

CANADIAN NET REIT ANNOUNCES 2024 SECOND-QUARTER RESULTS

– REIT also announces monthly distributions for Q4 2024 –

Montréal (Québec), August 20, 2024 - Canadian Net Real Estate Investment Trust (“Canadian Net” or the “REIT”) (TSX-V: NET.UN) today reported its results for the quarter ended June 30th, 2024 (“Q2 2024”). The REIT also announced distributions for the months of October, November and December 2024.

“Our FFO per unit¹ had a 4% decrease while managing to absorb the full impact of interest rate increases,” said Kevin Henley, President and CEO. “With lower interest rates, we are already benefiting from reduced costs on our credit facilities and mortgage renewals. Additionally, we sold five gas station properties, one during Q2 and four after the quarter as part of our strategy to optimize our portfolio and reallocate capital to more profitable opportunities. With fresh capital from dispositions, decreasing rates and opportunities in our highly fragmented niche, Canadian Net is well positioned to resume its growth.”

RESULTS FOR Q2 2024

Canadian Net reported that Funds from operations¹ (“FFO”) decreased slightly to \$3.2 million, or \$0.154 per unit compared to \$3.3 million, or \$0.161 per unit for the three-month period ended June 30, 2023 (“Q2 2023”).

Rental income was \$6.6 million in Q2 2024, an increase of 1.7% from Q2 2023. Net Operating Income (“NOI”)¹ in Q2 2024 was \$4.8 million, a decrease of 1.4% from Q2 2023, primarily reflecting the year-over-year increase in rental income and offset by property dispositions.

The REIT generated a net loss attributable to unitholders of \$8.9 million in Q2 2024 compared to net income of \$6.0 million in Q2 2023.

RESULTS FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2024

Canadian Net reported that FFO¹ decreased to \$6.3 million, or \$0.306 per unit compared to \$6.5 million, or \$0.318 per unit for the six-month period ended June 30, 2023.

Rental income was \$13.1 million for the six-month period ended June 30, 2024, an increase of 1.8% from the same period in 2023. NOI¹ over the six-month period ended June 30, 2024 was \$9.6 million, a decrease of 1.1% from the same period in 2023, primarily reflecting the year-over-year increase in rental income and offset by property dispositions.

The REIT generated a net loss attributable to unitholders of \$7.7 million for the six-month period ended June 30, 2024 compared to net income of \$10.8 million for the same period last year.

The decrease in FFO¹ is due to higher interest charges on mortgage renewals, variable-rate mortgages and credit facilities. The increase in rental income is due to increases in base rents and recoverable additional rents of certain existing properties, partially offset by property dispositions. The decrease in NOI¹ was mainly attributable to the sale of three properties during 2023 and one property in 2024. Finally, the variance in net income attributable to unitholders is primarily attributable to the change in the fair value of investment properties.

¹ Non-IFRS financial measure with no standardized IFRS meaning and may not be comparable to other issuers. Refer to the section “Non-IFRS financial measures”.

DISTRIBUTIONS

Canadian Net announced that it will make monthly cash distributions of \$0.02875 per unit, representing \$0.345 per unit on an annualized basis, on October 31st, November 29th and December 31st, 2024, to unitholders of record on October 15th, November 15th and December 13th, 2024, respectively.

The tables below represent other financial highlights and the reconciliations of certain non-IFRS measures for Q2 2024 and Q2 2023. This information should be read in conjunction with the Consolidated Financial Statements and Management's Discussion & Analysis ("MD&A") for the quarters ended June 30th, 2024 and June 30th, 2023.

SUMMARY OF SELECTED FINANCIAL INFORMATION

Periods ended June 30	6 months		Δ	%
	2024	2023		
Financial info				
Property rental income	13,133,535	12,902,683	230,852	2%
Net income (loss) and comprehensive income (loss)	(7,655,470)	10,840,881	(18,496,351)	(171%)
NOI ⁽¹⁾	9,613,679	9,721,362	(107,683)	(1%)
FFO ⁽¹⁾	6,293,681	6,542,618	(248,937)	(4%)
AFFO ⁽¹⁾	5,932,783	5,829,421	103,362	2%
EBITDA ⁽¹⁾	(4,050,096)	14,407,325	(18,457,421)	n/a
Adjusted EBITDA ⁽¹⁾	9,494,836	9,774,575	(279,739)	(3%)
Investment properties	258,289,479	280,075,876	(21,786,397)	(8%)
Adjusted investment properties ⁽¹⁾	316,875,874	331,912,328	(15,036,454)	(5%)
Total assets	293,750,859	307,898,262	(14,147,403)	(5%)
Mortgages	128,394,304	132,966,915	(4,572,611)	(3%)
Long-term debt	-	30,000	(30,000)	(100%)
Current portion of mortgages, long term-debt and convertible debentures	15,878,598	16,941,802	(1,063,204)	(6%)
Mortgages on investment properties held for sale	3,673,379	2,779,760	893,619	32%
Credit facilities	17,725,000	16,385,362	1,339,638	8%
Total convertible debentures	5,789,159	8,752,985	(2,963,826)	(34%)
Total equity	118,446,204	125,774,305	(7,328,101)	(6%)
Weighted average units o/s - basic	20,546,748	20,603,235	(56,487)	-
Amounts on a per unit basis				
FFO ⁽¹⁾	0.306	0.318	(0.011)	(4%)
AFFO ⁽¹⁾	0.289	0.283	0.006	2%
Distributions	0.173	0.173	-	-

(1) This is a non-IFRS financial measure with no standardized IFRS meaning and may not be comparable to other issuers. Refer to the section "Non-IFRS financial measures".

NON-IFRS FINANCIAL MEASURES

The Trust's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). In this press release, as a complement to results provided in accordance with IFRS, the Trust discloses and discusses certain non-IFRS financial measures: FFO, FFO per unit, AFFO, AFFO per unit, NOI, and Adjusted Investment Properties. These non-IFRS measures are not defined by IFRS, do not have a standardized meaning, and may not be comparable with similar measures presented by other issuers. Canadian Net has presented such non-IFRS measures as management of the Trust believes they are relevant measures of Canadian Net's underlying operating performance and debt management. Non-IFRS measures should not be considered as alternatives to net income, cash generated from (utilized in) operating activities, or comparable metrics determined in accordance with IFRS as indicators of the Trust's performance, liquidity, cash flow, and profitability. Information appearing in this news release is a select summary of results. This news release should be read in conjunction with the condensed consolidated financial statements and MD&A for the Trust. Please refer to the "Non IFRS Financial Measures" section in Canadian Net's management's discussion and analysis for the period ended June 30, 2024, available under Canadian Net's profile on SEDAR+ at www.sedarplus.com for a full description of these measures and, where applicable, a reconciliation to the most directly comparable measure calculated in accordance with IFRS. Such explanation is incorporated by reference herein.

In addition, below are the reconciling tables for the non-IFRS measures used in this press release.

Reconciliation of Investment Properties to Adjusted Investment Properties

As at June 30	2024	2023	Δ
Investment Properties			
Developed properties	258,260,480	280,075,876	(8%)
Investment properties held for sale	10,900,842	4,825,309	126%
Joint Venture Ownership⁽¹⁾			
Developed properties	45,587,872	45,025,157	1%
Properties under development	2,126,680	1,985,986	7%
Adjusted Investment Properties⁽²⁾	316,875,874	331,912,328	(5%)

(1) Represents Canadian Net's proportionate share

(2) This is a non-IFRS financial measure with no standardized IFRS meaning and may not be comparable to other issuers. Refer to the section "Non-IFRS financial measures"

Results of Operations

Periods ended June 30	3 months			6 months		
	2024	2023	Δ	2024	2023	Δ
Rental Income	6,593,938	6,486,300	107,638	13,133,535	12,902,683	230,852
Operating expenses	(1,798,446)	(1,620,882)	(177,564)	(3,519,856)	(3,181,321)	(338,535)
Net Operating Income ⁽¹⁾	4,795,492	4,865,418	(69,926)	9,613,679	9,721,362	(107,683)
Share of net income (loss) from investments in joint ventures	(501,516)	387,299	(888,815)	(288,579)	1,397,691	(1,686,270)
Increase/(decrease) in fair values of investment properties	(11,029,390)	2,859,847	(13,889,237)	(12,458,999)	3,981,665	(16,440,664)
Unit-based compensation	(157,788)	(112,567)	(45,221)	(402,965)	(330,048)	(72,917)
Administrative expenses	(264,943)	(256,101)	(8,842)	(535,640)	(528,823)	(6,817)
Financial expenses	(1,758,431)	(1,732,975)	(25,456)	(3,582,966)	(3,400,966)	(182,000)
Net income (loss) attributable to unitholders	(8,916,576)	6,010,921	(14,927,497)	(7,655,470)	10,840,881	(18,496,351)
FFO ⁽¹⁾	3,166,760	3,309,843	(4%)	6,293,681	6,542,618	(4%)
FFO per unit ⁽¹⁾	0.154	0.161	(4%)	0.306	0.318	(4%)
Weighted avg. units o/s Basic	20,561,060	20,603,734	(42,674)	20,546,748	20,603,235	(56,487)

(1) This is a non-IFRS financial measure that does not have any standardized IFRS meaning and as such may not be comparable to other issuers. Refer to section "Non-IFRS financial measures"

Reconciliation of Net Income to Funds from Operations

Periods ended June 30	3 months			6 months		
	2024	2023	Δ	2024	2023	Δ
Net income (loss) attributable to unitholders	(8,916,576)	6,010,921	(14,927,497)	(7,655,470)	10,840,881	(18,496,351)
Δ in value of investment properties	11,029,390	(2,859,847)	13,889,237	12,458,999	(3,981,665)	16,440,664
Δ in value of investment properties in joint ventures	913,157	72,969	840,188	1,110,687	(482,205)	1,592,892
Unit-based compensation	157,788	112,567	45,221	402,965	330,048	72,917
Δ fair value adjustments on derivative financial instruments	(18,253)	(31,206)	12,953	(24,754)	(168,880)	144,126
Income taxes	1,254	4,439	(3,185)	1,254	4,439	(3,185)
FFO ⁽¹⁾	3,166,760	3,309,843	(4%)	6,293,681	6,542,618	(4%)
FFO per unit ⁽¹⁾	0.154	0.161	(4%)	0.306	0.318	(4%)
Distributions	1,773,636	1,776,722	(3,086)	3,544,265	3,553,753	(9,488)
Distributions per unit	0.086	0.086	-	0.173	0.173	-
FFO per unit ⁽¹⁾ - after distributions	0.068	0.074	(9%)	0.134	0.145	(8%)
Distributions as a % of FFO ⁽¹⁾	56%	54%	2%	56%	54%	2%
Weighted avg. units o/s Basic	20,561,060	20,603,734	(42,674)	20,546,748	20,603,235	(56,487)

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Adjusted Funds from Operations

Periods ended June 30	3 months			6 months		
	2024	2023	Δ	2024	2023	Δ
FFO ⁽¹⁾	3,166,760	3,309,843	(143,083)	6,293,681	6,542,618	(248,937)
Straight-line rent adjustment ⁽²⁾	(59,977)	(109,943)	49,966	(96,560)	(209,937)	113,377
Maintenance/cap-ex on existing properties ⁽³⁾	(256,021)	(488,297)	232,276	(264,338)	(503,260)	238,922
AFFO ⁽¹⁾	2,850,762	2,711,603	5%	5,932,783	5,829,421	2%
AFFO per unit ⁽¹⁾	0.139	0.132	5%	0.289	0.283	2%
Distributions per unit	0.086	0.086	-	0.173	0.173	-
AFFO per unit ⁽¹⁾ - after distributions	0.052	0.045	16%	0.116	0.110	5%
Distributions as a % of AFFO ⁽¹⁾	62%	66%	(4%)	60%	61%	(1%)
Weighted avg. units o/s						
Basic	20,561,060	20,603,734	(42,674)	20,546,748	20,603,235	(56,487)

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(2) Adjusted for the proportionate share of equity-accounted investments

(3) The maintenance/cap-ex on existing properties for 2024 includes a charge of \$118,890 (2023: \$489,000) that will generate additional income for the Trust

Reconciliation of Net Income to EBITDA

Periods ended June 30	3 months			6 months		
	2024	2023	Δ	2024	2023	Δ
Net income attributable to unitholders	(8,916,576)	6,010,921	(14,927,497)	(7,655,470)	10,840,881	(18,496,351)
Net interest expense	1,775,105	1,759,544	15,561	3,604,120	3,562,005	42,115
Income taxes	1,254	4,439	(3,185)	1,254	4,439	(3,185)
EBITDA ⁽¹⁾	(7,140,217)	7,774,904	(14,915,121)	(4,050,096)	14,407,325	(18,457,421)
Δ in value of investment properties	11,029,390	(2,859,847)	13,889,237	12,458,999	(3,981,665)	16,440,664
Δ in value of investment properties in joint ventures	913,157	72,969	840,188	1,110,687	(482,205)	1,592,892
Δ in value of convertible debentures	(18,253)	(31,206)	12,953	(24,754)	(168,880)	144,126
Adjusted EBITDA ⁽¹⁾	4,784,077	4,956,820	(3%)	9,494,836	9,774,575	(3%)
Interest expense	1,903,883	1,890,945	12,938	3,825,547	3,778,818	46,729
Principal repayments	1,164,286	1,163,742	544	2,284,330	2,320,486	(36,156)
Debt service requirements	3,068,169	3,054,687	13,482	6,109,877	6,099,304	10,573
Interest coverage ratio based on adjusted EBITDA ⁽¹⁾	2.5x	2.6x	(0.1x)	2.5x	2.6x	(0.1x)
Debt service coverage based on adjusted EBITDA ⁽¹⁾	1.6x	1.6x	-	1.6x	1.6x	-

(1) This is a non-IFRS financial measure that does not have any standardized IFRS meaning and as such may not be comparable to other issuers. Refer to section "Non-IFRS financial measures"

EARNINGS WEBCAST

Canadian Net will host a webcast on August 21, 2024, at 9:00 a.m. (EST) to discuss the results.

The link to join the webcast is the following: <https://edge.media-server.com/mmc/p/67tcchqg>

About Canadian Net – Canadian Net Real Estate Investment Trust is an open-ended trust that acquires and owns high-quality triple net and management-free commercial real estate properties.

Forward-Looking Statements - This press release contains forward-looking statements and information as defined by applicable securities laws. Canadian Net warns the reader that actual events may differ materially from current expectations due to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from the results anticipated in such statements. Among these include the risks related to economic conditions, the risks associated with the local real estate market, the dependence on the financial condition of tenants, the uncertainties related to real estate activities, the changes in interest rates, the availability of financing in the form of debt or equity, the effects related to the adoption of new IFRS standards, as well as other risks and factors described from time to time in the documents filed by Canadian Net with securities regulators, including the management report. Canadian Net does not update or modify its forward-looking statements even if future events occur or for any other reason unless required by law or any regulatory authority.

Neither the TSX Venture Exchange Inc. nor its Regulatory Services Provider (as that term is defined in the Policy of the TSX Venture Exchange and its Regulatory Services Provider) accepts any responsibility for the adequacy or accuracy of this release.

The June 30th, 2024, financial statements and management discussion & analysis of Canadian Net may be viewed on SEDAR+ at www.sedarplus.com.

For further information please contact Kevin Henley at (450) 536-5328.