Zedcor Inc. Announces Fourth Quarter Results for 2024, Diversification of Revenue and Continued USA Expansion

CALGARY, ALBERTA – April 10, 2024: Zedcor Inc. (the "Company") (TSX VENTURE: ZDC) today announced its financial and operating results for the three months and twelve months ended December 31, 2023.

Q4 2023 revenues were $5.8 million and the Company generated adjusted EBITDA of $1.4 million. The Company's two large pipeline security projects concluded in the fourth quarter of 2023 and the Company was able to diversify its customer base as a result by adding over 190 customers. Furthermore, the Company's revenue base is now largely diversified across customers and geographies. Subsequent to the end of the year, utilization rates have reached 90% and daily revenues are at comparable levels to when the two pipelines projects were active. March 2024 was one of Zedcor's most active months ever and the Company expects to achieve record monthly revenue from its MobileyeZ™ security tower fleet.

During the quarter, the Company had approximately 40% of its MobileyeZ security tower fleet in Ontario. In addition, the Company exited 2023 with 50 towers at its Houston equipment and service center which has subsequently increased to 72. These security towers have reached 100% utilization and the Company is starting to build a backlog of demand at its Houston service center. The fleet is fully deployed across a number of different customers, including the largest home builder in the US, general contractors in Texas and two Canadian customers who have USA based operations.

US Operations and Manufacturing Update:

Zedcor's MobileyeZ™ manufacturing operations are starting to ramp up. We are on track to complete 20 Solar Electric MobileyeZ™ security towers in April and intend to streamline our manufacturing in order to build 50 or more security towers a month starting in Q3 2024. The Company anticipates bringing the total US fleet to 400 or more security towers by the end of 2024.

Zedcor's Solar Electric MobileyeZ™ will be a fully standalone security tower with battery backup. It can also be plugged in to power in winter months if there is not enough sunlight. This is an innovative security tower and first of its kind in the North American market with dual power capabilities, allowing it to function in any environment across the USA and Canada. It is also zero emissions, helping customers reduce their carbon footprint and meet environmental targets.

Todd Ziniuk said: "As the number of deployments of our MobileyeZ™ continue to increase in the US, our team continually demonstrates our innovativeness. We have upgraded all of our cameras across the fleet to have AI at the edge. We have also started offering MobileyeZ™ with radar units. This improves our service levels and increases our already industry leading theft diversion. The disruptive nature of our security towers, combined with 24/7 Live, Verified Monitoring™, is having an impact on the traditional security industry as evidenced by the demand we are seeing and the backlog that we are starting to build in the US. The Company is excited about its prospects in the US market and has seen unprecedented demand for its MobileyeZ™ security towers. With its manufacturing operations ramping up, the Company has control to meet the demands of the US market. We are also extremely pleased to increase our presence in retail security. This is an industry where traditional security measures are either ineffective or prohibitively expensive and the sector is ripe for disruption. We are excited to work with top names in the retail sector and we look forward to demonstrating our service first approach in order to grow the relationship."

FINANCIAL & OPERATING RESULTS FOR THE THREE & TWELVE MONTHS ENDED DECEMBER 31, 2023:

(in $000s, except per share amounts)	Three months ended December 31 2023	2022	Twelve months ended December 31 2023	2022
Revenue	5,799	6,415	24,889	22,099
EBITDA[1,2]	1,215	2,312	9,244	8,253
Adjusted EBITDA[1,2]	1,401	2,380	7,645	7,569
Adjusted EBIT[1,2]	(391)	1,391	2,114	4,173
Net income (loss) before income taxes	(860)	1,071	2,652	3,993
Net income (loss) per share				
Basic	(0.00)	0.05	0.04	0.09
Diluted	(0.01)	0.04	0.03	0.08

1 *Adjusted for stock based compensation, foreign exchange (gain) loss, and other income*

2 *See Financial Measures Reconciliations below*

Zedcor recorded $5,799 and $24,889 of revenue for the three and twelve months ended December 31, 2023. This compares to $6,415 and $22,099 of revenue from for the three and twelve months ended December 31, 2022. The revenue growth of 13% for the year is the result of a larger fleet of security towers located throughout the Company's six service centers in Canada. Revenue for the year grew despite pipeline construction projects for the Company's two largest customers winding down throughout 2023. A number of the security towers which were returned had been continually providing reliable security services to two different customers since 2017 without being returned to the Company for service. Once returned, Zedcor was able to repair and upgrade the returned towers, which drove costs higher in the second half of the year, while also diversifying and growing its customer base both geographically and across different industries.

Adjusted EBITDA was to $1,401 and $7,645 for the three and twelve months ended December 31, 2023, compared to $2,380 and $7,569 for the three and twelve months ended December 31, 2022. This represented a growth of 1% for the twelve months ended December 31, 2023.

The Company's security and surveillance services saw increased revenues and EBITDA for the twelve months ended December 31, 2023 compared to 2022 due largely to increased customer demand of its larger fleet of MobileyeZ security towers. The increased revenue was offset by: 1) reduced security guard revenue; and 2) reduced revenue from a two large pipeline construction projects that were completed in the second half of 2023. In addition, in Q4 2023, the Company's revenue at its two Alberta, Canada equipment centers saw reduced revenues due to inclement weather which delayed the start of construction projects for some of the Company's customers. A majority of the security towers returned from the pipeline construction project have been rented to new or existing customers across Canada and, therefore, reduced the Company's customer and industry concentration risks. Utilization for the Company's fleet of security towers averaged 82% in Q4 2023, which is a low point for the Company. Subsequent to the end of the year, utilization rebounded and was over 90% for the Company's fleet of Electric MobileyeZ™. The Company's US based operations also ramped up subsequent to the end of the year which reduced the negative impact on adjusted EBITDA.

Zedcor exited the period with 825 MobileyeZ™ security towers which was an increase of 319 when compared to December 31, 2022. Of the 825 units, 50 are located in Zedcor's Houston, Texas service center.

Financial and operational highlights for the three and twelve months ended December 31, 2023 include:

- For the twelve months ended December 31, 2023 net income before tax was $2,652 compared to net income before tax of $3,993 for the twelve months ended December 31, 2022. The decrease in net income year over year is directly attributable to: 1) two of the Company's largest customers wrapping up pipeline construction projects during the second half of the year and 2) USA expansion costs, which totaled $721, negatively impacted net income before tax. Of the $721 in USA expansion costs, approximately 70% are one time costs related to expansion, setup of manufacturing operations and legal fees. Zedcor still remained profitable during 2023 due to: 1) a larger fleet of towers and strong customer demand which drove utilization and, in turn, revenues; and 2) $2,159 in other income. As part of the sale of the Company's Rental segment assets in 2021, the Company is to receive a 35% bonus for every dollar of EBITDA over certain thresholds. As a result of this agreement, the Company received $2,159 for the second anniversary payment.
- Continued traction across Ontario. The Company expanded to Ottawa in Q2 2022 and Toronto in Q3 2022. As at December 31, 2023, approximately 40% of the Company's MobileyeZ security tower fleet is located in Ontario. This represents a growth of 28% from the start of the year. The Company's intentions to diversify its geographical footprint and grow its customer base is yielding results. We are continuity to see strong demand for the Company's services in Eastern Canada and additional security towers will continue to be delivered to Ontario and Manitoba in 2024.
- Diversification away from the Company's core pipeline construction customers. As the Company increases its fleet of MobileyeZ and expands geographically, our risk related to customer concentration has decreased. For the three-month period ended December 31, 2023, 12% of the Company's revenues were generated from its top 3 customers, down from 69% over the three-month period ended December 31, 2022. While the revenue from the top three customers decreased by 57%, security tower revenue decreased by only 3% for Q4 2023 compared to Q4 2022. Zedcor's services are customer and industry agonistic and we continued to see that in 2023 as we were able to diversify our customers across the construction industry and into retail security.
- Expansion into retail security with a leading North American home improvement retailer. After a three-month pilot program which began in June 2023, with locations tested in British Colombia, Southern Alberta, and Southern Ontario, Zedcor entered into a master rental services agreement with to provide MobileyeZ™ security towers with 24/7 Live, Verified Video Monitoring™ at numerous locations across Canada until September 2026. The number of locations that we are servicing has expanded subsequent to December 31, 2023.
- Award of Ontario O-Train construction mobile security project. Sites being secured include equipment storage yards, light maintenance and storage facilities and five LRT stations under construction on the O-Train West Extension. As at December 31, 2023 the Company has 24 MobileyeZ™ security towers deployed with anticipated peak demand for this project which is expected to be completed in late 2026.
- The Company continued to attract new customers across Canada. For the 3 months ended December 31, 2023, the Company provided services to more than 50 new customers. For the 12 months ended December 31, 2023, the Company has added over 190 new customers.
- On track US expansion. In Q3 2023 the Company leased a facility and hired its first employee in the US. In addition, the Company has shipped a small number of security towers for research & development purposes to help ensure supply targets are met for its 2024 expansion program. Zedcor exited the year with 50 MobileyeZ™, obtained its Texas security license, continued positive business development with both existing Canadian customers with operations in the US and potential US based customers, hired sales people for the Houston market and generated its first US revenue in Q4 2023.

- The Company continued to manage its supply chain and logistics. Orders were proactively placed for light tower materials, cameras and communication equipment for the Company's 2024 capital program. Zedcor also started manufacturing operations out of its Houston facility in order to resolve bottle necks related to light tower assembly. By addressing this bottleneck, the Company can ramp up production to meet anticipated customer demand for the expansive US market. This will also allow the Company to control its capital costs, while designing innovative solutions in order to proactively meet customer needs. Additional security products will be constructed based on customer demand, expansion plans into other strategic markets in Canada and the USA, and availability of capital.

SELECTED QUARTERLY FINANCIAL INFORMATION

(Unaudited – in $000s)	Dec 31 2023	Sept 30 2023	June 30 2023	Mar 31 2023	Dec 31 2022	Sept 30 2022	Jun 30 2022	Mar 31 2022
Revenue	5,799	6,431	6,216	6,443	6,415	5,797	5,256	4,631
Net income (loss)	(860)	288	2,472	752	3,076	966	1,528	428
Adjusted EBITDA[1]	1,401	2,285	1,824	2,135	2,380	2,121	1,694	1,373
Adjusted EBITDA per share - basic[1]	0.02	0.03	0.02	0.03	0.04	0.03	0.02	0.02
Net income (loss) per share								
Basic	(0.00)	0.00	0.03	0.01	0.05	0.01	0.02	0.01
Diluted	(0.01)	0.00	0.03	0.01	0.04	0.01	0.02	0.01
Adjusted free cash flow[1]	482	4,664	968	978	1,931	2,076	(292)	1,216

[1] *See Financial Measures Reconciliations below*

LIQUIDITY AND CAPITAL RESOURCES

The following table shows a summary of the Company's cash flows by source or (use) for the twelve months ended December 31, 2023 and 2022:

	Twelve months ended December 31			
(in $000s)	**2023**	**2022**	**$ Change**	**% Change**
Cash flow from operating activities	9,886	6,190	3,696	60%
Cash flow used in investing activities	(13,451)	(8,607)	(4,844)	56%
Cash flow from financing activities	4,468	2,880	1,588	55%

The following table presents a summary of working capital information:

	Twelve months ended December 31			
(in $000s)	**2023**	**2022**	**$ Change**	**% Change**
Current assets	7,286	7,542	(256)	(3%)
Current liabilities *	9,451	7,379	1,072	15%
Working capital	(2,165)	163	(2,328)	(1,428%)

**Includes $3.8 million of debt and $2.4 million of lease liabilities in 2023 and $2.2 million of debt and $1.8 million of lease liabilities in 2022*

The primary uses of funds are operating expenses, maintenance and growth capital spending, interest and principal payments on debt facilities. The Company has a variety of sources available to meet these liquidity needs, including cash generated from operations. In general, the Company funds its operations with cash flow generated from operations, while growth capital and acquisitions are typically funded by issuing new equity or debt.

Principal Credit Facility

	Interest rate	Final maturity	Facility maximum	Outstanding as at December 31, 2023	Outstanding as at December 31, 2022
Term Loan	5.15%	Oct 2026	6,100	3,538	4,748
Revolving Equipment Financing	Prime + 2.00%	Revolving	15,000	13,096	5,799
Authorized Overdraft	Prime + 1.50%	Revolving	3,000	—	—
				16,634	10,547
Current portion				(3,788)	(2,198)
Long term debt				12,846	8,349

On June 6, 2023, the Company entered into a second amending agreement ("Second Amended Financing Agreement") which increased the Company's equipment financing from $6.0 million to $15.0 million. As at December 31, 2023, the Second Amended Financing Agreement provides the Company with the following:

1. A $6.1 million term loan that is fully committed for five years ("Term Loan"). The Term Loan bears interest at 5.15% and will have monthly blended principal and interest payments of $116.
2. A $15.0 million revolving equipment financing facility ("Revolving Equipment Financing"). The Company is able to draw on this facility at any time for up to 100% of new equipment purchases. The draws bear interest at Prime + 2.0% and each draw will be amortized over 5 years with blended principal and interest payments. As at December 31, 2023 the Prime Interest Rate was 7.20% and the interest rate on the Revolving Equipment Financing was 9.20%. As the Company pays down the Revolving Equipment Financing, it can borrow back up to the facility maximum of $15.0 million.
3. An authorized overdraft facility ("Authorized Overdraft") up to $3.0 million, secured by the Company's accounts receivable, up to 75%, less priority payables which are GST payable, income taxes payable, employee remittances payable and WCB payables. The Authorized Overdraft is due on demand and any outstanding overdraft bears interest at Prime + 1.5%. As at December 31, 2023 the Prime Interest Rate was 7.20% and the interest rate on the Revolving Equipment Financing was 8.70%.

The Second Amended Financing Agreement is secured with a first charge over the Company's current and after acquired equipment, a general security agreement, a subordination and postponement agreement with a director of the Company with respect to a note payable, and other standard non-financial security.

The agreement has the following quarterly financial covenant requirements, calculated on a trailing twelve month basis:

- a debt servicing covenant of no less than 1.25 to 1.00; and
- a funded debt to EBITDA covenant of no more than 3.00 to 1.00.

As at December 31, 2023, the Company is in compliance with its financial covenant requirements. The debt servicing ratio as calculated based on the Second Amended Financing Agreement was 2.15 to 1.00 and the funded debt to EBITDA was 1.91 to 1.00.

CREDIT RISK

The Company extends credit to customers, primarily comprised of pipeline construction companies and construction companies, in the normal course of its operations. Historically, bad debt expenses have been limited to specific customer circumstances. However, the volatility in economic activity may result in higher collection risk on trade receivables. The Company has reviewed its outstanding accounts receivable as at December 31, 2023 and believes the expected loss provision is sufficient.

OUTLOOK

Zedcor continues to execute its long-term strategy of growing its technology enabled security services across North America. Zedcor continues to effectively use a mix of cash flow and debt to build additional MobileyeZ security towers to provide surveillance services to our expanding customer base. While there was a decrease in utilization in Q4 2023, this was temporary and revenue and utilization levels have increased in Q1 2024. As the Trans Mountain Expansion Pipeline project came to an end in Q4 2023, the Company was able to effectively redeploy equipment to other customers throughout the Company's operating regions. The Company has grown its salesforce across Canada in order to obtain contracts for its MobileyeZ and continue to expand its service offering to different industries. The Company also expanded its service offering to Houston, Texas in Q4 2023 and is excited about the early results we are seeing for expansion in Texas and other regions in the United States. The US fleet of security towers is fully utilized and the Company is starting to build a backlog of demand.

Priorities that the Company intends to focus on for the remainder for 2024 include:

1) Expanding operations in the United States and continuing to grow revenues in Canada. Due to significant spending on infrastructure in North America, along with increased theft and vandalism, the Company is seeing strong demand for its products in both countries. Zedcor's innovative products, coupled with the Company's commitment to customer service, are perfectly situated to disrupt the traditional security market.
2) With the strong demand that Zedcor is seeing for its security towers, the Company intends to further take control of its supply chain and remove bottlenecks for its security towers by manufacturing and assembling more of the components of its towers in house. This will allow us to actively manage demand and, over time, reduce our capital costs.
3) Building new, innovative products based on customer demand. As the Company has obtained customers in different industry verticals, it has seen an increasing number of use cases for its security solutions coupled with Zedcor's 24/7 Live, Verified™ video monitoring. This includes a need for additional AI based technology that is actively monitored as well as a mobile security product with a smaller footprint.
4) The Company intends to generate customer and shareholder value and positive earnings per share. By effectively managing its growth, executing on the above noted strategies and increasing its capital markets presence, Zedcor will be able to continue to generate positive earnings per share, grow its shareholder base and increase share price.

NON-IFRS MEASURES RECONCILIATION

Zedcor Inc. uses certain measures in this MD&A which do not have any standardized meaning as prescribed by International Financial Reporting Standards ("IFRS"). These measures which are derived from information reported in the consolidated statements of operations and comprehensive income may not be comparable to similar measures presented by other reporting issuers. These measures have been described and presented in this MD&A in order to provide shareholders and potential investors with additional information regarding the Company.

Investors are cautioned that EBITDA, adjusted EBITDA, adjusted EBITDA per share, adjusted EBIT and adjusted free cash flow are not acceptable alternatives to net income or net income per share, a measurement of liquidity, or comparable measures as determined in accordance with IFRS.

EBITDA and Adjusted EBITDA

EBITDA refers to net income before finance costs, income taxes, depreciation and amortization. Adjusted EBITDA is calculated as EBITDA before costs associated with severance, gains and losses on sale of equipment and stock based compensation. These measures do not have a standardized definition prescribed by IFRS and therefore may not be comparable to similar captioned terms presented by other issuers.

Management believes that EBITDA and Adjusted EBITDA are useful measures of performance as they eliminate non-recurring items and the impact of finance and tax structure variables that exist between entities. "Adjusted EBITDA per share – basic" refers to Adjusted EBITDA divided by the weighted average basic number of shares outstanding during the relevant periods.

A reconciliation of net income to Adjusted EBITDA is provided below:

(in $000s)	Three months ended December 31		Twelve months ended December 31	
	2023	2022	2023	2022
Net income (loss)	(860)	3,076	2,652	5,998
Add (less):				
Finance costs	469	320	1,621	1,063
Depreciation of property & equipment	1,048	702	3,614	2,412
Depreciation of right-of-use assets	389	244	1,249	938
Loss (gain) on sale of equipment	100	(15)	27	(139)
Loss (gain) loss on disposal of right-of-use asset	69	(10)	81	(14)
Income tax recovery	—	(2,005)	—	(2,005)
EBITDA	1,215	2,312	9,244	8,253
Add (deduct):				
Stock based compensation	180	45	562	129
Foreign exchange loss (gain)	6	23	(2)	70
Other income	—	—	(2,159)	(883)
	186	68	(1,599)	(684)
Adjusted EBITDA	1,401	2,380	7,645	7,569

Adjusted EBIT

Adjusted EBIT refers to earnings before interest and finance charges, taxes, and severance costs.

A reconciliation of net income to Adjusted EBIT is provided below:

(in $000s)	Three months ended December 31		Twelve months ended December 31	
	2023	2022	2023	2022
Net income (loss)	(860)	3,076	2,652	5,998
Add (deduct):				
Finance costs	469	320	1,621	1,063
Income tax recovery		(2,005)		(2,005)
Other income	—	—	(2,159)	(883)
Adjusted EBIT	(391)	1,391	2,114	4,173

Adjusted free cash flow

Adjusted free cash flow is defined by management as net income plus non-cash expenses, plus or minus the net change in non-cash working capital, plus severance costs, less maintenance capital. Maintenance capital is also a non-IFRS term. Management defines maintenance capital as the amount of capital expenditure required to keep its operating assets functioning at the same level of efficiency. Management believes that adjusted free cash flow reflects the cash generated from the ongoing operation of the business. Adjusted free cash flow is a non-IFRS measure generally used as an indicator of funds available for re-investment and debt payment. There is no standardized method of determining free cash flow, adjusted free cash flow or maintenance capital prescribed under IFRS and therefore the Company's method of calculating these amounts is unlikely to be comparable to similar terms presented by other issuers.

Adjusted free cash flow from continuing operations is calculated as follows:

(in $000s)	Three months ended December 31 2023	2022	Twelve months ended December 31 2023	2022
Net income (loss)	(860)	3,076	2,652	5,998
Add non-cash expenses:				
Depreciation of property & equipment	1,048	702	3,614	2,412
Depreciation of right-of-use assets	389	244	1,249	938
Stock based compensation	180	46	562	129
Finance costs (non-cash portion)	116	14	151	145
Income tax recovery		(2,005)		(2,005)
	873	2,077	8,228	7,617
(Deduct) non-recurring income				
Other income	—	—	(2,159)	(883)
	873	2,077	6,069	6,734
Change in non-cash working capital	(391)	(146)	1,023	(1,803)
Adjusted free cash flow	482	1,931	7,092	4,931

No Conference Call

No conference call will be held in conjunction with this release. Full details of the Company's financial results, in the form of the condensed consolidated interim financial statements and notes for the three months ended December 31, 2023 and 2022 and Management's Discussion and Analysis of the results are available on SEDAR at www.sedar.com and on the Company's website at www.zedcor.ca.

About Zedcor Inc.

Zedcor Inc. is a Canadian public corporation and is the parent company to Zedcor Security Solutions Corp. Zedcor is a technology enabled company that is changing how physical security services are provided to businesses. Zedcor operates throughout Canada and Texas with equipment and service centers in British Columbia, Alberta, Manitoba, Ontario, and Houston, Texas. The Company has three main service offerings to customers across all market segments: 1) surveillance and live monitoring through its proprietary MobileyeZ security towers; 2) surveillance and live monitoring of fixed site locations; and 3) security personnel.

The Company operates a fleet of over 850 proprietary MobileyeZ security towers, equipped with high resolution, technology-based cameras, and monitors numerous fixed site locations for customers across various industries. Video from security towers and fixed site locations is streamed to the Company's central monitoring station where video alarms are live verified and responded to based on customer requirements. Zedcor also offers high level security guard services to enterprise level customers who are looking to supplement video-based security for valuable, high risk, or mission critical operational assets.

FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this MD&A constitute forward-looking statements or forward-looking information, including management's belief that streamlining rental assets with newer equipment will drive improvements in equipment rental rates and utilization, and that the expanded market reach and customer base will lead to more diversity in the Company's revenue stream and increase utilization. Forward-looking statements or information may contain statements with the words "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", "budget", "should", "project", "would have realized', "may have been" or similar words suggesting future outcomes or expectations. Although the Company believes that the expectations implied in such forward-looking statements or information are reasonable, undue reliance should not be placed on these forward-looking statements because the Company can give no assurance that such statements will prove to be correct. Forward-looking statements or information are based on current expectations, estimates and projections that involve a number of assumptions about the future and uncertainties. These assumptions include that the Company's new solar hybrid light tower and related security and surveillance service offerings will lead to more diversity in revenue streams and protect against future down swings in the economic environment. Although management believes these assumptions are reasonable, there can be no assurance that they will prove to be correct, and actual results will differ materially from those anticipated. For this purpose, any statements herein that are not statements of historical fact may be deemed to be forward-looking statements. The forward-looking statements or information contained in this MD&A are made as of the date hereof and the Company assumes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new contrary information, future events or any other reason, unless it is required by any applicable securities laws. The forward-looking statements or information contained in this MD&A are expressly qualified by this cautionary statement.

This MD&A also makes reference to certain non-IFRS measures, which management believes assists in assessing the Company's financial performance. Readers are directed to the section above entitled "Financial Measures Reconciliations" for an explanation of the non-IFRS measures used.

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