



## Input Capital Corp. Announces FY2018 Q2 Results

REGINA, May 16, 2018 /CNW/ - Input Capital Corp. ("Input" or the "Company") (TSX Venture: INP) (US: INPCF) has released its second quarter results for the 2018 fiscal year. All figures are presented in Canadian dollars.

"Mortgage streams are the big news for this quarter at Input," said President & CEO Doug Emsley. We had been researching mortgages for a while, and we saw an opportunity to launch this new product to satisfy a clear need of our clients. This launch has gone better than expected, causing us to accelerate plans to add some term debt tied to mortgages and search out other avenues to fund mortgage deployment.

"The next year will provide us with a greater feel for the depth of potential demand for mortgage streams. Early signs are excellent – without any significant promotion, Input's internal Investment Committee has approved over \$23 million in mortgages in just three months.

"Mortgage streams round out the Company's product offerings in a significant way and allow us to participate in a market where the vast majority of farmers' capital needs are found: land financing. With working capital solutions provided via capital streams, canola marketing solutions provided via marketing streams, and a unique farmer-friendly mortgage solution via mortgage streams, Input is continuing to round out its product offering to farmers in a way that meets more of their needs."

### FY2018 Q2 HIGHLIGHTS

- Adjusted streaming sales<sup>1</sup> of \$2.490 million on the delivery of 5,159 canola equivalent metric tonnes<sup>1</sup> ("MT" or "tonnes") at an average price of \$482.66 per MT;
- Generated an additional \$4.265 million in sales from canola trading for total adjusted sales of \$6.755 million;
- Cash operating margin<sup>1</sup> \$1.209 million, or \$234.35 per MT (48.55% cash operating margin);
- Adjusted operating cash flow<sup>1</sup> of \$(0.004) million or \$(0.00) per share;
- Adjusted EBITDA<sup>1</sup> of \$0.000 million, or \$0.00 per share;
- Adjusted net loss<sup>1</sup> of \$0.370 million, or \$(0.00) per share;
- On January 30, 2018, the Company announced the launch of the Mortgage Stream pilot project;
- Deployed \$12.814 million as follows:
  - Upfront payments of \$1.688 million into streaming contracts, adding 30 new producers to the portfolio and more than 42,000 MT to the Company's future canola sales; and
  - \$11.126 million deployed into 18 mortgage streams. (The grain delivery contracts associated with mortgage streams do not have an upfront payment associated with them, but the number of producers and reserves associated with them are included in the data outlined in the previous bullet);
- On February 20, 2018, the Company announced a quarterly dividend of \$0.01 per share payable on April 16, 2018, to shareholders of record as of March 31, 2018;
- On March 26, 2018, the Company provided an update on the mortgage stream pilot project, announcing the approval of over \$13.0 million in new mortgage streams with twenty customers. At the end of the second quarter, \$11.126 million of the approved mortgage streams had been signed and funded. To date, over \$23 million in mortgage streams have been approved;
- Finished the quarter with:
  - Cash of \$25.308 million;
  - Canola reserves of 382,000 MT;

- Total canola interests (current portion and long-term portion) and other financial assets (liabilities) (herein referred to collectively as "canola interests") of \$55.324 million;
- Loans and mortgages receivable of \$23.470 million;
- Multi-year active streaming contracts with 353 farm operators, up from 179 a year ago;
- Total shareholders' equity of \$106.279 million;
- \$5.185 million drawn on the \$25 million revolving credit facility; and
- No long-term debt.

<sup>1</sup> Non-IFRS financial measures with no standardized meaning under IFRS. For further information and a detailed reconciliation, refer to "Non-IFRS Measures" beginning on page 35 of the MD&A.

### Subsequent to the Quarter End

- On April 12, 2018, the Company signed two term sheets for mortgage stream financing. These facilities will allow Input to margin mortgage streams and will be secured by the underlying conventional farmland first lien mortgages.

### Normal Course Issuer Bid (NCIB) Update

- From the start of the NCIB in December 2017 to the end of the second quarter, the Company had bought back 534,100 shares at an average price of \$1.53 prior to the end of the quarter. These shares were subsequently cancelled.

KEY PERFORMANCE INDICATORS FOR THE COMPARABLE PERIODS ARE SUMMARIZED BELOW:

| Selected non-IFRS measures <sup>1</sup>               | Three months ended |                 |
|-------------------------------------------------------|--------------------|-----------------|
|                                                       | Mar 31             |                 |
| <i>CAD millions, unless otherwise noted</i>           | 2018               | 2017            |
| Adjusted streaming sales                              | 2,490              | 9,094           |
| Adjusted streaming volume (MT)                        | 5,159              | 18,992          |
| <b>Average selling price from streaming contracts</b> | <b>\$482.66</b>    | <b>\$478.83</b> |
| Cash operating margin                                 | 1,209              | 8,107           |
| <b>Cash operating margin per tonne</b>                | <b>\$234.35*</b>   | <b>\$426.86</b> |
| Cash margin                                           | 0,418              | 2,358           |
| <b>Cash margin per tonne</b>                          | <b>\$81.02</b>     | <b>\$124.16</b> |
| Adjusted EBITDA                                       | 0,000              | 6,310           |
| <b>Adjusted EBITDA per share (basic)</b>              | <b>\$0.00</b>      | <b>\$0.08</b>   |
| Adjusted operating cash flow                          | (0,004)            | 2,723           |
| <b>Adjusted operating cash flow per share (basic)</b> | <b>\$(0.00)</b>    | <b>\$0.03</b>   |
| Adjusted net income (loss)                            | (0,370)            | 0,396           |
| <b>Adjusted net income per share (basic)</b>          | <b>\$(0.00)</b>    | <b>\$0.00</b>   |
| <b>Upfront payment per tonne<sup>2</sup></b>          | <b>\$39.42**</b>   | <b>\$104.92</b> |

\*Cash operating margin per tonne is significantly lower than the previous period due to the introduction of marketing streams last year. The most recent period includes marketing stream sales, and the previous period does not. Marketing streams feature lower cash operating margins than capital streams, but require significantly less capital to fund them.

\*\*The Upfront payment per tonne figure includes upfront payments into all types of streams. However, because the upfront

payment associated with the grain delivery contract portion of a mortgage stream is \$nil per tonne, this causes the upfront payment figure to be averaged down in the recent period compared to previous periods are prior to the introduction of mortgage streams.

## SALES

For the quarter ended March 31, 2018, Input generated adjusted sales from streaming contracts of \$2.490 million on adjusted streaming volume of 5,159 MT for an average price of \$482.66 per MT.

The sales from streaming tonnes plus net settlements from streaming tonnes for the quarter represent a 73% decrease in quarterly volume over the comparable quarter one year ago, when the Company sold 18,992 MT of canola equivalent for revenue of \$9.094 million for an average price of \$478.83 per MT. This is a result of an early harvest accompanied by good harvest weather, which allowed for timely and smooth canola transportation and sale throughout the first quarter, translating into lower year-over-year sales in the second quarter of the 2018 fiscal year.

## STREAMING CONTRACT ORIGINATION AND PORTFOLIO UPDATE

The quarter ended March 31 is normally the period of the year when most capital streams are signed because farmers are preparing for the upcoming crop year and look to secure the majority of their financing for the year. For the three months ended March 31, 2018, Input recorded total upfront payments of \$1.688 million into 67 streaming contracts for the right to purchase over 42,000 MT of canola over the life of the streaming contracts. In addition, \$11.126 million was deployed into 18 mortgage streams.

During the quarter, Input added 30 new producers to its streaming contract portfolio; 20 producers in Saskatchewan and 10 in Alberta. The remaining contracts were renewals, expansions and restructures of existing contracts.

During the same quarter last year, total upfront payments made were \$20.297 million and 60 new producers were added to the portfolio. Management believes that a good farming year in 2017 significantly moderated farmer demand for capital streams during the most recent period.

The change in active streaming contracts by region on a quarterly and annual basis is demonstrated in the table below:

| Active Streaming Contracts | Mar 31, 2018 | Dec 31, 2017 | Quarterly Growth | Mar 31, 2017 | Year Over Year Growth |
|----------------------------|--------------|--------------|------------------|--------------|-----------------------|
| Manitoba                   | 9            | 9            | -                | 7            | 2                     |
| Saskatchewan               | 260          | 242          | 18               | 134          | 126                   |
| Alberta                    | 84           | 75           | 9                | 38           | 46                    |
| <b>Total</b>               | <b>353</b>   | <b>326</b>   | <b>27</b>        | <b>179</b>   | <b>174</b>            |

## BALANCE SHEET

KEY BALANCE SHEET ITEMS ARE SUMMARIZED BELOW:

| Statements of Financial Position<br><i>CAD millions, unless otherwise noted</i> | As at<br>Mar 31, 2018 | As at<br>Mar 31, 2017 |
|---------------------------------------------------------------------------------|-----------------------|-----------------------|
| Cash                                                                            | 25.308                | 17.229                |
| Canola interests and other financial assets                                     | 55.324                | 68.601                |
| Loans and mortgages receivable                                                  | 23.470                | 11.682                |
| Total assets                                                                    | 121.220               | 119.511               |
| Total liabilities                                                               | 14.941                | 9.637                 |

|                            |                |         |
|----------------------------|----------------|---------|
| Total shareholders' equity | <b>106.279</b> | 109.874 |
| Working capital            | <b>26.832</b>  | 49.382  |
| Revolving credit facility  | <b>5.185</b>   | 2.106   |
| Long-term debt             | -              | -       |

## **NORMAL COURSE ISSUER BID**

Since the initiation of the Normal Course Issuer Bid, the Company has bought back a total of 534,100 shares prior to the end of the quarter at an average price of \$1.53 per share. These shares were subsequently cancelled.

Management of Input believes that the Company's shares have been trading in a price range which does not adequately reflect their value and that the purchase of shares under the Bid will enhance shareholder value in general.

## **OUTLOOK**

In last quarter's MD&A, we indicated that 2017 was a good farming year for most farmers in western Canada. Yields and prices were strong, harvest went smoothly, crop quality was good, and grain movement was not bad in many areas. As a result, strong cash flow reduced the need of farmers to turn to the Company to solve working capital issues, which is the focus of the Company's capital stream product. Capital deployment into capital streams was slow during the October to December quarter, and this continued into the January to March quarter.

At the same time, canola prices rose during harvest and have remained strong since. This gave many farmers confidence in their own canola marketing programs this year, likely muting some potential uptake on marketing streams. In spite of this, the Company continued to grow its marketing stream book, adding a significant number of new clients in recent months.

We are often asked whether strong canola prices are good or bad for Input, and like many streaming companies, the answer is "both". Strong prices contribute to the Company's returns on existing contracts, but can make it harder to acquire new ones. Weak prices reduce the Company's returns on existing contracts, but can make it easier to add clients to our client list.

Management expects a quiet Q3 in terms of revenue because most of the 2017 canola tonnes have already been sold. The first half of Q3 has been busy with mortgage stream deployment, and the second half of the quarter is expected to be much quieter because farmers are busy farming. This provides management with an opportunity to prepare for the busy harvest and canola selling season which can begin as early as August and runs through the end of the calendar year.

## **WEBCAST AND CONFERENCE CALL DETAILS**

A conference call will be held on Thursday, May 17, 2018 starting at 8:30 am Saskatchewan time (10:30 am Eastern time) to further discuss the FY2018 Q2 results. To participate in the conference call use the following dial-in number:

Participant Dial in #: (888) 231-8191 (North America Toll Free)

Participant Dial in #: (647) 427-7450 (International)

Webcast URL:

<https://event.on24.com/wcc/r/1659455/98BBCD928DA8E19DDE7F512E28C92B74>

It is recommended that participants dial in five minutes prior to the commencement of the conference call. Soon after the completion of the call, the webcast will be available for download on the Input Capital website.

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## **ABOUT INPUT**

Input is an agriculture commodity streaming company with a focus on canola, the largest and most profitable crop in Canadian agriculture. The Company has developed several flexible and competitive forms of financing which help western Canadian canola farmers solve working capital, mortgage finance and canola marketing challenges and improve the financial position of their farms. Under a streaming contract, Input provides capital in exchange for a stream of canola via multi-year fixed-volume canola purchase contracts. To a farmer, Input is like a virtual grain company, buying canola and providing financial solutions. To canola buyers, Input is like a large virtual farm which produces and sells canola over a large geographically diverse footprint, but does not own the land, or equipment or operate the farm. In production terms, Input is the largest canola farm in the world.

Input plans to continue to grow and diversify its low cost canola production profile by entering into streaming contracts with canola farmers across western Canada. Input is focused on farmers with quality production profiles, excellent upside yield potential, and strong management teams.

## **Forward Looking Statements**

*This release includes forward-looking statements regarding Input and its business. Such statements are based on the current expectations and views of future events of Input's management. In some cases the forward-looking statements can be identified by words or phrases such as "may", "will", "expect", "plan", "anticipate", "intend", "potential", "estimate", "believe" or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The forward-looking events and circumstances discussed in this release may not occur and could differ materially as a result of known and unknown risk factors and uncertainties affecting Input, including risks regarding the agricultural industry, economic factors and the equity markets generally and many other factors beyond the control of Input. No forward-looking statement can be guaranteed. Forward-looking statements and information by their nature are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statement or information. Accordingly, readers should not place undue reliance on any forward-looking statements or information. Except as required by applicable securities laws, forward-looking statements speak only as of the date on which they are made and Input undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.*

## **Non-IFRS Measures**

Input measures key performance metrics established by management as being key indicators of the Company's strength, using certain non-IFRS performance measures, including:

- Adjusted Streaming Sales, Adjusted Streaming Volume and Adjusted Gross Profit from Streaming;
- Crop Payment per Tonne;
- Cash Operating Margin and Cash Operating Margin per Tonne;
- Cash Margin and Cash Margin per Tonne;
- Adjusted EBITDA and Adjusted EBITDA per share;
- Adjusted Operating Cash Flow and Adjusted Operating Cash Flow per share;
- Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per share; and

- Upfront Payment per Tonne.

The Company uses these non-IFRS measures for its own internal purposes. These non-IFRS measures do not have any standardized meaning prescribed by IFRS, and these measures may be calculated differently by other companies. The presentation of these non-IFRS measures is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The Company provides these non-IFRS measures to enable investors and analysts to understand the underlying operating and financial performance of the Company in the same way as it is frequently evaluated by Management. Management will periodically assess these non-IFRS measures and the components thereof to ensure their continued use is beneficial to the evaluation of the underlying operating and financial performance of the Company, and to confirm that these measures remain useful for comparison purposes to other royalty/streaming companies. For more detailed information, please refer to Input's Management Discussion and Analysis available on the Company's website at [investor.inputcapital.com](http://investor.inputcapital.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

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