

# PHX Energy Announces 2021 Capital Expenditure Program & Reinstatement of Quarterly Dividend

PHX Energy Services Corp. ("**PHX Energy**" "**we**" "**our**" or the "**Corporation**") (TSX: PHX) is pleased to provide an operational update as well as announce that its Board of Directors (the "**Board**") has approved the reinstatement of a quarterly dividend program and its 2021 capital expenditures program.

The 2020-year has been unprecedented due to the impact of COVID-19 on the global economy and the decline in energy demand, commodity prices and rig counts. Knowing the cyclical nature of the energy industry, one of our ongoing strategies is to always be positioned for the next downturn. This includes protecting and building balance sheet strength and focusing on being a vital provider in Operators' drive for drilling efficiency. As a result of these objectives, we entered this volatile time with one of the strongest balance sheets in the energy services sector and with a strong reputation as a leader in premium technologies and operational performance. This has allowed us to not only survive in these trying times but to outperform and achieve financial and operational successes.

In a time when US rig counts hit historical lows, we are growing our market share because of the strength of our technology and expertise of our personnel, and today, we are arguably the most active directional provider in the largest basin in the US, the Permian. In Canada we are continuing to maintain our healthy market share despite the persistent challenges of this market. As a result of our swift actions to protect our financial position at the onset of what became the worst downturn in the energy industry's history, we have generated positive cash flows as well as eliminated all bank debt and hold cash and cash equivalents of \$18.9 million as at September 30, 2020. Additionally, we have leveraged our NCIB as a tool to enhance total long-term shareholder returns by purchasing and cancelling approximately 5% of our shares outstanding during the 2020 fiscal year, and since December 31, 2017 we have repurchased and cancelled approximately 15% of shares outstanding.

We have diligently worked over the past few years to build a business model that allows us to further enhance shareholder returns even in a down market, and as a result, we are pleased to announce that our Board has approved the reinstatement of a quarterly dividend program effective immediately. The Board has declared a cash dividend of \$0.025 per common share designated as an "eligible dividend" within the meaning of subsection 89(1) of the Income Tax Act (Canada), and payable on January 15, 2021, to shareholders of record at the close of business on December 31, 2020. The ex-dividend date is December 30, 2020. We believe we have built financial strength that can sustain a capital allocation strategy that includes a quarterly dividend as a further way to reward shareholders as we continue to differentiate ourselves from other energy service providers.

Additionally, the Board has approved our preliminary 2021 capital expenditure program of \$15 million (the "**Program**"). The Program is anticipated to principally be allocated toward expanding PHX Energy's Velocity and Atlas high performance drilling technology fleets, with \$7 million expected to be allocated toward growth expenditures and \$8 million expected to be allocated towards maintenance expenditures.

Exiting 2020, the industry rig counts are slowly recovering from the all-time lows experienced and we are also seeing a similar trend in our operations in the fourth quarter. With North American rig counts forecasted to slightly improve in 2021, we anticipate our activity levels will remain steady and our premium technologies will continue to be in high demand. The additional fleet capacity that will result

from the Program is expected to meet this demand and allow for continued growth. We are cautiously optimistic for 2021, knowing the volatility of the current environment, and anticipate we will continue to strengthen our enviable position as both a financial and operational leader.

### **About PHX Energy Services Corp.**

The Corporation, through its directional drilling subsidiary entities, provides horizontal and directional drilling technology and services to oil and natural gas producing companies in Canada, the US, Russia and Albania.

### **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, are intended to identify forward looking statements. Such statements reflect the current views of PHX Energy with respect to future events, the Program and operating performance and speak only as of the date of this document. In particular, this document contains forward looking statements pertaining to the amount of the Corporation's 2021 capital expenditure program, the source of funding the Program, the planned allocation of the Program, the anticipated 2021 activity and demand for our services, anticipated growth into 2021 and beyond, and the continuation of our quarterly dividend.

In light of continued volatile market conditions, including without limitation the continuing uncertainty of and adverse impacts associated with the COVID-19 pandemic on the Corporation's operations, there can be no assurances that the Corporation will continue to maintain the quarterly dividend program in the future. The future payment of dividends remains subject to the approval of and declaration by the Board of Directors on a quarterly basis. The amount of future cash dividends, if any, by the Corporation will be subject to the discretion of and ongoing assessment by the Board of Directors of the Corporation and may vary, or be suspended entirely, depending on a variety of factors and conditions existing from time to time, including the continuing impact of the COVID-19 pandemic, fluctuations in commodity prices, operating costs and profits, working capital and capital expenditure requirements, debt service requirements, foreign exchange rates and the satisfaction of solvency tests imposed by the *Business Corporation's Act* (Alberta) for the declaration and payment of dividends.

Forward looking statements involve significant 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 Corporation's Annual Information Form ("**AIF**") for the year ended December 31, 2019 and the Corporation's management's discussion and analysis for the three and nine months ended September 30, 2020 . Although forward looking statements contained in this press release 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 press release are expressly qualified by this cautionary statement. Unless otherwise required by law, PHX Energy does not intend, or assume any obligation, to update these forward looking statements.

For further information please contact:

John Hooks, CEO; Michael Buker, President; or Cameron Ritchie, Senior Vice President Finance and CFO

PHX Energy Services Corp.

Suite 1400, 250 2nd Street SW

Calgary, Alberta T2P 0C1

Tel: 403-543-4466 Fax: 403-543-4485 [www.phxtech.com](http://www.phxtech.com)