

# Firm Capital

## Firm Capital Mortgage Investment Corporation

Firm Capital Mortgage Investment Corporation is a non-bank lender providing residential and commercial real estate financing.



## Investor Presentation

March 2019

Since 1988 and since our IPO in 1999, Firm Capital Mortgage Investment Corporation has been a non-bank lender focused on short-term bridge real estate financing market.

### Investment Themes:

- **Preservation of Shareholders' Capital** → No loan losses
- **Strong Governance Policies** → Conservative underwriting philosophy
- **Performance Driven Compensation** → Payment on performing balances, not cash or non-performing loans
- **Growth coupled with strong balance sheet while minimizing risk**
- **Stable Dividend** → Stable dividend since IPO + year end “top up” special dividend
- **Short term lending with experienced partners comprised of management and investors**
  - All loans syndicated to various parties
  - “Pari-passu” basis
  - Right of first refusal on all loans

## Independent Directors

- Stanley Goldfarb\*
- Anthony Heller
- Larry Shulman\*
- Geoffrey Bledin\*
- Morris Fischtein
- Keith L. Ray\*
- Joe Oliver
- Frank Newbould

## Management Directors

- Eli Dadouch\*
- Jonathan Mair\*
- Edward Gilbert\*
- Victoria Granovski\*

## Senior Management

- Sandy Poklar
- Boris Baril

## Significant Real Estate Experience

Note: (\*) Actively co-invests with FC MIC on mortgage transactions

## Performance Based Compensation

- MIC Manager receives 75 bps on performing investments, not cash balances
- Mortgage Banker receives 10 bps servicing fee on performing investments
- No payment on work outs for any defaulted loans
- Commitment fee income is shared
- Corporation receives 75% of profits from mezzanine and equity investments after first earning a 10% preferred return

## Substantial Personal Investment

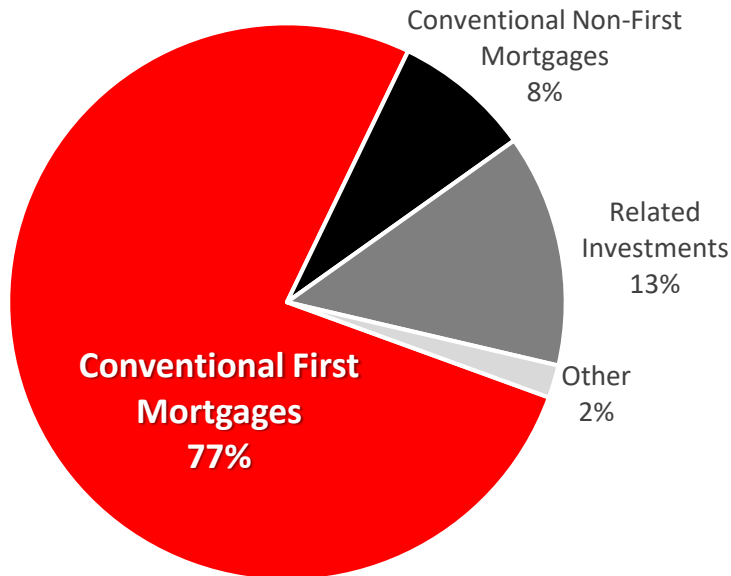
- 25% pari-passu investment in all non-conventional mortgages
- Management and directors are co-investors in most investments

**No acquisition or disposition fees charged!**

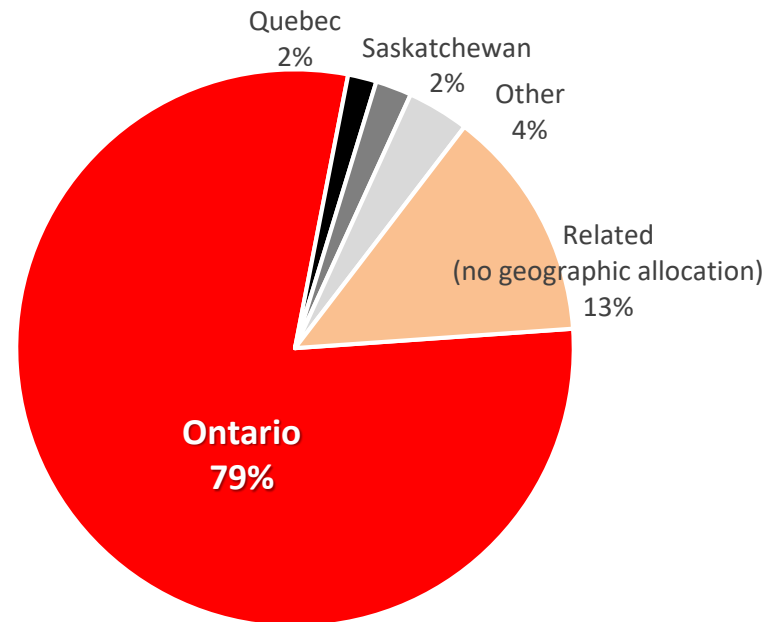
## Conservative Lending Approach

- 77% conventional first mortgages
- Experienced borrowers in proven markets
- Conservative lending guidelines restricting investment exposure on loan size and related borrower groups

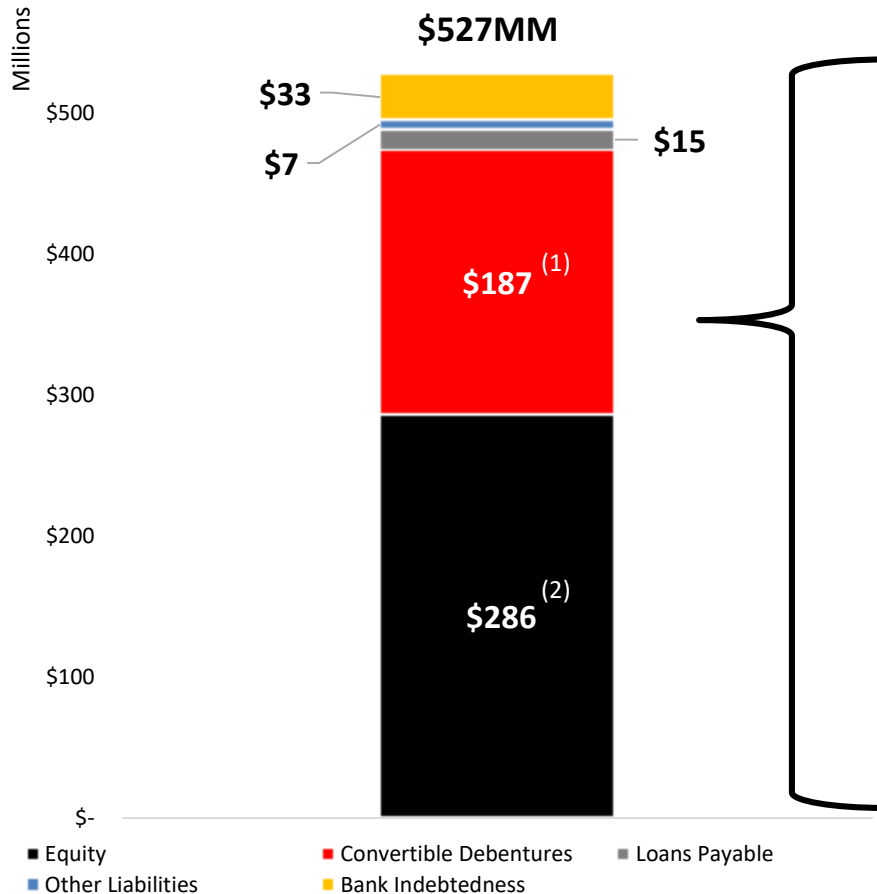
### Investment Portfolio



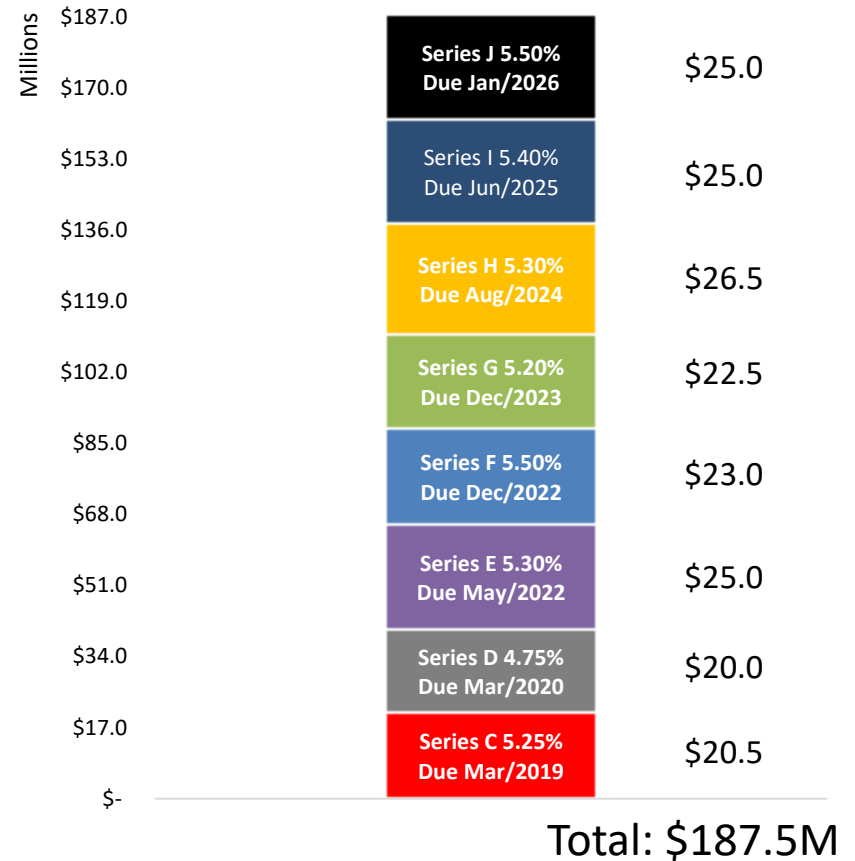
### Geographic Diversification



### Current Capital Stack Q4/2018



### Convertible Debentures Q4/2018<sup>(1)</sup>



(1) At par value  
 (2) Market Cap: \$363M as at March 18, 2019

### Investment Restrictions

- Maximum single first mortgage restricted to 5% and 10% of capital, depending on LTV <sup>(1)</sup>
- Maximum single non first mortgage restricted to 2.5% of capital <sup>(1)</sup>
- Restrictions on the amount of non-first mortgage investments



### Independent Approval

- Independent director approval of every investment
  - <\$1,000,000 – at least one
  - >\$1,000,000 – majority



### Risk Diversification

- Co-investment by management
- Syndicated portfolio to diversify risk

### Credit Management

- Internalized credit management
  - Reports directly to independent directors



### Default Recovery Program

- Mandatory enforcement within 15 days



### Independent Reports

- Appraisals, environmental audits, structural audits

Note: (1) Capital is based on total paid up Shareholder's Equity and Convertible Debentures

	Quarter Ended Dec 31, 2018	Quarter Ended Sep 30, 2018	Quarter Ended Jun 30, 2018	Quarter Ended Mar 31, 2018	Quarter Ended Dec 31, 2017
<b>Mortgage Portfolio (millions)<sup>(1)</sup></b>	<b>\$521</b>	<b>\$535</b>	<b>\$560</b>	<b>\$552</b>	<b>\$562</b>
<b>Basic Profit Per Share</b>	<b>\$0.233</b>	<b>\$0.265</b>	<b>\$0.241</b>	<b>\$0.247</b>	<b>\$0.235</b>
<b>Dividends Per Share</b>	<b>\$0.284</b>	<b>\$0.234</b>	<b>\$0.234</b>	<b>\$0.234</b>	<b>\$0.304</b>
<b>Return on Equity</b>	<b>9.01%</b>	<b>\$9.69%</b>	<b>8.82%</b>	<b>9.04%</b>	<b>8.58%</b>
<b>Loan Losses</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>

(1) Gross of impairment provision

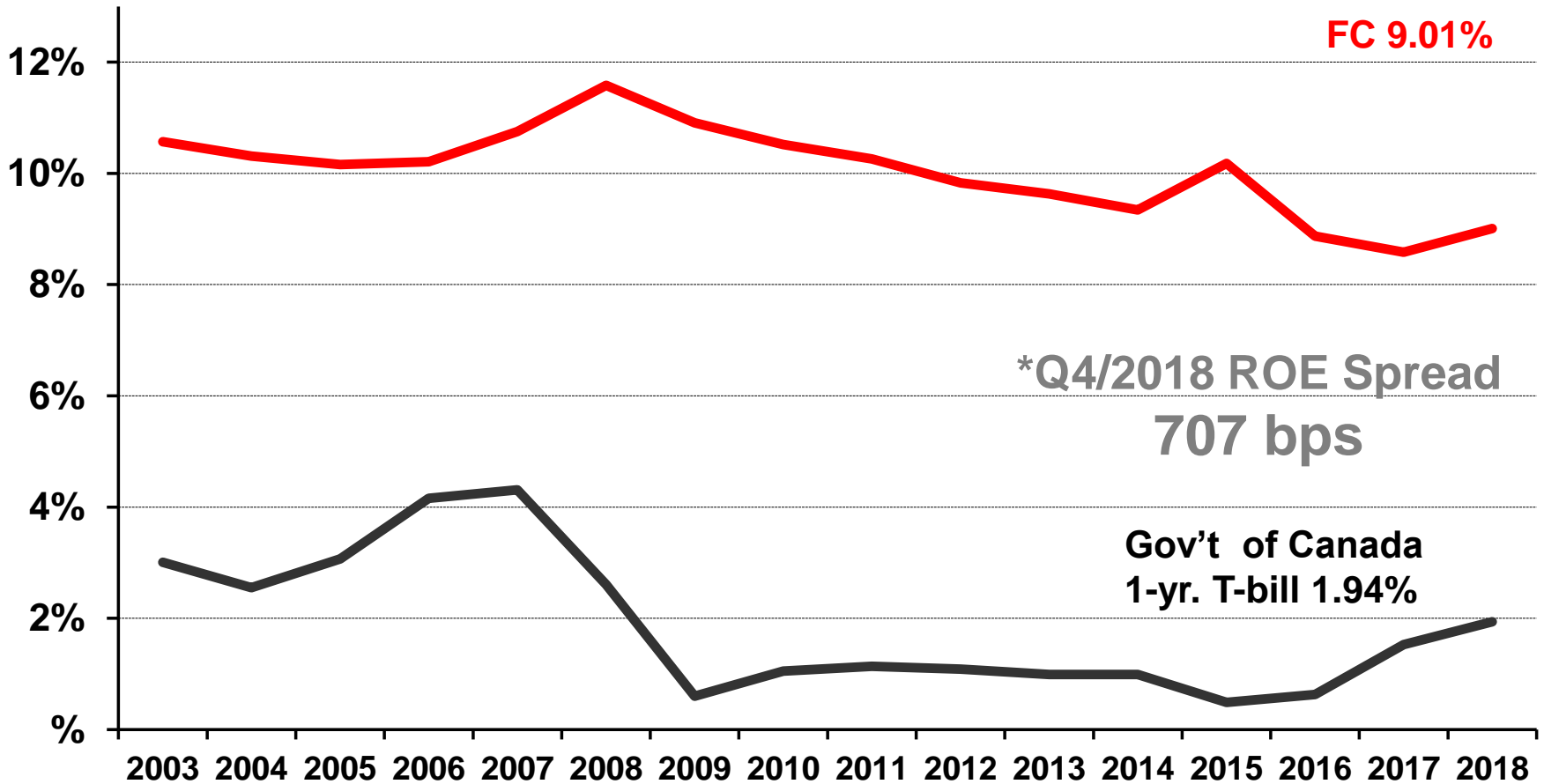


(\$ in millions)	Quarter Ended Dec 31, 2018	Quarter Ended Sep 30, 2018	Quarter Ended Jun 30, 2018	Quarter Ended Mar 31, 2018	Quarter Ended Dec 31, 2017
Interest and Fees Earned	\$11.53	\$12.39	\$11.64	\$11.74	\$11.33
Interest and Operating Expenses	\$5.43	\$5.46	\$5.35	\$5.31	\$5.22
Profit	\$6.10	\$6.93	\$6.29	\$6.43	\$6.11
Dividends to Shareholders	\$7.43 <sup>(1)</sup>	\$6.11	\$6.11	\$6.10	\$7.92 <sup>(1)</sup>
Impairment allowance	\$5.0	\$5.0	\$4.8 <sup>(2)</sup>	\$6.0	\$5.7

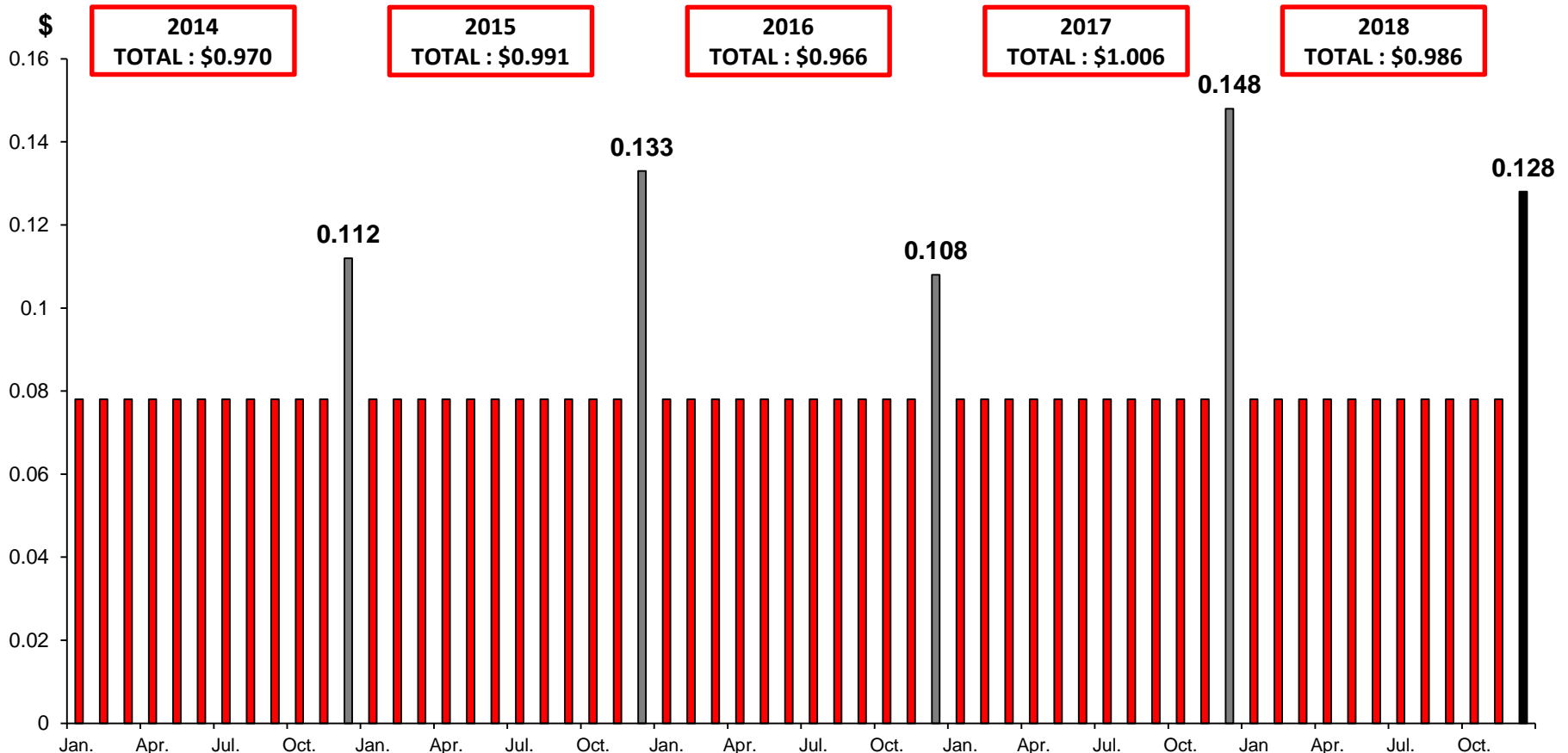
(1) Fourth quarter dividends include one time payout of accumulated excess earnings throughout the year

(2) Impairment allowance of \$5.0 million does not include allowance for credit losses of \$1.8 million

# Annualized Return on Shareholders' Equity

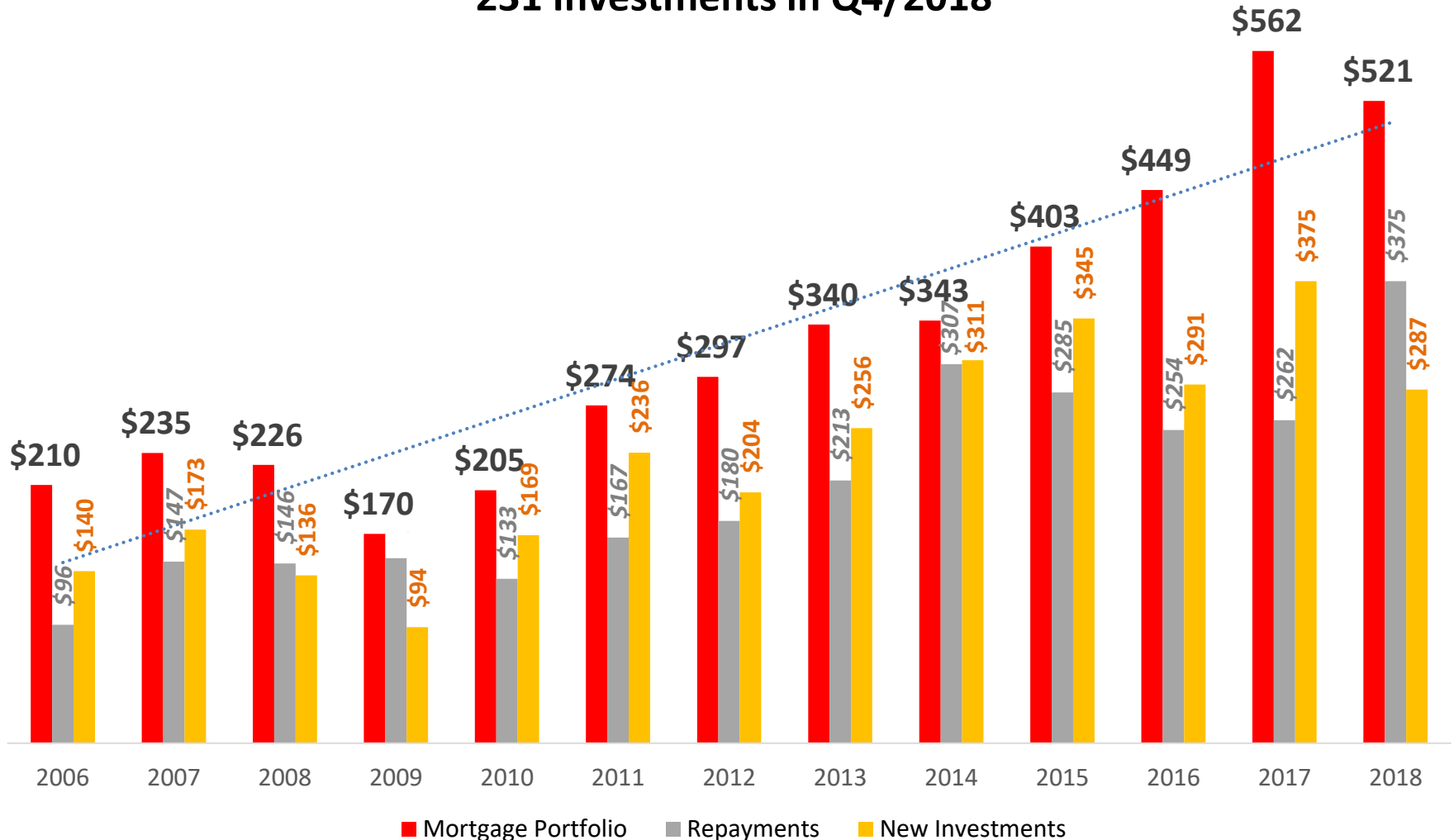


- Steady 7.8¢ dividend
- In addition, spend “top up” dividend at year end



# Increasing Mortgage Portfolio (in \$MM)

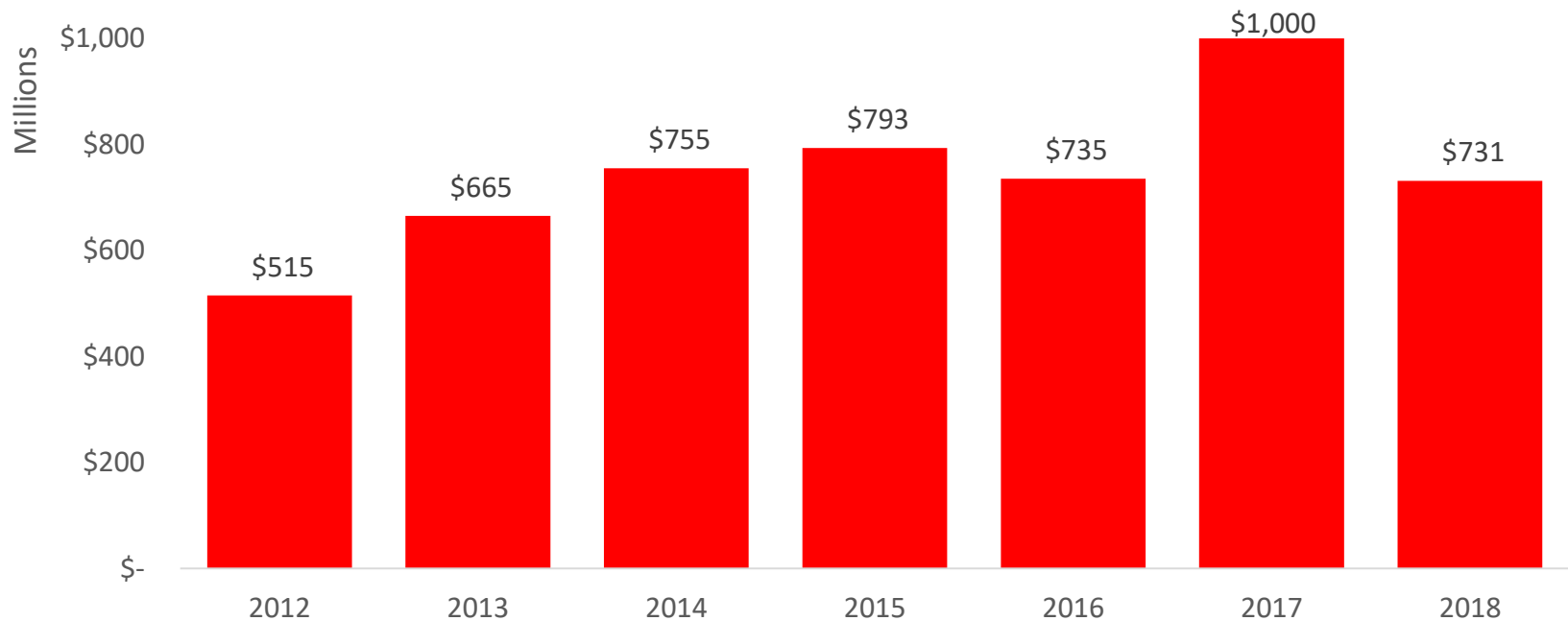
231 Investments in Q4/2018



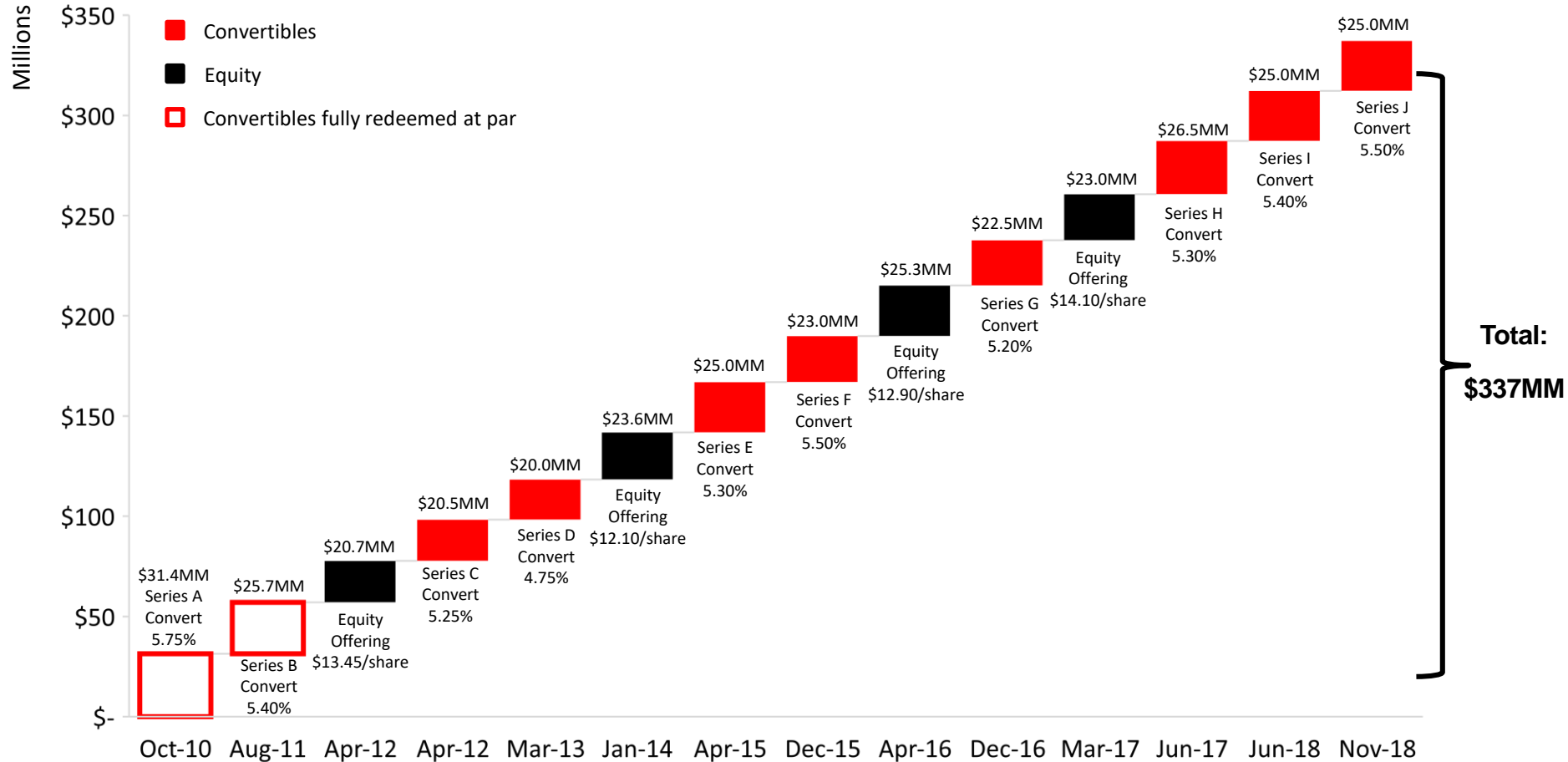
- **Significant Origination Capability**

- 30 year track record of mortgage origination
- The mortgage bank experience and strong partners provide steady deal flow with excellent risk mitigation
- Co-investing with knowledgeable real estate partners

### Transaction Volume (in \$MM): 2012 – 2018

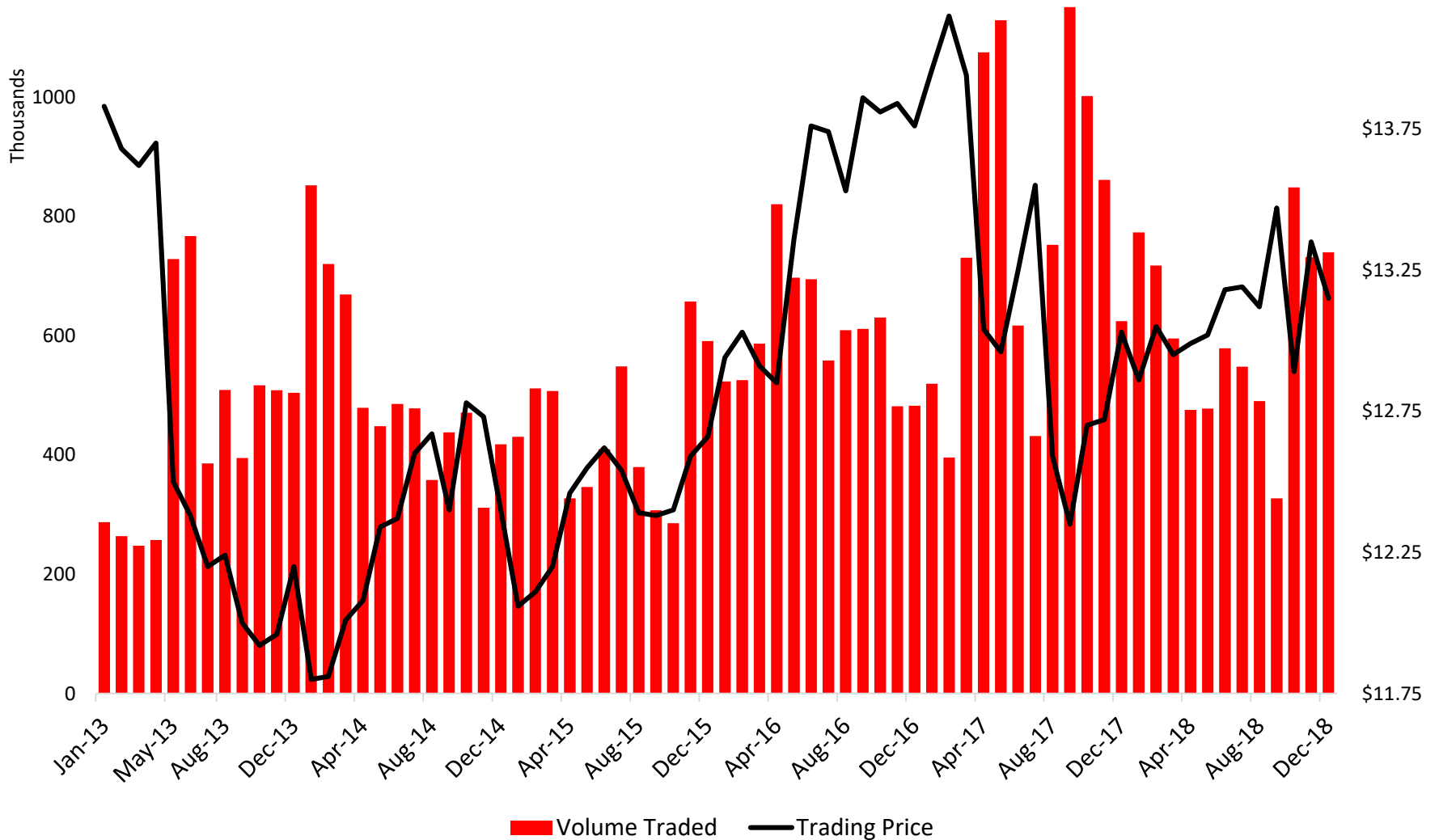


Accessed the capital market **fourteen** times since October 2010

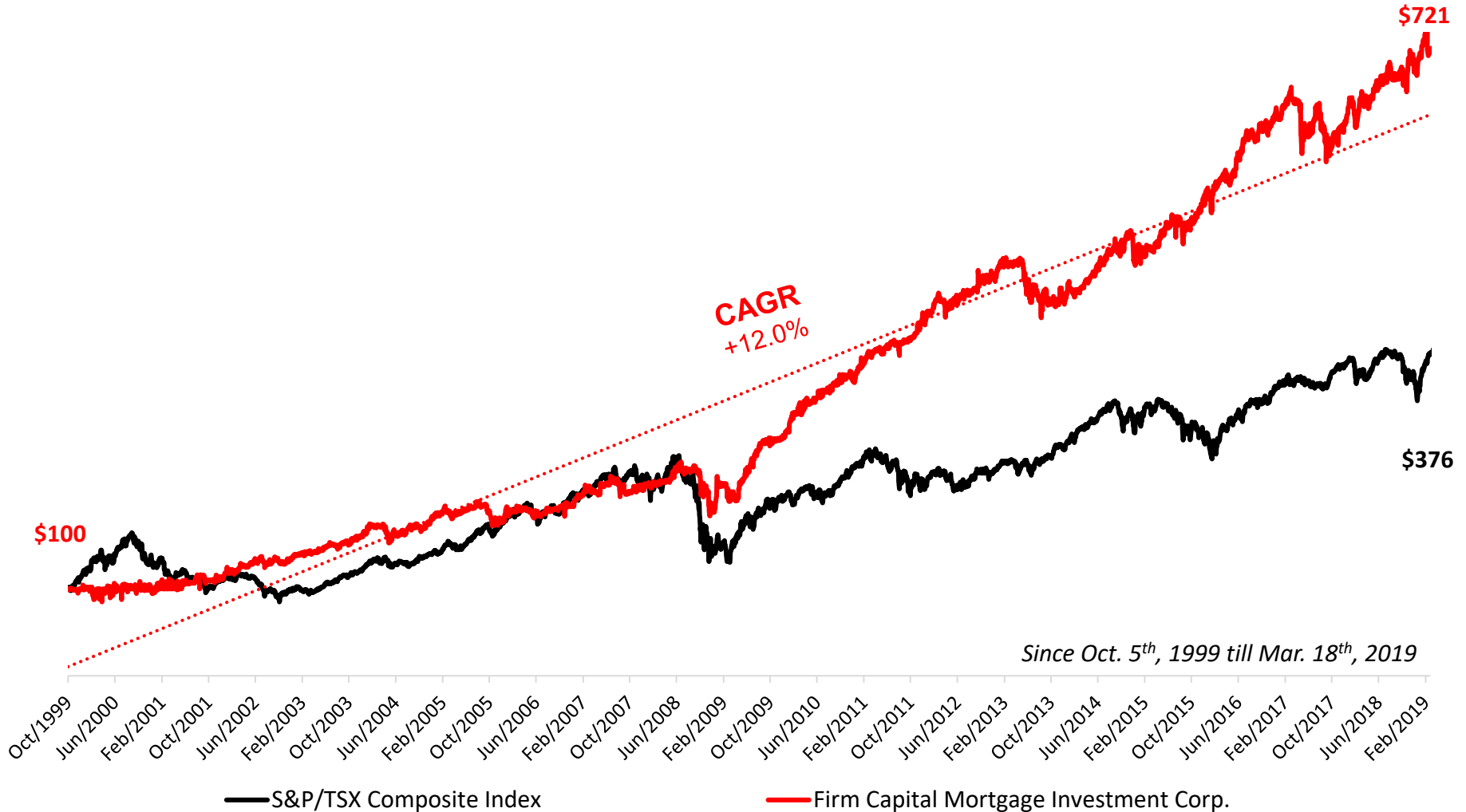


**Wide Investment Dealer Distribution Network**

# Average Share Price & Trading Volume



A \$100 FC investment in 1999 would be worth \$721 today!



Since Oct. 5<sup>th</sup>, 1999 till Mar. 18<sup>th</sup>, 2019

— S&P/TSX Composite Index

— Firm Capital Mortgage Investment Corp.



- We anticipate that we will continue to meet and exceed stated objectives of generating a return on equity of 400 basis points over average 1 year Government of Canada treasury bill yields.
- Position mortgage investment portfolios towards higher concentration in conventional first mortgages and related investments.
- Strong balance sheet and access to capital to take advantage of changing market conditions.
- Focused on exit strategies and security over yield.
- Continue to seek safer lower yielding investments that provide both an adequate return as well as a degree of safety.

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