



Crown Capital Partners Announces Financial Results for Q4 & Full-Year 2021

CALGARY, March 10, 2022 – Crown Capital Partners Inc. (“Crown” or the “Corporation”) (TSX: CRWN) today announced its financial results for the fourth quarter and year ended December 31, 2021. Crown’s complete financial statements and management’s discussion and analysis are available on SEDAR at www.sedar.com.

Effective July 13, 2021, in connection with the previously announced transactions that included a divestment of 87.5% of our 100% interest in our alternative lending fund management business (Crown Private Credit Partners Inc., or “CPCP”), the transfer of the management contracts for our credit funds to CPCP, and a partial sale of our interest in Crown Partners Fund (reducing our effective ownership to 28.0%), Crown Partners Fund is no longer being recognized as a subsidiary and is now recognized by Crown as an investment in associate using the equity method. As a result, many of our asset, liability, revenue and expense balances as at and for the three months and year ended December 31, 2021 are not directly comparable to equivalent balances for prior periods. These transactions were consistent with management’s plan to shift towards a capital-light business model and achieve liquidity in our lending portfolio.

2021 Financial & Operating Highlights

- Total revenue increased to \$47.4 million, compared with \$44.8 million in 2020, due mainly to significantly higher network services revenue, which offsets reduced interest revenue.
- Network services revenue increased to \$27.6 million in 2021 (58% of total revenue), up from \$12.1 million (27% of total revenue) in 2020. This segment contributed net income before income taxes of \$4.2 million (2020 – net loss before income taxes of \$4.4 million), inclusive of depreciation and amortization expense of \$3.6 million (2020 – \$5.5 million), with the year-over-year improvement attributable to the acquisition of Galaxy in September 2020 and organic growth.
- Interest revenue declined to \$13.2 million, compared with \$27.7 million in 2020, reflecting the planned reduction in the Company’s lending portfolio and the above-mentioned deconsolidation of Crown Partners Fund, formerly the primary source of total interest revenue.
- Crown’s financial results now include Crown’s *share of earnings in Crown Partners Fund*, which is comprised of its proportionate share of the reported earnings of Crown Partners Fund in respect of its limited partnership and general partnership interests in that fund. For the period from July 13, 2021 to December 31, 2021, the share of earnings of Crown Partners Fund was \$4.7 million versus \$nil prior to July 13, 2021. For the full year ended December 31, 2021, we recognized aggregate income before income taxes of \$9.3 million (2020 – \$10.9 million) in relation to our investment in Crown Partners Fund with the decrease in 2021 primarily the result of a decrease in our effective ownership.
- Substantially improved profitability in 2021, with net income of \$2.0 million (\$0.23 per basic share), compared with a net loss and comprehensive loss of \$13.4 million (\$1.44 loss per basic share) in 2020.
- Adjusted Funds from Operations¹ of \$12.7 million (\$1.45 per basic share) in 2021, compared with \$13.1 million (\$1.40 per basic share) in 2020.
- Through two Substantial Issuer Bids (SIBs) and its Normal Course Issuer Bid, Crown returned approximately \$13.8 million to shareholders during 2021 and reduced total shares outstanding by 22%.

- Total equity at year-end decreased to \$69.1 million, from \$81.2 million at the end of 2020, mainly because of share repurchases. Total equity per share increased to \$9.74 per basic share from \$8.96 per share at year-end 2020 as a result of improved profitability and share repurchases.
- Significantly reduced Crown’s exposure to alternative lending. At year end, Crown had net assets of \$47.1 million in Specialty Finance, compared with \$89.0 million at year-end 2020.
- Subsequent to year end, Crown commenced its third SIB, pursuant to which it purchased for cancellation 1,330,000 of its outstanding common shares at a purchase price of \$7.50 per share, reducing its outstanding shares by a further 18.8%.

Management commentary: “We made steady progress in 2021 transforming Crown’s operations and balance sheet by greatly reducing our investment in the alternative lending business, returning capital to shareholders and increasing operating earnings in our other lines of business, which we believe is the best path to long-term value creation,” said Chris Johnson, President and CEO of Crown. “Our Network Services business, which represented 67% of fourth-quarter revenue, continues to show strong growth in revenue and operating earnings, more than offsetting the impact of lower interest revenue. Since the beginning of 2021, our strategy and transactions – including three SIBs – accelerated the return of almost \$24 million of capital through the purchase of over 3.3 million common shares, reducing shares outstanding by more than 36%. The combination of these activities yielded year-over-year gains in net income, earnings per share, and book value per share – and they have positioned the company well for growth as we build further scale in key operating segments organically and through strategic acquisitions.”

Q4 2021 Financial Highlights

- Continued growth of the Network Services revenue stream and operating profit. Network Services revenue increased by 21% to \$7.0 million in Q4 2021 (67% of total revenue for the quarter), up from \$5.7 million in Q4 2020, the first full quarter for which each of WireIE and Galaxy were subsidiaries of Crown. This segment generated net income before income taxes of \$0.9 million in Q4 2021, inclusive of depreciation and amortization expenses totaling \$0.9 million.
- Interest revenue for Q4 2021, which solely includes revenue from Crown Power Fund, was \$0.3 million, compared with \$6.3 million in the prior year. The decrease primarily reflects the deconsolidation of Crown Partners Fund.
- We recognized *share of earnings in Crown Partners Fund* of \$2.8 million (2020 - \$nil), compared with aggregate income before income taxes of \$2.5 million recognized in Q4 2020 in relation to our investment in Crown Partners Fund.
- Adjusted Funds from Operations¹ were \$2.5 million (\$0.30 per basic share) in the quarter, compared with \$3.0 million (\$0.32 per basic share) in Q4 2020, with the aggregate impact of the derecognition of Crown Partners Fund as a subsidiary, a reduction in the balance of Crown Partners Fund’s investments and a reduction in Crown’s percentage ownership of Crown Partners Fund offsetting an increased contribution from the Network Services platform.
- Net income and comprehensive income of \$0.2 million, compared with a net loss of \$(2.4) million in Q4 2020.

Q4 & FY2021 Financial Results Summary

<i>Selected Quarterly Information</i>	Three Months Ended		Twelve Months Ended	
	2021	2020	2021	2020
FOR THE PERIODS ENDED DEC. 31 (THOUSANDS, EXCEPT PER SHARE AND NUMBER OF COMMON SHARES)				
Revenue:				
Network services revenue.....	\$ 6,969	\$ 5,739	\$ 27,643	\$ 12,116
Interest revenue.....	298	6,276	13,248	27,711
Share of earnings of Crown Partners Fund.....	2,769	-	4,728	-
Fees and other income.....	386	391	2,013	1,811
Net gain (loss) on investments.....	-	152	(236)	3,186
Total revenue.....	10,422	12,558	47,396	44,824
Net income (loss) attributable to Shareholders.....	200	(2,378)	2,010	(13,404)
Adjusted Funds from Operations ¹	2,515	2,955	12,666	13,061
Total assets.....	140,115	325,823	140,115	325,823
Total equity.....	69,075	81,174	69,075	81,174
Per share:				
- Net income (loss) to Shareholders - basic.....	\$ 0.02	\$ (0.26)	\$ 0.23	\$ (1.44)
- Net income (loss) to Shareholders - diluted.....	0.02	(0.26)	0.23	(1.44)
- Adjusted Funds from Operations per share - basic ¹	0.30	0.32	1.45	1.40
- Total equity per share - basic.....	9.74	8.96	9.74	8.96
Number of common shares:				
- Outstanding at end of period.....	7,093,102	9,056,468	7,093,102	9,056,468
- Weighted average outstanding - basic.....	8,296,122	9,116,395	8,735,781	9,309,772
- Weighted average outstanding - diluted.....	8,296,122	9,175,272	8,735,781	9,368,046

FOR THE YEARS ENDED DEC. 31 (THOUSANDS)	Year Ended	
	2021	2020
Income (loss) before income taxes attributable to Shareholders	\$ 2,381	\$ (16,245)
Adjustments for amounts attributable to Shareholders in relation to:		
Finance costs	3,565	4,979
Depreciation expense, net of lease payments on right-of-use assets	2,362	4,158
Subtotal - Earnings attributable to Shareholders before income, finance costs and depreciation expense, net of lease payments on right-of-use assets	8,308	(7,108)
Adjustments for amounts attributable to Shareholders in relation to:		
Non-cash share-based compensation	(420)	701
Asset impairment expense	2,957	2,455
Gain on acquisition	(73)	-
Share of earnings of Crown Partners Fund attributable to limited partnership interest	(3,170)	-
Income distributions received from Crown Partners Fund	2,472	-
Net unrealized investment losses	1,299	(104)
Provision for credit losses	1,171	15,571
Finance fees received in investments carried at amortized cost but not included in fees and other income	-	956
Amortization component of interest revenue on loans carried at amortized cost	(173)	(622)
Network services fees received on customer contracts but not included in contractual network services revenue	886	1,411
Amortization component of network services revenue	(591)	(199)
Adjusted Funds from Operations ¹	\$ 12,666	\$ 13,061

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 income (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 and network services 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 Q4 2021 financial results at 10:00 a.m. ET on March 11, 2022. The call will be hosted by Chris Johnson, President & CEO, and Michael Overvelde, CFO. To participate in the call, dial (647) 794-4605 or (888) 204-4368 using the conference ID 3439134. 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 currently operating mainly in the telecommunications infrastructure and distributed power 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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