

The background of the cover is a warm, golden-hued photograph of an oilfield. In the upper left, a pumpjack is visible, its large counterweight and walking beam extending towards the center. In the lower right, the silhouette of a worker wearing a hard hat and safety vest is shown, working on a piece of equipment that includes a pressure gauge. The overall scene is set against a clear, bright sky, creating a sense of industrial activity and energy.

# THE WELL STREET JOURNAL

Oilfield Services and Industrials Deep Dive

Q1 2024

The logo graphic consists of five vertical bars of increasing height from left to right, colored in a light blue gradient.

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# Energy Market Overview

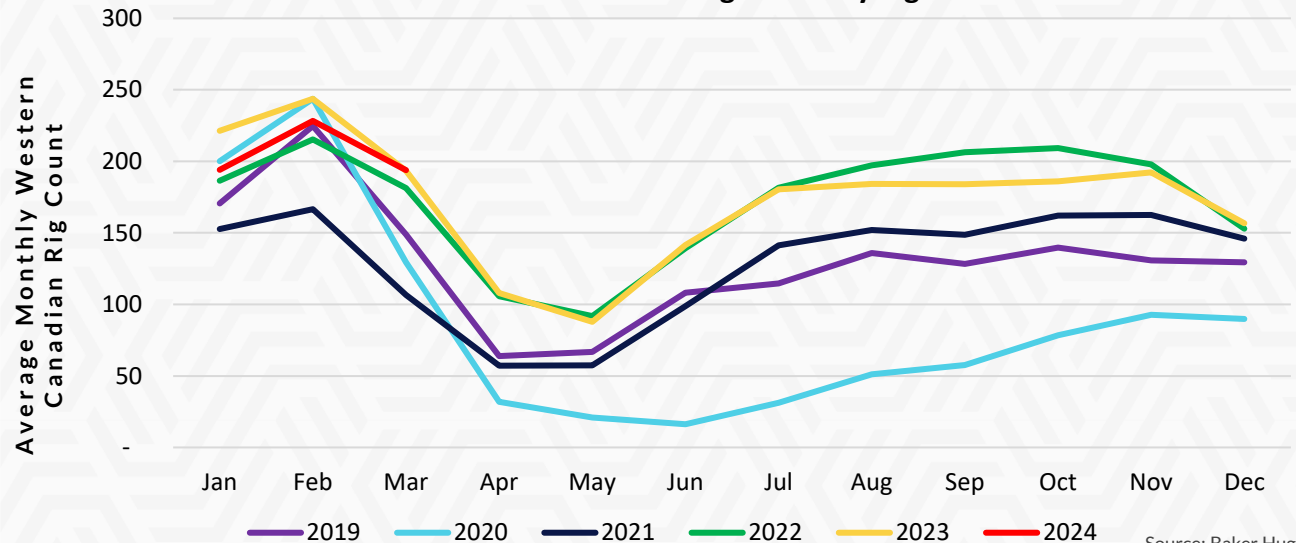


Crude pricing showed notable strength in Q1 2024, especially when compared to the downward trends experienced to close out calendar 2023. Analyst skepticism waned as market sentiment regarding crude pricing improved, driven by continued geopolitical unrest in the Middle East and sustained production cuts from OPEC+. When looking at Western Canadian rig count over the quarter, we saw the seasonal spring break-up kick off a little earlier than normal. Given seasonal trends, we anticipate rig count to continue to decrease through to May but anticipate that with continued elevated oil pricing there is an expectation of increased activity levels for 2024 once road bands are removed.

Improved crude pricing was contrasted by a downward trend in natural gas pricing throughout the quarter, attributable to sustained global storage surpluses and mild weather patterns over the winter. Encouragingly, however, a positive shift in sentiment has emerged early in the second quarter, buoyed by reports of strong Q1-ending import volumes witnessed in major Asian markets such as China and India compared to 2023 levels.

On the deal front, elevated levels of M&A activity among E&P operators through H2 of 2023 has now extended into the OFS sector. This is exemplified by the acquisition of ChampionX by Schlumberger (SLB), marking the largest OFS deal in recent years. We'd anticipate further consolidation amongst service companies, driven by reduced North American rig counts among producers, which intensifies demand for enhanced efficiency and operational performance. Consequently, major providers are likely to pursue consolidation strategies within their service portfolios to capture market share, diversify services, and fortify their competitive positions, particularly by adding cutting-edge equipment and technology.

### Western Canadian Average Monthly Rig Count

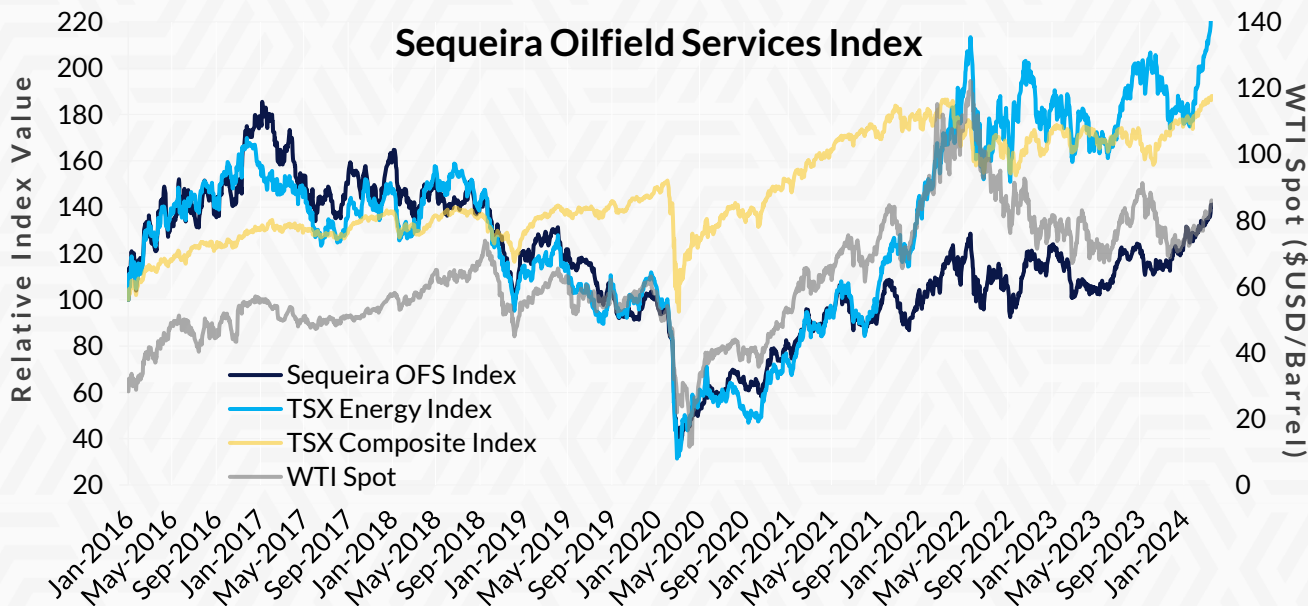


Source: Baker Hughes

# 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 improved investor sentiment in upstream oil and gas sparked rapid momentum for the TSX Energy Index versus OFS. OFS companies have narrowed the gap as they continue to generate impressive cashflows and demonstrate earnings consistency. The Sequeira OFS Index experienced a year over year increase of 31.7%, outpacing the TSX Energy Index which increased 26.4%. For the most recent quarter, this trend reversed, with the TSX Energy Index experiencing an increase of 24.7% vs. 15.4% for the OFS Index. E&P cash flows and therefore stock prices are more directly correlated to commodity pricing, resulting in the short-term pricing momentum that the TSX Energy Index experienced through Q1 2024. Service companies, on the other hand, are more closely tied to E&P capital budgets and the outlook for activity levels in the sector.

On April 2<sup>nd</sup>, the OFS market saw its most notable transaction in some time with SLB's acquisition of ChampionX for approximately \$8 billion. The all-share deal places a ~15% premium to ChampionX's stock price of \$35.40 the day before the transaction announcement. Additionally, in Q1, drilling equipment and service providers Dril-Quip and Innovex announced the merger of the two companies with an anticipated close in Q4 of 2024. Markets reacted favorably, with Dril-Quip's stock price climbing to \$24.91 in the days following the announcement, its highest since November 2023. We are optimistic that the market enthusiasm seen will bring additional acquirers off the sidelines through the rest of 2024.




# Energy and Industrial Transactions

Canadian oilfield service M&A activity remained relatively stable; however, E&P consolidation picked up significantly resulting in the most active Q1 for M&A in the energy sector in 7 years, signaling a realignment in the sector. This uptick in transaction activity in the upstream sector bodes well for service companies to follow suit. As operators continue to look for ways to deploy capital and grow, it would stand to reason that OFS companies would provide these larger entities with a broader range of service offerings. Financial performance of major operators over recent periods has proven strong as well, with three of the largest OFS providers - Halliburton, SLB and Baker Hughes - all reporting record earnings in the fourth quarter of 2023, reinforcing the opportunity to generate strong returns in the sector. As balance sheets of strategic parties grow stronger, the capital available to invest in M&A provides a strong opportunity for OFS companies.

The stabilizing of interest rates and moderating inflation show an improvement in transaction activity in the broader industrial market as well, which also experienced a slight increase in activity in comparison to prior periods. We anticipate this trend to persist for the remainder of the year, as markets begin to anticipate rate decreases, potentially sooner in Canada than in the U.S.

## Q1 2024 vs 2023 Transaction Mix <sup>(1)</sup>



Q1 2024 saw 93 disclosed transactions in the industrial and oilfield services sectors involving either a Canadian target or buyer, an increase when compared to both the prior quarter and Q1 of 2023 which saw 80 and 84 transactions completed respectively. Among these transactions, 4% were in the oilfield services sector, closely mirroring the 5% in the prior quarter, and the 6% in Q1 2023.

# Buyer Profile

## Industrial & OFS Transactions By Buyer Location <sup>(1)</sup>

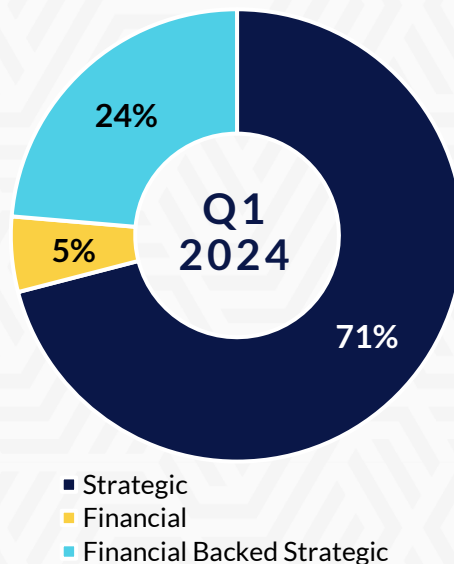
| Buyer Location | Q1 2024 (Count) | Q1 2024 (%) | Q1 2023 (Count) | Q1 2023 (%) |
|----------------|-----------------|-------------|-----------------|-------------|
| Western Canada | 24              | 26%         | 15              | 19%         |
| Eastern Canada | 35              | 37%         | 35              | 43%         |
| USA            | 27              | 29%         | 26              | 33%         |
| International  | 7               | 8%          | 4               | 5%          |
| <b>Total</b>   | <b>93</b>       | <b>100%</b> | <b>80</b>       | <b>100%</b> |

The split between domestic and international buyers for Canadian transactions has remained consistent year over year, with 63% domestic buyers this quarter in comparison to 62% in the 2023 comparative period. Minor trends seen in the period include a relative increase in activity from Western Canadian and non-U.S. international buyers. However, the overall buyer profile for a Canadian business has remained largely unchanged vs. the same quarter in the prior year.

## By Buyer Type <sup>(1)</sup>

Strategic buyers represented a larger portion of the buyer profile, with a 20% increase in comparison to Q1 2023, and a corresponding decrease in financial buyers. This shift is not entirely unexpected, as although interest rates have stabilized, borrowing costs remain at elevated levels. As a result, strategics with strong balance sheets would have a relatively increased ability to transact. Financial backed strategic activity mirrored previous quarters, fluctuating between 24-26% between the comparative periods.

| Buyer Type                 | Q1 2024 | Q1 2023 |
|----------------------------|---------|---------|
| Strategic                  | 71%     | 53%     |
| Financial                  | 5%      | 21%     |
| Financial Backed Strategic | 24%     | 26%     |



# Commodity Pricing and Analyst Forecasts

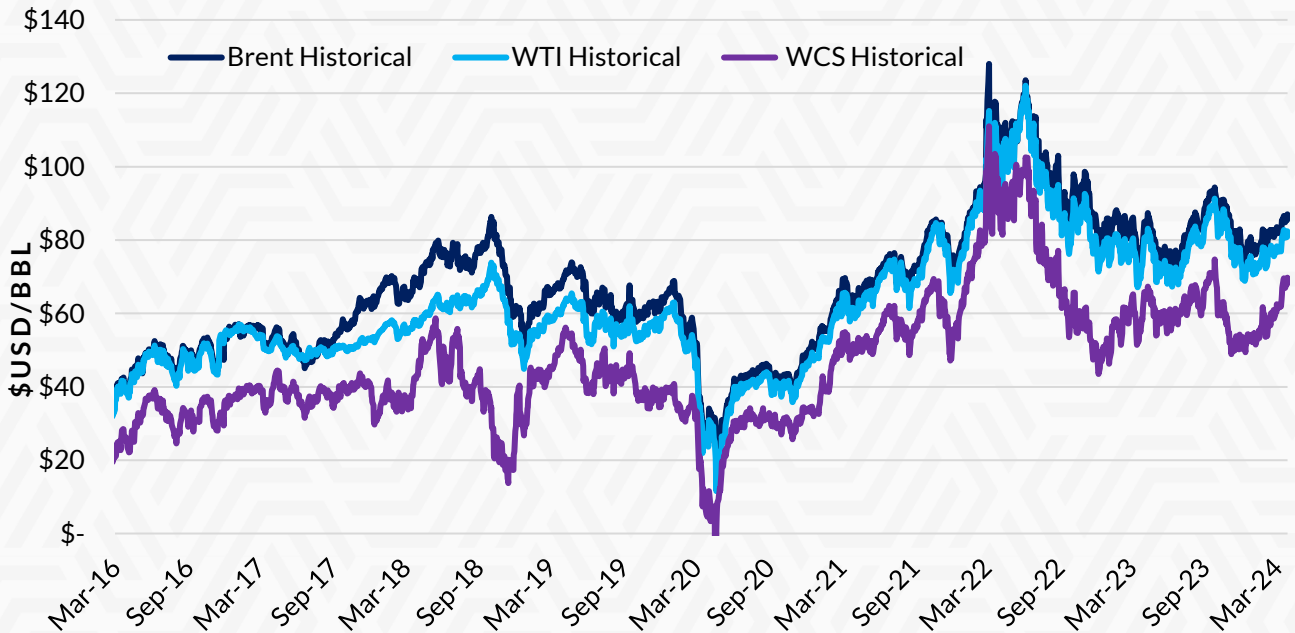


Coming off a weak Q4 in 2023, analysts remained skeptical of the pricing environment heading into 2024, with most forecasting crude prices to stay below \$80/bbl. However, strength in pricing through Q1 has analysts now asking if \$100 oil is within reach. This is representative of the substantial shift in sentiment around oil prices, supported by a mostly stable increase over the period. WTI prices traded consistently for the first two months of the quarter between \$70 - \$80, until March, where prices climbed steadily to the mid \$80s, propelled by another OPEC+ announcement to extend its oil supply cutbacks through to the middle of the year to prevent a global surplus.

Prices have rallied, driven by tighter supply, a series of drone attacks on Russian energy infrastructure and the ongoing and escalating war in the Middle East. Brent crude climbed towards \$90, reaching its highest since October 2023. OPEC+ remains at the forefront of the price changes, with affiliated countries including Russia, Iraq and Mexico committing to reduce supply and lower exports in the coming months.

Globally, governments have shifted focus to restock inventories which were drawn down during the 2022 price rally, further reducing supply and providing upward pressure on pricing. Overall, outlook on pricing has improved, as noted by the EIA revising its forecasts upward in March by 5.6% for Brent crude.

## Historical Crude Pricing



Source: S&P Capital IQ

# Commodity Pricing and Analyst Forecasts



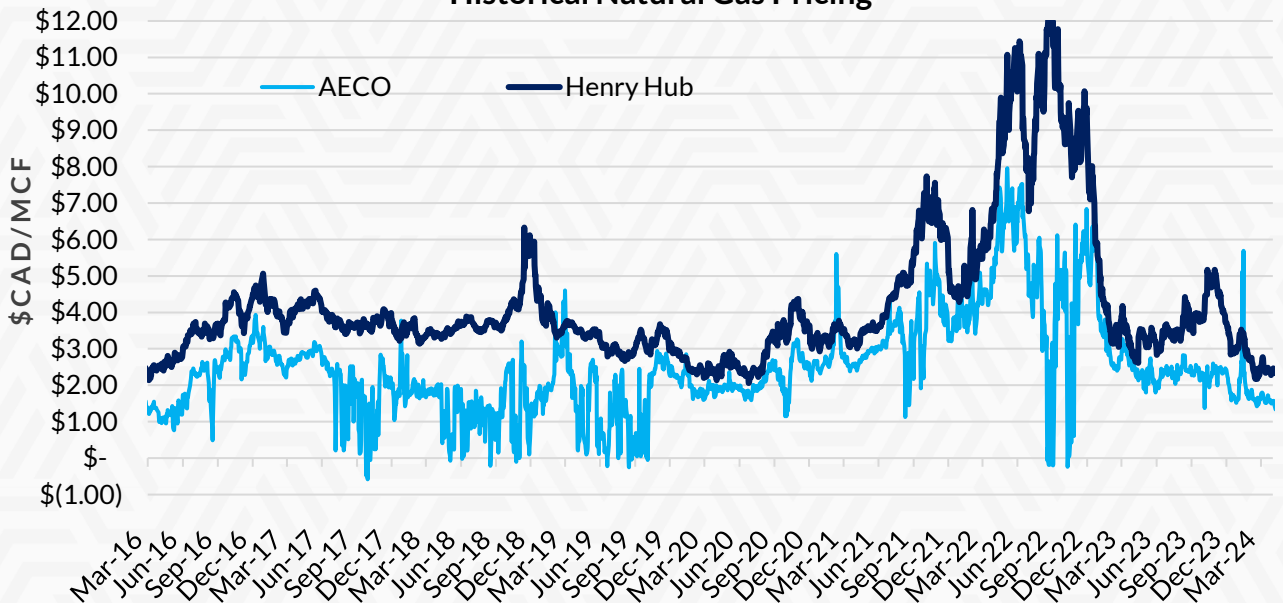
Save for a spike in AECO pricing at the beginning of the quarter, both AECO and Henry Hub experienced a relatively consistent decline over the 3-month period. AECO opened the quarter at \$1.61, reached a peak of \$5.69 in the midst of the extreme cold spell that occurred mid-January, and ultimately closed the quarter at \$1.54. Henry Hub's opening price for the quarter was \$3.01, before declining slowly over the quarter to close at \$2.33. Besides a minor cold snap in mid-January winter weather globally remained mild, driving down the overall demand for natural gas.

Inventory levels are displaying persistent strength on a global scale, attributable to mild weather conditions and robust supply. This pricing environment has resulted in what Morgan Stanley has labeled a "Gas Glut." Analysts posit that this surplus may be alleviated in rather short order, given a deliberate production slowdown by leading producers, notably in the United States. Additionally, Q1 2024 import figures from key markets such as China, India, and Thailand, have exceeded the year over year Q1 2023 benchmarks by double-digit percentages, contributing to future optimism for natural gas pricing.

As we approach summer, weather patterns are poised to once again influence pricing dynamics. The potential for another hot summer could markedly elevate Europe's energy consumption, thereby effectively reducing surplus inventory.

Meanwhile, notable developments in North America include the Biden administration's decision to pause new LNG approvals. While this may not yield immediate consequences due to unaffected projects currently under construction, it introduces an escalated level of uncertainty within the industry's operational landscape.

### Historical Natural Gas Pricing



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

# Sequeira Oilfield Services Index – Sector Drilldown

As at April 18, 2024 Source: Capital IQ

| Company  | Share Price | Market Cap | Enterprise Value |             | TTM EBITDA | EBITDA Margin | EV/EBITDA |       |       | Price/Book | Net Debt/2024E EBITDA |
|--|-------------|------------|------------------|-------------|------------|---------------|-----------|-------|-------|------------|-----------------------|
|  |             |            | Revenue          | Value       |            |               | TTM       | 2024E | 2025E |            |                       |
| <b>Drilling &amp; Equipment</b>                          |             |            | (\$mm)           | (\$mm)      | (\$mm)     | (%)           | (x)       | (x)   | (x)   | (x)        | (x)                   |
| AKITA Drilling Ltd.                                      | \$ 1.6      | \$ 64.5    | \$ 123.8         | \$ 225.5    | \$ 41.5    | 18.4%         | 3.0x      | 2.9x  | 2.6x  | 0.4x       | 1.4x                  |
| Cathedral Energy Services Ltd.                           | 0.9         | 218.2      | 325.7            | 545.3       | 83.3       | 15.3%         | 3.9x      | 2.7x  | 2.3x  | 1.2x       | 0.9x                  |
| Ensign Energy Services Inc.                              | 2.7         | 501.8      | 1,711.6          | 1,791.8     | 481.9      | 26.9%         | 3.6x      | 3.6x  | 3.4x  | 0.4x       | 2.6x                  |
| High Arctic Energy Services Inc                          | 1.1         | 53.1       | 11.8             | 61.9        | 10.7       | 17.3%         | 1.1x      | NM    | NM    | 0.5x       | ND                    |
| McCoy Global Inc.  | 2.0         | 54.2       | 42.8             | 69.7        | 10.7       | 15.3%         | 4.0x      | NM    | NM    | 1.0x       | ND                    |
| Pason Systems Inc.                                       | 16.7        | 1,327.5    | 1,161.7          | 369.3       | 159.1      | 43.1%         | 7.3x      | 5.9x  | 5.1x  | 3.3x       | NM                    |
| PHX Energy Services Corp.                                | 9.5         | 449.7      | 478.0            | 656.3       | 114.8      | 17.5%         | 4.2x      | 3.2x  | 2.8x  | 2.1x       | 0.2x                  |
| Precision Drilling Corporation                           | 103.3       | 1,495.2    | 2,433.2          | 1,937.9     | 599.4      | 30.9%         | 4.1x      | 4.1x  | 3.7x  | 0.9x       | 1.6x                  |
| Total Energy Services Inc.                               | 10.5        | 417.9      | 479.3            | 892.4       | 157.9      | 17.7%         | 3.0x      | 2.4x  | 2.1x  | 0.8x       | 0.3x                  |
| Western Energy Services Corp.                            | 2.8         | 94.1       | 205.3            | 233.5       | 45.0       | 19.3%         | 4.6x      | 4.4x  | 4.1x  | 0.3x       | 2.3x                  |
| Mean   |             |            |                  |             |            | 22.2%         | 3.9x      | 3.6x  | 3.3x  | 1.1x       | 1.3x                  |
| Median   |             |            |                  |             |            | 18.1%         | 4.0x      | 3.4x  | 3.1x  | 0.9x       | 1.4x                  |
| <b>Production &amp; Completion</b>                       |             |            | (\$mm)           | (\$mm)      | (\$mm)     | (\$mm)        | (%)       | (x)   | (x)   | (x)        | (x)                   |
| Bri-Chem Corp.   | \$ 0.3      | \$ 9.1     | \$ 40.8          | \$ 106.0    | \$ 6.3     | 6.0%          | 6.5x      | NM    | NM    | 0.4x       | ND                    |
| CES Energy Solutions Corp.                               | 5.7         | 1,326.4    | 1,790.1          | 2,163.5     | 269.8      | 12.5%         | 6.6x      | 5.3x  | 5.1x  | 2.0x       | 1.4x                  |
| Computer Modelling Group Ltd.                            | 10.1        | 820.6      | 813.2            | 96.7        | 34.7       | 35.9%         | 23.4x     | 18.9x | 17.7x | 13.0x      | NM                    |
| Enerflex Ltd.  | 8.4         | 1,043.7    | 2,218.8          | 3,162.1     | 457.3      | 14.5%         | 4.9x      | 4.1x  | 4.0x  | 0.7x       | 2.2x                  |
| Source Energy Services Ltd.                              | 12.2        | 165.8      | 387.6            | 569.7       | 67.8       | 11.9%         | 5.7x      | 3.9x  | 3.6x  | 1.0x       | 2.0x                  |
| Mean   |             |            |                  |             |            | 16.1%         | 9.4x      | 8.0x  | 7.6x  | 3.4x       | 1.9x                  |
| Median   |             |            |                  |             |            | 12.5%         | 6.5x      | 4.7x  | 4.5x  | 1.0x       | 2.0x                  |
| <b>Oilfield &amp; Facility Construction</b>              |             |            | (\$mm)           | (\$mm)      | (\$mm)     | (\$mm)        | (%)       | (x)   | (x)   | (x)        | (x)                   |
| Badger Infrastructure Solutions Ltd.                     | \$ 50.4     | \$ 1,737.5 | \$ 2,004.8       | \$ 903.0    | \$ 152.4   | 16.9%         | 13.2x     | 7.5x  | 6.6x  | 5.4x       | 0.8x                  |
| Enterprise Group, Inc.                                   | 0.9         | 53.9       | 74.5             | 33.5        | 12.4       | 37.1%         | 6.0x      | 6.3x  | 5.9x  | 1.1x       | 1.5x                  |
| North American Construction Group Lt                     | 31.0        | 828.2      | 1,456.6          | 957.2       | 228.7      | 23.9%         | 6.4x      | 3.1x  | 3.0x  | 2.3x       | 1.4x                  |
| Mean   |             |            |                  |             |            | 26.0%         | 8.5x      | 5.6x  | 5.1x  | 2.9x       | 1.2x                  |
| Median   |             |            |                  |             |            | 23.9%         | 6.4x      | 6.3x  | 5.9x  | 2.3x       | 1.4x                  |
| <b>Pressure Pumping</b>                                  |             |            | (\$mm)           | (\$mm)      | (\$mm)     | (\$mm)        | (%)       | (x)   | (x)   | (x)        | (x)                   |
| Calfrac Well Services Ltd.                               | \$ 4.4      | \$ 373.7   | \$ 614.8         | \$ 1,864.3  | \$ 313.6   | 16.8%         | 2.0x      | 2.8x  | 2.3x  | 0.6x       | 1.0x                  |
| STEP Energy Services Ltd.                                | 4.1         | 295.9      | 409.5            | 945.7       | 152.7      | 16.1%         | 2.7x      | 2.2x  | 2.0x  | 0.8x       | 0.6x                  |
| Trican Well Service Ltd.                                 | 4.4         | 893.6      | 823.0            | 972.7       | 234.5      | 24.1%         | 3.5x      | 3.5x  | 3.2x  | 1.8x       | NM                    |
| Mean   |             |            |                  |             |            | 19.0%         | 2.7x      | 2.8x  | 2.5x  | 1.1x       | 0.8x                  |
| Median   |             |            |                  |             |            | 16.8%         | 2.7x      | 2.8x  | 2.3x  | 0.8x       | 0.8x                  |
| <b>Transportation &amp; Logistics</b>                    |             |            | (\$mm)           | (\$mm)      | (\$mm)     | (\$mm)        | (%)       | (x)   | (x)   | (x)        | (x)                   |
| Gibson Energy Inc.                                       | \$ 22.9     | \$ 3,705.3 | \$ 6,335.1       | \$ 11,014.7 | \$ 494.3   | 4.5%          | 12.8x     | 9.3x  | 9.1x  | 4.1x       | 3.9x                  |
| Mullen Group Ltd.  | 14.9        | 1,312.9    | 2,074.7          | 1,994.7     | 310.8      | 15.6%         | 6.7x      | 6.0x  | 5.7x  | 1.3x       | 2.3x                  |
| Mean   |             |            |                  |             |            | 10.0%         | 9.7x      | 7.6x  | 7.4x  | 2.7x       | 3.1x                  |
| Median   |             |            |                  |             |            | 10.0%         | 9.7x      | 7.6x  | 7.4x  | 2.7x       | 3.1x                  |
| <b>Environmental &amp; Geophysical</b>                   |             |            | (\$mm)           | (\$mm)      | (\$mm)     | (\$mm)        | (%)       | (x)   | (x)   | (x)        | (x)                   |
| Pulse Seismic Inc.                                       | \$ 2.3      | \$ 118.5   | \$ 102.9         | \$ 39.1     | \$ 30.4    | 77.6%         | 3.4x      | NM    | NM    | 4.7x       | ND                    |
| Secure Energy Services Inc.                              | 11.6        | 3,234.4    | 4,324.4          | 8,244.0     | 548.0      | 6.6%          | 7.9x      | 9.3x  | 9.0x  | 2.8x       | 2.4x                  |
| Vertex Resource Group Ltd.                               | 0.4         | 43.4       | 176.1            | 247.3       | 29.1       | 11.8%         | 6.1x      | 4.4x  | 4.3x  | 0.7x       | 3.4x                  |
| Mean   |             |            |                  |             |            | 32.0%         | 5.8x      | 6.9x  | 6.6x  | 2.7x       | 2.9x                  |
| Median   |             |            |                  |             |            | 11.8%         | 6.1x      | 6.9x  | 6.6x  | 2.8x       | 2.9x                  |
| <b>Camps &amp; Catering</b>                              |             |            | (\$mm)           | (\$mm)      | (\$mm)     | (\$mm)        | (%)       | (x)   | (x)   | (x)        | (x)                   |
| Black Diamond Group Limited                              | \$ 8.8      | \$ 540.8   | \$ 749.9         | \$ 393.5    | \$ 91.4    | 23.2%         | 8.2x      | 6.8x  | 6.2x  | 1.8x       | 1.9x                  |
| Civeo Corporation  | 36.8        | 539.2      | 646.2            | 925.5       | 128.7      | 13.9%         | 5.0x      | 5.2x  | 4.7x  | 1.2x       | 0.9x                  |
| Dexterra Group Inc.                                      | 6.0         | 382.3      | 499.8            | 1,117.2     | 84.3       | 7.5%          | 5.9x      | 4.9x  | 4.7x  | 1.3x       | 1.2x                  |
| Mean   |             |            |                  |             |            | 14.9%         | 6.4x      | 5.6x  | 5.2x  | 1.5x       | 1.3x                  |
| Median   |             |            |                  |             |            | 13.9%         | 5.9x      | 5.2x  | 4.7x  | 1.3x       | 1.2x                  |
| <b>Mean - All Subsectors</b>                             |             |            |                  |             |            | 21.6%         | 6.7x      | 5.8x  | 5.3x  | 2.3x       | 1.5x                  |
| <b>Median - All Subsectors</b>                           |             |            |                  |             |            | 17.4%         | 5.5x      | 5.1x  | 4.7x  | 1.5x       | 1.4x                  |
| <b>Mean - All Subsectors Excluding Oilfield Majors</b>   |             |            |                  |             |            | 20.6%         | 6.0x      | 5.3x  | 4.9x  | 2.0x       | 1.6x                  |
| <b>Median - All Subsectors Excluding Oilfield Majors</b> |             |            |                  |             |            | 16.9%         | 5.0x      | 4.4x  | 4.1x  | 1.2x       | 1.5x                  |



# Recent Transactions

Advisor to



**MHK**  
INSURANCE

on the sale to



**McDougall**  
INSURANCE & FINANCIAL

A subsidiary of



Sequeira Partners is proud to have acted as the exclusive financial advisor to MHK Insurance Inc. on their recent transaction with McDougall Insurance.

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

## About Us

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