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CES Energy
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CES ENERGY SOLUTIONS CORP. REPORTS RECORD REVENUE FOR THE FOURTH QUARTER AND YEAR ENDED DECEMBER 31, 2018 AND DECLARES CASH DIVIDEND

CES Energy Solutions Corp. ("CES" or the "Company") (**TSX: CEU) (OTC – Nasdaq Intl: CESDF)** is pleased to report on its financial and operating results for the three and twelve months ended December 31, 2018. Further, CES announced today that it will pay a cash dividend of $0.005 per common share on April 15, 2019 to the shareholders of record at the close of business on March 29, 2019.

Q4 2018 and 2018 annual revenue of $347.9 million and $1.3 billion, respectively, were both record quarterly and annual results for the Company. Further, the Company achieved Adjusted EBITDAC of $42.1 million and $167.6 million for the three and twelve months ended December 31, 2018, respectively, which represents increases over both prior year respective periods.

Revenue generated in the US increased 34% and 30% to $239.8 million and $847.8 million for the three and twelve months ended December 31, 2018, respectively, over the 2017 comparative periods. Both Q4 2018 and annual 2018 revenue generated in the US are the highest US revenues in the Company's history exceeding the previous records of $227.1 million in Q3 2018 and annual revenue of $652.0 million in 2017. The year-over-year increase in US revenues was enabled by CES' completed investments in US infrastructure and capabilities to date, significant activity improvement in the drilling fluids business and increased production chemical related US Treatment Points, particularly in the Permian Basin. For Q4 2018, the Company's US source revenues were also positively impacted on translation by weakness in the Canadian Dollar versus US Dollar, compared to Q4 2017.

Revenue generated in Canada increased 8% and 12% to $108.2 million and $423.2 million for the three and twelve months ended December 31, 2018, respectively, over the 2017 comparative periods. PureChem contributed the majority of this gain for the three and twelve months ended December 31, 2018 compared to the comparative periods in prior year, as investments in PureChem infrastructure are largely complete and have enabled increased market share in Canada in the production chemicals business. Despite reasonable industry conditions in the first nine months of 2018, drilling activity in Canada in Q4 2018 was negatively impacted by heightened market uncertainty around lack of current oil and gas takeaway capacity and the resulting record price differentials. As a result, oil and gas operators pared back capital spending and drilling programs in Q4 2018, negatively impacting revenues in CES' Canadian drilling fluids business in Canada for the three months ended December 31, 2018 compared to the same period in 2017.

In Q4 2018, CES recorded Gross Margin of $69.7 million or 20.0% of revenue, compared to Gross Margin of $67.6 million or 24.2% of revenue generated in Q4 2017. Annual Gross Margin totaled $284.3 million, compared to $249.8 million for the twelve months ended December 31, 2017, representing an increase of $34.5 million or 14%. In Q4 2018, CES recorded Gross Margin (excluding depreciation) of $81.3 million or 23.4% of revenue, compared to Gross Margin (excluding depreciation) of $78.2 million or 28.1% of revenue generated in Q4 2017. Annual Gross Margin (excluding depreciation) totaled $325.6 million, compared to $287.9 million for the twelve months ended December 31, 2017, representing an increase of $37.7 million or 13%. CES faced cost inflation throughout 2018, which has outpaced the combination of CES' operating leverage gains and ability to pass through its input costs to its customers for its products and services. Further, the decline in drilling activity due to the challenges facing the oil and gas industry in Canada during Q4 2018 negatively affected Gross Margin as activity levels declined and corresponding lower revenue was over the same fixed cost base. As a result, Gross Margin (excluding depreciation) as a percentage of revenue in Q4 2018 has decreased from Q4 2017. CES believes that, going forward, margins may benefit from increased sales in areas such as the Permian and the Deep Basin, realization of savings from recent Canadian headcount reductions, increased operating leverage from its expanded infrastructure completed in 2018 and from our innovative technologies, and superior service culture. Net income for the three and twelve months ended December 31, 2018 was $15.5 million and $47.7 million, respectively, compared to $2.7 million and $36.2 million for the 2017 respective periods.

Excluding PureChem restructuring costs and one-time CFO transition costs, Q4 2018 Adjusted EBITDAC was $42.1 million, beating Adjusted EBITDAC of $41.8 million in Q4 2017. Adjusted EBITDAC for the year ended December 31, 2018 was $167.6 million as compared to $154.0 million for the year ended December 31, 2017, representing an increase of $13.6 million or 9%. Year-over-year, the Company's operating results continued to benefit from increased activity levels due to the improved commodity price environment, and CES' business' in both US and Canada have made positive contributions to revenue, net income and EBITDAC.

CES continues to maintain a prudent balance sheet and is well positioned to capitalize on the improving oilfield activity levels in the US and weather the current decline in industry activity in Canada. In October 2017, CES successfully re-financed and reduced its coupon on its $300.0 million Senior Notes by issuing new 6.375% Senior Notes which have an extended maturity into October 2024.

At December 31, 2018, CES had a net draw of $161.5 million on its Senior Facility (December 31, 2017 – $109.3 million), an increase of $12.1 million from $149.4 million as at September 30, 2018, which is primarily driven by working capital build, capital expansion incurred in the quarter, which includes the completion of PureChem's Grande Prairie facility, and the buildout of the Kermit mud plant in the Permian Basin, and opportunistic share repurchases through CES' NCIB program. The maximum available draw on the Senior Facility at December 31, 2018 was $180.0 million on the Canadian facility and US$40.0 million on the US facility (December 31, 2017 - $125.0 million and US$40.0 million, respectively). At December 31, 2018, CES in compliance with the terms and covenants of its Senior Facility. As at the date hereof, the Company had a net draw of approximately $150.0 million on its Senior Facility.

CES continues to see improvement in its financial position and the Company's Board of Directors and management believe that the market price of CES' common shares do not reflect their underlying value. On July 17, 2018, the Company began a normal course issuer bid ("NCIB") to repurchase for cancellation up to 24,587,978 common shares. The NCIB will terminate on July 16, 2019 or such earlier date as the maximum number of common shares are purchased pursuant to the NCIB or the NCIB is completed or is terminated at the Company's election. In Q4 2018, the Company repurchased 2,099,900 common shares at an average price of $3.42 per share for a total amount $7.2 million. Year-to-date, the Company repurchased 4,799,900 common shares at a weighted average price per share of $4.07 per share for a total amount of $19.5 million, representing 19.5% of total shares available to repurchase under the NCIB.

Outlook

CES continues to be optimistic about its prospects for 2019 and beyond. CES' record consolidated revenue result and record US revenue result in 2018 reflect its effective execution in a dynamic environment and CES' strategy has positioned the Company to take advantage of the opportunities ahead. CES believes that over time it can continue to grow its share of the oilfield consumable chemical markets in which it competes. CES also sees the consumable chemical market increasing its share of the oilfield spend as operators continue to: drill longer reach laterals and drill them faster; expand and optimize the utilization of pad drilling and cube development techniques; increase the intensity and size of their fracs; and require increasingly technical and specialized chemical treatments to effectively maintain existing cash flow generating wells and treat growing production from new wells.

In the US, CES' infrastructure is largely built out to meet anticipated growing production chemical and drilling fluid needs in the key basins. In the Permian Basin, the Kermit, Texas mud plant expansion has been designed to double capacity over 2017 levels, and has enabled the Company to take on new work and continue to grow market share. In addition, Catalyst's current platform is setup to capitalize on growing production and higher levels of activity in the Permian Basin, which CES believes will be even more pronounced in 2019 as several pipeline projects are on track to add significant offtake capacity. Further, CES continues to recruit top talent in this highly competitive region. CES plans to expand its existing barite grinding capabilities in the US further adding to the Company's competitive positioning and operating leverage.

In Canada, market conditions faced headwinds due to current takeaway capacity constraints and lack of consistent market access causing commodity price differentials to widen significantly and curtailment of production levels, resulting in Canadian oil and gas operators paring back capital programs in Q1 2019 as winter drilling activity is trending down 30% over Q1 2018. Price differentials were positively impacted in Q4 2018 by the mandatory crude oil production curtailments established by the Alberta Government, and CES believes that its current business is well positioned to capitalize on an improved Canadian outlook in H2 2019 and increased financial contribution from its PureChem division as the Company grows into this infrastructure and continues to add scale.

CES' strategy is to utilize its decentralized management model; its vertically integrated manufacturing model; its problem solving through science approach; its patented and proprietary technologies; and its superior people and execution to increase market share. The downturn made many middlemen, or competitors who are simply resellers of other company's products, redundant. By being basic in the manufacture of the consumable chemicals it sells, CES continues to be price competitive and a technology leader. Recent competitor consolidations and business failures will provide further opportunities for CES as operators require increasingly technical solutions and deeper customer-centric coverage models to meet their needs. CES believes that its unique value proposition makes it the premier independent provider of technically advanced consumable chemical solutions to the North American oilfield.

CES' balance sheet is well positioned to capitalize on robust oilfield activity levels in the US and weather the current decline in industry activity in Canada. In October 2017, CES successfully re-financed and reduced its coupon on its $300.0 million Senior Notes by issuing new 6.375% Senior Notes which have an extended maturity into October 2024. In 2019, it is expected that EBITDAC will materially exceed the sum of cash expenditures on interest, taxes, and capital expenditures, allowing for free cash flow to be returned to shareholders through CES' monthly dividend and recently implemented NCIB.

As CES' infrastructure buildout in both Canada and the US was largely completed in 2018, absent acceptable return expansionary capital projects, such as the buildout of the northeast US barite facility, CES expects capital expenditures in 2019 to return to levels below 2017-2018 levels. CES' business model, capital structure and free cash flow generation attributes continue to permit prudent capital allocation to one or a combination of: investment in current operations, debt reduction, opportunistic share repurchases, dividends and acquisitions.

CES will continue to assess organic and M&A opportunities that will improve CES' competitive position and enhance profitability. Any acquisitions must meet CES' stringent financial and operational metrics. In its core businesses, CES will focus on profitably growing market share, controlling costs, developing or acquiring new technologies and making strategic investments as required to position the business to capitalize on growing activity levels and increasing intensity.

Conference Call Details

With respect to the fourth quarter and annual results, CES will host a conference call / webcast at 9:00 am MT (11:00 am ET) on Wednesday, March 13, 2019.

North American toll-free: 1-(855)-327-6838
International / Toronto callers: (416)-915-3239
Link to Webcast: http://www.cesenergysolutions.com/

Financial Highlights

($000's, except per share amounts)	Three Months Ended December 31, 2018	Three Months Ended December 31, 2017	Year Ended December 31, 2018	Year Ended December 31, 2017
Revenue				
United States	**239,754**	178,411	**847,841**	651,983
Canada	**108,151**	100,420	**423,210**	377,657
Total Revenue	**347,905**	278,831	**1,271,051**	1,029,640
Gross margin	**69,702**	67,606	**284,263**	249,801
as a percentage of revenue	**20.0%**	24.2%	**22.4%**	24.3%
Gross Margin (excluding depreciation)	**81,278**	78,243	**325,548**	287,937
as a percentage of revenue	**23.4%**	28.1%	**25.6%**	28.0%
Net income	**15,467**	2,681	**47,735**	36,241
per share – basic	***0.06***	*0.01*	***0.18***	*0.14*
per share - diluted	***0.06***	*0.01*	***0.17***	*0.13*
Adjusted EBITDAC [(1)]	**42,074**	41,838	**167,589**	154,049
per share – basic	***0.16***	*0.16*	***0.63***	*0.58*
per share - diluted	***0.15***	*0.15*	***0.61***	*0.56*
Dividends declared	**3,994**	2,009	**12,707**	7,982
per share	***0.0150***	*0.0075*	***0.0475***	*0.0300*

Shares Outstanding	Three Months Ended December 31, 2018	Three Months Ended December 31, 2017	Year Ended December 31, 2018	Year Ended December 31, 2017
End of period	**265,886,609**	267,935,090	**265,886,609**	267,935,090
Weighted average				
- basic	**266,932,999**	267,591,866	**268,004,817**	265,865,387
- diluted	**273,294,794**	273,782,857	**274,872,992**	272,828,296

Financial Position ($000's)	As at December 31, 2018	As at December 31, 2017
Net working capital	**420,394**	350,475
Total assets	**1,321,809**	1,140,667
Long-term financial liabilities [(2)]	**473,980**	414,384
Net Debt [(1)]	**53,586**	63,909
Shareholders' equity	**697,570**	593,198

Notes:

[1]CES uses certain performance measures that are not recognizable under International Financial Reporting Standards ("IFRS"). These performance measures include net income (loss) before interest, taxes, depreciation and amortization, finance costs, other gains and losses, and stock-based compensation ("EBITDAC"), Adjusted EBITDAC, Gross Margin (excluding depreciation), and Net Debt. Management believes that these measures provide supplemental financial information that is useful in the evaluation of CES' operations. Readers should be cautioned, however, that these measures should not be construed as alternatives to measures determined in accordance with IFRS as an indicator of CES' performance. CES' method of calculating these measures may differ from that of other organizations and, accordingly, these may not be comparable. Please refer to the Non-GAAP measures section of CES' MD&A for the three and twelve months ended December 31, 2018 for additional details regarding the calculation of these Non-GAAP measures.

[2] Includes long-term portion of the deferred acquisition consideration, the Senior Facility, the Senior Notes, and finance lease obligations.

Business of CES

CES is a leading provider of technically advanced consumable chemical solutions throughout the life-cycle of the oilfield. This includes total solutions at the drill-bit, at the point of completion and stimulation, at the wellhead and pump-jack, and finally through to the pipeline and midstream market. At the drill-bit, CES' designed drilling fluids encompass the functions of cleaning the hole, stabilizing the rock drilled, controlling subsurface pressures, enhancing drilling rates, and protecting potential production zones while conserving the environment in the surrounding surface and subsurface area. At the point of completion and stimulation, CES' designed chemicals form a critical component of fracturing solutions or other forms of remedial well stimulation techniques. The shift to horizontal drilling and multi-stage fracturing with long horizontal well completions has been responsible for significant growth in the drilling fluids and completion and stimulation chemicals markets. At the wellhead and pump-jack, CES' designed production and specialty chemicals provide down-hole solutions for production and gathering infrastructure to maximize production and reduce costs of equipment maintenance. Key solutions include corrosion inhibitors, demulsifiers, H_2S scavengers, paraffin control products, surfactants, scale inhibitors, biocides and other specialty products. Further, specialty chemicals are used throughout the pipeline and midstream industry to aid in hydrocarbon movement and manage transportation and processing challenges including corrosion, wax build-up and H_2S.

CES operates in several basins throughout the United States ("US"), including Permian, Eagleford, Bakken and Marcellus, as well as in the Western Canadian Sedimentary Basin ("WCSB") with an emphasis on servicing the ongoing major resource plays. In the US, CES operates under the trade names AES Drilling Fluids ("AES"), Superior Weighting Products ("Superior Weighting"), JACAM Chemicals ("JACAM"), and Catalyst Oilfield Services ("Catalyst"). In Canada, CES operates under the trade names Canadian Energy Services, PureChem Services ("PureChem"), StimWrx Energy Services Ltd. ("StimWrx"), Sialco Materials Ltd. ("Sialco"), and Clear Environmental Solutions ("Clear").

The JACAM, Catalyst, PureChem, and Sialco brands are vertically integrated manufacturers of advanced specialty chemicals. In addition to being basic in the manufacture of oilfield chemicals, JACAM, Catalyst, and PureChem have expanding distribution channels into the oilfield. The StimWrx brand provides near matrix stimulation and remediation of oil, gas, and injection wells in Western Canada and the US. The Canadian Energy Services and AES brands are focused on the design and implementation of drilling fluids systems and completion solutions sold directly to oil and gas producers. The Superior Weighting brand custom grinds minerals including barite, which is the weighting agent utilized in most drilling fluid systems.

Clear is a complimentary business division that supports the operations and augments the product offerings in the WCSB. Clear is CES' environmental division, providing environmental consulting, water management and water transfer services, and drilling fluids waste disposal services primarily to oil and gas producers active in the WCSB.

CES continues to invest in research and development of new technologies and in the top-end scientific talent that can develop and refine these technologies. CES operates eight separate lab facilities across North America: two in Houston, Texas; two in Midland, Texas; one in Sterling, Kansas; and one in each of Calgary, Alberta; Grand Prairie, Alberta; Carlyle, Saskatchewan; and Delta, British Columbia. In the US, CES' main chemical manufacturing and reacting facility is located in Sterling, Kansas with additional low-temperature reacting and chemical blending capabilities just outside of Midland, Texas and chemical blending capabilities in Sonora, Texas. In Canada, CES has a chemical manufacturing and reacting facility located in Delta, British Columbia with additional chemical blending capabilities located in Carlyle, Saskatchewan, Nisku, Alberta, and Grand Prairie, Alberta. CES also leverages third party partner relationships to drive innovation in the consumable fluids and chemicals business.

Cautionary Statement

Except for the historical and present factual information contained herein, the matters set forth in this press release, may constitute forward-looking information or forward-looking statements (collectively referred to as "forward-looking information") which involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of CES, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. When used in this press release, such information uses such words as "may", "would", "could", "will", "intend", "expect", "believe", "plan", "anticipate", "estimate", and other similar terminology. This information reflects CES' current expectations regarding future events and operating performance and speaks only as of the date of the press release. Forward-looking information involves significant risks and uncertainties, should not be read as a guarantee of future performance or results, and will not necessarily be an accurate indication of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking information, including, but not limited to, the factors discussed below. The management of CES believes the material factors, expectations and assumptions reflected in the forward-looking information are reasonable but no assurance can be given that these factors, expectations and assumptions will prove to be correct. The forward-looking information contained in this document speaks only as of the date of the document, and CES assumes no obligation to publicly update or revise such information to reflect new events or circumstances, except as may be required pursuant to applicable securities laws or regulations. The material assumptions in making forward-looking statements include, but are not limited to, assumptions relating to demand levels and pricing for the oilfield consumable chemical offerings of the Company; fluctuations in the price and demand for oil and natural gas; anticipated activity levels of the Company's significant customers; commodity pricing; general economic and financial market conditions; the successful integration of recent acquisitions; the Company's ability to finance its operations; levels of drilling and other activity in the WCSB, the Permian and other US basins, the effects of seasonal and weather conditions on operations and facilities; changes in laws or regulations; currency exchange fluctuations; the ability of the Company to attract and retain skilled labour and qualified management; and other unforeseen conditions which could impact the Company's business of supplying oilfield consumable chemistry to the Canadian and US markets and the Company's ability to respond to such conditions.

In particular, this press release contains forward-looking information pertaining to the following: the certainty and predictability of future cash flows and earnings; expectations that EBITDAC will exceed the sum of expenditures on interest, taxes and capital expenditures; expectations of non-acquisition capital expenditures in 2018 and 2019; expectations regarding the impact of increased operating leverage on margins going forward; the sufficiency of liquidity and capital resources to meet long-term payment obligations; potential M&A opportunities; CES' ability to increase or maintain its market share, including expectations that PureChem and JACAM will increase market share in the oilfield consumable chemical market, that Catalyst will increase market-share of production and specialty chemicals in the Permian Basin, and that AES will increase drilling fluids market share in the Permian Basin; optimism with respect to future prospects for CES; expectations regarding the timing of completion of pipeline projects in the Permian Basin; expectations regarding the timing and cost for completion of expansions at JACAM, Catalyst and AES facilities; impact of CES' vertically integrated business model on future financial performance; expectations regarding challenges in the Canadian market and near term opportunities in the US market; CES' ability to leverage third party partner relationships to drive innovation in the consumable fluids and chemicals business; supply and demand for CES' products and services, including expectations for growth in CES' production and specialty chemical sales, expected growth in the consumable chemicals market and the impact of such increased sales on operating leverage; industry activity levels; commodity prices; development of new technologies; expectations regarding CES' growth opportunities in Canada and the US; expectations regarding the performance or expansion of CES' operations; expectations regarding the impact of production curtailment policies in Alberta; expectations regarding the diversification of operations away from the drill-bit; expectations that competitor consolidation and business failures will provide future opportunities to CES; expectations regarding demand for CES' services and technology; impacts of pricing differentials for oil between Canada and the United States; investments in research and development and technology advancements; access to debt and capital markets and cost of capital; the purchase of CES' common shares by CES pursuant to the NCIB; the potential means of funding dividends and the NCIB; CES' ability to continue to comply with covenants in debt facilities; competitive conditions.

CES' actual results could differ materially from those anticipated in the forward-looking information as a result of the following factors: general economic conditions in Canada, the US, and internationally; geopolitical risk; fluctuations in demand for consumable fluids and chemical oilfield services, and any downturn in oilfield activity; a decline in activity in the WCSB, the Permian and other basins in which the Company operates; a decline in frac related chemical sales; a decline in operator usage of chemicals on wells; an increase in the number of customer well shut-ins; a shift in types of wells drilled; volatility in market prices for oil, natural gas, and natural gas liquids and the effect of this volatility on the demand for oilfield services generally; the declines in prices for natural gas, natural gas liquids, oil, and pricing differentials between world pricing; pricing in North America; and pricing in Canada; competition, and pricing pressures from customers in the current commodity environment; currency risk as a result of fluctuations in value of the US dollar; liabilities and risks, including environmental liabilities and risks inherent in oil and natural gas operations; sourcing, pricing and availability of raw materials, consumables, component parts, equipment, suppliers, facilities, and skilled management, technical and field personnel; the collectability of accounts receivable, particularly in the current low oil and natural gas price environment; ability to integrate technological advances and match advances of competitors; ability to protect the Company's proprietary technologies; availability of capital; uncertainties in weather and temperature affecting the duration of the oilfield service periods and the activities that can be completed; the ability to successfully integrate and achieve synergies from the Company's acquisitions; changes in legislation and the regulatory environment, including uncertainties with respect to oil and gas royalty regimes, programs to reduce greenhouse gas and other emissions, carbon pricing schemes, and regulations restricting the use of hydraulic fracturing; pipeline capacity and other transportation infrastructure constraints; reassessment and audit risk and other tax filing matters; changes and proposed changes to US policies including the potential for tax reform, and possible renegotiation of international trade agreements and the implementation of the Canada-United States-Mexico Agreement; international and domestic trade disputes, including restrictions on the transportation of oil and natural gas; divergence in climate change policies between Canada and the US; potential changes to the crude by rail industry; changes to the fiscal regimes applicable to entities operating in the WCSB and the US; access to capital and the liquidity of debt markets; fluctuations in foreign exchange and interest rates; CES' ability to maintain adequate insurance at rates it considers reasonable and commercially justifiable; and the other factors considered under "Risk Factors" in CES' Annual Information Form for the year ended December 31, 2018 and "Risks and Uncertainties" in CES' MD&A dated March 12, 2019.

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