



THE WELL STREET JOURNAL

Oilfield Services and Industrials Deep Dive

Energy Market Sentiment

After a turbulent close to Q1 which was marked with increasing uncertainty around a global recession and the state of the banking sector, Q2 2023 ended with energy markets largely in stasis in the face of an unusual equilibrium of high rates and stubbornly strong economic growth. This translated to an uncharacteristically stable quarter in oil and gas markets, with rig count over the period almost mirroring Q2 2022. Industry participants are largely avoiding any big bets one way or the other as they wait for markets to make their next move. Will concerning reports on Chinese growth and 20-year high interest rates choke off demand, or will OPEC be able to exert its will on the market and support higher prices?

While global markets remain confused, the Canadian market showed several signs of strength. ConocoPhillips announced it would be exercising its right to purchase the remaining 50% interest in the Surmont Oilsands from TotalEnergies, following an announcement that it would be drilling its first new pad at the property since 2016, indicating strong confidence in local markets from a global player. On the natural gas front, the Alberta wildfires resulted in temporary cuts to Canadian exports of natural gas, causing a slight increase in prices, however export levels and pricing quickly returned to pre-wildfire levels by the end of May, and overall remained relatively steady.

Relative optimism around Canadian markets was a key theme in Q2, which saw Canadian drillers begin to bring rigs back from the U.S., a homecoming many thought would never come. As LNG export capacity begins to come online, we expect the local oilfield services market to become increasingly constructive. For the first time in a long time in the oil patch, Canada feels like the place to be.



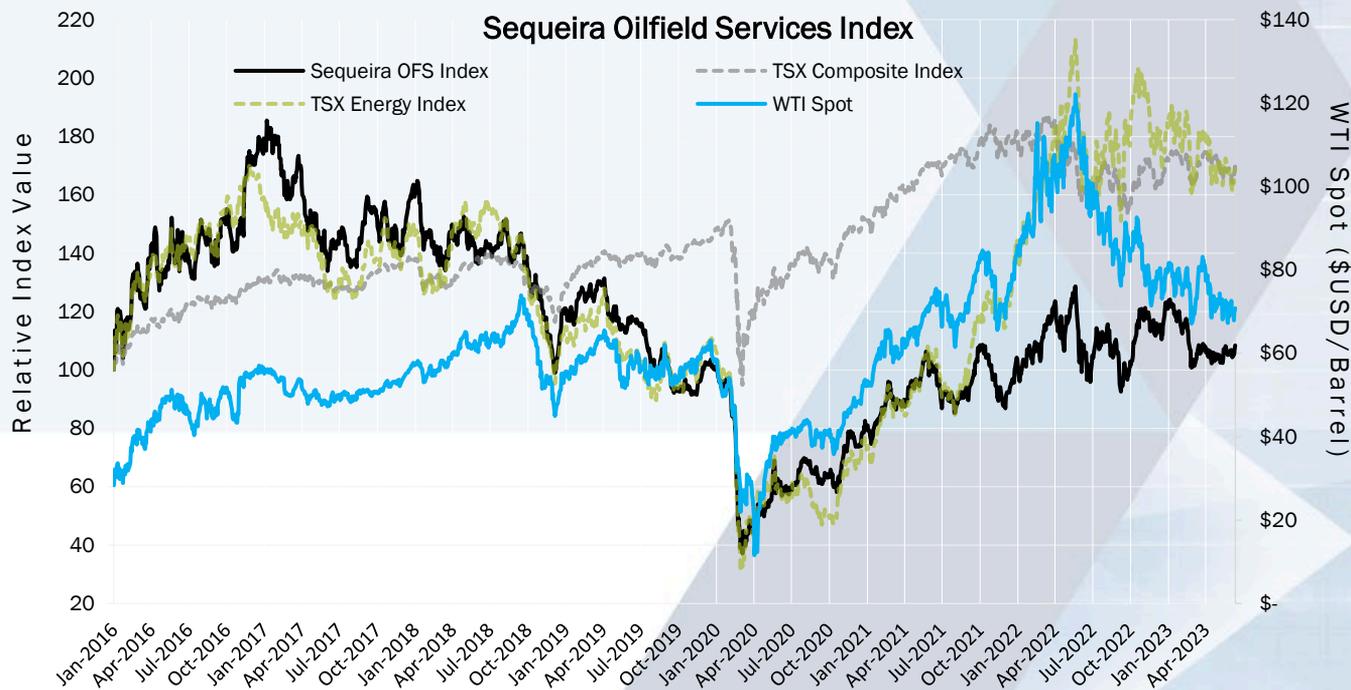
Source: Baker Hughes

Market Overview

Sequeira's OFS Index monitors the stock price performance of publicly listed Canadian Oilfield Service (OFS) companies. The Sequeira OFS Index and the TSX Energy Index both experienced year over year increases of 3.4% and 6.9%, and quarter over quarter increases of 2.1% and 0.3%, respectively. The comparable changes between the two indices show a growing investor confidence in OFS companies in comparison to prior periods, which saw operators benefit from improved commodity pricing to a greater extent than service companies as cash flows were prioritized over capex.

Over the first half of the year, service companies realized record quarterly revenue and EBITDA results despite recession concerns putting downward pressure on crude oil pricing. While the Q2 Dallas Fed Energy Survey did see services firms reporting deterioration across most benchmarks, public markets likely took solace in activity levels enduring in the face of lower commodity prices.

In the long term however, the price will drive performance across both indexes – participants in the Dallas Fed survey also predicted WTI pricing to be steady to higher at YE, an outcome that would be welcome to all.



Source: S&P Capital IQ

Energy Service and Industrial Transactions

Q2 2023 closed with an interest rate hike of 0.25% in a continued effort to reduce rising inflation rates. This increase marked the first hike since January 2023, when the Bank of Canada announced a temporary pause on rate hikes. Additional increases have been announced as of July 9th, however the impact of the pause for much of the quarter saw an uptick in overall transactions compared to Q2 2022, specifically in the broader Industrial sectors.

Despite the resumption of smaller rate increases, uncertainty around market conditions has stabilized, which we believe will be constructive for activity in the industrial and oilfield services industries to persist and continue to expand. As such, our outlook for the third quarter transaction activity remains positive, as buyers continue to leave the sidelines. In the oilfield services sector specifically, if operators continue to produce strong results, we anticipate hesitancy to fade, and multiples and non-traditional buyer interest to grow.

Q2 2023 vs 2022 Transaction Mix⁽¹⁾



Q2 2023 saw 84 disclosed transactions in the industrial and oilfield services sectors involving either a Canadian target or buyer. This represents a slight increase from the 80 transactions in the previous quarter (Q1 2023) and the 73 transactions in Q2 2022. Among the 84 transactions in the quarter, 7% were in the oilfield services sector, similar to the 6% in Q1 2023 however slightly slower lower than Q2 2022's 12%.

Buyer Profile

Industrial & OFS Transactions By Buyer Location⁽¹⁾

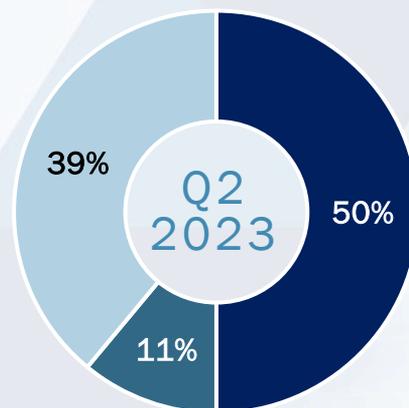
Buyer Location	Q2 2023 (Count)	Q2 2023 (%)	Q2 2022 (Count)	Q2 2022 (%)
Western Canada	11	13%	17	23%
Eastern Canada	37	44%	31	43%
USA	22	26%	17	23%
International	14	17%	8	11%
Total	84	100%	73	100%

Domestic buyers continue to be predominantly involved in domestic acquisitions. US buyer activity has dipped from the first quarter, however, there has been a notable increase in international buyer activity in comparison to prior periods, specifically in the broader industrial sector.

By Buyer Type⁽¹⁾

Strategic buyer transaction activity has remained relatively stable year over year, accounting for half of transaction activity in Q2 2023. The percentage of total transactions attributed to financial buyers dropped in the industrials and oilfield services sectors in comparison to the prior quarter and year over year as borrowing costs continue to increase and strategics look to deploy excess cash compiled on the back of strong earnings.

Buyer Type	Q2 2023	Q2 2022
Strategic	50%	51%
Financial	11%	18%
Financial Backed Strategic	39%	31%



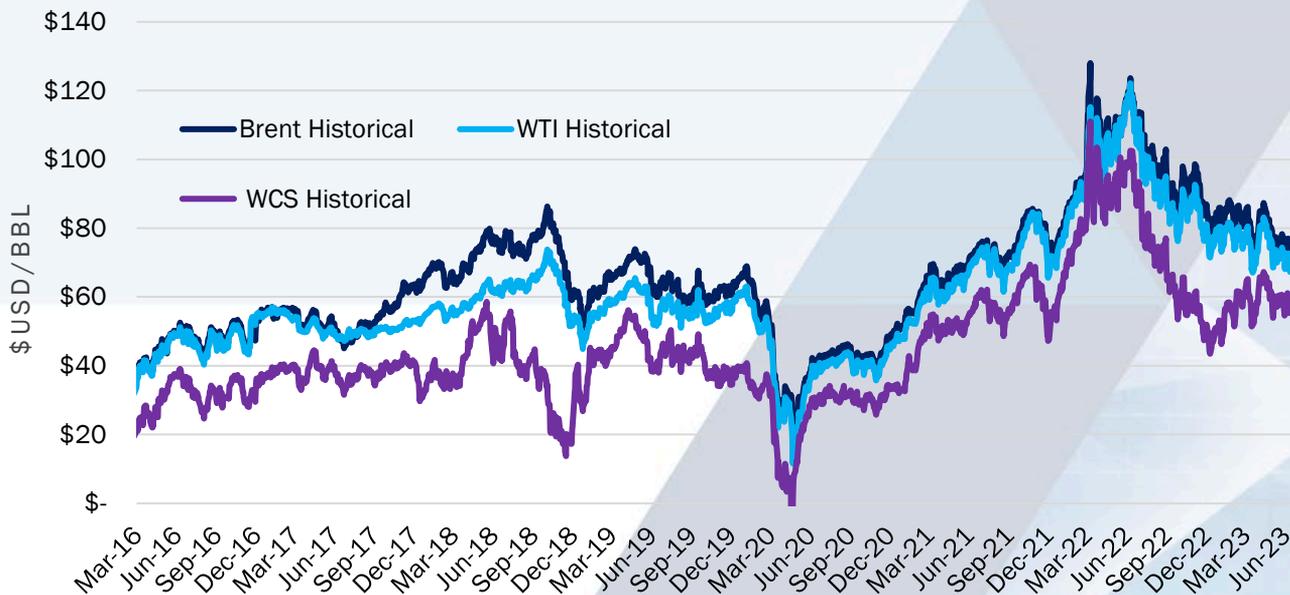
- Strategic Buyer
- Financial Buyer
- Financial Backed Strategic Buyer

Commodity Pricing and Analyst Forecasts

Q2 2023 commenced with WTI and Brent crude oil trading at \$80.44 and \$84.93 USD respectively. Prices experienced an initial surge and a subsequent decline at the start of the quarter, before trading sideways for much of May and June, ultimately closing at \$70.78 and \$75.41 USD. This outcome can be attributed to a wave of optimism around an end to rate hikes that left almost as quickly as it came, followed by ongoing recessionary concerns and increased volumes of sanctioned barrels finding their way onto the market. Even an OPEC+ announcement on June 4th to extend crude oil production cuts until 2024 did not meaningfully increase prices, though these cuts are anticipated to exert upward pressure on prices during the latter half of 2023.

WCS ended Q2 at \$60.01, peaking in the mid \$60 range in early April before holding relatively stable around the \$60 mark for most of the quarter. We saw the WCS-WTI differential tighten, partially as a result of decreased production throughout the Western Canadian Sedimentary Basin as operations were threatened by extensive wildfires in the regions, causing multiple shutdowns. OPEC curtailments have also exacerbated sour crude shortages, further supporting heavy benchmarks such as WCS.

Though most analysts revised down their forecasts in the quarter, most still consider current pricing levels either sustainable or low, providing sufficient optimism to underpin continued oil patch activity. Spirits among operators dealing primarily in WCS are particularly buoyant – RBC Capital Markets Analyst Michael Tran reported from the Calgary Stampede that “optimism around Calgary regarding the outlook for WCS has seldom (if ever) been this strong”.



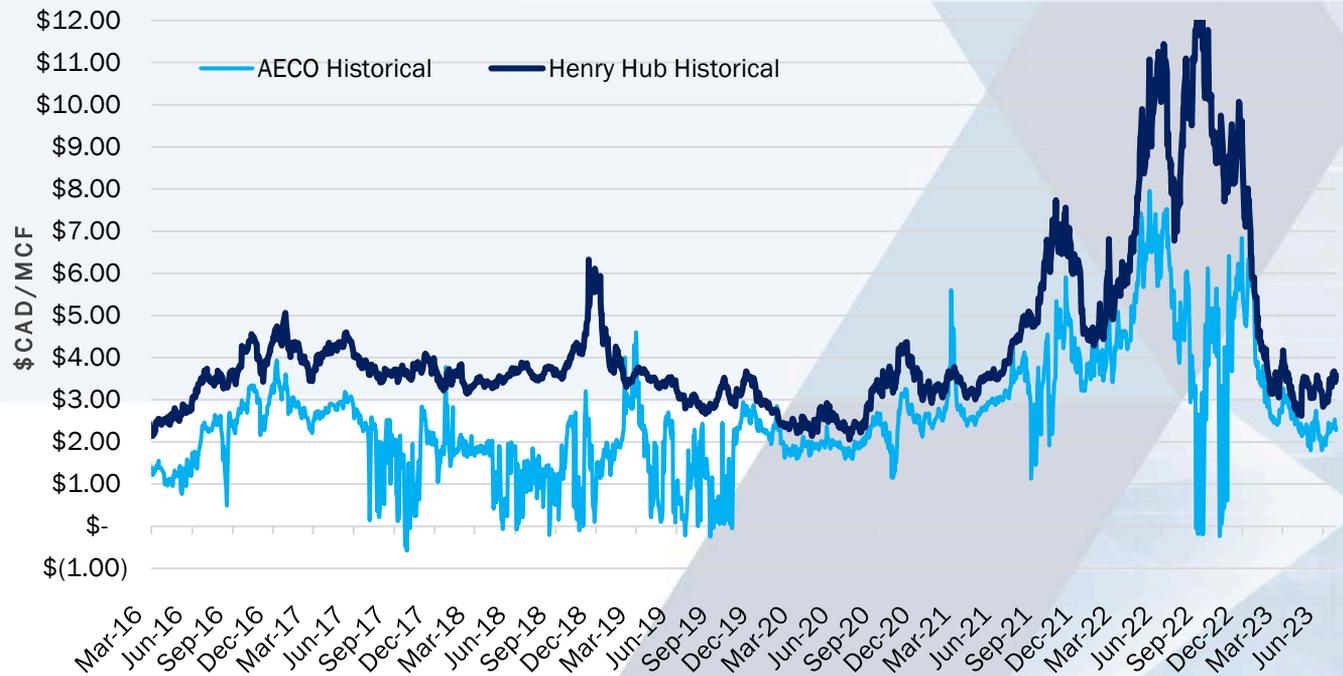
Source: S&P Capital IQ

Commodity Pricing and Analyst Forecasts

In Q2, natural gas prices demonstrated their most tranquil quarter since early 2020. AECO began the quarter at \$2.55, briefly dipping below \$2 in early June, and concluding at \$2.27 by the end of the quarter. Conversely, Henry Hub commenced the quarter at \$2.75 and climbed to \$3.58 by the end of June. However, analysts project a rise in natural gas prices during the summer, as various record setting heat waves move into and across Europe and North America. This surge in demand could draw down European storage, which has yet to be meaningfully tested since the war began. A sustained drawdown will leave Europe reliant on incremental production from an also unseasonably warm North America, creating the potential for significant upward pressure on pricing globally.

In Canada, production gradually increased during the latter part of Q2 as activity resumed in the Western Canadian Sedimentary Basin (WCSB), which had been impeded by the wildfires that affected the region. Analysts anticipate an increase in maintenance activities during the summer, potentially resulting in pipeline outages, similar to those observed in the summer of 2022.

Those in gas markets should not become too comfortable with the recent stability – while early 2023 was not the disaster it was once feared, global natural gas markets remain at the mercy of weather patterns in the absence of Russian product, creating the potential for a return to extreme volatility in a worst-case scenario.



Source: S&P Capital IQ

Recent Transactions

Advisor to



on the sale to



Sequeira Partners is proud to have acted as the exclusive financial advisor to Thompson Construction Group on their recent transaction with Hillcore. The sale will help facilitate the next phase of growth for Thompson while allowing the Company to continue its long-standing history of operational excellence, safety, and quality services.

The Sequeira team provided advisory assistance throughout the transaction process including financial modeling and support, marketing of the business, negotiating preliminary and final deal terms, advising on the complexities of the transaction structure, as well as assisting with due-diligence and other pre-closing matters.

About Us

Sequeira Partners is Western Canada's leading sell-side transaction advisor to private and public industrial, energy services, business services, manufacturing and insurance businesses.

From our offices in Vancouver, Edmonton and Calgary, the team at Sequeira Partners has completed more than 200 mid-market transactions in Canada, the United States, and countries around the world. www.sequeirapartners.com.

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Sequeira Oilfield Services Index – Sector Drilldown

As at July 21, 2023

Source: Capital IQ

Company	Ticker	Share Price	Dividend Yield	Market Cap	Enterprise Value	Revenue	TTM EBITDA	EBITDA Margin	EV/EBITDA TTM	EV/EBITDA 2023E	EV/EBITDA 2024E	Price/Book	Net Debt/2023E EBITDA
Drilling & Equipment													
AKITA Drilling Ltd.	TSX:AKT.A	\$ 1.50	-	62	147	221	44	20.0%	3.3x	2.5x	2.5x	0.4x	1.4x
Cathedral Energy Services Ltd.	TSX:CET	\$ 0.85	-	204	279	392	54	13.8%	5.1x	2.7x	1.9x	1.3x	0.7x
CWC Energy Services Corp.	TSXV:CWC	\$ 0.22	-	114	158	222	47	21.2%	3.4x	ND	ND	0.5x	ND
Ensign Energy Services Inc.	TSX:ESI	\$ 2.31	-	424	1,796	1,729	415	24.0%	4.3x	3.7x	3.5x	0.3x	2.8x
Essential Energy Services Ltd.	TSX:ESN	\$ 0.37	-	47	57	158	15	9.3%	3.9x	3.0x	2.7x	0.4x	0.5x
High Arctic Energy Services Inc	TSX:HWO	\$ 1.25	4.7%	62	21	61	(2)	NM	NM	ND	ND	0.5x	ND
McCoy Global Inc.	TSX:MCB	\$ 1.45	2.8%	41	28	60	8	13.0%	3.5x	ND	ND	0.8x	ND
Pason Systems Inc.	TSX:PSI	\$ 12.81	3.8%	1,024	846	359	164	45.8%	5.1x	4.8x	4.6x	2.6x	NM
PHX Energy Services Corp.	TSX:PHX	\$ 6.98	8.6%	357	411	592	94	15.8%	4.4x	3.1x	3.1x	1.9x	0.4x
Precision Drilling Corporation	TSX:PD	\$ 74.93	-	1,017	2,204	1,824	467	25.6%	4.7x	3.5x	3.5x	0.8x	1.9x
Total Energy Services Inc.	TSX:TOT	\$ 9.34	3.4%	380	482	827	153	18.5%	3.2x	2.8x	2.6x	0.7x	0.6x
Western Energy Services Corp.	TSX:WRG	\$ 3.26	-	114	244	229	46	20.0%	5.3x	4.3x	4.1x	0.4x	2.2x
Mean								20.6%	4.2x	3.4x	3.2x	0.9x	1.3x
Median								20.0%	4.3x	3.1x	3.1x	0.6x	1.1x
Production & Completion													
Bri-Chem Corp.	TSX:BRY	\$ 0.40	-	10	48	108	8	7.1%	6.3x	ND	ND	0.4x	ND
CES Energy Solutions Corp.	TSX:CEU	\$ 2.71	3.7%	679	1,193	2,079	249	12.0%	4.8x	4.1x	4.1x	1.1x	1.8x
Computer Modelling Group Ltd.	TSX:CMG	\$ 7.31	2.7%	590	562	74	27	36.7%	20.7x	NM	15.9x	11.3x	NM
Enerflex Ltd.	TSX:EFX	\$ 10.12	1.0%	1,254	2,545	2,280	182	8.0%	14.0x	4.9x	4.4x	0.8x	2.5x
Source Energy Services Ltd.	TSX:SHLE	\$ 5.43	-	78	321	483	39	8.1%	8.3x	3.4x	3.3x	5.6x	2.5x
Wolverine Energy and Infrastructure Inc.	TSXV:WEII	\$ 0.08	-	8	104	61	(4)	NM	NM	7.0x	ND	0.6x	6.4x
Mean								14.4%	10.8x	4.8x	6.9x	3.3x	3.3x
Median								14.4%	8.3x	4.5x	4.2x	0.9x	2.5x
Oilfield & Facility Construction													
Badger Infrastructure Solutions Ltd.	TSX:BDGI	\$ 31.84	2.2%	1,088	1,335	812	119	14.6%	11.2x	7.1x	6.2x	3.6x	1.0x
Enterprise Group, Inc.	TSX:E	\$ 0.43	-	21	33	29	9	30.0%	3.8x	3.3x	3.2x	0.6x	1.2x
North American Construction Group Ltd.	TSX:NOA	\$ 25.48	1.6%	679	1,074	835	208	24.9%	5.2x	4.0x	3.9x	2.0x	1.5x
Mattr Infrastructure Technologies	TSX:MATR	\$ 19.72	-	1,371	1,459	1,352	140	10.4%	10.4x	4.5x	5.0x	1.9x	0.3x
Mean								20.0%	7.6x	4.7x	4.5x	2.0x	1.0x
Median								19.8%	7.8x	4.2x	4.4x	2.0x	1.1x
Pressure Pumping													
Calfrac Well Services Ltd.	TSX:CFW	\$ 5.15	-	403	745	1,698	264	15.6%	2.8x	2.4x	2.3x	0.9x	1.1x
STEP Energy Services Ltd.	TSX:STEP	\$ 3.73	-	261	412	1,033	188	18.2%	2.2x	2.2x	2.0x	0.8x	0.8x
Trican Well Service Ltd.	TSX:TCW	\$ 3.93	4.2%	836	858	944	230	24.4%	3.7x	3.5x	3.3x	1.7x	0.1x
Mean								19.4%	2.9x	2.7x	2.5x	1.1x	0.7x
Median								18.2%	2.8x	2.4x	2.3x	0.9x	0.8x
Transportation & Logistics													
Gibson Energy Inc.	TSX:GEI	\$ 21.13	7.4%	2,973	4,577	10,713	488	4.6%	9.4x	8.0x	6.8x	5.1x	2.8x
Mullen Group Ltd.	TSX:MTL	\$ 15.95	4.8%	1,341	2,144	2,013	312	15.5%	6.9x	6.7x	6.5x	1.4x	2.5x
Mean								10.0%	8.1x	7.3x	6.7x	3.3x	2.7x
Median								10.0%	8.1x	7.3x	6.7x	3.3x	2.7x
Environmental & Geophysical													
Pulse Seismic Inc.	TSX:PSD	\$ 1.80	3.0%	99	88	16	9	56.6%	9.7x	NM	NM	2.8x	ND
Secure Energy Services Inc.	TSX:SES	\$ 6.66	6.1%	1,914	2,986	8,159	541	6.6%	5.5x	5.2x	5.3x	1.6x	1.9x
Vertex Resource Group Ltd.	TSXV:VTX	\$ 0.39	-	45	171	230	28	12.3%	6.0x	4.1x	4.0x	0.5x	3.0x
Mean								25.2%	7.1x	4.7x	4.6x	1.6x	2.5x
Median								12.3%	6.0x	4.7x	4.6x	1.6x	2.5x
Camps & Catering													
Black Diamond Group Limited	TSX:BDI	\$ 6.04	1.3%	368	603	336	75	22.4%	8.0x	6.5x	6.0x	1.4x	2.5x
Civeo Corporation	NYSE:CVCO	\$ 19.41	-	384	586	946	140	14.8%	4.2x	4.9x	5.0x	1.0x	1.7x
Dexterra Group Inc.	TSX:DXT	\$ 5.84	6.0%	381	519	1,016	41	4.0%	12.7x	5.7x	5.1x	1.3x	1.5x
Mean								13.7%	8.3x	5.7x	5.3x	1.2x	1.9x
Median								14.8%	8.0x	5.7x	5.1x	1.3x	1.7x
Mean - All Subsectors								18.7%	7.0x	4.4x	5.1x	1.9x	1.8x
Median - All Subsectors								15.8%	5.3x	4.1x	4.2x	1.3x	1.7x