

Flow Capital Announces 2020 Audited Financial Results

Reports Recurring Revenues from Royalties and Interest of \$ 5,373,000 in 2020

TORONTO, Ontario, March 29, 2021 – Flow Capital Corp. (TSXV: FW) (“Flow Capital”) today announced its audited annual financial and operating results for the year ended December 31, 2020 (“YE 2020”). Financial references are in Canadian dollars unless otherwise specified.

YE 2020 Financial Highlights

- Free Cash Flow of \$981,000.
- 2020 total revenue under IFRS \$10,379,000, YoY growth of 158%.
- Full-year recurring revenue declined by 3.6%; Q4 recurring revenue increased by 24% YoY driven by capital deployed into new investments in the quarter.
- 2020 net income from continuing operations of \$ 2,121,000; compared to a net loss of \$(12,222,000) in 2019.
- 2020 EBITDA of \$ 6,608,000; YoY growth of 470%.
- Book value at YE 2020 of approximately \$0.56 per share; year-over-year (YoY) growth of more than 23%.

“In 2020, we achieved improved profitability and steady recurring revenue with high levels of operating efficiency and resource allocation. The strong performance of our investment portfolio, throughout the COVID-19 uncertainty has helped generate almost \$1M in free cash flow for the year.” said Alex Baluta, Chief Executive Officer of Flow Capital.

“We were also focused on fundraising and closed \$19,675,000 in Priority Return Fund II (PRF II), including \$3,935,000 in subordinated units subscribed by Flow Capital. PRF II helped us lower our cost of capital and the capital raised added to our capacity to make more investments and better match our long-term assets and liabilities. We have started 2021 with a strong pipeline and looking ahead we remain focused on deal origination and continued growth recurring revenue and free cash flow.”

Financial Highlights

<i>Canadian dollars</i>	Three months ended December 31, 2020	Three months ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2019
Revenues as reported under IFRS	\$ 3,612,107	\$ 2,009,674	\$ 10,379,187	\$ 4,026,370
Recurring revenues from royalties and interest	1,536,576	1,233,713	5,373,630	5,576,727
Non-recurring revenues from buyouts and equity returns	442,409	6,117	918,379	(788,085)
Adjusted EBITDA ⁽¹⁾	1,093,136	470,236	3,449,140	4,182,635
Free Cash Flow ⁽¹⁾	(29,984)	823,017	981,141	2,974,898
Income/(Loss) for the period from continuing operations ⁽²⁾	617,851	(10,188,782)	2,121,739	(12,222,664)
Book Value per outstanding share ⁽³⁾	0.5589	0.4531	0.5589	0.4531
Basic and Diluted Earnings/(Loss) per share ⁽⁴⁾	0.0191	(0.0290)	0.0600	(0.0299)
Weighted basic/diluted average number of shares outstanding	32,343,251	39,317,784	35,391,244	39,632,418

(1) Adjusted EBITDA, Free Cash Flow and Net Asset Value per outstanding share are non-IFRS measures. Refer to section Definition of Non-IFRS Measures in the

MD&A for further explanation and definitions.

- (2) The (Loss) from continuing operations for the year ended December 31, 2019 includes the derecognition of a deferred tax asset of \$9,443,374. This deferred tax asset was written down to zero on the books at the end of the financial year at December 31, 2019 but is available for Flow Capital to use against future profits in tranches till 2039.
- (3) Calculated by taking Total Shareholders' Equity as reported on the Statements of Financial Position over the number of outstanding common shares.
- (4) Due to the share alteration which occurred in June 2020, the comparative figures have been restated. Based on total earnings / (loss) of continuing operations.

Revenues

Total revenues were \$3,612,109 and \$10,379,187 for the three-month (Q4 2020) and twelve-month (YE 2020) periods ended December 31, 2020 compared to \$2,009,674 and \$4,026,370 for the corresponding periods in 2019. Recurring royalties and interest earned were \$1,536,576 for Q4 2020 and \$5,373,630 for YE 2020, an increase of 24.5% and a decline of 3.6% compared to \$1,233,713 and \$5,576,727 in the corresponding periods in 2019. The decline in recurring revenue was due to royalty buyouts in the last twelve months being replaced by investments that are lower on the risk-curve with lower yields, and non-accrual of royalty income from old, distressed investments.

Non-cash items included in revenue under IFRS, had a net impact of \$3,661,264 in the twelve months period ended December 31, 2020, compared to \$3,596,07 in the corresponding period in 2019. This represents \$3,937,929 for adjustments to fair value and increases in carrying values of promissory notes and foreign exchange impact of \$(276,665), in YE 2020.

Operating Expense

Total operating expenses were \$1,059,017 and \$3,886,089 for the three-month period and year ended December 31, 2020 compared to \$1,226,454 and \$4,107,095 for the three-month period and year ended December 31, 2019. The operating expenses in 2020 are lower, primarily due to lower professional fees and general administrative expenses offset by an increase in salaries due to additions to the team.

Profit (Loss) After Taxes

Profit after taxes from continuing operations was \$617,851 and \$2,121,739 for the three-month period and year ended December 31, 2020 compared to (losses) of \$(10,188,782) and \$(12,222,664) for the three-month and year ended December 31, 2019. The improving profitability reflects the continued emphasis on cost efficiencies, growth in the value of the investment portfolio, a full recovery from a previously written-down investment and no additional investments becoming distressed in the current year. The reported losses in also 2019 included the impact of a \$9,443,374 deferred tax asset derecognized during the three-month period ended December 31, 2019.

Assets

	As at December 30, 2020	As at December 31, 2019
Cash and cash equivalents	\$ 7,141,988	\$ 10,324,694
Investments	29,773,287	22,439,410
Total assets	37,857,312	35,401,039

Adjusted EBITDA⁽¹⁾

Adjusted EBITDA⁽¹⁾ was \$1,093,136 and \$3,449,140 for the three-month period and year ended December 31, 2020 compared to \$470,236 and \$4,182,635 for the three-month period and year ended December 31, 2019. Despite reporting YoY EBITDA growth of \$5,448,100, Adjusted EBITDA⁽¹⁾ was \$733,495 lower in 2020 than in the previous year, due to adjustments for losses from the sale of equity securities and investments written-off in 2019.

Free Cash Flow⁽¹⁾

Free Cash Flow was \$(29,984) and \$981,141 for the three-month period and year ended December 31, 2020 compared to \$823,017 and \$2,974,898 for the three-month period and year ended December 31, 2019. Free Cash Flow for the year ended December 31, 2020 was \$1,991,254 lower compared to the same period in the prior year, primarily due to a net increase of \$5,229,961 of capital deployed in new investments in 2020 over the capital deployed in 2019.

(1) Adjusted EBITDA, and Free Cash Flow are non-IFRS measures. Refer to section Definition of Non-IFRS Measures in the MD&A for further explanation and definitions.

Conference Call Details

Flow Capital will host a conference call to discuss these results at 9:00 a.m. Eastern Time, Tuesday, March 30, 2021. Participants should call +1 (778) 560-2703 or +1 (833) 968-1926 and ask an operator for the Flow Capital earnings call. Please dial in 10 minutes prior to the call to secure a line. A replay will be available shortly after the call. To access the replay, please dial +1 (416) 621-4642 or +1 (800) 585-8367 and enter access code 9343439. The replay recording will be available until 11:59 p.m. Eastern Time, April 5, 2021.

An audio recording of the conference call will be also available on the investors' page of Flow Capital's website at www.flowcap.com/financials.

About Flow Capital

Flow Capital Corp. is a diversified alternative asset investor and advisor, specializing in providing minimally dilutive capital to emerging growth businesses. To apply for financing, visit www.flowcap.com.

Forward-Looking Information and Statements

This press release contains certain "forward-looking information" within the meaning of applicable Canadian securities legislation and may also contain statements that may constitute "forward-looking statements" within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. Such forward-looking information and forward-looking statements are not representative of historical facts or information or current condition, but instead represent only the Company's beliefs regarding future events, plans or objectives, many of which, by their nature, are inherently uncertain and outside of the Company's control. Generally, such forward-looking information or forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or may contain statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "will continue", "will occur" or "will be achieved". The forward-looking information contained herein may include, but is not limited to, information with respect to: prospective financial performance; including the Company's opinion regarding the current and future performance of its portfolio, expenses and operations; anticipated cash needs and need for additional financing; anticipated funding sources; future growth plans; royalty acquisition targets and proposed or completed royalty transactions; estimated operating costs; estimated market drivers and demand; business prospects and strategy; anticipated trends and challenges in the Company's business

and the markets in which it operates; the amount and timing of the payment of dividends by the Company; and the Company's financial position. By identifying such information and statements in this manner, the Company is alerting the reader that such information and statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such information and statements.

An investment in securities of the Company is speculative and subject to a number of risks including, without limitation, risks relating to: the need for additional financing; the relative speculative and illiquid nature of an investment in the Company; the volatility of the Company's share price; the Company's limited operating history; the Company's ability to generate sufficient revenues; the Company's ability to manage future growth; the limited diversification in the Company's existing investments; the Company's ability to negotiate additional royalty purchases from new investee companies; the Company's dependence on the operations, assets and financial health of its investee companies; the Company's limited ability to exercise control or direction over investee companies; potential defaults by investee companies and the unsecured nature of the Company's investments; the Company's ability to enforce on any default by an investee company; competition with other investment entities; tax matters, including the potential impact of the Foreign Account Tax Compliance Act on the Company; the potential impact of the Company being classified as a Passive Foreign Investment Company ("PFIC"); the Company's ability to pay dividends in the future and the timing and amount of those dividends; reliance on key personnel, particularly the Company's founders; dilution of shareholders' interest through future financings; and general economic and political conditions; as well as the risks discussed in the joint management information circular of the Company dated May 2, 2018 and the risks discussed herein. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in the forward-looking information and forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended.

In connection with the forward-looking information and forward-looking statements contained in this press release, the Company has made certain assumptions. Assumptions about the performance of the Canadian and U.S. economies over the next 24 months and how that will affect the Company's business and its ability to identify and close new opportunities with new investees are material factors that the Company considered when setting its strategic priorities and objectives, and its outlook for its business.

Key assumptions include, but are not limited to: assumptions that the Canadian and U.S. economies relevant to the Company's investment focus will remain relatively stable over the next 12 to 24 months; that interest rates will not increase dramatically over the next 12 to 24 months; that the Company's existing investees will continue to make royalty payments to the Company as and when required; that the businesses of the Company's investees will not experience material negative results; that the Company will continue to grow its portfolio in a manner similar to what has already been established; that tax rates and tax laws will not change significantly in Canada and the U.S.; that more small to medium private and public companies will continue to require access to alternative sources of capital; that the Company will have the ability to raise required equity and/or debt financing on acceptable terms; and that the Company will have sufficient free cash flow to pay dividends. The Company has also assumed that access to the capital markets will remain relatively stable, that the capital markets will perform with normal levels of volatility and that the Canadian dollar will not have a high amount of volatility relative to the U.S. dollar. In determining expectations for economic growth, the Company primarily considers historical economic data provided by the Canadian and U.S. governments and their agencies. Although the Company believes that the assumptions and factors used in preparing, and the expectations contained in, the forward-looking information and statements are reasonable, undue reliance should not be placed on such information and statements, and no assurance or guarantee can be given that such forward-looking information and statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information and statements.

The forward-looking information and forward-looking statements contained in this PRESS RELEASE are made as of the date of this PRESS RELEASE, and the Company does not undertake to update any forward-looking information and/or forward-looking statements that are contained or referenced herein, except in

accordance with applicable securities laws. All subsequent written and oral forward- looking information and statements attributable to the Company or persons acting on its behalf is expressly qualified in its entirety by this notice.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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