

Xebec Reports Record Q1, 2019 with a 206% Increase in Revenue

- EBITDA of \$1.1million, and Net Profit of \$0.4 million-

MONTREAL (QC), May 28th, 2019 - Xebec Adsorption Inc. (TSXV: XBC – OTC: XEBEF) ("Xebec"), a global provider of gas generation, purification and filtration solutions announced today its 2019 first quarter results, with the following highlights:

- **Record revenues** of \$9.8 million in the first quarter of 2019 compared to \$3.2 million for the same period in 2018, a 206% increase.
- **Positive EBITDA** at \$1.1 million for 2019 compared to \$(0.9) million for the same first quarter in 2018.
- **Net profit** of \$0.4 million or \$0.01/share for 2019, compared to a net loss of (\$1.4) million or (\$0.03)/share for the same period in 2018.
- **Working capital** was stable at \$5.2 million as of March 31, 2019, for a current ratio of 1.4:1 compared with working capital of \$5.2 million and a 1.6:1 ratio on December 31, 2018.

Financial Highlights:

	Three months ended		% of
	March 31,		Change
	2019	2018	
(In millions of dollars)	(unaudited)	(unaudited)	
Revenues	9.8	3.2	206 %
Gross profit	3.3	0.8	313 %
Gross profit %	34%	24%	
EBITDA*	1.1	(0.9)	
Net income (loss)	0.4	(1.4)	
Net income (loss) per share - basic (\$/share)	0.01	(0.03)	
Weighted average number of shares	57,174,783	42,504,367	
	March 31,	Dec. 31,	
As at:	2019	2018	
Total assets	20.2	15.1	
Total Liabilities	19.9	15.7	
Equity	0.3	(0.6)	
	May. 27,	May 28,	
As at:	2019	2018	
Backlog	71.9	66.1	

* EBITDA is a non-IFRS financial measure and the Company defines it as earnings from operations excluding finance charges, taxes, foreign exchange loss (gain) and amortization.

Financial Results

- **Revenues** of \$ 9.8 million for the first quarter of 2019 compared to \$3.2 million for the same period in 2018, a 206% increase. The increase is mainly explained by the high volume of major cleantech contracts and a company acquisition.

- **Gross profit** of \$3.3 million or 34% of revenues for the first quarter of 2019 compared to \$0.8 million for the same quarter in 2018, a 323% increase compared to the same period in 2018. The company has a higher gross margin in the cleantech segment.
- **Net profit** of \$0.4 million or \$0.01 per share for the three-month period ending March 31, 2019, compared to a net loss of (\$1.4) million or (\$0.03) per share for the same period in 2018, an improvement of \$1.8 million. The increase is mainly due to higher sales and margin.
- **Positive EBITDA** of \$1.1 million for the three-month period ending March 31, 2019, compared to (\$0.9) million for the same period in 2018, an increase of \$2.0 million.
- **Backlog** increased by \$5.8 million, from \$66.1 million on May 28, 2018, to \$71.9 million on May 27, 2019.
- **Selling and administrative expenses** increased by \$1.0 million in the first quarter of 2019 compared to the same quarter of 2018. This is primarily due to an organizational scale-up of employees and associated costs to support the increased level of sales, order backlog and building quote log.
- As of March 31, 2019, the company had \$0.5 million of cash on hand and positive working capital is stable at \$5.2 million, same as of December 31, 2018.

CEO Quote:

“The renewable gas industry is finally making headway. The recent announcement of UPS to source 170 Million Gallon Equivalents of RNG over a seven-year period from Clean Energy Fuels Corp., is the largest ever purchase of RNG in U.S. history. This will reduce as much as 1 million metric tons of GHG emissions over the life of the agreement. It is equivalent to planting 17,000,000 trees, removing 228,000 cars off the road, or recycling 374,000 tons of waste that would otherwise be sent to the landfill. UPS drives more than 6,100 CNG and LNG vehicles which can be powered by RNG, allowing these staggering reductions in lifecycle greenhouse gas emissions when compared to conventional diesel.

Heavy duty transport and public transit vehicles are ideal for RNG as a transport fuel. Environmental benefits are significant, and the technology is fully commercial and readily available, contrary to either fuel cell or battery technology which has not yet reached the same stage of development as RNG for heavy duty applications. RNG is a unique fuel derived from organic waste materials that links the circular economy - from energy production in the form of zero-carbon transport fuels benefiting the environment, through other participants in the waste generation and processing industries like farmers, food processors, municipalities, waste companies, and others. Xebec looks forward to playing a leading role in the future development of this emerging industry.”

– Kurt Sorschak, *President and CEO, Xebec Adsorption Inc.*

Current Market and Guidance for 2019

Our outlook for renewable natural gas and hydrogen purification remains unchanged from our previous guidance. We expect our Service segment, which includes Industrial Air & Gas, to continue its revenue growth in line with our acquisition strategy. Overall, we anticipate significant revenue growth in 2019 from both our European and Chinese subsidiaries, as well as our North American business. Our guidance is based on current order backlog plus anticipated future orders throughout the year. We maintain our guidance of CDN\$ 45.0 million⁺ and earnings per share (EPS) in the range of \$0.10 to \$0.13 for 2019. Execution and organizational development will be key to continuing growth. Management recognizes this and is fully focused on operational performance and the creation of an environment that will allow the company to scale. We are working on expanding our managerial capabilities, building strong, results-driven teams that will deliver on the opportunities facing us.

Systems - Clean Technology

Our renewable gas solutions are delivering expected results. Our efforts to obtain larger landfill gas orders are gaining traction and we expect to report progress on this front within the next two quarters. These orders will be instrumental to our growth in 2020. We continue to regard quote activity as an early indicator for future order activity. Our current quote log exceeds \$760 million, and our order backlog is almost \$72 million. Xebec has started to expand its European focus to include Spain, a country that has not yet implemented any renewable gas policies, but these are expected soon. We maintain our 2019 guidance for RNG systems and equipment and expect growth

of 130% to 150% in 2019, generating revenues in the range of \$33 to \$35 million, expenses of approx. \$25 million and gross margins of approx. \$10 million.

Service - Industrial Air & Gas Products, Parts and Support

Xebec continues to pursue organic and inorganic growth opportunities and expects to double revenues from \$6.1 million in 2018 to about \$12 million in 2019, with expenses of approx. \$7.5 million and gross margin at around \$ 4.5 million. Our Q1/19 numbers are on track. We will be introducing additional filtration products over the coming months to help boost our overall gross margin. The product mix is an important contributor to GM achievability which is 40%+ in this segment. Our first acquisition, Compressed Air International (CAI) in Ontario, has performed well in Q1/19 and is on track to grow revenues by 20% this year. Xebec is working on its next two acquisitions and expects to close them in 2019 with another two in 2020.

Infrastructure - Renewable Gas Generation

In early May 2019, Xebec's Board of Directors approved an expanded strategy for Xebec's Infrastructure segment, allowing management to engage with an increasing number of potential partners to explore more opportunities. Currently, Canada has two provinces that offer renewable Gas Purchase Agreements (GPAs) with terms of up to 20 years and prices of up to \$30/GJ. California has recently announced a target of 20% RNG by 2030, offering unique investment opportunities with prices of up to \$75/GJ. As previously announced, Xebec is actively working on the establishment of its RNG infrastructure business where we will build, own and operate (BOO) high-quality renewable gas assets in Canada and California, and sell renewable natural gas to obligated parties and other third-party off-takers. Xebec hopes to announce its first project by mid-year. No revenues or costs have yet been recorded.

2019 First Quarter Financial Statements and Management's Discussion and Analysis

The complete financial statements, notes to financial statements, and Management's Discussion and Analysis for the three-month period ended March 31, 2019, are available on the company's website at www.xebecinc.com or on the SEDAR website at www.sedar.com

Related links:

<https://www.xebecinc.com>

<https://www.cnn.com/2019/05/22/business/ups-renewable-natural-gas/index.html>

For more information:

Xebec Adsorption Inc.

Sandi Murphy, Director, Investor Relations and Marketing

+1 450.979.8718 smurphy@xebecinc.com

Kurt Sorschak, President and Chief Executive Officer

ksorschak@xebecinc.com

About Xebec Adsorption Inc.

Xebec Adsorption Inc. is a global provider of gas generation, purification and filtration solutions for the industrial, energy and renewables marketplace. Its customers range from small to multi-national corporations and governments looking to reduce their carbon footprints. Headquartered in Montreal (QC), Xebec designs, engineers and manufactures innovative and transformative products, and has more than 1,500 customers worldwide. With two manufacturing facilities in Montreal and Shanghai, as well as a sales and distribution network in North America, Europe, and Asia, Xebec trades on the TSX Venture Exchange under the symbol XBC. For additional information on the company, its products and services, visit Xebec at xebecinc.com.

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