Founders Advantage Announces Sale of its Interest in Astley Gilbert Limited

Calgary, Alberta – July 31, 2019 – Founders Advantage Capital Corp. (TSX-V: FCF) ("FAC" or the "Corporation") today announced that it has entered into a binding agreement to sell its 50% interest in Astley Gilbert Limited ("AG") for aggregate gross proceeds of $17.0 million (the "Purchase Price") to AG management (the "Purchaser"). The sale transaction (the "Transaction") is scheduled to close on September 30, 2019. The Purchase Price is comprised of: (i) a cash payment of $14.2 million; and (ii) the cancellation of the interest-bearing promissory note previously issued by the Corporation to Wayne Wilbur (the President of AG) on October 31, 2017 (the "Promissory Note"). The Promissory Note has a principal balance owing of $2.5 million and accrued interest of $287,500 owing as at the anticipated closing date. The Transaction also provides that FAC will assign to the Purchaser a receivable for $500,000 of dividends previously declared to FAC by AG which remain unpaid. The Corporation will use the cash proceeds from the Transaction to repay corporate debt.

Since completing the acquisition of the 50% interest in AG on October 31, 2017, the Ontario print industry has faced challenges as the retail and construction sectors both softened considerably. Further, the Corporation and management did not share the same long-term vision for AG going forward. As such, management and the Board of Directors concluded that it is in shareholders' best interest to sell the interest in AG back to management, use the proceeds to reduce the Corporation's debt and focus on growing and operating its remaining three assets.

The Corporation believes the Transaction will result in the following:

- the Corporation will make a principal payment of CAD$10.7 million against its corporate credit facility with Sagard Credit Partners ("Sagard"), bringing the principal balance owing to approximately CAD$43.8 million (the remaining cash proceeds of CAD$3.5 million will be applied against the make-whole payment owed to Sagard for repaying debt prior to maturity of the facility);
- the Corporation will have the Promissory Note cancelled, removing an additional $2.8 million of debt (and the additional future interest associated with such liability);
- the Corporation's annual interest expense to Sagard is expected to reduce by $1.0 million (from $5.1 million per annum to $4.1 million per annum) resulting in a corresponding increase in free cash flow at the FAC level;
- the Corporation's total debt to EBITDA ratio (our leverage ratio) is expected to decrease due to the principal repayment on the Sagard facility and the removal of AG's debt which impacts the Corporation's total leverage; and
- the Corporation's proportionate share of investee adjusted EBITDA (reported as PSI Adjusted EBITDA in our MD&A) is expected to be reduced by $3.6 million per annum (based on trailing twelve month amounts as at March 31, 2019).

James Bell, President and CEO of FAC commented: "While it is always difficult to sell an asset for a loss, we believe this transaction makes FAC stronger financially and more focused on our remaining assets. The sale of AG allows us to significantly reduce our total indebtedness and improve our annual free cash flow. We believe that a concerted effort to reduce total debt and corporate expenses will ultimately unlock shareholder value. In addition to improving our company financially, we believe that the transaction will help simplify our story and allow investors to better understand the value of our three remaining growth assets."

The Corporation intends on continuing to hold its 60% interest in Dominion Lending Centres ("DLC"), its 60% interest in Club16 Fitness and its 52% interest in Impact Communications (collectively, the "Core Assets"). As each of these three assets have grown since being acquired and continue to generate strong free cash flow, the Corporation intends to hold these assets and use the excess free cash flow to repay corporate debt.

Following the Transaction, we remain committed to our plan to maximize the value of our Core Assets through organic growth, reducing corporate debt and reducing corporate expenses. We continue to believe that the Corporation's market capitalization is less than the market value of the Core Assets net of corporate debt. The Corporation acquired the three remaining Core Assets for $109.3 million and FAC will have corporate debt of CAD$43.8 million upon completion of the Transaction. Further, the acquisition cost for the Core Assets does not include any additional value for asset growth as DLC, in particular, has grown significantly since being acquired in 2016. At the time of acquisition, DLC had trailing twelve month Adjusted EBITDA of approximately $14.6 million compared to DLC's reported Adjusted EBITDA for the year ended December 31, 2018 of $19.8 million (compounded annual growth rate of approximately 10.7%). Further, Club16 and Impact have also experienced EBITDA growth since being acquired.

As at December 31, 2018, the Corporation recorded a $6.2 million non-cash impairment of AG's goodwill. The Corporation anticipates that a further impairment of AG will be included in its Q2 consolidated interim financial statements to reflect the fair value of AG based on the Purchase Price.

For the purposes of the disclosure herein, the Corporation has used a CAD/USD foreign exchange rate of $1.31 and a LIBOR 3-month rate of 2.27%. Material changes in the CAD/USD foreign exchange rate or in LIBOR prior to the closing date may have a material impact on the amounts disclosed herein.

About Founders Advantage Capital Corp.

The Corporation is listed on the TSX Venture Exchange as an Investment Issuer (Tier 1) and employs a permanent investment approach.

The Corporation's common shares are listed on the TSX Venture Exchange under the symbol "FCF".

For further information, please refer to the Corporation's website at www.advantagecapital.ca.

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Cautionary Note Regarding Forward-looking Information

Certain statements in this document constitute forward-looking information under applicable securities legislation. Forward-looking information typically contains statements with words such as "anticipate," “believe,” “estimate,” “will,” “expect,” “plan,” “intend,” or similar words suggesting future outcomes or an outlook. Forward-looking information in this document includes, but is not limited to:

- the expected completion of the Transaction and the timing thereof;
- the expected benefits of the Transaction, including the reduction of annual interest expense, the decrease in the Corporation’s leverage ratio and the reduction in the Corporation’s proportionate share of investee EBITDA;
- the expectation that the Transaction will make the Corporation financially stronger;
- the expectation that reducing corporate debt and corporate expenses will eventually unlock shareholder value;
- the expectation that the Transaction will allow the market to better understand the value of the Corporation’s remaining assets; and
- the Corporation’s intention to continue to hold the Core Assets.

Such forward-looking information is based on a number of assumptions which may prove to be incorrect. Assumptions have been made with respect to the following matters, in addition to any other assumptions identified in this news release:

- the Transaction will close substantially on the terms set out herein;
- the Corporation will be able to secure all required approvals, including the approval of the TSXV, to complete the proposed Transactions substantially on the terms and conditions set out herein;
- foreign currency exchange rates for CAD and USD will remain consistent with current rates;
- interest rates will remain consistent with prior periods;
- total debt for the Core Assets will remain consistent with prior periods; and
- the Corporation’s proportionate share of investee EBITDA for the Core Assets will remain consistent with prior periods.

Such forward-looking information is necessarily based on many estimates and assumptions, including material estimates and assumptions, related to the factors identified below that, while considered reasonable by the Corporation as at the date hereof considering management’s experience and perception of current conditions and expected developments, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements. Such factors include, but are not limited to the risks and uncertainties described elsewhere in this document and in our other filings with Canadian securities authorities.

Many of these uncertainties and contingencies can affect our actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, us. Readers are cautioned that forward-looking statements are not guarantees of future performance. All forward-looking statements made in this press release are qualified by these cautionary statements. The foregoing list of risks is not exhaustive. For more information relating to risks, see the risk factors identified in our 2018 Annual Report. The forward-looking information contained in this document is made as of the date hereof and, except as required by applicable securities laws, we undertake no obligation to update publicly or revise any forward-looking statements or information, whether because of new information, future events or otherwise.