



Tornado Global Hydrovacs Reports Second Quarter 2021 Results

CALGARY, August 19, 2021 – Tornado Global Hydrovacs Ltd. (“Tornado” or the “Company”) (TGH: TSX-V) today reported its unaudited condensed consolidated financial results for the Three and Six Months ended June 30, 2021. 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	
	2021	2020	2021	2020
Revenue (1)	\$ 7,071	\$ 6,405	\$ 15,049	\$ 18,243
Cost of sales (1)	5,208	5,027	10,962	15,281
Gross Profit	1,863	1,378	4,087	2,962
Gross Profit %	26.3%	21.5%	27.2%	16.2%
Selling and general administrative expenses	1,185	806	2,310	2,050
Depreciation and amortization	450	443	899	847
Finance expense	34	43	73	72
Accretion expense	36	-	75	-
Stock-based compensation	94	-	138	-
Loss on disposal of fixed assets	63	-	63	-
Other	-	(87)	-	1
Income (loss) before tax	1	173	529	(8)
Income tax recovery (expense)	(85)	(45)	(252)	27
Net income (loss)	\$ (84)	\$ 128	\$ 277	\$ 19
Net income (loss) per share - basic and diluted	\$ (0.001)	\$ 0.001	\$ 0.002	\$ 0.000
EBITDAS (2)	\$ 678	\$ 572	\$ 1,777	\$ 912
EBIT (2)	\$ 71	\$ 129	\$ 677	\$ 65
Total assets	\$ 27,940	\$ 27,824	\$ 27,940	\$ 27,824
Shareholders Equity	\$ 15,446	\$ 15,465	\$ 15,446	\$ 15,465

¹ As described in the Financial Statements and MDA for the three and six months ended June 30, 2021, the 2020 comparative figures presented have been restated, with a reduction to both revenue and cost of sales of \$1.2 million and \$2.8 million respectively. There was no effect on basic or diluted net income (loss) per share and did not have any effect on the Company’s condensed consolidated statement of financial position or condensed consolidated statement of cash flows.

² 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.

Second Quarter 2021 Overview and Recent Developments

All amounts are in thousands (\$000’s CAD)

- In June 2021 the Company strengthened its senior management team with appointment of Brett Newton as President and Chief Operating Officer. Bill Rollins, the former President, will continue in his role as Chief Executive

Officer. Brett is a hydrovac industry leader, have working his way up to be Vice President of Operations and Fleet Manager for Badger franchises in Toronto, Hamilton and Niagara, then starting his own hydrovac service operation in Ontario, and for the past five years, a co-founding partner of Rival Hydrovacs (“Rival”), a competitor to Tornado. Brett joined Tornado to help the Company capture more of the growing hydrovac market in North America.

- On July 14, 2021, the Company entered into a \$3,000 revolving operating line of credit and a \$4,875 term loan (together the “Credit Facility”). A portion of the Credit Facility was used to repay the balance of the non-interest bearing vendor take-back mortgage secured against the Company’s Red Deer Facility and the balance of the Credit Facility will be used for general working capital purposes.
- The market environment improved during the second quarter. The Company’s North American Operations continued to be affected by COVID-19 in Q2/2021, although to a lesser extent than during the past year. All key operating financial metrics improved compared to a year ago. Sales increased, however the Company’s supply chain was impacted by a shortage of chassis driven by chip issues at the chassis manufacturer level. This is discussed in more detail in the “Outlook” section of this MD&A.
- Revenue of \$7,071 increased 10.4% compared to \$6,405 in Q2/2020 as customer demand began to recover.
- Gross Profit of \$1,863 increased by \$485 compared to \$806 in Q2/2020 due to decreased employee costs associated with the Company’s North American Operations and recoveries from the Canada Emergency Wage Subsidy (the “wage subsidy”). Gross Profit was also positively impacted by the increased benefits from cost savings on parts sourced from China during the quarter.
- EBITDAS of \$678 increased by \$106 compared to \$572 in Q2/2020, due to increased gross profit in North America.
- General and administrative expense of \$1,185 increased by \$379 compared to \$806 in Q2/2020 due to increased employee costs. In Q2/2020, the Company temporarily laid off 65% of its employees. In addition, senior management and head office employees took a significant salary reduction.
- The Company incurred a net loss of \$84 in Q2/2021, which represents an income decrease of \$212 compared to net income of \$128 in Q2/2020. This was due to the factors discussed above, offset by stock based compensation expense of \$94, accretion expense of \$36 and increased income tax expense of \$40 related to the Company’s North American Operations.

Segmented information (in CAD \$000’s)

Three months ended June 30, 2021	North America	China	Corporate	Total
Revenue	\$ 7,071	\$ -	\$ -	\$ 7,071
Cost of sales	5,208	-	-	5,208
Selling and general administrative	894	69	222	1,185
EBITDAS	\$ 969	\$ (69)	\$ (222)	\$ 678

Three months ended June 30, 2020	North America	China	Corporate	Total
Revenue	\$ 6,405	\$ -	\$ -	\$ 6,405
Cost of sales	5,027	-	-	5,027
Selling and general administrative	544	111	151	806
EBITDAS	\$ 834	\$ (111)	\$ (151)	\$ 572

Six months ended June 30, 2021	North America		China	Corporate		Total
Revenue	\$	15,049	\$	-	\$	15,049
Cost of sales		10,962		-		10,962
Selling and general administrative		1,716		130		2,310
EBITDAS	\$	2,371	\$	(130)	\$	1,777

Six months ended June 30, 2020	North America		China	Corporate		Total
Revenue	\$	18,243	\$	-	\$	18,243
Cost of sales		15,281		-		15,281
Selling and general administrative		1,544		238		2,050
EBITDAS	\$	1,418	\$	(238)	\$	912

Outlook

The Company implemented two strategic actions during the second quarter:

- In May 2021, the Company moved all production into the Red Deer Facility, effectively tripling its monthly production capacity.
- To capitalize on the expected massive increase in infrastructure spending in North America and the impact that this will have on construction in general and hydrovac excavation in particular, the Company strengthened its executive management team with the appointment of Brett Newton as President and Chief Operating Officer.

The improving market environment experienced during the second quarter is expected to continue through the second half of 2021 as customer confidence and spending levels continue to recover.

With the possibility an adverse impact arising from the spread of COVID-19 variants in all relevant jurisdictions to the Company's supply chain and customer base and the impact of the roll out of vaccinations in the United States and Canada, management recognizes that the situation continues to evolve. The Company continues to evaluate its business operations with a focus on health and safety of its employees, current company operations, business continuity and managing liquidity.

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 needed. As a result of an increase in production and a corresponding increase in revenue, the Company expects that the Company's access to government support currently available will be reduced or eliminated.

Limiting factors on the Company's ability to meet increased demand include the possibility of chassis supply chain interruption due to chip shortages at the chassis manufacturer level and other supply chain issues related to other key components.

Overall, management believes the underlying fundamentals of the Company's business remain strong and expects its 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:

- Expanded capacity and manufacturing and production efficiencies from the Red Deer Facility, which is now fully operational.
- A strengthened senior executive management team.
- Expected increased spending on infrastructure in North America, particularly in the US as a result of proposed infrastructure programs.
- The Company's commitment to continuous improvement of its hydrovac truck design which in the Company's view has compelling advantages over hydrovac trucks currently offered in the market.
- The continued expansion of parts and services business in the Red Deer Facility.

About Tornado Global Hydrovacs Ltd.

The Company designs and manufactures hydrovac trucks as well as provides heavy duty truck maintenance operations in central Alberta. It sells hydrovac trucks to excavation service providers in the infrastructure and industrial construction and oil and gas markets. Hydrovac trucks use high pressure water and vacuum to safely penetrate and cut soil to expose critical infrastructure for repair and installation without damage. Hydrovac excavation methods are quickly becoming a standard in the North America to safely excavate in urban areas and around critical infrastructure greatly reducing infrastructure damage and related fatalities. In China, the Company's subsidiary is used principally to source certain parts to the Company's North America 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 2021 fiscal year; (ii) the expectation that the improving market environment is expected to continue through the second half of 2021; (iii) the expectation that the Company's access to government support currently available will be reduced or eliminated as the Company's production and revenue increases; (iv) the Company's ability to meet increased demand may be limited by factors including chassis supply chain interruption due to chip shortages at the chassis manufacturer level and other supply chain issues related to other key components; (v) management's belief that the underlying fundamentals of the Company's business will remain strong over the long term; (vi) the expectation that long term production and sales of hydrovac in North America will recover and eventually exceed the levels achieved in 2019; (vii) the expectation that spending on infrastructure in North America will increase; (viii) management's belief that the Company's commitment to continuous improvement of its hydrovac truck design will continue to provide compelling advantages over hydrovac trucks currently offered in the market; (ix) the anticipated manufacturing and production efficiencies from the Red Deer Facility; and (x) management's anticipation of continued expansion of parts and services business in the Red Deer Facility. 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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