

# Ensign Energy Services Inc. Reports 2019 Results

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## OVERVIEW

Revenue for the year ended December 31, 2019 was \$1,592.2 million, an increase of 38 percent from 2018 revenue of \$1,154.0 million. Adjusted EBITDA for 2019 totaled \$406.8 million, (\$2.55 per common share), 59 percent higher than Adjusted EBITDA of \$255.7 million (\$1.63 per common share) for the year ended 2018.

Net loss attributed to shareholders for the year ended December 31, 2019 was \$162.9 million (\$1.02 per common share) compared to net income attributed to shareholders of \$58.3 million (\$0.37 per common share) for the year ended December 31, 2018.

During the fourth quarter of 2018, the Company acquired 89.3 percent of [Trinidad Drilling Ltd.](#) ("Trinidad"), common shares. During the first quarter of 2019, the Company acquired the remaining 10.7 percent of Trinidad common shares, completing the largest acquisition in the Company's history (the "Trinidad Acquisition"). The Trinidad Acquisition increased the Company's rig fleet by 68 drilling rigs in Canada, 66 in the United States and one internationally.

The Trinidad Acquisition also included a 60 percent interest in Trinidad Drilling International ("TDI"), a joint venture with a wholly-owned subsidiary of the Halliburton group of companies. TDI further expanded the Company's geographic footprint with the addition of three new countries of operation (Bahrain, Kuwait and Mexico).

Results for the year ended December 31, 2019 were materially impacted by the Trinidad Acquisition, notably through increased drilling activity levels due to the increase in rig fleet size, an expanded customer base and additional exposure internationally across various basins in the United States market.

In Canada, the Company moved five under-utilized drilling rigs into its reserve fleet, decommissioned 18 drilling rigs and transferred one ADR® drilling rig to the United States. In the United States, the Company deployed one new well servicing rig and decommissioned 14 drilling rigs. The Company also deployed one new ADR® drilling rig into its international operations, using various components from its spare capital inventory, and placed two international under-utilized drilling rigs into its reserve fleet.

The Company declared total dividends of \$0.42 per common share in 2019 (2018 - \$0.48 per common share).

Working capital as of December 31, 2019 was a surplus of \$127.0 million, compared to a working capital deficit of \$156.0 million as of December 31, 2018. The increase in working capital year-over-year was largely due to the repayment of the US \$100.0 million Ensign senior unsecured notes (the "Ensign Notes") and the repayment of the Trinidad credit facility (the "Trinidad Credit Facility") of \$98.0 million which had been classified as short term debt as of December 31, 2018. The Company's available liquidity as of December 31, 2019, consisting of cash and available borrowings under its \$900.0 million revolving credit facility (the "Credit Facility") totaled \$486.0 million as of December 31, 2019, compared to \$486.0 million at December 31, 2018. The available liquidity decreased by \$100.0 million due to a reduction in the available credit amount under the Credit Facility in accordance with its terms and debt repayments.

This news release contains "forward-looking information and statements" within the meaning of applicable securities legislation. For a full disclosure of the forward-looking information and statements and the risks to which they are subject, see the "Financial Statements and Regarding Forward-Looking Statements" later in this news release. This news release contains references to Adjusted EBITDA and Adjusted EBITDA per share. 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 news release are defined in the "Financial Statements" section of this news release.

should not be considered as an alternative to, or more meaningful than, the IFRS measure from which they are derived they are compared. See "Non-GAAP Measures" later in this news release.

## FINANCIAL AND OPERATING HIGHLIGHTS

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

	Three months ended December 31			Twelve months ended December 31		
	2019	2018	% change	2019	2018	% change
Revenue	375,767	346,136	9	1,592,247	1,156,357	38
Adjusted EBITDA <sup>1</sup>	93,864	81,678	15	406,766	255,677	59
Adjusted EBITDA per common share <sup>1</sup>						
Basic	\$ 0.58	\$ 0.52	12	\$ 2.55	\$ 1.63	56
Diluted	\$ 0.58	\$ 0.52	12	\$ 2.55	\$ 1.63	56
Net (loss) income attributable to shareholders	(71,615)	154,834	nm	(162,905)	58,664	nm
Net (loss) income per common share						
Basic	\$ (0.44)	\$ 0.98	nm	\$ (1.02)	\$ 0.37	nm
Diluted	\$ (0.44)	\$ 0.98	nm	\$ (1.02)	\$ 0.37	nm
Cash provided by operating activities	93,079	61,037	52	269,571	152,133	77
Funds flow from operations	54,795	63,834	(14)	236,989	225,939	5
Funds flow from operations per common share <sup>3</sup>						
Basic	\$ 0.33	\$ 0.41	(20)	\$ 1.48	\$ 1.44	3
Diluted	\$ 0.33	\$ 0.41	(20)	\$ 1.48	\$ 1.44	3
Total debt, net of cash	1,553,121	1,632,141	(5)	1,553,121	1,632,141	(5)
Weighted average common shares - basic (000s)	165,547	156,794	6	159,599	156,863	2
Weighted average common shares - diluted (000s)	165,593	156,976	5	159,686	157,042	2
Drilling						
Number of marketed rigs <sup>2</sup>						
Canada <sup>3</sup>	101	125	(19)	101	125	(19)
United States	122	133	(8)	122	133	(8)
International <sup>4</sup>	43	44	(2)	43	44	(2)
Operating days <sup>5</sup>						
Canada <sup>3</sup>	2,217	1,691	31	8,949	6,002	49
United States	5,313	4,711	13	24,802	14,173	75
International <sup>4</sup>						















Well Servicing	2019	2018	% change	2019	2018	% change
Number of rigs						
Canada	52	62	(16)	52	62	(16)
United States	47	46	2	47	46	2
Operating hours						
Canada	11,646	12,377	(6)	46,718	57,068	(18)
United States	28,395	30,747	(8)	115,136	112,224	3

nm - calculation not meaningful.

1. Refer to Adjusted EBITDA calculation in Non-GAAP Measures.
2. Total rigs: Canada - 118, United States - 138, International - 48 (2018: Canada - 137, United States - 151, International - 47).
3. Excludes coring rigs.
4. Includes workover rigs.
5. Defined as contract drilling days, between spud to rig release.

## 2019 HIGHLIGHTS

- Revenue for 2019 was \$1,592.2 million, a 38 percent increase from 2018 revenue of \$1,156.4 million.
- Revenue amounts and percentage of total by geographic area:
  - Canada - \$293.3 million, 18 percent;
  - United States - \$1,005.5 million, 64 percent; and
  - International - \$293.4 million, 18 percent.
- Canadian drilling recorded 8,949 operating days in 2019, a 49 percent increase from 6,002 operating days in 2018. Well servicing recorded 46,718 operating hours in 2019, an 18 percent decrease from 57,068 operating hours in 2018.
- United States drilling recorded 24,802 operating days in 2019, a 75 percent increase from 14,173 operating days in 2018. United States well servicing recorded 115,136 operating hours in 2019, a three percent increase from the 112,224 operating hours in 2018.
- International drilling recorded 5,360 operating days in 2019, a 12 percent decrease from 6,061 operating days in 2018.
- Adjusted EBITDA for 2019 was \$406.8 million a 59 percent increase from Adjusted EBITDA of \$255.7 million for 2018. Cash flow from operations for 2019 increased five percent to \$237.0 million from \$225.9 million in the year prior.
- Net capital expenditures for the calendar year 2019 totaled \$96.0 million.
- Net capital expenditures for the calendar year 2020 are targeted to be approximately \$100.0 million.
- During 2019, the Company reduced its debt by \$135.4 million through the purchase and cancellation of US \$58.0 million of Senior Notes and Credit Facility repayments.
- The Company declared a first quarter cash dividend on common shares of \$0.06 per common share payable April 2020. The Company declared total dividends of \$0.42 per common share in 2019.

## REVENUE AND OILFIELD SERVICES EXPENSE

(\$ thousands)	Three months ended December 31			Twelve months ended December 31		
	2019	2018	% change	2019	2018	% change
<b>Revenue</b>						
Canada	71,155	65,565	9	293,333	241,034	22
United States	217,757	209,890	4	1,005,536	641,558	57
International	86,855	70,681	23	293,378	273,765	7
Total revenue	375,767	346,136	9	1,592,247	1,156,357	38
Oilfield services expense	268,357	251,907	7	1,140,939	855,824	33

Revenue for the year ended December 31, 2019 totaled \$1,592.2 million, a 38 percent increase from the year ended December 31, 2018 of \$1,156.4 million. Despite volatile commodity pricing and oilfield activity in 2019, the Company has achieved increased activity and revenue as a result of the Trinidad Acquisition, while reducing operating costs on a per day basis. The financial results from the Company's United States and

international operations were positively impacted on the currency translation, as the United States dollar strengthened relative to the Canadian dollar for year ended December 31, 2019. This positive currency translation was partially offset the impact of revenue day rate decreases experienced in 2019. The Company recorded revenue of \$375.8 million for the three months ended December 31, 2019, a nine percent increase from the \$346.1 million recorded in the three months ended December 31, 2018.

## CANADIAN OILFIELD SERVICES

	Three months ended December 31			Twelve months ended December 31		
	2019	2018	% change	2019	2018	% change
Marketed drilling rigs <sup>1,2</sup>						
Opening balance	118	56		125	58	
Acquisition of <a href="#">Trinidad Drilling Ltd.</a> &dash;		68		&dash;	68	
Transfers, net	&dash;	&dash;		(1)	(1)	
Placed into reserve	&dash;	&dash;		(5)	(1)	
Placed into marketed fleet	&dash;	1		&dash;	1	
Decommissions	(17)	&dash;		(18)	&dash;	
Ending balance	101	125	(19)	101	125	(19)
Drilling operating days <sup>3</sup>	2,217	1,691	31	8,949	6,002	49
Drilling rig utilization (%) <sup>1</sup>	17.9	19.7	(9)	18.2	21.9	(17)
Well servicing rigs						
Opening balance	55	62		62	65	
Decommissions	(3)	&dash;		(10)	(3)	
Ending balance	52	62	(16)	52	62	(16)
Well servicing operating hours	11,646	12,377	(6)	46,718	57,068	(18)
Well servicing utilization (%)	23.0	21.7	6	23.3	25.2	(8)

<sup>1</sup> Excludes coring rig fleet.

<sup>2</sup> Total rigs: Canada - 118, (2018 - Canada - 137).

<sup>3</sup> Defined as contract drilling days, between spud to rig release.

The Company recorded revenue of \$293.3 million in Canada for the year ended December 31, 2019, an increase of 22 percent from \$241.0 million recorded for the year ended December 31, 2018. Revenue generated in Canada increased by nine percent to \$71.2 million for the three months ended December 31, 2019, from \$65.6 million for the three months ended December 31, 2018. For the year ended December 31, 2019, total revenues generated from the Company's Canadian operations were 18 percent of the Company's total revenue compared with 21 percent in the prior year. In the fourth quarter of 2019, Canadian revenues accounted for 19 percent of the total revenue, consistent with 2018.

For the year ended December 31, 2019, the Company recorded 8,949 drilling operating days in Canada, an

increase of 49 percent as compared to 6,002 drilling operating days for the year ended December 31, 2018. During the fourth quarter of 2019 the Company recorded 2,217 operating days in Canada, an increase of 31 percent from 1,691 operating days recorded during the fourth quarter of the prior year. Well servicing hours decreased by 18 percent to 46,718 operating hours compared with 57,068 operating hours for the year ended December 31, 2018. Well servicing hours in the fourth quarter of 2019 were down six percent to 11,646 compared to the 12,377 hours in the fourth quarter of the prior year.

The overall increase in activity levels for year ended December 31, 2019, when compared to 2018 was primarily a result of the Trinidad Acquisition. The increase in overall activity was offset by lower revenue rates realized in 2019, due to continuing challenges to commodity prices for the Canadian market, combined with rig mix in the second half of 2019.

During 2019, the Company transferred one ADR® drilling rig from Canada to the United States, moved five under-utilized drilling rigs into its reserve fleet and decommissioned 18 drilling and 10 well servicing rigs that were fully depreciated.

#### UNITED STATES OILFIELD SERVICES

	Three months ended December 31			Twelve months ended December 31		
	2019	2018	% change	2019	2018	% change
<b>Marketed drilling rigs<sup>1</sup></b>						
Opening balance	134	67		133	70	
Acquisition of <a href="#">Trinidad Drilling Ltd.</a> &dash;		66		&dash;	66	
Transfers, net	&dash;	&dash;		1	1	
Placed into reserve	&dash;	&dash;		&dash;	(3)	
Decommissions <sup>2</sup>	(12)	&dash;		(12)	(1)	
Ending balance	122	133	(8)	122	133	(8)
Drilling operating days <sup>3</sup>	5,313	4,711	13	24,802	14,173	75
Drilling rig utilization (%)	37.9	47.9	(21)	44.7	43.4	3
<b>Well servicing rigs</b>						
Opening balance	47	45		46	45	
Additions	&dash;	1		1	3	
Decommissions	&dash;	&dash;		&dash;	(2)	
Ending balance	47	46	&dash;	47	46	&dash;
Well servicing operating hours	28,395	30,747	(8)	115,136	112,224	3
Well servicing utilization (%)	65.7	73.7	(11)	67.5	70.1	(4)

<sup>1</sup> Total rigs: United States - 138, (2018 - United States - 151).

<sup>2</sup> Excludes two decommissioned rigs from reserve fleet.

<sup>3</sup> Defined as contract drilling days, between spud to rig release.

For the year ended December 31, 2019, revenue of \$1,005.5 million was recorded in the United States, an

increase of 57 percent from the \$641.6 million recorded in the prior year. Revenues recorded in the United States were \$217.8 million in the fourth quarter of 2019, a four percent increase from the \$209.9 million recorded in the corresponding period of the prior year. The Company's United States operations accounted for 64 percent of the Company's total revenues in the 2019 fiscal year (2018 - 55 percent) and was the largest contributor to the Company's total revenues in 2019, consistent with the prior year. During the fourth quarter of 2019, United States operations accounted for 58 percent of the Company's revenue (2018 - 61 percent), also the largest contributor to the Company's consolidated fourth quarter revenues and consistent with the prior year.

In the United States, drilling operating days increased by 75 percent from 14,173 drilling operating days in 2018 to 24,802 operating days in 2019. For the year ended December 31, 2019, well servicing activity increased three percent to 115,136 operating hours, from 112,224 operating hours in 2018. During the fourth quarter drilling operating days increased by 13 percent from 4,711 operating days in 2018 to 5,313 operating days in 2019. For the fourth quarter ended December 31, 2019, well servicing activity decreased eight percent from 30,747 operating hours in 2018 to 28,395 operating hours.

Activity levels and revenues for the Company's United States operations were positively impacted by the Trinidad Acquisition. Furthermore, revenues were positively impacted by a strengthening of the United States dollar versus the Canadian dollar year-over-year. The increases in activity and revenue were offset somewhat by a decrease in the average revenue rates realized in 2019.

During 2019, the Company transferred one ADR® drilling rig from Canada to the United States and deployed one new well servicing rig to the United States fleet. In addition, the Company decommissioned 14 drilling rigs that were fully depreciated.

#### INTERNATIONAL OILFIELD SERVICES

	Three months ended December 31			Twelve months ended December 31		
	2019	2018	% change	2019	2018	% change
Marketed drilling and workover rigs <sup>1</sup>						
Opening balance	43	44		44	44	
Acquisition of <a href="#">Trinidad Drilling Ltd.</a>	&mdash;	1		&mdash;	1	
Additions	&mdash;	&mdash;		1	&mdash;	
Placed into reserve	&mdash;	(1)		(2)	(1)	
Ending balance	43	44	(2)	43	44	(2)
Drilling operating days <sup>2</sup>	1,432	1,588	(10)	5,360	6,061	(12)
Drilling rig utilization (%)	32.4	37.5	(14)	31.1	36.1	(14)

<sup>1</sup> Total rigs: 48, (2017 - 47).

<sup>2</sup> Defined as contract drilling days, between spud to rig release.

The Company's international revenues for the year ended December 31, 2019 increased seven percent to \$293.4 million from \$273.8 million recorded in the year ended December 31, 2018. International revenue totaled \$86.9 million in the fourth quarter of 2019, a 23 percent increase from \$70.7 million recorded in the corresponding period of the prior year. The Company's international operations accounted for 18 percent of the Company's total revenue in 2019 (2018 - 24 percent). The Company's international operations contributed 23 percent of the Company's fourth quarter revenue in 2019 (2018 - 20 percent).

International drilling operating days totaled 5,360 in 2019 compared to 6,061 drilling operating days for the year ended December 31, 2018, a decrease of 12 percent compared to the year prior. International operating days for the three months ended December 31, 2019 decreased 10 percent to 1,432 compared to 1,588 operating days in the fourth quarter of 2018.

Activity levels were lower for the year ended December 31, 2019 in the Company's international operations due to reduced activity in Latin America where the number of operating rigs dropped from six active drilling rigs to four active drilling rigs. The reduction in Latin American operations was offset somewhat by increases in the Australian and Middle East operations and the strengthening United States dollar year-over-year versus the Canadian dollar. Furthermore, the overall decrease in international activity was offset by higher revenue rates, leading to a seven percent increase in revenue for the year ended December 31, 2019 compared to the similar period of 2018.

During 2019, the Company deployed one new ADR® drilling rig to its international operations, using various components from its spare capital inventory. In addition, the Company moved two under-utilized drilling rigs into its reserve fleet.

## JOINT VENTURE

Amounts below are presented at 100 percent of the value included in the statement of operations and comprehensive (loss) income for TDI. The Company owns 60 percent of the shares of TDI and each of the parties has equal voting rights. The Company considers the investment to be a financial asset and fair values the investment through profit or loss recognizing changes in fair value of the investment in consolidated statement of loss (income) as a loss/(gain) from investments in joint venture.

	Three months ended December 31			Twelve months ended December 31		
	2019	2018	% change	2019	2018	% change
Revenue (\$ thousands)	19,741	3,643	nm	60,714	3,643	nm
Marketed drilling and workover rigs						
Opening balance	5	&mdash;		5	&mdash;	
Acquisition of Trinidad	&mdash;	5		&mdash;	5	
Ending balance	5	5	&mdash;	5	5	&mdash;
Drilling operating days	212	47	nm	633	47	nm
Drilling rig utilization (%)	46.1	30.3	52	34.0	30.3	12

nm - calculation not meaningful

For the year ended December 31, 2019, TDI recorded operating revenue of \$60.7 million, an increase of \$57.1 million from the same period in 2018. The Company acquired TDI as part of the Trinidad Acquisition during the fourth quarter of 2018 with 2019 being a full year of operations. In the fourth quarter of 2019, TDI recorded operating revenue of \$19.7 million, an increase of \$16.1 million from the same period in 2018.

Operating days increased by 586 to 633 in 2019 from 47 days in 2018. The increase in operating days is a result of 2019 being a full year of operations and the start-up of operations in Kuwait, consisting of two drilling rigs. During fourth quarter operating days were 212 days, an increase of 165 days over the same period in 2018.

During the year, TDI recorded an impairment of \$48.1 million on two drilling rigs that are in Mexico. The Company's share of the impairment was \$28.9 million.

## DEPRECIATION

	Three months ended December 31			Twelve months ended December 31		
(\$ thousands)	2019	2018	% change	2019	2018	% change
Depreciation	93,537	113,565	(18)	363,144	415,036	(13)

Depreciation expense for the year decreased by 13 percent to \$363.1 million compared with \$415.0 million for the year ended 2018. Depreciation expense totaled \$93.5 million for the fourth quarter of 2019 compared with \$113.6 million for the fourth quarter of 2018, a decrease of 18 percent. In the first quarter of 2019, the Company reviewed the makeup and the age of its drilling rig fleet and other equipment and, based on age, specification and type of recertifications underway, determined the useful life estimates previously used did not appropriately represent the useful life of the equipment. On this adjusted 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 for the year ended December 31, 2019 when compared to the year ended December 31, 2018.

## GENERAL AND ADMINISTRATIVE EXPENSE

	Three months ended December 31			Twelve months ended December 31		
(\$ thousands)	2019	2018	% change	2019	2018	% change
General and administrative	13,462	12,640	7	55,064	44,945	23
% of revenue	3.6	3.7		3.5	3.9	

For the year ended December 31, 2019, general and administrative expense totaled \$55.1 million (3.5 percent of revenue) compared to \$44.9 million (3.9 percent of revenue) for the year ended December 31, 2018, an increase of 23 percent. General and administrative expense increased seven percent to \$13.5 million (3.6 percent of revenue) for the fourth quarter of 2019. The increase was primarily due to the Trinidad Acquisition. However, synergies and cost savings realized following the Trinidad Acquisition have led to a decrease in general and administrative expense as a percentage of revenue. The Company continues to focus on initiatives to manage costs and realize further synergies and cost savings.

## RESTRUCTURING EXPENSE

	Three months ended December 31			Twelve months ended December 31		
(\$ thousands)	2019	2018	% change	2019	2018	% change
Restructuring	1,555	1,492	4	12,644	1,492	nm

nm - calculation not meaningful

For the year ended December 31, 2019, restructuring expense totaled \$12.6 million, which includes one-time severance costs of \$8.4 million (2018 - \$nil). These costs were largely due to the Trinidad Acquisition. For the fourth quarter of 2019, restructuring costs were \$1.6 million (2018 - \$1.5million), which includes one-time severance costs of \$0.2 million (2018 - \$nil)

## FOREIGN EXCHANGE AND OTHER LOSS (GAIN)

(\$ thousands)	Three months ended December 31			Twelve months ended December 31		
	2019	2018	% change	2019	2018	% change
Foreign exchange and other loss (gain)	4,673	3,514	33	25,426	(19,001)	nm

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 ASSET SALE

(\$ thousands)	Three months ended December 31			Twelve months ended December 31		
	2019	2018	% change	2019	2018	% change
Gain on asset sale &mdash;	&mdash;	nm		(9,824)	&mdash;	nm

nm - calculation not meaningful

On April 30, 2019 the Company completed the sale of its testing and wireline assets in Canada and the United States for cash proceeds of \$24.0 million. The transaction resulted in a gain of \$9.8 million before taxes (2018 - \$nil).

#### INTEREST EXPENSE

(\$ thousands)	Three months ended December 31			Twelve months ended December 31		
	2019	2018	% change	2019	2018	% change
Interest expense	37,284	22,153	68	149,159	52,416	nm

Interest was incurred on the Company's \$900.0 million Credit Facility, US \$700 million unsecured Senior Notes (the "Senior Notes"), \$37.0 million subordinate convertible debentures (the "Convertible Debentures"), capital lease obligations, and on certain other prior debt instruments until they were repaid during 2019. Included in interest expense is the amortization of deferred financing costs associated with refinancing the Company's debt resulting from the Trinidad Acquisition, which totaled \$13.9 million (2018 - \$1.8 million).

Due to payment delays for work performed in Venezuela, the Company recognized a discount on its receivable in the amount of \$3.8 million within interest expense. The receivable over 90 days is discounted at 14.5 percent over a five-year period.

Interest expense increased by \$96.7 million for the year ended December 31, 2019 compared to the same period in 2018. The increase is the result of the overall increase to the interest rate, additional debt incurred to fund the Trinidad Acquisition and the discount applied on Venezuela receivables. The negative translation impact on US dollar-denominated debt also impacted interest expense for the year ended December 31, 2019. For the three months ended December 31, 2019, interest expense increased 68 percent to \$37.3 million compared to the comparative period in 2018.

#### INCOME TAXES

(\$ thousands)	Three months ended December 31			Twelve months ended December 31		
	2019	2018	% change	2019	2018	% change
Current income tax	1,965	377	nm	3,416	1,044	nm
Deferred income tax	(10,834)	(11,071)	(2)	(23,559)	(53,224)	(56)
Total income tax	(8,869)	(10,694)	(17)	(20,143)	(52,180)	(61)
Effective income tax rate (%)	11.1	29.2		11.2	26.9	

nm - calculation not meaningful

The effective income tax rate for the year ended December 31, 2019 was 11.2 percent compared with 26.9 percent for the year ended December 31, 2018. The effective tax rate was significantly lower than the effective tax rate of 2018 primarily due to the reduction in the provincial Alberta tax rate on the deferred tax asset and the denial of hybrid interest deductions in the United States.

#### FUNDS FLOW FROM OPERATIONS AND WORKING CAPITAL

(\$ thousands, except per share amounts)	Three months ended December 31			Twelve months ended December 31		
	2019	2018	% change	2019	2018	% change
Funds flow from operations	54,795	63,834	(14)	236,989	225,939	5
Funds flow from operations per share	\$0.33	\$0.41	(20)	\$ 1.48	\$ 1.44	3
Working capital	126,987	(156,223)	nm	126,987	(156,223)	nm

nm - calculation not meaningful

For the year ended December 31, 2019, the Company generated funds flow from operations of \$237.0 million (\$1.48 per common share) an increase of five percent from \$225.9 million (\$1.44 per common share) for the year ended December 31, 2018. The Company generated funds flow from operations of \$54.8 million (\$0.33 per common share) in the three months ended December 31, 2019, compared to \$63.8 million (\$0.41 per common share) for the three months ended December 31, 2018. The change in funds flow from operations in 2019 compared to 2018 is primarily due to increased activity resulting from the Trinidad Acquisition, combined with a stronger United States dollar in 2019. This was partially offset by increased interest costs when compared to 2018.

As of December 31, 2019, the Company's working capital was a surplus of \$127.0 million, compared to a working capital deficit of \$156.2 million as of December 31, 2018. The change in working capital in 2019 was mainly related to the repayment of US \$200.0 million Ensign Notes and the \$98.0 million Trinidad Facility in the first quarter of 2019. The Company's Credit Facility provides for total borrowings of \$900.0 million of which \$150.0 million was undrawn and available at December 31, 2019.

#### INVESTING ACTIVITIES

(\$ thousands)	Three months ended December 31			Twelve months ended December 31		
	2019	2018	% change	2019	2018	% change
Purchase of property and equipment	(24,374)	(20,257)	20	(136,006)	(80,044)	70
Proceeds from disposals of property and equipment	7,082	3,400	nm	39,997	6,748	nm
Acquisition of <a href="#">Trinidad Drilling Ltd.</a> (net of cash)	&mdash;	(294,264)	nm	(49,214)	(294,264)	(83)
Contributions to joint venture	&mdash;	(26,144)	nm	&mdash;	(26,144)	nm
Net change in non-cash working capital	(1,346)	7,369	nm	3,139	17,734	(82)
Cash used in investing activities	(18,638)	(329,896)	(94)	(142,084)	(375,970)	(62)

nm - calculation not meaningful

Net purchases of property and equipment during the fiscal year ending 2019 totaled \$96.0 million (2018 - \$73.3 million) and \$17.3 million for the fourth quarter (2018 - net purchases of \$16.9 million). The purchase of property and equipment relates predominantly to maintenance capital for certain drilling rigs, rig upgrades, the deployment of one drilling rig to international operations and addition of one new well servicing rig in the United States.

#### FINANCING ACTIVITIES

(\$ thousands)	Three months ended December 31			Twelve months ended December 31		
	2019	2018	% change	2019	2018	% change
Proceeds from long-term debt	32,177	356,253	(91)	2,266,408	490,886	nm
Repayments of long-term debt	(70,533)	(30,814)	nm	(2,375,891)	(182,391)	nm
Lease obligation principle repayments	(4,892)	&mdash;	nm	(10,888)	&mdash;	nm
Purchase of shares held in trust	(502)	(250)	nm	(1,398)	(1,047)	34
Issuance of convertible debenture	&mdash;	&mdash;	nm	&mdash;	37,000	nm
Cash dividends	(11,341)	(18,849)	(40)	(53,076)	(75,396)	(30)
Net change in non-cash working capital	(32,665)	7,579	nm	(8,044)	11,609	nm
Cash used in financing activities	(87,756)	313,919	nm	(182,889)	280,661	nm

nm - calculation not meaningful

The Company's available credit facilities consist of a \$900.0 million secured Credit Facility, which matures November 26, 2021, of which \$150.0 million was available and undrawn as of December 31, 2019. In addition, the Company has available to it a US \$50.0 million secured letter of credit facility, of which US \$6.9 million was available as of December 31, 2019.

During the second quarter of 2019, the Company issued US \$700.0 million of Senior Notes due 2024 bearing interest of 9.25% per annum. The net proceeds of the Senior Notes offering and cash on hand were

used to repay all outstanding loans under the Company's US \$700.0 million senior loan. The Senior Notes may be redeemed by the Company on or after April 15, 2021 at 104.625%, April 15, 2022 at 102.313% and April 15, 2023 and thereafter at 100%, plus accrued interest. The current capital structure 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.

The Company may at any time and from time to time acquire Senior Notes for cancellation by means of open market purchases, negotiated transactions or otherwise. During the year ended December 31, 2019, the Company purchased US \$58.0 million of face value Senior Notes for cancellation, in the open market. The Company purchased a further US \$4.0 million of Senior Notes for cancellation subsequent to December 31, 2019. The cumulative purchase price was US \$54.6 million in addition to US \$1.1 million of accrued interest. The Company recorded a gain on the purchase of US \$3.5 million.

## NEW BUILDS AND MAJOR RETROFITS

The Company continues to focus on innovative strategies and selective additions of new ADR® drilling rigs and servicing rigs to meet the increasing technical demands of its customers.

During year ended December 31, 2019, the Company:

- assembled and deployed one ADR® drilling rig to the Company's international operations, using various components from spare capital inventory,
- transferred one ADR® drilling rig from Canada to the United States,
- deployed one new well servicing rig in the United States,
- moved seven under-utilized drilling rigs into its reserve fleet, and
- decommissioned 18 drilling and 10 well servicing rigs in Canada and 14 drilling rigs in United States.

## OUTLOOK

### Industry Overview

The oil and natural gas industry continues to face commodity price volatility driving conservatism and caution in capital allocation and oilfield activity. The industry continues to see spending limited to generated cash flow and budgets directed towards maintaining production, resulting in a flat but steady outlook for oilfield services. The Company has responded by reinforcing commitments to debt retirement, disciplined capital expenditures and driving cost efficiencies.

### Canadian Activity

Canadian operations improved at the end of the fourth quarter with takeaway capacity modestly increasing as a result of crude-by-rail expansion. Although, activity is expected to increase in the first quarter of 2020, we expect Canadian operations to be flat year over year for 2020 as customer budget expenditures are expected to be front-loaded to the first half of the year. Day rates continue to remain firm in the high/super-spec rig market.

Of the Company's 101 marketed Canadian drilling rigs, approximately 44 percent are engaged under term contracts. Approximately 20 percent of the contracted rigs have a remaining contract term of six months or longer.

### United States Activity

United States activity and day rates settled over the fourth quarter and are expected to remain flat into 2020. It is anticipated that day rates in the high/super-spec rig market may begin to be driven upward by high utilization and equipment shortages.

Of the Company's 122 marketed United States drilling rigs, approximately 55 percent are contracted.

Approximately 43 percent of the contracted rigs have a remaining contract term of six months or longer.

#### International Activity

International operations continue to be a steady operating segment for the Company, with long-term high margin contracts throughout the Middle East and Australia. Australian activity has been firm and is expected to be flat in 2020. Latin American operations remained steady through the fourth quarter and are expected to be flat to down slightly in 2020. The Company's activity in the Middle East improved in the fourth quarter as the Company's wholly owned Bahrain drilling rig commenced operations. Middle East operations are expected to remain steady for 2020.

Of the Company's 48 marketed international drilling rigs (including the five joint venture drilling rigs), approximately 46 percent are contracted. Approximately 62 percent of the contracted rigs have a remaining contract term of six months or longer.

#### 2020 Capital Expenditures and Debt Reduction

The Company has budgeted net capital expenditures of approximately \$100 million for 2020. The capital plan focuses on certifications and preventative maintenance for its global high/super spec drilling rig fleet, other services lines, and select equipment upgrade projects. In addition to a disciplined capital plan, the Company will continue to focus on net debt reduction throughout 2020 and beyond. The Company also expects to recognize the full year impact of \$50 million of synergies, cost savings and economies of scale resulting from the Trinidad Acquisition. In addition, the proceeds of any asset dispositions, such as duplicate operating facilities, are expected to be directed to debt retirement. As a result, the Company expects to reduce net debt between \$90 and \$115 million in 2020.

#### RISKS AND UNCERTAINTIES

This document contains forward-looking statements based upon current expectations that involve several 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 natural gas companies to pay accounts receivable balances and raise capital or other unforeseen conditions which could impact the use of the services supplied by the Company. For a more detailed description of forward-looking statements and the risk factors and uncertainties that face the Company and the industry in which it operates, refer to the Advisory Regarding Forward-Looking Statement herein below, 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 fourth quarter 2019 results at 10:00 a.m. MST (12:00 p.m. EST) on Monday, March 9, 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 March 16, 2020 by dialing 1-416-849-0833 (in Toronto) or 1-855-859-2056 (outside Toronto) and entering the reservation number 5339708. A live broadcast may be accessed through the Company's web site at [www.ensignenergy.com](http://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	December 31 2019	December 31 2018
(Unaudited - in thousands of Canadian dollars)		
Assets		
Current Assets		
Cash	\$ 28,408	\$ 84,823
Accounts receivable	272,254	351,596
Inventories, investments, prepaid and other	47,292	58,175
Assets held for sale	18,806	18,806
Income taxes receivable	1,515	1,994
Total current assets	368,275	515,394
Property and equipment	2,855,223	3,201,704
Investment in joint ventures	125,355	177,010
Deferred income taxes	121,748	99,054
Total assets	\$ 3,470,601	\$ 3,993,162
Liabilities		
Current Liabilities		
Accounts payable and accruals	\$ 216,719	\$ 271,374
Cash dividends payable	9,787	18,849
Share-based compensation	297	975
Income taxes payable	4,489	3,807
Current portion of long-term debt	&mdash;	376,612
Current portion of lease obligations	9,996	&mdash;
Total current liabilities	241,288	671,617
Long-term debt	1,581,529	1,340,352
Lease obligations	9,518	9,689
Share-based compensation	6,325	3,033
Deferred income taxes	163,781	171,781
Non-controlling interest	5,138	6,007
Total liabilities	2,007,579	2,202,479

## Shareholders' Equity

Share capital	230,100	206,328		
Contributed surplus	23,966	1,013		
Equity component of convertible debenture	3,193	3,193		
Accumulated other comprehensive income	243,771	315,095		
Minority interest	&mdash;	72,078		
<a href="#">Ensign Energy Services Inc.</a>				
Retained earnings	961,992	1,192,976		
Total shareholders' equity	1,463,022	1,790,683	Three months ended	Twelve months ended
Total liabilities and shareholders' equity	\$ 3,470,601	\$ 3,993,162	December 31	December 31
			2019	2018
			December 31	December 31
			2019	2018

(Unaudited - in thousands of Canadian dollars, except per share data)

Revenue		\$ 375,767	\$ 346,136	\$ 1,592,247	\$ 1,111,111
Expenses					
Oilfield services		268,357	251,907	1,140,939	855,800
Depreciation		93,537	113,565	363,144	415,000
General and administrative		13,462	12,640	55,064	44,900
Restructuring		1,555	1,492	12,644	1,492
Share-based compensation		1,833	(1,729)	4,047	707
Foreign exchange and other loss (gain)		4,673	3,514	25,426	(19,000)
Total expenses		383,417	381,389	1,601,264	1,299,000
Loss before interest, other (gains) losses and income taxes		(7,650)	(35,253)	(9,017)	(142,000)
Loss (gain) from investment in joint ventures		37,981	(874)	39,892	(874)
Gain on bargain purchase		&mdash;	(200,672)	&mdash;	(200,000)
Gain on asset sale		&mdash;	&mdash;	(9,824)	&mdash;
Gain on purchase of Senior Notes		(3,077)	&mdash;	(4,647)	&mdash;
Interest expense		37,284	22,153	149,159	52,400
(Loss) income before income taxes		(79,838)	144,140	(183,597)	6,480
Income tax (recovery)					
Current tax		1,965	377	3,416	1,040
Deferred tax recovery		(10,834)	(11,071)	(23,559)	(53,200)
Total income tax recovery		(8,869)	(10,694)	(20,143)	(52,160)
Net (loss) income					

§

(70,969)

§

154,834

\$

(163,454)







Net (loss) income attributable to:

Shareholders of Ensign	(71,615)	154,472	(162,905)	58,30
Minority interests	646	362	(549)	362
	\$ (70,969)	\$ 154,834	\$ (163,454)	\$ 58,

Net (loss) income per common share

Basic	\$ (0.44)	\$ 0.98	\$ (1.02)	\$ 0.3
Diluted	\$ (0.44)	\$ 0.98	\$ (1.02)	\$ 0.3

[Ensign Energy Services Inc.](#)

## Consolidated Statements of Cash Flows

(Unaudited - in thousands of Canadian dollars)	Three months ended		Twelve months ended	
	December 31 2019	December 31 2018	December 31 2019	December 31 2018
Cash provided by (used in)				
Operating activities				
Net (loss) income	\$ (70,969)	\$ 154,834	\$ (163,454)	\$ 58,664
Items not affecting cash				
Depreciation	93,537	113,565	363,144	415,036
Share-based compensation	1,833	(1,729)	4,047	707
Loss (gain) from investment in joint ventures	37,981	(874)	39,892	(874)
Gain in asset sale	&mdash;	&mdash;	(9,824)	&mdash;
Gain on purchase of Senior Notes	(3,077)	&mdash;	(4,647)	&mdash;
Unrealized foreign exchange and other loss	3,757	9,401	17,476	5,571
Accretion on long-term debt	2,567	380	13,914	731
Deferred income tax recovery	(10,834)	(11,071)	(23,559)	(53,224)
Gain on bargain purchase	&mdash;	(200,672)	&mdash;	(200,672)
Funds flow from operations	54,795	63,834	236,989	225,939
Net change in non-cash working capital	38,284	(2,797)	32,582	(73,806)
Cash provided by operating activities	93,079	61,037	269,571	152,133
Investing activities				
Purchase of property and equipment	(24,374)	(20,257)	(136,006)	(80,044)
Proceeds from disposals of property and equipment	7,082	3,400	39,997	6,748
Acquisition of Trinidad Drilling Ltd. (net of cash)	&mdash;	(294,264)	(49,214)	(294,264)
Contributions to joint ventures	&mdash;	(26,144)	&mdash;	(26,144)
Net change in non-cash working capital	(1,346)	7,369	3,139	17,734
Cash used in investing activities	(18,638)	(329,896)	(142,084)	(375,970)
Financing activities				
Proceeds from long-term debt	32,177	356,253	2,266,408	490,886
Repayments of long-term debt	(70,533)	(30,814)	(2,375,891)	(182,391)
Lease obligation principal repayments				

(4,892)

&mdash;

(10,888)

&mdash;



Purchase of shares held in trust	(502)	(250)	(1,398)	(1,047)
Issuance of convertible debenture	&mdash;	&mdash;	&mdash;	37,000
Cash dividends	(11,341)	(18,849)	(53,076)	(75,396)
Net change in non-cash working capital	(32,665)	7,579	(8,044)	11,609
Cash provided by (used in) financing activities	(87,756)	313,919	(182,889)	280,661
Net (decrease) increase in cash	(13,315)	45,060	(55,402)	56,824
Effects of foreign exchange on cash	5,183	(1,736)	(1,013)	(4,375)
Cash &ndash; beginning of period	36,540	41,499	84,823	32,374
Cash &ndash; end of period	\$ 28,408	\$ 84,823	\$ 28,408	\$ 84,823

## Supplemental information

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 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 expenses 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 is calculated as follows:

(\$ thousands)	Three months ended December 31		Twelve months ended December 31	
	2019	2018	2019	2018
Loss (income) before income taxes	(79,838)	144,140	(183,597)	6,484
Add-back/(deduct)				
Interest expense	37,284	22,153	149,159	52,416
Depreciation	93,537	113,565	363,144	415,036
Gain on bargain purchase	&mdash;	(200,672)	&mdash;	(200,672)
Share-based compensation	1,833	(1,729)	4,047	707
Gain on asset sale	&mdash;	&mdash;	(9,824)	&mdash;
Gain on purchase of Senior Notes	(3,077)	&mdash;	(4,647)	&mdash;
Foreign exchange and other loss (gain)	4,673	3,514	25,426	(19,001)
(Loss) gain from investments in joint ventures	37,981	(874)	39,892	(874)
Restructuring	1,555	1,492	12,644	1,492
Adjusted EBITDA from investments in joint ventures (84)		89	10,522	89
Adjusted EBITDA				

93,864

81,678

406,766





Adjusted EBITDA from investments 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 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 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 December 31		Twelve months ended December 31	
(\$ thousands)	2019	2018	2019	2018
(Loss) gain from investment in joint ventures	(37,981)	874	(39,892)	874
Add-back/(deduct)				
TDI fair value adjustment	&mdash;	&mdash;	625	&mdash;
Depreciation	32,658	1,125	42,709	1,125
Foreign exchange and other loss (gain)	658	(39)	588	(39)
Interest expense	1,152	54	2,320	54
Loss on sale of assets	&mdash;	395	&mdash;	395
Income taxes	2,965	14	3,549	14
Preferred shares valuation	464	(2,334)	623	(2,334)
Adjusted EBITDA from investment in joint ventures (84)		89	10,522	89

#### ADVISORY REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this news release 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 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 news release, 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 regarding the new build program for 2019, information provided in the "Financial Instruments" section regarding Venezuela and information provided in the "Outlook" and "Fourth Quarter Highlights" section regarding the general outlook for 2020, constitute forward-looking statements. These statements are not representations or guarantees of future performance and are subject to certain risks. 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. Previous Company presentations included references to publicly disclosed analyst consensus estimates for 2020 Revenue and EBITDA. The Company has since

removed references to the consensus estimates as the Company does not have access and ability to disclose the material factors and assumptions third-party analysts utilize to develop their forward-looking estimates.

The forward-looking statements are based on current expectations, estimates and projections about the Company and the industries 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; 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 demand, capital and operating costs); the adequacy of the Company's provision for taxes; 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 and environmental protection regulations. 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. 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.](https://www.rohstoff-welt.de/news/346297-Ensign-Energy-Services-Inc-Reports-2019-Results.html)