

Bri-Chem Announces 2022 Annual and Fourth Quarter Financial Results

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Edmonton, Canada, March 29, 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 2022 annual and fourth quarter financial results.

(in '000s except per share amounts)	Three months ended				Twelve months ended			
	December 31		Change		December 31		Change	
	2022	2021	\$	%	2022	2021	\$	%
Financial performance								
Sales	\$ 26,522	\$ 18,544	\$ 7,978	43%	\$ 104,513	\$ 60,405	\$ 44,109	73%
Adjusted EBITDA ⁽¹⁾	1,432	1,408	24	2%	7,372	3,942	3,431	87%
As a % of revenue	5%	8%			7%	7%		
Adjusted operating earnings ⁽¹⁾	1,040	1,143	(103)	(9%)	7,824	2,862	4,962	173%
Adjusted net earnings ⁽¹⁾	239	784	(545)	(70%)	3,608	1,330	2,278	171%
Net earnings	\$ 30	\$ 784	\$ (754)	(96%)	\$ 8,643	\$ 1,317	\$ 7,327	556%
Diluted per share								
Adjusted EBITDA ⁽¹⁾	\$ 0.05	\$ 0.06	\$ (0.01)	(17%)	\$ 0.28	\$ 0.16	\$ 0.12	73%
Adjusted net earnings ⁽¹⁾	\$ 0.01	\$ 0.03	\$ (0.02)	(61%)	\$ 0.14	\$ 0.06	\$ 0.08	144%
Net earnings	\$ -	\$ 0.03	\$ (0.03)	(92%)	\$ 0.33	\$ 0.05	\$ 0.28	511%
Financial position								
Total assets					\$ 78,500	\$ 43,796	\$ 34,703	79%
Working capital					15,434	5,150	10,285	200%
Long-term debt					6,918	6,764	153	2%
Shareholders equity					\$ 22,406	\$ 11,716	\$ 10,690	91%

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

Key Q4 2022 highlights include:

- Consolidated sales for the three months ended December 31, 2022 were \$26.5 million, an increase of 43% 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 fourth quarter 2022 was \$1.4 million and \$1.4 million in Q4 2021, representing a 3% decrease year over year as a percentage of revenue. The decrease is due to a lower realized margin in Q4 2022 resulting from increased shipping costs and an unfavorable adjustment to the Canadian sales return provision.
- Adjusted operating earnings was \$1 million for the three months ended December 31, 2022 compared to adjusted operating earnings of \$1.1 million the prior year comparable quarter, representing a 9% decrease. The decrease is driven by lower realized margins in Q4.
- Adjusted net earnings per diluted share for the three months ended December 31, 2022 was \$0.01 per share compared to \$0.03 per diluted share for same period last year. The primary cause of the decrease is the Q4 2022 amortization of the deferred tax asset together with lower margins realized in the quarter.

- Working capital, as at December 31, 2022, was \$15.4 million compared to \$5.2 million at December 31, 2021, an increase of 200%. The increase relates to notable increases in accounts receivable and inventory balances in response to increasing market momentum and stockpiling for the expected Q1 2023 busy season in tandem with the renegotiation of the term debt facility and its subsequent reclassification from current to long term. This is partially offset by increases to bank indebtedness and accounts payable balances.

Summary for the three months ended December 31, 2022:

Consolidated sales for the three months ended December 31, 2022 were \$26.5 million compared to \$18.5 million for the same period in 2021, representing an \$8 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 \$3.5 million for the three months ended December 31, 2022 compared to \$3.1 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 Q4 2022 averaged 189, compared to 159 in the same period last year amounting to an increase of 19% over Q4 2021 (Source: Baker Hughes). Bri-Chem's United States drilling fluids distribution division generated sales of \$16.5 million for the three months ended December 31, 2022 compared to sales of \$11.1 million for the comparable period in 2021, representing a quarterly increase of 49%. This increase relates to the corresponding increase in rig activity in Q4 2022. The number of active operating land rigs in Q4 2022 averaged 761, compared to a 2021 Q4 average of 543, representing an increase of 40%. (Source: Baker Hughes)

Bri-Chem's Canadian Blending and Packaging division generated sales of \$3.5 million for the three months ended December 31, 2022 compared to Q4 2021 sales of \$2.6 million, representing a quarterly increase of \$949 thousand. 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 December 31, 2022 were \$3 million compared to \$1.8 million in the prior year. The surge relates to increased cementing activities in specific operating regions in California.

Adjusted operating earnings for the three months ended December 31, 2022 was \$1 million compared to \$1.1 million during the same period last year. Adjusted EBITDA was \$1.4 million for Q4 2022 compared to \$1.4 million for Q4 2021. Adjusted EBITDA as a percentage of sales was 5% for the quarter, representing a 3% decrease attributable primarily to lower margins realized in the period.

OUTLOOK

While current indications are that the North American energy industry activity levels will continue to increase modestly during 2023, the Company will remain cautious and will continue to manage its business and affairs in a manner to protect its financial liquidity. Our U.S. and Canadian activity for 2023 is projected to be determined by the strength in commodity prices and resulting capital expenditure programs. While the Canadian market is expected to slow towards the end of the first quarter due to the effects of spring breakup, our American market remains strong, anchored with robust sales in both our Texas and Oklahoma regions. Bri-Chem is well-positioned to participate in any future improving oilfield service activity by leveraging its North American wide infrastructure while negotiating with our suppliers and working with our customers. It is anticipated that our new Midland, Texas warehouse location 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 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		Twelve months ended	
	December 31		December 31	
	2022	2021	2022	2021
Net earnings	\$ 30	\$ 784	\$ 8,643	\$ 1,317
Add:				
Restructuring costs ⁽¹⁾	-	-	-	13
Less:				
Deferred tax (credit) / expense	209	-	(4,142)	-
Property and equipment impairment reversal	-	-	(893)	-
Adjusted net earnings	239	784	3,608	1,330
Add:				
Financing costs	795	454	2,556	1,701
Income tax expense	88	(64)	119	(29)
Depreciation and amortization	310	234	1,089	940
Adjusted EBITDA	\$ 1,432	\$ 1,408	\$ 7,372	\$ 3,942

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

Adjusted Operating Earnings

Adjusted Operating Earnings are defined as operating earnings/(loss) before non-recurring events (“**Adjusted Operating Earnings**”). Management believes that in addition to operating earnings, Adjusted Operating Earnings is a useful supplemental measure that represents normalized operating 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:

(in 000's)	Three months ended December 31		Twelve months ended December 31	
	2022	2021	2022	2021
Operating earnings	\$ 1,040	\$ 1,143	\$ 7,824	\$ 2,849
Add:				
Restructuring costs ⁽¹⁾	-	-	-	13
Adjusted operating earnings	1,040	1,143	7,824	2,862

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