

# Total Energy Services Inc. Announces Q1 2018 Results

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CALGARY, Alberta, May 10, 2018 (GLOBE NEWSWIRE) -- [Total Energy Services Inc.](#) (Total Energy or the Company) (TSX:TOT) announces its consolidated financial results for the three months ended March 31, 2018.

## Financial Highlights

(\$000's except per share data)

	Three months ended		
	March 31		
	2018	2017	Change
Revenue	\$ 205,215	\$ 84,532	143%
Operating income (loss)	7,560	(241)	) nm
EBITDA <sup>(1)</sup>	27,655	7,942	248%
Cashflow	21,149	7,821	170%
Net income (loss)	3,328	(853)	) nm
Attributable to shareholders	3,164	(853)	) nm
Per Share Data (Diluted)			
EBITDA <sup>(1)</sup>	\$ 0.60	\$ 0.25	140%
Cashflow	0.46	0.25	84%
Net income (loss) attributable to shareholders	0.07	(0.03)	) nm
Financial Position at			
	March 31,	December 31,	Change
Total Assets	\$ 1,065,499	\$ 1,066,781	-
Long-Term Debt and Obligations Under Finance Leases (excluding current portion)	247,087	257,845	(4%)
Working Capital <sup>(2)</sup>	54,906	54,892	-
Net Debt <sup>(3)</sup>	192,181	202,953	(5%)
Shareholders' Equity	550,732	546,574	1%
Shares Outstanding (000's) <sup>(4)</sup>			
Basic	46,238	41,963	10%
Diluted	46,241	41,963	10%

Notes 1 through 4 please refer to the Notes to the Financial Highlights set forth at the end of this release. &ldquo;nm&rdquo; &ndash; calculation is not meaningful

Total Energy's results for the three months ended March 31, 2018 improved significantly compared to the first quarter of 2017 due to the increased size and scale of operations following the acquisition of [Savanna Energy Services Corp.](#) (Savanna) in the second quarter of 2017, cost synergies and operating efficiencies arising from the integration of Savanna and improving international industry conditions. The Company's results for the first quarter of 2018 were negatively impacted by \$1.8 million of non-recoverable expenses incurred with the relocation of three drilling rigs to Texas and Colorado.

Total Energy's Contract Drilling Services segment (CDS) generated \$61.0 million of revenue during the first quarter of 2018 on a fleet utilization of 28%, recording 2,924 operating days (spud to

rig release) with a fleet of 116 drilling rigs, compared to 442 operating days, or 27% utilization, during the first quarter of 2017 with a fleet of 18 drilling rigs. Revenue per operating day for the first three months of 2018 was \$20,855, with 1,999 operating days in Canada (86 rigs at 26% utilization), 714 days in the United States (25 rigs at 32% utilization) and 211 days in Australia (5 rigs at 47% utilization). Effective January 1, 2018, the CDS segment began including in revenue subsistence payments received on behalf of its Canadian employees, which amounted to approximately \$1,700 per operating day. First quarter drilling activity in Canada was lower than the prior year due primarily to lower dry natural gas drilling and oil sands coring activity. The Company moved a drilling rig from Canada to Texas during the quarter. United States operating days and financial results were negatively impacted by the relocation of two drilling rigs from Pennsylvania to Texas and Colorado during the first quarter of 2018. Additionally, three idle drilling rigs located in the United States were sold during the first quarter of 2018 as part of the fleet rationalization process.

The Rental and Transportation Services segment (&ldquo;RTS&rdquo;) generated \$22.3 million of revenue during the first quarter of 2018, a 27% increase from the first quarter of 2017. First quarter major rental equipment utilization for 2018 was 27% as compared to 22% in 2017. Segment revenue per utilized rental piece decreased 6% for the first quarter of 2018 compared to the same period in 2017, due primarily to the mix of equipment utilized. This segment exited the first quarter of 2018 with approximately 11,000 pieces of major rental equipment and 112 heavy trucks as compared to 10,000 rental pieces and 121 heavy trucks at March 31, 2017. Approximately 100 pieces of rental equipment were moved from Canada to the United States during the first quarter of 2018.

Strong international demand, particularly in the United States, continued to drive substantial growth in the Compression and Process Services segment (&ldquo;CPS&rdquo;). Revenue for the first three months of 2018 increased 42% to \$85.1 million compared to \$60.1 million for the same period in 2017. This segment exited first quarter of 2018 with a \$207.0 million backlog of fabrication sales orders, as compared to \$75.2 million at March 31, 2017 and \$167.9 million at December 31, 2017. At March 31, 2018, there was 41,000 horsepower in the compression rental fleet, of which approximately 18,500 horsepower was on rent. This compares to 16,500 horsepower on rent at March 31, 2017. The compression rental fleet operated at an average utilization rate of 53% during the first quarter of 2018 as compared to 38% during the first quarter of 2017.

Total Energy&rsquo;s Well Servicing segment (&ldquo;WS&rdquo;) generated \$36.8 million of revenue during the first quarter of 2018 on 37,679 operating hours, or \$923 per operating hour, with a fleet of 84 service rigs located in Canada (57 rigs), the United States (15 rigs) and Australia (12 rigs). Service rig utilization for the three months ended March 31, 2018 was 37% in Canada, 37% in the United States and 54% in Australia. Two idle service rigs located in the United States were sold during the first quarter of 2018. Activity levels in Australia were negatively impacted by seasonal wet weather conditions.

During the first quarter of 2018, Total Energy declared a quarterly dividend of \$0.06 per share to shareholders of record on March 30, 2018. This dividend was paid on April 30, 2018. For Canadian income tax purposes, all dividends paid by Total Energy on its common shares are designated as &ldquo;eligible dividends&rdquo; unless otherwise indicated.

## Outlook

Oil and natural gas industry activity continues to recover in the markets in which Total Energy participates with the exception of Canada where activity levels remain somewhat stagnant compared to 2017. In this environment, the Company continues to focus on achieving further operating efficiencies and pursuing international growth opportunities, including opportunities to relocate underutilized equipment.

Current indications are that Canadian drilling activity following spring break up will continue to focus on oil and liquids rich natural gas drilling programs, including an increasing focus on shallower light oil projects. In the United States, demand for drilling rigs continues to increase and all three rigs relocated to Texas and Colorado during the first quarter have commenced operations. In Australia, drilling and completion activity continues to steadily increase.

Total Energy&rsquo;s CPS segment exited the first quarter of 2018 with a record fabrication sales backlog that was 175% higher on a year over year basis and 23% higher than the previous record backlog achieved at the end of 2017. This backlog provides good visibility for the remainder of 2018 and the Company expects

international markets to continue to drive growth for this business segment in the near to medium term.

During the first quarter of 2018 Total Energy voluntarily repaid \$10 million of long-term debt. At March 31, 2018 total debt amounted to \$316.5 million and consisted of \$186.0 million drawn on the Company's revolving credit facilities (the "Credit Facility") (3.77% interest rate), \$60.6 million of mortgage debt (3.32% weighted average interest rate), \$67.5 million of Savanna senior unsecured notes (7.0% interest rate) and \$2.4 million of limited partnership debt (5.30% weighted average interest rate). On April 25, 2018, the Company increased the Credit Facility by \$65 million to \$290 million and extended the term by one year to June 2021. All other terms and conditions of the Credit Facility remain unchanged and the Company is able to fully draw on such facility. Total Energy intends to utilize cash on hand and the Credit Facility to repay the \$67.5 million of Savanna senior unsecured notes that mature on May 25, 2018.

#### Conference Call

At 9:00 a.m. (Mountain Time) on May 11, 2018 Total Energy will conduct a conference call and webcast to discuss its first quarter financial results. Daniel Halyk, President & Chief Executive Officer, will host the conference call. A live webcast of the conference call will be accessible on the Company's website at [www.totalenergy.ca](http://www.totalenergy.ca) by selecting "Webcasts". Persons wishing to participate in the conference call may do so by calling (800) 273-9672 or (416) 340-2216. Those who are unable to listen to the call live may listen to a recording of it on Total Energy's website. A recording of the conference call will also be available until June 11, 2018 by dialing (800) 408-3053 (passcode 3321325#).

#### Annual Meeting of Shareholders

Shareholders and other interested persons are invited to attend the annual meeting of Shareholders which will commence at 2:30 p.m. (Calgary time) on Thursday, May 17, 2018 at the Calgary Petroleum Club, 319 &ndash; 5<sup>th</sup> Avenue S.W., Calgary, Alberta.

#### Selected Financial Information

Selected financial information relating to the three months ended March 31, 2018 and 2017 is attached to this news release. This information should be read in conjunction with Total Energy's condensed interim consolidated financial statements and notes thereto as well as the related management's discussion and analysis to be issued in due course and reproduced in the Company's 2018 first quarter report.

#### Consolidated Statements of Financial Position (in thousands of Canadian dollars)

	March 31, 2018 (unaudited)	December 31, 2017 (audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 19,403	\$ 21,154
Accounts receivable	149,606	150,990
Inventory	77,840	68,266
Income taxes receivable	4,001	1,176
Other assets	4,183	4,631
Prepaid expenses and deposits	12,470	15,148
	267,503	261,365
Property, plant and equipment	786,375	793,464
Income taxes receivable	7,070	7,070
Deferred tax asset	498	829
Goodwill	4,053	4,053

	\$ 1,065,499	\$ 1,066,781
Liabilities & Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 113,017	\$ 108,421
Deferred revenue	23,018	21,625
Dividends payable	2,774	2,774
Current portion of obligations under finance leases	1,715	1,595
Current portion of long-term debt	72,073	72,058
	212,597	206,473
Long-term debt	244,443	255,640
Obligations under finance leases	2,644	2,205
Onerous lease liability	1,831	2,734
Deferred tax liability	53,252	53,155
Shareholders' equity:		
Share capital	291,317	291,317
Contributed surplus	4,661	4,550
Accumulated other comprehensive loss	(7,031 )	(10,194 )
Non-controlling interest	1,360	1,196
Retained earnings	260,425	259,705
	550,732	546,574
	\$ 1,065,499	\$ 1,066,781

Consolidated Statements of Comprehensive Income (Loss)  
(unaudited, in thousands of Canadian dollars except per share amounts)

	Three months ended March 31	
	2018	2017
Revenue	\$ 205,215	\$ 84,352
Cost of services	163,977	68,715
Selling, general and administration	13,637	7,620
Share-based compensation	441	229
Depreciation	19,600	8,029
Operating income (loss)	7,560	(241 )
Gain on sale of property, plant and equipment	495	154
Finance costs	(3,856 )	(597 )
Net income (loss) before income taxes	4,199	(684 )
Current income tax expense (recovery)	835	(4,729 )
Deferred income tax expense	36	4,898
Total income tax expense	871	169
Net income (loss) for the period	\$ 3,328	\$ (853 )
Net income (loss) attributable to:		
Shareholders of the Company	\$ 3,164	\$ (853 )
Non-controlling interest	164	-
Income (loss) per share		
Basic and diluted	\$ 0.07	\$ (0.03 )

## Consolidated Statements of Comprehensive Income (loss)

	Three months ended March 31	
Net income (loss) for the period	\$ 3,328	\$ (853 )
Changes in fair value of long-term investment	-	270
Foreign currency translation adjustment	3,555	24
Deferred tax effect	(392 )	(36 )
Total other comprehensive income for the period	3,163	258
Total comprehensive income (loss)	\$ 6,491	\$ (595 )
Total comprehensive income (loss) attributable to:		
Shareholders of the Company	\$ 6,327	\$ (595 )
Non-controlling interest	164	-

Consolidated Statements of Cash Flows  
(unaudited, in thousands of Canadian dollars)

	Three months ended March 31	
	2018	2017
Cash provided by (used in):		
Operations:		
Net income (loss) for the period	\$ 3,328	\$ (853 )
Add (deduct) items not affecting cash:		
Depreciation	19,600	8,029
Share-based compensation	441	229
Gain on sale of property, plant and equipment	(495 )	(154 )
Finance costs	3,631	597
Unrealized loss (gain) on foreign currencies translation	(2,567 )	185
Current income tax expense (recovery)	835	(4,729 )
Deferred income tax expense	36	4,898
Income taxes paid	(3,660 )	(381 )
Cashflow	21,149	7,821
Changes in non-cash working capital items:		
Accounts receivable	1,689	(10,963 )
Inventory	(9,574 )	3,971
Prepaid expenses and deposits	3,380	(1,168 )
Accounts payable and accrued liabilities	5,650	2,237
Onerous leases	(903 )	-
Deferred revenue	1,393	(7,199 )
Cash provided by (used in) operating activities	22,784	(5,301 )
Investing:		
Purchase of property, plant and equipment	(7,605 )	(2,928 )
Acquisitions	-	(13,800 )
Proceeds on sale of other assets	227	115
Proceeds on disposal of property, plant and equipment	1,239	917
Changes in non-cash working capital items	(1,441 )	(763 )
Cash used in investing activities	(7,580 )	(16,459 )
Financing:		
Repayment of long-term debt	(11,182 )	(479 )

Loans advanced	-	(2,997 )
Repayment of obligations under finance leases	(529 )	(447 )
Dividends to shareholders	(2,774 )	(1,856 )
Interest paid	(2,470 )	(464 )
Increase in bank indebtedness	-	12,087
Cash (used in) provided by financing activities	(16,955 )	5,844
Change in cash and cash equivalents	(1,751 )	(15,916 )
Cash and cash equivalents, beginning of period	21,154	15,916
Cash and cash equivalents, end of period	\$ 19,403	\$ -

## Segmented Information

The Company provides a variety of products and services in the oil and natural gas industry through five reporting segments, which operate substantially in three geographic segments. These reporting segments are: Contract Drilling Services, which includes the contracting of drilling equipment and the provision of labour required to operate the equipment; Rentals and Transportation Services, which includes the rental and transportation of equipment used in drilling, completion and production operations; Compression and Process Services, which includes the fabrication, sale, rental and servicing of natural gas compression and oil and natural gas process equipment; and Well Servicing, which includes the contracting of service rigs and the provision of labour required to operate the equipment. Corporate includes activities related to the Company's corporate and public issuer affairs.

*As at and for the three months ended March 31, 2018 (unaudited, in thousands of Canadian dollars)*

	Contract Drilling Services	Rentals and Transportation Services	Compression and Process Services	Well Servicing	Corporate	Total
Revenue	\$ 60,980	\$ 22,312	\$ 85,118	\$ 36,805	\$ -	\$ 205,215
Cost of services	49,519	13,825	74,296	26,337	-	163,977
Selling, general and administration	2,353	3,939	2,699	1,177	3,469	13,637
Share-based compensation	-	-	-	-	441	441
Depreciation	8,189	4,567	1,776	5,050	18	19,600
Operating income (loss)	919	(19 )	6,347	4,241	(3,928 )	7,560
Gain on sale of property, plant and equipment	50	51	-	394	-	495
Finance income (costs)	7	(31 )	(9 )	(41 )	(3,782 )	(3,856 )
Net income (loss) before income taxes	976	1	6,338	4,594	(7,710 )	4,199
Goodwill	-	2,514	1,539	-	-	4,053
Total assets	462,672	245,077	197,264	145,308	15,178	1,065,499
Total liabilities	52,260	41,066	76,430	2,486	342,525	514,767
Capital expenditures	\$ 3,012	\$ 2,121	\$ 1,794	\$ 678	\$ -	\$ 7,605

	Canada	United States	Australia	Other	Total
Revenue	\$ 104,191	\$ 67,099	\$ 33,925	\$ -	\$ 205,215
Non-current assets <sup>(1)</sup>	560,335	140,310	89,783	-	790,428

*As at and for the three months ended March 31, 2017 (unaudited, in thousands of Canadian dollars)*

	Contract Drilling	Rentals and Transportation	Compression and Process	Well Servicing	Corporate	Total
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	Services	Services	Services			
Revenue	\$ 6,696	\$ 17,556	\$ 60,100	\$ -	\$ -	\$ 84,352
Cost of services	4,813	10,426	53,476	-	-	68,715
Selling, general and administration	521	3,050	1,786	-	2,263	7,620
Share-based compensation	-	-	-	-	229	229
Depreciation	2,017	4,160	1,833	-	19	8,029
Operating income (loss)	(655 )	(80 )	3,005	-	(2,511 )	(241 )
Gain on sale of property, plant and equipment	-	124	30	-	-	154
Finance costs	(91 )	(181 )	(95 )	-	(230 )	(597 )
Net income (loss) before income taxes	(746 )	(137 )	2,940	-	(2,741 )	(684 )
Goodwill	-	2,514	1,539	-	-	4,053
Total assets	111,191	234,342	154,574	-	135,133	635,230
Total liabilities	23,834	47,512	36,608	-	61,137	169,091
Capital expenditures	\$ 462	\$ 1,418	\$ 1,048	\$ -	\$ 13,800	\$ 16,728

	Canada	United States	Australia	Other	Total
Revenue	\$ 69,958	\$ 8,464	\$ 5,919	\$ 11	\$ 84,352
Non-current assets <sup>(1)</sup>	483,813	15,154	1,472	-	500,439

<sup>(1)</sup> Includes property, plant and equipment and goodwill.

Headquartered in Calgary, Alberta, Total Energy provides contract drilling services, rentals and transportation services, compression and process equipment and service and well servicing to oil and natural gas producers operating in North America, Australia and other international markets. The common shares of Total Energy are listed and trade on the TSX under the symbol TOT.

For further information, please contact Daniel Halyk, President & Chief Executive Officer at (403) 216-3921 or Yuliya Gorbach, Vice-President Finance and Chief Financial Officer at (403) 216-3920 or by e-mail at: investorrelations@totalenergy.ca or visit our website at www.totalenergy.ca

#### Notes to the Financial Highlights

1. EBITDA means earnings before interest, taxes, depreciation and amortization and is equal to net income (loss) before income taxes plus finance costs plus depreciation. EBITDA is not a recognized measure under IFRS. Management believes that in addition to net income (loss), EBITDA is a useful supplemental measure as it provides an indication of the results generated by the Company's primary business activities prior to consideration of how those activities are financed, amortized or how the results are taxed in various jurisdictions as well as the cash generated by the Company's primary business activities without consideration of the timing of the monetization of non-cash working capital items. Readers should be cautioned, however, that EBITDA should not be construed as an alternative to net income (loss) determined in accordance with IFRS as an indicator of Total Energy's performance. Total Energy's method of calculating EBITDA may differ from other organizations and, accordingly, EBITDA may not be comparable to measures used by other organizations.
2. Working capital equals current assets minus current liabilities.
3. Net Debt equals long-term debt plus obligations under finance leases plus current liabilities minus current assets.
4. Basic and diluted shares outstanding reflect the weighted average number of common shares outstanding for the periods. See note 7 to the Company's Condensed Interim Consolidated Financial Statements for the three months ended March 31, 2018.

*Certain statements contained in this press release, including statements which may contain words such as*

*"could", "should", "expect", "believe", "will" and similar expressions and statements relating to matters that are not historical facts are forward-looking statements. Forward-looking statements are based upon the opinions and expectations of management of Total Energy as at the effective date of such statements and, in some cases, information supplied by third parties. Although Total Energy believes the expectations reflected in such forward-looking statements are based upon reasonable assumptions and that information received from third parties is reliable, it can give no assurance that those expectations will prove to have been correct.*

*In particular, this press release contains forward-looking statements concerning industry activity levels, expectations regarding Total Energy's market share and future compression and process production activity, Total Energy's expectations of future interest rates and its corresponding ability to realize substantial interest expense savings, expectations as to the Company's ability to realize cost efficiencies and synergies arising from the acquisition of Savanna as well as other expected benefits of the acquisition. Such forward-looking statements are based on a number of assumptions and factors including fluctuations in the market for oil and natural gas and related products and services, political and economic conditions, central bank interest rate policy, the demand for products and services provided by Total Energy, Total Energy's ability to attract and retain key personnel and other factors. Such forward-looking statements involve known and unknown risks and uncertainties which may cause the actual results, performances or achievements of Total Energy to be materially different from any future results, performances or achievements expressed or implied by such forward-looking statements. Reference should be made to Total Energy's most recently filed Annual Information Form and other public disclosures (available at [www.sedar.com](http://www.sedar.com)) for a discussion of such risks and uncertainties.*

*The TSX has neither approved nor disapproved of the information contained herein.*

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