

Bri-Chem Announces 2018 Third Quarter Financial Results

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Edmonton, Canada, November 13, 2018 – Bri-Chem Corp. ("Bri-Chem" or "Company") (TSX: BRY), a leading North American oilfield chemical distribution and blending company, is pleased to announce its third quarter financial results.

In \$'000s (except per share amounts)	For the three months ended September 30,				For the nine months ended September 30,			
	2018	2017	Change \$	%	2018	2017	Change \$	%
Revenue	\$ 31,159	\$ 30,542	\$ 617	2%	\$ 93,731	\$ 88,293	\$ 5,438	6%
Adjusted Operating income/(loss) ⁽¹⁾	1,047	1,935	(888)	(46%)	1,311	4,227	(2,916)	(69%)
Adjusted EBITDA ⁽²⁾	1,376	2,337	(961)	(41%)	1,870	5,158	(3,288)	64%
Adjusted EBITDA as a percentage of revenue	4%	8%	-		2%	6%	-	
Adjusted Net earnings/(loss) ⁽³⁾	353	921	(568)	62%	(920)	1,352	(2,272)	168%
Net earnings/(loss)	\$ 61	\$ 921	\$ (860)	93%	\$ (3,785)	\$ 1,352	\$ (5,137)	380%
Per Share Data (Diluted)								
Adjusted EBITDA	\$ 0.06	\$ 0.10	\$ (0.03)	(31%)	\$ 0.08	\$ 0.22	\$ (0.14)	64%
Adjusted Net earnings/(loss)	\$ 0.01	\$ 0.04	\$ (0.02)	62%	\$ (0.04)	\$ 0.06	\$ (0.10)	169%
Net earnings/(loss)	\$ 0.00	\$ 0.04	\$ (0.04)	93%	\$ (0.16)	\$ 0.06	\$ (0.21)	380%
Shares Outstanding								
Basic	23,932,981	23,632,981			23,932,981	23,632,981		
Diluted	23,932,981	23,962,981			23,932,981	23,962,981		
Financial Position								
Total Assets	\$ 80,469	\$ 61,251	\$ 19,218	31%				
Working Capital	20,589	14,513	6,076	42%				
Long-term debt	8,425	143	8,282	5792%				
Shareholders Equity	25,305	28,282	(2,977)	(11%)				

- (1) Represents operating income before financing costs, foreign exchange, and income taxes and adjusted for restructuring charges, share-based payments and lost margin on one-time sales of product below cost (See page 15 for a further explanation of this non-IFRS measure).
- (2) Represents earnings before interest, taxes, depreciation, amortization, impairment and restructuring charges, share-based payments and lost margin on one-time sales of product below cost (See page 15 for a further explanation of this non-IFRS measure).
- (3) Represents net earnings adjusted for one-time sales below cost and restructuring costs, net of tax. (See page 15 for a further explanation of this non-IFRS measure).

Q3 HIGHLIGHTS

Key Q3 2018 & YTD highlights include:

- Bri-Chem generated consolidated revenue of \$31.2 million, an increase of 2% from the third quarter in 2017, resulting primarily from higher business activity levels in three of our four North American business segments;
- Sales from the USA fluids distribution division increased 23% and the USA and Canadian blending divisions increased 12% and 21% respectively over the third quarter of 2017. Revenue decreased by 28% in the Canadian fluids distribution as a result of a slow starting and wet summer drilling program which resulted in lower demand for drilling fluids products;
- Adjusted EBITDA for the third quarter was \$1.4 million versus \$2.3 million in the comparable period in 2017. This decline is mainly due to the decrease in Canadian fluids distribution sales in Q3 and additional operational costs required to support the increased business demand throughout our USA drilling fluids distribution division;

- Adjusted operating earnings was \$1.0 million for the three months ended September 30, 2018 compared to operating earnings of \$1.9 million in Q3 2017, representing a \$0.9 million decrease;
- Bri-Chem reported adjusted net earnings of \$0.4 million or \$0.01 earnings per share diluted compared to net earnings of \$0.921 million or \$0.04 earnings per share diluted in 2017.
- Working capital, as at September 30, 2018, was \$20.6 million compared to \$24.3 million at December 31, 2017. The Company's current ratio (defined as current assets divided by current liabilities) was 1.44 to 1 compared to 1.56 to 1 as at December 31, 2017.

Summary for the three and nine months ended September 30, 2018:

During Q3 2018, drilling activity levels remained stable in the United States as the USA rig count averaged 1,051 rigs operating, while Canada experienced a wet summer drilling program, particularly in the month of September. Bri-Chem's Q3 2018 consolidated revenues from its North American oil and gas drilling fluids distribution, blending and packaging businesses was \$31.2 million compared to \$30.5 million in the same prior period in 2017, while the Company had sales of \$93.7 million for the nine months of 2018 compared to \$88.3 million for the same nine month period of 2017. This revenue increase is a result of an increase in drilling fluid demand in the United States, while Western Canadian activity levels declined due to unfavourable weather conditions and overall Canadian oil and gas industry uncertainty.

Bri-Chem's Canadian drilling fluids distribution division generated sales of \$8.6 million and \$24.2 million for the three and nine months ended September 30, 2018, compared to sales of \$12.0 million and \$35.1 million over the comparable periods in 2017. Q3 2018 and year to date sales were lower as many customers were adequately stocked and the industry experienced a significantly wet summer drilling program, particularly in the month of September which experienced unusually wet weather throughout Alberta, resulting in many rigs sitting idle during that period. The number of wells drilled in Western Canada for the three month period ended September 30, 2018 was 1,880, representing a decrease of 2.5% over the comparable quarter in 2017. Bri-Chem's United States drilling fluids distribution division generated sales of \$16.8 million and \$53.4 million for the three month and nine months ended September 30, 2018, compared to revenues of \$13.7 million and \$38.7 million in the comparable periods of 2017, representing increases of 23% and 38% respectively.

Bri-Chem's Canadian drilling fluids blending and packaging division generated sales of \$4.2 million and \$11.2 million for the three and nine months ended September 30, 2018 compared to the prior year same period sales of \$3.4 million and \$11.3 million respectively, representing a 21% increase quarter over quarter and a 1% decrease year over year. The Q3 increase relates to customers requiring more production chemicals, which resulted in more blending of those products during the quarter. Year over year, sales for the division have remained consistent. Bri-Chem's USA fluids blending and packaging division, generated sales of \$1.6 million and \$5.0 million for the three and nine month periods ended September 30, 2018, compared to \$1.4 million and \$3.2 million for the comparable periods in 2017 as the division has seen customer growth with the return of well abandonment work in California.

Adjusted operating earnings this quarter was \$0.755 million compared with operating earnings of \$1.9 million in the third quarter of 2017. Adjusted EBITDA was \$1.4 million and \$1.9 million for the three and nine months ended September 30, 2018 compared to \$2.3 million and \$5.2 million in the same comparable prior year periods; decreases of \$0.96 million quarter over quarter and \$3.3 million year over year. The third quarter adjusted EBITDA as a percentage of sales was 4% compared to 8% from the prior year quarter. This decrease in quarter over quarter adjusted EBITDA is mainly attributed to lower sales in the Canadian fluids distribution division as the industry experienced a decrease in rig activity during the quarter due to wet weather conditions experienced in Western Canada and additional operational costs required to support the increased business demand throughout our USA drilling fluids distributions. The Company had non-adjusted net earnings of \$0.061 million for the quarter ended September 30, 2018

compared to net earnings of \$0.921 million in the same prior year period. Adjusting for one-time sales below cost and restructuring costs, adjusted net earnings was \$0.353 million for the third quarter while the adjusted net loss was \$0.920 million for the first nine months of 2018.

OUTLOOK

In Canada, despite overall improvement in commodity price levels during 2018, a lack of consistent market access has impacted drilling activity during the third quarter of 2018 and has caused oil price differentials to widen significantly. Looking to 2019, PSAC has forecasted 6,600 wells to be drilled in 2019, which represents a 5% reduction over 2018's forecast. In addition, many Canadian companies are strategically shifting capital, curtailing volumes, shutting in production and delaying completion of recently drilled crude oil wells due to lack of market access for its oil, regulatory uncertainty, lack of fiscal competitiveness and stressed pipeline takeaway capacity. Our USA operations remains steady and we expect oil and gas drilling activity levels to stay consistent for the remainder of 2018 and into 2019. We will aim to stay focused on our strategy, maintain our market share and seek to increase margins in the near term.

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 27 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.

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