

# Terra Firma Capital Corporation Reports First Quarter 2023 Financial Results

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

TORONTO, May 30, 2023 -- 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 ended March 31, 2023.

## Q1 2023 Financial Highlights:

- Total Assets of \$141.4 million
- Total Investments (a supplementary financial measure)<sup>(4)</sup> of \$111.3 million
- Total Assets under management ("AUM," a non-IFRS financial measure)<sup>(3)</sup> of \$115.2 million
- Future funding commitments of \$82.0 million
- Book Value per share increased by 0.8% to \$7.97 (CA\$10.77, translated to CA\$ using the exchange rate of \$1.3516) per share
- CA\$0.06 per share paid in dividends
- Total Revenue increased slightly by 0.8% to \$3.9 million
- Net income and comprehensive income of \$0.6 million, remained relatively consistent
- Adjusted net income and comprehensive income (a non-IFRS financial measure)<sup>(1)</sup> increased by 78.7% to \$0.7 million
- Basic and diluted earnings per share remained the same at \$0.10 (CA\$0.14, translated to CA\$ using the exchange rate of \$1.3526).
- Adjusted basic and diluted earnings per share (a non-IFRS financial measure)<sup>(2)</sup> increased by 85.7%, to \$0.13 (CA\$0.18, translated to CA\$ using the exchange rate of \$1.3526).

"During the first quarter of 2023, Terra Firma continued to work on strategic alternatives with its external advisor while remaining focused on its liquidity position and asset management. With all investments in compliance and its current cash position at over \$23MM, the Company has improved its attractiveness for sale and its ability to provide liquidity for its shareholders, including potentially through share buybacks or special dividends should a sale at an acceptable price not be achieved," commented Glenn Watchorn, President and CEO of Terra Firma.

During the three months ended March 31, 2023, the Company continued with its review of strategic alternatives which include merger and acquisition, privatization and liquidation and is currently in discussion with various parties. The review of strategic alternatives has been overseen by a special committee of directors consisting of Tristan Kingcott and Mike Kirchmair. There is no definitive timeline of completion and there can be no assurance that the process will result in any transaction, or as to the timing of any such transaction. The Company does not intend to disclose developments related to the process unless and until the Company executes a definitive agreement with respect thereto, or it otherwise determines that further disclosure is appropriate or required.

Over the course of the first quarter of 2023, the Company continued to work towards its focus on creating liquidity while preserving capital. As at March 31, 2023, the Company received \$25.8 million in repayments of its various loan and mortgage investments and land banking transactions of which \$10.7 million were early repayments. During the first quarter of 2023, the Company did not identify any concerns relating to its investment portfolio which continued to meet its financial commitments. At March 31, 2023, the Company's liquidity position included a cash balance of \$23.1 million and an undrawn line of credit ("LOC") of up to \$40.0 million including its accordion feature. This available capital is in excess of the Company's portion of the future funding commitments. Subsequent to March 31, 2023, the Company is working on the renewal of its secured LOC which matured on April 23, 2023.

Net income and comprehensive income for the first quarter of 2023 and 2022 remained relatively consistent at \$0.6 million. Overall, net income and comprehensive income was impacted by the Company's shift to fund management requiring it to transfer certain of its investments to either its first debt fund or second debt fund (together the "Funds") 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. Furthermore, in the latter part of 2022, the Company paused business originations due to the market volatility and the Company's decision to explore strategic alternatives and to further increase the Company's liquidity, also had an impact on net income and comprehensive income.

The Company reported total revenue of \$3.9 million in the first quarter of 2023, as compared to \$3.8 million in the same period in the prior year, representing a slight increase of \$0.1 million. The majority of the Company's revenue is derived from interest and fees earned from its loan and mortgage investments and finance income from its investments in finance leases. Interest and fees earned for the three months ended March 31, 2023, aggregated to \$1.6 million compared to \$1.8 million in the comparative period in the prior year, representing a decrease of \$0.1 million or 8%. The variance was due to the repayment of \$11.0 million on certain loan and mortgage investments which included partial and full repayments. These repayments were partially offset with the increase in funding related to existing loan and mortgage investments. For the three months ended March 31, 2023, finance income aggregated to \$2.2 million, compared to \$2.0 million in the comparative period in the prior year, representing an increase of \$0.2 million or 9%. The increase in finance income was due to the Company entering into new investments in finance leases subsequent to the first quarter of 2022 as well as an increase in funding on the investment in finance leases which was partially offset by investments sold and lease payments made period over period.

General and administrative expenses for the three months ended March 31, 2023, were \$0.9 million compared to \$1.1 million for the same period in the prior year. The decrease during the first quarter of 2023 was primarily related to a decrease in salary and benefits and professional fees. The decrease in salary and benefits was due to a lower head count compared to the comparative period with the departure of its former Chief Financial Officer & Corporate Secretary due to health reasons in the second quarter of 2022. Additionally, the decrease was due to no incentive compensation recorded in the current period compared to the comparative period. The decrease in professional fees was due to recruitment costs incurred in the comparative period related to the hiring of a new senior personnel with no similar expenses recorded in the current period.

The Company's Management's Discussion & Analysis and Financial Statements as at and for the three months ended March 31, 2023, 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 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		
	March 31, 2023	March 31, 2022	Change Increase / (decrease)
Net income and comprehensive income	\$ 580,175	\$ 577,576	\$ 2,599
Recovery of loan and mortgage investment, investment in finance leases and uncollectible receivable losses (tax adjusted)	(28,962)	(31,687)	2,725
Fair value adjustment - convertible note receivable (tax adjusted)	27,756	-	27,756
Share based compensation (recovery) (tax adjusted)	155,675	(98,627)	254,302
Foreign exchange gain (tax adjusted)	(1,122)	(36,672)	35,550
Adjusted net income and comprehensive income <sup>(1)</sup>	\$ 733,522	\$ 410,590	\$ 322,932

(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.

	March 31, 2023	December 31, 2022
Loan and mortgage investments	\$ 39,493,509	\$ 46,162,027
Investment in finance leases	58,100,600	67,847,493
Portfolio investments	932,093	932,093
Investment in associates (1)	1,871,986	1,753,807
Investment property held in Joint Operations	1,639,908	1,636,518
Convertible note receivable	1,514,231	1,511,101
Syndicates investors' share of investment	11,600,000	11,600,000
<b>Total AUM</b>	<b>\$ 115,152,327</b>	<b>\$ 131,443,039</b>

(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 receivable 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 months ended March 31, 2023.

*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 the strategy review process and the renewal of the LOC. 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.*

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**Terra Firma Capital Corporation**  
**Interim Condensed Consolidated Statements of Income and Comprehensive Income**  
 For the three months ended March 31, 2023 and 2022  
 (Unaudited)

	Three months ended	
	March 31, 2023	March 31, 2022
<b>Revenue</b>		
Interest and fees	\$ 1,616,876	\$ 1,760,406
Finance income	2,203,544	2,026,538
Rental	40,135	43,413
	<b>3,860,555</b>	<b>3,830,357</b>
<b>Expenses</b>		
Property operating costs	13,511	15,071
General and administrative	870,897	1,103,536
Share based compensation (recovery)	211,803	(134,187)
Interest and financing costs	2,260,495	2,515,709
Recovery of loan and mortgage investment loss	(19,388)	(25,766)
Recovery of investment in finance lease loss	(20,016)	(17,346)
Fair value adjustment - convertible note receivable	31,995	-
Realized and unrealized foreign exchange (gain) loss	10,220	(22,763)
Share of income from investment in associates	(291,132)	(235,070)
	<b>3,068,385</b>	<b>3,199,184</b>
<b>Income from operations before income taxes</b>	<b>792,170</b>	<b>631,173</b>
Income taxes	211,995	53,597
<b>Net income and comprehensive income</b>	<b>\$ 580,175</b>	<b>\$ 577,576</b>
<b>Earnings per share</b>		
Basic	\$ 0.10	\$ 0.10
Diluted	\$ 0.10	\$ 0.10

**Terra Firma Capital Corporation**  
**Consolidated Statements of Financial Position**  
 As at March 31, 2023 and December 31, 2022  
 (Unaudited)

	March 31, 2023	December 31, 2022
<b>Assets</b>		
Cash and cash equivalents	\$ 23,111,456	\$ 16,636,083
Funds held in trust	5,236,502	5,960,395
Amounts receivable and prepaid expenses	1,063,064	916,225
Loan and mortgage investments	39,461,949	46,111,079

Investment in finance lease	58,052,750	67,779,627
Portfolio investments	932,093	932,093
Investment in associates	9,615,729	9,228,257
Investment property held in joint operations	1,639,908	1,636,518
Convertible note receivable	1,514,231	1,511,101
Right of use asset	548,191	596,603
Income taxes recoverable	-	67,571
Deferred income tax asset	183,874	21,085

<b>Total assets</b>	<b>\$ 141,359,747</b>	<b>\$ 151,396,637</b>
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### Liabilities

Unearned income	249,568	669,950
Loan and mortgage syndications	13,127,328	16,034,041
Loans payable	73,447,393	79,847,824
Mortgages payable	883,530	895,492
Accounts payable and accrued liabilities	8,302,406	9,221,168
Credit facilities	(25,000)	(50,000)
Lease obligations	587,110	633,326
Income taxes payable	307,988	-

<b>Total liabilities</b>	<b>96,880,323</b>	<b>107,251,801</b>
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### Equity

Share capital	\$ 25,364,104	\$ 25,364,104
Contributed surplus	3,609,432	3,607,129
Foreign currency translation reserve	(6,885,398)	(6,885,398)
Retained earnings	22,391,286	22,059,001
<b>Total equity</b>	<b>44,479,424</b>	<b>44,144,836</b>

<b>Total liabilities and equity</b>	<b>\$ 141,359,747</b>	<b>\$ 151,396,637</b>
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