



Vertex Resource Group Ltd. Reports Third Quarter 2019 Results

SHERWOOD PARK, AB, Nov. 12, 2019 /CNW/ - (TSXV:VTX) - Vertex Resource Group Ltd. ("[Vertex](#)" or the "Company") reports its financial and operational results for the three and nine months ending September 30, 2019, with comparisons to the same periods in 2018. The following operational and financial highlights should be read in conjunction with the Management Discussion and Analysis ("MD&A") and the interim consolidated financial statements and notes thereon of Vertex for the three and nine months ending September 30, 2019, which are available on SEDAR at www.sedar.com.

Terry Stephenson, President and CEO, advises, "We are pleased with our 3rd quarter results which reflect increased revenue and comparable EBITDA relative to the prior year. Our strategies around acquisitions, expansion into new sectors, integration of services, and focus on quality have allowed us to be successful despite a very low growth economic environment. We have a strong execution team that is focused on cost management, operational efficiencies, and opportunistic growth and diversification."

During the 3rd quarter, the Company experienced ongoing pricing and competitive pressure as a result of a poor economic environment including continuing low 2019 drilling and completions activity, and reduced oil shipments. These factors have resulted in reduced gross margins during the 3rd quarter and throughout 2019. However, the Company continues to operate successfully both in terms of revenues and EBITDA as it has successfully replaced lost revenues through strategic acquisitions and changes in its revenue mix. In addition, the Company continued its efforts to consolidate G&A costs to realize acquisition synergies. Vertex is achieving diversity both geographically and by industry sector. Geographically, the Company operates across Western Canada and continues to expand its environmental consulting presence into Ontario and the United States. The Company is also developing a greater presence in the telecommunications industry while it continues to source opportunities in mining, utilities, public infrastructure, agriculture, and forestry.

Key financial results for the three and nine-month periods ended September 30, 2019, and 2018 are as follows:

HIGHLIGHTS						
(in thousands of Canadian Dollars)	Three months ended			Nine months ended		
	2019	2018	% Change	2019	2018	% Change
Revenue	43,655	41,425	5%	127,406	103,803	23%
Gross profit	10,667	10,935	-2%	31,377	28,463	10%
EBITDA ⁽¹⁾	7,281	6,076	20%	19,841	14,671	35%
EBITDA per share, basic and diluted	0.08	0.07	19%	0.22	0.16	32%

(1) See "Non-IFRS Financial Measures"

HIGHLIGHTS FOR THE THREE MONTHS ENDING SEPTEMBER 30, 2019

Revenue for the third quarter of 2019 increased **5.4%** to \$43.7 million from the same quarter in

2018. The increase is due to organic growth including expansion into new markets and industries.

Gross profit for the third quarter of 2019 was \$10.7 million compared to \$10.9 million for the 3rd quarter of 2018 notwithstanding greater price competition this year. The maintenance of gross profit levels was driven by revenue growth.

G&A decreased by **30.3%** to \$3.4 million in the third quarter of 2019, from the third quarter of 2018. As a percentage of revenue, G&A was down to **7.8%** in the third quarter of 2019 versus 11.7% in the third quarter of 2018. The adoption of IFRS 16 – Leases ("IFRS 16") positively impacted G&A costs and resulted in a decrease of \$1.3 million of costs previously classified as rent that are now being expensed as amortization of right of use assets ("ROU") and interest accretion. Vertex continues to streamline operations and aggressively manage G&A costs.

EBITDA reported for the third quarter of 2019 was \$7.3 million compared to \$6.1 million in the third quarter of 2018.

Strong Cash Flow from operating activities of \$8.1 million during the third quarter and \$20.1 million YTD have allowed the Company to reduce debt by \$9.2 million YTD.

OUTLOOK

For the remainder of the year, indicators point to a continuation of current trends with respect to client activity levels, pricing and margin pressures. In the absence of significant commodity price increases, the Company expects spending on drilling and completions to remain cautious, with activity levels below the fourth quarter of 2018. However, Vertex anticipates that it will be able to continue to deliver positive results by focusing on strategic cross-selling and customer diversity initiatives, growing its customer base, with approximately 45% of revenues for 2019 expected to come from outside the oil and gas industry. For 2020, the Company plans to continue its diversification initiatives to further reduce the proportion of revenues from oil and gas. Specifically, Vertex's customers continue to grow and provide stable and attractive opportunities in the utilities, agriculture, municipalities and telecommunications industries.

Vertex continues to focus on factors within its control, namely growing market share, cost management and capital prudence. As a result, Management believes the company will continue to produce positive results for 2020 and beyond, despite the lack of positive economic indicators. The Company's strategies are expected to create opportunities for continued growth in revenue, with the expectation that margins will not deteriorate further in 2020. More normal weather and field conditions may result in a recovery of margin levels.

Recent announcements regarding Canadian LNG, pipeline and oilsands projects are positive in the longer term for both the oil and gas industry and Vertex's expected future results. Continued spending on planned maintenance programs, increased abandonments and the need for companies to focus on environmental liabilities to remain operational are expected to present Vertex with additional opportunities in the near future.

ABOUT VERTEX

Since 1962, Vertex has been a leading North American provider of environmental services. Headquartered in Sherwood Park, Alberta, Vertex employs a staff of approximately 600 employees and lease operators that provide services to help clients achieve their development goals. From initial site selection, consultation and regulatory approval, through construction, operation and maintenance, to conclusion and environmental cleanup, Vertex provides a wide array of services to customers operating in industries such as upstream and midstream oil and gas, utilities, telecommunication, forestry, agriculture and government.

Vertex principally operates in western Canada and in select locations in Ontario and the United

States.

NON-IFRS FINANCIAL MEASURES

This news release includes certain terms or performance measures that are not defined under International Financial Reporting Standards ("IFRS"), including "EBITDA". The data presented is intended to provide additional information that should not be considered in isolation or as a substitute measure of performance prepared in accordance with IFRS. The non-IFRS measures should be read in conjunction with the Company's financial statements and accompanying notes.

"EBITDA" is defined as net loss before interest, income taxes, depreciation and amortization. EBITDA is a non-IFRS measure, calculated by adding back to net income (loss) the sum of income taxes, finance costs, amortization of property and equipment, intangible assets, right of use assets, and share-based compensation. The Company uses EBITDA as an indicator of its principal business activities prior to consideration of how its activities are financed and the impact of taxation and non-cash depreciation and amortization. EBITDA does not have a standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures provided by other companies. EBITDA is used by many analysts as one of several important analytical tools and management of Vertex believes it is useful for providing readers with additional clarity on Vertex's operational performance prior to consideration of how its activities are financed, taxed, amortized or depreciated. This measure is also considered important by the Company's lenders and is adjusted in determining compliance by the Company with the financial covenants under its lending arrangements. Please refer to the MD&A under the heading "Financial Highlights – EBITDA" for a reconciliation of EBITDA to net income for the three months and six months ended June 30, 2019 and 2018.

FORWARD-LOOKING INFORMATION

Any "financial outlook" or "future oriented financial information" in this press release, as defined by applicable securities laws, has been approved by management of Vertex. Such financial outlook or future oriented financial information is provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that reliance on such information may not be appropriate for other circumstances.

Certain statements contained in this document constitute "forward-looking information". When used in this document or by any of the Company's management, the words "may", "would", "will", "intend", "plan", "propose", "anticipate" and "believe" are intended to identify forward-looking information. In particular, but without limiting the foregoing, this document contains forward-looking information and statements pertaining to the following: the Company's key strategies, objectives and competitive strengths; anticipated expenses; pricing and margin pressures; anticipated customer spending; supply and demand for the Company's services (including the impact of weather and the political landscape therein); availability of profitable projects in the Industrial Services segment; activity levels in the oil and gas industry and other industries in which the Company operates; improved confidence in the oil and gas industry within western Canada as a result of the Alberta election results; future development activities; and the Company's ability to retain existing clients and attract new business, particularly business outside of the oil and gas industry. Such statements reflect the Company's forecasts, estimates and expectations, as they relate to the Company's current views based on its experience and expertise with respect to future events, and are subject to certain risks, uncertainties and assumptions.

The forward-looking information and statements contained in this document reflect several material factors and expectations and assumptions of the Company, including, without limitation: that the Company will continue to conduct its operations in a manner consistent with past operations; positive future trends in revenue, gross profit margin, EBITDA and net income; the general continuance of current or, where applicable, assumed industry conditions; the mix of revenue from non-oil and gas customers in 2019; pricing of the Company's services; the Company's ability to market successfully to current and new clients; the Company's ability to obtain qualified personnel

and equipment in a timely and cost-effective manner; the Company's future debt levels; the impact of competition on the Company; the Company's ability to obtain financing on acceptable terms; the general continuance of current or, where applicable, assumed industry conditions; the continuance of existing tax, royalty and regulatory regimes; the impact of seasonal weather conditions; client activity levels; the impact of recent announcements regarding Canadian LNG pipeline and oilsands projects; anticipated market recovery; the Company's anticipated business strategies and expected success; the Company's ability to utilize its equipment; levels of deployable equipment; and future sources of funding for the Company's capital program.

The forward-looking information and statements included in this document are not guarantees of future performance and should not be unduly relied upon. Such information and statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking information or statements, including, without limitation: volatility of the oil and natural gas industry; dependence on customer contracts and market acceptance; the Company's growth strategy may not achieve anticipated results; potential litigation claims; difficulty in attracting and retaining skilled personnel; adverse litigation judgments, settlements and exposure to liability resulting from legal proceedings could reduce profits or limit Vertex's ability to operate; the market for Vertex's products and services is subject to extensive government and regulatory approvals; health, safety and environment laws and regulations may require the Company to make substantial expenditures or cause it to incur substantial liabilities; the Company may fail to realize anticipated benefits of future acquisitions; Vertex's indebtedness may adversely affect its financial flexibility and competitive position; competition in the industries in which Vertex operates; downturns in general economic and market conditions; operational hazards and unforeseen interruptions for which Vertex may not be adequately insured; positive covenants in Vertex's material contracts could limit its ability to operate; third party credit risk; conservation measures and technological advances may reduce demand for hydrocarbons; loss of the Company's information and computer systems or cyber-attacks; director and officer conflicts of interest; a reassessment by tax authorities of Vertex's income calculations; volatility in the price of the Common Shares; and the risk factors set forth under the heading "Risk Factors" in the Annual Information Form.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this press release.

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