

Ensign Energy Services Inc. Reports 2023 Second Quarter Results

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SECOND QUARTER HIGHLIGHTS

- Revenue for the second quarter of 2023 was \$432.8 million, a 26 percent increase from the second quarter of 2022 of \$344.1 million.
- Revenue by geographic area:
 - Canada - \$80.6 million, 19 percent of total;
 - United States - \$276.8 million, 64 percent of total; and
 - International - \$75.4 million, 17 percent of total.
- Canadian drilling recorded 2,131 operating days in the second quarter of 2023, a 10 percent decrease from 2,369 operating days in the second quarter of 2022. Canadian well servicing recorded 11,804 operating hours in the second quarter of 2023, a two percent decrease from 12,099 operating hours in

the second quarter of 2022. As a result of suspensions of operations related to forest wildfires Canadian drilling lost approximately 205 operating days.

- United States drilling recorded 4,302 operating days in the second quarter of 2023, a one percent increase from 4,277 operating days in the second quarter of 2022. United States well servicing recorded 30,647 operating hours in the second quarter of 2023, which remained consistent with 30,725 operating hours

approximately \$157.0 million primarily related to maintenance expenditures. In addition to the maintenance expenditures, there are certain growth projects for our customers of which \$18.3 million has been funded by them. The Company may continue to consider additional upgrade or growth projects in response to customer demand upon appropriate contract terms.

- Total debt, net of cash, has been reduced by \$112.5 million since December 31, 2022. Our debt reduction for 2023 is targeted to be approximately \$200.0 million. Our targeted debt reduction for the period beginning 2023 to the end of 2025 is approximately \$600.0 million. If industry conditions

change, these targets could be increased or decreased.

OVERVIEW

Revenue for the second quarter of 2023 was \$432.8 million, a 26 percent increase from \$344.1 million in revenue for the second quarter of 2022. Revenue for the six months ended June 30, 2023, was \$916.8 million, an increase of 35 percent from the six months ended June 30, 2022, of \$676.8 million.

Adjusted EBITDA totaled \$116.6 million (\$0.64 per common share) in the second quarter of 2023, 71 percent higher than Adjusted EBITDA of \$68.3 million (\$0.40 per common share) in the second quarter of 2022. For the first six months ended June 30, 2023, Adjusted EBITDA totaled \$243.9 million (\$1.33 per common share), 76 percent higher than Adjusted EBITDA of \$138.3 million (\$0.83 per common share) in the first six months ended June 30, 2022.

Net income attributable to common shareholders for the second quarter of 2023 was \$10.3 million (\$0.06 per common share), compared to a net loss attributable to common shareholders of \$28.1 million (\$0.17 per common share) for the second quarter of 2022. Net income attributable to common shareholders for the six months ended June 30, 2023, was \$14.5 million (\$0.08 per common share), compared to a net loss attributable to common shareholders of \$21.6 million (\$0.13 per common share) for the six months ended June 30, 2022.

Funds flow from operations increased 43 percent to \$116.8 million (\$0.64 per common share) in the second quarter of 2023, compared to \$81.5 million (\$0.47 per common share) in the second quarter of the prior year. Funds flow from operations increased 49 percent to \$235.1 million (\$1.28 per common share) for the six months ended June 30, 2023, compared to \$158.2 million (\$0.90 per common share) for the six months ended June 30, 2022.

The outlook for oilfield services continues to be constructive despite the recent volatility in global crude oil and natural gas commodity prices and uncertain global economic conditions. Global inflationary concerns continue to prompt central banks to tighten monetary policies. Increasing interest rates, largely resulting from efforts to quell rising inflation, have contributed to uncertainty for global economies related to recession risk and economic growth. These factors continue to impact global commodity prices and add uncertainty to the macro-economic outlook over the short-term. Furthermore, the recent decision by OPEC+ to increase production has contributed to activity uncertainty and rig rate fluctuations over the short-term. However, despite these headwinds, demand for crude oil continues to increase year-over-year and OPEC+ nations continue to moderate supply in response to market conditions.

In the near term, there remains uncertainty regarding the impacts of ongoing hostilities in Ukraine on the global economic health and recessionary pressures in certain environments. Furthermore, there are many other factors that may impact the future demand for crude oil and natural gas, commodity prices, and the demand for oilfield services. ("ESG")

The Company's operating days remained consistent in the three months ended June 30, 2023 and higher in the six months ended June 30, 2023, when compared with the same periods in 2022. Operations were positively impacted in the first half of 2023 by supportive industry conditions, driving activity improvements year-over-year. In the second quarter of 2023, certain drilling programs were temporarily delayed in the Company's Canadian region due to forest fires that impacted operational activities.

The average United States dollar exchange rate was \$1.35 for the six months ended June 30, 2023 (2022 - \$1.27) versus the Canadian dollar, an increase of six percent compared to the same period of 2022.

The Company's working capital at June 30, 2023, was a deficit of \$1,188.1 million, compared to a deficit of \$707.8 million at June 30, 2022.

December 31, 2022. The deficit increase was largely due to the Company's revolving credit facility (the "Credit Facility") unsecured Senior Notes (the "Senior Notes") being reclassified as current. The Company is in discussion with its bank on extending its existing revolving Credit Facility and on obtaining a new term loan facility, which facility will be used to Company's Senior Notes due in April 2024. The Company has not yet finalized such refinancing or the terms thereof and, if successfully completed, it contemplates completion of such refinancing before the end of the third quarter of 2023.

The Company's available liquidity, consisting of cash and available borrowings under its \$900.0 million the Credit Facility, was \$171.4 million at June 30, 2023.

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 measures 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 June 30			Six months ended June 30		
	2023	2022	% change	2023	2022	% change
Revenue	\$ 432,770	\$ 344,123	26	\$ 916,822	\$ 676,799	35
Adjusted EBITDA ¹	116,616	68,332	71	243,940	138,297	76
Adjusted EBITDA per common share ¹						
Basic	\$0.64	\$0.40	60	\$1.33	\$0.83	60
Diluted	\$0.63	\$0.44	43	\$1.32	\$0.82	61
Net income (loss) attributable to common shareholders	10,302	(28,138)	nm	14,543	(21,551)	nm
Net income (loss) attributable to common shareholders per common share						
Basic	\$0.06	\$(0.17)	nm	\$0.08	\$(0.13)	nm
Diluted	\$0.06	\$(0.17)	nm	\$0.08	\$(0.13)	nm
Cash provided by operating activities	166,771	99,520	68	271,345	154,076	76
Funds flow from operations	116,764	81,497	43	235,055	158,238	49
Funds flow from operations per common share						
Basic	\$0.64	\$0.47	36	\$1.28	\$0.94	36
Diluted	\$0.63	\$0.52	21	\$1.27	\$0.94	35
Total debt, net of cash	1,277,197	1,357,537	(6)	1,277,197	1,357,537	(6)
Weighted average common shares - basic (000s)	183,944	171,646	7	183,931	167,456	10

Weighted average common shares - diluted (000s)	185,031	173,157	7	185,388	168,325	10
Drilling	2023	2022	% change	2023	2022	% change
Number of marketed rigs ²						
Canada ³	115	123	(7)	115	123	(7)
United States	85	89	(4)	85	89	(4)
International ⁴	32	34	(6)	32	34	(6)
Total	232	246	(6)	232	246	(6)
Operating days ⁵						
Canada ³	2,131	2,369	(10)	5,931	6,097	(3)
United States	4,302	4,277	1	8,919	7,965	12
International ⁴	1,247	1,030	21	2,351	1,903	24
Total	7,680	7,676	0	17,201	15,965	8
Well Servicing	2023	2022	% change	2023	2022	% change
Number of rigs						
Canada	47	52	(10)	47	52	(10)
United States	47	48	(2)	47	48	(2)
Total	94	100	(6)	94	100	(6)
nm - calculation not meaningful						
Operating hours						
¹ Adjusted EBITDA and Adjusted EBITDA per common share are not measures that have any standardized meaning prescribed by International Financial Reporting Standards (IFRS) and accordingly, are not comparable to similar measures used by other companies. Non-GAAP measures are defined in the Non-GAAP Measures section.						
Canada	25,580	28,350	(10)	25,580	28,350	(10)
United States	30,647	30,725	-	58,564	60,414	(3)
Total	56,227	59,075	(4)	84,144	88,764	(5)
² Total owned rigs: Canada - 132, United States - 116, International - 243 (2022 total owned rigs: Canada - 137, United States - 126, International - 46)						

³ Excludes coring rigs.

⁴ Includes workover rigs.

⁵ Defined as contract drilling days, between spud to rig release.

FINANCIAL POSITION AND CAPITAL EXPENDITURES HIGHLIGHTS

As at (\$ thousands)	June 30 2023	December 31 2022	June 30 2022
Working capital (deficit) ^{1, 2}	(1,188,071)	(707,800)	102,830
Cash	44,071	49,880	38,994
Total debt ³	1,321,268	1,439,575	1,396,531
Total debt, net of cash ³	1,277,197	1,389,695	1,357,537
Total debt and other long-term financial liabilities ³	1,334,344	1,445,523	1,408,706
Total assets	3,030,460	3,183,904	3,011,267
Total debt to total debt plus equity ratio ³	0.51	0.53	0.53

¹ See non-GAAP Measures section.

² Change in working capital (deficit) was largely due to the Company's revolving credit facility and unsecured Senior notes being classified as current.

³ For presentation purposes the Company includes current and long-term debt under total debt and the comparatives have been revised to conform with current year's presentation.

(\$ thousands)	Three months ended June 30			Six months ended June 30		
	2023	2022	% change	2023	2022	% change
Capital expenditures						
Upgrade/growth	3,772	28,495	(87)	12,028	36,586	(67)
Maintenance	52,673	25,784	nm	94,296	49,644	90
Proceeds from disposals of property and equipment	(3,299)	(4,189)	(21)	(3,454)	(46,936)	(93)
Net capital expenditures	53,146	50,090	6	102,870	39,294	nm
nm - calculation not meaningful						

REVENUE AND OILFIELD SERVICES EXPENSE

(\$ thousands)	Three months ended June 30			Six months ended June 30		
	2023	2022	% change	2023	2022	% change
Revenue						
Canada	80,618	78,684	2	220,734	189,950	16
United States	276,781	203,507	36	551,334	370,330	49
International	75,371	61,932	22	144,754	116,519	24
Total revenue	432,770	344,123	26	916,822	676,799	35
Oilfield services expense						

301,503

263,582

643,702

515,403

Revenue for the three months ended June 30, 2023, totaled \$432.8 million, an increase of 26 percent from the second quarter 2022 of \$344.1 million. Revenue for the six months ended June 30, 2023, totaled \$916.8 million, a 35 percent increase from the six months ended June 30, 2022.

The increase in total revenue during the second quarter of 2023 was primarily due to favourable industry conditions, revenue rate improvements, foreign exchange translation, and supportive oil commodity prices.

CANADIAN OILFIELD SERVICES

Revenue increased two percent to \$80.6 million for the three months ended June 30, 2023, from \$78.7 million for the three months ended June 30, 2022. The Company recorded revenue of \$220.7 million in Canada for the six months ended June 30, 2023, an increase of 16 percent from \$190.0 million recorded for the six months ended June 30, 2022.

Canadian revenue accounted for 19 percent of the Company's total revenue in the second quarter of 2023 (2022 - 23 percent) and 24 percent (2022 - 28 percent) for the first six months of 2023.

The Company's Canadian drilling operations recorded 2,131 operating days in the second quarter of 2023, compared to 2,369 operating days for the second quarter of 2022, a decrease of 10 percent. For the six months ended June 30, 2023, the Company recorded 5,931 operating days compared to 6,097 days for the six months ended June 30, 2022, a decrease of three percent. Canadian well servicing hours decreased by two percent to 11,804 operating hours in the second quarter of 2023 compared to 12,099 operating hours in the corresponding period of 2022. For the six months ended June 30, 2023, well servicing hours increased by 10 percent to 25,580 operating hours compared with 23,359 operating hours for the six months ended June 30, 2022.

The operating results for the Company's Canadian operations in the second quarter of 2023 were negatively impacted by weather and related events, including forest fires and flooding, that temporarily delayed certain drilling programs. However, the financial results for the Company's Canadian operations for the first half of 2023 were positively impacted by revenue rate increases year-over-year due to improved industry conditions.

During the first half of 2023, the Company transferred one drilling rig from the United States to Canada and transferred nine under-utilized drilling rigs into its Canadian operations reserve fleet.

UNITED STATES OILFIELD SERVICES

The Company's United States operations recorded revenue of \$276.8 million in the second quarter of 2023, an increase of 36 percent from the \$203.5 million recorded in the corresponding period of the prior year. During the six months ended June 30, 2023, revenue of \$551.3 million was recorded, an increase of 49 percent from the \$370.3 million recorded in the corresponding period of the prior year.

The Company's United States operations accounted for 64 percent of the Company's revenue in the second quarter of 2023 (2022 - 59 percent) and 60 percent of the Company's revenue in the first six months of 2023 (2022 - 55 percent).

Drilling rig operating days increased by one percent to 4,302 operating days in the second quarter of 2023 from 4,277 operating days in the second quarter of 2022 and increased by 12 percent to 8,919 operating days in the first six months ended June 30, 2023 from 7,965 operating days in the first six months ended June 30, 2022. United States well servicing recorded 30,647 operating hours in the second quarter of 2023 which remained consistent with 30,725 operating hours recorded in the second quarter of 2022. For the first half year of 2023, well servicing activity decreased by three percent to 58,564 operating hours from 60,414 operating hours for the first half year of 2022.

Overall operating and financial results for the Company's United States operations reflect constructive industry conditions, with increased revenue rates in addition to steady well servicing rig utilization. The financial results from the Company's United States operations were further positively impacted by the currency translation, as the United States dollar strengthened relative to the Canadian dollar during the first

six months of 2023.

During the first half of 2023, the Company transferred one drilling rig from the United States to Canada. In addition, the Company transferred four under-utilized drilling rigs into its United States reserve fleet and transferred one drilling rig from the reserve fleet to the marketed fleet.

INTERNATIONAL OILFIELD SERVICES

The Company's international operations recorded revenue of \$75.4 million in the second quarter of 2023, a 22 percent increase from the \$61.9 million recorded in the corresponding period of the prior year. International revenues for the six months ended June 30, 2023, increased 24 percent to \$144.8 million from \$116.5 million recorded for the six months ended June 30, 2022.

The Company's international operations contributed 17 percent of the total revenue in the second quarter of 2023 (2022 - 18 percent) and 16 percent of the Company's revenue in the first six months of 2023 (2022 - 17 percent).

International operating days for the three months ended June 30, 2023, totaled 1,247 operating days compared to 1,030 operating days in the same period of 2022, an increase of 21 percent. For the six months ended June 30, 2023, international operating days totaled 2,351 operating days compared to 1,903 operating days for the six months ended June 30, 2022, an increase of 24 percent.

Operating and financial results from international operations reflect improving industry conditions and increasing drilling activity. In addition, the Company's operational activity increased year-over-year as a result of two Oman drilling rigs commencing new drilling programs in the fourth quarter of 2022 and a third rig commencing operations in the second quarter of 2023.

The financial results from the Company's international operations paid in the United States dollar were further positively impacted on the currency translation as the United States dollar strengthened relative to the Canadian dollar for the first half of 2023.

During the first half of 2023, the Company transferred two under-utilized drilling rigs into its international operations reserve fleet.

DEPRECIATION

	Three months ended June 30			Six months ended June 30		
(\$ thousands)	2023	2022	% change	2023	2022	% change
Depreciation	74,835	68,692	9	152,690	138,672	10

Depreciation expense totaled \$74.8 million for the second quarter of 2023 compared with \$68.7 million for the second quarter of 2022, an increase of nine percent. Depreciation expense for the first six months ended June 30, 2023 increased by 10 percent, to \$152.7 million compared with \$138.7 million for the first six months ended June 30, 2022. The increase in depreciation is the result of depreciating recently upgraded property and equipment and a higher foreign exchange rate on United States dollar denominated property and equipment values.

GENERAL AND ADMINISTRATIVE

(\$ thousands)	Three months ended June 30			Six months ended June 30		
	2023	2022	% change	2023	2022	% change
General and administrative	14,651	12,209	20	29,180	23,099	26
% of revenue	3.4	3.5		3.2	3.4	

General and administrative expense increased 20 percent to \$14.7 million (3.4 percent of revenue) for the second quarter of 2023 compared to \$12.2 million (3.5 percent of revenue) for the second quarter of 2022. For the six months ended June 30, 2023, general and administrative expense totaled \$29.2 million (3.2 percent of revenue) compared to \$23.1 million (3.4 percent of revenue) for the six months ended June 30, 2022. General and administrative expenses increased due to support of increased operational activity, annual wage increases and higher foreign exchange rate on United State dollar translation.

FOREIGN EXCHANGE AND OTHER LOSS

(\$ thousands)	Three months ended June 30			Six months ended June 30		
	2023	2022	% change	2023	2022	% change
Foreign exchange and other loss	747	4,047	(82)	5,773	2,702	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.

INTEREST EXPENSE

(\$ thousands)	Three months ended June 30			Six months ended June 30		
	2023	2022	% change	2023	2022	% change
Interest expense	31,560	27,563	15	65,958	52,747	25

Interest expense was incurred on the Company's \$900.0 million Credit Facility, US \$417.5 million Senior Notes and capital lease obligations.

Interest expense increased by 15 percent for the second quarter of 2023 compared to the second quarter of 2022. Interest expense increased by 25 percent for the first six months ended June 30, 2023, compared to the same period of 2022. The increases for the first three and six months of 2023 are the result higher interest rates and the foreign exchange rate impact on United State dollar translation. Should Company's financial position improves as anticipated the interest rate on the Company's Credit Facility is expected to decrease, as the interest charged is determined using financial metrics.

INCOME TAXES (RECOVERY)

(\$ thousands)	Three months ended June 30			Six months ended June 30		
	2023	2022	% change	2023	2022	% change
Current income taxes (recovery)	767	(92)	nm	1,168	(1,762)	nm
Deferred taxes income (recovery)	4,496	(8,124)	nm	5,856	(19,656)	nm
Total income taxes (recovery)	5,263	(8,216)	nm	7,024	(21,418)	nm
Effective income tax rate (%)	33.8	22.6	50	32.2	49.9	(35)

nm - calculation not meaningful

The effective income tax rate for the three months ended June 30, 2023, was 33.8 percent compared to 22.6 percent for the three months ended June 30, 2022. The effective income tax rate for the six months ended June 30, 2023, was 32.2 percent compared to 49.9 percent for the six months ended June 30, 2022. The effective income tax rate in the first half of the current year was lower than the effective income tax rate in the same period of 2022 as the prior year was significantly impacted by gains on the sale of certain capital assets in foreign jurisdictions.

FUNDS FLOW FROM OPERATIONS AND WORKING CAPITAL

(\$ thousands, except per common share data)	Three months ended June 30			Six months ended June 30		
	2023	2022	% change	2023	2022	% change
Cash provided by operating activities	166,771	99,520	68	271,345	154,076	76
Funds flow from operations	116,764	81,497	43	235,055	158,238	49
Funds flow from operations per common share	\$0.64	\$0.47	36	\$1.28	\$0.94	36
Working capital ¹	(1,188,071)	(707,800)	68	(1,188,071)	(707,800)	68

¹ Comparative figure as at December 31, 2022

During the three months ended June 30, 2023, the Company generated funds flow from operations of \$116.8 million (\$0.64 per common share) compared to funds flow from operations of \$81.5 million (\$0.47 per common share) for the three months ended June 30, 2022, an increase of 43 percent. For the six months ended June 30, 2023, the Company generated funds flow from operations of \$235.1 million (\$1.28 per common share) an increase of 49 percent from \$158.2 million (\$0.94 per common share) for the six months ended June 30, 2022. The increase in funds flow from operations for the six months ended June 30, 2023, compared to the same period of 2022 is largely due to the increase in activity and revenue rates compared to the prior period as a result of the oil and natural gas industry's generally positive operating environment.

At June 30, 2023, the Company's working capital was a deficit of \$1,188.1 million, compared to a working capital deficit of \$707.8 million at December 31, 2022. The deficit was largely due to the Credit Facility and the Senior Notes being classified as current. The Company is in discussion with its banking syndicate on extending its existing revolving Credit Facility and on obtaining a new term loan facility, which facility will be used to retire the Company's Senior Notes due in April 2024. The Company has not yet finalized such refinancing or the terms thereof and, if it is successfully completed, it contemplates completion of such refinancing before the end of the third quarter of 2023..

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 \$127.4 million was undrawn and available at

June 30, 2023.

INVESTING ACTIVITIES

(\$ thousands)	Three months ended June 30			Six months ended June 30		
	2023	2022	% change	2023	2022	% change
Purchase of property and equipment	(56,445)	(54,279)	4	(106,324)	(86,230)	23
Proceeds from disposals of property and equipment	3,299	4,189	(21)	3,454	46,936	(93)
Distribution to non-controlling interest	-	(1,852)	nm	-	(1,852)	nm
Net change in non-cash working capital	(3,769)	3,205	nm	3,769	8,902	(58)
Cash used in investing activities	(56,915)	(48,737)	17	(99,101)	(32,244)	nm

nm - calculation not meaningful

Net purchases of property and equipment for the second quarter of 2023 totaled \$53.1 million (2022 - \$50.1 million). Net purchases of property and equipment during the first six months of 2023 totaled \$102.9 million (2022 - \$39.3 million). The purchase of property and equipment for the first six months of 2023 consists of \$12.0 million in upgrade and growth capital and \$94.3 million in maintenance capital.

FINANCING ACTIVITIES

(\$ thousands)	Three months ended June 30			Six months ended June 30		
	2023	2022	% change	2023	2022	% change
Proceeds from long-term debt	28,285	26,705	6	36,547	28,605	28
Repayments of long-term debt	(93,824)	(23,460)	nm	(137,729)	(65,394)	nm
Lease obligation principal repayments	(1,443)	(2,291)	(37)	(10,387)	(4,189)	nm
Interest paid	(41,653)	(41,434)	1	(64,422)	(53,887)	20
Issuance of common shares under share option plan	-	-	-	-	36	nm
Purchase of common shares held in trust	(412)	(405)	2	(947)	(780)	21
Cash used in financing activities	(109,047)	(40,885)	nm	(176,938)	(95,609)	85

nm - calculation not meaningful

The Company's available bank facilities consist of a \$900.0 million Credit Facility, of which \$127.4 million was available and undrawn as of June 30, 2023. In addition, the Company has US \$50.0 million secured letter of credit facility, of which US \$5.4 million was available as of June 30, 2023.

In the fourth quarter of 2022, the Company classified its Credit Facility as current. Furthermore, during the second quarter of 2023, the Company classified the Senior Notes as current. The Company is in discussion

with its banking syndicate on extending its existing revolving Credit Facility and on obtaining a new term loan facility, which facility will be used to retire the Company's Senior Notes due in April 2024. The Company has not yet finalized such refinancing or the terms thereof and, if it is successfully completed, it contemplates completion of such refinancing before the end of the third quarter of 2023.

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 six months ended June 30, 2023.

Covenants

The following is a list of the Company's currently applicable covenants and the calculations as at June 30, 2023:

	Covenant June 30, 2023	
The Credit Facility		
Total Debt to Consolidated EBITDA ¹	? 5.00	2.69
Consolidated EBITDA to Consolidated Interest Expense ^{1,2}	? 2.50	3.69
Consolidated Senior Debt to Consolidated EBITDA ^{1,3}	? 2.50	1.52

¹ Please refer to Non-GAAP Measures for Consolidated EBITDA definition.

² Consolidated Interest Expense is defined as all interest expense calculated on twelve month rolling consolidated basis.

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

As at June 30, 2023, 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 Consolidated Total Debt to Consolidated EBITDA ratio, 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; 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 Facility 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 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 of June 30, 2023, 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 six months ended June 30, 2023, the Company:

- transferred nine, four, and two under-utilized drilling rigs to its Canadian, United States, and international operating fleet, respectively;
- transferred one drilling rig from the United States to Canada;
- transferred one drilling rig from the reserve fleet to the marketed fleet in the United States.

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

OUTLOOK

Industry Overview

The outlook for oilfield services continues to be constructive despite volatile commodity prices and macro-economic headwinds. Recessionary pressures, tight fiscal policies, and the potential for slowing economies and other considerations continue to influence commodity prices. These factors continue to add uncertainty to the outlook for crude oil demand and commodity prices.

Constructively, demand for crude oil continues to improve year-over-year and OPEC+ nations continually monitor the oil markets and may implement cuts to production to moderate supply. Global crude oil prices recently have held steady, with the benchmark price of West Texas Intermediate ("WTI") averaging US \$72/bbl in May, \$70/bbl in June and increasing to average \$76/bbl in July.

Over the short-term, depressed natural gas commodity prices have impacted the industry rig count in North America and have contributed uncertainty to the near-term activity outlook. However, the Company continues to expect positive oil prices to support relatively steady oilfield services activity in order to maintain or potentially grow production in consideration of well productivity declines and low drilled but uncompleted ("DUC") well inventory in certain producing areas. Furthermore, positive revenue rates over the course of 2023 continue to support continuation of year-over-year past and anticipated future improvements in the Company's financial results.

Over the short-term, there remains 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, financial sector stress, the impact of ongoing hostilities in Ukraine, and the future supply of Russian oil and natural gas.

The Company remains committed to disciplined capital allocation and debt repayment. The Company has targeted approximately \$200 million in debt reduction for the 2023 year. In addition, from the period beginning 2023 to the end of 2025, the Company has targeted debt reduction of approximately \$600 million. If industry conditions change, this target may be increased or decreased.

Capital expenditures for the 2023 year are targeted to be in line with prior guidance of approximately \$157.0 million primarily related to maintenance expenditures. In addition to the maintenance expenditures, capital is expended on selective rig enhancements or relocation projects for certain of the Company's customers of which \$18.3 million has been funded by them during the first half of 2023. The Company may continue to consider additional rig relocation, upgrade or growth projects in response to customer demand and appropriate contract terms.

Canadian Activity

Canadian activity, representing 24 percent of total revenue in the first half of 2023, decreased in the second

quarter due to seasonal spring-break up and unforeseen weather events, including forest fires and flooding that temporarily delayed certain drilling programs. Operations impacted by the fires or flooding have recommenced. We expect activity to increase in the third quarter due to supportive industry conditions. We expect activity in Canada to remain steady or improve in the second half of 2023 as egress solutions of additional pipeline capacity for the Canadian market are expected to come online.

As of August 4, 2023, of our 115 marketed Canadian drilling rigs, approximately 43 percent are engaged under term contracts of various durations. Approximately 41 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 60 percent of total revenue in the first half of 2023, declined modestly in the second quarter of 2023 compared to the first quarter of 2023 as a result of contract turnover and decreased activity in the Company's California region. Operations in California continue to be challenged as producers are currently working through drilling permit challenges that have impacted drilling programs over the short-term. The remaining areas the Company's United States operations are expected to modestly decline in the third quarter of 2023. In this regard, the Company currently has relatively limited exposure to natural gas directed drilling programs with no active rigs in the Haynesville or Marcellus basins.

As of August 4, 2023, of our 85 marketed United States drilling rigs, approximately 61 percent are engaged under term contracts of various durations. Approximately 12 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 the first half of 2023, improved in the second quarter of 2023 as a third Company rig in Oman commenced drilling. The Company currently has three rigs active in Oman, two rigs active in Bahrain and two rigs active in Kuwait. Financial and operational performance of all seven active rigs in the Company's Middle East segment are expected to remain steady in the third quarter of 2023.

Overall, the Company's international activity is expected to improve in the third quarter of 2023 as operations are expected to increase from seven to eight active rigs in Australia. We expect operations in Australia to further increase in the fourth quarter of 2023 continuing into 2024. Operations in Argentina, with two Company rigs active, are expected remain steady in the third quarter of 2023.

As of August 4, 2023, of our 32 marketed international drilling rigs, approximately 53 percent, were engaged under term contracts of various durations. Approximately 94 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 numerous risks and uncertainties. A discussion of certain risks faced by the Company may be found hereinbelow and 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, 2022, which are available under the Company's SEDAR+ profile at www.sedarplus.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 such potential events, whether described in the risk factors in this document or the Company's AIF or otherwise actually occur, or described 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 second quarter 2023 results at 10:00 a.m. MDT (12:00 p.m. EDT) on Friday, August 4, 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: 11051240. A taped recording

of the conference call will be available until August 11, 2023, by dialing 1-416-764-8677 (in Toronto) or 1-888-390-0541 (outside Toronto) and entering the reservation number 051240#. A live broadcast may be accessed through the Company's website 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.

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Consolidated Statements of Financial Position

As at June 30 2023 December 31
2022

(Unaudited - in thousands of Canadian dollars)

Assets

Current Assets

Cash	\$ 44,071	\$ 49,880
Accounts receivable	298,703	359,933
Inventories, prepaid, investments and other	53,902	60,758
Income taxes receivable	-	40
Total current assets	396,676	470,611
Property and equipment	2,430,120	2,516,923
Deferred income taxes	203,664	196,370
Total assets	\$ 3,030,460	\$ 3,183,904

Liabilities

Current Liabilities

Accounts payable and accruals	\$ 245,320	\$ 268,243
Share-based compensation	7,345	11,735
Income taxes payable	4,663	4,423
Current portion of lease obligation	6,151	11,324
Current portion of long-term debt	1,321,268	882,686
Total current liabilities	1,584,747	1,178,411
Share-based compensation	4,986	13,635
Long-term debt	-	556,889
Lease obligations	7,803	5,948
Income tax payable	5,273	5,394
Deferred income taxes	145,483	134,857

Total liabilities	1,748,292	1,895,134
Shareholders' Equity		
Shareholders' capital	268,467	267,790
Contributed surplus	22,720	23,398
Accumulated other comprehensive income	254,909	276,053
Retained earnings	736,072	721,529
Total shareholders' equity	1,282,168	1,288,770
Total liabilities and shareholders' equity	\$ 3,030,460	\$ 3,183,904

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Consolidated Statements of Income (Loss)

	Three months ended		Six months ended	
	June 30 2023	June 30 2022	June 30 2023	June 30 2022
(Unaudited - in thousands of Canadian dollars, except per common share data)				
Revenue	\$ 432,770	\$ 344,123	\$ 916,822	\$ 676,799
Expenses				
Oilfield services	301,503	263,582	643,702	515,403
Depreciation	74,835	68,692	152,690	138,672
General and administrative	14,651	12,209	29,180	23,099
Share-based compensation	(6,146)	3,560	(4,421)	13,959
Foreign exchange and other loss	747	4,047	5,773	2,702
Total expenses	385,590	352,090	826,924	693,835
Income (loss) before interest expense, accretion of deferred financing charges and other gains and income taxes	47,180	(7,967)	89,898	(17,036)
Gain on asset sale	(2,160)	(1,354)	(2,268)	(31,296)
Interest expense	31,560	27,563	65,958	52,747
Accretion of deferred financing charges	2,199	2,199	4,399	4,401
Income (loss) before income taxes	15,581	(36,375)	21,809	(42,888)
Income taxes (recovery)				
Current income taxes (recovery)	767	(92)	1,168	(1,762)
Deferred income taxes (recovery)	4,496	(8,124)	5,856	(19,656)
Total income taxes (recovery)	5,263	(8,216)	7,024	(21,418)
Net income (loss)	\$ 10,318	\$ (28,159)	\$ 14,785	\$ (21,470)
Net income (loss) attributable to:				
Common shareholders	10,302	(28,138)	14,543	(21,551)
Non-controlling interests	16	(21)	242	81
	10,318	(28,159)	14,785	(21,470)
Net income (loss) attributable to common shareholders per common share				
Basic	\$ 0.06	\$ (0.17)	\$ 0.08	\$ (0.13)
Diluted	\$ 0.06	\$ (0.17)	\$ 0.08	\$ (0.13)

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Consolidated Statements of Cash Flows

	Three months ended		Six months ended	
	June 30 2023	June 30 2022	June 30 2023	June 30 2022
(Unaudited - in thousands of Canadian dollars)				
Cash provided by (used in)				
Operating activities				
Net income (loss)	\$ 10,318	\$ (28,159)	\$ 14,785	\$ (21,470)
Items not affecting cash				
Depreciation	74,835	68,692	152,690	138,672
Gain on asset sale	(2,160)	(1,354)	(2,268)	(31,296)
Share-based compensation, net cash settlements	71	1,823	(5,892)	12,222
Unrealized foreign exchange and other	(4,555)	18,857	(473)	22,618
Accretion of deferred financing charges	2,199	2,199	4,399	4,401
Interest expense	31,560	27,563	65,958	52,747
Deferred income taxes (recovery)	4,496	(8,124)	5,856	(19,656)
Funds flow from operations	116,764	81,497	235,055	158,238
Net change in non-cash working capital	50,007	18,023	36,290	(4,162)
Cash provided by operating activities	166,771	99,520	271,345	154,076
Investing activities				
Purchase of property and equipment	(56,445)	(54,279)	(106,324)	(86,230)
Proceeds from disposals of property and equipment	3,299	4,189	3,454	46,936
Distribution to non-controlling interest	-	(1,852)	-	(1,852)
Net change in non-cash working capital	(3,769)	3,205	3,769	8,902
Cash used in investing activities	(56,915)	(48,737)	(99,101)	(32,244)
Financing activities				
Proceeds from long-term debt	28,285	26,705	36,547	28,605
Repayments of long-term debt	(93,824)	(23,460)	(137,729)	(65,394)
Lease obligation principal repayments	(1,443)	(2,291)	(10,387)	(4,189)
Interest paid	(41,653)	(41,434)	(64,422)	(53,887)
Issuance of common shares under share option plan -	-	-	-	36

Purchase of common shares held in trust	(412)	(405)	(947)	(780)
Cash used in financing activities	(109,047)	(40,885)	(176,938)	(95,609)
Net increase (decrease) in cash	809	9,898	(4,694)	26,223
Effects of foreign exchange on cash	(1,588)	(610)	(1,115)	(534)
Cash - beginning of period	44,850	29,706	49,880	13,305
Cash - end of period	\$ 44,071	\$ 38,994	\$ 44,071	\$ 38,994

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Non-GAAP Measures

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 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 (\$ thousands)	Three months ended June 30		Six months ended June 30	
	2023	2022	2023	2022
Income (loss) before income taxes	15,581	(36,375)	21,809	(42,888)
Add-back/(deduct):				
Interest expense	31,560	27,563	65,958	52,747
Accretion of deferred financing charges	2,199	2,199	4,399	4,401
Depreciation	74,835	68,692	152,690	138,672
Share-based compensation	(6,146)	3,560	(4,421)	13,959
Gain on asset sale	(2,160)	(1,354)	(2,268)	(31,296)
Foreign exchange and other loss	747	4,047	5,773	2,702
Adjusted EBITDA	116,616	68,332	243,940	138,297

Consolidated EBITDA

Consolidated EBITDA, as defined in the Company's Credit Facility agreement, is used in determining the Company's compliance with its covenants. The Consolidated EBITDA is substantially similar to Adjusted EBITDA. Consolidated EBITDA is calculated on a rolling twelve-month basis.

Working Capital

Working capital is defined as current assets less current liabilities as reported on the consolidated statements of financial position.

ADVISORY REGARDING FORWARD-LOOKING STATEMENTS

Certain statements 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", "contemplates" 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 the remainder of 2023 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; artificial intelligence development and implementation; cyber attacks; 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 future 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, pandemics, pandemics mitigation strategies and the impact thereof upon the Company, its customers and its business, 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, and governmental energy policies, laws, rules or regulations that limit, restrict or impede exploration, development, production, transportation or consumption of hydrocarbons and/or incentivize

