

Crown Capital Partners Announces Financial Results for Q2 2021

CALGARY, August 12, 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 second quarter ended June 30, 2021. Crown’s complete financial statements and management’s discussion and analysis for the three- and six-month periods ended June 30, 2021 are available on SEDAR at www.sedar.com.

Q2 2021 Financial & Operating Highlights

- Reported total revenue of \$13.1 million, compared with \$13.3 million in Q2 2020, as higher Network Services revenue was offset by lower interest revenue and a \$0.8 million net loss on investments, versus a significant net investment gain of \$3.4 million in Q2 2020.
- Interest revenue decreased to \$6.4 million, compared with \$7.2 million in Q2 2020, due primarily to a year-over-year decrease in the average level of interest-yielding loan investments, consistent with management’s plan to reduce its loan-based investments, partially offset by an increased contribution from Crown Power Fund.
- Continued growth of the Network Services platform, revenue stream and operating profit. Network Services revenue increased to \$6.9 million in Q2 2021 (52% of total revenue for the quarter), up from \$1.9 million in Q2 2020 and \$6.4 million in Q1 2021. The year-over increase reflects the recognition of two full quarters of network services revenue from Galaxy following its acquisition in September 2020, as well as organic growth.
- Adjusted Funds from Operations¹ decreased to \$3.2 million (\$0.36 per basic share), compared with \$3.6 million (\$0.38 per basic share) in Q2 2020, due primarily to a \$(0.4) million net realized loss attributable to shareholders in the quarter, versus a net realized gain attributable to shareholders of \$0.4 million in the prior year period.
- Net loss improved to \$(0.3) million, compared with \$(1.6) million in Q2 2020.
- Total assets increased to \$332.5 million at quarter-end, compared with \$326.2 million as at December 31, 2020.
- Total equity at quarter-end was \$81.5 million, or \$9.05 per basic share, up from \$81.2 million, or \$8.98 per share, at year-end 2020.
- Crown acquired 100% of the common shares of PBC Barrie Corp. (“PBC”), in exchange for consideration of \$5.3 million, representing a reduction in the amount owed to Crown by PenEquity. PBC’s assets are primarily comprised of land located in Barrie, Ontario.
- Crown acquired 100% of the common shares of Lumbermens Credit Group Ltd., an Ontario-based construction credit reporting company, in exchange for cash consideration of \$0.3 million and a \$1.25 million reduction in the amount owed to Crown by Mill Street, the former parent of Lumbermens.
- Crown successfully refinanced its existing syndicated corporate credit facility by entering into a new, bilateral senior secured corporate credit facility with ATB Financial.

“We continue to make significant and important strides to transition the business and execute on our strategy to reduce our investment in corporate financing transactions and increase operating earnings in our newer lines of business, which we believe is the best path to long-term value creation,” said Chris Johnson, President and CEO of Crown. “Building on the sale of part of our position in Crown Partners Fund during Q1, we recently announced the divestment of a majority stake in our fund management business and another portion of our investment in the fund. Together, these transactions reduced our investment in Crown Partners Fund from approximately 39% to 28% and accelerated the return of over \$20 million of capital. We also continue to make progress with plans to return capital to shareholders. Over the past year, between the NCIB and recently completed SIB, we have returned \$4.8 million to shareholders through the purchase of almost one million common shares, reducing shares outstanding by more than 10%.”

Mr. Johnson added: “Our Network Services business continues to show strong growth in revenue and operating earnings, validating our belief in the long-term opportunity to bring broadband connectivity to remote locations. This segment represented more than 50% of total revenue in the quarter and generated \$2.6 million and \$4.7 million of income before income tax, financing charges and depreciation and amortization in the quarter and year-to-date, respectively.”

Subsequent Events:

Since the end of Q2 2021:

- On July 13, 2021, consistent with Crown’s planned shift towards a capital-light business model, the Company announced the divestment of a majority stake in CPCP, our alternative lending fund management business, to a group including Canadian Western Bank, Concentra Bank, Mount Logan Capital Inc. and certain management participants. This transaction also included a partial sale of Crown’s interest in Crown Partners Fund at a transaction price equal to net asset value, reducing the effective ownership position from 36.5% as at June 30, 2021 to 28.0%. The proceeds of \$16.3 million were applied as a partial repayment of the balance outstanding on the Crown Credit Facility.
- On July 28, 2021, Crown announced the results of its substantial issuer bid, which resulted in the purchase and cancellation of 559,854 Common Shares at a price of \$5.50 per Common Share in cash for an aggregate cost of \$3.1 million excluding fees and expenses.

Q2 2021 Financial Results Summary

<i>Selected Quarterly Information</i>				
	Three Months Ended		Six Months Ended	
FOR THE PERIODS ENDED JUN 30 (THOUSANDS, EXCEPT PER SHARE AND NUMBER OF COMMON SHARES)	2021	2020	2021	2020
Revenue:				
Interest revenue.....	\$ 6,403	\$ 7,224	\$ 12,957	\$ 14,557
Fees and other income.....	632	779	1,191	1,116
Net gain (loss) on investments.....	(781)	3,395	(236)	150
Network services revenue.....	6,843	1,868	13,229	3,851
Total revenue.....	13,097	13,266	27,141	19,674
Net income (loss) attributable to Shareholders.....	(294)	(1,641)	966	(2,843)
Adjusted Funds from Operations ¹	3,228	3,581	7,693	7,751
Total assets.....	332,545	324,905	332,545	324,905
Total equity.....	81,478	93,043	81,478	93,043
Per share:				
- Net income (loss) to Shareholders - basic.....	\$ (0.03)	\$ (0.17)	\$ 0.11	\$ (0.30)
- Net income (loss) to Shareholders - diluted.....	(0.03)	(0.17)	0.11	(0.30)
- Adjusted Funds from Operations per share - basic ¹	0.36	0.38	0.85	0.82
- Total equity per share - basic.....	9.05	9.90	9.05	9.90
Number of common shares:				
- Outstanding at end of period.....	8,999,489	9,393,568	8,999,489	9,393,568
- Weighted average outstanding - basic.....	9,022,364	9,403,022	9,031,553	9,415,632
- Weighted average outstanding - diluted.....	9,022,364	9,461,536	9,031,553	9,473,297

Reconciliation of Income (Loss) before Income Taxes to Adjusted Funds from Operations				
FOR THE PERIODS ENDED JUN. 30 (THOUSANDS)	Three Months Ended		Six Months Ended	
	2021	2020	2021	2020
Income (loss) before income taxes attributable to Shareholders	(365)	(1,878)	971	(3,003)
Adjustments for amounts attributable to Shareholders in relation to:				
Finance costs.....	1,100	1,302	2,331	2,475
Depreciation expense, net of lease payments on right-of-use assets.....	552	711	1,092	2,289
Subtotal - Earnings attributable to Shareholders before and depreciation expense, net of lease payments on right-of-use assets.....	1,287	135	4,394	1,761
Adjustments for amounts attributable to Shareholders in relation to:				
Non-cash share-based compensation.....	423	93	473	64
Asset impairment expense.....	71	320	71	326
Gain on acquisition.....	(73)	-	(73)	-
Net unrealized investment (gains) losses.....	1,076	(979)	1,299	360
Provision for credit losses.....	679	3,909	1,232	4,200
Finance fees received in investments carried at amortized cost but not included in fees and other income.....	-	46	-	851
Amortization component of interest revenue on loans carried at amortized cost.....	(85)	(103)	(173)	(277)
Network services fees received on customer contracts but not included in contractual network services revenue.....	53	199	804	530
Amortization component of network services revenue.....	(203)	(39)	(334)	(64)
Adjusted Funds from Operations¹	\$ 3,228	\$ 3,581	\$ 7,693	\$ 7,751

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 Q2 2021 financial results at 11:00 a.m. ET on August 13, 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 85156119. 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 within Crown Life Insurance Company, Crown Capital Partners is a leading specialty finance company operating mainly in the distributed power and telecommunications infrastructure markets. We focus on alternative asset classes that require a specialized capital partner, and we aim to create long-term value by acting as both a manager of investment funds for institutional partners and as a direct investor in operating businesses serving these markets. For additional information, please visit crowncapital.ca.

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, the network services 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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