FLINT Announces First Quarter 2023 Financial Results

Quarterly revenue increases 37% and Adjusted EBITDAS increases 81%

Calgary, Alberta (May 2, 2023) – FLINT Corp. ("FLINT" or the "Company") (TSX: FLNT) today announced its results for the three months ended March 31, 2023. 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-GAAP Financial Measures at the end of this press release for a description of these items and limitations of their use.

"The stronger activity levels experienced in 2022 carried over to the first quarter of 2023 with revenue of $150.5 million, representing an increase of 37.0% from the first quarter of 2022. Adjusted EBITDAS in the quarter totaled $5.4 million, representing an increase of 81.1% from the first quarter of 2022. We are pleased by the positive response of our employees, customers and stakeholders to the rebranding as FLINT. We are encouraged by the on-going momentum in our served markets, as evidenced by the booking of new contract awards and renewals totaling $112.2 million in the first quarter and $860.8 million for the trailing twelve-month period. The commitment of our workforce to safety and providing high quality products and services to our customers has been instrumental in our success," said Barry Card, Chief Executive Officer.

FIRST QUARTER HIGHLIGHTS

- Revenue for the three months ended March 31, 2023 was $150.5 million, representing an increase of $40.6 million or 37.0% from the same period in 2022.
- Gross profit for the three months ended March 31, 2023 was $13.4 million, representing an increase of $3.6 million or 37.2% from the same period in 2022.
- Gross profit margin for the three months ended March 31, 2023 was 8.9%, which was consistent with the same period in 2022.
- Adjusted EBITDAS for the three months ended March 31, 2023 was $5.4 million, representing an increase of $2.4 million or 81.1% from the same period in 2022.
- Adjusted EBITDAS margin was 3.6% for the three months ended March 31, 2023 compared to 2.7% for the same period in 2022.
- Selling, general and administrative ("SG&A") expenses for three months ended March 31, 2023 were $8.2 million, representing an increase of $0.1 million or 1.4% from the same period in 2022. As a percentage of revenue, SG&A expenses for the three months ended March 31, 2023 were 5.4%, compared to 7.3% for the same period in 2022.
- Liquidity, including cash and available credit facilities, was $57.8 million at March 31, 2023, as compared to $37.0 million at December 31, 2022.
- New contract awards and renewals totaled approximately $112.2 million for the three months ended March 31, 2023 and $21.7 million for the month of April. Approximately 75% of the work is expected to be completed in 2023.

Maintenance and Construction Services

Revenue for the Maintenance and Construction Services segment was $136.6 million for the three months ended March 31, 2023, compared to $99.4 million for the same period in 2022, representing an increase of 37.3%. The increase in revenues was due to continued market momentum in 2023 driven primarily by strong commodity pricing.

Gross profit margin was 8.3% for the three months ended March 31, 2023 compared to 7.4% for the same period in 2022. The increase was due to higher activity levels and management's focus on cost discipline. 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

Revenue for the Wear Technology Overlay Services segment for the three months ended March 31, 2023 was $13.9 million, compared to $12.3 million for the same period in 2022, representing an increase of 12.9%. The increase was due to activity levels for wear technology overlay and fabrication services continuing to recover as customers in the oil sands seek to operate at full capacity as well as the additional capacity from our recently commissioned pipe fabrication facility.

Gross profit margin was 14.7% for the three months ended March 31, 2023, compared to 19.3% for the same period in 2022. The decrease was due to the mix of business, job margins being lower for certain projects and an increase in material and utility 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 March 1, 2023, James Healey was appointed Vice President, Finance and Corporate Controlling. Mr. Healey has over fifteen years of financial reporting, corporate accounting and business processes and controls experience.

On March 16, 2023, the Company announced that Randy Watt, Chief Financial Officer, would be retiring from the Company effective March 31, 2023. Murray Desrosiers, Senior Vice President, Legal and Corporate Development, was named as Interim Chief Financial Officer. The Company has engaged an executive search firm to identify and evaluate both internal and external candidates for the role.

On March 27, 2023, the Company announced the appointment of Katrisha (Trisha) Gibson to the Board of Directors effective March 27, 2023. Ms. Gibson is an accomplished energy executive with significant experience in marketing, operations, and commercial activities at both private and public energy companies. She recently joined Factor Gas Liquids, Inc., a provider of energy products and refiner/petrochemical feedstocks, as President.

Also on March 27, 2023, the Company announced the release of its inaugural Sustainability Report as part of its ongoing commitment to Environment, Social and Governance matters. A copy of the 2022 Sustainability Report is accessible on the Company's website at www.flintcorp.com.

FIRST QUARTER FINANCIAL RESULTS

($ thousands, except per share amounts)	Three months ended March 31, 2023	2022	% Change
Revenue			
Maintenance and Construction Services	136,560	99,436	37.3 %
Wear Technology Overlay Services	13,929	12,341	12.9 %
Eliminations[1]	(10)	(1,929)	(99.5)%
Total	150,479	109,848	37.0 %
Gross Profit			
Maintenance and Construction Services	11,322	7,359	53.9 %
Wear Technology Overlay Services	2,046	2,381	(14.1)%
Total	13,368	9,740	37.2 %
Gross Profit Margin (% of revenue)			
Maintenance and Construction Services	8.3 %	7.4 %	0.9 %
Wear Technology Overlay Services	14.7 %	19.3 %	(4.6)%
Total	8.9 %	8.9 %	— %
Selling, general and administrative expenses	8,168	8,052	1.4 %
% of revenue	5.4 %	7.3 %	(1.9)%
Adjusted EBITDAS[2]			
Maintenance and Construction Services	11,200	7,244	54.6 %
Wear Technology Overlay Services	1,974	2,307	(14.4)%
Corporate	(7,730)	(6,545)	18.1 %
Total	5,444	3,006	81.1 %
% of revenue	3.6 %	2.7 %	0.9 %
Loss from continuing operations	(3,325)	(7,783)	57.3 %
Net loss per share (dollars) from continuing operations (basic and diluted)	(0.03)	(0.07)	57.1 %

(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-GAAP Financial Measures at the end of this press release for a description of this measure and limitations of its use.

Revenue for the three months ended March 31, 2023 was $150,479 compared to $109,848 for the same period in 2022, representing an increase of 37.0%. The increase in revenue was driven by the continued market momentum in 2023, 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 three months ended March 31, 2023 was $13,368 compared to $9,740 for the same period in 2022, representing an increase of 37.2%. 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 8.9%, which was consistent with the same period in 2022.

SG&A expenses for the three months ended March 31, 2023 were $8,168, in comparison to $8,052 for the same period in 2022, representing an increase of 1.4%. As a percentage of revenue, SG&A expenses for the three months ended March 31, 2023 were 5.4% compared to 7.3% for the same period in 2022. The decrease in SG&A as a percentage of revenue is largely due to costs incurred in 2022 in relation to the Company's enterprise resource planning system implementation.

For the three months ended March 31, 2023, Adjusted EBITDAS was $5,444 compared to $3,006 for the same period in 2022. As a percentage of revenue, Adjusted EBITDAS was 3.6% for the three months ended March 31, 2023 compared to 2.7% for the same period in 2022.

Loss from continuing operations for the year ended December 31, 2022 was $3,325 in comparison to a loss of $7,783 for the same period in 2022. The variance was driven by the reduction in restructuring expenses and the significant improvement in gross profit for the Maintenance and Construction Services segment.

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 March 31, 2024.

As at March 31, 2023, 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 March 31, 2023, the accrued and unpaid dividends on the Series 1 and Series 2 shares totaled $80.8 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

In early March, the collapse of two U.S. regional banks triggering the worst banking shock since the 2008 financial crisis. This shock was felt in the energy markets, with oil prices weakening on concerns that a global banking crisis would impact demand. On April 2, 2023, the Organization of Petroleum Exporting Countries and its allies announced additional production cuts totaling approximately 1.66 million barrels per day for the last eight months of 2023. This provided further support to an oil market where supply had been impacted by sanctions on Russian production and a multi-year period of underinvestment in upstream development.

At current commodity price levels, we anticipate continued high demand for our products and 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 unaudited condensed consolidated interim financial statements for the three months ended March 31, 2023 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:

Barry Card
Chief Executive Officer
FLINT Corp.
(587) 318-0997
bcard@flintcorp.com

Murray Desrosiers
Interim Chief Financial Officer
FLINT Corp.
(587) 318-0997
mdesrosiers@flintcorp.com

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; 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 March 31, 2024; 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-GAAP Financial Measures

The terms ‘‘EBITDAS’’ and “Adjusted EBITDAS” (collectively, the ‘‘Non-GAAP financial measures’’) are financial measures used in this press release that are not standard measures under IFRS. FLINT’s method of calculating the Non-GAAP Financial Measures may differ from the methods used by other issuers. Therefore, the Non-GAAP Financial 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-GAAP Financial 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-GAAP Financial 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 March 31,	Maintenance and Construction Services 2023	Maintenance and Construction Services 2022	Wear Technology Overlay Services 2023	Wear Technology Overlay Services 2022	Corporate 2023	Corporate 2022	Total 2023	Total 2022
Income (loss) from continuing operations	$ 9,288	$ 5,307	$ 1,104	$ 1,465	$(13,717)	$(14,555)	$ (3,325)	$ (7,783)
Add:								
Amortization of intangible assets	17	28	115	115	—	—	132	143
Depreciation expense	1,706	1,677	675	637	215	250	2,596	2,564
Long-term incentive plan expense	—	—	—	—	995	—	995	—
Interest expense	192	234	78	90	4,086	3,548	4,356	3,872
EBITDAS	11,203	7,246	1,972	2,307	(8,421)	(10,757)	4,754	(1,204)
Add (deduct):								
Gain on sale of property, plant and equipment	(122)	(2)	—	—	—	—	(122)	(2)
Restructuring expenses	119	—	2	—	486	2,770	607	2,770
One-time incurred expenses	—	—	—	—	205	1,281	205	1,281
Loss on contingent consideration liability	—	—	—	—	—	161	—	161
Adjusted EBITDAS	$ 11,200	$ 7,244	$ 1,974	$ 2,307	$ (7,730)	$ (6,545)	$ 5,444	$ 3,006