



Tricon Reports Solid Q3 2018 Results Driven by Strong Operations at TAH

Toronto, Ontario - November 7, 2018 - Tricon Capital Group Inc. (TSX: TCN) ("Tricon" or the "Company"), a principal investor and asset manager focused on the residential real estate industry, announced today its consolidated financial results for the three and nine months ended September 30, 2018. All of the financial information presented in this news release is expressed in U.S. dollars unless otherwise indicated.

Key operational and financial highlights for Q3 2018 include:

- Net income of \$33.8 million and basic and diluted earnings per share of \$0.25 and \$0.24, respectively;
- Assets under management ("AUM") increased by 21% year-over-year to \$5.7 billion (C\$7.3 billion);
- Tricon American Homes' ("TAH") NOI increased by 5% year-over-year to \$37.7 million and its Core FFO increased by 28% year-over-year to \$12.9 million, driven by strong operating performance including 96.3% stabilized occupancy, 6.7% blended rent growth and 61.6% NOI margin (60.9% excluding recoveries from hurricanes);
- TAH achieved 8.0% same home NOI growth year-over-year, an increase of 220 bps in the same home NOI margin to 58.9%, and 6.7% same home blended rent growth;
- TAH accelerated its acquisition program, purchasing 810 homes organically during the quarter compared to 505 in the second quarter of 2018;
- Private Funds and Advisory revenue increased by 30% year-over-year to \$7.7 million, reflecting the addition of third-party capital to TAH via the joint venture announced in the second quarter of 2018; and
- Adjusted EBITDA of \$75.0 million and Adjusted basic and diluted earnings per share of \$0.30 and \$0.27, respectively.

"Tricon's third-quarter results demonstrated our focus on operational improvement and progress towards growing our third-party asset management platform around our core investment verticals," said Gary Berman, Tricon's President and CEO. "TAH, our primary driver of recurring cash flow, delivered same home NOI growth of 8.0% and consolidated Core FFO growth of 28% as a result of ongoing strength in rents coupled with effective containment of overhead and interest costs. Our recurring cash flow streams also benefited from a 30% increase in Private Funds and Advisory revenue stemming from TAH's recently announced joint venture. As we head into a potentially higher interest rate environment, we believe we are well-positioned with compelling single-family and multi-family rental offerings, while maintaining a conservative funding profile that leverages third-party capital and incorporates largely fixed-rate debt across our investment verticals."

Financial Highlights

For the periods ended September 30 (in thousands of U.S. dollars, except per share amounts)	Three months		Nine months	
	2018	2017	2018	2017
Investment income - Tricon American Homes	\$ 53,650	\$ 57,043	\$ 180,773	\$ 67,358
Investment income - Tricon Housing Partners	3,309	4,737	9,506	16,973
Investment income - Tricon Lifestyle Rentals	1,189	1,663	4,753	6,441
Investment income from discontinued operations and gain from disposal of investments held for sale - Tricon Lifestyle Communities	—	2,262	21,170	6,194
Private Funds and Advisory revenue	7,741	5,965	20,782	18,068
Net income	33,826	57,512	173,058	43,624
Basic earnings per share	0.25	0.43	1.28	0.35
Diluted earnings per share	0.24	0.29	1.06	0.34
Dividends per share	C\$ 0.070	C\$ 0.065	C\$ 0.210	C\$ 0.195
Non-IFRS measures				
Adjusted EBITDA	\$ 74,955	\$ 95,794	\$ 283,191	\$ 172,753
Adjusted net income	41,010	56,910	177,520	94,140
Adjusted basic earnings per share	0.30	0.42	1.32	0.76
Adjusted diluted earnings per share	0.27	0.37	1.15	0.70
Assets under management (AUM)			\$ 5,664,371	\$ 4,665,398

Net income for the third quarter of 2018 was \$33.8 million compared to \$57.5 million in Q3 2017. Net income per basic and diluted share was \$0.25 and \$0.24, respectively, compared to \$0.43 and \$0.29 in Q3 2017. Net income for the quarter included:

- Private Funds and Advisory revenue of \$7.7 million earned from all three of Tricon's investment verticals, including management fees of \$1.0 million from TAH JV-1 which was established on June 27, 2018;
- Fair value gains of \$42.3 million at TAH compared to \$63.0 million in Q3 2017. The prior year figure included initial BPOs on homes acquired from Silver Bay which had been held at cost since the acquisition on May 9, 2017;
- Investment income of nil from Tricon Lifestyle Communities (“TLC”) compared to \$2.3 million in the prior year, reflecting the disposition of this investment vertical in June 2018;
- A fair value loss on embedded derivatives of \$0.6 million related to the convertible debentures compared to a \$13.5 million gain recognized in Q3 2017; and
- Loss on debt extinguishment of \$5.3 million related to the redemption of the 2020 convertible debentures.

Adjusted net income for the third quarter of 2018 was \$41.0 million compared to \$56.9 million in Q3 2017. Adjusted basic and diluted earnings per share were \$0.30 and \$0.27, respectively, compared to \$0.42 and \$0.37 in Q3 2017. The decrease in Adjusted net income on an absolute and per-share basis is attributable to lower fair value gains at TAH and the absence of TLC in this quarter's results.

Investment income - Tricon American Homes

Investment income from TAH was \$53.7 million for the quarter compared to \$57.0 million in Q3 2017. The decrease was driven by fair value gains of \$42.3 million for the quarter compared to \$63.0 million in the same period in the prior year, as the combination of the BPO and HPI methodologies resulted in fair value growth of 1.5% in Q3 2018 compared to 2.5% in Q3 2017. The above decrease in fair value gains was partly offset by higher NOI of \$37.7 million compared to \$35.9 million in Q3 2017 as a result of incremental organic acquisitions, rental revenue growth in spite of having 3% fewer leased homes, and expense containment achieved across the portfolio.

The NOI margin for the total portfolio in the quarter was 61.6% compared to 59.9% in Q3 2017 as a result of strong average blended rent growth of 6.7% (9.4% on new leases and 5.4% on renewals) and containment of expenses. On a same home basis, NOI increased by 8.0% year-over-year and NOI margin increased to 58.9% in Q3 2018 from 56.7% in Q3 2017 for similar reasons. Core FFO was \$12.9 million in Q3 2018 compared to \$10.1 million in Q3 2017. This favourable variance was driven by the increase in NOI discussed above, stable overhead expenses, and lower interest expense as a result of TAH's efforts to refinance short-term floating-rate debt with longer-term fixed-rate debt at more attractive interest rates.

The TAH operating metrics discussed above (including NOI and Core FFO) reflect the performance of the entire portfolio under management, including the TAH JV-1 portfolio, which is managed by a TAH subsidiary.

Investment income - Tricon Housing Partners

Investment income from THP was \$3.3 million for the quarter compared to \$4.7 million in Q3 2017. As discussed in prior quarters, THP continues to experience higher construction costs and extended development timelines, driven by labour constraints, lengthened municipal permitting and approvals, as well as increased competition for active-adult housing. Management expects these factors to weigh on THP's results in the near term as budgets are revised, before returning to historical levels of profitability.

Subsequent to quarter-end, The Michael (a THP2 US multi-family rental development in Austin, Texas) was sold for net proceeds of \$33.1 million, which represents a fund-level realized return on investment (ROI) of 1.8x and a realized internal rate of return (IRR) of 20% over the project's four-year investment period.

Investment income - Tricon Lifestyle Rentals

Investment income from TLR was \$1.2 million for the quarter compared to \$1.7 million in Q3 2017, driven by fair value gains on Canadian and U.S. projects offset by non-controlling interest related to U.S. projects and operating losses as rental income at certain projects was replaced with construction activity and others entered the lease-up phase.

Private Funds and Advisory

Revenue from Private Funds and Advisory (including contractual fees, general partner distributions and performance fees) for the quarter was \$7.7 million, a 30% increase compared to \$6.0 million in Q3 2017. The increase was largely attributable to additional management fees of \$1.0 million earned from TAH JV-1 which generated a full quarter of fees since its inception on June 27, 2018 as well as \$0.5 million of additional development fees from Johnson. The Johnson development fees increased as a result of heightened commercial activity at Cross Creek Ranch and other Johnson communities.

Quarterly Dividend and Subsequent Events

On August 30, 2018, the Company gave notice to debenture holders of its intention to redeem in full all of the outstanding balance of 5.60% convertible unsecured subordinated debentures due March 31, 2020 ("2020 convertible debentures"), and the redemption was completed on October 9, 2018. Pursuant to the conversion option available to the holders of the debentures, an aggregate of 8,096,318 common shares were issued on the conversion of debentures following the redemption announcement. The remaining balance of the outstanding principal amount of the debentures was redeemed on the redemption date for an aggregate of 598,405 common shares. Including 816 common shares issued in the second quarter of 2018, the Company issued 8,695,539 common shares in connection with the conversion or redemption of C\$85,693 aggregate principal amount of 2020 convertible debentures during 2018.

The Company announced a dividend of seven cents per share in Canadian dollars payable on or after January 15, 2019 to shareholders of record on December 31, 2018.

Tricon's dividends are designated as eligible dividends for Canadian tax purposes in accordance with subsection 89(14) of the *Income Tax Act* (Canada), and any applicable corresponding provincial and territorial legislation. Tricon has a Dividend Reinvestment Plan ("DRIP") which allows eligible shareholders of the Company to reinvest their cash dividends in additional common shares of the Company. Common shares issued pursuant to the DRIP in connection with the announced dividend will be issued from treasury at a 1% discount from the market price, as defined in the DRIP. Participation in the DRIP is optional and shareholders who do not participate in the plan will continue to receive cash dividends. A complete copy of the DRIP is available in the Investor Information section of Tricon's website at www.triconcapital.com.

Conference Call and Webcast

Management will host a conference call at 10 a.m. ET on Thursday, November 8, 2018 to discuss the Company's results. Please call 647-427-2311 or 1-866-521-4909 (Conference ID # 4788636). The conference call will also be accessible via webcast, and a supplementary conference call presentation will be provided at www.triconcapital.com (Investor Information - Events). A replay of the conference call will be available from 1 p.m. ET on November 8, 2018 until midnight ET on November 15, 2018. To access the replay, call 1-800-585-8367 or 416-621-4642, followed by passcode 4788636.

The Company's Financial Statements and Management's Discussion and Analysis for the three and nine months ended September 30, 2018 are available on Tricon's website at www.triconcapital.com and have been filed on SEDAR (www.sedar.com). The financial information therein is presented in U.S. dollars.

About Tricon Capital Group Inc.

Tricon is a principal investor and asset manager focused on the residential real estate industry in North America with approximately \$5.7 billion (C\$7.3 billion) of assets under management. Tricon invests in a portfolio of single-family rental homes, for-sale housing assets and purpose-built rental apartments, and manages third-party capital in connection with its investments. Our business objective is to invest for investment income and capital appreciation through our principal investment business and to earn fee income through our Private Funds and Advisory business. Since its inception in 1988, Tricon has invested in real estate and development projects valued at approximately \$20 billion. More information about Tricon is available at www.triconcapital.com.

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This news release may contain forward-looking statements relating to expected future events and financial and operating results and projections of the Company. Such forward-looking information and statements involve risks and uncertainties and are based on management's current expectations, intentions and assumptions in light of its understanding of relevant current market conditions, investee business plans, and the Company's prospects. If unknown risks arise, or if any of the assumptions underlying the forward-looking statements prove incorrect, actual results may differ materially from management expectations as projected in such forward-looking statements. Examples of such risks are described in the Company's continuous disclosure materials from time to time, available on SEDAR at www.sedar.com. Accordingly, although the Company believes that its anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking statements and information. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

The Company has included herein certain supplemental measures of key performance, including, but not limited to, adjusted EBITDA, adjusted net income and adjusted earnings per share ("EPS"), as well as certain key indicators of the performance of its investees. The Company utilizes these measures in managing its business, including performance measurement and capital allocation, and believes that providing these performance measures on a supplemental basis is helpful to investors in assessing the overall performance of the Company's business. However, these measures are not recognized under IFRS. Because non-IFRS measures do not have standardized meanings prescribed by IFRS, Tricon's use of these measures may not be comparable to similar measures reported by other issuers and they should not be construed as alternatives to net income (loss) or cash flow from the Company's activities, determined in accordance with IFRS, in measuring the Company's performance. The definition, calculation and reconciliation of the non-IFRS measures used herein are provided in Sections 6 and 7 of the Company's MD&A for the three and nine months ended September 30, 2018, which is available on SEDAR at www.sedar.com.