



Tornado Global Hydrovacs Reports First Quarter 2020 Results

CALGARY, July 9, 2020 – Tornado Global Hydrovacs Ltd. (“Tornado” or the “Company”) (TGH: TSX-V) today reported its unaudited condensed consolidated financial results for the Three Months ended March 31, 2020. The unaudited condensed 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 March 31	
	2020	2019
Revenue	\$ 13,388	\$ 13,802
Cost of sales	11,804	11,844
Gross Profit	1,584	1,958
Selling and general administrative expenses	1,244	1,543
Depreciation and amortization	404	357
Net finance expense and other	29	50
Change in derivative financial instruments	88	(3)
Stock-based compensation	-	20
Loss before tax	(181)	(9)
Income tax expense (recovery)	(72)	109
Net loss	\$ (109)	\$ (118)
Net loss per share - basic and diluted	\$ nil	\$ nil
EBITDAS (1)	\$ 340	\$ 415
EBIT (1)	\$ (64)	\$ 58
Total assets	\$ 30,607	\$ 25,207
Shareholders Equity	\$ 15,385	\$ 16,883

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 Company’s performance and management from a financial and operational perspective.

First Quarter 2020 Overview and Recent Developments

- The Company’s North American Operations were negatively affected by COVID-19 in mid-March 2020.
- 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 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.

- Revenue of \$13,388, decreased 3.0% compared to \$13,802 in Q1/2019. The Company's revenue was negatively impacted by COVID-19 in the last two weeks of March.
- Gross profit of \$1,584, decreased by \$374 compared to \$1,958 in the same period of 2019 due to decreased revenue from the Company's North American Operations and increased employee costs associated with preparing for transition of manufacturing and production to the Company's newly acquired Red Deer facility.
- EBITDAS of \$340, comprising North America - positive \$584, China - negative \$127 and Corporate - negative \$117, decreased by \$75 compared to \$415 in Q1/2019, due to decreased revenues and gross profit in North America, offset by a decrease in selling and general administrative expenses of \$299. For the North American Operations, EBITDAS during Q1/2020 was negatively affected since mid-March by COVID-19.
- Net loss of \$109, decreased by \$9 compared to a net loss of \$118 in Q1/2019. This was due to the factors discussed above, plus an increase in change in fair value of derivative financial instruments of \$91, offset by a decrease in income tax expense related to the Company's North American Operations of \$181.

Segmented information (in CAD \$000's)

Three months ended March 31, 2020	North America	China	Corporate	Total
Revenue	\$ 13,388	\$ -	\$ -	\$ 13,388
Cost of sales	11,804	-	-	11,804
Selling and general administrative	1,000	127	117	1,244
EBITDAS	\$ 584	\$ (127)	\$ (117)	\$ 340

Three months ended March 31, 2019	North America	China	Corporate	Total
Revenue	\$ 13,802	\$ -	\$ -	\$ 13,802
Cost of sales	11,844	-	-	11,844
Selling and general administrative	1,091	262	190	1,543
EBITDAS	\$ 867	\$ (262)	\$ (190)	\$ 415

Outlook

In December 2019, COVID-19 surfaced in Wuhan, China. The World Health Organization declared a global emergency on January 30, 2020 with respect to the outbreak 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 remainder of fiscal year 2020, including its financial performance and liquidity, will be negatively impacted.

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 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 was reduced by approximately 60% for the months of April, May and June of 2020.

In specific, approximately 65% of the Company's employees were temporarily laid off. In addition, the Chief Executive Officer, Chief Financial Officer and two other head office employees took significant salary reductions. 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 has 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 once the pandemic has passed 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 over the long term 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 2019 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.
- Benefits from the exclusive sales agreement with a US strategic partner who has an integrated network of 23 locations across North America that the Company entered into in 2019.
- Manufacturing and production efficiencies from the manufacturing facility in Red Deer, Alberta, Canada, once it becomes fully operational.
- 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.

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 believe that the Company will have any challenges ramping up its supply chain in the future, as sales activity picks up.

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. 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 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 the remainder of 2020; (ii) the impact of COVID-19 on the Company’s unaudited condensed 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) the anticipated manufacturing and production efficiencies from the manufacturing facility in Red Deer, Alberta, Canada, once it becomes fully operational (viii) the anticipated ability of the Company to offer competitively priced skid mounted units for the North American market; the anticipated benefits from the exclusive sales agreement with a US strategic partner; (ix) the expectation that the weak Canadian dollar will continue to positively impact profit margins; (x) management’s belief that the Company will not have any challenges ramping up its supply chain in the future, as sales activity picks up; 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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