Ensign Energy Services Inc. Reports 2024 Second Quarter Results

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

	Three months ended June 30			Six months ended June 30		
	2024	2023	% change	2024	2023	% change
Revenue	$ 391,792	$ 432,770	(9)	$ 823,099	$ 916,822	(10)
Adjusted EBITDA [1]	100,222	116,616	(14)	217,678	243,940	(11)
Adjusted EBITDA per common share [1]						
Basic	$0.54	$0.64	(16)	$1.18	$1.33	(11)
Diluted	$0.54	$0.63	(14)	$1.18	$1.32	(11)
Net (loss) income attributable to common shareholders	(4,538)	10,302	nm	(5,755)	14,543	nm
Net (loss) income attributable to common shareholders per common share						
Basic	$(0.02)	$0.06	nm	$(0.03)	$0.08	nm
Diluted	$(0.02)	$0.06	nm	$(0.03)	$0.08	nm
Cash provided by operating activities	126,402	166,771	(24)	220,280	271,345	(19)
Funds flow from operations	98,250	116,764	(16)	206,688	235,055	(12)
Funds flow from operations per common share						
Basic	$0.53	$0.64	(17)	$1.12	$1.28	(13)
Diluted	$0.53	$0.63	(16)	$1.12	$1.27	(12)
Total debt, net of cash	1,119,127	1,277,197	(12)	1,119,127	1,277,197	(12)
Weighted average common shares - basic (000s)	183,894	183,944	-	183,941	183,931	-
Weighted average common shares - diluted (000s)	184,745	185,031	-	184,766	185,388	-

nm - calculation not meaningful

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

- Revenue for the second quarter of 2024 was $391.8 million, a nine percent decrease from the second quarter of 2023 revenue of $432.8 million.
- Revenue by geographic area:
  - Canada - $93.4 million, 24 percent of total;
  - United States - $208.6 million, 53 percent of total; and
  - International - $89.8 million, 23 percent of total.
- Adjusted EBITDA for the second quarter of 2024 was $100.2 million, a 14 percent decrease from Adjusted EBITDA of $116.6 million for the second quarter of 2023.
- Funds flow from operations for the second quarter of 2024 decreased 16 percent to $98.3 million from $116.8 million in the second quarter of the prior year.
- Net loss attributable to common shareholders for the second quarter of 2024 was $4.5 million, down from net income attributed to common shareholders of $10.3 million for the second quarter of 2023.
- During the second quarter of 2024, $78.9 million of debt was repaid and a total of $90.3 million was repaid during the first half of 2024. From January 1, 2023 to June 30, 2024, a total of $307.9 million of debt has been repaid leaving $292.1 million of the $600.0 million debt reduction target expected to be achieved by the end of 2025.
- Interest expense decreased by 19 percent to $25.5 million from $31.6 million. The decrease is the result of lower debt levels and reduced effective interest rates.

OPERATING HIGHLIGHTS
(Unaudited)

	Three months ended June 30			Six months ended June 30		
	2024	2023	% change	2024	2023	% change
Drilling	2024	2023	% change	2024	2023	% change
Number of marketed rigs						
Canada [1]	94	115	(18)	94	115	(18)
United States	77	85	(9)	77	85	(9)
International [2]	31	32	(3)	31	32	(3)
Total	202	232	(13)	202	232	(13)
Operating days [3]						
Canada [1]	2,451	2,131	15	6,203	5,931	5
United States	2,912	4,302	(32)	6,046	8,919	(32)
International [2]	1,255	1,247	1	2,574	2,351	9
Total	6,618	7,680	(14)	14,823	17,201	(14)
Well Servicing	2024	2023	% change	2024	2023	% change
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	12,027	11,804	2	23,953	25,580	(6)
United States	35,312	30,647	15	61,563	58,564	5
Total	47,339	42,451	12	85,516	84,144	2

[1] Excludes coring rigs.

[2] Includes workover rigs.

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

- Canadian drilling recorded 2,451 operating days in the second quarter of 2024, a 15 percent increase from 2,131 operating days in the second quarter of 2023. Canadian well servicing recorded 12,027 operating hours in the second quarter of 2024, a two percent increase from 11,804 operating hours in the second quarter of 2023.
- United States drilling recorded 2,912 operating days in the second quarter of 2024, a 32 percent decrease from 4,302 operating days in the second quarter of 2023. United States well servicing recorded 35,312 operating hours in the second quarter of 2024, a 15 percent increase from 30,647 operating hours in the second quarter of 2023.
- International drilling recorded 1,255 operating days in the second quarter of 2024, a one percent increase from 1,247 operating days recorded in the second quarter of 2023.

FINANCIAL POSITION HIGHLIGHTS

As at ($ thousands)	June 30 2024	December 31 2023	June 30 2023
Working capital (deficit) [1, 2]	(11,514)	15,780	(1,188,071)
Cash	25,226	20,501	44,071
Total debt, net of cash	1,119,127	1,189,848	1,277,197
Total assets	2,916,191	2,947,986	3,030,460
Total debt to total debt plus equity ratio	0.46	0.48	0.51

[1] See non-GAAP Measures section.

[2] Change in working capital (deficit) from June 30, 2024, to June 30, 2023 was largely due to the Company's revolving credit facility and unsecured Senior notes being classified as current.

- Total debt, net of cash, was reduced by $70.7 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.

CAPITAL EXPENDITURE HIGHLIGHTS

	Three months ended June 30			Six months ended June 30		
($ thousands)	2024	2023	% change	2024	2023	% change
Capital expenditures						
Upgrade/growth	2,368	3,772	(37)	4,138	12,028	(66)
Maintenance	46,058	52,673	(13)	99,057	94,296	5
Proceeds from disposals of property and equipment	(8,116)	(3,299)	nm	(11,387)	(3,454)	nm
Net capital expenditures	40,310	53,146	(24)	91,808	102,870	(11)

nm - calculation not meaningful

- Net purchases of property and equipment for the second quarter of 2024 totaled $40.3 million, consisting of $2.4 million in upgrade capital and $46.1 million in maintenance capital, offset by disposition proceeds of $8.1 million. Gross 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.

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 measures from which they are derived or to which they are compared. See "Non-GAAP Measures" later in this news release.

OVERVIEW

Revenue for the second quarter of 2024 was $391.8 million, a nine percent decrease from $432.8 million in revenue for the second quarter of 2023. Revenue for the six months ended June 30, 2024, was $823.1 million, a decrease of 10 percent from revenue for the six months ended June 30, 2023, of $916.8 million.

Adjusted EBITDA totaled $100.2 million ($0.54 per common share) in the second quarter of 2024, 14 percent lower than Adjusted EBITDA of $116.6 million ($0.64 per common share) in the second quarter of 2023. For the first six months ended June 30, 2024, Adjusted EBITDA totaled $217.7 million ($1.18 per common share), 11 percent lower than Adjusted EBITDA of $243.9 million ($1.33 per common share) in the first six months ended June 30, 2023.

Net loss attributable to common shareholders for the second quarter of 2024 was $4.5 million ($0.02 per common share) compared to a net income attributable to common shareholders of $10.3 million ($0.06 per common share) for the second quarter of 2023. Net loss attributable to common shareholders for the six months ended June 30, 2024, was $5.8 million ($0.03 per common share), compared to a net income attributable to common shareholders of $14.5 million ($0.08 per common share) for the six months ended June 30, 2023.

Funds flow from operations decreased 16 percent to $98.3 million ($0.53 per common share) in the second quarter of 2024 compared to $116.8 million ($0.64 per common share) in the second quarter of the prior year. Funds flow from operations decreased 12 percent to $206.7 million ($1.12 per common share) for the six months ended June 30, 2024, compared to $235.1 million ($1.28 per common share) for the six months ended June 30, 2023.

The outlook for oilfield services continues to be generally constructive despite the year-over-year decline in oilfield services activity in certain operating regions. The recent completion of the Trans Mountain Pipeline expansion has resulted in increased Canadian industry activity, while the US rig count continues to be depressed in part because of natural gas commodity prices. Furthermore, there have been several recent oil and natural gas customer mergers and acquisitions ("M&A") in both the Canadian and the US markets that have impacted drilling programs over the short-term, with customers exercising discipline with their capital programs. 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 declined in the three and six months ended June 30, 2024, when compared with the same periods in 2023. Operating activity was negatively impacted in the second quarter of 2024 due to customer capital discipline and the above-mentioned customer M&A activity between oil and natural gas producers in the United States markets. Offsetting the activity decrease in the United States is the activity increase in Canada, largely as a result of the completion of the Trans Mountain Pipeline expansion.

The average United States dollar exchange rate was $1.36 for the first half of 2024 (2023 - $1.35), slightly higher than the prior period.

The Company's working capital as at June 30, 2024, was a deficit of $11.5 million, compared to a surplus of $15.8 million as at December 31, 2023. The decrease in working capital is the result of lower operating activity compared to the fourth quarter of 2023.

The Company's available liquidity, consisting of cash and available borrowings under its $850.0 million the Credit Facility, was $40.8 million as at June 30, 2024.

REVENUE AND OILFIELD SERVICES EXPENSE

	Three months ended June 30			Six months ended June 30		
($ thousands)	2024	2023	% change	2024	2023	% change
Revenue						
Canada	93,375	80,618	16	231,853	220,734	5
United States	208,578	276,781	(25)	417,013	551,334	(24)
International	89,839	75,371	19	174,233	144,754	20
Total revenue	391,792	432,770	(9)	823,099	916,822	(10)
Oilfield services expense	276,075	301,503	(8)	574,865	643,702	(11)

Revenue for the three months ended June 30, 2024, totaled $391.8 million, a decrease of nine percent from the second quarter 2023 of $432.8 million. Revenue for the six months ended June 30, 2024, totaled $823.1 million, a 10 percent decrease from the six months ended June 30, 2023.

The decrease in total revenue during the first half of 2024 was primarily due to recent M&A activity in the oil and natural gas sector in the United States market, impacting drilling activity, along with reinforced customer discipline with regards to their capital programs. Offsetting the decrease in the United States was higher activity in Canada and international operations.

CANADIAN OILFIELD SERVICES

Revenue increased 16 percent to $93.4 million for the three months ended June 30, 2024, from $80.6 million for the three months ended June 30, 2023. The Company recorded revenue of $231.9 million in Canada for the six months ended June 30, 2024, an increase of five percent from $220.7 million recorded for the six months ended June 30, 2023.

Canadian revenue accounted for 24 percent of the Company's total revenue in the second quarter of 2024 (2023 - 19 percent) and 28 percent (2023 - 24 percent) for the first half of 2024.

The Company's Canadian drilling operations recorded 2,451 operating days in the second quarter of 2024, compared to 2,131 operating days for the second quarter of 2023, an increase of 15 percent. For the six months ended June 30, 2024, the Company recorded 6,203 operating days compared to 5,931 days for the six months ended June 30, 2023, an increase of five percent. Canadian well servicing hours increased by two percent to 12,027 operating hours in the second quarter of 2024 compared to 11,804 operating hours in the corresponding period of 2023. For the six months ended June 30, 2024, well servicing hours decreased by six percent to 23,953 from 25,580 operating hours for the six months ended June 30, 2023.

The financial results for the Company's Canadian operations for the second quarter of 2024 improved along with operating activity, largely as a result of the recent completion of the Trans Mountain Pipeline expansion.

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

UNITED STATES OILFIELD SERVICES

The Company's United States operations recorded revenue of $208.6 million in the second quarter of 2024, a decrease of 25 percent from the $276.8 million recorded in the corresponding period of the prior year. During the six months ended June 30, 2024, revenue of $417.0 million was recorded, a decrease of 24 percent from the $551.3 million recorded in the corresponding period of the prior year.

The Company's United States operations accounted for 53 percent of the Company's revenue in the second quarter of 2024 (2023 - 64 percent) and 51 percent of the Company's revenue in the first half of 2024 (2023 - 60 percent).

Drilling rig operating days decreased by 32 percent to 2,912 operating days in the second quarter of 2024 from 4,302 operating days in the second quarter of 2023 and decreased by 32 percent to 6,046 operating days in the first half of 2024 from 8,919 operating days in the first half of 2023. United States well servicing recorded 35,312 operating hours in the second quarter of 2024 which was a 15 percent increase from 30,647 operating hours recorded in the second quarter of 2023. For the first half of 2024, well servicing activity increased by five percent to 61,563 operating hours from 58,564 operating hours for the first half of 2023.

Operating and financial results for the Company's United States operations in the first half of 2024 were adversely impacted by the recent customer M&A activity and customer capital discipline.

During the first half 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 $89.8 million in the second quarter of 2024, a 19 percent increase from the $75.4 million recorded in the corresponding period of the prior year. International revenues for the six months ended June 30, 2024, increased 20 percent to $174.2 million from $144.8 million recorded for the six months ended June 30, 2023.

The Company's international operations contributed 23 percent of the total revenue in the second quarter of 2024 (2023 - 17 percent) and 21 percent of the Company's revenue in the first six months of 2024 (2023 - 16 percent).

International operating days for the three months ended June 30, 2024, totaled 1,255 operating days compared to 1,247 operating days in the same period of 2023, an increase of one percent. For the six months ended June 30, 2024, international operating days totaled 2,574 operating days compared to 2,351 operating days for the six months ended June 30, 2023, an increase of nine percent.

Operating and financial results from international operations reflect positive industry conditions that supported 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 half of 2024, the Company transferred one under-utilized international drilling rig into its reserve fleet.

DEPRECIATION

	Three months ended June 30			Six months ended June 30		
($ thousands)	2024	2023	% change	2024	2023	% change
Depreciation	82,512	74,835	10	170,765	152,690	12

Depreciation expense totaled $82.5 million for the second quarter of 2024 compared with $74.8 million for the second quarter of 2023, an increase of 10 percent. Depreciation expense for the first half of 2024 increased by 12 percent, to $170.8 million compared with $152.7 million for the first half 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 June 30			Six months ended June 30		
($ thousands)	2024	2023	% change	2024	2023	% change
General and administrative	15,495	14,651	6	30,556	29,180	5
% of revenue	4.0	3.4		3.7	3.2	

General and administrative expense increased six percent to $15.5 million (4.0 percent of revenue) for the second quarter of 2024 compared to $14.7 million (3.4 percent of revenue) for the second quarter of 2023. For the six months ended June 30, 2024, general and administrative expense totaled $30.6 million (3.7 percent of revenue) compared to $29.2 million (3.2 percent of revenue) for the six months ended June 30, 2023. General and administrative expense increased primarily due to annual wage increases.

FOREIGN EXCHANGE AND OTHER (GAIN) LOSS

	Three months ended June 30			Six months ended June 30		
($ thousands)	2024	2023	% change	2024	2023	% change
Foreign exchange and other (gain) loss	(220)	747	nm	4,664	5,773	(19)

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 June 30			Six months ended June 30		
($ thousands)	2024	2023	% change	2024	2023	% change
Interest expense	25,538	31,560	(19)	52,018	65,958	(21)

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

Interest expense decreased by 21 percent for the first half of 2024 compared to the first half of 2023, as a result of lower debt levels and effective interest rates.

INCOME TAXES (RECOVERY)

	Three months ended June 30			Six months ended June 30		
($ thousands)	2024	2023	% change	2024	2023	% change
Current income taxes	328	767	(57)	1,482	1,168	27
Deferred taxes income (recovery)	658	4,496	(85)	(4,113)	5,856	nm
Total income taxes (recovery)	986	5,263	(81)	(2,631)	7,024	nm

nm - calculation not meaningful

FUNDS FLOW FROM OPERATIONS AND WORKING CAPITAL

($ thousands, except per common share data)	Three months ended June 30			Six months ended June 30		
	2024	2023	% change	2024	2023	% change
Cash provided by operating activities	126,402	166,771	(24)	220,280	271,345	(19)
Funds flow from operations	98,250	116,764	(16)	206,688	235,055	(12)
Funds flow from operations per common share	$0.53	$0.64	(17)	$1.12	$1.28	(13)
Working capital (deficit) [1]	(11,514)	15,780	nm	(11,514)	15,780	nm

nm - calculation not meaningful

[1] Comparative figure as at December 31, 2023

During the three months ended June 30, 2024, the Company generated funds flow from operations of $98.3 million ($0.53 per common share) compared to funds flow from operations of $116.8 million ($0.64 per common share) for the three months ended June 30, 2023, a decrease of 16 percent. For the six months ended June 30, 2024, the Company generated funds flow from operations of $206.7 million ($1.12 per common share) a decrease of 12 percent from $235.1 million ($1.28 per common share) for the six months ended June 30, 2023. The decrease in funds flow from operations for the six months ended June 30, 2024, compared to the same period of 2023, is largely due to the decrease in operating activity.

At June 30, 2024, the Company's working capital deficit was $11.5 million, compared to a working capital surplus of $15.8 million at December 31, 2023. The decrease in working capital is the result of lower operating activity compared to the fourth quarter of 2023.

The Company's existing bank facility provides for total borrowings of $850.0 million, of which $15.5 million was undrawn and available as at June 30, 2024.

INVESTING ACTIVITIES

	Three months ended June 30			Six months ended June 30		
($ thousands)	2024	2023	% change	2024	2023	% change
Purchase of property and equipment	(48,426)	(56,445)	(14)	(103,195)	(106,324)	(3)
Proceeds from disposals of property and equipment	8,116	3,299	nm	11,387	3,454	nm
Net change in non-cash working capital	6,529	(3,769)	nm	24,325	3,769	nm
Cash used in investing activities	(33,781)	(56,915)	(41)	(67,483)	(99,101)	(32)

nm - calculation not meaningful

Net purchases of property and equipment for the second quarter of 2024 totaled $40.3 million (2023 - $53.1 million). Net purchases of property and equipment during the first six months of 2024 totaled $91.8 million (2023 - $102.9 million). The purchase of property and equipment for the first six months of 2024 consists of $4.1 million in upgrade and growth capital and $99.1 million in maintenance capital.

FINANCING ACTIVITIES

	Three months ended June 30			Six months ended June 30		
($ thousands)	2024	2023	% change	2024	2023	% change
Proceeds from long-term debt	13,240	28,285	(53)	56,714	36,547	55
Repayments of long-term debt	(92,126)	(93,824)	(2)	(147,024)	(137,729)	7
Lease obligation principal	(2,505)	(1,443)	74	(4,792)	(10,387)	(54)
repayments						
Interest paid	(25,055)	(41,653)	(40)	(52,558)	(64,422)	(18)
Issuance of common shares under share option plan	148	-	-	196	-	nm
Purchase of common shares held in trust	(450)	(412)	9	(1,032)	(947)	9
Cash used in financing activities	(106,748)	(109,047)	(2)	(148,496)	(176,938)	(16)

nm - calculation not meaningful

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 now $850.0 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 $75.0 million 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.

On June 26, 2024, the Company amended and restated its existing credit agreement with its syndicate of lenders to include a US $50.0 million secured Letter of Credit Facility and various updates regarding the replacement of the Canadian Dollar Offered Rate ("CDOR") with the Canadian Overnight Repo Rate Average ("CORRA"). Furthermore, the Company has a commitment for a US $25.0 million unsecured Letter of Credit Facility which is expected to be finalized in the third quarter of 2024.

As at June 30, 2024, the amount of available borrowings under the Credit Facility was $15.5 million As at June 30, 2024, the amount available under the current Letter of Credit Facility was US $5.4 million.

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 June 30, 2024:

	Covenant	June 30, 2024
The Credit Facility		
Consolidated Net Debt to Consolidated EBITDA [1]	≤ 4.00	2.45
Consolidated EBITDA to Consolidated Interest Expense[1,2]	≥ 2.50	4.20
Consolidated Net Senior Debt to Consolidated EBITDA[1,3]	≤ 2.50	2.42

[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 June 30, 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 global outlook for oilfield services continues to be generally constructive and supports relatively steady demand for services. Global demand for crude oil continues to grow year-over-year and OPEC+ nations continue to moderate supply over the near-term, balancing crude oil supply and demand fundamentals. However, economic conditions, geopolitical tensions, hostilities in areas of the Middle East, and the ongoing

Russia-Ukraine conflict continue to impact global commodity prices and add uncertainty over the short-term. Global crude prices remained positive and steady in the second quarter of 2024, with the benchmark price of West Texas Intermediate ("WTI") averaging US $80/bbl in May, $80/bbl in June, and $82/bbl in July.

Over the short-term, depressed natural gas prices and recent customer M&A activity in the Company's United States operating region has adversely impacted drilling programs. Over the long-term, the Company expects customer consolidation will be positive for oilfield services activity and facilitate relatively consistent drilling programs. Offsetting the prevailing short-term softness in the United States market, Canadian activity has improved year-over-year as result of the completion of the Trans Mountain Pipeline expansion project. Furthermore, the pending completion of the Coastal GasLink Pipeline and several liquefied natural gas ("LNG") projects, including LNG Canada, are expected to support increased activity in Canada 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 previously announced targeted debt reduction of approximately $600.0 million. If industry conditions change, these targets may be increased or decreased.

The Company has budgeted gross 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 28 percent of total revenue in the first half of 2024, decreased in the second quarter of 2024 as a result of seasonal spring break-up. Activity in Canada is expected to increase in the third quarter of 2024 due to additional pipeline and transportation capacity and positive market conditions.

As of August 1, 2024, of our 94 marketed Canadian drilling rigs, approximately 57 percent were engaged under term contracts of various durations. Approximately 74 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 51 percent of total revenue in the first half of 2024, declined in the second quarter of 2024 primarily as a result of recent customer M&A activity and depressed natural gas prices impacting activity. Activity in the United States is expected to remain muted in the third quarter of 2024.

As of August 1, 2024, of our 77 marketed United States drilling rigs, approximately 51 percent were engaged under term contracts of various durations. Approximately 23 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 21 percent of total revenue in the first half of 2024, declined modestly in the second quarter of 2024 due to a one rig decline in Argentina. International activity is expected to remain stable for the remainder of the year.

Activity in the Company's Middle East segment remained steady over the second quarter and is expected to decline by one rig in Oman scheduled to go on standby in the third quarter of 2024. Currently, the Company has two active rigs and one rig on standby in Oman, two rigs active in Bahrain, and two rigs active in Kuwait.

Activity in Australia remained steady at eight rigs in the second quarter of 2024 and is expected to remain steady for the year.

Operations in Argentina declined by one rig in the second quarter of 2024 and are expected to increase, by one rig, in the third quarter of 2024. Operations in Venezuela, which were dormant for several years, remained steady in the second quarter and are expected to remain steady, at one active rig, in the third quarter and improve by one rig in the fourth quarter of 2024.

As of August 1, 2024, of our 31 marketed international drilling rigs, approximately 61 percent were engaged under term contracts of various durations. Approximately 79 percent of our contracted rigs have a remaining term of six months or longer, although they may be subject to early termination.

RISK AND UNCERTAINTIES

The Company is subject to numerous risks and uncertainties. A summary discussion of certain risks faced by the Company may be found hereinbelow and a fulsome discussion is included 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.

Other than as described within this document, the Company's risk factors and management of those risks have not changed substantially from those as disclosed in the AIF. Additional risks and uncertainties not presently known by the Company, or that the Company does not currently anticipate or deem material, may also impair the Company's future business operations or financial condition. If any such potential events, whether described in the risk factors in this document or the Company's AIF or otherwise actually occur, or described events intensify, overall business, operating results and the financial condition of the Company could be materially adversely affected.

CONFERENCE CALL

A conference call will be held to discuss the Company's second quarter 2024 results at 10:00 a.m. MDT (12:00 p.m. EDT) on Friday, August 2, 2024. The conference call number is 1-888-664-6392 and the conference call ID is: 14304699. A taped recording of the conference call will be available until August 9, 2024, by dialing 1-888-390-0541 and entering the reservation number 304699#. A live broadcast may be accessed through the Company's website at www.ensignenergy.com/presentations.

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

Ensign Energy Services Inc.
Consolidated Statements of Financial Position

As at	June 30 2024	December 31 2023
(Unaudited - in thousands of Canadian dollars)		
Assets		
Current Assets		
Cash	$ 25,226	$ 20,501
Accounts receivable	275,902	304,544
Inventories, prepaid, investments and other	58,872	56,809
Total current assets		

360,000

381,854

Property and equipment	2,344,341	2,356,487
Deferred income taxes	211,850	209,645
Total assets	$ 2,916,191	$ 2,947,986
Liabilities		
Current Liabilities		
Accounts payable and accruals	$ 242,710	$ 231,838
Share-based compensation	6,466	11,014
Income taxes payable	3,755	4,176
Current portion of lease obligation	7,883	8,346
Current portion of long-term debt	110,700	110,700
Total current liabilities	371,514	366,074
Share-based compensation	4,994	6,606
Long-term debt	1,033,653	1,099,649
Lease obligations	15,177	11,589
Income tax payable	7,642	8,809
Deferred income taxes	149,031	146,497
Total liabilities	1,582,011	1,639,224
Shareholders' Equity		
Shareholders' capital	268,755	267,482
Contributed surplus	22,529	23,750
Accumulated other comprehensive income	285,886	254,765
Retained earnings	757,010	762,765
Total shareholders' equity	1,334,180	1,308,762
Total liabilities and shareholders' equity	$ 2,916,191	$ 2,947,986

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

	Three months ended		Six months ended	
	June 30 2024	June 30 2023	June 30 2024	June 30 2023
(Unaudited - in thousands of Canadian dollars, except per common share data)				
Revenue	$ 391,792	$ 432,770	$ 823,099	$ 916,822
Expenses				
Oilfield services	276,075	301,503	574,865	643,702
Depreciation	82,512	74,835	170,765	152,690
General and administrative	15,495	14,651	30,556	29,180
Share-based compensation	241	(6,146)	4,066	(4,421)
Foreign exchange and other (gain) loss	(220)	747	4,664	5,773
Total expenses	374,103	385,590	784,916	826,924
Income before interest expense, accretion of deferred financing charges and other gains and income taxes	17,689	47,180	38,183	89,898
Gain on asset sale	(4,663)	(2,160)	(6,408)	(2,268)
Interest expense	25,538	31,560	52,018	65,958
Accretion of deferred financing charges	417	2,199	834	4,399
(Loss) income before income taxes	(3,603)	15,581	(8,261)	21,809
Income taxes (recovery)				
Current income taxes	328	767	1,482	1,168
Deferred income taxes (recovery)	658	4,496	(4,113)	5,856
Total income taxes (recovery)	986	5,263	(2,631)	7,024
Net (loss) income	$ (4,589)	$ 10,318	$ (5,630)	$ 14,785
Net (loss) income attributable to:				
Common shareholders	(4,538)	10,302	(5,755)	14,543
Non-controlling interests	(51)	16	125	242
	(4,589)	10,318	(5,630)	14,785
Net (loss) income attributable to common shareholders per common share				
Basic	$ (0.02)	$ 0.06	$ (0.03)	$ 0.08
Diluted	$ (0.02)	$ 0.06	$ (0.03)	$ 0.08

Ensign Energy Services Inc.

Consolidated Statements of Cash Flows

	Three months ended		Six months ended	
	June 30 2024	June 30 2023	June 30 2024	June 30 2023
(Unaudited - in thousands of Canadian dollars)				
Cash provided by (used in)				
Operating activities				
Net (loss) income	$ (4,589)	$ 10,318	$ (5,630)	$ 14,785
Items not affecting cash				
Depreciation	82,512	74,835	170,765	152,690
Gain on asset sale	(4,663)	(2,160)	(6,408)	(2,268)
Share-based compensation, net cash settlements	(383)	71	(5,273)	(5,892)
Unrealized foreign exchange and other	(1,240)	(4,555)	4,495	(473)
Accretion of deferred financing charges	417	2,199	834	4,399
Interest expense	25,538	31,560	52,018	65,958
Deferred income taxes (recovery)	658	4,496	(4,113)	5,856
Funds flow from operations	98,250	116,764	206,688	235,055
Net change in non-cash working capital	28,152	50,007	13,592	36,290
Cash provided by operating activities	126,402	166,771	220,280	271,345
Investing activities				
Purchase of property and equipment	(48,426)	(56,445)	(103,195)	(106,324)
Proceeds from disposals of property and equipment	8,116	3,299	11,387	3,454
Net change in non-cash working capital	6,529	(3,769)	24,325	3,769
Cash used in investing activities	(33,781)	(56,915)	(67,483)	(99,101)
Financing activities				
Proceeds from long-term debt	13,240	28,285	56,714	36,547
Repayments of long-term debt	(92,126)	(93,824)	(147,024)	(137,729)
Lease obligation principal repayments	(2,505)	(1,443)	(4,792)	(10,387)
Interest paid	(25,055)	(41,653)	(52,558)	(64,422)
Issuance of common shares under share option plan	148	-	196	-
Purchase of common shares held in trust	(450)	(412)	(1,032)	(947)
Cash used in financing activities	(106,748)	(109,047)	(148,496)	(176,938)

Net (decrease) increase in cash	(14,127)	809	4,301	(4,694)
Effects of foreign exchange on cash	245	(1,588)	424	(1,115)
Cash - beginning of period	39,108	44,850	20,501	49,880
Cash - end of period	$ 25,226	$ 44,071	$ 25,226	$ 44,071

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 (loss) income as calculated in accordance with IFRS.

ADJUSTED EBITDA	Three months ended June 30		Six months ended June 30	
($ thousands)	2024	2023	2024	2023
(Loss) income before income taxes	(3,603)	15,581	(8,261)	21,809
Add-back/(deduct):				
Interest expense	25,538	31,560	52,018	65,958
Accretion of deferred financing charges	417	2,199	834	4,399
Depreciation	82,512	74,835	170,765	152,690
Share-based compensation	241	(6,146)	4,066	(4,421)
Gain on asset sale	(4,663)	(2,160)	(6,408)	(2,268)
Foreign exchange and other (gain) loss	(220)	747	4,664	5,773
Adjusted EBITDA	100,222	116,616	217,678	243,940

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.

Contact

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