



# VERTEX RESOURCE GROUP LTD. REPORTS RECORD THIRD QUARTER 2022 RESULTS

**Achieved record revenue - \$59.0 million and record Adjusted EBITDA - \$10.4 million of any quarter in the Company's history.**

SHERWOOD PARK, AB, Nov. 10, 2022 /CNW/ - (TSXV: VTX) - Vertex Resource Group Ltd. ("Vertex" or the "Company") reports its financial and operational results for the third quarter ended September 30, 2022. The following should be read in conjunction with the Management Discussion and Analysis ("MD&A") and the audited consolidated financials statements of Vertex for the year ended December 31, 2021, which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

The third quarter continued on momentum built in the first and second quarters and achieved the highest quarterly revenue and adjusted EBITDA in the Company's history. The Company is continuing to maintain its focus on cost containment, operating efficiencies, geographic diversification, and sector diversification while pursuing growth opportunities.

Key financial results for the three and nine months ended September 30, 2022, and 2021 are as follows:

| HIGHLIGHTS  | Three Months ended<br>September 30, |        |             | Nine Months ended<br>September 30, |          |             |
|---|-------------------------------------|--------|-------------|------------------------------------|----------|-------------|
|   | 2022                                | 2021   | %<br>Change | 2022                               | 2021     | %<br>Change |
| (in thousands of Canadian Dollars)                  |                                     |        |             |                                    |          |             |
| <b>Revenue</b>                                      | <b>59,139</b>                       | 42,284 | 40 %        | <b>1,58,537</b>                    | 1,13,362 | 40 %        |
| <b>Gross profit</b>                                 | <b>15,934</b>                       | 12,082 | 32 %        | <b>39,614</b>                      | 31,319   | 26 %        |
| <b>Adjusted EBITDA <sup>(1)</sup></b>               | <b>10,412</b>                       | 7,633  | 36 %        | <b>24,629</b>                      | 19,827   | 24 %        |
| <b>Free cash flow <sup>(1)</sup></b>                | <b>8,885</b>                        | 7,094  | 25 %        | <b>21,555</b>                      | 17,577   | 23 %        |
| <b>Adjusted EBITDA per share, basic and diluted</b> | <b>0.09</b>                         | 0.08   | 13 %        | <b>0.24</b>                        | 0.22     | 9 %         |

(1) See "Non-IFRS Financial Measures"

## HIGHLIGHTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2022

- Vertex achieved the highest revenue and adjusted EBITDA for any quarter in company history at \$59.1 million and \$10.4 million respectively.
- Net income of \$2.5 million for the quarter compared to \$0.6 million in Q3 2021.
- On September 29, 2022, Vertex completed the acquisition of Young EnergyServe Inc. ("Young").
- Adjusted working capital increased by \$13.7 million to support the operating needs of an excellent quarter.
- The Company received an advance on its syndicated term loan of \$10 million and used \$1.2 million to fund the cash component of the purchase consideration and \$5.8 million to settle Young acquisition liabilities.
- Free cash flow amounted to \$8.9 million compared to \$7.1 million in Q3 2021 (See Non-IFRS Financial Measures – Section 7.0).

## HIGHLIGHTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2022

- Revenue increased to \$158.5 million from \$113.3 million for the same period in 2021, the

highest in any previous nine-month period.

- Record Adjusted EBITDA of \$24.6 million for the nine months of 2022 compared to \$19.8 million in 2021 where Adjusted EBITDA included wage subsidies of \$3.0 million.
- Net income for the nine months ended September 30, 2022 was \$3.7 million compared to \$0.3 million in the comparative period.
- On April 25, 2022, Vertex completed the acquisition of Cordy Oilfield Services Inc. ("Cordy").
- The Company extended the maturity date of its secured credit facilities to May 31, 2025, increased the revolving loan commitment by \$10 million and increased the syndicated term loan by \$10M for the Young acquisition.
- Syndicated bank indebtedness to trailing bank EBITDA improved to a ratio of 2.70:1.00 compared to 3.56:1.00 at December 31, 2021.
- Free cash flow amounted to \$21.6 million compared to \$17.6 million in Q3 2021.

## OUTLOOK

2022 continues to exceed our expectations with excellent third quarter results being driven by operational efficiencies, realized synergies from our previous acquisitions including the acquisition of Cordy Oilfield Services Inc. during the second quarter of 2022, strong, stable commodity pricing, as well as the gradual return to pre-COVID activity levels across other industries. Our outlook for the 4<sup>th</sup> quarter of 2022 and 2023 is that North American economies will continue to benefit from favourable commodity prices in energy, utilities, agriculture and forestry. In addition, we have major capital projects from multiple midstream, utilities/telecommunications, municipal infrastructure and energy transition projects in 2022 and 2023.

Vertex is well positioned for strong earnings growth for 2023 with significant secured backlog and increased demand for our services, which is increasing our utilization of equipment and staff. The current trend towards less carbon-intensive energy sources is presenting new opportunities for Vertex. Vertex is working closely with several of our Indigenous Partners and customers to advance projects that reduce atmospheric carbon emissions, enhance biodiversity, carbon sequestering, utilize or convert to wind or solar, renewable natural gas (RNG), biofuels, helium and emerging hydrogen opportunities.

Vertex's future outlook is very positive with strong commodity prices supporting maintenance and development activity as well as the continued strengthening of environmental legislation in both Canada and the United States resulting in increased asset retirement liabilities being addressed. Further government and industry initiatives around energy transition and lowering carbon intensity are providing Vertex with numerous opportunities for our solutions and services. Vertex continues to demonstrate the strength and resiliency of our business model and is in an enviable position to facilitate further growth through cross-selling of our services throughout the life cycle of our clients' projects in a variety of industries.

In addition, we are very excited with the two acquisitions we completed in 2022, with the most recent one closing on September 29, 2022. The latest acquisition specializes in robotic industrial cleaning services and will provide many opportunities for cross-selling with our existing service lines and customers. The benefits of these acquisitions will be impactful in 2023 providing additional free cashflow generation through savings from integration, elimination of duplicate corporate office costs and by increasing the utilization of the equipment fleet and personnel.

Vertex's vision of being a world-leading environmental services company has not changed. As an environmental service business, we believe we are uniquely positioned for ESG performance. We understand that we have a responsibility to maximize our internal ESG performance and have made a corporate commitment to do so. More substantially, we understand that our opportunity to support the ESG initiatives of our customers has a significantly broader global impact. As such our ESG system design includes both an internal and a customer focus. As our ESG journey evolves so too will our measurement and reporting, holding ourselves accountable to internal and customer metrics.

Ultimately, our intent is to create business resiliency by becoming a primary source of executable ESG supply chain solutions for our customers.

## **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 1150 employees and lease operators that provide services to help clients achieve their developmental and operational 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 energy, mining, utilities, private development, public infrastructure, construction, telecommunications, forestry, agriculture and government.

Vertex principally operates in Canada with select locations in 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 "Adjusted 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.

"Adjusted EBITDA" is a non-financial measure which is calculated by adjusting net (loss) income for the sum of income taxes, finance costs including interest accretion on lease liabilities, depreciation of property and equipment and right of use assets, amortization of intangible assets, share-based compensation, restructuring costs and impairment. The Company uses Adjusted EBITDA as an indicator of its principal business activities operational performance prior to consideration of how its activities are financed and the impact of taxation, non-cash depreciation and amortization, restructuring costs and other non-cash expenses such as impairments required under IFRS. Adjusted EBITDA does not have a standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures provided by other companies. Adjusted EBITDA is used by many analysts as an important analytical tool and management of Vertex believes it is useful for providing readers with additional clarity on Vertex's operational performance. This measure is also considered important by the Company's lenders in determining compliance by the Company with the financial covenants under its lending arrangements.

"Free cash flow" is a non-financial measure which is calculated by reducing adjusted EBITDA by maintenance capital expenditures net of disposal proceeds.

"Adjusted Working Capital" is a non-financial measure which is calculated by reducing current liabilities by the current portion of loans and borrowings, lease liabilities and other liabilities.

Reconciliations of adjusted EBITDA, free cash flow and adjusted working capital are provided in the MD&A under the heading "7.0 Non-IFRS Financial Measures".

## **FORWARD-LOOKING INFORMATION**

*Any "financial outlook" or "future oriented financial information" in this MD&A, 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; the Company's ability to integrate and capitalize on underutilized equipment through cross-selling opportunities across service lines and reducing redundant costs in 2022; growth opportunities in the Company's Environmental Services segment in 2022; supply and demand for the Company's services; activity levels in the oil and gas industry and other industries in which the Company operates; annual gross maintenance capital expenditures for 2022; 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, Adjusted EBITDA, Bank 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 2022 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; 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 of 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 affects 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 part 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 AIF.*

*Vertex's business is subject to a number of risks and uncertainties. Readers are encouraged to review and carefully consider the risk factors described in the AIF, which risk factors are specifically incorporated by reference herein.*

*The forward-looking statements contained in this MD&A are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this MD&A are made as of the date of this MD&A. The Company does not intend and does not assume any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments, unless required by law.*

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