Calfrac Provides Operational and Financial Update for Third Quarter of 2022

September 13, 2022

CALGARY, AB, Sept. 13, 2022 /CNW/ - **Calfrac Well Services Ltd. ("Calfrac" or "the Company")** (TSX: CFW) is pleased to provide an operational and financial update for the third quarter of 2022 for its continuing operations in the United States, Canada, and Argentina.

THIRD QUARTER OPERATIONAL UPDATE FOR CONTINUING OPERATIONS

Since the end of the second quarter, the Company has experienced improved utilization throughout all service lines in North America and Argentina. Coupled with net price increases, Calfrac anticipates third-quarter revenue and Adjusted EBITDA to deliver significant year-over-year growth.

UNITED STATES

The Company continues to execute at a high level and provide top-tier service quality to its clients which is expected to drive margin expansion and very strong financial performance in the third quarter. The pricing environment for the United States pressure pumping sector effectively captures inflationary input costs and is beginning to produce a return on capital employed that approximates the value of services provided.

CANADA

The Company began the third quarter with improved pricing and anticipates better utilization of its four fracturing fleets and five coiled tubing units during the quarter as compared to the first quarter of the year. Calfrac continues to leverage its dual fuel fracturing fleets and logistical expertise to service its customers' operational needs while, at the same time, meeting their ESG objectives. As pricing catches up to the evolving scope of work requirements, the Company anticipates that its safe and efficient execution will result in profitability growth.

ARGENTINA

The Company expects that significantly improved utilization in the Vaca Muerta shale play stemming from a renewed contract for a dedicated fracturing fleet will generate improved financial results in the third quarter. During this past month, Calfrac set a divisional record for operational efficiency by pumping 19 hours in a day and is consistently pumping greater than 16 hours per day. The Company's strong market position in Argentina supports Calfrac's ability to generate enhanced financial returns.

FINANCIAL RESULTS FOR CONTINUING OPERATIONS – IMPROVING OUTLOOK

Although the third quarter of 2022 has not yet finished, Calfrac's management expects its third-quarter revenue from continuing operations in the United States, Canada, and Argentina to range between $400.0 million and $430.0 million, Adjusted EBITDA from continuing operations to range between $75.0 million and $85.0 million, and Adjusted EBITDA margin from continuing operations to range between 19% and 20%. These financial projections could be affected by external factors that are outside of the Company's control, such as adverse weather conditions, inflation, and changes in its clients' schedules.

By comparison, Calfrac generated revenue from continuing operations of $318.5 million and Adjusted EBITDA from continuing operations of $39.3 million (Adjusted EBITDA margin of 12%) in the second quarter of 2022. Calfrac generated revenue from continuing operations of $262.9 million and Adjusted EBITDA from continuing operations of $29.8 million (Adjusted EBITDA margin of 11%) in the third quarter of 2021.

Adjusted EBITDA and Adjusted EBITDA margin are non-GAAP financial measures that do not have a standardized meaning and are not consistently defined among issuers. See "Non-GAAP Measures" below.

FOURTH-QUARTER OUTLOOK FOR CONTINUING OPERATIONS

Calfrac anticipates improved utilization during the fourth quarter versus the previous year as the supportive commodity price environment and balanced fracturing market in North America motivates operators to maintain their pace of development. The Company will continue its stringent focus on cost management and will strive to adjust pricing, as necessary, to enable it to reinvest in equipment and generate sustainable long-term returns to shareholders.

The Company believes that this upcycle remains in the early stages, as labor and supply chain constraints continue to limit widespread growth in pressure pumping supply. As demand for Calfrac's services increases, the Company will evaluate opportunities to profitably reactivate fracturing crews into its North American operations.

BALANCE SHEET UPDATE

Concurrent with the improvement in profitability, Calfrac's Total Debt to consolidated trailing twelve month Adjusted EBITDA ratio continues to trend lower and is expected to decrease to below 2.75 to 1.00 at the end of the third quarter (see "Non-GAAP Measures" below). Deleveraging the balance sheet remains a key priority for the Company and a primary method to return value to its shareholders. The Company has initiated discussions on the renewal of its credit facilities with its syndicate of lenders and expects to have this extension completed before the end of September.

CEO'S COMMENTS

Calfrac's Chief Executive Officer, Pat Powell commented: "I am proud of the performance of our operating and corporate teams who work hard every day and exhibit the Company's brand promise. These improved results are, of course, partially related to the improvement in pressure pumping fundamentals but would not be possible without our employees' commitment to doing the job safely, right, and profitably."

Calfrac's objective is to create value for its stakeholders by prioritizing the following:

Aligning with key customers in growing markets in North America and Argentina who value its operational expertise and share its commitment for safe and efficient job execution

Reactivating idle fleets into profitable areas to generate additional free cash flow

Deleveraging the balance sheet

CORPORATE PRESENTATION

Calfrac's latest Corporate Presentation can be found in the Investors section of the Company's website and by clicking the following link: https://calfrac.investorroom.com/presentations-events

NON-GAAP MEASURES

Adjusted EBITDA, Adjusted EBITDA margin, and Total Debt to consolidated trailing twelve month Adjusted EBITDA do not have any standardized meaning under International Financial Reporting Standards and are non-GAAP financial measures. These measures are described and presented to provide readers with additional information regarding the Company's financial results, liquidity and ability to generate funds to finance its operations. These measures may not be comparable to similar measures presented by other entities and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. Adjusted EBITDA is defined as net income or loss for the period adjusted for interest, income taxes, depreciation and amortization, unrealized foreign exchange losses (gains), non-cash stock-based compensation, and gains and losses that are extraordinary or non-recurring. Adjusted EBITDA margin is the ratio of Adjusted EBITDA to revenue for the period expressed as a percentage. Total Debt for the purposes of the Company's Total Debt to consolidated trailing twelve month Adjusted EBITDA calculation includes bank loans and long-term debt (before unamortized debt issuance costs and debt discount) plus outstanding letters of credit and is reduced by cash on hand with Calfrac's lenders. Adjusted EBITDA for the purposes of this ratio includes the results of the Company's Russian operations. These non-GAAP measures should be read in conjunction with the Company's quarterly financial statements and annual financial statements and the accompanying notes thereto.

A quantitative reconciliation of Adjusted EBITDA from continuing operations to net loss (a GAAP measure) for the second quarter of 2022 can be found under the heading "Non-GAAP Measures" in Calfrac's management discussion and analysis for the three and six months ended June 30, 2022 dated August 2, 2022, which are available at www.sedar.com and are incorporated herein by reference. Calfrac's net loss for the second quarter of 2022 was $6.8 million.

A quantitative reconciliation of Adjusted EBITDA to net loss (a GAAP measure) for the third quarter of 2021 can be found in under the heading "Non-GAAP Measures" in Calfrac's management discussion and analysis for the three and nine months ended September 30, 2021 dated November 5, 2021, which are available at www.sedar.com and are incorporated herein by reference. Calfrac's net loss for the third quarter of 2021 (inclusive of operations from Russia, which were subsequently discontinued and are held for sale) was $1.5 million. Adjusted EBITDA from continuing operations for the third quarter of 2021 excludes Adjusted EBITDA attributable to discontinued operations of $5.8 million.

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Calfrac's common shares and warrants are publicly traded on the Toronto Stock Exchange under the trading symbols "CFW" and "CFW.WT", respectively.

Calfrac provides specialized oilfield services to exploration and production companies designed to increase the production of hydrocarbons from wells with continuing operations focused throughout western Canada, the United States and Argentina. During the first quarter of 2022, management committed to a plan to sell its Russian division, resulting in the associated assets and liabilities being classified as held for sale and presented in the Company's financial statements as discontinued operations. The results of the Company's discontinued operations are excluded from the discussion and figures presented above unless otherwise noted. See Note 3 to the Company's consolidated interim financial statements for the three and six months ended June 30, 2022 for additional information on the Company's discontinued operations.

This press release contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information or statements. More particularly and without limitation, this press release contains forward-looking statements and information relating to the activity, utilization and outlook for Calfrac's operating divisions in Canada, the United States and Argentina in the third and fourth quarter of 2022; the supply and demand fundamentals and prospects for the pressure pumping industry; input costs, margin and service pricing trends and strategies; the Company's service quality and execution; operating and financing strategies, performance, priorities, metrics and estimates; preliminary estimates of Calfrac's revenue, Adjusted EBITDA and Adjusted EBITDA margin for continuing operations for the three months ended September 30, 2022; the trend for and expected reduction of Calfrac's Total Debt to consolidated trailing twelve month Adjusted EBITDA ratio as of September 30, 2022; the anticipated renewal of the Company's credit facilities, and the Company's expectations and intentions with respect to the foregoing. Calfrac's financial statements for the three months ended September 30, 2022 are not yet complete. Accordingly, the Company is presenting preliminary estimates of certain financial information for the three months ended September 30, 2022. These estimates are preliminary and unaudited and are inherently uncertain and subject to change as Calfrac completes its financial statements for the three months ended September 30, 2022. Given the timing of these estimates, the Company has not completed its customary financial closing and review procedures as of and for the three months ended September 30, 2022, and there can be no assurance that Calfrac's final results for the three months ended September 30, 2022 will not differ from the preliminary estimates set forth in this press release.

These forward-looking statements and information are based on certain key expectations and assumptions made by Calfrac in light of its experience and perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances, including, but not limited to, the following: the economic and political environment in which the Company operates, including the anticipated impacts of inflation on the Company's operations and demand for its services; the Company's expectations for its current and prospective customers' capital budgets, schedule and geographical areas of focus; the seasonal weather patterns affecting the Company's operations; industry equipment levels; the effect of competition on the Company's ability to retain current clients and obtain new ones; the effect of environmental, social and governance factors on customer and investor preferences and capital deployment; the Company's existing contracts and the status of current negotiations with key customers and suppliers; the continued effectiveness of cost reduction measures instituted by the Company; the Company's ability to obtain and retain qualified staff; the Company's future capital expenditures and sources of financing thereof; the effect of the military conflict in the Ukraine and related Canadian, U.S. and international sanctions involving Russia and counter-sanctions by Russia on the broader markets for the Company's services; and the likelihood that the current tax and regulatory regime will remain substantially unchanged.

This press also release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about the Company's anticipated third quarter revenues, Adjusted EBITDA, Adjusted EBITDA margin and Total Debt to consolidated trailing twelve month Adjusted EBITDA, which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth in the above paragraphs. The Company's actual results of operations and the resulting financial results will likely vary from the amounts set forth in this press release and such variation may be material. The Company and its management believe that the FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgments as of the date hereof; however, because this information is subjective and subject to numerous risks, it should not be relied on as necessarily indicative of future results.

The forward-looking statements and information (including FOFI) contained in this press release speak only as of the date hereof and Calfrac does not undertake any obligation to update publicly or revise any such forward-looking statements or information, whether due to new information, future events or otherwise, unless so required by applicable securities laws. The Company's actual results could also differ materially from those anticipated in these forward-looking information and statements (including FOFI) due to the risk factors set forth under the heading "Risk Factors" in Calfrac's Annual Information Form for the year ended December 31, 2021 dated March 18, 2022 and under the heading "Business Risks" in Calfrac's Management's Discussion and Analysis for the year ended December 31, 2021 dated March 18, 2022, which are available at www.sedar.com and are incorporated herein by reference.

SOURCE Calfrac Well Services Ltd.

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