

# Leading Provider

of Consumable Chemical Solutions



March 2021

# Forward Looking Information and Statements



Certain statements in this presentation 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 presentation, 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 this presentation. 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. 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.

In particular, this presentation contains forward-looking information pertaining to the following: expectations regarding growth for drilling fluids as a result of increasing well complexity and longer lateral lengths; expectations regarding chemical demand related to increased oil production and produced water; potential for continued growth in drilling fluids and production chemical markets; expectations regarding the performance of CES’ business model and counter cyclical balance sheet during downturns; allocation of capital to specific basins and markets including the Permian Basin; allocation of capital with respect to dividends, debt repayment, and the NCIB; expectations regarding cost reductions going forward; expectations regarding continued qualification for the Canada Emergency Wage Subsidy; certainty and predictability of future cash flows and earnings, including during low points in the business cycle; estimated timing and expectations regarding future capital expenditures and expansion projects; ability for CES’ business to generate significant free cash flow going forward; expectations regarding the ability for the CES to withstand the current market downturn; and expectations regarding CES’ ability to collect accounts receivable in light of historical performance and current circumstances.

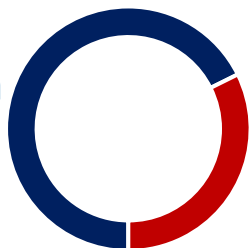
CES’ actual results could differ materially from those anticipated in the forward-looking information as a result of the following factors: general economic conditions in the US, Canada, and internationally; geopolitical risk; fluctuations in demand for consumable fluids and chemical oilfield services, downturn in oilfield activity; the severity of the decline in activity in the Permian, the WCSB, 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, and 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; the degree and severity of the COVID-19 pandemic, including government laws and regulations implemented in response to the pandemic and the resulting impact on the demand for oil and natural gas; government support programs implemented in response to the COVID-19 pandemic and potential changes to the qualification criteria and amount of available support; political and societal unrest that may impact CES’ operations as well as impact the market for oil and natural gas generally; 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 and regulations restricting the use of hydraulic fracturing; pipeline capacity and other transportation infrastructure constraints; changes to government mandated production curtailments; reassessment and audit risk and other tax filing matters; changes and proposed changes to US policies including tax policies or policies relating to the oil and gas industry; international and domestic trade disputes, including restrictions on the transportation of oil and natural gas and regulations governing the sale and export of oil, natural gas and refined petroleum products; the impact of climate change policies in the regions which CES operates; the impact and speed of adoption of low carbon technologies; potential changes to the crude by rail industry; changes to the fiscal regimes applicable to entities operating in the US and WCSB; 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, 2020 and “Risks and Uncertainties” in its MD&A.

# Leading Provider of Consumable Chemical Solutions



## 2020 Revenue By Geography

**C\$888 Million**



**68% US**  
**32% Canada**



### US operations

- Permian
- Eagleford
- Bakken
- Marcellus
- Scoop/Stack



### Canadian operations

- Montney
- Duvernay
- Deep Basin
- SAGD

Fully integrated world class basic chemical manufacturing capability combined with customer-centric problem solving culture for technology oriented customers

# Response to Current Industry Conditions



## ➤ Workforce Safety

- Protecting the health and safety of our employees and customers is a top priority
- CES has implemented protocols to ensure safe working environments exist and has provided a variety of tools and technologies for employees to work remotely

## ➤ Significant Cost Reductions

- 2020 capital expenditure plan reduced to \$30MM, down 40% from \$50MM
- Reductions to company wide compensation, personnel and overhead costs
- Actively monitoring government programs and participating in the Canada Emergency Wage Subsidy program

## ➤ Maintaining Key Operations & Staff

- We remain committed to protecting CES' unique culture and top talent through the downturn
- Focused on optimizing industry leading operations to maximize potential on other side

## ➤ Liquidity

- Focused on protecting financial strength of the Company
- Balance sheet well positioned with counter cyclical nature, conservative maturity schedules on loan agreements and significant availability on our credit facility

## ➤ Capital Allocation

- Dividend currently suspended to further preserve balance sheet strength
- Significant working capital harvest occurred in 2020 (\$133.7 million in Q2 2020 & Q3 2020), with cash flow used to fully pay down credit facility. Cash balance of \$18.3M as at December 31, 2020, with a fully accessible senior facility
- Resumed opportunistic NCIB activity in Q3 2020 in light of surplus cash and attractive share price when compared to current multiples and will continue to evaluate as industry conditions unfold

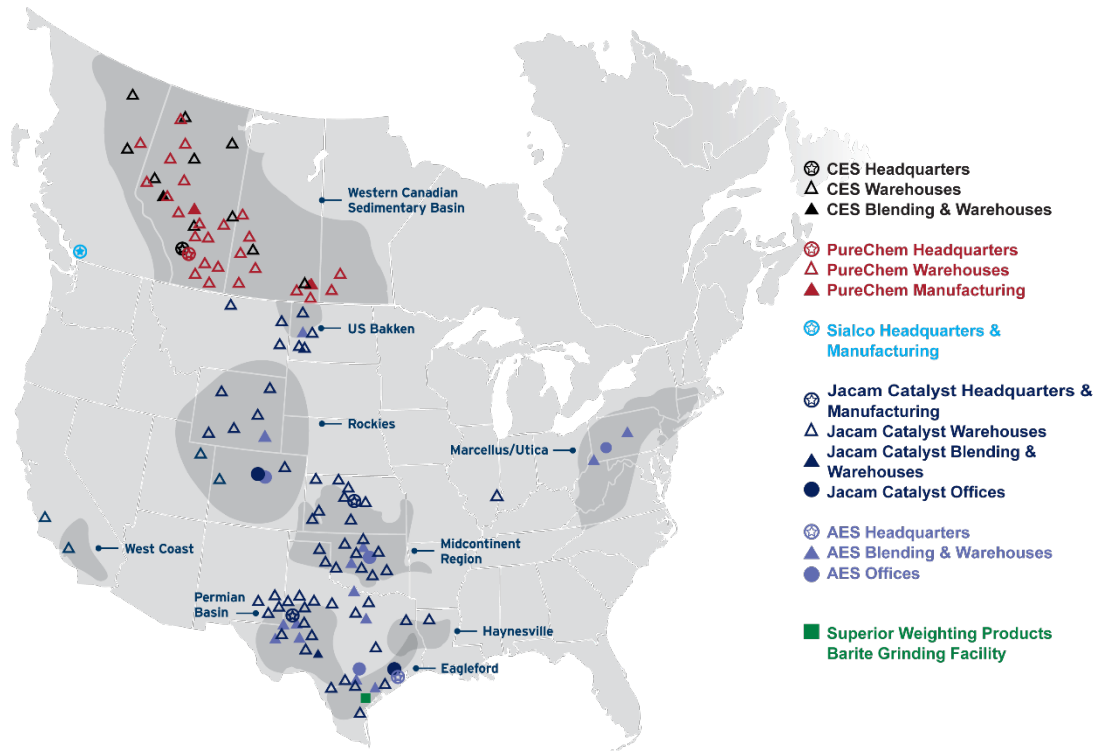
Reacted quickly and decisively to address operational and financial challenges associated with COVID-19 pandemic and oil price decline

# Adding Value Through Technology & Customer Service



Use chemistry, polymers and minerals to solve our customers' problems and optimize their production and drilling related needs to maximize their returns on investments through decentralized sales, service & problem solving approach

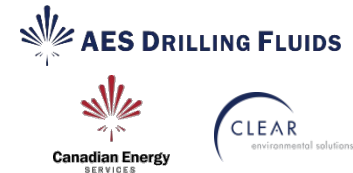
# Well Positioned for Growth With Decentralized Model



## PRODUCTION CHEMICALS



## DRILLING FLUIDS



## PIPELINES & MIDSTREAM



## COMPLETION & STIMULATION



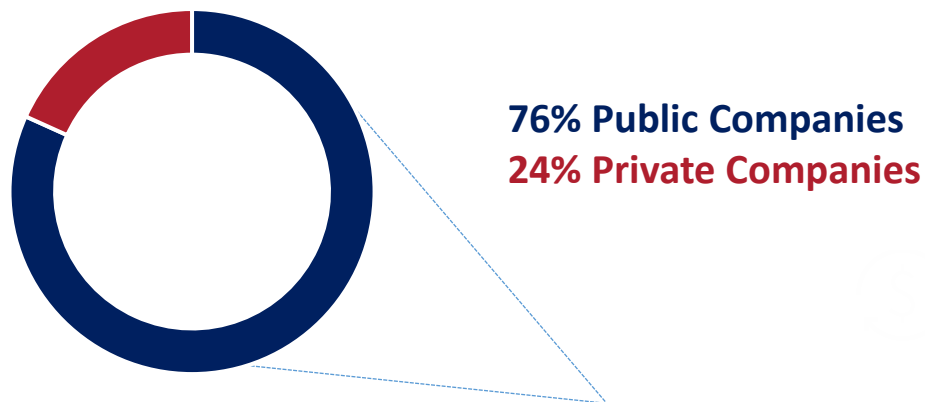
## INDUSTRIAL/ COSMETICS/OTHER



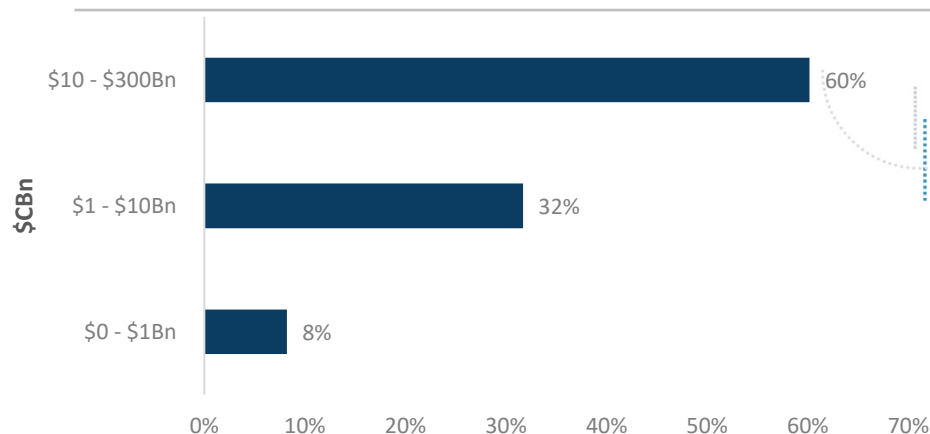
Allocation of capital dedicated to the most attractive basins and markets while leveraging decentralized entrepreneurial model and basic chemical manufacturing product suite

# Quality Customer Base

## Top 50 Customer Breakdown – 2020



## Top 50 Public Customers – By Market Capitalization<sup>1</sup>

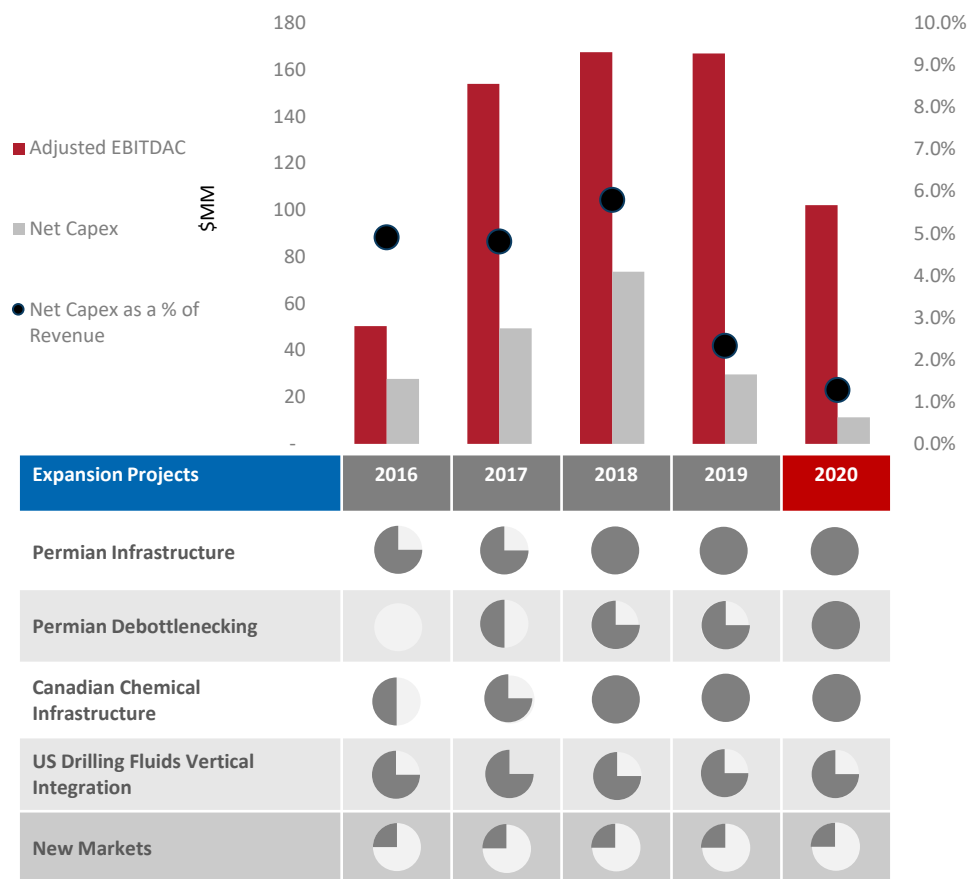


**60%** of top 50 public company  
revenue was from customers with  
**Market**  
**Capitalizations of**  
**\$10Bn to \$300Bn**

1. Source: FactSet – as at February 24th, 2021

# Low Capital Intensity

## CES – Historical Capital Spend<sup>1</sup>



**Significant expansion capex largely complete**

2021 total capex estimated to be up to **C\$30 million**

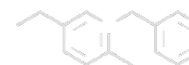
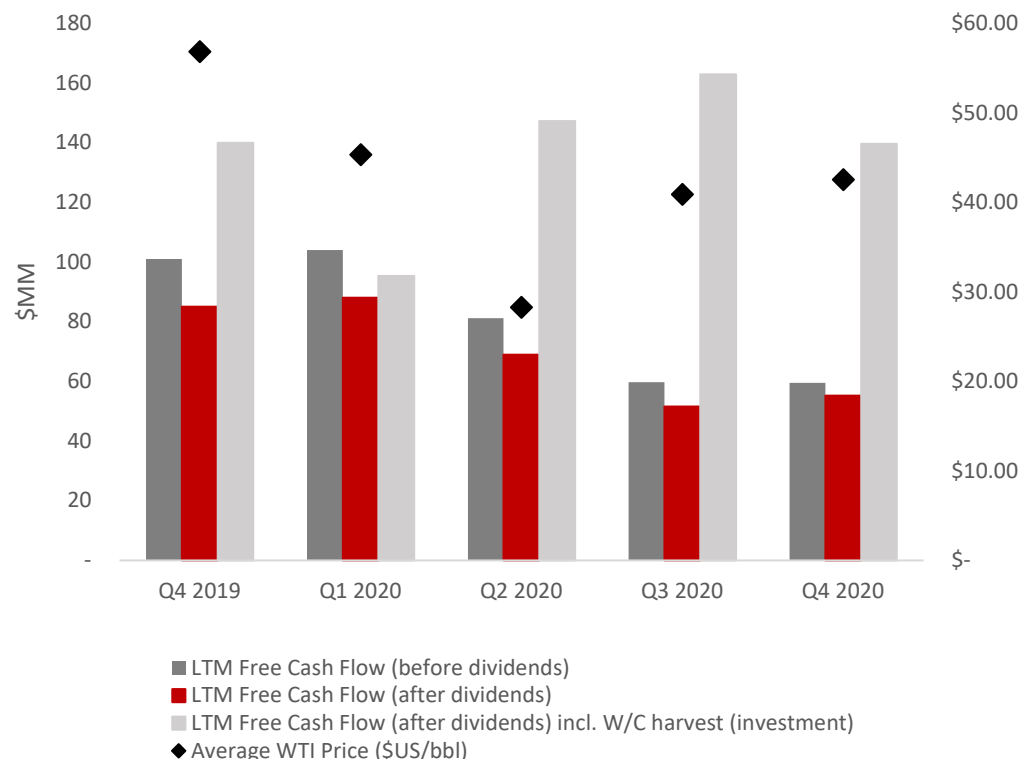
Current PP&E base operating at **<50% of capacity**

1. Historical capital spend shown net of amounts financed through lease arrangements, and proceeds on asset disposals.



# Strong Free Cash Flow Generation

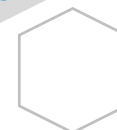
## Free Cash Flow<sup>1</sup> Generation Continuing Through Downturn



Since 2006 IPO, ~**C\$340 million** in dividends paid to shareholders and grew PP&E base to ~**C\$314 million**

Since July 2018, ~**C\$43.9 million** in share buybacks<sup>2</sup>

In light of current low oil price environment, monthly dividend was suspended in April 2020

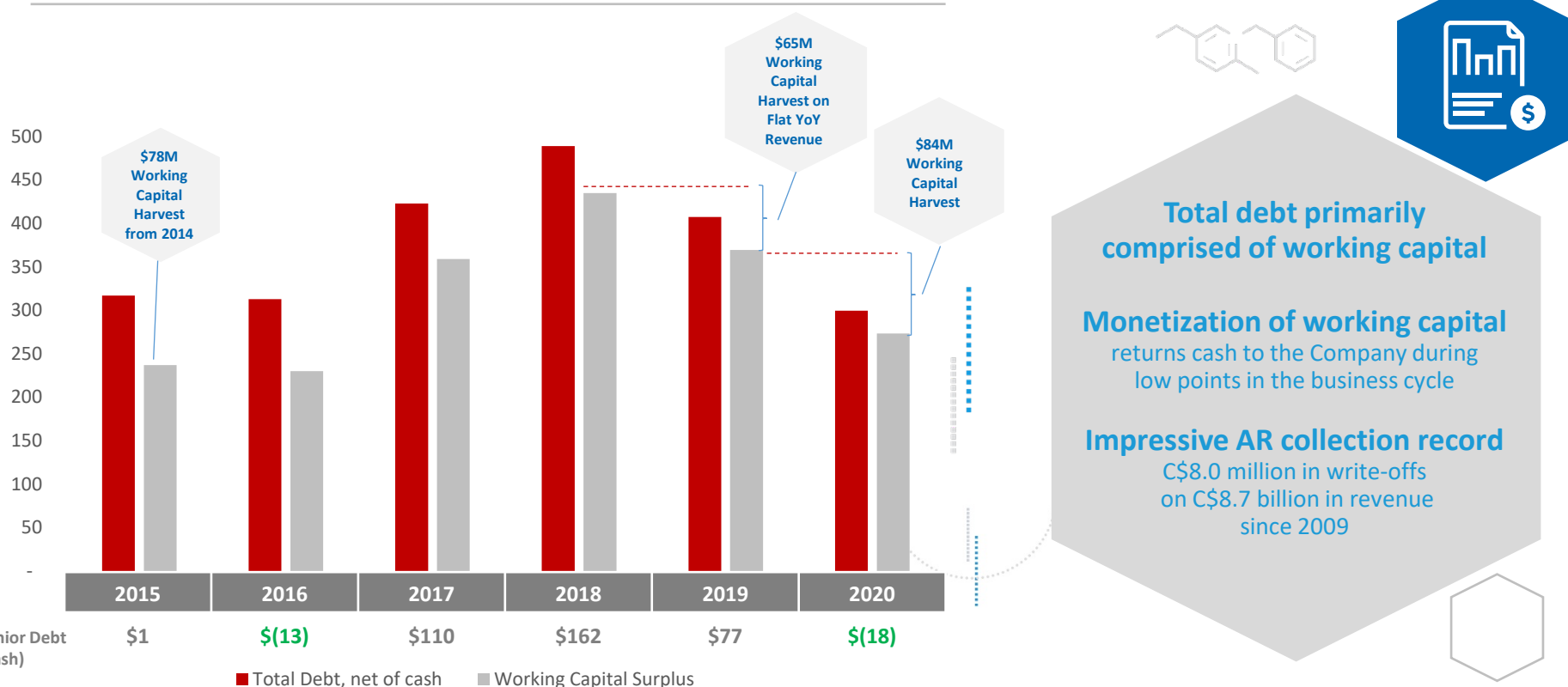


Asset light business model and counter cyclical balance sheet designed to generate significant free cash flow through all points of the cycle, while growth in recurring production chemical revenue stream underpins increased stability in financial profile

1. Refer to slide 16 for Free Cash Flow calculation.  
 2. Amounts shown are up to December 31, 2020.

# Resilient & Countercyclical Balance Sheet

## Historical Leverage & Working Capital



**2.9x** Total Debt, net of cash<sup>1</sup> / Adjusted EBITDAC

**0.3x** Total Debt, net of cash<sup>1</sup> Less Working Capital / Adjusted EBITDAC

1. Total Debt, net of cash and Working Capital Surplus as defined in the Company's Q4 2020 MD&A.

# Prudent Capital Structure & Liquidity Profile



## Current Capitalization

Share Price (March 11, 2021)	\$1.92
Shares Outstanding <sup>1</sup>	253,103,560
<b>MARKET CAPITALIZATION</b>	<b>\$486.0MM</b>

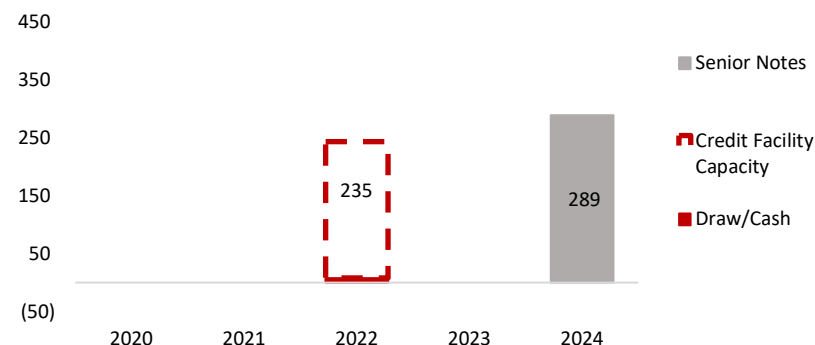
Net Cash Position (March 11, 2021)	(\$8.0MM)
Senior Credit Facility Net Cash (March 11, 2021)	-
6.375% Senior Notes due Oct 2024 <sup>2</sup>	\$289.0MM
Lease Obligations <sup>3</sup>	\$32.4MM
<b>TOTAL DEBT, net of cash</b>	<b>\$313.4MM</b>

Senior Credit Facility Size <sup>5</sup>	\$235.0MM
Net Cash Position (March 11, 2021)	(\$8.0MM)
<b>AVAILABLE LIQUIDITY</b>	<b>\$243.0MM</b>

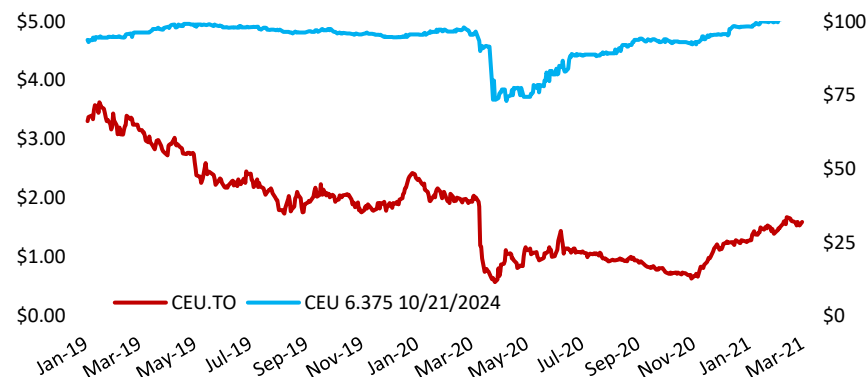
Net Senior Debt / EBITDA <sup>3</sup>	0.03x
Covenant	Max 2.5x
Total Debt, net of cash / Adj. EBITDAC <sup>4</sup>	2.9x
Covenant	None

Credit Rating (DBRS, S&P) B High (Negative); B (Negative)

## Maturity Schedule



## Price Performance



Well-positioned to withstand the current downturn with a strong balance sheet, conservative maturity schedule, and counter cyclical business model

1. As at February 28, 2021.

2. The Senior Notes are rated B (High) (DBRS – Jun 2020)/ B (S&P – June 2020).

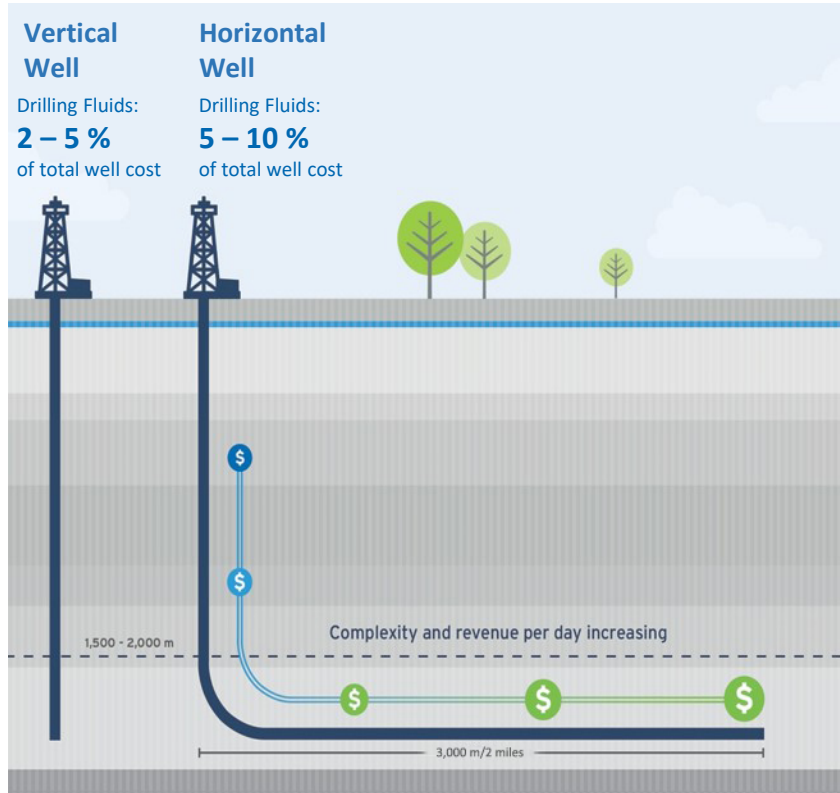
3. As at December 31, 2020. Refer to the Company's Q4 2020 MD&A for definitions of non-GAAP measures and to the Company's Q4 2020 financial statements for covenant definitions.

4. Total Debt, net of cash as defined in the Company's Q4 2020 MD&A.

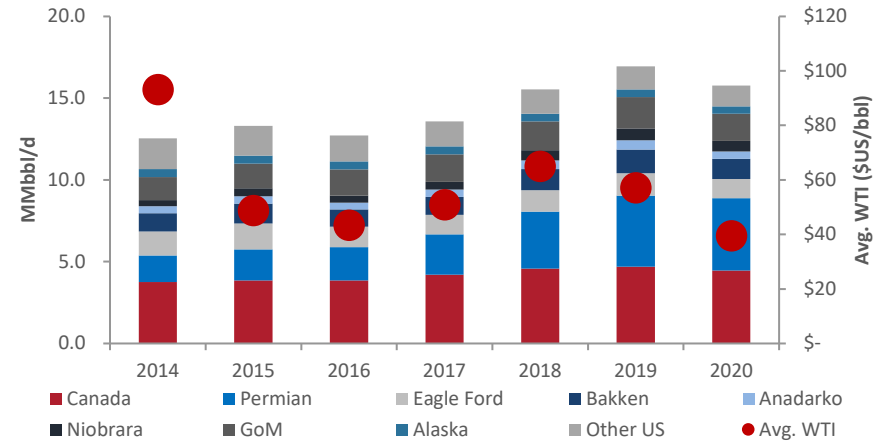
5. CAD equivalent using USDCAD of \$1.30 CES' Senior Facility is comprised a \$170MM Canadian facility and a US\$50MM US facility.

# Improving Trends and Stable End Markets

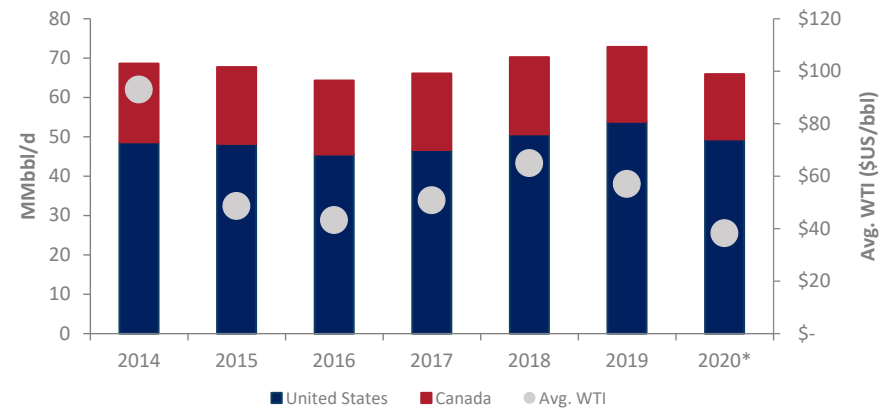
## Drilling Fluid Chemical Requirements Increasing



## North American Crude Oil Production by Basin<sup>12</sup>



## North American Water Production<sup>34</sup>



Significant exposure to rising North American oil and gas and related water production stabilizes free cash flow generation through the cycles, while increasing well complexity and longer lateral lengths drives drilling fluid chemical growth

1. Source: CER, EIA & Bloomberg  
2. 2020 CER data is a full year estimate  
3. Source: Enervus & GeoScout  
4. 2020 data is based on the first six months of the year

# Contact information

## CES Energy Solutions

Suite 1400, 332 – 6<sup>th</sup> Avenue SW  
Calgary, Alberta Canada  
T2P 0B2

**T** 403.269.2800

**F** 403.266.5708

**Toll Free** 1.888.785.6695



# APPENDIX



# Historical Financial Information

## Historical Financial Information (C\$000's)

	2017	2018	2019	2020
<b>Revenue</b>	\$1,029,640	\$1,271,051	\$1,277,257	\$888,047
Adjusted Gross Margin	\$249,801	\$284,263	\$273,377	\$179,567
% of Revenue	24.3%	22.4%	21.4%	20.2%
Adjusted Gross Margin (excluding depreciation)	\$287,937	\$325,548	\$325,241	\$231,291
% of Revenue	28.0%	25.6%	25.5%	26.0%
<b>Adjusted EBITDAC<sup>1</sup></b>	\$154,050	\$167,589	\$167,127	\$102,168
% of Revenue	15.0%	13.2%	13.1%	11.5%
<b>Cash provided by operating activities</b>	(\$23,291)	\$77,598	\$187,304	\$156,679
Adjust for: Change in non-cash operating WC	(\$153,455)	(\$55,133)	\$54,976	\$84,326
Less: Maintenance Capital Expenditures <sup>2</sup>	\$8,250	\$13,316	\$12,745	\$8,063
<b>Distributable Earnings</b>	\$121,914	\$119,415	\$119,583	\$64,290
Dividends paid	\$7,982	\$12,050	\$15,951	\$4,268
NCIB	\$0	\$19,532	\$13,146	\$11,251
Repurchase of senior unsecured notes	\$0	\$0	\$8,548	\$1,818
Expansion Capital Expenditures <sup>2</sup>	\$48,311	\$68,040	\$32,504	\$14,885
Interest on Debt	\$26,366	\$26,033	\$27,287	\$22,869
Debt Balance				
Senior Facility (Cash Position)	\$109,926	\$162,036	\$77,341	(\$18,251)
High Yield Notes	\$300,000	\$300,000	\$290,954	\$288,954
Other LT debt & leases <sup>3</sup>	\$12,871	\$26,801	\$21,213	\$14,682
IFRS 16 Lease Obligations <sup>4</sup>	\$0	\$0	\$18,123	\$14,292
<b>Total Debt, net of cash</b>	\$422,797	\$488,837	\$407,631	\$299,677
<b>Net Working Capital Surplus<sup>5</sup></b>	\$358,888	\$435,251	\$369,628	\$273,313
<b>Net Debt</b>	\$63,909	\$53,586	\$38,003	\$26,364
<b>Total Debt, net of cash / Adjusted EBITDAC<sup>1</sup></b>	<b>2.7x</b>	<b>2.9x</b>	<b>2.4x</b>	<b>2.9x</b>
<b>Net Debt / Adjusted EBITDAC<sup>1</sup></b>	<b>0.4x</b>	<b>0.3x</b>	<b>0.2x</b>	<b>0.3x</b>
<b>Adjusted EBITDAC<sup>1</sup> / Interest on Debt</b>	<b>5.8x</b>	<b>6.4x</b>	<b>6.1x</b>	<b>4.5x</b>
<b>Dividend Payout Ratio (% of dist. cash)</b>	<b>7%</b>	<b>10%</b>	<b>13%</b>	<b>7%</b>

1. As defined in the Company's Q4 2020 MD&A.

2. Historical capital spend shown net of amounts financed through lease arrangements.

3. Includes the non-current portion of deferred acquisition consideration, both current and non-current portions of finance lease obligations and vehicle and equipment financing loans, and deferred financing costs.

4. IFRS 16 Lease Obligations represent the total incremental lease obligation recognized, as at December 31, 2020 due to the adoption of IFRS 16 on January 1, 2019.

5. Net Working Capital Surplus calculated as current assets less current liabilities (excluding current portion of LT debt and finance lease obligations).



# Free Cash Flow Calculation

(C\$000's)

	LTM Q4 2019	LTM Q1 2020	LTM Q2 2020	LTM Q3 2020	LTM Q4 2020
Cash provided by operating activities	187,304	147,806	188,406	198,121	156,680
Change in non-cash working capital	(54,976)	(7,247)	(78,369)	(111,408)	(84,326)
Funds Flow from Operations	132,328	140,559	110,037	86,713	72,354
Add back:					
Finance costs	27,999	27,135	25,530	25,108	24,864
Current taxes	3,784	3,231	3,110	3,128	2,342
	31,783	30,366	28,640	28,236	27,206
Deduct:					
Net interest paid	27,383	27,176	25,803	24,781	23,347
Net cash taxes (paid) received	3,556	3,956	2,723	3,971	4,159
Net maintenance capex <sup>1</sup>	9,394	13,163	10,736	10,360	5,159
Net expansion capex <sup>1</sup>	20,325	20,433	16,297	14,452	6,186
Intangible capex	2,469	2,222	1,998	1,617	1,181
	63,127	66,950	57,557	55,181	40,032
<b>Free Cash Flow (before dividends)</b>	<b>100,984</b>	<b>103,975</b>	<b>81,120</b>	<b>59,768</b>	<b>59,528</b>
Dividends paid	15,951	15,902	12,231	8,246	4,268
<b>Free Cash Flow (after dividends)</b>	<b>85,033</b>	<b>88,073</b>	<b>68,889</b>	<b>51,522</b>	<b>55,260</b>

1. Shown net of proceeds on disposal of property & equipment, insurance proceeds on replacement property & equipment and amounts financed through lease arrangements.