

Bri-Chem Announces 2023 Third Quarter Financial Results

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Edmonton, Canada, November 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 third quarter financial results.

(in '000s except per share amounts)	Three months ended				Nine months ended			
	September 30		Change		September 30		Change	
	2023	2022	\$	%	2023	2022	\$	%
Financial performance								
Sales	\$ 26,830	\$ 28,986	\$ (2,156)	(7%)	\$ 79,260	\$ 77,991	\$ 1,269	2%
Adjusted EBITDA ⁽¹⁾	1,051	1,717	(666)	(39%)	4,638	5,941	(1,302)	(22%)
As a % of revenue	4%	6%			6%	8%		
Operating earnings	1,185	2,049	(864)	(42%)	3,698	6,784	(3,086)	(45%)
Adjusted net earnings ⁽¹⁾	(293)	812	(1,105)	(136%)	812	3,369	(2,558)	(76%)
Net earnings	\$ (376)	\$ 500	\$ (876)	(175%)	\$ 442	\$ 8,613	\$ (8,171)	(95%)
Diluted per share								
Adjusted EBITDA ⁽¹⁾	\$ 0.04	\$ 0.07	\$ (0.03)	(42%)	\$ 0.17	\$ 0.22	\$ (0.05)	(22%)
Adjusted net earnings ⁽¹⁾	\$ (0.01)	\$ 0.03	\$ (0.04)	(118%)	\$ 0.03	\$ 0.13	\$ (0.10)	(79%)
Net earnings	\$ (0.01)	\$ 0.02	\$ (0.03)	(144%)	\$ 0.02	\$ 0.33	\$ (0.31)	(95%)
Financial position								
Total assets					\$ 70,532	\$ 71,785	\$ (1,253)	(2%)
Working capital					16,012	15,430	582	4%
Long-term debt					6,771	5,100	1,672	33%
Shareholders equity					\$ 22,780	\$ 22,669	\$ 111	0%

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

Key Q3 2023 highlights include:

- Consolidated sales for the three months ended September 30, 2023 were slightly lower quarter over quarter as the Company was impacted by the decrease in US operating rigs. Year to date sales are higher due to an increase in blending and packaging activities in our Canada and California regions.
- Consolidated gross margin for the three months ended September 30, 2023 decreased by \$442 thousand compared to the same period last year. The gross margin dollar decrease is primarily related to an unfavorable change in sales mix when compared to the prior year resulting in higher consumption levels of lower margin products.
- Adjusted EBITDA for the third quarter 2023 decreased by \$665 thousand when compared to the same period in the prior year and operating earnings was \$1.2 million for the three months ended September 30, 2023 compared to operating earnings of \$2 million the prior year comparable quarter, representing a 42% decrease. The decrease predominantly relates to margin compression due to a shift in sales mix and increased employee remuneration and headcount.
- Adjusted net earnings per diluted share for the three months ended September 30, 2023 was negative \$0.01 per share compared to \$0.03 per diluted share for same period last year.
- Working capital, as at September 30, 2023, was \$16 million compared to \$15.4 million at September 30, 2022, an increase of 4%. The increase relates to significant decreases in bank

indebtedness and accounts payable which were offset by decreased inventory and accounts receivable.

Summary for the three months ended September 30, 2023:

Consolidated sales for the three months ended September 30, 2023 were \$26.8 million compared to \$29 million for the same period in 2022, representing a \$2.1 million decrease over the comparable period. The decrease is directly related to the decrease in US operating rigs year over year.

Bri-Chem's Canadian drilling fluids distribution division generated sales of \$3.9 million for the three months ended September 30, 2023 compared to \$3.8 million in the comparable prior period. The number of active operating land rigs in Q3 2023 averaged 187, compared to 198 in the same period last year (Source: Baker Hughes). Bri-Chem's United States drilling fluids distribution division generated sales of \$15.5 million for the three months ended September 30, 2023 compared to sales of \$18.4 million for the comparable period in 2022, representing a quarterly decrease of 16%. This decrease mainly relates to a decrease in the US rig count as the number of active operating land rigs in Q3 2023 averaged 627, compared to a 2022 Q3 average of 741. (Source: Baker Hughes)

Bri-Chem's Canadian blending and packaging division generated sales of \$3.9 million for the three months ended September 30, 2023 compared to Q3 2022 sales of \$3.6 million, representing a quarterly increase of \$322 thousand. The increase in sales relates to higher cementing and stimulation activities in Western Canada. US blending and packaging sales for the three months ended September 30, 2023 were \$3.5 million compared to \$3.2 million in the prior year. The \$359 thousand increase relates to higher cementing activities in specific operating regions in California.

Operating earnings for the three months ended September 30, 2023 was \$1.2 million compared to \$2.0 million during the same period last year. Adjusted EBITDA was \$1.1 million for Q3 2023 compared to \$1.7 million for Q3 2022. Adjusted EBITDA as a percentage of sales was 4% for the quarter, which is a decrease over the 6% in Q3 2022. The decrease is primarily attributable to increased financing costs and employee overheads.

OUTLOOK

U.S. land rig counts have steadily declined throughout 2023 which has proven to be challenging for 2023 wholesale chemical product sales and margins. Sustained oil prices in the \$80-\$90 range, would likely provide a modest recovery in rig counts through the first half of the 2024 fiscal year. Management remains committed to our strategic priorities of maintaining low headcounts and overheads to ensure alignment with oilfield activity and Company profitability. The Company is optimistic that the anticipated completion of the Trans Mountain pipeline project and LNG projects would create an opportunity for increased production levels in 2024.

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 or at Bri-Chem's website at www.brichem.com.

To receive Bri-Chem news updates send your email to ir@brichem.com.

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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 September 30		Nine months ended September 30	
	2023	2022	2023	2022
Net earnings	\$ (376)	\$ 500	\$ 442	\$ 8,613
Less:				
Deferred tax (credit) / expense	83	312	369	(4,351)
Property and equipment impairment reversal	-	-	-	(893)
Adjusted net earnings	(293)	812	812	3,369
Add:				
Financing costs	1,005	642	2,880	1,762
Income tax expense	19	-	(9)	31
Depreciation and amortization	320	263	955	779
Adjusted EBITDA	\$ 1,051	\$ 1,717	\$ 4,638	\$ 5,941