

CRITICAL CONTROL ANNOUNCES THIRD QUARTER 2016 FINANCIAL RESULTS

CALGARY, ALBERTA, November 9, 2016 – Critical Control Energy Services Corp. (TSX: CCZ) today reported its financial results for the three and nine months ended September 30, 2016.

“Changes made to our business from management’s broad scale business reengineering and reorganization are becoming evident in our results, paving the way for profitable growth as industry conditions improve,” said Alykhan Mamdani, President and CEO of Critical Control. “Like many of our clients, we have addressed the adversity of depressed oil and gas prices with innovation and technology to improve efficiency, resulting in a stronger and more competitive company.

Revenue

- Overall revenue fell by 20.2% in the third quarter compared to the same period in 2015 as a direct result of the impact from reduced exploration, reduced well site activity and shut in wells in both Canada and the United States.
- Year-to-date revenue for 2016 compared to 2015 is lower by 6.9%. The impact of the industry downturn in the year-to-date comparative is slightly offset by the increase in revenue from the Corporation’s acquisition in the United States in the second quarter of 2015 (the “Measurement Services Acquisition”).
- Non-recurring revenue was the hardest hit, (46.8% in the quarter and 49.9% on a year-to-date basis compared to 2015) as this portion of the business is more deeply affected by capital expenditures by the Corporation’s clients.

Gross margin

- Gross margin improved 27.4% in the third quarter compared to the same period in 2015 (increasing from 32.1% to 40.9%) and 13.2% on a year-to-date basis (increasing from 35.6% in 2015 to 40.3% in 2016) due to the restructuring executed by the Corporation during 2015 and 2016.

Earnings and net earnings

- As a result of increased gross margins and reduced operating expenses from the Corporation’s restructuring which commenced in 2015, the Corporation generated net earnings of \$0.3 million in the third quarter, compared to a net loss of \$2.2 million in the comparative period. The net loss in 2015 was due primarily to \$3.0 million in one-time charges offset by \$1.3 million tax recovery. The initiatives undertaken by management to reorganize the operations commenced in the third quarter of 2015 have resulted in a consistent reduction in costs and improved EBITDA over the past four consecutive quarters, despite industry conditions.

Outlook and Guidance

The decline in energy prices has negatively 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 foregoing, the Corporation has further penetrated its client base with its software solutions and reengineered its operations to reduce costs to maintain, and in some cases grow, its 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. Although management has observed some formation of optimization in the Corporation’s client base, the effect on industry activity remains uncertain as prices of energy remain volatile.



The Corporation's internal business process reengineering and reorganization, commenced in 2015, continued into 2016. The impact of these changes are evident in the Corporation's results in Q3 2016, and are expected to improve results further in 2017. Notwithstanding the foregoing, commodity prices are unpredictable and a material change will affect 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

Alykhan Mamdani
President & CEO
Tel (403) 705-7500