

Ensign Energy Services Inc. Reports 2020 Results

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CALGARY, March 5, 2021 -

2020 HIGHLIGHTS

- Revenue for 2020 was \$936.8 million, a 41 percent decrease from 2019 revenue of \$1,591.3 million.
- Revenue amounts and percentage of total by geographic area:
 - Canada - \$176.9 million, 19 percent;
 - United States - \$531.0 million, 57 percent; and
 - International - \$228.9 million, 24 percent.
- Canadian drilling recorded 5,599 operating days in 2020, a 37 percent decrease from 8,949 operating days in 2019. Well servicing recorded 28,338 operating hours in 2020, a 39 percent decrease from 46,718 operating hours in 2019.
- United States drilling recorded 10,899 operating days in 2020, a 56 percent decrease from 24,802 operating days in 2019. United States well servicing recorded 99,016 operating hours in 2020, a 14 percent decrease from the 115,136 operating hours in 2019.
- International drilling recorded 3,829 operating days in 2020, a 29 percent decrease from 5,360 operating days in 2019.
- Adjusted EBITDA for 2020 was \$241.5 million a 41 percent decrease from Adjusted EBITDA of \$412.5 million for 2019.
- Funds flow from operations for 2020 decreased 44 percent to \$210.3 million from \$372.2 million in the year prior.
- During the third quarter of 2020, the Company completed the acquisition of Halliburton's 40 percent ownership interest of the Trinidad Drilling International joint venture. The 40 percent ownership interest, inclusive of working interest, was purchased with cash on hand for US \$33.4 million. With this acquisition, the Company now owns 100 percent of the former joint venture.
- During the 2020 year, the Company received a \$12.5 million Canada Emergency Wage Subsidy payment from the Government of Canada and a \$6.9 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 year of 2020, the Company recognized \$27.4 million of idle but contracted rig revenue and \$31.1 million of cancellation or early termination fees. As the Company moves into 2021 the amount of such fees and idle but contracted revenue is expected to reduce year-over-year.
- Net capital expenditures for the calendar year 2020 totaled \$18.4 million, consisting of \$50.2 million in maintenance capital, offset by proceeds of \$31.8 million from disposals. Capital expenditures for the calendar year 2021 are expected to be approximately \$50.0 million.
- General and administrative expense decreased 21 percent to \$43.6 million for year-ended 2020 from \$55.1 million for year-ended 2019. Included in the 2020 general and administrative expense was \$3.4 million in accounts receivable impairment relating to 10 unique customers.
- Over the 2020 year, the Company repurchased US \$198.7 million face value of unsecured Senior Notes, in the process of which the Company recorded a gain on repurchase of \$162.8 million (US \$120.9 million).
- Year-over-year total debt for 2020 decreased by \$196.9 million to \$1,384.6 million as of December 31, 2020 from \$1,581.5 million as of December 31, 2019.
- On December 31, 2020, the Company amended and extended the existing \$900.0 million revolving credit facility with its syndicate of lenders. The amendments and one-year extension provide the Company continued access to the facility with capacity and near-term flexibility in a fluid oil price environment.
- The Company's available liquidity consisting of cash and available borrowings under its revolving credit facility was \$100.0 million at December 31, 2020.
- During the second quarter of 2020 the Company suspended its quarterly dividend. The Company declared total dividends of \$0.06 per common share in 2020.

OVERVIEW

Revenue for the year ended December 31, 2020 was \$936.8 million, a decrease of 41 percent from 2019 revenue of \$1,591.3 million. Adjusted EBITDA for 2020 totaled \$241.5 million, (\$1.49 per common share), 41 percent lower than Adjusted EBITDA of \$412.5 million (\$2.58 per common share) for the year ended 2019.

Net loss attributed to common shareholders for the year ended December 31, 2020 was \$79.3 million (\$0.49 per common share).

compared to net loss attributed to common shareholders of \$162.9 million (\$1.02 per common share) for the year ended 31, 2019.

During the third quarter of 2020, the Company completed the acquisition of Halliburton's 40 percent ownership interest in Trinidad Drilling International ("TDI") joint venture. The 40 percent ownership interest, inclusive of working capital of \$20 million, in the TDI joint venture, was purchased by the Company with cash on hand for US \$33.4 million. With this acquisition, the Company now owns 100 percent of TDI.

Results for the year ended December 31, 2020 were modestly impacted by the TDI joint venture acquisition, notably through increased activity levels due to the increase in rig fleet size, an expanded customer base and enhanced international exploration.

During 2020, the Company received a \$12.5 million Canada Emergency Wage Subsidy ("CEWS") from the Government of Canada and a \$6.9 million wage subsidy from the Government of Australia. The wage subsidies received partially offset the decrease in Adjusted EBITDA and net loss attributable to common shareholders.

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 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 led to a significant slowdown in global economic activity that subsequently reduced the demand for crude oil and natural gas. The significant reduction in demand contributed to the steep and rapid decline in global crude oil and natural gas prices seen earlier in 2020. Furthermore, the decline further challenged commodity prices already reeling from a market share and oil price war between certain crude oil producing nations. The full magnitude and duration of the impact of these events on global economies and the oil and natural gas industry remains uncertain.

During the second half of 2020, stay-at-home related restrictions generally were eased globally, increasing the demand for oil and natural gas. OPEC+ nations curtailed crude oil supply in addition to producer led production curtailments which improved supply and demand fundamentals. Improved fundamentals resulted in relatively stabilized crude oil commodity prices over the second half of 2020. As a result, drilling and completions activity stabilized and improved modestly.

Over the short term, there is a high degree of uncertainty regarding the macroeconomic conditions that will impact our business that include the pathway of the COVID-19 pandemic, COVID-19 mitigation strategies, such as stay-at-home orders and related restrictions, vaccination distribution and efficacy, the degree and impact of COVID-19 mitigation strategies and their impact on the demand for crude oil and natural gas, commodity prices and the demand for oilfield services.

Early in March 2020, in response to the COVID-19 pandemic, the Company implemented rigorous measures across its operations to ensure 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 other parties on site, restricted travel policies and aggressive hygiene practices and disinfecting protocols in accordance with local jurisdiction guidelines.

Across the Company's global operations, these proactive measures have facilitated the safe continuity and reliability of 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 and will be adapted as needed, as the Company continues to monitor local government recommendations and public health guidance, prioritizing the health and safety of its workforce.

Working capital as of December 31, 2020 was a surplus of \$98.6 million, compared to a working capital surplus of \$127.4 million as of December 31, 2019. The decrease in working capital year-over-year was largely due to the repurchases of some unsecured Senior Notes (the "Senior Notes") throughout the year, net capital purchases and the acquisition of Halliburton's 40 percent ownership interest in the TDI joint venture. The Company's available liquidity consisting of cash and available borrowings under its \$900.0 million revolving credit facility (the "Credit Facility") totaled \$136.5 million as of December 31, 2020, compared to \$178.4 million as of December 31, 2019. The available liquidity decreased by \$41.9 million due to a higher withdrawal to finance the repurchases of Senior Notes and acquire Halliburton's 40 percent interest of TDI joint venture in 2020 compared to 2019.

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

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

FINANCIAL AND OPERATING HIGHLIGHTS

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

	Three months ended December 31				Twelve months ended December 31	
	2020		2019		2020	2019
Revenue ¹	201,265		375,410		1,591,300	1,591,300
Adjusted EBITDA ^{1, 2}	52,742		95,404		412,468	412,468
Adjusted EBITDA per common share ^{1, 2}						
Basic	\$	0.33	\$	0.58	\$	1.49
Diluted	\$	0.33	\$	0.58	\$	1.49
Net income (loss) attributable to common shareholders	3,092		(71,615)		(79,329)	(162,900)
Net income (loss) income per common share						
Basic	\$	0.02	\$	(0.41)	\$	(0.49)
Diluted	\$	0.02	\$	(0.41)	\$	(0.49)
Cash provided by operating activities ¹	17,393		127,796		404,816	404,816
Funds flow from operations ¹	69,630		89,512		372,234	372,234
Funds flow from operations per common share ¹						
Basic	\$	0.44	\$	0.54	\$	1.30
Diluted	\$	0.44	\$	0.54	\$	1.30
Total debt	1,384,605		1,581,529		1,384,605	1,581,529
Weighted average common shares - basic (000s)	162,629		165,547		159,599	159,599
Weighted average common shares - diluted (000s)	162,721		165,593		159,686	159,686
Drilling	2020		2019		2020	2019
Number of marketed rigs ³						
Canada ⁴	101		101		101	101
United States	122		122		122	122

International ⁵	48		43		48		43
Total	271		266		271		266
Operating days ⁶							
Canada ⁴	1,434		2,217		5,599		8,949
United States	2,108		5,313		60,899		24,802
International ⁵	907		1,432		3,829		5,360
Total	4,449		8,962		80,327		39,111
Well Servicing	2020		2019		2020		2019
Number of rigs							
Canada	52		52		52		52
United States	47		47		47		47
Total	99		99		99		99
nm - calculation not meaningful							
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	6,955		11,616		29,338		46,718
United States	26,764		28,395		69,016		115,136
2. Refer to Adjusted EBITDA calculation in Non-GAAP Measures.							
Total	33,719		40,041		107,354		161,854

3. Total rigs: Canada - 118, United States - 136, International - 53 (2019: Canada - 118, United States - 138, International - 48).

4. Excludes coring rigs.

5. Includes workover rigs and former TDI joint venture drilling rigs, effective July 16, 2020.

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

FINANCIAL POSITION AND CAPITAL EXPENDITURES HIGHLIGHTS

As at (\$ thousands)	2020
Working capital ¹	961,527
Cash	484,083
Long-term debt	(1,384,832)
Long-term debt, net of cash	(1,375,429)
Total long-term financial liabilities	(1,375,429)
Total assets	961,527
Long-term debt to long term-debt plus shareholder's equity ratio	0.52

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See
Non-GAAP
Measures
section.

(\$ thousands)	Three months ended December 31		Twelve months ended December 31	
	2020	2019	2020 change	2019
Capital expenditures				
Upgrade/growth	-	9,433	(9,433)	95,778
Maintenance	5,032	14,941	(9,909)	40,228
Proceeds from disposals or property and equipment (8,371)		(7,082)	(1,289)	(39,997)
Net capital (proceeds) expenditures	(3,339)	17,292	(20,631)	96,009

nm - calculation not meaningful

REVENUE AND OILFIELD SERVICES EXPENSE

(\$ thousands)	Twelve months ended December 31		
	2020 December 31	2019	% change
Revenue ¹			
Canada	703,852	293,333	(40)
United States ¹	824,000	1,004,627	(47)
International	438,956	293,378	(22)
Total revenue	1,966,808	1,591,338	(41)
Oilfield services expense ¹	1,455,200	1,134,328	(42)

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

Revenue for the year ended December 31, 2020 totaled \$936.8 million, a 41 percent decrease from the year

ended December 31, 2019 of \$1,591.3 million. The decrease in total revenue during the year ended December 31, 2020 was due to the oil price and market share war between certain crude oil producing nations followed by the significant and adverse impact of the COVID-19 pandemic on the oil and natural gas industry. The fallout from the pandemic led to a significant drop in demand for crude oil and natural gas, which further challenged an already over-supplied commodity market. The steep declines in demand and continued oversupply have resulted in a significant activity slowdown for oilfield services. The financial results from the Company's United States and international operations were positively impacted on the currency translation, as the United States dollar strengthened relative to the Canadian dollar for year ended December 31, 2019. The Company recorded revenue of \$201.3 million for the three months ended December 31, 2020, a 46 percent decrease from the \$375.4 million recorded in the three months ended December 31, 2019.

CANADIAN OILFIELD SERVICES

	Three months ended December 31			Twelve months ended December 31		
	2020	2019	% change	2020	2019	% change
Marketed drilling rigs ^{1,2}						
Opening balance	101	118		101	125	
Transfers, net	-	-		-	(1)	
Placed into reserve	-	-		-	(5)	
Decommissions	-	(17)		-	(18)	
Ending balance	101	101	-	101	101	-
Drilling operating days ³	1,434	2,217	(35)	5,599	8,949	(37)
Drilling rig utilization (%) ¹	13.2	17.9	(26)	13.0	18.2	(29)
Well servicing rigs						
Opening balance	52	55		52	62	
Decommissions	-	(3)		-	(10)	
Ending balance	52	52	-	52	52	-
Well servicing operating hours	6,955	11,646	(40)	28,338	46,718	(39)
Well servicing utilization (%)	14.5	23.0	(37)	14.9	23.3	(36)

¹ Excludes coring rig fleet.

² Total rigs: Canada - 118, (2019 - Canada - 118).

³ Defined as contract drilling days, between spud to rig release.

The Company recorded revenue of \$176.9 million in Canada for the year ended December 31, 2020, a decrease of 40 percent from \$293.3 million recorded for the year ended December 31, 2019. During the year-ended December 31, 2020, the Company recognized \$3.6 million of idle but contracted rig revenue (2019 - \$9.5 million). Revenue generated in Canada decreased by 43 percent to \$40.9 million for the three months ended December 31, 2020, from \$71.2 million for the three months ended December 31, 2019. During three months ended December 31, 2020, the Company recognized \$2.0 million of idle but contracted rig revenue (2019 - \$2.5 million). For the year ended December 31, 2020, total revenues generated from the Company's Canadian operations were 19 percent of the Company's total revenue compared with 18 percent in the prior year. In the fourth quarter of 2020, Canadian revenues accounted for 20 percent of the total

revenue compared with 19 percent in 2019.

For the year ended December 31, 2020, the Company recorded 5,599 drilling operating days in Canada, a decrease of 37 percent as compared to 8,949 drilling operating days for the year ended December 31, 2019. During the fourth quarter of 2020 the Company recorded 1,434 operating days in Canada, a decrease of 35 percent from 2,217 operating days recorded during the fourth quarter of the prior year. Well servicing hours decreased by 39 percent to 28,338 operating hours compared with 46,718 operating hours for the year ended December 31, 2019. Well servicing hours in the fourth quarter of 2020 were down 40 percent to 6,955 compared to the 11,646 hours in the fourth quarter of the prior year.

The operating and financial results for the Company's Canadian operations were significantly and negatively impacted during the 2020 year due to the macroeconomic and industry conditions seen since March of 2020 including but not limited to, the impact of the COVID-19 pandemic and subsequent lockdown related restrictions, resulting in decreased demand for crude oil and increased market supply.

UNITED STATES OILFIELD SERVICES

	Three months ended December 31		Twelve months ended December 31	
	2020	2019	2020	2019
Marketed drilling rigs ¹				
Opening balance	124	122	122	133
Transfers, net	-	-	1	
Decommissions	(12)	-	(12)	
Ending balance	112	122	122	-
Drilling operating days ²	5,103	60,899	24,802	(56)
Drilling rig utilization (%)	37.6	26.6	44.7	(52)
Well servicing rigs				
Opening balance	47	47	46	
Additions	-	-	1	
Ending balance	47	47	47	-
Well servicing operating hours	28,338	69,016	115,136	(14)
Well servicing utilization (%)	57	67.6	67.5	(15)

¹ Total rigs: United States - 136, (2019 - United States - 138).

² Defined as contract drilling days, between spud to rig release.

For the year ended December 31, 2020, revenue of \$531.0 million was recorded in the United States, a decrease of 47 percent from the \$1,004.6 million recorded in the prior year. Revenues recorded in the United States were \$104.6 million in the fourth quarter of 2020, a 52 percent decrease from the \$217.4 million recorded in the corresponding period of the prior year. The Company's United States operations accounted for 57 percent of the Company's total revenue in the 2020 fiscal year (2019 - 64 percent) and were the largest contributor to the Company's total revenues in 2020, consistent with the prior year. In the United States, the Company recognized US \$10.0 million of idle but contracted revenue and US \$23.2 million of contract early termination or cancellation fees in 2020 (2019 - US \$9.9 million). During the fourth quarter of

2020, United States operations accounted for 52 percent of the Company's revenue (2019 - 58 percent), also the largest contributor to the Company's consolidated fourth quarter revenues and consistent with the prior year. During the fourth quarter the Company recognized US \$1.9 million of idle but contracted revenue and US \$4.7 million of contract early termination or cancellation fees (2019 - US \$7.2 million).

In the United States, drilling operating days decreased by 56 percent from 24,802 drilling operating days in 2019 to 10,899 operating days in 2020. For the year ended December 31, 2020, well servicing activity decreased 14 percent to 99,016 operating hours, from 115,136 operating hours in 2019. During the fourth quarter drilling operating days decreased by 60 percent from 5,313 operating days in 2019 to 2,108 operating days in 2020. For the fourth quarter ended December 31, 2020, well servicing activity decreased six percent from 28,395 operating hours in 2019 to 26,764 operating hours.

The operating and financial results for the Company's United States operations were also significantly and negatively impacted during the year ended December 31, 2020 due to the macroeconomic and industry conditions seen this year. The strengthening United States dollar year over year versus the Canadian dollar partially offset the declines in operating activity when compared to the same period of 2019.

During the fourth quarter of 2020, the Company decommissioned two drilling rigs in the United States from its non-marketed fleet.

INTERNATIONAL OILFIELD SERVICES

	Three months ended December 31		% change
	2020	2019	
Marketed drilling and workover rigs ¹			
Opening balance	48	44	
Acquisition of TDI joint venture	5	-	
Additions	-	1	
Placed into reserve	-	(2)	
Ending balance	48	43	12
Drilling operating days ²	3,829	5,360	(29)
Drilling rig utilization (%)	20.2	31.1	(32)

¹ Total rigs: International - 53, (2019 - 48).

² Defined as contract drilling days, between spud to rig release.

The Company's international revenues for the year ended December 31, 2020 decreased 22 percent to \$228.9 million from \$293.4 million recorded in the year ended December 31, 2019. International revenue totaled \$55.8 million in the fourth quarter of 2020, a 36 percent decrease from \$86.9 million recorded in the corresponding period of the prior year. The Company's international operations accounted for 24 percent of the Company's total revenue in 2020 (2019 - 18 percent). The Company's international operations recognized US \$7.8 million of idle but contracted revenue in 2020 (2019 - \$ nil). The Company's international operations contributed 28 percent of the Company's fourth quarter revenue in 2020 (2019 - 23 percent). During the fourth quarter the Company recognized US \$0.3 million of idle but contracted revenue (2019 - \$ nil).

International drilling operating days totaled 3,829 in 2020 compared to 5,360 drilling operating days for the year ended December 31, 2019, a decrease of 29 percent compared to the year prior. International

operating days for the three months ended December 31, 2020 decreased 37 percent to 907 compared to 1,432 operating days in the fourth quarter of 2019.

Similar to our North American operations, international operating and financial results were also negatively impacted by industry conditions seen this year. The acquisition of TDI joint venture during the third quarter of 2020 and the strengthening United States dollar year over year versus the Canadian dollar partially offset the declines in operating activity when compared to the similar period of 2019.

JOINT VENTURE

During the third quarter of 2020, the Company completed the acquisition of Halliburton's 40 percent ownership interest in the TDI joint venture. The 40 percent ownership interest, inclusive of working capital of \$20.2 million in TDI joint venture, was purchased with the Company's cash on hand for US \$33.4 million. With this acquisition, the Company has owned 100 percent of TDI since July 16, 2020. The acquisition was accounted for as a business combination using the acquisition method whereby the net assets and liabilities assumed are recorded at fair value.

The preliminary purchase price allocation is based on management's best estimates of the fair value of TDI's assets and liabilities as at the Effective Acquisition Date of July 16, 2020, although future adjustments to estimates may be required. If new information is obtained within one year from the acquisition date about facts and circumstances that existed as at the Effective Acquisition Date and which reasonably requires adjustments to above amounts, or any additions to provisions that existed at the Effective Acquisition Date, then the accounting at acquisition will be revised.

Amounts below are presented at 100 percent of the value included in the statement of operations and comprehensive (loss) income for the former TDI joint venture up to the date of acquisition by the Company. Prior to July 16, 2020, the Company owned 60 percent of the shares of the former TDI joint venture and each of the parties had equal voting rights. The former joint venture had been considered to be a financial asset and fair valued through the consolidated statement of (loss) income.

	Three months ended December 31			Twelve months ended December 31		
	2020	2019	% change	2020	2019	% change
Revenue (\$ thousands)	-	19,741	nm	38,514	60,714	(37)
Drilling operating days	-	212	nm	535	633	(15)
Drilling rig utilization (%)	-	46.1	nm	54.0	34.0	59

nm - calculation not meaningful

For the year ended December 31, 2020, up to the date of the acquisition of July 16, 2020, TDI recorded operating revenue of \$38.5 million (2019 - \$60.7 million) and operating days totaled 535 (2019 - 633).

The decrease in financial and operational results year-over-year is due to the acquisition of the remaining 40 percent interest in TDI joint venture, effective July 16, 2020, is consolidated within the financial and operating results of the Company.

DEPRECIATION

(\$ thousands)	Three months ended December 31			Twelve months ended December 31		
	2020	2019	% change	2020	2019	% change
Depreciation	96,338	93,537	3	374,705	363,144	3

Depreciation expense for the year increased by three percent to \$374.7 million compared with \$363.1 million

for the year ended 2019. Depreciation expense totaled \$96.3 million for the fourth quarter of 2020 compared with \$93.5 million for the fourth quarter of 2019, an increase of three percent. The increase to depreciation expense was the result of depreciating newly acquired property and equipment and a higher foreign exchange rate on United States denominated property and equipment values.

IMPAIRMENT

	Three months ended December 31			Twelve months ended December 31		
(\$ thousands)	2020	2019	% change	2020	2019	% change
Impairment	11,480	-	nm	11,480	-	nm

nm - calculation not meaningful

The Company reviewed the carrying value of its property and equipment for indications of impairment at the end of each reporting period. At March 31, 2020, the Company tested all its cash-generating units ("CGUs") for impairment and no impairment was identified. As at December 31, 2020, the Company reviewed each CGU and identified indications of impairment within the Latin America CGU. As a result of the review, the Company recorded an impairment of \$11.5 million within its Latin American CGU.

GENERAL AND ADMINISTRATIVE

	Three months ended December 31			Twelve months ended December 31		
(\$ thousands)	2020	2019	% change	2020	2019	% change
General and administrative	11,815	13,462	(12)	43,567	55,064	(21)
% of revenue	5.9	3.6		4.7	3.5	

For the year ended December 31, 2020, general and administrative expense totaled \$43.6 million (4.7 percent of revenue) compared to \$55.1 million (3.5 percent of revenue) for the year ended December 31, 2019, a decrease of 21 percent. General and administrative expense decreased 12 percent to \$11.8 million (5.9 percent of revenue) for the fourth quarter of 2020. General and administrative expenses decreased as a result of cost saving initiatives, the wage subsidy received from the Government of Canada, reductions in personnel and organizational restructuring. The decrease was partially offset by \$3.4 million in accounts receivable write-offs recorded during year ended December 31, 2020 (2019 -\$ 0.1 million).

In light of the then-current operating environment, effective April 1, 2020, the Company took steps to reduce overhead costs by reducing the salaries and number 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. In addition, the annual base cash and equity retainers for independent members of the Board of Directors were 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 then-current oilfield services industry outlook and remained in place as the Company entered 2021. The Company has and will continue to consider additional means of reducing overhead and operating costs.

RESTRUCTURING

	Three months ended December 31			Twelve months ended December 31		
(\$ thousands)	2020	2019	% change	2020	2019	% change
Restructuring	4,448	1,555	nm	16,042	12,644	27

nm - calculation not meaningful

For the year ended December 31, 2020, restructuring expense totaled \$16.0 million (2019 - \$12.6 million). Restructuring expense consists of costs relating to the organizational restructuring of the Company due to the significant decline in activity. For the fourth quarter of 2020, restructuring costs were \$4.4 million (2019 - \$1.6 million).

FOREIGN EXCHANGE AND OTHER (GAIN) LOSS

(\$ thousands)	Three months ended December 31			Twelve months ended December 31		
	2020	2019	% change	2020	2019	% change
Foreign exchange and other (gain) loss	(8,788)	4,673	nm	(5,726)	25,426	nm

nm - calculation not meaningful

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

LOSS (GAIN) ON ASSET SALE

(\$ thousands)	Three months ended December 31			Twelve months ended December 31		
	2020	2019	% change	2020	2019	% change
Loss (gain) on asset sale	-	-	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.

GAIN ON REPURCHASE OF UNSECURED SENIOR NOTES

(\$ thousands)	Three months ended December 31			Twelve months ended December 31		
	2020	2019	% change	2020	2019	% change
Gain on repurchase of unsecured Senior Notes	(59,260)	(3,077)	nm	(162,849)	(4,647)	nm

nm - calculation not meaningful

For the year ended December 31, 2020, the Company repurchased US \$198.7 million (2019 - US \$58.0 million) face value of Senior Notes, in the open market, for cancellation and recorded a gain on repurchase of \$162.8 million (US \$120.9 million) (2019 - US \$3.5 million).

For the fourth quarter of 2020, the Company likewise repurchased US \$72.8 million (2019 - US \$20.5 million) of face value Senior Notes and recorded a gain on repurchase of \$59.3 million (2019 - \$3.1 million).

INTEREST EXPENSE

	Three months ended December 31			Twelve months ended December 31		
(\$ thousands)	2020	2019	% change	2020	2019	% change
Interest expense	24,236	34,717	(30)	107,374	135,245	(21)

Interest expenses were incurred on the Company's Credit Facility, the United States dollar denominated Senior Notes, \$37.0 million of subordinate convertible debentures (the "Convertible Debentures") and capital lease obligations. Included within interest expense for 2020 is \$5.2 million of accrued interest relating to the Senior Notes, paid in cash as part of the repurchase of the Senior Notes (2019 - \$1.4 million).

Interest expense decreased by \$27.9 million for the year ended December 31, 2020 compared to the same period in 2019. The decrease is the result of a decrease in overall borrowing level. The negative translation impact on US dollar-denominated debt partially offset the interest expense decrease for the year ended December 31, 2020. For the three months ended December 31, 2020, interest expense decreased 30 percent to \$10.5 million compared to the comparative period in 2019.

INCOME TAXES (RECOVERY)

	Three months ended December 31			Twelve months ended December 31		
(\$ thousands)	2020	2019	% change	2020	2019	% change
Current income tax	51	1,965	(97)	1,140	3,416	(67)
Deferred income tax (recovery)	(34,061)	(9,496)	nm	(54,928)	(22,221)	nm
Total income tax (recovery)	(34,010)	(7,531)	nm	(53,788)	(18,805)	nm
Effective income tax rate (%)	nm	9.6		44.6	10.6	

nm - calculation not meaningful

The effective income tax rate for the year ended December 31, 2020 was 44.6 percent compared with 10.6 percent for the year ended December 31, 2019. The effective tax rate was significantly impacted by a rate change in the United States and by increased earnings in foreign jurisdictions.

FUNDS FLOW FROM OPERATIONS AND WORKING CAPITAL

(\$ thousands, except per share amounts)	Three months ended December 31			Twelve months ended		
	2020	2019	% change	2020	2019	
Cash provided by operating activities ¹	17,393	127,796	(86)	246,974	404,8	
Funds flow from operations ¹	69,630	89,512	(22)	210,265	372,2	
Funds flow from operations per common share ¹	\$ 0.44	\$0.54	(19)	\$ 1.30	\$	
Working capital	98,612	126,987	(22)	98,612	126,9	

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.

For the year ended December 31, 2020, the Company generated funds flow from operations of \$210.3

million (\$1.30 per common share) a decrease of 44 percent from \$372.2 million (\$2.33 per common share) for the year ended December 31, 2019. The Company generated funds flow from operations of \$69.6 million (\$0.44 per common share) in the three months ended December 31, 2020, compared to \$89.5 million (\$0.54 per common share) for the three months ended December 31, 2019. The decrease in funds flow from operations in 2020 compared to 2019 is due to a decrease in activity as a result of the oil and natural gas industry's current business environment.

As of December 31, 2020, the Company's working capital was a surplus of \$98.6 million, compared to a working capital surplus of \$127.0 million as of December 31, 2019. The decrease in working capital in 2020 was primarily related to the repurchases of Senior Notes throughout 2020, net capital purchases and the acquisition of Haliburton's TDI joint venture interest. The Company's Credit Facility provides for total borrowings of \$900.0 million of which \$92.3 million was undrawn and available at December 31, 2020.

INVESTING ACTIVITIES

(\$ thousands)	Three months ended December 31			Twelve months ended	
	2020	2019	% change	2020	2019
Purchase of property and equipment	(5,032)	(24,374)	(79)	(50,242)	(136,006)
Proceeds from disposals of property and equipment	8,371	7,082	18	31,829	39,997
Acquisition of joint venture and minority interest, net of cash -	-	-	-	(31,885)	(49,214)
Net change in non-cash working capital	(524)	(1,346)	(61)	59	3,139
Cash provided by (used in) investing activities	2,815	(18,638)	nm	(50,239)	(142,084)

nm - calculation not meaningful

Net purchases of property and equipment during the fiscal year ending 2020 totaled \$18.4 million (2019 - \$96.0 million) and net proceeds from disposals of property and equipment totaled \$3.3 million for the fourth quarter (2019 - net purchases of \$17.3 million). The purchase of property and equipment relates predominantly to \$40.2 million in maintenance capital and \$10.0 million in upgrade capital (2019 - \$40.2 million and \$95.8 respectively).

FINANCING ACTIVITIES

(\$ thousands)	Three months ended December 31			Twelve months ended December 31		
	2020	2019	% change	2020	2019	% change
Proceeds from long-term debt	12,951	32,177	(60)	121,520	2,266,408	(95)
Repayments of long-term debt	(15,732)	(70,533)	(78)	(164,518)	(2,375,891)	(93)
Lease obligation principle repayments	(1,812)	(4,892)	(63)	(9,216)	(10,888)	(15)
Interest paid	(32,452)	(44,033)	(26)	(107,956)	(140,308)	(23)
Purchase of common shares held in trust (244)	(502)	(51)	(51)	(969)	(1,398)	(31)
Cash dividends	-	(11,341)	nm	(19,574)	(53,076)	(63)
Net change in non-cash working capital	-	(23,349)	nm	-	(2,981)	nm
Cash used in financing activities	(37,289)	(122,473)	(70)	(180,713)	(318,134)	(43)

nm - calculation not meaningful

As at December 31, 2020 the amount of available borrowings under the Credit Facility was \$92.3 million. In

addition, the Company has available a US \$50.0 million secured letter of credit facility, of which US \$12.0 million was available as of December 31, 2020. On December 31, 2020, the Company amended and extended the existing \$900.0 million Credit Facility agreement with its syndicate of lenders. The amendments and one-year extension provide the Company with continued access to revolver capacity and near-term flexibility in a volatile oil price environment.

The maturity date of the Credit Facility is November 25, 2022; provided that if on or before September 30, 2021, the maturity date of the Company's Convertible Debentures is not extended from January 22, 2022, to a date no earlier than February 26, 2023, then the maturity date of the Credit Facility shall automatically be amended to November 29, 2021. No principal payments are due until then.

During the second quarter of 2019, the Company issued US \$700.0 million of Senior Notes due 2024 bearing interest of 9.25% per annum. The net proceeds of the Senior Notes offering and cash on hand were used to repay all outstanding loans under the Company's US \$700.0 million senior loan. The Senior Notes may be redeemed by the Company on or after April 15, 2021 at 104.625%, April 15, 2022 at 102.313% and April 15, 2023 and thereafter at 100%, plus accrued interest. The current capital structure consisting of the Credit Facility and the Senior Notes allows the Company to utilize funds flow generated to reduce debt in the near term with greater flexibility than a more non-callable weighted capital structure.

The Company may at any time and from time to time acquire Senior Notes for cancellation by means of open market purchases or negotiated transactions. With the above mentioned amended Credit Facility, the Company is limited in the acquisition and cancellation of the Senior Notes up to \$25.0 million. Senior Notes may be repurchased for redemption in excess of \$25.0 million if certain criteria are met. During the year ended December 31, 2020, the Company purchased US \$198.7 million of face value Senior Notes for cancellation, in the open market. The Company purchased a further US \$8.6 million of Senior Notes for cancellation subsequent to December 31, 2020.

Covenants

The following is a list of the Company's currently applicable covenants pursuant to the Credit Facility and the covenant calculations as at December 31, 2020:

	Covenant	December 31, 2020
The Credit Facility		
Consolidated EBITDA ¹	? \$140.0 million	\$ 254,957
Consolidated EBITDA to Consolidated Interest Expense ^{1,2}	? 1.75	2.52
Consolidated Senior Debt to Consolidated EBITDA ^{1,3}	? 3.50	2.99

¹ Please refer to "Non-GAAP Measures" and "Overview and Select Annual Information" sections for Consolidated EBITDA definition.

² Consolidated Interest Expense is defined as all interest expense calculated on twelve month rolling consolidated basis and excluding Senior Notes interest in repurchase.

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

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

The Credit Facility

The Credit Facility agreement, a copy of which is available on SEDAR, including amendments requires that the Company comply with certain covenants including a minimum Consolidated EBITDA requirements, a Consolidated EBITDA to Consolidated Interest Expense ratio and a Consolidated Senior Debt to Consolidated EBITDA ratio.

The Credit Facility also contains certain covenants that place restrictions on the Company's ability to repurchase or redeem Senior Notes and Convertible Debentures, to create, incur or assume additional indebtedness; change the Company's primary business; enter into mergers or amalgamations; and dispose of property. In the most recent amendment to the Credit Facility, dated December 31, 2020, the permitted encumbrances were reduced from \$75.0 million to \$25.0 million.

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. These restrictions are tempered by the existence of a number of exceptions to the general prohibitions, including baskets allowing for restricted payments.

The indenture also restricts the Company's 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 December 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 additional indebtedness, including the incurrence of additional 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

Through the Company's acquisition of the 40 percent interest in the TDI joint venture previously owned by Haliburton, the Company added five drilling rigs, of which it had a 60 percent ownership interest prior to the acquisition. The Company is currently directing capital expenditures primarily to maintenance capital items.

During the fourth quarter of 2020, the Company decommissioned two drilling rigs in the United States from its non-marketed fleet.

OUTLOOK

Industry Overview

The outlook for oilfield services has recently and meaningfully improved as oil and natural gas industry fundamentals continue to recover. Supported by OPEC+ moderating supply, global oil commodity prices improved over the fourth quarter of 2020 into the first quarter of 2021, with the benchmark price of West Texas Intermediate ("WTI") averaging a low of US \$40/bbl in October 2020 to an average high of US \$59/bbl in February 2021. In addition, the roll-out of COVID-19 vaccines globally in combination with economic stimulus actions have driven oil demand improvements.

We expect vaccine progress and oil demand recovery coupled with an improved and a sustained commodity price environment will drive meaningful activity improvements year-over-year. However, despite the recent momentum in commodity prices, oil and natural gas producers will moderate capital spending as they remain committed to cash conservation and maintaining current production levels. We expect producers to modestly revisit drilling programs through 2021 as legacy wells decline in production, anticipated demand recovery continues to stabilize, and global crude oil inventories destock.

We expect a multi-year recovery cycle for our industry activity levels and operating conditions, as global economies recover from the fallout of the COVID-19 pandemic. Furthermore, continuing short-term uncertainty regarding the macroeconomic conditions, including commodity price fluctuations, set-backs in COVID-19 mitigation efforts and vaccine deployment, the pace of oil demand recovery, and OPEC+ production and supply decisions, may impact the demand for oil field services. In light of the current environment, the Company has continued to adapt with conservative capital allocation, balance sheet

preservation, and a continued commitment to debt retirement. The Company has budgeted capital expenditures for 2021 of approximately \$50.0 million. The capital plan focuses on recertifications and preventative maintenance for its global high-spec drilling rig fleet and other service lines.

On December 31, 2020, the Company amended and extended the existing \$900.0 million revolving Credit Facility agreement with its syndicate of lenders. The amendments and one-year extension provide the Company with continued access to revolver capacity and near-term flexibility in a fluid oil price environment.

Canadian Activity

Canadian activity, representing 19 percent of our business, improved through the fourth quarter of 2020 and into the first quarter of 2021 to date, due to improved commodity prices over the winter drilling season. We expect activity to decline as we exit the first quarter of 2021, as operations enter seasonal spring break-up.

As of December 31, 2020, of 92 marketed drilling rigs in Canada, approximately 34 percent are engaged under term contracts of various durations. Approximately 39 percent of our contracted drilling rigs in Canada have a remaining term of six months or longer, although they may be subject to early termination.

United States Activity

United States activity, representing 57 percent of our business, improved modestly over the fourth quarter of 2020 into the first quarter of 2021. We expect US activity to remain steady and continue to modestly improve throughout 2021. In January of 2021, the US government temporarily halted the approval of new drilling permits and leases on US federal lands. The Company expects minimal resulting impact to its activity given our current customer mix and areas of current operation.

As of December 31, 2020, of 91 marketed drilling rigs in the United States, approximately 37 percent are engaged under term contracts of various durations. Approximately 41 percent of our contracted drilling rigs in the United States have a remaining term of six months or longer, although they may be subject to early termination.

International Activity

International activity, representing 24 percent of our business, remained stable over the fourth quarter of 2020 and is expected to remain steady through 2021. Operations in Argentina are expected to remain flat at current levels with 1 drilling rig active. In the Middle East, our operations in Bahrain (2 rigs) and Kuwait (2 rigs) are expected to remain steady through 2021 due to long-term contracts. Our Australian operations remained steady over the fourth quarter of 2020 and are expected to modestly improve over 2021.

As of December 31, 2020, of 40 marketed drilling rigs in our international operations, approximately 30 percent are engaged under term contracts of various durations. Approximately 67 percent of our contracted drilling rigs have a remaining term of six months or longer, although they may be subject to early termination.

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, the potential reinstatement COVID-19 mitigation strategies, such as stay-at-home orders and lockdown related restrictions, economic and market conditions, crude oil and natural gas prices, political events, foreign currency fluctuations, weather conditions, the Company's defense of lawsuits and other claims, 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 fourth quarter 2020 results at 10:00 a.m. MST (12:00 p.m. EST) on Friday, March 5, 2021. The conference call number is 1-647-427-7450 (in Toronto) or 1-888-231-8191 (outside Toronto). A taped recording will be available until March 12, 2021 by dialing 1-416-849-0833 (in Toronto) or 1-855-859-2056 (outside Toronto) and entering the reservation number 7766149. 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	December 31 2020	December 31 2019
(Unaudited - in thousands of Canadian dollars)		
Assets		
Current Assets		
Cash	\$ 44,198	\$ 28,408
Accounts receivable	164,395	272,254
Inventories, prepaid and other	52,679	47,292
Assets held for sale	-	18,806
Income taxes receivable	290	1,515
Total current assets	261,562	368,275
Property and equipment	2,649,702	2,855,223
Investment in joint ventures	-	125,355
Deferred income taxes	143,229	121,748
Total assets	\$ 3,054,493	\$ 3,470,601
Liabilities		
Current Liabilities		
Accounts payable and accruals	\$ 146,011	\$ 216,719
Cash dividends payable	-	9,787
Share-based compensation	251	297
Income taxes payable		

8,429

4,489

Current portion of lease obligations	8,259	9,996		
Total current liabilities	162,950	241,288		
Long-term debt	1,384,605	1,581,529		
Lease obligations	6,042	9,518		
Share-based compensation	2,743	6,325		
Deferred income taxes	128,276	163,781		
Non-controlling interest	4,853	5,138		
Total liabilities	1,689,469	2,007,579		
Shareholders' Equity				
Shareholder's capital	230,354	230,100		
Contributed surplus	23,324	23,966		
Equity component of subordinate convertible debenture	3,193	3,193		
Accumulated other comprehensive income	235,277	243,771		
Retained earnings	872,876	961,992		
Consolidated Statements of Income (Loss)				
Total shareholders' equity	1,365,024	1,463,022		
Total liabilities and shareholders' equity	\$ 3,054,493	\$ 3,470,601	Three months ended	Twelve months ended
			December 31 2020	December 31 2019
(Unaudited - in thousands of Canadian dollars, except per share data)				
Revenue			\$ 201,265	\$ 375,410
Expenses				
Oilfield services			136,708	266,460
Depreciation			96,338	93,537
General and administrative			11,815	13,462
Impairment			11,480	-
Restructuring			4,448	1,555
Share-based compensation			772	1,833
Foreign exchange and other (gain) loss			(8,788)	4,673
Total expenses			252,773	381,520
				1,096,140

Loss before interest expense, accretion of deferred financing charges, other losses (gains) and income taxes	(51,508)	(6,110)	(159,330)
Loss from investment in joint ventures	-	37,981	1,349
Loss (gain) on asset sale	-	-	3,437
Gain on repurchase of unsecured Senior Notes	(59,260)	(3,077)	(162,840)
Interest expense	24,236	34,717	107,374
Accretion of deferred financing charges	2,972	2,567	11,887
Loss before income taxes	(19,456)	(78,298)	(120,520)
Income tax (recovery)			
Current income tax	51	1,965	1,140
Deferred income tax (recovery)	(34,061)	(9,496)	(54,928)
Total income tax (recovery)	(34,010)	(7,531)	(53,788)
Net Income (loss) from continued operations	14,554	(70,767)	(66,740)
Loss from discontinued operations	(11,472)	(202)	(12,799)
Net income (loss)	3,082	(70,969)	(79,539)
Net income (loss) attributable to:			
Common shareholders	3,092	(71,615)	(79,329)
Non-controlling interests	(10)	646	(210)
	\$ 3,082	\$ (70,969)	\$ (79,539)
Ensign Energy Services Inc.			
Consolidated Statements of Cash Flows			
Net income (loss) attributable to common shareholders per common share			
Basic	Three months ended	Twelve months ended	
Diluted	December 31, 2020	December 31, 2019	December 31, 2019
Unaudited - in thousands of Canadian dollars)			
Cash provided by (used in)			
Operating activities			
Net income (loss)	\$ 3,082	\$ (70,969)	\$ (79,539)
Items not affecting cash			
Depreciation	96,338	93,537	374,705
Loss (gain) from discontinued operations, net of cash	9,468	(1,338)	(1,338)

Impairment	11,480	-	11,480	-
Share-based compensation	772	1,833	(2,121)	4,047
Loss from investment in joint ventures	-	37,981	1,349	39,892
Loss (gain) in asset sale	-	-	3,437	(9,824)
Gain on repurchase of unsecured Senior Notes	(59,260)	(3,077)	(162,849)	(4,647)
Unrealized foreign exchange and other loss (gain)	14,603	3,757	(9,998)	17,476
Accretion on deferred financing charges	2,972	2,567	11,887	13,914
Interest expense	24,236	34,717	107,374	135,245
Deferred income tax recovery	(34,061)	(9,496)	(54,928)	(22,221)
Funds flow from operations	69,630	89,512	210,265	372,234
Net change in non-cash working capital	(52,237)	38,284	36,709	32,582
Cash provided by operating activities	17,393	127,796	246,974	404,816
Investing activities				
Purchase of property and equipment	(5,032)	(24,374)	(50,242)	(136,006)
Proceeds from disposals of property and equipment	8,371	7,082	31,829	39,997
Acquisition of joint venture and minority interest, net of cash	-	-	(31,885)	(49,214)
Net change in non-cash working capital	(524)	(1,346)	59	3,139
Cash provided by (used in) investing activities	2,815	(18,638)	(50,239)	(142,084)
Financing activities				
Proceeds from long-term debt	12,951	32,177	121,520	2,266,408
Repayments of long-term debt	(15,732)	(70,533)	(164,518)	(2,375,891)
Lease obligation principal repayments	(1,812)	(4,892)	(9,216)	(10,888)
Interest paid	(32,452)	(44,033)	(107,956)	(140,308)
Purchase of common shares held in trust	(244)	(502)	(969)	(1,398)
Cash dividends	-	(11,341)	(19,574)	(53,076)
Net change in non-cash working capital	-	(23,349)	-	(2,981)
Cash used in financing activities	(37,289)	(122,473)	(180,713)	(318,134)
Net (decrease) increase in cash	(17,081)	(13,315)	16,022	(55,402)
Effects of foreign exchange on cash	4,306	5,183	(232)	(1,013)
Cash - beginning of period				

56,973

36,540

28,408

84,823

Cash - end of period	\$	44,198	\$	28,408	\$	44,198	\$	28,408
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[Ensign Energy Services Inc.](#)

Non-GAAP Measures

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, amortized or impaired 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 December 31		Twelve months ended Decem	
	2020	2019	2020	2019
(\$ thousands)				
Loss before income taxes ¹	(19,456)	(78,298)	(120,528)	(177,895)
Add-back/(deduct)				
Interest expense	24,236	34,717	107,374	135,245
Accretion of deferred financing charges	2,972	2,567	11,887	13,914
Depreciation	96,338	93,537	374,705	363,144
Impairment	11,480	-	11,480	-
Share-based compensation	772	1,833	(2,121)	4,047
Loss (gain) on asset sale	-	-	3,437	(9,824)
Gain on repurchase of unsecured Senior Notes	(59,260)	(3,077)	(162,849)	(4,647)
Foreign exchange and other (gain) loss	(8,788)	4,673	(5,726)	25,426
Loss from investments in joint ventures	-	37,981	1,349	39,892
Restructuring	4,448	1,555	16,042	12,644
Adjusted EBITDA from investments in joint ventures	-	(84)	6,475	10,522
Adjusted EBITDA	52,742	95,404	241,525	412,468

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

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 former 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:

(\$ thousands)	Three months ended December 31		Twelve months ended December 31	
	2020	2019	2020	2019
Loss from investment in joint ventures	-	(37,981)	(1,349)	(39,892)
Add-back/(deduct)				
TDI fair value adjustment	-	-	-	625
Depreciation	-	32,658	7,185	42,709
Foreign exchange and other loss	-	658	229	588
Restructuring	-	-	65	-
Interest expense	-	1,152	62	2,320
Income taxes	-	2,965	283	3,549
Preferred shares valuation	-	464	-	623
Adjusted EBITDA from investment in joint ventures	-	(84)	6,475	10,522

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. 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 document, 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, information provided in

the "Financial Instruments" section regarding Venezuela and information provided in the "Outlook" section regarding the general outlook for the remainder of 2020, are examples of forward-looking statements. These statements are not representations or guarantees of future performance and are subject to certain risks and unforeseen results. 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 and environments 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 and other claims; 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; the Company's ability to amend covenants under the Credit Facility with its Credit Facility syndicate; 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 the impact thereof upon the business environments in which the Company is or may become engaged; 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, environmental protection regulations, the global COVID-19 pandemic, the potential reinstatement COVID-19 mitigation strategies, such as stay-at-home orders and lockdown related restrictions, and the impact thereof upon the Company, its customers and its business. 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 the MD&A. Readers are cautioned that the lists of important factors contained herein are not exhaustive. Unpredictable or unknown factors not discussed in the 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 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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Michael Gray, Chief Financial Officer (403) 262-1361
Nicole Romanow, Investor Relations, (403) 267-6234

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