

NEWS RELEASE

STEP Energy Services Ltd. Announces 2025 Capital Budget and Provides Fourth Quarter Update and First Quarter Outlook and Impact of Canada Post Service Disruption on Take Private Transaction

2024-12-11

CALGARY, Alberta--(BUSINESS WIRE)-- STEP Energy Services Ltd. ("STEP" or the "Company") (TSX: STEP) is announcing its 2025 capital budget and is providing an operational and financial update.

2025 Capital Budget

STEP is pleased to announce its full-year 2025 capital budget will be \$78.9 million. The budget includes \$46.7 million of optimization capital and \$32.2 million of sustaining capital. The optimization capital will facilitate the deepening of the Company's natural gas strategy, including the trialing of the first fully natural gas-powered hydraulic fracturing pump in Canada and electrification of certain assets; expansion of the Company's sand logistics capabilities; and refurbishments on assets approaching end of life. The 2025 capital budget is a decrease from the \$91.2 million capital budget for 2024.

Operational Update and Outlook

Fracturing activity across major North American oil and gas regions that STEP operates in slowed during the fourth quarter of 2024 as high natural gas storage levels and an uncertain commodity price environment pushed operators to prioritize capital discipline over adding capital to their 2024 budgets.

STEP's Canadian operations will see much softer fourth quarter utilization on a sequential and year-over-year basis, with activity shifting to lower intensity operations that generate lower returns. STEP's U.S. fracturing operations

continue to be challenged by the weak operating conditions, with only one fracturing crew active early in the quarter. This crew is expected to restart operations early in 2025. STEP's U.S. coiled tubing operations saw a sequential and year-over-year decline in the quarter.

Activity expectations for the first quarter of 2025 are robust for Canadian fracturing and coiled tubing in both Canada and the U.S., while U.S. fracturing has scheduled work for one crew that will provide steady utilization for much of the quarter. The Company managed expenses carefully in the fourth quarter while also using the downtime in the quarter to prepare the equipment for a resumption of high intensity operations in Q1. Canadian and U.S. fracturing and coiled tubing crews are expected to begin mobilizing in late December in anticipation of operations beginning in the early days of January.

Financial Update

Net debt (see Non-IFRS Measures below) at the close of Q4 2024 is expected to meet STEP's year-end corporate target of approximately \$60 - \$65 million, continuing the deleveraging trend that has seen debt come down from \$310 million in 2018. The significant progress made in deleveraging through this period enabled STEP to act on its Normal Course Issuer Bid in 2024, returning a further \$8 million in value to shareholders.

Intensifying competition that started in the second half of 2024 will result in further margin degradation in the fourth quarter in both Canada and the U.S. Corporate costs are also expected to be higher in the fourth quarter due to one-time expenses associated with the take private transaction announced on November 4, 2024. The softening utilization will result in Adjusted EBITDA (see Non-IFRS Measures below) before transaction expenses around breakeven levels for the fourth quarter. Despite the weaker fourth quarter performance, STEP's Canadian geographic region is expected to post its best ever annual revenue and Adjusted EBITDA performance. President and CEO Steve Glanville commented "We're clearly disappointed with how the year finished, but I'm incredibly proud of what our Canadian operations accomplished this year, with both our coiled tubing and fracturing service lines expected to deliver record financial and operational results. Our U.S. operations have been impacted by the extremely challenging market conditions this year. Despite this, our coiled tubing division has remained resilient, introducing new technology and increasing market share. I thank all our professionals for their hard work in 2024 and wish all of you a Merry Christmas and Happy New Year."

TRANSACTION UPDATE

Due to the Canada Post service disruption, shareholders in Canada may not have received physical meeting materials with respect to the special meeting of shareholders (the "Meeting") scheduled for December 19, 2024, to approve the previously announced plan of arrangement (the "Arrangement"). Whether or not you have

received the physical mailing, you can still vote your STEP shares. Materials related to the Meeting have been posted on the Company's website at <https://www.stepenergyservices.com/special-meeting> and on STEP's SEDAR+ profile at <http://sedarplus.ca>.

Many STEP shareholders can submit their vote quickly and easily over the phone with STEP's proxy solicitation agent, Laurel Hill Advisory Group (" **Laurel Hill**"), and Laurel Hill can otherwise provide voting assistance and answer shareholder questions about the Arrangement. STEP will deliver, by email, a copy of the management information circular (the " **Circular** ") and related documents for the Meeting to reach registered and non-registered shareholder entitled to vote who requests such materials. STEP shareholders can reach Laurel Hill by telephone at 1-877-452-7184 (North American Toll Free) or 1-416-304-0211 (Outside North America), or by email at assistance@laurelhill.com.

The Circular provides important information on the Arrangement and related matters, including voting procedures, dissent procedures and instructions for shareholders unable to attend the Meeting. Shareholders are urged to read the Circular and its schedules carefully and in their entirety.

VOTING IS OPEN NOW; YOUR VOTE IS IMPORTANT REGARDLESS OF THE NUMBER OF SHARES YOU OWN

As previously announced, on November 14, 2024, STEP was granted an interim order by the Court of King's Bench of Alberta (the " **Court** "), and such interim order authorizes STEP to proceed with various matters, including the holding of the Meeting to consider the vote on the Arrangement resolution. A copy of the interim order is included in the Circular. Such interim order was amended by the Court on November 29, 2024 (to facilitate the delivery of the Circular and related materials for the Meeting to non-registered Shareholders via email where requested).

NON-IFRS MEASURES

This press release includes terms and performance measures commonly used in the oilfield services industry that are not defined under International Financial Reporting Standards ("IFRS"). The terms presented are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These non-IFRS measures have no standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other issuers. The non-IFRS measure should be read in conjunction with STEP's quarterly financial statements and annual financial statements and the accompanying notes thereto.

"Adjusted EBITDA" is a financial measure not presented in accordance with IFRS and is equal to net (loss) income before finance costs, depreciation and amortization, (gain) loss on disposal of property and equipment, current and

deferred income tax provisions and recoveries, equity and cash settled share-based compensation, transaction costs, foreign exchange forward contract (gain) loss, foreign exchange (gain) loss, and impairment losses.

“Net debt” is equal to loans and borrowings before deferred financing charges less cash and cash equivalents and CCS derivatives. The data presented is intended to provide additional information about items on the statement of financial position and should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS.

A table representing the composition of the non-IFRS financial measure of Net debt can be found in STEP’s Management Discussion and Analysis for the third quarter of 2024 (under “Non-IFRS Measures and Ratios”) which is available on SEDAR+ (www.sedarplus.ca) and incorporated herein by reference.

FORWARD-LOOKING INFORMATION AND STATEMENTS

Certain statements contained in this press release constitute “forward-looking statements” or “forward-looking information” within the meaning of applicable securities laws (collectively, “forward-looking statements”). These statements relate to the expectations of management about future events, results of operations and STEP’s future performance (both operational and financial) and business prospects. All statements other than statements of historical fact are forward-looking statements. The use of any of the words “expects”, “expected”, “guidance”, “intends”, “opportunity”, “may”, “project”, “should”, and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties, and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. While STEP believes the expectations reflected in the forward-looking statements included in this press release are reasonable, such statements are not guarantees of future performance or outcomes and may prove to be incorrect and should not be unduly relied upon.

In particular, but without limitation, this press release contains forward-looking statements pertaining to: anticipated Net debt levels, anticipated spending, expected Q4 2024 fracturing results, expected fracturing and coiled tubing activity, expected revenue and margins, expected mobilization dates, expected Adjusted EBITDA amounts, the timing of various steps to be completed in connection with the Arrangement and the Meeting, the anticipated date for the holding of the Meeting, and other information or statements that relate to future events or circumstances and which do not directly and exclusively relate to historical facts.

The forward-looking information and statements contained in this press release reflect several material factors and expectations and assumptions of STEP including, without limitation: the general continuance of current or, where applicable, assumed industry conditions; client activity levels and spending; the effect of inflation on the cost of goods and equipment; pricing of STEP’s services; predictable effect of seasonal weather on STEP’s operations;

STEP's ability to market successfully to current and new clients; the effect of competition on STEP; STEP's ability to utilize its equipment; STEP's ability to collect on trade and other receivables; STEP's ability to obtain and retain qualified staff and equipment in a timely and cost-effective manner; levels of deployable equipment in the marketplace; future capital expenditures to be made by STEP; future funding sources for STEP's capital program; STEP's future debt levels; the availability of unused credit capacity on STEP's credit lines. STEP believes the material factors, expectations, and assumptions reflected in the forward-looking information and statements are reasonable, but no assurance can be given that these factors, expectations, and assumptions will prove correct.

This press release also contains future-oriented financial information and financial outlook information (collectively, "FOFI") about STEP's expected 2024 and 2025 revenues and Net debt levels, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth in the above paragraphs. In addition, the expected Net debt at end of Q4 2024 is based on STEP's internally generated monthly financial statements for the month of November 2024 and the assumption that these internally generated monthly financial statements will not differ materially from the fourth quarter 2024 financial statements. The actual results of operations of STEP and the resulting financial results and Net debt will likely vary from the amounts set forth in this press release and such variation may be material. STEP 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 information and FOFI contained in this press release speak only as of the date of the document, and none of STEP or its subsidiaries assumes any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws. Actual results could also differ materially from those anticipated in these forward-looking statements and FOFI due to the risk factors set forth under the heading "Risk Factors" in STEP's Annual Information Form for the year ended December 31, 2023, dated March 11, 2024.

ABOUT STEP

STEP is an energy services company that provides coiled tubing, fluid and nitrogen pumping and hydraulic fracturing solutions. Our combination of modern equipment along with our commitment to safety and quality execution has differentiated STEP in plays where wells are deeper, have longer laterals and higher pressures. STEP has a high-performance, safety-focused culture and its experienced technical office and field professionals are committed to providing innovative, reliable and cost-effective solutions to its clients.

Founded in 2011 as a specialized deep capacity coiled tubing company, STEP has grown into a North American

service provider delivering completion and stimulation services to exploration and production ("E&P") companies in Canada and the U.S. Our Canadian services are focused in the Western Canadian Sedimentary Basin ("WCSB"), while in the U.S., our fracturing services are focused on the Permian basin and our coiled tubing services are focused on the Permian and Eagle Ford in Texas, the Uinta-Piceance, and Niobrara-DJ basins in Colorado and the Bakken in North Dakota.

Our four core values; **Safety, Trust, Execution and Possibilities** inspire our team of professionals to provide differentiated levels of service, with a goal of flawless execution and an unwavering focus on safety.

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