

# Leading Provider

of Consumable Chemical Solutions



August 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 government support programs including 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.

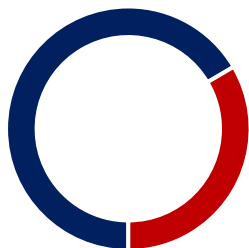
CES’ actual results could differ materially from those anticipated in the forward-looking information as a result of the following factors: general economic conditions in the US, Canada, and internationally; geopolitical risk; fluctuations in demand for consumable fluids and chemical oilfield services, 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 and “Risks and Uncertainties” in the June 30, 2021 MD&A.

# Leading Provider of Consumable Chemical Solutions



## TTM Q2 2021 Revenue By Geography

**C\$893 Million**



**67% US**  
**33% Canada**



### US operations

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



### Canadian operations

- Montney
- Duvernay
- Deep Basin
- SAGD

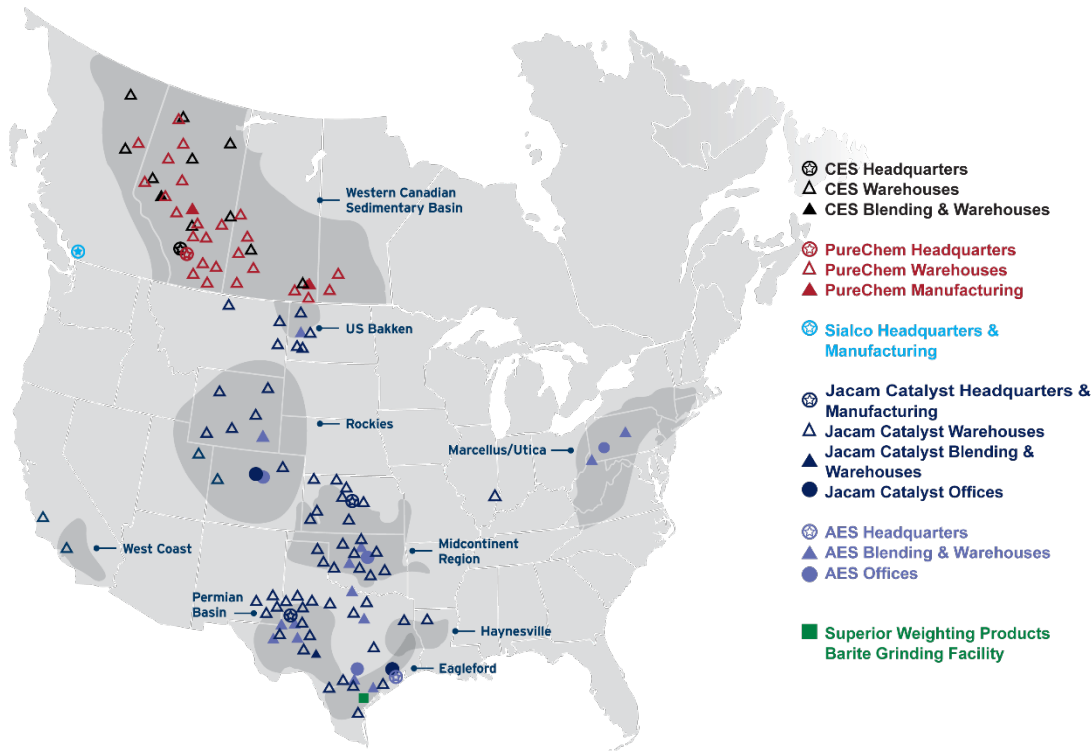
Fully integrated world class basic chemical manufacturing capability combined with customer-centric problem solving culture for technology oriented customers

# Adding Value Through Technology & Customer Service

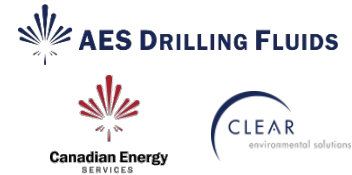


Use chemistry, polymers and minerals to solve our customers' problems and optimize their production and drilling related needs to maximize their returns on investments through decentralized sales, service & problem solving approach

# Well Positioned for Growth With Decentralized Model



## DRILLING FLUIDS



## COMPLETION CHEMICALS



## PRODUCTION CHEMICALS



## PIPELINES & MIDSTREAM



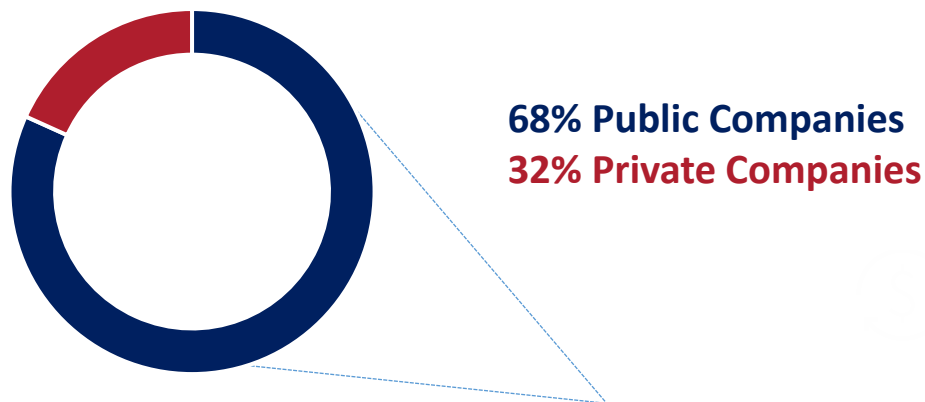
## INDUSTRIAL/ COSMETICS/OTHER



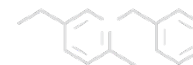
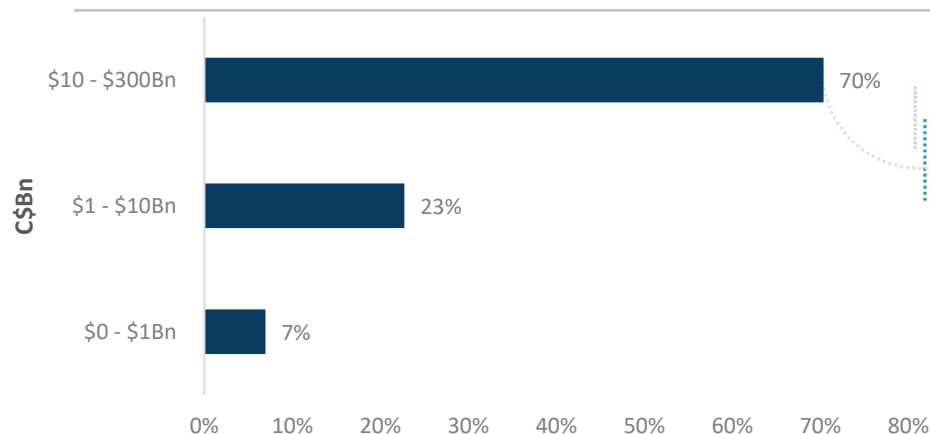
Allocation of capital dedicated to the most attractive basins and markets while leveraging decentralized entrepreneurial model and basic chemical manufacturing product suite

# Quality Customer Base

## Top 50 Customer Breakdown – TTM Q2 2021



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

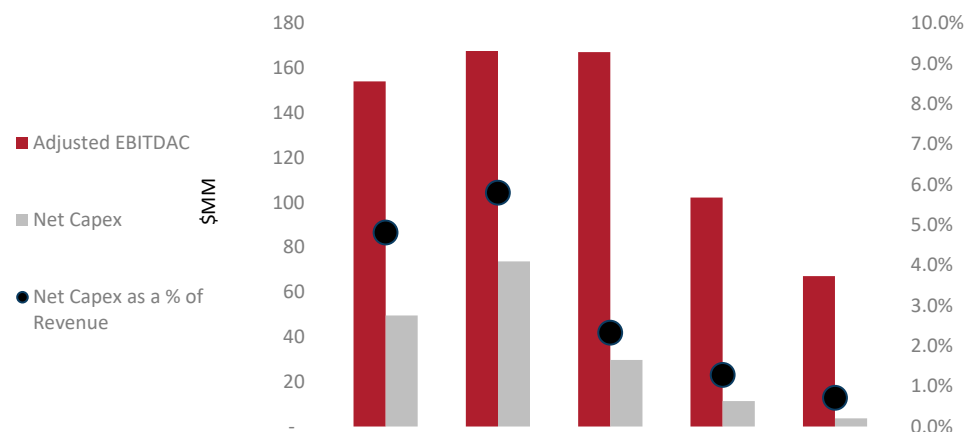



























**70%** of top 50 public company  
revenue was from customers with  
**Market**  
**Capitalizations of**  
**\$10Bn to \$300Bn**

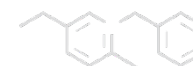
1. Source: FactSet – as at August 5th, 2021

# Low Capital Intensity

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



Expansion Projects	2017	2018	2019	2020	H1 2021
Permian Infrastructure					
Permian Debottlenecking					
Canadian Chemical Infrastructure					
US Drilling Fluids Vertical Integration					
New Markets					



**Significant expansion capex largely complete**

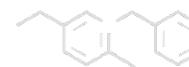
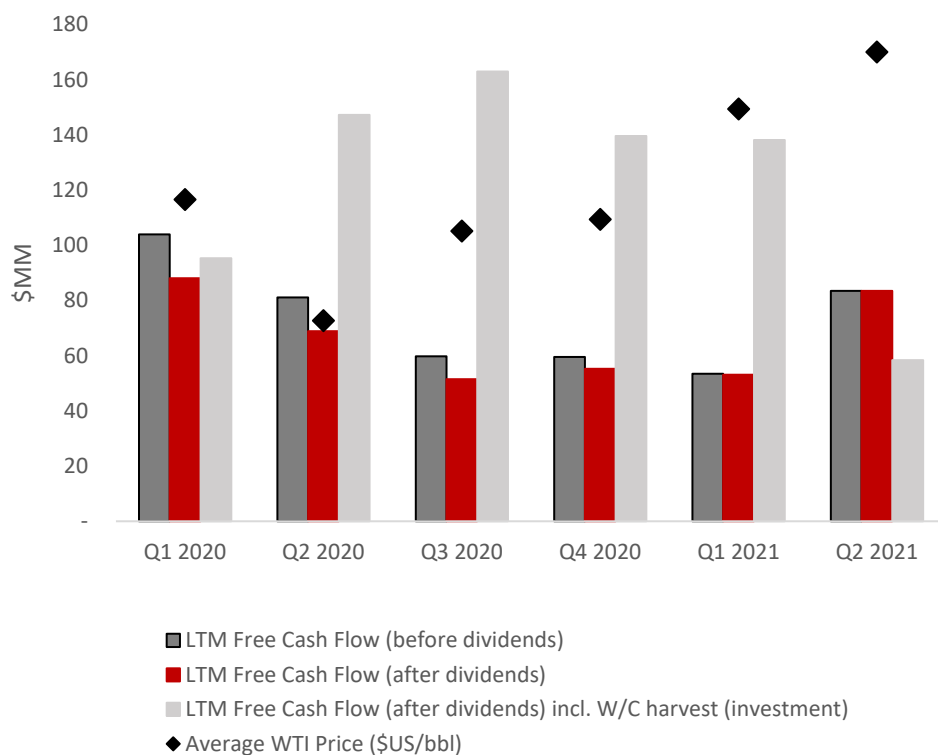
2021 total capex estimated to be up to **C\$30 million**

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, excluding \$8.1M in proceeds on the sale of a building recorded in Q2 2021.

# Strong Free Cash Flow Generation

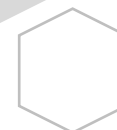
## LTM Free Cash Flow<sup>1</sup>



Since 2006 IPO, ~**C\$340 million** in dividends paid to shareholders and grew PP&E base to ~**C\$293 million**

Since July 2018, ~**C\$54.2 million** in share buybacks representing 10% of shares outstanding since inception of the NCIB program<sup>2</sup>

Quarterly dividend of \$0.016/share reinstated on August 12, 2021<sup>3</sup>



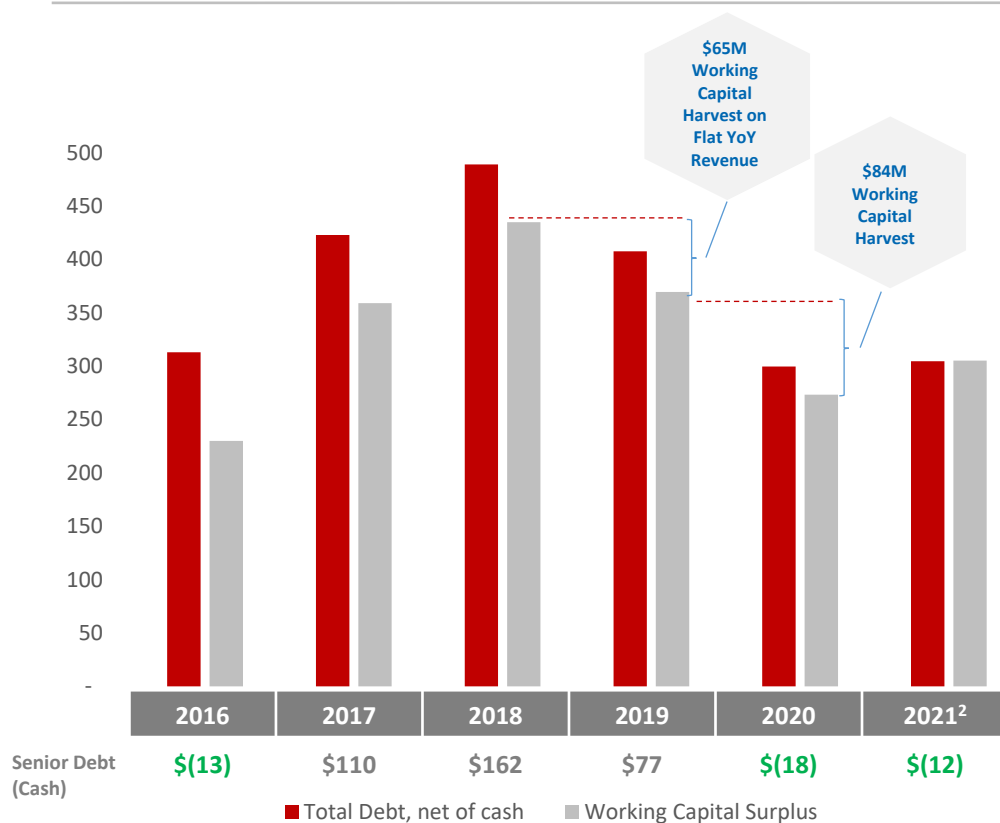
Asset light business model and counter cyclical balance sheet designed to generate significant free cash flow through all points of the cycle, while growth in recurring production chemical revenue stream underpins increased stability in financial profile

1. Refer to slide 15 for Free Cash Flow calculation.  
 2. Amounts shown are up to June 30, 2021.  
 3. CES will pay a cash dividend on October 15, 2021 to shareholders of record on September 30, 2021



# Resilient & Countercyclical Balance Sheet

## Historical Leverage & Working Capital



**Total debt primarily comprised of working capital**

**Monetization of working capital**  
returns cash to the Company during low points in the business cycle

**Impressive AR collection record**  
C\$8.0 million in bad debt write-offs on C\$9.3 billion in revenue since 2009

**2.8x** Total Debt<sup>1</sup> / Adjusted EBITDAC

**0.0x** Total Debt<sup>1</sup> Less Working Capital / Adjusted EBITDAC

1. Total Debt, Total Debt, net of cash and Working Capital Surplus as defined in the Company's Q2 2021 MD&A.  
2. 2021 represents amounts as at June 30, 2021.

# Prudent Capital Structure & Liquidity Profile



## Current Capitalization

Share Price (August 12, 2021)	\$1.55
Shares Outstanding (August 12, 2021)	255,019,727
<b>MARKET CAPITALIZATION</b>	<b>\$395MM</b>
Dividend Yield (August 12, 2021) <sup>1</sup>	4.1%

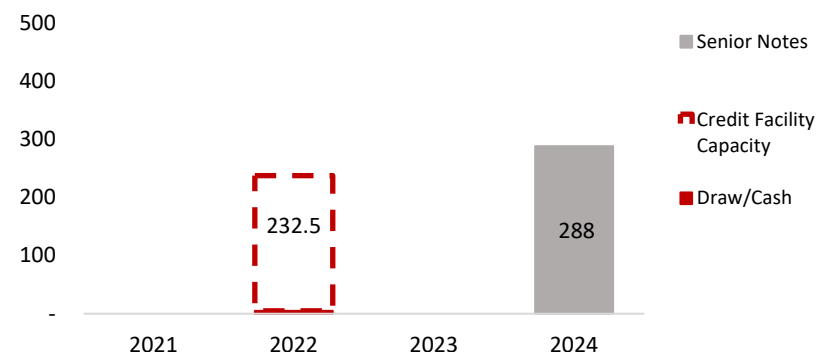
Senior Credit Facility Draw (August 12, 2021)	\$3MM
6.375% Senior Notes due Oct 2024 <sup>2</sup>	\$288MM
Lease Obligations <sup>3</sup>	\$31MM
<b>TOTAL DEBT, net of cash</b>	<b>\$331MM</b>

Senior Credit Facility Size <sup>4</sup>	\$233MM
Senior Credit Facility Draw (August 12, 2021)	\$3MM
<b>AVAILABLE LIQUIDITY</b>	<b>\$221MM</b>

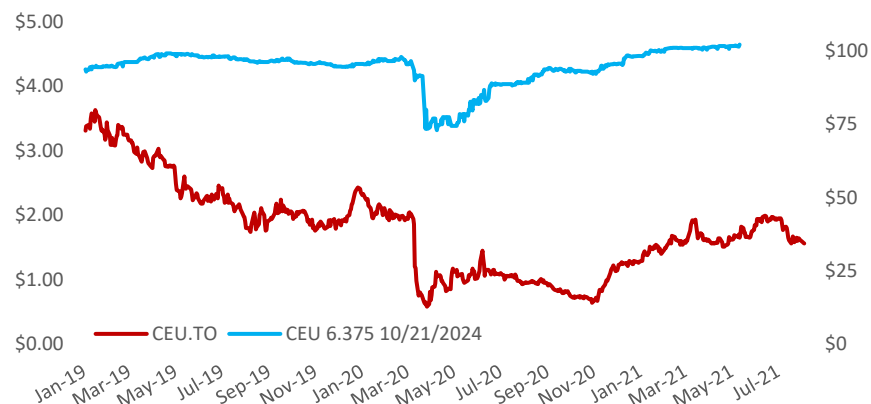
Net Senior Debt / EBITDA <sup>3,5</sup>	0.1x
Covenant	Max 2.5x
Total Debt / Adj. EBITDAC <sup>3,5,6</sup>	2.8x
Covenant	None

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

## 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. In August 2021, CES reinstated a quarterly dividend of \$0.016 per share.

2. The Senior Notes are rated B (High) (DBRS – May 2021)/ B (S&P – April 2021).

3. As at June 30, 2021.

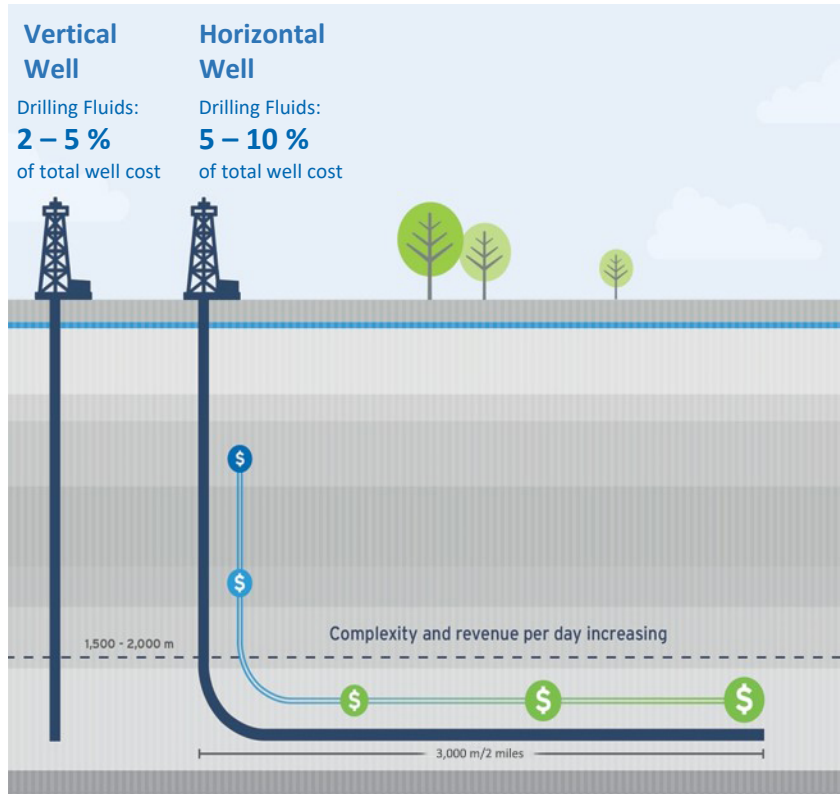
4. CAD equivalent using USDCAD of \$1.25 (CES' Senior Facility is comprised of a \$170MM Canadian facility and a US\$50MM US facility).

5. Refer to the Company's Q2 2021 MD&A for definitions of non-GAAP measures and to the Company's Q2 2021 financial statements for covenant definitions.

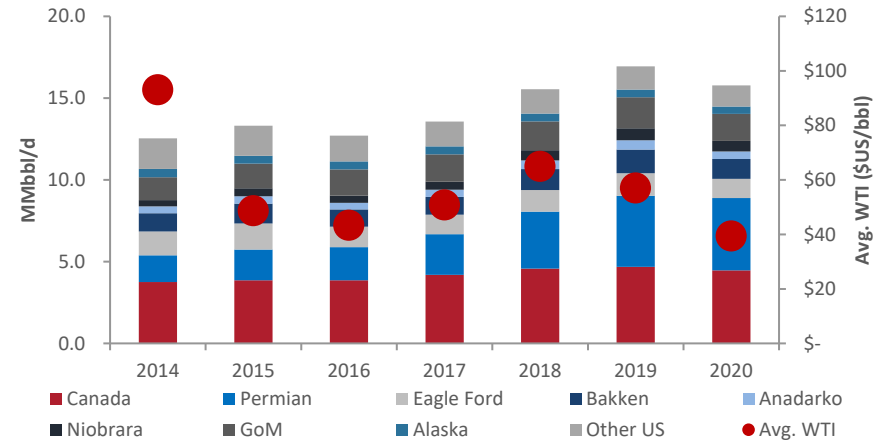
6. Total Debt as defined in the Company's Q2 2021 MD&A.

# Improving Trends and Stable End Markets

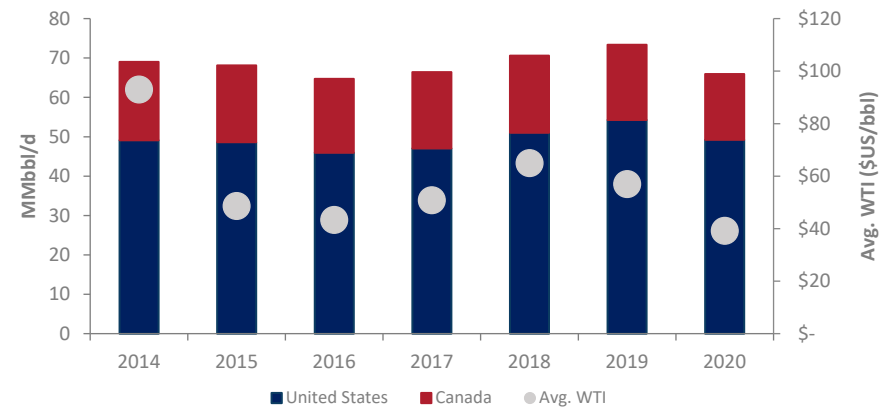
## Drilling Fluid Chemical Requirements Increasing



## North American Crude Oil Production by Basin<sup>1</sup>



## North American Water Production<sup>2</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. Source: Enervus & GeoScout

# Contact information

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# APPENDIX



# Historical Financial Information

(C\$000's)

	2018	2019	2020	LTM Q2 2021
<b>Revenue</b>	\$1,271,051	\$1,277,257	\$888,047	\$893,338
Adjusted Gross Margin	\$284,263	\$273,377	\$179,567	\$190,160
% of Revenue	22.4%	21.4%	20.2%	21.3%
Adjusted Gross Margin (excluding depreciation)	\$325,548	\$325,241	\$231,291	\$237,583
% of Revenue	25.6%	25.5%	26.0%	26.6%
<b>Adjusted EBITDAC<sup>1</sup></b>	\$167,589	\$167,127	\$102,168	\$109,226
% of Revenue	13.2%	13.1%	11.5%	12.2%
<b>Cash provided by operating activities</b>	\$77,598	\$187,304	\$156,679	\$51,298
Adjust for: Change in non-cash operating WC	(\$55,133)	\$54,976	\$84,326	(\$25,071)
Less: Maintenance Capital Expenditures <sup>2</sup>	\$9,943	\$12,745	\$8,063	\$4,327
<b>Distributable Earnings</b>	\$122,788	\$119,583	\$64,290	\$72,042
Dividends paid	\$12,050	\$15,951	\$4,268	\$0
NCIB	\$19,532	\$13,146	\$11,251	\$16,708
Repurchase of senior unsecured notes	\$0	\$8,548	\$1,818	\$1,926
Expansion Capital Expenditures <sup>2</sup>	\$71,414	\$32,504	\$14,885	\$8,648
Interest on Debt	\$26,162	\$27,288	\$22,869	\$20,887
Debt Balance				
Senior Facility (Cash Position)	\$162,036	\$77,341	(\$18,251)	(\$11,869)
High Yield Notes	\$300,000	\$290,954	\$288,954	\$287,954
Other LT debt & leases <sup>3</sup>	\$26,801	\$21,213	\$14,682	\$12,407
IFRS 16 Lease Obligations <sup>4</sup>	\$0	\$18,123	\$14,292	\$16,128
<b>Total Debt, net of cash</b>	\$488,837	\$407,631	\$299,677	\$304,620
Net Working Capital Surplus <sup>5</sup>	\$435,251	\$369,628	\$273,313	\$305,321
<b>Net Debt</b>	\$53,586	\$38,003	\$26,364	(\$701)
<b>Total Debt, net of cash / Adjusted EBITDAC<sup>1</sup></b>	<b>2.9x</b>	<b>2.4x</b>	<b>2.9x</b>	<b>2.8x</b>
<b>Net Debt / Adjusted EBITDAC<sup>1</sup></b>	<b>0.3x</b>	<b>0.2x</b>	<b>0.3x</b>	<b>n.m.f.</b>
<b>Adjusted EBITDAC<sup>1</sup> / Interest on Debt</b>	<b>6.4x</b>	<b>6.1x</b>	<b>4.5x</b>	<b>5.2x</b>
<b>Dividend Payout Ratio (% of dist. cash)</b>	<b>10%</b>	<b>13%</b>	<b>7%</b>	<b>0%</b>

1. As defined in the Company's Q2 2021 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 for the period 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 Q2 2020	LTM Q3 2020	LTM Q4 2020	LTM Q1 2021	LTM Q2 2021
Cash provided by operating activities	188,406	198,121	156,679	138,560	51,298
Change in non-cash working capital	(78,369)	(111,408)	(84,326)	(84,990)	25,071
Funds Flow from Operations	110,037	86,713	72,353	53,570	76,369
Add back:					
Finance costs	25,530	25,108	24,864	24,274	24,136
Current taxes	3,110	3,128	2,342	2,903	3,129
	28,640	28,236	27,206	27,177	27,265
Deduct:					
Net interest paid	25,803	24,781	23,346	21,608	21,567
Net cash taxes paid	2,723	3,971	4,159	3,098	3,863
Net maintenance capex <sup>1</sup>	10,736	10,360	5,159	483	(2,919)
Net expansion capex <sup>1</sup>	16,297	14,452	6,186	1,029	(3,471)
Intangible capex	1,998	1,617	1,181	1,064	1,104
	57,557	55,181	40,031	27,282	20,144
<b>Free Cash Flow (before dividends)</b>	<b>81,120</b>	<b>59,768</b>	<b>59,528</b>	<b>53,465</b>	<b>83,490</b>
Dividends paid	12,231	8,246	4,268	328	-
<b>Free Cash Flow (after dividends)</b>	<b>68,889</b>	<b>51,522</b>	<b>55,260</b>	<b>53,137</b>	<b>83,490</b>

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