

Dexterra Group Announces Results for Q2 2021 and Increases Dividend

Highlights

- Revenue of \$173.6 million and EBITDA of \$22.5 million for the three months ended June 30, 2021 are 12% and 26% higher than Q1 2021;
- EBITDA was \$22.5 million for Q2 showing strong results as the business starts to return to more normal activity levels;
- Net earnings of \$8.2 million and basic EPS of \$0.13 were 84% higher than Q1 2021 for the three months ended June 30, 2021;
- Generated Free Cash Flow was \$14.9 million in Q2 2021 and debt was reduced to \$71.9 million at June 30, 2021 from \$85.4 million at December 31, 2020. Management has significant unused credit facilities and lower than normal levels of leverage to execute on its growth strategy;
- The NRB Modular Solutions plant in Cambridge is now fully operational; the plant opened on schedule, capital costs were under budget, and we have a strong pipeline of future projects;
- Dexterra Group increased its dividend by 16.7% and declared a dividend for the third quarter of 2021 of \$0.0875 per share, for shareholders of record at September 30, 2021 to be paid October 15, 2021. The expected results over the back half of 2021 and into 2022 support the higher dividend to shareholders.

Toronto, Ontario--(Newsfile Corp. - August 10, 2021) - **Dexterra Group Inc. (TSX: DXT)**

Second Quarter Financial Summary

(000's except per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2021	2020 ⁽⁶⁾	2021	2020 ⁽⁶⁾
Revenue	\$ 173,627	\$ 76,106	\$ 329,031	\$ 136,479
EBITDA ⁽¹⁾⁽²⁾	\$ 22,502	\$ 22,885	\$ 40,327	\$ 25,033
Adjusted EBITDA ⁽¹⁾⁽²⁾	\$ 22,502	\$ 23,241	\$ 40,327	\$ 26,524
Net earnings ⁽²⁾⁽³⁾⁽⁵⁾	\$ 8,213	\$ 47,431	\$ 12,687	\$ 48,391
Earnings per share:				
Basic & Diluted ⁽⁴⁾⁽⁵⁾	\$ 0.13	\$ 1.08	\$ 0.19	\$ 1.27

(1) Please refer to "Non-GAAP measures" for the definition of EBITDA and Adjusted EBITDA.

(2) Includes \$4.2 million and \$9.1 million of pre-tax Canada Emergency Wage Subsidy for the three and six months ended June 30, 2021 respectively (2020 - \$19.2 million for both Q2 and YTD results).

(3) Includes the recognition from the three months ended March 31, 2021 ("Q1 2021") of a tax benefit of \$1.1 million related to non-capital loss carryforwards based on the implementation of a new tax plan and the profitability of the related businesses.

(4) All 2020 share and per share data presented has been retroactively adjusted to reflect the five-for-one share consolidation completed on July 16, 2020.

(5) 2020 comparatives include a non-cash Bargain Purchase Gain in the amount of \$34.1 million from the acquisition of Horizon North Logistics Inc. ("Horizon North").

(6) 2020 comparative information includes the results of Horizon North from May 29, 2020 onwards which was the effective date of the acquisition.

Second Quarter Operations Analysis

(000's)	Three months ended June 30,		Six months ended June 30,	
	2021	2020 ⁽¹⁾	2021	2020 ⁽¹⁾
Revenue:				
Facilities Management	\$ 38,785	\$ 29,594	\$ 76,807	\$ 73,011
WAFES	87,536	36,340	163,193	53,296
Modular Solutions	48,225	11,044	90,173	11,044
Inter-segment eliminations	(919)	(872)	(1,142)	(872)
Total Revenue	\$ 173,627	\$ 76,106	\$ 329,031	\$ 136,479
EBITDA:				

Facilities Management	\$	4,177	\$	10,488	\$	7,641	\$	13,138
WAFES		17,788		12,362		32,931		14,323
Modular Solutions		4,730		2,334		7,618		2,334
Corporate costs		(4,193)		(2,299)		(7,863)		(4,762)
Total EBITDA	\$	22,502	\$	22,885	\$	40,327	\$	25,033
Acquisition costs		-		356		-		1,491
Total Adjusted EBITDA	\$	22,502	\$	23,241	\$	40,327	\$	26,524

(1) 2020 comparative information includes the results of Horizon North from May 29, 2020 onwards which was the effective date of the acquisition.

Facilities Management

For Q2 2021, Facilities Management revenues were \$38.8 million and increased by \$9.2 million or 31% from the \$29.6 million in Q2 2020. The increase is mainly attributable to the better business conditions as certain COVID-19 restrictions eased. Management expects this upward trend to continue into the future as the population gets vaccinated and provincial COVID-19 restrictions are lifted which will have a positive impact on our airport and retail businesses that experienced revenue declines of approximately \$9 million per quarter during the pandemic compared to historic levels.

EBITDA margin increased to 11% for Q2 2021 in comparison to 9% in Q1 2021. The improved margins are mainly due to management's focus on margin improvements and successful integration of a prior acquisition.

Year to date, Facilities Management revenues were \$76.8 million and increased by \$3.8 million or 5% from the \$73.0 million in 2020. The growth in the segment has been less than planned mainly due to the ongoing reduction in operations at certain facilities and delayed proposal activity. Management expects the growth rate to increase as pandemic restrictions are lifted and as new business wins are fueled by the current brisk bidding activity.

Year to date EBITDA margin decreased to 10% in comparison to 18% for the same period in the prior year primarily due to lower wage subsidies when compared to 2020, which was partially offset by stronger project management and management delivering on operational improvements. The EBITDA margins for this segment increased to 9% in YTD 2021 vs 4% in YTD 2020 excluding the impact of CEWS. See the "Non-GAAP measures" section in the MD&A for the definition of "EBITDA as a percentage of revenue".

Workforce Accommodations, Forestry and Energy Services ("WAFES")

WAFES is comprised of two revenue streams: Workforce accommodations & Forestry and Energy Services. A significant portion of our WAFES business is support services which are not capital intensive and aligns closely with our facilities management business.

WAFES revenue performance was strong despite Q2 2021 being negatively impacted by pandemic restrictions on some major projects. The Forestry business had approximately \$10 million of Q2 revenues and Q3 activity in this seasonal business is expected to be at a similar level. We also won approximately \$40 million of contract renewals during the first half of the year which is a testament to our strong service capability. BC pipeline camps rebounded strongly in June with good utilization, though our Kitimat open camp will likely continue to be closed for the remainder of 2021 due to scheduling of the LNG Canada project. Revenue from the WAFES segment for the three months ended June 30, 2021 was \$87.5 million, an increase of \$51.2 million compared to Q2 2020. The increase in segment revenues was primarily driven by the Acquisition which added \$41.4 million to revenue for Q2 2021 and also from increased business volumes.

Revenue from the WAFES segment for the six months ended June 30, 2021 was \$163.2 million, an increase of \$109.9 million compared to Q2 2020. The increase in segment revenues was primarily driven by the Acquisition which added \$84.3 million to revenue reported year to date for Q2 2021 and

increased business activities as described above.

Year to date, EBITDA as a percentage of revenue was 20% which is a decrease of 7% compared to Q2 2020, for the reasons explained above. Excluding the impact of CEWS, the EBITDA margin improved by 4% as compared with the six-month period ended June 2020. This increase in margin is driven by strong utilization of support services and the addition of new contracts and business in Eastern Canada with the growth of infrastructure and mining projects. This margin is consistent with Q1 2021.

WAFES business is expected to continue to be strong in the back half of 2021 and in 2022 with open camps operating at higher occupancy levels, including Kitimat in 2022. The previously announced new support services contracts with a significant oilsands customer will have a positive impact on Q3 and subsequent quarters. Also, clients have resumed activities in energy projects and the WAFES energy business will benefit from better pricing and higher volume of activity.

Modular Solutions

Modular Solutions segment revenues for Q2 2021 were \$48.2 million, an increase of \$6.3 million from Q1 2021. These revenues are primarily focused on rapid affordable housing and portable classrooms. The increased revenue relates to our improving pipeline and our increased capacity with the completion of the Cambridge plant in Q2 2021.

EBITDA for Q2 2021 was \$4.7 million, an increase of \$1.8 million from Q1 2021. The results reflect the focus on rapid affordable housing projects where performance and execution have been strong. We expect strong margins to continue despite raw materials price fluctuations and project delays as the shorter time between planning projects and completing them for modular is a clear benefit.

Revenue from the Modular segment for the six months ended June 30, 2021 was \$90.2 million, an increase of \$79.1 million compared to 2020 due to the timing of the Acquisition. Year to date EBITDA was \$7.6 million.

A key metric for the Modular Solutions segment is the backlog of projects and timing of backlog execution. The focus for this business unit is to secure and increase backlog, which was \$98.3 million for rapid affordable housing at the end of Q2 2021. Additionally, Modular Solutions has recurring modular business beyond affordable housing worth approximately \$40 million per annum, which mainly consists of portable classrooms and retail stores and kiosks. Management is also currently finalizing contracts worth an additional \$42 million with its two primary government customers which are not included in the backlog numbers. A key goal over time is also to diversify our modular product line.

Liquidity and Capital Resources

For the three months ended June 30, 2021, cash generated by operating activities was \$20.2 million, compared to \$13.5 million in the same period of 2020. The improvement was driven primarily by stronger working capital management. This cash was used to fund the capital expenditures for the Cambridge NRB plant as well as to repay debt and pay dividends.

The Corporation's financial position and liquidity are strong. The Corporation generated Free Cash Flow of \$14.9 million and \$27.3 million for the three and six months ended June 30, 2021, respectively. Debt was reduced even with the capital expenditures for the Cambridge plant during the quarter.

In future quarters, principal sources of liquidity will include generated Free Cash Flow and proceeds from the disposal of idle or underutilized assets across its operating segments. As at June 30, 2021, the Corporation was in compliance with all financial and non-financial covenants related to the credit facility.

Debt was \$71.9 million and available borrowing capacity was \$90.9 million at June 30, 2021.

Additional Information

A copy of Dexterra Group's Condensed Consolidated Interim Financial Statements for the three and six months ended June 30, 2021 and 2020 and related Management's Discussion and Analysis ("MD&A") have been filed with the Canadian securities regulatory authorities and are available on SEDAR at sedar.com and Dexterra Group's website at dexterra.com. The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards and the reporting currency is in Canadian dollars.

Conference Call

Dexterra Group will host a conference call and webcast to begin promptly at 8:30 Eastern time on August 11, 2021 to discuss Dexterra Group's second quarter results.

To access the conference call by telephone the conference call dial in number is 1-800-319-4610.

A live webcast of the conference call will be accessible on Dexterra Group's website at dexterra.com/investor-presentations-events/ by selecting the webcast link. A PowerPoint presentation will be posted on Dexterra Group's website at dexterra.com on August 10, 2021 to be reviewed on the conference call.

An archived recording of the conference call will be available approximately one hour after the completion of the call until September 10, 2021 by dialing 1-855-669-9658, passcode 7310.

About Dexterra Group

Dexterra Group employs more than 6,000 people, delivering a range of support services for the creation, management, and operation of infrastructure across Canada.

Powered by people, Dexterra Group brings best-in-class regional expertise to every challenge and delivers innovative solutions, giving clients confidence in their day-to-day operations. Activities include a comprehensive range of facilities management services, industry leading workforce accommodation solutions, innovative modular building capabilities, and other support services for diverse clients in the public and private sectors.

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You can also visit our website at dexterra.com

Non-GAAP measures

Certain measures in this news release do not have any standardized meaning as prescribed by generally accepted accounting principles ("GAAP") and, therefore, are considered non-GAAP measures. Non-GAAP measures include "EBITDA", calculated as earnings before interest, taxes, depreciation, amortization, depreciation, income (loss) from equity investment, share based compensation, bargain purchase gain (reduction), and gain/loss on disposal of property, plant and equipment. "Adjusted EBITDA", calculated as EBITDA before acquisition costs, and non-recurring items and including Canada Emergency Wage Subsidy ("CEWS"), "EBITDA as a percentage of revenue", calculated as EBITDA divided by revenue, and "Free Cash Flow", calculated as net cash flows from (used in) operating activities, less maintenance capital expenditures, payments for lease liabilities and finance costs, to provide investors with supplemental measures of Dexterra Group's operating performance and thus highlight trends in its core businesses that may not otherwise be apparent when relying solely on GAAP financial measures. Dexterra Group also believes that securities analysts, investors and other interested parties frequently use non-GAAP measures in the evaluation of issuers. Dexterra Group's management also uses non-GAAP measures in order to facilitate operating

performance comparisons from period to period, to prepare annual operating budgets, and to determine components of management compensation.

These measures are regularly reviewed by the Chief Operating Decision Maker and provide investors with an alternative method for assessing Dexterra Group's operating results in a manner that is focused on the performance of the Dexterra Group's ongoing operations and to provide a more consistent basis for comparison between periods. These measures should not be construed as alternatives to net earnings and total comprehensive income determined in accordance with GAAP as an indicator of Dexterra Group's performance. The method of calculating these measures may differ from other entities and accordingly, may not be comparable to measures used by other entities. For a reconciliation of these non-GAAP measures to their nearest measure under GAAP please refer to "Reconciliation of non-GAAP measures" of Dexterra Group's MD&A.

Forward-Looking Information

Certain statements contained in this news release may constitute forward-looking information under applicable securities law. Forward-looking information may relate to Dexterra Group's future outlook and anticipated events, business, operations, financial performance, financial condition or results and, in some cases, can be identified by terminology such as "continue"; "forecast"; "may"; "will"; "project"; "could"; "should"; "expect"; "plan"; "anticipate"; "believe"; "outlook"; "target"; "intend"; "estimate"; "predict"; "might"; "potential"; "continue"; "foresee"; "ensure" or other similar expressions concerning matters that are not historical facts. In particular, statements regarding Dexterra Group's future operating results and economic performance, its leverage, the NRB Modular Solutions plant in Cambridge, and its objectives and strategies are forward-looking statements. These statements are based on certain factors and assumptions, including expected growth, results of operations, performance and business prospects and opportunities regarding Dexterra Group, which Dexterra Group believes are reasonable as of the current date. While management considers these assumptions to be reasonable based on information currently available to Dexterra Group, they may prove to be incorrect. Forward-looking information is also subject to certain known and unknown risks, uncertainties and other factors that could cause Dexterra Group's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information, including, but not limited to: the ability to retain clients, renew existing contracts and obtain new business; an outbreak of contagious disease that could disrupt its business; the highly competitive nature of the industries in which Dexterra Group operates; reliance on suppliers and subcontractors; cost inflation; volatility of industry conditions could impact demand for its services; a reduction in the availability of credit could reduce demand for Dexterra Group's products and services; Dexterra Group's significant shareholder may substantially influence its direction and operations and its interests may not align with other shareholders; its significant shareholder's 49% ownership interest may impact the liquidity of the common shares; cash flow may not be sufficient to fund its ongoing activities at all times; loss of key personnel; the failure to receive or renew permits or security clearances; significant legal proceedings or regulatory proceedings/changes; environmental damage and liability is an operating risk in the industries in which Dexterra Group operates; climate changes could increase Dexterra Group's operating costs and reduce demand for its services; liabilities for failure to comply with public procurement laws and regulations; any deterioration in safety performance could result in a decline in the demand for its products and services; failure to realize anticipated benefits of acquisitions and dispositions; inability to develop and maintain relationships with Indigenous communities; the seasonality of Dexterra Group's business; inability to restore or replace critical capacity in a timely manner; reputational, competitive and financial risk related to cyber-attacks and breaches; failure to effectively identify and manage disruptive technology; economic downturns can reduce demand for Dexterra Group's services; its insurance program may not fully cover losses. Additional risks and uncertainties are described in Note 22 of the Corporation's Consolidated Financial Statements for the years ended December 31, 2020 and 2019 contained in its most recent Annual Report filed with securities regulatory authorities in Canada and available on SEDAR at [sedar.com](https://www.sedar.com). The reader should not place undue importance on forward-looking information and should not rely upon this information as of any other date. Dexterra Group is under no obligation and does not undertake to update or alter this information at any time, except as may be

required by applicable securities law.



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