Ensign Energy Services Inc. Reports 2020 Third Quarter Results

05.11.2020 | CNW

CALGARY, Nov. 5, 2020 -

THIRD QUARTER HIGHLIGHTS

- Revenue for the third quarter of 2020 was $156.9 million, a 60 percent decrease from the third quarter of 2019 re $393.4 million.
- Revenue by geographic area:
-
  - Canada - $21.8 million, 14 percent of total;
  - United States - $83.3 million, 53 percent of total; and
  - International - $51.8 million, 33 percent of total.
- Canadian drilling recorded 686 operating days in the third quarter of 2020, a 71 percent decrease from 2,354 ope the third quarter of 2019. Canadian well servicing recorded 5,556 operating hours in the third quarter of 2020, a 5 decrease from 11,574 operating hours in the third quarter of 2019.
- United States drilling recorded 1,437 operating days in the third quarter of 2020, a 77 percent decrease from 6,38 days in the third quarter of 2019. United States well servicing recorded 21,682 operating hours in the third quarte 26 percent decrease from 29,416 operating hours in the third quarter of 2019.
- International drilling recorded 790 operating days in the third quarter of 2020, a 44 percent decrease from 1,403 o days recorded in third quarter of 2019.
- Adjusted EBITDA for the third quarter of 2020 was $39.5 million, a 60 percent decrease from Adjusted EBITDA o for the third quarter of 2019.
- Funds flow from operations for the third quarter of 2020 decreased 65 percent to $29.8 million from $85.5 million quarter of the prior year.
- During the third quarter of 2020, the Company completed the acquisition of Halliburton's 40 percent ownership int Trinidad Drilling International ("TDI") joint venture. The 40 percent ownership interest, inclusive of working capital million in the TDI joint venture, was purchased with the Company's cash on hand for US $33.4 million. With this a the Company now owns 100 percent of TDI.
- During the third quarter of 2020, the Company received a $4.2 million Canada Emergency Wage Subsidy ("CEW from the Government of Canada and a $3.2 million wage subsidy from the Government of Australia. The wage su received partially offset the decrease in Adjusted EBITDA and net loss attributable to common shareholders.
- During the third quarter of 2020, the Company recognized $5.6 million of idle but contracted rig revenue and $8.7 contract cancellation or early termination fees. As the Company moves through the remainder of 2020 and into 20 amount of such fees and idle but contracted revenue will reduce quarter-over-quarter.
- Net capital purchases for the third quarter of 2020 were $3.2 million consisting $5.5 million in maintenance capita proceeds of $2.3 million from disposals. Planned capital expenditures for the 2020 year remain at $50.0 million, o approximately $40.0 million will be maintenance capital.
- General and administrative expense decreased 21 percent to $9.2 million for the third quarter of 2020 from $11.6 the third quarter of 2019.
- Over the third quarter of 2020, US $51.2 million face value of our Senior Notes were repurchased by the Compan market for cancellation, recognizing a gain of $40.1. million. Subsequent to September 30, 2020, the Company re US $26.1 million face value of the Senior Notes, in the open market, for cancellation. A gain on the repurchase of (US $16.4 million) will be recognized in the fourth quarter of 2020.
- Total debt for the third quarter of 2020 decreased year-over-year by $159.4 million to $1,474.3 million as of Septe 2020 from $1,633.7 million as of September 30, 2019. The decrease in aggregate debt was partially offset by $10 to foreign currency exchange fluctuations.
- The Company's available liquidity consisting of cash and available borrowings under its revolving credit facility wa million at September 30, 2020.
- Subject to market conditions during the remainder of 2020, it is likely that the Company will be required to enter in discussions with its Credit Facility syndicate to amend covenants under the Credit Facility which otherwise may b to breach in the last quarter of 2020.

OVERVIEW

Revenue for the third quarter of 2020 was $156.9 million, a decrease of 60 percent from revenue for the third quarter of 2019 of $393.4 million. Revenue for the nine months ended September 30, 2020 was $735.6 million, a decrease of 40 percent from revenue for the nine months ended September 30, 2019 of $1,215.9 million.

Adjusted EBITDA totaled $39.5 million ($0.24 per common share) in the third quarter of 2020, 60 percent lower than Ad EBITDA of $97.9 million ($0.62 per common share) in the third quarter of 2019. For the first nine months of 2020, Adjus totaled $188.8 million ($1.16 per common share), 40 percent lower than Adjusted EBITDA of $317.1 million ($2.01 per share) in the first nine months of 2019.

Net loss attributable to common shareholders for the third quarter of 2020 was $36.1 million ($0.23 per common share) to a net loss attributable to common shareholders of $37.6 million ($0.24 per common share) for the third quarter of 20 attributable to common shareholders for the nine months ended September 30, 2020 was $82.4 million ($0.51 per com compared to net loss attributable to common shareholders of $91.3 million ($0.58 per common share) for the nine mon September 30, 2019.

During the third quarter of 2020, the Company completed the acquisition of Halliburton's 40 percent ownership interest Trinidad Drilling International ("TDI") joint venture. The 40 percent ownership interest, inclusive of working capital of $2 the TDI joint venture, was purchased with the Company's cash on hand for US $33.4 million. With this acquisition, the C now owns 100 percent of TDI.

During the third quarter of 2020, the Company received a $4.2 million Canada Emergency Wage Subsidy ("CEWS") fro Government of Canada and a $3.2 million wage subsidy from the Government of Australia. For nine months of 2020, th received a $7.8 million CEWS from the Government of Canada and $4.7 million wage subsidy from the Government of For three and nine month ending September 30, 2020, the wage subsidies received partially offset the decrease in Adj EBITDA and net loss attributable to common shareholders.

Funds flow from operations decreased 65 percent to $29.8 million ($0.18 per common share) in the third quarter of 202 to $85.5 million ($0.54 per common share) in the third quarter of the prior year. Funds flow from operations decreased to $140.6 million ($0.86 per common share) in the first nine months of 2020 compared to $282.7 million ($1.78 per com in the first nine months of the prior year.

On March 11, 2020, the World Health Organization ("WHO") declared the novel coronavirus ("COVID-19") a global pan to the sustained risk of worldwide spread of the virus. Governments and health authorities around the world implement variety of measures to combat the spread of the virus, including travel restrictions, business closures, social distancing, gathering restrictions, stay-at-home orders and event cancellations. The impact of these measures led to a significant s global economic activity that subsequently reduced the demand for crude oil and natural gas. The significant reduction contributed to a steep and rapid decline in global crude oil and natural gas prices earlier this year. Furthermore, the de decline further challenged commodity prices already reeling from a market share and oil price war between certain cru producing nations. The full magnitude and duration of the impact of these events on global economies and the oil and industry remains uncertain.

Over the course of the third quarter, stay-at-home related restrictions continued to ease globally, increasing the deman oil and natural gas over the quarter. OPEC+ nations curtailed crude oil supply in addition to producer led production cu resulted in improved supply and demand fundamentals over the quarter. Improved fundamentals resulted in relatively s crude oil commodity prices over the third quarter. As a result, drilling and completions activity stabilized and improved

Over the short term, there is a high degree of uncertainty regarding the macroeconomic conditions that will impact our that include the pathway of the COVID-19 pandemic, COVID-19 mitigation strategies, such as stay-at-home orders and related restrictions, the degree and impact of COVID-19 mitigation strategies and other factors on demand for crude oil gas, commodity prices and the demand for oilfield services.

Early in March 2020, in response to the COVID-19 pandemic, the Company implemented rigorous measures across its operations to ensure the safety of its operations, the health of its employees and the continuity of its business. These m include, but are not limited to, remote work where possible, fitness for work screening for employees, contractors and a parties on site, restricted travel policies and aggressive hygiene practices and disinfecting protocols in accordance with local jurisdiction guidelines. Across the Company's global operations, these proactive measures have facilitated the saf and reliability of its operations in the field and an orderly transition to remote work for our office employees. Furthermor Company has implemented regional Emergency Response Groups to respond to any incidents. These measures conti place as the Company monitors local government recommendations and public health guidelines, prioritizing the health of its workforce.

The Company's operating days were lower in the third quarter of 2020 when compared to the same period in 2019 as t significant impacts of the COVID-19 pandemic, subsequent restrictions and impact on global crude oil demand resulted downward pressure on the short-term demand for the Company's services. Customers continue to respond to the fluid by curtailing capital expenditures and cautiously revisiting drilling programs.

The strengthening year-over-year of the United States dollar against the Canadian dollar partially offset the decrease in financial results on translation to Canadian dollars. The average United States dollar exchange rate was $1.35 for the f months of 2020 (2019 - $1.33) versus the Canadian dollar, an increase of two percent, compared to the same period of acquisition of Halliburton's 40 percent ownership interest in TDI, with the effective date of July 16, 2020, also partially o decrease in financial and operational results.

Working capital at September 30, 2020 was a surplus of $80.2 million, compared to a surplus of $127.0 million at Dece 2019. The Company's available liquidity, consisting of cash and available borrowings under its $900.0 million revolving facility (the "Credit Facility"), was $181.4 million at September 30, 2020.

This news release contains "forward-looking information and statements" within the meaning of applicable securities leg For a full disclosure of the forward-looking information and statements and the risks to which they are subject, see the " Regarding Forward-Looking Statements" later in this news release. This news release contains references to Adjusted and Adjusted EBITDA per common share. These measures do not have any standardized meaning prescribed by IFRS accordingly, may not be comparable to similar measures used by other companies. The non-GAAP measures included release should not be considered as an alternative to, or more meaningful than, the IFRS measure from which they are to which they are compared. See "Non-GAAP Measures" later in this news release.

FINANCIAL AND OPERATING HIGHLIGHTS

(Unaudited, in thousands of Canadian dollars, except per common share data and operating information)

	Three months ended September 30			Nine months ended Septembe		
	2020	2019	% change	2020	2019	% cha
Revenue [1]	$ 156,933	$ 393,412	(60)	$ 735,553	$ 1,215,928	(40)
Adjusted EBITDA [1,2]	39,476	97,943	(60)	188,783	317,064	(40)
Adjusted EBITDA per common share [1,2]						
Basic	$0.24	$0.62	(61)	$1.16	$2.01	(42)
Diluted	$0.24	$0.62	(61)	$1.16	$2.01	(42)
Net loss attributable to common shareholders	(36,094)	(37,770)	4	(82,421)	(91,290)	10
Net loss per common share						
Basic	$(0.23)	$(0.24)	4	$(0.51)	$(0.58)	12
Diluted	$(0.23)	$(0.24)	4	$(0.51)	$(0.58)	12
Cash provided by operating activities [1]	39,417	109,421	(64)	229,581	277,020	(17)
Funds flow from operations [1]	29,802	85,523	(65)	140,635	282,722	(50)
Funds flow from operations per common share [1]						

Basic	$0.18	$0.54	(67)	$0.86	$1.78	(52)
Diluted	$0.18	$0.54	(67)	$0.86	$1.78	(52)
Total long term debt	1,474,307	1,633,736	(10)	1,474,307	1,633,736	(10)
Weighted average common shares - basic (000s)	162,728	158,667	3	162,629	158,513	3
Weighted average common shares - diluted (000s)	162,957	158,738	3	162,901	158,621	3
Drilling	2020	2019	% change	2020	2019	% cha
Number of marketed rigs [3]						
Canada [4]	101	118	(14)	101	118	(14)
United States	122	134	(9)	122	134	(9)
International [5]	48	43	12	48	43	12
Total	271	295	(8)	271	295	(8)
Operating days [6]						
Canada [4]	686	2,354	(71)	4,165	6,732	(38)
United States	1,437	6,382	(77)	8,791	19,489	(55)
International [5]	790	1,403	(44)	2,922	3,928	(26)
Total	2,913	10,139	(71)	15,878	30,149	(47)
Well Servicing	2020	2019	% change	2020	2019	% cha
Number of rigs						
Canada	52	55	(5)	52	55	(5)
United States	47	47	—	47	47	&#821
Total	99	102	(3)	99	102	(3)
Operating hours						
Canada	5,556	11,574	(52)	21,383	35,072	(39)
United States	21,682	29,416	(26)	72,252	86,741	(17)
Total	27,238	40,990	(34)	93,635	121,813	(23)

1. Comparative revenue, Adjusted EBITDA, Adjusted EBITDA per common share, cash provided by operating activities, funds flow from operations and funds flow from operations per common share have been revised to conform with current year's presentation.

2. Refer to Adjusted EBITDA calculation in Non-GAAP Measures.

3. Total owned rigs: Canada - 118, United States - 138, International - 53 (2019 Total owned rigs: Canada - 135, United States - 152, International - 48)

4. Excludes coring rigs.

5. Includes workover rigs and former TDI joint venture drilling rigs, effective July 16, 2020.

6. Defined as contract drilling days, between spud to rig release.

FINANCIAL POSITION AND CAPITAL EXPENDITURES HIGHLIGHTS

As at ($ thousands)	September 30 2020	September 30 2019	December 31 2019
Working capital[1]	80,194	140,087	126,987
Cash	56,973	36,540	28,408
Long-term debt	1,474,307	1,633,736	1,581,529
Total long-term financial liabilities	1,481,795	1,651,674	1,591,047
Total assets	3,242,768	3,668,970	3,470,601
Long-term debt to long-term debt plus equity ratio	0.51	0.51	0.52

[1] See Non-GAAP Measures section.

	Three months ended September 30			Nine months ended Septemb		
($ thousands)	2020	2019	% change	2020	2019	% char
Capital expenditures						
Upgrade/growth	—	32,695	nm	10,013	86,345	(88)
Maintenance	5,539	5,659	(2)	35,197	25,287	39
Proceeds from disposals or property and equipment	(2,308)	(3,295)	(30)	(23,458)	(32,915)	(29)
Net capital expenditures	3,231	35,059	(91)	21,752	78,717	(72)

nm - calculation not meaningful

REVENUE AND OILFIELD SERVICES EXPENSE

	Three months ended September 30			Nine months ended September 30		
($ thousands)	2020	2019	% change	2020	2019	% change
Revenue [1]						
Canada	21,838	65,158	(66)	135,987	222,178	(39)
United States	83,263	252,683	(67)	426,401	787,227	(46)
International	51,832	75,571	(31)	173,165	206,523	(16)
Total revenue [1]	156,933	393,412	(60)	735,553	1,215,928	(40)
Oilfield services expense [1]	108,716	285,928	(62)	521,493	867,868	(40)

1. Comparative revenue and oilfield services expense have been revised to conform with current year's presentation.

Revenue for the three months ended September 30, 2020 totaled $156.9 million, a decrease of 60 percent from the thi 2019 of $393.4 million. Revenue for the nine months ended September 30, 2020 totaled $735.6 million, a 40 percent de from the nine months ended September 30, 2019.

The decrease in total revenue during the first nine months of 2020 was due to the oil price and market share war betwe crude oil producing nations followed by the significant and adverse impact of the COVID-19 pandemic on the oil and na industry. The fallout from the pandemic led to a significant drop in demand for crude oil and natural gas, further challen already over-supplied commodity market. The steep declines in demand and continued oversupply have resulted in a s activity slowdown for oilfield services, particularly in the United States and Canadian operating regions.

The financial results from the Company's United States and international operations were positively impacted on curre translation, as the United States dollar strengthened relative to the Canadian dollar in the first nine months of 2020.

CANADIAN OILFIELD SERVICES

Revenue decreased 66 percent to $21.8 million for the three months ended September 30, 2020 from $65.2 million for months ended September 30, 2019. The Company recorded revenue of $136.0 million in Canada for the nine months e September 30, 2020, a decrease of 39 percent from $222.2 million recorded for the nine months ended September 30,

Canadian revenues accounted for 14 percent of the Company's total revenue in the third quarter of 2020 (2019 - 17 pe 18 percent (2019 - 18 percent) for the nine months ended September 30, 2020. During the third quarter of 2020, the C recognized $1.1 million of idle but contracted rig revenue (2019 -$ nil).

The Company's Canadian drilling operations recorded 686 operating days in the third quarter of 2020, compared to 2,3 days for the third quarter of 2019, a decrease of 71 percent. For the nine months ended September 30, 2020, the Com recorded 4,165 operating days compared to 6,732 drilling days for the nine months ended September 30, 2019, a decr percent. Canadian well servicing hours decreased by 52 percent to 5,556 operating hours in the third quarter of 2020 c 11,574 operating hours in the corresponding period of 2019. For the nine months ended September 30, 2020, well serv decreased by 39 percent to 21,383 operating hours compared with 35,072 operating hours for the nine months ended S 30, 2019.

The operating and financial results for the Company's Canadian operations were significantly and negatively impacted first nine months of 2020 due to the macroeconomic and industry conditions seen since March of this year including bu to, the impact of the COVID-19 pandemic and subsequent lockdown related restrictions resulting in decreased demand oil and increased market supply.

UNITED STATES OILFIELD SERVICES

The Company's United States operations recorded revenue of $83.3 million in the third quarter of 2020, a decrease of from the $252.7 million recorded in the corresponding period of the prior year. During the nine months ended Septemb revenue of $426.4 million was recorded, a decrease of 46 percent from the $787.2 million recorded in the correspondin the prior year.

The Company's United States operations accounted for 53 percent of the Company's revenue in the third quarter of 20 64 percent) and 58 percent of the Company's revenue in the first nine months of 2020 (2019 - 65 percent). In the Unite Company recognized US $2.9 million of idle but contracted rig revenue and US $6.4 million of contract early terminatio cancellation fees in the third quarter of 2020 (2019 - $ nil). The Company recognized US $7.0 million of idle but contra revenue and US $19.6 million of contract cancellation fees in the first nine months of 2020 (2019 - $ nil).

Drilling rig operating days decreased to 1,437 operating days in the third quarter of 2020 from 6,382 operating days in quarter of 2019, and to 8,791 operating days in first nine months of 2020 from 19,489 operating days in the first nine m 2019. Well servicing activity, expressed in operating hours, decreased by 26 percent in the third quarter of 2020 to 21, operating hours from 29,416 operating hours in the third quarter of 2019. For the nine months ended September 30, 20 servicing activity decreased 17 percent to 72,252 operating hours from 86,741 operating hours in the first nine months

The operating and financial results for the Company's United States operations were also significantly and negatively i during the first nine months of 2020 due to the macroeconomic and industry conditions seen this year.

INTERNATIONAL OILFIELD SERVICES

The Company's international operations recorded revenue of $51.8 million in the third quarter of 2020, a 31 percent dec the $75.6 million recorded in the corresponding period of the prior year. International revenues for the nine months end September 30, 2020, decreased 16 percent to $173.2 million from $206.5 million recorded in the nine months ended Se 30, 2019.

The Company's international operations contributed 33 percent of the total revenue in the third quarter of 2020 (2019 - and 24 percent of the Company's revenue in the first nine months of 2020 (2019 - 17 percent). During the first three an months of 2020 the Company's international operations recognized US $0.4 million (2019 - $ nil) and US $7.5 million (2 of idle but contracted rig revenue respectively.

International operating days for the three months ended September 30, 2020, totaled 790 operating days compared to operating days in the same period of 2019, a decrease of 44 percent. For the nine months ended September 30, 2020, international operating days totaled 2,922 operating days compared to 3,928 operating days for the nine months ended 30, 2019, a decrease of 26 percent.

Similar to our North American operations, international operating and financial results were also negatively impacted by conditions seen this year. The acquisition of TDI joint venture during the quarter partially offset the declines in operating

JOINT VENTURE

During the third quarter of 2020, the Company completed the acquisition of Halliburton's 40 percent ownership interest joint venture. The 40 percent ownership interest, inclusive of working capital of $20.2 million in TDI joint venture, was p with the Company's cash on hand for US $33.4 million. With this acquisition, the Company now owns 100 percent of TD acquisition was accounted for as a business combination using the acquisition method whereby the net assets and liab assumed are recorded at fair value.

The preliminary purchase price allocation is based on management's best estimates of the fair value of TDI's assets an as at the Effective Acquisition Date of July 16, 2020, although future adjustments to estimates may be required. If new is obtained within one year from the acquisition date about facts and circumstances that existed as at the Effective Acq and which reasonably requires adjustments to above amounts, or any additions to provisions that existed at the Effectiv Acquisition Date, then the accounting at acquisition will be revised.

Amounts below are presented at 100 percent of the value included in the statement of operations and comprehensive (income for TDI joint venture up to the date of acquisition by the Company. Prior to July 16, 2020, the Company owned of the shares of TDI joint venture and each of the parties had equal voting rights. The former joint venture had been co be a financial asset and fair valued the instrument through the consolidated statement of loss (income).

	Three months ended September 30			Nine months ended September 30		
($ thousands)	2020	2019	% change	2020	2019	% change
Revenue	2,858	17,589	(84)	38,514	40,973	(6)
Net income	704	(4,537)	nm	(2,247)	(3,376)	(33)
Drilling operating days	48	216	(78)	535	421	27

nm - calculation not meaningful

In the three months ended September 30, 2020, up to the date of the acquisition of July 16, 2020, TDI joint venture rec revenue of $2.9 million (2019 - $17.6 million) and operating days totaled 48 (2019 - 216). For the nine months ended S 30, 2020, TDI joint venture recorded revenue of $38.5 million (2019 - $41.0 million). For the nine months of 2020, TDI j operating days totaled 535 (2019 - 421). The decrease in revenue and operating days during the period was due to the of the remaining 40 percent interest in TDI joint venture, which effective July 16, 2020, is consolidated within the financ operating results of the Company.

DEPRECIATION

	Three months ended September 30			Nine months ended September 30		
($ thousands)	2020	2019	% change	2020	2019	% change
Depreciation	96,417	92,410	4	278,367	269,607	3

Depreciation expense totaled $96.4 million for the third quarter of 2020 compared with $92.4 million for the third quarter of 2019, an increase of four percent. Depreciation expense for the nine months ended September 30, 2020 increased by three percent, to $278.4 million compared with $269.6 million in nine months of 2019. The increase to depreciation expense was the result of depreciating newly acquired property and equipment and a higher foreign exchange rate on United States dollar denominated property and equipment values.

GENERAL AND ADMINISTRATIVE

	Three months ended September 30			Nine months ended September 30		
($ thousands)	2020	2019	% change	2020	2019	% change
General and administrative	9,207	11,587	(21)	31,752	41,602	(24)
% of revenue	5.9	2.9		4.3	3.4	

General and administrative expenses decreased 21 percent to $9.2 million (5.9 percent of revenue) for the third quarter of 2020 compared to $11.6 million (2.9 percent of revenue) for the third quarter of 2019. For the nine months ended September 30, 2020, general and administrative expense totaled $31.8 million (4.3 percent of revenue) compared to $41.6 million (3.4 percent of revenue) for the nine months ended September 30, 2019. General and administrative expenses decreased as a result of cost saving initiatives, the wage subsidy received from the Government of Canada and organizational restructuring. The decrease was partially offset by $0.5 million in accounts receivable write-offs recorded in the nine months ending September 30, 2020 (2019 -$ nil).

In light of the current operating environment, the Company took further steps to reduce overhead costs by reducing the salaries of employees. The Company's named executive officers' salaries were reduced by 40 percent for the Chairman, 20 percent for the President and Chief Operating Officer and 12.5 percent for the other named executive officers, all effective April 1, 2020. In addition, the annual base cash and equity retainers for independent members of the Board of Directors have been reduced, also effective April 1, 2020, by 20 and 40 percent respectively. Such reductions reflect the Company's belief in the importance of continued cost control in light of the current oilfield services industry outlook. The Company has and will continue to consider additional means of reducing overhead and operating costs.

RESTRUCTURING

	Three months ended September 30			Nine months ended September 30		
($ thousands)	2020	2019	% change	2020	2019	% change
Restructuring	4,208	1,692	nm	11,594	11,089	5

nm - calculation not meaningful

Restructuring expense totaled $4.2 million for the third quarter of 2020 (2019 - $1.7 million). For the nine months ended September 30, 2020, restructuring costs were $11.6 million (2019 - $11.1 million). Restructuring expense consists of costs relating to the organizational restructuring of the Company due to the significant decline in activity. Additional costs are expected to be incurred in subsequent quarters as the Company continues to adjust to the current operating environment.

FOREIGN EXCHANGE AND OTHER (GAIN) LOSS

	Three months ended September 30			Nine months ended September 30		
($ thousands)	2020	2019	% change	2020	2019	% change
Foreign exchange and other (gain) loss	(1,598)	13,670	nm	3,062	20,753	(85)

nm - calculation not meaningful

Included in this amount is the impact of foreign currency fluctuations in the Company's subsidiaries that have functional currencies other than the Canadian dollar.

GAIN ON REPURCHASE OF UNSECURED SENIOR NOTES

	Three months ended September 30			Nine months ended September 30		
($ thousands)	2020	2019	% change	2020	2019	% change
Gain on repurchase of unsecured Senior Notes	(40,072)	(920)	nm	(103,589)	(650)	nm

nm - calculation not meaningful

For the three months ended September 30, 2020, the Company repurchased US $51.2 million (2019 - US $19.0 million) of face value unsecured Senior Notes ("Senior Notes"), in the open market, for cancellation and recorded a gain on repurchase of $40.1 million (US $30.3 million) (2019 - $0.9 million).

For nine months ended September 30, 2020, the Company repurchased US $126.0 million (2019 - US $37.5 million) of face value Senior Notes, in the open market, for cancellation and recorded a gain on repurchase of $103.6 million (US $75.6 million) (2019 - $1.6 million).

Subsequent to September 30, 2020, the Company repurchased US $26.1 million face value of the Senior Notes, in the open market, for cancellation. A gain on the repurchase of $21.8 million (US $16.4 million) will be recognized in the fourth quarter of 2020.

LOSS (GAIN) ON ASSET SALE

	Three months ended September 30			Nine months ended September 30		
($ thousands)	2020	2019	% change	2020	2019	% change
Loss (gain) on asset sale	—	—	nm	3,437	(9,824)	nm

nm - calculation not meaningful

During the second quarter of 2020, the Company finalized the sale of the land and building that was classified on its balance sheet as an asset held for sale. The net proceeds received were $15.4 million, resulting in a loss of $3.4 million (2019 - gain of $9.8 million) before taxes.

FINANCING CHARGES

	Three months ended September 30			Nine months ended September 30		
($ thousands)	2020	2019	% change	2020	2019	% change
Interest expense	24,292	32,058	(24)	83,138	100,528	(17)
Accretion of deferred financing charges	2,972	2,812	6	8,915	11,347	(21)
Financing charges	27,264	34,870	(22)	92,053	111,875	(18)

Financing charges were incurred on the Company's Credit Facility, the United States dollar denominated Senior Notes, $37.0 million of subordinate convertible debentures (the "Convertible Debentures") and capital lease obligations. Included in interest expense is the amortization of deferred financing costs associated with refinancing the Company's debt, which totaled $3.0 million and $8.9 million respectively for the three and nine months ended September 30, 2020 (2019 - $2.8 million and $11.3 million respectively). Included within interest expense are $2.3 million and $4.4 million respectively for the three and nine months ended September 30, 2020 (2019 - $0.8 million and $1.1 million respectively) of accrued interest relating to the Senior Notes, paid in cash as part of the repurchase of the Senior Notes.

Financing charges decreased by $7.6 million for the third quarter of 2020 compared to the third quarter of 2019 and decreased by $19.8 million for the first nine months of 2020 compared to the same period of 2019. The decrease is the result of a decrease in overall borrowing level. Offsetting the decrease is the negative translational impact of the United States dollar denominated debt.

The Company's blended interest rate on its outstanding debt for the 2020 year will be approximately seven percent. The current capital structure primarily consisting of the Credit Facility and the Senior Notes allows the Company to utilize funds flow generated to reduce debt in the near term with greater flexibility than a more non-callable weighted capital structure.

INCOME TAXES (RECOVERY)

	Three months ended September 30			Nine months ended September 30		
($ thousands)	2020	2019	% change	2020	2019	% change
Current tax income	640	550	16	1,089	1,451	(25)
Deferred tax income (recovery)	(10,012)	(10,274)	(3)	(20,867)	(12,725)	64
Total income tax (recovery)	(9,372)	(9,724)	(4)	(19,778)	(11,274)	75
Effective income tax rate (%)	20.6	20.1	2	19.6	10.9	80

The effective income tax rate for the three months ended September 30, 2020 was 20.6 percent compared to 20.1 percent for the three months ended September 30, 2019. The effective income tax rate for the nine months ended September 30, 2020 was 19.6 percent compared to 10.9 percent for the nine months ended September 30, 2019. The effective tax rate in the first nine months of the current year was higher than the effective tax rate in the first nine months of 2019 due to the impact of the of the accelerated provincial income tax rate reduction in Alberta, Canada, capital gains on Senior Notes and the impact of foreign tax rates.

FUNDS FLOW FROM OPERATIONS AND WORKING CAPITAL

($ thousands, except per common share data)	Three months ended September 30			Nine months ended September		
	2020	2019	% change	2020	2019	% change
Cash provided by operating activities [1]	39,417	109,421	(64)	229,581	277,020	(17)
Funds flow from operations [1]	29,802	85,523	(65)	140,635	282,722	(50)
Funds flow from operations per common share [1]	$0.18	$0.54	(67)	$0.86	$1.78	(52)
Working capital [2]	80,194	126,987	(37)	80,194	126,987	(37)

[1] Comparative cash provided by operating activities, funds flow from operations and funds flow from operations per common share have been revised to conform with current year's presentation.

[2] Comparative figure as at December 31, 2019

During the three months ended September 30, 2020, the Company generated funds flow from operations of $29.8 million ($0.18 per common share) compared to funds flow from operations of $85.5 million ($0.54 per common share) for the three months ended September 30, 2019, a decrease of 65 percent. For the nine months ended September 30, 2020, the Company generated funds flow from operations of $140.6 million ($0.86 per common share) a decrease of 50 percent from $282.7 million ($1.78 per common share) for the nine months ended September 30, 2019. The decrease in funds flow from operations for three and nine months ended September 30, 2020 compared to the same periods of 2019 is due to decrease in activity as a result of the oil and natural gas industry's current business environment.

At September 30, 2020, the Company's working capital was a surplus of $80.2 million, compared to a working capital surplus of $127.0 million at December 31, 2019. The Company currently expects funds generated by operations, combined with current and future credit facilities to fully support the Company's current operating and capital requirements. The Company's Credit Facility provides for total borrowings of $900.0 million, of which $124.4 million was undrawn and available at September 30, 2020.

INVESTING ACTIVITIES

	Three months ended September 30			Nine months ended S	
($ thousands)	2020	2019	% change	2020	2019
Purchase of property and equipment	(5,539)	(38,354)	(86)	(45,210)	(111,632)
Proceeds from disposals of property and equipment	2,308	3,295	(30)	23,458	32,915
Acquisition of joint venture and minority interest net of cash	(31,885)	—	nm	(31,885)	(49,214)
Net change in non-cash working capital	(3,666)	(6,515)	(44)	583	4,485
Cash used in investing activities	(38,782)	(41,574)	(7)	(53,054)	(123,446)

nm - calculation not meaningful

Net purchases of property and equipment for the third quarter of 2020 totaled $3.2 million (2019 - $35.1 million). Net purchases of property and equipment during the first nine months of 2020 totaled $21.8 million (2019 - $78.7 million). The purchase of property and equipment for the first nine months of 2020 consists of $35.2 million in maintenance capital and $10.0 million in upgrade capital.

FINANCING ACTIVITIES

	Three months ended September 30			Nine months ended September 30		
($ thousands)	2020	2019	% change	2020	2019	% change
Proceeds from long-term debt	14,280	10,000	43	108,569	2,234,231	(95)
Repayments of long-term debt	(43,309)	(53,251)	(19)	(148,786)	(2,305,358)	(94)
Lease obligation principal repayments	(1,777)	(2,380)	(25)	(7,404)	(5,996)	23
Interest paid	(14,360)	(14,546)	(1)	(75,504)	(96,275)	(22)
Purchase of common shares held in trust	(169)	(373)	(55)	(725)	(896)	(19)
Cash dividends	—	(11,298)	nm	(19,574)	(41,735)	(53)
Net change in non-cash working capital	—	2,719	nm	—	20,368	nm
Cash used in financing activities	(45,335)	(69,129)	(34)	(143,424)	(195,661)	(27)

nm - calculation not meaningful

The Company's available bank facilities consist of a $900.0 million Credit Facility, which matures November 26, 2021, of which $124.4 million was available and undrawn as of September 30, 2020. In addition, the Company also has available US $50.0 million secured letter of credit facility, of which US $19.7 million was available as at September 30, 2020.

The Company may at any time and from time-to-time acquire additional Senior Notes for cancellation by means of open market purchases, negotiated transactions or otherwise. As previously noted, the Company has repurchased US $126.0 million of face value Senior Notes, in the open market, for cancellation during the first nine months of 2020. The Company repurchased a further US $26.1 million of face value Senior Notes in open market, for cancellation subsequent to September 30, 2020.

Covenants

The following is a list of the Company's currently applicable covenants and the calculations as at September 30, 2020:

	Covenant	September 30, 2020
The Credit Facility		
Consolidated Total Debt to Consolidated EBITDA[1]	? 5.00	4.59
Consolidated EBITDA to Consolidated Interest Expense[1,2]	? 2.50	2.82
Consolidated Senior Debt to Consolidated EBITDA[1,3]	? 2.50	2.38

[1] Please refer to Non-GAAP Measures for Consolidated EBITDA definition.

[2] Consolidated Interest Expense is defined as all interest expense calculated on twelve month rolling consolidated basis excluding amortized finance cost and interest expense on capital building lease.

[3] Consolidated Senior Debt is defined as Consolidated Total Debt minus Subordinated Debt.

As at September 30, 2020 the Company was in compliance with all covenants related to the Credit Facility.

The Credit facility

The Credit Facility agreement, available on SEDAR, requires that the Company comply with certain covenants including Consolidated Total Debt to Consolidated EBITDA, Consolidated Senior Debt to Consolidated EBITDA and Consolidated EBITDA to Consolidated Interest Expense as detailed above.

The Credit Facility contains certain covenants that place restrictions on the Company's ability to create, incur or assume additional indebtedness; change the Company's primary business; enter into mergers or amalgamations; and to dispose of property.

Subject to market conditions during the remainder of 2020, it is likely that the Company will be required to enter into discussions with its Credit Facility syndicate to amend covenants under the Credit Facility which otherwise may be susceptible to breach in the last quarter of 2020.

The Senior Notes

The indenture governing the Senior Notes, available on SEDAR, contains certain restrictions and exemptions on the Company's ability to pay dividends, purchase and redeem shares and subordinated debt of the Company, and make certain restricted investments. Limitations on these restrictions are tempered by the existence of a number of exceptions to the general prohibition, including baskets allowing for restricted payments.

The indenture also restricts the ability to incur additional indebtedness if the Fixed Charge Coverage Ratio determined on a pro forma basis for the most recently ended four fiscal quarter period for which internal financial statements are available is not at least 2.0 to 1.0. As at September 30, 2020, the Company has not incurred additional indebtedness that would require the Fixed Charge Coverage Ratio to be calculated. As is the case with restricted payments, there are a number of exceptions to this prohibition on the incurrence of indebtedness, including the incurrence of debt under credit facilities up to the greater of $900.0 million or 22.5 percent of the Company's consolidated tangible assets and of additional secured debt subordinated to the credit facilities up to the greater of US $125.0 million or 4.0 percent of the Company's consolidated tangible assets.

NEW BUILDS AND MAJOR RETROFITS

Through the acquisition of the remaining 40% interest in the TDI joint venture, the Company added five drilling rigs, of which it previously had a 60 percent ownership interest. The Company is currently directing capital expenditures primarily to maintenance capital items.

OUTLOOK

Industry Overview

The outlook for the oilfield service industry continues to evolve. The operating environment for the oil and natural gas industry remains challenged by the tenuous recovery of crude oil and natural gas demand, continuing concerns regarding the pathway of the COVID-19 pandemic, high crude oil inventories, and the market dynamics of OPEC+ production and the supply of crude oil.

Global economies generally remained committed, where possible, to avoiding lock-down restrictions related to COVID-19 during the third quarter. As a result, recovered demand for crude oil and natural gas remained steady and outpaced global supply over the third quarter resulting in crude oil inventory draws. In addition, global commodity prices were relatively stable over the third quarter with the benchmark price of West Texas Intermediate ("WTI") averaged US $40.71/bbl in July, US $42.34/bbl in August, US $39.63/bbl in September and averaging US $39.43/bbl in October.

For the remainder of the year, continued uncertainty over the pathway of COVID-19 and the recovery of oil and natural gas demand has reinforced conservatism in capital expenditures for oil and natural gas producers. Without further and sustainable improvements to commodity prices, we expect producers will continue to direct focus on maintaining production levels and cash preservation. We also expect producers to modestly revisit drilling programs through the remainder of 2020 and into 2021 as legacy wells may decline in production, demand recovery may stabilize, and global inventories may decline.

In the short term, we expect continued uncertainty with the macroeconomic conditions including the pathway of the COVID-19 pandemic, the potential reinstatement of COVID-19 mitigation strategies, such as stay-at-home orders and lockdown related restrictions, the degree and impact of COVID-19 mitigation strategies on demand for crude oil and natural gas, commodity prices and the demand for oilfield services.

During the third quarter, the Company acquired the remaining 40 percent ownership in the TDI with the Company's cash on hand for US $33.4 million. TDI joint venture owns and operates five drilling rigs located in Kuwait (two rigs), Mexico (two rigs) and Bahrain (one rig). The Company views this as a strategic and opportunistic transaction, given the asset value, exposure to key basins and contracted revenue with active and long-term contracts in Kuwait and Bahrain.

The Company has continued to adapt to the current operating environment with strict capital allocation, debt retirement and significant, structural and on-going cost reductions. The Company's expected total capital expenditures for 2020 remain at $50.0 million.

Canadian Activity

Canadian activity, representing 14 percent of our business, modestly improved through the third quarter with relatively stable commodity prices. We expect activity to increase, perhaps with some pressure to revenue rates, into the fourth quarter as we enter the winter drilling season.

Of our 101 marketed Canadian drilling rigs, approximately 23 percent are engaged under term contracts of various terms. Approximately 35 percent of our contracted rigs have a remaining term of six months or longer, although they may be subject to early terminations.

United States Activity

United States activity, representing 53 percent of our business, plateaued over the third quarter and improved modestly exiting the quarter as commodity prices stabilized. We expect activity to remain flat for the remainder of the year as producers seemingly remain reluctant to rampup drilling programs without further and sustained improvements to commodity prices.

Of 122 marketed United States drilling rigs, approximately 26 percent are engaged under term contracts of various terms. Approximately 32 percent of our contracted rigs have a remaining term of six months or longer, although they may be subject to early terminations.

International Activity

International activity, representing 33 percent of our business, stabilized over the third quarter. Operations in Argentina are expected to remain flat at current levels with one rig running throughout the fourth quarter. In the Middle East, our operations in Bahrain and Kuwait remain steady with a total of four rigs running under long-term contracts. Australian operations remained steady over the third quarter and are expected to modestly improve over the remainder of the year.

Of 48 marketed international drilling rigs, including the former five TDI joint venture drilling rigs now wholly owned, approximately 26 percent are engaged under term contracts of various terms. Approximately 83 percent of our contracted rigs have a remaining term of six months or longer, although they may be subject to early terminations.

RISK AND UNCERTAINTIES

This document contains forward-looking statements based upon current expectations that involve a number of business risks and uncertainties. The factors that could cause results to differ materially include, but are not limited to, the impact of the COVID-19 virus, political, the potential reinstatement COVID-19 mitigation strategies, such as stay-at-home orders and lockdown related restrictions, economic and market conditions, crude oil and natural gas prices, foreign currency fluctuations, weather conditions, the Company's defense of lawsuits and the ability of oil and gas companies to pay accounts receivable balances and raise capital or other unforeseen conditions which could ongoing impact on the use of the services supplied by the Company. For a more detailed description of the risk factors and uncertainties that face the Company and the industry in which it operates, refer to the "Risks and Uncertainties" section of our current Management's Discussion & Analysis and the section titled "Risk Factors" in our current Annual Information Form.

CONFERENCE CALL

A conference call will be held to discuss the Company's third quarter 2020 results at 10:00 a.m. MDT (12:00 p.m. EDT) on Thursday, November 5, 2020. The conference call number is 1-647-427-7450 (in Toronto) or 1-888-231-8191 (outside Toronto). A taped recording will be available until August 17, 2020 by dialing 1-416-849-0833 (in Toronto) or 1-855-859-2056 (outside Toronto) and entering the reservation number 6789671. A live broadcast may be accessed through the Company's web site at www.ensignenergy.com/presentations.

Ensign Energy Services Inc. is an international oilfield services contractor and is listed on the Toronto Stock Exchange under the trading symbol ESI.

Ensign Energy Services Inc.
Consolidated Statements of Financial Position

As at	September 30 2020		December 31 2019	
(Unaudited - in thousands of Canadian dollars)				
Assets				
Current Assets				
Cash	$	56,973	$	28,408
Accounts receivable	149,334		272,254	
Inventories, prepaid and other	52,869		47,292	
Asset held for sale	—		18,806	
Income taxes receivable	—		1,515	
Total current assets	259,176		368,275	
Property and equipment	2,841,179		2,855,223	
Deferred income taxes	142,413		121,748	
Investment in joint ventures	—		125,355	
Total assets	$	3,242,768	$	3,470,601

Liabilities		
Current Liabilities		
Accounts payable and accruals	$ 161,032	$ 216,719
Cash dividends payable	—	9,787
Share-based compensation	135	297
Income taxes payable	9,152	4,489
Current portion of lease obligation	8,663	9,996
Total current liabilities	178,982	241,288
Share-based compensation	1,722	6,325
Long-term debt	1,474,307	1,581,529
Lease obligations	7,488	9,518
Deferred income taxes	167,774	163,781
Non-controlling interest	5,069	5,138
Total liabilities	1,835,342	2,007,579
Shareholders' Equity		
Shareholders' capital	230,598	230,100
Contributed surplus	23,710	23,966
Equity component of convertible debenture	3,193	3,193
Accumulated other comprehensive income	280,141	243,771
Retained earnings	869,784	961,992
Total shareholders' equity	1,407,426	1,463,022
Total liabilities and shareholders' equity	$ 3,242,768	$ 3,470,601

Ensign Energy Services Inc.

Consolidated Statements of Loss

	Three months ended		Nine
	September 30 2020	September 30 2019	Sep 202
(Unaudited - in thousands of Canadian dollars, except per common share data)			
Revenue	$ 156,933	$ 393,412	$ 7
Expenses			
Oilfield services	108,716	285,928	521,
Depreciation	96,417	92,410	278,
General and administrative	9,207	11,587	31,7

Restructuring	4,208	1,692	11,5
Share-based compensation	(1,272)	(673)	(2,89
Foreign exchange and other (gain) loss	(1,598)	13,670	3,06
Total expenses	215,678	404,614	843,
(Loss) income before financing charges and other (gains) losses and income taxes	(58,745)	(11,202)	(107
Gain (loss) from investment in joint ventures	(436)	2,207	1,34
Gain on repurchase of unsecured Senior Notes	(40,072)	(920)	(103
(Loss) gain on asset sale	—	—	3,43
Financing charges	27,264	34,870	92,0
Loss before income taxes	(45,501)	(47,359)	(101
Income tax (recovery)			
Current income tax	640	550	1,08
Deferred income tax (recovery)	(10,012)	(10,274)	(20,8
Total income tax (recovery)	(9,372)	(9,724)	(19,7
Net loss from continuing operations	(36,129)	$ (37,635)	(81,2
Loss from discontinued operations	(73)	$ (931)	(1,3
Net loss	$ (36,202)	$ (38,566)	$ (8
Net loss attributable to:			
Common shareholders	(36,094)	(37,770)	(82,4
Non-controlling interests	(108)	(796)	(200
	(36,202)	(38,566)	(82,6
Net loss attributable to common shareholders per common share			
Basic	$ (0.23)	$ (0.24)	$ (0
Diluted	$ (0.23)	$ (0.24)	$ (0

[Ensign Energy Services Inc.]
Consolidated Statements of Cash Flows

	Three months ended		Nine months ended	
	September 30 2020	September 30 2019	September 30 2020	September 30 2019
(Unaudited - in thousands of Canadian dollars)				
Cash provided by (used in)				
Operating activities				
Net loss	$ (36,202)	$ (38,566)	$ (82,621)	$ (92,485)
Items not affecting cash				
Depreciation	96,417	92,410	278,367	269,607
(Gain) loss from investment in joint ventures	(436)	2,207	1,349	1,911
Gain (loss) on asset sale	—	—	3,437	(9,824)
Gain on purchase of unsecured Senior Notes	(40,072)	(920)	(103,589)	(1,570)
Share-based compensation	(1,272)	(673)	(2,893)	2,214
Unrealized foreign exchange and other	(5,885)	6,469	(24,601)	13,719
Accretion of deferred financing charges	2,972	2,812	8,915	11,347
Interest expense	24,292	32,058	83,138	100,528
Deferred income tax	(10,012)	(10,274)	(20,867)	(12,725)
Funds flow from operations	29,802	85,523	140,635	282,722
Net change in non-cash working capital	9,615	23,898	88,946	(5,702)
Cash provided by operating activities	39,417	109,421	229,581	277,020
Investing activities				
Purchase of property and equipment	(5,539)	(38,354)	(45,210)	(111,632)
Proceeds from disposals of property and equipment	2,308	3,295	23,458	32,915
Acquisition of joint venture and minority interest net of cash	(31,885)	—	(31,885)	(49,214)
Net change in non-cash working capital	(3,666)	(6,515)	583	4,485
Cash used in investing activities	(38,782)	(41,574)	(53,054)	(123,446)
Financing activities				
Proceeds from long-term debt	14,280	10,000	108,569	2,234,231

Repayments of long-term debt	(43,309)	(53,251)	(148,786)	(2,305,358)
Lease obligation principal repayments	(1,777)	(2,380)	(7,404)	(5,996)
Interest paid	(14,360)	(14,546)	(75,504)	(96,275)
Purchase of common shares held in trust	(169)	(373)	(725)	(896)
Cash dividends	—	(11,298)	(19,574)	(41,735)
Net change in non-cash working capital	—	2,719	—	20,368
Cash used in financing activities	(45,335)	(69,129)	(143,424)	(195,661)
Net (decrease) increase in cash	(44,700)	(1,282)	33,103	(42,087)
Effects of foreign exchange on cash	(983)	(1,880)	(4,538)	(6,196)
Cash – beginning of period	102,656	39,702	28,408	84,823
Cash – end of period	$ 56,973	$ 36,540	$ 56,973	$ 36,540

Ensign Energy Services Inc.

Non-GAAP Measures

Adjusted EBITDA, Adjusted EBITDA per common share and Consolidated EBITDA. These measures do not have any standardized meaning prescribed by IFRS and accordingly, may not be comparable to similar measures used by other companies. The non-GAAP measures included in this press release should not be considered as an alternative to, or more meaningful than, the IFRS measure from which they are derived or to which they are compared.

Adjusted EBITDA is used by management and investors to analyze the Company's profitability based on the Company's principal business activities prior to how these activities are financed, how assets are depreciated and amortized and how the results are taxed in various jurisdictions. Additionally, in order to focus on the core business alone, amounts are removed related to foreign exchange, share-based payment expense, impairment expenses, the sale of assets, restructuring costs, gain on repurchase of unsecured Senior Notes and fair value adjustments on financial assets and liabilities, as the Company does not deem these to relate to its core drilling and well services business. Adjusted EBITDA also takes into account the Company's portion of the principal activities of the joint venture arrangements by removing the loss (gain) from investments in joint ventures and including Adjusted EBITDA from investments in joint ventures. Adjusted EBITDA is not intended to represent net loss as calculated in accordance with IFRS.

ADJUSTED EBITDA	Three months ended September 30		Nine months ended September 30	
($ thousands)	2020	2019	2020	2019
Loss before income taxes [1]	(45,501)	(47,359)	(101,072)	(99,597)
Add-back/(deduct):				
Financing charges	27,264	34,870	92,053	111,875
Depreciation	96,417	92,410	278,367	269,607
Restructuring	4,208	1,692	11,594	11,089
Gain (loss) from investment in joint ventures	(436)	2,207	1,349	1,911
Share-based compensation	(1,272)	(673)	(2,893)	2,214
Loss (gain) on asset sale	—	—	3,437	(9,824)
Gain on repurchase of unsecured Senior Notes [2]	(40,072)	(920)	(103,589)	(1,570)
Foreign exchange and other (gain) loss	(1,598)	13,670	3,062	20,753
Adjusted EBITDA from investment in joint ventures	466	2,046	6,475	10,606
Adjusted EBITDA	39,476	97,943	188,783	317,064

[1] Comparative loss before income taxes have been revised to conform with current year's presentation.

[2] See "Financing Charges" section for definition of Senior Notes.

Adjusted EBITDA from investment in joint ventures is used by management and investors to analyze the results generated by the Company's joint venture operations prior to how these activities are financed, how assets are depreciated and amortized and how the results are taxed in various jurisdictions. Additionally, in order to focus on its core drilling and well services business, amounts related to foreign exchange, dividend expense, dividend re-class, impairment adjustments to property and equipment, as well as preferred share valuation and the sale of assets are removed. Lastly, amounts recorded for the revaluation on the investment of the former TDI joint venture are removed as these are non-cash items and unrelated to the operations of the business. Adjusted EBITDA from investments in joint ventures is not intended to represent net loss as calculated in accordance with IFRS.

Adjusted EBITDA from investment in joint ventures is calculated below:

	Three months ended September 30		Nine months ended September 30	
($ thousands)	2020	2019	2020	2019
(Loss) gain from investment in joint ventures	436	(2,207)	(1,349)	(1,911)
Add-back/(deduct):				
TDI fair value adjustment	—	(25)	—	625
Depreciation	—	3,396	7,185	10,051
Foreign exchange and other loss (gain)	(11)	(46)	229	(70)
Financing charge	41	474	62	1,168
Income taxes	—	442	283	584
Preferred shares valuation	—	12	—	159
Adjusted EBITDA from investment in joint ventures	466	2,046	6,475	10,606

Consolidated EBITDA

Consolidated EBITDA, as defined in the Company's Credit Facility agreement, is used in determining the Company's compliance with its covenants. The Consolidated EBITDA is substantially similar to Adjusted EBITDA, except that Adjusted EBITDA from the TDI joint venture is only included into Consolidated EBITDA for the purpose of the Company's Credit Facility when Adjusted EBITDA earned in the TDI joint venture is distributed up to the Company. Consolidated EBITDA is calculated on a rolling twelve-month basis.

Working Capital

Working capital is defined as current assets less current liabilities as reported on the consolidated statements of financial position.

ADVISORY REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this document constitute forward-looking statements or information (collectively referred to herein as "forward-looking statements") within the meaning of applicable securities legislation. Forward-looking statements generally can be identified by the words "believe", "anticipate", "expect", "plan", "estimate", "target", "continue", "could", "intend", "may", "potential", "predict", "should", "will", "objective", "project", "forecast", "goal", "guidance", "outlook", "effort", "seeks", "schedule" or other expressions of a similar nature suggesting future outcome or statements regarding an outlook.

Disclosure related to expected future commodity pricing or trends, revenue rates, equipment utilization or operating activity levels, operating costs, capital expenditures and other prospective guidance provided throughout this document, including, but not limited to, information provided in the "Funds Flow from Operations and Working Capital" section regarding the Company's expectation that funds generated by operations combined with current and future credit facilities will support current operating and capital requirements, information provided in the "New Builds and Major Retrofits" section, information provided in the "Financial Instruments" section regarding Venezuela and information provided in the "Outlook" section regarding the general outlook for the remainder of 2020, are examples of forward-looking statements. These statements are not representations or guarantees of future performance and are subject to certain risks and unforeseen results. The reader should not place undue reliance on forward-looking statements as there can be no assurance that the plans, initiatives, projections, anticipations or expectations upon which they are based will occur.

The forward-looking statements are based on current expectations, estimates and projections about the Company and the industries and environments in which the Company operates, which speak only as of the date such statements were made or as of the date of the report or document in which they are contained. They are subject to known and unknown risks, uncertainties and other factors that could cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risk factors include, among others: general economic and business conditions which will, among other things, impact demand for and market prices of the Company's services and the ability of the Company's customers to pay accounts receivable balances; volatility of and assumptions regarding crude oil and natural gas commodity prices; fluctuations in currency and interest rates; economic conditions in the countries and regions in which the Company conducts business; political uncertainty and civil unrest; the Company's ability to implement its business strategy; impact of competition; the Company's defence of lawsuits; availability and cost of labour and other equipment, supplies and services; the Company's ability to complete its capital programs; operating hazards and other difficulties inherent in the operation of the Company's oilfield services equipment; availability and cost of financing and insurance; the Company's ability to amend covenants under the Credit Facility with its Credit Facility syndicate; timing and success of integrating the business and operations of acquired companies; actions by governmental authorities; government regulations and the expenditures required to comply with them (including safety and environmental laws and regulations and the impact of climate change initiatives on capital and operating costs); the adequacy of the Company's provision for taxes; the Company's response to the global COVID-19 pandemic and the impact thereof upon the business environments in which the Company is or may become engaged; and other circumstances affecting the Company's business, revenues and expenses.

The Company's operations and levels of demand for its services have been, and at times in the future may be, affected by political risks and developments, such as expropriation, nationalization, or regime change, and by national, regional and local laws and regulations such as changes in taxes, royalties and other amounts payable to governments or governmental agencies, environmental protection regulations, the global COVID-19 pandemic, the potential reinstatement COVID-19 mitigation strategies, such as stay-at-home orders and lockdown related restrictions, and the impact thereof upon the Company, its customers and its business. Should one or more of these risks or uncertainties materialize, or should any of the Company's assumptions prove incorrect, actual results may vary in material respects from those expressed or implied by the forward-looking statements. The impact of any one factor on a particular forward-looking statement is not determinable with certainty as such factors are interdependent upon other factors, and the Company's course of action would depend upon its assessment of the future considering all information then available.

For additional information refer to the "Risk and Uncertainties" section of the MD&A. Readers are cautioned that the lists of important factors contained herein are not exhaustive. Unpredictable or unknown factors not discussed in the MD&A could also have material adverse effects on forward-looking statements.

Although the Company believes the expectations conveyed by the forward-looking statements are reasonable based on information available to it on the date such forward-looking statements are made, no assurances can be given as to future results, levels of activity and achievements. Except as required by law, the Company assumes no obligation to update forward-looking statements should circumstances or its projections, anticipations, estimates or opinions change.

SOURCE Ensign Energy Services Inc.

Contact
Michael Gray, Chief Financial Officer, (403) 262-1361; Nicole Romanow, Investor Relations, (403) 267-6234