

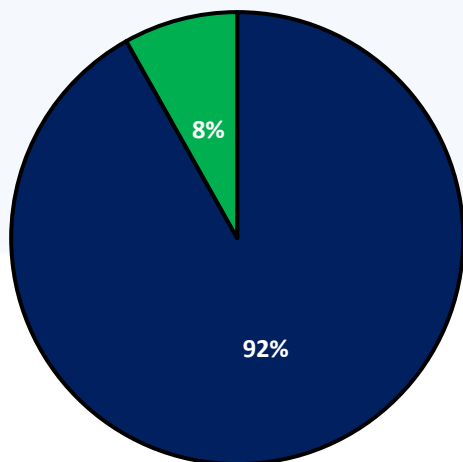


THE WELL STREET JOURNAL

Oilfield Services and Industrials Deep Dive
2021 | Q2 Report

Q2 | Overview

With soaring vaccination rates across Canada and the United States, Q2 saw a widespread lifting of pandemic related restrictions across both countries spurring the beginning of an economic recovery. Expectations are this momentum will continue throughout the summer months and pick-up steam both domestically and globally. On the crude front, OPEC+ finally came to an agreement this week, leading to a commodity sell-off with crude pricing under notable pressure to start the week. Under the new agreement OPEC+ members will increase production by 0.4 mbbbls/d on a monthly basis until the prior COVID cuts have been phased out (anticipated to be complete by September 2022). Despite the sell-off, analysts expect commodity prices will continue to be strong given the backdrop of increasing demand and reductions in inventories. The good news for Canada is that the IEA is projecting Canadian production levels will increase to record highs in the second half of 2021. While activity levels for service companies are still somewhat muted, we anticipate as operators see sustained strong pricing and strong free cash flows, reinvestment in new wells will follow.



■ Industrials ■ Oilfield Services

As for oilfield and industrial M&A transactions during the quarter, Q2 2021 saw 98 disclosed transactions with either a Canadian target or buyer. Transaction volumes declined slightly from the previous quarter which saw 102 transactions. Of the 98 transactions this quarter, 8% were in the oilfield services sector versus 17% in the most recent comparable quarter, Q1 2021.

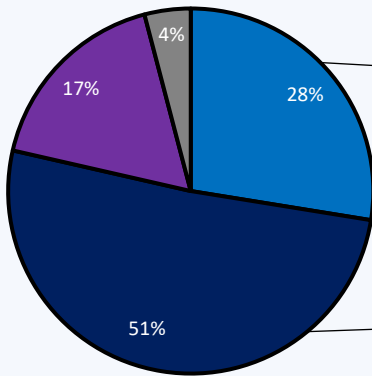
Overall transaction volumes have continued to recover in 2021 with a total of 200 transactions executed in the first half of the year in the oilfield services and industrial space. As we continue to see a supportive market, brought on by strong pricing and growth prospects, we anticipate continued optimism returning to the market and increasing levels of activity.

Transactions in the Quarter

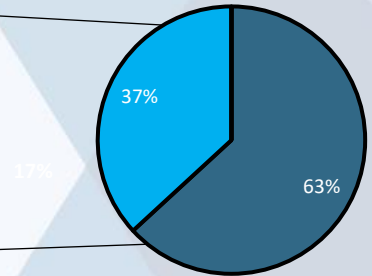
Of the noted transactions in the quarter with either a Canadian buyer or target, 28% of the target companies were located in Western Canada with 63% of those targeted companies based in Alberta. Strategic purchasers were the most active buyers, participating in 73% of transactions while financial backed strategic purchasers accounted for 17% and private equity buyers made up the remaining 10%.

OFS transactions of note during the quarter include the purchase of Nabors Canadian Drilling assets by Ensign Energy Services. The transaction will bolster Ensign with the addition of 35 drilling rigs and related equipment. We were also happy to have advised on the sale of Stonewall Energy to Great North Wellhead and Frac. The transaction allowed our client, Stonewall, to monetize their investment in the business and partner with Great North for continued growth.

Target Location

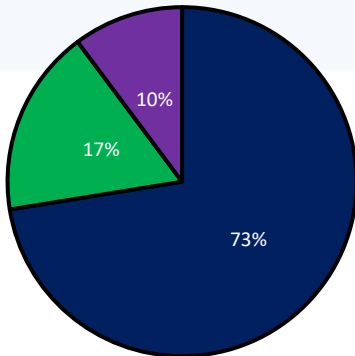


■ Western Canada ■ Eastern Canada ■ USA ■ International



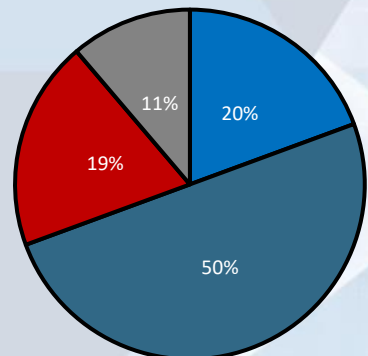
■ Alberta
■ British Columbia

Buyer Type



■ Strategic Buyer ■ Financial Backed Strategic ■ Financial Buyer

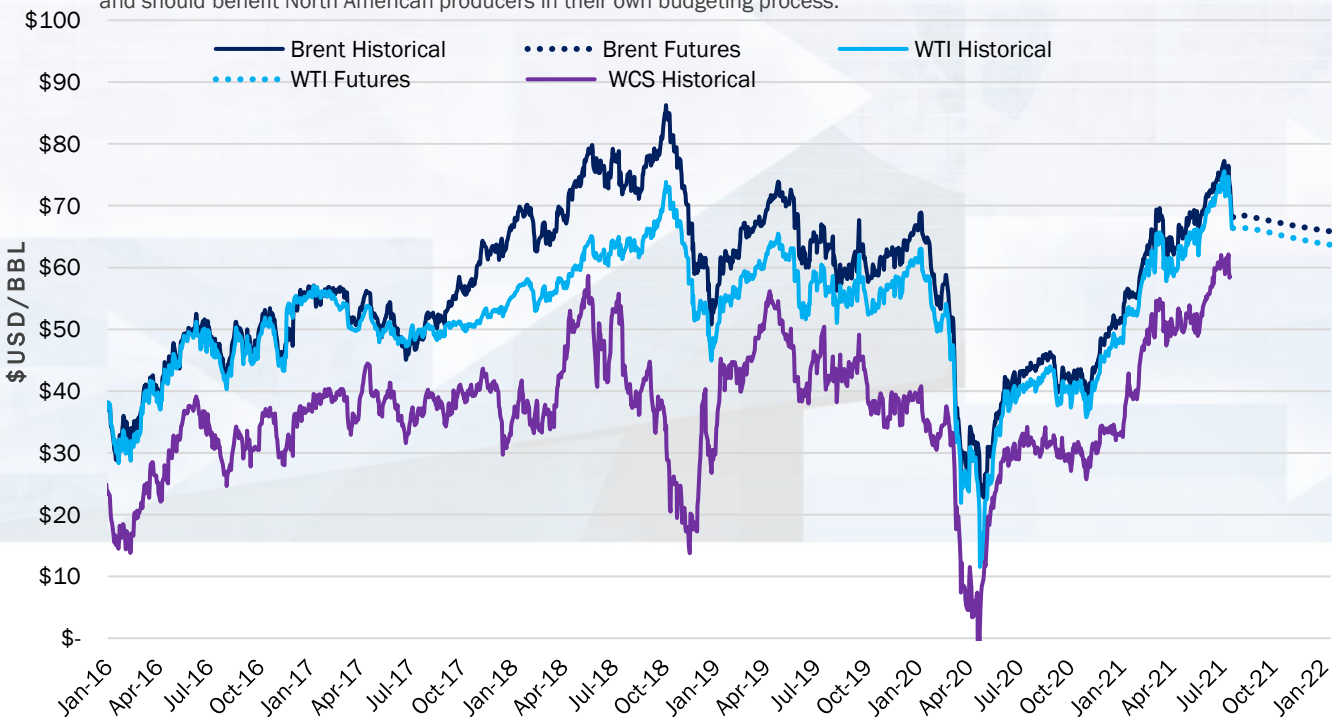
Buyer Location



■ Western Canada ■ Eastern Canada

Commodity Pricing and Analyst Forecasts

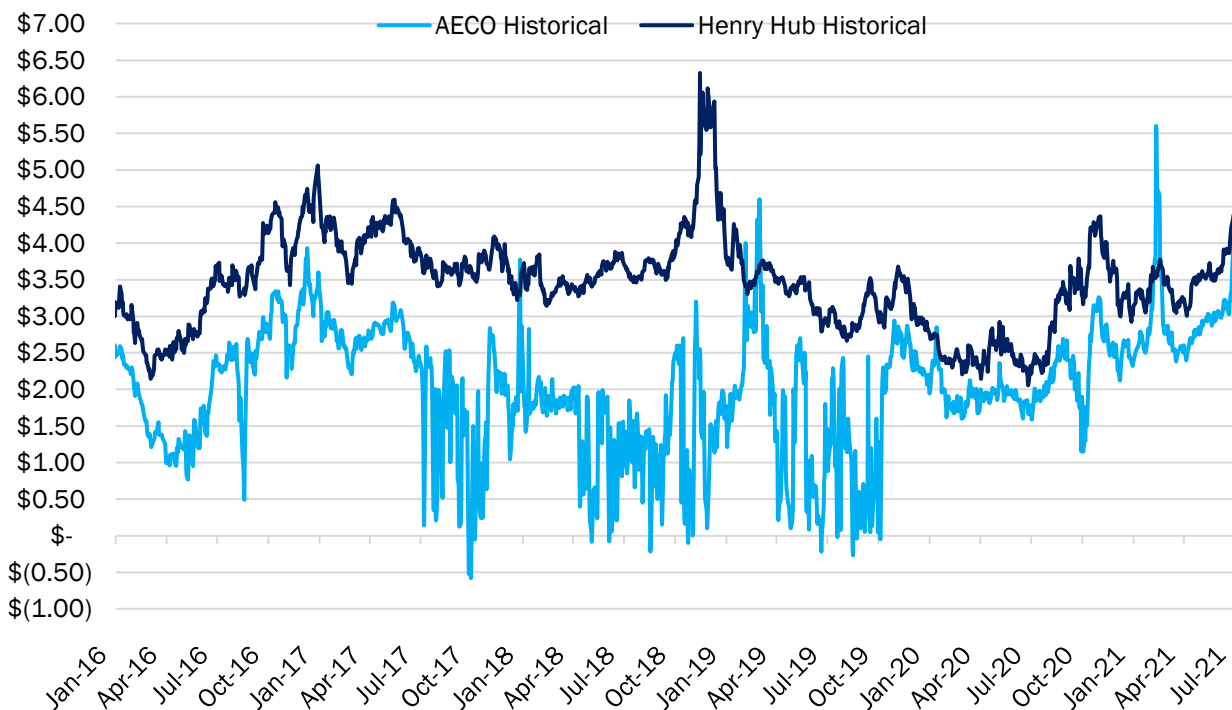
Q1 2021 saw significant increases in pricing with WTI trading just shy of \$70/bbl. Unfortunately to begin Q2 2021, the momentum in pricing quickly faded with notable volatility brought on from large scale COVID infections across India, including the emergent of a new variant. While the market continues to try and digest the impact of the Delta variant, the macro backdrop of rising demand and marginal supply increases is front and center – leading to continued increases in pricing for the latter part of Q2 2021. The market is still digesting the recently announced OPEC+ agreement, under the new deal a 0.4 mmbbl/day production increase will take place each month from August until the cuts are phased out which at this point is tentatively anticipated to occur by September 2022. Given the news, WTI, WCS, and Brent pricing saw a significant sell-off with pricing falling to \$66.35/bbl, \$58.51/bbl and \$68.05/bbl respectively. Longer-term we view the agreement as a positive as the longer term timeline provides clarity with OPEC's intentions on production going forward and should benefit North American producers in their own budgeting process.



Commodity Pricing and Analyst Forecasts

After AECO pricing ended Q1 2021 at \$2.50/MCF pricing has continued to improve throughout Q2, ending the period at \$4.38/MCF. This represented a 48% increase from the end of Q1 and was largely the result of a heat wave that rolled across the Pacific Northwest. These sweltering conditions caused an exceedingly high demand for energy and consequently natural gas, resulting in a further tightening of an already depleted supply in Western Canada. Given the constrained market, AECO prices remained strong especially in the latter half of the quarter.

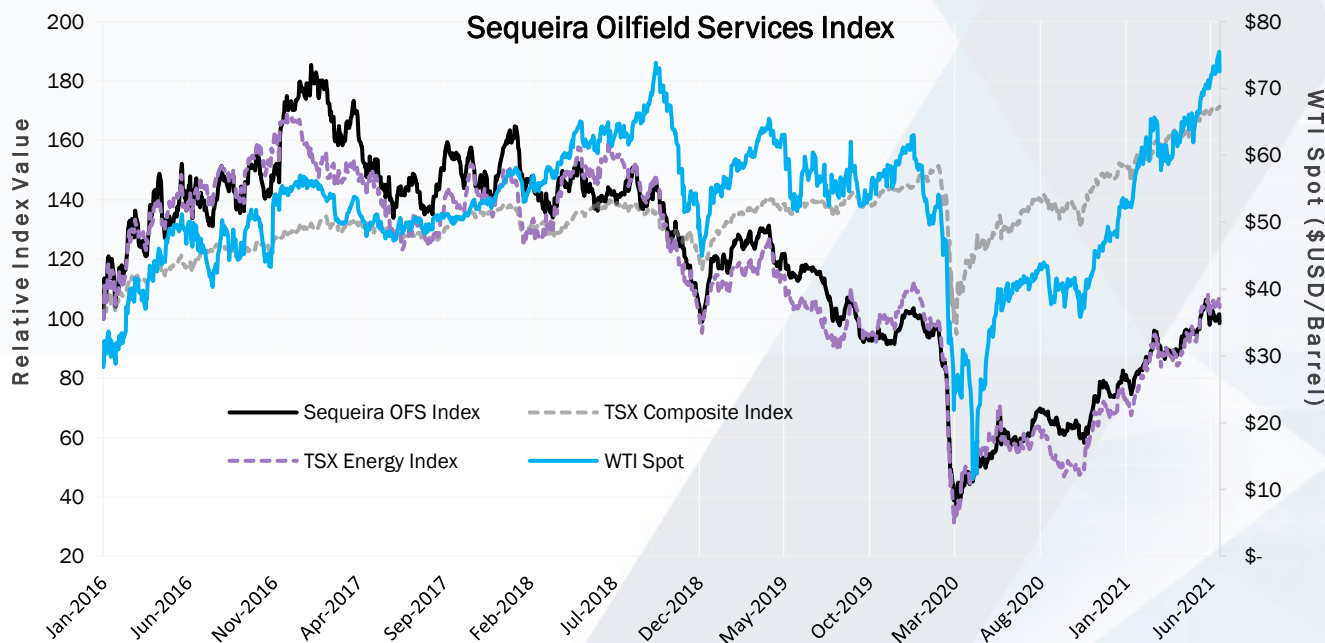
Henry Hub pricing followed a very similar trend to AECO and, ironically, ended the quarter at the same price as AECO (\$4.38/MCF), representing an increase of 38% over the prior quarter. Average prices over the quarter were \$3.63/MCF vs. \$3.36/MCF in Q1 with the increase in pricing largely being driven by the exceedingly warm weather in June which caused strong demand across the U.S. coupled with high volumes of LNG exports.



Market Overview

Sequeira's OFS index tracks publicly listed Canadian Oilfield Service companies throughout the year. Investor sentiment for OFS companies represented by our index along with Canadian operators represented by the TSX Energy Index have increased notably with both up year over year by 107% and 94%, respectively. While any investor would be happy with that type of return, one look at our chart below and it becomes readily apparent the dichotomy that has formed between equities and WTI pricing, which has increased by 142% over the same year over year period.

If pricing continues to hold as strong as it's been of late, there may be an opportunity for greater upside within the sector.



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Recent Transactions

Our team across all offices continue to be busy as we see optimism returning to the market and capital in need of being put to work. We're proud to announce four closings in the quarter as reflected by the following tombstones:

Advisor to



on the sale to




Advisor to



on the sale of its U.S. Division to




Advisor to



on the sale to




Sales Agent to



on the sale of select assets to




Sequeira Partners is Western Canada's leading sell-side transaction advisor to private and public industrial, energy and diversified 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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Opinions

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Recapitalizations

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 587-352-2500

2250, 10088 102 Avenue NW
 Edmonton, AB T5J 2Z1
 780-633-5200

1790, 999 West Hastings Street
 Vancouver, BC V6C 2W2
 604-687-5300

Sequeira Oilfield Services Index – Sector Drilldown

As at June 30, 2021

Source: Capital IQ

| Company | Ticker | Share Price | Dividend Yield | Market Cap | Enterprise Value | Revenue | EBITDA | EBITDA Margin | EV/EBITDA TTM | EV/EBITDA 2021E | EV/EBITDA 2022E | Price/Book | Net Debt/2021 EBITDA |
|---|-----------|-------------|----------------|------------|------------------|---------|--------|---------------|---------------|-----------------|-----------------|------------|----------------------|
| Drilling & Equipment | | | | | | | | | | | | | |
| AKITA Drilling Ltd. | TSX:AKT.A | \$ 1.38 | - | 56 | 134 | 93 | 9 | 9.5% | 15.2x | 8.2x | 5.2x | 0.4x | 4.3x |
| Cathedral Energy Services Ltd. | TSX:CET | \$ 0.49 | - | 31 | 51 | 33 | (6) | NM | NM | NM | 4.8x | 0.7x | NM |
| CWC Energy Services Corp. | TSXV:CWC | \$ 0.16 | - | 81 | 110 | 59 | 1 | 1.5% | NM | NM | NM | 0.5x | NM |
| Ensign Energy Services Inc. | TSX:ESI | \$ 2.24 | - | 364 | 1,712 | 772 | 178 | 23.0% | 9.6x | 7.5x | 5.8x | 0.3x | 6.0x |
| Essential Energy Services Ltd. | TSX:ESN | \$ 0.42 | - | 60 | 64 | 85 | 2 | 2.6% | 29.7x | 8.1x | 2.5x | 0.5x | 0.4x |
| High Arctic Energy Services Inc. | TSX:HWO | \$ 1.60 | - | 78 | 66 | 69 | 5 | 7.8% | 12.2x | 7.9x | 4.3x | 0.5x | NM |
| McCoy Global Inc. | TSX:MCB | \$ 0.90 | - | 25 | 25 | 35 | 0 | 0.7% | NM | 27.7x | NM | 0.7x | NM |
| Pason Systems Inc. | TSX:PSI | \$ 8.93 | 2.2% | 742 | 594 | 125 | 7 | 5.9% | NM | 20.0x | 6.9x | 2.4x | NM |
| PHX Energy Services Corp. | TSX:PHX | \$ 4.48 | 2.2% | 226 | 240 | 203 | 21 | 10.4% | 11.3x | 9.0x | 4.0x | 1.7x | 0.4x |
| Precision Drilling Corporation | TSX:PD | \$ 51.66 | - | 687 | 1,860 | 793 | 187 | 23.6% | 10.0x | 7.6x | 6.4x | 0.5x | 4.3x |
| Total Energy Services Inc. | TSX:TOT | \$ 4.50 | - | 202 | 419 | 325 | 37 | 11.3% | 11.5x | 8.4x | 5.3x | 0.4x | 3.0x |
| Western Energy Services Corp. | TSX:WRG | \$ 0.44 | - | 40 | 273 | 89 | 18 | 20.7% | 14.8x | 13.8x | 7.7x | 0.2x | 12.8x |
| Mean | | | | | | | | 10.6% | 14.3x | 11.8x | 5.3x | 0.7x | 4.5x |
| Median | | | | | | | | 9.5% | 11.8x | 8.3x | 5.2x | 0.5x | 4.3x |
| Production & Completion | | | | | | | | | | | | | |
| Bri-Chem Corp. | TSX:BRY | \$ 0.19 | - | 5 | 17 | 35 | (3) | NM | NM | NM | NM | 0.4x | NM |
| CES Energy Solutions Corp. | TSX:CEU | \$ 1.93 | - | 491 | 811 | 799 | 31 | 3.8% | 26.4x | 15.3x | 5.2x | 1.1x | 3.5x |
| Computer Modelling Group Ltd. | TSX:CMG | \$ 5.11 | 3.9% | 410 | 402 | 67 | 27 | 40.1% | 14.9x | 11.9x | 11.9x | 9.4x | NM |
| Enerflex Ltd. | TSX:EFX | \$ 8.39 | 1.0% | 752 | 1,063 | 1,055 | 141 | 13.4% | 7.5x | 5.8x | 5.3x | 0.5x | 1.7x |
| Source Energy Services Ltd. | TSX:SHLE | \$ 1.78 | - | 24 | 217 | 235 | 7 | 3.0% | NM | 16.8x | 5.2x | 1.0x | 6.1x |
| Wolverine Energy and Infrastructure Inc. | TSXV:WEII | \$ 0.37 | - | 38 | 164 | 141 | 7 | 4.7% | 24.8x | 9.1x | 9.0x | 0.6x | 6.3x |
| Mean | | | | | | | | 13.0% | 18.4x | 11.8x | 7.3x | 2.2x | 4.4x |
| Median | | | | | | | | 4.7% | 19.8x | 11.9x | 5.3x | 0.8x | 4.8x |
| Oilfield & Facility Construction | | | | | | | | | | | | | |
| Badger Infrastructure Solutions Ltd. | TSX:BDGI | \$ 37.62 | 1.7% | 1,310 | 1,425 | 530 | 71 | 13.3% | 20.2x | 14.3x | 7.9x | 4.3x | 0.8x |
| ClearStream Energy Services Inc. | TSX:CSM | \$ 0.08 | - | 9 | 297 | 349 | (1) | NM | NM | NM | NM | NM | NM |
| Enterprise Group, Inc. | TSX:E | \$ 0.27 | - | 13 | 25 | 14 | 5 | 35.6% | 4.9x | 5.2x | NM | 0.4x | NM |
| Macro Enterprises Inc. | TSXV:MCR | \$ 2.50 | - | 79 | 75 | 289 | 34 | 11.6% | 2.2x | 2.7x | 2.2x | 0.7x | NM |
| North American Construction Group Ltd. | NYSE:NOA | \$ 18.81 | - | 530 | 942 | 470 | 148 | 31.5% | 6.4x | 5.9x | 4.0x | 0.0x | 2.5x |
| Shawcor Ltd. | TSX:SCL | \$ 5.91 | - | 416 | 727 | 1,139 | 39 | 3.4% | 18.7x | 28.2x | 5.6x | 0.6x | 6.8x |
| Mean | | | | | | | | 19.1% | 10.5x | 11.3x | 4.9x | 1.2x | 3.4x |
| Median | | | | | | | | 13.3% | 6.4x | 5.9x | 4.8x | 0.6x | 2.5x |
| Pressure Pumping | | | | | | | | | | | | | |
| Calfrac Well Services Ltd. | TSX:CFW | \$ 4.05 | - | 152 | 501 | 641 | (9) | NM | NM | NM | 3.6x | 0.4x | 19.0x |
| STEP Energy Services Ltd. | TSX:STEP | \$ 1.79 | - | 122 | 337 | 311 | (9) | NM | NM | NM | 3.7x | 0.6x | 6.3x |
| Trican Well Services Ltd. | TSX:TCW | \$ 2.67 | - | 682 | 670 | 353 | 37 | 10.4% | 18.3x | 27.6x | 5.8x | 1.4x | NM |
| Mean | | | | | | | | 10.4% | 18.3x | 27.6x | 4.4x | 0.8x | 12.6x |
| Median | | | | | | | | 10.4% | 18.3x | 27.6x | 3.7x | 0.6x | 12.6x |
| Transportation & Logistics | | | | | | | | | | | | | |
| Gibson Energy Inc. | TSX:GEI | \$ 23.75 | 5.9% | 3,479 | 5,025 | 5,089 | 350 | 6.9% | 14.3x | 13.3x | 10.0x | 5.2x | 3.4x |
| Mullen Group Ltd. | TSX:MTL | \$ 13.36 | 3.6% | 1,291 | 1,775 | 1,137 | 208 | 18.3% | 8.5x | 8.6x | 6.8x | 1.4x | 2.2x |
| Mean | | | | | | | | 12.6% | 11.4x | 10.9x | 8.4x | 3.3x | 2.8x |
| Median | | | | | | | | 12.6% | 11.4x | 10.9x | 8.4x | 3.3x | 2.8x |
| Environmental & Geophysical | | | | | | | | | | | | | |
| Pulse Seismic Inc. | TSX:PSD | \$ 1.99 | - | 107 | 127 | 14 | 10 | 68.7% | 13.3x | 17.9x | 8.2x | 4.2x | 2.9x |
| Secure Energy Services Inc. | TSX:SES | \$ 4.21 | 0.7% | 676 | 1,112 | 1,879 | 76 | 4.0% | 14.7x | 13.0x | 4.2x | 1.0x | 3.1x |
| Vertex Resource Group Ltd. | TSXV:VTX | \$ 0.39 | - | 36 | 132 | 131 | 18 | 14.0% | 7.2x | 6.6x | 4.7x | 0.7x | 3.9x |
| Mean | | | | | | | | 28.9% | 11.8x | 12.5x | 5.7x | 2.0x | 3.3x |
| Median | | | | | | | | 14.0% | 13.3x | 13.0x | 4.7x | 1.0x | 3.1x |
| Camps & Catering | | | | | | | | | | | | | |
| Black Diamond Group Limited | TSX:BDI | \$ 4.00 | - | 236 | 446 | 201 | 32 | 16.1% | 13.8x | 15.3x | 6.8x | 1.1x | 4.9x |
| Civeo Corporation | NYSE:CVEO | \$ 22.05 | - | 315 | 700 | 650 | 106 | 16.3% | 6.6x | 5.9x | 5.5x | 0.8x | 2.4x |
| Dexterra Group Inc. | TSX:DXT | \$ 6.85 | 4.4% | 446 | 556 | 566 | 70 | 12.3% | 8.0x | 8.6x | 6.7x | 1.5x | 1.4x |
| Mean | | | | | | | | 16.2% | 10.2x | 10.6x | 6.1x | 1.0x | 3.7x |
| Median | | | | | | | | 16.2% | 10.2x | 10.6x | 6.1x | 1.0x | 3.7x |
| Large Cap NYSE Oilfield Majors | | | | | | | | | | | | | |
| Schlumberger Limited | NYSE:SLB | \$ 39.66 | 1.6% | 55,455 | 72,927 | 26,879 | 4,948 | 18.4% | 14.7x | 13.6x | 10.4x | 3.6x | 3.2x |
| Halliburton Company | NYSE:HAL | \$ 28.64 | 0.8% | 25,485 | 35,611 | 16,175 | 1,737 | 10.7% | 20.5x | 17.1x | 8.9x | 4.0x | 3.4x |
| NOV inc. | NYSE:NOV | \$ 18.98 | - | 7,415 | 8,665 | 6,863 | (259) | NM | NM | NM | 13.6x | 1.2x | 2.7x |
| TechnipFMC plc | NYSE:FTI | \$ 11.21 | 1.4% | 5,053 | 6,854 | 16,478 | 1,462 | 8.9% | 4.7x | 4.9x | 8.3x | 1.1x | 1.3x |
| Helmerich & Payne, Inc. | NYSE:HP | \$ 40.43 | 3.1% | 4,362 | 4,282 | 1,344 | 65 | 4.9% | NM | 9.0x | 13.4x | 1.1x | NM |
| Nabors Industries Ltd. | NYSE:NBR | \$ 141.54 | - | 1,146 | 4,861 | 2,360 | 624 | 26.4% | 7.8x | 6.8x | 6.8x | 0.8x | 4.5x |
| Mean | | | | | | | | 13.9% | 11.9x | 10.3x | 10.2x | 2.0x | 3.0x |
| Median | | | | | | | | 10.7% | 11.3x | 9.0x | 9.7x | 1.2x | 3.2x |
| Mean - All Subsectors | | | | | | | | 15.3% | 13.0x | 12.3x | 6.6x | 1.5x | 4.3x |
| Median - All Subsectors | | | | | | | | 11.3% | 12.8x | 10.5x | 5.8x | 0.8x | 3.2x |
| Mean - All Subsectors Excluding Oilfield Majors | | | | | | | | 15.5% | 13.2x | 12.7x | 5.7x | 1.4x | 4.6x |
| Median - All Subsectors Excluding Oilfield Majors | | | | | | | | 11.4% | 12.8x | 11.9x | 5.4x | 0.7x | 3.3x |