

TERRAVEST ANNOUNCES SECOND QUARTER RESULTS FOR FISCAL 2024 AND DIVIDEND DECLARATION

TORONTO, ONTARIO (May 8th, 2024) - TerraVest Industries Inc., (TSX: TVK) ("TerraVest" or the "Company") announces its results for the second quarter ended March 31, 2024 and the declaration of its quarterly dividend.

SECOND QUARTER AND SIX MONTHS 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 second quarter and six months ended March 31, 2024 and the comparative periods in fiscal 2023.

	Second quarters ended		Six months ended	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
	\$	\$	\$	\$
Sales	214,943	176,858	443,033	354,056
Net Income	25,729	11,444	45,032	24,530
<i>Add (subtract):</i>				
Income tax expense	6,006	4,507	14,148	9,020
Financing costs	6,822	3,762	13,239	7,478
Depreciation and amortization	11,774	9,434	22,899	18,725
Change in fair value of derivative financial instruments	308	32	28	(1,280)
Change in fair value of investment in equity instruments	(877)	99	(304)	304
Change in fair value of investment in a limited partnership	123	390	526	390
(Gain) loss on foreign exchange	(3,171)	208	(158)	961
(Gain) loss on disposal of other property, plant and equipment	(2,938)	(774)	(2,605)	(320)
(Gain) loss on disposal of property, plant and equipment for rental	414	(38)	39	(605)
(Gain) loss on lease modification	-	-	-	19
(Gain) loss on sale of business	(339)	-	(339)	-
Acquisition-related cost	83	74	485	154
Other non-recurring expenses ⁱ⁾	-	3,084	-	3,084
Adjusted EBITDA	43,934	32,222	92,990	62,460

ⁱ⁾ Settlement of the working capital adjustment with the prior owner of ECR International Inc. ("ECR").

Sales for the second quarter and six months ended March 31, 2024 were \$214,943 and \$443,033 versus \$176,858 and \$354,056 for the prior comparable periods. This represents increases of 22% and 25% respectively. However, TerraVest acquired all the operating assets of the subsidiaries of Highland Tank Holdings, LLC ("HT") in November 2023 and all of the issued and outstanding shares of LV Energy Services Ltd. and its sister company (together referred as "LV") effective in October 2023, all of which did not contribute to the prior comparable periods. Excluding HT and LV, sales for the second quarter and six months ended March 31, 2024 were \$169,869 and \$359,412 versus \$176,858 and \$354,056 for the prior comparable periods. This represents a decrease of 4% and an increase of 2% respectively for TerraVest's base portfolio (excluding HT and LV). The variations in sales are the result of slightly higher demand in the Service segment, as well as for compressed gas distribution equipment and for residential and commercial petroleum tanks; offset by lower sales for furnaces and boilers and for oil and gas processing equipment compared to prior periods.

Net income for the second quarter and six months ended March 31, 2024 were \$25,729 and \$45,032 versus \$11,444 and \$24,530 for the prior comparable periods. This represents increases of 125% and 84% respectively, which are the result of the positive contributions from HT and LV, a gain on disposal of other property, plant and equipment ("PP&E") and from increased sales in some of TerraVest's base portfolio of businesses. The increases in net income were partially offset by acquisition-related costs, increased financing costs due to higher debt levels to finance business acquisitions and increased interest rates versus the prior periods as well as higher income tax expense. TerraVest also incurred additional expenses in the development of a new product line. Other variances are also highlighted in the table above.

Adjusted EBITDA for the second quarter and six months ended March 31, 2024 were \$43,934 and \$92,990 versus \$32,222 and \$62,460 for the prior comparable periods. This represents increases of 36% and 49% 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 second quarter and six months ended March 31, 2024 and the comparative periods in fiscal 2023.

	Second quarters ended		Six months ended	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
	\$	\$	\$	\$
Cash Flow from Operating Activities	43,166	19,164	81,719	41,047
<i>Add (subtract):</i>				
Change in non-cash operating working capital items	(12,361)	3,049	(18,895)	4,961
Maintenance capital expenditures	(6,241)	(3,317)	(13,150)	(4,856)
Repayment of lease liabilities	(1,940)	(1,303)	(3,570)	(2,819)
Cash Available for Distribution	22,624	17,593	46,104	38,333
Dividends Paid	2,717	2,229	4,956	4,018
Dividend Payout Ratio	12%	13%	11%	10%

Cash flow from operating activities for the second quarter and six months ended March 31, 2024 were \$43,166 and \$81,719 versus \$19,164 and \$41,047 for the prior comparable periods. This represents increases of 125% and 99% respectively. The increases in cash flow from operating activities are largely attributable to the increases in net income and the reduction of inventory levels for TerraVest's base portfolio businesses compared to the prior periods as the supply chain has greatly improved and is more stable. The increases in cash flow from operating activities were partially offset by additional interest and income taxes paid.

Maintenance Capital Expenditures were \$6,241 for the second quarter ended March 31, 2024 versus \$3,317 for the prior comparable period representing an increase of 88%, which is primarily explained by the timing of such capital expenditures, the growth of TerraVest's portfolio of businesses, as well as the Company's decision to consolidate two manufacturing plants into a single facility during the period. During the second quarter ended March 31, 2024, TerraVest's total purchase of PP&E paid was \$14,765 of which \$8,524 is considered growth capital. The growth capital incurred during the second quarter was mainly used to add to the Company's rental fleet, automate and expand certain manufacturing processes and invest in a new manufacturing product line.

Cash Available for Distribution for the second quarter and six months ended March 31, 2024 increased by 29% and 20% respectively versus the prior comparable periods. These increases are a result of reasons explained above and elsewhere in this press release.

The Dividend Payout Ratio for the second quarter and six months ended March 31, 2024 were 12% and 11% versus 13% and 10% for the prior comparable periods.

Outlook

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

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

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 HT. HT is a leading manufacturer of fuel and chemical storage tanks, wastewater storage and treatment tanks, LPG vessels and other custom built steel storage products in North America. The acquisition was a business combination and has been accounted for using the acquisition method with the results of operations included in earnings from the date of acquisition.

On October 1, 2023, a partially owned subsidiary of TerraVest entered into a share purchase agreement to acquire all of the issued and outstanding shares of LV. LV provides water management and other related services in the Western Canadian energy industry. The acquisition was a business combination and has been accounted for using the acquisition method with the results of operations included in earnings from the date of acquisition.

As contemplated in the initial acquisition of LV, the sister company of LV was sold during the second quarter ended March 31, 2024.

CONSOLIDATED RESULTS OF OPERATIONS

The following section provides the financial results of TerraVest's operations for the second quarter and six months ended March 31, 2024 and the comparative periods in fiscal 2023.

	Second quarters ended		Six months ended	
	March 31, 2024	March 31, 2023	March 31, 2024	March 31, 2023
	\$	\$	\$	\$
Sales	214,943	176,858	443,033	354,056
Cost of sales	151,969	132,516	314,626	267,702
Gross profit	62,974	44,342	128,407	86,354
Administration expenses	23,103	19,562	43,975	35,388
Selling expenses	7,791	5,176	14,819	10,467
Financing costs	6,822	3,762	13,239	7,478
Share of an associate and joint ventures net (income) loss	3	(26)	7	2
Other (gains) losses	(6,480)	(83)	(2,813)	(531)
	31,239	28,391	69,227	52,804
Earnings before income taxes	31,735	15,951	59,180	33,550
Income tax expense	6,006	4,507	14,148	9,020
Net Income	25,729	11,444	45,032	24,530
Allocated to non-controlling interests	3,368	2,553	5,294	3,728
Net income attributable to common shareholders	22,361	8,891	39,738	20,802
Weighted average shares outstanding – Basic	18,124,451	17,831,318	18,083,930	17,845,095
Weighted average shares outstanding – Diluted	18,741,085	18,088,215	18,653,242	18,077,862
Net income per share – Basic	\$1.23	\$0.50	\$2.20	\$1.17
Net income per share – Diluted	\$1.19	\$0.49	\$2.13	\$1.15

Sales for the second quarter and six months ended March 31, 2024 increased by 22% and 25% respectively versus the prior comparable periods. The reasons have been explained previously in this press release.

Gross profit for the second quarter and six months ended March 31, 2024 increased by 42% and 49% respectively versus the prior comparable periods. This is primarily explained by the contribution of HT and LV, a more favorable product mix and tighter cost control in the HVAC and Containment Equipment segment, partially offset by reduced activity levels in some of TerraVest's base portfolio businesses.

Administration expenses for the second quarter and six months ended March 31, 2024 increased by 18% and 24% respectively compared to the prior comparable periods. The increases in administration expenses are mainly due to the addition of HT and LV and the increase in activity level in certain of TerraVest's subsidiaries which resulted in additional administrative expenses. TerraVest also incurred relocation fees related to the retirement of one of its manufacturing plants to consolidate its activities into one of its existing facilities. In addition, in the second quarter of fiscal 2023, TerraVest recognized a non-recurring expense of \$3,084 following the settlement of the working capital adjustment with the prior owner of ECR International Inc.

Selling expenses for the second quarter and six months ended March 31, 2024 increased by 51% and 42% respectively versus the prior comparable periods. The increases in selling expenses are explained by the addition of HT and LV and increased salary and commission expenses to support sales growth in certain product lines.

Financing costs for the second quarter and six months ended March 31, 2024 increased by 81% and 77% respectively versus the prior comparable periods. The increases are primarily explained by additional interest expenses as a result of increased debt balances following recent business acquisitions and increases in interest rates on floating rate debt versus the prior comparable periods. In addition, TerraVest incurred more interest on lease liabilities as a result of additional lease liabilities compared to the prior period.

Other (gains) losses variance for the second quarter and six months ended March 31, 2024 are a result of a gain on foreign exchange, a favorable change in fair value of investment in equity instruments, an unfavorable change in fair value of derivative financial instruments and additional gain on disposal of other PP&E compared to the prior periods. In addition, during the second quarter ended March 31, 2024, TerraVest realized a gain on the sale of LV's sister company.

Income tax expense variance for the second quarter and six months ended March 31, 2024 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 for the second quarter and six months ended March 31, 2024 increased by 152% and 91% respectively versus the prior comparable periods.

REFILING OF ANNUAL FINANCIAL STATEMENTS

The Company also announces today that it has refiled its audited financial statements as at and for the years ended September 30, 2023 and 2022 (the "**Refiled Financial Statements**"). The Refiled Financial Statements have been filed to include the predecessor auditor's independent auditor's report on the September 30, 2022 comparative information contained in the annual financial statements and for corresponding changes to both of the independent auditors' reports resulting from changes made during fiscal year 2023 to the 2022 reportable segment information contained in the Refiled Financial Statements. The Refiled Financial Statements are available on SEDAR+ at www.sedarplus.ca. Other than the updates to the independent auditors' reports, there were no other changes to the financial statements and the Refiled Financial Statements replace and supersede the previously filed annual financial statements in respect of the same period filed on December 13, 2023.

In connection with the filing of the Refiled Financial Statements, the Company is also filing CEO and CFO certifications in compliance with National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*.

DIVIDENDS

TerraVest is pleased to announce that The Board of Directors has declared a quarterly dividend of \$0.15 per common share payable on July 10, 2024 to shareholders of record as at the close of business on June 30, 2024. 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.ca.

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, 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, gains or losses on sale of business, 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.