

Flow Capital Announces 2022 Annual Audited Financial Results

*Q4 Revenue from Royalties and Interest of \$2,263,790;
YTD \$7,795,300 -- YoY growth of 28%*

TORONTO, Ontario, March 28, 2023 – Flow Capital Corp. (TSXV: FW) (“Flow Capital” and “Company”), a leading provider of flexible growth capital and alternative debt solutions, announces its audited financial and operating results for the three-months (“Q4 2022”) and year ended December 31, 2022 (“YE 2022”). Financial references are in Canadian dollars unless otherwise specified.

2022 Performance Highlights

- Revenue from Royalties and Interest of \$2.26M in Q4 2022; Fiscal 2022 Royalty and Interest revenue of \$7.8M; YoY growth of 28%
- Book value of approximately \$1.22 per share; YoY growth of 63%. This includes the re-recognition of a deferred tax asset of \$7.9M. Excluding the tax asset, Book Value was up 29% over the year to ~\$0.97/share.
- IFRS Net income of \$9.1M in Q4 2022, compared to \$2.26M in Q4 2021. YTD net income of \$14.5M; YoY growth of 159%.
- Adjusted Recurring Free Cash Flow¹ of approx. \$882K in Q4 2022, compared to \$313K in Q4 2021; Adjusted Recurring Free Cash Flow¹ of over \$2.9 million YTD; YoY growth of 76%.
- Cash collections of approximately \$3.20M from various types of upside/bonus payments including pre-payments of interest on early exit, warrant exercise and sale, other bonus payments on investment exit, and equity sales.
- Total assets of \$58.6 million compared to \$44 million at YE 2021.
- Cash of over \$9.5 million compared to \$4.1 million at YE 2021.

⁽¹⁾ Adjusted recurring free cash flow is an internally defined number represented by revenues from interest and royalties, less recurring operating expenses less interest expenses.

“Q4 2022 capped what has been a remarkable 3 years for the Company. Excluding the re-recognition of the deferred tax asset, book value was up 29% in the last year, 73% over the last 2 years, and 113% over the last 3 years. Over the three-year time period we have also become consistently profitable and we have regularly generated positive cash flow from operations, which allowed us to re-recognize the deferred tax asset of almost \$8M, adding an additional \$0.25/share to our book value”, said Alex Baluta, CEO of Flow Capital.

“Over the past 3 years you have seen us transition our business model from riskier permanent royalties to a portfolio of predominantly senior secured loans made to high growth tech companies. We have consciously focused on moving down the risk curve into later stage and larger secure loans, layered with additional upside potential through warrants and/or other equity like bonus features. The net result has been the performance mentioned above – a remarkable 113% growth in the book value attributable to our shareholders.”

“As mentioned above, in almost all of our investments, we take some form of equity or equity equivalent upside, most often in the form of warrants. In addition to our cash flow based on recurring interest and royalty revenue, part of our shareholder value creation comes from the

realization of cash gains on these equity positions, as well as from other types of bonus payments we earn. Given that we invest in primarily high growth tech companies, we expect these gains will be a material part of our growth, and in 2022 we earned over \$3.2M in cash from such payments", continued Mr. Baluta

"While our multi-year financial performance has been strong, we were disappointed with the relatively slow pace of new investments in the year, closing on approximately \$7.3M of new loans. However, we have continued to spend responsibly on our team, our marketing initiatives, and our platform capabilities, to ensure that we can continue to grow profitably. Looking forward, we have the capacity and the vision to significantly increase the scale of our business. Given the significant improvement in the pace of pipeline activity in the past several months we are targeting a material increase in new investments in 2023, to drive continued growth in recurring revenue and profitability", said Mr. Baluta.

Further details below.

Financial Snapshot

	Three-months ended December 31, 2022	Three-months ended December 31, 2021	Year ended December 31, 2022	Year ended December 31, 2021
Recurring royalty and loan revenue	\$ 2,263,790	\$ 1,605,980	\$ 7,795,300	\$ 6,091,103
Total Revenues per IFRS	\$ 2,365,702	\$ 3,310,191	\$ 10,296,116	\$ 10,612,393
Net income	9,089,332	2,263,807	14,510,720	5,597,275
Basic Earnings per share	0.2905	0.0725	0.4640	0.1782
Diluted Earnings per share	0.2765	0.0704	0.4490	0.1734
Book Value per outstanding share ⁽¹⁾	\$ 1.2189	\$ 0.7473	\$ 1.2189	\$ 0.7473
Weighted basic average number of shares outstanding	31,289,176	31,240,077	31,276,125	31,407,914
Weighted diluted average number of shares outstanding	32,872,201	32,148,615	32,314,769	32,282,509

⁽¹⁾ Calculated by taking Total Shareholders' Equity as reported on the Statements of Financial Position over the number of outstanding common shares.

Revenues

Revenue reclassification: Effective January 1, 2022, the Company has revised the presentation of its income statement to exclude foreign exchange gain and losses from revenue and reclassified them as a non-operating expense item. The previously reported comparative figures have been updated accordingly. For the year ended December 31, 2021, after reclassifying the foreign exchange loss of \$185,446, total revenue for the period is restated as \$10,612,393 compared to \$10,426,947, reported previously. There is no change to the net income.

Total revenue for the three-month period ended December 31, 2022, was \$2,365,702 compared to \$3,310,191 in the three-month period ended December 31, 2021. Loan interest and royalty payment income for the three-month period ended December 31, 2022, was \$2,263,790 representing a 41% increase from the \$1,605,980, earned in the three-month period ended December 31, 2021.

Of the \$2,263,790 loan interest and royalty payment income earned during the three-month period ended December 31, 2022, \$179,733 was contributed by interest earned from new investments acquired in the last twelve months \$1,427,272 from loan interest and royalty payment income

from the existing portfolio, \$311,520 from fees on early repayment of loans, and \$ 345,266 on account of loan amortization adjustments.

Income from changes in value of financial assets for the three-month period ended December 31, 2022, was \$ 75,689 compared to \$1,543,392 for the three-month period ended December 31, 2021.

Total IFRS revenue for the year ended December 31, 2022, was \$10,296,116, a 3% decrease from \$10,612,393 in the year ended December 31, 2021. Loan interest and royalty payment income for the year ended December 31, 2022, was \$7,795,300 representing a 28% increase from the \$6,091,103, earned in the year ended December 31, 2021.

Of the \$7,795,300 loan interest and royalty payment income earned during the year ended December 31, 2022, \$1,409,165 was contributed by interest earned from new investments acquired in the last twelve months, \$5,384,788 from loan interest and royalty payment income from the existing portfolio, \$349,896 from fees on early repayment of loans, and \$651,452 on account of loan amortization adjustments.

Operating Expense

Total operating expenses were \$953,378 and \$3,317,260 for the three-month period and year ended December 31, 2022, compared to \$932,786 and \$3,084,538 for the three-month period and year ended December 31, 2021. The increase in the YTD operating expenses was driven primarily by higher Office and general administrative expenses, on account of a general increase in Director and Officers insurance premiums and customer acquisition costs.

Profit (Loss) After Taxes

Profit (loss) after taxes was \$9,089,332 and \$14,510,720 for the three-month period and year ended December 31, 2022, compared to \$2,263,807 and \$5,597,275 for the three-month period and year ended December 31, 2021. The movements in the profit (loss) after taxes was primarily on account of the recognition of the deferred tax asset, higher loan interest and royalty payment income and favourable foreign exchange impacts, offset by fewer buyouts, fair value movements, and higher operating costs, compared to the corresponding periods in the previous year.

Assets

	As at December 31, 2022	As at December 31, 2021
Cash and cash equivalents	\$9,560,610	\$4,144,671
Investments	\$40,809,400	\$39,442,728
Total assets	\$58,682,422	\$44,018,033

Portfolio Update

	Three-months ended December 31, 2022	Three-months ended December 31, 2021	Year ended December 31, 2022	Year ended December 31, 2021
Number of active company investments	13	16	13	16
Number of new company investments in period	1*	3	1*	7

	Three-months ended December 31, 2022	Three-months ended December 31, 2021	Year ended December 31, 2022	Year ended December 31, 2021
Total capital deployed during the period	\$ 2,848,259	\$ 5,614,800	\$ 7,393,627	\$ 23,061,352
Carrying value of investments, at the end of period	\$ 40,809,400	\$ 39,442,728	\$ 40,809,400	\$ 39,442,727

*Follow-on investments in two investees, one loan investment was restructured and one royalty investment was bought out on the acquisition of an investee and Flow received preferred shares in the acquirer as consideration.

Shares Outstanding

As at December 31, 2022, Flow Capital had 31,290,610 shares outstanding. Between January 1, 2022 and December 31, 2022, 184,500 common shares were repurchased at a weighted-average price per share of \$0.5031.

Conference Call Details

Flow Capital will host a conference call to discuss these results at 9:00 a.m. Eastern Time, on Wednesday, March 29, 2023. Participants should call +1 (416) 764-8658 or +1 (888) 886-7786 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) 764-8692 or +1 (877) 674-7070 and enter access code 712521#. The replay recording will be available until 11:59 p.m. Eastern Time, April 5, 2023.

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.

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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.