Bri-Chem Announces 2022 Second Quarter Financial Results

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Edmonton, Canada, August 15, 2022 – Bri-Chem Corp. ("Bri-Chem" or "Company") (TSX: BRY), a leading North American oilfield chemical distribution and blending company, is pleased to announce its 2022 second quarter financial results.

(in '000s except per share amounts)	Three months ended June 30 2022	2021	Change $	%	Six months ended June 30 2022	2021	Change $	%
Financial performance								
Sales	**$ 25,469**	$ 13,910	$ 11,560	83%	**$ 49,005**	$ 25,400	$ 23,606	93%
Adjusted EBITDA[1]	**1,782**	703	1,079	154%	**4,224**	1,554	2,670	172%
As a % of revenue	**7%**	5%			**9%**	6%		
Adjusted operating earnings[1]	**1,690**	388	1,302	335%	**4,735**	947	3,788	400%
Adjusted net earnings [1]	**886**	44	842	1902%	**2,558**	199	2,359	1188%
Net earnings	**$ 341**	$ 44	$ 297	670%	**$ 8,113**	$ 185	$ 7,928	4279%
Diluted per share								
Adjusted EBITDA	**$ 0.07**	$ 0.03	$ 0.04	129%	**$ 0.16**	$ 0.06	$ 0.10	171%
Adjusted net earnings	**$ 0.03**	$ 0.00	$ 0.03	1708%	**$ 0.10**	$ 0.01	$ 0.09	1186%
Net earnings	**$ 0.01**	$ 0.00	$ 0.01	596%	**$ 0.31**	$ 0.01	$ 0.30	4273%
Financial position								
Total assets					**$ 65,007**	$ 31,460	$ 33,547	107%
Working capital					**13,218**	9,649	3,569	37%
Long-term debt					**5,100**	7,032	(1,933)	(27%)
Shareholders equity					**$ 20,280**	$ 10,245	$ 10,034	98%

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

Key Q2 2022 highlights include:

- Consolidated sales for the three months ended June 30, 2022 were $25.5 million, an increase of 83% compared to the same period last year due to stronger performance in the fluids distribution divisions in Canada and the United States as the industry is facing a significant resurgence following the easing of global economic restrictions that were in place due to the coronavirus ("**COVID-19**") health pandemic.

- Adjusted EBITDA for the second quarter 2022 was $1.8 million versus $703 thousand in Q2 2021, representing a 154% increase year over year.

- Adjusted operating earnings was $1.7 million for the three months ended June 30, 2022 compared to operating earnings of $388 thousand in the prior year comparable quarter, representing a 335% increase. The increase is primarily related to bolstered sales against modest overhead increases from the prior year.

- Net earnings per diluted share for the three months ended June 30, 2022 was $0.01 per share compared to $0.00 per diluted share for same period last year.

- Working capital, as at June 30, 2022, was $13.2 million compared to $9.6 million at June 30, 2021, an increase of 37%. The increase predominantly relates to reclassifying the term loan to long term liabilities, offset by notable increases in accounts receivable and inventory balances in response to increasing market momentum.

- During Q2 2022, the Company entered into a new 20 year mortgage term loan for $6,000,000 with Canadian Western Bank ("**CWB**") to refinance its existing term loan. In addition, the Company entered into an Amending Agreement with CIBC and the Company's senior asset-based lending facility is now committed until October 31, 2024.

Summary for the three months ended June 30, 2022:

Consolidated sales for the three months ended June 30, 2022 were $25.5 million compared to $13.9 million for the same period in 2021, representing an $11.6 million increase over the comparable periods. The increase is due to increased drilling activity across most operating regions within Canada and the United States.

Bri-Chem's Canadian drilling fluids distribution division generated sales of $3.0 million for the three months ended June 30, 2022 compared to $1.7 million in the comparable prior period. The increase in sales predominantly relates to the higher drilling activity levels in 2022 than 2021. The number of active operating land rigs in Q2 2022 averaged 155, compared to 105 in the same period last year amounting to an increase of 48% over Q2 2021 (Source: Baker Hughes). Bri-Chem's United States drilling fluids distribution division generated sales of $17.1 million for the three months ended June 30, 2022 compared to sales of $8.3 million for the comparable period in 2021, representing a quarterly increase of 112%. This increase relates to the corresponding increase in rig activity in Q2 2022. The number of active operating land rigs in Q2 2022 averaged 699, compared to a 2021 Q2 average of 437, representing an increase of 60% (Source: Baker Hughes).

Bri-Chem's Canadian Blending and Packaging division generated sales of $2.8 million for the three months ended June 30, 2022 compared to Q2 2021 sales of $1.4 million, representing a quarterly increase of $1.4 million. The increase in sales relates to increased cementing and stimulation activities in response to increased drilling. US Blending and Packaging sales for the three months ended June 30, 2022 were $2.5 million compared to $2.4 million in the prior year.

Adjusted operating earnings for the three months ended June 30, 2022 was $1.7 million compared to $388 thousand during the same period last year. Adjusted EBITDA was $1.8 million for Q2 2022 compared to $703 thousand for Q2 2021. Adjusted EBITDA as a percentage of sales was 7% for the quarter. The increase is primarily related to increased drilling activity in most operating regions within Canada and the United States in tandem with maintaining most margins realized in the prior period.

OUTLOOK

The return of global energy demand has increased industry activity levels across North America and as a result the demand for drilling fluids has improved and is expected to remain robust for the remainder of 2022. The Company's operations in Canada began the second quarter at a slower rate due to spring break-up but exceeded expectations with a strong end to the quarter and higher than expected activity levels in the United States provided us with one of our strongest second quarters in Company history. Looking ahead, it is anticipated that the third and fourth quarters will have higher than usual activity levels as the continued strength in commodity pricing will drive demand for Bri-Chem's products and services throughout North America. Bri-Chem will continue to leverage its North American wide infrastructure while managing inflationary pressures that are expected to continue to escalate. Bri-Chem will be firm in managing these costs by negotiating with our suppliers and working with our customers. One of Bri-Chem's highest priorities was to refinance its high-cost debt. This was successfully completed during Q2 2022 as we reached an agreement with CWB to refinance our subordinated debt loan with a new 20 year mortgage term loan. The new mortgage term loan with CWB replaced an 11% interest sub debt loan with a longer term 5.61% interest term loan. The interest and principal savings for us will amount to approximately $1M per annum which will considerably strengthen our financial position and provide us additional free cash flow to take advantage of the increased drilling activity due to the recent surge in commodity prices. Over the longer-term, it is anticipated that new warehouse location opportunities will be a meaningful part of Bri-Chem's future growth strategy.

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 26 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 IFRS. These measures, which are derived from information reported in the annual consolidated 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 income 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 MD&A 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) and Adjusted EBITDA

Adjusted Net Earnings/Loss are defined as net earnings/(loss) before non-recurring events, net of corporate income taxes ("**Adjusted Net Earnings/(Loss)**"). Management believes that in addition to net earnings/(loss), Adjusted Net Earnings/(Loss) is a useful supplemental measure that represents 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**"). Management believes that in addition to net earnings, Adjusted EBITDA is a useful supplemental measure of operating performance that normalizes 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 International Financial Reporting Standards ("**IFRS**"), as disclosed in the interim financial statements, to Adjusted Net Earnings/(Loss) and Adjusted EBITDA:

	Three months ended June 30		Six months ended June 30	
(in 000's)	2022	2021	2022	2021
Net earnings	**$ 341**	$ 44	**$ 8,113**	$ 185
Add:				
Restructuring costs [1]	**-**	-	**-**	13
Less:				
Deferred tax (credit) / expense	**545**	-	**(4,662)**	-
Property and equipment impairment reversal	**-**	-	**(893)**	-
Adjusted net earnings	**886**	44	**2,558**	198
Add:				
Interest	**568**	407	**1,120**	818
Income tax expense	**31**	21	**31**	69
Depreciation and amortization	**297**	232	**516**	470
Adjusted EBITDA	**$ 1,782**	$ 703	**$ 4,224**	$ 1,554

(1) Represents cleaning costs related to oil based mud storage tanks as the Company is eliminating oil based mud in Canada

Adjusted Operating Earnings/(Loss)

Adjusted Operating Earnings/(Loss) are defined as operating earnings/(loss) before non-recurring events (“**Adjusted Operating Earnings/(Loss)”**). Management believes that in addition to operating earnings, Adjusted Operating Earnings/Loss is a useful supplemental measure that represents normalized net earnings from the business so that financial statement users can make insightful comparisons between current period and historical results. The following table provides a reconciliation of operating earnings under IFRS, as disclosed in the interim financial statements, to Adjusted Operating Earnings/(Loss):

	Three months ended June 30		Six months ended June 30	
(in 000's)	2022	2021	2022	2021
Operating earnings	**$ 1,690**	$ 388	**$ 4,735**	$ 934
Add:				
Restructuring costs	**-**	0	**-**	13
Adjusted operating earnings	**1,690**	388	**4,735**	947