Essential Energy Services Announces Fourth Quarter and Year End Financial Results

CALGARY, Alberta, March 04, 2020 (GLOBE NEWSWIRE) -- Essential Energy Services Ltd. (TSX: ESN) ("Essential" or the "Company") announces fourth quarter and year end results.

SELECTED INFORMATION

(in thousands of dollars except per share and percentages)	For the three months ended December 31, 2019	2018	For the years ended December 31, 2019	2018	2017
Revenue	**$ 27,323**	$ 41,186	**$ 141,133**	$ 189,894	$ 175,908
Gross margin(i)	**3,016**	5,261	**26,055**	32,681	31,924
Gross margin %	**11%**	13%	**18%**	17%	18%
EBITDAS(1)(i)(ii)	**1,729**	1,690	**16,975**	19,719	18,609
Net loss(i)(iii)	**$ (3,161)**	$ (13,654)	**$ (1,556)**	$ (8,778)	$ (3,354)
Per share – basic and diluted	**$ (0.02)**	$ (0.10)	**$ (0.01)**	$ (0.06)	$ (0.02)
Operating hours					
Coil tubing rigs	**7,110**	8,262	**38,752**	46,979	48,425
Pumpers	**9,894**	12,146	**48,773**	63,058	60,857
			As at December 31, 2019	2018	2017
Working capital			**$ 47,151**	$ 60,848	$ 50,171
Total assets			**191,395**	201,270	219,448
Long-term debt			**$ 6,563**	$ 21,388	$ 17,975

i. Effective January 1, 2019, Essential adopted the IFRS 16 – Leases standard ("IFRS 16"). Comparative information has not been restated and therefore may not be comparable. This change in accounting policy increased gross margin, EBITDAS(1) and net loss for the three months ended December 31, 2019 by $0.9 million, $1.2 million and $0.1 million, respectively, compared to the prior year period. For the year ended December 31, 2019, gross margin, EBITDAS(1) and net loss increased by $3.7 million, $5.1 million and $0.7 million, respectively, compared to the prior year period. For further information see the section titled "Change in Accounting Policy – IFRS 16 – Leases".

ii. EBITDAS for the year ended December 31, 2017 represents EBITDAS from continuing operations and excludes negative $0.5 million EBITDAS from discontinued operations.

iii. The fourth quarter and year ended December 31, 2018 includes an asset write-down of $17.9 million.

[1] Refer to "Non-IFRS Measures" section for further information.

INDUSTRY OVERVIEW

Canadian oilfield service activity in 2019 was significantly lower than in 2018. Political, regulatory and market access issues did not improve during the year and resulted in reduced capital spending by Canadian exploration and production ("E&P") companies. Well completions, a key indicator of industry activity in the Western Canadian Sedimentary Basin declined 18% compared to the three months ended December 31, 2018 and 22% compared to the year ended December 31, 2018.

HIGHLIGHTS

Fourth quarter 2019

Revenue for the three months ended December 31, 2019 was $27.3 million, a 34% decrease from the fourth quarter 2018, due to lower industry activity and competitive pricing. EBITDAS(1) was $1.7 million, consistent with the same prior year period.

Key highlights included:

- Essential Coil Well Service ("ECWS") gross margin as a percentage of revenue remained consistent with the fourth quarter 2018, despite a 22% decrease in revenue. ECWS gross margin in the fourth quarter of 2019 was adversely impacted by repairs and maintenance and crew retention costs incurred during a slower activity quarter in advance of an anticipated busier first quarter 2020.

- Tryton revenue was $13.0 million, 43% lower than the fourth quarter 2018 due to slower industry activity and competitive pricing. Tryton's Multi-Stage Fracturing System® ("MSFS®") tool sales experienced a more significant decline, as key customers reduced spending on well completion activities or opted to use lower-cost completion techniques.

- The Supreme Court of Canada (the "Supreme Court") ruled that it would not grant leave to hear an appeal by Packers Plus Energy Services Inc. ("Packers Plus") of the Federal Court's judgment in a patent infringement action against Essential and awarded costs in favour of Essential. There can be no appeal of the Supreme Court's ruling and, except for Essential collecting the cost recovery awards, this litigation is now complete.

Year 2019

Revenue for the year ended December 31, 2019 was $141.1 million, a 26% decrease from 2018, due to industry-wide activity declines. EBITDAS(1) was $17.0 million, 14% lower than the prior year, as cost reductions implemented earlier in the year limited margin erosion.

Key highlights included:

- ECWS gross margin improved to 20%, compared to 15% in the prior year despite lower revenue, primarily a result of cost management. With the decline in industry activity, revenue decreased 21% year-over-year. Management was pleased with the demand for ECWS equipment designed for long-reach, deep horizontal wells compared to the prior year, despite a difficult industry environment.

- Tryton revenue was $62.2 million, 31% lower than 2018 as industry activity deteriorated and pricing was competitive. Tryton's MSFS® operations experienced a sharp decrease in revenue as customers reduced their completion programs.

Essential remains financially well positioned with long-term debt outstanding of $6.6 million and funded debt(1) to bank EBITDA(1) of 0.5x at December 31, 2019. Long-term debt net of cash was $5.7 million on December 31, 2019, a decrease of $15.3 million from December 31, 2018. This was a significant accomplishment in a difficult industry environment. Throughout 2019, the Company maintained its focus on customer demand, cost management and modest capital spending. Working capital(1) was $47.2 million on December 31, 2019, exceeding long-term debt by $40.6 million. On March 4, 2020 Essential had $8.8 million of long-term debt outstanding.

Patent Litigation – Cost Recovery

Since October 2013, Essential has incurred approximately $5 million in external legal fees and disbursements while defending the patent litigation. In calculating the cost awards, the courts will separately consider costs incurred by Essential related to the following aspects of this litigation:

1. Trial Costs – Costs incurred between October 2013 and March 2017.
2. Post-Trial Costs – Costs incurred between the end of the trial in March 2017 up to December 2017.
3. Appeal Costs – Costs incurred between December 2017 and April 2019.
4. Supreme Court Costs – Costs incurred from June 2019 to December 2019.

Essential will only recover a portion of the actual legal fees and disbursements that it incurred rather than obtaining full cost recovery.

On January 17, 2020, the Federal Court of Canada (the "Trial Court") awarded Essential $1.7 million in cost recovery related to Trial Costs, which is approximately 40% of the costs incurred for that portion of the litigation. The amount of the Trial Cost award was accrued in the December 31, 2019 financial statements as a recovery of general and administrative costs. $1.7 million was paid by Packers Plus on March 2, 2020.

Cost recovery submissions related to the other three aspects of Essential's litigation costs are in progress. The timing of the release of the cost awards related to the other three aspects is unknown.

RESULTS OF OPERATIONS

Segment Results – *Essential Coil Well Service*

(in thousands of dollars, except percentages, hours and fleet data)	For the three months ended December 31, **2019**	2018	For the years ended December 31, **2019**	2018
Revenue	**$ 14,278**	$ 18,334	**$ 78,962**	$ 99,513
Operating expenses(i)	**13,068**	16,858	**62,957**	84,501
Gross margin	**$ 1,210**	$ 1,476	**$ 16,005**	$ 15,012
Gross margin %	**8%**	8%	**20%**	15%

Operating hours

Coil tubing rigs	**7,110**	8,262	**38,752**	46,979
Pumpers	**9,894**	12,146	**48,773**	63,058
Active equipment fleet(ii)				
Coil tubing rigs	**16**	16	**16**	16
Fluid pumpers	**12**	18	**12**	18
Nitrogen pumpers	**6**	8	**6**	8
Total equipment fleet(ii)				
Coil tubing rigs	**29**	29	**29**	29
Fluid pumpers	**19**	19	**19**	19
Nitrogen pumpers	**8**	8	**8**	8

i. Effective January 1, 2019, Essential adopted IFRS 16. Comparative information has not been restated and therefore may not be comparable. This change in accounting policy increased ECWS gross margin for the three and twelve months ended December 31, 2019 by $0.5 million and $2.1 million, respectively, compared to the prior year. For further information see the section titled "Change in Accounting Policy – IFRS 16 – Leases".
ii. Fleet data represents the number of units at the end of the period.

ECWS fourth quarter revenue was $14.3 million, a 22% decrease compared to the same prior year period due to an industry-wide decline in activity and competitive pricing. Operating hours decreased 17%, consistent with the decrease in industry well completions. Although total hours were down, operating hours for the coil tubing rigs designed to work on long-reach, deep horizontal wells were consistent with the same prior year period. Activity slowed as the quarter progressed and customers completed their capital programs. Revenue per hour declined due to the mix of work.

ECWS gross margin in the fourth quarter of 2019 was adversely impacted by repairs and maintenance and crew retention costs incurred during a slower activity quarter in advance of an anticipated busier first quarter 2020.

Management was pleased with gross margin during the year ended December 31, 2019 despite the decline in industry activity. 2019 ECWS revenue was $79.0 million or 21% lower than 2018, consistent with the decrease in industry well completions. Gross margin, however, improved year-over-year to 20% of revenue. Effective cost management, including wage reductions and a stronger focus on variable operating costs resulted in higher gross margin, despite the revenue decline. Demand for ECWS equipment designed for long-reach, deep horizontal wells was comparable to the prior year, despite a difficult industry environment with a 22% year-over-year decline in well completions.

Segment Results – *Tryton*

(in thousands of dollars, except percentages)	For the three months ended December 31, 2019	2018	For the years ended December 31, 2019	2018
Revenue	**$ 13,045**	$ 22,852	**$ 62,171**	$ 90,381
Operating expenses(i)	**10,967**	18,831	**50,689**	71,095
Gross margin	**$ 2,078**	$ 4,021	**$ 11,482**	$ 19,286
Gross margin %	**16%**	18%	**18%**	21%
Tryton revenue – % of revenue				
Tryton MSFS®	**17%**	43%	**28%**	45%
Conventional Tools & Rentals	**83%**	57%	**72%**	55%

i. Effective January 1, 2019, Essential adopted IFRS 16. Comparative information has not been restated and therefore may not be comparable. This change in accounting policy increased Tryton gross margin for the three and twelve months ended December 31, 2019 by $0.4 million and $1.6 million, respectively, compared to the prior year. For further information see the section titled "Change in Accounting Policy – IFRS 16 – Leases".

Tryton fourth quarter 2019 revenue decreased 43% compared to the same quarter 2018, due to slower industry activity and competitive pricing. Tryton MSFS® experienced a more significant decrease in revenue compared to the same prior year quarter as key customers reduced spending on well completion activities or opted to use lower-cost completion techniques, including Tryton's composite bridge plugs. Conventional tools revenue in Canada and in the U.S. also declined, although less significantly, as customers reduced spending in the fourth quarter 2019 on well maintenance and decommissioning work.

Gross margin in the fourth quarter 2019 decreased to 16% of revenue compared to 18% in the fourth quarter 2018. Gross margin declined due to the decrease in revenue and fixed costs comprising a greater percentage of revenue.

Year-over-year, Tryton 2019 revenue was below the prior year due to declines in both the downhole tools and rentals businesses in Canada as a result of slower industry activity and competitive pricing. Tryton's MSFS® operations experienced a sharp decrease in revenue as customers reduced their completion programs, while U.S. revenue was higher than 2018. Gross margin for Tryton was below the prior year as fixed costs represented a greater portion of a lower revenue base.

General and Administrative

(in thousands of dollars)		For the three months ended December 31, **2019**		2018		For the years ended December 31, **2019**		2018
General and administrative expenses	**$**	**2,887**	$	3,121	**$**	**10,680**	$	12,512
Patent litigation – cost recovery		**(1,600)**		-		**(1,600)**		-
General and administrative expenses	**$**	**1,287**	$	3,121	**$**	**9,080**	$	12,512

General and administrative expenses ("G&A") are comprised of wages, professional fees and other corporate and operational administrative costs. G&A for the three and twelve months ended December 31, 2019 decreased compared to the same prior year periods due to employee wage reductions, lower headcount and the impact of IFRS 16.

In connection with the patent litigation, on January 17, 2020, the Trial Court released its decision and awarded Essential $1.7 million for Trial Costs. Essential recognized $1.6 million in the fourth quarter 2019 and the remainder will be recorded in the first quarter 2020. For further information, see the section titled "Patent Litigation – Cost Recovery".

Equipment Expenditures

(in thousands of dollars)		For the three months ended December 31, **2019**		2018		For the years ended December 31, **2019**		2018
ECWS	**$**	**1,818**	$	3,418	**$**	**4,587**	$	12,288
Tryton		**591**		1,174		**3,160**		3,029
Corporate		**14**		15		**152**		353
Total equipment expenditures		**2,423**		4,607		**7,899**		15,670
Less proceeds on disposal of equipment		**(307)**		(1,993)		**(2,710)**		(5,083)
Net equipment expenditures[1]	**$**	**2,116**	$	2,614	**$**	**5,189**	$	10,587

Essential classifies its equipment expenditures as growth capital[1] and maintenance capital[1]:

(in thousands of dollars)		For the three months ended December 31, **2019**		2018		For the years ended December 31, **2019**		2018
Growth capital[1]	**$**	**99**	$	1,892	**$**	**897**	$	6,103
Maintenance capital[1]		**2,324**		2,715		**7,002**		9,567
Total equipment expenditures	**$**	**2,423**	$	4,607	**$**	**7,899**	$	15,670

During the year ended December 31, 2019, equipment expenditures included costs to retrofit a second Generation IV coil tubing rig, costs to finish upgrading a Generation IV coil tubing reel trailer and the purchase of Tryton rental pipe. This second retrofitted coil tubing rig was in-service in late 2019 and successfully completed its first job in January 2020. When paired with a Generation II coil tubing rig, ECWS has a third coil tubing rig offering Generation IV capability, as the upgraded coil tubing reel trailer can achieve the same depth capacity as a Generation IV coil tubing rig.

Essential's 2020 capital budget is $5 million, with spending focused on maintenance capital. Essential believes the budget is at an appropriate level to maintain the current fleet in good working order and is expected to be funded with cash from operations.

OUTLOOK

2020 is setting up to be another challenging year for Canadian oilfield services. The oil and natural gas industry continues to struggle with egress issues due to "made in Canada" regulatory and political challenges. Access to capital for E&P companies continues to be limited, requiring Essential's customers to spend within cash flow. Generally, this negatively impacts E&P capital spending and oilfield service activity. The Petroleum Services Association of Canada, as announced on January 30, 2020, estimates 4,800 wells will be drilled in 2020. This is 13% below the number of wells drilled in 2019. As a point of reference, this is 63% below the number of wells drilled in 2014, prior to the downturn.

At Essential, for the first two months of 2020, activity has been steady but was disrupted by a prolonged cold stretch in January. In general, activity has been tracking below the first quarter of 2019. The cold stretch also increased costs for down-time inefficiencies and repairs. Activity for the remainder of the quarter will be predicated on when spring break-up begins.

For the rest of 2020, Essential will continue to focus on managing costs as the Company responds to changing demand from customers during an uncertain year.

From a longer-term perspective, there are some potential positives for the industry including construction of the Trans Mountain Pipeline, incremental Enbridge takeaway capacity, potential construction of the Keystone XL pipeline and progression of an LNG industry in Canada.

Essential's focus on debt reduction has been successful as long-term debt, net of cash, decreased by $15 million in 2019. This was the result of cost management and modest capital spending. Capital spending for 2020 is anticipated to be $5 million. While debt fluctuates throughout the year as working capital needs change, management believes ending the year with a low level of debt is an important attribute given the prolonged ongoing industry downturn. Long-term debt at March 4, 2020 was $8.8 million.

CHANGE IN ACCOUNTING POLICY – IFRS 16 – LEASES

On January 1, 2019, Essential adopted the IFRS 16 – Leases standard ("IFRS 16"). Comparative information, including non-GAAP measures, has not been restated and therefore may not be comparable. Where the impact was material, the amounts have been quantified for comparative analysis purposes in the respective sections of this document. The implications for the year ended December 31, 2019 were:

- On January 1, 2019, Essential recognized a right-of-use asset of $14.1 million, and a lease liability of $18.4 million for its office and shop premises. Leases are capitalized at the commencement of each lease at the present value of the future lease payments;
- Lease payments, which were previously expensed as either an operating or general and administrative expense, are no longer expensed. There is now a depreciation charge for the right-of-use asset on a straight-line basis over the lease term; and
- As lease payments are made, the lease liability is reduced by the discounted value of each lease payment, with the difference between the amount of the lease payment and the discounted value of the lease payment recognized as a finance cost over the term of the lease.

This change in accounting policy increased gross margin and EBITDAS(1) for the three months ended December 31, 2019 by $0.9 million and $1.2 million, respectively, and decreased net loss by $0.1 million compared to the prior year period. Depreciation expense and finance costs related to the right-of-use asset and lease liability increased by $0.9 million and $0.2 million, respectively, compared to the prior year.

For the year ended December 31, 2019, gross margin and EBITDAS(1) increased by $3.7 million and $5.1 million, respectively, compared to the prior year period. Net loss decreased by $0.5 million compared to the prior year period. Depreciation expense and finance costs related to the right-of-use asset and lease liability increased by $3.4 million and $1.0 million, respectively, compared to the prior year.

The Management's Discussion and Analysis ("MD&A") and Financial Statements for the quarter and year ended December 31, 2019 are available on Essential's website at www.essentialenergy.ca and on SEDAR at www.sedar.com.

(1)Non-IFRS Measures

Throughout this news release, certain terms that are not specifically defined in IFRS are used to analyze Essential's operations. In addition to the primary measures of net loss and net loss per share in accordance with IFRS, Essential believes that certain measures not recognized under IFRS assist both Essential and the reader in assessing performance and understanding Essential's results. Each of these measures provides the reader with additional insight into Essential's ability to fund principal debt repayments and capital programs. As a result, the method of calculation may not be comparable with other companies. These measures should not be considered alternatives to net loss and net loss per share as calculated in accordance with IFRS.

Bank EBITDA – Bank EBITDA is generally defined in Essential's Credit Facility as EBITDAS, including the equity cure, excluding onerous lease contract expense and severance costs ("Permitted Adjustments") and excluding the impact of IFRS 16, for the most recent trailing twelve months.

EBITDAS (Earnings before finance costs, income taxes, depreciation, amortization, transaction costs, losses or gains on disposal, write-down of assets, impairment loss, foreign exchange gains or losses, and share-based compensation, which includes both equity-settled and cash-settled transactions) – These adjustments are relevant as they provide another measure which is considered an indicator of Essential's results from its principal business activities.

Funded debt – Funded debt is generally defined in Essential's Credit Facility as long-term debt, including current portion of long-term debt plus deferred financing costs and bank indebtedness, net of cash. It does not include the lease liability related to IFRS 16.

Growth capital – Growth capital is capital spending which is intended to result in incremental revenue. Growth capital is considered to be a key measure as it represents the total expenditures on equipment expected to add incremental revenue to Essential.

Maintenance capital – Equipment additions that are incurred in order to refurbish, replace or extend the life of previously acquired equipment.

Net equipment expenditures – This measure is equipment expenditures less proceeds on the disposal of equipment. Essential uses net equipment expenditures to describe net cash outflows related to managing Essential's property and equipment.

Working capital – Working capital is calculated as current assets less current liabilities.

ESSENTIAL ENERGY SERVICES LTD.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at	As at

(in thousands of dollars)		December 31, 2019		December 31, 2018
Assets				
Current				
Cash	**$**	**846**	$	410
Trade and other accounts receivable		**24,543**		35,775
Inventory		**36,616**		40,255
Prepayments and deposits		**1,789**		2,174
		63,794		78,614
Non-current				
Property and equipment		**111,141**		118,249
Right-of-use lease asset		**12,600**		-
Intangible assets		**295**		662
Goodwill		**3,565**		3,745
		127,601		122,656
Total assets	**$**	**191,395**	$	201,270
Liabilities				
Current				
Trade and other accounts payable	**$**	**11,513**	$	16,092
Share-based compensation		**1,189**		657
Income taxes payable		**32**		-
Current portion of lease liability		**3,909**		-
Current portion of onerous lease contracts		**-**		1,017
		16,643		17,766
Non-current				
Share-based compensation		**2,740**		2,093
Long-term debt		**6,563**		21,388
Deferred tax liability		**2,624**		5,025
Long-term lease liability		**12,154**		-
Long-term onerous lease contracts		**-**		2,816
		24,081		31,322
Total liabilities		**40,724**		49,088
Equity				
Share capital		**272,732**		272,732
Deficit		**(128,400)**		(126,734)
Other reserves		**6,339**		6,184
Total equity		**150,671**		152,182
Total liabilities and equity	**$**	**191,395**	$	201,270

ESSENTIAL ENERGY SERVICES LTD.
CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS

		For the years ended December 31,		
(in thousands of dollars, except per share amounts)		**2019**		2018
Revenue	**$**	**141,133**	$	189,894
Operating expenses		**115,078**		157,213
Gross margin		**26,055**		32,681
General and administrative expenses		**9,080**		12,512
Depreciation and amortization		**15,996**		15,075
Share-based compensation expense (recovery)		**2,362**		(1,311)
Other expense (income)		**728**		(1,406)
Write down of assets		**-**		17,921
Onerous lease contract expense		**-**		450
Operating loss		**(2,111)**		(10,560)
Finance costs		**1,761**		1,259
Loss before taxes		**(3,872)**		(11,819)
Current income tax expense		**65**		63
Deferred income tax recovery		**(2,381)**		(3,104)
Income tax recovery		**(2,316)**		(3,041)

Net loss		**(1,556)**		(8,778)
Unrealized foreign exchange gain (loss)		**72**		(82)
Comprehensive loss	**$**	**(1,484)**	$	(8,860)
Net loss per share				
Basic and diluted	**$**	**(0.01)**	$	(0.06)
Comprehensive loss per share				
Basic and diluted	**$**	**(0.01)**	$	(0.06)

ESSENTIAL ENERGY SERVICES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of dollars)		For the years ended December 31, **2019**		2018
Operating activities:				
Net loss	**$**	**(1,556)**	$	(8,778)
Non-cash adjustments to reconcile net loss to operating cash flow:				
Depreciation and amortization		**15,996**		15,075
Deferred income tax recovery		**(2,381)**		(3,104)
Share-based compensation		**83**		239
Provision for impairment of trade accounts receivable		**500**		100
Finance costs		**1,761**		1,259
Onerous lease contract expense		**-**		450
Write-down of assets		**-**		17,921
Gain on disposal of assets & finance leases		**(210)**		(145)
Operating cash flow before changes in non-cash operating working capital		**14,193**		23,017
Changes in non-cash operating working capital:				
Trade and other accounts receivable before provision		**11,025**		(415)
Inventory		**3,853**		(4,572)
Income taxes payable		**32**		1,129
Prepayments and deposits		**385**		(68)
Trade and other accounts payable		**(2,965)**		(5,779)
Onerous lease contract		**-**		(829)
Share-based compensation		**1,179**		(3,145)
Net cash provided by operating activities		**27,702**		9,338
Investing activities:				
Purchase of property, equipment and intangible assets		**(7,899)**		(15,670)
Non-cash investing working capital in trade and other accounts payable		**(1,428)**		(633)
Proceeds on disposal of equipment		**2,710**		5,083
Net cash used in investing activities		**(6,617)**		(11,220)
Financing activities:				
(Decrease) increase in long-term debt		**(14,950)**		3,600
Net finance costs paid		**(595)**		(1,375)
Payments of lease liability		**(5,110)**		-
Net cash (used in) provided by financing activities		**(20,655)**		2,225
Foreign exchange gain on cash held in a foreign currency		**6**		21
Net increase in cash		**436**		364
Cash, beginning of year		**410**		46
Cash, end of year	**$**	**846**	$	410
Supplemental cash flow information				
Cash taxes paid (received)	**$**	**29**	$	(1,064)
Cash interest and standby fees paid	**$**	**557**	$	947

FORWARD-LOOKING STATEMENTS AND INFORMATION

This news release contains “forward-looking statements” and “forward-looking information” (collectively referred to herein as “forward-looking statements”) within the meaning of applicable securities legislation. Such forward-looking statements include, without limitation, forecasts, estimates, expectations and objectives for future operations that are subject to a number of material factors, assumptions, risks and uncertainties, many of which are beyond the control of the Company.

Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words “expects”, “plans”, “anticipates”, “believes”, “intends”, “estimates”, “continues”, “future”, “forecasts”, “potential”, “budget” and similar expressions, or are events or conditions that “will”, “would”, “may”, “likely”, “could”, “should”, “can”, “typically”, “traditionally” or “tends to” occur or be achieved. This news release contains forward-looking statements, pertaining to, among other things, the following: Essential’s cost recovery in connection with the Packers Plus litigation; Essential’s capital budget, the appropriateness of the amount and expectations of how it will be funded; oil and natural gas industry and oilfield services sector activity and outlook; the Company’s capital management strategy and financial position; and Essential’s outlook, activity levels, operational focus and cost management focus.

Although the Company believes that the material factors, expectations and assumptions expressed in such forward-looking statements are reasonable based on information available to it on the date such statements are made, undue reliance should not be placed on the forward-looking statements because the Company can give no assurances that such statements and information will prove to be correct and such statements are not guarantees of future performance. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties.

Actual performance and results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to: known and unknown risks, including those set forth in the Company’s Annual Information Form (“AIF”) (a copy of which can be found under Essential’s profile on SEDAR at www.sedar.com); the risks associated with the oilfield services sector, including demand, pricing and terms for oilfield services; current and expected oil and natural gas prices; exploration and development costs and delays; reserves discovery and decline rates; pipeline and transportation capacity; weather, health, safety, market and environmental risks; integration of acquisitions, competition, and uncertainties resulting from potential delays or changes in plans with respect to acquisitions, development projects or capital expenditures and changes in legislation including, but not limited to, tax laws, royalties, incentive programs and environmental regulations; stock market volatility and the inability to access sufficient capital from external and internal sources; the ability of the Company’s subsidiaries to enforce legal rights in foreign jurisdictions; general economic, market or business conditions; global economic events; changes to Essential’s financial position and cash flow; the availability of qualified personnel, management or other key inputs; currency exchange fluctuations; changes in political and security stability; potential industry developments; and other unforeseen conditions which could impact the use of services supplied by the Company. Accordingly, readers should not place undue importance or reliance on the forward-looking statements. Readers are cautioned that the foregoing list of factors is not exhaustive and should refer to “Risk Factors” set out in the AIF.

Statements, including forward-looking statements, contained in this news release are made as of the date they are given and the Company disclaims any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws. The forward-looking statements contained in this news release are expressly qualified by this cautionary statement.

Additional information on these and other factors that could affect the Company’s operations and financial results are included in reports on file with applicable securities regulatory authorities and may be accessed under Essential’s profile on SEDAR at www.sedar.com.

2019 FOURTH QUARTER AND YEAR END FINANCIAL RESULTS CONFERENCE CALL AND WEBCAST DETAILS

Essential has scheduled a conference call and webcast at 10:00 am MT (12:00 pm ET) on March 5, 2020.

The conference call dial in numbers are 416-641-6104 or 800-952-5114, passcode 2180488.

An archived recording of the conference call will be available approximately one hour after completion of the call until March 19, 2020 by dialing 905-694-9451 or 800-408-3053, passcode 6926121.

A live webcast of the conference call will be accessible on Essential’s website at www.essentialenergy.ca by selecting “Investors” and “Events and Presentations”. Shortly after the live webcast, an archived version will be available for approximately 30 days.

ABOUT ESSENTIAL

Essential provides oilfield services to oil and natural gas producers, primarily in western Canada. Essential offers completion, production and decommissioning services to a diverse customer base. Services are offered with coil tubing, fluid and nitrogen pumping and the sale and rental of downhole tools and equipment. Essential offers one of the largest coil tubing fleets in Canada. Further information can be found at www.essentialenergy.ca.

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The TSX has neither approved nor disapproved the contents of this news release.

For further information, please contact:

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