



ClearStream Announces Third Quarter 2019 Results

CALGARY, Alberta, Nov. 05, 2019 -- ClearStream Energy Services Inc. ("ClearStream" or the "Company") (TSX: CSM) today announced its results for the three and nine months ended September 30, 2019. All amounts are in Canadian dollars and expressed in thousands of dollars unless otherwise noted.

"EBITDAS" and "Adjusted EBITDAS" are not standard measures under IFRS. Please refer to the advisory regarding "Non-standard measures" at the end of this press release for a description of these items and limitations of their use.

The third quarter of 2019 represented the first full quarter of results following the acquisition on June 28, 2019 of (i) certain assets of the production services division of AECOM Production Services Ltd. (the "AECOM PSD Business") and (ii) all of the issued and outstanding shares of Universal Weld Overlays Inc. ("UWO"). On July 2, 2019 ClearStream's maintenance and construction services business was combined with the AECOM PSD Business to form Flint, a division of ClearStream. Flint represents the largest segment of our business and the brand is well-known and respected in the marketplace.

As anticipated, the acquisitions of the AECOM PSD Business and UWO are extremely complimentary to our existing business as there is very little overlap in clients, geographic area served and service lines. We are pleased with recent contract renewals in our core market and with new business secured in our expanded market segments since the launch of UWO and Flint, divisions of ClearStream. This is a true reflection of our clients' confidence that we can offer a comprehensive scope of services with more than 30 asset integrity offerings throughout the complete project lifecycle.

Listed below are some key highlights from the third quarter:

- Revenues for the three months ended September 30, 2019 were \$139.5 million, representing an increase of \$35.8 million (35%) over Q2 2019 and \$53.5 million (62%) over Q3 2018.
- Adjusted EBITDAS for the three months ended September 30, 2019 was \$10.9 million, representing an increase of \$4.4 million (70%) over Q2 2019 and \$8.8 million (422%) over Q3 2018, which did not include any IFRS 16 impact.
- Adjusted EBITDAS (as a % of revenues) was 7.8% for the three months ended September 30, 2019, as compared to 6.0% in Q2 2019 and 2.4% in Q3 2018, which did not include any IFRS 16 impact.
- To provide additional working capital to support the growth in our business, we secured an additional term loan from Canso Investment Counsel Ltd. in the amount of \$17 million on September 10, 2019. We continue to work with our lenders on further amendments to our asset-based lending facility to support future growth in our business.

Although the oil and gas services industry in Canada remains highly competitive and market conditions continue to be uncertain, we have grown both organically and through the acquisitions during this quarter. On October 9, 2019, we announced several contract renewals and new project awards. The contract renewals are with major upstream, midstream and downstream energy companies in Canada, representing a 100% contract renewal rate for the fourth year in a row. Those renewals, together with new project awards from upstream and midstream energy and petrochemical companies, are estimated to generate approximately \$80 million in new backlog.

Our clients continue to cautiously manage spending in light of the uncertain political and regulatory environment in Canada. Pricing levels in 2019 have remained stable relative to 2018. In order to better serve our clients, we will continue to focus on operational excellence through our employees' engagement in combination with business process automation and efficiencies. We strive to improve everyday our customers' facilities and operations in a safe, efficient and cost-effective manner.

As part of our strategic plan for diversity and inclusion and to provide significant benefits to the local communities, ClearStream established a joint venture with the Blueberry River First Nation in the first quarter of 2019. We are pleased with the progress made since the launch of the joint venture. Through the joint venture and other initiatives, we are establishing ClearStream / Flint as the leading industrial provider of asset integrity services in the growing market of Northeast British Columbia.

With the support from our stakeholders and financial partners, combined with our track record of strong operational execution, we are well positioned for continued growth and improved profitability going forward.

OVERVIEW OF FINANCIAL RESULTS

(\$ millions, except per share amounts)	Q3 2019	Q3 2018	YTD 2019	YTD 2018
Revenue	139.5	86.0	327.2	300.5
Gross profit	17.0	7.4	37.2	20.9
Selling, general & administrative expenses	(6.2)	(5.6)	(18.1)	(14.8)
Adjusted EBITDAS	10.9	2.1	20.9	6.5
Gain (loss) from continuing operations	0.9	(20.4)	3.8	(26.5)

Gain (loss) per share from continuing operations, basic and diluted	0.01	(0.19)	0.01	(0.24)
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Q3 2019 RESULTS COMMENTARY

Revenues for the three and nine months ended September 30, 2019 were \$139,534 and \$327,178 compared to \$85,996 and \$300,492 for the same periods in 2018, an increase of 62.3% and 8.7%, respectively. This increase in 2019, in comparison to 2018, is largely driven by the acquisitions on June 28, 2019 of AECOM and UWO. In addition, the 2019 revenue increase over 2018 is being driven by strong organic growth in the pre-existing Maintenance and Construction Services segment.

Gross profit for the three and nine months ended September 30, 2019 was \$16,956 and \$37,245, as compared to \$7,400 and \$20,928 for the same periods in 2018, an increase of 129.1% and 78.0%, respectively. The increase in gross profit is related to the acquisition of AECOM and UWO, the organic growth realized in the Maintenance and Construction Services segment, as well as the adoption of IFRS 16 (Leases), which results in a reduction of direct rent expense compared to 2018.

Selling, general and administrative ("SG&A") expenses for the three and nine months ended September 30, 2019 were \$6,171 and \$18,051, in comparison to \$5,629 and \$14,798 for the same periods in 2018. For the nine months ended, September 30, 2019, SG&A expenses, as a percentage of revenue, were 5.5% compared to 4.9% for the same period 2018. SG&A expenses as a percentage of revenue were impacted by a significant decrease in the ClearWater division's large plant turnaround revenue in 2019 as compared to 2018, as SG&A expenses are largely fixed. Also impacting SG&A expenses were transition costs, including professional fees incurred in the Company's growth initiatives and other expenses to support business process improvements designed to increase operational effectiveness and lower operating costs going forward. For the three months ended, September 30, 2019, SG&A expenses, as a percentage of revenue, were 4.4% compared to 6.5% for the same period 2018.

Non-cash items that impacted the 2019 results were depreciation and amortization. For the nine months ended September 30, 2019, depreciation and amortization expense was \$9,893 compared to \$5,827 for the same period in 2018. The increase in depreciation and amortization expense was largely due to the implementation of IFRS 16 and the impact of the large amount of assets that were acquired in the AECOM acquisition.

For the nine months ended September 30, 2019, interest expenses were \$13,925 compared to \$9,501 for the same period in 2018. Interest expenses increased by \$4,424, of which \$2,426 related to the impact of IFRS 16. The additional increase was due to an increase in the amount outstanding under the term loan facilities due to advances made in the fourth quarter of 2018 and the second quarter of 2019.

Restructuring costs of \$5,531 were recorded during the nine months ended September 30, 2019, in comparison to \$127 in 2018. These non-recurring restructuring costs are related to the AECOM and UWO acquisitions which closed on June 28, 2019, as well as severance and growth initiatives.

Income from continuing operations for the three and nine months ended September 30, 2019 was \$926 and \$3,795, in comparison to losses of \$20,384 and \$26,469 for the same periods in 2018. Notwithstanding the significant improvement of gross profit, the income variance is also largely driven by the bargain purchase gain and deferred income tax recovery recognized through the AECOM and UWO acquisitions which closed on June 28, 2019, as well as the impairment of intangible assets and goodwill recorded in 2018.

The gain from discontinued operations was \$2,027 for the nine months ended September 30, 2019, compared to a loss of \$610 for the same period in 2018. The gain in 2019 includes the Company's share of an income tax reassessment won by Brompton resulting in a recovery of \$3,250, offset by expenses that the Company continues to incur relating to the sale of businesses that it owned prior to March 2018. These expenses consist largely of legal, insurance, and consulting costs relating to the Quantum Murray earn-out and legal proceedings that existed prior to the sale of the business.

For the three and nine months ended September 30, 2019, Adjusted EBITDAS were \$10,858 and \$20,907, as compared to EBITDAS of \$2,081 and \$6,544 for the same periods in 2018. Adjusted EBITDAS for the nine months ended September 30, 2019 increased compared to 2018 due largely to the impact of increased activity from the AECOM and UWO acquisitions combined with organic growth in the pre-existing Maintenance and Construction Services segment.

Segment Review

MAINTENANCE AND CONSTRUCTION SERVICES

(\$ millions, except per share amounts)	Q3 2019	Q3 2018	YTD 2019	YTD 2018
Revenue	124.8	67.8	279.5	255.5
Gross profit	11.8	3.4	22.3	12.1
Selling, general & administrative expenses	(0.8)	(0.2)	(1.7)	(0.8)
Adjusted EBITDAS	11.0	3.2	20.7	11.4
Income from continuing operations	8.8	(15.5)	14.8	(10.3)

REVENUES

Revenues for the Maintenance and Construction Services segment were \$124,848 and \$279,491 for the three and nine months ended September 30, 2019, compared to \$67,829 and \$255,548 for the same periods in the prior year, reflecting increases of

84.1% and 9.4%, respectively. These increases were due to the acquisition of AECOM assets on June 28, 2019 as well as organic growth in the pre-existing Maintenance and Construction Services segment. Excluding the impact of the AECOM acquisition, revenues for the three months ended September 30, 2019 were \$85,420 compared to \$67,829 for the same period in 2018 demonstrating the strong organic growth realized in the business as well.

GROSS PROFIT

Gross profit was \$11,775 and \$22,272 in the three and nine months ended September 30, 2019, compared to \$3,420 and \$12,114 for the same periods 2018. The gross profit increase was due to both the organic growth as well as the increased activity from the AECOM acquisition, through better absorption of indirect costs. In addition, the increase was partially due to the adoption of IFRS 16 on January 1, 2019, which reduced direct rent expense and increased gross profit by \$2,114 for the nine months ended September 30, 2019.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A expenses for the Maintenance and Construction Services segment were \$830 and \$1,662 for the three and nine months ended September 30, 2019, compared to \$214 and \$819 for the same periods in 2018. SG&A expenses increased partially due to additional costs to support the revenue increases and the acquisition in this segment.

WEAR, FABRICATION AND ENVIRONMENTAL SERVICES

(\$ millions, except per share amounts)	Q3 2019	Q3 2018	YTD 2019	YTD 2018
Revenue	16.1	18.8	51.1	45.6
Gross profit	5.2	4.0	15.0	8.8
Selling, general & administrative expenses	(0.5)	(0.2)	(1.3)	(0.4)
Adjusted EBITDAS	4.7	3.8	13.7	8.4
Income from continuing operations	3.7	3.0	9.1	7.0

REVENUES

Revenues for this segment for the three and nine months ended September 30, 2019 were \$16,099 and \$51,129, compared to \$18,807 and \$45,584 for the same periods in 2018. The increase in revenue for the nine months ended September 30, 2019, was partially due to an overall increase in Wear Technology demand, including the additional capacity from the AFX acquisition completed in the third quarter of 2018, and the UWO acquisition completed in the second quarter of 2019. This increase offset the decrease in revenues in the Fabrication business in 2019.

GROSS PROFIT

Gross profit was \$5,181 and \$14,973 for the three and nine months ended September 30, 2019, compared to \$3,980 and \$8,814 for the same periods in 2018. The gross profit increase was partially due to the adoption of IFRS 16 on January 1, 2019, which reduced direct rent expense and increased gross profit by \$2,119 for the nine months ended September 30, 2019. For the three months ended September 30, 2019, revenues were lower but gross profits were higher due to the closure of some of our unprofitable Fabrication facilities in the period, the UWO acquisition, and operational efficiencies in our Wear business.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A expenses for the Wear, Fabrication, and Environmental services segment for the nine months ended September 30, 2019 increased compared to 2018 due to the AFX acquisition completed in the third quarter of 2018, the UWO acquisition completed in the second quarter of 2019, and additional resources required to support the increased activity in this segment.

CORPORATE

(\$ millions, except per share amounts)	Q3 2019	Q3 2018	YTD 2019	YTD 2018
Selling, general & administrative expenses	(4.8)	(5.3)	(15.1)	(13.6)

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A expenses were \$4,848 and \$15,092 for the three and nine months ended September 30, 2019, compared to \$5,265 and \$13,559 for the same periods in 2018. The increase for the nine months ended September 30, 2019 was partially due to additional resources required to support the increased activity from organic growth recognized in the period as well as the completion and integration of the AECOM and UWO acquisitions. Also impacting SG&A expenses were transition costs, including professional fees incurred in the Company's growth initiatives and other expenses to support business process improvements designed to increase operational effectiveness and lower operating costs going forward. For the three months ended September 30, 2019, SG&A expenses, as a percentage of total revenue, were 3.5% compared to 6.1% for the same period 2018 due to significantly higher revenue in the three months ended September 30, 2019 as well as IFRS 16 impacts in 2019 which resulted in a reduction of direct rent expense compared to 2018.

LIQUIDITY AND CAPITAL RESOURCES

The company expects cash flow from operations and equity issuance will be sufficient to meet the foreseeable business

operating and recurring cash needs (including for debt service and capital expenditures).

(\$ millions, except per share amounts)	YTD 2019	YTD 2018
Cash provided (used in) by operating activities	(27.2)	(16.6)
Total cash (used in) provided by investing activities	(55.8)	1.8
Total cash (used in) provided by financing activities	72.2	13.2
Decrease in cash	(10.8)	(1.7)

OPERATING AND INVESTING ACTIVITIES

Cash used in continuing operations represents the net income reported during the nine months ended September 30, 2019 adjusted for interest and non-cash items, including depreciation, amortization and asset impairments. The cash provided by or used in discontinued operations includes onerous lease payments and the settlement of some of the legacy claims in 2019 and other expenses paid in 2019 relating to businesses that were sold prior to March 2018.

Cash used in investing activities consist of the AECOM and UWO acquisitions completed in the second quarter of 2019, which are expected to complement existing service lines and further broaden potential market opportunities.

Cash provided by financing activities in the third quarter 2019 includes proceeds from term loans and other secured borrowings net of repayments made during the period.

OUTLOOK

Overall market conditions continue to be uncertain in light of commodity pricing volatility and lack of infrastructure build up to bring product to markets. Therefore, upstream, midstream and downstream companies are likely to maintain spending discipline for capital projects and focus instead on operational efficiencies and asset integrity. However, with the recent acquisitions generating more comprehensive service offerings, an increase in demand for our maintenance, turnaround, wear and environmental services is expected in late 2019 and 2020.

Additional information

Our condensed consolidated interim unaudited financial statements for the three and nine months ended September 30, 2019 and the related Management's Discussion and Analysis of the operating and financial results can be accessed on our website at www.clearstreamenergy.ca and will be available shortly through SEDAR at www.sedar.com.

About ClearStream Energy Services Inc.

With a legacy of excellence and experience stretching back more than 50 years, ClearStream provides solutions to the Energy and Industrial markets including: Oil & Gas, Petrochemical, Mining, Power, Agriculture, Forestry, Infrastructure and Water Treatment. With offices strategically located across Canada and over 4,000 employees, we provide maintenance, construction and environmental services that keep our clients moving forward. For more information about ClearStream, please visit www.clearstreamenergy.ca or contact:

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Advisory regarding Forward-Looking information

Certain information included in this press release may constitute "forward-looking information" within the meaning of Canadian securities laws. In some cases, forward-looking information can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue" or the negative of these terms or other similar expressions concerning matters that are not historical facts. Specifically, this press release contains forward-looking information relating to: our business plans, strategies and objectives; our plan to work with our lenders on further amendments to our asset-based lending facility to support future growth in our business; the funding of foreseeable business operating and recurring cash needs; and that demand for our services is expected to increase in late 2019 and 2020.

Forward-looking information involves significant risks and uncertainties. A number of factors could cause actual events or results to differ materially from the events and results discussed in the forward-looking information including, but not limited to, risks related to the integration of acquired businesses, conditions of capital markets, economic conditions, commodity prices, dependence on key personnel, interest rates, regulatory change, ability to meet working capital requirements and capital expenditure needs, factors relating to the weather and availability of labour. These factors should not be considered exhaustive. Risks and uncertainties about ClearStream's business are more fully discussed in ClearStream's disclosure materials, including its annual information form and management's discussion and analysis of the operating and financial results (MD&A), filed with the securities regulatory authorities in Canada and available at www.sedar.com. In formulating forward-looking information herein, management has assumed that business and economic conditions affecting ClearStream will continue substantially in the ordinary course, including, without limitation, with respect to general levels of economic activity, regulations, taxes and interest rates. Although the forward-looking information is based on what management of ClearStream consider to be reasonable assumptions based on information currently available to it, there can be no assurance

that actual events or results will be consistent with this forward-looking information, and management's assumptions may prove to be incorrect.

This forward-looking information is made as of the date of this press release, and ClearStream does not assume any obligation to update or revise it to reflect new events or circumstances except as required by law. Undue reliance should not be placed on forward-looking information. Forward-looking information is provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that such information may not be appropriate for other purposes.

Non-standard measures

The terms "EBITDAS" and "Adjusted EBITDAS" (collectively the "Non-standard measures") are financial measures used in this press release that are not standard measures under IFRS. ClearStream's method of calculating Non-standard measures may differ from the methods used by other issuers. Therefore, ClearStream's Non-standard measures, as presented, may not be comparable to similar measures presented by other issuers.

EBITDAS refers to net earnings determined in accordance with IFRS, before depreciation and amortization, interest expense, income tax expense (recovery) and stock based compensation. EBITDAS is used by management and the directors of ClearStream as well as many investors to determine the ability of an issuer to generate cash from operations. Management also uses EBITDAS to monitor the performance of ClearStream's reportable segments and believes that in addition to net income or loss and cash provided by operating activities, EBITDAS is a useful supplemental measure from which to determine ClearStream's ability to generate cash available for debt service, working capital, capital expenditures and income taxes. ClearStream has provided a reconciliation of income (loss) from continuing operations to EBITDAS in its Management Discussions and Analysis ("MD&A").

Adjusted EBITDAS refers to EBITDAS excluding the gain on sale of assets held for sale, impairment of goodwill and intangible assets, restructuring costs, gain on sale of property plant and equipment, other loss, one time incurred expenses, impairment of right-of-use assets, bargain purchase gain and gain on remeasurement of right-of-use assets. ClearStream has used Adjusted EBITDAS as the basis for the analysis of its past operating financial performance. Adjusted EBITDAS is used by ClearStream and management believes it is a useful supplemental measure from which to determine ClearStream's ability to generate cash available for debt service, working capital, capital expenditures, and income taxes. Adjusted EBITDAS is a measure that management believes facilitates the comparability of the results of historical periods and the analysis of its operating financial performance which may be useful to investors. ClearStream has provided a reconciliation of income (loss) from continuing operations to Adjusted EBITDAS in its MD&A.

Investors are cautioned that the Non-standard measures are not alternatives to measures under IFRS and should not, on their own, be construed as an indicator of performance or cash flows, a measure of liquidity or as a measure of actual return on the shares. These Non-standard measures should only be used with reference to ClearStream's Interim Financial Statements and Annual Financial Statements, which are available on SEDAR at www.sedar.com or on ClearStream's website at www.clearstreamenergy.ca