



# Investing in Communities

Q4 2017 Earnings Presentation | March 1, 2018

## General

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The Company measures the success of its business in part by employing several key performance indicators that are not recognized under IFRS. These indicators should not be considered an alternative to IFRS financial measures, such as net income. As non-IFRS financial measures do not have standardized definitions prescribed by IFRS, they are less likely to be comparable with other issuers or peer companies. A description of the non-IFRS measures used by the Company in measuring its performance is included in its Management Discussion and Analysis available on the Company’s website at [www.triconcapital.com](http://www.triconcapital.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

This presentation may contain information and statistics regarding the markets in which the Company and its investees operate. Some of this information has been obtained from market research, publicly available information and industry publications. This information has been obtained from sources believed to be reliable, but the accuracy or completeness of such information has not been independently verified by the Company and cannot be guaranteed.

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This presentation may contain forward-looking statements and information relating to expected future events and the Company’s financial and operating results and projections, including statements regarding the Company’s growth and investment opportunities and the performance goals and expectations of its investees, including, in particular, targeted returns, that involve risks and uncertainties. Such forward-looking information is typically indicated by the use of words such as “will”, “may”, “expects” or “intends”. The forward-looking statements and information contained in this presentation include statements regarding expected or targeted investment returns and performance including project timing and cash flow; the ability of the Company to generate fee income from investments and the quantum of these fees; the ability to attract third-party investment; the timing and availability of new investment opportunities, future net income from investments; expectations for the overall growth in the business; the availability and quantum of debt reduction opportunities and the Company’s ability to avail itself of them; the timing and opportunity to divest of assets and investments and the impact of such divestiture on Company debt; and the intention to refinance TAH debt. These statements are based on management’s current expectations, intentions and assumptions which management believes to be reasonable having regard to its understanding of prevailing market conditions and the current terms on which investment opportunities may be available.

Projected returns and performance fees are based in part on projected cash flows for incomplete projects. Numerous factors, many of which are not in the Company’s control, and including known and unknown risks, general and local market conditions and general economic conditions (such as prevailing interest rates and rates of inflation) may cause actual investment performance and fee income to differ from current projections. Accordingly, although we believe that our anticipated future results, performance or achievements expressed or implied by the forward-looking statements and information are based upon reasonable assumptions and expectations, the reader should not place undue reliance on forward-looking statements and information. If known or unknown risks materialize, or if any of the assumptions underlying the forward-looking statements prove incorrect, actual results may differ materially from management expectations as projected in such forward-looking statements. Examples of such risks are described in the Company’s continuous disclosure materials from time-to-time, as available on SEDAR at [www.sedar.com](http://www.sedar.com). The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.



# Tricon Capital Group

TSX: TCN

Principal investor  
and **asset manager**  
focused on the  
North American  
residential real  
estate industry

## \$4.6 Billion (C\$5.8 billion)

Total Assets Under Management

### 1988

Founded

### 2010

Listed (TSX)

### Toronto

Headquarters

San Francisco Orange County Houston

Regional Offices

Share Price (February 28, 2018)	C\$10.52
Quarterly Dividend (Annualized yield %)	C\$0.07 (2.7%)
Basic Shares Outstanding	134.2 Million
Market Capitalization	C\$1.4 Billion
Enterprise Value	C\$1.9 Billion

All figures in U.S. dollars unless otherwise indicated



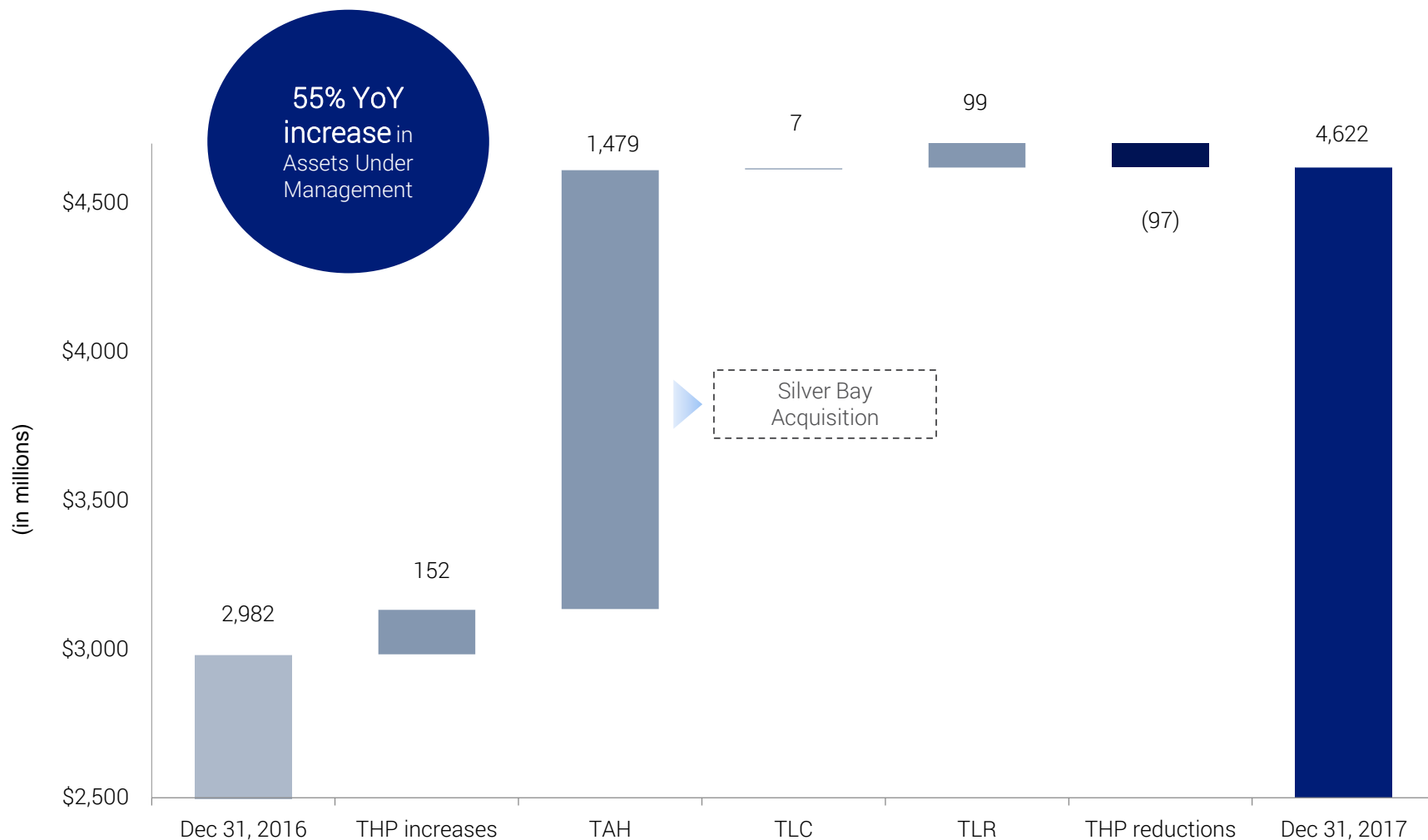
# Financial Review

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**Wissam Francis**

Executive Vice President and Chief Financial Officer

# AUM Growth<sup>1</sup>



(1) Assets under management include principal investments and third-party investments.

# Statement of Comprehensive Income

For the three months ended December 31

(in millions of U.S. dollars, except per share amounts)

		2017	2016	Y/Y %
Private Funds & Advisory Revenue		\$7.3	\$7.8	
Investment Income – THP	Includes \$18.2M transaction costs related to TAH refinancing	1.2	10.1	
Investment Income – TAH <sup>1</sup>		45.7	3.4	
Investment Income – TLC <sup>1</sup>		1.2	1.7	
Investment Income – TLR		6.0	(1.2)	
<b>Total Revenue and Investment Income</b>		<b>\$61.4</b>	<b>\$21.8</b>	<b>181%</b>
Compensation Expense	19% YoY reduction in compensation expense as AIP was 9% of Adjusted EBITDA for bonus purposes	(4.8)	(5.9)	
Net Change in Fair Value of Derivative		(13.4)	1.0	
Unrealized Foreign Exchange Gain / (Loss)		(0.9)	1.6	
Interest Expense	Fair value loss due to quarterly valuation of convertible debenture conversion feature as TCN's share price increased	(7.2)	(3.1)	
Tax Expense		(5.2)	(3.2)	
Other Expenses <sup>2</sup>		(4.2)	(3.3)	
<b>Total Expenses</b>		<b>(\$35.7)</b>	<b>(\$12.9)</b>	<b>177%</b>
<b>Net Income</b>		<b>\$25.7</b>	<b>\$9.0</b>	<b>187%</b>
<b>Basic Earnings per Share</b>		<b>\$0.19</b>	<b>\$0.07</b>	<b>171%</b>
<b>Diluted Earnings per Share</b>		<b>\$0.19</b>	<b>\$0.07</b>	<b>171%</b>

(1) Investment income represents NOI and FV gains, less interest expense and direct overhead costs for each vertical.

(2) Other Expenses include G&A, transaction costs and amortization expense.

# Bridge to Adjusted Income Metrics

Please refer to Section 6: Non-IFRS Measures in our MD&A for a detailed reconciliation of non-IFRS metrics.

**For the three months ended December 31**

(in millions of U.S. dollars, except per share amounts)

	2017	2016	YoY %
Net Income	\$25.7	\$9.0	187%
Transaction Costs	<div>Includes \$18.2M transaction costs related to TAH refinancing</div> <div>19.3</div>	11.6	
Net Change in Fair Value of Derivative	13.4	(1.0)	
Unrealized Foreign Exchange Loss	0.9	(1.6)	
Non-Cash Items <sup>1</sup>	0.1	0.9	
Adjusted Net Income	\$59.5	\$18.8	216%
Adjusted Basic Earnings per Share	\$0.44	\$0.17	159%
Adjusted Diluted Earnings per Share	\$0.39	\$0.16	144%

(1) Non-cash items include NCI expense, control premium adjustment, LTIP accrual, amortization, foreign exchange gains at investment level and tax effect of adjustments.

# Adjusted Income Metrics

Please refer to Section 6: Non-IFRS Measures in our MD&A for a detailed reconciliation of non-IFRS metrics.

## For the three months ended December 31

(in millions of U.S. dollars, except per share amounts)

		2017	2016	YoY %
THP Adjusted EBITDA		\$1.4	\$11.5	
TAH Adjusted EBITDA		83.5	17.5	
TLC Adjusted EBITDA		1.5	1.3	
TLR Adjusted EBITDA		9.1	(0.6)	
Contractual Fees + GP Distributions		7.3	7.8	
Performance Fees		0.1	0.0	
Adjusted non-controlling interest EBITDA		(0.9)	(1.2)	
<b>Adjusted EBITDA Before Corporate Overhead</b>		<b>\$101.9</b>	<b>\$36.2</b>	<b>181%</b>
Adjusted Compensation Expense		(2.8)	(4.7)	
G&A Expense		(2.1)	(1.8)	
<b>Adjusted EBITDA</b>		<b>\$97.0</b>	<b>\$29.7</b>	<b>227%</b>
Adjusted Interest Expense	Increase due to incremental debt at TAH	(26.5)	(9.9)	
Other Expenses <sup>1</sup>		(0.9)	(0.8)	
Adjusted Tax Expense	Increase due to higher earnings before tax	(10.1)	(0.2)	
<b>Adjusted Net Income</b>		<b>\$59.5</b>	<b>\$18.8</b>	<b>216%</b>



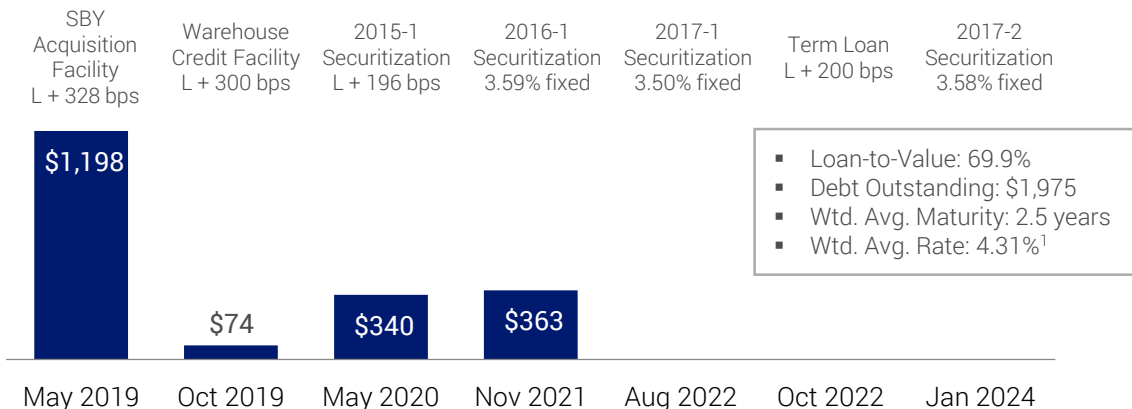
# Recent Refinancing Initiatives at TAH

## Objectives:

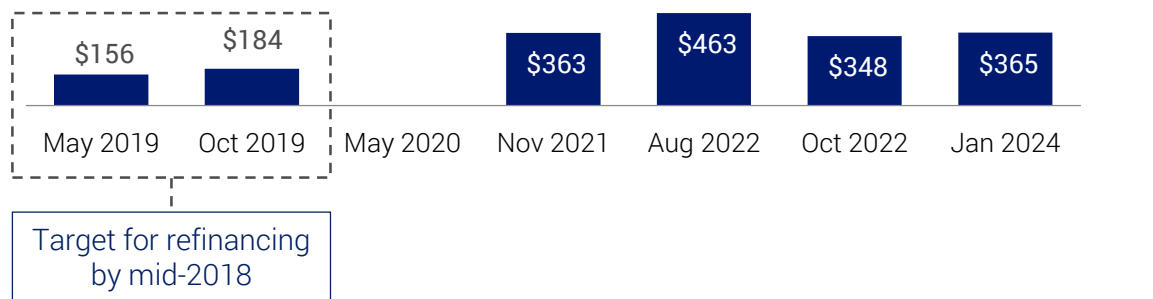
- Reduce cost of capital over long term
- Extend term structure
- Diversify across fixed & floating instruments
- Diversify sources of financing

## TAH Debt Maturity Profile

As at Q2 / 17



Q4 / 17



All figures are in millions of U.S. dollars.  
 (1) Assumes floating rate debt based on LIBOR rate of 150bps.

# Balance Sheet Update

## Sources of Liquidity

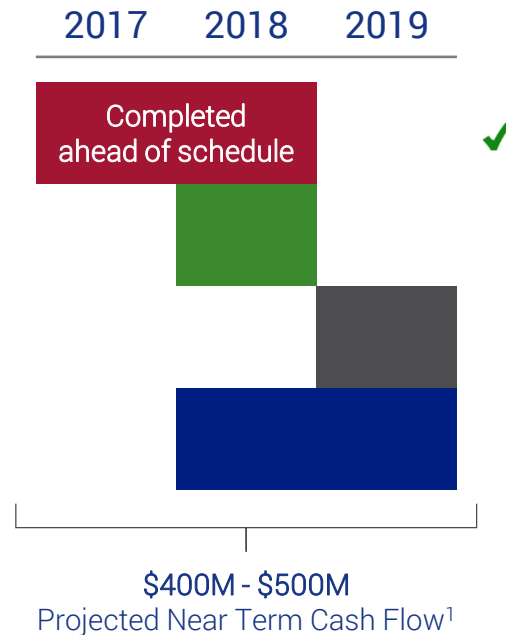
### Corporate Revolver

(in millions of U.S. dollars)

Q4 / 2017

Revolving Facility	\$365.0
Less: Amount Drawn	161.5
<b>Amount Available</b>	<b>\$203.5</b>

- 1 Tricon American Homes  
Disposition of non-core homes
- 2 Tricon Lifestyle Communities  
Divestiture of 14 park portfolio
- 3 Tricon Lifestyle Rentals U.S.  
Divestiture of U.S. multi-family assets
- 4 Tricon Housing Partners  
Strong net cash flow profile



# Review of Investment Verticals

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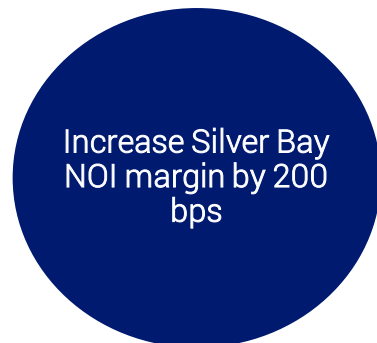
Gary Berman

President and Chief Executive Officer

# Silver Bay Acquisition Review



Completed  
in 2017



- SBY NOI margin was ~58% in 2016
- TAH NOI margin was 60% in 2016
- Combined NOI margin was 62.3% in 2017, excluding hurricane impact



Substantially  
completed  
in 2017



- Identified 1,600 non-core homes for disposition by end of 2018
- 1,500 homes disposed in Q4 2017
- Additional homes to be sold over the course of 2018



Expected  
1H / 2018



- Implemented efficient capital structure, replacing acquisition facility with:
  - 2017-1 Securitization
  - Term Loan
  - 2017-2 Securitization
- Expected to refinance remaining balance by mid-2018

80% Complete



Expected  
1H / 2018



- ~\$10 million of expected savings on a run rate basis
- Expected to be fully realized by mid-2018 as transitional consulting engagements roll off

2017

1H 2018

# TAH Portfolio Operating Metrics

For the three months ended  
December 31

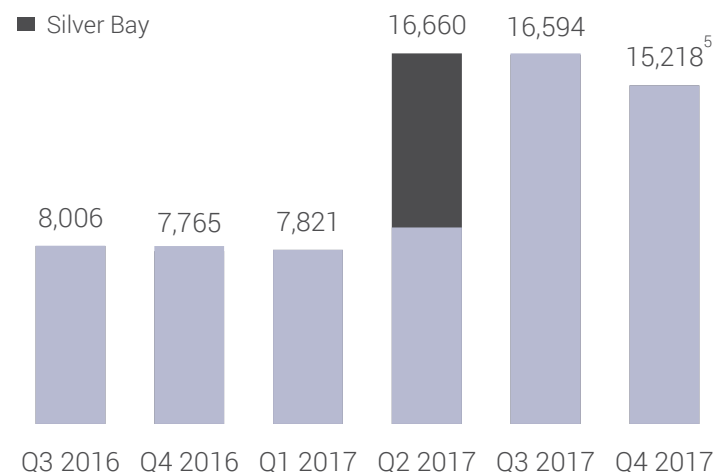
(in millions of U.S. dollars)

	2017	% of revenue	2016	% of revenue	Y/Y%
Total Homes	15,218		7,821		95%
Occupancy <sup>1</sup>	95.8%		95.6%		
Blended Rent Growth	4.4%		4.7%		
Annualized Turnover <sup>1</sup>	27.6%		20.0%		
Total Revenue	\$55.1		\$26.7		106%
Repair, Maintenance & Turnover	(5.7)	10.4%	(3.3)	12.3%	
Property Taxes	(8.0)	14.6%	(4.1)	15.4%	
Property Management Fees	(3.9)	7.0%	(1.8)	6.7%	
Insurance, HOA & Other Expenses	(2.8)	5.0%	(1.6)	6.0%	
Total Operating Expenses	(\$20.4)		(\$10.8)		89%
Net Operating Income	\$34.7		\$15.9		118%
<b>Net Operating Income (excl. impact of hurricanes)</b>	<b>\$35.5</b>		<b>\$15.9</b>		<b>123%</b>
<b>NOI Margin (excl. impact of hurricanes)</b>	<b>64.4%</b>		<b>59.5%</b>		
Interest Expense	(19.6)		(6.5)		
Overhead Expenses <sup>2</sup>	(2.6)		(8.4)		
Other Expenses <sup>3</sup>	0.3		3.9		
<b>Core FFO<sup>4</sup></b>	<b>\$12.8</b>		<b>\$4.9</b>		<b>161%</b>



Charlotte, NC

## Total Number of Homes Owned



(1) Occupancy and Annualized Turnover are based on rental homes, which excludes 109 homes held for sale.  
 (2) Include year-end accounting adjustments. For the full year of 2017, overhead expenses totaled \$18.3 million.  
 (3) Includes NCI, non-recurring and non-cash items.  
 (4) Core FFO excludes the impact of hurricanes.

(5) Reflects sale of 1,523 non-core homes in the quarter.



# Same Home Operating Metrics<sup>1</sup>



For the three months ended  
December 31  
(in millions of U.S. dollars)

	2017	2016
Rental Homes	4,412	4,412
Occupancy	97.0%	97.1%
Blended Rental Growth	4.3%	5.2%
Annualized Turnover	27.9%	22.4%

For the twelve months ended  
December 31  
(in millions of U.S. dollars)

	2017	% of revenue	2016	% of revenue	Y/Y%
Total Revenue	\$66.7		\$62.2		7.2%
Repair, Maintenance & Turnover	(7.6)	11.3%	(8.2)	13.1%	
Property Taxes	(9.0)	13.5%	(8.3)	13.3%	
Property Management Fees	(4.7)	7.0%	(4.3)	7.0%	
Insurance, HOA & Other Expenses	(4.3)	6.4%	(4.2)	6.8%	
Total Operating Expenses	(\$25.5)		(\$25.0)		2.2%
Net Operating Income	\$41.2		\$37.2		10.6%
NOI Margin	61.7%		59.9%		180 bps



Houston, TX

# Acquisition Program<sup>1</sup>: Targeting 400-500 Homes per Quarter



San Antonio, TX

- All-in Cost: ~\$159K
- SqFt: 1,651
- Monthly Rent: \$1,400
- Cap Rate: 6.1%



Atlanta, GA

- All-in Cost: ~\$171K
- SqFt: 1,822
- Monthly Rent: \$1,350
- Cap Rate: 6.1%



Houston, TX

- All-in Cost: ~\$150K
- SqFt: 1,532
- Monthly Rent: \$1,400
- Cap Rate: 6.3%



Charlotte, NC

- All-in Cost: ~\$195K
- SqFt: 1,774
- Monthly Rent: \$1,400
- Cap Rate: 5.7%



## Year-to-date 2018 Acquisition Metrics<sup>2</sup>

▪ Average All-in Cost:	~\$165K
▪ Average SqFt:	~1,600
▪ Average Monthly Rent:	~\$1,300
▪ Average Monthly Rent PSF:	~\$0.82
▪ Average Cap Rate:	~6.0%

(1) Homes depicted may not be representative of all homes in the portfolio.

(2) Includes homes purchased in 2018 through February 18, 2018.

# Build-To-Rent Acquisitions

## Opportunity

### Strategic Options:

1. Buying scattered site new homes  
(Up to 20% of a new subdivision)
2. Dedicated build-to-rent communities  
(30 – 150 rental unit subdivisions)

### Build-to-Rent benefits:

- Full suite of standardized TAH homes
- No upfront or near-term capex requirements
- Lower near-term repair and maintenance expense

## Illustrative Home Photos<sup>1</sup>



Houston, TX

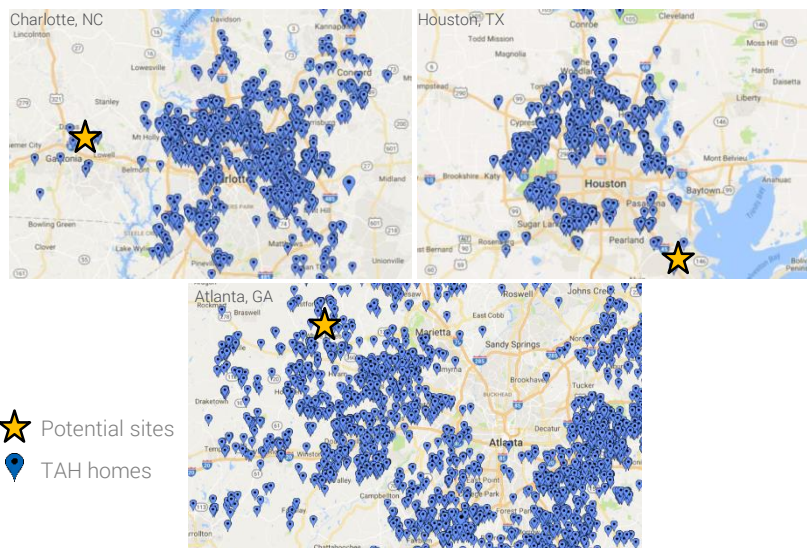


Charlotte, NC



Atlanta, GA

## Piloted Markets<sup>2</sup>



Market	Under Contract	Closed	Total
Atlanta		34	34
Charlotte	12	5	17
Houston	12		12
<b>Total</b>	<b>24</b>	<b>39</b>	<b>63</b>

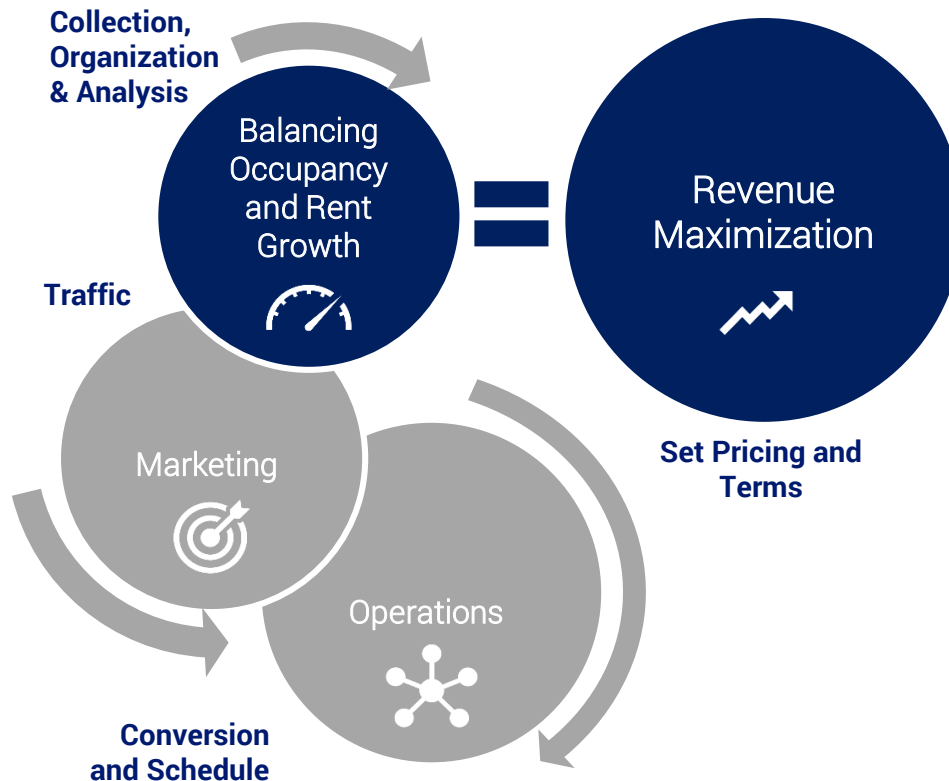
Targeting 150 – 300 new homes in 2018

(1) Homes depicted may not be representative of all homes in the portfolio.  
(2) Includes information in 2018 through February 20, 2018.



# Technology Initiatives

## Revenue Management



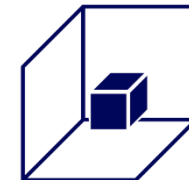
## Other Initiatives<sup>1</sup>



- Smart Home Technology**
- Ongoing monitoring
  - Proactive maintenance program



- Drone Technologies**
- Easily assess property and site conditions



- 3D Imaging**
- Survey existing house conditions
  - Marketing purposes

# THP Update

## THP Investment Income

For the three months ended  
December 31

(in millions of U.S. dollars)

	2017	2016	Y/Y %	
THP1 US	\$0.8	\$2.9		Harvesting funds and lower investment balance
THP2 US	(1.0)	0.6		
THP3 Canada	0.2	(0.6)		
Trinity Falls	5.0	1.9		
Separate accounts	4.4	4.8		
Side-cars	(8.2)	0.5		Active Adult projects
<b>Total</b>	<b>\$1.2</b>	<b>\$10.1</b>	<b>(88%)</b>	

Investment Income – 2017	(A)	\$18.2
Outstanding Invested Capital at December 31, 2017	(B)	\$245.6
<b>as a % of invested capital</b>	<b>(A / B)</b>	<b>7.4%</b>

Viridian  
DALLAS-FORT WORTH, TX



Cross Creek Ranch  
HOUSTON, TX





# Tricon –Johnson



## TRICON'S PRINCIPAL INVESTMENTS



★ Johnson communities ranked in the top-50 Master Planned Communities in 2017 by Robert Charles Lesser & Co. and John Burns Real Estate Consulting

## 2017 HOME SALES

Tricon Investments 1,006

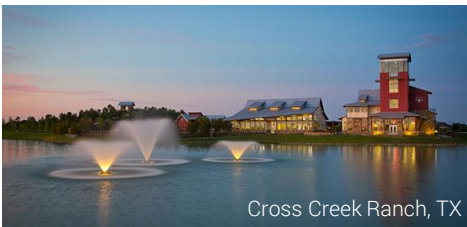
+ 26% YoY

Other Investments 2,287

+ 13% YoY

Total Investments 3,293

+ 16% YoY



Cross Creek Ranch, TX



Viridian, TX



Trinity Falls, TX

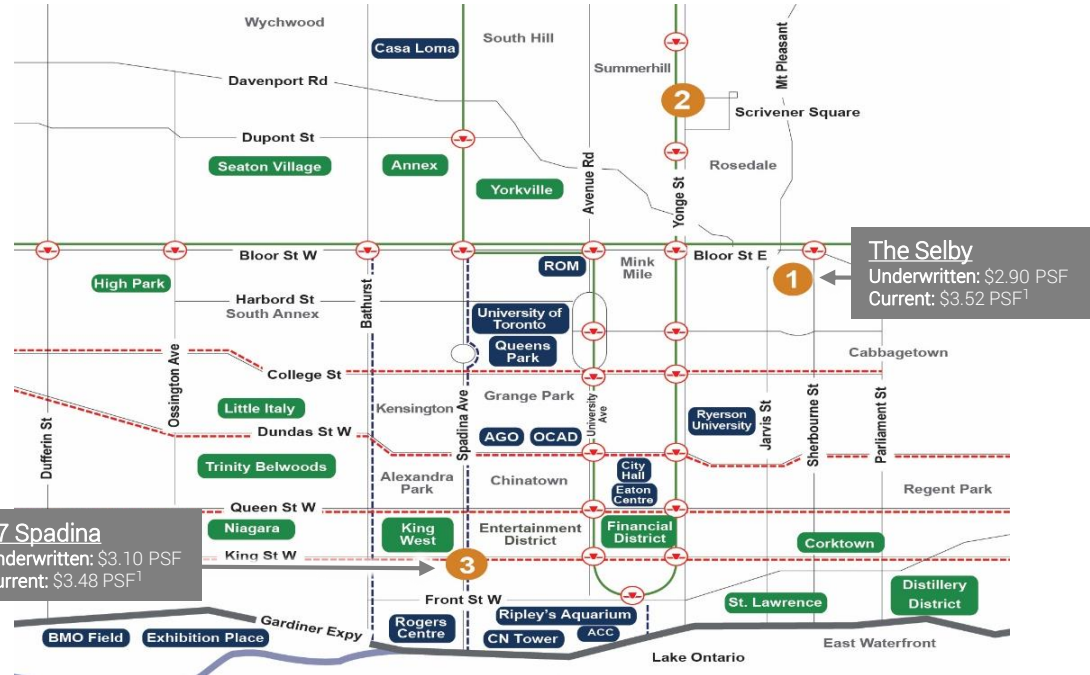
# TLR Construction Progress

The Selby, Toronto

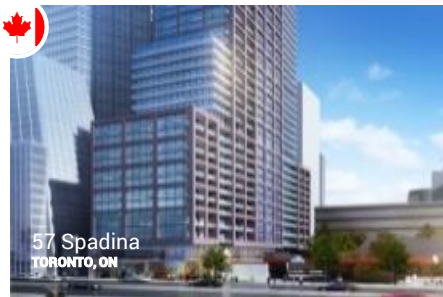


Beginning of 2017

Q4 2017: Topped out



## Current TLR Projects



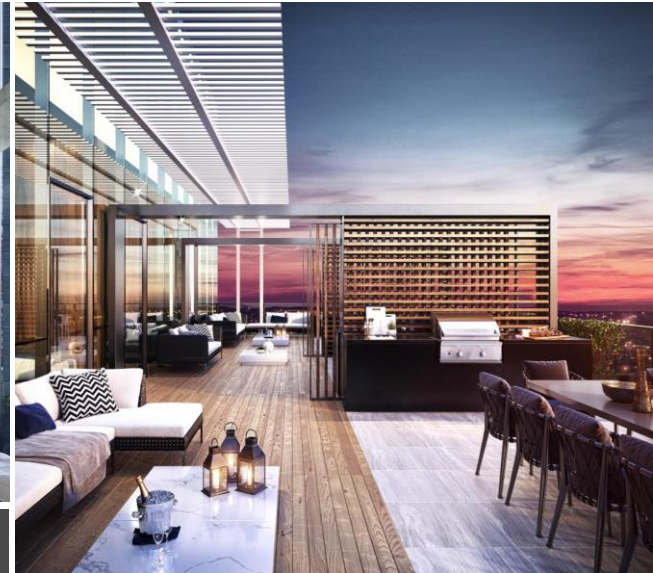
57 Spadina  
TORONTO, ON



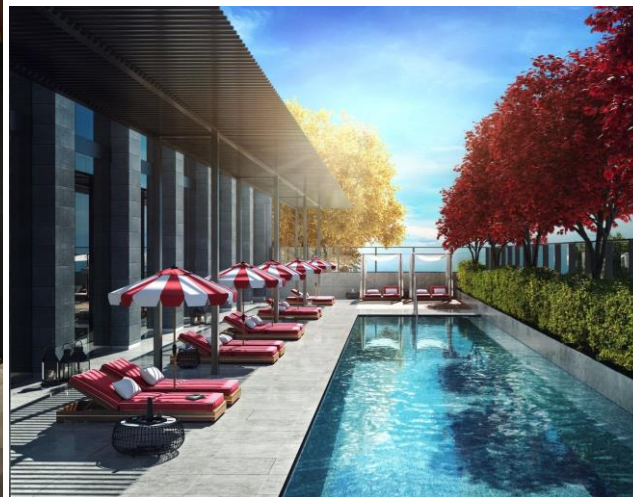
Scrivener Square  
TORONTO, ON



# The Selby: Branding and Marketing Strategy



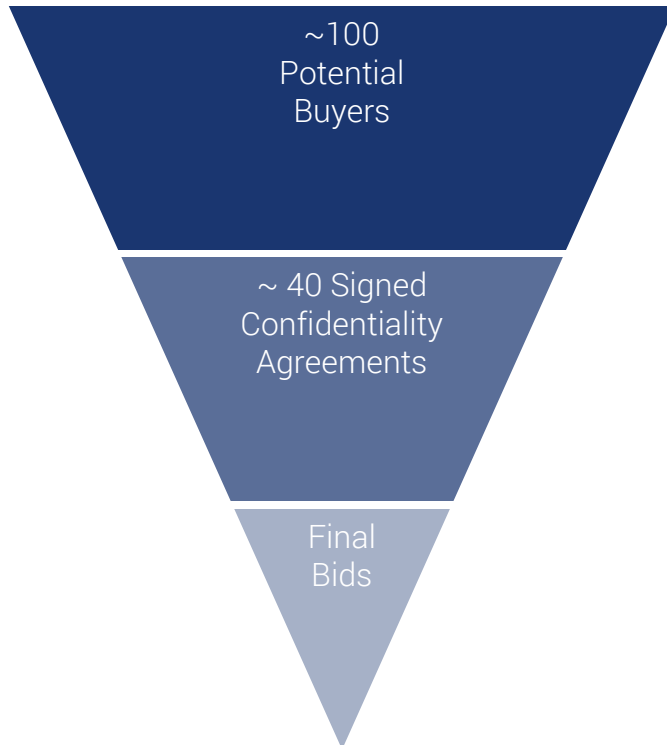
 TRICON HOUSE



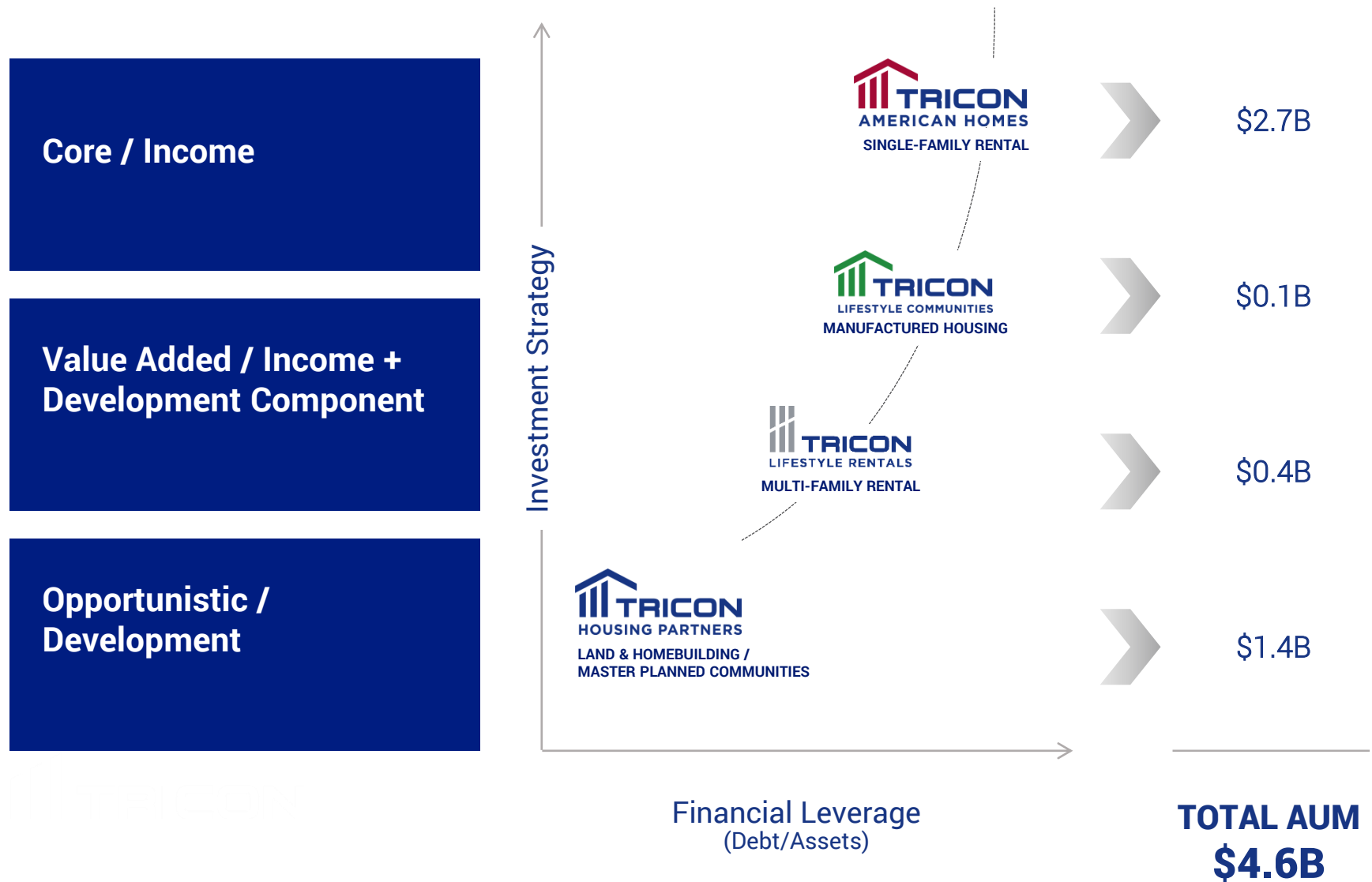


For the three months ended  
December 31  
(in millions of U.S. dollars)

	2017	2016
Rental Sites	3,065	3,065
Occupancy	86.5%	82.2%
Average Monthly Rent	\$425	\$413
Average Rent Increase	5.4%	3.9%



# Tricon's Diversified Housing Investment Platform







[www.triconcapital.com](http://www.triconcapital.com)

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