



# **Firm Capital Mortgage Investment Corporation**

**INVESTOR PRESENTATION - Q3 2020**

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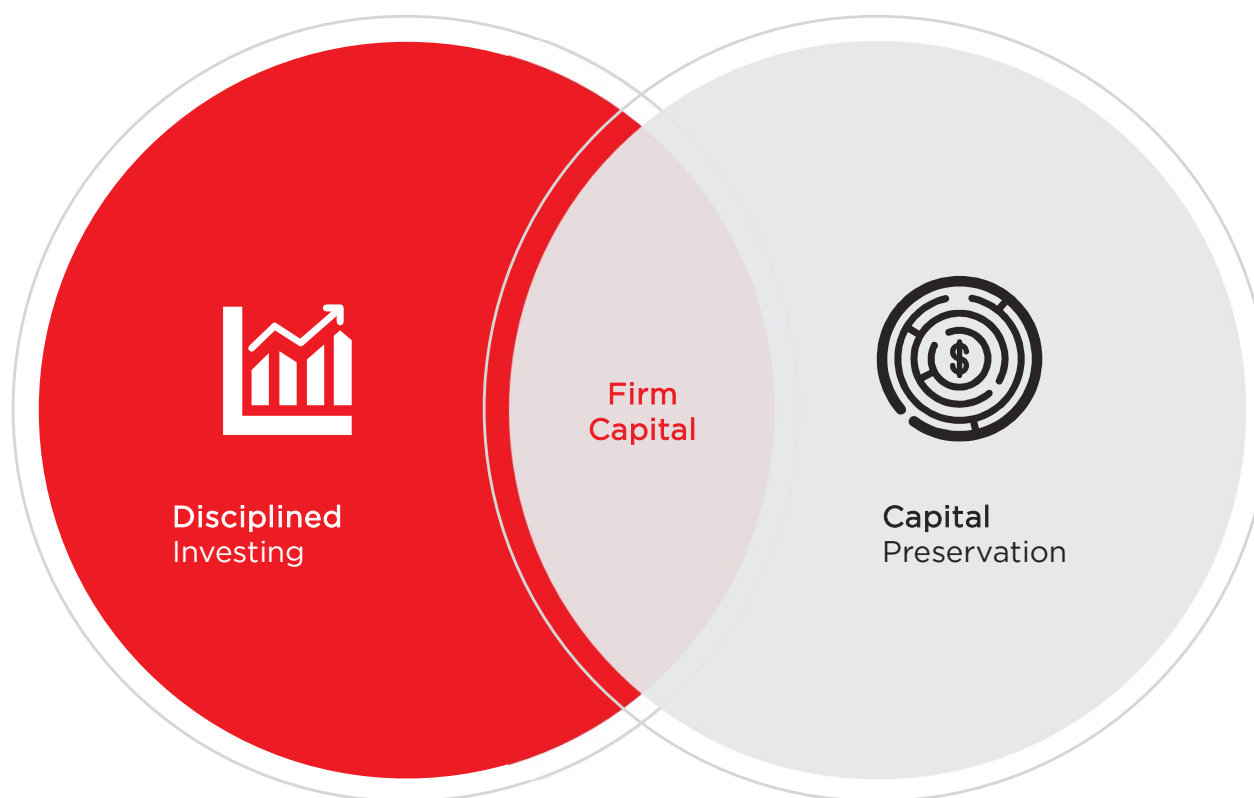
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## Introduction

**Firm Capital** with approximately \$3.6 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 U.S.

Operating in the same industry for over **32 years**



# Since inception in 1988,

Firm Capital has established an exceptional track record demonstrated by past performance and prides itself on its risk management abilities to protect and preserve capital, while acting as a disciplined investor.

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## PROFICIENT SERVICES PROVIDED BY FIRM CAPITAL:

- Mortgage Lender
- Principal Investor
- Capital Partner
- Activist and Innovative Investor
- Property and Asset Manager

## Firm Capital Advantage

Investing Integrity

### EXPERIENCE MATTERS

Experienced team managing debt and real estate throughout a real estate cycle

30+ year track record with combined of over 100 years industry experience

### DIRECT INVESTMENTS

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

### PUBLIC ENTITIES

Public entities provide transparency, safety & liquidity and are governed by rigid investment & operating policies



### DISCIPLINED INVESTING

Disciplined investing focused on capital preservation & consistent returns

### PROVEN TRACK RECORD

Long term track record creating value with attractive yields for investors

## Investment Highlights

<b>Underlying Assets</b>	<ul style="list-style-type: none"> <li>Portfolio comprised of 182 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, 2020</li> <li>Approximately 657,919 shares held by Directors &amp; Officers as at September 30, 2020</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 6, 1999, assuming reinvested dividends, would be worth \$801 as of December 31, 2020 (as opposed to \$425 if invested in S&amp;P/TSX Composite Index)</li> <li>Loaned more than \$10.4 Billion from 2000-2020 YTD</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 (26% maturing by Dec. 31/20 &amp; 83% maturing on or by Dec. 31/21)</li> <li>Performance driven compensation to Investment Manager (not on cash or non-performing loans)</li> </ul>
<b>Traded on TSX (as at January 15, 2021)</b>	<ul style="list-style-type: none"> <li>TSX: FC</li> <li>CAD\$13.34/Share</li> <li>Market Capitalization CAD\$411.5 Million</li> <li>Shares Issued 28,703,599</li> <li>TTM yield of 7.1% (includes “top-up” dividend at year end Dec. 31/20)</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

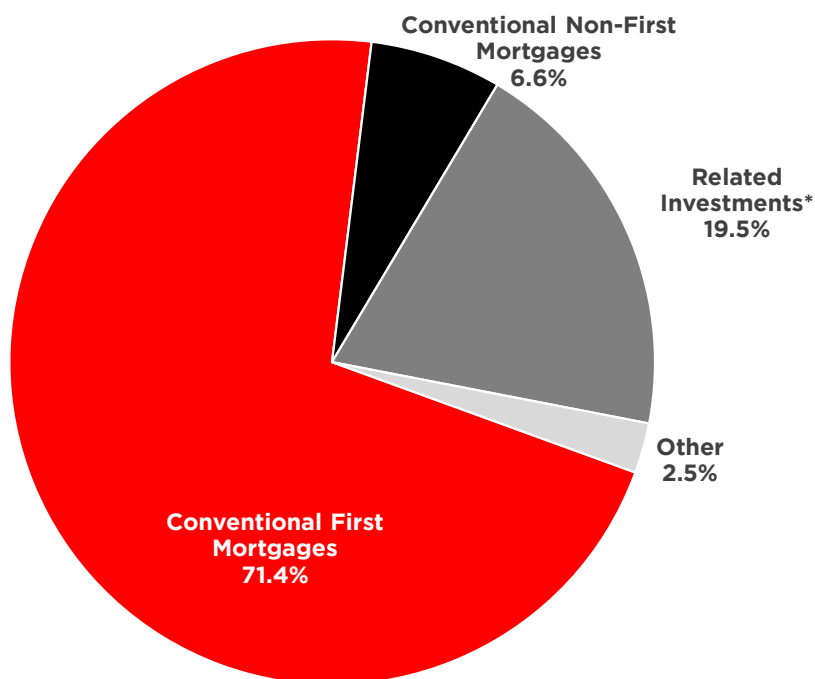
**No acquisition or disposition fees charged!**

## Conservative Lending Approach

Date: 2020/Q3 – September 30, 2020

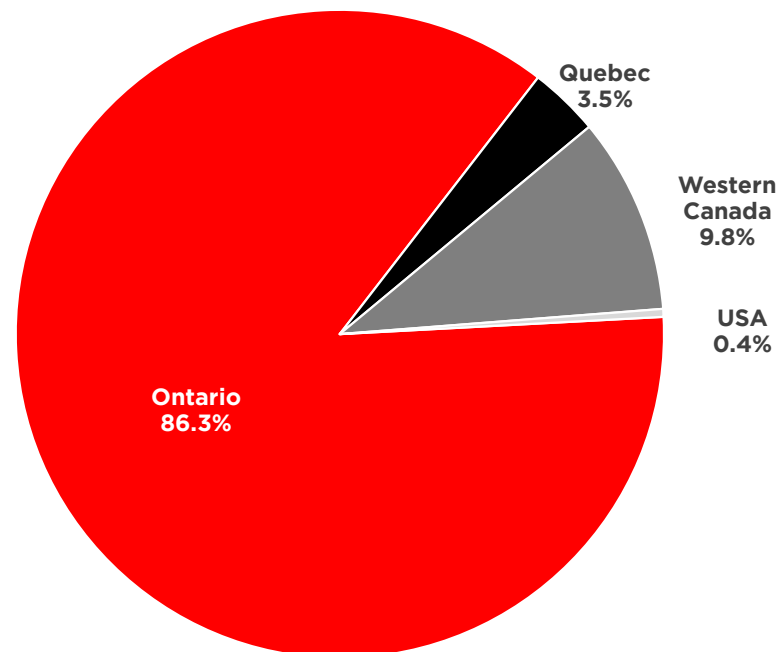
- 71.4% conventional first mortgages
- Experienced borrowers in proven markets
- Conservative lending guidelines restricting investment exposure on loan size and related borrower groups

### 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\*\*



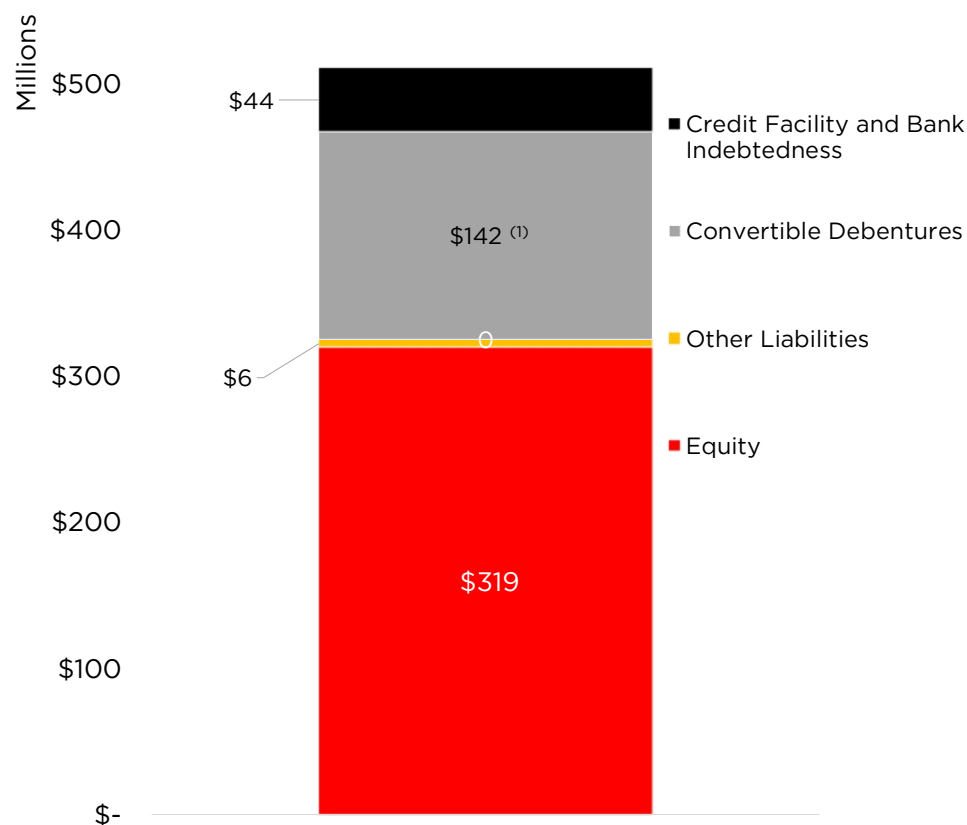
*\*\*Excluding Related Investments*



## Capital Stack (in \$MM)

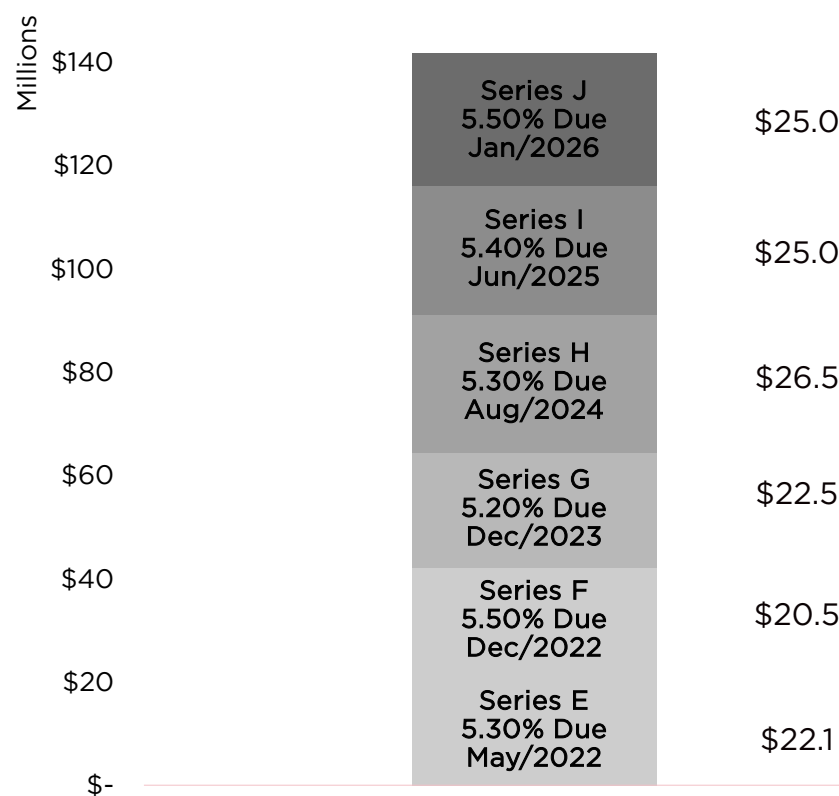
### Current Capital Stack Q3/2020

**\$511MM**



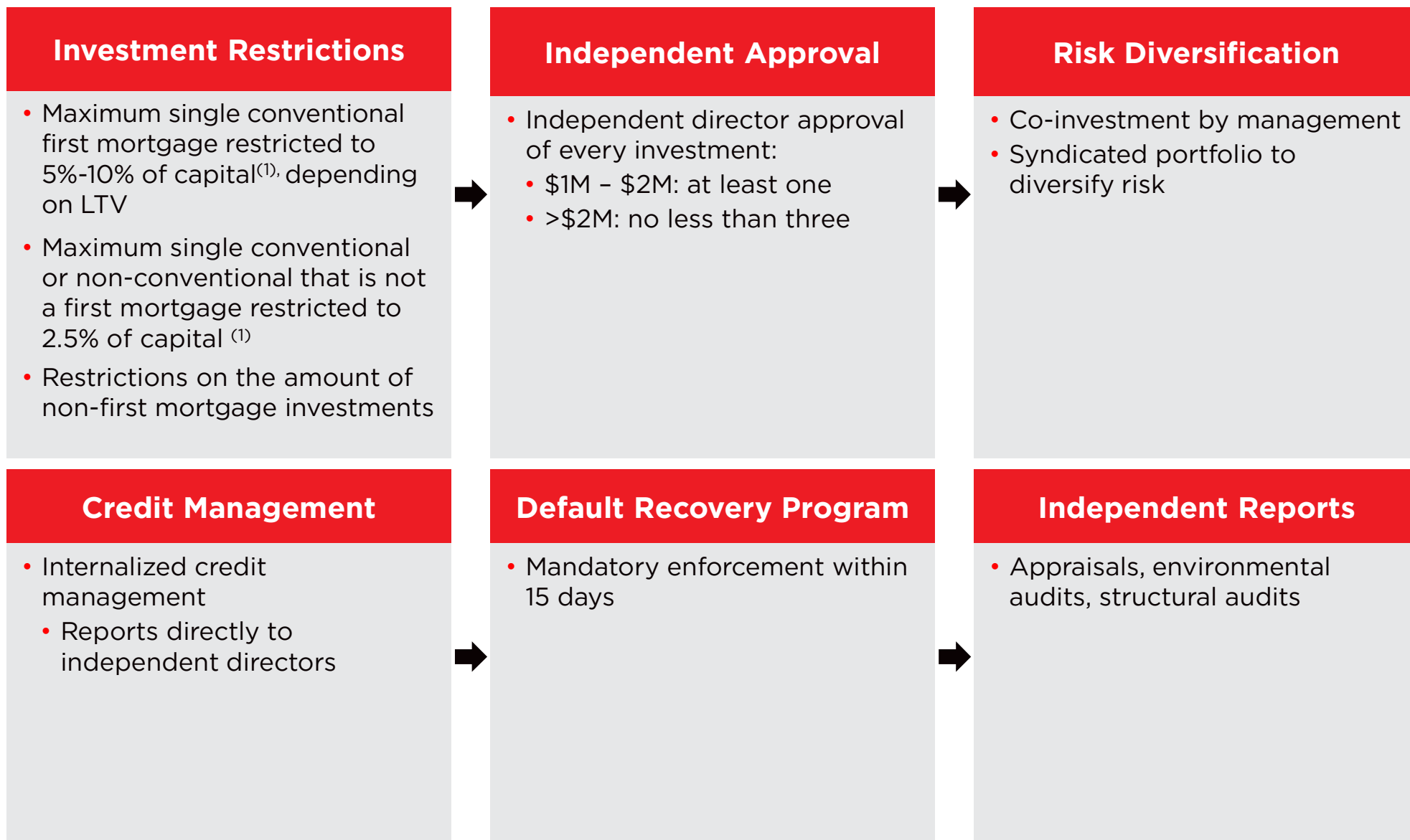
(1) At par value

### Convertible Debentures Q3/2020<sup>(1)</sup>



**Total: \$141.6M**

## Rigid Operating Standards



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

## 2020/Q3 Financial Highlights

	Quarter Ended Sept. 30, 2020	Quarter Ended Jun. 30, 2020	Quarter Ended Mar. 31, 2020	Quarter Ended Dec. 31, 2019
<b>Mortgage Portfolio (millions)<sup>(1)</sup></b>	<b>\$507</b>	<b>\$523</b>	<b>\$521</b>	<b>\$481</b>
<b>Basic Profit Per Share</b>	<b>\$0.207</b>	<b>\$0.239</b>	<b>\$0.218</b>	<b>\$0.273</b>
<b>Dividends Per Share</b>	<b>\$0.234</b>	<b>\$0.234</b>	<b>\$0.234</b>	<b>\$0.304</b>
<b>Return on Equity</b>	<b>7.44%</b>	<b>8.40%</b>	<b>7.88%</b>	<b>9.09%</b>
<b>Loan Losses</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>

*(1) Gross of impairment provision*

## 2020/Q3 Results of Operations

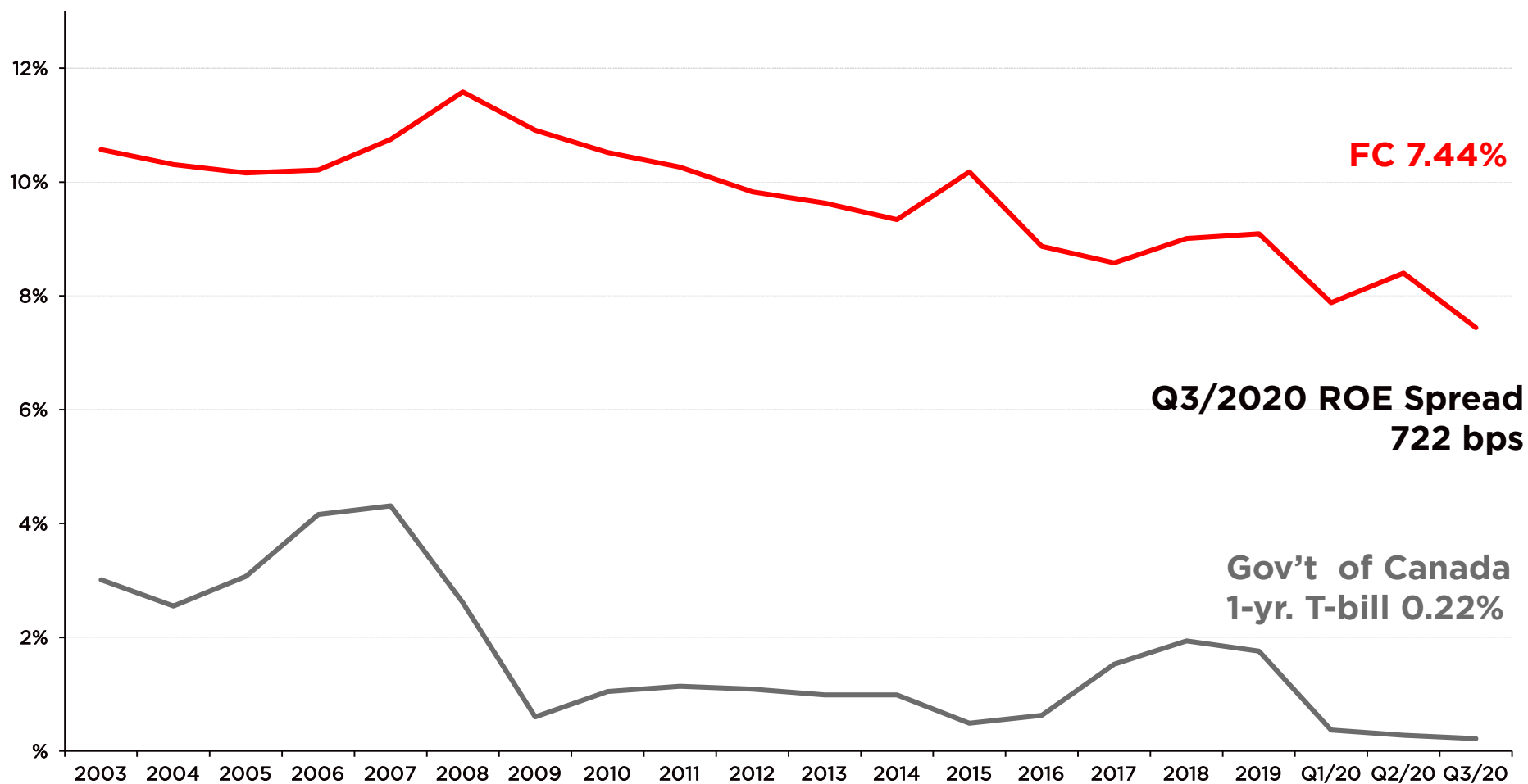
(\$ in millions)	Quarter Ended Sept. 30, 2020	Quarter Ended Jun. 30, 2020	Quarter Ended Mar. 31, 2020	Quarter Ended Dec. 31, 2019
<b>Interest and Fees Earned</b>	<b>\$10.69</b>	<b>\$11.21</b>	<b>\$10.55</b>	<b>\$11.04</b>
<b>Interest and Operating Expenses</b>	<b>\$4.76</b>	<b>\$4.34</b>	<b>\$4.31</b>	<b>\$4.36</b>
<b>Profit</b>	<b>\$5.93<sup>(3)</sup></b>	<b>\$6.87</b>	<b>\$6.24</b>	<b>\$6.68</b>
<b>Dividends to Shareholders</b>	<b>\$6.72</b>	<b>\$6.72</b>	<b>\$6.70</b>	<b>\$8.59<sup>(1)</sup></b>
<b>Impairment allowance</b>	<b>\$5.58<sup>(2)</sup></b>	<b>\$5.53</b>	<b>\$5.51</b>	<b>\$5.48</b>

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

(2) Impairment allowance of \$5.53 million does not include allowance for credit losses of \$2.3 million

(3) Excluding the non-recurring, non-cash share-based compensation expense of \$0.9 million recorded in the current quarter, adjusted income for the three months ended September 30, 2020 was \$6.8 million

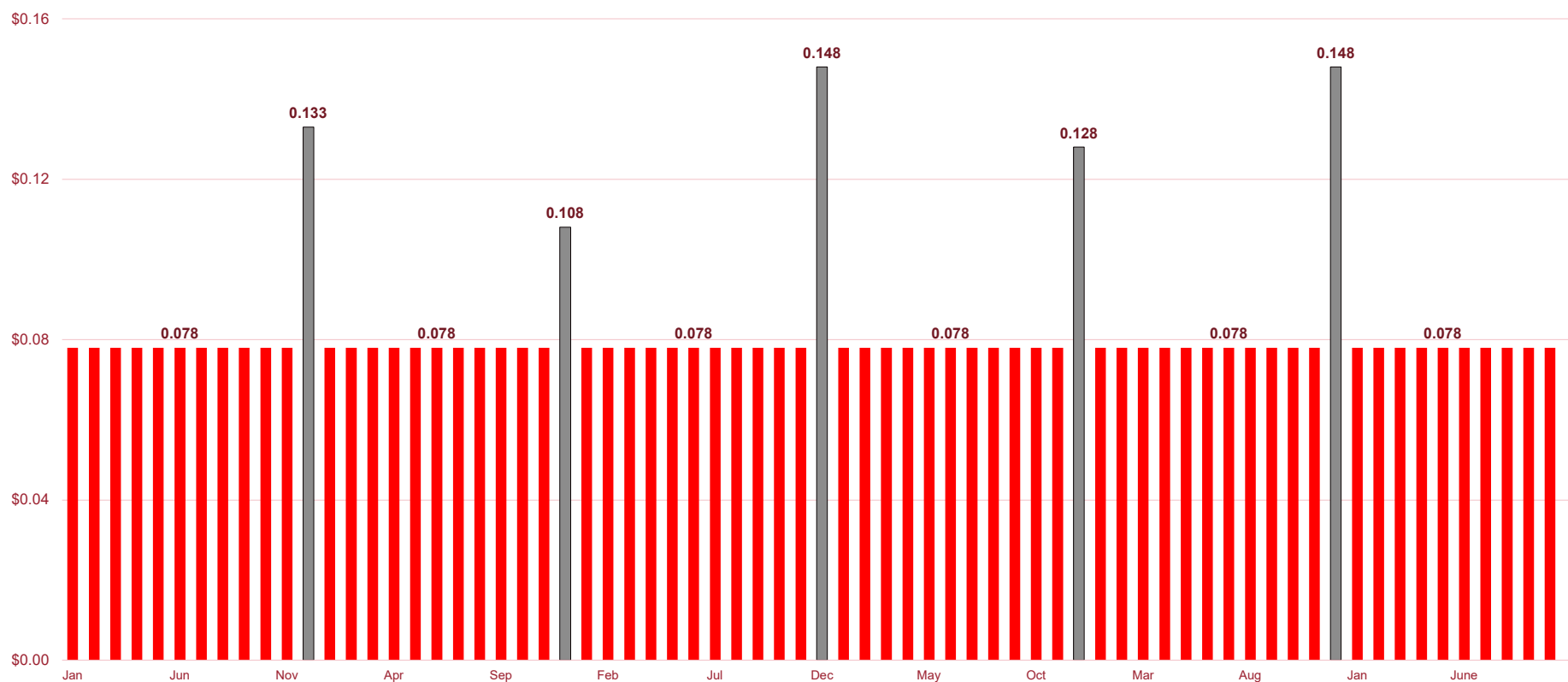
## Annualized Return on Shareholders' Equity



## Stable Cash Dividends

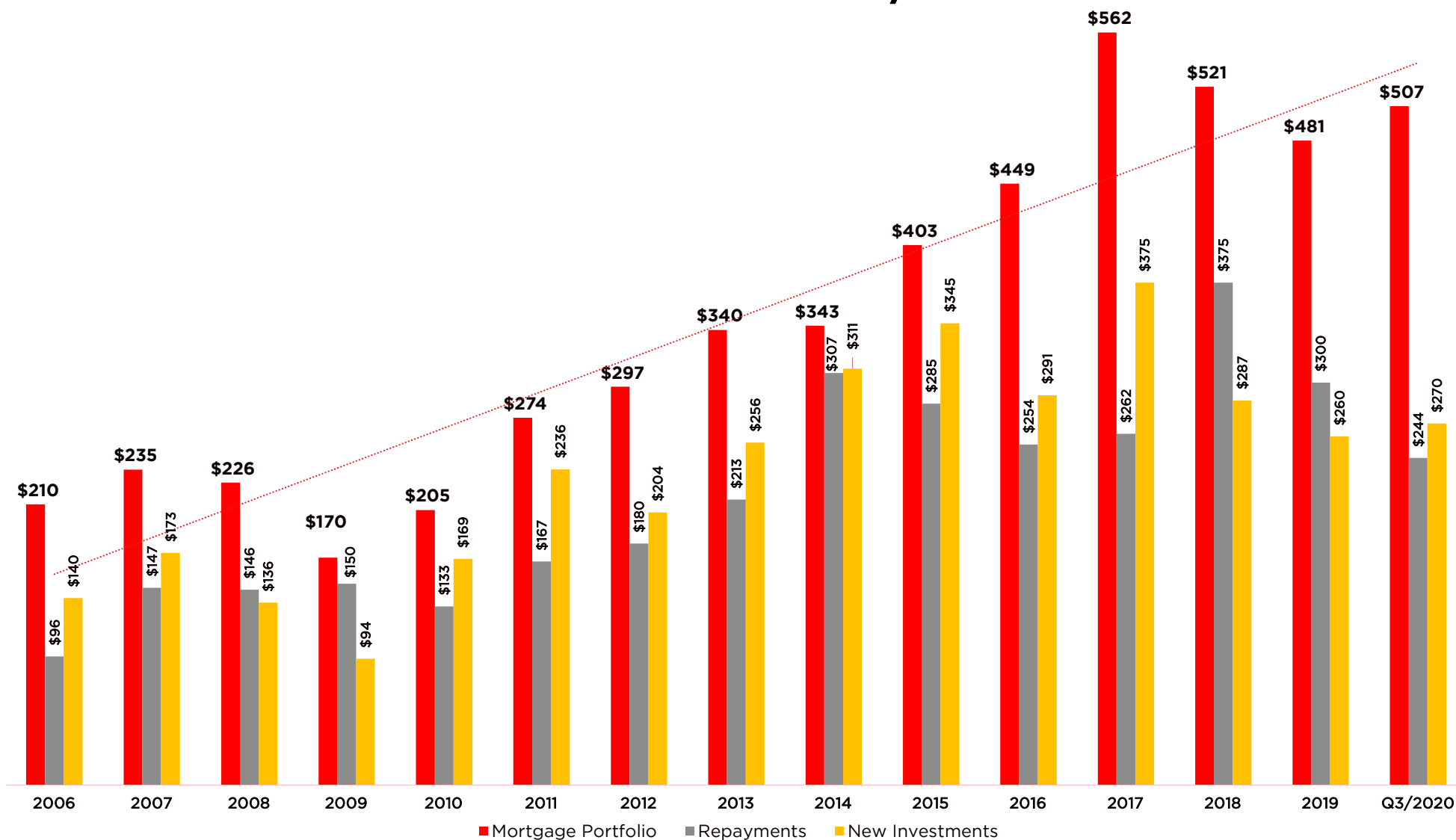
- Steady 7.8¢ dividend
- In addition, spend “top up” dividend at year end

<b>2015</b> <b>TOTAL : \$0.991</b>	<b>2016</b> <b>TOTAL : \$0.966</b>	<b>2017</b> <b>TOTAL : \$1.006</b>	<b>2018</b> <b>TOTAL : \$0.986</b>	<b>2019</b> <b>TOTAL : \$1.006</b>	<b>YTD Oct 2020:</b> <b>\$0.780</b>
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## Increasing Mortgage Portfolio (in \$MM)

**182 Investments in Q3/2020**

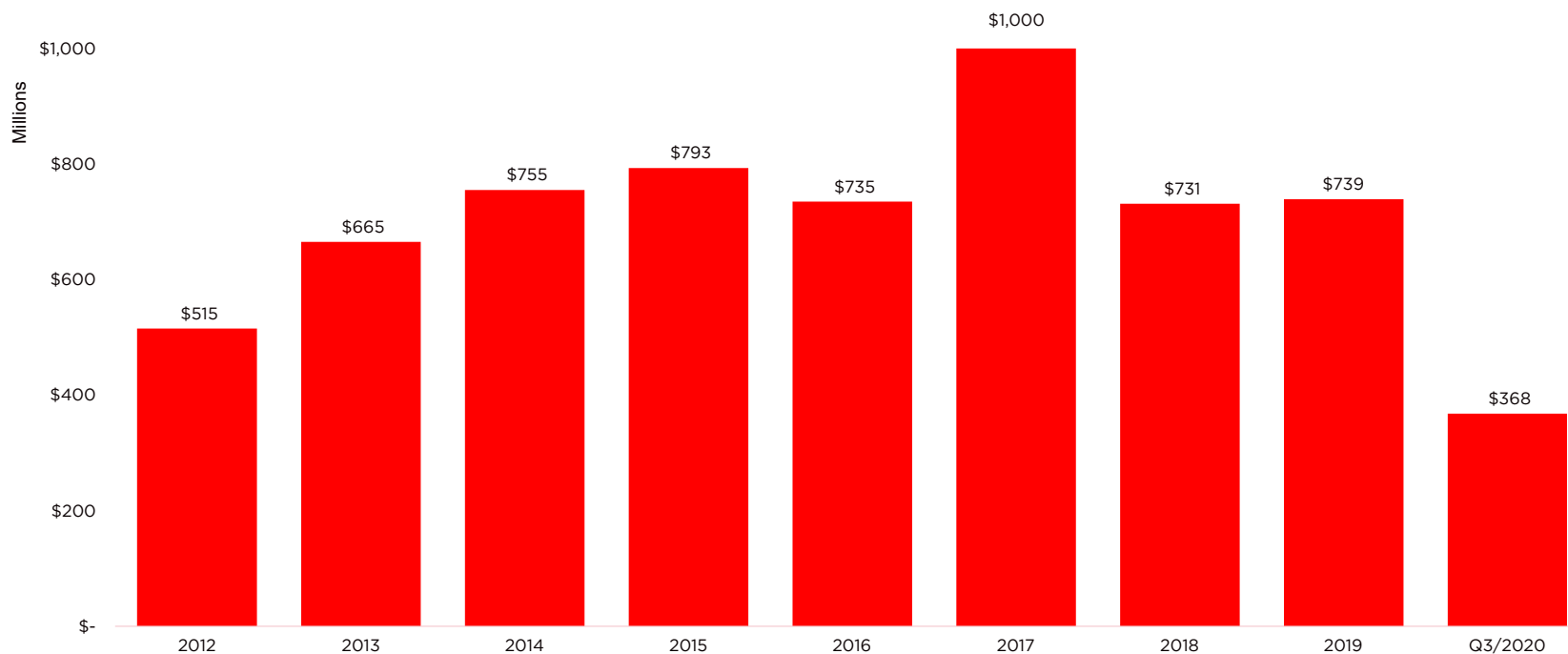




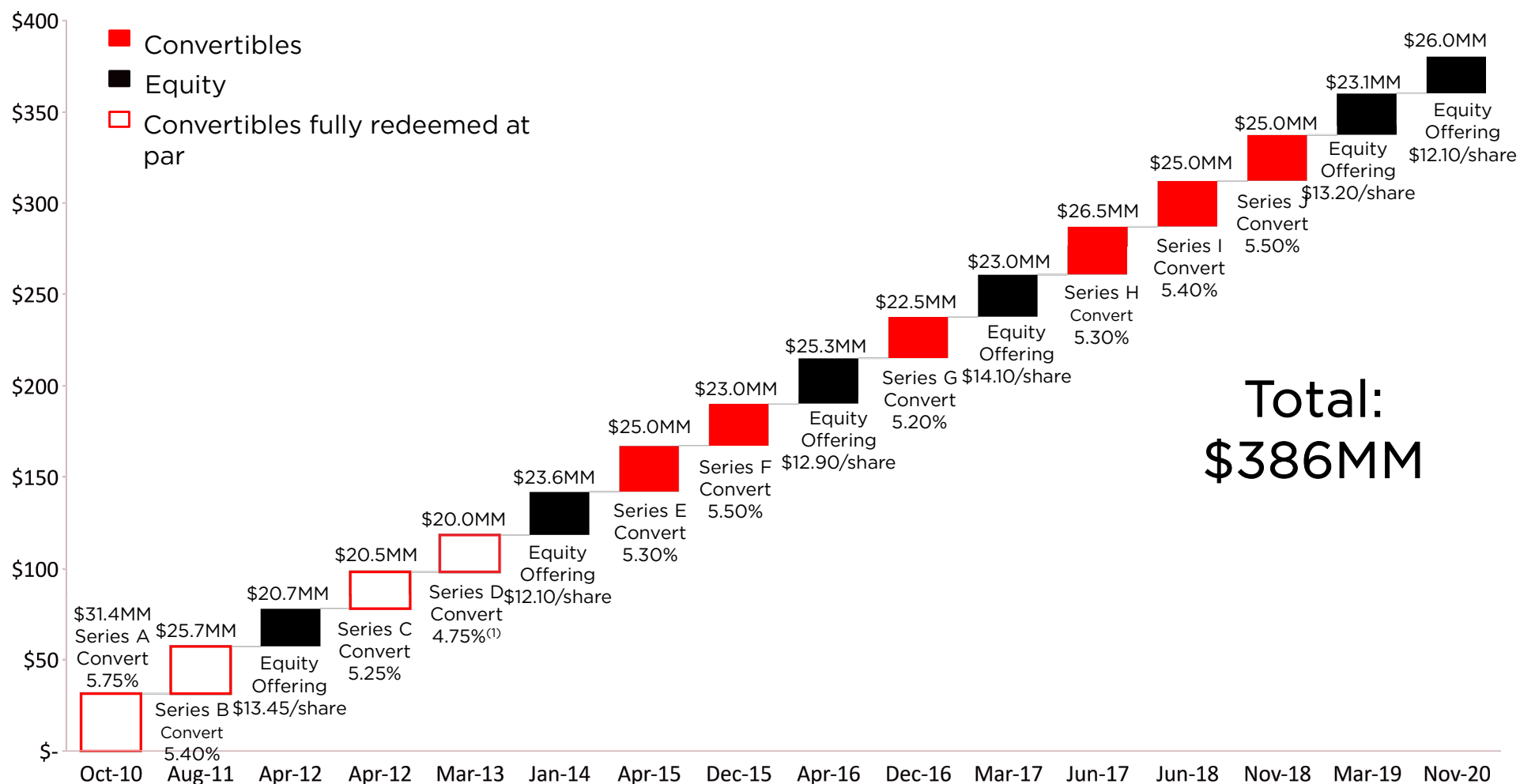
### Significant Origination Capability

- 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 – Q3/2020



## Accessed the capital market **sixteen** times since October 2010

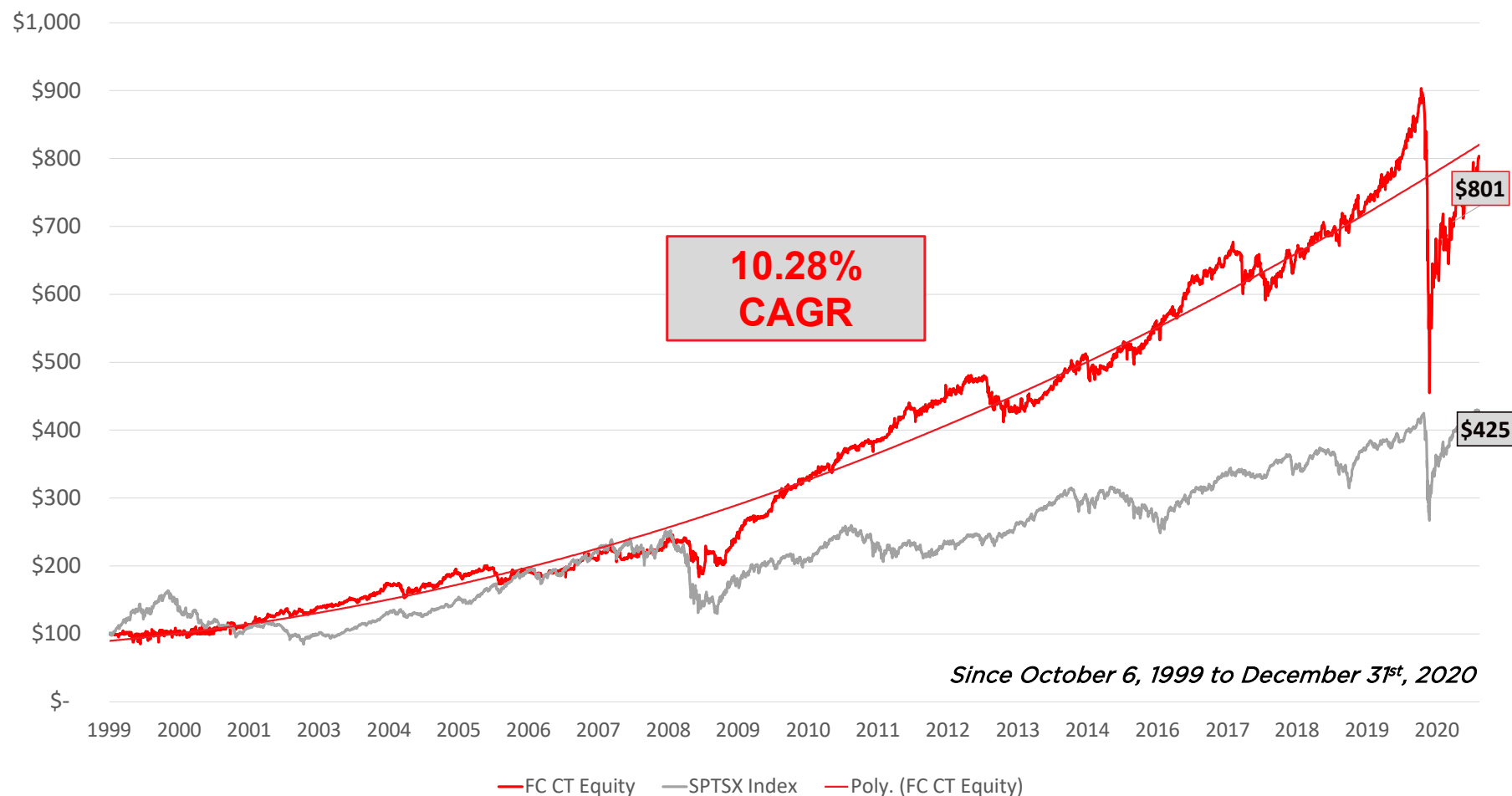


## Average Share Price & Trading Volume



## An Attractive Investment

A \$100 FC investment in 1999 would be worth \$801 today!



## 2020 Outlook

- The Corporation's investment portfolio (the "Investment Portfolio") has continued to revolve with significant investment repayments. The continuing objective is to revolve the portfolio into new investments that reflect the potential for changes in market conditions. Further, we have been stating that we would turn the Investment Portfolio, if need be, at lower interest rates to ensure we originate solid investments. The three reductions in the Bank of Canada policy rate in March and the corresponding reduction in Bank Prime have reduced Investment Portfolio interest rates and contributed to a decline in the Corporation's interest revenue.
- We continue to monitor the COVID-19 crisis and the resulting economic downturn on the Investment Portfolio and the Corporation. One of the most significant impacts to date has been a reduction in the portfolio average interest rate (resulting from the drop in bank prime, decreasing some of our floating rate investments) resulting in a decline in interest income earned by the Corporation. It is difficult to predict movements in the average interest rate going forward as it will depend on the rates available on new investments as they arise.
- There have been no material signs of deterioration in the Investment Portfolio to date. Borrower repayment performance has remained consistent with pre-COVID-19 performance and no payment deferral arrangements have been implemented.
- The Corporation's investment underwriting and loan management team at the Mortgage Banker have been together since the Corporation went public in 1999 and have worked together since the 1990's real estate recession. This management team has over 23 years of experience of working together, in dealing with risk mitigation, collections, and underwriting. Since going public, management has stuck to its stated policy, that our one objective of "Protecting Shareholders Equity" first. We have always stated our focus is on having a strong balance sheet and we would never grow for the sake of growth. At September 30, 2020, the Corporation's loan arrears are not materially different from pre-COVID balances and, to date, we have not experienced defaults attributed to the COVID-19 pandemic.
- As we address this market, we are looking for opportunities. We are reinvesting selectively, with the investment policy of holding a hard line on acceptable exposure levels, sponsor quality and warranted interest rate pricing. There are no assurances on achievable new lending interest rates as the primary focus is on security, not yield. The Mortgage Banker continues to reject a significant number of potential investments that don't meet our investment criteria and risk tolerance.

## Board of Directors

Independent Director	<b>Stanley Goldfarb</b> Chairman, Independent Director	<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>
	<b>Anthony Heller</b> Independent Director	<ul style="list-style-type: none"> <li>• President of Plazacorp Investments Limited</li> </ul>
	<b>Larry Shulman</b> Independent Director	<ul style="list-style-type: none"> <li>• Retired Senior Partner of Goldfarb, Shulman, Patel &amp; Co.</li> </ul>
	<b>Geoffrey Bledin</b> Independent Director	<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>
	<b>Morris Fischtein</b> Independent Director	<ul style="list-style-type: none"> <li>• President of High City Holdings</li> <li>• Past President of Security Trust</li> </ul>
	<b>Keith L. Ray</b> Independent Director	<ul style="list-style-type: none"> <li>• CEO of Realvest Management</li> <li>• Former Partner with KPMG LLP</li> </ul>
	<b>The Honourable Joe Oliver, PC</b> Independent Director	<ul style="list-style-type: none"> <li>• Former Minister of Finance, Minister of Natural Resources and Member of Parliament</li> <li>• Chair of The Ontario Independent Electricity System Operator</li> </ul>
Executive Director	<b>The Honourable Francis (Frank) Newbould</b> Independent Director	<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>
	<b>Eli Dadouch</b> President & CEO	<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 of Firm Capital Apartment REIT (TSXV: FCA.U/FCA.UN)</li> </ul>
	<b>Jonathan Mair</b> COO & Director	<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>
	<b>Michael Warner</b> Director	<ul style="list-style-type: none"> <li>• Senior VP, Mortgage Lending of Firm Capital Corporation</li> </ul>
	<b>Victoria Granovski</b> Director	<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.