

Xebec Reports Record Q2, 2019 with a 140% Increase in Revenue

- EBITDA of \$1.8 million, and Net Profit of \$1.0 million -

MONTREAL (QC), August 13, 2019 - Xebec Adsorption Inc. (TSXV: XBC) (OTC: XEBEF) (“Xebec”), a global provider of clean energy solutions announced today its 2019 second quarter and six-month periods results, with the following highlights:

- **Record revenues** of \$12.8 million in the second quarter of 2019 compared to \$5.3 million for the same period in 2018, a 140% increase.
- **Positive EBITDA** at \$1.8 million for the second quarter 2019 compared to \$0.3 million for the same period in 2018.
- **Net profit** of \$1.0 million or \$0.02/share for the second quarter 2019, compared to a net loss of (\$0.1) million or (\$0.003)/share for the same period in 2018.
- **Working capital** increased to \$8.0 million on June 30, 2019, for a current ratio of 1.8:1 compared with working capital of \$5.3 million and a 1.6:1 ratio on December 31, 2018.

Financial Highlights:

<i>(In millions of dollars)</i>	Three months ended		% of Change	Six months ended		% of Change
	2019 (unaudited)	June 30, 2018 (1) (unaudited)		2019 (unaudited)	June 30, 2018 (1) (unaudited)	
Revenues	12.8	5.3	140%	22.5	8.5	165 %
Gross profit	4.0	1.6	150 %	7.3	2.4	200%
Gross profit as a percentage of revenues	31%	30%		32%	28%	
EBITDA (2)	1.8	0.3		2.9	(0.6)	
Net income (loss)	1.0	(0.1)		1.4	(1.5)	
Net income (loss) per share - basic (\$/share)	0.02	(0.003)		0.03	(0.03)	
Weighted average number of shares	58,116,344	42,620,528		57,648,164	42,562,769	
As at:				June 30, 2019	Dec. 31, 2018	
Total assets				22.4	15.1	
Total Liabilities				19.0	15.7	
Equity				3.4	(0.6)	
As at:				August 12, 2019	August 6, 2018	
Backlog				63.5	68.1	

(1) The three-month and six-month periods ended June 30, 2018, has been adjusted to reflect IFRS 15 application.

(2) 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 \$22.5 million for the six-month period ended June 30, 2019, compared to \$8.5 million for the same period in 2018, a 165% increase. The increase is mainly explained by the high volume of major cleantech contracts and a company acquisition.
- **Gross profit** of \$7.3 million or 31% of revenues for the six-month period ended June 30, 2019, compared to \$2.4 million for the same period in 2018, a 204% increase compared to the same period in 2018. The company has a higher gross margin in the cleantech segment.
- **Net profit** of \$1.4 million or \$0.03 per share for the six-month period ended June 30, 2019, compared to a net loss of (\$1.5) million or (\$0.03) per share for the same period in 2018, an improvement of \$2.9 million. The increase is mainly due to higher sales and margin.
- **Positive EBITDA** of \$2.9 million for the six-month period ended June 30, 2019, compared to (\$0.6) million for the same period in 2018, an increase of \$3.5 million.
- **Backlog** decreased by \$4.6 million, from \$68.1 million on August 6, 2018, to \$63.5 million on August 12, 2019.
- **Selling and administrative expenses** increased by \$1.8 million in the six-month period ended June 30, 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.
- **Working capital:** as of June 30, 2019, the company had \$1.2 million of cash on hand, and positive working capital increased to \$8.0 million compared to \$5.3 million on December 31, 2018.
- **Bought Deal Public Offering:** on July 4, 2019, the Company has closed an \$11.6 Million Bought Deal Public Offering of Units and Listing of Warrants.

Current Market and Guidance for 2019

We continue to see positive developments in our renewable gas, hydrogen, and industrial service and products segments. In the first six months of 2019, we have made good progress with revenues and profitability. Overall gross margin generation was satisfactory; nevertheless, we continue to work on gaining some additional GM points over the next 12 to 18 months. The outlook for the Renewable Natural Gas (RNG) and hydrogen purification Clean Technology segment remains unchanged from our previous guidance. Our Industrial Service, Support and Products segment continues to grow, and our CAI acquisition is out-performing expectations. The SG&A ratio decreased by 15 % to 22 % in the six-month period ended June 30, 2019, compared to 37 % for the same six months of 2018.

Xebec has been providing guidance for 2019 with revenues of \$45 million plus, net earnings in the \$4 to \$5 million and EBITDA in the \$6 to \$7 million range. We are currently on track to meet these numbers. Nonetheless, we are adjusting our EPS range to between 0.07 and 0.10 cents due to the higher outstanding share count from our July 2019 equity raise (units), some warrant conversions of the November 2018 equity raise (units), and the likely exercise of the 2017 convertible debentures in November this year.

Renewable Gas Systems - Clean Technology

We are seeing increased activity for RNG systems and we have accelerated our efforts across our operating geographies. Continued progress in Europe and North America, especially in the landfill gas space, is instrumental for our growth ambitions in 2020. We anticipate reporting progress on the landfill opportunities by year end. Our current quote log is close to \$700 million, and our order backlog is over \$63 million.

Service, Support and Products - Industrial

Our Industrial segment continues to perform well, despite some weakness in our gross margins. Growth will be achieved organically, combined with our acquisition strategy. The acquisition of profitable compressed air service companies is crucial in supporting our growing RNG installations. As previously stated, the product mix is an important contributor to achieving our GM target in the Industrial segment. Our first acquisition, Compressed Air

International (CAI) in Ontario, has performed above expectations in the first half of 2019 and is on track to grow revenues by 20% full year. Xebec is currently working on its next two acquisitions.

Renewable Gas Generation - Infrastructure

In early May 2019, Xebec's Board of Directors approved an expanded strategy for Xebec's Infrastructure segment, allowing management to engage with a larger pool 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 while California has recently announced a target of 20% RNG by 2030, offering unique investment opportunities. Xebec continues to actively work 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. The Infrastructure investment opportunities for RNG facilities have created significant interest from a number of Industry participants. Xebec is currently evaluating these opportunities and potential partners. Great partnerships are paramount for success, so striking the right foundational balance is our priority for making this segment a reality. No revenues or costs have yet been recorded.

Xebec still expects to announce its first BOO project in 2019.

2019 Second 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 six-month period ended June 30, 2019, are available on the company's website at www.xebecinc.com or the SEDAR website at www.sedar.com

Xebec to Host Live Investor Webinar to Discuss Q2 Results

An investor webinar for shareholders, analysts, investors, media representatives, and other stakeholders will be held today, August 13, 2019 at 9:00AM EDT.

The webinar can be accessed at: <https://app.livestorm.co/xebec-adsorption-inc/q2-investor-webinar>

A recording of the webinar and supporting materials will be made available in the investor's section of the Company's website at www.xebecinc.com.

Related links:

<https://www.xebecinc.com>

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

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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.

Cautionary Statement

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