ClearStream

FIRST QUARTER

2022

# ClearStream Announces First Quarter 2022 Financial Results

**Records $110 million in revenue, the highest level for quarterly revenue since Q1 2020**

Calgary, Alberta (May 5, 2022) – ClearStream Energy Services Inc. ("ClearStream" or the "Company") (TSX: CSM) today announced its results for the three months ended March 31, 2022. 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.

"Activity levels in the first quarter were strong as revenues grew by 8% from the fourth quarter of 2021 and represented the highest level for quarterly revenue since the first quarter of 2020, which was largely unaffected by the pandemic. We are actively working with our customers and suppliers to manage both the inflationary and labour supply pressures in the current market," said Barry Card, Interim Chief Executive Officer.

"The pricing for commodities in the end markets we serve continues to be strong and is anticipated to remain that way throughout the year. This is providing our customers with the confidence to increase their spending on both maintenance and capital projects, as evidenced by the 17 turnaround projects that we have scheduled for the second quarter. We are proud to partner with our customers on these important projects to build and maintain the integrity of their production infrastructure," added Mr. Card.

**HIGHLIGHTS**

- Revenues for the three months ended March 31, 2022 were $109.8 million, representing an increase of $27.6 million or 33.6% from Q1 2021.
- Gross profit for the three months ended March 31, 2022 was $9.7 million, representing an increase of $1.7 million or 21.1% from Q1 2021.
- Gross profit margin for the three months ended March 31, 2022 was 8.9%, as compared to 9.8% in Q1 2021.
- Adjusted EBITDAS for the three months ended March 31, 2022 was $3.0 million, representing an increase of $0.8 million or 34.9% from Q1 2021.
- Adjusted EBITDAS margin for the three months ended March 31, 2022 was 2.7%, unchanged from Q1 2021.
- Selling, general and administrative expenses for three months ended March 31, 2022 were $8.1 million, representing an increase of $2.1 million or 34.9% from Q1 2021. Consistent with the last three quarters in 2021, the increase is largely due to investments being made to support our enterprise systems and digital strategy to drive longer-term efficiencies and increase our cost competitiveness. As well our business has recovered and stabilized in 2022, therefore, certain elements of cost reductions in previous years have been reversed in order to support the increased volume of work in 2022.
- Liquidity remained strong with total cash and available credit facilities of $37.4 million at March 31, 2022, as compared to $33.7 million at December 31, 2021.
- New project awards and contract renewals were $96 million for the three months ended March 31, 2022 and $36 million for the month of April 2022. Approximately 80% of that work is expected to be completed in 2022.

Maintenance and Construction Services

Revenues for the three months ended March 31, 2022 were $99.4 million, representing an increase of 34.3% or $25.4 million from Q1 2021 and $5.4 million or 5.7% from Q4 2021. The increase was due to our customers increasing their spending on both maintenance and capital projects. We expect activity levels to remain high in the second quarter with 17 turnaround projects scheduled. We continue to focus on consolidating various scopes of work with existing or new customers by bundling our services in order to enable more efficient execution and lower costs for our customers on each work site.

Wear Technology Overlay Services

Revenues for the three months ended March 31, 2022 were $12.3 million, representing an increase of 43.0% or $3.7 million from Q1 2021 and 36.7% or $3.3 million from Q4 2021. Gross profit margin was lower as we completed more fabrication work, which has a lower margin than the specialty weld overlay products that we market under the brand name AssetArmor™. With the continued rise in global energy demand and commodity prices, we are seeing our customers in the oil sands operating at full production levels, which has started to increase the demand for our AssetArmor™ products.

Environmental Services

We continue to grow our capabilities by adding staff within our professional services. During the first quarter, we completed a large decommissioning project. We are seeing our customers continue to allocate expenditures for the closure, reclamation and remediation of oil and gas wells, pipelines and facilities in Western Canada. We expect this trend to continue with our clients regardless of the expiry of the government funded programs at the end of 2022 given the increased focus on ESG (environmental, social and governance) matters.

## FIRST QUARTER 2022 FINANCIAL RESULTS

| ($ millions, except per share amounts) | Three months ended March 31, 2022 | 2021 | % Change |
|---|---|---|---|
| Revenue | | | |
| Maintenance and Construction Services | 99.4 | 74.0 | 34.3 % |
| Wear Technology Overlay Services | 12.3 | 8.6 | 44.1 % |
| Total | 109.8 | 82.2 | 33.6 % |
| Gross Profit | | | |
| Maintenance and Construction Services | 7.4 | 5.9 | 24.9 % |
| Wear Technology Overlay Services | 2.4 | 2.2 | 10.6 % |
| Total | 9.7 | 8.0 | 21.1 % |
| Gross Profit Margin (% of revenue) | | | |
| Maintenance and Construction Services | 7.4 % | 8.0 % | (0.6)% |
| Wear Technology Overlay Services | 19.3 % | 25.1 % | (5.8)% |
| Total | 8.9 % | 9.8 % | (0.9)% |
| Selling, general and administrative expenses | 8.1 | 6.0 | 34.9 % |
| % of revenue | 7.3 % | 7.3 % | — % |
| Adjusted EBITDAS * | | | |
| Maintenance and Construction Services | 7.2 | 5.8 | 24.5 % |
| Wear Technology Overlay Services | 2.3 | 2.1 | 10.9 % |
| Corporate | (6.5) | (5.7) | (15.4)% |
| Total | 3.0 | 2.2 | 34.9 % |
| % of revenue | 2.7 % | 2.7 % | — % |
| Loss from continuing operations | (7.8) | (7.6) | 2.8 % |
| Net loss per share (dollars) from continuing operations (basic and diluted) | (0.07) | (0.07) | — % |

* "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.

Revenue for the three months ended March 31, 2022 was $109,848 compared to $82,204 for the three months ended March 31, 2021, representing an increase of 33.6%. The increase in revenue was driven by the strong market momentum in the first quarter in 2022, with an increase in activity across all areas of the business.

Gross profit for the three months ended March 31, 2022 was $9,740 compared to $8,045 for the three months ended March 31, 2021, representing an increase of 21.1%. Gross profit margin for the three months ended March 31, 2022 was 8.9% compared to 9.8% for the three months ended March 31, 2021. The decrease in gross profit margin was driven by a few factors including a change in the mix of services and products provided with lower gross profit margins as well as inflationary pressures on labour, equipment and materials. The recovery of these increases in costs are being built into contracts collaboratively with our customers on a go forward basis.

Selling, general and administrative ("SG&A") expenses for the three months ended March 31, 2022 were $8,052, in comparison to $5,969 for the same period in 2021, representing an increase of 34.9%. As a percentage of revenue, SG&A expenses for the three months ended March 31, 2022 were 7.3%, unchanged from the same period in 2021. The increase in SG&A expenses is largely due to the ongoing investments being made to support the Company's enterprise systems and digital strategy. These investments, which will extend throughout 2022, are expected to drive longer-term efficiencies and increase our cost competitiveness. In addition, certain elements of cost reductions in previous years have been reversed in order to support the increased volume of work anticipated in 2022.

For the three months ended March 31, 2022, Adjusted EBITDAS was $3,006 compared to $2,229 for the three months ended March 31, 2021. As a percentage of revenue, Adjusted EBITDAS was 2.7% for the three months ended March 31, 2022 unchanged from the same period in 2021.

Income from government subsidies includes 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. The CEWS and CERS programs ended in 2021. Therefore, the Company did not have any income from government subsidies during the three months ended March 31, 2022, compared to$6,755 for the three months ended March 31, 2021.

Loss from continuing operations for the three months ended March 31, 2022 was $7,783 compared to loss of $7,569 for the three months ended March 31, 2021. The loss variance was driven by the reduction in government subsidies in 2022, an increase in SG&A expenses and an increase in restructuring expenses, partially offset by an increase in gross profit and the impairment of right-of-use assets recognized in 2021.

## LIQUIDITY AND CAPITAL RESOURCES

ClearStream has an asset-based lending facility (the “ABL Facility”) comprised of (i) a revolving credit facility providing for maximum borrowings up to $15.0 million (the “Revolving Facility”) and (ii) a term loan facility providing for maximum borrowings of up to $40.5 million (the “Term Loan Facility”). As at March 31, 2022, the Company had $12.0 million of available capacity under the Revolving Facility, $40.5 million drawn on the Term Loan Facility and $25.4 million of cash on hand.

On March 30, 2022, the Company amended its Revolving Facility, extending the maturity date of the facility to April 14, 2022 from March 31, 2022.

On April 14, 2022, ClearStream completed the refinancing of its ABL facility (the “Refinancing”). ClearStream established a new $25 million asset-based revolving credit facility with a three-year term (the “New ABL Facility”) to replace the Revolving Facility.

The New ABL Facility provides for maximum borrowings up to $25 million with a Canadian chartered bank. The amount available under the New ABL Facility will vary from time to time based on the borrowing base determined with reference to the accounts receivable and inventories of ClearStream. The obligations under the New 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 Company and the other guarantors, being certain of the Company's direct and indirect subsidiaries. The maturity date of the New ABL Facility is April 14, 2025. The interest rate on the New ABL Facility is prime plus 2.5%.

The financial covenants applicable under the New ABL Facility are:

a. 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; and

b. The Company must not expend or become obligated for any capital expenditures in an aggregate amount exceeding $10 million during any fiscal year.

As part of the Refinancing, the maturity date of the Term Loan Facility was extended from September 30, 2022 to October 14, 2025 and the interest rate was changed to a fixed rate of 8.0%.

The Company anticipates that its liquidity (cash on hand and available credit facilities) and cash flow from operations will be sufficient to meet its short-term contractual obligations and maintain compliance with its financial covenants through March 31, 2023.

As at March 31, 2022, issued and outstanding share capital included 110,001,239 common shares, 127,732 Series 1 preferred shares, and 40,111 Series 2 preferred shares.

The Series 1 preferred shares (having an aggregate value of $127.732 million) are convertible at the option of the holder into common shares at a price of $0.35/share and the Series 2 preferred shares (having an aggregate value of $40.111 million) are convertible into common shares at a price of $0.10/share.

The Series 1 and Series 2 preferred shares have a 10% fixed cumulative preferential cash dividend payable when the Company has sufficient monies to be able to do so, including under the provisions of applicable law and contracts affecting the Company. The board of directors of the Company does not intend to declare or pay any cash dividends until such times as the Company's balance sheet and liquidity position supports the payment. As at March 31, 2022, the accrued and unpaid dividends on the Series 1 and Series 2 shares totaled $64.0 million. Any accrued and unpaid dividends are convertible in certain circumstances at the option of the holder into additional Series 1 and Series 2 preferred shares.

## OUTLOOK

The continued rise in energy demand and commodity prices continues to provide strong fundamentals for our customers in the energy industry. While these customers have been prioritizing debt repayment and returns to shareholders, they are starting to increase spending on both maintenance projects (to enhance operational reliability) and capital projects (to maintain/expand productive capacity). We expect activity levels to continue to recover throughout 2022.

Due to the war in Ukraine and the lingering effects of the COVID-19 pandemic, growth in our served markets continues to drive some near-term challenges, including inflationary pressure on labour, equipment and materials as well as supply chain disruptions. We are working closely with our customers and suppliers to manage these challenges. We are also enhancing our programs to attract, retain and develop our number one resource, our employees.

With energy transition and environmental considerations becoming increasingly important for all stakeholders in all industrial end markets, we expect that our customers will continue to focus on improving their operational processes for greater efficiencies and reliability, which aligns well with our service offerings.

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 19 operating facilities, we believe that ClearStream is well-positioned to further consolidate the 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 everyday in helping them to effectively manage their operations.

## Additional Information

Our unaudited condensed consolidated interim financial statements for the three months ended March 31, 2022 and the related Management's Discussion and Analysis of the operating and financial results can be accessed on our website at [www.clearstreamenergy.ca](http://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, wear technology 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 information relating to: our business plans, strategies and objectives; that we are actively working with our customers and suppliers to manage both the inflationary and labour supply pressures in the current market; the pricing outook for commodities in the end markets we serve; that our customers will increase their spending on both maintenance and capital projects; the number of turnaround projects scheduled for the second quarter of 2022; contract renewals and project awards, including the estimated value thereof and the timing of completing the associated work; activity levels for maintenance and construction services in the second quarter of 2022; that the demand for our AssetArmor™ products will increase as customers increase production levels; that customers will increase expenditures for the closure, reclamation and remediation of oil and gas wells, pipelines and faciilties in Western Canada; that we will recover higher costs for labour, equipment and materials from our customers; that the investments being made to support our enterprise systems and digital strategy will drive longer-term efficiencies and increase our cost competitiveness; the sufficiency of our liquidity and cash flow from operations to meet our short-term contractual obligations and maintain compliance with our financial covenants through March 31, 2023; that activity levels will recover throughout 2022; 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, compliance with debt covenants, access to credit facilities and other sources of capital for working capital requirements and capital expenditure needs, availability of labour, dependence on key personnel, economic conditions, commodity prices, interest rates, regulatory change, weather and risks related to the integration of acquired businesses. 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 the 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 other long-term incentive plan expenses. 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 three months ended March 31, 2022.

Adjusted EBITDAS refers to EBITDAS excluding impairment of goodwill and intangible assets, restructuring expense, gain (loss) on sale of property, plant and equipment, recovery of contingent consideration liability, one time incurred expenses, impairment 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 a measure that management believes (i) 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, and (ii) 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 management's discussion and analysis of the operating and financial results for the three months ended March 31, 2022.

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 consolidated interim and annual financial statements available on SEDAR at www.sedar.com or on ClearStream's website at www.clearstreamenergy.ca.