ClearStream Announces First Quarter 2018 Financial Results

Calgary – May 8, 2018 – ClearStream Energy Services Inc. ("ClearStream", TSX: CSM and CSM.DB.A) today announced its results for the three months ended March 31, 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.

First Quarter 2018 Highlights

- Revenue increased by $7.1 million or 9% and adjusted EBITDAS increased by $0.1 million or 6% for the first quarter of 2018 compared to the same period 2017;
- ClearStream completed a refinancing transaction with its major stakeholders that improved the financial stability of the Company. As part of this transaction, $108.6 million of long-term debt was exchanged for a newly created series of Preferred Shares. In addition, ClearStream issued $19 million of Preferred Shares in exchange for cash proceeds that will be used to fund existing and future interest obligations;
- ClearStream completed the sale of its transportation business during the first quarter of 2018 for total proceeds of $3.4 million; $2.3 million of these proceeds were used to repay long-term debt;
- Gross profit margins declined to 7.9% compared to 8.4% on a year-over-year basis; ClearStream's service lines continue to remain competitive, which has led to pricing declines and lower gross profit margins;

Overview of Financial Results

($ millions, except per share amounts)	Q1 2018	Q1 2017
Revenue	84.8	77.7
Gross profit	6.8	6.5
Selling, general & administrative expenses	(4.7)	(4.5)
Adjusted EBITDAS	2.2	2.1
Loss from continuing operations	(3.0)	(3.6)
Loss per share from continuing operations, basic and diluted	(0.03)	(0.03)

Revenues for the three months ended March 31, 2018 were $84.8 million compared to $77.7 million for the same period in 2017, an increase of 9%. The increase was due largely to increased demand in the Fort McMurray region including the commencement of a large turnaround project in March.

Gross profit for the three months ended March 31, 2018 was $6.8 million compared to $6.5 million for the same period in 2017 and gross margins were 8.0% compared to 8.4% for the same period in

2017. Gross margins declined on a year-over-year basis as lower margins for the Wear and Fabrication segment more than offset slightly higher margins for maintenance and construction.

Selling, general and administrative ("SG&A") costs for the three months ended March 31, 2018 were $4.7 million compared to $4.5 million in 2017 and remained relatively consistent on a year-over-year basis. As a percentage of revenue, SG&A costs have declined to 5.5% from 5.8% for the three months ended March 31, 2018.

The loss from continuing operations for the first quarter of 2018 was $2.8 million compared to $3.6 million in the same period of 2017 due to a reduction in interest expenses.

Segment Review

MAINTENANCE AND CONSTRUCTION SERVICES

($ millions, except per share amounts)	Q1 2018	Q1 2017
Revenue	69.3	59.2
Gross profit	3.7	2.4
Selling, general & administrative expenses	(0.3)	(0.3)
Adjusted EBITDAS	3.5	2.1
Income from continuing operations	2.1	2.8

Revenues for the Maintenance and Construction Services segment were $69.3 million for the three months ended March 31, 2018 compared to $59.2 million in the prior year quarter, an increase of 17%. For the first quarter of 2018, revenues benefitted from an increase in maintenance demand in the Fort McMurray region driven largely by the commencement of a large facility turnaround in March.

Gross profit was $3.7 million for the three months ended March 31, 2018 compared with $2.4 million for the same period in the prior year. Gross profit margin for the period was 5.3% compared to 4.1% in 2017. The increase in margins was due to higher operating leverage on our fixed cost structure combined with cost and efficiency improvements that reduced cost of revenues. These factors were partially offset by declines in pricing. SG&A costs for the Maintenance and Construction segment were largely consistent on a year-over-year basis.

Income from continuing operations in the prior year included a $1.9 million gain on the sale of property, plant and equipment. After adjusting for the one-time gain, the income from operations for the quarter ended March 31, 2018 increased by $1.1 million compared to the same period in 2017.

WEAR, FABRICATION, AND TRANSPORTATION SERVICES

($ millions, except per share amounts)	Q1 2018	Q1 2017
Revenue	15.6	18.9
Gross profit	3.1	4.1
Selling, general & administrative expenses	(0.1)	(0.2)
Adjusted EBITDAS	3.0	3.9
Income from continuing operations	3.3	3.0

ClearStream sold all transportation assets on January 1, 2018 and shut down this division during the first quarter of 2018. Total proceeds received on the sale were $3,400 and a gain of $1,032 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:

($ millions, except per share amounts)	Q1 2018	Q1 2017
Revenue	15.6	15.8
Gross profit	3.1	4.0
Selling, general & administrative expenses	(0.1)	(0.1)
Adjusted EBITDAS	3.0	3.9

Revenue for the Fabrication and Wear Technology segment was $15.6 million for the three months ended March 31, 2018 compared to $15.8 million in the prior year quarter. Increased revenue for wear technology services was partially offset by a decline in fabrication revenue. Demand for fabrication services continues to be negatively impacted by a lack of new oil and gas project activity in Alberta.

Gross profit was $3.1 million for the three months ended March 31, 2018 compared with $4.0 million during the same period of the prior year. Gross profit margin for the period decreased to 20.0% compared to 25.5% in 2017 due to a decline in pricing for fabrication services combined with unfavorable changes in customer mix.

SG&A expenses for the Fabrication and Wear Technology segment for the three months ended March 31, 2018, were largely consistent with the same period in the prior year.

CORPORATE

($ millions, except per share amounts)	Q1 2018	Q1 2017
Selling, general & administrative expenses	4.3	4.0

Corporate SG&A expenses were $4.3 million for the three months ended March 31, 2018 compared to $4.0 million for the same period in the prior year. SG&A costs increased slightly on a year-over-year basis due to higher employee costs.

Outlook

Demand for ClearStream's services is typically strong during the second quarter when many oil and gas facilities undergo significant maintenance. ClearStream has several facility maintenance projects scheduled for the second quarter of 2018 and revenue is expected to increase significantly compared to the first quarter of 2018.

With recent improvements in oil prices, demand for ClearStream's services is expected to increase in 2018 compared to 2017 as our clients slowly increase maintenance budgets to uphold production levels. However, ClearStream's business remains very competitive as more service companies are focused on increasing exposure to maintenance related service lines. Under this competitive landscape, pricing is not expected to increase during 2018 and profit margins are expected to remain at current levels.

ClearStream will continue to focus on the key aspects of our business including safety, quality, recruiting, and cost control.

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 construct, transport and provide maintenance services that keep our clients moving forward. For more information about ClearStream, please visit www.ClearStreamEnergy.ca.

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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, 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 or www.clearstreamenergy.ca.

CLEARSTREAM ENERGY SERVICES INC.
Consolidated Balance Sheets
(In thousands of Canadian dollars)
(unaudited)

	March 31, 2018	December 31, 2017
Cash	$ -	$ 4,649
Restricted cash	8,980	980
Accounts receivable	72,287	66,177
Inventories	4,441	4,304
Prepaid expenses and other	1,897	2,989
Earn-out assets	1,500	1,277
Assets held for sale	-	2,506
Total current assets	89,105	82,882
Property, plant and equipment, net	20,259	20,657
Goodwill and intangible assets	25,990	26,765
Earn-out assets	-	1,173
Long-term investments	607	575
Deferred financing costs	607	591
Total assets	**$ 136,568**	**$ 132,643**
Bank indebtedness	$ 1,689	$ -
Accounts payable and accrued liabilities	33,237	36,276
Deferred revenue	148	146
Current portion of obligations under finance leases	1,359	1,462
Current liabilities of assets held for sale	-	1,197
ABL facility	24,500	27,500
Senior secured debentures	-	171,988
Convertible secured debentures	-	24,999
Current portion of provision	1,148	1,196
Total current liabilities	62,081	271,531
Provision	4,286	4,582
Obligations under finance leases	2,323	2,185
Senior secured debentures	96,523	-
Convertible secured debentures	962	-
Total liabilities	166,233	271,531
Share capital	462,036	469,030
Preferred Shares	102,130	-
Contributed surplus	21,169	2,958
Deficit	(615,000)	(610,876)
Total shareholders' deficit	(29,665)	(138,888)
Total liabilities and shareholders' deficit	**$ 136,568**	**$ 132,643**

CLEARSTREAM ENERGY SERVICES INC.
Consolidated Statements of Loss and Comprehensive Loss
(In thousands of Canadian dollars, except per share amounts)
(unaudited)

Three months ended March 31		2018		2017
Revenue	$	84,794	$	77,689
Cost of revenue		(77,975)		(71,149)
Gross profit		6,635		6,540
Selling, general and administrative expenses		(4,675)		(4,528)
Share based compensation		(79)		(309)
Amortization of intangible assets		(757)		(863)
Depreciation		(1,161)		(1,231)
Income from equity investment		32		37
Interest expense		(3,748)		(5,032)
Gain on sale of assets held for sale		1,032		123
Restructuring costs		(60)		(277)
Other loss		(282)		-
Gain on sale of property, plant and equipment		52		1,917
Loss before taxes		(2,827)		(3,623)
Income tax expense - current		(161)		-
Loss from continuing operations		(2,988)		(3,623)
		-		
Loss from discontinued operations (net of taxes)		(187)		(370)
Net loss and comprehensive loss	$	(3,175)	$	(3,993)
Loss per share				
Basic & diluted:				
Continuing operations	$	(0.03)	$	(0.03)
Discontinued operations	$	(0.00)	$	(0.00)
Net loss	$	(0.03)	$	(0.04)

CLEARSTREAM ENERGY SERVICES INC.

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

Three months ended March 31,	2018	2017
Operating activities:		
Net loss for the period	$ (3,175)	$ (3,993)
Loss from discontinued operations (net of income tax)	187	370
Items not affecting cash:		
Stock based compensation	79	206
Amortization of intangible assets	757	863
Depreciation	1,161	1,231
Income from equity investments	(32)	(37)
Accretion expense	534	187
Other loss	282	-
Onerous lease payments	(642)	-
Amortization of deferred financing costs	151	144
Gain on sale of assets held for sale	(1,032)	(123)
Gain on sale of property, plant and equipment	(52)	(1,917)
Changes in non-cash working capital	(9,263)	8,260
Cash used in discontinued operations	(187)	-
Total cash (used in) provided by operating activities	$ (11,232)	$ (11,329)
Investing activities:		
Purchase of property, plant and equipment	(265)	(1,322)
Net proceeds on disposal of property, plant and equipment	176	2,578
Purchase of intangible assets	-	(49)
Proceeds on the disposition of businesses	3,400	-
Transaction costs	(1,060)	-
Change in non-cash working capital	-	(646)
Total cash provided by investing activities	$ 2,251	$ 561
Financing activities:		
Increase in restricted cash	(8,000)	-
Increase in bank indebtedness	1,689	-
Proceeds from the issuance of preferred shares	19,000	-
Repayment of senior secured debentures	(2,340)	-
Refinancing fees	(3,681)	-
Advance (repayment) on ABL facility	(3,000)	2,250
Repayment of obligations under finance leases	(428)	(1,005)
Changes in non-cash working capital	1,092	-
Total cash provided by financing activities	$ 4,332	$ 1,245
Decrease in cash	(4,649)	(9,523)
Cash, beginning of the period	4,649	11,503
Cash, end of period	$ -	$ 1,980