

CANADIAN NET REIT ANNOUNCES 2023 FOURTH-QUARTER RESULTS

– REIT also announces monthly distributions for Q2 2024 –

Montréal (Québec), March 19, 2024 - Canadian Net Real Estate Investment Trust (“Canadian Net” or the “REIT”) (TSX-V: NET.UN) today reported its results for the quarter ended December 31st, 2023 (“Q4 2023”). The REIT also announced distributions for the months of April, May and June 2024.

"We are pleased to present our results today. Despite the challenges faced in the real estate market throughout 2023, Canadian Net maintained its strong performance," stated Kevin Henley, President and CEO. "We successfully maintained our FFO per unit, 100% occupancy rate, and one of the lowest payout ratio in the REIT sector at 54%. With the acquisition market staying subdued, we initiated a capital recycling strategy, divesting three properties at values exceeding IFRS values. Looking ahead to 2024, we anticipate a gradual recovery in the acquisition market, while our focus remains on capital recycling and enhancing liquidity. Canadian Net has long been a consolidator of essential services, single tenant triple net retail properties, and we remain committed to positioning the REIT advantageously to seize upcoming opportunities."

RESULTS FOR Q4 2023

Canadian Net reported Funds from operations¹ (“FFO”) of 3.3 million or \$0.162 for Q4 2023, consistent with the fourth quarter of 2022 (“Q4 2022”).

Rental income was \$7.2 million in Q4 2023, an increase of 2.8% from the three-month period ended December 31, 2022 (“Q4 2022”). Net Operating Income (“NOI”)¹ in Q4 2023 was \$4.9 million, consistent with Q4 2022, primarily reflecting the year-over-year increase in rental income which was partially offset by property dispositions.

The REIT generated net income attributable to unitholders of \$4.3 million in Q4 2023 compared to a loss of \$9.3 million in Q4 2022.

RESULTS FOR THE TWELVE-MONTH PERIOD ENDED DECEMBER 31, 2023

Canadian Net reported FFO¹ of \$13.1 million, or \$0.635 per unit¹ compared to \$13.0 million, or \$0.636 per unit for the twelve-month period ended December 31, 2022.

Rental income was \$26.6 million for the twelve-month period ended December 31, 2023, an increase of 7.4% from the same period in 2022. NOI¹ for the twelve-month period ended December 31, 2023, was \$19.4 million, an increase of 5.8% from the same period in 2022, primarily reflecting the year-over-year increase in rental income and partially offset by property dispositions.

The REIT generated net income attributable to unitholders of \$18.2 million for the twelve-month period ended December 31, 2023 compared to a loss of \$6.5 million for the same period in 2022.

The change in FFO¹ is mainly derived from the addition of rental revenues of newly acquired properties and contractual rent step-ups, which was offset by higher interest charges on mortgage renewals, variable rate mortgages and credit facilities. The increases in rental income and NOI¹ were due to the addition of new properties and increases in rent from existing properties, partially offset by the sale of the Timmins, Trois-Rivière and Dartmouth properties. Finally, the variance in net income attributable to unitholders is primarily attributable to the change in fair value of investment properties, in addition to the impact of NOI¹ from newly acquired properties, partially offset by interest on mortgages associated with said properties.

¹ Non-IFRS financial measure with no standardized IFRS meaning and may not be comparable to other issuers. Refer to the section “Non-IFRS financial measures”.

DISTRIBUTIONS

Canadian Net announced that it will make monthly cash distributions of \$0.02875 per unit, representing \$0.345 per unit on an annualized basis, on April 30th, May 31st and June 28th, 2024, to unitholders of record on April 15th, May 15th and June 14th, 2024, respectively.

The tables below represent other financial highlights and the reconciliations of certain non-IFRS measures for Q4 2023 and Q4 2022. This information should be read in conjunction with the Audited Consolidated Financial Statements and Management's Discussion & Analysis ("MD&A") for the quarters ended December 31st, 2023 and December 31st, 2022.

SUMMARY OF SELECTED FINANCIAL INFORMATION

Periods ended December 31	12 months		Δ	%
	2023	2022		
Financial info				
Property rental income	26,550,527	24,729,024	1,821,503	7%
Net income (loss) and comprehensive income (loss)	18,221,826	(6,493,632)	24,715,458	(381%)
NOI ⁽¹⁾	19,431,563	18,372,314	1,059,249	6%
FFO ⁽¹⁾	13,059,460	13,039,054	20,406	-
AFFO ⁽¹⁾	11,723,180	12,152,784	(429,604)	(4%)
EBITDA ⁽¹⁾	25,493,840	(226,479)	25,720,319	n/a
Adjusted EBITDA ⁽¹⁾	19,764,765	18,693,878	1,070,887	6%
Investment properties	277,842,384	275,425,158	2,417,226	1%
Adjusted investment properties ⁽¹⁾	331,142,874	326,897,963	4,244,911	1%
Total assets	308,350,346	303,059,853	5,290,493	2%
Mortgages	134,689,255	135,680,946	(991,691)	(1%)
Long-term debt	30,000	45,000	(15,000)	(33%)
Current portion of mortgages and long term-debt	13,804,643	16,516,785	(2,712,142)	(16%)
Mortgages on investment properties held for sale	2,780,439	3,498,066	(717,627)	(21%)
Credit facilities	15,965,362	15,725,362	240,000	2%
Total convertible debentures	7,436,529	8,635,474	(1,198,945)	(14%)
Total equity	129,487,381	118,687,767	10,799,614	9%
Weighted average units o/s - basic	20,566,316	20,514,719	51,597	-
Amounts on a per unit basis				
FFO ⁽¹⁾	0.635	0.636	(0.001)	-
AFFO ⁽¹⁾	0.570	0.592	(0.022)	(4%)
Distributions	0.345	0.340	0.005	1%

(1) This is a non-IFRS financial measure with no standardized IFRS meaning and may not be comparable to other issuers. Refer to the section "Non-IFRS financial measures".

NON-IFRS FINANCIAL MEASURES

The Trust's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). In this press release, as a complement to results provided in accordance with IFRS, the Trust discloses and discusses certain non-IFRS financial measures: FFO, FFO per unit, AFFO, AFFO per unit, NOI, and Adjusted Investment Properties. These non-IFRS measures are not defined by IFRS, do not have a standardized meaning, and may not be comparable with similar measures presented by other issuers. Canadian Net has presented such non-IFRS measures as management of the Trust believes they are relevant measures of Canadian Net's underlying operating performance and debt management. Non-IFRS measures should not be considered as alternatives to net income, cash generated from (utilized in) operating activities, or comparable metrics determined in accordance with IFRS as indicators of the Trust's performance, liquidity, cash flow, and profitability. Information appearing in this news release is a select summary of results. This news release should be read in conjunction with the condensed consolidated financial statements and MD&A for the Trust. Please refer to the "Non IFRS Financial Measures" section in Canadian Net's management's discussion and analysis for the period ended December 31, 2023, available under Canadian Net's profile on SEDAR+ at www.sedarplus.com for a full description of these measures and, where applicable, a reconciliation to the most directly comparable measure calculated in accordance with IFRS. Such explanation is incorporated by reference herein.

In addition, below are the reconciling tables for the non-IFRS measures used in this press release.

Reconciliation of Investment Properties to Adjusted Investment Properties

As at December 31	2023	2022	Δ
Investment Properties			
Developed properties	277,842,384	275,425,158	1%
Investment properties held for sale	5,035,094	5,868,069	(14%)
Joint Venture Ownership⁽¹⁾			
Developed properties	45,765,604	42,886,822	7%
Properties under development	2,499,792	2,717,914	(8%)
Adjusted Investment Properties⁽²⁾	331,142,874	326,897,963	1%

(1) Represents Canadian Net's proportionate share

(2) This is a non-IFRS financial measure with no standardized IFRS meaning and may not be comparable to other issuers. Refer to the section "Non-IFRS financial measures"

Results of Operations

Periods ended December 31	3 months			12 months		
	2023	2022	Δ	2023	2022	Δ
Rental Income	7,249,338	7,052,983	196,355	26,550,527	24,729,024	1,821,503
Operating expenses	(2,360,559)	(2,174,702)	(185,857)	(7,118,964)	(6,356,710)	(762,254)
Net Operating Income ⁽¹⁾	4,888,779	4,878,281	10,498	19,431,563	18,372,314	1,059,249
Share of net income (loss) from investments in joint ventures	1,187,923	(1,835,735)	3,023,658	3,077,438	(900,504)	3,977,942
Increase/(decrease) in fair values of investment properties	437,292	(10,388,173)	10,825,465	4,319,072	(16,741,220)	21,060,292
Unit-based compensation	(114,500)	(95,441)	(19,059)	(541,875)	(602,617)	60,742
Administrative expenses	(258,971)	(218,504)	(40,467)	(1,020,738)	(891,206)	(129,532)
Financial expenses	(1,790,431)	(1,653,357)	(137,074)	(7,037,539)	(5,733,338)	(1,304,201)
Deferred income taxes	(6,095)	2,939	(9,034)	(6,095)	2,939	(9,034)
Net income (loss) attributable to unitholders	4,343,997	(9,309,990)	13,653,987	18,221,826	(6,493,632)	24,715,458
FFO ⁽¹⁾	3,335,581	3,329,459	-	13,059,460	13,039,054	-
FFO per unit ⁽¹⁾	0.162	0.162	-	0.635	0.636	-
Weighted avg. units o/s Basic	20,528,502	20,592,733	(64,231)	20,566,316	20,514,719	51,597

(1) This is a non-IFRS financial measure that does not have any standardized IFRS meaning and as such may not be comparable to other issuers. Refer to section "Non-IFRS financial measures"

Reconciliation of Net Income to Funds from Operations

Periods ended December 31	3 months			12 months		
	2023	2022	Δ	2023	2022	Δ
Net income (loss) attributable to unitholders	4,343,997	(9,309,990)	13,653,987	18,221,826	(6,493,632)	24,715,458
Δ in value of investment properties	(437,292)	10,388,173	(10,825,465)	(4,319,072)	16,741,220	(21,060,292)
Δ in value of investment properties in joint ventures	(684,851)	2,299,667	(2,984,518)	(1,185,278)	2,718,206	(3,903,484)
Unit-based compensation	114,500	95,441	19,059	541,875	602,617	(60,742)
Δ fair value adjustments on derivative financial instruments	(21,168)	(148,393)	127,225	(224,725)	(539,069)	314,344
Accretion of lease payments	-	-	-	-	7,483	(7,483)
Income taxes	20,395	4,561	15,834	24,834	2,229	22,605
FFO ⁽¹⁾	3,335,581	3,329,459	-	13,059,460	13,039,054	-
FFO per unit ⁽¹⁾	0.162	0.162	-	0.635	0.636	-
Distributions	1,770,629	1,748,368	22,261	7,095,010	6,966,904	128,106
Distributions per unit	0.086	0.085	1%	0.345	0.340	1%
FFO per unit ⁽¹⁾ - after distributions	0.076	0.077	-	0.290	0.296	(2%)
Distributions as a % of FFO ⁽¹⁾	53%	53%	-	54%	53%	1%
Weighted avg. units o/s Basic	20,528,502	20,592,733	(64,231)	20,566,316	20,514,719	51,597

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Adjusted Funds from Operations

Periods ended December 31	3 months			12 months		
	2023	2022	Δ	2023	2022	Δ
FFO ⁽¹⁾	3,335,581	3,329,459	6,122	13,059,460	13,039,054	20,406
Amortization of finance charges included in interest expense	-	-	-	-	-	-
Straight-line rent adjustment ⁽²⁾	(53,466)	(113,612)	60,146	(347,316)	(475,892)	128,576
Maintenance/cap-ex on existing properties ⁽³⁾	(164,469)	(241,330)	76,861	(988,964)	(410,378)	(578,586)
AFFO ⁽¹⁾	3,117,646	2,974,517	5%	11,723,180	12,152,784	(4%)
AFFO per unit ⁽¹⁾	0.152	0.144	5%	0.570	0.592	(4%)
Distributions per unit	0.086	0.085	1%	0.345	0.340	2%
AFFO per unit ⁽¹⁾ - after distributions	0.066	0.059	10%	0.225	0.252	(11%)
Distributions as a % of AFFO ⁽¹⁾	57%	59%	(2%)	61%	57%	4%
Weighted avg. units o/s						
Basic	20,528,502	20,592,733	(64,231)	20,566,316	20,514,719	51,597

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(2) Adjusted for the proportionate share of equity-accounted investments

(3) The maintenance/cap-ex on existing properties for 2023 includes a charge of \$805,000 that will generate additional income for the Trust

Reconciliation of Net Income to EBITDA

Periods ended December 31	3 months			12 months		
	2023	2022	Δ	2023	2022	Δ
Net income attributable to unitholders	4,343,997	(9,309,990)	13,653,987	18,221,826	(6,493,632)	24,715,458
Net interest expense	1,807,805	1,798,956	8,849	7,247,180	6,262,620	984,560
Accretion of lease payments	-	-	-	-	(7,483)	7,483
Income taxes	20,395	4,561	15,834	24,834	2,229	22,605
Other financial charges	-	2,794	(2,794)	-	9,787	(9,787)
EBITDA ⁽¹⁾	6,172,197	(7,503,679)	13,675,876	25,493,840	(226,479)	25,720,319
Δ in value of investment properties	(437,292)	10,388,173	(10,825,465)	(4,319,072)	16,741,220	(21,060,292)
Δ in value of investment properties in joint ventures	(684,851)	2,299,667	(2,984,518)	(1,185,278)	2,718,206	(3,903,484)
Δ in value of convertible debentures	(21,168)	(148,393)	127,225	(224,725)	(465,889)	241,164
Δ in value of warrants	-	-	-	-	(73,180)	73,180
Adjusted EBITDA ⁽¹⁾	5,028,886	5,035,768	-	19,764,765	18,693,878	6%
Interest expense	1,897,508	1,888,160	9,348	7,640,203	6,582,923	1,057,280
Principal repayments	1,176,301	1,124,398	51,903	4,602,073	4,374,378	227,695
Debt service requirements	3,073,809	3,012,558	2%	12,242,276	10,957,301	12%
Interest coverage ratio based on adjusted EBITDA ⁽¹⁾	2.7x	2.7x	-	2.6x	2.8x	(0.2x)
Debt service coverage based on adjusted EBITDA ⁽¹⁾	1.6x	1.7x	(0.1x)	1.6x	1.7x	(0.1x)

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EARNINGS WEBCAST

Canadian Net will host a webcast on March 20, 2024, at 9:00 a.m. (EST) in order to discuss the results.

The link to join the webcast is the following: <https://edge.media-server.com/mmc/p/mzccqgufk>

About Canadian Net – Canadian Net Real Estate Investment Trust is an open-ended trust that acquires and owns high-quality triple net and management-free commercial real estate properties.

Forward-Looking Statements - This press release contains forward-looking statements and information as defined by applicable securities laws. Canadian Net warns the reader that actual events may differ materially from current expectations due to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from the results anticipated in such statements. Among these include the risks related to economic conditions, the risks associated with the local real estate market, the dependence on the financial condition of tenants, the uncertainties related to real estate activities, the changes in interest rates, the availability of financing in the form of debt or equity, the effects related to the adoption of new IFRS standards, as well as other risks and factors described from time to time in the documents filed by Canadian Net with securities regulators, including the management report. Canadian Net does not update or modify its forward-looking statements even if future events occur or for any other reason unless required by law or any regulatory authority.

Neither the TSX Venture Exchange Inc. nor its Regulatory Services Provider (as that term is defined in the Policy of the TSX Venture Exchange and its Regulatory Services Provider) accepts any responsibility for the adequacy or accuracy of this release.

The December 31st, 2023, financial statements and management discussion & analysis of Canadian Net may be viewed on SEDAR+ at www.sedarplus.com.

For further information please contact Kevin Henley at (450) 536-5328.