



ZCL Composites Reports First Quarter 2015 Financial Results

Edmonton, Alberta, May 7, 2015 – ZCL Composites Inc. (TSX: ZCL) today announced financial results for the first quarter ended March 31, 2015.

Q1 2015 compared with Q1 2014

- Revenue of \$32.2 million, up \$0.6 million or 2% from \$31.6 million;
- Net income of \$0.5 million or \$0.02 per fully diluted share, down \$0.9 million or 63% from \$1.4 million or \$0.05 per fully diluted share;
- Adjusted EBITDA of \$1.8 million (6% of revenue), down \$1.4 million or 43% from \$3.2 million (10% of revenue);
- Backlog of \$48.3 million, up \$2.3 million or 5% from \$46.0 million; and
- Maintain quarterly dividend of \$0.045 per share, up \$0.01 or 29% from \$0.035.

“Overall financial results in the first quarter of 2015 were weak compared with a year earlier, notwithstanding a slight increase in revenue,” said Ron Bachmeier, President and Chief Executive Officer. “The major contributors to lower first quarter margins and EBITDA were three negative margin Industrial Corrosion projects. These projects were substantially completed in the quarter and we do not expect any losses on these projects going forward. Had these losses been eliminated from the first quarter 2015 results, gross margin would have been higher than a year earlier. We have taken corrective action to ensure this does not occur again.”

“Looking ahead, we are reasonably confident that we will be able to continue to grow revenue in 2015 compared with a year earlier, primarily driven by our US Underground operations. The first quarter saw lower revenues from our Underground operations due a slow start to the construction season and exceptionally poor weather in Eastern Canada and certain regions in the US. However, we expect that record high 2014 profits for gasoline retailers combined with aggressive growth plans by some of our larger Petroleum customers will fuel the revenue growth in our Petroleum Products group, and lead the way to overall revenue growth for ZCL in 2015.”

Financial Results

Revenue for the first quarter ended March 31, 2015 was \$32.2 million, compared to \$31.6 million earned for the first quarter of 2014. The Aboveground segment was up relative to the prior year, partially offset by declines in the Petroleum and Water Products groups.

Gross profit for the first quarter ended March 31, 2015 was \$3.0 million, down \$2.2 million or 42% from \$5.2 million a year earlier. Gross margin of 9% was down seven percentage points from 16% of revenue for the first quarter of 2014, with the decrease primarily attributable to three negative margin Aboveground projects which were substantially completed in the first quarter of 2015.

Net income for the first quarter ended March 31, 2015 was \$0.5 million, down \$0.8 million or 63% from \$1.4 million a year earlier. Earnings per share for the first quarter of 2015 was \$0.02, down \$0.03 or 61% from \$0.05 per share a year earlier. Net income included a foreign exchange gain of \$1.1 million that arose on the translation of US dollar assets and liabilities held in the Canadian legal entities.

Backlog

As of March 31, 2015, backlog was \$48.3 million, up \$2.3 million or 5% from \$46.0 million a year earlier and up \$17.3 million or 56% from \$31.0 million at December 31, 2014. The increase relative to the first quarter of 2014 resulted from improvement in the Underground segment partially offset by a decrease in the Aboveground segment backlog. In the Underground segment, backlog was \$8.2 million or 25% higher compared to the same quarter last year, and increases were generated in both Petroleum Products and Water Products. In the Underground segment, compared to the same quarter last year, the US operations saw an increase in backlog of \$8.3 million or 32%. Canadian Underground operations backlog was down 7% over the same quarter of 2014. Within Underground, Water Products backlog was up \$1.7 million or 46% compared to a year earlier. At March 31, 2015, the Aboveground segment backlog was down \$5.9 million compared to the same quarter a year earlier. The decrease was derived from both US and Canadian Aboveground Products markets.

Financial Position

At March 31, 2015, ZCL's balance sheet had working capital (current assets less current liabilities) of \$63.8 million, up \$1.2 million from \$62.6 million at December 31, 2014. Net cash decreased to \$20.2 million, down \$5.5 million from \$25.8 million at December 31, 2014. The decrease in net cash during the first quarter of 2015 is primarily a result of a planned increase in finished goods inventory in our US downstream Petroleum operations, in which Petroleum tanks have been built in anticipation of increased demand relative to 2014.

Dividends

The Board has maintained the dividend level, declaring a quarterly dividend of \$0.045 per share. This represents a 29% increase over the \$0.035 dividend declared at the same time last year. The dividend will be paid on July 15, 2015, to the shareholders of record as of June 30, 2015.

Outlook

Regarding our forecast for 2015 revenue growth, our optimism is led by our Downstream Petroleum Products group, particularly in the US market. The major growth drivers in this market are record high 2014 profits for gasoline retailers providing capital for investment, aggressive growth plans by the larger players in the retail fuel market, increasing tank replacements due to the continued aging of the installed tank base, and increasing concerns about accelerating internal corrosion of steel tanks. Although we will see lower revenues in 2015 from our Upstream Petroleum markets as our customers cut back their capital programs given the current low commodity energy price environment, the growth from our Downstream group should more than offset the Upstream shortfall.

Our Water Products group is also poised to grow in 2015 given accelerating economic growth and increasing construction activity, particularly in the US markets.

We have less visibility to short term growth in our Corrosion Products group, but we remain confident about long term prospects for this sector due to the re-shoring of global chemical manufacturing capacity to North America due to historically inexpensive and plentiful energy resources, all in a geopolitically safe area of the world. Sales to our customers in the Oil Sands are being negatively impacted by lower energy prices as planned capacity expansion projects are delayed or cancelled.

Summary Financial Results

For the three months ended	2015	2014				2013		
(in thousands of dollars, except per share amounts)	Mar 31 \$	Dec 31 \$	Sep 30 \$	Jun 30 \$	Mar 31 \$	Dec 31 \$	Sep 30 \$	Jun 30 \$
Revenue	32,195	48,195	49,361	41,687	31,592	37,715	43,931	47,250
Net income	509	4,895	5,557	4,492	1,372	1,769	4,993	5,087
Adjusted EBITDA (note 1)	1,800	7,702	8,834	7,382	3,159	3,975	8,512	8,316
Basic earnings per share	0.02	0.16	0.19	0.15	0.05	0.06	0.17	0.17
Diluted earnings per share	0.02	0.16	0.18	0.15	0.05	0.06	0.17	0.17
Adjusted EBITDA per diluted share (note 1)	0.06	0.25	0.29	0.24	0.10	0.13	0.28	0.28
Dividends declared per share	0.045	0.04	0.04	0.035	0.035	0.03	0.03	0.025

Note 1: Adjusted EBITDA and adjusted EBITDA per diluted share are non-IFRS measures and are defined later in this press release.

MD&A and Financial Statements

The Company's management's discussion and analysis ("MD&A") and unaudited interim condensed consolidated financial statements for the first quarter ended March 31, 2015 and 2014, are available on Sedar at www.sedar.com and the ZCL website at this link: <http://www.zcl.com/investor-relations/financials.html>.

Conference Call

ZCL Composites Inc. has scheduled an investor conference call for 9:00 a.m. Mountain Time (11:00 a.m. Eastern Time) on Friday May 8, 2015, to discuss its financial and operating results for the first quarter ended March 31, 2015.

The conference call will include prepared remarks by ZCL's President and Chief Executive Officer, Ron Bachmeier and by ZCL's Chief Financial Officer, Kathy Demuth. After the prepared remarks, ZCL will accept questions from analysts and institutional investors. The public is invited to listen to the conference call in real time or by replay.

To access the conference call by telephone, please call (647) 427-7450 from the greater Toronto area, or dial toll free 888-231-8191 from elsewhere in North America. An audio webcast may be accessed through the *Investor Events* tab on the ZCL website at <http://www.zcl.com/investor-relations/investor-events.html>. Audio replays will be available on the ZCL website shortly after the conclusion of the conference call.

Annual General & Special Meeting

ZCL will be hosting its Annual General & Special Meeting on Friday May 8, 2015, to be held at the Sandman Signature Edmonton South Hotel. All shareholders and institutional investors are invited to attend this meeting.

Note on Non-IFRS Measures:

ZCL uses both IFRS and non-IFRS measures to make strategic decisions and to set targets. Backlog, adjusted EBITDA, and net cash are non-IFRS measures that are used by ZCL and may not be comparable to similar measures used by other companies.

Backlog

Backlog is defined as the total value of orders that management has assessed as having a high certainty of being performed because of the existence of a contract or purchase order specifying the scope, value and timing of an order.

Adjusted EBITDA

Adjusted EBITDA is defined as income from operations before finance expense, income taxes, share-based compensation, depreciation of property, plant and equipment, amortization of deferred development costs and intangible assets, gains or losses on sale of assets, and impairment of assets.

Net cash

Net cash is defined as cash and cash equivalents less long term debt, current portion of long term debt, finance lease, current portion of finance lease, and bank indebtedness.

Advisory Regarding Forward-Looking Statements

This document contains forward-looking statements under the heading “Outlook” and elsewhere concerning future events or the Company’s future performance, including the Company’s objectives or expectations for revenue and earnings growth, income taxes as a percentage of pre-tax income, business opportunities in the Petroleum Products, Water Products, Corrosion Products markets, efforts to reduce administrative and production costs, manage production levels, anticipated capital expenditure trends, activity in the petroleum and other industries and markets served by the Company and the sufficiency of cash flows and credit facilities available to cover normal operating and capital expenditures. Forward-looking statements are often, but not always, identified by the use of words such as “seek,” “anticipate,” “plan,” “continue,” “estimate,” “expect,” “may,” “will,” “project,” “predict,” “potential,” “targeting,” “intend,” “could,” “might,” “should,” “believe” and similar expressions. Actual events or results may differ materially from those reflected in the Company’s forward-looking statements due to a number of known and unknown risks, uncertainties and other factors affecting the Company’s business and the industries the Company serves generally.

These factors include, but are not limited to, fluctuations in the level of capital expenditures in the Petroleum Products, Water Products, and Corrosion Products markets, drilling activity and oil and natural gas prices, and other factors that affect demand for the Company’s products and services, industry competition, the need to effectively integrate acquired businesses, uncertainties as to the Company’s ability to implement its business strategy effectively, political and economic conditions, the Company’s ability to attract and retain key personnel, raw material and labour costs, fluctuations in the US dollar, euro and Canadian dollar exchange rates, and other risks and uncertainties described under the heading “Risk Factors” in the Company’s most recent Annual Information Form, and elsewhere in this document and other documents filed with Canadian provincial securities authorities. These documents are available to the public at www.sedar.com. Unless otherwise indicated, the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and the reporting currency is in Canadian dollars.

In addition to the factors noted above, management cautions readers that the current economic environment could have a negative impact on the markets in which the Company operates and on the Company’s ability to achieve its financial targets. Factors such as continuing global economic uncertainty, tighter lending standards, volatile capital markets, fluctuating commodity prices, and other factors could negatively impact the demand for the Company’s products and the Company’s ability to grow or sustain revenues and earnings. Fluctuations in conversion rates of the US dollar to Canadian dollar and euro to Canadian dollar also have the potential to impact the Company’s revenues and earnings.

The Company believes that the expectations reflected in the forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this report should not be unduly relied upon.

The forward-looking statements in this report speak only as of the date of this press release. The Company does not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by the Company or on the Company’s behalf, whether as a result of new information, future events, or otherwise, except as may be required under applicable securities laws. The forward-looking

statements contained in this document are expressly qualified by this cautionary statement. For further information, please contact:

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