

## CRITICAL CONTROL ANNOUNCES FIRST QUARTER 2019 FINANCIAL RESULTS

**CALGARY, ALBERTA, May 21, 2019** – Critical Control Energy Services Corp. (formerly TSX: CCZ; CCZ.PR.A) today reported its financial results for the three months ended March 31, 2019.

“Improved operational results in Q1 2019 compared to 2018 are early indications of success from the reorganization commenced in 2018 and completed in early 2019,” said Alykhan Mamdani, CEO of Critical Control. “Given the continued uncertainty in the Canadian oil and gas industry, it is critical for us to continue execution of our focus to penetrate our software into the US market and manage costs aggressively.”

### Revenue

- Key strategic cloud based software generated \$1.9 million in the first quarter of 2019 consistent with the comparative period in 2018. Industry associated declines in Canada were offset by penetration of the Corporation’s client base in the United States (“US”).
- Software based services revenue decreased by 10% compared to the prior period comparison due to shut in wells, competitive pricing pressures, and the completion of a large software implementation for a client in 2018.
- Measurement services revenue decreased by 8% compared to the prior period due to an increasingly competitive market in the US for measurement services work.
- Equipment and other revenue generated \$1.0 million in the first quarter of 2019, consistent with the comparative period in 2018. Over 90% of this revenue is based in the US. It fluctuates from period to period depending on demand and is viewed as non-recurring in nature.

### Gross margin

- Gross margin in Software improved from 60.5% in 2018 to 63.4% in 2019 despite a strong competitive environment in Canada.
- Gross margin from Field Services was 18.8% in 2019 compared to 10.3% in 2018. The Corporation focused on restructuring its Field Services business and consolidating operations across the US in order to operate more efficiently, offsetting the impact of competitive pricing pressures.

### Net loss and adjusted EBITDA

- The Corporation had a loss of \$0.8 million in 2019 (2018: \$0.1 million). The increased loss is attributed most significantly to foreign exchange and non recurring employment termination charges.
- Adjusted EBITDA was \$1 million for the first quarter of 2019 compared to \$0.2 million for 2018. The increase from the prior comparative period is attributed most significantly to reduced operating expenses and the adoption of IFRS 16 which transfers lease costs out of operating expenses

### Outlook and Guidance

The price of oil fell below \$10 per boe in Canada in Q4 2018, resulting in a material contraction for the Corporation’s Software in Canada. The Corporation partially offset this decline with successful penetration of its Software in the US. During the second half of 2018, the Corporation undertook a reorganization to operate in an environment in Canada which is expected to continue to contract and an environment in the US which is expected to be increasingly competitive.

The Corporation’s strategy for 2019 and onwards is to leverage its Field Services customers in the US to adopt the Corporation’s Software. The Corporation is rebuilding its Field Services business to differentiate an increasingly commoditized offering with cost savings based on adoption of 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 2018 and early 2019 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 the remainder of 2019 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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