

## TERRAVEST ANNOUNCES FOURTH QUARTER AND YEAR END RESULTS FOR FISCAL 2023 AND A 20% DIVIDEND INCREASE

**TORONTO, ONTARIO** (December 13<sup>th</sup>, 2023) - TerraVest Industries Inc., (TSX: TVK) (“TerraVest” or the “Company”) announces its results for the fourth quarter and year ended September 30, 2023 and the declaration of its quarterly dividend.

### 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 (“Adjusted EBITDA”) for the fourth quarter and year ended September 30, 2023 and the comparative periods in fiscal 2022.

|                                                                     | Fourth quarters ended |                | Years ended    |                |
|---------------------------------------------------------------------|-----------------------|----------------|----------------|----------------|
|                                                                     | Sept. 30, 2023        | Sept. 30, 2022 | Sept. 30, 2023 | Sept. 30, 2022 |
|                                                                     | \$                    | \$             | \$             | \$             |
| <b>Sales</b>                                                        | <b>173,931</b>        | 162,442        | <b>678,350</b> | 576,704        |
| <b>Net Income</b>                                                   | <b>15,527</b>         | 16,953         | <b>49,633</b>  | 46,770         |
| <i>Add (subtract):</i>                                              |                       |                |                |                |
| Income tax expense                                                  | <b>6,567</b>          | 2,440          | <b>17,635</b>  | 11,885         |
| Financing costs                                                     | <b>4,342</b>          | 3,069          | <b>15,880</b>  | 9,342          |
| Depreciation and amortization                                       | <b>10,754</b>         | 12,879         | <b>39,895</b>  | 35,289         |
| Change in fair value of derivative financial instruments            | <b>774</b>            | 2,014          | <b>(1,576)</b> | 1,173          |
| Change in fair value of investment in equity instruments            | <b>(90)</b>           | 338            | <b>(22)</b>    | 293            |
| Change in fair value of investment in a limited partnership         | <b>(108)</b>          | -              | <b>(1,070)</b> | -              |
| (Gain) loss on foreign exchange                                     | <b>(2,001)</b>        | (4,283)        | <b>1,265</b>   | (5,175)        |
| (Gain) loss on disposal of other property, plant and equipment      | <b>518</b>            | (76)           | <b>(2,361)</b> | (1,110)        |
| (Gain) loss on disposal of property, plant and equipment for rental | <b>(408)</b>          | (477)          | <b>(1,013)</b> | (801)          |
| (Gain) loss on disposal of intangible assets                        | -                     | -              | -              | 7              |
| (Gain) loss on lease modification                                   | -                     | -              | <b>19</b>      | -              |
| (Gain) loss on remeasurement of an equity interest                  | -                     | -              | -              | (1,956)        |
| Gain on bargain purchase                                            | -                     | (9,468)        | -              | (9,468)        |
| Acquisition-related cost                                            | <b>17</b>             | 130            | <b>196</b>     | 420            |
| Other non-recurring expenses <sup>i)</sup>                          | -                     | -              | <b>3,084</b>   | -              |
| <b>Adjusted EBITDA</b>                                              | <b>35,892</b>         | 23,519         | <b>121,565</b> | 86,669         |

<sup>i)</sup> Settlement of the working capital adjustment with the prior owner of ECR International Inc. (“ECR”).

Sales for the fourth quarter and year ended September 30, 2023 were \$173,931 and \$678,350 versus \$162,442 and \$576,704 for the prior comparable periods. This represents increases of 7% and 18% respectively. However, TerraVest acquired all of the issued and outstanding shares of T.S.X. Transport Inc. (“TSX”) in October 2022, of Mississippi Tank and Manufacturing Company (“MTC”) in March 2022, as well as a controlling interest of 66.8% in Green Energy Services Inc. (“GES”) in November 2021, of which only GES and MTC partially contributed to the prior comparable periods. A subsidiary of TerraVest also acquired assets of Secure Energy (Drilling Services) Inc. (“SES”) in March 2023, which are included in its results. Excluding GES and MTC (only for the twelve-month period) as well as TSX, sales for the fourth quarter and year ended September 30, 2023 were \$173,372 and \$483,401 versus \$162,442 and \$478,336 for the prior comparable periods. This

represents increases of 7% and 1% respectively for TerraVest's base portfolio (excluding TSX, MTC and GES). The increases in sales are the result of higher demand for oil and gas processing equipment and services in Western Canada, as well as for LPG storage and distribution equipment, partially offset by decreased sales for the HVAC segment versus the prior comparable periods.

Net income for the fourth quarter and year ended September 30, 2023 were \$15,527 and \$49,633 versus \$16,953 and \$46,770 for the prior comparable periods. This represents a decrease of 8% and an increase of 6% respectively. The decrease for the quarter is a result of higher income tax expenses, as well as a non-recurring gain on bargain purchase in the prior comparable quarter, which was partially offset by higher sales and positive contributions from MTC and GES. Other variances are also highlighted in the table above.

Adjusted EBITDA for the fourth quarter and year ended September 30, 2023 were \$35,892 and \$121,565 versus \$23,519 and \$86,669 for the prior comparable periods. This represents increases of 53% and 40% respectively, which are primarily the result of higher sales and the addition of GES, MTC and TSX.

The table below reconciles cash flow from operating activities to cash available for distribution for the fourth quarter and year ended September 30, 2023 and the comparative periods in fiscal 2022.

|                                                    | Fourth quarters ended |                | Years ended     |                |
|----------------------------------------------------|-----------------------|----------------|-----------------|----------------|
|                                                    | Sept. 30, 2023        | Sept. 30, 2022 | Sept. 30, 2023  | Sept. 30, 2022 |
|                                                    | \$                    | \$             | \$              | \$             |
| <b>Cash Flow from Operating Activities</b>         | <b>19,776</b>         | <b>8,342</b>   | <b>79,242</b>   | <b>29,948</b>  |
| <i>Add (subtract):</i>                             |                       |                |                 |                |
| Change in non-cash operating working capital items | <b>12,096</b>         | 11,716         | <b>17,402</b>   | 38,346         |
| Maintenance Capital Expenditures                   | <b>(5,985)</b>        | (2,742)        | <b>(14,869)</b> | (7,967)        |
| Repayment of lease liabilities                     | <b>(1,563)</b>        | (1,468)        | <b>(5,828)</b>  | (5,753)        |
| <b>Cash Available for Distribution</b>             | <b>24,324</b>         | <b>15,848</b>  | <b>75,947</b>   | <b>54,574</b>  |
| Dividends Paid                                     | <b>2,239</b>          | 1,789          | <b>8,485</b>    | 7,132          |
| Dividend Payout Ratio                              | <b>9%</b>             | 11%            | <b>11%</b>      | 13%            |

Cash flow from operating activities for the fourth quarter and year ended September 30, 2023 were \$19,776 and \$79,242 versus \$8,342 and \$29,948 for the prior comparable periods. This represents increases of 137% and 165% respectively. The increase in cash flow from operating activities is largely attributable to the increase in net income and the stabilization of Working Capital levels compared to the prior period where Working Capital levels were increasing as a result of increased activity in certain of TerraVest's businesses combined with significant increases in steel and other raw materials pricing. The increase in cash flow from operating activities was partially offset by additional interest paid.

Maintenance Capital Expenditures were \$5,985 for the fourth quarter ended September 30, 2023 versus \$2,742 for the prior comparable period representing an increase of 118%, which is mainly explained by the timing of Maintenance Capital Expenditures and the addition of TSX, MTC and GES. During the fourth quarter, TerraVest's total purchase of property, plant and equipment paid was \$10,803 of which \$4,818 is considered growth capital. The growth capital incurred during the fourth quarter was mainly used to add to the Company's rental fleet.

Cash Available for Distribution for the fourth quarter and year ended September 30, 2023 increased by 53% and 39% respectively versus the prior comparable periods. These increases are a result of reasons explained above and previously in this press release.

The Dividend Payout Ratio for the fourth quarter and year ended September 30, 2023 were 9% and 11% versus 11% and 13% for the prior comparable periods.

## **Outlook**

The overall business environment continues to present challenges via persistent labour shortages and rising interest rates. However, TerraVest's businesses continue to perform well. Management expects continued growth for the upcoming fiscal year across its base portfolio of businesses, as well as a meaningful contribution from its recently announced acquisitions.

The Company continues to make targeted investments to improve its manufacturing efficiency and expand its product lines, and with the recently announced new credit facility, TerraVest is well-positioned to pursue its acquisition strategy.

## **Business Combinations**

On March 1, 2023, a subsidiary of TerraVest entered into an acquisition agreement to acquire assets of SES, a subsidiary of Secure Energy Inc. SES provides integrated fluids solutions such as on-site water sourcing, filtration, pumping, storage and heating services. The business combination has been accounted for using the acquisition method with the results of operations included in earnings from the date of acquisition.

On October 2, 2022, a subsidiary of TerraVest entered into a share purchase agreement to acquire all the issued and outstanding shares of JCAC Fortin Inc., the holding company of TSX. TSX is a privately-owned Quebec transport company that provides drop deck transportation services between Quebec and Eastern United States. The business combination has been accounted for using the acquisition method with the results of operations included in earnings from the date of acquisition.

## **Subsequent Events**

### *Long-term debt*

On October 23, 2023, TerraVest obtained, through certain of its subsidiaries operating in the HVAC and Compressed Gas Equipment segments, a credit facility totaling \$310,000 with a syndicate of lenders. This new credit facility is replacing the revolving operating loan of \$130,000. The new credit facility expires in October 2026 and is secured by the assets of the HVAC and Compressed Gas Equipment segments.

### *Business combinations*

On November 1, 2023, a subsidiary of TerraVest entered into an acquisition agreement to acquire all the operating assets of the subsidiaries of Highland Tank Holdings, LLC ("HT") for a total consideration of US\$78,000, of which US\$5,000 was paid with the issuance of TerraVest shares and the remaining was paid in cash using the new credit facility. HT is a leading manufacturer of fuel and chemical storage tanks, LPG vessels and other custom built steel storage products in North America.

On November 3, 2023, TerraVest's partially owned subsidiary, GES, entered into a share purchase agreement to purchase all of the issued and outstanding shares of LV Energy Services Ltd. ("LV") for a total consideration of \$25,000, of which \$3,000 was paid with the issuance of GES shares and the remaining was paid in cash. LV provides water management and other related services in the Western Canadian energy industry. GES acquired the shares of LV using its existing credit facilities.

## CONSOLIDATED RESULTS OF OPERATIONS

The following section provides the financial results of TerraVest's operations for the fourth quarter and year ended September 30, 2023 and the comparative periods in fiscal 2022.

|                                                             | Fourth quarters ended |                | Years ended    |                |
|-------------------------------------------------------------|-----------------------|----------------|----------------|----------------|
|                                                             | Sept. 30, 2023        | Sept. 30, 2022 | Sept. 30, 2023 | Sept. 30, 2022 |
|                                                             | \$                    | \$             | \$             | \$             |
| Sales                                                       | 173,931               | 162,442        | 678,350        | 576,704        |
| Cost of sales                                               | 127,766               | 129,011        | 512,391        | 452,318        |
| Gross profit                                                | 46,165                | 33,431         | 165,959        | 124,386        |
| Administration expenses                                     | 15,909                | 17,678         | 66,856         | 54,900         |
| Selling expenses                                            | 5,150                 | 5,290          | 20,724         | 18,464         |
| Financing costs                                             | 4,342                 | 3,069          | 15,880         | 9,342          |
| Share of an associate and a joint venture net (income) loss | (15)                  | (47)           | (11)           | 62             |
| Other (gains) losses                                        | (1,315)               | (11,952)       | (4,758)        | (17,037)       |
|                                                             | 24,071                | 14,038         | 98,691         | 65,731         |
| Earnings before income taxes                                | 22,094                | 19,393         | 67,268         | 58,655         |
| Income tax expense                                          | 6,567                 | 2,440          | 17,635         | 11,885         |
| Net Income                                                  | 15,527                | 16,953         | 49,633         | 46,770         |
| Allocated to non-controlling interests                      | 2,226                 | 498            | 7,560          | 1,518          |
| Net income attributable to common shareholders              | 13,301                | 16,455         | 42,073         | 45,252         |
| Weighted average shares outstanding – Basic                 | 17,912,499            | 17,886,320     | 17,877,555     | 17,877,941     |
| Weighted average shares outstanding – Diluted               | 18,248,456            | 18,100,130     | 18,122,265     | 18,093,678     |
| Net income per share – Basic                                | \$0.74                | \$0.92         | \$2.35         | \$2.53         |
| Net income per share – Diluted                              | \$0.73                | \$0.91         | \$2.32         | \$2.50         |

Sales for the fourth quarter and year ended September 30, 2023 increased by 7% and 18% respectively versus the prior comparable periods. The reasons have been explained previously in this press release.

Gross profit for the fourth quarter and year ended September 30, 2023 increased by 38% and 33% respectively versus the prior comparable periods. This is primarily explained by the contribution of GES, MTC and TSX and by increased sales volumes for most of TerraVest's base portfolio businesses, partially offset by a less favorable product mix.

Administration expenses for the fourth quarter and year ended September 30, 2023 decreased by 10% and increased by 22% respectively compared to the prior comparable periods. The decrease in administration expenses for the fourth quarter is mainly due to the recognition of the entire amortization expense in the prior comparable period on the identifiable intangible assets acquired since ECR and MTC acquisition-date following the finalization of the purchase price allocation. The increase in administration expenses for the year ended September 30, 2023 is mainly the result of the addition of GES, MTC and TSX. TerraVest also recognized an expense of \$3,084 in the second quarter of fiscal 2023 following the settlement of the working capital adjustment with the prior owner of ECR.

Selling expenses for the fourth quarter and year ended September 30, 2023 decreased by 3% and increased by 12% respectively versus the prior comparable periods. The decrease in selling expenses for the fourth quarter is explained by reduced marketing expenses versus the prior comparable period. The increase for the year ended September 30, 2023 is mainly due to the addition of TSX, GES and MTC and is also explained by the hiring of additional sales personnel and additional commission expense as a result of increased sales in certain product lines.

Financing costs for the fourth quarter and year ended September 30, 2023 increased by 41% and 70% respectively versus the prior comparable periods. The increase is primarily explained by additional interest expenses as a result of increases in interest rates on floating rate debt versus the prior comparable periods.

Other (gains) losses variance for the fourth quarter and year ended September 30, 2023 is a result of a loss on foreign exchange, partially offset by a favorable change in fair value of derivative financial instruments and of an investment in a limited partnership. In addition, the Service segment sold a group of assets during the third quarter of fiscal 2023 and realized a gain on disposal of other property, plant and equipment. In the fourth quarter ended September 30, 2022, TerraVest also realized a non-recurring gain on bargain purchase.

Income tax expense variance for the fourth quarter and year ended September 30, 2023 is the result of the variation in taxable earnings and the timing of income tax expense adjustments.

As a result of the above, net income attributable to common shareholders decreased by 19% for the fourth quarter and 7% for the year ended September 30, 2023 versus the prior comparable periods.

## DIVIDENDS

TerraVest is pleased to announce that The Board of Directors has declared a quarterly dividend of \$0.15 per common share payable on January 10, 2024 to shareholders of record as at the close of business on December 31, 2023. This represents a 20% increase over the prior quarterly dividend. The dividend is designated an “eligible dividend” for Canadian income tax purposes.

Additional information can be found in TerraVest’s annual consolidated financial statements and MD&A which are available on SEDAR+ at [www.sedarplus.com](http://www.sedarplus.com).

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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, change in fair value of derivative financial instruments, change in fair value of investment in equity instruments and investment in a limited partnership, gains or losses on foreign exchange, gains or losses on disposal of other property, plant and equipment and property, plant and equipment for rental, gains or losses on disposal of intangible assets, gains or losses on lease modification, gains or losses on remeasurement of equity interest, gain on bargain purchase, 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, maintenance capital expenditures and repayment of lease liabilities. 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.

Working Capital: is calculated by subtracting current liabilities from current assets. Management uses Working Capital as a measure for assessing overall liquidity. There is no directly comparable IFRS measure for Working Capital.

**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.*