

Bri-Chem Announces 2024 Second Quarter Financial Results

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

Edmonton, Canada, August 14, 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 second quarter financial results.

(in '000s except per share amounts)	Three months ended				Six months ended			
	2024	June 30 2023	Change \$	%	2024	June 30 2023	Change \$	%
Financial performance								
Sales	\$ 19,106	\$ 25,229	\$ (6,123)	(24%)	\$ 40,477	\$ 52,430	\$ (11,953)	(23%)
Adjusted EBITDA ⁽¹⁾	707	1,972	(1,265)	(64%)	264	3,587	(3,324)	(93%)
As a % of revenue	4%	8%			1%	7%		
Operating earnings	620	1,216	(596)	(49%)	476	2,513	(2,037)	(81%)
Adjusted net (loss) / earnings ⁽¹⁾	(584)	714	(1,298)	(182%)	(2,351)	1,105	(3,456)	(313%)
Net (loss) / earnings	\$ (488)	\$ 553	\$ (1,041)	(188%)	\$ (1,994)	\$ 818	\$ (2,812)	(344%)
Per diluted share								
Adjusted EBITDA ⁽¹⁾	\$ 0.03	\$ 0.07	\$ (0.04)	(54%)	\$ 0.01	\$ 0.14	\$ (0.13)	(96%)
Adjusted net (loss) / earnings ⁽¹⁾	\$ (0.02)	\$ 0.03	\$ (0.05)	(186%)	\$ (0.09)	\$ 0.04	\$ (0.13)	(313%)
Net (loss) / earnings	\$ (0.02)	\$ 0.02	\$ (0.04)	(192%)	\$ (0.08)	\$ 0.03	\$ (0.11)	(357%)
Financial position								
Total assets					\$ 59,191	\$ 72,588	\$ (13,397)	(18%)
Working capital					14,143	15,940	(1,797)	(11%)
Long-term debt					6,616	6,827	(211)	(3%)
Shareholders equity					\$ 21,596	\$ 22,517	\$ (921)	(4%)

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

Key Q2 2024 highlights include:

- Consolidated sales for the three months ended June 30, 2024 were \$19.1 million, which is a 24% decrease from the prior year. The decrease is due to decreased US drilling activities, driven by a lower average rig count and cementing activities.
- Consolidated gross margin for the three months ended June 30, 2024 decreased by \$976 thousand compared to the same period last year. The gross margin dollar decrease is primarily related to the decrease in sales in the fluids distribution division.
- Adjusted EBITDA for the second quarter 2024 decreased by \$1.3 million when compared to the same period in the prior year and operating earnings decreased by \$596 thousand for the three months ended June 30, 2024 compared to the prior year.
- Adjusted net loss per diluted share for the three months ended June 30, 2024 was \$0.02 per share compared to adjusted net earnings of \$0.03 per diluted share for same period last year.
- Working capital, as at June 30, 2024, was \$14.1 million compared to \$15.9 million at June 30, 2023, a decrease of 11%. The decrease relates to significant decreases in accounts receivable and inventory which was offset by increased bank indebtedness and accounts payable.

Summary for the three months ended June 30, 2024:

Consolidated sales for the three months ended June 30, 2024 were \$19.1 million compared to \$25.2 million for the same period in 2023, representing a \$6.1 million decrease over the comparable period. Revenue was negatively impacted by lower US drilling activity, specifically natural gas drilling regions, compared to the first half of 2023.

Bri-Chem's Canadian drilling fluids distribution division generated sales of \$1.2 million for the three months ended June 30, 2024 compared to \$2.9 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 Q2 2024 averaged 135, compared to 113 in the same period last year representing an increase of 18% (Source: Baker Hughes). Bri-Chem's United States drilling fluids distribution division generated sales of \$11.4 million for the three months ended June 30, 2024 compared to sales of \$15.6 million for the comparable period in 2023, representing a quarterly decrease of 27%. This decrease mainly relates to a decrease in the US rig count as the number of active operating land rigs in Q2 2024 averaged 582, compared to a 2023 Q2 average of 700 representing a decrease of 17% (Source: Baker Hughes).

Bri-Chem's Canadian blending and packaging division generated sales of \$4.3 million for the three months ended June 30, 2024 compared to Q2 2023 sales of \$3.8 million, representing a quarterly increase of \$553 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 June 30, 2024 were \$2.2 million compared to \$3 million in the prior year. The \$766 thousand decrease relates to the loss of commodity sales due to customer self supply initiatives.

Operating earnings for the three months ended June 30, 2024 was \$620 thousand which is a decrease from the \$1.2 million from the same period in the prior year. Adjusted EBITDA was \$707 thousand for Q2 2024 compared to \$2 million for Q2 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 4% for the quarter, which is a decrease from the 8% in Q2 2023. The Adjusted EBITDA as a percentage of sales decrease is primarily attributable to foreign exchange loss in the quarter.

OUTLOOK

In the near term, the largest challenges facing the drilling fluids market are volatile commodity prices and the restrained growth in US customer drilling activity due to their continuing preference to return cash to shareholders rather than grow production. US natural gas demand is weak and as such, natural gas rigs have declined 17% since the start of 2024 (Source: Spears and Associates), however, management is encouraged by the resilience demonstrated in oil rig drilling activity which has only declined 2% (Source: Spears and Associates) in the same timeframe. Canadian natural gas demand has increased modestly in anticipation of higher LNG export capacity, while oil drilling activity is expected to increase for the balance of the year with the activation of the Trans Mountain Pipeline expansion, creating additional demand for drilling fluid commodities. Management continues to monitor these events closely to optimize inventory and manpower requirements across the North American Market. Controlling inventory and maintaining balance sheet strength are priorities for the Company until US drilling activity increases and demand for the Company's products improve.

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.

For further information, please contact:

Tony Pagnucco CPA, CA

Bri-Chem Corp.

CFO

T: (780) 571-8587

E: 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 (Loss) 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 Net (Loss) Earnings**"). Adjusted Net Earnings per share is defined as Adjusted Net (Loss) Earnings divided by diluted weighted average common shares. Management believes that in addition to net earnings, Adjusted Net (Loss) Earnings and Adjusted Net (Loss) 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		Six months ended	
	2024	June 30 2023	2024	June 30 2023
Net (loss) / earnings	\$ (488)	\$ 553	\$ (1,994)	\$ 818
Less:				
Deferred tax (credit) / expense	(96)	161	(357)	287
Adjusted net (loss) / earnings	(584)	714	(2,351)	1,105
Add:				
Financing costs	897	953	1,882	1,875
Income tax expense / (recovery)	68	(14)	75	(28)
Depreciation and amortization	325	319	657	635
Adjusted EBITDA	\$ 707	\$ 1,972	\$ 264	\$ 3,587