CERF Incorporated Announces 2015 Fourth Quarter & Year End Results

CALGARY, ALBERTA – April 28, 2016: CERF Incorporated (the "Company" or "CERF") (TSX VENTURE: CFL) today announced its financial and operating results for the year ended December 31, 2015 and the three months ended December 31, 2015.

YEAR END FINANCIAL HIGHLIGHTS

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

	Twelve months ended December 31		Three months ended December 31	
(in $ 000s)	**2015**	**2014**	**2015**	**2014**
Revenue	46,467	57,967	8,829	20,522
Gross margin	6,248	17,395	(278)	6,360
Adjusted EBIT [1]	(1,437)	10,505	(2,663)	4,138
Net (loss) income	(30,052)	5,073	(16,889)	2,036
Net (loss) income per share				
Basic	($0.83)	$0.22	($0.46)	$0.06
Diluted	($0.83)	$0.22	($0.46)	$0.06
Adjusted EBITDA[2]	9,780	18,527	37	6,861
Dividends paid per share	$0.16	$0.24	$0.02	$0.06

[1,2] *See Financial Measures Reconciliations below*

RECENT DEVELOPMENTS

Subsequent to the year ended December 31, 2015, management has made significant changes and delivered the following to both adapt to current market conditions and to best position the company for future growth.

- Ken Olson has been appointed CFO bringing significant oilfield services experience.
- On April 28, 2016 the Company entered into an amended credit agreement with its senior lenders which amends certain financial covenants.
- Through its Waste Management segment, secured a four year contract to operate the Lethbridge, Alberta Landfill and secured an additional bin and hauling contract with the City of Edmonton, both commencing in the second quarter of 2016.
- Replaced the General Managers in all three business segments.
- Reduced headcount in the Industrial Rentals Segment by 18% since December 31, 2015.
- Successfully integrated the Zedcor management team in the Energy Services Segment resulting in a headcount reduction of 42% since December 31, 2015.
- New marketing team has succeeded in securing upstream and pipeline contracts for both its Energy Services and Industrial Rentals Segments commencing in the second quarter 2016.

SELECT FINANCIAL RESULTS

- Revenues for the quarter ended December 31, 2015 decreased by $11.7 million or 57% from $20.5 million to $8.8 million compared to the similar quarter in 2014. $9.4 million or 80% of this revenue decrease stemmed from Oilfield Rentals where quarter over quarter revenues decreased by $9.4 million or 79%.
- Net income for the quarter ended December 31, 2015 decreased by $18.9 million or 9.3 times from an income of $2.0 million to a loss of $16.9 million compared to the similar quarter in 2014. Of this loss, $14.0 million resulted from the goodwill impairment recognized, the majority of which relates to the Oilfield Rentals business due to significant decline in revenues from that segment.
- Adjusted EBITDA for the quarter ended December 31, 2015 decreased by $6.8 million or 99% from $6.9 million to $37,000 compared to the similar quarter in 2014. This decrease resulted from a $4.5 million or 95% quarter over quarter decline of Adjusted EBITDA from Oilfield Rentals and a $1.1 million or 47% quarter over quarter decline in Adjusted EBITDA from Industrials Rentals.
- For the year ended December 31, 2015, revenues decreased by $11.5 million or 20% from $58.0 million to $46.5 million compared to the year

ended December 31, 2014, driven mainly by a 31% year over year revenue decline in Industrial Rentals and a 19% year over year revenue decline in Oilfield Rentals. Within Oilfield Rentals, the 2014 results included 217 days of revenues from Empire Pipe and 126 days of revenue from Winalta Inc.

- For the year ended December 31, 2015, Adjusted EBITDA decreased by $8.7 million or 47% from $18.5 million to $9.8 million compared to the year ended December 31, 2014, driven by a $3.7 million or 38% year over year decline from Oilfield Rentals and a $3.1 million year over year decline in Industrial Rentals.
- An impairment on goodwill and intangibles of $26.5 million was recognized for the year of which $14.0 million was recognized during the quarter.
- Capital asset additions totaled $2.4 million during the fourth quarter of 2015 and comprised mostly of aerial lifts purchased for Industrial Rentals. For the year ended December 31, 2015, capital asset purchases were $6.9 million with 46%, 19% and 33% of this amount purchased for Industrial Rentals, Waste Management and Oilfield Rentals respectively.

SELECT OPERATING RESULTS

Industrials Division – Waste Management & Equipment Rentals Segments

Waste Management Segment – 29% of CERF 2015 revenue

Quarter over quarter revenues declined by $354,000 or 11% and results from lower quarter over quarter volumes of industrial waste combined with the loss of a municipal landfill management contract which ended on December 31, 2014.

For the year ended December 31, 2015, revenues declined $526,000 or 4% compared to the year ended December 31, 2014. The decline in revenues again results from lower industrial waste volumes combined with the loss of a municipal landfill management contract which ended on December 31, 2014.

Industrial Rentals Segment – 33% of CERF 2015 revenue

For the quarter ended December 31, 2015, Industrial Rental revenue declined by $1.5 million or 36% compared to the similar quarter in 2014. The decrease results from the overall weak Alberta economy driven by significant declines in oil and gas prices which has negatively affected industrial activity.

For the industrials segment, this has specifically reduced utilization of the equipment fleet and depressed day rate pricing because of lower demand for industrial rental equipment coupled with increased competition. As well, the warmer than normal winter reduced demand for the Company's ground heater fleet.

Energy Services Division – 38% of CERF 2015 revenue

For the quarter ended December 31, 2015, Oilfield Rentals' revenues declined by $9.4 million or 79% compared to the similar period in 2014. This revenue decline stems from a $7.0 million or 82% decline in quarter over quarter revenues from the accommodations business combined with a $2.3 million or 73% drop in the surface and heavy weight drill pipe rentals. The quarter over quarter revenue decline results from the significant drop in oil and gas prices which has constrained drilling activity across the industry. This has directly impacted the utilization rates of the Oilfield Rental's fleet and depressed day rates to remain responsive to customers' cost requirements.

In response to declining revenues, Oilfield Rentals cut direct operating costs (excluding depreciation) by $4.5 million or 75%. Expense reductions came from several initiatives including: personnel where the quarter over quarter employee count decreased from 38 employees to 17 employees reducing costs by approximately $1.6 million, a 5% division wide salary decrease which reduced salaries by approximately $120,000, and significantly reduced third party catering costs as fewer camps were being rented.

OUTLOOK

The uncertain and challenging economic environment experienced in 2015 due to the decline and instability of commodity prices continues into 2016 and currently shows no sign of reversing. This environment has caused CERF's customers to reduce their 2016 capital expenditure programs and delay investment decisions which have directly impacted the utilization and day rates of equipment in CERF's Oilfield Rentals and Industrial Rentals segments.

In response to this reality, management continues to actively manage costs and refine the strategy to ensure maximum equipment utilization. Specifically, commencing in the fourth quarter of 2015 and throughout 2016, management has reduced headcount, including many senior positions, reduced labor hours, consolidated operating facilities and made reductions in discretionary spending to align the cost structure to the level of activity currently experienced. Management expects activity levels for oilfield rentals to remain low until such time that commodity prices stabilize at a level that results in increased producer spending.

CERF's operational performance, service quality and best-in-class equipment rental fleet are instrumental to maintain and grow its market share. Management believes the meaningful actions taken in the fourth quarter of 2015 and the first quarter of 2016 have positioned the company to weather the current oilfield services downturn and maintain the Company's strong customer base and reputation.

The Waste Management segment continues to provide steady cash flows from its several government-owned waste facility contracts. The economic downturn however has had a negative impact, albeit minimal, on disposal volumes for both municipal waste and soil tonnage levels. The volume decrease is being closely monitored by management to ensure progressive measures are taken to mitigate any potential profit erosion. Management had expected a modest decline in commercial and new residential collections given the current economic environment, but the addition of a major collections contract in the first quarter of 2016 and earlier than anticipated spring conditions have resulted in increased volumes to offset these reductions.

With a largely new management team in place, the Company is expanding its market reach and customer base from beyond its traditional energy services and general commercial customers to new industry segments including industrial facilities and pipeline construction. This will 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 the current economic downturn.

SELECTED QUARTERLY FINANCIAL INFORMATION

	Dec	Sept	June	Mar	Dec	Sept	June	Mar

(in $ 000s)	31 2015	30 2015	30 2015	31 2015	31 2014	30 2014	30 2014	31 2014
Revenue	8,829	10,686	9,292	17,660	20,522	15,006	10,014	12,424
Net income (loss)	(16,689)	(12,639)	(1,966)	1,242	2,036	1,293	257	1,488
Adjusted EBITDA[1]	37	2,954	1,255	5,534	6,861	5,039	2,602	4,026
Adjusted EBITDA per share								
– basic[1] ($)	0.00	0.08	0.03	0.15	0.19	0.20	0.16	0.25
Net income (loss) per share								
Basic ($)	(0.46)	(0.35)	(0.05)	0.03	0.06	0.05	0.02	0.09
Diluted ($)	(0.46)	(0.35)	(0.05)	0.03	0.06	0.05	0.02	0.09
Dividend per share ($)	0.02	0.02	0.06	0.06	0.06	0.06	0.06	0.06
Dividend declared	728	727	2,178	2,175	2,173	2,130	1,055	968
Annualized payout ratio[1]	-119%	55%	53%	65%	72%	76%	65%	44%

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	2.75:1	2.75:1	3.50:1	3.50:1

The Third Amending Agreement includes a $10.0 million reduction in the authorized amount of the total facility from $65.0 million to $55.0 million. The resulting authorized amount is now comprised of a $48.5 million revolving Operating Facility and a $6.5 million revolving Capex Facility.

NON-IFRS MEASURES RECONCILIATION

CERF uses certain measures in this MD&A 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 MD&A 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 December 31		Twelve months ended December 31	
(in $000s)	**2015**	**2014**	**2015**	**2014**
Net (loss) income	(16,688)	2036	(30,052)	5,073
Add:				
Finance costs	587	600	1,881	1,875
Depreciation	2,662	2,676	11,066	7,915
Amortization of intangible assets & impairment of goodwill	14,451	508	28,453	1,230
Income taxes	(1,028)	766	(1,781)	1,890
EBITDA	(16)	6,586	9,567	17,983
Add:				
Stock based compensation	38	47	151	107
Business acquisition costs	16	228	62	437
Adjusted EBITDA	38	6,861	9,780	18,527

Adjusted EBIT

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

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

	Three months ended December 31		Twelve months ended December 31	
(in $000s)	2015	2014	2015	2014
Net (loss) income	(16,688)	2,036	(30,052)	5,073
Add:				
Finance costs	587	600	1,881	1,875
Amortization of intangible assets & impairment of goodwill	14,451	508	28,453	1,230
Income taxes	(1,028)	766	(1,781)	1,890
Business acquisition costs	16	228	62	437
Adjusted EBIT	(2,662)	4,138	(1,437)	10,505

Annualized payout ratio

Annualized payout ratio is a non-IFRS measure and is defined by management as dividends declared in the current and preceding 3 quarters divided by adjusted free cash flow generated in the current and preceding three quarters. Management believes that the payout ratio gives readers an indication of the sustainability of dividends. The payout ratio depends on the adjusted free cash flow and the amount of dividends declared payable.

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 and year ended December 31, 2105 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.cerfcorp.com.

About CERF Incorporated

CERF is a Canadian public corporation with two primary divisions: industrials and energy services. The Industrials division is engaged in the rental of industrial and construction equipment and waste management. The energy services division is engaged in the rental of surface rentals, downhole equipment and accommodations to the Western Canadian Oil and Gas Industry. CERF has paid consecutive quarterly dividends since 2005 and 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 assessment of expected activity levels continuing through 2016, and expected decrease in demand for rental equipment over the next year as well as forecasted economic measures for the Province of Alberta and oil and natural gas prices and the effect on drilling programs as a result of the decline in oil prices. 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 demand for industrial rental equipment, will remain relatively constant or grow marginally through 2016, that the economic downturn caused by the low oil price environment will not affect the performance of the waste management segment, that the Company’s proactive cost cutting measures currently being implemented will protect future margins and that the Company’s diverse 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.

For further information contact:

Austin Fraser
President
P: (403) 826-5701
E: afraser@cerfcorp.com

Ken Olson
Chief Financial Officer
P: (403) 969-8791
E: kolson@cerfcorp.com