

Crown Capital Partners Announces Financial Results for Q1 2021

CALGARY, May 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 first quarter ended March 31, 2021. Crown’s complete financial statements and management’s discussion and analysis for the three-month period ended March 31, 2021 are available on SEDAR at www.sedar.com.

Q1 2021 Financial & Operating Highlights

- Total revenue increased to \$14.0 million, compared with \$6.4 million in Q1 2020, due mainly to higher network services revenue from WireIE Inc. and Galaxy Broadband Communications (“Galaxy”), which was acquired in Q3 2020, and to net gains on investments versus a net loss on investments in Q1 2020.
- Interest revenue decreased to \$6.6 million, compared with \$7.3 million in Q1 2020, as 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).
- Continued growth of the Network Services platform, revenue stream and operating profit. Network Services revenue increased to \$6.4 million in Q1 2021 (45% of total revenue for the quarter), up from \$5.7 million in Q4 2020.
- Adjusted Funds from Operations¹ increased to \$4.5 million (\$0.49 per basic share), compared with \$4.2 million (\$0.44 per basic share) in Q1 2020, due primarily to increased operating income from the Network Services segment, and to a higher level of realized gains.
- Net income improved to \$1.4 million, compared with a net loss of \$1.2 million in Q1 2020 and a net loss of \$2.4 million in Q4 2020.
- Effective March 1, 2021, Crown acquired 100% of the common shares of PRC Stoney Creek Corp. and Penady (Stoney Creek) Ltd. (collectively “PSCC”) in exchange for non-cash consideration of \$10.4 million, representing a portion of the amount owing in respect of the PenEquity Realty Corporation (“PenEquity”) loan outstanding. PSCC’s assets include entitlements to future cash flows in relation to the sale of its interest in a retail plaza plus adjacent land that is being developed by PenEquity.
- Total assets increased to \$330.7 million at quarter-end, compared with \$322.4 million as at December 31, 2020, due primarily to the acquisition of PSCC.
- Total equity at quarter-end increased to \$82.2 million, or \$9.10 per basic share, from \$81.3 million, or \$8.98 per share at year-end 2020, mainly reflecting the net income in Q1 2021.
- In its Distributed Power business, an additional project was completed and became operational, representing the fourth project generating lease interest revenue for Crown Power Fund. The fund has seven other projects under development, including six projects that are expected to become operational in Q2 2021.
- Consistent with its plan to reduce its capital allocation to loan-based investments, effective March 31, 2021, Crown reduced its interest in Crown Partners Fund from 38.8% to 36.5% through a sale of limited partnership units at a transaction price equal to net asset value for net proceeds of \$4.4 million, which were received in April 2021 and applied as a partial repayment of the Crown Credit Facility.

“Fiscal 2021 is expected to be an important and active transition period for Crown, where we see meaningful scale increases in our Network Services and Distributed Power businesses and a substantial reduction in our lending portfolio, which will free up capital to return to shareholders and invest in new growth initiatives,” said Chris Johnson, President and CEO of Crown. “We are off to a solid start, highlighted by 11% sequential revenue growth and increased operating profitability from Network Services in the first quarter. We expect to augment organic growth with additional acquisitions in this area to add scale, new customers and capabilities, and geographic presence. Crown Power Fund is poised to see a meaningful increase in operational projects in the second quarter and we hope to build on that momentum during the year.”

“In our Alternative Lending business, we remain focused on maintaining the health of the portfolio while generating liquidity where possible as we reposition Crown’s balance sheet. Toward this end, we recently sold a small portion of our interest in Crown Partners Fund and we will continue to pursue opportunities to realize proceeds from this investment which we intend to use to support strategic growth opportunities and to rationalize our capital structure”.

Subsequent Events:

Since the end of Q1 2021:

- On April 9, 2021, Crown received approval to renew its normal course issuer bid for a 12-month period commencing on April 13, 2021 enabling Crown to repurchase up to 600,000 of its common shares, representing approximately 6.6% of its issued and outstanding shares as at March 31, 2021;
- Effective April 15, 2021, Crown acquired 100% of the common shares of PRC Barrie Corp., whose assets primarily comprise land located in Barrie, Ontario, in exchange for non-cash consideration of \$2.7 million, representing a portion of the amount owing in respect of the PenEquity loan outstanding;
- Effective May 6, 2021, Crown acquired 100% of the common shares of Lumbermens Credit Group Ltd., an Ontario-based construction credit reporting company, in exchange for consideration of \$1.6 million less indebtedness outstanding at the time of acquisition, comprised of \$0.3 million of cash plus non-cash consideration representing a portion of the amount owing in respect of the Mill Street & Co. Inc. loan outstanding; and
- Effective May 7, 2021, Crown successfully refinanced its existing syndicated corporate credit facility by entering into a new, bilateral senior secured corporate credit facility with ATB Financial that represents a total commitment of up to \$41.5 million, including a \$30 million revolving credit facility with a three-year term that declines to \$20 million at the end of 2021, an \$8.0 million term facility that matures at the end of 2021, and a \$3.5 million dedicated-purpose letter of credit facility. As a result, Crown once again satisfies the minimum excess working capital requirements under applicable securities law.

Q1 2021 Financial Results Summary

	Three Months Ended	
	2021	2020
FOR THE PERIODS ENDED MAR. 31 (THOUSANDS, EXCEPT PER SHARE AND NUMBER OF COMMON SHARES)		
Revenue:		
Interest revenue.....	\$ 6,554	\$ 7,333
Fees and other income.....	559	337
Net gain (loss) on investments.....	545	(3,245)
Network services revenue.....	6,386	1,983
Total revenue.....	14,044	6,408
Net income (loss) attributable to Shareholders.....	1,432	(1,202)
Adjusted Funds from Operations ¹	4,465	4,170
Total assets.....	330,676	338,006
Total equity.....	82,244	94,801
Per share:		
- Net income (loss) to Shareholders - basic.....	\$ 0.16	\$ (0.13)
- Net income (loss) to Shareholders - diluted.....	0.16	(0.13)
- Adjusted Funds from Operations per share - basic ¹	0.49	0.44
- Total equity per share - basic.....	9.10	10.05
Number of common shares:		
- Outstanding at end of period.....	9,037,389	9,430,712
- Weighted average outstanding - basic.....	9,040,845	9,428,241
- Weighted average outstanding - diluted.....	9,040,845	9,488,255

Reconciliation of Loss before Income Taxes to Adjusted Funds from Operations		
	Year Ended	
FOR THE PERIODS ENDED MAR. 31 (THOUSANDS)	2021	2020
Income (loss) before income taxes attributable to Shareholders	\$ 1,508	\$ (1,125)
Adjustments for amounts attributable to Shareholders in relation to:		
Finance costs.....	1,231	1,173
Depreciation expense, net of lease payments on right-of-use assets.....	368	1,578
Subtotal - Earnings attributable to Shareholders before income, finance costs and depreciation expense, net of lease payments on right-of-use assets.....	3,107	1,626
Adjustments for amounts attributable to Shareholders in relation to:		
Non-cash share-based compensation.....	50	(29)
Asset impairment expense.....	-	6
Net unrealized investment losses.....	223	1,339
Provision for credit losses	553	291
Finance fees received in investments carried at amortized cost but not included in fees and other income.....	-	805
Amortization component of interest revenue on loans carried at amortized cost.....	(88)	(174)
Network services fees received on customer contracts but not included in contractual network services revenue.....	752	331
Amortization component of network services revenue.....	(132)	(25)
Adjusted Funds from Operations ¹	\$ 4,465	\$ 4,170

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 to discuss its Q1 2021 financial results at 8:30 a.m. ET on May 12, 2021. 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 42757603. 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 investment dispositions and 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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