Calfrac Announces Fourth Quarter Results

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CALGARY, AB, March 16, 2022 /CNW/ - **Calfrac Well Services Ltd. ("Calfrac" or "the Company")** (TSX: CFW) announces its financial and operating results for the three months and years ended December 31, 2021.

HIGHLIGHTS

	Three Months Ended December 31,			Years Ended December 31,		
	2021	2020	Change	**2021**	2020	Change
(C$000s, except per share and unit data) (unaudited)	***($)***	*($)*	*(%)*	***($)***	*($)*	*(%)*
Revenue	**257,755**	180,722	43	**1,002,395**	705,436	42
Operating income [1]	**9,098**	15,597	(42)	**63,704**	21,997	190
Per share – basic[2]	**0.24**	1.91	(87)	**1.70**	5.21	(67)
Per share – diluted[2]	**0.11**	0.27	(59)	**0.76**	0.41	85
Adjusted EBITDA[1]	**9,469**	13,715	(31)	**61,379**	23,809	158
Per share – basic[2]	**0.25**	1.68	(85)	**1.63**	5.64	(71)
Per share – diluted[2]	**0.11**	0.24	(54)	**0.73**	0.44	66
Net (loss) income	**(28,318)**	125,897	NM	**(82,812)**	(324,235)	(74)
Per share – basic[2]	**(0.75)**	15.43	NM	**(2.21)**	(76.78)	(97)
Per share – diluted[2]	**(0.75)**	2.19	NM	**(2.21)**	(76.78)	(97)
Working capital (end of period)				**170,737**	161,448	6
Total equity (end of period)				**328,840**	410,234	(20)
Weighted average common shares outstanding (000s)						
Basic[2]	**37,680**	8,158	362	**37,544**	4,223	789
Diluted[2]	**84,495**	57,598	47	**83,687**	54,234	54

(1) *Refer to "Non-GAAP Measures" on pages 12 and 13 for further information.*

(2) *Comparative amounts were adjusted to reflect the Company's fifty-to-one common share consolidation that occurred on December 18, 2020.*

PRESIDENT'S MESSAGE

Calfrac's President and Chief Operating Officer, Lindsay Link commented: "The dedicated Calfrac team responded to the challenges in 2021 by focusing on service quality and safety. As a result, the Company continued to maintain its strong safety performance in 2021 while rehiring a significant number of employees following the Covid-19 downturn, and achieved one of the lowest total recordable incident rate in the Company's history. The outlook for the Company continues to progress, especially in North America, and Calfrac anticipates significant year-over-year improvement in its consolidated financial performance."

FOURTH QUARTER 2021 OVERVIEW

In the fourth quarter of 2021, the Company:

- generated revenue of $257.8 million, an increase of 43 percent from the fourth quarter in 2020 resulting primarily from improved activity in North America and Argentina;
- increased the Company's total revolving credit facility capacity from $225.0 million to $250.0 million;
- reported adjusted EBITDA of $9.5 million versus $13.7 million in the fourth quarter of 2020;
- reported a net loss of $28.3 million or $0.75 per share diluted, compared to a net income of $125.9 million or $2.19 per share diluted in 2020, which included a gain on the settlement of debt of $226.3 million and a deferred income tax expense of $54.2 million;

- reported period-end working capital of $170.7 million versus $161.4 million at December 31, 2020; and
- incurred capital expenditures of $15.8 million primarily to support the Company's United States fracturing operations.

Subsequent to the end of 2021, the Company negotiated additional waivers and amendments to its revolving credit facilities in order to fund expected future working capital requirements in North America. The waivers and amendments included the following:

i. The Company's Funded Debt to Adjusted EBITDA covenant was waived for the quarter ended December 31, 2021, and has been increased to 3.75x for the quarter ended March 31, 2022;

ii. The minimum $15.0 million liquidity requirement was temporarily waived until March 15, 2022 and reinstated through to June 30, 2022;

iii. G2S2 Capital Inc. (G2S2) was added as a lender to permit the incurrence of a secured bridge loan from G2S2 under the credit agreement, with such debt being excluded from the definitions of Funded Debt, Total Debt and Current Liabilities for the purposes of financial covenant calculations; and

iv. The eligible portion of the net book value of property, plant and equipment (PP&E) for the purposes of the borrowing base calculation was increased from 25 percent to 35 percent, subject to a maximum contribution of $150.0 million.

Additionally, the Company executed a secured bridge loan with G2S2, a company controlled by George Armoyan, in order to fund its short-term working capital requirements. As of March 15, 2022, the Company had drawn $15.0 million on the loan and can request further draws up to an additional $10.0 million, for maximum proceeds of $25.0 million, at an interest rate of 8.0 percent. The loan is repayable on April 29, 2022, with the option to extend the loan for a period of 60 days upon the consent of G2S2.

CONSOLIDATED HIGHLIGHTS

Three Months Ended December 31,	**2021**	2020	Change
(C$000s, except operational information) (unaudited)	***($)***	*($)*	*(%)*
Revenue	**257,755**	180,722	43
Expenses			
Operating	**235,232**	154,582	52
Selling, general and administrative (SG&A)	**13,425**	10,543	27
	248,657	165,125	51
Operating income [(1)]	**9,098**	15,597	(42)
Operating income (%)	**3.5**	8.6	(59)
Adjusted EBITDA[(1)]	**9,469**	13,715	(31)
Adjusted EBITDA (%)	**3.7**	7.6	(51)
Fracturing revenue per job ($)	**34,826**	33,022	5
Number of fracturing jobs	**6,548**	4,887	34
Active pumping horsepower, end of period (000s)	**1,020**	902	13
Idle pumping horsepower, end of period (000s)	**337**	443	(24)
Total pumping horsepower, end of period (000s)	**1,357**	1,345	1
Coiled tubing revenue per job ($)	**18,237**	33,754	(46)
Number of coiled tubing jobs	**782**	354	121
Active coiled tubing units, end of period (#)	**17**	17	—
Idle coiled tubing units, end of period (#)	**10**	10	—
Total coiled tubing units, end of period (#)	**27**	27	—
Cementing revenue per job ($)	**83,848**	43,697	92
Number of cementing jobs	**123**	85	45
Active cementing units, end of period (#)	**10**	12	(17)
Idle cementing units, end of period (#)	**5**	4	25
Total cementing units, end of period (#)	**15**	16	(6)

(1) Refer to "Non-GAAP Measures" on pages 12 and 13 for further information.

Revenue in the fourth quarter of 2021 was $257.8 million, an increase of 43 percent from the same period in 2020. The improved revenue was mainly due to the fracturing job count increasing by 34 percent, resulting primarily from higher activity in all operating divisions. Fracturing revenue per job was consistent with the comparable quarter in 2020. Coiled tubing activity increased by 121 percent partially due to the type of work being completed in Canada, Russia and Argentina, which was at a lower revenue per job. Cementing activity in Argentina improved significantly as activity and job sizes increased from the comparable period in 2020.

Calfrac reported Adjusted EBITDA of $9.5 million for the fourth quarter of 2021, a decrease from $13.7 million in the comparable period in 2020. The decrease was primarily due to lower utilization in Russia during the quarter resulting from unplanned downtime for 11 days in December and lower operating margins in Canada due in part, to reactivation costs that were incurred during the quarter in advance of an expected active first quarter in 2022 combined with higher fuel and product costs.This decrease was offset partially by higher equipment utilization in the United States and Argentina as compared to the prior year.

The net loss was $28.3 million or $0.75 per share diluted compared to net income of $125.9 million or $2.19 per share diluted in the same period last year, which included a gain on the settlement of debt of $226.3 million and a deferred income tax expense of $54.2 million.

Three Months Ended	**December 31, 2021**	September 30, 2021	Change
(C$000s, except operational information) (unaudited)	***($)***	*($)*	*(%)*
Revenue	**257,755**	295,754	(13)
Expenses			

Operating	**235,232**	249,196	(6)
SG&A	**13,425**	10,935	23
	248,657	260,131	(4)
Operating income[1]	**9,098**	35,623	(74)
Operating income (%)	**3.5**	12.0	(71)
Adjusted EBITDA[1]	**9,469**	35,581	(73)
Adjusted EBITDA (%)	**3.7**	12.0	(69)
Fracturing revenue per job ($)	**34,826**	32,885	6
Number of fracturing jobs	**6,548**	8,174	(20)
Active pumping horsepower, end of period (000s)	**1,020**	976	5
Idle pumping horsepower, end of period (000s)	**337**	383	(12)
Total pumping horsepower, end of period (000s)	**1,357**	1,359	—
Coiled tubing revenue per job ($)	**18,237**	23,629	(23)
Number of coiled tubing jobs	**782**	653	20
Active coiled tubing units, end of period (#)	**17**	16	6
Idle coiled tubing units, end of period (#)	**10**	11	(9)
Total coiled tubing units, end of period (#)	**27**	27	—
Cementing revenue per job ($)	**83,848**	52,203	61
Number of cementing jobs	**123**	113	9
Active cementing units, end of period (#)	**10**	10	—
Idle cementing units, end of period (#)	**5**	6	(17)
Total cementing units, end of period (#)	**15**	16	(6)

(1) Refer to "Non-GAAP Measures" on pages 12 and 13 for further information.

Fourth-quarter revenue in 2021 of $257.8 million represented an decrease of 13 percent from the third quarter of 2021, primarily due to lower fracturing activity in North America and Russia. Revenue per fracturing job was 6 percent higher than the third quarter of 2021 due to pricing increases in the United States and the completion of larger jobs in Argentina.

In Canada, revenue decreased by 12 percent from the third quarter to $67.3 million in the fourth quarter due to lower activity in December as customers exhausted their capital budgets. Calfrac also increased its marketed asset base to four large fracturing fleets and activated a fifth coiled tubing unit in advance of activity in the first quarter in 2022. These activations resulted in $0.8 million of additional costs during the fourth quarter. Operating income as a percentage of revenue was 7 percent, compared to 20 percent in the third quarter.

In the United States, revenue in the fourth quarter of 2021 was $110.6 million, a 20 percent decline from the third quarter of 2021. The fourth quarter began strong with consistent activity and the benefit of pricing increases that were implemented during the third quarter, however, activity with key customers slowed in late November and December, resulting in reduced utilization for its fleets. Operating income was $2.1 million in the fourth quarter compared to $13.8 million in the third quarter of 2021.

In Russia, revenue of $28.1 million in the fourth quarter of 2021 was 15 percent lower on a sequential basis due to lower than expected fracturing equipment utilization as operations were suspended for 11 days in December due to the inability of the customer to supply proppant during that time period. Operating income decreased by $4.3 million primarily due to the lower utilization in December.

In Argentina, revenue in the fourth quarter of 2021 increased to $51.7 million from $48.0 million in the third quarter. The ongoing improvement in operating conditions resulted in a sequential increase in overall activity particularly for the Company's cementing operations. Operating income increased from $6.4 million in the third quarter of 2021 to $6.9 million in the fourth quarter.

On a consolidated basis, Adjusted EBITDA of $9.5 million for the fourth quarter of 2021 decreased from $35.6 million in the third quarter of 2021, primarily due to lower utilization in North America due to an early shutdown of operations prior to the end of the year and unexpected operational delays in Russia.

BUSINESS UPDATE AND OUTLOOK

A prolonged period of underinvestment in the upstream sector, in combination with a rebound in demand as Covid-19 related restrictions have been reduced, has resulted in a significant increase in crude oil and natural gas prices. This stronger commodity price environment provides the foundation for higher demand for Calfrac's services moving forward. The Company's positive momentum from the third quarter continued into the fourth quarter of 2021 but paused towards year-end due to normal seasonality combined with customer budget exhaustion. Calfrac expects to utilize its industry expertise to drive improved financial results on a sequential basis while positioning the Company to capitalize on a tightening oilfield services market and meaningfully increase its overall financial performance in 2022.

CANADA

Calfrac's Canadian division anticipates a strong first quarter for its four large fracturing fleets. The high level of activity is expected to continue into the second half of the year, after the seasonal break-up, leading to improved year-over-year financial performance. This strength in demand highlights the need for E&P companies to align with quality service providers that can safely and efficiently execute on their capital programs. In recent years, the pricing for the pressure pumping sector has been unsustainably low and did not generate a sufficient return on capital employed. Calfrac anticipates that a tightening services market in Canada will provide the opportunity to significantly increase its prices in order to reflect the appropriate value of its services. The Company achieved modest price improvements during 2021, but upward pricing pressures for trucking, fuel, chemicals, and sand were significant and continue to persist. Calfrac believes the pressure pumping sector in 2022 willincrease service prices that outpace cost inflation and enable the industry to begin delivering acceptable returns on investment.

UNITED STATES

As expected, the Company's United States operations experienced a delayed start to 2022 in one of its operating districts, but still expects to deliver improved sequential performance during the first quarter. As momentum continues to build, Calfrac anticipates a significant increase in financial performance during 2022 driven by high utilization for its nine operating fracturing fleets combined with the continuation of service price appreciation that commenced in the second half of 2021. While the Company continues to pass along inflationary cost increases, Calfrac has been successful in improving utilization as well as net service pricing during the past few months. Calfrac is committed to partnering with customers to combine safe and efficient operations with optimal scheduling management in order to produce sustainable full cycle returns to the benefit of its customers and Calfrac's stakeholders.

RUSSIA

The ongoing conflict between Russia and Ukraine has added a level of risk and uncertainty around the Company's operations in Russia.

As a result of this dynamic situation, Calfrac is currently evaluating the options for its Russian operations. The Company expects that it will have more to discuss in conjunction with the reporting of its first-quarter results in early May.

ARGENTINA

Calfrac's operations in Argentina delivered a significant year-over-year increase in profitability mainly due to strong equipment utilization in the Vaca Muerta shale play. The Company expects the operating cadence that was achieved in the second half of 2021 to continue throughout 2022 and drive strong levels of financial performance.

CORPORATE

Given the expected growth in activity in North America during 2022, the Company amended its credit facility agreement with its lending syndicate in order to provide the necessary liquidity to fund increasing working capital requirements for its operations. Calfrac's continued focus is to optimize capital allocation and operating efficiencies in order to maximize its operating cash flow, and dedicate any excess free cash flow to debt repayment. The Company will not consider any additional fleet reactivation or growth investments until financial returns exceed internal benchmarks that properly account for macroeconomic, industry and operation-specific risk factors.

LIQUIDITY AND CAPITAL RESOURCES

	Years Ended Dec. 31,	
	2021	2020
(C$000s)	***($)***	*($)*
(unaudited)		
Cash provided by (used in):		
Operating activities	**(15,337)**	24,520
Financing activities	**45,852**	8,602
Investing activities	**(61,294)**	(42,518)
Effect of exchange rate changes on cash and cash equivalents	**(402)**	(3,336)
Decrease in cash and cash equivalents	**(31,181)**	(12,732)

OPERATING ACTIVITIES

The Company's cash used in operating activities for the year ended December 31, 2021 was $15.3 million versus cash provided of $24.5 million in 2020. The decrease in cash from operations was primarily due to a larger outflow of cash from working capital during the period. In 2021, $50.1 million of cash was used to fund the Company's working capital requirements versus providing $4.6 million of cash in 2020. At December 31, 2021, Calfrac's working capital was $170.7 million compared to $161.4 million at December 31, 2020.

FINANCING ACTIVITIES

Net cash provided by financing activities for the year ended December 31, 2021 was $45.9 million compared to net cash provided of $8.6 million in 2020. During 2021, the Company borrowed $53.5 million on a net basis under its credit facilities, paid lease principal payments of $7.8 million and received proceeds of $0.2 million from the exercise of a portion of the Company's outstanding warrants.

On June 30, 2021, the Company amended its revolving credit facility agreement, which is available on SEDAR, to reduce its total facility capacity from $290.0 million to $225.0 million and extended the maturity date to July 1, 2023. On November 25, 2021, the Company further amended its revolving credit facility agreement to increase its total facility capacity to $250.0 million.

The facilities consist of an operating facility of $45.0 million and a syndicated facility of $205.0 million. The Company's credit facilities mature on July 1, 2023, and can be extended by one or more years at the Company's request and lenders' acceptance. The Company may also prepay principal without penalty. The interest rates are based on the parameters of certain bank covenants. For prime-based loans and U.S. base-rate loans, the rate ranges from prime or U.S. base rate plus 1.00 percent to prime plus 3.50 percent. For LIBOR-based loans and bankers' acceptance-based loans, the margin thereon ranges from 2.00 percent to 4.50 percent above the respective base rates. The Company incurs interest at the high end of the ranges outlined above during the Covenant Relief Period or if its net Total Debt to Adjusted EBITDA ratio is above 4.00:1.00. Additionally, in the event that the Company's net Total Debt to Adjusted EBITDA ratio is above 5.00:1.00 and also during the Covenant Relief Period, certain restrictions apply including the following, among others: (a) acquisitions are subject to consent of the lenders; (b) distributions are restricted other than those relating to the Company's equity compensation plans; (c) no increase in the rate of dividends are permitted; and (d) additional permitted debt is restricted to $5.0 million, subject to certain exceptions. As at December 31, 2021, the Company's net Total Debt to Adjusted EBITDA ratio exceeded the 5.00:1.00 threshold.

At December 31, 2021, the Company had used $0.9 million of its credit facilities for letters of credit and had $190.0 million of borrowings under its credit facilities, and $1.4 million of bank overdraft. The Company's credit facilities are subject to a monthly borrowing base, which at December 31, 2021 was $217.1 million. Under the terms of the Company's amended credit facility agreement, Calfrac must maintain a minimum liquidity amount of $15.0 million during the Covenant Relief Period.

The Company's credit facilities contain certain financial covenants. As per the amended credit facility agreement, the Company's Funded Debt to Adjusted EBITDA covenant was waived for the quarter ended December 31, 2021, and is 3.75x for the quarter ended March 31, 2022 and 3.00x for each quarter end thereafter. As shown in the table below, the Company was in full compliance with its financial covenants associated with its credit facilities as at December 31, 2021.

	Covenant	**Actual**
As at December 31,	2021	**2021**
Working capital ratio not to fall below	1.15x	**2.40x**
Funded Debt to Adjusted EBITDA not to exceed[(1)(2)]	N/A	**3.83x**
Funded Debt to Capitalization not to exceed[(1)(3)]	0.30x	**0.27x**

(1) Funded Debt is defined as Total Debt excluding all outstanding 10.875% second lien senior notes due 2026 (Second Lien Notes), 1.5 lien senior secured convertible PIK notes due 2023 (1.5 Lien Notes), the G2S2 Loan and lease obligations. Total Debt includes bank loans and long-term debt (before unamortized debt issuance costs and debt discount) plus outstanding letters of credit. For the purposes of the Total

Debt to Adjusted EBITDA ratio, the Funded Debt to Capitalization Ratio and the Funded Debt to Adjusted EBITDA ratio, the amount of Total Debt or Funded Debt, as applicable, is reduced by the amount of cash on hand with lenders (excluding any cash held in a segregated account for a specified purpose, including a potential equity cure).

(2) *Adjusted EBITDA is defined as net income or loss for the period adjusted for interest, taxes, depreciation and amortization, non-cash stock-based compensation, and gains and losses that are extraordinary or non-recurring.*

(3) *Capitalization is Total Debt plus equity.*

INVESTING ACTIVITIES

Calfrac's net cash used for investing activities was $61.3 million for the year ended December 31, 2021 versus $42.5 million in 2020. Cash outflows relating to capital expenditures were $63.4 million for the year ended December 31, 2021 compared to $46.2 million in 2020.

EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS

The effect of changes in foreign exchange rates on the Company's cash and cash equivalents during the year ended December 31, 2021 was a loss of $0.4 million versus a loss of $3.3 million in 2020. These losses relate to movements of cash and cash equivalents held by the Company in a foreign currency during the period.

With its working capital position, available credit facilities, remaining availability under the G2S2, access to capital markets and anticipated funds provided by operations, the Company expects to have adequate resources to fund its financial obligations and planned capital expenditures for 2022 and beyond.

At December 31, 2021, the Company had a bank overdraft position of $1.4 million.

FINANCIAL OVERVIEW – THREE MONTHS ENDED DECEMBER 31, 2021 VERSUS 2020

CANADA

Three Months Ended December 31,	**2021**	2020	Change
(C$000s, except operational information) *(unaudited)*	***($)***	*($)*	*(%)*
Revenue	**67,334**	53,347	26
Expenses			
Operating	**60,755**	42,403	43
SG&A	**1,809**	1,870	(3)
	62,564	44,273	41
Operating income[1]	**4,770**	9,074	(47)
Operating income (%)	**7.1**	17.0	(58)
Fracturing revenue per job ($)	**23,259**	28,525	(18)
Number of fracturing jobs	**2,630**	1,697	55
Active pumping horsepower, end of period (000s)	**227**	202	12
Idle pumping horsepower, end of period (000s)	**43**	73	(41)
Total pumping horsepower, end of period (000s)	**270**	275	(2)
Coiled tubing revenue per job ($)	**16,009**	19,894	(20)
Number of coiled tubing jobs	**382**	242	58
Active coiled tubing units, end of period (#)	**8**	8	—
Idle coiled tubing units, end of period (#)	**5**	5	—
Total coiled tubing units, end of period (#)	**13**	13	—

[1] *Refer to "Non-GAAP Measures" on pages 12 and 13 for further information.*

REVENUE

Revenue from Calfrac's Canadian operations during the fourth quarter of 2021 was $67.3 million compared to $53.3 million in the same period of 2020 primarily due to higher activity in the Montney basin. The number of fracturing jobs increased by 55 percent from the comparable period in 2020 as a significantly improved commodity price environment resulted in an increase in drilling and completions activity in western Canada. Revenue per fracturing job was 18 percent lower than the comparable quarter due to job mix. The number of coiled tubing jobs increased by 58 percent from the fourth quarter in 2020 as more pump-down and annular work was performed. The change in job type also contributed to the 20 percent decrease in revenue per job, as the comparable quarter included a greater proportion of milling work, which generate higher margins.

OPERATING INCOME

Operating income in Canada during the fourth quarter of 2021 was $4.8 million compared to $9.1 million in the same period of 2020. The Canadian division's operating income as a percentage of revenue was 7 percent compared to 17 percent in the fourth quarter of 2020 as the Company incurred additional costs to prepare for an active first quarter in 2022. This included approximately $0.8 million of reactivation costs to increase its fracturing footprint to four large fleets and five coiled tubing units beginning in 2022. The Company also incurred additional hiring and personnel costs in advance of these additional units generating revenue. The benefit from the Canadian Emergency Wage Subsidy (CEWS) of $0.7 million was $2.1 million lower as compared to the fourth quarter of 2020 as the Company's revenue continued to improve. SG&A expense in the fourth quarter of 2021 included a $0.1 million bad debt expense while the same period in 2020 included a $0.7 million bad debt provision. Excluding these items, operating income for the fourth quarter of 2021 would have been $4.9 million or 7.3 percent versus $7.0 million or 13.1 percent in the comparable period in 2020. The decrease in operating income for the quarter, both on a total basis and as a percentage of revenue, was mainly due to higher fuel costs associated with extremely cold weather in December and higher product costs due to job mix during the quarter, combined with increased personnel costs resulting from the reinstatement of previously reduced employee salaries and benefits.

UNITED STATES

Three Months Ended December 31,	**2021**	2020	Change
(C$000s, except operational and exchange rate information) *(unaudited)*	***($)***	*($)*	*(%)*
Revenue	**110,581**	67,283	64

Expenses			
Operating	**105,395**	63,689	65
SG&A	**3,127**	2,590	21
	108,522	66,279	64
Operating income[1]	**2,059**	1,004	105
Operating income (%)	**1.9**	1.5	27
Fracturing revenue per job ($)	**36,709**	26,838	37
Number of fracturing jobs	**3,013**	2,507	20
Active pumping horsepower, end of period (000s)	**579**	516	12
Idle pumping horsepower, end of period (000s)	**294**	354	(17)
Total pumping horsepower, end of period (000s)	**873**	870	—
Active coiled tubing units, end of period (#)	**—**	—	—
Idle coiled tubing units, end of period (#)	**1**	1	—
Total coiled tubing units, end of period (#)	**1**	1	—
Active cementing units, end of period (#)	**—**	—	—
Idle cementing units, end of period (#)	**2**	3	(33)
Total cementing units, end of period (#)	**2**	3	(33)
US$/C$ average exchange rate[2]	**1.2603**	1.3030	(3)

[1] Refer to "Non-GAAP Measures" on pages 12 and 13 for further information.

[2] Source: Bank of Canada.

REVENUE

Revenue from Calfrac's United States operations increased to $110.6 million during the fourth quarter of 2021 from $67.3 million in the comparable quarter of 2020. The 64 percent increase in revenue can be attributed to a combination of a 37 percent increase in revenue per job period-over-period and a 20 percent increase in the number of fracturing jobs completed. The higher revenue per job was the result of pricing increases, mainly to pass through higher input costs to its customers, and job mix. Activity increased in all of the remaining areas where the Company operates with no activity in Texas and New Mexico as the Company exited those markets earlier in 2021.

OPERATING INCOME

The Company's United States operations generated operating income of $2.1 million during the fourth quarter of 2021 compared to $1.0 million in the same period in 2020. The slight improvement in operating income on a dollar basis was largely driven by better utilization in Colorado, offset partially by lower utilization in North Dakota as most of its customers reduced operations in December due to capital budget exhaustion. During the quarter, there were inflationary pressures experienced across most operating cost drivers that were effectively offset by pricing increases. SG&A expenses increased by 21 percent primarily due to the reinstatement of previously reduced salaries and benefits during the quarter.

RUSSIA

Three Months Ended December 31,	**2021**	2020	Change
(C$000s, except operational and exchange rate information)	***($)***	*($)*	*(%)*
(unaudited)			
Revenue	**28,094**	26,949	4
Expenses			
Operating	**25,821**	21,843	18
SG&A	**640**	660	(3)
	26,461	22,503	18
Operating income [1]	**1,633**	4,446	(63)
Operating income (%)	**5.8**	16.5	(65)
Fracturing revenue per job ($)	**60,778**	74,317	(18)
Number of fracturing jobs	**437**	324	35
Active pumping horsepower, end of period (000s)	**77**	65	18
Idle pumping horsepower, end of period (000s)	**—**	12	(100)
Total pumping horsepower, end of period (000s)	**77**	77	—
Coiled tubing revenue per job ($)	**29,509**	47,838	(38)
Number of coiled tubing jobs	**52**	60	(13)
Active coiled tubing units, end of period (#)	**4**	4	—
Idle coiled tubing units, end of period (#)	**3**	3	—
Total coiled tubing units, end of period (#)	**7**	7	—
Rouble/C$ average exchange rate[2]	**0.0173**	0.0171	1

[1] Refer to "Non-GAAP Measures" on pages 12 and 13 for further information.

[2] Source: Bank of Canada.

REVENUE

Revenue from Calfrac's Russian operations increased by 4 percent during the fourth quarter of 2021 to $28.1 million from $26.9 million in the corresponding period of 2020. The increase in revenue was attributable to a 35 percent increase in fracturing activity as the Company increased its operating footprint from four fleets in 2020 to six fleets in 2021, combined with changes in job mix as a higher percentage of multi-stage work was completed resulting in a higher number of stages completed at a lower average job size. Revenue per fracturing job decreased by 18 percent primarily due to the impact of job mix. Coiled tubing activity decreased by 13 percent as activity was concentrated on port openings rather than cleanouts during the quarter, which also resulted in a lower revenue per job.

OPERATING INCOME

The Company's Russian division generated operating income of $1.6 million during the fourth quarter of 2021 or 6 percent of revenue versus $4.4 million or 16 percent of revenue in the comparable quarter in 2020. The lower operating margin performance was primarily due to lower than expected fracturing equipment utilization as operations were suspended for 11 days in December due to the inability of the customer to supply proppant during that time period. Coiled tubing activity was comprised of lower margin work during the quarter, which had a negative impact on overall margins as a percentage of revenue.

ARGENTINA

Three Months Ended December 31,	**2021**	2020	Change
(C$000s, except operational and exchange rate information)	***($)***	*($)*	*(%)*
(unaudited)			
Revenue	**51,746**	33,143	56
Expenses			
Operating	**42,964**	26,344	63
SG&A	**1,884**	1,323	42
	44,848	27,667	62
Operating income (loss)[1]	**6,898**	5,476	26
Operating income (loss) (%)	**13.3**	16.5	(19)
Fracturing revenue per job ($)	**63,476**	60,188	5
Number of fracturing jobs	**468**	359	30
Active pumping horsepower, end of period (000s)	**137**	118	16
Idle pumping horsepower, end of period (000s)	**—**	5	NM
Total pumping horsepower, end of period (000s)	**137**	123	11
Coiled tubing revenue per job ($)	**18,999**	82,005	(77)
Number of coiled tubing jobs	**348**	52	569
Active coiled tubing units, end of period (#)	**5**	5	—
Idle coiled tubing units, end of period (#)	**1**	1	—
Total coiled tubing units, end of period (#)	**6**	6	—
Cementing revenue per job ($)	**83,848**	43,697	92
Number of cementing jobs	**123**	85	45
Active cementing units, end of period (#)	**10**	12	(17)
Idle cementing units, end of period (#)	**3**	1	200
Total cementing units, end of period (#)	**13**	13	—
US$/C$ average exchange rate[2]	**1.2603**	1.3030	(3)

[1] Refer to "Non-GAAP Measures" on pages 12 and 13 for further information.

[2] Source: Bank of Canada.

REVENUE

Calfrac's Argentinean operations generated revenue of $51.7 million during the fourth quarter of 2021 compared to $33.1 million in the comparable quarter in 2020. Activity in the fourth quarter of 2021 improved year-over-year across all service lines and operating regions. Activity in the Vaca Muerta shale play continued to increase along with activity in southern Argentina. Fracturing revenue per job increased by 5 percent compared to the comparable quarter despite the impact of a 3 percent depreciation in the U.S. dollar, primarily due to job mix. The largest revenue improvement was achieved in the Company's cementing operations as activity increased by 45 percent and revenue per job increased by 92 percent due to changes in job mix as a greater number of pre-fracturing projects were completed in the fourth quarter of 2021. Coiled tubing revenue was comprised of contracted work with a different customer than the same period in 2020, which resulted in a larger number of jobs completed at a significantly lower revenue per job.

OPERATING INCOME

The Company's operations in Argentina generated an operating income of $6.9 million during the fourth quarter of 2021 compared to operating income of $5.5 million in the comparable quarter of 2020. Utilization of the Company's equipment improved compared to the same period in 2020 as the prior year included a government mandated shutdown of oilfield activity in response to the Covid-19 pandemic. The Company's operating margins as a percentage of revenue decreased from 16.5 percent to 13.3 percent as its fixed cost structure increased to scale up for additional activity. Operating income was also negatively affected by inflationary salary increases in December that were not immediately offset by local currency devaluation and higher equipment repair costs related to the start-up of equipment purchased from a third party earlier in the year.

CORPORATE

Three Months Ended December 31,	**2021**	2020	Change
(C$000s)	***($)***	*($)*	*(%)*
(unaudited)			
Expenses			
Operating	**297**	303	(2)
SG&A	**5,965**	4,100	45
	6,262	4,403	42
Operating loss[1]	**(6,262)**	(4,403)	42
% of Revenue	**2.4**	2.4	—

[1] Refer to "Non-GAAP Measures" on pages 12 and 13 for further information.

OPERATING LOSS

Corporate expenses for the fourth quarter of 2021 were $6.3 million compared to $4.4 million in the fourth quarter of 2020. The increase was due in part to an increase in stock-based compensation expense of $0.7 million in the fourth quarter in 2021 compared to the same period in 2020, primarily due to the issuance of new equity-based awards under the omnibus incentive plan during the second quarter in 2021, combined with a higher share price. In addition, higher professional fees and personnel costs also contributed to the increase in SG&A expense during the quarter.

NON-GAAP MEASURES

Certain supplementary measures presented in this press release do not have any standardized meaning under IFRS and, because IFRS have been incorporated as Canadian generally accepted accounting principles (GAAP), these supplementary measures are also non-GAAP measures. These measures have been described and presented in order to provide shareholders and potential investors 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 are explained below.

Operating income (loss) is defined as net income (loss) before depreciation, foreign exchange gains or losses, gains or losses on disposal of property, plant and equipment, gains or losses on exchange or settlement of debt, impairment of property, plant and equipment, impairment of other assets, interest, and income taxes. Management believes that operating income is a useful supplemental measure as it provides an indication of the financial results generated by Calfrac's business segments prior to consideration of how these segments are financed or taxed. Operating income for the period was calculated as follows:

	Three Months Ended Dec. 31,		**Years Ended Dec. 31,**	
	2021	2020	**2021**	2020
(C$000s)	***($)***	*($)*	***($)***	*($)*
(unaudited)				
Net loss	**(28,318)**	125,897	**(82,812)**	(324,235)
Add back (deduct):				
Depreciation	**31,638**	30,843	**127,925**	172,021
Foreign exchange (gains) losses	**1,885**	5,733	**5,288**	15,477
Loss (gain) on disposal of property, plant and equipment	**(110)**	(260)	**403**	24
Impairment of property, plant and equipment	**—**	—	**—**	227,208
Impairment of inventory	**—**	—	**—**	27,868
Impairment of other assets	**705**	—	**705**	507
Gain on exchange of debt	—	—	**—**	(130,444)
Interest	**9,662**	24,913	**37,737**	91,267
Income taxes	**(6,364)**	54,790	**(25,542)**	168,623
Operating income	**9,098**	15,597	**63,704**	21,997

Adjusted EBITDA is defined in the Company's credit facilities for covenant purposes 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 is presented because it is used in the calculation of the Company's bank covenants. Adjusted EBITDA for the period was calculated as follows:

	Three Months Ended Dec. 31,		**Years Ended Dec. 31,**	
	2021	2020	**2021**	2020
(C$000s)			***($)***	*($)*
(unaudited)				
Net loss	**(28,318)**	125,897	**(82,812)**	(324,235)
Add back (deduct):				
Depreciation	**31,638**	30,843	**127,925**	172,021
Unrealized foreign exchange (gains) losses	**1,338**	3,435	**718**	8,319
Loss (gain) on disposal of property, plant and equipment	**(110)**	(260)	**403**	24
Impairment of property, plant and equipment	**—**	**—**	**—**	227,208
Impairment of inventory	**—**	—	**—**	27,868
Impairment of other assets	**705**	—	**705**	507
Gain on exchange of debt	**—**	—	**—**	(130,444)
Litigation settlements	**—**	—	**(700)**	—
Restructuring charges	**2**	4	**673**	5,377
Stock-based compensation	**916**	412	**2,272**	1,511
Interest	**9,662**	24,913	**37,737**	91,267
Income taxes	**(6,364)**	54,790	**(25,542)**	168,623
Adjusted EBITDA[(1)]	**9,469**	13,715	**61,379**	23,809

(1) For bank covenant purposes, EBITDA includes the deduction of an additional $9.0 million for the year ended December 31, 2021 (year ended December 31, 2020 - $15.6 million) of lease payments that would have been recorded as operating expenses prior to the adoption of IFRS 16.

ADVISORIES

FORWARD-LOOKING STATEMENTS

In order to provide Calfrac shareholders and potential investors with information regarding the Company and its subsidiaries, including management's assessment of Calfrac's plans and future operations, certain statements contained in this press release, including statements that contain words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "forecast" or similar words suggesting future outcomes, are forward-looking statements.

In particular, forward-looking statements in this press release include, but are not limited to, statements with respect to the Company's debt, liquidity and financial position, expected operating strategies and targets, capital expenditure programs, future financial resources, anticipated equipment utilization levels, future oil and natural gas well activity in each of the Company's operating jurisdictions, impacts of the Russian-Ukraine conflict, future costs or potential liabilities, projections of market prices and costs, supply and demand for oilfield services, expectations regarding the Company's ability to maintain its competitive position, anticipated benefits of the Company's competitive position, expectations regarding the Company's financing activities and restrictions, including with regard to its credit agreement and the indentures pursuant to which its 1.5 Lien Notes and Second Lien Notes were issued, and its ability to raise capital, treatment under government regulatory regimes, commodity prices, anticipated outcomes of specific events expectations regarding trends in, and the growth prospects of, the global oil and natural gas industry, the Company's growth strategy and prospects, and the impact of changes in accounting policies and standards on the Company and its financial statements, and the Company's expectations and intentions with respect to the foregoing.These statements are derived from certain assumptions and analyses made by the Company based on its experience and perception of historical trends, current conditions, expected future developments and other factors that it believes are appropriate in the circumstances, including, but not limited to, the economic and political environment in which the Company operates, the Company's expectations for its current and prospective customers' capital budgets and geographical areas of focus, the Company's existing contracts and the status of current negotiations with key customers and suppliers, the effectiveness of cost reduction measures instituted by the Company and the likelihood that the current tax and regulatory regime will remain substantially unchanged.

Forward-looking statements are subject to a number of known and unknown risks and uncertainties that could cause actual results to differ materially from the Company's expectations. Such risk factors include: sanctions and/or other restrictive measures against Russia by the governments of Canada, the United States and other countries in response to Russia's invasion of Ukraine; counter-actions taken by Russia in response to the sanctions and other restrictive measures taken by the governments of Canada, the United States and other countries; the impacts of the Russia - Ukraine conflict on the supply and demand for oil and gas produced in Russia and globally; price escalation and availability of raw materials and component parts; restrictions resulting from compliance with or breach of debt covenants and risk of acceleration of indebtedness, including under the Company's credit facilities, the G2S2 Loan, 1.5 Lien Notes indenture and/or Second Lien Notes indenture; failure to reach any additional agreements with the Company's lenders; the impact of events of defaults in respect of other material contracts of the Company, including but not limited to, cross-defaults resulting in acceleration of amounts payable thereunder or the termination of such agreements; the Company's ability to continue to manage the effect of the COVID-19 pandemic on its operations; global economic conditions, the level of exploration, development and production for oil and natural gas in Canada, the United States, Argentina and Russia; the demand for fracturing and other stimulation services for the completion of oil and natural gas wells; volatility in market prices for oil and natural gas and the effect of this volatility on the demand for oilfield services generally; the availability of capital on satisfactory terms; direct and indirect exposure to volatile credit markets, including credit rating risk; sourcing, pricing and availability of trucking, equipment, suppliers, facilities and skilled personnel; excess oilfield equipment levels; regional competition; currency exchange rate risk; other risks associated with foreign operations not previously identified herein; dependence on, and concentration of, major customers; liabilities and risks, including environmental liabilities and risks, inherent in oil and natural gas operations; uncertainties in weather and temperature affecting the duration of the service periods and the activities that can be completed; operating restrictions and compliance costs associated with legislative and regulatory initiatives relating to hydraulic fracturing and the protection of workers and the environment; changes in legislation and the regulatory environment; failure to maintain the Company's safety standards and record; liabilities and risks associated with prior operations; and third party credit risk. Further information about these and other risks and uncertainties may be found under "Business Risks" below.

Consequently, all of the forward-looking statements made in this press release are qualified by these cautionary statements and there can be no assurance that actual results or developments anticipated by the Company will be realized, or that they will have the expected consequences or effects on the Company or its business or operations. These statements speak only as of the respective date of this press release or the document incorporated by reference herein. The Company assumes no obligation to update publicly any such forward-looking statements, whether as a result of new information, future events or otherwise, except as required pursuant to applicable securities laws. As a condition of the TSX allowing the rescission of the purchase of a subscription of 1.5 Lien Notes acquired by an institutional shareholder as a corrective measure, as further described in the Company's interim financial statements for the nine months ending September 30, 2021, Calfrac is subject to enhanced review by the TSX until at least March 2022.

BUSINESS RISKS

The business of Calfrac is subject to certain risks and uncertainties. Prior to making any investment decision regarding Calfrac, investors should carefully consider, among other things, the risk factors set forth in the Company's most recently filed Annual Information Form, which is specifically incorporated by reference herein. The Annual Information Form is available through the Internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR), which can be accessed at www.sedar.com. Copies of the Annual Information Form may also be obtained on request without charge from Calfrac at Suite 500, 407 - 8th Avenue S.W., Calgary, Alberta, Canada, T2P 1E5, or at www.calfrac.com, or by facsimile at 403-266-7381.

ADDITIONAL INFORMATION

Further information regarding Calfrac Well Services Ltd., including the most recently filed Annual Information Form, can be accessed on the Company's website at www.calfrac.com or under the Company's public filings found at www.sedar.com.

FOURTH QUARTER CONFERENCE CALL

Calfrac will be conducting a conference call for interested analysts, brokers, investors and news media representatives to review its 2021 fourth-quarter results at 10:00 a.m. (Mountain Time) on Wednesday, March 16, 2022. The conference call dial-in number is 1-800-437-2398 or 647-792-1240. The seven-day replay numbers are 1-888-203-1112 or 647-436-0148 (once connected, enter 1873070). A webcast of the conference call may be accessed via the Company's website at www.calfrac.com.

CONSOLIDATED BALANCE SHEETS

As at December 31,	**2021**	2020
(C$000s)	***($)***	*($)*
ASSETS		
Current assets		
Cash and cash equivalents	**—**	29,830
Accounts receivable	**189,835**	139,486
Income taxes recoverable	**2,859**	1,530
Inventories	**101,840**	83,294
Prepaid expenses and deposits	**12,999**	17,050
	307,533	271,190
Non-current assets		
Property, plant and equipment	**563,423**	618,488
Right-of-use assets	**22,005**	22,785
Total assets	**892,961**	912,463
LIABILITIES AND EQUITY		
Current liabilities		
Bank overdraft	**1,351**	—
Accounts payable and accrued liabilities	**127,441**	101,784
Current portion of lease obligations	**8,004**	7,958
	136,796	109,742
Non-current liabilities		
Long-term debt	**388,479**	324,633
Lease obligations	**12,560**	14,013
Deferred income tax liabilities	**26,286**	53,841
Total liabilities	**564,121**	502,229

Capital stock	**801,178**	800,184
Conversion rights on convertible notes	**4,764**	4,873
Contributed surplus	**68,258**	65,986
Warrants	**40,282**	40,797
Loan receivable for purchase of common shares	**(2,500)**	(2,500)
Accumulated deficit	**(592,221)**	(509,409)
Accumulated other comprehensive income	**9,079**	10,303
Total equity	**328,840**	410,234
Total liabilities and equity	**892,961**	912,463

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended Dec. 31,		Years Ended Dec. 31,	
	2021	2020	**2021**	2020
(C$000s, except per share data)	***($)***	*($)*	***($)***	*($)*
Revenue	**257,755**	180,722	**1,002,395**	705,436
Cost of sales	**266,869**	185,423	**1,021,018**	806,577
Gross loss	**(9,114)**	(4,701)	**(18,623)**	(101,141)
Expenses				
Selling, general and administrative	**13,426**	10,545	**45,598**	48,883
Foreign exchange losses	**1,885**	5,733	**5,288**	15,477
(Gain) loss on disposal of property, plant and equipment	**(110)**	(260)	**403**	24
Impairment of property, plant and equipment	**—**	—	**—**	227,208
Impairment of inventory	**—**	—	**—**	27,868
Impairment of other assets	**705**	—	**705**	507
Gain on settlement of debt	**—**	(226,319)	**—**	(226,319)
Gain on exchange of debt	**—**	—	**—**	(130,444)
Interest	**9,662**	24,913	**37,737**	91,267
	25,568	(185,388)	**89,731**	54,471
(Loss) income before income tax	**(34,682)**	180,687	**(108,354)**	(155,612)
Income tax expense (recovery)				
Current	**(47)**	627	**1,491**	855
Deferred	**(6,317)**	54,163	**(27,033)**	167,768
	(6,364)	54,790	**(25,542)**	168,623
Net (loss) income	**(28,318)**	125,897	**(82,812)**	(324,235)
(Loss) income per share				
Basic	**(0.75)**	15.43	**(2.21)**	(76.78)
Diluted	**(0.75)**	2.19	**(2.21)**	(76.78)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended Dec. 31,		Years Ended Dec. 31,	
	2021	2020	**2021**	2020
(C$000s)	***($)***	*($)*	***($)***	*($)*
CASH FLOWS PROVIDED BY (USED IN) OPERATING ACTIVITIES				
Net (loss) income	**(28,318)**	125,897	**(82,812)**	(324,235)
Adjusted for the following:				
Depreciation	**31,638**	30,843	**127,925**	172,021
Stock-based compensation	**916**	412	**2,272**	1,511
Unrealized foreign exchange losses	**1,338**	3,435	**718**	8,319
(Gain) loss on disposal of property, plant and equipment	**(110)**	(260)	**403**	24
Impairment of property, plant and equipment	**—**	—	**—**	227,208
Impairment of inventory	**—**	—	**—**	27,868
Impairment of other assets	**705**	—	**705**	507
Non-cash gain on settlement of debt	**—**	(198,847)	**—**	(198,847)
Non-cash gain on exchange of debt	**—**	—	**—**	(130,444)
Interest	**9,662**	24,913	**37,737**	91,267
Interest paid	**(1,074)**	(3,127)	**(25,127)**	(23,004)
Deferred income taxes	**(6,317)**	54,163	**(27,033)**	167,768
Changes in items of working capital	**(4,808)**	(52,327)	**(50,125)**	4,557
Cash flows provided by (used in) operating activities	**3,632**	(14,898)	**(15,337)**	24,520
FINANCING ACTIVITIES				
Issuance of long-term debt, net of debt issuance costs	**8,648**	84,979	**59,555**	142,319
Long-term debt repayments	**—**	(70,000)	**(6,050)**	(118,727)
Lease obligation principal repayments	**(2,162)**	(2,291)	**(7,836)**	(14,064)
Shares repurchased	**—**	(926)	**—**	(926)
Proceeds on issuance of common shares from the exercising of warrants	**93**	—	**183**	—
Cash flows provided by financing activities	**6,579**	11,762	**45,852**	8,602
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	**(16,446)**	(7,038)	**(63,434)**	(46,189)
Proceeds on disposal of property, plant and equipment	**15**	110	**938**	1,701
Proceeds on disposal of right-of-use assets	**177**	634	**1,202**	1,970
Cash flows used in investing activities	**(16,254)**	(6,294)	**(61,294)**	(42,518)

Effect of exchange rate changes on cash and cash equivalents	**(1,351)**	(872)	**(402)**	(3,336)
Decrease in cash and cash equivalents	**(7,394)**	(10,302)	**(31,181)**	(12,732)
Cash and cash equivalents, beginning of period	**6,043**	40,132	**29,830**	42,562
(Bank overdraft) cash and cash equivalents, end of period	**(1,351)**	29,830	**(1,351)**	29,830

SOURCE Calfrac Well Services Ltd.

For further information: Lindsay Link, President & Chief Operating Officer, Mike Olinek, Chief Financial Officer, Telephone: 403-266-6000, Fax: 403-266-7381, www.calfrac.com