

TERRAVEST ANNOUNCES FOURTH QUARTER AND YEAR END RESULTS FOR FISCAL 2019 AND THE REDEMPTION OF 7.00% CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES

TORONTO, ONTARIO (December 11, 2019) - TerraVest Industries Inc., (TSX: TVK) ("TerraVest" or the "Company") announces its results for the fourth quarter and year ended September 30, 2019.

FOURTH QUARTER AND YEAR END REVIEW AND OUTLOOK

Business Performance

Management believes that there are certain non-IFRS financial measures that can be used to assist shareholders in analyzing the performance of TerraVest. The table below highlights certain financial results and reconciles net income to adjusted earnings before interests, income taxes, depreciation and amortization ("EBITDA") for the fourth quarter and year ended September 30, 2019 and the comparative periods in fiscal 2018.

	Fourth quarters ended		Years ended	
	Sept. 30, 2019	Sept. 30, 2018	Sept. 30, 2019	Sept. 30, 2018
	\$	\$	\$	\$
Sales	80,345	79,297	306,286	269,927
Net Income	6,308	8,266	22,555	17,152
<i>Add (subtract):</i>				
Income tax expense	2,120	1,523	8,397	5,313
Financing costs	1,348	1,388	5,769	5,318
Depreciation and amortization	2,866	3,902	11,705	11,758
Change in fair value of derivative financial instruments	323	(425)	629	959
Acquisition-related cost	98	43	98	661
(Gain) loss on disposal of property, plant and equipment	68	(159)	(18)	305
Gain on disposal of assets held for sale	(302)	-	(302)	(28)
Loss on contingent considerations	457	-	457	-
Impairment of assets held for sale	-	129	-	129
Adjusted EBITDA	13,286	14,667	49,290	41,567

Sales for the quarter ended September 30, 2019 were \$80,345 versus \$79,297 for the prior comparable quarter. This represents an increase of 1%. However, TerraVest acquired substantially all of the assets of Iowa Steel Fabrication, LLC ("ISF") on August 30, 2019, which contributed to TerraVest's sales for one month. Excluding ISF, sales for the fourth quarter ended September 30, 2019 were \$78,590 versus \$79,297 for the prior comparable period. This represents a decrease of less than 1%.

Sales for the year ended September 30, 2019 were \$306,286 versus \$269,927 for the prior comparable period, representing an increase of 14%. However, MaXfield Group Inc. ("MaXfield") was acquired on January 1, 2018 and only partially contributed to the prior comparable period and ISF only partially contributed to the current fiscal year. Excluding MaXfield and ISF, sales for the year ended September 30, 2019 were essentially flat at \$233,128 versus \$233,425 for the prior comparable period. The stability in fourth quarter and annual sales of TerraVest's base portfolio (excluding ISF and MaXfield) is a result of stronger demand for LPG storage and distribution equipment, as well as home heating products in both Canada and the United States, offset by weaker demand for oil and gas process equipment and services in Western Canada. The overall increase of TerraVest annual sales is mostly attributable to the sales growth of MaXfield, where demand for LPG, NGL and anhydrous ammonia ("NH3") storage and distribution equipment has been strong.

Net Income for the fourth quarter and year ended September 30, 2019 was \$6,308 and \$22,555 versus \$8,266 and \$17,152 for the prior comparable periods. This represents a decrease of 24% and an increase of 32% respectively. The decrease in net income for the fourth quarter is largely attributable to increased income tax expenses, as well as fluctuations in the value of foreign exchange contracts versus the prior comparable period. TerraVest also experienced lower margin in the fourth quarter versus the prior comparable period as a result of product mix. The increase in net income for the year is a result of increased sales activity, as described above, as well as the successful implementation of certain initiatives aimed at reducing costs.

Adjusted EBITDA for the fourth quarter and year ended September 30, 2019 were \$13,286 and \$49,290 versus \$14,667 and \$41,567 for the prior comparable periods. This represents a decrease of 9% and an increase of 19% respectively, which is the result of the reasons explained above.

The table below reconciles cash flow from operating activities to cash available for distribution for the fourth quarter and year ended September 30, 2019 and the comparative periods in fiscal 2018.

	Fourth quarters ended		Years ended	
	Sept. 30, 2019	Sept. 30, 2018	Sept. 30, 2019	Sept. 30, 2018
	\$	\$	\$	\$
Cash Flow from (used in) Operating Activities	12,248	(7,395)	30,977	7,782
<i>Add (subtract):</i>				
Change in non-cash operating working capital items	(2,050)	20,683	4,261	23,160
Maintenance Capital Expenditures	(1,082)	(1,752)	(4,459)	(4,209)
Cash Available for Distribution	9,116	11,536	30,779	26,733
Dividends Paid in the Period	1,732	1,742	6,929	7,263
Dividend Payout Ratio	19%	15%	23%	27%

Cash flow from (used in) operating activities for the fourth quarter and year ended September 30, 2019 were \$12,248 and \$30,977 versus (\$7,395) and \$7,782 for the prior comparable periods. This represents increases of 266% quarter over quarter and 298% year over year. The increased cash flow is primarily a result of greater emphasis on working capital management in the wake of the elimination of North American steel tariffs. TerraVest also benefitted from increased sales activity and improved cost control in certain of its portfolio businesses.

Maintenance capital expenditures were \$1,082 for the fourth quarter versus \$1,752 for the prior comparable period. During the fourth quarter ended September 30, 2019, TerraVest's total purchases of property, plant and equipment was \$4,300 of which \$3,218 is considered growth capital. During the fourth quarter, TerraVest paid capital expenditures related to a major capital project completed in the third quarter that involved transferring petroleum tank production to a new facility. Additionally, TerraVest expanded its desanding rental fleet. These growth projects are expected to result in increased capacity and greater efficiencies in several of TerraVest's businesses.

Cash available for distribution for the fourth quarter and year ended September 30, 2019 decreased by 21% and increased by 15% respectively versus the prior comparable periods. The decrease and increase are a result of reasons explained above.

The dividend payout ratio for the fourth quarter and year ended September 30, 2019 were 19% and 23% versus 15% and 27% for the prior comparable periods.

Outlook

In fiscal 2019, TerraVest experienced an improvement in operating results over the prior year. As mentioned above, this was driven by increased sales, particularly sales of LPG, NGL and anhydrous ammonia equipment product lines, as well as the impact of certain initiatives undertaken to improve manufacturing efficiencies. TerraVest also experienced greatly improved cash flow this past year as an emphasis was placed on working capital management following the elimination of recently imposed steel tariffs. For fiscal 2020, management is expecting further incremental improvement driven by continued strong demand for its LPG, NGL and anhydrous ammonia storage and distribution equipment, as well as a recently completed major capital project that should improve the efficiency of its petroleum tank manufacturing. Additionally, management expects a positive contribution from the recently acquired ISF. The Western Canadian energy market continues to be challenged and management is not anticipating a reversal for fiscal 2020. However, overall management is expecting TerraVest's operating results for fiscal 2020 to be stronger than the prior year.

Business Combinations

On August 30, 2019, a subsidiary of TerraVest entered into an acquisition agreement to acquire substantially all the assets of Iowa Steel Fabrication, LLC, doing business as Countryside Tank and Majona Steel Corporation. ISF is an Iowa based company primarily focused on manufacturing transportation equipment for the propane and anhydrous ammonia markets as well as structural steel projects. The business combination has been accounted for using the purchase method with the results of operations included in earnings from the date of acquisition. For information regarding the fair value of the consideration transferred, the assets acquired and the liabilities assumed at the acquisition date, please refer to Note 5 of the audited consolidated financial statements for the year ended September 30, 2019, available on SEDAR.

CONSOLIDATED RESULTS OF OPERATIONS

The following section provides the financial results of TerraVest's operations for the fourth quarter and year ended September 30, 2019 and the comparative periods in fiscal 2018.

	Fourth quarters ended		Years ended	
	Sept. 30, 2019	Sept. 30, 2018	Sept. 30, 2019	Sept. 30, 2018
	\$	\$	\$	\$
Sales	80,345	79,297	306,286	269,927
Cost of sales	61,617	59,869	235,544	208,338
Gross profit	18,728	19,428	70,742	61,589
Administration expenses	7,223	7,179	28,152	26,562
Selling expenses	1,311	1,313	5,537	6,404
Financing costs	1,348	1,388	5,769	5,318
Share of an associate's net income	(136)	-	(136)	-
Other (gains) losses	554	(241)	468	840
	10,300	9,639	39,790	39,124
Earnings before income taxes	8,428	9,789	30,952	22,465
Income tax expense	2,120	1,523	8,397	5,313
Net Income	6,308	8,266	22,555	17,152
Allocated to non-controlling interest	(12)	(2)	60	(116)
Net income attributable to common shareholders	6,320	8,268	22,495	17,268
Weighted average shares outstanding – Basic	17,390,014	17,424,852	17,239,597	17,951,835
Weighted average shares outstanding – Diluted	19,115,542	19,797,358	19,116,577	20,554,770
Net income per share – Basic	\$0.36	\$0.47	\$1.30	\$0.96
Net income per share – Diluted	\$0.34	\$0.43	\$1.24	\$0.89

Sales for the fourth quarter increased slightly over the prior comparable period, while sales for the year ended September 30, 2019 increased by 14% year over year. The reasons for the variations have been explained previously in this press release.

Gross profit for the fourth quarter and year ended September 30, 2019 decreased by 4% and increased by 15% respectively versus the prior comparable periods. Gross profit quarter over quarter was comparable and the slight decrease was primarily the result of product mix contributing to a slightly lower margin. The gross profit increase for the year is largely attributable to the increase in sales for the period as well as improvements in cost control.

Administration expenses for the fourth quarter and year ended September 30, 2019 increased by less than 1% quarter over quarter and increased by 6% year over year. The increase for the year is attributable to increased expenses associated with the transfer of petroleum tank production into a new facility as well as MaXfield only partially contributing to the prior period.

Selling expenses for the fourth quarter and year ended September 30, 2019 is comparable quarter over quarter and decreased by 14% year over year as a result of staffing reductions and cost control initiatives.

Financing costs for the fourth quarter and year ended September 30, 2019 decreased by 3% and increased by 9% respectively versus the prior comparable periods. The decrease for the fourth quarter is primarily a result of the reduced costs associated with the reduction of convertible debentures outstanding, partially offset by higher interest expense on revolving credit facilities and long-term debt. The increase for the year is a result of increased levels of debt as a result of several growth capital projects, increased levels of working capital versus the prior year and the acquisition of ISF.

Income tax expense for the fourth quarter and year ended September 30, 2019 increased versus comparable periods, which is the result of increased profitability partially offset by a reduction of deferred income tax expense recognized in the fourth quarter of 2018 related to prior period adjustment. TerraVest has income tax loss carry-forwards which are available to shelter income taxes in certain subsidiaries.

As a result of the above, net income attributable to common shareholders for the fourth quarter and year ended September 30, 2019 decreased by 24% and increased by 30% respectively versus the prior comparable periods.

DIVIDENDS

TerraVest is pleased to announce that The Board of Directors has declared its quarterly dividend of 10 cents per common share payable on January 10, 2020 to shareholders of record as at the close of business on December 31, 2019. The dividend is designated an “eligible dividend” for Canadian income tax purposes.

Redemption of 7.00% Convertible Unsecured Subordinated Debentures

TerraVest is also pleased to announce that it has issued a notice of redemption to AST Trust Company, as indenture trustee for holders of the 7.00% convertible unsecured subordinated debentures due June 30, 2020 (the “Debentures”), representing a redemption in full of all of the currently outstanding Debentures.

The Debentures will be redeemed on January 13, 2020 (the “Redemption Date”) in accordance with their terms. The Debentures will be redeemed at a redemption price of \$1,000 plus accrued and unpaid interest of \$2.30, both per \$1,000 principal amount of Debentures. As of the close of trading on December 11, 2019, the aggregate principal amount of the Debentures outstanding was \$8,805,000.

The Debentures are currently listed for trading on the Toronto Stock Exchange under the symbol “TVK.DB” and will cease trading subsequent to the Redemption Date.

Additional information can be found in TerraVest’s audited consolidated financial statements and MD&A which are available on SEDAR at www.sedar.com.

FOR FURTHER INFORMATION PLEASE CONTACT:

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Non-IFRS Financial Measures

This news release makes reference to certain non-IFRS financial measures. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS. TerraVest’s definitions may differ from those of other issuers and therefore may not be comparable to similarly titled measures used by other issuers. The Company uses non-IFRS financial measures including adjusted EBITDA, cash available for distribution, dividend payout ratio and maintenance capital expenditures.

Adjusted EBITDA: is defined as net income adjusted for income tax expense, financing costs, depreciation, amortization, gains or losses on disposal of property, plant and equipment and on disposal of assets held for sale, change in fair value of derivative financial instruments, non-recurring acquisition-related costs, impairment charges and other non-recurring and/or non-operations related items that do not reflect the current ongoing operations of TerraVest. Management believes this is a useful metric in evaluating the ongoing operating performance of TerraVest. Readers are cautioned that adjusted EBITDA should not be construed as an alternative to net income determined in accordance with IFRS as an indicator of TerraVest’s performance.

Cash Available for Distribution: is defined as cash flow from operating activities adjusted for changes in non-cash operating working capital and maintenance capital expenditures. Management believes that cash available for distribution, as a liquidity measure, is a useful metric that provides an indication of the cash available from ongoing operations that can be distributed to shareholders as a dividend. Readers are cautioned that cash available for distribution should not be construed as an alternative to cash flow from operating activities determined in accordance with IFRS as an indicator of TerraVest’s liquidity and cash flows.

Dividend Payout Ratio: is defined as dividends paid in cash during the period divided by cash available for distribution for the period. Management believes that dividend payout ratio is a useful metric as it provides an indication of TerraVest’s ability to sustain its current dividend policy. There is no directly comparable IFRS measure for dividend payout ratio.

Maintenance Capital Expenditures: is defined as capital expenditures made to sustain the operations of TerraVest’s operating businesses and to maintain the productive capacity of the businesses over an economic cycle, whether or not they yield significant cost or production efficiencies. Management believes that maintenance capital expenditures should be funded by cash flow from existing operating activities and, therefore, deducted in determining cash available for distribution. There is no directly comparable IFRS measure for maintenance capital expenditures.

Caution Regarding Forward-Looking Statements

This news release contains forward-looking statements. All statements other than statements of historical fact contained in this news release are forward-looking statements, including, without limitation, statements regarding our strategic direction and evaluation of the business segments and TerraVest as a whole, and other plans and objectives of or involving TerraVest. Readers can identify many of these statements by looking for words such as “expects” and “will” or similar terms or variations of these words. Although management believes that the expectations represented in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct.

By their nature, forward-looking statements require us to make assumptions and, accordingly, forward looking statements are subject to inherent risks and uncertainties. There is significant risk that the forward-looking statements will not prove to be accurate. We caution readers of this news release not to place undue reliance on our forward-looking statements because a number of factors may cause actual future circumstances, results, conditions, actions or events to differ materially from the plans, expectations, estimates or intentions expressed in the forward-looking statements and the assumptions underlying the forward-looking statements.

Assumptions and analysis about the performance of TerraVest as a whole and its business segments, the markets in which the business segments compete and the prospects and values of the business segments are considered in setting the business plan for TerraVest, plans and/or ability to pay dividends, outlook for operations, financial position, results and cash flows, other plans and objectives and in making related forward-looking statements. Such assumptions include, without limitation, demand for products and services of the business segments in respect of the Canadian and other markets in which the businesses are active will be stable, and that input costs to business segments do not vary significantly from levels experienced historically. Should any of these factors or assumptions vary, actual results may differ materially from the forward-looking statements.