



Badger Infrastructure Solutions Ltd. Announces 2022 Third Quarter Results

CALGARY, Alberta, Nov. 03, 2022 -- Badger Infrastructure Solutions Ltd. ("Badger", the "Company", "we", "our" or "us") (TSX:BDGI) reported third quarter 2022 results today. All results are presented in U.S. dollars unless otherwise stated.

2022 Third Quarter and Operational Highlights

- Badger experienced strong year over year growth and operating improvements across all of its regions during the third quarter.
- Revenue in the third quarter was \$163.5 million, up 20.0% from \$136.2 million achieved in the third quarter of 2021, which included approximately \$11.1 million in hurricane emergency response revenue that did not occur in the third quarter of 2022.
- Gross profit margin in the third quarter improved to 27.4%, up from 25.7% achieved in the third quarter of 2021, after adjusting for the approximate \$2.2 million in Canada Emergency Wages Subsidies ("CEWS") benefits Badger received in the third quarter of 2021 which did not recur in the third quarter of 2022.
- Adjusted EBITDA in the third quarter improved to \$35.3 million, up 36.3% from \$25.9 million achieved in the third quarter of 2021, after adjusting for the \$2.4 million in CEWS benefits Badger received in the third quarter of 2021.
- Adjusted EBITDA margin also improved in the quarter to 21.6%, up from 19.0% achieved in the third quarter of 2021, after adjusted for the \$2.4 million in CEWS benefits Badger received in the third quarter of 2021.
- Consolidated revenue per truck per month ("RPT") for the third quarter was \$46,781, up 23.7% from \$37,812 in the third quarter of 2021 and up 16.1% sequentially from \$40,281 in the second quarter of 2022.

"We remain encouraged by the continued strengthening in the North American non-residential construction market and the associated improving demand for non-destructive excavation services across our branch network," said Rob Blackadar, President and Chief Executive Officer.

"Our strategic investment in Badger's sales and marketing capabilities has translated into strong revenue growth in the past two quarters and positions the Company for continued growth in the quarters to come. We are pleased with the renewed operating discipline across our branch network resulting in margin and asset utilization improvements. We anticipate these trends will continue to improve and provide additional operating leverage in support of our long term strategic objectives." continued Mr. Blackadar.

"We will remain focused on sales activities, pricing opportunities, fuel recovery practices, operating costs and fleet management discipline to enhance margins and optimize asset utilization for the balance of the year and moving forward," concluded Mr. Blackadar.

Key Financial Highlights

	Three months ended September 30,		Nine months ended September 30,	
(\$ U.S. thousands, except revenue per truck per month ("RPT"), per share and share information)	2022	2021	2022	2021
Revenue:				
Non-destructive excavation service revenue	157,222	130,249	404,842	316,751
Other revenue	6,255	5,987	16,940	15,622
Total revenue	163,477	136,236	421,782	332,373
RPT - Consolidated (mixed currency) ¹	46,781	37,812	39,124	30,166
RPT - U.S. (U.S. dollars) ¹	45,483	37,616	38,807	30,206
RPT - Canada (Canadian dollars) ¹	50,125	38,315	39,937	30,062
Adjusted EBITDA ¹	35,288	28,332	71,880	44,460
Adjusted EBITDA per share, basic and diluted ^{1 2}	1.02	0.82	2.09	1.28
Adjusted EBITDA margin ¹	21.6%	20.8%	17.0%	13.4%

Earnings (loss) before income tax	16,882	13,394	16,291	(4,637)
Net earnings (loss)	14,512	9,831	14,052	(4,155)
Net earnings (loss) per share, basic and diluted ²	0.42	0.28	0.41	(0.12)
Cash from operating activities before working capital and other adjustments	35,495	28,344	72,184	44,276
Cash from operating activities before working capital and other adjustments per share, basic and diluted ²	1.03	0.82	2.09	1.28
Dividends paid ³	4,382	4,249	10,279	12,915
Weighted average common shares outstanding ²	34,473,438	34,537,761	34,473,438	34,643,561

(1) See "Non-IFRS Financial Measures" and "Key Financial Metrics and Other Operational Metrics" in the Company's 2021 annual management's discussion and analysis ("MD&A") and third quarter 2022 MD&A for additional detail on the definition and calculation of Adjusted EBITDA, Adjusted EBITDA margin and RPT. Per share, basic and diluted measures calculated by dividing the respective financial measure with the weighted average common shares outstanding for the respective period. RPT reflects the updated calculation methodology and the comparative year's RPT has been restated to reflect the updated methodology.

(2) See "Share Capital" in the Company's 2021 annual MD&A and third quarter 2022 MD&A for additional details.

(3) The frequency of dividend payments was changed from monthly to quarterly effective with the March 2022 dividend payment.

2022 Business Outlook

Badger anticipates that the year over year revenue growth and market demand trends experienced in the second and third quarter of 2022 will continue for the remainder of the year and in alignment with the Company's typical seasonality. These trends are supported by improved macro-economic conditions across the broader non-residential construction segment in the U.S. and in previously weak sectors such as oil and gas.

Badger continues to invest in its capabilities and key strategic initiatives to position the Company to capture the long-term growth opportunity in the North American market for non-destructive excavation and related services. Investments in the Company's sales and marketing capabilities, combined with a continued commitment to cost controls within the business, will be a focus area for the remainder of the year. Longer-term, the Company is focused on returning to historical revenue growth and margin levels.

Badger also continues to focus on fleet management and utilization to support near-term growth requirements and will continue to leverage its vertically integrated manufacturing capabilities to support its medium and long-term growth requirements. Badger is targeting the production of approximately 115 units in 2022, down slightly from the previous target of 130 to 150 units and the retirement of approximately 80 units, consistent with the previous target of 65 to 85 units. The reduced build program for 2022 can be attributed to production delays resulting primarily from the completed implementation of the MRP system and the consolidation of multiple facilities which are nearing completion. Badger continues to be comfortable with chassis and key component availability and does not expect to be impacted materially by supply chain disruptions, based on the Company's supplier relationships and inventory planning completed earlier in 2022. As of November 3, 2022 we are producing 4 to 5 units each week and are well positioned to meet our production forecast for the fourth quarter.

Badger has managed through the recent inflationary environment by its increasing focus on sales activities, fleet utilization, pricing improvements, fuel recovery program and operating cost management. It is too early for the Company to determine what impact, if any, may result from the increasing, global recessionary risks.

The Board has approved the quarterly cash dividend of \$0.165 per share for the fourth fiscal quarter of 2022, with payment to be made on or about January 15, 2023 to all shareholders of record at the close of business on December 31, 2022.

About Badger Infrastructure Solutions Ltd.

Badger Infrastructure Solutions Ltd. (TSX:BDGI) is North America's largest provider of non-destructive excavating services. Badger works for contractors and facility owners in a broad range of infrastructure industries. These market segments consist primarily of infrastructure projects in areas such as energy generation, electricity and natural gas transmission networks, roads and highways, telecommunications, water and sewage treatment and general municipal infrastructure. Customers in these segments typically operate near high concentrations of underground power, communication, water, gas and sewer lines, particularly in large urban centres where safety and economic risks are high and therefore non-destructive excavation provides a safe alternative for certain customer excavation requirements.

The Company's key technology is the Badger Hydrovac™, which is used primarily for safe excavation around critical infrastructure and in congested underground conditions. The Badger Hydrovac uses a pressurized water stream to liquify the soil cover, which is then removed with a powerful vacuum system and deposited into a storage tank. To complement the Badger Hydrovac, the Company began field-testing prototype air excavation units, Badger Airvac™ Pending, in late 2021. The Airvac is used like a Badger Hydrovac for safe excavation. The Airvac utilizes compressed air versus water to loosen the cover soil before vacuuming and depositing into a storage tank.

The Badger Airvac complements the Badger Hydrovac, and both are designed and manufactured by Badger. Badger's vertical integration increases the certainty of non-destructive excavation unit supply to support the Company's growth and retirement replacement requirements at a cost less than purchasing from third party manufacturers. The vertical integration also allows

Badger the opportunity to incorporate feedback from its non-destructive excavation unit operators and customers into its design and manufacturing processes, and reduces fleet downtime for repairs due to integrated repair part availability.

2022 Third Quarter Results Conference Call

A conference call and webcast for investors, analysts, brokers and media representatives to discuss the 2022 third quarter is scheduled for 7:00 a.m. MT on Friday, November 4, 2022. Participants can register for the call here: <https://register.vevent.com/register/BI19297637dbd94479b7d631e9cff93dcd> or join the webcast here: <https://edge.media-server.com/mmc/p/b3whww9e>.

2022 Third Quarter Disclosure Documents

Badger's third quarter 2022 Management's Discussion and Analysis and 2022 Unaudited Interim Condensed Consolidated Financial Statements, along with all previous public filings of Badger Infrastructure Solutions Ltd. may be found on SEDAR at www.sedar.com.

Non-IFRS Financial Measures

This press release contains references to certain financial measures, including some that do not have any standardized meaning prescribed by IFRS and that may not be comparable to similar measures presented by other companies or entities. These financial measures are identified and defined below. See "Non-IFRS Financial Measures" in the Company's third quarter 2022 MD&A for detailed reconciliations of Non-IFRS financial measures.

"Adjusted EBITDA" is earnings before interest, taxes, depreciation and amortization, share-based compensation, gains and losses on derivative instruments, gains and losses on sale of property, plant and equipment and gains and losses on foreign exchange. Adjusted EBITDA is a measure of the Company's operating profitability and is therefore useful to management and investors as it provides improved continuity with respect to the comparison of operating results over time. Adjusted EBITDA provides an indication of the results generated by the Company's principal business activities prior to how these activities are financed, the results are taxed in various jurisdictions and assets are amortized. In addition, Adjusted EBITDA excludes gains and losses on sale of property, plant and equipment as these gains and losses are considered incidental and secondary to the principal business activities, it excludes gains and losses on foreign exchange as such gains and losses can vary significantly based on factors beyond the Company's control and it excludes share-based compensation and gains and losses on derivative instruments as these expenses can vary significantly with changes in the price of the Company's common shares.

"Adjusted EBITDA margin" is Adjusted EBITDA as defined above, expressed as a percentage of revenues.

Key Financial Metrics and Other Operational Metrics

"Revenue per truck per month" ("RPT") is a measure of non-destructive excavation fleet utilization. It is calculated using non-destructive excavation revenue only. RPT is calculated on both a consolidated basis and for each geographic segment by dividing non-destructive excavation revenue for each segment, in the respective local currency, by the average number of non-destructive excavation units in the segment during the period.

See "Key Financial Metrics and Other Operational Metrics" in the Company's third quarter 2022 MD&A for additional details on RPT.

Cautionary Statements Regarding Forward-Looking Information and Statements

Certain statements and information contained in this press release and other continuous disclosure documents of the Company referenced herein, including statements and information that contain words such as "could", "should", "can", "anticipate", "expect", "believe", "will", "may", "continues to", "target", "focused on", "proposed" and similar expressions relating to matters that are not historical facts, constitute "forward-looking information" within the meaning of applicable Canadian securities legislation. These statements and information 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 statements and information. The Company believes the expectations reflected in such forward-looking statements and information are reasonable, but no assurance can be given that these expectations will prove to be correct. Such forward-looking statements and information included in this press release should not be unduly relied upon. These forward-looking statements and information speak only as of the date of this press release.

In particular, forward-looking information and statements in this press release include, but are not limited to the following:

- Badger's focus on cost management and operational efficiencies and its impact on growth and on maximizing shareholder value;
- Badger's expectations with respect to non-destructive excavation and specialty unit production and retirement in 2022;
- Badger's continued focus on enhancing operating leverage;
- The expectation of future market opportunities for Badger with respect to infrastructure strengthening;
- Disclosure under the heading "Business Outlook";
- The market conditions, demand trends and supply chain capacity anticipated by Badger throughout 2022;
- Badger's ability to continue to grow its business, including revenue, as a result of capitalizing on the long-term growth opportunity in the North American non-destructive excavation market;
- Badger's focus on fleet optimization and increased utilization;
- Expectations with respect to 2022 retirement and manufacturing volumes for non-destructive excavation units and

- specialty units;
- The payment of Badger's quarterly cash dividends and anticipated timing thereof; and
- The benefits, if any, that Badger's operational scale creates related to financial and operating performance.

The forward-looking information and statements made in this press release rely on certain expected economic conditions and overall demand for Badger's services and are based on certain assumptions. The assumptions used to generate this forward-looking information and statements are, among other things, that:

- Badger will maintain its financial position and financial resources will continue to be available to Badger;
- Business activity levels will continue to increase as pandemic-related restrictions are loosened and there is continuous economic recovery;
- The actions taken by Badger to protect the health and safety of its employees, customers and communities, and to mitigate the operational and financial effects of COVID-19, will continue to have the intended effects;
- The overall market for Badger's services or its ability to provide service will not be adversely affected in the long-term by COVID-19, economic disruption, or other factors beyond Badger's control such as weather, natural disasters, global events, legislation or regulatory changes and technological advances;
- There will be long-term sustained customer demand for non-destructive excavation and related services from a broad range of end use markets in North America;
- Badger will maintain relationships with current customers and develop successful relationships with new customers;
- Badger will collect customer payments in a timely manner;
- Badger will be able to compete effectively for the demand for its services;
- There will not be significant changes in profit margins due to pricing changes driven by market conditions, competition, regulatory factors or other unforeseen factors; and
- Badger will realize and continue to realize the efficiencies and benefits of the executed business restructuring activities and other business improvement initiatives; and
- Badger will obtain all labour, parts and supplies necessary to complete the planned Badger non-destructive excavation build at the costs and on the timeline expected.

Risks and other uncertainties that could cause actual results to differ materially from those anticipated in such forward-looking statements include, but are not limited to: political and economic conditions; industry competition; price fluctuations for oil and natural gas and related products and services; Badger's ability to attract and retain key personnel; the availability of future debt and equity financing; changes in laws or regulations, including taxation and environmental regulations as well as COVID-19 related regulations (e.g. vaccination mandates) which may adversely impact the labour supply and operating costs of Badger; extreme or unsettled weather patterns; and fluctuations in foreign exchange or interest rates.

Readers are cautioned that the foregoing factors are not exhaustive. Additional information on these and other factors that could affect the Company's operations and financial results is included in reports on file with securities regulatory authorities in Canada and may be accessed through the SEDAR website (www.sedar.com) or at the Company's website. The forward-looking statements and information contained in this press release are expressly qualified by this cautionary statement. The Company does not undertake any obligation to publicly update or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

For further information:

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