

Crown Capital Partners Announces Financial Results for Q4 & Full-Year 2023

CALGARY, March 25, 2024 – Crown Capital Partners Inc. (“Crown” or the “Corporation”) (TSX: CRWN) today announced its financial results for the three and 12 months ended December 31, 2023. Crown’s complete financial statements and management’s discussion and analysis are available on SEDAR at www.sedarplus.ca.

2023 Financial & Operating Highlights

- Crown recognized a net loss of \$(12.2) million (\$2.16 loss per basic share) in 2023 compared to a net loss of \$(7.5) million (\$1.26 loss per basic share) in 2022. The net loss in 2023 is inclusive of aggregate impairment charges of \$6.1 million (2022 - \$3.6 million) in respect of distributed power-related equipment and equipment under development, as well as deferred tax expense of \$1.6 million (2022 – recovery of \$2.8 million).
- Total revenue increased to \$69.6 million from \$44.8 million in 2022, due primarily to an increase in distribution services revenue and the addition of property management and development revenue, a component of fees and other income, in 2023.
- Distribution services revenue increased by 144% to \$34.4 million compared with \$14.1 million in 2022 due primarily to increased capacity utilization and customer activity levels at facilities that commenced operations in 2022 and 2023. This segment reported a net loss before income taxes of \$(3.6) million (2022 – \$(1.9) million), inclusive of depreciation and amortization expense totaling \$5.6 million (2022 - \$1.9 million), with the net loss attributable primarily to the ongoing ramp up of facilities that commenced commercial operations in 2022 and 2023.
- Network services revenue was \$26.9 million in 2023, compared with \$27.3 million in 2022, due to a year-over-year revenue decline from WireIE, which is experiencing a net cancellation of customer contracts, that more than offset modest growth from Galaxy, for which a large construction-sector contract concluded in mid-Q2 2023, and Community Network Partners. This segment reported a net loss before income taxes of \$(0.6) million (2022 – net income before income taxes of \$3.1 million), inclusive of depreciation and amortization expense totaling \$3.5 million (2022 - \$3.9 million) and accrued restructuring costs of \$0.5 million (2022 – \$nil). The operating costs of the Network Services segment, salary expense in particular, increased year-over-year due to incremental investment in growth initiatives.
- Revenue from the Real Estate segment was \$4.0 million in 2023 (2022 - \$nil) with the year-over-year increase attributable to property management and development services contracts acquired in the first half of 2023. For the year ended December 31, 2023, this segment recorded net income before income taxes of \$0.2 million (2022 - \$0.1 million), inclusive of depreciation and amortization expense of \$0.6 million (2022 - \$nil).
- The Distributed Power segment recorded revenues of \$2.4 million (2022 - \$1.6 million) with a portion of the increase related to merchant power revenue from a project that entered service during the third quarter of 2023. This segment reported a net loss before income taxes of \$(2.0) million (2022 - \$(1.0) million net loss before income taxes) inclusive of asset impairment charges totaling \$6.1 million (2022 - \$3.6 million),

comprised of \$5.2 million (2022 - \$0.3 million) related to equipment revaluations and \$0.9 million (2022 - \$3.3 million) related to revised estimates of the economics of two projects under development.

- In 2023, the Specialty Finance segment recognized earnings of \$3.0 million (2022 – loss of \$(4.7) million) in relation to its investment in Crown Partners Fund, including \$2.1 million in respect of its limited partnership interest and \$0.9 million in respect of its general partnership interest in the fund. The year-over-year improvement is primarily due to the recognition of a larger provision for expected credit loss in 2022, which negatively impacted our share of losses in the prior year.
- Total equity at year-end decreased to \$38.2 million, from \$50.7 million at the end of 2022, due to a net loss attributable to shareholders of \$12.2 million and share repurchases of \$0.4 million. Total equity per share decreased to \$6.84 per basic share from \$8.98 per basic share as at December 31, 2022.
- Since September 30, 2023, Crown has not satisfied 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 \$27.4 million and the outstanding balance is presented as a current liability as at December 31, 2023. The Corporation’s bank has not requested early repayment of the loan. On December 29, 2023, Crown’s credit facility was amended to reduce the operating loan limit from \$10.0 million to \$5.0 million, to provide additional security in support of the loan, and to provide access to an additional \$2.1 million on the operating loan on a non-margined basis until February 29, 2024. Management is currently in discussions with lenders regarding replacing its current credit facility and multiple financing options are being considered; however, there is no assurance that such arrangements will become available.
- On December 29, 2023, Crown completed a non-brokered private placement offering of 1,500 units at a price of \$980 per unit for gross proceeds of \$1.5 million. Each unit is comprised of one 10% redeemable secured subordinated debenture in the principal amount of \$1,000 maturing on June 30, 2025 and 50 common share purchase warrants with each warrant entitling the holder to purchase one Common Share at a price of \$7.00 per Common Share until December 29, 2026. This offering was fully subscribed by directors of the Corporation.
- In December 2023, Crown’s subsidiary Community Network Partners completed the construction and testing of the first segment of its fiber network in connection with the province’s *Accelerated High-Speed Internet Program*, the first internet service provider to reach this milestone in relation to this program, at which time it recognized as a receivable the related grant funding, which was subsequently received in March 2024.

“2023 was a challenging year for Crown as we continued to transition from an asset management and investment platform to an operating business focused on a handful of key growth industries. Slower than anticipated realization of proceeds from our non-core assets coupled with unanticipated weakness in our two largest verticals, Network Services and Distribution Services, caused us to be offside on some of the covenants of the banking facility we put in place in early 2023. Further, our book value was negatively affected as we adjusted the value of certain assets of Crown Power Fund in preparation of selling them,” said Chris Johnson, President and CEO of Crown. “While we had our challenges, we achieved a number of significant milestones and we exited last year on a strong footing with our operating companies. We also have reasonable visibility on the liquidation of non-core assets and intend to apply any proceeds against our outstanding indebtedness,” added Mr. Johnson.

Q4 2023 Financial Highlights

- Crown recognized a net loss of \$(8.5) million (\$1.52 loss per basic share) in Q4 2023 compared to a net loss of \$(3.3) million (\$0.58 loss per basic share) in Q4 2022. The net loss in Q4 2023 is inclusive of aggregate impairment charges of \$6.1 million (2022 - \$nil) in respect of distributed power-related equipment and equipment under development, as well as deferred tax expense of \$2.8 million (2022 – recovery of \$0.6 million).
- Crown recognized a net loss before income taxes in respect of the Network Services segment of \$(0.7 million) (2022 - \$(0.4) million), inclusive of depreciation and amortization expense totaling \$1.3 million (2022 – \$0.9 million). Network services revenue in Q4 2023 decreased by 18% year-over-year for the aforementioned reasons, and by 31% quarter-over-quarter due primarily to unusually high revenue related to hardware sales and installation completed in the previous quarter.
- Our Distribution Services segment recognized a net loss before income taxes of \$(1.2) million (2022 - \$(1.4) million), inclusive of depreciation and amortization expense totaling \$1.5 million (2022 - \$1.0 million). Distribution services revenue increased by 26% year-over-year due primarily to increased capacity utilization and customer activity levels at facilities that commenced operations in 2022 and 2023. The net loss in Q4 2023 reflects start-up costs in respect of certain facilities of Go Direct Global that are in various stages of achieving scale.
- In Q4 2023, Crown recognized a net loss before income taxes in respect of the Distributed Power segment of \$(2.7) million (2022 – net income before taxes of \$0.1 million), inclusive of aggregate impairment charges of \$6.1 million (2022 - \$3.6 million) recorded in respect of distributed power equipment and equipment under development.
- Our share of earnings of Crown Partners Fund was \$0.5 million, a year-over-year increase compared with a loss of \$(0.7) million in Q4 2022, with the improvement primarily due to an increase in the estimated fair value of certain equity securities of Crown Partners Fund in Q4 2023.

Q4 & FY2023 Financial Results Summary

<i>Select Financial Information</i>	Three Months Ended		Year Ended	
	2023	2022	2023	2022
FOR THE PERIODS ENDED DEC. 31 (THOUSANDS, EXCEPT PER SHARE AND NUMBER OF COMMON SHARES)				
Revenue:				
Distribution services revenue.....	\$ 8,223	\$ 6,528	\$ 34,377	\$ 14,071
Network services revenue.....	5,399	6,614	26,929	27,262
Fees and other income.....	1,818	424	5,866	1,909
Distributed power interest revenue.....	280	503	2,132	1,593
Merchant power revenue.....	180	-	247	-
Net gain on investments.....	-	-	-	2
Total revenue.....	15,900	14,069	69,551	44,837
Share of earnings (losses) of Crown Partners Fund.....	483	(680)	2,983	(4,656)
Loss attributable to Shareholders.....	(8,478)	(3,265)	(12,152)	(7,475)
Comprehensive loss attributable to Shareholders.....	(8,386)	(3,265)	(12,090)	(7,440)
Total assets.....	176,654	166,662	176,654	166,662
Total equity.....	38,228	50,670	38,228	50,670
Per share:				
- Net loss to Shareholders - basic.....	\$ (1.52)	\$ (0.58)	\$ (2.16)	\$ (1.26)
- Net loss to Shareholders - diluted.....	(1.52)	(0.58)	(2.16)	(1.26)
- Total equity per share - basic.....	6.84	8.98	6.84	8.98
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.....	5,588,646	5,642,546	5,616,684	5,912,105
- Weighted average outstanding - diluted.....	5,588,646	5,642,546	5,616,684	5,912,105

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 and the general economy, Crown’s business plans and strategy, including anticipated investment dispositions and capital deployments and the timing thereof, anticipated refinancing activity 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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