

Ensign Energy Services Inc. Reports 2020 First Quarter Results

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CALGARY, May 11, 2020 -

FIRST QUARTER HIGHLIGHTS

- Revenue for the first quarter of 2020 was \$383.9 million, a 14 percent decrease from the first quarter of 2019 revenue of \$445.3 million.
- Revenue by geographic area:
 - Canada - \$97.1 million, 25 percent of total;
 - United States - \$214.6 million, 56 percent of total; and
 - International - \$72.2 million, 19 percent of total
- Canadian drilling recorded 3,102 operating days in the first quarter of 2020, a one percent increase from 3,061 operating days in the first quarter of 2019. Canadian well servicing recorded 12,233 operating hours in the first quarter of 2020, a decrease from 12,798 operating hours in the first quarter of 2019.
- United States drilling recorded 5,141 operating days in the first quarter of 2020, a 23 percent decrease from 6,657 operating days in the first quarter of 2019. United States well servicing recorded 31,207 operating hours in the first quarter of 2020, a 10 percent increase from 28,365 operating hours in the first quarter of 2019.
- International drilling recorded 1,438 operating days in the first quarter of 2020, an eight percent increase from 1,324 operating days recorded in first quarter of 2019.
- Adjusted EBITDA for the first quarter of 2020 was \$90.1 million, a 22 percent decrease from Adjusted EBITDA of \$115.5 million for the first quarter of 2019.
- Funds from operations for the first quarter of 2020 decreased 30 percent to \$84.5 million from \$120.4 million in first quarter of the prior year.
- Net capital expenditures for the quarter were \$22.3 million, consisting of \$10.0 million in upgrade capital and \$16.3 million in maintenance capital, offset by proceeds of \$4.2 million. Planned capital expenditures for the 2020 year have been reduced by 50 percent to \$50 million, of which approximately \$40.0 million will be maintenance capital.
- General and administrative expense decreased 16 percent year over year and 12 percent quarter over quarter.
- Over the first quarter of 2020, US \$17.8 million face value of Senior Notes were repurchased by the Company in the secondary market for cancellation, recognizing a gain of \$11.5 million.
- Total debt for the first quarter of 2020 was down year-over-year by \$167.3 million to \$1,643.6 million as of March 31, 2020 from \$1,810.9 million as at March 31, 2019, despite an increase in aggregate debt of \$46.4 million due to foreign currency exchange changes.
- Due to the current business environment, the Company has suspended its quarterly dividend.

OVERVIEW

Revenue for the three months ended March 31, 2020 was \$383.9 million, a decrease of 14 percent from revenue for the three months ended March 31, 2019 of \$445.3 million. Adjusted EBITDA totaled \$90.1 million (\$0.55 per common share) in the first quarter of 2020, lower by \$26.3 million than Adjusted EBITDA of \$115.5 million (\$0.74 per common share) in the first quarter of 2019.

Net loss attributed to common shareholders for the three months ended March 31, 2020 was \$29.3 million (\$0.18 per common share), compared to net loss attributed to common shareholders of \$22.2 million (\$0.14 per common share) for the three months ended March 31, 2019. Funds flow from operations decreased 30 percent to \$84.5 million (\$0.52 per common share) in the first quarter of 2020 compared to \$120.4 million (\$0.77 per common share) in the first quarter of the prior year.

On March 11, 2020, the World Health Organization declared the novel coronavirus (COVID-19) a global pandemic due to the sustained risk of worldwide spread of the disease. Governments and health authorities around the world implemented a variety of measures to combat the spread of the virus, including travel restrictions, business closures, social distancing, gathering restrictions, stay-at-home orders and event cancellations. The impact of these measures has been a significant slow-down in global economic activity that has subsequently reduced the demand for crude oil and natural gas products. This significant reduction in demand has contributed to a steep and rapid decline in global crude oil and natural gas prices.

Furthermore, the demand decline further challenged commodity prices already reeling from a market share and oil price between select crude oil producing nations that led to further supply in the market. While crude oil supply has recently been somewhat curtailed by select crude oil producing nations, the oil and gas industry outlook remains significantly challenged. The precise duration and depth of the adverse impacts of the current macroeconomic environment and the COVID-19 pandemic on the Company's customers, operations, business and global economic activity remains highly uncertain at this time.

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

The Company's operating days were lower in the first quarter of 2020 when compared to the first quarter of 2019 as the Company quickly responded to the steep declines in commodity prices and an uncertain industry outlook by curtailing capital expenditures. The modest strengthening year-over-year of the United States dollar against the Canadian dollar partially offset the decline in the United States and international financial results on translation to Canadian dollars. The average United States dollar to Canadian dollar rate was 1.34 for the first three months of 2020 (first three months of 2019 - 1.33) versus the Canadian dollar, an increase of 0.01 percent, compared to the first three months of 2019.

Working capital at March 31, 2020 was a surplus of \$147.4 million compared to a surplus of \$127.0 million at December 31, 2019. At the end of the first quarter 2020, the Company's available liquidity, consisting of cash and available borrowings under the Company's million revolving credit facility (the "Credit Facility"), totaled \$187.7 million compared to \$178.4 million at December 31, 2019.

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 "Forward-Looking Statements" section of the Company's 2019 Annual Report and "Regarding Forward-Looking Statements" later in this news release. This news release contains references to Adjusted EBITDA and Adjusted EBITDA per common 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 should not be considered as an alternative to, or more meaningful than, the IFRS measure from which they are derived or to which they are compared. See "Non-GAAP Measures" later in this news release.

FINANCIAL AND OPERATING HIGHLIGHTS

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

	Three months ended March 31		
	2020	2019	% change
Revenue	383,891	445,258	(14)
Adjusted EBITDA ¹	90,120	115,531	(22)
Adjusted EBITDA per common share ¹			
Basic	\$ 0.55	\$ 0.74	(26)
Diluted	\$ 0.55	\$ 0.74	(26)
Net loss attributable to common shareholders	(29,250)	(22,347)	(31)
Net loss per common share			
Basic	\$ (0.18)	\$ (0.14)	(29)
Diluted	\$ (0.18)	\$ (0.14)	(29)

Cash provided by operating activities ²	62,732	85,979	(27)
Funds flow from operations ²	84,495	120,420	(30)
Funds flow from operations per common share ²			
Basic	\$ 0.52	\$ 0.77	(32)
Diluted	\$ 0.52	\$ 0.77	(32)
Total debt	1,643,595	1,810,890	(9)
Weighted average common shares - basic (000s)	162,843	156,951	4
Weighted average common shares - diluted (000s)	162,981	156,982	4

Drilling	2020	2019	% change
Number of marketed rigs ³			
Canada ⁴	101	119	(15)
United States	122	134	(9)
International ⁵	43	42	2
Total	266	295	(10)

Operating days ⁶	2020	2019	% change
Canada ⁴	3,102	3,061	1
United States	5,141	6,657	(23)
International ⁵	1,438	1,329	8
Total	9,681	11,047	(12)

Well Servicing	2020	2019	% change
Number of rigs			
Canada	52	55	(5)
United States	47	46	2
Total	99	101	—

Operating hours to Adjusted EBITDA calculation in Non-GAAP Measures.

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

United States 31,207 28,365 10

3. Total owned rigs for the Company Canada - 118, United States - 138, International - 48 (2019 owned rigs -

Canada - 136, United States - 152, International - 47) 43,740 41,163 —

4. Excludes coring rigs.

5. Includes workover rigs and excludes joint venture drilling rigs.

6.

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

FINANCIAL POSITION AND CAPITAL EXPENDITURES HIGHLIGHTS

As at (\$ thousands)	March 31 2020	March 31 2019	December 31 2019
Working capital ¹	147,353	279,153	126,987
Cash	48,560	122,803	28,408
Long-term debt	1,643,595	1,810,890	1,581,529
Total long-term financial liabilities	1,651,477	1,825,733	1,591,047
Total assets	3,640,761	3,862,824	3,470,601
Long-term debt to long-term debt plus equity ratio	0.52	0.52	0.52

¹ See Non-GAAP Measures section.

(\$ thousands)	Three months ended March 31		
	2020	2019	% change
Capital expenditures			
Upgrade/growth	9,965	28,545	(65)
Maintenance	16,467	12,821	28
Proceeds from disposals of property and equipment	(4,165)	(1,722)	nm
Net capital expenditures	22,267	39,644	(44)
nm - calculation not meaningful			

REVENUE AND OILFIELD SERVICES EXPENSE

(\$ thousands)	Three months ended March 31		
	2020	2019	% change
Revenue			
Canada	97,137	106,422	(9)
United States	214,577	273,596	(22)
International	72,177	65,240	11
Total revenue	383,891	445,258	(14)
Oilfield services expense	283,979	317,688	(11)

Revenue for the three months ended March 31, 2020 totaled \$383.9 million, a decrease of 14 percent from the first quarter of 2019.

2019 of \$445.3 million.

The decrease in total revenue, during the first quarter of 2020, was primarily due to the oil price and market share war between crude oil producing nations Saudi Arabia and Russia, followed by the significant impact of the COVID-19 pandemic on the natural gas industry. The fallout from the pandemic has led to a drop in demand, further challenging an already over-supply commodity market. The steep declines in demand and continued oversupply have resulted in an activity slowdown for oilfield services, particularly in the United States and Canadian operating regions. The decrease in revenue was partially offset by an increase in operating days internationally during the first quarter of 2020.

CANADIAN OILFIELD SERVICES

The Company recorded revenue of \$97.1 million in Canada for the three months ended March 31, 2020, a decrease of 25 percent from \$106.4 million recorded for the three months ended March 31, 2019. Canadian revenues accounted for 23 percent of the Company's total revenue in the first quarter of 2020, compared to 24 percent in the first quarter of 2019.

Although we had a modest seasonal increase in drilling operating activity, the financial results for the Company's Canadian operations decreased during the first quarter of 2020 primarily due to the impact of the COVID-19 pandemic on the global natural gas industry as described above.

For the three months ended March 31, 2020, the Company recorded 3,102 drilling days compared to 3,061 drilling days in the three months ended March 31, 2019, an increase of one percent. Well servicing hours decreased by four percent to 12,798 operating hours in the first quarter of 2020 compared to 12,798 operating hours in the corresponding period of 2019.

UNITED STATES OILFIELD SERVICES

During the three months ended March 31, 2020, revenue of \$214.6 million was recorded by the Company's United States operations, a decrease of 22 percent from the \$273.6 million recorded in the corresponding period of the prior year. The Company's United States operations accounted for 56 percent of the Company's revenue in the first quarter of 2020 (2019 - 56 percent).

Drilling days decreased by 23 percent to 5,141 drilling days in the first quarter of 2020 from 6,657 drilling days in the first quarter of 2019. Well servicing hours increased by 10 percent in the first quarter of 2020 to 31,207 operating hours from 28,365 operating hours in the first quarter of 2019.

Overall operating results for the Company's United States operations were also negatively impacted by the significant impact of the global COVID-19 pandemic, resulting in a decrease in global oil demand and oversupply of oil and natural gas.

INTERNATIONAL OILFIELD SERVICES

The Company's international operations recorded revenue of \$72.2 million in the first quarter of 2020, an 11 percent increase from the \$65.2 million recorded in the corresponding period of the prior year. The Company's international operations contributed 17 percent of the Company's total revenue in the first quarter of 2020 (2019 - 15 percent).

For the three months ended March 31, 2020, international operating days totaled 1,438 operating days compared to 1,321 operating days for the three months ended March 31, 2019, an increase of eight percent.

Overall international operating days and revenue increased in the first quarter of 2020 when compared to the same period of 2019, primarily as a result of the long-term contracts signed and commenced in the latter half of 2019. The extent to which the Company's international operations may be negatively impacted by the impact of the global COVID-19 pandemic is uncertain.

JOINT VENTURE OILFIELD SERVICES

Amounts below are presented at 100 percent of the value included in the statement of operations and comprehensive income.

income for Trinidad Drilling International ("TDI"). The Company owns 60 percent of the shares of TDI and each of the p equal voting rights. The Company considers the investment to be a financial asset and fair values the investment through loss recognizing changes in fair value of the investment in the consolidated statement of loss (income) as a loss/(gain) investments in joint venture.

	Three months ended March 31		
(\$ thousands)	2020	2019	% change
Revenue	16,855	10,204	65
Net loss	(2,764)	(2,707)	2
Drilling operating days	221	123	80

For the three months ended March 31, 2020, TDI recorded revenue of \$16.9 million (2019 - \$10.2 million). For three months ended March 31, 2020, TDI operating days totaled 221 (2019 - 123). The increase in revenue and operating days is due to the commencement of drilling operations in Kuwait in the latter half of 2019, under long-term contracts.

DEPRECIATION

	Three months ended March 31		
(\$ thousands)	2020	2019	% change
Depreciation	89,785	88,167	2

Depreciation expense totaled \$89.8 million for the first quarter of 2020 compared with \$88.2 million for the first quarter of 2019.

GENERAL AND ADMINISTRATIVE

	Three months ended March 31		
(\$ thousands)	2020	2019	% change
General and administrative	11,804	14,037	(16)
% of revenue	3.1	3.2	

General and administrative expenses decreased 16 percent to \$11.8 million (3.1 percent of revenue) for the first quarter of 2020 compared to \$14.0 million (3.2 percent of revenue) for the first quarter of 2019. The overall decrease in expense was due to the Company's focus on managing and reducing costs.

In light of recent events, the Company has taken further steps to reduce overhead costs by reducing the salaries of the named executive officers by 40 percent for the Chairman, 20 percent for the President and Chief Operating Officer and 10 percent for the other named executive officers, all effective April 1, 2020. In addition, the annual base cash and equity compensation of members of our Board of Directors have been reduced, also effective April 1, 2020, by 20 and 40 percent respectively. These reductions reflect the Company's belief in the importance of continued cost control in light of the current oilfield services market outlook and the Company will continue to consider additional means of reducing overhead and operating costs.

RESTRUCTURING

Three months ended March 31

(\$ thousands) 2020 2019 % change

Restructuring 877 8,482 nm

nm - calculation not meaningful

Restructuring expense totaled \$0.9 million for the first quarter of 2020 (2019 - \$8.5 million), which consists of costs relating to the restructuring of the Company due to the decline in activity. Additional costs are expected to be incurred in the subsequent quarters as the company continues to adjust the business.

FOREIGN EXCHANGE LOSS AND OTHER

Three months ended March 31

(\$ thousands) 2020 2019 % change

Foreign exchange loss and other 9,086 10,360 (12)

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

GAIN ON REPURCHASE OF UNSECURED SENIOR NOTES

Three months ended March 31

(\$ thousands) 2020 2019 % change

Gain on repurchase of Senior Notes (11,494) nm

nm - calculation not meaningful

For the three months ended March 31, 2020, the Company repurchased US \$17.8 million (2019 - \$nil) of face value Senior Notes, in the open market, for cancellation and recorded a gain on repurchase of \$11.5 million (US \$8.2 million) (2019 - \$nil).

Subsequent to March 31, 2020, the Company repurchased US \$41.0 million face value of Senior Notes, in the open market, for cancellation. A gain on repurchase of \$38.9 million (US \$27.7 million) will be recognized in the second quarter of 2020.

FINANCING CHARGES

Three months ended March 31

(\$ thousands) 2020 2019 % change

Interest expense 31,743 34,115 (7)

Accretion of financing charges 3,099 2,231 39

Financing charges 34,842 36,346 (4)

Financing charges was incurred on the Company's \$900.0 million Credit Facility, US \$700.0 million unsecured Senior Notes ("Senior Notes"), \$37.0 million subordinate convertible debentures (the "Convertible Debentures") and capital lease obligations. Included in financing charges is the amortization of deferred financing costs associated with the refinancing the Company's debt, which totaled \$3.1 million for the first quarter of 2020 (2019 - \$2.2 million).

Financing charges decreased by \$1.5 million for the first quarter of 2020 compared to the same period in 2019 as a result of a decrease in overall borrowing levels. The negative translational impact on United States dollar-denominated debt offset the impact of the lower financing charges for the quarter.

The Company's blended interest rate on its outstanding debt for the 2020 year will be approximately 7.0 percent. 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.

INCOME TAXES (RECOVERY)

	Three months ended March 31		
(\$ thousands)	2020	2019	% change
Current tax	460	441	4
Deferred tax recovery (3,424)	(11,693)	(71)	
Total tax recovery	(2,964)	(11,252)	(74)
Effective tax rate (%)	9.2	35.8	

The effective income tax rate for the three months ended March 31, 2020 was 9.2 percent compared with 35.8 percent for the three months ended March 31, 2019. The effective tax rate in the first quarter of the current year was lower than the effective tax rate in the first quarter of 2019 due to the impact of earnings in foreign tax jurisdictions.

FUNDS FLOW FROM OPERATIONS AND WORKING CAPITAL

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

	2020	2019	% change
Cash provided by operating activities ¹	62,732	85,979	(27)
Funds flow from operations ¹	84,495	120,420	(30)
Funds flow from operations per common share ¹	\$ 0.52	\$ 0.77	(32)
Working capital ²	147,353	126,987	16

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

² Comparative figure as of December 31, 2019

For the three months ended March 31, 2020, the Company generated Funds Flow from Operations of \$84.5 million (\$0.52 per common share) a decrease of \$35.9 million from \$120.4 million (\$0.77 per common share)

for the three months ended March 31, 2019. The decrease in Funds Flow from Operations in 2020 compared to 2019 is largely due to the decrease in activity compared to the prior period as a result of the oil and natural gas industry's business current environment.

As at March 31, 2020 the Company's working capital was a surplus of \$147.4 million, compared to a surplus of \$127.0 million at December 31, 2019. The Company currently expects funds generated by operations, combined with current and future credit facilities, to fully support the Company's current operating and capital requirements. The existing bank facility provides for total borrowings of \$900.0 million of which \$139.1 million was undrawn and available at March 31, 2020 (December 31, 2019: \$150.0 million).

INVESTING ACTIVITIES

(\$ thousands)	Three months ended March 31		
	2020	2019	% change
Purchase of property and equipment	(26,432)	(41,366)	(36)
Proceeds from disposals of property and equipment	4,165	1,722	nm
Acquisition of minority interest	—	(49,214)	nm
Net change in non-cash working capital	7,753	16,426	(53)
Cash used in investing activities	(14,514)	(72,432)	(80)

nm - calculation not meaningful

Net purchases of property and equipment for the first quarter of 2020 totaled \$22.3 million (2019 - \$39.6 million). The purchase of property and equipment consists of \$16.4 million in maintenance capital and \$10.0 million in upgrade capital.

FINANCING ACTIVITIES

(\$ thousands)	Three months ended March 31		
	2020	2019	% change
Proceeds from long-term debt	53,126	1,259,136	(96)
Repayments of long-term debt	(55,472)	(1,185,713)	(95)
Lease obligation principle repayments	(2,670)	(1,259)	nm
Purchase of common shares held in trust	(1,223)	(1,076)	14
Interest paid	(11,967)	(47,069)	(75)
Cash dividends	(9,787)	(18,849)	(48)
Net change in non-cash working capital	— 20,680		nm
Cash used in financing activities	(27,993)	25,850	nm

nm - calculation not meaningful

The Company's available bank facilities consist of a \$900.0 million Bank Facility, which matures November

26, 2021, of which \$139.1 million was available and undrawn as of March 31, 2020. In addition, the Company has available US \$50 million secured letter of credit facility, of which US \$20.6 million was available as of March 31, 2020.

The Company's blended interest rate on its outstanding debt for the 2020 year will be approximately 7.0 percent. 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 repurchases, negotiated transactions or otherwise. During the three months ended March 31, 2020, the Company repurchased US \$17.8 million of face value Senior Notes, in the open market, for cancellation. The Company repurchased a further US \$41.0 million face value of Senior Notes, in the open market, for cancellation subsequent to March 31, 2020.

The Credit Facility

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

The Credit Facility contains certain covenants that place restrictions on the Company's ability to create, incur or assume additional indebtedness; to change the Company's primary business; to enter into mergers or amalgamations; to dispose of property; and that the aggregate amount of cash on a consolidated basis or available borrowings be at least \$50 million.

As at March 31, 2020 the Company was in compliance with all covenants related to the Credit Facility.

The Senior Notes

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

The indenture also restricts the ability to incur additional indebtedness if the Fixed Charge Coverage Ratio determined on a pro forma basis for the most recently ended four fiscal quarter period for which internal financial statements are available is not at least 2.0 to 1.0. As at March 31, 2020, the Company has not incurred additional indebtedness that would require the Fixed Charge Coverage Ratio to be calculated. As is the case with restricted payments, there are a number of exceptions to this prohibition on the incurrence of indebtedness, including the incurrence of debt under credit facilities up to the greater of \$900.0 million or 22.5 percent of the Company's consolidated tangible assets and of additional secured debt subordinated to the credit facilities up to the greater of US \$125.0 million or 4.0% of the Company's consolidated tangible assets.

NEW BUILDS AND MAJOR RETROFITS

As at March 31, 2020, the Company did not have changes to its fleet. The Company is currently directing capital expenditures to primarily maintenance capital items.

OUTLOOK

Industry Overview

The outlook for the oil service industry is uncertain. The macroeconomic environment for its oil and natural gas producer customers has shifted rapidly as a result of the global COVID-19 pandemic and geopolitical events. Global COVID-19 mitigation strategies have dramatically and adversely impacted demand for oil and natural gas in the short term, exacerbating a supply surplus that has driven crude oil commodity prices to historic lows. While supply has recently been curtailed somewhat by select global oil producing nations, the outlook for crude oil prices remains challenged as a result of this current supply and demand imbalance. Oil and natural gas energy producers have adjusted to the current commodity price environment by curtailing capital expenditures and selectively curtailing production, leading to downward pressure on demand for the Company's equipment, resulting in lower utilization and revenue rates across the Company's North American fleet.

The Company has responded by further reducing its 2020 budgeted net capital expenditures to \$50.0 million now down 50 percent from an original budget of \$100.0 million, which was initially reduced to \$60.0 million on March 23, 2020. Furthermore, the Company has and will continue to reduce general and administrative expenses, largely as a result of compensation reductions, effective April 1, 2020, across the organization and plans to implement ongoing cost control efforts in response to ongoing developments.

In the short term, we expect continued uncertainty with macroeconomic conditions including crude oil commodity prices and demand for oil and natural gas and the services we provide. In the long term, while acknowledging the timing of an oil market recovery remains uncertain, the Company believes the oil price environment is likely to gradually stabilize and improve. The Company's high variable cost, low fixed cost business model enables it to be resilient and flexible during this time of uncertainty. Although future uncertainties may impact the current outlook, the Company believes it is relatively well positioned to survive the current downturn and take advantage of the new operating environment when the market rebounds.

The Company remains committed to debt retirement, balance sheet and liquidity preservation and capital efficiency. In addition, the Company continues to monitor the current macroeconomic environment and will continue to take additional steps to mitigate the negative impacts of these events and to be positioned to take advantage of positive events that may occur.

Canadian Activity

While Canadian activity has predictably slowed as operations entered the seasonal spring break-up, Canadian operations delivered a strong first quarter in 2020. Notably, the Company increased Canadian market share nearing the end of the quarter. We expect Canadian activity to remain muted through break-up, into the year's third quarter and down year-over-year. As a result, we remain focused on opportunities in diversified projects such as natural gas and gas liquids.

As of May 8, 2020, of our 101 marketed Canadian drilling rigs, approximately 20 percent are engaged under contracts of various terms. Approximately 60 percent of those contracted rigs have a remaining term of six months or longer, notwithstanding they may be subject to early terminations.

United States Activity

United States activity remained steady early in the quarter. Exiting the quarter activity decreased as a result of the current depressed industry conditions. We expect activity to remain muted under current conditions and down year-over-year. As a result, the Company is focused on working with our customers to deliver on select and important projects.

As of May 8, 2020, of our 122 marketed United States drilling rigs, approximately 30 percent are engaged under contracts of various terms. Approximately 50 percent of those contracted rigs have a remaining term of six months or longer, notwithstanding they may be subject to early terminations.

International Activity

International activity delivered a stable first quarter. In light of the current environment, we expect international activity to be flat to slightly down year-over-year. Although we believe market conditions in many

of our international operating jurisdictions are superior to North America, they are and will be affected by the current unfavourable global macroeconomic and industry environment.

As of May 8, 2020, of our 48 marketed international drilling rigs including the five joint venture drilling rigs, approximately 30 percent are engaged under contracts of various terms. Approximately 70 percent of those contracted rigs have a remaining term of six months or longer, notwithstanding they may be subject to early terminations.

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, the impact of the COVID-19 virus, 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 2020 results at 10:00 a.m. MDT (12:00 p.m. EDT) on Monday, May 11, 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 May 18, 2020 by dialing 1-416-849-0833 (in Toronto) or 1-855-859-2056 (outside Toronto) and entering the reservation number 9893362. A live broadcast may be accessed through the Company's web site at www.ensignenergy.com/presentations.

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

[Ensign Energy Services Inc.](#)

Consolidated Statements of Financial Position

As at	March 31 2020	December 31 2019
(Unaudited - in thousands of Canadian dollars)		
Assets		
Current Assets		
Cash	\$ 48,560	\$ 28,408
Accounts receivable	312,263	272,254
Inventories, prepaid and other	50,973	47,292
Asset held for sale	18,806	18,806
Income taxes receivable	1,644	1,515
Total current assets	432,246	368,275
Property and equipment	2,940,509	2,855,223

Investment in joint ventures	133,434	125,355
Deferred income taxes	\$ 134,572	\$ 121,748
Total assets	\$ 3,640,761	\$ 3,470,601
Liabilities		
Current Liabilities		
Accounts payable and accruals	\$ 260,150	\$ 216,719
Cash dividends payable	9,787	9,787
Share-based compensation	—	297
Income taxes payable	4,716	4,489
Current portion of lease obligations	10,240	9,996
Total current liabilities	284,893	241,288
Share-based compensation	1,610	6,325
Long-term debt	1,643,595	1,581,529
Lease obligations	7,882	9,518
Deferred income taxes	188,269	163,781
Non-controlling interest	5,601	5,138
Total liabilities	\$ 2,131,850	\$ 2,007,579
Shareholders' Equity		
Shareholders' capital	\$ 230,981	\$ 230,100
Contributed surplus	23,237	23,966
Equity component of convertible debenture	3,193	3,193
Accumulated other comprehensive income	328,545	243,771
Consolidated Statements of Loss		
Retained earnings	922,955	961,992
Total shareholders' equity	1,508,911	1,463,022
Total liabilities and shareholders' equity	\$ 3,640,761	\$ 3,470,601

	Three months ended	
	March 31 2020	March 31 2019
(Unaudited - in thousands of Canadian dollars, except per common share data)		
Revenue	\$ 383,891	\$ 445,258
Expenses		
Oilfield services	283,979	317,688
Depreciation	89,785	88,167
General and administrative	11,804	14,037
Restructuring	877	8,482
Share-based compensation	(4,500)	1,627
Foreign exchange loss and other	9,086	10,360
Total expenses	391,031	440,361
(Loss) income before financing charges and other (gains) losses and income taxes	(7,140)	4,897
Loss from investment in joint ventures	1,658	2,011
Gain on repurchase of unsecured Senior Notes	(11,494)	—
Financing charges	34,842	36,346
Loss before income taxes	(32,146)	(33,460)
Income tax (recovery)		
Current tax	460	441
Deferred tax recovery	(3,424)	(11,693)
Total income tax recovery	(2,964)	(11,252)
Net loss	\$ (29,182)	\$ (22,208)
Net (loss) income attributable to:		
Common shareholders	(29,250)	(22,347)
Non-controlling interests	68	139
	(29,182)	(22,208)
Net loss per common share		
Basic	\$ (0.18)	\$ (0.14)
Diluted	\$ (0.18)	\$ (0.14)

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

	Three months ended	
	March 31 2020	March 31 2019
(Unaudited - in thousands of Canadian dollars)		
Cash provided by (used in)		
Operating activities		
Net loss	\$ (29,182)	\$ (22,208)
Items not affecting cash		
Depreciation	89,785	88,167
Loss from investment in joint ventures	1,658	2,011
Gain on repurchase of unsecured Senior Notes	(11,494)	—
Share-based compensation	(4,500)	1,627
Unrealized foreign exchange and other	6,810	26,170
Accretion of deferred financing charges	2,972	2,238
Interest expense	31,870	34,108
Deferred income tax	(3,424)	(11,693)
Funds flow from operations	84,495	120,420
Net change in non-cash working capital	(21,763)	(34,441)
Cash provided by operating activities	62,732	85,979
Investing activities		
Purchase of property and equipment	(26,432)	(41,366)
Proceeds from disposals of property and equipment	4,165	1,722
Acquisition of minority interest	—	(49,214)
Net change in non-cash working capital	7,753	16,426
Cash used in investing activities	(14,514)	(72,432)
Financing activities		
Proceeds from long-term debt	53,126	1,259,136
Repayments of long-term debt	(55,472)	(1,185,713)
Lease obligations principle repayments	(2,670)	(1,259)
Purchase of common shares held in trust	(1,223)	(1,076)
Interest paid		

(11,967)

(47,069)

Cash dividends	(9,787)	(18,849)
Net change in non-cash working capital	—	20,680
Cash (used in) provided by financing activities	(27,993)	25,850
Net increase in cash	20,225	39,397

Effects of foreign exchange on cash	(73)	(1,417)
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Cash
[Ensign Energy Services Inc.](#)

Beginning of period	28,408	84,823
Non-GAAP Measures End of period	\$ 48,560	\$ 122,803

Adjusted EBITDA, Adjusted EBITDA per common share and Consolidated EBITDA. These measures do not have any standardized meaning prescribed by IFRS and accordingly, may not be comparable to similar measures used by other companies.

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

ADJUSTED EBITDA

(\$ thousands)	Three months ended March 31	
	2020	2019
Loss before income taxes	\$ (32,146)	\$ (33,460)
Add-back/(deduct):		
Financing charges	34,842	36,346
Depreciation	89,785	88,167
Restructuring costs	877	8,482
Share-based compensation	(4,500)	1,627
Gain on repurchase of unsecured Senior Notes	(11,494)	—
Loss from investment in joint ventures	1,658	2,011
Foreign exchange loss and other	9,086	10,360
Adjusted EBITDA from investment in joint ventures	2,012	1,998
Adjusted EBITDA	\$ 90,120	\$ 115,531

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 amortized and how the results are taxed in various jurisdictions. Additionally, in order to focus on its core drilling and well services business, amounts related to foreign exchange, dividend expense, dividend re-class, impairment adjustments to property and equipment, as well as preferred share valuation and the sale of assets are removed. Lastly, amounts recorded for the revaluation on the investment of the 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 March 31	
(\$ thousands)	2020	2019
Loss from investment in joint ventures	\$ (1,658)	\$ (2,011)
Add-back/(deduct):		
Depreciation	3,430	3,429
Foreign exchange loss (gain)	102	(5)
Financing charges	10	314
Income taxes	—	124
Preferred shares valuation	—	147
Adjusted EBITDA	\$ 2,012	\$ 1,998

Working Capital

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

ADVISORY REGARDING FORWARD-LOOKING STATEMENTS

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

Disclosure related to expected future commodity pricing or trends, revenue rates, equipment utilization or operating activity levels, operating costs, capital expenditures and other prospective guidance provided throughout this MD&A, 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 2020, information provided in the "Financial Instruments" section regarding Venezuela and information provided in the "Outlook" 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.

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 capital and operating costs); the adequacy of the Company's provision for taxes; the Company's response to the global COVID-19 pandemic; 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.

Contact

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

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<https://www.rohstoff-welt.de/news/350945--Ensign-Energy-Services-Inc.-Reports-2020-First-Quarter-Results.html>

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 assurance 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.

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