



## **ClearStream Announces Third Quarter 2018 Financial Results**

**Calgary – November 6, 2018** – ClearStream Energy Services Inc. (“ClearStream”, TSX: CSM and CSM.DB.A) today announced its results for the three and nine months ended September 30, 2018.

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

### **Third Quarter 2018 Highlights**

- During the third quarter of 2018, ClearStream completed the acquisition of AFX Materials and Fabrication Ltd. (“AFX”) for total consideration of up to \$2.5 million. AFX is a specialized manufacturer of wear resistant chromium carbide overlay and structural steel fabrication with operations in Alberta. The acquisition is expected to increase the manufacturing capacity of ClearStream’s existing Wear Technology business by 30%;
- Demand for ClearStream’s services was stable during the quarter as revenue was relatively unchanged compared to the third quarter of 2017;
- Gross margins were 8.6% compared to 7.7% in the third quarter of 2017. Gross margins improved due to a favorable change in sales mix as more revenue was generated from the higher margin Wear Technology division;
- Selling, general and administrative (“SG&A”) costs for the quarter were \$5.6 million compared to \$4.9 million for the same period in 2017. SG&A expenses increased during the third quarter of 2018 due to an increase in legal and consulting costs combined with higher people costs. Included in third quarter SG&A costs are \$0.3 million in one-time expenses, which include costs related to the acquisition of AFX.
- The search for a new Chief Financial Officer (“CFO”) is progressing well and an interim solution is in place to ensure a proper transition with the outgoing CFO. We remain excited about ClearStream’s growth opportunities, and confident in our ability to recruit a growth-oriented financial executive to fill the CFO position.
- ClearStream has renewed all key contracts in 2018 to date and expects to renew all remaining contracts before the end of the year;
- ClearStream continues to have strong financial support from our key stakeholders as evidenced by the \$10 million term loan obtained on November 2, 2018. Proceeds from this loan will be used to fund growth opportunities, including the recent acquisition of AFX, and general liquidity needs.

## Overview of Financial Results

(\$ millions, except per share amounts)	Q3 2018	Q3 2017	YTD 2018	YTD 2017
Revenue	86.0	85.9	300.5	275.2
Gross profit	7.4	6.6	20.9	24.2
Selling, general & administrative expenses	(5.6)	(4.9)	(14.8)	(13.9)
Impairment of goodwill	(17.5)	-	(17.5)	-
Loss from continuing operations	(20.4)	(6.1)	(26.5)	(11.2)
EBITDAS	(15.6)	1.5	(10.8)	11.5
Adjusted EBITDAS	2.1	1.7	6.5	10.6
Loss per share from continuing operations, basic and diluted	(0.19)	(0.06)	(0.24)	(0.10)

### Impairment of goodwill

ClearStream performed impairment tests as at September 30, 2018 due to the adverse economic impact that low commodity prices have had on ClearStream's financial results and the industries that it operates in. Based on the testing performed, a goodwill impairment loss of \$17.5 million was recorded at September 30, 2018 for the maintenance and construction segment. The goodwill impairment write-down is non-cash in nature and does not affect the Company's liquidity, cash flows from operating activities, or debt covenants, and does not have an impact on the future operations of the Company.

## Segment Review

### MAINTENANCE AND CONSTRUCTION SERVICES

(\$ millions)	Q3 2018	Q3 2017	YTD 2018	YTD 2017
Revenue	67.8	66.7	255.5	219.5
Gross profit	3.4	3.8	12.1	14.1
Selling, general & administrative expenses	(0.2)	(0.2)	(0.8)	(0.9)
Adjusted EBITDAS	3.2	3.7	11.4	13.3

Revenues for the Maintenance and Construction Services segment were \$67.8 million and \$255.5 million for the three and nine months ended September 30, 2018 compared to \$66.7 million and \$219.5 million for the same periods in the prior year. For the third quarter of 2018, revenues were relatively consistent with the prior year with an increase in non-union based maintenance demand offset by a decrease in union based demand.

For the nine months ended September 30, 2018, an increase in maintenance and plant turnaround demand led to the rise in revenue. Large plant turnarounds in Saskatchewan and Newfoundland were completed during the second quarter of 2018, which were incremental compared to 2017.

Gross profit was \$3.4 million and \$12.1 million for the three and nine months ended September 30, 2018, compared with \$3.8 million and \$14.1 million for the same periods in the prior year. Gross profit margins for those same periods were 5.0% and 4.7% compared to 5.8% and 6.4% in 2017. Gross margins declined due to lower pricing and an unfavorable change in sales mix. Maintenance and construction services continue to be over-supplied relative to demand and, as a result, pricing levels declined compared to 2017. In addition, in the second quarter of 2018, we earned a larger proportion of revenue from work using union based employees, which is lower margin work due to the higher cost of labour associated with this type of work.

SG&A expenses for the Maintenance and Construction segment were \$0.2 million and \$0.8 million for the three and nine months ended September 30, 2018, compared with \$0.2 million and \$0.9 million for the same periods in the prior year. SG&A expenses decreased slightly over the comparative periods in 2017 due to reductions in headcount and discretionary spending.

### **WEAR, FABRICATION, AND TRANSPORTATION SERVICES**

<b>(\$ millions)</b>	<b>Q3 2018</b>	<b>Q3 2017</b>	<b>YTD 2018</b>	<b>YTD 2017</b>
Revenue	18.2	20.0	44.9	57.3
Gross profit	4.0	2.8	8.8	10.1
Selling, general & administrative expenses	(0.2)	(0.2)	(0.4)	(0.5)
Adjusted EBITDAS	3.8	2.6	8.4	9.6

ClearStream sold all transportation assets on January 1, 2018. Total proceeds received on the sale were \$3.4 million and a gain of \$1.0 million was recognized on the sale. The following table shows the quarter-over-quarter results with the transportation division excluded to facilitate a more relevant comparative analysis:

<b>(\$ millions)</b>	<b>Q3 2018</b>	<b>Q3 2017</b>	<b>YTD 2018</b>	<b>YTD 2017</b>
Revenue	18.2	16.7	44.9	47.9
Gross profit	4.0	2.7	8.8	9.8
Selling, general & administrative expenses	(0.2)	(0.1)	(0.4)	(0.3)
Adjusted EBITDAS	3.8	2.6	8.4	9.5

Excluding the Transportation division, revenues for this segment for the three and nine months ended September 30, 2018 were \$18.2 million and \$44.9 million, compared to \$16.7 million and \$47.9 million for the same periods in the prior year. For the three months ended September 30, 2018, the increase in revenue was largely due to an increase in Wear Technology demand.

Gross profit was \$4.0 million and \$8.8 million for the three and nine months ended September 30, 2018, compared with \$2.7 million and \$9.8 million for the same periods in the prior year. For the three months ended September 30, 2018, gross margins increased to 21.9% from 16.1% due to a favorable increase in sales mix, with Wear Technology revenue representing a larger proportion of revenue for

this segment. On a year-to-date basis, gross margins were relatively consistent compared to the prior year.

Excluding the Transportation division, SG&A expenses for the Fabrication and Wear Technology segment for the three and nine months ended September 30, 2018 increased compared to the prior periods due to an increase in people costs.

**CORPORATE**

(\$ millions)	Q3 2018	Q3 2017	YTD 2018	YTD 2017
Selling, general & administrative expenses	5.3	4.6	13.6	12.4

Corporate SG&A expenses were \$5.3 million and \$13.6 million for the three and nine months ended September 30, 2018 compared to \$4.6 million and \$12.4 million for the same periods in the prior year. SG&A costs increased on a year-over-year basis due to higher legal, consulting and people costs. Included in third quarter SG&A costs are \$282 in one-time expenses, which include costs related to the acquisition of AFX.

**Outlook**

Demand for ClearStream core services, including maintenance and Wear Technology, is expected to remain stable during the fourth quarter of 2018; however, revenue is expected to be down compared to the fourth quarter of 2017 due to a decline in Fabrication demand. Despite the expected decrease in revenue, fourth quarter gross profit is expected to be consistent on year-over-year basis due to an expected favorable change in sales mix.

The oil and gas maintenance industry is very competitive and is expected to remain that way for the balance of 2018 and into 2019. Although demand has increased in 2018, gross profit margins have declined due to the continued pressure on pricing. We continue to believe that size and scale are required to provide greater efficiencies and cost savings to our clients. Consolidation of scope of services and higher utilization of the labour supply within the maintenance and turnaround segment must occur before pricing and margin improvements are realized by ClearStream.

Clearstream must continue to focus on cost control, efficiency improvements and operational execution to stay ahead of our competition. ClearStream will also actively seek to expand its scope of services and geographical footprint with more value-added solutions and technologies.

**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).

## For further information, please contact:

Yves Paletta  
Chief Executive Officer  
ClearStream Energy Services Inc.  
ypaletta@clearstreamenergy.ca

### 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 2017 Annual Information Form dated February 28, 2018, 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-GAAP measures”) are financial measures used in this report that are not standard measures under IFRS. ClearStream’s method of calculating Non-GAAP measures may differ from the methods used by other issuers. Therefore, ClearStream’s Non-GAAP 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, one-time non-recurring costs as identified by management, 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-GAAP 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-GAAP measures should only be used with reference to ClearStream’s Interim Financial Statements and Annual Financial Statements available on SEDAR at [www.sedar.com](http://www.sedar.com) or [www.clearstreamenergy.ca](http://www.clearstreamenergy.ca).

**CLEARSTREAM ENERGY SERVICES INC.**

Consolidated Balance Sheets  
(In thousands of Canadian dollars)  
(unaudited)

	September 30, 2018	December 31, 2017
Cash	\$ 2,962	\$ 4,649
Restricted cash	5,057	980
Accounts receivable	72,491	66,177
Inventories	5,296	4,304
Prepaid expenses and other	2,249	2,989
Earn-out assets	-	1,277
Assets held for sale	-	2,506
<b>Total current assets</b>	<b>88,055</b>	<b>82,882</b>
Property, plant and equipment, net	22,909	20,657
Goodwill and intangible assets	7,002	26,765
Earn-out assets	-	1,173
Long-term investments	707	575
Deferred financing costs	305	591
<b>Total assets</b>	<b>\$ 118,978</b>	<b>\$ 132,643</b>
Accounts payable and accrued liabilities	32,062	36,276
Deferred revenue	146	146
Earn-out contingent liability	638	-
Current portion of obligations under finance leases	1,252	1,462
Current liabilities of assets held for sale	-	1,197
ABL facility	32,500	27,500
Senior secured debentures	-	171,988
Convertible secured debentures	-	24,999
Current portion of provision	1,072	1,196
<b>Total current liabilities</b>	<b>67,670</b>	<b>264,764</b>
Provision	4,075	4,582
Obligations under finance leases	3,427	2,185
Senior secured debentures	96,688	-
Convertible secured debentures	975	-
<b>Total liabilities</b>	<b>172,835</b>	<b>271,531</b>
Share capital	462,036	469,030
Preferred Shares	102,130	-
Contributed surplus	20,881	2,958
Deficit	(638,904)	(610,876)
<b>Total shareholders' deficit</b>	<b>(53,857)</b>	<b>(138,888)</b>
<b>Total liabilities and shareholders' deficit</b>	<b>\$ 118,978</b>	<b>\$ 132,643</b>

**CLEARSTREAM ENERGY SERVICES INC.**

Consolidated Statements of Loss and Comprehensive Loss  
(In thousands of Canadian dollars, except per share amounts)  
(unaudited)

	Three months ended Sept 30,		Nine months ended Sept 30,	
	2018	2017	2018	2017
Revenue	\$ 85,996	\$ 85,927	\$ 300,492	\$ 275,175
Cost of revenue	(78,596)	(79,292)	(279,564)	(250,927)
<b>Gross profit</b>	<b>7,400</b>	<b>6,635</b>	<b>20,928</b>	<b>24,248</b>
Selling, general and administrative expenses	(5,629)	(4,929)	(14,798)	(13,852)
Share based compensation	12	80	(143)	(579)
Amortization of intangible assets	(751)	(861)	(2,312)	(2,588)
Depreciation	(1,208)	(1,338)	(3,515)	(3,927)
Income from equity investment	28	30	132	160
Interest expense	(3,037)	(5,470)	(9,501)	(15,688)
Gain (loss) on sale of assets held for sale	-	105	757	(287)
Restructuring costs	(43)	(383)	(127)	(827)
Impairment of goodwill	(17,468)	-	(17,468)	-
Other loss	(55)	-	(529)	-
Gain on sale of property, plant and equipment	211	11	276	2,089
<b>Loss before taxes</b>	<b>(20,540)</b>	<b>(6,120)</b>	<b>(26,300)</b>	<b>(11,251)</b>
Income tax recovery (expense) - current	156	-	(169)	(2)
<b>Loss from continuing operations</b>	<b>(20,384)</b>	<b>(6,120)</b>	<b>(26,469)</b>	<b>(11,253)</b>
Loss from discontinued operations (net of taxes)	(310)	(50)	(610)	(2,307)
<b>Net loss and comprehensive loss</b>	<b>\$ (20,694)</b>	<b>\$ (6,170)</b>	<b>\$ (27,079)</b>	<b>\$ (13,560)</b>
<b>Loss per share</b>				
Basic & diluted:				
Continuing operations	\$ (0.19)	\$ (0.06)	\$ (0.24)	\$ (0.10)
Discontinued operations	\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.02)
Net loss	\$ (0.19)	\$ (0.06)	\$ (0.25)	\$ (0.12)

**CLEARSTREAM ENERGY SERVICES INC.**

Consolidated Statements of Cash Flows  
(In thousands of Canadian dollars)  
(unaudited)

Nine months ended September 30,	2018	2017
Operating activities:		
Net loss for the period	\$ (27,079)	\$ (13,560)
Loss from discontinued operations (net of income tax)	610	2,307
Items not affecting cash:		
Stock based compensation	143	396
Amortization of intangible assets	2,312	2,588
Depreciation	3,515	3,927
Income from equity investments	(132)	90
Accretion expense	234	625
Other loss	529	-
Impairment of goodwill	17,468	-
Onerous lease payments	(1,278)	-
Amortization of deferred financing costs	453	432
Income tax recovery	(336)	-
Gain on sale of assets held for sale	(757)	287
Gain on sale of property, plant and equipment	(276)	(2,089)
Changes in non-cash working capital	(11,438)	(17,913)
Cash used in discontinued operations	(610)	(4,070)
Total cash used in operating activities	\$ (16,641)	\$ (26,980)
Investing activities:		
Purchase of property, plant and equipment	(806)	(2,462)
Net proceeds on disposal of property, plant and equipment	832	2,991
Purchase of intangible assets	-	(57)
Acquisition and investment	(1,812)	-
Proceeds on the disposition of businesses	4,625	-
Transaction costs	(1,060)	-
Total cash provided by investing activities	\$ 1,779	\$ 472
Financing activities:		
Increase in restricted cash	(4,077)	-
Increase in bank indebtedness	-	2,383
Proceeds from the issuance of preferred shares	19,000	-
Repayment of senior secured debentures	(2,340)	-
Refinancing fees	(3,677)	-
Advance on ABL facility	5,000	15,500
Repayment of obligations under finance leases	(1,823)	(2,878)
Changes in non-cash working capital	1,092	-
Total cash provided by financing activities	\$ 13,175	\$ 15,005
Decrease in cash	(1,687)	(11,503)
Cash, beginning of the period	4,649	11,503
Cash, end of period	\$ 2,962	\$ -