

# FRONSAC REAL ESTATE INVESTMENT TRUST

## PRESS RELEASE

### FOR IMMEDIATE RELEASE

November 9, 2018

## FRONSAC ANNOUNCES ITS RESULTS FOR THE QUARTER ENDED SEPTEMBER 30, 2018, ITS 7<sup>TH</sup> CONSECUTIVE ANNUAL DISTRIBUTION INCREASE AND DISTRIBUTIONS FOR THE MONTHS OF JANUARY, FEBRUARY AND MARCH 2019

**Montreal (Quebec) - (TSX-V: FRO.UN)** Fronsac Real Estate Investment Trust ("Fronsac REIT" or "Fronsac") announces its results for the quarter ended September 30<sup>th</sup>, 2018 and, for a seventh consecutive year, an increase in its annual distribution as well as distributions for the months of January, February and March 2019.

### Distributions

Starting in January 2019, the annual distribution will go from 2.016¢ to 2.220¢ per unit, representing an increase of 10%. The monthly distributions will be of 0.185¢ per unit. This represents a 78% total growth since Fronsac's first distributions in 2012.

Fronsac also announces that it will make monthly cash distributions of 0.185¢ per unit, representing 2.220¢ per unit on an annualized basis, on January 31<sup>st</sup>, February 28<sup>th</sup> and March 29<sup>th</sup>, 2019 to unitholders of record on January 15th, February 15th and March 15th, 2019, respectively.

**For the quarter ended September 30<sup>th</sup>, 2018**, Fronsac reported recurring funds from operations ("Recurring FFO") per unit of 0.95¢ compared to 0.84¢ per unit for the quarter ended September 30<sup>th</sup>, 2017, an increase of 13%. Recurring FFO was \$871,219, an increase of 50% (\$581,433 in Q3 2017). During Q3 2018 the Trust's property rental income was \$1,663,373 compared to \$1,096,653 in Q3 2017, an increase of 52%. NOI (Net operating Income) was \$1,324,647 compared to \$882,492 in Q3 2017, an increase of 50%. Fronsac recorded a net income attributable to unitholders of \$544,021, or 0.6¢ per unit, compared to a net income of \$538,675, or 0.8¢ per unit, in Q3 2017.

**For the nine months ended September 30<sup>th</sup>, 2018**, Fronsac reported recurring funds from operations ("Recurring FFO") per unit of 2.75¢ compared to 2.47¢ per unit for the same period in 2017, an increase of 11%. Recurring FFO was \$2,413,136, an increase of 52% (\$1,589,175 for the same period in 2017). During the period ended September 30, 2018 the Trust's property rental income was \$4,556,093 compared to \$3,042,700 for the same period in 2017, an increase of 50%. NOI (Net operating Income) was \$3,623,014 compared to \$2,466,520 for the same period in 2017, an increase of 47%. Fronsac recorded a net income attributable to unitholders of \$2,196,171, or 2.5¢ per unit, compared to net income of \$2,701,756, or 4.2¢ per unit, for the same period in 2017.

Jason Parravano President and CEO said: "We are pleased to share with everyone our results for Q3 2018. Our per unit growth has allowed us to increase once again our distributions for the following year, and this for the 7th year in a row. We continued this quarter to diversify our tenant base as well as diversify our geography with our first Nova Scotia acquisition."

The tables below represent other financial highlights as well as the reconciliation from net income to FFO for the periods ended September 30<sup>th</sup>, 2018 and its comparative period. This information should be read in conjunction with the Consolidated Financials Statements and MD&A for the quarters ended September 30<sup>th</sup>, 2018 and September 30<sup>th</sup>, 2017.

## SUMMARY OF SELECTED ANNUAL INFORMATION

Periods ended September 30	9 months		Δ	%
	2018	2017		
<b>Financial info</b>				
Property rental income	4,556,093	3,042,700	1,513,393	50%
Total revenue	4,571,093	3,052,700	1,518,393	50%
NOI <sup>(1)</sup>	3,623,014	2,466,520	1,156,494	47%
FFO <sup>(1)</sup>	2,428,136	1,599,175	828,961	52%
Recurring FFO <sup>(1)</sup>	2,413,136	1,589,175	823,961	52%
AFFO <sup>(1)</sup>	2,115,047	1,484,966	630,081	42%
EBITDA <sup>(1)</sup>	3,372,480	2,185,929	1,186,551	54%
Investment properties <sup>(2)</sup>	99,264,996	59,266,139	39,998,857	67%
Total assets	96,863,007	59,101,842	37,761,165	64%
Total mortgage/loans/long term debt <sup>(3)</sup>	47,568,403	29,731,526	17,836,877	60%
Total exchangeable preferred units	-	977,268	(977,268)	(100%)
Total convertible debentures	1,576,413	253,975	1,322,438	521%
Total equity	45,899,465	27,864,885	18,034,580	65%
Weighted average units o/s - basic	87,649,966	64,372,724	23,277,242	36%
<b>Amounts on a per unit basis</b>				
FFO	0.0277	0.0248	0.0029	12%
Recurring FFO	0.0275	0.0247	0.0028	11%
AFFO	0.0241	0.0231	0.0011	4%
Distributions	0.0151	0.0135	0.0016	12%

<sup>(1)</sup> Non-IFRS financial measures

<sup>(2)</sup> Includes value of investment properties owned through joint ventures

<sup>(3)</sup> Excludes convertible debentures and exchangeable preferred units

## RECONCILIATION OF NET INCOME TO FFO

Periods ended September 30	3 months			9 months		
	2018	2017	Δ	2018	2017	Δ
Net income attributable to unitholders	544,021	538,675	5,346	2,196,171	2,701,756	(505,585)
Debt issuance costs	53,171	-	53,171	53,171	-	53,171
Δ in value of investment properties	24,924	37,050	(12,126)	(145,781)	(1,386,873)	1,241,092
Δ in value of investment properties in joint ventures	124,712	-	124,712	156,423	(141,641)	298,064
Unit based compensation	17,600	(200)	17,800	80,510	67,825	12,685
Δ in liability component of exch. preferred units & debentures	10,130	14,838	(4,708)	10,882	36,264	(25,382)
Δ in fair value of derivative financial instruments	94,260	(8,930)	103,190	71,720	321,844	(250,124)
Income taxes	2,401	-	2,401	5,040	-	5,040
FFO <sup>(1)</sup> - basic	871,219	581,433	50%	2,428,136	1,599,175	52%
FFO per unit - basic	0.0095	0.0084	13%	0.0277	0.0248	12%
Distributions paid on exchangeable preferred units and convertible debentures (if dilutive)	-	13,896	(13,896)	-	41,690	(41,690)
FFO - diluted	871,219	595,329	46%	2,428,136	1,640,865	48%
FFO per unit - diluted	0.0093	0.0081	15%	0.0269	0.0241	12%
Recurring FFO - basic	871,219	581,433	50%	2,413,136	1,589,175	52%
Recurring FFO per unit - basic	0.0095	0.0084	13%	0.0275	0.0247	11%
Distributions	458,528	312,765	145,763	1,322,097	892,377	429,720
Distributions per unit	0.0050	0.0045	11%	0.0151	0.0135	12%
FFO - basic after distributions	0.0045	0.0039	0.0006	0.0126	0.0113	0.0012
Recurring FFO - basic after distributions	0.0045	0.0039	0.0006	0.0124	0.0112	0.0012
Distributions as a % of FFO - basic	53%	54%	(1%)	55%	54%	1%
Distributions as a % of Recurring FFO - basic	53%	54%	(1%)	55%	55%	0%
Weighted avg. units o/s						
Basic	91,554,473	69,503,343	22,051,130	87,649,966	64,372,724	23,277,242
Diluted	94,059,156	73,172,938	20,886,218	90,154,649	68,042,319	22,112,330

<sup>(1)</sup> FFO is a Non-IFRS financial measure

**About Fronsac** - Fronsac 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. Fronsac 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 to 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 Fronsac with securities regulators, including the management report. Fronsac 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.

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The September 30<sup>th</sup>, 2018 financial statements and management discussion & analysis of Fronsac REIT may be viewed on SEDAR at [www.sedar.com](http://www.sedar.com)

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