



Essential Energy Services Announces Second Quarter Financial Results

CALGARY, Alberta, Aug. 08, 2018 (GLOBE NEWSWIRE) -- Essential Energy Services Ltd. (TSX: ESN) ("Essential" or the "Company") announces second quarter results.

SELECTED INFORMATION

(in thousands of dollars except per share, percentages, hours and fleet data)	Three months ended		Six months ended	
	2018	June 30, 2017	2018	June 30, 2017
Revenue	\$ 37,938	\$ 27,645	\$ 98,072	\$ 83,895
Gross margin	4,838	1,484	17,308	15,878
Gross margin %	13%	5%	18%	19%
EBITDAS ⁽¹⁾ from continuing operations	1,837	(1,291)	10,982	8,915
Net (loss) income from continuing operations	(2,405)	(5,005)	2,648	(1,525)
Per share – basic and diluted	(0.02)	(0.04)	0.02	(0.01)
Net (loss) income	(2,405)	(5,005)	2,648	(1,855)
Per share – basic and diluted	(0.02)	(0.04)	0.02	(0.01)
Operating hours				
Coil tubing rigs	9,311	7,039	25,481	23,459
Pumpers	13,236	9,529	33,675	28,182
			As at June 30, 2018	As at June 30, 2017
Total assets			\$ 221,935	\$ 208,337
Long-term debt			19,087	13,337
Equipment fleet ⁽ⁱ⁾				
Coil tubing rigs			30	31
Pumpers			27	31

(i) Fleet data represents the number of units at the end of the period.

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

HIGHLIGHTS

Essential's second quarter 2018 revenue was \$37.9 million, a \$10.3 million increase compared to the second quarter 2017. EBITDAS⁽¹⁾ was \$1.8 million for the second quarter 2018 compared to negative \$1.3 million in the same prior year period, exceeding management's expectations as second quarter EBITDAS⁽¹⁾ is typically a loss during the spring breakup period in the Western Canadian Sedimentary Basin ("WCSB"). Essential Coil Well Service ("ECWS") and Tryton both experienced higher activity from key customers in the second quarter 2018, compared to the same period in the prior year.

Key operating highlights included:

- ECWS second quarter 2018 revenue increased 43% compared to the second quarter 2017 with higher customer demand, particularly in the Montney and Duvernay regions of the WCSB.
- Tryton revenue increased 31% compared to the second quarter 2017, primarily due to increased customer demand in Canada.

For the six months ended June 30, 2018 Essential reported revenue of \$98.1 million, \$14.2 million higher than the prior year period. EBITDAS⁽¹⁾ was \$11.0 million, a \$2.1 million increase from the six months ended June 30, 2017.

Essential renewed its revolving term loan facility on June 26, 2018 (the "Credit Facility"). The commitment increased to \$50 million and the term was extended to June 30, 2021. At June 30, 2018, Essential's net debt outstanding was \$19.1 million and funded debt⁽¹⁾ to bank EBITDA⁽¹⁾ was 0.92x. Debt decreased \$12.9 million from March 31, 2018, primarily from collection of customer receivables. Working

capital⁽¹⁾ was \$54.1 million at June 30, 2018, exceeding debt by \$35.0 million. On August 8, 2018, there was \$21.8 million of debt outstanding.

INDUSTRY OVERVIEW

Second quarter 2018 activity in the Canadian oil and natural gas industry was similar to the second quarter 2017. Well completions and wells drilled, key indicators of industry activity in the WCSB were consistent with and declined 5%, respectively, compared to the three months ended June 30, 2017. The price of oil reached U.S. \$77 per barrel (West Texas Intermediate ("WTI")) during the quarter for the first time since 2014 and averaged approximately U.S. \$68 per barrel, an increase from U.S. \$48 per barrel in the second quarter 2017. Canadian natural gas prices, however, remained volatile and significantly below second quarter 2017 prices, limiting natural gas investment in the WCSB. While Canadian exploration and production ("E&P") companies have realized some benefit from higher oil prices, the incremental cash flow generally has not translated into larger capital programs, which has limited improvement in oilfield service activity.

RESULTS OF OPERATIONS

Segment Results – Essential Coil Well Service

(in thousands of dollars, except percentages, hours and fleet data)	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Revenue	\$ 20,774	\$ 14,569	\$ 53,348	\$ 43,288
Operating expenses	18,768	14,904	45,119	36,258
Gross margin	\$ 2,006	\$ (335)	\$ 8,229	\$ 7,030
Gross margin %	10%	(2%)	15%	16%
<u>Operating hours</u>				
Coil tubing rigs	9,311	7,039	25,481	23,459
Pumpers	13,236	9,529	33,675	28,182
<u>Equipment fleet ⁽ⁱ⁾</u>				
Coil tubing rigs	30	31	30	31
Fluid pumpers	20	20	20	20
Nitrogen pumpers	7	11	7	11

(i) Fleet data represents the number of units at the end of the period.

ECWS second quarter 2018 revenue was \$20.8 million, a 43% increase compared to the three months ended June 30, 2017 due to higher activity. With favourable spring weather conditions in key operating areas, ECWS's customers remained relatively active. Pricing was consistent with the second quarter 2017 and the first quarter 2018.

ECWS operating hours increased 36% in the second quarter 2018 compared to the second quarter 2017. Generation III coil tubing rigs, quintuplex fluid pumpers and nitrogen pumpers contributed to the activity increase as customers completed long-reach horizontal wells in the Montney and Duvernay regions of the WCSB.

Gross margin was 10% for the second quarter 2018, a significant improvement compared to negative 2% for the same period in 2017 due to increased revenue, cost control and fixed costs representing a smaller portion of revenue. Increased activity and effective crew management contributed to the cost savings in the second quarter 2018 compared to the same period in 2017. These savings were partially offset by an increase in fuel prices.

On a year-to-date basis, ECWS revenue was \$53.3 million, a 23% increase compared to the six months ended June 30, 2017 due to higher activity and strong customer demand for the Generation III coil tubing rigs, quintuplex fluid pumpers and nitrogen pumpers. Gross margin increased \$1.2 million for the six months ended June 30, 2018 compared to the same prior year period.

Segment Results – Tryton

(in thousands of dollars, except percentages)	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Revenue	\$ 17,164	\$ 13,076	\$ 44,724	\$ 40,607
Operating expenses	14,023	10,736	34,736	30,791
Gross margin	\$ 3,141	\$ 2,340	\$ 9,988	\$ 9,816
Gross margin %	18%	18%	22%	24%
<u>Tryton revenue – % of revenue</u>				
Tryton MSFS [®]	47%	42%	47%	53%

Tryton second quarter 2018 revenue was \$17.2 million, a 31% increase compared to the same period in 2017. Tryton's Canadian MSFS® and conventional tool operations experienced relatively strong customer demand in the current quarter, as customers continued with completion, maintenance and abandonment activities. Tryton's U.S. operations continued to show higher quarter-over-quarter activity, particularly in Texas, from a broader customer base.

Gross margin was 18% of revenue for the three months ended June 30, 2018, consistent with the second quarter 2017.

On a year-to-date basis, Tryton revenue was \$44.7 million, a 10% increase compared to the six months ended June 30, 2017. Gross margin was consistent with the same prior year period and remained strong at 22% for the six months ended June 30, 2018.

Equipment Expenditures

(in thousands of dollars)	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Essential Coil Well Service	\$ 4,131	\$ 4,071	\$ 7,755	\$ 8,359
Tryton	642	317	1,299	1,831
Corporate	128	203	309	238
Total equipment expenditures	4,901	4,591	9,363	10,428
Less proceeds on disposal of property and equipment	(778)	(309)	(2,594)	(615)
Net equipment expenditures ⁽¹⁾	\$ 4,123	\$ 4,282	\$ 6,769	\$ 9,813

Essential classifies its equipment expenditures as growth capital⁽¹⁾ and maintenance capital⁽¹⁾:

(in thousands of dollars)	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Growth capital ⁽¹⁾	\$ 2,169	\$ 2,492	\$ 4,098	\$ 6,346
Maintenance capital ⁽¹⁾	2,732	2,099	5,265	4,082
Total equipment expenditures	\$ 4,901	\$ 4,591	\$ 9,363	\$ 10,428

During the six months ended June 30, 2018, growth capital included two quintuplex fluid pumpers that were delivered and put into service in the first half of 2018. Growth capital also included progress payments to retrofit a Generation IV coil tubing rig and costs to build a nitrogen pumper, which are expected to be in service in the third quarter 2018.

Essential's 2018 capital forecast increased from \$15 million to \$18 million and is comprised of \$7 million of growth capital and \$11 million of maintenance capital. The \$3 million increase is to purchase a set of high pressure blowout preventers to support ECWS's coil tubing fleet, long lead time components for the next Generation IV coil tubing rig retrofit and maintenance capital.

OUTLOOK

Industry activity in the WCSB for 2018 is still expected to be similar to 2017. Higher oil and liquids prices have increased Canadian E&P cash flow but generally, this has not resulted in increased capital budgets to support higher oilfield service activity. Canadian natural gas prices remain low and volatile resulting in limited investment. The Canadian oil and natural gas industry continues to be hindered by political and regulatory concerns and market access constraints. From a longer-term perspective, however, there is optimism with the potential for an LNG facility and continued progress on improving pipeline takeaway capacity.

ECWS expects its Generation III coil tubing rigs, quintuplex fluid pumpers and nitrogen pumpers to remain busy in the second half of 2018 as customers continue to work on long reach horizontal well completions in the Montney and Duvernay regions of the WCSB. ECWS added two quintuplex fluid pumpers to its fleet in the first half of 2018 and expects to add a nitrogen pumper and a retrofitted Generation IV coil tubing rig in the third quarter. Limited improvement in industry activity and excess industry equipment continues to restrict the ability for ECWS to increase prices to partially offset higher operating costs, notably labour and fuel costs.

Tryton's expanded MSFS® service offering continues to be in demand providing customers with a choice of cost effective solutions for increased stage counts when completing longer reach horizontal wells. Demand for conventional tools is expected to continue with customers working on maintenance and abandonment activities. Tryton U.S. is well positioned to continue to benefit from customer activity and investment in the Permian region.

With long term debt of \$21.8 million on August 8, 2018, Essential believes it is well positioned to meet its working capital and spending requirements.

The Management's Discussion and Analysis ("MD&A") and Financial Statements for the quarter ended June 30, 2018 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) income and net (loss) income 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 income and net income per share as calculated in accordance with IFRS.

Bank EBITDA – Bank EBITDA is generally defined in Essential's Credit Facility as EBITDAS from continuing operations, including the equity cure, excluding onerous lease contract expense and severance costs ("Permitted Adjustments").

EBITDAS (Earnings before finance costs, income taxes, depreciation, amortization, transaction costs, losses or gains on disposal of equipment, 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.

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. Such additions do not provide incremental revenue.

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 the financing of Essential's capital program.

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

**ESSENTIAL ENERGY SERVICES LTD.
CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited)**

<i>(in thousands of dollars)</i>	As at June 30, 2018	As at December 31, 2017
Assets		
Current		
Cash	\$ 251	\$ 46
Trade and other accounts receivable	34,288	35,919
Inventories	39,592	35,683
Income taxes receivable	861	1,129
Prepayments and deposits	2,774	2,106
	77,766	74,883
Non-current		
Property and equipment	139,538	139,734
Intangible assets	1,016	1,387
Goodwill	3,615	3,444
	144,169	144,565
Total assets	\$ 221,935	\$ 219,448
Liabilities		
Current		
Trade and other accounts payable	\$ 22,186	\$ 22,504
Share-based compensation	827	1,498
Current portion of onerous lease contract	691	710
	23,704	24,712
Non-current		
Long-term onerous lease contract	3,029	3,432
Share-based compensation	3,580	4,397
Long-term debt	19,087	17,975
Deferred tax liabilities	8,999	8,129
	34,695	33,933
Total liabilities	58,399	58,645
Equity		
Share capital	272,732	272,732
Deficit	(115,308)	(117,956)
Other reserves	6,112	6,027

Total equity			163,536		160,803
Total liabilities and equity		\$	221,935	\$	219,448

ESSENTIAL ENERGY SERVICES LTD.
CONSOLIDATED INTERIM STATEMENTS OF NET (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME
(Unaudited)

<i>(in thousands of dollars, except per share amounts)</i>	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Revenue	\$ 37,938	\$ 27,645	\$ 98,072	\$ 83,895
Operating expenses	33,100	26,161	80,764	68,017
Gross margin	4,838	1,484	17,308	15,878
General and administrative expenses	3,001	2,775	6,326	6,963
Depreciation and amortization	3,708	3,881	7,560	7,882
Share-based compensation expense	982	679	134	2,223
Other expense (income)	45	195	(893)	170
Operating (loss) income from continuing operations	(2,898)	(6,046)	4,181	(1,360)
Finance costs	374	390	655	737
(Loss) income before income taxes from continuing operations	(3,272)	(6,436)	3,526	(2,097)
Current income tax expense (recovery)	-	(1,059)	8	(547)
Deferred income tax (recovery) expense	(867)	(372)	870	(25)
Income tax (recovery) expense	(867)	(1,431)	878	(572)
Net (loss) income from continuing operations	(2,405)	(5,005)	2,648	(1,525)
Loss from discontinued operations, net of tax	-	-	-	(330)
Net (loss) income	(2,405)	(5,005)	2,648	(1,855)
Unrealized foreign exchange (loss) gain from continuing operations	(12)	52	(53)	62
Other comprehensive (loss) gain	(12)	52	(53)	62
Comprehensive (loss) income	\$ (2,417)	\$ (4,953)	\$ 2,595	\$ (1,793)
Net (loss) income per share from continuing operations				
Basic and diluted	\$ (0.02)	\$ (0.04)	\$ 0.02	\$ (0.01)
Net (loss) income per share				
Basic and diluted	\$ (0.02)	\$ (0.04)	\$ 0.02	\$ (0.01)
Comprehensive (loss) income per share				
Basic and diluted	\$ (0.02)	\$ (0.03)	\$ 0.02	\$ (0.01)

ESSENTIAL ENERGY SERVICES LTD.
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)

<i>(in thousands of dollars)</i>	For the six months ended	
	June 30,	
	2018	2017
Operating activities:		
Net income (loss) from continuing operations	\$ 2,648	\$ (1,525)
Non-cash adjustments to reconcile net income (loss) to operating cash flow:		
Depreciation and amortization	7,560	7,882
Deferred income tax expense (recovery)	870	(25)

Share-based compensation	138	240
Provision for impairment of trade accounts receivable	100	300
Finance costs	655	737
Gain on disposal of assets	(188)	(270)
Operating cash flow before changes in non-cash operating working capital	11,783	7,339
Changes in non-cash operating working capital:		
Trade and other accounts receivable before provision	1,244	2,102
Inventories	(3,909)	(3,715)
Income taxes receivable	268	3,590
Prepayments and deposits	(668)	(836)
Trade and other accounts payable	(501)	(297)
Onerous lease contract	(454)	(250)
Share-based compensation	(1,488)	1,531
Net cash provided by operating activities from continuing operations	6,275	9,464
Investing activities:		
Purchase of property, equipment and intangible assets	(9,363)	(10,428)
Non-cash investing working capital in trade and other accounts payable	183	(432)
Proceeds on disposal of equipment	2,594	615
Net cash used in investing activities from continuing operations	(6,586)	(10,245)
Financing activities:		
Increase in long-term debt	1,350	2,087
Net finance costs paid	(862)	(737)
Net cash provided by financing activities from continuing operations	488	1,350
Foreign exchange gain on cash held in a foreign currency	28	13
Net increase in cash	205	582
Net increase in cash, discontinued operations	-	334
Cash, beginning of period	46	143
Cash, end of period	\$ 251	\$ 1,059
Supplemental cash flow information		
Cash taxes received	\$ (260)	\$ (4,137)
Cash interest and standby fees paid	\$ 435	\$ 693

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”, “projects”, “forecasts”, “potential”, “budget” and similar expressions, or are events or conditions that “will”, “would”, “may”, “likely”, “could” or “should” occur or be achieved. This news release contains forward-looking statements, pertaining to, among other things, the following: the Company’s ability to generate cash from operations; Essential’s capital forecast and in-service timing for equipment; oil and natural gas industry activity and outlook; political and regulatory uncertainty; Essential’s activity levels; pricing of oilfield services and Essential’s services; Essential’s competitive position and outlook and the demand for Essential’s services; and Essential’s financial position and ability to meet its working capital and capital spending requirements.

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); 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 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; risks and uncertainty related to distribution and pipeline constraints; 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.

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.

2018 SECOND QUARTER RESULTS CONFERENCE CALL AND WEBCAST

Essential has scheduled a conference call and webcast at 10:00 am MT (12:00 pm ET) on August 9, 2018.

The conference call dial in numbers are 416-340-2217 or 800-806-5484, passcode 8329961.

An archived recording of the conference call will be available approximately one hour after completion of the call until August 23, 2018 by dialing 905-694-9451 or 800-408-3053, passcode 3198243.

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 abandonment 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 the largest coil tubing fleet in Canada. Further information can be found at www.essentialenergy.ca.

® MSFS is a registered trademark of Essential Energy Services Ltd.

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

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