



Essential Energy Services Announces Extension and Amendment of Its Credit Facility

CALGARY, Alberta, July 09, 2020 (GLOBE NEWSWIRE) -- Essential Energy Services Ltd. (TSX: ESN) ("Essential" or the "Company") announces it has entered into an amending agreement to its June 26, 2018 credit facility agreement (together the "Amended Credit Facility") with a syndicate of lenders comprised of National Bank of Canada, ATB Financial and Canadian Western Bank. The Amended Credit Facility provides Essential an extension of the maturity date of the revolving secured credit facility to June 30, 2022 along with revisions to certain terms and conditions.

Primary Amendments

The primary changes in the Amended Credit Facility include, among others:

- ▮ a decrease in the commitment from \$50 million to \$25 million. The maximum amount that can be drawn is decreased to \$15 million during the covenant relief period, as described below;
- ▮ creation of a covenant relief period, as described below;
- ▮ the equity cure provision has been removed; and
- ▮ Essential cannot distribute cash in the form of dividends or implement a normal course issuer bid.

Covenant Relief Period

The covenant relief period is available until December 31, 2021 (the "Covenant Relief Period") and provides for:

- ▮ the amount that can be drawn under the Amended Credit Facility during the Covenant Relief Period is the lesser of \$15 million and the borrowing base, as described below;
- ▮ the funded debt to capitalization ratio cannot exceed 20%;
- ▮ the funded debt to bank EBITDA ratio and the fixed charge coverage ratio covenants will not be tested; and
- ▮ addition of a minimum trailing 12-month bank EBITDA covenant of negative \$10 million.

Bank EBITDA is calculated net of lease expense related to IFRS 16. The covenant calculation terms are as defined in the Amended Credit Facility.

Essential has the option to terminate the Covenant Relief Period prior to December 31, 2021 and revert to three of the financial covenants in place prior to the amendment, as outlined below.

Borrowing Base

During the Covenant Relief Period, advances under the Amended Credit Facility will be limited to the lesser of \$15 million and a borrowing base that is calculated as the aggregate of a percentage of accounts receivable, inventory and certain fixed assets less priority payables.

After the Covenant Relief Period, advances under the Amended Credit Facility will be limited to the lesser of \$25 million and a borrowing base that is calculated as the aggregate of a percentage of accounts receivable, inventory and a broader group of fixed assets less priority payables.

After the Covenant Relief Period, the borrowing base will be eliminated if the following conditions are met:

- ▮ the fixed asset lending value is greater than \$50 million; and
- ▮ the funded debt to bank EBITDA ratio is less than or equal to 2.75x.

Financial Covenants after the Covenant Relief Period

The financial covenants after the Covenant Relief Period include:

- ▮ the funded debt to capitalization ratio cannot exceed 50%;
- ▮ the funded debt to bank EBITDA ratio cannot exceed 3.5x; and
- ▮ the fixed charge coverage ratio must not be less than 1.25x.

Debt Outstanding

On July 9, 2020, Essential had a cash balance of \$6.6 million, net of long-term debt.

With cash exceeding long-term debt, Essential is in a strong financial position. Debt, excluding IFRS 16 lease obligations, was low in the second quarter. As activity was slow, due to seasonality and COVID-19 economic disruption, receivables were collected and expenses were low. Debt is anticipated to increase when activity increases as accounts receivable accumulate. The outlook for activity for the remainder of 2020 remains uncertain. Essential announced cost cutting steps early in the second quarter and a modest capital spending forecast for 2020. Amending the credit facility is expected to proactively provide Essential with sufficient liquidity and additional financial flexibility through to the end of 2021 to navigate these uncertain times.

FORWARD LOOKING STATEMENT

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. 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”, “projects”, “potential”, “budget” and similar expressions, or are events or conditions that “will”, “would”, “may”, “could” or “should” occur or be achieved. This news release contains forward-looking statements pertaining to debt levels, the outlook for activity and the Amended Credit Facility providing Essential with sufficient liquidity and financial flexibility.

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 (a copy of which can be found under Essential’s profile on SEDAR at www.sedar.com) and in the Company’s first quarter 2020 Management’s Discussion and Analysis. Accordingly, readers should not place undue importance or reliance on the forward-looking statements. Readers are cautioned that the list of factors is not exhaustive.

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.

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.

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

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