

## Flow Capital Announces Q2 2021 Financial Results

*Q2 Recurring Revenues from Royalties and Interest of \$ 1,692,000;*

*YTD \$3,302,000 -- YoY growth of 48.3%*

**TORONTO, Ontario, August 19, 2021** – Flow Capital Corp. (TSXV: FW) (“Flow Capital”) announces its unaudited financial and operating results for the quarter ended June 30, 2021 (“Q2 2021”). Financial references are in Canadian dollars unless otherwise specified.

### Q2 2021 Performance Highlights

- Free Cash Flow (FCF) of \$4,493,358 in Q1 2021 compared to \$42,140 in Q2 2020. Year-to-date (YTD) FCF of \$4,898,550.
- Total revenue under IFRS of \$4,922,505 in Q2 2021; a YoY growth of 168.3%. YTD revenue of \$7,263,075; a year-over-year (YoY) growth of 148.1%.
- Net income of \$3,065,893 in Q2 2021, compared to \$27,897 in Q2 2020. YTD net income of \$4,373,849.
- EBITDA of \$4,105,927 in Q2 2021; an 8X growth over \$525,094 in Q2 2020. YTD EBITDA of \$5,797,576 till Q2 2021, compared to \$680,936 till Q2 2020.
- Book value of approximately \$0.70 per share; YTD growth of 24.7% and YoY growth of 42.2%.

### Financial Snapshot

|                                                       | Three months ended June 30, 2021 | Three months ended June 30, 2020 | Six months ended June 30, 2021 | Six months ended June 30, 2020 |
|-------------------------------------------------------|----------------------------------|----------------------------------|--------------------------------|--------------------------------|
| Total revenues                                        | \$ 4,922,505                     | \$ 1,834,945                     | \$ 7,263,075                   | \$ 2,927,882                   |
| Recurring revenue                                     | 1,692,189                        | 1,295,928                        | 3,302,257                      | 2,226,262                      |
| Profit/(Loss) for the period                          | 3,065,893                        | 27,895                           | 4,373,849                      | (341,640)                      |
| EBITDA <sup>(1)</sup>                                 | 4,105,927                        | 525,094                          | 5,797,576                      | 680,936                        |
| Adjusted EBITDA <sup>(1)</sup>                        | 4,677,937                        | 339,980                          | 6,025,050                      | 654,417                        |
| Free Cash Flow <sup>(1)</sup>                         | 4,493,358                        | 42,140                           | 4,898,550                      | (34,611)                       |
| Basic Earnings/(Loss) per share                       | 0.0979                           | 0.0007                           | 0.1385                         | (0.0090)                       |
| Diluted Earnings/(Loss) per share                     | 0.0948                           | 0.0007                           | 0.1355                         | (0.0090)                       |
| Book Value per outstanding share <sup>(2)</sup>       | 0.6970                           | 0.4912                           | 0.6970                         | 0.4912                         |
| Weighted basic average number of shares outstanding   | 31,301,401                       | 38,245,539                       | 31,578,533                     | 38,161,813                     |
| Weighted diluted average number of shares outstanding | 32,349,186                       | 38,245,539                       | 32,286,978                     | 38,161,813                     |

(1) Adjusted EBITDA, Free Cash Flow and Book 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) Calculated by taking Total Shareholders' Equity as reported on the Statements of Financial Position over the number of outstanding common shares.

“Our Q2 2021 performance demonstrates significant gains from a combination of exits in royalty investments and sales of equity positions, steady growth in core recurring revenue and sustained results from our efforts to drive operating efficiency.

We are witnessing increasing momentum in capital deployment into more deals with equity upside. Profitability improved significantly, through a combination of gains from exits in royalty

investments, sales of equity positions, and sustained efforts to drive operating efficiency.” said Alex Baluta, Chief Executive Officer of Flow Capital.

“We have a strong pipeline of new investment opportunities and remain focused on deal origination to expand our active investment portfolio, to drive growth in recurring revenue and free cash flow.”

## Revenues

Total revenue for the three-month period ended June 30, 2021 was \$4,922,505, a 168.3% increase from \$1,834,945 for the three-month period ended June 30, 2020. Royalty and loan payment income for the three-month period ended June 30, 2021 was \$1,692,189 representing a 30.6% increase from the \$1,295,928, earned in the three-month period ended June 30, 2020.

Of the \$1,692,189 royalty and loan payment income earned during the three-month period ended June 30, 2021, \$367,333 was contributed by new investments acquired in the last twelve months, \$324,147 from increased royalty payment income due to growth in revenues of investees and investees resuming to make a royalty and loan payments and \$149,852 in income from loan amortization. The increase in royalty and loan income was offset by a reduction of \$355,659 due to reduced royalty payments, royalty buyouts and one investment not accruing any income due to non-payment, in the last twelve months.

Realized gain from sale of investments was \$4,011,935 for the three-month period ended June 30, 2021 compared to \$nil for the three-month period ended June 30, 2020. The realized gain for the three-month period ended June 30, 2021 comprised \$3,837,628 in gains from buyouts of royalty investments in ConnectandSell, Interiormark, and Stability, and \$174,307 from the sale of equity holdings.

Non-cash items included in revenue under IFRS, had a net impact of \$(878,835) in the three-month period ended June 30, 2021, compared to \$322,222 for the three-month period ended June 30, 2020. The non-cash amount of \$(878,835) comprised \$(659,635) in adjustments to fair value and \$(219,200) of foreign exchange movements.

Total revenue for the six-month period ended June 30, 2021 was \$7,263,075, an 148.1% increase from \$2,927,882 for the six-month period ended June 30, 2020. Royalty and loan payment income for the six-month period ended June 30, 2021 was \$3,302,257 representing a 48.3% increase from the \$2,226,262, earned in the six-month period ended June 30, 2020.

Of the \$3,302,257 royalty and loan payment income earned during the six-month period ended June 30, 2021, \$537,344 was contributed by new investments acquired in the last twelve months, \$873,876 was from increased royalty payment income due to growth in revenues of investees and investees resuming to pay a royalty and \$172,454 in income from loan amortization.

For the six-month period ended June 30, 2021, non-cash items included in revenue under IFRS, had a net impact of \$(497,009) compared to \$197,631 for the six-month period ended June 30, 2020. The non-cash amount of \$(497,009) was made up of \$(133,885) for adjustments to fair value and \$(363,124) for foreign exchange gain. Adjustments to fair value comprised \$2,775,641 from an increase in the fair value of equity and warrant positions held in investee companies, and \$(2,909,526) for fair value adjustments to various royalty and promissory notes investments in the portfolio.

## Operating Expense

Total operating expenses were \$824,979 and \$1,482,300 for the three and six-month period ended June 30, 2021 compared to \$1,327,756 and \$2,306,858 for the three-month and six-month period ended June 30, 2020. The reduction is on account of changes in staffing and significantly lower restructuring costs compared to the corresponding period in the previous year.

## Profit (Loss) After Taxes

Profit (loss) after taxes was \$3,065,893 and \$4,373,849 for the three-month and six-month period ended June 30, 2021 compared to \$27,895 and \$(341,640) for the three-month and six-month period ended June 30, 2020. The increases in the profit (loss) after taxes of \$3,037,996 and \$4,715,488 for the three and six-month periods ended June 30, 2021, were primarily due increased revenue from higher royalty and loan payment income, realized gains from sale of investments and lower operating costs, compared to the corresponding periods in the previous year.

## Assets

|                           | As at March 31, 2021 | As at December 31, 2020 |
|---------------------------|----------------------|-------------------------|
| Cash and cash equivalents | \$ 10,946,194        | \$ 7,141,988            |
| Investments               | 31,919,482           | 29,773,287              |
| Total assets              | 43,832,593           | 37,857,312              |

## Adjusted EBITDA<sup>(1)</sup>

Adjusted EBITDA<sup>(1)</sup> was 4,677,937 and \$6,025,050 for the three-month and six-month period ended June 30, 2021 compared to \$339,980 and \$654,417 for the three-month and six-month period ended June 30, 2020. The year-over-year increases of \$4,337,957 and \$5,370,633 in Adjusted EBITDA<sup>(1)</sup> for the three and six-month period was on account of the realized gains from the sale of investments, lower financing costs, and movements in non-cash items including fair value adjustments and foreign exchange.

## Free Cash Flow<sup>(1)</sup>

Free Cash Flow<sup>(1)</sup> was \$4,493,358 and \$4,898,550 for the three and six-month period ended June 30, 2021 compared to \$42,140 and \$(34,611) for the three-month and six-month period ended June 30, 2020. The increase is attributed to proceeds from exits from royalty investments and sales of equity holdings, higher royalty and loan interest income, lower operating costs. This was offset by an increase in the income tax expense in the US subsidiary.

(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.

## Shares Outstanding

As at June 30, 2021, Flow Capital had 31,240,077 share outstanding. Between January 1, 2021 and June 30, 2021, 915,000 common shares were repurchased at a weighted-average price per share of \$0.4280.

## Conference Call Details

Flow Capital will host a conference call to discuss these results at 9:00 a.m. Eastern Time, on Friday, August 20, 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 4774433. The replay recording will be available until 11:59 p.m. Eastern Time, August 27, 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](http://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](http://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.*

**For further information, please contact  
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