Canadian Equipment Rentals Corp. Announces 2017 First Quarter Results

CALGARY, ALBERTA – May 16, 2017: Canadian Equipment Rentals Corp. (the "Company") (TSX VENTURE: CFL) today announced its financial and operating results for the three months ended March 31, 2017.

"With the completion of the corporate restructuring and refinancing of debt, the Company is now moving forward under a much lower cost structure and with a clearly defined strategy to be a leading surface and accommodation rental company in Western Canada" said Ken Olson, Canadian Equipment Rentals Corp., CFO. "We are pleased with the Company's operational performance in the first quarter of 2017 and with the current demand for rental equipment in the second quarter. The increase in drilling and completion activity in Western Canada thus far in 2017 suggests the industry is emerging from its multi-year contraction and is beginning to show signs of recovery. As the Company continues to strengthen its balance sheet by paying down debt with cash from operations, it will become well positioned to take advantage of the improving market environment."

Highlights

Amounts in the following tables are presented in thousands of dollars, except for per share amounts and percentages.

	Three months ended March 31	
(in $000s)	**2017**	**2016**
Revenue	4,442	3,311
Adjusted EBITDA[1,2]	1,128	1,131
Adjusted EBIT[1,2]	(423)	(1,942)
Net loss from continuing operations	(969)	(3,148)
Net (loss) income per share from continuing operations		
Basic	(0.02)	(0.08)
Diluted	(0.02)	(0.08)

Amounts in table represents continuing operations, which are comprised of the Energy Services segment and Corporate

[1] *Adjusted for severances and business acquisition costs*

[2] *See Financial Measures Reconciliations below*

SELECT FINANCIAL RESULTS

- Revenues for the quarter ended March 31, 2017 increased by $1.1 million or 34% from $3.3 million to $4.4 million compared to the same quarter in 2016. Commodity prices have improved slightly in the first quarter of 2017 compared to the same quarter 2016, resulting in a marginal increase in demand and improved day rates. The quarter end March 31, 2017 also represents a full three months of revenue earned from the Zedcor Oilfield Rental Ltd. share purchase on February 2, 2016 and the Summit Star Energy Services Inc. asset purchase on May 6, 2016.
- Net loss for the quarter ended March 31, 2017 was $1.0 million, an improvement of $2.1 million or 69% from a loss of $3.1 million for the quarter end March 31, 2016. Operating margin increased by $0.9 million due to the increase in revenue, and depreciation decreased by $0.5 million as a result of divesting under-utilized assets in 2016. General and administrative expenses were $0.2 million higher due to severance payments and

additional organizational costs attributed to the Zedcor Oilfield Rental Ltd. acquisition. Higher interest rates and forbearance fees relating to long-term debt and the note payable contributed to $0.5 million higher finance costs compared to prior year's quarter ended March 31, 2016. These are offset by an income tax recovery of $0.6 million in the current period.

- Adjusted EBITDA for the quarter ended March 31, 2017 was $1.1 million similar to the quarter end March 31, 2016. The adjusted EBITDA for the quarter ended March 31, 2017 did not increase relative to revenue for the same quarter largely due to increased costs related to securing alternative financing and incremental rent expense for additional premises acquired with the Zedcor Oilfield Rentals Ltd. acquisition.
- On January 31, 2017, the Company announced that it had entered into an asset purchase agreement with Cooper Rentals Canada Inc. to sell all the assets of 4-Way Equipment Rentals. The transaction closed on February 9, 2017. Net proceeds were used to pay down senior debt.
- The General Rentals segment is classified as discontinued operations as at March 31, 2017. As a result, its financial results are reported separately from continuing operations on the statement of comprehensive income. The comparative statements of comprehensive income are re-presented as if the operation had been discontinued from the start of the comparative year.
- The Waste Management segment was classified as discontinued operations for the comparative period as the segment was sold on December 1, 2016.
- For the quarter ended March 31, 2017, the Company was in breach of its financial leverage and interest coverage covenants as defined in the April 28, 2016 Third Amending Credit Agreement, which resulted in a default of the senior credit covenants. See further details in the Liquidity and Capital Resources section.

SELECT OPERATING RESULTS

Energy Services Division

- The Energy Services segment includes the operations of Zedcor Energy Services Corp. and represents 100% of the Company's continuing operations.
- The first quarter of 2017 saw a slight improvement to commodity prices and drilling activity in the oil and gas sector in Western Canada compared to the first quarter of 2016. As a result the Energy Services segment saw an increase in utilization and a marginal increase in rental rates. Despite the improvement to commodity prices, there is still high competition from other service providers with idle assets which leads to aggressive pricing measures.
- For the quarter ended March 31, 2017, Energy Services revenue of $4.4 million increased by $1.1 million compared to the similar period in 2016. Gross margin of $1.2 million increased $1.0 million compared to the three months ended March 31, 2016. Depreciation expense decreased $0.5 million compared to the same period in the prior year due to the disposition of under-utilized assets in 2016.

General Rentals Division (Discontinued)

- For the quarters ended March 31, 2017 and 2016, the General Rentals segment has been classified as a discontinued operation in the statement of comprehensive income.
- On January 31, 2017, the Company announced that it had entered into an asset purchase agreement with Cooper Rentals Canada Inc. to sell all the assets of 4-Way Equipment Rentals. The transaction closed on February 9, 2017. Net proceeds were used to pay down senior debt.

Waste Management Division (Discontinued)

- For the quarter ended March 31, 2016, the Waste Management segment has been classified as a discontinued operation in the statement of comprehensive income.

- On November 17, 2016, the Company announced its intention to sell its Waste Management operating segment and wholly owned subsidiary, MCL Waste Systems & Environmental Inc., to a private Canadian waste management and recycling services company. The transaction closed December 1, 2016.

SELECTED QUARTERLY FINANCIAL INFORMATION

(Unaudited – in $000s)	Mar 31 2017	Dec 31 2016	Sept 30 2016	June 30 2016	Mar 31 2016	Dec 31 2015	Sept 30 2015	June 30 2015
Revenue	4,442	3,444	2,374	1,469	3,311	2,426	2,954	2,384
Net income (loss) from continuing operations	(969)	(3,106)	(8,680)	(4,683)	(3,148)	(16,032)	(12,893)	(1,387)
Net income (loss) from discontinued operation	(427)	(3,062)	(904)	(92)	(954)	(659)	254	(579)
Adjusted EBITDA[1]	1,128	505	461	294	1,131	959	3,012	1,274
Adjusted EBITDA per share - basic[1]	0.03	0.01	0.01	0.01	0.03	0.03	0.08	0.03
Net income (loss) per share from continuing operations								
Basic	(0.02)	(0.08)	(0.21)	(0.12)	(0.08)	(0.44)	(0.35)	(0.04)
Diluted	(0.02)	(0.08)	(0.21)	(0.12)	(0.08)	(0.44)	(0.35)	(0.04)
Net income (loss) per share from discontinued operation								
Basic	(0.01)	(0.07)	(0.02)	0.00	(0.03)	(0.02)	0.01	(0.02)
Diluted	(0.01)	(0.07)	(0.02)	0.00	(0.03)	(0.02)	0.01	(0.02)
Adjusted free cash flow[1]	(488)	386	(1,807)	1,011	1,450	(6)	(690)	2,675

[1] *See Financial Measures Reconciliations below*

LIQUIDITY AND CAPITAL RESOURCES

On April 28, 2016, the Company's Syndicated Bank Credit Facility was amended under the Third Amending Agreement to amend the Debt to EBITDA and Interest Coverage ratios as follows.

Third Amending Agreement	Mar 31 2016	June 30 2016	Sept 30 2016	Dec 31 2016	Mar 31 2017	Thereafter
Debt/EBITDA	5.75:1	5.50:1	5.50:1	4.00:1	3.50:1	3.00:1
Interest Coverage	3.25:1	3.25:1	2.50:1	2.75:1	3.25:1	3.50:1

For the quarter ended September 30, 2016, the Company was in breach of its financial leverage and interest coverage covenants included in the April 28, 2016 Third Amending Credit Agreement.

On November 24, 2016, the Company signed a Fourth Amending Agreement in which the lenders agreed to forbear from demanding repayment or enforcing its security under the Agreement. Under the terms of the amending agreement the authorized amount of the revolving facility was reduced to $46.1 million, while the authorized amount of the revolving capex facility remained $6.5 million.

On December 15, 2016 the Company's Syndicated Bank Credit Facility was amended under the Fifth Amending agreement. The fifth amending agreement included a reduction in the revolving facility amount from $46 million to $32.5 million and cancellation of the term facility commitment and operating facility.

Interest payable on all loans drawn under the credit facilities will range from bank prime rate plus 300 bps to bank prime rate plus 600 bps depending on the Company's Debt to EBITDA ratio. Under the terms of the Sixth Amending Credit Agreement, the Company was not in compliance of its financial leverage and interest coverage covenants as at March 31, 2017 and thus all debt held with the creditors is classified as current.

On February 16, 2017, the Company's Syndicated Credit Facility was amended under the Sixth Amending Agreement in which the lenders agree to forbear from demanding repayment or enforcing its security under the agreement until April 28, 2017.

On April 21, 2017, the Company entered into a Loan and Security Agreement with a new lender. The Loan and Security Agreement in the amount of $20.4 million was used to repay the existing Syndicated Credit Facility, bears interest at a rate of 12.75% and has a term of 12 months with an option to extend for an additional 12 months at the satisfaction of the lender. The Loan and Security Agreement is serviced by six months of interest only payments, followed by six months of blended principal and interest payments. The Loan and Security Agreement does not require quantitative financial covenants, but imposes restrictions on the Loan's collateral, being the property and equipment of the Company. The Company issued the lender share purchase warrants entitling the lender to acquire common shares in the Company representing approximately 6.5% of the fully diluted equity at the time of exercise, at an exercise price of $0.25 per warrant. The warrants will expire 90 days after the term of the loan.

On May 10, 2017, the Company signed a $1 million operating loan facility bearing interest at a rate of prime plus 3.3% and secured by the Company's accounts receivables and restricted cash. The operating loan facility requires that the Company's current ratio does not fall below 1.50:1.00 and effective September 30, 2017, the debt service coverage ratio not be less than 1.50:1.00.

OUTLOOK

2016 was a pivotal year for Canadian Equipment Rentals Corp. The acquisition of Zedcor Oilfield Rentals Ltd. ("Zedcor") and the subsequent divestitures of MCL Waste Systems & Environmental Inc. and 4-Way Equipment Rentals Corp., repositioned the Company as a significant oilfield surface equipment rental company in the Western Canadian Sedimentary Basin.

As previously announced, the Company signed and closed a new Loan and Security Agreement, the proceeds of which were used to repay the previous lenders. In conjunction with this refinancing, the Company has retired $2.5 million of the Vendor Take Back Note in exchange for 10 million common shares. With this transaction and the refinancing, the directors of the Company appointed two new directors to the Company.

Through the restructuring efforts over the past ten months, including significant reductions in headcount at the executive level and reductions in associated discretionary spending, the Company now has a lean operating structure that can also support the full utilization of the existing rental asset base. This structure, coupled with superior operational performance, service quality and a best-in-class equipment rental fleet are instrumental to maintaining and growing market share.

The stronger than expected drilling activity experienced through the first quarter of 2017 is seen continuing into the second quarter of 2017 which in turn is driving improved year over year equipment utilization. While drilling activity during the first two months of Q1 2017 was reported to be 46% improved over the same prior year period, weather related delays and other factors may prevent Q2 2017 from experiencing this same year over year growth.

The Company continues to expand its market reach and customer base from beyond its traditional upstream energy services customers to new industry segments including industrial facilities and pipeline construction. This should lead to more diversity in its revenue streams and increase the utilization of existing rental equipment by penetrating new market segments that are less affected by seasonal fluctuations.

NON-IFRS MEASURES RECONCILIATION

The Company uses certain measures in this press release which do not have any standardized meaning as prescribed by International Financial Reporting Standards ("IFRS"). These measures which are derived from information reported in the consolidated statements of operations and comprehensive income may not be comparable to similar measures presented by other reporting issuers. These measures have been described and presented in this press release in order to provide shareholders and potential investors with additional information regarding the Company.

Investors are cautioned that EBITDA, adjusted EBITDA and adjusted EBITDA per share, adjusted free cash flow and payout ratio are not acceptable alternatives to net income or net income per share, a measurement of liquidity, or comparable measures as determined in accordance with IFRS.

EBITDA and Adjusted EBITDA

EBITDA refers to net income before finance costs, income taxes, depreciation, amortization, and gains or losses on disposal of property and equipment. Adjusted EBITDA is calculated as EBITDA before costs associated with business acquisition costs and share based compensation. These measures do not have a standardized definition prescribed by IFRS and therefore may not be comparable to similar captioned terms presented by other issuers.

Management believes that EBITDA and Adjusted EBITDA are useful measures of performance as they eliminate non-recurring items and the impact of finance and tax structure variables that exist between entities. "Adjusted EBITDA per share – basic" refers to Adjusted EBITDA divided by the weighted average basic number of shares outstanding during the relevant periods.

A reconciliation of net income to Adjusted EBITDA is provided below:

	Three months ended March 31	
(in $000s)	**2017**	**2016**
Net loss from continuing operations	(969)	(3,148)
Add:		
Finance costs	714	194
Depreciation	1,559	2,025
Amortization of intangibles	165	165
Impairment of property and equipment	—	5,152
Purchase gain	—	(2,108)
Income taxes (recovery)	(615)	(2,021)
Discontinued operation	(109)	292
EBITDA	745	551
Add:		
Stock based compensation	(1)	(6)
Severance costs	384	243
Business acquisition costs	—	343
Adjusted EBITDA	1,128	1,131

Adjusted EBIT

Adjusted EBIT refers to earnings before interest and finance charges, taxes, amortization, impairment of intangibles, purchase gain, other gain, severance costs and business acquisition costs.

A reconciliation of net income to Adjusted EBIT is provided below:

(in $000s)	Three months ended March 31 2017	2016
Net loss from continuing operations	(969)	(3,148)
Add:		
Finance costs	714	194
Amortization of intangibles	165	165
Impairment of property and equipment	—	5,125
Purchase gain	—	(2,108)
Income taxes (recovery)	(615)	(2,021)
Severance costs	95	201
Business acquisition costs	—	343
Discontinued operation	187	(693)
Adjusted EBIT	(423)	(1,942)

No Conference Call

No conference call will be held in conjunction with this release. Full details of the Company's financial results, in the form of the condensed consolidated interim financial statements and notes for the three months ended March 31, 2017 and Management's Discussion and Analysis of the results are available on SEDAR at www.sedar.com and on the Company's website at www.cercorp.ca.

About Canadian Equipment Rentals Corp.

Canadian Equipment Rentals Corp. is a Canadian public corporation and parent company to Zedcor Energy Services Corp. ("Zedcor"). Zedcor is engaged in the rental of surface equipment and accommodations to the Western Canadian Oil and Gas Industry. The Company trades on the TSX Venture Exchange under the symbol "CFL".

FORWARD-LOOKING STATEMENTS

Certain statements included or incorporated by reference in this press release constitute forward-looking statements or forward-looking information, including management's belief that improvement in demand should begin to drive improvements in equipment rental rates and that the expanded market reach and customer base will lead to more diversity in the Company's revenue stream and increase utilization. Forward-looking statements or information may contain statements with the words "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", "budget", "should", "project", "would have realized', "may have been" or similar words suggesting future outcomes or expectations. Although the Company believes that the expectations implied in such forward-looking statements or information are reasonable, undue reliance should not be placed on these forward-looking statements because the Company can give no assurance that such statements will prove to be correct. Forward-looking statements or information are based on current expectations, estimates and projections that involve a number of assumptions about the future and uncertainties. These assumptions include that the Company's cost cutting measures that have been implemented will protect future margins and that the Company's lean operations will protect against profound down swings in the economic environment. Although management believes these assumptions are reasonable, there can be no assurance that they will be proved to be correct, and actual results will differ materially from those anticipated. For this purpose, any statements herein that are not statements of historical fact may be deemed to be forward-looking statements. The forward-looking statements or information contained in this press release are made as of the date hereof and the Company assumes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new contrary information, future events or any other reason, unless it is required by any applicable securities laws. The forward-looking statements or information contained in this press release are expressly qualified by this cautionary statement.

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