

BTB - Repositioning continues and pays off

MONTREAL, Aug. 7, 2018 /CNW Telbec/ - BTB Real Estate Investment Trust (TSX: BTB.UN) ("**BTB**" or the "**Trust**") releases today its financial results for the second quarter ended June 30, 2018, and presents the following highlights:

HIGHLIGHTS OF THE QUARTER ENDED JUNE 30, 2018

- Improvement in overall debt ratio from 65.3% to 61.1%.
- 13% increase in rental income from \$18.4 million to \$20.8 million.
- 12% increase in net operating income⁽¹⁾ from \$10.0 million to \$11.2 million.
- Increase of 11% in distributable income, of 8% in FFO⁽¹⁾ and of 11% in AFFO⁽¹⁾.
- 19% increase in total asset value from \$654 million to \$778 million.
- 28% increase in market capitalization from \$201 million to \$257 million.

(1) Non-IFRS Financial Measures.

Property purchase

- On May 30, 2018, the Trust purchased a 25% residual interest in Complexe Lebourgneuf Phase II for \$7.5 million. The net purchase price was paid through the issuance of 532,265 Class B LP units at a price of \$4.68 per unit.

Financing activities

- On June 19, 2018, the Trust completed the issuance of 6,250,250 units, including the exercised over-allotment option, at a price of \$4.60 per unit, for proceeds of approximately \$27.2 net of issuance costs.

Tenant bankruptcy

- Pharmetics (2011) Inc., a tenant of BTB and a recent investment of the Sherman family of Toronto, filed for bankruptcy in March 2018. This tenant was renting approximately 132,000 square feet from BTB in Laval, Québec. This bankruptcy had a negative effect on results, FFO and AFFO for the quarter, of approximately \$0.01 per unit and distribution ratios were negatively affected by 8%. BTB anticipates the impact will be the same for the third quarter of 2018. BTB has accepted an offer to purchase for this property by a third-party buyer; if the purchaser is satisfied with the conclusions of the due diligence, the property may be sold by September 30, 2018.

Subsequent transactions

- On July 11, 2018, the Trust acquired a mixed-use property totalling approximately 31,000 square feet, located at 1327 and 1333 Ste-Catherine Street West and 1411 Crescent Street in downtown Montreal, for \$25.2 million. In the fall, BTB will move its head office in this property.
- On July 31, 2018, the Trust acquired a retail centre in Lévis, Québec for \$42.6 million. Walmart is the anchor tenant of this 205,000-square-foot shopping centre located near Carrefour Saint-Romuald, a property recently acquired by BTB.

Summary of significant items as at June 30, 2018

- 71 properties

- Approximately 5.4 million square feet
- \$778 million total asset value
- \$257 million of market capitalization

Message from Michel Léonard, President and Chief Executive Officer

"The repositioning of BTB's assets continues to pay off. Our results again demonstrate that the recent acquisitions generate more net operating income (NOI) than the properties that were sold during the last year. Our net operating income is up as are our funds from operations (FFO) and our adjusted funds from operations (AFFO). A noteworthy event is the continuous reduction in our total debt ratio, that now stands at 61%, 4% less than a year ago. Had it not been for the unforeseen bankruptcy of a large tenant, Pharmetics (as detailed in our MD&A), BTB's results would show an AFFO at 97.2% for the cumulative first two quarters of 2018 and a FFO of 90.1% for the same cumulative period. After the end of the quarter, we raised funds that have allowed us to purchase two properties, one located in downtown Montreal and the other, a retail property, in Levis, Québec. Moreover, our redeployment of capital generated from the sale of certain properties is underway, paving the road to acquiring larger and properties located in our target markets."

Periods ended June 30 (in thousands of Canadian dollars, except for ratios and per unit data)	Quarter			Cumulative (6 months)		
	2018	2017	Δ%	2018	2017	Δ%
	\$	\$		\$	\$	
Financial information						
Rental income	20,803	18,392 ⁽²⁾	13.1	42,243	37,438 ⁽²⁾	12.8
Net operating income ⁽¹⁾	11,225	10,042	11.8	22,683	19,890	14.0
Net income and comprehensive income	4,593	4,362	5.3	11,148	8,346	33.6
Net property income from the same-property portfolio ⁽¹⁾	6,106	6,539	(6.6)	12,456	12,874	(3.2)
Distributable income ⁽¹⁾	5,521	4,979	10.9	11,207	9,922	13.0
Distributions	5,353	4,469	19.8	10,452	8,925	17.1
Funds from operations (FFO) ⁽¹⁾	5,279	4,884	8.1	11,015	9,495	16.0
Adjusted funds from operations (AFFO) ⁽¹⁾	4,936	4,463	10.6	10,158	8,713	16.6
Total assets				778,114	654,423	18.9
Total debt ratio				61.1%	65.3%	(4.2)
Weighted average interest rate on mortgage debt				3.82%	3.79%	0.03
Market capitalization				257,462	201,067	28.1
Financial information per unit						
Net income and comprehensive income	9.3¢	10.3¢	(9.7)	22.7¢	19.6¢	15.8
Distributable income ⁽¹⁾	11.1¢	11.7¢	(5.1)	22.8¢	23.4¢	(2.6)
Distributions	10.5¢	10.5¢	—	21.0¢	21.0¢	—
Payout ratio on distributable income ⁽¹⁾	94.6%	89.8%	4.8%	92.1%	90.0%	2.1
FFO ⁽¹⁾	10.6¢	11.5¢	(7.8)	22.4¢	22.4¢	—
AFFO ⁽¹⁾	9.9¢	10.5¢	(5.7)	20.7¢	20.5¢	1.0

(1) Non-IFRS financial measures

(2) Adjusted to take account of the retroactive implementation of IFRS 15

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.

Periods ended June 30 (in thousands of Canadian dollars)	Quarter		Cumulative (6 months)	
	2018	2017	2018	2017
	\$	\$	\$	\$
Cash flows from operating activities (IFRS)	7,778	8,749	16,545	14,166
+ Distributions - Class B LP Units	19	—	19	—
+ Transaction costs	69	—	69	132
± Net change in non-cash operating items	2,977	713	5,110	4,659
- Interest expense	(5,322)	(4,483)	(10,536)	(9,035)
Distributable income	5,521	4,979	11,207	9,922
+ Leasing payroll expenses	156	139	316	261
+ Gain on write-off of debt	—	—	133	—
- Transaction costs	—	—	—	(132)
- Provision for maintenance expenditures	(416)	(355)	(848)	(722)
- Provision for rental fees	(325)	(300)	(650)	(616)
Adjusted funds from operations	4,936	4,463	10,158	8,713

On Wednesday, August 8, 2018, at 10:00 a.m. (ET) management will hold a conference call to present BTB's financial results and performance for the second quarter 2018 ended on June 30, 2018:

DATE: Wednesday, August 8, 2018

TIME: 10:00 a.m. (Eastern Standard Time)

DIAL: 1-416-764-8609 (from Toronto and overseas) access code 77958609# 1-888-390-0605 (from North America) toll free, access code 77958609#. To ensure your participation, please dial in fifteen minutes prior to the start of the conference call.

WEBCAST: <https://event.on24.com/fwc/r/1794142/3757197FF09A26F6C8927C39A54365DE>

REPLAY: From August 8, 2018, 1:00 p.m. until 11:59 p.m. on August 15, 2018, dial 1-416-764-8677 conference ID number 958609#, or dial toll free 1-888-390-0541 conference ID number 958609#.

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. BTB now owns 72 retail, office and industrial properties for a total leasable area to date of 5.6 million square feet. 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.

SOURCE BTB Real Estate Investment Trust

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