THE WELL STREET JOURNAL

Oilfield Services and Industrials Deep Dive

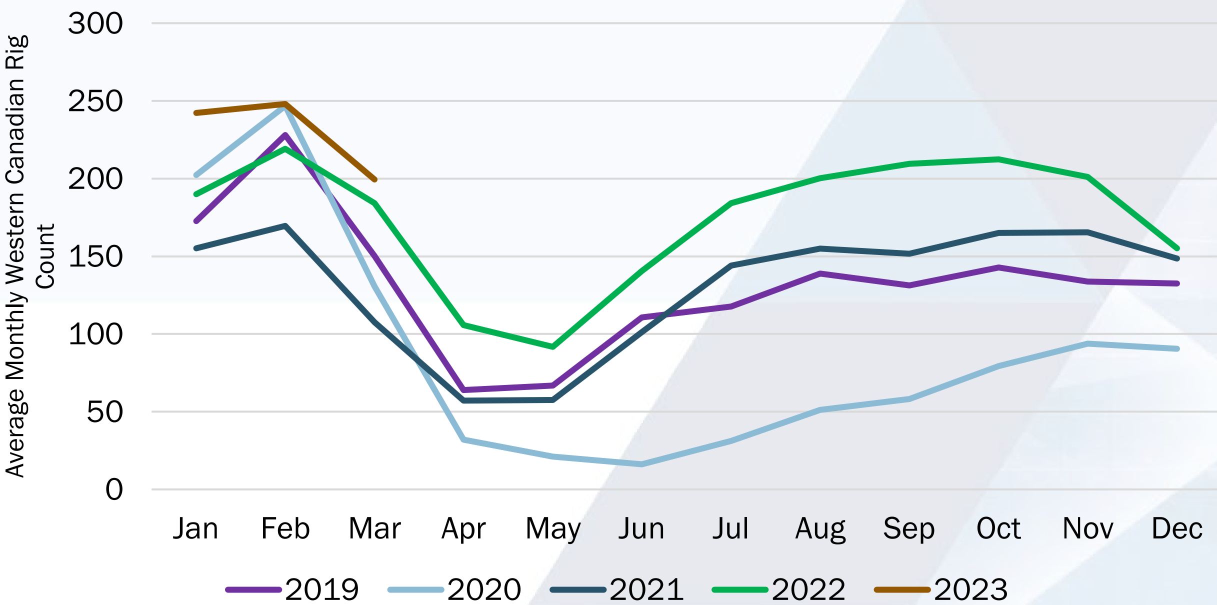
2023 | Q1 Report

Energy Market Sentiment

After a tumultuous year in 2022, the energy sector experienced a mixed start to 2023. A relatively mild winter in terms of temperatures and U.S. LNG outages exerted downward pressure on natural gas prices, while oil prices traded in a band before abruptly trending down under pressure from fears of a global recession and concerns regarding the health of the banking sector. Despite the uncertainty, Canadian activity levels remained robust in Q1, with rig counts at a 5-year high, as contract drillers tried to meet demand despite a challenging labour market. This contrasts with the U.S. market, where Q1 saw the first quarter-over-quarter decline in rig activity since 2020.

While analysts generally expressed optimism for both oil and natural gas at the close of Q4 2022, interest rates and the expected economic impact have caused some to reassess pricing expectations. Post-quarter efforts from OPEC+ to voluntarily withdraw supply saw prices recover and exceed where they began the year, though many in the industry question whether this is a bullish trend for pricing or a canary in the coal mine for global demand. The natural gas outlook is also mixed, as global storage was replenished throughout the first quarter with supply surpassing demand, though concerns remain about capacity to supply international markets.

Despite fluctuating levels of optimism, we believe the Canadian oilfield services sector is poised for a strong 2023. Anticipated budgets and market access channels provide additional momentum for the sector. While labour challenges from 2022 linger, we are optimistic that markets will increasingly acknowledge the structural undersupply of commodities globally, and capital flows to the sector will increase.



Source: Baker Hughes

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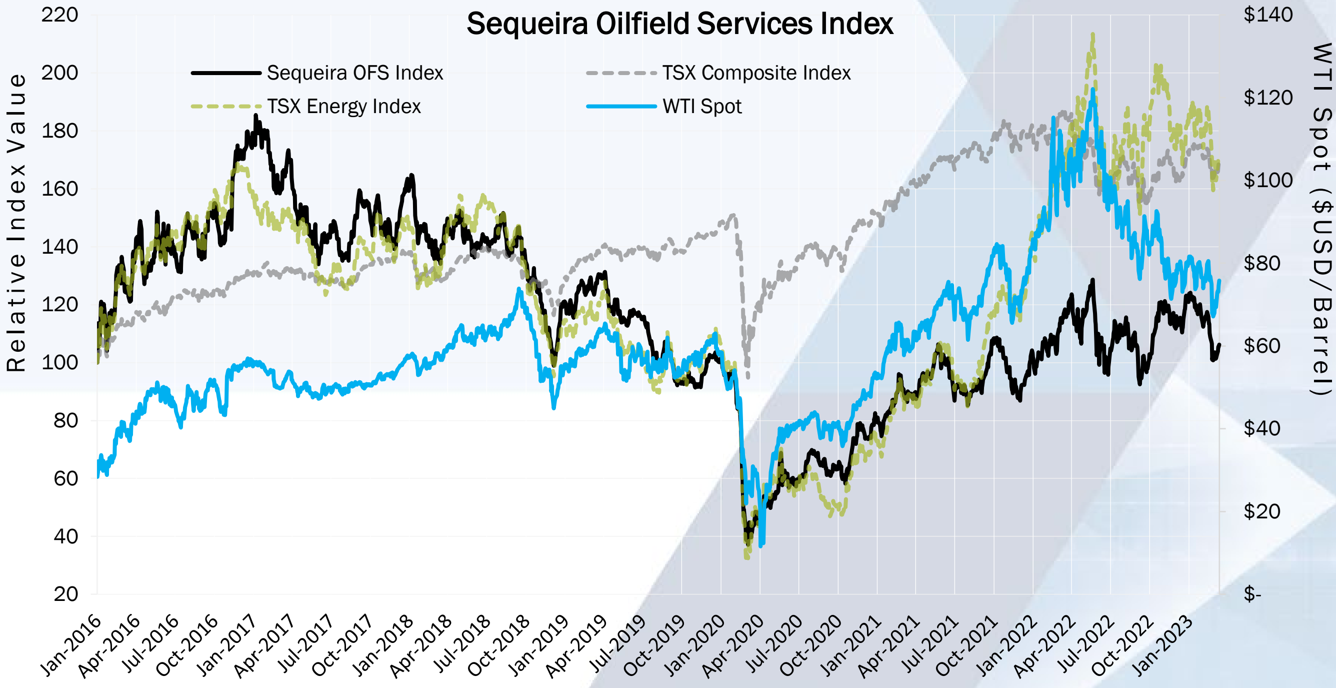
Market Overview

Sequeira's OFS Index monitors the stock price performance of publicly listed Canadian Oilfield Service (OFS) companies. Alongside the TSX Energy Index, which represents Canadian E&P companies, the Sequeira OFS Index experienced an 8% year-over-year decline, while the TSX Energy Index increased by 3.1%. Operators continue to benefit from improved commodity pricing to a greater extent than service companies, as producers focus on cash flow over capital re-investment.

Q1 YTD saw a decline in both the OFS Index and the broader TSX Energy Index, with decreases of 8.1% and 5.4%, respectively. The downturn was influenced by a notable drop in commodity pricing, though partially offset by a late recovery in oil prices at the end of the quarter. As federal banks maintain or elevate interest rates to combat inflation, labour markets have begun to show signs of added capacity, potentially providing the much-needed workforce for OFS firms striving to be able to increase operational levels in the WCSB.

Following OPEC+'s announcement of a voluntary 1.66 million barrels per day cut, effective from May 1 through December 31, crude prices jumped. Consequently, there is potential for enhanced profitability and equity performance for both E&P and OFS firms as the economy continues to show resiliency against the risk of a recession.



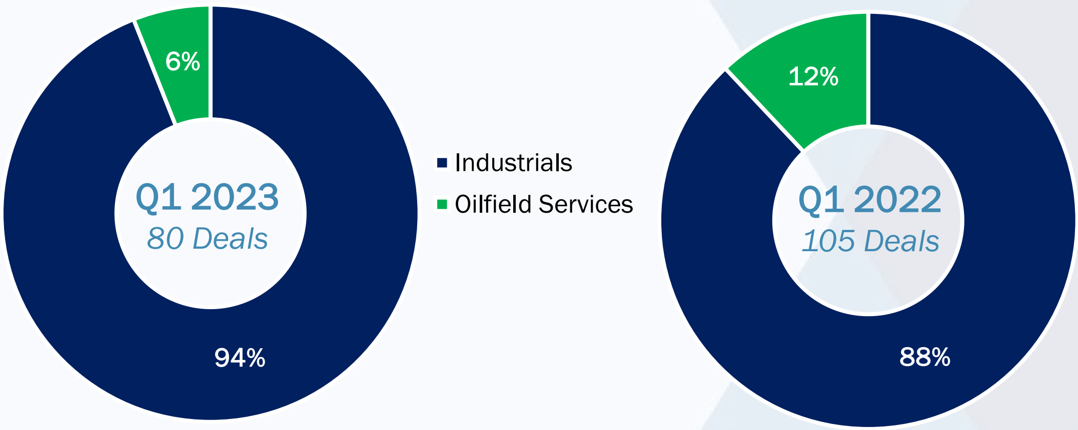
Source: S&P Capital IQ

Energy Service and Industrial Transactions

Q1 2023 was fraught with uncertainty, generating headwinds in the wider Canadian M&A market. The Bank of Canada raised interest rates by 0.25% in January and subsequently announced a pause on further hikes. As borrowing costs increased and concerns regarding a potential banking crisis intensified, Q1 2023 saw a decline in overall transactions compared to Q1 2022 in both the Oilfield Services and broader Industrial sectors, echoing the trend observed in Q4 2022.

Despite prevailing uncertainty, the outlook for the second quarter remains optimistic. The Bank of Canada's decision to halt interest rate hikes is expected to establish more certainty regarding interest rate environment and foster a steadier market.

Q1 2023 vs 2022 Transaction Mix[1]



Q1 2023 witnessed 80 disclosed transactions within the industrial and oilfield services sectors involving either a Canadian target or buyer, representing a decrease from the 101 transactions in Q4 2022 and the 105 transactions in Q1 2022. Among the 80 transactions in the quarter, 6% were in the oilfield services sector, consistent with Q4 2022's 6% and slightly lower than Q1 2022's 12%.

(1) Source: S&P Capital IQ – Includes announced & closed deals

Buyer Profile

Industrial & OFS Transactions By Buyer Location[1]

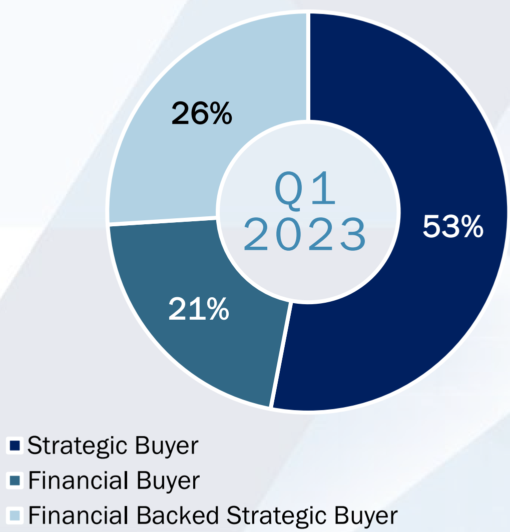
Buyer Location	Q1 2023 (Count)	Q1 2023 (%)	Q1 2022 (Count)	Q1 2022 (%)
Western Canada	15	19%	26	25%
Eastern Canada	35	44%	51	48%
USA	26	33%	22	21%
International	4	5%	6	6%
Total	80	100%	105	100%

In line with historical patterns, Canadian buyers remain predominantly involved in domestic acquisitions, with a rising trend in US buyer activity primarily driven by the growing strength of the US dollar compared to the Canadian dollar. This currency disparity offers considerable advantages for cross-border transactions.

By Buyer Type[1]

Strategic buyers accounted for over half of transaction activity in Q1 2023, while financial buyers demonstrated an uptick in their involvement during the quarter. Despite increasing borrowing costs, the percentage of total transactions attributed to financial buyers more than doubled compared to Q1 2022 in the industrials and oilfield services sectors, as private equity firms have increasingly returned to lower-risk, old economy business models amidst increasing uncertainty.

Buyer Type	Q1 2023	Q1 2022
Strategic	53%	57%
Financial	21%	9%
Financial Backed Strategic	26%	34%



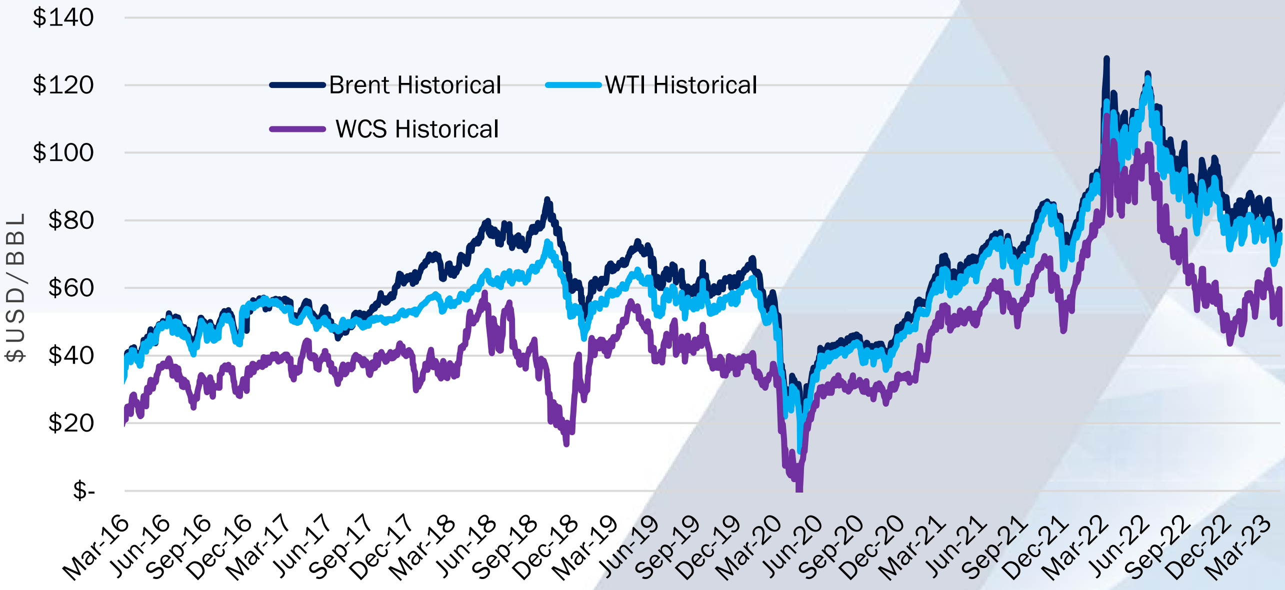
[1] Source: S&P Capital IQ – Includes announced & closed deals

Commodity Pricing and Analyst Forecasts

Q1 2023 began with WTI and Brent trading at $78.12 and $85.91 USD respectively. Prices were relatively steady throughout January and February, before declining in March as the global market sold off risky asset classes due to concerns around the health of the banking sector as Silicon Valley Bank collapsed and concerns about the health of other banks, notably Credit Suisse, arose. By the end of the month, prices had largely recovered as steps were taken to shore up the banking sector and economic activity continued to remain resilient. Pricing post-quarter was further buoyed by OPEC+ implementing a voluntary cut of 1.66 million b/d from May 1 to Dec 31 - sending a message that the group intends to support pricing.

WCS ended Q1 at $49.38, peaking in the mid $60 range in early March before following the broader market downward. The differential blowout that we saw in Q4 largely dissipated, as the completion of the SPR release and resolution of refinery outages saw the Canadian benchmark reach a price that more closely approximates a normal discount. With the completion of the Trans Mountain expected later this year, analysts largely see adequate takeaway capacity to accommodate growth in the coming years.

2023 has the potential to be another year of volatility and uncertainty as the market weighs the risk of a recession, China demand growth, OPEC+'s market position and the impact of Western sanctions on Russian oil production and exports. Analysts have diverging views on how these factors will play out and the impact on oil prices over the course of the year. If there's one thing to be expected in this industry, its ongoing volatility and having to expect the unexpected. Overall, pricing remains at levels that feel sustainable longer term, providing the opportunity for both operators and services to generate robust cash flows.



Source: S&P Capital IQ

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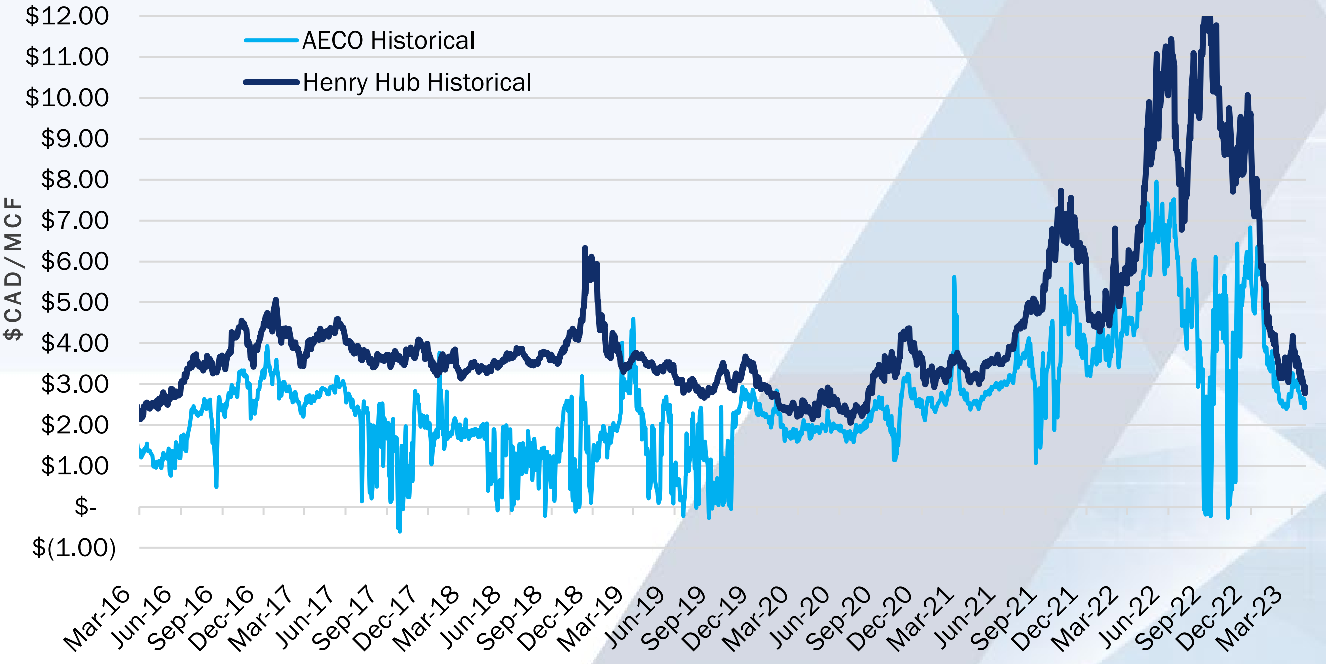
Commodity Pricing and Analyst Forecasts

Natural gas prices remained volatile in Q1, with both AECO and Henry Hub experiencing price declines throughout the quarter, briefly dipping below the $2 mark before stabilizing above $2 to end the month. The fall in prices were largely driven by warmer-than-expected temperatures throughout Europe and North America, leading to lower-than-expected demand. With many countries avoiding originally anticipated shortages this winter, analysts observed increasing levels of stockpiles being accumulated, though the outlook is less certain longer term. Analysts expect further growth in demand in the latter half of the year as Europe maintains its dependency on LNG to bridge the renewables transition and it looks to ensure it has sufficient reserves to forgo reliance on Russian supplies.

Canada continues to work towards creating adequate infrastructure to export natural gas to broader markets and fulfill this critical global need. With production levels anticipated to continue ramping up in advance of the completion of LNG Canada's Kitimat export terminal, analysts expect takeaway capacity to be filled. Less resource rich countries such as Korea and Japan continue to advocate for incremental Canadian LNG to reach global markets. We are hopeful that federal and provincial government bodies will continue to increasingly recognize the benefits of these projects for local communities, national prosperity, and global energy security.



Source: S&P Capital IQ

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Team Update

Thomas Chung, Analyst
Vancouver

Dallon Stoddart, Analyst
Vancouver

Timothy Chow, Analyst
Vancouver

Building on the momentum of 2022 we continue to enhance the strength and depth of our team, having added 3 new team members to Sequeira Partners in our Vancouver office.

Welcome to the team Thomas, Dallon and Tim!

Recent Transactions

Advisor to

Local Environmental Services

on the sale to

E360S Environmental 360 Solutions
Trusted Environmental Management

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Sequeira Partners is proud to have acted as the exclusive financial advisor to Local Environmental Services on their recent transaction with Environmental 360 Solutions Inc.

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

Announcements

Sequeira Partners is thrilled to announce that ACG British Columbia recognized Adam Lewis, founder of Ecofish Research Ltd., as the 2022 Dealmaker of the Year. Sequeira partners acted as financial advisor to Ecofish on the sale to Trinity Consultants in July 2022.

Partner Erica McGuinness also received a nomination for Deal of the Year for the sale of Comalatech to Appfire Technologies LLC in May 2022.

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Sequeira Oilfield Services Index – Sector Drilldown

As at April 17, 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			(%)	($mm)	($mm)	($mm)	($mm)	(%)	(x)	(x)	(x)	(x)	(x)
AKITA Drilling Ltd.	TSX:AKT.A	$ 1.48	-	60	142	201	34	16.8%	4.2x	2.2x	2.2x	0.4x	1.2x
Cathedral Energy Services Ltd.	TSX:CET	$ 0.99	-	222	322	194	26	13.4%	12.4x	2.4x	2.2x	1.5x	0.7x
CWC Energy Services Corp.	TSXV:CWC	$ 0.22	-	114	157	205	45	21.7%	3.5x	ND	ND	0.5x	ND
Ensign Energy Services Inc.	TSX:ESI	$ 3.04	-	559	1,966	1,577	349	22.1%	5.6x	3.6x	3.3x	0.4x	2.6x
Essential Energy Services Ltd.	TSX:ESN	$ 0.33	-	44	52	150	10	6.7%	5.2x	2.2x	2.0x	0.4x	0.4x
High Arctic Energy Services Inc	TSX:HWO	$ 1.28	4.7%	62	48	80	0	0.3%	NM	ND	ND	0.5x	ND
McCoy Global Inc.	TSX:MCB	$ 1.34	-	38	27	52	7	13.0%	3.9x	ND	ND	0.7x	ND
Pason Systems Inc.	TSX:PSI	$ 12.13	4.0%	987	815	335	141	42.2%	5.8x	4.5x	4.1x	2.6x	NM
PHX Energy Services Corp.	TSX:PHX	$ 6.80	8.8%	347	391	536	69	12.9%	5.7x	2.8x	2.5x	2.0x	0.3x
Precision Drilling Corporation	TSX:PD	$ 69.45	-	956	2,089	1,617	301	18.6%	6.9x	3.2x	2.9x	0.8x	1.7x
Total Energy Services Inc.	TSX:TOT	$ 8.28	3.9%	343	444	760	127	16.8%	3.5x	2.7x	2.6x	0.7x	0.6x
Western Energy Services Corp.	TSX:WRG	$ 2.93	-	99	223	200	38	18.9%	5.9x	3.7x	3.4x	0.3x	2.1x
Mean								**17.0%**	**5.7x**	**3.0x**	**2.8x**	**0.9x**	**1.2x**
Median								**16.8%**	**5.6x**	**2.8x**	**2.6x**	**0.6x**	**1.0x**
Production & Completion			(%)	($mm)	($mm)	($mm)	($mm)	(%)	(x)	(x)	(x)	(x)	(x)
Bri-Chem Corp.	TSX:BRY	$ 0.54	-	14	54	105	8	8.1%	6.4x	ND	ND	0.6x	ND
CES Energy Solutions Corp.	TSX:CEU	$ 2.68	3.0%	682	1,234	1,922	218	11.4%	5.7x	4.1x	4.0x	1.1x	1.8x
Computer Modelling Group Ltd.	TSX:CMG	$ 7.26	2.8%	585	564	72	28	39.3%	19.8x	17.1x	14.3x	11.6x	NM
Enerflex Ltd.	TSX:EFX	$ 8.05	1.2%	996	2,226	1,778	108	6.1%	20.5x	4.3x	3.8x	0.6x	2.4x
Source Energy Services Ltd.	TSX:SHLE	$ 3.21	-	43	288	416	28	6.8%	10.1x	3.3x	3.1x	7.7x	2.7x
Wolverine Energy and Infrastructure Inc.	TSXV:WEII	$ 0.10	-	10	107	61	(4)	NM	NM	7.2x	ND	0.8x	6.4x
Mean								**14.3%**	**12.5x**	**7.2x**	**6.3x**	**3.7x**	**3.3x**
Median								**14.3%**	**10.1x**	**4.3x**	**3.9x**	**0.9x**	**2.5x**
Oilfield & Facility Construction			(%)	($mm)	($mm)	($mm)	($mm)	(%)	(x)	(x)	(x)	(x)	(x)
Badger Infrastructure Solutions Ltd.	TSX:BDGI	$ 32.68	2.1%	1,127	1,344	773	112	14.5%	12.0x	6.7x	5.8x	3.7x	0.9x
Enterprise Group, Inc.	TSX:E	$ 0.38	-	19	33	27	7	27.8%	4.4x	4.1x	3.7x	0.6x	1.6x
North American Construction Group Ltd.	TSX:NOA	$ 22.54	1.8%	595	962	770	191	24.8%	5.0x	3.8x	3.7x	1.9x	1.4x
Shawcor Ltd.	TSX:SCL	$ 12.44	-	873	880	1,255	102	8.1%	8.6x	3.0x	3.3x	1.2x	0.0x
Mean								**18.8%**	**7.5x**	**4.4x**	**4.1x**	**1.9x**	**1.0x**
Median								**19.7%**	**6.8x**	**4.0x**	**3.7x**	**1.6x**	**1.1x**
Pressure Pumping			(%)	($mm)	($mm)	($mm)	($mm)	(%)	(x)	(x)	(x)	(x)	(x)
Calfrac Well Services Ltd.	TSX:CFW	$ 4.07	-	329	675	1,499	198	13.2%	3.4x	2.1x	2.0x	0.8x	1.1x
STEP Energy Services Ltd.	TSX:STEP	$ 3.36	-	241	407	989	169	17.1%	2.4x	2.1x	1.9x	0.8x	0.8x
Trican Well Service Ltd.	TSX:TCW	$ 3.08	5.2%	684	668	866	187	21.6%	3.6x	2.8x	2.5x	1.4x	NM
Mean								**17.3%**	**3.1x**	**2.4x**	**2.1x**	**1.0x**	**0.9x**
Median								**17.1%**	**3.4x**	**2.1x**	**2.0x**	**0.8x**	**0.9x**
Transportation & Logistics			(%)	($mm)	($mm)	($mm)	($mm)	(%)	(x)	(x)	(x)	(x)	(x)
Gibson Energy Inc.	TSX:GEI	$ 21.60	7.2%	3,081	4,716	11,035	449	4.1%	10.5x	9.3x	9.4x	5.4x	3.1x
Mullen Group Ltd.	TSX:MTL	$ 14.77	4.9%	1,362	2,065	1,999	306	15.3%	6.8x	6.7x	6.5x	1.4x	2.3x
Mean								**9.7%**	**8.6x**	**8.0x**	**7.9x**	**3.4x**	**2.7x**
Median								**9.7%**	**8.6x**	**8.0x**	**7.9x**	**3.4x**	**2.7x**
Environmental & Geophysical			(%)	($mm)	($mm)	($mm)	($mm)	(%)	(x)	(x)	(x)	(x)	(x)
Pulse Seismic Inc.	TSX:PSD	$ 1.70	2.9%	91	85	10	3	27.6%	NM	7.3x	7.3x	2.7x	NM
Secure Energy Services Inc.	TSX:SES	$ 6.31	6.3%	1,911	2,930	8,002	519	6.5%	5.6x	5.2x	5.4x	1.5x	1.7x
Vertex Resource Group Ltd.	TSXV:VTX	$ 0.40	-	46	180	218	25	11.6%	7.1x	4.3x	4.1x	0.7x	3.2x
Mean								**15.2%**	**6.4x**	**5.6x**	**5.6x**	**1.7x**	**2.5x**
Median								**11.6%**	**6.4x**	**5.2x**	**5.4x**	**1.5x**	**2.5x**
Camps & Catering			(%)	($mm)	($mm)	($mm)	($mm)	(%)	(x)	(x)	(x)	(x)	(x)
Black Diamond Group Limited	TSX:BDI	$ 5.94	1.3%	362	607	325	73	22.4%	8.4x	7.0x	6.5x	1.3x	2.6x
Civeo Corporation	NYSE:CVEO	$ 20.65	-	425	619	943	149	15.8%	4.2x	5.1x	4.8x	1.0x	1.5x
Dexterra Group Inc.	TSX:DXT	$ 4.95	7.1%	323	445	972	37	3.8%	12.0x	5.2x	4.6x	1.1x	1.4x
Mean								**14.0%**	**8.2x**	**5.8x**	**5.3x**	**1.2x**	**1.8x**
Median								**15.8%**	**8.4x**	**5.2x**	**4.8x**	**1.1x**	**1.5x**
Mean - All Subsectors								**16.3%**	**7.7x**	**4.8x**	**4.9x**	**1.9x**	**1.8x**
Median - All Subsectors								**15.5%**	**6.1x**	**4.1x**	**3.8x**	**1.2x**	**1.7x**