



## **Horizon North and Dexterra Sign Definitive Agreement to Create Leading Canadian Support Services Company**

*(All financial figures are approximate and in Canadian dollars unless otherwise noted.)*

CALGARY, ALBERTA, March 9, 2020

### **Highlights**

- Combination creates a Pan-Canadian champion diversified across end markets with an objective to grow to over \$1 billion in revenue and \$100 million in EBITDA
- The new company will have size and scale with pro forma revenues of over \$700 million and over \$45 million of EBITDA in 2019
- Highly complementary stable facilities management and modular services businesses with excellent growth prospects
- Creates a leading national workforce accommodations service provider
- Significant cost savings and cross selling opportunities
- 100% share transaction, with Horizon North shareholders to own 51% and Fairfax Financial to hold 49%
- Stronger balance sheet with pro forma leverage of less than 2.0x net debt / 2020 calendar year EBITDA as Dexterra expects to have no debt on closing of the transaction
- Fairfax Financial supports payment of an annual dividend of 8 cents, 2 cents payable quarterly, following the close of the transaction

Horizon North Logistics Inc. TSX: HNL ("Horizon North" or the "Company") and 10647802 Canada Limited, operating as Dexterra Integrated Facilities Management ("Dexterra"), are pleased to announce that they have agreed to combine to create a leading Canadian support services company (the "Transaction").

Under the terms of a share purchase agreement entered into on the date hereof, the Transaction was unanimously approved by both Horizon North and Dexterra's boards of directors, as well as Dexterra's sole shareholder, a wholly-owned subsidiary of Fairfax Financial Holdings Limited (TSX: FFH and FFH.U) ("Fairfax Financial"). Horizon North will acquire all of the outstanding shares of Dexterra in exchange for Horizon North issuing Fairfax Financial such number of common shares of Horizon North ("Horizon North Shares") such that Fairfax Financial will own 49% of Horizon North Shares on a fully-diluted basis after completion of the Transaction. Upon closing, Horizon North shareholders will continue to own the remaining 51% equity stake in the combined company. Horizon North's largest shareholder, Polar Asset Management Partners, who holds approximately 15% of Horizon North Shares and who has

agreed to a hard voting support agreement, along with certain directors and officers of Horizon North, who hold or control approximately 2.3% of Horizon North Shares, have agreed to support and vote in favour of the Transaction. In making its determination to unanimously approve the Transaction, the Board of Directors of Horizon North received the recommendation of a special committee of its independent directors, which was formed to evaluate the terms of the Transaction and supervised the negotiations and the preparation of all relevant and related transaction agreements. In making its recommendation, the Special Committee obtained a fairness opinion from Scotiabank that the issuance of the Horizon North Shares to Fairfax Financial, in exchange for the outstanding shares of Dexterra, is fair, from a financial point of view, to Horizon North. The Transaction was unanimously recommended for approval by the special committee to the Board of Directors of Horizon North.

The Transaction is expected to create substantial value for Horizon North shareholders. By continuing to own shares of the combined company, shareholders will have the opportunity to participate in the combined company's long-term value creation potential, which is expected to include both capital appreciation and the expected payment of an \$0.08 annual dividend, paid quarterly, following closing of the Transaction. Fairfax Financial agrees with the combined company's plan to pay this annual dividend going forward, which is expected to grow over time with the corporate success of the combined company after closing of the Transaction.

The Transaction combines Horizon North's strong western Canadian focused workforce accommodation and national modular solutions businesses with Dexterra's asset light facilities management platform and central Canadian focused workforce accommodations businesses. This highly complementary platform is expected to better serve current and future customers. The new company will be a leader in support services with over 6,800 employees across Canada.

Dexterra had over \$260 million in revenue in 2019, including \$164 million in facilities management and over \$96 million in workforce accommodation and forestry services.

Fairfax Financial has a proven track record of investing in, building and supporting Canadian and global companies and is committed to long term ownership in the combined company. In connection with the Transaction, the parties have agreed to enter into an investor rights agreement at closing whereby Fairfax Financial will agree to hold their shares in Horizon North for at least two years.

Prem Watsa, Chairman and Chief Executive Officer of Fairfax Financial, said, "We are excited about the creation of a Pan-Canadian services company in Canada with the potential of \$1 billion in revenue and great growth prospects for the future. We expect significant shareholder value to be created over the long term."

Horizon North Chief Executive Officer, Rod Graham, said, "This transformational combination supports a vision for a new, premier, made-in-Canada company that brings size, scope, scalability and sophistication to the markets we serve, while creating value and unlocking growth potential for shareholders. Horizon North began its evolutionary journey five years ago when soft commodity prices provided us the opportunity to pivot into the modular building

solutions business. Our logical evolution continues today with this exciting announcement, as we bring an integrated platform of services and solutions forward that will greatly benefit our customers and suppliers. Our workforce, and the communities in which we operate, are critical to both Horizon North and Dexterra, and we intend to carry forward best practices from both companies in corporate social responsibility, including commitments to employees, operating communities and the environment.”

Dexterra Chief Executive Officer, John MacCuish, said, “We will be stronger together, building a sustainable and profitable business to create more opportunities for our people and enhance our delivery to the customers we serve and the clients we work for.”

### **Investment Highlights of the Combined Company**

- *Creates Pan-Canadian Support Services Platform with Significant Growth Potential*
  - Diversified portfolio of value-added services, end markets and geographies
  - Provides scale, capabilities and access to talent to deliver on significant future growth opportunities
- *Highly Attractive Integrated Facilities Management Business*
  - Recurring service model focused on recession resistant end-markets including aviation, defense and government. Servicing more than 50 million square feet of quality assets and infrastructure
  - Underpinned by multi-year contracts with well-established, long-term client base, secured revenue of over \$180 million for calendar 2020
  - Significant pipeline of opportunities with potential annual revenue of over \$240 million
- *National Champion in Workforce Accommodation Solutions*
  - Leading Canadian workforce accommodation provider with established platform across Western, Central and Northern Canada
  - Over 12,000 beds under management with over 27,500 meals delivered daily
- *Differentiated Modular Solutions Business with Established Presence in Key End-Markets*
  - Well positioned to address significant market opportunity in high growth modular business
  - Opportunity to drive growth across complementary modular and facilities management platforms and combined relationships
- *Strong commitment to Indigenous communities*
  - 48 combined Indigenous partnerships (Inuit, Metis and First Nations)
  - Between 800 to 1,000 Indigenous employees in the combined company across the country
- *Significant Value Creation Opportunities and Benefits of Combination*
  - Attractive long-term growth profile supported by deep opportunity pipeline
  - Approximately \$5 million in annual cost savings anticipated, as well as significant cross-selling opportunities
- *Stronger Balance Sheet and Free Cash Flow Profile*
  - Pro forma leverage of less than 2.0x net debt / 2020 calendar year EBITDA

- Minimal long-term annual capital requirements for Dexterra of approximately \$3 million
- Dexterra expected to contribute significant free cash flow, \$16.5 million EBITDA in 2019 with 2020 calendar year EBITDA projected to be approximately \$23 million

### **Leadership and Communities**

The Board of Directors of the combined company will consist of 8 members consisting of 4 members of the current Horizon North Board and 4 new members to be appointed by Fairfax Financial.

When the transaction closes, Bill McFarland, Chairman of Dexterra, will become Chairman of the combined company.

John MacCuish, Chief Executive Officer of Dexterra, and Rod Graham, Chief Executive Officer of Horizon North, will be appointed Co-Chief Executive Officers, and both will sit on the Board of Directors. The full executive team for the combined company will be announced during the transition period, but no later than transaction closing.

Following the closing of the transaction, the new company will have its head office in Toronto, Ontario, with Canadian corporate offices in both Toronto and Calgary.

### **Timing and Approvals**

The Transaction is expected to close in the second quarter of 2020, subject to the receipt of all necessary approvals.

The issuance of Horizon North Shares pursuant to the Transaction requires approval at least 50% of the votes cast by holders of Horizon North Shares represented in person or by proxy at a special meeting of holders of Horizon North Shares to be called to consider the issuance of Horizon North Shares pursuant to the Transaction, as required by the rules of the Toronto Stock Exchange.

Completion of the Transaction is subject to certain closing conditions, including the approval of the Horizon North Shareholders and receipt of certain regulatory approvals, including the approval of the Toronto Stock Exchange of the listing of the Horizon North Shares to be issued in connection with the Transaction and approval under the *Competition Act* (Canada).

### **Advisors**

Scotiabank is acting as financial advisor to Horizon North. Blake, Cassels & Graydon LLP is acting as legal advisor to Horizon North and Torys LLP is acting as legal advisor to Fairfax Financial.

## **Investor Conference Call Details**

Horizon North will host a conference call and webcast to begin promptly at 9:00 a.m. MT (11:00 a.m. ET) on March 10, 2020. An investor package will be on the respective companies' websites.

To access the conference call by telephone, the conference call dial in number is 1-888-231-8191.

A live webcast of the conference call will be accessible on Horizon North's website at [www.horizonnorth.ca](http://www.horizonnorth.ca) by selecting "Investors", then "Webcast".

An archived recording of the conference call will also be available approximately two hours after completion of the call until March 24, 2020 by dialing 403-451-9481 or 1-855-859-2056 Passcode: 8491409.

## **About Horizon North**

Horizon North is a publicly listed corporation (TSX: HNL.TO) providing a full range of industrial, commercial, and residential products and services. Our Industrial Services business supplies workforce accommodations, camp management services, access solutions, maintenance and utilities. Our Modular Solutions business integrates modern design concepts and technology with state of the art, off-site manufacturing processes; producing high quality building solutions for commercial and residential offerings including offices, hotels, and retail buildings, as well as distinctive single detached dwellings and multi-family residential structures. As a result of our diverse product and service offerings, Horizon North is uniquely positioned to meet the needs of our customers in numerous sectors, anywhere in Canada.

## **About Dexterra**

Dexterra provides quality solutions for the operation and maintenance of built assets and infrastructure including facilities management and operations, remote workforce accommodation, and forestry services. Dexterra is a Canadian business with a 70-year heritage servicing clients in both the private and public sectors. Dexterra has an outstanding record of creating and managing places that play a vital role in our national economy and our local communities. Our expertise in bringing together the right people with the right skills to transform service delivery and improve your customers' experiences is what sets us apart.

## **Contacts**

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## **Forward-Looking Information and Statements**

This press release contains certain forward-looking information, financial outlook and forward-looking statements within the meaning of Canadian securities laws (collectively, "forward-looking statements") relating to future events, including Dexterra and Horizon North's future performance, business prospects or opportunities. Actual results may differ materially from those expressed or implied by forward-looking statements. The forward-looking statements contained in this press release are expressly qualified by this cautionary statement. Forward-looking statements speak only as of the date of this press release, unless otherwise indicated, Horizon North or Dexterra do not intend, and do not assume any obligation, to update these forward-looking statements, except as required by applicable laws.

All statements other than statements of historical fact may be forward-looking statements. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, forecasts, guidance, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expect", "anticipate", "continue", "will", "potential", "intend", "could" and similar expressions) are not statements of historical fact and may be "forward-looking statements". Forward-looking statements include, but are not limited to, statements with respect to: timing and certainty regarding completion of the Transaction, including obtaining regulatory and shareholder approvals and fulfilling the conditions precedent to such completion; the ability of Horizon North and Dexterra to satisfy conditions to closing of the Transaction; the expectation that Horizon North's largest shareholder will vote in favour of the Transaction; Fairfax's anticipated commitment to remain a long-term shareholder of the combined company; the expected revenues of the combined company; the anticipated benefits of the Transaction and features of the combined company, including the ability of the new company to create long-term value, create growth potential, improve cash flows, provide capital returns, better serve customers and carry forward best practices from both companies; the investment highlights of the combined company, including anticipated cost savings, capital requirements, anticipated dividend and the contribution of Dexterra to the free cash flow; the expected composition of the Board of Directors and executive team of the new company, including announcement date thereof; and the location of the new company's head offices.

The forward-looking statements are based on certain key expectations and assumptions made by Horizon North and Dexterra, including expectations and assumptions concerning: the timing of receipt of regulatory approvals; the benefits of the Transaction and the combined company; anticipated synergies and expected size thereof; financial results related to and growth opportunities associated with the combined company; future dividends; the state of the economy and the support services industry generally; and the availability and cost of financing and labour.

Although Horizon North and Dexterra believe that the expectations and assumptions on which such forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because neither Horizon North nor Dexterra can give assurances that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to: the risks that the parties will not receive required

approvals to complete the Transaction or may not be able to satisfy the conditions to closing; that the other closing conditions to the Transaction may not be satisfied and the Transaction may not close; the ability of Horizon North to integrate Dexterra's business into its business and operations and realize financial, operational and anticipated synergies and benefits; the resources required to integrate Horizon North and Dexterra in connection with the Transaction; the demand for the new company's services; competition; volatility in the price and demand for oil, natural gas and minerals; availability of qualified personnel; changes in regulation by governmental agencies, including environmental regulation; general economic conditions including the capital and credit markets; and the ability to access sufficient capital from internal and external sources. Readers are cautioned that the foregoing list of factors is not exhaustive. For a full discussion of Horizon North's material risk factors, see Horizon North's annual information form for the year ended December 31, 2018 and the risk factors in other documents filed from time to time with securities regulatory authorities, accessible through the SEDAR website ([www.sedar.com](http://www.sedar.com)).

Any financial outlook provided in this press release have been included for the purpose of providing information relating to management's current expectations and plans for the future, are based on a number of significant assumptions and may not be appropriate, and should not be used, for any other purpose.

### **Non-GAAP Measures**

This press release refers to adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA") and net debt / 2019E EBITDA that are not defined and do not have any standardized meaning prescribed by Canadian Generally Accepted Accounting Principles ("GAAP") and, therefore, may not be comparable with definitions of EBITDA and net debt / 2019E EBITDA that may be used by other public companies. Non-GAAP measures should not be considered in isolation or as a substitute for measures prepared in accordance with GAAP. Management believes that EBITDA and net debt / 2019E EBITDA are useful supplemental measure that may assist shareholders and investors in assessing the financial performance and position of the combined company. Management also uses non-GAAP measures internally in order to facilitate operating performance comparisons from period to period and assess Horizon North's and Dexterra's ability to meet its future capital expenditure and working capital requirements. Management believes these non-GAAP measures are important supplemental measures of operating performance because they highlight trends in the core business that may not otherwise be apparent when relying solely on GAAP financial measures.

Management believes such measures allow for assessment of Horizon North's and Dexterra's operating performance and financial condition on a basis that is more consistent and comparable between reporting periods.