Zedcor Inc. Announces Second Quarter Results for 2024, Including Record Revenues and Record Adjusted EBITDA of $2.7 Million

CALGARY, ALBERTA – August 13, 2024: Zedcor Inc. ("Zedcor" or the "Company") (TSX-V: ZDC) today announced its financial and operating results for the three and six months ended June 30, 2024. Highlights include:

- Record quarterly revenue of $7.4 million, representing an increase of 20% quarter-over-quarter
- Record quarterly Adjusted EBITDA of $2.7 million, representing 37% of revenue and an increase of 42% quarter-over-quarter
- Deployed 178 MobileyeZ™ security towers throughout North America while realizing total fleet utilization rate above 90% for the quarter, including a near 100% utilization rate in the United States
- Starting to build a backlog of demand and expanding the Company's platform to support a growing customer base in both Canada and the United States

Zedcor generated revenues of $7.4 million and $13.5 million for the three and six months ended June 30, 2024, respectively, and Adjusted EBITDA of $2.7 million and $4.6 million. Revenue and Adjusted EBITDA generated in the quarter were both record highs for the Company. The previous record high in quarterly revenue was $6.4 million, exceeded by $0.9M in Q2 2024. Zedcor's previous high mark in terms of Adjusted EBITDA was $2.4 million, which Q2 2024 Adjusted EBITDA of $2.7 million exceeded by $0.3 million.

Furthermore, the Company successfully continued its customer diversification and revenue growth efforts during the quarter, which was reflected in the revenue and Adjusted EBITDA results. Zedcor generated record daily revenues from its fleet of MobileyeZ™ security towers while successfully deploying 178 new MobileyeZ™ towers throughout North America, with a focus on Texas, during the quarter. Notably, fleet-wide MobileyeZ™ utilization rate exceeded 90% for the quarter.

The United States accounted for more than 10% of the Company's second quarter revenue. The utilization rate for the fleet of security towers in the USA is near 100% capacity and the Company is starting to build a backlog of demand at its Houston service center. In addition, the Company has expanded its service offering throughout the state of Texas and into Colorado.

In Canada, Zedcor continued to experience revenue growth and strong utilization rates during the quarter. While one of the focuses for Zedcor is its USA expansion, the Company remains committed to allocating capital as appropriate to service its growing customer base across Canada where there is continued opportunity and growth. Rates for the Company's Solar MobileyeZ™, which were added to the Canadian fleet, are higher than expected and there is continued demand for a fully standalone security tower that does not require external power.

During the quarter, the Company also completed a $15.0 million equity financing. This capital is allowing the Company to expedite its growth in the US, build more MobileyeZ™ towers, and expand its offerings to additional regions in the southern US. Specifically, the Company has expanded to Dallas, Austin, San Antonio, West Texas and intends to expand to Phoenix, Arizona.

Todd Ziniuk, President and CEO of Zedcor, commented: "We continue to see the effects of our strategic initiatives implemented in 2023 as we continue to expand our geographic footprint, increase margins, and diversify our customer base. The record revenues and Adjusted EBITDA generated in the quarter reflects our progress thus far, with the accelerated growth continuing into Q3. As we achieve growing revenues across the Company and add new customers every day, we anticipate strong revenue and Adjusted EBITDA growth to persist in the second half of 2024 as demand remains robust. Accordingly, we maintain our exit 2024 MobileyeZ™ fleet size target of 1,300 – 1,500 towers. The additional capital we received from our equity financing completed in May has bolstered our balance sheet and is further empowering our expansion in the United States, while also allowing us to support growth in Canada. We have ramped up our manufacturing capabilities and are confident that we can meet customer demands of providing a better physical security solution. Furthermore, the AI-at-the-edge camera capabilities that we rolled out in 2023, as well as other hardware upgrades made to some parts of our MobileyeZ™ fleet, has resulted in lower operating costs and higher margins. We discussed these benefits throughout 2023 and continue to deliver positive results as evidenced by these second quarter results."

FINANCIAL & OPERATING RESULTS FOR THE THREE & SIX MONTHS ENDED JUNE 30, 2024:

(in $000s)	Three months ended June 30 2024	2023	Six months ended June 30 2024	2023	Three months ended March 31 2024
Revenue	7,372	6,216	13,506	12,659	6,134
Adjusted EBITDA[1,2]	2,695	1,824	4,593	3,959	1,898
Adjusted EBIT[1,2]	720	689	786	1,777	76
Net income (loss)	1,409	2,472	939	3,224	(470)
Net income (loss) per share					
Basic	0.02	0.03	0.01	0.04	(0.01)
Diluted	0.02	0.03	0.01	0.04	(0.01)

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

[2] *See Financial Measures Reconciliations below*

Zedcor recorded $7,372 of revenue for the three months ended June 30, 2024. This compares to $6,216 of revenue from for the three months ended June 30, 2023. The revenue increase of 19% year over year was due to strong demand for our security towers in Canada and the addition of US revenues. Overall, core security tower revenue increases were offset by reductions in revenue for Zedcor's ancillary services of security personnel, cameras sales and other service revenue. The decrease in service revenue was driven largely by reduced service volumes as non-pipeline security towers do not require as much mobilization which drove service revenues. The Company's core security and surveillance service revenue was up 27% year over year.

Quarter over quarter, the Company's total revenue was up $1,238 or 20% and adjusted EBITDA was up $797 or 42%. Revenue increased both year over year and quarter over quarter as a result of a larger fleet of security towers, revenue growth in the US and strong utilization rates during Q2 2024 as the Company was able to redeploy security towers returned from its large pipeline security project which ended in Q4 2023 and grow its fleet of MobileyeZ™.

The Company's security and surveillance services saw increased revenues and EBITDA for the three and six months ended June 30, 2024 compared to 2023 due largely to increased customer demand of its larger fleet of MobileyeZ™ security towers. Zedcor exited the period with 1,003 MobileyeZ™ security towers which was an increase of 178 when compared to December 31, 2023, and 324 units when compared to June 30, 2023.

Financial and operational highlights for the three and six months ended June 30, 2024 include:

- Net income was $1,409 for the three months ended June 30, 2024. This compares to net income of $2,472 for the three months ended June 30, 2023. For the six months ended June 30, 2024 net income was $939 compared to net income of $3,224 for the six months ended June 30, 2023. The decrease in net income is due to lower other income, higher finance costs as a result of higher total debt on our equipment financing facilities, higher stock-based compensation expense and a $173 loss on repayment of the Note Payable. Quarter over quarter, the Company was able to reverse a net loss and generate positive earnings per share as a result of: 1) a larger fleet of towers and strong customer demand which drove utilization and, in turn, revenues; 2) strong cost controls and efficiencies generated from our AI camera implementations completed in Q4 2023 which has reduced operating costs and increased margins; and 3) $1,373 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 will receive $1,373 for the third and final anniversary payment.

- 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. Zedcor's services are customer and industry agnostic and we continued to see that in the first half of 2024 as we were able to diversify our customers across the construction industry, into retail security and across other business segments. In addition, of our $7.4 million of revenue for the three months ended June 30, 2024, 88% of it is reoccurring.

- Continued traction across Ontario, customer diversification in Western Canada and strong utilization across the Canadian MobileyeZ™ fleet. The Company expanded to Ottawa in Q2 2022 and Toronto in Q3 2022. In less than two years, our Toronto equipment and servicing center has grown to be the largest in Canada with approximately 25% of the Canadian fleet being operated out of Toronto. In addition, we started to generate record daily revenues across our Canadian operations in June and our fleet of MobileyeZ™ was nearly 100% utilized in Canada. The Company continued to attract new customers in the region and for the six months ended June 31, 2024, the Company has added over 75 new customers.

- On track US expansion. Zedcor exited the Q2 2024 with 132 MobileyeZ™ located in the US, continued to expand our base of operations with the ability to service customers across Texas and opened an equipment and servicing center in Denver, Colorado. For the six months ended June 30, 2024, the Company generated $1,082 of revenues in the US and for the 3 months ended June 30, 2024 the Company generated $749, or 10%, of revenues in the US. This number is expected to expand as we continue to build out our footprint in the US.

- Continued development and expansion of manufacturing capabilities. Zedcor has manufactured over 120 of its Solar MobileyeZ™ Security Tower and has ramped up production capacity out of its Houston, Texas facility with the ability to meet customer demand for our North American operations. We are actively managing our component suppliers and our supply chains, while finding efficiencies in order to streamline manufacturing.

- Continued growth in the retail security segment with an expanded rental and service agreement to provide MobileyeZ™ security towers at 23 sites for a leading North American home improvement retailer. This represented an additional ten store locations and thirteen locations across Canada for our customer's capital initiatives program, including new store builds or major renovations bringing the total MobileyeZ™ coverage for the Customer in Canada to 21 stores and two distribution centers.

- Payment of $3.5 million to retire the balance of a Note issued in February 2016 and exercise of all outstanding warrants on the Company's balance sheet. This results in streamlined capital structure for the Company.

- Completion of a $15.0 million equity financing which will help expedite our long-term strategy.

SELECTED QUARTERLY FINANCIAL INFORMATION

(Unaudited – in $000s)	June 30 2024	March 31 2024	Dec 31 2023	Sept 30 2023	Jun 30 2023	Mar 31 2023	Dec 31 2022	Sept 30 2022
Revenue	7,372	6,134	5,799	6,431	6,216	6,443	6,415	5,797
Net income (loss)	1,409	(470)	(860)	288	2,472	752	3,076	966
Adjusted EBITDA[1]	2,695	1,898	1,401	2,285	1,824	2,135	2,380	2,121
Adjusted EBITDA per share - basic[1]	0.03	0.03	0.02	0.03	0.02	0.03	0.04	0.03
Net income (loss) per share								
Basic	0.02	(0.01)	(0.00)	0.00	0.03	0.01	0.05	0.01
Diluted	0.02	(0.01)	(0.01)	0.00	0.03	0.01	0.04	0.01
Adjusted free cash flow[1]	1,016	458	482	4,664	968	978	1,931	2,076

[1] *See Financial Measures Reconciliations below*

LIQUIDITY AND CAPITAL RESOURCES

			Six months ended June 30	
(in $000s)	**2024**	**2023**	**$ Change**	**% Change**
Cash flow from operating activities	3,110	4,289	(1,179)	(27%)
Cash flow used by investing activities	(7,624)	(7,359)	(265)	4%
Cash flow from financing activities	12,156	3,744	8,412	225%

The following table presents a summary of working capital information:

			As at June 30	
(in $000s)	**2024**	**2023**	**$ Change**	**% Change**
Current assets	17,966	10,315	7,651	74%
Current liabilities *	11,903	9,575	2,328	24%
Working capital	6,063	740	5,323	719%

**Includes $4.4 million of debt and $2.6 million of lease liabilities in 2024 and $3.1 million of debt and $2.0 million of lease liabilities in 2023*

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, debt or cash flow from operations.

Principal Credit Facility

	Interest rate	Final maturity	Facility maximum	Outstanding as at June 30, 2024	Outstanding as at December 31, 2023
Term Loan	5.15%	Oct 2026	6,100	3,039	3,538
Revolving Equipment Financing	Prime + 2.00%	Revolving	15,000	14,282	13,096
Authorized Overdraft	Prime + 1.50%	Revolving	3,000	—	—
Equipment Financing	Various	Various	N/A	265	—
				17,586	16,634
Current portion				(4,352)	(3,788)
Long term debt				13,234	12,846

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 June 30, 2024, 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 June 30, 2024 the Prime Interest Rate was 6.95% and the interest rate on the Revolving Equipment Financing was 8.95%. 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 June 30, 2024 the Prime Interest Rate was 6.95% and the interest rate on the Revolving Equipment Financing was 8.45%.

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 June 30, 2024, the Company is in compliance with its financial covenant requirements. The debt servicing ratio as calculated based on the Second Amended Financing Agreement was 1.89 to 1.00 and the funded debt to EBITDA was 2.04 to 1.00.

The Company may also enter into specific financing agreements with certain vendors for certain pieces of equipment. These financing agreements are entered into at the time of purchase and granted by various third parties based on the Company's financial condition at the time. They are secured with the specific equipment being financed and terms and interest rates are decided at the time of application. As at June 30, 2024 the Company had $265 outstanding with respect to these specific financing agreements (As at December 31, 2023 - $nil).

CREDIT RISK

The Company extends credit to customers, primarily comprised of construction companies, energy companies and pipeline 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 June 30, 2024 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. The Company continues to effectively use a mix of cash flow, debt and the proceeds from its equity financing to build additional MobileyeZ™ security towers to provide surveillance services to our expanding customer base. During the quarter, the Company completed a $15.0 million equity financing which will help expedite our long-term strategy. The Company was able to effectively redeploy equipment to new customers throughout the Company's operating regions and grow US revenues to over 10% of total revenues in Q2 2024. The Company has grown its salesforce across North America in order to obtain contracts for its MobileyeZ™ and continue to expand its service offering to different industries. The fleet of security towers is fully utilized and the Company continues 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 continues 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:

	Three months ended June 30		Six months ended June 30	
(in $000s)	**2024**	**2023**	**2024**	**2023**
Net income	1,409	2,472	939	3,224
Add:				
Finance costs	511	376	1,047	712
Depreciation of property & equipment	1,256	828	2,482	1,566
Depreciation of right-of-use assets	422	298	797	552
(Gain) on sale of equipment	—	(69)	—	(69)
Loss on disposal of right-of-use asset	2	—	16	—
Loss on repayment of note payable	173	—	173	—
EBITDA	3,773	3,905	5,454	5,985
Add (deduct):				
Stock based compensation	282	90	497	144
(Gain) loss on foreign exchange	13	(12)	15	(11)
Other income	(1,373)	(2,159)	(1,373)	(2,159)
	(1,078)	(2,081)	(861)	(2,026)
Adjusted EBITDA	2,695	1,824	4,593	3,959

Adjusted EBIT

Adjusted EBIT refers to earnings before interest and finance charges, taxes, and one time income and expenses.

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

	Three months ended June 30		Six months ended June 30	
(in $000s)	**2024**	**2023**	**2024**	**2023**
Net income	1,409	2,472	939	3,224
Add (deduct):				
Finance costs	511	376	1,047	712
Loss on repayment of note payable	173	—	173	—
Other income	(1,373)	(2,159)	(1,373)	(2,159)
Adjusted EBIT	720	689	786	1,777

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 and one time income and expenses, 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:

	Three months ended June 30		Six months ended June 30	
(in $000s)	**2024**	**2023**	**2024**	**2023**
Net income	1,409	2,472	939	3,224
Add non-cash expenses:				
Depreciation of property & equipment	1,256	828	2,482	1,566
Depreciation of right-of-use assets	422	298	797	552
Loss on repayment of note payable	173	—	173	—
Stock based compensation	282	90	497	144
Finance costs (non-cash portion)	7	(5)	52	19
	3,549	3,683	4,940	5,505
(Deduct) non-recurring income:				
Other income	(1,373)	(2,159)	(1,373)	(2,159)
	2,176	1,524	3,567	3,346
Change in non-cash working capital	(1,160)	(556)	(2,092)	(1,400)
Adjusted Free Cash Flow	1,016	968	1,475	1,946

CONFERENCE CALL

A conference call will be held in conjunction with this release:

Date:	Wednesday, August 14, 2024
Time:	10:00 am ET (8:00 am MT)
Webinar Link:	https://bit.ly/ZDCQ22024
Dial:	647-374-4685 Toronto local
	780-666-0144 Calgary local
	778-907-2071 Vancouver local
	346-248-7799 Houston local
Meeting ID #:	943 8227 1994

Please connect 5 minutes prior to the conference call to ensure time for any software download that may be required.

Full details of the Company's financial results, in the form of the condensed consolidated interim financial statements and notes for the three and six months ended June 30, 2024 and 2023, and Management's Discussion and Analysis of the results are available on SEDAR+ at www.sedarplus.ca and on the Company's website at www.zedcor.com.

About Zedcor Inc.
Zedcor Inc. (TSX-V:ZDC) is disrupting the traditional physical security industry through its proprietary MobileyeZ™ security towers by providing turnkey and customized mobile surveillance and live monitoring solutions to blue-chip customers across North America. The Company continues to expand its established platform of over 1,000 MobileyeZ™ towers in Canada and the United States, with emphasis on industry leading service levels, data-supported efficiency outcomes, and continued innovation. Zedcor services the Canadian market through equipment and service centers currently located in British Columbia, Alberta, Manitoba, and Ontario. The Company continues to advance its U.S. expansion which now has the capacity to service markets throughout the Midwest with locations throughout Texas and in Denver, Colorado, with a location in Phoenix, Arizona to follow by Q1 2025.

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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