Zedcor Inc. Announces Second Quarter Results for 2021

CALGARY, ALBERTA – August 18, 2021: Zedcor Inc. (the "Company") (TSX VENTURE: ZDC) today announced its financial and operating results for the three and six months ended June 30, 2021.

Financial and Operating Results for the three and six months ended June 30, 2021:

	Three months ended June 30		Six months ended June 30	
(in $000s)	**2021**	**2020**	**2021**	**2020**
Revenue	3,103	1,441	5,790	2,870
Adjusted EBITDA[1,2]	1,492	877	3,658	2,924
Adjusted EBIT[1,2]	(65)	111	475	(13)
Net loss from continuing operations	(935)	(695)	(1,341)	(1,680)
Net loss from operations	(3,619)	(1,135)	(3,393)	(1,422)
Net loss per share from continuing operations				
Basic	(0.02)	(0.01)	(0.02)	(0.03)
Diluted	(0.02)	(0.01)	(0.02)	(0.03)

[1] *Adjusted for severance costs*

[2] *See Financial Measures Reconciliations below*

On June 30, 2021, the Company announced the sale of its Rental Segment assets. Accordingly, these operations were classified as discontinued operations on the Company's financial statements. The discussion throughout our MD&A reflect continuing operations of the Company's security and surveillance services, unless otherwise noted. Zedcor recorded $1,019 and $1,987 of adjusted EBITDA from continuing operations for the three months and six months ended June 30, 2021. This compares to $618 and $843 of adjusted EBITDA from continuing operations for the three and six months ended June 30, 2020. The Company's security and surveillance services segment saw increased revenues and EBITDA compared to 2020 due to increased fleet of MobileyeZ security towers as a result of increasing customer demand.

Zedcor is actively managing the increased customer demand for security solutions by adding to its fleet of towers. The Company has also increased the size of its sales team and geographic footprint in order to market its services in other parts of Canada.

Financial and operational highlights for the three and six months ended June 30, 2021 include:

- Revenue for the quarter ended June 30, 2021 increased by $1,662 from $1,441 to $3,103 compared to the same quarter in 2020. This increase was driven by a larger fleet of MobileyeZ security towers. During Q2 2020, the Company was in the process of retrofitting its existing fleet of solar hybrid light towers to MobileyeZ security towers. This process was completed in Q3 2020 and Zedcor continued to add to its fleet allowing it to generate additional revenues.
- The Company announcing 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.

- Adding twelve additional Electric MobileyeZ and twenty additional Solar Hybrid MobileyeZ bringing its total fleet to 38 and 150 units, respectively. Of the 150 Solar Hybrid MobileyeZ, 120 are equipped with ground disturbance sensors which further enhances the capabilities of these units. The Company will continue to manage its supply chain and logistics by constructing additional security towers based on customer demand and expansion plans into other strategic markets in Canada.

- Net loss from continuing operations was ($935) and ($1,341) for the three and six months ended June 30, 2021 compared to a net loss of ($695) and ($1,680) for the three and six months ended June 30, 2020. The reduction in net loss for the six months ended June 30, 2021 was a result of higher revenues driven by an increased fleet size and higher utilization for the Company's security tower fleet.

- Reducing debt and finance lease liabilities in the first half of the year. The Company exited Q2 2021 with $4,988 outstanding on its credit facilities compared to $17,317 as at December 31, 2020 and $17,399 as at June 30, 2020.

- On June 30, 2021, the Company announced the closing of the sale of its Rental Segment assets for total proceeds of $11.3 million. The proceeds were used entirely to reduce high interest debt. In addition to the proceeds of $11.3 million the Company will continue to help manage those assets and will be paid an monthly management fee of $25 per month for up to 36 months. This transaction also allows the Company to capitalize on potential oilfield activity upside by providing for a 35% annual bonus if certain targets are exceeded. This transaction resulted in a $2.7 million loss on sale but significantly reduces the Company's balance sheet leverage and allows the Company to focus on expanding its security business throughout North America.

SELECTED QUARTERLY FINANCIAL INFORMATION

(Unaudited – in $000s)	June 30 2021	March 31 2021	Dec 31 2020	Sept 30 2020	Jun 30 2020	Mar 31 2020	Dec 31 2019	Sept 30 2019
Revenue from continuing operations	3,103	2,687	2,458	1,673	1,441	1,429	1,081	1,288
Net loss	(3,619)	(1,135)	(287)	(3,930)	(1,135)	(1,805)	(683)	(15,176)
Adjusted EBITDA[1]	1,492	901	2,066	1,303	1,509	1,264	2,758	1,402
Adjusted EBITDA per share - basic[1]	0.03	0.02	0.04	0.02	0.03	0.02	0.05	0.03
Net loss per share from continuing operations								
Basic	(0.02)	(0.00)	(0.02)	(0.02)	(0.01)	(0.02)	(0.02)	(0.02)
Diluted	(0.02)	(0.02)	(0.02)	(0.02)	(0.01)	(0.02)	(0.02)	(0.02)
Net income (loss) per share from discontinued operations								
Basic	(0.05)	0.01	(0.02)	0.00	(0.01)	0.00	(0.05)	(0.01)
Diluted	(0.05)	0.01	(0.02)	0.00	(0.01)	0.00	(0.05)	(0.01)
Adjusted free cash flow[1]	198	(276)	190	(320)	1,591	751	1,240	(264)

[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 a result of the disposal of the Company's Rental Segment assets at June 30, 2021, the Company has:

- $3.5 million outstanding on the one time draw of $17.3 million. This loan has monthly principal payments of $63 plus interest of 12.75% per annum until October 2021 and monthly principal payments of $108 plus interest of 12.75% per annum thereafter;
- $0.6 million outstanding on the $0.8 million draw on the accordion feature. This loan has monthly blended principal and interest payments of $39 from July 2021 to December 2021 and then $29 thereafter;
- $ 1.2 million available to draw on the accordion feature, subject to approval from the lender; and
- The lender has released the personal guarantee from the Company's Board Member.

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 June 30, 2021, the Company's current ratio, as defined to exclude the current portion of long term debt, was 1.52:1.00; the debt service coverage ratio, calculated in accordance with IAS 17 per agreement with lender, was 1.20:1.00 and the Company's total debt of $16,428 was below the maximum of $31,500.

OUTLOOK

Despite the challenging operating environment and reduced economic activity as a result of the COVID-19 pandemic, the Company continues to execute on its long term strategy of growing its S&S segment. We continued to effectively use cash flow to purchase additional MobileyeZ security towers in order to use it in providing surveillance services. In addition, the Company has used technological solutions in order to reduce the capital costs of expanding this service line. Utilization of the Company's surveillance towers fitted with high resolution cameras and supported by live, 24/7 remote monitoring, continues to see high utilization and we expect the utilization rates to remain steady in the second half of 2021 with construction activity expected to increase as a result of government stimulus. In addition, the Company continues to expand its security service offerings with on-site security personnel services and remote monitoring solutions, in addition to expanding its geographical footprint in British Columbia.

As a result of the sale of its Rental segment assets, the Company has significantly reduced leverage on its balance sheet and can focus on its three main priorities:

1) Replace current high interest lender with a senior lender that provides lower interest rates allowing for the generation of higher free cash flows. Based on conversations with lenders and reduced financial leverage ratios, the Company is in position to have this completed.
2) Expand its fleet of security towers and geographical footprint in Western Canada and expand to Central and Eastern Canada.
3) Increased the revenue from fixed monitoring sites allowing for a base of recurring monthly revenues.

NON-IFRS MEASURES RECONCILIATION

Zedcor Inc. uses certain measures in this MD&A 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 operations and comprehensive income may not be comparable to similar measures presented by other reporting issuers. These measures have been described and presented in this MD&A 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.

EBITDA and Adjusted EBITDA

EBITDA refers to net income before finance costs, income taxes, depreciation and amortization. Adjusted EBITDA is calculated as EBITDA before costs associated with severance, gains and losses on sale of equipment and stock based compensation. These measures do not have a standardized definition prescribed by IFRS and therefore may not be comparable to similar captioned terms presented by other issuers.

Management believes that EBITDA and Adjusted EBITDA are useful measures of performance as they eliminate non-recurring items and the impact of finance and tax structure variables that exist between entities. "Adjusted EBITDA per share – basic" refers to Adjusted EBITDA divided by the weighted average basic number of shares outstanding during the relevant periods.

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

(in $000s)	Three months ended June 30 2021	2020	Six months ended June 30 2021	2020
Net loss from continuing operations	(935)	(695)	(1,341)	(1,680)
Add:				
Finance costs	826	782	1,768	1,601
Depreciation of property & equipment	379	364	770	643
Depreciation of right-of-use assets	104	191	217	322
Loss on disposal of right-of-use asset	645	—	573	—
Income tax recovery	—	(24)	—	(43)
EBITDA from continuing operations	1,019	618	1,987	843
Add:				
Stock based compensation	28	8	62	17
Severance costs	44	24	48	66
Discontinued operations	401	227	1,561	1,998
Adjusted EBITDA	1,492	877	3,658	2,924

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 June 30 2021	2020	Six months ended June 30 2021	2020
Net loss	(3,619)	(1,135)	(3,393)	(1,422)
Add:				
Finance costs	826	782	1,768	1,601
Income tax recovery	—	(24)	—	(43)
Severance costs	44	24	48	66
Discontinued operations	2,684	464	2,052	(215)
Adjusted EBIT from continuing operations	(65)	111	475	(13)

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 June 30 2021	2020	Six months ended June 30 2021	2020
Net loss from continuing operations	(935)	(671)	(1,341)	(1,637)
Add non-cash expenses:				
Depreciation of property & equipment	379	364	770	643
Depreciation of right-of-use assets	104	191	217	322
Stock based compensation	28	8	62	17
Finance costs (non-cash portion)	196	151	514	281
Current taxes	—	(24)	—	(43)
	(228)	(5)	222	(417)
Add non-recurring expenses:				
Severance	44	24	48	66
Change in non-cash working capital	382	1,841	(348)	1,405
Adjusted Free Cash Flow from continuing operations	198	1,860	(78)	1,054

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 and six months ended June 30, 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 is currently the parent company to Zedcor Security Solutions Corp. ("Zedcor"). On September 17, 2020, the Company received shareholder approval to change the names of the Companies in order to better reflect its changing business. Zedcor Energy Inc.'s name was changed to Zedcor Inc. and Zedcor Energy Services Corp.'s name was changed to Zedcor Security Solutions Corp. Zedcor is engaged in providing security & surveillance services in Western and Central Canada. The Company trades on the TSX Venture Exchange under the symbol "ZDC". As a result of the sale of its Rental Segment assets on June 30, 2021, Zedcor operates with one business segment: Security & Surveillance ("S&S").

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.

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