NEWS RELEASE

Badger Daylighting Ltd. Announces 2020 Third Quarter Results

11/4/2020

CALGARY, Alberta, Nov. 04, 2020 (GLOBE NEWSWIRE) -- Badger Daylighting Ltd. (“Badger”, the “Company”, “we”, “our” or “us”) (TSX:BAD) reported third quarter results today. All results are in Canadian dollars unless otherwise stated.

2020 Third Quarter Financial and Operational Highlights

- Gross profit margin improved by 300 bps (180 bps excluding government assistance) and Adjusted EBITDA margin improved by 270 bps (140 bps excluding government assistance) as compared to the same period in 2019.
- Revenue was $156.9 million or approximately 85% of the revenue realized in the same period in 2019. Revenue continues to be negatively impacted by ongoing economic uncertainty caused by the COVID-19 pandemic and slower economic activity. Early fourth quarter revenue is tracking at approximately 80% to 90% of the revenue level realized in the same period in 2019, consistent with the year-over-year revenue trends we experienced in the third quarter of 2020.
- Direct operating and G&A costs in the quarter benefitted from cost reduction initiatives completed in the second quarter. We continue to anticipate exiting 2020 with an annualized G&A cost run-rate of approximately $40 million.
- Improved operational efficiency contributed to Adjusted EBITDA of $47.1 million in the quarter, or approximately 94% of Adjusted EBITDA recorded for the same period in 2019.
- RPT was $28,347, compared to $36,088 in the same period in 2019, and improved from $23,458 realized in the second quarter.

“We are pleased with the operational and financial performance of the Badger team in the third quarter. Despite the continued economic uncertainty, Badger’s strong business model and the efforts of all Badger employees yielded solid results. We continue to safely service our customers, target growth, manage costs, and maintain a strong financial position,” said Paul Vanderberg, President and Chief Executive Officer.

“We are particularly pleased with the continued improvement in our gross profit and Adjusted EBITDA margins resulting from the direct cost and G&A cost reductions undertaken in the second quarter. Our improved visibility into operations has allowed us to quickly respond to the rapidly changing business environment in 2020 brought on by COVID-19. This visibility has supported Badger’s ability to respond to lower volumes in the current business environment,” added Mr. Vanderberg.

“Similar to late Q2 and throughout Q3, we are seeing a range of customer activity levels and related revenue trends for October and early November. Based on these customer activity and revenue trends, we estimate 2020 full year revenue between approximately 80% to 90% of the prior year’s level. We are staying close to our customers, managing costs, and are focused on fleet utilization as we enter 2021; while delivering safe and timely service to our customers who own and operate North America’s critical infrastructure,” concluded Mr. Vanderberg.

Financial Highlights

($ thousands, except revenue per truck per month (“RPT”), per share and share information)	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Revenue:				
Hydrovac service revenue	149,663	176,515	408,216	472,084
Other revenue	7,190	7,228	19,799	19,483
Total revenue	156,853	183,743	428,015	491,567
RPT - Consolidated (mixed currency)(1)	28,347	36,088	n/a	n/a
RPT - U.S. (U.S. dollars)(1)	30,840	39,110	n/a	n/a
RPT - Canada (Canadian dollars)(1)	21,995	28,423	n/a	n/a
Adjusted EBITDA(1)	47,125	50,109	100,823	122,607
Adjusted EBITDA per share, basic and diluted(1)(2)	1.35	1.41	2.89	3.37
Adjusted EBITDA margin(1)	30.0 %	27.3 %	23.6 %	24.9 %
Profit before income tax	21,910	34,735	31,011	58,384
Net profit	16,153	25,839	22,922	43,819
Net profit per share, basic and diluted(2)	0.46	0.73	0.66	1.20
Cash flow from operating activities before working capital and other adjustments	46,977	50,177	99,992	122,093
Cash flow from operating activities before working capital and other adjustments per share, basic and diluted(2)	1.35	1.41	2.87	3.35
Dividends paid	5,229	5,067	15,430	15,064
Weighted average common shares outstanding(2)(3)	34,853,838	35,472,696	34,873,262	36,421,889

(1) See “Non-IFRS Financial Measures” and “Key Financial Metrics and Other Operational Metrics” for additional detail on the definition and calculation of Adjusted EBITDA, Adjusted EBITDA margin, and RPT.
(2) Per share, basic and diluted measures calculated by dividing the respective financial measure with the weighted average common shares outstanding for the respective period.

(3) See “Share Capital” in the Company’s third quarter 2020 management’s discussion and analysis (“MD&A”) for additional details.

Comparable IFRS Financial Information(1)

($ thousands, except per share information)	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Cash flow from operating activities	31,705	21,421	107,217	70,961
Cash flow from operating activities per share, basic and diluted(2)	$0.91	$0.60	$3.07	$1.95

(1) Cash flow from operating activities is provided as a comparable measure to cash flow from operating activities before working capital adjustments.

(2) Per share, basic and diluted measures calculated by dividing the respective financial measure with the weighted average common shares outstanding for the respective period.

2020 Third Quarter Financial and Operational Overview

Revenue of $156.9 million was 85% of the level realized in the prior year’s comparative quarter. U.S. operations generated US$94.6 million of revenue or 85% of the level realized in the prior year’s comparative quarter, with the Canadian operations generating $30.9 million of revenue or 83% of the prior year’s levels.

Revenues in both the U.S. and Canadian operations were impacted by the ongoing COVID-19 pandemic, which resulted in a broad based slowdown of the North American economy. Revenue and underlying customer activity levels varied by region, largely due to the variability in the impact of COVID-19 on economic and construction activity levels. Revenue in Western Canada and in oil and gas producing regions within the U.S. was impacted by ongoing reduction in oil and gas activity.

Despite the economic slowdown resulting from the impact of COVID-19, Badger continues to see long-term growth opportunities in both existing and new customer markets, particularly in the U.S.

The average hydrovac customer rates achieved across the U.S. and Canadian markets were generally consistent with the rates achieved in the prior year’s comparative quarter. Badger continues to focus on strategic pricing initiatives and leveraging the new ERP system to review and adjust pricing in a timely manner.

RPT, in both the U.S. and Canadian operations, improved in the third quarter relative to the levels experienced in the second quarter of 2020. The quarter-over-quarter improvement is attributed to improving revenue levels in the

third quarter relative to the second quarter. The year-over-year reduction in RPT is attributed to reduced customer activity levels due to the impact of COVID-19, the slowdown in oil and gas activity and the increase in the number of hydrovacs in the Badger fleet.

Summary of Revenue per truck per month and hydrovacs

	Three months ended September 30,		Three months ended June 30,	
	2020	2019	2020	2019
Hydrovacs (1)	1,400	1,323	1,401	1,290
Consolidated (mixed currency)(2)	28,347	36,088	23,458	32,265
U.S. operations (U.S. dollars)(2)	30,840	39,110	25,621	34,910
Canadian operations (Canadian dollars)(2)	21,995	28,423	17,782	25,667

(1) See “Fleet Summaries” in the Company’s third quarter 2020 MD&A for additional details. Total hydrovacs as at the period end reporting date.
(2) See “Key Financial Metrics and Other Operational Metrics” in the Company’s third quarter 2020 MD&A for additional detail on the definition and calculation of RPT.

During the third quarter of 2020, 11 new hydrovacs were placed into service with 12 hydrovacs retired. As disclosed in Badger’s second quarter 2020 earnings release, Badger curtailed the production of new hydrovacs. Badger continues to focus its efforts on optimizing its current fleet’s utilization by relocating hydrovacs across its extensive branch network, when practicable.

Gross profit was $56.2 million, with a corresponding gross profit margin of 35.8%, compared to $60.2 million and 32.8% in the prior year’s comparative quarter. The gross profit margin in the U.S. operations improved to 33.7% compared to 32.8% for the prior year’s comparative quarter. The gross profit in the Canadian operations improved to 44.2% compared to 32.8% for the prior year’s comparative quarter.

Gross profit margins in the U.S. and Canadian operations were positively impacted by cost reduction initiatives completed in the second quarter of 2020, improved labour efficiency and a reduction in non-labour related costs, such as training and travel. Canadian gross profit margins benefitted from $1.9 million in government assistance related to the Canada Emergency Wage Subsidy (“CEWS”) program ($4.6 million benefit received in the second quarter of 2020).

General and administrative (“G&A”) expense was $9.0 million or 5.8% of revenue compared to $10.1 million and 5.5% in the prior year’s comparative quarter. G&A expense was positively impacted by the implementation of cost reduction initiatives in the second quarter of 2020, the absence of certain ERP-related expenditures incurred in the

prior year's comparative quarter and government assistance related to the CEWS program. Canadian G&A expense benefitted from $0.1 million in CEWS program benefits recognized in the quarter. The Company estimates that the annualized G&A expense for 2020 and 2021 will be approximately $40 million.

Adjusted EBITDA was $47.1 million, with a corresponding Adjusted EBITDA margin of 30.0%, compared to $50.1 million and 27.3% in the prior year's comparative quarter. Adjusted EBITDA margin was positively impacted by the cost reduction initiatives completed in the second quarter of 2020 resulting in improved labour efficiencies. In addition, Adjusted EBITDA margin was impacted by $2.0 million in CEWS benefits recognized in the quarter.

Net profit was $16.2 million or $0.46 per share compared to $25.8 million or $0.73 per share in the prior year's comparative quarter. Net profit was impacted by higher shared-based plan expense and higher depreciation and amortization expense in the quarter; offset, in part, by reduced income taxes. Net profit per share, on a year-over-year basis, benefitted from an approximate 3% reduction in the weighted average common shares outstanding resulting from common shares repurchased under the Company's previous normal course issuer bid ("NCIB") program. Badger's NCIB program expired in May 2020.

Long-term Business Outlook

Badger remains focused on generating profitable, long-term, sustainable growth to support shareholder value creation. The Company continues to see meaningful long-term growth potential for non-destructive excavation services in the North American market despite the current economic impact from COVID-19.

Badger's long-term strategic and financial milestones consist of:

1. doubling the U.S. operation's revenue from fiscal 2020 over the next 3 to 5 years;
2. targeting annualized Adjusted EBITDA growth of 15% on average from fiscal 2020 over the next 3 to 5 years;
3. targeting annualized Adjusted EBITDA margins of 28% to 29%; and
4. targeting revenue per truck per month over $30,000.

2020 Third Quarter Results and Conference Call

A conference call and webcast for investors, analysts, brokers and media representatives to discuss the 2020 third quarter results is scheduled for 7:00 a.m. MT on Thursday, November 5, 2020. Internet users can listen to the call live, or as an archived call from Badger's website at **www.badgerinc.com** under Investor Relations: Events, Webcasts & Presentations. To participate in the call, dial: 1-844-740-2014 and enter passcode 3654574. A playback of the call will be available until Thursday, November 19, 2020. To access the playback, dial: 1-855-859-2056 and enter passcode 3654574.

2020 Third Quarter Disclosure Documents

Badger's third quarter 2020 Management's Discussion and Analysis and unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2020, along with all previous public filings of Badger Daylighting Ltd. may be found on SEDAR at **www.sedar.com**.

Non-IFRS Financial Measures

This press release contains references to certain financial measures, including some that do not have any standardized meaning prescribed by IFRS and that may not be comparable to similar measures presented by other companies or entities. These financial measures are identified and defined below. See "Non-IFRS Financial Measures" in the Company's third quarter 2020 MD&A for detailed reconciliations of Non-IFRS financial measures.

"Adjusted EBITDA" is earnings before interest, taxes, depreciation and amortization, share-based compensation, gains and losses on sale of property, plant and equipment, and gains and losses on foreign exchange. Adjusted EBITDA is a measure of the Company's operating profitability and is therefore useful to management and investors as it provides improved continuity with respect to the comparison of operating results over time. Adjusted EBITDA provides an indication of the results generated by the Company's principal business activities prior to how these activities are financed, the results are taxed in various jurisdictions, and assets are amortized. In addition, Adjusted EBITDA excludes gains and losses on sale of property, plant and equipment as these gains and losses are considered incidental and secondary to the principal business activities, it excludes gains and losses on foreign exchange as such gains and losses can vary significantly based on factors beyond the Company's control and it excludes share-based compensation as these expenses can vary significantly with changes in the price of the Company's common shares.

"Adjusted EBITDA margin" is Adjusted EBITDA as defined above, expressed as a percentage of revenues.

Key Financial Metrics and Other Operational Metrics

"Revenue per truck per month" ("RPT") is a measure of hydrovac fleet utilization. It is calculated using hydrovac and hydrovac related revenue only. RPT is calculated on both a consolidated basis and for each geographic segment by dividing hydrovac and hydrovac related revenue for each segment, in the respective local currency, by the average number of hydrovacs in the segment during the period.

See "Key Financial Metrics and Other Operational Metrics" in the Company's third quarter 2020 MD&A for additional details on RPT.

Cautionary Statements Regarding Forward-Looking Information and Statements

Certain statements and information contained in this press release and other continuous disclosure documents of the Company referenced herein, including statements and information that contain words such as "could", "should", "can", "anticipate", "expect", "believe", "will", "may" and similar expressions relating to matters that are not historical

facts, constitute “forward-looking information” within the meaning of applicable Canadian securities legislation. These statements and information involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements and information. The Company believes the expectations reflected in such forward-looking statements and information are reasonable, but no assurance can be given that these expectations will prove to be correct. Such forward-looking statements and information included in this press release should not be unduly relied upon. These forward-looking statements and information speak only as of the date of this press release.

In particular, forward-looking information and statements in this press release include, but are not limited to the following:

- The anticipated benefit of the continual review of all aspects of Badger’s operations, including the execution of cost reduction initiatives, as it relates to Badger’s financial results and financial position, including the impact on revenues, pricing, operating costs, margins and the optimization of its fleet;
- Anticipated revenue, RPT and customer activity levels for the full year and fourth quarter of 2020;
- The expectation that restructuring activities and cost reduction initiatives executed in the second quarter of 2020 will continue to benefit financial results;
- The expectations for 2020 and 2021 G&A expense, including the ability to reduce G&A expense through restructuring activities and cost reduction initiatives;
- Badger’s intention to curtail the manufacture of hydrovac units and other capital expenditures throughout the remainder of 2020;
- Badger’s expectation to continue to optimize asset utilization;
- The monitoring of potential impacts of COVID-19 on all aspects of Badger’s business, including the impact on the demand for Badger’s services;
- The timing, and the impact on the business, if any, of achieving Badger’s long-term strategic financial and operational milestones;
- The expectation that Badger’s business model, operating scale and financial position will enable it to manage effectively through the current uncertain economic environment as a result of COVID-19, and that the long-term growth potential of non-destructive excavation will not be adversely impacted by the same;
- Badger’s ability to continue to grow its business, including revenue, as a result of capitalizing on the long-term growth opportunity in the North American hydrovac business; and
- The benefits, if any, that Badger’s operational scale creates related to financial and operating performance.

The forward-looking information and statements made in this press release rely on certain expected economic conditions and overall demand for Badger’s services and are based on certain assumptions. The assumptions used to generate this forward-looking information and statements are, among other things, that:

- Badger will maintain its financial position and financial resources will continue to be available to Badger;
- The actions taken by Badger to protect the health and safety of its employees, customers and communities, and to mitigate the operational and financial effects of the COVID-19, will have the intended effects;
- The overall market for Badger's services will not be adversely affected in the long-term by COVID-19, economic disruption, or other factors beyond Badger's control such as weather, natural disasters, global events, legislation changes and technological advances;
- There will be long-term sustained customer demand for hydrovac services from a broad range of end use markets in North America;
- Badger will maintain relationships with current customers and develop successful relationships with new customers;
- Badger will collect customer payments in a timely manner;
- Badger will be able to compete effectively for the demand for its services;
- There will not be significant changes in profit margins due to pricing changes driven by market conditions, competition, regulatory factors or other unforeseen factors; and
- Badger will realize and continue to realize the efficiencies and benefits of the executed business restructuring activities, the formation of the shared services center and other business improvement initiatives.

Risk factors and other uncertainties that could cause actual results to differ materially from those anticipated in such forward-looking statements include, but are not limited to: the magnitude and length of the global, national and regional economic and social disruption being caused as a result of the global COVID-19 pandemic; national, regional and local governmental laws, regulations and orders relating to the COVID-19 pandemic that may materially adversely impact the Company's ability to continue operations; political and economic conditions; industry competition; price fluctuations in commodity markets and related products and services; Badger's ability to attract and retain key personnel; the availability of future debt and equity financing; changes in laws or regulations, including taxation and environmental regulations; extreme or unsettled weather patterns; and fluctuations in foreign exchange or interest rates.

Readers are cautioned that the foregoing factors are not exhaustive. Additional information on these and other factors that could affect the Company's operations and financial results is included in reports on file with securities regulatory authorities in Canada and may be accessed through the SEDAR website (**www.sedar.com**) or at the Company's website. The forward-looking statements and information contained in this press release are expressly qualified by this cautionary statement. The Company does not undertake any obligation to publicly update or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

About Badger Daylighting Ltd.

Badger Daylighting Ltd. (TSX:BAD) is North America's largest provider of non-destructive excavating services.

Badger traditionally works for contractors and facility owners in a broad range of infrastructure industries. The Company's key technology is the Badger hydrovac, which is used primarily for safe digging in congested grounds and challenging conditions. The Badger hydrovac uses a pressurized water stream to liquefy the soil cover, which is then removed with a powerful vacuum system and deposited into a storage tank. Badger manufactures its truck-mounted hydrovac units.

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