Badger Daylighting Ltd. Announces Record Annual 2017 Results an 18% Dividend Increase and a Normal Course Issuer Bid

March 28, 2018

CALGARY, Alberta, March 27, 2018 (GLOBE NEWSWIRE) -- Badger Daylighting Ltd. (the “Company” or “Badger”) (TSX:BAD) announced today financial and operating results for the three months and year ended December 31, 2017.

Fourth Quarter and Year End Highlights

- Adjusted EBITDA was $34.5 million for the fourth quarter of 2017 and $125.4 million for the year ended 2017, an increase of 21% and 20% respectively over the comparative 2016 periods.
- Net profit for the fourth quarter was $31.2 million compared to $7.4 million in the prior year comparative quarter. Net profit for the year ended 2017 was $65.9 million compared to $28.9 million for 2016. Badger added 85 net incremental hydrovacs throughout 2017 and had 1,109 hydrovacs in operation at year end.
- U.S. federal corporate income tax changes positively impacted Badger’s fourth quarter with further anticipated positive impacts in 2018 and future years. Badger’s fourth quarter results include a reduction in current income tax expense of $3.0 million and a $17.2 million reduction in future income tax liabilities as a result of the U.S. tax changes.
- The Board of Directors of Badger (the “Board”) has approved an increase of the dividend to $0.54 per common share on an annualized basis from $0.456 per common share, an increase of 18%.
- The Board has approved Badger to pursue the implementation of a Normal Course Issuer Bid (“NCIB”) of up to a maximum of 2,000,000 common shares, pursuant to which the Company would have an option to repurchase its common shares for cancellation. The implementation of the NCIB is subject to normal course regulatory approvals. See “Normal Course Issuer Bid and Dividend Increase” for additional details.

“Throughout 2017, Badger made significant investments to grow our hydrovac fleet and strengthen our operations and administrative capabilities. Badger successfully placed 85 net hydrovacs into service, while increasing revenue per truck by $5,260 or 21% to $30,075. We remain focused on delivering a high level of customer service while at the same time optimizing our fleet, said Paul Vanderberg, President and Chief Executive Officer.

“We continue to experience strong revenue growth across a wide range of end use markets and geographic regions as more customers embrace hydrovac excavation as a method of non-destructive and safe excavation. By leveraging our extensive branch network, Badger is able to respond to regional customer demands by repositioning hydrovacs to meet customer needs and drive fleet utilization. While Badger remains focused on delivering short-term financial performance our discipline remains in generating profitable long-term sustainable growth and driving total shareholder returns,” continued Mr. Vanderberg.

“Recent changes to U.S. federal corporate income taxes are a welcome tail wind to Badger. Our 2017 fourth quarter results were positively impacted from an increase to the bonus depreciation provisions, reducing our 2017 current income tax expense by $3.0 million. We expect a much larger impact in fiscal 2018, as Badger will benefit from a full year of the increased bonus depreciation provisions combined with the reduction in the federal corporate tax rate to 21% from 35%, effective January 1, 2018,” continued Mr. Vanderberg.

"During 2017, we made substantial progress towards meeting the strategic milestones established earlier in the year. Specifically, significant progress was realized on meeting our objectives to: (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, and (3) drive fleet utilization and revenue per truck per month above $30,000. Although the Adjusted EBITDA margin for 2017 was below our longer-term objective of 28% to 29%, we are focused on business improvement activities to drive margin improvements over the next several years. The improvements Badger realized throughout 2017 are a testament to the strength of Badger’s unique business model,” stated Mr. Vanderberg.

Financial Highlights

($ thousands, except revenue per truck per month, per share and share information)	**Three months ended December 31,**		**Twelve months ended December 31,**	
	2017	2016	**2017**	2016
Revenue:				
Hydrovac service revenue	**121,232**	101,577	**456,586**	368,563
Other service revenue	**11,437**	9,094	**41,893**	35,189
Truck placement revenue	**120**	225	**757**	450
Total revenue	**132,789**	110,896	**499,236**	404,202

Revenue per truck per month [1]	**31,300**	27,023	**30,075**	24,815
Adjusted EBITDA [1]	**34,539**	28,433	**125,381**	104,763
Adjusted EBITDA margin [1]	**26.0%**	25.6%	**25.1%**	25.9%
Profit before tax	**19,698**	14,204	**71,625**	47,131
Net profit	**31,244**	7,350	**65,852**	28,912
Net profit per share, basic and diluted	**$0.84**	$0.20	**$1.77**	$0.78
Cash flow from operating activities before working capital adjustments	**34,364**	28,763	**123,683**	104,757
Cash flow from operating activities before working capital adjustments per share, basic and diluted	**$0.93**	$0.78	**$3.33**	$2.82
Dividends paid	**4,043**	3,673	**15,433**	14,247
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 and calculation of Adjusted EBITDA, Adjusted EBITDA margin and revenue per truck per month.

Comparable IFRS Financial Information

($ thousands, except per share information)	**Three months ended December 31,**		**Twelve months ended December 31,**	
	2017	2016	**2017**	2016
Cash flow from operating activities	**42,252**	26,668	**87,400**	79,075
Cash flow from operating activities per share, basic and diluted	**$1.14**	$0.72	**$2.36**	$2.13

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

Operational Overview

Throughout 2017, Badger placed 85 net incremental hydrovacs into service, consisting of 157 new and 72 retired hydrovacs. During the fourth quarter of 2017, Badger placed 46 new hydrovacs while retiring 18 hydrovacs. As at December 31, 2017, Badger had 1,109 hydrovacs in operation compared to 1,024 in the prior year.

Badger’s operating scale provides for a broad geographic footprint even as the Company maintains a nimble and flexible operating structure. As a result, Badger is able to respond to specific customer requirements, while at the same time maintaining an ability to execute on short-term operational improvements on a timely and efficient basis. The benefits of Badger’s business model were evident in 2017 as the Company provided disaster assistance and emergency response services related to hurricanes Harvey and Irma, and the wildfires and mudslides in California. Badger was able to provide its customers with a timely response to their unique emergency response requirements by leveraging its extensive branch network, allowing the Company to temporarily reallocate hydrovacs into disaster areas to assist with clean-up and reconstruction efforts. Badger’s customers value this level of operational flexibility and service.

During 2017, in addition to day-to-day operational improvements, Badger was focused on the execution of several strategic initiatives in order to drive the Company’s longer-term strategic milestones. The following areas saw significant progress throughout 2017:

- Strengthening the human resources organization to facilitate operator hiring and retention, and improving operational management and administrative capabilities;
- Enhancing the business development function to drive revenue growth through customer education on the uses and benefits of hydro excavation;
- Augmenting common operating practices and developing a road map for a corporate wide common operating platform; and
- Leveraging technology across all aspects of our business to both enhance our hydrovacs and improve our cost structure.

Badger will continue to provide updates on these key initiatives throughout 2018. In particular, the implementation of a corporate wide common operating platform, which will provide Badger with the ability to implement and integrate new technologies while ensuring the consistency of best practices across all aspects of operations.

Financial Overview

Adjusted EBITDA for the fourth quarter of 2017 was $34.5 million, an increase of 21% compared to $28.4 million in the prior year comparative quarter. Adjusted EBITDA for the year was $125.4 million compared to $104.8 million in the prior year, an increase of 20%. Adjusted EBITDA margin for the fourth quarter of 2017 was 26.0% compared to 25.6% in the prior year quarter. Improvements in Adjusted EBITDA and Adjusted EBITDA margin were driven by revenue growth, higher hydrovac utilization and expense management. Direct costs as a percentage of revenue for the fourth quarter of 2017 were modestly lower than the prior year comparative period, partially offset by an increase in general and administrative expenses.

Revenue for the fourth quarter of 2017 was $132.8 million, 20% higher compared to $110.9 million in the prior year comparative quarter. In the fourth quarter, revenue in the U.S. increased 29% to US$73.5 million and in Canada revenue increased 11% to $39.1 million. Revenue growth in both the Canadian and U.S. markets was due to improvements in all of Badger's end use markets as a result of an increase in overall activity levels and continued growth in the adoption of hydrovac technology. Badger's investment in its business development function, a key differentiator for Badger compared to its competitors, continues to generate ongoing revenue growth as a result of increased market penetration and usage of hydrovac in both new and existing markets. Average hydrovac rates for the fourth quarter of 2017 were consistent to modestly higher across both the Canadian and U.S. markets compared to the fourth quarter 2016.

Revenue per truck per month ("RPT") was $31,300 in the fourth quarter of 2017 compared to $27,023 in the prior year comparative quarter. 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 driven through Badger's broad network of local branches, allowing for the transfer of hydrovacs to locations with stronger activity levels.

Net profit for the fourth quarter of 2017 was $31.2 million or $0.84 per share compared to $7.4 million or $0.20 per share in the prior year comparative quarter. Net profit for the year ended was $65.9 million or $1.77 per share compared to $28.9 million or $0.78 per share in the prior year. Net profit for fourth quarter of 2017 and the year ended 2017 were primarily impacted by the same items as Adjusted EBITDA, for the respective periods, in addition to the reduction in total income tax expense due to the changes in U.S. tax legislation.

Badger continues to maintain a strong balance sheet and currently has no amounts drawn on its bank facility, providing the flexibility to facilitate ongoing growth in the business. Badger's total debt less cash and cash equivalents was $48.0 million at year end, with a corresponding total debt less cash and cash equivalents to Compliance EBITDA ratio of 0.4X.

See Badger's 2017 annual MD&A for additional details on Badger's 2017 annual and fourth quarter financial results.

U.S. Tax Legislation Changes

Badger's 2017 fourth quarter and year-end financial results were positively impacted by changes to U.S. tax legislation enacted on December 22, 2017. As a result of these changes, Badger's fourth quarter financial results include a $3.0 million reduction in current income tax expense and a $17.2 million benefit associated with the revaluation of the future income tax liability. The reduction in current income tax expense recognized in the fourth quarter was a result of changes to the bonus depreciation provisions, which were effective as of September 27, 2017.

The reduction in the U.S. federal corporate income tax rate to 21% from 35% does not take effect until January 1, 2018. As such, the U.S. federal corporate income tax rate reduction will have additional positive benefits on financial results beginning in fiscal 2018. See "Income Taxes" in the 2017 annual MD&A for additional details on the U.S. tax legislation changes.

Normal Course Issuer Bid and Dividend Increase

Badger's strong financial performance in 2017, combined with the expectation of future growth consistent with our strategic milestones, and the strength of Badger's balance sheet, underpins Badger's belief that from time-to-time, the share price does not reflect the underlying value of Badger's common shares. As such, Badger intends to make an application to implement a NCIB of up to 2,000,000 common shares through the facilities of the Toronto Stock Exchange and other Canadian marketplaces, pursuant to which Badger would have an option to repurchase its common shares for cancellation. The NCIB will provide Badger with an additional option to increase long-term total shareholder returns.

The Board has approved an 18% increase in the dividend from $0.038 per common share per month to $0.045 per common share per month, effective with the April 2018 dividend payable in May 2018. Including the dividend increase announced with Badger's second quarter 2017 earnings release, the Company has increased its dividend by 36% in the last 12 months.

Short-Seller Campaign

As shareholders are aware, Badger has been subject to what it believes to be a coordinated campaign by several entities attempting to undermine customer and investor confidence in Badger and ultimately drive down the price of its shares. Badger has addressed the questions raised by short-sellers and others by providing additional granular disclosure of Badger's business. While the Company's long-term shareholders have been satisfied that the various spurious allegations leveled at Badger are without merit, the attacks on Badger by various entities have continued. The Company believes these attacks are weighing on Badger's valuation amid a backdrop of strong financial and operating performance.

This unrelenting and ongoing campaign has necessitated that Badger take additional actions to protect the Company and its shareholders. Badger has retained leading external advisors to assist the Company in this matter and has fully reviewed each and every short-seller allegation and concluded that they are baseless.

Concurrent with the internal examination, the Company has also been examining the links between short-sellers, bloggers and research firms involved in the campaign against Badger for potential collusion, preferential access to research reports, coordinated actions, and attempts made to entrap Badger and its franchisees in questionable acts in order to manufacture further allegations.

Badger plans to communicate our findings to market regulators and seek appropriate relief and sanctions against those engaged in market manipulation. We will continue to update shareholders on this important issue as the matter progresses.

Outlook

Badger continues to see growth in the use of hydrovac for non-destructive excavation as a result of ongoing customer adoption, particularly in its U.S. markets. Badger expects to see improvements in revenue as a result of investments in developing its branch network and its business development function. The overall macro-economic environment in both the U.S. and Canada is anticipated to be supportive of ongoing infrastructure, construction and oil and gas activity levels for 2018.

Continued growth in Badger's end use markets and geographies through 2017 has resulted in an increase in revenue and improved fleet utilization as evidenced by higher realized RPT. Based on existing and forecasted activity levels, Badger anticipates that its total hydrovac builds for fiscal 2018 will be approximately 140 to 180 units. The retirement of hydrovacs for fiscal 2018 is anticipated to be in the range of 60 to 80 units. Consistent with prior years, Badger actively manages both its build rate and retirement rate based on current and future customer demand, in addition to the ongoing assessment of the cost of repairing and maintaining a hydrovac versus retiring and replacing a unit.

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 Adjusted EBITDA margins of 28% to 29%; and (4) drive fleet utilization and revenue per truck per month above $30,000.

Conference Call to Discuss 2017 Fourth Quarter and Year End Results

A conference call and webcast for investors, analysts, brokers and media representatives to discuss the 2017 fourth quarter and year end results is scheduled for 9:00 a.m. MT on Wednesday, March 28, 2018. Internet users can listen to the call live, or as an archived call, on Badger's website at www.badgerinc.com under the "Upcoming Events and Investor Presentation" section. To participate in the call, dial: 1-844-740-2014 and enter Passcode 6097626.

2017 Annual Disclosure Documents

Badger's 2017 annual MD&A and audited consolidated financial statements for the year ended December 31, 2017, 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:

"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 is calculated as follows:

($ thousands)	**Three months ended December 31,**		**Twelve months ended December 31,**	
Adjusted EBITDA	**2017**	2016	**2017**	2016
Net profit	**31,244**	7,349	**65,852**	28,912
Add:				
Depreciation of property, plant and equipment	**11,943**	10,968	**45,458**	43,425
Share-based compensation expense	**1,298**	2,311	**1,679**	6,904
Loss on sale of property, plant and equipment	**250**	35	**305**	2,410
Finance cost	**1,254**	1,009	**5,523**	4,952
Foreign exchange loss (gain)	**96**	(94)	**791**	(59)
Tax expense (recovery)	**(11,546)**	6,855	**5,773**	18,219
Adjusted EBITDA	**34,539**	28,433	**125,381**	104,763

Adjusted EBITDA can also be calculated as follows:

($ thousands)	**Three months ended December 31,**		**Twelve months ended December 31,**	
Adjusted EBITDA	**2017**	2016	**2017**	2016
Revenue	**132,789**	110,896	**499,236**	404,202
Less:				
Direct costs	**91,700**	78,306	**352,644**	284,297
General and administrative expense	**6,550**	4,157	**21,211**	15,142
Adjusted EBITDA	**34,539**	28,433	**125,381**	104,763

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

Adjusted EBITDA margin is calculated as follows:

($ thousands except for percentages)	**Three months ended December 31,**	**Twelve months ended December 31,**

Adjusted EBITDA margin	2017	2016	2017	2016
Adjusted EBITDA	**34,539**	28,433	**125,381**	104,763
Revenue	**132,789**	110,896	**499,236**	404,202
Adjusted EBITDA margin	**26.0%**	25.6%	**25.1%**	25.9%

"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.

Compliance EBITDA is calculated as follows:

($ thousands)	Twelve months ended December 31,	
Compliance EBITDA [(1)]	**2017**	2016
Net profit	**65,852**	28,912
Add:		
Depreciation of property, plant and equipment	**45,458**	43,425
Finance cost	**5,523**	4,952
Tax expense	**5,773**	18,219
Compliance EBITDA	**122,606**	95,508

(1) Compliance EBITDA for the three months ended December 31, 2017, and for the year ended December 31, 2017, are the same calculation.

"Funded Debt" consists of long-term debt including the current portion thereof and issued letters of credit, less up to a maximum of $10.0 million in cash. Funded Debt is used by Badger to calculate compliance with its debt covenants and other credit information.

Funded Debt is calculated as follows:

($ thousands)	As at December 31,	
Funded Debt	**2017**	2016
Long-term debt	**94,088**	100,698
Current portion of long-term debt	**-**	-
Total debt	**94,088**	100,698
Add: issued letters of credit	**3,325**	3,725
Less: cash on hand [(1)]	**(10,000)**	(10,000)
Funded Debt	**87,413**	94,423

(1) Badger may deduct up to a maximum of $10.0 million of cash on hand in the calculation of Funded Debt in accordance with the requirements of its credit facilities.

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 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 and benefits associated with the common 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;
- Badger anticipates that the number of new hydrovac builds for 2018 will be approximately 140 units to 180 units and that

hydrovac retirements for 2018 will be in the range of 60 to 80 units;
- Badger anticipates that changes to U.S. income tax legislation will positively impact current income taxes;
- The intention of Badger to pursue the implementation of a NCIB for up to 2,000,000 common shares and the related application to the TSX and other regulatory requirements;
- Badger's target for general and administrative expenses on a long-term annualized basis remains at 4% of revenue; and
- The cost to build a hydrovac may fluctuate due to production volume in the Red Deer manufacturing facility, cost of labour and materials and foreign currency as many materials are denominated or otherwise influenced by exchange rates.

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.

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) 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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