ClearStream Announces First Quarter 2017 Financial Results

Calgary – May 3, 2017 – ClearStream Energy Services Inc. ("ClearStream", TSX: CSM and CSM.DB.A) today announced its results for the three months ended March 31, 2017.

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

First Quarter 2017 Highlights

- Revenue for the first quarter of 2017 increased by $9.0 million or 13% compared to the first quarter of 2016;
- Adjusted EBITDAS for the first quarter of 2017 increased significantly by $1.6 million or 389% compared to the same period 2016;
- Fixed costs, which include indirect costs of sales and SG&A, were down 24% compared to the same period in 2016;
- Many of our customers deferred maintenance spending in 2016 in response to very challenging market conditions, and with commodity price improvements, our customers have shown a willingness to increase critical maintenance spending in 2017;
- We began operations in Saskatchewan during the first quarter of 2017 and added new customers in the fertilizer, utility, and oil and gas industries;
- Turnaround demand is typically strong during the second quarter and this is expected to be the case in 2017, which is expected to benefit second quarter financial results.

Overview of Financial Results

($ millions, except per share amounts)	Q1 2017	Q1 2016
Revenue	77.7	68.6
Gross profit	6.5	5.3
Selling, general & administrative expenses	(4.5)	(5.0)
Loss from continuing operations	(3.6)	(16.1)
EBITDAS	3.8	(7.4)
Adjusted EBITDAS	2.1	0.4
Loss per share from continuing operations, basic and diluted	(0.03)	(0.15)

Revenues for the three months ended March 31, 2017 were $77.7 million compared to $68.6 million for the same period in 2016, an increase of 13%. Demand for ClearStream's services increased for both reportable segments due largely to higher oil and gas prices and increased revenue from new customers.

Gross profit for the three months ended March 31, 2017 was $6.5 million compared to $5.3 million for the same period in 2016 and gross margins were 8.4% compared to 7.7% for the same period in 2016. Gross margins improved on a year-over-year basis as cost cutting initiatives executed in 2016 led to reductions in fixed indirect costs.

Selling, general and administrative costs for the three months ended March 31, 2017 were $4.5 million compared to $5.0 in 2016. The 9% decrease reflects cost cutting initiatives that were implemented in 2016.

The loss from continuing operations for the first quarter of 2016 included $8.7 million in goodwill impairment losses. The first quarter of 2017 did not include such losses.

Segment Review

MAINTENANCE AND CONSTRUCTION SERVICES

($ millions, except per share amounts)	Q1 2017	Q1 2016
Revenue	59.2	54.7
Gross profit	2.4	3.0
Selling, general & administrative expenses	(0.3)	(0.5)
Income from continuing operations	3.4	1.8

Revenues for the Maintenance and Construction Services segment were $59.2 million for the three months ended March 31, 2017 compared to $54.6 million in the prior year quarter, an increase of 8%. The majority of ClearStream's maintenance and construction customers operate in the oil and gas sector. The increase in oil and gas prices led to higher demand for our maintenance and construction services during the first quarter compared to the same period in 2016. A new contract award in Saskatchewan with a fertilizer company also contributed to the year-over-year increase.

Gross profit was $2.4 million for the three months ended March 31, 2017 compared with $3.0 million for the same period in the prior year. Gross profit margin for the period was 4.1% compared to 5.5% a year ago. Gross profit margins decreased as lower pricing for our services more than offset the impact of reductions to indirect costs. Indirect costs are more fixed in nature and have declined due to cost cutting initiatives that were implemented throughout 2016.

Selling, General and Administrative costs for the Maintenance and Construction segment decreased by $0.2 million or 29% due to cost cutting initiatives that were implemented throughout 2016 in response to a decline in market conditions.

Income from continuing operations includes a $1.9 million gain on the sale of property, plant and equipment that relates largely to the sale of two non-essential properties that occurred during the first quarter of 2017.

WEAR, FABRICATION, AND TRANSPORATION SERVICES

($ millions, except per share amounts)	Q1 2017	Q1 2016
Revenue	18.9	14.7
Gross profit	4.1	2.3
Selling, general & administrative expenses	(0.2)	(0.2)
Income from continuing operations	3.2	1.2

Revenues for the Fabrication, Wear Technology and Transportation segment were $18.9 million for the three months ended March 31, 2017 compared to $14.7 million in the prior year quarter, an increase of 29%. The majority of the customers within this segment are linked to the Alberta oilsands and, given improvements to oil prices and a resulting increase in customer activity, demand from these customers increased during the first quarter of 2017.

Gross profit was $4.1 million for the three months ended March 31, 2017 compared with $2.3 million during the same period of the prior year. Gross profit margin for the period was 21.7% compared to 15.8% a year ago. Gross profit margins for the segment increased due to cost cutting reductions that were implemented in 2016 that led to lower indirect costs. Lower indirect costs were partially offset by an increase in direct costs as a percentage of sales caused by pricing reductions. Pricing reductions were deemed necessary to protect ClearStream's market share.

Selling, General and Administrative costs for the Maintenance and Construction segment decreased by 6% due to cost cutting initiatives that were implemented throughout 2016 in response to a decline in market conditions.

CORPORATE

($ millions, except per share amounts)	Q1 2017	Q1 2016
Selling, general & administrative expenses	4.0	4.3

Corporate Selling, General and Administrative expenses were $4.0 for the period ended March 31, 2017 compared to $4.3 for the same period in the prior year. The 6% decrease in Corporate SG&A is primarily due to reductions in staffing levels offset partially by higher professional and legal costs largely related to finalizing the head office transition from Toronto to Calgary.

Outlook

Modest improvements to oil and gas prices led to stronger industry conditions during the first quarter of 2017. ClearStream expects this trend to continue with increased maintenance and turnaround demand expected in the second quarter of 2017 compared to the same period in 2016. Our customers deferred a significant amount of maintenance spending throughout 2016 given the weak market conditions combined with the impact of the Fort McMurray fires. As a result, spending on critical maintenance and turnaround programs is expected to increase with the improvements in oil and gas prices and overall market conditions. In addition, turnaround demand is typically strong during the second quarter and this is expected to be the case in 2017, which is expected to benefit second quarter financial results.

Although maintenance and turnaround demand is expected to improve in 2017, customer project activity is not expected to increase significantly compared to 2016. New infrastructure projects within the western Canadian oil and gas industry are not expected to increase until a substantial increase in commodity prices occurs.

Given the uncertainty of commodity prices and the competitiveness of the oilfield service industry, ClearStream management will continue to focus on cost control, customer retention, process and efficiency improvements, and diversification of our business into new geographies and markets outside of oil and gas.

About ClearStream Energy Services Inc.

ClearStream is a fully integrated provider of upstream, midstream and refinery production services, which includes facility maintenance and turnarounds, pipeline wear technology, facilities construction, welding and fabrication, and transportation to the energy and other industries in Western Canada. For more information about ClearStream, please visit www.ClearStreamEnergy.ca.

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Forward-looking information

This report contains certain forward-looking information. Certain information included in this report may constitute forward-looking information within the meaning of 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. Forward-looking information may relate to management’s future outlook and anticipated events or results and may include statements or information regarding the future plans or prospects of ClearStream and reflects management’s expectations and assumptions regarding the growth, results of operations, performance and business prospects and opportunities of ClearStream. Without limitation, information regarding the future operating results and economic performance of ClearStream constitute forward-looking information. Such forward-looking information reflects management’s current beliefs and is based on information currently available to management of ClearStream. 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 risks related to investments, conditions of capital markets, economic conditions, commodity prices, dependence on key personnel, limited customer bases, interest rates, regulatory change, ability to meet working capital requirements and capital expenditures needs of the Company, factors relating to the weather and availability of labour. These factors should not be considered exhaustive. In addition, in evaluating this information, investors should specifically consider various factors, including the risks outlined under “Risk Factors,” in the company’s 2016 Annual Information Form dated March 6, 2017, which may cause actual events or results to differ materially from any forward-looking statement. 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 considers 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 report, 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. ClearStream is providing the forward-looking financial information set out in this report for the purpose of providing investors with some context for the outlook presented. Readers are cautioned that this information may not be appropriate for any other purpose.

Non-standard measures

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

EBITDAS refers to net earnings determined in accordance with IFRS, before depreciation and amortization, interest expense, income tax expense (recovery) and stock based compensation. EBITDAS is used by management and the directors of ClearStream (the “Directors”) 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 consolidated financial statements and MD&A.

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

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

CLEARSTREAM ENERGY SERVICES INC.
Consolidated Balance Sheets
(In thousands of Canadian dollars)

As at		March 31, 2017		December 31, 2016
Cash	$	1,980	$	11,503
Restricted cash		980		980
Accounts receivable		54,154		46,928
Inventories		3,808		3,000
Prepaid expenses and other		2,573		2,060
Earn-out assets (note 3)		2,566		1,608
Total current assets		66,061		66,079
Property, plant and equipment, net (note 4)		24,302		24,745
Goodwill and intangible assets		37,274		38,088
Earn-out assets (note 3)		3,380		4,056
Long-term investments		616		579
Deferred financing costs (note 5)		1,151		1,295
Total assets	**$**	**132,784**	**$**	**134,842**
Accounts payable and accrued liabilities	$	27,027	$	26,848
Deferred revenue		158		167
Current portion of obligations under finance leases		3,410		3,902
Provision (note 9)		4,985		4,985
Total current liabilities		35,580		35,902
ABL facility (note 5)		5,750		3,500
Obligations under finance leases		2,529		2,915
Senior secured debentures (note 5)		171,712		171,642
Convertible secured debentures (note 5)		24,514		24,397
Total liabilities		240,085		238,356
Shareholders' deficit		(107,301)		(103,514)
Total liabilities and shareholders' deficit	**$**	**132,784**	**$**	**134,842**

Note references are to the Company's interim financial statements for the three months ending March 31, 2017, which are available on SEDAR at www.sedar.com

CLEARSTREAM ENERGY SERVICES INC.
Consolidated Statements of Loss and Comprehensive Loss
(In thousands of Canadian dollars, except per share amounts)

Three months ended		March 31, 2017		March 31, 2016
Revenue	$	77,689	$	68,640
Cost of revenue		(71,149)		(63,324)
Gross profit		6,540		5,316
Selling, general and administrative expenses (note 6)		(4,528)		(4,952)
Stock based compensation (note 8)		(309)		-
Amortization of intangible assets		(863)		(901)
Depreciation (note 4)		(1,231)		(1,548)
Income (loss) from equity investment		37		(235)
Interest expense		(5,032)		(6,241)
Gain on sale of assets held for sale		123		1,114
Restructuring costs		(277)		-
Impairment of goodwill and intangible assets		-		(8,700)
Gain on sale of property, plant and equipment		1,917		55
Loss from continuing operations		(3,623)		(16,092)
Loss from discontinued operations (net of income taxes) (note 2)		(370)		(4,725)
Net loss and comprehensive loss	$	(3,993)	$	(20,817)
Loss per share (note 7)				
Basic & diluted:				
Continuing operations	$	(0.03)	$	(0.15)
Discontinued operations	$	(0.00)	$	(0.04)
Net loss	$	(0.04)	$	(0.19)

Note references are to the Company's interim financial statements for the three months ending March 31, 2017, which are available on SEDAR at www.sedar.com

CLEARSTREAM ENERGY SERVICES INC.

Consolidated Statements of Cash Flows

(In thousands of Canadian dollars)

Three months ended		March 31, 2017		March 31, 2016
Operating activities:				
Net loss for the period	$	(3,993)	$	(20,817)
Loss from discontinued operations (net of income tax)		370		4,725
Items not affecting cash:				
Stock based compensation (note 8)		206		-
Amortization of intangible assets		863		901
Depreciation (note 4)		1,231		1,548
(Income) loss from equity investments		(37)		235
Accretion expense		187		1,917
Amortization of deferred financing costs		144		-
Impairment of goodwill and intangible assets		-		8,700
Gain on sale of assets held for sale		(123)		(1,114)
Gain on sale of property, plant and equipment		(1,917)		(55)
Changes in non-cash working capital		(8,260)		17,000
Advances to discontinued operations		-		(4,680)
Cash used in discontinued operations		-		(237)
Total cash (used in) provided by operating activities	$	(11,329)	$	8,123
Investing activities:				
Purchase of property, plant and equipment (note 4)		(1,322)		(493)
Net proceeds on disposal of property, plant and equipment (note 4)		2,578		263
Purchase of intangible assets		(49)		(25)
Proceeds on the disposition of businesses (note 2)		-		8,000
Changes in non-cash working capital		(646)		-
Total cash provided by investing activities	$	561	$	7,745
Financing activities:				
Decrease in restricted cash		-		3,400
Proceeds from the issuance of the senior secured debentures		-		176,228
Proceeds from the issuance of the convertible secured debentures		-		35,000
Repayment of the senior credit facility		-		(58,735)
Repayment of the 8.00% secured debentures		-		(176,228)
Refinancing fees (ABL facility, senior and convertible secured debentures)		-		(9,925)
Advance on ABL facility		2,250		-
Repayment of obligations under finance leases		(1,005)		(1,290)
Total cash provided by (used in) financing activities	$	1,245	$	(31,550)
(Decrease) increase in cash		(9,523)		(15,682)
Cash, beginning of the period		11,503		24,409
Cash, end of period	$	1,980	$	8,727
Supplemental cash flow information:				
Interest paid		9,101		4,212
Supplemental disclosure of non-cash financing and investing activities:				
Acquisition of property, plant and equipment through finance leases		39		161

Note references are to the Company's interim financial statements for the three months ending March 31, 2017, which are available on SEDAR at www.sedar.com

CLEARSTREAM ENERGY SERVICES INC.
Segmented Information
(In thousands of Canadian dollars)

Three months ended March 31, 2017	Maintenance and Construction	Wear, Fabrication and Transportation	Corporate	Eliminations	Total
Revenues	59,208	18,896	-	(415)	77,689
Cost of revenues	(56,770)	(14,794)	-	415	(71,149)
Gross profit	2,438	4,102	-	-	6,540
Selling, general and administrative expenses	(335)	(183)	(4,010)	-	(4,528)
Stock based compensation	-	-	(309)	-	(309)
Amortization of intangible assets	(47)	(73)	(743)	-	(863)
Depreciation	(563)	(587)	(81)	-	(1,231)
Income from equity investment	37	-	-	-	37
Interest expense	(50)	(56)	(4,926)	-	(5,032)
Gain from assets held for sale	-	-	123	-	123
Restructuring costs	-	-	(277)	-	(277)
Gain on sale of property, plant and equipment	1,916	1	-	-	1,917
Income (loss) from continuing operations	3,396	3,204	(10,223)	-	(3,623)

Three months ended March 31, 2016	Maintenance and Construction	Wear, Fabrication and Transportation	Corporate	Eliminations	Total
Revenues	54,651	14,670	-	(681)	68,640
Cost of revenues	(51,659)	(12,346)	-	681	(63,324)
Gross profit	2,992	2,324	-	-	5,316
Selling, general and administrative expenses	(475)	(195)	(4,282)	-	(4,952)
Amortization of intangible assets	(46)	(83)	(772)	-	(901)
Depreciation	(694)	(709)	(145)	-	(1,548)
Income from equity investment	56	-	(291)	-	(235)
Interest expense	(94)	(109)	(6,038)	-	(6,241)
Gain from assets held for sale	-	-	1,114	-	1,114
Impairment of goodwill	-	-	(8,700)	-	(8,700)
Gain (loss) on sale of property, plant and equipment	52	5	(2)	-	55
Income (loss) from continuing operations	1,791	1,233	(19,116)	-	(16,092)