

Bri-Chem Announces 2021 First Quarter Financial Results

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Edmonton, Canada, Thursday, May 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 first quarter financial results.

(in '000s except per share amounts)	Three months ended		Change \$ %	
	March 31 2021	2020		
Financial performance				
Sales	\$ 11,490	\$ 21,415	\$ (9,925)	(46%)
Adjusted EBITDA ⁽¹⁾	851	383	468	122%
As a % of revenue	7%	2%		
Adjusted operating earnings	559	294	265	90%
Adjusted net earnings / (loss) ⁽¹⁾	154	(470)	624	(133%)
Net earnings / (loss)	\$ 141	\$ (470)	\$ 611	23%
Diluted per share				
Adjusted EBITDA	\$ 0.03	\$ 0.02	\$ 0.02	101%
Adjusted net (loss) / earnings	0.01	(0.02)	0.03	(130%)
Net earnings / (loss)	\$ 0.01	\$ (0.02)	\$ 0.02	(127%)
Financial position				
Total assets	\$ 27,737	\$ 46,284	\$ (18,547)	(40%)
Working capital	9,888	15,637	(5,749)	(37%)
Long-term debt	7,216	7,983	(767)	(10%)
Shareholders equity	\$ 10,529	\$ 16,593	\$ (6,064)	(37%)

Key Q1 2021 highlights include:

- Consolidated sales for the three months ended March 31, 2021 were \$11.5 million, a decrease of 46% compared to the comparable period last year due to weaker performance in the fluids distribution divisions in Canada and the United States as the industry is facing significant challenges due to the effect of the persistent novel coronavirus (“COVID-19”) health pandemic, including government responses and economic restrictions implemented.
- Adjusted EBITDA for the first quarter was \$851 thousand versus \$383 thousand over Q1 2020, representing a 122% increase year over year. The increase is mainly related to management’s undertakings of cost saving initiatives, a 20% reduction in payroll and obtaining government assistance programs.
- Adjusted operating earnings was \$559 thousand for the three months ended March 31, 2021 compared to earnings of \$294 thousand in the prior year comparable quarter, representing a 90% increase.
- Net earnings per diluted share for the three months ended March 31, 2021 was \$0.01 per share compared to net loss of \$0.02 per diluted share for same period last year.

- Working capital, as at March 31, 2021, was \$9.9 million compared to \$15.6 million at December 31, 2020, a decrease of 37%. The decrease predominantly relates to a reduction in inventory levels as management maintains reduced inventory stockpiles in response to COVID-19 and its impacts to the demand of drilling fluids and related products.

Summary for the months ended March 31, 2021:

Bri-Chem's Canadian drilling fluids distribution division generated sales of \$2.4 million for the three months ended March 31, 2021 compared to \$3.8 million in the comparable period in 2020. Demand for drilling fluid products is driven by the level of current and future capital drilling programs which have been negatively impacted in Q1 2021 as a result of the market conditions due to the effect of the persistent novel coronavirus ("COVID-19") health pandemic, including government responses and economic restrictions implemented. The number of wells drilled in Western Canada for the first quarter of 2021 was 1,178 compared to 1,783 in the same period last year which represents a decrease of 34% (Source: Petroleum Services Association of Canada "PSAC"), the number of active operating rigs in Q1 2021 averaged 138, a decrease of 29% over the Q1 2020 (Source: Baker Hughes). Bri-Chem's United States drilling fluids distribution division generated sales of \$4.7 million for the three months ended March 31, 2021 compared to sales of \$12.5 million for the comparable period in 2020, representing a decrease of 63%. The decreases were the result of lower customer demand as the average number of active rigs operating in the United States fell to 405 at March 31, 2021 from 784 at March 31, 2020.

Bri-Chem's Canadian Blending and Packaging division generated sales of \$1.7 million for Q1 2021 a decrease of \$1.2 million from sales of \$2.9 million for the comparable quarter in 2020. The decrease relates to reduced demand for these services driven by the COVID-19 pandemic and associated Government restrictions. US Blending and Packaging sales for the three months ended March 31, 2021 were \$2.8 million compared to \$2.2 million for the comparable period in 2020, an increase of \$543 thousand. Well abandonment work remains consistent in the State of California. This work in tandem with the heavy distribution of vaccines in the USA and subsequent relaxing of state COVID-19 restrictions has resulted in an increase to revenues over the comparable quarter in 2020.

Adjusted operating earnings for the three months ended March 31, 2021 was \$559 thousand compared to \$294 thousand during the same period last year. Adjusted EBITDA was \$851 thousand for Q1 2021 compared to \$383 thousand for Q1 2020. Adjusted EBITDA as a percentage of sales was 7% for the quarter. The increase is mainly related to management's undertakings of cost saving initiatives, a 20% reduction in payroll and obtaining government assistance programs.

OUTLOOK

The world economy is regaining traction as vaccine distributions and the lifting of economic restrictions continue to push demand for energy. The Company's ability to maintain disciplined capital spending and operating overheads in times of tight budgeting by producers will continue to stem losses and maintain liquidity until drilling activity further normalizes. While there is still uncertainty regarding the emergence of new COVID-19 variants and timing of the further lifting of economic and travel restrictions, management is encouraged by the 2021 upward trajectory of crude oil prices which have already surpassed highs realized in 2020. This uptick should entice producers to re-enter the market or increase their existing operational footprint, which should have a positive impact on the demand for drilling fluids towards the second half of 2021. Management is also optimistic regarding the political push towards sealing orphaned and decommissioned wells in Canada and the USA. This federal stimulus provided by both Canadian and USA federal governments could have a favorable impact on the fluids blending and packing divisions given the expected increase in demand for product and the Company's unique geographical footprint in the USA to service this type of work.

Stock Option Grant

Bri-Chem has granted options to acquire up to 100,000 common shares to the Chief Financial Officer of Bri-Chem. The options are granted in accordance with Bri-Chem's stock option plan and have terms that vest over three years and expire ten years from the grant date.

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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