

Clarke Inc. Reports 2023 Fourth Quarter and Year End Results and the Redeployment of Capital on Certain Real Estate Dispositions

HALIFAX, NS, March 6, 2024 /CNW/ - Clarke Inc. ("Clarke" or the "Company") (TSX: CKI) today announced its results for the three months and year ended December 31, 2023 and the redeployment of capital on certain real estate dispositions.

Results for the Year Ended December 31, 2023¹

Net income for the year ended December 31, 2023 was \$3.4 million compared to \$3.2 million in 2022. The Company's operating businesses were more profitable in 2023 compared to 2022. Hotel revenues were \$64.2 million in the year ended December 31, 2023, compared to \$54.7 million in 2022.

Comprehensive income for the year ended December 31, 2023 was \$17.1 million compared to \$10.1 million in 2022. Comprehensive income exceeded 2022 due primarily to remeasurement losses on the Company's defined benefit pension plans recorded in other comprehensive income in the prior year, partially offset by revaluations on certain hotels that were more significant in 2022 than in 2023.

During 2023, the Company's book value per common share increased by \$1.25, or 8%. The change can be attributed primarily to (i) hotel net operating income of \$22.5 million or \$1.60 per share, (ii) revaluation gains on certain hotel properties of \$16.1 million or \$1.14 per share and (iii) a gain on the disposition of the Company's share in a joint operation of \$8.1 million or \$0.58 per share offset by (iv) combined fair value adjustments and realized losses on investment properties of \$7.8 million or \$0.56 per share, (v) interest and accretion of \$7.2 million or \$0.51 per share and (vi) depreciation and amortization of \$10.2 million or \$0.72 per share.

Clarke's basic and diluted earnings per share ("EPS") for the year ended December 31, 2023 was \$0.24, compared to \$0.23 for the year ended December 31, 2022. Our book value per common share at the end of the year was \$16.53 while our common share price was \$14.28.

Results for the Fourth Quarter of 2023

The Company had net income of \$7.5 million in the fourth quarter of 2023 compared to \$1.3 million in the same period in 2022. The \$8.1 million gain recorded on exiting a joint operation in the fourth quarter is the primary reason for the increase year-over-year.

Comprehensive income for the fourth quarter was \$16.1 million compared to \$20.4 million for the same period in 2022. The primary reason for the decrease year-over-year is the reduced revaluation gains on certain hotel properties in 2023 compared to 2022.

For the three months ended December 31, 2023, Clarke's basic and diluted EPS was \$0.54, compared to \$0.10 for the same period in 2022.

Additional commentary on our results can be found in our Management's Discussion & Analysis for the year ended December 31, 2023.

¹Book value per share and hotel net operating income are non-IFRS measures and ratios. Refer to the "Cautionary Statement Regarding Use of Non-IFRS Accounting Measures and Ratios" section of this press release and our December 31, 2023 MD&A for more information.

Other Information

Highlights of the consolidated financial statements for the three months and year ended December 31, 2023 compared to the three months and year ended December 31, 2022 are as follows:

	Three months ended December 31, 2023	Three months ended December 31, 2022	Year ended December 31, 2023	Year ended December 31, 2022
<i>(in millions, except per share amounts)</i>	\$	\$	\$	\$
Hotel and rental revenue	14.7	15.2	65.2	54.7
Provision of services revenue	1.5	2.9	8.2	9.7
Investment and other income*	8.9	1.5	4.0	2.8
Net income	7.5	1.3	3.4	3.2
Other comprehensive income	8.7	19.1	13.7	6.9
Comprehensive income	16.1	20.4	17.1	10.1
Basic and diluted EPS	0.54	0.10	0.24	0.23
Total assets	395.1	416.1	395.1	416.1
Total liabilities	164.4	201.2	164.4	201.2
Long-term financial liabilities	120.6	62.7	120.6	62.7
Book value per share	16.53	15.28	16.53	15.28

* Investment and other income includes unrealized and realized gains and losses on assets and liabilities, fair value changes of property and equipment and investment properties presented in the statement of earnings, interest income, pension expense/recovery and foreign exchange gains/losses.

Redeployment of Capital from Certain Asset Dispositions

During the fourth quarter of 2023, the Company finalized the exit of its one-third ownership in the 1111 Atwater Avenue development in Montreal, QC. The Company received net proceeds of \$26.2 million, including cash of \$16.5 million and a \$9.7 million secured loan from one of its former partners in the development. The Company recognized a gain for accounting purposes on this disposition of \$8.1 million.

During the fourth quarter of 2023, the Company also sold two of its office buildings located in Houston, TX for net proceeds of \$7.5 million. In the third quarter of 2023, these investment properties had been re-measured to their fair value less costs to sell, resulting in a fair value decrease of \$4.3 million. The Company also remeasured its remaining investment property in Houston, TX and recorded a fair value decrease of \$3.5 million in 2023.

Subsequent to December 31, 2023, the Company entered into an agreement to sell the shares of its wholly owned subsidiary, Holloway Lodging US Inc. to a company controlled by Clarke's Chairman, Mr. George Armoyan and his immediate family member for consideration of US\$3.2 million. The transaction constitutes a "related party transaction" pursuant to Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("MI 61-101"). The Company is exempt from the requirements to obtain a formal valuation and minority shareholder approval in connection with the sale in reliance on the exemptions contained in sections 5.5(a) and 5.7(1)(a) of MI 61-101, respectively, as the fair market value of the transaction does not exceed 25% of the Company's market capitalization. The transaction was reviewed and approved by the Board of Directors of the Company, excluding Mr. George Armoyan, who abstained from voting on the matter. The transaction is subject to certain post closing adjustments and is expected to close in March 2024.

Tom Casey, Clarke's Chief Financial Officer, stated "the capital from our recent dispositions will be redeployed to the construction of the second phase of our *Talisman* residential development on Carling Avenue in Ottawa, ON, as well as other renovations and repurposing opportunities that we expect to be accretive to the Company's shareholders. The immediate response to the first phase of the *Talisman* has been very positive, and we are very excited to welcome our first residents in June 2024." The first phase of the *Talisman* consists of two towers and 404 rental units, and the second phase will consist of three towers and 612 rental units. The *Talisman* will feature parkland, extensive tenant amenities and ground floor commercial space.

About Clarke

Halifax-based Clarke is an investment and real estate company with holdings in a diversified group of businesses and across real estate sectors. Clarke's common shares (CKI) trade on the Toronto Stock Exchange. Further information about Clarke, including the Consolidated Financial Statements and Management's Discussion & Analysis for the year ended December 31, 2023, is available at www.sedarplus.ca and www.clarkeinc.com.

Cautionary Statement Regarding Use of Non-IFRS Accounting Measures and Ratios

This press release makes reference to "book value per share" and "net operating income" (or "hotel net operating income"). Book value per share and net operating income are not financial measures or ratios calculated and presented in accordance with International Financial Reporting Standards ("IFRS") and should not be considered in isolation or as a substitute to any financial measures or ratios of performance calculated and presented in accordance with IFRS. These non-IFRS financial measures and ratios are presented in this press release because management of Clarke believes that such measures and ratios enhance the user's understanding of our historical and current financial performance.

Book value per share is measured by dividing shareholders' equity of the Company at the date of the statement of financial position by the number of common shares outstanding at that date. Net operating income is defined as revenue less expenses. Net operating income measures operating results before interest, depreciation, amortization, and income taxes. Clarke's method of determining these amounts may differ from other companies' methods and, accordingly, these amounts may not be comparable to measures used by other companies.

Note on Forward-Looking Statements and Risks

This press release may contain or refer to certain forward-looking statements relating, but not limited, to the Company's expectations, intentions, plans and beliefs with respect to the Company. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "does not expect", "is expected", "budgets", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", "believes", or equivalents or variations of such words and phrases, or state that certain actions, events or results, "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements contained in this press release include, without limitation, those with respect to the expected timing for completion of the sale of Holloway Lodging US Inc., the anticipated use of the capital from the Company's asset dispositions, the expectation that the Company's redeployment of capital from its asset dispositions will be accretive to the Company's shareholders and the anticipated timing for completion of the first phase of the *Talisman* residential redevelopment. Forward-looking statements rely on certain underlying assumptions that, if not realized, can result in such forward-looking statements not being achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause the actual results of the Company to be materially different from the historical results or from any future results expressed or implied by such forward-looking statements. Such risks and uncertainties include, among others, the Company's investment strategy, legal and regulatory risks, general market risk, potential lack of diversification in the Company's investments, interest rates, foreign currency fluctuations, the sale of Company investments, the fact that dividends from investee companies are not guaranteed, reliance on key executives, commodity market risk, risks associated with investment in derivative instruments and other factors. With respect to the Company's investment in hotel, real estate and ferry operations, such risks and uncertainties include, among others, weather conditions, safety, claims and insurance, uninsured losses, changes in levels of business and commercial travel and tourism, increases in the supply of accommodations in local markets, the recurring need for renovation and improvement of hotel properties, labour relations, and other factors.

Although the Company has attempted to identify important factors that could cause actions, events or results not to be as estimated or intended, there can be no assurance that forward-looking

statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Other than as required by applicable Canadian securities laws, the Company does not update or revise any such forward-looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events. Accordingly, readers should not place undue reliance on forward-looking statements.

SOURCE Clarke Inc.

View original content: <http://www.newswire.ca/en/releases/archive/March2024/06/c6759.html>

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CO: Clarke Inc.

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