



## **BADGER DAYLIGHTING LTD. ANNOUNCES RECORD FOURTH QUARTER AND ANNUAL 2018 RESULTS, A 6% DIVIDEND INCREASE AND CONFIRMS 2019 FINANCIAL OUTLOOK**

Calgary, AB, March 12, 2019 - Badger Daylighting Ltd. (the “Company” or “Badger”) (TSX:BAD) announced today financial and operating results for the three months and year ended December 31, 2018.

*Badger achieved 2018 annual Adjusted EBITDA of \$161.7 million exceeding its 2018 Financial Outlook.*

### **Fourth Quarter and Year End Highlights**

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- Badger generated record fourth quarter 2018 Adjusted EBITDA of \$47.9 million, up 39% and record annual 2018 Adjusted EBITDA of \$161.7 million up 29%.
  - Record revenues realized in 2018 for the fourth quarter and annual periods, up 35% and 24% respectively, over the prior year periods.
  - Revenue per truck per month (“RPT”) for the fourth quarter was \$37,837 up 19%, with RPT for fiscal 2018 of \$34,347 up 13%.
  - Adjusted EBITDA margin for the fourth quarter was 26.8%, up 60 basis points or 2%, and for the year ended 2018 was 26.3%, up 110 basis points or 4%.
  - Net profit for the fourth quarter of \$23.5 million compared to \$31.2 million in the prior year comparative quarter with net profit for the year ended 2018 of \$67.8 million compared to \$65.9 million in 2017. Net profit for the fourth quarter and fiscal year ended 2017 included a one-time \$17.2 million benefit due to the enactment of U.S. income tax legislation changes in the fourth quarter of 2017.
  - Continued focus on delivering long-term shareholder return: i) 6% increase to Badger’s dividend; and ii) utilization of Badger’s normal course issuer bid program (“NCIB”): 628,614 common shares or 1.7% of Badger’s issued and outstanding common shares repurchased during the fourth quarter 2018.
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“Badger achieved record revenues and Adjusted EBITDA for both the fourth quarter and the fiscal year ended 2018 driven by strong growth across our end use and geographic markets, as customers continue to adopt hydrovac excavation as a method of non-destructive and safe excavation. Throughout 2018 we focused on driving growth and profitability by developing our extensive branch network while working to streamline our business through business process and information technology initiatives,” said Paul Vanderberg, President and Chief Executive Officer.

“We are pleased with both our 2018 financial results and our future growth potential as detailed in our 2019 financial outlook. The improvements realized in 2018 with respect to revenues, margins, Adjusted EBITDA and revenue per truck per month indicate the size of the market opportunity for Badger, while also confirming the benefit of Badger’s growth and business improvement initiatives. Badger’s organic growth model, adding one operator and one truck at a time, provides the foundation for our strong financial performance. The continued strength in the business and Badger’s strong balance sheet has provided Badger with the confidence to repurchase shares under our NCIB while increasing our dividend by 6 percent,” stated Mr. Vanderberg.

## Financial Highlights

(\$ thousands, except RPT, per share and share information)	Three months ended		Twelve months ended	
	2018	2017 <sup>(4)</sup>	2018	2017 <sup>(4)</sup>
Revenue:				
Hydrovac service revenue	171,516	127,346	587,206	469,082
Other revenue	7,093	6,471	28,236	27,726
Total revenue	178,609	132,789	615,442	496,808
RPT– Consolidated (mixed currency) <sup>(1)(2)</sup>	37,837	31,921	34,347	30,266
RPT– U.S. (U.S. dollars) <sup>(1)(2)</sup>	40,859	34,058	36,799	32,149
RPT– Canada (Canadian dollars) <sup>(1)(2)</sup>	30,544	27,587	28,834	26,552
Adjusted EBITDA <sup>(1)</sup>	47,858	34,539	161,707	125,381
Adjusted EBITDA per share, basic and diluted <sup>(1)(3)</sup>	\$1.29	\$0.93	\$4.36	\$3.38
Adjusted EBITDA margin <sup>(1)</sup>	26.8%	26.2%	26.3%	25.2%
Profit before income tax	31,947	19,698	97,634	71,625
Net profit	23,468	31,244	67,817	65,852
Net profit per share, basic and diluted <sup>(3)</sup>	\$0.63	\$0.84	\$1.83	\$1.77
Cash flow from operating activities before working capital adjustments	48,936	34,364	162,494	123,683
Cash flow from operating activities before working capital adjustments per share, basic and diluted <sup>(3)</sup>	\$1.32	\$0.93	\$4.38	\$3.33
Dividends paid	5,009	4,043	18,996	15,444
Weighted average common shares outstanding <sup>(3)</sup>	37,033,572	37,100,681	37,083,766	37,100,681

(1) See “Non-IFRS Financial Measures” and “Key Financial Metrics and Other Operational Metrics” for additional detail on the definition and calculation of Adjusted EBITDA, Adjusted EBITDA margin, and RPT.

(2) See “Changes in Key Financial Metrics and Classification of Revenue Groupings” in Badger’s 2018 annual Management’s Discussion and Analysis for additional details on the calculation and disclosure of RPT.

(3) Per share, basic and diluted measures calculated by dividing the respective financial measure with the weighted average common shares outstanding for the respective period. See Badger’s 2018 annual Management’s Discussion and Analysis for additional details on the weighted average common shares outstanding.

(4) Certain comparative revenue amounts for the three and twelve months ended December 31, 2017 have been reclassified to conform to the current year presentation as a result of the adoption of IFRS 15. See “Changes in Accounting Policies – IFRS 15 – Revenue from Contracts with Customers” for additional details.

## Comparable IFRS Financial Information <sup>(1)</sup>

(\$ thousands, except per share information)	Three months ended		Twelve months ended	
	2018	2017	2018	2017
Cash flow from operating activities	67,196	42,252	134,382	87,400
Cash flow from operating activities per share, basic and diluted <sup>(2)</sup>	\$1.81	\$1.14	\$3.62	\$2.36

(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.

## **Fourth Quarter Financial and Operational Overview**

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Adjusted EBITDA for the fourth quarter of 2018 was \$47.9 million, an increase of 39% compared to \$34.5 million in the prior year comparative quarter, and for the year ended 2018 was \$161.7 million compared to \$125.4 million in the prior year, an increase of 29%. Adjusted EBITDA margin for the fourth quarter of 2018 was 26.8% compared to 26.2% in the prior year quarter, and for the year ended 2018 was 26.3% compared to 25.2% in the prior year. Improvements in Adjusted EBITDA and Adjusted EBITDA margin were driven by revenue growth, higher hydrovac utilization and improved labour efficiency.

Badger realized record revenues for the fourth quarter of 2018 of \$178.6 million, 35% higher compared to \$132.1 million for the same period in 2017. Record revenues were driven by revenue growth in the U.S. of 40% with revenue of US\$105.9 million in the fourth quarter of 2018, while revenue in Canada of \$38.9 million was 8% higher than the prior year comparative quarter. Average hydrovac rates for the fourth quarter were consistent to modestly higher across both the U.S. and Canadian markets compared to the same period in 2017. Badger's investment in sales and marketing continues to contribute to the ongoing growth in revenue, particularly within the U.S. operations, where the opportunity for further market penetration in both new and existing markets exists as a result of hydrovac being an underutilized component of the excavation value-chain in many parts of the U.S.

Revenue growth, particularly in the U.S. operations, was attributable to increased demand for hydrovac services from both new and existing customers, due in part to the continued growth in the adoption of hydrovac technology combined with revenues related to emergency response work as a result of hurricane Michael and the California wildfires. Fourth quarter revenue related to emergency response work was approximately \$20.0 million, the impact of which was partially offset by a fourth quarter bad debt provision of \$5.3 million, the majority of which relates to a Chapter 11 bankruptcy filing by a large utility customer for work performed related to the California wildfires.

RPT for the fourth quarter was \$37,837 or 19% higher compared to \$31,921 for the same period in 2017, and for the year ended 2018 was \$34,347 or 13% higher compared to \$30,266 in the prior year. Badger successfully increased RPT for both the fourth quarter and year ended 2018 while at the same time adding a net 14 hydrovacs in the quarter and a net 112 hydrovacs for the year. The improvements in RPT were driven by a combination of revenue growth, including the impact of emergency response work, and improved fleet utilization. Badger's operational scale and its importance in driving fleet utilization was evident in Badger's fourth quarter revenues and RPT, with both financial measures benefiting from Badger's operating scale. Badger's extensive operating scale provided the ability to respond to significant customer demand related to emergency response activities as noted above. Badger had 1,221 hydrovacs in operation at December 31, 2018 compared to 1,109 as at December 31, 2017.

Badger continues to actively manage direct operating costs, in particular, direct labour, resulting in an improvement in Badger's gross profit margin to 31.5% in the fourth quarter of 2018 compared to 31.1% in the prior year comparative quarter. Direct operating costs as a percentage of revenue for the fourth quarter were 68.5%, compared to 68.9% in the prior year quarter. In addition to improved labour efficiency, margins also benefited from modestly higher average pricing due to the ongoing implementation of strategic pricing initiatives, the impacts of which more than offset higher bad debts. Badger continues to focus on ensuring services rates 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.

As initially announced 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 fourth 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.

Net profit for the fourth quarter of 2018 was \$23.5 million or \$0.63 per share compared to \$31.2 million or \$0.84 per share in the prior year comparative quarter. Net profit for the year ended was \$67.8 million or \$1.38 per share compared to \$65.9 million or \$1.77 per share in the prior year. Net profit for fourth quarter of 2018 and the year ended 2018 were impacted by the same items as Adjusted EBITDA and the impact of tax adjustments related to updated U.S. tax legislation enacted in the fourth quarter of 2017.

*See Badger’s 2018 annual MD&A for additional details on Badger’s 2018 annual and fourth quarter financial results.*

### **Driving Long-term Shareholder Returns: Normal Course Issuer Bid and Dividend Increase**

During the fourth quarter and for the fiscal year ended 2018, pursuant to Badger’s NCIB, Badger purchased and cancelled 628,614 common shares at a weighted average price per share of \$31.96. In addition, for the period ended January 1, 2019 through March 12, 2019, Badger purchased an additional 633,454 common shares at a weighted average price per share of \$33.50.

In addition to driving long-term shareholder returns through the NCIB program, Badger’s Board of Directors has approved a 6% increase to the dividend. Effective with the March 2019 dividend, payable in April of 2019, Badger will increase its dividend to \$0.0475 per common share per month or \$0.57 per common share annualized from the current rate of \$0.045 per common share per month or \$0.54 per common share annualized.

Badger continues to maintain a strong balance sheet. As at December 31, 2018, there were 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 \$54.0 million at December 31, 2018, with a corresponding total debt less cash and cash equivalents to Compliance EBITDA ratio of 0.4X.

## 2019 Financial Outlook

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Based on existing and forecasted activity levels, Badger anticipates that its 2019 Adjusted EBITDA will 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, which is consistent with the 2019 financial outlook provided in the third quarter of 2018.

Continued growth in Badger's end use markets and geographic areas has resulted in an increase in revenue and improved fleet utilization as evidenced by improved financial results and a higher realized RPT in 2018. Badger anticipates continued growth in revenues in 2019 with gross profit margin for 2019 to be similar to 2018. RPT for 2019 is anticipated to be modestly lower than in 2018, particularly in the U.S. operations, as \$22.5 million of emergency response work completed during the third and fourth quarter of 2018 resulted in an increase to Badger's 2018 RPT. Emergency response work related to natural disasters is not possible to predict and may not recur in 2019.

Badger's 2019 financial outlook assumes that Badger will continue to realize 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 2019. Oil and gas activity levels are anticipated to be consistent with 2018 levels within Badger's U.S. operations but weaker in Canada in 2019 compared to 2018. 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 certain oil and gas focused regions, continues to be challenging.

Badger's 2018 Adjusted EBITDA of \$161.7 million was modestly higher than the 2018 financial outlook provided in the third quarter of 2018 of \$150 to \$160 million. The improvement compared to the previously provided financial outlook was due to stronger than anticipated customer activity levels throughout the fourth quarter, due in part, to the impact of emergency response work related to hurricane Michael and the California wildfires. During 2018, Badger placed 191 new hydrovacs into service while retiring 79 units, both of which were consistent with the outlook previously provided by Badger.

Badger remains focused on generating profitable long-term sustainable growth to drive total shareholder returns. In that light, during 2017 and 2018, substantial progress was made towards meeting the strategic milestones that were established in late 2016. Significant progress has been made in meeting the objectives to: (i) double the U.S. business from fiscal 2016 levels over a period of 3 to 5 years; (ii) grow Adjusted EBITDA by a minimum of 15% per year; (iii) target Adjusted EBITDA margins of 28% to 29%; and (iv) drive fleet utilization and revenue per truck per month above \$30,000. Although the Adjusted EBITDA margin for 2018 of 26.3% was below the longer-term objective of 28% to 29%, it was a 110 basis point increase over 2017. Badger remains focused on business improvement activities to drive further margin improvements over the next several years. Badger's record financial performance in 2018 is a testament to the strength of Badger's unique business model.

## **Conference Call to Discuss 2018 Fourth Quarter and Year End Results**

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A conference call and webcast for investors, analysts, brokers and media representatives to discuss the 2018 fourth quarter and year end results is scheduled for 9:00 a.m. MT on Wednesday, March 13, 2019. Internet users can listen to the call live, or as an archived call, on Badger's website at [www.badgerinc.com](http://www.badgerinc.com) under the "Upcoming Events and Investor Presentation" section. To participate in the call, dial: 1-844-740-2014 and enter Passcode 1679718.

## **2018 Annual Disclosure Documents**

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Badger's 2018 annual Management's Discussion and Analysis and audited consolidated financial statements for the year ended December 31, 2018, along with all previous public filings of Badger Daylighting Ltd. may be found on SEDAR at [www.SEDAR.com](http://www.SEDAR.com).

## **Non-IFRS Financial Measures**

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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 2018 annual 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 and Other Operational Metrics**

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"Revenue per truck per month" (RPT) is a measure of hydrovac fleet utilization. It is calculated using hydrovac and hydrovac related revenue only. RPT is calculated on both a consolidated basis and for each geographic segment by dividing hydrovac and hydrovac related revenue for each segment, in the respective local currency, by the average number of hydrovacs in the segment during the period.

Effective with the 2018 fourth quarter and annual MD&A, financial statements, and other applicable disclosure documents, the Company has updated its calculation and presentation of RPT, and the presentation and the classification of certain revenue groupings. The previous calculation of RPT utilized internal, non-disclosed information, as such, it was not possible for a user of the Company's disclosure documents to calculate the measure themselves. The revised calculation and presentation of RPT is derived from information available directly from

the Company's financial statements and operational disclosures, providing users greater transparency and the ability to calculate this measure.

See "Key Financial Metrics and Other Operational Metrics" in the Company's 2018 annual MD&A for additional details on RPT.

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

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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, 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;
- Badger anticipates that its Adjusted EBITDA for 2019 will be in the range of \$170 to \$190 million;
- Badger anticipates that the number of new hydrovac builds for 2019 will be approximately 190 to 220 units and that hydrovac retirements for 2019 will be in the range of 40 to 60 units;
- Badger anticipates that gross profit margin for 2019 will be similar to 2018 and that RPT will be modestly lower in 2019 than 2018;
- The timing, benefits and costs associated with Badger's Common Business Platform project; and
- The ability and benefits of Badger to purchase and subsequently cancel up to 2,000,000 of its common shares under its NCIB.

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;
- 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: political and economic conditions; industry competition; price fluctuations for oil and natural gas and related products and services; 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.

Any future orientated financial information and financial outlook information (collectively, "FOFI") contained in this press release, as such terms are defined by applicable securities laws, is provided for the purpose of providing information about management's current expectations and plans relating to the future and is subject to the same assumptions, risk factors, limitations and qualifications as set forth in the above paragraphs. Management believes that the FOFI has been prepared on a reasonable basis, reflecting best estimates and judgments; however, actual results of the Company's operations and financial outcomes may vary from the amounts set forth herein. FOFI contained in this press release was made as of the date of this press release and the Company does not undertake any obligation to publicly update or revise any FOFI contained in this press release, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws. Readers are cautioned that any FOFI contained herein should not be used for purposes other than those for which it has been disclosed herein.

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 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.**

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[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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Paul Vanderberg, *President and CEO*

Gerald Schiefelbein, *Vice President Finance and CFO*

Jay Bachman, *Vice President, Financial Operations and Investor Relations*

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