



BADGER DAYLIGHTING LTD. ANNOUNCES RECORD THIRD QUARTER FINANCIAL RESULTS AND INTRODUCES 2019 OUTLOOK

Calgary, AB, November 12, 2018 - Badger Daylighting Ltd. (the “Company” or “Badger”) (TSX:BAD) announced today financial and operating results for the three and nine months ended September 30, 2018.

Third Quarter 2018 Highlights

- Adjusted EBITDA was \$50.9 million or \$1.37 per share for the third quarter of 2018, a 31% increase over the prior year comparative quarter.
- Revenue for the third quarter of 2018 was \$168.7 million, a 20% increase over the prior year comparative quarter.
- Gross profit margin and Adjusted EBITDA margin for the third quarter of 2018 were 34.5% and 30.2% respectively, compared to 32.1% and 27.6% in the prior year comparative quarter. Improvements in margins were driven from labour efficiency and modestly higher pricing.
- Net profit for the third quarter of 2018 was \$25.7 million or \$0.69 per share compared to net profit of \$16.2 million or \$0.44 per share in the prior year comparative quarter.
- Badger is introducing a financial outlook for 2018 and 2019 with Adjusted EBITDA of \$150 to \$160 million for 2018 and \$170 to \$190 million for 2019. See “2018 and 2019 Outlook” for additional details.
- Badger added 17 net incremental hydrovacs in the third quarter of 2018. Revenue per truck per month (“RPT”) was \$35,500, a 4% increase over the prior year comparative period. Badger had 1,207 hydrovacs in operation at September 30, 2018 and reaffirmed its fiscal 2018 anticipated hydrovac build of between 160 to 200 units.

“We are very pleased with Badger’s third quarter operating performance, particularly the year-over-year margin improvements. Our focus on managing variable labour costs, together with a focus on strategic pricing, resulted in an impressive 240 basis point or 7% increase in our gross profit margin, and a 260 basis point or 9% increase in our adjusted EBITDA margin, compared to the prior year comparative quarter. The improvement in margins is a direct reflection of our efforts to leverage Badger’s unique operating scale, which differentiates us from our competitors and is key to our ability to drive financial and operating improvements,” said Paul Vanderberg, President and Chief Executive Officer.

“With another strong quarter in 2018, combined with the significant progress realized in fiscal 2017, Badger continues to make substantial strides in achieving our strategic milestones. In particular, the 27% increase in year-to-date revenue in our U.S. business, on top of the 32% increase realized in 2017, has driven strong financial performance. As our third quarter results highlight, the leverage of our operating scale continues to drive financial improvements. The ongoing positive momentum has provided us with the confidence to introduce an outlook for Adjusted EBITDA of \$150 to \$160 million for 2018 and \$170 to \$190 million for 2019,” stated Mr. Vanderberg.

Financial Highlights

(\$ thousands, except revenue per truck per month, per share and share information)	Three months ended		Nine months ended	
	September 30, 2018	2017 ⁽³⁾	September 30, 2018	2017 ⁽³⁾
Revenue:				
Hydrovac service revenue	141,254	121,270	366,651	312,930
Other service revenue	27,400	19,398	69,482	51,179
Truck placement revenue	58	235	700	637
Total revenue	168,712	140,903	436,833	364,746
Revenue per truck per month (“RPT”) ⁽¹⁾ - quarterly	35,500	34,125	n/a	n/a
Adjusted EBITDA ⁽¹⁾	50,945	38,881	113,849	90,842
Adjusted EBITDA per share, basic and diluted ⁽¹⁾⁽²⁾	1.37	1.05	3.07	2.45
Adjusted EBITDA margin ⁽¹⁾	30.2%	27.6%	26.1%	24.9%
Profit before tax	35,046	24,745	65,687	51,927
Net profit	25,689	16,192	44,349	34,608
Net profit per share, basic and diluted ⁽²⁾	0.69	0.44	1.20	0.93
Cash flow from operating activities before working capital adjustments	50,169	37,951	113,558	89,319
Cash flow from operating activities before working capital adjustments per share, basic and diluted ⁽²⁾	1.35	1.02	3.06	2.41
Dividends paid	5,009	4,044	13,987	11,390
Weighted average common shares outstanding	37,100,681	37,100,681	37,100,681	37,100,681

(1) See “Non-IFRS Financial Measures” and “Key Financial Metrics” for additional details on the definition of Adjusted EBITDA, Adjusted EBITDA margin and revenue per truck per month. See Badger’s third quarter 2018 management’s discussion and analysis (“MD&A”) for detailed reconciliations of Non-IFRS financial measures.

(2) Per share, basic and diluted measures calculated by dividing the respective financial measure with the weighted average common shares outstanding for the respective period.

(3) Certain comparative revenue amounts for the three and nine months ended September 30, 2017 have been reclassified to conform to the current period presentation as a result of the adoption of IFRS 15. See Badger’s third quarter 2018 MD&A for additional details.

Comparable IFRS Financial Information ⁽¹⁾

(\$ thousands, except per share information)	Three months ended		Nine months ended	
	September 30, 2018	2017	September 30, 2018	2017
Cash flow from operating activities	22,001	16,623	67,186	45,148
Cash flow from operating activities per share, basic and diluted ⁽²⁾	0.59	0.45	1.81	1.22

(1) Cash flow from operating activities is provided as a comparable measure to cash flow from operating activities before working capital adjustments.

(2) Per share, basic and diluted measures calculated by dividing the respective financial measure with the weighted average common shares outstanding for the respective period.

Operational Overview

Badger continues to actively manage direct operating costs, in particular, direct labour, resulting in an improvement in Badger's gross profit margin to 34.5% in the third quarter of 2018 compared to 32.1% in the prior year comparative quarter. Margins also benefited from modestly higher pricing due to the ongoing implementation of strategic pricing initiatives that ensure selling prices are reflective of both the total value proposition Badger's services provide and local market conditions. The improvement in gross profit margin is a testament to the focus of Badger's operations team on managing direct operating costs and selling prices, leveraging the benefits that Badger's extensive operating network provides.

In the third quarter of 2018, Badger placed 17 net incremental hydrovacs into service, consisting of 51 new and 34 retired hydrovacs. Badger had 1,207 hydrovacs in operation at the end of the third quarter compared to 1,081 at the end of the prior year comparative quarter and 1,109 as at December 31, 2017.

Badger's third quarter 2018 results were not materially impacted by hurricane Florence, as incremental revenue associated with hurricane clean up activity was largely offset by operational down-time in hurricane impacted areas. Badger anticipates a modest positive impact to its fourth quarter results as extensive clean-up and reconstruction efforts are completed in the first half of the fourth quarter related to hurricane Michael and maintenance work on the natural gas distribution network in the U.S. Northeast is completed. Work related to hurricane Michael commenced early in the fourth quarter of 2018 and is expected to taper off throughout the fourth quarter. Badger's extensive branch network allowed for the timely response to customer emergency response requirements by temporarily relocating over 100 hydrovacs into the hurricane impacted areas.

As discussed in the second quarter of 2018, Badger has initiated a process to upgrade and standardize its legacy information technology systems into a single enterprise resource planning ("ERP") system, (the "Common Business Platform"). During the third quarter, activities related to the Common Business Platform were primarily focused on business process redesign and the related configuration and integration into the ERP platform. The Common Business Platform is currently on budget and on time.

Financial Overview

Adjusted EBITDA for the third quarter was \$50.9 million compared to \$38.9 million for the same period in 2017. Adjusted EBITDA margin for the third quarter was 30.2% compared to 27.6% for the same period in 2017. Improvements in Adjusted EBITDA and Adjusted EBITDA margin were driven by revenue growth, higher hydrovac utilization and direct operating expense management. Direct operating costs as a percentage of revenue for the third quarter were 65.5%, compared to 67.9% for the same period in 2017. The improvement in direct operating costs was driven largely by active management of variable labour and related costs.

General and administrative ("G&A") expenses for the third quarter of 2018 were \$7.2 million compared to \$6.4 million in the prior year comparative quarter. As a percentage of revenue, G&A expenses were 4.3% in the third quarter of 2018 compared to 4.5% in the prior year comparative quarter. G&A expenses on a dollar basis increased as a result of ongoing investments in Badger's business to facilitate current and future growth of the business. As discussed in the first quarter of 2018, Badger anticipates that G&A expenses will trend modestly above 4% on an annualized basis for fiscal 2018. Badger's long-term target for G&A expenses on an annualized basis remains at 4% of revenue (excluding costs associated with the Common Business Platform).

Revenue for the third quarter of 2018 was \$168.7 million, 20% higher compared to \$140.9 million for the same period in 2017. Revenue growth in the U.S. was 24% with revenue of US\$99.0 million in the third quarter of 2018 while revenue in Canada of \$39.4 million was consistent with the prior year comparative quarter. Revenue growth in the U.S. was due to an increase in overall customer demand, the ongoing recovery in oil and gas markets and continued growth in the adoption of hydrovac technology. Revenue in Canada for the third quarter was impacted by a lack of trained operators in Eastern Canada and delays in construction related activity due to adverse weather conditions in certain markets, particularly in Western Canada. Western Canada experienced colder and wetter than normal weather conditions throughout the second half of the quarter, the impacts of which offset general improvements in customer demand. Badger's investment in sales and marketing continues to generate ongoing revenue growth, due in part to increased market penetration in both new and existing markets. Average hydrovac rates for the quarter were consistent to modestly higher across both the U.S. and Canadian markets compared to the same period in 2017.

RPT was \$35,500 in the current year quarter compared to \$34,125 for the same period in 2017. Badger successfully increased RPT by 4% in the current year quarter while at the same time adding a net 17 hydrovacs in the quarter (incremental 126 hydrovacs compared to Q3 2017). The year-over-year quarterly improvement in RPT was driven by a combination of revenue growth and improved fleet utilization. Optimization of the hydrovac fleet is facilitated by Badger's scale, allowing for the transfer of hydrovacs to locations with stronger activity levels.

Net profit for the quarter was \$25.7 million or \$0.69 per share compared to \$16.2 million or \$0.44 per share in the prior year comparative quarter. Net profit was positively impacted by higher Adjusted EBITDA, which was driven by strong revenue growth, improved gross profit margins and improved asset utilization, offset by higher depreciation, income tax and general and administrative expenses.

Badger continues to maintain a strong balance sheet and currently has no amounts drawn on its syndicated revolving credit facility, providing the flexibility to facilitate ongoing growth in the business. Badger's total debt less cash and cash equivalents was \$73.4 million at September 30, 2018.

2018 and 2019 Outlook

Continued growth in Badger's end use markets and geographic areas throughout 2017 and 2018 has resulted in an increase in revenue and improved fleet utilization as evidenced by higher financial results and realized RPT in 2018. Badger anticipates that gross profit margin and RPT for 2019 will be similar to 2018.

Based on existing and forecasted activity levels, Badger anticipates that its 2018 Adjusted EBITDA will be in the range of \$150 to \$160 million with a hydrovac build of between 160 to 200 units and retirements of 60 to 80 units. For 2019, Adjusted EBITDA is anticipated to be in the range of \$170 to \$190 million with a hydrovac build of between 190 to 220 units and retirements of 40 to 60 units.

Badger's outlook for its 2018 hydrovac build and retirement rates are unchanged from the second quarter of 2018.

Badger's 2018 and 2019 outlooks assume that Badger will continue to realize and anticipates ongoing growth in the use of hydrovac for non-destructive excavation as a result of continued customer adoption, particularly in its U.S. markets. Badger expects to see improvements in revenue as a result of the scale of its extensive branch network combined with the ongoing benefits of sales and marketing related activities. The overall macro-economic environment in both the U.S. and Canada is anticipated to be supportive of ongoing infrastructure and construction

activity levels for the remainder of 2018 and into 2019. Oil and gas activity levels are anticipated to continue to be strong in the U.S. but weaker in Canada for the remainder of 2018 and into 2019. Badger continues to see organic growth opportunities in the majority of its markets, although the ability to capture these opportunities may be partially limited by the availability of trained operators as the market for labour, particularly in oil and gas focused regions, continues to be challenging.

Badger is focused on leveraging its core hydrovac business to generate profitable long-term growth and remains committed to achieving the following strategic milestones: (1) double our U.S. business from fiscal 2016 levels over a period of 3 to 5 years; (2) grow Adjusted EBITDA by a minimum of 15% per year; (3) target annualized Adjusted EBITDA margins of 28% to 29%; and (4) drive fleet utilization and revenue per truck per month above \$30,000.

Normal Course Issuer Bid

During the third quarter, Badger did not purchase any of its common shares under its previously disclosed normal course issuer bid (“NCIB”). Under the NCIB, Badger may acquire up to 2,000,000 common shares on or before May 14, 2019. Any common shares purchased pursuant to the NCIB will be cancelled.

2018 Investor Day

Badger is holding an Investor Day on Thursday, November 15, 2018 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 9:00 a.m. ET, a light breakfast and lunch will be served. Attendance in person for this event is limited, to provide notice of your intention to attend, please RSVP by emailing your contact information to rsvpinvestorday@badgerinc.com. The presentation will be webcast and available on Badger’s website www.badgerinc.com.

Conference Call to Discuss 2018 Third Quarter Earnings

A conference call and webcast for investors, analysts, brokers and media representatives to discuss the 2018 third quarter earnings is scheduled for 9:00 a.m. MT on Tuesday, November 13, 2018. Internet users can listen to the call live, or as an archived call, on Badger’s website at www.badgerinc.com under the “Events and Presentations” section. To participate in the call, dial: 1-844-740-2014 and enter Passcode 8158739. A playback of the call will be available until 11:59 p.m. ET on Tuesday, November 27, 2018. To access the playback, dial: 1-855-859-2056 and enter passcode 8158739.

2018 Third Quarter Disclosure Documents

Badger’s 2018 third quarter MD&A and unaudited interim condensed consolidated financial statements for the three and nine months ended September 30, 2018, along with all previous public filings of Badger Daylighting Ltd. may be found on SEDAR at www.SEDAR.com.

Non-IFRS Financial Measures

This press release contains references to certain financial measures, including some that do not have any standardized meaning prescribed by IFRS and that may not be comparable to similar measures presented by other companies or entities. These financial measures are identified and defined below. See Badger's third quarter 2018 MD&A for detailed reconciliations of Non-IFRS financial measures.

"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 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 the Company's control and it excludes share-based compensation as these expenses can vary significantly with changes in the price of the Company's common shares.

"Adjusted EBITDA margin" is Adjusted EBITDA as defined above, expressed as a percentage of revenues.

"Compliance EBITDA" is earnings before interest, taxes, depreciation, amortization, calculated on a 12-month trailing basis, and is used by Badger to calculate compliance with its debt covenants and other credit information.

Key Financial Metrics

"Revenue per truck per month" (RPT) is a measure of hydrovac fleet utilization. It is calculated using hydrovac revenue only. RPT is calculated by combining monthly Canadian and U.S. dollar hydrovac revenue for a respective period, without converting foreign currency revenues into a Canadian dollar equivalent, dividing the total mixed currency hydrovac revenue for the period by the cumulative number of hydrovacs at the end of each month, calculated cumulatively, for the same period.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

Certain statements and information contained in this press release and other continuous disclosure documents of the Company referenced herein, including statements related to the Company's outlook, capital expenditures, projected growth, view and outlook toward margins, cash dividends, customer demand and pricing, future market opportunities, benefits, applicability and implications associated with changes to U.S. income tax legislation, the timing benefits and costs associated with the Common Business Platform project, 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 press release should not be unduly relied upon. These forward-looking statements and information speak only as of the date of this press release.

In particular, forward looking information and statements in this press release include, but are not limited to the following:

- Badger anticipates continued growth in its Canadian and U.S. markets and that the overall macro-economic environment in both Canada and the U.S. is anticipated to be supportive of this growth;
- Badger continues to see customer demand as a result of increased usage of hydrovac for non-destructive excavation;
- Badger expects to see improvements in revenue as a result of investments in developing its branch network and business development function;
- The benefits, if any, that Badger's operational scale creates related to financial and operating performance;
- The timing and achievement of Badger's strategic milestones;
- Badger anticipates that its Adjusted EBITDA for 2018 will be in the range of \$150 to \$160 million and for 2019 will be in the range of \$170 to \$190 million;
- Badger anticipates that the number of new hydrovac builds for 2018 will be approximately 160 to 200 units and for 2019 will be approximately 190 to 220 units, and that hydrovac retirements for 2018 will be in the range of 60 to 80 units and for 2019 will be in the range of 40 to 60 units;
- Badger anticipates that gross profit margin and RPT for 2019 will be similar to 2018;
- The timing, benefits and costs associated with Badger's Common Business Platform project;
- The ability and benefits of Badger to purchase and subsequently cancel up to 2,000,000 of its common shares under its NCIB;
- The timing and potential benefits, if any, of customer demand related to hurricane Florence, hurricane Michael and maintenance work on the natural gas distribution network in the U.S. Northeast; and
- Badger's estimate of general and administrative expenses for 2018 and that the long-term target for general and administrative expenses remains at 4% of revenue on an annualized basis.

The forward-looking information and statements made in this press 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 this forward-looking information and statements are, among other things, that:

- There will be customer demand for hydrovac services from infrastructure, construction, and oil and gas activity 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 other unforeseen factors;
- The overall market for Badger's services will not be adversely affected by weather, natural disasters, global events, legislation changes, technological advances, economic disruption or other factors beyond Badger's control;
- Badger will execute its growth strategy including attracting and retaining key personnel;
- The recent changes to U.S. federal income tax legislation will be maintained; and
- Badger will obtain all labour, parts and supplies necessary to complete the planned hydrovac build at the costs expected; and
- Badger will be able to complete and implement the Common Business Platform project within the expected time frame and in accordance with the expected budget.

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; Badger's ability to complete and implement the Common Business Platform project, 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) or at the Company's website. The forward-looking statements and information contained in this press 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.

About Badger Daylighting Ltd.

[Badger Daylighting Ltd.](#) (TSX:BAD) 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 further information:

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