# MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three month periods ended March 31, 2020 and 2019

BLACK DIAMOND GROUP

# MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") compares the financial performance of Black Diamond Group Limited ("Black Diamond", the "Company", "our" and "we") for the three months ended March 31, 2020 (the "Quarter") with the three months ended March 31, 2019 (the "Comparative Quarter"). This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company for the three month periods ended March 31, 2020 and 2019 and the audited consolidated financial statements of the Company for the years ended December 31, 2019 and 2018. The accompanying unaudited interim condensed consolidated financial statements of Black Diamond are prepared in accordance with International Financial Reporting Standards ("IFRS"). This MD&A was prepared as of May 5, 2020 and, unless otherwise indicated, all amounts are stated in Canadian dollars. Black Diamond's common shares are listed on the Toronto Stock Exchange under the symbol "BDI".

Additional information relating to Black Diamond may be found on the Black Diamond website at www.blackdiamondgroup.com or on the System for Electronic Document Analysis and Retrieval at www.sedar.com ("SEDAR").

Certain information set forth in this MD&A contains forward-looking statements including, but not limited to, the amount of funds that will be expended on the 2020 capital plan, how such capital will be expended, expectations for asset sales, management's assessment of Black Diamond's future operations and what may have an impact on them, financial performance, business prospects and opportunities, changing operating environment including changing activity levels, particularly in the face of COVID-19 restrictions, effects on demand and performance based on the changing operating environment, amount of revenue anticipated to be derived from current contracts, anticipated debt levels, economic life of the Company's assets, future growth and profitability of the Company and realization of the anticipated benefits of acquisitions and sales. With respect to the forward-looking statements in the MD&A, Black Diamond has made assumptions regarding, among other things: future commodity prices, that Black Diamond will continue to raise sufficient capital to fund its business plans in a manner consistent with past operations, that counter-parties to contracts will perform the contracts as written and that there will be no unforeseen material delays in contracted projects. Although Black Diamond believes that the expectations reflected in the forward-looking statements contained in this MD&A, and the assumptions on which such forward-looking statements are made, are reasonable, there can be no assurances that such expectations or assumptions will prove to be correct. Readers are cautioned that assumptions used in the preparation of such statements may prove to be incorrect. Events or circumstances may cause actual results to differ materially from those predicted, as a result of numerous known and unknown risks, uncertainties and other factors, many of which are beyond the control of Black Diamond. These risks include, but are not limited to: the impact of general economic conditions, industry conditions, fluctuation of commodity prices, the impact of the COVID-19 pandemic, the Company's ability to attract new customers, failure of counterparties to perform on contracts, industry competition, availability of qualified personnel and management, timely and cost effective access to sufficient capital from internal and external sources, political conditions, dependence on suppliers and stock market volatility. The risks outlined above should not be construed as exhaustive. Additional information on these and other factors that could affect Black Diamond's operations and financial results are included in Black Diamond's annual information form for the year ended December 31, 2019 and other reports on file with the Canadian Securities Regulatory Authorities which can be accessed on SEDAR. Readers are cautioned not to place undue reliance on these forward-looking statements. Furthermore, the forward-looking statements contained in this MD&A are made as at the date of this MD&A and Black Diamond does not undertake any obligation to update or revise any of the forward-looking statements, except as may be required by applicable securities laws.

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# EXECUTIVE SUMMARY

In the first quarter of 2020, Black Diamond reported consolidated revenue of $45.1 million, Adjusted EBITDA of $9.9 million, and core rental revenue of $17.1 million.

**Key Highlights from the First Quarter of 2020**

- Consolidated rental revenue of $17.1 million increased 17% from the Comparative Quarter.
- Adjusted EBITDA increased 22% from the Comparative Quarter to $9.9 million in the Quarter.
- Modular Space Solutions ("MSS") rental revenue of $8.9 million grew 17% from the Comparative Quarter.
- MSS rental fleet grew to 6,503 units, or 9% from the Comparative Quarter while utilization held steady and average rental rates increased 7%.
- Workforce Solutions ("WFS") rental revenue increased to $8.2 million, up 17% from the Comparative Quarter. Consolidated WFS revenue of $28.6 million improved by 25% versus the Comparative Quarter.
- The Company closed the acquisition of Spectrum Modular (“Spectrum”), expanding the Company’s Southeast U.S. operating region to over 400 units.

In the MSS business unit, Adjusted EBITDA of $4.6 million was essentially flat versus the Comparative Quarter. MSS consolidated revenue of $16.5 million decreased 27% from $22.5 million due to lower sales and non-rental revenue in the Quarter. Sales and non-rental revenue can fluctuate quarter-to-quarter as the timing of certain custom sales projects can vary. Adjusted EBITDA margins of 28% improved from 22% due to the change in sales mix as rental revenue of $8.9 million grew 17% from the Comparative Quarter.

Adjusted EBITDA in the WFS business unit was $7.8 million, 30% higher than the Comparative Quarter. Consolidated revenue of $28.6 million increased 25% due to an increase in rental and non-rental revenue of 17% and 167% respectively, slightly offset by a decrease of 41% in Lodging revenue.

During the Quarter, the Company announced the acquisition of Spectrum, based in Gainesville, Georgia. Spectrum's asset base includes 202 high-quality modular buildings backed by a high performing team with deep expertise and relationships in the region. Following the Spectrum acquisition, Black Diamond now has over 400 units in the area and expects to see continued growth in the U.S. Southeast as a result of ongoing economic development in the region.

At the end of the Quarter, Net Debt increased to $110.6 million, compared to $98.1 million at December 31, 2019. The increase in debt during the quarter was driven by capital investments of approximately $19 million, including the acquisition of Spectrum, as well as a $5 million increase in working capital. The Company has deferred uncommitted or uncontracted capital which is expected to take effect in the second half of the year. As such, the pace of capital deployment is expected to slow until there is more end market certainty with respect to the COVID-19 pandemic.

On January 15, 2020, Black Diamond announced TSX approval of a Normal Course Issuer Bid ("NCIB"). Over a 12-month period, the Company may, in normal course, purchase up to 4,180,249 common shares in the capital of the Company ("Common Shares") (10% of the public float of Common Shares). Since the implementation of the NCIB, the Company has purchased 173,800 shares at an average price of $1.11 per Common Share.

# OUTLOOK

On March 13, 2020, Black Diamond instituted elements of the Company's Business Continuity Plan in response to the COVID-19 pandemic. This resulted in the suspension of all non-essential business travel and events, self-quarantine for any individuals that had recently traveled by air, and work from home options for any employees not required to be on site at the field level, among other initiatives. The safety and well-being of our employees and communities remains of highest priority and the Company will continue to monitor the situation and work with our customers and vendors to ensure interruption to essential business elements are minimized.

Currently a little under two-thirds of the Company’s $35 million gross capital plan is spent or committed to contracts in place. While the Company's financial and liquidity situation remains strong, with approximately $80 million of available liquidity, Black Diamond has elected to defer most uncommitted capital investments planned for the latter half of the year.

Despite the near-term disruption to certain of the Company's markets caused by the COVID-19 pandemic, the Company remains committed to executing on its long-term strategy of growth and diversification. The MSS business has remained stable to date. While the Company expects certain elements of the MSS business to soften due to deferral of a handful of custom sales projects, the core rental revenue driven by our MSS assets is expected to remain healthy owing to the diversified nature of our customers, geographies and end-markets. As a result of the pandemic and physical distancing measures, over the last month and a half, Black Diamond has seen an increase in demand for certain products and services both within the MSS and WFS segments. These products include testing or pre-screening facilities, hand-wash or sanitization stations, field hospitals, and quarantine centers, among others. The Company is also seeing increased demand for square footage at existing facilities to facilitate physical employee-distancing on site. Overall, MSS performance is expected to remain relatively stable in the near-term and as the global economy begins to re-start in the coming months, Management expects a resumption of steady growth in this segment.

The WFS business unit has continued to diversify its operations with recent equipment having been mobilized into eastern Canada under contract. The Company's Australian assets remain highly utilized and stable with healthy recurring rental revenue. However, given the usual seasonal slow-down in the second quarter, combined with the current disruption caused by COVID-19, the Company expects overall WFS segment performance to weaken in the near-term. The remaining revenue to be earned on the previously announced $46.8 million Sukunka Lodge contract is approximately $32 million. The medium-to-longer term opportunity set for the Company's large-camp assets continues to see several outstanding bids and potential contracts throughout our operating regions being contemplated.

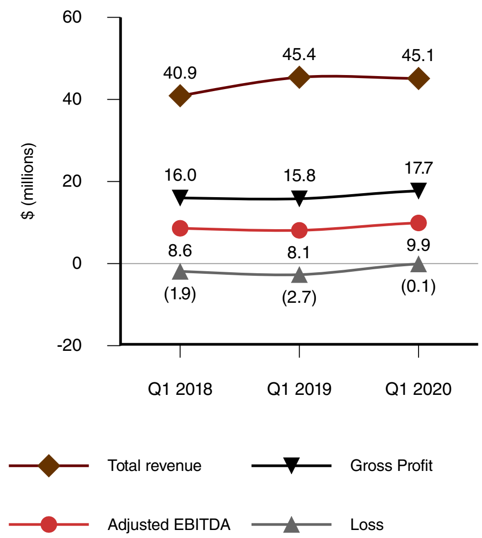
LodgeLink, Black Diamond's digital marketplace platform for workforce travel and accommodation, continues to scale, with 485 unique corporate customers and almost 1,400 properties, representing approximately 145,000 rooms of capacity listed at the end of the Quarter. While room bookings contracted year-over-year due to slowing travel and accommodation activity in March caused by COVID-19 related restrictions, gross booking revenue grew modestly due to the introduction of additional services and continued diversification of the customer base. While the Company is taking a modest pause on growth in hiring in this platform, we are redoubling our efforts to develop and improve the technology, operating processes, and user experience in anticipation of a resumption of the marketplace expansion when travel restrictions are eased.

While recent macroeconomic shocks have presented near-term challenges in parts of our platform, Management believes the Company is well-equipped to weather any near-term or even prolonged weakness in end-markets. Our diversification strategy over the last several years, particularly in our MSS business unit, is expected to result in comparative stability throughout the current difficult operating environment. Further, the Company's ABL credit facility provides ample flexibility and liquidity at attractive rates and is termed up until October 2023. Black Diamond’s longer-term focus and strategy is unchanged and the Company remains committed to creating a stable, diversified and growing platform to drive long-term value creation.

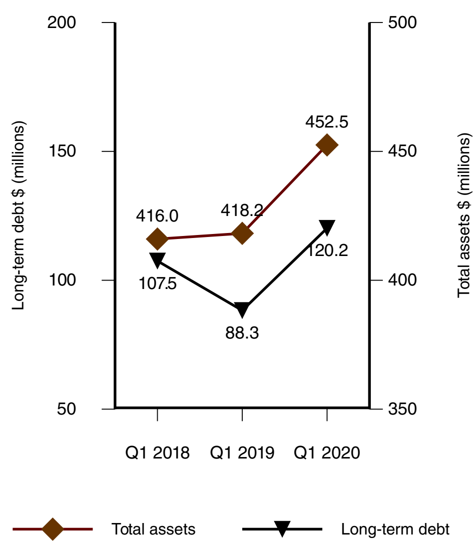
# FINANCIAL REVIEW

- Revenue for the Quarter was $45.1 million, down 1% or $0.3 million from the Comparative Quarter.
- Revenue generated outside of Canada accounts for 35% of total revenue in the Quarter.
- Revenue generated outside of the Canadian energy sector accounts for 64% of total revenue in the Quarter.
- Adjusted EBITDA for the Quarter was $9.9 million, up 22% or $1.8 million from the Comparative Quarter, primarily due to an increase in rental and non-rental margins.
- The Company exited the Quarter with a Net Debt to Adjusted EBITDA ratio of 2.69 (March 31, 2019 - 2.84) and a Debt to Tangible Book Value ratio of 0.55 (March 31, 2019 - 0.44).

## Three Months Ended March 31, Financial Highlights




## Three Months Ended March 31, Financial Highlights



## Geographic Revenue Segmentation

| ($ millions) | Three months ended March 31, 2020 $ | 2019 $ | Change % |
|---|---|---|---|
| **Revenue** | | | |
| Canada | **29.4** | 27.8 | 6 % |
| United States | **12.4** | 14.3 | (13)% |
| Australia | **3.3** | 3.3 | — % |
| **Total** | **45.1** | 45.4 | (1)% |

| Percentage of total revenue | Three months ended March 31, 2020 % | 2019 % | Change |
|---|---|---|---|
| **Revenue** | | | |
| Canada | **65%** | 61% | 4 |
| United States | **27%** | 31% | (4) |
| Australia | **8%** | 8% | — |
| **Total** | **100%** | 100% | — |

## 2020 Capital Plan

Capital expenditures for the Quarter were $12.5 million (excluding acquisition of Spectrum of $6.6 million) and capital commitments were $7.0 million as at March 31, 2020. This is compared with capital expenditures of $8.3 million and capital commitments of $7.8 million in the Comparative Quarter. The Company's 2020 gross capital plan of $35 million was targeted to support our overarching strategy of diversifying the Company's asset base and cash flows.

The Company's net capital expenditures for the Quarter were $11.7 million compared with net capital expenditures of $6.4 million in the Comparative Quarter.

Capital expenditures for the Quarter included maintenance capital of $2.2 million, compared to $1.9 million in the Comparative Quarter.

Black Diamond markets its fleet of assets to customers primarily on a rental basis. However, occasionally the customer has preference for ownership when they have a longer-term need for the asset. In these circumstances, Black Diamond sells assets out of its fleet in the ordinary course of servicing its customers. This is a profitable business line for the Company and also helps the Company replenish its fleet with newer assets to maintain a relatively newer average age of the fleet. Proceeds from used fleet asset sales in the Quarter were $0.8 million compared with $1.9 million in the Comparative Quarter.

# SELECTED FINANCIAL INFORMATION

The following is a summary of selected financial and operating information that has been derived from, and should be read in conjunction with the unaudited condensed interim consolidated financial statements of Black Diamond for the three month periods ended March 31, 2020 and 2019.

| | Three months ended March 31, | | |
|---|---|---|---|
| (in millions, except as noted) | 2020 | 2019 | Change |
| **Financial Highlights** | $ | $ | |
| Total revenue | 45.1 | 45.4 | (1)% |
| Gross profit | 17.7 | 15.8 | 12% |
| Administrative expenses | 7.8 | 7.7 | 1% |
| Adjusted EBITDA (1) | 9.9 | 8.1 | 22% |
| Funds from Operations (1) | 10.3 | 8.8 | 17% |
| Per share ($) | 0.19 | 0.16 | 19% |
| Profit/(loss) before taxes | 0.2 | (3.9) | 105% |
| Loss | (0.1) | (2.7) | 96% |
| Loss per share - basic and diluted | — | (0.05) | 100% |
| Capital expenditures | 12.5 | 8.3 | 51% |
| Business acquisitions | 6.6 | — | —% |
| Property & equipment (NBV) | 349.5 | 336.6 | 4% |
| Total assets | 452.5 | 418.2 | 8% |
| Long-term debt | 120.2 | 88.3 | 36% |
| Cash and cash equivalents | 9.6 | 0.2 | 4,700% |

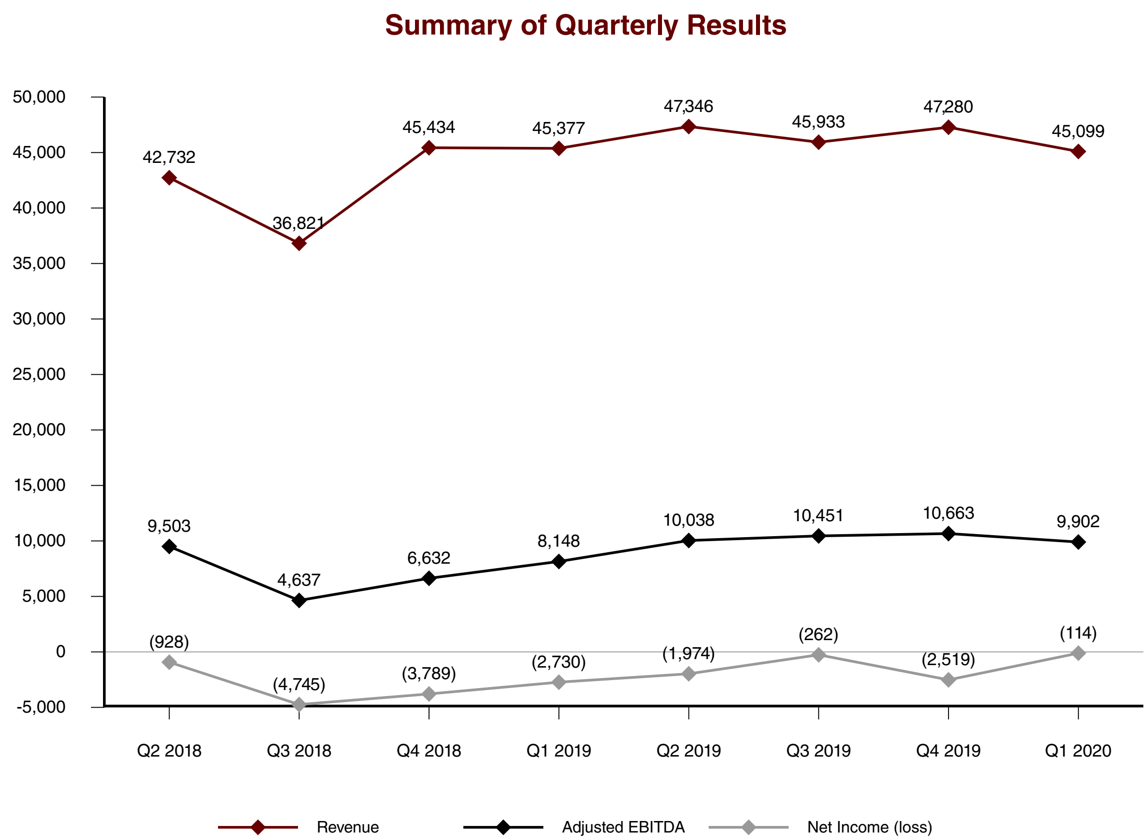
(1) Adjusted EBITDA and Funds from Operations are supplemental non-GAAP measurements and do not have a standardized meaning prescribed by IFRS. Therefore, Adjusted EBITDA and Funds from Operations may not be comparable to similar measures presented by other issuers. See "Non-GAAP Measures" for further details.

| **Margin Summary** | Three months ended March 31, | | |
|---|---|---|---|
| (Percent of revenue) | 2020 | 2019 | Change (1) |
| Gross profit | 39% | 35% | 4 |
| Administrative expenses | 17% | 17% | — |
| Adjusted EBITDA | 22% | 18% | 4 |

(1) Percentage point basis.

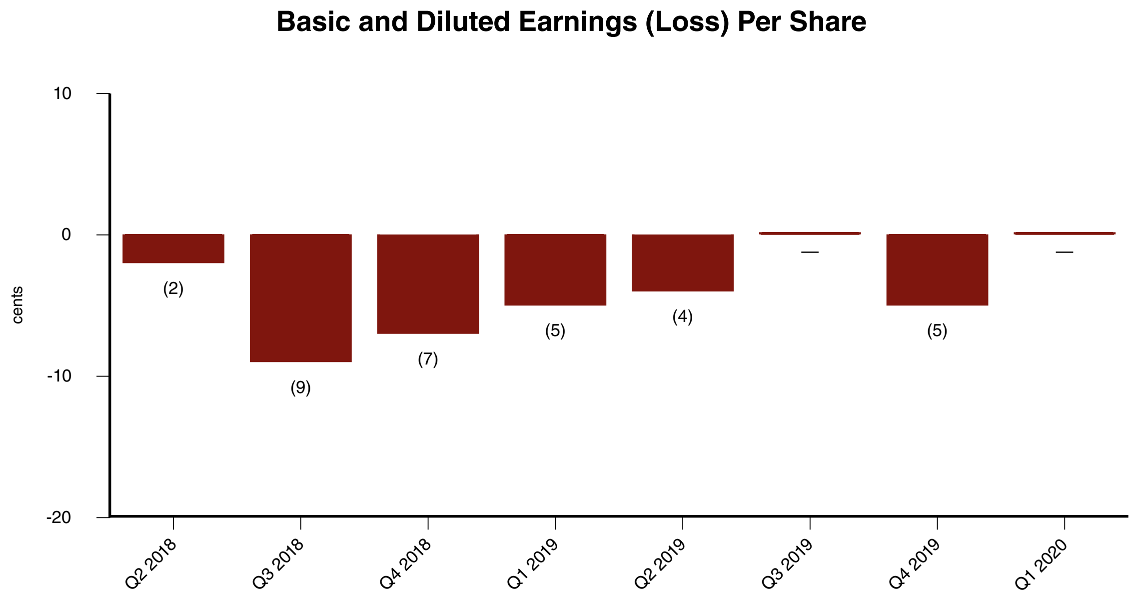
# SUMMARY OF QUARTERLY RESULTS

The following is a summary of the previous eight quarters:




The more significant variations in individual quarterly results are explained below.

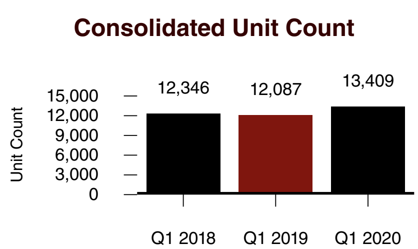
1. In Q2 2018 revenue, Adjusted EBITDA and net income increased moderately from Q2 2017 due to higher MSS and WFS earnings and reduced Corporate and Other costs.
2. In Q3 2018, Adjusted EBITDA and net income decreased from Q3 2017 due to changes in the revenue mix and lower margins on sales revenue in WFS.
3. In Q4 2018, Adjusted EBITDA decreased from Q4 2017 primarily as a result of a decrease in rental revenue in WFS. Net income increased substantially from Q4 2017 to Q4 2018 due to an impairment loss recorded in Q4 2017.
4. In Q1 2019, Adjusted EBITDA decreased from Q1 2018 due to lower WFS earnings partially offset by the adoption of IFRS 16.
5. In Q2 2019, Adjusted EBITDA increased from Q2 2018 due to a change in revenue mix and the positive impact of IFRS 16.
6. In Q3 2019, Adjusted EBITDA increased from Q3 2018 due to an increase in rental margins and the positive impact of IFRS 16.
7. In Q4 2019, Adjusted EBITDA increased from Q4 2018 due to an increase in rental and non-rental margins and the positive impact of IFRS.
8. In Q1 2020, Adjusted EBITDA increased from Q1 2019 due to an increase in rental and non-rental margins, partially offset by a decrease in lodging margins.

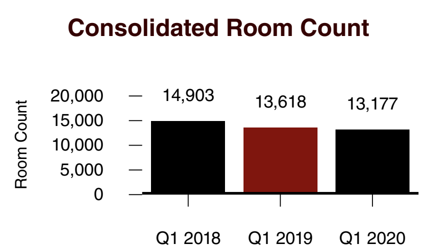



# CONSOLIDATED FINANCIAL AND OPERATIONAL REVIEW

## Consolidated Fleet

The consolidated number of rental units in Black Diamond's global fleet increased to 13,409 units at the end of the Quarter compared with 12,087 in the Comparative Quarter primarily due to organic growth of the space rentals fleet and the acquisition of the Spectrum fleet assets. The increase in units is part of the Company's strategy to expand the geographic diversification of its asset portfolio and grow its MSS business. Consolidated unit count includes accommodation units, modular space rental units and surface rental units. Consolidated room count in Black Diamond's global fleet decreased to 13,177 rooms in the Quarter compared with 13,618 rooms in the Comparative Quarter primarily due to used fleet sales in WFS.



## Fleet Utilization Rates

| | Three months ended March 31, | | |
|---|---|---|---|
| | 2020 | 2019 | Change (1) |
| **Modular Space Solutions** | 72% | 73% | (1) |
| **Workforce Solutions:** | | | |
| Workforce Housing Accommodations: Rental Fleet | 40% | 29% | 11 |
| Wellsite Accommodations | 67% | 78% | (11) |
| Surface Equipment | 40% | 20% | 20 |
| **Consolidated** | 61% | 59% | 2 |

(1) Percentage point basis.

Black Diamond measures utilization on the basis of the net book value of assets on rent and assets deployed for lodging services, divided by the net book value of the business unit's total fleet assets.

### Q1 2020 vs Q1 2019

Utilization in MSS has held steady and average rental rates have improved despite the growth in fleet size. The increase in workforce housing accommodations rental fleet utilization is due to recently opened turnkey camps in Canada. The utilization of wellsite accommodation decreased from the Comparative Quarter due to a decrease in U.S. utilization, slightly offset by an increase in Canadian utilization. The increase in surface equipment utilization in WFS is due to increased activity in U.S. and Canada.

## Revenue

Black Diamond's revenues are broken out into four categories: rental, lodging, sales, and non-rental:

**Rental Revenues** are associated with the rental of Black Diamond's owned assets to customers. Rental revenue is the highest margin of the Company's revenues.

**Lodging Revenues** are generated from provision of full turnkey lodging services provided to customers. The rooms in our lodging fleet are marketed to individual customers at man day rates through LodgeLink or are contracted with customers for specific rates and/or number of man days. A man day is defined as one overnight stay in one room at a lodge and is used in calculating occupancy.

**Sales Revenues** are derived from the sale of both new and used assets, including modular space, workforce accommodations, wellsite accommodations and surface equipment assets.

**Non-Rental Revenues** are derived from a number of services that are typically associated with the rental or sale of the Company’s modular space or workforce assets, including the delivery, installation, pickup, dismantling of assets, sublease equipment, maintenance and catering services. The services offered are often required to support the deployment and remobilization of these assets. Also included in non-rental revenue is the revenue earned on bookings at third party lodges through LodgeLink.

| ($ millions, except as noted) | Three months ended March 31, 2020 | 2019 | Change |
|---|---|---|---|
| Rental revenue | 17.1 | 14.6 | 17% |
| Lodging revenue | 6.0 | 10.2 | (41)% |
| Sales revenue | 5.6 | 6.5 | (14)% |
| Non-rental revenue | 16.4 | 14.1 | 16% |
| Revenue | 45.1 | 45.4 | (1)% |

| Percentage of consolidated revenue | Three months ended March 31, 2020 | 2019 | Change (1) |
|---|---|---|---|
| Rental revenue | 38% | 32% | 6 |
| Lodging revenue | 13% | 22% | (9) |
| Sales revenue | 12% | 14% | (2) |
| Non-rental revenue | 37% | 32% | 5 |

(1) Percentage point basis.

### Q1 2020 vs Q1 2019

Rental revenue for the Quarter was $17.1 million, up 17% or $2.6 million from the Comparative Quarter due to increases in both MSS and WFS. There was a $1.3 million increase in WFS rental revenue as the result of the opening of Sukunka Lodge and increased utilization. There was also a $1.3 million increase in MSS rental revenue attributable to increased fleet size and improved average rental rates.

Lodging revenue for the Quarter was $6.0 million, down 41% or $4.2 million from the Comparative Quarter. This was due to the closure of two lodges as a result of low demand in the areas they are situated, which was partially offset by the opening of a new lodge.

Sales revenue for the Quarter was $5.6 million, down 14% or $1.0 million from the Comparative Quarter primarily caused by a $1.7 million decrease in MSS sales revenue due to decreased U.S. sales, partially offset by increased sales in Canada. The decrease in MSS sales revenue was partially offset by a $0.7 million increase in WFS sales revenue. Variability in sales revenue from quarter to quarter is normal given the nature of these types of transactions.

Non-rental revenue for the Quarter was $16.4 million, up 16% or $2.3 million from the Comparative Quarter primarily due to an $8.0 million increase in non-rental revenue in WFS, mainly owing to the transportation of assets from California for a rental contract in eastern Canada. This is offset by a $5.7 million decrease in non-rental revenue in MSS on account of decreased U.S. transportation and installation activity.

## Direct Costs and Gross Profit

| ($ millions, except as noted) | Three months ended March 31, 2020 | 2019 | Change |
|---|---|---|---|
| Direct costs | 27.4 | 29.6 | (7)% |
| Gross profit | 17.7 | 15.8 | 12% |

| Percentage of consolidated revenue | Three months ended March 31, 2020 | 2019 | Change (1) |
|---|---|---|---|
| Direct costs | 61% | 65% | (4) |
| Gross profit | 39% | 35% | 4 |

(1) Percentage point basis.

Gross profit margins fluctuate depending on the mix between rental, lodging, sales and non-rental revenue streams. Revenue streams ancillary to rental revenue generally realize lower gross margins than fleet rental margins.

Direct costs related to rental revenue include labour, fuel, materials, freight, maintenance, rent on subleased properties, fleet insurance and servicing of rental units. Direct costs related to lodging revenue include catering services, utilities costs, consumable materials and other services required to provide turnkey lodging services. From time to time, Black Diamond will sell used units from its fleet, rent equipment from third parties and re-rent the equipment, provide installation and render other services to customers. These activities are captured in sales and non-rental revenues. Direct costs related to non-rental and sales revenues include the net book value of used units that have been sold, the cost of units sub-leased from others, and the cost of third parties in delivering some of these services.

| **Direct Costs** | Three months ended March 31, 2020 | 2019 | Change |
|---|---|---|---|
| ($ millions, except as noted) | $ | $ | |
| Construction and transportation services | 7.4 | 9.5 | (22)% |
| Catering, utilities and other consumable costs | 5.5 | 5.9 | (7)% |
| New sales | 4.0 | 4.4 | (9)% |
| Repairs and maintenance | 3.1 | 3.1 | —% |
| Personnel costs | 3.0 | 2.4 | 25% |
| Subleased equipment | 2.1 | 1.4 | 50% |
| Other direct costs | 0.8 | 0.5 | 60% |
| Used fleet sales | 0.7 | 1.4 | (50)% |
| Fleet insurance | 0.5 | 0.3 | 67% |
| Rent expense | 0.4 | 0.6 | (33)% |
| **Total direct costs** | 27.4 | 29.6 | (7)% |

## Q1 2020 vs Q1 2019

Direct costs for the Quarter were $27.4 million, down 7% or $2.2 million from the Comparative Quarter primarily due to a decrease in both construction and transportation services and used fleet sales, partially offset by an increase in personnel costs.

Gross profit for the Quarter was $17.7 million, up 12% or $1.9 million from the Comparative Quarter primarily due to an increase in non-rental margins, partially offset by a decrease in lodging margins.

## Administrative Expenses

| ($ millions, except as noted) | Three months ended March 31, 2020 | 2019 | Change |
|---|---|---|---|
| Personnel costs | 5.3 | 4.8 | 10% |
| Other administrative expenses | 1.9 | 2.2 | (14)% |
| Occupancy and insurance | 0.6 | 0.7 | (14)% |
| Total Administrative expenses | 7.8 | 7.7 | 1% |
| *% of Consolidated Revenue* | 17% | 17% | 0 |

Other administrative expenses include costs related to professional services, office administration and communication, bad debts, travel and accommodation.

### Q1 2020 vs Q1 2019

Total administrative expenses for the Quarter were up 1% to $7.8 million compared to the Comparative Quarter.

The various components of Black Diamond's total administrative expenses are broken out below:

- Personnel costs for the Quarter were $5.4 million, up 10% or $0.5 million from the Comparative Quarter due to higher staffing levels.
- Other administrative expenses for the Quarter were $1.9 million, down 14% or $0.3 million from the Comparative Quarter primarily due to a decrease in travel expenses and decrease in foreign exchange losses.
- Occupancy and insurance costs for the Quarter were $0.6 million, down 14% or $0.1 million from the Comparative Quarter.

## Adjusted EBITDA

| ($ millions, except as noted) | Three months ended March 31, 2020 | 2019 | Change |
|---|---|---|---|
| Adjusted EBITDA (1) | 9.9 | 8.1 | 22% |
| *% of Consolidated Revenue* | 22% | 18% | 4 |

(1) Adjusted EBITDA is a supplemental non-GAAP measurement and does not have a standardized meaning prescribed by IFRS. Therefore, Adjusted EBITDA may not be comparable to similar measures presented by other issuers. See "Non-GAAP Measures" for further details.

Adjusted EBITDA as a percentage of consolidated revenue will fluctuate from period to period depending on the proportion of rental revenue compared to ancillary revenue streams such as lodging services, used and custom manufactured fleet sales, installation, subleases and other services which generally yield a lower Adjusted EBITDA margin.

### Q1 2020 vs Q1 2019

Adjusted EBITDA for the Quarter was $9.9 million, up 22% or  $1.8 million from the Comparative Quarter primarily due to an increase in rental and non-rental margins, partially offset by a decrease in lodging margins.

## Depreciation and Amortization

| | Three months ended March 31, | | |
|---|---|---|---|
| ($ millions, except as noted) | 2020 | 2019 | Change |
| Depreciation and amortization, net of depreciation of right-of-use assets | 6.0 | 8.3 | (28)% |
| *% of Property and equipment* | 2% | 2% | — |
| Depreciation of right-of-use assets | 1.4 | 1.2 | 17% |

### Q1 2020 vs Q1 2019

Depreciation and amortization of property and equipment for the Quarter was $6.0 million, down 28% or $2.3 million from the Comparative Quarter primarily due to a change in estimate regarding the residual values of the space rental fleet and workforce accommodation fleet.

Depreciation of right-of-use assets increased due to a larger leased real estate and equipment portfolio in the Quarter combined with extensions of previous real estate contracts.

## Finance Costs

| | Three months ended March 31, | | |
|---|---|---|---|
| ($ millions, except as noted) | 2020 | 2019 | Change |
| Finance costs | 1.6 | 1.9 | (16)% |
| Long-term debt [(1)] | 120.2 | 88.3 | 36% |
| Average interest rate | 3.52% | 5.16% | -164 bps |

(1) Net debt as at March 31, 2020 was $110.6 million (March 31, 2019 - $88.1 million).

### Q1 2020 vs Q1 2019

Finance costs for the Quarter were $1.6 million, down 16% or $0.3 million from the Comparative Quarter primarily due to lower interest rates on the asset-based revolving credit facility ("ABL Facility") as compared to the Company's previous debt instruments.

## Income Tax

| | Three months ended March 31, | | |
|---|---|---|---|
| ($ millions, except as noted) | 2020 | 2019 | Change |
| Deferred tax | 0.1 | (1.3) | 108% |
| Total tax | 0.1 | (1.3) | 108% |

### Q1 2020 vs Q1 2019

For the Quarter, Black Diamond recognized a current income tax expense of $nil, consistent with the Comparative Quarter. The Company also recognized a deferred income tax expense of $0.1 million, a change of $1.4 million from the Comparative Quarter. The tax provision has been calculated at the enacted tax rate of 25% in Canada, 25% in the U.S., and 30% in Australia.

## Non-Controlling Interest

The non-controlling interest ("NCI") represents earnings attributable to the Fort Nelson First Nation's interest in the Black Diamond Dene Limited Partnership, the West Moberly First Nation's interest in the Black Diamond West Moberly Limited Partnership, the Beaver Lake Cree Nation's interest in the Black Diamond Nehiyawak Limited Partnership and the Whitecap Dakota First Nation's interest in the Whitecap Black Diamond Limited Partnership.

| | Three months ended March 31, | | |
|---|---|---|---|
| ($ millions, except as noted) | **2020** | **2019** | **Change** |
| Non-controlling interest | 0.3 | 0.1 | 200% |

### Q1 2020 vs Q1 2019

The NCI for the Quarter was $0.3 million, up 200% from a loss of $0.1 million from the Comparative Quarter due to an increase in lodging and rental income through our limited partnerships.

## Net Loss

| | Three months ended March 31, | | |
|---|---|---|---|
| ($ millions, except as noted) | **2020** | **2019** | **Change** |
| Net loss | (0.1) | (2.7) | 96% |

### Q1 2020 vs Q1 2019

Net loss for the Quarter was $0.1 million, an improvement of $2.6 million from the Comparative Quarter primarily due to an increase in rental and non-rental margins.

# SEGMENTED REVIEW OF FINANCIAL PERFORMANCE

The Company's senior management evaluates segment performance based on a variety of financial measures including revenue, profit, operating expenses and Adjusted EBITDA.

The following is a summary of the Company's segmented results for the three month periods ended March 31, 2020 and 2019, detailing revenues and Adjusted EBITDA by each of the Company's business units.

## Segmented Revenue

Revenues presented by segment in the tables below exclude inter-segment revenue.

| | Three months ended March 31, | | |
|---|---|---|---|
| | **2020** | **2019** | **Change** |
| (in millions, except where noted) | **$** | **$** | **%** |
| **Revenue** | | | |
| Modular Space Solutions | 16.5 | 22.5 | (27)% |
| Workforce Solutions | 28.6 | 22.9 | 25 % |
| **Total Revenue** | 45.1 | 45.4 | (1)% |

## Segmented Adjusted EBITDA

Adjusted EBITDA by segment excludes finance costs, tax expense, depreciation, amortization, accretion, foreign exchange gains or losses, stock-based compensation, acquisition costs, non-controlling interests, write-down of property and equipment, impairment of goodwill, restructuring costs, and gains or losses on the sale of non-fleet assets in the normal course of business.

| | Three months ended March 31, | | |
|---|---|---|---|
| | **2020** | **2019** | **Change** |
| (in millions, except where noted) | **$** | **$** | **%** |
| **Adjusted EBITDA** [(1)] | | | |
| Modular Space Solutions | 4.6 | 4.9 | (6)% |
| Workforce Solutions | 7.8 | 6.0 | 30 % |
| Corporate and Other | (2.5) | (2.7) | 7 % |
| **Total Adjusted EBITDA** | 9.9 | 8.1 | 22 % |

(1) Adjusted EBITDA is a supplemental non-GAAP measurement and does not have a standardized meaning prescribed by IFRS. Therefore, Adjusted EBITDA may not be comparable to similar measures presented by other issuers. See “Non-GAAP Measures” for further details.

# MODULAR SPACE SOLUTIONS BUSINESS UNIT

MSS has been building a network of branches in key geographic areas across North America where we can provide modular buildings, either for rent, or as a permanent solution through custom sales or used fleet sales. Products include mobile office units, lavatories, storage units, large multi-unit office complexes, health care facilities, classroom facilities, high security modular buildings, custom manufactured modular facilities and blast resistant structures. We provide delivery, installation, and dismantlement of these modules as support to the primary rental or sales equipment.

MSS provides a number of products and services that are complementary to the modular building and gives the customer a packaged solution that enhances their productivity and allows for immediate use. These value added products and services (VAPS) include furniture rental, steps and landings, hand wash stations, wireless connectivity, maintenance programs, utility services, disaster recovery programs, subleased equipment and more.

Our customers operate in the construction, real estate development, manufacturing, education, health care, financial and resource industries, as well as government agencies. As a result of this diversity in the customer base and geographic end markets, the MSS business unit generates steady cash flows from its recurring rental revenue.

## Revenue

There are three revenue streams to which these assets contribute.

1. **Rental**: Black Diamond's MSS segment provides assets to customers on a rental basis. Rental durations typically exceed the initial contract terms and are renewable on a month to month basis. Rental often includes VAPS when the non-fleet equipment is owned by Black Diamond.

2. **Sales**: The MSS segment complements its core, recurring rental revenue business with product sales. This sales activity is an extension of the asset rental business as many customers have long term or permanent projects where it may be more cost-effective to purchase rather than rent.

   There are two categories of assets sales:
   - Custom sales which involves the purchase of new units to customer specifications from our broad network of third-party manufacturers. Black Diamond will provide project management services including design work, procurement, installation, delivery, and other associated services. We do not purchase new custom units for resale unless we have already obtained a commitment from the customer.

   - Used fleet sales have typically been both a profitable and cost-effective method to finance the replenishment or upgrade of the lease fleet while generating free cash flow during periods of lower rental demand and utilization.

3. **Non-Rental**: Non-Rental revenue is derived from a number of services that are typically associated with the rental or sale of the Company's modular space assets, including the delivery, installation, pickup, dismantling of assets, and sublease equipment. The Company provides these services to customers for an additional fee beyond the rental and sales costs. Also included are VAPS that are provided to our customers where we are performing a service or supplying equipment that is not owned by Black Diamond.

## Financial Highlights

Rental revenue for MSS is directly proportional to the number of rental fleet units, the utilization rate of the fleet and the realized rental rate. Rental rates will vary between projects and periods due to the complexity of the fleet unit types available, asset configuration, quantity, project location and contract duration.

Due to the diversity of our locations and customers we contract with, the rental revenue in MSS is predictable and experiences consistent margins. Non-rental and sales revenue, on the other hand, can fluctuate with less consistent margins. The realized margins on non-rental and sales revenues are lower than margins for rental revenues due to the operating costs associated with non-rental revenue. As a result, changes in the mix between rental, non-rental and sales revenue, and the general variability in non-rental and sales revenue margins, can lead to fluctuations in Adjusted EBITDA margin between periods.

| **Revenue by Stream**<br>($ millions, except as noted) | **Three months ended March 31,**<br>**2020** | **2019** | **Change** |
|---|---|---|---|
| Rental Revenue | 8.9 | 7.6 | 17% |
| Sales Revenue | 4.0 | 5.6 | (29)% |
| Non-rental Revenue | 3.6 | 9.3 | (61)% |
| Total revenue | 16.5 | 22.5 | (27)% |
| Adjusted EBITDA | 4.6 | 4.9 | -6% |
| *Adjusted EBITDA as a % of revenue* | 28% | 22% | 6 |
| Return on Assets (1) | 11% | 12% | (1) |

(1) Calculated as annualized Adjusted EBITDA divided by average net book value. See "Non-GAAP measures".

| **Value Added Products & Services** | **Three months ended March 31,**<br>**2020** | **2019** | **Change** |
|---|---|---|---|
| VAPS as a % of Total Rental Revenue | 13% | 14% | (1) |

| **Revenue by Geography**<br>($ millions, except as noted) | **Three months ended March 31,**<br>**2020** | **2019** | **Change** |
|---|---|---|---|
| Canada | 11.4 | 11.1 | 3% |
| United States | 5.1 | 11.4 | (55)% |
| Total revenue | 16.5 | 22.5 | (27)% |

## Q1 2020 vs Q1 2019

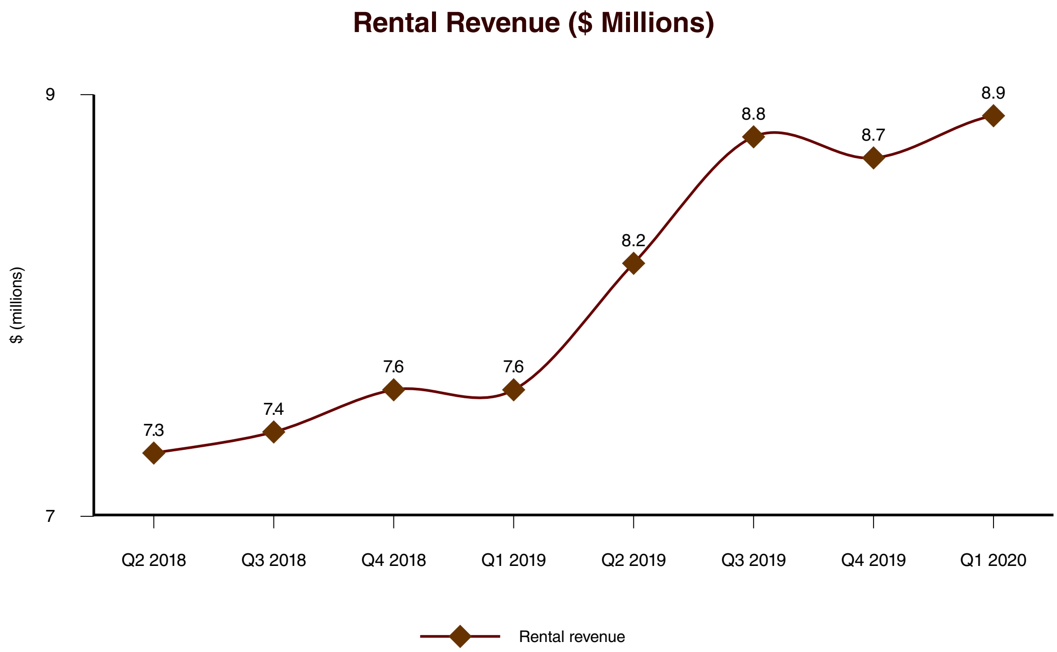
MSS business unit's total revenue for the Quarter was $16.5 million, down 27% or $6.1 million from the Comparative Quarter.

- **Rental revenue** during the Quarter was $8.9 million, up 17% or $1.3 million from the Comparative Quarter due to increased fleet size and improved average rental rates.
- **Sales revenue** during the Quarter was $4.0 million, down 29% or $1.7 million from the Comparative Quarter due to decreased U.S. sales, partially offset by increased sales in Canada.
- **Non-rental** revenue during the Quarter was $3.6 million, down 61% or $5.7 million from the Comparative Quarter due to decreased U.S. transportation and installation activity.

Adjusted EBITDA for the Quarter was $4.6 million, down $0.3 million or 6% from the Comparative Quarter, as non-rental revenue and expense decreases were offset by a continued growth in rental revenue. Adjusted EBITDA as a percentage of revenue was up six percentage points to 28% as compared to the Comparative Quarter due to increased margins from sales revenue.

## Rental Revenue

Rental revenue for the Quarter continued the positive growth trend over the last eight quarters.




## Rental Term

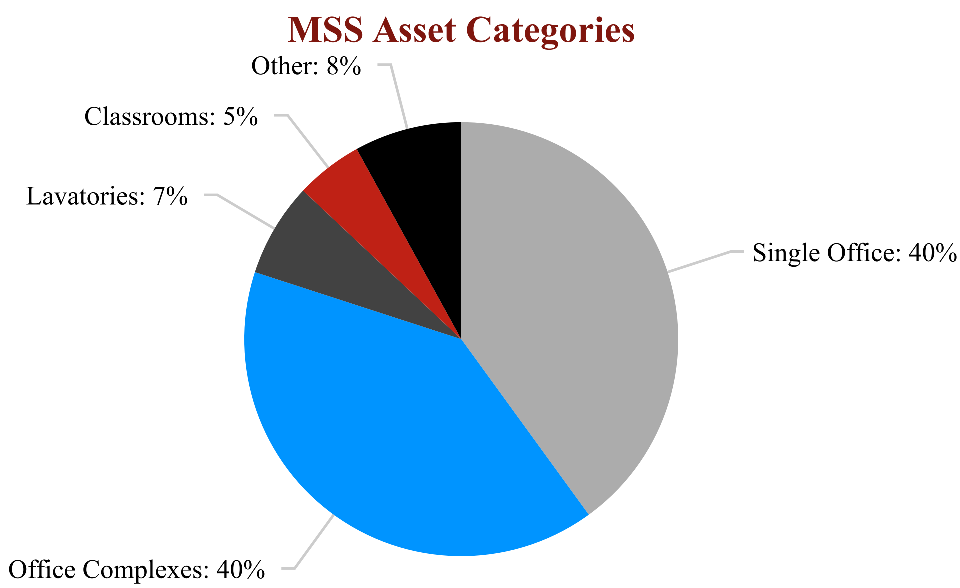
Rental durations typically exceed the initial contract terms and are renewable on a month to month basis. The average duration of the MSS lease portfolio as at March 31, 2020 was relatively consistent at 27.7 months, compared to 28.0 months as at March 31, 2019.

## Space Rental Assets and Average Utilization

The MSS fleet consisted of 6,503 units as at March 31, 2020, which increased 549 units or 9% from 5,954 units as at March 31, 2019. This increase is due to the acquisition of Spectrum in the Quarter, which added 202 units, plus additional fleet additions throughout 2019. For the Quarter, fleet additions of 379 units were partially offset by the sales or disposal of 27 units.

## Fleet Composition

As at March 31, 2020, the MSS Property, Plant and Equipment Net Book Value was comprised of the following asset categories:

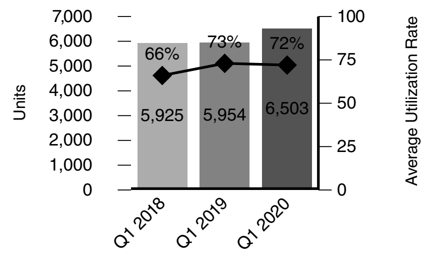



## MSS Consolidated

| MSS Assets, Utilizations, and Rates | Three months ended March 31, 2020 | 2019 | Change |
|---|---|---|---|
| Property and Equipment Net Book Value ($ millions) | 167.2 | 145.7 | 15% |
| Modular Space Assets | 6,503 | 5,954 | 9% |
| Average Utilization (1) | 72% | 73% | (1) |
| Average Rental Rate | $624 | $583 | 7% |

(1) Calculated as the net book value of fleet assets on rent, divided by the net book value of total fleet assets.

Space Rental Assets and Average Utilization - Quarterly




## Q1 2020 vs Q1 2019

Utilization for the Quarter was 72%, a one percentage point decrease from 73% in the Comparative Quarter. Utilization in MSS has held steady and average rental rates have improved despite the growth in fleet size.

The average rental rate increased as compared to the Comparative Quarter by 7%, continuing the trend of higher rental rate contracts in both the U.S. and Canada.

# WORKFORCE SOLUTIONS BUSINESS UNIT

The WFS business unit provides complete workforce housing solutions including rental of accommodations and surface equipment, provision of full turnkey lodging and provision of travel management logistics through LodgeLink. WFS operates in Canada, the U.S. and Australia.

The primary service offerings in WFS are asset rental, lodging and travel management logistics. To support the core rental business, WFS also offers associated services such as installation, transportation and dismantle, and the sale of used fleet assets.

The assets included in the rental business are:

**Workforce housing accommodations:** the rental fleet includes modular accommodation structures that are assembled into large scale camps in a variety of dormitory configurations with kitchen/diner complexes and recreation facilities. These assets are often necessary for operations related to oil and gas, mining, infrastructure and large scale construction projects, government, and other industries. These accommodations typically house workforces in remote locations where local accommodation infrastructure is either insufficient or non-existent.

**Wellsite accommodations:** modular accommodation structures which consist of single unit or multi-unit complexes, rented to customers, typically in the oil and gas industry throughout western Canada and the U.S.

**Surface equipment:** various types of equipment that support drilling, completion and production activities, rented to customers, typically in the oil and gas industry.

The lodging business provides workforce housing accommodations assets installed as lodges in strategic locations on land leases held by Black Diamond earning lodging revenue. These lodges or open camps are available for booking through LodgeLink and often are contracted by customers to house workforces in remote locations. WFS currently has available three lodges in British Columbia (Sunset Prairie Lodge, Little Prairie Lodge and Horn River Lodge) and two in Alberta (Sunday Creek Lodge and Smoky River Lodge).

LodgeLink aggregates available remote accommodations rooms, both Black Diamond owned and third-party owned, in a transparent online marketplace and allows customers to easily find the closest lodge to a remote work site. Customers can then use LodgeLink to select and book their preferred accommodations after assessing availability, proximity and price.

## Revenue

There are four revenue streams to which these assets contribute.

1. **Lodging:** workforce housing accommodations assets, categorized as lodging fleet, typically generate revenue from the provision of full turnkey lodging services to our customers. Lodging revenue is earned on a day rate or days occupied basis.

2. **Rental:** WFS provides assets to customers on a rental basis. Rental contracts may be month to month or a term longer than a month for accommodation fleet assets and based on day rates for surface rental fleet assets. The rates quoted for a rental of workforce housing accommodation assets are typically monthly and wellsite accommodations and surface equipment are typically quoted as a day rate.

3. **Sales:** WFS sells new and used workforce accommodations, wellsite accommodations and surface equipment assets.

4. **Non-Rental:** WFS provides complete installation, delivery and maintenance services and catering services or subleased equipment. Installation and delivery of assets is typically associated with rental contracts or sales

of new and used fleet, contracted on a lump sum basis. Catering contracts or sublease contracts are typically associated with a rental contract of workforce accommodations assets or wellsite accommodations assets. Also included in non-rental revenue is the revenue earned on bookings at third party rooms through LodgeLink.

## Financial Highlights

The following is a summary of the key metrics used by management to assess performance. Revenue, Adjusted EBITDA and return on assets are key financial measures which fluctuate in direct proportion to utilization, occupancy and rates.

| | Three months ended March 31, | | |
|---|---|---|---|
| **Revenue by Stream**<br>($ millions, except as noted) | **2020** | **2019** | **Change** |
| Lodging Revenue | 6.0 | 10.2 | (41)% |
| Rental Revenue | 8.2 | 7.0 | 17% |
| Sales Revenue | 1.6 | 0.9 | 78% |
| Non-rental Revenue | 12.8 | 4.8 | 167% |
| Total revenue | 28.6 | 22.9 | 25% |

| | Three months ended March 31, | | |
|---|---|---|---|
| **Revenue by Geography**<br>($ millions, except as noted) | **2020** | **2019** | **Change** |
| Canada | 18.1 | 16.7 | 8% |
| United States | 7.3 | 2.8 | 161% |
| Australia | 3.2 | 3.4 | (6)% |
| Total revenue | 28.6 | 22.9 | 25% |
| Adjusted EBITDA | 7.8 | 6.0 | 30% |
| *Adjusted EBITDA as a % of revenue* | 27% | 26% | 1 |
| Return on Assets (1) | 19% | 13% | 6 |

(1) Calculated as annualized Adjusted EBITDA divided by average net book value. See "Non-GAAP measures".

### Q1 2020 vs Q1 2019

Adjusted EBITDA as a percentage of revenue increased in the Quarter to 27% compared with 26% in the Comparative Quarter due to changes in revenue mix and stronger non-rental margins attributed to higher transportation revenue.

## Lodging

The following are key metrics used to measure and report on performance of lodging revenue. Average lodging occupancy is calculated for the Quarter by dividing the total man days occupied by total available for occupancy man days in the period. Average rooms available are the total rooms available for occupancy in a Black Diamond lodge, averaged for the period. Rooms available for occupancy fluctuates from period to period based upon management decisions to open or close portions of open camps to meet expectations of market demand. Average lodging rates per day are calculated as lodging revenue divided by the total man days paid for in the period.

| | Three months ended March 31, | | |
|---|---|---|---|
| | 2020 | 2019 | Change |
| Average lodging occupancy | 33% | 33% | — |
| Total lodging units | 574 | 820 | (30)% |
| Total managed rooms [1] | 2,570 | 2,870 | (10)% |
| Average rooms available | 1,075 | 1,935 | (44)% |
| Average lodging rates per day | $184 | $167 | 10% |

(1) Total rooms managed by Black Diamond, including those in closed portions of open camps and turnkey lodges as at period end.

### Q1 2020 vs Q1 2019

Lodging revenue during the Quarter was $6.0 million, down 41% or $4.2 million from the Comparative Quarter due to closure of Sunday Creek Lodge and Horn River Lodge in Q1 2020 as a result of low demand in the areas they are situated, which was partially offset by the opening of Sukunka Lodge.

## Rental

The following are key metrics used to measure and report on performance of rental revenue. Average asset utilization for the Quarter is calculated by dividing the total net book value by the net book value of assets on rent.

| | Three months ended March 31, | | |
|---|---|---|---|
| **Average Asset Utilization** | 2020 | 2019 | Change |
| Workforce Housing Accommodations: Rental Fleet | 40% | 29% | 11 |
| Wellsite Accommodations | 67% | 78% | (11) |
| Surface Equipment | 40% | 20% | 20 |
| **Fleet Count (Units)** | | | |
| Workforce Housing Accommodations: Rental Fleet | 3,330 | 3,080 | 8% |
| Wellsite Accommodations | 619 | 659 | (6)% |
| Surface Equipment | 2,957 | 2,394 | 24% |
| **Consolidated Room Count by Geography** | | | |
| Canada | 9,757 | 11,744 | (17)% |
| United States | 2,410 | 884 | 173% |
| Australia | 1,010 | 990 | 2% |
| | 13,177 | 13,618 | (3)% |
| **Net Book Value by Geography ($ millions)** | | | |
| Canada | 109.1 | 124.5 | (12)% |
| United States | 43.7 | 38.2 | 14% |
| Australia | 12.6 | 11.8 | 7% |
| | 165.4 | 174.5 | (5)% |

### Q1 2020 vs Q1 2019

Rental revenue during the Quarter was $8.2 million, up 17% or $1.3 million from the Comparative Quarter due to the opening of Sukunka Lodge and increases to utilization in the workforce housing accommodation rental fleet in Canada. This was also supported by more surface rental assets on rent related to a long-term project for a key customer. Stronger utilization from our Australian business also contributed to the improved rental revenue. Increases in workforce housing accommodations rental fleet in the Quarter from the Comparative Quarter is due to moving assets from lodging to the rental fleet. Also, surface equipment fleet count increased mainly due to the purchase of rig mat units which resulted in higher utilization related to a long-term project for a key customer.

## Sales and Non-Rental

Sales revenue and non-rental revenue are generally not driven by market indicators and are unpredictable in terms of timing and margins.

### Q1 2020 vs Q1 2019

Sales revenue during the Quarter was $1.6 million, up 78% or $0.7 million from the Comparative Quarter primarily due to a sale of new assets to a first nation partner, and higher used sales activity in Australia.

Non-rental revenue during the Quarter was $12.8 million, up 167% or $8.0 million from the Comparative Quarter mainly due to the transportation of assets from California for a rental contract in eastern Canada.

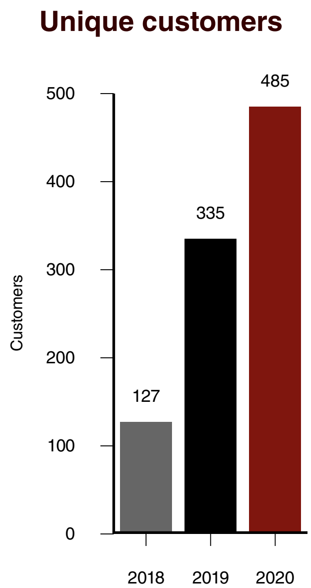
## LodgeLink

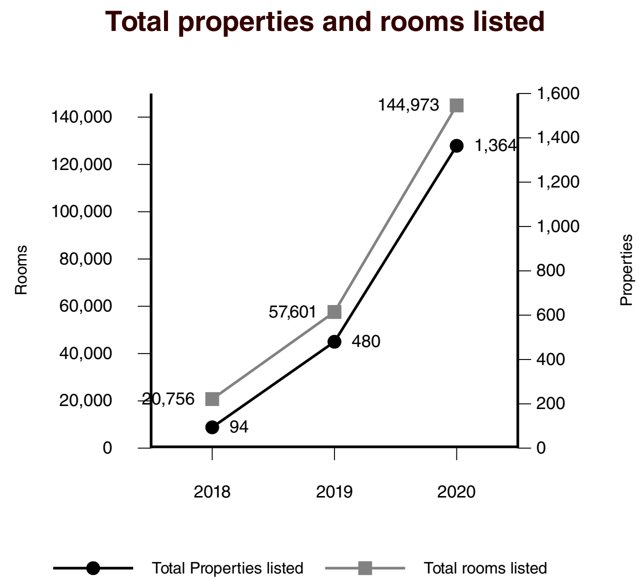
LodgeLink revenue generated from bookings is typically based on a fee per room booked and is included in non-rental revenue. When the room is booked in a third party lodge the revenue is categorized as non-rental revenue (revenue from bookings at Black Diamond owned lodges is categorized as lodging revenue).

| | Three months ended March 31, | | |
|---|---|---|---|
| **LodgeLink (1)** | **2020** | **2019** | **Change** |
| Total gross bookings ($ millions) | 5.0 | 4.7 | 6% |
| Total room nights booked | 23,330 | 28,095 | (17)% |

(1) Total gross bookings, total room nights booked, total properties listed and total rooms listed include both Black Diamond owned assets and third party properties.

Gross booking revenue increased from the Comparative Quarter due to expansion of the crew travel services provided by LodgeLink that were not offered in the comparative quarter. LodgeLink continues to see increased diversity of active customers transacting on the marketplace at an increasing number of properties. COVID-19 had a significant and immediate negative impact on the LodgeLink room nights booked in the Quarter. The negative impact of COVID-19 is expected to remain a headwind for the LodgeLink business in Q2 2020.


Unique customers
Customers
500
400
300
200
100
0
127
335
485
2018
2019
2020


Total properties and rooms listed
Rooms
Properties
140,000
120,000
100,000
80,000
60,000
40,000
20,000
0
1,600
1,400
1,200
1,000
800
600
400
200
0
20,756
57,601
144,973
94
480
1,364
2018
2019
2020
Total Properties listed
Total rooms listed

# CORPORATE AND OTHER BUSINESS UNIT

The Corporate and Other business unit includes costs related to administrative activities that support all business units. The administrative support functions include activities of the executive office, finance, human resources, health and safety, legal and information technology. Included in the Corporate and Other business unit are non-material revenues that are not significant enough to report on their own.

| | Three months ended March 31, | | |
|---|---|---|---|
| ($ millions, except as noted) | **2020** | **2019** | **Change** |
| Property and Equipment Net Book Value | 16.8 | 16.4 | 2% |
| Adjusted EBITDA | (2.5) | (2.7) | 7% |

## Q1 2020 vs Q1 2019

Adjusted EBITDA for the Quarter was a loss of  $2.5 million, down 7% or $0.2 million from a loss of $2.7 million in the Comparative Quarter, primarily due to an decrease in occupancy and insurance expenses, offset by an increase in personnel expenses.

# LIQUIDITY AND CAPITAL RESOURCES

## Cash Requirements

### Contractual Obligations and Other Commitments

At March 31, 2020, Black Diamond had capital expenditure commitments in the amount of $7.0 million. Additionally, Black Diamond has a commitment of $36.2 million related to the Company's office and yard leases, which have varying terms over the next eight years. It is management's intention to meet the funding requirements for these commitments through internally generated cash flow.

### Capital Expenditures

Black Diamond's capital expenditures relate primarily to:

- MSS - space rental structures and ancillary equipment;
- WFS - workforce accommodation structures, ancillary equipment, surface rental equipment and space rental structures in Australia, and LodgeLink development costs; and
- Corporate and Other - land, leasehold improvements, computers, furniture and service related equipment.

For the Quarter, Black Diamond expended $12.5 million (Comparative Quarter – $8.3 million) on additions to property and equipment and intangible assets. The additions are set out in the table below. Additionally, in the Quarter, MSS acquired space rentals assets, the Spectrum brand name, customer relationships and working capital in the course of the Spectrum Acquisition for total cash consideration of $6.6 million.

| | Three months ended March 31, | | |
|---|---|---|---|
| ($ millions, except as noted) | 2020 | 2019 | Change % |
| Modular Space Solutions | 9.8 | 4.8 | 104% |
| Workforce Solutions | 2.1 | 3.4 | (38)% |
| Corporate | 0.6 | 0.1 | 500% |
| | 12.5 | 8.3 | 51% |

## Sources and Uses of Cash

Cash flows from operating, investing and financing activities, as reflected in the Unaudited Consolidated Statement of Cash Flows, are summarized in the following table:

| | Three months ended March 31, | | |
|---|---|---|---|
| ($ millions, except as noted) | 2020 | 2019 | Change % |
| Cash from operating activities | 10.4 | 12.0 | (13)% |
| Cash from (used in) investing activities | (19.2) | (10.1) | (90)% |
| Cash from (used in) financing activities | 14.0 | (4.8) | 392% |
| Total cash (decrease) increase | 5.2 | (3.0) | 273% |

Liquidity needs can be met through a variety of sources, depending on specific circumstances, including: available cash, cash generated from operations, draw downs under the Company's ABL Facility and the issuance of new equity or debt. Black Diamond's primary use of funds are operational expenses, sustaining and opportunity capital spending, and interest, taxes and principal debt repayments.

Cash provided by operating activities was $1.6 million lower in the Quarter than in the Comparative Quarter primarily due to a decrease in changes in non-cash working capital offset by an increase in rental margins in WFS and MSS.

Cash used in investing activities was $9.1 million higher in the Quarter than in the Comparative Quarter primarily due to higher capital expenditures in the Quarter and the acquisition of Spectrum.

Cash provided by financing activities was $18.8 million higher in the Quarter than in the Comparative Quarter primarily due to higher net proceeds on long-term debt in the Quarter, as compared to net repayments in the Comparative Quarter.

## Working Capital

The following table presents summarized working capital information:

| ($ millions, except as noted) | March 31, 2020 | December 31, 2019 | Change % |
|---|---|---|---|
| Current assets | 63.8 | 57.0 | 12% |
| Current liabilities | 46.4 | 44.4 | 5% |
| Working capital | 17.4 | 12.6 | 38% |

The increase in current assets of $6.8 million from December 31, 2019 was due to a $5.3 million increase in cash and an increase in accounts receivable of $2.6 million, partially offset by a $1.1 million decrease in other current assets.

The increase in current liabilities of $2.0 million from December 31, 2019 was largely due to an increase in deferred revenue of $3.6 million, offset by a decrease in accounts payable and accrued liabilities of $1.6 million.

## Principal Debt Instruments

As of March 31, 2020, Black Diamond's principal source of debt was an ABL Facility in the amount of $200 million, $191.9 million of which is available and $121.1 million is drawn.

The ABL Facility has a maturity date of October 30, 2023. The ABL Facility consists of a maximum $200 million revolving line, plus an uncommitted $50 million accordion. The ABL Facility replaced the Company's debt that existed as at September 30, 2019, which is described below. The borrowing base, or available amount at any given time under the ABL Facility is based on 85 - 90% of the Net Orderly Liquidation Value of eligible rental fleet and qualified receivables (as defined by the ABL Facility agreement), up to $200 million.

As at March 31, 2020, the Company's draws under the ABL Facility were comprised of an aggregate of $121.1 million of Canadian dollar and U.S. dollar advances.

For the three month period ended March 31, 2020, the average interest rate on outstanding debt was 3.52% (2019 - 5.16%).

The Company uses a combination of short-term and long-term debt to finance its business activities. Management believes that Black Diamond has the liquidity, barring any unforeseen circumstances, to continue to operate through the foreseeable future, and pursue its planned business objectives.

Management believes that the ongoing cash generated from operations will be sufficient to allow it to meet ongoing requirements for working capital, maintenance costs, administrative expenses, and interest costs. Black Diamond's cash generated from operations will be dependent upon future financial performance, which in turn will be subject to financial, business and other risk factors, including factors beyond Black Diamond's control. While recent macroeconomic shocks in the form of oil price wars and viral pandemics have presented near-term challenges in parts of our platform, Management believes the Company is well-equipped to weather any prolonged weakness in end-markets. The

Company’s ABL facility provides ample flexibility and liquidity at attractive rates and is termed up until October 2023. Black Diamond’s longer term focus and strategy is unchanged. The Company is committed to maintaining a strong balance sheet and flexible capital structure.

### Debt Covenants

In accordance with the terms of the ABL Facility, the Company is required to maintain a Fixed Charge Coverage Ratio ("FCCR") of 1.1 to 1; however, this covenant is only tested in certain instances, principally when draws under the ABL Facility exceed 90% of the borrowing base. As at March 31, 2020, the Company's draws under the ABL Facility amounted to $121.1 million (refer to consolidated financial statements), which represents 63% of the borrowing base of $191.9 million, therefore the FCCR covenant was not applicable.

As at March 31, 2020, Black Diamond was in compliance with all debt covenants.

## Share Capital

At March 31, 2020, Black Diamond had 55.6 million (December 31, 2019 - 55.2 million) common shares outstanding. In addition, at March 31, 2020 Black Diamond had 5.3 million (December 31, 2019 - 5.0 million) common shares reserved for issuance pursuant to the exercise of options and restricted share units which have been granted pursuant to Black Diamond's share option plan and restricted and performance incentive award plan.

The following table summarizes Black Diamond's equity capitalization as at May 5, 2020 (in thousands):

| | |
|---|---|
| Common shares | 55,589 |
| Stock options | 4,249 |
| Restricted share units | 1,075 |

## Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that have, or are likely to have, a material current or future effect on the Company's financial condition, revenues or expenses, results of operations, liquidity or capital expenses.

## Contingent Liabilities

The Company has entered into indemnity agreements with its directors and officers whereby the Company indemnifies the directors and officers from all personal liability and loss that may arise in service to the Company.

The following table summarizes Black Diamond's total contractual obligations as at March 31, 2020:

| | | Payments due by period | | |
|---|---|---|---|---|
| ($ millions) | **Total** | **Less than 1 year** | **1 - 5 years** | **After 5 years** |
| Long-term debt | 121.1 | — | 121.1 | — |
| Lease obligations | 36.2 | 8.0 | 21.0 | 7.2 |
| Purchase obligations | 7.0 | 7.0 | — | — |
| **Total contractual obligations** | 164.3 | 15.0 | 142.1 | 7.2 |

# FINANCIAL INSTRUMENTS

All of Black Diamond's financial instruments as at March 31, 2020 relate to standard working capital accounts and credit facility items.

Black Diamond is subject to both cash flow and interest rate risk on its long-term debt facilities. The required cash flow to service the Company's long-term debt facilities will fluctuate as a result of changes in market rates.

# NON-GAAP MEASURES

The consolidated financial statements have been prepared in accordance with IFRS. Certain supplementary information and measures not recognized under IFRS are provided where management believes they assist the reader in understanding Black Diamond's results. Non-GAAP financial measures do not have any standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers for these non-GAAP measures. These measures include:

**Adjusted EBITDA** is not a measure recognized under IFRS and does not have standardized meanings prescribed by IFRS. Adjusted EBITDA refers to consolidated earnings before finance costs, tax expense, depreciation, amortization, accretion, foreign exchange, stock-based compensation, acquisition costs, non-controlling interests, share of gains or losses of an associate, write-down of property and equipment, impairment of goodwill, restructuring costs, and gains or losses on the sale of non-fleet assets in the normal course of business.

Black Diamond uses Adjusted EBITDA primarily as a measure of operating performance. Management believes that operating performance, as determined by Adjusted EBITDA, is meaningful because it presents the performance of the Company's operations on a basis which excludes the impact of certain non-cash items as well as how the operations have been financed. In addition, management presents Adjusted EBITDA because it considers it to be an important supplemental measure of the Company's performance and believes this measure is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in industries with similar capital structures.

Adjusted EBITDA has limitations as an analytical tool, and readers should not consider this item in isolation, or as a substitute for an analysis of the Company’s results as reported under IFRS. Some of the limitations of Adjusted EBITDA are:

- Adjusted EBITDA excludes certain income tax payments that may represent a reduction in cash available to the Company;
- Adjusted EBITDA does not reflect the Company's cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, the Company's working capital needs;
- Adjusted EBITDA does not reflect the significant interest expense, or the cash requirements necessary to service interest payments on the Company's debt;
- depreciation and amortization are non-cash charges, thus the assets being depreciated and amortized will often have to be replaced in the future and Adjusted EBITDA does not reflect any cash requirements for such replacements; and
- other companies in the industry may calculate Adjusted EBITDA differently from how the Company does, limiting its usefulness as a comparative measure.

Because of these limitations, Adjusted EBITDA should not be considered as a measure of discretionary cash available to invest in the growth of the Company's business. The Company compensates for these limitations by relying primarily on the Company's IFRS results and using Adjusted EBITDA only on a supplementary basis.

## Reconciliation of Consolidated Profit to Adjusted EBITDA:

| ($ millions, except as noted) | Three months ended March 31, 2020 | 2019 | Change % |
|---|---|---|---|
| Loss | **(0.1)** | (2.7) | 96 % |
| Add (deduct): | | | |
| Share-based compensation | **0.6** | 0.6 | — % |
| Depreciation and amortization | **7.4** | 9.5 | (22)% |
| Finance costs | **1.6** | 1.9 | (16)% |
| Deferred income taxes | **0.1** | (1.3) | 108 % |
| Non-controlling interest | **0.3** | 0.1 | 200 % |
| Adjusted EBITDA | **9.9** | 8.1 | 22 % |

**Adjusted EBITDA Margin** is calculated by dividing Adjusted EBITDA by the revenue for the period.

**Funds from Operations** is calculated as the cash flow from operating activities excluding the changes in non-cash working capital. Management believes that Funds from Operations is a useful measure as it provides an indication of the funds generated by the operations before working capital adjustments. Changes in non-cash working capital items have been excluded as such changes are financed using the operating line of Black Diamond's credit facilities.

## Reconciliation of Cash Flow from Operating Activities to Funds from Operations:

| ($ millions, except as noted) | Three months ended March 31, 2020 | 2019 | Change % |
|---|---|---|---|
| Cash Flow from Operating Activities | **10.4** | 12.0 | (13)% |
| Add/(Deduct): | | | |
| Change in long-term accounts receivable | **—** | (0.3) | (100)% |
| Changes in non-cash working capital | **(0.1)** | (2.8) | (96)% |
| Funds from Operations | **10.3** | 8.8 | 17 % |

**Gross Profit Margin** is calculated by dividing Gross Profit by the revenue for the period.

**Working Capital** is calculated as current assets minus current liabilities.

**Net Debt to Adjusted EBITDA** is calculated as Net Debt divided by Adjusted EBITDA

**Tangible Book Value** is calculated as total shareholders' equity before non-controlling interests minus goodwill and intangible assets.

**Net Debt to Tangible Book Value** is calculated as Net Debt divided by Tangible Book Value.

**Net Debt** is calculated as long-term debt costs minus cash.

**Return on assets ("ROA")** is calculated as annualized Adjusted EBITDA divided by average net book value cost.

Readers are cautioned that the non-GAAP measures are not alternatives to measures under IFRS and should not, on their own, be construed as an indicator of Black Diamond's performance or cash flows, a measure of liquidity or as a measure of actual return on the shares of Black Diamond. These non-GAAP measures should only be used in conjunction with the consolidated financial statements of Black Diamond.

# RELATED PARTY TRANSACTIONS

The amounts due to limited partners include distributions and royalties payable to the non-controlling interests. They are non-interest bearing and due on demand.

The following table provides the total amount of transactions that have been entered into with related parties during the three month periods ended March 31, 2020 and 2019, as well as balances with related parties as at March 31, 2020 and December 31, 2019.

| | For the three months ended March 31, | | Due from (to) related parties as at | |
|---|---|---|---|---|
| | **2020** | 2019 | **March 31, 2020** | December 31, 2019 |
| | **$** | $ | **$** | $ |
| **Non-controlling interests** | | | | |
| Limited partners | | | | |
| Royalties and distributions declared | **272** | 344 | **(37)** | (365) |
| Sale of fleet assets | **1,216** | — | **582** | — |
| Capital contribution of fleet assets | **1,216** | — | **—** | — |

During the first quarter of 2020, a limited partner purchased surface rental units from the Company and contributed these units as a capital contribution to a partnership controlled by Black Diamond.

# RISKS AND UNCERTAINTIES

The operations of Black Diamond face a number of risks and uncertainties in the normal course of business that may be beyond its control, but which could have a material adverse effect on Black Diamond’s financial condition, results of operations and cash flows. Many of these risk factors and uncertainties are outlined in the annual information form of Black Diamond for the year ended December 31, 2019 available on SEDAR at www.sedar.com. Additional risks and uncertainties that management may be unaware of may become important factors which affect Black Diamond.

In March 2020, the Company has seen macro-economic uncertainty as a result of the global COVID-19 pandemic. The outbreak and subsequent measures intended to limit the spread of the virus contributed to significant volatility in financial markets. Furthermore, recent global developments and uncertainty in oil supply in March have caused further abnormally large volatility in commodity markets. The scale and duration of these developments remain uncertain but could impact the Company’s earnings, cash flow and financial condition.

# DISCLOSURE CONTROLS AND PROCEDURES & INTERNAL CONTROLS OVER FINANCIAL REPORTING

Black Diamond's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have, as at March 31, 2020, designed, or caused to be designed under their supervision, disclosure controls and procedures to provide reasonable assurance that: (i) material information relating to Black Diamond is made known to Black Diamond's CEO and CFO by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by Black Diamond in its annual filings, interim filings, or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

Black Diamond's CEO and CFO have designed or caused to be designed under their supervision, internal controls over financial reporting ("ICFR") for the Company to provide reasonable assurance regarding the reliability of Black Diamond's financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Black Diamond's management, under the supervision of the CEO and CFO, used the criteria and framework established in the 2013 Internal Controls - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") to design Black Diamond's ICFR.

Black Diamond is required to disclose herein any change in Black Diamond's ICFR that occurred during the period beginning on January 1, 2020 and ended on March 31, 2020 that has materially affected, or is reasonably likely to materially affect, Black Diamond's ICFR. No material changes in Black Diamond's ICFR were identified during such period that have materially affected, or are reasonably likely to materially affect Black Diamond's ICFR. Due to the COVID-19 pandemic, Black Diamond has implemented social distancing measures which require non-essential employees to work remotely. These measures have not had a material impact on Black Diamond's ICFR to date, but will be continually monitored to mitigate any risks associated with changes in the Company's control environment.

It should be noted that a control system, including Black Diamond's disclosure and internal controls and procedures, no matter how well conceived or operated, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected that the disclosure and internal controls and procedures will prevent all errors or fraud.

Additional information relating to Black Diamond, including Black Diamond's annual information form for the year ended December 31, 2019 is available on SEDAR at www.sedar.com.

# CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

## Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, which have a significant effect on the amounts recognized in the consolidated financial statements:

## Impairment of non-financial assets

Goodwill is reviewed annually for impairment. Property and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment review requires estimates in a variety of areas including the determination of fair value, selling costs, timing and size of forecasted cash flows, long-term growth rates, anticipated gross margin, discount rates, and other valuation variables; the application of these variables in valuation models requires judgment.

## Determination of a Cash Generating Unit ("CGU")

Management's judgment is required in determining the Company's CGUs for the impairment assessment of its indefinite-life intangible assets. The CGUs have been determined considering level of operating activities and independent cash flows generated from groups of assets. Management determined the smallest identifiable group of assets that independently generates cash inflows and whose cash flow is largely independent of the cash inflows from other assets or groups of assets as follows: Camps & Lodging, BOXX Modular East, BOXX Modular West, BOXX Modular U.S., Energy Services, and International.

## Operating lease commitments – Company as lessor

The Company has entered into rental contracts for its fleet. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the fleet, that it retains all the significant risks and rewards of ownership of these assets and accounts for the contracts as operating leases.

## Fair value measurement of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including discounted cash flow models and trading multiples. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

## Determination of control and significant influence

Management has used judgment in assessing whether the Company exerts control and significant influence over its subsidiaries and investments, respectively. In general, significant influence is presumed to exist when the Company has between 20% and 50% of voting power. Significant influence may also be evidenced by other qualitative factors, including but not limited to the Company's representation on the board of directors.

## Income Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. As a multinational group of legal entities and businesses, the Company has undertaken various cross border transactions. These transactions are subject to the review and audit of various tax authorities. The judgment used when developing and entering into these transactions is based on existing tax policies in each jurisdiction. Future changes in tax policies may necessitate associated adjustments to tax recoveries and expenses already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the Company's legal entities.

# Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

## Revenue recognition

Revenue from certain types of contracts is recognized over time, using an input method to measure progress towards complete satisfaction of the service because the customer simultaneously receives and consumes the benefits provided by the Company. In determining the progress towards complete satisfaction, estimates and assumptions are made in relation to costs incurred and the costs to complete the contracts. When the outcome of the transaction cannot be estimated reliably, estimates and assumptions are made on whether the Company will recover the transaction costs incurred. If it is probable that the costs will be recoverable, revenue is recognized only to the extent of costs. If it is not probable that the costs incurred will be recovered, revenue is not recognized and the costs incurred are recognized as an expense.

## Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal ("FVLCD") and its value-in-use ("VIU"). The FVLCD calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. If no such transactions can be identified, an appropriate valuation model is used. The Company bases its impairment calculation on estimated future cash flows. The FVLCD calculation is based on a discounted cash flow ("DCF") model. The cash flows are derived from the Company's forecast for the next year and does not include significant future investments that could enhance the performance of the CGU being tested. Estimates for revenue growth and Adjusted EBITDA margins are based on a review of historical information for each CGU, consideration of achievable rates and utilizations during the forecast period, and consideration of future prospects given management's understanding of the operating environment. The discount rates used for each CGU are estimated based on the assumed weighted average cost of capital for a notional purchaser of each CGU. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows, margins, and the growth rate used for extrapolation purposes.

The Company is required to make judgments regarding the need for impairment at each reporting date by evaluating conditions specific to the organization that may lead to the impairment of assets.

## Asset Retirement Obligations

The Company has recognized a provision for asset retirement obligations associated with three land leases held by the Company. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove the camps from the leases and the expected timing of those costs.

## Additional estimates

Other estimates that management is required to make to conform with IFRS and prepare timely consolidated financial statements include accrual of unsettled transactions, collectability of accounts receivable, recognition of provisions and contingent obligations, the estimated useful lives of property and equipment, and useful lives of intangible assets. Accordingly, actual results may differ from estimated amounts. Management has also used judgment in the estimates used in pricing its options and long-term share based compensation plans, assessing the effectiveness of hedging relationships and the determination of functional currency.

If the underlying estimates and assumptions, upon which the consolidated financial statements are based, change in future periods, actual amounts may differ from those included in the accompanying consolidated financial statements.

## Changes in Accounting Policies and Estimates

During the current quarter, the Company completed an assessment of the application of its accounting policy for directly attributable costs. This analysis resulted in $2,119 of costs being reclassified from administrative expense to direct costs. Prior periods have been restated to conform with the current period presentation resulting in $1,530 being reclassified from administrative to direct costs.

### Change in accounting estimate

During the first quarter of 2020, the Company conducted a review of its estimates regarding property and equipment, which resulted in changes in the residual values of its space rentals fleet equipment and workforce accommodation rental equipment. It was previously estimated that space rentals fleet equipment and workforce accommodation rental equipment had a residual value of $nil at the end of their useful lives, whereas it is now estimated that these assets will have residual values of 25% of cost and 10% of cost, respectively.

This change in estimate has been accounted for prospectively from January 1, 2020, and has resulted in a decrease in depreciation expense of $1,846 in the three months ended March 31, 2020.