

Crown Capital Partners Announces Q3 2023 Financial Results

CALGARY, AB, November 9, 2023 /CNW/ – Crown Capital Partners Inc. (“Crown” or the “Corporation”) (TSX: CRWN) today announced its financial results for the three and nine months ended September 30, 2023. Crown’s complete financial statements and management’s discussion and analysis are available on SEDAR at www.sedar.com.

Q3 2023 Financial & Operating Highlights

- Network Services revenue was \$7.8 million, a \$0.3 million increase from the \$7.5 million in Q3 2022, with the commencement of new projects at Community Network Partners being offset by declines in the revenues of WireIE and Galaxy. The Network Services segment contributed a net loss before income taxes of \$(1.1) million, inclusive of depreciation and amortization expense totaling \$0.7 million and accrued restructuring costs of \$0.5 million. This compares with net income before income taxes of \$1.1 million in Q3 2022. The reduction in profitability in this segment is due to both an ongoing contraction of WireIE’s business and the wind-down of certain high-margin contracts at Galaxy, with multiple growth initiatives within its Community Network Partners and Galaxy subsidiaries still at early stages of ramping up.
- Distribution Services revenue of \$8.9 million was consistent on a quarter-over-quarter basis and increased by 28% compared with Q3 2022 due primarily to increased capacity utilization and customer activity levels at facilities that commenced operations in 2022. This segment reported a net loss before income taxes of \$(0.4) million, inclusive of depreciation expense totaling \$1.4 million. Capacity utilization was 70% at September 30, 2023, consistent with June 30, 2023 and compared with 39% at December 31, 2022. Crown expects capacity utilization to be higher in Q4 2023 and to increase significantly in 2024 leading to a material increase in the revenue and operating earnings from this segment.
- In Q3 2023, Crown’s share of earnings of Crown Partners Fund totaled \$0.2 million (Q3 2022 – \$0.1 million), including \$0.01 million in respect of Crown’s general partnership interest as a result of an increase in the accrued performance bonus payable to Crown by the fund and \$0.2 million in respect of Crown’s limited partnership interest. Compared with June 30, 2023, the carrying value of Crown’s investment in Crown Partners Fund increased by \$0.1 million to \$24.1 million.
- Crown reported a net loss of \$(1.8) million (\$0.32 loss per basic share) in Q3 2023, compared with a net loss of \$(2.1) million (\$0.38 loss per basic share) in Q3 2022.
- Total equity at quarter-end was \$46.6 million, down from \$50.7 million at the end of 2022, reflecting the net loss attributable to shareholders in the first nine months of 2023. Total equity per share was \$8.33 per basic share, compared with \$8.98 as at December 31, 2022.
- As at September 30, 2023, the Corporation did not satisfy certain financial covenant clauses of its credit agreement with its bank. Accordingly, the bank is contractually entitled to request immediate repayment of the outstanding loan in the amount of \$24.5 million and the outstanding balance is presented as a current liability as at September 30, 2023. The Corporation’s Bank has not requested early repayment of the loan. Management is renegotiating the terms of the credit agreement and expects that revised terms will be in place in Q4 2023.

“Q3 2023 was clearly a disappointing quarter for the Corporation. The transition of Galaxy’s customer base to new low earth orbit satellites has taken longer and has been more competitive than we had anticipated. We still see great potential in this technology and are expecting to make meaningful progress over the next year. Somewhat countering the softness in the satellite division, our fibre projects continue to move along well and our outlook on this division continues to improve. Our distribution services business is also coming along

well with profitability increasing at all but one of our facilities. Our focus continues to be on filling our available capacity, and the current pipeline of new customers is strong. Finally, our real estate business continues to make progress on our two residential developments; albeit, the residential market in Ontario remains soft,” said Chris Johnson, President and CEO of Crown.

Q3 2023 Financial Results Summary

<i>Selected Quarterly Information</i>				
	Three Months Ended		Nine Months Ended	
FOR THE PERIODS ENDED SEP. 30 (THOUSANDS, EXCEPT PER SHARE AND NUMBER OF COMMON SHARES)	2023	2022	2023	2022
Revenue:				
Distribution services revenue.....	\$ 8,915	\$ 6,971	\$ 26,154	\$ 7,543
Network services revenue.....	7,843	7,522	21,530	20,648
Fees and other income.....	1,816	428	4,115	1,485
Interest revenue.....	686	409	1,852	1,090
Net gain (loss) on investments.....	-	-	-	2
Total revenue.....	19,260	15,330	53,651	30,768
Share of (losses) earnings of Crown Partners Fund.....	210	136	2,500	(3,976)
Loss attributable to Shareholders.....	(1,807)	(2,122)	(3,674)	(4,210)
Comprehensive loss attributable to Shareholders.....	(1,871)	(2,087)	(3,704)	(4,175)
Total assets.....	179,002	157,152	179,002	157,152
Total equity.....	46,553	53,934	46,553	53,934
Per share:				
- Net loss to Shareholders - basic.....	\$ (0.32)	\$ (0.38)	\$ (0.65)	\$ (0.70)
- Net loss to Shareholders - diluted.....	(0.32)	(0.38)	(0.65)	(0.70)
- Total equity per share - basic.....	8.33	9.56	8.33	9.56
Number of common shares:				
- Outstanding at end of period.....	5,588,646	5,642,546	5,588,646	5,642,546
- Weighted average outstanding - basic.....	5,605,536	5,642,546	5,626,132	6,002,945
- Weighted average outstanding - diluted.....	5,605,536	5,642,546	5,626,132	6,002,945

About Crown Capital Partners (TSX:CRWN)

Founded in 2000 within Crown Life Insurance Company, Crown Capital Partners is a capital partner to entrepreneurs and growth businesses mainly operating in the telecommunications infrastructure, distribution services, and distributed power markets. We focus on growth industries that require a specialized capital partner, and we aim to create long-term value by acting as both a direct investor in operating businesses serving these markets and as a manager of investment funds for institutional partners. 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 distribution services market, the network services market, the general economy, Crown's business plans and strategy, including expected growth in revenue and profitability from its Network Services and Distribution Services segments, and Crown's ability to renegotiate the terms of its credit facility within a specified time frame. 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. 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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