dream alternatives

DRA.UN-TSX

DREAM ALTERNATIVES REPORTS SECOND QUARTER RESULTS & SIGNIFICANT UNIT BUYBACK ACTIVITY

This press release contains forward-looking information that is based upon assumptions and is subject to risks and uncertainties as indicated in the cautionary note contained within this press release.

TORONTO, August 4, 2020, DREAM HARD ASSET ALTERNATIVES TRUST (TSX: DRA.UN) ("Dream Alternatives", "we" or the "Trust") today reported its financial results for the three and six months ended June 30, 2020.

"As we navigate through this unique environment created by the pandemic, we are confident in the strength of our balance sheet and our exceptional development opportunities," said Michael Cooper, Portfolio Manager. "While effectively managing capital through this period, we have repurchased a significant number of units at an attractive value to the Trust and are well positioned to focus on the execution of our development pipeline going forward."

In February 2019, management of the Trust committed to a strategic plan to enhance unitholder value. As part of the plan, in April 2019, we had announced our intention to repurchase 12.0 million Trust units through three substantial issuer bids ("SIB") at prices ranging from $8.00 to $8.50 per unit. The bids were to be funded through the sale of the Trust's renewable power segment, as well as the sale of other non-core assets.

In 2019, we successfully disposed of $197.4 million in gross assets and purchased for cancellation 4.0 million units for an aggregate purchase price of $32.0 million through our first SIB. In February 2020, we announced our second SIB with the intention to purchase another 4.0 million units at a price of $8.25 per unit for aggregate proceeds of $33.0 million. The SIB was subsequently terminated as a result of the failure to satisfy certain conditions of the offer due to the COVID-19 pandemic, and the resulting market instability and volatility in the Trust's unit price. During and subsequent to the six months ended June 30, 2020, the Trust repurchased 3.8 million units under the normal course issuer bid ("NCIB") at a weighted average price of $4.78 per unit. In aggregate, 7.8 million of the 12.0 million units committed to in accordance with the strategic plan have been repurchased. We continue to believe the current market price of our units does not reflect the intrinsic value of the Trust and our current intention is to complete the repurchase of the balance over the next 18 months. We are pleased with our accomplishments achieved as part of the strategic plan and are focused on prudently managing our capital and executing on our extensive development pipeline, which we believe will create further unitholder value over time.

Selected financial and operating metrics for the three and six months ended June 30, 2020 are summarized below:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
Consolidated results of operations				
Net income (loss)	**$ (3,634)**	$ 8,839	**$ 1,518**	$ 9,553
Net income (loss) from continuing operations	**(3,634)**	4,246	**1,518**	4,420
Net operating income ("NOI")(1)	**2,523**	16,710	**5,351**	22,672
Cash generated from (utilized in) operating activities from continuing operations	**2,162**	(3,109)	**2,556**	401
Net income (loss) per unit(1)	**(0.05)**	0.12	**0.02**	0.13
Net income (loss) from continuing operations per unit(1)	**(0.05)**	0.06	**0.02**	0.06
Cash generated from (utilized in) operating activities from continuing operations per unit(1)	**0.03**	(0.04)	**0.04**	0.01
Distributions declared and paid per unit	**0.10**	0.10	**0.20**	0.20
Units outstanding – end of period	**68,848,500**	72,038,551	**68,848,500**	72,038,551
Units outstanding – weighted average	**69,054,839**	71,895,547	**69,026,710**	71,789,168
Units outstanding — as at August 4, 2020	**65,926,776**	72,038,551	**65,926,776**	72,038,551

In the second quarter of 2020, the Trust reported a net loss of $3.6 million compared to $8.8 million of net income in the comparative period. The decrease was driven by occupancy income recognized from Axis Condominiums in the prior year, reduced income contribution from our recurring income segment due to asset dispositions and loan repayments, partially offset by reduced income taxes in the current period. In the six months ended June 30, 2020, the Trust reported net income of $1.5 million, a decrease from $9.6 million in the prior year due to the aforementioned reasons, partially offset by a reduction in general and administrative expenses and favorable foreign exchange movements in the current period.

As at June 30, 2020, the Trust had $106.5 million of cash on hand, in addition to $5.3 million of funds available under its revolving credit facility, which remains undrawn. The Trust's debt-to-total asset value[1] as at June 30, 2020 was 13.4%, relatively consistent with March 31, 2020, or 34.0% compared to 47.2% as at March 31, 2020, inclusive of project-level debt and assets within our development segment, including equity accounted investments.

As at June 30, 2020, the Trust's nearest debt maturity occurs in early 2021 and the Trust has ample cash on hand to fund normal course debt repayments, cash requirements for its development investments and ongoing unitholders' distributions over the next year. As at August 4, 2020, the Trust had $95.1 million of cash on hand.

RESULTS HIGHLIGHTS BY SEGMENT

Development

In the second quarter, the Trust's development segment generated a net loss of $2.1 million, relative to net income of $6.7 million in the comparative period. The decrease was primarily due to the above-mentioned income from Axis Condominiums recorded in the comparative period and fluctuations in foreign exchange on our Hard Rock investment. Due to the long-term nature of projects in the development segment, results will fluctuate between periods due to the various construction timelines and availability of completed inventory. As our development projects progress towards completion and achieve various milestones, we expect an increase in income and cash flows from this segment over time.

In the six months ended June 30, 2020, the Trust contributed $21.1 million, including transaction costs, to certain development projects held as equity accounted investments. This included Zibi, Brightwater and West Don Lands, our affordable housing development in downtown Toronto. Over the remainder of 2020, management currently expects to invest an additional $20.0 million to $30.0 million of capital towards existing projects.

Empire Lakeshore is a high-rise condominium development that includes two towers, the Water Tower and the Sky Tower, at 49 and 66 storeys, respectively, with an aggregate 1,280 residential units and 55,000 square feet ("sf") of retail and commercial gross leasable area ("GLA"). In the six months ended June 30, 2020, 99% of the condominium units closed, which is a significant milestone for the project. In addition, the project's senior construction facility was fully repaid, as well as the Trust's outstanding loan receivable from the project of $21.2 million. Accordingly, the Trust's financial guarantee to the project of $45.0 million was extinguished in the period, reducing the Trust's off-balance sheet financial exposure. We expect our contributed capital to be returned from the project later in 2020.

In the second quarter, vertical construction at Zibi, our 34-acre mixed-use waterfront community situated along the Ottawa River in Gatineau, Quebec and Ottawa, Ontario, resumed on all blocks as provincially mandated COVID-19 closures were lifted. Year-to-date in 2020, the Trust has invested $14.1 million into the project, which has 540,000 sf of residential rental, retail and commercial buildings under active construction and an additional 575,000 sf in planning/pre-development stages. Zibi is expected to be one of Canada's most sustainable communities and the country's first One Planet community. In partnership with a utility company, we have developed the District Thermal Energy System, the first post-industrial waste heat recovery system in a master-planned community in North America, which will provide net-zero heating and cooling for all tenants, residents and visitors at Zibi.

Based on current development timelines, over the next five-year period, an additional 325,000 sf of retail and commercial space, and over 1,700 purpose-built rental units (at the project level) will be completed and contribute to the Trust's recurring income segment. In aggregate, the Trust's portfolio currently has 3.8 million sf in its development pipeline (inclusive of income-producing assets with redevelopment potential) and over 10,000 condominium or purpose-built rental units (at the project level).

Development projects are key drivers of future growth for the Trust and are expected to generate attractive returns and future cash flows as milestones are achieved. The Trust expects its development projects will provide attractive profits upon their respective completion dates and will contribute to increased value for unitholders over the longer term. The Trust has historically targeted a pre-tax IRR[1] of at least 15%-20% on new equity investments in residential and mixed-use development projects.

Recurring Income

In the second quarter, the Trust's recurring income segment generated a net loss of $0.6 million, compared to net income of $5.0 million in the comparative period. The decrease was primarily driven by a loan provision recorded in the current period, in addition to reduced income contribution from the Trust's lending portfolio and income properties due to loan repayments and asset dispositions in the prior year.

Other[2]

In the three months ended June 30, 2020, the Other segment recorded a net loss of $0.9 million relative to a net loss of $7.5 million in the comparative period. The improvement of $6.6 million was primarily driven by a reduction in income tax expense of $4.6 million as a result of higher income in the prior period and the composition of earnings. In addition, the decrease was related to a reduced asset management fee due to a lower asset base and the settlement of fees in Trust units. Effective April 2019, Dream Alternatives and Dream Asset Management Corporation ("DAM") agreed to satisfy management fees payable to DAM in units of the Trust. The Trust units were valued at $8.74 per unit, equal to the NAV as at December 31, 2018, for purposes of determining the number of units to be issued. For accounting purposes, the asset management fees are recorded at the Trust's trading price of $4.89 per unit on the date of settlement, for the three months ended June 30, 2020. As a result, the Trust's asset management fee recognized in the period was lower relative to the prior period to the benefit of the Trust.

SIB and NCIB Activity

From the inception of the Trust's unit buyback program in December 2014 to August 4, 2020, the Trust purchased 12.6 million units for cancellation for a total cost of $80.3 million. From 2014 to August 4, 2020, the Trust's asset manager, DAM, purchased an aggregate of 16.6 million of the Trust's units, including 1.3 million units under the DRIP and the rest in the open market for its own account, representing approximately 25% of the total units outstanding.

Cash Generated from Operating Activities - Continuing Operations

Cash generated from operating activities in the second quarter was $2.2 million compared with cash utilized in operating activities of $3.1 million in the comparative period. The increase in cash generated of $5.3 million was primarily attributable to the settlement of asset management fees payable to DAM in units, which commenced during the second quarter of 2019, as well as changes in non-cash working capital.

The table below provides a summary of the Trust's portfolio as at June 30, 2020, including total unitholders' equity:

As at	**June 30, 2020**	December 31, 2019
Development	**$ 297,359**	$ 271,130
Recurring income	**169,833**	197,197
Other[2]	**89,875**	99,224
Total unitholders' equity	**557,067**	567,551
Total unitholders' equity per unit[1]	**8.09**	8.25
Total debt	**88,834**	89,269
Total assets	**664,879**	696,141
Cash	**106,452**	117,787

About Dream Alternatives

Dream Alternatives provides investors with access to an exceptional portfolio of real estate development opportunities and alternative assets that would not be otherwise available in a public and fully transparent vehicle, managed by an experienced team with a successful track record in these areas. The objectives of the Trust are to provide investors with a portfolio of high-quality real estate development opportunities and alternative assets, concentrated in core geographic markets; balance growth and stability of the portfolio, increasing cash flow, unitholders' equity and NAV[1] over time; and provide predictable cash distributions to unitholders on a tax-efficient basis. For more information, please visit: www.dreamalternatives.ca.

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Footnotes

(1) For the Trust's definition of the following non-IFRS measures: NAV, debt-to-total asset value, debt-to-total asset value inclusive of project-level debt, IRR, NOI, net income (loss) per unit, net income (loss) from continuing operations per unit, cash generated from (utilized in) operating activities from continuing operations per unit, total unitholders' equity per unit and a reconciliation of NOI to net income (loss), please refer to the Non-IFRS Measures and Other Disclosures section of the Trust's Management's Discussion and Analysis for the three and six months ended June 30, 2020.

(2) Includes other Trust amounts not specifically related to the segments.

Non-IFRS Measures

The Trust's condensed 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 including NAV, debt-to-asset value, debt-to-total asset value inclusive *of project-level debt, IRR, NOI, net income (loss) per unit, net income (loss) from continuing operations per unit, cash generated from (utilized in) operating activities from continuing operations per unit, and total unitholders' equity per unit, as well as other measures discussed elsewhere in this release. 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. The Trust has presented such non-IFRS measures as management believes they are relevant measures of our underlying operating performance and debt management. Non-IFRS measures should not be considered as alternatives to unitholders' equity, net income, total comprehensive income or cash flows generated from operating activities (continuing), or comparable metrics determined in accordance with IFRS as indicators of the Trust's performance, liquidity, cash flow and profitability. For a full description of these measures and, where applicable, a reconciliation to the most directly comparable measure calculated in accordance with IFRS, please refer to the "Non-IFRS Measures and Other Disclosures" section in the Trust's Management's Discussion and Analysis for the three and six months ended June 30, 2020.*

Forward-Looking Information

This press release may contain forward-looking information within the meaning of applicable securities legislation, including statements relating to our objectives, strategies to achieve those objectives, our beliefs, plans, estimates, projections and intentions, and similar statements concerning anticipated future events, future growth, results of operations, performance, business prospects and opportunities, as well as statements regarding: our unit buyback program, including the remaining amounts to be deployed, and the timing of our remaining commitment to offer to purchase units from unitholders over the next 18 months; our expectations regarding future purchases of units by the Trust under its NCIB; our plans and proposals for current and future development projects, including projected sizes, density and uses, and expected manner of funding thereof; development timelines, including commencement of construction and/or revitalization of our development projects, expected timing on occupancy dates; anticipated returns from our development projects and the timing thereof, including expected returns from the Empire Lakeshore development; anticipated effect of our developments on our NAV, unitholders' equity, growth and cash flows in future periods; our targeted pre-tax IRR for development projects; expected profits from our development and recurring income projects; our expectations of changes in our NAV in future periods; and the Trust's sufficiency of cash on hand to fund normal course debt repayments, cash requirements and ongoing distributions. Forward-looking information is based on a number of assumptions and is subject to a number of risks and uncertainties, many of which are beyond the Trust's control, which could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to: adverse changes in general economic and market conditions; the impact of the novel coronavirus (COVID-19) pandemic on the Trust; changes to the regulatory environment; environmental risks; local real estate conditions, including the development of properties in close proximity to the Trust's properties and changes in real estate values; timely leasing of vacant space and re-leasing of occupied space upon expiration; dependence on tenants' and borrowers' financial condition; the uncertainties of acquisition activity; the ability to effectively integrate acquisitions; dependence on our partners in the development, construction and operation of our real estate projects; uncertainty surrounding the development and construction of new projects and delays and cost overruns in the design, development, construction and operation of projects; our ability to execute on our strategic plans and meet financial obligations; interest and mortgage rates and regulations; inflation; availability of equity and debt financing; foreign exchange fluctuations. All forward-looking information in this press release speaks as of August 4, 2020. The Trust does not undertake to update any such forward-looking information whether as a result of new information, future events or otherwise, except as required by law. Additional information about these assumptions and risks and uncertainties is disclosed in filings with securities regulators filed on SEDAR (www.sedar.com). These filings are also available at the Trust's website at www.dreamalternatives.ca.