

## Bri-Chem Announces 2023 Second Quarter Financial Results

**NOT FOR DISTRIBUTION TO U.S. NEWSWIRE SERVICES OR FOR DISSEMINATION IN THE U.S.**

Edmonton, Canada, August 14, 2023 – Bri-Chem Corp. (“Bri-Chem” or “Company”) (TSX: BRY), a leading North American oilfield chemical distribution and blending company, is pleased to announce its 2023 second quarter financial results.

(in '000s except per share amounts)	Three months ended				Six months ended			
	2023	June 30 2022	Change		2023	June 30 2022	Change	
			\$	%			\$	%
<b>Financial performance</b>								
Sales	\$ 25,229	\$ 25,469	\$ (240)	(1%)	\$ 52,430	\$ 49,005	\$ 3,425	7%
Adjusted EBITDA <sup>(1)</sup>	1,972	1,782	190	11%	3,587	4,224	(637)	(15%)
As a % of revenue	8%	7%			7%	9%		
Operating earnings	1,216	1,690	(474)	(28%)	2,513	4,735	(2,223)	(47%)
Adjusted net earnings <sup>(1)</sup>	714	886	(172)	(19%)	1,105	2,558	(1,453)	(57%)
Net earnings	\$ 553	\$ 341	\$ 212	62%	\$ 818	\$ 8,113	\$ (7,295)	(90%)
Diluted per share								
Adjusted EBITDA <sup>(1)</sup>	\$ 0.07	\$ 0.07	\$ -	0%	\$ 0.14	\$ 0.16	\$ (0.02)	(13%)
Adjusted net earnings <sup>(1)</sup>	\$ 0.03	\$ 0.04	\$ (0.01)	(27%)	\$ 0.04	\$ 0.10	\$ (0.06)	(62%)
Net earnings	\$ 0.02	\$ 0.01	\$ 0.01	70%	\$ 0.03	\$ 0.31	\$ (0.28)	(91%)
<b>Financial position</b>								
Total assets					\$ 72,588	\$ 65,696	\$ 6,892	10%
Working capital					15,940	13,218	2,722	21%
Long-term debt					6,827	5,100	1,727	34%
Shareholders equity					\$ 22,517	\$ 20,280	\$ 2,237	11%

<sup>(1)</sup> Non-GAAP financial measure. Refer to “Non-GAAP Financial Measures” in this press release.

### Key Q2 2023 highlights include:

- Consolidated sales for the three months ended June 30, 2023 were consistent quarter over quarter as the Company maintained its market share in all relevant markets. Year to date sales is higher due to an increase in production chemical toll blending revenue and increased cementing work being conducted in the California region.
- Consolidated gross margin for the three months ended June 30, 2023 decreased by \$162 thousand compared to the same period last year. The gross margin dollars decrease is primarily related to an unfavorable change in sales mix when compared to the prior year.
- Adjusted EBITDA for the second quarter 2023 increased by \$190 thousand when compared to the same period in the prior year, achieving 8% as a percentage of revenue in Q2 2023. Operating earnings was \$1.2 million for the three months ended June 30, 2023 compared to operating earnings of \$1.7 million the prior year comparable quarter, representing a 28% decrease. The decrease predominantly relates to higher interest incurred on borrowed funds and increasing employee remuneration and headcount.
- Adjusted net earnings per diluted share for the three months ended June 30, 2023 was \$0.03 per share compared to \$0.04 per diluted share for same period last year.
- Working capital, as at June 30, 2023, was \$15.9 million compared to \$13.2 million at June 30, 2022, an increase of 21%. The increase relates to notable increases in inventory balances in response

to market demand in tandem with a decrease to accounts payable balances. These items were offset modestly by decreases to accounts receivable balances due to improved collection procedures in tandem with a higher realized bank indebtedness balance due to inventory purchases.

## Summary for the three months ended June 30, 2023:

Consolidated sales for the three months ended June 30, 2023 were \$25.2 million compared to \$25.5 million for the same period in 2022, representing a \$240 thousand decrease over the comparable period. The minor decrease was due to changes in select customer commodity purchases, offset by increased sales in the blending and packaging division.

Bri-Chem's Canadian drilling fluids distribution division generated sales of \$2.9 million for the three months ended June 30, 2023 compared to \$3 million in the comparable prior period. The Canadian wildfires reduced activity within specific geographic locations, which was offset by other regional increases to activity. The number of active operating land rigs in Q2 2023 averaged 114, compared to 113 in the same period last year (Source: Baker Hughes). Bri-Chem's United States drilling fluids distribution division generated sales of \$15.6 million for the three months ended June 30, 2023 compared to sales of \$17.1 million for the comparable period in 2022, representing a quarterly decrease of 9%. This decrease relates to a decrease in purchases made by a single customer. The number of active operating land rigs in Q2 2023 averaged 700, compared to a 2022 Q2 average of 699. (Source: Baker Hughes).

Bri-Chem's Canadian blending and packaging division generated sales of \$3.8 million for the three months ended June 30, 2023 compared to Q2 2022 sales of \$2.8 million, representing a quarterly increase of \$940 thousand. The increase in sales relates to higher cementing and stimulation activities in addition to increased production chemical sales in the market. US blending and packaging sales for the three months ended June 30, 2023 were \$3.0 million compared to \$2.5 million in the prior year. The \$0.5M surge relates to increased cementing activities in specific operating regions in California.

Operating earnings for the three months ended June 30, 2023 was \$1.2 million compared to \$1.7 million during the same period last year. Adjusted EBITDA was \$2 million for Q2 2023 compared to \$1.8 million for Q2 2022. Adjusted EBITDA as a percentage of sales was 8% for the quarter, which is an increase over the 7% in Q2 2022.

## OUTLOOK

The second quarter of 2023 continued to show signs of stabilization in the oil and gas sector which is the expected trend for the remainder of the year. Bri-Chem has focused on maintaining its North America market share as the price of WTI continues to stabilize in harmony with rig counts which should provide future regional growth in our Texas and Oklahoma regions. Over the short-term, however, depressed natural gas commodity prices have contributed uncertainty to the near-term activity outlook. The Company will also strive to realize margin improvement from ongoing pricing adjustments while working diligently to purchase lower costed products from current and new suppliers. Our organic growth initiatives are moving forward with a new warehouse now recently opened in Lloydminster, Canada, and with additional growth opportunities forthcoming at our new Midland, Texas facility which is likely to be realized and capitalized upon within the next six to twelve months. Management is still fully committed to maintaining a low cost overhead infrastructure which will further allow the Company to be prepared should activity levels quickly rise or fall.

## About Bri-Chem

Bri-Chem has established itself, through a combination of strategic acquisitions and organic growth, as the North American industry leader for wholesale distribution and blending of oilfield drilling, completion, stimulation and production chemical fluids. We sell, blend, package and distribute a full range of drilling fluid products from 25 strategically located warehouses throughout Canada and the United States. Additional information about Bri-Chem is available at [www.sedar.com](http://www.sedar.com) or at Bri-Chem's website at [www.brichem.com](http://www.brichem.com).

To receive Bri-Chem news updates send your email to [ir@brichem.com](mailto:ir@brichem.com).

For further information, please contact:

**Tony Pagnucco CPA, CA**

**Bri-Chem Corp.**

CFO

T: (780) 571-8587

E: [tpagnucco@brichem.com](mailto:tpagnucco@brichem.com)

## Forward-Looking Statements

*Certain statements contained in this press release constitute forward-looking information or forward-looking statements (collectively, "forward-looking statements"). These statements relate to future events or future performance. The use of any of the words "could", "intend", "expect", "believe", "will", "projected", "estimated" and similar expressions and statements relating to matters that are not historical facts are intended to identify forward-looking statements and are based on the Company's current belief or assumptions as to the outcome and timing of such future events. Actual future results may differ materially.*

*Although the Company believes that the expectations and assumptions on which such forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because the Company can give no assurance that they will prove to be correct. By their nature, such forward-looking statements are subject to various risks and uncertainties, which could cause actual results to differ materially from the anticipated results or expectations expressed herein. These risks and uncertainties, include, but are not limited to general economic conditions, prevailing and anticipated industry conditions, access to debt and equity financing on acceptable terms, levels and volatility of commodity prices, maintained demand for drilling fluids, market forces, ability to achieve geographic expansion through new warehouse locations, anticipated impact of new warehouse locations, ability to obtain equipment from suppliers, ability to maintain negotiating power with suppliers and customers, ability to obtain and retain skilled personnel, competition from other industry participants and regulatory conditions. Readers are cautioned not to place undue reliance on this forward-looking information, which is given as of the date it is expressed in this press release or otherwise. Except as required by applicable law, the Company does not undertake any obligation to publicly update or to revise any of the forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this document are expressly qualified by this cautionary statement.*

## Non-GAAP Financial Measures

Bri-Chem uses certain measures in this press release which do not have any standardized meaning as prescribed by International Financial Reporting Standards ("IFRS"). These measures, which are derived from information reported in the Company's financial statements, may not be comparable to similar measures presented by other reporting issuers. Investors are cautioned that these measures should not be construed as an alternative to net earnings and operating earnings determined in accordance with IFRS,

and these measures should not be considered to be more meaningful than IFRS measures in evaluating the Company's performance. These measures have been described and presented in this press release in order to provide shareholders and potential investors with additional information regarding the Company. These Non-IFRS measures are identified and defined as follows:

*Adjusted Net Earnings/(Loss), Adjusted Net Earnings/(Loss) per share, Adjusted EBITDA, and Adjusted EBITDA per share*

Adjusted Net Earnings/Loss are defined as net earnings/(loss) before non-recurring events, net of corporate income taxes ("**Adjusted Net Earnings/(Loss)**"). Adjusted Net Earnings/Loss per share is defined as Adjusted Net Earnings/Loss divided by diluted weighted average common shares. Management believes that in addition to net earnings/(loss), Adjusted Net Earnings/(Loss) and Adjusted Net Earnings/(Loss) per share are useful supplemental measures that represent normalized net earnings/(loss) from the business so that financial statement users can make insightful comparisons between current periods and historical results.

Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, amortization, impairment charges, share-based payments, and non-recurring events ("**Adjusted EBITDA**"). Adjusted EBITDA per share is defined as Adjusted EBITDA divided by diluted weighted average common shares. Management believes that in addition to net earnings, Adjusted EBITDA and Adjusted EBITDA per share are useful supplemental measures of operating performance that normalize financing, depreciation, income tax, and other non-recurring charges which are not controlled at the operating level. The following table provides a reconciliation of Net Earnings/(Loss) under IFRS, as disclosed in the interim financial statements, to Adjusted Net Earnings/(Loss) and Adjusted EBITDA:

(in 000's)	Three months ended		Six months ended	
	2023	June 30 2022	2023	June 30 2022
Net earnings	\$ 553	\$ 341	\$ 818	\$ 8,113
Less:				
Deferred tax (credit) / expense	161	545	287	(4,662)
Property and equipment impairment reversal	-	-	-	(893)
Adjusted net earnings	714	886	1,105	2,558
Add:				
Financing costs	953	568	1,875	1,120
Income tax expense	(14)	31	(28)	31
Depreciation and amortization	319	297	635	516
Adjusted EBITDA	\$ 1,972	\$ 1,782	\$ 3,587	\$ 4,224