

## ClearStream Announces Third Quarter 2020 Financial Results

### Revenues up 24% and Adjusted EBITDAS up 197% over Q2 2020

Calgary, Alberta (November 5, 2020) – ClearStream Energy Services Inc. ("ClearStream" or the "Company") (TSX: CSM) today announced its results for the three and nine months ended September 30, 2020. 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.

"We saw a strong increase in activity levels in the third quarter as our customers resumed some maintenance and construction activity with the reopening of the economy and increased demand for oil and gas products. During the third quarter, we commenced work on 8 turnaround projects, with 7 being completed by quarter-end. The increase in activity levels allowed us to recall a portion of our workforce in order to execute those turnarounds during the quarter. After having reacted swiftly to unprecedented industry conditions in the second quarter, we have once again demonstrated our ability to rapidly deploy our teams and capabilities to effectively service our customers in the third quarter," said Yves Paletta, Chief Executive Officer.

"The COVID-19 pandemic continues to impact the global economy. While there has been some recovery in world oil prices, we expect that our customers who are involved in the energy sector will remain cautious regarding their spending plans for the next few quarters. We expect that activity levels will eventually recover in the second half of 2021 as customers prioritize asset management and integrity services to increase operational reliability. We remain focussed on the health and safety of our workforce and assisting our customers to conduct their operations in a safe, efficient and cost effective manner," added Mr Paletta.

### HIGHLIGHTS

- Revenues for the three months ended September 30, 2020 were \$100.8 million, representing an increase of \$19.8 million or 24.3% over Q2 2020 and a decrease of \$38.8 million or 27.8% over Q3 2019;
- Adjusted EBITDAS for the three months ended September 30, 2020 was \$5.5 million, representing an increase of \$3.6 million or 196.7% over Q2 2020 and a decrease of \$5.3 million or 49.1% over Q3 2019;
- Liquidity remained strong with total cash and available credit facilities of \$66.2 million at September 30, 2020, up from \$51.5 million, at June 30, 2020;
- Between July 1 and October 31, 2020, we secured new project awards with upstream, midstream and downstream energy companies in Canada that are estimated to generate approximately \$50 million in new backlog (there were no major contract renewals in that period). ClearStream's Flint, Wear, Universal Weld Overlays and Environmental Services divisions will be executing the work, which will consist of facility construction, maintenance, abrasion and corrosion resistant applications, and environmental professional services. A portion of the work has already commenced with the remainder expected to start in the fourth quarter of 2020.

#### Maintenance and Construction Services (Flint and ClearWater)

The recovery in activity levels for maintenance and construction services that began at the end of the second quarter continued into the third quarter. Some projects that had been postponed during the first half of 2020 were re-started in the third quarter. Bidding activity remains strong as customers prepare for maintenance and construction activity to resume once market visibility has improved. We remain focussed on consolidating various scopes of work with existing customers by cross-selling additional services to enable more efficient execution and lower costs on each work site.

#### Wear Technology Overlay Services (ClearStream Wear and Universal Weld Overlays)

Activity levels for weld technology overlay services remain well below historical levels as customers scaled back their production output and spending on consumables in response to weak oil prices. During the third quarter, we

closed ClearStream Wear's locations in Nisku and Edmonton and consolidated all operations into the Sherwood Park location. By eliminating these two facilities, we have significantly improved production flexibility and reduced the fixed costs associated with ClearStream Wear's operations.

At Universal Weld Overlays, bidding activity remains strong, particularly for U.S customers. During the third quarter, the order backlog increased with the resulting work expected to be completed in the fourth quarter.

#### Environmental (ClearStream Environmental)

We are actively pursuing opportunities with our clients to secure funding under the federal and provincial programs for the closure and reclamation of oil and gas wells, pipelines and facilities in British Columbia, Alberta and Saskatchewan.

### THIRD QUARTER 2020 FINANCIAL RESULTS

(\$ millions, except per share amounts)	Three months ended September 30,			Nine months ended September 30,		
	2020	2019	% Change	2020	2019	% Change
Revenue						
Maintenance and Construction Services	94.7	126.0	(24.9)%	284.2	282.3	0.7 %
Wear Technology Overlay Services	6.7	14.9	(55.1)%	25.8	48.4	(46.6)%
Total	100.8	139.5	(27.8)%	308.6	327.2	(5.7)%
Gross Profit						
Maintenance and Construction Services	8.9	12.8	(30.6)%	20.9	25.3	(17.1)%
Wear Technology Overlay Services	1.1	3.7	(71.0)%	4.4	11.4	(61.7)%
Total	10.0	16.5	(39.6)%	25.3	36.7	(31.0)%
% of revenue	9.9 %	11.8 %	(16.4)%	8.2 %	11.2 %	(26.9)%
Selling, general and administrative expenses	4.6	5.7	(19.1)%	16.1	17.5	(8.2)%
% of revenue	4.6 %	4.1 %	12.0 %	5.2 %	5.3 %	(2.7)%
Adjusted EBITDAS						
Maintenance and Construction Services.	8.8	12.5	(29.9)%	20.8	24.4	(14.9)%
Wear Technology Overlay Services	1.1	3.5	(68.3)%	4.3	10.9	(60.3)%
Corporate	(4.4)	(5.2)	(15.9)%	(15.0)	(14.4)	4.4 %
Total	5.5	10.9	(49.1)%	10.0	20.9	(51.9)%
% of revenue	5.5 %	7.8 %	(29.4)%	3.3 %	6.4 %	(49.1)%
Income (loss) from continuing operations	9.7	0.9	945.9 %	1.7	3.8	(54.8)%
Net income (loss) per share from continuing operations (basic and diluted)	0.09	0.01	945.9 %	0.02	0.03	(56.5)%

Note:

(1) "Adjusted EBITDAS" is not a standard measure under IFRS. Please refer to the advisory regarding "Non-Standard Measures" at the end of this press release for a description of this measure and limitations of its use.

Revenues for the three and nine months ended September 30, 2020 were \$100,755 and \$308,591 compared to \$139,534 and \$327,178 for the same periods in 2019, a decrease of 27.8% and 5.7%, respectively. We saw a strong increase in activity levels in the third quarter relative to the first half of 2020 as our customers resumed

some maintenance and construction activity that had been previously deferred with the reopening of the economy and increased demand for petroleum and natural gas products. The revenue reduction for the three and nine months ended September 30, 2020, compared to the same periods in 2019, was driven by overall reduced customer spending and the postponement of scheduled maintenance and turnaround activities as a result of volatility in crude oil prices due to macro-economic uncertainty, the economic impact of the COVID-19 pandemic, and potential lack of storage capacity, forcing production shut-ins at various sites in Western Canada.

Gross profit for the three and nine months ended September 30, 2020 were \$9,965 and \$25,314 compared to \$16,511 and \$36,691 for the same periods in 2019, a decrease of 40% and 31%, respectively. Gross profit margins for the three and nine months ended September 30, 2020 were 9.9% and 8.2% compared to 11.8% and 11.2% for the same periods in 2019. The decrease for the three and nine months ended September 30, 2020 was due to a reduction in both the total volume and the volume of higher margin work in the Wear Technology Overlay Services segment where certain fixed costs are required to operate the facilities in addition to downward pressure on margins by customers in response to market uncertainty. As it became clear that the COVID-19 outbreak and other market conditions were going to have longer term impacts on our activity levels and margins across the whole business, we took immediate steps to adjust our cost structure, for which we will see the full benefit over the remainder of 2020. During the third quarter, we closed ClearStream Wear's locations in Nisku and Edmonton and consolidated all operations into the Sherwood Park location. By eliminating these two facilities, we have significantly improved production flexibility and reduced the fixed costs associated with ClearStream Wear's operations.

Selling, general and administrative ("SG&A") expenses for the three and nine months ended September 30, 2020 were \$4,631 and \$16,063, in comparison to \$5,726 and \$17,497 for the same periods in 2019, a decrease of 19.1% and 8.2%, respectively. As a percentage of revenue, SG&A expenses for the three and nine months ended September 30, 2020 were 4.6% and 5.2% compared to 4.1% and 5.3% for the same periods in 2019. The increase in SG&A expenses as a percentage of revenue in the three months ended September 30, 2020 was due to the decline in revenue resulting from macro-economic uncertainty and the economic impact of the COVID-19 pandemic. Given the market uncertainty, we continued to right size our SG&A cost structures compared to the prior quarter and same period in 2019 as shown by the decrease in SG&A expenses in 2020 compared to the same periods in 2019.

For the three and nine months ended September 30, 2020, Adjusted EBITDAS were \$5,531 and \$10,047 compared to \$10,858 and \$20,907 for the same periods in 2019. As a percentage of revenue, Adjusted EBITDAS were 5.5% and 3.3% for the three and nine months ended September 30, 2020 compared to 7.8% and 6.4% for the same periods in 2019. Adjusted EBITDAS as a percentage of revenue decreased due to gross profit decreases in both the Maintenance and Construction Services segment and the Wear Technology Overlay Services segment.

Income from government subsidies represents the Canada Emergency Wage Subsidy ("CEWS") received from the Government of Canada to assist with the payment of employee wages as a result of the impact of the COVID-19 pandemic. During the three and nine months ended September 30, 2020, the Company qualified for CEWS and recorded grants of \$14,905 and \$23,481, respectively, in the Consolidated Interim Statements of Income and Comprehensive Income.

Income from continuing operations for the three and nine months ended September 30, 2020 was \$9,685 and \$1,716 compared to \$926 and \$3,795 for the same periods in 2019. The income variances are largely driven by the goodwill impairment loss and decrease to gross profit for the 2020 periods, offset by benefits received from the CEWS, the reversal of the share-based compensation and other long-term incentive plans, and the bargain purchase gain in 2019.

## OUTLOOK

With the continuing measures to limit the spread of the virus, including travel restrictions, border closures, quarantines and social distancing, we expect the macro-economic environment to remain volatile with limited visibility for energy consumption to return to normal levels in the next few quarters. Upstream, midstream and downstream energy companies will continue to carefully manage spending for capital projects and operations where possible until further confidence in market stability has returned.

As with prior downturns in the oil and gas industry, the combined effect of the COVID-19 pandemic and the resulting collapse in world oil prices has tested and proved the resilience of ClearStream's business model. With energy transition and environmental considerations becoming increasingly important for all stakeholders in the energy sector, our customers will focus on improving their operational processes for greater efficiencies and reliability.

ClearStream has continued to add new service offerings that encompass the full asset lifecycle and is now offering a suite of more than 40 services. Through the extensive regional coverage provided by our 15 operating facilities, we believe that ClearStream is well-positioned to consolidate further multiple services required at various operating sites while generating efficiencies and cost reductions for its customers.

### Additional Information

Our unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2020 and the related Management's Discussion and Analysis of the operating and financial results can be accessed on our website at [www.clearstreamenergy.ca](http://www.clearstreamenergy.ca) and will be available shortly through SEDAR at [www.sedar.com](http://www.sedar.com).

### About ClearStream Energy Services Inc.

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

#### Randy Watt

Chief Financial Officer

ClearStream Energy Services Inc.

(587) 318-0997

[rwatt@clearstreamenergy.ca](mailto:rwatt@clearstreamenergy.ca)

#### Yves Paletta

Chief Executive Officer

ClearStream Energy Services Inc.

(587) 318-0997

[ypaletta@clearstreamenergy.ca](mailto:ypaletta@clearstreamenergy.ca)

### 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. This press release contains forward-looking statements relating to but not limited to: our business plans, strategies and objectives; the effects of the COVID-19 pandemic on global commerce and oil prices; that customers in the energy sector will remain cautious regarding their spending plans for the next few quarters; that activity levels will recover in the second half of 2021; that customers will prioritize asset management and integrity services to increase operational reliability; contract renewals and project awards, including the estimated value thereof and the timing of commencing the work associated therewith; that the consolidation of our wear technology overlay facilities has improved our production flexibility and reduced our fixed costs; that the COVID-19 outbreak and other market conditions will have longer term impacts on our activity levels and margins; that we will see the full benefit of the adjustments to our cost structure over the remainder of 2020; that the macro-economic environment will remain volatile with limited visibility for energy consumption to return to normal levels in the next few quarters; that energy companies will continue to carefully manage capital spending for capital projects and operations; that our customers will focus on improving their operational processes; and that we are well-positioned to consolidate further multiple services while generating efficiencies and cost reductions for our customers.

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, the success of our response to the COVID-19 global pandemic, 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, filed with the securities regulatory authorities in Canada and available at [www.sedar.com](http://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.

#### **Advisory regarding 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), share-based compensation, and other long-term incentive plans. 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's discussion and analysis of the operating and financial results for the three and nine months ended September 30, 2020.

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, recovery of contingent consideration liability, other loss, one time incurred expenses, impairment of right-of-use assets, bargain purchase gain, gain on remeasurement of right-of-use assets, and government subsidies. 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 its management's discussion and analysis of the operating and financial results for the three and nine months ended September 30, 2020.

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 available on SEDAR at [www.sedar.com](http://www.sedar.com) or on ClearStream's website at [www.clearstreamenergy.ca](http://www.clearstreamenergy.ca).