ClearStream Announces Third Quarter 2021 Financial Results

Strong turnaround activity drives 12.5% increase in revenues from second quarter

Calgary, Alberta (November 4, 2021) – ClearStream Energy Services Inc. ("ClearStream" or the "Company") (TSX: CSM) today announced its results for the three and nine months ended September 30, 2021. 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.

"Higher activity levels in the third quarter resulted in revenues increasing by 12.5% from the second quarter as we completed several turnaround projects for our customers. Gross profit margin also improved to 11.2% in the third quarter from 10.8% in Q2 2021 and 9.9% in Q3 2020," said Yves Paletta, Chief Executive Officer.

"The continued rise in global energy demand and commodity prices is providing strong fundamentals for our customers in the oil and gas industry. While we have seen an increase in bidding activity for our services, our customers continue to take a cautious approach to operational spending as evidenced by the reduction in new project awards and contract renewals in Q3 2021 compared to prior quarters. We expect activity levels to moderate in the fourth quarter before resuming their recovery in 2022, with several turnaround projects already scheduled for the second quarter," added Mr. Paletta.

HIGHLIGHTS

- Revenues for the three months ended September 30, 2021 were $108.6 million, representing an increase of $7.9 million or 7.8% from Q3 2020 and an increase of $12.0 million or 12.5% from Q2 2021.
- Gross profit margin for the three months ended September 30, 2021 was 11.2%, as compared to 9.9% in Q3 2020 and 10.8% in Q2 2021.
- Adjusted EBITDAS for the three months ended September 30, 2021 was $6.0 million, representing an increase of $0.4 million or 8.0% from Q3 2020 and an increase of $1.6 million or 34.3% from Q2 2021.
- Selling, general and administrative expenses for the three months ended September 30, 2021 were $7.3 million, representing an increase of $2.7 million or 57.7% from Q3 2020 and an increase of $0.7 million or 10.9% from Q2 2021.
- Liquidity remained strong with total cash and available credit facilities of $42.2 million at September 30, 2021.
- New project awards and contract renewals were $46 million for the three months ended September 30, 2021 and $9 million for the month of October 2021. Approximately 80% of that work is expected to have been completed within Q3 and continuing throughout the next 12 months.

Maintenance and Construction Services

Activity levels for maintenance and construction services in the third quarter increased from the second quarter of 2021, as turnaround activities were scheduled and executed during this quarter. Revenues from maintenance and construction services in Q3 2021 were 13.9% higher than Q2 2021 and 4.9% higher than Q3 2020.

We continue to focus on consolidating various scopes of work with existing or new customers by adding additional services in order to to enable more efficient execution and lower costs for our customers on each work site.

Wear Technology Overlay Services

The recovery in activity levels that we experienced in the first half of 2021 continued in Q3 2021 with revenues up 6.1% from Q2 2021 and 56.0% from the pandemic low experienced in Q3 2020. With the continued rise in global energy demand and commodity prices, we are seeing customers in the oil sands operating at full production levels, which has increased the demand for wear technology overlay services.

Environmental Services

We continue to actively pursue opportunities with our customers in order 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. We expect the pace at which funding under these programs is released to accelerate in 2022. In addition, we are seeing oil and gas companies increase their own expenditures for reclamation and remediation activities.

THIRD QUARTER 2021 FINANCIAL RESULTS

($ millions, except per share amounts)	Three months ended September 30,			Nine months ended September 30,		
	2021	2020	% Change	2021	2020	% Change
Revenue						
Maintenance and Construction Services	99.4	94.7	4.9 %	260.6	284.2	(8.3)%
Wear Technology Overlay Services	10.4	6.7	56.0 %	28.8	25.8	11.4 %
Eliminations	(1.2)	(0.6)	83.1 %	(2.0)	(1.4)	39.6 %
Total	108.6	100.8	7.8 %	287.4	308.6	(6.9)%
Gross Profit						
Maintenance and Construction Services	9.2	8.9	3.3 %	22.7	20.9	8.1 %
Wear Technology Overlay Services	2.9	1.1	174.0 %	8.0	4.4	82.3 %
Total	12.1	10.0	21.7 %	30.6	25.3	20.9 %
% of revenue	11.2 %	9.9 %	1.3 %	10.6 %	8.2 %	2.4 %
Selling, general and administrative	7.3	4.6	57.7 %	19.9	16.1	23.6 %
% of revenue	6.7 %	4.6 %	2.1 %	6.9 %	5.2 %	1.7 %
Adjusted EBITDAS						
Maintenance and Construction Services	9.1	8.8	4.2 %	22.8	20.8	9.6 %
Wear Technology Overlay Services	2.9	1.1	156.4 %	7.7	4.3	78.5 %
Corporate	(6.0)	(4.4)	38.4 %	(17.8)	(15.0)	18.5 %
Total	6.0	5.5	8.0 %	12.7	10.0	25.9 %
% of revenue	5.5 %	5.5 %	— %	4.4 %	3.3 %	1.1 %
(Loss) income from continuing operations	(2.2)	9.7	(123.0)%	(9.3)	1.7	(642.0)%
Net (loss) income per share (dollars) from continuing operations (basic and diluted)	(0.02)	0.09	(123.0)%	(0.08)	0.02	(642.0)%

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.

2021 SUMMARY RESULTS COMMENTARY

Revenue for the three and nine months ended September 30, 2021 was $108,647 and $287,447 compared to $100,755 and $308,591 for the same periods in 2020, representing an increase of 7.8% and decrease of 6.9%. The decrease in revenue for the nine months ended September 30, 2021, in comparison to the same period in 2020, was driven by a strong first quarter in 2020, which was largely unaffected by the COVID-19 pandemic, partially offset by improvements in the second and third quarters of 2021. The stabilization of the business that started in Q2 2021 continued in Q3 2021 with revenue increasing by 7.8% from Q3 2020.

Gross profit for the three and nine months ended September 30, 2021 was $12,124 and $30,610 compared to $9,965 and $25,314 for the same periods in 2020, representing an increase of 21.7% and 20.9%. Gross profit margin for the three and nine months ended September 30, 2021 was 11.2% and 10.6% compared to 9.9% and 8.2% for the same periods in 2020 and 10.8% for the three months ended June 30, 2021. As it became clear that the COVID-19 pandemic 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 structures. These mitigation measures have improved operational flexibility and reduced the fixed costs associated with ClearStream's operations as shown by the increase in gross profit margins.

Selling, general and administrative ("SG&A") expenses for the three and nine months ended September 30, 2021 were $7,302 and $19,856, in comparison to $4,631 and $16,063 for the same periods in 2020, representing an increase of 57.7% and 23.6%. As a percentage of revenue, SG&A expenses for the three and nine months ended September 30, 2021 were 6.7% and 6.9% compared to 4.6% and 5.2% for the same periods in 2020. The increase in SG&A expenses relative to 2020 is largely due to investments being made in 2021 to support our enterprise systems and digital strategy. These investments, which will extend into 2022, will drive longer-term efficiencies and increase our cost competitiveness. Also, SG&A expenses in the comparative periods were lower due to the cost reduction initiatives that were adopted in response to reduced operational volumes and macro-economic uncertainty created by the COVID-19 pandemic. As our business has recovered and stabilized, certain elements of these cost reductions have been reversed in order to support the increased volume of work in 2021.

For the three and nine months ended September 30, 2021, Adjusted EBITDAS was $5,973 and $12,653 compared to $5,531 and $10,047 for the same periods in 2020. As a percentage of revenue, Adjusted EBITDAS was 5.5% and 4.4% for the three and nine months ended September 30, 2021 compared to 5.5% and 3.3% for the same periods in 2020. Adjusted EBITDAS as a percentage of revenue increased for the nine months ended due to gross profit margin increases being realized in both the Maintenance and Construction Services segment and the Wear Technology Overlay Services segment.

Income from government subsidies includes the Canada Emergency Wage Subsidy ("CEWS") and the Canada Emergency Rent Subsidy ("CERS") received from the Government of Canada to assist with the payment of employee wages and rent as a result of the impact of the COVID-19 pandemic. During the three and nine months ended September 30, 2021, the Company qualified for both CEWS and CERS and recorded total subsidies of $143 and $11,313 compared to $14,905 and $23,481 for both comparative periods in 2020. The amount of subsidies reported in the third quarter of 2021 was lower than the first and second quarters of 2021 as the application for the third quarter will not be submitted until the fourth quarter.

Loss from continuing operations for the three months ended September 30, 2021, was $2,227 compared to income of $9,685 for the same period in 2020. Loss from continuing operations for the nine months ended September 30, 2021 was $9,300 compared to income of $1,716 for the same period in 2020. The income variance was driven by the government subsidies received in 2020 and 2021 and the recovery of the share-based compensation and other long-term incentive plans in 2020, offset by the impairment of right-of-use assets in 2021 and goodwill in 2020.

LIQUIDITY AND CAPITAL RESOURCES

ClearStream has an asset-based lending facility (the "ABL Facility") comprised of (i) a revolving credit facility providing for maximum borrowings up to $15.0 million (the "Revolving Facility") and (ii) a term loan facility providing for maximum borrowings of up to $40.5 million (the "Term Loan Facility"). The Revolving Facility matures on March 31, 2022 and the Term Loan Facility matures 180 days thereafter. As at September 30, 2021, the

Company had $12.0 million of available capacity under the Revolving Facility, $40.5 million drawn on the Term Loan Facility and $30.2 million of cash on hand.

The Company anticipates that its liquidity (cash on hand and available credit facilities) and cash flow from operations will be sufficient to meet its short-term contractual obligations, maintain compliance with its financial covenants, and maintain a positive cash position through September 30, 2022.

As at September 30, 2021 and December 31, 2020, issued and outstanding share capital included 109,992,668 common shares, 127,735 Series 1 preferred shares, and 40,111 Series 2 preferred shares.

The Series 1 preferred shares (having an aggregate value of $127.735 million) are convertible at the option of the holder into common shares at a price of $0.35/share and the Series 2 preferred shares (having an aggregate value of $40.111 million) are convertible into common shares at a price of $0.10/share.

The Series 1 and Series 2 preferred shares have a 10% fixed cumulative preferential cash dividend payable when the Company has sufficient monies to be able to do so, including under the provisions of applicable law and contracts affecting the Company. The board of directors of the Company does not intend to declare or pay any cash dividends until such times as the Company's balance sheet and liquidity position supports the payment. As at September 30, 2021, the accrued and unpaid dividends on the Series 1 and Series 2 shares totaled $55.6 million. Any accrued and unpaid dividends are convertible in certain circumstances at the option of the holder into additional Series 1 and Series 2 preferred shares.

OUTLOOK

For our customers in the oil and gas industry, the continued rise in global energy demand and commodity prices is providing strong fundamentals. While these customers are prioritizing debt repayment and returns to shareholders in the short-term, we expect that they will begin to increase their spending on both maintenance projects (to increase operational reliability) and capital projects (to maintain/expand productive capacity) later in 2022.

We have seen an increase in bidding activity for our services, which we consider a leading indicator of future activity levels. We expect activity levels to moderate in the fourth quarter before resuming their recovery in 2022, with several turnaround projects already scheduled for the second quarter.

With energy transition and environmental considerations becoming increasingly important for all stakeholders in the energy sector, we expect that our customers will focus on improving their operational processes for greater efficiencies and reliability, which aligns well with our service offerings.

To better support our customers, 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 18 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. During 2021, we added three new operating facilities: Fox Creek, Alberta; Drayton Valley, Alberta; and Swift Current, Saskatchewan.

ClearStream's business model continues to prove its resilience as we are working closely with our customers everyday in helping them to effectively manage their operations.

Additional Information

Our unaudited condensed consolidated interim financial statements for three and nine months ended September 30, 2021 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 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 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. This press release contains forward-looking information relating to: our business plans, strategies and objectives; that customers will continue to take a cautious approach to operational spending; activity levels in the fourth quarter of 2021 and in 2022; contract renewals and project awards, including the estimated value thereof and the timing of completing the associated work; that the demand for wear technology overlay services will increase as customers increase production levels; that the pace at which funding under federal and provincial programs for the closure and reclamation of oil and gas wells, pipelines and facilities is released will accelerate in 2022; that the COVID-19 pandemic and other market conditions will have longer term impacts on our activity levels and margins; that the adjustments to our cost structures have improved operational flexibility and reduced the fixed costs associated with our operations; that the investments being made to support our enterprise systems and digital strategy will drive longer-term efficiencies and competitiveness; the sufficiency of our liquidity and cash flow from operations to meet our short-term contractual obligations, maintain compliance with our financial covenants and maintain a positive cash position through September 30, 2022; that our customers who are involved in the oil and gas industry will begin to increase their spending on both maintenance and capital projects later in 2022; 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. In formulating the forward-looking information, 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, 2021.

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 in its management's discussion and analysis of the operating and financial results for the three and nine months ended September 30, 2021.

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 consolidated interim and annual financial statements available on SEDAR at www.sedar.com or on ClearStream’s website at www.clearstreamenergy.ca.