ENERFLEX

QUARTERLY REPORT FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

November 4, 2021

The Management's Discussion and Analysis ("MD&A") for Enerflex Ltd. ("Enerflex" or "the Company" or "we" or "our") should be read in conjunction with the unaudited interim condensed consolidated financial statements for three and nine months ended September 30, 2021 and 2020, the Company's 2020 Annual Report, the Annual Information Form for the year ended December 31, 2020, and the cautionary statement regarding forward looking information in the "Forward-Looking Statements" section of this report.

The financial information reported herein has been prepared in accordance with International Financial Reporting Standards ("IFRS") and is presented in Canadian dollars unless otherwise stated.

The MD&A focuses on information and key statistics from the interim condensed consolidated financial statements, and considers known risks and uncertainties relating to the oil and gas services sector. This discussion should not be considered all-inclusive, as it excludes possible future changes that may occur in general economic, political, and environmental conditions. Additionally, other elements may or may not occur which could affect industry conditions and/or Enerflex in the future. Additional information relating to the Company can be found in the Company's Annual Information Form and Management Information Circular, which are available on SEDAR at www.sedar.com.

FINANCIAL OVERVIEW

	Three months ended September 30,		Nine months ended September 30,	
($ Canadian thousands, except percentages)	**2021**	2020	**2021**	2020
Revenue	**$ 231,097**	$ 265,037	**$ 638,809**	$ 918,215
Gross margin	**54,419**	63,693	**159,646**	223,225
Selling and administrative expenses	**44,818**	43,352	**125,279**	138,225
Operating income	**9,601**	20,341	**34,367**	85,000
Earnings before finance costs and income taxes ("EBIT")	**9,963**	21,739	**34,542**	87,179
Net earnings	**$ 6,958**	$ 10,736	**$ 14,252**	$ 55,589
Key Financial Performance Indicators[1]				
Engineered Systems bookings	**$ 191,084**	$ 23,157	**$ 444,321**	$ 221,052
Engineered Systems backlog	**375,430**	186,304	**375,430**	186,304
Recurring revenue growth[2]	**14.1%**	(6.1)%	**2.7%**	(6.0)%
Gross margin as a percentage of revenue	**23.5%**	24.0%	**25.0%**	24.3%
EBIT as a percentage of revenue[3]	**7.0%**	9.8%	**7.0%**	9.8%
Earnings before finance costs, income taxes, depreciation and amortization ("EBITDA")	**$ 31,956**	$ 42,849	**$ 98,996**	$ 150,814
Return on capital employed ("ROCE") [3]	**4.0%**	7.7%	**4.0%**	7.7%
Rental horsepower	**785,627**	714,375	**785,627**	714,375

[1] Certain of these key financial performance indicators are non-IFRS measures. Further detail is provided in the Non-IFRS Measures section.

[2] 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 on a period-over-period basis.

[3] Determined by taking the trailing 12-month period.

THIRD QUARTER 2021 OVERVIEW

For the three months ended September 30, 2021:

- Operating income was lower than the prior year, primarily due to reduced contribution from certain large, high margin Engineered Systems projects that were largely completed by the third quarter of 2020, competitive margin pressures on recently booked Engineered Systems projects, slightly higher SG&A compared to the prior year, as well as adverse foreign exchange impacts due to a weaker U.S. dollar. Engineered Systems revenues were lower compared to the third quarter of 2020 due to those same certain large, higher margin projects that did not repeat in the current quarter.
- Bookings totaled $191.1 million, up from $23.2 million in the same period last year showing optimism in the recovering oil and gas sector and increased activity in our Engineered Systems business. The movement in foreign exchange rates resulted in an increase of $6.9 million on foreign currency denominated backlog during the third quarter of 2021.
- Engineered Systems backlog at September 30, 2021 is $375.4 million, an increase of $232.4 million, compared to the backlog of $143.0 million on December 31, 2020 due to Engineered Systems bookings outpacing revenue recognized in the period, and favourable foreign exchange impacts of $4.8 million.
- SG&A costs of $44.8 million in the third quarter of 2021 were up from $43.4 million in the same period last year. This unfavourable variance was the result of higher share-based compensation on the increase of the Company's share price during the third quarter and higher overall compensation costs. The movement in share price resulted in $4.7 million of share-based compensation in the quarter, compared to $1.1 million in the third quarter of 2020 – a net increase of $3.6 million period-over-period. Compensation increased due to the effect of the temporary cost savings measures that were removed in the current quarter, as well as the reduced cost recoveries from government subsidies. These increases were partially offset by the bad debt provisions recognized in Q3 2020. The Company continues to monitor costs and remains focused on controlling expenditures where possible.
- Inventory levels decreased $20.4 million when compared to December 31, 2020 as the Company expects to continue to realize major equipment inventory into Engineered Systems projects and new contract compression units; however, the timing and extent to which inventory can be utilized is dependent on demand. In addition, Enerflex remains vigilant in assessing outstanding receivables.
- The Company invested $9.4 million in rental assets; the majority used to fund the organic expansion of the USA contract compression fleet. At September 30, 2021, the USA contract compression fleet totaled approximately 385,000 horsepower with an average fleet utilization of 88 percent for the quarter. The Company has also invested $8.8 million towards construction of a natural gas infrastructure asset, which will be accounted for as a finance lease.
- The Company extended $660.0 million of its Bank Facility to June 30, 2025, under substantially the same terms and conditions.
- The Company maintained balance sheet strength by managing working capital, reducing debt, and continuing to exercise capital discipline. We exited the quarter financially strong, with a bank-adjusted net debt to EBITDA ratio of 1.38:1, compared to a maximum ratio of 3:1. This leverage ratio excludes the non-recourse debt. Enerflex has substantial undrawn credit capacity and cash on hand.
- The Company's long-term debt is comprised of both recourse debt totaling $303.7 million, and non-recourse debt totaling $41.6 million.
- Subsequent to September 30, 2021, the Company's Board of Directors approved an increase to its quarterly dividend to $0.025 per share, payable on January 6, 2022, to shareholders of record on November 25, 2021. This new dividend amount represents a 25 percent increase and reiterates the Company's commitment to responsibly return capital to shareholders. The increase in dividend is consistent with Enerflex's long-term strategy of maintaining a strong balance sheet and delivering a sustainable dividend to shareholders. The Board will continue to evaluate dividend payments on a quarterly basis, based on the availability of cash flow and anticipated market conditions.
- Subsequent to September 30, 2021, the Company was awarded a new 10-year $164.9 million USD natural gas infrastructure contract, which will add to our successful fleet of assets in our Middle East operations. The Company has determined that this contract should be accounted for as a finance lease. Enerflex, as a manufacturer lessor, will record selling profit at the commencement date of the contract and then recognize finance lease income over the term of the contract. The manufacturing portion of the transaction will be recorded as part of our Engineered Systems product line. The finance lease payments are split between finance lease income, which will be recognized in the Rentals product line, and finance lease principal payments, which will draw down the finance lease receivables.

For the nine months ended September 30, 2021:

- Operating income was lower than the prior year, primarily due to reduced Engineered Systems revenue and lower opening backlog. Adverse foreign exchange impact due to a weaker U.S. dollar, as well as the reduced contribution from certain large, high margin Engineered Systems projects that were largely completed by the third quarter of 2020 were also contributing factors. These impacts were partially offset by lower SG&A and the increased contribution from higher margin recurring revenue product offerings.
- SG&A costs of $125.3 million in the first nine months of 2021 were down from $138.2 million in the same period last year. This favourable variance was the result of lower bad debt provisions, decreased compensation expense on reduced headcount, lower cost recoveries from government subsidies, and decreased profit share on lower operational results, partially offset by higher share-based compensation. The movement in share price resulted in $13.2 million of share-based compensation expense, compared to $3.3 million recovery in the first nine months of 2020 – a net increase of $16.5 million period-over-period.
- Engineered Systems bookings totaled $444.3 million, up from $221.1 million in the same period last year reflecting improving conditions for customers and renewed optimism in the oil and gas sector. The movement in foreign exchange rates resulted in an increase of $4.8 million on foreign currency denominated backlog during the first nine months of 2021, compared to a $12.1 million increase in the comparable period – a net decrease of $7.3 million period-over-period.

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) severance costs associated with restructuring activities and cost reduction activities undertaken in response to the COVID-19 pandemic; 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.

The Company added another adjustment related to government grants, most notably the Canada Emergency Wage Subsidy in the third quarter of 2020 and the Canada Emergency Rent Subsidy in the first quarter of 2021. The subsidies received have been recorded as a reduction in cost of goods sold and selling and administrative expense within the consolidated statements 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 financial results 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.

				Three months ended September 30, 2021
($ Canadian thousands)	**Total**	**USA**	**ROW**	**Canada**
Reported EBIT	$ 9,963	$ (637)	$ 11,085	$ (485)
Government grants in COGS and SG&A	(3,891)	(262)	-	(3,629)
Share-based compensation	4,736	1,650	1,973	1,113
Depreciation and amortization	21,993	10,756	9,342	1,895
Adjusted EBITDA	$ 32,801	$ 11,507	$ 22,400	$ (1,106)

($ Canadian thousands)	Total	USA	ROW	Canada
				Three months ended September 30, 2020
Reported EBIT	$ 21,739	$ 6,445	$ 7,973	$ 7,321
Severance costs in COGS and SG&A	729	176	10	543
Government grants in COGS and SG&A	(6,447)	-	(1,445)	(5,002)
Share-based compensation	1,101	705	405	(9)
Depreciation and amortization	21,110	10,419	8,495	2,196
Adjusted EBITDA	$ 38,232	$ 17,745	$ 15,438	$ 5,049

($ Canadian thousands)	**Total**	**USA**	**ROW**	**Canada**
				Nine months ended September 30, 2021
Reported EBIT	**$ 34,542**	**$ 4,609**	**$ 25,198**	**$ 4,735**
Severance costs in COGS and SG&A	**749**	**112**	**202**	**435**
Government grants in COGS and SG&A	**(14,350)**	**(1,645)**	**-**	**(12,705)**
Share-based compensation	**13,161**	**5,388**	**5,197**	**2,576**
Depreciation and amortization	**64,454**	**31,306**	**27,413**	**5,735**
Adjusted EBITDA	**$ 98,556**	**$ 39,770**	**$ 58,010**	**$ 776**

($ Canadian thousands)	Total	USA	ROW	Canada
				Nine months ended September 30, 2020
Reported EBIT	$ 87,179	$ 50,580	$ 22,046	$ 14,553
Severance costs in COGS and SG&A	3,744	972	134	2,638
Government grants in COGS and SG&A	(12,817)	-	(2,038)	(10,779)
Share-based compensation	(3,298)	(1,553)	(981)	(764)
Depreciation and amortization	63,635	30,995	26,002	6,638
Adjusted EBITDA	$ 138,443	$ 80,994	$ 45,163	$ 12,286

Please refer to the section "Segmented Results" for additional information about results by geographic location.

ENGINEERED SYSTEMS BOOKINGS AND BACKLOG

Bookings and backlog are monitored by Enerflex as an indicator of future revenue and business activity levels for the Engineered Systems product line. Bookings are recorded in the period when a firm commitment or order is received from customers. Bookings increase backlog in the period they are received. Revenue recognized on Engineered Systems products decreases backlog in the period the revenue is recognized. As a result, backlog is an indication of revenue to be recognized in future periods using percentage-of-completion accounting.

The following tables set forth the Engineered Systems bookings and backlog by reporting segment for the following periods:

	Three months ended September 30,		Nine months ended September 30,	
($ Canadian thousands)	**2021**	2020	**2021**	2020
Bookings				
USA	**$ 126,220**	$ 8,527	**$ 290,365**	$ 118,067
Rest of World	**9,743**	1,037	**50,609**	42,334
Canada	**55,121**	13,593	**103,347**	60,651
Total bookings	**$ 191,084**	$ 23,157	**$ 444,321**	$ 221,052

($ Canadian thousands)	**September 30, 2021**	December 31, 2020
Backlog		
USA	**$ 243,871**	$ 76,778
Rest of World	**52,238**	16,176
Canada	**79,321**	50,019
Total backlog	**$ 375,430**	$ 142,973

Engineered Systems bookings improved during the third quarter and first nine months of 2021 with some significant projects secured during the current quarter. Improvements in supply and demand fundamentals and in the commodity price environment has led to an improved pipeline of opportunities and new bookings. Enerflex's customers remain focused on capital discipline and there is some uncertainty in the pace of recovery from pandemic lows, as well as uncertainty around energy development due to certain environmental pressures in the regions we operate, but Enerflex is cautiously optimistic about the trajectory of the recovery.

Backlog at September 30, 2021 was significantly higher than at December 31, 2020 due to Engineered Systems bookings outpacing revenue recognized in the period, and favourable foreign exchange impacts. The movement in exchange rates resulted in an increase of $6.9 million and of $4.8 million during the third quarter and first nine months of 2021 on foreign currency denominated backlog, compared to a decrease of $4.0 million and an increase of $12.1 million in the same periods of 2020.

SEGMENTED RESULTS

Enerflex has identified three reportable operating segments as outlined below, each supported by the Corporate function. Corporate overheads are allocated to the operating segments based on revenue. In assessing its operating segments, the Company considered economic characteristics, the nature of products and services provided, the nature of production processes, the type of customer for its products and services, and distribution methods used.

The following summary describes the operations of each of the Company's reportable segments:

- USA generates revenue from manufacturing natural gas compression, processing, refrigeration, and electric power equipment, including custom and standard compression packages and modular natural gas processing equipment and refrigeration systems, in addition to generating revenue from mechanical services, parts, and maintenance solutions, and contract compression rentals;
- Rest of World ("ROW") generates revenue from manufacturing (focusing on large-scale process equipment), after-market services, including parts and components, as well as operations, maintenance, and overhaul services, and rentals of compression and processing equipment. The ROW segment has been successful in securing BOOM and integrated turnkey ("ITK") projects; and
- Canada generates revenue from manufacturing both custom and standard natural gas compression, processing, and electric power equipment, as well as providing after-market mechanical service, parts, and compression and power generation rentals.

USA SEGMENT RESULTS

($ Canadian thousands)	Three months ended September 30, 2021	2020	Nine months ended September 30, 2021	2020
Engineered Systems bookings	**$ 126,220**	$ 8,527	**$ 290,365**	$ 118,067
Engineered Systems backlog	**243,871**	90,144	**243,871**	90,144
Segment revenue	**$ 118,429**	$ 129,837	**$ 324,148**	$ 538,458
Intersegment revenue	**(2,732)**	(2,892)	**(20,846)**	(7,006)
Revenue	**$ 115,697**	$ 126,945	**$ 303,302**	$ 531,452
Revenue – Engineered Systems	**$ 49,334**	$ 69,079	**$ 123,272**	$ 347,977
Revenue – Service	**$ 40,993**	$ 35,897	**$ 108,302**	$ 115,465
Revenue – Rentals	**$ 25,370**	$ 21,969	**$ 71,728**	$ 68,010
Operating income	**$ (637)**	$ 6,445	**$ 4,601**	$ 50,580
EBIT	**$ (637)**	$ 6,445	**$ 4,609**	$ 50,580
EBITDA	**$ 10,119**	$ 16,864	**$ 35,915**	$ 81,575
Segment revenue as a % of total revenue	**50.1%**	47.9%	**47.5%**	57.9%
Recurring revenue growth	**14.7%**	(7.7)%	**(1.9)%**	2.3%
Operating income as a % of segment revenue	**(0.6)%**	5.1%	**1.5%**	9.5%
EBIT as a % of segment revenue	**(0.6)%**	5.1%	**1.5%**	9.5%
EBITDA as a % of segment revenue	**8.7%**	13.3%	**11.8%**	15.3%

Engineered Systems bookings of $126.2 million in the third quarter of 2021 represents an increase of $117.7 million compared to the same period in the prior year. Bookings activity continues to be lower than historical levels, with third quarter bookings averaging $188.8 million over the previous five years. The Company has seen some improvement in activity levels and is cautiously optimistic that this will translate into new bookings for the remainder of 2021 and the first half of 2022. While activity levels have been improving, the competition for bookings and pricing pressures remains high, which will continue to put pressure on margins on new bookings, even as the bookings recover.

Revenue decreased by $11.2 million and $228.2 million in the third quarter and first nine months of 2021 compared to the same periods of 2020 primarily due to lower Engineered Systems revenue. Engineered Systems revenue decreased due to a certain high margin project that did not repeat in the current quarter, while Service revenues improved as delayed sales and service orders were fulfilled. Rentals revenue was higher than the comparative periods, with a larger rental fleet and higher utilization being offset by the weaker U.S. dollar.

SG&A was higher in the third quarter compared to the previous year due to the mark-to-market impact on share-based compensation and higher compensation due to the effect of the temporary cost savings measures that were removed in the current quarter. SG&A was lower in the first nine months of 2021 compared to the same period last year due to the reduced bad debt provisions, reduced compensation expenses on lower headcount and salaries, and decreased profit share on lower operational results, partially offset by mark-to-market impacts on share-based compensation.

Operating income was lower in the third quarter and first nine months of 2021 compared to the prior year by $7.1 million and $46.0 million, primarily due to lower gross margins and higher SG&A compared to the prior year. Gross margins decreased mainly due to lower Engineered Systems revenue discussed above, tighter margins on recently booked Engineered Systems projects, as well as the reduced contribution from certain large, high margin Engineered Systems projects that were largely completed by the third quarter of 2020.

At September 30, 2021, the USA contract compression fleet totaled approximately 385,000 horsepower, compared to approximately 350,000 horsepower at December 31, 2020. The average utilization of the USA contract compression fleet for the three and nine months ended September 30, 2021 was 88 percent and 85 percent, respectively, compared to 81 percent and 83 percent in the comparative periods in 2020.

REST OF WORLD SEGMENT RESULTS

($ Canadian thousands)		Three months ended September 30, 2021		2020		Nine months ended September 30, 2021		2020
Engineered Systems Bookings	**$**	**9,743**	$	1,037	**$**	**50,609**	$	42,334
Engineered Systems Backlog		**52,238**		27,969		**52,238**		27,969
Segment revenue	**$**	**74,881**	$	79,035	**$**	**210,827**	$	208,843
Intersegment revenue		**(49)**		(75)		**(89)**		(75)
Revenue	**$**	**74,832**	$	78,960	**$**	**210,738**	$	208,768
Revenue – Engineered Systems	**$**	**2,463**	$	16,461	**$**	**14,547**	$	23,306
Revenue – Service	**$**	**30,767**	$	25,042	**$**	**81,346**	$	71,772
Revenue – Rentals	**$**	**41,602**	$	37,457	**$**	**114,845**	$	113,690
Operating income	**$**	**11,086**	$	7,973	**$**	**25,169**	$	21,993
EBIT	**$**	**11,085**	$	7,973	**$**	**25,198**	$	22,046
EBITDA	**$**	**20,427**	$	16,468	**$**	**52,611**	$	48,048
Segment revenue as a % of total revenue		**32.4%**		29.8%		**33.0%**		22.7%
Recurring revenue growth		**15.8%**		(1.0)%		**5.8%**		(8.1)%
Operating income as a % of segment revenue		**14.8%**		10.1%		**11.9%**		10.5%
EBIT as a % of segment revenue		**14.8%**		10.1%		**12.0%**		10.6%
EBITDA as a % of segment revenue		**27.3%**		20.9%		**25.0%**		23.0%

Engineered Systems bookings were higher in the current quarter and the first nine months of 2021 compared to the comparative periods. Enerflex was awarded a new 10-year natural gas infrastructure contract during the first quarter of 2021. Engineered Systems bookings in the Rest of World segment are typically larger in nature and scope and as a result are less frequent.

In the third quarter and first nine months of 2021 Rest of World revenue is $4.1 million lower and $2.0 million higher than the comparative periods. Engineered Systems revenues decreased during the third quarter and the first nine months of 2021, offset by higher Service and Rentals revenues. Engineered Systems revenue declined based on the timing of new bookings, which occurred in late Q2 2021 and have not resulted in revenue recognition yet. Service revenues increased on higher activity levels in Argentina and Colombia. Rentals revenue for the third quarter and the first nine months of 2021 increased over the comparative periods due to BOOM contracts in Latin America that became operational in the fourth quarter of 2020 and a BOOM contract in the Middle East that commenced operations during the first quarter of 2021. This is partially offset by the weakening of the U.S. dollar, which created unfavourable movements of approximately $2 million and $9 million, respectively, as well as lower rates on extended contracts in the Middle East.

Operating income increased by $3.1 million and $3.2 million in the third quarter and first nine months of 2021 compared to the same periods in 2020 due to higher gross margin percentage on increased contributions from our recurring revenue streams, and lower SG&A. For the third quarter and first nine months of 2021, SG&A costs are lower than the comparable periods in 2020 due to the reduced bad debt provisions, partially offset with higher share-based compensation on mark-to-market movement and higher compensation due to the effect of the temporary cost savings measures that were removed in the current quarter.

CANADA SEGMENT RESULTS

($ Canadian thousands)	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Engineered Systems bookings	**$ 55,121**	$ 13,593	**$ 103,347**	$ 60,651
Engineered Systems backlog	**79,321**	68,191	**79,321**	68,191
Segment revenue	**$ 40,851**	$ 70,075	**$ 131,608**	$ 190,610
Intersegment revenue	**(283)**	(10,943)	**(6,839)**	(12,615)
Revenue	**$ 40,568**	$ 59,132	**$ 124,769**	$ 177,995
Revenue – Engineered Systems	**$ 22,837**	$ 42,375	**$ 74,045**	$ 131,222
Revenue – Service	**$ 16,596**	$ 15,123	**$ 46,874**	$ 40,835
Revenue – Rentals	**$ 1,135**	$ 1,634	**$ 3,850**	$ 5,938
Operating income (loss)	**$ (848)**	$ 5,923	**$ 4,597**	$ 12,427
EBIT	**$ (485)**	$ 7,321	**$ 4,735**	$ 14,553
EBITDA	**$ 1,410**	$ 9,517	**$ 10,470**	$ 21,191
Segment revenue as a % of total revenue	**17.6%**	22.3%	**19.5%**	19.4%
Recurring revenue growth	**5.8%**	(16.9)%	**8.4%**	(23.6)%
Operating income as a % of segment revenue	**(2.1)%**	10.0%	**3.7%**	7.0%
EBIT as a % of segment revenue	**(1.2)%**	12.4%	**3.8%**	8.2%
EBITDA as a % of segment revenue	**3.5%**	16.1%	**8.4%**	11.9%

Bookings in the third quarter of 2021 increased to $55.1 million from $13.6 million a year ago. Bookings have improved as Enerflex's customers continue to recover from the COVID-19 pandemic induced downturn in the oil and gas industry. The Company has seen an improvement in activity levels and is cautiously optimistic that this will translate into new bookings for the remainder of 2021 and the first half of 2022. While activity levels have been improving, the competition for bookings and pricing pressures for the Canadian region also remain high, which will continue to put pressure on margins on new bookings.

Revenue decreased by $18.6 million and $53.2 million for the third quarter and first nine months of 2021 compared to the same periods in 2020, primarily due to lower Engineered Systems revenue on a lower opening backlog. Rentals revenue decreased due to certain rental units being returned rather than renewed, while Service revenue increased on higher parts sales.

The Canadian segment recorded an operating loss of $0.8 million for the third quarter and operating income of $4.6 million for the first nine months of 2021 compared to operating income of $5.9 million and $12.4 million in the same periods of 2020. Operating income decreased due to reduced revenues, tighter margins on recently booked Engineered Systems projects, and higher SG&A in the quarter. SG&A for the current quarter and the first nine months of 2021 increased relative to the comparative periods due to lower cost recoveries related to government subsidies, and higher share-based compensation expenses on mark-to-market movement, partially offset by reduced bad debt provisions. Compensation was higher due to the effect of the temporary cost savings measures that were removed in the current quarter; however, compensation was lower in the first nine months of 2021 due to overall cost savings measures in place during the first half of 2021.

GROSS MARGIN BY PRODUCT LINE

Enerflex operates three business segments, and each regional business segment has three main product lines: Engineered Systems, Service, and Rentals. The Engineered Systems product line consists of the supply of equipment systems, typically involving engineering, design, manufacturing, construction, installation, and the start-up of equipment. The Service product line provides after-market services, parts distribution, operations and maintenance solutions, equipment optimization and maintenance programs, manufacturer warranties, exchange components, and technical services. The Rentals product line encompasses a fleet of natural gas compression, processing, and electric power equipment totalling over 785,000 horsepower available for rent or lease; generating revenue from rental and lease agreements, and the sale of rental equipment to customers. In addition to Enerflex's rental fleet, the Company's Rentals product line provides customers with personnel, equipment, tools, materials, and supplies to meet their natural gas compression, processing, and electric power needs, as well as designing, sourcing, owning, installing, operating, servicing, repairing, and maintaining equipment owned by the Company necessary to provide these services, including providing operation and maintenance as part of a BOOM agreement.

Recurring revenue is comprised of revenue from the Service and Rentals product lines, which are typically contracted and extend into the future. The Company aims to diversify and expand Service and Rentals offerings, which we believe offer longer-term stability in earnings compared to Engineered Systems revenue, which historically has been dependent on cyclical demand for new compression, process, and electric power equipment. While individual Service and Rentals contracts are subject to cancellation or have varying lengths, the Company does not believe these characteristics preclude these product lines from being considered recurring in nature.

								Three months ended September 30, 2021
($ Canadian thousands)		**Total**		**Engineered Systems**		**Service**		**Rentals**
Revenue	**$**	**231,097**	**$**	**74,634**	**$**	**88,356**	**$**	**68,107**
Cost of goods sold:								
Operating expenses		**159,178**		**67,743**		**70,445**		**20,990**
Depreciation and amortization		**17,500**		**1,844**		**1,353**		**14,303**
Gross margin	**$**	**54,419**	**$**	**5,047**	**$**	**16,558**	**$**	**32,814**

								Three months ended September 30, 2020
($ Canadian thousands)		Total		Engineered Systems		Service		Rentals
Revenue	$	265,037	$	127,915	$	76,062	$	61,060
Cost of goods sold:								
Operating expenses		184,987		105,286		59,688		20,013
Depreciation and amortization		16,357		2,132		942		13,283
Gross margin	$	63,693	$	20,497	$	15,432	$	27,764

								Nine months ended September 30, 2021
($ Canadian thousands)		**Total**		**Engineered Systems**		**Service**		**Rentals**
Revenue	**$**	**638,809**	**$**	**211,864**	**$**	**236,522**	**$**	**190,423**
Cost of goods sold:								
Operating expenses		**428,185**		**181,336**		**183,252**		**63,597**
Depreciation and amortization		**50,978**		**5,943**		**3,339**		**41,696**
Gross margin	**$**	**159,646**	**$**	**24,585**	**$**	**49,931**	**$**	**85,130**

($ Canadian thousands)		Total		Engineered Systems		Service		Nine months ended September 30, 2020 Rentals
Revenue	$	918,215	$	502,505	$	228,072	$	187,638
Cost of goods sold:								
Operating expenses		645,609		403,068		176,243		66,298
Depreciation and amortization		49,381		6,380		3,000		40,001
Gross margin	$	223,225	$	93,057	$	48,829	$	81,339

INCOME TAXES

Income tax expense (recovery) totaled $(1.7) million or (32.8) percent and $5.6 million or 28.3 percent of earnings before tax for the third quarter and first nine months of 2021, compared to $5.5 million or 33.9 percent and $14.0 million of 20.1 percent of earnings before tax in the same periods of 2020. Income tax recovery for the third quarter of 2021 was due to the effect of earnings taxed in foreign jurisdictions, and the exchange rate effects on tax basis. During the fourth quarter of 2020, lower Alberta corporate income tax rates became substantially enacted. The Alberta corporate income tax rates are 9.0 percent for 2020, and 8.0 percent for 2021 and thereafter.

OUTLOOK

The outlook for Exploration & Production ("E&P") capital spending has been steadily improving since mid-2020 when budgets were reset during the COVID-19 pandemic. Commodity prices have recovered, and E&P and Midstream balance sheets and free-cash-flow positions have been improving. Oil and gas demand has been recovering, despite some continued effects of the COVID-19 pandemic and evolving regulatory risks associated with the curtailment of hydrocarbons at the regional, national, and international levels. As a result, Enerflex expects customer capital expenditures to increase as fundamentals improve in the remainder of 2021 and 2022. This trend can be seen in Enerflex's bookings which have trended upward since Q2 2020. Although customers continue to show discipline in spending within their cash flow and return money to shareholders, we are cautiously optimistic that this trend should continue given current fundamentals outlook.

In addition, an "Energy Transition" towards less carbon-intensive energy sources is presenting new opportunities for the Company in several regions, leveraging the strength of Enerflex in providing modularized engineer-to-order solutions for the energy industry. The Company is working with existing and new customers to advance projects that: 1) decarbonize core operations; 2) capture carbon; 3) build infrastructure for renewable fuels; and 4) explore new hydrogen opportunities.

The Company will continue to preserve the strength of its balance sheet and maximize cash flow through disciplined capital spending, with investments prioritizing higher-margin, less-cyclical businesses with attractive returns. 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.

In the short term, Enerflex remains focused on providing a safe working environment for all employees, while positioning the Company to capitalize on increased industry spending. We are maintaining our focus on balance sheet strength in response to uncertainty caused by the COVID-19 pandemic and recent market volatility. Given the current environment, the Company is carefully assessing project spending, with a focus on ensuring future projects provide maximum returns on invested capital. In the longer term, the Company continues to balance the expected impacts of broader market factors, such as volatility in realized commodity prices, political and economic uncertainty, and consistent access to market, against the projected increases in global demand for natural gas, particularly as an energy transition fuel to support decarbonization. Enerflex continues to assess the effects of these contributing factors and the corresponding impact on customer activity levels, which will drive the demand for the Company's products and services in future periods.

OUTLOOK BY SEGMENT

USA

We continue to see improving fundamentals that should drive better activity for Engineered Systems. Natural Gas prices have increased approximately 136 percent between December 31, 2020 and September 30, 2021 with prices continuing to increase. Oil prices are steadily rising, topping out at $75/bbl in the current quarter, and reaching over $80/bbl in October, despite the increased production OPEC is bringing to the market. In North America, this improving backdrop has resulted in rigs increasing by over 100 percent versus the 2020 trough. While operator balance sheets have strengthened, there is still some hesitation to increase spending too quickly due to investor sentiment and some uncertainty in the speed of recovery from the COVID-19 pandemic. E&P companies are also facing increased demand to increase cash returns to shareholders through increased dividends and share buy-backs. In aggregate, however, the Company feels that operator spending and, therefore the demand for Enerflex products and services is growing.

Recurring revenues, both in terms of after-market service and contract compression demand, have proven stable in terms of overall performance. Utilization rates in contract compression have been restored to pre-pandemic levels. Strengthening after-market service customer demand for equipment maintenance has been tempered with sporadic OEM supply chain challenges providing parts. While U.S. oil and gas production has been impacted by global events, the Company believes that the increased presence of larger, more patient producers in basins such as the Permian is supportive for long-term value creation.

Energy Transition could provide significant opportunity for the Company in the USA. Our customers have started to adopt electric motor drive compression which entirely eliminates Scope 1 emissions of the compressor. In addition, carbon capture is getting additional attention and is supported through the federal government's 45-Q tax incentive. Low-carbon fuel initiatives are being adopted across the USA which have the potential of increasing demand for the Company's core competency of technical excellence in providing and maintaining modular equipment solutions.

Rest of World

In the Rest of World segment, the Company expects to continue generating strong recurring revenues in both the Middle East and Latin America regions through its existing rental fleet and new large-scale long-term projects, with earnings set to increase with a new 10-year natural gas infrastructure contract signed in the first quarter that is expected to commence operations in late 2021, and a new investment awarded just after quarter close for a 10-year take or pay contract on new infrastructure in the Middle East.

The Company continues to see demand for large-scale long-term rental assets and ITK projects in the Middle East, including the natural gas-fired power generation. These large-scale assets with long-term contracts can be accounted for as BOOM projects or finance leases. The Company continues to explore new markets and opportunities within this region, focusing on projects containing products engineered and manufactured by Enerflex, that provide long-term, stable cash flows.

In Latin America, the Company continues progressing its power and gas treating plant to reduce flare gas in Colombia, which is expected to be delivered in the fourth quarter of 2021. Enerflex remains cautiously optimistic about the outlook in Latin America as many countries have indicated a renewed desire to develop oil and natural gas in recent periods. Short-term, however, this region is still feeling the impacts of the COVID-19 pandemic. The Company is well positioned to provide products and services throughout the region as activity takes place in its key markets, particularly Argentina, Brazil, Colombia, and Mexico.

In Australia, demand for Enerflex service and maintenance support remains solid. Liquified natural gas ("LNG") supply contracts are providing a stable demand for gas from producers. Downward pressure on production costs are increasing customers' desire to improve equipment reliability and efficiency, and Enerflex is well positioned to support production equipment optimization and improve reliability. Capital equipment demand in the Australian market has seen a slowdown in response to the current economic environment; however, multiple new opportunities have been approved by customers, which will support activity in this region throughout 2021.

Canada

A sustained increase in rig count, as well as steady oil prices, are positive indicators for this region. While the standard gas compression equipment market has provided modest opportunities, the Company has secured several gas processing opportunities in the third quarter of 2021. Opportunities in the electric power generation market have also been converted to orders in the latter part of the current quarter, with additional growth in this segment expected in the last quarter of 2021.

The Company continues to evaluate various markets in Energy Transition. For Canada, the Company is seeing a lot of discussion around carbon capture and biofuels. These markets are dependent on supporting government policy and we are hopeful that this clarity will be provided in the next 12 to 24 months. Canada and various provincial governments are also evaluating hydrogen strategies which could also present a growth market for Enerflex.

The after-market service product line has seen some major maintenance deferrals in the first half of 2021, but the Company expects activity to increase steadily into 2022. The current quarter marked a record in value secured under long-term after-market service agreements for the Company. Increased market confidence is expected to result in an improved fourth quarter of 2021.

ENERFLEX STRATEGY

Enerflex's global vision is "*Transforming Natural Gas to Meet the World's Energy Needs*". The Company's strategy to support this vision centres on being an operationally focused, diversified, financially strong, dividend-paying company that delivers profitable growth by serving an expanding natural gas industry in seven gas producing regions worldwide. Enerflex believes that worldwide diversification and growth enhances shareholder value. This strategy has allowed the Company to overcome previous downturns and endure recent uncertainty while still delivering strong operating results. With a positive long-term outlook for natural gas, a cleaner burning fuel that can provide a practical reduction in carbon emissions as the global economy transitions to a growing proportion of renewable sources of energy, Enerflex aims to provide superior returns through the continued implementation of this strategy. The Company is working closely with our customers as they strive to reduce greenhouse gas emissions. The Company's core competency of technological excellence in all aspects of modularized energy systems is expected to allow us to partner with customers on the various solutions being explored, which include projects related to carbon capture, flare gas-to-power, electrification of gas processing and compression solutions, renewable natural gas, and hydrogen.

Across the Company, Enerflex looks to leverage its diversified international positioning to compete for projects in growing natural gas markets, and to offer integrated solutions spanning all phases of a project's life-cycle from engineering and design through to after-market service, with a focus on recurring revenue from Service and Rentals offerings. The Company works to leverage its Enterprise-wide collaborative approach to deploy key expertise worldwide and generate repeat business from internationally active customers. The Company also targets growth areas in the traditional natural gas industry, including the increasing global demand for natural gas-fired power generation. Enerflex has developed regional strategies to support its Company-wide goals.

In the USA segment, Enerflex has concentrated its efforts on key regions and basins, driven by the U.S.'s increasingly complex natural gas sector. The Company has looked to build on its successes for gas processing solutions for liquids-rich plays in the region and support the development of upstream resources and midstream infrastructure required to feed local demand and an export-focused LNG industry. Our Engineered Systems business designs, engineers and builds modularized solutions for the natural gas industry across the United States. The focus for the Service business has been on servicing the installed base of over 20 million horsepower across the country with a cost-effective service organization. For the Rentals product line, the organic expansion of the contract compression fleet has allowed Enerflex to increase recurring revenues, while the Company's ability to design, engineer, and build contract compression units positions Enerflex well to respond to future growth in the segment. The Company believes that the long-term impact of continued focus on these recurring revenue product lines will be increased predictability and stability in earnings and cash flows, while strategic investment in the contract compression fleet should drive growth and strong returns for the Rentals business.

Enerflex has focused its efforts in the ROW segment on growing primarily in the Middle East and Latin America regions, through the sales, rental, and service of its products. In these regions, the Company has targeted ITK and BOOM solutions of varying size and scope, including projects requiring construction and installation support at site. Successful projects have been completed in Bahrain, Kuwait, and Oman in the Middle East, and in Argentina, Brazil, and Colombia in Latin America, including four projects that recently commenced operations. Enerflex underscores the importance of BOOM and other long-term leases in this segment, as multi-year contracts for rental and maintenance of equipment align with the emphasis on growing recurring revenue streams and customers in this segment have proven to be receptive to these solutions. The Company has also seen increased interest in electric power solutions in many of the regions within the ROW segment and looks to leverage expertise developed across the organization to meet this demand. Elsewhere in the segment, Enerflex has expanded the capability of the Company's Australian Service line in response to activity levels, which are projected to remain high on the strength of increasing demand for natural gas, contributing to recurring revenue.

Enerflex has aimed its efforts in Canada on leveraging its capabilities and expertise to expand the Company's market share in the natural gas sector, particularly in liquids-rich reservoirs, and to support the development of natural gas resources for a future LNG industry. In addition, the Company has looked to build on its successes in the electric power market given sustained low natural gas prices and the resulting increase in demand for natural gas-fired power generation. The Company offers electric power solutions for purchase or for rent, the latter of which allows the Company to offer flexibility and provide maintenance while increasing recurring revenues. Lastly, there has been a focus on signing long-term service and maintenance contracts with customers to secure stability in Service revenues.

Enerflex seeks to continue to diversify its revenue streams from multiple markets, grow its backlog, and ensure profitable margins globally by aggressively managing costs, with a medium-term goal of achieving a 10 percent EBIT margin. In addition, the Company is focused on expanding the diversification of its product lines, with a goal to increase recurring revenue by 10 percent annually. Enerflex recognizes that the current economic conditions may make it challenging to meet these goals in the near-term, but the Company believes these remain appropriate as medium-term and longer-term goals.

NON-IFRS MEASURES

The success of the Company and its business unit strategies is measured using a number of key performance indicators, some of which do not have a standardized meaning as prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. These non-IFRS measures are also used by management in its assessment of relative investments in operations and include Engineered Systems bookings and backlog, recurring revenue, EBITDA, net debt to EBITDA ratio, and ROCE. They should not be considered as an alternative to net earnings or any other measure of performance under IFRS. The reconciliation of these non-IFRS measures to the most directly comparable measure calculated in accordance with IFRS is provided below where appropriate. Engineered Systems bookings and backlog do not have a directly comparable IFRS measure.

	Three months ended September 30,		Nine months ended September 30,	
($ Canadian thousands)	**2021**	2020	**2021**	2020
EBITDA				
EBIT	**$ 9,963**	$ 21,739	**$ 34,542**	$ 87,179
Depreciation and amortization	**21,993**	21,110	**64,454**	63,635
EBITDA	**$ 31,956**	$ 42,849	**$ 98,996**	$ 150,814
Recurring Revenue				
Service	**$ 88,356**	$ 76,062	**$ 236,522**	$ 228,072
Rentals	**68,107**	61,060	**190,423**	187,638
Total Recurring Revenue	**$ 156,463**	$ 137,122	**$ 426,945**	$ 415,710
ROCE				
Trailing 12-month EBIT	**$ 65,415**	$ 135,992	**$ 65,415**	$ 135,992
Capital Employed – beginning of period				
Net debt[1]	**$ 240,434**	$ 384,588	**$ 294,036**	$ 334,232
Shareholders' equity	**1,362,297**	1,425,912	**1,396,695**	1,342,787
	$ 1,602,731	$ 1,810,500	**$ 1,690,731**	$ 1,677,019
Capital Employed – end of period				
Net debt[1]	**$ 243,030**	$ 322,643	**$ 243,030**	$ 322,643
Shareholders' equity	**1,394,047**	1,417,704	**1,394,047**	1,417,704
	$ 1,637,077	$ 1,740,347	**$ 1,637,077**	$ 1,740,347
Average Capital Employed[2]	**$ 1,639,860**	$ 1,774,628	**$ 1,639,860**	$ 1,774,628
Return on Capital Employed	**4.0%**	7.7%	**4.0%**	7.7%

[1] *Net debt is defined as short- and long-term debt less cash and cash equivalents.*

[2] *Based on a trailing four-quarter average.*

FREE CASH FLOW

($ Canadian thousands)	Three months ended September 30, 2021	2020	Nine months ended September 30, 2021	2020
Cash provided by operating activities	**$ 12,772**	$ 90,711	**$ 102,269**	$ 164,971
Net change in non-cash working capital and other	**(21,840)**	56,066	**12,449**	48,553
	$ 34,612	$ 34,645	**$ 89,820**	$ 116,418
Add-back:				
Net finance costs	**4,722**	5,502	**14,668**	17,639
Current income tax expense (recovery)	**(3,004)**	2,405	**7,494**	11,280
Proceeds on the disposal of property, plant and equipment	**21**	-	**98**	96
Proceeds on the disposal of rental equipment	**861**	169	**1,448**	3,079
Deduct:				
Net interest paid	**(2,010)**	(1,492)	**(11,795)**	(13,032)
Net cash taxes paid	**(2,574)**	(1,221)	**(5,375)**	(8,678)
Expenditure related to finance leases	**(8,828)**	-	**(23,132)**	-
Additions to property, plant and equipment	**(1,104)**	(1,824)	**(3,849)**	(8,653)
Additions to rental equipment:				
Growth	**(6,156)**	(12,724)	**(28,774)**	(101,005)
Maintenance	**(3,236)**	(4,846)	**(6,588)**	(9,171)
Dividends paid	**(1,794)**	(1,793)	**(5,381)**	(22,418)
Free cash flow	**$ 11,510**	$ 18,821	**28,634**	$ (14,445)

For the three months ended September 30, 2021, free cash flows declined compared to the same period in 2020. This decrease is primarily due to lower cash provided by operating activities before non-cash working capital driven by lower net earnings, and work-in-progress expenditures related to finance leases. This unfavourable variance was partially offset by reduced growth capital expenditures on the rental fleet and lower property, plant and equipment additions.

For the nine months ended September 30, 2021, free cash flows improved with reduced additions to fixed assets and lower dividends paid, partially offset by lower cash provided by operating activities before non-cash working capital driven by lower net earnings, and expenditures related to finance leases. The Company's current financial position affords it some flexibility to pursue additional growth opportunities, should they arise when the macro environment is more constructive. Under favourable circumstances, additional capital may be directed to growth opportunities in any of our regions.

FINANCIAL POSITION

The following table outlines significant changes in the Statements of Financial Position as at September 30, 2021 compared to December 31, 2020:

($ Canadian millions)	Increase (Decrease)	Explanation
Current assets	$1.3	The increase in current assets at September 30, 2021 is primarily due to higher cash, inventories, and other current assets. Inventories increased due to the investment in an asset that will be accounted for as a finance lease which is presented as work-in-progress on finance leases, and other current assets increased from prepaid expenses. Offsetting these increases, the Company had lower accounts receivables due to collection of trade receivables.
Rental equipment	$(7.7)	The decrease in rental equipment is due to depreciation, partially offset by organic additions to rental fleet.
Current liabilities	$(35.3)	The decrease in current liabilities at September 30, 2021 is due to the repayment of $40.0 million debt that had been classified as current at December 31, 2020, and lower warranty provisions. These decreases are partially offset by higher accounts payables on higher overall activity levels.
Long-term debt	$(4.4)	The decrease in long-term debt is due to repayments made on the Bank Facility, partially offset by drawings on the Asset-Based Facility.
Total shareholders' equity	$(2.7)	Shareholders' equity decreased primarily due to $12.9 million of unrealized loss on translation of foreign operations and foreign denominated debt, and dividends of $5.4 million. This was partially offset by $14.3 million of net earnings and $1.3 million of stock options impact.

LIQUIDITY

The Company expects that continued cash flows from operations in 2021, together with cash and cash equivalents on hand and currently available credit facilities, will be more than sufficient to fund its requirements for investments in working capital and capital assets. As at September 30, 2021, the Company held cash and cash equivalents of $102.3 million and had cash drawings of $80.9 million against the Bank and Asset-Based Facilities leaving it with access to $663.5 million for future drawings. The Company continues to meet the covenant requirements of its funded debt, including the Bank Facility and the Company's unsecured notes (the "Senior Notes"), with a bank-adjusted net debt to EBITDA ratio, excluding the non-recourse debt, of 1.38:1 compared to a maximum ratio of 3:1, and an interest coverage ratio of 8:1 compared to a minimum ratio of 3:1. The interest coverage ratio is calculated by dividing the trailing 12-month bank-adjusted EBITDA, as defined by the Company's lenders, by interest expense over the same timeframe.

SUMMARIZED STATEMENTS OF CASH FLOW

	Three months ended September 30,		Nine months ended September 30,	
($ Canadian thousands)	**2021**	2020	**2021**	2020
Cash, beginning of period	**$ 98,972**	$ 78,570	**$ 95,676**	$ 96,255
Cash provided by (used in):				
Operating activities	**12,772**	90,711	**102,269**	164,971
Investing activities	**(9,593)**	(22,248)	**(32,308)**	(117,561)
Financing activities	**(337)**	(47,119)	**(62,877)**	(43,625)
Exchange rate changes on foreign currency cash	**459**	(385)	**(487)**	(511)
Cash, end of period	**$ 102,273**	$ 99,529	**$ 102,273**	$ 99,529

Operating Activities

For the three months ended September 30, 2021, cash provided by operating activities regressed relative to the comparative period. The primary driver of this unfavourable variance is due to a negative net change in non-cash working capital and other during the current quarter relative to the improvements that were seen in the third quarter of 2020. For the nine months ended September 30, 2021, cash provided by operating activities was also unfavourable to the comparative period due to an improvement in non-cash working capital and other in the first nine months of 2020 that did not repeat to the same degree in the current year. Movements in non-cash working capital and other are explained in the "Financial Position" section of this MD&A.

Investing Activities

For the three and nine months ended September 30, 2021, cash used in investing activities decreased due to lower capital expenditures on the rental fleet and property, plant and equipment, partially offset by lower proceeds on disposal of fixed assets in the ninth months ended September 30, 2021. Proceeds on the disposal of fixed assets were higher in the current quarter compared to the third quarter of 2020.

Financing Activities

For the three months ended September 30, 2021, cash used in financing activities decreased primarily due to proceeds received on long-term debt compared to the significant repayments in the same quarter of 2020. For the nine months ended September 30, 2021, the Company made a repayment of its Senior Notes, which was offset by the proceeds on the Asset-Based Facility, while the 2020 comparative period saw the Company make less repayments. Cash used in financing activities was further offset by a reduction in dividends paid.

QUARTERLY SUMMARY

($ Canadian thousands, except per share amounts)	Revenue	Net earnings	Earnings per share – basic	Earnings per share – diluted
September 30, 2021	**$ 231,097**	**$ 6,958**	**$ 0.08**	**$ 0.08**
June 30, 2021	204,507	4,291	0.05	0.05
March 31, 2021	203,205	3,003	0.03	0.03
December 31, 2020	298,837	32,668	0.36	0.36
September 30, 2020	265,037	10,736	0.12	0.12
June 30, 2020	287,438	7,415	0.08	0.08
March 31, 2020	365,740	37,438	0.42	0.42
December 31, 2019	474,362	31,436	0.35	0.35
September 30, 2019	544,284	63,074	0.71	0.70
June 30, 2019	541,874	40,649	0.45	0.45
March 31, 2019	484,902	16,969	0.19	0.19
December 31, 2018	466,842	32,480	0.37	0.36
September 30, 2018	445,803	37,696	0.43	0.42

CAPITAL RESOURCES

On October 31, 2021, Enerflex had 89,678,845 shares outstanding. Enerflex has not established a formal dividend policy and the Board of Directors anticipates setting the quarterly dividends based on the availability of cash flow and anticipated market conditions, taking into consideration business opportunities and the need for growth capital. Subsequent to the third quarter of 2021, the Company declared a quarterly dividend of $0.025 per share. 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.

At September 30, 2021, the Company had drawn $80.9 million against the Bank and Asset-Based Facilities (December 31, 2020 - $84.4 million). The weighted average interest rate on the Bank and Asset-Based Facilities at September 30, 2021 was 1.9 percent and 3.0 percent (December 31, 2020 – 2.3 percent and nil).

The composition of the borrowings on the Bank Facility, Asset-Based Facility and the Company's Senior Notes is as follows:

($ Canadian thousands)		**September 30, 2021**		December 31, 2020
Drawings on Bank Facility	**$**	**39,320**	$	84,369
Drawings on Asset-Based Facility		**41,560**		-
Senior Notes due June 22, 2021		**-**		40,000
Senior Notes due December 15, 2024		**148,781**		148,686
Senior Notes due December 15, 2027		**119,187**		119,124
Deferred transaction costs		**(3,545)**		(2,467)
	$	**345,303**	$	389,712
Current portion of long-term debt	**$**	**-**	$	40,000
Non-current portion of long-term debt		**345,303**		349,712
	$	**345,303**	$	389,712

At September 30, 2021, without considering renewal at similar terms, the Canadian dollar equivalent principal payments due over the next five years are $229.7 million, and $119.2 million thereafter.

RESPONSIBILITY OF MANAGEMENT AND THE BOARD OF DIRECTORS

Management is responsible for the information disclosed in this MD&A and the accompanying interim condensed consolidated financial statements, and has in place appropriate information systems, procedures, and controls to ensure that information used internally by management and disclosed externally is materially complete and reliable. In addition, the Company's Audit Committee, on behalf of the Board of Directors, provides an oversight role with respect to all public financial disclosures made by the Company, and has reviewed and approved this MD&A and the interim condensed consolidated financial statements. The Audit Committee is also responsible for determining that management fulfills its responsibilities in the financial control of operations, including disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR").

INTERNAL CONTROL OVER FINANCIAL REPORTING

There have been no significant changes in the design of the Company's ICFR during the nine months ended September 30, 2021 that would materially affect, or is reasonably likely to materially affect, the Company's ICFR. The Company recognizes that employees may be required to change how control activities are performed during offsite work arrangements resulting from the COVID-19 pandemic and has ensured that control objectives are being met during this period.

SUBSEQUENT EVENTS

Subsequent to September 30, 2021, the Company's Board of Directors approved an increase to its quarterly dividend to $0.025 per share, payable on January 6, 2022, to shareholders of record on November 25, 2021. This new dividend amount represents a 25 percent increase and reiterates the Company's commitment to responsibly return capital to shareholders. The increase in dividend is consistent with Enerflex's long-term strategy of maintaining a strong balance sheet and delivering a sustainable dividend to shareholders. The Board will continue to evaluate dividend payments on a quarterly basis, based on the availability of cash flow and anticipated market conditions.

Subsequent to September 30, 2021, the Company was awarded a new 10-year $164.9 million USD natural gas infrastructure contract. The Company has determined that this contract should be accounted for as a finance lease. Enerflex, as a manufacturer lessor, will record selling profit at the commencement date of the contract and then recognize finance lease income over the term of the contract. The manufacturing portion of the transaction will be recorded as part of our Engineered Systems product line. The finance lease income portion will be recognized in the Rentals product line over the lease term.

FORWARD-LOOKING STATEMENTS

This MD&A 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 MD&A includes (without limitation) forward-looking information pertaining to: anticipated financial performance; future capital expenditures, including the amount and nature thereof; bookings and backlog; oil and gas prices and the impact of such prices on demand for Enerflex products and services; development trends in the oil and gas industry; seasonal variations in the activity levels of certain oil and gas markets; business prospects and strategy; expansion and growth of the business and operations, including market share and position in the energy service markets; 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. All forward-looking information in this MD&A, primarily in the Outlook and Enerflex Strategy sections, is subject to important risks, uncertainties, and assumptions, which are difficult to predict and which may affect the Company's operations, including, without limitation: 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; business disruptions resulting from the COVID-19 pandemic; 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. Readers are cautioned that the foregoing list of assumptions and risk factors should not be construed as exhaustive. While the Company believes that there is a reasonable basis for the forward-looking information and statements included in this MD&A, 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 upon forward-looking information.

The forward-looking information contained herein is expressly qualified in its entirety by the above cautionary statement. The forward-looking information included in this MD&A is made as of the date of this MD&A 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.