

CRITICAL CONTROL ANNOUNCES THIRD QUARTER 2018 FINANCIAL RESULTS

CALGARY, ALBERTA, November 14, 2018 – Critical Control Energy Services Corp. (TSX: CCZ; CCZ.PR.A) today reported its financial results for the three and nine months ended September 30, 2018.

“Negative market sentiment in Canada and increased competitiveness in field services in the US continues to impact the Corporation’s growth ambitions”, said Alykhan Mamdani. “Management’s strategic response to increase focus on its core software in the US and newer offerings in Canada which provide material cost savings to producers are imperative to boost operating performance for the remainder of 2018 and into 2019.”

Revenue

- Key strategic Cloud based software generated \$1.9 million in the third quarter of 2018 consistent with the comparative period in 2017.
- Software based services revenue decreased by 12.7% compared to the prior period comparison, due in large part to the nearing completion of a major implementation for one of the Corporation’s customers in Canada.
- Measurement services revenue increased 6.3% compared to the prior period due to an increase in field service and certification work offsetting a decline in lab services.
- Equipment and other revenue generated \$1.0 million in the third quarter of 2018, over 90% of this revenue is based in the United States, it fluctuates from period to period depending on demand and is viewed as non-recurring in nature.

Gross margin

- The Corporation achieved a gross margin of 41.2% in the third quarter of 2018 which is comprised of Software with a gross margin of 60.3% and Field Services with a gross margin of 17.7%.
- Gross margin in Software decreased from 63.1% to 60.3% in the third quarter of 2018, due to a strong competitive environment in Canada.
- The Corporation continues to focus on restructuring its Field Services business and consolidating operations across the US. The implementation of these initiatives combined with reduced revenue contributed to a decreased gross margin of 17.7% in the third quarter of 2018 from 18.56% in the third quarter of 2017.

Earnings and net earnings

- The Corporation’s loss was \$13.1 million for the third quarter 2018, compared to \$1.2 million in the third quarter of 2017. The increased loss is attributed to \$8.5 million impairment of intangible assets and goodwill, \$3.5 million derecognition of deferred income taxes, \$0.6 million in other expenses related to termination benefits, restructuring costs, and refinancing charges incurred by the Corporation in the third quarter of 2018.
- Adjusted EBITDA was \$0.7 million for the third quarter of 2018 compared to \$0.6 million in 2017. The increase from the prior comparative period of \$0.1 million is attributed to reduced administrative expenditures offset by a decline in revenue.

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 during 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 services 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.

In May 2018, the Corporation completed a restructuring of its research and development department. The payment of these restructuring costs is expected to be substantially paid by the end of the fourth quarter of 2018, but were fully expensed in the second quarter of 2018. Subsequent to the end of Q3, 2018, the Corporation restructured its measurement business in the Southern United States, resulting in closure of its offices in Mounds, Oklahoma, Greenbriar, Arkansas and Cotulla, Texas. The impact of the closure of these offices and related staff is expected to increase earnings in 2019 and the associated costs will be expensed in fourth quarter of 2018.

The financial performance of the Corporation in 2018 has necessitated the refinancing of the Corporation's secured debt with higher costs debt provided by a lender that specializes in higher leverage situations. The financing was completed on November 14, 2018. This has resulted in more flexible secured debt facilities, but at a materially increased cost. These increased costs will be necessary until the Corporation is able to improve its operational performance and the Corporation will continue to assess alternative financings solutions.

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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