

## CRITICAL CONTROL ANNOUNCES FIRST QUARTER 2016 FINANCIAL RESULTS

**CALGARY, ALBERTA, May 16, 2016** – Critical Control Energy Services Corp. (TSX: CCZ) today reported its financial results for the three months ended March 31, 2016.

"Despite lost revenue due to bankruptcies, shut in wells and price concessions, we have maintained our strong recurring revenue base," said Alykhan Mamdani, President and CEO of Critical Control. "Our efforts to reengineer our operations to be competitive in the current landscape has begun to bear fruit on a sequential quarter by quarter comparison and this improvement is expected to continue through 2016."

### Revenue

- Recurring revenue increased by 29% in Q1 2016 to \$7.4 million from \$5.8 million in Q1 2015, driven from the Corporation's acquisition in the United States in Q2 2015 (the "Measurement Services Acquisition"). A decrease of revenue from non recurring equipment and fabrication offset this increase resulting in total revenue decreasing by 3.8% to \$9.1 million for Q1 2016 compared to \$9.5 million in Q1 2015.
- The Corporation's Software segment revenue remained consistent in Q1 2016 compared to 2015 at \$4.6 million of which \$4.3 million of this was recurring revenue. Despite declines from a large number of shut-in wells affecting recurring revenue, growth was driven from continued penetration of the Corporation's products in Canada and the United States, as well as certain customers acquired with the Measurement Services Acquisition.
- Revenue from the Corporation's Services business, based in the United States, in Q1 2016 was \$4.5 million compared to \$4.8 million in 2015. Recurring revenue increased 95.8% in the quarter related to growth derived primarily from the Measurement Services Acquisition. Non-recurring revenue in the Corporation's Services business decreased \$2.2 million due to a decrease in equipment and fabrication sales.

### Gross margin

- Overall, gross margin increased from 37.6% in Q1 2015 compared to 39.6% in Q1 2016 due to improved margins in the Services business which increased from 21.1% in 2015 to 25.5% in 2016. This increase was due to the increase in recurring revenue which has higher margins than non-recurring revenue from equipment sales and fabrication. Gross margin held steady in Software at 53.4% as efficiencies offset pricing pressures from the industry downturn.

### Earnings and net earnings

- The Corporation's \$1.4 million loss before discontinued operations for Q1 2016 (2015: \$0.1 million) is a result of a primarily unrealized foreign exchange loss of \$0.7 million (compared to a \$0.4 million gain in Q1 2015), increased finance costs of \$0.3 million, and certain one-time restructuring costs in other expenses of \$0.3 million.

### Outlook and Guidance

The decline in the price of oil and gas since late 2014 has materially impacted the Corporation's revenue. Current industry conditions and the resulting lack of liquidity amongst producers has led to a material drop in non recurring revenue which is expected to continue through 2016.

These same conditions have impacted the Corporation's recurring revenue base with bankruptcies, shut in wells and competitive price concessions. Notwithstanding the forgoing, the Corporation has further penetrated its client base with its software solutions to keep recurring revenue in line with 2015 levels and expects to continue this trend through 2016.

The Corporation expects recurring revenue from its Services division to continue being impacted for the remainder of 2016, given the lack of well site activity.



The Corporation's internal business process reengineering and reorganization, commenced in 2015, continued into 2016. As of May 2016, the material portion of the Corporation's planned changes have been completed. While some benefit is evident in Q1 2016, the Corporation expects a greater benefit from these changes in the second half of 2016. This expectation is based on the current state of the industry and the continued success the Corporation has had in maintaining and growing its revenue base. Commodity prices are unpredictable and a material change will affect management's expectations for profitability.

**About Critical Control**

Critical Control provides solutions for the collection, control and analysis of measurement and operational data related to oil and gas wells across North America. We provide services to capture the data, cloud based software to visualize and manage it and the business intelligence to make quicker and more informed operational decisions.

**For further information**

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