Shawcor Ltd. Announces Fourth Quarter And Full Year 2022 Results

03/08/2023

TORONTO, March 08, 2023 (GLOBE NEWSWIRE) -- Shawcor Ltd. ("Shawcor" or the "Company") (TSX: SCL) reported today its operational and financial results for the three and twelve months ended December 31, 2022. This press release should be read in conjunction with the Company's Management Discussion and Analysis (MD&A) and audited consolidated financial statements for the years ended December 31, 2022, and 2021, which are available on the Company's website and at www.sedar.com.

Highlights from the fourth quarter of 2022 include[1]:

- On a consolidated basis, revenue was $345 million, income from operations was $11 million and Adjusted EBITDA was $38 million, which includes expenses of over $16 million of share-based incentive compensation costs following a 61% stock price increase during the quarter. Full year consolidated revenue was $1,255 million, income from operations was $69 million, and Adjusted EBITDA was $130 million which included over $31 million of share-based incentive compensation costs following a 180% stock price increase during the year;
- Generated approximately $163 million of cash from operating activities during the quarter, compared to $42 million in the fourth quarter of 2021;
- Shawcor's businesses serving infrastructure & industrial end markets represented 43% of total revenue during the fourth quarter of 2022, flat with the fourth quarter of 2021;
- Composite Systems segment revenue increased by 34% to $140 million compared to $104 million in the prior year's quarter, despite divestitures of the Global Poly product line and the Oilfield Asset Management ("OAM") business unit in 2022;
- Automotive and Industrial segment revenue increased by 21% to $74 million compared to $62 million in the prior year's quarter;
- Pipeline and Pipe Services segment revenue increased by 28% to $131 million compared to $103 million in the prior year's quarter, despite divestitures of the Lake Superior Consulting business unit and the Socotherm Americas subsidiary in Argentina during 2022;
- The order backlog for execution in the next 12 months increased by 22% to $1,230 million as at December 31, 2022 from $1,010 million as at September 30, 2022. This increase primarily reflects offshore pipe coating projects which were secured or moved into the coming 12-month window, including projects offshore Brazil and elsewhere in Latin America. The Pipeline and Pipe Services segment accounted for a majority of the Company's 12-month order backlog at December 31, 2022;
- Expanded the ShawFlex portfolio through the acquisition of Kanata Electronic Services Limited, a manufacturer and supplier of specialty connector technology, cable assemblies and wire harnesses for the nuclear and aerospace sectors;
- Completed the sale of the OAM business unit for total proceeds of $20.0 million;
- Completed the sale of the Socotherm Americas subsidiary in Argentina generating proceeds of approximately $7 million. This triggered a $77 million non-cash

accounting loss on sale driven by a foreign currency related cumulative translation adjustment;

- Repaid $19 million on the Credit Facility (as defined herein). As at December 31, 2022 the Company had total net debt of $6 million and a Net debt-to-EBITDA[1] ratio (using a trailing twelve-month Adjusted EBITDA[1]) of approximately 0.05 times. Subsequent to the quarter, the Company made additional repayments of $25 million on the Credit Facility;
- Remained active under its Normal Course Issuer Bid ("NCIB"), repurchasing 268,200 of its common shares for an aggregate repurchase price of $3 million; and
- Subsequent to the quarter, Shawcor acquired the assets of Triton Stormwater Solutions, a privately owned provider of highly engineered, lightweight, composite materials-based underground infiltration chamber products, used primarily within stormwater management solutions. This business will be integrated into the stormwater products arm of the Composite Systems segment.

1 EBITDA and Adjusted EBITDA are Non-GAAP measures. Order backlog is a supplementary financial measure. Non-GAAP measures do not have standardized meanings under GAAP and are not necessarily comparable to similar measures provided by other companies. See " Section 5.0 – Reconciliation of Non-GAAP Measure and Other Financial Measures " for further details and a reconciliation of these Non-GAAP measures. The Company expects the current calculation methodology of Adjusted EBITDA to be consistently applied in future periods.

"The final quarter of 2022 saw Shawcor advance in its transformation to become a more profitable, less volatile business focused on the development and delivery of differentiated, high value, materials-based solutions in support of industrial and critical infrastructure end markets," said Mike Reeves, President & CEO of Shawcor.

"While Adjusted EBITDA[1] during the quarter was lowered by increased share-based compensation accruals, driven primarily by a 61% share price increase during the period, Shawcor's fourth quarter operating activity levels were the highest of the year, with significant year-over-year sales growth in all three reporting segments, a substantial profitability improvement within the Pipeline and Pipe Services segment and very robust cash flow, which lowered the Company's net debt ratios further below targeted levels. Shawcor also completed several additional steps in its portfolio optimization strategy, continued to be active under its previously launched NCIB, and added important technical and commercial capabilities to its ShawFlex wire and cable business by completing its first acquisition in several years."

"While our transformation is not yet fully complete, with a strong balance sheet and clear opportunities for high-return organic and inorganic growth, we believe Shawcor is very well positioned to accelerate value creation for all stakeholders over the coming years. We anticipate Adjusted EBITDA[1] in each of the first two quarters of 2023 will be similar to the fourth quarter of 2022, followed by a substantial step up in the second half of 2023 driven by an upcycle in pipe coating activity including increased margin contributions from the Southeast Gateway Pipeline and other pipe coating projects."

1 EBITDA, Adjusted EBITDA and Net debt-to-Adjusted EBITDA are Non-GAAP measures. Non-GAAP measures do not have standardized meanings under GAAP and are not necessarily comparable to similar measures provided by other companies. See " Section 5.0 – Reconciliation of Non-GAAP Measure and Other Financial Measures " for further details and a reconciliation of these Non-GAAP measures. The Company expects the current calculation methodology of Adjusted EBITDA to be consistently applied in future periods .

Selected Financial Highlights

(in thousands of Canadian dollars,	**Three Months Ended December 31**	**Year Ended December 31**

except per share amounts and percentages)								
	2022		2021		**2022**		2021	
	$	**%**	$	%	**$**	**%**	$	**%**
Revenue	**345,458**		266,381		**1,255,289**		1,143,000	
Gross profit	**108,296**	**31.3%**	70,615	26.5%	**364,705**	**29.1%**	318,123	27.8%
Income (loss) from Operations [(a)]	**11,031**	**3.2%**	(53,551)	(20.1%)	**68,592**	**5.5%**	(45,225)	(4.0%)
Net Loss for the period [(b)]	**(66,413)**		(58,102)		**(29,989)**		(79,111)	
Loss per share:								
Basic	**(0.94)**		(0.82)		**(0.43)**		(1.12)	
Diluted	**(0.94)**		(0.82)		**(0.43)**		(1.12)	
Adjusted EBITDA [(c)]	**38,426**	**11.1%**	20,078	7.5%	**129,960**	**10.4%**	105,643	9.2%

(a) Operating income in the three months ended December 31, 2022 includes $4.9 million of restructuring costs and other, net, $2.2 million of impairment charges; while operating loss in the three months ended December 31, 2021 includes $8.9 million of restructuring costs and other, net and $45.7 million of impairment charges. Operating income in twelve months ended December 31, 2022 includes $43.0 million of gain on sale of land and other, $22.4 million of impairment charges and $11.2 million of restructuring costs and other, net; while operating loss in the twelve months ended December 31, 2021 includes $57.3 million of impairment charges and $16.4 million of restructuring costs and other, net.

(b) Attributable to shareholders of the Company.

(c) Adjusted EBITDA is a Non-GAAP measure. Non-GAAP measures do not have standardized meanings under GAAP and are not necessarily comparable to similar measures provided by other companies. See "*Section 5.0 – Reconciliation of Non-GAAP Measures and Other Financial Measures*" for further details and a reconciliation of the Non-GAAP measure.

1.0 FOURTH QUARTER HIGHLIGHTS

The Company delivered Income from Operations of $11.0 million and Adjusted EBITDA[1] of $38.4 million in the fourth quarter of 2022, an improvement of $64.6 million and $18.3 million, respectively, compared to the fourth quarter of 2021. The improvement in performance is primarily driven by demand growth experienced across the Company's reporting segments, further enhanced by continued margin expansion arising from favourable product and project mix, multiple ongoing cost optimization activities and the divestiture of lower margin businesses. The Company's sales into infrastructure & industrial end markets accounted for over 43% of total revenue during the fourth quarter of 2022, flat with the fourth quarter of 2021.

In the fourth quarter of 2022, the Company recorded net restructuring costs of $4.9 million for severance-related costs, primarily related to a revaluation of share-based incentive compensation costs associated with historical restructuring actions, including previously completed executive leadership changes.

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In the fourth quarter of 2022, the Company continued to execute on its strategy to optimize its portfolio and evaluate strategic alternatives for portions of its business, including the businesses in its Pipeline and Pipe Services segment, while exploring organic and inorganic investment opportunities. During the quarter, the Company sold its OAM business and its Socotherm Americas subsidiary (the "Socotherm subsidiary") in Argentina and recorded a loss on sale of $78.8 million, largely attributed to a foreign exchange related non-cash cumulative translation adjustment required for accounting purposes triggered by the sale of the Socotherm subsidiary. Also in the quarter, the Company expanded its Automotive and Industrial segment's portfolio through the acquisition of Kanata Electronic Services Limited which was integrated into its ShawFlex business. Subsequent to the quarter, the Company acquired the assets of Triton Stormwater Solutions.

As at December 31, 2022, the Company's share price closed at $13.74, an increase of $5.20, or 61%, from $8.54 as at September 30, 2022 and $8.83, or 180%, from $4.91 as at December 31, 2021. The increase in share price resulted in the Company's market capitalization increasing by $620 million from $346 million as of December 31, 2021 to $965 million on December 31, 2022. In addition to the share price improvement, the Company surpassed its financial and operational internal targets for the year which impacted short and long-term incentive compensation costs. While the Company continues to perform actions to improve shareholder value, this significant increase in share price and positive performance has impacted selling, general and administrative expenses through increased share-based incentive compensation accruals. The Company recorded $16.6 million and $31.5 million in share-based incentive compensation costs during the fourth quarter of 2022 and year ended December 31, 2022 respectively. Comparatively, in the fourth quarter and full year of 2021, the Company recorded $0.2 million in share-based incentive compensation recovery and $5.0 million in share-based incentive compensation costs, respectively.

As at December 31, 2022, the Company had cash and cash equivalents totaling $264.0 million, an increase from $124.2 million as at September 30, 2022 (December 31, 2021 – $124.4 million). During the fourth quarter of 2022, the Company recorded cash flow from operations of $163.0 million, which was largely attributable to a decrease in working capital of $125.1 million. This reduction in working capital was mainly driven by the difference in timing between collections and the related expenditures for the Southeast Gateway Pipeline ("SGP") project. Additionally, the Company received $9.9 million of combined proceeds from the sale of the OAM business and Socotherm subsidiary. The current quarter cash balance also reflects $7.2 million in cash purchases of property, plant and equipment, $4.4 million of the $6.5 million purchase price paid in cash for the acquisition of Kanata Electronic Services Limited and the repayment of $19.0 million against the outstanding debt under the Company's syndicated credit facility (the "Credit Facility"). Since the beginning of 2021 and up to December 31, 2022, the Company had repaid $222.5 million against the outstanding debt under the Credit Facility. Subsequent to year end, the Company repaid an additional $25.0 million against the Credit Facility. The Company will continue to focus on maximizing the conversion of operating income into cash, managing its long-term debt, exploring organic and inorganic growth opportunities, and maximizing returns to shareholders.

Selected Segment Financial Highlights

	Three Months Ended				**Year Ended**			
	December 31, 2022		December 31, 2021		**December 31, 2022**		December 31, 2021	
(in thousands of Canadian dollars)	**($)**	**(%)**	($)	(%)	**($)**	**(%)**	($)	(%)
Revenue								
Composite Systems	**139,598**		103,835		**529,150**		374,908	

Automotive and Industrial	**74,419**		61,694		**313,059**		263,477	
Pipeline and Pipe Services	**131,213**		102,633		**415,503**		507,463	
Elimination[a]	**228**		(1,781)		**(2,423)**		(2,848)	
Consolidated revenue	**345,458**		266,381		**1,255,289**		1,143,000	
Operating income (loss)								
Composite Systems	**15,204**	***10.9%***	(6,867)	*(6.6%)*	**53,346**	***10.1%***	9,524	*2.5%*
Automotive and Industrial	**11,404**	***15.3%***	8,418	*13.6%*	**54,850**	***17.5%***	40,831	*15.5%*
Pipeline and Pipe Services	**419**	***0.3%***	(42,357)	*(41.3%)*	**(47,804)**	***(11.5%)***	(67,301)	*(13.3%)*
Financial and Corporate	**(15,996)**		(12,745)		**8,560**		(28,279)	
Operating income (loss)	**11,031**	***3.2%***	(53,551)	*(20.1%)*	**68,952**	***5.5%***	(45,225)	*(4.0%)*
Adjusted EBITDA [b]								
Composite Systems	**24,618**	***17.6%***	14,503	*14.0%*	**93,220**	***17.6%***	54,471	*14.5%*
Automotive and Industrial	**12,516**	***16.8%***	9,418	*15.3%*	**59,256**	***18.9%***	45,248	*17.2%*
Pipeline and Pipe Services	**12,674**	***9.7%***	(2,970)	*(2.9%)*	**2,735**	***0.7%***	20,897	*4.1%*
Financial and Corporate	**(11,382)**		(873)		**(25,251)**		(14,973)	
Adjusted EBITDA[b]	**38,426**	***11.1%***	20,078	*7.5%*	**129,960**	***10.4%***	105,643	*9.2%*

(a) Represents the elimination of the inter-segment sales between the Composite Systems segment, the Automotive and Industrial segment and the Pipeline and Pipe Services segment.

(b) Adjusted EBITDA is a non-GAAP measure. Non-GAAP measures do not have a standardized meaning prescribed by GAAP and are not necessarily comparable to similar measures provided by other companies. See "*Section 5.0 – Reconciliation of Non-GAAP Measure and Other Financial Measures*" for further details and a reconciliation of these Non-GAAP measures.

Revenue in the fourth quarter of 2022 for Composite Systems increased by $35.8 million, or 34%, compared to the fourth quarter of 2021, with an operating income of $15.2 million. The Company saw growth in demand for the segment's composite pipe products in North America as activity levels in Western Canada and in the Permian Basin continued to rise. The business capitalized on market share gains in the US, in part due to the successful commercialization of its larger diameter pipe products, which saw sequentially higher quarterly sales. The segment also continues to experience robust demand for underground Fiberglass Reinforced Plastic ("FRP") tanks both for liquid fuel and water management systems, the latter of which delivered another record revenue quarter. The Composite Systems revenue increase was further bolstered by the implementation of price increases aimed at offsetting the inflationary increases in raw material and labour costs across the segment. Adjusted EBITDA[1] in the fourth quarter of 2022 was $24.6 million, a 70% increase compared to $14.5 million in the fourth quarter of 2021 despite the increased share-based incentive compensation and short-term bonus accruals booked within the segment.

The Automotive and Industrial segment continued its strong performance, delivering revenue of $74.4 million, which represents an increase of 21% compared to the fourth quarter of 2021, with an operating income of $11.4 million. While the segment experienced its normal seasonal slowdown in the fourth quarter, elevated demand for wire and cable products from industrial markets, stemming from ongoing infrastructure spending in utility network expansion and nuclear refurbishments, tempered this seasonality. Additionally, continued demand for the Company's heat shrink tubing products in industrial markets and within the automotive sector, further contributed to year-over-year growth. The implementation of price increases, aimed at mitigating the impact of inflationary increases on raw material and labour costs, further solidified the segment's strong performance. The segment delivered a quarterly Adjusted EBITDA[1] of $12.5 million, a 33% increase over the prior year quarter, despite the increased share-based incentive compensation accruals within the segment.

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The Pipeline and Pipe Services segment generated revenue of $131.2 million, an increase of $28.6 million or 28%, from $102.6 million in the fourth quarter of 2021, with an operating income of $0.4 million. The revenue growth was a result of the successful execution of pipe coating project activity already in the order backlog[1] and robust activity levels in Western Canada that generated consistent demand for small diameter coating solutions. This was partially offset by the absence of $20.7 million of revenue attributable to the Shawcor Inspection Services business that was sold in December 2021 and the Lake Superior Consulting business that was sold in September 2022. Adjusted EBITDA[1] in the fourth quarter of 2022 was $12.7 million, an increase in comparison to the negative $3.0 million reported in the fourth quarter of 2021 primarily due to higher revenue and a more profitable project mix, despite increased share-based incentive compensation accruals within the segment.

The twelve-month order backlog[1] of $1,230 million as at December 31, 2022 represents a 22% increase over the $1,010 million order backlog[1] as at September 30, 2022. While strong order intake continued across the Composite Systems and Automotive and Industrial segments, the primary driver for this growth were several offshore pipe coating project commitments which were secured or moved into the coming 12-month window during the quarter, including the SGP project in Mexico. The order backlog[1] includes firm customer contracts which will be executed over the next twelve months with a majority related to the Pipeline and Pipe Services segment.

Outstanding firm bids were roughly $793 million as of December 31, 2022, a decrease compared to approximately $960 million from the previous quarter, largely attributed to several Latin American projects moving from bid into order backlog[1] during the quarter. Conditional awards, pending final investment decision, were at $150 million, up from the $11 million as at the prior quarter. Budgetary estimates were over $2.1 billion at the end of the year, an increase from the budgetary value of $1.3 billion from the previous quarter as customers continued to develop scopes for new projects. Outstanding firm bids and budgetary estimates are measures used primarily for the Pipeline and Pipe Services segment, and as such the vast majority of the numbers reported relate to this segment.

2.0 OUTLOOK

The Company expects consolidated Adjusted EBITDA[1] in each of the first two quarters of 2023 to be similar to the fourth quarter of 2022 due to modest seasonal effects and the specific timing of certain pipe coating projects. This is expected to be followed by a substantial step up in the second half of the year driven by an upcycle in pipe coating activity including SGP and other projects and a resulting increase in contribution from the Pipeline and Pipe Services segment. In management's view, the underlying business trends for all of Shawcor's primary businesses remain favourable as its infrastructure and industrial focused portfolio continues to experience consistent demand growth, while the Company's oil and gas focused offerings remain well-positioned as commodity prices and energy availability challenges drive a multiyear upcycle in both onshore and offshore activity. Entering 2023, the Company continues to experience raw material and labour cost pressures and, as a result, will continue to monitor its pricing and, if needed, roll out further price increases to help offset these costs.

The strategic review process for the Pipeline and Pipe Services segment is ongoing and is progressing as expected. As material new developments occur, the Company will provide further information as necessary. The Company currently allocates a portion of its corporate costs (approximately $8 million per year) to the Pipeline and Pipe Services segment. In the event of a sale as part of the strategic review, these costs would be absorbed by the remaining businesses for a period of time, driven in part by potential transitional service agreement obligations. Over time, these costs are expected to decrease.

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The Company expects to make sizeable organic investments during 2023 and 2024 to expand capacity within its Composite Systems and Automotive and Industrial segments. Capital expenditures for 2023 are anticipated to be between $160 - 180 million for the year. Approximately 40-45% of these anticipated expenditures are related to the Pipeline and Pipe Services segment, primarily customer funded growth activities to re-establish equipment and facilities in Altamira, Mexico during the first half of 2023 in support of the SGP project. The remaining 55-60% of 2023 capital expenditures are anticipated to be made in the Composite Systems and Automotive and Industrial segments, with such planned investments to be deployed into high-return growth opportunities, including the construction of new and modernization of existing production facilities in North America. In aggregate, if completed, these planned growth capital investments are expected to result in the Company creating at least $150 million per year of incremental revenue generating capacity with comparable margins to those realized in its Composite Systems and Automotive and Industrial segments, which the Company expects to realize over a 3 - 5 year period following the completion of these capital investments as such facilities reach efficient utilization levels on their currently expected timelines.

The Company continues to take an "all of the above" approach to capital allocation, skewed towards investment in organic opportunities viewed as having the highest risk adjusted return on investment potential. High return growth capital investments and recurring lease liabilities are expected to consume the vast majority of cash generated from operations during 2023, with SGP project mobilization and the commencement of the pipe coating activities in the first half of the year expected to consume a large portion of the cash collected from progress billings during the second half of 2022.

Order backlog[1] is expected to continue to grow through the first half of 2023 as pipe coating projects reach final investment decision and order intake for the Company's industrial and infrastructure offerings remains steady. Execution on work secured in the Company's order backlog[1] is expected to pick up in the second half of 2023 as major project coating activity commences.

Composite Systems Segment

While the Company anticipates normal, modest seasonal impacts to its FRP tanks business during the first quarter, as North American ground conditions limit FRP tank installation activities, the Company is expecting continued strong overall demand for underground FRP tanks throughout 2023 as liquid fuel service station networks expand, upgrade and replace existing aging tanks. Growth in demand for water and storm-water storage and treatment systems is expected to persist, supported by increasing societal demands to conserve and manage water resources and projected higher infrastructure spending on commercial and municipal water projects. The Company's ability to serve water-oriented markets is further enhanced by the product portfolio acquired from Triton Stormwater Solutions during the first quarter of 2023. Price increases have been implemented to manage raw material cost escalations. Additionally, labour shortages and capacity constraints are being managed to ensure adequate personnel and facilities are available to meet the robust demand in the market. While the Company anticipates normal, modest seasonal impacts to its composite pipe business during the second quarter, as spring break-up conditions limit Canadian drilling and completions activity, overall growth in demand for the segment's composite pipe products in North America are expected to continue in 2023 as activity levels in Western Canada and in the Permian Basin remain robust and the commercial adoption of the Company's larger diameter products continues.

1 Order backlog is a supplementary financial measure. See "Section 5.0 – Reconciliation of Non-GAAP Measures and Other Financial Measures" for further details

Automotive and Industrial Segment

The Automotive and Industrial segment is expected to see activity levels pick up in the first quarter of the year as customers restock inventories. While the Company anticipates that industrial markets will dominate demand for the segment's products, demand for the Company's heat shrink tubing products within the automotive sector is expected to continue to outpace overall automotive production as a result of electronic content growth in premium, hybrid and full electric vehicle markets, particularly in the Asia Pacific and EMEA[2] regions. The Company continues to monitor recessionary concerns and broad supply chain impacts, including the energy supply shortages related to the Russia-Ukraine conflict and European gas supply, which have been limited but have the potential to create future challenges for automotive customers, particularly in Europe. The Company's full year outlook does not incorporate any expectation of meaningful growth in total global vehicle output within the automotive end markets, which represented approximately 28% of the segment's revenue in the fourth quarter of 2022. In industrial and infrastructure end markets, which represented approximately 72% of the segment's revenue in the fourth quarter of 2022, the Company is expecting to benefit from continued infrastructure spending in 2023 and beyond as new and upgraded utility and communication networks are constructed, nuclear refurbishments continue in Canada, and federal stimulus packages are rolled out. Additionally, the Company will continue to manage the volatility of copper raw material costs.

Pipeline and Pipe Services Segment

The Company expects the timing of specific pipe coating projects to drive activity levels in its Pipeline and Pipe Services segment during the first two quarters of 2023 to be similar to, but slightly below the fourth quarter of 2022, as it executes on work that has been secured in its order backlog[1] and prepares for the SGP project. Coating for the SGP Project is expected to commence late in the second quarter of 2023, thus the majority of the revenue and related Adjusted EBITDA[1] contribution for the project is expected to be realized in the second half of 2023 and the first half of 2024. Consequently, the Company expects the segment to experience a substantial step up in Adjusted EBITDA[1] generation during the second half of the year.

The Company continues to monitor international developments including sustained exploration success and additional project phases in Guyana and Brazil, and Middle Eastern offshore projects designed to meet domestic energy needs and global LNG demand. Increases in inbound subsea orders have been observed across the Company's customer base, particularly in Brazil, Mexico and Norway where the Company is well-positioned to secure and execute work. New offshore pipeline installations that range from small and mid-size to large in scope are expected to arise throughout 2023 and into subsequent years. Project sanctioning activity, bid, budgetary, and general interest from customers to install more pipelines, are all expected to drive elevated demand for the Company's market leading pipe coating technologies. Despite successfully executing substantial cost reduction activities within the Pipeline and Pipe Services segment in the last two years, the Company has maintained the resources needed to execute on projects currently in order backlog[1] and those projects for which the Company is currently bidding.

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2 The EMEA geographic location group was previously referred to by the Company as EMAR (Europe, Middle East, Africa and Russia). The Company has updated this group reference to more appropriately reflect the geographic locations where the Company conducts its business and where the majority of customers are .

3.0 CONFERENCE CALL AND ADDITIONAL INFORMATION

Shawcor will be hosting a Shareholder and Analyst Conference Call and Webcast on Thursday, March 9th, 2023 at 9:00 AM ET, which will discuss the Company's Fourth Quarter 2022 Financial Results. **To participatevia telephone,** please register at https://register.vevent.com/register/BI493faf3be47842239189ff2be8000054 and a telephone number and pin will be provided.

Alternatively, please go to the following website address **to participate via webcast**: https://edge.media-server.com/mmc/p/z4mf2pzo. The webcast recording will be available within 24 hours of the live presentation and will be accessible for 90 days.

About Shawcor

Shawcor Ltd. is a growth-oriented, global material sciences company serving the Infrastructure, Energy, and Transportation markets. The Company operates through a network of fixed and mobile manufacturing and service facilities. Its three business segments, Composite Systems, Automotive and Industrial and Pipeline and Pipe Services enable responsible renewal and enhancement of critical infrastructure while lowering risk and environmental impact.

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4.0 FORWARD-LOOKING INFORMATION

This news release includes certain statements that reflect management's expectations and objectives for the Company's future performance, opportunities and growth, which statements constitute "forward-looking information" and "forward-looking statements" (collectively "forward-looking information") under applicable securities laws. Such statements, other than statements of historical fact, are predictive in nature or depend on future events or conditions. Forward-looking information involves estimates, assumptions, judgements and uncertainties. These statements may be identified by the use of forward-looking terminology such as "may", "will", "should", "anticipate", "expect", "believe", "predict", "estimate", "continue", "intend", "plan" and variations of these words or other similar expressions. Specifically, this news release includes forward-looking information in the Outlook Section and elsewhere in respect of, among other things, the ability of the Company to deliver higher returns to all stakeholders; the evolution of the Company's portfolio of products and services beyond the energy sector; the effect of the decreased diversification and future downcycles in the Company's businesses; the level of competition within the markets that the Company operates in; the Company's continued ability to execute on its portfolio optimization strategy; the Company's ability to execute projects under contract; the Company's intention to mobilize facilities and conduct work on the SGP project; the Company's plans for the acquired assets of Triton Stormwater Solutions; the Company's intent to rename the Company from Shawcor to Mattr; the Company's ability to execute on its business plan and strategies, including the pursuit, execution and integration of potential organic and inorganic growth opportunities, as applicable; level of financial performance throughout 2023 and 2024; the expected upcycle in pipe coating activity in the second half of 2023; the demand for, and activity in, the Company's products in the Composite Systems, the Automotive and Industrial and the Pipeline and Pipe Services segments of the Company's business; the results of the Company's strategic review process, including with respect to the Pipeline Performance Group operating unit, and the effects of such strategic review; the Company's expected investments during 2023 and 2024 to expand capacity within the Composite Systems and Automotive Industrial segments; the growth in and the successful execution of the Company's order backlog during 2023 and the increased execution of work secured in the backlog; the opportunity to obtain greater market share in the Composite Systems segment; the seasonal impacts to, and increased demand in, the Company's composite pipe business; the growth in premium, hybrid and full electric vehicle markets and the impact thereof on the Company's financial performance; the impact of increased infrastructure spending, including in the areas of water management, communication networks and nuclear refurbishment on the Company's financial performance; the Company's management of raw material costs; the impact of global economic activity on the demand for the Company's products; the impact of continuing demand for oil and gas; the impact of global oil and gas commodity prices; the impact of changing energy demand, supply and prices and the impact and likelihood of changes in competitive conditions in the markets in which the Company participates; the execution of definitive contracts on outstanding bids for and the timing to complete certain pipe coating projects; the likelihood that international and offshore projects will be sanctioned in the future and the impact thereof on the Company's business; the ability of the Company to fund its operating and capital requirements; the ability of the Company to comply with its debt covenants; and the ability to finance increases in working capital.

Forward-looking information involves known and unknown risks and uncertainties that could cause actual results to differ materially from those predicted by the forward-looking information. Readers are cautioned not to place undue reliance on forward-looking information as a number of factors could cause actual events, results and prospects to differ materially from those expressed in or implied by the forward-looking information. Significant risks facing the Company include, but are not limited to: the risks and uncertainties described in the Company's Management Discussion and Analysis under "*Risks and Uncertainties*" and in the Company's Annual Information Form under "*Risk Factors*".

These statements of forward-looking information are based on assumptions, estimates and analysis made by management in light of its experience and perception of trends, current conditions and expected developments as well as other factors believed to be reasonable and relevant in the circumstances. These assumptions include those in respect of the reduction and/or continued easing of certain COVID-19 related restrictions (including that governmental and public health authorities will not be required to institute or re-institute lockdowns or other public health restrictions) and the impact thereof on global economic activity, the Company's ability to manage supply chain disruptions caused by COVID-19 or other pandemics, other health crises or by natural disasters; the Company's ability to manage supply chain disruptions and other business impacts caused by, among other things, geopolitical events or conflicts, such as the conflict in Ukraine and related sanctions on Russia; global oil and gas prices stabilizing at current levels; improved pipe-coating activity throughout 2023; the impact of the Russia and Ukraine conflict on the Company's demand for products and the strength of its and its customers supply chains; the impact of raw material shortages on the Company; the costs of raw materials and labour, including as a result of labour shortages and capacity constraints; seasonal impacts on the Company's FRP tanks business due to North American ground conditions; sustained strong demand for the Company's FRP tanks, including for retail fuel storage and water treatment and storage; seasonal impacts to the Company's composite pipe business due to spring break-up conditions; increased demand for composite pipe; the increased demand for the Company's products within the automotive and industrial markets; heightened demand for electric and hybrid vehicles and for electronic content within those vehicles; the growth in demand for water and storm-water storage and treatment systems; heightened infrastructure spending in Canada, including in respect of commercial and municipal water projects, transportation networks, communication networks and nuclear refurbishments; the recommencement of increased capital expenditures in the global offshore oil and gas pipeline segment to replace, maintain and rehabilitate existing infrastructure, replace production due to reservoir depletion and to address geopolitical challenges impacting several producing regions; the continued recovery of the global economy; a gradual recovery of oil and gas markets in North America; the Company's ability to execute projects under contract; the Company's continuing ability to provide new and enhanced product offerings to its customers; that the

Company will continue to be able to optimize its portfolio and identify and successfully execute on opportunities for acquisitions and dispositions in alignment with its strategic plan; the higher level of investment in working capital by the Company; the easing of supply chain shortages and the continued supply of and stable pricing or the ability to pass on higher prices to its customers for commodities used by the Company; the availability of personnel resources sufficient for the Company to operate its businesses; the maintenance of operations by the Company in major oil and gas producing regions; the adequacy of the Company's existing accruals in respect of environmental compliance and in respect of litigation and tax matters and other claims generally; the increase in order backlog and contracts; the adequacy of the impairment charges taken; and the ability of the Company to satisfy all covenants under its Credit Facility (as defined herein) and other debt obligations and having sufficient liquidity to fund its obligations and planned initiatives. The Company believes that the expectations reflected in the forward-looking information are based on reasonable assumptions in light of currently available information. However, should one or more risks materialize, or should any assumptions prove incorrect, then actual results could vary materially from those expressed or implied in the forward-looking information included in this document and the Company can give no assurance that such expectations will be achieved.

When considering the forward-looking information in making decisions with respect to the Company, readers should carefully consider the foregoing factors and other uncertainties and potential events. The Company does not assume the obligation to revise or update forward-looking information after the date of this document or to revise it to reflect the occurrence of future unanticipated events, except as may be required under applicable securities laws.

To the extent any forward-looking information in this document constitutes future oriented financial information or financial outlooks, within the meaning of securities laws, such information is being provided to demonstrate the potential of the Company and readers are cautioned that this information may not be appropriate for any other purpose. Future oriented financial information and financial outlooks, as with forward-looking information generally, are based on the assumptions and subject to the risks noted above.

5.0 RECONCILIATION OF NON-GAAP MEASURES AND OTHER FINANCIAL MEASURES

The Company reports on certain non-GAAP measures that are used to evaluate its performance and segments, as well as to determine compliance with debt covenants and to manage its capital structure. These non-GAAP measures do not have standardized meanings under IFRS and are not necessarily comparable to similar measures provided by other companies. The Company discloses these measures because it believes that they provide further information and assist readers in understanding the results of the Company's operations and financial position. These measures should not be considered in isolation or used in substitution for other measures of performance prepared in accordance with GAAP. The following is a reconciliation of the non-GAAP measures reported by the Company.

EBITDA and Adjusted EBITDA

EBITDA is a non-GAAP measure defined as earnings before interest, income taxes, depreciation, and amortization. Adjusted EBITDA is also a non-GAAP measure defined as

EBITDA adjusted for items which do not impact day to day operations. Adjusted EBITDA is calculated by adding back to EBITDA the sum of impairments, costs associated with repayment of long-term debt and credit facilities, gain or loss on sale of land and other, gain or loss on sale of investment in associates, gain or loss on sale of operating unit, acquisition costs or recoveries, restructuring costs and other, net and hyperinflationary adjustments. The Company believes that EBITDA and Adjusted EBITDA are useful supplemental measures that provide a meaningful indication of the Company's results from principal business activities prior to the consideration of how these activities are financed or the tax impacts in various jurisdictions and for comparing its operating performance with the performance of other companies that have different financing, capital or tax structures. The Company presents Adjusted EBITDA as a measure of EBITDA that excludes the impact of transactions that are outside the Company's normal course of business or day to day operations. Adjusted EBITDA is used by many analysts as one of several important analytical tools to evaluate financial performance and is a key metric in business valuations. It is also considered important by lenders to the Company and is included in the financial covenants of the Company's Credit Facility.

	Three Months Ended		Year Ended	
(in thousands of Canadian dollars)	**December 31, 2022**	December 31, 2021	**December 31, 2022**	December 31, 2021
Net Loss	**$ (66,810)**	$ (58,983)	**$ (30,976)**	$ (80,620)
Add:				
Income tax (recovery) expense	**(9,349)**	2,811	**(19,278)**	12,060
Finance costs, net	**4,813**	4,287	**21,715**	22,213
Amortization of property, plant, equipment, intangible and ROU assets	**20,019**	19,111	**71,416**	77,767
EBITDA	**$ (51,327)**	$ (32,774)	**$ 42,877**	$ 31,420
Hyperinflation adjustment for Argentina	**3,843**	1,424	**12,776**	5,529
Impairment	**2,164**	45,719	**22,433**	57,328
Gain on redemption of investment in associate	**–**	–	**–**	(1,834)
Gain on sale of land and other	**–**	–	**(43,017)**	–
Loss (gain) on sale of operating unit	**78,819**	(3,212)	**84,751**	(3,212)
2019 ZCL Composites Inc. purchase trust release	**–**	–	**(1,059)**	–
Restructuring costs and other, net	**4,927**	8,921	**11,199**	16,412
Adjusted EBITDA [(a)]	**$ 38,426**	$ 20,078	**$ 129,960**	$ 105,643

(a) Adjusted EBITDA includes COVID-19 related government wage subsidies of $4.8 million in the year ended December 31, 2021.

Composite Systems Segment

	Three Months Ended		Year Ended	
	December 31,	December 31,	**December 31,**	December 31,

(in thousands of Canadian dollars)		2022		2021		2022		2021
Income (Loss) from operations	**$**	**15,204**	$	(6,867)	**$**	**53,346**	$	9,524
Add:								
Amortization of property, plant, equipment, intangible and ROU assets		**7,250**		7,475		**29,758**		30,611
EBITDA	**$**	**22,454**	$	608	**$**	**83,104**	$	40,135
Impairment		**2,164**		12,618		**9,458**		12,618
Gain on sale of land and other		**–**		–		**(3,820)**		–
Restructuring costs and other, net		**–**		1,277		**4,478**		1,718
Adjusted EBITDA [(a)]	**$**	**24,618**	$	14,503	**$**	**93,220**	$	54,471

(a) Adjusted EBITDA includes COVID-19 related government wage subsidies of $2.1 million in the year ended December 31, 2021.

Automotive and Industrial Segment

	Three Months Ended				Year Ended			
(in thousands of Canadian dollars)		**December 31, 2022**		December 31, 2021		**December 31, 2022**		December 31, 2021
Income from operations	**$**	**11,404**	$	8,418	**$**	**54,850**	$	40,831
Add:								
Amortization of property, plant, equipment, intangible and ROU assets		**1,112**		1,088		**4,325**		4,396
EBITDA	**$**	**12,516**	$	9,506	**$**	**59,175**	$	45,227
Restructuring costs and other, net		**–**		(88)		**81**		21
Adjusted EBITDA [(a)]	**$**	**12,516**	$	9,418	**$**	**59,256**	$	45,248

(a) Adjusted EBITDA includes COVID-19 related government wage subsidies $0.9 million in the year ended December 31, 2021.

Pipeline and Pipe Services Segment

	Three Months Ended				Year Ended			
(in thousands of Canadian dollars)		**December 31, 2022**		December 31, 2021		**December 31, 2022**		December 31, 2021
Income (Loss) from operations	**$**	**419**	$	(42,357)	**$**	**(47,804)**	$	(67,301)
Add:								
Amortization of property, plant, equipment, intangible and ROU assets		**11,337**		9,571		**35,964**		39,981
EBITDA	**$**	**11,756**	$	(32,786)	**$**	**(11,840)**	$	(27,320)

Hyperinflation adjustment for Argentina	**124**	25	**104**	105
Impairment	**–**	29,193	**–**	40,802
Restructuring costs and other, net	**794**	598	**1,496**	7,310
Adjusted EBITDA [(a)]	**$ 12,674**	$ (2,970)	**$ 2,735**	$ 20,897

(a) Adjusted EBITDA includes COVID-19 related government wage subsidies of $1.0 million in the year ended December 31, 2021.

Net debt-to-Adjusted EBITDA

Net debt-to-Adjusted EBITDA is a non-GAAP measure defined as the sum of long-term debt, current lease liabilities and long-term lease liabilities, less cash and cash equivalents, divided by Adjusted EBITDA, as defined above, for the trailing twelve-month period. The Company believes Net debt-to-Adjusted EBITDA is a useful supplementary measure to assess the borrowing capacity of the Company. Net debt-to-Adjusted EBITDA is used by many analysts as one of several important analytical tools to evaluate how long a company would need to operate at its current level to pay of all its debt. It is also considered important by credit rating agencies to determine the probability of a company defaulting on its debt.

(in thousands of Canadian dollars, except Net debt-to-EBITDA ratio)	**December 31, 2022**	December 31, 2021
Long-term debt	**$ 210,832**	$ 292,140
Lease liabilities	**59,439**	54,439
Cash and cash equivalents	**(263,990)**	(124,449)
Total Net Debt	**$ 6,281**	$ 222,130
Q1 2021 Adjusted EBITDA	**$ –**	$ 18,566
Q2 2021 Adjusted EBITDA	**–**	35,206
Q3 2021 Adjusted EBITDA	**–**	31,793
Q4 2021 Adjusted EBITDA	**–**	20,078
Q1 2022 Adjusted EBITDA	**20,034**	–
Q2 2022 Adjusted EBITDA	**31,472**	–
Q3 2022 Adjusted EBITDA	**40,029**	–
Q4 2022 Adjusted EBITDA	**38,426**	–
Trailing twelve-month Adjusted EBITDA	**$ 129,960**	$ 105,643
Total Net debt-to-Adjusted EBITDA	**$ 0.05**	$ 2.10

Order Backlog

Order backlog is a supplementary financial measure commonly used in the industries in which the Company operates and represents the expected future revenue from existing unfulfilled customer contracts. The order backlog will fluctuate over time due to several factors including the duration of ongoing contracts, work progression and the timing of receipt of new contracts.

Source: Shawcor Ltd.