Zedcor Inc. Announces Fourth Quarter and Annual Results for 2022 With 63% Annual Increase in Revenue, $7.6 Million in Annual Adjusted EBITDA and Positive Earnings per Share

CALGARY, ALBERTA – April 12, 2023: Zedcor Inc. (the "Company") (TSX VENTURE: ZDC) today announced its financial and operating results for the three and twelve months ended December 31, 2022.

Q4 2022 revenues increased to $6.4 million and the Company had net income before income taxes of $1.1 million or $0.02 per share. This represented a 57% increase in revenues compared to Q4 2021 and a 101% increase in net income for December 31, 2022.

Zedcor recorded $2.4 million and $7.6 million of adjusted EBITDA from continuing operations for the three months and twelve months ended December 31, 2022. This compares to $1.0 million and $4.4 million of adjusted EBITDA from continuing operations for the three and twelve months ended December 31, 2021.

During the quarter, the Company has allocated approximately 13% of its MobileyeZ security tower fleet to Ontario. These towers are being utilized at construction and automotive customer sites. Zedcor has continued to allocate security towers to Eastern Canada as it expands its service capabilities in Eastern Canada.

Todd Ziniuk, President & CEO said: "The entire team is excited about the disruptive technology that is enabling our customers to secure their assets with a better service while reducing their costs. We are seeing opportunities across a variety of industry sectors and customer bases. We look forward to providing a high level of Zedcor service that our current customers are expecting to new customers across Canada and providing them technology-based solutions. The strong financial results for Q4 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."

Financial and Operating Results for the three and twelve months ended December 31, 2022:

	Three months ended December 31		Twelve months ended December 31	
(in $000s, except per share amounts)	**2022**	**2021**	**2022**	**2021**
Revenue from continuing operations	6,415	4,076	22,099	13,550
EBITDA from continuing operations[1,2]	2,312	900	8,253	4,203
Adjusted EBITDA from continuing operations[1,2]	2,380	961	7,569	4,407
Adjusted EBIT[1,2]	1,391	431	4,173	1,628
Net income (loss) from continuing operations before income tax recovery	1,071	(535)	3,993	(1,580)
Net income (loss) from operations before income tax recovery	1,071	(804)	3,993	(3,901)
Net income (loss) per share from continuing operations				
Basic	0.05	(0.01)	0.09	(0.03)
Diluted	0.04	(0.01)	0.08	(0.03)

[1] *Adjusted for stock based compensation, severance costs, foreign exchange, other income and discontinued operations*

[2] *See Financial Measures Reconciliations below*

Zedcor recorded $2,380 and $7,569 of adjusted EBITDA from continuing operations for the three and twelve months ended December 31, 2022. This compares to $961 and $4,407 of adjusted EBITDA from continuing operations for the three and twelve months ended December 31, 2021.

The Company's security and surveillance services saw increased revenues and EBITDA for the three and twelve months ended December 31, 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 506 MobileyeZ security towers which was an increase of 242 when compared to December 31, 2022.

Financial and operational highlights for the three and twelve months ended December 31, 2022 include:

- Revenue for the three and twelve months ended December 31, 2022 increased by $2,339 and $8,549 from $4,076 and $13,550 to $6,415 and $22,099. 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 twelve months ended December 31, 2022. Zedcor maintained double digit quarter over quarter revenue growth.

- Net income from continuing operations was $1,071 for the three months ended December 31, 2022. This compares to a net loss of ($535) for the three months ended December 31, 2021. For the twelve months ended December 31, 2022 net income from continuing operations was $3,993 compared to a net loss of ($1,580). 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.

- Adding 178 additional Electric MobileyeZ and 64 additional Solar Hybrid MobileyeZ bringing its total fleet to 231 and 254 units, respectively. Of the 254 Solar Hybrid MobileyeZ, 120 are equipped with vibration 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.

- The Company expanded its footprint across Canada. Zedcor expanded to Ontario, with equipment and service center openings in Ottawa and Toronto, and Manitoba with an equipment and service center in Winnipeg. As at December 31, 2022, approximately 13% 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 and Manitoba in 2023.

- 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 and build a stronger recurring revenue base for multiple MobileyeZ.

- 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 $2.6 million. This financing was used to grow the Company's fleet of MobileyeZ security towers and expand its geographical footprint.

- The Company continued to manage its supply chain and logistics. Orders were proactively placed for light towers, cameras and communication equipment for the Company's 2022 capital program. This allowed the Company to expand its fleet of security towers by 242. In addition, the Company will continue to actively manage demand for 2023 and will proactively place orders for equipment; additional security towers may be constructed based on customer demand, expansion plans into other strategic markets in Canada and the USA, and availability of capital.

SELECTED QUARTERLY FINANCIAL INFORMATION

(Unaudited – in $000s)	Dec 31 2022	Sept 30 2022	June 30 2022	Mar 31 2022	Dec 31 2021	Sept 30 2021	Jun 30 2021	Mar 31 2021
Revenue from continuing operations	6,415	5,797	5,256	4,631	4,076	3,684	3,103	2,683
Revenue growth (%)	11%	10%	13%	14%	11%	19%	16%	9%
Net income (loss)	3,076	966	1,528	428	(535)	296	(935)	(373)
Adjusted EBITDA[1]	2,380	2,121	1,694	1,373	961	1,353	1,492	2,163
Adjusted EBITDA per share - basic[1]	0.04	0.03	0.02	0.02	0.02	0.02	0.03	0.04
Net income (loss) per share from continuing operations								
Basic	0.05	0.01	0.02	0.01	(0.01)	0.01	(0.02)	(0.01)
Diluted	0.04	0.01	0.02	0.01	(0.01)	0.01	(0.02)	(0.01)
Net income (loss) per share from discontinued operations								
Basic	—	—	—	—	—	—	(0.05)	0.01
Diluted	—	—	—	—	—	—	(0.05)	0.01
Adjusted free cash flow[1]	1,931	2,076	(292)	1,216	345	2,068	198	(284)

[1] *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 twelve months ended December 31, 2022 and 2021:

	Twelve months ended December 31			
(in $000s)	**2022**	**2021**	**$ Change**	**% Change**
Cash flow from continuing operating activities	6,190	2,982	3,208	108%
Cash flow used in continuing investing activities	(8,607)	(5,250)	(3,357)	64%
Cash flow from (used by) financing activities	2,880	(11,771)	14,651	(124%)

The following table presents a summary of working capital information:

	Twelve months ended December 31			
(in $000s)	**2022**	**2021**	**$ Change**	**% Change**
Current assets	7,542	4,442	3,100	70%
Current liabilities *	7,379	5,962	1,417	24%
Working capital	163	(1,520)	1,683	111%

**Includes $2.2 million of debt and $1.8 million of lease liabilities in 2022 and $2.2 million of debt and $1.4 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 or debt.

Principal Credit Facility

	Interest rate	Final maturity	Facility maximum	Outstanding as at December 31, 2022	Outstanding as at December 31, 2021
Term Loan	5.15%	Oct 2026	6,100	4,748	5,861
Revolving Equipment Financing	Prime + 2.00%	Revolving	6,000	5,799	1,182
Authorized Overdraft	Prime + 1.50%	Revolving	3,000	—	905
				10,547	7,948
Current portion				(2,198)	(2,231)
Long term debt				8,349	5,717

On October 18, 2021, the Company repaid its existing credit facilities and entered into a new financing agreement ("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. $4.4 million of the proceeds of the term loan was used to repay the Company's outstanding Loan and Security Facility.
2. A $3.0 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 December 31, 2022 the Prime Interest Rate was 6.45% and the interest rate on the Revolving Equipment Financing was 8.45%. As the Company pays down the debt, it can borrow back up to the facility maximum of $3.0 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 December 31, 2022 the Prime Interest Rate was 6.45% and the interest rate on the Revolving Equipment Financing was 7.95%.

On April 27, 2022, the Company entered into an amended financing agreement with its lender (the "Amended Financing Agreement") which expanded the Revolving Equipment Financing from $3.0 million to $6.0 million.

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 a 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 no less than 1.25 to 1.00; and
- a funded debt to EBITDA covenant of no more than 3.00 to 1.00.

As at December 31, 2022, the Company is in compliance with its financial covenant requirements. The debt servicing ratio as calculated based on the Amended Financing Agreement was 3.66 to 1.00 and the funded debt to EBITDA was 1.42 to 1.00.

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 build 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 remained steady in Q1 2023. While we expect the utilization rates to remain strong going forward, there will be a drop in utilization rates as the Trans Mountain Pipeline Expansion project comes to an end and equipment is redeployed to other customers throughout the Company's operating regions. The Company has also grown its salesforce across Canada in order to obtain contracts for its MobileyeZ and continue to expand its service offering to different industries. During the second half of the year, the Company opened equipment and service centers in Toronto, Ottawa, and Winnipeg with plans to open a second monitoring station in Eastern Canada in the second half of 2023. Currently the Company has approximately 13% of its MobileyeZ fleet located in Ontario with plans to significantly expand the fleet in Eastern Canada. With the anticipated completion of the Trans Mountain Expansion Pipeline in 2023 the Company is now situated with a growing salesforce and expanded geographical footprint to be able to diversify its customer base while maintaining utilization rates.

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

1) Obtaining more customers, with a focus on enterprise level customers, and diversifying customer base including geographically and across different industry verticals. The Company is seeing strong demand for its MobileyeZ across Canada and has plans to expand to the United States in the second half of 2023. Based on preliminary research, there is a large market for Zedcor's integrated solution of MobileyeZ security towers with monitoring services. Due to significant spending on infrastructure in the USA, the Company believes its products, coupled with Zedcor's commitment to customer service, are perfectly situated for this market. Zedcor also intends to grow its presence in Eastern Canada. The Company expanded to Ontario with equipment and service centers in Ottawa and Toronto. The Company has secured customers in Ontario and Quebec and intends to allocate a sizable portion of its 2023 capital spending to expand its Eastern Canada operations and fleet size. The Company has also hired salespeople branch managers for all of its equipment and service centers across Canada.

2) Maintaining margin levels by increasing operational efficiency and continuing to invest in technology. Zedcor has investigated a number of artificial intelligence options that will reduce the number of alarms in its monitoring center. We will be investing in technological solutions to help us exploit this and are actively testing options.

3) Building new, innovative products based on customer demand. As the Company has obtained customers in different industry verticals, it has seen an increasing number of use cases for its MobileyeZ. This includes a need for additional sensor technology in both the retail and construction industries. As a result, the Company intends to increase its product offering in sensor technology to help customers solve issues around asset security. This includes moisture sensors, license plate recognition and continued development of its vibration sensors. As the Company expands into different geographies, we intend to continue to develop additional types of MobileyeZ security towers, including a full solar security tower.

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 December 31 2022	2021	Twelve months ended December 31 2022	2021
Net income (loss) from continuing operations	3,076	(535)	5,998	(1,580)
Add (less):				
Finance costs	320	966	1,063	3,164
Depreciation of property & equipment	702	448	2,412	1,625
Depreciation of right-of-use assets	244	255	938	649
(Gain) on sale of equipment	(15)	(69)	(139)	(17)
(Gain) loss on disposal of right-of-use asset	(10)	(120)	(14)	407
(Gain) on substantial debt modification	—	(45)	—	(45)
Income tax recovery	(2,005)	—	(2,005)	—
EBITDA from continuing operations	2,312	900	8,253	4,203
Add:				
Stock based compensation	45	40	129	135
Severance costs	—	—	—	44
Foreign exchange loss	23	21	70	25
Other income	—	—	(883)	—
Adjusted EBITDA from continuing operations	2,380	961	7,569	4,407
Discontinued operations	—	—	—	1,561
Adjusted EBITDA	2,380	961	7,569	5,968

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 December 31 2022	2021	Twelve months ended December 31 2022	2021
Net income (loss)	3,076	(804)	5,998	(3,901)
Add:				
Finance costs	320	966	1,063	3,164
Income tax recovery	(2,005)	—	(2,005)	—
Severance costs	—	—	—	44
Other income	—	—	(883)	—
Discontinued operations	—	269	—	2,321
Adjusted EBIT from continuing operations	1,391	431	4,173	1,628

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 December 31 2022	2021	Twelve months ended December 31 2022	2021
Net income (loss) from continuing operations	3,076	(535)	5,998	(1,580)
Add non-cash expenses:				
Depreciation of property & equipment	702	448	2,412	1,625
Depreciation of right-of-use assets	244	255	938	649
Stock based compensation	46	40	129	135
Finance costs (non-cash portion)	14	619	145	1,395
Income tax recovery	(2,005)	—	(2,005)	—
	2,077	827	7,617	2,224
Add (deduct) non-recurring income and expenses:				
Severance	—	—	—	44
Other income	—	—	(883)	—
	2,077	827	6,734	2,268
Change in non-cash working capital	(146)	(482)	(1,803)	63
Adjusted free cash flow from continuing operations	1,931	345	4,931	2,331

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 twelve months ended December 31, 2022 and 2021 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 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 500 proprietary MobileyeZ security towers, equipped with high resolution, technology-based 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 valuable, high risk, or mission critical operational assets.

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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