

DIRTT updates fiscal 2019 outlook

CALGARY, AB — September 3, 2019 — DIRT Environmental Solutions Ltd. (“DIRTT” or the “Company”) (TSX: DRT), an interior construction company that uses technology for client-driven design and manufacturing, today announced an update to the fiscal 2019 revenue guidance provided in its management discussion and analysis on July 30, 2019.

It is now anticipated that the Company’s full-year 2019 revenue will be comparable to its 2018 total revenue. In previous guidance, management anticipated fiscal 2019 revenue growth at the lower end of 5% to 10% as compared to fiscal 2018.

Several factors have impacted revenue outlook for the second half of 2019, including revised timing of various projects from 2019 into 2020 and the loss of certain expected projects. These factors reinforce management’s belief that sales in 2019 have been affected more than previously thought by an immature go-to-market approach and an inadequately supported sales force working on a long sales cycle.

With revenue expected to be comparable to 2018, the Company anticipates that Adjusted EBITDA for 2019 will be lower than in 2018. This decrease reflects the impact of expected one-time costs, lower Gross Profit % and foreign exchange losses in 2019 versus foreign exchange gains in 2018. These reductions will be partially offset by the adoption of a new accounting standard for operating leases.

The expected one-time costs — anticipated to be completed by the end of the third quarter —consist of approximately \$2.6 million relating to third-party sales and marketing consulting fees, approximately \$2.0 million of costs associated with the intended listing of DIRT’s common shares on the Nasdaq stock exchange, and other operational consultant costs. Of these costs, \$1.7 million, \$1.4 million and \$1.4 million, respectively, had been incurred as at June 30, 2019.

Adjusted Gross Profit % is expected to be lower than 2018 Adjusted Gross Profit % as a combined result of costs associated with the now resolved tile warping issue and labour additions made in the second half of 2018.

“We view 2019 as a transition year while we make the necessary changes to develop and strengthen DIRT’s commercial function, which is core to our strategic plan,” commented Kevin O’Meara, CEO. “We created the chief commercial officer role and hired an executive for that position, established a national accounts function, and we’re implementing an appropriate sales organization with key processes, systems and metrics. These initiatives are integral to improving how we operate from a commercial perspective and we expect to realize incremental benefits as they take hold. I remain confident in the long-term growth potential of DIRT.”

DIRT’s strategic plan will be discussed in greater detail at the Company’s investor day this November.

ABOUT DIRT

DIRT is a building process powered by technology. The company uses its proprietary ICE® software to design, manufacture and install fully customized interior environments. The technology drives DIRT’s advanced manufacturing and provides certainty on cost, schedule and the final result. Complete interior spaces are constructed faster, cleaner and more sustainably. DIRT has manufacturing facilities in Phoenix, Savannah and Calgary and works with nearly 100 sales partners globally. DIRT trades on the Toronto Stock Exchange under the symbol “DRT”. For more information visit dirt.net/investors.

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Non-IFRS Measures

The term “Adjusted EBITDA” and “Adjusted Gross Profit %” are financial measures used by DIRTT that are not standard measures under International Financial Reporting Standards (“IFRS”) as adopted by the Canadian Institute of Chartered Accountants. DIRTT’s method of calculating Adjusted EBITDA and Adjusted Gross Profit % may differ from the methods used by other issuers. Therefore, this non-IFRS measure may not be comparable to the same measure presented by other issuers.

“Adjusted EBITDA” is net income before interest, taxes, depreciation and amortization, plus: non-cash foreign exchange gains or losses on debt revaluation; stock-based compensation expenses; reorganization costs; and any other non-recurring gains or losses. We use this measure as a performance measure as it is widely used by securities analysts and investors to evaluate financial performance, as well we use this measure to assess our ability to generate cash flows, service debt, pay current taxes and fund capital expenditures.

“Adjusted Gross Profit %” is gross profit before deductions for depreciation and amortization of equipment, tooling and intangible assets for manufacturing-related assets, divided by revenue. We use this measure to assess our manufacturing and operating performance. As manufacturing volumes and revenue rise, production synergies tend to permit improvements in gross profit, subject to variability in monthly manufacturing volumes and product/service revenue mix.

For a reconciliation of the above non-IFRS measure see DIRTT’s annual and interim Management Discussion and Analysis, complete copies of which are available on the Company’s website at www.dirtt.net and on SEDAR at www.sedar.com.

Special Note Regarding Forward-Looking Statements

Certain information and statements contained in this news release constitute “forward-looking information” and “forward-looking statements” (collectively, “Forward-Looking Information”) as defined under applicable Canadian securities laws and the Company hereby cautions investors about important factors that could cause the Company’s actual results or outcomes to differ materially from those projected in any Forward-Looking Information contained in this news release. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as “will likely result”, “are expected to”, “will continue”, “is anticipated”, “believes”, “estimated”, “intends”, “plans”, “projection” and “outlook”), are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in such Forward-Looking Information. In particular and without limitation, this news release contains Forward-Looking Information pertaining to the following: comments with respect to the Company’s revenue, expenses, Adjusted EBITDA, objectives and priorities for 2019 and beyond; and its growth strategies.

With respect to Forward-Looking Information contained in this news release, assumptions have been made regarding the Company, among other things:

- its ability to manage its growth;
- competition in its industry;

- its ability to enhance current products and develop and introduce new products;
- its ability to obtain components and products from suppliers on a timely basis and on favorable terms;
- its ability to obtain qualified staff and equipment in a timely and cost-efficient manner;
- the regulatory framework governing taxes in Canada and the US and any other jurisdictions in which the Company currently or may conduct its business in the future;
- future development plans for its assets unfolding as currently envisioned;
- future capital expenditures to be made by the Company;
- future sources of funding for its capital program;
- the impact of increasing competition on the Company; and
- its success in identifying risks to its business and managing the risks mentioned below.

The Company's actual results or outcomes could differ materially from those expressed in the Forward-Looking Information as a result of the risks normally encountered in its industry such as:

- risks related to additional capital requirements;
- fluctuations in commodity prices;
- credit risks;
- foreign exchange rate;
- operating results and financial condition fluctuations on a quarterly and annual basis;
- history of losses;
- maintaining and managing growth;
- risks related to new technology;
- competition risks;
- risks related to intellectual property;
- customer base and market acceptance;
- software and product defects and design risks;
- availability of key supplies;
- dependence of key personnel;
- the effect of government regulation;
- risks related to physical facilities;
- legal risks;
- risks related to future acquisitions;
- reliance on third parties; and
- risks related to Forward-Looking Information.

Since actual results or outcomes could differ materially from those expressed in the Forward-Looking Information provided by or on behalf of the Company, investors and others should not place undue reliance on any such Forward-Looking Information.

DIRTT cautions that the foregoing lists of factors are not exhaustive. Further, Forward-Looking Information is made as of the date hereof, and the Company undertakes no obligation to update Forward-Looking Information to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events, except as required by applicable Canadian securities laws. New factors emerge from time to time, and it is not possible for DIRTT's management to predict all of these factors and to assess in advance the impact of each such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in Forward-Looking Information. No assurance can be given that these expectations will prove to be correct and such Forward-Looking Information contained in this news release should not be unduly relied upon.



For a detailed description of the risks and uncertainties facing the Company and its business and affairs, readers should refer to the Company's annual financial statements, management's discussion and analysis and annual information form for the year ended December 31, 2018, all of which are available at <http://www.sedar.com>.