

Crown Capital Partners Announces Financial Results for Q2 2018

Results highlighted by record quarterly revenue

CALGARY, August 8, 2018 – Crown Capital Partners Inc. (“Crown” or the “Corporation”) (TSX: CRWN), which provides growth capital to successful mid-market companies, today announced its financial results for the second quarter ended June 30, 2018. Crown’s complete financial statements and management’s discussion and analysis for the three- and six-month periods ended June 30, 2018 are available on SEDAR at www.sedar.com.

Q2 2018 Financial & Operating Highlights

- Total revenue of \$9.0 million (2017 – \$7.7 million), including interest revenue of \$6.3 million (2017 – \$5.6 million), fees and other income of \$1.6 million (2017 – \$3.1 million), and a net gain on investments of \$1.1 million (2017 – net loss of \$2.0 million).
- Net income, net of non-controlling interests, of \$2.0 million (2017 – \$1.8 million), or \$0.21 per common share (basic) (2017 – \$0.19).
- Adjusted EBIT¹ of \$3.6 million, compared with \$3.1 million in Q2 2017.
- Total equity per common share (basic) increased to \$11.03 at June 30, 2018 compared with \$10.88 at March 31, 2018.
- Total assets of \$277.7 million at June 30, 2018, up from \$229.1 million at December 31, 2017.
- On June 1, 2018, paid a quarterly dividend of \$0.15 per common share.
- Announced the full repayment by Petrowest Corporation of its loan to Crown Capital Fund IV, LP (“CCF IV LP”), resulting in a realized Gross IRR³ on CCF IV LP’s aggregate investment in Petrowest of 18.2%.
- CCF IV LP completed two special situations transactions:
 - \$12 million term loan to Data Communications Management Corp. (TSX:DCM).
 - \$25 million term loan to Persta Resources Inc. (HKEX: 3395).
- Crown announced two 10-year loan agreements:
 - \$10 million term loan to Mill Street & Co. Inc.
 - \$10 million term loan to WireIE (Canada) Inc.
- Announced the launch of Crown Capital Power LP (“Crown Power Fund”), a new fund that intends to provide investors with attractive, utility-like income through the direct ownership of integrated energy platforms that provide electricity under long-term contracts to mid- to large-scale electricity users. Crown has initially committed \$15 million of capital to Crown Power Fund.
- Closed a bought deal public offering of \$20 million of convertible debentures.
- Subsequent to quarter end, completed a \$75 million upsizing of CCF IV LP and renamed the fund Crown Capital Partner Funding LP. Concurrently, the investment period was extended to the end of 2019 and the maximum size of the Fund was increased to \$500 million, from \$300 million previously.

“This was the best quarter in Crown’s history both for revenue and new loan originations. Our team was active on multiple fronts as we further expanded and diversified our portfolio, completing four new investments totaling \$57 million, launched and seeded a new fund, and increased our capital base through a convertible debenture financing and, more recently, the \$75 million upsizing of our special situations fund,” said Chris Johnson, President and CEO of Crown. “We have experienced robust growth in our investments and fee-generating assets, which drove record quarterly revenue and strong increases in our cash flow. We continue to see growing demand from mid-market companies for our customized financing solutions, and this is matched by increasing interest from institutional investors in private credit assets.”

Mr. Johnson continued: “In addition to the ongoing expansion of our special situations portfolio, we are very excited about the growth potential of the new Crown Power fund. Commercial electricity users in markets such as Ontario have experienced substantial price increases, creating demand for ‘private utility’ solutions that offer more reliable and less expensive electricity. Working with established operators, we see a tremendous opportunity to build a large portfolio of long-term contracts with profitable, well-established businesses that will deliver investors attractive utility-like recurring cash flows.”

Q2 F2018 Financial Results Summary

On January 1, 2018, the Corporation adopted IFRS 9 “Financial Instruments” (“IFRS 9”) resulting in fundamental changes to the accounting for financial assets. As a result, some of the Corporation’s debt investments are now carried at amortized cost, with other debt investments and all equity investments carried at fair value through profit or loss (“FVTPL”). Previously, all investments had been carried at FVTPL. The impact of the adoption of IFRS 9 on the carrying value of investments and retained earnings as at January 1, 2018 was a reduction of \$2.1 million and \$0.9 million, respectively. Financing fees earned in relation to debt investments carried at amortized cost are now deferred and amortized over the term of related loans as part of the effective interest rate and are no longer recognized immediately in revenues. Comparative amounts for 2017 and prior periods were not restated for the impact of IFRS 9.

Selected Quarterly Information	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017 ²	2018	2017 ²
(\$ in 000s, except per share and number of shares)				
Revenue:				
Interest revenue	\$ 6,274	\$ 5,623	\$ 11,837	\$ 10,008
Fees and other income	1,636	3,080	1,835	3,606
Performance fee distributions	-	1,044	-	1,044
Net realized gain on sale of investments	222	2,733	222	3,286
Net change in unrealized gains in fair value of investments	902	(4,765)	444	(3,473)
Total Revenue	\$ 9,034	\$ 7,715	\$ 14,338	\$ 14,471
Total comprehensive income, net of non-controlling interests	\$ 1,970	\$ 1,767	\$ 2,871	\$ 3,511
Weighted average shares outstanding - basic	9,467,790	9,519,598	9,482,208	9,520,471
Total comprehensive income per share - basic	\$ 0.21	\$ 0.19	\$ 0.30	\$ 0.37
Weighted average shares outstanding - diluted	9,839,266	9,853,463	9,845,443	9,846,354
Total comprehensive income per share - diluted	\$ 0.20	\$ 0.18	\$ 0.29	\$ 0.36
Adjusted EBIT ¹	\$ 3,570	\$ 3,078	\$ 5,581	\$ 6,069
Investments	\$ 242,954	\$ 194,096	\$ 242,954	\$ 194,096
Total assets	\$ 277,686	\$ 222,445	\$ 277,686	\$ 222,445
Total equity	\$ 104,314	\$ 103,376	\$ 104,314	\$ 103,376
Common Shares outstanding at June 30,	9,461,372	9,517,432	9,461,372	9,517,432
Total equity per share - basic	\$ 11.03	\$ 10.86	\$ 11.03	\$ 10.86

Reconciliation of Earnings before Income Taxes to Adjusted EBIT (\$ in 000s)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017 ²	2018	2017 ²
	Earnings before income taxes	\$ 6,486	\$ 4,735	\$ 9,937
Add: financing costs	344	141	479	288
Add: non-cash share-based compensation	420	402	878	745
Deduct: net income attributable to non-controlling interests	(3,680)	(2,200)	(5,713)	(4,750)
Adjusted EBIT ¹	\$ 3,570	\$ 3,078	\$ 5,581	\$ 6,069

- Adjusted EBIT 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 this measure may differ among companies and analysts. Adjusted EBIT is calculated by Crown as earnings before non-cash share-based compensation, finance costs and income taxes less net income and comprehensive income attributable to non-controlling interests. The Corporation has provided a reconciliation of earnings before income taxes to Adjusted EBIT in this news release. The Corporation believes Adjusted EBIT is a useful supplemental measure that may assist investors in assessing the financial performance and the cash anticipated to be generated by Crown's business. Adjusted EBIT 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.
- IFRS 9 was adopted on January 1, 2018 on a retrospective basis without restatement of prior periods. Accordingly, 2017 and prior periods are not presented on a comparable basis.
- "Gross IRR" means the gross internal rate of return generated from an investment before consideration of management fees and expenses and is calculated based on an investment's realized amounts and unrealized amounts (cash distributions) and actual cash outflows made in respect of an investment, with timing based on when such distributions occurred or are likely to occur. It is then calculated by determining the discount rate that will bring all cash distributions (realized and unrealized) to a net present value of zero.

Conference Call & Webcast

Crown will host a conference call to discuss its Q2 2018 financial results at 8:30 a.m. EDT on August 8, 2018. The call will be hosted by Chris Johnson, President & CEO, and Michael Overvelde, CFO. To participate in the call, dial (416) 764-8682 or (888) 390-0549 using the conference ID 27106790. The audio webcast can be accessed at www.crowncapital.ca under Investor Relations or <https://bit.ly/2mutHer>. Listeners should access the webcast or call 10-15 minutes before the start time to ensure they are connected.

About Crown Capital Partners

Crown (TSX:CRWN) is a specialty finance company focused on providing capital to successful Canadian and select U.S. companies. Crown also manages capital pools, including some in which Crown has a direct ownership interest. Crown originates, structures and provides tailored special situation and long-term financing solutions to a diversified group of private and public mid-market companies in the form of loans, royalties and other structures with minimal or no ownership dilution.

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 and the general economy, transaction pipeline, Crown's business plans and strategy, including anticipated capital deployments and the timing thereof, and Crown's future cash flow and shareholder value. 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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