ClearStream Announces Fourth Quarter and 2021 Annual Financial Results

Secures $236 million of new project awards and contract renewals in fourth quarter

Calgary, Alberta (March 8, 2022) – ClearStream Energy Services Inc. ("ClearStream" or the "Company") (TSX: CSM) today announced its results for the three and twelve months ended December 31, 2021. 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.

"As expected, activity levels in the fourth quarter moderated slightly from the third quarter, as our customers in the energy industry continued to be disciplined with their capital allocation decisions by prioritizing debt repayment and returns to shareholders. With the continued rise in global energy demand and commodity prices providing strong fundamentals, we are seeing customers increase their spending on both maintenance and capital projects, as evidenced by $236 million of new project and contract awards secured in the fourth quarter of 2021," said Barry Card, Interim Chief Executive Officer.

"We are proud to be a trusted provider of asset integrity services and appreciate the confidence that our customers have demonstrated with these awards, which reflect their willingness to secure capacity for the next few years with reliable service providers. I would like to thank our dedicated employees who have managed the health and safety challenges presented by the pandemic while delivering high quality services to our customers," added Mr. Card.

HIGHLIGHTS

- Revenues for the year ended December 31, 2021 were $389.4 million, representing a decrease of $3.7 million or 0.9% from 2020.
- Gross profit for the year ended December 31, 2021 was $40.3 million, representing an increase of $6.6 million or 19.7% from 2020.
- Gross profit margin for the year ended December 31, 2021 was 10.4%, as compared to 8.6% in 2020.
- Adjusted EBITDAS for the year ended December 31, 2021 was $17.1 million, representing an increase of $6.6 million or 62.6% from 2020.
- Adjusted EBITDAS margin for the year ended December 31, 2021 was 4.4%, as compared to 2.7% in 2020.
- Selling, general and administrative expenses for the year ended December 31, 2021 were $26.3 million, representing an increase of $2.3 million or 9.6% from 2020. The increase is largely due to investments being made in 2021 to support our enterprise systems and digital strategy to drive longer-term efficiencies and increase our cost competitiveness.
- Liquidity remained strong with total cash and available credit facilities of $33.7 million at December 31, 2021.
- New project awards and contract renewals were $236 million for the three months ended December 31, 2021 and $65 million for the first two months of 2022. Approximately 52% of that work is expected to be completed in 2022.

Maintenance and Construction Services

Revenues for the year ended December 31, 2021 were $354.7 million, representing a decrease of 2.0% or $7.1 million. Quarterly revenues for the last three quarters of 2021 increased relative to the corresponding periods in 2020 indicating that our customers are beginning to increase their spending on both maintenance and capital projects. As evidenced by the level of new project awards and contract renewals, we expect activity levels to continue to recover in 2022, with several turnaround projects already scheduled.

In order to better serve our customers that have operations on the west coast, we have opened an office in Burnaby, British Columbia.

We continue to focus on consolidating various scopes of work with existing or new customers by adding additional 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 year ended December 31, 2021 were $37.8 million, representing an increase of 13.2% or $4.4 million. Quarterly revenues for the last three quarters of 2021 increased relative to the corresponding periods in 2020. With the continued rise in global energy demand and commodity prices, we are seeing customers in the oil sands operating at full production levels, which has increased the demand for wear technology overlay services.

In January, we launched our suite of asset protection products and expertise under the brand name Asset Armor™. The Asset Armor™ product line includes chromium carbide overlay, chrome white iron, corrosion resistant alloys, asset integrity monitoring, tungsten carbide overlay and specialized field repair. These products are designed for various asset arrangements and sizes, with the ability to service a wide variety of markets and specifications across the globe.

Environmental Services

We have been actively growing our capabilities by adding staff and a new location in Swift Current, Saskatchewan to better serve our customers in this area. In addition to the funding provided by existing government programs, we are seeing our customers increase expenditures for the closure, reclamation and remediation of oil and gas wells, pipelines and facilities in Western Canada. We expect this trend to continue following the expiry of the government programs at the end of 2022 given the increased focus on ESG (environmental, social and governance) matters.

FOURTH QUARTER AND ANNUAL 2021 FINANCIAL RESULTS

($ millions, except per share amounts)	Three months ended December 31,			Twelve months ended December 31,		
	2021	2020	% Change	2021	2020	% Change
Revenue						
Maintenance and Construction Services	94.0	77.6	21.1 %	354.7	361.8	(2.0)%
Wear Technology Overlay Services	9.0	7.6	19.5 %	37.8	33.4	13.2 %
Total	102.0	84.5	20.6 %	389.4	393.1	0.9 %
Gross Profit						
Maintenance and Construction Services	7.9	7.1	11.8 %	30.6	28.0	9.1 %
Wear Technology Overlay Services	1.8	1.3	40.4 %	9.8	5.6	72.8 %
Total	9.7	8.4	16.2 %	40.3	33.7	19.7 %
% of revenue	9.5 %	9.9 %	(0.4)%	10.4 %	8.6 %	1.8 %
Selling, general and administrative expenses	6.4	7.9	(18.7)%	26.3	24.0	9.6 %
% of revenue	6.3 %	9.4 %	(3.1)%	6.8 %	6.1 %	0.7 %
Adjusted EBITDAS						
Maintenance and Construction Services	7.9	7.0	12.6 %	30.6	27.8	10.3 %
Wear Technology Overlay Services	1.7	1.2	50.0 %	9.5	5.5	72.5 %
Corporate	(5.1)	(7.7)	(33.0)%	(23.0)	(22.7)	1.1 %
Total	4.5	0.5	835.4 %	17.1	10.5	62.6 %
% of revenue	4.4 %	0.6 %	3.8 %	4.4 %	2.7 %	1.7 %
(Loss) income from continuing operations	0.0	1.8	(99.7)%	(9.3)	3.5	(367.9)%
Net (loss) income per share (dollars) from continuing operations (basic and diluted)	0.00	0.02	(99.7)%	(0.08)	0.03	(368.0)%

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.

2021 SUMMARY RESULTS COMMENTARY

Revenue for the year ended December 31, 2021 was $389,402 compared to $393,121 for the year ended December 31, 2020, representing a decrease of 0.9%. The decrease in revenue for the year ended December 31, 2021, in comparison to the same period in 2020, was driven by a strong first quarter in 2020, which was largely unaffected by the COVID-19 pandemic, partially offset by improvements in the remainder of 2021. The stabilization of the business that started in Q2 2021 continued in Q3 and Q4 2021 with revenue increasing in Q4 2021 by 20.6% from Q4 2020.

Gross profit for the year ended December 31, 2021 was $40,337 compared to $33,686 for the year ended December 31, 2020, representing an increase of 19.7%. Gross profit margin for the year ended December 31, 2021 was 10.4% compared to 8.6% for the year ended December 31, 2020. The increase in gross profit was driven primarily by a change in the overall volume mix across the business, including the Wear Technology Overlay Services business which benefited from higher revenues and a reduction in its cost structure. As it became clear that the COVID-19 pandemic 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. These mitigation measures have improved operational flexibility and reduced the fixed costs associated with ClearStream's operations as shown by the increase in gross profit margins. With more stabilization in the marketplace overall, margins are more comparative to pre-COVID-19 pandemic levels.

Selling, general and administrative (“SG&A”) expenses for the year ended December 31, 2021 were $26,298, in comparison to $23,986 for 2020, representing an increase of 9.6%. As a percentage of revenue, SG&A expenses for the year ended December 31, 2021 were 6.8% compared to 6.1% for 2020. The increase in SG&A expenses relative to 2020 is largely due to investments being made in 2021 to support our enterprise systems and digital strategy. These investments, which will extend into 2022, will drive longer-term efficiencies and increase our cost competitiveness. Also, SG&A expenses were driven down in 2020 due to the cost reduction initiatives that were adopted in response to reduced operational volumes and macro-economic uncertainty created by the COVID-19 pandemic. As our business has recovered and stabilized in 2021, certain elements of these cost reductions have been reversed in order to support the increased volume of work in 2021 and to prepare for 2022.

For the year ended December 31, 2021, Adjusted EBITDAS was $17,115 compared to $10,524 for the year ended December 31, 2020. As a percentage of revenue, Adjusted EBITDAS was 4.4% for the year ended December 31, 2021 compared to 2.7% for 2020. Adjusted EBITDAS as a percentage of revenue increased for the year ended December 31, 2021 due to gross profit margin increases being realized in both the Maintenance and Construction Services segment and the Wear Technology Overlay Services segment.

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. During the year ended December 31, 2021, the Company qualified for both CEWS and CERS and recorded total subsidies of $16,133 compared to $33,521 in 2020.

Loss from continuing operations for the year ended December 31, 2021 was $9,295 compared to income of $3,469 for the year ended December 31, 2020. The income variance was driven by lower government subsidies received in 2021 compared to 2020 and the recovery of the share-based compensation and other long-term incentive plans in 2020, offset by the impairment of right-of-use assets in 2021 and goodwill in 2020.

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”). The Revolving Facility matures on March 31, 2022 and the Term Loan Facility matures 180 days thereafter. As at December 31, 2021, the

Company had $12.0 million of available capacity under the Revolving Facility, $40.5 million drawn on the Term Loan Facility and $21.7 million of cash on hand.

On February 25, 2022, ClearStream received confirmation from a Canadian chartered bank that it had agreed to provide a $25.0 million asset-based revolving credit facility with a three-year term (the "New ABL Facility"), subject to the completion of a new credit agreement and other legal documentation. The New ABL Facility is expected to be finalized prior to the maturity of the Revolving Facility on March 31, 2022. The terms of the New ABL Facility are expected to be substantially similar to the Revolving Facility, other than the increase in the size of the facility and the longer term. The existing credit agreement, which governs both the Revolving Facility and the Term Loan Facility, will be amended to govern only the Term Loan Facility, the terms of which are expected to remain substantially the same.

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, maintain compliance with its financial covenants, and maintain a positive cash position through December 31, 2022.

On December 10, 2021, Canso Investment Counsel Ltd., in its capacity as portfolio manager for and on behalf of certain accounts that it manages and sole holder of the Senior Secured Debentures, agreed to accept the issuance of an additional 4,278 Senior Secured Debentures on December 31, 2021, 4,449 Senior Secured Debentures on June 30, 2022 and 4,627 Senior Secured Debentures on December 31, 2022 at a principal amount of $1,000 per Senior Secured Debenture in order to satisfy the interest that would otherwise become due and payable on such dates (the "Payment in Kind Transactions").

The Payment in Kind Transactions will save ClearStream approximately $13.4 million in cash, preserve this capital for its ongoing operations and improve its financial situation. In addition, the Payment in Kind Transactions will assist ClearStream to maintain compliance with the covenants under the ABL Facility. Following the Payment in Kind Transactions, the principal amount of Senior Secured Debentures outstanding is $111.2 million at December 31, 2021 and will be approximately $115.7 million at June 30, 2022 and $120.3 million at December 31, 2022.

As at December 31, 2021 and December 31, 2020, issued and outstanding share capital included 109,992,668 common shares, 127,735 Series 1 preferred shares and 40,111 Series 2 preferred shares.

The Series 1 preferred shares (having an aggregate value of $127.735 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 December 31, 2021, the accrued and unpaid dividends on the Series 1 and Series 2 shares totaled $59.8 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

For our customers in the energy industry, the continued rise in global energy demand and commodity prices is providing strong fundamentals. While these customers are prioritizing debt repayment and returns to shareholders in the short-term, we are seeing them increase their spending on both maintenance projects (to enhance operational reliability) and capital projects (to maintain/expand productive capacity).

The growth in our served markets is creating some near-term challenges, including inflationary pressure on both labour and materials as well as supply chain disruptions. Over the past two years, we have taken steps to strengthen the Company. We have invested in our enterprise systems and digital strategy to drive longer-term efficiencies and increase our cost competitiveness. We are also enhancing our programs to attract, retain and develop our employees.

With energy transition and environmental considerations becoming increasingly important for all stakeholders in the energy sector, 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 services required at various operating sites while generating efficiencies and cost reductions for its customers. In 2021, we added four new operating facilities: Fox Creek, Alberta; Drayton Valley, Alberta; Swift Current, Saskatchewan; and Burnaby, British Columbia.

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 audited consolidated financial statements for the year ended December 31, 2021 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, wear technology and environmental services that keep our clients moving forward. For more information about ClearStream, please visit www.clearstreamenergy.ca or contact:

Randy Watt
Chief Financial Officer
ClearStream Energy Services Inc.
(587) 318-0997
rwatt@clearstreamenergy.ca

Barry Card
Interim Chief Executive Officer
ClearStream Energy Services Inc.
(587) 318-0997
bcard@clearstreamenergy.ca

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 our customers who are involved in the energy industry will increase their spending on both maintenance and capital projects; contract renewals and project awards, including the estimated value thereof and the timing of completing the associated work; that activity levels for maintenance and construction services will continue to recover in 2022; that the demand for wear technology overlay services 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 the COVID-19 pandemic and other market conditions will have longer term impacts on our activity levels and margins; that the adjustments to our cost structures have improved operational flexibility and reduced the fixed costs associated with our operations; that the investments being made to support our enterprise systems and digital strategy will drive longer-term efficiencies and increase our cost competitiveness; that the New ABL Facility will be finalized prior to March 31, 2022 and that its terms will be substantially similar to the Revolving Facility; that the terms of the Term Loan Facility will be substantially the same; the sufficiency of our liquidity and cash flow from operations to meet our short-term contractual obligations, maintain compliance with our financial covenants and maintain a positive cash position through December 31, 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), 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, 2021.

Adjusted EBITDAS refers to EBITDAS excluding the gain on sale of assets held for sale, impairment of goodwill and intangible assets, restructuring expense, gain 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 year ended December 31, 2021.

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.