Ensign Energy Services Inc. Reports 2023 Results

01.03.2024 | CNW

CALGARY, March 1, 2024 -

2023 HIGHLIGHTS

- Ensign's fourth quarter and year-end 2023 results reflect the Company's commitment to revenue rate discipline, f flow generation, and continued debt reduction.
- Revenue for 2023 was $1,791.8 million, a 14 percent increase from 2022 revenue of $1,577.3 million.
- Revenue amounts and percentage of total by geographic area:
  - Canada - $446.4 million, 25 percent;
  - United States - $1,040.8 million, 58 percent; and
  - International - $304.6 million, 17 percent.
- Adjusted EBITDA for 2023 was $490.2 million, a 31 percent increase from Adjusted EBITDA of $373.6 million for
- Funds flow from operations for 2023 increased 25 percent to $464.9 million from $372.0 million in the prior year.
- Net income for 2023 was $41.2 million, up from $8.1 million of the prior year.

FINANCIAL HIGHLIGHTS
(Unaudited, in thousands of Canadian dollars, except per share data)

	Three months ended December 31			Twelve months ended December 31		
	2023	2022	% change	2023	2022	% change
Revenue	430,540	467,980	(8)	1,791,767	1,577,329	14
Adjusted EBITDA [1]	128,998	129,963	(1)	490,233	373,618	31
Adjusted EBITDA per common share [1]						
Basic	$ 0.71	$ 0.76	(7)	$ 2.67	$ 2.13	25
Diluted	$ 0.70	$ 0.76	(8)	$ 2.65	$ 2.12	25
Net income attributable to common shareholders	31,922	11,897	nm	41,236	8,128	nm
Net income attributable to common shareholders per common share						
Basic	$ 0.17	$ 0.07	nm	$ 0.22	$ 0.05	nm
Diluted	$ 0.17	$ 0.07	nm	$ 0.22	$ 0.05	nm
Cash provided by operating activities	115,606	121,497	(5)	492,517	319,962	54
Funds flow from operations	110,231	110,361	-	464,882	371,956	25
Funds flow from operations per common share						
Basic	$ 0.60	$ 0.65	(8)	$ 2.53	$ 2.12	19
Diluted	$ 0.59	$ 0.65	(9)	$ 2.51	$ 2.11	19
Weighted average common shares - basic (000s)	183,612	183,574	-	183,878	175,578	5
Weighted average common shares - diluted (000s)	184,541	184,652	-	185,049	176,430	5

nm - calculation not meaningful

1. Refer to Adjusted EBITDA calculation in Non-GAAP Measures.

- Canadian drilling recorded 12,373 operating days in 2023, a nine percent decrease from 13,589 operating days ir Canadian well servicing recorded 46,523 operating hours in 2023, a two percent decrease from 47,269 operating 2022.
- United States drilling recorded 15,759 operating days in 2023, a 12 percent decrease from 17,928 operating days United States well servicing recorded 121,147 operating hours in 2023, a two percent decrease from the 124,035 hours in 2022.
- International drilling recorded 4,946 operating days in 2023, a 24 percent increase from 3,973 operating days rec 2022.

OPERATING HIGHLIGHTS
(Unaudited)

	Three months ended December 31			Twelve months ended December 31		
	2023	2022	% change	2023	2022	% change
Drilling						
Number of marketed rigs [1]						
Canada [2]	117	123	(5)	117	123	(5)
United States	83	89	(7)	83	89	(7)
International [3]	32	34	(6)	32	34	(6)
Total	232	246	(6)	232	246	(6)
Operating days [4]						
Canada [2]	3,180	3,483	(9)	12,373	13,589	(9)
United States	3,259	5,026	(35)	15,759	17,928	(12)
International [3]	1,330	1,074	24	4,946	3,973	24
Total	7,769	9,583	(19)	33,078	35,490	(7)
Well Servicing						
Number of rigs						
Canada	45	47	(4)	45	47	(4)
United States	47	47	-	47	47	-
Total	92	94	(2)	92	94	(2)
Operating hours						
Canada	10,319	11,053	(7)	46,523	47,269	(2)
United States	30,186	30,744	(2)	121,147	124,035	(2)
Total	40,505	41,797	(3)	167,670	171,304	(2)

1. Total rigs: Canada - 128, United States - 103, International - 37 (2022: Canada - 131, United States - 117, International - 43).

2. Excludes coring rigs.

3. Includes workover rigs

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

- Net repayments against debt totaled $217.6 million since December 31, 2022, exceeding the Company's 2023 de target.
- Since the first quarter of 2019, when the Company's total debt, net of cash, peaked at $1,688.1 million, the Comp reduced net debt by $498.2 million over the past five years. Notably, the Company reduced net debt by almost $5 while completing two counter-cyclical, accretive acquisitions over the same five year period, totaling $162.7 millio
- The Company's debt reduction for 2024 is targeted to be approximately $200.0 million. Our target debt reduction beginning 2023 to the end of 2025 is approximately $600.0 million. If industry conditions change, this target could increased or decreased.

- In the fourth quarter of 2023, the Company agreed on a three-year $369.0 million term credit facility agreement w syndicate of lenders (the "Term Facility"). Concurrently with the new Term Facility agreement, the Company has a amended and extended the existing $900.0 million Credit Facility. The maturity date of the Credit Facility has bee for three years to October 2026. The Company now expects the blended interest rate between the Term Facility a Facility for the fiscal 2024 to be approximately eight percent. In addition, the Company's outstanding Senior Notes redeemed during the fourth quarter of 2023.

FINANCIAL POSITION AND CAPITAL EXPENDITURES HIGHLIGHTS

As at ($ thousands)	2023	2022	2021
Working capital (deficit)[1, 2]	15,780	(707,800)	104,228
Cash	20,501	49,880	13,305
Total debt, net of cash	1,189,848	1,389,695	1,440,579
Total assets	2,947,986	3,183,904	2,977,054
Total debt to total debt plus shareholder's equity ratio	0.48	0.53	0.55

[1] See Non-GAAP Measures section.

[2] Change in working capital (deficit), was largely due to its $900.0 million revolving credit facility being reclassified as long-term, following an amended and restated credit agreement.

- Net capital expenditures for the calendar year 2023 totaled $160.7 million, consisting of $16.1 million in upgrade c $159.7 million in maintenance capital, offset by proceeds of $15.1 million from equipment disposals.
- Capital expenditures for the calendar year 2024 are targeted to be approximately $147.0 million, primarily related maintenance expenditures. In addition, the Company may consider additional equipment upgrade, growth, or relo projects in response to customer demand and under appropriate contract terms.

CAPITAL EXPENDITURES HIGHLIGHTS

	Three months ended December 31			Twelve months ended Deceml		
($ thousands)	2023	2022	% change	2023	2022	% cha
Capital expenditures						
Upgrade/growth	2,136	13,748	nm	16,103	68,763	(77)
Maintenance	29,422	27,491	7	159,738	105,630	51
Proceeds from disposals of property and equipment	(2,787)	(608)	nm	(15,132)	(47,544)	(68)
Net capital expenditures	28,771	40,631	(29)	160,709	126,849	27

nm - calculation not meaningful

This news release contains "forward-looking information and statements" within the meaning of applicable securities legislation. For a full disclosure of the forward-looking information and statements and the risks to which they are subject, see the "Advisory Regarding Forward-Looking Statements" later in this news release. This news release contains references to Adjusted EBITDA, Adjusted EBITDA per common share and working capital. 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.

OVERVIEW

Revenue for the year ended December 31, 2023 was $1,791.8 million, an increase of 14 percent from 2022 revenue of $1,577.3 million. Adjusted EBITDA for 2023 totaled $490.2 million ($2.67 per common share), 31 percent higher than Adjusted EBITDA of $373.6 million ($2.13 per common share) for the year ended 2022.

Net income attributed to common shareholders for the year ended December 31, 2023 was $41.2 million ($0.22 per common share) compared with a net income attributed to common shareholders of $8.1 million ($0.05 per common share) for the year ended December 31, 2022.

The Company's operating days were lower in 2023, as compared with 2022, as a result of volatile commodity prices, customer capital discipline and acquisition and merger activity between oil and natural gas producers in both Canada and the United States.

Oilfield services continued to be constructive despite the recent volatility in global crude oil and natural gas commodity prices and uncertain global economic and geopolitical conditions. Global inflationary pressures, economic uncertainty, and geopolitical tensions had impacted global commodity prices, reinforced producer and contractor capital discipline, and added uncertainty in the back half of 2023. However, despite these short-term headwinds, the outlook for global demand for crude oil is expected to continue to increase year-over-year and OPEC+ nations continue to moderate supply in response to market conditions.

Over the near term, there remains uncertainty regarding several factors that may impact the oil and natural gas industry which will impact the demand for oilfield services. The factors are but not limited to, the impacts of ongoing hostilities in Ukraine on the global economy, the impact of recent and potential future geopolitical developments in the Middle East on global crude oil and natural gas markets, overall global economic health and recessionary pressures in certain environments.

The Company exited 2023 with a working capital surplus of $15.8 million, compared with a working capital deficit of $707.8 million as of December 31, 2022. The change in working capital year-over-year was largely due to its $900.0 million revolving credit facility (the "Credit Facility") being reclassified as long-term, following an amended and restated credit agreement. The Company's available liquidity consisting of cash and available borrowings under its Credit Facility totaled $74.6 million as of December 31, 2023, compared to $67.2 million at December 31, 2022. The available liquidity increased by $7.4 million primarily due to the increase funds flow from operations.

REVENUE AND OILFIELD SERVICES EXPENSE

	Three months ended December 31			Twelve months ended December 31		
($ thousands)	2023	2022	% change	2023	2022	% change
Revenue						
Canada	117,400	121,668	(4)	446,393	434,982	3
United States	231,683	274,324	(16)	1,040,764	892,086	17
International	81,457	71,988	13	304,610	250,261	22
Total revenue	430,540	467,980	(8)	1,791,767	1,577,329	14
Oilfield services expense	286,629	325,247	(12)	1,243,558	1,155,083	8

Revenue for the year ended December 31, 2023 totaled $1,791.8 million, a 14 percent increase from the year ended December 31, 2022 revenue of $1,577.3 million. The increase in total revenue during the year ended December 31, 2023 was primarily due to favourable industry conditions and supportive revenue rate improvements year-over-year. A positive foreign exchange translation impact further contributed to the increase in revenue reported in Canadian currency. The Company recorded revenue of $430.5 million for the three months ended December 31, 2023, an eight percent increase from the $468.0 million recorded in the three months ended December 31, 2022.

CANADIAN OILFIELD SERVICES

	Three months ended December 31			Twelve months ended December 31		
	2023	2022	% change	2023	2022	% change
Marketed drilling rigs[1,2]						
Opening balance	115	123		123	127	
Transfers, net	2	-		3	-	
Placed into reserve	-	-		(9)	(4)	
Ending balance	117	123	(5)	117	123	(5)
Drilling operating days[3]	3,180	3,483	(9)	12,373	13,589	(9)
Drilling rig utilization (%)[1]	26.2	27.6	(5)	25.7	27.1	(5)
Well servicing rigs						
Opening balance	47	52		47	52	
Decommissions	(2)	(5)		(2)	(5)	
Ending balance	45	47	(4)	45	47	(4)
Well servicing operating hours	10,319	11,053	(7)	46,523	47,269	(2)
Well servicing utilization (%)	23.9	23.1	3	27.1	24.9	9

[1] Excludes coring rig fleet.

[2] Total rigs: 128, (2022 - 131).

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

The Company recorded revenue of $446.4 million in Canada for the year ended December 31, 2023, an increase of three percent from $435.0 million recorded for the year ended December 31, 2022. Revenue generated in Canada decreased by four percent to $117.4 million for the three months ended December 31, 2023, from $121.7 million for the three months ended December 31, 2022. For the year ended December 31, 2023, total revenue generated from the Company's Canadian operations was 25 percent of the Company's total revenue (2022: 28 percent). In the fourth quarter of 2023, Canadian revenues accounted for 27 percent of the total revenue compared with 26 percent in 2022.

For the year ended December 31, 2023, the Company recorded 12,373 drilling operating days in Canada, a decrease of nine percent as compared with 13,589 drilling operating days for the year ended December 31, 2022. Well servicing hours decreased by two percent to 46,523 operating hours compared with 47,269 operating hours for the year ended December 31, 2022. During the fourth quarter of 2023 the Company recorded 3,180 operating days in Canada, a decrease of nine percent from 3,483 operating days recorded during the fourth quarter of the prior year. Well servicing hours in the fourth quarter of 2023 were down seven percent to 10,319 compared to the 11,053 hours in the fourth quarter of the prior year.

The operating and financial results for the Company's Canadian operations during 2023 were negatively impacted by fluctuating commodity prices and producer capital discipline curtailing or delaying certain drilling programs. However, the financial results for the Company's Canadian operations during 2023 were positively impacted by revenue rate increases year-over-year due to market conditions.

During 2023, the Company moved nine under-utilized drilling rigs into its Canadian reserve fleet, transferred three drilling rigs from the United States and decommissioned six non-marketed drilling rigs and two well servicing rigs, respectively.

UNITED STATES OILFIELD SERVICES

	Three months ended December 31			Twelve months ended December 31		
	2023	2022	% change	2023	2022	% change
Marketed drilling rigs[1]						
Opening balance	85	89		89	93	
Transfers, net	(2)	-		(3)	-	
Disposal	-	-		-	(1)	
Placed into reserve	-	-		(3)	(3)	
Ending balance	83	89	(7)	83	89	(7)
Drilling operating days[2]	3,259	5,026	(35)	15,759	17,928	(12)
Drilling rig utilization (%)	30.5	43.0	(29)	37.1	38.7	(4)
Well servicing rigs						
Opening balance	47	48		47	48	
Decommissions	-	(1)		-	(1)	
Ending balance	47	47	-	47	47	-
Well servicing operating hours	30,186	30,744	(2)	121,147	124,035	(2)
Well servicing utilization (%)	69.8	69.6	-	70.6	70.8	-

[1] Total rigs: 103, (2022 - 117).

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

For the year ended December 31, 2023, revenue of $1,040.8 million was recorded in the United States, an increase of 17 percent from the $892.1 million recorded in the prior year. Revenues recorded in the United States were $231.7 million in the fourth quarter of 2023, a 16 percent decrease from the $274.3 million recorded in the corresponding period of the prior year. The Company's United States operations accounted for 58 percent of the Company's total revenue in the 2023 fiscal year (2022 - 56 percent) and was the largest contributor to the Company's total revenue in 2023, consistent with the prior year. During the fourth quarter of 2023, United States operations accounted for 54 percent of the Company's revenue (2022 - 59 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 decreased by 12 percent to 15,759 drilling operating days in 2023 from 17,928 operating days in 2022. For the year ended December 31, 2023, well servicing activity decreased two percent to 121,147 operating hours, from 124,035 operating hours in 2022. During the fourth quarter, drilling operating days decreased by 35 percent to 3,259 operating days in 2023 from 5,026 operating days in 2022. For the fourth quarter ended December 31, 2023, well servicing activity decreased two percent to 30,186 operating hours in 2023 from 30,744 operating hours in 2022.

Overall operating and financial results for the Company's United States operations reflect generally constructive industry conditions supporting year-over-year revenue rate improvements and relatively 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 USD strengthened relative to the Canadian dollar for the year ended December 31, 2023.

During 2023, the Company transferred three under-utilized drilling rigs into its United States reserve fleet, transferred three drilling rigs to Canada and decommissioned 11 non-marketed drilling rigs.

INTERNATIONAL OILFIELD SERVICES

	Three months ended December 31			Twelve months ended December 31		
	2023	2022	% change	2023	2022	% change
Marketed drilling and workover rigs[1]						
Opening balance	32	34		34	42	
Disposal	-	-		-	(2)	
Placed into reserve	-	-		(2)	(6)	
Ending balance	32	34	(6)	32	34	(6)
Drilling operating days[2]	1,330	1,074	24	4,946	3,973	24
Drilling rig utilization (%)	33.6	25.4	32	31.5	23.7	33

[1] Total rigs: 37, (2022 - 43).

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

The Company's international revenues for the year ended December 31, 2023 increased 22 percent to $304.6 million from $250.3 million recorded in the year ended December 31, 2022. International revenue totaled $81.5 million in the fourth quarter of 2023, a 13 percent increase from $72.0 million recorded in the corresponding period of the prior year. The Company's international operations accounted for 17 percent of the Company's total revenue in 2023 (2022 - 16 percent). The Company's international operations contributed 19 percent of the Company's fourth quarter revenue in 2023 (2022 - 15 percent).

International drilling operating days totaled 4,946 in 2023 compared with 3,973 drilling operating days for the prior year, an increase of 24 percent. International operating days for the three months ended December 31, 2023 increased 24 percent to 1,330 compared to 1,074 operating days in the fourth quarter of 2022.

Operating and financial results from the international operations reflect generally supportive industry conditions and increasing drilling activity, as drilling rig reactivations occurred at various points in year. The financial results from the Company's international operations were further positively impacted by the currency translation, as the USD strengthened relative to the Canadian dollar for the year ended December 31, 2023.

During 2023, the Company transferred two under-utilized drilling rigs into its international operations reserve fleet and decommissioned six non-marketed drilling rigs.

DEPRECIATION

	Three months ended December 31			Twelve months ended December 31		
($ thousands)	2023	2022	% change	2023	2022	% change
Depreciation	77,696	73,032	6	307,343	281,137	9

Depreciation expense for the year increased by nine percent to $307.3 million compared with $281.1 million for the year ended 2022. Depreciation expense totaled $77.7 million for the fourth quarter of 2023 compared with $73.0 million for the fourth quarter of 2022, an increase of six percent. The increase in depreciation is due to depreciating recently upgraded property and equipment 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)	2023	2022	% change	2023	2022	% change
General and administrative	14,913	12,770	17	57,976	48,628	19
% of revenue	3.5	2.7		3.2	3.1	

For the year ended December 31, 2023, general and administrative expense totaled $58.0 million (3.2 percent of revenue) compared with $48.6 million (3.1 percent of revenue) for the year ended December 31, 2022, an increase of 19 percent. General and administrative expense increased 17 percent to $14.9 million (3.5 percent of revenue) for the fourth quarter of 2023. General and administrative expense increased due to annual wage increase and 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)	2023	2022	% change	2023	2022	% change
Foreign exchange and other (gain) loss	(6,010)	(9,612)	(37)	3,768	(19,587)	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

	Three months ended December 31			Twelve months ended December 31		
($ thousands)	2023	2022	% change	2023	2022	% change
Interest expense	29,460	34,092	(14)	126,683	119,277	6

Interest expenses were incurred on the Company's Credit Facility, the United States dollar denominated unsecured Senior Notes (the "Senior Notes") prior to redemption, the Term Facility, capital lease, and other obligations.

Interest expense increased by six percent for the year ended December 31, 2023, compared with the same period in 2022. The increase in expense compared to 2022 is the result of the Company being subject to higher interest rates in the first half of the year and the foreign exchange rate impact on the USD translation. As the Company's financial position and debt metrics improve, the interest rate under the Company's Credit Facility are expected to further decrease. For the three months ended December 31, 2023, interest expense decreased 14 percent to $29.5 million compared with the fourth quarter of 2022 due to lower interest rates and overall debt.

INCOME TAX (RECOVERY)

	Three months ended December 31			Twelve months ended December 31		
($ thousands)	2023	2022	% change	2023	2022	% change
Current income tax	2,952	2,439	21	4,909	995	nm
Deferred income tax (recovery)	(3,908)	1,720	nm	1,090	(15,854)	nm
Total income tax (recovery)	(956)	4,159	nm	5,999	(14,859)	nm
Effective income tax rate (%)	(3.1)	25.8		12.6	233.2	

nm - calculation not meaningful

The effective income tax rate for the year ended December 31, 2023 was 12.6 percent compared with 233.2 percent for the year ended December 31, 2022. The effective tax rate was impacted by operating earnings 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		
	2023	2022	% change	2023	2022	% change
Cash provided by operating activities	115,606	121,497	(5)	492,517	319,962	54
Funds flow from operations	110,231	110,361	-	464,882	371,956	25
Funds flow from operations per common share	$ 0.60	$ 0.65	(8)	$ 2.53	$ 2.12	19
Working capital	15,780	(707,800)	nm	15,780	(707,800)	nm

nm - calculation not meaningful

For the year ended December 31, 2023, the Company generated funds flow from operations of $464.9 million ($2.53 per common share) an increase of 25 percent from $372.0 million ($2.12 per common share) for the year ended December 31, 2022. The Company generated funds flow from operations of $110.2 million ($0.60 per common share) in the three months ended December 31, 2023, compared with $110.4 million ($0.65 per common share) for the three months ended December 31, 2022. The increase in funds flow from operations in 2023 compared with 2022 is largely due to the increase in revenue rates compared to the prior year as a result of the oil and natural gas industry's generally positive operating environment.

As of December 31, 2023, the Company's working capital was a surplus of $15.8 million, compared with a working capital deficit of $707.8 million as of December 31, 2022. The change in working capital year-over-year was largely due to its Credit Facility being reclassified as long-term, following an amended and restated credit agreement. The Company's Credit Facility provides for total borrowings of $900.0 million of which $54.1 million was undrawn and available at December 31, 2023.

INVESTING ACTIVITIES

	Three months ended December 31			Twelve months ended Decemb		
($ thousands)	2023	2022	% change	2023	2022	% cha
Purchase of property and equipment	(31,558)	(41,239)	(23)	(175,841)	(174,393)	1
Proceeds from disposals of property and equipment	2,787	608	nm	15,132	47,544	(68)
Distribution to non-controlling interest	-	-	nm	-	(1,852)	nm
Net change in non-cash working capital	6,364	(8,717)	nm	8,081	7,244	12
Cash used in investing activities	(22,407)	(49,348)	(55)	(152,628)	(121,457)	26

nm - calculation not meaningful

Net purchases of property and equipment during the fiscal year ending 2023 totaled $160.7 million (2022 - $126.8 million) and net purchases of property and equipment totaled $28.8 million for the fourth quarter (2022 - $40.6 million). The purchase of property and equipment relates primarily to $159.7 million in maintenance capital and $16.1 million in upgrade capital (2022 - $105.6 million and $68.8 million, respectively).

FINANCING ACTIVITIES

	Three months ended December 31			Twelve months ended December 31		
($ thousands)	2023	2022	% change	2023	2022	% change
Proceeds from long-term debt	19,968	19,968	-	611,686	71,158	nm
Repayments of long-term debt	(82,374)	(18,068)	nm	(829,308)	(101,080)	nm
Lease obligation principal repayments	(2,207)	(6,190)	(64)	(14,506)	(12,263)	18
Interest paid	(50,799)	(47,774)	6	(132,221)	(118,110)	12
Purchase of common shares held in trust	(488)	(623)	(22)	(1,931)	(1,750)	10
Cash used in financing activities	(115,900)	(52,687)	nm	(366,280)	(162,045)	nm

nm - calculation not meaningful

As at December 31, 2023, the amount of available borrowings under the Credit Facility was $54.1 million. Concurrent with the closing of the amended and restated existing credit agreement on October 13, 2023, the letter of credit facility was reduced from US $50.0 million to the outstanding balance, which was US $44.6 million, at the time. In addition, the outstanding letter of credits will be reduced by the amounts of the letter of credits that expire. The Company does have the ability to issue letters of credit through the Credit Facility.

On October 13, 2023, the Company amended and restated its existing credit agreement with its syndicate of lenders, which provides a revolving Credit Facility and a three year $369.0 million Term Facility. The amendments include an extension to the maturity date of the $900.0 million Credit Facility to the earlier of (i) the date that is six months prior to the earliest maturity of any future Senior Notes, and (ii) October 13, 2026. The Credit Facility includes a reduction of the facility by $50.0 million at the end of the second quarter of 2024, a $75.0 million reduction at the end of the fourth quarter of 2024 and a further reduction of $75.0 million by the end of the second quarter of 2025. The final size of the Credit Facility will then be $700.0 million.

The Term Facility requires repayments of at least $27.7 million each quarter beginning in the first quarter of 2024 to the fourth quarter 2025; and then repayments of at least $36.9 million each quarter from the first quarter 2026 to the third quarter 2026.

The amended and restated Credit Facility provides the Company with continued access to revolver capacity in a dynamic industry environment.

In December 2023, the Company redeemed the entire outstanding principal amount of the Senior Notes, at a price of 100% plus accrued interest to date of redemption.

The current capital structure of the Company consisting of the Credit Facility and the Term Facility, 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.

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, 2023:

	Covenant	December 31, 2023
The Credit Facility		
Consolidated Net Debt to Consolidated EBITDA[1]	? 4.00	2.46
Consolidated EBITDA to Consolidated Interest Expense[1,2]	? 2.50	3.95
Consolidated Net Senior Debt to Consolidated EBITDA[1,3]	? 2.50	2.44

[1]Consolidated Net Debt is defined as consolidated total debt, less cash and cash equivalent. 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.

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

[3] Consolidated Net Senior Debt is defined as Consolidated Total Debt minus subordinated debt, cash and cash equivalent.

As at December 31, 2023 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 Consolidated Net Debt to Consolidated EBITDA ratio, a Consolidated EBITDA to Consolidated Interest Expense ratio and a Consolidated Net Senior Debt to Consolidated EBITDA ratio.

OUTLOOK

Industry Overview

The outlook for oilfield services continues to be constructive despite volatile commodity prices and macroeconomic pressures. Geopolitical tensions and hostilities in areas of the Middle East and the ongoing Russia-Ukraine conflict continue to impact global commodity prices. In addition, these factors continue to add uncertainty to the outlook for crude oil supply and commodity prices over the short-term.

Constructively, the outlook for global demand for crude oil continues to forecast year-over-year growth. Furthermore, OPEC+ nations continue to monitor the oil markets and are expected to maintain moderated supply over the short-term. Global crude prices remained range bound over the fourth quarter and into the first quarter of 2024, due in part to the hostilities in the Middle East, with the benchmark price of West Texas Intermediate ("WTI") averaging US $78/bbl in November, $72/bbl in December, and $74/bbl in January.

Over the short-term, volatile commodity prices have impacted the industry rig count in North America and reinforced customer discipline with capital programs. Furthermore, there have been several recent oil and gas sector mergers and acquisitions ("M&A") in both the Canadian and the US operating regions that have impacted drilling programs over the short-term. Over the long-term, the Company expects customer consolidation to be positive for oilfield services activity and facilitate relatively consistent drilling programs.

In 2024, the Company expects positive oil prices to support relatively steady oilfield services activity in order to maintain or potentially grow production, especially so in consideration of well productivity declines and low drilled but uncompleted ("DUC") well inventory in certain producing areas in the United States. In addition, the Company remains optimistic regarding Canadian drilling activity with the completion of the Trans Mountain oil pipeline expansion project and the completion of the Coastal GasLink pipeline expected in 2024. In additional, several liquefied natural gas ("LNG") projects, including LNG Canada, are expected to support activity over the medium-to-long term.

The Company remains committed to disciplined capital allocation and debt repayment. The Company successfully reached the targeted $200.0 million debt reduction in 2023 and has targeted approximately another $200.0 million in debt reduction for the 2024 year. In addition, from the period beginning 2023 to the end of 2025, the Company reaffirms its targeted debt reduction of approximately $600.0 million. If industry conditions change, these targets may be increased or decreased.

The Company has budgeted base capital expenditures for 2024 of approximately $147.0 million primarily related to maintenance expenditures. In addition to the maintenance expenditures, the Company may continue to consider rig relocation, upgrade, or growth projects in response to customer demand and under appropriate contract terms.

Canadian Activity

Canadian activity, representing 25 percent of total revenue in 2023, increased in the fourth quarter of 2023 compared to the third quarter of 2023 as operations entered the winter drilling season. Activity in Canada is expected to increase in first quarter of 2024 due to positive market conditions over the winter drilling months. In the Canadian market, additional pipeline capacity and general market conditions are expected to support positive activity in 2024.

As of February 29, 2024, of our 117 marketed Canadian drilling rigs, approximately 46 percent are engaged under term contracts of various durations. Approximately 31 percent of our contracted rigs have a remaining term of sx months or longer, although they may be subject to early termination.

United States Activity

United States activity, representing 58 percent of total revenue in 2023, declined modestly in the fourth quarter of 2023 compared to the third quarter of 2023 largely as a result of customer M&A activity and depressed 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 of the Company's United States operations are expected to remain steady in the first quarter of 2024.

As of February 29, 2024, of our 83 marketed United States drilling rigs, approximately 51 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 17 percent of total revenue in 2023, remained steady in the fourth quarter of 2023 and is expected to improve in the first quarter of 2024. Currently, the Company has three rigs active in Oman, two rigs active in Bahrain and two rigs active in Kuwait. The financial and operational performances of all seven active rigs in the Company's Middle East segment are expected to remain steady in the first quarter of 2024.

Activity in Australia remained steady in the fourth quarter of 2023 and is expected to remain steady at seven rigs active in the first quarter of 2024. Operations in Argentina, with two rigs active, are expected remain steady in the first quarter of 2024. Operations in Venezuela will improve in 2024, with one rig activating in the first quarter of 2024.

As of February 29, 2024, of our 32 marketed international drilling rigs, approximately 56 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.

RISKS 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, 2023, which will be available under the Company's SEDAR+ profile at www.sedarplus.com.

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 described in 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 fourth quarter 2023 results at 10:00 a.m. MST (12:00 p.m. EST) on Friday, March 1, 2024. The conference call number is 1-416-764-8659 (in Toronto) or 1-888-664-6392 (outside Toronto). The conference call ID is: 76291114. A recording will be available until March 8, 2024 by dialing 1-416-764-8677 (in Toronto) or 1-888-390-0541 (outside Toronto) and entering the reservation number 291114#. 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 2023	December 31 2022
(Unaudited - in thousands of Canadian dollars)		
Assets		
Current Assets		
Cash	$ 20,501	$ 49,880
Accounts receivable	304,544	359,933

Inventories, prepaid, investments and other	56,809	60,758
Income taxes receivable	-	40
Total current assets	381,854	470,611
Property and equipment	2,356,487	2,516,923
Deferred income taxes	209,645	196,370
Total assets	$ 2,947,986	$ 3,183,904
Liabilities		
Current Liabilities		
Accounts payable and accruals	$ 231,838	$ 268,243
Share-based compensation	11,014	11,735
Income taxes payable	4,176	4,423
Current portion of lease obligations	8,346	11,324
Current portion of long-term debt	110,700	882,686
Total current liabilities	366,074	1,178,411
Lease obligations	11,589	5,948
Long-term debt	1,099,649	556,889
Share-based compensation	6,606	13,635
Income taxes payable	8,809	5,394
Deferred income taxes	146,497	134,857
Total liabilities	1,639,224	1,895,134
Shareholders' Equity		
Shareholder's capital	267,482	267,790
Contributed surplus	23,750	23,398
Accumulated other comprehensive income	254,765	276,053
Retained earnings	762,765	721,529
Total shareholders' equity	1,308,762	1,288,770
Total liabilities and shareholders' equity	$ 2,947,986	$ 3,183,904

Ensign Energy Services Inc.

Consolidated Statements of Income

	Three months ended		Twelve months ended	
	December 31 2023	December 31 2022	December 31 2023	December 31 2022
(Unaudited - in thousands of Canadian dollars, except per share data)				
Revenue	$ 430,540	$ 467,980	$ 1,791,767	$ 1,577,329
Expenses				
Oilfield services	286,629	325,247	1,243,558	1,155,083
Depreciation	77,696	73,032	307,343	281,137
General and administrative	14,913	12,770	57,976	48,628
Share-based compensation	(5,491)	11,662	2,344	19,711
Foreign exchange and other (gain) loss	(6,010)	(9,612)	3,768	(19,587)
Total expenses	367,737	413,099	1,614,989	1,484,972
Income before interest expense, accretion of deferred financing charges, other losses (gains) and income taxes	62,803	54,881	176,778	92,357
Loss (gain) on asset sale	108	2,451	(6,476)	(29,347)
Interest expense	29,460	34,092	126,683	119,277
Accretion of deferred financing charges	2,273	2,199	8,872	8,800
Income (loss) before income tax	30,962	16,139	47,699	(6,373)
Income tax (recovery)				
Current income tax	2,952	2,439	4,909	995
Deferred income tax (recovery)	(3,908)	1,720	1,090	(15,854)
Total income tax (recovery)	(956)	4,159	5,999	(14,859)
Net income	31,918	11,980	41,700	8,486
Net income (loss) attributable to:				
Common shareholders	31,922	11,897	41,236	8,128
Non-controlling interests	(4)	83	464	358
	$ 31,918	$ 11,980	$ 41,700	$ 8,486
Net income attributable to common shareholders per common share				
Basic	$ 0.17	$ 0.07	$ 0.22	$ 0.05
Diluted	$ 0.18	$ 0.07	$ 0.22	$ 0.05

Ensign Energy Services Inc.

Consolidated Statements of Cash Flows

	Three months ended		Twelve months ended	
(Unaudited - in thousands of Canadian dollars)	December 31 2023	December 31 2022	December 31 2023	December 31 2022
Cash provided by (used in)				
Operating activities				
Net income	$ 31,918	$ 11,980	$ 41,700	$ 8,486
Items not affecting cash				
Depreciation	77,696	73,032	307,343	281,137
Share-based compensation, net of cash settlements	(8,179)	11,452	(8,136)	17,765
Loss (gain) in asset sale	108	2,451	(6,476)	(29,347)
Unrealized foreign exchange and other gain	(19,137)	(26,565)	(6,194)	(18,308)
Accretion on deferred financing charges	2,273	2,199	8,872	8,800
Interest expense	29,460	34,092	126,683	119,277
Deferred income tax recovery	(3,908)	1,720	1,090	(15,854)
Funds flow from operations	110,231	110,361	464,882	371,956
Net change in non-cash working capital	5,375	11,136	27,635	(51,994)
Cash provided by operating activities	115,606	121,497	492,517	319,962
Investing activities				
Purchase of property and equipment	(31,558)	(41,239)	(175,841)	(174,393)
Proceeds from disposals of property and equipment	2,787	608	15,132	47,544
Distribution to non-controlling interest	-	-	-	(1,852)
Net change in non-cash working capital	6,364	(8,717)	8,081	7,244
Cash used in investing activities	(22,407)	(49,348)	(152,628)	(121,457)
Financing activities				
Proceeds from long-term debt	19,968	19,968	611,686	71,158
Repayments of long-term debt	(82,374)	(18,068)	(829,308)	(101,080)
Lease obligation principal repayments	(2,207)	(6,190)	(14,506)	(12,263)
Interest paid	(50,799)	(47,774)	(132,221)	(118,110)
Purchase of common shares held in trust	(488)	(623)	(1,931)	(1,750)
Cash used in financing activities	(115,900)	(52,687)	(366,280)	(162,045)

Net (decrease) increase in cash	(22,701)	19,462	(26,391)	36,460
Effects of foreign exchange on cash	(3,875)	424	(2,988)	115
Cash - beginning of period	47,077	29,994	49,880	13,305
Cash - end of period	$ 20,501	$ 49,880	$ 20,501	$ 49,880

Ensign Energy Services Inc.
Non-GAAP Measures

Adjusted EBITDA, Adjusted EBITDA per common share, working capital and Consolidated EBITDA. These non-GAAP 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.

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 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 31	
($ thousands)	2023	2022	2023	2022
Income (loss) before income taxes	30,962	16,139	47,699	(6,373)
Add-back/(deduct)				
Interest expense	29,460	34,092	126,683	119,277
Accretion of deferred financing charges	2,273	2,199	8,872	8,800
Depreciation	77,696	73,032	307,343	281,137
Share-based compensation	(5,491)	11,662	2,344	19,711
Loss (gain) on asset sale	108	2,451	(6,476)	(29,347)
Foreign exchange and other (gain) loss	(6,010)	(9,612)	3,768	(19,587)
Adjusted EBITDA	128,998	129,963	490,233	373,618

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", "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 "Financial Instruments" section regarding Venezuela and information provided in the "Outlook" section regarding the general outlook for 2024 and beyond, are examples of forward-looking statements.

Forward-looking 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 which 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; royalty regimes and effects of regulation by government agencies; 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; future operating costs; the general stability of the economic and political environments in the jurisdictions where we operate; inflation, interest rate and exchange rate expectations; pandemics; and impacts of geopolitical events such as the hostilities in the Middle East and between Ukraine and the Russian Federation, and the global community responses thereto; that the Company will have sufficient cash flow, debt or equity sources or other financial resources required to fund its ?capital and operating expenditures and requirements as needed; that the Company's conduct and results of ?operations will be consistent with its expectations; and other matters?

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; determinations the 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 its 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; risks associated with acquisitions and ability to successfully integrate acquisitions; risks associated with internal controls over financial reporting; the impact of the ongoing hostilities in the Middle East and between Ukraine and the Russian Federation and the global community responses thereto; the results of the upcoming United States presidential and congressional elections 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, pandemic mitigation strategies and the impact thereof upon the Company, its customers and its business, ongoing hostilities in the Middle East and 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 conflicts, including the impact of shipping through the Red Sea and governmental energy policies, laws, rules or regulations that limit, restrict or impede exploration, development, production, transportation or consumption of hydrocarbons and/or incentivize development, production, transportation or consumption of alternative fuel or energy sources.

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 available on SEDAR+ at www.sedarplus.ca. 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.

SOURCE Ensign Energy Services Inc.

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