

**Bri-Chem Announces 2019 Fourth Quarter and  
Year End Financial Results**

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Edmonton, Canada, Monday, April 20, 2020 – Bri-Chem Corp. (“Bri-Chem” or “Company”) (TSX: BRY), a leading North American oilfield chemical distribution and blending company, is pleased to announce its 2019 fourth quarter and year end financial results.

(in '000s except per share amounts)	Three months ended				Twelve months ended			
	2019	December 31 2018	Change		2019	December 31 2018	Change	
			\$	%			\$	%
Sales	\$ 21,307	\$ 27,705	\$ (6,398)	(23%)	\$ 91,726	\$ 121,436	\$ (29,710)	(24%)
Adjusted EBITDA <sup>(1)</sup>	(38)	580	(618)	(107%)	2,944	3,512	(568)	(16%)
Adjusted EBITDA as a % of revenue	0%	2.1%			3.2%	2.9%		
Adjusted operating income <sup>(1)</sup>	252	1,840	(1,588)	(86%)	1,727	4,213	(2,486)	(59%)
Adjusted net loss <sup>(1)</sup>	(687)	(657)	(30)	5%	(1,215)	(515)	(700)	(136%)
Net loss	\$ (3,104)	\$ (5,570)	\$ 2,466	(44%)	\$ (3,656)	\$ (9,355)	\$ 5,699	61%
Diluted per share								
Adjusted EBITDA	\$ (0.00)	\$ 0.02	\$ (0.03)	107%	\$ 0.12	\$ 0.15	\$ (0.02)	16%
Adjusted net loss	\$ (0.03)	\$ (0.03)	\$ (0.00)	(5%)	\$ (0.05)	\$ (0.02)	\$ (0.03)	(136%)
Net loss	\$ (0.13)	\$ (0.23)	\$ 0.10	44%	\$ (0.15)	\$ (0.39)	\$ 0.24	61%
Total assets					\$ 45,198	\$ 71,616	\$ (26,418)	(37%)
Working capital					15,470	17,977	(2,507)	(14%)
Long-term liabilities					8,300	8,777	(477)	(5%)
Shareholders equity					\$ 15,998	\$ 20,153	\$ (4,155)	(21%)

**Key Q4 2019 & year end highlights include:**

- Consolidated sales for the three months ended December 31, 2019 were 23% lower as compared to the same quarter last year. The decrease was the result of a 29% decrease in the number of wells drilled in Western Canada during the fourth quarter as a result of global economic factors and lack of access to markets. In addition, in the past few quarters, the United States drilling market has experienced a decline in rig activity which resulted in less demand for drilling fluid products in that region. Sales for the year ended December 31, 2019 were \$91.7 million a 24% decrease year over year;
- Adjusted EBITDA for the fourth quarter was (\$38) thousand versus \$580 thousand in the comparable period in 2018. The decline is mainly due to weaker performance in all divisions with the exception of the USA Fluids Blending and Packaging Division.
- Adjusted operating income was \$252 thousand for the three months ended December 31, 2019 compared to income of \$1.8 million in the prior year comparable quarter, representing a 86% decrease. Year over year, adjusted operating income is down 59%;
- Bri-Chem reported an adjusted net loss of \$687 thousand or \$0.03 diluted loss per share compared to an adjusted net loss of \$700 thousand or \$0.03 diluted loss per share in Q4 2018. Adjusted net loss for the twelve months ended December 31, 2019 was \$1.2 million;
- Working capital, as at December 31, 2019, was \$15.5 million compared to \$18.0 million at December 31, 2018, a decrease of 14%. Throughout 2019, management reduced inventory levels given the level

of activity negatively impacted by Canadian pipeline constraints and access to markets. Management continued to adjust its infrastructure to coincide with market demands, which included reducing personnel, relocating warehouses to lower overheads and move closer to resource plays and aggressive collection of its accounts receivable.

- The Company recognized one-time non-cash assets impairments and restructuring charges of \$2.4 million in 2019 due to uncertainty related to the Coronavirus pandemic, political, regulatory and market access in the North America oil and gas industry. This uncertainty has negatively impacted operating and financial outlook for the North American oilfield industry and certain components of Bri-Chem business activities.

### **Summary for the three and twelve months ended December 31, 2019:**

Bri-Chem's Canadian drilling fluids distribution division generated sales of \$3.8 million and \$17.1 million for the three and twelve months ended December 31, 2019 compared to \$6.7 million and \$30.9 million in the comparable periods in 2018. Demand of drilling fluid products is driven from current and future capital drilling programs which were clawed back in 2019 due to the continued weak Canadian oil and gas prices. The number of wells drilled in Western Canada for the fourth quarter of 2019 was 1,175 compared to 1,669 in the same period last year, representing a decrease of 30% (Source: Petroleum Services Association of Canada "PSAC"). Bri-Chem's United States drilling fluids distribution division generated sales of \$12.2 million and \$53.8 million compared to sales of \$15.7 million and \$69.2 million for the same comparable period of 2018, representing decreases of 22% and 22% respectively. The decreases were the result of lower customer demand as the average number of active rigs operating in the United States fell from 1,032 at December 31, 2018 to 944 at December 31, 2019.

Bri-Chem's Canadian Blending and Packaging division generated sales of \$2.3 million and \$9.3 million for three and twelve months ended December 31, 2019 compared to sales of \$3.3 million and \$14.5 million for the same comparable periods in 2018, representing decreases of 31% and 36% respectively. The decreases relate to the overall decline in Canadian drilling activity which affected demand for toll blending and bulk packaging of products throughout 2019. Bri-Chem's US Fluids Blending and Packaging division experienced increases of 57% quarter over prior year quarter and 67% year over year, as the division recorded sales of \$3.0 million and \$11.5 million for the three and twelve months ended December 31, 2019. These increases are due to the increase in well abandonment work and new oilfield cementing work in the state of California as well as the division providing cement to customers working offshore.

Adjusted EBITDA was (\$38) thousand and \$2.9 million for the three and twelve months ended December 31, 2019 compared to \$580 thousand and \$3.5 million for the same comparable periods in 2018, representing a decrease of 106% quarter over comparable quarter and of 16% year over year. This decrease in EBITDA for the three and twelve months ended December 31, 2019 was due to weaker sales despite reduced infrastructure costs.

### **OUTLOOK**

As the Company moved into 2020, it was cautiously optimistic on its business and was seeing signs of increased activity by its customers. However, the recent outbreak of the COVID-19 virus and turmoil in global oil markets have led to a sharp decline in oil prices and are expected to result in lower industry activity levels in the near term. The Company believes these emerging issues will have a negative impact on demand for its product and services and the full extent of these issues are still unfolding and remain uncertain. The Company is reacting quickly to the emerging market challenges and will continue to monitor the markets on a day by day basis. At this stage, it is too early to tell what impact the decline in crude oil prices may have on activity levels in the oil and gas industry in 2020. This will likely result in producers curtailing capital spending which will negatively impact the demand for our products.

Over the long-term, the Company continues to be optimistic about the impact that LNG Canada's \$40 billion liquefied natural gas (LNG) project in Kitimat, B.C. will have on the natural gas sector in north-west Alberta and north-east B.C., which will be required to support LNG Canada's natural gas needs. The Company also looks

forward to construction of the Trans Mountain pipeline continuing to proceed, which will provide additional takeaway capacity for western Canadian crude oil.

Bri-Chem has experienced several business cycles and we understand what is required to effectively and prudently manage our inventories and operations during this downturn. We remain committed to reducing costs, where possible and maintaining an adequate debt structure during these challenging times.

### **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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