



## Zedcor Inc. Announces Third Quarter Results for 2022 With 57% Increase in Revenue, \$2.1 Million in Adjusted EBITDA and 226% Increase in Net Income

CALGARY, ALBERTA – November 15, 2022: Zedcor Inc. (the "Company") (TSX VENTURE: ZDC) today announced its financial and operating results for the three and nine months ended September 30, 2022.

Q3 2022 revenues increased to \$5.8 million and the Company had net income of \$1.0 million or \$0.01 per share. This represented a 57% increase in revenues compared to Q3 2021 and a 226% increase in net income for September 2022.

Zedcor recorded \$2.1 million and \$5.2 million of adjusted EBITDA from continuing operations for the three months and nine months ended September 30, 2022. This compares to \$1.4 million and \$3.5 million of adjusted EBITDA from continuing operations for the three and nine months ended September 30, 2021.

During the quarter, the Company has allocated approximately 10% of its MobileyeZ security Tower Fleet to Ontario. These towers are being utilized at construction and automotive customer sites. Zedcor plans to continue to allocate security towers to Eastern Canada as it completes its 2022 capital asset spending.

Todd Ziniuk, President & CEO said: "I am encouraged about the direction of the Company and the opportunities we are seeing with new and existing customers to meet their surveillance and security requirements with the application of Zedcor's technology. The strong financial results for Q3 2022 reflect the efforts of our team who deliver exceptional service to our customers every day. We continue to see strong demand for our video surveillance as a service offering with customers shifting away from traditional security services. This is further demonstrated by Zedcor's continued expansion across Canada."

### Financial and Operating Results for the three and nine months ended September 30, 2022:

(in \$000s)	Three months ended September 30		Nine months ended September 30	
	2022	2021	2022	2021
Revenue	5,797	3,684	15,682	9,474
EBITDA from continuing operations <sup>1,2</sup>	2,090	1,316	5,941	3,303
Adjusted EBITDA from continuing operations <sup>1,2</sup>	2,121	1,373	5,188	3,466
Adjusted EBIT <sup>1,2</sup>	1,255	726	2,782	1,197
Net income (loss) from continuing operations	966	296	2,922	(1,045)
Net income loss from operations	966	296	2,922	(3,097)
Net income (loss) per share from continuing operations				
Basic	0.01	0.01	0.04	(0.02)
Diluted	0.01	0.01	0.04	(0.02)

<sup>1</sup> Adjusted for severance costs

<sup>2</sup> See Financial Measures Reconciliations below

Zedcor recorded \$2,121 and \$5,188 of adjusted EBITDA from continuing operations for the three and nine months ended September 30, 2022. This compares to \$1,373 and \$3,466 of adjusted EBITDA from continuing operations for the three and nine months ended September 30, 2021.

The Company's security and surveillance services saw increased revenues and EBITDA for the three and nine months ended September 30, 2022 compared to 2021 due to higher customer demand which drove utilization of a larger fleet of MobileyeZ security towers. Zedcor exited the period with 441 MobileyeZ security towers which was an increase of 177 when compared to December 31, 2021 and 220 units when compared to September 30, 2021. While a smaller part of the business, the Company's other two service lines also saw increased revenues when compared to prior periods. Fixed site monitoring contracts and service revenue saw increases of 76% and 132% for the three and nine months ended September 30, 2022 while security personnel revenues also increased significantly as a result of a contract award for integrated security services in February 2022.

Financial and operational highlights for the three and nine months ended September 30, 2022 include:

- Revenue for the three and nine months ended September 30, 2022 increased by \$2,111 and \$6,208 from \$3,684 and \$9,474 to \$5,795 and \$15,682. This increase was driven by a larger fleet of MobileyeZ security towers and high utilization rates of the Company's fleet. The Company's flagship Solar Hybrid MobileyeZ saw utilization rates over 90% for the nine months ended September 30, 2022.
- Net income from continuing operations was \$966 for the three months ended September 30, 2022. This compares to a net income of \$296 for the three months ended September 30, 2021. For the nine months ended September 30, 2022 net income from continuing operations was \$2,922 compared to a net loss of (\$1,045) for the nine months ended September 30, 2021. The reversal of the net loss is directly attributable to: 1) a larger fleet of towers and strong customer demand which drove utilization and, in turn, revenues; 2) reduced financing costs as a result of reduced debt load and interest rates when the Company obtained a new financing agreement in Q4 2021 which provided additional capital, and significantly reduced interest rates; and 3) \$883 in other income. As part of the sale of the Company's Rental segment assets in 2021, the Company is to receive a 35% bonus for every dollar of EBITDA over certain thresholds. As a result of this agreement, the Company received \$883 in 2022.
- The Company expanded to Ontario with equipment and service branch openings in Ottawa and Toronto. As at September 30, 2022, approximately 10% of the Company's MobileyeZ security tower fleet is located in Ontario. We are seeing strong demand for the Company's services in Eastern Canada and additional security towers will be delivered to Ontario in Q4 2022.
- Entering into a one-year contract for a minimum of ten Electric MobileyeZ security towers with a commercial real estate development firm. This contract reflects the Company's efforts to secure more contracted work for multiple MobileyeZ.
- Seeing continued growth in its fixed monitoring service line. Zedcor exited the quarter with 77 fixed monitoring sites which is a 63% increase when compared to September 30, 2021. In addition, the Company has additional contracts signed with customers for fixed monitoring services with camera installations expected to be completed throughout Q4 2022.
- Adding 117 additional Electric MobileyeZ and 59 additional Solar Hybrid MobileyeZ bringing its total fleet to 171 and 249 units, respectively. Of the 249 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.
- On February 17, 2022, the Company announced that it has entered into an agreement to provide integrated security solutions to a Canadian based energy infrastructure company. This contract continued in Q3 2022 and has been expanded beyond the initial introductory term.

- The issuance of 5.2 million common shares and 2.6 million common share purchase warrants for gross proceeds of \$3.0 million. This financing was used to grow the Company's fleet of MobileyeZ security towers and expand its geographical footprint.

## SELECTED QUARTERLY FINANCIAL INFORMATION

	Sept 30 2022	Jun 31 2022	Mar 31 2022	Dec 31 2021	Sept 30 2021	Jun 30 2021	Mar 31 2021	Dec 31 2020
<b>(Unaudited – in \$000s)</b>								
Revenue from continuing operations	5,797	5,256	4,631	4,076	3,684	3,103	2,683	2,458
Net income (loss)	966	1,528	428	(535)	296	(935)	(373)	26
Adjusted EBITDA <sup>1</sup>	2,121	1,694	1,373	961	1,353	1,492	2,163	1,789
Adjusted EBITDA per share - basic <sup>1</sup>	0.03	0.02	0.02	0.02	0.02	0.03	0.04	0.03
Net income (loss) per share from continuing operations								
Basic	0.01	0.02	0.01	(0.01)	0.01	(0.02)	(0.01)	(0.00)
Diluted	0.01	0.02	0.01	(0.01)	0.01	(0.02)	(0.01)	(0.00)
Net income (loss) per share from discontinued operations								
Basic	—	—	—	—	—	(0.05)	0.01	(0.04)
Diluted	—	—	—	—	—	(0.05)	0.01	(0.04)
Adjusted free cash flow <sup>1</sup>	2,076	(292)	1,216	345	2,068	198	(284)	(279)

<sup>1</sup> See Financial Measures Reconciliations below

## LIQUIDITY AND CAPITAL RESOURCES

### Sources and Uses of Cash

The following table shows a summary of the Company's cash flows by source or (use) for the nine months ended September 30, 2022 and 2021:

<b>(in \$000s)</b>	<b>Nine months ended September 30</b>			
	<b>2022</b>	<b>2021</b>	<b>\$ Change</b>	<b>% Change</b>
Cash flow from continuing operating activities	4,168	2,791	1,377	49%
Cash flow used by continuing investing activities	(6,973)	(2,976)	(3,977)	134%
Cash flow from (used by) financing activities	3,829	(13,791)	17,620	(128%)

The following table presents a summary of working capital information:

<b>(in \$000s)</b>	<b>As at September 30</b>			
	<b>2022</b>	<b>2021</b>	<b>\$ Change</b>	<b>% Change</b>
Current assets	7,841	4,461	3,380	43%
Current liabilities *	7,178	7,504	(326)	(5%)
Working capital	663	(3,043)	3,706	559%

\*Includes \$2.2 million of debt and \$1.6 million of lease liabilities in 2022 and \$2.8 million of debt and \$1.5 million of lease liabilities in 2021

The primary uses of funds are operating expenses, maintenance and growth capital spending, interest and principal payments on debt facilities. The Company has a variety of sources available to meet these liquidity needs, including cash generated from operations. In general, the Company funds its operations with cash flow generated from operations, while growth capital and acquisitions are typically funded by issuing new equity, debt or cash flow from operations.

### Principal Credit Facility

	Interest rate	Final maturity	Facility maximum	Outstanding as at September 30, 2022	Outstanding as at December 31, 2021
Term Loan	5.15%	Oct 2026	6,100	5,005	5,861
Revolving Equipment Financing	Prime + 2.00%	Revolving	6,000	6,000	1,182
Authorized Overdraft	Prime + 1.50%	Revolving	3,000	—	905
				11,005	7,948
Current portion				(2,192)	(2,231)
Long term debt				8,813	5,717

On April 27, 2022, the Company entered into an amended financing agreement with its lender (the “Amended Financing Agreement”) which consists of:

1. A \$6.1 million term loan that is fully committed for five years (“Term Loan”). The Term Loan bears interest at 5.15% and will have monthly blended principal and interest payments of \$116.
2. A \$6.0 million revolving equipment financing facility (“Revolving Equipment Financing”). The Company is able to draw on this facility at any time for up to 75% of new equipment purchases. The draws bear interest at Prime + 2.0% and each draw will be amortized over 5 years with blended principal and interest payments. As at September 30, 2022 the Prime Interest Rate was 5.45% and the interest rate on the Revolving Equipment Financing was 7.45%. As the Company pays down the Revolving Equipment Financing, it can borrow back up to the facility maximum of \$6.0 million.
3. An authorized overdraft facility (“Authorized Overdraft”) up to \$3.0 million, secured by the Company’s accounts receivable, up to 75%, less priority payables which are GST payable, income taxes payable, employee remittances payable and WCB payables. The Authorized Overdraft is due on demand and any outstanding overdraft bears interest at Prime + 1.5%. As at September 30, 2022 the Prime Interest Rate was 5.45% and the interest rate on the Revolving Equipment Financing was 6.95%.

The Amended Financing Agreement is secured with a first charge over the Company’s current and after acquired equipment, a general security agreement, a subordination and postponement agreement with a director of the Company with respect to the Note Payable, and other standard non-financial security.

The agreement has the following annual financial covenant requirements:

- For the fiscal year ends December 31, 2022 and onwards, a debt servicing covenant of 1.25 to 1.00 and a funded debt to EBITDA covenant of 3.00 to 1.00.

As at September 30, 2022, the Company did not have quarterly financial covenant requirements that it had to comply with.

## **OUTLOOK**

Zedcor continues to execute on its long-term strategy of growing its technology enabled security services. While there were supply chain delays throughout the year to date which slowed down the Company's ability to build security towers, we continue to effectively use a mix of cash flow, the proceeds of our equity raise and debt to purchase additional MobileyeZ security towers to provide surveillance services to our expanding customer base. The Company was able to offset the supply chain delays with higher utilization of the tower fleet, allowing internal revenue targets to be exceeded throughout the year. In addition, there are inflationary pressures that the Company is actively monitoring to maintain margins and this remains a priority for management.

Utilization of the Company's surveillance towers fitted with high resolution cameras and supported by live verified, 24/7 remote monitoring, continues to be high and we expect the utilization rates to remain steady going forward. As Canada starts to emerge from the COVID-19 pandemic, Zedcor is seeing increased activity and demand for its services. The Company has also grown its salesforce to focus on growing on-site security personnel and remote monitoring revenues, in addition to expanding its geographical footprint throughout Canada. During the quarter, the Company has opened up branches in Toronto, Ontario and Ottawa, Ontario with plans to open a second monitoring station in Eastern Canada in Q1 2023. Currently the Company has approximately 10% of its MobileyeZ fleet located in Ontario with plans to significantly expand the fleet in Eastern Canada. With the expanded equipment financing providing additional access to capital for the Company, Zedcor is in a strong position to grow all service lines.

Priorities that the Company intends to focus on for 2022 and 2023 include:

- 1) Expansion of Zedcor's fleet of security towers. In addition, the Company plans to continue to invest in research & development. Zedcor launched the Battery Electric MobileyeZ in late Q1 2022. The Battery Electric MobileyeZ is an improvement to the Company's Electric MobileyeZ as it has battery backup for over 24 hours in case of interruptions to power supply.
- 2) Growing presence in Eastern Canada. The Company has expanded to Ontario with equipment branches in Ottawa and Toronto. The Company has secured customers in Ontario and Quebec and intends to allocate a sizable portion of its remaining 2022 capital spending to expand its Eastern Canada operations and fleet size. The Company has also hired salespeople and a branch manager in Ottawa.
- 3) Increase revenues from both the fixed site monitoring services and security personnel services. Zedcor anticipates exiting the year with over 100 fixed sites being monitored which provides a base of contracted monthly recurring revenues on top of its security tower revenue.
- 4) Expand its base of recurring monthly revenue through contracts for its MobileyeZ fleet.

## **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:

<b>(in \$000s)</b>	<b>Three months ended September 30</b>		<b>Nine months ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Net income (loss) from continuing operations</b>	966	296	2,922	(1,045)
Add:				
Finance costs	289	430	743	2,198
Depreciation of property & equipment	641	407	1,710	1,177
Depreciation of right-of-use assets	255	177	694	394
(Gain) loss on sale of equipment	(50)	52	(124)	52
(Gain) loss on disposal of right-of-use asset	(11)	(46)	(4)	527
<b>EBITDA from continuing operations</b>	<b>2,090</b>	<b>1,316</b>	<b>5,941</b>	<b>3,303</b>
Add (deduct):				
Stock based compensation	10	33	83	95
Severance costs	—	—	—	44
Loss on foreign exchange	21	24	47	24
Other income	—	—	(883)	—
<b>Adjusted EBITDA from continuing operations</b>	<b>2,121</b>	<b>1,373</b>	<b>5,188</b>	<b>3,466</b>
Discontinued operations	—	—	—	1,561
<b>Adjusted EBITDA</b>	<b>2,121</b>	<b>1,373</b>	<b>5,188</b>	<b>5,027</b>

### **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:

<b>(in \$000s)</b>	<b>Three months ended September 30</b>		<b>Nine months ended September 30</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Net income (loss)</b>	966	296	2,922	(3,097)
Add (deduct):				
Finance costs	289	430	743	2,198
Severance costs	—	—	—	44
Other income	—	—	(883)	—
Discontinued operations	—	—	—	2,052
<b>Adjusted EBIT from continuing operations</b>	<b>1,255</b>	<b>726</b>	<b>2,782</b>	<b>1,197</b>

### **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:

<b>(in \$000s)</b>	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>2022</b>	<b>September 30 2021</b>	<b>2022</b>	<b>September 30 2021</b>
<b>Net income (loss) from continuing operations</b>	966	296	2,922	(1,045)
<b>Add non-cash expenses:</b>				
Depreciation of property & equipment	641	407	1,710	1,177
Depreciation of right-of-use assets	255	177	694	394
Stock based compensation	10	33	83	95
Finance costs (non-cash portion)	53	262	131	776
	1,925	1,175	5,540	1,397
<b>Add (deduct) non-recurring income and expenses:</b>				
Severance	—	—	—	44
Other income	—	—	(883)	—
	1,925	1,175	4,657	1,441
Change in non-cash working capital	151	893	(1,657)	545
<b>Adjusted Free Cash Flow from continuing operations</b>	<b>2,076</b>	<b>2,068</b>	<b>3,000</b>	<b>1,986</b>

### **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 nine months ended September 30, 2022 and 2021 and Management's Discussion and Analysis of the results are available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.zedcor.ca](http://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 is a technology enabled business that is changing how physical security services are provided to businesses. Zedcor operates throughout Canada with branches in British Columbia, Alberta, Manitoba and Ontario. The Company has three main service offerings to customers across all market segments: 1) surveillance and live monitoring through its proprietary MobileyeZ security towers; 2) surveillance and live monitoring of fixed site locations; and 3) security personnel.

The Company operates a fleet of over 450 proprietary MobileyeZ security towers, equipped with high resolution, technology-based security cameras, and monitors over 80 fixed site locations for customers across various industries. Video from security towers and fixed site locations is streamed to the Company's central monitoring station where video alarms are live verified and responded to based on customer requirements. Zedcor also offers high level security guard services to enterprise level customers who are looking to supplement video-based security for high value, high risk or critical operational assets.

The Company trades on the TSX Venture Exchange under the symbol "ZDC".

## **FORWARD-LOOKING STATEMENTS**

Certain statements included or incorporated by reference in this MD&A 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 MD&A 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 MD&A are expressly qualified by this cautionary statement.

This MD&A also makes reference to certain non-IFRS measures, which management believes assists in assessing the Company's financial performance. Readers are directed to the section above entitled "Financial Measures Reconciliations" for an explanation of the non-IFRS measures used.

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