



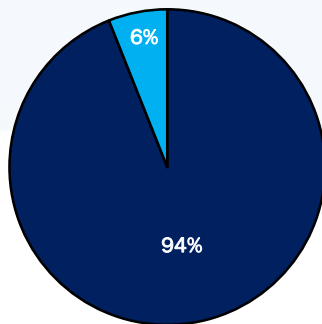
THE WELL STREET JOURNAL

Oilfield Services and Equipment Deep Dive
2019 | Q2 Report

Q2 | Deep Dive

Crude pricing decreased moderately quarter over quarter while the average active rig count in Q2 2019 fell to 88 rigs versus 108 rigs in Q2 2018, representing a decrease of 18%. In Canada, activity continues to be restricted due to limited takeaway capacity and consequently government mandated curtailments. As a result, operators are disincentivized to increase production. That said, the success of the curtailments can be seen in the form of reduced pricing discounts on Canadian crude blends. As an example, Western Canadian Select has been discounted by an average \$12/bbl versus WTI over the curtailment period compared to \$27/bbl during 2018.

Should the U.S. and China sort through trade discussions, global crude pricing could see a lift as tensions are restraining global growth and as a consequence, demand for oil and gas. In Canada, the good news is that the Trans Mountain Pipeline Expansion looks to be poised to ramp-up construction activities later this year and LNG Canada continues to move along.



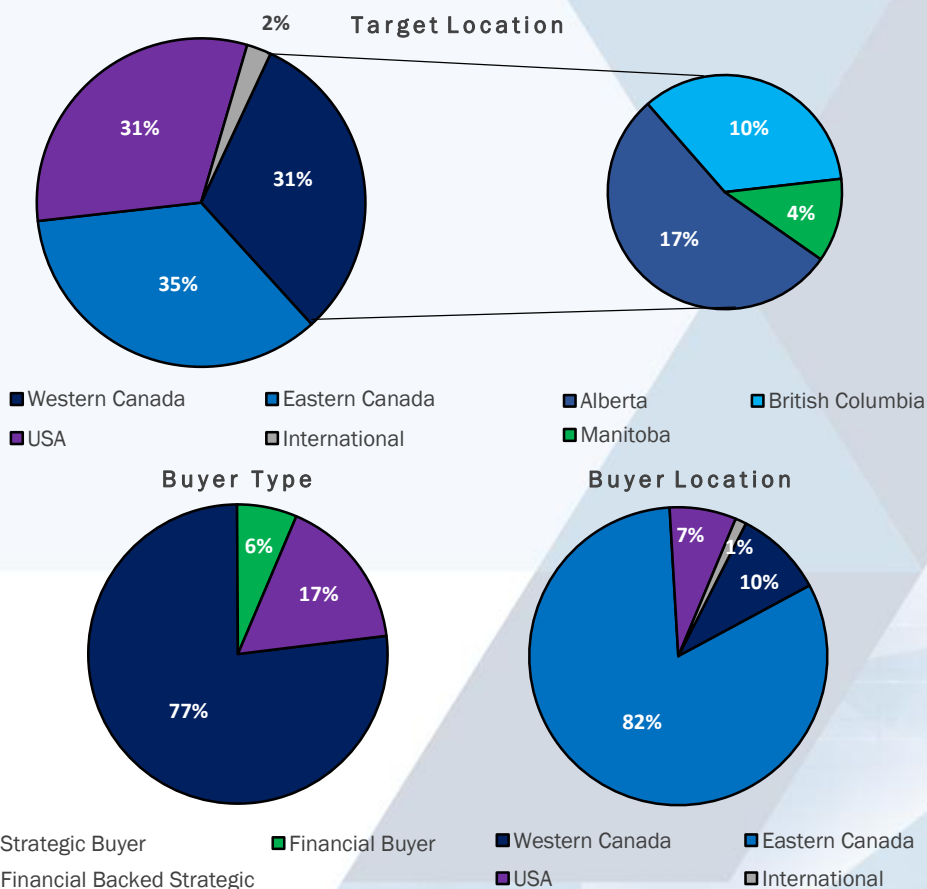
■ Industrials ■ Oilfield Services

As for transactions in the oilfield and industrial industry segments, Q2 2019 saw 83 disclosed transactions with either a Canadian target or buyer. Of the 83 transactions, only 5 (6%) were specific to the oilfield services sector. If you want more information, feel free to contact one of our team members.

Transactions Over the Quarter

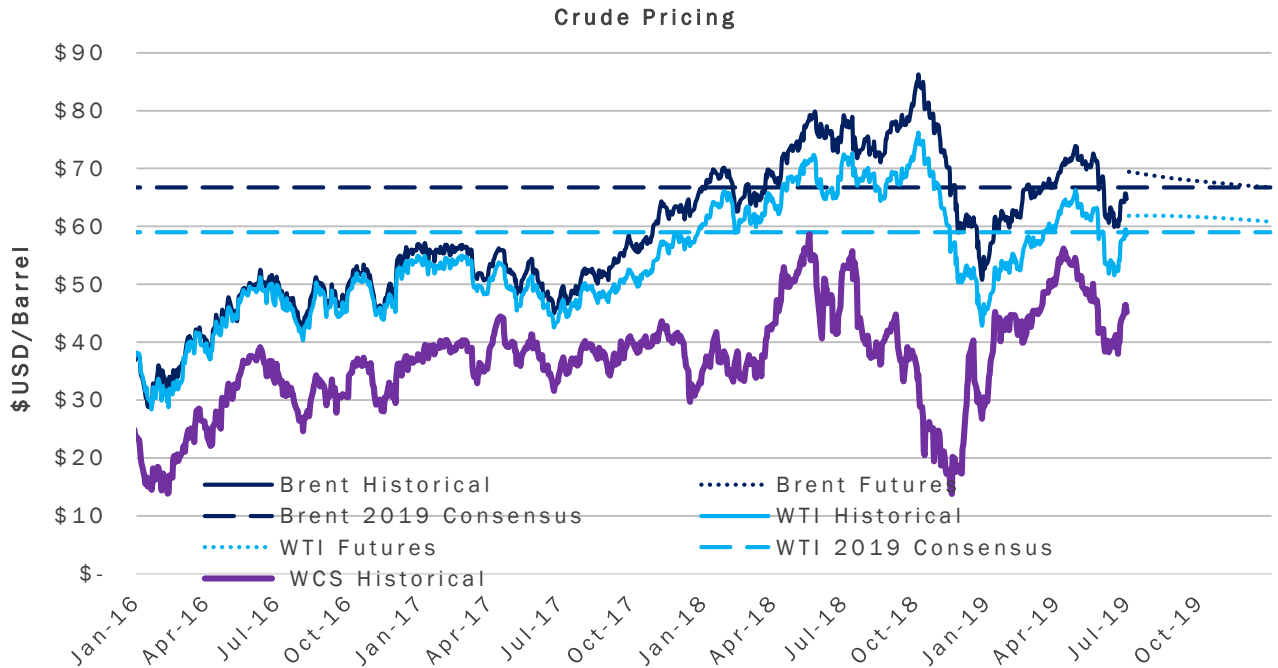
Of the 83 disclosed transactions in the quarter with a Canadian buyer or target, 31% of target companies were located in Western Canada and more specifically 17% of the targeted companies were located in Alberta. Strategic purchasers continue to be the most active buyers, participating in 77% of transactions.

Notable transactions during the quarter included the \$3.8 billion purchase of Devon's Canadian oil sands and heavy oil assets by Canadian Natural Resources Ltd. (CNRL). With this acquisition, CNRL solidifies itself as Canada's largest oil and gas producer. Another notable transaction in the quarter was ClearStream Energy Services' purchase of AECOM's Production Services Business which were established under the Flint Energy Services banner in 1998.



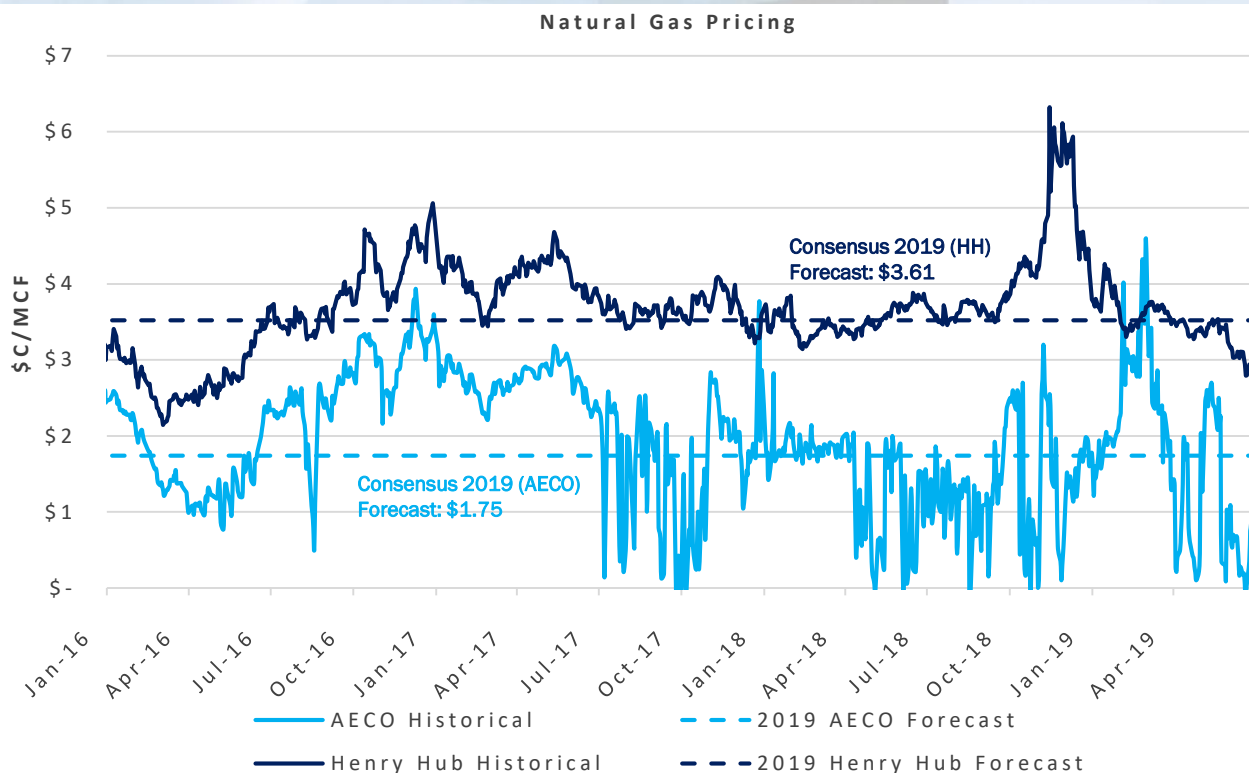
Commodity Pricing and Analyst Forecasts

Q2 2019 saw a moderate decline in oil prices after an optimistic start to the year with Brent and WTI benchmarks falling 4% and 3% in the quarter respectively. Canada's WCS benchmark saw a more significant drop during the same period, decreasing 11% on the back of the continued failure to provide pipeline capacity to match growing oil sands output. While pricing has continued to remain headline driven with fears of a global economic recession being brought on by global tariffs, the hope is U.S.-China trade talks will resume shortly which should help ease concerns around the future of the global economy.



Commodity Pricing and Analyst Forecasts

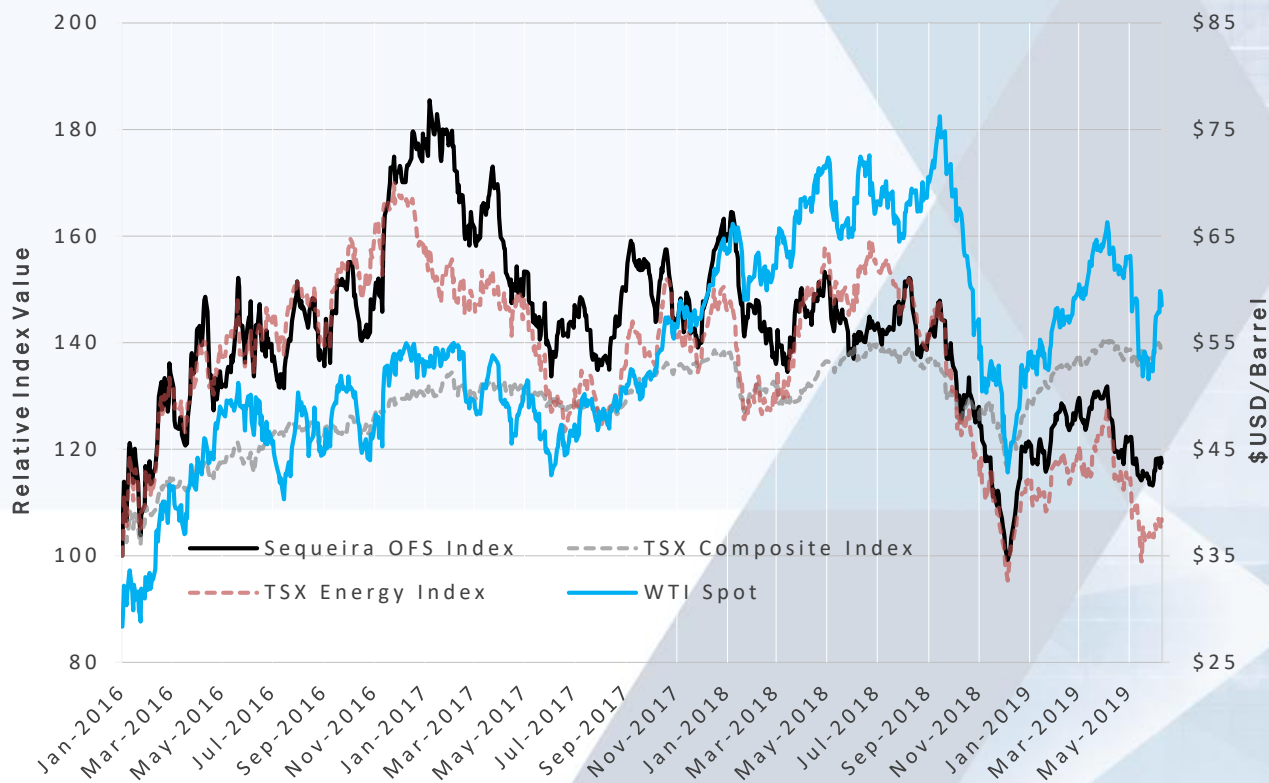
While AECO prices remained consistently above \$2/MCF during Q1 for the first time since early 2017, prices plummeted through Q2 as June averages hit the lowest levels in 19 years. The Canadian gas market faces many challenges over the medium term as infrastructure continues to lag behind the growing resource play production in the Montney and Duvernay. Henry HUB pricing continued downward through Q2 as significant gas production led to the injection of huge amounts of gas into storage.



Market Overview

Sequeira's OFS index tracks publicly listed Canadian Oilfield Service companies with Enterprise Values averaging more than \$30 MM CAD. The decline in oil prices in Q2 resulted in a correlated decline in our index, though not to the extent seen at the end of 2018. Our index ended the quarter up 11% year to date though is down 5% quarter over quarter.

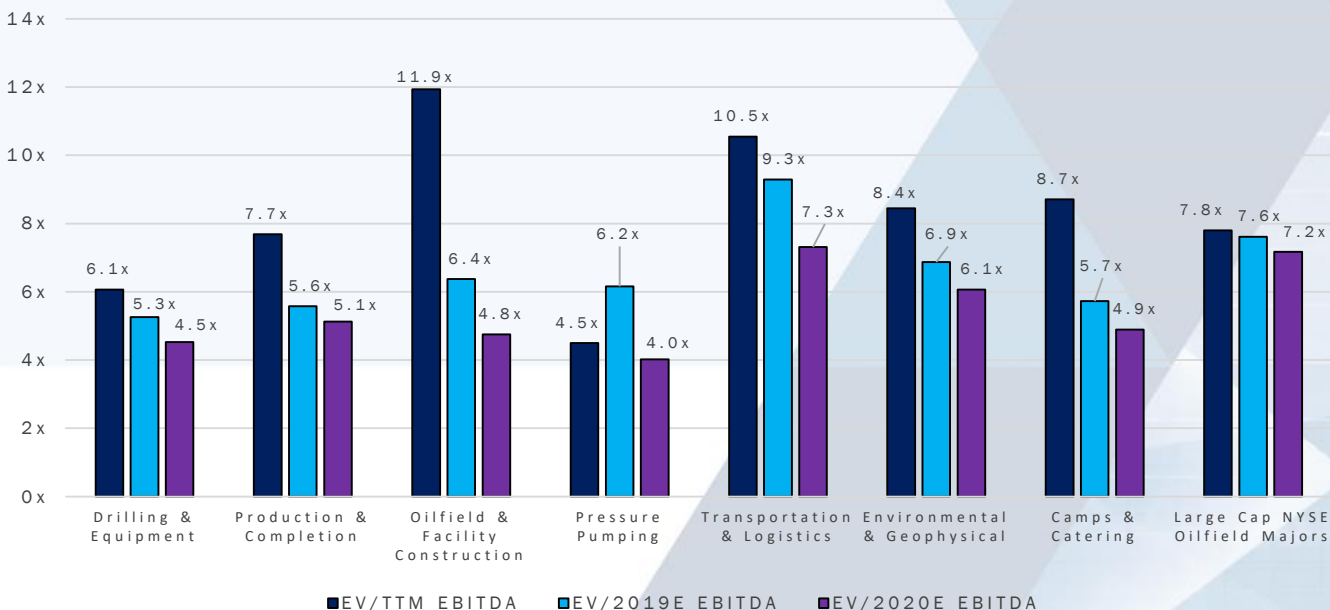
Sequeira Oilfield Services Index



Market Overview

Following the meaningful recovery in Q1 of 2019, Q2 experienced a notable decline in TTM multiples across the board in most of our industry subsectors. The lower forward multiples expected in the facility construction and camp space reflect analysts expectations for future earnings growth. In particular, Badger Daylighting saw strong market performance with an 18% increase in stock price through Q2. This is impressive as the majority of the industry lagged in comparison to better than expected Q1 results. Pressure pumpers continued to be hampered by low expectations for 2019 activity, which is expected to negatively impact earnings over the near to medium term.

Market Multiples by Subsector



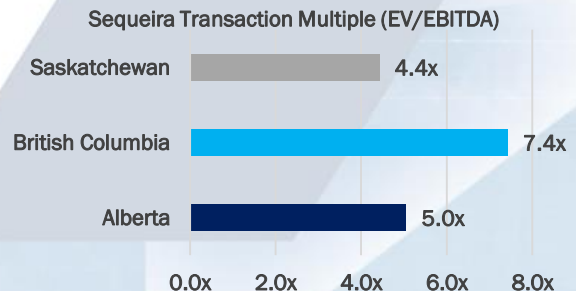
ValueINSIGHTS

Is there a Provincial premium? Every month, our firm deals with a variety of transactions and works with dozens of companies - all to say we feel we have a good grip on the markets in Western Canada. As we analyze transactions and advise business owners in Alberta, BC, and Saskatchewan, an interesting trend starts to emerge: multiples tend to be higher in BC than in Alberta or Saskatchewan. It's a unique phenomenon, but it's certainly not new (we've observed it over the last 5 years). On the surface, one might argue that Alberta should attract higher multiples for its businesses due to a number of high-level macro factors, including: lower tax rates, relatively less regulation, a pro-business environment, and others. It's fair to debate the validity of these statements, but if we assume for the moment they're accurate, why do we throw around the typical Alberta multiples of 4x to 6x, while the BC discussion starts at 6x and goes up from there? Here are a few ideas:

1. A number of businesses in Alberta are asset intensive. All else being equal, when there's asset intensity in your business, meaning the equipment is worked hard and replaced often, cash flows in the business can often be directed to buying new gear instead of going into the owners' pocket. And before my friends in the forestry and construction sectors in BC send me a gentle reminder, remember this is on a macro scale. All else being equal, the Alberta oil patch can be tough on equipment. When we consider multiples of EBITDA, asset intensive businesses will tend to be lower on the scale. To combat this fact, many great businesses across Canada are looking at ways of doing business differently through technology to increase efficiency, throughput, and reduce maintenance of equipment. In real time, we're seeing the impacts of these changes in increased valuations.

2. The cyclical nature of the oil patch. As a valuator, it can be tough to make the case that Alberta businesses are steady-as-you-go, as we've seen our share of booms and busts. This underlying cyclical nature can soften multiples since it creates risk resulting in higher required returns to investors for that risk. Further, the outlook in Alberta is uncertain. One of the key concepts in valuation is that value is prospective – we look to the future of a business to understand its ability to generate cash flow. From the Alberta, BC, and Saskatchewan perspective, you don't have to read too many headlines to see uncertainty in the Alberta energy economy, strength in the BC real estate and housing sectors (although cracks are starting to form), and the long-term stability of the agriculture-based businesses in Saskatchewan.
3. It's desirable to own a business based in Vancouver (and it's difficult to "greenfield"). This trend is disconnected from valuation theory, but we see it when we deal with potential buyers: BC can be a tough, competitive market, and it's difficult for businesses to simply open an office or expand into the province. It can be easier to just buy in. That, combined with the fact that people want to be in Vancouver (and many other parts of BC) for the lifestyle, puts a premium on BC valuations, even for smaller transactions.

In the end, considering the backdrop of where each Provincial economy is in its cycle and the types of commerce that is generally conducted, we do recognize the assertion there's a Provincial multiple premium; however, we're also convinced there are great businesses across Western Canada that can command multiples outside of the traditional valuation ranges by capitalizing on opportunities, leveraging new ideas, embracing new technologies, and exploring new markets.



Our Team

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Sequeira Update

Advisor to



on the sale to



HUB



On June 12, 2019, our Vancouver team announced the acquisition of our client, Porchlight Financial ("Porchlight"), by HUB International Ltd. This transaction marks Sequeira's 4th insurance deal completed in the last year.

Located in Vancouver, Porchlight Financial is a full-service group retirement plan consulting firm with over 25 years of experience helping employers and employees achieve better pension outcomes. Porchlight specializes in group retirement plan member advisory services, financial wellness programs, retirement lifestyle and income planning.

As the exclusive financial advisor to the shareholders of Porchlight, our team assisted and provided advisory services throughout the transaction.

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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Appendix A

Sequeira Oilfield Services Index – Sector Drilldown

As at June 30, 2019

Source: Capital IQ

Company	Ticker	Share Price	Dividend Yield	Market Cap	Enterprise Value	Revenue	TTM EBITDA	EBITDA Margin	EV/EBITDA TTM	EV/EBITDA 2019E	EV/EBITDA 2020E	Price/Book	Net Debt/2019E EBITDA
Drilling & Equipment													
			(%)	(\$mm)	(\$mm)	(\$mm)	(\$mm)	(%)	(x)	(x)	(x)	(x)	(x)
AKITA Drilling Ltd.	TSX:AKT.A	\$ 2.50	13.6%	100	192	165	19	11.7%	9.9x	5.6x	4.0x	0.4x	2.0x
Cathedral Energy Services Ltd.	TSX:CET	\$ 0.43	-	21	45	155	(1)	NM	NM	5.0x	3.7x	0.3x	3.1x
CWC Energy Services Corp.	TSXV:CWC	\$ 0.17	-	87	130	124	15	12.3%	8.6x	8.5x	7.9x	0.5x	3.1x
Ensign Energy Services Inc.	TSX:ESI	\$ 4.29	11.2%	680	2,396	1,458	355	24.4%	6.7x	5.0x	4.7x	0.4x	3.8x
Essential Energy Services Ltd.	TSX:ESN	\$ 0.31	-	44	73	166	16	9.9%	4.5x	3.8x	3.1x	0.3x	1.3x
High Arctic Energy Services Inc	TSX:HWO	\$ 3.32	6.0%	166	153	196	31	15.8%	4.9x	5.7x	3.3x	0.7x	NM
McCoy Global Inc.	TSX:MCB	\$ 0.65	-	18	17	54	3	6.2%	4.9x	3.0x	2.0x	0.4x	NM
Pason Systems Inc.	TSX:PSI	\$ 18.98	3.8%	1,626	1,458	319	137	42.8%	10.7x	9.1x	8.4x	4.2x	NM
PHX Energy Services Corp.	TSX:PHX	\$ 2.89	-	163	232	352	41	11.5%	5.7x	4.2x	3.8x	1.1x	1.2x
Precision Drilling Corporation	TSX:PD	\$ 2.46	-	723	2,344	1,603	387	24.1%	6.1x	5.3x	4.9x	0.5x	3.8x
Total Energy Services Inc.	TSX:TOT	\$ 8.26	2.9%	378	626	887	116	13.1%	5.4x	5.8x	4.8x	0.7x	2.2x
Western Energy Services Corp.	TSX:WRG	\$ 0.23	-	21	263	226	29	12.7%	9.2x	8.8x	6.7x	0.1x	7.4x
Mean								16.8%	7.0x	5.8x	4.8x	0.8x	3.1x
Median								12.7%	6.1x	5.5x	4.4x	0.5x	3.1x
Production & Completion													
			(%)	(\$mm)	(\$mm)	(\$mm)	(\$mm)	(%)	(x)	(x)	(x)	(x)	(x)
Bri-Chem Corp.	TSX:BRY	\$ 0.13	-	3	40	107	7	6.4%	5.8x	NM	NM	0.2x	ND
CES Energy Solutions Corp.	TSX:CEU	\$ 2.42	2.5%	644	1,122	1,332	143	10.8%	7.8x	5.4x	5.0x	0.9x	2.6x
Computer Modelling Group Ltd.	TSX:CMG	\$ 7.28	5.5%	584	530	76	33	43.5%	16.0x	NM	14.8x	12.4x	NM
Enerflex Ltd.	TSX:EFX	\$ 17.05	2.5%	1,526	1,606	1,939	253	13.0%	6.3x	4.7x	4.7x	1.2x	0.6x
Source Energy Services Ltd.	TSX:SHLE	\$ 0.69	-	42	285	362	20	5.5%	14.3x	5.7x	4.6x	0.1x	5.2x
Strad Inc.	TSX:SDY	\$ 1.67	-	95	116	121	29	23.8%	4.0x	3.2x	2.4x	0.7x	0.6x
Wolverine Energy and Infrastructure Inc.	TSXV:WEII	\$ 1.01	-	107	168	58	14	23.6%	12.3x	NM	3.9x	2.6x	3.7x
Mean								18.1%	9.5x	4.8x	5.9x	2.6x	2.5x
Median								13.0%	7.8x	5.0x	4.6x	0.9x	2.6x
Oilfield & Facility Construction													
			(%)	(\$mm)	(\$mm)	(\$mm)	(\$mm)	(%)	(x)	(x)	(x)	(x)	(x)
Badger Daylighting Ltd.	TSX:BAD	\$ 47.78	1.2%	1,714	1,799	655	149	22.8%	12.1x	9.3x	7.7x	5.0x	0.6x
ClearStream Energy Services Inc.	TSX:CSM	\$ 0.05	-	5	276	351	12	3.5%	22.5x	NM	NM	NM	ND
Enterprise Group, Inc.	TSX:E	\$ 0.18	-	10	19	21	3	12.1%	7.5x	NM	NM	0.2x	ND
Macro Enterprises Inc.	TSXV:MCR	\$ 3.95	-	121	134	304	36	11.7%	3.8x	2.9x	3.0x	1.3x	0.3x
North American Construction Group Ltd.	NYSE:NOA	\$ 14.13	-	355	753	579	125	21.6%	6.0x	4.5x	4.1x	0.0x	2.3x
Shawcor Ltd.	TSX:SCL	\$ 18.32	3.3%	1,285	1,422	1,466	114	7.8%	12.5x	9.9x	6.7x	1.2x	2.6x
Mean								13.2%	10.7x	6.7x	5.3x	1.5x	1.5x
Median								11.9%	9.8x	6.9x	5.4x	1.2x	1.5x
Pressure Pumping													
			(%)	(\$mm)	(\$mm)	(\$mm)	(\$mm)	(%)	(x)	(x)	(x)	(x)	(x)
Calfrac Well Services Ltd.	TSX:CFW	\$ 2.08	-	301	1,232	2,034	246	12.1%	5.0x	6.3x	5.0x	0.6x	4.8x
STEP Energy Services Ltd.	TSX:STEP	\$ 1.88	-	125	393	773	93	12.1%	4.2x	3.7x	2.9x	0.3x	3.0x
Trican Well Service Ltd.	TSX:TCW	\$ 1.17	-	340	411	778	51	6.5%	8.1x	6.4x	3.7x	0.4x	0.2x
Mean								10.2%	5.8x	5.5x	3.9x	0.4x	2.7x
Median								12.1%	5.0x	6.3x	3.7x	0.4x	3.0x
Transportation & Logistics													
			(%)	(\$mm)	(\$mm)	(\$mm)	(\$mm)	(%)	(x)	(x)	(x)	(x)	(x)
ENTREC Corporation	TSX:ENT	\$ 0.13	-	14	260	179	19	10.5%	13.8x	9.6x	6.9x	0.5x	8.6x
Gibson Energy Inc.	TSX:GEI	\$ 23.35	5.7%	3,392	4,641	7,121	436	6.1%	10.6x	11.1x	11.0x	4.4x	3.3x
Mullen Group Ltd.	TSX:MTL	\$ 9.50	6.3%	996	1,545	1,312	197	15.0%	7.9x	7.5x	7.0x	1.1x	2.7x
Mean								10.6%	10.8x	9.4x	8.3x	2.0x	4.9x
Median								10.5%	10.6x	9.6x	7.0x	1.1x	3.3x
Environmental & Geophysical													
			(%)	(\$mm)	(\$mm)	(\$mm)	(\$mm)	(%)	(x)	(x)	(x)	(x)	(x)
Pulse Seismic Inc.	TSX:PSD	\$ 2.21	-	119	157	22	16	71.0%	10.0x	6.1x	5.2x	3.6x	1.7x
Secure Energy Services Inc.	TSX:SES	\$ 7.14	3.8%	1,136	1,578	3,094	170	5.5%	9.3x	7.6x	6.7x	1.4x	2.3x
Tervita Corporation	TSX:TEV	\$ 6.80	-	798	1,649	2,165	217	10.0%	7.6x	6.7x	6.1x	2.2x	3.6x
Vertex Resource Group Ltd.	TSXV:VTX	\$ 0.40	-	37	148	172	22	12.6%	6.8x	5.2x	4.5x	0.6x	4.1x
Mean								24.8%	8.4x	6.4x	5.6x	1.9x	2.9x
Median								11.3%	8.4x	6.4x	5.7x	1.8x	3.0x
Camps & Catering													
			(%)	(\$mm)	(\$mm)	(\$mm)	(\$mm)	(%)	(x)	(x)	(x)	(x)	(x)
Black Diamond Group Limited	TSX:BDI	\$ 2.05	-	114	227	175	25	14.4%	9.0x	5.3x	4.7x	0.5x	3.0x
Civeo Corporation	NYSE:CVEO	\$ 2.25	-	381	967	609	104	17.1%	9.3x	7.4x	6.6x	0.6x	4.3x
Horizon North Logistics Inc.	TSX:HNL	\$ 1.86	4.3%	308	366	451	32	7.2%	11.3x	7.5x	4.4x	0.9x	1.3x
Mean								12.9%	9.9x	6.8x	5.2x	0.7x	2.9x
Median								14.4%	9.3x	7.4x	4.7x	0.6x	3.0x