FLINT Announces Third Quarter 2023 Financial Results

Reports record quarterly revenues of $187.0 million and Adjusted EBITDAS of $10.8 million

Calgary, Alberta (November 2, 2023) – FLINT Corp. ("FLINT" or the "Company") (TSX: FLNT) today announced its results for the three and nine months ended September 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 third quarter with revenue of $187.0 million, representing a new quarterly record for the Company and an increase of 8.8% from the third quarter of 2022. The increase was due to strong demand for our maintenance, construction and environmental services, which more than offset lower revenues from wear technology overlay services and turnaround projects, which benefited in 2022 from a backlog due to the Covid-19 pandemic," said Barry Card, Chief Executive Officer.

"We continue to progress our organic growth strategy that targets both industrial end market and geographic diversification. We recently opened an operating facility in Winnipeg as we continue to grow with our existing customers and pursue new customers across Canada. The commitment of our employees to deliver our services safely and with the utmost professionalism has been instrumental to our customer retention and attraction strategies," added Mr. Card.

THIRD QUARTER HIGHLIGHTS

- Revenue for the three months ended September 30, 2023 was $187.0 million, representing an increase of $15.1 million or 8.8% from the same period in 2022 and an increase of $18.5 million or 10.9% from the second quarter of 2023.
- Gross profit for the three months ended September 30, 2023 was $19.7 million, representing a decrease of $0.9 million or 4.3% from the same period in 2022 and an increase of $2.5 million or 14.4% from the second quarter of 2023.
- Gross profit margin for the three months ended September 30, 2023 was 10.6%, as compared to 12.0% in the same period in 2022 and 10.2% in the second quarter of 2023.
- Adjusted EBITDAS for the three months ended September 30, 2023 was $10.8 million, representing a decrease of $1.6 million or 12.8% from the same period in 2022 and an increase of $2.9 million or 36.8% from the second quarter of 2023.
- Adjusted EBITDAS margin was 5.8% for the three months ended September 30, 2023 representing a decrease of 1.4% from the same period in 2022 and an increase of 1.1% from the second quarter of 2023.
- Selling, general and administrative ("SG&A") expenses for the three months ended September 30, 2023 were $9.0 million, representing a decrease of $0.9 million or 9.3% from the same period in 2022 and a decrease of $0.5 million or 5.5% from the second quarter of 2023. As a percentage of revenue, SG&A expenses for the three months ended September 30, 2023 were 4.8%, as compared to 5.8% in the same period in 2022 and 5.7% in the second quarter of 2023.
- Liquidity, including cash and available credit facilities, was $34.4 million at September 30, 2023, as compared to $37.0 million at December 31, 2022.

- New contract awards and renewals totaled approximately $62.6 million for the three months ended September 30, 2023 and $14.6 million for the month of October. Approximately 74% of the work is expected to be completed in 2023.

Maintenance and Construction Services

Revenue for the Maintenance and Construction Services segment was $177.8 million for the three months ended September 30, 2023, compared to $159.3 million for the same period in 2022, representing an increase of $18.5 million or 11.6%. The increase in revenue was due to the results of our organic growth strategy and continued momentum in energy markets which benefited from strong oil prices.

Gross profit margin was 10.5% for the three months ended September 30, 2023 compared to 11.3% for the same period in 2022. The decrease was due to higher margins realized in major projects and turnarounds completed during the third quarter of 2022.

Wear Technology Overlay Services

Revenue for the Wear Technology Overlay Services segment for the three months ended September 30, 2023 was $10.9 million, compared to $14.0 million for the same period in 2022, representing a decrease of $3.1 million or 21.9%. The decrease in revenue related to a delay in orders from a large customer that experienced some operational issues.

Gross profit margin was 9.3% for the three months ended September 30, 2023, compared to 19.1% for the same period in 2022. The decrease was primarily due to a change in the mix of work compared to the same period in 2022.

Environmental Services

We continue to grow and further enhance the technical abilities of our professional services and consulting capabilities to serve our growing customer base in Energy and Industrial markets. We offer full-scope environmental consulting and regulatory services, from the initial planning stage (pre-construction assessments, regulatory licensing and permitting), through the operational stage (amendments or renewal applications, water, air, and soil monitoring, waste management reporting and spill response), to the site abandonment, decommissioning, remediation and reclamation stage (environmental site assessments, remedial excavations, and full site reclamation including required regulatory submissions or notifications).

Corporate

On July 28, 2023, Jennifer Stubbs was appointed as Chief Financial Officer with responsibility for leading the Company's Finance and Information Technology teams, as well as continuous improvement initiatives.

Ms. Stubbs started her career at KPMG in Assurance and went on to hold financial roles with companies involved in engineering, manufacturing, real estate and energy infrastructure. Prior to joining FLINT, Ms. Stubbs was with Pembina Pipeline Corporation for 11 years, where she progressed through various financial roles and most recently held the title of Vice President, Continuous Improvement, where she was responsible for Internal Audit, oversight and reporting of corporate productivity initiatives and capital project governance. Ms. Stubbs is a Chartered Professional Accountant and holds a Bachelor of Commerce from the University of British Columbia.

THIRD QUARTER FINANCIAL RESULTS

($ thousands, except per share amounts)	Three months ended September 30, 2023	2022	% Change	Nine months ended September 30, 2023	2022	% Change
Revenue						
Maintenance and Construction Services	177,798	159,318	11.6 %	470,067	419,019	12.2 %
Wear Technology Overlay Services	10,900	13,955	(21.9)%	37,830	40,573	(6.8)%
Eliminations(1)	(1,681)	(1,390)	20.9 %	(1,834)	(4,665)	(60.7)%
Total	187,017	171,883	8.8 %	506,063	454,927	11.2 %
Gross Profit						
Maintenance and Construction Services	18,731	17,947	4.4 %	45,081	38,928	15.8 %
Wear Technology Overlay Services	1,009	2,670	(62.2)%	5,287	7,131	(25.9)%
Total	19,740	20,617	(4.3)%	50,368	46,059	9.4 %
Gross Profit Margin (% of revenue)						
Maintenance and Construction Services	10.5 %	11.3 %	(0.8)%	9.6 %	9.3 %	0.3 %
Wear Technology Overlay Services	9.3 %	19.1 %	(9.8)%	14.0 %	17.6 %	(3.6)%
Total	10.6 %	12.0 %	(1.4)%	10.0 %	10.1 %	(0.1)%
Selling, general and administrative expenses	9,045	9,970	(9.3)%	26,785	27,821	(3.7)%
% of revenue	4.8 %	5.8 %	(1.0)%	5.3 %	6.1 %	(0.8)%
Adjusted EBITDAS(2)						
Maintenance and Construction Services	18,602	17,839	4.3 %	44,746	38,554	16.1 %
Wear Technology Overlay Services	946	2,590	(63.5)%	5,064	6,903	(26.6)%
Corporate	(8,752)	(8,048)	8.7 %	(25,676)	(22,161)	15.9 %
Total	10,796	12,381	(12.8)%	24,134	23,296	3.6 %
% of revenue	5.8 %	7.2 %	(1.4)%	4.8 %	5.1 %	(0.3)%
Income (loss) from continuing operations	2,789	1,174	137.6 %	(12,639)	(7,582)	(66.7)%
Net income (loss) per share (dollars) from continuing operations - basic and diluted	0.03	0.01	200.0 %	(0.11)	(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 and nine months ended September 30, 2023 was $187,017 and $506,063 compared to $171,883 and $454,927 for the same periods in 2022, representing an increase of 8.8% and 11.2%, respectively. The increase in quarterly revenue was driven by strong market momentum in the Maintenance and Construction Services segment.

Gross profit for the three and nine months ended September 30, 2023 was $19,740 and $50,368 compared to $20,617 and $46,059 for the same periods in 2022, representing a decrease of 4.3% and an increase of 9.4%, respectively. The decrease in quarterly gross profit for the three month ended September 30, 2023 was primarily due to lower activity levels and a change in the mix of work in the Wear Technology Overlay Services segment. The increase in gross profit for the nine months ended September 30, 2023 was primarily driven by an increase in the volume of work in the Maintenance and Construction Services segment. Gross profit margin for the three and nine months ended September 30, 2023 was 10.6% and 10.0%, compared to 12.0% and 10.1% for the same periods in 2022.

SG&A expenses for the three and nine months ended September 30, 2023 were $9,045 and $26,785, in comparison to $9,970 and $27,821 for the same periods in 2022, representing a decrease of 9.3% and 3.7%, respectively. As a percentage of revenue, SG&A expenses for the three and nine months ended September 30, 2023 were 4.8% and 5.3% compared to 5.8% and 6.1% for the same periods in 2022. The decrease in SG&A expenses as a percentage of revenue is primarily due to the ability to grow the business more efficiently and the non-recurrence of implementation costs for the Company's new enterprise resource planning system that were incurred in 2022.

For the three and nine months ended September 30, 2023, Adjusted EBITDAS was $10,796 and $24,134 compared to $12,381 and $23,296 for the same periods in 2022. As a percentage of revenue, Adjusted EBITDAS was 5.8% and 4.8% for the three and nine months ended September 30, 2023 compared to 7.2% and 5.1% for the same periods in 2022.

Income from continuing operations for the three months ended September 30, 2023 was $2,789 compared to $1,174 for the same period in 2022. The income variance was driven by the lower SG&A expenses, restructuring expenses and long-term incentive plan expenses. This was partially offset by the lower gross profit margin in the Wear Technology Overlay Services segment. Loss from continuing operations for the nine months ended September 30, 2023 was $12,639 compared to $7,582 for the same period in 2022. The loss variance was driven by the impairment of assets of $11,462 that was recorded in the second quarter of 2023 combined with higher interest expense and higher long-term incentive plan expense. This was partially offset by the improvement in gross profit for the Maintenance and Construction Services segment, lower restructuring expenses and lower SG&A expenses.

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 $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 September 30, 2024. To maintain compliance with its financial covenants through September 30, 2024, the Company may need to continue to satisfy its obligation to pay interest on the Senior Secured Debentures in kind, which requires approval by the holder of the Senior Secured Debentures at their sole discretion.

As at September 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 September 30, 2023, the accrued and unpaid dividends on the Series 1 and Series 2 shares totaled $89.2 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 continues to maintain interest rates at elevated levels in an effort to bring inflation back to its target level without pushing the economy into a recession. Despite these broad economic concerns, our business has continued to grow as demand for our services from customers in the energy and industrial markets remains positive. We expect activity levels to moderate in the fourth quarter relative to the seasonal peaks experienced in the second and third quarter due to the spring and fall turnaround and construction projects.

For our customers in the energy industry, the Organization of Petroleum Exporting Countries and its allies continue to provide support to world oil markets by curtailing production. The strength in oil prices in 2023 has allowed these customers to generate strong cash flows which they have used to pay down debt, increase returns to shareholders and reinvest in their businesses. Assuming continued strength in oil prices, we expect these customers will modestly increase their spending on both maintenance projects (to enhance operational reliability) and capital projects (to maintain or expand production capacity).

FLINT has a suite of more than 40 service offerings that encompass the full asset lifecycle. Through the extensive regional coverage provided by our 20 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 help our customer’s bring their resources to our world.

Additional Information

Our unaudited condensed consolidated interim financial statements for the three and nine months ended September 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 (upstream, midstream and downstream), 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 help our customers bring their resources to our world. 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 sufficiency of our liquidity and cash flow from operations to meet our short-term contractual obligations and maintain compliance with our financial covenants through September 30, 2024; the payment of interest owing on the Senior Secured Debentures in kind; our dividend policy; activity levels in the fourth quarter of 2023; the supply/demand fundamentals for oil and natural gas and its impact on the demand for our services; and the spending plans of our customers in the energy industry.

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 continuing 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 continuing 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 September 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	$ 16,614	$ 15,758	$ 174	$ 1,805	$ (13,999)	$ (16,389)	$ 2,789	$ 1,174
Add:								
Amortization of intangible assets	14	28	56	115	—	—	70	143
Depreciation expense	1,792	1,863	455	650	187	253	2,434	2,766
Long-term incentive plan expense	—	—	—	—	625	1,303	625	1,303
Interest expense	225	236	200	19	4,245	4,005	4,670	4,260
EBITDAS	18,645	17,885	885	2,589	(8,942)	(10,828)	10,588	9,646
Add (deduct):								
Gain on sale of property, plant and equipment	(133)	(93)	—	—	—	—	(133)	(93)
Restructuring expenses	90	47	61	1	176	1,179	327	1,227
Other income	—	—	—	—	(32)	—	(32)	—
One-time incurred expenses		—	—	—	46	1,681	46	1,681
Recovery on contingent consideration liability	—	—	—	—	—	(80)	—	(80)
Adjusted EBITDAS	$ 18,602	$ 17,839	$ 946	$ 2,590	$ (8,752)	$ (8,048)	$ 10,796	$ 12,381

Nine months ended September 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	$ 38,965	$ 32,762	$ (9,085)	$ 4,483	$ (42,519)	$ (44,827)	$ (12,639)	$ (7,582)
Add:								
Amortization of intangible assets	46	85	286	345	—	—	332	430
Depreciation expense	5,235	5,235	1,789	1,928	586	757	7,610	7,920
Long-term incentive plan expense	—	—	—	—	2,670	1,303	2,670	1,303
Interest expense	576	655	449	146	12,655	11,568	13,680	12,369
EBITDAS	44,822	38,737	(6,561)	6,902	(26,608)	(31,199)	11,653	14,440
Add (deduct):								
Gain on sale of property, plant and equipment	(323)	(231)	—	—	—	—	(323)	(231)
Impairment of intangible assets and goodwill	—	—	7,289	—	—	—	7,289	—
Impairment of property, plant and equipment	—	—	4,173	—	—	—	4,173	—
Restructuring expenses	247	48	163	1	695	4,004	1,105	4,053
Other income	—	—	—	—	(142)	—	(142)	—
One-time incurred expenses		—	—	—	379	4,953	379	4,953
Loss on contingent consideration liability	—	—	—	—	—	81	—	81
Adjusted EBITDAS	$ 44,746	$ 38,554	$ 5,064	$ 6,903	$ (25,676)	$ (22,161)	$ 24,134	$ 23,296