

Tel: (905) 670-5100
Fax: (905) 565-1907

Strongco Corporation
1640 Enterprise Road
Mississauga, Ontario
L4W 4L4

STRONGCO

TSX Symbol: SQP

For Immediate Release

Strongco Announces Third Quarter 2019 Results —Solid performance despite softer markets—

Mississauga, Ontario – October 30, 2019 – Strongco Corporation (TSX: SQP) today reported financial results for the third quarter ended September 30, 2019.

Financial Summary

(\$ millions except per share amounts)

Period Ended September 30	Three Months		Nine Months	
	2019	2018	2019	2018
Revenues	98.0	99.0	302.8	310.0
Gross Profit	19.0	18.1	55.9	55.3
Operating Income	5.6	3.4	14.4	9.4
EBITDA*	13.3	8.2	33.9	22.6
Interest Expense	3.5	2.4	14.4	9.4
Pretax Income (Loss)	2.1	(2.4)	4.0	(0.6)
Net Income (Loss)	2.1	(2.4)	4.0	(0.6)
Basic and Diluted Income (Loss) Per Share	0.16	(0.18)	0.30	(0.05)
Equipment Inventory			202.7	165.0
Equipment Notes Payable			176.0	145.5

“For the third quarter of this year, we are pleased to report improved profitability, the direct result of the actions taken over the past few years to generate greater stability for the business. Stronger rental and product support revenues were the key drivers of top-line performance, offset by a decline in equipment sales, due to softer markets estimated to be down 10% year-to-date. Nevertheless, the resulting increase in gross margins led to higher gross profit, and combined with lower expenses, left us well ahead of the prior year,” said Robert Beutel, Executive Chairman of Strongco. “While interest expenses increased in the period, due in part to higher equipment debt, management anticipates inventories to convert to sales in the coming quarters, and continues to keep a close eye on levels and the timing of purchases, in keeping with our commitment to the sustainability and growth of the business.”

Adoption of IFRS 16 Leases (Effective January 1, 2019)

The current period results include the impacts from the adoption of IFRS 16, the new accounting standard for leases, as illustrated and explained in the analysis of operating results in the complete third quarter 2019 MD&A available on our website at www.strongco.com/en/investor-relations/financial-reports/. As is permitted with this new standard, prior year information has not been restated and, therefore, may not be comparable. The adoption of this new standard had a significant impact on Strongco's balance sheet, as all of the Company's property leases, which had previously been treated as operating leases, are now recorded on the balance sheet as a right-of-use asset and lease liability. From an income statement perspective, the lease expense under the old leasing standard has now been replaced with a charge for depreciation of the lease asset and imputed interest.

Highlights (Third Quarter 2019 and Third Quarter 2018)

- Income Statement
 - Revenues of \$98.0 million, compared to \$99.0 million, impacted by the following factors:
 - Lower sales of construction equipment and cranes in Ontario and Alberta, partially offset by higher sales in Quebec. Strong sales of articulated trucks, particularly in Alberta and Quebec, offset by weaker sales of other construction equipment across the country.
 - Higher rental revenues across all regions, due to increased demand for rentals.
 - Stronger product support revenues (sales of parts and service and warranty), particularly in Quebec.
 - Gross profit of \$19.0 million, up from \$18.1 million. As a percent of revenue, gross margin of 19.4% up from 18.3%.
 - Operating income of \$5.6 million, up from \$3.4 million, due to higher gross profit, lower operating expenses and a small foreign exchange gain.
 - EBITDA of \$13.3 million, up from \$8.2 million, due to improved operating income.
 - Interest expense of \$3.5 million, up from \$2.4 million, due mainly to the impact of IFRS 16, combined with higher equipment notes and higher interest rates.
 - Pretax earnings of \$2.1 million, \$2.6 million before the adjustments from the adoption of IFRS 16, compared to \$1.0 million before restructuring costs in the third quarter of 2018.
 - Net income of \$2.1 million (\$0.16 per share) for the quarter, up from a loss of \$2.4 million (loss of \$0.18 per share) after restructuring costs.
- Balance Sheet
 - Equipment inventory of \$202.7 million, up from \$167.5 million at December 31, 2018 and \$165.0 million at September 30, 2018 to support increased rental activity and projected sales in Q4 of this year.
 - Equipment notes payable of \$176.0 million, compared to \$141.4 million at December 31, 2018 and \$145.5 million at September 30, 2018.

Third Quarter Results Materials

The complete third quarter 2019 MD&A and Unaudited Interim Condensed Consolidated Financial Statements are available on our website at www.strongco.com/en/investor-relations/financial-reports/.

Conference Call Details

Strongco will hold a conference call on Thursday, October 31 at 10:00am ET to discuss third quarter results. Analysts and investors can participate by dialing **1-800-319-4610** or **+1-604- 638-5340** outside of Canada and the USA. Following management's introductory remarks, a question and answer session will take place for analysts and institutional investors.

An archived recording will be available to listeners following the call until midnight on December 1, 2019. To access it, dial 1-855-319-6413 or +1-604-638-9010 outside of Canada and the U.S., and enter passcode 3684#.

About Strongco Corporation

Strongco Corporation is a major multiline mobile equipment dealer with operations across Canada. Strongco sells, rents and services equipment used in diverse sectors such as construction, infrastructure, mining, oil and gas, utilities, municipalities, waste management and forestry. The Company has approximately 500 employees serving customers from 25 branches in Canada. Strongco represents leading equipment manufacturers with globally recognized brands, including Volvo Construction Equipment, Case Construction, Manitowoc Crane, including National and Grove, Terex Trucks, Fassi, Sennebogen, Konecranes and SDLG. Strongco is listed on the Toronto Stock Exchange under the symbol SQP.

Forward-Looking Statements

This news release contains forward-looking statements that involve assumptions and estimates that may not be realized and other risks and uncertainties. These statements relate to future events or future performance and reflect management's current expectations and assumptions which are based on information currently available to the Company's management. The forward-looking statements include but are not limited to: (i) the ability of the Company to meet contractual obligations through cash flow generated from operations, (ii) the expectation that customer support revenues will grow following the warranty period on new machine sales and (iii) the outlook for 2019. There is significant risk that forward-looking statements will not prove to be accurate. These statements are based on a number of assumptions, including, but not limited to, continued demand for Strongco's products and services. A number of factors could cause actual events, performance or results to differ materially from the events, performance and results discussed in the forward looking statements. The inclusion of this information should not be regarded as a representation of the Company or any other person that the anticipated results will be achieved and investors are cautioned not to place undue reliance on such information. These forward-looking statements are made as of the date of this MD&A, or as otherwise stated, and the Company does not assume any obligation to update or revise them to reflect new events or circumstances.

Additional information, including the Company's Annual Information Form, may be found on SEDAR at www.sedar.com.

Footnotes

* "EBITDA" refers to earnings before interest, income taxes, amortization of property, plant and equipment, amortization of equipment inventory on rent and lease termination costs. EBITDA is presented as a measure used by many investors to compare issuers on the basis of ability to generate cash flow from operations.

Information Contact

J. David Wood
Vice President, Chief Financial Officer and Corporate Secretary
905.670.5100
jdwood@strongco.com
strongco.com