

Enerflex Reports Fourth Quarter and Year End 2015 Financial Results

CALGARY, ALBERTA – February 25, 2016 – Enerflex Ltd. (TSX:EFX) (“Enerflex” or “the Company” or “we” or “our”), a leading supplier of products and services to the global energy industry, today reported its financial and operating results for the three and twelve months ended December 31, 2015.

Summary: Fourth Quarter 2015 Compared with Third Quarter 2015 and Fourth Quarter 2014

- Revenue: \$358.5 million in fourth quarter 2015, down 15.7% from \$425.2 million in third quarter 2015 and 28.4% from \$500.6 million in fourth quarter 2014.
- Gross margin: \$74.7 million, down 13.6% from \$86.5 million and 23.5% from \$97.7 million, or 20.8% of revenue vs. 20.3% vs. 19.5%.
- EBIT: loss of \$20.9 million, down 151.5% from earnings of \$40.6 million and 142.9% from \$48.7 million. EBIT was negatively impacted by continued downsizing and restructuring actions across the Company and a goodwill impairment of \$36.9 million associated with the USA segment.
- Restructuring and severance costs of \$9.1 million in fourth quarter 2015 compared to \$2.5 million in third quarter 2015, and \$0.9 million in fourth quarter 2014.
- Legal costs associated with customer disputes reduced EBIT by \$2.6 million compared to \$0.7 million in third quarter 2015.
- Devaluation of Argentine peso reduced EBIT by \$4.5 million in fourth quarter of 2015.
- Earnings per share – continuing operations: loss of \$0.42, down 205.0% from \$0.40 and 202.4% from \$0.41.
- Added 15,000 contracted horsepower to the rental fleet, bringing the total to approximately 480,000 horsepower.
- Bookings: \$170.6 million, down 28.1% from \$237.3 million and 59.6% from \$422.5 million.
- Backlog: \$427.2 million, down 10.6% from \$477.6 million and down 53.4% from \$916.5 million.

“Our fourth quarter financial results reflected the effect of the continuing uncertainty surrounding commodity prices. As a result of this uncertainty and the associated slowdown in bookings, we have implemented further cost reduction measures resulting in marked restructuring and severance costs for the quarter, and we have recorded an impairment of goodwill. We expect the global commodity price weakness to continue through 2016. On a positive note, Enerflex continues to focus on growth opportunities, including recurring revenue and electric power solutions, facilitated by free cash flow and the additional financing capacity created in December,” said J. Blair Goertzen, Enerflex’s President and Chief Executive Officer. “Given our on-going focus on increased recurring revenues including new rental and service projects, cost cutting initiatives, a geographically diversified business, and our healthy balance sheet, we are positioned to weather these challenges.”

Bookings, Backlog and Outlook

During the fourth quarter of 2015, the continuing commodity price challenges in North America resulted in a 59.6% or a \$251.9 million decrease in bookings compared to the same period in 2014, notwithstanding the favourable impact of the appreciation of the US dollar on US dollar denominated bookings. For 2015 bookings were 55.2% or \$781.8 million lower compared to 2014. Project cancellations reduced backlog by \$7.9 million in the quarter, and by \$37.2 million for 2015. Overall, backlog fell by \$50.4 million sequentially during the quarter, and by \$489.3 million during the year ended December 31, 2015, as the lower booking levels were more than offset by Engineered Systems revenue. Recurring revenues were slightly lower in the quarter but increased in 2015 compared to 2014 in large part due to higher rental

revenues representing new projects undertaken and a full year of rental revenues from the business acquired from Axip mid-2014.

Over the past several months, significantly lower commodity prices have resulted in many companies implementing further capital budget cuts and cost reduction initiatives in North America and globally, which in turn will impact demand for our products and services during 2016. Enerflex has experienced some project deferrals and cancellations during 2015. Further capital reductions are expected as the commodity price weakness continues, and as customers seek to preserve financial flexibility and protect their long-term business. Backlog levels during 2015 have decreased significantly and without a notable increase in booking levels, will result in a marked reduction in Engineered Systems revenue in 2016. Despite these headwinds, there are some areas of the business where Enerflex is cautiously optimistic for 2016.

During the fourth quarter of 2015 and into 2016, the Company has seen an increase in interest and demand for its electric power product line, as companies leverage sustained low natural gas prices. In addition, several large long-term rental and service contracts started revenue recognition in the second half of 2015 and a further project is under construction to add 30,000 horsepower in the first half of 2016. Continuing moves to diversify by geography and increasingly by product line are expected to provide some revenue protection in 2016. The additional \$100.0 million in financing capacity created under the credit facility in December 2015, combined with existing cash and available credit facilities, positions Enerflex to capitalize on organic growth opportunities that are aligned with its strategic objectives, and to satisfy upcoming debt maturities. Enerflex will look to preserve awarded gross margins and continue to aggressively manage SG&A expenses through cost control measures. The lower headcount entering 2016 will lead to material savings.

Enerflex enters 2016 with a healthy balance sheet. While reported net debt to EBITDA at December 31, 2015, has increased to 2.38:1, this ratio does not reflect various adjustments made for bank covenant purposes, as agreed under the bank facilities. Net debt to EBITDA, for the year ended December 31, 2015, for covenant purposes was 1.84:1, which puts Enerflex in a good position to weather the on-going weak commodity price environment.

Cost Reduction Initiatives

Throughout 2015 and into 2016, Enerflex has been proactive in responding to the reduction in business activity in North America by repositioning itself to deliver additional recurring revenues, and by implementing measures to streamline its business, control costs and continue towards its EBIT goal of 10%. Actions taken during the quarter included a reduction of headcount by an additional 200, resulting in severance costs of \$2.2 million and restructuring of the Australia Process Construction business resulting in additional costs in the quarter of \$6.8 million, inclusive of Australia severances of \$2.2 million. The Process Construction business will be wound down over a time period that allows completion of existing projects in backlog, and will be realigned to focus on changing customer needs and on the management of integrated turnkey products with a smaller team. This process is expected to be completed by the end of the second quarter of 2016.

Headcount is now approximately 2,300, a reduction of over 1,100 employees since the beginning of 2015 and severance charges of \$10.7 million in the year. It is anticipated that the headcount reductions during 2015 and announced for 2016 in Australia, will result in annualized savings of approximately \$65 to \$70 million included in cost of goods sold and \$20 to \$25 million in SG&A expenses relative to 2015 levels.

During the second quarter of 2015, and contributing to the headcount reduction in 2015, Enerflex ceased manufacturing at the Nisku facility. This resulted in the Nisku business being classified as a discontinued operation effective June 30, 2015. The costs related to this initiative were reflected in the fourth quarter of 2014.

Other cost containment measures introduced early in 2015, and continuing into 2016, include a Company-wide hiring and salary freeze, business travel expense limitations, reduced marketing expenditures, and significant reductions in expenditures for facilities, IT infrastructure and maintenance, except where critical. During the fourth quarter of 2015, Canada and other parts of the Enerflex business, introduced mandatory time off with corresponding salary reductions.

Cost control initiatives, and the associated severance and restructuring charges, are reflected in both cost of goods sold and SG&A expenses. Excluding the impact on SG&A expense of severance and restructuring costs of \$9.6 million, and including a full year of results for the Axiom Business, unfavourable foreign exchange impacts and inflationary pressures, Enerflex exceeded its target of reporting total 2015 SG&A expenses consistent with those in 2014.

Summary Table of Fourth Quarter 2015 Results

<i>(unaudited)</i> (\$ millions, except per share amounts and percentages)	Three months ended December 31,			Twelve months ended December 31,		
	2015	2014	Change	2015	2014	Change
Financial Highlights						
Revenue	\$ 358.5	\$ 500.6	\$ (142.1)	\$ 1,629.0	\$ 1,696.2	\$ (67.2)
Gross margin	74.7	97.7	(23.0)	326.2	330.4	(4.2)
Gross margin %	20.8%	19.5%		20.0%	19.5%	
(Loss) earnings before interest and taxes ⁽¹⁾	\$ (20.9)	\$ 48.7	\$ (69.6)	\$ 94.9	\$ 138.9	\$ (44.0)
EBIT %	(5.8)%	9.7%		5.8%	8.2%	
Net (loss) earnings – continuing operations	\$ (33.4)	\$ 32.5	\$ (65.9)	\$ 48.9	\$ 81.1	\$ (32.2)
Net loss – discontinued operations	(0.2)	(6.7)	6.5	(0.8)	(9.9)	9.1
(Loss) earnings per share – continuing operations	(0.42)	0.41	(0.83)	0.62	1.03	(0.41)
Loss per share – discontinued operations	-	(0.08)	0.08	(0.01)	(0.12)	0.11
Key Performance Indicators						
Bookings ⁽²⁾	170.6	422.5	(251.9)	635.1	1,416.9	(781.8)
Backlog ⁽²⁾	427.2	916.5	(489.3)	427.2	916.5	(489.3)

(1) (Loss) Earnings before Interest (Finance Costs) and Taxes ("EBIT") is considered an additional GAAP measure, which may not be comparable with similar additional GAAP measures used by other entities.

(2) Bookings and backlog are considered non-GAAP measures that do not have standardized meanings as prescribed by GAAP, and are therefore unlikely to be comparable to similar measures used by other entities.

Highlights

The Company continues to strategically allocate resources to growth areas of the business with the fabrication and deployment of rental assets and associated installation, construction and service activities in the Middle East/Africa ("MEA") and Latin America regions. During the quarter, Enerflex started recognizing revenue on a rental contract, which deploys approximately 25,000 horsepower into the Latin

America region, adding to almost 50,000 contracted horsepower deployed during the second and third quarters of 2015. In addition, revenue is being recognized for the construction component of one other large rental and service contract, which will deliver approximately an additional 30,000 horsepower into the region starting in the first half of 2016. Lastly, Enerflex has secured a number of new long-term or long-term extensions to existing service agreements in Canada and Latin America covering 8,000 horsepower.

During the second quarter, Enerflex initiated arbitration proceedings against Oman Oil Company Exploration and Production LLC ("OOCEP") related to previously disclosed variation claims which were submitted to OOCEP, and to approximately \$32.0 million in milestone payments which are overdue and remain unpaid. These variation claims were the result of customer-driven scope and schedule changes which led to increased costs and delays with respect to the construction and delivery of a gas processing plant owned by OOCEP and located in the Sultanate of Oman. As previously disclosed, Enerflex is currently unable to reasonably estimate when it expects this arbitration to be resolved.

Results Overview

Financial results for the quarter deteriorated over the same period last year, on lower revenues and gross margin in all three segments. The decrease in gross margin was primarily due to lower revenue, lower absorption of overheads, partially offset by higher awarded margins on jobs, project margin improvements and improved warranty experience. Lower EBIT in the fourth quarter of 2015 was attributable to lower gross margin, higher SG&A expenses, and the impairment of goodwill associated with the USA segment. Higher SG&A expenses were attributable to severance and restructuring costs for the Australia business, and unfavourable foreign exchange impacts primarily as a result of the devaluation of the Argentine peso, partially offset by lower compensation costs and lower amortization. The goodwill impairment resulted from further deterioration in commodity prices during the fourth quarter, the associated impact on customer capital budgets and therefore the outlook for activity in the USA in 2016 and beyond. The impact of customer legal disputes, the devaluation of the Argentine peso, the goodwill impairment, in addition to severance and restructuring costs recorded during the quarter reduced EBIT by \$53.1 million. Severance costs during the fourth quarter of 2014 reduced EBIT by \$0.9 million.

Financial results for 2015 were lower compared to 2014, with revenues and gross margin lower in the Canada and USA segments but higher in the Rest of World segment. The decrease in gross margin was a result of lower revenues, lower absorption of overheads, and lower awarded margins on jobs, partially offset by project margin improvements and improved warranty experience. In addition, during 2014, the Company experienced \$25.6 million in margin erosion on the large project in Oman. Lower EBIT in 2015 was attributable to lower gross margin, higher SG&A expenses, and the impairment of goodwill associated with the USA segment. The increase in SG&A expenses was due to severance and restructuring costs, higher compensation and higher office and occupancy costs, and unfavourable foreign exchange movements, partially offset by lower third party services as a result of the Axiom acquisition in 2014 and lower travel costs. The impact of customer legal disputes, the devaluation of the Argentine peso, the goodwill impairment, in addition to severance and restructuring costs recorded during the year reduced EBIT by \$60.1 million. During 2014, severance and acquisition related costs reduced EBIT by \$10.0 million.

Net earnings from continuing operations for the quarter and for 2015 decreased on lower EBIT partially offset by lower income taxes. Income tax expense was lower due to reduced earnings before tax and the mix of earnings taxed in foreign jurisdictions, partially offset by the effect of unrealized exchange rate fluctuations on tax bases in foreign jurisdictions. For 2015, income tax expense was also lower due to the unfavourable tax effect of non-deductible acquisition related activities in 2014.

Progress on 2015 Strategic Objectives

During the fourth quarter, the Company advanced on its 2015 strategic objectives. Enerflex reduced its Company-wide total recordable injury rate by 33% over the 2014 rate. 2015 SG&A expenses excluding restructuring and severance costs were below 2014 levels. The Company continues to work towards its objective of a 10% EBIT margin, with EBIT, excluding the impact of the goodwill impairment, as a percentage of revenue at 8.1% for the trailing-twelve months ended December 31, 2015, compared to 8.2% for the same period of 2014. Excluding the impact of goodwill impairment, severance and restructuring costs, customer legal disputes and the devaluation of the Argentine peso in 2015, EBIT was 9.5%. In 2014, excluding the impact of severance and acquisition related costs, EBIT was 8.8%. Recurring revenue on a trailing-twelve month basis was 33.0% (\$537.2 million) compared to 28.7% (\$486.4 million) for the same period in 2014, advancing towards the 35-40% goal.

Segmented Results

Canada

Canada segment revenue in the fourth quarter of 2015 was \$92.3 million, down \$53.9 million or 36.9% from \$146.2 million for the same period of 2014. The decrease was a result of lower Engineered Systems revenue due to lower opening backlog and a two week closure of the fabrication facility in December 2015, lower Service revenue primarily due to lower parts sales, and lower Rental revenue with a decrease in total horsepower under rental contracts and a decrease in rental unit sales. For the year ended December 31, 2015, revenue was \$494.2 million, down \$35.2 million or 6.6%, as a result of lower Service revenue primarily on lower parts sales, lower Rental revenue due to a decrease in the total horsepower under rental contracts and a decrease in rental unit sales, partially offset by higher Engineered Systems revenue. The increase in Engineered Systems revenue was attributable to a higher opening backlog in 2015, and the expanded fabrication facility which became fully operational during the fourth quarter of 2014.

Operating income for the fourth quarter of 2015 of \$2.8 million decreased by \$9.1 million or 76.6%. Operating income for the year ended December 31, 2015 of \$33.7 million decreased by \$3.5 million or 9.4%. The decreases were a result of lower gross margin, partially offset by lower SG&A expenses. The lower gross margin was attributable to lower revenues and lower awarded margin on jobs due to an increase in the proportion of revenues earned from Engineered Systems revenue which is at a lower margin than recurring revenue, and lower absorption of overheads, partially offset by project margin improvements and improved warranty experience. The lower SG&A was due to lower compensation expense on lower headcount partially offset by severance costs, lower depreciation and amortization expense, lower travel expenses, and for 2015, lower third party services.

USA

USA segment revenue in the fourth quarter of 2015 was \$156.6 million, down \$85.0 million or 35.2% from \$241.6 million in 2014. For 2015, revenue was \$678.2 million, down \$83.4 million or 11.0%. The decreases in revenue were attributable to lower Engineered Systems revenue, partially offset by higher Service revenue on increased service calls and parts sales. The decrease in Engineered Systems revenue was attributable to lower bookings in 2015, despite the higher opening backlog entering 2015. For the quarter, opening backlog was therefore lower and contributed to the decrease in revenue compared to the same period in 2014.

Operating income of \$18.1 million decreased by \$6.3 million or 25.7% during the fourth quarter of 2015, and operating income of \$53.3 million decreased by \$24.1 million or 31.1% during 2015. The decreases were attributable to lower gross margin, and for 2015 partially offset by lower SG&A expenses.

Lower gross margin in the fourth quarter of 2015 was attributable to lower revenues, and lower absorption of overheads, partially offset by higher awarded margins due to a larger proportion of revenue from higher margin service and process jobs rather than lower margin compression work, project margin improvements and improved warranty experience. Lower gross margin in 2015 was a result of lower revenues, lower absorption of overheads, lower awarded margins on increased lower margin compression jobs and despite increased higher margin service work, and minimal project margin deteriorations compared to improvements in 2014, partially offset by improved warranty experience. SG&A expenses were lower in 2015 as a result of reduced third party services, lower travel costs, lower depreciation and amortization expense and unfavourable foreign exchange translation impacts.

Rest of World

Rest of World segment revenue in the fourth quarter of 2015 was \$109.7 million, down \$3.2 million or 2.9% from 2014 due to lower Engineered Systems revenue on lower opening backlog, largely offset by higher Service revenue in Australia and the MEA region, and higher Rental revenue in the MEA and Latin America regions. For 2015, revenue increased by \$51.4 million or 12.7% to \$456.6 million as a result of higher Service and Rental revenues due to increased activity in Australia, MEA and Latin America primarily due to inclusion of the business acquired from Axiip, partially offset by lower Engineered Systems revenue despite higher opening backlog, due to reduced activity in Australia and MEA.

Operating loss of \$8.4 million represented a negative swing of \$17.8 million or 188.3% from the fourth quarter of 2014 as a result of reduced gross margin and higher SG&A expenses. The lower gross margin was due to reduced overhead absorption, severance expenses and increased costs associated with customer legal disputes. The higher SG&A expenses resulted from unfavourable foreign exchange movements, most notably in Argentina where the currency experienced a significant devaluation in December, costs related to the restructuring of operations in Australia, and an increase in costs associated with customer legal disputes, partially offset by lower compensation expense due to lower headcount. The impact of customer legal disputes, the devaluation of the Argentine peso, in addition to severance and restructuring costs recorded during the fourth quarter of 2015 reduced operating income by \$14.8 million (2014: \$0.9 million severance costs).

Operating income for the twelve months of 2015 of \$34.8 million increased by \$19.9 million or 133.0% due to higher gross margin, partially offset by higher SG&A expenses. Higher gross margin was attributable to the relative higher margin contribution of the Rental and Service operations, including as a result of the Axiip acquisition, the impact of higher revenues, and project margin improvements, partially offset by the increased costs associated with customer legal disputes, and severance expenses. During 2014, the Company experienced significant margin erosion on the large project in Oman. The higher SG&A expenses resulted from unfavourable foreign exchange movements, most notably the currency devaluation in Argentina, costs related to the restructuring of operations in Australia, an increase in costs associated with customer legal disputes, and higher office and occupancy costs and higher compensation expense due to the Axiip acquisition. The impact of customer legal disputes, the devaluation of the Argentine peso, in addition to severance and restructuring costs recorded during 2015 reduced operating income by \$16.7 million (2014: \$3.1 million severance and acquisition related costs).

Dividend

Subsequent to the end of 2015, Enerflex declared a quarterly dividend of \$0.085 per share, payable on April 7, 2016, to shareholders of record on March 9, 2016.

Quarterly Results Material

Enerflex's Consolidated Financial Statements as at and for the three and twelve months ended December 31, 2015, and the accompanying Management's Discussion and Analysis, will be available on the Enerflex website at www.enerflex.com under the Investors section and on SEDAR at www.sedar.com.

Conference Call and Webcast Details

Enerflex will host a conference call for analysts, investors, members of the media and other interested parties on Friday, February 26 at 8:00 a.m. MST (10:00 a.m. EST) to discuss the fourth quarter and year end 2015 financial results and operating highlights. The call will be hosted by Mr. J. Blair Goertzen, President and Chief Executive Officer and Mr. D. James Harbilas, Executive Vice President and Chief Financial Officer of Enerflex.

If you wish to participate in this conference call, please call 1.800.908.9238. Please dial in 10 minutes prior to the start of the call. No passcode is required. The live audio webcast of the conference call will be available on the Enerflex website at www.enerflex.com under the Investors section on February 26, 2016 at 8:00 a.m. MST (10:00 a.m. EST). Approximately one hour after the call, a recording of the event will be available on the Company's website. A replay of the teleconference will be available one hour after the conclusion of the call until midnight, March 4, 2016. Please call 1.800.558.5253 or 1.416.626.4100 and enter passcode 21804573.

About Enerflex

Enerflex Ltd. is a single source supplier of natural gas compression, oil and gas processing, refrigeration systems, and electric power equipment – plus in-house engineering and mechanical service expertise. The Company's broad in-house resources provide the capability to engineer, design, manufacture, construct, commission and service hydrocarbon handling systems. Enerflex's expertise encompasses field production facilities, compression and natural gas processing plants, refrigeration systems, and electric power equipment servicing the natural gas production industry.

Headquartered in Calgary, Canada, Enerflex has approximately 2,300 employees worldwide. Enerflex, its subsidiaries, interests in associates and joint-ventures operate in Canada, the United States, Argentina, Brazil, Colombia, Mexico, Peru, Australia, the United Kingdom, Russia, the United Arab Emirates, Oman, Bahrain, Indonesia, Malaysia, Singapore, and Thailand. Enerflex's shares trade on the Toronto Stock Exchange under the symbol "EFX". For more information about Enerflex, go to www.enerflex.com.

Advisory Regarding Forward-Looking Statements

To provide Enerflex shareholders and potential investors with information regarding Enerflex, including management's assessment of future plans, Enerflex has included in this news release certain statements and information that are forward-looking statements or information within the meaning of applicable securities legislation, and which are collectively referred to in this advisory as "forward-looking statements". Information included in this news release that is not a statement of historical fact may be forward-looking information. When used in this document, words such as "plans", "expects", "will", "may" and similar expressions are intended to identify statements containing forward-looking information. Forward-looking statements and information contained in this press release include, but are not limited to: (i) the anticipated duration of weak natural gas prices and the effect thereof in Canada and USA markets; (ii) expected bookings; and (iii) the nature and scope of challenges and opportunities in the Rest of World segment. In developing the forward-looking information in this news release, the Company has made certain assumptions with respect to general economic and industry growth rates, commodity prices, currency exchange and interest rates, competitive intensity and regulatory approvals. Readers are cautioned not to place undue reliance on forward-

looking statements, as there can be no assurance that the future circumstances, outcomes or results anticipated in or implied by such forward-looking statements will occur or that plans, intentions or expectations upon which the forward-looking statements are based will occur. Forward-looking information involves known and unknown risks and uncertainties and other factors, which may cause or contribute to Enerflex achieving actual results that are materially different from any future results, performance or achievements expressed or implied by such forward-looking information. Such risks and uncertainties include, among other things, the impact of general economic conditions; industry conditions, including the adoption of new environmental, taxation and other laws and regulations and changes in how they are interpreted and enforced; volatility of oil and gas prices; oil and gas product supply and demand; risks inherent in the ability to generate sufficient cash flow from operations to meet current and future obligations, including future dividends to shareholders of the Company; increased competition; the lack of availability of qualified personnel or management; labour unrest; political unrest; fluctuations in foreign exchange or interest rates; stock market volatility; opportunities available to, or pursued by, the Company; obtaining financing; and other factors, many of which are beyond its control. The foregoing list of factors and risks is not exhaustive. For an augmented discussion of the risk factors and uncertainties that affect or may affect Enerflex, the reader is directed to the section entitled "Risk Factors" in Enerflex's most recently filed Annual Information Form, as well as Enerflex's other publicly filed disclosure documents, available on www.sedar.com. The reader is cautioned that these factors and risks are difficult to predict and that the assumptions used in the preparation of such information, although considered reasonably accurate at the time of preparation, may prove to be incorrect. Readers are cautioned that the actual results achieved will vary from the information provided in this press release and that such variation may be material. Consequently, Enerflex does not represent that actual results achieved will be the same in whole, or in part, as those set out in the forward-looking information. Furthermore, the statements containing forward-looking information that are included in this news release are made as of the date of this news release, and Enerflex does not undertake any obligation, except as required by applicable securities legislation, to update publicly or to revise any of the included forward-looking information, whether as a result of new information, future events or otherwise. The forward-looking information contained in this news release is expressly qualified by this cautionary statement.

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