ClearStream Announces Second Quarter 2020 Financial Results

Calgary, Alberta (July 29, 2020) – ClearStream Energy Services Inc. ("ClearStream" or the "Company") (TSX: CSM) today announced its results for the three and six months ended June 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 release for a description of these items and limitations of their use.

HIGHLIGHTS

As anticipated at the end of the first quarter of 2020, the impacts from the COVID-19 pandemic were far reaching on both global and local commerce during the second quarter of 2020. Due to public health measures, the movement of people and goods were severely restricted and economic activity contracted significantly in Canada and most countries around the world.

While the economic slowdown precipitated by the pandemic was already reducing the demand for petroleum products, the Organization of the Petroleum Exporting Countries (OPEC) and its allies were unable to reach an agreement on continued production curtailments and began increasing market supply by the end of the first quarter. This resulted in WTI oil prices collapsing from a level of US$50/barrel in early 2020 to less than US$12/barrel in late April (and even traded at negative prices for the first time in history), with the prices for Canadian heavy oil trading even lower. On April 12, 2020, OPEC and its allies reached an agreement on new production quotas to take effect on May 1, 2020. This agreement provided support for WTI oil prices, which had recovered to approximately US$40/barrel by mid-July.

The rapid evolution of the COVID-19 pandemic combined with the collapse in oil prices resulted in producers of Canadian heavy oil (which trades at a price discount to WTI) significantly scaling back their production output and spending. This significantly impacted our contracting business in Fort McMurray and our Wear manufacturing business, triggered the deferral of turnaround projects scheduled for the second quarter (to later in 2020 and next year) and resulted in a material reduction in maintenance activities.

These impacts are reflected in our financial results for the second quarter, which has historically been one of our highest revenue periods with clients completing turnaround projects on their facilities. Revenues for the three months ended June 30, 2020 were $81.0 million, representing decreases of $45.7 million or 36% from the first quarter of 2020 and $22.7 million or 22% from the second quarter of 2019 (which did not include results from the acquisitions completed in mid-2019). Gross profit margins decreased significantly due to a reduction in both the total volume of business and the lower volume of higher margin work in the Wear Technology Overlay Services segment where certain fixed costs are required to operate the facilities. In addition, customers requested pricing concessions that were only partially offset by various cost reduction measures.

In response to the combined effect of the pandemic and oil price collapse on our business, we proactively made the following adjustments to our cost structure:

- Reduced our hourly workforce by 40% and salaried workforce by 30% through temporary and permanent layoffs;
- Curtailed all non-essential and discretionary spending, and reduced certain employee benefits to maintain our market competitiveness;
- Reduced temporarily Executive Leadership Team and Director compensation;
- Consolidated facilities in our Wear Technology Overlay Services segment to reduce fixed costs and increase manufacturing flexibility; and
- Applied for the Canada Emergency Wage Subsidy. To-date, we have received over $8 million from this program.

These adjustments were designed to protect our liquidity and capital resources, preserve our ability to promptly ramp up activity and avoid long-term consequences to our capabilities and service offerings. During the second quarter, we began to recall our hourly workforce as the volume of work increased, which reduced the overall hourly workforce reduction to 25% (from a peak of 40%).

As at June 30, 2020, ClearStream had cash and available credit facilities of $51.5 million (March 31, 2020 - $37.9 million and December 31, 2019 - $19.2 million). As announced on June 3, 2020 and in order to maintain additional financial flexibility, we have also received from our lenders the ability to defer interest and principal payments, waive compliance with financial covenants and defer other payments and fees. We were in compliance with all financial covenants at June 30, 2020 and, therefore, did not need to rely on the financial covenant waiver.

Bidding activity remains strong as clients prepare for maintenance and construction activity to resume as the economy re-opens. Between April 1 and July 29, 2020, we have secured contract renewals and new project awards with major upstream, midstream and downstream energy companies in Canada that are estimated to generate approximately $165 million in new backlog. ClearStream's Flint, Wear, Universal Weld Overlays and Environmental Services divisions will be executing the work, which will consist of facility construction, maintenance, turnarounds, 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 third quarter of 2020. In addition, we are actively pursuing opportunities with our clients to secure funding under the various federal and provincial site reclamation programs across British Columbia, Alberta and Saskatchewan.

With reduced activity levels during the quarter, we have taken the opportunity to accelerate our focus on internal business process improvements and automation, as well as new digital service offerings. We entered into a new strategic alliance with Cumulus Digital Systems and launched the "Cumulus Smart Torque System (STS)" in Canada. We will be implementing this technology across our Canadian operations to improve our maintenance processes, minimize our client's downtime and maximize their profitability, while ensuring long-term asset integrity.

Since the addition of Flint and Universal Weld Overlays as divisions of ClearStream in mid-2019, as well as the expansion of our Environmental Services division, we have continued to add new offerings, and are now able to serve our clients with a suite of 40 services that encompass the full asset lifecycle, delivered 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 clients.

OVERVIEW OF FINANCIAL RESULTS

($ millions, except per share amounts)	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Revenue	81.0	103.7	207.8	187.6
Gross profit	6.0	11.2	15.4	20.2
Selling, general & administrative expenses	(4.7)	(6.4)	(11.4)	(11.8)
Adjusted EBITDAS	1.9	6.2	4.5	10.1
Income (loss) from continuing operations	1.3	7.1	(8.0)	2.9
Net income (loss) per share from continuing operations, basic and diluted	0.01	0.06	(0.07)	0.03

2020 RESULTS COMMENTARY

Revenues for the three and six months ended June 30, 2020 were $81,037 and $207,836 compared to $103,690 and $187,644 for the same periods in 2019, a decrease of 22% and increase of 11%, respectively. This increase in the six months ended June 30, 2020, in comparison to the same period in 2019, was driven by the acquisition on June 28, 2019 of certain assets of the production services division of AECOM Production Services Ltd. (the "AECOM PSD Business") and all of the issued and outstanding shares of Universal Weld Overlays Inc. ("UWO"). Acquisition driven revenue increases were partially offset in the three months ended June 30, 2020 by a reduction of revenue due to customers reducing spending and postponing scheduled maintenance and turnaround activities. These postponements are 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 six months ended June 30, 2020 was $6,030 and $15,350 compared to $11,210 and $20,180 for the same periods in 2019, a decrease of 46% and 24%, respectively. Gross profit margins for the three and six months ended June 30, 2020 were 7.4% and 7.4% compared to 10.8% and 10.8% for the same periods in 2019. The decreases for the three and six months ended June 30, 2020 were 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.

Selling, general and administrative ("SG&A") expenses for the three and six months ended June 30, 2020 were $4,717 and $11,433, in comparison to $6,369 and $11,771 for the same periods in 2019, a decrease of 26% and 3%, respectively. As a percentage of revenue, SG&A expenses for the three and six months ended June 30, 2020 were 5.8% and 5.5% compared to 6.1% and 6.3% for the same periods in 2019. The decreases for the three and six months ended June 30, 2020 were due to the net effect of lower SG&A expenses in 2020 due to the implementation of cost reduction initiatives near the end of the first quarter and higher expenses in 2019 due to the Company's growth and business process improvement initiatives as well as one-time expenses including termination benefits.

Non-cash items that impacted the 2020 results were depreciation, amortization, and the reversal of share-based compensation and other long-term incentive plans. For the three and six months ended June 30, 2020, depreciation and amortization expense was $4,148 and $7,811 compared to $3,312 and $6,708 for the same periods in 2019, an increase of 25% and 16% respectively. The increase in depreciation and amortization expense was largely due to the increase in asset values as a result of the acquisition of the AECOM PSD Business. Recovery of the share-based compensation and other long-term incentive plans for the six months ended June 30, 2020 of $1,109, in comparison to an expense of $64 for the same period in 2019, represents the change in the net present value of future cash payments expected to be earned under the Cumulative Value Creation Unit Plan. This amount will fluctuate period to period based on management's best estimate of Adjusted EBITDAS over the performance period.

For the three and six months ended June 30, 2020, interest expenses were $4,546 and $8,643 compared to $4,129 and $8,474 for the same periods in 2019, an increase of 10% and 2%, respectively. These increases resulted from an increase in the amount outstanding under the term loan facilities due to advances made in the second and third quarters of 2019.

Restructuring (recovery) expense of ($16) and $397 was recorded during the three and six months ended June 30, 2020 compared to expense of $4,382 and $4,443 for the same periods in 2019. These non-recurring restructuring costs in 2019 were related to the acquisitions of the AECOM PSD Business and UWO, which closed on June 28, 2019, as well as termination benefits.

Impairment of $5,000 was recorded in the six months ended June 30, 2020 as a result of the identification of indicators of impairment at March 31, 2020 related toJune 30, 2020 the forecasted impact of the COVID-19 pandemic, which has decreased global demand for oil and gas, resulting in a reduction in long-term commodity price outlooks. Management therefore performed impairment tests as at March 31, 2020 for the Wear and UWO cash-generating units ("CGUs"), both of which are within the Wear Technology Overlay Services segment. This testing resulted in an impairment of the UWO CGU of $5,000 in the six months ended June 30, 2020. No impairment was required for the Wear CGU.

The Canada Emergency Wage Subsidy ("CEWS") represents assistance 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 six months ended June 30, 2020.

Income (loss) from continuing operations for the three and six months ended June 30, 2020 was an income of $1,303 and a loss of $7,968, in comparison to an income of $7,093 and $2,871 for the same periods in 2019. The income variances are largely driven by the goodwill impairment loss and decrease to gross profits for the 2020 periods, offset by benefits received from the Canada Emergency Wage Subsidy program, the reversal of the share-based compensation and other long-term incentive plans, and the bargain purchase gain in 2019.

The loss from discontinued operations was $4 and $89 for the three and six months ended June 30, 2020, compared to a loss of $308 and a gain of $2,334 in comparison for the same periods in 2019. 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 Quantum Murray and legal proceedings that existed prior to the sale of the business.

For the three and six months ended June 30, 2020, Adjusted EBITDAS were $1,864 and $4,517 compared to $6,214 and $10,051 for the same periods in 2019. As a percentage of revenue, Adjusted EBITDAS was 2.3% and 2.2% for the three and six months ended June 30, 2020 compared to 6.0% and 5.4% for the same periods in 2019. Adjusted EBITDAS as a percentage of revenue decreased due to gross profit decreases in the Maintenance and Construction Services segment and Wear Technology Overlay Services segment.

SEGMENT OPERATING RESULTS

MAINTENANCE AND CONSTRUCTION SERVICES

($ millions)	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Revenue	74.1	88.3	189.5	156.2
Gross profit	5.3	7.3	12.1	12.5
Selling, general & administrative expenses	(0.2)	(0.3)	(0.4)	(0.6)
Adjusted EBITDAS	5.4	7.0	12.0	11.9
Income from continuing operations	9.9	5.2	14.1	8.2

REVENUES

Revenues for the Maintenance and Construction Services segment were $74,142 and $189,487 for the three and six months ended June 30, 2020 compared to $88,335 and $156,226 for the same periods in 2019, which reflects a decrease of 16% and an increase of 21%, respectively. This increase in the six months ended June 30, 2020 was due to the acquisition of the AECOM PSD Business on June 28, 2019. Acquisition driven revenue increases were partially offset in the three months ended June 30, 2020 by reductions due to customers reducing spending and postponing scheduled maintenance and turnaround activities. These postponements are 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

Gross profit was $5,310 and $12,060 for the three and six months ended June 30, 2020, compared to $7,325 and $12,478 for the same periods in 2019, a decrease of 28% and 3%, respectively. Gross profit margins were 7.2% and 6.4% for the three and six months ended June 30, 2020 compared to 8.3% and 8.0% for the same periods in 2019. The decrease in gross profit margins was due to lower than anticipated volumes from our maintenance and turnaround business relative to indirect costs to manage this business as well as the downward market pressure on margins by our customers.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A expenses for the Maintenance and Construction Services segment were $166 and $401 for the three and six months ended June 30, 2020, compared to $276 and $617 for the same periods in 2019, a decrease of 40% and 35%, respectively. The decreases in SG&A expenses were partially due to impacts of our cost mitigation initiatives in response to lower volumes from market uncertainty.

WEAR TECHNOLOGY OVERLAY SERVICES

($ millions)	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Revenue	7.4	16.9	19.1	33.4
Gross profit	0.7	3.9	3.3	7.7
Selling, general & administrative expenses	(0.1)	(0.1)	(0.3)	(0.3)
Adjusted EBITDAS	0.8	3.8	3.2	7.4
Income (loss) from continuing operations	0.0	1.2	(3.6)	3.8

REVENUES

Revenues for this segment for the three and six months ended June 30, 2020 were $7,377 and $19,144, compared to $16,921 and $33,449 for the same periods in 2019, a decrease of 56% and 43%, respectively. The decrease in revenue for both periods was due to overall reduced market activity as customers were cautious on spending, lower than anticipated volumes due to the postponement of scheduled maintenance and turnarounds and the closure of two fabrication facilities in mid-2019.

GROSS PROFIT

Gross profit was $720 and $3,290 for the three and six months ended June 30, 2020, compared to $3,885 and $7,702 for the same periods in 2019, a decrease of 81% and 57% respectively. Gross profit margins were 9.8% and 17.2% for the three and six months ended June 30, 2020 compared to 23.0% and 23.0% for the same periods in 2019. The decrease in gross profit margins was due to increased competition, a higher proportion of lower margin work in our facilities, and the overall decline in volumes with certain fixed costs remaining steady. 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, we took immediate steps to adjust our cost structure and optimize our overlay manufacturing footprint by consolidating all operations into our facility in Sherwood Park. We expect to complete the consolidation and the resulting closure of the facilities in Edmonton and Nisku during the third quarter of 2020.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A expenses for the Wear Technology Overlay Services segment were $127 and $278 for the three and six months ended June 30, 2020 consistent with $119 and $296 for the same periods in 2019.

CORPORATE

($ millions)	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Selling, general & administrative expenses	(4.4)	(6.0)	(10.8)	(10.9)

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

SG&A expenses were $4,424 and $10,754 for the three and six months ended June 30, 2020 compared to $5,974 and $10,858 for the same periods in 2019. SG&A expenses as a percentage of revenue were 5.5% and 5.2% for the three and six months ended June 30, 2020 compared to 5.8% and 5.8% for the same periods in 2019. This decrease in SG&A expenses as a percentage of revenue was due to the implementation of cost reduction initiatives near the end of the first quarter of 2020 and higher expenses in the second quarter of 2019 due to the Company's growth and business process improvement initiatives as well as one-time expenses including termination benefits.

LIQUIDITY AND CAPITAL RESOURCES

($ millions)	June 30, 2020	December 31, 2019
Cash provided by (used in) operating activities	50.3	(8.4)
Cash used in investing activities	(0.7)	(54.1)
Cash (used in) provided by financing activities	(32.4)	51.7
Consolidated cash, end of period	**24.4**	**(10.8)**

The Company’s liquidity and cash flow provided from operations has been driven by a significant release of working capital as revenues for the three months ended June 30, 2020 declined significantly from the three months ended December 31, 2019 and the three months ended March 31, 2020. This was further impacted by internal billing efficiencies realized in 2020 and the receipt of the Canada Emergency Wage subsidy.

Depending on the severity and duration of the current market pullback, management has stress tested the Company's liquidity position to meet all commitments as well as created various levels of mitigation actions to respond to reductions in revenue.

To maintain additional financial flexibility, we have established agreements with our lenders to defer interest and principal payments, waive compliance with financial covenants and defer other payments and fees as described under Financing Activities below.

Based on current forecast, which assumes the continued receipt of funding available to ClearStream through the Canada Emergency Wage Subsidy program and the extension of the asset-based lending facility past March 2021 on same or similar terms, the Company anticipates having sufficient cash flow from operations and available credit facilities to meet its short-term contractual obligations and to maintain compliance with its financial covenants through June 30, 2021.

The potential impact that COVID-19 will have on our business or financial results cannot be reasonably estimated at this time. As such, any shutdowns requested or mandated by government authorities in response to any further outbreak of COVID-19 may have a material adverse affect on our planned operating activities.

OPERATING ACTIVITIES

Cash flow provided by (used in) operating activities represents the net income (loss) incurred during the three and six months ended June 30, 2020 and 2019 adjusted for interest and non-cash items, combined with the decrease in working capital.

INVESTING ACTIVITIES

Cash outflows related to investment activities during the six months ended June 30, 2020 consisted of the purchase of assets and an installment payment towards the outstanding deferred consideration liability related to the acquisition of UWO, offset partially by proceeds from the disposal of certain assets as well as dividend proceeds from an equity investment.

FINANCING ACTIVITIES

a. ABL Facility

The Company established an asset-based lending facility (the "ABL Facility") pursuant to the terms of the Third Amended and Restated Credit Agreement, which is comprised of (i) a revolving credit facility providing for maximum borrowings that range from $50,000 to $65,000 depending on the period (currently $65,000) (the "Revolving Facility") with a syndicate of banks (the "Lenders") and (ii) a term loan facility providing for maximum borrowings of up to $40,500 (the "Term Loan Facility") with Canso Investment Counsel Ltd, in its capacity as portfolio manager for and on behalf of certain accounts that it manages ("Canso").

Pursuant to an amending agreement dated May 29, 2020, the Lenders and Canso have agreed to amend the ABL Facility to, among other things: (a) provide the option to defer interest owing on amounts drawn on the Revolving Facility at the end of May, June and July 2020 (with any such deferred amounts to be paid on August 31, 2020); (b) defer interest payments on amounts drawn on the Term Loan Facility from May 29, 2020 to March 31, 2021 (with such deferred amounts to be paid on March 31, 2021); (c) waive compliance with the fixed charge coverage ratio covenant for the fiscal quarter ending June 30, 2020; (d) defer the payment of certain fees (with any such deferred amounts to be paid on August 31, 2020); and (e) permit the Payment in Kind Transactions (as defined under Senior Secured Debentures below). Assuming that the amount drawn on the Term Loan Facility remains constant at $40,500 and based on the current interest rate, the deferred interest payments on the Term Loan Facility from May 29, 2020 to March 31, 2021 will total approximately $3,000. As of June 30, 2020, interest on the Term Loan Facility of $235 was deferred and accrued for in the ABL Facility payable balance.

Pursuant to an amending agreement dated March 20, 2020, the ABL Facility was amended to, among other things, adjust the maximum borrowings available under the Revolving Facility to $65,000 during the period commencing March 1, 2020 and ending September 30, 2020, $60,000 during the period commencing October 1, 2020 and ending December 31, 2020, and $50,000 during the period commencing January 1, 2021 and ending on the maturity date of the Revolving Facility. The amending agreement extended the maturity date of the Revolving Facility to March 23, 2021 and the Term Loan Facility to 180 days thereafter. It also amended the financial covenants to replace the quarterly minimum cumulative EBITDA covenant with a quarterly fixed charge coverage ratio covenant.

The amount available under the Revolving Facility will vary from time to time based on the borrowing base determined with reference to the accounts receivable of the Company. The Revolving Facility borrowing base as at June 30, 2020 was $32,072 (December 31, 2019 - $50,000). The obligations under the ABL Facility are secured by, among other things, a first ranking lien on all of the existing and after acquired accounts receivable and inventories of the borrower and the other guarantors, being the Company and certain of its direct and indirect subsidiaries. The interest rate on the Revolving Facility is prime plus 2.5%, increasing to prime plus 4.0% if the Revolving Facility is more than 50% drawn.

As at June 30, 2020, $nil (December 31, 2019 - $27,825) was drawn on the Revolving Facility, and there were $3,230 (December 31, 2019 - $2,930) of letters of credit further reducing the amount available to be drawn. As at June 30, 2020, the net unamortized amount of deferred financing costs was $522 (December 31, 2019 - $883).

At June 30, 2020, $40,500 (December 31, 2019 - $40,500) was outstanding under the Term Loan Facility. The Term Loan Facility is required to be used for specific purposes and cannot be redrawn once repaid. The interest rate on the Term Loan Facility is equal to the interest rate on the Revolving Facility plus 2.0%.

The amended financial covenants applicable under the ABL Facility are as follows:

- The Company must maintain a fixed charge coverage ratio equal to or greater than 1.00:1.00 for each twelve month period calculated and tested as of the last day of each fiscal quarter (commencing March 31, 2020); and
- The Company must not expend or become obligated for any capital expenditures in an aggregate amount exceeding $6,600 during the period commencing January 1, 2020 and ending December 31, 2020, and any fiscal year thereafter.

At June 30, 2020, ClearStream was in compliance with all financial covenants under the ABL Facility.

b. Other Secured Borrowings

On May 13, 2020, the Company signed an agreement with the Business Development Bank of Canada to postpone all interest payments on the loans for a period of six months with the amount of the deferred interest being payable at the end of the deferral period in twelve equal consecutive monthly installments.

On March 30, 2020, the Company signed an agreement with the Business Development Bank of Canada to postpone effective May 1, 2020 all principal payments on the loans for a period of six months with the postponed payments being added to the end of loan term. As a result, the final payment of the $13,500 loan will occur on September 2, 2045 and the final payment on the $5,500 loan will occur on December 28, 2025.

c. Senior Secured Debentures

Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, and sole holder of the Senior Secured Debentures has agreed to accept the issuance of an additional 3,956 Senior Secured Debentures on June 30, 2020 and 4,114 Senior Secured Debentures on December 31, 2020 at a principal amount of $1,000 per Senior Secured Debenture in order to satisfy the interest that would otherwise become due and payable on such dates (the “Payment in Kind Transactions”). This will save ClearStream approximately $7,900 in cash. Following the Payment in Kind Transactions, ClearStream will have approximately $107,000 principal amount of Senior Secured Debentures outstanding at December 31, 2020.

OUTLOOK

Overall market conditions have started to experience some recovery with the stabilization and slight recovery in oil prices. Our customers are expected to increase maintenance and capital spending in the second half of 2020 as a result of the recovery in oil prices from the lows set in April 2020, the easing of some of the public health measures implemented during the pandemic, as well as the rescheduling of some necessary turnaround activities from the second to the third quarter of 2020.

However, customers are likely to maintain spending discipline as a result of the continuing measures to try to limit the spread of the virus, including travel restrictions, border closures, quarantines and social distancing. These ongoing measures will likely slow the overall economic recovery. As such, overall market conditions are anticipated to remain uncertain for the foreseeable future. Upstream, midstream and downstream companies will continue to carefully manage spending for capital projects and operations where possible until further confidence in market stability has returned.

We expect that maintenance and turnaround activity will eventually increase as customers focus on asset management and integrity services to increase operational reliability. With contract renewals and new project awards secured in the second quarter and early in the third quarter, as well as the full impact of cost mitigation measures already implemented in the second quarter, we expect ClearStream's profitability to improve in the second half of 2020.

Additional Information

Our unaudited condensed consolidated interim financial statements for the three months ended June 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 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 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 the adjustments to our cost structure implemented to-date will protect our liquidity and capital resources, preserve our ability to ramp up activity in the future and avoid long-term consequences to our capabilities and service offerings; contract renewals and project awards, including the estimated value thereof and the the timing of commencing the work associated therewith; the use of technology to improve our maintenance processes; that we are well-positioned to consolidate further multiple services while generating efficiencies and cost reductions for clients; 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; the consolidation of our wear technology overlay facilities, including the timing of completion and the benefits thereof; the receipt of the Canada Emergency Wage Subsidy; the sufficiency of our cash flow from operations and available credit facilities to meet our short-term contractual obligations and maintain compliance with our financial covenants through June 30, 2021; that customers will increase maintenance and capital spending in the second half of 2020; that customers will maintain spending discipline; the effect of public health measures on the overall economic recovery; that overall market conditions are anticipated to remain uncertain for the foreseeable future; that we expect that maintenance and turnaround activity will eventually increase as customers focus on asset management and integrity services; and that our profitability will improve in the second half of 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, 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 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), 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 this press release.

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 this press release.

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 or on ClearStream's website at www.clearstreamenergy.ca.