



ZCL Composites Reports First Quarter 2016 Financial Results

Edmonton, Alberta, May 4, 2016 – ZCL Composites Inc. (TSX: ZCL) today announced financial results for the first quarter ended March 31, 2016.

Q1 2016 compared with Q1 2015

- Revenue of \$36.2 million, up \$4.0 million or 12% from \$32.2 million;
- Gross profit of \$6.4 million (18% of revenue), up \$3.4 million or 113% from \$3.0 million (9% of revenue);
- Net income of \$1.0 million or \$0.03 per fully diluted share, up \$0.5 million or 104% from \$0.5 million or \$0.02 per fully diluted share;
- Adjusted EBITDA of \$2.6 million (7% of revenue), up \$0.8 million or 46% from \$1.8 million (6% of revenue);
- Backlog of \$47.6 million, down \$0.7 million or 1% from \$48.3 million; and
- Declared a quarterly dividend of \$0.08 per share, representing a 78% increase over the \$0.045 declared at the same time last year.

“We have opened 2016 with a strong quarter,” said Ron Bachmeier, President and Chief Executive Officer. “Our Underground operating segment, including both our Petroleum and Water Products groups, continues to grow in revenue and profitability, and all signals remain bullish. At the same time, the Aboveground operating segment continues to underperform, as we are not yet seeing an increase in demand for our Corrosion Products.”

“Over the last five years, ZCL has grown both revenue and earnings at a compounded annual rate of 10%. We are making every effort to sustain this growth rate over the long term; however future events will inevitably cause growth rates to vary in any individual year. We expect strength in our US Underground operations will continue to drive future revenue growth.”

Financial Results

Revenue for the first quarter ended March 31, 2016 was \$36.2 million, compared to \$32.2 million earned for the first quarter of 2015. The growth in revenue was driven by the Underground operating segment which was up \$11.9 million compared to a year earlier, partially offset by a decrease in revenue in the Aboveground operating segment.

Gross profit for the first quarter ended March 31, 2016 was \$6.4 million, up \$3.4 million or 113% from \$3.0 million a year earlier. Gross margin of 18% was up nine percentage points from 9% of revenue for the first quarter of 2015, with the increase attributable to Underground operating segment. Underground gross margin was 24%, up seven percentage points from 17% in the first quarter of 2015.

Net income for the first quarter ended March 31, 2016 was \$1.0 million, up \$0.5 million or 104% from \$0.5 million a year earlier. Earnings per share for the first quarter of 2016 was \$0.03, up from \$0.02 per share a year earlier. Net income included a foreign exchange loss of \$0.9 million (for the three months ended March 31, 2015 - \$1.1 million foreign exchange gain) that primarily arose on the translation of US dollar assets and liabilities held in the Canadian legal entities.

Backlog

As of March 31, 2016, backlog was \$47.6 million, down \$0.7 million from \$48.3 million a year earlier. In the Underground segment, backlog was \$46.4 million or 14% higher compared to the same quarter last year, and increases were generated by the Petroleum Products group. In the Underground segment, compared to the same quarter last year, the US operations saw an increase in backlog of \$5.0 million or 19% prior to a positive foreign exchange impact of \$2.4 million. Canadian Underground operations backlog was down \$2.2 million over the same quarter of 2015 due in part to the strong revenue generated in the first quarter of 2016. Within Underground, Water Products backlog was down \$0.6 million or 12% compared to a year earlier, also due to the strong revenue generated in the first quarter of 2016. We expect Canadian Underground revenue to be consistent with the prior year and we expect revenue growth in the North American Water Products markets.

At March 31, 2016, the Aboveground operating segment backlog was down \$6.3 million compared to the same quarter a year earlier. The decrease was derived from both US and Canadian markets. As a result of the reduced activity due to weak commodity energy prices, the Oil Sands market backlog was down \$4.5 million compared to a year earlier. The industrial chemicals and power generation backlog was \$1.8 million lower than a year earlier.

Financial Position

At March 31, 2016, ZCL's balance sheet had working capital (current assets less current liabilities) of \$58.5 million compared to \$78.8 million at December 31, 2015, and a net cash balance of \$22.2 million compared to \$39.1 million at December 31, 2015. The decrease in net cash and working capital relative to the year end is due primarily to the payment of \$16.7 million in dividends in the first three months of 2016. We are keeping our balance sheet strong to maintain flexibility and preserve our ability to take advantage of future growth opportunities that may occur.

Dividends

The Board has declared a quarterly dividend of \$0.08 per share. This represents a 78% increase over the \$0.045 declared at the same time last year. The dividend will be paid on July 15, 2016, to the shareholders of record as of June 30, 2016.

Outlook

ZCL expects continued growth opportunities in 2016 in the Petroleum and Water Products groups; however, this will be partially offset by expected lower revenue in the Aboveground operating segment due to low energy prices and continued weakness in Corrosion end markets. We are continuing to closely evaluate this business unit, while thoroughly pursuing all avenues available to us to reduce costs and rationalize capacity relative to the low level of demand we are experiencing.

Summary Financial Results

For the three months ended	2016		2015			2014		
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
<i>(in thousands of dollars, except per share amounts)</i>	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	36,178	46,974	59,842	46,664	32,195	48,195	49,361	41,687
Net income	1,038	3,885	5,205	3,400	509	4,895	5,557	4,492
Adjusted EBITDA (note 1)	2,621	6,005	12,627	6,052	1,800	7,702	8,834	7,382
Basic earnings per share	0.03	0.13	0.17	0.11	0.02	0.16	0.19	0.15
Diluted earnings per share	0.03	0.13	0.17	0.11	0.02	0.16	0.18	0.15
Adjusted EBITDA per diluted share (note 1)	0.09	0.20	0.41	0.20	0.06	0.25	0.29	0.24
Dividends declared per share	0.58	0.05	0.045	0.045	0.045	0.04	0.04	0.035

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

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, 2016 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 Thursday May 5, 2016, to discuss its financial and operating results for the first quarter ended March 31, 2016.

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 Meeting

ZCL will be hosting its Annual General Meeting on Thursday May 5, 2016, at 2:00 pm MT, to be held at the Hampton Inn by Hilton, 10020 12 Ave SW, Edmonton, AB. 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, adjusted EBITDA per diluted share, 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 and adjusted EBITDA per diluted share

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. Adjusted EBITDA per diluted share is defined as adjusted EBITDA divided by weighted average diluted shares outstanding.

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.

About ZCL Composites Inc.

Our vision is to be the leading global provider of environmentally friendly liquid storage, fluid handling and corrosion resistant industrial products that are **making a lasting difference**. More information about ZCL is available on our website at www.zcl.com.

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:

Ron Bachmeier
President & CEO
ZCL Composites Inc.
(780) 466-6648
Ron.Bachmeier@zcl.com

Kathy Demuth
Chief Financial Officer
ZCL Composites Inc.
(780) 466-6648
Kathy.Demuth@zcl.com