



BADGER DAYLIGHTING LTD. ANNOUNCES 2020 FOURTH QUARTER AND ANNUAL RESULTS, A 5% DIVIDEND INCREASE AND A NORMAL COURSE ISSUER BID

Calgary, Alberta, March 11, 2021 - Badger Daylighting Ltd. (“Badger”, the “Company”, “we”, “our” or “us”) (TSX:BAD) reported fourth quarter and annual results today. All results are in Canadian dollars unless otherwise stated.

2020 Annual Financial and Operational Highlights

- Annual revenue was \$558.6 million or approximately 85% of the revenue realized in 2019, in line with management’s expectations. Revenue continued to be negatively impacted by slower economic activity caused by COVID-19.
- Annual gross profit margin was 29.4% compared to 30.7% in 2019 (28.4% excluding COVID-19 related government assistance subsidies and business restructuring expenses) and Adjusted EBITDA margin was 22.0% compared to 24.2% in 2019 (21.3% excluding COVID-19 related government assistance subsidies and restructuring expenses)
- Annual Adjusted EBITDA was \$122.8 million compared to \$158.4 million in 2019
- Annual RPT was \$25,484 compared to \$32,442 in 2019
- The Board of Directors of Badger (the “Board”) has approved a 5% increase in the dividend to \$0.63 per common share on an annualized basis from \$0.60 per common share, effective with the March 2021 dividend
- The Board has approved Badger to pursue a Normal Course Issuer Bid (“NCIB”) pursuant to which the Company may acquire for cancellation up to a maximum of 1,500,000 common shares, subject to normal course regulatory approvals by the Toronto Stock Exchange.

“We are pleased with our 2020 results which reinforce the resiliency of Badger’s strong business model,” said Paul Vanderberg, President and Chief Executive Officer.

“We maintained strong margins, a solid financial position and profitability in 2020. We successfully completed our ERP implementation in the first quarter and responded proactively to COVID-19 related market challenges in the second and third quarters. In the fourth quarter, we added operators, sales people and support staff to position ourselves to take full advantage of an expected market recovery from COVID-19 in 2021 and to prepare for the 2021 summer construction season,” added Mr. Vanderberg.

“The most exciting part of Badger’s business model is our significant, long term U.S. growth opportunity and we continue to invest in our strategic initiatives to position the Company for the long term,” continued Mr. Vanderberg.

“Recognizing the resiliency of Badger’s business model, its ability to remain profitable throughout various market conditions and the long term growth opportunity of the business, the Board of Directors approved a 5% increase in the dividend effective in March 2021 and the implementation of a NCIB program,” concluded Mr. Vanderberg.

Financial Highlights

(\$ thousands, except revenue per truck per month ("RPT"), per share and share information)	Three months ended		Twelve months ended	
	December 31,		December 31,	
	2020	2019	2020	2019
Revenue:				
Hydrovac service revenue	123,636	155,494	531,852	627,578
Other revenue	6,976	7,221	26,775	26,704
Total revenue	130,612	162,715	558,627	654,282
RPT - Consolidated (mixed currency) ⁽¹⁾	23,904	31,075	25,484	32,442
RPT - U.S. (U.S. dollars) ⁽¹⁾	25,877	32,893	27,512	34,504
RPT - Canada (Canadian dollars) ⁽¹⁾	18,997	26,408	20,340	27,248
Adjusted EBITDA ⁽¹⁾	22,005	35,839	122,828	158,446
Adjusted EBITDA per share, basic and diluted ⁽¹⁾⁽²⁾	\$0.63	\$1.02	\$3.52	\$4.42
Adjusted EBITDA margin ⁽¹⁾	16.8%	22.0%	22.0%	24.2%
Profit before income tax	2,132	17,814	33,143	76,198
Net profit	1,827	15,913	24,749	59,732
Net profit per share, basic and diluted ⁽²⁾	\$0.05	\$0.45	\$0.71	\$1.67
Cash flow from operating activities before working capital and other adjustments	22,024	35,596	122,016	157,689
Cash flow from operating activities before working capital and other adjustments per share, basic and diluted ⁽²⁾	\$0.63	\$1.02	\$3.50	\$4.40
Dividends paid	5,229	5,001	20,659	20,065
Weighted average common shares outstanding ⁽²⁾⁽³⁾	34,853,838	35,060,260	34,870,893	35,825,820

(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) 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) See "Share Capital" in the Company's 2020 annual management's discussion and analysis ("MD&A") for additional details.

Comparable IFRS Financial Information⁽¹⁾

(\$ thousands, except per share information)	Three months ended		Twelve months ended	
	December 31,		December 31,	
	2020	2019	2020	2019
Cash flow from operating activities	32,033	42,445	139,250	113,406
Cash flow from operating activities per share, basic and diluted ⁽²⁾	\$0.92	\$1.21	\$3.99	\$3.17

(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.

Business Outlook and Strategic Milestones

Badger is positioning the business to take advantage of an expected strong market recovery in 2021 from the COVID-19 pandemic and to prepare for the traditional summer construction season. Badger began hiring and training operators, sales people and operations staff in the fourth quarter of 2020 and has continued this activity in the first quarter of 2021. Also commencing in the fourth quarter of 2020 and continuing in 2021, Badger has made investments to enhance its organizational design and management structure.

Positioning operations ahead of revenue growth is inherent in the seasonal nature of Badger's business because the operator onboarding and training process takes two to three months and trained operators are required to be in place before activity levels increase. Sales and operations staff are required to support operations and to drive future growth. Badger is preparing for an anticipated increase in customer activity levels due to the timing of a potential strong market recovery and the typical ramp-up in the summer construction season.

As the first quarter of 2021 has progressed, the Company's revenue run rate has increased compared to rates earlier in the quarter, as 2021 activity was slow to start due to extended jobsite holiday shutdowns and severe winter storms. Bidding activity has also increased as the quarter has progressed, which historically has benefitted future months. Recent 2021 storm activity has highlighted the potential future opportunity for Badger which would result from the need for infrastructure strengthening.

Badger's fleet is well positioned to take advantage of market recovery and the 2021 construction season. As reviewed at Badger's December 4th Investor Day, the Company's current fleet size can support annual revenue levels of approximately \$700 million.

The Company has taken advantage of the 2020 production slowdown to reconfigure process flows at its Red Deer, Alberta plant. These flow changes combined with changes in warehousing and upgrading parts storage are being implemented and are expected to increase the plant's production capacity to at least 350 units per year. This compares to the historical peak production of 221 units in 2014. Badger is pleased with this progress, which positions the Company to support continued growth as the current fleet utilization improves.

Building on successes in 2020, Badger is looking toward the future. Badger continues to see significant, long-term growth opportunities in servicing North America's key underground infrastructure with non-destructive excavation solutions. Badger continues to strive to achieve its 2025 strategic milestones which are:

- Doubling the U.S. operation's revenue from fiscal 2020 over the next 3 to 5 years;
- Targeting annualized Adjusted EBITDA growth of 15% on average from fiscal 2020 over the next 3 to 5 years;
- Targeting annualized Adjusted EBITDA margins of 28% to 29%; and
- Targeting revenue per truck per month over \$30,000 (mixed currency).

Badger believes that these strategic milestones are achievable and that the fundamental, long-term growth opportunities for Badger in the non-destructive excavation market remain intact.

2020 Fourth Quarter and Annual Results Conference Call

A conference call and webcast for investors, analysts, brokers and media representatives to discuss the 2020 fourth quarter and annual results is scheduled for 7:00 a.m. MT on Friday, March 12, 2021. Internet users can listen to the call live, or as an archived call from Badger’s website at www.badgerinc.com under Investor Relations: Events, Webcasts & Presentations. To participate in the call, dial: 1-844-740-2014 and enter passcode 6719628. A playback of the call will be available until Friday, March 26, 2021. To access the playback, dial: 1-855-859-2056 and enter passcode 6719628.

2020 Fourth Quarter and Annual Disclosure Documents

Badger’s fourth quarter and annual 2020 Management’s Discussion and Analysis and annual 2020 audited Consolidated Financial Statements, 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 “Non-IFRS Financial Measures” in the Company’s 2020 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.

Key Financial Metrics and Other Operational Metrics

“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.

See “Key Financial Metrics and Other Operational Metrics” in the Company’s 2020 annual MD&A for additional details on RPT.

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 and information that contain words such as “could”, “should”, “can”, “anticipate”, “expect”, “believe”, “will”, “may”, “continues to”, “goal” 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:

- The anticipated benefit of the continual review of all aspects of Badger’s operations;
- The impact of COVID-19 on the business and the timing of Badger achieving long-term strategic financial and operational milestones;
- Disclosure under the heading “Business Outlook and Strategic Milestones”;
- The expectation that the fundamental, long-term growth opportunities in the non-destructive excavation market remains intact;
- The expectation for economic recovery and seasonal construction volume increases and the timing associated therewith;
- The anticipated impact of reconfigured process flows at the Red Deer facility on future production capacity;
- The expectation of future market opportunities for Badger with respect to infrastructure strengthening;
- The expectation for long-term growth opportunities in both existing and new customer markets, particularly in the U.S.;
- The implementation of the NCIB program including receipt of customary approvals from the Toronto Stock Exchange and the timing associated with receipt of such approvals;
- Badger’s ability to continue to grow its business, as a result of capitalizing on the long-term growth opportunity in the North American critical infrastructure and non-destructive excavation markets; and
- The benefits, if any, that Badger’s operational scale creates related to financial and operating performance.

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:

- Badger will maintain its financial position and financial resources will continue to be available to Badger;
- The monitoring of potential impacts of COVID-19 on all aspects of Badger's business, including the impact on the demand for Badger's services and the expectation that Badger's business model, operating scale and financial position will enable it to manage effectively through the current uncertain economic environment as a result of COVID-19, and that the long-term growth potential of non-destructive excavation will not be adversely impacted by the same;
- The actions taken by Badger to protect the health and safety of its employees, customers and communities, and to mitigate the operational and financial effects of COVID-19, will have the intended effects;
- The overall market for Badger's services will not be adversely affected in the long-term by COVID-19, economic disruption, or other factors beyond Badger's control such as weather, natural disasters, global events, legislation changes and technological advances;
- There will be long-term sustained customer demand for hydrovac services from a broad range of end use markets 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; and
- Badger will realize and continue to realize the efficiencies and benefits of the executed business restructuring activities, the formation of the shared services center and other business improvement initiatives.

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: the magnitude and length of the global, national and regional economic and social disruption being caused as a result of the global COVID-19 pandemic; national, regional and local governmental laws, regulations and orders relating to the COVID-19 pandemic that may materially adversely impact the Company's ability to continue operations; political and economic conditions; industry competition; price fluctuations in commodity markets and related products and services; 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) 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 works for contractors and facility owners in a broad range of infrastructure industries. These market segments consist primarily of infrastructure projects in areas such as energy generation, electricity and natural gas transmission networks, roads and highways, telecommunications, water and sewage treatment and general municipal infrastructure. Customers in these segments typically operate near high concentrations of underground power, communication, water, gas and sewer lines, particularly in large urban centres where safety and economic risks are high and therefore non-destructive excavation provides a safe alternative for certain customer excavation requirements. The Company's key technology is the Badger Hydrovac™, which is used primarily for safe excavation around critical infrastructure and in congested underground 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 and designs its truck-mounted hydrovac units, giving Badger the opportunity to incorporate feedback from its hydrovac operators into its existing and future design and manufacturing processes.

For further information:

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