

Ensign Energy Services Inc. Reports 2020 Second Quarter Results

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SECOND QUARTER HIGHLIGHTS

- Revenue for the second quarter of 2020 was \$194.8 million, a 48 percent decrease from the second quarter of 2019 of \$377.5 million.
- Revenue by geographic area:
 - Canada - \$17.0 million, nine percent of total;
 - United States - \$128.6 million, 66 percent of total; and
 - International - \$49.2 million, 25 percent of total.
- Canadian drilling recorded 377 operating days in the second quarter of 2020, a 71 percent decrease from 1,317 operating days in the second quarter of 2019. Canadian well servicing recorded 3,595 operating hours in the second quarter of 2020, a 66 percent decrease from 10,700 operating hours in the second quarter of 2019.
- United States drilling recorded 2,214 operating days in the second quarter of 2020, a 66 percent decrease from 6,666 operating days in the second quarter of 2019. United States well servicing recorded 19,363 operating hours in the second quarter of 2020, a 33 percent decrease from 28,960 operating hours in the second quarter of 2019.
- International drilling recorded 704 operating days in the second quarter of 2020, a 41 percent decrease from 1,191 operating days recorded in second quarter of 2019.
- Adjusted EBITDA for the second quarter of 2020 was \$58.1 million, a 43 percent decrease from Adjusted EBITDA of \$101.8 million for the second quarter of 2019.
- Funds flow from operations for the second quarter of 2020 decreased 66 percent to \$26.3 million from \$76.8 million in the second quarter of the prior year.
- During the second quarter of 2020, the Company received a \$3.7 million Canada Emergency Wage Subsidy ("CEWS") from the Government of Canada and a \$1.4 million wage subsidy from the Government of Australia. The wage subsidies partially offset the decrease in Adjusted EBITDA and net loss attributable to common shareholders.
- During the second quarter of 2020, the Company recognized US \$3.3 million of idle but contracted rig revenue and \$1.0 million of contract cancellation fees in the United States. As the Company moves through the balance of 2020 and into 2021, the amount of contract cancellation fees and idle but contracted revenue will reduce quarter-over-quarter.
- Net capital proceeds for the second quarter of 2020 were \$3.7 million consisting of \$13.3 million in maintenance capital expenditures and proceeds of \$17.0 million from disposals. Planned capital expenditures for the 2020 year remain at \$50.0 million, of which approximately \$40.0 million will be maintenance capital.
- General and administrative expense decreased 33 percent year-over-year and nine percent quarter-over-quarter.
- Over the second quarter of 2020, US \$57.0 million face value of Senior Notes were repurchased by the Company in the open market for cancellation, recognizing a gain of \$52.0 million. Subsequent to June 30, 2020, the Company repurchased an additional \$10.0 million face value of Senior Notes, in the open market, for cancellation. A gain on repurchase of \$4.0 million (US \$3.0 million) will be recognized in the third quarter of 2020.
- Total debt for the second quarter of 2020 decreased year-over-year by \$107.3 million to \$1,555.3 million as of June 30, 2020, from \$1,662.6 million as at June 30, 2019. The decrease in aggregate debt was partially offset by \$30.1 million due to currency exchange fluctuations.
- The Company's available liquidity consisting of cash and available borrowings under its revolving credit facility was \$100.0 million at June 30, 2020.

OVERVIEW

Revenue for the second quarter of 2020 was \$194.8 million, a decrease of 48 percent from revenue for the second quarter of 2019 of \$377.5 million. Revenue for the six months ended June 30, 2020 was \$578.6 million, a decrease of 30 percent from the six months ended June 30, 2019 of \$822.5 million.

Adjusted EBITDA totaled \$58.1 million (\$0.36 per common share) in the second quarter of 2020, 43 percent lower than Adjusted EBITDA of \$101.8 million (\$0.64 per common share) in the second quarter of 2019. For the first six months of 2020, Adjusted EBITDA totaled \$149.3 million (\$0.92 per common share), 32 percent lower than Adjusted EBITDA of \$219.1 million (\$1.37 per common share) in the first six months of 2019.

Net loss attributable to common shareholders for the second quarter of 2020 was \$17.1 million (\$0.10 per common share) compared to a net loss attributable to common shareholders of \$30.2 million (\$0.20 per common share) for the second quarter of 2019. Net loss attributable to common shareholders for the six months ended June 30, 2020 was \$46.3 million (\$0.28 per common share), compared to net loss attributable to common shareholders of \$53.5 million (\$0.34 per common share) for the six months ended June 30, 2019.

During the second quarter of 2020, the Company received a \$3.7 million Canada Emergency Wage Subsidy ("CEWS") from the Government of Canada and a \$1.4 million wage subsidy from the Government of Australia. For three and six month ending June 30, 2020, the wage subsidies received partially offset the decrease in Adjusted EBITDA and net loss attributable to common shareholders.

Funds flow from operations decreased 66 percent to \$26.3 million (\$0.16 per common share) in the second quarter of 2020 compared to \$76.8 million (\$0.49 per common share) in the second quarter of the prior year. Funds flow from operations decreased 44 percent to \$110.8 million (\$0.68 per common share) in the first six months of 2020 compared to \$197.2 million (\$1.25 per common share) in the first six months of the prior year.

On March 11, 2020, the World Health Organization ("WHO") declared the novel coronavirus ("COVID-19") a global pandemic due to the sustained risk of worldwide spread of the virus. Governments and health authorities around the world implemented a wide variety of measures to combat the spread of the virus, including travel restrictions, business closures, social distancing, public gathering restrictions, stay-at-home orders and event cancellations. The impact of these measures led to a significant slow-down in global economic activity that subsequently reduced the demand for crude oil and natural gas. The significant reduction in demand 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 an oil price war between certain crude oil producing nations that led to further supply in the market.

Over the course of the second quarter, stay-at-home related restrictions started to ease globally, increasing the demand for crude oil and natural gas. Furthermore, OPEC+ nations curtailed crude oil supply in addition to producer led production curtailments over the second quarter. Supply and production curtailments in combination with demand recovery have materially improved crude oil commodity prices. While commodity prices are down year-over-year and there continues to be a strong supply of crude oil in the market, industry fundamentals improved somewhat over the course of the quarter.

Early in March 2020, in response to the COVID-19 pandemic, the Company implemented rigorous measures across its global operations to enhance the safety of its operations, the health of its employees 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 facilitated the safe continuity and reliability of its operations in the field and an orderly transition to remote work for our office employees. Furthermore, the Company has implemented regional Emergency Response Groups to respond to any incidents. These measures continue to be in place as the Company 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 second quarter of 2020 when compared to the same period in 2019 as customers quickly responded to the steep declines in commodity prices and an uncertain industry outlook by curtailing capital expenditures and drilling programs. The strengthening year-over-year of the United States dollar against the Canadian dollar partially offset the decrease in the financial results on translation to Canadian dollars. The average United States dollar exchange rate was \$1.36 for the first half year of 2020 (2019 - \$1.33) versus the Canadian dollar, an increase of two percent, compared to the first half year of 2019.

Working capital at June 30, 2020 was a surplus of \$131.8 million, compared to a surplus of \$127.0 million at December 31, 2019. The Company's available liquidity consisting of cash and available borrowings under its \$900.0 million revolving credit facility (the "Credit Facility") was \$225.7 million at June 30, 2020.

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 "Advisory 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 June 30			Six months ended June 30		
	2020	2019	% change	2020	2019	% change
Revenue ¹	\$ 194,759	\$ 377,496	(48)	\$ 578,620	\$ 822,516	(30)
Adjusted EBITDA ^{1,2}	58,060	101,827	(43)	149,307	219,120	(32)
Adjusted EBITDA per common share ^{1,2}						
Basic	\$0.36	\$0.64	(44)	\$0.92	\$1.39	(34)
Diluted	\$0.36	\$0.64	(44)	\$0.92	\$1.39	(34)
Net loss attributable to common shareholders	(17,077)	(31,173)	45	(46,327)	(53,521)	13
Net loss per common share						
Basic	\$(0.10)	\$(0.20)	50	\$(0.28)	\$(0.34)	18
Diluted	\$(0.10)	\$(0.20)	50	\$(0.28)	\$(0.34)	18
Cash provided by operating activities ¹	127,432	81,620	56	190,164	167,598	13
Funds flow from operations ¹	26,338	76,779	(66)	110,833	197,198	(44)
Funds flow from operations per common share ¹						
Basic	\$0.16	\$0.49	(67)	\$0.68	\$1.25	(46)
Diluted	\$0.16	\$0.49	(67)	\$0.68	\$1.25	(46)
Total long term debt	1,555,274	1,662,628	(6)	1,555,274	1,662,628	(6)
Weighted average common shares - basic (000s)	162,729	158,229	3	162,728	157,656	3
Weighted average common shares - diluted (000s)	162,791	158,290	3	162,857	157,716	3
Drilling	2020	2019	% change	2020	2019	% change
Number of marketed rigs ³						
Canada ⁴	101	118	(14)	101	118	(14)
United States	122	134	(9)	122	134	(9)
International ⁵	43	42	2	43	42	2
Total	266	294	(10)	266	294	(10)

Operating days ⁶

Canada ⁴	377	1,317	(71)	3,479	4,378	(21)
United States	2,214	6,451	(66)	7,355	13,108	(44)
International ⁵	704	1,195	(41)	2,142	2,524	(15)
Total	3,295	8,963	(63)	12,976	20,010	(35)
Well Servicing	2020	2019	% change	2020	2019	% change
Number of rigs						
Canada	52	55	(5)	52	55	(5)
United States	47	47	—	47	47	—
Total	99	102	(3)	99	102	(3)

Operating hours

1. Comparative revenue, Adjusted EBITDA, Adjusted EBITDA per common share, cash provided by operating activities, funds flow from operations and funds flow from operations per common share have been revised to conform with current year's presentation.						
Canada	3,395	10,700	(68)	15,827	23,498	(33)
United States	19,363	28,960	(33)	50,570	57,325	(12)
2. Refer to Adjusted EBITDA calculation in Non-GAAP Measures						
Total	22,958	39,660	(42)	66,397	80,823	(18)
3. Total owned rigs: Canada - 118, United States - 138, International - 48 (2019 Total owned rigs: Canada - 135, United States - 152, International - 47)						

4. Excludes coring rigs.

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

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

FINANCIAL POSITION AND CAPITAL EXPENDITURES HIGHLIGHTS

As at (\$ thousands)	June 30 2020	June 30 2019	December 31 2019
Working capital ¹	131,761	182,813	126,987
Cash	102,655	39,705	28,408
Long-term debt	1,555,274	1,662,628	1,581,529
Total long-term financial liabilities	1,564,652	1,681,252	1,591,047
Total assets	3,387,104	3,717,247	3,470,601
Long-term debt to long-term debt plus equity ratio	0.52	0.51	0.52

¹ See Non-GAAP Measures section.

(\$ thousands)	Three months ended June 30			Six months ended June 30		
	2020	2019	% change	2020	2019	% change
Capital expenditures						
Upgrade/growth	48	25,105	nm	10,013	53,650	(81)
Maintenance	13,191	6,807	94	29,658	19,628	51
Proceeds from disposals or property and equipment	(16,985)	(27,898)	(39)	(21,150)	(29,620)	(29)
Net capital expenditures	(3,746)	4,014	nm	18,521	43,658	(58)

nm - calculation not meaningful

REVENUE AND OILFIELD SERVICES EXPENSE

(\$ thousands)	Three months ended June 30			Six months ended June 30		
	2020	2019	% change	2020	2019	% change
Revenue ¹						
Canada	17,012	50,598	(66)	114,149	157,020	(27)
United States	128,591	261,186	(51)	343,138	534,544	(36)
International	49,156	65,712	(25)	121,333	130,952	(7)
Total revenue	194,759	377,496	(48)	578,620	822,516	(30)
Oilfield services expense ¹	129,955	266,253	(51)	412,777	581,940	(29)

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

Revenue for the three months ended June 30, 2020 totaled \$194.8 million, a decrease of 48 percent from the second quarter of 2019 of \$377.5 million. Revenue for the six months ended June 30, 2020 totaled \$578.6 million, a 30 percent decrease from the six months ended June 30, 2019.

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

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

CANADIAN OILFIELD SERVICES

Revenue decreased 66 percent to \$17.0 million for the three months ended June 30, 2020 from \$50.6 million for the three months ended June 30, 2019. The Company recorded revenue of \$114.1 million in Canada for the six months ended June 30, 2020, a decrease of 27 percent from \$157.0 million recorded for the six months ended June 30, 2019. Canadian revenues accounted for nine percent of the Company's total

revenue in the second quarter of 2020 (2019 - 14 percent) and 20 percent (2019 - 19 percent) for the six months ended June 30, 2020.

The Company's Canadian drilling operations recorded 377 operating days in the second quarter of 2020, compared to 1,317 operating days for the second quarter of 2019, a decrease of 71 percent. For the six months ended June 30, 2020, the Company recorded 3,479 operating days compared to 4,378 drilling days for the six months ended June 30, 2019, a decrease of 21 percent. Canadian well servicing hours decreased by 66 percent to 3,595 operating hours in the second quarter of 2020 compared to 10,700 operating hours in the corresponding period of 2019. For the six months ended June 30, 2020, well servicing hours decreased by 33 percent to 15,827 operating hours compared with 23,498 operating hours for the six months ended June 30, 2019.

The financial results for the Company's Canadian operations decreased during the first half of 2020 primarily due to the oil price war and the impact of the COVID-19 pandemic on the global oil and natural gas industry as described above.

UNITED STATES OILFIELD SERVICES

The Company's United States operations recorded revenue of \$128.6 million in the second quarter of 2020, a decrease of 51 percent from the \$261.2 million recorded in the corresponding period of the prior year. During the six months ended June 30, 2020, revenue of \$343.1 million was recorded, a decrease of 36 percent from the \$534.5 million recorded in the corresponding period of the prior year. The Company's United States operations accounted for 66 percent of the Company's revenue in the second quarter of 2020 (2019 - 69 percent) and 59 percent of the Company's revenue in the first six months of 2020 (2019 - 65 percent). In the United States, the Company recognized US \$3.3 million of idle but contracted rig revenue and US \$13.2 million of contract cancellation fees in the second quarter of 2020 (2019 - \$ nil). The Company recognized US \$4.1 million of idle but contracted rig revenue and US \$13.2 million of contract cancellation fees in the first half of 2020 (2019 - \$ nil).

Drilling rig operating days decreased to 2,214 operating days in the second quarter of 2020 from 6,451 operating days in the second quarter of 2019, and to 7,355 operating days in first six months of 2020 from 13,108 operating days in the first six months of 2019. Well servicing activity, expressed in operating hours, decreased by 33 percent in the second quarter of 2020 to 19,363 operating hours from 28,960 operating hours in the second quarter of 2019. For the six months ended June 30, 2020 well servicing activity decreased 12 percent to 50,570 operating hours from 57,325 operating hours in the first six months of 2019.

Overall operating results for the Company's United States operations were also negatively impacted by the oil price war and 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 \$49.2 million in the second quarter of 2020, a 25 percent decrease from the \$65.7 million recorded in the corresponding period of the prior year. International revenues for the six months ended June 30, 2020, decreased seven percent to \$121.3 million from \$131.0 million recorded in the six months ended June 30, 2019. The Company's international operations contributed 25 percent of the total revenue in the second quarter of 2020 (2019 - 17 percent) and 21 percent of the Company's revenue in the first six months of 2020 (2019 - 16 percent). During the second quarter of 2020 in International, the Company recognized US \$7.1 million of standby without crew revenue (2019 - \$ nil).

International operating days for the three months ended June 30, 2020, totaled 704 operating days compared to 1,195 operating days in the same period of 2019, a decrease of 41 percent. For the six months ended June 30, 2020, international operating days totaled 2,142 operating days compared to 2,524 operating days for the six months ended June 30, 2019, a decrease of 15 percent.

Overall international operating results were also negatively impacted by the oil price war and the significant impact of the global COVID-19 pandemic, resulting in a decrease in global oil demand and oversupply of oil

and natural gas.

JOINT VENTURE

Amounts below are presented at 100 percent of the value included in the statement of operations and comprehensive (loss) income for Trinidad Drilling International ("TDI"). As of June 30, 2020, the Company owned 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 the consolidated statement of loss (income) as a loss (gain) from investments in joint venture.

Subsequent to the quarter, the Company completed the acquisition of Halliburton's 40 percent ownership interest of the TDI joint venture. The 40 percent ownership interest, inclusive of working capital in TDI joint venture, was purchased for US \$33.4 million with cash on hand. With this acquisition, the Company now owns 100 percent of the TDI joint venture.

	Three months ended June 30			Six months ended June 30		
(\$ thousands)	2020	2019	% change	2020	2019	% change
Revenue	18,801	13,179	43	35,656	23,383	52
Net income	(211)	3,868	nm	(2,975)	1,161	nm
Drilling operating days	266	82	nm	487	205	nm

nm - calculation not meaningful

For the three months ended June 30, 2020, TDI recorded revenue of \$18.8 million (2019 - \$13.2 million). For the three months ended June 30, 2020, TDI operating days totaled 266 (2019 - 82). For the six months ended June 30, 2020, TDI recorded revenue of \$35.7 million (2019 - \$23.4 million). For the first half year of 2020, TDI operating days totaled 487 (2019 - 205). The increase in revenue and operating days is the result of operations having commenced in Kuwait in the latter half of 2019 under long term contracts.

DEPRECIATION

	Three months ended June 30			Six months ended June 30		
(\$ thousands)	2020	2019	% change	2020	2019	% change
Depreciation	92,165	89,030	4	181,950	177,197	3

Depreciation expense totaled \$92.2 million for the second quarter of 2020 compared with \$89.0 million for the second quarter of 2019, an increase of four percent. Depreciation expense for the six months ended June 30, 2020 increased by three percent, to \$182.0 million compared with \$177.2 million in six months of 2019. The increase to depreciation expense was the result of depreciating newly acquired property and equipment and a higher foreign exchange rate on United States dollar denominated property and equipment values.

GENERAL AND ADMINISTRATIVE

	Three months ended June 30			Six months ended June 30		
(\$ thousands)	2020	2019	% change	2020	2019	% change
General and administrative	10,741	15,978	(33)	22,545	30,015	(25)
% of revenue	5.5	4.2		3.9	3.6	

General and administrative expenses decreased 33 percent to \$10.7 million (5.5 percent of revenue) for the second quarter of 2020 compared to \$16.0 million (4.2 percent of revenue) for the second quarter of 2019. For the six months ended June 30, 2020, general and administrative expense totaled \$22.5 million (3.9 percent of revenue) compared to \$30.0 million (3.6 percent of revenue) for the six months ended June 30, 2019. General and administrative expenses decreased as a result of cost saving initiatives, the wage subsidy received from the Government of Canada and organizational restructuring. The decrease was offset by \$0.5 million in accounts receivable write-offs recorded in the second quarter of 2020 (2019 -\$ nil).

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

RESTRUCTURING

	Three months ended June 30			Six months ended June 30		
(\$ thousands)	2020	2019	% change	2020	2019	% change
Restructuring	6,509	915	nm	7,386	9,397	(21)

nm - calculation not meaningful

Restructuring expense totaled \$6.5 million for the second quarter of 2020 (2019 - \$0.9 million). For the six months ended June 30, 2020, restructuring costs was \$7.4 million (2019 - \$9.4 million). Restructuring expense consists of costs relating to the organizational restructuring of the Company due to the significant decline in activity. Additional costs are expected to be incurred in subsequent quarters as the Company continues to adjust to the current operating environment.

FOREIGN EXCHANGE AND OTHER (GAIN) LOSS

	Three months ended June 30			Six months ended June 30		
(\$ thousands)	2020	2019	% change	2020	2019	% change
Foreign exchange and other (gain) loss	(4,426)	(2,627)	68	4,660	7,733	(40)

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 June 30			Six months ended June 30		
(\$ thousands)	2020	2019	% change	2020	2019	% change
Gain on repurchase of unsecured Senior Notes (52,023)	(650)	nm		(63,517)	(650)	nm

nm - calculation not meaningful

For the three months ended June 30, 2020, the Company repurchased US \$57.0 million (2019 - US \$18.5 million) of face value Senior Notes, in the open market, for cancellation and recorded a gain on repurchase of \$52.0 million (US \$37.1 million) (2019 - \$0.7 million).

For six months ended June 30, 2020, the Company repurchased US \$74.8 million (2019 - US \$18.5 million) of face value Senior Notes, in the open market, for cancellation and recorded a gain on repurchase of \$63.5 million (US \$45.3 million) (2019 - \$0.7 million).

Subsequent to June 30, 2020, the Company repurchased US \$5.0 million face value of Senior Notes, in the open market, for cancellation. A gain on repurchase of \$4.0 million (US \$2.9 million) will be recognized in the third quarter of 2020.

LOSS (GAIN) ON ASSET SALE

	Three months ended June 30			Six months ended June 30		
(\$ thousands)	2020	2019	% change	2020	2019	% change
Loss (gain) on asset sale	3,437	(9,824)	nm	3,437	(9,824)	nm

nm - calculation not meaningful

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

FINANCING CHARGES

	Three months ended June 30			Six months ended June 30		
(\$ thousands)	2020	2019	% change	2020	2019	% change
Interest expense	26,976	33,712	(20)	58,846	67,820	(13)
Accretion of deferred financing charges	2,971	6,297	(53)	5,943	8,535	(30)
Financing charges	29,947	40,009	(25)	64,789	76,355	(15)

Financing charges were incurred on the Company's Credit Facility, the United States dollar denominated unsecured Senior Notes ("Senior Notes"), \$37.0 million of subordinate convertible debentures (the "Convertible Debentures") and capital lease obligations. Included in interest expense is the amortization of deferred financing costs associated with refinancing the Company's debt, which totaled \$3.0 million and \$5.9 million respectively for the three and six months ended June 30, 2020 (2019 - \$6.3 million and \$8.5 million respectively). Included within interest expense are \$1.2 million and \$2.1 million respectively for the three and six months ended June 30, 2020 (2019 - \$0.3 million and \$0.3 million respectively) of accrued interest relating to the Senior Notes, paid in cash as part of the repurchase of the Senior Notes.

Financing charges decreased by \$10.2 million for the second quarter of 2020 compared to the second

quarter of 2019 and decreased by \$11.6 million for the first six months of 2020 compared to the same period of 2019. The decrease is the result of a decrease in overall borrowing level. Offsetting the decrease is the negative translational impact of the United States dollar denominated debt.

The Company's blended interest rate on its outstanding debt for the 2020 year will be approximately seven percent. The current capital structure 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)

(\$ thousands)	Three months ended June 30			Six months ended June 30		
	2020	2019	% change	2020	2019	% change
Current tax (recovery)	(11)	460	nm	449	901	(50)
Deferred tax (recovery)	(7,431)	9,242	nm	(10,855)	(2,451)	nm
Total income tax (recovery)	(7,442)	9,702	nm	(10,406)	(1,550)	nm
Effective income tax rate (%)	30.3	44.1	(31)	18.7	2.8	nm

nm - calculation not meaningful

The effective income tax rate for the three months ended June 30, 2020 was 30.3 percent compared to 44.1 percent for the three months ended June 30, 2019. The effective income tax rate for the six months ended June 30, 2020 was 18.7 percent compared to 2.8 percent for the six months ended June 30, 2019. The effective tax rate in the first six months of the current year was higher than the effective tax rate in the first six months of 2019 due to the impact of the accelerated provincial income tax rate reduction in Alberta, Canada (announced in the prior year), capital gains on Senior Notes and the impact of foreign tax rates.

FUNDS FLOW FROM OPERATIONS AND WORKING CAPITAL

(\$ thousands, except per common share data)	Three months ended June 30			Six months ended June 30		
	2020	2019	% change	2020	2019	% change
Cash provided by operating activities ¹	127,432	81,620	56	190,164	167,598	13
Funds flow from operations ¹	26,338	76,779	(66)	110,833	197,198	(44)
Funds flow from operations per common share ¹	\$0.16	\$0.49	(67)	\$0.68	\$1.25	(46)
Working capital ²	131,761	126,987	4	131,761	126,987	4

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

² Comparative figure as at December 31, 2019

During the three months ended June 30, 2020, the Company generated funds flow from operations of \$26.3 million (\$0.16 per common share) compared to funds flow from operations of \$76.8 million (\$0.49 per common share) for the three months ended June 30, 2019, a decrease of 66 percent. For the six months ended June 30, 2020, the Company generated funds flow from operations of \$110.8 million (\$0.68 per common share) a decrease of 44 percent from \$197.2 million (\$1.25 per common share) for the six months ended June 30, 2019. The decrease in funds flow from operations for three and six months ended June 30, 2020 compared to the same periods of 2019 is due to decrease in activity as a result of the oil and natural gas industry's current business environment.

At June 30, 2020, the Company's working capital was a surplus of \$131.8 million, compared to a working capital surplus of \$127.0 million at December 31, 2019. The Company currently expects funds generated by operations, combined with current and future credit facilities to fully support the Company's current operating and capital requirements. The Company's Credit Facility provides for total borrowings of \$900.0 million, of which \$123.0 million was undrawn and available at June 30, 2020.

INVESTING ACTIVITIES

(\$ thousands)	Three months ended June 30			Six months ended June 30		
	2020	2019	% change	2020	2019	% change
Purchase of property and equipment	(13,239)	(31,912)	(59)	(39,671)	(73,278)	(46)
Proceeds from disposals of property and equipment	16,985	27,898	(39)	21,150	29,620	(29)
Acquisition of minority interest	—	—	nm	—	(49,214)	nm
Net change in non-cash working capital	(3,504)	(5,426)	(35)	4,249	11,000	(61)
Cash provided by (used in) investing activities	242	(9,440)	nm	(14,272)	(81,872)	(83)

nm - calculation not meaningful

Net proceeds of property and equipment for the second quarter of 2020 totaled \$3.7 million (2019 - net purchases \$4.0 million). Net purchases of property and equipment during the first six months of 2020 totaled \$18.5 million (2019 - \$43.7 million). The purchase of property and equipment consists of \$29.7 million in maintenance capital and \$10.0 million in upgrade capital.

FINANCING ACTIVITIES

(\$ thousands)	Three months ended June 30			Six months ended June 30		
	2020	2019	% change	2020	2019	% change
Proceeds from long-term debt	41,163	998,265	(96)	94,289	2,224,231	(96)
Repayments of long-term debt	(50,005)	(1,099,564)	(95)	(105,477)	(2,252,107)	(95)
Lease obligation principal repayments	(2,957)	(2,357)	25	(5,627)	(3,616)	56
Interest paid	(49,177)	(34,661)	nm	(61,144)	(81,729)	(85)
Purchase of common shares held in trust	667	553	21	(556)	(523)	6
Cash dividends	(9,787)	(11,588)	(16)	(19,574)	(30,437)	(36)
Net change in non-cash working capital	—	(2,380)	nm	—	18,299	nm
Cash used in financing activities	(70,096)	(151,732)	(54)	(98,089)	(125,882)	(22)

nm - calculation not meaningful

The Company's available bank facilities consist of a \$900.0 million Credit Facility, which matures November 26, 2021, of which \$123.0 million was available and undrawn as of June 30, 2020. In addition, the Company also has available US \$50.0 million secured letter of credit facility, of which US \$19.7 million was available as at June 30, 2020.

The Company may at any time and from time-to-time acquire additional Senior Notes for cancellation by means of open market purchases, negotiated transactions or otherwise. As previously noted, the Company has purchased US \$74.8 million of face value Senior Notes, in the open market, for cancellation during the first six months of 2020. The Company repurchased a further US \$5.0 million of face value Senior Notes in open market, for cancellation subsequent to June 30, 2020.

Covenants

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

	Covenant	June 30, 2020
The Credit Facility		
Consolidated Total Debt to Consolidated EBITDA ¹	? 5.00	4.18
Consolidated EBITDA to Consolidated Interest Expense ^{1,2}	? 2.50	2.93
Consolidated Senior Debt to Consolidated EBITDA ^{1,3}	? 2.50	1.98

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

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

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

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

The Credit facility

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

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

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

The Senior Notes

The indenture governing the Senior Notes, which is 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 June 30, 2020, the Company has not incurred additional indebtedness that would require the Fixed Charge Coverage Ratio to be calculated. As is

the case with restricted payments, there are a number of exceptions to this prohibition on the incurrence of indebtedness, including the incurrence of debt under credit facilities up to the greater of \$900.0 million or 22.5 percent of the Company's consolidated tangible assets and of additional secured debt subordinated to the credit facilities up to the greater of US \$125.0 million or 4.0 percent of the Company's consolidated tangible assets.

NEW BUILDS AND MAJOR RETROFITS

As at June 30, 2020, the Company did not have changes to its rig fleet. The Company is currently directing capital expenditures to primarily maintenance capital items.

OUTLOOK

Industry Overview

The outlook for the oil field service industry remains uncertain as the macroeconomic environment for the oil and natural gas industry remains fluid. The global COVID-19 pandemic and associated mitigation strategies significantly impacted energy demand, contributing to a commodity oversupply and storage build-up in the short term. The imbalance between crude oil and natural gas supply and demand resulted in deteriorating commodity prices exiting the first quarter and into the second quarter of 2020 with the benchmark price of West Texas Intermediate ("WTI") averaging US \$16 /bbl in April 2020.

As global economies started to lift lock-down restrictions related to COVID-19, demand for crude oil and natural gas has steadily improved. In addition, many energy producers reduced crude oil and natural gas production along with OPEC+ nations. Global demand recovery coupled with reduced production and supply, resulted in meaningful improvements in crude oil commodity prices over the latter half of the second quarter 2020, with WTI averaging approximately US \$28/bbl in May, US \$38/bbl in June and currently averaging around US \$40/bbl.

Oil and natural gas producers have continued to adjust to the improving commodity price environment by selectivity restoring curtailed production while remaining committed to reducing planned capital expenditures. Furthermore, OPEC+ recently decreased supply curtailments, increasing global crude oil supply. While industry fundamentals have improved, the current environment has led to significant and downward pressure on the demand for the Company's services over the short term, resulting in decreased utilization across the Company's global fleet over the second quarter.

In the short term, we expect continued uncertainty with the macroeconomic conditions including the pathway of the COVID-19 pandemic, the degree and impact of COVID-19 mitigation strategies on demand for crude oil and natural gas, commodity prices and the demand for the oil field services. The Company has responded to the current operating environment with strict and opportunistic capital allocation and significant cost reductions. The Company's expected capital expenditures for 2020 remain at \$50.0 million.

Subsequent to the second quarter, the Company acquired the remaining 40 percent ownership in the joint venture operating under the name Trinidad Drilling International ("TDI") for US \$33.4 million with cash on hand. TDI owns and operates five drilling rigs located in Kuwait (two rigs), Mexico (two rigs) and Bahrain (one rig). The Company views this as a strategic and opportunistic transaction, given the asset value, exposure to key basins and contracted revenue with active and long-term contracts in Kuwait and Bahrain. The Company expects very minimal integration and modest synergies in our Middle East operations.

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

Canadian Activity

Canadian activity, representing nine percent of our business, decreased significantly over the second quarter

due to seasonal spring break-up, exacerbated by COVID-19 related industry impacts. We expect activity to improve modestly with the commodity price improvement into the latter half of the year as we exit spring break-up and enter the winter drilling season.

Of our 101 marketed Canadian drilling rigs, approximately 13 percent are engaged under term contracts of various terms. Approximately 62 percent of our contracted rigs have a remaining term of six months or longer, although they may be subject to early terminations.

United States Activity

United States activity, representing 66 percent of our business, steadily and significantly decreased over the second quarter as operators reduced their drilling programs in response to the current operating environment. As declines have slowed exiting the second quarter, we expect activity to remain flat at current levels into the third quarter.

Of 122 marketed United States drilling rigs, approximately 24 percent are engaged under term contracts of various terms. Approximately 41 percent of our contracted rigs have a remaining term of six months or longer, although they may be subject to early terminations.

International Activity

International activity, representing 25 percent of our business, decreased over the second quarter and has stabilized entering the third quarter. Latin American operations decreased over the quarter with Venezuela operations completely ceasing. Our operations in Argentina are expected to generally remain flat at current levels into the third quarter. Australian operations modestly decreased over the quarter and are expected to modestly improve into the third quarter. In the Middle East, the Company's operations in Oman decreased to zero operating rigs over the quarter as our three active rigs rolled off contract. However, our operations in Bahrain and Kuwait remain steady under long-term contracts. With the Company's recent acquisition of the remaining 40 percent interest in the TDI joint venture, we expect to realize increased earnings and modest synergies from our Bahrain and Kuwait operations.

Of 48 marketed international drilling rigs, including the former five joint venture drilling rigs now wholly owned, approximately 28 percent are engaged under term contracts of various terms. Approximately 85 percent of our contracted rigs have a remaining term of six months or longer, although they may be subject to early terminations.

RISK AND UNCERTAINTIES

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

CONFERENCE CALL

A conference call will be held to discuss the Company's second quarter 2020 results at 10:00 a.m. MDT (12:00 p.m. EDT) on Monday, August 10, 2020. The conference call number is 1-647-427-7450 (in Toronto) or 1-888-231-8191 (outside Toronto). A taped recording will be available until August 17, 2020 by dialing 1-416-849-0833 (in Toronto) or 1-855-859-2056 (outside Toronto) and entering the reservation number 6694628. 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	June 30 2020	December 31 2019
(Unaudited - in thousands of Canadian dollars)		
Assets		
Current Assets		
Cash	\$ 102,655	\$ 28,408
Accounts receivable	151,035	272,254
Inventories, prepaid and other	50,524	47,292
Asset held for sale	—	18,806
Income taxes receivable	1,614	1,515
Total current assets	305,828	368,275
Property and equipment	2,812,411	2,855,223
Deferred income taxes	139,742	121,748
Investment in joint ventures	129,123	125,355
Total assets	\$ 3,387,104	\$ 3,470,601
Liabilities		
Current Liabilities		
Accounts payable and accruals	\$ 160,284	\$ 216,719
Cash dividends payable	—	9,787
Share-based compensation	237	297
Income taxes payable	4,420	4,489
Current portion of lease obligation	9,126	9,996
Total current liabilities	174,067	241,288
Share-based compensation	3,015	6,325
Long-term debt	1,555,274	1,581,529
Lease obligations	9,378	9,518
Deferred income taxes	178,598	163,781
Non-controlling interest		

5,290

5,138

Total liabilities	1,925,622	2,007,579		
Shareholders' Equity				
Shareholders' capital	230,767	230,100		
Contributed surplus	23,441	23,966		
Equity component of convertible debenture	3,193	3,193		
Accumulated other comprehensive income	298,203	243,771		
Retained earnings	905,878	961,992		
Ensign Energy Services Inc.				
Consolidated Statements of Loss				
Total shareholders' equity	1,461,482	1,463,022		
Total liabilities and shareholders' equity	\$ 3,387,104	\$ 3,470,601		
	Three months ended		Six months ended	
	June 30 2020	June 30 2019	June 30 2020	June 30 2019
(Unaudited - in thousands of Canadian dollars, except per common share data)				
Revenue	\$ 194,759	\$ 377,496	\$ 578,620	\$ 822,516
Expenses				
Oilfield services	129,955	266,253	412,777	581,940
Depreciation	92,165	89,030	181,950	177,197
General and administrative	10,741	15,978	22,545	30,015
Restructuring	6,509	915	7,386	9,397
Share-based compensation	2,879	1,260	(1,621)	2,887
Foreign exchange and other (gain) loss	(4,426)	(2,627)	4,660	7,733
Total expenses	237,823	370,809	627,697	809,169
(Loss) income before financing charges and other (gains) losses and income taxes	(43,064)	6,687	(49,077)	13,347
Loss (gain) from investment in joint ventures	127	(2,307)	1,785	(295)
Gain on repurchase of unsecured Senior Notes	(52,023)	(650)	(63,517)	(650)
(Loss) gain on asset sale	3,437	(9,824)	3,437	(9,824)
Financing charges	29,947	40,009	64,789	76,355
Loss before income taxes	(24,552)	(20,541)	(55,571)	(52,239)
Income tax (recovery)				
Current income tax (recovery)	(11)	460	449	901
Deferred income tax (recovery)	(7,431)	9,242	(10,855)	(2,451)
Total income tax (recovery)	(7,442)	9,702	(10,406)	(1,550)

Net loss from continuing operations	\$ (17,110)	\$ (30,243)	\$ (45,165)	\$ (50,689)
Loss from discontinued operations	\$ (127)	\$ (1,468)	\$ (1,254)	\$ (3,231)
Net loss	\$ (17,237)	\$ (31,711)	\$ (46,419)	\$ (53,920)
Net loss attributable to:				
Common shareholders	(17,077)	(31,173)	(46,327)	(53,521)
Non-controlling interests	(160)	(538)	(92)	(399)
	(17,237)	(31,711)	(46,419)	(53,920)
Net loss attributable to common shareholders per common share				
Basic	\$ (0.10)	\$ (0.20)	\$ (0.28)	\$ (0.34)
Diluted	\$ (0.10)	\$ (0.20)	\$ (0.28)	\$ (0.34)

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

	Three months ended		Six months ended	
	June 30 2020	June 30 2019	June 30 2020	June 30 2019
(Unaudited - in thousands of Canadian dollars)				
Cash provided by (used in)				
Operating activities				
Net loss	\$(17,237)	\$(31,711)	\$(46,419)	\$(53,920)
Items not affecting cash				
Depreciation	92,165	89,030	181,950	177,197
Loss (gain) from investment in joint ventures	127	(2,307)	1,785	(296)
Loss (gain) on asset sale	3,437	(9,824)	3,437	(9,824)
Gain on purchase of unsecured Senior Notes	(52,023)	(650)	(63,517)	(650)
Share-based compensation	2,879	1,260	(1,621)	2,887
Unrealized foreign exchange and other	(25,526)	(18,270)	(18,716)	7,900
Accretion of deferred financing charges	2,971	6,297	5,943	8,535
Interest expense	26,976	33,712	58,846	67,820
Deferred income tax	(7,431)	9,242	(10,855)	(2,451)
Funds flow from operations	26,338	76,779	110,833	197,198
Net change in non-cash working capital	101,094	4,841	79,331	(29,600)
Cash provided by operating activities	127,432	81,620	190,164	167,598
Investing activities				
Purchase of property and equipment	(13,239)	(31,912)	(39,671)	(73,278)
Proceeds from disposals of property and equipment	16,985	27,898	21,150	29,620
Acquisition of minority interest	—	—	—	(49,214)
Net change in non-cash working capital	(3,504)	(5,426)	4,249	11,000
Cash (used in) provided by investing activities	242	(9,440)	(14,272)	(81,872)
Financing activities				
Proceeds from long-term debt	41,163	998,265	94,289	2,224,231
Repayments of long-term debt	(50,005)	(1,099,564)	(105,477)	(2,252,107)
Lease obligation principal repayments				

(2,957)

(2,357)

(5,627)

(3,616)

Interest paid	(49,177)	(34,661)	(61,144)	(81,729)
Purchase of common shares held in trust	667	553	(556)	(523)
Cash dividends	(9,787)	(11,588)	(19,574)	(30,437)
Net change in non-cash working capital	—	(2,380)	—	18,299
Cash used in financing activities	(70,096)	(151,732)	(98,089)	(125,882)
Net increase (decrease) in cash	57,578	(79,552)	77,803	(40,156)
Effects of foreign exchange on cash	(3,483)	(3,544)	(3,556)	(4,962)
Cash – beginning of period	48,560	122,801	28,408	84,823

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

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

ADJUSTED EBITDA				
	Three months ended June 30		Six months ended June 30	
(\$ thousands)	2020	2019	2020	2019
Loss before income taxes ¹	(24,552)	(20,541)	(55,571)	(52,239)
Add-back/(deduct):				
Financing charges	29,947	40,009	64,789	76,355
Depreciation	92,165	89,030	181,950	177,197
Restructuring	6,509	915	7,386	9,397
Loss (gain) from investment in joint ventures	127	(2,307)	1,785	(295)
Share-based compensation	2,879	1,260	(1,621)	2,887
Loss (gain) on asset sale	3,437	(9,824)	3,437	(9,824)
Gain on repurchase of unsecured Senior Notes ²	(52,023)	(650)	(63,517)	(650)
Foreign exchange and other (gain) loss	(4,426)	(2,627)	4,660	7,733
Adjusted EBITDA from investment in joint ventures	3,997	6,562	6,009	8,559
Adjusted EBITDA	58,060	101,827	149,307	219,120

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

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

Adjusted EBITDA from investment in joint ventures is used by management and investors to analyze the results generated by the Company's joint venture operations prior to how these activities are financed, how assets are depreciated and amortized and how the results are taxed in various jurisdictions. Additionally, in order to focus on its core drilling and well services business, amounts related to foreign exchange, dividend expense, dividend re-class, impairment adjustments to property and equipment, as well as preferred share valuation and the sale of assets are removed. Lastly, amounts recorded for the revaluation on the investment of the 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 June 30		Six months ended June 30	
(\$ thousands)	2020	2019	2020	2019
(Loss) gain from investment in joint ventures	(127)	2,307	(1,785)	295
Add-back/(deduct):				
TDI fair value adjustment	—	650	—	650
Depreciation	3,755	3,226	7,185	6,655
Foreign exchange and other loss (gain)	138	(19)	240	(24)
Financing charge	11	380	21	694
Income taxes	155	18	283	142
Preferred shares valuation	—	—	—	147
Adjusted EBITDA from investment in joint ventures	3,997	6,562	6,009	8,559

Consolidated EBITDA

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

Working Capital

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

ADVISORY REGARDING FORWARD-LOOKING STATEMENTS

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

Disclosure related to expected future commodity pricing or trends, revenue rates, equipment utilization or operating activity levels, operating costs, capital expenditures and other prospective guidance provided throughout this 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.

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.

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

SOURCE [Ensign Energy Services Inc.](#)

Contact

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

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