

Flow Capital Q3 2025 Earnings Release Conference Call – November 14, 2025

This transcript has been edited and condensed for clarity.

Operator

Good morning, and welcome to Flow Capital's Q3 2025 Earnings Call.

I would like to remind everyone that today's discussion may contain forward-looking statements that reflect current views with respect to future events. Any such statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected. For more information, please refer to the company's Q3 2025 Management Discussion & Analysis, available on SEDAR.

Today's call is being recorded on Friday, November 14, 2025. I will now turn the call over to Alex Baluta, Chief Executive Officer of Flow Capital.

Alex Baluta – Chief Executive Officer

Thank you, and good morning, everyone. I'm joined today by our CFO, Michael Denny.

Last night we released our Q3 financial results, which are available on SEDAR, on our website under the [Investor section](#), and through our press release on the wires.

Before reviewing the quarter, I'd like to welcome PricewaterhouseCoopers (PwC) as our new auditor. We're pleased to have them on board. You will also notice that we have updated the format and presentation of our financial statements, providing, in our view, a clearer and more accurate representation of the company's operating performance. In particular, revenue presentation under IFRS had previously been less intuitive; the new format is much more transparent, and we expect to maintain it going forward.

Q3 Highlights

Q3 was another strong quarter for Flow Capital:

- Revenue increased 38% year-over-year to \$3.4 million, and 5.6% sequentially.

- Free Cash Flow grew 15% year-over-year. This quarter marks our 25th straight quarter of profitability.
- We deployed \$4 million, slightly below target but in a high-quality transaction.
- Book Value per Share rose \$0.05 sequentially to \$1.22, driven primarily by profitability and a bit of a push from FX.
- Total Investments increased 24% year-over-year to over \$75 million.

Portfolio Performance

The portfolio continues to perform well. Several events this year were positive, though not all were expected:

- A few early buyouts, including:
 - Bearaby, which repaid early in August
 - BallotReady, acquired in April
 - A high-performing real-estate software platform bought us out in October

In most transactions, we retain small equity or warrant positions, offering long-term optionality. For that one, I'm particularly optimistic: They're a real rocket ship, a fantastic client, and I wish management well. I'm glad to have been part of their journey.

- Another company transitioned to an amortizing loan that is expected to be repaid within a couple of quarters.
- A separate transaction is nearing completion involving a change-of-control event, which we expect to be positive.
- We also exited one underperforming company due to unfortunate platform-level circumstances. Despite the challenges, we recently closed the sale of the assets of that company and recovered approximately 90% cash-on-cash.

As a senior secured lender, we do everything we can to work with our companies when they stumble, and we worked with this company for a long time. In the end, the customers found a home, the new buyer is optimistic about the future, and we retain a position in the acquiring entity, preserving potential future upside, as well as an obligation on their behalf

to continue to pay us. To date, our cash-on-cash return was 90 cents on the dollar. So, even in transactions where it doesn't work out, and sometimes that happens, the type of investing we do provide us with good security.

Our long-term, seven-year portfolio IRR remains in the mid-20% range, a number we are very proud of and a function of strong deal selection, disciplined underwriting, and a highly effective team.

Operational & Strategic Updates

AI Adoption

Across the company, we have implemented multiple new AI-driven initiatives in:

- Marketing
- Portfolio intelligence
- Competitive tracking
- Deal sourcing and evaluation
- Internal operational efficiency

These tools have already generated substantial productivity gains and new forms of actionable insight.

Marketing Performance

Marketing continues to perform strongly:

- Top- and mid-funnel leads are up 26% year-over-year.
- Flow Capital is now #2 organically versus all competitors in search visibility.
- Our content strategy, website improvements, and expanded marketing channels continue to drive high-quality inbound deal flow.

Market Environment

We've noticed evolving dynamics in the market:

- Increased competition from new entrants, including family offices that periodically enter this space.
- Greater capital allocation to private credit.
- A 15% year-over-year decline in the number of transactions in our target market (companies with \$3–5M+ revenue, growing 20%+, seeking \$2–10M in growth capital).

The slowdown appears to be driven by:

- Companies prioritizing breakeven and profitability during the uncertain period following COVID (2022–2024).
- A significant VC pivot to AI-native companies, reducing funding availability for traditional SaaS.

We expect this to normalize. As companies stabilize, many will return to the market seeking growth capital, especially given the pullback from venture capital in non-AI SaaS. Combined with our strong marketing momentum, we believe this creates an excellent long-term opportunity for Flow Capital.

- Occasional irrational competition from major Canadian banks offering credit lines not priced relative to risk. These disruptions tend to be temporary and are not structurally concerning.

We have a lot of spare capital due to a post-quarter increase in our line of credit with our U.S. banking syndicate to \$25 million, but we are not in a rush to deploy. In some models where there's captive capital and you have eight years to deploy it, if you're not deploying it, you could be hurting your economics.

As an evergreen lender, we are not forced to deploy capital. We can be patient and remain selective, which is a core strategic advantage.

Pipeline

The pipeline remains healthy. While increased competition has modestly slowed the close rate, we continue to work on a large number of opportunities. With leads up 26% and growing, we feel confident entering 2026.

I'll pause here and hand the call back to the operator for questions.

Q&A Session

Guest: Good quarter, Alex. Regarding the deal referenced for October, that's not included in the Q3 financials, correct?

Alex: Correct. The revenue from that deal is included in Q3, but the transaction formally closed in Q4, so any buyout-related impact will appear in the Q4 results.

Guest: Understood. Could that be positive?

Alex: It's possible, but we don't expect a material financial impact in Q4. The real value is in the long-term equity position. As always, these equity/warrant components are small and minimally dilutive but provide attractive optionality.

Guest: So, you're going to hang on to the equity even as they exit the loan?

Alex: In that particular case, yes. We have a couple of different structures that we can deploy for, let's call it bonus, equity-like exposure. Sometimes it's warrants on common equity, sometimes it's exit fees, but in that case, it's a long-term warrant.

Guest: And regarding taxes, you're now showing tax expense. Should we expect ongoing cash taxes?

Alex: No. While we are profitable and recording tax expense, it is fully offset by our \$7.5 million deferred tax asset from historical operating losses. So, we are not paying cash taxes at this time, aside from small U.S. amounts. Our deferred tax asset continues to shelter cash taxes for the foreseeable future.

Guest: Great, thanks for the clarification.

Operator

There are no further questions. I will return the call to Alex for closing remarks.

Alex Baluta

Thank you and thank you to everyone who joined us live or via recording. As always, Michael and I are available for follow-up questions at any time. We look forward to reconnecting early in the new year when we report Q4 and full-year results.

Operator

This concludes today's conference call. Thank you for your participation.