

# 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

December 2019

DISCIPLINED INVESTING • CAPITAL PRESERVATION

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Firm Capital with approximately \$3.5 Billion of assets under management operates as a boutique real estate and financial services equity investment company deploying capital opportunistically between debt and equity in the real estate private and public markets across Canada and parts of the US.

Since inception in 1988, Firm Capital has established exceptional track record demonstrated by past performance and prides itself risk management abilities to protect and preserve capital, while acting as disciplined investors.

### PROFICIENT SERVICES PROVIDED BY FIRM CAPITAL

Mortgage Lender  
Principle Investor  
Capital Partner  
Activist and Innovative Investor  
Property and Asset Manager





- **Experienced Team** managing debt and real estate throughout a real estate cycle (30+ year track record with combined of over 100 years industry experience)



- **Disciplined investing** focused on capital preservation & consistent returns



- **Long term track record creating value with attractive yields** for investors



- **Strong alignment interest** through direct investment in assets by management team and board members



- **Public entities** provide transparency, safety & liquidity as well as are governed by rigid investment & operating policies

<b>Underlying Assets</b>	<ul style="list-style-type: none"> <li>Portfolio comprised of 204 syndicated mortgage loans</li> </ul>
<b>Alignment of Interests</b>	<ul style="list-style-type: none"> <li>Management Team &amp; Board Members co-invested ~\$65M alongside investors as at September 30, 2019</li> <li>Approximately 542,587 shares held by Directors &amp; Officers as at September 30, 2019</li> <li>25% pari-passu investment in all non-conventional mortgages</li> </ul>
<b>Strategic Portfolio Diversification</b>	<ul style="list-style-type: none"> <li>Strategically diversified by <b>geography</b> (mainly in Southern Ontario), <b>mortgage type</b> (mainly conventional first mortgages not exceeding 75% LTV), <b>loan amount</b> (majority less than \$2.5M), and by <b>property type</b> (mainly residential construction &amp; land)</li> </ul>
<b>Compelling Investment Metrics &amp; Fundamental Growth</b>	<ul style="list-style-type: none"> <li>Monthly distributions of \$0.078/Share plus additional “top up” dividend at year-end</li> <li>A \$100 investment in Common Shares in October 5, 1999, assuming reinvested dividends, would be worth \$795 as of September 30, 2019 (as opposed to \$399 if invested in S&amp;P/TSX Composite Index)</li> <li>Loaned more than \$9.898 Billion from 2000-2019</li> </ul>
<b>Disciplined Philosophy</b>	<ul style="list-style-type: none"> <li>Conservative underwriting philosophy &amp; default recovery program (no loan losses since inception)</li> <li>Have Impairment Allowance (Loan Loss Reserve) in place to soften effects of possible losses</li> <li>Short-term lending (78.4% maturing by Sept. 30, 2020 &amp; 90.1% maturing by Dec. 31, 2020)</li> <li>Performance driven compensation to Investment Manager (not on cash or non-performing loans)</li> </ul>
<b>Traded on TSX</b> (as at November 20, 2019)	<ul style="list-style-type: none"> <li>TSX: FC</li> <li>CDN\$14.45/Share</li> <li>Market Capitalization \$406.7 Million</li> <li>Shares Issued 28,148,534</li> <li>Yield of 6.48% + “top up” dividend expected at year-end</li> </ul>

## ALIGNED MANAGEMENT INTERESTS

### Performance Based Compensation

- FCMIC Manager receives 0.75% per annum on performing investments (not cash balances)
- Mortgage Banker receives 0.1% per annum loan servicing fee on performing investments
- No payment on work outs for any defaulted loans
- Commitment fee income is shared
- Mortgage Banker receives 75% of the commitment & renewal fees and 25% of the special profit income generated from the non-conventional investments after the Corporation has yielded a 10% per annum return on its investments

### Substantial Personal Investment

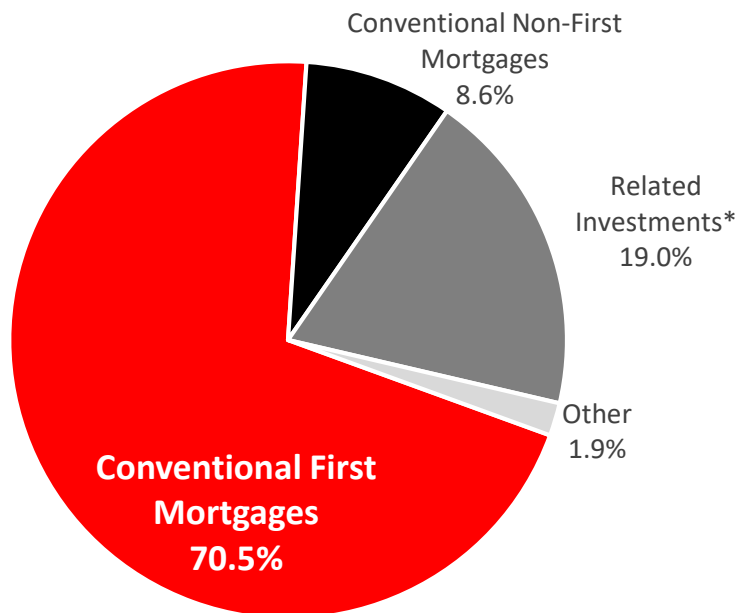
- Management, directors and/or their respective associates maintain 25% pari-passu investment in all non-conventional mortgages
- Management and directors are co-investors in most investments

**No acquisition or disposition fees charged!**

## CONSERVATIVE LENDING APPROACH

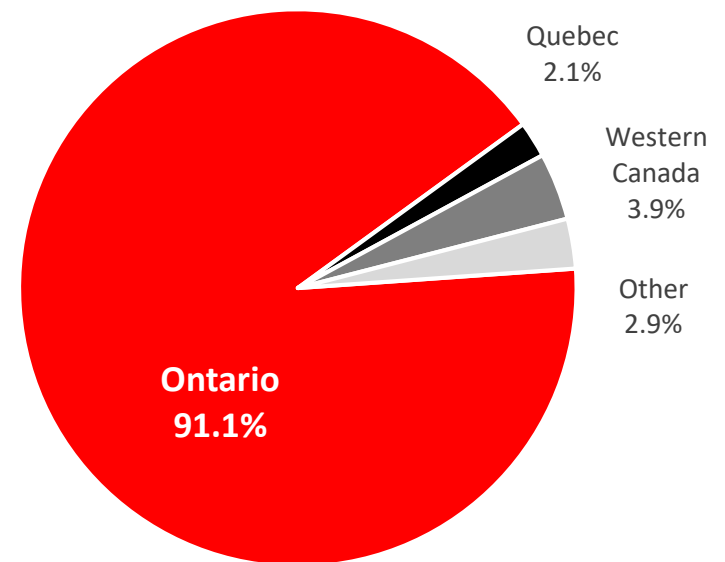
- 70.5% conventional first mortgages
- Experienced borrowers in proven markets
- Conservative lending guidelines restricting investment exposure on loan size and related borrower groups

### Investment Portfolio



\*The Related Investments category is a basket of investments (i.e. Debenture Loans, etc.) that are all participating in debt investments to a variety of third-party borrowers. Such debt investments are not secured by mortgage charges, and instead have other forms of security or recourse, and could include profit sharing.

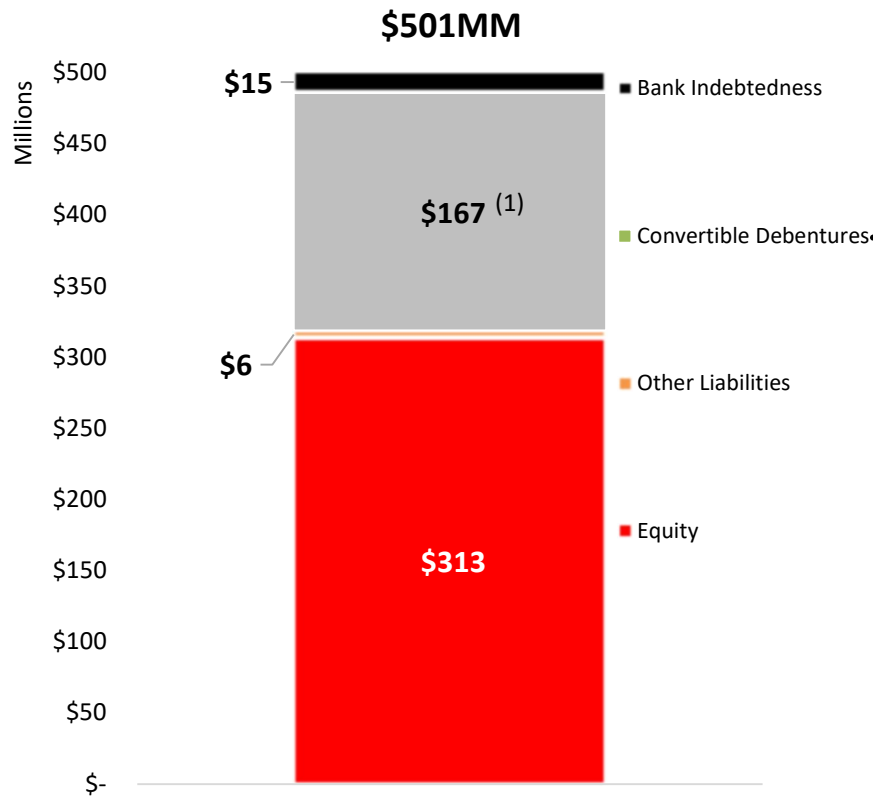
### Geographic Diversification\*\*



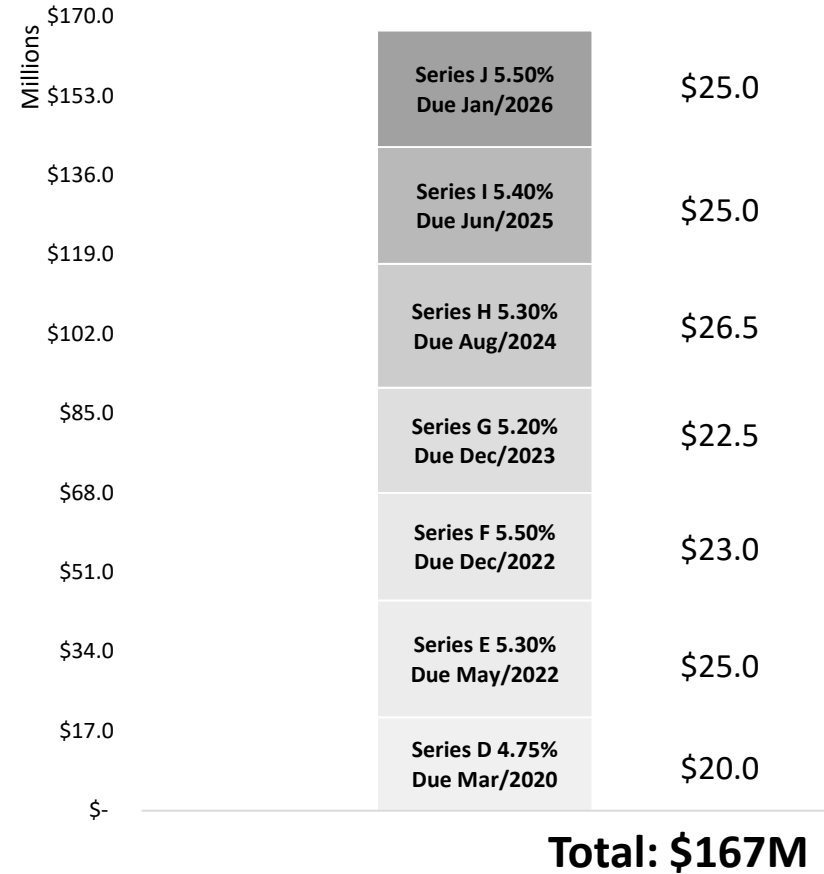
\*\*Excluding Related Investments

## CAPITAL STACK (IN \$MM)

### Current Capital Stack Q3/2019

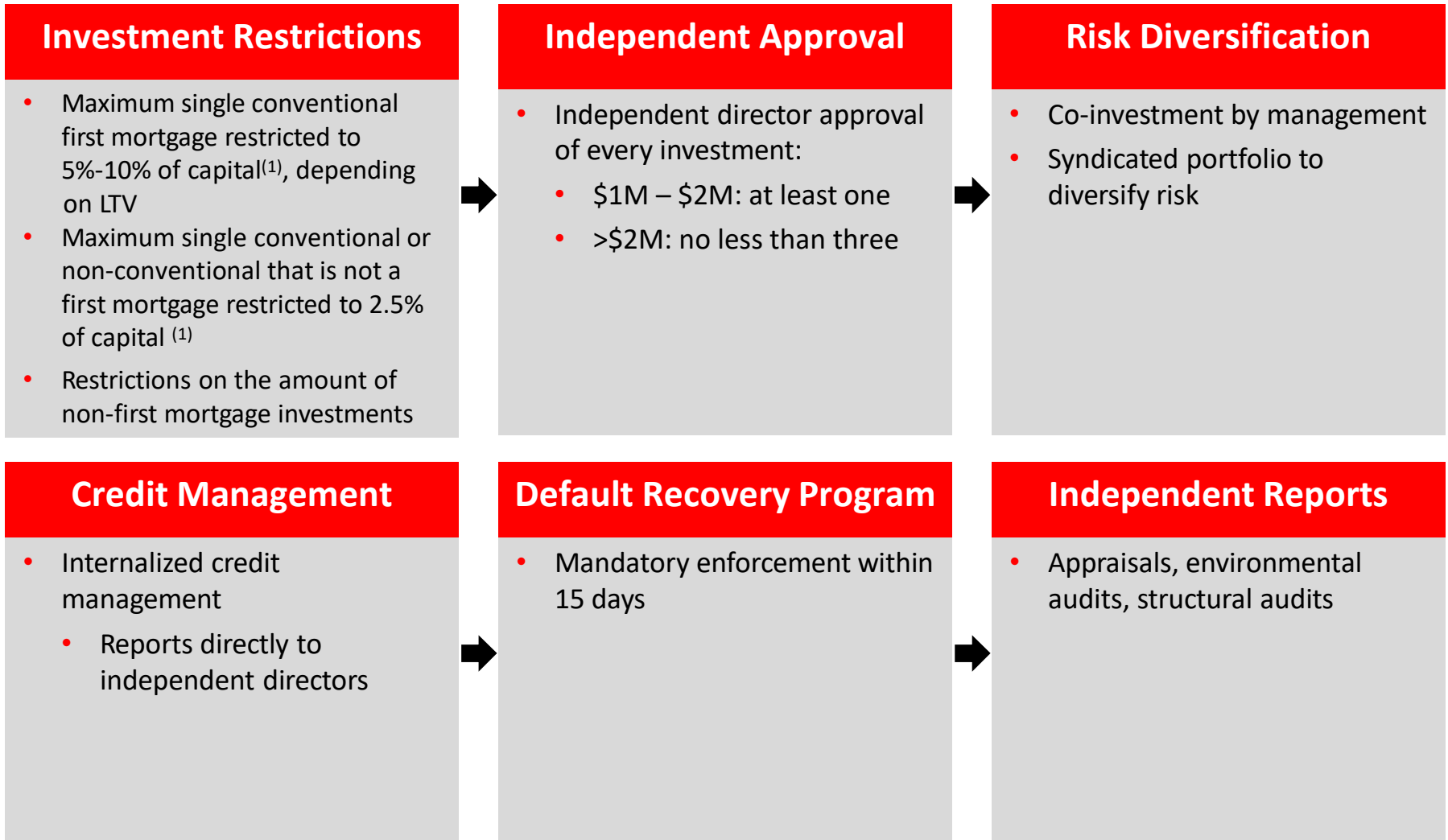


### Convertible Debentures Q3/2019<sup>(1)</sup>



(1) At par value





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

	Quarter Ended Sept 30, 2019	Quarter Ended Jun 30, 2019	Quarter Ended Mar 31, 2019	Quarter Ended Dec 31, 2018	Quarter Ended Sep 30, 2018
<b>Mortgage Portfolio (millions)<sup>(1)</sup></b>	<b>\$467</b>	<b>\$539</b>	<b>\$550</b>	<b>\$521</b>	<b>\$535</b>
<b>Basic Profit Per Share</b>	<b>\$0.273</b>	<b>\$0.251</b>	<b>\$0.246</b>	<b>\$0.233</b>	<b>\$0.265</b>
<b>Dividends Per Share</b>	<b>\$0.234</b>	<b>\$0.234</b>	<b>\$0.234</b>	<b>\$0.284</b>	<b>\$0.234</b>
<b>Return on Equity</b>	<b>9.82%</b>	<b>9.06%</b>	<b>8.97%</b>	<b>\$9.01%</b>	<b>9.69%</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

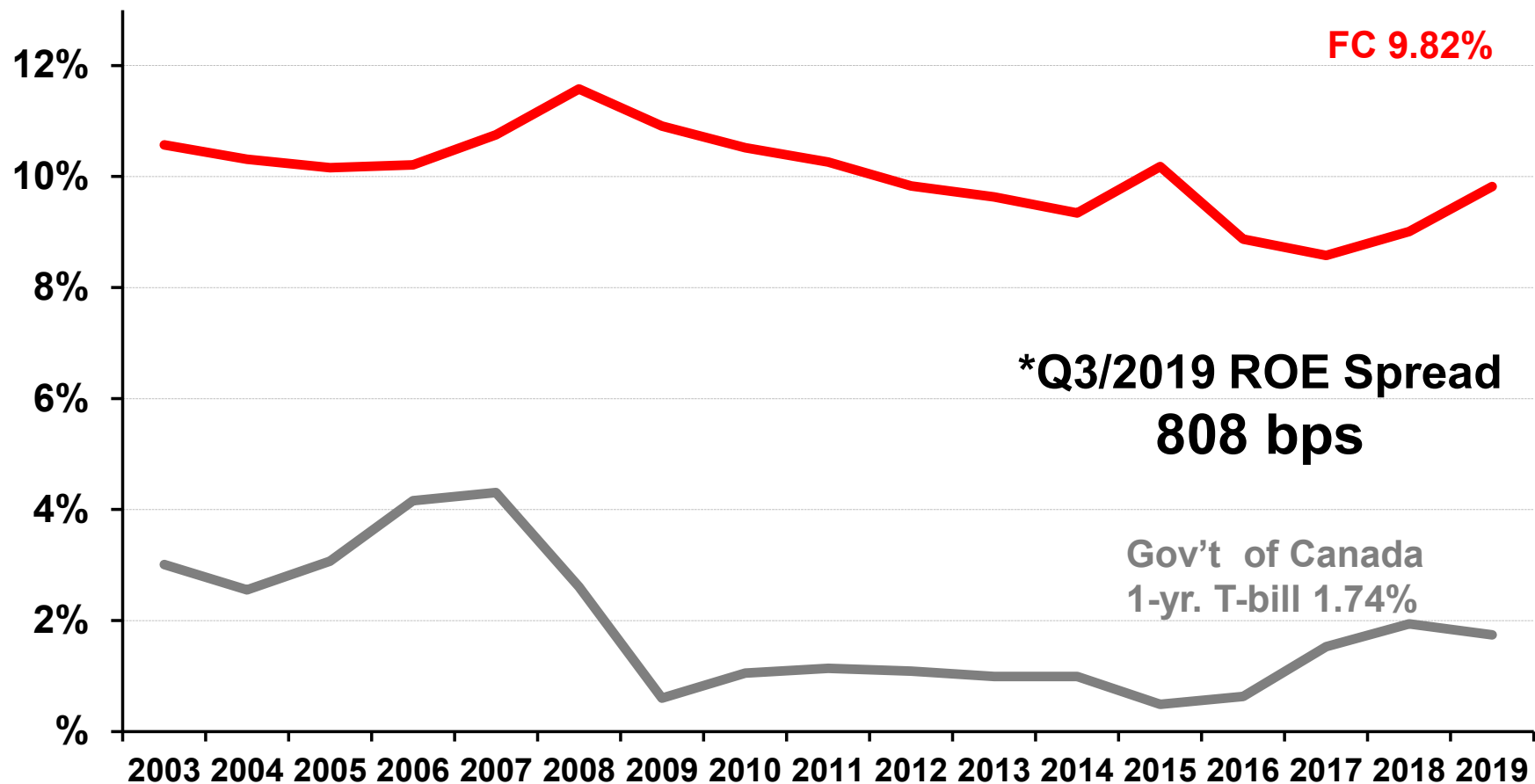
## Q3/2019 RESULTS OF OPERATIONS

(\$ in millions)	Quarter Ended Sep 30, 2019	Quarter Ended Jun 30, 2019	Quarter Ended Mar 31, 2019	Quarter Ended Dec 31, 2018	Quarter Ended Sep 30, 2018
<b>Interest and Fees Earned</b>	<b>\$12.23</b>	<b>\$12.21</b>	<b>\$11.86</b>	<b>\$11.53</b>	<b>\$12.39</b>
<b>Interest and Operating Expenses</b>	<b>\$4.54</b>	<b>\$5.16</b>	<b>\$5.27</b>	<b>\$5.43</b>	<b>\$5.46</b>
<b>Profit</b>	<b>\$7.69</b>	<b>\$7.05</b>	<b>\$6.60</b>	<b>\$6.10</b>	<b>\$6.93</b>
<b>Dividends to Shareholders</b>	<b>\$6.59</b>	<b>\$6.57</b>	<b>\$6.26</b>	<b>\$7.43<sup>(1)</sup></b>	<b>\$6.11</b>
<b>Impairment allowance</b>	<b>\$5.48<sup>(2)</sup></b>	<b>\$5.48</b>	<b>\$4.95</b>	<b>\$4.95</b>	<b>\$5.0</b>

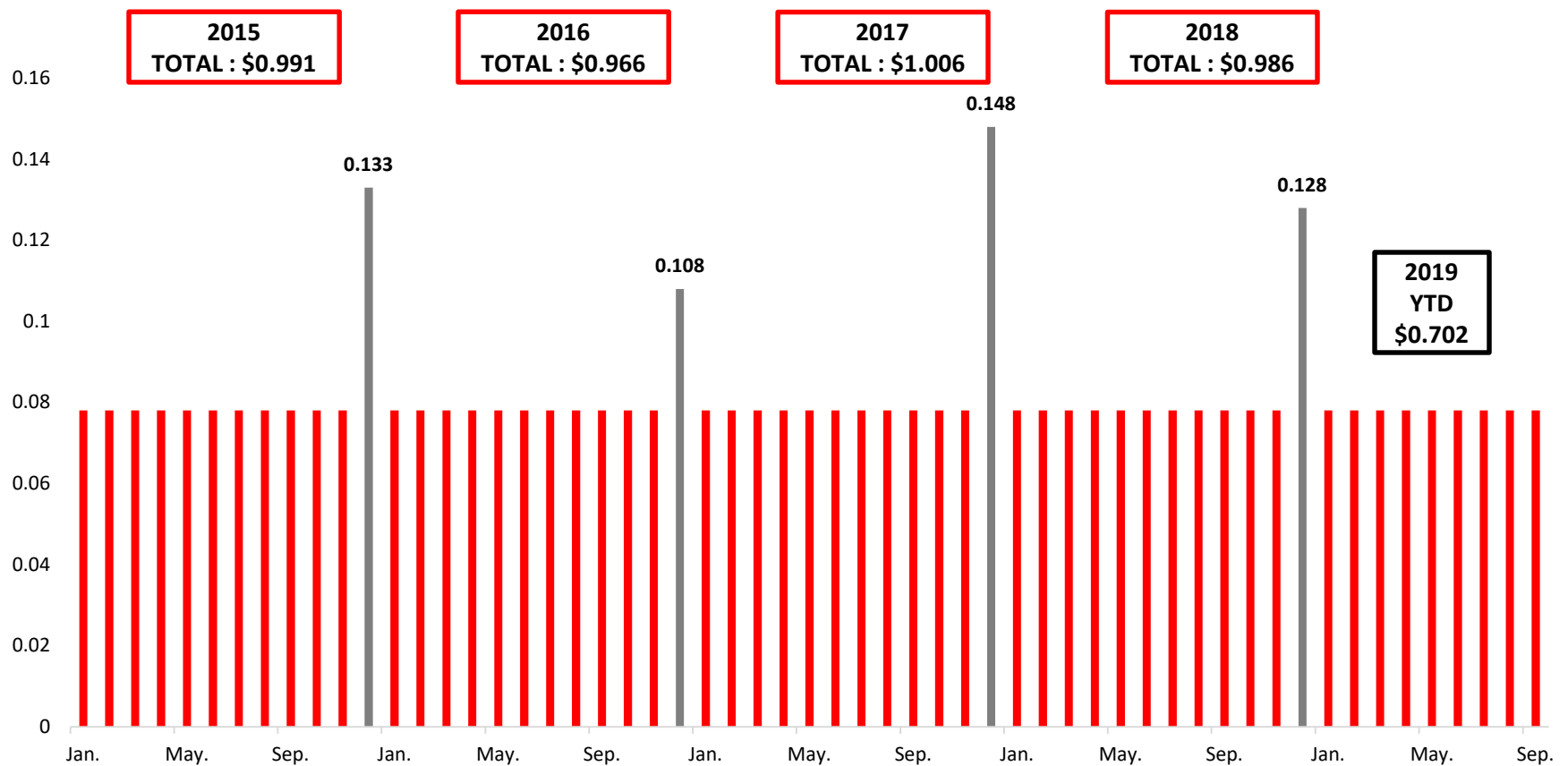
*(1) Fourth quarter dividends include one time payout of accumulated excess earnings throughout the year*

*(2) Impairment allowance of \$5.48 million does not include allowance for credit losses of \$3.2 million*

**ANNUALIZED RETURN ON SHAREHOLDERS' EQUITY**

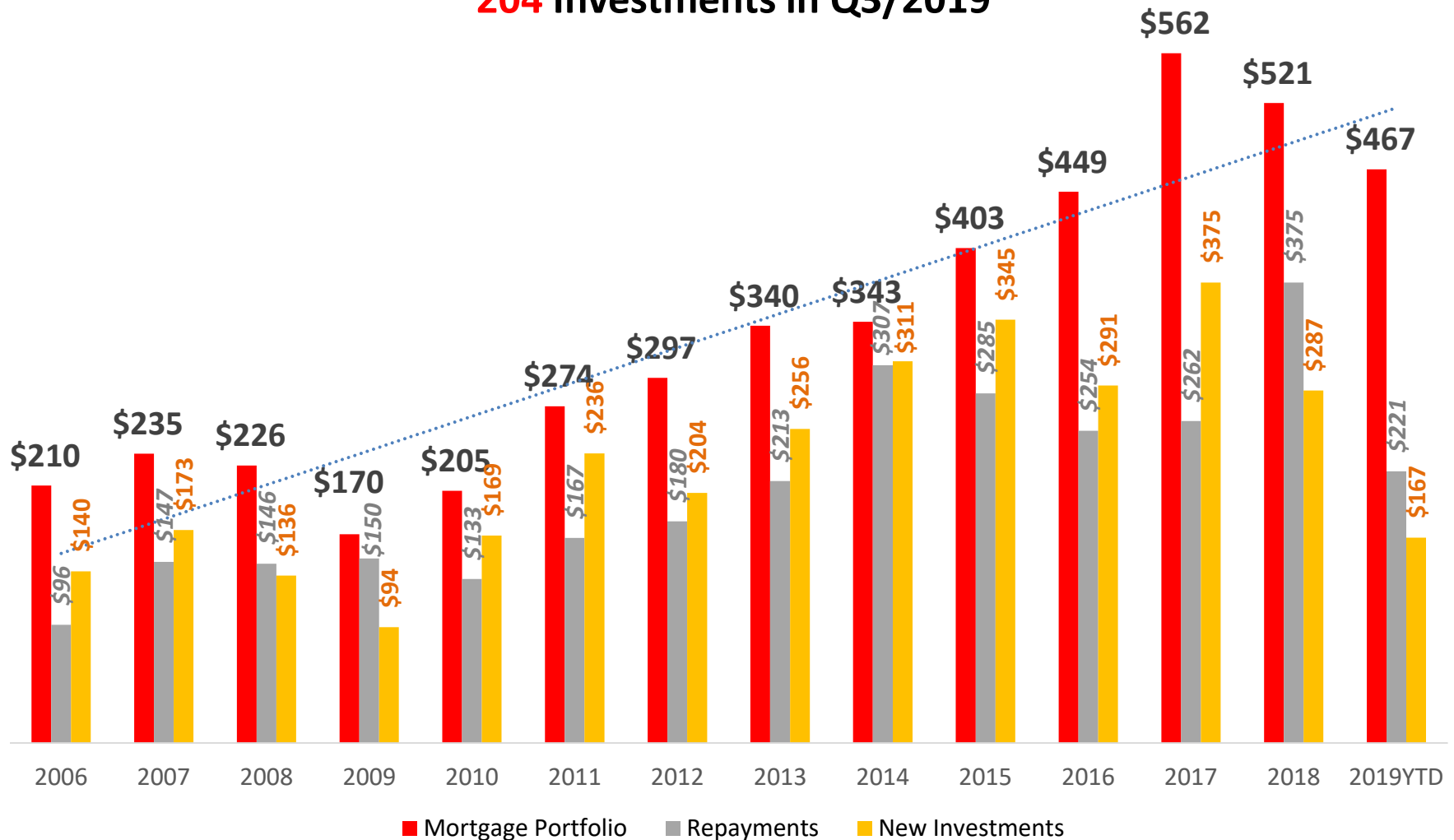


- Steady 7.8¢ dividend
- In addition, spend “top up” dividend at year end



# INCREASING MORTGAGE PORTFOLIO (IN \$MM)

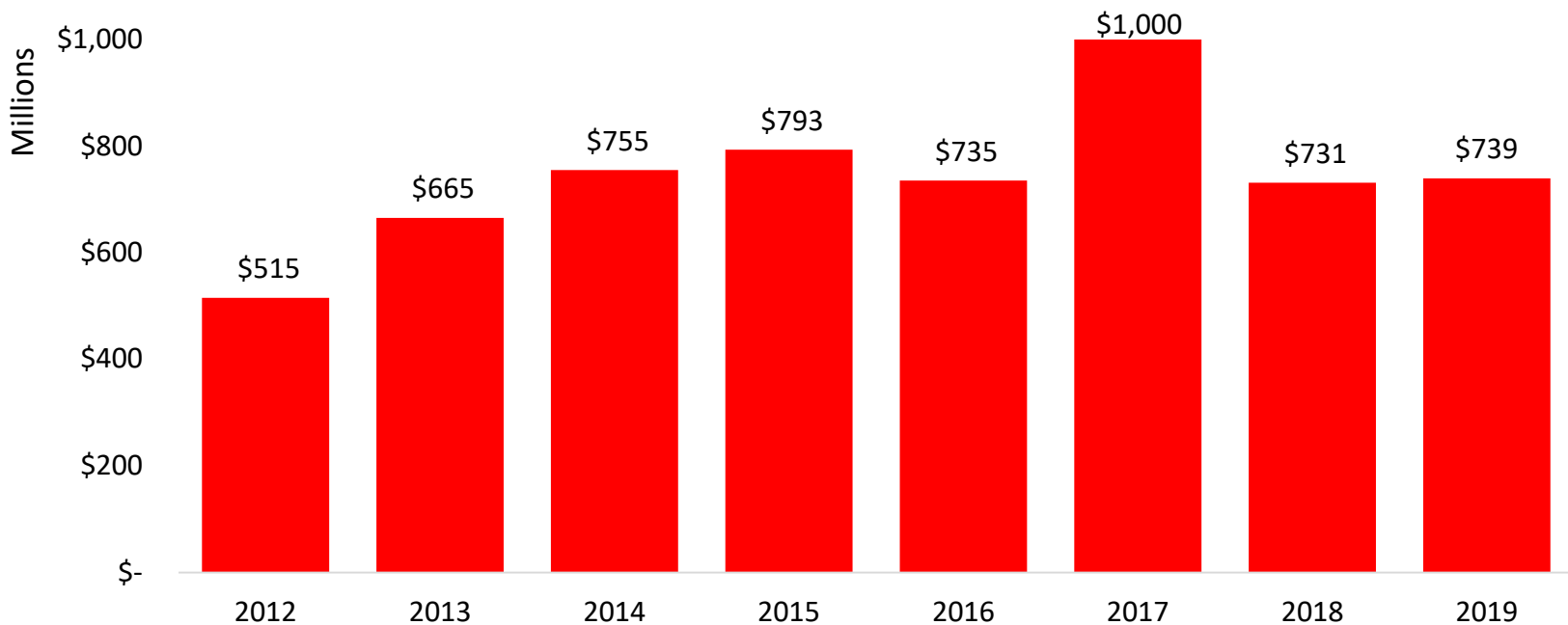
**204** Investments in Q3/2019



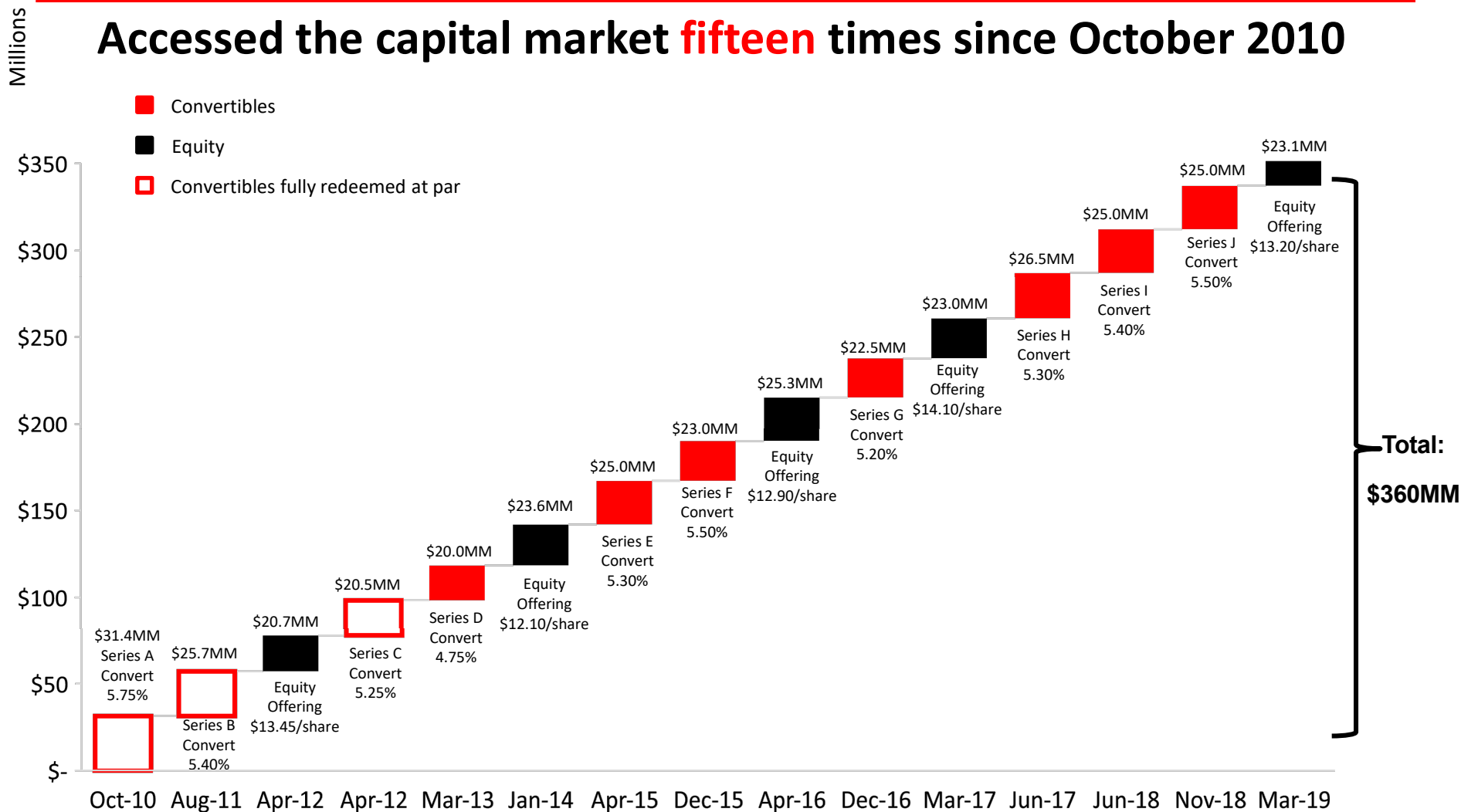
- **Significant Origination Capability**

- 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 – 2019



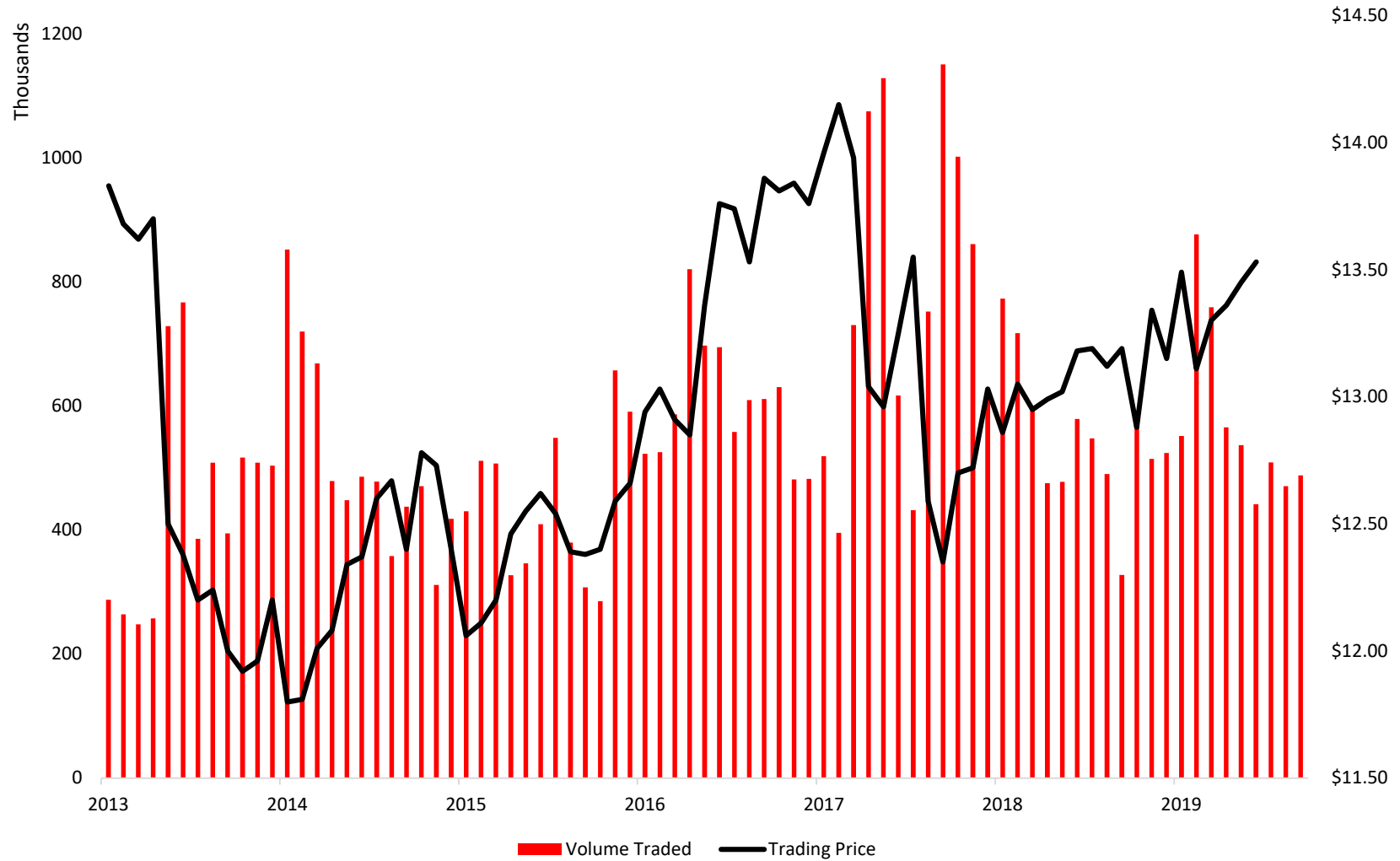
Accessed the capital market **fifteen** times since October 2010



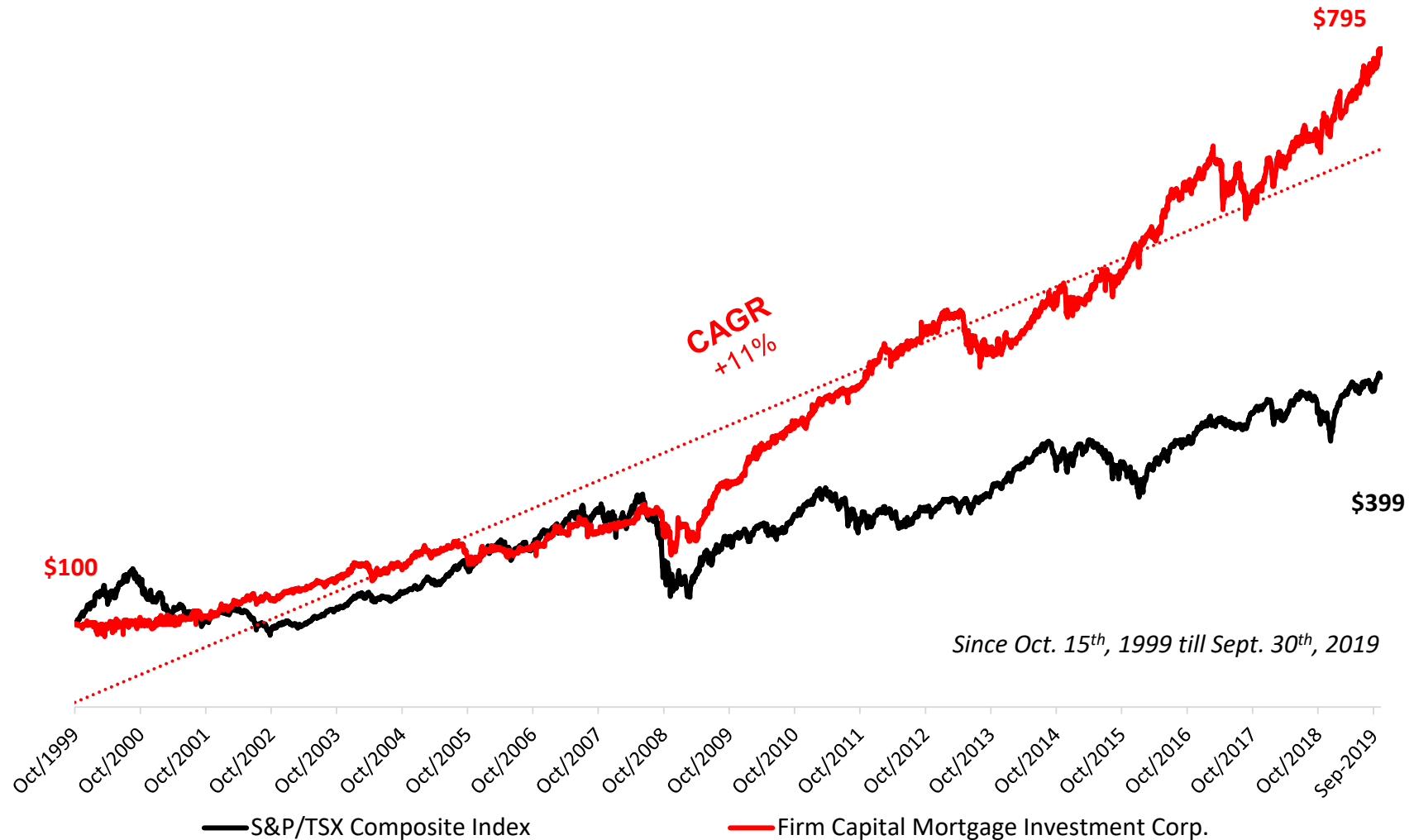
**Wide Investment Dealer Distribution Network**



## AVERAGE SHARE PRICE & TRADING VOLUME



A \$100 FC investment in 1999 would be worth \$795 today!



**MARKET TREND SINCE 2017:**

- Housing and land values outside the Greater Toronto Area (“GTA”) have declined as a result of slower home sales, whereas infill building lots and housing declined in value within various areas of GTA;
- In various areas, custom built homes stay on the market for longer periods of time and do not sell for what the builders expect;
- Investment properties are trading at extremely low unlevered capitalization rates, in some cases below 3%, when publicly traded REIT’s are yielding much higher returns. This is due to the fact that the capital markets are always ahead of the hard asset market by approximately 18 months;
- That said, in the past three months, we have noticed that publicly traded REITs have dramatically increased in value due to investor demand for higher yielding assets in this low interest rate environment;
- Rental rates on income-producing properties are at an all-time high. As such, if rents are not dramatically increasing, then low capitalization rates may not be justified.

**OUR STRATEGY TO MAXIMIZE ON CHANGES IN THE MARKET TREND:**

- Continue to revolve our mortgage investment portfolio with new investments based on ongoing changes in certain property valuations;
- This strategy will take 24 months to accomplish, the result of which will be a strong balance sheet with growth based on fresh underlying property valuations and no concerns of exits on defaults;
- Our strategy will cause our investment portfolio size and interest revenue line to fluctuate; however, the long-term strategy will meet our constantly stated objective of protecting shareholders' equity.

Independent Directors	<p><b>Stanley Goldfarb</b> Chairman, Independent Director</p>	<ul style="list-style-type: none"> <li>• CEO of Goldfarb Management Services Limited</li> <li>• Chairman &amp; Trustee of Firm Capital Property Trust (TSXV: FCD.UN)</li> </ul>
	<p><b>Anthony Heller</b> Independent Director</p>	<ul style="list-style-type: none"> <li>• President of Plazacorp Investments Limited</li> </ul>
	<p><b>Larry Shulman</b> Independent Director</p>	<ul style="list-style-type: none"> <li>• Retired Senior Partner of Goldfarb, Shulman, Patel &amp; Co.</li> </ul>
	<p><b>Geoffrey Bledin</b> Independent Director</p>	<ul style="list-style-type: none"> <li>• Corporate Director</li> <li>• Past President and CEO of Equitable Trust Company</li> <li>• Former Partner with Price Waterhouse</li> </ul>
	<p><b>Morris Fischtein</b> Independent Director</p>	<ul style="list-style-type: none"> <li>• President of High City Holdings</li> <li>• Past President of Security Trust</li> </ul>
	<p><b>Keith L. Ray</b> Independent Director</p>	<ul style="list-style-type: none"> <li>• CEO of Realvest Management</li> <li>• Former Partner with KPMG LLP</li> </ul>
	<p><b>The Honourable Joe Oliver, PC</b> Independent Director</p>	<ul style="list-style-type: none"> <li>• Former Minister of Finance, Minister of Natural Resources and Member of Parliament</li> <li>• Chairman of Echelon Wealth Partners</li> </ul>
	<p><b>The Honourable Francis (Frank) Newbould</b> Independent Director</p>	<ul style="list-style-type: none"> <li>• Former head of the Commercial List of the Ontario Superior Court of Justice</li> <li>• Counsel to the law firm Thorton Grout Finnigan LLP</li> </ul>
Management	<p><b>Eli Dadouch</b> President &amp; CEO</p>	<ul style="list-style-type: none"> <li>• Founder, President &amp; CEO of Firm Capital Organization</li> <li>• Vice Chairman, Co-CIO &amp; Trustee of Firm Capital Property Trust (TSXV: FCD.UN)</li> <li>• Vice Chairman, President &amp; CEO of Firm Capital American Realty Partners Corp. (TSXV: FCA.U)</li> </ul>
	<p><b>Jonathan Mair</b> CFO &amp; Director</p>	<ul style="list-style-type: none"> <li>• Vice President, Mortgage Banking of Firm Capital Corporation</li> <li>• Trustee of Firm Capital Property Trust (TSXV: FCD.UN)</li> </ul>
	<p><b>Edward Gilbert</b> Director</p>	<ul style="list-style-type: none"> <li>• COO and Director of Firm Capital MIC</li> <li>• Trustee of H&amp;R REIT</li> </ul>
	<p><b>Victoria Granovski</b> Director</p>	<ul style="list-style-type: none"> <li>• Trustee of Firm Capital Property Trust (TSXV: FCD.UN)</li> </ul>

### OUR CORE PRINCIPLES



#### TRUST

Our partners, investors and clients can trust FirmCapital to execute on our commitment.



#### INNOVATION

Firm Capital brings an innovative approach to structuring a transaction.



#### RELATIONSHIPS

Firm Capital builds strong, long term relationships with its partners, investors and clients.

Firm Capital is a real estate private equity investment firm and alternative investment manager based in Toronto, Canada. Since 1988, Firm Capital has focused on deploying proprietary and managed capital opportunistically between debt and equity investments in the private and public real estate markets. The organization has established an exceptional track record of successfully lending, financing, owning, investing, joint venturing and managing real estate all across Canada and parts of the US. Firm Capital focuses on a simple culture and goal: to be a client driven organization with impeccable integrity focused on preservation of capital through disciplined tactical investing at the same time as building long term relationships.

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This presentation contains forward-looking statements within the meaning of applicable securities laws. These statements include, but are not limited to, statements made in this presentation, and other statements concerning the FCMIC’s objectives, its strategies to achieve those objectives, as well as statements with respect to management’s beliefs, plans, estimates, and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “outlook”, “objective”, “may”, “will”, “would”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “should”, “plan”, “continue”, or similar expressions suggesting future outcomes or events. Such forward-looking statements reflect management’s current beliefs and are based on information currently available to management. All forward-looking statements in this presentation are qualified by these cautionary statements. These statements are not guarantees of future events or performance and, by their nature, are based on FCMIC’s estimates and assumptions, which are subject to risks and uncertainties, which could cause actual events or results to differ materially from the forward-looking statements contained in this presentation. Those risks and uncertainties include, but are not limited to, those related to: liquidity in the global marketplace associated with current economic conditions, occupancy levels, access to debt and equity capital, interest rates, the relative illiquidity of real property, unexpected costs or liabilities related to acquisitions or dispositions, construction, environmental matters, legal matters, reliance on key personnel, income taxes, the conditions to the transactions not being satisfied resulting in the failure to complete some or all of the proposed transactions described herein, the trading price of the securities of FCMIC, lack of availability of acquisition or disposition opportunities for the Corporation and exposure to economic, real estate and capital market conditions in North America. Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information may include, but are not limited to: that the general economy remains stable, interest rates are relatively stable, acquisition/disposition capitalization rates are stable, competition for acquisition or disposition of residential apartments remains intense, and equity and debt markets continue to provide access to capital. These assumptions, although considered reasonable by the Corporation at the time of preparation, may prove to be incorrect. Although the forward-looking information contained in this presentation is based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Certain statements included in this presentation may be considered “financial outlook” for purposes of applicable securities laws, and such financial outlook may not be appropriate for purposes other than this presentation. You should not place undue importance on forward-looking information and should not rely upon this information as of any other date. While we may elect to, we are under no obligation and do not undertake to update this information at any particular time.