

Ensign Energy Services Inc. Reports 2022 Results

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CALGARY, March 3, 2023 -

2022 HIGHLIGHTS

- Revenue for 2022 was \$1,577.3 million, a 58 percent increase from 2021 revenue of \$995.6 million.
- Revenue amounts and percentage of total by geographic area:
- Canada - \$435.0 million, 28 percent;
 - United States - \$892.1 million, 56 percent; and
 - International - \$250.3 million, 16 percent.

quarter of 2022, and a third rig in Oman will be reactivated in the first half of 2023. In addition, as at December 31, 2022, 31 drilling rigs have been reactivated and upgraded during 2022. Capital expenditures for the calendar year 2023 are targeted to be approximately \$157.0 million, primarily related to maintenance expenditures and selective growth projects. In addition, the Company may consider additional upgrade or growth projects in response to customer demand and appropriate contract terms.

- Long-term debt, net of cash, was reduced by \$50.9 million since December 31, 2021. Our debt reduction for 2023 is targeted to be approximately \$200.0 million. Our target debt reduction for the period beginning 2023 to the end of 2025 is approximately \$600.0 million. If industry conditions change,

this target could be increased or decreased.

• **Original** the administrative expenses increased 2022 company pertained to company convertible debentures (Canadian \$37.0 million drilling rigs), the including interest ended 2022 at \$12,857,857 \$66.2 million (for 8 per cent purchase price) to conversion \$56.0 ended 2020 \$1.75. Cathedral Energy Services Ltd. ("Cathedral"). The purchase price was satisfied through the issuance of 7,017,988 common shares of Cathedral to

the Company. As part of the transaction, Cathedral and the Company have entered into a marketing and technology alliance which will further help support and expand the customer base of both companies in the Canadian market.

- Due to the strong financial performance of the Company in 2022, the annual bonus and performance share unit payments to employees and management of the Company was capped at 5% of 2022 EBITDA, in accordance with the Company's compensation plan. The Company believes that this level of payments

provides incentive to employees and management to achieve strong financial performance while at the same time providing shareholders with returns on their investment.

OVERVIEW

Revenue for the year ended December 31, 2022 was \$1,577.3 million, an increase of 58 percent from 2021 revenue of \$1,000.0 million. Adjusted EBITDA for 2022 totaled \$373.6 million (\$2.13 per common share), 75 percent higher than Adjusted EBITDA of \$213.2 million (\$1.31 per common share) for the year ended 2021.

Net income attributed to common shareholders for the year ended December 31, 2022 was \$8.1 million (\$0.05 per common share) compared with a net loss attributed to common shareholders of \$159.5 million (\$0.98 per common share) for the year ended December 31, 2021.

During 2022, the Company did not recognize any Canada Emergency Wage Subsidy program payments as compared to \$1.0 million recognized in 2021.

During the fourth quarter of 2022, the Company sold its Canadian directional drilling business, including all operating assets and personnel for a purchase price of \$5.0 million to Cathedral Energy Services Ltd. ("Cathedral"). The purchase price was paid through the issuance of 7,017,988 common shares of Cathedral. As part of the transaction, Cathedral and the Company entered into a marketing and technology alliance which will further help support and expand the customer base of both companies in the Canadian market.

The Company's operating days were higher in 2022, as compared with 2021, as a result of supportive industry conditions and activity improvements year-over-year.

The outlook for oilfield services continues to be positive reflecting year-over-year increases in oilfield services demand. Global inflationary concerns have continued to prompt central banks to tighten monetary policies. Increasing interest rates 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-economic outlook over the short-term.

However, despite a potential economic slowdown in select major economies, demand for crude oil continues to improve year-over-year. Furthermore, OPEC+ nations continue to moderate supply and respond to market conditions. Moderate oil supply, coupled with positive commodity prices, have resulted in increased demand for oilfield services, driving both international activity and drilling rig rates in the Company's North American segments year-over-year.

Over the near term, there remains uncertainty regarding the impacts of ongoing hostilities in Ukraine on the global economy, overall economic health and recessionary pressures in certain operating environments. Furthermore, there are several factors that may impact the demand for crude oil and natural gas, commodity prices, and the demand for oilfield services.

The Company exited 2022 with a working capital deficit of \$707.8 million, compared with a working capital surplus of \$900.0 million as of December 31, 2021. The change in working capital year-over-year was largely due to its \$900.0 million revolving credit facility (the "Credit Facility") being classified as current. The Company has a history with successfully negotiating contract amendments and extending the maturity of the Credit Facility. The Company's available liquidity consisting of cash and available borrowings under its Credit Facility totaled \$67.2 million as of December 31, 2022, compared to \$15.8 million at December 31, 2021.

available liquidity increased by \$51.4 million primarily due to the increase in operating activity and increasing funds flow operations.

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 "Forward-Looking Statements" section of the "2022 Annual Report" and the "Forward-Looking Statements" section of the "2021 Annual Report". 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 share data and operating information)

	Three months ended December 31			Twelve months ended
	2022	2021	% change	2022
Revenue	467,980	296,166	58	1,577,100
Adjusted EBITDA ¹	129,963	57,861	nm	373,610
Adjusted EBITDA per common share ¹				
Basic	\$ 0.76	\$ 0.35	nm	\$ 2.13
Diluted	\$ 0.76	\$ 0.36	nm	\$ 2.12
Net (loss) income attributable to common shareholders	11,897	(29,235)	nm	8,128
Net (loss) income attributable to common shareholders per common share				
Basic	\$ 0.07	\$ (0.18)	nm	\$ 0.05
Diluted	\$ 0.07	\$ (0.18)	nm	\$ 0.05
Cash provided by operating activities	121,497	39,221	nm	319,960
Funds flow from operations	110,361	46,644	nm	371,950
Funds flow from operations per common share				
Basic	\$ 0.65	\$ 0.28	nm	\$ 2.12
Diluted	\$ 0.65	\$ 0.29	nm	\$ 2.11
Long-term debt, net of cash ²	507,009	1,440,579	(65)	507,009
Weighted average common shares - basic (000s)	183,574	162,385	13	175,570
Weighted average common shares - diluted (000s)	184,652	163,454	13	176,430
Drilling	2022	2021	% change	2022
Number of marketed rigs ³				
Canada ⁴				

United States	89	93	(4)	89
International ⁵	34	42	(19)	34
Total	246	262	(6)	246
Operating days ⁶				
Canada ⁴	3,483	3,229	8	13,589
United States	5,026	3,688	36	17,928
International ⁵	1,074	942	14	3,973
Total	9,583	7,859	22	35,490
Well Servicing	2022	2021	% change	2022
Number of rigs				
Canada	47	52	(10)	47
United States	47	48	(2)	47
Total	94	100	(6)	94
Operating hours				
Canada	11,053	9,821	13	47,269
United States	30,744	29,419	5	124,03
Total	41,797	39,240	7	171,30

1. Refer to Adjusted EBITDA calculation in Non-GAAP Measures.
2. Change in long term debt, net of cash was largely due to its \$900.0 million revolving credit facility being classified as current.

3. Total rigs: Canada - 131, United States - 117, International - 43 (2021: Canada - 137, United States - 127, International - 48).

4. Excludes coring rigs.

5. Includes workover rigs

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

FINANCIAL POSITION AND CAPITAL EXPENDITURES HIGHLIGHTS

As at (\$ thousands)	2022	2021	2020
Working capital (deficit) ^{1, 2}	(707,800)	104,228	103,036
Cash	49,880	13,305	44,198
Long-term debt	556,889	1,453,884	1,384,605
Long-term debt, net of cash	507,009	1,440,579	1,340,407
Total long-term financial liabilities	562,837	1,458,211	1,390,647
Total assets	3,183,904	2,977,054	3,054,493
Long-term debt to long term-debt plus shareholder's equity ratio	0.30	0.55	0.50

¹ See Non-GAAP Measures section.

² Change in working capital (deficit), was largely due to its \$900.0 million revolving credit facility being classified as current.

	Three months ended December 31			Twelve months ended	
(\$ thousands)	2022	2021	% change	2022	2021
Capital expenditures					
Upgrade/growth	13,748	3,395	nm	68,763	2,000
Maintenance	27,491	19,518	41	105,630	4,000
Proceeds from disposals of property and equipment	(608)	(2,581)	(76)	(47,544)	(1,000)
Net capital expenditures before acquisitions	40,631	20,332	nm	126,849	5,000
Acquisition of 35 drilling rigs, related equipment, land and buildings	-	-	-	-	1,000
Net capital expenditures	40,631	20,332	nm	126,849	6,000

nm - calculation not meaningful

REVENUE AND OILFIELD SERVICES EXPENSE

	Three months ended December 31			Twelve months ended December 31		
(\$ thousands)	2022	2021	% change	2022	2021	% change
Revenue						
Canada	121,668	90,243	35	434,982	249,679	74
United States	274,324	152,361	80	892,086	538,896	66
International	71,988	53,562	34	250,261	207,019	21
Total revenue	467,980	296,166	58	1,577,329	995,594	58
Oilfield services expense	325,247	228,146	43	1,155,083	744,195	55

Revenue for the year ended December 31, 2022 totaled \$1,577.3 million, a 58 percent increase from the year ended December 31, 2021 revenue of \$995.6 million. The increase in total revenue during the year ended December 31, 2022 was primarily due to favourable industry conditions and supportive oil and natural gas commodity prices, increasing demand for oilfield services. A positive foreign exchange translation impact further contributed to the increase in revenue reported in Canadian currency. In addition, operational activity increased as a result of the Company's timing of the acquisition of 35 land-based drilling rigs in Canada during the third quarter of 2021. The Company recorded revenue of \$468.0 million for the three months ended December 31, 2022, a 58 percent increase from the \$296.2 million recorded in the three months ended December 31, 2021.

CANADIAN OILFIELD SERVICES

	Three months ended December 31			Twelve months ended December 31		
	2022	2021	% change	2022	2021	% change
Marketed drilling rigs ^{1,2}						
Opening balance	123	127		127	101	
Acquisition	-	-		-	35	
Placed into reserve	-	-		(4)	(9)	
Ending balance	123	127	(3)	123	127	(3)
Drilling operating days ³	3,483	3,229	8	13,589	8,979	51
Drilling rig utilization (%) ¹	27.6	22.9	21	27.1	18.5	46
Well servicing rigs						
Opening balance	52	52		52	52	
Decommissions	(5)	-		(5)	-	
Ending balance	47	52	(10)	47	52	(10)
Well servicing operating hours	11,053	9,821	13	47,269	36,254	30
Well servicing utilization (%)	23.1	20.5	13	24.9	19.1	30

¹ Excludes coring rig fleet.

² Total rigs: 131, (2021 - 137).

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

The Company recorded revenue of \$435.0 million in Canada for the year ended December 31, 2022, an increase of 74 percent from \$249.7 million recorded for the year ended December 31, 2021. Revenue generated in Canada increased by 35 percent to \$121.7 million for the three months ended December 31, 2022, from \$90.2 million for the three months ended December 31, 2021. For the year ended December 31, 2022, total revenue generated from the Company's Canadian operations was 28 percent of the Company's total revenue compared with 25 percent in the prior year. In the fourth quarter of 2022, Canadian revenues accounted for 26 percent of the total revenue compared with 31 percent in 2021.

For the year ended December 31, 2022, the Company recorded 13,589 drilling operating days in Canada, an increase of 51 percent as compared with 8,979 drilling operating days for the year ended December 31, 2021. During the fourth quarter of 2022 the Company recorded 3,483 operating days in Canada, an increase of eight percent from 3,229 operating days recorded during the fourth quarter of the prior year. Well servicing hours increased by 30 percent to 47,269 operating hours compared with 36,254 operating hours for the year ended December 31, 2021. Well servicing hours in the fourth quarter of 2022 were up 13 percent to 11,053 compared to the 9,821 hours in the fourth quarter of the prior year.

The operating and financial results for the Company's Canadian operations during 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 financial results was the elimination of the Canada Emergency Wage Subsidy ("CEWS") program in 2021 by the Government of Canada, from which \$16.0 million were received by the Company during 2021.

During 2022, the Company moved four under-utilized drilling rigs into its Canadian reserve fleet and decommissioned six non-marketed drilling rigs and five well servicing rigs.

UNITED STATES OILFIELD SERVICES

	Three months ended December 31			Twelve months ended December 31		
	2022	2021	% change	2022	2021	% change
Marketed drilling rigs ¹						
Opening balance	89	93		93	122	
Disposal	-	-		(1)	-	
Placed into reserve	-	-		(3)	(29)	
Ending balance	89	93	(4)	89	93	(4)
Drilling operating days ²	5,026	3,688	36	17,928	12,242	46
Drilling rig utilization (%)	43.0	29.4	46	38.7	24.7	57
Well servicing rigs						
Opening balance	48	48		48	47	
Additions	-	-		-	1	
Decommissions	(1)	-		(1)	-	
Ending balance	47	48	(2)	47	48	(2)
Well servicing operating hours	30,744	29,419	5	124,035	124,916	(1)
Well servicing utilization (%)	69.6	66.6	5	70.8	71.7	(1)

¹Total rigs: 117, (2021 - 127).

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

For the year ended December 31, 2022, revenue of \$892.1 million was recorded in the United States, an increase of 66 percent from the \$538.9 million recorded in the prior year. Revenues recorded in the United States were \$274.3 million in the fourth quarter of 2022, an 80 percent increase from the \$152.4 million recorded in the corresponding period of the prior year. The Company's United States operations accounted for 56 percent of the Company's total revenue in the 2022 fiscal year (2021 - 54 percent) and was the largest contributor to the Company's total revenue in 2022, consistent with the prior year. During the fourth quarter of 2022, United States operations accounted for 59 percent of the Company's revenue (2021 - 51 percent), the largest contributor to the Company's consolidated fourth quarter revenues and consistent with the prior year.

In the United States, drilling operating days increased by 46 percent from 12,242 drilling operating days in 2021 to 17,928 operating days in 2022. For the year ended December 31, 2022, well servicing activity decreased one percent from 124,916 operating hours in 2021 to 124,035 operating hours in 2022. During the fourth quarter drilling operating days increased by 36 percent from 3,688 operating days in 2021 to 5,026 operating days in 2022. For the fourth quarter ended December 31, 2022, well servicing activity increased

five percent from 29,419 operating hours in 2021 to 30,744 operating hours.

Overall operating and financial results for the Company's United States operations reflected improved industry conditions, increased 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 year ended December 31, 2022.

During 2022, the Company sold one cold stacked drilling rig from its United States operations, transferred three under-utilized drilling rigs into its United States reserve fleet and decommissioned nine non-marketed drilling rigs and one well servicing rig.

INTERNATIONAL OILFIELD SERVICES

	Three months ended December 31			Twelve months ended December 31		
	2022	2021	% change	2022	2021	% change
Marketed drilling and workover rigs ¹						
Opening balance	34	42		42	48	
Disposal	-	-		(2)	-	
Placed into reserve	-	-		(6)	(6)	
Ending balance	34	42	(19)	34	42	(19)
Drilling operating days ²	1,074	942	14	3,973	3,574	11
Drilling rig utilization (%)	25.4	20.1	26	23.7	19.3	23

¹ Total rigs: 43, (2021 - 48).

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

The Company's international revenues for the year ended December 31, 2022 increased 21 percent to \$250.3 million from \$207.0 million recorded in the year ended December 31, 2021. International revenue totaled \$72.0 million in the fourth quarter of 2022, a 34 percent increase from \$53.6 million recorded in the corresponding period of the prior year. The Company's international operations accounted for 16 percent of the Company's total revenue in 2022 (2021 - 21 percent). The Company's international operations contributed 15 percent of the Company's fourth quarter revenue in 2022 (2021 - 18 percent).

International drilling operating days totaled 3,973 in 2022 compared with 3,574 drilling operating days for the prior year, an increase of 11 percent. International operating days for the three months ended December 31, 2022 increased 14 percent to 1,074 compared to 942 operating days in the fourth quarter of 2021.

Operating and financial results from the international operations reflected a steady and incrementally positive operating environment as COVID-19 related disruptions continued to dissipate. The financial results from the Company's international operations were further positively impacted on the currency translation, as the United States dollar strengthened relative to the Canadian dollar for the year ended December 31, 2022.

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

DEPRECIATION

	Three months ended December 31			Twelve months ended December 31		
(\$ thousands)	2022	2021	% change	2022	2021	% change
Depreciation	73,032	74,194	(2)	281,137	288,188	(2)

Depreciation expense for the year decreased by two percent to \$281.1 million compared with \$288.2 million for the year ended 2021. Depreciation expense totaled \$73.0 million for the fourth quarter of 2022 compared with \$74.2 million for the fourth quarter of 2021, a decrease of two percent. 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 contributing to an increased asset base in addition to the negative impact of the foreign exchange translation on converting USD denominated depreciation expenses.

GENERAL AND ADMINISTRATIVE

	Three months ended December 31			Twelve months ended December 31		
(\$ thousands)	2022	2021	% change	2022	2021	% change
General and administrative	12,770	10,159	26	48,628	38,226	27
% of revenue	2.7	3.4		3.1	3.8	

For the year ended December 31, 2022, general and administrative expense totaled \$48.6 million (3.1 percent of revenue) compared with \$38.2 million (3.8 percent of revenue) for the year ended December 31, 2021, an increase of 27 percent. General and administrative expense increased 26 percent to \$12.8 million (2.7 percent of revenue) for the fourth quarter of 2022. General and administrative expense on a per operating day basis decreased by nine percent for the year ended December 31, 2022, compared to the prior year. On an overall basis, the general and administrative expense increased in support of increased operational activity, the end of funding from the CEWS program (2021 - \$2.1 million), 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 expenses.

FOREIGN EXCHANGE AND OTHER (GAIN) LOSS

	Three months ended December 31			Twelve months ended December 31		
(\$ thousands)	2022	2021	% change	2022	2021	% change
Foreign exchange and other (gain) loss	(9,612)	(208)	nm	(19,587)	11,102	nm

nm - calculation not meaningful

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

LOSS (GAIN) ON ASSET SALE

Three months ended December 31				Twelve months ended December 31		
(\$ thousands)	2022	2021	% change	2022	2021	% change
Loss (gain) on asset sale	2,451	(3,596)	nm	(29,347)	(3,596)	nm

nm - calculation not meaningful

During the first quarter of 2022, the Company sold 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 December 31			Twelve months ended December 31		
(\$ thousands)	2022	2021	% change	2022	2021	% change
Interest expense	34,092	25,027	36	119,277	97,596	22

Interest expenses were incurred on the Company's Credit Facility, the United States dollar denominated unsecured Senior Notes (the "Senior Notes"), \$37.0 million of subordinate convertible debentures (the "Convertible Debentures") prior to conversion, capital lease and other obligations.

Interest expense increased by 22 percent for the year ended December 31, 2022, compared with the same period in 2021. The increase is the result of higher overall borrowing and higher interest rates. The negative translational impact on USD denominated debt further increased interest expense for the year ended December 31, 2022. The Company is exposed to a floating interest rate on the Credit Facility and this rate has increased year over year. For the three months ended December 31, 2022, interest expense increased 36 percent to \$34.1 million compared with the fourth quarter of 2021 due to the same reasons discussed above.

INCOME TAX (RECOVERY)

	Three months ended December 31			Twelve months ended December 31		
(\$ thousands)	2022	2021	% change	2022	2021	% change
Current income tax	2,439	296	nm	995	989	1
Deferred income tax (recovery)	1,720	(11,693)	nm	(15,854)	(39,443)	(60)
Total income tax (recovery)	4,159	(11,397)	nm	(14,859)	(38,454)	(61)
Effective income tax rate (%)	25.8	28.1		233.2	19.8	

nm - calculation not meaningful

The effective income tax rate for the year ended December 31, 2022 was 233.2 percent compared with 19.8 percent for the year ended December 31, 2021. The effective tax rate was impacted by operating earnings and gains in foreign jurisdictions.

FUNDS FLOW FROM OPERATIONS AND WORKING CAPITAL

(\$ thousands, except per share amounts)	Three months ended December 31			Twelve months ended December 31		
	2022	2021	% change	2022	2021	% change
Cash provided by operating activities	121,497	39,221	nm	319,962	178,642	79
Funds flow from operations	110,361	46,644	nm	371,956	190,695	95
Funds flow from operations per common share	\$ 0.65	\$ 0.28	nm	\$ 2.12	\$ 1.17	81
Working capital	(707,800)	104,228	nm	(707,800)	104,228	nm

nm - calculation not meaningful

For the year ended December 31, 2022, the Company generated funds flow from operations of \$372.0 million (\$2.12 per common share) an increase of 95 percent from \$190.7 million (\$1.17 per common share) for the year ended December 31, 2021. The Company generated funds flow from operations of \$110.4 million (\$0.65 per common share) in the three months ended December 31, 2022, compared with \$46.6 million (\$0.28 per common share) for the three months ended December 31, 2021. The increase in funds flow from operations in 2022 compared with 2021 is largely due to the increase in activity compared with the prior period as a result of the oil and natural gas industry's improving operating environment.

As of December 31, 2022, the Company's working capital was a deficit of \$707.8 million, compared with a working capital surplus of \$104.2 million as of December 31, 2021. The change in working capital year-over-year was largely due to its Credit Facility being classified as current. The Company's Credit Facility provides for total borrowings of \$900.0 million of which \$17.3 million was undrawn and available at December 31, 2022.

INVESTING ACTIVITIES

	Three months ended December 31			Twelve months ended December 31	
(\$ thousands)	2022	2021	% change	2022	2021
Acquisition of 35 drilling rigs, related equipment, land and buildings	-	-	-	-	(1,852)
Purchase of property and equipment	(41,239)	(22,913)	80	(174,393)	(68,745)
Proceeds from disposals of property and equipment	608	2,581	(76)	47,544	7,244
Distribution to non-controlling interest	-	-	nm	(1,852)	-
Net change in non-cash working capital	(8,717)	(755)	nm	7,244	1,852
Cash used in investing activities	(49,348)	(21,087)	nm	(121,457)	(61,693)

nm - calculation not meaningful

Net purchases of property and equipment during the fiscal year ending 2022 totaled \$126.8 million (2021 - \$58.0 million) and net purchases of property and equipment totaled \$40.6 million for the fourth quarter (2021 - \$20.3 million). The purchase of property and equipment relates primarily to \$105.6 million in maintenance capital and \$68.8 million in upgrade capital (2021 - \$44.8 million and \$20.5 million, respectively).

FINANCING ACTIVITIES

	Three months ended December 31			Twelve months ended December 31		
(\$ thousands)	2022	2021	% change	2022	2021	% change
Proceeds from long-term debt	19,968	13,143	52	71,158	162,269	(56)
Repayments of long-term debt	(18,068)	(4,789)	nm	(101,080)	(89,532)	13
Lease obligation principal repayments	(6,190)	(1,713)	nm	(12,263)	(6,845)	79
Interest paid	(47,774)	(38,594)	24	(118,110)	(99,751)	18
Purchase of common shares held in trust	(623)	(379)	64	(1,750)	(1,173)	49
Cash used in financing activities	(52,687)	(32,332)	63	(162,045)	(35,032)	nm

nm - calculation not meaningful

As at December 31, 2022, the amount of available borrowings under the Credit Facility was \$17.3 million. In addition, the Company has available a US \$50.0 million secured letter of credit facility, of which US \$3.6 million was available as of December 31, 2022.

During the fourth quarter of 2021, the Company amended and restated its existing credit agreement with its syndicate lenders, which provides a revolving Credit Facility of \$900.0 million. The amendments include an extension to the maturity date of the Credit Facility to the earlier of: (i) six months prior to maturity date of the Senior Notes due April 15, 2024, and (ii) November 25, 2024. No principal payments are due until then. The amended and restated Credit Facility provides the Company with continued access to revolver capacity in a dynamic industry environment.

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' election to convert the Convertible Debentures were made following the issue of notice by the Company.

During the second quarter of 2019, the Company issued US \$700.0 million of Senior Notes due 2024 bearing interest at 9.25% per annum. The net proceeds of the Senior Notes offering and cash on hand were used to repay all outstanding amounts under the Company's US \$700.0 million senior loan facility, terminating that facility. The Senior Notes may be redeemed by the Company, in whole or in part, at any time on or after April 15, 2021 at a redemption price of 104.625% of the principal amount, after April 15, 2022 at a redemption price of 102.313% of the principal amount; and after April 15, 2023 at 100% of the principal amount, in all cases plus accrued interest up to but excluding the redemption date.

The current capital structure of the Company consisting of the Credit Facility and the Senior Notes, allows the Company to utilize funds flow generated to reduce debt in the near term with greater flexibility than a more non-callable weighted capital structure.

The Company generally may, at any time and from time to time acquire Senior Notes for cancellation by means of open market purchases or negotiated transactions. However, applicable covenants in the Credit Facility limit the Company's ability to make further repurchases of the Senior Notes to \$25.0 million, provided that additional Senior Notes may be repurchased for redemption in excess of the \$25.0 million limit if certain criteria are met.

Covenants

The following is a list of the Company's currently applicable covenants pursuant to the Credit Facility and the covenant calculations as at December 31, 2022:

	Covenant	December 31, 2022
The Credit Facility		
Consolidated EBITDA ¹	> \$140.0 million	\$ 373,618
Consolidated EBITDA to Consolidated Interest Expense ^{1,2}	? 2.50	3.22
Consolidated Senior Debt to Consolidated EBITDA ^{1,3}	? 3.00	2.23

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

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

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

As at December 31, 2022 the Company was in compliance with all covenants related to the Credit Facility.

The Credit Facility

The amended and restated credit agreement, a copy of which is available on SEDAR, provides the Company with its Credit Facility and includes requirements that the Company comply with certain covenants including a minimum Consolidated EBITDA requirement, a Consolidated EBITDA to Consolidated Interest Expense ratio and a Consolidated Senior Debt to Consolidated EBITDA ratio.

The Credit Facility also contains certain covenants that place restrictions on the Company's ability to repurchase or redeem Senior Notes and Convertible Debentures; to create, incur or assume additional indebtedness; change the Company's primary business; enter into mergers or amalgamations; and dispose of property. In the most recent amendment and restatement of the credit agreement, dated December 17, 2021, permitted encumbrances are limited to \$25.0 million.

Senior Notes

The note indenture governing the Senior Notes, a copy of which is 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 December 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

During the year-ended December 31, 2022, the Company:

- sold one cold-stacked drilling rig from the United States fleet and two cold-stacked drilling rigs from its international fleet;
- moved four under-utilized drilling rigs to its Canadian reserve fleet, three under-utilized drilling rigs to its United States fleet, and six under-utilized drilling rigs to its international reserve fleet;
- decommissioned six non-marketed rigs in its Canadian fleet, nine non-marketed rigs in its United States fleet, and nine non-marketed rigs in its international fleet; and;
- decommissioned five well-servicing rigs in its Canadian fleet and one well-servicing rig in its United States fleet.

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 steady demand for services and tightening rig supply. Recessionary pressures for many global economies and continued inflationary concerns continue to add uncertainty to the outlook for the oil and natural gas industry. However, despite a potential economic slowdown in major economies, demand for crude oil is expected to improve year-over-year. Furthermore, OPEC nations continue to moderate supply and respond to market demands. As a result, global commodity prices have relatively steadied over the past three months, with the benchmark price of West Texas Intermediate ("WTI") averaging US \$84/bbl in November 2022, \$76/bbl in December 2022, and modestly increasing to average US \$78/bbl in January 2023.

The Company expects crude oil demand to remain relatively steady and anticipates that moderated oil supply in a positive commodity price environment will continue to support steady oilfield services activity and positive revenue rates over the course of the 2023 year. The Company continues to expect North American oil and natural gas producers to remain committed to prioritizing shareholder returns. However, the Company also expects producers maintain and grow production in consideration of well productivity declines and low drilled but uncompleted ("DUC") well inventory.

Over the short-term, there remains uncertainty regarding macro-economic conditions that may impact supply, demand, 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.

The Company remains committed to disciplined capital allocation and debt retirement. The Company has budgeted base capital expenditures for 2023 of approximately \$157.0 million, related to maintenance expenditures and selective growth projects. The Company may consider further upgrade or growth projects in response to customer demand and appropriate contract terms. As at January 1, 2023, the Company moved nine, four, and two under-utilized drilling rigs to its Canadian, United States, and international reserve fleets, respectively.

Canadian Activity

Canadian activity, representing 28 percent of total revenue in 2022, remained steady over the fourth quarter due to supportive industry conditions and winter drilling conditions. The Company expects activity to remain stable in the first quarter of 2023 as operations continue through the winter drilling season. Furthermore, the recently announced industrial development agreement between the Government of British Columbia and Blueberry River First Nations is constructive for Canadian oil and natural gas activity and is expected to increase demand for drilling services in the respective region.

As of March 2, 2023, of our 114 marketed Canadian drilling rigs, approximately 48 percent are engaged under term contracts of various durations. Approximately 40 percent of our contracted rigs have a remaining term of six months or longer, although they may be subject to early termination.

United States Activity

United States activity, representing 56 percent of total revenue in 2022, improved over the fourth quarter of

2022 due to supportive industry conditions and is expected to remain steady throughout the first quarter of 2023. Year over year, the Company expects activity improvements in the United States with improving revenue rates as contracts turnover and customers look to secure ready available equipment.

As of March 2, 2023, of our 86 marketed United States drilling rigs, approximately 74 percent are engaged under term contracts of various durations. Approximately 24 percent of our contracted rigs have a remaining term of six months or longer, although they may be subject to early termination.

International Activity

International activity, representing 16 percent of total revenue in 2022, improved over the fourth quarter of 2022 with two drilling rigs in Oman commencing drilling programs. International activity is expected to remain steady over the first quarter of 2023 and improve in the second quarter of 2023 with a third drilling rig in Oman expected to activate and commence drilling. The Company expects activity of the two drilling rigs active in Bahrain and the two drilling rigs active in Kuwait to remain steady. By mid-2023, the Company expects seven of the eight marketed drilling rigs in the Middle East will be active and operating on long-term contracts. Operations in Australia are expected to remain steady over the first quarter of 2023 and incrementally improve over the course of the 2023 year. Operations in Argentina, with two drilling rigs active, are also expected remain steady in the first quarter of 2023.

As of March 2, 2023, of our 32 marketed international drilling rigs, approximately 50 percent are engaged under term contracts of various durations. Approximately 75 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

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

CONFERENCE CALL

A conference call will be held to discuss the Company's fourth quarter 2022 results at 10:00 a.m. MST (12:00 p.m. EST) on Friday, March 3, 2023. The conference call number is 1-416-764-8659 (in Toronto) or 1-888-664-6392 (outside Toronto). The conference call reservation number is: 64701752. A recording will be available until March 10, 2023 by dialing 1-416-764-8677 (in Toronto) or 1-888-390-0541 (outside Toronto) and entering the reservation number 701752#. A live broadcast may be accessed through the Company's web site at www.ensignenergy.com/presentations.

[Ensign Energy Services Inc.](#) is an international oilfield services contractor and is listed on the Toronto Stock Exchange under the trading symbol ESI.

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

As at	December 31 2022	December 31 2021
(Unaudited - in thousands of Canadian dollars)		
Assets		
Current Assets		
Cash	\$ 49,880	\$ 13,305
Accounts receivable	359,933	226,807
Inventories, prepaid, investments and other	60,758	49,172
Income taxes receivable	40	580
Total current assets	470,611	289,864
Property and equipment	2,516,923	2,512,953
Deferred income taxes	196,370	174,237
Total assets	\$ 3,183,904	\$ 2,977,054
Liabilities		
Current Liabilities		
Accounts payable and accruals	\$ 268,243	\$ 177,932
Share-based compensation	11,735	1,055
Income taxes payable	4,423	1,389
Current portion of lease obligations	11,324	5,260
Current portion of long-term debt	882,686	-
Total current liabilities	1,178,411	185,636
Lease obligations	5,948	4,327
Long-term debt	556,889	1,453,884
Share-based compensation	13,635	7,966
Income taxes payable	5,394	7,647
Deferred income taxes	134,857	120,100
Non-controlling interest	-	4,832
Total liabilities	1,895,134	1,784,392

Shareholders' Equity			
Shareholder's capital	267,790	230,376	
Contributed surplus	23,398	23,197	
Equity component of subordinate convertible debenture	-	2,380	
Accumulated other comprehensive income	276,053	223,308	
Retained earnings	721,529	713,401	
Ensign Energy Services Inc. Consolidated Statements of Income (Loss)	1,288,770	1,192,662	
Total shareholders' equity			
Total liabilities and shareholders' equity	\$ 3,183,904	\$ 2,977,054	Three months
			December 31
			2022
(Unaudited - in thousands of Canadian dollars, except per share data)			
Revenue			\$ 467,980
Expenses			
Oilfield services			325,247
Depreciation			73,032
General and administrative			12,770
Restructuring			-
Share-based compensation			11,662
Foreign exchange and other (gain) loss			(9,612)
Total expenses			413,099
Income (loss) before interest expense, accretion of deferred financing charges, other losses (gains) and income taxes			54,881
Loss (gain) on asset sale			2,451
Gain on repurchase of unsecured Senior Notes			-
Interest expense			34,092
Accretion of deferred financing charges			2,199
Income (loss) before income tax			16,139
Income tax (recovery)			
Current income tax			2,439
Deferred income tax (recovery)			1,720
Total income tax (recovery)			

Net income (loss) from continued operations	11,980
Loss from discontinued operations	-
Net income (loss)	11,980
Net income (loss) attributable to:	
Common shareholders	11,897
Non-controlling interests	83
	\$ 11,980
Net income (loss) attributable to common shareholders per common share	
Basic	\$ 0.07
Diluted	\$ 0.07

[Ensign Energy Services Inc.](#)

Consolidated Statements of Cash Flows

	Three months ended		Twelve months ended	
(Unaudited - in thousands of Canadian dollars)	December 31 2022	December 31 2021	December 31 2022	December 31 2021
Cash provided by (used in)				
Operating activities				
Net income (loss)	\$ 11,980	\$ (29,244)	\$ 8,486	\$ (15,980)
Items not affecting cash				
Depreciation	73,032	74,194	281,137	288,137
Share-based compensation, net of cash settlements	11,452	(5)	17,765	6,377
Loss (gain) in asset sale	2,451	(3,596)	(29,347)	(3,596)
Gain on repurchase of unsecured Senior Notes	-	-	-	(7,437)
Unrealized foreign exchange and other gain	(26,565)	(10,749)	(18,308)	(2,350)
Accretion on deferred financing charges	2,199	2,710	8,800	10,810
Interest expense	34,092	25,027	119,277	97,590
Deferred income tax recovery	1,720	(11,693)	(15,854)	(39,400)
Funds flow from operations	110,361	46,644	371,956	190,600
Net change in non-cash working capital	11,136	(7,423)	(51,994)	(12,000)
Cash provided by operating activities	121,497	39,221	319,962	178,600
Investing activities				
Acquisition of 35 drilling rigs, related equipment, land and buildings	-	-	-	(117,000)
Purchase of property and equipment	(41,239)	(22,913)	(174,393)	(65,200)
Proceeds from disposals of property and equipment	608	2,581	47,544	7,228
Distribution to non-controlling interest	-	-	(1,852)	-
Net change in non-cash working capital	(8,717)	(755)	7,244	1,360
Cash used in investing activities	(49,348)	(21,087)	(121,457)	(174,612)
Financing activities				
Proceeds from long-term debt	19,968	13,143	71,158	162,200
Repayments of long-term debt				

(18,068)

(4,789)

(101,080)

Lease obligation principal repayments	(6,190)	(1,713)	(12,263)	(6,84)
Interest paid	(47,774)	(38,594)	(118,110)	(99,7)
Purchase of common shares held in trust	(623)	(379)	(1,750)	(1,17)
Cash used in financing activities	(52,687)	(32,332)	(162,045)	(35,0)
Net increase (decrease) in cash	19,462	(14,198)	36,460	(30,9)
Effects of foreign exchange on cash	424	3,177	115	83
<u>Cash - Beginning of period</u>	29,994	24,326	13,305	44,19
Non-GAAP Measures				
Cash - end of period	\$ 49,880	\$ 13,305	\$ 49,880	\$ 13,

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

Adjusted EBITDA and Adjusted EBITDA per common share are 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 impaired and how the results are taxed in various jurisdictions. Additionally, in order to focus on the core business alone, amounts are removed related to foreign exchange, share-based compensation expense, the sale of assets, restructuring expenses, gain on repurchase of unsecured Senior Notes and fair value adjustments on financial assets and liabilities, as the Company does not deem these items to relate to its core drilling and well servicing business. Adjusted EBITDA is not intended to represent net income (loss) as calculated in accordance with IFRS.

Adjusted EBITDA

	Three months ended December 31		Twelve months ended December	
(\$ thousands)	2022	2021	2022	2021
Income (loss) before income taxes	16,139	(40,611)	(6,373)	(194,462)
Add-back/(deduct)				
Interest expense	34,092	25,027	119,277	97,596
Accretion of deferred financing charges	2,199	2,710	8,800	10,819
Depreciation	73,032	74,194	281,137	288,188
Share-based compensation	11,662	(5)	19,711	6,377
Loss (gain) on asset sale	2,451	(3,596)	(29,347)	(3,596)
Gain on repurchase of unsecured Senior Notes	-	-	-	(7,431)
Foreign exchange and other (gain) loss	(9,612)	(208)	(19,587)	11,102
Restructuring	-	350	-	4,580
Adjusted EBITDA	129,963	57,861	373,618	213,173

Consolidated EBITDA

Consolidated EBITDA, as defined in the Company's Credit Facility agreement, is used in determining the Company's compliance with its covenants. The Consolidated EBITDA is substantially similar to Adjusted EBITDA.

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 herein 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 herein, 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 2023, 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 to Europe by Russia and the impact of global community responses to the ongoing conflict.

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 herein could also have material adverse effects on forward-looking statements.

For additional information refer to the "Risks and Uncertainties" section herein and the "Risk Factors" section of the Company's Annual Information Form. Readers are cautioned that the lists of important factors contained herein are not exhaustive. Unpredictable or unknown factors not discussed herein could also have material adverse effects on forward-looking statements.

The forward-looking statements contained herein 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.

For further information:
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