

# Ensign Energy Services Inc. Reports 2021 Second Quarter Results

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## SECOND QUARTER HIGHLIGHTS

- Revenue for the second quarter of 2021 was \$212.3 million, a nine percent increase from the second quarter of 2020 revenue of \$194.8 million.
- Revenue by geographic area:
  - Canada - \$31.4 million, 15 percent of total;
  - United States - \$130.8 million, 62 percent of total; and
  - International - \$50.1 million, 23 percent of total.
- Canadian drilling recorded 1,058 operating days in the second quarter of 2021, an increase of 681 drilling days from 377 operating days in the second quarter of 2020. Canadian well servicing recorded 8,027 operating hours in the second quarter of 2021, an increase of 4,432 operating hours from 3,595 operating hours in the second quarter of 2020.
- United States drilling recorded 2,899 operating days in the second quarter of 2021, a 31 percent increase from 2,214 operating days in the second quarter of 2020. United States well servicing recorded 33,080 operating hours in the second quarter of 2021, a 71 percent increase from 19,363 operating hours in the second quarter of 2020.
- International drilling recorded 844 operating days in the second quarter of 2021, a 20 percent increase from 704 operating days recorded in the second quarter of 2020.
- Adjusted EBITDA for the second quarter of 2021 was \$45.6 million, a 21 percent decrease from Adjusted EBITDA of \$58.1 million for the second quarter of 2020.
- Funds flow from operations for the second quarter of 2021 increased 57 percent to \$41.3 million from \$26.3 million in the second quarter of the prior year.
- During the second quarter of 2021, the Company received a \$5.1 million Canada Emergency Wage Subsidy ("CEWS") payment from the Government of Canada. The wage subsidy received partially offset the decrease in Adjusted EBITDA and net loss attributable to common shareholders.
- Net capital purchases for the second quarter of 2021 were \$11.8 million consisting of \$9.5 million in maintenance capital, \$4.0 million in upgrade capital, offset by proceeds of \$1.8 million from disposals. Planned capital expenditures for the 2021 year remain at \$50.0 million, of which approximately \$40.0 million will be maintenance capital.
- During the second quarter of 2021, the Company recognized \$6.0 million of standby revenue and \$2.7 million of contract cancellation or early termination fees.
- General and administrative expense decreased 17 percent to \$8.9 million for the second quarter of 2021 from \$10.7 million for the second quarter of 2020.
- Over the second quarter of 2021, US \$9.1 million face value of Senior Notes were repurchased by the Company in the open market for cancellation, recognizing a gain of \$2.1 million. (US \$1.7 million).
- Total debt for the second quarter of 2021 decreased by \$30.3 million to \$1,333.4 million as of June 30, 2021, from \$1,363.7 million as of March 31, 2021.
- On July 29, 2021, the Company acquired Nabors Industries Ltd.'s fleet of 35 land-based drilling rigs located in Canada, as well as related equipment and certain real property for \$117.5 million.

## OVERVIEW

Revenue for the second quarter of 2021 was \$212.3 million, an increase of nine percent from revenue for the second quarter of 2020 of \$194.8 million. Revenue for the six months ended June 30, 2021 was \$430.9 million, a decrease of 26 percent from revenue for the six months ended June 30, 2020 of \$578.6 million.

Adjusted EBITDA totaled \$45.6 million (\$0.28 per common share) in the second quarter of 2021, 21 percent lower than Adjusted EBITDA of \$58.1 million (\$0.36 per common share) in the second quarter of 2020. For the first six months of 2021, Adjusted EBITDA totaled \$95.5 million (\$0.59 per common share), 36 percent lower than Adjusted EBITDA of \$149.3 million (\$0.92 per common share) in the first six months of 2020.

Net loss attributable to common shareholders for the second quarter of 2021 was \$52.3 million (\$0.32 per common share) compared to a net loss attributable to common shareholders of \$17.1 million (\$0.10 per common share) for the second quarter of 2020. Net loss attributable to common shareholders for the six months ended June 30, 2021 was \$95.8 million (\$0.59 per common share), compared to a net loss attributable to common shareholders of \$46.3 million (\$0.28 per common share) for the six months ended June 30, 2020.

During the second quarter and the first half of 2021, the Company received a \$5.1 million and \$9.8 million of the Canada Emergency Wage Subsidy ("CEWS") from the Government of Canada respectively. The wage subsidies received partially offset the decrease in Adjusted EBITDA and net loss attributable to common shareholders.

Funds flow from operations increased 57 percent to \$41.3 million (\$0.25 per common share) in the second quarter of 2021 compared to \$26.3 million (\$0.16 per common share) in the second quarter of the prior year. Funds flow from operations decreased 21 percent to \$87.9 million (\$0.54 per common share) in the first six months of 2021 compared to \$110.8 million (\$0.68 per common share) in the first six months of the prior year.

Year to date in 2021, macro-economic conditions impacting the oil and natural gas industry continued its effort to recover from the significant fall out of the novel coronavirus ("COVID-19") pandemic. Rising vaccination rates in several nations have resulted in governments and health authorities easing travel and social distancing restrictions, increasing global economic activity and mobility. While still below pre-COVID-19 pandemic levels, the easing of restrictions in combination with rising global economic growth has resulted in a recovering demand for crude oil. Furthermore, the oil and natural gas market continues to be supported by OPEC+ nations' supply cuts. The moderated supply in combination with rising demand has resulted in supportive global commodity prices for oil and natural gas producers, driving oilfield services activity improvements year-over-year in the second quarter of 2021.

While activity has improved from 2020 lows in the second quarter of 2021, industry operating conditions are still recovering from the impacts of the COVID-19 pandemic. As a result, the Company's operating and financial results continue to show residual impacts resulting from the events of 2020.

Over the short term, there remains a degree of uncertainty regarding the macro-economic conditions that will impact our business including the resolution of the COVID-19 pandemic, the degree and severity of COVID-19 restrictions, setbacks to COVID-19 vaccine distribution and efficacy, virus mutations, and other factors that may impact the demand for crude oil and natural gas, commodity prices, and the demand for oilfield services.

The Company's operating days were lower in the first six months of 2021 when compared to the same period in 2020 as operations are recovering from the significant and negative 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. The weakening year-over-year of the United States dollar against the Canadian dollar further negatively impacted the United States and international financial results on translation to Canadian dollars. The average United States dollar exchange rate was \$1.25 for the first six months of 2021 (2020 - \$1.36) versus the Canadian dollar, a decrease of eight percent, compared to the same period of 2020.

Working capital at June 30, 2021 was a surplus of \$85.4 million, compared to a surplus of \$98.6 million at December 31, 2020. The Company's available liquidity, consisting of cash and available borrowings under its \$900.0 million revolving credit facility (the "Credit Facility"), was \$116.9 million at June 30, 2021.

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 J	
	2021	2020	% change	2021	2020
Revenue	\$ 212,306	\$ 194,759	9	\$ 430,850	\$ 578,62
Adjusted EBITDA <sup>1</sup>	45,645	58,060	(21)	95,543	149,307
Adjusted EBITDA per common share <sup>1</sup>					
Basic	\$0.28	\$0.36	(22)	\$0.59	\$0.92
Diluted	\$0.28	\$0.36	(22)	\$0.59	\$0.92
Net loss attributable to common shareholders	(52,292)	(17,077)	nm	(95,842)	(46,327)
Net loss attributable to common shareholders per common share					
Basic	\$(0.32)	\$(0.10)	nm	\$(0.59)	\$(0.28)
Diluted	\$(0.32)	\$(0.10)	nm	\$(0.59)	\$(0.28)
Cash provided by operating activities	53,185	127,432	(58)	80,022	190,164
Funds flow from operations	41,326	26,338	57	87,853	110,833
Funds flow from operations per common share					
Basic	\$0.25	\$0.16	56	\$0.54	\$0.68
Diluted	\$0.25	\$0.16	56	\$0.54	\$0.68
Total long term debt	1,333,369	1,555,274	(14)	1,333,369	1,555,27
Weighted average common shares - basic (000s)	162,295	162,729	-	162,481	162,728
Weighted average common shares - diluted (000s)	162,642	162,791	-	162,773	162,857
Drilling	2021	2020	% change	2021	2020
Number of marketed rigs <sup>2</sup>					
Canada <sup>3</sup>	92	101	(9)	92	101
United States	93	122	(24)	93	122
International <sup>4</sup>	42	43	(2)	42	43
Total	227	266	(15)	227	266
Operating days <sup>5</sup>					
Canada <sup>3</sup>	1,058	377	nm	2,904	3,479
United States	2,899	2,214	31	5,480	7,355

International <sup>4</sup>	844	704	20	1,703	2,142
Total	4,801	3,295	46	10,087	12,976
Well Servicing	2021	2020	% change	2021	2020
Number of rigs					
Canada	52	52	-	52	52
United States	48	47	2	48	47
Total	100	99	1	100	99
Operating hours	not meaningful				
1. Refers to Adjusted EBITDA calculation in Non-GAAP Measures	8,027	3,595	nm	17,117	15,827
2. Total owned rigs: Canada - 118, United States - 136, International - 53 (2020 Total owned rigs: Canada - 118, United States - 138, International - 48)	33,053	29,363	nm	68,048	50,570
Total	41,107	22,958	79	80,162	66,397
3. Excludes coring rigs.					
4. Includes workover rigs.					
5. Defined as contract drilling days, between spud to rig release.					

#### FINANCIAL POSITION AND CAPITAL EXPENDITURES HIGHLIGHTS

As at (\$ thousands)	June 30 2021	December 31 2020	June 30 2020
Working capital <sup>1</sup>	85,440	98,612	131,761
Cash	19,532	44,198	102,655
Long-term debt	1,333,369	1,384,605	1,555,274
Total long-term financial liabilities	1,339,933	1,390,647	1,564,652
Total assets	2,857,832	3,054,493	3,387,104
Long-term debt to long-term debt plus equity ratio	0.52	0.50	0.52

<sup>1</sup> See Non-GAAP Measures section.

	Three months ended June 30			Six months ended June 30		
	2021	2020	% change	2021	2020	% change
(\$ thousands)						
Capital expenditures						
Upgrade/growth	4,043	48	nm	7,595	10,013	(24)
Maintenance	9,544	13,191	(28)	16,744	29,658	(44)
Proceeds from disposals of property and equipment	(1,808)	(16,985)	(89)	(2,982)	(21,150)	(86)
Net capital expenditures	11,779	(3,746)	nm	21,357	18,521	15

nm - calculation not meaningful

#### REVENUE AND OILFIELD SERVICES EXPENSE

	Three months ended June 30			Six months ended June 30		
	2021	2020	% change	2021	2020	% change
(\$ thousands)						
Revenue						
Canada	31,411	17,012	85	84,967	114,149	(26)
United States	130,815	128,591	2	246,226	343,138	(28)
International	50,080	49,156	2	99,657	121,333	(18)
Total revenue	212,306	194,759	9	430,850	578,620	(26)
Oilfield services expense	157,793	129,955	21	317,236	412,777	(23)

Revenue for the three months ended June 30, 2021 totaled \$212.3 million, an increase of nine percent from the second quarter of 2020 of \$194.8 million. Revenue for the six months ended June 30, 2021 totaled \$430.9 million, a 26 percent decrease from the six months ended June 30, 2020.

The increase in total revenue during the second quarter of 2021 was primarily due to the global economic recovery and improving industry fundamentals following the COVID-19 pandemic. The increases in financial results from the Company's United States and international operations were offset by the negative impact on the currency translation, as the United States dollar weakened relative to the Canadian dollar for the first six months ended June 30, 2021.

#### CANADIAN OILFIELD SERVICES

Revenue increased 85 percent to \$31.4 million for the three months ended June 30, 2021 from \$17.0 million for the three months ended June 30, 2020. The Company recorded revenue of \$85.0 million in Canada for the first half of 2021, a decrease of 26 percent from \$114.1 million recorded for the first half of 2020.

Canadian revenue accounted for 15 percent of the Company's total revenue in the second quarter of 2021 (2020 - nine percent) and 20 percent for the first half of 2021 consistent with the prior year. The Company recognized \$1.2 million of standby revenue in the second quarter of 2021 (2020 - \$0.4 million). During the first half of 2021, the Company recognized \$2.4 million of standby revenue (2020 - \$0.5 million).

The Company's Canadian drilling operations recorded 1,058 operating days in the second quarter of 2021,

compared to 377 operating days for the second quarter of 2020, an increase of 681 operating days. For the six months ended June 30, 2021, the Company recorded 2,904 operating days compared to 3,479 drilling days for the six months ended June 30, 2020, a decrease of 17 percent. Canadian well servicing hours increased by 4,432 operating hours to 8,027 operating hours in the second quarter of 2021 compared to 3,595 operating hours in the corresponding period of 2020. For the six months ended June 30, 2021, well servicing hours increased by eight percent to 17,117 operating hours compared with 15,827 operating hours for the six months ended June 30, 2020.

The operating and financial results for the Company's Canadian operations for the first six months of 2021, were negatively impacted by the significant effects of the COVID-19 pandemic on the oil and natural gas industry, including supply and demand fundamentals. Beginning in the second quarter of 2021, the Company's Canadian operations began to see an increase in activity due to the economic recovery, post the COVID-19 pandemic severity peak.

During the first half of 2021, the Company moved nine under-utilized drilling rigs into its Canadian operations reserve fleet.

### UNITED STATES OILFIELD SERVICES

The Company's United States operations recorded revenue of \$130.8 million in the second quarter of 2021, an increase of two percent from the \$128.6 million recorded in the corresponding period of the prior year. During the six months ended June 30, 2021, revenue of \$246.2 million was recorded, a decrease of 28 percent from the \$343.1 million recorded in the corresponding period of the prior year.

The Company's United States operations accounted for 62 percent of the Company's revenue in the second quarter of 2021 (2020 - 66 percent) and 57 percent of the Company's revenue in the first half of 2021 (2020 - 59 percent). In the United States, the Company recognized US \$3.8 million of standby revenue and US \$2.2 million of contract early termination or cancellation fees in the second quarter of 2021 (2020 - US \$3.3 million and US \$13.2 million, respectively). The Company recognized US \$7.0 million of standby revenue and US \$3.1 million of contract cancellation fees in the first half of 2021 (2020 - US \$4.1 million and US \$13.2 million respectively).

Drilling rig operating days increased to 2,899 operating days in the second quarter of 2021 from 2,214 operating days in the second quarter of 2020, and 5,480 operating days in the first half of 2021 from 7,355 operating days in the first half of 2020. United States well servicing hours, increased by 71 percent in the second quarter of 2021 to 33,080 operating hours from 19,363 operating hours in the second quarter of 2020. For the first half of 2021, well servicing activity increased 25 percent to 63,045 operating hours from 50,570 operating hours in the first half of 2020.

Overall operating and financial results for the Company's United States operations for the first half of 2021 were also negatively impacted by the significant effects of the global COVID-19 pandemic, resulting in a decrease in global oil demand and oversupply of oil and natural gas. Beginning in the second quarter of 2021, the Company's United States operation began to see an increase of activity due to the economic recovery, post the COVID-19 pandemic severity peak. The financial results from the Company's United States operations were further negatively impacted on the currency translation, as the United States dollar weakened relative to the Canadian dollar for the first half of 2021.

During the first half of 2021, the Company acquired one well servicing rig and moved 29 under-utilized drilling rigs into its United States reserve fleet.

### INTERNATIONAL OILFIELD SERVICES

The Company's international operations recorded revenue of \$50.1 million in the second quarter of 2021, a two percent increase from the \$49.2 million recorded in the corresponding period of the prior year. International revenues for the six months ended June 30, 2021, decreased 18 percent to \$99.7 million from \$121.3 million recorded in the six months ended June 30, 2020.

The Company's international operations contributed 23 percent of the total revenue in the second quarter of

2021 (2020 - 25 percent) and 23 percent of the Company's revenue in the first six months of 2021 (2020 - 21 percent). There were no standby or contract cancellation fees in the Company's international operating region in the second quarter of 2021 (2020 - US \$7.1 million). The Company recognized US \$0.6 million of standby revenue during the first half of 2021 (2020 - US \$7.1 million).

International operating days for the three months ended June 30, 2021, totaled 844 operating days compared to 704 operating days in the same period of 2020, an increase of 20 percent. For the six months ended June 30, 2021, international operating days totaled 1,703 operating days compared to 2,142 operating days for the six months ended June 30, 2020, a decrease of 20 percent. The acquisition of the prior non-owned interest in the TDI joint venture during the third quarter of 2020 facilitated improved operating activity in the second quarter of 2021 when compared to the second quarter of 2020.

Similar to our North American operations, for the first six months of 2021, international operating and financial results were also negatively impacted by residual COVID-19 pandemic operating conditions. The financial results from the Company's international operations were further negatively impacted on the currency translation, as the United States dollar weakened relative to the Canadian dollar for the first half of 2021.

During the first half of 2021, the Company moved six under-utilized drilling rigs into its international operations reserve fleet.

## DEPRECIATION

Three months ended June 30 Six months ended June 30

(\$ thousands)	2021	2020	% change	2021	2020	% change
Depreciation	69,756	92,165	(24)	140,733	181,950	(23)

Depreciation expense totaled \$69.8 million for the second quarter of 2021 compared with \$92.2 million for the second quarter of 2020, a decrease of 24 percent. Depreciation expense for the first six months of 2021 decreased by 23 percent, to \$140.7 million compared with \$182.0 million in the first six months of 2020. The decrease in depreciation is due to certain operating assets having become fully depreciated whereafter no further depreciation expense is incurred on such assets.

## GENERAL AND ADMINISTRATIVE

(\$ thousands)	Three months ended June 30			Six months ended June 30		
	2021	2020	% change	2021	2020	% change
General and administrative	8,868	10,741	(17)	18,071	22,545	(20)
% of revenue	4.2	5.5		4.2	3.9	

General and administrative expense decreased seventeen percent to \$8.9 million (4.2 percent of revenue) for the second quarter of 2021 compared to \$10.7 million (5.5 percent of revenue) for the second quarter of 2020. For the six months ended June 30, 2021, general and administrative expense totaled \$18.1 million (4.2 percent of revenue) compared to \$22.5 million (3.9 percent of revenue) for the six months ended June 30, 2020. General and administrative expense decreased as a result of cost saving initiatives implemented in response to the COVID-19 pandemic, the wage subsidy received from the Government of Canada, reductions in personnel, and organizational restructuring.

## RESTRUCTURING

	Three months ended June 30			Six months ended June 30		
(\$ thousands)	2021	2020	% change	2021	2020	% change
Restructuring	-	6,509	nm	3,533	7,386	(52)

nm - calculation not meaningful

For the six months ended June 30, 2021, restructuring costs were \$3.5 million (2020 - \$7.4 million). Restructuring expense consists of costs relating to the organizational restructuring of the Company due to the significant decline in oilfield services activity as a result of the COVID-19 pandemic.

#### FOREIGN EXCHANGE AND OTHER LOSS (GAIN)

	Three months ended June 30			Six months ended June 30		
(\$ thousands)	2021	2020	% change	2021	2020	% change
Foreign exchange and other loss (gain)	6,313	(4,426)	nm	12,627	4,660	nm

nm - calculation not meaningful

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

#### GAIN ON REPURCHASE OF UNSECURED SENIOR NOTES

	Three months ended June 30			Six months ended June 30		
(\$ thousands)	2021	2020	% change	2021	2020	% change
Gain on repurchase of unsecured Senior Notes	(2,139)	(52,023)	(96)	(7,431)	(63,517)	(88)

For the three months ended June 30, 2021, the Company repurchased US \$9.1 million (2020 - US \$57.0 million) of face value unsecured Senior Notes ("Senior Notes"), in the open market, for cancellation and recorded a gain on repurchase of \$2.1 million (US \$1.7 million) (2020 - \$52.0 million).

For six months ended June 30, 2021, the Company repurchased US \$25.7 million (2020 - US \$74.8 million) of face value Senior Notes, in the open market, for cancellation and recorded a gain on repurchase of \$7.4 million (US \$5.9 million) (2020 - \$63.5 million).

#### INTEREST EXPENSE

	Three months ended June 30			Six months ended June 30		
(\$ thousands)	2021	2020	% change	2021	2020	% change
Interest expense	23,576	26,976	(13)	47,033	58,846	(20)

Interest expense was incurred on the Company's \$900.0 million Credit Facility, US \$417.5 million Senior Notes, \$37.0 million subordinate convertible debentures (the "Convertible Debentures"), and capital lease obligations. Included in interest expense for the second quarter of 2021, is \$0.5 million of accrued interest relating to the Senior Notes, paid in cash as part of the repurchase of the Senior Notes (2020 - \$1.2 million).

Financing charges decreased by \$3.4 million for the second quarter of 2021 compared to the second quarter of 2020 and decreased by \$11.8 million for the first six months of 2021 compared to the same period of 2020. The decrease is the result of a reduction in overall borrowing. The positive translational impact on United States dollar-denominated debt further decreased interest expense for the quarter.

The Company's blended interest rate on its outstanding debt for the 2021 year will be approximately seven percent. The current capital structure primarily 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		
	2021	2020	% change	2021	2020	% change
Current taxes income (recovery)	476	(11)	nm	526	449	17
Deferred taxes income (recovery)	(11,428)	(7,431)	54	(20,772)	(10,855)	91
Total income taxes (recovery)	(10,952)	(7,442)	47	(20,246)	(10,406)	95
Effective income tax rate (%)	18.1	30.3	(40)	17.9	18.7	(4)

The effective income tax rate for the three months ended June 30, 2021 was 18.1 percent compared to 30.3 percent for the three months ended June 30, 2020. The effective income tax rate for the six months ended June 30, 2021 was 17.9 percent compared to 18.7 percent for the six months ended June 30, 2020. The effective income tax rate in the first half of the current year was lower than the effective income tax rate in the same period of 2020 due to activity levels in foreign tax jurisdictions.

#### FUNDS FLOW FROM OPERATIONS AND WORKING CAPITAL

(\$ thousands, except per common share data)	Three months ended June 30			Six months ended June 30		
	2021	2020	% change	2021	2020	% change
Cash provided by operating activities	53,185	127,432	(58)	80,022	190,164	(58)
Funds flow from operations	41,326	26,338	57	87,853	110,833	(21)
Funds flow from operations per common share	\$0.25	\$0.16	56	\$0.54	\$0.68	(21)
Working capital <sup>1</sup>	85,440	98,612	(13)	85,440	98,612	(13)

<sup>1</sup> Comparative figure as at December 31, 2020

During the three months ended June 30, 2021, the Company generated funds flow from operations of \$41.3 million (\$0.25 per common share) compared to funds flow from operations of \$26.3 million (\$0.16 per common share) for the three months ended June 30, 2020, an increase of 57 percent. For the six months ended June 30, 2021, the Company generated funds flow from operations of \$87.9 million (\$0.54 per common share) a decrease of 21 percent from \$110.8 million (\$0.68 per common share) for the six months ended June 30, 2020. The decrease in funds flow from operations for six months ended June 30, 2021 compared to the same period of 2020 is due to the operating conditions seen since March of 2020.

At June 30, 2021, the Company's working capital was a surplus of \$85.4 million, compared to a working capital surplus of \$98.6 million at December 31, 2020. 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 \$97.3 million was undrawn and available at June 30, 2021.

#### INVESTING ACTIVITIES

(\$ thousands)	Three months ended June 30			Six months ended June 30		
	2021	2020	% change	2021	2020	% change
Purchase of property and equipment	(13,587)	(13,239)	3	(24,339)	(39,671)	(39)
Proceeds from disposals of property and equipment	1,808	16,985	(89)	2,982	21,150	(86)
Net change in non-cash working capital	4,041	(3,504)	nm	1,003	4,249	(76)
Cash used in investing activities	(7,738)	242	nm	(20,354)	(14,272)	43

nm - calculation not meaningful

Net purchases of property and equipment for the second quarter of 2021 totaled \$11.8 million (2020 - net proceeds of \$3.7 million). Net purchases of property and equipment during the first six months of 2021 totaled \$21.4 million (2020 - \$18.5 million). The purchase of property and equipment for the first six months of 2021 consists of \$16.7 million in maintenance capital and \$7.6 million in upgrade capital.

#### FINANCING ACTIVITIES

(\$ thousands)	Three months ended June 30			Six months ended June 30		
	2021	2020	% change	2021	2020	% change
Proceeds from long-term debt	29,935	41,163	(27)	38,531	94,289	(59)
Repayments of long-term debt	(50,799)	(50,005)	2	(66,563)	(105,477)	(37)
Lease obligation principal repayments	(1,746)	(2,957)	(41)	(3,227)	(5,627)	(43)
Interest paid	(34,318)	(49,177)	(30)	(49,851)	(61,144)	(18)
Purchase of common shares held in trust	(224)	667	nm	(484)	(556)	(13)
Cash dividends	-	(9,787)	nm	-	(19,574)	nm
Cash used in financing activities	(57,152)	(70,096)	(18)	(81,594)	(98,089)	(17)

nm - calculation not meaningful

The Company's available bank facilities consist of a \$900.0 million Credit Facility, of which \$97.3 million was available and undrawn as of June 30, 2021. In addition, the Company has available US \$50.0 million secured letter of credit facility, of which US \$16.0 million was available as of June 30, 2021.

On March 29, 2021, the Company has amended the terms of the Convertible Debentures to:

1. extend the Maturity Date from January 31, 2022 to May 1, 2023;
2. increase the interest rate from 7.00% to 7.75% per annum; and
3. reduce the Conversion Price from \$7.00 to \$1.75.

The Company may at any time and from time to time acquire Senior Notes for cancellation by means of open market repurchases or negotiated transactions. The Company is limited in the acquisition and cancellation of the Senior Notes up to \$25.0 million under applicable covenants. Senior Notes may be repurchased for redemption in excess of \$25.0 million if certain criteria are met. During the three months ended June 30, 2021, the Company purchased US \$9.1 million of face value Senior Notes for cancellation, in the open market.

## Covenants

The following is a list of the Company's currently applicable covenants and the calculations as at June 30, 2021:

	Covenant	June 30, 2021
The Credit Facility		
Consolidated EBITDA <sup>1</sup>	> 140.0 million	207,202
Consolidated EBITDA to Consolidated Interest Expense <sup>1,2</sup>	? 1.50	2.31
Consolidated Senior Debt to Consolidated EBITDA <sup>1,3</sup>	? 4.00	3.78

<sup>1</sup> Please refer to Non-GAAP Measures for Consolidated EBITDA definition.

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

<sup>3</sup> Consolidated Senior Debt is defined as Consolidated Total Debt minus Subordinated Debt.

As at June 30, 2021, the Company was in compliance with all covenants related to the Credit Facility.

## The Credit Facility

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

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.

## The Senior Notes

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

The indenture also restricts the ability to incur additional indebtedness if the Fixed Charge Coverage Ratio determined on a pro forma basis for the most recently ended four fiscal quarter period for which internal financial statements are available is not at least 2.0 to 1.0. As of June 30, 2021, 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

During the first half of 2021, the Company added one well servicing rig to the United States fleet and moved nine, 29 and six under-utilized drilling rigs to its Canadian, the United States, and international operations reserve fleets respectively.

The Company is currently directing capital expenditures to primarily maintenance capital items and selective upgrades.

## OUTLOOK

### Industry Overview

The outlook for oilfield services has improved year-over-year as the crude oil and natural gas industry continues to recover from the adverse impact of the COVID-19 pandemic. Rising vaccination rates globally have contributed to circumstances that tend to support the recovery of crude oil demand, resulting in meaningful crude oil inventory declines. Recovering oil demand coupled with OPEC+ nations' moderated crude oil supply have resulted in strong global commodity prices throughout the second quarter of 2021, with the benchmark price of West Texas Intermediate ("WTI") averaging US \$62 in April, US \$65 in May, US \$71 in June and, despite recent weakness, averaging \$72 in July.

We expect vaccine progress and oil demand recovery coupled with a sustained commodity price environment will continue to drive oilfield services activity improvements year-over-year. However, we continue to expect a multi-year recovery cycle for our industry to achieve pre-COVID-19 pandemic activity levels and operating conditions. Particularly in our United States operating region, increases to activity have been incremental, as oil and natural gas producers have moderated capital spending, remain committed to cash generation, maintain current production levels, and continue to prioritize shareholder returns. We expect producers to modestly revisit drilling programs through 2021 as legacy wells decline in production with more meaningful increases in activity in 2022.

Furthermore, short-term uncertainty remains regarding the macroeconomic conditions, including commodity price fluctuations, setbacks in COVID-19 vaccine deployment or vaccine efficacy, the pace of oil demand recovery, and OPEC+ production and supply decisions that may impact the short-term demand for oil field services.

On July 29, 2021, the Company acquired Nabors Industries Ltd.'s fleet of 35 land-based drilling rigs located in Canada, as well as related equipment and certain real property for \$117.5 million. Ensign funded the purchase price with cash on hand and available Credit Facility. The Company views this acquisition as a strategic and opportunistic transaction, given the asset value, exposure to key and active basins in Canada, enhanced customer mix, and current contract book. The Company expects to achieve modest synergies resulting from the acquisition.

The Company remains committed to strategic capital allocation and debt retirement. The Company's budgeted capital expenditures for 2021, excluding the above mentioned Nabors' acquisition, remain at approximately \$50.0 million, composed of primarily maintenance and strategic upgrade capital items.

### Canadian Activity

Canadian activity, representing 20 percent of total revenue year to date, declined from the first to the second quarter of 2021 as operations entered seasonal spring break-up. We expect activity to significantly improve in the third quarter as a result of operations exiting seasonal spring break-up, improving industry conditions,

and the acquisition of Nabors' 35 land-based drilling rigs.

As of June 30, 2021, of our 92 marketed Canadian drilling rigs, approximately 34 percent are engaged under term contracts of various durations. Approximately 45 percent of our contracted rigs 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 total revenue year to date, modestly improved over the second quarter. We expect US activity to remain steady and continue to modestly improve throughout the third and fourth quarters of 2021.

As of June 30, 2021, of our 93 marketed United States drilling rigs, approximately 35 percent are engaged under term contracts of various durations. Approximately 33 percent of our contracted rigs have a remaining term of six months or longer, although they may be subject to early termination.

#### International Activity

International activity, representing 23 percent of total revenue year to date, remained stable over the second quarter and is expected to modestly improve over the third quarter due to anticipated activity gains in the Australian region. Operations in Argentina are expected to remain flat at current levels with one rig active. In the Middle East, our operations are expected to remain steady through the third quarter with four rigs active. Australian operations remained steady over the second quarter and are expected to modestly improve in the third quarter.

As of June 30, 2021, of our 42 marketed international drilling rigs, approximately 31 percent are engaged under term contracts of various durations. Approximately 77 percent of our contracted rigs have a remaining term of six months or longer, although they may be subject to early termination.

#### 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, the potential reinstatement COVID-19 mitigation strategies, such as stay-at-home orders and lockdown related restrictions, virus mutations, 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 natural 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 2021 results at 10:00 a.m. MDT (12:00 p.m. EDT) on Friday, August 6, 2021. The conference call number is 1-416-764-8659 (in Toronto) or 1-888-664-6392 (outside Toronto). A taped recording will be available until August 13, 2021 by dialing 1-416-764-8677 (in Toronto) or 1-888-390-0541 (outside Toronto) and entering the reservation number 069310#. A live broadcast may be accessed through the Company's website at [www.ensignenergy.com/presentations](http://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 2021 December 31 2020

(Unaudited - in thousands of Canadian dollars)

## Assets

## Current Assets

Cash	\$ 19,532	\$ 44,198
Accounts receivable	162,149	164,395
Inventories, prepaid and other	48,359	52,679
Income taxes receivable	486	290
Total current assets	230,526	261,562
Property and equipment	2,471,685	2,649,702
Deferred income taxes	155,621	143,229
Total assets	\$ 2,857,832	\$ 3,054,493

## Liabilities

## Current Liabilities

Accounts payable and accruals	\$ 129,794	\$ 146,011
Share-based compensation	1,269	251
Income taxes payable	8,476	8,429
Current portion of lease obligation	5,547	8,259
Total current liabilities	145,086	162,950
Share-based compensation	8,149	2,743
Long-term debt	1,333,369	1,384,605
Lease obligations	6,564	6,042
Deferred income taxes	117,721	128,276
Non-controlling interest	4,736	4,853
Total liabilities	1,615,625	1,689,469

## Shareholders' Equity

Shareholders' capital	231,054	230,354
Contributed surplus		

22,585

23,324



Equity component of convertible debenture	2,380	3,193
Accumulated other comprehensive income	209,154	235,277
Retained earnings	777,034	872,876
Total shareholders' equity	1,242,207	1,365,024
Total liabilities and shareholders' equity	\$ 2,857,832	\$ 3,054,493

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

	Three months ended
	June 30 2026
(Unaudited - in thousands of Canadian dollars, except per common share data)	
Revenue	\$ 212,306
Expenses	
Oilfield services	157,793
Depreciation	69,756
General and administrative	8,868
Restructuring	-
Share-based compensation	5,820
Foreign exchange and other loss (gain)	6,313
Total expenses	248,550
Loss before interest expense, accretion of deferred financing charges and other (gains) losses and income taxes	(36,244)
Loss from investment in joint ventures	-
Gain on repurchase of unsecured Senior Notes	(2,139)
Loss on asset sale	-
Interest expense	23,576
Accretion of deferred financing charges	2,704
Loss before income taxes	(60,385)
Income taxes (recovery)	
Current income taxes (recovery)	476
Deferred income taxes (recovery)	(11,428)
Total income tax recovery	(10,952)
Net loss from continuing operations	(49,433)
Loss from discontinued operations	(2,899)

Net loss					\$ (52,332)	
Net loss attributable to:						
Common shareholders					(52,292)	
Non-controlling interests					(40)	
					(52,332)	
<a href="#">Ensign Energy Services Inc.</a>						
Consolidated Statements of Cash Flows						
Net loss attributable to common shareholders per common share						
Basic		Three months ended		Six months ended	\$ (0.32)	
Diluted		June 30 2021	June 30 2020	June 30 2021	June 30 2020	\$ (0.32)

(Unaudited - in thousands of Canadian dollars)

Cash provided by (used in)

Operating activities

Net loss	\$ (52,332)	\$ (17,237)	\$ (95,834)	\$ (46,419)
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Items not affecting cash

Depreciation	69,756	92,165	140,733	181,950
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Loss from investment in joint ventures	-	127	-	1,785
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Loss on asset sale	-	3,437	-	3,437
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Gain on purchase of unsecured Senior Notes	(2,139)	(52,023)	(7,431)	(63,517)
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Share-based compensation	5,820	2,879	6,822	(1,621)
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Unrealized foreign exchange and other	5,369	(25,526)	11,895	(18,716)
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Accretion of deferred financing charges	2,704	2,971	5,407	5,943
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Interest expense	23,576	26,976	47,033	58,846
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Deferred income taxes recovery	(11,428)	(7,431)	(20,772)	(10,855)
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Funds flow from operations	41,326	26,338	87,853	110,833
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Net change in non-cash working capital	11,859	101,094	(7,831)	79,331
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Cash provided by operating activities	53,185	127,432	80,022	190,164
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Investing activities

Purchase of property and equipment	(13,587)	(13,239)	(24,339)	(39,671)
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Proceeds from disposals of property and equipment	1,808	16,985	2,982	21,150
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Net change in non-cash working capital	4,041	(3,504)	1,003	4,249
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Cash (used in) provided by investing activities	(7,738)	242	(20,354)	(14,272)
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## Financing activities

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Proceeds from long-term debt	29,935	41,163	38,531	94,289
Repayments of long-term debt	(50,799)	(50,005)	(66,563)	(105,477)
Lease obligation principle repayments	(1,746)	(2,957)	(3,227)	(5,627)
Interest paid	(34,318)	(49,177)	(49,851)	(61,144)
Purchase of common shares held in trust	(224)	667	(484)	(556)
Cash dividends	-	(9,787)	-	(19,574)
Cash used in financing activities	(57,152)	(70,096)	(81,594)	(98,089)
Net (decrease) increase in cash	(11,705)	57,578	(21,926)	77,803
Effects of foreign exchange on cash	(2,179)	(3,483)	(2,740)	(3,556)
Cash - beginning of period	33,416	48,560	44,198	28,408
Cash - end of period	\$ 19,532	\$ 102,655	\$ 19,532	\$ 102,655

[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 principle business activities prior to how these activities are financed, how assets are depreciated, 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 compensation expense, 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 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	
	2021	2020	2021	2020
(\$ thousands)				
Loss before income taxes	(60,385)	(24,552)	(113,181)	(55,571)
Add-back/(deduct):				
Interest expense	23,576	26,976	47,033	58,846
Accretion of deferred financing charges	2,704	2,971	5,407	5,943
Depreciation	69,756	92,165	140,733	181,950
Restructuring	-	6,509	3,533	7,386
Loss from investment in joint ventures	-	127	-	1,785
Share-based compensation	5,820	2,879	6,822	(1,621)
Loss on asset sale	-	3,437	-	3,437
Gain on repurchase of unsecured Senior Notes <sup>1</sup>	(2,139)	(52,023)	(7,431)	(63,517)
Foreign exchange and other loss (gain)	6,313	(4,426)	12,627	4,660
Adjusted EBITDA from investment in joint ventures	-	3,997	-	6,009
Adjusted EBITDA	45,645	58,060	95,543	149,307

<sup>1</sup> See "Interest Expense" section for definition of Senior Notes.

## 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 2021, 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 assumptions, 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. These assumptions include, among other things: the fluctuation in oil prices may pressure customers into reducing or limiting their drilling budgets; the status of current negotiations with the Company's customers and vendors; customer focus on safety performance; existing term contracts are neither renewed nor terminated prematurely; the Company's ability to provide services on a timely basis; successful integration of acquisitions; and the general stability of the economic and political environments in the jurisdictions where we operate.

The forward-looking statements 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 and industry conditions; determinations by OPEC and other countries regarding production levels; changes to laws and regulations; 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; access to credit facilities and debt capital markets; 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 impact of, and the Company's response to, the global COVID-19 pandemic and the success of vaccinations for COVID-19; foreign operations; foreign exchange exposure and interest rate changes; workforce and reliance on key management; technology; seasonality and weather; ability to successfully integrate acquisitions; 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 or removal of 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 from operations 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.

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. 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 and the Company's results from operations. Further additional information on the risk factors that could affect the Company's business, operations or financial results are included in reports on file with applicable securities regulatory authorities, including but not limited to the Company's Annual Information Form for the year ended December 31, 2020, which may be accessed on SEDAR at [www.sedar.com](http://www.sedar.com).

~~The forward-looking statements contained in this MD&A are expressly qualified in their entirety by this cautionary statement. The forward-looking statements contained herein are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, except as required by law.~~

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