Bri-Chem Announces 2023 First Quarter Financial Results

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Edmonton, Canada, May 15, 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 first quarter financial results.

(in '000s except per share amounts)		2023		Three months ended March 31 2022		Change $	%
Financial performance							
Sales	**$**	**27,201**	$	23,536	$	3,665	16%
Adjusted EBITDA [1]		**1,615**		2,442		(826)	(34%)
As a % of revenue		**6%**		10%			
Operating earnings		**1,296**		3,045		(1,749)	(57%)
Adjusted net earnings [1]		**391**		1,671		(1,281)	(77%)
Net earnings	**$**	**265**	$	7,772	$	(7,507)	(97%)
Diluted per share							
Adjusted EBITDA [1]	**$**	**0.06**	$	0.09	$	(0.03)	(33%)
Adjusted net earnings [1]	**$**	**0.01**	$	0.06	$	(0.05)	(79%)
Net earnings	**$**	**0.01**	$	0.29	$	(0.28)	(95%)
Financial position							
Total assets	**$**	**75,651**	$	58,375	$	17,276	30%
Working capital		**15,676**		6,581		9,096	138%
Long-term debt		**6,869**		6,621		248	4%
Shareholders equity	**$**	**22,610**	$	19,157	$	3,454	18%

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

Key Q1 2023 highlights include:

- Consolidated sales for the three months ended March 31, 2023 were $27.2 million, an increase of 16% compared to the same period last year due to management's efforts to maintain or increase its market share in the fluids distribution division in the United States as the industry is facing renewed competition due to the considerable demand for petroleum products in the post COVID era.

- Consolidated gross margin for the three months ended March 31, 2023 decreased by $1.3 million compared to the same period last year. The decrease in gross margin dollars primary is related to the $893k asset impairment reversal realized in Q1 2022 which raised consolidated margins by approximately 5.1% in Q1 2022.

- Adjusted EBITDA for the first quarter 2023 was $1.6 million compared to $2.4 million in Q1 2022, representing a 34% decrease year over year as a percentage of revenue and operating earnings was $1.3 million for the three months ended March 31, 2023 compared to operating earnings of $3.0 million the prior year comparable quarter, representing a 57% decrease. The decrease is mainly due to a $893k impairment reversal realized in Q1 2022 and lower gross margins in Q1 2023 as higher input costs were incurred causing greater than expected margin erosion.

- Adjusted net earnings per diluted share for the three months ended March 31, 2023 was $0.01 per share compared to $0.06 per diluted share for same period last year. The primary cause of the decrease is the Q1 2023 lower margins realized in the quarter and a $893k asset impairment reversal realized in Q1 2022 which directly increased consolidated gross margins.

- Working capital, as at March 31, 2023, was $15.7 million compared to $6.6 million at March 31, 2022, an increase of 138%. The increase relates to notable increases in accounts receivable and inventory balances in response to increasing market momentum and stockpiling 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 March 31, 2023:

Consolidated sales for the three months ended March 31, 2023 were $27.2 million compared to $23.5 million for the same period in 2022, representing a $3.7 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 $3.6 million for the three months ended March 31, 2023 compared to $3.4 million in the comparable prior period. The increase in sales predominantly relates to the higher drilling activity levels in 2023 than 2022. The number of active operating land rigs in Q1 2023 averaged 223, compared to 198 in the same period last year amounting to an increase of 13% over Q1 2022 (Source: Baker Hughes). Bri-Chem's United States drilling fluids distribution division generated sales of $16.8 million for the three months ended March 31, 2023 compared to sales of $14.5 million for the comparable period in 2022, representing a quarterly increase of 15%. This increase relates to the corresponding increase in rig activity in Q1 2023. The number of active operating land rigs in Q1 2023 averaged 743, compared to a 2022 Q1 average of 616, representing an increase of 21%. (Source: Baker Hughes)

Bri-Chem's Canadian Blending and Packaging division generated sales of $4.3 million for the three months ended March 31, 2023 compared to Q1 2022 sales of $3.4 million, representing a quarterly increase of $858 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 March 31, 2023 were $2.5 million compared to $2.2 million in the prior year. The surge relates to increased cementing activities in specific operating regions in California.

Operating earnings for the three months ended March 31, 2023 was $1.3 million compared to $3 million during the same period last year. Adjusted EBITDA was $1.6 million for Q1 2023 compared to $2.4 million for Q1 2022. Adjusted EBITDA as a percentage of sales was 6% for the quarter, representing a 4% decrease attributable primarily to $893k impairment reversal realized in Q1 2022 and the United States fluids distribution division realizing lower gross margins in Q1 2023 as higher input costs were incurred to support the Company maintaining market share.

OUTLOOK

In the first quarter of 2023, the price of WTI was relatively stable but has recently shown some volatility due to the fear of a possible global recession. Bri-Chem remains focused on the business systems that have aided its stability throughout the many adverse conditions it has faced. We will continue to control fixed costs, maintain balance sheet strength and operate under a low cost infrastructure while utilizing a disciplined approach to growth opportunities. The Company generally expects that the oilfield service sector will see a modest increase in activity in 2023 compared to 2022, but intensified competition, increasing operating overheads, and rising fuel and freight costs will have an impact on gross margins. The Company endeavors to further strengthen financial results through organic growth initiatives, which can be realized by expanding product offerings and continuing to expand Bri-Chem's already broad distribution network of warehouses.

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.

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.

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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:

		Three months ended March 31		
(in 000's)		2023		2022
Net earnings	**$**	**265**	$	7,772
Less:				
Deferred tax (credit) / expense		**125**		(5,208)
Property and equipment impairment reversal		**-**		(893)
Adjusted net earnings		**391**		1,671
Add:				
Financing costs		**922**		552
Income tax expense		**(14)**		-
Depreciation and amortization		**317**		219
Adjusted EBITDA	**$**	**1,615**	$	2,442