

Comstock Holding Companies Reports 2019 Results

4/15/2020

Commercial Real Estate Asset Management Platform Producing Stable Revenue, Positive Results and Platform for Growth

WASHINGTON and RESTON, Va., April 15, 2020 (GLOBE NEWSWIRE) -- On April 15, 2020, Comstock Holding Companies, Inc., (NASDAQ: CHCI) (the "Company"), announced financial results for the year ended December 31, 2019:

Highlights of 2019 year-end financial results:

- Total revenue increased by 54% to \$25.3 million in 2019, as compared to \$16.4 million in 2018.
- Revenue from asset management operations increased by 46% to \$19.6 million, as compared to \$13.4 million in 2018.
- Revenue from real estate services increased by 88% to \$5.7 million in 2018, as compared to \$3.0 million in the prior year.
- Operating income increased by 676% to \$2.3 million in 2019, as compared to \$0.3 million in 2018.
- Net income of \$0.9 million in 2019 was also significantly improved as compared to a loss of \$4.4 million in 2018.

Highlights of Commercial Real Estate Asset Management Business Platform:

- 2019 Modified Asset Management Agreement covering portfolio of privately held commercial real estate assets controlled by our CEO (the "Anchor Portfolio") provides for stable revenue and income backstop through asset management fee structure entitling Company to fees equal to the greater of (i) the Company's operating costs plus \$1 million annually and certain supplemental capital markets and property management fee streams, or (ii) market rate fees.
- Company has opportunity to generate additional incentive based revenue related to substantially all of the Company's managed assets, with assets acquired in ventures with institutional partners projected to be held

for 3-7 years and assets included in Anchor Portfolio projected to be held long-term.

- Assets under management (“AUM”) more than doubled during the last year from approximately 3.3 million square feet to approximately 7.3 million square feet.
- The Company expanded its operating platform in 2019 to increase its service offerings and revenue generated from existing asset management contracts and newly solicited management contracts.
- The majority of AUM are subject to long-term contracts, extending through 2027, and include significant early termination penalties payable to the Company.
- Anchor Portfolio consists primarily of two large scale transit-oriented, mixed-use developments located at key commuter rail stations on Washington, DC Metro’s Silver Line in the Dulles Corridor (Reston Station and Loudoun Station), which has experienced tremendous increase in demand for transit-oriented and mixed-use development as big tech companies including Google, Microsoft, Amazon Web Services and others, as well as large federal contractors including Rolls Royce of North America, ICF Global, and General Dynamics, and others have sought to increase their office presence in the region and/or reposition office facilities to be proximate to Silver Line stations.
- In 2019, the Company secured more than 500,000 square feet of new office leases related to buildings recently completed and currently under construction at Reston Station, including leases with Google, Rolls Royce of North America, ICF Global, Neustar, and other tech companies and federal contractors, providing increased fee-based revenue and stability for the Company and earning Reston Station recognition as the most successful new development in the Dulles Corridor.
- The Company’s new asset management platform substantially minimizes capital risk due to low capital requirements on assets acquired for ventures between the Company and institutional real estate investors and even less restrictive capital requirements for the Company related to the Anchor Portfolio.
- In connection with the transformation of the Company’s operating platform from its previous focus on for-sale homebuilding to its new focus on commercial real estate development and asset management, the Company rebuilt its management team to include seasoned commercial real estate development, asset management and finance professionals with decades of experience managing large regional and/or national real estate portfolios, including mixed-use and transit-oriented developments. As a result, the Company has an experienced management team focused on growing the Company’s fee-based operating platform and driving positive results for the Company’s asset management clients and all stakeholders.
- In 2020-2021, the Company will further increase its stabilized assets under construction as it completes construction on two additional office buildings at Reston Station and two additional residential buildings at Loudoun Station, while seeking to further expand AUM through strategic asset acquisitions.
- The Company’s wholly owned subsidiary, Comstock Environmental Services, LC, expanded its operating footprint during 2019 from its original base of Pennsylvania to include the entire U.S. mid-Atlantic region while also expanding its services offerings to include industrial hygiene, toxicology and COVID-19 related services.



- The Company substantially recapitalized its balance sheet in 2019, as it completed its exit from its remaining homebuilding assets and providing it with a new source of capital.
- In follow up to the filing of its 2019 10k, the Company plans to post an updated investor relations presentation on its website (www.ComstockCompanies.com) by the end of April providing additional details regarding its significant accomplishments in 2019 and its expectations for future growth.

"I am extremely pleased to report our accomplishments and positive results for 2019" commented Christopher Clemente, Comstock's Chairman and Chief Executive Officer. "Our success in 2019 and our ability to transform Comstock into a leading commercial developer and institutional quality asset manager is driven by our team of seasoned and dedicated commercial real estate professionals that have played key roles in transforming this Company while significantly enhancing revenue opportunities and overall prospects for this Company. I look forward to reporting on our continued progress as we focus on enhancing value for our loyal shareholders."

About Comstock Holding Companies, Inc.

Comstock Holding Companies, Inc. (Nasdaq: CHCI) is a real estate development, asset management and real estate services company that has designed, developed, constructed and managed several thousand residential units and millions of square feet of residential and mixed-use projects throughout the Washington, D.C. metropolitan market since 1985. In 2019, Comstock completed the wind-down of its subsidiary for-sale homebuilding operation to focus exclusively on commercial real estate investment, development, asset management and real estate related services. Anchoring CHCI's transition is a long-term asset management agreement covering two of the largest transit-oriented, mixed-use developments in the Washington, D.C. area; Reston Station, a nearly 5 million square foot transit-oriented and mixed-use development in Reston, Virginia, and Loudoun Station, a nearly 2.5 million square foot transit-oriented, mixed-use development in Ashburn, Virginia, and additional development assets. Comstock has significant experience with entitling, designing, developing, and managing a diverse range of properties including apartments, condominiums, mixed-use (residential and commercial) properties, large-scale commercial parking garages and infrastructure projects.

Comstock Holding Companies, Inc. is publicly traded on NASDAQ under the symbol CHCI. For more information, visit www.ComstockCompanies.com.

Cautionary Statement Regarding Forward-Looking Statements

This release may include "forward-looking" statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements can be identified by use of words such as "anticipate," "believe," "estimate," "may," "intend," "expect," "will," "should," "seeks" or other similar expressions. Forward-looking statements are based largely on our expectations and involve inherent risks and



uncertainties, many of which are beyond our control. Any number of important factors could cause actual results to differ materially from those in the forward-looking statements. Additional information concerning important risk factors and uncertainties can be found under the heading "Risk Factors" in our latest Annual Report on Form 10-K, as filed with the Securities and Exchange Commission. Comstock specifically disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

Company:

Comstock Holding Companies, Inc.

Christopher Guthrie, 703-230-1292

Chief Financial Officer

Source: Comstock Holding Companies, Inc.

COMSTOCK HOLDING COMPANIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except share and per share data)

	December 31, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,511	\$ 854
Trade receivables	1,886	973
Trade receivables - related parties	3,644	2,950
Prepaid and other assets, net	274	362
Current assets of discontinued operations	—	7,786
Total current assets	9,315	12,925
Equity method investments at fair value	8,421	—
Fixed assets, net	278	221
Operating lease right-of-use assets	114	—
Goodwill	1,702	1,702
Intangible assets, net	103	170
Long term assets of discontinued operations	—	20,082
TOTAL ASSETS	\$ 19,933	\$ 35,100
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accrued personnel costs	\$ 2,916	\$ 1,396
Accounts payable	1,438	1,198
Accrued liabilities	166	182
Deferred revenue	—	1,875
Short term notes payable - due to affiliates, net of discount	5,706	5,716
Short term notes payable	77	—
Current liabilities of discontinued operations	—	4,889
Total current liabilities	10,303	15,256
Long term notes payable, net of deferred financing charges	1,212	1,517
Long term operating lease liabilities, net of current portion	61	—
Long term liabilities of discontinued operations	—	12,510
TOTAL LIABILITIES	11,576	29,283
Commitments and contingencies (Note 10)		
STOCKHOLDERS' EQUITY		
Series C preferred stock, \$0.01 par value, 20,000,000 and 3,000,000 shares authorized, 3,440,690 and 2,799,848 shares issued and outstanding with a liquidation preference of \$17,203 and \$13,999 at December 31, 2019 and 2018, respectively	\$ 6,765	\$ 7,193

Class A common stock, \$0.01 par value, 59,779,750 and 11,038,071 shares authorized, 7,849,756 and 3,703,513 issued and 7,764,186 and 3,617,943 outstanding at December 31, 2019 and 2018, respectively	78	37	
Class B common stock, \$0.01 par value, 220,250 shares authorized, issued and outstanding at December 31, 2019 and 2018	2	2	
Additional paid-in capital	199,372	181,632	
Treasury stock, at cost (85,570 shares Class A common stock)	(2,662)	(2,662))
Accumulated deficit	(195,198)	(196,091))
TOTAL COMSTOCK HOLDING COMPANIES, INC. EQUITY	8,357	(9,889))
Non-controlling interests	—	15,706)
TOTAL EQUITY	8,357	5,817)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 19,933	\$ 35,100)

COMSTOCK HOLDING COMPANIES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except per share data)

	For the years ended December 31,	
	2019	2018
Revenue (See Note 14 - Related Party Transactions)		
Asset management	\$ 19,605	\$ 13,416
Real estate services	5,712	3,031
Total revenue	25,317	16,447
Operating expenses		
Direct costs - asset management	16,561	12,234
Direct costs - real estate services	4,611	3,090
General and administrative	1,487	830
Sales and marketing	383	—
Operating income	2,275	293
Interest (expense)	(474)	(90)
(Loss) on equity method investments carried at fair value	(560)	—
Other income, net	225	142
Income before income tax benefit	1,466	345
Income tax (expense) benefit	(2)	1,062
Net income from continuing operations	1,464	1,407
Net (loss) from discontinued operations, net of tax	(571)	(5,792)
Net income (loss)	\$ 893	\$ (4,385)
Income per share from continuing operations		
Basic net income per share	\$ 0.22	\$ 0.38
Diluted net income per share	\$ 0.22	\$ 0.37
(Loss) per share from discontinued operations		
Basic net (loss) per share	\$ (0.09)	\$ (1.56)
Diluted net (loss) per share	\$ (0.09)	\$ (1.56)
Basic weighted average shares outstanding	6,617	3,705
Diluted weighted average shares outstanding	6,799	3,843

COMSTOCK

Source: Comstock Holding Companies, Inc.

