FLINT Announces First Quarter 2024 Financial Results

Books $201.5 million in New Contract Awards and Renewals in First Quarter

Calgary, Alberta (May 2, 2024) – FLINT Corp. ("FLINT" or the "Company") (TSX: FLNT) today announced its results for the three months ended March 31, 2024. 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.

"We continue to execute our organic growth strategy that targets both industrial end market and geographic diversification. During the quarter, we made additional investments in our business development team to support our organic growth strategy. We are already seeing the benefits of these investments with the booking of new contract awards and renewals during the first quarter that are estimated to generate approximately $201.5 million in backlog and the expansion of our geographic footprint in Canada," said Barry Card, Chief Executive Officer.

"Activity levels in the first quarter were similar to the same period last year with revenues and gross profit lower by about 3%. Gross profit margin was 8.9%, unchanged from last year. We expect modest growth in demand for our services from customers in the energy sector as the expected start-up of TMX expansion in the second quarter is providing support for Canadian oil prices, which remained strong throughout the first quarter," added Mr. Card.

FIRST QUARTER HIGHLIGHTS

- Revenue for the three months ended March 31, 2024 was $146.3 million, representing a decrease of $4.2 million or 2.8% from the same period in 2023. The decrease was due to the timing of maintenance and construction work, partially offset by an increase in environmental services.
- Gross profit margin for the three months ended March 31, 2024 was 8.9%, which was consistent with the same period in 2023.
- Adjusted EBITDAS for the three months ended March 31, 2024 was $3.2 million, representing a decrease of $2.3 million or 41.4% from the same period in 2023. As a percentage of revenue, Adjusted EBITDAS margin was 2.2% for the three months ended March 31, 2024 compared to 3.6% for the same period in 2023.
- Selling, general and administrative ("SG&A") expenses for the three months ended March 31, 2024 were $10.1 million, representing an increase of $1.9 million or 23.1% from the same period in 2023. As a percentage of revenue, SG&A expenses for the three months ended March 31, 2024 were 6.9%, compared to 5.4% for the same period in 2023. The increase is primarily due to higher personnel costs to support the Company's organic growth strategy combined with the timing of certain activities compared to prior year.
- Liquidity, including cash and available credit facilities, was $77.0 million at March 31, 2024, as compared to $56.7 million at December 31, 2023.
- New contract awards and renewals totaled approximately $201.5 million for the three months ended March 31, 2024 and $15.4 million for the month of April. Approximately 47% of the work is expected to be completed in 2024.

FIRST QUARTER FINANCIAL RESULTS

(In thousands of Canadian dollars, except per share amount)

Three Months Ended March 31,	2024	2023	% Change
Revenue ($)	146,263	150,479	(2.8)
Gross Profit ($)	13,010	13,368	(2.7)
Gross Profit margin (%)	8.9	8.9	—
Adjusted EBITDAS (1)	3,188	5,444	(41.4)
Adjusted EBITDAS margin (%)	2.2	3.6	(1.4)
SG&A expenses ($)	(10,056)	(8,168)	23.1
SG&A expenses margin (%)	6.9	5.4	1.5
Loss from continuing operations ($)	(4,786)	(3,325)	43.9
Net loss ($)	(5,012)	(3,325)	50.7
Basic and Diluted:			
Loss per share from continuing operations ($)	(0.05)	(0.03)	66.7
Net loss per share ($)	(0.05)	(0.03)	66.7

(1) EBITDAS and Adjusted EBITDAS are not standard measures under IFRS and they are defined in the section "Advisory regarding Non-GAAP Financial Measures"

Revenue for the three months ended March 31, 2024 was $146,263 compared to $150,479 for the same period in 2023, representing a decrease of 2.8%. The decrease in revenue was primarily due to timing of maintenance and construction work compared to the same period in 2023, partially offset by the increase in revenues coming from environmental services as that part of our service offering continues to grow.

Gross profit for the three months ended March 31, 2024 was $13,010 compared to $13,368 for the same period in 2023, representing a decrease of 2.7%. Gross profit margin for three months ended March 31, 2024 was 8.9%, which was consistent with the same period in 2023.

SG&A expenses for the three months ended March 31, 2024 were $10,056, in comparison to $8,168 for the same period in 2023, representing an increase of 23.1%. As a percentage of revenue, SG&A expenses for the three months ended March 31, 2024 were 6.9% compared to 5.4% for the same period in 2023. The increase in SG&A expenses, both on an absolute basis and as a percentage of revenue, is due to higher personnel costs to support the Company's organic growth strategy, increased professional fees required to support the ongoing continuous improvements in the business post the implementation of the Company's enterprise resource planning system, and the timing of certain activities compared to prior year.

For the three months ended March 31, 2024, Adjusted EBITDAS was $3,188 compared to $5,444 for the same period in 2023. As a percentage of revenue, Adjusted EBITDAS was 2.2% for the three months ended March 31, 2024 compared to 3.6% for the same period in 2023.

Loss from continuing operations for the three months ended March 31, 2024 was $4,786 in comparison to a loss of $3,325 for the same period in 2023.

CORPORATE UPDATES

On March 22, 2024, the Company released its second Sustainability Report as part of its ongoing commitment to environmental, social and governance matters. A copy of the 2023 Sustainability Report is accessible on the Company's website at www.flintcorp.com.

The annual and special meeting of holders of common shares will be held at the Bow Valley Square Conference Centre (Angus Room), +30 Level, 205 – 5th Avenue S.W., Calgary, Alberta on Tuesday, June 25, 2024, at 9:00 a.m. (Calgary time).

The Company would like to acknowledge the significant contributions of Mr. Jordan Bitove who will not be standing for re-election at the meeting. Mr. Bitove has served as a director of the Company since 2013. The Company would like to thank Mr. Bitove for the guidance he has provided over the past 11 years.

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 flow from operations will be sufficient to meet its short-term contractual obligations. To maintain compliance with its financial covenants through March 31, 2025, 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 March 31, 2024, 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 March 31, 2024, the accrued and unpaid dividends on the Series 1 and Series 2 shares totaled $97.6 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

We continue to execute our organic growth strategy that targets both industrial end market and geographic diversification. To support this strategy, we have made additional investments in overhead costs. These investments are designed to enhance the efficiency of our service delivery model and to support the continued growth in our business.

For our customers in the energy industry, there is a dichotomy between oil and natural gas pricing. For companies focused on oil production, the expected start-up of TMX expansion in the second quarter is providing support for Canadian oil prices, which remained strong throughout the first quarter. For companies focused on natural gas production, prices remain weak, with the expected start-up of LNG Canada in 2025 providing some optimism. While these customers continue to prioritize debt repayment and returns to shareholders, they are starting to increase spending on both maintenance projects (to increase operational reliability) and capital projects (to maintain or expand production capacity). For 2024, we see commodity prices at a level that supports continued modest growth for our business.

The market for skilled labour in Canada remains tight. 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 unaudited condensed consolidated interim financial statements for the three months ended March 31, 2024 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, turnaround, 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 March 31, 2025; the payment of interest owing on the Senior Secured Debentures in kind; our dividend policy; the outlook for oil and natural gas prices and their impact on the demand for our services; the spending plans of our customers in the energy industry; that we expect continued modest growth for our business in 2024; the market for skilled labour in Canada; 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 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, other income 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.

(In thousands of Canadian dollars)

Three months ended March 31,	**2024**	**2023**
Loss from continuing operations	(4,786)	(3,325)
Add:		
Amortization of intangible assets	68	132
Depreciation expense	2,617	2,596
Long-term incentive plan expense	600	995
Interest expense	4,582	4,356
EBITDAS	3,081	4,754
Add (deduct):		
Gain on sale of property, plant and equipment	(169)	(122)
Restructuring expenses	395	607
Other income	(315)	—
One-time incurred expenses	196	205
Adjusted EBITDAS	3,188	5,444