



## Enerflex Announces Second Quarter 2020 Financial Results, Quarterly Dividend, and New Director

Aug 06, 2020

CALGARY, Alberta, Aug. 06, 2020 (GLOBE NEWSWIRE) -- Enerflex Ltd. (TSX:EFX) ("Enerflex" or "the Company" or "we" or "our"), a leading supplier of products and services to the global energy industry, today reported its financial and operating results for the three and six months ended June 30, 2020, and announced the appointment of Mr. Fernando Assing to the Board of Directors.

### Summary Table of Second Quarter and First Half of 2020 Financial and Operating Results

<i>(Unaudited)</i> (\$ Canadian millions, except per share amounts, horsepower, and percentages)	Three months ended			Six months ended		
	2020	2019	Change	2020	2019	Change
Revenue	\$ 287.4	\$ 541.9	\$ (254.5)	\$ 653.2	\$ 1,026.8	\$ (373.6)
Gross margin	65.8	110.3	(44.5)	159.5	199.1	(39.6)
EBIT	15.4	64.0	(48.6)	65.4	97.3	(31.9)
EBITDA <sup>(1)</sup>	37.2	85.9	(48.7)	108.0	141.1	(33.1)
Adjusted EBITDA <sup>(2)</sup>	33.5	83.5	(50.0)	100.2	150.2	(50.0)
Net earnings	7.4	40.6	(33.2)	44.9	57.6	(12.7)
Earnings per share – basic	0.08	0.45	(0.37)	0.50	0.64	(0.14)
Recurring revenue growth <sup>(3)</sup>	(11.9)%	23.3%		(6.0)%	21.9%	
Bookings <sup>(4)</sup>	42.5	170.5	(128.0)	197.9	288.9	(91.0)
Backlog <sup>(4)</sup>	291.1	974.4	(683.3)	291.1	974.4	(683.3)
Rental horsepower	698,168	681,414	16,754	698,168	681,414	16,754

- 1. Earnings Before Interest (Finance Costs), Income Taxes, Depreciation, and Amortization ("EBITDA") is considered a non-IFRS measure, which may not be comparable with similar non-IFRS measures used by other entities.*
- 2. Adjusted EBITDA is a non-IFRS measure. Please refer to the full reconciliation of these items in the Adjusted EBITDA section.*
- 3. Recurring revenue is comprised of revenue from the Service and Rentals product lines, which are typically contracted and extend into the future. While the contracts are subject to cancellation or have varying lengths, the Company does not believe these characteristics preclude them from being considered recurring in nature. Growth in recurring revenue is calculated over the comparative period.*
- 4. Engineered Systems bookings and backlog are considered non-IFRS measures that do not have standardized meanings as prescribed by IFRS, and are therefore unlikely to be comparable to similar measures used by other entities.*

"We are proud to say that all Enerflex manufacturing facilities, rental, BOOM, and Service operations are open and have been operational since the beginning of the COVID-19 pandemic. Throughout this pandemic, Enerflex employees have maintained a safe working environment while keeping natural gas, natural gas liquids, and electricity flowing for the benefit of our clients and energy consumers globally," said Marc Rossiter, Enerflex's President and Chief Executive Officer.

"Enerflex is a highly diversified company. Our portfolio of natural gas infrastructure assets has performed well through the first six months of 2020. We maintained a healthy 82 percent average utilization in our US fleet during the quarter, buoyed by WTI pricing that has levelled off at around USD\$40. Customers in the Rest of World segment have shown their trust in Enerflex and their belief in the value of our BOOM solutions by extending contracts for three of them. Our AMS business has remained a reliable source of earnings compared to prior downturns, and, combined with our asset ownership business, our recurring revenues have contracted by only six percent during the first half of this year compared to the same period of last year. We were able to make good progress on Engineered Systems projects in our shop, despite COVID-19-related limitations, however booking activity was as depressed as we expected and as we communicated to the market with our first quarter results. Excepting necessary expenditures on in-flight projects or other assets backed by contracts, we have shut down new capex until the future of our Engineered Systems business is less uncertain. While market conditions have strained the financial health of many industry participants, including certain of our customers, we have and will continue to have a strong balance sheet and liquidity position."

### Quarterly Overview

- Operating income for the second quarter of 2020 decreased over the prior year, largely driven by lower revenue and increased bad debt provisions.
- Engineered Systems booking activity was low, as expected.
- The Company invested \$30 million in rental assets with existing contracts and four previously announced Build-Own-Operate-Maintain ("BOOM") projects. Due to costs relating to a small BOOM not previously included in estimated capex, final scoping on other BOOM projects, foreign exchange differences, and additional project costs due to COVID-19-induced delays, total 2020 capex is now estimated at approximately \$125 million to \$130 million, compared to

approximately \$105 million as previously disclosed.

- At June 30, 2020, the USA contract compression fleet totaled approximately 335,000 horsepower. Average fleet utilization during the quarter was 82 percent.
- Extended two BOOM projects in the Middle East during the second quarter. Subsequent to the quarter, the Company executed a letter of intent to extend a BOOM project in the Middle East for 10 years. Final terms of the extension are anticipated to be agreed to and executed in the third quarter of 2020.
- The Company exited the quarter at a bank-adjusted net debt to EBITDA ratio of 1.2:1, compared to a maximum ratio of 3:1. The Company has access to \$532 million of credit for future drawings.
- Subsequent to June 30, 2020, Enerflex declared a quarterly dividend of \$0.02 per share, payable on October 1, 2020, to shareholders of record on August 20, 2020.

## Outlook

Enerflex's capital allocation priorities over the past five plus years have been specifically oriented toward making our cash flows more stable and resistant to the natural, yet unpredictable, cyclicalities in our markets. Priorities have included significant investments in recurring revenue projects in the USA and Rest of World ("ROW") segments.

Currently, North America presents the greatest uncertainty for Enerflex. Engineered Systems revenues in the Canada and USA regions are likely to experience pressure through 2020 and 2021, though order flow is seeing some success from non-traditional applications, including modularization of a highly efficient gas-to-power combined cycle technology, a combined heat and power project for a Canadian grain processor, and a large process refrigeration system for a petrochemical plant in Texas. Business lines oriented toward our customers' opex in North America, namely Service and Rentals, will experience pressure throughout the year.

The ROW segment has fared better than the North American regions. In the Middle East, we have seen increasing interest for new assets and have secured contract extensions for certain existing assets. Latin America will benefit from the completion of certain BOOM projects in Brazil and Argentina, the sale of a 13 MW power and gas treating plant to reduce flare gas in Colombia, and renewed rental assets in Mexico that are expected to come online in the third quarter of 2020. Despite the challenges caused by COVID-19, the Company continues to progress all previously announced BOOM projects and anticipates commencement dates at various times through mid- to late-2020.

## Second Quarter Segmented Results

### USA

USA segment revenue was \$177 million, a decrease of \$150 million from the same period in 2019. Engineered Systems revenue decreased due to lower opening backlog on reduced bookings in recent periods, while Service revenue was lower due to travel restrictions related to COVID-19. Rentals revenue increased due to the organic growth of the contract compression fleet, which grew by 29 percent on a horsepower basis in the last year. EBIT was down \$43 million due to decreased gross margin, driven by lower revenue on soft bookings from 2019 and the first half of 2020, as well as the reduced contribution from certain large, high margin Engineered Systems projects that were booked during the second half of 2018 as they near completion. The second quarter of 2020 was also impacted by higher SG&A costs, the result of increased bad debt provisions taken in the second quarter of 2020, as management identified certain receivable balances in the USA segment that may be at higher risk of credit loss as a result of recent events.

### Rest of World

Revenue in the Rest of World segment decreased by \$32 million as a result of lower revenue for all product lines. Engineered Systems revenue was down for the second quarter of 2020 primarily due to a lower opening backlog, while Service revenues decreased due to reduced activity levels and lower parts and equipment sales, and Rentals revenue decreased due to lower utilization of the rental fleet in Latin America. EBIT increased by \$1 million as a result of improved gross margin percentage and lower SG&A costs, driven by reduced travel, marketing, and non-critical IT expenditures, as well as favourable foreign exchange movements.

### Canada

Canadian revenue decreased by \$73 million as a result of lower Engineered Systems revenue on a lower opening backlog. Service and Rentals revenues were down due to lower equipment sales and reseller activity. EBIT decreased as a result of lower gross margin on reduced revenue, partially offset by lower SG&A costs driven by mark-to-market impacts on share-based compensation and cost recoveries related to government assistance programs.

## Adjusted EBITDA

The Company's results include items that are unique and items that management and users of the financial statements adjust for when evaluating the Company's results. The presentation of Adjusted EBITDA should not be considered in isolation from EBIT or EBITDA as determined under IFRS. Adjusted EBITDA may not be comparable to similar measures presented by other companies and should not be considered in isolation or as a replacement for measures prepared as determined under IFRS.

The items that have historically been adjusted for presentation purposes relate generally to four categories: 1) impairment or gains on idle facilities (not including rental asset impairments); 2) restructuring activities; 3) transaction costs related to M&A activity; and, 4) share-based compensation. Enerflex has presented the impact of share-based compensation as it is an item that can fluctuate significantly with share price changes during a period based on factors that are not specific to the long-term performance of the Company. The disposal of idle facilities is isolated within Adjusted EBITDA as they are not reflective of the ongoing operations of the Company and are idled as a result of restructuring activities.

During the second quarter of 2020, the Company added another adjustment related to government grants, most notably the Canada Emergency Wage Subsidy. The amount of subsidies received have been recorded as a reduction in cost of goods sold and selling and administrative expense within the interim condensed consolidated statement of earnings in accordance with where the associated expense was recognized. Enerflex considers this to be a unique item as these temporary grants relate to the recent COVID-19 pandemic and are not anticipated to be part of the ongoing operations of the Company.

Management believes that identification of these items allows for a better understanding of the underlying operations of the Company based on the current assets and structure.

(\$ Canadian millions)

Three months ended June 30, 2020	Total	USA	ROW	Canada
Reported EBIT	\$ 15.4	\$ 6.8	\$ 3.7	\$ 4.9
Severance costs in COGS and SG&A	2.0	0.5	0.1	1.4

Government grants	(6.4)	-	(0.6)	(5.8)
Share-based compensation	0.7	0.4	0.2	0.1
Depreciation and amortization	21.8	10.7	9.0	2.1
Adjusted EBITDA	\$ 33.5	\$ 18.4	\$ 12.4	\$ 2.7

(\$ Canadian millions)

Three months ended June 30, 2019	Total	USA	ROW	Canada
Reported EBIT	\$ 64.0	\$ 49.9	\$ 2.8	\$ 11.3
Gain on disposal of idle facilities	(0.4)	-	-	(0.4)
Share-based compensation	(1.9)	(1.1)	(0.6)	(0.2)
Depreciation and amortization	21.8	8.3	11.0	2.5
Adjusted EBITDA	\$ 83.5	\$ 57.1	\$ 13.2	\$ 13.2

#### Dividend

Subsequent to the end of the quarter, Enerflex declared a quarterly dividend of \$0.02 per share, payable on October 1, 2020, to shareholders of record on August 20, 2020. Enerflex's Board of Directors will continue to evaluate dividend payments on a quarterly basis, based on the availability of cash flow and anticipated market conditions.

#### New Director Appointment

The Board is pleased to appoint Fernando Assing as a director of Enerflex effective August 6, 2020, as part of its ongoing succession planning to ensure orderly transition as certain directors approach term limits in the next few years. Mr. Assing brings 29 years of experience in the EPC and oilfield service industries, including senior management roles in marketing, business development, commercial, and project and operations management. He is President and Chief Executive Officer of Centurion Group Limited, the global rental and infrastructure platform of SCF Partners. He has extensive international experience in the energy industry, including operations in the United States, Canada, Latin America, the Middle East, Africa, Southeast Asia, Australia, and Europe. Prior to joining Centurion, Mr. Assing was President and Chief Executive Officer of Tesco Corporation until its sale to Nabors Industries, and prior thereto he served in multiple global and regional positions with Schlumberger and Technip. Mr. Assing serves on the Centurion board and previously served on the Tesco board. He is a civil engineer by background.

"Mr. Assing's experience leading oilfield service operations across multiple business lines in multiple countries will be an asset to Enerflex as it continues to strategically expand its product lines globally," said Stephen J. Savidant, Chairman of the Enerflex Board of Directors. "We are very pleased to welcome Mr. Assing to the Board."

#### Quarterly Results Material

This press release should be read in conjunction with Enerflex's unaudited interim condensed consolidated financial statements for the three and six months ended June 30, 2020 and 2019, and the accompanying Management's Discussion and Analysis, both of which will be available on the Enerflex website at [www.enerflex.com](http://www.enerflex.com) under the Investors section and on SEDAR at [www.sedar.com](http://www.sedar.com).

#### Conference Call and Webcast Details

Enerflex will host a conference call for analysts, investors, members of the media, and other interested parties on Friday, August 7, 2020 at 8:00 a.m. MDT to discuss the second quarter 2020 financial results and operating highlights. The call will be hosted by Mr. Marc Rossiter, President and Chief Executive Officer; Mr. Sanjay Bishnoi, Senior Vice President and Chief Financial Officer; and Mr. Stefan Ali, Director, Strategy, Risk, and Investor Relations.

If you wish to participate in this conference call, please call 1.844.231.9067 or 1.703.639.1277. Please dial in 10 minutes prior to the start of the call. No passcode is required. The live audio webcast of the conference call will be available on the Enerflex website at [www.enerflex.com](http://www.enerflex.com) under the Investors section on August 7, 2020 at 8:00 a.m. MDT. A replay of the teleconference will be available on August 7, 2020 at 11:00 a.m. MDT until August 14, 2020 at 11:00 a.m. MDT. Please call 1.855.859.2056 or 1.404.537.3406 and enter conference ID 1454932.

#### About Enerflex

Enerflex Ltd. is a single source supplier of natural gas compression, oil and gas processing, refrigeration systems, and electric power generation equipment – plus related engineering and mechanical service expertise. The Company's broad in-house resources provide the capability to engineer, design, manufacture, construct, commission, and service hydrocarbon handling systems. Enerflex's expertise encompasses field production facilities, compression and natural gas processing plants, gas lift compression, refrigeration systems, and electric power equipment servicing the natural gas production industry.

Headquartered in Calgary, Canada, Enerflex has approximately 2,100 employees worldwide. Enerflex, its subsidiaries, interests in associates and joint-ventures operate in Canada, the United States, Argentina, Bolivia, Brazil, Colombia, Mexico, the United Kingdom, the United Arab Emirates, Oman, Bahrain, Kuwait, Australia, New Zealand, Indonesia, Malaysia, and Thailand. Enerflex's shares trade on the Toronto Stock Exchange under the symbol "EFX". For more information about Enerflex, go to [www.enerflex.com](http://www.enerflex.com).

#### Advisory Regarding Forward-Looking Information

*This press release contains forward-looking information within the meaning of applicable Canadian securities laws. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan", "contemplate", "continue", "estimate", "expect", "intend", "propose", "might", "may", "will", "shall", "project", "should", "could", "would", "believe", "predict", "forecast", "pursue", "potential", "objective" and "capable" and similar expressions are intended to identify forward-looking information. In particular, this press release includes (without limitation) forward-looking information pertaining to: anticipated financial performance; the Company's 2020 growth capital expenditure plans and maintenance capital spending; anticipated market conditions and impacts on the Company's operations; development trends in the oil and gas industry; business prospects and strategy; the ability to raise capital; the ability of existing and expected cash flows and other cash resources to fund investments in working capital and capital assets; the impact of economic conditions on accounts receivable; expectations regarding future dividends; and implications of changes in government regulation, laws and income taxes. This forward-looking information is based on assumptions, estimates and analysis made in the light of the Company's experience and its perception of trends, current conditions and expected developments, as well as other factors that are believed by the Company to be reasonable and relevant in the circumstances. Forward-looking information involves known and unknown risks and uncertainties and other factors, which are difficult to predict, including but not limited to: the impact of economic conditions including volatility in the price of oil, gas, and gas liquids, interest rates and foreign exchange rates; industry conditions including supply and demand*

*fundamentals for oil and gas, and the related infrastructure including new environmental, taxation and other laws and regulations; disruptions to business operations resulting from the COVID-19 pandemic and the responses of government and the public to the pandemic; changes in economic conditions that restrict Enerflex's cash flow and impact its ability to declare and pay dividends; the ability to continue to build and improve on proven manufacturing capabilities and innovate into new product lines and markets; increased competition; insufficient funds to support capital investments required to grow the business; the lack of availability of qualified personnel or management; political unrest; and other factors, many of which are beyond the Company's control. For an augmented discussion of the risk factors and uncertainties that affect or may affect Enerflex, the reader is directed to the section entitled "Risk Factors" in Enerflex's most recently filed Annual Information Form and the section entitled "Supplemental Risk Factors" in Enerflex's MD&A for the three months ended March 31, 2020, as well as Enerflex's other publicly filed disclosure documents, available on [www.sedar.com](http://www.sedar.com). While the Company believes that there is a reasonable basis for the forward-looking information and statements included in this press release, as a result of such known and unknown risks, uncertainties and other factors, actual results, performance, or achievements could differ materially from those expressed in, or implied by, these statements, and readers are cautioned not to unduly rely on forward-looking statements. The forward-looking information included in this press release should not be unduly relied upon. The forward-looking information contained herein is expressly qualified in its entirety by the above cautionary statement. The forward-looking information included in this press release is made as of the date hereof and, other than as required by law, the Company disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise.*

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Source: Enerflex Ltd.