



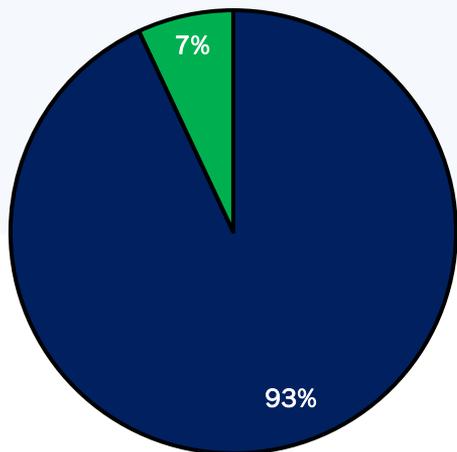
THE WELL STREET JOURNAL

Oilfield Services and Industrials Deep Dive
2021 | Q4 Report

Q4 | Overview

The last quarter of 2021 was certainly a memorable one with a flurry of news events impacting the global economy and energy markets. Q4 started off strong with pricing hitting 8-year highs a month into the quarter, but quickly retreated as news broke that the US Government was planning a coordinated strategic petroleum reserve (“SPR”) release alongside India, China, Japan, South Korea, and the U.K. Additional downward pressure followed as rumblings about the spread of a new COVID variant out of South Africa emerged. While the impact of the SPR release and Omicron saw WTI prices drop from \$84 WTI at the start of November down to \$65, prices have since rebounded.

Even though 2021 was fraught with a lot of uncertainty in large part due to the global pandemic, we’re certainly optimistic about 2022. From an M&A perspective, there’s plenty of reasons to be confident in the future – the pricing environment for crude and gas remains strong, activity continues to increase in Canada and the US, private equity is showing interest in the space again and strategics have seen their share prices increase over the last year (and so too will investor expectations for growth).



■ Industrials ■ Oilfield Services

As for oilfield and industrial M&A transactions during the quarter, Q4 2021 saw 115 disclosed transactions with either a Canadian target or buyer. Transaction volumes declined slightly from the previous quarter which saw 119 transactions. Of the 115 transactions this quarter, 7% were in the oilfield services sector versus 10% in the most recent comparable quarter, Q3 2021.

Overall transaction volumes recovered in 2021 with a total of 434 transactions executed during the year in the oilfield services and industrial space versus 364 in 2020. 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

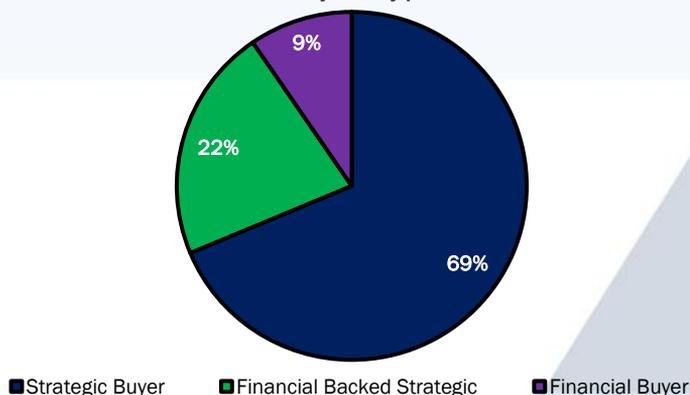
Of the noted transactions in the quarter with either a Canadian buyer or target, 26% of the target companies were located in Western Canada with 64% of those targeted companies based in Alberta. Strategic purchasers were the most active buyers, participating in 69% of transactions while financial backed strategic purchasers accounted for 22% and private equity buyers made up the remaining 9%.

A notable transaction this past quarter included the acquisition made by Royal Mail Plc of Edmonton based Mid-Nite Sun Transportation Ltd. (operating as Rosenau Transport) from the Rosenau family. The acquisition represents a significant expansion of Royal Mail's GLS international freight network into Western Canada.

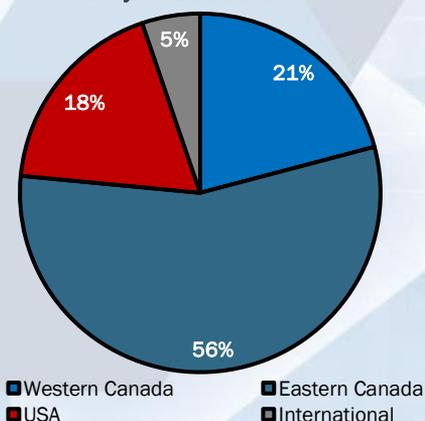
Target Location



Buyer Type



Buyer Location



Commodity Pricing and Analyst Forecasts

Q4 2021 started off the quarter with WTI and WCS trading at \$74.70 and \$63.33 USD per barrel. The strong momentum from the prior quarter continued into the month of October as pricing hit 8-year highs for both WTI (\$84.65) and WCS (\$69.42); however, that momentum quickly faded as the Biden administration, in concert with several other countries, announced a series of strategic petroleum reserve releases in hopes of reducing the price at the pumps for consumers. While the market began digesting the impact of the SPR release, added risk to the global economy entered into the equation due to the emergence of the Omicron variant. As a result, pricing fell with WTI and WCS trading at \$66.18 and \$50.40 at the end of November. Despite the added uncertainty, we continue to remain in a structural supply deficit as operators remain disciplined and their focus continues to be shareholder returns in the form of dividend increases and share buybacks. As a result, pricing increased over the course of December with WTI and WCS pricing ending the year at \$74.88 and \$61.61 USD per barrel.

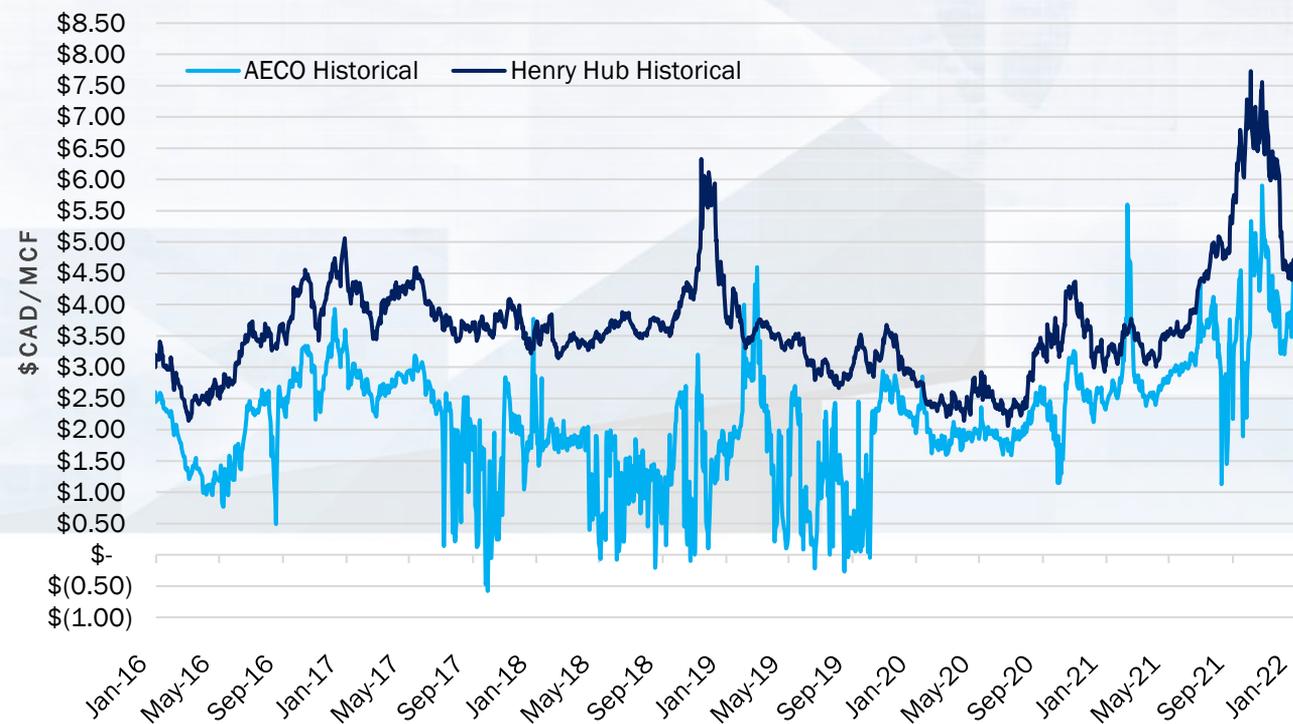
We view both events as being bullish for crude prices longer term as increased volatility and uncertainty comes with the cost of operators giving second thoughts to material increases to capital budgets at a time when budgets are typically being approved at the board level.



Commodity Pricing and Analyst Forecasts

Natural gas prices experienced a similar story of volatility and strong underlying fundamentals. Pricing was heavily influenced by overseas markets with robust LNG demand in Asia and notably in Europe. In fact, European prices hit record highs as gas inflows from Russia have been muted of late and colder than expected winter temperatures drove demand up with inventory levels already dangerously low for this time of year. To put the increased pricing in Europe into perspective, Dutch TTF Natural gas prices hit the equivalent of ~\$74 CAD/MCF in late December.

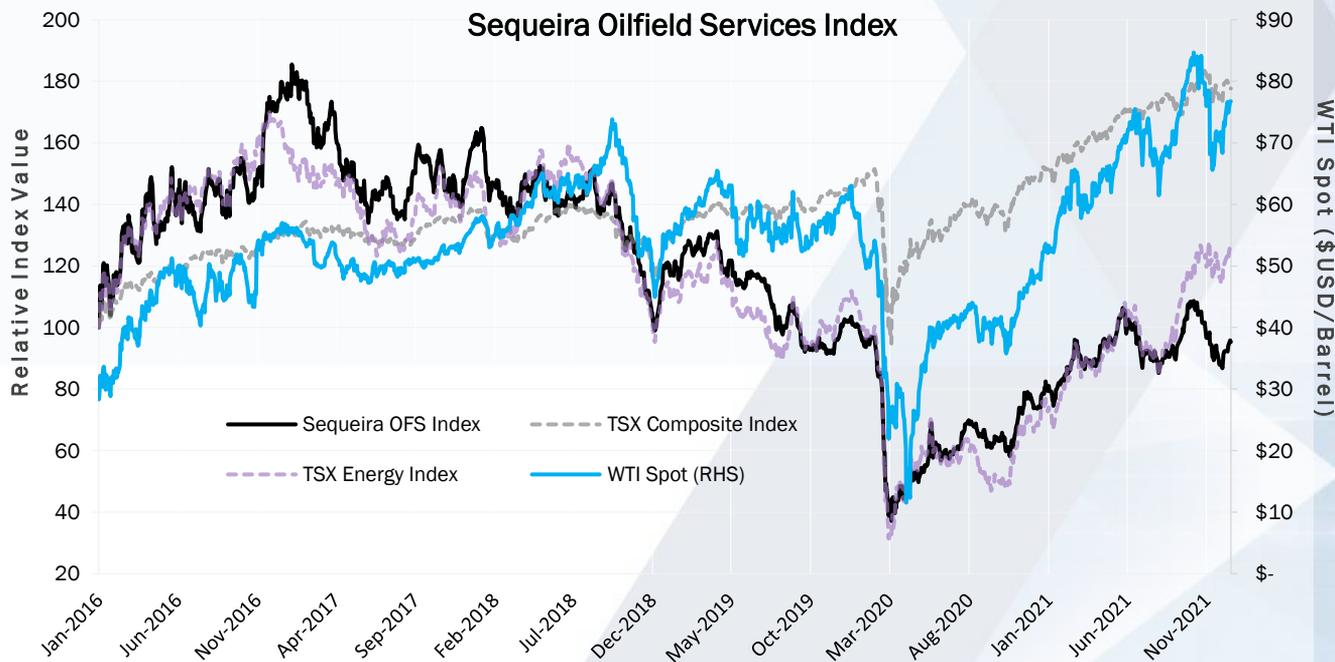
The increase in natural gas prices in North America during the quarter was also notable compared to historical standards, influenced by global prices. Over the course of 2021, the United States has taken advantage of overseas markets as it increased its exports and is expected to become the largest exporter of LNG in 2022, surpassing Australia and Qatar. Henry Hub and AECO prices averaged \$5.96 and \$4.22 CAD/MCF over Q4, representing an increase of 24% and 29% over the prior quarter.



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 26% and 80%, respectively. While any investor would be happy with those returns, investors became increasingly bullish towards operators (represented by the TSX Energy Index) versus oilfield service stocks. WTI pricing increased by 54% over the same year over year period.

If pricing remains strong over the course of 2022, we see greater upside for both operators and especially oilfield service companies.



Team Update

2021 was a banner year for our firm as we continued to invest in our ability to service our clients, adding additional team members across each of our offices.



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Vancouver



Max Van Sant
Calgary



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Select Transactions During 2021

Advisor to
FOSTER PARK
BROKERS

on the sale to
NFP

sequeira PARTNERS

Advisor to
JOIE
farm

on its partnership
with a private
investor

sequeira PARTNERS

Advisor to
Group Benefits
Insurance Brokerage

on the sale to
people
CORPORATION

sequeira PARTNERS

Advisor to
SWAT
Consulting Inc.

on the sale of its U.S.
Division to
ambipar
GROUP

sequeira PARTNERS

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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.
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CRIMINAL JUSTICE SYSTEMS

on the sale of
select assets to
MANTLE
MATERIALS GROUP

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Sequeira Oilfield Services Index – Sector Drilldown

As at December 31, 2021

Source: Capital IQ

Company	Ticker	Share Price	Dividend Yield	Market Cap	Enterprise Value	Revenue	TTM EBITDA	EBITDA Margin	EV/EBITDA TTM	EV/EBITDA 2021E	2022E	Price/Book	Net Debt/2021E EBITDA
			(%)	(\$mm)	(\$mm)	(\$mm)	(\$mm)	(%)	(x)	(x)	(x)	(x)	(x)
Drilling & Equipment													
AKITA Drilling Ltd.	TSX-AKT.A	\$ 0.94	-	40	115	97	7	7.2%	16.5x	11.7x	4.8x	0.3x	7.3x
Cathedral Energy Services Ltd.	TSX:CET	\$ 0.38	-	30	49	46	(5)	NM	NM	8.0x	2.7x	0.7x	2.6x
CWC Energy Services Corp.	TSXV:CWC	\$ 0.17	-	84	109	89	9	9.8%	12.4x	NM	NM	0.5x	ND
Ensign Energy Services Inc.	TSX:ESI	\$ 1.68	-	274	1,709	901	176	19.5%	9.7x	8.0x	5.8x	0.2x	6.6x
Essential Energy Services Ltd.	TSX:ESN	\$ 0.39	-	55	57	111	5	4.3%	12.1x	3.2x	2.7x	0.4x	0.1x
High Arctic Energy Services Inc	TSX:HWO	\$ 1.49	-	73	61	69	6	9.3%	9.4x	9.2x	4.6x	0.4x	NM
McCoy Global Inc.	TSX:MCB	\$ 0.66	-	19	17	33	0	1.4%	NM	NM	NM	0.5x	ND
Pason Systems Inc.	TSX:PSI	\$ 11.54	1.7%	951	809	177	42	23.9%	19.2x	11.0x	7.5x	3.1x	NM
PHX Energy Services Corp.	TSX:PHX	\$ 4.46	4.5%	218	230	292	33	11.3%	7.0x	4.1x	3.0x	1.6x	0.2x
Precision Drilling Corporation	TSX:PD	\$ 44.69	-	595	1,760	893	139	15.5%	12.7x	8.8x	5.9x	0.5x	5.6x
Total Energy Services Inc.	TSX:TOT	\$ 6.03	-	263	446	380	45	12.0%	9.8x	5.5x	4.7x	0.5x	2.2x
Western Energy Services Corp.	TSX:WRG	\$ 0.29	-	27	267	118	19	16.4%	13.8x	13.3x	9.5x	0.1x	11.9x
Mean									11.9%	12.3x	8.3x	5.1x	0.7x
Median									11.3%	12.3x	8.4x	4.8x	0.5x
Production & Completion													
Bri-Chem Corp.	TSX:BRY	\$ 0.16	-	4	23	51	2	3.7%	11.7x	NM	NM	0.3x	ND
CES Energy Solutions Corp.	TSX:CEU	\$ 2.03	3.2%	518	888	1,041	81	7.8%	11.0x	6.0x	5.1x	1.1x	2.5x
Computer Modelling Group Ltd.	TSX:CMG	\$ 4.26	4.7%	342	335	63	22	35.4%	15.0x	NM	12.0x	7.8x	NM
Enerflex Ltd.	TSX:EFX	\$ 7.66	1.3%	687	990	938	134	14.3%	7.4x	7.3x	5.5x	0.5x	2.2x
Source Energy Services Ltd.	TSX:SHLE	\$ 1.60	-	22	216	311	11	3.7%	18.8x	5.2x	4.6x	1.0x	4.6x
Wolverine Energy and Infrastructure Inc.	TSXV:WEII	\$ 0.20	-	20	121	96	(12)	NM	NM	NM	8.9x	0.4x	7.2x
Mean									13.0%	12.8x	6.2x	7.2x	1.9x
Median									7.8%	11.7x	6.0x	5.5x	0.8x
Oilfield & Facility Construction													
Badger Infrastructure Solutions Ltd.	TSX:BDGI	\$ 31.79	2.0%	1,096	1,263	546	52	9.5%	24.4x	14.2x	8.0x	3.7x	2.0x
ClearStream Energy Services Inc.	TSX:CSM	\$ 0.06	-	6	313	372	(3)	NM	NM	NM	NM	NM	ND
Enterprise Group, Inc.	TSX:E	\$ 0.31	-	15	27	17	5	30.0%	5.3x	NM	NM	0.5x	ND
Macro Enterprises Inc.	TSXV:MCR	\$ 2.79	-	88	104	349	39	11.2%	2.7x	1.9x	2.7x	0.7x	0.3x
North American Construction Group Ltd.	TSX:NOA	\$ 19.19	0.8%	546	966	611	165	27.0%	5.9x	4.6x	4.1x	2.1x	2.0x
Shawcor Ltd.	TSX:SCL	\$ 4.91	-	346	616	1,202	104	8.6%	5.9x	6.3x	5.4x	0.5x	2.7x
Mean									17.2%	8.8x	6.8x	5.0x	1.8x
Median									11.2%	5.9x	5.5x	4.7x	0.7x
Pressure Pumping													
Calfrac Well Services Ltd.	TSX:CFW	\$ 4.20	-	158	552	925	64	6.9%	8.6x	8.1x	4.0x	0.4x	5.4x
STEP Energy Services Ltd.	TSX:STEP	\$ 1.61	-	110	332	449	17	3.8%	19.7x	5.6x	3.7x	0.6x	3.6x
Trican Well Service Ltd.	TSX:TCW	\$ 2.77	-	690	663	509	76	14.8%	8.8x	6.9x	4.6x	1.4x	NM
Mean									8.5%	12.4x	6.9x	4.1x	0.8x
Median									6.9%	8.8x	6.9x	4.0x	0.6x
Transportation & Logistics													
Gibson Energy Inc.	TSX:GEI	\$ 22.42	6.2%	3,285	4,881	6,413	347	5.4%	14.1x	11.1x	10.4x	5.1x	3.6x
Mullen Group Ltd.	TSX:MTL	\$ 11.63	4.1%	1,104	1,838	1,333	199	14.9%	9.2x	8.0x	6.9x	1.2x	3.2x
Mean									10.2%	11.6x	9.5x	8.7x	3.2x
Median									10.2%	11.6x	9.5x	8.7x	3.2x
Environmental & Geophysical													
Pulse Seismic Inc.	TSX:PSD	\$ 2.19	2.9%	118	122	38	32	84.4%	3.8x	2.7x	7.9x	3.0x	0.1x
Secure Energy Services Inc.	TSX:SES	\$ 5.26	0.6%	1,621	2,925	2,901	129	4.5%	22.6x	10.7x	6.6x	1.3x	4.7x
Vertex Resource Group Ltd.	TSXV:VTX	\$ 0.44	-	40	139	151	17	11.6%	7.9x	5.7x	5.4x	0.8x	3.7x
Mean									33.5%	11.5x	6.4x	6.6x	1.7x
Median									11.6%	7.9x	5.7x	6.6x	3.7x
Camps & Catering													
Black Diamond Group Limited	TSX:BDI	\$ 4.43	1.1%	262	463	300	48	15.9%	9.7x	7.3x	6.8x	1.1x	3.0x
Civeo Corporation	NYSE:CVEO	\$ 24.26	-	346	691	718	113	15.8%	6.1x	5.7x	5.4x	0.9x	2.2x
Dexterra Group Inc.	TSX:DXT	\$ 8.59	4.1%	560	666	696	83	11.9%	8.0x	8.0x	7.2x	1.8x	1.3x
Mean									15.8%	7.9x	6.5x	6.1x	1.0x
Median									15.8%	7.9x	6.5x	6.1x	1.0x
Large Cap NYSE Oilfield Majors													
Schlumberger Limited	NYSE:SLB	\$ 37.90	1.7%	53,162	69,304	28,115	5,821	20.7%	11.9x	12.6x	10.4x	3.1x	2.5x
Halliburton Company	NYSE:HAL	\$ 28.94	0.8%	25,906	35,626	18,024	2,978	16.5%	12.0x	11.5x	9.0x	3.6x	2.9x
NOV Inc.	NYSE:NOV	\$ 17.15	1.5%	6,699	7,710	6,744	(96)	NM	NM	27.4x	12.0x	1.1x	3.0x
TechnipFMC plc	NYSE:FTI	\$ 7.49	2.2%	3,377	5,301	16,438	1,578	9.6%	3.4x	7.7x	7.0x	0.8x	2.5x
Helmerich & Payne, Inc.	NYSE:HP	\$ 29.99	4.2%	3,239	3,188	1,541	85	5.5%	NM	NM	10.6x	0.9x	NM
Nabors Industries Ltd.	NYSE:NBR	\$ 102.62	-	846	4,434	2,424	582	24.0%	7.6x	7.7x	5.9x	0.9x	4.9x
Mean									15.3%	8.7x	13.4x	9.2x	1.7x
Median									16.5%	9.8x	11.5x	9.7x	1.0x
Mean - All Subsectors									15.2%	11.0x	8.3x	6.4x	1.5x
Median - All Subsectors									11.6%	9.8x	7.7x	5.8x	0.9x
Mean - All Subsectors Excluding Oilfield Majors									15.2%	11.3x	7.3x	5.8x	1.4x
Median - All Subsectors Excluding Oilfield Majors									11.3%	9.8x	7.3x	5.4x	0.7x