

UrtheCast Reports Fourth Quarter and Fiscal 2019 Financial Results

VANCOUVER, May 14, 2020 /CNW/ - UrtheCast Corp. (TSX:UR) ("UrtheCast" or the "Company"), a leading provider of information-rich products and services in the rapidly growing and evolving geospatial and geo-analytics markets, today announces financial results for the three months and year ended December 31, 2019.

Highlights

- Adjusted EBITDA¹ from continuing operations improved by \$2.1 million in Q4 2019 compared to Q4 2018 and improved by \$10.8 million for the year compared to 2018.
- Total Adjusted EBITDA¹ for the Company declined by \$0.4 million in Q4 2019 compared to Q4 2018 but improved by \$16.6 million for the year compared to 2018.
- The Company has received indicative term sheets from multiple institutional investors to finance the UrtheDaily satellite constellation project and the Company's growth. The Company is currently working with its financial advisors on completing due diligence with several potential investors and their respective advisors.
- The Company continues to engage in constructive discussions and due diligence activities with interested parties related to a potential sale of its Deimos Imaging business.

2019 Financial Results

As a result of the planned sale of the Deimos Imaging business or its assets, the operations of Deimos Imaging have been classified as a discontinued operation for the three months and year ended December 31, 2019 and the associated comparative prior periods. Unless otherwise noted, the financial information in this press release is based on the Company's continuing operations and all financial figures are in Canadian dollars.

(in millions of Canadian dollars)	Q4 2019	Q4 2018	FY 2019	FY 2018
Revenue	\$ 4.4	\$ 0.2	\$ 18.3	\$ 6.2
Operating costs	7.6	13.5	29.8	34.5
Net income (loss) from continuing operations	2.1	(22.1)	(18.2)	(40.8)
Net loss from discontinued operation	(12.8)	(20.3)	(17.9)	(42.5)
Net loss	(10.7)	(42.4)	(36.1)	(83.3)
Adjusted EBITDA from continuing operations ⁽¹⁾	(1.3)	(3.4)	(4.0)	(14.8)
Adjusted EBITDA from discontinued operation ⁽¹⁾	(2.6)	(0.1)	(3.1)	(8.9)
Adjusted EBITDA ⁽¹⁾	(3.9)	(3.5)	(7.1)	(23.7)

¹ Non-IFRS earnings measure. See reconciliation of Adjusted EBITDA to Net Loss under "Non-IFRS Earnings Measures" in the Company's Management Discussion & Analysis for the three months and year ending December 31, 2019

As noted above, adjusted EBITDA from continuing operations of negative \$1.3 million in the fourth quarter of 2019 improved by \$2.1 million compared to the same quarter last year and improved by \$10.8 million to negative adjusted EBITDA of \$4.0 million for the year primarily due to lower headcount, corporate overhead, professional fees and engineering subcontractor costs, and a positive EBITDA contribution from Geosys, the Company's geo-analytics business which was acquired in January 2019.

Donald Osborne, CEO of UrtheCast, commented "While the onset of the COVID-19 pandemic has had a profound impact throughout the world, I am pleased to say that our organization has risen to the challenge by implementing measures to ensure health and safety while continuing to move the Company forward on all fronts. I would like to take this opportunity to thank our suppliers, partners and lenders for their continued support as we navigate these challenges and work together to achieve our shared vision for the UrtheDaily Constellation.

In 2019, we made substantial progress on cutting costs, and streamlining and rationalizing the business, while the fourth quarter saw UrtheCast reach an important milestone as we achieved positive EBITDA in our Geosys geo-analytics business for the year. Meanwhile, we continue to work towards securing the future of the Company, making meaningful progress towards funding the UrtheDaily Constellation, while simultaneously investing in our UrthePipeline and related technologies.

With our geo-analytics business now providing a positive operating cashflow foundation and UrthePipeline serving as the differentiated, scalable bridge to the future of UrtheDaily, UrtheCast is building a fully integrated capability offering as a leading provider of geospatial and geo-analytics products and services."

Operating Results

UrtheCast recognized revenue of \$18.3 million in 2019, which was comprised entirely of geo-analytics products and services revenue resulting from the acquisition of Geosys, including revenue from the 13-year geo-analytics imagery products and services contract with Geosys' former parent company, Land O'Lakes. The Company did not recognize any engineering and value-added services revenue in 2019, compared to \$6.2 million in 2018, due to program delays incurred by its key subcontractors in completing milestones under its engineering and value-added services contract.

Operating costs decreased to \$29.8 million in 2019 from \$34.5 million in 2018, primarily as a result of the positive impact of our cost reduction initiatives that were implemented during 2018 and in the first quarter of 2019 and a reduction in impairment charges of \$10.4 million, partially offset by including Geosys' operating costs since the January 2019 acquisition date. SG&A costs from continuing operations, excluding Geosys, have been reduced by approximately 60% from the prior year.

The net loss from continuing operations of \$18.2 million in 2019 decreased compared to \$40.8 million in 2018, primarily as a result of the net income generated by Geosys since the acquisition, significantly lower non-Geosys operating costs, and a reduction in impairment charges and finance costs compared to 2018. The net loss includes a gain of \$2.0 million for 2019, compared to a gain of \$13.0 million in 2018, as a result of fair value adjustments on derivative financial instruments.

The net loss of \$36.1 million in 2019 decreased compared to \$83.3 million in 2018, primarily due to the reasons described above in addition to the lower net loss from our discontinued operation.

Business Developments

Deferral of Second Instalment Payable to Land O'Lakes

As previously announced, the Company and Land O'Lakes agreed to defer the remaining US\$3.5 million of the second purchase price instalment for the Geosys acquisition to May 14, 2020. The Company and Land O'Lakes are in constructive discussions to further extend the remaining payments.

Extension of Existing Loans and Convertible Debentures

The Company is in constructive discussions with its lenders for further extensions of the respective maturity dates under the Company's (i) secured US\$12.0 million term loan entered into on January 14, 2019, the maturity date of which was previously extended to April 14, 2020 (ii) US\$1.5 million secured term loan entered into in June 2019, (iii) US\$1.5 million secured term loan entered into in July 2019 (iv) convertible debentures in the aggregate principal amount of \$6.6 million issued in September 2019 and (vi) convertible debenture of \$2.0 million issued in January 2020, in order to allow the Company more time to secure financing for the UrtheDaily Constellation and sale of its Deimos Imaging business.

UrthePipeline Ground Segment Systems Technology

UrtheCast has invested heavily into the development of its UrthePipeline ground segment systems technology which facilitates Earth observation imagery processing and distribution at scale. Towards the end of 2019, the Company achieved initial operational capability of the UrthePipeline technology and launched a fully managed service offering, UrthePipeline as a Service, on its corporate website. This offering is available for early access and aims to provide an initial set of high-quality ground segment services to other companies and governments as a cost-effective alternative to traditional, manually driven ground segments. The Company continues to evolve the UrthePipeline technology towards a full-scale ground segment service with a wide range of value-added applications, and it is expected to form an integrated part of the ground segment for proposed UrtheDaily Constellation.

Corporate Update

As previously disclosed, the Company has received indicative term sheets from multiple institutional investors to finance the UrtheDaily satellite constellation project and has been actively working towards satisfying due diligence requirements and to negotiate final terms. The Company continues to make progress in this competitive process, despite the onset of the COVID-19 pandemic, discussed further below, and remains focused on finalizing a binding commitment. With regards to the sale of its Deimos Imaging business, the Company continues to engage in due diligence activities with interested parties in order to secure a binding sale agreement.

While management remains confident in its strategy and is pleased with the progress of the above discussions, there can be no assurance that the Company will enter into binding agreements with respect to the financing of the UrtheDaily constellation or the sale of the Deimos Imaging business.

Rescheduling of Q1 2020 Disclosure

The Company has rescheduled the reporting of its interim financial statements and management discussion in respect of the three months ended March 31, 2020 (the "Q1 2020 Disclosure") beyond the previous expected date of May 15, 2020. UrtheCast now expects to release its Q1 2020 Disclosure on or before June 30, 2020.

In rescheduling the Q1 2020 Disclosure, the Company is relying upon the Canadian Securities Administrators' blanket relief, which, in light of COVID-19 and its impact on market participants, provides a 45-day extension for periodic filings normally required to be made by issuers on or before June 1, 2020. Similar relief has been provided by the Toronto Stock Exchange.

Until the Q1 2020 Disclosure is filed, the Company's management and other insiders will remain subject to a trading blackout pursuant to the Company's Insider Trading Policy, a copy of which is available on our website. The Company will continue to issue press releases and material change reports as required by applicable securities laws and regulations, and, as required by the aforementioned blanket relief orders, will issue a further press release within 30 days to provide an update on the release of its Q1 2020 Disclosure and other business developments.

Impact of COVID-19

In March 2020, the World Health Organization declared the outbreak of the novel coronavirus disease known as COVID-19 to be a pandemic.

To date, other than with respect to the aforementioned financial reporting and audit process delays, we have not experienced any significant disruption in our business operations as a result of COVID-19. While we continue to execute and reach payment milestones under our government contracts and are working closely with our advisors to complete the proposed UrtheDaily Constellation financing and sale of the Deimos Imaging business, in the future, these efforts may be adversely affected or delayed by the COVID-19 pandemic and the government responses, which have caused

general disruptions to equity and debt markets. We are continuing to monitor the situation closely and are prepared to further adjust our operations in Spain, France, the U.S. or Canada as needed to ensure minimal disruption to our business. While we expect that the general market downturn occurring globally may have near-term impacts on new Earth observation data and geo-analytics products and services sales, collection of receivables from customers, and timely completion of milestones under its engineering and value added services contracts, the Company's medium- and long-term outlook are strong and our strategy remains unchanged.

Outlook & Going Concern

We refer you to the Company's consolidated financial statements for the year ended December 31, 2019 and the related Management's Discussion & Analysis for further details relating to the Company's liquidity position. The Company has continued to take steps to ensure that it is able to continue as a going concern and that it has adequate liquidity in the near term.

SELECTED FINANCIAL INFORMATION

The following table provides selected financial information of the Company, which was derived from, and should be read in conjunction with, the consolidated financial statements for the year ended December 31, 2019. All financial information is in thousands of Canadian dollars, unless otherwise noted, and except for number of shares and per share amounts.

	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Revenue	\$ 4,368	\$ 201	\$ 18,280	\$ 6,220
Other operating income	467	155	1,394	559
	4,835	356	19,674	6,779
Operating costs				
Direct costs, selling, general and administrative expenses	5,392	3,372	22,024	19,810
Research expenditures	717	356	1,637	1,810
Depreciation and amortization	886	86	3,483	464
Share-based payments	612	89	2,658	2,074
Impairment of assets	-	9,612	-	10,356
	7,607	13,515	29,802	34,514
Operating loss	(2,772)	(13,159)	(10,128)	(27,735)
Net finance costs	(2,312)	(20,129)	(9,175)	(27,182)
Gain on derivative financial instruments	6,669	10,461	2,042	13,037
Foreign exchange gain (loss)	18	793	(1,402)	1,200
Income (loss) before income taxes	1,603	(22,034)	(18,663)	(40,680)
Income tax recovery (expense)	478	(25)	458	(100)
Net income (loss) from continuing operations	2,081	(22,059)	(18,205)	(40,780)
Net loss from discontinued operation	(12,766)	(20,353)	(17,863)	(42,472)
Net loss	(10,685)	(42,412)	(36,068)	(83,252)
Other comprehensive (loss) income	(67)	411	11	662
Comprehensive loss	\$ (10,752)	\$ (42,001)	\$ (36,057)	\$ (82,590)
Loss per common share, basic and diluted	\$ (0.07)	\$ (0.33)	\$ (0.27)	\$ (0.67)
Income (loss) per common share, basic and diluted – continuing operations	\$ 0.02	\$ (0.17)	\$ (0.14)	\$ (0.33)

NON-IFRS EARNINGS MEASURES

The following table reconciles our Non-IFRS earnings measures to Net Loss prepared in accordance with IFRS.

	Three Months Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
ADJUSTED EBITDA:				
Net income (loss) from continuing operations	\$ 2,081	\$ (22,059)	\$ (18,205)	\$ (40,780)

Add back (subtract):

Depreciation and amortization	886	86	3,483	464
Net finance costs	2,312	20,129	9,175	27,182
Income tax (recovery) expense	(478)	25	(458)	100
EBITDA from continuing operations	4,801	(1,819)	(6,005)	(13,034)
Impairment of assets	-	9,612	-	10,356
Share-based payments expense	612	89	2,658	2,074
Gain on derivative financial instruments	(6,660)	(10,461)	(2,042)	(13,037)
Foreign exchange (gain) loss	(18)	(793)	1,402	(1,200)
ADJUSTED EBITDA FROM CONTINUING OPERATIONS	\$ (1,274)	\$ (3,372)	\$ (3,987)	\$ (14,841)
ADJUSTED EBITDA FROM DISCONTINUED OPERATION	(2,609)	(100)	(3,150)	(8,884)
ADJUSTED EBITDA	\$ (3,883)	\$ (3,472)	\$ (7,137)	\$ (23,725)

About UrtheCast

UrtheCast Corp. is a Vancouver-based company that serves the rapidly growing and evolving geospatial and geo-analytics markets with a wide range of information-rich products and services.

For more information, visit UrtheCast's website at www.urthecast.com.

Non-IFRS Financial Measures

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. This release includes certain non-IFRS financial measures, such as EBITDA, adjusted EBITDA, and adjusted EBITDA from continuing operations. The Company uses these non-IFRS financial measures as supplemental indicators of its operating performance and financial position. These measures do not have any standardized meanings prescribed by IFRS and therefore are unlikely to be comparable to the calculation of similar measures used by other companies and should not be viewed as alternatives to measures of financial performance calculated in accordance with IFRS or considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These non-IFRS financial measures should be read in conjunction with the Company's financial statements and accompanying MD&A. An explanation of how the Company calculates these measures is set out in the Company's MD&A under the heading "Non-IFRS Earnings Measures", a copy of which is available on the Company's SEDAR profile and website.

Forward Looking Information

This release contains certain information which, as presented, constitutes "forward-looking information" or "forward-oriented financial information" within the meaning of applicable Canadian securities laws. Forward-looking information involves statements that relate to future events and often addresses expected future business and financial performance, containing words such as "anticipate", "plan", "explore", "target", "is seeking" and "expect", statements that an action or event "may", "should" are "going" to occur or "will" be taken or occur, or other similar expressions and includes, but is not limited to, statements relating to: UrtheCast's expectations with respect to its ability to raise capital and to continue as a going concern and management's plans to improve the Company's financial position; expectations regarding UrtheCast's ability to meet its obligations, obtain extensions and otherwise satisfy its liabilities under its existing indebtedness; expectations underlying the Company's financial statements, including that they have been prepared on a going concern basis, meaning that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations; expectations regarding the impacts of COVID-19 and government responses to the global pandemic; expectations regarding discussions of, and the proposed and/or planned sale or other monetization of all or substantially all of Deimos Imaging and its related business and the negotiations with interested parties in respect thereof; UrtheCast's

expectations with respect to its ability to enter into a financing arrangement for the build, launch and commissioning of the proposed UrtheDaily financing, and to otherwise raise proceeds from a debt or equity offering, achieve the required leverage and contracted value ratios and satisfy the conditions of its indebtedness and business needs generally, and the status and timing of any discussions in respect thereof; UrtheCast's ability to defer upcoming milestone payments owing to Land O' Lakes and to successfully complete the second closing of the acquisition of Geosys on the terms set forth in the definitive purchase agreement or at all, as well as the Company's ability to service and obtain additional revenues from the Service Level Agreement with Winfield, a subsidiary of Land O' Lakes; UrtheCast's ability to meet its obligations and satisfy its liabilities under its existing indebtedness including but not limited to the previously announced term loan and convertible and non-convertible debt financings; UrtheCast's ability to satisfy the conditions precedent to certain contracts related to the purchase of imagery data from the UrtheDaily satellite constellation; expectations regarding the performance of key subcontractors and the completion of certain customer contracts or achievement of payment milestones under the Company's engineering services contract; and new product functionality and suitability, including market acceptance and use of UrthePipeline ground segment technologies;

Such statements reflect UrtheCast's current views with respect to future events and are necessarily based upon a number of estimates and assumptions that, while considered reasonable by UrtheCast as at the date of this press release, are inherently subject to significant uncertainties and contingencies. Many factors could cause UrtheCast's actual results or performance to be materially different from expectations that may be expressed or implied by such forward-looking statements, including, among others: the Company's ability, or inability, to rectify its current cash constraints and to continue as a going concern; additional complications and economic impacts arising from the COVID-19 pandemic, including second wave infections, closed borders, labour force disruptions, market volatility, credit disruptions, delays in financing, diligence and related market activities, vendor or customer defaults, and delays, cancellations or reduced growth in product and services sales; the Company's ability to enter into a financing arrangement for the UrtheDaily Constellation, and any delays or failures in the design, development, construction, launch and operational commissioning of the such constellation; the Company's ability to comply with debt and repayment obligations and avoid the exercise of lenders' rights, including with respect to seizing secured assets; substantial dilution of the Company's Common Shares as a result of conversion of outstanding debentures or the exercise of outstanding warrants; unexpected increases in fixed or variable costs; lower than expected revenues from Geosys or the Company's other products and services; the loss of key personnel; unexpected delays in operations caused by key subcontractors; the Company's ability to fund its future operations, which is contingent on its efforts to raise additional financing and/or sell certain assets of the Company; the Company's ability to successfully complete a sale of, or other transaction that would monetize, Deimos Imaging on commercially reasonable terms, or at all, or a significant further delay in the sale process; UrtheCast's ability to fund or defer the remaining installments for the purchase price of the Geosys transaction or otherwise successfully complete the second closing of the Geosys acquisition; loss, reduction in scope, termination, failure to satisfy conditions precedent or decline in general of the Company's agreements or relationships with its key partners, including Land O' Lakes, Inc. and purchasers of advance data purchase subscription agreements for the data expected to be provided by the UrtheDaily constellation; risks related to the government funding received by UrtheCast and risks arising from breach or default of obligations under the related agreements with certain government agencies; delays or disputes with customers regarding the payment milestones under the Company's data imagery, engineering services or value-added services contracts; legal and regulatory changes, or the Company's failure to comply with listing requirements and other rules of the TSX and/or regulations of applicable securities authorities in Canada; and; as well as those factors and assumptions discussed in UrtheCast's Annual Information Form dated May 4, 2020, which is available under UrtheCast's SEDAR profile at www.sedar.com. UrtheCast cautions

readers that such factors and uncertainties are not exhaustive and that should certain risks or uncertainties materialize, or should underlying estimates or assumptions prove incorrect, actual results, performance or achievements may vary significantly from those expected. There can be no assurance that the actual strategies, results, performance, events or activities anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company.

UrtheCast undertakes no obligation to update forward-looking statements except as required by Canadian securities laws. Readers are cautioned against attributing undue certainty to forward-looking statements.

SOURCE UrtheCast Corp.

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