

## PRESS RELEASE

### FOR IMMEDIATE RELEASE

November 4, 2020

## FRONSAC ANNOUNCES ITS RESULTS FOR THE QUARTER ENDED SEPTEMBER 30, 2020, A 17% INCREASE IN ITS PER UNIT DISTRIBUTIONS FOR 2021 AND AN UPCOMING UNIT CONSOLIDATION

**Montreal (Quebec) - (TSX-V: FRO.UN)** Fronsac Real Estate Investment Trust ("Fronsac") announces its results for the quarter ended September 30<sup>th</sup>, 2020, an increase in its annual per unit distribution for a ninth consecutive year as well as distributions for the months of January, February and March 2021. Fronsac also announces to its unitholders that its Board of Trustee has approved a consolidation of units at a ratio of 1 for 10 to take place in the week of November 9<sup>th</sup>, 2020.

### Distributions

Starting in January 2021, the annual distribution will go from 2.555¢ to 3.000¢ per unit (25.55¢ to 30.00¢ post-consolidation), representing an increase of 17.4%. Including this increase, Fronsac's distributions have increased 140% since its first distributions in 2012, representing a compounded annual growth rate of 10.4%.

Fronsac also announces that it will make monthly cash distributions of 2.5¢ per unit, representing 30.0¢ per unit on an annualized basis (post-consolidation), on January 29<sup>th</sup>, February 26<sup>th</sup> and March 31<sup>st</sup>, 2021 to unitholders of record on January 15<sup>th</sup>, February 15<sup>th</sup> and March 15<sup>th</sup>, 2021, respectively.

**For the quarter ended September 30<sup>th</sup>, 2020**, Fronsac reported recurring funds from operations ("Recurring FFO") per unit of 1.27¢ compared to 1.02¢ per unit for the quarter ended September 30, 2019, an increase of 24%. Recurring FFO was \$1,864,681, an increase of 56% (\$1,197,449 in Q3 2019). During Q3 2020, the Trust's property rental income was \$3,219,366 compared to \$2,458,451 in Q3 2019, an increase of 31%. NOI (Net operating Income) was \$2,477,609 compared to \$1,881,747 in Q3 2019, an increase of 32%. Fronsac recorded a net income attributable to unitholders of \$2,139,737, or 1.45¢ per unit, compared to a net income of \$3,891,506, or 3.33¢ per unit in Q3 2019.

**For the nine-month period ended September 30<sup>th</sup>, 2020**, Fronsac reported Recurring FFO per unit of 3.61¢ compared to 3.04¢ per unit for the comparable period in 2019, an increase of 19%. Recurring FFO was \$5,139,573, an increase of 55% (\$3,319,677 for the same period in 2019). During the 9-month period ended September 30, 2020, the Trust's property rental income was \$9,286,366 compared to \$6,650,030 for the same period in 2019, an increase of 40%. NOI (Net operating Income) was \$7,126,776 compared to \$5,142,963 for the same period in 2019, an increase of 39%. Fronsac recorded a net income attributable to unitholders of \$8,773,525, or 6.16¢ per unit, compared to a net income of \$5,078,881, or 4.64¢ per unit for the same period in 2019.

Jason Parravano, President and CEO declares: "For another year we have continued to execute our business plan and have delivered year over year per unit FFO growth. That growth has allowed us, for a ninth consecutive year, to increase our per unit distribution this year by 17%. I believe that these two factors together prove the resilience of our model and tenant base in what we can call a challenging year on all

fronts. On that note, I am proud to say that our collections for the quarter remained in excess of 99%. In addition, we announced today the consolidation of our units which we believe will attract a wider audience of potential investors thereby resulting in a more efficient market for our units.”

The tables below represent other financial highlights as well as the reconciliation from net income to FFO for the periods ended September 30<sup>st</sup>, 2020 and its comparative period. This information should be read in conjunction with the Consolidated Financials Statements and MD&A for the quarter ended September 30<sup>th</sup>, 2020 and the Amended and Restated Consolidated Financials Statements and MD&A for the quarter ended September 30<sup>th</sup>, 2019.

## SUMMARY OF SELECTED ANNUAL INFORMATION

Periods ended September 30	9 months		Δ	%
	2020	2019		
<b>Financial info</b>				
Property rental income	9,286,366	6,650,030	2,636,336	40%
Total revenue	9,296,656	6,650,030	2,646,626	40%
Net income (loss) and comprehensive income (loss)	8,773,525	5,078,881	3,694,644	-
NOI <sup>(1)</sup>	7,126,776	5,142,963	1,983,813	39%
FFO <sup>(1)</sup>	5,149,863	3,319,677	1,830,186	55%
Recurring FFO <sup>(1)(2)</sup>	5,139,573	3,319,677	1,819,896	55%
AFFO <sup>(1)</sup>	4,747,684	3,276,191	1,471,493	45%
EBITDA <sup>(1)</sup>	7,074,997	4,887,851	2,187,146	45%
Investment properties <sup>(3)</sup>	171,615,448	133,413,308	38,202,140	29%
Total assets	159,169,429	126,614,742	32,554,687	26%
Total mortgage/loans/long term debt <sup>(4)</sup>	73,912,110	60,553,952	13,358,158	22%
(including revolving line of credit)	79,247,110	68,379,232	10,867,878	16%
Total convertible debentures	3,004,263	2,967,498	36,765	1%
Total equity	74,303,173	53,031,403	21,271,770	40%
Weighted average units o/s - basic	142,399,929	109,356,605	33,043,324	30%
<b>Amounts on a per unit basis</b>				
FFO	0.0362	0.0304	0.0058	19%
Recurring FFO	0.0361	0.0304	0.0057	19%
AFFO	0.0333	0.0300	0.0033	11%
Distributions	0.0192	0.0167	0.0025	15%

<sup>(1)</sup> See appropriate sections for reconciliation to the closest IFRS measure and section "Explanation of non-IFRS financial measures"

<sup>(2)</sup> Recurring FFO excludes "Other revenues" items as presented on the Consolidated Financial Statements

<sup>(3)</sup> Includes value of investment properties owned through joint ventures; Refer to Note 4 (Investment Properties) and Note 5 ([1] value of developed properties, [2] leased properties and [3] properties under development) in Fronsac's financial statements

<sup>(4)</sup> Excludes convertible debentures

## RECONCILIATION OF NET INCOME TO FFO

Periods ended September 30	3 months			9 months		
	2020	2019	Δ	2020	2019	Δ
Net income (loss) attributable to unitholders	2,139,737	3,891,506	(1,751,769)	8,773,525	5,078,881	3,694,644
Debt issuance costs	-	-	-	-	30,660	(30,660)
Δ in value of investment properties	101,944	(2,689,721)	2,791,665	(2,261,029)	(2,047,733)	(213,296)
Δ in value of investment properties in joint ventures	(573,653)	79,560	(653,213)	(998,787)	156,687	(1,155,474)
Unit based compensation	(66,046)	(275)	(65,771)	38,404	181,305	(142,901)
Δ fair value adjustments on derivative financial instruments	85,924	(112,959)	198,883	(602,281)	(107,513)	(494,768)
Accretion of lease payments	6,898	29,338	(22,440)	20,414	29,338	(8,924)
Income taxes	167	-	167	(383)	(1,948)	1,565
Realized loss on sale of investment properties	180,000	-	180,000	180,000	-	180,000
FFO <sup>(1)</sup>	1,874,971	1,197,449	57%	5,149,863	3,319,677	55%
FFO per unit	0.0127	0.0102	24%	0.0362	0.0304	19%
Other revenues	(10,290)	-	(10,290)	(10,290)	-	(10,290)
Recurring FFO <sup>(1)</sup>	1,864,681	1,197,449	56%	5,139,573	3,319,677	55%
Recurring FFO per unit	0.0127	0.0102	24%	0.0361	0.0304	19%
Distributions	940,929	649,344	291,585	2,755,753	1,805,493	950,260
Distributions per unit	0.0064	0.0056	14%	0.0192	0.0167	15%
FFO - after distributions	0.0063	0.0047	35%	0.0170	0.0137	24%
Recurring FFO - after distributions	0.0063	0.0047	34%	0.0169	0.0137	24%
Distributions per unit as a % of						
FFO per unit	50%	54%	(4%)	53%	55%	(2%)
Recurring FFO per unit	50%	54%	(4%)	53%	55%	(2%)
Weighted avg. units o/s						
Basic	147,266,894	117,014,413	30,252,481	142,399,929	109,356,605	33,043,324

<sup>(1)</sup> See appropriate sections for reconciliation to the closest IFRS measure and section "Explanation of non-IFRS financial measures"

<sup>(2)</sup> Recurring FFO excludes "Other revenues" as presented on the Consolidated Financial Statements

### Upcoming Unit Consolidation

Fronsac is pleased to announce that the Board of Trustees has approved a special resolution (the "Consolidation Resolution") authorizing a unit consolidation (the "Unit Consolidation") of all of the issued and outstanding units of Fronsac (the "Units") on the basis of one (1) post-consolidation Unit for every ten (10) pre-consolidation Unit.

As per Policy 5.8 of the TSX Venture Exchange, the Consolidation Resolution did not require the approval of unitholders as the consolidation ratio is not greater than 1:10 and the Trust has not consolidated any securities in the past 24 months. The consolidation also does not require the approval of unitholders as per article 7 of Fronsac's contract of trust and the applicable laws.

Fronsac intends to implement the Unit Consolidation with effect on or about November 10, 2020 (the "Effective Date").

It is expected that upon completion of the Unit Consolidation, the number of Units issued and outstanding will be consolidated from 147,454,178 to approximately 14,745,417. The exact number of outstanding Units after the Unit Consolidation will vary based on the elimination of fractional units. No fractional Units will be issued in connection with the Unit Consolidation. All fractions of post-consolidation Units will be paid out by Fronsac at a rate equal to the closing price of pre-consolidation units the day prior to the consolidation.

The Unit Consolidation is expected to affect unitholders uniformly, including holders of outstanding warrants and convertible debentures exercisable for Units on the Effective Date, except for minor changes or adjustments resulting from the treatment of fractional units. On the Effective Date, the exercise prices and

the number of Units issuable upon the exercise or deemed exercise of any options, warrants or convertible debentures of the Trust will be automatically proportionately adjusted based on the consolidation ratio to reflect the Unit Consolidation.

Letters of transmittal providing for the exchange of certificates representing pre-Consolidation Units for certificates representing post-Consolidation Units will be delivered to unitholders holding such physical certificates.

As a result of the Consolidation, the current monthly distributions of the REIT for November and December 2020 of 0.213¢ per Unit on a pre-Consolidation basis will be adjusted to 2.13¢ per Unit on a post-Consolidation basis, representing annualized distributions of 25.55¢ per Unit on a post-Consolidation basis.

**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 September 30<sup>th</sup>, 2020 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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