FLINT Announces Fourth Quarter and 2022 Annual Financial Results

Reports record Annual Revenues of $604.7 million and record Adjusted EBITDAS of $32.1 million

Calgary, Alberta (March 2, 2023) – FLINT Corp. (formerly ClearStream Energy Services Inc.) (“FLINT” or the "Company") (TSX: FLNT) today announced its results for the three and twelve months ended December 31, 2022. All amounts are in Canadian dollars and expressed in thousands of dollars unless otherwise noted.

“EBITDAS” and “Adjusted EBITDAS” are not standard measures under IFRS. Please refer to the Advisory regarding Non-Standard Measures at the end of this press release for a description of these items and limitations of their use.

“While activity levels moderated slightly in the fourth quarter due to the seasonality in our business, they remained strong with fourth quarter revenues of $149.7 million, representing an increase of 46.9% from the fourth quarter of 2021. For the full year, we reported revenues of $604.7 million, an increase of 55.3% from 2021 and an annual record for the company. The commitment of our workforce, which peaked at over 4,000 employees in 2022, to safety and quality allowed the work to be delivered on time and on budget,” said Barry Card, Chief Executive Officer.

“On December 1, 2022, we rebranded the company as FLINT. The rebranding marks the next step in our transformation that began in 2019 when we acquired the legacy Flint business and brand. FLINT represents a legacy, and we intend to build on this as we pursue our purpose to help our customers bring their resources to our world and our mission to be the service company of choice. We are encouraged by the on-going momentum in our served markets, as evidenced by the booking of new contract awards and renewals totaling $288.6 million in the fourth quarter and $848.1 million in full-year 2022,” added Mr. Card.

ANNUAL HIGHLIGHTS

- Revenues for the year ended December 31, 2022 were $604.7 million, representing an increase of $215.3 million or 55.3% from 2021.
- Gross profit for the year ended December 31, 2022 was $63.1 million, representing an increase of $22.8 million or 56.5% from 2021.
- Gross profit margin for the year ended December 31, 2022 was 10.4%, which was consistent with 2021.
- Adjusted EBITDAS for the year ended December 31, 2022 was $32.1 million, representing an increase of $14.9 million or 87.3% from 2021.
- Adjusted EBITDAS margin for the year ended December 31, 2022 was 5.3%, representing an increase of 0.9% from 2021.
- Selling, general and administrative ("SG&A") expenses for year ended December 31, 2022 were $37.2 million, representing an increase of $10.9 million or 41.5% from 2021. The increase in SG&A expenses is largely due to the growth in the business and ongoing investments in the Company's enterprise systems and digital strategy, which are expected to drive longer-term efficiencies, increase cost competitiveness and improve scalability. As a percentage of revenue, SG&A expenses for the year ended December 31, 2022 were 6.2%, down from 6.8% in 2021.
- Liquidity, including cash and available credit facilities, was $37.0 million at December 31, 2022, as compared to $33.7 million at December 31, 2021.
- New contract awards and renewals totaled approximately $848.1 million for the year ended December 31, 2022.

FOURTH QUARTER HIGHLIGHTS

- Revenues for the three months ended December 31, 2022 were $149.7 million, representing an increase of $47.8 million or 46.9% from Q4 2021.
- Gross profit for the three months ended December 31, 2022 was $17.1 million, representing an increase of $7.3 million or 75.5% from Q4 2021.
- Gross profit margin for the three months ended December 31, 2022 was 11.4% compared to 9.5% for the same period in 2021.
- Adjusted EBITDAS for the three months ended December 31, 2022 was $8.8 million, representing an increase of $4.3 million or 96.3% from Q4 2021.
- Adjusted EBITDAS margin was 5.8% for the three months ended December 31, 2022 compared to 4.4% for the same period in 2021.
- SG&A expenses for the three months ended December 31, 2022 were $9.4 million, representing an increase of $2.9 million or 45.6% from Q4 2021. As a percentage of revenue, SG&A expenses for the three months ended December 31, 2022 were 6.3%, unchanged from Q4 2021.
- New contract awards and renewals totaled approximately $288.6 million for the three months ended December 31, 2022 and $47.0 million for the first two months of 2023. Approximately 55% of the work is expected to be completed in 2023.

Maintenance and Construction Services

Revenue for the Maintenance and Construction Services segment was $555.2 million for the year ended December 31, 2022, compared to $354.7 million for the same period in 2021, representing an increase of 56.5%. Revenue for three months ended December 31, 2022 was $136.2 million compared to $94.0 million for the same period in 2021, representing increase of 44.9%. The increase relative to 2021 was driven by strong market momentum as we completed a record 30 turnaround projects.

Gross profit margin was 9.8% for the year ended December 31, 2022 compared to 8.6% for the same period in 2021. We continue to focus on consolidating various scopes of work with existing or new customers by bundling our services in order to enable more efficient execution and lower costs for our customers on each work site.

Wear Technology Overlay Services

Revenues for the Wear Technology Overlay Services segment for the year ended December 31, 2022 were $54.2 million, compared to $37.8 million for the same period in 2021, representing an increase of 43.2%. The increase was due to activity levels for wear technology overlay and fabrication services continuing to see a strong market recovery as customers in the oil sands seek to operate at full capacity.

Gross profit margin was 15.7% for the year ended December 31, 2022, compared to 25.8% for the same period in 2021. The decrease was due to the mix of business, job margins being lower for certain projects and an increase in material costs.

Environmental Services

We continue to enhance our professional services capabilities to service our growing customer base in this market segment. Our customers in the energy sector continue to allocate expenditures for the closure, reclamation and remediation of oil and gas wells, pipelines and facilities in Western Canada to comply with regulatory requirements and to meet their commitments regarding ESG (environmental, social and governance) matters.

Corporate

On December 1, 2022, the Company amended its articles in accordance with the *Business Corporations Act* (Alberta) to change its legal name from ClearStream Energy Services Inc. to FLINT Corp. As part of the name change, the ticker symbol of the Company's common shares on the Toronto Stock Exchange also changed from CSM to FLNT.

On January 1, 2023, Brad Naeth, Vice President, Wear Technology Overlay, was appointed Vice President, Wear and Environmental Services. In this new role, Brad will be responsible for Environmental Services and will continue to lead Wear Technology Overlay Services.

FOURTH QUARTER AND ANNUAL 2022 FINANCIAL RESULTS

($ thousands, except per share amounts)	Three months ended December 31,			Twelve months ended December 31,		
	2022	2021	% Change	2022	2021	% Change
Revenue						
Maintenance and Construction Services	136,173	94,004	44.9 %	555,191	354,652	56.5 %
Wear Technology Overlay Services	13,588	9,040	50.3 %	54,160	37,826	43.2 %
Eliminations(1)	(14)	(1,089)	(98.7)%	(4,678)	(3,076)	52.0 %
Total	149,747	101,955	46.9 %	604,673	389,402	55.3 %
Gross Profit						
Maintenance and Construction Services	15,726	7,929	98.3 %	54,653	30,581	78.7 %
Wear Technology Overlay Services	1,349	1,799	(25.0)%	8,480	9,755	(13.1)%
Total	17,075	9,728	75.5 %	63,133	40,336	56.5 %
Gross Profit Margin (% of revenue)						
Maintenance and Construction Services	11.5 %	8.4 %	3.1 %	9.8 %	8.6 %	1.2 %
Wear Technology Overlay Services	9.9 %	19.9 %	(10.0)%	15.7 %	25.8 %	(10.1)%
Total	11.4 %	9.5 %	1.9 %	10.4 %	10.4 %	— %
Selling, general and administrative expenses	9,383	6,443	45.6 %	37,204	26,298	41.5 %
% of revenue	6.3 %	6.3 %	— %	6.2 %	6.8 %	(0.6)%
Adjusted EBITDAS(2)						
Maintenance and Construction Services	15,705	7,876	99.4 %	54,258	30,627	77.2 %
Wear Technology Overlay Services	1,268	1,725	(26.5)%	8,171	9,455	(13.6)%
Corporate	(8,215)	(5,139)	59.9 %	(30,376)	(22,968)	32.3 %
Total	8,758	4,462	96.3 %	32,053	17,114	87.3 %
% of revenue	5.8 %	4.4 %	1.4 %	5.3 %	4.4 %	0.9 %
(Loss) income from continuing operations	(4,848)	5	— %	(12,431)	(9,296)	33.7 %
Net (loss) income per share (dollars) from continuing operations (basic and diluted)	(0.04)	0.00	— %	(0.11)	(0.08)	37.5 %

(1) The eliminations includes eliminations of inter-segment transactions. FLINT accounts for inter-segment sales based on transaction price.

(2) "Adjusted EBITDAS" is not a standard measure under IFRS. Please refer to the Advisory regarding Non-Standard Measures at the end of this press release for a description of this measure and limitations of its use.

Revenue for the year ended December 31, 2022 was $604,673 compared to $389,402 for the same period in 2021, representing an increase of 55.3%. The increase in revenue was driven by the strong market momentum in 2022, representing an increase in activity across all areas of the business with the largest increase occurring in the Maintenance and Construction Services segment.

Gross profit for the year ended December 31, 2022 was $63,133 compared to $40,336 for the same period of 2021, representing an increase of 56.5%. The increase in gross profit was primarily driven by an increase in the volume of work in the Maintenance and Construction Services segment. Gross profit margin for the year ended December 31, 2022 was 10.4%, which was consistent with 2021.

SG&A expenses for the year ended December 31, 2022 were $37,204, in comparison to $26,298 for the same period in 2021, representing an increase of 41.5%. As a percentage of revenue, SG&A expenses for the year ended December 31, 2022 were 6.2% compared to 6.8% for the same period in 2021. The increase in SG&A expenses is largely due to the growth in the business and ongoing investments in the Company's enterprise systems and digital strategy, which are expected to drive longer-term efficiencies, increase cost competitiveness and improve scalability.

For the year ended December 31, 2022, Adjusted EBITDAS was $32,053 compared to $17,114 for the same period in 2021. As a percentage of revenue, Adjusted EBITDAS was 5.3% for the year ended December 31, 2022 compared to 4.4% for the same period in 2021.

Loss from continuing operations for the year ended December 31, 2022 was $12,431 in comparison to a loss of $9,296 for the same period in 2021. The variance was driven by the reduction in government subsidies in 2022, an increase in SG&A expenses and restructuring expenses and the impairment of goodwill and intangible assets recognized in 2022, partially offset by a significant improvement in gross profit for the Maintenance and Construction Services segment and the impairment of right-of-use assets recognized in 2021.

LIQUIDITY AND CAPITAL RESOURCES

On October 5, 2022, FLINT amended its asset-based revolving credit facility (the “ABL Facility”) with a Canadian charted bank to increase the maximum borrowings available thereunder to $50 million. The amount available under the ABL Facility will vary from time to time based on the borrowing base determined with reference to the accounts receivable of FLINT and certain of its subsidiaries. The maturity date of the ABL Facility is April 14, 2025. The expanded ABL Facility will provide additional working capital needed to finance higher levels of activity.

The Company anticipates that its liquidity (cash on hand and available credit facilities) and cash flow from operations will be sufficient to meet its short-term contractual obligations and maintain compliance with its financial covenants through December 31, 2023.

As at December 31, 2022, the issued and outstanding share capital included 110,001,239 common shares, 127,732 Series 1 preferred shares, and 40,111 Series 2 preferred shares.

The Series 1 preferred shares (having an aggregate value of $127.732 million) are convertible at the option of the holder into common shares at a price of $0.35/share and the Series 2 preferred shares (having an aggregate value of $40.111 million) are convertible into common shares at a price of $0.10/share.

The Series 1 and Series 2 preferred shares have a 10% fixed cumulative preferential cash dividend payable when the Company has sufficient monies to be able to do so, including under the provisions of applicable law and contracts affecting the Company. The Board of Directors of the Company does not intend to declare or pay any cash dividends until such times as the Company's balance sheet and liquidity position supports the payment. As at December 31, 2022, the accrued and unpaid dividends on the Series 1 and Series 2 shares totaled $76.7 million. Any accrued and unpaid dividends are convertible in certain circumstances at the option of the holder into additional Series 1 and Series 2 preferred shares.

OUTLOOK

The combination of rising global energy demand, the sanctions on Russian production in response to the war in Ukraine and a multi-year period of underinvestment in upstream development has resulted in a tight market for oil and gas, which should continue to provide support for commodity prices in 2023. At current commodity price levels, we anticipate continued high demand for our services as customers seek to maintain or incrementally grow production levels. However, broad economic concerns exist with respect to inflation, rising interest rates and geopolitical instability, the combination of which may lead to a global recession. These concerns may negatively impact the spending plans of our customers.

While our customers have been prioritizing debt repayment and returns to shareholders, they are starting to increase spending on both maintenance projects (to enhance operational reliability) and capital projects (to maintain or expand production capacity). We expect these activity levels to remain strong in 2023.

FLINT has continued to add new service offerings that encompass the full asset lifecycle and is now offering a suite of more than 40 services. Through the extensive regional coverage provided by our 19 operating facilities, we believe that FLINT is well-positioned to further consolidate the services required at various operating sites while generating efficiencies and cost reductions for its customers. We are also continually working to improve our service delivery to anticipate our customer’s requirements and proactively meet their needs.

Additional Information

Our audited consolidated financial statements for the year ended December 31, 2022 and the related Management's Discussion and Analysis of the operating and financial results can be accessed on our website at www.flintcorp.com and will be available shortly through SEDAR at www.sedar.com.

About FLINT Corp.

With a legacy of excellence and experience stretching back more than 100 years, FLINT provides solutions for the Energy and Industrial markets including: Oil & Gas, Petrochemical, Mining, Power, Agriculture, Forestry, Infrastructure and Water Treatment. With offices strategically located across Canada and a dedicated workforce, we provide maintenance, construction, wear technology and environmental services that keep our clients moving forward. For more information about FLINT, please visit www.flintcorp.com or contact:

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Advisory regarding Forward-Looking Information

Certain information included in this press release may constitute “forward-looking information” within the meaning of Canadian securities laws. In some cases, forward-looking information can be identified by terminology such as “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “potential”, “continue” or the negative of these terms or other similar expressions concerning matters that are not historical facts. This press release contains forward-looking information relating to: our business plans, strategies and objectives; contract renewals and project awards, including the estimated value thereof and the timing of completing the associated work; the demand for wear technology overlay and fabrication services; that customers will continue to allocate expenditures for the closure, reclamation and remediation of oil and gas wells, pipelines and facilities in Western Canada; that the investments being made to support our enterprise systems and digital strategy will drive longer-term efficiencies, increase cost competitiveness and improve scalability; the sufficiency of our liquidity and cash flow from operations to meet our short-term contractual obligations and maintain compliance with our financial covenants through December 31, 2023; our dividend policy; the supply/demand fundamentals for oil and natural gas and its impact on the demand for our services; and that broad economic concerns may negatively impact the spending plans of our customers.

Forward-looking information involves significant risks and uncertainties. A number of factors could cause actual events or results to differ materially from the events and results discussed in the forward-looking information including, but not limited to, compliance with debt covenants, access to credit facilities and other sources of capital for working capital requirements and capital expenditure needs, availability of labour, dependence on key personnel, economic conditions, commodity prices, interest rates, future actions by governmental authorities in response to Covid-19 or another pandemic, regulatory change, weather and risks related to the integration of acquired businesses. These factors should not be considered exhaustive. Risks and uncertainties about FLINT’s business are more fully discussed in FLINT’s disclosure materials, including its annual information form and management’s discussion and analysis of the operating and financial results, filed with the securities regulatory authorities in Canada and available at www.sedar.com. In formulating the forward-looking information, management has assumed that business and economic conditions affecting FLINT will continue substantially in the ordinary course, including, without limitation, with respect to general levels of economic activity, regulations, taxes and interest rates. Although the forward-looking information is based on what management of FLINT consider to be reasonable assumptions based on information currently available to it, there can be no assurance that actual events or results will be consistent with this forward-looking information, and management’s assumptions may prove to be incorrect.

This forward-looking information is made as of the date of this press release, and FLINT does not assume any obligation to update or revise it to reflect new events or circumstances except as required by law. Undue reliance should not be placed on forward-looking information. Forward-looking information is provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that such information may not be appropriate for other purposes.

Advisory regarding Non-Standard Measures

The terms ‘‘EBITDAS’’ and “Adjusted EBITDAS” (collectively, the ‘‘Non-standard measures’’) are financial measures used in this press release that are not standard measures under IFRS. FLINT’s method of calculating the Non-Standard Measures may differ from the methods used by other issuers. Therefore, the Non-Standard Measures, as presented, may not be comparable to similar measures presented by other issuers.

EBITDAS refers to income (loss) from continued operations in accordance with IFRS, before depreciation and amortization, interest expense, income tax expense (recovery) and long-term incentive plan expenses. EBITDAS is used by management and the directors of FLINT as well as many investors to determine the ability of an issuer to generate cash from operations. Management also uses EBITDAS to monitor the performance of FLINT’s reportable segments and believes that in addition to income (loss) from continued operations and cash provided by operating activities, EBITDAS is a useful supplemental measure from which to determine FLINT’s ability to generate cash available for debt service, working capital, capital expenditures and income taxes. FLINT has provided a reconciliation of income (loss) from continuing operations to EBITDAS below.

Adjusted EBITDAS refers to EBITDAS excluding impairment of goodwill and intangible assets, restructuring expense, gain on sale of property, plant and equipment, loss (recovery) of contingent consideration liability, one time incurred expenses, impairment of right-of-use assets and government subsidies. FLINT has used Adjusted EBITDAS as the basis for the analysis of its past operating financial performance. Adjusted EBITDAS is a measure that management believes (i) is a useful supplemental measure from which to determine FLINT’s ability to generate cash available for debt service, working capital, capital expenditures, and income taxes, and (ii) facilitates the comparability of the results of historical periods and the analysis of its operating financial performance which may be useful to investors. FLINT has provided a reconciliation of income (loss) from continuing operations to Adjusted EBITDAS below.

Investors are cautioned that the Non-Standard Measures are not alternatives to measures under IFRS and should not, on their own, be construed as an indicator of performance or cash flows, a measure of liquidity or as a measure of actual return on the shares. These Non-Standard Measures should only be used with reference to FLINT’s consolidated interim and annual financial statements, which are available on SEDAR at www.sedar.com or on FLINT’s website at www.flintcorp.com.

Three months ended	Maintenance and Construction Services		Wear Technology Overlay Services		Corporate		Total	
December 31, 2022	2022	2021	2022	2021	2022	2021	2022	2021
Income (loss) from continuing operations	$ 13,760	$ 10,016	$ (3,252)	$ 1,172	$ (15,356)	$ (11,183)	$ (4,848)	$ 5
Add:								
Amortization of intangible assets	32	52	101	115	—	—	133	167
Depreciation expense	1,749	1,861	628	700	179	323	2,556	2,884
Long-term incentive plan expense	—	—	—	—	1,758	1,239	1,758	1,239
Interest expense	114	153	136	97	4,284	3,664	4,534	3,914
EBITDAS	15,655	12,082	(2,387)	2,084	(9,135)	(5,957)	4,133	8,209
Add (deduct):								
Gain on sale of property, plant and equipment	(119)	(53)	—	—	—	—	(119)	(53)
Impairment of intangible assets and goodwill	—	—	3,652	—	—	—	3,652	—
Restructuring expenses	169	—	3	—	(110)	168	62	168
Income from government subsidies	—	(4,153)	—	(359)	—	(308)	—	(4,820)
One-time incurred expenses	—	—	—	—	1,030	1,107	1,030	1,107
Recovery on contingent consideration liability	—	—	—	—	—	(149)	—	(149)
Adjusted EBITDAS	$ 15,705	$ 7,876	$ 1,268	$ 1,725	$ (8,215)	$ (5,139)	$ 8,758	$ 4,462

Twelve months ended	Maintenance and Construction Services		Wear Technology Overlay Services		Corporate		Total	
December 31, 2022	2022	2021	2022	2021	2022	2021	2022	2021
Income (loss) from continuing operations	$ 46,522	$ 35,826	$ 1,231	$ 6,833	$ (60,184)	$ (51,955)	$ (12,431)	$ (9,296)
Add:								
Amortization of intangible assets	117	209	446	460	—	—	563	669
Depreciation expense	6,983	7,785	2,556	2,763	937	1,676	10,476	12,224
Long-term incentive plan expense	—	—	—	—	3,061	2,239	3,061	2,239
Interest expense	769	799	282	328	15,852	14,807	16,903	15,934
EBITDAS	54,391	44,619	4,515	10,384	(40,334)	(33,233)	18,572	21,770
Add (deduct):								
Gain on sale of property, plant and equipment	(350)	(238)	—	—	—	—	(350)	(238)
Impairment of intangible assets and goodwill	—	—	3,652	—	—	—	3,652	—
Restructuring expenses	217	2	4	282	3,894	768	4,115	1,052
Income from government subsidies	—	(13,756)	—	(1,211)	—	(1,166)	—	(16,133)
One-time incurred expenses	—	—	—	—	5,983	2,542	5,983	2,542
Impairment of right-of-use assets	—	—	—	—	—	8,270	—	8,270
Loss (recovery) on contingent consideration liability	—	—	—	—	81	(149)	81	(149)
Adjusted EBITDAS	$ 54,258	$ 30,627	$ 8,171	$ 9,455	$ (30,376)	$ (22,968)	$ 32,053	$ 17,114