



## Tornado Global Hydrovacs Reports 2019 Results

**CALGARY, June 11, 2020** – 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, 2019. The audited consolidated financial statements and MD&A have been filed on SEDAR and can be reviewed at [www.sedar.com](http://www.sedar.com) and on the Company’s web site [www.tornadotrucks.com](http://www.tornadotrucks.com).

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

	Three Months ended December 31		Year ended December 31	
	2019	2018	2019	2018
Revenue	\$ 13,495	\$ 12,406	\$ 60,387	\$ 38,850
Cost of sales	11,353	11,145	51,082	33,046
Gross Profit	2,142	1,261	9,305	5,804
Selling and general administrative expenses	1,600	1,373	6,075	5,418
Depreciation and amortization	772	321	1,856	1,159
Impairment write-down	2,242	-	2,242	-
Stock-based compensation	68	51	129	256
Net finance expense and other	(20)	18	144	17
Change in derivative financial instruments	(1)	(13)	(1)	-
Loss on disposal of fixed assets	-	-	-	4
Loss before tax	(2,519)	(489)	(1,140)	(1,050)
Income tax recovery (expense)	2	(41)	(494)	(273)
Net loss	\$ (2,517)	\$ (530)	\$ (1,634)	\$ (1,323)
Net loss per share - basic and diluted	\$ (0.02)	\$ nil	\$ (0.01)	\$ (0.01)
EBITDAS (1)	\$ 614	\$ (112)	\$ 3,230	\$ 386
EBIT (1)	\$ (2,472)	\$ (433)	\$ (868)	\$ (777)
Total assets	\$ 23,830	\$ 25,093	\$ 23,830	\$ 25,093
Shareholders Equity	\$ 14,990	\$ 16,953	\$ 14,990	\$ 16,953

<sup>1</sup> Earnings (loss) before interest, tax, depreciation, amortization, impairment write-down 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 Company’s performance and management from a financial and operational perspective.

### 2019 Overview

- Revenue of \$60,387, increased 55.4% compared to \$38,850 in 2018. The increase in revenue was due to the improvement during 2019 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 \$9,305 in 2019, increased by \$3,501 compared to \$5,804 in 2018. The Gross Margin, however, was negatively impacted by lower margins on outsourced production to third parties to meet increased demand. The Gross Margin was positively impacted by the increased benefits from cost savings on parts sourced from China during the year.

- EBITDAS of \$3,230, comprising North America - \$4,916, China - negative \$1,032 and Corporate - negative \$654, improved by \$2,844 compared to EBITDAS of \$386 in 2018, due to increased revenues and gross profit in North America, offset by increased selling, general and administrative expenses. For the North American Operations, EBITDAS during 2019 of \$4,916 increased significantly compared to \$2,337 in 2018, due to increased activity levels and cost savings from utilizing parts sourced from China.
- An aggregate impairment write-down of \$2,242 which principally relates to the Company's property and equipment located in China and the related development costs was recorded as at December 31, 2019 following an impairment assessment. This impairment write-down negatively impacted EBIT resulting in a decrease of \$91 to negative EBIT of \$868 in 2019 compared to negative EBIT of \$777 in 2018.
- Net loss of \$1,634, increased by \$311 in 2019 compared to a net loss of \$1,323 in 2018. This was due to the factors discussed above, plus an increase in selling and general administrative expense of \$657 and an increase in income tax expense related to the Company's North American Operations of \$221 to a total of \$494.
- During 2019, hydrovac truck parts sourced by the Company's China Operations were sent to Canada for the production of hydrovac trucks.

## 4Q/2019 Overview

- Revenue increased by 8.8% to \$13,495 in Q4/2019 compared to \$12,406 in Q4/2018. Gross Margin of \$2,142 increased by 69.9% in Q4/2019 compared to \$1,261 in Q4/2018. The margin, however, was negatively impacted by lower margins on outsourced production to third parties to meet growing demand. The margin was positively impacted by the increased benefits from cost savings on parts sourced from China.
- Selling and administrative expenses of \$1,600 increased by \$227 compared to \$1,373 in Q4/2018, principally due to a VAT tax receivable write off relating to the Company's China Operations of \$201.
- EBITDAS of \$614, increased by \$726 in Q4/2019 compared to EBITDAS of negative \$112 in Q4/2018, as a result of the factors discussed above. EBIT of negative \$2,472 decreased by \$2,039 in Q4/2019 compared to negative \$433 in Q4/2018 principally due to impairment write-down of \$2,242.
- During Q4/2019, an aggregate impairment write-down of \$2,242 which principally relates to the Company's property and equipment located in China and the related intangible development costs was recorded.
- As a result of these factors, a net loss of \$2,517 for Q4/2019 was recorded compared to a net loss of \$530 in Q4/2018.

**Segmented information (in CAD \$000's)**

Year ended December 31, 2019	North America	China	Corporate	Total
Revenue	\$ 60,387	\$ -	\$ -	\$ 60,387
Cost of sales	51,082	-	-	51,082
Selling and general administrative	4,389	1,032	654	6,075
EBITDAS	\$ 4,916	\$ (1,032)	\$ (654)	\$ 3,230

Three months ended December 31, 2019	North America	China	Corporate	Total
Revenue	\$ 13,495	\$ -	\$ -	\$ 13,495
Cost of sales	11,353	-	-	11,353
Selling and general administrative	1,126	312	162	1,600
EBITDAS	\$ 1,088	\$ (312)	\$ (162)	\$ 614

**Outlook**

In December 2019, a novel coronavirus (“COVID-19”) surfaced in Wuhan, China. The World Health Organization declared a global emergency on January 30, 2020 with respect to the outbreak, which was subsequently characterized as a pandemic on March 11, 2020, leading many countries to take drastic measures to manage the spread of the virus. As a result of the (i) spread of the coronavirus in all relevant jurisdictions to the Company’s supply chain and customer base; (ii) impact of government measures imposed to help manage the spread of the virus; (iii) actions undertaken by the Company to ensure the well-being and safety of its employees; and (iv) uncertainty over the duration of business disruptions as a result of COVID-19, management expects that the Company’s consolidated financial results in the fiscal year 2020, including its financial performance and liquidity will be negatively impacted by this event.

The Company continues to evaluate its business operations in the context of COVID-19, with a focus on health and safety of its employees, current company operations, business continuity and managing liquidity. As permitted by current government regulations, the Company continues to operate its manufacturing facility with strict cleaning protocols and social distancing measures in place. In April 2020, the Company has reduced truck production and put in place an aggressive program to conserve cash. The Company was outsourcing approximately 1/3 of its production before the pandemic and this has been discontinued entirely. Production at the Company’s manufacturing facility in Stettler, Alberta has also been reduced by approximately 60% for the months of April, May and June of 2020.

Approximately 65% of the Company’s employees were temporarily laid off in April 2020. In addition, the Chief Executive Officer, Chief Financial Officer and two other head office employees took a significant salary reduction. These measures are intended to allow the Company to conserve cash and maintain its workforce through a period of lower production. The cost savings generated by the temporary layoffs and salary reductions are intended to protect the Company’s balance sheet and to allow the Company to quickly ramp-up production once the pandemic has passed. The service and parts team are expected to remain unaffected so they can continue to assist customers.

Management recognizes that while it continues to respond to and navigate the impacts of COVID-19 on the Company’s business, the COVID-19 situation continues to evolve. At this point, the Company expects to have access to debt and potentially other forms of government support to be made available to businesses impacted by the pandemic. To the extent the situation in Canada and US continues to worsen, the degree to which the Company’s operations could be affected may increase.

The outbreak of COVID-19 may also further impact customer demand. Notwithstanding the impact of COVID-19, management believes the underlying fundamentals of the Company's business remain strong and over the long term expects the Company's production and sales of hydrovac trucks in North America to recover and return to and eventually exceed the level achieved in 2019 for the following reasons:

- Continued spending on infrastructure by both the Canadian and the US governments is anticipated to support the market demand of hydrovac trucks in North America.
- 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 of Canada and the US.
- 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 the Chinese markets.
- In 2018, the Company entered into an exclusive sales agreement with a US strategic partner who has an integrated network of 23 locations across North America.

Prior to COVID -19, the Company was facing sales demand greater than its manufacturing capability. To address this and plan for the expiry of the Company's lease of its production facility in Stettler, Alberta, Canada in June 2021, the Company made the strategic decision to acquire a manufacturing facility in Red Deer, Alberta, Canada. This acquisition closed on February 3, 2020.

Through its presence in China, the Company has established a strategic supply chain from China for certain hydrovac truck parts. This has had a positive impact by reducing the Company's production costs in North America and this benefit is expected to continue to positively impact the financial results of the Company. The COVID-19 outbreak has resulted in the temporary shutdown of certain businesses throughout China. Because the Company's Chinese suppliers are operating again and with the slower pace of sales activities, and the Company's build up of inventory before the pandemic started, absent any negative impact from general trade relations between North America and China, management does not think that the Company will have any challenges ramping up its supply chain in the future, as sales activity picks up.

The Company expects that the weak Canadian dollar will continue to positively impact profit margins because a significant number of the Company's hydrovac trucks are sold in US dollars while manufactured in Canada.

The Company has refocused its business in China resulting in a significantly reduced cost structure for its China Operations. The Company's China office is now being used to negotiate and source certain high quality, low cost hydrovac truck parts for North American truck production. The Company anticipates that the steps it has taken to refocus its business opportunities in China and the resulting reduction in cost structure is expected to positively impact the Company's 2020 financial results.

#### **About Tornado Global Hydrovacs Ltd.**

The Company designs and manufactures hydrovac trucks in Canada and sells hydrovac trucks for excavation service providers to the municipal and oil and gas 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. In China, the Company's subsidiary is used principally to source certain parts to the Company's North American operations.

For more information about Tornado Global Hydrovacs Ltd., visit [www.tornadotrucks.com](http://www.tornadotrucks.com) or contact:

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## **Advisory**

*Certain statements contained in this news release constitute forward-looking statements. These statements relate to future events. All statements other than statements of historical fact are forward-looking statements. The use of the words “anticipates”, “should”, “may”, “expected”, “expects”, “believes” and other words of a similar nature are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Although Tornado believes these statements to be reasonable, no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this news release should not be unduly relied upon. Such statements include those with respect to: (i) the Company’s outlook for 2020; (ii) the impact of COVID-19 on the Company’s consolidated financial results and liquidity in 2020; (iii) cost saving measures intended to allow the Company to conserve cash maintain its workforce through a period of lower production and quickly ramp-up production once the COVID-19 pandemic has passed; (iv) the expectation that the Company will have access to debt and potentially other forms of government support to be made available to businesses impacted by the pandemic; (v) management’s belief that the underlying fundamentals of the Company’s business will remain strong and over the long term; (vi) the expectation that long term production and sales of hydrovac trucks in North America will recover and eventually exceed the level achieved in 2019; (vii) management’s belief that the newly designed hydrovac truck has compelling advantages over hydrovac trucks currently offered in the market; (viii) the anticipated ability of the Company to offer competitively priced skid mounted units for both the North American and the Chinese markets; (ix) management’s belief that the Company will not have any challenges ramping up its supply chain in the future, as sales activity picks up; (x) the expectation that the weak Canadian dollar will continue to positively impact profit margins; (xi) the anticipate benefits from the refocus on business opportunities in China; and (xii) the expectation that the reduction in cost structure will positively impact the Company’s 2020 financial results. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Actual results could differ materially from those anticipated in these forward-looking statements as a result of prevailing economic conditions, and other factors, many of which are beyond the control of Tornado. Although Tornado believes these statements to be reasonable, no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this news release should not be unduly relied upon. The forward-looking statements contained in this news release represent Tornado’s expectations as of the date hereof and are subject to change after such date. Tornado disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as may be required by applicable securities regulations.*

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