



# FRP HOLDINGS, INC./NEWS

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## **FRP HOLDINGS, INC. (NASDAQ: FRPH) ANNOUNCES RESULTS FOR THE FIRST QUARTER ENDED MARCH 31, 2018.**

FRP Holdings, Inc. (NASDAQ-FRPH) Jacksonville, Florida; May 8, 2018 –

### **First Quarter Consolidated Results of Operations.**

Net income for the first quarter of 2018 was \$1,560,000 or \$.15 per share versus \$1,443,000 or \$.14 per share in the same period last year. Total revenues were \$12,622,000, up 35.4%, versus the same period last year, primarily because of the addition of rental revenues from Dock 79. Our net income was adversely impacted by \$747,000 in expenses related to the pending sale of our industrial warehouse portfolio.

### **First Quarter Segment Operating Results.**

#### Asset Management Segment:

Total revenues in this segment were \$8,128,000, up \$843,000 or 11.6%, over the same period last year. Net Operating Income (NOI) in this segment for the first quarter increased slightly to \$5,857,000, compared to \$5,689,000 in the same period last year. We ended the first quarter with total occupied square feet of 3,721,213 versus 3,525,234 at the end of the same period last year, an increase of 5.6% or 195,979 square feet. Our overall occupancy rate was 93.4%.

This past quarter we entered into contract to sell 41 industrial warehouses and two adjacent lots to an affiliate of Blackstone Real Estate Partners for a total purchase price of \$358.9 million. Pending shareholder approval at our annual meeting on May 14, we expect to close on this transaction the following week. These properties comprise substantially all the assets of our Asset Management Segment. We are currently exploring options to reinvest a significant portion of the proceeds into opportunities more in line with our other business segments where recently we have enjoyed better returns.

#### Mining Royalty Lands Segment:

Total revenues in this segment were \$1,772,000 versus \$1,762,000 in the same period last year. Total operating profit in this segment was \$1,541,000, a decrease of \$18,000 versus \$1,559,000 in the same period last year.

#### Land Development and Construction Segment:

The Land Development and Construction segment is responsible for (i) seeking out and identifying opportunistic purchases of income producing warehouse/office buildings, and (ii) developing our non-income producing properties into income production.

With respect to ongoing projects:

- We are fully engaged in the formal process of seeking PUD entitlements for our 118 acre tract in Hampstead, Maryland.
- Last year we began construction on a 96,047 square foot building at Patriot Business Center that we expect to finish in the second quarter of 2018. This building is included in the sale to Blackstone.
- We began construction in the third quarter of last year on our joint venture with St. John Properties and expect to complete construction of the first phase of this project in the third quarter of 2018. This first phase will comprise four buildings totaling 100,000 square feet of office and retail space.
- Our Essexshire residential project totaling 129 single family building lots is moving towards entitlement.
- We are in the process of designing and permitting a 95,000 square foot spec building at Hollander Business Park. We expect to begin construction during the second quarter of 2018.

#### RiverFront on the Anacostia Segment:

At the end of the first quarter, Dock 79 was 90.8% leased and 91.8% occupied. As the first “generation” of leases expire, the renewal rate of 61.9% during the first quarter is in line with expectations while the average rent increase of 2.8% is better than expected.

#### **Summary and Outlook.**

This past quarter was one of our most important ever for obvious reasons. Our portfolio of industrial real estate took decades to put together. Most of the assets came from land we purchased, developed, and managed in-house. The amount of sweat equity our Baltimore office put into those assets would have given even the most unsentimental seller a moment’s hesitation. However, because of the reduction in corporate income tax rates in this low cap rate environment, the opportunity to sell was simply too good to pass up.

Though monumental, the sale of such a substantial portion of this company will not leave us wanting for things to do. We still have vacant lots at Hollander and Lakeside that we intend to develop, and the remaining phases of RiverFront on the Anacostia will require our attention for the next decade at least. Our aggregates royalties and the second life of those quarries will be generating returns for this company and occupying the time of its management for longer than many of us will be around.

In the short term, though, we will be hard at work on Phase II of RiverFront on the Anacostia and our other ongoing projects; but most importantly, we will be determining the highest and best use for the proceeds of the sale.

### **Subsequent Events.**

Subsequent to the end of last quarter, in April, construction began on Phase II of our RiverFront on the Anacostia project, which we expect to deliver in the first or second quarter of 2020.

### **Conference Call.**

The Company will also host a conference call on Tuesday, May 8, 2018 at 2:00 p.m. (EDT). Analysts, stockholders and other interested parties may access the teleconference live by calling 1-800-311-9406 (passcode 15482) within the United States. International callers may dial 1-334-323-7224 (passcode 15482). Computer audio live streaming is available via the Internet through the Company's website at [www.frpholdings.com](http://www.frpholdings.com). You may also click on this link for the live streaming <http://stream.conferenceamerica.com/frp050818>. For the archived audio via the internet, click on the following link <http://archive.conferenceamerica.com/archivestream/frp050818.mp3>. If using the Company's website, click on the Investor Relations tab, then select the earnings conference stream. An audio replay will be available for sixty days following the conference call. To listen to the audio replay, dial toll free 1-877-919-4059, international callers dial 1-334-323-0140. The passcode of the audio replay is 49397561. Replay options: "1" begins playback, "4" rewind 30 seconds, "5" pause, "6" fast forward 30 seconds, "0" instructions, and "9" exits recording. There may be a 30-40 minute delay until the archive is available following the conclusion of the conference call.

FRP Holdings, Inc. (FRP) is engaged in the real estate business through its subsidiaries FRP Development Corp. and Florida Rock Properties, Inc. FRP acquires, constructs, leases, operates and manages land and buildings to generate both current cash flows and long-term capital appreciation. FRP also owns real estate which is leased under mining royalty agreements or held for investment.

*Investors are cautioned that any statements in this press release which relate to the future are, by their nature, subject to risks and uncertainties that could cause actual results and events to differ materially from those indicated in such forward-looking statements. These include, but are not limited to, the occurrence of any event, change or other circumstances that could give rise to the termination of the Agreement of Purchase and Sale by and between the Company and BRE Foxtrot Parent, LLC, dated March 22, 2018 (the "Sale Agreement"); the risks that any of the closing conditions to the Sale Agreement may not be satisfied in a timely manner; any litigation in connection with the Sale Agreement; the possibility that the announcement and pendency of the Sale Transaction may adversely affect our remaining business; the possibility that our business and financial performance may be adversely affected if we fail to complete the Sale Transaction; the fact that our executive officers may have interests in the Sale Transaction in addition to the interests of the shareholders generally; the fact that the Sale Agreement limits our ability to pursue alternative transactions; the possibility that we may be unable to find appropriate reinvestment opportunities for the proceeds from the Sale Transaction;*

*levels of construction activity in the markets served by our mining properties, demand for flexible warehouse/office facilities in the Baltimore-Washington-Northern Virginia area, demand for apartments in Washington D.C., our ability to obtain zoning and entitlements necessary for property development, the impact of lending and capital market conditions on our liquidity, our ability to finance projects or repay our debt, general real estate investment and development risks, vacancies in our properties, risks associated with developing and managing properties in partnership with others, competition, our ability to renew leases or re-lease spaces as leases expire, illiquidity of real estate investments, bankruptcy or defaults of tenants, the impact of restrictions imposed by our credit facility, the level and volatility of interest rates, environmental liabilities, inflation risks, cybersecurity risks, as well as other risks listed from time to time in our SEC filings, including but not limited to, our annual and quarterly reports. We have no obligation to revise or update any forward-looking statements, other than as imposed by law, as a result of future events or new information. Readers are cautioned not to place undue reliance on such forward-looking statements.*

FRP Holdings, Inc. is a holding company engaged in the real estate business, namely (i) warehouse/office/residential building ownership, leasing and management, (ii) mining royalty land ownership and leasing, (iii) land acquisition, entitlement and development primarily for future warehouse/office or residential building construction, and (iv) leasing and management of a residential apartment building.

**FRP HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**

(In thousands except per share amounts)  
(Unaudited)

	THREE MONTHS ENDED MARCH 31,	
	2018	2017
<b>Revenues:</b>		
Rental revenue	\$ 9,165	6,283
Mining Royalty and rents	1,750	1,739
Revenue – reimbursements	1,707	1,300
Total Revenues	12,622	9,322
<b>Cost of operations:</b>		
Depreciation, depletion and amortization	4,283	2,059
Operating expenses	2,043	1,001
Property taxes	1,473	1,062
Management company indirect	539	469
Corporate expenses (Note 4 Related Party)	1,426	1,327
Total cost of operations	9,764	5,918
<b>Total operating profit</b>	2,858	3,404
Interest income	5	—
Interest expense	(1,243)	(248)
Equity in loss of joint ventures	(12)	(771)
Income before income taxes	1,608	2,385
Provision for income taxes	579	942
Net income	1,029	1,443
Loss attributable to noncontrolling interest	(531)	—
<b>Net income attributable to the Company</b>	\$ 1,560	1,443
<b>Earnings per common share:</b>		
Basic	\$ 0.16	0.15
Diluted	\$ 0.15	0.14
<b>Number of shares (in thousands) used in computing:</b>		
-basic earnings per common share	10,015	9,931
-diluted earnings per common share	10,085	10,001

### Asset Management Segment:

(dollars in thousands)	Three months ended March 31					
	2018	%	2017	%	Change	%
Rental revenue	\$ 6,571	80.8%	6,103	83.8%	468	7.7%
Revenue-reimbursements	1,557	19.2%	1,182	16.2%	375	31.7%
Total revenue	8,128	100.0%	7,285	100.0%	843	11.6%
Depreciation, depletion and amortization	2,016	24.8%	1,965	27.0%	51	2.6%
Operating expenses	1,306	16.0%	895	12.3%	411	45.9%
Property taxes	837	10.3%	737	10.1%	100	13.6%
Management company indirect	202	2.5%	187	2.6%	15	8.0%
Corporate expense	788	9.7%	753	10.3%	35	4.6%
Cost of operations	5,149	63.3%	4,537	62.3%	612	13.5%
Operating profit	\$ 2,979	36.7%	2,748	37.7%	231	8.4%

### Mining Royalty Lands Segment:

(dollars in thousands)	Three months ended March 31			
	2018	%	2017	%
Mining Royalty and rents	\$ 1,750	98.8%	1,739	98.7%
Revenue-reimbursements	22	1.2%	23	1.3%
Total revenue	1,772	100.0%	1,762	100.0%
Depreciation, depletion and amortization	54	3.0%	39	2.2%
Operating expenses	40	2.3%	39	2.2%
Property taxes	60	3.4%	59	3.3%
Corporate expense	77	4.3%	66	3.8%
Cost of operations	231	13.0%	203	11.5%
Operating profit	\$ 1,541	87.0%	1,559	88.5%

### Land Development and Construction Segment:

(dollars in thousands)	Three months ended March 31		
	2018	2017	Change
Rental revenue	\$ 181	180	1
Revenue-reimbursements	116	95	21

Total revenue	297	275	22
Depreciation, depletion and amortization	57	55	2
Operating expenses	118	67	51
Property taxes	268	266	2
Management company indirect	241	282	(41)
Corporate expense	<u>419</u>	<u>508</u>	<u>(89)</u>
Cost of operations	<u>1,103</u>	<u>1,178</u>	<u>(75)</u>
Operating loss	<u>\$ (806)</u>	<u>(903)</u>	<u>97</u>

### Dock 79 Segment:

(dollars in thousands)	Three Months Ended March 31			
	2018	%	2017	%
Rental revenue	\$ 2,413	99.5%	—	—%
Revenue-reimbursements	<u>12</u>	<u>.5%</u>	<u>—</u>	<u>—%</u>
Total revenue	2,425	100.0%	—	—%
Depreciation and amortization	2,156	88.9%	—	—%
Operating expenses	579	23.9%	—	—%
Property taxes	308	12.7%	—	—%
Management company indirect	96	3.9%	—	—%
Corporate expense	<u>142</u>	<u>5.9%</u>	<u>—</u>	<u>—%</u>
Cost of operations	<u>3,281</u>	<u>135.3%</u>	<u>—</u>	<u>—%</u>
Operating profit	<u>\$ (856)</u>	<u>-35.3%</u>	<u>\$ —</u>	<u>—%</u>

### **Non-GAAP Financial Measures.**

To supplement the financial results presented in accordance with GAAP, FRP presents certain non-GAAP financial measures within the meaning of Regulation G promulgated by the Securities and Exchange Commission. The non-GAAP financial measure included in this quarterly report are net operating income (NOI). FRP uses these non-GAAP financial measures to analyze its continuing operations and to monitor, assess, and identify meaningful trends in its operating and financial performance. These measures are not, and should not be viewed as, substitutes for GAAP financial measures.

Net Operating Income Reconciliation  
Three months ended 03/31/18 (in thousands)

	Asset Management Segment	Land Development Segment	RiverFront Anacostia Segment	Mining Royalties Segment	FRP Holdings Totals
Income from continuing operations	1,962	(584)	(1,464)	1,115	1,029
Income Tax Allocation	<u>727</u>	<u>(217)</u>	<u>(345)</u>	<u>414</u>	<u>579</u>
Income from continuing operations before income taxes	2,689	(801)	(1,809)	1,529	1,608

Less:					
Unrealized rents	129	—	52	—	181
Other income	—	5	—	—	5
Plus:					
Unrealized rents	—	—	—	119	119
Equity in loss of Joint Venture	—	—	—	12	12
Lease intangible rents	1	—	—	—	1
Interest Expense	290	—	953	—	1,243
Depreciation/Amortization	2,016	57	2,156	54	4,283
Management Co. Indirect	202	241	96	—	539
Allocated Corporate Expenses	788	419	142	77	1,426
Net Operating Income (loss)	5,857	(89)	1,486	1,791	9,045

Net Operating Income Reconciliation  
Three months ended 03/31/17 (in thousands)

	Asset Management Segment	Land Development Segment	Mining Royalties Segment	FRP Holdings Totals
Income (loss) from continuing operations	1,512	(1,007)	938	1,443
Income Tax Allocation	988	(658)	612	942
Inc. (loss) from continuing operations before income taxes	2,500	(1,665)	1,550	2,385
Less:				
Lease intangible rents	3	—	—	3
Plus:				
Unrealized rents	39	—	109	148
Equity in loss of Joint Venture	—	762	9	771
Interest Expense	248	—	—	248
Depreciation/Amortization	1,965	55	39	2,059
Management Co. Indirect	187	282	—	469
Allocated Corporate Expenses	753	508	66	1,327
Net Operating Income (loss)	5,689	(58)	1,773	7,404