



Tornado Global Hydrovacs Reports Second Quarter 2019 Results

CALGARY, August 12, 2019 – Tornado Global Hydrovacs Ltd. (“Tornado” or the “Company”) (TGH: TSX-V) today reported its unaudited condensed consolidated financial results for the Three and Six Month periods ended June 30, 2019. 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 June 30		Six Months ended June 30	
	2019	2018	2019	2018
Revenue	\$ 16,853	\$ 10,213	\$ 30,655	\$ 15,044
Cost of sales	14,574	8,677	26,418	12,620
Gross Profit	2,279	1,536	4,237	2,424
Selling and general administrative expenses	1,246	1,229	2,789	2,473
Depreciation and amortization	320	295	677	551
Loss on disposal of fixed assets	-	-	-	4
Stock-based compensation	20	68	40	136
Change in derivative financial instruments	(59)	95	(62)	99
Net finance income and other	47	5	97	(4)
Income (loss) before tax	705	(156)	696	(835)
Income tax expense	(204)	(64)	(313)	(20)
Net income (loss)	\$ 501	\$ (220)	\$ 383	\$ (855)
Net income (loss) per share - basic and diluted	\$ nil	\$ nil	\$ nil	\$ (0.01)
EBITDAS (1)	\$ 1,033	\$ 307	\$ 1,448	\$ (49)
EBIT (1)	\$ 713	\$ 12	\$ 771	\$ (604)
Total assets	\$ 28,530	\$ 22,415	\$ 28,530	\$ 22,415
Shareholders Equity	\$ 17,353	\$ 17,320	\$ 17,353	\$ 17,320

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.

Three months ended June 30, 2019 and Recent Developments

- Revenue of \$16,853 increased by \$6,640 compared to \$10,213 in Q2/2018. The increase in revenue was due to the continued improvement in the hydrovac market equipment purchase demand from the municipal sector in both Canada and the United States (“US”).
- Gross profit of \$2,279 increased by \$743 compared to \$1,536 in the same period of 2018 due to the increased revenue. The overall margin however was negatively impacted by lower margins on outsourced production to third party manufactures to meet growing demand.
- EBITDAS of \$1,033, (comprising North America - \$1,339, China - negative \$137 and Corporate - negative \$169), increased by \$726 compared to \$307 in Q2/2018, due to increased revenues and gross profit in North America and reduced compensation expense in China. For the North American Operations, EBITDAS during Q2/2019 continued

the improvement experienced in Q1/2019.

- Net income of \$501 increased by \$721 compared to net loss of \$220 in Q2/2018. This is due to the factors discussed above, offset by income tax expense of \$204.
- During Q2/2019 additional shipments of hydrovac truck parts, sourced by Tornado China, were sent to Canada for the production of hydrovac trucks in Stettler, Canada.

Segmented information (in CAD \$000's)

Three months ended June 30, 2019	North America		China	Corporate	Total
Revenue	\$ 16,853	\$ -	\$ -	\$ -	\$ 16,853
Cost of sales	14,574	-	-	-	14,574
Selling and general administrative	940	137	169		1,246
EBITDAS	\$ 1,339	\$ (137)	\$ (169)	\$ -	\$ 1,033

Three months ended June 30, 2018	North America		China	Corporate	Total
Revenue	\$ 10,213	\$ -	\$ -	\$ -	\$ 10,213
Cost of sales	8,677	-	-	-	8,677
Selling and general administrative	704	333	192		1,229
EBITDAS	\$ 832	\$ (333)	\$ (192)	\$ -	\$ 307

Six Months ended June 30, 2019	North America		China	Corporate	Total
Revenue	\$ 30,655	\$ -	\$ -	\$ -	\$ 30,655
Cost of sales	26,418	-	-	-	26,418
Selling and general administrative	2,031	399	359		2,789
EBITDAS	\$ 2,206	\$ (399)	\$ (359)	\$ -	\$ 1,448

Six Months ended June 30, 2018	North America		China	Corporate	Total
Revenue	\$ 15,044	\$ -	\$ -	\$ -	\$ 15,044
Cost of sales	12,620	-	-	-	12,620
Selling and general administrative	1,496	620	357		2,473
EBITDAS	\$ 928	\$ (620)	\$ (357)	\$ -	\$ (49)

Outlook

- The Company's production and sales of hydrovac trucks is expected to continue to increase in the remainder of 2019 for the following reasons:
 - Increased spending on infrastructure by both the Canadian and the US governments is anticipated to further increase 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 the US and Canadian provinces.
 - Based on the positive impact that the strategic relationship with Custom Truck One Source ("Custom Truck") has had on the Company's sales in the latter part of 2018 and in 2019, the Company expects sales in the US to continue at the same pace during the remainder of 2019. In 2018, the Company entered into an exclusive sales agreement with Custom Truck who has an integrated network of 23 locations across North America.
 - In the second half of 2019, the Stettler facility's production capacity is expected to be used to produce more

hydrovac trucks for sale in North America. During 2018, the Company's Stettler facility was used to design and produce 6 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 in 2018.

- 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. This benefit is expected to positively impact the 2019 financial 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 will continue 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 has refocused its business in China resulting in a significantly reduced cost structure for its China Operations. With a fleet of 4 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 Company anticipates that the steps it has taken to refocus its business opportunities in China and the resulting reduction in cost structure will continue to positively impact the Company's 2019 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 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 Hydrovacs Ltd., visit www.tornadotrucks.com or contact:

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Advisory

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