



THE WELL STREET JOURNAL

Oilfield Services and Industrials Deep Dive

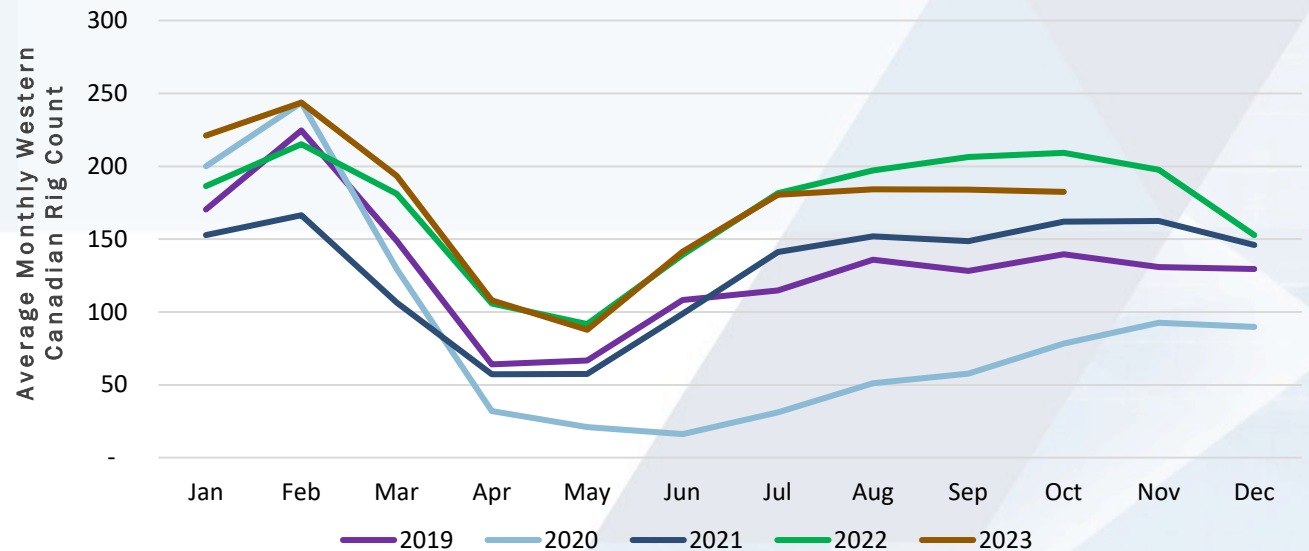
Energy Market Sentiment

Through the first half of Q3, there was a shift in the oil market from the relative pricing stability of the previous quarter. The notable surge in pricing that closed out the quarter was driven primarily by prolonged production cuts initiated by Russia and Saudi Arabia. Despite expectations for a similar upswing in natural gas prices, the gas market displayed impressive resilience with relatively low pricing volatility in the wake of record-breaking heatwaves.

Looking ahead, the conflict between Israel and Hamas in the Gaza Strip carries the potential to exert significant influence on global pricing dynamics due to its geographical proximity to critical sites. The global oil transit choke point in the Strait of Hormuz, the Tamar gas fields, and other key areas are subject to the complexities of the situation in the region with significant implications to global energy markets.

Moreover, the reduction of recessionary fears is another vital development. Many analysts now anticipate a relatively soft landing for developed economies, thus fostering optimism regarding continued demand growth. Consequently, there is an expectation that rig counts, which tapered off from prior year performance, are expected to recover. This resurgence in rig activity is deemed crucial to ensure a consistent supply, particularly in a world marked by increasing economic and geopolitical uncertainties.

Serving as a symbol of the prevailing optimism in the oil markets is Exxon's \$60B acquisition of Pioneer. This acquisition exemplifies the core belief that commodity pricing and demand will continue to exhibit strength over the foreseeable future. The bedrock of this optimism rests on several factors, including the comparatively slower progress in the development of technologies required for the energy transition, and the realization that critical factors for meeting the ambitious goals outlined in the Paris Agreement are currently far from being on track.



Source: Baker Hughes

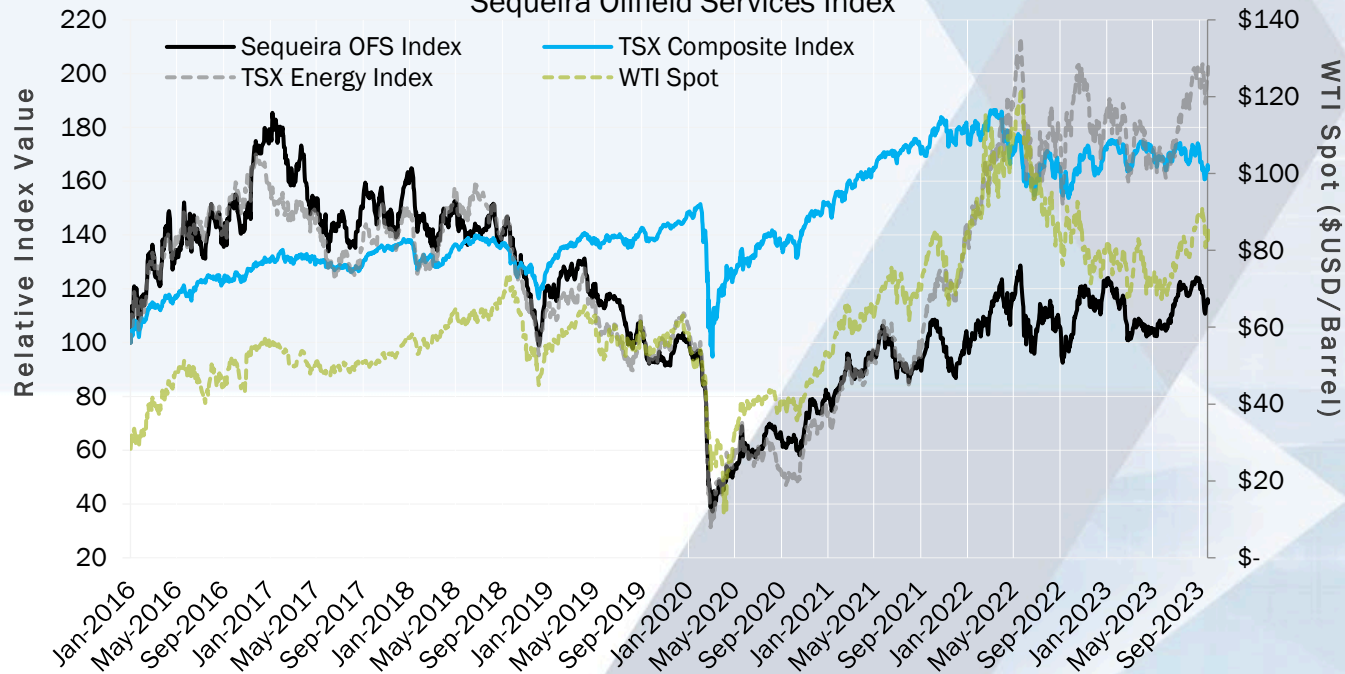
Market Overview

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 23.8% and 24.9%, and quarter over quarter increases of 8.6% and 19.4%, respectively. These increases are indicative of improving investor sentiment towards the growth and performance of OFS and E&P operators in comparison to historical periods.

Both operators and service companies are expected to benefit from what is expected to be a prolonged improvement in commodity pricing, providing them the ability to generate continued strong cash flow to pay down debt and buyback shares. However, the discrepancy in quarter over quarter equity market movement in response to the sharp increase in commodity pricing illustrates that investors still expect E&Ps to remain capital disciplined and to accrue an outsized share of the benefits that higher prices will bring.

With OPEC+ committed to protecting long run demand and pricing, analyst expectations for 12-month crude forecasts have risen to \$100/bbl. Coupling improved market sentiment around pricing with macroeconomic optimism, there are continued expectations that shareholders will see strong returns across the industry.

Sequeira Oilfield Services Index



Source: S&P Capital IQ

Energy Service and Industrial Transactions

Q3 was punctuated with rising interest rates and increasing geopolitical unrest. The rate increase in July marked the 10th hike in 18 months, closing the quarter at 5% - the highest rate since April 2001. While analysts have batted around the phrase “Higher for Longer”, others are already suggesting that the Bank of Canada could begin cutting rates as early as Q1 of 2024 given easing inflation and early signs of trouble amongst Canadian consumers and businesses.

Despite rising rates, transaction activity in Q3 increased in comparison to the same period in the prior year and prior quarter as doubt surrounding current and near-term market conditions stabilized particularly for industrial and oilfield service companies. Favourable commodity pricing and continued healthy corporate cash flow generation for strategic acquirers provides a strong backdrop for continued interest in the OFS and industrial markets. Our outlook moving into the last quarter of the year remains positive.

Q3 2023 vs 2022 Transaction Mix⁽¹⁾



Q3 2023 saw 103 disclosed transactions in the industrial and oilfield services sectors involving either a Canadian target or buyer. This represents a substantial increase from the 84 transactions in the previous quarter (Q2 2023) and the 81 transactions in Q3 2022. Among the 103 transactions in the quarter, 8% were in the oilfield services sector, a marginal increase over the 7% in Q2 2023 and the 6% in Q3 2022.

Buyer Profile

Industrial & OFS Transactions By Buyer Location⁽¹⁾

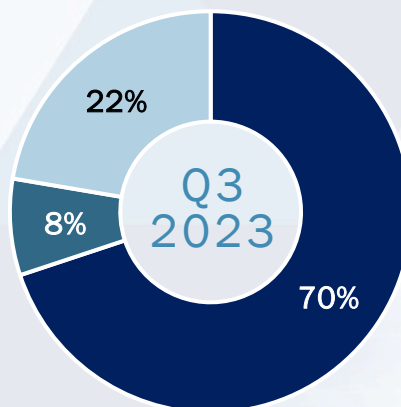
Buyer Location	Q3 2023 (Count)	Q3 2023 (%)	Q3 2022 (Count)	Q3 2022 (%)
Western Canada	26	25%	19	24%
Eastern Canada	46	45%	39	48%
USA	22	21%	17	21%
International	9	9%	6	7%
Total	103	100%	81	100%

Consistent with historical trends, domestic buyers continue to represent the most active acquirers of Canadian-based businesses. US and international buyer activity has declined in comparison to the prior quarter, however current activity levels are largely in-line with trends seen in 2022.

By Buyer Type⁽¹⁾

Strategic buyers have accounted for over two thirds of the transaction activity, a substantial increase from the prior quarter and the comparative period in the prior year. Financial buyer activity has decreased, mirroring the trend seen in the prior quarter as borrowing costs continue to increase, and strategic players continue to deploy significant cash reserves to fuel growth through acquisition.

Buyer Type	Q3 2023	Q3 2022
Strategic	70%	60%
Financial	8%	14%
Financial Backed Strategic	22%	26%



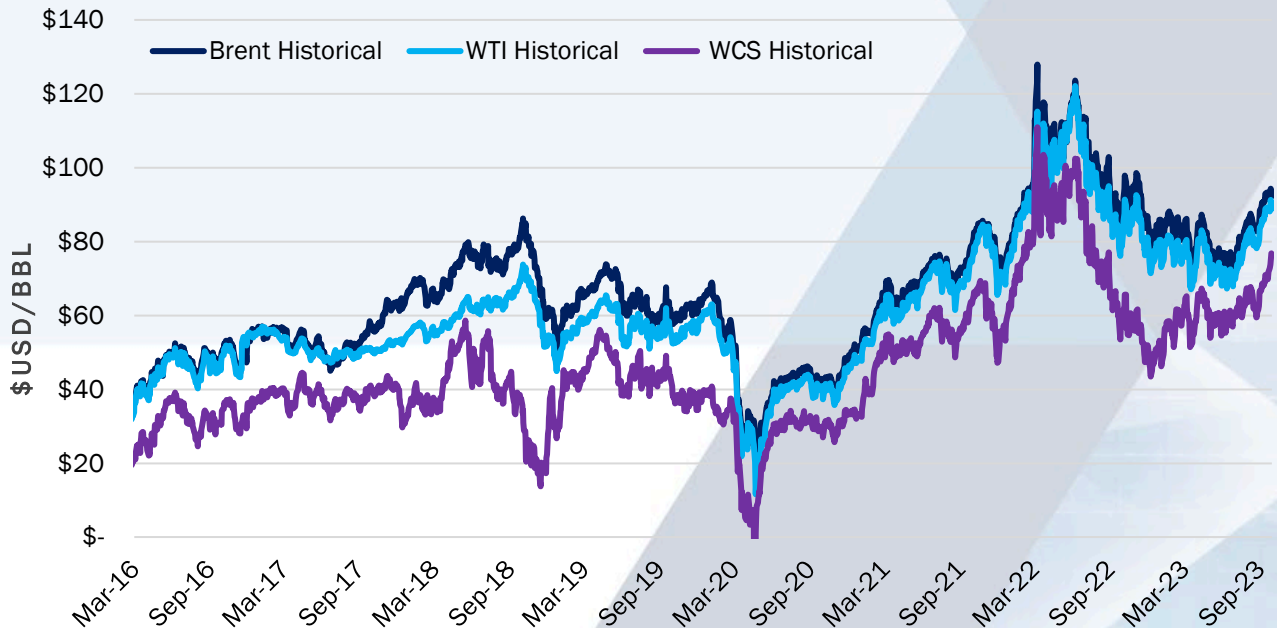
- Strategic Buyer
- Financial Buyer
- Financial Backed Strategic Buyer

Commodity Pricing and Analyst Forecasts

Q3 2023 opened with WTI and Brent trading at \$69.91 and \$74.65 USD respectively. Crude prices experienced a surge early in the quarter, maintained relative stability through August, followed by another increase in September - ultimately closing out the quarter at \$88.80 and \$92.20 USD. The primary driver stems from the extension of voluntary production cuts announced by Saudi Arabia and Russia, despite pressures from the US to boost production due to inflationary fears. This announcement propelled Brent prices to their highest levels since November 2022. More recent concerns relate to the Israel/Hamas conflict which has added risk to crude markets and heightened geopolitical risks which have increased uncertainty regarding future supply given the role the region plays in the global commodities market.

At the end of Q3, WCS was trading at \$76.81 - the highest price in the quarter, representing a notable increase from \$59.68 at the beginning of the quarter. During Q3, the WCS-WTI differential initially continued to expand, but quickly compressed as prices rose to end the quarter. This tightening was influenced by the ongoing OPEC+ supply cuts disproportionately impacting heavy, sour crudes, creating incremental demand from refineries for WCS.

While geopolitical uncertainties persist, the market remains undersupplied, fostering a favorable pricing outlook for the remainder of 2023 and into 2024. Analysts foresee the return of the \$100 barrel; for example, Goldman's pricing outlook predicts Brent prices reaching \$100/barrel by Q3 2024.



Source: S&P Capital IQ

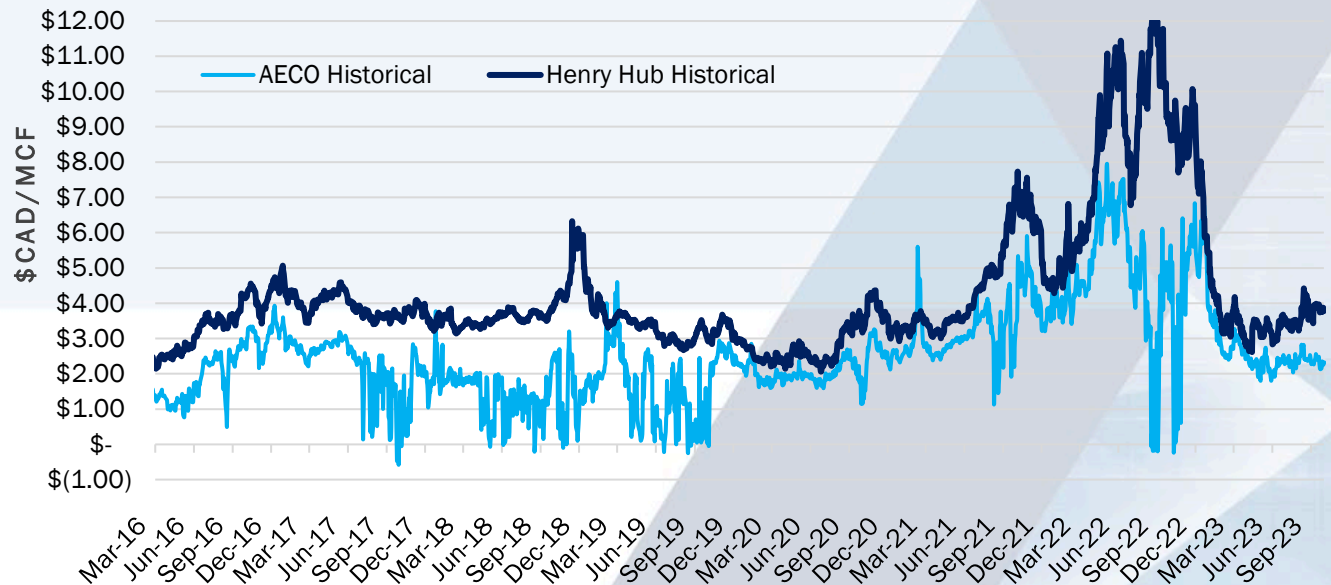
Commodity Pricing and Analyst Forecasts

In Q3, natural gas prices remained relatively stable, with both AECO and Henry Hub experiencing relatively low levels of volatility over the three-month period. AECO opened the quarter at \$2.27, reached a peak of \$2.82, and ultimately closed the quarter at \$2.32. Henry Hub's opening price for the quarter was \$3.58, followed by pricing that exceeded \$4 for a ten-day period in mid-August before ultimately closing the quarter at \$3.78.

While there were expectations for more significant price movements during the summer due to record-breaking heatwaves in continental Europe, natural gas pricing experienced relative stability throughout the quarter.

As the summer comes to an end and fall approaches, analysts are now shifting their attention to the implications of winter weather. The increasing likelihood of a warmer El Nino winter, combined with improved reserve figures in both Europe and America, point towards a stable pricing outlook. However, this anticipated stability has been disrupted by recent developments in the Middle East, specifically the Israel/Hamas conflict, which has resulted in heightened instability in the region. As violence has escalated, Israel has issued an order for Chevron to halt production at the Tamar offshore platform, the nation's second-largest gas field, citing safety concerns.

The closure of Tamar is of significant concern, as reserves in the Eastern Mediterranean have already been impacted by Russia's invasion of Ukraine. This development has the potential to impact pricing, as the regional uncertainty in both the Middle East and Eastern Europe/Russia makes North America an even more pivotal source for secure and consistent natural gas supply to the European region.



Source: S&P Capital IQ

Recent Transactions

Our Partners



Sequeira Partners was engaged by Granville West Group Benefits to assist with identifying the best-fit partner for its shareholders and employees, and to provide a platform for future growth and the evolution of the business.

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

The sale to People Corporation will allow the Company to leverage the national resources of one of Canada's largest and fastest-growing group benefits providers. This move will strategically position the Company for continued growth through operational efficiencies whilst ensuring commitment to exceptional client service, a key driver of the Company's success to date.

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 October 20, 2023

Source: Capital IQ

Company	Ticker	Share Price	Dividend Yield	Market Cap	Enterprise Value	Revenue	TTM EBITDA	EBITDA Margin	EV/EBITDA	2023E	2024E	Price/Book	Net Debt/2023E EBITDA
Drilling & Equipment			(%)	(\$mm)	(\$mm)	(\$mm)	(\$mm)	(%)	(x)	(x)	(x)	(x)	(x)
AKITA Drilling Ltd.	TSX:AKT.A	\$ 1.68	-	67	138	236	60	25.3%	2.3x	2.6x	2.4x	0.4x	1.3x
Cathedral Energy Services Ltd.	TSX:CET	\$ 0.85	-	207	263	479	69	14.3%	3.8x	2.7x	1.9x	1.2x	0.6x
CWC Energy Services Corp.	TSXV:CWC	\$ 0.18	-	90	131	214	41	19.2%	3.2x	NM	NM	0.4x	ND
Ensign Energy Services Inc.	TSX:ESI	\$ 2.80	-	514	1,805	1,817	478	26.3%	3.8x	3.7x	3.6x	0.4x	2.6x
Essential Energy Services Ltd.	TSX:ESN	\$ 0.39	-	49	61	158	14	9.1%	4.2x	NM	NM	0.4x	ND
High Arctic Energy Services Inc	TSX:HWO	\$ 1.17	5.1%	57	17	53	0	0.2%	NM	NM	NM	0.5x	ND
McCoy Global Inc.	TSX:MCB	\$ 1.55	2.6%	42	32	64	9	14.3%	3.5x	NM	NM	0.8x	ND
Pason Systems Inc.	TSX:PSI	\$ 13.57	3.5%	1,082	914	370	175	47.3%	5.2x	5.5x	5.2x	2.7x	NM
PHX Energy Services Corp.	TSX:PHX	\$ 7.53	7.8%	365	411	622	104	16.8%	3.9x	3.0x	2.9x	1.9x	0.3x
Precision Drilling Corporation	TSX:PD	\$ 82.49	-	1,201	2,210	1,924	552	28.7%	4.0x	3.6x	3.3x	0.8x	1.6x
Total Energy Services Inc.	TSX:TOT	\$ 8.92	3.6%	357	446	866	157	18.1%	2.8x	2.7x	2.5x	0.7x	0.5x
Western Energy Services Corp.	TSX:WRG	\$ 3.28	-	111	224	241	47	19.5%	4.8x	4.4x	4.1x	0.4x	2.2x
Mean								19.9%	3.8x	3.5x	3.2x	0.9x	1.3x
Median								18.7%	3.8x	3.3x	3.1x	0.6x	1.3x
Production & Completion			(%)	(\$mm)	(\$mm)	(\$mm)	(\$mm)	(%)	(x)	(x)	(x)	(x)	(x)
Bri-Chem Corp.	TSX:BRY	\$ 0.41	-	11	50	108	8	7.1%	6.5x	NM	NM	0.5x	ND
CES Energy Solutions Corp.	TSX:CEU	\$ 3.72	2.7%	896	1,368	2,161	276	12.8%	5.0x	4.6x	4.4x	1.5x	1.6x
Computer Modelling Group Ltd.	TSX:CMG	\$ 9.15	2.1%	740	713	78	34	43.8%	20.8x	NM	17.7x	13.2x	NM
Enerflex Ltd.	TSX:EFX	\$ 5.85	1.7%	725	2,054	2,684	267	10.0%	7.7x	3.9x	3.6x	0.5x	2.5x
Source Energy Services Ltd.	TSX:SHLE	\$ 6.65	-	90	325	498	53	10.6%	6.1x	3.4x	3.2x	6.4x	2.5x
Wolverine Energy and Infrastructure Inc.	TSXV:WEI	\$ 0.05	-	5	89	57	2	3.0%	NM	5.9x	5.9x	0.6x	5.6x
Mean								14.5%	9.2x	4.4x	7.0x	3.7x	3.0x
Median								10.3%	6.5x	4.2x	4.4x	1.0x	2.5x
Oilfield & Facility Construction			(%)	(\$mm)	(\$mm)	(\$mm)	(\$mm)	(%)	(x)	(x)	(x)	(x)	(x)
Badger Infrastructure Solutions Ltd.	TSX:BDGI	\$ 33.42	2.1%	1,152	1,420	831	147	17.7%	9.6x	7.1x	6.1x	3.9x	1.0x
Enterprise Group, Inc.	TSX:E	\$ 0.59	-	29	42	29	9	31.5%	4.5x	4.1x	4.0x	0.8x	1.2x
North American Construction Group Ltd.	TSX:NOA	\$ 28.55	1.4%	763	1,167	861	265	30.8%	4.4x	4.0x	2.7x	2.2x	1.4x
Matr Infrastructure Technologies	TSX:MATR	\$ 14.41	-	998	1,116	1,446	175	12.1%	6.4x	5.6x	6.1x	1.4x	0.6x
Mean								23.0%	6.2x	5.2x	4.7x	2.1x	1.1x
Median								24.3%	5.4x	4.9x	5.0x	1.8x	1.1x
Pressure Pumping			(%)	(\$mm)	(\$mm)	(\$mm)	(\$mm)	(%)	(x)	(x)	(x)	(x)	(x)
Calfrac Well Services Ltd.	TSX:CFW	\$ 5.11	-	414	769	1,846	314	17.0%	2.5x	2.3x	2.3x	0.8x	1.1x
STEP Energy Services Ltd.	TSX:STEP	\$ 4.33	-	313	453	992	197	19.9%	2.3x	2.4x	2.1x	0.9x	0.7x
Trican Well Service Ltd.	TSX:TCW	\$ 4.53	3.5%	959	934	960	246	25.7%	3.8x	3.8x	3.5x	2.0x	NM
Mean								20.9%	2.8x	2.8x	2.7x	1.2x	0.9x
Median								19.9%	2.5x	2.4x	2.3x	0.9x	0.9x
Transportation & Logistics			(%)	(\$mm)	(\$mm)	(\$mm)	(\$mm)	(%)	(x)	(x)	(x)	(x)	(x)
Gibson Energy Inc.	TSX:GEI	\$ 20.87	7.4%	3,374	5,024	10,131	547	5.4%	9.2x	8.6x	7.6x	5.3x	2.8x
Mullen Group Ltd.	TSX:MTL	\$ 13.97	5.3%	1,238	2,043	1,999	335	16.8%	6.1x	6.3x	6.1x	1.3x	2.5x
Mean								11.1%	7.4x	7.4x	6.8x	3.3x	2.6x
Median								11.1%	7.6x	7.4x	6.8x	3.3x	2.6x
Environmental & Geophysical			(%)	(\$mm)	(\$mm)	(\$mm)	(\$mm)	(%)	(x)	(x)	(x)	(x)	(x)
Pulse Seismic Inc.	TSX:PSD	\$ 1.81	3.0%	95	86	22	15	68.8%	5.7x	NM	NM	2.5x	ND
Secure Energy Services Inc.	TSX:SES	\$ 7.29	5.4%	2,107	3,170	7,863	551	7.0%	5.8x	5.5x	5.6x	1.8x	1.9x
Vertex Resource Group Ltd.	TSXV:VTX	\$ 0.45	-	51	174	238	37	15.6%	4.7x	4.3x	4.1x	0.6x	3.1x
Mean								30.5%	5.4x	4.9x	4.9x	1.7x	2.5x
Median								15.6%	5.7x	4.9x	4.9x	1.8x	2.5x
Camps & Catering			(%)	(\$mm)	(\$mm)	(\$mm)	(\$mm)	(%)	(x)	(x)	(x)	(x)	(x)
Black Diamond Group Limited	TSX:BDI	\$ 6.34	1.3%	387	616	358	86	24.0%	7.2x	6.5x	6.1x	1.4x	2.4x
Civeo Corporation	NYSE:CVEO	\$ 26.98	2.5%	400	591	917	134	14.6%	4.4x	4.7x	5.1x	1.0x	1.5x
Dexterra Group Inc.	TSX:DXT	\$ 5.51	6.3%	357	511	1,050	63	6.0%	8.1x	5.3x	4.9x	1.2x	1.6x
Mean								14.9%	6.5x	5.5x	5.3x	1.2x	1.8x
Median								14.6%	7.2x	5.3x	5.1x	1.2x	1.6x
Mean - All Subsectors								19.7%	6.2x	5.3x	5.2x	2.0x	1.7x
Median - All Subsectors								17.0%	5.0x	4.5x	4.4x	1.3x	1.6x