

SSC Security Services Corp. Announces FY2023 Q2 Results

- Q2 2023 revenue of \$25.2 million – an increase of \$19.7 million over Q2 2022.
- Q2 2023 Adjusted EBITDA of \$0.85 million (\$0.04 per share) – an increase of \$0.65 million over Q2 2022 (\$0.01 per share).
- Q2 2023 Adjusted net income of \$0.3 million (\$0.02 per share) compared with \$0.2 million (\$0.01 per share) in Q2 2022.

REGINA, SK, May 16, 2023 /CNW/ - SSC Security Services Corp. ("**SSC**" or the "**Company**") (TSXV: SECU) (OTCQX: SECUF), a national provider of cyber, physical and electronic security services to commercial, industrial and public sector clients across Canada, is pleased to release its results for the second quarter of the 2023 fiscal year ended March 31, 2023. All figures are presented in Canadian dollars.

"During the quarter, we consolidated our billing and payroll operations at our National Administrative Centre in Regina," said Chairman & CEO Doug Emsley. "We continue to optimize service operations to improve efficiency, and we have won some significant new multi-year contracts along the way. This streamlining has already begun to show significant operating results."

Q2 2023 HIGHLIGHTS

- During the second quarter ended March 31, 2023, revenue was \$25.2 million, up \$19.7 million over revenue recorded in the same period last year.
- Adjusted EBITDA for the quarter was \$0.85 million (\$0.04 per share), up from \$0.2 million (\$0.01 per share) during the same quarter last year.
- In March, we announced several new multi-year, multi-million dollar contracts with a variety of companies across Canada ([link](#)).
- During the quarter, recovered another \$1.4 million from our legacy business, paid \$0.03 per share in dividends to shareholders and bought back 46,600 shares of the Company at an average of \$2.87 per share.
- We finished the quarter ended March 31 with (comparison to prior quarter – Q1 2023):
 - Cash and cash equivalents of \$12.8 million (\$9.2 million);
 - Working capital of \$26.0 million (\$25.2 million);
 - Legacy assets (including assets held for sale and mortgages & loans receivable) of \$10.6 million (\$12.0 million);
 - Total shareholders' equity of \$69.3 million (\$70.0 million); and
 - No Debt!

Key Performance Indicators for the quarter and YTD, including comparable periods are summarized below:

Key Performance Indicators	Quarter ended March 31		Six months ended March 31	
	2023	2022	2023	2022
Revenue	25,218	5,498	53,237	11,384
Cost of Sales	21,213	4,497	44,995	9,460
Gross Profit	4,005	1,001	8,242	1,924
Gross Margin (%)	15.9 %	18.2 %	15.5 %	16.9 %
Comprehensive net income (loss)	(40)	(285)	245	(762)
Comprehensive net income (loss) per share (basic)	(\$0.00)	(\$0.01)	\$0.01	(\$0.04)
Adjusted EBITDA	849	195	1,728	342
Adjusted EBITDA per share (basic)	\$0.04	\$0.01	\$0.09	\$0.02

REVENUE, GROSS PROFIT & NET INCOME

Revenues for the quarter ended March 31, 2023 were \$25.2 million compared with \$5.5 million during the previous quarter ended March 31, 2022, an increase of \$19.7 million. The increase in revenues was due primarily to the acquisition of Logixx and the inclusion of Logixx' revenue starting on June 1, 2022.

Compared to the previous quarter (Q1 2023), revenue decreased by 10.0% and is primarily a result of a seasonal surge in Q1 which takes place annually in the lead-up to the Christmas season. Traditionally, Q2 is the slowest period in our industry, growing into additional summer-time demand from outdoor events and activities, followed by growth into the fall and leading up to Christmas.

Gross profit for the quarter ended March 31, 2023 increased to \$4.0 million (15.9% of revenue) from \$1.0 million (18.2% of revenue) during the same quarter last year. The growth in nominal gross profit is primarily a result of the addition of Logixx gross margin starting June 1, 2022.

A gross margin percentage of around 15% is in line with our expectations going forward. In prior periods, this figure was higher as a result of contributions to gross margin from our legacy business whose effects were immaterial during this most recent quarter.

Comprehensive net loss for the quarter ended March 31, 2023 was \$0.04 million (loss of \$0.00 per share), compared to a comprehensive net loss in the same quarter last year of \$0.3 million (loss of \$0.01 per share).

Comprehensive net profit for six months ended March 31, 2023 was \$0.25 million (profit of \$0.01 per share), compared to a comprehensive net loss for the same six months last year of \$0.8 million (loss of \$0.04 per share).

ADJUSTED EBITDA

While Adjusted EBITDA does not have a standardized definition under IFRS, Adjusted EBITDA and Adjusted EBITDA per share are the primary metrics used by management to determine the performance of the Company, and Adjusted EBITDA is the basis on which companies operating in our industry are valued for transaction purposes.

Adjusted EBITDA for the quarter ended March 31, 2023, was \$0.8 million (\$0.04 per share), as compared to \$0.2 million (\$0.01 per share) during the same quarter last year.

Adjusted EBITDA for the six months ended March 31, 2023, was \$1.7 million (\$0.09 per share), as compared to \$0.3 million (\$0.02 per share) during the same six months last year. Until the legacy business wind-up is substantially complete, it will be difficult to make comparisons to prior periods.

Net Income and Adjusted EBITDA	Quarter ended March 31		Six months ended March 31	
	2023	2022	2023	2022
Net income (Loss)	(40)	(285)	245	(762)
Adjusted EBITDA	849	195	1,728	342
Adjusted EBITDA per share	\$0.04	\$0.01	\$0.09	\$0.02

A reconciliation of earnings to EBITDA and Adjusted EBITDA is provided in the Non-IFRS section of the MD&A published concurrently with this press release.*

BALANCE SHEET

Key balance sheet items are summarized below:

Statements of Financial Position	As at 31-Mar-23	As at 31-Mar-22
Cash	12,781	31,838
Accounts receivable	20,540	3,393
Legacy contract assets	6,501	10,230

Assets held for sale	800	1,299
Mortgages and loans receivable	3,256	7,029
Total assets	84,959	77,835
Total liabilities	15,628	5,420
Total shareholders' equity	69,331	72,415
Common shares outstanding	19,454	19,781
Working capital	25,968	35,132
Long-term debt	0	0

UPDATE ON NORMAL COURSE ISSUER BID

During the quarter ended March 31, 2023, we bought back 51,600 shares at an average price of \$2.87 per share.

We renewed our NCIB for the upcoming year on January 4, 2023 because we continue to believe that our shares have been trading in a price range which does not adequately reflect their value and that the purchase of shares under the NCIB will enhance shareholder value in general.

CFO RETIREMENT & EXECUTIVE APPOINTMENT

Today, we are announcing that on September 30, 2023, Brad Farquhar will retire from his position as Executive Vice-President & Chief Financial Officer after over 10 years of distinguished service with the Company. Brad is the Company's second largest shareholder and will remain a member of the Company's Board of Directors as he pursues new opportunities as a corporate director and in the global impact investing space.

"I want to thank Brad for his many years of service to SSC as EVP & CFO and for the impact he has had on the Company from the very beginning," said Doug Emsley, Chairman and Chief Executive Officer. "Brad is a co-founder of the Company and leaves SSC strongly positioned for future growth, having been instrumental in the Company's initial growth, subsequent pivot into the security business, and the three acquisitions that got us to where we are today. In 2012, there were just four of us, and today, we have about 3,000 employees across Canada and over \$100 million in annual revenue."

SSC's Director of Finance & Administration, Brett Leonard, CPA, CA, will succeed Brad as Chief Financial Officer on October 1, 2023. Brett joined the Company in 2021, having gained significant financial management, reporting and controller experience with several multi-national public companies. His experience and increasing levels of responsibility at Seaboard Special Crops, The Mosaic Company, and Deloitte LLP prepared him well for the role of Chief Financial Officer at SSC. Recently, Brett managed the relocation of the finance office of Logixx Security from Toronto to Regina and the successful integration of Logixx' financial operations into SSC's national administration centre.

OUTLOOK

We have been working to integrate Logixx into the operations of the Company and expect this work to continue in the second half of FY2023. This includes the consolidation of core accounting and finance operations into the Company's national administrative centre in Regina, a process which is now substantially complete.

We expect demand for security services to continue to grow and our national presence to assist in winning new contracts. Additional growth may come via acquisition, as we look to acquire other companies in the Canadian security industry. Additional acquisitions will help us reach our goals more quickly, but we will not rush to complete new deals and will maintain our financial conservatism throughout.

We see growing opportunities for the integration of security offerings, particularly where security

guard services can be combined or supplemented with electronic monitoring using cameras and sensors. We will continue to look for opportunities to offer these integrated security offerings.

In our legacy business, the majority of our legacy assets are expected to convert to cash within the next year. Our objective is to make these resources available for the expansion of our security business. When taken together, our Cash and Near Cash position is very strong at over \$33 million.

We plan to continue to distribute capital to shareholders via the dividend, operate with minimal to no debt while maintaining solid liquidity, and focus on maximizing Adjusted EBITDA per share.

BIOGRAPHICAL INFORMATION

Brett Leonard, CPA, CA currently serves as Director of Finance & Administration at SSC and will become Chief Financial Officer on October 1, 2023. He joined the Company from a similar role at Seaboard Special Crops, a global public company, where he led a finance and administration team spread across multiple locations in Canada and the United States. Before this, he held a series of progressively senior financial analysis, financial reporting, and internal controls positions at The Mosaic Company's Canadian head office in Regina. Previously, he was a senior accountant at Deloitte LLP in Regina and received his CA designation in 2009 and CPA designation in 2014. A graduate of the University of Regina, Brett is a lifelong Regina resident, a sports coach, and a dedicated father of two athletic teenagers.

ABOUT SSC

SSC Security Services Corp. is a national provider of cyber, physical and electronic security services to corporate and public sector clients across Canada. For more information, please visit www.securityservicescorp.ca.

NEITHER 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.

Forward Looking Statements

This release includes forward-looking statements regarding SSC and its business. Such statements are based on the current expectations and views of future events of SSC's management. In some cases the forward-looking statements can be identified by words or phrases such as "may", "will", "expect", "plan", "anticipate", "intend", "potential", "estimate", "believe" or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The forward-looking events and circumstances discussed in this release may not occur and could differ materially as a result of known and unknown risk factors and uncertainties affecting SSC, including risks regarding the security industry, the agricultural industry, economic factors and the equity markets generally and many other factors beyond the control of SSC. No forward-looking statement can be guaranteed. Forward-looking statements and information by their nature are based on assumptions and involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statement or information. Accordingly, readers should not place undue reliance on any forward-looking statements or information. Except as required by applicable securities laws, forward-looking statements speak only as of the date on which they are made and SSC undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

***Non-IFRS Measures**

SSC measures key performance metrics established by management as being key indicators of the Company's strength, using certain non-IFRS performance measures, including:

- Adjusted Net Income, Adjusted Net Income per Share, Adjusted EBITDA, and Adjusted EBITDA per share.

The Company uses these non-IFRS measures for its own internal purposes. These non-IFRS measures do not have any standardized meaning prescribed by IFRS, and these measures may be calculated differently by other companies. The presentation of these non-IFRS measures is intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. The Company provides these non-IFRS measures to enable investors and analysts to understand the underlying operating and financial performance of the Company in the same way as it is frequently evaluated by Management. Management will periodically assess these non-IFRS measures and the components thereof to ensure their continued use is beneficial to the evaluation of the underlying operating and financial performance of the Company. For more detailed information, please refer to pages 22 and 23 of the Company's Management Discussion and Analysis dated May 16, 2023 available on the Company's website at www.securityservicescorp.ca and on SEDAR at www.sedar.com.

SOURCE SSC Security Services Corp.

View original content: <http://www.newswire.ca/en/releases/archive/May2023/16/c5968.html>

%SEDAR: 00032915E

For further information: Doug Emsley, President & CEO, (306) 347-1024, doug@securityservicescorp.ca; Brad Farquhar, Executive VP & Chief Financial Officer, (306) 347-7202, brad@securityservicescorp.ca

CO: SSC Security Services Corp.

CNW 16:00e 16-MAY-23