

ADF GROUP INC. ANNOUNCES THE RESULTS FOR THE THIRD QUARTER AND NINE-MONTH PERIODS ENDED OCTOBER 31, 2018

HIGHLIGHTS

- Third quarter revenues and net income up compared with the corresponding period a year ago.
- Cash flow generation from operations of \$13.0 million for the three-month period ended October 31, 2018.
- The order backlog stood at \$215.8 million as at October 31, 2018, which is \$130.0 million more than as at January 31, 2018.

Terrebonne, Quebec, December 5, 2018

ADF GROUP INC. ("ADF" or the "Corporation") (TSX: DRX) recorded revenues of \$45.6 million and \$106.3 million for the third quarter and the nine-month periods ended October 31, 2018, respectively. The 22% increase in revenues during the third quarter compared with the same quarter a year ago, partially reduced the cumulative shortfall in revenues during the first half of the 2019 fiscal year, which is attributable to the uncertainty from the import tariffs introduced at the beginning of the year in markets served by the Corporation.

During the third quarter ended October 31, 2018, the gross margin, in percentage of revenues, stood at 10.2% compared with 6.5% for the corresponding period ended October 31, 2017. For the nine-month periods ended at the same dates, the gross margin went from 7.0% of revenues to 9.1%. The improvement in gross margin during the quarter ended October 31, 2018, is for the most part attributable to the increase in the fabrication volume that drove to a better absorption of costs.

The Corporation posted a third-quarter net income of \$1.9 million or (\$0.06 per share, basic and diluted) compared with a negative net income of \$0.7 million (-\$0.02 per share, basic and diluted) a year ago. After the first nine months, the Corporation posted a net income of \$0.5 million (\$0.01 per share, basic and diluted) compared with a net income of \$1.6 million (\$0.05 per share, basic and diluted) during the same period last year.

Given that ADF's U.S. subsidiaries have returned to profitability, the Corporation was able to recognize certain deferred tax assets which had been written-off in the fourth quarter of the fiscal year that ended on January 31, 2018, thus improving the net income for the three-month and nine-month periods ended October 31, 2018, by \$1.2 million and \$1.4 million, respectively.

On October 31, 2018, the Corporation's working capital stood at \$32.1 million. The Corporation's operations generated cash flows of more than \$13.0 million during the quarter ended October 31, 2018, which significantly reduced the use of its credit facility. The Corporation remains well-positioned to support its ongoing operations and pursue its development projects.

As at October 31, 2018, the Corporation's order backlog stood at \$215.8 million, compared with \$85.5 million on January 31, 2018. The contracts on hand on October 31, 2018, will be progressively carried out between now and the end of the fiscal year ending January 31, 2021.

Financial Highlights

	Three (3) Months		Nine (9) Months	
Periods ended October 31,	2018	2017	2018	2017
(In thousands of dollars, and dollars per share)	\$	\$	\$	\$
Revenues	45,570	37,212	106,267	131,128
EBITDA	2,594	468	1,517	5,651
Net income	1,900	(698)	458	1,583
— Per share (basic and diluted)	0.06	(0.02)	0.01	0.05
Cash flows from (used in) operating activities	13,247	(1,971)	13,119	4,421
Average number of outstanding shares (basic, in thousands)	32,635	32,635	32,635	32,632
Average number of outstanding shares (diluted, in thousands)	32,636	32,635	32,636	32,664

Outlook

"While our cumulative results continue to be affected by the uncertainty related to tariffs on imports introduced at the beginning of the year, we have however maintained our growth target of our order backlog, and the third-quarter results are a step in the right direction" said **Mr. Jean Paschini**, Co-Chairman of the Board of Directors and Chief Executive Officer.

Conference Call with Investors

A conference call with investors is scheduled for today, December 5, 2018 at 10 a.m. (Eastern time) to discuss the results of Corporation three-month and nine-month periods ended October 31, 2018.

To take part in the conference call, dial 1-888-390-0620, a few minutes prior to the conference call scheduled start time. A replay of this conference call will be available from 1:00 p.m. today until 11:59 p.m., Wednesday, December 12, 2018, by dialing 1-888-259-6562, followed by the access code 112053 #.

The conference call (audio) will also be available at www.adfgroup.com. Members of the media are invited to listen in.

About ADF Group Inc.

ADF Group Inc. is a North American leader in the design and engineering of connections, fabrication, including industrial coatings, and installation of complex steel structures, heavy steel built-ups, as well as in miscellaneous and architectural metals for the non-residential construction industry. ADF Group Inc. is one of the few players in the industry capable of handling highly technically complex mega projects on fast-track schedules in the commercial, institutional, industrial and public sectors. The Corporation operates two fabrication plants and two paint shops, in Canada and in the United States.

Non-IFRS Measures

Earnings before interest, taxes, depreciation and amortization ("EBITDA") is not a performance measure recognized by IFRS standards, and is not likely to be comparable to similar measures presented by other issuers. Management, as well as investors, consider this to be useful information to assist them in assessing the Corporation's profitability and ability to generate funds to finance its operations. Refer to the section "Non-GAAP Measures" of the Corporation's Management's Discussion and Analysis for the definition of this metric and reconciliation to the most comparable IFRS measures.

Forward-Looking Information

This press release contains forward-looking statements reflecting ADF objectives and expectations. These statements are identified by the use of verbs such as "expect" as well as by the use of future or conditional tenses. By their very nature these types of statements involve risks and uncertainty. Consequently, reality may differ from ADF's expectations.

All amounts are in Canadian dollars, unless otherwise indicated.

Source:

ADF GROUP INC.

Mr. Jean Paschini, Co-Chair of the Board of Directors and Chief Executive Officer

Mr. Jean-François Boursier, CPA, CA, Chief Financial Officer

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