Ensign Energy Services Inc. Reports 2024 First Quarter Results

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CALGARY, May 6, 2024 -

FIRST QUARTER HIGHLIGHTS

- Revenue for the first quarter of 2024 was $431.3 million, an 11 percent decrease from the first quarter of 2023 revenue of $484.1 million.
- Revenue by geographic area:
    - Canada - $138.5 million, 32 percent of total;
    - United States - $208.4 million, 48 percent of total; and
    - International - $84.4 million, 20 percent of total.
- Adjusted EBITDA for the first quarter of 2024 was $117.5 million, an eight percent decrease from Adjusted EBITDA of $127.3 million for the first quarter of 2023.
- Funds flow from operations for the first quarter of 2024 decreased eight percent to $108.4 million from $118.3 million in first quarter of the prior year.
- Net loss attributed to common shareholders for the first quarter of 2024 was $1.2 million, down from net income attributed to common shareholders of $4.2 million for the first quarter of 2023.

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

	Three months ended March 31		
	2024	2023	% change
Revenue	431,307	484,052	(11)
Adjusted EBITDA [1]	117,456	127,324	(8)
Adjusted EBITDA per common share [1]			
Basic	$ 0.64	$ 0.69	(7)
Diluted	$ 0.64	$ 0.69	(7)
Net (loss) income attributable to common shareholders	(1,217)	4,241	nm
Net (loss) income attributable to common shareholders per common share			
Basic	$ (0.01)	$ 0.02	nm
Diluted	$ (0.01)	$ 0.02	nm
Cash provided by operating activities	93,878	104,574	(10)
Funds flow from operations	108,438	118,291	(8)
Funds flow from operations per common share			
Basic	$ 0.59	$ 0.64	(8)
Diluted	$ 0.59	$ 0.64	(9)
Total debt, net of cash	1,176,226	1,360,639	(14)
Weighted average common shares - basic (000s)	183,794	183,828	-
Weighted average common shares - diluted (000s)	184,510	185,476	(1)

nm - calculation not meaningful

[1] Please refer to Adjusted EBITDA calculation in Non-GAAP Measures.

- Canadian drilling recorded 3,752 operating days in the first quarter of 2024, compared to 3,800 operating days in the first quarter of 2023, a decrease of one percent. Canadian well servicing recorded 11,926 operating hours in the first quarter of 2024, a 13 percent decrease from 13,776 operating hours in the first quarter of 2023.
- United States drilling recorded 3,134 operating days in the first quarter of 2024, a 32 percent decrease from 4,617 operating days in the first quarter of 2023. United States well servicing recorded 26,251 operating hours in the first quarter of 2024, a six percent decrease from 27,917 operating hours in the first quarter of 2023.
- International drilling recorded 1,319 operating days in the first quarter of 2024, a 19 percent increase from 1,104 operating days recorded in first quarter of 2023.

OPERATING HIGHLIGHTS
(Unaudited)

	Three months ended March 31		
	2024	2023	% change
Drilling			
Number of marketed rigs			
Canada [1]	94	114	(18)
United States	77	85	(9)
International [2]	31	32	(3)
Total	202	231	(13)
Operating days [3]			
Canada [1]	3,752	3,800	(1)
United States	3,134	4,617	(32)
International [2]	1,319	1,104	19
Total	8,205	9,521	(14)

Well Servicing	2024	2023	% change
Number of rigs			
Canada	45	47	(4)
United States	47	47	-
Total	92	94	(2)
Operating hours			
Canada	11,926	13,776	(13)
United States	26,251	27,917	(6)
Total	38,177	41,693	(8)

1. Excludes coring rigs.
2. Includes workover rigs.
3. Defined as contract drilling days, between spud to rig release.

- Interest expense in the first quarter of 2024 was $26.5 million, a decrease of 23 percent from the first quarter of 2023 as a result of lower debt levels and improved interest rates based on improving debt metrics.
- Total debt, net of cash, was reduced by $13.6 million since December 31, 2023.
- Our debt reduction for 2024 is targeted to be approximately $200.0 million. Our target debt reduction for the period beginning 2023 to the end of 2025 is approximately $600.0 million. If industry conditions change, this target could be increased or decreased.

FINANCIAL POSITION HIGHLIGHTS

As at ($ thousands)	March 31	March 31	December 31
	2024	2023	2023
Working capital [1, 2]	39,414	(678,115)	15,780
Cash	39,108	44,850	20,501
Total debt, net of cash	1,176,226	1,360,639	1,189,848
Total assets	2,982,714	3,144,424	2,947,986
Total debt to total debt plus equity ratio	0.48	0.52	0.48

[1] See Non-GAAP Measures section.

[2] Change in working capital (deficit) from March 31, 2024 to March 31, 2023, was largely due to the Company's revolving credit facility being classified as current

- Net capital purchases for the quarter were $51.5 million, consisting of $1.8 million in upgrade capital and $53.0 million in maintenance capital, offset by sale proceeds of $3.3 million. Capital expenditures for 2024 are targeted to be approximately $147.0 million, primarily related to maintenance expenditures and selective growth projects. In addition, the Company may consider other upgrade or growth projects in response to customer demand and appropriate contract terms.
- General and administrative expense increased four percent and totaled $15.1 million in the first quarter of 2024, compared with $14.5 million in the first quarter of 2023.

CAPITAL EXPENDITURES HIGHLIGHTS

	Three months ended March 31		
($ thousands)	2024	2023	% change
Capital expenditures			
Upgrade/growth	1,770	8,256	(79)
Maintenance	52,999	41,623	27
Proceeds from disposals of property and equipment	(3,271)	(155)	nm
Net capital expenditures (proceeds)	51,498	49,724	4

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 three months ended March 31, 2024 was $431.3 million, a decrease of 11 percent from revenue for the three months ended March 31, 2023 of $484.1 million. Adjusted EBITDA totaled $117.5 million ($0.64 per common share) in the first quarter of 2024, eight percent lower than Adjusted EBITDA of $127.3 million ($0.69 per common share) in the first quarter of 2023.

Net loss attributable to common shareholders for the three months ended March 31, 2024 was $1.2 million ($0.01 per common share), compared with net income attributable to common shareholders of $4.2 million ($0.02 per common share) for the three months ended March 31, 2023.

Funds flow from operations decreased eight percent to $108.4 million ($0.59 per common share) in the first quarter of 2024 compared with $118.3 million ($0.64 per common share) in the first quarter of the prior year.

The outlook for oilfield services continues to be constructive despite the year-over-year decline in oilfield services activity in certain operating regions. Depressed natural gas 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 natural gas customer mergers and acquisitions ("M&A") in both the Canadian and the US operating regions that have impacted drilling programs over the short-term. However, despite these short-term headwinds, demand for crude oil continues to improve year-over-year. Moreover, OPEC+ nations continue to exercise production and supply discipline in response to market conditions.

Over the near term, geopolitical tensions, hostilities in areas of the Middle East, and the ongoing Russia-Ukraine conflict continue to impact global commodity prices and add uncertainty to the outlook for crude oil supply and commodity prices over the short-term.

The Company's operating days were lower in the first quarter of 2024 when compared with the first quarter of 2023 as operations were negatively impacted by the above-mentioned customer M&A activity and customer discipline with regard to their capital programs.

The average United States dollar exchange rate was $1.35 for the first three months of 2024 (2023 - $1.35), consistent with the first quarter of 2023.

Working capital at March 31, 2024 was $39.4 million compared to $15.8 million at December 31, 2023. The increase to working capital is the result of higher operating activity compared to the fourth quarter of 2023. At the end of the first quarter 2024, the Company's available liquidity, consisting of cash and available borrowings under its $900.0 million revolving credit facility (the "Credit Facility"), totaled $60.9 million compared with $74.6 million at December 31, 2023.

REVENUE AND OILFIELD SERVICES EXPENSE

	Three months ended March 31		
($ thousands)	2024	2023	% change
Revenue			
Canada	138,478	140,116	(1)
United States	208,435	274,553	(24)
International	84,394	69,383	22
Total revenue	431,307	484,052	(11)
Oilfield services expense	298,790	342,199	(13)

Revenue for the three months ended March 31, 2024 totaled $431.3 million, a decrease of 11 percent from the first quarter of 2023 of $484.1 million.

The decrease in total revenue during the first quarter of 2024 was primarily due to volatile commodity prices impacting drilling activity and reducing the industry rig count in North America, resulting in reinforced customer discipline with regard to capital programs. Furthermore, recent M&A activity in the oil and natural gas sector in both the Canadian and the US operating regions has impacted drilling programs over the short-term.

CANADIAN OILFIELD SERVICES

The Company recorded revenue of $138.5 million in Canada for the three months ended March 31, 2024, a decrease of one percent from $140.1 million recorded for the three months ended March 31, 2023. Canadian revenues accounted for 32 percent of the Company's total revenue in the first quarter of 2024 (2023 - 29 percent).

The financial results for the Company's Canadian operations for the first quarter 2024 were generally flat along with operating activity, and likely reflect both recent customer M&A activity and customer capital discipline.

For the three months ended March 31, 2024, the Company recorded 3,752 drilling days compared to 3,800 drilling days for the three months ended March 31, 2023, a decrease of one percent. Well servicing hours decreased by 13 percent to 11,926 operating hours in the first quarter of 2024 compared with 13,776 operating hours in the corresponding period of 2023.

During the first quarter of 2024, the Company transferred 23 under-utilized Canadian drilling rigs into its operations reserve fleet.

UNITED STATES OILFIELD SERVICES

During the three months ended March 31, 2024, revenue of $208.4 million was recorded by the Company's United States operations, a decrease of 24 percent from the $274.6 million recorded in the corresponding period of the prior year. The United States operations accounted for 48 percent of the Company's revenue in the first quarter of 2024 (2023 - 57 percent).

Drilling days decreased by 32 percent to 3,134 drilling days in the first quarter of 2024 from 4,617 drilling days in the first quarter of 2023. Well servicing hours decreased by six percent in the first quarter of 2024 to 26,251 operating hours from 27,917 operating hours in the first quarter of 2023.

Operating and financial results for the Company's United States operations were impacted by the recent customer M&A activity and customer capital discipline.

During the first quarter of 2024, the Company transferred six under-utilized United States drilling rigs into its reserve fleet.

INTERNATIONAL OILFIELD SERVICES

The Company's international operations recorded revenue of $84.4 million in the first quarter of 2024, a 22 percent increase from the $69.4 million recorded in the corresponding period of the prior year. The Company's international operations contributed 20 percent of the Company's total revenue in the first quarter of 2024 (2023 - 14 percent).

For the three months ended March 31, 2024, international operating days totaled 1,319 operating days compared with 1,104 days for the three months ended March 31, 2023, an increase of 19 percent.

Operating and financial results from international operations reflect positive industry conditions, supporting increased drilling activity and rig revenue rates. In addition, operational activity increased year-over-year as a result of a third Company drilling rig in Oman commencing operations in the second quarter of 2023 and one Company drilling rig in Venezuela commencing a drilling program in the first quarter of 2024.

During the first quarter of 2024, the Company transferred one under-utilized international drilling rig into its operations reserve fleet.

DEPRECIATION

	Three months ended March 31		
($ thousands)	2024	2023	% change
Depreciation	88,253	77,855	13

Depreciation totaled $88.3 million for the first quarter of 2024 compared to $77.9 million for the first quarter of 2023. The increase in depreciation primarily is the result of drilling rigs moving into the reserve fleet at the beginning of the year, which are depreciated on an accelerated basis.

GENERAL AND ADMINISTRATIVE

	Three months ended March 31		
($ thousands)	2024	2023	% change
General and administrative	15,061	14,529	4
% of revenue	3.5	3.0	

General and administrative expenses increased four percent to $15.1 million (3.5 percent of revenue) for the first quarter of 2024 compared to $14.5 million (3.0 percent of revenue) for the first quarter of 2023. General and administrative expenses increased due to annual wage increases and higher non-recurring fees.

FOREIGN EXCHANGE LOSS AND OTHER

	Three months ended March 31		
($ thousands)	2024	2023	% change
Foreign exchange loss and other	4,884	5,026	(3)

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 March 31		
($ thousands)	2024	2023	% change
Interest expense	26,480	34,398	(23)

Interest expense was incurred on the Company's Credit and Term Facilities, capital leases and other obligations.

Interest expense decreased by $7.9 million in the first quarter of 2024 compared to the same period in 2023 as a result of lower debt levels and interest rates based on improving debt metrics.

INCOME TAX (RECOVERY)

	Three months ended March 31		
($ thousands)	2024	2023	% change
Current income tax	1,154	401	nm
Deferred income tax (recovery)	(4,771)	1,360	nm
Total income tax (recovery)	(3,617)	1,761	nm
Effective income tax rate (%)	77.7	28.3	

nm - calculation not meaningful

The effective income tax rate for the three months ended March 31, 2024 was 77.7 percent compared with 28.3 percent for the three months ended March 31, 2023. The effective income tax rate in the first quarter of the current year was higher than the effective income tax rate in the first quarter of 2023 due to the impact of operating earnings in foreign jurisdictions and unrealized foreign exchange gains on foreign investments.

FUNDS FLOW FROM OPERATIONS AND WORKING CAPITAL

($ thousands, except per common share amounts)	Three months ended March 31		
	2024	2023	% change
Cash provided by operating activities	93,878	104,574	(10)
Funds flow from operations	108,438	118,291	(8)
Funds flow from operations per common share	$ 0.59	$ 0.64	(8)
Working capital [1]	39,414	15,780	nm

nm - calculation not meaningful

[1] Comparative figure as of December 31, 2023

For the three months ended March 31, 2024, the Company generated funds flow from operations of $108.4 million ($0.59 per common share) a decrease of eight percent from $118.3 million ($0.64 per common share) for the three months ended March 31, 2023. The decrease in funds flow from operations in 2024 compared to 2023 is largely due to the decrease in activity compared to the prior period.

As at March 31, 2024 the Company's working capital was $39.4 million, compared to $15.8 million at December 31, 2023. The increase to working capital is the result of higher operating activity compared to the fourth quarter of 2023.

The Company's existing bank facility provides for total borrowings of $900.0 million of which $21.8 million was undrawn and available at March 31, 2024 (December 31, 2023 - $54.1 million).

INVESTING ACTIVITIES

	Three months ended March 31		
($ thousands)	2024	2023	% change
Purchase of property and equipment	(54,769)	(49,879)	10
Proceeds from disposals of property and equipment	3,271	155	nm
Net change in non-cash working capital	17,796	7,538	nm
Cash provided by (used in) investing activities	(33,702)	(42,186)	(20)

nm - calculation not meaningful

Net purchases of property and equipment for the first quarter of 2024 totaled $51.5 million (2023 - net proceeds of $49.7 million). The purchase of property and equipment for the first three months of 2024 consists of $53.0 million in maintenance capital and $1.8 million in upgrade capital.

FINANCING ACTIVITIES

	Three months ended March 31		
($ thousands)	2024	2023	% change
Proceeds from long-term debt	43,474	8,262	nm
Repayments of long-term debt	(54,898)	(43,905)	25
Lease obligation principal repayments	(2,287)	(8,944)	(74)
Purchase of common shares held in trust	(582)	(535)	9
Issuance of common shares under the share option plan	48	-	nm
Interest paid	(27,503)	(22,769)	21
Cash used in financing activities	(41,748)	(67,891)	(39)

nm - calculation not meaningful

As at March 31, 2024, the amount of available borrowings under the Credit Facility was $21.8 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 that 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.

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 associated calculations as at March 31, 2024:

	Covenant	March 31, 2024
The Credit Facility		
Consolidated Net Debt to Consolidated EBITDA [1]	≤ 4.00	2.48
Consolidated EBITDA to Consolidated Interest Expense[1,2]	≥ 2.50	4.13
Consolidated Net Senior Debt to Consolidated EBITDA[1,3]	≤ 2.50	2.46

[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 March 31, 2024 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 and supports steady demand for services. Global demand for crude oil continues to grow year-over-year. Furthermore, OPEC+ nations continue to monitor the oil markets and are expected to maintain moderated supply over the near-term. Geopolitical tensions, hostilities in areas of the Middle East, and the ongoing Russia-Ukraine conflict continue to impact global commodity prices and add uncertainty to the outlook for crude oil supply and commodity prices over the short-term. Global crude prices improved in first quarter and into the second quarter of 2024, due in part to geopolitical tensions and resilient global oil demand. The benchmark price of West Texas Intermediate ("WTI") averaged US $77/bbl in February, $81/bbl in March, and $84/bbl in April.

Over the short-term, depressed natural gas prices have negatively impacted the industry rig count in North America and reinforced customer discipline with capital programs. Furthermore, recent oil and natural gas customer M&A activity in both the Company's Canadian and the US operating regions has adversely impacted drilling programs over the short-term. Over the long-term, the Company expects customer consolidation will generally be positive for oilfield services activity and may also 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 addition, several liquefied natural gas ("LNG") projects, including LNG Canada, are expected to support increased activity over the medium-to-long term.

The Company remains committed to disciplined capital allocation and debt repayment. The Company has targeted approximately $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 32 percent of total revenue in the first quarter of 2024, increased in the first quarter of 2024 compared to the fourth quarter of 2023 as operations entered the winter drilling season. Activity in Canada is expected to decrease in the second quarter of 2024 due to seasonal spring break-up. In the Canadian market, scheduled additional pipeline and transportation capacity and positive market conditions are expected to support improved activity in 2024.

As of May 3, 2024, of our 94 marketed Canadian drilling rigs, approximately 45 percent are engaged under term contracts of various durations. Approximately 55 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 48 percent of total revenue in the first quarter of 2024, remained steady in the first quarter of 2024 compared to the fourth quarter of 2023. US activity is expected to remain relatively consistent in the second quarter of 2024, largely as a result of recent customer M&A activity and continued 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 near term.

As of May 3, 2024, of our 77 marketed United States drilling rigs, approximately 48 percent are engaged under term contracts of various durations. Approximately 19 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 20 percent of total revenue in the first quarter of 2024, was stable in the first quarter of 2024 and is expected to remain steady in the second 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 second quarter of 2024.

Activity in Australia remained steady at seven rigs in the first quarter of 2024 and is expected to improve modestly to eight active rigs in the second quarter of 2024.

Operations in Argentina remained steady with two rigs active in the first quarter of 2024 and are expected to decline, by one rig, in the second quarter. Operations in Venezuela, which were dormant for several years, were resumed in the first quarter with one rig reactivated and are expected to remain steady, at one active rig, in the second quarter of 2024.

As of May 3, 2024, of our 31 marketed international drilling rigs, approximately 58 percent, were engaged under term contracts of various durations. Approximately 61 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 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 are 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 first quarter 2024 results at 10:00 a.m. MDT (12:00 p.m. EDT) on Monday, May 6, 2024. The conference call number is 1-416-764-8659 (in Toronto) or 1-888-664-6392 (outside Toronto). The conference call reservation number is: 94456031. A recording will be available until May 13, 2024 by dialing 1-416-764-8677 (in Toronto) or 1-888-390-0541 (outside Toronto) and entering the reservation number 456031#. A live webcast 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.

Ensign Energy Services Inc.
Consolidated Statements of Financial Position

As at	March 31 2024	December 31 2023
(Unaudited - in thousands of Canadian dollars)		
Assets		
Current Assets		
Cash	$ 39,108	$ 20,501
Accounts receivable	315,601	304,544
Inventories, prepaid, investments and other	59,474	56,809
Total current assets	414,183	381,854
Property and equipment	2,357,201	2,356,487
Deferred income taxes	$ 211,330	$ 209,645
Total assets		

$ 2,982,714

$ 2,947,986

Liabilities		
Current Liabilities		
Accounts payable and accruals	$ 244,247	$ 231,838
Share-based compensation	6,642	11,014
Income taxes payable	5,320	4,176
Current portion of lease obligations	7,860	8,346
Current portion of long-term debt	110,700	110,700
Total current liabilities	374,769	366,074
Share-based compensation	5,528	6,606
Long-term debt	1,104,634	1,099,649
Lease obligations	13,935	11,589
Income tax payable	9,007	8,809
Deferred income taxes	146,836	146,497
Total liabilities	$ 1,654,709	$ 1,639,224
Shareholders' Equity		
Shareholders' capital	$ 268,970	$ 267,482
Contributed surplus	22,321	23,750
Accumulated other comprehensive income	275,166	254,765
Retained earnings	761,548	762,765
Total shareholders' equity	1,328,005	1,308,762
Total liabilities and shareholders' equity	$ 2,982,714	$ 2,947,986

Ensign Energy Services Inc.
Consolidated Statements of (Loss) Income

	Three mo
	March 31 2024
(Unaudited - in thousands of Canadian dollars, except per common share data)	
Revenue	$ 431,307
Expenses	
Oilfield services	298,790
Depreciation	88,253
General and administrative	15,061
Share-based compensation	3,825
Foreign exchange loss and other	4,884
Total expenses	410,813
Income before interest expense, accretion of deferred financing charges and other (gains) and income taxes	20,494
Gain on asset sale	(1,745)
Interest expense	26,480
Accretion of deferred financing charges	417
(Loss) income before income taxes	(4,658)
Income tax (recovery)	
Current income tax	1,154
Deferred income tax (recovery)	(4,771)
Total income tax (recovery)	(3,617)
Net (loss) income	(1,041)
Net (loss) income attributable to:	
Common shareholders	(1,217)
Non-controlling interests	176
	(1,041)
Net (loss) income attributable to common shareholders per common share	
Basic	$ (0.01)
Diluted	$ (0.01)

Ensign Energy Services Inc.
Consolidated Statements of Cash Flows

	Three months ended	
	March 31 2024	March 31 2023
(Unaudited - in thousands of Canadian dollars)		
Cash provided by (used in)		
Operating activities		
Net (loss) income	$ (1,041)	$ 4,467
Items not affecting cash		
Depreciation	88,253	77,855
Gain on asset sale	(1,745)	(108)
Share-based compensation, net of cash paid	(4,890)	(5,963)
Unrealized foreign exchange and other loss	5,735	4,082
Accretion of deferred financing charges	417	2,200
Interest expense	26,480	34,398
Deferred income tax (recovery) expense	(4,771)	1,360
Funds flow from operations	108,438	118,291
Net change in non-cash working capital	(14,560)	(13,717)
Cash provided by operating activities	93,878	104,574
Investing activities		
Purchase of property and equipment	(54,769)	(49,879)
Proceeds from disposals of property and equipment	3,271	155
Net change in non-cash working capital	17,796	7,538
Cash used in investing activities	(33,702)	(42,186)
Financing activities		
Proceeds from long-term debt	43,474	8,262
Repayments of long-term debt	(54,898)	(43,905)
Lease obligations principal repayments	(2,287)	(8,944)
Purchase of common shares held in trust	(582)	(535)
Issuance of common share under the share option plan	48	-
Interest paid	(27,503)	(22,769)
Cash used in financing activities	(41,748)	(67,891)
Net increase (decrease) in cash		

18,428

(5,503)

Effects of foreign exchange on cash	179	473
Cash		
Beginning of period	20,501	49,880
End of period	$ 39,108	$ 44,850

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 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 income as calculated in accordance with IFRS.

ADJUSTED EBITDA	Three months ended March 31	
($ thousands)	2024	2023
Loss (income) before income taxes	$ (4,658)	$ 6,228
Add-back/(deduct):		
Interest expense	26,480	34,398
Accretion of deferred financing charges	417	$ 2,200
Depreciation	88,253	77,855
Gain on asset sale	(1,745)	(108)
Share-based compensation	3,825	1,725
Foreign exchange loss and other	4,884	5,026
Adjusted EBITDA	$ 117,456	$ 127,324

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 "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 influence 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 that may affect the Company's business, assets, personnel, operations, revenues or 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.

Readers are cautioned that the lists of important factors contained herein are not exhaustive. For additional information on these and other factors that could affect the Company's business, operations or financial condition, refer to the "Risk Factors" section of the Company's Annual Information Form for the year ended December 31, 2023 available on SEDAR+ at www.sedarplus.ca.

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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