Zedcor Inc. Announces Second Quarter Results for 2023 With Increase in Year Over Year Revenue and $0.03 Earnings per Share

CALGARY, ALBERTA – August 15, 2023: Zedcor Inc. (the "Company") (TSX VENTURE: ZDC) today announced its financial and operating results for the three months and six months ended June 30, 2023.

Q2 2023 revenues were $6.2 million and the Company had net income before income taxes of $2.5 million or $0.03 per share. This represented a 18% increase in revenues compared to Q2 2022 and a 62% increase in net income for June 30, 2023.

Zedcor recorded $1.8 million of adjusted EBITDA for the three months ended June 30, 2023. This compares to $1.7 million of adjusted EBITDA for the three months ended June 30, 2022.

During the quarter, the Company has allocated approximately 26% 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: "We continue to see strong demand for our MobileyeZ security towers across all sectors. We have also expanded to the United States which will further expand our assembly capabilities and also allow us to get access to a large market. We are planning to exit 2023 with approximately 45 security towers in the US while continuing to expand in Canada, with a focus on Eastern Canada. We are also seeing demand for our services across different industry verticals that we are excited about. In April, we launched a pilot project with a large home improvement retailer which is proceeding extremely well, and we are moving towards an anticipated contract with this customer. With our expanded financing in place, we remain on track to exit 2023 with approximately 900 security towers, a diversified customer base and a growing, North American footprint."

Financial and Operating Results for the three months and six months ended June 30, 2023:

	Three months ended June 30		Six months ended June 30	
(in $000s)	**2023**	**2022**	**2023**	**2022**
Revenue	6,216	5,256	12,659	9,887
EBITDA[2]	3,905	2,510	5,985	3,851
Adjusted EBITDA[1,2]	1,824	1,694	3,959	3,067
Adjusted EBIT[1,2]	689	876	1,777	1,527
Net income	2,472	1,528	3,224	1,956
Net income per share				
Basic	0.03	0.02	0.04	0.03
Diluted	0.03	0.02	0.04	0.03

[1] *Adjusted for stock based compensation foreign exchange (gain) loss and other income*

[2] *See Financial Measures Reconciliations below*

Zedcor recorded $6,216 and $12,659 of revenue for the three and six months ended June 30, 2023. This compares to $5,256 and $9,887 of revenue from for the three and six months ended June 30, 2022. The revenue growth of 18% and 28% is the result of a larger fleet of security towers located throughout the Company's six service centers in Canada. Adjusted EBITDA grew to $1,824 and $3,959 for the three and six months ended June 30, 2023, compared to $1,694 and $3,067 for the three and six months ended June 30, 2022. This was a growth of 8% for the three months ended June 30, 2023 and a growth of 29% for the six months ended June 30, 2023.

The Company's security and surveillance services saw increased revenues and EBITDA for the three and six months ended June 30, 2023 compared to 2022 due largely to increased customer demand of its larger fleet of MobileyeZ security towers. Zedcor exited the period with 679 MobileyeZ security towers which was an increase of 173 when compared to December 31, 2022 and 313 units when compared to June 30, 2022.

Financial and operational highlights for the three and six months ended June 30, 2023 include:

- Net income was $2,472 for the three months ended June 30, 2023. This compares to net income of $1,528 for the three months ended June 30, 2022. For the six months ended June 30, 2023 net income was $3,224 compared to net income of $1,956 for the six months ended June 30, 2022. The increase in net income is directly attributable to: 1) a larger fleet of towers and strong customer demand which drove utilization and, in turn, revenues; and 2) $2,159 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 will receive $2,159 for the second anniversary payment.

- Continued traction across Ontario. The Company expanded to Ottawa in Q2 2022 and Toronto in Q3 2022. As at June 30, 2023, approximately 26% of the Company's MobileyeZ security tower fleet is located in Ontario. This represents a growth of 8% from the end of Q1 2023 and 15% from the start of the year. 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.

- Continued expansion in the Manitoba market. Zedcor opened its equipment and services center in Winnipeg in December 2022. In Q1 2023, the Company secured a project with a Manitoba based construction company for up to 18 electric MobileyeZ security towers across 8 locations in Manitoba. This contract will last up to 10 months with the possibility to extend indefinitely or be relocated to the customer's other construction sites.

- Diversification away from the Company's core pipeline construction customers. As the Company increases its fleet of MobileyeZ and expands geographically, our risk related to customer concentration is decreased. Zedcor's services are customer and industry agonistic and we continued to see that in the first half of the year 2023 as we continued to diversify our customer across the construction industry and launched a pilot program with a big box retailer in Q2 2023. The pilot has progressed well and we plan to negotiate a contract with the customer in Q3 2023.

- The Company continued to attract new customers across Canada. For the 3 months ended June 30, 2023, the Company provided services to over 50 new customers. For the 6 months ended June 30, 2023, the Company has added over 120 new customers.

- On track US expansion. Subsequent to June 30, 2023, the Company has leased a facility and during the quarter, the Company has hired its first employee in the US. In addition, the Company has shipped a small number of security towers for research & development purposes to help ensure supply targets are met for its 2024 expansion program. We anticipate to exit the year with approximately 45 Solar Electric MobileyeZ, which will be the preferred unit for this market going forward.

SELECTED QUARTERLY FINANCIAL INFORMATION

(Unaudited – in $000s)	June 30 2023	March 31 2023	Dec 31 2022	Sept 30 2022	Jun 30 2022	Mar 31 2022	Dec 31 2021	Sept 30 2021
Revenue from continuing operations	6,216	6,443	6,415	5,797	5,256	4,631	4,076	3,684
Net income (loss)	2,472	752	3,076	966	1,528	428	(535)	296
Adjusted EBITDA[1]	1,824	2,135	2,380	2,121	1,694	1,373	961	1,353
Adjusted EBITDA per share - basic[1]	0.02	0.03	0.04	0.03	0.02	0.02	0.02	0.02
Net income (loss) per share from continuing operations								
Basic	0.03	0.01	0.05	0.01	0.02	0.01	(0.01)	0.01
Diluted	0.03	0.01	0.04	0.01	0.02	0.01	(0.01)	0.01
Adjusted free cash flow[1]	968	978	1,931	2,076	(292)	1,216	345	2,068

[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 six months ended June 30, 2023 and 2022:

	Six months ended June 30			
(in $000s)	**2023**	**2022**	**$ Change**	**% Change**
Cash flow from operating activities	4,289	2,047	2,242	110%
Cash flow used by investing activities	(7,359)	(4,020)	(3,339)	83%
Cash flow from financing activities	3,744	3,773	(29)	(1%)

The following table presents a summary of working capital information:

	Six months ended June 30			
(in $000s)	**2023**	**2022**	**$ Change**	**% Change**
Current assets	10,315	7,772	2,543	33%
Current liabilities *	9,575	6,128	3,447	56%
Working capital	740	1,644	(904)	(55%)

**Includes $3.1 million of debt and $2.0 million of lease liabilities in 2023 and $2.0 million of debt and $1.5 million of lease liabilities in 2022*

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 June 30, 2023	Outstanding as at December 31, 2022
Term Loan	5.15%	Oct 2026	6,100	4,169	4,748
Revolving Equipment Financing	Prime + 2.00%	Revolving	15,000	10,658	5,799
Authorized Overdraft	Prime + 1.50%	Revolving	3,000	—	—
				14,827	10,547
Current portion				(3,147)	(2,198)
Long term debt				11,680	8,349

On June 6, 2023, the Company entered into a second amending agreement ("Second Amended Financing Agreement") which increased the Company's equipment financing from $6.0 million to $15.0 million. As at June 30, 2023, the Second Amended Financing Agreement provides the Company with the following:

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 $15.0 million revolving equipment financing facility ("Revolving Equipment Financing"). The Company is able to draw on this facility at any time for up to 100% 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 June 30, 2023 the Prime Interest Rate was 6.95% and the interest rate on the Revolving Equipment Financing was 8.95%. As the Company pays down the Revolving Equipment Financing, it can borrow back up to the facility maximum of $15.0 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 June 30, 2023 the Prime Interest Rate was 6.95% and the interest rate on the Revolving Equipment Financing was 8.45%.

The Second 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 quarterly financial covenant requirements, calculated on a trailing twelve month basis:

- 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 June 30, 2023, the Company is in compliance with its financial covenant requirements. The debt servicing ratio as calculated based on the Second Amended Financing Agreement was 2.89 to 1.00 and the funded debt to EBITDA was 1.55 to 1.00.

CREDIT RISK

The Company extends credit to customers, primarily comprised of pipeline construction companies and construction companies, in the normal course of its operations. Historically, bad debt expenses have been limited to specific customer circumstances. However, the volatility in economic activity may result in higher collection risk on trade receivables. The Company has reviewed its outstanding accounts receivable as at June 30, 2023 and believes the expected loss provision is sufficient.

OUTLOOK

Zedcor continues to execute its long-term strategy of growing its technology enabled security services across North America. While there were supply chain delays throughout Q1 which slowed down the Company's ability to build security towers, these were largely resolved in Q2. Zedcor continues to effectively use a mix of cash flow and debt to build additional MobileyeZ security towers to provide surveillance services to our expanding customer base. 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 declined at the start of Q2 2023 but has rebounded to above 80% in June 2023. While we expect the utilization rates to remain strong going forward, there will be volatility on a monthly basis as the Trans Mountain Expansion Pipeline project comes to an end and equipment is redeployed to other customers throughout the Company's operating regions. The Company has grown its salesforce across Canada in order to obtain contracts for its MobileyeZ and continue to expand its service offering to different industries. With the anticipated completion of the Trans Mountain Expansion Pipeline by the end of 2023 the Company is situated with a growing salesforce and expanded geographical footprint to be able to diversify its customer base while maintaining utilization rates. This was evidenced in Q2 as Zedcor was able to redeploy a significant portion of the MobileyeZ returned from Trans Mountain to new customers, including starting a pilot project with a major home improvement retailer.

Priorities that the Company intends to focus on for the remainder of 2023 and 2024 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 expanded 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.

2) Continued expansion across 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 and branch managers for all of its equipment and service centers across Canada.

3) 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.

4) 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. 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.

5) The Company intends to continue to generate customer and shareholder value and positive earnings per share. By effectively managing its growth, executing on the above noted strategies and increasing its capital markets presence, Zedcor will be able to continue to generate positive earnings per share, grow its shareholder base and increase share price.

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 2023	2022	Six months ended June 30 2023	2022
Net income	2,472	1,528	3,224	1,956
Add:				
Finance costs	376	231	712	454
Depreciation of property & equipment	828	549	1,566	1,069
Depreciation of right-of-use assets	298	243	552	439
(Gain) on sale of equipment	(69)	(48)	(69)	(74)
Loss on disposal of right-of-use asset	—	7	—	7
EBITDA	3,905	2,510	5,985	3,851
Add (deduct):				
Stock based compensation	90	57	144	73
(Gain) loss on foreign exchange	(12)	10	(11)	26
Other income	(2,159)	(883)	(2,159)	(883)
	(2,081)	(816)	(2,026)	(784)
Adjusted EBITDA	1,824	1,694	3,959	3,067

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 2023	2022	Six months ended June 30 2023	2022
Net income	2,472	1,528	3,224	1,956
Add (deduct):				
Finance costs	376	231	712	454
Other income	(2,159)	(883)	(2,159)	(883)
Adjusted EBIT	689	876	1,777	1,527

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 2023	2022	Six months ended June 30 2023	2022
Net income	2,472	1,528	3,224	1,956
Add non-cash expenses:				
Depreciation of property & equipment	828	549	1,566	1,069
Depreciation of right-of-use assets	298	243	552	439
Stock based compensation	90	57	144	73
Finance costs (non-cash portion)	(5)	42	19	78
	3,683	2,419	5,505	3,615
(Deduct) non-recurring income:				
Other income	(2,159)	(883)	(2,159)	(883)
	(2,159)	(883)	(2,159)	(883)
Change in non-cash working capital	(556)	(1,828)	(1,400)	(1,808)
Adjusted Free Cash Flow	968	(292)	1,946	924

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 June 30, 2023 and 2022 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 the parent company to Zedcor Security Solutions Corp. Zedcor is a technology enabled company that is changing how physical security services are provided to businesses. Zedcor operates throughout Canada with equipment and servicing centers 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 700 proprietary MobileyeZ security towers, equipped with high resolution, technology-based cameras, and monitors numerous 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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