



MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2024

May 1, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited Consolidated Financial Statements and notes thereto of Badger Infrastructure Solutions Ltd. (the "Company", "Badger", "we", "our" or "us") (TSX:BDGI) for the year ended December 31, 2023, the 2023 annual MD&A, and the interim condensed consolidated financial statements for the quarters ended March 31, 2024 and 2023. This MD&A is a review of the financial results of Badger and has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board for the quarter ended March 31, 2024. Readers should also refer to all previous public filings, including the Company's Annual Information Form ("AIF") for the year ended December 31, 2023, which may be found on SEDAR+ at www.sedarplus.ca.

This MD&A is dated and has been prepared taking into consideration information available to May 1, 2024. All references to "dollars" and "\$" are to the currency of U.S. dollars unless otherwise indicated.

This MD&A includes forward-looking statements and assumptions. See "Cautionary Statements Regarding Forward-Looking Information and Statements" for additional details.

OVERVIEW OF BADGER

Badger 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 and in general commercial construction. Badger's customers typically operate near high concentrations of underground power, communication, water, gas and sewer lines, where safety and economic risks are high and where 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. Badger is unique in the non-destructive excavation industry because it designs and manufactures all of its hydrovac units at its plant in Red Deer Alberta, which has an annual production capacity of more than 350 hydrovac units. To complement the Badger Hydrovac, the Company has a select number of specialty units, mainly Airvacs, combo trucks and sewer and flusher units.

QUARTERLY OPERATIONAL HIGHLIGHTS

Badger delivered strong operating and financial performance in the first quarter, which is typically our slowest period. This reflects continued growth in customer demand in our U.S. operations, partially offset by weaker performance in Canada. Badger generated \$161.6 million of revenue in the first quarter, up 13% from 2023. The increase in revenue reflected the continued focus on our commercial strategy, year over year growth in our fleet and the benefits arising from the pricing strategies we initiated in the second quarter of 2023.

Adjusted EBITDA⁽¹⁾ improved by 22% to \$29.2 million for the quarter. Adjusted EBITDA margin improved to 18.1% for the quarter, up from 16.7% for the same quarter in 2023. The continued growth in Adjusted EBITDA margins are a result of our pricing strategies, disciplined management of operating costs across our established geographic operating footprint, and the leverage gained from strategic investments in sales, marketing, and other corporate shared services functions.

Badger's revenue per truck per month⁽¹⁾ ("RPT") for the quarter was \$36,904, compared with \$38,231 for the same quarter in 2023. While revenue in our US regions grew 19%, the decrease in revenue in Canada combined with the increase in our average fleet count compared with the first quarter of 2023, resulted in lower consolidated RPT.

During the first quarter, Badger manufactured 52 non-destructive excavation units (2023 - 57 units) and refurbished 8 units. Additionally, we retired 66 units during the seasonally lower activity levels in the first quarter. As of March 31, 2024, Badger had 1,529 non-destructive excavation units in operations, 10% more than March 31, 2023.

⁽¹⁾ "Adjusted EBITDA" and "RPT" are not standardized financial measures prescribed by IFRS and may not be comparable to similar measures presented by other companies or entities. See "Non-IFRS Financial Measures" for additional detail on the definition and calculation of Adjusted EBITDA margin and "Key Financial Metrics and Other Operational Metrics" for additional detail on the definition and calculation of RPT.

BUSINESS OUTLOOK

In 2024, we expect to see continued strong and growing demand in our end markets, including infrastructure, utilities, and non-residential construction across all of our U.S. regions. The slowdown we have experienced in Canada is attributed to the delay of several projects, which are currently expected to begin in the back end of 2024, and into early 2025. The Company will continue to focus on increasing revenue through our sales and national accounts commercial strategy to drive higher activity levels, capture pricing opportunities and to maintain strong utilization rates throughout our branch operations network. We also remain focused on both operational, functional and administrative scalability to drive operating leverage and continue growing Adjusted EBITDA margins and net earnings at a higher rate than revenue growth.

Badger continues to focus on fleet management and utilization to support its organic growth requirements and will continue to leverage its vertically integrated manufacturing capabilities. We plan to grow our fleet by 7% to 10% in 2024 and the Company is well positioned to capture market demand in our high growth regions.

The Company is maintaining its outlook for our fleet management and capital spend for 2024:

	2024 Outlook
New builds	190 units to 220 units
Retirements	70 units to 90 units
Refurbishments	35 units to 45 units
Total Capital Spend⁽¹⁾	\$90 million to \$130 million

⁽¹⁾ Total capital spend for the 2024 Outlook includes the cost to manufacture a new hydrovac, refurbishments, ancillary equipment and other capital projects.

FINANCIAL HIGHLIGHTS

(\$ US thousands except RPT, per share amounts, share information and ratios)	Three months ended March 31,	
	2024	2023
Revenue:		
Non-destructive excavation service	151,991	136,538
Other	9,571	6,678
Total revenue	161,562	143,216
RPT - Consolidated (mixed currency) ⁽¹⁾	36,904	38,231
RPT - U.S. (USD) ⁽¹⁾	39,855	38,804
RPT - Canada (CAD) ⁽¹⁾	27,832	36,648
Adjusted EBITDA ⁽¹⁾	29,179	23,986
Adjusted EBITDA per share, basic and diluted ⁽¹⁾	\$0.85	\$0.70
Adjusted EBITDA margin ⁽¹⁾	18.1%	16.7%
Net earnings before income tax	2,342	3,673
Net earnings	1,779	2,764
Net earnings per share, basic and diluted ⁽¹⁾	\$0.05	\$0.08
Adjusted net earnings ⁽¹⁾	4,928	3,959
Adjusted net earnings per share, basic and diluted ⁽¹⁾	\$0.14	\$0.11
Cash flow from operations before working capital and other adjustments	29,196	23,986
Cash flow from operations before working capital and other adjustments per share, basic and diluted ⁽¹⁾	\$0.85	\$0.70
Total debt to Compliance EBITDA ⁽¹⁾	1.5x	1.6x
Capital expenditures	30,031	14,050
Dividends paid	4,443	4,206
Weighted average common shares outstanding ⁽²⁾	34,473,438	34,473,438

⁽¹⁾ "Adjusted EBITDA", "Adjusted EBITDA margin", "Adjusted net earnings", "Compliance EBITDA", "Total debt" and "RPT" are not standardized financial measures prescribed by IFRS and may not be comparable to similar measures presented by other companies or entities. See "Non-IFRS Financial Measures" and p.12-13 of the Annual MD&A for additional detail on the definition and calculation of Adjusted EBITDA, Adjusted EBITDA margin, Adjusted net earnings, Compliance EBITDA and Total debt. See "Key Financial Metrics and Other Operational Metrics" and p.10 of the Annual MD&A for additional details on RPT. Per share, basic and diluted measures are calculated by dividing the financial measure with the weighted average common shares outstanding for the period.

⁽²⁾ See "Share Capital" for additional details.

FIRST QUARTER HIGHLIGHTS

For the three months ended March 31, 2024:

- Revenue of \$161.6 million was 13% higher than the revenue in the first quarter of 2023.
- RPT of \$36,904 was 3% lower than \$38,231 in the first quarter of 2023.
- Gross profit margin improved to 24.8% compared with 22.9% in the first quarter of 2023.
- General and administrative expenses ("G&A") were \$10.8 million or 7% of revenue compared with \$8.8 million or 6% in the first quarter of 2023.
- Adjusted EBITDA margin improved to 18.1% compared with 16.7% in the first quarter of 2023.
- Adjusted net earnings was \$4.9 million compared to \$4.0 million in the first quarter of 2023.
- Net earnings was \$1.8 million compared with \$2.8 million in the first quarter of 2023.
- Cash flow from operations was \$29.2 million compared with \$24.0 million in the first quarter of 2023.

- Total debt to Adjusted EBITDA was 1.5x at March 31, 2024, down from 1.6x at March 31, 2023 and up from 1.3x at December 31, 2023.

RESULTS OF OPERATIONS FOR THE FIRST QUARTER

Adjusted EBITDA Summary

Adjusted EBITDA for the three months ended March 31, 2024 was \$29.2 million, an increase of 22% compared to \$24.0 million in the prior year.

The breakdown of Adjusted EBITDA by the Company's geographic segments is as follows:

First Quarter Summary

(\$ US thousands)	Three months ended March 31, 2024		
	U.S.	Canada	Consolidated
Non-destructive excavation revenue	135,909	16,082	151,991
Other services revenue	7,286	2,285	9,571
Total revenue	143,195	18,367	161,562
Direct costs	105,658	15,876	121,534
Gross profit	37,537	2,491	40,028
Gross profit margin (%)	26.2%	13.6%	24.8%
General and administrative	9,393	1,456	10,849
Adjusted EBITDA	28,144	1,035	29,179
Adjusted EBITDA margin (%)	19.7%	5.6%	18.1%
Net earnings			1,779
Adjusted net earnings			4,928

(\$ US thousands)	Three months ended March 31, 2023		
	U.S.	Canada	Consolidated
Non-destructive excavation revenue	116,185	20,353	136,538
Other services revenue	4,640	2,038	6,678
Total revenue	120,825	22,391	143,216
Direct costs	93,207	17,176	110,383
Gross profit	27,618	5,215	32,833
Gross profit margin (%)	22.9%	23.3%	22.9%
General and administrative	7,744	1,103	8,847
Adjusted EBITDA	19,874	4,112	23,986
Adjusted EBITDA margin (%)	16.4%	18.4%	16.7%
Net earnings			2,764
Adjusted net earnings			3,959

Non-destructive Excavation Revenue

Consolidated non-destructive excavation revenue was \$152.0 million, \$15.5 million or 11% higher than the \$136.5 million in the prior year due to continued investment in our fleet to capture strong non-building construction activity in our U.S. operations combined with the ongoing benefits from our sales and marketing investments and pricing strategies implemented in 2023.

Non-destructive excavation revenue in the U.S. operations was \$135.9 million, 17% higher than the \$116.2 million revenue generated in the prior year due to the same factors driving consolidated revenues.

Non-destructive excavation revenue in the Canadian operations was \$16.1 million, 21% lower than the \$20.4 million generated in the prior year. The decrease in revenue reflected lower market activity at our Operating Partner operations, and the deferred start of a number of significant projects in Central Canada.

Other Services Revenue

Other services revenue was \$9.6 million, \$2.9 million higher than the \$6.7 million in the prior year due to an increase in customer demand in Badger's non-hydrovac related service lines.

Revenue per Truck per Month

Consolidated RPT for the quarter was \$36,904, a 3% decrease compared with \$38,231 in the prior year. The decrease in consolidated RPT is primarily a result of lower revenue in Canada combined with the increase in average fleet size compared with the first quarter of 2023.

RPT in our U.S. operations was \$39,855, a 3% increase compared with \$38,804 in the prior year. RPT in the Canadian operations was \$27,832, a 24% decrease compared with \$36,648 in the prior year as a result of lower utilization related to timing of projects.

As at March 31, 2024, Badger had 1,529 non-destructive excavation units in its fleet compared with 1,395 as at March 31, 2023.

Direct Costs

Direct costs were \$121.5 million, or 75% of revenue compared with \$110.4 million or 77% of revenue in the prior year.

Direct costs have declined as a percentage of revenue due to both higher pricing, our relatively stable geographic operating footprint and active cost discipline more than offsetting inflation affecting our major cost categories (principally labour rates and maintenance and repairs). Consequently costs increased by less than the increase in revenue.

Gross Profit

Gross profit was \$40.0 million and gross profit margin was 24.8% compared with \$32.8 million and 22.9% in the prior year due to the factors that drove higher revenue as well as improved operating leverage.

General and Administrative Expenses

G&A expenses were \$10.8 million or 7% of revenue compared with \$8.8 million or 6% of revenue in the prior year. Total G&A expenses were slightly elevated from our run rate over the second half of 2023 primarily due to the timing of IT costs incurred in the first quarter of 2024.

Depreciation and Amortization of Property, Plant and Equipment, Right-of-Use and Intangible Assets

Depreciation and amortization expense was \$19.0 million compared with \$15.9 million in the prior year. Depreciation expense, which is recorded on a straight-line basis, increased compared with the prior year primarily due to increases in the average number of non-destructive excavation units and right of use assets.

Share-based Compensation Expense

Share-based compensation expense was \$12.2 million compared with \$6.2 million in the prior year. The increase in the expense is primarily due to an increase in the market value of Badger's shares during the period compared to the prior year's market value. During the quarter, Badger's share price rose from CAD \$40.71 per share at December 31, 2023 to CAD \$50.20 per share at March 31, 2024. Share-based compensation expense will fluctuate based on the effects of the movement in Badger's share price, combined with the impact of normal course vesting of previously issued long-term incentive plan grants and the issuance, if any, of new long-term incentive plan grants.

The Company has entered into total return swap contracts to manage the exposure to share price market risk on its cash-settled long-term incentive plan programs. All total return swap contracts are recorded at fair value. The unrealized gain on the total return swaps in the first quarter was \$7.4 million compared with a \$4.3 million gain in the prior year. The change in the unrealized gain is due to the change in the fair market value of Badger's shares and successfully offset 60% of the \$12.2 million of the first quarter share-based compensation expense. For a discussion of the risks and risk management strategies associated with financial instruments, see "Critical Accounting Policies and Estimates" and "Risk Factors to Badger" in the 2023 Annual MD&A.

Finance Cost

Finance costs of \$3.6 million are primarily interest on borrowings under the Company's Credit Facility (as defined below), standby fees on the Credit Facility and finance costs associated with lease liabilities. The \$0.8 million increase in finance costs was due to higher interest rates, increased borrowings on the Credit Facility, and higher lease liabilities.

As at March 31, 2024, the Company's debt obligations, excluding the impact of operating leases and outstanding letters of credit, consisted of \$194.9 million drawn on the credit facility and \$48.8 million in lease liabilities, compared to \$164.8 million and \$47.2 million as at December 31, 2023, respectively.

Income Tax

Total income tax expense was \$0.6 million compared with \$0.9 million in the prior year. The decrease in income tax expense is due primarily to lower taxable income.

Net Earnings

Net earnings was \$1.8 million compared with \$2.8 million in the prior year. The quarter-over-quarter decrease in net earnings was primarily driven by increased share-based plan expenses (net of higher unrealized gain on derivatives), depreciation and amortization, general and administrative costs, and finance costs. These were partially offset by improvements in gross profit, and lower income taxes expense. Adjusted net earnings for the quarter was \$4.9 million, compared with \$4.0 million in the first quarter of 2023.

Other Comprehensive Loss

Total other comprehensive loss, which includes the effect of translating Canadian operations into U.S. dollars, resulted in other comprehensive loss of \$0.2 million compared with loss of \$0.5 million in the prior year. The change in other comprehensive income is the result of the Canadian dollar fluctuating relative to the U.S. dollar throughout the period.

CAPITAL RESOURCES

Investing

Badger invested \$30.0 million in total capital expenditures during the quarter, compared with \$14.1 million in the prior year. Capital expenditures during the quarter were primarily related to the production of non-destructive excavation units. The increase in spending for the quarter reflects the increase of units put into service for continued growth in non-destructive excavation units to support growing market demand for non-destructive excavation.

In the quarter, 61 non-destructive excavation units were placed into service, with 1 completed unit not yet in service at March 31, 2024. During the first quarter of prior year, 25 non-destructive excavation units were placed into service, with 40 units completed not yet in service at March 31, 2023.

Capital Expenditures

(\$ US thousands)	Three months ended March 31,	
	2024	2023
Non-destructive excavation units ⁽¹⁾	28,496	10,590
Other vehicles and trailers	1,181	1,838
Buildings ⁽²⁾	211	1,163
Other	143	459
Total Capital Expenditures	30,031	14,050

⁽¹⁾ Non-destructive excavation units consists of completed units placed into service during the quarter, work-in-progress and refurbishment costs. Non-destructive excavation units includes \$2.2 million of refurbishment costs incurred during the quarter.

⁽²⁾ Additions to buildings includes expansion of the manufacturing facility in Red Deer, Alberta.

	Completed Units ⁽¹⁾	Average Manufacturing Cost
Q1 2024	52	\$413,000
2023	217	\$399,000
2022	112	\$433,000
2021	32	\$440,000
2020	85	\$333,000

⁽¹⁾ Completed non-destructive excavation units in the above table exclude prototype Badger Airvacs manufactured.

The cost to build a non-destructive excavation unit will fluctuate on an annual basis due to factors such as: the number of non-destructive excavation units built; the cost of chassis; labour and materials rates; and the impact of foreign currency rates as certain materials are denominated or otherwise influenced by foreign currency exchange rates. The average manufacturing costs during the first quarter were 4% higher compared to 2023. This rise can be attributed to a higher production volume of larger tridem units vs tandem units in the first quarter of 2024, as well as ongoing inflationary cost increases for chassis, labour and other components partially offset by ongoing improvements in the efficiency and productivity of our Red Deer manufacturing facility.

Lease Liability

As at March 31, 2024, the Company had \$48.8 million in lease liabilities (December 31, 2023 – \$47.2 million) related to operating and administrative building lease arrangements, consisting primarily of yard space for non-destructive excavation operations, and leases for light-duty pick-up trucks. The increase in lease liability is driven primarily by the replacement of old light-duty trucks owned by the Company with new leased light-duty trucks.

Liquidity and Capital Resources

(\$ US thousands)	March 31, 2024	December 31, 2023
Credit facility capacity	295,203	302,435
Borrowings under credit facility	(194,945)	(164,776)
Letters of credit issued	(5,020)	(5,020)
Cash on hand	8,413	8,513
Available Liquidity	103,651	141,152

The Company's Credit Facility is available for general corporate purposes, providing additional liquidity and financial capacity should it be required. The Company remained in compliance with all financial covenants associated with all lending arrangements.

Syndicated Revolving Credit Facility

The Company has a CAD\$400.0 million (USD\$295.2 million), committed syndicated revolving credit facility (the "Credit Facility") with a syndicate of six lenders. The Credit Facility allows for borrowings in either Canadian or U.S. dollars, providing Badger with the administrative flexibility to borrow in the functional currency in both its Canadian and U.S. operations. On September 27, 2023, the Company extended its Credit Facility by approximately one year to a 5-year term, expiring on September 27, 2028. Badger has the flexibility to expand the Credit Facility, subject to approval by the lenders, by an additional CAD\$150.0 million (USD\$110.7 million). Badger maintains the Credit Facility for general corporate and liquidity purposes, in addition to financing requirements, if any, related to Badger's capital expenditures.

The Credit Facility bears interest, at the Company's option, at either the bank's prime rate plus a tiered set of basis points or bankers' acceptance/Secured Overnight Financing Rate also with a tiered structure. A standby fee is paid on the unused portion of the Credit Facility on a tiered basis. Standby fees are expensed as incurred.

The Credit Facility is collateralized by a general security interest over the Company's assets, property and undertaking, present and future. The outstanding letters of credit, which reduce the amount of available credit under the Credit Facility, support the U.S. insurance program and certain other performance bonds.

As at March 31, 2024, the Company had available \$95.2 million (December 31, 2023 - \$132.6 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Compliance

Under the terms of the Credit Facility, the Company must comply with certain financial and non-financial covenants. Badger is restricted from declaring dividends if it is in breach of the covenants governing its credit facilities. Throughout 2024 and as at the date of this MD&A, the Company is in compliance with all covenants under the Credit Facility. The Company does not maintain a credit rating.

The Company's significant financial covenants are detailed in the summary below:

Ratio ⁽¹⁾⁽²⁾	March 31, 2024	December 31, 2023	Threshold
Total Debt to Compliance EBITDA Credit Facility	1.5x	1.3x	4.0:1x max
Interest Coverage Ratio Credit Facility	7.7x	8.1x	3.0:1x min

(1) The Interest Coverage Ratio Credit Facility is calculated as Compliance EBITDA divided by interest expense. For the twelve months ended March 31, 2024, calculated as \$125.8 million in Compliance EBITDA divided by \$16.4 million in interest expense and for the twelve months ended December 31, 2023, calculated as \$127.8 million in Compliance EBITDA divided by \$15.8 million in interest expense. Interest expense is calculated in accordance with IFRS on a trailing 12-month basis, and excludes interest paid on leases.

(2) See "Non-IFRS Financial Measures" for additional detail on the definition and calculation of Compliance EBITDA and Total Debt.

There were no off-balance sheet arrangements and no significant outstanding balances with related parties as at March 31, 2024.

Net Working Capital

Changes in working capital levels may result from increasing or decreasing revenue, the seasonality in operations, the timing of the collection of receivables and the payment of payables, the timing of capital expenditures and the impact of fluctuations in foreign currency exchange rates. Working capital was \$81.8 million as at March 31, 2024, compared with \$74.0 million as at December 31, 2023. This is primarily due to an increase in fair value of derivative financial instruments and a decrease in trade and other payables. This was offset in part by the decrease in trade receivables and increase in share-based plan liability.

The largest component of Badger's working capital is trade and other receivables. Trade and other receivables totaled \$151.4 million as at March 31, 2024, \$6.6 million lower than the balance as at December 31, 2023 of \$158.0 million. As at March 31, 2024, 90% of Badger's trade receivables were aged 90 days or less, consistent

with 90% at December 31, 2023. The Company continues to actively manage its receivables portfolio and drive further improvements in all aspects of the cash collection cycle.

Badger manages a receivables purchase program that sells short term trade receivables of certain designated customers. The transaction is treated as a transfer of a financial asset but does not qualify for derecognition under IFRS. The receivables are derecognized once the receivable is collected from the customer and transferred to the counterparty. As at March 31, 2024, Badger sold \$13.3 million in trade receivables to its counterparties (December 31, 2023 - \$7.2 million).

The Company uses its cash and cash equivalents to fund day-to-day operations, purchase and manufacture property, plant and equipment, service debt and pay dividends, and for general corporate purposes. Badger assesses its need for general liquidity based on its cash flow from operating activities combined with the financial capacity available under its various borrowing facilities. Badger has ample access to liquidity, through a combination of cash flows from operating activities and its various borrowing facilities, to meet the existing operational and capital expenditures of the business. Cash flows from operating activities are subject to variations and risks associated with the normal course operations of the business, including the impact of the seasonality within the business and the normal course timing and collection of working capital.

Share Capital

As at March 31, 2024, the number of common shares outstanding was 34,473,438, unchanged from prior year. The weighted average common shares outstanding at March 31, 2024 and December 31, 2023 was 34,473,438.

As at May 1, 2024, the number of common shares outstanding was 34,473,438. Badger does not currently have any material financial instruments which can be converted into additional common shares.

Contractual Obligations

Refer to the Company's unaudited Interim Condensed Consolidated Financial Statements for disclosure related to contractual obligations. The Company anticipates using its cash and cash equivalents, in addition to the financial capacity available under its various credit facilities to fund its contractual obligations.

	2024	2025	2026	2027	2028	Thereafter	Total
Operating leases ⁽¹⁾	1,202	1,501	1,310	682	119	52	4,866
Service contract ⁽²⁾	9,276	10,849	7,672	593	593	—	28,983
Purchase commitments ⁽³⁾	39,101	3,537	11	—	—	—	42,649
Total	49,579	15,887	8,993	1,275	712	52	76,498

⁽¹⁾ Operating leases include variable lease payments for building, office space, and light-duty trucks.

⁽²⁾ Contract with third party service providers for information technology services.

⁽³⁾ Purchase commitments include amounts related to manufacturing operations, and other committed capital expenditures. The Company has the option to cancel certain purchase commitments at its sole discretion and without penalty.

The Company does not have off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the Company's financial condition, results of operations, liquidity, or capital expenditures.

Selected Quarterly Financial Information

(\$ US thousands, except per share amounts)	2024		2023			2022		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Total revenue ⁽¹⁾	161,562	173,146	195,551	171,886	143,216	149,030	163,477	144,158
Canada	18,367	23,703	27,161	26,255	22,391	24,799	29,060	25,442
U.S.	143,195	149,443	168,390	145,631	120,825	124,231	134,417	118,716
Net earnings	1,779	4,710	23,284	11,013	2,764	4,238	14,512	4,805
Net earnings per share, basic and diluted	\$ 0.05	\$ 0.14	\$ 0.68	\$ 0.32	\$ 0.08	\$ 0.12	\$ 0.42	\$ 0.14
Dividends paid (CAD) ⁽²⁾	5,947	5,947	5,947	5,947	5,688	5,688	5,688	5,688
Dividends per share, basic and diluted (CAD) ⁽²⁾	\$0.173	\$0.173	\$0.173	\$0.173	\$0.165	\$0.165	\$0.165	\$0.165

⁽¹⁾ Refer to Note 15 - Segment reporting in the Company's unaudited Interim Condensed Consolidated Financial Statements for the three months ended March 31, 2024 for selected information by geographic segment.

⁽²⁾ Dividends paid and dividends per share, basic and diluted are presented in Canadian Dollars in the table above as dividends are declared and paid in Canadian Dollars.

During the periods in the above tables, Badger's results were impacted by the following factors and trends:

- General changes in economic growth and overall macro-economic conditions in both the U.S. and Canada;
- The recovery of both the Canadian and the U.S. economies following the COVID-19 pandemic as well as, particularly in the U.S., the growth in investment in non-building construction/infrastructure projects and the resulting growth in demand for hydrovac excavation services.
- The execution of Badger's commercial strategy and sales and marketing function in 2022;
- The implementation of Badger's pricing strategies beginning in the second half of 2023; and
- Additional investments related to the manufacture of non-destructive excavation units and an increase in working capital requirements associated with the underlying growth in the business.

Key Financial Metrics and Other Operational Metrics

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

Revenue per truck per month – Consolidated (mixed currency)

(\$ thousands, except for RPT and average non-destructive excavation units)	Three months ended March 31,	
	2024	2023
Non-destructive excavation service revenue gross - U.S.	138,216	118,973
Non-destructive excavation service revenue gross - Canada	31,395	40,679
Total Non-destructive excavation service revenue gross	169,611	159,652
Average non-destructive excavation units ⁽²⁾	1,532	1,392
RPT⁽³⁾	36,904	38,231

Revenue per truck per month – United States

(\$ thousands, except for RPT and average non-destructive excavation units)	Three months ended March 31,	
	2024	2023
Total revenue	143,195	120,825
Less: Other revenue	7,286	4,640
Non-destructive excavation service revenue net	135,909	116,185
Add: Operating Partner Net Revenue	2,307	2,788
Non-destructive excavation service revenue gross	138,216	118,973
Average non-destructive excavation units ⁽²⁾	1,156	1,022
RPT⁽³⁾	39,855	38,804

Revenue per truck per month – Canada

(\$ thousands, except for RPT, average non-destructive excavation units and foreign exchange rate)	Three months ended March 31,	
	2024	2023
Total revenue	18,366	22,391
Less: Other revenue	2,285	2,038
Non-destructive excavation service revenue net	16,081	20,353
Add: Operating Partner Net Revenue	7,197	9,706
Non-destructive excavation service revenue gross	23,278	30,059
Foreign exchange rate ⁽¹⁾	1,3487	1,3533
Non-destructive excavation service revenue - CAD equivalent	31,395	40,679
Average non-destructive excavation units ⁽²⁾	376	370
RPT⁽³⁾	27,832	36,648

⁽¹⁾ Foreign exchange rate calculated on a weighted average basis for the respective period.

⁽²⁾ See "Fleet Summaries" for additional details.

⁽³⁾ RPT is calculated by taking non-destructive excavation revenue divided by the number of average trucks in service for the period and further divided by the number of months in the respective period, being three months for a quarter and twelve months for an annual period.

FLEET SUMMARIES

Number of non-destructive excavation units at period end

	2024		2023			2022		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Canada	368	384	387	377	368	371	383	378
U.S.	1,161	1,150	1,127	1,093	1,027	1,016	987	975
Total	1,529	1,534	1,514	1,470	1,395	1,387	1,370	1,353

Average number of non-destructive excavation units during the period⁽¹⁾

	2024		2023			2022				
	Q1	Annual	Q4	Q3	Q2	Q1	Annual	Q4	Q3	Q2
Canada	376	377	385	382	373	370	379	377	381	377
U.S.	1,156	1,083	1,138	1,110	1,060	1,022	1,000	1,002	981	968
Total	1,532	1,460	1,523	1,492	1,433	1,392	1,379	1,379	1,362	1,345

⁽¹⁾ The average number of non-destructive excavation units during the period is calculated using a simple average between the opening number of non-destructive excavation units in service during the period and the closing number of non-destructive excavation units in service during the period. The average number of non-destructive excavation units is based on the total units in service and included in active fleet.

Number of Marketing and Franchise Agreements

	2024		2023			2022			
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	
Canada	13	13	13	13	13	13	13	13	
U.S.	3	3	3	3	3	3	3	3	

NON-IFRS FINANCIAL MEASURES

This MD&A 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. The Company uses these non-IFRS financial measures in addition to results prepared in accordance with IFRS. Such non-IFRS measures allow us to view certain aspects of Badger's business that, when considered alongside applicable IFRS results, may provide a more comprehensive understanding of Badger's operational and financial condition and the factors and trends affecting Badger's business. These non-IFRS financial measures are identified and defined below:

Refer to the discussion starting at p.10 of the Annual MD&A for a description of non-IFRS financial measures used by the Company. The Annual MD&A is available on the Company's SEDAR+ profile at www.sedarplus.ca.

"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 right of use assets, 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 and right of use assets as these gains and losses are considered incidental and secondary to the principal business activities, gains and losses on foreign exchange, as such gains and losses can vary significantly based on factors beyond the Company's control and 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 is calculated as follows:

<i>(\$ US thousands)</i>	Three months ended March 31,	
Adjusted EBITDA	2024	2023
Net earnings	1,779	2,764
Add:		
Depreciation and amortization	19,015	15,939
Share-based compensation expense	12,249	6,247
Gain on sale of property, plant and equipment and right of use assets	(662)	(574)
Unrealized gain on derivative instruments	(7,351)	(4,306)
Finance cost	3,606	2,801
Foreign exchange (gain) loss	(20)	206
Income tax expense	563	909
Adjusted EBITDA	29,179	23,986

Adjusted EBITDA can also be calculated as follows:

<i>(\$ US thousands)</i>	Three months ended March 31,	
Adjusted EBITDA	2024	2023
Revenue	161,562	143,216
Less:		
Direct costs	121,534	110,383
General and administrative expense	10,849	8,847
Adjusted EBITDA	29,179	23,986

“**Adjusted EBITDA margin**” is Adjusted EBITDA as defined above, expressed as a percentage of revenues.

Adjusted EBITDA margin is calculated as follows:

<i>(\$ US thousands except for percentages)</i>	Three months ended March 31,	
Adjusted EBITDA margin	2024	2023
Adjusted EBITDA	29,179	23,986
Revenue	161,562	143,216
Adjusted EBITDA margin	18.1%	16.7%

“**Adjusted net earnings**” is net earnings adjusted for share-based compensation, gains and losses on derivative instruments, gains and losses on sale of property, plant and equipment and right of use assets, and gains and losses on foreign exchange, tax impacted using the effective tax rate.

(\$ US thousands except share information and per share amounts)	Three months ended March 31,	
Adjusted earnings and earnings per share	2024	2023
Net earnings	1,779	2,764
Normalizing adjustments:		
Share-based compensation expense	12,249	6,247
Gain on sale of property, plant and equipment and right of use assets	(662)	(574)
Unrealized gain on derivative instruments	(7,351)	(4,306)
Foreign exchange (gain) loss	(20)	206
Total normalizing adjustments	4,216	1,573
Tax rate	25%	24%
Tax effect of normalizing adjustments	1,067	378
Adjusted net earnings	4,928	3,959
Weighted average number of shares - basic and diluted	34,473,438	34,473,438
Adjusted net earnings per share - basic and diluted	\$0.14	\$0.11

"**Compliance EBITDA**" is earnings before interest, taxes, depreciation, amortization, and certain other items, calculated on a 12-month trailing basis, and is used by the Company to calculate compliance with its debt covenants.

(\$ US thousands)	Twelve months ended March 31,	
Compliance EBITDA	2024	2023
Net earnings	40,786	27,610
Add:		
Depreciation and amortization	72,945	61,225
Share-based compensation expense net of payments	11,513	3,526
Gain on sale of property, plant and equipment	(2,139)	(1,455)
Unrealized gain on derivative instruments	(13,175)	(776)
Finance cost	17,798	9,620
Right-of-use assets lease payments	(16,757)	(10,139)
Income tax expense	15,006	5,650
Unrealized foreign exchange (gain) loss	(209)	1,220
Compliance EBITDA	125,768	96,481

"**Total Debt**" consists of long-term debt and issued letters of credit, less cash on hand. Total Debt is used by the Company to calculate compliance with its debt covenants.

(\$ US thousands)	March 31, 2024	March 31, 2023
Total Debt		
Borrowings under credit facility	194,945	164,776
Add: issued letters of credit	5,020	5,020
Less: cash on hand up to \$50.0 million	(8,413)	(8,513)
Total Debt	191,552	161,283

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's significant accounting policies are set out in Note 3 of the 2023 audited Annual Consolidated Financial Statements. Certain of these accounting policies, as well as estimates made by management in applying such policies, are recognized as critical because they require management to make subjective or complex judgements about matters that are inherently uncertain. The Company's critical accounting estimates, as detailed in Badger's annual MD&A for the year ended December 31, 2023 relate to: inventory, useful lives of property, plant and equipment, depreciation, income taxes, allowance for doubtful accounts, determining cash generating units, impairment of non-financial assets, intangible assets, goodwill and functional currency.

In the preparation of the Company's unaudited Interim Condensed Consolidated Financial Statements, management has made judgments, estimates and assumptions that affect the recorded amounts of revenues, expenses, assets, liabilities and the disclosure of commitments, contingencies and guarantees. Estimates and judgments used are based on management's experience and the assumptions used are believed to be reasonable given the circumstances that exist at the time the unaudited Interim Condensed Consolidated Financial Statements are prepared. Actual results could differ from these estimates. The most significant estimates and judgments used in the preparation of the Company's unaudited Interim Condensed Consolidated Financial Statements have been set out in Note 2 of the Company's 2023 audited Annual Consolidated Financial Statements.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

Disclosure Controls and Procedures

Badger's President and CEO and its CFO have designed, or caused to be designed under their direct supervision, Badger's disclosure controls and procedures (as defined by National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, adopted by the Canadian Securities Administrators) to provide reasonable assurance that (i) material information relating to Badger, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the annual filings are being prepared; and (ii) material information required to be disclosed in Badger's annual filings, interim filings or other reports filed or submitted by it under Canadian securities legislation is recorded, processed, summarized and reported on a timely basis. Further, they have evaluated, or caused to be evaluated under their direct supervision, the effectiveness of Badger's disclosure controls and procedures as at March 31, 2024 and have concluded the disclosure controls and procedures are effective.

Internal Control over Financial Reporting

Badger's President and CEO and its CFO have also designed, or caused to be designed under their direct supervision, Badger's internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Further, using the criteria established in Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission, they have evaluated, or caused to be evaluated under their direct supervision, the effectiveness of Badger's internal control over financial reporting at March 31, 2024 and have concluded the internal controls over financial reporting are effective.

Changes in Internal Control over Financial Reporting

There were no changes to Badger's internal control over financial reporting in the first quarter of 2024.

Inherent Limitations

Notwithstanding the foregoing, because of its inherent limitations, a control system can provide only reasonable assurance that the objectives of the control system are met and may not prevent or detect misstatements. Management's estimates or assumptions about future events may be incorrect, resulting in varying results. In

addition, management has attempted to minimize the likelihood of fraud. However, any control system can be circumvented through collusion and illegal acts.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

Certain statements and information contained in this MD&A 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”, “focus on”, “grow”, “trend”, 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 MD&A should not be unduly relied upon. These forward-looking statements and information speak only as of the date of this MD&A.

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

- Badger’s expectations with regard to demand for non-destructive excavation services across its end markets;
- Badger’s expectations regarding Canadian operations and U.S. operations in 2024;
- Badger’s continued focus on increasing revenues through its pricing strategies initiated in the second quarter of 2023;
- Badger’s expectation the timing of the trial in connection with its unresolved Excise Tax Audit, and the potential expense associated therewith;
- Badger’s expectations with respect to the production, retirement and refurbishments of non-destructive excavation and specialty units in 2024;
- Badger’s expectation regarding capturing pricing opportunities and maintaining strong utilization rates throughout the branch operations network;
- Badger’s continued focus on increasing revenues through its sales and national accounts commercial strategy;
- The expectation that Badger’s growing customer base and national accounts program will contribute to year over year growth;
- Badger’s continued focus on fleet management and utilization to support its organic growth requirements;
- The expectation that Badger will continue to leverage its vertically integrated manufacturing capabilities;
- The expected growth of the fleet of Badger Hydrovacs by 7% to 10% in 2024;
- Badger’s continued focus on operational, functional and administrative scalability to drive operating leverage and continue growing Adjusted EBITDA margins and net earnings at a higher rate than revenue growth;
- Disclosure under the heading “2024 Business Outlook”;
- The expectation of reinvestment in North America’s critical infrastructure and Badger’s ability to position operations to capture resulting market demand for non-destructive excavation;
- 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;
- The anticipated impact of Badger’s refurbishment program, including the expectation that the program will extend the useful life of refurbished units and increase the return on invested capital;
- Badger’s ability to continue to manage the recent inflationary environment;
- The expectation that Badger’s tax filing positions are appropriate;
- Badger’s focus on asset optimization and increased utilization;
- Badger’s management of its receivables portfolio and other improvements in its cash collection cycle; and
- Badger’s anticipated use of its cash, cash equivalents and financial capacity available under its credit facility.

The forward-looking information and statements made in this MD&A 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;
- The overall market for Badger's services or its ability to provide service will not be adversely affected in the long-term by 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;
- Badger will realize and continue to realize the efficiencies and benefits of the executed business restructuring activities and other business improvement initiatives;
- Badger will be able to successfully implement its plans, programs, and procedures as expected; and
- Badger will obtain all labour, parts and supplies necessary to complete planned Badger non-destructive excavation unit builds 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; loss of key customers; cybersecurity breaches; terrorism; industry competition; safety risks; and services; Badger's ability to attract and retain key personnel; reduction in customer spending; litigation; the availability of future debt and equity financing; changes in laws or regulations, including taxation and environmental regulations, which may adversely impact the labour supply and operating costs of Badger; extreme or unsettled weather patterns; reputational risks; fluctuations in fuel costs; and fluctuations in foreign exchange or interest rates. The foregoing list of risks is not exhaustive. The foregoing list of risks is not exhaustive. For more information relating to risks, see the section titled "Risk Factors" in the Company's AIF for the year ended December 31, 2023, which is available on SEDAR+ at www.sedarplus.ca.

Any future-orientated financial information and financial outlook information (collectively, "FOFI") contained in this MD&A, as such terms are defined by applicable securities laws, is provided for the purpose of providing information about management's current expectations and plans relating to the future and is subject to the same assumptions, risk factors, limitations and qualifications as set forth in the above paragraphs. Management believes that the FOFI has been prepared on a reasonable basis, reflecting best estimates and judgments; however, actual results of the Company's operations and financial outcomes may vary from the amounts set forth herein. FOFI contained in this MD&A was made as of the date of this MD&A and the Company does not undertake any obligation to publicly update or revise any FOFI contained in this MD&A, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws. Readers are cautioned that any FOFI contained herein should not be used for purposes other than those for which it has been disclosed herein.

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.sedarplus.ca) or at the Company's website. The forward-looking statements and information contained in this MD&A 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.