

# **BTB - Execution of the disposition plan to improve portfolio quality and the 2018 non-recurring events cause revenue delays**

MONTREAL, May 14, 2019 /CNW Telbec/ - BTB Real Estate Investment Trust (TSX: BTB.UN) ("BTB" or the "Trust") releases today its financial results for the first quarter ended March 31, 2019 compared to the first quarter ended March 31, 2018, and announces the following highlights:

## **HIGHLIGHTS OF THE QUARTER ENDED MARCH 31, 2019**

The following results for the first quarter of 2019 show a positive trend and are encouraging, but some impacts will only materialize over the next few quarters:

- Occupancy rate is up from 89.3% to 91.7%. More than 200,000 square feet are leased and committed for future occupancy. As of the third quarter of 2019, they will generate additional income of \$525 or 1.0 ¢ per unit, specifically related to the conclusion of a lease with a new tenant to replace the bankrupt "Pharmetics". This bankruptcy contributed to a revenue shortfall and additional expenses of \$375 or 0.7 ¢ for the first quarter of 2019;
- Increase in rental income (1.0%) despite a reduction of the Trust's total leasable area caused by the disposition of properties in the portfolio;
- Significant decrease in the Trust's total debt ratio from 64.2% to 61.4% and mortgage debt ratio from 56.1% to 54.3%. This decrease affects the results and will free up several million dollars in leverage for future acquisitions of accretive properties;
- Significant increase in the average net rental rate of renewed leases by 5.6%, which will contribute to the improvement in income of the same-property portfolio in the coming quarters;
- 10% increase in total assets and in the value of the Trust's real estate portfolio.

## **Sale of properties**

- In January 2019, the Trust disposed of the property located at "15-41 Georges-Gagné Blvd South", in Delson, Québec, for total proceeds of \$22.5 million.
- In March 2019, the Trust disposed of a retail condominium located at "37 Georges-Gagné Blvd South", in Delson, Québec, for proceeds totalling \$1.95 million.

## **Summary of other significant highlights as at March 31, 2019**

- Number of properties constituting the portfolio: 65;
- Total rentable area of the portfolio: Approximately 5.3 million square feet;
- Total asset value of the portfolio: 843 million;
- Market capitalization: \$265 million.

## **Subsequent events**

- On May 7, 2019, the Trust disposed of the property located on Antonio-Barbeau Street in Montréal, Québec for \$7.1 million. This property was acquired in 2007 for \$4 million.
- On May 10, 2019, the Trust acquired a 65,000 square foot industrial building in St-Laurent, Québec for \$11.9 million.

## **Message from Michel Léonard, President and Chief Executive Officer**

"Our leasing activities have been robust and will bear fruit as of the third quarter of 2019. Our average net rental rate of renewed leases increased by 5.6%, a very positive statistic for the next quarters' results. Our lease renewals activity is on a very positive path for the year, as we are not

anticipating any major tenant departures. The bankruptcy of Pharmetics is still having the divulged effect for the first two quarters of 2019. As reported in the last quarter of 2018, the additional costs and lack of revenue will be corrected in the third quarter of 2019, as all the building left vacant by Pharmetics has already been leased. As of July 1, 2019, the new tenant will pay the base rent and the operating costs of the property. The acquisition of properties in 2018 shows BTB's ability and determination to continuously improve the quality of its portfolio. Finally, we hold undeployed liquidities from the capital generated from the disposition of properties. However, it was not redeployed due to the lack of availability of interesting and accretive acquisitions in the recent months. We remain very active in the market as we understand that this capital must be redeployed rapidly to ensure a better performance of the Trust. "

| Quarters ended March 31<br>(in thousands of Canadian dollars, except for ratios and per unit data) |        |        |           |
|--|--------|--------|-----------|
|  | 2019   | 2018   | Variation |
|  | \$     | \$     | %         |
| <b>Financial information</b>   |        |        |           |
| Rental income  | 21,634 | 21,440 | 0.9       |
| Net operating income <sup>(1)</sup>  | 11,051 | 11,458 | -3.6      |
| Net income and comprehensive income  | 1,381  | 6,555  | -78.9     |
| Net operating income from the same-property portfolio <sup>(1)</sup>                               | 5,888  | 6,251  | -5.8      |
| Net cash from operating activities   | 8,216  | 8,767  | -6.3      |
| Distributable income <sup>(1)</sup>  | 5,268  | 5,686  | -7.4      |
| Distributions  | 5,881  | 5,099  | 15.3      |
| Recurring funds from operations (FFO) <sup>(1)</sup>   | 4,679  | 5,736  | -18.4     |
| Recurring adjusted funds from operations (AFFO) <sup>(1)</sup>                                     | 4,623  | 5,222  | -11.5     |
| <b>Financial information per unit</b>  |        |        |           |
| Net income and comprehensive income  | 2.5 ¢  | 13.5 ¢ | -81.5     |
| Distributable income <sup>(1)</sup>  | 9.4 ¢  | 11.7 ¢ | -19.7     |
| Distributions  | 10.5 ¢ | 10.5 ¢ | —         |
| Recurring FFO <sup>(1)</sup>   | 8.4 ¢  | 11.8 ¢ | -28.8     |
| Recurring AFFO <sup>(1)</sup>  | 8.3 ¢  | 10.8 ¢ | -23.1     |

(1) Non-IFRS financial measures

## NON-IFRS FINANCIAL MEASURES

Net operating income, net operating income of the same-property portfolio, distributable income, funds from operations and adjusted funds from operations are not measures recognized by International Financial Reporting Standards ("IFRS") and do not have standardized meanings prescribed by IFRS. Such measures may differ from similar computations as reported by similar entities and, accordingly, may not be comparable to similar measures reported by such other entities.

The following table shows the reconciliation of distributable income and adjusted funds from operations (non-IFRS measure) with cash flows from operating activities presented in the financial statements.

| Quarter ended March 31<br>(in thousands of Canadian dollars) |         |         |
|--|---------|---------|
|  | 2019    | 2018    |
|  | \$      | \$      |
| <b>Cash flows from operating activities (IFRS)</b>           | 8,216   | 8,767   |
| ± Net change in non-cash operating items                     | 2,317   | 2,133   |
| - Net interest expense                                       | (5,661) | (5,214) |
| + Other items  | 396     | —       |
| <b>Distributable income</b>                                  | 5,268   | 5,686   |
| + Leasing payroll expenses                                   | 124     | 160     |
| + Gain on write-off of debt                                  | —       | 133     |
| - Provision for maintenance expenditures                     | (424)   | (432)   |
| - Provision for rental fees                                  | (345)   | (325)   |
| <b>Adjusted funds from operations</b>                        | 4,623   | 5,222   |

On Wednesday, May 15, 2019, at 10:00 a.m. (ET) management will hold a conference call to present BTB's financial results and performance for the first quarter 2019 ended on March 31, 2019:

DATE: Wednesday, May 15, 2019

TIME: 10:00 a.m (ET)

DIAL: 1-416-764-8609 (from Toronto and overseas) access code 25663865# 18881390-0605 (from North America toll free), access code 25663865#. To ensure your participation, please dial in fifteen minutes prior to the start of the conference call.

WEBCAST: <https://event.on24.com/wcc/r/1982202/7196EB6BC1EB3629C17AADBA97FF9168>

REPLAY: From Wednesday, May 15, 2019, 1:00 p.m. until 11:59 p.m. on May 22, 2019, dial 1416184910833 conference ID number 663865#, or dial toll free 18551859-2056 conference ID number 663865#.

The media and all interested parties may attend the call in listening mode only.

Conference call operators will coordinate the question and answer period, and will instruct participants regarding the procedures for the call.

## About BTB

BTB is a real estate investment trust listed on the Toronto Stock Exchange. BTB is an important owner of properties in eastern Canada. As at May 14, 2019, BTB owns 65 commercial, office and industrial properties for a total leasable area of approximately 5.3 million square feet and an approximate market value of more than \$830M. The objectives of BTB are: i) to grow its revenues from its assets to increase distributable income and therefore fund distributions; (ii) to maximize the value of its assets through dynamic management of its properties in order to sustain the long-term value of its units; and (iii) to generate cash distributions that are fiscally beneficial to unitholders.

BTB offers a distribution reinvestment plan to unitholders whereby the participants may elect to have their monthly cash distribution reinvested in additional units of BTB at a price based on the weighted average price for BTB's units on the Toronto Stock Exchange for the five trading days immediately preceding the distribution date, discounted by 3%.

## Forward-Looking Statements

This press release may contain forward-looking statements with respect to BTB. These statements generally can be identified by use of forward-looking words such as "may", "will", "expect", "estimate", "anticipate", "intends", "believe" or "continue" or the negative thereof or similar variations. The actual results and performance of BTB could differ materially from those expressed or implied by such statements. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations. Some important factors that could cause actual results to differ materially from expectations include, among other things, general economic and market factors, competition, changes in government regulation and the factors described from time to time in the documents filed by BTB with the securities regulators in Canada. The cautionary statements qualify all forward-looking statements attributable to BTB and persons acting on their behalf. Unless otherwise stated or required by applicable law, all forward-looking statements speak only as of the date of this press release.

For more information, visit BTB's website at [www.btbreit.com](http://www.btbreit.com).

SOURCE BTB Real Estate Investment Trust

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**For further information:** Mr. Michel Léonard, President and Chief Executive Officer, 514-286-0188, ext. 228; Mr. Benoit Cyr, Vice-President and Chief Financial Officer, 514-286-0188, ext. 230

CO: BTB Real Estate Investment Trust

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