ClearStream Announces Second Quarter 2017 Financial Results

Calgary – August 3, 2017 – ClearStream Energy Services Inc. (“ClearStream”, TSX: CSM and CSM.DB.A) today announced its results for the three and six months ended June 30, 2017.

“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.

Second Quarter 2017 Highlights

- Revenue for the second quarter of 2017 increased by $50.3 million or 82% compared to the second quarter of 2016;
- Adjusted EBITDAS for the second quarter of 2017 increased by $5.2 million or 338% compared to the same period 2016;
- The year-over-year improvement in financial results was driven by a recovery of activity from the Fort McMurray fires that impacted our operations in the second quarter of 2016, as well as increased demand, improved operational performance, and continued cost control initiatives;
- Increased demand was largely due to strong maintenance and facility turnaround activity by our customers during the second quarter of 2017;
- When adjusting for a one-time WCB surplus rebate that reduced SG&A costs in the second quarter of 2016, SG&A costs for the second quarter of 2017 decreased by 11% compared to the same period in 2016.

Overview of Financial Results

($ millions, except per share amounts)	Q2 2017	Q2 2016	YTD 2017	YTD 2016
Revenue	111.6	61.3	189.2	130.0
Gross profit	11.1	5.5	17.6	10.8
Selling, general & administrative expenses	(4.4)	(4.0)	(8.9)	(9.0)
Loss from continuing operations	(1.5)	(5.4)	(5.1)	(21.5)
EBITDAS	6.3	1.8	10.1	(5.6)
Adjusted EBITDAS	6.8	1.5	8.8	2.0
Loss per share from continuing operations, basic and diluted	(0.01)	(0.05)	(0.05)	(0.20)

Revenues for the three months ended June 30, 2017 were $111.6 million and $189.2 million compared to $61.3 million and $130.0 million for the same periods in 2016, an increase of 82% and 46%. Demand for ClearStream’s services increased for both reportable segments due largely to increased scope with existing customers, increased revenue from new customers, and a recovery in demand in Fort McMurray caused by 2016 wildfires.

Gross profit for the three and six months ended June 30, 2017 was $11.1 million and $17.6 million compared to $5.5 million and $10.8 million for the same periods in 2016. Gross margins were 9.9% and 9.3% compared to 8.9% and 8.3% for the same periods in 2016. Gross margins improved on a year-over-year basis as cost cutting initiatives executed in 2016 led to reductions in fixed indirect costs.

Selling, general and administrative ("SG&A") costs for the three and six months ended June 30, 2017 were $4.4 million and $8.9 million compared to $4.0 million $9.0 million in 2016. As a percentage of revenue, SG&A costs decreased over the comparative periods of 2016 due to cost cutting initiatives implemented in 2016. On a comparative basis, SG&A costs in 2016 were reduced by a workers' compensation board ("WCB") surplus rebate that was received in the second quarter of 2016. A rebate has not yet been received in 2017 as the WCB program in Alberta is currently under review. When adjusting for this rebate, SG&A costs decreased by 11% and 10% for the three and six months ended June 30, 2017, respectively.

Segment Review

MAINTENANCE AND CONSTRUCTION SERVICES

($ millions, except per share amounts)	Q2 2017	Q2 2016	YTD 2017	YTD 2016
Revenue	93.6	50.1	152.8	104.7
Gross profit	7.8	4.0	10.3	7.0
Selling, general & administrative expenses	(0.4)	(0.4)	(0.7)	(0.9)
Income from continuing operations	6.7	3.0	10.1	4.7

Revenues for the Maintenance and Construction Services segment were $93.6 million and $152.8 million for the three and six months ended June 30, 2017 compared to $50.1 million and $104.7 million in the prior year periods, an increase of 87% and 46%, respectively. The increase was driven by a recovery of activity in Fort McMurray, which suffered from wildfires in the second quarter of 2016, and an increase in demand for maintenance and plant turnaround services.

Gross profit was $7.8 million and $4.0 million for the three and six months ended June 30, 2017 compared with $10.3 million and $7.0 million for the same periods in the prior year. Gross margins for those same periods were 8.4% and 6.7% compared to 7.9% and 6.6% a year ago. Gross profit margins increased as cost reductions more than offset the impact of lower pricing for our services. The primary cost reductions included decreases to the number of employees and operating locations.

As a percentage of revenue, SG&A expenses decreased over the comparative periods in 2016 due to cost cutting initiatives implemented since 2016 in response to a decline in market conditions. Income from continuing operations for the six months ended June 30, 2017, includes a $1.9 million gain on the sale of property, plant and equipment that relates largely to the sale of two non-essential properties that occurred during the first quarter of 2017.

WEAR, FABRICATION, AND TRANSPORATION SERVICES

($ millions, except per share amounts)	Q2 2017	Q2 2016	YTD 2017	YTD 2016
Revenue	18.9	11.5	37.4	26.1
Gross profit	3.2	1.5	7.3	3.8
Selling, general & administrative expenses	(0.2)	(0.1)	(0.3)	(0.3)
Income from continuing operations	2.5	0.6	5.7	1.8

Revenues for the Fabrication, Wear Technology and Transportation segment were $18.9 million and $37.4 million for the three and six months ended June 30, 2017 compared to $11.5 million and $26.1 million in the prior year quarters, an increase of 61% and 43%, respectively. A recovery of activity in Fort McMurray contributed to the increase in revenue as second quarter financial results in 2016 were negatively impacted by the Fort McMurray fires. Commodity price improvements have also led to a comparative increase in demand for Wear and Transportation services. Fabrication demand continues to be negatively impacted by the lack of new infrastructure projects within the oil and gas industry.

Gross profit was $3.2 million and $7.3 million for the three and six months ended June 30, 2017 compared with $1.5 million and $3.8 million during the same periods of the prior year. Gross margins were 17.5% and 19.6% compared to 13.1% and 14.7% a year ago. Gross profit margins for the segment increased due to cost cutting reductions that were implemented in 2016. Increased operational leverage on our fixed cost structure due to the rise in revenue also contributed to the higher gross profit margins.

As a percentage of revenue, SG&A expenses decreased over the comparative periods in 2016 due to cost cutting initiatives implemented since 2016 in response to a decline in market conditions.

CORPORATE

($ millions, except per share amounts)	Q2 2017	Q2 2016	YTD 2017	YTD 2016
Selling, general & administrative expenses	3.8	3.5	7.8	7.7

Corporate SG&A expenses were $3.8 million and $7.8 million for the three and six months ended June 30, 2017 compared to $3.5 million and $7.7 million for the same periods in the prior year. SG&A costs in 2016 were reduced by a workers' compensation board ("WCB") surplus rebate that was received in the second quarter of 2016. A rebate has not yet been received in 2017 as the WCB program in Alberta is currently under review. When adjusting for this WCB surplus rebate, SG&A costs decreased by 14% and 15% for the three and six months ended June 30, 2017, respectively. Cost reductions are due to cost cutting initiatives implemented throughout 2015 and 2016 that have been fully realized in 2017. The largest cost decreases for the Corporate division relate to reductions in the number of employees.

Outlook

ClearStream expects continued improvements to the financial results for the third quarter of 2017 compared to the third quarter of 2016. The improvements are expected to be a result of higher demand for services combined with lower year-over-year fixed costs. Higher demand is being driven by modest improvements in oil and gas prices, and increased spending on critical maintenance programs in 2017 compared to 2016. The cost control initiatives that were implemented in 2015 and 2016 are expected to be fully realized for the remainder of 2017, consistent with the cost reductions that have occurred in 2017 year-to-date.

Despite expectations for improved financial results in 2017, ClearStream's service industry is expected to remain competitive for the remainder of 2017. Maintenance spending continues to be cautiously managed by our customers and new infrastructure projects within the western Canadian oil and gas industry are not expected to increase until a substantial increase in commodity prices occurs. As a result of this challenging operating environment, ClearStream will continue to focus on cost control, customer retention, and process and efficiency improvements.

About ClearStream Energy Services Inc.

ClearStream is a fully integrated provider of upstream, midstream and refinery production services, which includes facility maintenance and turnarounds, pipeline wear technology, facilities construction, welding and fabrication, and transportation to the energy and other industries in Western Canada. 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 2016 Annual Information Form dated March 6, 2017, 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 Management Discussions and Analysis ("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)

As at	June 30, 2017	December 31, 2016
Cash	$ -	$ 11,503
Restricted cash	980	980
Accounts receivable	81,177	46,928
Inventories	4,747	3,000
Prepaid expenses and other	2,234	2,060
Earn-out assets (note 3)	1,476	1,608
Total current assets	90,614	66,079
Property, plant and equipment, net (note 4)	24,024	24,745
Goodwill and intangible assets	36,417	38,088
Earn-out assets (note 3)	2,464	4,056
Long-term investments	709	579
Deferred financing costs (note 5)	1,007	1,295
Total assets	**$ 155,235**	**$ 134,842**
Bank indebtedness	$ 2,979	$ -
Accounts payable and accrued liabilities	34,107	26,848
Deferred revenue	143	167
Current portion of obligations under finance leases	3,028	3,902
Other liability (note 9)	4,969	4,985
Total current liabilities	45,226	35,902
ABL facility (note 5)	21,750	3,500
Obligations under finance leases	2,206	2,915
Senior secured debentures (note 5)	171,813	171,642
Convertible secured debentures (note 5)	24,629	24,397
Total liabilities	265,624	238,356
Shareholders' deficit	(110,389)	(103,514)
Total liabilities and shareholders' deficit	**$ 155,235**	**$ 134,842**

Note references are to the Company’s interim financial statements for the three and six months ending June 30, 2017, which are available on SEDAR at www.sedar.com

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

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Revenue	$ 111,559	$ 61,335	$ 189,248	$ 129,975
Cost of revenue	(100,486)	(55,870)	(171,635)	(119,194)
Gross profit	11,073	5,465	17,613	10,781
Selling, general and administrative expenses	(4,395)	(4,002)	(8,923)	(8,955)
Share based compensation (note 8)	(350)	-	(659)	-
Amortization of intangible assets	(864)	(901)	(1,727)	(1,802)
Depreciation (note 4)	(1,358)	(1,586)	(2,589)	(3,134)
Income (loss) from equity investment	93	80	130	(155)
Interest expense	(5,186)	(4,704)	(10,218)	(10,945)
Gain on sale of assets held for sale	(515)		(392)	1,114
Restructuring costs	(167)	-	(444)	-
Impairment of goodwill and intangible assets	-	-	-	(8,700)
Gain on sale of property, plant and equipment	161	277	2,078	332
Loss before taxes	(1,508)	(5,371)	(5,131)	(21,464)
Income tax expense - current	(2)	(20)	(2)	(19)
Loss from continuing operations	(1,510)	(5,391)	(5,133)	(21,483)
	-			
Loss from discontinued operations (net of taxes) (note 2)	(1,887)	(1,325)	(2,257)	(6,050)
Net loss and comprehensive loss	$ (3,397)	$ (6,716)	$ (7,390)	$ (27,533)
Loss per share (note 7)				
Basic & diluted:				
Continuing operations	$ (0.01)	$ (0.05)	$ (0.05)	$ (0.20)
Discontinued operations	$ (0.02)	$ (0.01)	$ (0.02)	$ (0.06)
Net loss	$ (0.03)	$ (0.06)	$ (0.07)	$ (0.25)

Note references are to the Company's interim financial statements for the three and six months ended June 30, 2017, which are available on SEDAR at www.sedar.com

CLEARSTREAM ENERGY SERVICES INC.
Consolidated Statements of Cash Flows
(In thousands of Canadian dollars)

Six months ended	June 30, 2017	June 30, 2016
Operating activities:		
Net loss for the period	$ (7,390)	$ (27,533)
Loss from discontinued operations (net of income tax)	2,257	6,050
Items not affecting cash:		
Share based compensation (note 8)	514	-
Amortization of intangible assets	1,727	1,802
Depreciation (note 4)	2,589	3,134
(Income) loss from equity investments	(130)	155
Accretion expense	402	1,968
Amortization of deferred financing costs	288	144
Impairment of goodwill and intangible assets	-	8,700
Gain on sale of assets held for sale	392	(1,114)
Gain on sale of property, plant and equipment	(2,078)	(332)
Changes in non-cash working capital	(28,951)	14,661
Advances to discontinued operations	-	(5,961)
Cash used in discontinued operations	(925)	-
Total cash (used in) provided by operating activities	$ (31,305)	$ 1,674
Investing activities:		
Purchase of property, plant and equipment (note 4)	(2,353)	(795)
Net proceeds on disposal of property, plant and equipment (note 4)	2,960	455
Purchase of intangible assets	(57)	(25)
Proceeds on the disposition of businesses (note 2)	-	14,800
Total cash provided by investing activities	$ 550	$ 14,435
Financing activities:		
Decrease in restricted cash	-	3,400
Proceeds from the issuance of the senior secured debentures	-	176,228
Proceeds from the issuance of the convertible secured debentures	-	35,000
Repayment of the senior credit facility	-	(58,735)
Repayment of the 8.00% secured debentures	-	(176,228)
Refinancing fees (ABL facility, senior and convertible secured debentures)	-	(9,925)
Increase in bank indebtedness	2,979	-
Advance on ABL facility	18,250	-
Repayment of obligations under finance leases	(1,977)	(2,619)
Total cash provided by (used in) financing activities	$ 19,252	$ (32,879)
Decrease in cash	(11,503)	(16,770)
Cash, beginning of the period	11,503	24,409
Cash, end of period	$ -	$ 7,639
Supplemental cash flow information:		
Interest paid	9,430	9,140
Supplemental disclosure of non-cash financing and investing activities:		
Acquisition of property, plant and equipment through finance leases	394	379

Note references are to the Company's interim financial statements for the three and six months ended June 30, 2017, which are available on SEDAR at www.sedar.com