



**BADGER DAYLIGHTING LTD. ANNOUNCES RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2017, FIFTEEN PERCENT DIVIDEND INCREASE AND INVESTOR DAY**

**PRESS RELEASE**

**TSX-BAD**

**FOR IMMEDIATE DISTRIBUTION**

**August 14, 2017**

**BADGER DAYLIGHTING LTD. ANNOUNCES RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2017, FIFTEEN PERCENT DIVIDEND INCREASE AND INVESTOR DAY**

Calgary, AB, August 14, 2017 – Badger Daylighting Ltd. (the “Company” or “Badger”) is pleased to announce its results for the six months ended June 30<sup>th</sup>, 2017.

**FINANCIAL HIGHLIGHTS**

(\$ thousands, except Revenue per truck per month, per share and total shares outstanding information)

	<b>Three months ended</b>	<b>Six months ended</b>	<b>June</b>
	<b>June 30,</b>	<b>June</b>	<b>30,</b>
	<b>2017</b>	<b>2017</b>	<b>2016</b>

Revenue				
Hydrovac service revenue	113,455	83,739	205,945	163,196
Other service revenue	9,614	8,019	18,815	16,719
Truck placement revenue	282	223	402	223
<b>Total revenue</b>	<b>123,351</b>	<b>91,981</b>	<b>225,162</b>	<b>180,138</b>
Revenue per truck per month – quarterly average <sup>(1)</sup>	29,141	23,038	n/a	n/a
Adjusted EBITDA <sup>(1)</sup>	32,104	23,222	51,961	42,814
Adjusted EBITDA Margin (%) <sup>(1)</sup>	26.0	25.2	23.1	23.8
Profit before tax	21,651	9,778	27,182	14,905
Net profit	14,718	5,951	18,416	9,619
Profit per share (\$)	0.40	0.16	0.50	0.26
Cash flow from operating activities before working capital adjustments	31,671	23,136	51,368	42,667
Cash flow from operating activities before working capital adjustments per share (\$)	0.85	0.62	1.38	1.15
Dividends declared	3,673	3,562	7,346	6,901
Total shares outstanding (end of period)	37,100,681	37,100,681	37,100,681	37,100,681

(1) See “Non-IFRS Financial Measures” in Management’s Discussion and Analysis for additional detail on the definition and calculation of Adjusted EBITDA, Adjusted EBITDA Margin and Revenue per truck per month.

## President’s Message

“We are pleased with our second quarter results. We are executing on a focused strategy of leveraging our core Hydrovac business,” said Paul Vanderberg, President and CEO. “Great work by our Operations and Business Development teams enabled Badger to capitalize on increased activity across our diversified markets, and we see growth continuing as usage of Hydrovacs expands.”

“As discussed earlier this year, we exited the first quarter with lower direct operating cost run rates relative to those experienced early in Q1, and that trend continued throughout the second quarter. The growth in utilization and revenues per truck also continued during the second quarter. Badger’s broad branch network allowed our teams to redeploy units in areas with stronger growth opportunities, supporting revenue growth and putting our new Hydrovac truck builds to work.”

“Badger has a proven business model which has provided historically attractive Adjusted EBITDA and Adjusted EBITDA margins throughout numerous economic cycles. The Company offers a range of service to attractive end use markets. Badger will continue to focus on generating profitable long-term growth by executing on its organic growth strategy.”

“Badger’s strategic milestones are as follows:

1. Double the US business again over the next 3-5 years.
2. Grow Adjusted EBITDA by a minimum of 15 percent per year.

3. Target Adjusted EBITDA margins of 28 percent to 29 percent.
4. Drive fleet utilization and revenue per truck per month (RPT) above \$30,000.”

## OVERVIEW

### 2017 Second Quarter Financial and Operational Highlights

- Badger generated second quarter Adjusted EBITDA of \$32.1 million compared to \$23.2 million in the prior year and \$19.9 million in the first quarter of 2017. Improvements in Adjusted EBITDA were driven by revenue growth and improved cost control.
- Revenue in the second quarter of 2017 was \$123.4 million compared to \$92.0 million in the prior year quarter and \$101.8 million in the first quarter of 2017.
- Revenue growth compared to the prior year quarter was due to higher activity across Badger’s broad range of geographic and end use markets. Specifically, Badger saw improvements in infrastructure and construction related markets due to increased overall activity levels, in addition to improvements in oil and gas markets. Higher revenues in the second quarter can also be attributed to a strong spring construction season and customer growth due to increased usage of Hydrovac as a method of non-destructive excavation in both new and existing markets.
- Revenue growth was robust in both Canada and the US. In Canada, revenue was \$35.2 million in the second quarter of 2017 compared to \$31.2 million in the same period in 2016, representing a 12.7 percent increase. In the US, revenue for the second quarter of 2017 was USD 65.7 million compared to USD 47.0 million in the second quarter of 2016, a 39.8 percent increase.
- RPT was \$29,141 in the second quarter of 2017 compared to \$23,038 in the prior year quarter and \$24,747 in the first quarter of 2017. The year over year improvement in RPT was consistent with management’s expectations. RPT benefited from the revenue growth as noted above, and from Badger’s ability to optimize the utilization of its Hydrovac fleet. Optimization of the fleet is driven from Badger’s broad network of local branches that allow the Company to transfer units to locations with stronger activity.
- Adjusted EBITDA margin for the second quarter of 2017 was 26.0 percent compared to 25.2 percent in the prior year quarter and 19.5 percent in the first quarter of 2017.
- Adjusted EBITDA margins for the second quarter of 2017 were consistent with improving trends experienced later in the first quarter as discussed in the Q1 MD&A. Higher levels of operating costs early in the first quarter have moderated. Adjusted EBITDA margins for the second quarter were positively impacted by the revenue growth indicated above and by an early start to the construction season in several of our northern markets.
- Adjusted EBITDA and the Adjusted EBITDA margin for the second quarter of 2017 includes \$1.7 million in costs that related to accruals for legal and professional related fees, truck maintenance associated with the installation of cameras in Badger’s Hydrovac, other revenue vehicles and light truck fleets and severance costs related to reorganizing several Canadian operating centers.
- Badger had 1,056 Hydrovacs at the end of the second quarter of 2017 compared to 1,019 and 1,031 at June 30, 2016 and March 31, 2017 respectively. Badger invested \$22.9 million in total capital in the second quarter of 2017. Due to ongoing organic growth and market opportunities, Badger anticipates a need to grow the Hydrovac fleet throughout the remainder of 2017. See “Outlook” and “Capital Resources” for additional details.
- Net profit for the second quarter of 2017 was \$14.7 million or \$0.40 per share compared to \$6.0 million or \$0.16 per share in the prior year quarter.
- Badger’s total debt less cash and cash equivalents was \$53.1 million at June 30, 2017 with a corresponding debt less cash and cash equivalents to trailing-twelve month’s Adjusted EBITDA ratio of

0.47. Badger continues to maintain a strong balance sheet, providing the necessary resources and financial flexibility to facilitate ongoing growth in the business.

- On August 11, 2017, Badger extended its revolving term syndicated credit facility. The updated facility is a four-year term, expiring on August 11, 2021. See separate press release and “Financing” section in Management’s Discussion and Analysis for additional details.
- Given Badger’s strong cash flow generation, our expectation for continued growth and the strength of the balance sheet, Badger’s Board of Directors approved a fifteen percent increase in the dividend, from \$0.033 per share per month to \$0.038 per share per month, beginning with the August, 2017 dividend payable in September, 2017. The last increase in the dividend was in May 2016.

## **Outlook**

Badger anticipates that this positive momentum from the second quarter will continue into the second half of 2017. The overall macro-economic environment in both Canada and the US appears to be supportive of ongoing infrastructure, construction, and oil and gas activity levels for the second half of 2017 and into 2018. In addition to increased levels of activity, we continue to see positive momentum as a result of increased customer usage of Hydrovac for non-destructive excavation. Badger expects to see improvements in revenue due to our investments in developing and expanding our geographic footprint and business development network.

Continued growth across our end-use markets and geographies throughout the second quarter has resulted in improved Hydrovac utilization as evidenced by higher realized revenue per truck. Badger anticipates that the number of new Hydrovac builds for 2017 will be at the high end of its previously communicated range of 100 to 160 units. 2017 truck retirements are expected to be between 50 and 60 units, up slightly from the previously provided range of 40 to 50 units as we continue to manage the fleet to balance equipment repair and maintenance expenses versus truck replacements.

## **2017 Investor Day**

Badger is pleased to announce it is holding an Investor Day on Thursday, November 16, 2017 at the King Edward Hotel in Toronto. An update on Badger’s operations, short and long-term growth opportunities and financial position will be presented. Badger’s executive and operational leadership teams will be in attendance. The formal presentation will commence at 9:00AM EST, a light breakfast and lunch will be served. Attendance in person for this event is by invitation as space is limited. The presentation will be webcast, and available on Badger’s website [www.badgerinc.com](http://www.badgerinc.com). To request an invitation, please e-mail your contact information to [rsvpinvestorday@badgerinc.com](mailto:rsvpinvestorday@badgerinc.com).

## **Conference Call for Second Quarter Results**

Badger is hosting a conference call for the public at 09:00 MST on Monday, August 14th to discuss results for the second quarter ended June 30, 2017. The dial in number for this call is 1-888-886-7786.

Management’s Discussion and Analysis (MD&A), the unaudited interim consolidated financial statements for the period ended June 30, 2017 along with all previous public filings of Badger Daylighting Ltd. may be found on SEDAR at [www.SEDAR.com](http://www.SEDAR.com).

## **REQUIRED CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION**

*Certain statements and information contained in this news release and other continuous disclosure documents of the Company referenced herein, including statements related to the Company’s capital*

*expenditures, projected growth, view and outlook toward margins, cash dividends, customer pricing, future market opportunities and statements, and information that contain words such as “could,” “should,” “can,” “anticipate,” “expect,” “believe,” “will,” “may” and similar expressions relating to matters that are not historical facts, constitute “forward-looking information” within the meaning of applicable Canadian securities legislation. These statements and information 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 and information. The Company believes the expectations reflected in such forward-looking statements and information are reasonable, but no assurance can be given that these expectations will prove to be correct. Such forward-looking statements and information included in this news release should not be unduly relied upon. These forward-looking statements and information speak only as of the date of this news release.*

*In particular, forward looking information and statements include the following:*

- *Badger’s belief that the overall macro-economic environment in both Canada and the US is supportive of ongoing infrastructure, construction, and oil and gas activity levels for the second half of 2017 and into 2018.*
- *In addition to increased levels of activity, we continue to see positive momentum as a result of increased customer usage of Hydrovac for non-destructive excavation. Badger expects to see ongoing improvements in revenue due to the ongoing investments in developing and expanding our geographic footprint and business development network.*
- *Badger’s expectation for continued growth.*
- *Continued growth across our end-use markets and geographies throughout the second quarter has resulted in improved Hydrovac utilization as evidenced by the realized higher revenue per truck. As a result, Badger anticipates that the number of new Hydrovac builds for 2017 will be at the high end of its previously communicated range of 100 to 160 units.*
- *We also intend to manage the fleet to balance equipment repair and maintenance expenses. 2017 retirements are expected to be between 50 and 60 units, up slightly from the previously provided range of 40 to 50 units.*
- *The cost to build a Hydrovac fluctuates due to production volume in the Red Deer manufacturing facility, cost of labour and materials and foreign currency as most materials are denominated or otherwise influenced by exchange rates.*
- *Badger’s strategic milestones are as follows:*
  - *Double the US business again over the next 3-5 years.*
  - *Grow Adjusted EBITDA by a minimum of 15 percent per year.*
  - *Target Adjusted EBITDA margins of 28 percent to 29 percent.*
  - *Drive fleet utilization and RPT above \$30,000 per month.*

*The forward-looking information and statements made in this news release rely on certain expected economic conditions and overall demand for Badger’s services and are based on certain assumptions. The assumptions used to generate these forward-looking statements are, among other things, that:*

- *Badger has the ability to achieve its revenue, net profit and cash flow forecasts for 2017;*
- *There will be a long-term demand for Hydrovac services from infrastructure and industrial facilities in North America;*
- *Badger will maintain relationships with current customers and develop successful relationships with new customers;*
- *Badger will collect customer payments in a timely manner;*

- *Badger will be able to compete effectively for the demand for its services;*
- *There will not be significant changes in profit margins due to pricing changes driven by market conditions, competition, regulatory factors or unforeseen factors;*
- *The overall market for its services will not be adversely affected by weather, natural disasters, global events, legislation changes, technological advances, economic disruption or other factors beyond Badgers control;*
- *Badger will execute its growth strategy including attracting and retaining key personnel; and*
- *Badger will obtain all labour, parts and supplies necessary to complete the planned Hydrovac build at the costs expected.*

*Risk factors and other uncertainties that could cause actual results to differ materially from those anticipated in such forward-looking statements include, but are not limited to: price fluctuations for oil and natural gas and related products and services; political and economic conditions; industry competition; Badger's ability to attract and retain key personnel; the availability of future debt and equity financing; changes in laws or regulations, including taxation and environmental regulations; extreme or unsettled weather patterns; and fluctuations in foreign exchange or interest rates.*

*Readers are cautioned that the foregoing factors are not exhaustive. Additional information on these and other factors that could affect the Company's operations and financial results is included in reports on file with securities regulatory authorities in Canada and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)) or at the Company's website. The forward-looking statements and information contained in this news release are expressly qualified by this cautionary statement. The Company does not undertake any obligation to publicly update or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.*

## **NON-IFRS FINANCIAL MEASURES**

This news release contains references to certain financial measures, including some that do not have any standardized meaning prescribed by International Financial Reporting Standards (IFRS) and that may not be comparable to similar measures presented by other corporations or entities. These financial measures are identified and defined below:

**“Adjusted EBITDA”** is earnings before interest, taxes, depreciation and amortization, share-based compensation, gains and losses on sale of property, plant and equipment, and gains and losses on foreign exchange. Adjusted EBITDA is a measure of the Company's operating profitability and is therefore useful to management and investors as it provides improved continuity with respect to the comparison of our operating results over time. Adjusted EBITDA provides an indication of the results generated by the Company's principal business activities prior to how these activities are financed, the results are taxed in various jurisdictions, and assets are amortized. In addition, Adjusted EBITDA excludes gains and losses on sale of property, plant and equipment as these gains and losses are considered incidental and secondary to the principal business activities, it excludes gains and losses on foreign exchange as such gains and losses can vary significantly based on factors beyond our control and it excludes share-based compensation as these expenses can vary significantly with changes in the price of our common shares.

For a reconciliation of Adjusted EBITDA to net profit, please see the most recent Management Discussion and Analysis.

**“Adjusted EBITDA margin”** is Adjusted EBITDA as defined above, expressed as a percentage of Revenues.

**“Revenue per truck per month” (RPT)** is a measure of hydrovac fleet utilization. It is a measure of hydrovac revenue only. The RPT is calculated by combining Canadian and US dollar hydrovac revenue without converting for exchange differences, dividing the hydrovac revenue for the period by the number of hydrovacs in service throughout the period, and further dividing by the number of months in the period.

## **About Badger**

*Badger is North America's largest provider of non-destructive excavating services. Badger traditionally works for contractors and facility owners in a broad range of infrastructure industries. The Company's key technology is the Badger Hydrovac, which is used primarily for safe digging in congested grounds and challenging conditions. The Badger Hydrovac uses a pressurized water stream to liquefy the soil cover, which is then removed with a powerful vacuum system and deposited into a storage tank. Badger manufactures its truck-mounted hydrovac units.*

For more information regarding this press release, please contact:

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