ClearStream Announces Fourth Quarter and 2020 Annual Financial Results

Business shows resiliency with annual revenues of $393 million down only 15% from 2019

Calgary, Alberta (March 4, 2021) – ClearStream Energy Services Inc. ("ClearStream" or the "Company") (TSX: CSM) today announced its results for the three and twelve months ended December 31, 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.

"With the arrival of the second wave of the COVID-19 pandemic in the fourth quarter, activity levels returned to a level similar to the second quarter when economic activity was constrained by the public health measures as governments responded and caused customers to remain cautious regarding their spending plans," said Yves Paletta, Chief Executive Officer.

"With the recent recovery in both oil and natural gas prices that accelerated in the first two months of 2021 and the expected global roll out of vaccinations for COVID-19 this year, we believe that activity levels will start to recover in the second half of 2021. However, as a sector, we can expect to be in a lower growth operating model for the conceivable future and, as such, many of our customers have moved to an operational mindset that focuses on production optimization, reliability and environmental considerations through operational excellence. ClearStream is very well-positioned to support such trends," said Mr. Paletta.

"As previously announced, we were deeply saddened by the incident that occurred on December 28, 2020 at the Suncor Fort Hills mine that resulted in the death of two valued members of our ClearStream family. We are actively working with Occupational Health and Safety with respect to the incident investigation. ClearStream's strong HSE Management System and leadership's commitment to the safety of our people is more than ever our most important core value," added Mr. Paletta.

HIGHLIGHTS

- Revenues for the year ended December 31, 2020 were $393.1 million, representing a decrease of $71.2 million or 15.3% from 2019.
- Adjusted EBITDAS for the year ended December 31, 2020 was $10.5 million, representing a decrease of $15.8 million or 60% from 2019.
- Selling, general and administrative expenses for the year ended December 31, 2020 were $24.0 million, representing a decrease of $2.2 million or 8.6% from 2019.
- Liquidity remained strong with total cash and available credit facilities of $71.7 million at December 31, 2020, up from $66.2 million at September 30, 2020.
- New project awards and contract renewals were $46 million for the three months ended December 31, 2020 and approximately $100 million for 2021 year-to-date (as announced in the press release dated February 24, 2021). Most of the work will be completed in 2021 with the balance scheduled for 2022-2025.
- Completed a corporate reorganization at year-end 2020 to simplify the corporate legal structure with the closing and consolidation of various legacy entities in order to reduce compliance costs going forward.
- Established a multi-disciplinary team to oversee the implementation of internal and external digitization strategies to transform ClearStream into a low cost, efficient and differentiated service provider.

<u>Maintenance and Construction Services</u>

Activity levels for maintenance and construction services slowed in the fourth quarter after a busy third quarter that saw the completion of 7 turnaround projects, many of which had originally been scheduled for the first half of 2020. Revenues from maintenance and construction services in 2020 were only down 11.1% from 2019, which shows the resiliency of our business. We benefited from a diverse customer base in the energy sector as those customer's focussed on natural gas production experienced less volatility in their operations.

With the continuing recovery in world oil prices combined with on-going strength in North American natural gas prices, bidding activity for new work accelerated towards the end of 2020 and has continued to be very active in 2021. We remain focussed on consolidating various scopes of work with existing customers by adding additional services to enable more efficient execution and lower costs for our customers on each work site.

Wear Technology Overlay Services

In 2020, activity levels for wear technology overlay services remained well below historical levels as customers scaled back their production output and spending on consumables in response to weak oil prices. With the recovery in world oil prices, we are seeing customers increase their production outlook for 2021, which has resulted in a modest increase in demand for wear technology overlay services in the first quarter of 2021.

Environmental

We are actively pursuing opportunities with our customers 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 2021. In addition, we are seeing oil and gas companies increase their own expenditures for reclamation and remediation activities.

FOURTH QUARTER AND ANNUAL 2020 FINANCIAL RESULTS

($ millions, except per share amounts)	Three months ended December 31,			Twelve months ended December 31,		
	2020	2019	% Change	2020	2019	% Change
Revenue						
Maintenance and Construction Services	77.6	124.4	(37.6)%	361.8	407.1	(11.1)%
Wear Technology Overlay Services	7.6	12.7	(40.2)%	33.4	61.0	(45.3)%
Total	84.5	137.1	(38.3)%	393.1	464.3	(15.3)%
Gross Profit						
Maintenance and Construction Services	7.1	10.2	(30.7)%	28.0	32.1	(12.6)%
Wear Technology Overlay Services	1.3	4.6	(72.4)%	5.6	18.3	(69.2)%
Total	8.4	14.9	(43.7)%	33.7	50.4	(33.2)%
% of revenue	9.9 %	10.8 %	(0.9)%	8.6 %	10.9 %	(2.3)%
Selling, general and administrative expenses	7.9	9.9	(20.1)%	24.0	26.2	(8.6)%
% of revenue	9.4 %	7.2 %	2.1 %	6.1 %	5.7 %	0.4 %
Adjusted EBITDAS						
Maintenance and Construction Services.	7.0	10.4	(32.7)%	27.8	31.6	(12.1)%
Wear Technology Overlay Services	1.2	4.5	(74.7)%	5.5	17.7	(69.1)%
Corporate	(7.7)	(9.6)	(19.8)%	(22.7)	(23.0)	(1.4)%
Total	0.5	5.4	(91.1)%	10.5	26.3	(60.0)%
% of revenue	0.6 %	3.9 %	(3.4)%	2.7 %	5.7 %	(3.0)%
Income (loss) from continuing operations	1.8	(10.4)	(116.8)%	3.5	(6.7)	(152.1)%
Net income (loss) per share from continuing operations (basic and diluted)	0.02	(0.09)	(116.8)%	0.03	(0.06)	(152.1)%

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.

2020 RESULTS COMMENTARY

Revenue for the year ended December 31, 2020 was $393,121 compared to $464,252 for the same period in 2019, a decrease of 15.3%. The decrease in 2020, in comparison to 2019, was driven by overall reduced customer spending and the postponement of a portion of scheduled maintenance and turnaround activities as a result of macro-economic uncertainty and the economic impact of the COVID-19 pandemic.

Gross profit for the year ended December 31, 2020 was $33,686 compared to $50,396 for the same period in 2019, a decrease of 33%. Gross profit margin for the year ended December 31, 2020 was 8.6% compared to 10.9% for the same period in 2019. The decrease in 2020, in comparison to 2019, 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 structures. 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 year ended December 31, 2020 were $23,986, in comparison to $26,240 in 2019, a decrease of 8.6%. As a percentage of revenue, SG&A expenses for the year ended December 31, 2020 were 6.1% compared to 5.7% in 2019. The increase in SG&A expenses as a percentage of revenue 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 year as shown by the decrease in total SG&A expenses in 2020 compared to the same period 2019.

For the year ended December 31, 2020, Adjusted EBITDAS was $10,524 compared to $26,282 in 2019. As a percentage of revenue, Adjusted EBITDAS was 2.7% for the year ended December 31, 2020 compared to 5.7% for the same period 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") 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 year ended December 31, 2020, the Company qualified for both CEWS and CERS and recorded total grants of $33,521 in the Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss).

Income from continuing operations for the year ended December 31, 2020 was $3,469 compared to a loss of $6,652 in 2019. The income variance was driven by the government subsidies received, the recovery of the share-based compensation and other long-term incentive plans, and the recovery of contingent consideration liability offset by the goodwill impairment loss and decrease to gross profit for the 2020 period as well as the bargain purchase gain in 2019.

FOURTH QUARTER RESULTS COMMENTARY

Revenues for the three months ended December 31, 2020 were $84,530 compared to $137,066 for the same period in 2019, a decrease of 38.3% on a year-over-year basis. This decrease for the three months ended December 31, 2020 in comparison to the same period in 2019, was driven by overall reduced customer spending as a result of the volatility in crude oil prices due to macro-economic uncertainty and the economic impact of the COVID-19 pandemic.

Gross profit for the three months ended December 31, 2020 was $8,372 compared to $14,868 for the same period in 2019. Gross margins were 9.9% for the three months ended December 31, 2020 compared to 10.8% in the same period in 2019. The decrease in gross margin in 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 as shown by the gross margin increasing to 9.9% for the three months ended December 31, 2020 from 8.6% for the year ended December 31, 2020.

SG&A expenses for the three months ended December 31, 2020 were $7,923 compared to $9,912 for the same period in 2019. As a percentage of revenue, SG&A expenses for the three months ended December 31, 2020 were 9.4% compared to 7.2% for the same period in 2019 due to the decline in revenue resulting from macro-economic uncertainty and the economic impact of the COVID-19 pandemic.

ASSET-BASED LENDING FACILITY

On March 3, 2021, the Company received confirmation from the lead lender under the ABL Facility that it had agreed to extend the maturity date of the Revolving Facility to March 23, 2022. The Company and the lead lender under the ABL Facility are preparing an amending agreement to effect the extension of the maturity date and certain other amendments. Due to the Company's current cash position, it was able to reduce the maximum borrowings available under the Revolving Facility to $15 million effective March 23, 2021.

OUTLOOK

The second wave of the COVID-19 pandemic continues to impact both the local and global economy. The public health measures to limit the spread of the virus, including business restrictions, travel restrictions, border closures, quarantines and social distancing, will remain in place for the near-term to allow for the global distribution of vaccines for COVID-19. As the rate of vaccinations increases, we expect that governments will start to re-open their economies.

With the recovery in world oil prices, we expect that our customers who are involved in the energy sector will realize higher cash flows, begin to increase their spending and address maintenance projects that have been deferred. We expect that activity levels will recover in the second half of 2021 as customers prioritize asset management and integrity services to increase operational reliability.

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.

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 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.

ClearStream's business model continues to prove its resilience as we are working closely with our customers every day in managing their operations.

Additional Information

Our consolidated financial statements for the year ended December 31, 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 customers will remain cautious regarding their spending plans; that activity levels will recover in the second half of 2021; that we will be in a lower growth operating model for the conceivable future; that customers will focus on production optimization, reliability and environmental considerations through operational excellence; the estimated value of contract renewals and project awards; that the implementation of internal and external digitization strategies will transform us into a low cost, efficient and differentiated service provider; that there will be a modest increase in demand for wear technology overlay services in the first quarter of 2021; 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 2021; that the consolidation of our wear technology overlay facilities has improved our production flexibility and reduced our fixed costs; that the COVID-19 pandemic will continue to impact both the local and global economy; the duration of public health measures; that governments will start to re-open their economies as the rate of vaccinations increases; that our customers who are involved in the energy industry will begin to increase their spending and address maintenance projects that have been deferred as they realize higher cash flows from the recovery in world oil prices; that activity levels will recover in the second half of 2021 as customers prioritize asset management and integrity services to increase operational reliability; 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 year ended December 31, 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 year ended December 31, 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 or on ClearStream's website at www.clearstreamenergy.ca.