

SECURE Energy Announces 2020 Second Quarter Results

CALGARY, AB, July 28, 2020 /CNW/ - Secure Energy Services Inc. ("SECURE" or the "Corporation") (TSX: SES) reported today its operational and financial results for the three and six months ended June 30, 2020. The following should be read in conjunction with the Corporation's management's discussion and analysis ("MD&A") and the interim consolidated financial statements and notes thereto for the three and six months ended June 30, 2020, which are available on SEDAR at www.sedar.com.

SECOND QUARTER SUMMARY

The Corporation recorded Adjusted EBITDAⁱ of \$20.5 million for the three months ended June 30, 2020, compared to \$35.0 million in the prior year second quarter. Reduced global oil demand driven by public health measures taken to limit the spread of the novel coronavirus ("COVID-19") and the associated economic downturn pressured crude oil and liquid prices to historic lows during the three months ended June 30, 2020, resulting in production shut-ins and minimal drilling and completion activity in the Corporation's operating regions.

SECURE's revenue (excluding oil purchase and resale) of \$65.5 million for the second quarter of 2020 decreased 51% from the prior year comparative period as a result of lower production-related volumes at the Corporation's midstream facilities due to short-term shut-ins, and limited drilling and completion volumes at the Corporation's midstream facilities and landfills, as evidenced by active rig counts decreasing by approximately 75% from the prior year.

Due to the highly unusual dynamics in the crude oil market stemming from the COVID-19 pandemic, the Corporation also had fewer product optimization opportunities resulting in lower crude oil marketing revenue in the three months ended June 30, 2020, compared to the same period of 2019. SECURE was able to partially mitigate the reduced market optimization opportunities by capitalizing on the Corporation's significant crude oil storage positions at the Kerrobert and Cushing facilities. SECURE also benefited in the quarter from stable revenue provided by contracted volumes associated with SECURE's oil feeder pipelines and pipeline-connected produced water disposal facilities.

In early April of 2020, the Corporation undertook aggressive cost reductions which began to take effect in the three months ended June 30, 2020, including a 25% decrease in personnel costs achieved through organizational restructuring, salary reductions, modified work schedules and job sharing. As a result of these measures, the Corporation anticipates a \$40 million reduction in cost of sales and general and administrative expenses on an annualized basis. In addition, SECURE qualified for the Canadian Federal Government's wage subsidy program during the quarter which was used to reduce the impact of the downturn on the Corporation's staffing levels. The benefit of \$11.2 million resulting from the program has been offset against wages included in cost of sales and general and administrative expenses. The Corporation has also taken a number of measures to significantly reduce all discretionary spending. As a result of these reductions to the Corporation's cost structure, SECURE's Adjusted EBITDA marginⁱ was 31% for the three months ended June 30, 2020, an increase of 5% from the prior year comparative period despite the decrease to revenue.

The Corporation is actively anticipating and managing risks to ensure the long-term resiliency of the organization. Maintaining a strong balance sheet has always been a priority of SECURE to effectively manage the business through periods of lower commodity pricing and industry activity. In addition to the restructuring efforts and associated cost reductions noted above, the Corporation has taken further measures to protect the Corporation's balance sheet, including:

- Managing a strict capital program. The Corporation's 2020 capital program is \$60 million, comprised of \$50 million of growth capital and \$10 million of sustaining capital, less than half the 2019 spend of \$135 million. The majority of the capital program for this year was completed during the six months ended June 30, 2020, and related primarily to substantially completing the East Kaybob Oil Pipeline, which is expected to contribute positive cash flows for the remainder of 2020. The Corporation expects to incur approximately \$15 million for 2021, primarily related to sustaining capital.
- Reducing the monthly dividend from \$0.0225 per share to \$0.0025 (0.25 cents) per share beginning May 2020. This reduction results in annualized cash savings of approximately \$38 million. Following the payment of the monthly dividend in June 2020, the Corporation has moved to paying the dividend quarterly, with the first payment of \$0.0075 (0.75 cents) per common share expected in October 2020.
- Optimizing working capital. At June 30, 2020, the Corporation's non-cash working capital was \$94.9 million, down from \$125.3 million at December 31, 2019. The Corporation has a robust credit review process and has been working with customers to ensure timely collection of receivables. As a result of these diligent procedures, no loss allowance for expected credit losses was recorded during the three months ended June 30, 2020. The Corporation has also been actively managing inventory levels, primarily related to drilling fluids and production chemicals, to align with expected near-term activity levels.

The factors noted above have lessened the negative impact of reduced activity levels and lower Adjusted EBITDA on the

Corporation's financial position. The following table outlines SECURE's Senior and Total Debt to trailing twelve-month EBITDA ratiosⁱⁱ at June 30, 2020, compared to the covenant thresholds outlined in our credit facility agreements. SECURE remains well within compliance of all covenants related to its credit facilities.

	June 30, 2020	Threshold
Senior Debt to EBITDA	2.3	3.5
Total Debt to EBITDA	3.2	5.0

At June 30, 2020, SECURE had cash of \$17.4 million and \$267.1 million of available capacity on our First Lien Credit Facility, subject to covenant restrictions. In addition, SECURE has a \$75 million letter of credit facility with \$30.8 million available for use under this facility as of June 30, 2020.

Outlook

Crude oil prices stabilized near the end of the second quarter of 2020 following indicators of a gradual economic recovery as lockdowns associated with COVID-19 eased across the globe, leading to increased energy demand. As demand continues to increase and oil prices rise, producers in SECURE's core operating regions have started bringing shut-in production back on-stream.

The Corporation expects that there will be a modest increase in drilling and completion activity in late third quarter and fourth quarter of 2020 as producers seek to add production to offset natural declines in order to maintain flat production levels to hold cash flow levels, satisfy reserve-based lending commitments and maximize hedge contracts. The Corporation anticipates that drilling and completion activity will, however, remain well below prior year levels in the second half of 2020 as producers continue to prudently manage capital and protect their balance sheet.

While the Corporation continues to face significant external headwinds, by controlling what we can control, SECURE remains well positioned to navigate this challenging time through the remainder of 2020 and beyond.

- During the second quarter of 2020, the Canadian Federal Government announced a \$1.7 billion federal stimulus package to help fund the closure and reclamation of orphan and inactive wells in the Western Canadian Sedimentary Basin ("WCSB") as part of an effort to reduce the economic fallout on oil-producing provinces from COVID-19. The majority of the package (\$1.0 billion) has been used to create the Alberta Site Rehabilitation Program, a phased grant funding program for well, pipeline and oil and gas site closure and reclamation work through to the end of 2022. Site closure and remediation programs have also been introduced in British Columbia (\$100 million) and Saskatchewan (\$400 million), where SECURE is an approved government contractor. SECURE is also a prime contractor for the Orphan Well Association, who has been allotted the remaining \$200 million. SECURE expects increased abandonment and remediation activity to positively impact all Canadian business units over the term of the program, particularly within the Environmental Management group as a result of higher demand for environmental site assessments, onsite abandonment, remediation and reclamation management and decommissioning work. Solid and waste volumes resulting from these operations will also require disposal; SECURE owns and operates six industrial landfills in Alberta capable of handling waste of this nature.
- SECURE's business remains highly concentrated on production volumes and related services that historically represent approximately 75% of the Corporation's Adjusted EBITDA. The majority of the Corporation's midstream processing facilities are located in low cost light oil and gas related plays in western Canada, which should support ongoing production at current benchmark pricing.
- SECURE's oil and water pipelines have committed volumes, which will provide a recurring revenue stream and provide a certain degree of cash flow stability. In June 2020, the Corporation successfully commissioned the East Kaybob Oil Pipeline, which will begin contributing to the Corporation's results in the third quarter of 2020. There is one remaining segment of the pipeline that will be constructed in late 2020.
- SECURE benefited in the second quarter from its crude oil storage infrastructure at both Kerrobert and Cushing. The Corporation expects these assets will continue to provide incremental year over year cash flows for the remainder of 2020 as pipeline disruptions and egress challenges create fluctuating differentials opportunities. Additionally, as crude oil market dynamics return to normal, the Corporation expects opportunities for price optimization at the Corporation's pipeline connected midstream facilities will return.
- Through organizational and structural changes, the Corporation expects the reductions made to our fixed cost structure will result in annualized savings to Adjusted EBITDA in excess of \$40 million, the majority of which is expected to remain regardless of increases in activity levels.
- The majority of the Corporation's 2020 capital program was completed in the first half of the year with the addition of the East Kaybob Oil Pipeline, a milestone project for SECURE that aligns with our underlying strategy to increase the stability of our cash flows.
- The Corporation is proceeding with the planned divestitures announced last year related to specific service lines that do not have recurring or production-related revenue streams. However, SECURE continues to remain patient in executing any divestitures as the Corporation is committed to obtaining a sales price commensurate with the value of the service lines. Due to recent market volatility and continued uncertainty, the Corporation expects that timing for the completion of any divestitures will be delayed to 2021.

For the remainder of 2020, SECURE will continue to focus on maintaining financial resiliency by maximizing cash flows

and paying down debt with free cash flow. By doing so, the Corporation will remain well positioned to respond to the market's needs when activity levels increase. Helping our customers by challenging what is possible, working transparently to identify opportunities where we can provide innovative solutions that help our customers reduce costs and emissions and invest their capital where it generates the highest rates of return will ultimately contribute to our combined success in the long-term, regardless of the challenges faced along the way.

OPERATING AND FINANCIAL HIGHLIGHTS

The following table summarizes the operating and financial highlights for the three and six month periods ending June 30, 2020 and 2019:

(\$000's except share and per share data)	Three months ended June 30,			Six months ended June 30,		
	2020	2019	% change	2020	2019	% change
Revenue (excludes oil purchase and resale)	65,546	134,230	(51)	237,569	307,110	(23)
Oil purchase and resale	225,644	654,618	(66)	659,199	1,266,121	(48)
Total revenue	291,190	788,848	(63)	896,768	1,573,231	(43)
Adjusted EBITDA ⁽¹⁾	20,453	34,966	(42)	62,547	90,105	(31)
Per share (\$), basic	0.13	0.22	(41)	0.39	0.56	(30)
Net loss attributable to shareholders of SECURE	(20,889)	(1,678)	(1,145)	(42,827)	(419)	(10,121)
Per share (\$), basic and diluted	(0.13)	(0.01)	(1,200)	(0.27)	-	(100)
Cash flows from operating activities	22,098	53,926	(59)	67,948	111,228	(39)
Per share (\$), basic	0.14	0.34	(59)	0.43	0.69	(38)
Capital expenditures ⁽¹⁾	10,560	48,612	(78)	51,920	72,231	(28)
Dividends per common share	0.0275	0.0675	(59)	0.0950	0.1350	(30)
Total assets	1,493,949	1,605,988	(7)	1,493,949	1,605,988	(7)
Long-term liabilities	624,495	604,610	3	624,495	604,610	3
Common shares - end of period	158,543,252	158,452,248	-	158,543,252	158,452,248	-
Weighted average common shares - basic and diluted	158,488,825	160,371,354	(1)	158,501,312	160,405,924	(1)

⁽¹⁾ Refer to "Non-GAAP Measures" for further information

• REVENUE OF \$291.2 MILLION AND \$896.8 MILLION FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020

- Midstream Infrastructure segment revenue (excluding oil purchase and resale) for the three and six months ended June 30, 2020, decreased by 53% and 29% from the comparative periods of 2019 to \$34.2 million and \$108.8 million, respectively. For the three months ended June 30, 2020, the decrease in revenues is attributable to production shut-ins and minimal drilling and completion activity across the WCSB and North Dakota due to macro-economic factors driving low crude and liquids pricing, resulting in lower processing, disposal and recovery volumes at the Corporation's midstream processing facilities and reduced marketing opportunities. Recovered oil pricing was also negatively impacted by the significant decline in Canadian benchmark oil prices compared to the same period of 2019. Partially offsetting these negative factors on the Midstream Infrastructure segment's second quarter revenue was increased demand for crude oil storage at the Kerrobert and Cushing facilities, and stability provided by contracted volumes associated with SECURE's oil feeder pipelines and pipeline-connected produced water disposal facilities;
- The impact of production shut-ins and reduced drilling and completion activity during the six months ended June 30, 2020, was partially offset by higher year over year activity levels in the first two months of the year prior to the crash in crude and liquids pricing in March 2020;
- Oil purchase and resale revenue for the three and six months ended June 30, 2020, decreased 66% and 48% from the 2019 comparative periods to \$225.6 million and \$659.2 million, respectively. The decrease in revenues is a result of a 57% and 40% decrease in Canadian light oil benchmark pricing during the three and six month periods ended June 30, 2020 over 2019, combined with reduced marketing activity as a result of lower production volumes and limited opportunities to work with our customers to optimize pricing by utilizing multiple crude oil and condensate streams at SECURE's midstream facilities due to extremely low crude and condensate pricing;
- Environmental and Fluid Management segment revenue for the three months ended June 30, 2020, decreased 49% from the 2019 comparative period to \$31.4 million due to a significant decline in drilling and completion activity in the WCSB, negatively impacting revenue generated from service lines supporting these activities. Revenue from these service lines, which includes drilling and completion fluid services, solids control equipment rentals, drilling waste management, water management, and industrial landfill disposal, was down approximately 75% from the prior year comparative period, consistent with the decline in the active rig count. Partially offsetting the extent of this decrease was stable project work awarded in Fort McMurray as the Corporation continues to gain a reputation as a preferred service provider in the Oil Sands region, continuing environmental project work for customers outside of oil and gas, and a smaller decline in production chemicals revenue where the impact of reduced demand due to production shut-ins was partially offset by increased market share compared to the same period of 2019
- For the six months ended June 30, 2020, Environmental and Fluid Management segment revenue decreased 16% from the 2019 comparative period to \$128.8 million. The revenue decline in the second quarter more than offset higher year over year revenue generated in the first two months of the year as a result of higher drilling and completion activity in the WCSB which positively impacted revenue generated from service lines supporting

these activities.

- **ADJUSTED EBITDA OF \$20.5 MILLION AND \$62.5 MILLION FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020**
 - Adjusted EBITDA of \$20.5 million and \$62.5 million decreased 42% and 31% from the three and six months ended June 30, 2019, primarily as a result of reduced period over period revenue as described above. For the three months ended June 30, 2020, the impact of the 51% reduction in revenue (excluding oil purchase and resale) was partially offset by cost reduction measures taken in early April 2020 to align the Corporation's fixed cost structure with current activity levels, which included organizational restructuring and associated personnel lay-offs, salary reductions, and restricted discretionary spending across all operating segments. As a result, SECURE reduced personnel costs by 25% and discretionary fixed costs by 75% for the three months ended June 30, 2020 compared to the same period of 2019. The Corporation also benefited from the Canada Emergency Wage Subsidy ("CEWS") implemented by the Canadian federal government to qualifying entities impacted by the consequences of the COVID-19 pandemic to maintain staffing levels.
- **NET LOSS ATTRIBUTABLE TO SHAREHOLDERS OF SECURE OF \$20.9 MILLION AND \$42.8 MILLION FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020**
 - For the three months ended June 30, 2020, there was a net loss attributable to shareholders of SECURE of \$20.9 million, an increased loss of \$19.2 million from the comparative period of 2019. The increase is primarily due to lower Adjusted EBITDA as described above. For the six months ended June 30, 2020, the Corporation's net loss of \$42.8 million increased \$42.4 million from the comparative period of 2019. In addition to lower Adjusted EBITDA, the net loss in the current year period also included \$26.0 million of impairment and restructuring charges.
 - *Impairment of non-current assets:* In accordance with the accounting standards, the Corporation assesses at each reporting date whether there is an indication that an asset or cash generating unit ("CGUs") may be impaired. With the rapid and significant decline in oil prices in March 2020 and resulting decrease to producer capital spending, indicators of impairment were present at March 31, 2020 for SECURE's CGUs with cash flows tied primarily to drilling and completion activities. The value in use of the Technical Solutions CGU, determined using a five-year cash flow estimate discounted to March 31, 2020, exceeded the carrying amount of the CGU. Consequently, a \$15.7 million impairment charge was recorded in the first quarter of 2020 against intangible assets in order to write the CGU down to its recoverable amount. There were no indicators of impairment or impairment reversal at June 30, 2020;
 - *Restructuring costs:* SECURE recorded an expense of \$10.3 million during the six months ended June 30, 2020, related primarily to employee termination benefits resulting from restructuring plans undertaken by the Corporation beginning at the end of March 2020 to right-size the Corporation's workforce to anticipated activity levels and streamline business processes which resulted in the suspension or termination of certain functions.
 - These negative variances were partially offset by a higher income tax recovery in the 2020 year to date resulting primarily from a higher pre-tax loss.
- **CASH FLOWS FROM OPERATING ACTIVITIES OF \$22.1 MILLION AND \$67.9 MILLION FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020**
 - The Corporation generated cash flows from operating activities of \$22.1 million and \$67.9 million during the three and six months ended June 30, 2020, a decrease of 59% and 39% from the respective prior year comparative periods. The impact of lower Adjusted EBITDA was partially offset by changes in non-cash working capital during the period corresponding to lower activity levels. SECURE carried total net working capital at June 30, 2020, of \$94.9 million, down from \$125.3 million at December 31, 2019.
- **CAPITAL EXPENDITURES OF \$10.6 MILLION AND \$51.9 MILLION FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020**
 - During the three months ended June 30, 2020, SECURE incurred \$9.0 million of growth capital related primarily to the substantial completion of the East Kaybob Oil Pipeline, a 120-kilometre pipeline system gathering light oil and condensate from multiple producers and terminating at the Corporation's Fox Creek midstream processing facility. The project provides SECURE with long-term fees-for-service from pipeline tariffs, and reliable volumes at the Fox Creek facility. The pipeline will commence contributing to the Corporation's results in the third quarter of 2020. During the six months ended June 30, 2020, SECURE incurred \$47.0 million of organic growth and expansion capital largely related to the East Kaybob Oil Pipeline System, as well as certain carryover costs related to expansion and optimization projects at existing facilities in the prior year;
 - The Corporation also incurred sustaining capital of \$1.5 million and \$4.9 million during the three and six months ended June 30, 2020 relating primarily to well and facility maintenance. SECURE is committed to maintaining capital discipline as we navigate this downturn, while continuing to ensure the integrity and safety of our assets for long-term sustainability
- **DIVIDEND PAYMENTS OF \$4.4 MILLION AND \$15.0 MILLION FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020**
 - During the three and six months ended June 30, 2020, the Corporation paid monthly dividend payments totaling \$4.4 million and \$15.0 million to holders of common shares. On March 24, 2020, the Corporation announced that the monthly dividend would be reduced from \$0.0225 per common share to \$0.0025 (0.25 cents) per common share, effective for the May 2020 dividend. This reduction of the dividend results in annualized cash

savings of approximately \$38 million;

- SECURE believes the sharing of excess cash flows with shareholders is a core business principle; as a result, management and the Board of Directors of the Corporation will continue to monitor the Corporation's dividend policy with respect to forecasted Adjusted EBITDA, debt, capital expenditures and other investment opportunities, as well as expected interest, lease and tax payments, and will look for opportunities to increase the dividend as business conditions warrant;
 - Following the June 2020 monthly dividend paid on June 15, 2020, the Corporation has moved to a quarterly dividend, with the first planned payment of \$0.0075 (0.75 cents) per common share to occur on or about October 15, 2020, to shareholders of record on October 1, 2020.
- RENEWAL OF THE NORMAL COURSE ISSUER BID**
- During the second quarter of 2020, SECURE renewed the normal course issuer bid ("NCIB") first initiated in May 2018. Pursuant to the renewed NCIB, the Corporation may repurchase from time to time up to a maximum of 10,796,069 common shares of the Corporation. Any common shares purchased under the NCIB will be cancelled. The renewed NCIB period commenced on May 28, 2020, and will end on May 27, 2021, or such earlier date as the NCIB is completed or is terminated at the Corporation's election.
 - The renewed NCIB provides the Corporation with an additional capital allocation alternative to acquire common shares under the appropriate circumstances. The Board of Directors and senior management believe that, from time to time, the prevailing market price of the common shares may not fully reflect the underlying value of SECURE's business and future business prospects. In such circumstances, the repurchase of common shares under the NCIB represents an attractive investment for the Corporation and an opportunity to enhance shareholder value. No shares were repurchased during the second quarter of 2020.

MIDSTREAM INFRASTRUCTURE SEGMENT HIGHLIGHTS

(\$000's)	Three months ended June 30,			Six months ended June 30,		
	2020	2019	% Change	2020	2019	% Change
Midstream Infrastructure services revenue (a)	34,191	72,916	(53)	108,764	153,235	(29)
Oil purchase and resale	225,644	654,618	(66)	659,199	1,266,121	(48)
Midstream Infrastructure Revenue	259,835	727,534	(64)	767,963	1,419,356	(46)
Cost of Sales						
Cost of sales excluding items noted below	13,244	29,750	(55)	44,110	60,003	(26)
Depreciation and amortization	23,568	18,914	25	47,070	36,195	30
Oil purchase and resale	225,644	654,618	(66)	659,199	1,266,121	(48)
Midstream Infrastructure Cost of Sales	262,456	703,282	(63)	750,379	1,362,319	(45)
Segment Profit Margin ⁽¹⁾	20,947	43,166	(51)	64,654	93,232	(31)
Segment Profit Margin ⁽¹⁾ as a % of revenue (a)	61%	59%		59%	61%	

⁽¹⁾ Calculated as revenue less cost of sales excluding depreciation and amortization. Refer to "Non-GAAP Measures" for further information

- Revenue generated from Midstream Infrastructure services decreased 53% for the three months ended June 30, 2020, from the 2019 comparative period. The decrease was a result of lower volumes at midstream processing facilities corresponding with production shut-ins and minimal drilling and completion activity across the WCSB and North Dakota as a result of extremely low crude and liquids pricing, which also limited crude oil optimization opportunities and negatively impacted recovered oil pricing. Midstream Infrastructure services revenue for the six months ended June 30, 2020, of \$108.8 million decreased 29% from the prior year comparative period. The impact of the drop in oil prices and corresponding decrease in activity levels and crude oil marketing opportunities during the second quarter was partially offset by higher processing and disposal volumes during the first two months of the year resulting primarily from infrastructure additions during 2019, including produced water pipelines added at Gold Creek and Tony Creek, crude oil storage at Kerrobert and Cushing, and the Pipestone facility, along with various expansions at existing facilities;
- Disposal volumes decreased 46% and 20% during the three and six months ended June 30, 2020, from the respective 2019 comparative periods as a result of minimal waste water volumes during the three months ended June 30, 2020 corresponding to limited producer completion activity. Production shut-ins during the second quarter of 2020, particularly in North Dakota, also resulted in lower overall produced water volumes, limited overflow volumes from producers with capacity to handle their own product, and increased competition due to lower demand. Higher stability from the Corporation's pipeline connected water disposal facilities with contracted volumes helped to partially reduce the overall decrease to disposal volumes. During the six months ended June 30, 2020, the impact of the reductions to drilling, completion and production on disposal volumes beginning in March 2020 was partially offset by higher activity levels in January and February of the current year;
- Processing volumes decreased 31% and 10% during the three and six months ended June 30, 2020, from the respective 2019 comparative periods due primarily to lower waste processing volumes corresponding to the decrease in drilling and completion activity beginning in March 2020. Emulsion treating volumes were also down, albeit to a lesser extent, as a result of production shut-ins in the WCSB and North Dakota;
- Oil volumes recovered through our processing operations decreased 50% and 19% during the three and six months ended June 30, 2020, from the respective 2019 comparative periods, consistent with lower overall volumes received at the Corporation's midstream processing facilities. The impact of lower volumes on recovered oil revenue was compounded by lower benchmark oil pricing in the current year periods;

- Crude oil terminalling and pipeline volumes decreased 9% and increased 4% during the three and six months ended June 30, 2020, from the respective 2019 comparative periods primarily as a result of the stability of volumes associated with the contracted Kerrobert crude oil pipeline, partially offset by reduced terminalling at certain facilities due to lower production;
- Oil purchase and resale revenue in the Midstream Infrastructure segment decreased 66% and 48% to \$225.6 million and \$659.2 million for the three and six months ended June 30, 2020, from the respective 2019 comparative periods. The decrease in the three and six months ended June 30, 2020, corresponds to the decrease in benchmark oil prices, compounded by reduced marketing activities compared to the prior year comparative periods;
- The Midstream Infrastructure segment's segment profit margin decreased 51% and 31% to \$20.9 million and \$64.7 million for the three and six months ended June 30, 2020, from the respective 2019 comparative periods. As a percentage of Midstream Infrastructure services revenue, segment profit margin was 61% for the three months ended June 30, 2020, up 2% from the three months ended June 30, 2019. The impact of cost reductions and CEWS reimbursements during the current year quarter more than offset lower revenue. For the six months ended June 30, 2020, segment profit margin as a percentage of revenue (excluding oil purchase and resale) was 59%, down from 61% in the prior year comparative period. The variance is primarily a result of service mix in the first quarter of 2020, primarily due to reduced marketing and rail revenue and associated blending margins due to fewer optimization opportunities compared to the prior year;
- G&A expenses decreased by 45% and 25% to \$3.9 million and \$10.6 million for the three and six months ended June 30, 2020, from the respective 2019 comparative periods. The decrease is mainly due to lower personnel costs and strict cost control measures restricting discretionary spending;
- For the three months ended June 30, 2020, the Midstream Infrastructure segment had a loss before tax of \$7.0 million compared to earnings of \$16.8 million in the prior year comparative period. Earnings before tax decreased \$39.4 million to \$2.8 million for the six months ended June 30, 2020, from the respective 2019 comparative period. The decrease for both the three and six months ended is a result of lower segment profit margin and increased depreciation and amortization expense in the 2020 period. Additionally, the Corporation incurred \$3.7 million in restructuring costs during the six months ended June 30, 2020, related to right sizing the Corporation's workforce to anticipated activity levels and streamlining business processes resulting in the suspension or termination of certain functions.

ENVIRONMENTAL AND FLUID MANAGEMENT SEGMENT

(\$000's)	Three months ended June 30,			Six months ended June 30,		
	2020	2019	% Change	2020	2019	% Change
Environmental and Fluid Management Revenue	31,355	61,314	(49)	128,805	153,875	(16)
Cost of Sales						
Cost of sales excluding depreciation, depletion and amortization	28,361	51,671	(45)	102,769	124,340	(17)
Depreciation, depletion and amortization	7,084	11,678	(39)	19,173	22,972	(17)
Environmental and Fluid Management Cost of Sales	35,445	63,349	(44)	121,942	147,312	(17)
Segment Profit Margin ⁽¹⁾	2,994	9,643	(69)	26,036	29,535	(12)
Segment Profit Margin ⁽¹⁾ as a % of revenue	10%	16%		20%	19%	

⁽¹⁾ Calculated as revenue less cost of sales excluding depreciation, depletion and amortization. Refer to "Non-GAAP Measures" for further information

- The Environmental and Fluid Management segment revenue decreased 49% to \$31.4 million for the three months ended June 30, 2020, from the 2019 comparative period. Limited producer spending in the second quarter of 2020 decreased drilling and completion activity which in turn reduced drilling waste volumes at the Corporation's landfills and demand for fluid management associated with drilling and completions. In total, revenue from these service lines decreased approximately 75%, consistent with the reduction in drilling activity as evidenced by the second quarter active rig counts. The extent of the decrease to the segment was partially mitigated by the relative stability of demand for production chemicals, from contracted operations in the Oil Sands region, and from ongoing environmental project work for customers outside of the oil and gas industry;
- For the six months ended June 30, 2020, Environmental and Fluid Management segment revenue of \$128.8 million decreased 16% compared to the six months ended June 30, 2019. The impact of reduced drilling and completion activity on the segment during the second quarter of 2020 as described above was partially offset by higher year over year contributions from Fluid Management during the first two months of the year from increased drilling activity and production chemicals work awarded at the end of 2019. The second quarter is also generally when spring break-up road bans typically occur, reducing customer demand for Environmental and Fluid Management services. Wet field conditions which have become normal in the quarter limit site access for certain types of project work. As a result, the seasonal impact of the second quarter decline has a smaller proportional impact on the year to date results;
- Segment profit margin decreased 69% and 12% to \$3.0 million and \$26.0 million for the three and six months ended June 30, 2020 from the respective 2019 comparative periods. For the three months ended June 30, 2020, segment profit margin as a percentage of revenue was 10%, compared to 16% in the prior year comparative period. The profit margin decreased as reduced revenue resulted in weaker fixed cost absorption, primarily associated with the Corporation's landfills as leachate management costs remained flat year over year despite the 75% decrease in

revenue;

- For the six months ended June 30, 2020, segment profit margin as a percentage of revenue increased slightly to 20%, compared to 19% in the prior year comparative period due to a higher proportion of better margin business during the first quarter of 2020 which include increased volumes of project work in the Fort McMurray region, the impact of CEWS reimbursements and fixed cost reductions that began to take effect in April 2020;
- G&A expense decreased 52% and 23% to \$3.2 million and \$11.2 million for the three and six months ended June 30, 2020, from the respective 2019 comparative periods. The decrease is primarily due to lower personnel related costs and reduced discretionary spending as the Corporation manages costs to correspond to current industry activity levels. For the six months ended June 30, 2020, the impact of cost reductions taking effect in April 2020 were partially offset by higher loss allowances for expected credit losses resulting from negative macro-economic factors as at March 31, 2020;
- The Environmental and Fluid Management segment had a loss before tax of \$8.0 million for the three months ended June 30, 2020, an improvement of \$0.9 million from the three months ended June 30, 2019. Lower G&A expense and operational DD&A expense more than offset the reduced segment profit margin. For the six months ended June 30, 2020, the segment's loss before tax of \$25.7 million increased \$17.4 million primarily as a result of a non-cash impairment charge recorded in the first quarter of 2020.

FINANCIAL STATEMENTS AND MD&A

The Corporation's condensed consolidated financial statements and notes thereto for the three and six months ended June 30, 2020 and 2019 and MD&A for the three and six months ended June 30, 2020 and 2019 are available immediately on SECURE's website at www.secure-energy.com. The condensed consolidated financial statements and MD&A will be available tomorrow on SEDAR at www.sedar.com.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this document constitute "forward-looking statements" and/or "forward-looking information" within the meaning of applicable securities laws (collectively referred to as "forward-looking statements"). When used in this document, the words "may", "would", "could", "will", "intend", "plan", "anticipate", "believe", "estimate", "expect", and similar expressions, as they relate to SECURE, or its management, are intended to identify forward-looking statements. Such statements reflect the current views of SECURE with respect to future events, global economic events arising from COVID-19 and the OPEC decisions and operating performance and speak only as of the date of this document.

In particular, this document contains or implies forward-looking statements pertaining but not limited to: management's expectations with respect to the impact of COVID-19, including government responses thereto on demand for oil and our operations generally; the outlook for oil prices; spending by producers and the impact of this on SECURE's activity levels; the impact OPEC+ supply cuts may have on crude oil pricing; the impact of over supply on the crude oil market; the oil and natural gas industry in Canada and the U.S., including drilling, completion and production activity levels for the remainder of 2020 and beyond, and the impact of this on SECURE's business, operations and financial results; the benefits of midstream infrastructure and production concentrated volumes on SECURE's cash flow and the expected stability of such sources of cash flow; opportunities for the Corporation's storage assets, including with respect to pipeline disruptions and delays creating volatile differentials opportunities; the timing and stability of contributions from new projects, particularly the East Kaybob Oil Pipeline; the impact the Canadian Federal Government's orphan and inactive well fund may have to the business, operations and results of the Corporation; timing associated with potential divestitures related to specific service lines that do not have recurring or production-related revenue streams and the outcome of such sales process; activity levels in the Corporation's operating areas; the benefits of contracted and/or fee for service contracts on SECURE's cash flow and the expected stability of such sources of cash flow; the Corporation's proposed 2020 and 2021 capital expenditure programs, including growth and expansion and sustaining capital expenditures; timing of the completion of the final segment of the East Kaybob Oil Pipeline; the Corporation's ability to execute our restructuring plans and align the Corporation's cost structure with expected industry activity levels; the expected impacts and amounts of the Corporation's cost and capital expenditure reductions; future dividend payments and expected cash savings resulting from the reduction of the Corporation's cash dividend payments; debt service; and the Corporation's ability to meet obligations and commitments and operate within any credit facility restrictions, including the financial covenants related to our debt facilities; expectations that our capital investment, share repurchases and cash dividends will be funded from internally generated cash flows; the Corporation's credit risk levels and its ability to collect on trade receivables; expected benefits customers will receive from our midstream and environmental solutions; key factors driving the Corporation's success; demand for the Corporation's services and products; industry fundamentals driving the success of SECURE's core operations; future capital needs and how the Corporation intends to fund its operations, working capital requirements, dividends and capital program; and access to capital.

Forward-looking statements are based on certain assumptions that SECURE has made in respect thereof as at the date of this document regarding, among other things: the impact of COVID-19, including related government responses related thereto and lower global energy pricing on oil and gas industry exploration and development activity levels and production volumes (including as a result of demand and supply shifts caused by COVID-19 and the actions of OPEC and non-OPEC countries); the success of SECURE's operations and growth projects; the Corporation's competitive

position remaining substantially unchanged; future acquisition and sustaining costs will not significantly increase from past acquisition and sustaining costs; that counterparties comply with contracts in a timely manner; that there are no unforeseen events preventing the performance of contracts or the completion of the relevant facilities; that there are no unforeseen material costs relation to the Corporation's facilities; and that prevailing regulatory, tax and environmental laws and regulations apply.

Forward-looking statements involve significant known and unknown risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether such results will be achieved. Readers are cautioned not to place undue reliance on these statements as a number of factors could cause actual results to differ materially from the results discussed in these forward-looking statements, including but not limited to those factors referred to under the heading "Risk Factors" in the AIF. In addition, the effects and impacts of the COVID-19 outbreak, the rapid decline in global energy prices and the length of time to significantly reduce the global threat of COVID-19 on SECURE's business, the global economy and markets are unknown at this time and could cause SECURE's actual results to differ materially from the forward-looking statements contained in this document.

Although forward-looking statements contained in this document are based upon what the Corporation believes are reasonable assumptions, the Corporation cannot assure investors that actual results will be consistent with these forward-looking statements. The forward-looking statements in this document are expressly qualified by this cautionary statement. Unless otherwise required by law, SECURE does not intend, or assume any obligation, to update these forward-looking statements.

NON-GAAP MEASURES

The Corporation uses accounting principles that are generally accepted in Canada (the issuer's "GAAP"), which includes International Financial Reporting Standards ("IFRS"). Certain supplementary measures in this document do not have any standardized meaning as prescribed by IFRS. These measures are intended as a complement to results provided in accordance with IFRS. The Corporation believes these measures provide additional useful information to analysts, shareholders and other users to understand the Corporation's financial results, profitability, cost management, liquidity and ability to generate funds to finance its operations. However, they should not be used as an alternative to IFRS measures because they do not have a standardized meaning under IFRS and therefore may not be comparable to similar measures presented by other companies. See the MD&A available at www.sedar.com for further details, including reconciliations of the Non-GAAP measures and additional GAAP measures to the most directly comparable measures calculated in accordance with IFRS.

ABOUT SECURE

SECURE is a publicly traded energy business listed on the Toronto Stock Exchange ("TSX") providing industry leading customer solutions to upstream oil and natural gas companies operating in western Canada and certain regions in the United States ("U.S.") through its network of midstream processing and storage facilities, crude oil and water pipelines, and crude by rail terminals located throughout key resource plays in western Canada, North Dakota and Oklahoma. SECURE's core midstream infrastructure operations generate cash flows from oil production processing and disposal, produced water disposal, and crude oil storage, logistics, and marketing. SECURE also provides comprehensive environmental and fluid management for landfill disposal, onsite abandonment, remediation and reclamation, drilling, completion and production operations for oil and gas producers in western Canada.

ⁱ Refer to the "Non-GAAP Measures" section herein

ⁱⁱ As defined in the Corporation's lending agreements. Refer to the MD&A for details on the Corporation's covenant calculations

SOURCE SECURE Energy Services Inc.

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CO: SECURE Energy Services Inc.

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