

Crown Capital Partners Announces Q2 2024 Financial Results

CALGARY, August 8, 2024 – Crown Capital Partners Inc. (“Crown” or the “Corporation”) (TSX: CRWN) today announced its financial results for the three and six months ended June 30, 2024. Crown’s complete financial statements and management’s discussion and analysis are available on SEDAR at www.sedarplus.ca.

Q2 2024 Financial & Operating Highlights

- Crown recognized a net loss of \$(15.2) million (\$2.71 loss per basic share) in Q2 2024 compared to a net loss of \$(1.2) million (\$0.21 loss per basic share) in Q2 2023.
- Adjusted EBITDA¹ was \$2.0 million in Q2 2024 compared to \$2.6 million in Q2 2023 due primarily to reductions in revenues from the Network Services and Distributed Power segments and a reduction in income distributions from Crown Partners Fund, partially offset by increased earnings from the Distribution Services and Real Estate segments.
- Distribution services revenue was \$9.4 million in Q2 2024 compared to \$8.9 million in Q2 2023. This segment reported net income before income taxes of \$0.3 million (Q2 2023 – net loss before income taxes of \$(1.2) million), with the improvement attributable to the impact of operational efficiencies implemented throughout 2023 and 2024 and increased capacity utilization across the warehouses. Capacity utilization was 58% at June 30, 2024 compared with 52% at March 31, 2024 and 42% at December 31, 2023.
- Network services revenue was \$5.9 million in Q2 2024 compared to \$6.4 million in Q2 2023, with the decrease due primarily to the continued runoff of customer contracts from WireIE and the conclusion of a large construction-sector contract in mid-Q2 2023, partially offset by modest growth from customers of Galaxy in the mining sector. This segment reported a net loss before income taxes of \$(0.4) million (Q2 2023 – net income before income taxes of \$0.5 million).
- Real Estate segment revenue was \$1.2 million in Q2 2024 compared to \$0.9 million in Q2 2023, with the increase over the prior-year quarter attributable to property development contracts acquired during Q2 2024. This segment recorded net income before income taxes of \$0.3 million (Q2 2023 - net loss before income taxes of \$0.2 million).
- Distributed Power revenue was \$0.4 million in Q2 2024 compared to \$0.6 million in Q2 2023, with the decrease primarily relating to a decrease in property and equipment under development and to the consolidation of the Wilson Creek assets. This segment reported a net loss before income taxes of \$(0.2) million (Q2 2023 – net income before income taxes of \$0.2 million).
- The Specialty Finance segment recorded a net loss before income taxes of \$(13.6) million (Q2 2023 – net income earnings of \$0.8 million), representing Crown’s share of (losses) earnings of Crown Partners Fund. In Q2 2024, Crown Partners Fund incurred a decrease in net assets of \$42.2 million, of which \$34.2 million was attributable to limited partnership interests, of which we own 28%, and \$8.0 million was attributable to Crown’s general partnership interest. The decline from the prior-year quarter is due primarily to an unrealized loss recognized in the period in respect of a loan investment carried at fair value through profit or loss.

- Total equity at quarter-end decreased to \$22.4 million, from \$38.2 million at the end of 2023, due to a net loss attributable to shareholders of \$(15.9) million, driven primarily by Crown’s share of the loss of Crown Partners Fund of \$15.4 million. Total equity per share decreased to \$4.00 per basic share from \$6.84 per basic share as at December 31, 2023.
- 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 as of August 8, 2024 of \$24.4 million and the outstanding balance is presented as a current liability as at June 30, 2024. The Corporation’s bank has not requested early repayment of the loan. 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.
- As of August 8, 2024, the Corporation had not paid the scheduled interest payment of \$1.0 million due on June 30, 2024 in respect of the 10% unsecured subordinated debentures (“Debentures”). Since July 31, 2024, this has constituted an event of default under the terms of the trust indenture that governs the Debentures. Accordingly, the Debentureholders, subject to certain conditions, are contractually entitled to request immediate repayment of the outstanding balance of \$21.0 million, including principal and interest, but have not requested immediate repayment. Management is currently evaluating options to address the non-payment of interest on the Debentures.
- As of August 8, 2024, the Corporation had not paid the scheduled interest payment of \$0.04 million due on June 30, 2024 in respect of the 10% redeemable secured subordinated debentures (“Subordinated Debentures”). This constitutes an event of default, but the holders of the Subordinated Debentures have not requested immediate repayment.
- In Q2 2024, Crown’s subsidiary, Community Network Partners, completed the second subplot related to its fibre network under the Province of Ontario’s *Accelerated High-Speed Internet Program* and \$20.3 million is included in accounts receivable with the grant funding expected to be received in Q3 2024.

“Q2 was very disappointing as an unrealized loss on a single loan resulted in a significant reduction in the carrying value of our limited partnership interest in Crown Partners Fund and the reversal of Crown’s previously-accrued performance fee entitlement. The loss relates to a company that had been very successful when the loan was underwritten in 2019, but which has since experienced operational difficulties. The company is currently in a sales process. We are hopeful that the ultimate recovery will exceed the current carrying value. Crown Partners Fund is currently being liquidated, and no new investments have been made since 2020,” said Chris Johnson, President and CEO of Crown.

“On the go-forward business front, we continue to make good progress with our Telecom, Distribution and Real Estate platforms with all business units exceeding expectations for the first half of the year. We expect the earnings from these businesses to continue to increase over the next 12 months and be the primary sources of our earnings in 2025,” added Mr. Johnson.

Q2 2024 Financial Results Summary

<i>Select Financial Information</i>	Three Months Ended		Six Months Ended	
	2024	2023	2024	2023
FOR THE PERIODS ENDED JUN. 30 (THOUSANDS, EXCEPT PER SHARE AND NUMBER OF COMMON SHARES)				
Revenue:				
Distribution services revenue.....	\$ 9,368	\$ 8,882	\$ 17,577	\$ 17,239
Network services revenue.....	5,909	6,414	12,628	13,687
Fees and other income.....	1,709	1,416	3,720	2,299
Distributed power interest revenue.....	185	624	368	1,166
Merchant power revenue.....	195	-	799	-
Total revenue.....	17,366	17,336	35,092	34,391
Share of (losses) earnings of Crown Partners Fund.....	(17,594)	940	(15,367)	2,290
Loss attributable to Shareholders.....	(15,153)	(1,155)	(15,757)	(1,867)
Comprehensive loss attributable to Shareholders.....	(15,181)	(1,121)	(15,865)	(1,833)
Adjusted EBITDA ¹	1,988	2,589	3,279	2,851
Total assets.....	177,016	173,872	177,016	173,872
Total equity.....	22,363	48,594	22,363	48,594
Per share:				
- Net loss to Shareholders - basic.....	\$ (2.71)	\$ (0.21)	\$ (2.82)	\$ (0.33)
- Net loss to Shareholders - diluted.....	(2.71)	(0.21)	(2.82)	(0.33)
- Adjusted EBITDA per share - basic ¹	0.36	0.46	0.59	0.51
- Total equity per share - basic.....	4.00	8.66	4.00	8.66
Number of common shares:				
- Outstanding at end of period.....	5,588,646	5,610,646	5,588,646	5,610,646
- Weighted average outstanding - basic.....	5,588,646	5,630,743	5,588,646	5,636,601
- Weighted average outstanding - diluted.....	5,588,646	5,630,743	5,588,646	5,636,601

FOR THE PERIODS ENDED JUN. 30 (THOUSANDS)	Three Months Ended		Six Months Ended	
	2024	2023	2024	2023
Loss before income taxes	(14,885)	(1,185)	(15,191)	(2,136)
Adjustments for amounts attributable to shareholders in relation to: ¹				
Depreciation	2,804	2,275	5,521	4,472
Finance costs.....	1,975	1,431	4,032	3,007
Payments of lease obligations.....	(1,325)	(1,296)	(2,623)	(2,597)
Share based compensation (recovery) expense	(340)	65	(478)	(47)
Loss on disposal of assets held for sale.....	22	-	22	-
Remeasurement of financial instruments.....	-	-	-	(611)
Provisions for (recoveries of) bad debts and expected credit losses.....	2	(0)	6	1
Share of losses (earnings) of Crown Partners Fund.....	17,594	(940)	15,367	(2,290)
Income distributions received from Crown Partners Fund.....	157	2,069	157	2,704
Performance bonus expense (recovery).....	(4,015)	170	(3,533)	348
Adjusted EBITDA¹	1,988	2,589	3,279	2,851

¹ Adjusted EBITDA 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 attributable to Shareholders to Adjusted EBITDA in this news release. Amounts in respect of non-controlling interests are excluded in the calculation of Adjusted EBITDA. We believe that Adjusted EBITDA is a useful supplemental measure in the context of Crown's operations to assist investors in assessing the performance of our business as it provides a more relevant picture of operating results by facilitating a comparison of our performance on a consistent basis from period-to-period and provides a more complete understanding of factors and trends affecting our business. Adjusted EBITDA 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.

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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