

## Frequently Asked Questions

### 1) What is Founders Advantage Capital Corp. (“FA Capital”)

- FA Capital is a publicly traded investment firm (TSX-V: FCF) that makes controlling equity investments into premium, mid-market, owner-operated companies. FA Capital was founded in February 2016.

### 2) What is your investment philosophy?

- We provide entrepreneurs with patient capital along with a strong incentive focused on free cash flow growth. Our patient position is predicated on allowing successful owner-operators to continue driving the business forward (we respect and empower the talent). We do not have a fixed investment horizon unlike conventional private equity models.

### 3) What makes your investment model unique from other investment funds?

- In addition to being patient capital providers, FA Capital invests in top-tier, proven management teams and respects the talent. Business partners are incented to grow free cash flow distributions, aligning them with FA Capital and its shareholders. For example, FA Capital purchased a 60% interest in Dominion Lending Centres but our unique structure provides the DLC founders with 70% of cash distributions above a set benchmark (typically based on trailing twelve months EBITDA at the time of the acquisition). Please [click here](#) to see slide 5 on our investor presentation for an illustrative example.

### 4) What is your investment criteria?

- We look for premium mid-market companies with the following characteristics:
  - \$4 million - \$30 million in EBITDA
  - Strong growth characteristics with proven track record
  - Non-cyclical in nature
  - Recession-resilient / defensive
  - Low correlation to the capital markets and economy
  - Non-capital-intensive with strong free cash flow generation
  - Modest debt

### 5) What type of businesses will you not invest in?

- We avoid cyclical businesses such as resources, commodities, real estate development, and early-stage technology companies.
- Project finance opportunities and businesses that are going through major transformational strategies also do not meet our investment criteria as we prefer to invest in businesses with a proven track record and insulation from macroeconomic events / factors.

### 6) How long do you hold your investments for?

- We do not have a predetermined investment horizon. We are flexible and open to selling our equity interest alongside with our business partners under the right circumstances.

### 7) How does FA Capital generate cash flow?

- We purchase a meaningful equity interest (50% - 75%) in our portfolio companies, which provides us with a steady stream of cash dividends and distributions on either a monthly or quarterly basis. As an example, we invested ~\$22 million for a 60% interest in Club16 Trevor Linden Fitness, whereby FA Capital receives ~\$3.0 million in annual distribution income (or ~15% return on invested capital per annum in the first year, which is expected to grow on an annual basis).

#### 8) What types of businesses have you invested in so far?

- FA Capital has deployed >\$135 million into four (4) investments so far:
  - **Dominion Lending Centres** - Canada's largest mortgage brokerage with ~\$40 billion in funded mortgages, >5,400 mortgage brokers and 650 locations in Canada.
  - **Club16** – Leader in Western Canada's fitness industry with 13 facilities, 25+ year track record and >80,000 members.
  - **Impact Radio Accessories** - One of the largest designers and suppliers of two-way radio accessories in North America.
  - **Astley Gilbert Limited** - A full-service, non-traditional commercial printing and imaging solutions provider to companies across North America in a wide range of industries with 47+ years of operating history.

#### 9) How does FA Capital finance their investments?

- We use both debt and equity.
- In our first 12 months of operations, we raised >\$70 million in equity.
- In June 2017, we partnered with Sagard Credit Partners, securing a committed 5-year Senior Facility for US\$75 million (C\$100 million).
- Sagard Credit Partners is a subsidiary of **Power Financial Corporation (TSX: POW)**, an international holding and management company (notable investments include Great-West Lifeco, London Life and Investors Group).
- Generally, any leverage we utilize to fund acquisitions is held on FA Capital's balance sheet.

#### 10) Does FA Capital buy 100% of the companies?

- No, we seek to purchase a majority (or controlling) equity interest by acquiring 50% - 75% of the voting securities. Business partners typically retain 25% - 50% of the equity, which is representative of the strong alignment within the FA Capital model. Having business partners retain meaningful equity is critical for our model as we need our partners highly engaged.

#### 11) Once you invest in a business how do you manage it? Are you hands on?

- We require a majority of the board seats to assist management with key strategic initiatives, however, we are generally hands-off on the day-to-day operations of the business.

#### 12) How do you locate your deal flow?

- Over the last 24 months, we have built deep relationships with a vast network of trusted advisors (i.e. investment banks, accounting firms, law firms, etc.) across Canada and the U.S.; these intermediaries appreciate the uniqueness of our business model and provide us with continuous deal flow.
- We increasingly see proprietary and semi-proprietary deals (i.e. not broad auction processes).

#### 13) How have you mitigated risk?

- Our investee partners have proven track records and demonstrated recession-resiliency over an extended period.
- We partner with the existing owners who retain meaningful positions (~45% retained interest on average to date).
- Our structure provides attractive economic benefits (via disproportionate share of growth) to our investee partners, providing strong incentives for them to grow free cash flow.
- We hold a majority of the investee's board seats with a wide range of protections in place through the legal agreements.
- We use a conservative debt structure so that we do not burden our investee partners with debt.
- We invest in a diversified portfolio of companies so we are not dependent on any single asset.

**14) Why did FA Capital choose to be a public company?**

- As a public company, FA Capital has the ability to access the equity and debt markets if additional capital is required.
- Being a public company also provided us with long-term capital, which allows us to be long-term investors, and allows our investee partners to execute on their long-term growth strategies.

**15) What public filings are available for investors?**

- We are publicly traded on the TSX Venture and file our corporate disclosure documents (including financials) on Sedar on a quarterly basis. Please see our website for all our public company filings and news releases to date.

**16) What is your current shareholder base?**

- The current shareholder base is comprised of ~27% FA Capital management and board and ~26% institutional ownership.

**17) What does FA Capital do with its Excess Cash Flow?**

We reinvest excess cash flow into our existing partners, invest into new businesses, pay down debt and return capital to our shareholders via an annual dividend (currently \$0.05/share per annum).

**18) Who determines when an investee may be sold?**

- We incorporate sale provisions in the legal agreements specifying for what period of time mutual consent (FA Capital and investee shareholders) is required to trigger a sale process.
- We may also include provisions specifying that after a certain period of time one of the parties may make a request to the board of the investee to initiate a sale process.
- If investee shareholders are looking to exit, FA Capital has a ROFR to buy-out their interest.

**19) Why do you currently pay a dividend?**

- We have built a diversified portfolio of stable, high free-cash-flowing, and growing businesses that provide us with sufficient excess cash flow to provide our investors with a yield while still being able to successfully execute on our growth strategy.

**20) Which research analysts / financial institutions currently cover FA Capital?**

- We are currently covered by the following institutions:
  - **Canaccord Genuity**, Raveel Afzaal
  - **Clarus Securities**, Noel Atkinson
  - **Desjardins**, Gary Ho
  - **Echelon Wealth Partners**, Russell Stanley
  - **Industrial Alliance**, Dylan Steuart
  - **Raymond James**, Brenna Phelan