

# Ensign Energy Services Inc. Reports 2022 First Quarter Results

09.05.2022 | [CNW](#)

CALGARY, May 9, 2022 -

## FIRST QUARTER HIGHLIGHTS

- Revenue for the first quarter of 2022 was \$332.7 million, a 52 percent increase from the first quarter of 2021 revenue of \$218.5 million.
- Revenue by geographic area:
  - Canada - \$111.3 million, 34 percent of total;
  - United States - \$166.8 million, 50 percent of total; and
  - International - \$54.6 million, 16 percent of total.
- Canadian drilling recorded 3,728 operating days in the first quarter of 2022, compared to 1,846 operating days in the first quarter of 2021, an increase of 1,882 drilling days. Canadian well servicing recorded 11,260 operating hours in the first quarter of 2022, a 24 percent increase from 9,090

operating hours in the first quarter of 2021.

- United States drilling recorded 3,688 operating days in the first quarter of 2022, a 43 percent increase from 2,581 operating days in the first quarter of 2021. United States well servicing recorded 29,689 operating hours in the first quarter of 2022, a one percent decrease from 29,965 operating

hours in the first quarter of 2021.

● Substantial capital expenditures for operations generating revenue were \$200 million, consisting of \$192 million of maintenance capital expenditures for operations generating revenue and \$8 million for other operations. Capital expenditures for operations generating revenue included \$4.9 million for the quarter. The quarter's capitalized cost of \$23.9 million in maintenance capital for a total of \$32.0 million. Capital expenditures for the 2022 year is currently targeted to

be approximately \$115.0 million consisting of \$90.0 million in maintenance capital and \$25.0 million in growth capital.

- Substantive administrative expense increased by approximately \$1.0 million from \$0.2 million in the first quarter of 2022 compared with \$0.2 million outstanding at the end of the first quarter of 2022. The convertible debentures provide the holders the right to convert the principal sum

into common shares of the Company at a conversion price of \$1.75 per common share. As of May 9, 2022, \$16.2 million has been converted.

## OVERVIEW

Revenue for the three months ended March 31, 2022 was \$332.7 million, an increase of 52 percent from revenue for the three months ended March 31, 2021 of \$218.5 million. Adjusted EBITDA totaled \$70.0 million (\$0.43 per common share) in the first quarter of 2022, 40 percent higher than Adjusted EBITDA of \$49.9 million (\$0.31 per common share) in the first quarter of 2021.

Net income attributable to common shareholders for the three months ended March 31, 2022 was \$6.6 million (\$0.04 per common share), compared to net loss attributable to common shareholders of \$43.6 million (\$0.27 per common share) for the three months ended March 31, 2021.

Funds flow from operations increased 65 percent to \$76.7 million (\$0.47 per common share) in the first quarter of 2022 compared to \$46.5 million (\$0.29 per common share) in the first quarter of the prior year.

The macro-economic conditions impacting the crude oil and natural gas industry continued to be positive for oilfield services. Strong global commodity prices continued to be supported by strengthening global crude oil demand and structural tightness in crude oil supply. OPEC+ nations, while incrementally adding supply to the market, remain committed to moderated oil supply increases. In addition, US-based producers remain committed to moderate increases in production. The invasion of Ukraine by the Russian Federation and the resulting hostilities have further challenged global oil and natural gas markets with uncertainty regarding Russian oil and natural gas supply to the global market, putting further upward pressure on commodity prices. These factors and constructive industry fundamentals have resulted in increased demand for oilfield services, driving improved activity and rig rate in the Company's North American segments year-over-year.

Over the short term, uncertainty remains regarding the impacts of the Russian invasion of Ukraine on the global economy, COVID-19 variants and virus mutation, commodity price fluctuations, 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 higher in the first quarter of 2022 when compared to the first quarter of 2021 as operations were positively impacted by improving industry conditions, driving activity improvements year-over-year. Furthermore, the acquisition of 35 land-based drilling rigs in Canada during the third quarter of 2021 helped further improve the Company's financial and operating results.

The average United States dollar exchange rate was 1.27 for the first three months of 2022, consistent with the same period in 2021.

Working capital at March 31, 2022 was a surplus of \$114.6 million compared to a surplus of \$104.2 million at December 31, 2021. At the end of the first quarter 2022, the Company's available liquidity, consisting of cash and available borrowings under its \$900.0 million revolving credit facility (the "Credit Facility"), totaled \$63.0 million compared to \$15.8 million at December 31, 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 March 31		
	2022	2021	% change
Revenue	332,676	218,544	52
Adjusted EBITDA <sup>1</sup>	69,965	49,898	40
Adjusted EBITDA per common share <sup>1</sup>			
Basic	\$ 0.43	\$ 0.31	39
Diluted	\$ 0.38	\$ 0.31	23
Net income (loss) attributable to common shareholders	6,587	(43,550)	nm
Net income (loss) attributable to common shareholders per common share			
Basic	\$ 0.04	\$ (0.27)	nm
Diluted	\$ 0.04	\$ (0.27)	nm
Cash provided by operating activities	54,556	26,837	nm
Funds flow from operations	76,741	46,527	65
Funds flow from operations per common share			
Basic	\$ 0.47	\$ 0.29	62
Diluted	\$ 0.42	\$ 0.29	45
Long-term debt, net of cash	1,378,699	1,330,316	4
Weighted average common shares - basic (000s)	162,895	162,295	-
Weighted average common shares - diluted (000s)	184,441	162,582	13
Drilling	2022	2021	% change
Number of marketed rigs <sup>2</sup>			
Canada	103	92	34
United States	90	93	(3)
International	34	42	(19)
Total	227	227	9
Operating days <sup>5</sup>			

	2022	2021	% change
	Canada	1,846	nm
	United States	2,581	43
	International	859	2
	Total	5,286	57
Well Servicing	2022	2021	% change
	Number of rigs		
	Canada	52	-
	United States	47	2
	Total	99	1
	Operating hours		
nm - calculation not meaningful	Canada	9,090	24
1. Please refer to Adjusted EBITDA calculation in Non-GAAP Measures.	United States	29,965	(1)
2. Total owned rigs: Canada - 137, United States - 127, International - 46 (2021: Total owned rigs: Canada - 118, United States - 136, International - 53)	Total	39,055	5
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)	March 31 2022	March 31 2021	December 31 2021
Working capital <sup>1</sup>	114,625	101,717	104,228
Cash	29,706	33,416	13,305
Long-term debt	1,408,405	1,363,732	1,453,884
Long-term debt, net of cash	1,378,699	1,330,316	1,440,579
Total long-term financial liabilities <sup>2</sup>	1,418,140	1,374,355	1,465,858
Total assets	2,963,853	2,966,277	2,977,054
Long-term debt to long-term debt plus equity ratio	0.54	0.51	0.55

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

<sup>2</sup> Comparative total long-term debt has been revised to conform with current year's presentation

(\$ thousands)	Three months ended March 31		
	2022	2021	% change
Capital expenditures			
Upgrade/growth	8,091	3,552	nm
Maintenance	23,860	7,200	nm
Proceeds from disposals of property and equipment (42,747)	(1,174)		nm
Net capital (proceeds) expenditures	(10,796)	9,578	nm

nm - calculation not meaningful

#### REVENUE AND OILFIELD SERVICES EXPENSE

(\$ thousands)	Three months ended March 31		
	2022	2021	% change
Revenue			
Canada	111,266	53,556	108
United States	166,823	115,411	45
International	54,587	49,577	10
Total revenue	332,676	218,544	52
Oilfield services expense	251,821	159,443	58

nm - calculation not meaningful

Revenue for the three months ended March 31, 2022 totaled \$332.7 million, an increase of 52 percent from the first quarter of 2021 of \$218.5 million.

The increase in total revenue during the first quarter of 2022 was primarily due to the global economic recovery, more favourable industry conditions, rig rate improvements, increased oil and natural gas commodity prices and the acquisition of 35 land-based drilling rigs in Canada during the third quarter of 2021.

#### CANADIAN OILFIELD SERVICES

The Company recorded revenue of \$111.3 million in Canada for the three months ended March 31, 2022, an increase of \$57.7 million from \$53.6 million recorded for the three months ended March 31, 2021. Canadian revenues accounted for 34 percent of the Company's total revenue in the first quarter of 2022 (2021 - 24 percent).

The operating and financial results for the Company's Canadian operations for the first quarter 2022 were positively impacted by improved industry conditions increasing both drilling and well servicing activity. In addition, operational activity increased as a result from the Company's acquisition of 35 land-based drilling rigs during the third quarter of 2021. Offsetting the increase was the elimination of the Canada Emergency Wage Subsidy ("CEWS") program in 2021 by the Government of Canada, of which \$4.7 million was received in the first quarter of 2021.

For the three months ended March 31, 2022, the Company recorded 3,728 drilling days compared to 1,846 drilling days for the three months ended March 31, 2021, an increase of 1,882 drilling days. Well servicing hours increased by 24 percent to 11,260 operating hours in the first quarter of 2022 compared to 9,090 operating hours in the corresponding period of 2021.

During the first quarter of 2022, the Company transferred four under-utilized drilling rigs into its Canadian operations reserve fleet.

#### UNITED STATES OILFIELD SERVICES

During the three months ended March 31, 2022, revenue of \$166.8 million was recorded by the Company's United States operations, an increase of 45 percent from the \$115.4 million recorded in the corresponding period of the prior year. The Company's United States operations accounted for 50 percent of the Company's revenue in the first quarter of 2022 (2021 - 53 percent).

Drilling days increased by 43 percent to 3,688 drilling days in the first quarter of 2022 from 2,581 drilling days in the first quarter of 2021. Well servicing hours decreased by one percent in the first quarter of 2022 to 29,689 operating hours from 29,965 operating hours in the first quarter of 2021.

Overall operating and financial results for the Company's United States operations reflect improving industry conditions, increasing drilling activity and rig rate in addition to steady well servicing rig utilization.

During the first quarter of 2022, the Company transferred three under-utilized drilling rigs into its United States reserve fleet.

#### INTERNATIONAL OILFIELD SERVICES

The Company's international operations recorded revenue of \$54.6 million in the first quarter of 2022, a 10 percent increase from the \$49.6 million recorded in the corresponding period of the prior year. The Company's international operations contributed 16 percent of the Company's total revenue in the first quarter of 2022 (2021 - 23 percent).

For the three months ended March 31, 2022, international operating days totaled 873 operating days compared to 859 drilling days for the three months ended March 31, 2021, an increase of two percent.

Operating and financial results from the international operations reflect a steady operating environment as COVID-19-related disruptions delayed some planned new drilling programs in the region.

During the first quarter of 2022, the Company sold two cold-stacked drilling rigs located in Mexico for US \$34.0 million and transferred six under-utilized drilling rigs into its international operations reserve fleet.

#### DEPRECIATION

Three months ended March 31

(\$ thousands) 2022    2021    % change

Depreciation    69,980    70,977    (1)

Depreciation totaled \$70.0 million for the first quarter of 2022 compared with \$71.0 million for the first quarter of 2021. The decrease in depreciation is due to certain operating assets having become fully depreciated in which case no further depreciation expense will be incurred on such assets.

#### GENERAL AND ADMINISTRATIVE

	Three months ended March 31		
(\$ thousands)	2022	2021	% change
General and administrative	10,890	9,203	18
% of revenue	3.3	4.2	

General and administrative expenses increased 18 percent to \$10.9 million (3.3 percent of revenue) for the first quarter of 2022 compared to \$9.2 million (4.2 percent of revenue) for the first quarter of 2021. General and administrative expenses increased in support of increased operational activity, the end of the Canadian Emergency Wage Subsidy program (\$0.6 million in 2021), the full reinstatement of salary roll-backs and annual wage increases.

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

	Three months ended March 31		
(\$ thousands)	2022	2021	% change
Foreign exchange (gain) loss and other	(1,345)	6,314	nm
			nm - calculation not meaningful

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

#### GAIN ON ASSET SALE

	Three months ended March 31		
(\$ thousands)	2022	2021	% change
Gain on asset sale	(29,942)	-	nm
			nm - calculation not meaningful

During the first quarter of 2022 the Company finalized the sale of two drilling rigs that were cold-stacked in Mexico. The net cash proceeds received were US \$33.1 million, resulting in a gain of US \$23.9 million or Canadian \$29.9 million.

#### INTEREST EXPENSE

	Three months ended March 31		
(\$ thousands)	2022	2021	% change
Interest expense	25,184	23,457	7

Interest expense was incurred on the Company's \$900.0 million Credit Facility, US \$417.5 million unsecured Senior Notes ("Senior Notes"), \$37.0 million subordinate convertible debentures (the "Convertible Debentures") and capital lease obligations.

Interest expense increased by \$1.7 million in the first quarter of 2022 compared to the same period in 2021 as a result of an increase in overall borrowing levels and higher interest rates.

The Company's blended interest rate on its outstanding debt for the 2022 year will be approximately seven percent. The current capital structure consisting of the Credit Facility and the Senior Notes allows the Company to utilize funds flow generated to reduce debt in the near term with greater flexibility than a more non-callable weighted capital structure.

#### INCOME TAX (RECOVERY)

	Three months ended March 31		
(\$ thousands)	2022	2021	% change
Current income tax (recovery)	(1,670)	50	nm
Deferred income tax recovery	(11,532)	(9,344)	23
Total income tax recovery	(13,202)	(9,294)	42
Effective income tax rate (%)	202.7	17.6	

nm - calculation not meaningful

The effective income tax rate for the three months ended March 31, 2022 was 202.7 percent compared with 17.6 percent for the three months ended March 31, 2021. The effective income tax rate in the first quarter of the current year was higher than the effective income tax rate in the first quarter of 2021 due activity levels, gains on disposal of assets and tax recoveries in foreign tax jurisdictions.

#### FUNDS FLOW FROM OPERATIONS AND WORKING CAPITAL

(\$ thousands, except per common share amounts)	Three months ended March 31		
	2022	2021	% change
Cash provided by operating activities	54,556	26,837	nm
Funds flow from operations	76,741	46,527	65
Funds flow from operations per common share	\$0.47	\$0.29	62
Working capital <sup>1</sup>	114,625	104,228	10

nm - calculation not meaningful

<sup>1</sup> Comparative figure as of December 31, 2021

For the three months ended March 31, 2022, the Company generated funds flow from operations of \$76.7 million (\$0.47 per common share) an increase of 65 percent from \$46.5 million (\$0.29 per common share) for the three months ended March 31, 2021. The increase in funds flow from operations in 2022 compared to 2021 is largely due to the increase in activity compared to the prior period as a result of the oil and natural gas industry's improving operating environment.

As at March 31, 2022 the Company's working capital was a surplus of \$114.6 million, compared to a surplus of \$104.2 million at December 31, 2021. The Company expects funds generated by operations, combined

with current and future credit facilities, to fully support the Company's current operating and capital requirements. The existing bank facility provides for total borrowings of \$900.0 million of which \$33.3 million was undrawn and available at March 31, 2022 (December 31, 2021 - \$2.5 million).

## INVESTING ACTIVITIES

(\$ thousands)	Three months ended March 31		
	2022	2021	% change
Purchase of property and equipment	(31,951)	(10,752)	nm
Proceeds from disposals of property and equipment	42,747	1,174	nm
Net change in non-cash working capital	5,697	(3,038)	nm
Cash provided by (used in) investing activities	16,493	(12,616)	nm

nm - calculation not meaningful

Net proceeds of property and equipment for the first quarter of 2022 totaled \$10.8 million (2021 - net purchases of \$9.6 million). The purchase of property and equipment for the first three months of 2022 consists of \$23.9 million in maintenance capital and \$8.1 million in upgrade capital.

## FINANCING ACTIVITIES

(\$ thousands)	Three months ended March 31		
	2022	2021	% change
Proceeds from long-term debt	1,900	8,596	(78)
Repayments of long-term debt	(41,934)	(15,764)	nm
Lease obligation principal repayments	(1,898)	(1,481)	28
Purchase of common shares held in trust	(375)	(260)	44
Issuance of common shares under the share option plan	36	-	nm
Interest paid	(12,453)	(15,533)	(20)
Cash used in financing activities	(54,724)	(24,442)	nm

nm - calculation not meaningful

The Company's available bank facilities consist of a \$900.0 million Credit Facility, of which \$33.3 million was available and undrawn as of March 31, 2022. In addition, the Company has available US \$50.0 million secured letter of credit facility, of which US \$0.2 million was available as of March 31, 2022.

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. No such repurchases occurred during the first quarter of 2022.

## Covenants

The following is a list of the Company's currently applicable covenants and the calculations as at March 31, 2022:

	Covenant	March 31, 2021
The Credit Facility		
Consolidated EBITDA <sup>1</sup>	> 140.0 million	241,525
Consolidated EBITDA to Consolidated Interest Expense <sup>1,2</sup>	≥ 2.00	2.52
Consolidated Senior Debt to Consolidated EBITDA <sup>1,3</sup>	≥ 3.50	3.47

<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 a 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 March 31, 2022 the Company was in compliance with all covenants related to the Credit Facility.

#### The Credit Facility

The Credit Facility agreement, available including amendments on SEDAR, 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 and restatement of the credit agreement, dated December 17, 2021, permitted encumbrances are limited to \$25.0 million.

#### The Senior Notes

The note indenture governing the Senior Notes, available on SEDAR, contains certain restrictions and limitations 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 and limitations are tempered by the existence of a number of exceptions to the general prohibitions, including baskets allowing for restricted payments.

The note 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 March 31, 2022, 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 four percent of the Company's consolidated tangible assets.

#### NEW BUILDS AND MAJOR RETROFITS

As at March 31, 2022, the Company transferred four, three and six under-utilized drilling rigs to its Canadian,

United States and international operations reserve fleet respectively. In addition, the Company sold two cold-stacked drilling rigs from its international operations.

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

## OUTLOOK

### Industry Overview

The outlook for oilfield services continues to be positive with strong industry market fundamentals. Steady oil and natural gas demand and structural tightness in supply continue to support a floor to improved commodity prices, strengthening demand for oilfield services.

OPEC+ nations appear to support moderate oil production increases and United States based producers seemingly are committed to limited increases in production. The invasion of Ukraine by the Russian Federation and the ongoing hostilities coupled with international community responses and sanctions, have further impacted global oil and natural gas markets while creating uncertainty regarding Russian oil and natural gas exports. These factors have contributed to the recent increase in global commodity prices. The average benchmark price of West Texas Intermediate ("WTI") was US \$83/bbl in January 2022 and increased to US \$102/bbl in April 2022.

We expect global economic growth to continue in 2022, perhaps at a slower pace in comparison to 2021 as COVID-19 related fiscal stimulus continue to dissipate and inflationary concerns prompt a tightening of monetary policy. We believe strong crude oil and natural gas demand is likely to continue and tight supply in a robust commodity price environment will further drive oilfield services industry activity and rate improvements during the remainder of 2022. While we continue to expect oil and natural gas producers to remain committed to prioritizing shareholder returns, higher oilfield service industry utilization is expected to drive day-rate pricing improvements year-over-year in the Company's North American segments.

Over the short-term, uncertainty remains regarding the macroeconomic conditions. The impacts of the ongoing hostilities in Ukraine and international community responses, commodity price fluctuations, potential setbacks in COVID-19 vaccine efficacy, demand for hydrocarbons, inflationary pressures and OPEC+ production and supply decisions are among the many factors that may impact the short-term demand for oilfield services.

The Company remains committed to strategic capital allocation and debt retirement. The Company's projected base capital expenditures in 2022 remain at approximately \$110.0 million, largely related to maintenance expenditures. In addition, the Company has a number of prospective growth projects that would result in additional funds being spent on upgrading or reactivating certain of its drilling rigs.

### Canadian Activity

Canadian activity, currently representing 34 percent of total revenue, improved in the first quarter of 2022 from the fourth quarter of 2021, due to improved industry conditions over the winter drilling season and the Company's acquisition of 35 land-based drilling rigs in July 2021. Due to the seasonal spring break-up, we expect activity to decline in the second quarter and improve in the third quarter of 2022.

As of May 6, 2022, of our 123 marketed Canadian drilling rigs, approximately 32 percent are engaged under term contracts of various durations. Approximately 15 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, currently representing 50 percent of total revenue, remained steady over the first quarter in comparison to the fourth quarter of 2021, and is expected to continue to steadily improve in the second quarter of 2022. Dwindling drilled but uncompleted ("DUC") well inventory in the US is expected to drive activity improvements as producers are expected to drill new wells to maintain or grow current production levels.

As of May 6, 2022, of our 88 marketed United States drilling rigs, approximately 55 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, currently representing 16 percent of total revenue, declined modestly in the first quarter, compared to the fourth quarter of 2022, due primarily to wet weather conditions in Australia - temporarily delaying activity in certain regions. Operations in Australia are expected to improve in the second quarter. Operations in Argentina also are expected to improve in the second quarter with the activation of a second rig. In the Middle East, operations are expected to remain steady, with four rigs active, in the second quarter.

As of May 6, 2022, of our 34 marketed international drilling rigs, approximately 38 percent are engaged under term contracts of various durations. Approximately 31 percent of our contracted rigs have a remaining term of six months or longer, although they may be subject to early termination.

#### RISKS AND UNCERTAINTIES

The Company is subject to several risks and uncertainties. A discussion of certain risks faced by the Company may be found under the "Risk Factors" section of the Company's Annual Information Form ("AIF") and the "Risks and Uncertainties" section of the Company's Management's Discussion & Analysis ("MD&A") for the year ended December 31, 2021, which are available under the Company's SEDAR profile at [www.sedar.com](http://www.sedar.com).

Other than as described within this document, the Company's risk factors and management of those risks have not changed substantially from as disclosed in the AIF. Additional risks and uncertainties not presently known by the Company, or that the Company does not currently anticipate or deem material, may also impair the Company's business operations or financial condition. If any of the events described in the risk factors in this document or the Company's AIF actually occur, overall business, operating results and the financial condition of the Company could be materially adversely affected.

#### CONFERENCE CALL

A conference call will be held to discuss the Company's first quarter 2022 results at 10:00 a.m. MDT (12:00 p.m. EDT) on Monday, May 9, 2022. The conference call number is 1-416-764-8659 (in Toronto) or 1-888-664-6392 (outside Toronto). The conference call reservation number is: 36459767. A taped recording will be available until May 16, 2022 by dialing 1-416-764-8677 (in Toronto) or 1-888-390-0541 (outside Toronto) and entering the reservation number 103049#. A live webcast may be accessed through the Company's web site 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.

#### [Ensign Energy Services Inc.](#)

##### Consolidated Statements of Financial Position

As at	March 31 2022	December 31 2021
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(Unaudited - in thousands of Canadian dollars)

#### Assets

##### Current Assets

Cash	\$ 29,706	\$ 13,305
Accounts receivable	257,065	226,807
Inventories, prepaid and other	48,752	49,172
Income taxes receivable	572	580
Total current assets	336,095	289,864

Property and equipment	2,444,621	2,512,953
Deferred income taxes	\$ 183,137	\$ 174,237
Total assets	\$ 2,963,853	\$ 2,977,054
Liabilities		
Current Liabilities		
Accounts payable and accruals	\$ 212,227	\$ 177,932
Share-based compensation	3,158	1,055
Income taxes payable	1,367	1,389
Current portion of lease obligations	4,718	5,260
Total current liabilities	221,470	185,636
Share-based compensation	14,722	7,966
Long-term debt	1,408,405	1,453,884
Lease obligations	3,835	4,327
Income tax payable	5,900	7,647
Deferred income taxes	115,585	120,100
Non-controlling interest	4,627	4,832
Total liabilities	\$ 1,774,544	\$ 1,784,392
Shareholders' Equity		
Shareholders' capital	\$ 231,181	\$ 230,376
Contributed surplus	22,496	23,197
Equity component of subordinate convertible debenture	2,380	2,380
Accumulated other comprehensive income	213,264	223,308
Retained earnings	719,988	713,401
Total shareholders' equity	1,189,309	1,192,662
Total liabilities and shareholders' equity	\$ 2,963,853	\$ 2,977,054

[Ensign Energy Services Inc.](#)

Consolidated Statements of Income (Loss)

	Three months ended	
	March 31	
	2022	
(Unaudited - in thousands of Canadian dollars, except per common share data)		
Revenue	\$ 332,676	\$
Expenses		
Oilfield services	251,821	
Depreciation	69,980	
General and administrative	10,890	
Restructuring	-	
Share-based compensation	10,399	
Foreign exchange (gain) loss and other	(1,345)	
Total expenses	341,745	
Loss before interest expense, accretion of deferred financing charges and other (gains) and income taxes	(9,069)	
Gain on asset sale	(29,942)	
Gain on repurchase of unsecured Senior Notes	-	
Interest expense	25,184	
Accretion of deferred financing charges	2,202	
Loss before income taxes	(6,513)	
Income tax (recovery)		
Current income tax (recovery)	(1,670)	
Deferred income tax recovery	(11,532)	
Total income tax recovery	(13,202)	
Net income (loss)	6,689	
Net income (loss) attributable to:		
Common shareholders	6,587	
Non-controlling interests	102	
	6,689	
Net income (loss) attributable to common shareholders per common share		
Basic	\$ 0.04	\$
Diluted	\$ 0.04	\$

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

	Three months ended	
	March 31 2022	March 31 2021
(Unaudited - in thousands of Canadian dollars)		
Cash provided by (used in)		
Operating activities		
Net income (loss)	\$ 6,689	\$ (43,502)
Items not affecting cash		
Depreciation	69,980	70,977
Gain on asset sale	(29,942)	-
Gain on repurchase of unsecured Senior Notes	-	(5,292)
Share-based compensation	10,399	1,002
Unrealized foreign exchange and other loss	3,761	6,526
Accretion of deferred financing charges	2,202	2,703
Interest expense	25,184	23,457
Deferred income tax recovery	(11,532)	(9,344)
Funds flow from operations	76,741	46,527
Net change in non-cash working capital	(22,185)	(19,690)
Cash provided by operating activities	54,556	26,837
Investing activities		
Purchase of property and equipment	(31,951)	(10,752)
Proceeds from disposals of property and equipment	42,747	1,174
Net change in non-cash working capital	5,697	(3,038)
Cash provided by (used in) investing activities	16,493	(12,616)
Financing activities		
Proceeds from long-term debt	1,900	8,596
Repayments of long-term debt	(41,934)	(15,764)
Lease obligations principal repayments	(1,898)	(1,481)
Purchase of common shares held in trust	(375)	(260)

Issuance of common share under the share option plan	36	-
Interest paid	(12,453)	(15,533)
Cash used in financing activities	(54,724)	(24,442)
Net increase (decrease) in cash	16,325	(10,221)
Effects of foreign exchange on cash	76	(561)
Cash		
<a href="#">Ensign Energy Services Inc.</a>		
Beginning of period	13,305	44,198
End of period	\$ 29,706	\$ 33,416

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

Adjusted EBITDA is used by management and investors to analyze the Company's profitability based on the Company's principal business activities prior to how these activities are financed, how assets are depreciated, 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 income (loss) as calculated in accordance with IFRS.

ADJUSTED EBITDA	Three months ended March 31	
	2022	2021
(\$ thousands)		
Loss before income taxes	\$ (6,513)	\$ (52,796)
Add-back/(deduct):		
Interest expense	25,184	23,457
Accretion of deferred financing charges	2,202	\$ 2,703
Depreciation	69,980	70,977
Gain on asset sale	(29,942)	-
Gain on repurchase of unsecured Senior Notes	-	(5,292)
Restructuring	-	3,533
Share-based compensation	10,399	1,002
Foreign exchange (gain) loss and other	(1,345)	6,314
Adjusted EBITDA	\$ 69,965	\$ 49,898

#### Working Capital

Working capital 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 2022, 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 commodity prices may pressure customers to modify their capital programs; the status of current negotiations with the Company's customers and vendors; customer focus on safety performance; existing term contracts that may not be renewed or are terminated prematurely; the Company's ability to provide services on a timely basis and successfully bid on new contracts; successful integration of acquisitions; the general stability of the economic and political environments in the jurisdictions where we operate, and impacts of geopolitical events such as the invasion of Ukraine by the Russian Federation, resulting hostilities and the global community responses thereto.

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 commodity prices; foreign exchange exposure; fluctuations in currency and interest rates; inflation; 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; risks associated with long-term contracts; force majeure events; determinations by Organization of Petroleum Exporting Countries ("OPEC") and other countries (OPEC and various other countries are referred to as "OPEC +") regarding production levels; loss of key customers; litigation risks, including the Company's defence of lawsuits; risks associated with contingent liabilities and potential unknown liabilities; availability and cost of labour and other equipment, supplies and services; business interruption and casualty losses; 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; availability of sufficient cash flow to service and repay our debts; impairment of capital assets; the Company's ability to amend or comply with covenants under the credit facility and other debt instruments; actions by governmental authorities; impact of and changes to laws and regulations impacting the Company and the Company's customers, 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); safety performance; environmental contamination; shifting interest to alternative energy sources; environmental activism; the adequacy of the Company's provision for taxes; tax challenges; the impact of, and the Company's response to COVID-19; workforce and reliance on key management; technology; cybersecurity risks; seasonality and weather; risks associated with acquisitions and ability to successfully integrate acquisitions; risks associated with internal controls over financial reporting; the impact of the invasion of Ukraine by the Russian Federation, resulting hostilities and the global

community responses thereto and other risks and uncertainties affecting the Company's business, revenues and expenses.

In addition, 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 and the impact thereof upon the Company, its customers and its business, , the invasion of Ukraine by the Russian Federation, resulting hostilities and the impact of global community responses thereto.

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. Unpredictable or unknown factors not discussed in this document could also have material adverse effects on forward-looking statements.

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

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Readers are cautioned that the lists of important factors contained herein are not exhaustive. For additional information on these and other factors that could affect the Company's business, operations or financial condition, refer to the "Risks and Uncertainties" section of this document and the "Risk Factors" section of the Company's Annual Information Form for the year ended December 31, 2021 available on SEDAR at [www.sedar.com](http://www.sedar.com).

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