

Mosaic Capital Corporation Reports Record Q3 2019 Financial Results

Calgary, Alberta--(Newsfile Corp. - November 13, 2019) - Mosaic Capital Corporation (TSXV: **M**) (TSXV: **M.DB**) ("**Mosaic**" or the "**Company**") has released its unaudited consolidated financial results for the three and nine months ended September 30, 2019. The Company's financial statements and management's discussion and analysis ("**MD&A**") for the period ended September 30, 2019 can be accessed under Mosaic's profile on SEDAR at www.sedar.com and on the Company's website at www.mosaiccapitalcorp.com.

Selected Financial Highlights

(in \$000s, except as noted)	Three months ended September 30,			Nine months ended September 30,		
	2019	2018 (restated)	% Change	2019	2018 (restated)	% Change
Revenue	\$121,830	\$121,370	-%	\$334,821	\$280,386	19%
Adjusted EBITDA ⁽¹⁾	\$15,106	\$14,735	3%	\$32,119	\$25,063	28%
per share	\$1.42	\$1.39	2%	\$3.02	\$2.37	28%
as a % of revenue	12.40%	12.14%	2%	9.59%	8.94%	7%
Net income and comprehensive income	\$6,609	\$8,002	-17%	\$3,254	\$12,943	-75%
Net income (loss) attributable to equity holders	\$2,733	\$2,292	19%	\$(4,969)	\$5,643	-188%
per share	\$0.26	\$0.22	18%	\$(0.47)	\$0.53	-189%
Free Cash Flow ⁽¹⁾	\$7,750	\$6,894	12%	\$13,067	\$6,615	98%
per share	\$0.73	\$0.65	12%	\$1.23	\$0.62	98%
Preferred securities distributions declared	\$1,512	\$1,512	-	\$4,487	\$4,487	-
Common share dividends declared	\$1,125	\$1,115	1%	\$3,367	\$3,343	1%
per share	\$0.11	\$0.11	-	-\$0.32	\$0.32	-
TTM Preferred Distribution Payout Ratio ⁽¹⁾				36%	76%	-53%
TTM Combined Payout Ratio ⁽¹⁾				62%	133%	-53%
Weighted avg. common shares outstanding	10,621,420	10,608,058	-	-10,628,982	10,596,095	-

Note:

(1) Adjusted EBITDA, Free Cash Flow, Trailing twelve-month ("**TTM**") Preferred Distribution Payout Ratio and TTM Combined Payout Ratio are not recognized measures under IFRS. Refer to "*Non-GAAP Measures*".

For the three-month period ended and as at September 30, 2019, Mosaic:

- delivered record quarterly revenue of \$121.8 million which surpassed the prior record set in the same period of 2018, largely driven by strong activity levels and market share gains in its underlying portfolio companies;
- generated record quarterly Adjusted EBITDA of \$15.1 million which was a 3% increase over the prior year period, largely driven by improved contributions from the Energy segment and continued discipline with corporate overhead costs;
- provided dividends of \$1.1 million to our shareholders;
- posted a trailing twelve-month Combined Payout Ratio of 62%, a year-over-year improvement from 133% in the same period last year; and
- maintained a healthy balance sheet with \$14.0 million in cash, \$63.6 million in working capital and Total Debt to Gross EBITDA leverage of 1.29.

Subsequent to September 30, 2019, Mosaic:

- announced on November 5, 2019 that it, along with its minority operating partner, has sold Ambassador Mechanical LP to an undisclosed third party. Consideration to Mosaic was \$15.0 million in cash, which has been initially used to reduce outstanding debt. Mosaic generated a cash-on-cash internal rate of return of 20% and received, in distributions plus sale proceeds, a multiple of 2.5 times over its invested capital during the life of its investment in Ambassador.

Segmented Financial Performance

(in \$000s, except as noted)	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	% Change	2019	2018	% Change
		(restated)			(restated)	
Revenue:						
Infrastructure	\$84,597	\$88,541	-4%	\$233,449	\$193,636	21%
Diversified	31,617	28,226	12%	88,503	77,210	15%
Energy	5,616	4,487	25%	12,858	9,254	39%
Real Estate	-	116	-100%	11	286	-96%
Corporate	-	-	-	-	-	-
Total revenue	\$121,830	\$121,370	-%	\$334,821	\$280,386	19%
Adjusted EBITDA ⁽¹⁾						
Infrastructure	\$9,048	9,098	-1%	\$19,683	\$15,934	24%
Diversified	5,591	5,677	-2%	13,647	12,428	10%
Energy	1,485	1,110	34%	2,362	1,012	133%
Real Estate	(2)	(33)	94%	(88)	(124)	29%
Corporate	(1,016)	(1,117)	9%	(3,485)	(4,187)	17%
Total adjusted EBITDA	\$15,106	\$14,735	3%	\$32,119	\$25,063	28%
as a % of revenue	12.40%	12.14%		9.59%	8.94%	

Note:

(1) Adjusted EBITDA is defined as earnings before finance costs, taxes, depreciation and amortization, and other non-cash items. Adjusted EBITDA is not a recognized measure under IFRS. Refer to "Non-GAAP Measures".

Outlook

Mosaic's third quarter 2019 financial results reflect strong underlying business conditions, our successful efforts to drive sustainable operational improvements and the benefits of portfolio diversification. With solid results in each key operating segment, Mosaic delivered a record quarterly level of Adjusted EBITDA in Q3 2019 that exceeded the record setting achievement posted in the same period in 2018.

Looking to the future, the Company is well positioned to continue its growth trend. Mitigating the absence of Ambassador's go forward contribution as a result of the sale, Mosaic expects additional cash flow in portfolio companies stemming from recent improvement initiatives. This coupled with the increased level of liquidity made available for new acquisitions from the sale of Ambassador, Management believes the Company is well positioned for long-term growth and profitability.

Mark Gardhouse, President and CEO commented "Mosaic's third quarter results represent a fifth consecutive quarter of record quarterly financial results. As we have demonstrated over the past 18 months, Mosaic delivered a further improvement in its combined payout ratio, exiting the third quarter of 2019 at 62%. With our increasing levels of free cash flow and approximately \$35 million available on our acquisition line of credit, we look forward to 2020 for the continued creation of long-term shareholder value."

Mosaic's growth strategy is centered on the acquisition of controlling equity interests in new portfolio companies with a specific focus on growing Free Cash Flow per share while maintaining a strong balance sheet. Supplementing this, Mosaic's management team adds value with strong operational and strategic focus by actively engaging with its portfolio companies to improve results and capture growth opportunities.

Mosaic's pipeline of high quality acquisition opportunities remains strong and the Company will continue to pursue its strategy to grow through new and tuck-in acquisitions with a focus on building an increasingly diversified portfolio of private, mid-market companies that offer strong free cash flow while maintaining a healthy balance sheet.

Conference Call

Management will hold a conference call to discuss third quarter 2019 results on Thursday, November 14, 2019 at 10:00 AM ET. All interested parties are invited to join the conference call by dialing 1-855-353-9183 from within Canada or the U.S. or 403-532-5601 from Calgary or internationally, then entering the participant Code 63121#. A recording of the conference call will be made available on Mosaic's website at www.mosaiccapitalcorp.com.

ABOUT MOSAIC CAPITAL CORPORATION

Mosaic is a Canadian investment company that owns a portfolio of established businesses which span a diverse range of industries and geographies. Mosaic's strategy is to create long-term value for its shareholders through accretive acquisitions, long-term portfolio ownership, sustained cash flows and organic portfolio growth. Mosaic achieves its objectives by maintaining financial discipline, acquiring businesses at attractive valuations, performing extensive acquisition due diligence, utilizing optimal transaction structuring and working closely with subsidiary businesses after acquisition.

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Reader Advisory

Non-GAAP Measures

Selected financial information for the three and nine month periods ended September 30, 2019 are set out above and includes the following measures that are not recognized under International Financial Reporting Standards ("**IFRS**") and are non-generally accepted accounting principles ("**Non-GAAP**") measures: Adjusted EBITDA, Free Cash Flow, Preferred Distribution Payout Ratio and Combined Payout Ratio. This information should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2019 and 2018 and Mosaic's MD&A for the period ended September 30, 2019 available under Mosaic's profile on SEDAR at www.sedar.com. Further information regarding these Non-GAAP measures is contained in Mosaic's MD&A.

Forward-Looking Statements

This news release contains forward-looking information and statements within the meaning of applicable Canadian securities laws (herein referred to as "**forward-looking statements**") that involve known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. All information and statements in this news release which are not statements of historical fact may be forward-looking statements. The words "believe", "expect", "intend", "estimate", "anticipate", "project", "scheduled", and similar expressions, as well as future or conditional verbs such as "will", "should", "would", and "could" often identify forward-looking statements. Forward-looking statements included in this news release include, but are not limited to:

- the overall business strategy and objectives of Mosaic;
- the Company's expectation of long-term growth, profitability and diversity of cash flow;
- the Company's ability to drive sustainable improvements at the portfolio company level;
- the Company's expectation of continued creation of long-term shareholder value; and
- management's expectation that potential acquisitions will result in future benefits to the Company.

Such statements or information, if any, are only predictions and reflect the current beliefs of management with respect to future events and are based on information currently available to management. Actual results and events may differ materially from those contemplated by these forward-looking statements due to these statements being subject to a number of risks and uncertainties. Undue reliance should not be placed on these forward-looking statements as there can be no assurance that the plans, intentions or expectations upon which they are based will occur.

By their nature forward-looking statements involve assumptions and known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other things contemplated by the forward-looking statements will not occur. A number of factors could cause actual results to differ materially from the results stated in the forward-looking statements, including, but not limited to, risks related to: general economic and business conditions; the failure to realize the anticipated benefits of Mosaic's recent and future acquisitions; adverse fluctuations in commodity prices; competition for, among other things, capital, equipment and skilled personnel; the inability to generate sufficient cash flow from operations to meet current and future obligations; the inability to obtain required debt and/or equity capital on suitable terms; competition for acquisition targets; adverse weather conditions; seasonality and fluctuations in results; and limited diversification of Mosaic's subsidiaries. Should any of the risks or uncertainties facing Mosaic and its subsidiaries materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance, activities or achievements could vary materially from those expressed or implied by any forward-looking statements contained in this news release.

Although Mosaic believes that the expectations represented by any forward-looking-statements contained herein are reasonable based on the information available to them on the date of this news release, management cannot assure investors that actual results, performance or achievements will be consistent with these forward-looking statements. Any forward-looking statements herein contained are made as of the date of this press release and Mosaic does not assume any obligation to update or revise them to reflect new information, events or circumstances, except as required by law.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.



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