

CANADIAN NET REIT ANNOUNCES 2023 THIRD-QUARTER RESULTS

– REIT also announces monthly distributions for Q1 2024 –

Montréal (Québec), November 22, 2023 - Canadian Net Real Estate Investment Trust (“Canadian Net” or the “REIT”) (TSX-V: NET.UN) today reported its results for the quarter ended September 30th, 2023 (“Q3 2023”). The REIT also announced distributions for the months of January, February and March 2024.

“We are pleased with the performance of our portfolio. As of September 30, 2023, we maintained full occupancy at 100%, and our payout ratio remained at 55%.” said Kevin Henley, President and CEO. “CNET is well-positioned with its tenant base consisting primarily of essential national retailers and our outlook remains positive. So far this year, we successfully divested three properties at valuations higher than our IFRS values, including a property in Trois-Rivières during Q3 2023 and a property in Dartmouth, Nova Scotia after Q3. We are actively reallocating capital and optimizing our financial position. Despite our strong operational performance, the growth in NOI was offset by increased interest expenses on our credit facilities, mortgage renewals, and variable debt, which led to a neutral FFO over the period. With a focus on generating additional liquidity and strengthening the REIT’s capital position, we are looking forward to refinancing our remaining mortgages in Q4.”

RESULTS FOR Q3 2023

Canadian Net reported that Funds from operations¹ (“FFO”) decreased slightly from \$3.2 million, or \$0.155 per unit¹ compared to \$3.3 million, or \$0.163 per unit for Q3 2022.

Rental income was \$6.4 million in Q3 2023, an increase of 0.5% from the three-month period ended September 30, 2022 (“Q3 2022”). Net Operating Income (“NOI”)¹ in Q3 2023 was \$4.8 million, an increase of 1.0% from Q3 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 \$3.0 million in Q3 2023 compared to a loss of \$0.5 million in Q3 2022.

RESULTS FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2023

Canadian Net reported that FFO¹ remained stable at \$9.7 million, or \$0.473 per unit¹ compared to \$9.7 million, or \$0.474 per unit for the nine-month period ended September 30, 2022.

Rental income was \$19.3 million for the nine-month period ended September 30, 2023, an increase of 9.2% from the same period in 2022. NOI¹ for the nine-month period ended September 30, 2023, was \$14.5 million, an increase of 7.8% from Q3 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 \$13.9 million for the nine-month period ended September 30, 2023 compared to \$2.8 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 and the Trois-Rivière 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 January 31st, February 29th and March 29th, 2024, to unitholders of record on January 15th, February 15th and March 15th, 2024, respectively.

The tables below represent other financial highlights and the reconciliations of certain non-IFRS measures for Q3 2023 and Q3 2022. This information should be read in conjunction with the Consolidated Financial Statements and Management's Discussion & Analysis ("MD&A") for the quarters ended September 30th, 2023 and September 30th, 2022.

SUMMARY OF SELECTED FINANCIAL INFORMATION

Periods ended September 30	9 months		Δ	%
	2023	2022		
Financial info				
Property rental income	19,301,189	17,676,041	1,625,148	9%
Net income (loss) and comprehensive income (loss)	13,877,829	2,816,358	11,061,471	393%
NOI ⁽¹⁾	14,542,784	13,494,033	1,048,751	8%
FFO ⁽¹⁾	9,723,879	9,709,595	14,284	-
AFFO ⁽¹⁾	8,605,534	9,178,267	(572,733)	(6%)
EBITDA ⁽¹⁾	19,321,643	7,277,200	12,044,443	166%
Adjusted EBITDA ⁽¹⁾	14,735,879	13,658,110	1,077,769	8%
Investment properties	279,046,583	291,358,184	(12,311,601)	(4%)
Adjusted investment properties ⁽¹⁾	330,887,338	338,203,870	(7,316,532)	(2%)
Total assets	307,161,232	312,477,987	(5,316,755)	(2%)
Mortgages	134,038,836	135,331,955	(1,293,119)	(1%)
Long-term debt	30,000	45,000	(15,000)	(33%)
Current portion of mortgages and long term-debt	15,003,476	21,187,436	(6,183,960)	(29%)
Mortgages on investment properties held for sale	2,797,546	-	2,797,546	n/a
Credit facilities	17,470,362	16,435,362	1,035,000	6%
Total convertible debentures	7,264,514	8,442,262	(1,177,748)	(14%)
Total equity	126,914,012	129,746,124	(2,832,112)	(2%)
Weighted average units o/s - basic	20,579,058	20,488,429	90,629	-
Amounts on a per unit basis				
FFO ⁽¹⁾	0.473	0.474	(0.001)	-
AFFO ⁽¹⁾	0.418	0.448	(0.030)	(7%)
Distributions	0.259	0.255	0.004	2%

(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 September 30, 2023, available under Canadian Net's profile on SEDAR at www.sedar.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 September 30	2023	2022	Δ
Investment Properties			
Developed properties	279,046,583	291,358,184	(4%)
Investment properties held for sale	4,825,309	-	n/a
Joint Venture Ownership⁽¹⁾			
Developed properties	44,997,909	43,999,121	2%
Properties under development	2,017,537	2,846,565	(29%)
Adjusted Investment Properties⁽²⁾	330,887,338	338,203,870	(2%)

(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 September 30	3 months			9 months		
	2023	2022	Δ	2023	2022	Δ
Rental Income	6,398,506	6,369,404	29,102	19,301,189	17,676,041	1,625,148
Operating expenses	(1,577,084)	(1,595,706)	18,622	(4,758,405)	(4,182,008)	(576,397)
Net Operating Income ⁽¹⁾	4,821,422	4,773,698	47,724	14,542,784	13,494,033	1,048,751
Share of net income (loss) from investments in joint ventures	491,824	(119,309)	611,133	1,889,515	935,231	954,284
Increase/(decrease) in fair values of investment properties	(99,885)	(3,295,446)	3,195,561	3,881,780	(6,353,047)	10,234,827
Unit-based compensation	(97,327)	(115,865)	18,538	(427,375)	(507,176)	79,801
Administrative expenses	(232,944)	(222,210)	(10,734)	(761,767)	(672,702)	(89,065)
Financial expenses	(1,846,142)	(1,561,826)	(284,316)	(5,247,108)	(4,079,981)	(1,167,127)
Net income (loss) attributable to unitholders	3,036,948	(540,958)	3,577,906	13,877,829	2,816,358	11,061,471
FFO ⁽¹⁾	3,181,261	3,347,120	(5%)	9,723,879	9,709,595	-
FFO per unit ⁽¹⁾	0.155	0.163	(5%)	0.473	0.474	-
Weighted avg. units o/s Basic	20,531,490	20,592,733	(61,243)	20,579,058	20,488,429	90,629

(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 September 30	3 months			9 months		
	2023	2022	Δ	2023	2022	Δ
Net income (loss) attributable to unitholders	3,036,948	(540,958)	3,577,906	13,877,829	2,816,358	11,061,471
Δ in value of investment properties	99,885	3,295,446	(3,195,561)	(3,881,780)	6,353,047	(10,234,827)
Δ in value of investment properties in joint ventures	(18,222)	591,229	(609,451)	(500,427)	418,539	(918,966)
Unit-based compensation	97,327	115,865	(18,538)	427,375	507,176	(79,801)
Δ fair value adjustments on derivative financial instruments	(34,677)	(112,130)	77,453	(203,557)	(390,676)	187,119
Accretion of lease payments	-	-	-	-	7,483	(7,483)
Income taxes	-	(2,332)	2,332	4,439	(2,332)	6,771
FFO ⁽¹⁾	3,181,261	3,347,120	(5%)	9,723,879	9,709,595	-
FFO per unit ⁽¹⁾	0.155	0.163	(5%)	0.473	0.474	-
Distributions	1,770,629	1,748,368	22,261	5,324,382	5,218,536	105,846
Distributions per unit	0.086	0.085	1%	0.259	0.255	2%
FFO per unit ⁽¹⁾ - after distributions	0.069	0.078	(12%)	0.214	0.219	(2%)
Distributions as a % of FFO ⁽¹⁾	56%	52%	4%	55%	54%	1%
Weighted avg. units o/s Basic	20,531,490	20,592,733	(61,243)	20,579,058	20,488,429	90,629

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Adjusted Funds from Operations

Periods ended September 30	3 months			9 months		
	2023	2022	Δ	2023	2022	Δ
FFO ⁽¹⁾	3,181,261	3,347,120	(165,859)	9,723,879	9,709,595	14,284
Amortization of finance charges included in interest expense	-	-	-	-	-	-
Straight-line rent adjustment ⁽²⁾	(83,913)	(119,325)	35,412	(293,850)	(362,280)	68,430
Maintenance/cap-ex on existing properties ⁽³⁾	(321,235)	(85,072)	(236,163)	(824,495)	(169,048)	(655,447)
Leasing costs on existing properties	-	-	-	-	-	-
Debt extinguishment penalties	-	-	-	-	-	-
AFFO ⁽¹⁾	2,776,113	3,142,723	(12%)	8,605,534	9,178,267	(6%)
AFFO per unit ⁽¹⁾	0.135	0.153	(12%)	0.418	0.448	(7%)
Distributions per unit	0.086	0.085	1%	0.259	0.255	2%
AFFO per unit ⁽¹⁾ - after distributions	0.049	0.068	(28%)	0.159	0.193	(17%)
Distributions as a % of AFFO ⁽¹⁾	64%	56%	8%	62%	57%	5%
Weighted avg. units o/s						
Basic	20,531,490	20,592,733	(61,243)	20,579,058	20,488,429	90,629

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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 September 30	3 months			9 months		
	2023	2022	Δ	2023	2022	Δ
Net income attributable to unitholders	3,036,948	(540,958)	3,577,906	13,877,829	2,816,358	11,061,471
Net interest expense	1,877,370	1,671,201	206,169	5,439,375	4,463,664	975,711
Accretion of lease payments	-	-	-	-	(7,483)	7,483
Income taxes	-	(2,332)	2,332	4,439	(2,332)	6,771
Other financial charges	-	2,755	(2,755)	-	6,993	(6,993)
EBITDA ⁽¹⁾	4,914,318	1,130,666	3,783,652	19,321,643	7,277,200	12,044,443
Δ in value of investment properties	99,885	3,295,446	(3,195,561)	(3,881,780)	6,353,047	(10,234,827)
Δ in value of investment properties in joint ventures	(18,222)	591,229	(609,451)	(500,427)	418,539	(918,966)
Δ in value of convertible debentures	(34,677)	(112,130)	77,453	(203,557)	(317,496)	113,939
Δ in value of warrants	-	-	-	-	(73,180)	73,180
Adjusted EBITDA ⁽¹⁾	4,961,304	4,905,211	1%	14,735,879	13,658,110	8%
Interest expense	1,963,877	1,751,404	212,473	5,742,695	4,694,763	1,047,932
Principal repayments	1,105,286	1,145,038	(39,752)	3,425,772	3,249,980	175,792
Debt service requirements	3,069,163	2,896,442	6%	9,168,467	7,944,743	15%
Interest coverage ratio based on adjusted EBITDA ⁽¹⁾	2.5x	2.8x	(0.3x)	2.6x	2.9x	(0.3x)
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 November 23, 2023, at 10:00 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/743v7si5>

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 September 30th, 2023, financial statements and management discussion & analysis of Canadian Net may be viewed on SEDAR at www.sedar.com.

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