FLINT Announces Second Quarter 2023 Financial Results

First half revenue increases 12.7% to $319 million and Adjusted EBITDAS increases 22.2% to $13.3 million

Calgary, Alberta (July 27, 2023) – FLINT Corp. ("FLINT" or the "Company") (TSX: FLNT) today announced its results for the three and six months ended June 30, 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.

"Demand for our services remained strong in the second quarter with revenue of $168.6 million, representing the third highest quarterly revenue reported by the Company despite being impacted by the wildfires in Alberta and British Columbia. Adjusted EBITDAS in the quarter totaled $7.9 million, unchanged from the second quarter of 2022. We successfully completed several construction projects and 20 turnarounds to build and maintain the integrity of our customers' infrastructure in the quarter," said Barry Card, Chief Executive Officer.

"The volume of requests for proposals from our customers remains high, with new contract awards and renewals totaling $216 million in the first half of the year. We continue to diversify into new markets as evidenced by awards from new customers in the fertilizer and coal industries. The commitment to our core values of safety and quality is paramount to our success," added Mr. Card.

SECOND QUARTER HIGHLIGHTS

- Revenue for the three months ended June 30, 2023 was $168.6 million, representing a decrease of $4.6 million or 2.7% from the same period in 2022 and an increase of $18.1 million or 12.0% from the first quarter of 2023.
- Gross profit for the three months ended June 30, 2023 was $17.3 million, representing an increase of $1.6 million or 9.9% from the same period in 2022 and an increase of $3.9 million or 29.1% from the first quarter of 2023.
- Gross profit margin for the three months ended June 30, 2023 was 10.2%, as compared to 9.1% in the same period in 2022 and 8.9% in the first quarter of 2023.
- Adjusted EBITDAS for the three months ended June 30, 2023 was $7.9 million, consistent with the same period in 2022 and an increase of $2.5 million or 45.0% from the first quarter of 2023.
- Adjusted EBITDAS margin was 4.7% for the three months ended June 30, 2023 representing an increase of 0.1% from the same period in 2022 and an increase of 1.1% from the first quarter of 2023.
- Selling, general and administrative ("SG&A") expenses for the three months ended June 30, 2023 were $9.6 million, representing a decrease of $0.2 million or 2.3% from the same period in 2022 and an increase of $1.4 million or 17.2% from the first quarter of 2023. As a percentage of revenue, SG&A expenses for the three months ended June 30, 2023 were 5.7%, consistent with the same period in 2022.
- Liquidity, including cash and available credit facilities, was $41.1 million at June 30, 2023, as compared to $37.0 million at December 31, 2022.
- New contract awards and renewals totaled approximately $104.8 million for the three months ended June 30, 2023 and $14.1 million for the first three weeks of July. Approximately 73% of the work is expected to be completed in 2023.

Maintenance and Construction Services

Revenue for the Maintenance and Construction Services segment was $155.7 million for the three months ended June 30, 2023, compared to $160.3 million for the same period in 2022, representing a decrease of $4.6 million or 2.8%. The decrease in revenue related to the record activity levels experienced in the second quarter of 2022, which benefited from the completion of a backlog of turnaround projects that were postponed during the COVID-19 pandemic. Also, activity levels in the second quarter of 2023 were impacted by the wildfires in Alberta and British Columbia.

Gross profit margin was 9.7% for the three months ended June 30, 2023 compared to 8.5% for the same period in 2022. The increase was due to management's focus on operating efficiencies and 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 June 30, 2023 was $13.0 million, compared to $14.3 million for the same period in 2022, representing a decrease of $1.3 million or 8.9%. The decrease in revenue related to the higher activity levels experienced in the second quarter of 2022 as the market was recovering from the COVID-19 pandemic.

Gross profit margin was 17.2% for the three months ended June 30, 2023, compared to 14.6% for the same period in 2022. The increase was primarily due to the mix of work compared to the prior period.

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.

SECOND QUARTER FINANCIAL RESULTS

($ thousands, except per share amounts)	Three months ended June 30, 2023	2022	% Change	Six months ended June 30, 2023	2022	% Change
Revenue						
Maintenance and Construction Services	155,709	160,266	(2.8)%	292,269	259,701	12.5 %
Wear Technology Overlay Services	13,001	14,276	(8.9)%	26,930	26,617	1.2 %
Eliminations[1]	(143)	(1,347)	(89.4)%	(153)	(3,275)	(95.3)%
Total	168,567	173,195	(2.7)%	319,046	283,043	12.7 %
Gross Profit						
Maintenance and Construction Services	15,028	13,623	10.3 %	26,350	20,981	25.6 %
Wear Technology Overlay Services	2,232	2,078	7.4 %	4,278	4,460	(4.1)%
Total	17,260	15,701	9.9 %	30,628	25,441	20.4 %
Gross Profit Margin (% of revenue)						
Maintenance and Construction Services	9.7 %	8.5 %	1.2 %	9.0 %	8.1 %	0.9 %
Wear Technology Overlay Services	17.2 %	14.6 %	2.6 %	15.9 %	16.8 %	(0.9)%
Total	10.2 %	9.1 %	1.1 %	9.6 %	9.0 %	0.6 %
Selling, general and administrative	9,572	9,799	(2.3)%	17,740	17,851	(0.6)%
% of revenue	5.7 %	5.7 %	— %	5.6 %	6.3 %	(0.7)%
Adjusted EBITDAS[2]						
Maintenance and Construction Services	14,944	13,473	10.9 %	26,144	20,716	26.2 %
Wear Technology Overlay Services	2,144	2,004	7.0 %	4,118	4,312	(4.5)%
Corporate	(9,194)	(7,569)	21.5 %	(16,924)	(14,114)	19.9 %
Total	7,894	7,908	(0.2)%	13,338	10,914	22.2 %
% of revenue	4.7 %	4.6 %	0.1 %	4.2 %	3.9 %	0.3 %
Loss from continuing operations	(12,103)	(974)	(1142.6)%	(15,428)	(8,757)	(76.2)%
Net loss per share (dollars) from continuing operations (basic and diluted)	(0.11)	(0.01)	(1000.0)%	(0.14)	(0.08)	(75.0)%

(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 and six months ended June 30, 2023 was $168,567 and $319,046 compared to $173,195 and $283,043 for the same periods in 2022, representing a decrease of 2.7% and an increase of 12.7%, respectively. The decrease in quarterly revenue relates to the record activity levels experienced in the second quarter of 2022 due to the completion of turnaround projects that were postponed during the COVID-19 pandemic. The increase in revenue for the first half of the year 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 and six months ended June 30, 2023 was $17,260 and $30,628 compared to $15,701 and $25,441 for the same periods in 2022, representing an increase of 9.9% and 20.4%. 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 three and six months ended June 30, 2023 was 10.2% and 9.6%, compared 9.1% and 9.0% for the same periods in 2022.

SG&A expenses for the three and six months ended June 30, 2023 were $9,572 and $17,740, in comparison to $9,799 and $17,851 for the same periods in 2022, representing a decrease of 2.3% and 0.6%. As a percentage of revenue, SG&A expenses for the three and six months ended June 30, 2023 were 5.7% and 5.6% compared to 5.7% and 6.3% for the same periods in 2022. The decrease in SG&A as a percentage of revenue for the first half of the year is largely due to costs incurred in 2022 in relation to the Company's enterprise resource planning system implementation.

For the three and six months ended June 30, 2023, Adjusted EBITDAS was $7,894 and $13,338 compared to $7,908 and $10,914 for the same periods in 2022. As a percentage of revenue, Adjusted EBITDAS was 4.7% and 4.2% for the three and six months ended June 30, 2023 compared to 4.6% and 3.9% for the same periods in 2022.

Loss from continuing operations for the three and six months ended June 30, 2023 was $12,103 and $15,428 in comparison to a loss of $974 and $8,757 for the same periods in 2022. The variance was driven by the impairment of assets of $11,462 that was recorded in the second quarter of 2023 offset by the significant improvement in gross profit for the Maintenance and Construction Services segment.

LIQUIDITY AND CAPITAL RESOURCES

The Company has an asset-based revolving credit facility (the “ABL Facility”) with a Canadian charted bank providing for maximum borrowings of up to to $50.0 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 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 June 30, 2024.

As at June 30, 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 June 30, 2023, the accrued and unpaid dividends on the Series 1 and Series 2 shares totaled $85.0 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.

On June 6, 2023, Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages and sole holder of the Senior Secured Debentures, agreed to (i) accept the issuance of Senior Secured Debentures on June 30, 2023 with a principal amount of $4,812 in order to satisfy the interest that would otherwise become due and payable on such date (the “Payment in Kind Transaction”) and (ii) amend the trust indenture governing the Senior Secured Debentures to, among other things, establish a mechanism by which the Company may request, and the holder of the Senior Secured Debentures may approve (at their sole discretion), the payment of interest owing on the Senior Secured Debentures on future interest payment dates in kind (the “Indenture Amendment”). On June 28, 2023, the Company entered into the Ninth Supplemental Senior Secured Indenture to affect the Payment in Kind Transaction and the Indenture Amendment.

OUTLOOK

The Bank of Canada (and central banks around the world) continues to raise interest rates in an effort to bring inflation back to its target level without pushing the economy into a recession. Despite these broad economic concerns, demand for our services from customers in the energy and industrial markets remains positive.

For our customers in the energy industry, the Organization of Petroleum Exporting Countries and its allies continue to provide support to world oil markets with further production cuts announced on July 4, 2023. At current commodity price levels, we anticipate continued high demand for our services as we see these customers starting to increase spending on both maintenance projects (to enhance operational reliability) and capital projects (to maintain or expand production capacity).

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 our 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 and six months ended June 30, 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 June 30, 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 assets, restructuring expense, gain on sale of property, plant and equipment, loss (recovery) of contingent consideration liability and one time incurred expenses. 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	Maintenance and Construction Services		Wear Technology Overlay Services		Corporate		Total	
June 30,	2023	2022	2023	2022	2023	2022	2023	2022
Income (loss) from continuing operations	$ 13,063	$ 11,663	$ (10,363)	$ 1,193	$ (14,803)	$ (13,830)	$ (12,103)	$ (974)
Add:								
Amortization of intangible assets	15	28	115	115	—	—	130	143
Depreciation expense	1,737	1,695	659	643	184	253	2,580	2,591
Long-term incentive plan expense	—	—	—	—	1,050	—	1,050	—
Interest expense	159	221	171	53	4,324	3,963	4,654	4,237
EBITDAS	14,974	13,607	(9,418)	2,004	(9,245)	(9,614)	(3,689)	5,997
Add (deduct):								
Gain on sale of property, plant and equipment	(68)	(136)	—	—	—	—	(68)	(136)
Impairment of intangible assets and goodwill	—	—	7,289	—	—	—	7,289	—
Impairment of property, plant and equipment	—	—	4,173	—	—	—	4,173	—
Restructuring expenses	38	2	100	—	33	54	171	56
Other income	—	—	—	—	(110)	—	(110)	—
One-time incurred expenses		—	—	—	128	1,991	128	1,991
Adjusted EBITDAS	$ 14,944	$ 13,473	$ 2,144	$ 2,004	$ (9,194)	$ (7,569)	$ 7,894	$ 7,908

Six months ended June 30,	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	$ 22,351	$ 16,982	$ (9,259)	$ 2,664	$ (28,520)	$ (28,403)	$ (15,428)	$ (8,757)
Add:								
Amortization of intangible assets	32	56	230	230	—	—	262	286
Depreciation expense	3,443	3,372	1,334	1,280	399	503	5,176	5,155
Long-term incentive plan expense	—	—	—	—	2,045	—	2,045	—
Interest expense	351	442	249	138	8,410	7,529	9,010	8,109
EBITDAS	26,177	20,852	(7,446)	4,312	(17,666)	(20,371)	1,065	4,793
Add (deduct):								
Gain on sale of property, plant and equipment	(190)	(138)	—	—	—	—	(190)	(138)
Impairment of intangible assets and goodwill	—	—	7,289	—	—	—	7,289	—
Impairment of property, plant and equipment	—	—	4,173	—	—	—	4,173	—
Restructuring expenses	157	2	102	—	519	2,824	778	2,826
Other income	—	—	—	—	(110)	—	(110)	—
One-time incurred expenses		—	—	—	333	3,272	333	3,272
Loss on contingent consideration liability	—	—	—	—	—	161	—	161
Adjusted EBITDAS	$ 26,144	$ 20,716	$ 4,118	$ 4,312	$ (16,924)	$ (14,114)	$ 13,338	$ 10,914