

Bri-Chem Announces 2021 Second Quarter Financial Results

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Edmonton, Canada, Friday, August 13, 2021 – Bri-Chem Corp. (“Bri-Chem” or “Company”) (TSX: BRY), a North American oilfield chemical distribution and blending company, is pleased to announce its 2021 second quarter financial results.

(in '000s except per share amounts)	Three months ended				Six months ended			
	2021	June 30 2020	Change		2021	June 30 2020	Change	
			\$	%			\$	%
Financial performance								
Sales	\$ 13,910	\$ 6,819	\$ 7,091	104%	\$ 25,400	\$ 28,234	\$ (2,834)	(10%)
Adjusted EBITDA ⁽¹⁾	703	(424)	1,127	266%	1,554	(41)	1,595	(3891%)
As a % of revenue	5%	(6%)			6%	0%		
Adjusted operating earnings	388	(30)	418	1394%	947	940	7	1%
Adjusted net earnings / (loss) ⁽¹⁾	44	(1,173)	1,217	104%	199	(1,643)	1,842	112%
Net earnings / (loss)	\$ 44	\$ (1,276)	\$ 1,320	103%	\$ 185	\$ (1,746)	\$ 1,931	111%
Diluted per share								
Adjusted EBITDA	\$ 0.03	\$ (0.02)	\$ 0.04	250%	\$ 0.06	\$ (0.00)	\$ 0.06	3529%
Adjusted net (loss) / earnings	\$ 0.01	\$ (0.00)	\$ 0.02	1269%	\$ 0.01	\$ (0.07)	\$ 0.08	111%
Net earnings / (loss)	\$ 0.00	\$ (0.05)	\$ 0.05	103%	\$ 0.01	\$ (0.07)	\$ 0.08	110%
Financial position								
Total assets					\$ 31,460	\$ 46,284	\$ (14,824)	(32%)
Working capital					9,649	15,637	(5,988)	(38%)
Long-term debt					7,032	7,983	(951)	(12%)
Shareholders equity					\$ 10,245	\$ 16,593	\$ (6,348)	(38%)

Key Q2 2021 highlights include:

- Consolidated sales for the three months ended June 30, 2021 were \$13.9 million, an increase of 104% compared to the comparable period last year due to stronger performance in the fluids distribution divisions in Canada and the United States as the demand for oil increased following further worldwide easements of health and travel restrictions due to the COVID-19 pandemic.
- Adjusted EBITDA for the second quarter was \$703 thousand versus negative \$424 thousand over Q2 2020, representing a 266% increase year over year. The increase is primarily related to increased sales over the prior year. Management’s undertakings of cost saving initiatives and obtaining government assistance programs have further improved the EBITDA over the prior year.
- Adjusted operating earnings was \$388 thousand for the three months ended June 30, 2021 compared to a loss of \$30 thousand in the prior year comparable quarter, representing a 1394% increase;
- Net earnings per diluted share for the three months ended June 30, 2021 was \$0.00 per share compared to net loss of (\$0.05) per diluted share for same period last year;
- Working capital, as at June 30, 2021, was \$9.6 million compared to \$15.6 million at June 30, 2020, a decrease of 38%. The decrease predominantly relates to supporting operating losses, a reduction in inventory levels and the subsequent collection of accounts receivable balances.

Summary for the 3 and 6 months ended June 30, 2021:

Bri-Chem's Canadian drilling fluids distribution division generated sales of \$1.7 million and \$4.1 million for the three and six months ended June 30, 2021 compared to \$175 thousand and \$4.0 million in the comparable prior periods. Demand for drilling fluid products is driven by the level of current and future capital drilling programs which has been negatively impacted by the COVID-19 pandemic. Recently, more government authorities are lifting health and travel restrictions which allowed for increased drilling activity and in turn a busier second quarter than originally anticipated. The number of wells drilled in Western Canada for the second quarter of 2021 was 654 compared to 163 in the same period last year which represents an increase of 301% (Source: Petroleum Services Association of Canada "PSAC"), the number of active operating rigs in Q2 2021 averaged 138, a decrease of 29% over Q2 2020 (Source: Baker Hughes). Bri-Chem's United States drilling fluids distribution division generated sales of \$8.3 million and \$13 million for the three and six months ended June 30, 2021 compared to sales of \$3.9 million and \$16 million for the comparable periods in 2020, representing a quarterly increase of 112% and a year to date decrease of 21%. Both of these events relate to the corresponding decrease in rig activity in Q2 2020 in response to the COVID-19 pandemic and the resumption and gradual increase of activity during Q2 2021 as restrictions eased and demand increased for oil products. The number of active operating rigs in Q2 2021 averaged 437, an increase of 15% over Q2 2020 (Source: Baker Hughes)

Bri-Chem's Canadian Blending and Packaging division generated sales of \$1.4 million and \$3.1 million for the three and six months ended June 30, 2021 compared to Q2 2020 sales of \$1.3 million and 2020 six months sales of \$4.2 million. The decrease relates to lost revenues associated with hand sanitizer packaging contracts awarded during the initial response to the COVID-19 pandemic. US Blending and Packaging sales for the three months ended June 30, 2021 were \$2.4 million compared to \$1.4 million for the comparable period in 2020, an increase of \$1.0 million. The increase predominantly relates to increased operating activity in 2021 for certain established customers.

Adjusted operating earnings for the three months ended June 30, 2021 was \$388 thousand compared to \$30 thousand operating loss during the same period last year. Adjusted EBITDA was \$703 thousand for Q2 2021 compared to negative \$424 thousand for Q2 2020. Adjusted EBITDA as a percentage of sales was 5% for the quarter. The increase is primarily related to the increase in rig count and well production across all operating regions within Canada and the United States in tandem with management perpetuating cost saving strategies adopted early on in the pandemic.

OUTLOOK

In tandem with the easing of health and travel restrictions, demand and commodity pricing for crude oil has steadily increased in the North American market during the second quarter of 2021. It is expected this trend will continue, particularly in the Canadian market where the traditional activity level highs realized in the first quarter are likely to be matched in the third quarter and exceeded in the fourth quarter of 2021 (Source: PSAC). In the United States, the expected liquid fuels consumption forecast is 1.5 million b/d higher than 2020 and should surpass pre pandemic demands of 2019 in the year 2022, providing a degree of optimism for the short and medium term (Source: US Energy Information Administration). While there is still a considerable degree of uncertainty related to the economic recovery in North America as further COVID-19 variants emerge and producers struggle to recruit the skilled labour required to operate drilling rigs, management will continue to be steadfast in terms of maintaining appropriate inventory levels alongside stringent discretionary cost spending to preserve both liquidity and profitability as the oil market continues its path to recovery.

About Bri-Chem

Bri-Chem has established itself, through a combination of strategic acquisitions and organic growth, as the North American industry leader for wholesale distribution and blending of oilfield drilling, completion, stimulation and production chemical fluids. We sell, blend, package and distribute a full range of drilling fluid products from 25 strategically located warehouses throughout Canada and the United States. Additional information about Bri-Chem is available at www.sedar.com or at Bri-Chem's website at www.brichem.com.

To receive Bri-Chem news updates send your email to ir@brichem.com.

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