

## CRITICAL CONTROL ANNOUNCES SECOND QUARTER 2016 FINANCIAL RESULTS

**CALGARY, ALBERTA, August 11, 2016** – Critical Control Energy Services Corp. (TSX: CCZ) today reported its financial results for the three and six months ended June 30, 2016.

"To meet the uncertainty in the price of oil and gas and the current trends in industry, we have restructured our operations to ensure long term viability," said Alykhan Mamdani, President and CEO of Critical Control. "We continue to invest in our intellectual property which will form the engine of our future growth independent of industry conditions."

### Revenue

- Recurring revenue decreased by 18.3% in the second quarter of 2016 to \$6.4 million from \$7.8 million in 2015. The decrease is due to increased well shut-ins and reduced well site activity. Non-recurring equipment and fabrication sales decreased by 50.4% to \$1.5 million for the second quarter of 2016 compared to \$2.9 million in 2015.
- Recurring revenue year-to-date increased by 0.9% in 2016 to \$13.7 million from \$13.6 million in 2015, driven from the Corporation's acquisition in the United States in the second quarter of 2015 (the "Measurement Services Acquisition"). This was offset by the decrease in non-recurring equipment and fabrication sales by 51.0% to \$3.2 million in 2016 compared to \$6.6 million in 2015.
- The Corporation's Software segment revenue decreased in 2016 compared to 2015 by \$0.7 million. This is attributed to declines from a large number of shut-in wells affecting recurring revenue, which was partially offset with growth 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 the second quarter of 2016 was \$3.5 million compared to \$5.7 million in 2015. The recurring revenue decreased 27.8% from US\$2.6 million to US\$1.9 million and non-recurring revenue decreased from US\$2.0 million in 2015 to US\$0.8 million in 2016. The decrease is the result of the decline in the industry and lack of well site activity. Year-to-date recurring revenue increased 20.4% related to growth derived primarily from the Measurement Services Acquisition. Non-recurring revenue in the Corporation's Services business decreased US\$1.2 million in the second quarter of 2016 compared to 2015 due to a decrease in equipment and fabrication sales.

### Gross margin

- Overall gross margin increased from 37.3% in the second of quarter 2015 to 40.6% in the second quarter of 2016 and from 37.4% year-to-date 2015 to 40.1% year-to-date 2016. This is driven from improved margins in the Software and Services business as efficiencies offset pricing pressures from the industry downturn.

### Earnings and net earnings

- The Corporation's \$1.8 million loss before discontinued operations for the year-to-date 2016 (2015: \$1.0 million) is a result of a primarily unrealized foreign exchange loss of \$0.7 million (compared to a foreign exchange gain of \$0.4 million in 2015), increased finance costs of \$0.6 million, and certain one-time restructuring costs in other expenses of \$0.6 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, well shut-ins, and competitive price concessions. Notwithstanding the forgoing, the Corporation has further penetrated its client



base with its software solutions and reengineered its operations to reduce costs through efficiencies to maintain margins.

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 the first half of 2016, the Corporation expects a greater benefit from these changes in the second half of 2016. Notwithstanding the forgoing, the Corporation's growth will continue to be hindered by commodity prices. 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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