



Tornado Global Hydrovacs Reports Second Quarter 2020 Results

CALGARY, August 20, 2020 – 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, 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 June 30		Six Months ended June 30	
	2020	2019	2020	2019
Revenue	\$ 7,617	\$ 16,853	\$ 21,005	\$ 30,655
Cost of sales	6,239	14,574	18,043	26,418
Gross Profit	1,378	2,279	2,962	4,237
Selling and general administrative expenses	806	1,246	2,050	2,789
Depreciation and amortization	443	320	847	677
Net finance expense and other	43	47	72	97
Change in derivative financial instruments	(87)	(59)	1	(62)
Stock-based compensation	-	20	-	40
Income (loss) before tax	173	705	(8)	696
Income tax expense (recovery)	45	204	(27)	313
Net income	\$ 128	\$ 501	\$ 19	\$ 383
Net gain per share - basic and diluted	\$ nil	\$ nil	\$ nil	\$ nil
EBITDAS (1)	\$ 572	\$ 1,033	\$ 912	\$ 1,448
EBIT (1)	\$ 129	\$ 713	\$ 65	\$ 771
Total assets	\$ 27,824	\$ 23,830	\$ 27,824	\$ 23,830
Shareholders Equity	\$ 15,465	\$ 14,990	\$ 15,465	\$ 14,990

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.

Second Quarter 2020 Overview

- The North American Operations were negatively affected by COVID-19 in mid-March 2020.
- Revenue of \$7,617, decreased 54.8% compared to \$16,853 in Q2/2019. The Company’s revenue was negatively impacted by COVID-19 from mid-March.
- Gross profit of \$1,378, decreased by \$901 compared to \$2,279 in the same period of 2019 due to decreased revenue from the Company’s North American Operations, offset by the Canada Emergency Wage Subsidy (the “wage subsidy”).
- EBITDAS of \$572, decreased by \$461 compared to \$1,033 in Q2/2019, due to decreased revenues and gross profit in North America, offset by the wage subsidy of \$522. For the North American Operations, EBITDAS during Q2/2020

was negatively affected by COVID-19.

- Net income of \$128, decreased by \$373 compared to net income of \$501 in Q2/2019. This was due to the factors discussed above, offset by a decrease in income tax expense related to the Company's North American Operations of \$159.

Segmented information (in CAD \$000's)

Three months ended June 30, 2020	North America		China	Corporate		Total
Revenue	\$	7,617	\$	-	\$	7,617
Cost of sales		6,239		-		6,239
Selling and general administrative		544		111		806
EBITDAS	\$	834	\$	(111)	\$	572

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		1,246
EBITDAS	\$	1,339	\$	(137)	\$	1,033

Six months ended June 30, 2020	North America		China	Corporate		Total
Revenue	\$	21,005	\$	-	\$	21,005
Cost of sales		18,043		-		18,043
Selling and general administrative		1,544		238		2,050
EBITDAS	\$	1,418	\$	(238)	\$	912

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		2,789
EBITDAS	\$	2,206	\$	(399)	\$	1,448

Outlook

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. This outsourced production is expected to be performed in the Company's new Red Deer facility once it is fully operational. 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 and as at June 30th, approximately 40% of the Company's employees were temporarily laid off. In addition, significant salary reductions were put in place with respect to head office employees.

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.

As a result of the (i) spread of COVID-19 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, may be negatively impacted.

Management recognizes that while it continues to respond to and navigate the impacts of COVID-19 on the Company's business, the situation continues to evolve. At this point, the Company has access to debt and other forms of government support available to businesses impacted by the pandemic. As the Company's production and revenue increase, the Company will add staff as required. As a result, the Company's access to government support will be reduced or even eliminated.

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:

- Increased spending on infrastructure by both the Canadian and the US governments is anticipated post COVID-19 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.
- Cost savings from the Company's strategic supply chain from China for certain hydrovac truck parts.
- 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 COVID-19 outbreak 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 buildup 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 for 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 expectation that outsourced production will be performed in the Company’s new Red Deer facility once it is fully operational. (iii) the impact of COVID-19 on the Company’s financial results and liquidity in 2020; (iv) 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; (v) the expectation that the Company will have access to debt and other forms of government support available to businesses impacted by the pandemic; (vi) management’s belief that the underlying fundamentals of the Company’s business will remain strong over the long term; (vii) the expectation that long term production and sales of hydrovac trucks in North America will recover and eventually exceed the levels achieved in 2019; (viii) the anticipated manufacturing and production efficiencies from the manufacturing facility in Red Deer, Alberta, Canada, once it becomes fully operational; (ix) the anticipated increased spending on infrastructure by both the Canadian and the US governments post COVID-19 to support the market demand of hydrovac trucks in North America. (x) the anticipated benefits from the exclusive sales agreement with a US strategic partner; (xi) cost savings from the Company’s strategic supply chain from China for certain hydrovac truck parts; (xii) the expectation that the weak Canadian dollar will continue to positively impact profit margins; (xiii) 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.

Neither the Exchange nor its Regulation Service Provider (as that term is defined in policies of the Exchange) accepts responsibility for the adequacy or accuracy of this news release.