

Ensign Energy Services Inc. Reports 2019 First Quarter Results

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CALGARY, May 13, 2019 -

OVERVIEW

Revenue for the three months ended March 31, 2019 was \$445.3 million, an increase of 72 percent from revenue for the three months ended March 31, 2018 of \$258.5 million. Revenue, net of third party, for the three months ended March 31, 2019 was \$412.4 million, an increase of 82 percent from Revenue, net of third party, for the three months ended March 31, 2018 of \$228.2 million. Adjusted EBITDA totaled \$115.5 million (\$0.74 per common share) in the first quarter of 2019, higher by \$63.2 million from Adjusted EBITDA of \$52.3 million (\$0.33 per common share) in the first quarter of 2018. Net loss attributed to shareholders for the three months ended March 31, 2019 was \$22.3 million (\$0.14 per common share), compared to net loss attributed to shareholders of \$26.7 million (\$0.17 per common share) for the three months ended March 31, 2018. Funds flow from operations increased 100 percent to \$86.3 million (\$0.55 per common share) in the first quarter of 2019 compared to \$53.9 million (\$0.34 per common share) in the first quarter of the prior year.

During the fourth quarter of 2018, the Company acquired 89.3 percent of [Trinidad Drilling Ltd.](#) ("Trinidad"), the largest acquisition in the Company's history (the "Trinidad Acquisition"), ultimately adding 68 drilling rigs in Canada, 66 in the United States and 10 internationally. The Trinidad Acquisition also expanded the Company's geographic footprint with the addition of three new countries of operation (Bahrain, Kuwait and Mexico) in connection with the joint venture described below, expanded the Company's existing customer base, and provided the Company additional exposure to the United States market in part.

Results for the first quarter of 2019 were materially impacted by the Trinidad Acquisition. The acquisition includes a 60 percent interest in Trinidad Drilling International ("TDI"), which is a joint venture with a wholly-owned subsidiary of Halliburton Company. During the first quarter of 2019, the Company acquired the remaining 10.7 percent of Trinidad shares and as a result TDI shares were delisted from trading on the Toronto Stock Exchange.

Operating days were higher in Canada and the United States in the first quarter of 2019 when compared to the first quarter of 2018 due to additional days from the Trinidad Acquisition as well as an increased demand in oilfield services caused by the stabilization of crude oil and natural gas commodity prices. A strengthening year-over-year of the United States dollar against the Canadian dollar positively impacted United States and international financial results on translation to Canadian dollars. The average United States dollar exchange rate was 1.33 for the first three months of 2019 (first three months of 2018 - 1.22) to the Canadian dollar, an increase of five percent, compared to the first three months of 2018.

Gross margin increased to \$127.6 million (30.9 percent of Revenue, net of third party) for the first quarter of 2019 compared to a gross margin of \$63.1 million (27.8 percent of Revenue, net of third party) for the first quarter of 2018. The increase in gross margin percentage in the first quarter of 2019 compared to the first quarter of 2018 was primarily attributed to the increase in drilling activity, effective cost controls, synergies obtained from the Trinidad Acquisition and the positive impact of the strengthening of the United States dollar against the Canadian dollar.

Working capital at March 31, 2019 was a surplus of \$279.2 million, compared to a deficit of \$156.2 million at December 31, 2018. The increase in working capital year-over-year was largely due to the repayment USD \$200.0 million Ensign senior unsecured notes (the "Ensign Notes") and the repayment the Trinidad's credit facility (the "Trinidad Facility") of \$98.0 million. At the end of the first quarter 2019, the Company had total liquidity of \$139.3 million consisting of \$122.8 million in cash and \$16.5 million in available bank facilities.

FINANCIAL AND OPERATING HIGHLIGHTS

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

	Three months ended March 31		
	2019	2018	% change
Revenue	445,258	258,460	72
Revenue, net of third party ¹	412,361	226,967	82
Adjusted EBITDA ²	115,531	52,294	nm
Adjusted EBITDA per share ²			
Basic	\$ 0.74	\$ 0.33	nm
Diluted	\$ 0.74	\$ 0.33	nm
Net loss attributable to shareholders	(22,347)	(26,682)	(16)
Net loss per share			
Basic	\$ (0.14)	\$ (0.17)	(18)
Diluted	\$ (0.14)	\$ (0.17)	(18)
Cash provided by operating activities	51,871	19,998	nm
Funds flow from operations ³	86,312	53,907	60
Funds flow from operations per share ³			
Basic	\$ 0.55	\$ 0.34	62
Diluted	\$ 0.55	\$ 0.34	62
Total debt, net of cash	1,688,087	709,062	138
Weighted average shares - basic (000s)	156,951	156,866	—
Weighted average shares - diluted (000s)	156,982	157,027	—
Drilling	2019	2018	% change
Number of marketed rigs ⁴			
Canada ⁵	119	57	nm
United States	134	66	nm
International ⁶	42	43	7
Operating days			
Canada ⁵	3,061	1,960	56
United States	6,657	2,904	nm
International ⁶	1,329	1,358	(2)
Well Servicing	2019	2018	% change
Number of rigs			
Canada			

United States	46	43	7
Operating hours			
Canada	12,798	16,726	(23)
United States	28,365	22,406	27

1. Revenue, net of third party is defined as "gross revenue less third party reimbursable items".
2. Please refer to Adjusted EBITDA calculation in Appendices.
3. Funds flow from operations is defined as "cash provided by operating activities before the change in non-cash working capital". Management believes that, in addition to Net loss, Funds flow from operations constitute a measure that provides additional information regarding the Company's liquidity and its ability to generate funds to finance its operations. Management utilizes this measure to assess the Company's ability to finance operating activities and capital expenditures. Funds from operations and Funds from operations per share are not measures that have any standardized meaning prescribed by International Financial Reporting Standards and thus may not be comparable to similar measures used by other companies.
4. Total rigs Canada - 136, United States - 152, International - 47 (2018 - Canada - 70, United States - 84, International - 46)
5. Excludes coring rigs.
6. Includes workover rigs and excludes joint venture drilling rigs.

FIRST QUARTER HIGHLIGHTS

- Revenue for the first quarter of 2019 was \$445.3 million, a 72 percent increase from the first quarter of 2018 revenue of \$258.5 million.
- Revenue by geographic area:
 - Canada - \$106.4 million, 24 percent of total;
 - United States - \$273.6 million, 61 percent of total; and
 - International - \$65.2 million, 15 percent of total.
- Canadian drilling recorded 3,061 operating days in the first quarter of 2019, a 56 percent increase from 1,960 operating days in the first quarter of 2018. Canadian well servicing recorded 12,798 operating hours in the first quarter of 2019, a decrease from 16,726 operating hours in the first quarter of 2018.
- United States drilling recorded 6,657 operating days in the first quarter of 2019, an increase of 3,753 operating days from 2,904 operating days in the first quarter of 2018. United States well servicing recorded 28,365 operating hours in the first quarter of 2019, a 27 percent increase from 22,406 operating hours in the first quarter of 2018.
- International drilling recorded 1,329 operating days in the first quarter of 2019, a two percent decrease from 1,358 operating days recorded in first quarter of 2018.
- Adjusted EBITDA for the first quarter of 2019 was \$115.5 million, an increase by \$64.4 million from Adjusted EBITDA of \$51.1 million for the first quarter of 2018.
- Funds from operations for the first quarter of 2019 increased 60 percent to \$86.3 million from \$53.9 million in first quarter of the prior year.
- The Company acquired the remaining 10.7 percent of Trinidad shares.
- Net capital expenditures for the quarter was \$39.6 million of which \$3.0 million was funded by customers. Net capital expenditures for the calendar year 2019 remain targeted at \$102 million.
- The Company declared a second quarter cash dividend on common shares of \$0.12 per common share, payable on July 15, 2019 with a record date of June 21, 2019. The dividend reinvestment plan (the "DRIP") participation rate is expected to be approximately 40 percent. The first quarter dividend had a participation rate of 38.5%.
- Shareholders are eligible to participate in the Company's DRIP. The DRIP provides eligible holders of Common Shares of the Company an option to elect to reinvest their dividends in Common Shares of the Company at a discount of up to five percent of the average market price on each dividend payment date.

REVENUE AND OILFIELD SERVICES EXPENSE

(\$ thousands)	Three months ended March 31		
	2019	2018	% change
Revenue			
Canada	106,422	73,813	44
United States	273,596	125,502	nm
International	65,240	59,145	10
Total revenue	445,258	258,460	72
Revenue, net of third party	412,361	226,967	82
Oilfield services expense	317,688	195,365	63
Gross margin	127,570	63,095	nm
Gross margin as a percentage of Revenue, net of third party	30.9	27.8	

Revenue for the three months ended March 31, 2019 totaled \$445.3 million, an increase of 72 percent from the first quarter of 2018 of \$258.5 million. As a percentage of Revenue, net of third party, gross margin for the first quarter of 2019 increased to 30.9 percent (2018 - 27.8 percent).

The increase in revenue was largely due to increased operating activity by way of the Trinidad Acquisition and revenue rate increases. Further, the financial results from the Company's United States and international operations were positively impacted upon translation, due to the stronger United States dollar relative to the Canadian dollar in the first three months of 2019.

CANADIAN OILFIELD SERVICES

The Company recorded revenue of \$106.4 million in Canada for the three months ended March 31, 2019, an increase of 44 percent from \$73.8 million recorded for the three months ended March 31, 2018. Canadian revenues accounted for 24 percent of the Company's total revenue in the first quarter of 2019, compared to 29 percent in the first quarter of 2018.

The increased operating results for the Company's Canadian operations was largely due to the Trinidad Acquisition and revenue rate improvements. The increase was partially offset by lower operating activities by Canadian well servicing. Gross margin was higher because of effective cost control and synergies realized from the Trinidad Acquisition.

For the three months ended March 31, 2019, the Company recorded 3,061 drilling days compared to 1,960 drilling days for the three months ended March 31, 2018, an increase of 56 percent. Well servicing hours decreased by 23 percent to 12,798 operating hours in the first quarter of 2019 compared to 16,726 operating hours in the corresponding period of 2018.

During the three months ended March 31, 2019, the Company transferred one ADR® drilling rig from Canada to the United States, moved five under-utilized drilling rigs into the Company's reserve fleet and decommissioned seven well servicing rigs in Canada.

UNITED STATES OILFIELD SERVICES

During the three months ended March 31, 2019, revenue of \$273.6 million was recorded by the Company's United States operations, an increase of \$148.1 million from the \$125.5 million recorded in the corresponding period of the prior year. The Company's United States operations accounted for 61 percent of the Company's revenue in the first quarter of 2019 (2018 - 49 percent).

Drilling rig operating days increased to 6,657 drilling days in the first quarter of 2019 from 2,904 drilling days in the first quarter of 2018. Well servicing activity expressed in operating hours increased by 27 percent in the first quarter of 2019 to 28,365 operating hours from 22,406 operating hours in the first quarter of 2018.

Overall operating results for the Company's United States operations were positively impacted by an increase in operating activity by way of the Trinidad Acquisition. Gross margin was higher because of effective cost control and synergies realized from the Trinidad Acquisition. Furthermore, the operating results were positively impacted by a strengthening United States dollar, which increased five percent versus the Canadian dollar when compared to the three months ending March 31, 2018.

During the three months ended March 31, 2019, the Company transferred one ADR[®] drilling rig from Canada to the United States.

INTERNATIONAL OILFIELD SERVICES

The Company's international operations recorded revenue of \$65.2 million in the first quarter of 2019, a 10 percent increase from the \$59.1 million recorded in the corresponding period of the prior year. The Company's international operations contributed 15 percent of the total revenue in the first quarter of 2019 (2018 - 23 percent).

For the three months ended March 31, 2019, international operating days totaled 1,329 operating days compared to 1,358 drilling days for the three months ended March 31, 2018, a decrease of two percent.

Although the operating days decreased in the first quarter of 2019, the international operating results improved due to higher revenue rates and the strengthened United States dollar, which increased five percent versus the Canadian dollar when compared to the first quarter of 2018.

JOINT VENTURE

As part of the Trinidad Acquisition during fourth quarter, 2018, Ensign acquired a 60 percent ownership in Trinidad Drilling ("TDI"), a joint venture with a wholly-owned subsidiary of Halliburton Company. TDI has five rigs and operates rigs in Bahrain, Mexico and Kuwait. The Company owns 60 percent of the shares of TDI and each parties have equal voting rights.

Amounts below are presented at 100 percent of the value included in the statement of operations and comprehensive (loss):

	Three months ended March 31		
(\$ thousands)	2019	2018	% change
Revenue	10,204	—	nm
Net loss	(2,707)	—	nm
Drilling operating days	123	—	nm

For the three months ended March 31, 2019, TDI recorded revenue of \$10.2 million (2018 - \$nil). For three months ended March 31, 2019, TDI operating days totaled 123 (2018 - \$nil).

DEPRECIATION

Three months ended March 31			
(\$ thousands)	2019	2018	% change
Depreciation	88,167	98,575	(11)

Depreciation expense totaled \$88.2 million for the first quarter of 2019 compared with \$98.6 million for the first quarter of 2018. In the first quarter of 2019, due to the acquisition of Trinidad the Company reviewed the makeup of and the age of the drilling rig fleet and equipment and determined that based on age, specification and type of recertifications that were taking place, that the useful life estimates previously used did not appropriately represent the useful life of this equipment. On this basis, the Company believes the new useful life estimates for its equipment accurately reflect the future economic benefits related to these assets. These adjustments were applied prospectively and, as such, have caused a decrease in depreciation expense in 2019 when compared to 2018.

GENERAL AND ADMINISTRATIVE EXPENSE

Three months ended March 31			
(\$ thousands)	2019	2018	% change
General and administrative	14,037	10,801	30
% of revenue	3.2	4.2	

General and administrative expense increased 30 percent to \$14.0 million (3.2 percent of revenue) for the first quarter of 2019 compared to \$10.8 million (4.2 percent of revenue) for the first quarter of 2018. The increase was due primarily to the Trinidad Acquisition. Management continues to focus on managing costs and realization of additional synergies from the acquisition of Trinidad.

RESTRUCTURING COSTS

Three months ended March 31			
(\$ thousands)	2019	2018	% change
Restructuring costs	8,482	—	nm
	nm		
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Restructuring costs totaled \$8.5 million for the first quarter of 2019, which includes severance cost of \$6.9 million (2018 - \$nil).

INTEREST EXPENSE

	Three months ended March 31		
(\$ thousands)	2019	2018	% change
Interest expense	36,346	10,194	nm

Interest was incurred on the Company's \$900.0 million global revolving credit facility (the "Credit Facility"), USD \$700.0 million senior loan facility (the "Senior Loan"), the \$37.0 million subordinate convertible debenture (the "Debentures") and capital lease obligations. Interest was also incurred on prior debt instrument until retired during the quarter and as well as the amortization of deferred financing costs associated with the refinancing the Company's debt.

Interest expense increased by \$26.2 million for the first quarter of 2019 compared to the same period in 2018 as a result of an increase to the overall interest rate and total debt. The negative translational impact on United States dollar-denominated debt of a strengthened United States dollar versus the Canadian dollar also impacted interest expense for the quarter.

FOREIGN EXCHANGE GAIN AND OTHER

	Three months ended March 31		
(\$ thousands)	2019	2018	% change
Foreign exchange loss (gain) and other	10,360	(14,452)	nm

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.

INCOME TAXES

	Three months ended March 31		
(\$ thousands)	2019	2018	% change
Current tax	441	1,344	(67)
Deferred tax	(11,693)	(16,521)	(29)
Total tax	(11,252)	(15,177)	(26)
Effective tax rate (%)	35.8	36.3	

The effective income tax rate for the three months ended March 31, 2019 was 35.8 percent compared with 36.3 percent for the three months ended March 31, 2018. The effective tax rate in the first quarter of the current year was lower than the effective tax rate in the first quarter of 2018 due to the impact of earnings in foreign tax jurisdictions.

FUNDS FLOW FROM OPERATIONS AND WORKING CAPITAL

(\$ thousands, except per share amounts) Three months ended March 31

	2019	2018	% change
Cash provided by operating activities	51,871	19,998	nm
Funds flow from operations	86,312	53,907	60
Funds flow from operations per share	\$	\$0.55	624
Working capital ¹	279,153	(156,223)	nm

nm

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Calculation
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For the three months ended March 31, 2019, the Company generated Funds flow from operations of \$86.3 million (\$0.55 per common share) an increase of 60 percent from \$53.9 million (\$0.34 per common share) for the three months ended March 31, 2018. The increase in Funds flow from operations in 2019 compared to 2018 is largely due to the increase in activity compared to the prior period due to the Trinidad Acquisition. The increase was further positively impacted by the strengthening United States dollar.

As at March 31, 2019 the Company's working capital was a surplus of \$279.2 million, compared to a working capital deficit of \$156.2 million at December 31, 2018. The increase in working capital in the first three months of 2019, was mainly related the repayment of USD \$200.0 million Ensign Notes and the \$98.0 million Trinidad Facility. The Company expects funds generated by operations, combined with current and future credit facilities, to fully support current operating and capital requirements. The existing bank facility provides for total borrowings of \$900.0 million and the Senior Loan provides USD \$700.0 million of which \$16.5 million was undrawn and available at March 31, 2019.

INVESTING ACTIVITIES

	Three months ended March 31		
(\$ thousands)	2019	2018	% change
Purchase of property and equipment	(41,366)	(16,476)	nm
Proceeds from disposals of property and equipment	1,722	1,030	67
Net change in non-cash working capital	(49,214)	798	nm
Cash used in investing activities	(72,432)	(14,648)	nm

nm
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Net purchases of property and equipment for the first quarter of 2019 totaled \$39.6 million (2018 - \$15.4 million). The purchase of property and equipment relates predominantly to maintenance capital for certain drilling rigs and to the construction of one service rig for the United States. During first quarter of 2019, the Company acquired the remaining 10.7 percent of Trinidad shares for consideration of \$49.2 million.

FINANCING ACTIVITIES

(\$ thousands)	Three months ended March 31		
	2019	2018	% change
Net increase (decrease) in bank credit facilities			
Proceeds from long-term debt	1,259,136	—	nm
Repayments of long-term debt	(1,186,972)	(3,008)	nm
Purchase of shares held in trust	(1,076)	(290)	nm
Issuance of convertible debenture	—	25,950	(100)
Dividends	(18,849)	(18,849)	—
Net change in non-cash working capital	7,719	2,739	nm
Cash used in financing activities	59,958	6,542	nm

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meaningful

The Company's available bank facilities consist of a \$900.0 million Bank Facility and USD \$700.0 million Senior Loan. The Bank Facility and the Senior Loan mature November 26, 2021 and February 14, 2024 respectively.

As at March 31, 2019 the Company had \$44.2 million (2018 - \$8.2 million) outstanding collateralized letters of credit, used in the normal course of business.

Subsequent to March 31, 2019, the Company issued US\$700.0 million of Senior Notes due 2024 bearing interest of 9.25%. The net proceeds of the offering and cash on hand were used to repay all outstanding loans under the US\$700.0 million Senior loan disclosed in Note 7. The Senior Notes are callable on or after April 15, 2021 at 104.625%, April 15, 2022 at 102.313% and April 15, 2023 and thereafter at 100%. The Company's blended interest rate on outstanding debt for the year will be approximately 7.0%. The go forward capital structure consisting of the Bank Facility and Senior notes allows for the Company to utilize cash to reduce debt in the near term with greater flexibility than a more weighted non-callable capital structure.

The Board of Directors of the Company has declared a second quarter cash dividend of \$0.12 per common

share to be payable on July 5, 2019 to all Common Shareholders of record as of June 21, 2019. The dividend is pursuant to the quarterly dividend policy adopted by the Company. Pursuant to subsection 89(1) of the Canadian Income Tax Act ("ITA"), the dividend being paid is designated as an eligible dividend, as defined in subsection 89(1) of the ITA.

NEW BUILDS AND MAJOR RETROFITS

During the three months ended March 31, 2019, the Company transferred one ADR[®] drilling rig from Canada to United States, moved five under-utilized drilling rigs into the Company's reserve fleet and decommissioned seven well servicing rigs in Canada. The Company continues to selectively add new ADR[®] drilling rigs to meet the increasing technical demands of its customers. Following March 31, 2019, the Company deployed a new well servicing rig to the United States. The Company plans to deploy one ADR[®] drilling rig to the international fleet in the second quarter.

OUTLOOK

Industry Overview

Operating free cash flow and debt reductions are what both the oilfield services industry and their customers are focusing on in 2019 and beyond. This emphasis and focused discipline should help drive returns into the future and contribute to a healthier industry going forward. The oilfield services industry continues to experience volatility with the benchmark price of West Texas Intermediate experiencing significant increases in Q1, 2019 compared to the significant decreases in Q4, 2018. This volatility has continued to cause companies to be cautious as they approach and budget for 2019 and beyond. Through this period of volatility, the Company intends to continue to focus on costs, realization of annualized synergies of \$40.0 million from the Trinidad acquisition and exercising prudent capital controls with a budgeted net capital spend in 2019 of \$102.0 million dedicated solely to maintenance capital.

Canadian Activity

The mandatory oil production curtailments in Alberta drastically improved the differential for light and heavy Canadian oil in Q1, 2019. This has improved the cash flow of many of our customers and has the potential to increase activity or at least sentiment in Canadian market. Takeaway capacity is still the primary issue in the Canadian market and potentially may see some improvement in 2020 with the Enbridge Line 3 and crude by rail capacity expected to increase. Customer inquiries for drilling rigs for the back half of 2019 have increased and could portend an increase in activity. In addition, the ongoing LNG Canada project is expected to increase activity in 2020 as natural gas supplies will be required to fulfill the project and its commitments.

Of our 118 marketed Canadian rigs, approximately 31 percent are engaged in contracts, with 26 percent of the contracts having a remaining term that is six months or greater.

United States Activity

The drilling rig count in the United States has been reduced by approximately five percent from the start of the year with a general expectation that the count will remain relatively flat for the remainder of the year. Day rates have increased modestly year over year, but have been flat to slightly down from Q4, 2018. Day rates increases will likely abate until the drilling rig count begins to increase.

Of our 134 marketed United States drilling rigs, approximately 57 percent are contracted, with 32 percent of the contracts having term that is six months or greater.

International Activity

Australia will continue to be the growth area for the Company as the drilling rigs contracted in Q4 2018 commence operations in 2019. Latin American operations have seen and likely will continue to see a

decrease in activity due to the January 2019 expansion of sanctions against Venezuela by the United States. Activity in the Middle East is now expected to increase with the award of two contracts in Bahrain for one wholly owned drilling rig and one 60 percent owned joint venture drilling rig.

Our 50 marketed international rigs, approximately 50 percent are contracted, with 38 percent of the contracts having term that is six months or greater.

Trinidad Acquisition Update

As of April 1, 2019, the North American operations of Trinidad were completely amalgamated and consolidated into Ensign. The International operations will be fully incorporated into Ensign by the end of the year. The acquisition has been accretive to the Company's cash flow per share on a debt-adjusted basis and should continue to be accretive into the future as the Company fully expects to realize annualized targeted synergies in excess of \$40.0 million relating to the elimination of duplicate public company costs, facility overlap and staff efficiencies.

Subsequent Event

Subsequent to the quarter the Company completed the sale of the testing and wireline division for approximately \$24.0 million. The proceeds of the sale were applied to the bank facility. The Company as previously stated, expects to reduce debt by \$100.0 million by the end of 2019 and the reduction in debt remains a priority

RISKS 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, political, 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 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 first quarter 2019 results at 2:00 p.m. MDT (4:00 p.m. EDT) on Monday, May 13, 2019. 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 May 20, 2019 by dialing 1-416-849-0833 (in Toronto) or 1-855-859-2056 (outside Toronto) and entering the reservation number 3256115. A live broadcast may be accessed through the Company's web site at www.ensignenergy.com.

[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	March 31 2019	December 31 2018
(Unaudited - in thousands of Canadian dollars)		
Assets		
Current Assets		
Cash and cash equivalents	\$ 122,803	\$ 84,823
Accounts receivable	373,323	351,596
Inventories, investments, prepaid and other	54,393	58,175
Asset held for sale	18,806	18,806
Income taxes receivable	1,641	1,994
Total current assets	570,966	515,394
Property and equipment	3,124,523	3,201,704
Investment in joint ventures	167,335	177,010
Total assets	\$ 3,862,824	\$ 3,894,108
Liabilities		
Current Liabilities		
Accounts payable and accruals	\$ 259,934	\$ 271,374
Cash dividends payable	11,588	18,849
Share dividends payable	7,643	—
Share-based compensation	1,185	975
Income taxes payable	3,669	3,807
Current portion of long-term debt	—	376,612
Current portion of capital lease obligation	7,794	—
Total current liabilities	291,813	671,617
Long-term debt	1,810,890	1,340,352
Capital Lease Obligation	14,843	9,689
Share-based compensation	4,060	3,033
Deferred income taxes	58,153	72,727
Non-controlling interest	5,885	6,007
Total liabilities	\$ 2,185,644	\$ 2,103,425
Shareholders' Equity		

Share capital	\$ 207,135	\$	206,328
Contributed surplus	23,205	1,013	
Equity component of convertible debenture	3,193	3,193	
Foreign currency translation reserve	292,249	315,095	
Minority interest	—	72,078	
Retained Earnings Services Inc.	1,151,398	1,192,976	
Consolidated Statements of Loss			
Total shareholders' equity	1,677,180	1,790,683	
Total liabilities and shareholders' equity	\$ 3,862,824	\$	3,894,108

	Three months ended	
	March 31 2019	March 31 2018
(Unaudited - in thousands of Canadian dollars, except per share data)		
Revenue	\$ 445,258	258,460
Expenses		
Oilfield services	317,688	195,365
Depreciation	88,167	98,575
General and administrative	14,037	10,801
Restructuring costs	8,482	—
Share-based compensation	1,627	(164)
Foreign exchange and other loss (gain)	10,360	(14,452)
Total expenses	440,361	290,125
Income (loss) before interest and income taxes	4,897	(31,665)
Loss from investment in joint ventures (Note 7)	2,011	—
Interest expense	36,346	10,194
Loss before income taxes	(33,460)	(41,859)
Income taxes		
Current tax	441	1,344
Deferred tax	(11,693)	(16,521)
Total income taxes	(11,252)	(15,177)
Net loss	\$ (22,208)	(26,682)
Net loss attributable to:		
Shareholders of Ensign	(22,347)	(26,682)
Non-controlling interests	139	—
	(22,208)	(26,682)
Net loss		
Basic	\$ (0\$4)	(0.17)
Diluted	\$ (0\$4)	(0.17)

	Three months ended	
	March 31 2019	March 31 2018
(Unaudited - in thousands of Canadian dollars)		
Cash provided by (used in)		
Operating activities		
Net loss	\$ (22,208)	\$ (26,682)
Items not affecting cash		
Depreciation	88,167	98,575
Loss from investment in joint ventures	2,011	—
Share-based compensation	1,627	(164)
Unrealized foreign exchange and other	26,170	(1,337)
Accretion on long-term debt	2,238	36
Deferred income tax	(11,693)	(16,521)
Funds flow from operations	86,312	53,907
Net change in non-cash working capital	(34,441)	(33,909)
Cash provided by operating activities	51,871	19,998
Investing activities		
Purchase of property and equipment	(41,366)	(16,476)
Proceeds from disposals of property and equipment	1,722	1,030
Acquisition of minority interest	(49,214)	—
Net change in non-cash working capital	16,426	798
Cash used in investing activities	(72,432)	(14,648)
Financing activities		
Proceeds from long-term debt	1,259,136	—
Repayments of long-term debt	(1,186,972)	(3,008)
Purchase of shares held in trust	(1,076)	(290)
Issuance of convertible debenture	—	25,950
Dividends	(18,849)	(18,849)
Net change in non-cash working capital	7,719	2,739
Cash provided by financing activities	59,958	6,542
Net increase in cash and cash equivalents		

39,397

Effects of foreign exchange on cash and cash equivalents (1,417)		(1,130)
Cash and cash equivalents – beginning of period	84,823	32,374
Cash and cash equivalents – end of period	\$ 122,803	\$ 43,136
Supplemental information		
Interest paid	\$ 47,069	\$ 7,428
Ensign Energy Services Inc.		
Adjusted EBITDA	\$ (226)	\$ (1,397)
Income taxes recovered		

Adjusted EBITDA is defined as "losses before interest, income taxes, depreciation, asset decommissioning and write-downs, share-based compensation, restructuring costs, and foreign exchange loss (gain) and other". Management believes that, in addition to Net loss, Adjusted EBITDA is a useful supplemental measure as it provides an indication of the results generated by the Company's principal business activities prior to consideration of how these activities are financed, how the results are taxed in various jurisdictions, how the results are impacted by foreign exchange or how the results are impacted by the accounting standards associated with the Company's share-based compensation plans. Adjusted EBITDA also takes into account the Company's portion of the principle activities of the joint venture arrangements by removing the loss (gain) from investment in joint ventures and including adjusted EBITDA from investment in joint ventures. Adjusted EBITDA and Adjusted EBITDA per share are not recognized measures under International Financial Reporting Standards and thus may not be comparable to measures used by other companies.

	Three months ended March 31		
(\$ thousands)	2019	2018	
Loss before income taxes	\$	\$3,460	(41,859)
Interest expense	36,346	10,194	
Depreciation	88,167	98,575	
Restructuring costs	8,482	–	
Share-based compensation	1,627	(164)	
Loss from investment in joint ventures	2,011	–	
Foreign exchange loss (gain) and other	10,360	(14,452)	
Adjusted EBITDA from investment in joint ventures	1,998	–	
Adjusted EBITDA	\$	\$15,531	52,294

Adjusted EBITDA from investment in joint ventures is calculated below:

	Three months ended March 31		
(\$ thousands)	2019	2018	
Loss from investment in joint ventures	\$	\$(2,011)	—
Depreciation and amortization	3,429	—	
TDI fair value adjustment	—	—	
Foreign exchange	(5)	—	
Finance cost	314	—	
Income taxes	124	—	
Preferred shares valuation	147	—	
Adjusted EBITDA	\$	\$,998	—

SOURCE [Ensign Energy Services Inc.](#)

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