

# FRONSAC REAL ESTATE INVESTMENT TRUST

## PRESS RELEASE

### FOR IMMEDIATE RELEASE

August 24, 2018

## FRONSAC ANNOUNCES SOLID RESULTS FOR THE QUARTER ENDED JUNE 30, 2018 AND ITS DISTRIBUTIONS FOR THE MONTHS OF OCTOBER, NOVEMBER AND DECEMBER 2018

**Montreal (Quebec) - (TSX-V: FRO.UN)** Fronsac Real Estate Investment Trust ("Fronsac REIT" or "Fronsac") today announced its results for the quarter ended June 30<sup>th</sup>, 2018, and that it will make monthly cash distributions of 0.168¢ per unit, representing 2.016¢ per unit on an annualized basis, on October 31<sup>st</sup>, November 30<sup>st</sup> and December 31<sup>th</sup>, 2018 to unitholders of record on October 15<sup>th</sup>, November 15<sup>th</sup> and December 14<sup>th</sup>, 2018, respectively.

**For the quarter ended June 30<sup>th</sup>, 2018**, Fronsac reported recurring funds from operations ("Recurring FFO") per unit of 0.89¢ compared to 0.78¢ per unit for the quarter ended June 30<sup>th</sup>, 2017, an increase of 15%. Recurring FFO was \$764,867, an increase of 53% (\$498,628 in Q2 2017). During Q2 2018 the Trust's property rental income was \$1,530,968 compared to \$976,412 in Q2 2017, an increase of 57%. NOI (Net operating Income) was \$1,209,474 compared to \$802,897 in Q2 2017, an increase of 51%. Fronsac recorded a net income attributable to unitholders of \$278,795, or 0.3¢ per unit, compared to a net income of \$322,928, or 0.5¢ per unit, in Q2 2017.

**For the six months ended June 30<sup>th</sup>, 2018**, Fronsac reported recurring funds from operations ("Recurring FFO") per unit of 1.80¢ compared to 1.63¢ per unit for the same period in 2017, an increase of 10%. Recurring FFO was \$1,541,916, an increase of 53% (\$1,007,742 for the same period in 2017). During the period ended June 30, 2018 the Trust's property rental income was \$2,892,720 compared to \$1,946,047 for the same period in 2017, an increase of 49%. NOI (Net operating Income) was \$2,298,367 compared to \$1,584,028 for the same period in 2017, an increase of 45%. Fronsac recorded a net income attributable to unitholders of \$1,652,149, or 1.9¢ per unit, compared to net income of \$2,163,081, or 3.5¢ per unit, for the same period in 2017.

Jason Parravano President and CEO said: "So far in 2018 we have completed acquisitions that continue to diversify our tenant base as well as provide accretion to our per unit results. We have also recently announced our largest equity financing to date, which is expected to close in the coming weeks. The continued support from existing and new investors alike will help fuel Fronsac's acquisition strategy as well as allow us to maintain a healthy balance sheet as we continue to grow."

The tables below represent other financial highlights as well as the reconciliation from net income to FFO for the periods ended June 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 June 30<sup>th</sup>, 2018 and June 30<sup>th</sup>, 2017.

## SUMMARY OF SELECTED ANNUAL INFORMATION

Periods ended June 30	6 months			
	2018	2017	Δ	%
<b>Financial info</b>				
Property rental income	2,892,720	1,946,047	946,673	49%
Total revenue	2,907,720	1,956,047	951,673	49%
NOI <sup>(1)</sup>	2,298,367	1,584,028	714,339	45%
FFO <sup>(1)</sup>	1,556,916	1,017,742	539,174	53%
Recurring FFO <sup>(1)</sup>	1,541,916	1,007,742	534,174	53%
AFFO <sup>(1)</sup>	1,558,185	1,150,184	408,001	35%
EBITDA <sup>(1)</sup>	2,101,447	1,376,144	725,303	53%
Investment properties <sup>(2)</sup>	88,701,506	53,416,627	35,284,879	66%
Total assets	83,966,065	53,493,834	30,472,231	57%
Total mortgage/loans/long term debt <sup>(3)</sup>	44,861,860	23,114,063	21,747,797	94%
Total exchangeable preferred units	-	966,551	(966,551)	(100%)
Total convertible debentures	251,333	249,854	1,479	1%
Total equity	37,537,332	27,638,975	9,898,357	36%
Weighted average units o/s - basic	85,665,355	61,764,896	23,900,459	39%
<b>Amounts on a per unit basis</b>				
FFO	0.0182	0.0165	0.0017	10%
Recurring FFO	0.0180	0.0163	0.0017	10%
AFFO	0.0182	0.0186	(0.0004)	(2%)
Distributions	0.0101	0.0090	0.0011	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 June 30	3 months			6 months		
	2018	2017	Δ	2018	2017	Δ
Net income attributable to unitholders	278,795	322,928	(44,133)	1,652,149	2,163,081	(510,932)
Δ in value of investment properties	504,122	(89,172)	593,294	(170,705)	(1,423,923)	1,253,218
Δ in value of investment properties in joint ventures	(28,778)	(110,501)	81,723	31,711	(141,641)	173,352
Unit based compensation	21,830	39,550	(17,720)	62,910	68,025	(5,115)
Δ in liability component of exch. preferred units & debentures	(3,381)	7,074	(10,455)	752	21,426	(20,674)
Δ in fair value of derivative financial instruments	(10,360)	338,749	(349,109)	(22,540)	330,774	(353,314)
Income taxes	2,639	-	2,639	2,639	-	2,639
FFO <sup>(1)</sup> - basic	764,867	508,628	50%	1,556,916	1,017,742	53%
FFO per unit - basic	0.0089	0.0079	13%	0.0182	0.0165	10%
Distributions paid on exchangeable preferred units and convertible debentures (if dilutive)	-	13,897	(13,897)	7,500	35,294	(27,794)
FFO - diluted	764,867	522,525	46%	1,564,416	1,053,036	49%
FFO per unit - diluted	0.0089	0.0078	15%	0.0181	0.0161	13%
Recurring FFO - basic	764,867	498,628	53%	1,541,916	1,007,742	53%
Recurring FFO per unit - basic	0.0089	0.0078	15%	0.0180	0.0163	10%
Distributions	431,785	312,765	119,020	863,569	579,612	283,957
Distributions per unit	0.0050	0.0045	12%	0.0101	0.0090	12%
FFO - basic after distributions	0.0039	0.0034	0.0005	0.0081	0.0075	0.0006
Recurring FFO - basic after distributions	0.0039	0.0033	0.0006	0.0079	0.0073	0.0006
Distributions as a % of FFO - basic	56%	57%	(1%)	55%	55%	0%
Distributions as a % of Recurring FFO - basic	56%	58%	(2%)	56%	55%	1%
Weighted avg. units o/s						
Basic	85,671,543	64,233,104	21,438,439	85,665,355	61,764,896	23,900,459
Diluted	85,671,543	67,321,304	18,350,239	86,246,750	65,434,491	20,812,259

<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.

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 Provide) accepts any responsibility for the adequacy or accuracy of this release.

The June 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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