



News

Empire Industries Reports Second Quarter 2020 Results

August 27, 2020

WINNIPEG – August 27, 2020 – Empire Industries Ltd. (TSX-V: EIL, OTC:ERILF) (“Empire”, “EIL” or the “Company”) today reported its unaudited consolidated financial results for the second quarter ended June 30, 2020. The unaudited consolidated financial statements and MD&A have been filed on SEDAR and can be viewed at sedar.com (<http://sedar.com>) or at empind.com (<http://www.empind.com>).

“Empire is fortunate to be a preferred ride manufacturer for several of the largest and most financially solid theme park owners in the world,” said Guy Nelson, Empire’s Executive Chairman and Chief Executive Officer. “These customers all have diversified business strategies which has positioned them well to return to pre-pandemic performance levels and to continue on their capital spending patterns when the investment climate stabilizes. We are also excited about the progress we’re making on our co-venture initiatives. With our option on the Pigeon Forge project, and the other location opportunities we are negotiating, we see the recurring revenue business model as a key element of Empire’s future.”

Summary of Second Quarter 2020

- Revenues decreased to \$16.3 million in Q2 2020, down \$22.9 million or 58%, from \$39.2 million in Q2 2019;
- EBITDA was \$1.0 million in Q2 2020 compared to \$3.5 million in Q2 2019;
- The company incurred a Net Loss in Q2 2020 of \$2.3 million versus Net income in Q2 2019 of \$1.7 million;
- Cash used in continuing operations in Q2 2020 was \$0.7 million compared to Cash from continuing operations in Q2 2019 of \$1.0 million;
- Contract Backlog at the end of Q2 2020 was \$166 million.

For the 3 and 6 month periods ended June 30, 2020

	Q2	Q2	YTD	YTD
(\$ millions, except per-share amounts)	2020	2019	2020	2019
Revenue	16.3	39.2	33.8	68.5
EBITDA (\$)¹	1.0	3.5	1.0	4.0
Income (loss) from continuing operations before tax	(3.7)	0.3	(5.5)	2.7
Net Income (loss)	(4.3)	(0.3)	(6.6)	1.6

Per Share Information (Basic & Diluted)

Loss per share – continuing operations	(0.011)	0.023	(0.034)	0.026
Loss per share – discontinued operations	(0.003)	(0.007)	(0.007)	(0.011)
Loss per share – all operations	(0.014)	0.016	(0.041)	0.015

¹ Earnings (loss) before interest, tax, depreciation and amortization (EBITDA) is not defined by IFRS. The definition of EBITDA does not take into account the Company's share of profit of an associate investment, gains and losses on the disposal of assets, fair value changes in foreign currency forward contracts and non-cash components of stock-based compensation. While not IFRS measures, EBITDA is used by management, creditors, analysts, investors and other financial stakeholders to assess the Company's performance and management from a financial and operational perspective.

Co-ventures Update

The COVID-19 pandemic has had virtually no impact on Empire's co-venture business. In fact, Empire continues to pursue co-venture opportunities in North America, Europe and China.

The Pigeon Forge, Tennessee co-venture, is in the heart of the Smoky Mountains. Empire holds an option to acquire 50% of this project which is planning to open its flying theater attraction in the spring of 2021. Construction of the facility at the Island Theme Park is underway and manufacturing of the flying theatre and production of the movie are also on schedule. The Island is ranked the sixth most popular theme park in America by Trip Advisor.

The co-venture business model sees Empire's wholly owned subsidiary, Dynamic Entertainment Group Ltd., co-owning attractions in high traffic tourist areas that are expected to generate steady, recurring revenue and profit, by leveraging the company's attraction development knowhow and its proprietary, world class ride systems.

Ride Manufacturing Update

The COVID-19 pandemic has had some significant adverse effects on the theme park industry. For example, the industry association (IAAPA) estimated that the 360 U.S. theme parks suffered \$18 billion in COVID-19 related losses in 2020 compared to a profit of \$44 billion in 2019. Theme parks in the U.S. cut an estimated 125,000 jobs as a result of COVID-19 closures in 2020, compared to the US theme park's 312,000 jobs in 2019 according to IAAPA. Amusement parks have reopened in more than 20 states across the U.S., including Florida. However, Southern California, which typically attracts more than 50 million theme park visitors annually, has been completely closed for five months. Shanghai Disney reopened to the public on May 11, 2020 at 30% of capacity and increased this to 50% of capacity on August 24, 2020. Every theme park, depending on their location, is re-assessing its operational protocols and their attraction capital spending plans, both for timing and amounts. This has adversely impacted the theme parks' supply chain in general, and Empire's ride manufacturing division in particular.

The Company is confident that the COVID-19 issues will be addressed, guests will return to the theme parks and the parks will resume their aggressive, pre-pandemic investments in capital expenditures in general and ride systems in particular. The Company believes its revised ride manufacturing business plan positions it to withstand the industry slowdown.

The pandemic has focused our attention on ensuring we reduce and align our cost structure with the more cautious approach to capital spending of our customers. The Company has undertaken an organization-wide cost reduction initiative to reduce fixed and variable costs, as well as identifying and implementing design, procurement and production efficiencies and facility cost reductions that can improve not only the Company's execution capabilities but also its key financial metrics. The effect of this initiative is to drive our overhead (indirect and SG&A) to a targeted level under 25% of sales instead of the historical level of over 30% of sales. We have implemented operational processes that have dramatically improved our productivity and are more in line with a product-based manufacturing operation than a project-based fabrication operation.

Senior Lender Update

With the consent of the Company's senior lender, a principal payment of USD \$1.5 million was paid in May and the balance of USD \$4.9 million was deferred until July 15, 2020. On May 25, 2020 the Company received additional covenant waivers for the periods ending June 30, 2020 and negotiated extensions on the maturity date on of Facility C to July 15, 2020. On July 15, 2020, the Company announced that the Company would not make this principal payment, which constitutes an event of default under the senior credit facilities. However, the Company's senior lender continues to be supportive of the Company and has not made a demand for repayment of the credit facilities. The Company remains in active discussion with its senior lender to restructure the credit facilities including the extension of the maturity dates and the relaxation of all financial covenants contained in the credit facilities, which the Company expects to finalize sometime prior to September 30, 2020.

Annual Meeting/ Investor Conference Call Information

Empire will be holding its Annual Meeting in October, followed by an Investor Presentation/Conference Call that will include a question & answer session. Information about how to join the call will be issued once the arrangements have been finalized.

About Empire Industries Ltd.

Empire focuses on designing, supplying, and installing iconic media-based attractions and ride systems for the global theme park industry. Empire also uses these same turn-key integration services for special projects such as large optical telescopes and enclosures. Empire also has commenced an initiative to leverage its world class flying theater and attraction development capability on a co-venture ownership basis. Empire was selected as a 2020 TSX Venture 50 company. The 2020 TSX Venture 50 is a ranking of top performers on the TSX Venture Exchange over the past year. The ranking is comprised of 10 companies from each of 5 industry sectors, with Empire being selected in the Diversified Industry category. Selection was based on three equally weighted criteria; share price, trading and market capitalization. Empire's common shares are listed on the TSX Venture Exchange under the symbol EIL.

For more information about the Company, visit [empind.com](http://www.empind.com) (<http://www.empind.com>) or contact:

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Reader Advisory

This news release contains forward-looking statements, within the meaning of applicable securities legislation, concerning Empire's business and affairs. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "budget", "booked", "scheduled", "positions", "estimates", "forecasts", "intends", "anticipates", "believes" or variations of such words and phrases or state that certain actions, events or results "may", "may be", "could", "should", "would", "might" or "will", "occur" or "be achieved". Such statements include statements with respect to: (i) the belief that the current liquidity of the Company positions it to get through the pandemic and thereafter permit the Company to leverage its intellectual property; (ii) the belief that the pandemic's negative effects on the economy will eventually subside; (iii) the belief that the leading global theme park operators will look to Empire for its iconic attractions and proven manufacturing competencies; (iv) the planned opening of the flying theater attraction located at Pigeon Forge, Tennessee in the spring of 2021; and (v) the expected development of the co-venture business, positioning the Company for a stream of long term, recurring revenue and profit. These statements 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. Although Empire believes these statements to be reasonable, no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this news release should not be unduly relied upon. Actual results could differ materially from those

anticipated in these forward-looking statements as a result of prevailing economic conditions, and other factors, many of which are beyond the control of Empire. The forward-looking statements contained in this news release represent Empire's expectations as of the date hereof, and are subject to change after such date. Empire disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as may be required by applicable securities regulations.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

About Empire Industries LTD

Empire Industries Ltd. manufactures specialized engineered products and sells these products domestically and in select international export markets. The company develops, designs and engineers products for the rapidly growing, global, media based attractions market and also uses these globally competitive competencies in the optical telescope market. The company designs and manufactures Hydrovac trucks for excavation service providers to the oil and gas industry and the municipal markets. The company provides steel fabrication & installation services, primarily to the industrial, commercial and infrastructure market in Western Canada. The company has two key strategic equity partnerships; a 49% ownership of ACE Industrial Services that operates in the oil sands industrial maintenance services market, and a 45% ownership of a Chinese joint venture company in the steel fabrication market in Asia. Empire's common shares are listed on the TSX Venture Exchange under the symbol EIL.

For more information about the Company, visit www.empind.com or contact:

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Advisory

The Exchange has in no way passed upon the merits of the proposed transaction and has neither approved nor disapproved the contents of this press release.

Neither the Exchange nor its Regulation Service Provider (as that term is defined in policies of the Exchange) accepts responsibility for the adequacy or accuracy of this news release

Certain statements contained in this news release constitute forward-looking statements. These statements relate to future events. All statements other than statements of historical fact are forward-looking statements. The use of the words "may", "expected", "believes", "anticipates" and other words of a similar nature are intended to identify forward-looking statements. These statements 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. Although Empire believes these statements to be reasonable, no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this news release should not be unduly relied upon. Such statements include statements with respect to the anticipated benefits of the Arrangement, completion of the Arrangement and any transactions associated therewith, the receipt of any regulatory, securityholder or other approvals required in connection with any transactions described herein, the expansion of the Hydrovac Business to China and the results, if any, thereof, any increase in revenue and profitability of the Hydrovac Business and the success of any efforts in respect thereof, the satisfaction of the Escrow Release Conditions or the release of the proceeds of the Private Placement. There is no assurance that the parties will complete the Arrangement or any related transactions. Actual results could differ materially from those anticipated in these forward-looking statements as a result of prevailing economic conditions, receipt of requisite regulatory approvals, and other factors, many of which are beyond the control of Empire. The forward-looking statements contained in this news release represent Empire's expectations as of the date hereof, and are subject to change after such date. Empire disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as may be required by applicable securities regulations.

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"We are also excited about the progress we're making on our co-venture initiatives..... we see the recurring revenu...
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