

# Ensign Energy Services Inc. Reports 2022 Third Quarter Results

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CALGARY, November 4, 2022 -

## THIRD QUARTER HIGHLIGHTS

- Revenue for the third quarter of 2022 was \$432.6 million, a 61 percent increase from the third quarter of 2021 revenue of \$268.6 million.
- Revenue by geographic area:
  - Canada - \$123.4 million, 29 percent of total;
  - United States - \$247.4 million, 57 percent of total; and
  - International - \$61.8 million, 14 percent of total.
- Canadian drilling recorded 4,009 operating days in the third quarter of 2022, a 41 percent increase from 2,846 operating days in the third quarter of 2021. Canadian well servicing recorded 12,857 operating hours in the third quarter of 2022, a 38 percent increase from 9,316 operating hours

in the third quarter of 2021.

- United States drilling recorded 4,937 operating days in the third quarter of 2022, a 61 percent increase from 3,074 operating days in the third quarter of 2021. United States well servicing recorded 32,877 operating hours in the third quarter of 2022, a one percent increase from 32,452



third in the first half of 2023. In addition, as at September 30, 2022, 31 drilling rigs have been reactivated and upgraded during 2022.

- Subsequent to the September 30, 2022, the September 30, 2022, announced \$25.1 billion since December 31, 2021, being business, including all contracted operating assets and the company's Middle East division. Purchase price of 2023, the company expects to acquire even Cathedral Energy Services (Cathedral"). The purchase of Middle East will be satisfied through the operation of 10,000 contracts.

shares of Cathedral that were conveyed to the Company.

- The Company is also pleased to announce the publication of their second annual Sustainability Report for the year-ended December 30, 2021. The report, available at [esg.ensignenergy.com](https://www.esg.ensignenergy.com), highlights the Company's environmental, social, and governance ("ESG") performance over the past year. The report enhances ESG disclosure on diversity and

inclusion, ESG governance, supply chain governance, and innovative emission reducing solutions.

## OVERVIEW

Revenue for the third quarter of 2022 was \$432.6 million, a 61 percent increase from \$268.6 million in revenue for the third quarter of 2021. Revenue for the nine months ended September 30, 2022, was \$1,109.3 million, an increase of 59 percent from \$699.4 million for the nine months ended September 30, 2021, of \$699.4 million.

Adjusted EBITDA totaled \$105.4 million (\$0.54 per common share) in the third quarter of 2022, 76 percent higher than Adjusted EBITDA of \$59.8 million (\$0.37 per common share) in the third quarter of 2021. For the first nine months ended September 30, 2022, Adjusted EBITDA totaled \$243.7 million (\$1.37 per common share), 57 percent higher than Adjusted EBITDA of \$155.1 million (\$0.96 per common share) in the first nine months ended September 30, 2021.

Net income attributable to common shareholders for the third quarter of 2022 was \$17.8 million (\$0.11 per common share) compared to a net loss attributable to common shareholders of \$34.4 million (\$0.21 per common share) for the third quarter of 2021. Net loss attributable to common shareholders for the nine months ended September 30, 2022, was \$3.8 million (\$0.02 per common share), compared to a net loss attributable to common shareholders of \$130.2 million (\$0.80 per common share) for the nine months ended September 30, 2021.

Funds flow from operations increased 84 percent to \$103.3 million (\$0.53 per common share) in the third quarter of 2022, compared to \$56.2 million (\$0.35 per common share) in the third quarter of the prior year. Funds flow from operations increased 8 percent to \$261.6 million (\$1.47 per common share) for the nine months ended September 30, 2022, compared to \$144.1 million (\$0.80 per common share) for the nine months ended September 30, 2021.

While the macro-economic conditions impacting the crude oil and natural gas industry continue to fluctuate, the general outlook for oilfield services continues to be positive reflecting year-over-year increases in oilfield services demand and activity. Global inflationary concerns have continued to prompt central banks to tighten monetary policies. Increasing interest rates, largely resulting from efforts to quell rising inflation, have subsequently led to uncertainty for global economies regarding recession and contracting economic growth. These factors continue to impact global energy commodity prices and add uncertainty to the macro-outlook over the short-term.

However, despite the recent pull back in global crude oil commodity prices, demand for crude oil continues to improve year-over-year. Furthermore, OPEC+ nations continue to moderate supply and most recently announced supply cuts to further tighten supply. Tight supply, coupled with positive commodity prices, have resulted in increased demand for oilfield services, driving both improved activity and drilling rig rates in the Company's North American segments year-over-year.

Over the near term, there is considerable uncertainty regarding the impacts of ongoing hostilities in Ukraine on the global economy, overall economic health and recession risk in certain of our operating environments. Furthermore, there are a myriad of 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 three and nine months ended September 30, 2022, when compared to the corresponding periods in 2021. Operations were positively impacted by supportive industry conditions, driving activity improvements year-over-year.

The average United States dollar exchange rate was \$1.28 for the nine months ended September 30, 2022 (2021 - \$1.28).

the Canadian dollar, an increase of two percent, compared to the same period of 2021.

The Company's working capital at September 30, 2022, was a surplus of \$136.4 million, compared to a surplus of \$104.0 million at December 31, 2021. The Company's available liquidity, consisting of cash and available borrowings under its \$900.0 million revolving credit facility (the "Credit Facility"), was \$48.0 million at September 30, 2022.

This news release contains "forward-looking information and statements" within the meaning of applicable securities laws. For a full disclosure of the forward-looking information and statements and the risks to which they are subject, see the "Advances 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 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 September 30			Nine months ended September 30, 2022
	2022	2021	% change	
Revenue	\$ 432,550	\$ 268,578	61	\$ 1,100,000
Adjusted EBITDA <sup>1</sup>	105,358	59,769	76	243,600
Adjusted EBITDA per common share <sup>1</sup>				
Basic	\$0.54	\$0.37	46	\$1.37
Diluted	\$0.54	\$0.36	50	\$1.36
Net income (loss) attributable to common shareholders	17,782	(34,398)	nm	(3,769)
Net income (loss) attributable to common shareholders per common share				
Basic	\$0.11	\$(0.21)	nm	\$(0.02)
Diluted	\$0.11	\$(0.21)	nm	\$(0.02)
Cash provided by operating activities	44,353	59,399	(25)	198,400
Funds flow from operations	103,321	56,198	84	261,500
Funds flow from operations per common share				
Basic	\$0.53	\$0.35	51	\$1.47
Diluted	\$0.52	\$0.34	53	\$1.46
Long-term debt, net of cash	1,415,520	1,418,997	-	1,415,000
Weighted average common shares - basic (000s)	183,713	162,481	13	178,200
Weighted average common shares - diluted (000s)	185,131	163,444	13	179,500
Drilling	2022	2021	% change	2022

Number of marketed rigs <sup>2</sup>				
Canada <sup>3</sup>	123	127	(3)	123
United States	89	93	(4)	89
International <sup>4</sup>	34	42	(19)	34
Total	246	262	(6)	246
Operating days <sup>5</sup>				
Canada <sup>3</sup>	4,009	2,846	41	10,100
United States	4,937	3,074	61	12,900
International <sup>4</sup>	996	929	7	2,899
Total	9,942	6,849	45	25,900
Well Servicing	2022	2021	% change	2022
Number of rigs				
Canada	52	52	-	52
United States	48	48	-	48
Total	100	100	-	100
Operating hours				
Canada - calculation not meaningful				
Canada	12,857	9,316	38	36,210
1. Refer to Adjusted EBITDA calculation in Non-GAAP Measures				
United States	32,877	32,452	1	93,290
2. Total owned rigs: Canada - 137, United States - 126, International - 46 (2021 total owned rigs: Canada - 153, United States - 136, International - 53)	45,734	41,768	9	129,500

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)	September 30 2022	December 31 2021	September 30 2021
Working capital <sup>1, 2</sup>	136,435	104,228	79,311
Cash	29,994	13,305	24,326
Long-term debt	1,445,514	1,453,884	1,443,323
Long-term debt, net of cash	1,415,520	1,440,579	1,418,997
Total long-term financial liabilities <sup>2</sup>	1,458,352	1,465,858	1,453,404
Total assets	3,176,408	2,977,054	3,006,840
Long-term debt to long-term debt plus equity ratio	0.53	0.55	0.54

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

<sup>2</sup> Comparative working capital and total long-term financial liabilities has been revised to conform with current year's presentation

(\$ thousands)	Three months ended September 30			Nine months	
	2022	2021	% change	2022	2021
Capital expenditures					
Upgrade/growth	18,429	9,502	94	55,015	11,000
Maintenance	28,495	8,498	nm	78,139	22,000
Proceeds from disposals of property and equipment	-	(1,665)	nm	(46,936)	(1,000)
Net capital expenditures before acquisitions	46,924	16,335	nm	86,218	30,000
Acquisition of 35 drilling rigs, related equipment, land and buildings	-	117,928	nm	-	117,928
Net capital expenditures	46,924	134,263	(65)	86,218	147,928

nm - calculation not meaningful

## REVENUE AND OILFIELD SERVICES EXPENSE

	Three months ended September 30			Nine months ended September 30		
(\$ thousands)	2022	2021	% change	2022	2021	% change
Revenue						
Canada	123,364	74,469	66	313,314	159,436	97
United States	247,432	140,309	76	617,762	386,535	60
International	61,754	53,800	15	178,273	153,457	16
Total revenue	432,550	268,578	61	1,109,349	699,428	59
Oilfield services expense	314,433	198,813	58	829,836	516,049	61

Revenue for the three months ended September 30, 2022, totaled \$432.6 million, an increase of 61 percent from the third quarter 2021 of \$268.6 million. Revenue for the nine months ended September 30, 2022, totaled \$1,109.3 million, a 59 percent increase from the nine months ended September 30, 2021.

The increase in total revenue during the third quarter of 2022 was primarily due to favourable industry conditions and supportive oil and natural gas commodity prices, increasing demand for oilfield service. A positive foreign exchange translation impact further contributed to the increase in revenue reported in Canadian currency.

#### CANADIAN OILFIELD SERVICES

Revenue increased 66 percent to \$123.4 million for the three months ended September 30, 2022, from \$74.5 million for the three months ended September 30, 2021. The Company recorded revenue of \$313.3 million in Canada for the nine months ended September 30, 2022, an increase of 97 percent from \$159.4 million recorded for the nine months ended September 30, 2021.

Canadian revenue accounted for 29 percent of the Company's total revenue in the third quarter of 2022 (2021 - 28 percent) and 28 percent (2021 - 23 percent) for the first nine months of 2022.

The Company's Canadian drilling operations recorded 4,009 operating days in the third quarter of 2022, compared to 2,846 operating days for the third quarter of 2021, an increase of 41 percent. For the nine months ended September 30, 2022, the Company recorded 10,106 operating days compared to 5,750 days for the nine months ended September 30, 2021, an increase of 76 percent. Canadian well servicing hours increased by 38 percent to 12,857 operating hours in the third quarter of 2022 compared to 9,316 operating hours in the corresponding period of 2021. For the nine months ended September 30, 2022, well servicing hours increased by 37 percent to 36,216 operating hours compared with 26,433 operating hours for the nine months ended September 30, 2021.

The operating and financial results for the Company's Canadian operations during the first nine months of 2022 were positively impacted by improved industry conditions that increased both drilling and well servicing activity. In addition, operational activity increased as a result of the Company's timing of the acquisition of 35 land-based drilling rigs in the third quarter of 2021. Offsetting the increase in results was the elimination of the Canada Emergency Wage Subsidy ("CEWS") program in 2021 by the Government of Canada, from which \$5.3 million and \$15.1 million were received by the Company during the third quarter and the first nine months of 2021 respectively.

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

## UNITED STATES OILFIELD SERVICES

The Company's United States operations recorded revenue of \$247.4 million in the third quarter of 2022, an increase of 76 percent from the \$140.3 million recorded in the corresponding period of the prior year. During the nine months ended September 30, 2022, revenue of \$617.8 million was recorded, an increase of 60 percent from the \$386.5 million recorded in the corresponding period of the prior year.

The Company's United States operations accounted for 57 percent of the Company's revenue in the third quarter of 2022 (2021 - 52 percent) and 56 percent of the Company's revenue in the first nine months of 2022 (2021 - 55 percent).

Drilling rig operating days increased by 61 percent to 4,937 operating days in the third quarter of 2022 from 3,074 operating days in the third quarter of 2021, and increased by 51 percent to 12,902 operating days in the first nine months of 2022 from 8,554 operating days in the first nine months of 2021. United States well servicing hours increased by one percent in the third quarter of 2022 to 32,877 operating hours from 32,452 operating hours in the third quarter of 2021. For the first nine months of 2022, well servicing activity decreased by two percent to 93,291 operating hours from 95,497 operating hours for the first nine months of 2021.

Overall operating and financial results for the Company's United States operations reflect improving industry conditions, increasing drilling activity and rig revenue rates in addition to steady well servicing rig utilization. The financial results from the Company's United States operations were further positively impacted on the currency translation, as the United States dollar strengthened relative to the Canadian dollar for the first nine months of 2022.

During the first nine months of 2022, the Company sold one cold stacked drilling rig from its United States operations and transferred three under-utilized drilling rigs into its United States reserve fleet.

## INTERNATIONAL OILFIELD SERVICES

The Company's international operations recorded revenue of \$61.8 million in the third quarter of 2022, a 15 percent increase from the \$53.8 million recorded in the corresponding period of the prior year. International revenues for the nine months ended September 30, 2022, increased 16 percent to \$178.3 million from \$153.5 million recorded for the nine months ended September 30, 2021.

The Company's international operations contributed 14 percent of the total revenue in the third quarter of 2022 (2021 - 20 percent) and 16 percent of the Company's revenue in the first nine months of 2022 (2021 - 22 percent).

International operating days for the three months ended September 30, 2022, totaled 996 operating days compared to 929 operating days in the same period of 2021, an increase of seven percent. For the nine months ended September 30, 2022, international operating days totaled 2,899 operating days compared to 2,632 operating days for the nine months ended September 30, 2021, an increase of 10 percent.

Operating and financial results from the international operations reflect a steady and incrementally positive operating environment as COVID-19 related disruptions continued to dissipate.

During the first nine months 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 September 30			Nine months ended September 30		
(\$ thousands)	2022	2021	% change	2022	2021	% change
Depreciation	69,433	73,261	(5)	208,105	213,994	(3)

Depreciation expense totaled \$69.4 million for the third quarter of 2022 compared with \$73.3 million for the third quarter of 2021, a decrease of five percent. Depreciation expense for the first nine months of 2022 decreased by three percent, to \$208.1 million compared with \$214.0 million for the first nine months 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. Offsetting the decrease to the depreciation expense are additional capital expenditures and the negative impact of the foreign exchange translation on converting USD denominated depreciation expense.

#### GENERAL AND ADMINISTRATIVE

	Three months ended September 30			Nine months ended September 30		
(\$ thousands)	2022	2021	% change	2022	2021	% change
General and administrative	12,759	9,996	28	35,858	28,067	28
% of revenue	2.9	3.7		3.2	4.0	

General and administrative expense increased 28 percent to \$12.8 million (2.9 percent of revenue) for the third quarter of 2022 compared to \$10.0 million (3.7 percent of revenue) for the third quarter of 2021. For the nine months ended September 30, 2022, general and administrative expense totaled \$35.9 million (3.2 percent of revenue) compared to \$28.1 million (4.0 percent of revenue) for the nine months ended September 30, 2021. General and administrative expense on a per operating day basis decreased by eight and 11 percent, respectively for the three and nine months ended September 30, 2022, compared to the prior periods. On an overall basis, the general and administrative expense increased in support of increased operational activity, the end of funding from the CEWS program (\$0.5 million and \$2.0 million were received during the third quarter and the first nine months of 2021 respectively), the full reinstatement of salary rollbacks and annual wage increases. Further increasing the general and administrative expense was the negative foreign exchange translation on converting USD denominated general and administrative expense.

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

	Three months ended September 30			Nine months ended September 30		
(\$ thousands)	2022	2021	% change	2022	2021	% change
Foreign exchange and other (gain) loss	(12,677)	(1,317)	nm	(9,975)	11,310	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 September 30			Nine months ended September 30		
(\$ thousands)	2022	2021	% change	2022	2021	% change
Gain on asset sale (502)	-		nm	(31,798)	-	nm

nm - calculation not meaningful

During the first nine months ended September 30, 2022, the Company finalized the sale of two drilling rigs that were cold-stacked in Mexico and other unrelated equipment. The net cash proceeds received for two drilling rigs were US \$33.1 million, resulting in a gain of US \$23.9 million or Canadian \$29.9 million.

## INTEREST EXPENSE

	Three months ended September 30			Nine months ended September 30		
(\$ thousands)	2022	2021	% change	2022	2021	% change
Interest expense	32,438	25,536	27	85,185	72,569	17

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") prior to conversion, capital lease and other obligations.

Interest expense increased by 27 percent for the third quarter of 2022 compared to the third quarter of 2021. Interest expense increased by 17 percent for the first nine months ended September 30, 2022, compared to the same period of 2021. The increases for the three and nine months of 2022 are the result of higher overall borrowing and higher interest rates. The negative translational impact on United States dollar-denominated debt further increased interest expense for the quarter.

The Company's blended interest rate on its outstanding debt for the 2022 year will be approximately eight 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)

	Three months ended September 30			Nine months ended September 30		
(\$ thousands)	2022	2021	% change	2022	2021	% change
Current income taxes (recovery)	318	167	90	(1,444)	693	nm
Deferred taxes income (recovery)	2,082	(6,978)	nm	(17,574)	(27,750)	(37)
Total income taxes (recovery)	2,400	(6,811)	nm	(19,018)	(27,057)	(30)
Effective income tax rate (%)	11.8	16.7	(29)	84.5	17.6	nm

nm - calculation not meaningful

The effective income tax rate for the three months ended September 30, 2022, was 11.8 percent compared to 16.7 percent for the three months ended September 30, 2021. The effective income tax rate for the nine months ended September 30, 2022, was 84.5 percent compared to 17.6 percent for the nine months ended

September 30, 2021. The effective income tax rate in the first nine months of the current year was higher than the effective income tax rate in the same period of 2021 due to increased activity levels, gains on disposal of assets and lower tax recoveries in foreign tax jurisdictions.

#### FUNDS FLOW FROM OPERATIONS AND WORKING CAPITAL

(\$ thousands, except per common share data)	Three months ended September 30			Nine months ended September 30		
	2022	2021	% change	2022	2021	% change
Cash provided by operating activities	44,353	59,399	(25)	198,465	139,421	42
Funds flow from operations	103,321	56,198	84	261,595	144,051	82
Funds flow from operations per common share	\$0.53	\$0.35	51	\$1.47	\$0.89	65
Working capital <sup>1</sup>	136,435	104,228	31	136,435	104,228	31

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

During the three months ended September 30, 2022, the Company generated funds flow from operations of \$103.3 million (\$0.53 per common share) compared to funds flow from operations of \$56.2 million (\$0.35 per common share) for the three months ended September 30, 2021, an increase of 84 percent. For the nine months ended September 30, 2022, the Company generated funds flow from operations of \$261.6 million (\$1.47 per common share) an increase of 82 percent from \$144.1 million (\$0.89 per common share) for the nine months ended September 30, 2021. The increase in funds flow from operations for the nine months ended September 30, 2022, compared to the same period of 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.

At September 30, 2022, the Company's working capital was a surplus of \$136.4 million, compared to a working capital surplus of \$104.2 million at December 31, 2021. 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 \$18.0 million was undrawn and available at September 30, 2022.

#### INVESTING ACTIVITIES

(\$ thousands)	Three months ended September 30			Nine months	
	2022	2021	% change	2022	2021
Acquisition of 35 drilling rigs, related equipment, land and buildings	-	(117,928)	nm	0	(117,928)
Purchase of property and equipment	(46,924)	(18,000)	nm	(133,154)	(46,924)
Proceeds from disposals of property and equipment	-	1,665	nm	46,936	4,331
Distribution to non-controlling interest	-	-	nm	(1,852)	-
Net change in non-cash working capital	7,059	1,118	nm	15,961	2,331
Cash used in investing activities	(39,865)	(133,145)	(70)	(72,109)	(117,597)

nm - calculation not meaningful

Net purchases of property and equipment for the third quarter of 2022 totaled \$46.9 million (2021 - \$134.3 million)

million). Net purchases of property and equipment during the first nine months of 2022 totaled \$86.2 million (2021 - \$155.6 million). The purchase of property and equipment for the first nine months of 2022 consists of \$55.0 million in upgrade and growth capital and \$78.2 million in maintenance capital.

## FINANCING ACTIVITIES

(\$ thousands)	Three months ended September 30			Nine months ended September 30		
	2022	2021	% change	2022	2021	% change
Proceeds from long-term debt	22,585	110,595	(80)	51,190	149,126	(66)
Repayments of long-term debt	(17,618)	(18,180)	(3)	(83,012)	(84,743)	(2)
Lease obligation principal repayments	(1,884)	(1,905)	(1)	(6,073)	(5,132)	18
Interest paid	(16,449)	(11,306)	45	(70,336)	(61,157)	15
Purchase of common shares held in trust	(347)	(310)	12	(1,127)	(794)	42
Cash used in financing activities	(13,713)	78,894	nm	(109,358)	(2,700)	nm

nm - calculation not meaningful

The Company's available bank facilities consist of a \$900.0 million Credit Facility, of which \$18.0 million was available and undrawn as of September 30, 2022. In addition, the Company has available US \$50.0 million secured letter of credit facility, of which US \$3.6 million was available as of September 30, 2022.

On June 7, 2022, the Company settled its Convertible Debentures of \$37.0 million through the issuance of 21,142,857 common shares of the Company at conversion price of \$1.75. The holders' elections to convert the Convertible Debentures were made following the issue of notice by the Company.

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 nine months ended September 30, 2022.

## Covenants

The following is a list of the Company's currently applicable covenants and the calculations as at September 30, 2022:

	Covenant	September 30, 2022
The Credit Facility		
Consolidated EBITDA <sup>1</sup>	> 140.0 million	301,516
Consolidated EBITDA to Consolidated Interest Expense <sup>1,2</sup>	? 2.25	2.83
Consolidated Senior Debt to Consolidated EBITDA <sup>1,3</sup>	? 3.25	2.83

<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 September 30, 2022, 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 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 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 note 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 September 30, 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 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 four percent of the Company's consolidated tangible assets.

#### NEW BUILDS AND MAJOR RETROFITS

During the first nine months ended September 30, 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 one cold stacked drilling rig from its United States operations and two cold-stacked drilling rigs from its international operations. The Company's projected capital expenditures in 2022 are expected to be approximately \$165.0 million of which \$60.0 million relates to upgrade and growth capital. Within the upgrade and growth capital, two drilling rigs will be reactivated in Oman in the fourth quarter of 2022, as well as a third in the first half of 2023. In addition, as at September 30, 2022, 31 drilling rigs have been reactivated and upgraded during 2022.

#### OUTLOOK

##### Industry Overview

The outlook for oilfield services continues to be positive with steady demand for services and tightening rig

supply, particularly in the Company's North American operating segments. Despite the recent pullback in global crude oil commodity prices, demand for crude oil continues to improve year-over-year. Furthermore, OPEC+ nations continue to moderate supply and most recently announced supply cuts to current output, likely further tightening future supply.

Inflationary concerns have continued to prompt central banks to tighten monetary policy. Rising interest rates largely resulting from efforts to quell high inflation have subsequently led to uncertainty for global economies regarding recession risk and contracting economic growth. These factors continue to impact global commodity prices and have led to a recent pullback in commodity prices and increased price volatility. The average benchmark price of West Texas Intermediate ("WTI") was US \$94/bbl in August 2022 and decreased to US \$88/bbl in October 2022.

We expect crude oil and natural gas demand to remain relatively steady and anticipate that tight supply in a positive commodity price environment may support steady oilfield services activity and drive rate improvements during the remainder of 2022 and into 2023. 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, there is considerable uncertainty regarding macroeconomic conditions that may impact supply and demand for, and pricing of crude oil and natural gas and related oilfield services. These factors include but are not limited to, recession risk and global economic health, the impact of ongoing hostilities in Ukraine, and the future supply of Russian oil and natural gas to Europe.

#### Canadian Activity

Canadian activity, currently representing 28 percent of total Company revenue year to date, improved in the third quarter due to supportive industry conditions. We expect activity to continue to improve over the fourth quarter and into the first quarter of 2023 as operations enter the winter drilling season.

As of November 3, 2022, of our 123 marketed Canadian drilling rigs, approximately 45 percent are engaged under term contracts of various durations. Approximately 42 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 56 percent of total Company revenue year to date, improved during the third quarter of 2022, due to supportive industry conditions, and is expected to remain steady to modestly improve in the fourth quarter and into the first quarter of 2023.

As of November 3, 2022, of our 89 marketed United States drilling rigs, approximately 70 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.

#### International Activity

International activity, currently representing 16 percent of total Company revenue year to date, remained steady over the third quarter. International activity is expected to strongly improve in the fourth quarter of 2022 and into 2023, as a total of five rigs have been contracted or re-contracted in the Company's Middle East division in the nine-months ended September 30, 2022. By mid-2023, the Company expects seven of the eight marketed rigs in the Middle East will be active and operating on long-term contracts. The Company expects two rigs active in Bahrain, two rigs active in Kuwait to remain steady, and two rigs in Oman are expected to commence drilling programs in the fourth quarter of 2022 with a third Oman rig expected to activate in the first half of 2023. Operations in Australia are expected to remain steady over the fourth quarter and incrementally improve in 2023. Operations in Argentina, with two rigs active, are also expected remain steady in the fourth quarter of 2022.

As of November 3, 2022, of our 34 marketed international drilling rigs, approximately 53 percent are engaged under term contracts of various durations. Approximately 67 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

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 those 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 future business operations or financial condition. If any of the potential events described in the risk factors in this document or the Company's AIF actually occur, or describe events intensify, 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 third quarter 2022 results at 10:00 a.m. MDT (12:00 p.m. EDT) on Friday, November 4, 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: 51958340. A taped recording will be available until November 11, 2022, by dialing 1-416-764-8677 (in Toronto) or 1-888-390-0541 (outside Toronto) and entering the reservation number 958340#. 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	September 30 2022	December 31 2021
(Unaudited - in thousands of Canadian dollars)		
Assets		
Current Assets		
Cash	\$ 29,994	\$ 13,305
Accounts receivable	339,451	226,807
Inventories, prepaid and other	50,212	49,172
Income taxes receivable	146	580
Total current assets	419,803	289,864
Property and equipment	2,562,613	2,512,953
Deferred income taxes		

193,992

174,237



Total assets	\$ 3,176,408	\$ 2,977,054	
Liabilities			
Current Liabilities			
Accounts payable and accruals	\$ 274,991	\$ 177,932	
Share-based compensation	2,352	1,055	
Income taxes payable	971	1,389	
Current portion of lease obligation	5,054	5,260	
Total current liabilities	283,368	185,636	
Share-based compensation	13,139	7,966	
Long-term debt	1,445,514	1,453,884	
Lease obligations	5,631	4,327	
Income tax payable	7,207	7,647	
Deferred income taxes	134,043	120,100	
Non-controlling interest	-	4,832	
Total liabilities	1,888,902	1,784,392	
Shareholders' Equity			
Shareholders' capital	268,410	230,376	
Contributed surplus	22,929	23,197	
Equity component of convertible debenture	-	2,380	
Accumulated other comprehensive income	286,535	223,308	
Retained earnings	709,632	713,401	
<a href="#">Ensign Energy Services Inc.</a> Consolidated Statements of Income (Loss)			
Total shareholders' equity	1,287,500	1,192,662	
Total liabilities and shareholders' equity	\$ 3,176,408	\$ 2,977,054	Three months ended
			September 30, 2026
(Unaudited - in thousands of Canadian dollars, except per common share data)			
Revenue			\$ 432,550
Expenses			
Oilfield services			314,433

Depreciation	69,433
General and administrative	12,759
Restructuring	-
Share-based compensation	(5,910)
Foreign exchange and other (gain) loss	(12,677)
Total expenses	378,038
Income (loss) before interest expense, accretion of deferred financing charges and other gains and income taxes	54,512
Gain on repurchase of unsecured Senior Notes	-
Gain on asset sale	(502)
Interest expense	32,438
Accretion of deferred financing charges	2,200
Income (loss) before income taxes	20,376
Income taxes (recovery)	
Current income taxes (recovery)	318
Deferred income taxes (recovery)	2,082
Total income taxes (recovery)	2,400
Net income (loss) from continuing operations	17,976
Loss from discontinued operations	-
Net income (loss)	\$ 17,976
Net income (loss) attributable to:	
Common shareholders	17,782
Non-controlling interests	194
	17,976
Net income (loss) attributable to common shareholders per common share	
Basic	\$ 0.11
Diluted	\$ 0.11

[Ensign Energy Services Inc.](#)

## Consolidated Statements of Cash Flows

	Three months ended		Nine months ended
	September 30 2022	September 30 2021	September 30 2020
(Unaudited - in thousands of Canadian dollars)			
Cash provided by (used in)			
Operating activities			
Net income (loss)	\$ 17,976	\$ (34,382)	\$ (3,495)
Items not affecting cash			
Depreciation	69,433	73,261	208,105
Gain on asset sale	(502)	-	(31,798)
Gain on purchase of unsecured Senior Notes	-	-	-
Share-based compensation, net cash settlements	(5,945)	(440)	6,313
Unrealized foreign exchange and other	(14,361)	(3,501)	8,257
Accretion of deferred financing charges	2,200	2,702	6,601
Interest expense	32,438	25,536	85,185
Deferred income taxes (recovery)	2,082	(6,978)	(17,574)
Funds flow from operations	103,321	56,198	261,595
Net change in non-cash working capital	(58,968)	3,201	(63,130)
Cash provided by operating activities	44,353	59,399	198,465
Investing activities			
Acquisition of 35 drilling rigs, related equipment, land and buildings	-	(117,928)	-
Purchase of property and equipment	(46,924)	(18,000)	(133,155)
Proceeds from disposals of property and equipment	-	1,665	46,936
Distribution to non-controlling interest	-	-	(1,852)
Net change in non-cash working capital	7,059	1,118	15,961
Cash used in investing activities	(39,865)	(133,145)	(72,109)
Financing activities			
Proceeds from long-term debt			

22,585

110,595

51,190





Repayments of long-term debt	(17,618)	(18,180)	(83,012)
Lease obligation principal repayments	(1,884)	(1,905)	(6,073)
Interest paid	(16,449)	(11,306)	(70,336)
Purchase of common shares held in trust	(347)	(310)	(1,127)
Cash (used in) provided by financing activities	(13,713)	78,894	(109,35)
Net (decrease) increase in cash	(9,225)	5,148	16,998
Effects of foreign exchange on cash	225	(354)	(309)
<u>Cash - beginning of period</u>	38,994	19,532	13,305
Cash - end of period	\$ 29,994	\$ 24,326	\$ 29,99

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.

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 loss as calculated in accordance with IFRS.

ADJUSTED EBITDA	Three months ended		Nine months ended	
	September 30		September 30	
(\$ thousands)	2022	2021	2022	2021
Income (loss) before income taxes	20,376	(40,670)	(22,512)	(153,851)
Add-back/(deduct):				
Interest expense	32,438	25,536	85,185	72,569
Accretion of deferred financing charges	2,200	2,702	6,601	8,109
Depreciation	69,433	73,261	208,105	213,994
Restructuring	-	697	-	4,230
Share-based compensation	(5,910)	(440)	8,049	6,382
Gain on asset sale	(502)	-	(31,798)	-
Gain on repurchase of unsecured Senior Notes <sup>1</sup>	-	-	0	(7,431)
Foreign exchange and other (gain) loss	(12,677)	(1,317)	(9,975)	11,310
Adjusted EBITDA	105,358	59,769	243,655	155,312

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

## 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 and information provided in the "Outlook" section regarding the general outlook for the remainder of 2022 and beyond, 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, pandemics, and impacts of geopolitical events such as the hostilities between Ukraine and the Russian Federation 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; pandemics; 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 or other pandemics; 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 ongoing hostilities between Ukraine and the Russian Federation 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, new pandemics, ongoing hostilities between Ukraine and the Russian Federation, related potential future impact on the supply of oil and natural gas, the impact of the Russian and Chinese responses to the ongoing conflict.

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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.

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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).

The forward-looking statements contained in this document 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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