

# CATHEDRAL ENERGY SERVICES ANNOUNCES 2023 CORPORATE AND OPERATIONAL UPDATE

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NEWS PROVIDED BY

**Cathedral Energy Services Ltd.** →

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CALGARY, AB, Jan. 13, 2023 /CNW/ - Cathedral Energy Services Ltd. (TSX: CET) ("**Cathedral**" or the "**Company**" or "**CET**") is pleased to announce a January 2023 corporate update, including its capital spending plans for the year and a management update.

## **OPERATIONS UPDATE**

Following a record third quarter in 2022, Cathedral continued to build on the momentum created as a result of a consolidation strategy with a more robust fourth quarter of 2022 in both Canada and the US. Against a backdrop of a US industry land drilling rig count that increased 2% sequentially from Q3-2022 levels and a Canadian industry rig count that declined 6% sequentially (Source: Baker Hughes), preliminary indications are that Cathedral's consolidated revenues for Q4-22 increased over 10% from Q3-2022 (even after normalizing for a full quarter of contribution from Cathedral's Altitude acquisition in Q3-2022). The improvement in consecutive quarterly financial results occurred despite the annual slowdown in activity in Canada for the holiday season.

We further bolstered activity and added capacity with the acquisition of the Canadian directional drilling business of Ensign Energy Services Inc. on October 26, 2022. In addition, Cathedral has entered into a Marketing and Technology Alliance with Ensign Energy Services Inc. to support and expand the customer base of both companies in the Canadian market.



This transaction helped drive market share in full-service directional drilling to approximately 26% (Source: Baker Hughes rig counts) in Q4-2022 vs 24.3% in Q3-2022. In the US, market share continued at or slightly above the level achieved in Q3-2022.

Looking forward to Q1-2023, Cathedral is operating over 60 active jobs in Canada, a level that if sustained, will represent some of the most robust levels of activity in Cathedral's history. In the US, our Altitude division is on track to grow its Q1-2023 job count to approximately 60-65 active rigs, marking clear progress from the second half 2022 activity levels of 50-55 jobs. Finally, Cathedral's US motor rental business, Discovery Downhole Services, also expects to operate near full capacity at high levels of utilization with the implementation of incremental price increases during the fourth quarter of 2022 and anticipated in the first quarter of the year.

Cathedral's President and CEO, Tom Connors said, "We continue to deliver tangible results on both sides of the border as we progress our strategy of building one of the largest independent directional drilling companies in North America. Cathedral is using size, scale, and top-tier downhole technology to firmly position itself as a leading provider of critical directional drilling services to many of the most demanding E&P companies in North America. Amidst a very active year of consolidation in both the US and Canada, we have retained virtually all of the clients of our acquired companies as well as their key people. This success speaks to the quality of the organizing principle behind our growth strategy and the excellent job our people have done to work together in integrating operations. Looking ahead to 2023, we continue to explore opportunities to meaningfully expand our US operations through potential accretive acquisitions and further differentiate ourselves in the market through an expanded technology offering or enhancements."

## **CAPITAL SPENDING UPDATE**

Cathedral's Board of Directors has approved a net capital budget of \$46 million for 2023. This represents an increase to preliminary guidance of \$35 million released in our Q3-2022 interim report. The additional funds are targeted at growing our high-performance mud motor, MWD and rotary steerable technology in both Canada and the US. The increase in budget is reflective of the opportunities to deploy capital at rates of return that exceed our cost of

capital and is evidence of our confidence around 2023 activity levels in North America. Cathedral intends to use the free cash flow generated in 2023 to continue to pay down debt while remaining opportunistic in making strategic, accretive acquisitions.

## **MANAGEMENT UPDATE**

Cathedral announces the departure from the Company of Chad Robinson, Chief Financial Officer, effective immediately. Mr. Robinson had assumed this role in July 2022. Cathedral will be conducting a search for a Chief Financial Officer. In the interim, Mr. Scott MacFarlane, Cathedral's former long-time Chief Financial Officer (CFO) and subsequently CEO, has returned to assume the role of Interim CFO while the search for a permanent replacement takes place. Mr. Connors stated, "The depth of talent and bench strength of our core team has led the transformation of our company through seven transactions over 18 months, and we are confident in our ability to continue to execute on our plans to establish Cathedral as a preeminent pure play directional drilling service provider in North America. We are excited to have Mr. MacFarlane back in this interim role, as he helps strengthen our team with an accomplished career, demonstrated track record, and high degree of competency. Scott has been a foundational contributor to the organization for many years and has exemplary character, integrity, diligence, professionalism, and leadership qualities that we are confident will be an asset to the team as we progress through the next stage of growth and transformation of our business."

## **ABOUT CATHEDRAL**

Cathedral Energy Services Ltd., based in Calgary, Alberta is incorporated under the *Business Corporations Act* (Alberta) and operates in the US under Discovery Downhole Services, a division of Cathedral Energy Services Inc. and Altitude Energy Partners, LLC. Cathedral is publicly-traded on the Toronto Stock Exchange under the symbol "CET". Cathedral is a trusted partner to North American energy companies requiring high performance directional drilling services. We work in partnership with our customers to tailor our equipment and expertise to meet their specific geographical and technical needs. Our experience, technologies and responsive personnel enable our customers to achieve higher efficiencies and lower project costs. For more information, visit [www.cathedralenergyservices.com](http://www.cathedralenergyservices.com)

## **FORWARD-LOOKING INFORMATION**



This press release contains statements and information that may constitute "forward-looking information" within the meaning of applicable securities legislation, including statements identified by the use of words such as "will", "expects", "positions", "believe", "potential" and similar words, including negatives thereof, or other similar expressions concerning matters that are not historical facts. Forward-looking information in this news release includes, but is not limited to, statements regarding Cathedral's business plans and strategies for growth, preliminary estimates regarding Cathedral's business performance in Q4, 2022, anticipated active job counts in Q1, 2023, anticipated growth in active job counts from Cathedral's Altitude division in 2023, and Cathedral's capital budget for 2023.

Such forward-looking information is based on various assumptions that may prove to be incorrect, including, but not limited to, assumptions with respect to: conditions in the oil and gas markets and debt and equity markets generally; anticipated performance of Cathedral's Canadian, Discovery and Altitude business units, including active job counts, and the ability of the Company to successfully implement its strategic plans and initiatives. Although the Company believes that such assumptions are reasonable, the Company can give no assurance that such forward-looking statements will prove to be correct or that any of the events anticipated by such forward-looking statements will occur, or if any of them do so, what benefits the Company will derive there from.

Actual results could differ materially due to a number of factors and risks including, but not limited to the ability of management to execute and fund its business strategy, the impact of general economic conditions in Canada and the United States, oil and natural gas commodity prices and production levels, the ongoing impact of the global health crisis and COVID-19, capital expenditure programs and other expenditures by Cathedral and its customers, the ability of Cathedral to retain and hire qualified personnel, the ability of Cathedral to obtain parts, consumables, equipment, technology, and supplies in a timely manner to carry out its activities, the ability of Cathedral to maintain good working relationships with key suppliers, the ability of Cathedral to retain customers, market its services successfully to existing and new customers and reliance on major customers, risks associated with technology development and intellectual property rights, obsolescence of Cathedral's equipment and/or technology, the ability of Cathedral to maintain safety performance, the ability of Cathedral to obtain adequate and timely financing on acceptable terms, the ability of Cathedral to comply with the terms and conditions of its credit facility, ☞

the ability to obtain sufficient insurance coverage to mitigate operational risks, currency exchange and interest rates, risks associated with future foreign operations, the ability of Cathedral to integrate its transactions and the benefits of any acquisitions, dispositions and business development efforts, environmental risks, business risks resulting from weather, disasters and related to information technology, changes under governmental regulatory regimes and tax, environmental, climate and other laws in Canada and the U.S.; and competitive risks.

Additional information regarding risks and uncertainties of the Company's business are contained under the heading "Risk Factors" in the Company's annual information form for the financial year ended December 31, 2021 and the Company's other public filings which are available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com). The forward-looking information included in this news release is made as of the date of this news release and the Company does not undertake an obligation to publicly update such forward-looking information to reflect new information, future events or otherwise, except as required by applicable law.

This press release also contains financial outlook information ("FOFI") about prospective results of operations for Q4, 2022, including anticipated consolidated revenues for Q4, 2022, which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth in the above paragraphs. Readers are cautioned that revenue figures are a component of results of operations, do not include expenditure or cost numbers, and therefore are not a substitute for net income. The Corporation expects to release full audited financial information for the year ended December 31, 2022 in March 2023. FOFI contained in this press release was made as of the date of this press release to provide information about management's expectations regarding Cathedral's current operations and readers are cautioned that such information may not appropriate for any other purpose. Cathedral disclaims any intention or obligation to update or revise any FOFI contained in this press release, whether as a result of new information, future events or otherwise, except as required by applicable law.

## **NON-GAAP MEASURES**

Cathedral uses certain performance measures in this document that are not defined under International Financial Reporting Standards (IFRS). Management believes that these measures provide supplemental financial information that is useful in the evaluation of Cathedral's operations and are commonly used by other oilfield services companies. Investors should be cautioned, however, that these measures should not be construed as alternatives to measures determined in accordance with IFRS as an indicator of Cathedral's performance. Cathedral's method of calculating these measures may differ from that of other organizations, and accordingly, may not be comparable.

"Free Cash Flow" is a non-GAAP measure calculated as net cash provided by operating activities less purchases of property and equipment and intangible assets. Free cash flow is considered an indicator of the Corporation's ability to generate cash flow from operations. Further information regarding how Cathedral calculates and uses Free Cash Flow is contained in Cathedral's Q3, 2022 Management Discussion & Analysis under the heading "Non-GAAP Measurements" and is available on SEDAR under Cathedral's profile at [www.sedar.com](http://www.sedar.com).

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