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CES ENERGY SOLUTIONS CORP. ANNOUNCES Q1 2021 RESULTS

CES Energy Solutions Corp. ("CES" or the **"**Company") (**TSX: CEU) (OTC - Nasdaq Intl: CESDF)** announced today the Company's results for the three months ended March 31, 2021.

Q1 2021 financial results reflect continued improvements in revenues, margins, and market share, underpinned by focus on working capital optimization and preservation of strong balance sheet and liquidity metrics. Revenue was $260.6 million and Adjusted EBITDAC was $34.4 million, representing a 13.2% margin as CES realized improvements throughout its business lines, including achieving record market share of 22% in its US drilling fluids division.

Q1 2021 demonstrated continued progress from pandemic-related industry headwinds with strengthening demand for oil and gas, improving customer economics, and stabilizing industry sentiment bolstered by COVID-19 vaccine deployment. CES was able to leverage its established infrastructure and strong industry positioning to capitalize on these positive developments as demonstrated by significant sequential improvements in financial results. CES achieved these results despite temporary lost revenues and supply chain disruptions across the Gulf Coast petrochemical complex related to Winter Storm Uri.

As industry activity levels continued to improve, CES invested in working capital and remained disciplined on capital expenditures during the quarter, while retaining substantial liquidity and balance sheet strength. CES exited the quarter with a net draw of $4.1 million on its Senior Facility (December 31, 2020 - net cash balance of $18.3 million) and Total Debt of $321.4 million (December 31, 2020 – Total Debt, net of cash of $299.7 million), of which $288.0 million relates to Senior Notes which don't mature until October 21, 2024. Increases were driven primarily by investment in working capital on higher activity levels across the business and by the repurchase of 6.3 million shares for $9.5 million at an average price of $1.50 per share under the Company's NCIB program. As at this date, the Company had a net draw on its Senior Facility of approximately $5 million.

In Q1 2021, CES generated revenue of $260.6 million, representing a sequential increase of $47.8 million or 22% from Q4 2020 revenue of $212.8 million and a decrease of $88.8 million or 25% compared to $349.4 million in revenue for Q1 2020. Q1 2021 revenue represents another sequential quarterly increase but continues to be affected by the global economic impacts of COVID-19.

Revenue generated in the US during Q1 2021 was $168.0 million representing an increase of $30.8 million or 22% from Q4 2020 and a decrease of $59.9 million or 26% from Q1 2020. US revenues were impacted by temporary lower activity levels and lost revenues resulting from Winter Storm Uri during the quarter. Although US land drilling activity in Q1 2021 was approximately 50% lower than Q1 2020 levels, activity levels improved by approximately 27% on a sequential quarterly basis. CES was able to participate in this improved drilling environment and also increase its US Drilling Fluids Market Share to 22%, a record for the Company and up from the previous record of 20% in Q4 2020.

Revenue generated in Canada during Q1 2021 was $92.6 million representing an increase of $17.0 million or 23% from Q4 2020 and a decrease of $28.9 million or 24% from Q1 2020. Both the production chemicals and drilling fluids businesses in Canada experienced year over year declines in industry activity levels from pre-pandemic levels, while participating in improving industry activity levels on a sequential basis.

CES achieved Adjusted EBITDAC of $34.4 million in Q1 2021, representing an increase of $9.7 million or 39% over $24.7 million in Q4 2020 and compared to $51.1 million in Q1 2020. Sequentially, Adjusted EBITDAC as a percentage of revenue of 13.2% achieved in Q1 2021 represented a significant improvement from the 11.6% recorded in Q4 2020 as the Company benefited from improved competitive positioning, the reversal of certain production shut-ins in both the US and Canada, improving drilling activity, increased market share, and modest improvements in pricing.

Net income for Q1 2021 was $5.1 million compared to a net loss of $225.7 million in Q1 2020. For the comparative period net loss was impacted by a $248.9 million goodwill impairment and $12.9 million in inventory valuation write-downs, additional bad debt allowances and restructuring costs recorded in light of the challenging global oilfield market. Net income for Q1 2021 benefited from lower interest expense in the quarter due to lower debt levels and the recognition of a $1.7 million (2020 - nil) benefit from the CEWS program, partially offset by lower activity levels and associated revenues, as described above.

Outlook

There has been increased economic optimism in the early part of 2021 as governments worldwide distribute the COVID-19 vaccines which could lead to lifting restrictions and spurring demand for fossil fuels above 2020 levels, tempered by the continued uncertainty around ongoing impacts from COVID-19 and the production policy decisions of the OPEC+ nations. As the global economic recovery continues to gain momentum, increased activity and demand may lead to improving commodity prices, production levels and drilling activity. CES remains cautious with its outlook for the remainder of the year and expects elevated upstream activity across North America albeit below pre-COVID levels. The uncertainty surrounding the magnitude and duration of this downturn has prompted customers to reduce their capital spending programs compared to pre-COVID levels thereby resulting in a corresponding reduction in demand for the Company's products and services. During 2020, CES undertook significant steps to rationalize its cost structure. Due to improving industry conditions, in late 2020 and in Q1 2021 CES gradually began assessing cost structure reductions to support growth throughout the divisions. During Q1 2021 CES continued to receive modest funding from the Canadian Federal Government's CEWS program, recognizing an aggregate benefit of $1.7 million, thereby mitigating further personnel reductions while we navigate through this downturn. CES believes it will be able to continue to benefit from this program until September 2021, but is still reviewing the details of the recently announced extension qualification criteria and financial impact.

CES believes it will continue to benefit from its asset light, consumable chemical business model and its ability to maintain a prudent cost structure in this industry activity level environment. CES' counter cyclical leverage model was tested during the pandemic and demonstrated its ability to remain resilient despite declines in industry activity. As industry activity has continued to improve, the Company made modest investments in working capital, and will continue to focus on working capital optimization and balance sheet strength and liquidity as the year progresses.

CES has proactively managed both the duration and the flexibility of its debt. In August 2019, CES successfully amended and extended its Senior Facility to September 2022. In October 2017, CES successfully re-financed and reduced its coupon on its previously outstanding $300.0 million Senior Notes by issuing new 6.375% Senior Notes, which mature in October 2024. This provides the Company with an additional level of financial stability during the ongoing COVID-19 crisis and the related deterioration of the global crude oil market.

CES expects 2021 capital expenditures to be up to $30.0 million, of which $10.0 million is expansion and $20.0 million is maintenance. CES plans to continue its disciplined and prudent approach to capital expenditures in 2021 and will adjust its plans as required to support growth throughout divisions as conditions continue to unfold.

CES continues to believe that coming out of this downturn it can continue to grow its share of the oilfield consumable chemical markets in which it competes. CES’ underlying business model is capex light and asset light, enabling generation of significant surplus free cash flow. As our customers increasingly regulate their business models to maintain spending within cash flows, we believe that CES will be able to leverage its established infrastructure, business model, and nimble customer-oriented culture to deliver superior products and services to the industry. CES demonstrated this ability during the depths of the downturn and expects to continue doing so as industry conditions continue to stabilize. CES also believes that competitor consolidations and business failures will provide further opportunities for CES in this recovery scenario. CES 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; 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 volumes and water cuts from new wells.

CES’ strategy is to continue to use 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. By being basic in the manufacture of the consumable chemicals it sells, CES' vertically integrated business model enables it to be price competitive and a technology leader. 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.

In its core businesses, CES will focus on profitably growing market share, controlling costs and managing working capital, developing or acquiring new technologies and making strategic investments as required to position the business to capitalize on current and future opportunities.

Conference Call Details

With respect to the first quarter results, CES will host a conference call / webcast at 9:00 am MT (11:00 am ET) on Thursday, May 13, 2021.

North American toll-free: 1-(800)-319-4610
International / Toronto callers: (416)-915-3239
Link to Webcast: http://www.cesenergysolutions.com/

Financial Highlights

($000s, except per share amounts)	**2021**	2020	%Change
	Three Months Ended March 31,		
Revenue			
United States	**168,047**	227,958	-26%
Canada	**92,579**	121,489	-24%
Total Revenue	**260,626**	349,447	-25%
Net income (loss)	**5,122**	(225,720)	-102%
per share – basic	***0.02***	*(0.86)*	*-102%*
per share - diluted	***0.02***	*(0.86)*	*-102%*
Adjusted EBITDAC(2)	**34,358**	51,132	-33%
Adjusted EBITDAC(2) % of Revenue	***13.2 %***	*14.6 %*	-1.4%
Cash provided by operating activities	**(5,782)**	12,337	-147%
Funds Flow From Operations(2)	**27,413**	44,525	-38%
Capital expenditures			
Expansion Capital(2)	**2,333**	6,840	-66%
Maintenance Capital(2)	**646**	5,521	-88%
Total capital expenditures	**2,979**	12,361	-76%
Dividends declared	**-**	2,948	*-100%*
per share	**-**	*0.0113*	*-100%*
Common Shares Outstanding			
End of period	**254,415,334**	262,026,924	
Weighted average - basic	**255,244,854**	262,711,372	
Weighted average - diluted	**263,748,333**	262,711,372	

Financial Position ($000s)	**March 31, 2021**	December 31, 2020	%Change
	As at		
Total assets	**882,198**	857,888	3%
Long-term financial liabilities(1)	**303,072**	298,776	1%
Total Debt, net of cash(2)	**321,360**	299,677	7%
Working Capital Surplus(2)	**303,093**	273,313	11%
Net Debt(2)	**18,267**	26,364	-31%
Shareholders' equity	**446,158**	455,663	-2%

Notes:

[1]*Includes the long-term portion of the Senior Facility, the Senior Notes, lease obligations and cash settled incentive obligations.*

[2]*CES uses certain performance measures or operational definitions 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), Funds Flow From Operations, Total Debt, Working Capital Surplus, Net Debt, Expansion Capital and Maintenance Capital. 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 and Operational Definitions Section of CES' MD&A for the three months ended March 31, 2021 for additional details regarding the calculation of these measures.*

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 all major basins throughout the United States ("US"), including Permian, Eagleford, Bakken, Marcellus and Scoop/Stack, as well as in the Western Canadian Sedimentary Basin ("WCSB") with an emphasis on servicing the ongoing major resource plays: Montney, Duvernay, Deep Basin and SAGD. In the US, CES operates under the trade names AES Drilling Fluids ("AES"), Jacam Catalyst LLC ("Jacam Catalyst") and Superior Weighting Products ("Superior Weighting"). 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").

Following a series of transformative acquisitions, including the purchase of Jacam Chemicals ("Jacam") in 2013 and Catalyst Oilfield Services ("Catalyst") in 2016, the Company has been focused on integrating these businesses into its existing operations and driving efficiencies and organic growth. On December 31, 2020, the Company completed an internal organization which combined the retail businesses of Jacam and Catalyst to form Jacam Catalyst, LLC.

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 nine 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 capital expenditures in 2021; expectations that EBITDAC will provide sufficient free cash flow to pay down the Company's Senior Facility and add cash to the balance sheet; expectations regarding the impact of the COVID-19 pandemic on CES' operations and the oil and natural gas industry generally; CES' ability to execute on financial goals relating to its balance sheet, liquidity, working capital and cost structure; expectations regarding the performance of CES' business model and counter cyclical balance sheet during downturns; expectations regarding CES' ability to qualify and participate in the Canadian Government's CEWS program; expectations that CES will continue to remain open and fully operating during the COVID-19 pandemic; expectations regarding the availability and distribution of COVID-19 vaccines and the corresponding impact on government mandated travel and gathering restrictions, increased demand for fossil-fuels, improving commodity prices, increased production levels and drilling activity; expectations regarding reduced capital expenditures by CES' customers and the quantum of shut-in production by CES' customers; expectations that CES' financial position will provide a competitive advantage in a recovery; the sufficiency of liquidity and capital resources to meet long-term payment obligations; 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; impact of CES' vertically integrated business model on future financial performance; 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; industry activity levels; commodity prices; uncertainty surrounding the duration and severity of a low oil and natural gas price environment; development of new technologies; expectations regarding CES' growth opportunities in Canada and the US; expectations regarding the performance or expansion of CES' operations and working capital optimization; expectations regarding end markets for production chemicals and drilling fluids in Canada and the US; expectations regarding the impact of production curtailment policies; expectations regarding demand for CES' services and technology; investments in research and development and technology advancements; access to debt and capital markets and cost of capital; expectations regarding capital allocation including the use of surplus free cash flow, the purchase of CES' common shares by CES pursuant to the NCIB, debt reduction through the repayment of the Company's Senior Facility or repurchases of the Company's Senior Notes, investments in current operations, issuing dividends, or market acquisitions; CES' ability to continue to comply with covenants in debt facilities; and 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 the US, Canada, and internationally; geopolitical risk; fluctuations in demand for consumable fluids and chemical oilfield services, the severity of the 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, oil, and pricing differentials between world pricing; pricing in North America and pricing in Canada; impacts of production level decisions among OPEC+ members and the potential demand impacts of COVID-19; 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, shipping containers 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; 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 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 the WCSB; supply chain disruptions including those caused by global pandemics or disease or from political unrest and blockades; 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 dated March 11, 2021, and "Risks and Uncertainties" in CES' MD&A for the three and twelve months ended December 31, 2020, dated March 11, 2021.

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