



# Timbercreek Financial Corp. (TBCRF)

Updated November 15<sup>th</sup>, 2025 by Nikolaos Sismanis

## Key Metrics

<b>Current Price:</b>	\$4.73	<b>5 Year Annual Expected Total Return:</b>	6.4%	<b>Market Cap:</b>	\$369 M
<b>Fair Value Price:</b>	\$4.00	<b>5 Year Growth Estimate:</b>	0.0%	<b>Ex-Dividend Date:</b>	10/31/2025
<b>% Fair Value:</b>	118%	<b>5 Year Valuation Multiple Estimate:</b>	-3.3%	<b>Dividend Payment Date:</b>	11/14/2025
<b>Dividend Yield:</b>	10.4%	<b>5 Year Price Target</b>	\$4.00	<b>Years Of Dividend Growth:</b>	0
<b>Dividend Risk Score:</b>	F	<b>Sector:</b>	Financials	<b>Rating:</b>	Sell

## Overview & Current Events

Timbercreek Financial is a Canadian non-bank lender specializing in shorter-duration, structured financing solutions for commercial real estate investors. The company provides primarily first-mortgage loans for income-producing properties, including multi-residential, retail, industrial, and office assets. Its loans are typically used for acquisition, redevelopment, or transitional financing, and are often repaid through term financing or asset sales.

Timbercreek's portfolio is 100% commercial real estate-focused and highly urban, with about 92% of capital invested in Ontario, British Columbia, Quebec, and Alberta. Its lending model emphasizes conservative loan-to-value ratios (63.3% as of year-end 2024) and floating-rate loans with rate floors, providing downside protection and interest rate sensitivity. The company pays dividends on a monthly basis. It has a market cap of \$369 million. It reports its financials in CAD. All figures in this report have been converted in USD unless otherwise noted.

On October 29<sup>th</sup>, 2025, Timbercreek Financial reported its Q3 results for the period ending September 30<sup>th</sup>, 2025. Distributable income for the quarter was \$10.0 million, or \$0.12 per share, compared to \$10.7 million, or \$0.13 per share, in Q3 2024. This reflected stable portfolio yields but higher expected credit loss provisions, partly offset by a larger average mortgage portfolio and lower borrowing costs.

Net investment income was \$18.0 million, in line with the prior year period. Net income declined to \$6.0 million, or \$0.07 per share, from \$10.0 million, or \$0.12 per share, in Q3 2024, primarily due to an ECL charge related to updated valuations on select office and retail exposures. The ECL charge did not impact distributable income. Based on year-to-date results, we continue to expect full-year distributable income of approximately \$0.50, with all historical table references presented on an IFRS EPS basis.

## Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>EPS</b>	\$0.50	\$0.59	\$0.56	\$0.49	\$0.51	\$0.31	\$0.40	\$0.49	\$0.59	\$0.39	<b>\$0.50</b>	<b>\$0.50</b>
<b>DPS</b>	\$0.52	\$0.52	\$0.54	\$0.51	\$0.53	\$0.54	\$0.55	\$0.51	\$0.52	\$0.48	<b>\$0.49</b>	<b>\$0.49</b>
<b>Shares<sup>1</sup></b>	40.6	59.3	84.9	88.5	87.2	81.9	81.3	83.6	96.4	83.0	<b>82.7</b>	<b>80.0</b>

Over the past decade, Timbercreek's EPS was mostly stable, yet it reflects broader market cycles and internal portfolio dynamics along with the impact of FX between CAD and USD. Up until 2017, EPS was relatively stable between \$0.50 and \$0.59, supported by a strong post-merger platform, steady loan growth, and a benign credit environment. During this period, earnings reflected consistent income from a diversified, first-mortgage loan book.

From 2018 to 2020, EPS fell gradually and then sharply, from \$0.49 to \$0.31, due first to interest margin compression in a low-rate environment, and later to pandemic-era fair value adjustments and higher loan loss provisions. Note that, this 2020 dip was not driven by actual defaults but by IFRS rules requiring forward-looking estimates that reduced reported net income. EPS rebounded in 2021 through 2023, rising to a decade-high of \$0.59. This was driven by its exposure to floating-rate loans, which benefited the company significantly from rising interest rates. Higher spreads and improved

<sup>1</sup> Share count is in millions.

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origination helped drive top-line income, supporting stronger earnings. However, in 2024, EPS declined to \$0.39, due to increased provisioning on higher-risk loans, and some portfolio runoff in a softer real estate market.

Moving forward, we expect no growth from our distributable income per share estimate of \$0.50. This is due to the fact that challenges in commercial real estate persist. The same goes for the dividend, which has stayed stable at a monthly rate of CAD \$0.058 since November 2017. Before that, it was at CAD \$0.057.

## Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	---	---	---	---	---	---	17.5	14.3	10.2	14.9	9.5	8.0
Avg. Yld.	---	---	---	---	---	---	7.9%	7.3%	8.7%	8.3%	10.4%	12.3%

Timbercreek's past P/E figures don't necessarily provide an accurate depiction of how the market values the stock, as its IFRS EPS has been impacted by various one-off items over time. The stock is better valued on a distributable EPS basis, which suggests a multiple of about 9.5 times based on our estimate for FY2025. We believe the stock is overvalued at its current levels. The current yield sits at a notable 10.4%, reflecting both the underlying risks attached to its viability and the market's expectation for virtually no growth on a per-share basis going forward.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

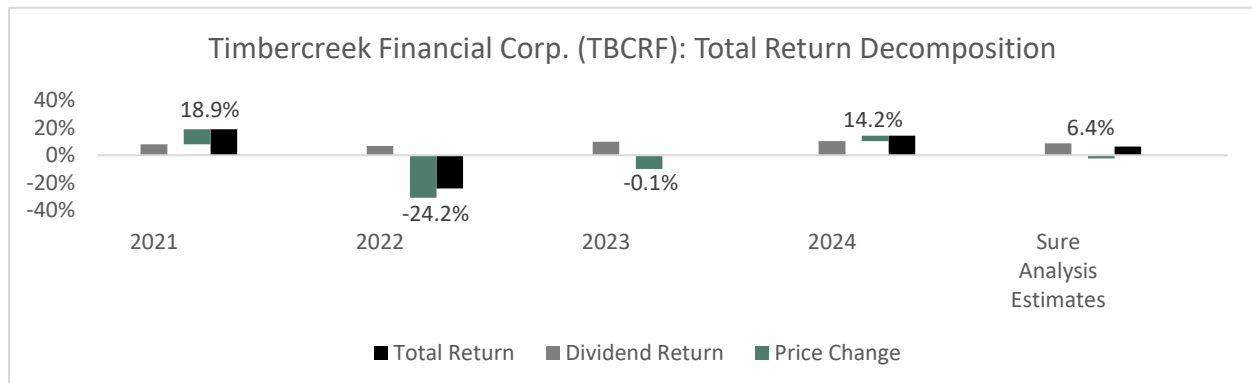
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	104%	88%	96%	104%	104%	174%	138%	104%	88%	123%	98%	98%

Timbercreek has some risk-mitigating features, such as its focus on first mortgages, low loan-to-value ratios, and lending against income-producing properties, but it's not primarily a capital-preservation vehicle. The portfolio often includes transitional or value-add commercial real estate, where borrower business plans essentially depend on refinancing or asset repositioning, which introduces meaningful credit and execution risk. While there have been no principal losses to date, the increase in Stage 2 and 3 loans during tougher market periods, like 2023, highlights the portfolio's sensitivity to shifts in credit conditions. Timbercreek's edge lies more in speed and flexibility, as it serves borrowers traditional lenders often can't, than in risk aversion. The floating-rate, short-duration loan structure does add adaptability, but the business overall is more cyclical and opportunity-driven than it is defensive. Thus, be skeptical of its dividend coverage often.

## Final Thoughts & Recommendation

Timbercreek Financial offers exposure to high-yield, short-duration commercial real estate lending, with upside tied to interest rates and active portfolio turnover. While not a low-risk vehicle, it offers attractive monthly dividends, though we wouldn't blindly trust the current level of payouts. Also, we believe shares are overvalued today and forecast just a 6.4% annual return though 2030. We rate the stock a sell due to the lack of dividend growth and soft dividend coverage.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	39	63	90	98	95	94	93	114	134	118
Gross Profit	28	35	50	50	49	49	50	56	60	53
Gross Margin	72.1%	56.5%	55.8%	51.2%	51.6%	52.6%	53.4%	49.4%	44.6%	45.3%
SG&A Exp.	1	1	1	1	1	1	1	2	2	2
Operating Profit	25	33	48	48	47	46	47	49	55	39
Operating Margin	63.9%	52.9%	53.6%	49.3%	49.3%	48.8%	50.4%	42.9%	40.9%	33.2%
Net Profit	22	35	40	41	41	24	33	43	49	34
Net Margin	56.8%	55.4%	45.0%	41.9%	43.3%	25.5%	35.4%	37.6%	36.7%	28.6%
Free Cash Flow	24	31	54	60	77	59	65	64	192	(50)

## Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	553	1,167	1,324	1,428	1,376	1,342	1,358	1,412	1,346	1,208
Cash & Equivalents	0	0	1	0	7	0	5	2	4	9
Inventories							-	22	122	115
Total Liabilities	291	688	804	902	818	805	822	897	818	730
Accounts Payable	4	5	9	8	7	7	9	7	7	8
Long-Term Debt	62	279	444	471	480	455	461	436	303	374
Shareholder's Equity	261	480	519	526	558	537	537	515	529	478
LTD/E Ratio	0.24	0.58	0.85	0.90	0.86	0.85	0.86	0.85	0.57	0.78

## Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	4.0%	4.0%	3.2%	3.0%	2.9%	1.8%	2.4%	3.1%	3.6%	2.6%
Return on Equity	7.6%	9.4%	8.1%	7.8%	7.6%	4.4%	6.1%	8.2%	9.4%	6.7%
ROIC	6.5%	6.4%	4.7%	4.2%	4.1%	2.4%	3.3%	4.4%	5.5%	4.0%
Shares Out.	40.6	59.3	84.9	88.5	87.2	81.9	81.3	83.6	96.4	83.0
Revenue/Share	0.88	1.06	1.05	1.11	1.09	1.15	1.14	1.37	1.39	1.42
FCF/Share	0.55	0.53	0.63	0.68	0.89	0.72	0.80	0.76	1.99	(0.61)

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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### Disclaimer

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