



Badger Infrastructure Solutions Ltd. Announces 2022 Second Quarter Results

CALGARY, Alberta, Aug. 10, 2022 -- Badger Infrastructure Solutions Ltd. ("Badger", the "Company", "we", "our" or "us") (TSX:BDGI) reported second quarter 2022 results today. All results are presented in U.S. dollars unless otherwise stated.

2022 Second Quarter and Operational Highlights

- Revenue in the second quarter was \$144.2 million, up 30.6% from \$110.4 million achieved in the second quarter of 2021.
- Gross profit margin in the second quarter improved to 24.8%, up from 19.2% achieved in the second quarter of 2021.
- Adjusted EBITDA in the second quarter improved to \$25.9 million, up 120.2% from \$11.8 million achieved in the second quarter of 2021. Adjusted EBITDA margin also improved in the quarter to 18.0%, up from 10.7% achieved in the second quarter of 2021.
- Consolidated revenue per truck per month ("RPT") for the second quarter was \$40,281, up 34.8% from the second quarter of 2021 and up 27.6% sequentially from the first quarter of 2022.
- Badger manufactured 21 non-destructive excavation units in the second quarter and 37 units year to date in 2022, versus 5 and 13 units, respectively, for the same periods in 2021. Nine units were retired in the quarter and 47 units have been retired year to date. Badger plans to retire between 65 to 85 units, up slightly from the previous target of 40 to 60 units. Badger is targeting the production of between 130 and 150 units in 2022, down slightly from the previous target of 150 to 180 units due to increased training for new production employees and full adoption of the MRP system. As Badger exited the quarter, production levels have increased and are reflected in the updated 2022 build forecast.
- The Board has approved the quarterly cash dividend of \$0.165 per share for the third fiscal quarter of 2022, with payment to be made on or about October 15, 2022 to all shareholders of record at the close of business on September 30, 2022.
- The company will be hosting an Investor Day at 10:00 EST on Tuesday September 20, 2022 at our facilities in Brownsburg, Indiana. To participate, please register at ir.badgerinc.com.

"We were pleased by the continued improvement in market opportunity and volumes in the second quarter, with revenue up by 30.6% year over year. Operating leverage benefited from revenue growth, higher utilization, cost management and pricing, with results in the quarter meeting our expectations," said Paul Vanderberg, President and Chief Executive Officer.

"All operating regions experienced improved operating leverage and results. Badger anticipates continued year over year revenue growth as the year progresses, and is focusing on sales, pricing, fuel recovery, operating costs and fleet management activities to enhance margin and asset utilization. This focus positions Badger well for the balance of the year," concluded Mr. Vanderberg.

Key Financial Highlights

(\$ U.S. thousands, except revenue per truck per month ("RPT"), per share and share information)	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Revenue:				
Non-destructive excavation service revenue	138,229	105,651	247,620	186,502
Other revenue	5,929	4,772	10,685	9,635
Total revenue	144,158	110,423	258,305	196,137
RPT - Consolidated (mixed currency) ¹	40,281	29,887	35,637	26,442
RPT - U.S. (U.S. dollars) ¹	40,742	30,391	35,779	26,666
RPT - Canada (Canadian dollars) ¹	39,095	28,627	35,275	25,878
Adjusted EBITDA ¹	25,910	11,764	36,592	16,128
Adjusted EBITDA per share, basic and diluted ^{1 2}	0.75	0.34	1.06	0.46
Adjusted EBITDA margin ¹	18.0%	10.7%	14.2%	8.2%
Earnings (loss) before income tax	6,113	(2,636)	(591)	(18,031)
Net earnings (loss)	4,805	(2,242)	(460)	(13,986)
Net earnings (loss) per share, basic and diluted ²	0.14	(0.06)	(0.01)	(0.40)

Cash from operating activities before working capital

and other adjustments	26,226	11,806	36,689	15,932
Cash from operating activities before working capital and other adjustments per share, basic and diluted ²	0.76	0.34	1.06	0.46
Dividends paid ³	4,469	4,474	5,897	8,666
Weighted average common shares outstanding ²	34,473,438	34,820,614	34,473,438	34,837,134

(1) See "Non-IFRS Financial Measures" and "Key Financial Metrics and Other Operational Metrics" 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 management's discussion and analysis ("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 quarter of 2022 will continue for the remainder of the year and consistent 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 will be a focus area for the remainder of the year.

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 medium and long-term growth requirements.

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.

Badger has managed through the recent inflationary environment by increasing focus on sales activities, pricing increases, its fuel recovery program and operating cost management. The Company is focused on returning to historical revenue growth and margin levels. It is too early for the Company to determine what impact, if any, may result from the increasing, global recessionary risks.

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 Second Quarter Results Conference Call

A conference call and webcast for investors, analysts, brokers and media representatives to discuss the 2022 second quarter is scheduled for 7:00 a.m. MT on Thursday, August 11, 2022. Participants can register for the call here: <https://register.vevent.com/register/BI8ea21be43341411886c3c167d1982fe2> or join the webcast here: <https://edge.media-server.com/mmc/p/cay58mu5>.

2022 Second Quarter Disclosure Documents

Badger's second 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

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 second 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 second 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 and demand trends 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 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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Source: Badger Infrastructure Solutions Ltd.