

Crown Capital Partners Announces Q3 2024 Financial Results

CALGARY, November 12, 2024 – Crown Capital Partners Inc. (“Crown” or the “Corporation”) (TSX: CRWN) today announced its financial results for the three and nine months ended September 30, 2024. Crown’s complete financial statements and management’s discussion and analysis are available on SEDAR at www.sedarplus.ca.

Q3 2024 Financial & Operating Overview

- Crown recognized a net loss of \$(2.7) million (\$0.49 loss per basic share) in Q3 2024 compared to a net loss of \$(1.8) million (\$0.32 loss per basic share) in Q3 2023.
- Adjusted EBITDA¹ was \$0.8 million in Q3 2024 compared to \$0.4 million in Q3 2023 due primarily to improved earnings from the Distribution Services and Network Services segments, partially offset by decreased earnings from the Real Estate, Specialty Finance and Distributed Power segments. For the nine months ended September 30, 2024, Adjusted EBITDA was \$4.1 million compared with \$3.3 million in the comparable 2023 period, with increased contributions from each of the Distribution Services and Real Estate segments and a reduced Corporate and Other segment loss more than offsetting reduced contributions from the Specialty Finance and Distributed Power segments.
- Distribution services revenue was \$9.1 million in Q3 2024 compared to \$8.9 million in Q3 2023. This segment reported a net loss before income taxes of \$(0.1) million (Q3 2023 – \$(0.4) million) and Adjusted EBITDA of \$0.5 million (Q3 2023 - \$0.3 million), with the year-over-year improvement attributable to the impact of operational efficiencies implemented throughout 2023 and 2024 and to increased capacity utilization across the warehouses. Capacity utilization was 62% at September 30, 2024, compared with 58% at June 30, 2024, 52% at March 31, 2024 and 42% at December 31, 2023.
- Network services revenue was \$7.0 million in Q3 2024 compared to \$7.8 million in Q3 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 in revenues from Community Network Partners’s customers located in Brooks, Alberta. This segment reported a net loss before income taxes of \$(0.5) million (Q3 2023 – \$(1.1) million) and Adjusted EBITDA of \$0.4 million (Q3 2023 - \$(0.5) million).
- Real Estate segment revenue was \$1.1 million in Q3 2024 compared to \$1.3 million in Q3 2023, with the decrease over the prior-year quarter attributable primarily to the timing of fee recognition. This segment recorded net income before income taxes of \$0.02 million (Q3 2023 - net income before income taxes of \$0.3 million) and Adjusted EBITDA of \$0.1 million (Q3 2023 - \$0.4 million).
- Distributed Power revenue was \$0.3 million in Q3 2024 compared to \$0.8 million in Q3 2023, with the decrease primarily related to the reclassification of certain power assets as held for sale at the end of 2023 and to the consolidation of the Wilson Creek assets. In addition to softer power prices in the Alberta market, merchant power revenues were lower than expected in the third quarter of 2024 due to the delayed repair of engine coolers, which reduced both available output and runtimes during the period. This segment reported a net loss before income taxes of \$(0.3) million (Q3 2023 – net income before income taxes of \$0.4 million) and Adjusted EBITDA of \$(0.02) million (Q3 2023 - \$0.3 million).

- The Specialty Finance segment recorded net income before income taxes of \$0.2 million (Q3 2023 –\$0.2 million), representing Crown’s share of (losses) earnings of Crown Partners Fund, and Adjusted EBITDA of \$nil (Q3 2023 - \$0.1 million), representing income distributions received from Crown Partners Fund.
- Total equity at quarter-end decreased to \$19.7 million from \$38.2 million at the end of 2023 due to a net loss attributable to shareholders of \$(18.5) million, which was driven primarily by Crown’s share of the loss of Crown Partners Fund of \$(15.1) million with the loss attributable to an unrealized loss recognized by the fund during the period in respect of a loan investment carried at fair value through profit or loss. Total equity per share decreased to \$3.52 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 of \$14.4 million as of November 12, 2024 and the outstanding balance of \$23.9 million as at September 30, 2024 is presented as a current liability. On October 11, 2024, the credit agreement was amended to terminate the \$5 million operating loan portion of the credit facility on full repayment on or before October 15, 2024 and to revise the maturity date of the term loan portion of the credit facility to December 31, 2024. The operating loan portion of the credit facility was repaid in full on October 11, 2024. Management is currently in discussions with lenders regarding replacing its current credit facility, however, there is no assurance that such arrangements will become available.
- As of November 12, 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. On October 18, 2024, the holders of the Debentures approved amendments to the terms of the Debentures to extend the maturity date to December 31, 2026, to amend the interest rates and timing of interest payments and to grant security interest to the trustee for the Debentures. The holders of the Debentures also agreed to waive the default of the Corporation for failure to make the June 30, 2024 interest payment, subject to the Corporation paying such interest by December 17, 2024.
- As of November 12, 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 Q3 2024, Crown’s subsidiary, Community Network Partners, received a grant funding payment of \$20.3 million for the completion of the second subplot related to its fibre network under the Province of Ontario’s *Accelerated High-Speed Internet Program*.

“We continue to advance our operating subsidiaries in the third quarter while dealing with the restructuring of the Corporation’s balance sheet, including the paydown of the senior loans and extension of the debentures. We are making progress in monetizing the Corporation’s assets which will be used to pay down debt,” said Chris Johnson, President and CEO of Crown.

“We are pleased with the performance of our operating subsidiaries, most significant is the progress Community Network Partners is making with its contract to build fibre optic networks in Northern Ontario. This is a very large undertaking and will result in Community Network Partners owning and operating the only fibre optic network in the communities we are building in,” added Mr. Johnson.

Q3 2024 Financial Results Summary

FOR THE PERIODS ENDED SEP. 30 (THOUSANDS, EXCEPT PER SHARE AND NUMBER OF COMMON SHARES)	Three Months Ended		Nine Months Ended	
	2024	2023	2024	2023
Revenue:				
Distribution services revenue.....	\$ 9,083	\$ 8,915	\$ 26,660	\$ 26,154
Network services revenue.....	6,951	7,843	19,579	21,530
Fees and other income.....	1,541	1,758	5,261	4,057
Distributed power interest revenue.....	157	686	525	1,852
Merchant power revenue.....	143	58	942	58
Total revenue.....	17,875	19,260	52,967	53,651
Share of earnings (losses) of Crown Partners Fund.....	235	210	(15,132)	2,500
Loss attributable to Shareholders.....	(2,731)	(1,807)	(18,488)	(3,674)
Comprehensive loss attributable to Shareholders.....	(2,688)	(1,871)	(18,553)	(3,704)
Adjusted EBITDA ¹	804	403	4,083	3,254
Total assets.....	172,361	179,002	172,361	179,002
Total equity.....	19,675	46,553	19,675	46,553
Per share:				
- Net loss to Shareholders - basic.....	\$ (0.49)	\$ (0.32)	\$ (3.31)	\$ (0.65)
- Net loss to Shareholders - diluted.....	(0.49)	(0.32)	(3.31)	(0.65)
- Adjusted EBITDA per share - basic ¹	0.14	0.07	0.73	0.58
- Total equity per share - basic.....	3.52	8.33	3.52	8.33
Number of common shares:				
- Outstanding at end of period.....	5,588,646	5,588,646	5,588,646	5,588,646
- Weighted average outstanding - basic.....	5,588,646	5,605,536	5,588,646	5,626,132
- Weighted average outstanding - diluted.....	5,588,646	5,605,536	5,588,646	5,626,132

Quarterly reconciliations of loss before income taxes to Adjusted EBITDA

FOR THE PERIODS ENDED (THOUSANDS)	2024			2023			2022	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Loss before income taxes	(2,632)	(14,885)	(306)	(5,414)	(2,154)	(1,185)	(951)	(4,247)
Adjustments for amounts attributable to shareholders in relation to: ¹								
Depreciation and amortization.....	2,826	2,804	2,718	3,122	2,314	2,275	2,197	2,010
Finance costs.....	2,413	1,975	2,057	1,828	1,754	1,431	1,576	1,167
Payments of lease obligations.....	(1,350)	(1,325)	(1,298)	(1,306)	(1,273)	(1,296)	(1,301)	(994)
Share based compensation (recovery) expense	(358)	(340)	(138)	(264)	2	65	(112)	153
Impairments of property and equipment and distributed power equipment under development and related deposits.....	-	-	-	2,618	-	-	-	-
Loss on disposal of assets held for sale.....	-	22	-	-	-	-	-	-
Remeasurement of financial instruments.....	-	-	-	-	-	-	(611)	-
Provisions for (recoveries of) expected credit losses..	140	2	4	98	(123)	(0)	1	(2)
Share of losses (earnings) of Crown Partners Fund.....	(235)	17,594	(2,227)	(483)	(210)	(940)	(1,350)	680
Income distributions received from Crown Partners Fund.....	-	157	-	230	90	2,069	635	590
Performance bonus expense (recovery).....	-	(4,015)	482	73	3	170	178	(184)
Adjusted EBITDA ¹	804	1,988	1,291	502	403	2,589	262	(828)

Reconciliations of (loss) income before income taxes to Adjusted EBITDA by operating segment

FOR THE THREE MONTHS ENDED SEP. 30, 2024 (THOUSANDS)	Reportable Segments						Total
	Distribution Services	Network Services	Specialty Finance	Distributed Power	Real Estate	Corporate and Other	
(Loss) income before income taxes	(87)	(537)	235	(285)	17	(1,975)	(2,632)
Adjustments for amounts attributable to shareholders in relation to: ¹							
Depreciation and amortization.....	1,521	991	-	123	119	71	2,826
Finance costs.....	369	25	-	-	-	2,019	2,413
Payments of lease obligations.....	(1,289)	(61)	-	-	-	-	(1,350)
Share based compensation recovery	-	-	-	-	-	(358)	(358)
Loss on disposal of assets held for sale.....	-	-	-	-	-	-	-
Provisions for expected credit losses.....	-	-	-	140	-	-	140
Share of losses of Crown Partners Fund.....	-	-	(235)	-	-	-	(235)
Income distributions received from Crown Partners Fund.....	-	-	-	-	-	-	-
Performance bonus recovery.....	-	-	-	-	-	-	-
Adjusted EBITDA ¹	514	418	-	(21)	136	(243)	804

Reportable Segments

FOR THE THREE MONTHS ENDED SEP. 30, 2023
(THOUSANDS)

	Distribution Services	Network Services	Specialty Finance	Distributed Power	Real Estate	Corporate and Other	Total
(Loss) income before income taxes	(378)	(1,141)	207	399	317	(1,558)	(2,154)
Adjustments for amounts attributable to shareholders in relation to: ¹	-	-	-	-	-	-	-
Depreciation and amortization.....	1,390	740	-	1	118	65	2,314
Finance costs.....	394	28	-	-	-	1,332	1,754
Payments of lease obligations.....	(1,110)	(163)	-	-	-	-	(1,273)
Share based compensation expense	-	-	-	-	-	2	2
Recoveries of expected credit losses.....	-	-	-	(123)	-	-	(123)
Share of earnings of Crown Partners Fund.....	-	-	(210)	-	-	-	(210)
Income distributions received from Crown Partners Fund.....	-	-	90	-	-	-	90
Performance bonus expense	-	-	3	-	-	-	3
Adjusted EBITDA ¹	296	(536)	90	276	435	(159)	403

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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