TERRAVEST ANNOUNCES FOURTH QUARTER AND YEAR END RESULTS FOR FISCAL 2024 AND A 17% DIVIDEND INCREASE

TORONTO, ONTARIO (December 13th, 2024) **-** TerraVest Industries Inc., (TSX: TVK) ("TerraVest" or the "Company") announces its results for the fourth quarter and year ended September 30, 2024 and the declaration of its quarterly dividend.

FOURTH QUARTER AND YEAR END REVIEW AND OUTLOOK

Business Performance

Management believes that there are certain non-IFRS financial measures that can be used to assist shareholders in analyzing the performance of TerraVest. The table below highlights certain financial results and reconciles net income to Adjusted earnings before interests, income taxes, depreciation and amortization ("Adjusted EBITDA") for the fourth quarter and year ended September 30, 2024 and the comparative periods in fiscal 2023.

	Fourth quarters ended		Years ended	
	Sept. 30, 2024	**Sept. 30, 2023**	**Sept. 30, 2024**	**Sept. 30, 2023**
	$	**$**	**$**	**$**
Sales	**230,654**	173,931	**911,816**	678,350
Net Income	**13,825**	15,527	**73,244**	49,633
Add (subtract):				
Income tax expense	**4,814**	6,567	**23,488**	17,635
Financing costs	**5,525**	4,342	**25,138**	15,880
Depreciation and amortization	**21,271**	10,754	**69,347**	39,895
Change in fair value of derivative financial instruments	**253**	774	**631**	(1,576)
Change in fair value of investment in equity instruments	**(641)**	(90)	**(615)**	(22)
Change in fair value of investment in a limited partnership	**1,067**	(108)	**1,425**	(1,070)
(Gain) loss on foreign exchange	**2,125**	(2,001)	**453**	1,265
(Gain) loss on disposal of other property, plant and equipment	**(505)**	518	**(2,958)**	(2,361)
(Gain) loss on disposal of property, plant and equipment for rental	**(377)**	(408)	**(1,199)**	(1,013)
(Gain) loss on lease modification	**-**	-	**-**	19
(Gain) loss on sale of business	**-**	-	**(444)**	-
Acquisition-related cost	**190**	17	**1,089**	196
Other non-recurring expenses [i)]	**-**	-	**-**	3,084
Adjusted EBITDA	**47,547**	35,892	**189,599**	121,565

[i)] Settlement of the working capital adjustment with the prior owner of ECR International Inc. ("ECR").

Sales for the fourth quarter and year ended September 30, 2024 were $230,654 and $911,816 versus $173,931 and $678,350 for the prior comparable periods. This represents increases of 33% and 34% respectively. However, TerraVest acquired all of the issued and outstanding shares of Advance Engineered Products Ltd. ("AEPL") in April 2024, all the operating assets of the subsidiaries of Highland Tank Holdings LLC ("HT") in November 2023 and all of the issued and outstanding shares of LV Energy Services Ltd. and its sister company (together referred as "LV") effective in October 2023, all of which did not contribute to the prior comparable periods. Excluding AEPL, HT and LV, sales for the fourth quarter and year ended September 30, 2024 were $172,537 and $703,142 versus $173,931 and $678,350 for the prior comparable periods. The variation is negligible quarter over quarter, and represents an increase of 4% for the year for TerraVest's base portfolio (excluding AEPL, HT and LV). This is a result of higher demand in the Service segment, as well as for compressed gas distribution equipment and for residential and commercial petroleum tanks; partially offset by lower sales for furnaces and boilers, and oil and gas processing equipment compared to prior periods.

Net income for the fourth quarter and year ended September 30, 2024 were $13,825 and $73,244 versus $15,527 and $49,633 for the prior comparable periods. This represents a decrease of 11% and an increase of 48% respectively. The addition of HT, LV and AEPL positively contributed to net income for the fourth quarter and year ended September 30, 2024. The decrease in net income for the fourth quarter ended September 30, 2024 is primarily due to additional depreciation and amortization expense as a result of recent business acquisitions while the increase in net income for the year ended September 30, 2024 is explained by increased sales in some of TerraVest's base portfolio of businesses, partially offset by acquisition-related costs and increased financing costs due to higher debt levels to finance business acquisitions and increased interest rates versus the prior period. Net income for the fourth quarter and year ended September 30, 2024 were also impacted by additional interest on lease liabilities as a result of additional lease liabilities compared to the prior periods and higher income tax expense. TerraVest also incurred additional expenses in the development of a new product line. Other variances are also highlighted in the table above.

Adjusted EBITDA for the fourth quarter and year ended September 30, 2024 were $47,547 and $189,599 versus $35,892 and $121,565 for the prior comparable periods. This represents increases of 32% and 56% respectively, which is the result of the reasons explained above.

The table below reconciles cash flow from operating activities to Cash Available for Distribution for the fourth quarter and year ended September 30, 2024 and the comparative periods in fiscal 2023.

	Fourth quarters ended		**Years ended**	
	Sept. 30, 2024	**Sept. 30, 2023**	**Sept. 30, 2024**	**Sept. 30, 2023**
	$	**$**	**$**	**$**
Cash Flow from Operating Activities	**29,456**	19,776	**156,478**	79,242
Add (subtract):				
Change in non-cash operating working capital items	**6,659**	12,096	**(17,644)**	17,402
Maintenance capital expenditures	**(7,034)**	(5,985)	**(26,137)**	(14,869)
Repayment of lease liabilities	**(2,816)**	(1,563)	**(8,336)**	(5,828)
Cash Available for Distribution	**26,265**	24,324	**104,361**	75,947
Dividends Paid	**2,925**	2,239	**10,604**	8,485
Dividend Payout Ratio	**11%**	9%	**10%**	11%

Cash flow from operating activities for the fourth quarter and year ended September 30, 2024 were $29,456 and $156,478 versus $19,776 and $79,242 for the prior comparable periods. This represents increases of 49% and 97% respectively. The increases in cash flow from operating activities are largely attributable to the increases in Adjusted EBITDA and the reduction of inventory levels for TerraVest's base portfolio businesses compared to the prior periods as the supply chain has greatly improved. The increases in cash flow from operating activities were partially offset by additional interest and income taxes paid.

Maintenance Capital Expenditures were $7,034 for the fourth quarter ended September 30, 2024 versus $5,985 for the prior comparable period representing an increase of 18%, which is primarily explained by the timing of such capital expenditures, the growth of TerraVest's portfolio of businesses, as well as the Company's decision to consolidate two manufacturing plants into a single facility earlier this fiscal year. During the fourth quarter ended September 30, 2024, TerraVest's total purchase of PP&E paid was $17,988 of which $10,954 is considered growth capital. The growth capital incurred during the fourth quarter was mainly used to add to the Company's rental fleet, invest in a new manufacturing product line and add additional equipment and four rigs in its Service segment.

Cash Available for Distribution for the fourth quarter and year ended September 30, 2024 increased by 8% and 37% respectively versus the prior comparable periods. These increases are a result of reasons explained above and elsewhere in this press release.

The Dividend Payout Ratio for the fourth quarter and year ended September 30, 2024 were 11% and 10% versus 9% and 11% for the prior comparable periods.

Outlook

TerraVest's businesses continue to perform well. Recent acquisitions have made a meaningful contribution and we expect this to continue into the next fiscal year. Opportunities to enhance performance through synergies between recent acquisitions and the base portfolio of businesses continue to exist and are a focus for management.

The Company continues to make targeted investments to improve its manufacturing efficiency and expand its product lines, particularly in end-markets where it has a meaningful presence. With the new credit facility obtained in October 2023 and the more recent equity offering, TerraVest is very well-positioned to pursue its acquisition strategy.

Business Combinations

On April 1, 2024, a subsidiary of TerraVest entered into an agreement to acquire all the issued and outstanding shares of AEPL. AEPL is a leading Canadian manufacturer and service provider in the tank trailer industry in Canada.

On November 1, 2023, a subsidiary of TerraVest entered into an acquisition agreement to acquire all the operating assets of the subsidiaries of HT. HT is a leading manufacturer of fuel and chemical storage tanks, wastewater storage and treatment tanks, LPG vessels and other custom built steel storage products in North America.

On October 1, 2023, TerraVest's partially owned subsidiary, Green Energy Services Inc. ("GES"), entered into a share purchase agreement to acquire all the issued and outstanding shares of LV. LV provides water management and other related services in the Western Canadian energy industry. As contemplated in the initial acquisition of LV, the sister company of LV was sold during the second quarter ended March 31, 2024.

CONSOLIDATED RESULTS OF OPERATIONS

The following section provides the financial results of TerraVest's operations for the fourth quarter and year ended September 30, 2024 and the comparative periods in fiscal 2023.

	Fourth quarters ended		**Years ended**	
	Sept. 30, 2024	**Sept. 30, 2023**	**Sept. 30, 2024**	**Sept. 30, 2023**
	$	**$**	**$**	**$**
Sales	**230,654**	173,931	**911,816**	678,350
Cost of sales	**164,861**	127,766	**648,450**	512,391
Gross profit	**65,793**	46,165	**263,366**	165,959
Administration expenses	**31,846**	15,909	**113,365**	66,856
Selling expenses	**7,820**	5,150	**30,820**	20,724
Financing costs	**5,525**	4,342	**25,138**	15,880
Share of an associate and joint ventures net (income) loss	**41**	(15)	**18**	(11)
Other (gains) losses	**1,922**	(1,315)	**(2,707)**	(4,758)
	47,154	24,071	**166,634**	98,691
Earnings before income taxes	**18,639**	22,094	**96,732**	67,268
Income tax expense	**4,814**	6,567	**23,488**	17,635
Net Income	**13,825**	15,527	**73,244**	49,633
Allocated to non-controlling interests	**1,914**	2,226	**9,673**	7,560
Net income attributable to common shareholders	**11,911**	13,301	**63,571**	42,073
Weighted average shares outstanding – Basic	**19,501,433**	17,912,499	**18,630,378**	17,877,555
Weighted average shares outstanding – Diluted	**20,189,879**	18,248,456	**19,324,764**	18,122,265
Net income per share – Basic	**$0.61**	$0.74	**$3.41**	$2.35
Net income per share – Diluted	**$0.59**	$0.73	**$3.29**	$2.32

Sales for the fourth quarter and year ended September 30, 2024 increased by 33% and 34% respectively versus the prior comparable periods. The reasons have been explained previously in this press release.

Gross profit for the fourth quarter and year ended September 30, 2024 increased by 43% and 59% respectively versus the prior comparable periods. This is primarily explained by the contribution of HT, LV and AEPL, a more favorable product mix and tighter cost control in the HVAC and Containment Equipment segment, partially offset by reduced activity levels in some of TerraVest's base portfolio businesses.

Administration expenses for the fourth quarter and year ended September 30, 2024 increased by 100% and 70% respectively versus the prior comparable periods. The increases in administration expenses are mainly due to the addition of HT, LV and AEPL, additional amortization of intangible assets expense following recent acquisitions and the increase in activity level in certain of TerraVest's subsidiaries which resulted in additional administrative expenses. TerraVest also incurred business acquisition expenses as well as relocation fees related to the retirement of one of its manufacturing plants to consolidate its activities into one of its existing facilities. In addition, in the second quarter of fiscal 2023, TerraVest recognized a non-recurring expense of $3,084 following the settlement of the working capital adjustment with the prior owner of ECR International Inc. which partially offset the increase for the year versus the prior comparable period.

Selling expenses for the fourth quarter and year ended September 30, 2024 increased by 52% and 49% respectively versus the prior comparable periods. The increases in selling expenses are explained by the addition of HT, LV and AEPL and by increased salary and commission expenses to support sales growth in certain product lines.

Financing costs for the fourth quarter and year ended September 30, 2024 increased by 27% and 58% respectively versus the prior comparable periods. The increase for the year is primarily explained by additional interest expenses as a result of increased debt balances following recent business acquisitions and higher interest rates on floating rate debt versus the prior comparable year. However, quarter over quarter, the debt level and the interest rate on floating rate debt is lower resulting in reduced interest expense for the fourth quarter. In addition, TerraVest incurred more interest on lease liabilities as a result of additional lease liabilities compared to the prior periods.

Other (gains) losses variance for the fourth quarter and year ended September 30, 2024 are a result of a gain on disposal of PP&E, an unfavorable change in fair value of derivative financial instruments (favorable for the quarter) and an unfavorable change in fair value of investment in a limited partnership. In the fourth quarter ended September 30, 2024, TerraVest also incurred loss on foreign exchange versus a gain in the prior comparable period and a lesser loss on foreign exchange for the year versus fiscal 2023. In addition, TerraVest realized a gain on the sale of LV's sister company.

Income tax expense variance for the fourth quarter and year ended September 30, 2024 is the result of the variation in taxable earnings and the timing of income tax expense adjustments.

As a result of the above, net income attributable to common shareholders for the fourth quarter and year ended September 30, 2024 decreased by 10% and increased by 51% respectively versus the prior comparable periods.

DIVIDENDS

TerraVest is pleased to announce that The Board of Directors has declared a quarterly dividend of $0.175 per common share payable on January 10, 2025 to shareholders of record as at the close of business on December 31, 2024. This represents a 17% increase over the prior quarterly dividend. The dividend is designated an "eligible dividend" for Canadian income tax purposes.

Additional information can be found in TerraVest's annual consolidated financial statements and MD&A which are available on SEDAR+ at www.sedarplus.ca.

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Non-IFRS Financial Measures

This news release makes reference to certain non-IFRS financial measures. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS. TerraVest's definitions may differ from those of other issuers and therefore may not be comparable to similarly titled measures used by other issuers. The Company uses non-IFRS financial measures including adjusted EBITDA, cash available for distribution, dividend payout ratio and maintenance capital expenditures.

Adjusted EBITDA: is defined as net income adjusted for income tax expense, financing costs, depreciation, amortization, change in fair value of derivative financial instruments, change in fair value of investment in equity instruments and investment in a limited partnership, gains *or losses on foreign exchange, gains or losses on disposal of other property, plant and equipment and property, plant and equipment for rental, gains or losses on disposal of intangible assets, gains or losses on lease modification, gains or losses on remeasurement of equity interest, gain on bargain purchase, gains or losses on sale of business, non-recurring acquisition related costs, impairment charges and other non-recurring and/or non-operations related items that do not reflect the current ongoing operations of TerraVest. Management believes this is a useful metric in evaluating the ongoing operating performance of TerraVest. Readers are cautioned that Adjusted EBITDA should not be construed as an alternative to net income determined in accordance with IFRS as an indicator of TerraVest's performance.*

Cash Available for Distribution: is defined as cash flow from operating activities adjusted for changes in non-cash operating working capital, maintenance capital expenditures and repayment of lease liabilities. Management believes that Cash Available for Distribution, as a liquidity measure, is a useful metric that provides an indication of the cash available from ongoing operations that can be distributed to shareholders as a dividend. Readers are cautioned that Cash Available for Distribution should not be construed as an alternative to cash flow from operating activities determined in accordance with IFRS as an indicator of TerraVest's liquidity and cash flows.

Dividend Payout Ratio: is defined as dividends paid in cash during the period divided by Cash Available for Distribution for the period. Management believes that Dividend Payout Ratio is a useful metric as it provides an indication of TerraVest's ability to sustain its current dividend policy. There is no directly comparable IFRS measure for Dividend Payout Ratio.

Maintenance Capital Expenditures: is defined as Capital Expenditures made to sustain the operations of TerraVest's operating businesses and to maintain the productive capacity of the businesses over an economic cycle, whether or not they yield significant cost or production efficiencies. Management believes that Maintenance Capital Expenditures should be funded by cash flow from existing operating activities and, therefore, deducted in determining Cash Available for Distribution. There is no directly comparable IFRS measure for Maintenance Capital Expenditures.

Working Capital: is calculated by subtracting current liabilities from current assets. Management uses Working Capital as a measure for assessing overall liquidity. There is no directly comparable IFRS measure for Working Capital.

Caution Regarding Forward-Looking Statements

This news release contains forward-looking statements. All statements other than statements of historical fact contained in this news release are forward-looking statements, including, without limitation, statements regarding our strategic direction and evaluation of the business segments and TerraVest as a whole, and other plans and objectives of or involving TerraVest. Readers can identify many of these statements by looking for words such as "expects" and "will" or similar terms or variations of these words. Although management believes that the expectations represented in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct.

By their nature, forward-looking statements require us to make assumptions and, accordingly, forward looking statements are subject to inherent risks and uncertainties. There is significant risk that the forward-looking statements will not prove to be accurate. We caution readers of this news release not to place undue reliance on our forward-looking statements because a number of factors may cause actual future circumstances, results, conditions, actions or events to differ materially from the plans, expectations, estimates or intentions expressed in the forward-looking statements and the assumptions underlying the forward-looking statements.

Assumptions and analysis about the performance of TerraVest as a whole and its business segments, the markets in which the business segments compete and the prospects and values of the business segments are considered in setting the business plan for TerraVest, plans and/or ability to pay dividends, outlook for operations, financial position, results and cash flows, other plans and objectives and in making related forward-looking statements. Such assumptions include, without limitation, demand for products and services of the business segments in respect of the Canadian and other markets in which the businesses are active will be stable, and that input costs to business segments do not vary significantly from levels experienced historically. Should any of these factors or assumptions vary, actual results may differ materially from the forward-looking statements.