

## CRITICAL CONTROL ANNOUNCES FIRST QUARTER 2018 FINANCIAL RESULTS

**CALGARY, ALBERTA, May 8, 2018** – Critical Control Energy Services Corp. (TSX: CCZ) today reported its financial results for the three months ended March 31, 2018.

“Our key strategic cloud based software revenue grew by 7% compared to last year, fueled by accelerating penetration in the US, which posted a 95% increase,” said Alykhan Mamdani. “This growth enabled us to hold overall software margins and profitability steady, tempering the impact of weak services revenue due to severe weather conditions throughout the first quarter of 2018 in the Appalachians.”

### Revenue

- Key strategic Cloud based software generated \$2.0 million in the first quarter of 2018 a growth of 7% fueled by market penetration in the United States, which increased by 95% compared to the comparative period in 2017.
- Software based services revenue decreased by 14% compared to the prior period comparison due in large part to the nearing completion of a major implementation of one of the Corporation’s cloud based solutions at a large customer in Canada.
- Measurement services revenue decreased by 23% compared to the prior period. While a portion of this decline was expected given the Corporation’s strategy to replace a portion of field services with automation, the impact was fueled by several factors including extreme weather conditions in the Appalachian region and a series of large projects put on temporary hold due to M&A activity.
- Equipment and other revenue generated \$1.0 million in the first quarter of 2018, over 90% of this revenue is based in the United States.

### Gross margin

- Gross margin in Software improved from 59.8% to 60.5% despite a strong competitive environment in Canada.
- The Corporation focused on restructuring the field based Measurement Service business segment to integrate its software into the operation process and evaluated field offices that were underperforming in the first quarter of 2018. The implementation of these initiatives combined with reduced revenue contributed to decreased gross margin of 10.3% in the first quarter of 2018.

### Earnings and net earnings

- The Corporation’s loss before tax was \$0.3 million for the first quarter 2018 and 2017.
- The Adjusted EBITDA was \$0.2 million for the first quarter of 2018. The decrease from the prior comparative period of \$0.8 million is attributed to a decline in measurement services revenue offset by reduced administrative expenditures.

### Outlook and Guidance

The strengthening price of oil in early 2018 has created cautious optimism in the Corporation’s US client base but the lack of access to export markets in Canada continues to negatively impact investment in the Corporation’s largest revenue base.

As the industry struggled over the past three years, oil and gas service providers have become increasingly competitive materially driving down costs to the producer, which have materially impacted the Corporation’s revenue base. While the impact to the Corporation’s measurement service and software based services was felt the most, the value provided by the Corporation’s cloud based software generated modest growth, driven primarily through penetration of the Corporation’s software into the US market.



The Corporation's strategy for Field Services in 2018 and onwards is to leverage its Field Services' customers in the US to adopt the Corporation's software. Instead of competing on price alone, the Corporation is rebuilding its Field Services business to differentiate an increasingly commoditized offering with cost savings based on adoption of software. Management is confident that this endeavour will yield growth in the Corporation's strategic cloud based software revenue, but the effort is expected to continue to negatively impact the Corporation's measurement services revenue in 2018 as the Corporation implements customers onto its cloud based software. Management's expectation of growth is based upon continued penetration of the Corporation's software by its US customers and may be impacted as the industry continues investment in automation attracting the entry of new competitive products to the Corporation's software.

Growth of the Corporation's cloud based software revenue in the US during the first quarter of 2018 is a reflection of the success of the Corporation's strategy to convert its measurement services to automation based on software. Management is optimistic that the continuation of this strategy in 2018 will accelerate adoption of the Corporation's cloud based software in the US which will offset the risk inherent in the Canadian market place.

#### **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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