Zedcor Inc. Announces First Quarter Results for 2021 and Sale of Certain Rental Assets

CALGARY, ALBERTA – May 19, 2021: Zedcor Inc. (the "Company") (TSX VENTURE: ZDC) today announced its financial and operating results for the quarter ended March 31, 2021, sale of its rig mat rental fleet and certain other oilfield rental assets.

Sale of Rig Mat Rental Fleet:

During the quarter, the Company continued to divest under-utilized Rental segment assets. As a result of declining customer demand and rental rates, the Company made the strategic decision to divest its rig mat rental fleet. In addition, the Company sold certain other assets during the quarter for total proceeds of $710. This sale allows the Company to focus on its other rental services and reduce its debt load in order to expand its Security & Surveillance segment.

Financial and Operating Results for the Year Ended March 31, 2021:

	Three months ended March 31	
(in $000s)	**2021**	**2020**
Revenue	4,760	4,715
Adjusted EBITDA[1,2]	2,163	2,066
Adjusted EBIT[1,2]	1,172	555
Net income (loss) from operations	224	(287)
Net income (loss) per share from operations		
Basic	0.004	(0.005)
Diluted	0.004	(0.005)

[1] *Adjusted for severance costs*

[2] *See Financial Measures Reconciliations below*

Zedcor recorded $2,163 of adjusted EBITDA and $224 of net income for the three months ended March 31, 2021. This compares to adjusted EBITDA of $2,066 and a net loss of $287 for the three months ended March 31, 2020. The S&S segment saw sharply higher revenues and margins as the company saw high utilization and had an expanded fleet of security towers ("MobileyeZ") in operation compared to Q1 2020. This was offset by decreased revenues and margins from the Rentals segment as demand for the Company's rental equipment remains depressed due to lower drilling rig activity in Western Canada as a result of the COVID-19 pandemic. While oil prices and drilling rig activity started to increase in Q1 2021 compared to the second half of 2020, rental rates are still at all-time lows and customers have not fully resumed activity levels seen historically. The Company qualified for the Canada Emergency Wage Subsidy ("CEWS") and the Canada Emergency Rent Subsidy ("CERS") programs as enacted in 2020 by the federal Government of Canada which supported the Company's results for the three months ended March 31, 2021. The Company recognized $205 of CEWS and CERS in the EBITDA amounts for 2021.

- Revenue for the quarter ended March 31, 2021 increased by $45 from $4,715 to $4,760 compared to the same quarter in 2020. This increase was because of higher revenues in the S&S segment as a result of a larger fleet of security towers and higher utilization driven by the two long terms contracts awarded to the Company in Q1 2021. The increase was offset by reduced revenues in the Rentals segment driven by low utilization and decreased rental rates of equipment.

- During the quarter, the Company announced the award of two long term contracts for its Solar Hybrid MobileyeZ. One contract was for the rental and service of 100 Solar Hybrid MobileyeZ to a pipeline contractor. The second contract was a 21-month rental contract for 15 Solar Hybrid MobileyeZ to a large engineering and construction joint venture.

- Zedcor added six additional Electric MobileyeZ and nine additional Solar Hybrid MobileyeZ bringing its total fleet to 32 and 139 units, respectively. Of the 139 Solar Hybrid MobileyeZ, 117 are equipped with ground disturbance sensors which further enhances the capabilities of these units. The Company intended to add 10 Electric MobileyeZ and 20 Solar Hybrid MobileyeZ to its fleet which would have further bolstered the Company's Q1 results but there was a shortage of parts due to the COVID-19 pandemic.

- The Company continued to divest certain Rental segment assets to streamline operations and reduce debt. During the quarter, the Company sold its rig mat rental fleet and certain under-utilized fluid storage tanks and light towers for proceeds of $710 resulting in a gain on sale of $49. These proceeds along with scheduled principal repayments of $634 reduced the Company's debt by $1,344.

- Net income from operations was $224 for the three months ended March 31, 2021 compared to a net loss of ($287) for the three months ended March 31, 2020. The increase in net income was a result of lower depreciation, lower direct operating costs as a result of government subsidies and a gain on the disposal of right-of-use assets.

SELECTED QUARTERLY FINANCIAL INFORMATION

(in $000s)	Mar 31 2021	Dec 31 2020	Sept 30 2020	Jun 30 2020	Mar 31 2020	Dec 31 2019	Sept 30 2019	Jun 30 2019
Revenue	4,760	3,966	2,668	2,412	4,716	3,384	3,865	3,750
Net income (loss) from continuing operations	224	(2,250)	(1,006)	(1,135)	(287)	(3,930)	(1,617)	(1,805)
Adjusted EBITDA[1]	2,163	1,789	1,151	901	2,066	1,305	1,509	1,264
Adjusted EBITDA per share - basic[1]	0.03	0.03	0.02	0.02	0.04	0.02	0.03	0.02
Net income (loss) per share from continuing operations								
Basic	0.004	(0.04)	(0.02)	(0.02)	(0.005)	(0.07)	(0.03)	(0.03)
Diluted	0.004	(0.04)	(0.02)	(0.02)	(0.005)	(0.07)	(0.03)	(0.03)
Adjusted free cash flow[1]	801	190	(320)	2,098	903	1,240	(264)	2,431

[1] *See Financial Measures Reconciliations below*

LIQUIDITY AND CAPITAL RESOURCES

Loan and Security Facility:

The Loan and Security Facility was renewed in December 2020. It consists of a one time $17.3 million draw and a $2.0 million accordion feature which the Company can draw on subject to approval from the lender. In December 2020, the Company drew $0.8 million of the accordion feature.

The key terms of the Loan and Security facility are as follows:

- Bears interest at a rate of 12.75% and is secured with a first charge over the Company's assets;
- Extension fee of 2% per annum, a portion of which was capitalized to the loan and a portion of which was paid with the issuance of 2,000,000 common shares of the Company in December 2020;
- Does not require quantitative financial covenants, but imposed restrictions on the Loan's collateral, being the property and equipment of the Company, and has a $2.5 million personal guarantee from a Board Member of the Company; and
- Term of the Loan and Security Facility was extended to January 1, 2023 with an option to renew for an additional 12 months at the satisfaction of the lender.

As at March 31, 2021, the Company has:

- $15.4 million outstanding on the one time draw of $17.3 million. This loan has monthly blended principal and interest payments of $391;
- $0.7 million outstanding on the $0.8 million draw on the accordion feature. This loan has monthly blended principal and interest payments of $23 until June 2021, $39 until December 2021 and then $29 thereafter; and
- $ 1.2 million available to draw on the accordion feature, subject to approval from the lender.

Operating Loan Facility:

The Operating Loan Facility is comprised of a $3.0 million line of credit which is payable on demand by the lender and bears interest at a rate of Prime plus 5.0%. The Operating loan facility is margined by the Company's accounts receivable, and the available amount is determined monthly based on 75% of the Company's accounts receivable aged less than 90 days and 85% of the Company's accounts receivable aged less than 120 days from investment grade customers.

The Operating Loan Facility requires that the Company's current ratio does not fall below 1.50:1.00, the debt service coverage ratio does not fall below 1.00:1.00 until December 31, 2021 and 1.25:1.00 thereafter, and imposes a maximum debt level for the Company. As at March 31, 2021, the Company's current ratio, as defined to exclude the current portion of long term debt, was 2.15:1.00; the debt service coverage ratio, calculated in accordance with IAS 17 per agreement with lender, was 1.35:1.00 and the Company's total debt of $27,829 was below the maximum of $32,500.

OUTLOOK

The public health containment measures in place to limit the spread of COVID-19 have significantly reduced economic activity and reduced global oil demand, pressuring oil prices to historical lows. Certain countries reimposed containment measures during Q1 2021 as a result of second and third waves of infection. This is causing uncertainty on the pace and timing of the economic recovery. The pandemic is an unprecedented situation whose ultimate duration and magnitude are currently unknown.

Despite the challenging operating environment and reduced economic activity, the Company continues to execute on its long-term strategy of growing its S&S segment. We continued to effectively use cash flow to expand our fleet of MobileyeZ in order to provide surveillance services. In addition, the Company has used technological solutions in order to reduce the capital costs of expanding this service line and providing lower cost security solutions to customers. The Company's surveillance towers fitted with high resolution cameras and supported by Live, Verified Security Responses continue to see high utilization and we continued to see this trend subsequent to the end of the quarter. In addition, the Company continues to expand its security service offerings and geographic footprint with on-site security personnel services and remote monitoring solutions.

While oil prices have stabilized and activity has slightly increased in Western Canada, the Company anticipates that demand for rental equipment which supports drilling and completions activity in the WCSB will stay at historical lows during 2021 and the Company does not have a lot of visibility to activity beyond Q2 2021. While pricing has stabilized, it is still at all-time lows and the Company is not forecasting significant growth for this segment. The outlook remains uncertain and customers are very reactionary as commodity prices change. Most customers are not providing external guidance on activity which makes it difficult to predict utilization of the rental equipment fleet. As a result, the Company continues to focus on maintaining strong relationships with existing customers and cost reductions for this segment.

By focusing on cost efficiencies and providing value added services to customers, Zedcor is committed to generating strong free cash flow from operations to further reduce debt and strengthen the financial position of the Company. The Company plans to pursue low capital-intensive growth projects by utilizing existing infrastructure, where possible. This includes expanding the number of remote surveillance sites that can be serviced by our monitoring center. Where the opportunity arises, the Company will strengthen the balance sheet by selling underutilized assets.

NON-IFRS MEASURES RECONCILIATION

Zedcor Inc. uses certain measures in this press release which do not have any standardized meaning as prescribed by International Financial Reporting Standards ("IFRS"). These measures which are derived from information reported in the consolidated statements of loss and comprehensive loss may not be comparable to similar measures presented by other reporting issuers. These measures have been described and presented in this press release in order to provide shareholders and potential investors with additional information regarding the Company.

Investors are cautioned that EBITDA, adjusted EBITDA, adjusted EBITDA per share, adjusted EBIT and adjusted free cash flow are not acceptable alternatives to net income or net income per share, a measurement of liquidity, or comparable measures as determined in accordance with IFRS.

A reconciliation of net income to Adjusted EBITDA is provided below:

(in $000s)	Three months ended March 31 2021	2020
Net income (loss) and comprehensive income (loss)	224	(287)
Add:		
Finance costs	944	819
Depreciation of property & equipment	846	1,216
Depreciation of right-of-use assets	235	337
Income taxes	—	(19)
EBITDA	2,249	2,066
Add:		
Stock based compensation	31	9
(Gain) on sale of equipment	(49)	(51)
(Gain) on disposal of right-of-use assets	(72)	—
Severance costs	4	42
Adjusted EBITDA	2,163	2,066

**Net income is increased by $101 of CERS and $104 of CEWS for the three months ended March 31, 2021 (3 months ended March 31, 2021 - $nil)*

Adjusted EBIT

Adjusted EBIT refers to earnings before interest and finance charges, taxes, and severance costs.

A reconciliation of net income to Adjusted EBIT is provided below:

(in $000s)	Three months ended March 31 2021	2020
Net income (loss) from continuing operations	224	(287)
Add:		
Finance costs	944	819
Income taxes	—	(19)
Severance costs	4	42
Adjusted EBIT	1,172	555

Adjusted free cash flow

Adjusted free cash flow is defined by management as net income plus non-cash expenses, plus or minus the net change in non-cash working capital, plus severance costs, less maintenance capital. Maintenance capital is also a non-IFRS term. Management defines maintenance capital as the amount of capital expenditure required to keep its operating assets functioning at the same level of efficiency. Management believes that adjusted free cash flow reflects the cash generated from the ongoing operation of the business. Adjusted free cash flow is a non-IFRS measure generally used as an indicator of funds available for re-investment and debt payment. There is no standardized method of determining free cash flow, adjusted free cash flow or maintenance capital prescribed under IFRS and therefore the Company's method of calculating these amounts is unlikely to be comparable to similar terms presented by other issuers.

Adjusted free cash flow from continuing operations is calculated as follows:

(in $000s)	Three months ended March 31 2021	2020
Net income (loss) from continuing operations	224	(287)
Add non-cash expenses:		
Depreciation of property & equipment	846	1,216
Depreciation of right-of-use assets	235	337
(Gain) on disposal of property and equipment	(49)	(51)
(Gain) on disposal of right-of-use assets	(72)	—
Stock based compensation	31	9
Finance costs (non-cash portion)	318	130
Current taxes	—	(19)
	1,533	1,335
Add non-recurring expenses:		
Severance	4	42
	1,537	1,377
Change in non-cash working capital	(730)	(436)
Maintenance capital	(6)	(38)
Adjusted Free Cash Flow	801	903

No Conference Call

No conference call will be held in conjunction with this release. Full details of the Company's financial results, in the form of the condensed consolidated interim financial statements and notes for the three months ended March 31, 2021 and 2020 and Management's Discussion and Analysis of the results are available on SEDAR at www.sedar.com and on the Company's website at www.zedcor.ca.

About Zedcor Inc.

Zedcor Inc. is a Canadian public corporation and parent company to Zedcor Security Solutions Corp. ("Zedcor"). Zedcor is engaged in the providing security & surveillance services, and rental of surface equipment & accommodations in Western Canada. The Company trades on the TSX Venture Exchange under the symbol "ZDC". Zedcor operates with two business segments: Security & Surveillance and Rentals (formerly Energy Services).

FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this press release constitute forward-looking statements or forward-looking information, including management's belief that streamlining rental assets with newer equipment will drive improvements in equipment rental rates and utilization, and that the expanded market reach and customer base will lead to more diversity in the Company's revenue stream and increase utilization. Forward-looking statements or information may contain statements with the words "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", "budget", "should", "project", "would have realized', "may have been" or similar words suggesting future outcomes or expectations. Although the Company believes that the expectations implied in such forward-looking statements or information are reasonable, undue reliance should not be placed on these forward-looking statements because the Company can give no assurance that such statements will prove to be correct. Forward-looking statements or information are based on current expectations, estimates and projections that involve a number of assumptions about the future and uncertainties. These assumptions include that the Company's new solar hybrid light tower and related security and surveillance service offerings will lead to more diversity in revenue streams and protect against future down swings in the economic environment. Although management believes these assumptions are reasonable, there can be no assurance that they will prove to be correct, and actual results will differ materially from those anticipated. For this purpose, any statements herein that are not statements of historical fact may be deemed to be forward-looking statements. The forward-looking statements or information contained in this press release are made as of the date hereof and the Company assumes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new contrary information, future events or any other reason, unless it is required by any applicable securities laws. The forward-looking statements or information contained in this press release are expressly qualified by this cautionary statement.

For further information contact:

Todd Ziniuk
Chief Executive Officer
P: (403) 930-5430
E: tziniuk@zedcor.ca

Amin Ladha
Chief Financial Officer
P: (403) 930-5430
E: aladha@zedcor.ca