

Xebec Announces Q1 2021 Financial Results

MONTREAL (QC), May 13, 2021 - Xebec Adsorption Inc. (TSX: XBC) ("Xebec"), a global provider of clean energy solutions, announced today its 2021 first quarter results, with the following highlights:

- **Revenues** increased by \$8.4 million to \$20.6 million for the three-month period ended March 31, 2021, compared to \$12.2 million for the same period the prior year.
- **Adjusted EBITDA** of (\$5.8) million for the three-month period ended March 31, 2021, compared to \$0.7 million for the same period last year.
- **Net loss** of \$9.2 million or (\$0.06) per share in the three-month period ended March 31, 2021 compared to a net loss of \$0.7 million or (\$0.01) per share compared for the same period in the prior year.
- **Working capital** of \$129.4 million on March 31, 2021, for a current ratio of 3.6:1, compared to working capital of \$171.1 million and a current ratio of 4.1:1 on December 31, 2020.
- **Management guidance** maintained for fiscal 2021, consisting of consolidated revenues in the range of \$110.0 to \$130.0 million and an adjusted EBITDA margin in the range of 3.0% to 4.0%.
- As at March 31, 2021, the company had \$108.5 million of cash compared to \$168.6 million as at December 31, 2020.

Financial Highlights:

			% of Change
	Q1 2021	Q1 2020	
	<i>(In millions of dollars)</i>	<i>(unaudited)</i>	
Revenues	20.6	12.2	69%
Gross margin	4.2	3.1	35%
Gross margin as a percentage of revenues	20%	25%	
Adjusted EBITDA (1)	(5.8)	0.5	
Net income (loss)	(9.2)	(0.7)	
Net income (loss) per share - basic (\$/share)	(0.06)	(0.01)	
Weighted average number of shares	152,512,158	85,288,048	
	March 31,	Dec. 31,	
As at:	2021	2020	
Total assets	419.4	444.7	
Total liabilities	95.2	100.7	
Equity	324.2	344.0	
	May 12,	May 20,	
As at:	2021	2020	
Backlog	88.5	89.8	

(1) Adjusted EBITDA starts with EBITDA and adjusts for Stock-based compensation expenses, impairment of inventories, exchange gain/loss on the obligation arising from non-controlling interest participation in a subsidiary, foreign exchange loss (gain) and accretion of debt

Financial Results

- **Revenues** increased by \$8.4 million to \$20.6 million for the three-month period ended March 31, 2021, compared to \$12.2 million for the same period the prior year. The increase is mainly

explained by acquisitions in 2020 and 2021, including (1) \$4.7 million for services companies, and (2) \$5.5 million for HyGear and Inmatec.

- **Gross margin** increased from \$3.1 million to \$4.2 million for the three-month period ended March 31, 2021 compared to the same period the prior year. The gross margin percentage decrease from 25% to 20% is mainly due to lower margins for the company's renewable natural gas (RNG) projects.
- **Selling and administrative expenses ("SG&A")** for the three-month period ended March 31, 2021, of \$10.9 million were higher by \$7.1 million compared to \$3.8 million for the same three months of 2020. The increase is primarily due to additional SG&A expenses associated with the newly acquired companies: (1) \$1.5 million for the services companies and ACS, and (2) \$3.1 for HyGear and Inmatec. In addition, \$1.0 million was attributed to transaction and integration expenses related to the newly acquired companies. Finally, SG&A expenses increased due to an organizational scale up of employees and associated costs to support the increased level of sales.
- **Research and development expenses** of \$0.5 million for the three-month period of 2021 were related to the development of the second generation of the BGX Biostream™ ("Biostream") product and the continued development of biogas upgrading projects.
- **Operating loss** of \$7.9 million for the three-month period of 2021 compared to an operating loss of \$0.2 million for the same quarter in 2020. The decrease is mainly explained by the above-noted increase in SG&A.
- **Net loss** of \$9.2 million or (\$0.06) per share in the three-month period ended March 31, 2021 compared to a net loss of \$0.7 million or (\$0.01) per share for the same period the prior year.
- **Adjusted EBITDA** of (\$5.8) million for the three-month period ended March 31, 2021, compared to \$0.7 million for the same period last year.
- **Backlog** decreased by \$1.3 million over the last 12 months, from \$89.8 million on May 20, 2020 to \$88.5 million on May 12, 2021.

CEO Quote:

"While the business environment continues to be challenging, Xebec posted a record revenue quarter and saw improvements in its gross margins as the number of profitable orders processed during the quarter increased. We are on track to have a solid year despite supply chain constraints and price pressures we are realizing from suppliers. This has in turn led us to start increasing prices on a wide range of our products, but we are able to maintain pricing power due to our robust business model and unique technologies.

Given the trajectory of the economic recovery and the RNG and hydrogen industry activity, we believe we are at the start of a significant economic upturn that will support the company's continued rapid growth. There are positive indications for increased manufacturing activity across North America and Europe, alongside accelerated decarbonization cuts which will drive traction for our cleantech solutions.

Furthermore, the quarter saw first time revenue contributions from HyGear and Inmatec, the latter of which has benefited from the worldwide accelerating need of hospitals to scale up and secure more

predictable oxygen supplies. The team in Germany is working long hours to ensure these on-site oxygen generators get to the customers who need them the most. We believe that the COVID-19 pandemic has increased the awareness and adoption of on-site gas generation as customers realize its strong value proposition. On-site generation is a core component in our long-term strategy and will help us bring other gases such as RNG, hydrogen and nitrogen to new markets.

Overall, we are maintaining our guidance for 2021, which is expected to result in strong revenue growth this year, while showing an improvement to our bottom line as costs normalize and we achieve better operating leverage. Xebec is now a more diversified company with unique exposure to several fast-growing markets for our lower carbon gases,” stated Kurt Sorschak, Chairman, President and CEO of Xebec Adsorption Inc.

Current Market Outlook

The political and regulatory backdrop for Xebec’s products and services continues to see positive developments. North Europe and North America are moving aggressively towards net-zero positions by 2050.

On April 22, 2021, at the Earth Day Summit, the U.S. administration pledged its commitment to target a 50% reduction in GHG emissions by 2030. At the same time, Canada’s federal government increased its commitment to reduce emissions by 40% by 2030. These targets represent accelerated actions over the next decade to decarbonize energy, industry and transportation, which is expected to provide significant support for the uptake of Xebec’s solutions.

Cleantech Systems

Renewable Natural Gas (RNG)

Xebec continues to accelerate its shift toward to focus on standardized biogas upgrading products for the RNG market. The company launched and delivered its first two fully containerized and standardized BGX Biostream™ (“Biostream”) units for small-scale biogas upgrading applications. We will deliver an additional four units in the next five months and are working to increase our production capacity to two units per month effective August 2021. The Biostream units that have been delivered to California and Idaho are now in operation at customer facilities and injecting RNG into local utility pipelines.

Overall, Xebec expects that Biostream will lead to more predictable cost management and improved gross margins. The product’s value proposition offers customers significantly shorter lead times, one week installation and start-up periods, a modular and scalable design, and the ability to handle smaller, fluctuating biogas flow rates. With the recently announced acquisition of Nortec, additional manufacturing capacity will be created for Xebec’s Blainville Québec facility for the streamlined production of these units. As a result of demand, there are 11 Biostream units currently in production for customer deliveries in the coming months.

Hydrogen

The hydrogen economy is rapidly growing and presents a large-scale market opportunity worldwide. This continued traction has been shown through more than 100 high-profile transactions, investments and project announcements to date in 2021. Xebec’s hydrogen purification business coincides with the market’s expanding opportunities as the need for high-purity hydrogen for use in fuel cell electric vehicles increases.

On March 15, 2021, Xebec announced a partnership with Coregas, a Wesfarmers company, to develop a robust ecosystem for the deployment of highly efficient hydrogen supply to the transport, industrial and commercial markets across Australia and New Zealand. Xebec also signed a similar partnership agreement in Q1/21 with OmAir in India to develop the Indian hydrogen ecosystem by leveraging OmAir's customer network and fleet of over 50 hydrogen trailers. The company continues to build partnerships to help accelerate the adoption of its hydrogen technologies and products.

A cornerstone of Xebec's hydrogen strategy is to satisfy the existing and evolving needs for industrial hydrogen, while also facilitating the upcoming demand for fuel cell electric vehicles (FCEVs) and mobility. This is supported by on-site hydrogen generation from both steam methane reforming and electrolysis technologies, and local decentralized hydrogen production hubs in strategic areas. Decentralized hydrogen production hubs will be a key aspect of Xebec's hydrogen supply strategy going forward and the full details will be provided in a corporate update later this year.

Industrial Service & Support

Xebec continues its roll-up strategy by acquiring compressed air service companies to build out the company's Cleantech Service Network. The company expects to complete additional acquisitions in 2021 as the need for service coverage expands in North America and Europe. As a result, Xebec is targeting approximately 30 companies (6 completed to date) by 2025, resulting in a yearly revenue run rate in the segment of approximately \$250 million by 2025.

This strategy supports Xebec's long-term plan to transition to a more services-based company. Increased exposure to service revenues is expected to improve the company's overall revenue predictability and profitability. Lastly, the company's service offering is not limited to its own equipment as technicians can interface with other vendors' RNG and hydrogen systems.

Xebec's on-site oxygen and nitrogen business continues to achieve record delivery and sales volumes. Medical oxygen has seen surging demand as a result of the worldwide COVID-19 pandemic. A number of high-profile deliveries were completed in Q1/21 to healthcare facilities in India, Peru, United Kingdom, Africa and the Middle East. In addition, several follow-on orders were received in the last week for the South Asian market such as a 41-unit oxygen generator order for India.

Renewable Gas Infrastructure

Xebec continues to address the renewable gas infrastructure opportunity through GNR Quebec Capital L.P. ("GNRQC"), a fund created in partnership with The Fonds de solidarité FTQ ("Fonds"), the largest capital development fund in Québec. As a result, all of Xebec's renewable gas infrastructure investment activities were folded into GNRQC. Xebec is an equal equity investor alongside the Fonds and will participate in the sale of renewable natural gas equipment alongside long-term service contracts for the equipment.

GNRQC is dedicated to developing high-performance organic waste treatment facilities for the production and distribution of RNG in Québec. When fully capitalized with \$100 million in equity and appropriately leveraged, GNRQC expects to finance approximately 12 to 15 RNG projects in the province over the next decade.

The fund has more than 20 projects under evaluation of both greenfield and brownfield varieties in agriculture, municipal and industrial waste applications. GRNQC expects to complete several investments in 2021 as projects progress over their average three-to-four-year development cycle.

Management Guidance for 2021

For fiscal full-year 2021, Xebec's previously announced guidance remains unchanged. Given the current order backlog of \$88.5 million (as of May 12, 2021), the projected revenues of HyGear, Inmatec, and the Cleantech Service Network, we continue to target consolidated revenues for 2021 in the range of \$110.0 to \$130.0 million and adjusted EBITDA margins in the range of 3.0% to 4.0%.

Xebec to Host Live Investor Webinar to Discuss Q1 2021 Results

An investor webinar for shareholders, analysts, investors, media representatives, and other stakeholders will be held today, May 13, 2021, at 8:30AM EST (5:30AM PST).

Register here: <https://app.livestorm.co/xebec-adsorption-inc/2021-q1-investor-webinar>

A recording of the webinar and supporting materials will be made available later today in the investor's section of the Company's website at xebecinc.com/investors.

2021 First Quarter Financial Statements and Management's Discussion and Analysis

The complete financial statements, notes to financial statements, and Management's Discussion and Analysis for the three-month period ended March 31, 2021, are available on the company's website at xebecinc.com/investors or on the SEDAR website at www.sedar.com.

Related links:

<https://xebecinc.com/>

For more information:

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About Xebec Adsorption Inc.

Xebec is a global provider of clean energy solutions for renewable and low carbon gases used in energy, mobility and industry applications. The company specializes in deploying a portfolio of proprietary technologies for the distributed production of hydrogen, renewable natural gas, oxygen and nitrogen. By focusing on environmentally responsible gas generation, Xebec has helped thousands of customers around the world reduce their carbon footprints and operating costs. Headquartered in Québec, Canada, Xebec has a worldwide presence with six manufacturing facilities, eight Cleantech Service Centers and four sales offices spanning over four continents. Xebec trades on the Toronto Stock Exchange under the symbol (TSX: XBC). For more information, xebecinc.com.

Cautionary Statement

This press release contains forward-looking statements within the meaning of applicable Canadian securities law. These statements relate to future events or future performance and reflect the expectation of Management regarding the growth, results of operations, performance and business prospects and opportunities of the Corporation or its industry. Forward-looking statements typically contain words such as "believes", "expects", "anticipates", "continues", "could", "indicates", "plans", "will", "intends", "may", "projects", "schedules", "would" or similar expressions suggesting future outcomes or events, although not all forward-looking statements contain these identifying words. Examples of such statements include, but are not limited to, statements concerning: (i) actions expected to be undertaken to achieve the Company's strategic goals; (ii) the key market drivers

impacting the Company's success; (iii) intentions with respect to future renewable gas work; (iv) expectations regarding business activities and orders that may be received in fiscal 2021 and beyond; (v) trends in, and the development of, the Company's target markets; (vi) the Company's market opportunities; (vii) the benefits of the Company's products, (viii) the intention to enter into agreements with partners; (ix) future outsourcing; (x) expectations regarding competitors; (xi) the expected impact of the described risks and uncertainties; (xii) intentions with respect to the payment of dividends; (xiii) the management of the Company's liquidity risks in light of the prevailing economic conditions; (xiv) the Company's cost reduction plan; (xv) the search for additional financing over the next months; (xvi) statements regarding the merits of the class action complaints filed against the Company; and (xvii) 2021 revenue and EBITDA guidance.

These statements are neither promises nor guarantees but involve known and unknown risks and uncertainties that may cause the Company's actual results, level of activity or performance to be materially different from any future results, levels of activity or performance expressed in or implied by these forward-looking statements. These risks include, generally, risks related to revenue growth, operating results, industry and products, technology, competition, the economy, the sufficiency of insurance and other factors which are discussed in greater details in this press release and in the Annual Information Form of the Corporation filed on SEDAR at www.sedar.com.

Forward-looking statements contained herein are based on a number of assumptions believed by the Corporation to be reasonable as at the date of this press release, including, without limitations, assumptions about trends in certain market segments, the economic climate generally, the pace and outcome of technological development, the identity and expected actions of competitors and customers, assumptions relating to the merits of the class action complaints filed against the Company and their impact, the value of the Canadian dollar and of foreign currency fluctuations, interest rates, working capital requirements, the anticipated margins under new contracts awards, the state of the Corporation's current backlog, the regulatory environment, the sufficiency of internal and disclosure controls, the ability of the Corporation to successfully integrated acquired business, and the acquisition and integration of businesses in the future. Other assumptions, if any, are set out throughout this press release. If these assumptions prove to be inaccurate, the Corporation's actual results may differ materially from those expressed or implied in the forward-looking statements. The forward-looking statements contained herein are made as of the date of this press release and are expressly qualified in their entirety by this cautionary statement. Except to the extent required by law, the Company undertakes no obligation to publicly update or revise any forward-looking statements contained herein. Readers should not place undue reliance on forward looking statements.

Non-IFRS Measures

This press release refers to financial measures that are not recognized under International Financial Reporting Standard ("IFRS"). A non-IFRS financial measure is a numerical indicator of a company's performance, financial position or cash flow that excludes or includes amounts or is subject to adjustments that have the effect of excluding or including amounts that are included or excluded in most directly comparable measures calculated and presented in accordance with IFRS. Non-IFRS measures do not have any standardized meaning under IFRS and therefore are unlikely to be comparable to similar measures presented by other companies having the same or similar businesses.

The Corporation believes these measures are useful supplemental information. The following non-IFRS measures are used by the Corporation in this press release: EBITDA, EBITDA margin, Adjusted EBITDA, Adjusted EBITDA margin, backlog, quote log of Xebec.

Please find below definitions of non-IFRS financial measures used by herein:

"EBITDA" means the earnings before interest, income taxes, depreciation and amortization, where interest is defined as net finance costs as per the consolidated statement of comprehensive income.

"EBITDA margin" being EBITDA as a percentage of revenues.

"Adjusted EBITDA" means starting with EBITDA and adjust for Stock-based compensation expenses, impairment of inventories, exchange gain/loss on the obligation arising from non-controlling interest participation in a subsidiary, foreign exchange loss (gain) and accretion of debt.

"Adjusted EBITDA margin" being Adjusted EBITDA as a percentage of revenues.

"Backlog" means contracts that have been received and considered as firm orders.

"Quote log" means sales quotes that have been provided and are being pursued by business development and sales representatives of Xebec.

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