

# Sequeira Energy Synopsis

November 2018

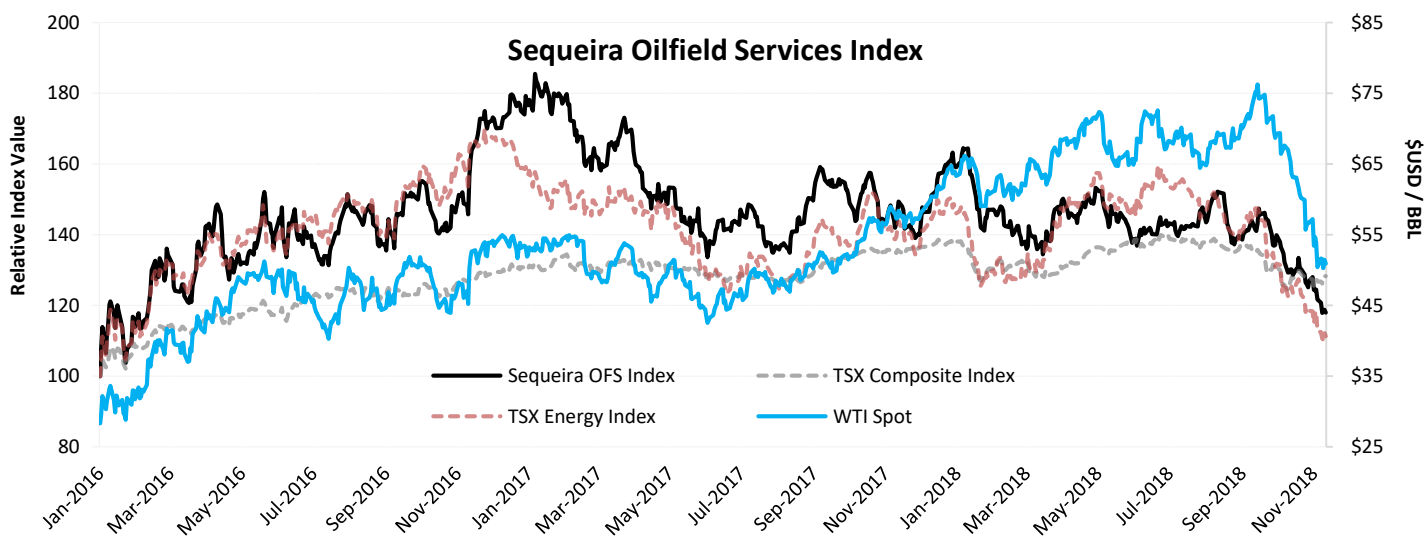
## *Oilfield services and equipment market update*



Followed by a tough October, November too proved to be challenging for the energy industry - not just within Canada, but globally too. Certainly, Canada is dealing with its own challenges right now; however, WTI prices were down 22.0% month-over-month to the end of November whereas Canadian oilfield service equities were only down 9.4% over that same period. While it is easy to be pessimistic in the near term, we are optimistic that over the long term some of the challenges the industry, and notably Canada, have been facing will be resolved.

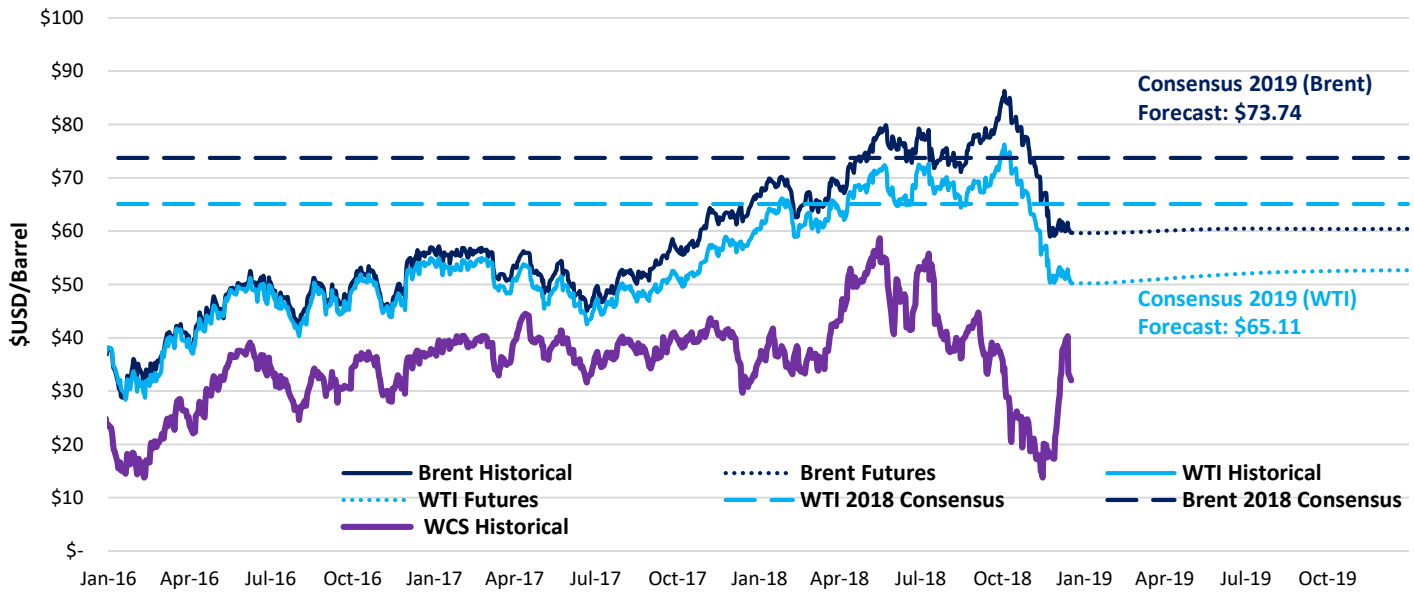
Ultimately, the energy industry is a vital part of Canada's economy and, frankly, it's great to start hearing companies and individuals vocalizing their support in favor of the industry.

### Market Overview



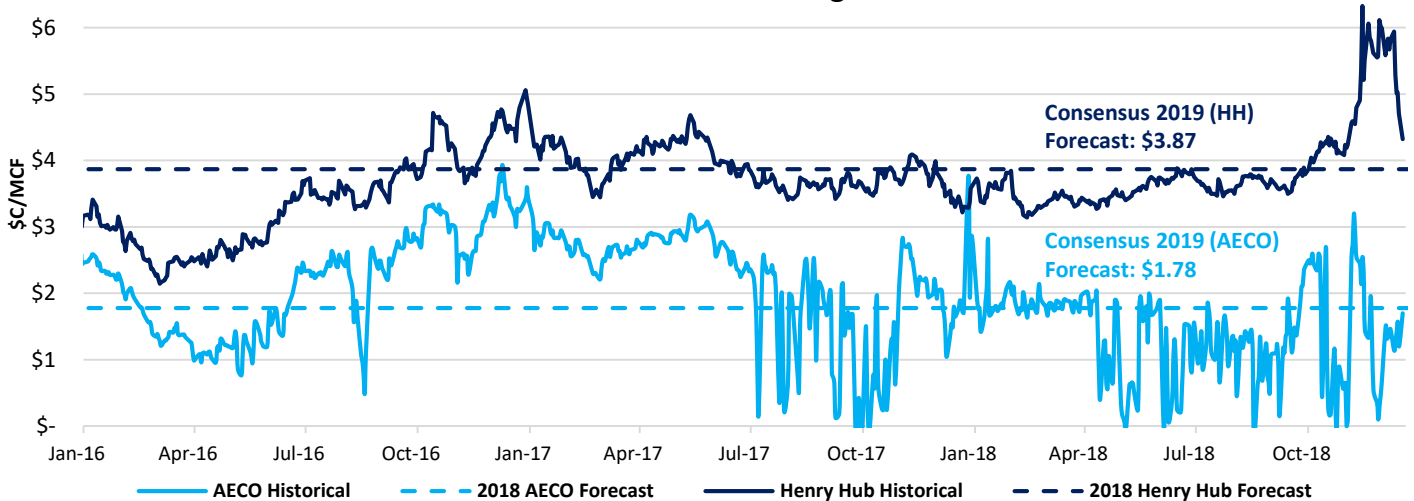
# Commodity Prices and Analyst Forecasts

## Crude Pricing



Global benchmark crude prices continued their slide from October into November with Brent and WTI falling 20.8% and 22.0% respectively. With OPEC and Russia jointly agreeing to production cuts of 1.2 million bpd earlier in December, both benchmarks have since stabilized. Continued increases in production out of the United States has created skepticism as to whether the production cuts by OPEC and Russia will be enough to balance the market. As for Canada, the Government of Alberta's mandatory production cuts have helped narrow the WTI-WCS differential with WCS pricing up 42.8% from the end of November to mid December. Longer term, the Western Canadian Sedimentary Basin will require additional takeaway capacity to prevent regulated intervention.

## Natural Gas Pricing



AECO pricing in November demonstrated the same theme observed throughout 2018 – volatility. Pricing was up 7.7% month-over-month but was up 142.9% from the end of November to the middle of December. The increase was primarily due to restrictions ending on the NGTL system. Henry Hub (“HH”) rallied 41.4% during the month as a result of below average inventory levels for this time of year and robust demand. While Henry Hub remains the primary futures market for natural gas exposure, traders are beginning to shift their focus to regional indices which is a reflection of the Marcellus and Permian-focused production environment in the U.S. with HH ranking as the 38<sup>th</sup> most active market for physical settlements.

## News Announcements

We really enjoyed catching up with everyone that attended our **8<sup>th</sup> Annual Energy Services Symposium** held on November 28. The event was a huge success - selling out earlier than normal and reaching a record number of attendees at our new venue. Thanks to all that joined us and especially to **Richard Spears**, our keynote speaker, and to our three industry panelists:

**Paul Crilly**, President & CEO, **Evolution Engineering**, Calgary, Alberta  
**Iggy Domagalski**, CEO, **Tundra Process Solutions**, Calgary, Alberta  
**Chuck Sanders**, President, **JV Driver Group**, Edmonton, Alberta

In case you missed us this year, we hope to see you at our event next year. You can find copies of the presentation materials on our website here:



## About Us

With offices in Edmonton, Calgary, and Vancouver, Sequeira Partners is focused on providing mergers and acquisition advisory, corporate valuations and financial opinions, and recapitalization services to mid-market energy services, industrial and diversified companies.

We welcome your thoughts or comments and inquiries as to how we could assist your business with its transaction needs.



## Our Team

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## Sequeira Oilfield Services Index – Sector Drilldown

As at Nov 30, 2018

Source: Capital IQ

Company	Ticker	Share Price	Dividend Yield	Market Cap	Enterprise Value	Revenue	TTM EBITDA	EBITDA Margin	EV/EBITDA TTM	EV/EBITDA 2018E	EV/EBITDA 2019E	Price/Book	Net Debt/EBITDA 2018E
<b>Drilling &amp; Equipment</b>													
			(%)	(\$mm)	(\$mm)	(\$mm)	(\$mm)	(%)	(x)	(x)	(x)	(x)	(x)
AKITA Drilling Ltd.	TSX:AKT.A	\$ 4.11	8.3%	163	226	86	(16)	NM	NM	22.3x	6.3x	0.6x	6.3x
Cathedral Energy Services Ltd.	TSX:CET	\$ 0.73	-	36	38	156	3	1.7%	14.5x	3.1x	2.3x	0.3x	0.2x
CWC Energy Services Corp.	TSXV:CWC	\$ 0.15	-	78	124	147	19	13.2%	6.4x	6.0x	5.7x	0.4x	2.4x
Ensign Energy Services Inc.	TSX:ESI	\$ 5.05	9.5%	793	1,524	1,080	174	16.1%	8.8x	5.9x	5.4x	0.5x	3.1x
Essential Energy Services Ltd.	TSX:ESN	\$ 0.34	-	48	71	192	17	9.0%	4.1x	2.7x	2.2x	0.3x	1.0x
High Arctic Energy Services Inc	TSX:HWO	\$ 3.47	5.7%	178	159	207	56	26.9%	2.9x	2.9x	3.9x	0.8x	NM
McCoy Global Inc.	TSX:MCB	\$ 1.18	-	32	25	46	(5)	NM	NM	19.4x	3.8x	0.9x	NM
Pason Systems Inc.	TSX:PSI	\$ 19.93	3.6%	1,703	1,518	291	115	39.5%	13.2x	9.7x	9.0x	4.7x	NM
PHX Energy Services Corp.	TSX:PHX	\$ 2.70	-	157	161	285	25	8.7%	6.5x	4.4x	3.3x	0.9x	0.1x
Precision Drilling Corporation	TSX:PD	\$ 3.05	-	896	2,485	1,461	329	22.5%	7.6x	6.7x	5.3x	0.5x	4.6x
Total Energy Services Inc.	TSX:TOT	\$ 10.05	2.4%	462	738	812	121	14.9%	6.1x	5.9x	5.3x	0.8x	2.3x
Trinidad Drilling Ltd.	TSX:TODG	\$ 1.68	-	459	961	596	144	24.2%	6.7x	6.0x	5.1x	0.6x	3.1x
Western Energy Services Corp.	TSX:WRG	\$ 0.55	-	51	272	240	32	13.5%	8.4x	7.6x	6.2x	0.1x	6.4x
Mean								17.3%	7.7x	7.9x	4.9x	0.9x	2.9x
Median								14.9%	6.7x	6.0x	5.3x	0.6x	2.8x
<b>Production &amp; Completion</b>													
			(%)	(\$mm)	(\$mm)	(\$mm)	(\$mm)	(%)	(x)	(x)	(x)	(x)	(x)
Bri-Chem Corp.	TSX:BRY	\$ 0.22	-	5	47	122	1	0.6%	NM	NM	NM	0.2x	ND
CES Energy Solutions Corp.	TSX:CEU	\$ 3.18	1.9%	848	1,318	1,202	138	11.5%	9.5x	8.1x	7.1x	1.3x	2.9x
Computer Modelling Group Ltd.	TSX:CMG	\$ 6.62	6.0%	531	479	72	28	39.0%	17.0x	NM	15.0x	10.6x	NM
Enerflex Ltd.	TSX:EFX	\$ 16.31	2.6%	1,450	1,610	1,686	225	13.3%	7.2x	6.8x	5.6x	1.2x	0.7x
Source Energy Services Ltd.	TSX:SHLE	\$ 1.27	-	78	222	436	58	13.3%	3.8x	3.3x	3.1x	0.3x	2.1x
Strad Energy Services Ltd.	TSX:SDY	\$ 1.35	-	77	85	115	22	19.1%	3.9x	3.4x	2.4x	0.6x	0.3x
Mean								16.2%	8.3x	5.4x	6.6x	2.4x	1.5x
Median								13.3%	7.2x	5.1x	5.6x	0.9x	1.4x
<b>Oilfield &amp; Facility Construction</b>													
			(%)	(\$mm)	(\$mm)	(\$mm)	(\$mm)	(%)	(x)	(x)	(x)	(x)	(x)
Badger Daylighting Ltd.	TSX:BAD	\$ 31.87	1.7%	1,182	1,256	571	141	24.6%	8.9x	8.0x	7.0x	3.3x	0.5x
ClearStream Energy Services Inc.	TSX:CSM	\$ 0.02	-	2	236	382	7	1.9%	NM	NM	NM	NM	ND
Enterprise Group, Inc.	TSX:E	\$ 0.23	-	12	19	36	4	10.1%	5.3x	NM	NM	0.2x	ND
Macro Enterprises Inc.	TSX:MCR	\$ 3.44	-	104	83	80	(1)	NM	NM	9.2x	2.1x	1.4x	NM
North American Construction Group Ltd.	NYSE:NOA	\$ 12.22	0.7%	305	455	361	79	21.9%	5.7x	4.7x	2.7x	2.0x	1.6x
Shawcor Ltd.	TSX:SCL	\$ 19.53	3.1%	1,369	1,449	1,483	164	11.1%	8.8x	9.5x	7.8x	1.3x	0.6x
Mean								13.9%	7.2x	7.8x	4.9x	1.7x	0.9x
Median								11.1%	7.3x	8.6x	4.8x	1.4x	0.6x
<b>Pressure Pumping</b>													
			(%)	(\$mm)	(\$mm)	(\$mm)	(\$mm)	(%)	(x)	(x)	(x)	(x)	(x)
Calfrac Well Services Ltd.	TSX:CFW	\$ 2.67	-	386	1,387	2,243	293	13.1%	4.7x	4.1x	4.2x	0.7x	3.1x
STEP Energy Services Ltd.	TSX:STEP	\$ 2.67	-	178	478	767	133	17.3%	3.6x	3.2x	3.0x	0.3x	2.3x
Trican Well Service Ltd.	TSX:TCW	\$ 1.22	-	382	503	1,013	126	12.5%	4.0x	5.1x	3.9x	0.4x	1.2x
Mean								14.3%	4.1x	4.1x	3.7x	0.5x	2.2x
Median								13.1%	4.0x	4.1x	3.9x	0.4x	2.3x
<b>Transportation &amp; Logistics</b>													
			(%)	(\$mm)	(\$mm)	(\$mm)	(\$mm)	(%)	(x)	(x)	(x)	(x)	(x)
ENTREC Corporation	TSX:ENT	\$ 0.18	-	20	173	166	14	8.1%	12.8x	11.5x	6.3x	0.6x	10.4x
Gibson Energy Inc.	TSX:GEI	\$ 21.35	6.2%	3,085	4,376	7,624	371	4.9%	11.8x	9.1x	9.6x	3.9x	3.0x
Mullen Group Ltd.	TSX:MTL	\$ 12.30	4.9%	1,289	1,779	1,224	175	14.3%	10.1x	9.2x	8.1x	1.3x	2.6x
Mean								9.1%	11.6x	9.9x	8.0x	1.9x	5.3x
Median								8.1%	11.8x	9.2x	8.1x	1.3x	3.0x
<b>Environmental &amp; Geophysical</b>													
			(%)	(\$mm)	(\$mm)	(\$mm)	(\$mm)	(%)	(x)	(x)	(x)	(x)	(x)
Pulse Seismic Inc.	TSX:PSD	\$ 2.02	-	109	88	11	5	46.1%	16.9x	16.0x	5.8x	3.2x	NM
Secure Energy Services Inc.	TSX:SES	\$ 7.20	3.8%	1,166	1,561	2,934	162	5.5%	9.6x	8.4x	7.4x	1.4x	2.1x
Tervita Corporation	TSX:TEV	\$ 8.43	-	991	1,725	2,178	181	8.3%	9.5x	7.8x	5.7x	2.3x	3.7x
Vertex Resource Group Ltd.	TSXV:VTX	\$ 0.46	-	43	127	140	18	13.2%	6.9x	4.8x	4.2x	0.7x	3.4x
Mean								18.3%	10.7x	9.3x	5.8x	1.9x	3.1x
Median								10.8%	9.6x	8.1x	5.8x	1.8x	3.4x
<b>Camps &amp; Catering</b>													
			(%)	(\$mm)	(\$mm)	(\$mm)	(\$mm)	(%)	(x)	(x)	(x)	(x)	(x)
Black Diamond Group Limited	TSX:BDI	\$ 2.21	-	121	205	162	30	18.4%	6.9x	7.1x	5.2x	0.5x	2.9x
Civeo Corporation	NYSE:CVEO	\$ 2.25	-	378	1,005	586	89	15.2%	11.3x	9.2x	6.7x	0.6x	5.5x
Horizon North Logistics Inc.	TSX:HNL	\$ 2.21	3.6%	363	388	359	27	7.7%	14.1x	7.8x	4.2x	1.1x	0.7x
Mean								13.8%	10.7x	8.0x	5.4x	0.7x	3.0x
Median								15.2%	11.3x	7.8x	5.2x	0.6x	2.9x