third quarter of 2022 compared to the same period in the prior year. General and administrative expenses for the nine months ended September 30, 2022, was \$3.0 million compared to \$2.8 million for the same period in the prior year. The increase in general and administrative expenses was mainly due to the above noted increase in professional fees and other expenses including an increase in insurance expense. Partially offsetting the increase was the aforementioned decrease in salary and benefits in addition to the reversal of provisions that were no longer required.

Despite the volatility in the market, the Company believe its portfolio will continue to perform and is well positioned due to key factors such as: desirable locations in high-growth U.S. markets with strong housing fundamentals, focus on affordable market-rate homes for entry-level buyers, and strong relationships with experienced builders and developers. Furthermore, home prices and finished lot values appreciated significantly after closing the Company's current investments, which has lowered loan to values and provides additional protection to the Company and its investors.

Over the course of the past 21 months, the Company has committed to approximately \$215.0 million in new transactions that are still in the process of being funded. With this significant increase in originations, which have been primarily land banking transactions, the Company's balance sheet is fully committed to provide, in combination with its first debt fund ("Debt Fund I") and its second debt fund ("Debt Fund II"), for future funding commitments of \$125.2 million as at September 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 from its line of credit ("LOC"), proceeds from repayments of investments as well as capital available within Debt Fund I and Debt Fund II (together the "Funds"). At September 30, 2022, the Company's liquidity position was very strong with a cash balance of \$13.0 million and an undrawn LOC of up to \$40.0 million including its accordion feature, this available capital will be required to fund its portion of the future funding commitments.

The Company's Management's Discussion & Analysis and Financial Statements as at and for the three and nine months ended September 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			Nine months ended		
	September 30, 2022	September 30, 2021	Change Increase / (decrease)	September 30, 2022	September 30, 2021	Change Increase / (decrease)
Net income and comprehensive income	\$ 463,358	\$ 532,008	\$ (68,650)	\$ 1,299,037	\$ 1,970,045	\$ (671,008)
Provision for loan and mortgage investment, investment in finance leases and uncollectible receivable						

losses (tax adjusted)	3,724	38,583	(34,859)	(40,487)	121,318	(161,805)
Fair value adjustment - portfolio investment (tax adjusted)	(536,479)	-	(536,479)	(673,236)	-	(673,236)
Share based compensation (tax adjusted)	(195,271)	(90,297)	(104,974)	(189,025)	176,312	(365,337)
Foreign exchange gain (tax adjusted)	644,778	270,937	373,841	737,848	(140,670)	878,518
Severance accrual (tax adjusted)	-	-	-	381,128	-	381,128

Adjusted net income and comprehensive income ⁽¹⁾	\$ 380,110	\$ 751,231	\$ (371,121)	\$ 1,515,265	\$ 2,127,005	\$ (611,740)
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(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.

	September 30, 2022	December 31, 2021
Loan and mortgage investments	\$ 45,711,134	\$ 47,089,194
Investment in finance leases	63,746,172	55,849,312
Portfolio investments	894,528	676,421
Investment in associates (1)	2,004,338	2,174,527
Investment property held in Joint Operations	1,597,147	1,747,799
Convertible note receivable	1,550,131	1,572,510
Syndicates investors’ share of investment	13,056,722	13,224,860
Total AUM	\$ 128,560,172	\$ 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 nine months ended September 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 to matters concerning the business, operations, strategy and financial performance of Terra Firma, and include statements concerning Terra Firma’s approach to selecting new investments and pricing, the expected timing of increased clarity with housing and land market valuations, performance of Terra Firma’s investments through current market uncertainty, Terra Firma’s loan originations expected in Q4 2022 and their impact on AUM, as well as future funding 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 the ability of the Company to adapt to any changes in government regulation and/or economic conditions; and the continued availability of equity and debt financing, and the risks referenced above. 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.

For further information, please contact:

Terra Firma Capital Corporation
Glenn Watchorn
Chief Executive Officer
Phone: 416.792.4702
gwatchorn@tfcc.ca

or

Terra Firma Capital Corporation
Y. Dov Meyer
Executive Chairman
Phone: 416.792.4709
ydmeyer@tfcc.ca

or

Ali Mahdavi
Managing Director
Spinnaker Capital Markets Inc.
Phone: 416.962.3300
am@spinnakercmi.com

Terra Firma Capital Corporation
Interim Condensed Consolidated Statements of Income and Comprehensive Income

For the three and nine months ended September 30, 2022 and 2021
(Unaudited)

	Three months ended		Nine months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Revenue				
Interest and fees	\$ 1,542,767	\$ 2,803,709	\$ 5,203,305	\$ 8,449,687
Finance income	2,152,133	1,363,762	6,042,046	3,342,444
Rental	41,580	45,355	127,611	129,261
	3,736,480	4,212,826	11,372,962	11,921,392
Expenses				
Property operating costs	13,901	15,014	43,525	44,900
General and administrative	979,663	959,694	3,041,391	2,830,233
Severance	-	-	524,577	-
Share based compensation	(265,675)	(122,853)	(257,177)	239,880
Interest and financing costs	2,384,102	2,309,715	6,910,412	6,408,460
Allowance for (recovery of) of loan and mortgage investment loss	3,214	-	(34,844)	(155,322)
Allowance for (recovery of) for investment in finance lease loss	1,852	52,494	(20,241)	310,604
Provision for uncollectible receivables	-	-	-	9,776
Realized and unrealized foreign exchange gain	116,329	76,963	(86,131)	(126,906)
Fair value adjustment - portfolio investments	(590,000)	-	(776,065)	-
Share of income from investment in associates	(248,672)	(118,060)	(666,808)	(285,115)
	2,394,714	3,172,967	8,678,639	9,276,510
Income from operations before income taxes	1,341,766	1,039,859	2,694,323	2,644,882
Income taxes	878,408	507,851	1,395,286	674,837

Net income and comprehensive income	\$	463,358	\$	532,008	\$	1,299,037	\$	1,970,045
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Earnings per share

Basic	\$	0.08	\$	0.10	\$	0.23	\$	0.35
Diluted	\$	0.08	\$	0.10	\$	0.23	\$	0.35

**Terra Firma Capital Corporation
Consolidated Statements of Financial Position**

As at September 30, 2022 and December 31, 2021

(Unaudited)

		September 30, 2022		December 31, 2021
Assets				
Cash and cash equivalents	\$	12,990,854	\$	18,107,159
Funds held in trust		5,307,234		3,971,799
Amounts receivable and prepaid expenses		951,094		817,558
Loan and mortgage investments		45,664,618		47,007,834
Investment in finance lease		63,645,970		55,728,869
Portfolio investments		894,528		676,421
Investment in associates		9,007,533		8,364,711
Investment property held in joint operations		1,597,147		1,747,799
Convertible note receivable		1,550,131		1,572,510
Right of use asset		632,834		851,833
Income taxes recoverable		361,955		459,474
Total assets	\$	142,603,898	\$	139,305,967
Liabilities				
Unearned income		679,390		373,622
Loan and mortgage syndications		18,654,147		22,043,144
Loans payable		69,052,090		63,053,210
Mortgages payable		890,865		1,018,183
Accounts payable and accrued liabilities		7,966,023		7,793,961
Credit facilities		(75,000)		(115,321)
Unsecured note payable		-		289,744
Lease obligations		666,652		881,314
Deferred income tax liabilities		603,762		388,890
Total liabilities		98,437,929		95,726,747
Equity				
Share capital	\$	25,364,104	\$	25,293,007
Contributed surplus		3,603,085		3,617,372
Foreign currency translation reserve		(6,885,398)		(6,885,398)
Retained earnings		22,084,178		21,554,239
Total equity		44,165,969		43,579,220
Total liabilities and equity	\$	142,603,898	\$	139,305,967