

# Leading Provider

of Consumable Chemical Solutions



**Tom Simons** | President & Chief Executive Officer  
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# 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; allocation of capital to specific basins and markets including the Permian Basin; 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; and the potential means of funding dividends and the intention to make future dividend payments.

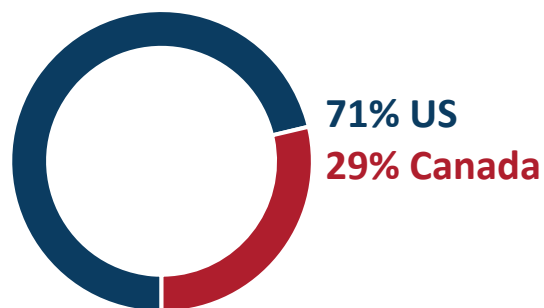
CES’ actual results could differ materially from those anticipated in the forward-looking information as a result of the following factors: general economic conditions in the US, Canada, and internationally; geopolitical risk; fluctuations in demand for consumable fluids and chemical oilfield services, and any downturn in oilfield activity; a 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; 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 the potential for tax reform, possible renegotiation of international trade agreements and the transportation of oil and natural gas and regulations governing the sale and export of oil, natural gas and refined petroleum products; divergence in climate change policies between the US and Canada; 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; implementation of the Canada-United States-Mexico Agreement; international and domestic trade disputes, including restrictions on the; and the other factors considered under “Risk Factors” in CES’ Annual Information Form for the year ended December 31, 2019 and “Risks and Uncertainties” in the December 31, 2019 Management’s Discussion and Analysis.

# Leading Provider of Consumable Chemical Solutions



## 2019 Revenue By Geography

**C\$1.3 Billion**



### US operations

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

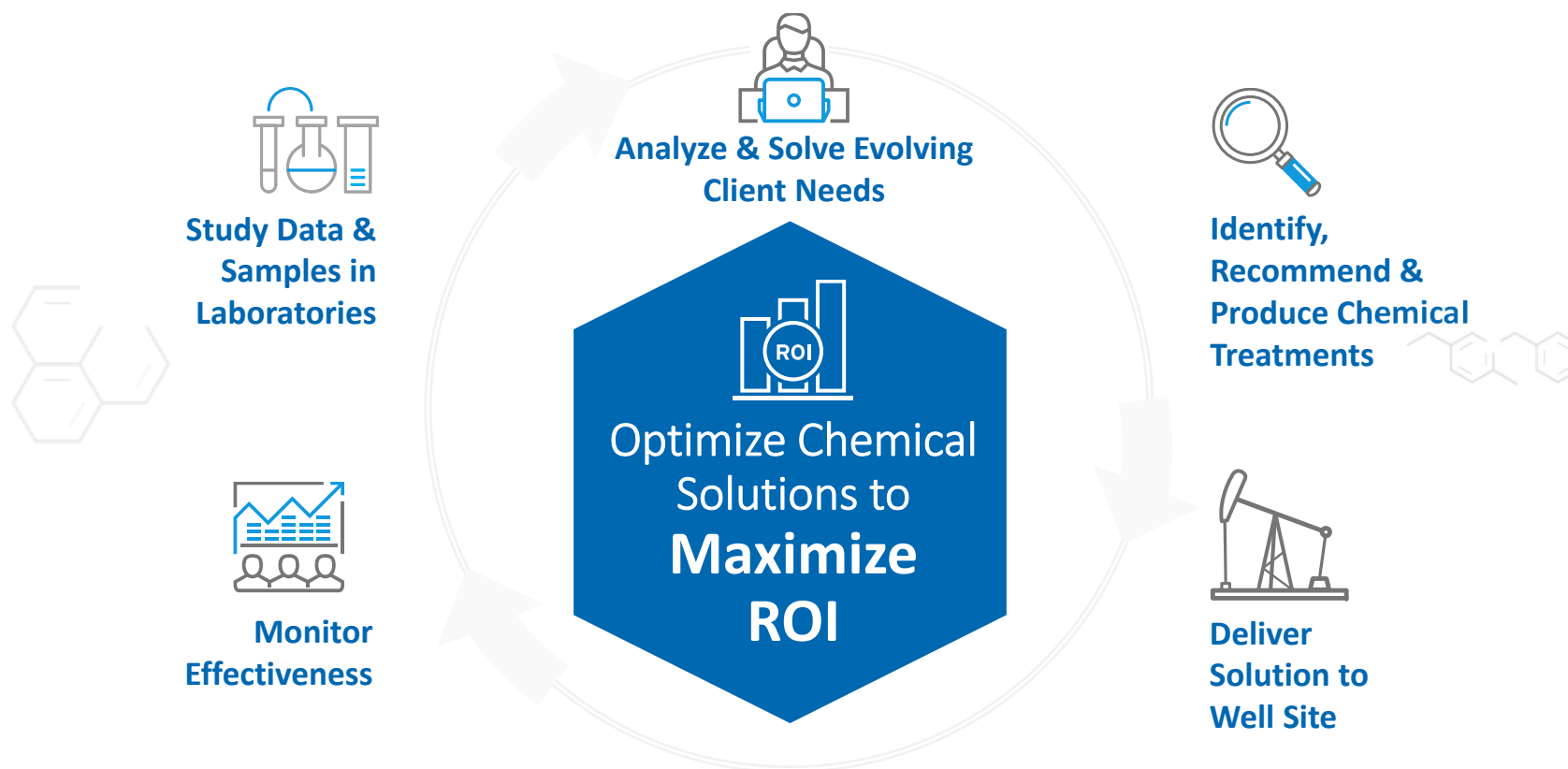


### Canadian operations

- Montney
- Duvernay
- Deep Basin
- SAGD

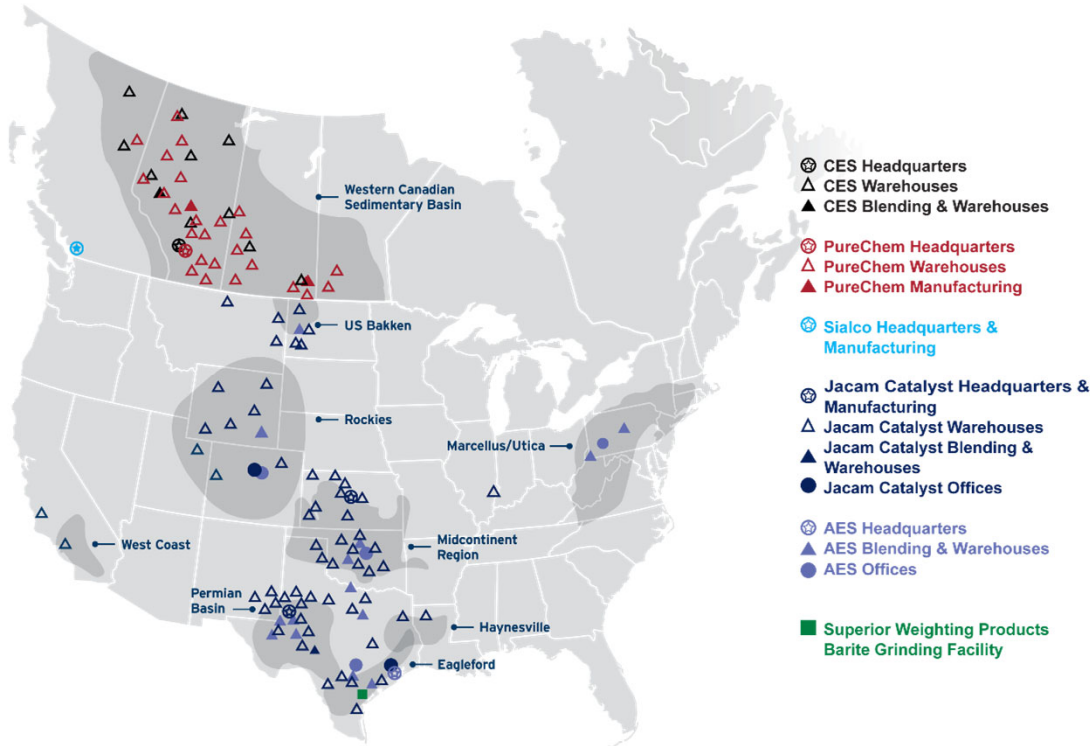
Fully integrated world class basic chemical manufacturing capability combined with customer-centric problem solving culture for technology oriented customers

# 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

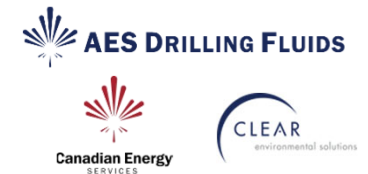
# Well Positioned for Growth With Decentralized Model



## PRODUCTION CHEMICALS



## DRILLING FLUIDS



## PIPELINES & MIDSTREAM



## COMPLETION & STIMULATION



## INDUSTRIAL/ COSMETICS/OTHER

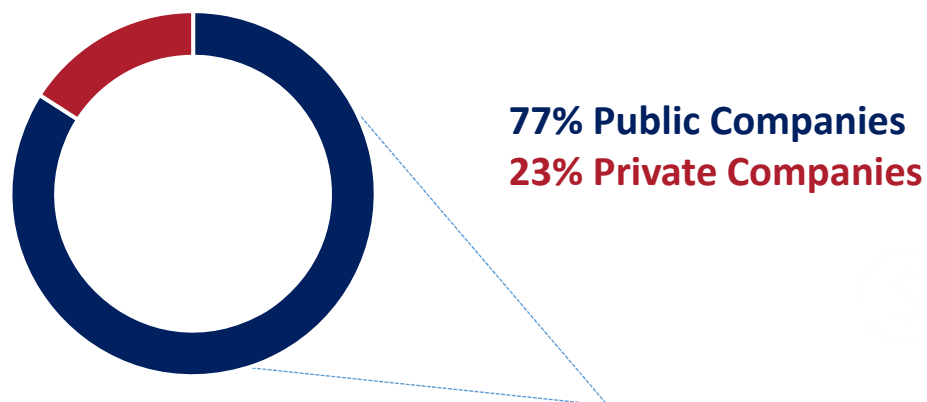


Allocation of capital dedicated to the most attractive basins and markets while leveraging decentralized entrepreneurial model and basic chemical manufacturing product suite

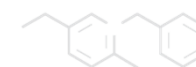
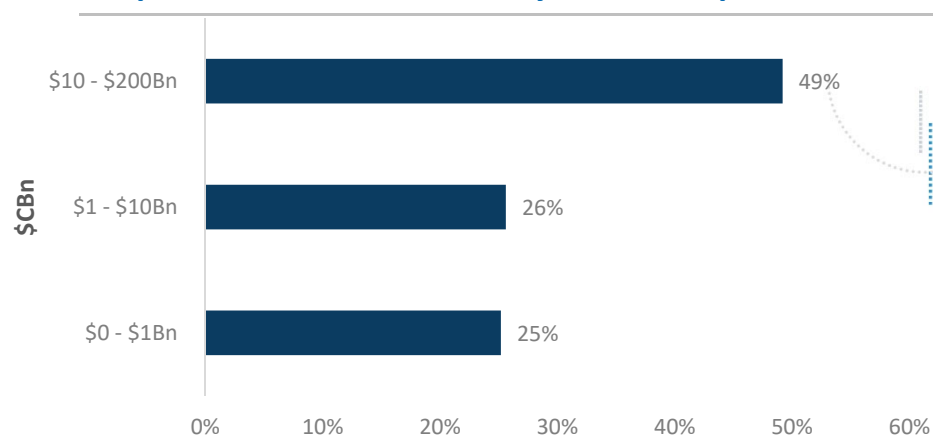
# Quality Customer Base



## Top 50 Customer Breakdown – 2019



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



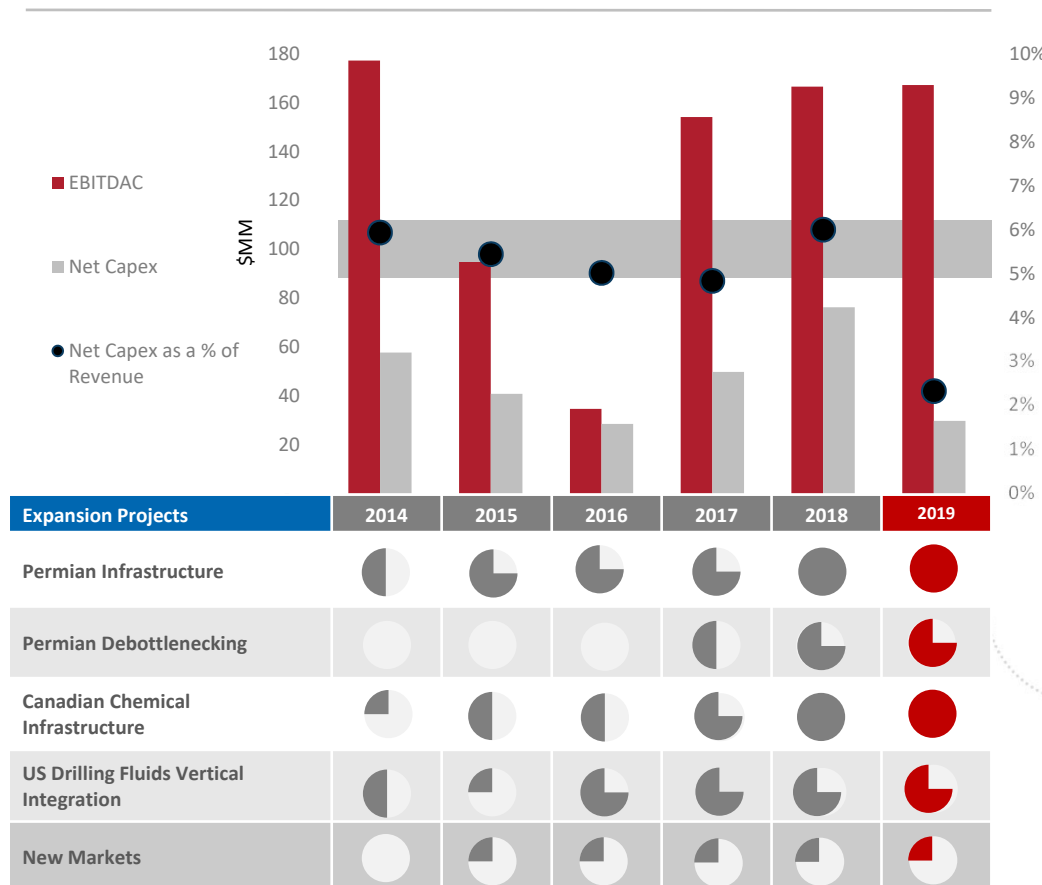
49% of top 50 public company revenue was from customers with  
**Market Capitalizations of \$10Bn to \$200Bn**



1. Source: FactSet – as at March 11, 2020

# Low Capital Intensity

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



**Significant expansion capex largely complete**

2020 capex estimated at or below  
**~C\$50 million**

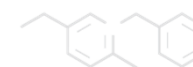
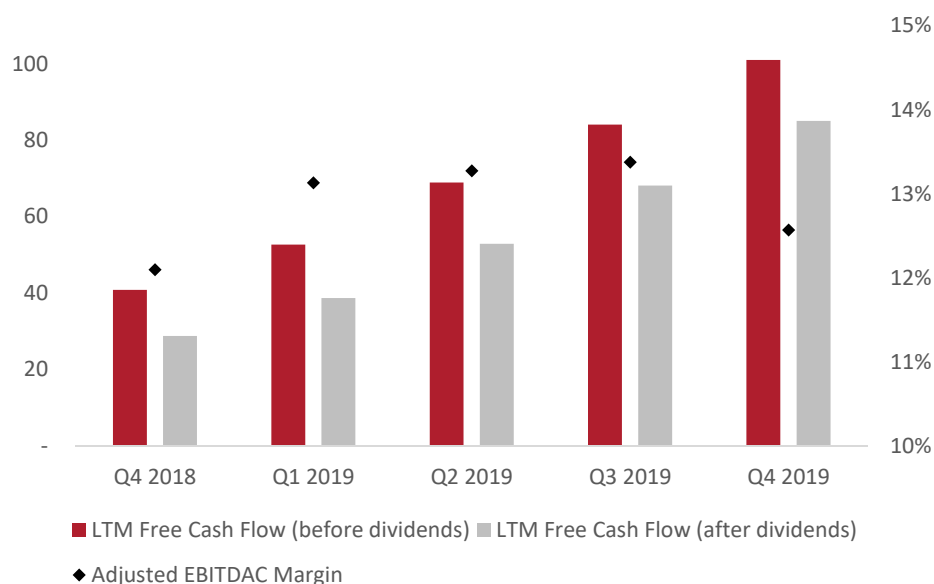
Current PP&E base operating at  
**<50% of capacity**

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

# Strong Free Cash Flow Generation & Stabilizing Margins



## Free Cash Flow<sup>1</sup> & Adjusted EBITDAC<sup>2</sup> Margin



Since 2006 IPO, ~C\$336 million in dividends paid to shareholders and grew PP&E base to ~C\$355 million<sup>3</sup>

Since July 2018, ~C\$32.7 million in share buybacks<sup>3</sup>



Asset light business model designed to generate significant free cash flow, while growth in recurring production chemical revenue stream underpins increased stability in free cash flow generation and Adjusted EBITDAC margins

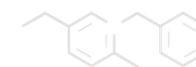
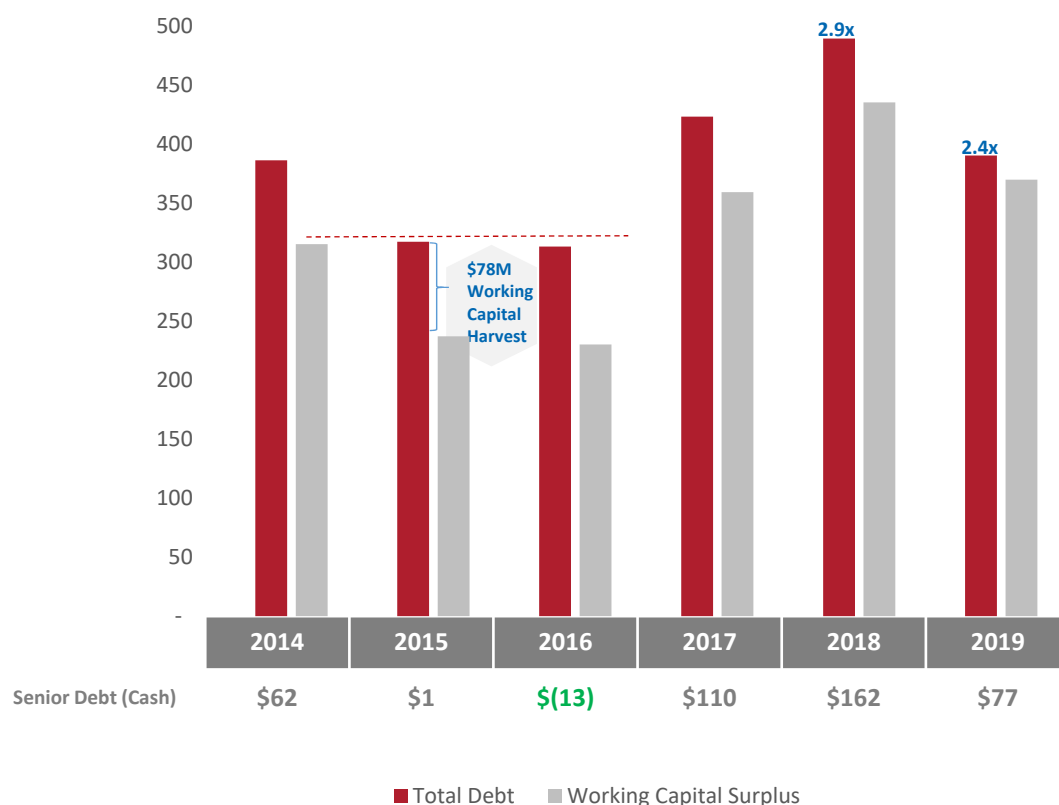
1. Free Cash Flow is calculated as Funds Flow from Operations as defined in the Company's MD&A, less interest paid, taxes paid, net maintenance capex, net expansion capex and investment intangible assets.
2. Adjusted EBITDAC as disclosed in the Company's MD&A.
3. Amounts shown are up to December 31, 2019.



# 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\$4.2 million in write-offs on C\$7.8 billion in revenue since 2009

**2.4x** Total Debt<sup>1</sup> / Adjusted EBITDAC

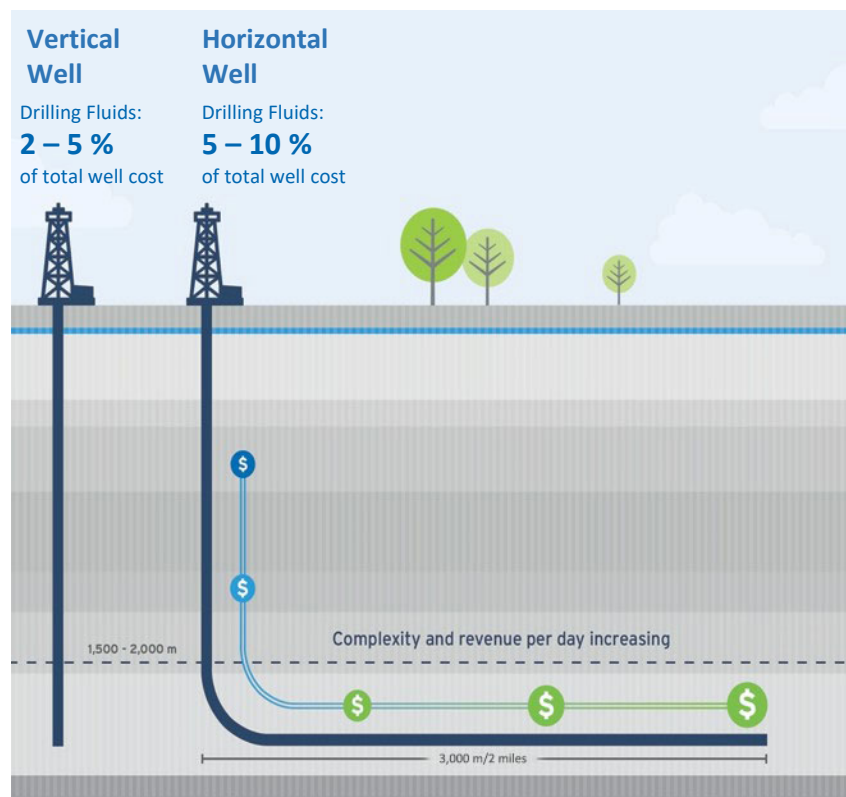
**0.1x** Total Debt<sup>1</sup> Less Working Capital / Adjusted EBITDAC

1. Total Debt is Total indebtedness as defined in the Company's MD&A, excluding the impact of IFRS 16 in 2019.

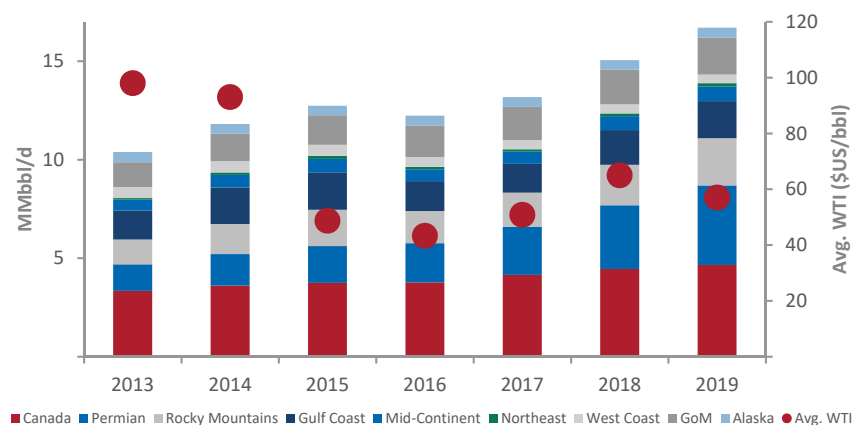
# Improving Trends and Stable End Markets



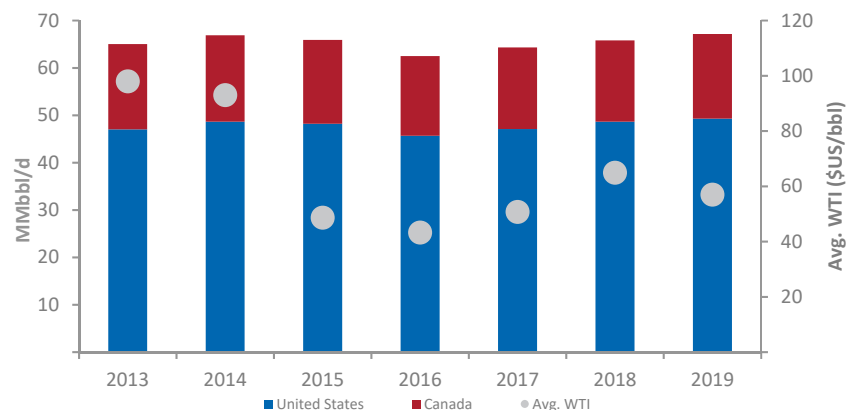
## Drilling Fluid Chemical Requirements Increasing



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



## North American Water Production<sup>2 3</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: WoodMac & Bloomberg
2. Source: IHS & GeoScout
3. 2019 data is based on the first ten months of the year

# Contact information

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# APPENDIX



# Historical Financial Information



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

	2016	2017	2018	2019
<b>Revenue</b>	\$567,726	\$1,029,640	\$1,271,051	\$1,277,257
Gross Margin	\$111,781	\$249,801	\$284,263	\$273,377
% of Revenue	20%	24%	22%	21%
Gross Margin (excluding depreciation)	\$147,560	\$287,937	\$325,548	\$325,241
% of Revenue	26%	28%	26%	25%
<b>Adjusted EBITDAC<sup>1</sup></b>	\$51,808	\$154,050	\$167,589	\$167,127
% of Revenue	9%	15%	13%	13%
<b>Cash provided by operating activities</b>	\$57,461	(\$23,291)	\$77,598	\$187,304
Adjust for: Change in non-cash operating WC	\$36,939	(\$153,455)	(\$55,133)	\$54,976
Less: Maintenance Capital Expenditures <sup>2</sup>	\$868	\$8,250	\$13,316	\$12,745
<b>Distributable Earnings</b>	\$19,654	\$121,914	\$119,415	\$119,583
Dividends paid	\$10,736	\$7,982	\$12,050	\$15,951
NCIB	\$0	\$0	\$19,532	\$13,146
Repurchase of senior unsecured notes	\$0	\$0	\$0	\$8,548
Expansion Capital Expenditures <sup>2</sup>	\$33,353	\$48,311	\$68,040	\$32,504
Interest on Debt	\$23,189	\$26,366	\$26,033	\$27,163
Debt Balance				
Senior Facility	\$0	\$109,926	\$162,036	\$77,341
High Yield Notes	\$300,000	\$300,000	\$300,000	\$290,954
Other LT debt & leases <sup>3</sup>	\$13,491	\$12,871	\$26,801	\$21,213
IFRS 16 Lease Obligations <sup>4</sup>	\$0	\$0	\$0	\$18,123
<b>Total Indebtedness</b>	\$313,491	\$422,797	\$488,837	\$407,631
Net Working Capital Surplus <sup>5</sup>	\$229,547	\$358,888	\$435,251	\$369,628
<b>Net Debt</b>	\$83,944	\$63,909	\$53,586	\$38,003
<b>Total Debt / Adjusted EBITDAC<sup>1,6</sup></b>	<b>6.1x</b>	<b>2.7x</b>	<b>2.9x</b>	<b>2.4x</b>
<b>Net Debt / Adjusted EBITDAC<sup>1,6</sup></b>	<b>1.6x</b>	<b>0.4x</b>	<b>0.3x</b>	<b>0.1x</b>
<b>Adjusted EBITDAC<sup>1</sup> / Interest on Debt</b>	<b>2.2x</b>	<b>5.8x</b>	<b>6.4x</b>	<b>6.2x</b>
<b>Dividend Payout Ratio (% of dist. cash)</b>	<b>55%</b>	<b>7%</b>	<b>10%</b>	<b>13%</b>

- Adjusted EBITDAC is defined as net income before interest, taxes, depreciation and amortization, goodwill impairment, finance costs, stock-based compensation and other gains and losses not considered reflective of underlying operations, adjusted for specific items that are considered non-recurring in nature.
- Historical capital spend shown net of amounts financed through lease arrangements.
- 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.
- IFRS 16 Lease Obligations represent the total incremental lease obligation recognized as at December 31, 2019 due to the adoption of IFRS 16 on January 1, 2019.
- Net Working Capital Surplus calculated as current assets less current liabilities (excluding current portion of LT debt and finance lease obligations).
- Total Debt figure used in leverage ratio calculations exclude the \$18.1 million impact as at December 31, 2019 related to the adoption of IFRS 16 on January 1, 2019.

# Free Cash Flow Calculation



(C\$000's)

	LTM Q4 2018	LTM Q1 2019	LTM Q2 2019	LTM Q3 2019	LTM Q4 2019
Cash provided by operating activities	77,598	105,858	119,719	162,052	187,304
Change in non-cash working capital	55,133	29,083	14,575	(29,559)	(54,976)
Funds Flow from Operations	132,731	134,941	134,294	132,493	132,328
Add back:					
Finance costs	26,359	28,400	30,025	29,528	27,999
Current taxes	3,829	3,400	3,519	3,367	3,784
	30,188	31,800	33,544	32,895	31,783
Deduct:					
Net interest paid	26,109	27,324	28,111	29,330	27,383
Net cash taxes (paid) received	1,470	2,520	3,237	3,482	3,556
Net maintenance capex <sup>1</sup>	12,056	9,433	9,652	3,930	1,098
Net expansion capex <sup>1</sup>	73,902	69,047	53,918	41,666	28,622
Intangible capex	8,597	5,751	4,030	2,905	2,469
	122,134	114,074	98,948	81,313	63,127
<b>Free Cash Flow (before dividends)</b>	<b>40,785</b>	<b>52,667</b>	<b>68,890</b>	<b>84,075</b>	<b>100,984</b>
Dividends paid	12,050	14,028	16,012	15,977	15,951
<b>Free Cash Flow (after dividends)</b>	<b>28,735</b>	<b>38,639</b>	<b>52,878</b>	<b>68,098</b>	<b>85,033</b>

1. Shown net of proceeds on disposal of property & equipment, and insurance proceeds on replacement property & equipment. Includes repayment of finance leases