

EXPLAIN TO EVERYONE, HOW IS JUNE POSSIBLE?

- Instead of doing research, the sell-side analysts covering Badger rely on selective disclosure from management, e.g. the Aug 2 “Q2 preview” by Yuri Lynk of Canaccord raises questions:
 - Did Yuri Lynk recently meet with mgmt. and when?
 - Was this during the company’s quiet period? Was the quarter over?
 - Did he meet with the CEO? Or someone else?
 - What did they discuss?
 - How does Yuri Lynk get to “we believe there margins were sustainable throughout Q2 2017...?”
 - How long has the CEO been the CEO of a public company? Does he know that **selective disclosure is against the law**? Does he know he admitted to breaking the law in the *Financial Post* when he said he “opted instead for private meetings with shareholders?”¹
- For everyone who can’t get a special meeting with mgmt, don’t you want to know how Badger’s June sales are even possible?

¹ <http://business.financialpost.com/commodities/energy/badger-ceo-refutes-charges-that-firms-books-need-outside-look/wcm/c52fc94f-148f-4d23-9bbe-943ffbc9e327>

Badger's U.S June Sales in context : **\$390-\$520 hourly rate across 696 trucks?!**

	Utilization	
	80%	60%
Revenues assumed from 0-30 days AR	60	60
Accrued Revenue	9	9
Estimated Minimum June revenues	69	69
Other Revenue	5	5
<i>% of Sales (Assumes = 2Q % of Other Revs)</i>	<i>8.0%</i>	<i>8.0%</i>
Daylighting Revenues in June	64	64
Canada Daylighting Revenues	14	14
<i>% of Sales (Assumes Same Mix as All of 2Q)</i>	<i>22.5%</i>	<i>22.5%</i>
Implied U.S. Daylighting Revenues (in CAD)	50	50
Memo: Implied U.S. Daylighting Revs (\$US) * .75 exch rate	37	37
U.S. Truck Count	696	696
Avg. Revenue Per Truck Per Mos. - US (In US\$)	\$53,456	\$53,456
Days in Period (5 Day Work Weeks in Vast Majority of Applications)	21.4	21.4
Hrs. Per Day (8 Hr. Days in Vast Majority of Applications)	8.0	8.0
US Hours (696 Trucks * 21.4 Days * 8 Hrs Per Day)	119,229	119,229
Assumed Utilization	80%	60%
US Hours Utilized	95,383	71,537
Implied Rate Per Hour - US (in US\$)	\$390	\$520

- We showed you Badger quote sheet in the \$250-\$300 range
- Given the Badger rate sheet published yesterday, this is simply not possible
- Was June RPT really \$53K!?

Analyst Report from Peters & Co – August 14th:

Utilization in many regions improved in June with upwards of 50% of total revenue realized during the month (we estimate RPT on a CAD basis was >\$50,000).

Badger's U.S. June Sales in Context: Were April and May a complete disaster?

- ❑ If June sales were \$69 million, April & May combined for \$55 million of sales
- ❑ At \$27mm of sales, RPT in April and May would have been \$20,971!
- ❑ That's down materially from Q1, despite CEO saying in May earnings call that RPT was trending up!
- ❑ Are we to believe that RPT went from \$20,971 in May to \$53,456 in June!?

Q2 Revenues	123
June revenues (see previous page)	<u>69</u>
April and May Sales	55
May Sales (assume equal to April)	27
Daylighting Revenues in May @ 92%	25
U.S Implied Daylighting Revenues @ 77.5%	19
<i>Memo: Implied U.S. Daylighting Revs (\$US) * .75 exch rate</i>	15
U.S. Truck Count	696
Avg. Revenue Per Truck Per Mos. - US (In US\$)	\$20,971

Does the Catch Up in June EBITDA Seem Probable?

- Badger's EBITDA was \$26mm in June up from \$3mm in April or May?
- Badger had a 38% EBITDA margin in June? Industry leaders earn ~15% margins

	Apr-17	May-17	Jun-17	Q2:17
Monthly Sales	27	27	69	123
Direct Costs	23	23	41	87
<i>% of Sales</i>	83%	83%	60%	70%
Variable ⁽¹⁾	12	12	31	56
<i>% of Sales</i>	45%	45%	45%	45%
Fixed ⁽²⁾	10	10	10	31
<i>% of Sales</i>	38%	38%	15%	25%
SG&A ⁽³⁾	2	2	2	5
<i>% of Sales</i>	6%	6%	2%	4%
EBITDA	3	3	26	32
<i>% EBITDA Margin</i>	<i>11%</i>	<i>11%</i>	<i>38%</i>	<i>26%</i>

(1) Inc. Franchise Fees, Repair & Maintenance, Fuel, & 50% of Wages, Salaries & Benefits in Direct Costs and Other Misc. Direct Costs

(2) Inc. 50% of Wages, Salaries & Benefits in Direct Costs & Other Misc. Direct Costs Such as Rent & Insurance

(3) Assumes SG&A Reported in Q2:17 Spread Equally Each Month

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