Bri-Chem Announces 2024 First Quarter Financial Results and Senior Banking Facility Amendments

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Edmonton, Canada, May 15, 2024 – Bri-Chem Corp. ("Bri-Chem" or "Company") (TSX: BRY), a leading North American oilfield chemical distribution and blending company, is pleased to announce its 2024 first quarter financial results.

(in '000s except per share amounts)	Three months ended March 31 2024	2023	Change $	%
Financial performance				
Sales	**$ 21,371**	$ 27,201	$ (5,830)	(21%)
Adjusted EBITDA[1]	**(443)**	1,615	(2,059)	(127%)
As a % of revenue	**-2%**	6%		
Operating earnings	**(144)**	1,296	(1,441)	(111%)
Adjusted net (loss) / earnings [1]	**(1,767)**	391	(2,158)	(552%)
Net (loss) / earnings	**$ (1,506)**	$ 265	$ (1,771)	(668%)
Per diluted share				
Adjusted EBITDA [1]	**$ (0.02)**	$ 0.06	$ (0.08)	(132%)
Adjusted net (loss) / earnings [1]	**$ (0.07)**	$ 0.01	$ (0.08)	(544%)
Net (loss) / earnings	**$ (0.06)**	$ 0.01	$ (0.07)	(701%)
Financial position				
Total assets	**$ 66,224**	$ 75,651	$ (9,427)	(12%)
Working capital	**14,666**	15,927	(1,262)	(8%)
Long-term debt	**6,668**	6,869	(201)	(3%)
Shareholders equity	**$ 21,809**	$ 22,610	$ (802)	(4%)

[1] *Non-GAAP financial measure. Refer to "Non-GAAP Financial Measures" in this press release.*

Key Q1 2024 highlights include:

- Consolidated sales for the three months ended March 31, 2024 were $21.4 million, which is a 21% decrease from the prior year. The decrease is directly related to the 19% decrease in Q1 US drilling activity, driven by a lower average rig count and corresponding cementing activities.

- Consolidated gross margin for the three months ended March 31, 2024 decreased by $715 thousand compared to the same period last year. The gross margin dollar decrease is primarily related to the 21% decrease in consolidated sales.

- Adjusted EBITDA for the first quarter 2024 decreased by $2.1 million when compared to the same period in the prior year and operating earnings decreased by $1.4 million for the three months ended March 31, 2024 compared to the prior year.

- Adjusted net loss per diluted share for the three months ended March 31, 2024 was $0.07 per share compared to adjusted net earnings of $0.01 per diluted share for same period last year.

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- Working capital, as at March 31, 2024, was $14.7 million compared to $15.9 million at March 31, 2023, a decrease of 8%. The decrease relates to significant decreases in accounts receivable and which was partially offset by increased bank indebtedness and accounts payable.

Summary for the three months ended March 31, 2024:

Consolidated sales for the three months ended March 31, 2024 were $21.4 million compared to $27.2 million for the same period in 2023, representing a $5.8 million decrease over the comparable period. The decrease is due to decreased US drilling activities, driven by a lower average rig count and cementing activities.

Bri-Chem's Canadian drilling fluids distribution division generated sales of $2.8 million for the three months ended March 31, 2024 compared to $3.6 million in the comparable prior period. The decrease in sales relates to the slowing of sales of select commodity items. The number of active operating land rigs in Q1 2024 averaged 209, compared to 223 in the same period last year (Source: Baker Hughes). Bri-Chem's United States drilling fluids distribution division generated sales of $12.6 million for the three months ended March 31, 2024 compared to sales of $16.8 million for the comparable period in 2023, representing a quarterly decrease of 25%. This decrease mainly relates to a decrease in the US rig count as the number of active operating land rigs in Q1 2024 averaged 605, compared to a Q1 2023 average of 743 (Source: Baker Hughes).

Bri-Chem's Canadian blending and packaging division generated sales of $4.6 million for the three months ended March 31, 2024 compared to Q1 2023 sales of $4.3 million, representing a quarterly increase of $277 thousand. The modest increase in sales relates to higher cementing and stimulation activities in Western Canada. US blending and packaging sales for the three months ended March 31, 2024 were $1.4 million compared to $2.5 million in the prior year. The $1.1 million decrease relates to the loss of commodity sales due to customers initiating self supply initiatives.

Operating loss for the three months ended March 31, 2024 was $144 thousand which is a decrease from the operating earnings of $1.3 million from the same period in the prior year. Adjusted EBITDA was negative $443 thousand for Q1 2024 compared to $1.6 million for Q1 2023, the decrease is primarily driven by decreased margin due to lost sales, in tandem with a foreign exchange loss for the quarter. Adjusted EBITDA as a percentage of sales was negative 2% for the quarter, which is a decrease from the 6% in Q1 2023. The Adjusted EBITDA as a percentage of sales decrease is primarily attributable to foreign exchange loss in the quarter.

During Q1 2024, Bri-Chem finalized an amending agreement with the Canadian Imperial Bank of Commerce ("CIBC") relating to its senior lending facility in response to a covenant breach realized in the first quarter. The amended agreement acknowledges the breach of the fixed charge coverage ratio covenant, and the Company is pleased to confirm that the renegotiated structure has been agreed to as a cumulative budgeted EBITDA covenant, tested monthly. The facility amendments also increase the availability block to $3.5 million.

OUTLOOK

North American drilling activity levels were considerably lower in Q1 2024, when compared to Q1 2023. U.S. oil and gas rig counts have decreased 19% quarter over quarter as gas prices dropped significantly in February 2024 which has put a significant strain on U.S. gas drilling activity. Canadian market outlook remains positive with the completion of the Trans Mountain pipeline expansion expected in mid-2024 which will help increase capacity and access to global markets for Canadian oil and gas companies. The LNG pipeline is expected to be in operation by mid-2025 and will serve as a further catalyst for the Canadian oil market. Bri-Chem expects oilfield activity in the United States to remain relatively flat for the balance of the year or until natural gas pricing becomes more favorable for producers to expand drilling in gas regions. Bri-Chem's management team has begun to initiate expense management strategies and deploy an inventory reduction program to re-align the business with current market conditions. New business development and organic growth will become an increasing focus of management in subsequent periods.

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.sedarplus.ca 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 (Loss) Net Earnings, Adjusted (Loss) Net Earnings per share, Adjusted EBITDA, and Adjusted EBITDA per share.

Adjusted Net (Loss) Earnings are defined as net earnings/(loss) before non-recurring events, net of corporate income taxes ("**Adjusted (Loss) Net Earnings**"). Adjusted Net Earnings per share is defined as Adjusted (Loss) Net Earnings divided by diluted weighted average common shares. Management believes that in addition to net earnings, Adjusted (Loss) Net Earnings and Adjusted (Loss) Net Earnings per share are useful supplemental measures that represent normalized net earnings 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 (Loss) Earnings under IFRS, as disclosed in the interim financial statements, to Adjusted Net Earnings and Adjusted EBITDA:

(in 000's)	Three months ended March 31 2024		Three months ended March 31 2023	
Net (loss) / earnings	**$**	**(1,506)**	$	265
Less:				
Deferred tax (credit) / expense		**(261)**		125
Adjusted net (loss) / earnings		**(1,767)**		391
Add:				
Financing costs		**985**		922
Income tax expense / (recovery)		**7**		(14)
Depreciation and amortization		**332**		317
Adjusted EBITDA	**$**	**(443)**	$	1,615