



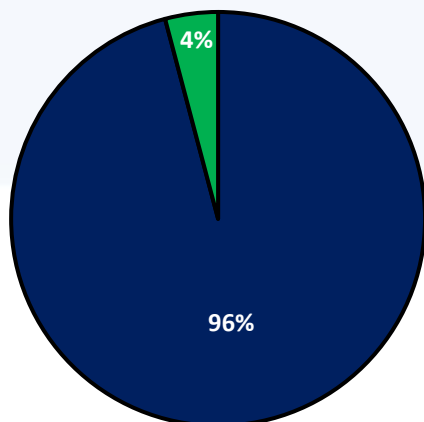
THE WELL STREET JOURNAL

Oilfield Services and Industrials Deep Dive
2020 | Q4 Report

Q4 | Overview

The year ended with a continuation of positive trends which began in Q3, including WTI pricing nearing \$50/bbl and Canadian rig counts averaging 95 active rigs in Q4 - up from an average of 47 in Q3. While current pricing and activity levels are still off from what we've seen in recent years, industry activity has come a long way over the back half of 2020. This has led many analysts to predict a recovery in 2021, setting the industry up for a strong rebound in the coming year and into 2022. Our team is optimistic that oilfield services are headed for a strong multi-year cycle as the world recovers from the impacts of the pandemic, which should drive profitability and increased transaction activity in the space. Trends we are seeing include:

- **Supply vs. Demand** – Upstream oil and gas investment is expected to be at a 15-year low in 2021, down 30 percent from pre-crisis investment levels in 2020. Per Wood Mackenzie, the recovery of oil back to over 100 million bbl/d could result in a material supply gap and an upward spike in pricing.
- **Strength through Adversity** – Anyone in the industry is all too familiar with the cost cutting measures over the past 5 years, which accelerated through the COVID-19 pandemic. While these have been painful, many companies will emerge from this down cycle more efficient than ever and poised to rebound as activity levels increase.
- **Contained Permian** – Many analysts believe U.S. spending will be more disciplined in the next cycle with longer term growth driven by other basis and geographies. This will increase overall price stability and allow service firms to compete on the basis of differentiation and technology rather than price.



■ Industrials ■ Oilfield Services

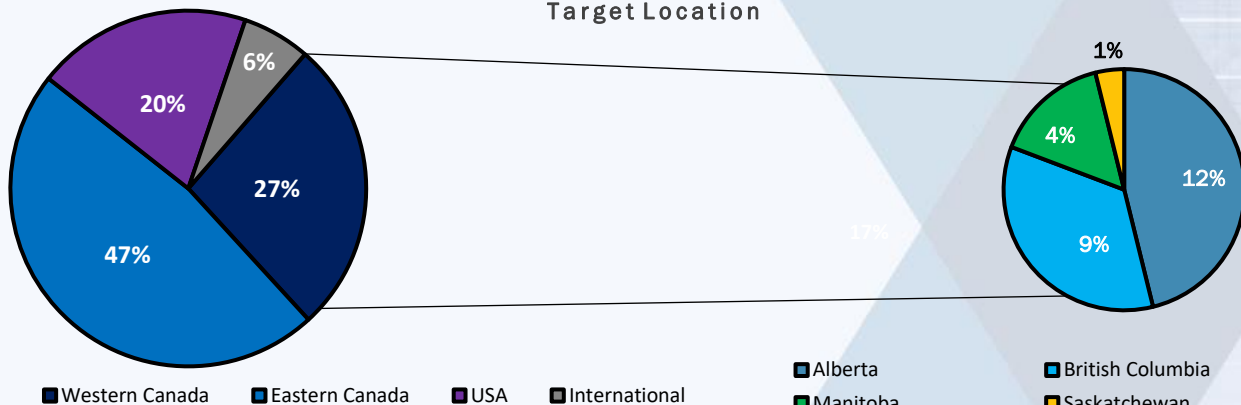
As for the M&A landscape within the oilfield services and industrial segments, Q4 2020 saw 97 disclosed transactions with either a Canadian target or buyer. Transaction volumes increased modestly since Q4 2019, which saw 91 transactions. Of the 97 transactions, only 4% were specific to the oilfield services sector compared to 11% in Q3 2020. While overall transaction volumes have continued to recover in Q4, oilfield services transactions remain few and far between, indicating a lagging recovery in the sector compared to the rest of the economy.

Transactions in the Quarter

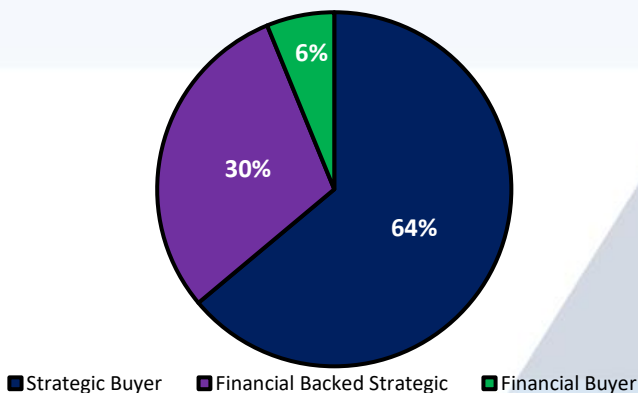
Of the noted transactions in the quarter with either a Canadian buyer or target, 27% of target companies were located in Western Canada with 12% of those targeted companies based in Alberta. Strategic purchasers were the most active buyers, participating in 64% of transactions while financial backed strategic purchasers accounted for 30% of the activity in the quarter.

One notable trend in the quarter was an increased share of transactions executed by strategic parties with financial backers – indicating that private equity firms see significant opportunity in the market to grow their existing portfolio companies with attractively valued tuck-ins. While oilfield services transactions lagged in the quarter, we could see a similar increase in activity in that sector in 2021 as well capitalized companies look to add market share in preparation for a recovery.

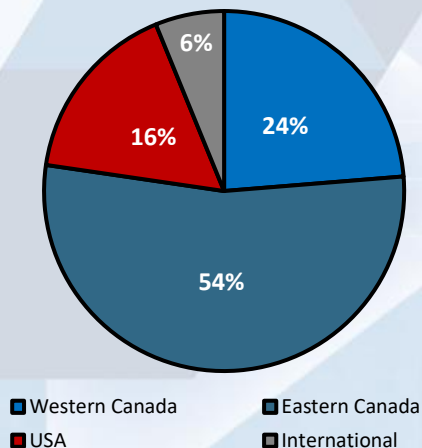
Target Location



Buyer Type



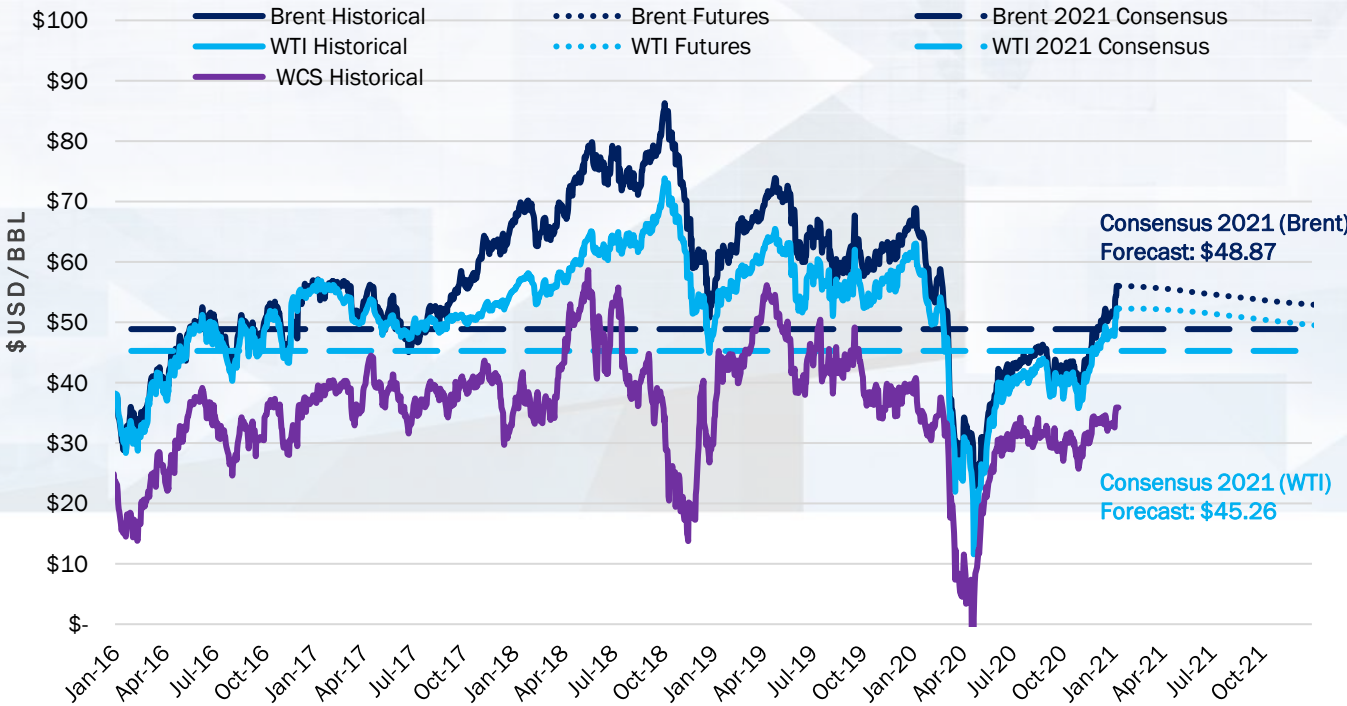
Buyer Location



Commodity Pricing and Analyst Forecasts

While most New Year's celebrations were relatively subdued in 2020, crude oil benchmarks ended the year with a bang, soaring through the end of December to return to levels seen at the beginning of March before the impact of COVID became apparent. During Q4, Brent and WTI benchmarks increased by 14% and 13% respectively as compared to the end of Q3. Canada's WCS benchmark also saw a significant price appreciation during the quarter, closing 14% higher. This late surge in pricing resulted in a year over year decrease in crude prices of 22% and 20% for Brent and WTI respectively – not ideal but certainly not as disastrous as many had been predicting earlier in the spring.

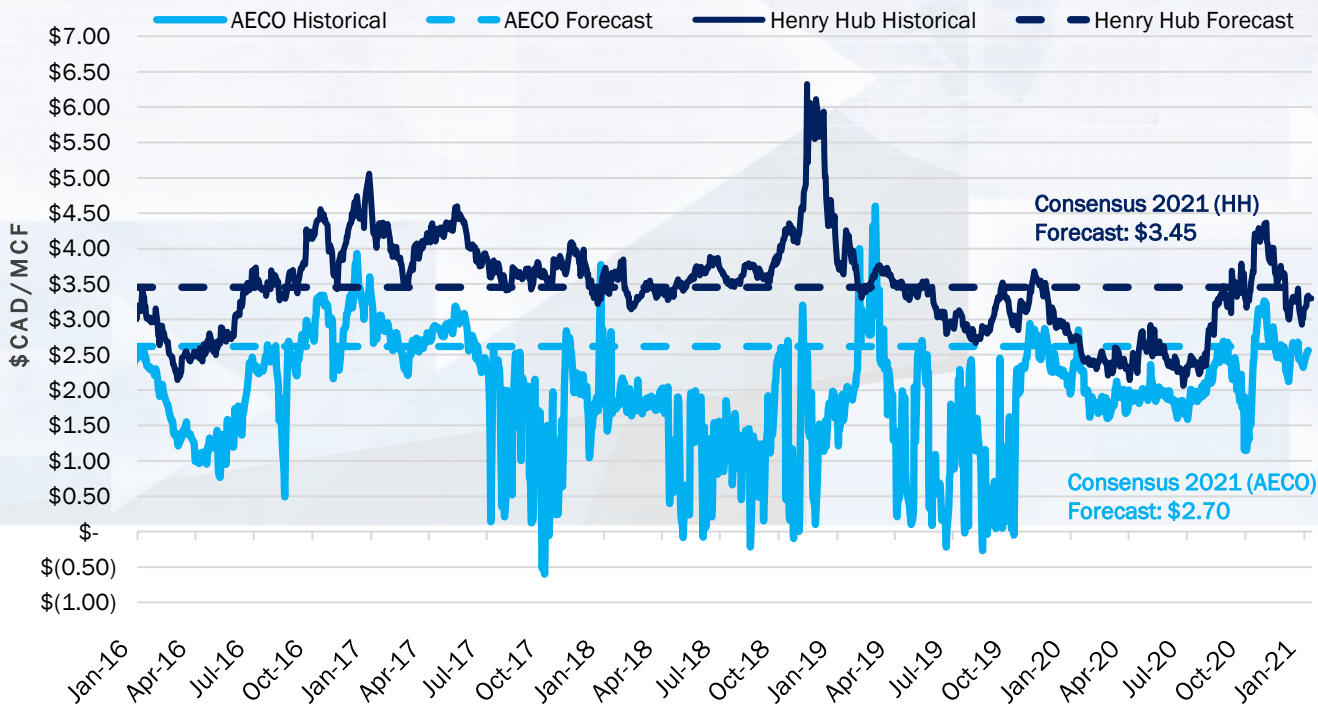
Prices in December were buoyed by renewed optimism that a vaccine-driven recovery in demand will occur sooner than later, as well as the potential for a substantial U.S. stimulus package. Crude pricing momentum has continued into the first few weeks of 2021, as Saudi Arabia made headlines by agreeing to cut production by 1 million barrels per day with the rest of OPEC+ agreeing to maintain production – a move which is likely to keep oil markets in a demand deficit through 2021.



Commodity Pricing and Analyst Forecasts

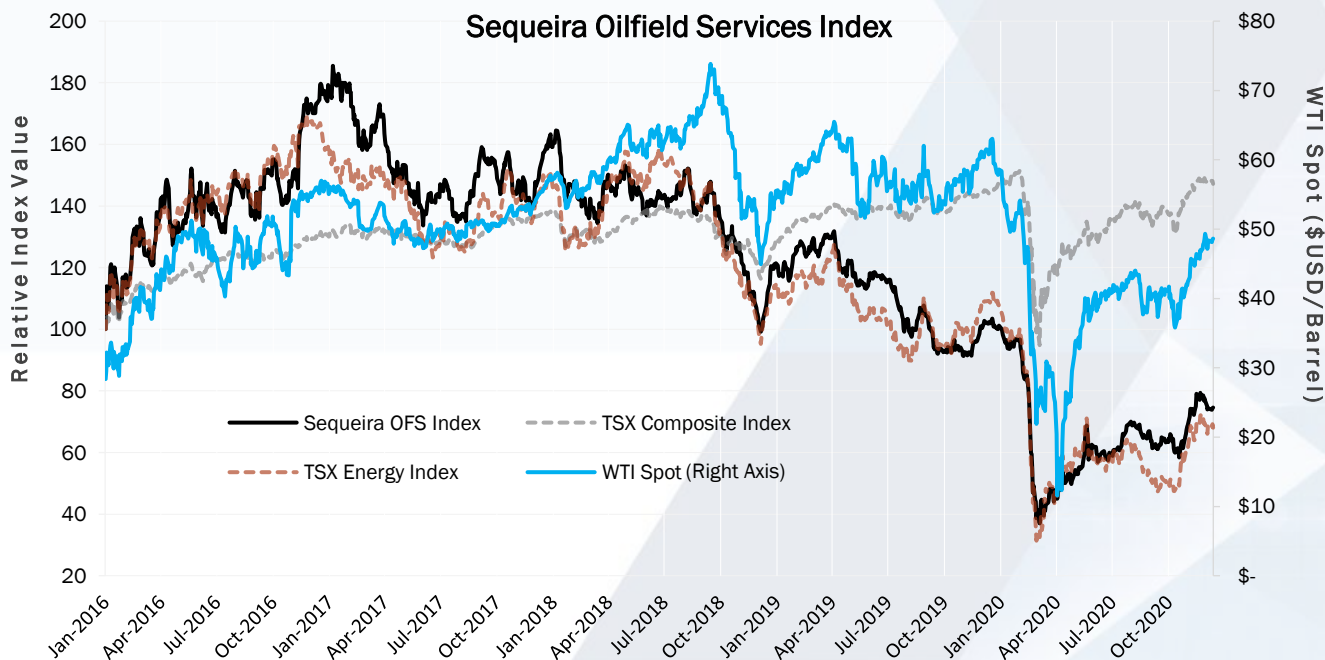
AECO pricing saw a 25% gain through Q4 2020, ending the year at \$2.37/MCF after surging through October and tapering off to end the year. Prices averaged \$2.53/MCF through Q4 as compared to \$2.15 in Q3, a continued show of strength for a commodity that, despite the pandemic, has put together its least volatile year since before 2016. Analysts expect to see this pricing momentum continue through 2021, as oil sands projects come back online, and Alberta power plants switch from coal to natural gas fired generation.

Henry Hub pricing ended the month down 4% from the end of Q3, largely due to a pullback through the month of December. However, this understates what was otherwise a relatively positive quarter, with prices averaging \$3.63/MCF vs. \$2.96/MCF in Q3. In contrast to the experience of AECO-exposed producers, 2020 will be a year to forget for U.S. natural gas providers, as prices hit their lowest point in decades during the year. Analysts are optimistic that increased domestic industrial use, combined with skyrocketing Asian LNG prices will result in a far more positive 2021.



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 with a modest but rapid recovery through Q2. Following a stable Q3, Q4 saw OFS equity values continue to recover alongside oil prices. Our index saw a 22% gain during Q4, largely consistent with a 20% increase in WTI pricing. Even stronger was the performance of the TSX Energy Index, having risen 40% during the quarter. This bullish trading activity reflects renewed optimism from investors surrounding Canadian producers due to high cash flow generating potential with recent cost reductions and increased regulatory risk now existing in the U.S.



Our Team

Sequeira Update

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Q4 2020 had plenty of things to celebrate. In addition to the closing of 3 transactions, we celebrated with our Associates, Tannie Lam and David Cameron who received their Chartered Business Valuator designations.



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As well, our client Carl Vanderspek was awarded ACG British Columbia's 2020 deal of the year award. Kellie Manchester, Partner, advised Carl on the sale of his company, Trailer Wizards, to TIP Trailer Services in December 2019.

Congratulations to all!

Transactions in Q4

Advisor to



on the sale to



Sales Agent to



on the sale of its USA subsidiary, ENTREC Cranes & Heavy Haul Inc. to



Advisor to



on the sale to



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.

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Sequeira Oilfield Services Index – Sector Drilldown

As at December 31, 2020

Source: Capital IQ

Company	Ticker	Share Price	Dividend Yield	Market Cap	Enterprise Value	Revenue	TTM EBITDA	EBITDA Margin	EV/EBITDA TTM	EV/EBITDA 2020E	EV/EBITDA 2021E	Price/Book	Net Debt/2020E EBITDA
			(%)	(\$mm)	(\$mm)	(\$mm)	(\$mm)	(%)	(x)	(x)	(x)	(x)	(x)
Drilling & Equipment													
AKITA Drilling Ltd.	TSX:AKT.A	\$ 0.48	-	19	90	141	15	10.5%	6.1x	4.9x	6.4x	0.1x	3.7x
Cathedral Energy Services Ltd.	TSX:CET	\$ 0.19	-	9	28	52	(11)	NM	NM	NM	9.6x	0.2x	NM
CWC Energy Services Corp.	TSXV:CWC	\$ 0.12	-	61	89	78	4	4.5%	25.4x	NM	NM	0.4x	ND
Ensign Energy Services Inc.	TSX:ESI	\$ 0.91	-	147	1,586	1,112	273	24.6%	5.8x	7.3x	8.7x	0.1x	6.4x
Essential Energy Services Ltd.	TSX:ESN	\$ 0.22	-	30	38	99	3	2.7%	13.9x	3.3x	3.0x	0.2x	0.6x
High Arctic Energy Services Inc	TSX:HWO	\$ 1.16	-	57	43	117	9	7.6%	4.8x	6.3x	10.6x	0.3x	NM
McCoy Global Inc.	TSX:MCB	\$ 0.48	-	13	18	41	2	5.7%	7.6x	NM	NM	0.3x	ND
Pason Systems Inc.	TSX:PSI	\$ 7.88	2.5%	655	491	192	46	23.9%	10.7x	15.8x	19.8x	2.1x	NM
PHX Energy Services Corp.	TSX:PHX	\$ 2.53	4.0%	128	149	283	35	12.4%	4.2x	4.0x	4.9x	1.0x	0.6x
Precision Drilling Corporation	TSX:PD	\$ 20.93	-	286	1,532	1,106	298	26.9%	5.1x	6.1x	7.6x	0.2x	4.7x
Total Energy Services Inc.	TSX:TOT	\$ 3.28	-	148	384	434	75	17.4%	5.1x	5.9x	7.0x	0.3x	3.5x
Western Energy Services Corp.	TSX:WRG	\$ 0.48	-	44	269	122	19	15.2%	14.5x	14.3x	19.9x	0.2x	12.0x
Mean								13.8%	9.4x	7.5x	9.7x	0.4x	4.5x
Median								12.4%	6.1x	6.1x	8.2x	0.3x	3.7x
Production & Completion													
Bri-Chem Corp.	TSX:BRY	\$ 0.08	-	2	14	57	(1)	NM	NM	NM	NM	0.2x	ND
CES Energy Solutions Corp.	TSX:CEU	\$ 1.28	-	334	626	991	76	7.6%	8.3x	7.3x	7.2x	0.8x	3.2x
Computer Modelling Group Ltd.	TSX:CMG	\$ 4.88	4.1%	392	390	72	33	45.5%	11.8x	NM	11.4x	9.6x	NM
Enerflex Ltd.	TSX:EFX	\$ 6.56	1.2%	588	975	1,393	224	16.1%	4.4x	5.7x	7.0x	0.4x	2.2x
Source Energy Services Ltd.	TSX:SHLE	\$ 1.56	-	8	228	260	(16)	NM	NM	10.8x	10.3x	1.5x	10.3x
Wolverine Energy and Infrastructure Inc.	TSXV:WEII	\$ 0.50	-	51	178	205	12	5.8%	15.0x	NM	9.8x	0.7x	6.3x
Mean								18.7%	9.9x	8.0x	9.2x	2.2x	5.5x
Median								11.9%	10.1x	7.3x	9.8x	0.7x	4.8x
Oilfield & Facility Construction													
Badger Daylighting Ltd.	TSX:BAD	\$ 38.03	1.6%	1,325	1,473	591	117	19.8%	12.6x	10.8x	9.0x	3.8x	1.1x
ClearStream Energy Services Inc.	TSX:CSM	\$ 0.03	-	3	317	446	1	0.1%	NM	NM	NM	NM	ND
Enterprise Group, Inc.	TSX:E	\$ 0.22	-	11	21	17	2	12.2%	10.2x	NM	NM	0.3x	ND
Macro Enterprises Inc.	TSXV:MCR	\$ 2.59	-	82	97	265	24	9.1%	4.0x	2.6x	3.7x	0.7x	0.4x
North American Construction Group Ltd.	NYSE:NOA	\$ 12.59	-	362	801	553	165	29.8%	4.9x	4.9x	4.4x	0.0x	2.7x
Shawcor Ltd.	TSX:SCL	\$ 3.52	-	248	662	1,187	14	1.2%	NM	17.5x	7.8x	0.4x	10.3x
Mean								12.0%	7.9x	9.0x	6.2x	1.0x	3.6x
Median								10.6%	7.5x	7.8x	6.1x	0.4x	1.9x
Pressure Pumping													
Calfrac Well Services Ltd.	TSX:CFW	\$ 3.94	-	147	1,022	842	(19)	NM	NM	NM	15.2x	NM	NM
STEP Energy Services Ltd.	TSX:STEP	\$ 0.74	-	50	269	424	12	2.7%	23.1x	8.4x	7.7x	0.2x	6.4x
Trican Well Service Ltd.	TSX:TCW	\$ 1.68	-	431	444	458	12	2.5%	NM	26.7x	11.3x	0.8x	0.7x
Mean								2.6%	23.1x	17.5x	11.4x	0.5x	3.6x
Median								2.6%	23.1x	17.5x	11.3x	0.5x	3.6x
Transportation & Logistics													
Gibson Energy Inc.	TSX:GEI	\$ 20.56	6.6%	3,011	4,415	5,284	416	7.9%	10.6x	9.8x	9.6x	4.1x	3.1x
Mullen Group Ltd.	TSX:MTL	\$ 10.90	3.3%	1,056	1,573	1,181	203	17.2%	7.7x	7.5x	7.6x	1.2x	2.4x
Mean								12.5%	9.2x	8.7x	8.6x	2.6x	2.7x
Median								12.5%	9.2x	8.7x	8.6x	2.6x	2.7x
Environmental & Geophysical													
Pulse Seismic Inc.	TSX:PSD	\$ 0.96	-	52	81	11	7	59.2%	11.9x	8.5x	4.7x	2.1x	3.0x
Secure Energy Services Inc.	TSX:SES	\$ 2.46	1.2%	390	880	2,121	100	4.7%	8.8x	7.5x	7.0x	0.5x	3.6x
Tervita Corporation	TSX:TEV	\$ 2.90	-	335	1,162	1,627	155	9.5%	7.5x	6.0x	6.1x	1.6x	4.1x
Vertex Resource Group Ltd.	TSXV:VTX	\$ 0.25	-	23	105	139	17	12.5%	6.0x	4.3x	4.4x	0.5x	3.3x
Mean								21.5%	8.6x	6.6x	5.6x	1.2x	3.5x
Median								11.0%	8.1x	6.7x	5.4x	1.1x	3.4x
Camps & Catering													
Black Diamond Group Limited	TSX:BDI	\$ 2.72	-	159	296	171	29	16.9%	10.2x	7.4x	5.3x	0.7x	3.4x
Civo Corporation	NYSE:CVFO	\$ 17.71	-	252	686	726	136	18.8%	5.0x	5.7x	6.1x	0.7x	2.7x
Dexterra Group Inc.	TSX:DXT	\$ 6.49	4.6%	421	555	371	52	14.1%	10.6x	7.6x	8.6x	1.4x	1.8x
Mean								17.8%	7.6x	6.6x	5.7x	0.7x	3.1x
Median								17.8%	7.6x	6.6x	5.7x	0.7x	3.1x