



Vertex Resource Group Ltd. Reports Record Third Quarter 2024 Results

SHERWOOD PARK, AB, Nov. 14, 2024 /CNW/ - (TSXV: VTX) - Vertex Resource Group Ltd. ("Vertex" or the "Company") reports its financial and operational results for the third quarter ended September 30, 2024. The following should be read in conjunction with the Management Discussion and Analysis ("MD&A") and the unaudited condensed consolidated interim financial statements of Vertex for the period ended September 30, 2024, which are available on SEDAR+ at www.sedarplus.ca.

Vertex achieved its highest level of activity for fiscal 2024 in the current quarter, reporting an adjusted EBITDA⁽¹⁾ of \$11.9 million, surpassing the previous company record by \$1.0 million. This milestone was primarily reached by multiple service lines working together to successfully complete a significant turnaround project.

Key financial results for the three and nine-months September 30, 2024, and 2023 are as follows:

HIGHLIGHTS	Three Months ended		Nine Months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
(in thousands of Canadian Dollars)				
Gross revenue	62,405	68,323	179,295	190,127
Less flow through subcontractor costs	126	1,518	1,808	4,211
Net revenue	62,279	66,805	177,487	185,916
Profit margin	17,566	17,321	47,433	49,328
Profit margin %	28 %	26 %	27 %	27 %
Adjusted EBITDA⁽¹⁾	11,924	10,589	28,871	30,160
Adjusted EBITDA %	19 %	16 %	16 %	16 %
Free cash flow⁽¹⁾	6,936	5,391	9,115	13,892
Adjusted EBITDA per share, basic and diluted⁽¹⁾	0.11	0.09	0.26	0.26
Earnings per share, basic and diluted	0.02	0.01	0.01	0.03

(1) See "Non-IFRS Financial Measures"

HIGHLIGHTS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2024

- Vertex achieved record Adjusted EBITDA⁽¹⁾ for any quarter in company history
- Profit margin increased 2.3% compared to Q3 2023.
- Adjusted EBITDA⁽¹⁾ as a percentage of revenue increased 3.3% compared to Q3 2023.
- Free cash flow⁽¹⁾ increased to \$6.9 million compared to \$5.4 million in Q3 2023.
- Vertex executed the largest industrial cleaning project in company history generating revenue of \$11 million.

HIGHLIGHTS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2024

- Amended the \$76.0 million Credit Facilities including extension of the maturity date to May 31, 2027, and an increase to the syndicate term loan of \$5.0 million.
- \$1.0 million spent on shares repurchased and cancelled during the Normal Course Issuer Bid.
- General and administrative expenses decreased to \$18.6 million from \$19.2 million in the same period of 2023.

OUTLOOK

Vertex does not anticipate any significant changes in the economic environment we operate in, in the foreseeable future. While adjustments to interest rates have occurred, it is too soon to tell how inflationary pressures will be impacted. To continue delivering results to our stakeholders, we remain focused on maintaining financial stability by closely monitoring our expenses and optimizing our operations.

As Vertex adjusts to customer and market needs, we continually evaluate the return on assets that we deploy to ensure we have a strong balance sheet that supports future strategic initiatives. Operational and administrative efficiencies are identified as key drivers for financial performance, with a clear aim to enhance adjusted EBITDA and net income. The dedication to these strategic pillars is expected to support Vertex's journey through the final quarter of 2024 and into 2025.

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 1,000 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.

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

NON-IFRS FINANCIAL MEASURES

This 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.

- A) **"Adjusted EBITDA"** is a non-IFRS financial measure which is calculated by adjusting net income (loss) 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 the 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.
- B) **"Free cash flow"** is a non-IFRS financial measure. The most directly comparable GAAP measure for free cash flow is cash flow from operating activities. A summary of the reconciliation of cash flow from operating activities to free cash flow is set forth in the table below. Management uses the term "free cash flow" for its own performance measure and to provide shareholders and potential investors with a measurement of the Company's efficiency and its ability to generate the cash necessary to fund its future growth expenditures, to repay debt and provide shareholder returns.
- C) **"Adjusted Working Capital"** is a non-IFRS financial measure which is calculated by reducing current liabilities by the current portion of loans and borrowings, lease liabilities and other liabilities. Adjusted working capital is used by Vertex to monitor its capital structure, liquidity, and its ability to fund current operations.
- D) **"Adjusted EBITDA per share, basic and diluted"** is a non-financial measure which is calculated by dividing adjusted EBITDA by the weighted average shares outstanding – basic and diluted.

Reconciliations of adjusted EBITDA, free cash flow and adjusted working capital are provided in the following tables.

ADJUSTED EBITDA	Three months ended		Nine months ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Net income for the period	1,513	1,167	705	3,782
Add:				
Depreciation and amortization	6,994	5,851	19,290	17,158
Finance costs	2,894	3,162	8,482	8,758
Share-based compensation	59	50	178	150
Income tax expense	464	359	216	312
Adjusted EBITDA	11,924	10,589	28,871	30,160

FREE CASH FLOW	Three months ended		Nine months ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Cash flows from operating activities	9,700	11,782	29,781	38,772
Changes in non-cash operating working capital items	2,190	(1,391)	(1,026)	(9,188)
Maintenance capex	(2,297)	(3,887)	(12,390)	(11,732)
Cash interest	(2,224)	(2,027)	(6,357)	(6,270)
Depreciation of right of use assets - real property	(1,057)	(1,326)	(2,960)	(3,404)
Proceeds from disposal of property and equipment	624	2,230	2,067	5,714
Free cash flow	6,936	5,381	9,115	13,892

ADJUSTED WORKING CAPITAL	September 30,	December 31,
	2024	2023
Current assets	64,696	70,408
Current liabilities, less	57,670	69,170
Current portion of loans and borrowings	(12,685)	(14,701)
Current portion of lease liabilities	(9,318)	(10,722)
Current portion of other liabilities	(1,333)	(1,532)
Current liabilities (excluding current portion of loans and borrowings, lease liabilities, and other liabilities)	34,334	42,215
Adjusted working capital	30,362	28,193

Forward-Looking Information

This Press Release contains forward-looking statements and information ("forward-looking statements") within the meaning of applicable Canadian securities laws. The forward-looking statements contained in this Press Release are based on the expectations, estimates and projections of management of Vertex as of the date of this Press Release unless otherwise stated. The use of any of the words "believe", "expect", "anticipate", "contemplate", "target", "plan", "outlook", "potential", "estimated", "intends", "continue", "may", "will", "should" and similar expressions are intended to identify forward-looking statements. More particularly and without limitation, this Press Release contains forward-looking statements concerning anticipated financial performance; the outlook for 2024; the Company's ability to grow profitably; sufficiency of working capital; and with respect to Vertex's ability to meet evolving customer demands.

Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Investors are cautioned that forward-looking statements are based on the opinions, assumptions and estimates of management considered reasonable at the date the statements are made, and actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to the risks associated with the industries in which Vertex operates in general, such as:

- Ability to access sufficient capital from internal and external sources
- Ability to market to new customers
- Ability to obtain equipment in a timely and cost-efficient manner
- Ability to secure work

- Adjustments and cancellations of backlog
- Changes in legislation, including but not limited to tax laws and environmental regulations
- Collection of recognized revenue
- Commodity price, interest rate and exchange rate fluctuations
- Competition, ethics, and reputational risks
- Compliance with environmental laws risks
- Cyber-security risks
- Economy and cyclicalities
- Global pandemics
- Health, safety and environmental risks
- Industry and inherent project delivery risks
- Insurance risk
- Joint venture risk
- Labour matters
- Litigation risk
- Loss of key management; ability to hire and retain qualified and capable personnel
- Maintaining safe worksites
- Operational risks
- Potential for non-payment and credit risk and ongoing financing availability
- Third party credit risk
- Unforeseen weather conditions
- Unanticipated shutdowns, work stoppages, and lockouts
- Volatility of market trading

Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on other factors that could affect the operations or financial results of the parties, and the combined company are included in reports on file with applicable securities regulatory authorities, including but not limited to: Annual Information Form for the year ended December 31, 2023, which may be accessed on Vertex's SEDAR+ profile at www.sedarplus.ca.

The forward-looking statements contained in this Press Release are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as, and to the extent required by applicable securities laws.

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