

## **Crown Capital Partners Announces Financial Results for Q4 & Full-Year 2019**

**CALGARY, March 13, 2020** – Crown Capital Partners Inc. (“Crown” or the “Corporation”) (TSX: CRWN), a capital partner to entrepreneurs and growth businesses, today announced its financial results for the fourth quarter and year ended December 31, 2019. Crown’s complete financial statements and management’s discussion and analysis for the three- and 12-month periods ended December 31, 2019 are available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **2019 Financial & Operating Highlights**

- Interest revenue increased to \$28.3 million, compared with \$26.6 million in 2018, due to higher contributions from Crown Partners Fund and Crown Private Credit Fund, as well as initial revenue recognized in Crown Power Fund.
- Total revenue was \$25.2 million, a decrease from \$32.7 million in 2018. The year-over-year change mainly reflects a net loss on investments, including the previously disclosed \$11.1 million realized loss on Crown Partners Fund’s Solo Liquor Holdings Limited (“Solo”) investment, offset by the addition of network services revenue from the acquisition of WireIE Holdings International Inc. (“WireIE”).
- Net income (loss) and comprehensive income (loss) totaled \$(0.2) million, compared with \$7.1 million in 2018. The year-over-year decrease was due primarily to the realized loss recognized on the Solo investment; the acquisition of WireIE, which had an aggregate net negative impact on earnings before income taxes of \$0.4 million; a previously disclosed \$2.5 million provision for bad debt recognized in relation to amounts owing from an operating partner formerly affiliated with Crown Power Fund; and a reduction in other net investment gains to \$0.4 million compared with \$2.5 million in 2018.
- Adjusted Funds from Operations<sup>1</sup> decreased to \$5.3 million (\$0.56 per basic share), compared with \$13.2 million (\$1.38 per basic share) in 2018, due to the factors described above.
- Total assets increased to \$299.7 million at quarter-end, compared with \$275.9 million at December 31, 2018.
- Crown paid quarterly dividends totaling \$0.60 per common share in 2019.
- Crown acquired WireIE, which deploys carrier-grade data networks to underserved communities. Crown believes this industry provides an attractive new avenue for growth, and intends to leverage this operating platform to develop a third-party fund. While WireIE generates positive cash flow from recurring contracts, the business contributed a net loss before income taxes of \$(0.9) million following its acquisition in July in 2019, mainly because of depreciation expense of \$1.9 million.
- Crown Partners Fund announced new investments totaling approximately \$74 million and repayments of \$57 million.
- Completed agreement with Concentra Bank to provide investment management services for Concentra Bank’s investment in a senior secured credit facility.
- Continued scale-up of Crown Power Fund, with the addition of three new operating partners and construction on four new distributed power projects, increasing the total number of projects in development or in operation to 10 at year end.

## **Q4 2019 Financial & Operating Highlights**

- Total revenue of \$10.3 million was comparable to \$10.4 million in Q4 2018 including \$2.1 million of network services revenue (Q4 2018 - \$nil) from WireIE and decreases in each of interest revenue, fee and other income and the net gain on investments.
- Net income attributable to shareholders of \$1.1 million (Q3 2019 - \$0.5 million; Q4 2018 - \$2.4 million), or \$0.11 per common share (basic) (Q3 2019 - \$0.05; Q4 2018 - \$0.25). Net income was negatively impacted by a net loss of \$(0.3) million from the operations of WireIE, including related depreciation expense of \$0.7 million, as well as additional investments to support the growth of new financing platforms.
- Adjusted Funds from Operations<sup>1</sup> decreased to \$3.4 million (\$0.36 per basic share) from \$3.9 million (\$0.41 per basic share) in Q4 2018 but improved compared with \$(0.5) million in Q3 2019.
- On November 29, 2019, paid a quarterly dividend of \$0.15 per common share.
- Crown Partners Fund advanced an additional \$27 million to three portfolio companies in Q4 2019. Subsequent to year end, Crown Partners Fund advanced an additional \$6.1 million to VIQ Solutions Inc., increasing that term loan to \$15.0 million.
- The first distributed power project developed by Crown Power Fund became operational.

## **Management Commentary**

“We faced some challenges in 2019 as we worked through the start-up phases of two new financing platforms and dealt with a loss on one of our special situation investments. While these events – and investments we are making in future growth – affected our earnings for the year, we are pleased with the progress being made to transition Crown into a more diversified finance platform with a much larger market opportunity and higher earning power over the long term,” said Chris Johnson, President and CEO of Crown.

“In 2019, our alternative finance business grew modestly despite elevated competitive pressures from traditional finance providers, and we are delivering the expected performance in Crown Partners Fund. We see improved market conditions for alternative finance opportunities in 2020 and continue to believe this platform can grow to \$500 million in assets over time. In our distributed power business, we have worked through many of the initial start-up challenges and expect accelerated progress on many fronts this year. We currently have nine projects in development or in operation, which will increase revenue and operating cash flow to the fund. Moreover, the new project pipeline is robust and accelerating, supported by the addition of three new operating partners in 2019. These include our first operator based in Alberta, which provides a strategic foray into onsite power projects that can be augmented with sales of market electricity to the grid.”

“In 2020, we will continue to invest in the development of our power and telecom platforms while ensuring the overall business remains solidly profitable. We are especially focused on originating new special situations investments and building out Crown Power Fund’s operator base and project pipeline, supported by increased marketing efforts in targeted verticals and geographic expansion. At the same time, we will look to secure additional third-party funding to grow these two segments.”

Mr. Johnson added: “We are actively monitoring the impact of the COVID-19 pandemic and the related economic impacts on the health of our portfolio companies. In addition, there is increased volatility in global oil markets; however, Crown’s energy clients have substantial natural gas exposure and this is expected to provide stability to these companies. It is not clear at this time the extent to which our diversified portfolio companies will be impacted by the economic volatility, but management presently believes that the impacts will not materially impair their ability to make payments on their debt obligations.”

## Q4 & FY2019 Financial Results Summary

| <i>Selected Quarterly Information</i>  |                    |           |                     |           |
|--|--------------------|-----------|---------------------|-----------|
| FOR THE PERIODS ENDED DEC. 31<br>(THOUSANDS, EXCEPT PER SHARE AND NUMBER OF COMMON SHARES) | Three Months Ended |           | Twelve Months Ended |           |
|  | 2019               | 2018      | 2019                | 2018      |
| Revenue:   |                    |           |                     |           |
| Interest revenue.....  | \$ 7,030           | \$ 7,585  | \$ 28,252           | \$ 26,592 |
| Fees and other income.....   | 711                | 1,497     | 3,621               | 3,540     |
| Net gain (loss) on investments.....  | 395                | 1,326     | (10,668)            | 2,534     |
| Network services revenue.....  | 2,117              | -         | 4,002               | -         |
| Total revenue.....   | 10,253             | 10,408    | 25,207              | 32,666    |
| Net income (loss) attributable to Shareholders.....  | 1,065              | 2,373     | (209)               | 7,051     |
| Adjusted Funds from Operations <sup>1</sup> .....  | 3,390              | 3,908     | 5,301               | 13,199    |
| Total assets.....  | 299,653            | 275,921   | 299,653             | 275,921   |
| Total equity.....  | 97,478             | 104,892   | 97,478              | 104,892   |
| Per share:   |                    |           |                     |           |
| - Net income (loss) to Shareholders - basic.....   | \$ 0.11            | \$ 0.25   | \$ (0.02)           | \$ 0.74   |
| - Net income (loss) to Shareholders - diluted.....   | 0.11               | 0.24      | (0.02)              | 0.73      |
| - Adjusted Funds from Operations per share - basic <sup>1</sup> .....                      | 0.36               | 0.41      | 0.56                | 1.38      |
| - Total equity per share - basic.....  | 10.38              | 10.91     | 10.38               | 10.91     |
| Number of common shares:   |                    |           |                     |           |
| - Outstanding at end of period.....  | 9,393,242          | 9,616,555 | 9,393,242           | 9,616,555 |
| - Weighted average outstanding - basic.....  | 9,396,844          | 9,620,530 | 9,536,140           | 9,546,122 |
| - Weighted average outstanding - diluted.....  | 9,510,620          | 9,759,027 | 9,646,734           | 9,679,289 |

| <i>Reconciliation of Earnings (Loss) before Income Taxes to Adjusted Funds from Operations</i>  |                    |                 |                     |                  |
|---|--------------------|-----------------|---------------------|------------------|
| FOR THE PERIODS ENDED DEC. 31<br>(THOUSANDS)  | Three Months Ended |                 | Twelve Months Ended |                  |
|   | 2019               | 2018            | 2019                | 2018             |
| <b>Earnings before income taxes attributable to Shareholders.....</b>   | <b>1,631</b>       | <b>3,311</b>    | <b>272</b>          | <b>9,956</b>     |
| Adjustments for amounts attributable to Shareholders in relation to:  |                    |                 |                     |                  |
| Finance costs.....  | 1,024              | 849             | 3,362               | 2,096            |
| Depreciation expense, net of lease payments on right-of-use assets.....   | 298                | 15              | 1,151               | 34               |
| Subtotal - Earnings (loss) attributable to Shareholders before income, finance costs<br>and depreciation expense, net of lease payments on right-of-use assets..... | 2,953              | 4,175           | 4,785               | 12,087           |
| Adjustments for amounts attributable to Shareholders in relation to:  |                    |                 |                     |                  |
| Non-cash share-based compensation.....  | 304                | 226             | 565                 | 1,000            |
| Asset impairment expense.....   | 325                | -               | 325                 | -                |
| Loss on acquisition.....  | (280)              | -               | (85)                | -                |
| Net unrealized investment (gains) losses.....   | (228)              | (570)           | (2)                 | (1,066)          |
| Provision for credit losses.....  | 246                | -               | 292                 | -                |
| Finance fees received in investments carried at amortized cost but not included<br>in fees and other income.....  | 214                | 391             | 772                 | 1,909            |
| Amortization component of interest revenue on loans carried at amortized cost.....  | (468)              | (314)           | (1,736)             | (730)            |
| Network services fees received on customer contracts but not included in contractual<br>network services revenue.....   | 133                | -               | 362                 | -                |
| Amortization component of network services revenue.....   | 191                | -               | 22                  | -                |
| <b>Adjusted Funds from Operations<sup>1</sup>.....</b>  | <b>\$ 3,390</b>    | <b>\$ 3,908</b> | <b>\$ 5,301</b>     | <b>\$ 13,199</b> |

<sup>1</sup> *Adjusted Funds from Operations is not a measure of financial performance (nor does it have a standardized meaning) under IFRS. In evaluating this measure, investors should consider that the methodology applied in calculating these measures might differ among companies and analysts. The Corporation has provided a reconciliation of earnings before income taxes to Adjusted Funds from Operations in this news release. We believe that Adjusted Funds from Operations is a useful supplemental measure in the context of Crown's specialty finance focus to assist investors in assessing the cash anticipated to be generated by Crown's business, including cash received in relation to its various revenue streams, that is attributable to Shareholders. Adjusted Funds from Operations should not be considered as the sole measure of Crown's performance and should not be considered in isolation from, or as a substitute for, analysis of the Corporation's financial statements.*

### **Conference Call & Webcast**

Crown will host a conference call to discuss its Q4 2019 financial results at 8:30 a.m. EDT on March 13, 2020. The call will be hosted by Chris Johnson, President & CEO, and Michael Overvelde, CFO. To participate in the call, dial (416) 764-8659 or (888) 664-6392 using the conference ID 19840668. The audio webcast can be accessed at [www.crowncapital.ca](http://www.crowncapital.ca) under Investor Relations or <https://bit.ly/38NFURX>. Listeners should access the webcast or call 10-15 minutes before the start time to ensure they are connected.

### **About Crown Capital Partners (TSX:CRWN)**

Founded in 2000, Crown is a leading specialty finance company that provides growth capital to a diversified group of successful mid-market companies that are seeking alternatives to banks and private equity funds. Crown provides customized solutions in the form of loans, royalties, and other structures with minimal or no ownership dilution. In addition to deploying capital as a principal investor, Crown develops, manages and co-invests in alternative investment funds, including Crown Partners Fund and Crown Capital Power Fund.

## **FORWARD-LOOKING STATEMENTS**

*This news release contains certain “forward looking statements” and certain “forward looking information” as defined under applicable Canadian and U.S. securities laws. Forward-looking statements can generally be identified by the use of forward-looking terminology such as “may”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “continue”, “plans” or similar terminology. Forward-looking statements in this news release include, but are not limited to, statements, management’s beliefs, expectations or intentions regarding the alternative financial market and the general economy, transaction pipeline, Crown’s business plans and strategy, including anticipated capital deployments and the timing thereof, and Crown’s future earnings. Forward-looking statements are based on forecasts of future results, estimates of amounts not yet determinable and assumptions that while believed by management to be reasonable, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Forward-looking statements are subject to various risks and uncertainties concerning the specific factors identified in the Crown’s periodic filings with Canadian securities regulators. See Crown’s most recent annual information form for a detailed discussion of the risk factors affecting Crown. In addition, Crown’s dividend policy will be reviewed from time to time in the context of the Corporation’s earnings, financial requirements for its operations, and other relevant factors and the declaration of a dividend will always be at the discretion of the board of directors of the Corporation. Crown undertakes no obligation to update forward-looking information except as required by applicable law. Such forward-looking information represents management’s best judgment based on information currently available. No forward-looking statement can be guaranteed and actual future results may vary materially. Accordingly, readers are advised not to place undue reliance on forward-looking statements or information.*

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