

**Bri-Chem Announces 2018 Fourth Quarter  
Financial Results**

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Edmonton, Canada, Monday, April 1, 2019 – Bri-Chem Corp. ("Bri-Chem" or "Company") (TSX: BRY), a leading North American oilfield chemical distribution and blending company, is pleased to announce its 2018 fourth quarter financial results.

(in '000s except per share amounts)	Three months ended				Twelve months ended			
	December 31		Change		December 31		Change	
	2018	2017	\$	%	2018	2017	\$	%
<b>Financial Performance</b>								
Sales	\$ 27,705	\$ 27,917	\$ (212)	(1%)	\$ 121,436	\$ 116,210	\$ 5,226	4%
Adjusted EBITDA <sup>(1)</sup>	580	1,433	(853)	(60%)	3,512	6,878	(3,366)	(49%)
As a % of revenue	2.1%	5.1%			2.9%	5.9%		
Adjusted operating income <sup>(1)</sup>	1,840	1,102	738	67%	4,213	5,616	(1,403)	(25%)
Adjusted (loss) net earnings <sup>(1)</sup>	(657)	483	(1,140)	(236%)	(515)	2,122	(2,637)	(124%)
Net (loss) / earnings	\$ (5,570)	\$ 356	\$ (5,926)	(1665%)	\$ (9,355)	\$ 1,708	\$ (11,063)	(648%)
Diluted per share								
Adjusted EBITDA	\$ 0.02	\$ 0.06	\$ (0.04)	60%	\$ 0.15	\$ 0.29	\$ (0.14)	49%
Adjusted (loss) / net earnings	\$ (0.03)	\$ 0.02	\$ (0.05)	235%	\$ (0.02)	\$ 0.09	\$ (0.11)	124%
Net loss	\$ (0.23)	\$ 0.02	\$ (0.25)	1651%	\$ (0.39)	\$ 0.07	\$ (0.46)	643%
<b>Financial Position</b>								
Total assets	\$ 71,616	\$ 81,232	\$ (9,616)	(12%)				
Working capital	17,977	24,336	(6,359)	(26%)				
Long-term debt	8,777	9,625	(848)	(9%)				
Shareholders equity	\$ 20,153	\$ 28,756	\$ (8,603)	(30%)				

(1) Refer to the "Non-IFRS Measures" section for a definition of non-GAAP terms as well as reconciliations for Adjusted EBITDA, Adjusted Operating Income, and Adjusted (Loss) / Net Earnings.

**Key Q4 2018 & year end highlights include:**

- Consolidated sales for the three months ended December 31, 2018 were 1% lower as compared to the same quarter last year. Sales for the twelve months ended December 31, 2018 were \$5.2 million higher than the same period last year mainly due to stronger US Fluids Distribution sales. Bri-Chem's geographically diversified business model helped offset sales declines in its Canadian operations which continued to face headwinds from persistently lower oil and gas drilling activity.
- Adjusted EBITDA for the fourth quarter was \$0.58 million versus \$1.4 million in the comparable period in 2017. This decline is mainly due to weak performance in both the Canadian Fluids Distribution and Canadian Blending & Packaging divisions. Adjusted EBITDA for the twelve months ended December 31, 2018 declined by \$3.4 million.
- Bri-Chem reported adjusted net loss of \$(0.7) million or \$(0.03) adjusted loss per share diluted compared to net earnings of \$0.5 million or \$0.02 adjusted earnings per share diluted for the three months ended in 2018. Adjusted net loss for the twelve months ended December 31, 2018 was \$(0.5) million.
- Working capital, as at December 31, 2018, was \$18.0 million compared to \$24.3 million at December 31, 2017. The Company's current ratio (defined as current assets divided by current liabilities) was 1.42 to 1 compared to 1.56 to 1 as at December 31, 2017. Management is actively reducing inventory to align working capital with sales levels.

- The Company recognized one-time non-cash asset impairments and restructuring charges of \$4.9 million in the fourth quarter of 2018 due to more uncertainty related to political, regulatory and market access issues in the Canadian oil and natural gas industry. This uncertainty has negatively impacted the operating and financial outlook for the Canadian oilfield industry and, as a result, Bri-Chem reduced its cash flow expectations and the fair value carrying amount of certain business assets.

### **Summary for the three and twelve months ended December 31, 2018:**

Bri-Chem reported \$27.7 million and \$121.4 million in revenue and adjusted EBITDA of \$0.58 million and \$3.5 million respectively during the three and twelve months ended December 31, 2018. The Company incurred an adjusted net loss of \$(0.7) million and \$(0.5) million for the three and twelve months ended December 31, 2018. In 2018, the Company recognized \$8.8 million of one-time asset impairment and restructuring charges, consisting of the revaluation of inventory, deferred taxes and capital assets and costs related to the closure of USA warehouses and blending facilities. As a result of these one-time charges, Bri-Chem incurred an annual net loss of \$(9.4) million.

Demand for Bri-Chem's products and services is largely driven by current and future North American oil and gas prices which impact the capital drilling programs and corresponding rig activity of Bri-Chem's customers. During 2018, persistently weak Canadian oil and gas prices negatively impacted Bri-Chem's Canadian divisions as energy producers lowered drilling activity to align with weak cash flows. At the end of 2018, WCS prices experienced a significant decline dropping from US\$29.80 per barrel at the beginning of October to a low of US\$6.42 per barrel in late November, before recovering to end the year at US\$24.66 per barrel. During the three months ended December 31, 2018, the WCS index only averaged US\$19.35 per barrel which is well below its historical range. Consequently, performance for the Canadian Fluids Distribution and Blending and Packaging divisions during the three months ended December 31, 2018 was negatively impacted as sales and gross margin fell 35% and 53%, respectively, compared to the same quarter last year.

Bri-Chem partially mitigated the Canadian sales declines due to the increase in sales from its USA operations. West Texas Intermediate ("WTI") steadily increased during 2018, before falling in the fourth quarter of 2018, however, USA customer demand remained relatively stable during Q4 2018. USA Fluids Blending and Packaging sales increased 55% and 54%, respectively, for the three and twelve months ended December 31, 2018 while gross margin increased 26% and 32%, respectively, during the same periods. US Fluids Distribution sales for the three and twelve months ended December 31, 2018 were \$3.0 million and \$17.7 million higher, respectively, compared to the same periods last year mainly due to a higher average US rig count.

### **Outlook**

The Canadian oil and gas industry continues to be confronted by political, regulatory and market access issues. These issues, along with the Alberta government's mandated production curtailments, have resulted in reduced 2019 Canadian customer capital spending budgets compared to last year. In January 2019, the Petroleum Services Association of Canada revised their 2019 WCSB drilling forecast to reflect a 25% decrease in the number of wells drilled compared to 2018 and estimated an average of 180-190 drilling rigs will operate in Canada which is well below the historical range. With lower industry activity, it remains a challenge for Bri-Chem to balance its Canadian infrastructure with erratic activity.

Management is cautiously optimistic in its outlook for Bri-Chem's US operations for 2019. While WTI pricing is expected to be fluctuating at US\$52-\$60 per barrel, the US rig counts so far in 2019 has been lower compared to Q4 2018. These mixed signals suggest US sales and gross margin could be flat compared to 2018.

To date, Bri-Chem has experienced lower overall activity in the first quarter of 2019 and, as a result, revenue is below the same period in 2018 last year. Activity for Canadian spring break-up is expected to be slow and forecasting drilling activity levels beyond the first half of 2019 is difficult given the current industry headwinds. Bri-Chem will be focused on cost management and allocating free cash flow to reduce debt. Since the fourth quarter of 2018, Bri-Chem has initiated several right-sizing measures to reduce inventory levels, restructure overhead expenses and prudently manage its working capital until more favorable North American industry activity levels return.

### **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 26 strategically located warehouses throughout Canada and the United States. Additional information about Bri-Chem is available at [www.sedar.com](http://www.sedar.com) or at Bri-Chem's website at [www.brichem.com](http://www.brichem.com).

To receive Bri-Chem news updates send your email to [ir@brichem.com](mailto:ir@brichem.com).

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