

Input Capital Corp. Announces FY2018 Year End Results

REGINA, Dec. 12, 2018 /CNW/ - Input Capital Corp. ("Input", "Company", "we", "our") (TSX Venture: INP) (US: INPCF) has released its year end results for the 2018 fiscal year. All figures are presented in Canadian dollars.

"Fiscal 2018 has been a year of transition and progress at Input Capital," said President & CEO Doug Emsley. "We launched our most successful new product to date, grew our client base by 29% and set the stage for the next phase of growth at the Company.

"Mortgage streams are an exciting new product for us to make our focus. They provide a unique opportunity for farmers to obtain conventional mortgage financing for farmland while gaining access to guaranteed canola prices for the next five years. Plus, Input will come to the farm and pick up the canola, making the farmer's life simpler. Combined with capital streams and marketing streams, mortgage streams expand what Input Capital is all about – helping farmers improve their bottom lines by improving mortgage financing, working capital and canola marketing opportunities.

"We are off to a good start on deployment efforts since the start of the new fiscal year on October 1. To date, we have deployed over \$4.5 million into new mortgage and marketing streams, and we have a robust pipeline of mortgage applications at various stages of development and review."

FY2018 FULL YEAR HIGHLIGHTS

- Adjusted crop revenue¹ of \$41.336 million on the delivery of 85,672 canola equivalent metric tonnes¹ ("MT" or "tonnes") at an average price of \$482.49 per MT;
- Adjusted net income¹ of \$4.078 million, or \$0.05 per share. This is down from \$0.08 per share last year as a result of timing issues related to an early harvest in 2017 pulling income out of our 2018 fiscal year, and then a wet September in 2018 pushing the majority of crop deliveries normally expected before year end into our 2019 fiscal year.
- Recorded capital deployment of \$33.025 million into streaming contracts, adding 87 net new producers to the portfolio bringing to total producers to 388. This is a 29% increase in streaming clients compared to the previous fiscal year;
- In December 2017, the Company announced a normal course issuer bid to buy back up to 6,578,683 of its Class A common shares, representing approximately 10% of Input's public float. As of the end of the fiscal year, the Company had bought back 1,651,400 shares at an average price of \$1.23 per share;
- In January 2018, Input soft-launched Mortgage Streams, a new variation on streaming that targets farmers looking for alternatives to traditional farmland mortgage financing. By year-end, Input had signed 42 mortgage stream contracts;
- In July and September, the Company completed two credit agreements, each for \$10 million of mortgage stream financing from two Canadian banks;
- The Company paid quarterly dividends of \$0.01 per share, or \$0.04 annualized;

- Finished the fiscal year with:
 - Cash and cash equivalents of \$14.877 million;
 - Total crop interests and other financial assets of \$40.355 million;
 - Loans and mortgages receivable of \$54.202 million;
 - Multi-year active streaming contracts with 388 farm operators, up from 301 a year ago;
 - Total shareholders' equity of \$101.371 million;
 - \$3.687 million drawn on its \$25 million revolving credit facility; and
 - Long-term debt of \$9.967 million.

KEY PERFORMANCE INDICATORS FOR THE COMPARABLE PERIODS ARE SUMMARIZED BELOW:

CAD millions, unless otherwise noted	Quarter ended Sept 30		Fiscal year ended Sept 30	
	2018	2017	2018	2017
Revenue				
Crop	4.513	11.415	36.763	29.036
Interest	1.038	0.299	2.392	0.636
Rental	0.013	0.028	0.293	0.141
Total revenue	5.564	11.741	39.448	29.813
Adjusted crop revenue	4.825	14.467	41.336	42.052
Adjusted total revenue	5.875	14.794	44.021	42.830
Corporate admin expense	1.341	1.411	6.640	6.972
Adjusted net income	1.698	1.797	4.078	6.950
Adjusted net income per share (basic)	\$0.02	\$0.02	\$0.05	\$0.08
Adjusted EBITDA	1.038	6.856	14.579	22.629
Adjusted EBITDA per share (basic)	\$0.01	\$0.08	\$0.17	\$0.28
Ending canola reserves (MT)	354,000	405,000	354,000	405,000
Total capital deployed in period	1.659	1.731	33.025	36.794
Active streaming clients	388	301	388	301

FY2018 Q4 HIGHLIGHTS

- Adjusted crop revenue¹ of \$4.825 million on the delivery of 9,901 canola equivalent metric tonnes ("MT" or "tonnes") at an average price of \$487.32 per MT;
- Adjusted net income¹ of \$1.698 million, or \$0.02 per share; and
- Recorded capital deployment of \$1.659 million into streaming contracts, adding 17 new producers to the portfolio.

REVENUE

For the year ended September 30, 2018, we generated adjusted crop revenue of \$41.336 million on adjusted canola equivalent volume of 85,672 MT.

Adjusted crop revenue for the year ending September 30, 2018, represent a 3% decrease in volume over the previous year, when we sold 88,535 MT of canola equivalent for adjusted crop revenue of \$42.052 million. This translates into a crop margin of \$5.323 million for the most recent year compared to \$7.251 million for the previous year. The decrease in volume is due to the snowy delay to harvest activity in September 2018. Volumes expected during this period will be received early in FY2019.

During the year, we also generated interest margin of \$2.330 million compared to \$0.636 million in

the previous year. This is a result of the launch of mortgage streams during the fiscal year. Interest income on mortgages is accrued monthly and is expected to be a growing component of the Company's results.

CAPITAL DEPLOYMENT AND STREAMING CONTRACT PORTFOLIO

Fiscal Year Ended September 30, 2018

For the fiscal year ended September 30, 2018, Input recorded capital deployment of \$33.025 million (compared to \$36.794 million in the same period last year) adding 87 net new producers to the portfolio.

During the twelve months, Input added 87 producers; 63 in Saskatchewan, 25 in Alberta and decreased by one in Manitoba. The remaining contracts were renewals, and expansions of contracts with existing producers. During the comparable twelve month period ended September 30, 2017, Input added 189 new producers to its portfolio which was a factor of marketing streams resulting from the Management's land and expand strategy. The 2018 fiscal year presented the opportunity to expand relationships with existing producers by way of the mortgage stream.

As of September 30, 2018, Input's active streaming portfolio consisted of 388 geographically diversified producers, representing a 29% increase in producers over the fiscal period. The Company has streams with 284 producers in Saskatchewan, 96 in Alberta, and 8 are in Manitoba. The Company is pleased with its continued growth across Alberta and Saskatchewan over the last year and expects to continue diversifying its asset base across the Prairies in FY2019 as it continues to add new streams to its portfolio.

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

Active Streaming Contracts	Sept 30, 2018	June 30, 2018	Quarterly Growth	Sept 30, 2017	Year Over Year Growth
Manitoba	8	8	-	9	(1)
Saskatchewan	284	269	15	221	63
Alberta	96	94	2	71	25
Total	388	371	17	301	87

Quarter Ended September 30

The quarter ended September 30 is always the slowest period of the year for capital deployment because farmers are busy farming. For the three months ended September 30, 2018, Input recorded gross capital deployment of \$1.659 million (compared to \$1.731 million in the same quarter last year) in upfront payments into streaming contracts with 17 producers. In Saskatchewan there were 15 new producers, 2 in Alberta and no new producers in Manitoba.

During the comparable quarter last year, Input added four new producers to its portfolio.

BALANCE SHEET

KEY BALANCE SHEET ITEMS ARE SUMMARIZED BELOW:

Statements of Financial Position <i>CAD millions, unless otherwise noted</i>	As at Sept 30, 2018	As at Sept 30, 2017
Cash	14.877	17.615
Crop interests and other financial assets	40.355	68.423
Loans and mortgages receivable	54.202	12.329
Total assets	119.065	120.555
Total liabilities	17.694	15.436
Total shareholders' equity	101.371	105.119
Working capital	25.226	28.870
Revolving credit facility	3.687	6.351

OUTLOOK

We have previously reported that 2017 was generally 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 generally good. As a result, strong cash flow reduced the need of farmers to turn to Input to solve working capital issues, which is the focus of our capital stream product. Capital deployment into capital streams was slow throughout our 2018 fiscal year as a result. We do not see this as a permanent situation, and we will continue to adapt and enhance our capital stream solution to fit market needs as they evolve.

The 2018 growing season was different from 2017. Harvest activity was significantly delayed by multiple heavy unseasonal snowfalls in September. Before the weather improved and allowed harvest to be completed, many farmers were concerned that much of their crop would stay in the field all winter, and much of the crop that was harvested required significant amounts of drying in order to be stored safely and sold without taking heavy discounts. This provides some reason to think that working capital solutions may be in greater demand in the months ahead, but it is too soon to draw any conclusions regarding demand for capital streams at this time.

At the same time, canola prices rose during the 2017 harvest and remained strong until the 2018 harvest outlook improved in mid-to-late October 2018. Lately, we have seen more typical post-harvest price declines due to high supply levels. This year, the value proposition offered by our marketing stream program is noticeable: Input averaged \$489.79 per tonne on sales in September and has sales booked at \$491.29 per tonne from October through December. Meanwhile, the spot price at the time of this writing ranges from \$435.00 to \$445.00 per tonne in Saskatchewan and Alberta. This price difference demonstrates the value in Input's approach to crop marketing, and this should translate into improved opportunities to acquire marketing stream clients this winter.

The launch of mortgage streams has gone very well, and we believe there is good ongoing potential demand for this product. We are in ongoing discussions with several parties interested in providing capital to fund mortgages, and we hope to have progress to report on these efforts in the future. We believe that mortgage streams represent the most material opportunity for the expansion of our business over the years ahead, as well as the prospect for the best returns for shareholders. That is why we will be focussing the bulk of our efforts around the expansion of the mortgage stream business. Every mortgage stream also has a marketing stream bundled with it, so growth in mortgage streams also contributes to growth in marketing streams.

From a financial reporting perspective, mortgages offer the prospect of slightly less seasonality in deployment numbers, and almost no seasonality in financial results, helping to smooth our quarter-to-quarter results significantly as our book of mortgage streams grows.

WEBCAST AND CONFERENCE CALL DETAILS

A conference call will be held on Thursday, December 13, 2018 starting at 9:30 am Saskatchewan time (10:30 am Eastern time) to further discuss the FY2018 year end 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/1899978/9133342A1EFFF118723A1BBDA6BCB1C1>

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 Crop Revenue, Adjusted Crop Volume and Adjusted Crop Margin;
- Adjusted Total Revenue;
- Adjusted Net Income, Adjusted Net Income per share, Adjusted EBITDA and Adjusted EBITDA per share.

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 and on SEDAR at www.sedar.com.

¹ 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 17 of the MD&A.

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