

VERSATILITY. EXPERTISE.



VERTEX

RESOURCE GROUP LTD.

INVESTOR PRESENTATION: 2023

TSX: VTX

[vertex.ca](https://www.vertex.ca)

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CORPORATE PROFILE



MARKET SUMMARY

CURRENT STOCK PRICE (TSX:VTX)	\$0.44 (Sept 18, 2023)
COMMON SHARES OUTSTANDING	115.6 Million
STOCK OPTIONS (\$0.55)	2.2 Million
FULLY DILUTED SHARES	117.8 Million
TOTAL INSIDER OWNERSHIP	41%
PRICE TO NBV	0.8x

BACKLOG	\$272.9 Million
MARKET CAPITALIZATION	\$51.8 Million
DEBT	\$91.7 Million
CONVERTIBLE DEBENTURES	\$15.0 Million
ENTERPRISE VALUE	\$158.5 Million
ENTERPRISE VALUE/EBITDA	3.54x

EBITDA

2021	\$26.2 Million
2022	\$32.2 Million
2023F⁽¹⁾	\$44.8 Million

CAGR

EBITDA ⁽²⁾		REVENUE ⁽²⁾	
2005:	27.1%	2005:	30.1%
2017:	19.7%	2017:	14.1%

1. Based on consensus estimates
2. 2023 Forecast

FINANCIALS



FINANCIAL SUMMARY

Year ending December 31 (C\$ 000's)

	2021	2022	2023 (6 MONTHS)
REVENUE	159,438	218,378	119,111
COST OF SALES	117,150	166,127	87,104
GROSS PROFIT	42,288	52,251	32,007
GROSS MARGIN	27%	24%	27%
SG&A	16,052	20,266	12,436
OTHER¹	(640)	-	-
ADJUSTED EBITDA	26,236	32,185	19,571
MARGIN	17%	15%	16%
ASSETS	186,570	254,424	222,715
TOTAL SENIOR DEBT	85,435	102,374	91,670
TOTAL EQUITY	49,696	64,736	67,451
NET MAINTENANCE CAPEX	4,432	8,649	4,359
FREE CASH FLOW²	13,888	12,749	8,362

BACKLOG

2023	\$124 Million
2024	\$100 Million
2025+	\$49 Million

- Adjustments relate to items that are not ongoing, are non-recurring, are exceptions to our normal operations, and do not form part of our principal business. Overall adjustments relate to acquisition costs, impairments, onerous leases, and severance costs, share-based compensation.
- Adjusted EBITDA less net maintenance capex, less amortization of right-of-use assets, less cash interest and less cash taxes

STRATEGY

1

Substantial Growth Opportunity for Environmental Services/ESG Solution platform on existing critical Infrastructure

- Energy (Traditional, Renewable, and Energy Transition)
- Mining & Industrial Utilities
- Agriculture & Forestry
- Government

2

Accelerated Growth potential growing ESG needs of core critical infrastructure with Acquisitive & Organic Opportunities

- Synergistic Acquisitions
- Organic Solutions

3

Platform Structure Provides Cost Reduction & Project Execution Synergies

4

ESG & Sustainability leadership

5

Unique Service Combination (Equipment & Personnel)

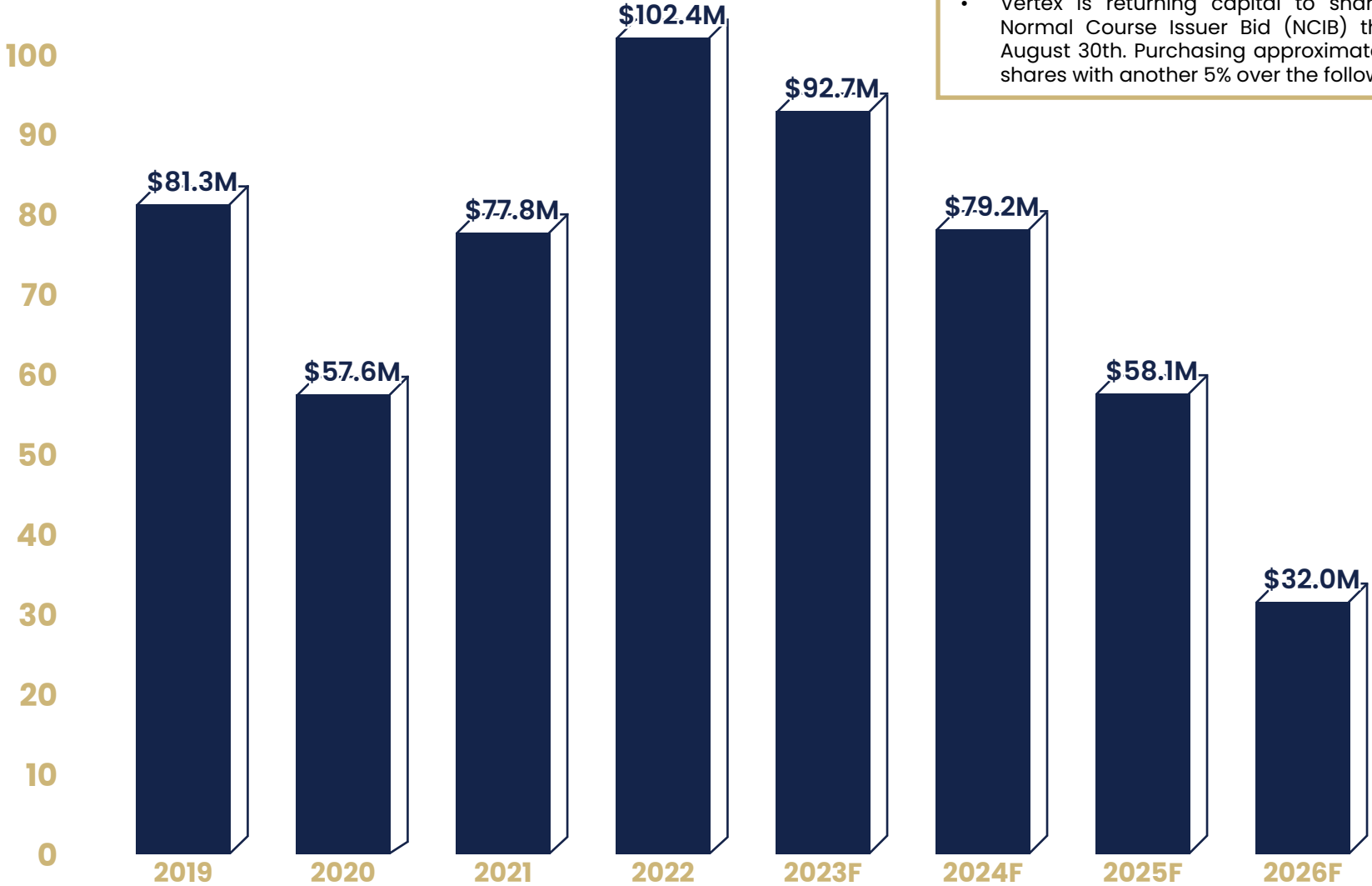


PLANNED DEBT REDUCTION

NET DEBT OVERVIEW ¹

OVERVIEW

- Planned debt reduction from 2022 of \$23.2M (29.3%) by 2024 from cashflow.
- Extended the maturity of our credit facilities to May 2025.
- Vertex is targeting 2.0x debt to bank EBITDA.
- Vertex is returning capital to shareholders through a Normal Course Issuer Bid (NCIB) that commenced on August 30th. Purchasing approximately 5% of oystanding shares with another 5% over the following 12 months.



1. Net debt is senior debt less cash

2023 Q2 RESULTS

HIGHLIGHTS

	Three Months ended June 30,			Six Months ended June 30,		
	2022	2023	%CHANGE	2022	2023	%CHANGE
NET REVENUE	53,969	62,303	15%	99,398	119,111	20%
PROFIT MARGIN	13,223	17,401	32%	23,680	32,007	35%
ADJUSTED EBITDA ⁽¹⁾	8,557	10,956	28%	14,217	19,571	38%
FREE CASH FLOW ⁽¹⁾	4,576	4,362	-5%	6,462	8,362	29%
ADJUSTED EBITDA PER SHARE, BASIC AND DILUTED ⁽¹⁾	0.08	0.09	13%	0.14	0.17	21%



HIGHLIGHTS FOR THE THREE MONTHS ENDED JUNE 30, 2023

- Highest net revenue in company history for any quarter at \$62.3 million.
- Record adjusted EBITDA⁽¹⁾ for any quarter at \$11.0 million compared to \$8.6 million in Q2 2022.
- Profit margin as a % of net revenue increased to 27.9% from 24.5% in Q2 2022.
- Free cash flow amounted to \$4.4 million compared to \$4.6 million in Q2 2022.

HIGHLIGHTS FOR THE SIX MONTHS ENDED JUNE 30, 2023

- Net revenue increased to \$119.1 million from \$99.4 million for the same period in 2022; this is the highest in any previous first half of a year.
- Record-adjusted EBITDA amounted to \$19.6 million for the six months of 2023 compared to \$14.2 million in 2022.
- Profit margin as a % of net revenue increased to 26.9% from 23.8% in H1 2022.
- Historically high net income for the six months ended June 30, 2023, was \$2.6 million compared to \$0.9 million in the same period of the prior year.
- Loans and borrowings, lease liabilities, and other liabilities have decreased by \$15.4 million since December 31, 2022.
- Syndicated bank indebtedness to trailing bank EBITDA improved to a ratio of 2.63:1.00 compared to 2.90:1.00 on December 31, 2022.
- Free cash flow amounted to \$8.4 million compared to \$6.5 million in H1 2022.

1. See "Non-IFRS Financial Measures"

CUSTOMER BREAKDOWN



ENERGY 58.7%

- Oil and Natural Gas Exploration & Production
- Wind Energy
- Solar Energy
- Other Renewable Energy
- Energy Transition



UTILITIES 26.5%

- Electrical Transmission & Distribution
- Pipelines
- Telecommunications
- Water Infrastructure
- Natural Gas Utilities



MINING & INDUSTRIAL 11.2%

- Chemical Processing
- Manufacturing
- Aggregate & Surface Mining
- Hard Rock Mining
- Industrial Real Estate
- Real Estate Developers
- Petrochemical Refining



GOVERNMENT 1.8%

- Federal Agencies
- State and Provincial Agencies
- Municipal Governments
- Regulatory Agencies
- Post Secondary Institutions
- Highway & Transportation
- Municipal Utility Owners

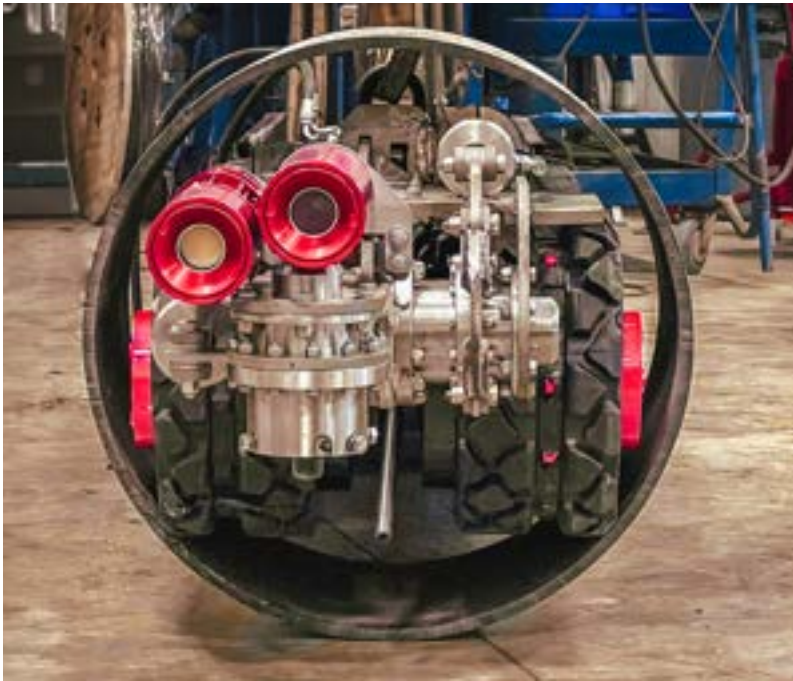


AGRICULTURE & FORESTRY 1.8%

- Forestry and Agricultural Owners
- Processing Facilities
- Plant Restoration Companies
- Carbon Offset Developers
- Land Conservation Agencies

EXPANDING BUSINESS

- Strategic acquisitions alongside Vertex's versatility and expertise have contributed to Vertex increasing its customer base and gaining a larger market share.
- Organic growth foreseen in Canada due to geographic and service expansion.
- Continued investments in clean energy transition provide more business.
- Expanding US Operations with an anticipated \$15M of new revenue in 2024.
- Cross-selling of existing Vertex services to customers gained in previous acquisitions.



VERTEX'S ESG BUSINESS MODEL

Vertex's business model, solutions, and strategy **has always** been built on:

- 1 Enhanced Environmental Stewardship
- 2 Local Community Involvement - Including First Nations
- 3 Health & Safety of Our Employees and Public
- 4 Strong Corporate Governance

Our Suite of Services are Built to Support:

- 1 Sustainable Development
- 2 Clean Energy Solutions
- 3 Emission Reductions
- 4 Carbon Compliance

DUAL-PHASE ESG APPROACH

Vertex offers ESG solutions to clients, grounded in our strong belief in their value. We see ourselves as ESG problem-solving leaders and view sustainable supply chain growth as key to a brighter future. Our dual-phase ESG approach involves self-improvement and fostering sustainable supply chains.

REDUCING OPERATIONAL INTENSITY

While our most significant benefits are felt in the supply chain, we must lead by example, internally tackling the very problems we address for our customers.



EXPANDING SUPPLY CHAIN SOLUTIONS

Our sustainable growth and adaptable approach create ESG solutions at a pace and scale that sets us apart from competitors.



OUR PROGRESS: 2022 ESG RESULTS



SUPPLY CHAIN

GOALS

Our goal was to quantify supply chain ESG benefits for each customer using our robust data management system (DMS). We would report to individual customers, effectively driving change in the marketplace. We aimed to customize our supply chain benefits to better suit customers' needs and become a leading provider of ESG solutions.

PROGRESS

We were not able to provide customer-specific ESG reports by the end of 2022. However, it remains a key focus for the next reporting cycle. We are improving supply chain performance and partnering with customers on their ESG ambitions.

At a corporate level, we have made significant strides in data collection and management. Our data collection now includes more waste, air, water and emissions reduction data in addition to that collected in 2020.

INTERNAL

GOALS

Our focus was on reducing Scope 1 emissions from our vehicle fleet. We aimed to understand our emission portfolio and decrease emission intensity through:

- Exploring natural gas and hybrid natural gas/diesel conversions for our fluid logistics fleet
- Optimizing fleet efficiency using GPS systems
- Improving customer efficiency on projects and reporting reductions
- Exploring integration with an emission management service and offsetting some or all our emissions

PROGRESS

Between 2020 and 2022, our emission intensity decreased by **34.1%** (18.7% in 2021 and 2022, respectively). This was achieved partially by focusing on equipment and data monitoring through GPS systems, but primarily through the growth of our **on-site** industrial cleaning and vacuum truck services. We also made significant strides in planning fuel trials for our larger vehicles; however, addressing emission intensity remains a continued focus.

LOOKING FORWARD: 2024 ESG GOALS & COMMITMENTS

ENVIRONMENTAL	SOCIAL	HEALTH & SAFETY	GOVERNANCE
			

EXPANDING SUPPLY CHAIN SOLUTIONS

<p>10% AGR EXPAND ESG SOLUTIONS Achieve 10% annual supply chain service revenue growth, offering enhanced ESG solutions to clients.</p> <p>10,000 Acres RETURN & RECLAIM Maintain ARO activities: ≥10,000 acres; 54% growth over 5-year avg.</p> <p>200% EMISSIONS RESPONSIBLE ENERGY & EMISSIONS Doubled exposures, responsible energy solutions, and decarbonization projects.</p>	<p>25% Increase POSITIVE INDIGENOUS IMPACT Increase Indigenous community benefit (DCB) by 25% over the 5-year average, surpassing \$1.25M annually (the average from 2018 to 2022 was \$1M).</p> <p>10% Increase TRAINING EQUITY Utilize technology and innovation to erase internal and Indigenous training inequality.</p>	<p>25% Reduction SAFE DRIVING Driving is vital for project execution, but it comes with various risks, from equipment damage to wildlife encounters and more severe hazards. We aim to enhance the safety and well-being of everyone during transit to projects and plan to reduce MVI by 25% by 2024.</p>	<p>Complete Materiality Survey STAKEHOLDER ENGAGEMENT We pledge to enhance customer and internal stakeholder engagement in our ESG development. To achieve this, we will conduct a materiality survey with both customers and internal stakeholders to gather data for guiding our ESG journey.</p> <p>1st Report by End of 2024 ESG DATA MANAGEMENT Enhance ESG data reporting: Extend from Vertex to customers and projects. Create powerful ESG reporting tools to track supply chain benefits for individual customers and projects.</p>
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REDUCING OPERATIONAL INTENSITY

<p>↓ CLIMATE ACTION Persisting to decrease Scope 1 emissions intensity, with compressed natural gas trials, solar power adoption, electrification of non-transportation fleet, and revenue diversification efforts.</p>	<p>↑ DIVERSITY Diversify our full-time personnel with more women, minority groups, and Indigenous People.</p>	<p>10% Reduction INCIDENT REDUCTION & ELIMINATION Reduce TRIF by at least 10% annually.</p>	<p>100% ESG PERFORMANCE Integrate ESG criteria into execs' comp by 2024.</p>
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WHY INVEST



- The company is returning value to its shareholders via the NCIB program by purchasing 5% of outstanding shares annually.
- The company is continuing strict debt reduction as part of its financial strategy.
- Vertex is uniquely positioned to benefit from the global shift towards green energy and carbon-neutral solutions.
- It also stands to gain from the ongoing development of the oil and gas industry as it strives to meet increasing energy demands worldwide.
- The company maintains a diverse customer base, with no single customer contributing more than 10% of sales.
- Additionally, Vertex provides services across a wide range of industries, which helps safeguard revenue against sudden economic fluctuations or the risk of a single customer going out of business.



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