



Tornado Global Hydrovacs Reports 2018 Results

CALGARY, April 16, 2019 – Tornado Global Hydrovacs Ltd. (“Tornado” or the “Company”) (TGH: TSX-V) today reported its audited consolidated financial results for the fiscal year ended December 31, 2018. The audited consolidated financial statements and MD&A have been filed on SEDAR and can be reviewed at www.sedar.com and on the Company’s web site www.tornadotrucks.com.

Financial and Operating Highlights (in CAD \$000’s except per share data)

	Three Months ended December 31		Year ended December 31	
	2018	2017	2018	2017
Revenue	\$ 12,406	\$ 9,440	\$ 38,850	\$ 29,781
Cost of sales	11,145	7,945	33,046	25,293
Gross Profit	1,261	1,495	5,804	4,488
Selling and general administrative expenses	1,373	1,516	5,418	4,818
Depreciation and amortization	321	275	1,159	993
Loss on disposal of fixed assets	-	-	4	-
Stock-based compensation	51	213	256	213
Change in derivative financial instruments	(13)	122	-	(27)
Net finance income and other	18	23	17	76
Gain on shares issued for debt	-	-	-	(151)
Loss before tax	(489)	(654)	(1,050)	(1,434)
Income tax expense	(41)	(145)	(273)	(145)
Net loss	\$ (530)	\$ (799)	\$ (1,323)	\$ (1,579)
Net loss per share - basic and diluted	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.02)
EBITDAS (1)	\$ (112)	\$ (21)	\$ 386	\$ (330)
EBIT (1)	\$ (433)	\$ (296)	\$ (777)	\$ (1,323)
Total assets	\$ 25,093	\$ 22,062	\$ 25,093	\$ 22,062
Shareholders Equity	\$ 16,953	\$ 17,853	\$ 16,953	\$ 17,853

¹ Earnings (loss) before interest, tax, depreciation, amortization and stock-based compensation (EBITDAS) and Earnings (loss) before interest and tax (EBIT) are not defined by IFRS. The definition of EBITDAS does not consider gains and losses on the disposal of assets, fair value changes in foreign currency forward contracts and non-cash components of stock-based compensation. While not an IFRS measure, EBITDAS is used by management, creditors, analysts, investors and other financial stakeholders to assess the Group’s performance and management from a financial and operational perspective.

2018 Overview

- Revenue of \$38,850 increased 30.5% compared to \$29,781 in 2017. The increase in revenue was due to the improvement during 2018 in hydrovac equipment demand with increased interest coming out of the municipal sector in both Canada and the United States (“US”).

- As a result of increased revenue, gross profit of \$5,804 increased by \$1,316 compared to \$4,488 in 2017.
- EBITDAS of \$386, comprising North America - \$2,337, China - negative \$1,337 and Corporate - negative \$614, improved by \$716 compared to negative \$330 in 2017, due to increased revenues and gross profit in North America, offset by increased selling, general and administrative expenses.

For the North America segment, EBITDAS during 2018 of \$2,337 increased significantly compared to \$1,649 in 2017, due increased activity levels.

- The net loss of \$1,323 decreased by \$256 compared to a loss of \$1,579 in 2017. This is due to the factors discussed above, offset by an increase in selling and general administrative expense of \$600, an increase in stock based compensation expense of \$43 and an increase in income tax expense relating to the Company's North America operation of \$128.
- During 2018, six custom designed skid-mounted hydrovac units and one hydrovac truck were delivered to China for potential sale and demonstration.
- In October 2018, the Company's wholly-owned subsidiary Tornado Global Hydrovacs (Beijing) Ltd. ("Tornado China") entered into a five year strategic partnership agreement with Anhui Jianghuai Yangtian Automobile Co., Ltd. to manufacture the Company's line-up of hydrovac trucks, which have been customized to satisfy all the Chinese regulatory requirements, for sale and operation in China. In addition, Tornado China executed a strategic partnership agreement with Daqing Haotian Xinda Technology Ltd. for an initial term of one year to assist Tornado China with developing a client base in the excavation market in Heilongjiang Province of China.
- During Q4/2018, the first shipment of hydrovac truck parts sourced by Tornado China was sent to Canada for the production of hydrovac trucks in Stettler, Canada.

4Q/2018 Overview

- Revenues increased by 31.4% to \$12,406 as compared to the same period in 2017. Gross Margin of \$1,261 decreased by 15.7% compared to the same period in 2017 due to year end adjustments comprising principally a provision for obsolete inventory and a year-end inventory count adjustment totaling \$301.
- Selling and administrative expenses of \$1,373 decreased by \$143 compared to the same period in 2017 principally due to decreased compensation expense relating to the Company's China operation of \$92.
- EBITDAS of negative \$112 decreased by \$91 compared to EBITDAS of negative \$21 in 4Q/2017 as a result of the factors discussed above. Negative EBIT of \$433 decreased by \$137 compared to negative \$296 in the same period in 2017 as a result of the factor discussed above.
- During Q4/2018 a tax provision of \$41 was recorded relating to the North America operations.
- As a result of these factors, a net loss of \$530 for the Q4/2018 was recorded compared to a net loss of \$799 in the same period in 2017.

Segmented information (in CAD \$000's)

Three Months ended December 31, 2018	North America		China		Corporate		Total	
Revenue	\$	12,406	\$	-	\$	-	\$	12,406
Cost of sales		11,145		-		-		11,145
Selling and general administrative		882		383		108		1,373
EBITDAS	\$	379	\$	(\$383)	\$	(\$108)	\$	(\$112)

Year ended December 31, 2018	North America		China		Corporate		Total	
Revenue	\$	38,850	\$	-	\$	-	\$	38,850
Cost of sales		33,046		-		-		33,046
Selling and general administrative		3,467		1,337		614		5,418
EBITDAS	\$	2,337	\$	(1,337)	\$	(614)	\$	386

Outlook

- The Company's production and sales of hydrovac trucks is expected to increase in 2019 for the following reasons:
 - Increased spending on infrastructure by both the Canadian and the US governments is expected to further increase the market demand of hydrovac trucks.
 - The Company introduced a newly designed hydrovac truck in 2018 which management believes has compelling advantages over hydrovac trucks currently offered in the market, including having a lighter weight and more debris capacity, making it easier to comply with the road weight laws in North America.
 - The Company entered into an exclusive sales agreement in April 2018 with Custom Truck One Source ("Custom Truck"). Custom Truck has an integrated network of 23 locations across North America. Based on the positive impact that the strategic relationship with Custom Truck had on the Company's sales in the latter part of 2018, the Company expects sales in the US to continue at the same pace during all twelve months of 2019.
 - During 2018, the Company's Stettler facility was used to design and produce six skid mounted units and one hydrovac sewer flusher unit for China's rental and demonstration fleet. This resulted in reduced truck production capacity for the Stettler facility, which in turn negatively impacted the financial returns in 2018. In 2019, the Stettler facility's production capacity is planned to be used to produce more hydrovac trucks for sale in North America.
- Through its presence in China, the Company has established a strategic supply chain from China for certain parts. This is expected to have a positive impact on reducing the Company's production costs in North America. While the benefit of this did not impact any of the Company's financial results in 2018, it is expected to impact the 2019 results.
- The Company's newly designed skid mounted unit was introduced to the North American market at trade shows in Toronto and Indianapolis in Q1/2019. The skid mounted units received positive feedback from prospective customers. The skid mounted units will be produced in China which management anticipates will allow the Company to offer competitively priced skid mounted units for both the North American and Chinese markets.
- The Company expects that the weak Canadian dollar continues to positively impact profit margins because more than half of the Company's hydrovac trucks are sold in US dollars while manufactured in Canada.
- The Company refocused its business in China resulting in significantly reduced cost structure for its China subsidiary. The Company remains committed to its operations in China and exploiting the growth opportunities there. With a fleet of four distinct types of hydrovac units in China, the Company will concentrate, over the short term, on developing its business in China through unit rentals and educating the Chinese market through live demonstrations, of the benefits of hydrovac truck capabilities. The Company's China office will also be used to negotiate and source certain high quality, low cost hydrovac truck parts for North American truck production. The steps the Company has

taken to refocus its business opportunities in China and the resulting reduction in cost structure is expected to positively impact the Company's 2019 financial results.

About Tornado Global Hydrovac Ltd.

The Company designs and manufactures hydrovac trucks in Canada and sells hydrovac trucks for excavation service providers to the oil and gas industry and the municipal markets in Canada and the USA. Hydrovac trucks use high pressure water to pulverize soil and turn it into mud, and then vacuum up the resulting mud into its tank. Tornado currently operates in North America. The Company intends to expand its hydrovac business into China and has established a wholly owned operation in China with a head office in Beijing.

For more information about Tornado Global Hydrovac Ltd., visit www.tornadotrucks.com or contact:

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Advisory

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