ClearStream Announces Second Quarter 2019 Results

Calgary – August 12, 2019 – ClearStream Energy Services Inc. ("ClearStream" or the "Company") (TSX: CSM) today announced its results for the three and six months ended June 30, 2019. 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.

SECOND QUARTER 2019 HIGHLIGHTS

- The overall demand for ClearStream's maintenance and turnaround services declined in the second quarter of 2019 as compared to the second quarter of 2018 due to the significantly higher demand for turnaround services in 2018.
- ClearStream continued to protect and grow market share in the second quarter of 2019. ClearStream has renewed all of its contracts over the past three years, which demonstrates our continued focus on client service and operational execution.
- Despite the decline in revenue, gross margins and EBITDA increased due to a favorable change in revenue mix as we earned a larger proportion of our revenue in higher margin service areas.
- As part of our strategic plan for diversity and inclusion and to capture the growth in Northeast British Columbia, ClearStream established a joint venture with Blueberry River First Nations in the first quarter of 2019. We are pleased with the progress made since the launch of the joint venture. Through the joint venture and other initiatives, we are establishing ClearStream as the leading industrial provider of asset integrity services in Northeast British Columbia.
- As part of our strategic growth plan, on June 28, 2019 we completed the acquisition of (i) certain assets of the production services division of AECOM Production Services Ltd. ("AECOM") for approximately $42 million, comprised of $18 million for the assets and $23.8 million for the working capital, and (ii) all of the issued and outstanding shares of Universal Weld Overlays Inc. ("UWO") for approximately $15.4 million, comprised of cash consideration of $12 million and $3.4 million for working capital and subject to deferred consideration and earn-out adjustments which could result in an aggregate purchase price of up to $17.6 million.
- The AECOM and UWO acquisitions were financed through a combination of equity financings of series 2 cumulative redeemable convertible preferred shares issued on a prospectus exempt basis to Canso Investment Counsel Ltd., in its capacity as portfolio manager for and on behalf of certain accounts that it manages, for aggregate gross proceeds of $32.2 million and, with respect to the AECOM acquisition, a new debt facility in the amount of $19 million from the Business Development Bank of Canada, and a portion of the proceeds of new term loan in the amount of $13.5 million made available under the amended credit facilities.
- The production services business acquired from AECOM (the "Flint Business") operates in the mechanical services and electrical and instrumentation services sectors across Alberta. These services include the full project life cycle of construction and maintenance services such as: civil, fabrication

and modularization, mechanical installations, facility construction, pipelining, electrical, instrumentation, high voltage and maintenance services. The Flint Business serves some of the largest upstream, midstream and downstream operators in Canada. As part of the transaction, the Company acquired the rights to the Flint brand in Canada. On July 2, 2019, ClearStream's maintenance and construction services non-union business was combined with the Flint Business and the combined business is now marketed as Flint, a division of ClearStream.

- UWO is a specialty weld overlay fabricator that provides its customers with protection of pre-fabricated components for service in corrosive and erosive environments, and serves the following industries: oil and gas, pulp and paper, petrochemical, power, pipeline, mining, subsea, aerospace, and pressure vessel fabrication. UWO operates from Airdrie, Alberta and has been serving some of the largest upstream, midstream and downstream customers in Canada and the United States for the last 23 years.

The AECOM and UWO acquisitions complement existing service lines in addition to adding new service lines to further broaden business opportunities. Combined, the acquisitions are expected to:

- Expand the Customer Base – the acquisitions will provide the opportunity to work with some of the largest industrial and energy companies operating in Canada and the United States, which will provide existing and new clientele an enhanced integrated service offering.
- Enhance Operational Efficiencies – multiple near-term synergies and cost saving opportunities have been identified that may further enhance the economics of the acquisitions.
- Increase Financial Flexibility – the combination of the acquisitions and the related financings provides improved short and long-term balance sheet flexibility.
- Improve Local Community Presence and Customer Service – the AECOM acquisition will increase the number of district offices and capabilities for maintenance, turnaround and construction services in Western Canada while leveraging the well-recognized Flint brand.
- Complement Existing Service Lines – the UWO acquisition will complement the well-established Wear Technologies products and services for abrasion and corrosion resistance applications while leveraging the well-recognized UWO brand.

In addition, during the second quarter, as a result of continued decline in demand for fabrication services, management made a decision to close two business locations as the recent acquisitions added more fabrication capacity strategically located closer to key customer locations.

OVERVIEW OF FINANCIAL RESULTS

($ millions, except per share amounts)	Q2 2019	Q2 2018	YTD 2019	YTD 2018
Revenue	103.7	129.7	187.6	214.5
Gross profit	11.6	6.7	20.3	13.5
Selling, general & administrative expenses	(6.7)	(4.5)	(11.9)	(9.2)
Adjusted EBITDAS	6.2	2.3	10.1	4.5
Gain (Loss) from continuing operations	7.1	(3.1)	2.9	(6.1)
Gain (Loss) per share from continuing operations, basic and diluted	0.06	(0.03)	0.02	(0.06)

Q2 2019 RESULTS COMMENTARY

Revenues for the three and six months ended June 30, 2019 were $103,690 and $187,644, as compared to $129,702 and $214,496 for the same periods in 2018, a decrease of 20% and 12.5%, respectively. This decrease in 2019, in comparison to 2018, is driven by decreased demand and lower revenue in the Fort McMurray region and in the fabrication business as the ClearWater division's large plant turnaround revenue executed in the first half of 2018 did not re-occur in 2019. This decrease was partially offset by an increase in Wear Technology and ClearStream divisional revenue.

Gross profit for the three and six months ended June 30, 2019 was $11,571 and $20,289, as compared to $6,709 and $13,528 for the same periods in 2018, an increase of 72.5% and 50%, respectively, despite the drop in revenue. The increase in gross profit related to the adoption of IFRS 16 (Leases), which decreased direct rent expense, and a favourable change in the sales mix resulting from a decrease in lower margin revenue from the ClearWater union business and an increase in higher margin revenue from the ClearStream and Wear Technology businesses with indirect costs remaining consistent.

Selling, general and administrative ("SG&A") expenses for the three and six months ended June 30, 2019 were $6,730 and $11,880 in comparison to $4,494 and $9,169 for the same periods in 2018. As a percentage of revenue, SG&A expenses increased to 6.5% and 6.3% in 2019 compared to 3.5% and 4.3% for the same periods in 2018. For the first half of 2019, SG&A expenses as a percentage of revenue were impacted by a decrease in the ClearWater division's large plant turnaround revenue in the first half of 2018 that did not re-occur in 2019 with SG&A expenses largely fixed. Also included in SG&A expenses are $1,617 of one-time expenses, including termination benefits. Excluding these one-time expenses, SG&A expenses as a percentage of revenue increased to 5.5% for the six months ended 2019 compared to 4.3% for the same period in 2018 or with comparable revenue SG&A expenses would have been 4.8% for the six months ended 2019, as compared to 4.3% for the same period in 2018. This increase in SG&A expenses was due to transition costs, including professional fees incurred in the Company's growth initiatives and other expenses to support business process improvements designed to increase operational effectiveness and lower operating costs going forward.

Non-cash items that impacted the 2019 results were depreciation and amortization. Depreciation and amortization was $6,708 for the six months ended June 30, 2019 compared to $3,868 for the same period in 2018. The increase in depreciation and amortization expense was largely due to the implementation of IFRS 16. In addition, ClearStream has lowered its maintenance capital spending programs in response to the challenging market conditions and directed its liquidity to support the closing of the AECOM and UWO acquisitions on June 28, 2019.

For the six months ended June 30, 2019, interest expenses were $8,474 compared to $6,464 for the same period in 2018. Interest expenses increased by $2,010 partially as result of the interest under impact of IFRS 16 of $890, deferred financing costs in the period and interest on the term loan facility obtained in the fourth quarter of 2018.

Restructuring costs of $4,443 were recorded during the six months ended June 30, 2019, in comparison to $84 in 2018. These non-recurring restructuring costs are related to the AECOM and UWO acquisitions which closed on June 28, 2019, as well as severance and other growth initiatives.

Income from continuing operations for the three and six months ended June 30, 2019 were $7,092 and $2,871, in comparison to losses of $3,097 and $6,085 for the same periods in 2018. The income variance is largely driven by the bargain purchase and deferred income tax recovery recognized through the AECOM and UWO acquisitions which closed on June 28, 2019, partially offset by the IFRS 16 impacts and increased restructuring costs.

The gain from discontinued operations was $2,334 for the six months ended June 30, 2019, compared to a loss of $300 for the same period in 2018. The gain in 2019 includes the Company's share of an income

tax reassessment won by Brompton resulting in a recovery of $3,250, offset by expenses that the Company continues to incur relating to the sale of the sale of businesses that it owned prior to March 2018. These expenses consist largely of legal, insurance, and consulting costs relating to the Quantum Murray earn-out and legal proceedings that existed prior to the sale of the business.

For the three and six months ended June 30, 2019, Adjusted EBITDAS was $9,876 and $10,051, as compared to $2,287 and $4,463 for the same periods in 2018. Adjusted EBITDAS for the six months ended June 30, 2019 increased compared to 2018 due largely to a favourable change in the sales mix resulting from a decrease in lower margin revenue from the ClearWater union business and an increase in higher margin revenue from the ClearStream and Wear Technology businesses with indirect costs remaining consistent.

Segment Review

MAINTENANCE AND CONSTRUCTION SERVICES

($ millions, except per share amounts)	Q2 2019	Q2 2018	YTD 2019	YTD 2018
Revenue	87.3	118.5	154.6	187.7
Gross profit	6.3	5.0	10.5	8.7
Selling, general & administrative expenses	(0.6)	(0.4)	(0.8)	(0.6)
Adjusted EBITDAS	5.6	4.7	9.7	8.2
Income from continuing operations	3.8	3.3	5.9	5.2

Revenues

Revenues for the Maintenance and Construction Services segment were $87,253 and $154,643 for the three and six months ended June 30, 2019 compared to $118,461 and $187,719 for the same periods in the prior year, reflecting decreases of 26.3% and 17.6%, respectively. This decrease is largely due to a decrease in maintenance demand in the ClearWater union business. Large plant turnarounds were completed in Alberta, Saskatchewan and Newfoundland during the six months ended 2018, which did not re-occur in 2019.

Gross Profit

Gross profit was $6,302 and $10,498 for the three and six months ended June 30, 2019, compared to $4,989 and $8,694 for the same periods in 2018. Gross profit margins increased by 71.5% and 46.6%, respectively, despite the drop in revenue. The gross margin increase was largely due to IFRS 16 impacts decreasing direct rent expense and increasing six month gross profit by $1,256. Also, due to the sales mix with less revenue generated from the ClearWater union business, which yields lower margins due to higher labour costs associated with this service offering, as well as increased revenue generated from the higher margin ClearStream division with indirect costs remaining consistent.

Selling, General and Administrative Expenses

SG&A expenses for the Maintenance and Construction segment were $639 and $832 for the three and six months ended June 30 2019 compared to $350 and $605 for the same periods in 2018. SG&A expenses increased partially due to additional costs to support the revenue increase in the ClearStream division.

WEAR AND FABRICATION SERVICES

($ millions, except per share amounts)	Q2 2019	Q2 2018	YTD 2019	YTD 2018
Revenue	18.0	11.5	35.0	27.0
Gross profit	5.3	1.7	9.8	4.8
Selling, general & administrative expenses	(0.4)	(0.1)	(0.8)	(0.3)
Adjusted EBITDAS	4.8	1.6	9.0	4.6
Income from continuing operations	2.3	0.8	5.4	4.1

Revenues

Revenues for this segment for the three and six months ended June 30, 2019 were $18,001 and $35,030, compared to $11,450 and $26,986 for the same periods in 2018. The increase in revenue was largely due to overall increase in Wear Technology demand, including the additional capacity from the AFX acquisition completed in third quarter of 2018. This increase was partially offset by the decrease in revenues in the Fabrication division due to lower demand in 2019.

Gross Profit

Gross profit was $5,269 and $9,791 for the three and six months ended June 30, 2019, compared to $1,720 and $4,834 for the same periods in 2018. Gross profit margins were 29.3% and 28% for the three and six months ended June 30, 2019, compared to 15% and 17.9% for the same periods in 2018. The gross margin increase was largely due to IFRS 16 impacts decreasing direct rent expense and increasing six month gross profit by $1,376. The increase is also due to an overall increase in demand in the Wear division leading to higher utilization and improved manufacturing efficiencies as well as lower margin revenues from the Fabrication division.

Selling, General and Administrative Expenses

SG&A expenses for the Wear and Fabrication segment for the six months ended June 30, 2019 increased compared to the prior periods due to an increase in operation facilities incurred costs to support increased revenue compared to 2018.

CORPORATE

($ millions, except per share amounts)	Q2 2019	Q2 2018	YTD 2019	YTD 2018
Selling, general & administrative expenses	(5.7)	(4.0)	(10.2)	(8.3)

Selling, General and Administrative Expenses

SG&A expenses were $5,668 and $10,244 for the three and six months ended June 30, 2019 compared to $3,995 and $8,294 for the same periods in 2018. SG&A expenses increased compared to the same periods in 2018 due to transition costs, including professional fees incurred in the Company's growth initiatives and other expenses to support business process improvements designed to increase operational effectiveness and lower operating costs going forward. Also, included in SG&A expenses are $1,617 of one-time expenses, including termination benefits. Excluding these one-time expenses, Corporate SG&A expenses as a percentage of consolidated revenue were 4.6% for the six months ended June 30, 2019 compared to 3.9% in 2018.

Impact of IFRS 16 – Leases on EBITDAS

Effective January 1, 2019, the company has adopted IFRS 16 in its financial statements. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17 (Leases), while requiring enhanced disclosures to be provided by lessors.

The Company has applied IFRS 16 using the modified retrospective method and therefore the comparative information has not been restated and continues to be reported under IAS 17. Under IFRS 16, lease costs are reflected on the statement of loss and comprehensive loss for the three and six months ended June 30, 2019 through depreciation and interest expense, resulting in an increase to EBITDAS.

The modified retrospective method resulted in a one-time adjustment of a $41.2 million addition of right-of-use assets and lease liabilities with no changes in retained earnings on January 1, 2019. During Q2 2019, the Company made payments of $2.6 million related to its lease obligations and recorded right of use asset depreciation and lease interest charges of $1.9 million and $0.9 million, respectively. During Q2 2019, the Company recognized an impairment charge of $1.7 million on right-of-use assets and recorded a gain on reimbursement of $0.1 million in connection with restructuring activities. As a result of the new lease standard, EBITDAS was positively impacted by $0.8 million in Q2 2019.

LIQUIDITY AND CAPITAL RESOURCES

The company expects cash flow from operations and equity issuance will be sufficient to meet the foreseeable business operating and recurring cash needs (including for debt service and capital expenditures).

($ millions, except per share amounts)	YTD 2019	YTD 2018
Cash provided (used in) by operating activities	(8.5)	(26.5)
Total cash (used in) provided by investing activities	(54.1)	3.3
Total cash (used in) provided by financing activities	51.7	22.8
Consolidated cash	(10.8)	(0.4)

OPERATING AND INVESTING ACTIVITIES

Cash used in continuing operations represents the net loss incurred during the six months ended June 30, 2019 adjusted for interest and non-cash items, including depreciation, amortization and asset impairments. The cash provided by or used in discontinued operations includes the settlement of the some of the legacy claims in 2019 and other expenses paid in 2019 relating to businesses that were sold prior to March 2018.

Cash used in investment activities in the second quarter 2019 including the AECOM and UWO acquisitions described above.

OUTLOOK

Overall market conditions continue to be uncertain, in light of commodity pricing volatility and the delays or obstacles encountered in building new export pipelines to bring product to markets. Therefore, upstream, midstream and downstream companies are likely to maintain spending discipline for capital projects and focus instead on operational efficiencies and asset integrity. With the recent acquisitions generating more comprehensive service offerings, an increase in demand for our maintenance, turnaround, wear and environmental services is expected to continue in late 2019 and 2020.

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 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 press release contains certain forward-looking information. Certain information included in this press release 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 Annual Information Form available on SEDAR at www.sedar.com, 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 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. ClearStream is providing the forward-looking financial information set out in this press release 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 press release 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 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, which are available on SEDAR at www.sedar.com or on ClearSteam's website at www.clearstreamenergy.ca