



Crown Capital Partners Announces Financial Results for Q4 & Full-Year 2020

CALGARY, March 11, 2021 – 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, 2020. Crown’s complete financial statements and management’s discussion and analysis for the three- and 12-month periods ended December 31, 2020 are available on SEDAR at www.sedar.com.

2020 Financial & Operating Highlights

- Total revenue increased to \$44.8 million, compared with \$25.2 million in 2019, due mainly to higher network services revenue from the acquisitions of WireIE Holdings International (“WireIE”) and Galaxy Broadband Communications (“Galaxy”) and higher net gains on investments in 2020 versus 2019.
- Interest revenue totaled \$27.7 million, compared with \$28.3 million in 2019. Higher interest revenue earned by Crown Partners Fund and Crown Power Fund was offset by lower interest revenue from Crown’s on balance sheet investments (through Crown Private Credit Fund). As previously disclosed, Crown is actively reducing its lending portfolio and seeking to generate liquidity where feasible.
- Net loss and comprehensive loss of \$13.3 million, compared with \$0.2 million in 2019, which mainly reflects a provision for credit losses of \$15.8 million that relates primarily to the loan in PenEquity Realty Corp, as previously disclosed, and a loss before income taxes of \$4.9 million attributable to WireIE inclusive of depreciation and amortization expenses totaling \$5.0 million.
- Adjusted Funds from Operations¹ increased to \$13.1 million (\$1.40 per basic share), compared with \$6.2 million (\$0.65 per basic share) in 2019, due primarily to an improvement in net realized gains (losses) from investments in addition to a full quarter of operating income from Galaxy, partially offset by a lower level of interest and fee revenue.
- Total assets increased to \$322.5 million at year-end, compared with \$299.7 million as at December 31, 2019, due mainly to additional investments in distributed power equipment under development and a higher consolidated cash balance (2020 - \$19.2 million).
- Total equity as at year-end decreased to \$81.3 million, or \$8.98 per basic share, from \$97.5 million, or \$10.38 per share at year-end 2019, mainly reflecting the net loss in 2020, as well as dividends paid to shareholders and share repurchases.
- Expanded the Network Services platform with the acquisition of Galaxy, an Ontario-based network services company that provides connectivity to remote and underserved enterprise customers across Canada.
- Continued development of the Distributed Power business, with the addition of three new operating partners and construction of multiple projects, increasing the total number of projects in development or in operation to 11 at year end.
- Consistent with Crown’s plan to rationalize its capital structure, the Company acquired and cancelled 375,798 shares in 2020 under its Normal Course Issuer Bid.

Q4 2020 Financial & Operating Highlights

- Total revenue increased to \$12.6 million from \$10.3 million in Q4 2019, due mainly to higher network services revenue in the current period.
- Interest revenue totaled \$6.3 million, compared with \$7.0 million in Q4 2019. Higher interest revenue earned by Crown Partners Fund and Crown Power Fund was offset by lower interest revenue from Crown's on balance sheet investments.
- Adjusted Funds from Operations¹ was \$3.0 million, compared with \$3.6 million in Q4 2019.
- Net loss of \$(2.4) million (Q4 2019 – net income of \$1.1 million), or \$(0.26) per common share (basic) (Q4 2019 – net income of \$0.11 per share).
 - The net loss for the current period mainly reflects a net loss from WireIE of \$2.5 million, including related depreciation expense of \$1.1 million, a \$0.9 million impairment charge relating to the carrying value of network services equipment decommissioned, and a \$1.1 million charge for impairment of network services contracts.
- In the first full quarter following its acquisition, Galaxy contributed pre-tax operating income of \$0.4 million in Q4 2020.
- Two additional distributed power projects with third-party Operating Partners were completed, became operational and are currently under lease arrangements and are generating lease interest revenue for Crown Power Fund.
- Crown Partners Fund received a full repayment of \$5.5 million in relation to its loan to CCI Wireless and also received aggregate repayments of \$1.3 million in relation to its loan to Ferus.

Management Commentary

“We faced an uncertain and challenging environment in 2020, particularly in our lending business,” said Chris Johnson, President and CEO of Crown. “Most of our portfolio companies maintained continuous operation and the majority have been largely unaffected by the pandemic. Unfortunately, our client PenEquity, a property management and real estate development company operating primarily in the retail sector, was at the epicenter of industries affected by the pandemic and they suffered a significant loss in value in their projects. We continue to work closely with PenEquity with a view of reestablishing the business and restoring value.”

“Our priority is maintaining the health of the portfolio while generating liquidity where possible, consistent with our plan to reduce lending activity, return capital to shareholders and invest in new growth initiatives. As we reposition Crown's balance sheet, we continue to make progress on the development of our two primary growth platforms, Distributed Power and Network Services, both of which offer significant long-term opportunity for us as a direct investor and asset manager of capital pools. Our Galaxy acquisition has been a bright spot since the acquisition in late Q3 2020, and we will look to build this business organically while bringing further scale to the telecom platform through additional M&A activity.”

Q4 & FY2020 Financial Results Summary

<i>Selected Quarterly Information</i>	Three Months Ended		Twelve Months Ended	
	2020	2019	2020	2019
FOR THE PERIODS ENDED DEC. 31 (THOUSANDS, EXCEPT PER SHARE AND NUMBER OF COMMON SHARES)				
Revenue:				
Interest revenue.....	\$ 6,276	\$ 7,030	\$ 27,711	\$ 28,252
Fees and other income.....	391	711	1,811	3,621
Net gain (loss) on investments.....	152	395	3,186	(10,668)
Network services revenue.....	5,739	2,117	12,116	4,002
Total revenue.....	12,558	10,253	44,824	25,207
Net income (loss) attributable to Shareholders.....	(2,374)	1,065	(13,295)	(209)
Adjusted Funds from Operations ¹	2,955	3,570	13,061	6,176
Total assets.....	322,479	299,653	322,479	299,653
Total equity.....	81,283	97,478	81,283	97,478
Per share:				
- Net income (loss) to Shareholders - basic.....	\$ (0.26)	\$ 0.11	\$ (1.43)	\$ (0.02)
- Net income (loss) to Shareholders - diluted.....	(0.26)	0.11	(1.42)	(0.02)
- Adjusted Funds from Operations per share - basic ¹	0.32	0.38	1.40	0.65
- Total equity per share - basic.....	8.98	10.38	8.98	10.38
Number of common shares:				
- Outstanding at end of period.....	9,056,468	9,393,242	9,056,468	9,393,242
- Weighted average outstanding - basic.....	9,116,395	9,396,844	9,309,772	9,536,140
- Weighted average outstanding - diluted.....	9,175,272	9,510,620	9,368,046	9,646,734

Reconciliation of Income (Loss) before Income Taxes to Adjusted Funds from Operations				
FOR THE PERIODS ENDED DEC. 31 (THOUSANDS)	Three Months Ended		Twelve Months Ended	
	2020	2019	2020	2019
Income (loss) before income taxes attributable to Shareholders	(2,301)	1,631	(16,074)	272
Adjustments for amounts attributable to Shareholders in relation to:				
Finance costs.....	1,246	1,024	4,979	3,362
Depreciation expense, net of lease payments on right-of-use assets.....	1,017	298	3,987	1,151
Subtotal - Earnings (loss) attributable to Shareholders before and depreciation expense, net of lease payments on right-of-use assets.....	(38)	2,953	(7,108)	4,785
Adjustments for amounts attributable to Shareholders in relation to:				
Non-cash share-based compensation.....	243	304	701	565
Asset impairment expense.....	1,951	247	2,455	247
Gain (loss) on acquisition.....	105	(280)	-	(85)
Net unrealized investment (gains) losses.....	230	(228)	(104)	2
Provision for credit losses.....	224	246	15,571	291
Finance fees received in investments carried at amortized cost but not included in fees and other income.....	105	214	956	772
Amortization component of interest revenue on loans carried at amortized cost.....	(229)	(210)	(622)	(785)
Network services fees received on customer contracts but not included in contractual network services revenue.....	437	133	1,411	362
Amortization component of network services revenue.....	(73)	191	(199)	22
Adjusted Funds from Operations¹	\$ 2,955	\$ 3,570	\$ 13,061	\$ 6,176

¹ 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 loss 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 and webcast (with slide presentation) to discuss its Q4 2020 financial results at 11:00 a.m. EDT on March 11, 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 57740930. The webcast can be accessed at www.crowncapital.ca under Investor Relations. 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.

For further information, please contact:

Craig Armitage
Investor Relations
craig.armitage@crowncapital.ca
(416) 347-8954