



# THE WELL STREET JOURNAL

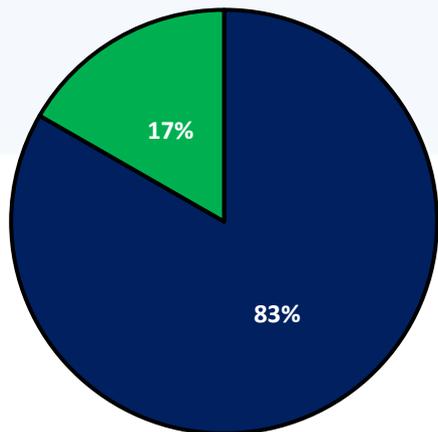
Oilfield Services and Industrials Deep Dive  
2021 | Q1 Report

# Q1 | Overview

The year kicked off continuing the positive trends we saw at the end of 2020, including WTI pricing averaging \$55/bbl throughout the opening quarter of the year. Q1 saw commodity prices reach levels seen in 2017 and 2018 with the expectation of an economic recovery as vaccines roll-out across the globe. We've observed many analysts revising their pricing forecasts upwards over the course of the quarter, particularly as economies have rebounded strongly, leading to inventory draws and supporting demand growth. Our team remains optimistic that oilfield services are headed for a strong 2021, particularly in the back half of the year and into 2022, as the world continues to get its footing. Market trends we are seeing:

- **Supportive Pricing Environment** – On April 1, OPEC+ announced it would start easing existing limits on production beginning in May. While there is some concern that increasing production from OPEC+ may contribute to pricing pressures on crude benchmarks, most viewed the decision as a positive. Goldman Sachs suggested the ramp-up was sooner than anticipated, albeit more gradual over summer when demand picks-up as part of driving season. As a result, they've increased their Q2 and Q3 WTI forecasts to \$72.50 and \$77.00 respectively, yet another reflection of the optimism surrounding the oil and gas industry.
- **New Regulatory Environment in the U.S.** – The Biden administration's climate plan has presented uncertainty and with-it risk surrounding the operating environment for U.S. producers. Between increasing compliance and regulatory requirements, a moratorium on leases on public lands, elimination of subsidies and increased royalty rates could take some basins offline as the added red tape makes them uneconomic. Goldman predicts the added red tape could raise costs up to between \$5 - \$6 per barrel and could spur consolidation for struggling operators.

Certainly, the Biden administration's climate plan will have significant ramifications south of the border. How far reaching those plans will be and the potential impact they may have here in Canada is a story we'll be watching very carefully in the coming months.



■ Industrials ■ Oilfield Services

As for the M&A landscape within the oilfield services and industrial segments, Q1 2021 saw 108 disclosed transactions with either a Canadian target or buyer. Transaction volumes increased significantly year over year compared to Q1 2020 which saw only 72 transactions as activity dramatically fell off from the uncertainty across the globe as a result of COVID-19. Of the 108 transactions this Q1, 17% were within the oilfield services sector versus 4% in the most recent quarter, Q4 2020. Overall transaction volumes have continued to recover in 2021, and we expect this trend to continue over the course of the year as both buyers and sellers feel increasingly confident in a recovery.

# Transactions in the Quarter

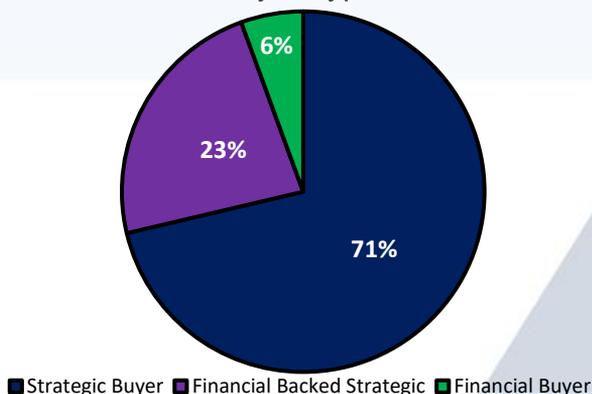
Of the noted transactions in the quarter with either a Canadian buyer or target, 30% of target companies were located in Western Canada with 17% of those targeted companies based in Alberta. Strategic purchasers were the most active buyers, participating in 71% of transactions while financial backed strategic purchasers accounted for 23% of the activity in the quarter.

Similar to Q4 2020, we've continued to see strategic parties backed by private equity actively pursuing acquisitions. It's become apparent that private equity firms continue to deploy capital into the market, growing their existing portfolios while also targeting attractively valued tuck-ins as the market recovers. As well capitalized oilfield service companies continue to look to diversify and increase market share, we anticipate an increase in oilfield service transaction activity through the remainder of 2021, particularly in the back half of the year.

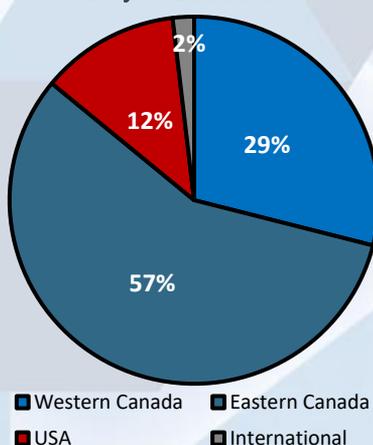
### Target Location



### Buyer Type



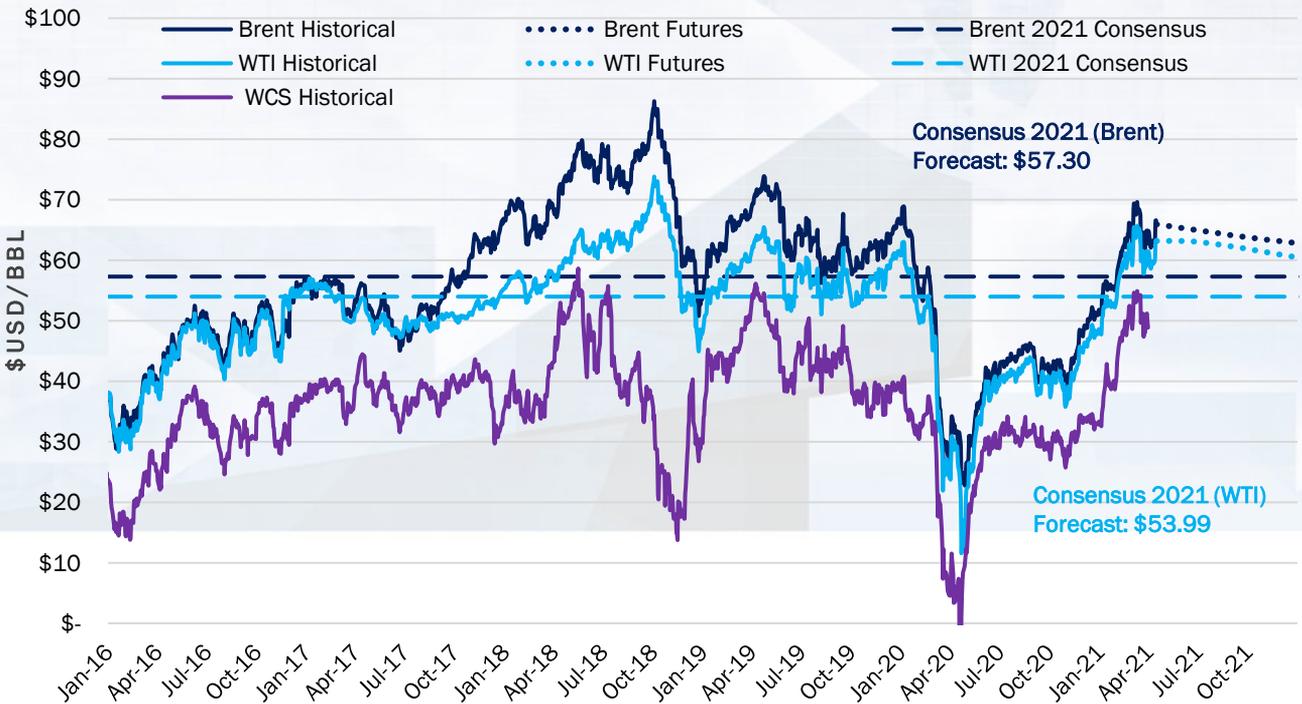
### Buyer Location



# Commodity Pricing and Analyst Forecasts

As the global economy begins to recover from the doldrums of the pandemic combined with supportive production policy from OPEC+, crude pricing has responded to the upside. North American producers have demonstrated restraint with their capital budgets, limiting the amount of additional rigs they've been putting to work. As a result, we anticipate that many operators should demonstrate strong cash flows and profits in Q1. During Q1, Brent and WTI benchmarks increased by 21% and 22% respectively, compared to the end of 2020. Canada's WCS benchmark increased even further during the quarter, closing 46% higher.

The month of March saw average crude prices at their highest levels since 2019 – a strong indication of optimism returning to the markets.



# Commodity Pricing and Analyst Forecasts

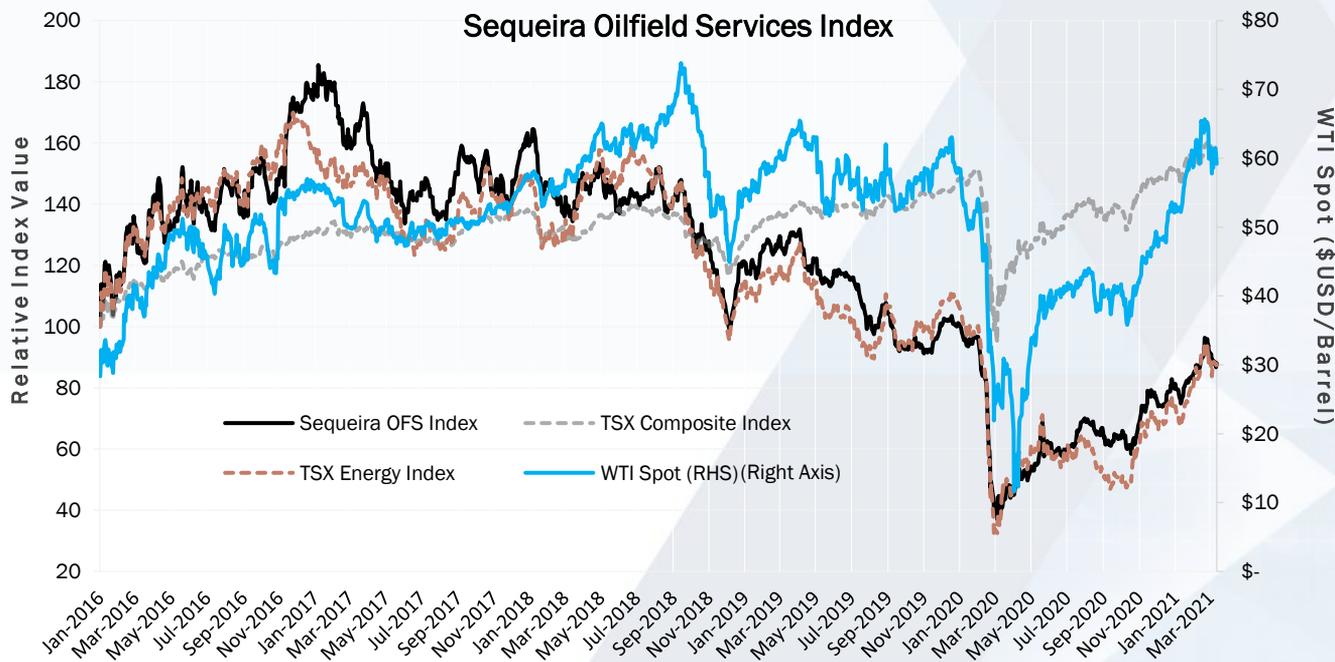
AECO pricing saw a 5% gain through Q1 2021, ending the quarter at \$2.50/MCF after tapering off from the significant increase experienced in mid February. Prices averaged \$2.94/MCF through Q1 as compared to \$2.53 in Q4, largely the result of a strong February which saw an average spot price of \$3.65. Analysts expect to see this pricing momentum continue through 2021, as storage levels in both the US and Canada are expected to be lower than projected, creating a tighter market.

Henry Hub pricing ended the quarter relatively in line with the end of 2020, closing out the quarter at \$3.20 compared to \$3.14 at the end of December. Prices over the quarter averaged \$3.36/MCF vs. \$3.63/MCF in Q4, largely a result of the subsiding cold weather and related demand as we close out the winter months. While Henry Hub pricing is expected to continue to decline through Q2 from the 12-month highs experienced in February, pricing over the course of 2021 is expected to increase when compared to 2020 as a result of relatively low U.S. natural gas production combined with increases in natural gas exports.



# Market Overview

Sequeira's OFS index tracks publicly listed Canadian Oilfield Service companies throughout the year. The Oilfield Services industry as a whole experienced an unprecedented downturn through Q1 of 2020 with a modest but rapid recovery throughout the rest of the year. Q1 of 2021 saw OFS equity values continue to recover alongside oil prices. Our index saw a 18% gain during Q1, largely consistent with the 22% increase in WTI pricing. Similarly, the TSX Energy Index has risen 28% during the quarter. This bullish market sentiment reflects the continued optimism from investors given the backdrop of rising demand for crude, strong pricing and an anticipated increase in oilfield activity.



# Sequeira Update

## Our Team



As our Valuations practice continues to grow so too does our team!

We're very excited to announce Sarry Mourad, CPA has joined the Sequeira team as an Analyst and will be based out of our Edmonton office.

Welcome to the team Sarry!

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## Recent Transactions

Advisor to  
**ontracks**  
on the sale to  
**Bentley**  
sequeira PARTNERS

Advisor to  
**IPAC**  
SERVICES CORP.  
on the sale to  
**STRAIT**  
sequeira PARTNERS

Sales Agent to  
**ENTREC**  
CORPORATION  
on the sale of its USA subsidiary,  
ENTREC Cranes & Heavy Haul Inc.  
to  
**PR** **PROLIFT**  
RIGGING CO  
sequeira PARTNERS

Advisor to  
**ECHO**  
NDE  
on the sale to  
**ROCKWOOD**  
sequeira PARTNERS

## About Us

Sequeira Partners is Western Canada's leading sell-side transaction advisor to private and public industrial, energy and diversified 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](http://www.sequeirapartners.com).

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# Sequeira Oilfield Services Index – Sector Drilldown

As at March 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 2020	EV/EBITDA 2021E	Price/Book	Net Debt/2020E EBITDA
			(%)	(\$mm)	(\$mm)	(\$mm)	(\$mm)	(%)	(x)	(x)	(x)	(x)	(x)
<b>Drilling &amp; Equipment</b>													
AKITA Drilling Ltd.	TSX:AKT.A	\$ 1.00	-	41	111	120	16	13.7%	6.7x	6.7x	6.4x	0.3x	3.9x
Cathedral Energy Services Ltd.	TSX:CET	\$ 0.30	-	15	34	41	(8)	NM	NM	-4.5x	9.2x	0.4x	NM
CWC Energy Services Corp.	TSXV:CWC	\$ 0.14	-	68	99	68	3	4.0%	NM	36.4x	NM	0.4x	ND
Ensign Energy Services Inc.	TSX:ESI	\$ 1.12	-	182	1,542	937	227	24.2%	6.8x	6.8x	7.2x	0.1x	6.1x
Essential Energy Services Ltd.	TSX:ESN	\$ 0.29	-	41	47	96	8	8.3%	5.9x	5.9x	2.9x	0.3x	0.5x
High Arctic Energy Services Inc	TSX:HWO	\$ 1.22	-	59	46	91	8	9.3%	5.5x	5.5x	6.4x	0.3x	NM
McCoy Global Inc.	TSX:MCB	\$ 0.60	-	17	16	39	1	2.3%	17.6x	17.6x	NM	0.5x	ND
Pason Systems Inc.	TSX:PSI	\$ 8.88	2.3%	738	593	157	30	18.9%	20.0x	20.0x	11.5x	2.4x	NM
PHX Energy Services Corp.	TSX:PHX	\$ 2.76	3.6%	139	152	234	27	11.5%	5.7x	5.7x	4.6x	1.1x	0.4x
Precision Drilling Corporation	TSX:PD	\$ 27.15	-	361	1,550	936	244	26.1%	6.3x	6.3x	7.0x	0.3x	4.4x
Total Energy Services Inc.	TSX:TOT	\$ 3.92	-	177	402	366	50	13.6%	8.1x	8.1x	6.5x	0.3x	3.1x
Western Energy Services Corp.	TSX:WRG	\$ 0.36	-	33	257	104	20	19.1%	13.0x	13.0x	14.4x	0.1x	12.3x
Mean								13.7%	9.6x	10.6x	7.6x	0.5x	4.4x
Median								13.6%	6.8x	6.8x	6.7x	0.3x	3.9x
<b>Production &amp; Completion</b>													
Bri-Chem Corp.	TSX:BRY	\$ 0.15	-	3	16	45	(2)	NM	NM	-7.3x	NM	0.3x	ND
CES Energy Solutions Corp.	TSX:CEU	\$ 1.61	-	407	706	888	53	6.0%	13.3x	13.3x	6.2x	0.9x	3.3x
Computer Modelling Group Ltd.	TSX:CMG	\$ 5.75	3.5%	462	464	69	30	42.7%	15.7x	13.8x	13.0x	10.7x	0.1x
Enerflex Ltd.	TSX:EFX	\$ 8.11	1.0%	727	1,083	1,217	184	15.1%	5.9x	5.9x	7.0x	0.5x	1.9x
Source Energy Services Ltd.	TSX:SHLE	\$ 2.04	-	28	217	250	13	5.2%	16.8x	16.8x	5.9x	0.8x	6.0x
Wolverine Energy and Infrastructure Inc.	TSXV:WEII	\$ 0.86	-	89	215	141	7	4.7%	NM	11.9x	11.8x	1.4x	6.3x
Mean								14.7%	12.9x	9.0x	8.8x	2.5x	3.5x
Median								6.0%	14.5x	12.6x	7.0x	0.9x	3.3x
<b>Oilfield &amp; Facility Construction</b>													
Badger Daylighting Ltd.	TSX:BAD	\$ 42.87	1.5%	1,494	1,624	559	100	17.8%	16.3x	16.3x	10.7x	4.5x	1.0x
ClearStream Energy Services Inc.	TSX:CSM	\$ 0.09	-	10	321	393	2	0.6%	NM	129.1x	NM	NM	ND
Enterprise Group, Inc.	TSX:E	\$ 0.19	-	9	22	16	5	31.3%	4.5x	4.5x	NM	0.3x	ND
Macro Enterprises Inc.	TSXV:MCR	\$ 2.95	-	93	108	268	28	10.5%	3.8x	N/A	2.7x	0.8x	0.1x
North American Construction Group Ltd.	NYSE:NOA	\$ 13.52	-	380	782	500	159	31.8%	4.9x	4.9x	4.4x	0.0x	2.5x
Shawcor Ltd.	TSX:SCL	\$ 5.31	-	374	669	1,178	26	2.2%	25.9x	25.9x	6.2x	0.5x	6.4x
Mean								15.7%	11.1x	36.2x	6.0x	1.2x	2.5x
Median								14.2%	4.9x	16.3x	5.3x	0.5x	1.7x
<b>Pressure Pumping</b>													
Calfrac Well Services Ltd.	TSX:CFW	\$ 3.90	-	146	463	705	(18)	NM	NM	-25.5x	5.9x	0.4x	17.2x
STEP Energy Services Ltd.	TSX:STEP	\$ 1.28	-	87	306	369	8	2.2%	NM	37.4x	6.3x	0.4x	6.4x
Trican Well Service Ltd.	TSX:TCW	\$ 2.07	-	527	519	397	24	6.1%	21.4x	21.4x	8.8x	1.1x	NM
Mean								4.2%	21.4x	11.1x	7.0x	0.6x	11.8x
Median								4.2%	21.4x	21.4x	6.3x	0.4x	11.8x
<b>Transportation &amp; Logistics</b>													
Gibson Energy Inc.	TSX:GEI	\$ 22.27	6.3%	3,262	4,760	4,938	379	7.7%	12.6x	12.6x	10.5x	4.8x	3.3x
Mullen Group Ltd.	TSX:MTL	\$ 12.18	3.9%	1,180	1,682	1,164	206	17.7%	8.2x	8.2x	7.9x	1.3x	2.3x
Mean								12.7%	10.4x	10.4x	9.2x	3.0x	2.8x
Median								12.7%	10.4x	10.4x	9.2x	3.0x	2.8x
<b>Environmental &amp; Geophysical</b>													
Pulse Seismic Inc.	TSX:PSD	\$ 1.59	-	86	115	11	7	62.5%	16.2x	16.2x	8.8x	3.4x	4.2x
Secure Energy Services Inc.	TSX:SES	\$ 3.63	0.8%	581	1,039	1,824	85	4.7%	12.2x	12.2x	7.3x	0.8x	3.3x
Tervita Corporation	TSX:TEV	\$ 4.61	-	533	1,337	1,417	184	13.0%	7.3x	7.3x	6.6x	2.9x	4.1x
Vertex Resource Group Ltd.	TSXV:VTX	\$ 0.37	-	34	114	136	20	14.7%	5.7x	5.7x	4.6x	0.7x	3.2x
Mean								23.7%	10.3x	10.3x	6.8x	2.0x	3.7x
Median								13.8%	9.7x	9.7x	7.0x	1.9x	3.7x
<b>Camps &amp; Catering</b>													
Black Diamond Group Limited	TSX:BDI	\$ 3.47	-	202	411	180	29	16.2%	14.1x	14.1x	7.6x	0.9x	4.9x
Civeo Corporation	NYSE:CVCO	\$ 19.26	-	275	687	675	119	17.6%	5.8x	5.8x	5.9x	0.7x	2.6x
Dexterra Group Inc.	TSX:DXT	\$ 5.85	5.1%	379	493	471	64	13.7%	7.6x	7.6x	6.6x	1.3x	1.5x
Mean								16.9%	9.9x	9.9x	6.8x	0.8x	3.8x
Median								16.9%	9.9x	9.9x	6.8x	0.8x	3.8x