



THE WELL STREET JOURNAL

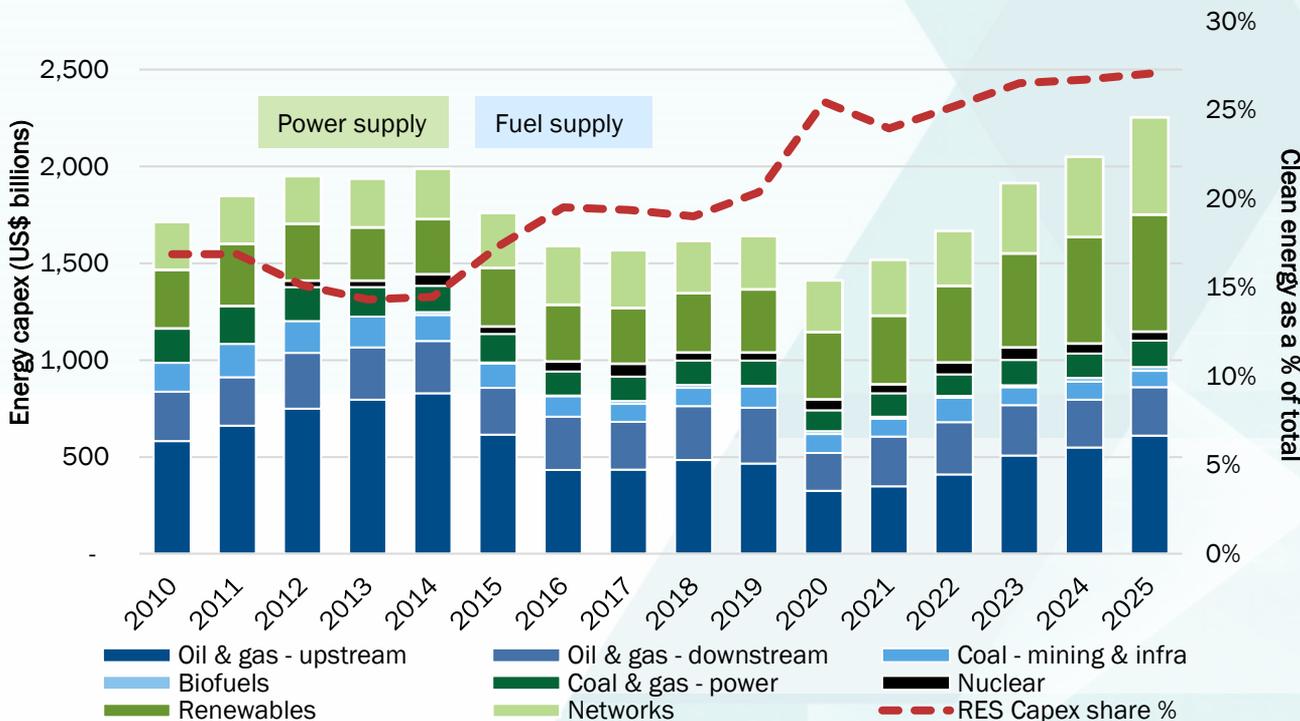
Oilfield Services and Industrials Deep Dive
2022 | Q1 Report

Energy Market Sentiment

A lot has happened over the course of the first quarter of 2022 with many notable events, none of which overshadow the Russian invasion of Ukraine which began at the end of February. The unfortunate actions being taken by Russia continue to result in unnecessary geopolitical instability and notably the loss of lives.

While we've been saying it in these parts of Canada for quite some time, the reliance on energy from unpredictable rogue states is a factor that's often been overlooked in the discussion on energy and transitioning to greener sources. While the move towards environmentally friendlier energy infrastructure continues, governments are beginning to realize the necessity of balance. It's never been more evident than in these last few months that the energy transition will take place over decades, not years, and will require thoughtful dialogue on balancing energy security and reliance with environmental targets, that need to be ambitious while still being achievable.

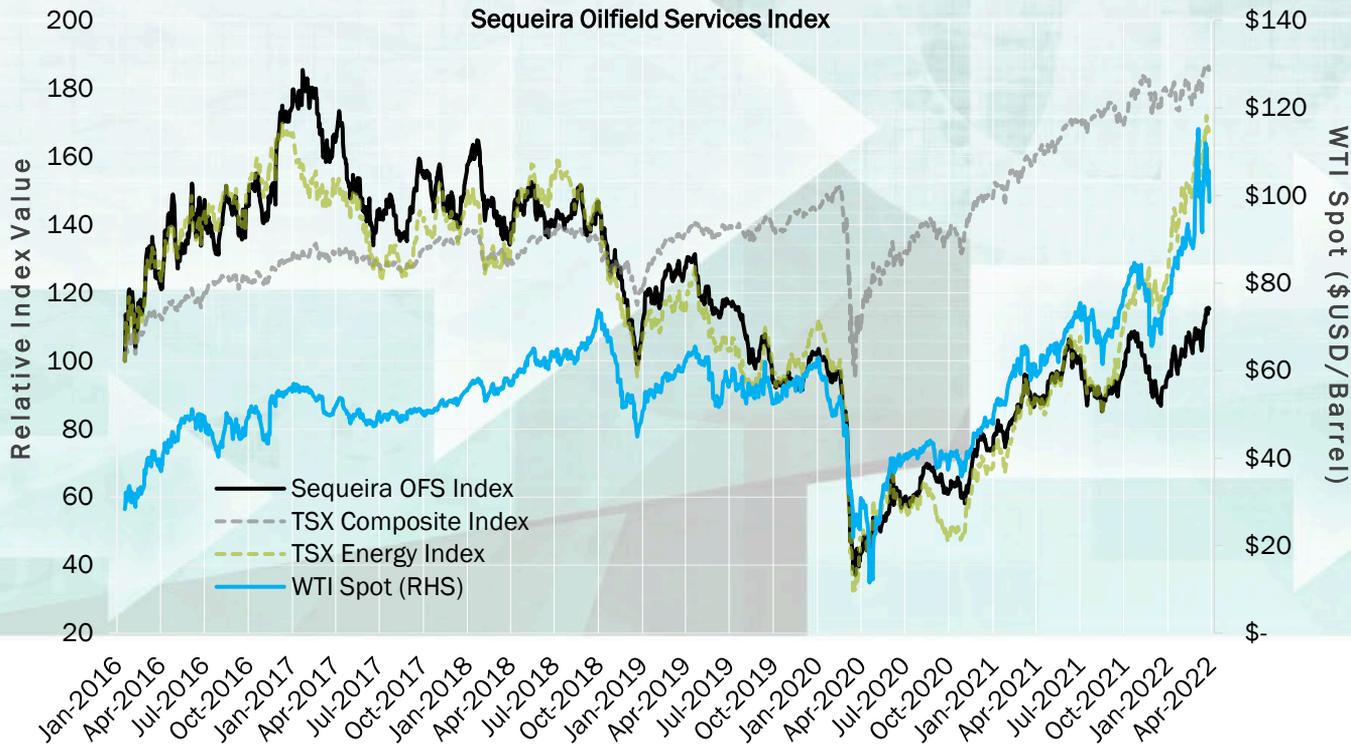
In a recent Goldman Sachs research report on the energy transition, they've highlighted that the focus on energy security will drive a new era for energy investments with the energy industry expecting to experience a revival in investments to support both the globe's rising energy needs and a more affordable and inclusive energy transition. Within hydrocarbons, investments in natural gas and LNG are expected to increase.



Market Overview

Sequeira's OFS index tracks publicly listed Canadian Oilfield Service companies throughout the year. Investor sentiment for OFS companies represented by our index along with Canadian operators represented by the TSX Energy Index have both increased notably year over year by 31% and 91%, respectively. While any investor should be happy with those types of returns, investors became increasingly bullish towards operators (represented by the TSX Energy Index) versus oilfield service stocks. It's not surprising as we've seen strong pricing for both crude and natural gas, but muted levels of activity relative to similar pricing environments.

We anticipate that pricing will continue to remain strong over the course of 2022, which should result in greater upside for both operators and especially oilfield service companies, who are well overdue to start asking for price increases from operators.

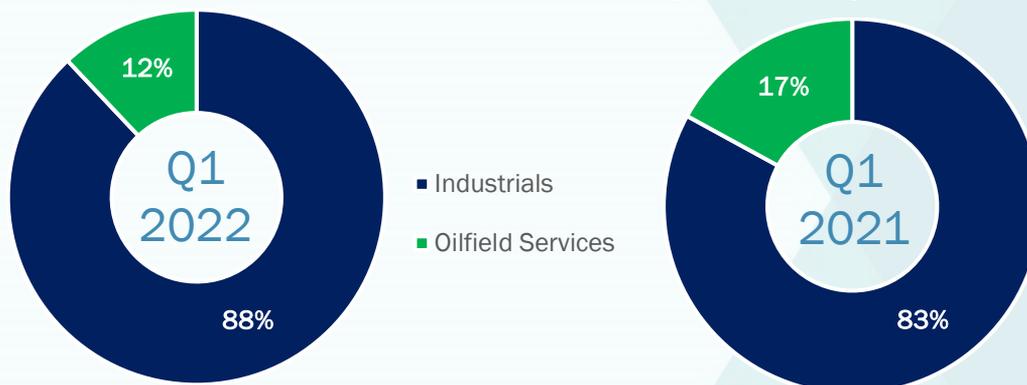


Energy Service and Industrial Transactions

While commodity pricing has been remarkably strong over the course of the last 3 months and we expect it to remain that way, we haven't yet seen that translate into a ramp-up in M&A activity for oilfield service companies. That said, it feels like we could be on the precipice of a strong market for deals in the space. Rigs continue to go back to work, companies are adjusting to a strong labour market and supply chain challenges, and, in general, it finally feels like there are tailwinds in the energy sector to support a strong outlook for earnings.

While we haven't yet seen the ramp-up in deals within OFS, we're engaging in more conversations with prospects interested in planning to sell their business and buyers that are showing an increasing keenness in deploying capital back into the space. As the market digests the current environment, we anticipate an increase in deals over the course of 2022 and into 20223.

Q1 2022 vs 2021 Industry Activity⁽¹⁾



This past quarter (Q1 2022) saw 105 disclosed transactions in the industrials and oilfield services sector with either a Canadian target or buyer. That represented a modest decline from the previous quarter (Q4 2021) which saw 115 transactions and a similar level to the comparative quarter from the prior year (Q1 2021) which saw 107 transactions. Of the 105 transactions this quarter, 12% were in the oilfield services sector versus 7% in Q4 2021, and 17% in Q1 2021.



Buyer Profile

Industrial & OFS Transactions By Buyer Location⁽¹⁾

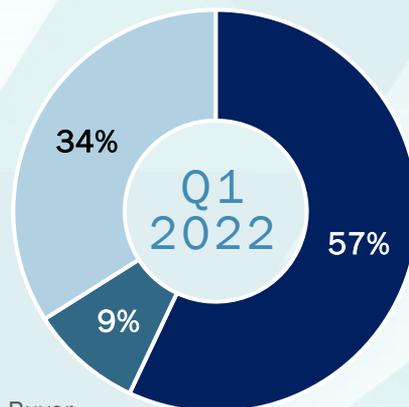
Buyer Location	Q1 2022 (Count)	Q1 2022 (%)	Q1 2021 (Count)	Q1 2021 (%)
Western Canada	26	25%	31	29%
Eastern Canada	51	48%	61	57%
USA	22	21%	13	12%
International	6	6%	2	2%
Total	105	100%	107	100%

Consistent with historical trends, domestic parties continue to be the largest acquirer of Canadian-based businesses. However, US-based buyer activity grew for both the number and percentage of transactions. This is a trend we've observed in recent engagements as well.

By Buyer Type⁽¹⁾

Strategics continue to remain the dominant acquirer in Q1 2022, looking to make acquisitions as a means of growth. We anticipate financial buyers will begin to show greater appetite going forward.

Buyer Type	Q1 2022	Q1 2021
Strategic	57%	71%
Financial	9%	6%
Financial Backed Strategic	34%	23%



- Strategic Buyer
- Financial Buyer
- Financial Backed Strategic Buyer

Commodity Pricing and Analyst Forecasts

Q1 2022 began with WTI and WCS trading at \$75.85 and \$62.48 USD and have increased dramatically since the year began. The strong pricing momentum that first began in early 2021 continued into 2022 as concerns around possible shutdowns from Omicron subsided. The momentum quickly kicked into overdrive with the aforementioned invasion of Ukraine by Russia lead to a series of sanctions against Russia, pushing prices to closing day highs of \$115.21 and \$111.00 USD in mid-March, prices not seen in nearly 10 years. Prices have since softened, largely due in part to signs of weaker demand from China due to a strict covid policy and consequently shutdowns of large city centers. Continued geopolitical instability and the hesitancy of OPEC members and key producers to boost production will continue to foster price volatility.

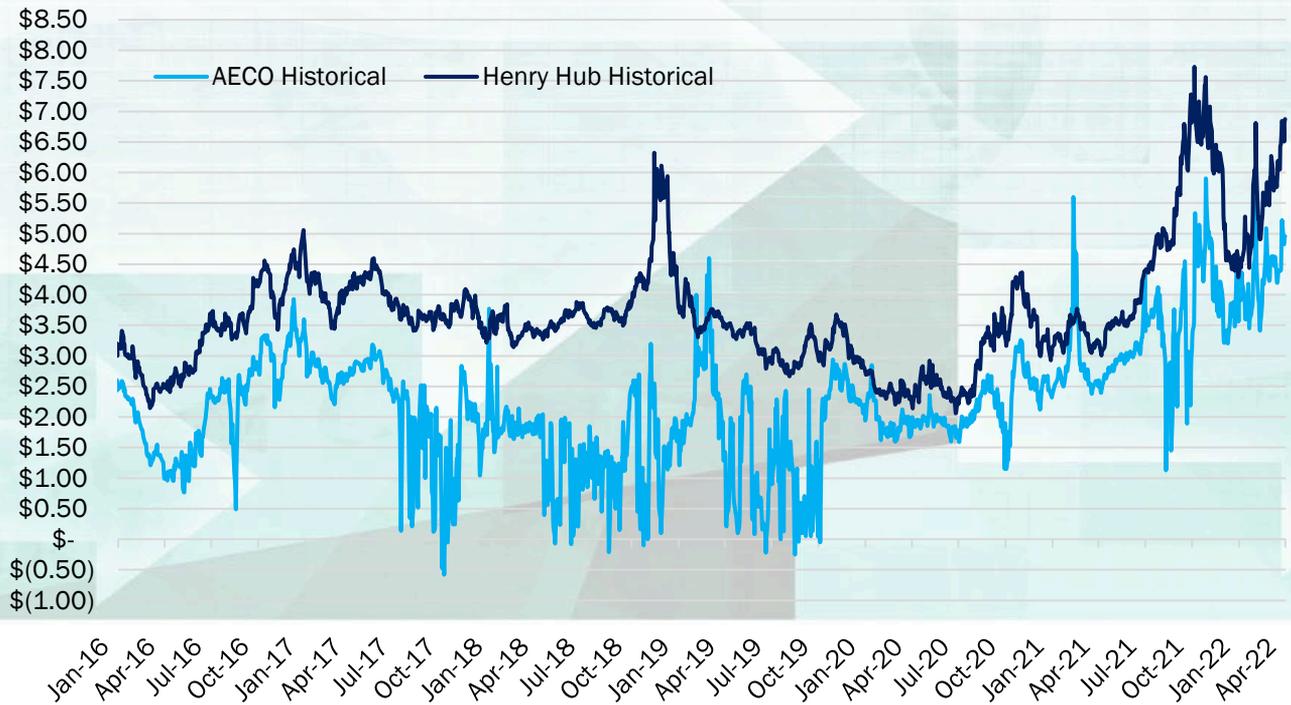
Our view is that we will continue to see a strong pricing environment for crude over the course of 2022 and likely 2023 as underinvestment in meaningful new production comes to the forefront as demand returns to its normal course pattern of continued increases for hydrocarbons.



Commodity Pricing and Analyst Forecasts

The name of the game with natural gas prices continues to be volatility supported by strong underlying fundamentals. Pricing was heavily influenced by overseas markets, notably robust LNG demand in Europe as that part of the world grapples with finding alternative gas supplies outside of relying on Russia. Prices rose throughout the quarter pushing towards the recent highs seen during Q4 2021. With a philosophical shift from energy sustainability to energy security and affordability, natural gas is now considered an important element of the energy transition. Given its ability to displace more carbon intensive energy sources such as coal, we anticipate that demand for natural gas and LNG will continue to outpace the growth in demand for any other fossil fuel.

With the expectation of increased demand, there's reinvigorated talk of additional LNG projects off the coast of British Columbia as well as the possible commissioning of the phase 2 expansion of LNG Canada.



Team Update



Building on the momentum of 2021 we continue to enhance the strength and depth of our team, adding a new member to Sequeira Partners in our Vancouver office. Welcome to the team Robyn!

Robyn Katz
Vancouver

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Recently Completed Transactions

Advisor to

RR ROUGH RIDER

on the sale to

McKay Métis Group

sequeira PARTNERS

Advisor to

White Owl ENERGY SERVICES INC.

on senior secured debt and credit facility refinancing

sequeira PARTNERS

Advisor to

Comalatech

on the sale to

appfire

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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.

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Sequeira Oilfield Services Index – Sector Drilldown

As at March 31, 2022

Source: Capital IQ

Company	Ticker	Share Price	Dividend Yield	Market Cap	Enterprise Value	Revenue	TTM EBITDA	EBITDA Margin	TTM	EV/EBITDA 2022E	2023E	Price/Book	Net Debt/2022E EBITDA
			(%)	(\$mm)	(\$mm)	(\$mm)	(\$mm)	(%)	(x)	(x)	(x)	(x)	(x)
Drilling & Equipment													
AKITA Drilling Ltd.	TSX:AKT.A	\$ 1.83	-	74	161	110	6	5.9%	24.8x	5.6x	4.1x	0.6x	3.1x
Cathedral Energy Services Ltd.	TSX:CET	\$ 0.79	-	79	98	63	(1)	NM	NM	3.7x	2.6x	1.5x	0.6x
CWC Energy Services Corp.	TSXV:CWC	\$ 0.20	-	99	145	103	14	13.6%	10.4x	NM	NM	0.6x	ND
Ensign Energy Services Inc.	TSX:ESI	\$ 3.45	-	563	2,018	996	185	18.6%	10.9x	6.6x	5.5x	0.5x	4.6x
Essential Energy Services Ltd.	TSX:ESN	\$ 0.44	-	62	67	121	4	2.9%	19.1x	4.0x	3.6x	0.5x	0.3x
High Arctic Energy Services Inc.	TSX:HWO	\$ 1.75	3.4%	85	90	76	2	2.1%	NM	6.5x	2.9x	0.6x	0.3x
McCoy Global Inc.	TSX:MCB	\$ 0.95	-	27	23	33	2	7.4%	9.7x	NM	NM	0.7x	ND
Pason Systems Inc.	TSX:PSI	\$ 15.31	2.1%	1,257	1,103	239	75	31.6%	14.6x	8.7x	7.4x	4.0x	NM
PHX Energy Services Corp.	TSX:PHX	\$ 6.61	4.5%	323	334	350	39	11.2%	8.5x	4.2x	3.1x	2.4x	0.1x
Precision Drilling Corporation	TSX:PD	\$ 92.70	-	1,260	2,385	1,102	141	12.8%	16.9x	7.4x	5.6x	1.0x	3.8x
Total Energy Services Inc.	TSX:TOT	\$ 7.80	-	333	503	432	73	17.0%	6.9x	5.0x	4.3x	0.7x	1.6x
Western Energy Services Corp.	TSX:WRG	\$ 0.21	-	19	253	132	23	17.3%	11.1x	6.6x	NM	0.1x	8.3x
Mean								12.8%	13.3x	5.8x	4.3x	1.1x	2.5x
Median								12.8%	11.0x	6.0x	4.1x	0.6x	1.6x
Production & Completion													
Bri-Chem Corp.	TSX:BRY	\$ 0.51	-	12	36	60	3	5.5%	10.9x	NM	NM	1.0x	ND
CEC Energy Solutions Corp.	TSX:CEU	\$ 2.40	2.7%	609	1,046	1,196	122	10.2%	8.6x	6.1x	5.1x	1.3x	2.4x
Computer Modelling Group Ltd.	TSX:CMG	\$ 5.36	3.7%	431	423	64	25	39.2%	16.8x	12.8x	11.5x	9.4x	NM
Enerflex Ltd.	TSX:EFX	\$ 8.01	1.2%	718	934	960	125	13.0%	7.5x	5.5x	2.1x	0.5x	0.7x
Source Energy Services Ltd.	TSX:SHLE	\$ 2.41	-	33	254	320	15	4.6%	17.4x	4.9x	4.4x	5.0x	4.3x
Wolverine Energy and Infrastructure Inc.	TSXV:WEII	\$ 0.19	-	20	133	79	(13)	NM	NM	12.0x	8.2x	0.5x	10.1x
Mean								14.5%	12.2x	7.8x	6.3x	3.0x	4.4x
Median								10.2%	10.9x	6.1x	5.1x	1.1x	3.3x
Oilfield & Facility Construction													
Badger Infrastructure Solutions Ltd.	TSX:BDGI	\$ 31.46	2.1%	1,085	1,252	569	56	9.8%	22.6x	9.6x	7.6x	3.9x	1.3x
ClearStream Energy Services Inc.	TSX:CSM	\$ 0.06	-	7	324	389	5	1.4%	NM	NM	NM	NM	ND
Enterprise Group, Inc.	TSX:E	\$ 0.36	-	17	31	19	6	31.3%	5.2x	NM	NM	0.5x	ND
Macro Enterprises Inc.	TSXV:MCR	\$ 3.95	-	124	140	349	39	11.2%	3.6x	NM	NM	1.0x	0.3x
North American Construction Group Ltd.	TSX:NOA	\$ 18.10	1.8%	515	894	663	149	22.5%	6.0x	3.7x	3.5x	1.8x	1.7x
Shawcor Ltd.	TSX:SCL	\$ 5.04	-	355	580	1,143	85	7.4%	6.8x	5.3x	4.0x	0.6x	2.1x
Mean								13.9%	8.8x	6.2x	5.0x	1.6x	1.3x
Median								10.5%	6.0x	5.3x	4.0x	1.0x	1.5x
Pressure Pumping													
Calfrac Well Services Ltd.	TSX:CFW	\$ 4.48	-	171	581	1,002	48	4.8%	12.0x	4.7x	3.4x	0.5x	3.2x
STEP Energy Services Ltd.	TSX:STEP	\$ 2.80	-	191	393	536	43	8.0%	9.1x	4.2x	3.5x	1.1x	1.8x
Trican Well Service Ltd.	TSX:TCW	\$ 3.72	-	921	902	562	84	15.0%	10.7x	7.3x	6.0x	1.9x	NM
Mean								9.3%	10.6x	5.4x	4.3x	1.2x	2.5x
Median								8.0%	10.7x	4.7x	3.5x	1.1x	2.5x
Transportation & Logistics													
Gibson Energy Inc.	TSX:GEI	\$ 25.01	5.9%	3,706	5,386	7,211	387	5.4%	13.9x	11.4x	10.6x	5.7x	3.6x
Mullen Group Ltd.	TSX:MTL	\$ 13.36	4.5%	1,254	2,000	1,644	211	12.9%	9.5x	7.4x	7.1x	1.4x	3.0x
Mean								9.1%	11.7x	9.4x	8.8x	3.6x	3.3x
Median								9.1%	11.7x	9.4x	8.8x	3.6x	3.3x
Environmental & Geophysical													
Pulse Seismic Inc.	TSX:PSD	\$ 2.20	2.8%	118	121	46	38	83.3%	3.1x	7.6x	6.7x	2.7x	NM
Secure Energy Services Inc.	TSX:SES	\$ 5.34	0.6%	1,654	2,960	4,855	331	6.8%	8.9x	6.8x	6.5x	1.5x	2.6x
Vertex Resource Group Ltd.	TSXV:VTX	\$ 0.52	-	47	148	159	18	11.2%	8.3x	4.9x	4.2x	1.0x	3.3x
Mean								33.8%	6.8x	6.4x	5.8x	1.7x	3.0x
Median								11.2%	8.3x	6.8x	6.5x	1.5x	3.0x
Camps & Catering													
Black Diamond Group Limited	TSX:BDI	\$ 4.91	1.2%	295	482	340	54	15.8%	9.0x	6.7x	6.1x	1.2x	2.6x
Civeo Corporation	NYSE:CVEO	\$ 29.47	-	416	728	792	137	17.3%	5.3x	6.5x	6.0x	1.1x	2.0x
Dexterra Group Inc.	TSX:DXT	\$ 7.86	4.5%	512	603	733	53	7.2%	11.4x	6.3x	5.5x	1.7x	1.0x
Mean								16.6%	7.1x	6.6x	6.0x	1.2x	2.3x
Median								16.6%	7.1x	6.5x	6.0x	1.2x	2.3x
Large Cap NYSE Oilfield Majors													
Schlumberger Limited	NYSE:SLB	\$ 51.57	1.2%	72,378	87,549	29,549	5,840	19.8%	15.0x	11.5x	9.4x	3.9x	1.9x
Halliburton Company	NYSE:HAL	\$ 47.28	1.3%	42,484	51,599	20,135	3,513	17.4%	14.7x	11.0x	9.0x	5.1x	2.1x
NOV Inc.	NYSE:NOV	\$ 24.48	1.0%	9,613	10,692	7,270	325	4.5%	NM	16.9x	10.1x	1.5x	1.9x
TechnipFMC plc	NYSE:FTI	\$ 9.68	-	4,375	5,836	7,899	619	7.8%	9.4x	6.2x	5.3x	1.0x	1.2x
Helmerich & Payne, Inc.	NYSE:HP	\$ 53.41	2.3%	5,635	5,761	1,939	222	11.4%	26.0x	15.8x	8.9x	1.6x	0.6x
Nabors Industries Ltd.	NYSE:NBR	\$ 190.66	-	1,634	5,503	2,654	641	24.2%	8.6x	7.4x	5.6x	2.1x	3.5x
Mean								14.2%	14.7x	11.5x	8.0x	2.5x	1.9x
Median								14.4%	14.7x	11.3x	8.9x	1.9x	1.9x
Mean - All Subsectors								15.1%	11.2x	7.4x	5.9x	1.9x	2.2x
Median - All Subsectors								12.1%	9.7x	6.6x	5.6x	1.2x	2.0x
Mean - All Subsectors Excluding Oilfield Majors								15.3%	10.5x	6.4x	5.4x	1.8x	2.3x
Median - All Subsectors Excluding Oilfield Majors								12.0%	9.6x	6.5x	5.3x	1.1x	2.0x