THE WELL STREET JOURNAL

Oilfield Services and Industrials Deep Dive

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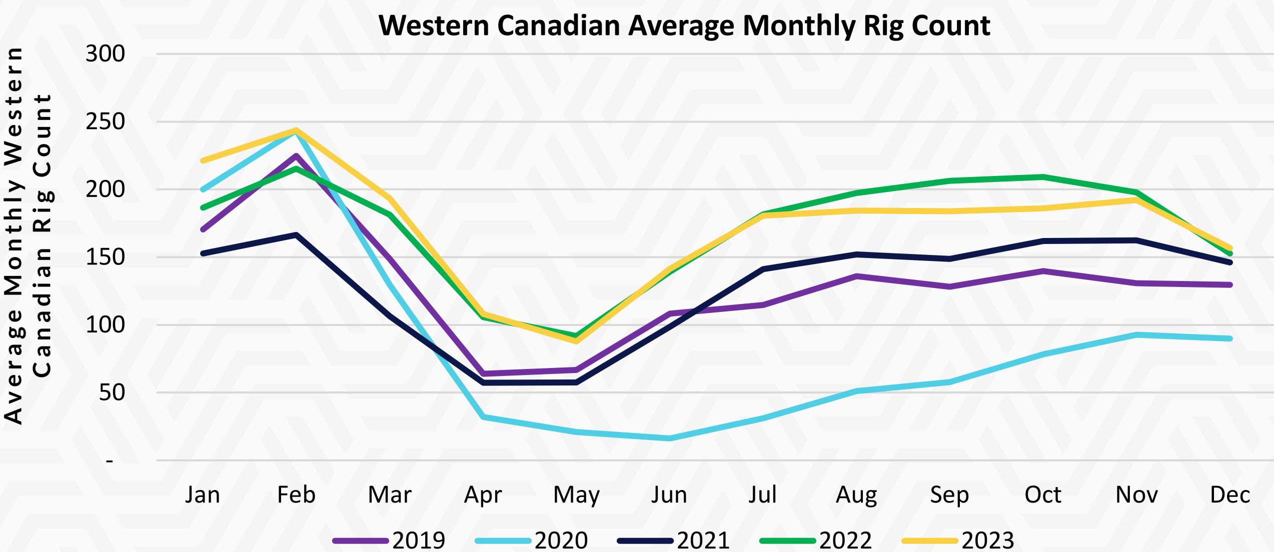
Energy Market Overview

During Q4, energy markets witnessed heightened volatility and overall declines in both oil and gas commodity prices. This period was marked by ongoing conflicts in the Middle East and organizational changes to the OPEC alliance. These geopolitical shifts coincided with an unseasonably warm winter which ushered in reduced demand for natural gas and strengthened storage levels with a corresponding impact on prices. Producers in Western Canada saw small increases in rig counts over the beginning of the quarter and subsequently retreated during the later stages of December consistent with historical trends.

The unseasonably warm temperatures and limited snowfall in November and December resulted in less-than-ideal conditions for ground freezing and a difficult operating environment for drilling activities. Such circumstances increase the likelihood of an expedited spring break-up, during which melting conditions lead to road bans and render the ground too soft for drilling operations. However, the extremely cold start to the new year offered hope of mitigating these issues, though the final impact on the drilling season remains to be seen.

While the quarter faced challenges that affected commodity prices, it concluded a year of remarkable activity in upstream transactions, the most robust since 2012, with an aggregate deal value of ~$234 billion. Management teams successfully leveraged robust balance sheets and favorable commodity prices from earlier periods, strategically deploying cash reserves to expand operations and enhance scale. While the same has yet to be seen in the OFS space, our view is that the increase in upstream M&A should signal a more bullish outlook for the overall sector and should lead to a corresponding uptick in M&A activity amongst OFS companies as they look to diversify offerings, enter new markets, and acquire new technology to meet growing demands from their customers.



Source: Baker Hughes

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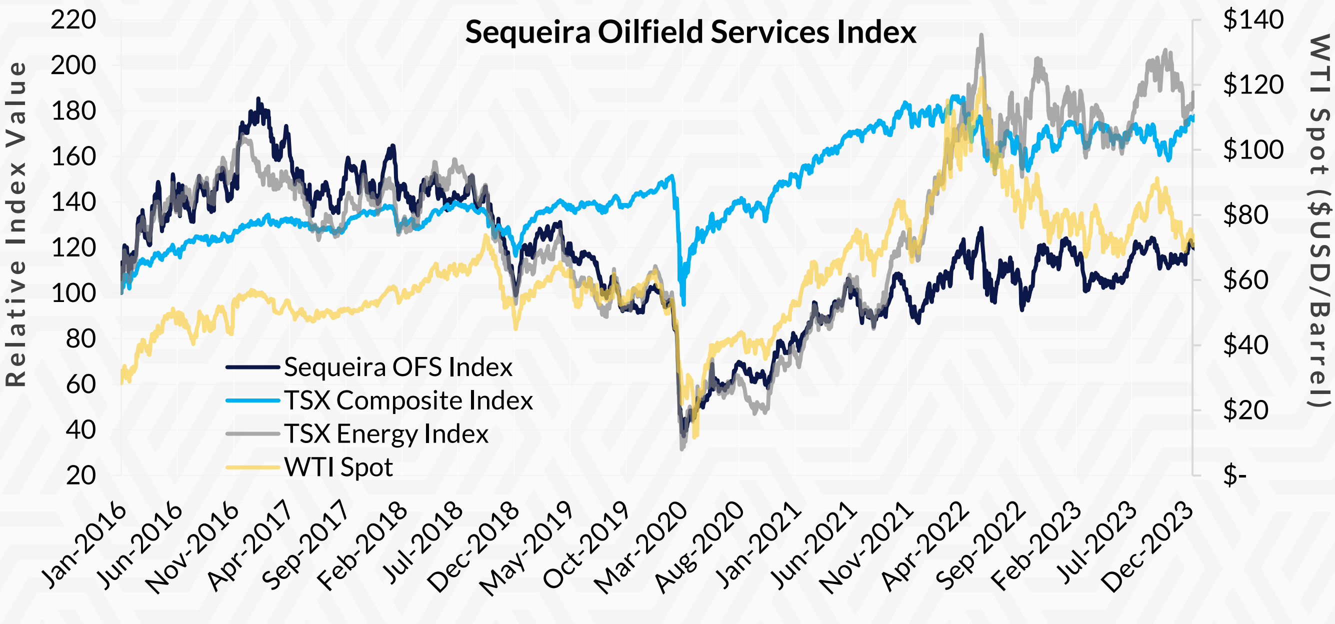
Market Sentiment

Sequeira's OFS Index monitors the stock price performance of publicly listed Canadian Oilfield Service (OFS) companies. Historically, the Sequeira OFS and TSX Energy Index traded in tandem up until the end of Q3 2021 when the TSX Energy Index gained significant momentum through to the end of 2022 due to greater investor confidence in the upstream sector versus OFS. For the full year 2023, the Sequeira Index experienced a year over year increase of 5.2%, while the Energy Index experienced a slight decline of 0.4%. For context, the Sequeira OFS and Energy Index were up by 23% and 48% in 2022, respectively. While there's still quite a bit of ground to be made up for the OFS Index to trade in tandem again to that of the Energy Index, on a quarter-over-quarter comparison for Q4 2023 the Sequeira OFS Index was up by 8.0% compared to a 7.8% decline in the Energy Index.

The market witnessed an uptick in strategic M&A activity as most of the majors sought to expand market share and take advantage of robust balance sheets. These transactions occurred on both sides of the 49th parallel and included notable deals such as Peyto's acquisition of Repsol Canada's Deep Basin holdings for $638M and Crescent Point's $2.5B acquisition of Hammerhead. Similarly, south of the border Chevron's $60B deal to acquire Hess, Exxon's acquisition of Pioneer for $65B, and, finally, Occidental's $12B acquisition of CrownRock LP.

While OFS deals did not experience the same robustness as the E&P sector, the trends may transcend to major service players looking to follow a similar playbook of utilizing strengthened balance sheets to roll up and consolidate the OFS space.



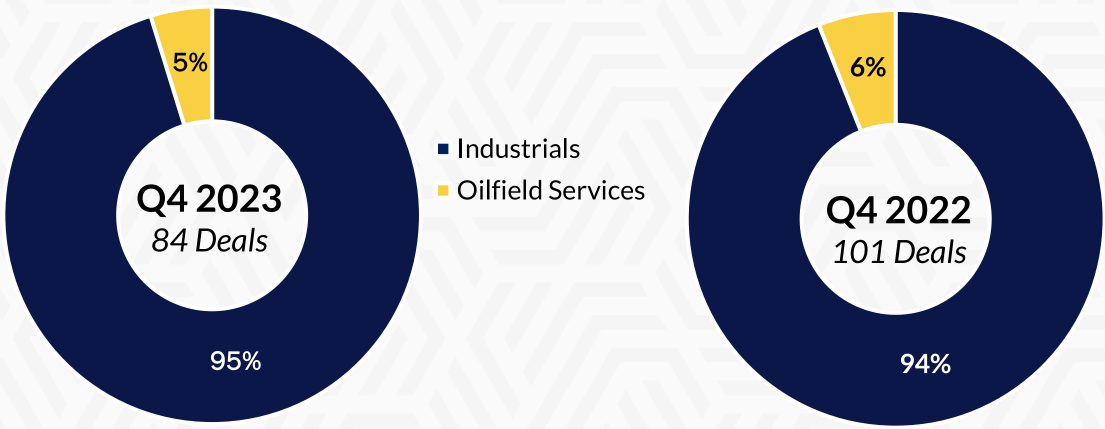
Source: S&P Capital IQ

Energy and Industrial Transactions

M&A activity in 2023 was slow, and although upstream activity among producers picked up in the last half of the year, the OFS and Industrial sectors experienced modest activity, in line with global M&A trends. This came during a year characterized by escalating geopolitical tensions, rising inflation, and increasing interest rates. Despite limited activity, analysts see the end of the quarter as a turning point for M&A, with an optimistic outlook for the year ahead.

As inflation rates, and subsequently interest rates have begun to stabilize, credit markets and sources of capital are becoming more obtainable again, which we anticipate will lead to greater interest in M&A. With the Bank of Canada signaling to the market that its unlikely to increase its policy rate any further than the current 5%, we anticipate greater interest in M&A as debt servicing costs become easier to forecast. We've also seen an increase of private lenders that have grown in popularity over the year as the typical sources of capital paired back appetite. With more options and stability in the credit markets, we anticipate this will help spur M&A.

Q4 2023 vs 2022 Transaction Mix[1]



Q4 2023 saw 84 disclosed transactions in the industrial and oilfield services sectors involving either a Canadian target or buyer. This represents a decrease from the 104 transactions in the previous quarter (Q3 2023) and the 101 transactions in Q4 2022. Among the 84 transactions in the quarter, 5% were in the oilfield services sector, a decrease in comparison to the 8% in Q3 2023 and the 6% in Q4 2022.

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

Buyer Profile

Industrial & OFS Transactions By Buyer Location[1]

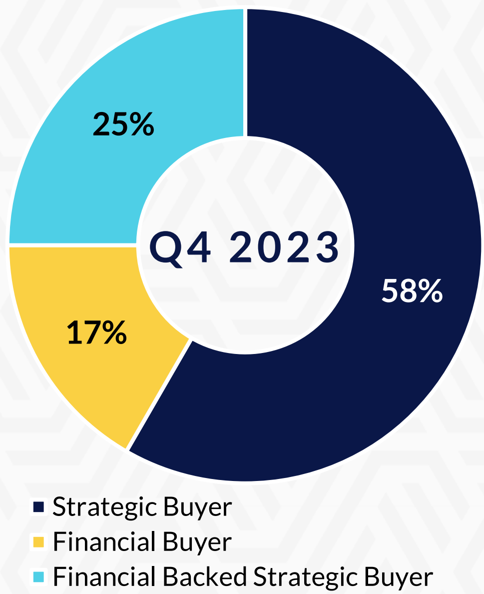
Buyer Location	Q4 2023 (Count)	Q4 2023 (%)	Q4 2022 (Count)	Q4 2022 (%)
Western Canada	20	24%	32	21%
Eastern Canada	38	45%	49	51%
USA	18	21%	22	22%
International	8	10%	6	6%
Total	**84**	**100%**	**101**	**100%**

The buyer profile trends have remained consistent with domestic buyers representing the most active group of acquirers of Canadian based businesses. The engagement of US buyers closely mirrors the patterns observed in the prior year, while international buyer activity witnessed a small uptick in comparison.

By Buyer Type[1]

While strategic buyers continue to account for most transaction activity, there has been a marginal shift in the overall buyer dynamic. Despite heightened interest rates and borrowing costs, financial buyers were more prominent during the quarter. This is not surprising as private equity groups are incentivized to put capital to work, regardless of market conditions. We'd anticipate greater interest in transactions by strategics moving forward.

Buyer Type	Q4 2023	Q4 2022
Strategic	58%	67%
Financial	17%	11%
Financial Backed Strategic	25%	22%



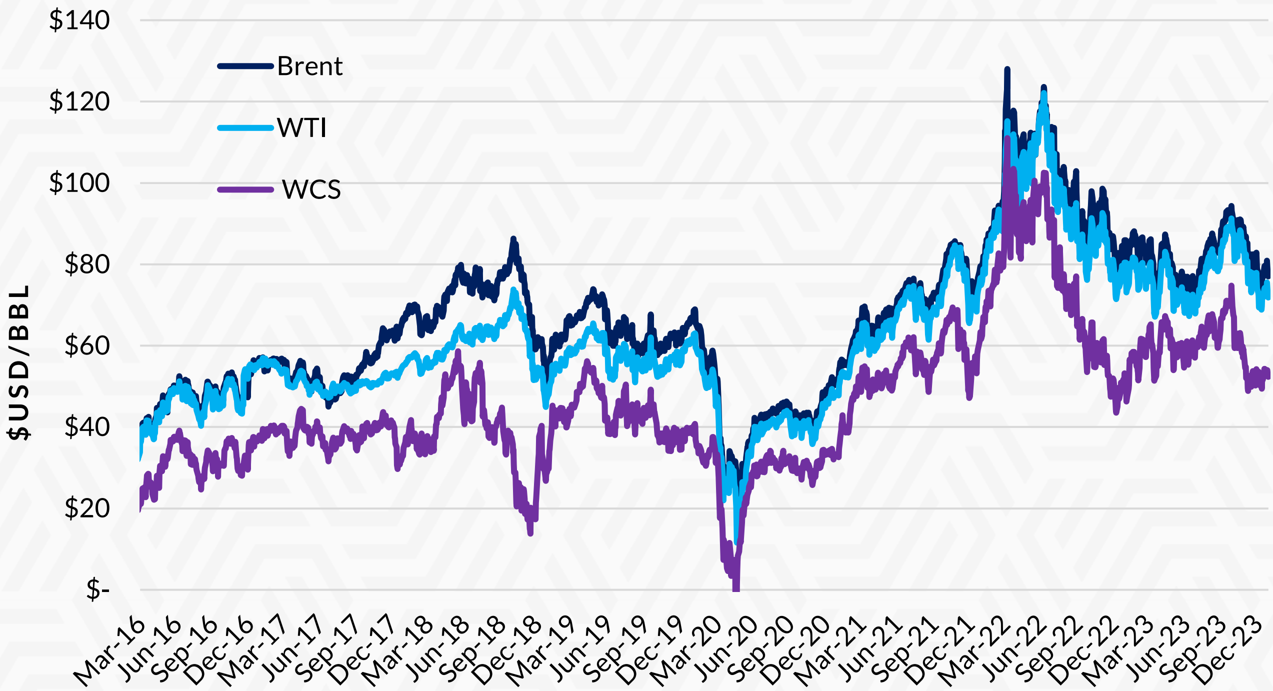
[1] Source: S&P Capital IQ – Includes announced & closed deals

Commodity Pricing and Analyst Forecasts

The onset of Q4 saw WTI and Brent prices trading at $87.17 and $90.71 USD, respectively. During the first two months of the quarter, prices declined before stabilizing towards the end of the year, closing the quarter at $71.84 USD and $77.04 USD. This represents a material decrease from the strong pricing that was observed during the prior quarter in Q3 and stands in sharp contrast to the bullish forecasts which forecasted a return to $100 per barrel by year-end.

These price decreases persisted despite upward pressure on pricing driven by announcements from OPEC+ committing to further production cuts scheduled for Q1 2024 and escalating geopolitical tensions in the Middle East. However, the impacts of these events were counteracted by resilient production data from the United States, which increased during the year despite reductions in rig count. In addition, the recent exit of Angola from OPEC raises concerns about the groups cohesion and ability to influence future pricing. As a result, there is skepticism among crude traders regarding the OPEC+ alliance’s capacity to implement the supply cuts which they’ve committed to and are scheduled to take effect this month. Many members have already experienced considerable production reductions which are adversely impacting their associated revenue. How this plays out going forward will impact markets and volatility over the course of 2024.

Historical Crude Pricing



Source: S&P Capital IQ

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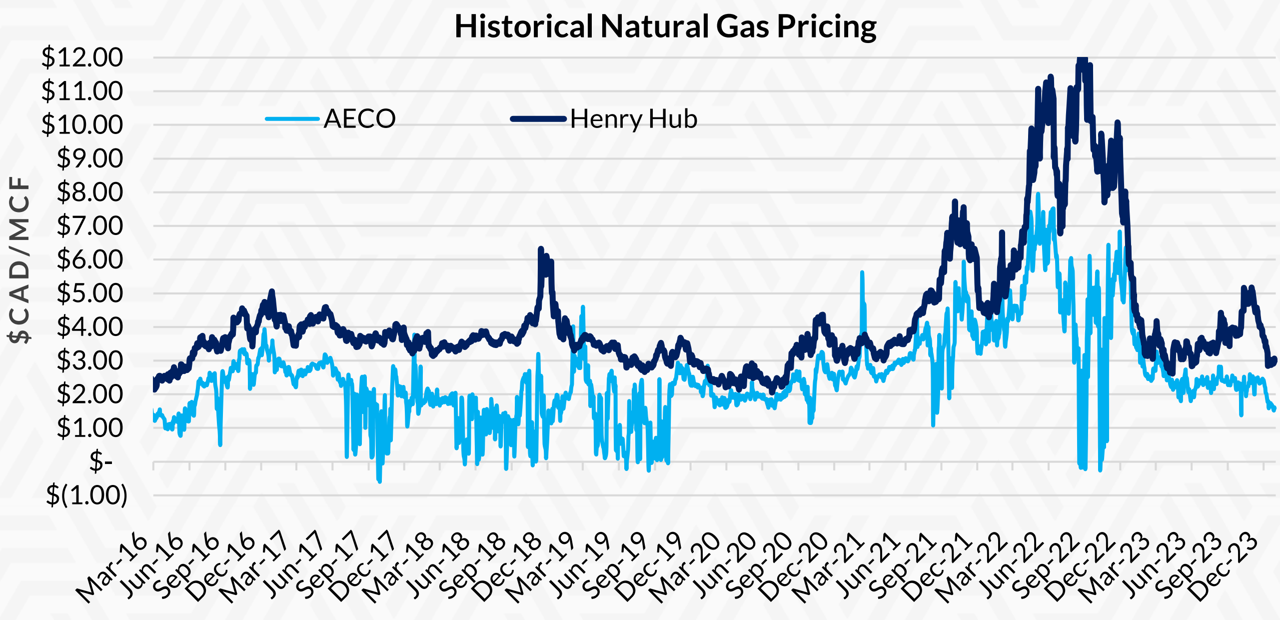
Commodity Pricing and Analyst Forecasts

Volatility continued to be part of the story for Q4 natural gas prices, with both AECO and Henry Hub experiencing a relatively difficult 3-months. AECO opened the quarter at $2.32, reached a peak of $2.60, and ultimately closed the quarter at $1.58. Henry Hub's opening price for the quarter was $3.78, followed by a short spike above the $5 mark before declining over the second half of the quarter to close at $3.07. An unusually warm start to the winter season across North America has been the main factor contributing to the weak natural gas pricing environment. Recent cold spells in January across Canada and the Northern US has provided some optimism that prices could increase over Q1 2024.

The combination of warmer weather and increasing natural gas production across the US further contributed to the downward pressure on prices. Storage facilities in North America and Europe remained significantly above historical levels at the quarter's close. European storage facilities were 86.5% full compared to the 5-year average of 74%, while US facilities were 8.5% above their 5-year average. High storage levels are likely to put further downward pressure on natural gas prices, barring any unexpected events that significantly increase demand or deplete surplus supply.

While the short-term outlook for natural gas prices remains neutral, global demand has been on the rise. Over the next five years, there is a projected need for Canada and the US to produce an additional >15 bcf/d, reflecting the anticipated expansion of North America's LNG export capacity by >12.5 bcf/day. This expansion is attributed to the commencement of service for Canada and Mexico's first LNG export terminals, alongside the US's addition to its existing 11.4 bcf/d capacity.



Source: S&P Capital IQ, Bloomberg, SAF Group

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Sequeira Oilfield Services Index – Sector Drilldown

As at January 25, 2024

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	$ 1.55	-	62	134	238	60	25.4%	2.2x	2.7x	2.5x	0.4x	1.5x
Cathedral Energy Services Ltd.	TSX:CET	$ 0.85	-	205	318	518	75	14.5%	4.2x	3.5x	2.5x	1.1x	1.2x
Ensign Energy Services Inc.	TSX:ESI	$ 2.22	-	407	1,675	1,829	472	25.8%	3.6x	3.5x	3.5x	0.3x	2.6x
High Arctic Energy Services Inc	TSX:HWO	$ 1.07	5.6%	53	11	59	3	4.5%	4.3x	NM	NM	0.5x	ND
McCoy Global Inc.	TSX:MCB	$ 2.00	2.0%	54	45	68	11	16.5%	4.0x	NM	NM	1.0x	ND
Pason Systems Inc.	TSX:PSI	$ 14.72	3.3%	1,172	999	370	168	45.4%	5.9x	5.8x	5.2x	2.8x	NM
PHX Energy Services Corp.	TSX:PHX	$ 9.40	8.5%	445	486	649	115	17.7%	4.2x	3.1x	3.1x	2.3x	0.3x
Precision Drilling Corporation	TSX:PD	$ 82.24	-	1,187	2,173	1,941	547	28.2%	4.0x	3.5x	3.5x	0.8x	1.6x
Total Energy Services Inc.	TSX:TOT	$ 9.46	3.4%	378	467	890	160	18.0%	2.9x	2.9x	2.4x	0.7x	0.5x
Western Energy Services Corp.	TSX:WRG	$ 2.75	-	93	203	238	44	18.3%	4.7x	4.4x	4.1x	0.3x	2.3x
Mean								**21.4%**	**4.0x**	**3.7x**	**3.3x**	**1.0x**	**1.4x**
Median								**18.1%**	**4.1x**	**3.5x**	**3.3x**	**0.8x**	**1.5x**
Production & Completion			(%)	($mm)	($mm)	($mm)	($mm)	(%)	(x)	(x)	(x)	(x)	(x)
Bri-Chem Corp.	TSX:BRY	$ 0.33	-	9	46	106	7	6.5%	6.6x	NM	NM	0.4x	ND
CES Energy Solutions Corp.	TSX:CEU	$ 4.03	2.5%	950	1,399	2,173	291	13.4%	4.8x	4.6x	4.4x	1.5x	1.5x
Computer Modelling Group Ltd.	TSX:CMG	$ 9.55	2.1%	775	765	83	37	44.1%	20.9x	NM	17.9x	13.0x	NM
Enerflex Ltd.	TSX:EFX	$ 7.01	1.4%	869	2,208	3,070	326	10.6%	6.8x	4.4x	4.2x	0.6x	2.7x
Source Energy Services Ltd.	TSX:SHLE	$ 7.88	-	107	337	503	53	10.6%	6.3x	3.5x	3.2x	5.5x	2.4x
Mean								**17.0%**	**9.1x**	**4.2x**	**7.4x**	**4.2x**	**2.2x**
Median								**10.6%**	**6.6x**	**4.4x**	**4.3x**	**1.5x**	**2.4x**
Oilfield & Facility Construction			(%)	($mm)	($mm)	($mm)	($mm)	(%)	(x)	(x)	(x)	(x)	(x)
Badger Infrastructure Solutions Ltd.	TSX:BDGI	$ 46.79	1.5%	1,613	1,901	892	163	18.2%	11.7x	9.0x	7.7x	4.8x	1.0x
Enterprise Group, Inc.	TSX:E	$ 0.79	-	39	55	33	12	36.0%	4.7x	4.2x	4.1x	1.0x	1.2x
North American Construction Group Ltd.	TSX:NOA	$ 31.81	1.3%	851	1,256	864	253	29.2%	5.0x	4.2x	2.8x	2.5x	1.3x
Mattr Infrastructure Technologies	TSX:MATR	$ 15.95	-	1,056	1,191	1,334	151	11.3%	7.9x	6.3x	7.4x	1.4x	0.7x
Mean								**23.7%**	**7.3x**	**5.9x**	**5.5x**	**2.4x**	**1.1x**
Median								**23.7%**	**6.4x**	**5.2x**	**5.7x**	**2.0x**	**1.1x**
Pressure Pumping			(%)	($mm)	($mm)	($mm)	($mm)	(%)	(x)	(x)	(x)	(x)	(x)
Calfrac Well Services Ltd.	TSX:CFW	$ 4.95	-	424	735	1,891	327	17.3%	2.2x	2.2x	2.2x	0.7x	1.0x
STEP Energy Services Ltd.	TSX:STEP	$ 4.71	-	340	455	1,002	189	18.9%	2.4x	2.5x	2.1x	0.9x	0.6x
Trican Well Service Ltd.	TSX:TCW	$ 4.32	3.7%	903	875	954	241	25.2%	3.6x	3.6x	3.4x	1.8x	NM
Mean								**20.5%**	**2.8x**	**2.8x**	**2.5x**	**1.1x**	**0.8x**
Median								**18.9%**	**2.4x**	**2.5x**	**2.2x**	**0.9x**	**0.8x**
Transportation & Logistics			(%)	($mm)	($mm)	($mm)	($mm)	(%)	(x)	(x)	(x)	(x)	(x)
Gibson Energy Inc.	TSX:GEI	$ 21.33	7.3%	3,448	6,108	10,705	519	4.8%	11.8x	10.4x	9.2x	3.6x	4.5x
Mullen Group Ltd.	TSX:MTL	$ 15.26	4.7%	1,344	2,149	1,999	338	16.9%	6.4x	6.5x	6.4x	1.4x	2.4x
Mean								**10.9%**	**9.1x**	**8.5x**	**7.8x**	**2.5x**	**3.5x**
Median								**10.9%**	**9.1x**	**8.5x**	**7.8x**	**2.5x**	**3.5x**
Environmental & Geophysical			(%)	($mm)	($mm)	($mm)	($mm)	(%)	(x)	(x)	(x)	(x)	(x)
Pulse Seismic Inc.	TSX:PSD	$ 1.90	2.9%	100	90	25	17	70.7%	5.2x	NM	NM	3.5x	ND
Secure Energy Services Inc.	TSX:SES	$ 10.38	3.9%	2,973	4,009	7,929	547	6.9%	7.3x	6.9x	8.9x	2.6x	1.8x
Vertex Resource Group Ltd.	TSXV:VTX	$ 0.39	-	45	178	246	37	15.2%	4.8x	4.6x	4.5x	0.7x	3.5x
Mean								**30.9%**	**5.8x**	**5.7x**	**6.7x**	**2.3x**	**2.6x**
Median								**15.2%**	**5.2x**	**5.7x**	**6.7x**	**2.6x**	**2.6x**
Camps & Catering			(%)	($mm)	($mm)	($mm)	($mm)	(%)	(x)	(x)	(x)	(x)	(x)
Black Diamond Group Limited	TSX:BDI	$ 8.93	1.3%	546	770	379	96	25.3%	8.0x	7.1x	7.1x	1.9x	2.0x
Civeo Corporation	NYSE:CVEO	$ 29.20	4.6%	431	577	936	136	14.6%	4.2x	4.4x	5.0x	1.1x	1.1x
Dexterra Group Inc.	TSX:DXT	$ 5.99	5.8%	386	549	1,101	82	7.4%	6.7x	4.9x	5.1x	1.3x	1.5x
Mean								**15.8%**	**6.3x**	**5.5x**	**5.7x**	**1.4x**	**1.5x**
Median								**14.6%**	**6.7x**	**4.9x**	**5.1x**	**1.3x**	**1.5x**
Mean - All Subsectors								**20.8%**	**6.3x**	**5.2x**	**5.4x**	**2.1x**	**1.6x**
Median - All Subsectors								**17.8%**	**4.9x**	**4.4x**	**4.4x**	**1.4x**	**1.5x**

Sequeira Partners in the Community

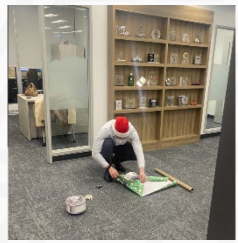
We take great pride in actively contributing to our communities through various initiatives. Below are some recent highlights.

Women & Entrepreneurship Event

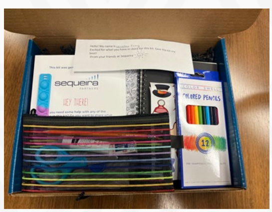
Sequeira Partners is committed to championing diversity and inclusion, exemplified by our annual Women & Entrepreneurship event hosted in Vancouver. This event serves as a platform for networking, and mentorship among female entrepreneurs and business leaders.

Holiday Hampers

In December, our teams engaged in wrapping, packing and delivering holiday hampers for local families in need. This is an annual tradition for our offices.



Thrive Youth Development Canada



We are proud to announce our recent sponsorship of Thrive Youth Development Canada, supporting the growth and empowerment of youth through arts. We packed and distributed art kits in our communities for at risk youth and look forward to continued involvement with this organization over the course of the year.

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