FLINT Announces Second Quarter 2024 Financial Results

Growth continues in second quarter with revenues 12.8% higher than first quarter

Calgary, Alberta (August 1, 2024) – FLINT Corp. ("FLINT" or the "Company") (TSX: FLNT) today announced its results for the three and six months ended June 30, 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.

"Activity levels continued to pick up in the second quarter with revenue 12.8% higher than the first quarter. Adjusted EBITDAS in the second quarter increased by 5.2% from the same period last year. We anticipate continued growth in the second half of the year as we prepare for an active fall turnaround season. Our ongoing safety performance, combined with the delivery of contracts on time and budget will continue to contribute to our ongoing growth," said Barry Card, Chief Executive Officer.

"We continue to execute our organic growth strategy that targets both industrial end market and geographic diversification. During the second quarter, we fully mobilized to all of our new worksites across Canada with key customers. We continue to realize the benefits from additional investments that we made in our business development team earlier in the year with the booking of new contract awards and renewals during the first half of the year that are estimated to generate approximately $267 million in backlog," added Mr. Card.

SECOND QUARTER HIGHLIGHTS

- Revenue for the three months ended June 30, 2024 was $164.9 million, representing a decrease of $3.6 million or 2.2% from the same period in 2023 and an increase of $18.7 million or 12.8% from the first quarter of 2024.
- Gross profit for the three months ended June 30, 2024 was $18.0 million, representing an increase of $0.7 million or 4.2% from the same period in 2023 and an increase of $5.0 million or 38.2% from the first quarter of 2024.
- Gross profit margin for the three months ended June 30, 2024 was 10.9%, as compared to 10.2% in the same period in 2023 and 8.9% in the first quarter of 2024.
- Adjusted EBITDAS for the three months ended June 30, 2024 was $8.3 million, representing an increase of $0.4 million or 5.2% from the same period in 2023 and an increase of $5.1 million or 160.5% from the first quarter of 2024.
- Adjusted EBITDAS margin was 5.0% for the three months ended June 30, 2024 representing an increase of 0.3% from the same period in 2023 and an increase of 2.9% from the first quarter of 2024.
- Selling, general and administrative ("SG&A") expenses for the three months ended June 30, 2024 were $10.2 million, representing an increase of $0.6 million or 6.4% from the same period in 2023 and an increase of $0.1 million or 1.2% from the first quarter of 2024. As a percentage of revenue, SG&A expenses for the three months ended June 30, 2024 was 6.2%, as compared to 5.7% in the same period in 2023 and 6.9% in the first quarter of 2024.
- Liquidity, including cash and available credit facilities, was $41.7 million at June 30, 2024, as compared to $41.1 million at June 30, 2023.
- New contract awards and renewals totaled approximately $65.5 million for the three months ended June 30, 2024 and $6.3 million for the first three weeks of July. Approximately 95% of the work is expected to be completed in 2024.

SECOND QUARTER FINANCIAL RESULTS

($ thousands, except per share amounts)	Three months ended June 30,			Six months ended June 30,		
	2024	2023	% Change	2024	2023	% Change
Revenue ($)	164,922	168,567	(2.2)	311,185	319,046	(2.5)
Gross Profit ($)	17,978	17,260	4.2	30,988	30,628	1.2
Gross Profit Margin (%)	10.9	10.2	0.7	10.0	9.6	0.4
Adjusted EBITDAS (1)	8,305	7,894	5.2	11,493	13,338	(13.8)
Adjusted EBITDAS Margin (%)	5.0	4.7	0.3	3.7	4.2	(0.5)
SG&A ($)	10,181	9,572	6.4	20,237	17,740	14.1
SG&A Margin (%)	6.2	5.7	0.5	6.5	5.6	0.9
Net loss from continuing operations ($)	(588)	(12,103)	(95.1)	(5,374)	(15,428)	(65.2)
Net loss ($)	(606)	(12,107)	(95.0)	(5,618)	(15,432)	(63.6)
Basic and Diluted:						
Net loss per share from continuing operations ($)	0.00	(0.11)	(104.2)	(0.05)	(0.14)	(64.3)
Net loss per share ($)	0.00	(0.11)	(104.1)	(0.05)	(0.14)	(64.3)

(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 and six months ended June 30, 2024 was $164,922 and $311,185 compared to $168,567 and $319,046 for the same periods in 2023, representing a decrease of 2.2% and 2.5%. 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 those services continue to grow.

Gross profit for the three and six months ended June 30, 2024 was $17,978 and $30,988 compared to $17,260 and $30,628 for the same periods in 2023, representing an increase of 4.2% and 1.2%. Gross profit margin for three and six months ended June 30, 2024 was 10.9% and 10.0%, compared 10.2% and 9.6% to for the same periods in 2023. The increase in gross profit and gross profit margin was primarily due to the mix of work compared to the same period of 2023.

SG&A expenses for the three and six months ended June 30, 2024 were $10,181 and $20,237, in comparison to $9,572 and $17,740 for the same periods in 2023, representing an increase of 6.4% and 14.1%. As a percentage of revenue, SG&A expenses for the three and six months ended June 30, 2024 were 6.2% and 6.5% compared to 5.7% and 5.6% for the same periods in 2023. The increase in SG&A expenses, both on an absolute basis and as a percentage of revenue is primarily due to higher personnel costs to support the Company's organic growth strategy and increased professional fees to assist in the ongoing continuous improvements in the business post the implementation of the Company's enterprise resource planning system.

For the three and six months ended June 30, 2024, Adjusted EBITDAS was $8,305 and $11,493 compared to $7,894 and $13,338 for the same periods in 2023. As a percentage of revenue, Adjusted EBITDAS was 5.0% and 3.7% for the three and six months ended June 30, 2024 compared to 4.7% and 4.2% for the same periods in 2023.

Loss from continuing operations for the three and six months ended June 30, 2024 was $588 and $5,374 in comparison to a loss of $12,103 and $15,428 for the same periods in 2023. The loss variance was driven by the impairment of intangible assets, goodwill and property, plant and equipment ("PP&E") recognized in the second quarter of 2023.

CORPORATE UPDATES

On July 2, 2024, Kent Chicilo was appointed Senior Vice President, Legal. Mr. Chicilo has over 22 years of legal experience and has held senior in-house legal and functional management roles at publicly traded companies. Prior to joining FLINT, Mr. Chicilo was an officer of Tidewater Midstream and Infrastructure Ltd. holding the positions of Executive Vice President, Shared Services, Chief Legal Officer and Corporate Secretary. Mr. Chicilo holds Bachelor of Laws and Bachelor of Commerce degrees from the University of Saskatchewan.

Mr. Chicilo succeeded Murray Desrosiers, Senior Vice President, Legal and Corporate Development, who retired on July 19, 2024. Mr. Desrosiers joined FLINT in July 2019 and was 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 annual and special meeting of holders of common shares of the Corporation was held on June 25, 2024. At the meeting, shareholders approved the election of Sean McMaster, Barry Card, H. Fraser Clarke, Katrisha Gibson, Karl Johannson and Dean MacDonald as directors and the appointment of Ernst & Young LLP as auditors and ratified an amendment of the by-laws to reduce the quorum requirement for shareholder meetings to two persons present in person or by proxy at the meeting and holding shares representing 15% (rather than 25%) of the votes entitled to be cast at the meeting.

The Company would like to acknowledge the significant contributions of Mr. Jordan Bitove who did not stand 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

On May 31, 2024, FLINT extended the maturity dates of (a) the ABL Facility to April 14, 2027 (previously April 14, 2025), (b) the Term Loan Facility to the earlier of (i) the date that is 180 days following the maturity of the ABL Facility and (ii) October 14, 2027 (previously October 14, 2025), and (c) the Senior Secured Debentures to October 14, 2027 (previously March 23, 2026).

FLINT has an asset-based revolving credit facility (the “ABL Facility”) providing for maximum borrowings of 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, 2027.

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 June 30, 2025, the Company has the ability 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 June 30, 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 June 30, 2024, the accrued and unpaid dividends on the Series 1 and Series 2 shares totaled $101.8 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.

On June 30, 2024, 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 accept the issuance of Senior Secured Debentures on June 30, 2024 with a principal amount of $5,205 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. We are seeing the results of this strategy with renewed and expanded scopes with existing customers and the addition of new customers. We anticipate continued growth in the second half of 2024 as we prepare for an active fall turnaround season.

For our customers in the energy industry, the dichotomy between oil and natural gas pricing continues. The start-up of Trans Mountain Pipeline expansion in the second quarter has provided support for Canadian oil prices, which remained strong throughout the first half of the year. While natural gas prices remain weak, the expected start-up of LNG Canada in 2025 is providing some optimism as it will open up new markets for Canadian natural gas. 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 the second half of 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 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 help our customers bring their resources to our world.

ADDITIONAL INFORMATION

Our unaudited condensed interim financial statements for the three and six months ended June 30, 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, 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. Specifically, 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 June 30, 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; our ability to generate efficiencies and cost reductions for our customers; and our Outlook including our anticipated continued growth in the second half of 2024; the expected start-up of LNG Canada in 2025 providing some optimism as it will open up new markets for Canadian natural gas; our customers starting to increase spending on both maintenance projects (to increase operational reliability) and capital projects (to maintain or expand production capacity); and our view that in 2024 commodity prices will be at a level that supports continued modest growth for our business.

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 June 30, 2024	2023	Six months ended June 30, 2024	2023
Loss from continuing operations	(588)	(12,103)	(5,374)	(15,428)
Add:				
Amortization of intangible assets	67	130	135	262
Depreciation expense	2,715	2,580	5,332	5,176
Long-term incentive plan expense	775	1,050	1,375	2,045
Interest expense	4,733	4,654	9,315	9,010
EBITDAS	7,702	(3,689)	10,783	1,065
Add (deduct):				
Gain on sale of property, plant and equipment	(274)	(68)	(443)	(190)
Impairment of goodwill and intangible assets	—	7,289	—	7,289
Impairment of property, plant and equipment	—	4,173	—	4,173
Restructuring expenses	581	171	976	778
Other income	(106)	(110)	(421)	(110)
One-time incurred expenses	402	128	598	333
Adjusted EBITDAS	8,305	7,894	11,493	13,338