



## **ClearStream Announces Two Strategic Acquisitions and Concurrent Equity and Debt Financings**

**Calgary – April 30, 2019** – ClearStream Energy Services Inc. ("ClearStream" or the "Corporation") (TSX: CSM) is pleased to announce its wholly-owned subsidiary ClearStream Energy Holdings LP has entered into an agreement (the "Asset Purchase Agreement") to acquire certain assets of the production services division (the "Production Services Business") currently operated by AECOM Production Services Ltd. and certain of its affiliates (collectively, "AECOM") for a purchase price of \$18.2 million for the assets and approximately \$20 million for the working capital, subject to certain closing adjustments (the "AECOM Transaction"). Concurrent with the AECOM Transaction, ClearStream Energy Holdings LP has entered into an agreement (the "Share Purchase Agreement") to acquire all of the issued and outstanding shares of Universal Weld Overlays Inc. ("UWO") for a purchase price of approximately \$12 million to be paid on closing, subject to deferred consideration and earn-out adjustments for an aggregate purchase price of up to \$15.3 million (the "UWO Transaction", and together with the AECOM Transaction, the "Transactions").

The Transactions are expected to close in the second quarter of 2019, subject to the receipt of certain regulatory approvals, applicable approvals under the Corporation's existing debt arrangements and the satisfaction of other customary closing conditions in respect of each Transaction. ClearStream expects to finance the Transactions through a combination of equity financings of series 2 preferred shares (the "Series 2 Preferred Shares") issued on a prospectus exempt basis and, with respect to the AECOM Transaction, a new debt facility from the Business Development Bank of Canada (the "BDC Loan"). The Transactions, while entered into concurrently, are not cross-conditional.

### **AECOM Transaction**

Production Services Business operates in the mechanical services and electrical and instrumentation services sectors across Alberta. These services include the full project life cycle of construction and maintenance services such as: civil, fabrication and modularization, mechanical installations, facility construction, pipelining, electrical, instrumentation, high voltage and maintenance services. The Production Services Business serves some of the largest upstream, midstream and downstream operators in Canada. The Production Services Business was established when Flint Energy Services was formed in 1998 and has been successfully operating in Western Canada for the last 21 years. AECOM acquired the Production Services Business in 2014.

As part of the AECOM Transaction, ClearStream will acquire certain assets and real estate properties of the Production Services Business located throughout Alberta in Grande Prairie, Whitecourt, Red Deer, Olds, Sherwood Park and Strathmore, in addition to AECOM's rights to the Flint brand in Canada. Additionally, in connection with the AECOM Transaction, ClearStream intends to hire those individuals currently working in the Production Services Business, subject to the terms and conditions of the Asset Purchase Agreement.

In connection with the AECOM Transaction, Canso Investment Counsel Ltd., in its capacity as portfolio manager for and on behalf of certain accounts that it manages ("Canso"), has committed to subscribe for up to 20,200 Series 2 Preferred Shares, the proceeds of which will be used to fund a portion of the purchase price for the AECOM Transaction (the "AECOM Private Placement"), as more particularly described below.

### **UWO Transaction**

UWO is a specialty weld overlay fabricator that provides its customers with protection of pre-fabricated components for service in corrosive and erosive environments, and serves the following industries: oil and gas, pulp and paper, petrochemical, power, pipeline, mining, subsea, aerospace, and pressure vessel

fabrication. UWO operates from Airdrie, Alberta and has been serving some of the largest upstream, midstream and downstream customers in Canada and the United States for the last 23 years.

In connection with the UWO Transaction, Canso has committed to subscribe for up to 12,000 Series 2 Preferred Shares, the proceeds of which will be used to fund the purchase price for the UWO Transaction (the "UWO Private Placement" and, together with the AECOM Private Placement, the "Private Placements" and, together with the BDC Loan, the "Financings").

### **Strategic Rationale**

The Transactions are expected to complement existing service lines in addition to adding new service lines to further broaden ClearStream's business opportunities. Combined, the Transactions are expected to significantly expand ClearStream's operations, adding over \$140 million of revenue and \$12 million of earnings before interest, taxes, depreciation and amortization (EBITDA) on a trailing twelve-month basis. Furthermore, the Transactions are expected to:

- Expand ClearStream's Customer Base – the Transactions will provide ClearStream with the opportunity to work with some of the largest industrial and energy companies operating in Canada and the United States, which will provide our existing and new clientele an enhanced integrated offering.
- Enhance Operational Efficiencies – multiple near-term synergies and cost saving opportunities have been identified that may further enhance the economics of the Transactions.
- Increase Financial Flexibility – the combination of the Transactions and the Financings provides ClearStream with improved short and long term balance sheet flexibility.
- Improve Local Community Presence and Customer Service – the AECOM Transaction will increase the number of district offices and ClearStream's capabilities for maintenance, turnaround and construction services in Western Canada while leveraging the well-recognized Flint brand.
- Complement Existing Service Lines – the UWO Transaction will complement the well-established ClearStream Wear Technologies products and services for abrasion and corrosion resistance applications while leveraging the well-recognized UWO brand.

Mr. Yves Paletta, Chief Executive Officer of ClearStream stated that: "The Transactions represent a highly strategic, accretive and material opportunity for ClearStream to grow its business in robust market sectors at attractive valuations. These Transactions, along with the support of Canso and the Business Development Bank of Canada ("BDC") through the Financings, will strengthen our balance sheet and improve ongoing liquidity. I am excited for the opportunity to establish ClearStream as the most trusted provider of industrial and asset integrity services, in order to improve our customers' facilities and operations in a safe, efficient and cost-effective manner."

### **The Private Placements**

The Series 2 Preferred Shares offered under the Private Placements and the Interest Settlement (defined below) are being offered on a prospectus exempt basis to Canso at a subscription price of \$1,000 per Series 2 Preferred Share.

The terms of the Series 2 Preferred Shares provide for a 10% fixed cumulative preferential cash dividend when the Corporation shall have sufficient monies and be able to do so, including under the provisions of applicable law and contracts affecting the Corporation. The board of directors of the Corporation does not intend to declare or pay any cash dividends until such time as ClearStream's balance sheet and liquidity position supports such payment. Any accrued but unpaid dividends are convertible in certain circumstances at the option of the holder into additional Series 2 Preferred Shares. Holders of the Series 2 Preferred Shares will have the right, at their option, to convert their Series 2 Preferred Shares into common shares of the Corporation ("Common Shares") at a price of \$0.10 per Common Share, subject to adjustment in

certain circumstances. The Preferred Shares are redeemable by the Corporation in cash at 110% of par value, plus accrued but unpaid dividends, once all of the Corporation's outstanding 8.00% senior secured debentures due 2026 (the "Senior Secured Debentures") have been repaid, and are subject to repayment in the event of certain change of control transactions.

Canso is considered a related party to ClearStream pursuant to its ownership of, among other securities, 17,588,076 Common Shares of ClearStream (representing approximately 16% of the outstanding Common Shares on an undiluted basis).

Pursuant to applicable securities law and the rules of the Toronto Stock Exchange (the "TSX"), the Private Placements will require approval by a majority of votes cast by holders of the Common Shares after excluding the Common Shares owned or controlled by Canso for the purposes of "minority approval" under Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("MI 61-101") and for purposes of the rules of the TSX. Such approval will be sought at the previously announced annual and special meeting of holders of Common Shares to be held on June 19, 2019 (the "Meeting"). In May 2019, ClearStream expects to mail an information circular in connection with the Meeting to shareholders, which will contain full details with respect to the Private Placements and the Interest Settlement (described below), among the other items of business for the Meeting.

Closing of each Private Placement is expected to occur concurrently with, or shortly prior to, closing of the applicable Transaction and will be subject to the terms and conditions set out in the subscription and interest settlement agreement and subscription agreement entered into between the Corporation and Canso (collectively, the "Subscription Agreements"), including approval of certain amendments to the indenture governing the Senior Secured Debentures, in accordance with its terms, as well as the approval of the TSX.

The aggregate gross proceeds of the Private Placements are expected to be approximately \$32.2 million.

### **Debt Financing**

In connection with the partial funding of the AECOM Transaction, ClearStream intends to enter into an agreement with BDC to provide the BDC Loan in the amount of approximately \$20 million, secured by certain real estate and equipment acquired in the AECOM Transaction and subject to applicable amendment and approvals under the Corporation's existing debt arrangements.

### **Interest Settlement**

In addition to financing a portion of the Transactions, the Corporation proposes to satisfy its obligation to pay an aggregate of \$8 million in interest payments on the Senior Secured Debentures for June 30, 2019 and December 31, 2019 through the issuance of 8,000 Series 2 Preferred Shares (the "Interest Settlement") and Canso has agreed to accept such Series 2 Preferred Shares in satisfaction of such interest payments. The completion of the Interest Settlement will be subject to approval of certain amendments to the indenture governing the Senior Secured Debentures.

Pursuant to applicable securities law and the rules of the TSX, the Interest Settlement will require approval by a majority of votes cast by holders of the Common Shares after excluding the Common Shares owned or controlled by Canso and any other holder of Senior Secured Debentures for the purposes of "minority approval" under MI 61-101 and for purposes of the rules of the TSX. Such approval will be sought at Meeting.

The Asset Purchase Agreement, Share Purchase Agreement and Subscription Agreements will be available on the Corporation's SEDAR profile at [www.sedar.com](http://www.sedar.com).

### **Advisors**

GMP FirstEnergy is acting as financial advisor to ClearStream with respect to the AECOM Transaction. Blake, Cassels & Graydon LLP is acting as legal advisor to ClearStream with respect to the AECOM

Transaction. Norton Rose Fulbright LLP is acting as legal advisor to ClearStream with respect to the BDC Loan transaction and the applicable approvals pursuant to the Corporation's debt arrangements.

Bennett Jones LLP is acting as legal advisor to AECOM with respect to the AECOM Transaction.

### **About ClearStream Energy Services Inc.**

With a legacy of excellence and experience stretching back more than 50 years, ClearStream provides solutions to the Energy and Industrial markets including: Oil & Gas, Petrochemical, Mining, Power, Agriculture, Forestry, Infrastructure and Water Treatment. With offices strategically located across Canada and over 3,000 employees, we provide maintenance, construction and environmental services that keep our clients moving forward. For more information about ClearStream, please visit [www.ClearStreamEnergy.ca](http://www.ClearStreamEnergy.ca).

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### **FORWARD-LOOKING INFORMATION AND STATEMENTS**

This document contains certain forward-looking information and statements within the meaning of Canadian securities laws (collectively, "forward-looking statements") relating to ClearStream's plans, strategies, objectives, expectations and intentions. The use of any of the words "expected", "will", "may" and similar expressions are intended to identify forward-looking statements. Various assumptions were used in drawing the conclusions or making the projections contained in the forward-looking statements throughout this document. More particularly but without limitation, this news release contains forward-looking statements pertaining to:

- the anticipated benefits of the AECOM Transaction and the UWO Transaction, individually and in the aggregate to ClearStream's business;
- anticipated structure of the financing of the Transactions, individually and in the aggregate;
- the aggregate gross proceeds of each of the Private Placements, individually and in the aggregate, and the Interest Settlement;
- the expected closing date of the Transactions, the Private Placements and the Interest Settlement;
- the financial, operational and other synergies of each of the Transactions;
- the terms of the BDC Loan transaction;
- the terms of the Series 2 Preferred Shares;
- the mailing date of an information circular in connection with the Meeting; and
- approvals required for the Transactions, the Private Placements, the Interest Settlement and the BDC Loan transaction.

The forward-looking statements included in this document are not guarantees of future performance and should not be unduly relied upon. Forward-looking statements are based on current expectations, estimates and projections that involve a number of factors and risks, which could cause actual results to differ materially from those anticipated and described in the forward-looking statements. These factors and risks include, but are not limited to:

- the ability to obtain regulatory and other approvals and meet other conditions to closing of the Transactions, the Private Placements, the Interest Settlement or the BDC Loan transaction;
- that the closing conditions to one or both of the Transactions may not be met and one or both of the Transactions may not close;
- that the closing conditions to one or both of the Private Placements may not be met and one or both of the Private Placements may not close;

- that the closing conditions to the Interest Settlement may not be met and the Interest Settlement may not close;
- the ability to obtain disinterested shareholder approval in connection with the Private Placements or the Interest Settlement;
- the ability to integrate the Production Services Business into ClearStream's businesses and operations and realize financial, operational and anticipated synergies from the AECOM Transaction;
- the ability to integrate UWO into ClearStream's businesses and the operations and realize financial, operational and anticipated synergies from the UWO Transaction;
- the resources required to integrate one or more business and service lines in connection with the Transactions;
- the demand for ClearStream's services;
- volatility in commodity prices, in particular for oil and natural gas; and
- general economic conditions including the capital and credit markets.

ClearStream cautions that the foregoing list of assumptions, risks and uncertainties is not exhaustive. The forward-looking statements contained in this document speak only as of the date of this document and ClearStream assumes no obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable securities laws. For a full discussion of the Company's material risk factors, see ClearStream's annual information form for the year ended December 31, 2018 and risk factors in other documents filed from time to time with securities regulatory authorities, accessible through the SEDAR website ([www.sedar.com](http://www.sedar.com)).