



# Investor Presentation

December 2020

# Cautionary Statement

*In the interest of providing information regarding Horizon North, including management's assessment of Horizon North's future plans and operations, certain statements made and contained in these presentation materials (collectively, this "presentation") are "forward-looking statements", "forward looking information", or "financial outlook" within the meaning of applicable Canadian securities laws (collectively, "forward-looking statements"). Forward-looking statements are typically, but not always, identified by words such as "anticipate", "continue", "estimate", "expect", "forecast", "may", "will", "project", "could", "plan", "intend", "should", "believe", "outlook", "potential", "target", "seek", "budget", "predict", "might" and similar words suggesting future events or future performance. Statements regarding capital expenditures and future development plans, objectives and strategies are subject to all of the risks and uncertainties that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. All statements other than statements of historical fact may be forward-looking statements. The forward-looking statements contained in this presentation speak only as of the date of this presentation and are expressly qualified by this cautionary statement. The purpose of any financial outlook is to provide disclosure regarding Horizon North's and Dexterra's reasonable expectations and may not be appropriate for other purposes.*

*In this presentation, all amounts are in Canadian dollars, unless otherwise indicated. Any graphs, tables or other information in this presentation demonstrating the historical performance of Horizon North, Dexterra or of any other entity contained in this presentation are intended only to illustrate past performance and are not necessarily indicative of future performance of Horizon North, Dexterra or such entities. Specifically, this presentation contains forward-looking financial and operational information, including: information relating to the combination with Dexterra (including anticipated combined revenues, EBITDA, free cash flow, expected capital expenditures, proceeds from dispositions, net capital outlook, leverage ratios, EBITDA CAGR); information relating to potential growth and value creation opportunities of the combined entity; information relating to our business strategies following the proposed combination, plans and objectives; and anticipated growth strategies; sales opportunities in modular solutions; industry position; commodity pricing expectations; expectations regarding demand for the North American facilities management market; demand for beds, expected cash flow and related growth rates and stability; expectations regarding dividends paid on common shares and related growth; planned capital expenditures and plans for developing our assets and funding our capital expenditures in various geographic regions; and Horizon North's business strategy for future growth.*

*This information is based on current expectations and assumptions of Horizon North and Dexterra described herein in respect of certain projected financial information regarding the combined entity including the anticipated benefits of the business combination, current and anticipated market conditions, industry trends remaining unchanged, the financial and operational attributes of Horizon North and Dexterra as of the date hereof and the future performance of the combined entity and is subject to a number of risks and uncertainties that could materially affect future results. These risks include, but are not limited to, that anticipated synergies do not materialize as planned or at all, general economic risks and uncertainties, future commodity prices, exchange rates, interest rates, geological risk, political risk, regulatory approval risk, demand for commodities, including oil and gas, transportation restrictions, risks associated with changes in tax, royalty and regulatory regimes and risks associated with cross-border activities. Additional risks and uncertainties in respect of Horizon North are described in Horizon North's Annual Information Form dated March 11, 2020 for the year ended December 31, 2019, as well as Horizon North's Management's Discussion and Analysis ("MD&A") dated May 11, 2020 and Dexterra's MD&A dated May 26, 2020, all of which are filed on SEDAR at [www.sedar.com](http://www.sedar.com). Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in Horizon North's securities should not place undue reliance on these forward-looking statements. Forward-looking statements contained in this document are made as of the date hereof and are subject to change. Neither Horizon North nor Dexterra assume any obligation to revise or update forward looking statements to reflect new circumstances, except as required by applicable securities laws.*

*This presentation contains certain non-GAAP measures, including net debt, EBITDA, net debt to EBITDA and free cash flow, that are not determined in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. These measures as presented do not have any standardized meaning prescribed by IFRS and therefore may not be comparable with calculations of similar measures by other companies. Management believes that, in conjunction with results presented in accordance with IFRS, these non-GAAP financial measures assist in providing a more complete understanding of certain aspects of Horizon North's results of operations and financial performance. Investors are cautioned, however, that these measures should not be construed as an alternative to measures determined in accordance with IFRS as an indication of our performance. Reference is made to Horizon North's publicly filed documents, including our most recently filed MD&A, for a discussion of these measures. Forecast amounts for the non-GAAP financial measures disclosed here are also prepared on a non-IFRS basis. We do not provide reconciliations of such forward-looking measures to the most directly comparable financial measures calculated and presented in accordance with IFRS due to unknown variables and the uncertainty related to future results. These unknown variables may include unpredictable transactions of significant value which may be inherently difficult to determine, without unreasonable efforts.*

# Creating a Pan-Canadian Champion

- Diversified platform with broad geographic and industry end-market exposure with a medium-term objective to grow to over \$1 billion of revenue and \$100 million of EBITDA

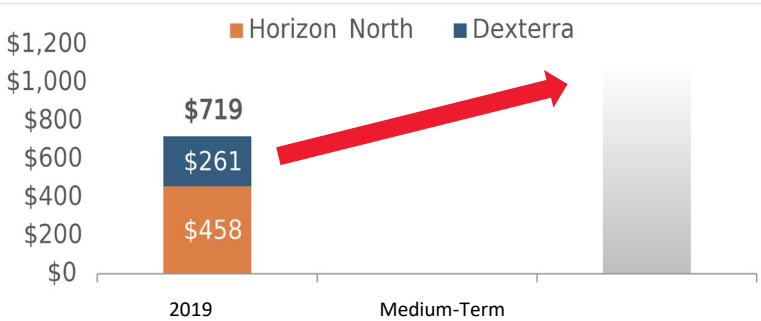
## Guiding Principles

- Drive profitable revenue growth
- Be customer centric
- Spend money wisely
- Execute on plans with reliability and excellence
- Deliver quality products and services in a safe environment
- Provide strong returns to shareholders and a growing dividend

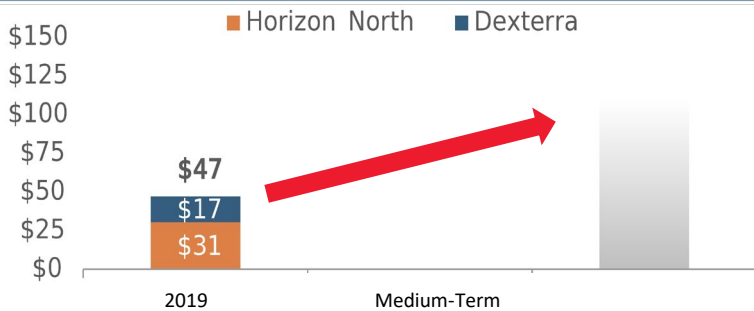
## Management Philosophy

- Disciplined** focus on capital allocation for asset-light support services operations
- Adopt a decentralized approach to overhead with **small head office** and **nimble, accountable** business units and operations teams
- Sustain competitive advantage through the attraction, retention, and development of **high quality people**; embracing **innovation** including the smart application of **technology**; and **intelligent partnerships** with strategically relevant stakeholders
- Embrace the principles of **continuous improvement** and commitment to being a **high performance organization**
- Vision:** enabling the higher performance & profitability of our clients and playing a vital role in our communities and economies

Combined Revenue (\$MM)



Combined EBITDA (\$MM)<sup>1</sup>



Combined Service Region

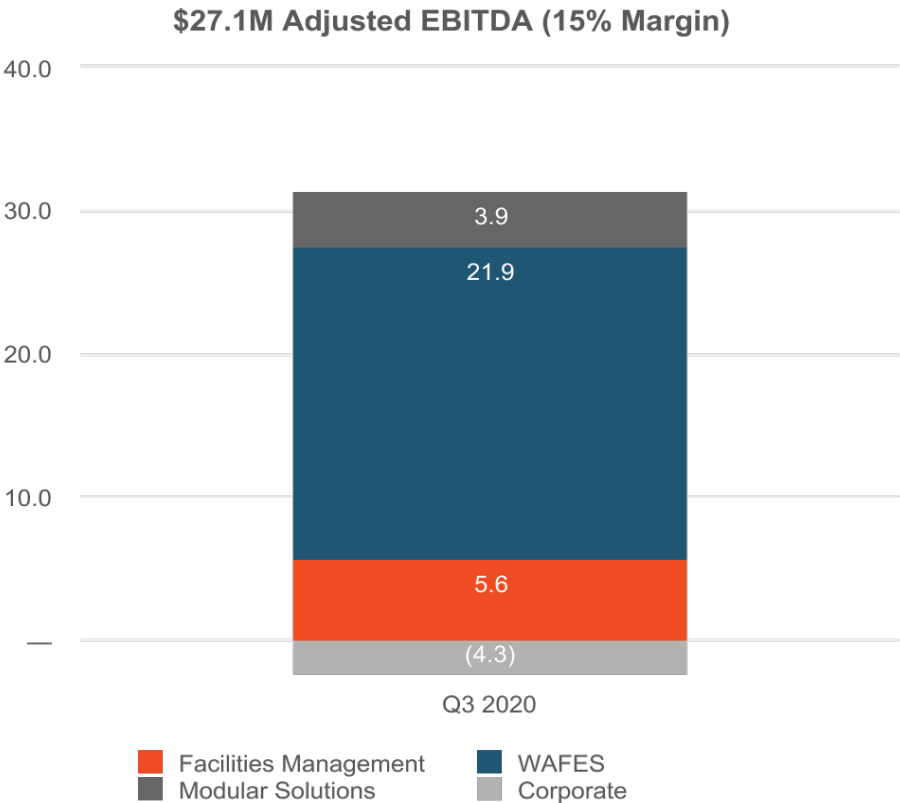
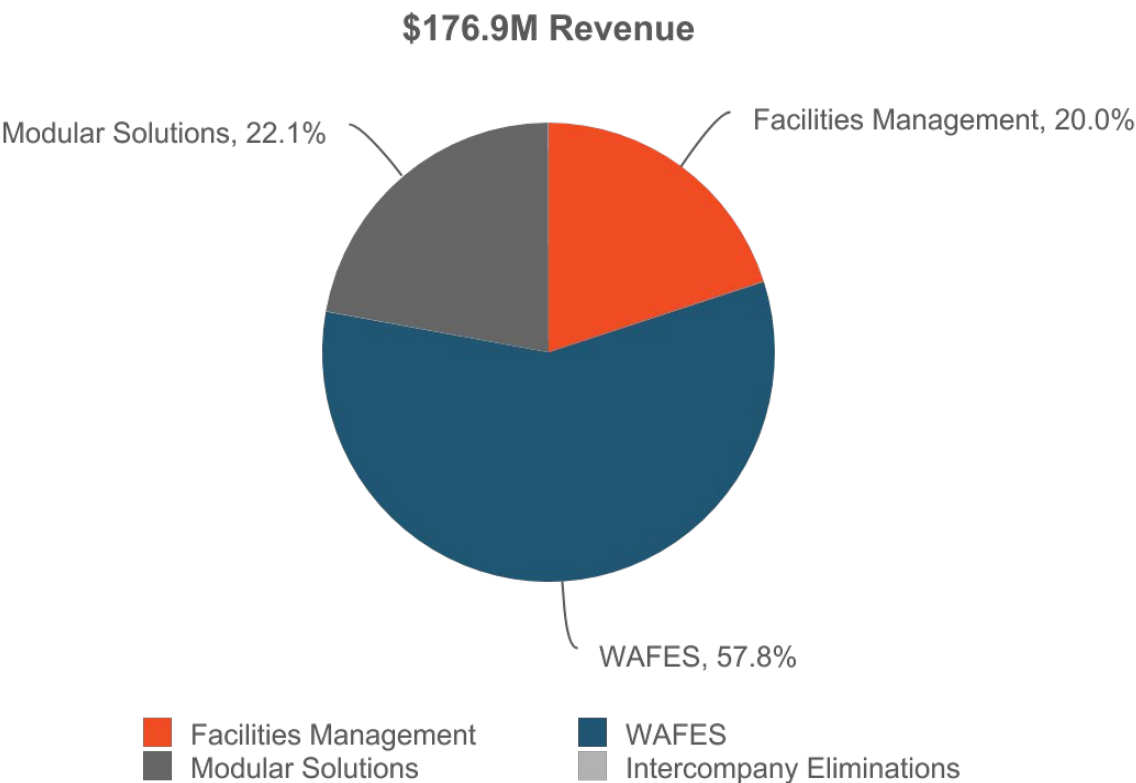
<sup>1</sup> Excludes transaction costs

# New Dexterra

- Merger between Horizon North and Dexterra closed on May 29, 2020;
- Horizon North acquired all of the outstanding common shares of Dexterra and in exchange issued 158,929,967 common shares of Horizon North to Dexterra's sole shareholder, which resulted in Fairfax Financial acquiring a 49% interest in the newly combined Corporation;
- Due to Reverse Take Over accounting, the 2019 comparative information included in the Corporation's financial results for Q2 2020 onward is solely Dexterra. Horizon North financial results are included subsequent to the Transaction closing date, from May 29, 2020 and onward;
  - Income Statement for Q2-2020 includes 3 months of Dexterra and 1 month of Horizon North;
  - Income Statement for full year 2020 will include 12 months of Dexterra and 7 months of Horizon North; and
- A bargain purchase gain of \$34.1 million was recorded, based on the fair value of the consideration received by Fairfax which was equal to the share price at the close date in the amount of \$100.9 million. The bargain purchase gain equates to the difference between the estimated fair value of the net assets acquired of Horizon North of \$135.0 million and the consideration received by Fairfax, as disclosed in Note 4 "Business Combination" of the Q2 2020 financial statements.

# Principal Business Segments

Q3 2020 Revenue and EBITDA



This split is not representative of the go forward position:

- FM revenue is depressed by the pandemic impact on Airports & Retail
- In 2022 we expect the split to be approximately: WAFES 40%, Modular 30%, FM 30%

# Facilities Management

*Attractive, Stable business with a national presence and diversified client base.*

## Impact of COVID-19

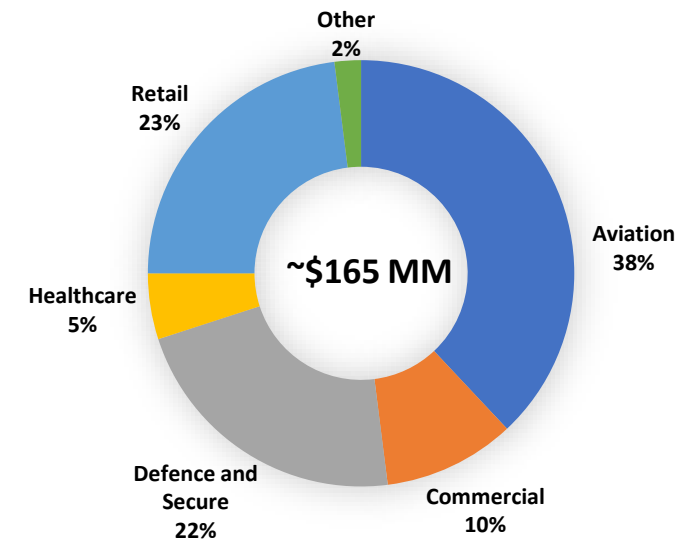
- Temporary decrease in FM service-levels. Clients in the aviation and non-essential retail sectors have been significantly affected (Q3 - \$13M revenue decline), while defense and other government clients have limited impact.

## Growth and Performance

- ~\$25 million in new long-term FM contracts secured in Q2-Q3 with post-secondary education and federal government clients.
- Reduced variable costs to align with lower volume while maintaining critical resources to support return to normal activity levels and future growth.
- As businesses reopen in 2021, we're ready to meet heightened client requirements.
- Continued focus on pursuit of significant government and institutional opportunities. Targeting a pipeline of bids over the next 3 years with potential annual revenue ~\$700 million.
- Goal of 7-8% EBITDA margin and limited CapEx requirements
- Focus on hard FM services and clients with complex operations and multiple service needs, particularly in healthcare & defense and secure sectors

**dexterra**

## Revenue by End-Market – 2019A



Other\* - Industrial, Hospitality & Entertainment, Education, and other Government

# Modular Solutions

***National Modular Solutions business well positioned for growth with established presence in key end-markets.***

## Impact of COVID-19

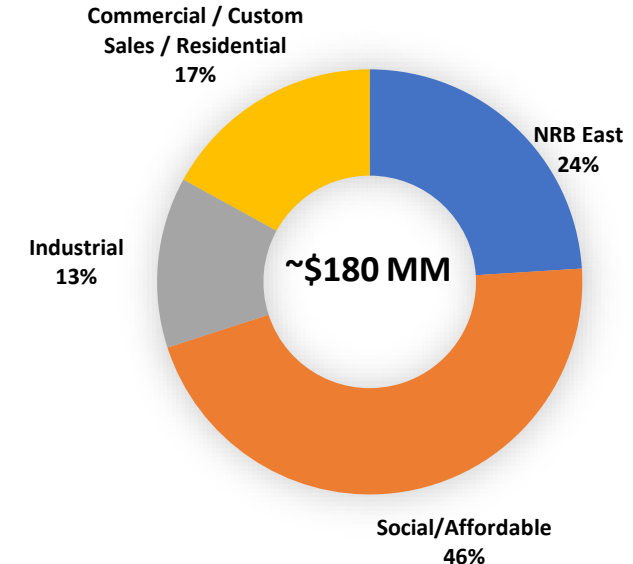
- Outbreak has highlighted the need for safe, quality, affordable housing for vulnerable populations.
- Government lock-downs and restrictions slowed pace of construction activity in Q2-Q3
- Government funding has increased growth prospects, esp. the \$1B funding from CMHC for rapid housing - RFP's have accelerated in Q4-2020

## Growth and Performance

- Hired new president Dawn Nigro
- Leverage Ontario plant capacity and successful track record in Social/Affordable housing to pursue opportunities in Ontario, a market with the potential to be multiples of the BC market -- investing in new plant in Ontario for expansion in Q2 2021
- Strong pipeline with legacy BC business exceeding \$100M in 2021.
- Narrow end-market focus to Social/Affordable, Seniors, Student, Education, Custom and Indigenous market segments to support improved profitability.
- Secured Phase 1 (revenue ~\$18M ) of City of Toronto's supportive housing project - SOP July 2020, to be occupied Dec 2020 and Feb 2021.
- Current backlog of approx. \$90M, including recently secured City of Toronto supportive housing, and targeting more than \$260M high probability line of sight projects.
- Strong stable school portable & kiosks business in Ontario has seasonal peaks in Q2-Q3 and declines in Q4-Q1
- Steps to lower fixed cost structure and streamline overhead for 8% EBITDA return



## Revenue by End-Market – 2019A



# Workforce Accommodations, Forestry, Energy Services

*A diversified Support Services business providing a reliable foundation of revenue and profitability*

## Impact of COVID-19/Commodity Markets

- Resources markets affected through isolated outbreaks, government mandated shutdowns, and decreased demand for underlying commodities.
- Impact of Covid-19 seen in Q2 results expected to be short-lived, despite broader challenges in segments of the natural resource industries.
- Opportunities to support remote infrastructure development (power, water, housing) spurred by expected government stimulus spending.

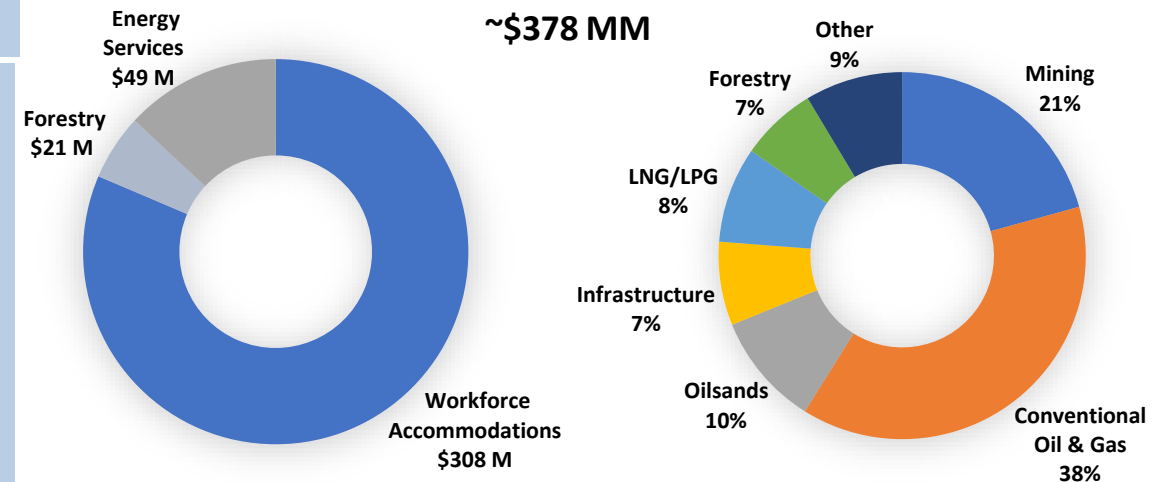
## Growth and Performance

- ~ \$20 million in new workforce accommodation work secured in Q2 supporting LNG, remote infrastructure, and mining activities.
- Focused pursuit of key growth areas such as west coast LNG/LPG, mining in Eastern and Northern Canada and support for remote infrastructure development.
- Temporary closure of matting manufacturing facility to continue into 2021 as mat utilization remains significantly lower than historical averages.
- Continued strong performance in Forestry and Space Rental businesses anticipated for balance of 2020 and into 2021.
- Asset reduction program ongoing to divest surplus workforce accommodation equipment.
- Seasonality decline in Forestry is often offset by Workforce strength in winter drilling season, however, no offset with weak commodity prices in 2020-21
- Kitimat open camp is expected provide strong returns in 2022 as LNG Canada project ramps up.

horizon north

OUTLAND

## Revenue by Business Line and End-Market – 2019A



\*Other revenue segment includes: Government, Education, Asset Sales, BC Housing

# Foundation for Financial Success and Shareholder Returns

## Post-Transaction Successes

- ✓ Cost reductions driving more than \$22 million in annual savings.
- ✓ New \$175 million committed credit facility maturing December 2022.
- ✓ Continued reduction in financial leverage.
- ✓ 5-for-1 share consolidation started trading July 16.
- ✓ Reinstate dividend of 7.5 cents per quarter in 2020.

### Activities in progress...

- Integration program with a focus on re-engineering head-office functions and general administration processes for efficiency and cost-effectiveness.
- Tax planning opportunities with over \$73 million in loss carryforwards already accrued will preserve cash
- Strategic review of equipment, property, and business lines to identify value-creation opportunities.

## 2020 CAPEX and Debt

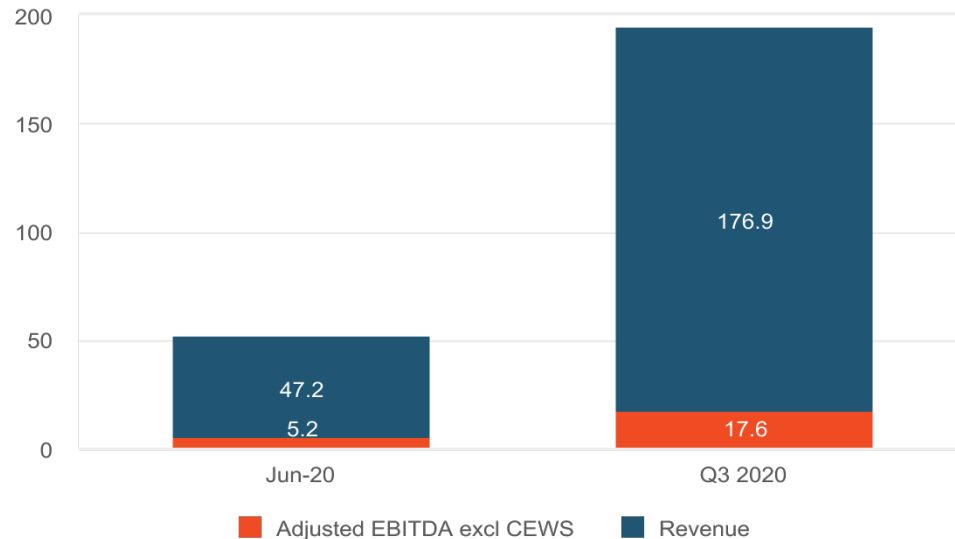
- Actively delivering on CAPEX-light strategy with a goal of keeping sustaining CAPEX near \$5 million a year over the medium-term.
- Combined 2021 net capital outlook of ~\$12M with \$7M to equip new plant for additional modular capacity.
- Net bank debt approximately \$110 million at Sept 30, 2020 and targeting a year end net debt level less than \$100 million.

## Enhanced Financial Flexibility and Shareholder Returns

- Significant free cash flow potential provides flexibility to grow and return excess capital to shareholders, and/or invest in high value opportunities.
- Significant reduction in leverage underway as combined business harvests cash from operations.
- Focus on total shareholder returns combining capital appreciation and dividends in the post-COVID-19 environment.

# Q3 Status of the Combined Businesses

## Q3 Results – Normalized\*



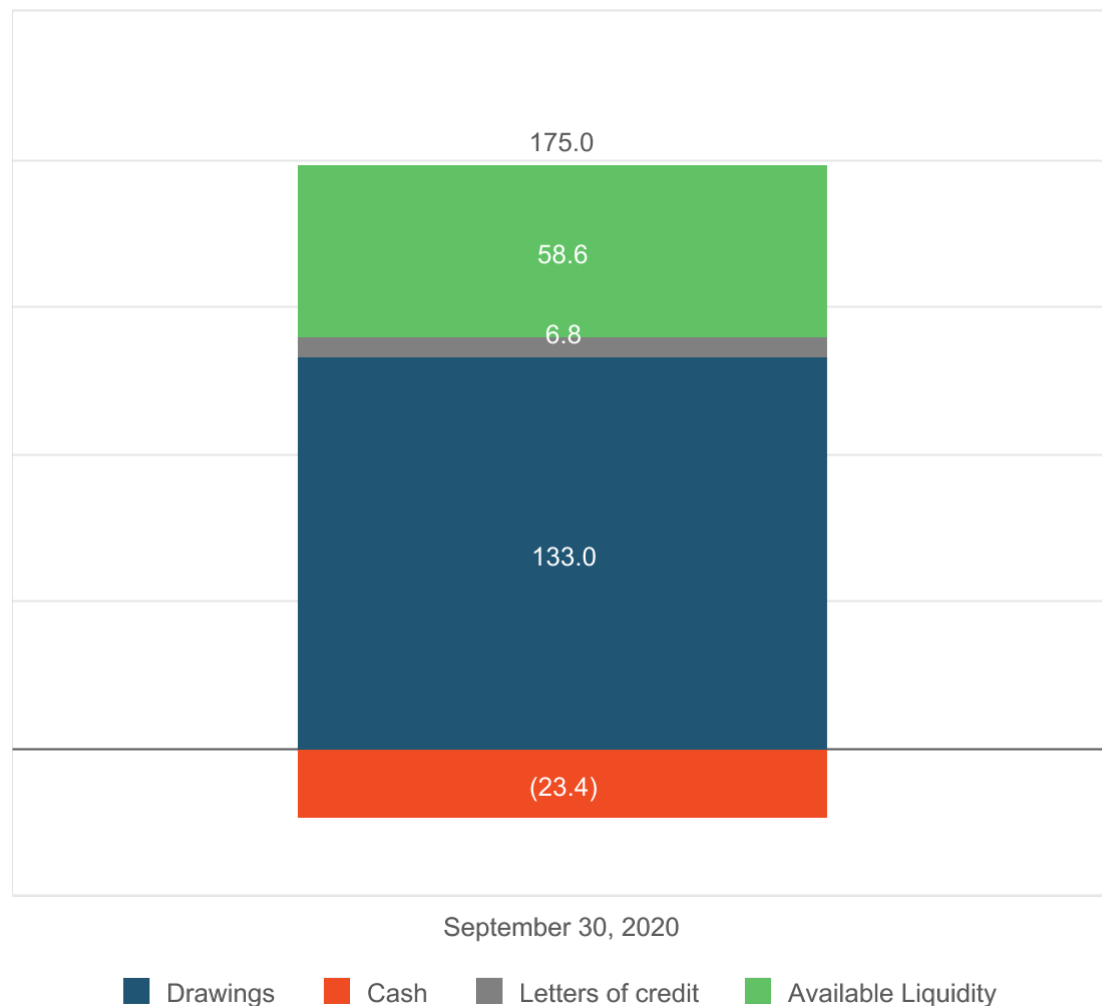
- Strong performance for first full combined quarter
- Short-term growth remains challenging for FM and WAFES but immediate growth opportunities in Modular
- Committed to keeping to our clients and customers safe

\*Normalized to exclude Wage Subsidies and Other Revenue

## Business Combination Update

- Strong execution on priorities
- New organizational structure and discipline with fewer layers of management driving greater accountability and cost-effectiveness
- New modular president and modular expansion plan
- Achieved cost synergies which will save \$22 million annually for 2021 and onward

# Financial Leverage & Liquidity



- Financial position and liquidity are strong with significant capacity to support growth activities including M&A over the medium term
- CapEx light strategy with sustaining capex below \$5M/year, excluding high-return growth projects
  - 2021 budget of \$12M to include new modular plant
- Free cash flow generated in the quarter of \$16.8 million, year-to-date free cashflow of \$34.6 million
- Net debt reduced to \$109 million, targeting under \$100 million at year end
- Debt to LTM EBITDA is 1.5x and reducing
- Q4 dividend is sustainable and expected to grow over time
- Phase 1 Plan to save on cash taxes will commence in Q1 2021 (over \$73 million in loss carryforwards in total)

# Business Improvement in Action – Path Forward

## Earnings:

- Expect to continue to generate over \$15M EBITDA per quarter, +/- seasonality
  - CEWS funding would be incremental
  - Revenue growth muted until post-Covid period
- Cost reduction synergies are ongoing, but completed \$8.9M WAFES, \$5.9M Modular, \$0.5 FM, \$6.6M Corp Office.
- Corporate Office overall annual costs have reduced from \$35M in 2019 to \$27M.
- Annual CapEx spending will be reduced & strategic
- Over \$73 million in tax loss carryforwards with substantial cash benefit.

## Leverage:

- Planned further debt reduction based on generated Free Cash Flow in 2021 and onward.
- Available leverage will be used for Acquisitions and to grow the dividend in a post pandemic world

*Refreshed enterprise performance measures linked to management compensation and assessment.*



**YOY Revenue Growth**



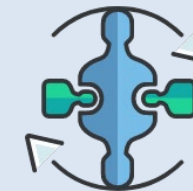
**EBITDA**



**Safety - TRIR**



**Free Cash Flow Efficiency**



**Key Management Retention**

**Questions** 

