

CANADIAN NET REIT ANNOUNCES SOLID 2023 FIRST QUARTER RESULTS

– REIT also announces monthly distributions for Q3 2023 –

Montréal (Québec), May 24, 2023 - Canadian Net Real Estate Investment Trust (“Canadian Net” or the “REIT”) (TSX-V: NET.UN) today reported its results for the quarter ended March 31st, 2023 (“Q1 2023”). The REIT also announced distributions for the months of July, August and September 2023, and modifications to grants under its Equity Incentive Plan that reflect recent management changes.

“We continued to generate solid performance in the quarter, including a 4% increase in FFO per unit¹,” said Kevin Henley, President and CEO. “Our triple-net and management-free structure continues to generate stable, reliable income with low overhead expenditures and 100% occupancy. We are also benefiting from the positive contributions of our most recent acquisitions, in addition to organic growth from incremental rent attributable to scheduled rental rate increases. As we move forward, we expect interest rates and capitalization rates to stabilize, translating into a more favourable acquisition environment for the REIT.”

“Subsequent to quarter-end, we sold a single-tenant restaurant property in Timmins, Ontario for total consideration of \$1.3 million,” added Mr. Henley. “The sale price represented a capitalization of 6.2%, or approximately 19% premium to our IFRS capitalization rate for the property. This sale highlights the significant discrepancy between the stock price and the price observed in the private market.”

Q1 2023 RESULTS

Canadian Net reported that Funds from operations¹ (“FFO”) increased 5.3% to \$3.2 million, or \$0.157 per unit¹ compared to \$3.1 million, or \$0.151 per unit for Q1 2022. Adjusted Funds from Operations¹ (“AFFO”) increased 6.6% to \$3.1 million, or \$0.151 per unit, compared with \$2.9 million, or \$0.144 per unit in Q1 2022. The increases in FFO and AFFO were primarily attributable to rental revenues of properties acquired subsequent to the first quarter a year ago, which was partially offset by the increase in financial expenses related to mortgages on the properties and higher interest rates on existing variable-rate mortgages and credit facilities.

Rental income was \$6.4 million in Q1 2023, an increase of 18.1% from the three-month period ended March 31, 2022 (“Q1 2022”). This increase was due to the addition of new properties and increases in rent from certain existing properties. These rents are composed primarily of fixed monthly rents as well as variable rents based on gross sales for certain tenants.

Net Operating Income (“NOI”)¹ in Q1 2023 was \$4.9 million, an increase of 15.4% from Q1 2022, primarily reflecting the strong year-over-year increase in rental income. The REIT generated net income attributable to unitholders of \$4.8 million in Q1 2023 compared to \$1.5 million in Q1 2022. The variance 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.

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 July 31st, August 31st and September 29th, 2023, to unitholders of record on July 14th, August 15th and September 15th, 2023, respectively.

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”.

The tables below represent other financial highlights as well as the reconciliations of certain non-IFRS measures for Q1 2023 and Q1 2022. This information should be read in conjunction with the Consolidated Financial Statements and Management's Discussion & Analysis ("MD&A") for the quarters ended March 31st, 2023 and March 31st, 2022.

SUMMARY OF SELECTED FINANCIAL INFORMATION

Periods ended March 31	3 months		Δ	%
	2023	2022		
Financial info				
Property rental income	6,416,383	5,431,695	984,688	18%
Net income (loss) and comprehensive income (loss)	4,829,960	1,480,986	3,348,974	226%
NOI ⁽¹⁾	4,855,944	4,207,759	648,185	15%
FFO ⁽¹⁾	3,232,775	3,070,278	162,497	5%
AFFO ⁽¹⁾	3,117,818	2,923,746	194,072	7%
EBITDA ⁽¹⁾	6,632,421	2,798,145	3,834,276	137%
Adjusted EBITDA ⁽¹⁾	4,817,755	3,994,706	823,049	21%
Investment properties	276,658,661	267,390,147	9,268,514	3%
Adjusted investment properties ⁽¹⁾	329,171,181	314,071,396	15,099,785	5%
Total assets	304,645,778	293,285,225	11,360,553	4%
Mortgages	137,007,105	128,636,709	8,370,396	7%
Long-term debt	45,000	60,000	(15,000)	(25%)
Current portion of mortgages and long term-debt	14,050,748	14,396,253	(345,505)	(2%)
Mortgages on investment properties held for sale	3,481,200	-	3,481,200	n/a
Credit facilities	15,390,362	6,115,000	9,275,362	152%
Total convertible debentures	8,557,022	8,332,811	224,211	3%
Total equity	121,876,171	131,130,975	(9,254,804)	(7%)
Weighted average units o/s - basic	20,602,732	20,320,019	282,713	1%
Amounts on a per unit basis				
FFO ⁽¹⁾	0.157	0.151	0.006	4%
AFFO ⁽¹⁾	0.151	0.144	0.007	5%
Distributions	0.086	0.085	0.001	1%

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 March 31, 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 March 31	2023	2022	Δ
Investment Properties			
Developed properties	276,658,661	267,390,147	3%
Investment properties held for sale	6,118,209	-	n/a
Joint Venture Ownership⁽¹⁾			
Developed properties	43,398,769	43,776,289	(1%)
Properties under development	2,995,542	2,904,960	3%
Adjusted Investment Properties⁽²⁾	329,171,181	314,071,396	5%

(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 March 31	3 months		Δ
	2023	2022	
Rental Income	6,416,383	5,431,695	984,688
Operating expenses	(1,560,439)	(1,223,936)	(336,503)
Net Operating Income ⁽¹⁾	4,855,944	4,207,759	648,185
Share of net income (loss) from investments in joint ventures	1,010,392	1,056,100	(45,708)
Increase/(decrease) in fair values of investment properties	1,121,818	(1,491,410)	2,613,228
Unit-based compensation	(217,481)	(385,248)	167,767
Administrative expenses	(272,722)	(237,279)	(35,443)
Financial expenses	(1,667,991)	(1,668,936)	945
Net income (loss) attributable to unitholders	4,829,960	1,480,986	3,348,974
FFO ⁽¹⁾	3,232,775	3,070,278	5%
FFO per unit ⁽¹⁾	0.157	0.151	4%
Weighted avg. units o/s			
Basic	20,602,732	20,320,019	282,713

(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 the section "Non-IFRS financial measures"

Reconciliation Of Net Income to Funds from Operations

Periods ended March 31	3 months		Δ
	2022	2021	
Net income (loss) attributable to unitholders	4,829,960	1,480,986	3,348,974
Δ in value of investment properties	(1,121,818)	1,491,410	(2,613,228)
Δ in value of investment properties in joint ventures	(555,174)	(633,855)	78,681
Unit-based compensation	217,481	385,248	(167,767)
Δ fair value adjustments on derivative financial instruments	(137,674)	339,006	(476,680)
Accretion of lease payments	-	7,483	(7,483)
FFO ⁽¹⁾	3,232,775	3,070,278	5%
FFO per unit ⁽¹⁾	0.157	0.151	4%
Distributions	1,777,031	1,724,930	52,101
Distributions per unit	0.086	0.085	1%
FFO per unit ⁽¹⁾ - after distributions	0.071	0.066	7%
Distributions as a % of FFO ⁽¹⁾	55%	56%	(1%)
Weighted avg. units o/s			
Basic	20,602,732	20,320,019	282,713

(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"

Adjusted Funds from Operations

Periods ended March 31	3 months		Δ
	2023	2022	
FFO ⁽¹⁾	3,232,775	3,070,278	162,497
Amortization of finance charges included in interest expense	-	-	-
Straight-line rent adjustment ⁽²⁾	(99,994)	(117,820)	17,826
Maintenance/cap-ex on existing properties	(14,963)	(28,712)	13,749
Leasing costs on existing properties	-	-	-
Debt extinguishment penalties	-	-	-
AFFO ⁽¹⁾	3,117,818	2,923,746	7%
AFFO per unit ⁽¹⁾	0.151	0.144	5%
Distributions per unit	0.086	0.085	1%
AFFO per unit ⁽¹⁾ - after distributions	0.065	0.059	10%
Distributions as a % of AFFO ⁽¹⁾	57%	59%	(2%)
Weighted avg. units o/s			
Basic	20,602,732	20,320,019	282,713

(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"

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

Reconciliation of Net Income to EBITDA

Periods ended March 31	3 months		Δ
	2023	2022	
Net income attributable to unitholders	4,829,960	1,480,986	3,348,974
Net interest expense	1,802,461	1,324,642	477,819
Accretion of lease payments	-	(7,483)	7,483
EBITDA	6,632,421	2,798,145	3,834,276
Δ in value of investment properties	(1,121,818)	1,491,410	(2,613,228)
Δ in value of investment properties in joint ventures	(555,174)	(633,855)	78,681
Δ in value of convertible debentures	(137,674)	318,660	(456,334)
Δ in value of warrants	-	20,346	(20,346)
Adjusted EBITDA ⁽¹⁾	4,817,755	3,994,706	21%
Interest expense	1,887,873	1,388,987	498,886
Principal repayments	1,156,744	1,022,897	133,847
Debt service requirements	3,044,617	2,411,884	26%
Interest coverage ratio based on adjusted EBITDA ⁽¹⁾	2.6x	2.9x	(0.3x)
Debt service coverage based on adjusted EBITDA ⁽¹⁾	1.6x	1.7x	(0.1x)

(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 the section "Non-IFRS financial measures"

EARNINGS WEBCAST

Canadian Net will host a webcast on May 25th, 2023, at 9:00 am (EST) in order to discuss the results.

The link to join the webcast is the following: <https://edge.media-server.com/mmc/p/dcpk6z8d>

CANCELATION AND GRANT OF PERFORMANCE UNITS

Following the recent changes in management, the REIT announced the cancellation of 92,143 performance units ("Performance Units") and the grant of 25,766 Performance Units, resulting in a net decrease of 66,377 performance units granted. The grant of Performance Units of Canadian Net constitutes a portion of salaries as per the Equity Incentive Plan approved by unitholders on May 25, 2022 (the "Equity Incentive Plan"). These units will vest in accordance with the criteria set forth in the Equity Incentive Plan and the achievement of performance targets, set by the board of trustees.

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 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 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 March 31st, 2023, financial statements and management discussion & analysis of Canadian Net may be viewed on SEDAR at www.sedar.com.

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