

Sequeira Energy Synopsis

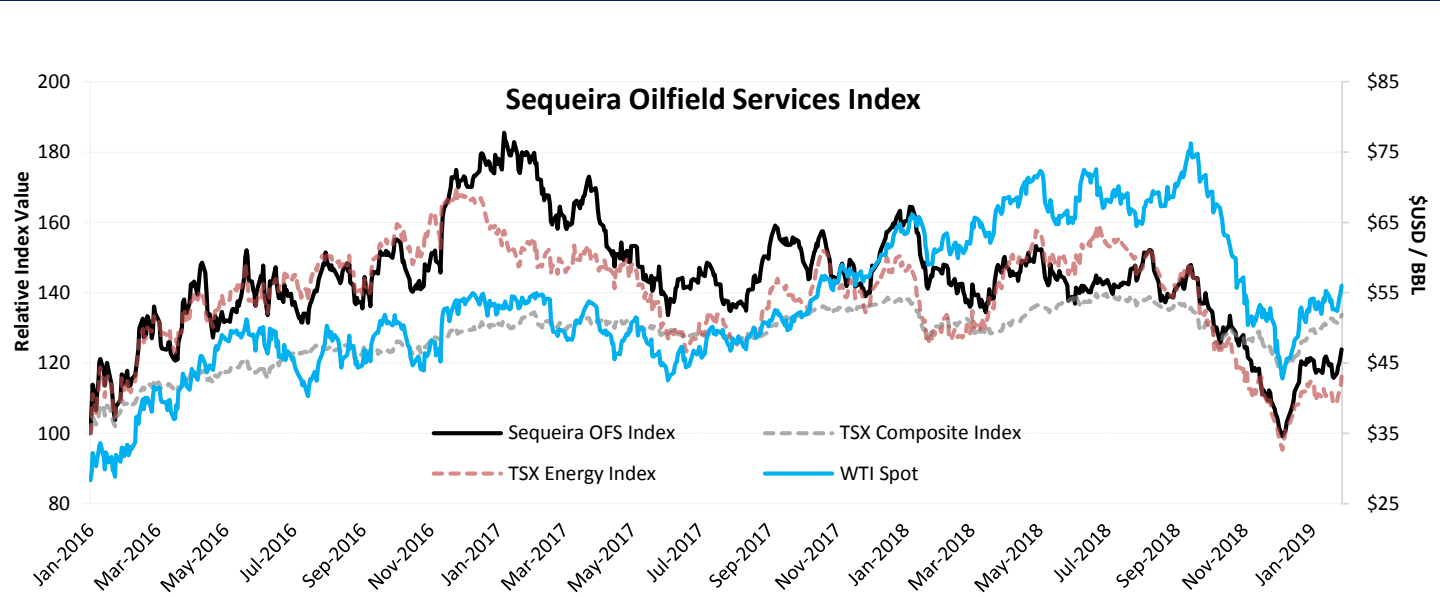
Oilfield services and equipment market update

January 2019



Following a rough December for Canada's oil and gas industry, January brought reasons for cautious optimism. WTI prices were up 18% on the month while WCS prices soared by 49%, driven by continued production cuts and a global shortage of heavy oil. Pricing gains were also reflected in the market, as Canadian OFS equities were up nearly 15% compared to a gain of just under 9% for the TSX Composite Index and, surprisingly, almost 8% for the TSX Energy Index. We see this as a sign that markets are beginning to see significant upside in OFS stocks which are still trading at levels comparable to those seen during the worst of the downturn.

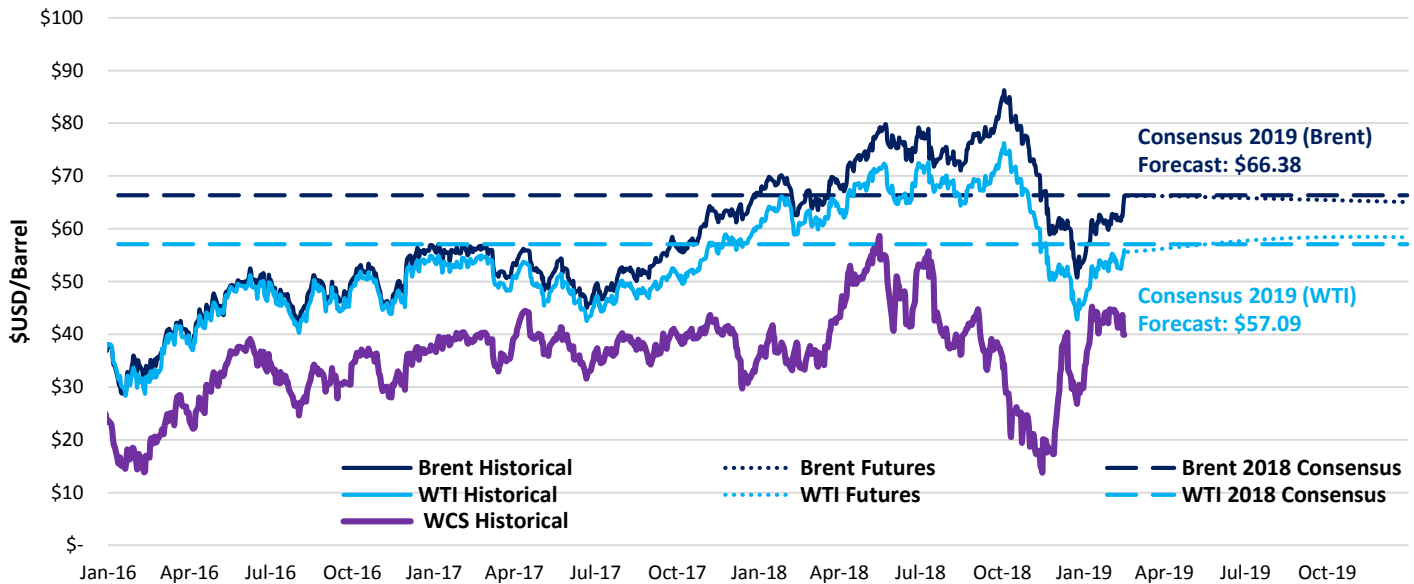
Market Overview



Sources: Capital IQ, Company Reports, and Sequeira Partners Research

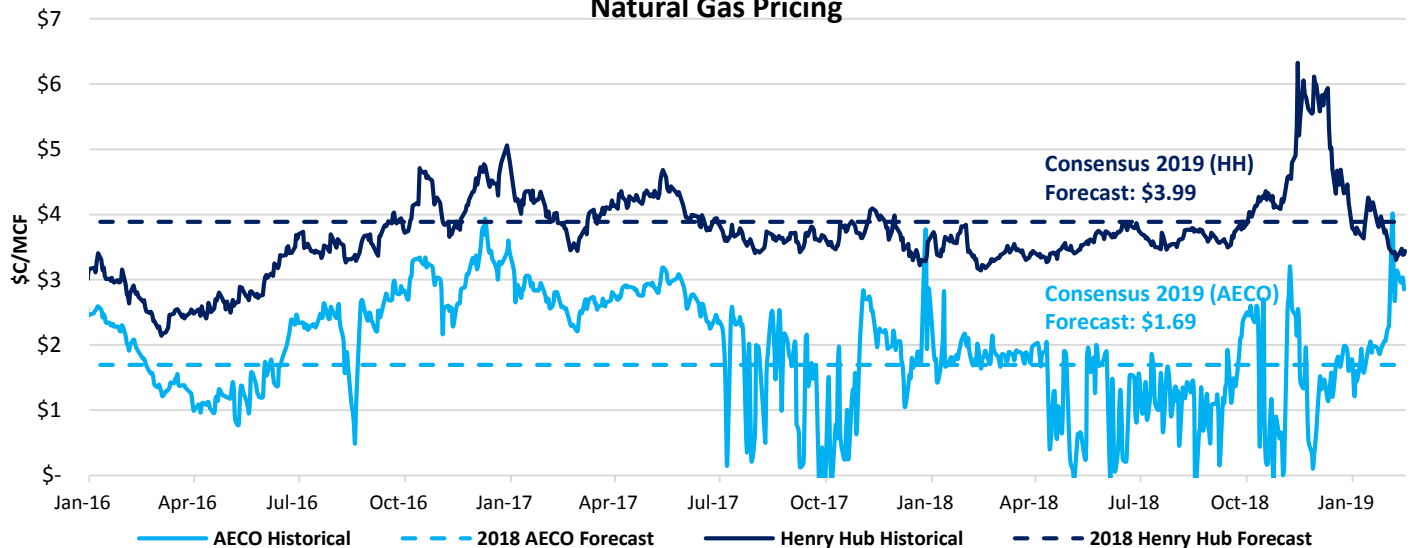
Commodity Prices and Analyst Forecasts

Crude Pricing



After a rocky December which saw crude prices close the year at 52-week lows, January brought a slight recovery, which continued into the first half of February. Following three consecutive months of pricing declines, bullish factors such as Venezuela sanctions, lower fuel inventory, and an expected pause in interest rate hikes resulted in the best January for crude oil in 14 years. As these conditions continue into February and OPEC remains committed to production cuts, many analysts believe the rally in prices will continue, although not everyone is optimistic in the long term. OPEC cut its world oil demand forecast in February and the Bank of America recently stated that it considers oil prices to be relatively “anchored” until 2024 due to the elasticity of shale production.

Natural Gas Pricing



AECO pricing was steady just below the \$2 mark in January before skyrocketing at the beginning of February as Western Canada experienced a record stretch of extreme cold. While this was certainly welcomed by Canadian producers, one strong month of demand does not erase the negative factors which have kept pricing low and volatile for the better part of 2018. Meanwhile south of the border, Henry Hub pricing has been tumbling since mid-January, erasing the gains seen during the last quarter of 2019. Strong growth in U.S. production and storage levels which remained robust throughout the winter contributed to this decline, resulting in the EIA chopping 6 cents from its 2019 price forecast in February.

Transaction Announcement

Last month, we were proud to announce the acquisition of our client, the Redco Group, by Industrial Growth Partners (“IGP”), a US based private equity group.

As the exclusive financial advisors to the shareholders of Redco, we assisted in identifying the best-fit partner to allow the shareholders to monetize a portion of their investment in the Company and help the business through it’s next phase of growth. Our team provided advisory assistance throughout the transaction from initial valuation through to negotiating final transaction terms.

The partnership with IGP allowed the Redco shareholders to monetize a portion of their investment in the business while also allowing ongoing participation as the Company looks to execute on their next phase of growth.



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.



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Sequeira Oilfield Services Index – Sector Drilldown

As at Jan 31, 2019

Source: Capital IQ

Company	Ticker	Share Price	Dividend Yield	Market Cap	Enterprise Value	Revenue	TTM EBITDA	EBITDA Margin	EV/EBITDA			Price/Book	Net Debt/2019 EBITDA
			(%)	(\$mm)	(\$mm)	(\$mm)	(\$mm)	(%)	(x)	(x)	(x)	(x)	(x)
Drilling & Equipment													
AKITA Drilling Ltd.	TSX:AKT.A	\$ 3.38	10.1%	134	197	86	(16)	NM	NM	18.5x	7.2x	0.5x	2.1x
Cathedral Energy Services Ltd.	TSX:CET	\$ 0.71	-	35	37	156	3	1.7%	14.1x	3.7x	4.4x	0.3x	0.2x
CWC Energy Services Corp.	TSXV:CWC	\$ 0.15	-	77	123	147	19	13.2%	6.3x	7.1x	10.7x	0.4x	3.9x
Ensign Energy Services Inc.	TSX:ESI	\$ 5.04	9.5%	792	1,522	1,080	174	16.1%	8.8x	6.3x	4.2x	0.5x	2.2x
Essential Energy Services Ltd.	TSX:ESN	\$ 0.29	-	40	63	192	17	9.0%	3.7x	3.0x	3.0x	0.2x	1.0x
High Arctic Energy Services Inc	TSX:HWO	\$ 3.79	5.2%	193	175	207	56	26.9%	3.1x	3.3x	4.7x	0.8x	NM
McCoy Global Inc.	TSX:MCB	\$ 1.02	-	28	21	46	(5)	NM	NM	17.9x	5.0x	0.7x	NM
Pason Systems Inc.	TSX:PSI	\$ 20.67	3.5%	1,771	1,587	291	115	39.5%	13.8x	10.9x	10.9x	4.9x	NM
PHX Energy Services Corp.	TSX:PHX	\$ 2.57	-	149	153	285	25	8.7%	6.1x	4.3x	3.4x	0.8x	0.1x
Precision Drilling Corporation	TSX:PD	\$ 2.89	-	849	2,438	1,541	375	24.3%	6.5x	NM	6.7x	0.5x	2.3x
Total Energy Services Inc.	TSX:TOT	\$ 9.70	2.5%	445	721	812	121	14.9%	5.9x	6.2x	6.2x	0.8x	2.3x
Western Energy Services Corp.	TSX:WRG	\$ 0.39	-	36	257	236	30	12.9%	8.4x	NM	8.3x	0.1x	7.7x
Mean								16.7%	7.7x	8.1x	6.2x	0.9x	2.6x
Median								14.1%	6.4x	6.3x	5.6x	0.5x	2.2x
Production & Completion													
Bri-Chem Corp.	TSX:BRY	\$ 0.18	-	4	46	122	1	0.6%	NM	NM	NM	0.2x	ND
CES Energy Solutions Corp.	TSX:CEU	\$ 3.32	1.8%	883	1,353	1,202	138	11.5%	9.8x	8.3x	7.7x	1.4x	2.6x
Computer Modelling Group Ltd.	TSX:CMG	\$ 6.81	5.9%	546	494	73	30	40.7%	16.6x	NM	14.8x	10.9x	NM
Enerflex Ltd.	TSX:EFX	\$ 17.36	2.4%	1,546	1,707	1,686	225	13.3%	7.6x	7.7x	6.3x	1.3x	0.6x
Source Energy Services Ltd.	TSX:SHLE	\$ 1.21	-	74	217	436	58	13.3%	3.7x	3.5x	4.9x	0.2x	2.6x
Strad Energy Services Ltd.	TSX:SDY	\$ 1.31	-	75	83	115	22	19.1%	3.8x	3.5x	2.3x	0.5x	0.2x
Mean								16.4%	8.3x	5.8x	7.2x	2.4x	1.5x
Median								13.3%	7.6x	5.6x	6.3x	0.9x	1.6x
Oilfield & Facility Construction													
Badger Daylighting Ltd.	TSX:BAD	\$ 34.96	1.5%	1,278	1,351	571	141	24.6%	9.6x	9.2x	7.9x	3.6x	0.4x
ClearStream Energy Services Inc.	TSX:CSM	\$ 0.05	-	5	239	382	7	1.9%	NM	NM	NM	NM	ND
Enterprise Group, Inc.	TSX:E	\$ 0.28	-	15	22	36	4	10.1%	6.2x	NM	NM	0.3x	ND
Macro Enterprises Inc.	TSXV:MCR	\$ 2.72	-	82	61	80	(1)	NM	NM	5.9x	2.1x	1.1x	NM
North American Construction Group Ltd.	NYSE:NOA	\$ 13.72	-	343	489	361	79	21.9%	6.2x	5.7x	3.3x	0.0x	0.9x
Shawcor Ltd.	TSX:SCL	\$ 20.27	3.0%	1,421	1,501	1,483	164	11.1%	9.1x	11.8x	9.2x	1.4x	0.4x
Mean								13.9%	7.8x	8.1x	5.6x	1.3x	0.6x
Median								11.1%	7.6x	7.5x	5.6x	1.1x	0.4x
Pressure Pumping													
Calfrac Well Services Ltd.	TSX:CFW	\$ 2.81	-	406	1,407	2,243	293	13.1%	4.8x	4.6x	5.9x	0.8x	3.7x
STEP Energy Services Ltd.	TSX:STEP	\$ 2.08	-	139	439	767	133	17.3%	3.3x	3.7x	4.4x	0.3x	2.5x
Trican Well Service Ltd.	TSX:TCW	\$ 1.33	-	401	522	1,013	126	12.5%	4.1x	6.4x	11.5x	0.4x	1.7x
Mean								14.3%	4.1x	4.9x	7.3x	0.5x	2.6x
Median								13.1%	4.1x	4.6x	5.9x	0.4x	2.5x
Transportation & Logistics													
ENTREC Corporation	TSX:ENT	\$ 0.15	-	16	169	166	14	8.1%	12.5x	11.4x	7.5x	0.4x	6.8x
Gibson Energy Inc.	TSX:GEI	\$ 19.91	6.6%	2,878	4,169	7,624	371	4.9%	11.2x	9.8x	10.7x	3.7x	3.2x
Mullen Group Ltd.	TSX:MTL	\$ 12.04	5.0%	1,262	1,751	1,261	189	15.0%	9.3x	NM	8.8x	1.3x	2.5x
Mean								9.3%	11.0x	10.6x	9.0x	1.8x	4.2x
Median								8.1%	11.2x	10.6x	8.8x	1.3x	3.2x
Environmental & Geophysical													
Pulse Seismic Inc.	TSX:PSD	\$ 2.52	-	136	115	11	5	46.1%	22.0x	28.5x	4.7x	4.0x	NM
Secure Energy Services Inc.	TSX:SES	\$ 8.12	3.3%	1,293	1,689	2,934	162	5.5%	10.4x	9.6x	9.0x	1.6x	2.0x
Tervita Corporation	TSX:TEV	\$ 7.04	-	828	1,562	2,178	181	8.3%	8.6x	7.7x	6.1x	1.9x	3.0x
Vertex Resource Group Ltd.	TSXV:VTX	\$ 0.40	-	37	122	140	18	13.2%	6.6x	5.6x	4.4x	0.6x	3.2x
Mean								18.3%	11.9x	12.8x	6.1x	2.0x	2.7x
Median								10.8%	9.5x	8.6x	5.4x	1.7x	3.0x
Camps & Catering													
Black Diamond Group Limited	TSX:BDI	\$ 1.99	-	109	193	162	30	18.4%	6.5x	7.2x	5.6x	0.5x	2.2x
Civeo Corporation	NYSE:CVCO	\$ 3.33	-	559	1,179	586	89	15.2%	13.2x	12.1x	8.7x	0.8x	4.0x
Horizon North Logistics Inc.	TSX:HNL	\$ 1.85	4.3%	304	329	359	27	7.7%	12.0x	9.5x	5.4x	0.9x	0.4x
Mean								13.8%	10.5x	9.6x	6.6x	0.7x	2.2x
Median								15.2%	12.0x	9.5x	5.6x	0.8x	2.2x