FLINT Announces Fourth Quarter and 2023 Annual Financial Results

Reports record full year revenues of $655.7 million and Adjusted EBITDAS of $33.0 million

Calgary, Alberta (March 12, 2024) – FLINT Corp. ("FLINT" or the "Company") (TSX: FLNT) today announced its results for the three and twelve months ended December 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.

"2023 was the second consecutive year of record annual revenues for FLINT at $655.7 million, representing an increase of 8.4% over 2022. These results were driven primarily by our Maintenance and Construction Services segment which benefited from our organic growth strategy that targets both industrial end market and geographic diversification. The commitment of our employees to working safely and delivering high quality services to our valued customers is paramount to our success," said Barry Card, Chief Executive Officer.

"We have seen strong bookings to start 2024 with new contract awards and renewals during the first two months that are estimated to generate approximately $169.6 million in backlog. The awarded work will be executed across Energy and Industrial markets, including Oil and Gas, Agriculture and Forestry. We are proud to execute aspects of this work in partnership with our local stakeholders and Indigenous partners," added Mr. Card.

ANNUAL HIGHLIGHTS

- Revenues for the year ended December 31, 2023 were $655.7 million, representing an increase of $51.1 million or 8.4% from 2022. The increase in revenue was driven by the continued market momentum in the Maintenance and Construction Services segment.
- Gross profit for the year ended December 31, 2023 was $67.5 million, representing an increase of $4.4 million or 6.9% from 2022. 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, 2023 was 10.3%, consistent with 10.4% in 2022.
- Adjusted EBITDAS for the year ended December 31, 2023 was $33.0 million, representing an increase of $0.9 million or 3.0% from 2022.
- Adjusted EBITDAS margin for the year ended December 31, 2023 was 5.0%, representing a decrease of 0.3% from 2022.
- Selling, general and administrative ("SG&A") expenses for year ended December 31, 2023 were $35.7 million, representing a decrease of $1.5 million or 4.1% from 2022. As a percentage of revenue, SG&A expenses for the year ended December 31, 2023 were 5.4%, down from 6.2% in 2022. The decrease in SG&A expenses and SG&A expenses as a percentage of revenue is due to the implementation costs for the Company's new enterprise resource planning system that were incurred in 2022.
- Loss from continuing operations for the year ended December 31, 2023 was $12.9 million, representing an increase of $0.5 million or 3.7% from 2022. The loss variance was driven by the impairment of assets in the Wear Technology Overlay Services segment of $11.5 million that was recorded in 2023 as compared to $3.7 million that was recorded in 2022 combined with higher interest expense. This was generally offset by the improvement in gross profit for the Maintenance and Construction Services segment, lower restructuring expenses and lower SG&A expenses.
- Liquidity, including cash and available credit facilities, was $56.7 million at December 31, 2023, as compared to $37.0 million at December 31, 2022.

- New contract awards and renewals totaled approximately $419.1 million for the year ended December 31, 2023.

FOURTH QUARTER HIGHLIGHTS

- Revenues for the three months ended December 31, 2023 were $149.7 million, which was consistent with 2022.
- Gross profit for the three months ended December 31, 2023 was $17.1 million, representing an increase of $0.1 million or 0.4% from the same period in 2022.
- Gross profit margin for the three months ended December 31, 2023 was 11.5%, consistent with 11.4% for the same period in 2022.
- Adjusted EBITDAS for the three months ended December 31, 2023 was $8.9 million, representing an increase of $0.1 million or 1.3% from the same period in 2022.
- Adjusted EBITDAS margin was 5.9% for the three months ended December 31, 2023 compared to 5.8% for the same period in 2022.
- SG&A expenses for the three months ended December 31, 2023 were $8.9 million, representing a decrease of $0.5 million or 5.3% from the same period in 2022. As a percentage of revenue, SG&A expenses for the three months ended December 31, 2023 were 5.9%, compared to 6.3% for the same period in 2022. The decrease in SG&A expenses and SG&A expenses as a percentage of revenue is due to the implementation costs for the Company's new enterprise resource planning system that were incurred in 2022.
- Loss from continuing operations for the three months ended December 31, 2023 was $0.3 million, representing a decrease of $4.6 million or 94.7% form the same period in 2022. The loss variance was driven by the impairment of intangible assets and goodwill of $3.7 million that was recorded in the fourth quarter of 2022 combined with lower long-term incentive plan expense in the fourth quarter of 2023.
- New contract awards and renewals totaled approximately $140.5 million for the three months ended December 31, 2023 and $169.6 million for the first two months of 2024. Approximately 40% of the work is expected to be completed in 2024.

FOURTH QUARTER AND ANNUAL 2023 FINANCIAL RESULTS

($ thousands, except per share amounts)	Three months ended December 31, 2023	2022		Twelve months ended December 31, 2023	2022	
Revenue						
Maintenance and Construction Services	138,294	136,173	1.6 %	608,361	555,191	9.6 %
Wear Technology Overlay Services	13,999	13,588	3.0 %	51,829	54,160	(4.3)%
Eliminations[1]	(2,611)	(14)	N/A	(4,445)	(4,678)	N/A
Total	149,682	149,747	— %	655,745	604,673	8.4 %
Gross Profit						
Maintenance and Construction Services	15,096	15,726	(4.0)%	60,177	54,653	10.1 %
Wear Technology Overlay Services	2,049	1,349	51.9 %	7,336	8,480	(13.5)%
Total	17,145	17,075	0.4 %	67,513	63,133	6.9 %
Gross Profit Margin (% of revenue)						
Maintenance and Construction Services	10.9 %	11.5 %	(0.6)%	9.9 %	9.8 %	0.1 %
Wear Technology Overlay Services	14.6 %	9.9 %	4.7 %	14.2 %	15.7 %	(1.5)%
Total	11.5 %	11.4 %	0.1 %	10.3 %	10.4 %	(0.1)%
Selling, general and administrative expenses	8,883	9,383	(5.3)%	35,668	37,204	(4.1)%
% of revenue	5.9 %	6.3 %	(0.4)%	5.4 %	6.2 %	(0.8)%
Adjusted EBITDAS[2]						
Maintenance and Construction Services	14,921	15,705	(5.0)%	59,667	54,258	10.0 %
Wear Technology Overlay Services	2,011	1,268	58.6 %	7,075	8,171	(13.4)%
Corporate	(8,064)	(8,215)	(1.8)%	(33,740)	(30,376)	11.1 %
Total	8,868	8,758	1.3 %	33,002	32,053	3.0 %
% of revenue	5.9 %	5.8 %	0.1 %	5.0 %	5.3 %	(0.3)%
Loss from continuing operations	(255)	(4,848)	(94.7)%	(12,894)	(12,431)	3.7 %
Net loss per share (dollars) from continuing operations - basic and diluted	(0.01)	(0.04)	(75.0)%	(0.12)	(0.11)	9.1 %

(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.

SEGMENT OPERATING RESULTS

MAINTENANCE AND CONSTRUCTION SERVICES

Revenue for the Maintenance and Construction Services segment was $608.4 million for the year ended December 31, 2023, compared to $555.2 million for the same period in 2022, representing an increase of 9.6%. Revenue for three months ended December 31, 2023 was $138.3 million compared to $136.2 million for the same period in 2022, representing an increase of 1.6%. 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 9.9% for the year ended December 31, 2023 consistent with 9.8% for 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 site abandonment and decommissioning, and remediation and reclamation stage (environmental site assessments, remedial excavations, and full site reclamation including required regulatory submissions or notifications).

WEAR TECHNOLOGY OVERLAY SERVICES

Revenue for the Wear Technology Overlay Services segment for the year ended December 31, 2023 was $51.8 million, compared to $54.2 million for the same period in 2022, representing a decrease of 4.3%. The decrease in revenue relates to the higher activity levels experienced in 2022 as the market recovered from the COVID-19 pandemic combined with the delay in orders from a large customer that experienced operational issues in 2023. Revenue for this segment for the three months ended December 31, 2023 was $14.0 million, compared to $13.6 million for the same period in 2022, representing an increase of 3.0%.

Gross profit margin was 14.2% for the year ended December 31, 2023, compared to 15.7% for the same period in 2022. The decrease in gross profit margin was primarily due to mix of work, job margins being lower for certain projects and an increase in material costs.

CORPORATE

Murray Desrosiers, Senior Vice President, Legal and Corporate Development, will be retiring on June 30, 2024. Mr. Desrosiers joined FLINT in July 2019 and has been a key member of the Executive Leadership Team. We wish to congratulate Murray on a successful legal career that spanned 29 years and wish him the best in retirement. The Company has engaged an executive search firm to identify and evaluate candidates for the role.

On January 15, 2024, Robert Farthing was appointed as Vice President, Operational Delivery and Environmental Services with responsibility for operational best practices, processes, methodologies and work instructions to ensure the successful delivery of safe and improved client delivery and leading the Company's Environmental Services Division. Mr. Farthing has over 18 years of operational engineering and technical services experience. Prior to joining FLINT, Mr. Farthing served as Chief Operating Officer of CleanO2 Carbon Capture Technologies and Stella Power. Prior to that, he worked at Suncor Energy Inc. for nine years, holding key roles such as Engineering Manager in various disciplines, including Technical Strategy, Project Support, and Technical Specifications. Mr. Farthing is a professional engineer and holds a Bachelor of Science, Mechanical Engineering degree from the University of Alberta.

LIQUIDITY AND CAPITAL RESOURCES

FLINT has an asset-based revolving credit facility (the "ABL Facility") providing for maximum borrowings up to $50.0 million with a Canadian chartered bank. 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 flows from operations will be sufficient to meet its short-term contractual obligations. To maintain compliance with its financial covenants through December 31, 2024, the Company anticipates the need 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 its sole discretion.

As at December 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 the Company's balance sheet and liquidity position supports the payment. As at December 31, 2023, the accrued and unpaid dividends on the Series 1 and Series 2 shares totaled $93.5 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 December 18, 2023, Canso Investment Counsel Ltd., 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 accept the issuance of Senior Secured Debentures on December 31, 2023 with a principal amount of $5.0 million in order to satisfy the interest that would otherwise become due and payable on such date.

OUTLOOK

We continue to execute our organic growth strategy that targets both industrial end market and geographic diversification. After experiencing significant growth in 2022 from a backlog of projects due to the Covid-19 pandemic, the market normalized in 2023 with our revenues increasing by 8.4% over 2022. For 2024, we see commodity prices at a level that should support continued modest growth for our business.

The market for skilled labour in Western Canada remains tight. We are seeing increased interest from our valued customers in securing our services for multi-year periods due to our strong safety and operational performance and concerns about a tightening labour market. We remain focused on our programs to attract, retain and develop our people and to deliver high quality services to our valued customers in a safe and efficient manner.

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 customers bring their resources to our world.

ADDITIONAL INFORMATION

Our audited consolidated financial statements for the year ended December 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.sedarplus.ca.

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:

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

Jennifer Stubbs
Chief Financial Officer
FLINT Corp.

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 December 31, 2024; that we expect continued modest growth for our buisness in 2024; the market for skilled labour in Western Canada; customer interest in multi-year service agreements; and our ability to generate efficiencies and cost reductions for 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, 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 on SEDAR+ at www.sedarplus.ca. 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.sedarplus.ca or on FLINT’s website at www.flintcorp.com.

Three months ended	Maintenance and Construction Services		Wear Technology Overlay Services		Corporate		Total	
December 31, 2023	2023	2022	2023	2022	2023	2022	2023	2022
Income (loss) from continuing operations	$ 12,808	$ 13,760	$ 1,083	$ (3,252)	$ (14,146)	$ (15,356)	$ (255)	$ (4,848)
Add:								
Amortization of intangible assets	13	32	56	101	—	—	69	133
Depreciation expense	1,825	1,749	487	628	184	179	2,496	2,556
Long-term incentive plan expense	—	—	—	—	750	1,758	750	1,758
Interest expense	176	114	174	136	4,495	4,284	4,845	4,534
EBITDAS	14,822	15,655	1,800	(2,387)	(8,717)	(9,135)	7,905	4,133
Add (deduct):								
Gain on sale of property, plant and equipment	(59)	(119)	—	—	—	—	(59)	(119)
Impairment of goodwill and intangible assets	—	—	—	3,652	—	—	—	3,652
Restructuring expenses	158	169	211	3	67	(110)	436	62
One-time incurred expenses		—	—	—	586	1,030	586	1,030
Adjusted EBITDAS	$ 14,921	$ 15,705	$ 2,011	$ 1,268	$ (8,064)	$ (8,215)	$ 8,868	$ 8,758

Twelve months ended	Maintenance and Construction Services		Wear Technology Overlay Services		Corporate		Total	
December 31, 2023	2023	2022	2023	2022	2023	2022	2023	2022
Income (loss) from continuing operations	$ 51,773	$ 46,522	$ (8,002)	$ 1,231	$ (56,665)	$ (60,184)	$ (12,894)	$ (12,431)
Add:								
Amortization of intangible assets	59	117	342	446	—	—	401	563
Depreciation expense	7,060	6,983	2,276	2,556	770	937	10,106	10,476
Long-term incentive plan expense	—	—	—	—	3,420	3,061	3,420	3,061
Interest expense	752	769	623	282	17,150	15,852	18,525	16,903
EBITDAS	59,644	54,391	(4,761)	4,515	(35,325)	(40,334)	19,558	18,572
Add (deduct):								
Gain on sale of property, plant and equipment	(382)	(350)	—	—	—	—	(382)	(350)
Impairment of goodwill and intangible assets	—	—	7,289	3,652	—	—	7,289	3,652
Impairment of property, plant and equipment	—	—	4,173	—	—	—	4,173	—
Restructuring expenses	405	217	374	4	762	3,894	1,541	4,115
Other income	—	—	—	—	(142)	—	(142)	—
One-time incurred expenses		—	—	—	965	5,983	965	5,983
Loss on contingent consideration liability	—	—	—	—	—	81	—	81
Adjusted EBITDAS	$ 59,667	$ 54,258	$ 7,075	$ 8,171	$ (33,740)	$ (30,376)	$ 33,002	$ 32,053