



# THE WELL STREET JOURNAL

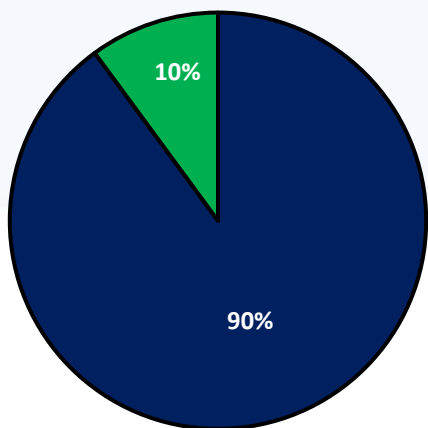
Oilfield Services and Industrials Deep Dive  
2021 | Q3 Report

# Q3 | Overview

We entered Q3 with high hopes for a bit of “normalcy” after what had been a pretty difficult and volatile year. While Q3 started off on a positive note and felt as close to normal as one could expect, we ended the quarter in Alberta under another round of lockdowns due to soaring COVID cases attributable to the Delta variant.

The good news is that the economic backdrop continues to improve despite ongoing challenges being faced by COVID. Globally, pricing for natural gas and crude hit highs not seen in well over 5 years and the expectation is that strong prices should last for at least the foreseeable future.

With Q3 earnings about to be released in the coming weeks, we anticipate operators will release strong earnings and cash flows with future guidance continuing to be positive. As budgeting seasons begins to take hold over the coming months, the question will be whether operators continue to be disciplined with their CAPEX spending or do they begin to put more rigs back to work? Time will tell; however, our view is that we will begin to see increased budgets for 2022, which will reflect some level of price increases by oilfield service companies coupled by higher activity levels.



■ Industrials

■ Oilfield Services

As for oilfield and industrial M&A transactions during the quarter, Q3 2021 saw 119 disclosed transactions with either a Canadian target or buyer. Transaction volumes experienced an uptick from the previous quarter which saw 98 transactions. Of the 119 transactions this quarter, 10% were in the oilfield services sector versus 8% in the most recent comparable quarter, Q2 2021.

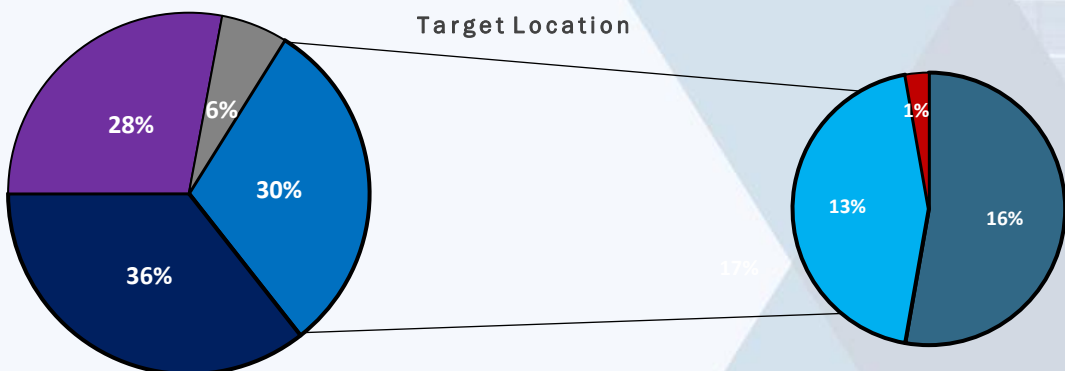
Overall transaction volumes have continued to recover in 2021 with a total of 319 transactions executed through the first three quarters of the year in the oilfield services and industrial space. As we continue to see a supportive market, brought on by strong pricing and growth prospects, we anticipate continued optimism returning to the market and increasing levels of activity.

# Transactions in the Quarter

Of the noted transactions in the quarter with either a Canadian buyer or target, 30% of the target companies were located in Western Canada with 16% of those targeted companies based in Alberta. Strategic purchasers were the most active buyers, participating in 72% of transactions while financial backed strategic purchasers accounted for 19% and private equity buyers made up the remaining 9%.

OFS transactions of note during the quarter included Cathedral Energy Services purchasing Precision's directional drilling business and Valiant Energy Services. The quarter also included the acquisition of RGL Reservoir Management by Variperem, creating a leading provider of sand and flow control products.

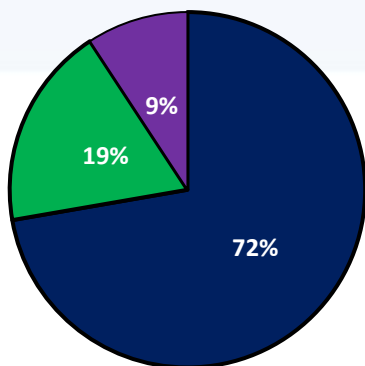
Target Location



Western Canada Eastern Canada USA International

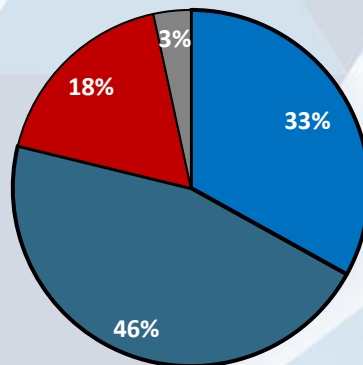
Alberta British Columbia Manitoba

Buyer Type



Strategic Buyer Financial Backed Strategic Financial Buyer

Buyer Location

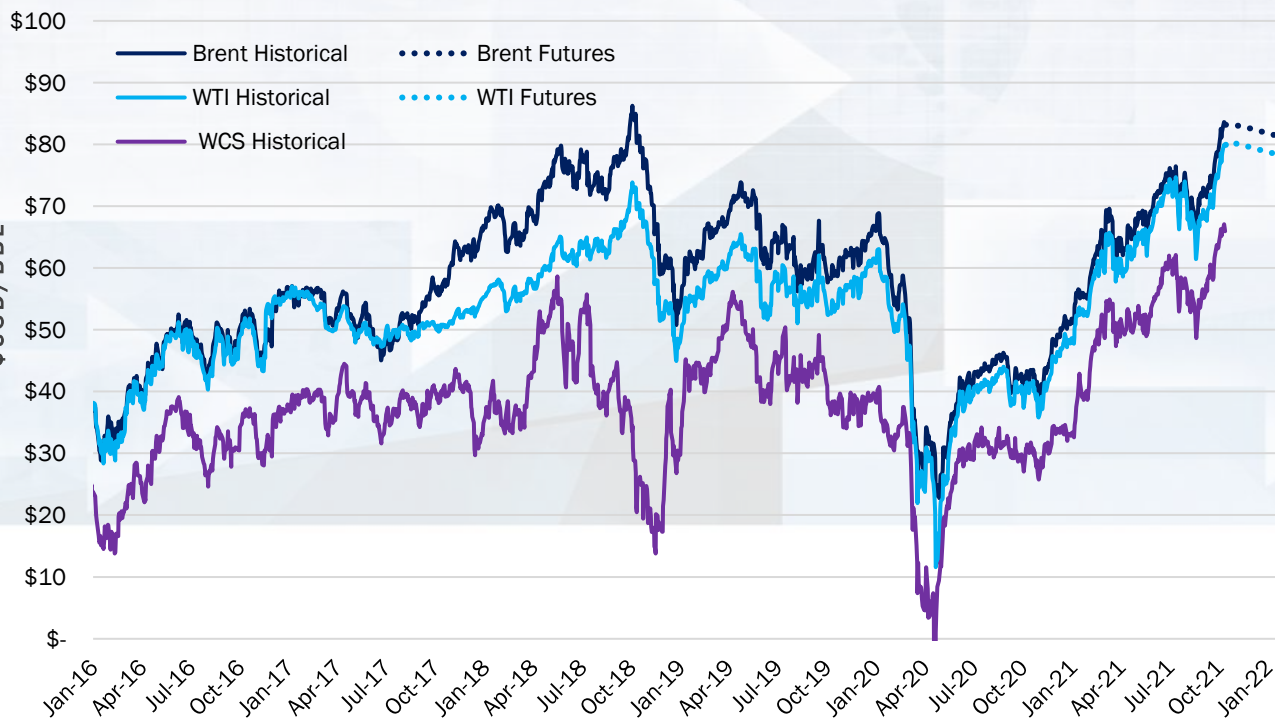


Western Canada Eastern Canada USA International

# Commodity Pricing and Analyst Forecasts

Q3 2021 was really the tale of two stories. The quarter started out similar to what we had seen over the last year and a half. Concerns around shutdowns due to the spread of the Delta variant took hold and we saw downward pressure put on pricing over the first two months of the quarter. However, the second part of the story came into the fold at the end of the quarter with a global backdrop of rising demand, marginal supply increases, and rapidly declining inventory levels. This also comes in light of OPEC+'s previously announced deal to increase production by 0.4 mbbbl/day each month which began in August and will last until the cuts are phased out which at this point is tentatively anticipated to occur by September 2022.

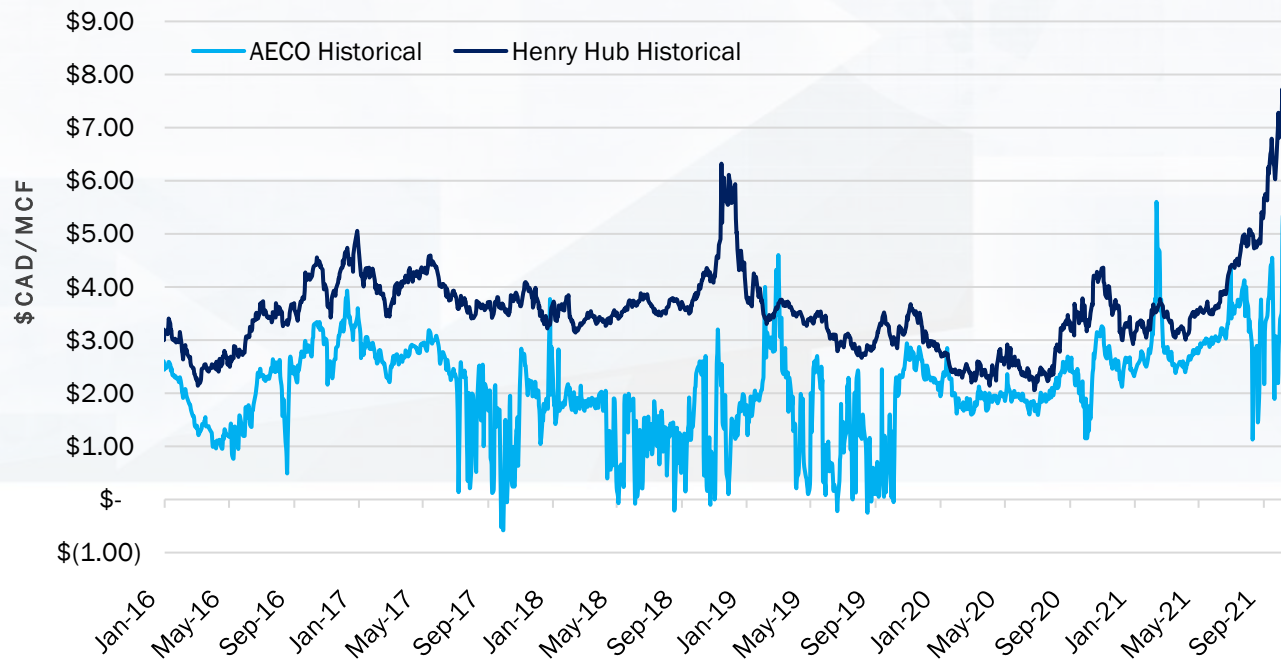
The quarter ended with WTI, WCS, and Brent pricing at \$74.70/bbl, \$63.33/bbl and \$78.31/bbl respectively. The upward pricing momentum that was experienced over the month of September has since continued into October with WTI trading in the \$80's – prices not seen since October 2014.



# Commodity Pricing and Analyst Forecasts

With AECO and Henry Hub pricing ending the prior quarter up 48% and 38% respectively, it's hard to imagine that natural gas pricing would have continued increasing at the rate we saw in Q2, but that's exactly what transpired. Henry Hub pricing finished Q3 up 64% settling at \$7.42/MCF (\$5.87USD), whereas AECO was down 9% due to maintenance being performed on TC Energy's Nova Gas Transmission Line at the time of the quarter's end. That said, AECO was trading over \$5/MCF less than a week later.

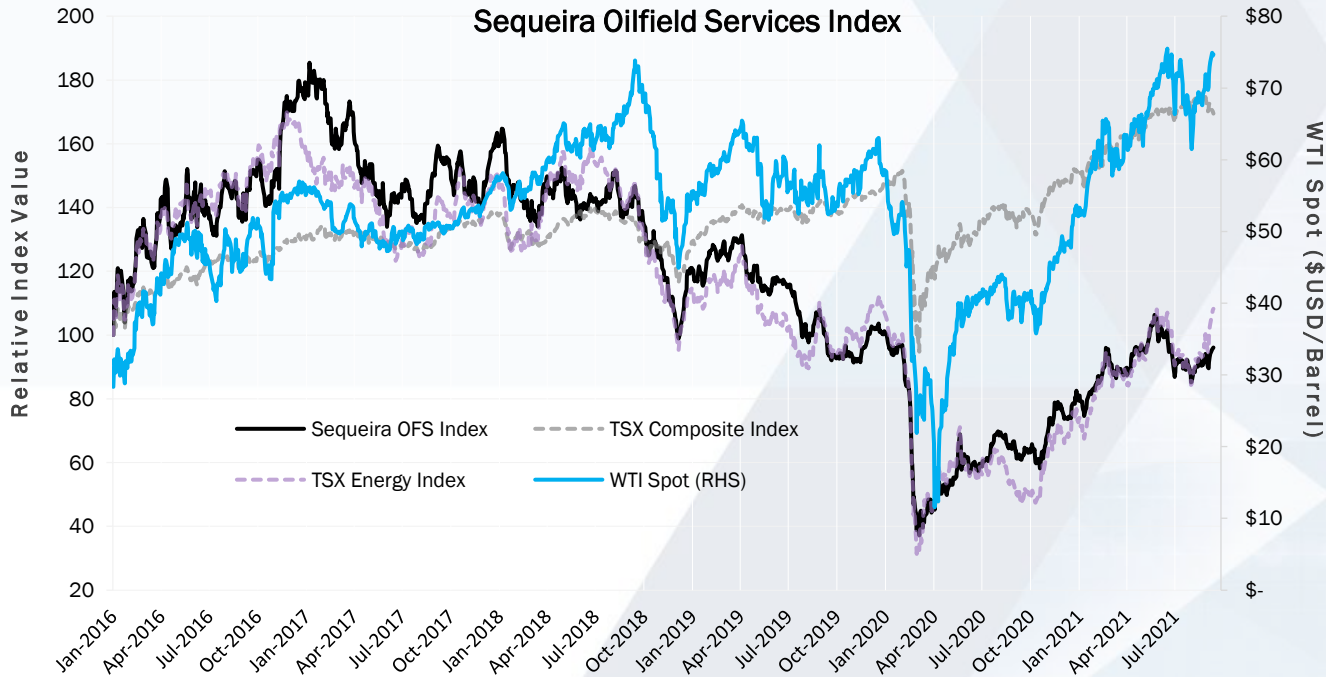
Longer-term the outlook for natural gas is notably bullish as we've seen lower than expected storage injections of late with inventories in Canada and the U.S. below their 5-year averages. The same rings true in International markets where LNG spot prices in Asia and Europe are over 5x higher than the elevated prices we're observing in North America. As the industry heads towards the winter withdrawal season, expectations are that pricing will remain at elevated levels until more production comes to market and storage levels are returned to more normalized levels.



# 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 increased notably with both up year over year by 57% and 24%, respectively. While any investor would be happy with that type of return, one look at our chart below and it becomes readily apparent the dichotomy that has formed between equities and WTI pricing, which has increased by 85% over the same year over year period.

If pricing continues to hold as strong as it's been of late, there may be an opportunity for greater upside within the sector.



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# Sequeira Partners Expands Leadership



**Kira Gregson**



**Scott Acheson**



**Erica McGuinness**

It was an exciting quarter for the team as Sequeira Partners announced the appointment of **Kira Gregson** (Edmonton), **Scott Acheson** (Edmonton) and **Erica McGuinness** (Vancouver) to the Partnership. Kira, Scott, and Erica previously served as Vice Presidents and bring their respected reputations and cross-industry experience to the company's core competencies of M&A, Valuations and Advisory.

## 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](http://www.sequeirapartners.com).

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# Sequeira Oilfield Services Index – Sector Drilldown

As at September 31, 2021

Source: Capital IQ

| Company  | Ticker    | Share Price | Dividend Yield | Market Cap | Enterprise Value | Revenue | TTM EBITDA | EBITDA Margin | EV/EBITDA TTM | EV/EBITDA 2021E | EV/EBITDA 2022E | Price/Book | Net Debt/2021E EBITDA |
|--|-----------|-------------|----------------|------------|------------------|---------|------------|---------------|---------------|-----------------|-----------------|------------|-----------------------|
|  |           |             | (%)            | (\$mm)     | (\$mm)           | (\$mm)  | (\$mm)     | (%)           | (x)           | (x)             | (x)             | (x)        | (x)                   |
| <b>Drilling &amp; Equipment</b>                          |           |             |                |            |                  |         |            |               |               |                 |                 |            |                       |
| AKITA Drilling Ltd.                                      | TSX:AKT.A | \$ 1.05     | -              | 43         | 113              | 86      | 8          | 8.9%          | 14.9x         | 8.3x            | 4.7x            | 0.3x       | 4.1x                  |
| Cathedral Energy Services Ltd.                           | TSX:CET   | \$ 0.46     | -              | 37         | 56               | 31      | (9)        | NM            | NM            | 9.9x            | 2.8x            | 0.8x       | 3.2x                  |
| CWC Energy Services Corp.                                | TSX:CWC   | \$ 0.17     | -              | 83         | 105              | 72      | 4          | 5.5%          | 26.7x         | NM              | NM              | 0.5x       | ND                    |
| Ensign Energy Services Inc.                              | TSX:ESI   | \$ 1.88     | -              | 305        | 1,636            | 789     | 161        | 20.4%         | 10.2x         | 7.9x            | 5.7x            | 0.2x       | 6.3x                  |
| Essential Energy Services Ltd.                           | TSX:ESN   | \$ 0.35     | -              | 49         | 49               | 96      | 4          | 4.0%          | 12.8x         | 3.4x            | 2.7x            | 0.4x       | NM                    |
| High Arctic Energy Services Inc                          | TSX:HWO   | \$ 1.35     | -              | 66         | 53               | 69      | 5          | 6.7%          | 11.4x         | 8.1x            | 4.3x            | 0.4x       | NM                    |
| McCooy Global Inc.                                       | TSX:MCB   | \$ 0.70     | -              | 20         | 20               | 30      | (1)        | NM            | NM            | NM              | NM              | 0.5x       | ND                    |
| Pason Systems Inc.                                       | TSX:PSI   | \$ 8.62     | 2.3%           | 714        | 584              | 142     | 21         | 14.5%         | 28.4x         | 10.5x           | 7.6x            | 2.4x       | NM                    |
| PHX Energy Services Corp.                                | TSX:PHX   | \$ 4.78     | 4.2%           | 238        | 255              | 236     | 26         | 11.2%         | 9.6x          | 4.8x            | 3.8x            | 1.8x       | 0.3x                  |
| Precision Drilling Corporation                           | TSX:PD    | \$ 51.20    | -              | 681        | 1,822            | 804     | 142        | 17.7%         | 12.8x         | 8.8x            | 6.2x            | 0.5x       | 5.1x                  |
| Total Energy Services Inc.                               | TSX:TOT   | \$ 4.57     | -              | 202        | 390              | 339     | 38         | 11.3%         | 10.2x         | 6.3x            | 5.2x            | 0.4x       | 2.7x                  |
| Western Energy Services Corp.                            | TSX:WRG   | \$ 0.30     | -              | 28         | 254              | 98      | 17         | 16.8%         | 15.3x         | 14.0x           | 8.6x            | 0.1x       | 10.2x                 |
| Mean   |           |             |                |            |                  |         |            | 11.7%         | 15.2x         | 8.2x            | 5.2x            | 0.7x       | 4.6x                  |
| Median   |           |             |                |            |                  |         |            | 11.3%         | 12.8x         | 8.2x            | 4.9x            | 0.5x       | 4.1x                  |
| <b>Production &amp; Completion</b>                       |           |             |                |            |                  |         |            |               |               |                 |                 |            |                       |
|  |           |             | (%)            | (\$mm)     | (\$mm)           | (\$mm)  | (\$mm)     | (%)           | (x)           | (x)             | (x)             | (x)        | (x)                   |
| Bri-Chem Corp.   | TSX:BRY   | \$ 0.21     | -              | 5          | 20               | 42      | (2)        | NM            | NM            | NM              | NM              | 0.5x       | ND                    |
| CES Energy Solutions Corp.                               | TSX:CEU   | \$ 1.90     | 3.4%           | 484        | 788              | 893     | 55         | 6.2%          | 14.3x         | 6.1x            | 5.2x            | 1.1x       | 2.2x                  |
| Computer Modelling Group Ltd.                            | TSX:CMG   | \$ 4.74     | 4.2%           | 381        | 367              | 65      | 27         | 41.2%         | 13.7x         | NM              | 12.6x           | 8.8x       | NM                    |
| Enerflex Ltd.  | TSX:EFX   | \$ 9.28     | 0.9%           | 832        | 1,131            | 972     | 144        | 14.8%         | 7.8x          | 8.3x            | 6.2x            | 0.6x       | 2.0x                  |
| Source Energy Services Ltd.                              | TSX:SHLE  | \$ 1.34     | -              | 18         | 205              | 292     | 16         | 5.6%          | 12.5x         | 4.6x            | 4.3x            | 0.8x       | 3.8x                  |
| Wolverine Energy and Infrastructure Inc.                 | TSXV:WEII | \$ 0.20     | -              | 21         | 118              | 121     | (10)       | NM            | NM            | NM              | 8.8x            | 0.3x       | 7.0x                  |
| Mean   |           |             |                |            |                  |         |            | 16.9%         | 12.1x         | 6.3x            | 7.4x            | 2.0x       | 3.7x                  |
| Median   |           |             |                |            |                  |         |            | 10.5%         | 13.1x         | 6.1x            | 6.2x            | 0.7x       | 3.0x                  |
| <b>Oilfield &amp; Facility Construction</b>              |           |             |                |            |                  |         |            |               |               |                 |                 |            |                       |
|  |           |             | (%)            | (\$mm)     | (\$mm)           | (\$mm)  | (\$mm)     | (%)           | (x)           | (x)             | (x)             | (x)        | (x)                   |
| Badger Infrastructure Solutions Ltd.                     | TSX:BDGI  | \$ 33.85    | 1.9%           | 1,169      | 1,306            | 532     | 59         | 11.2%         | 22.0x         | 16.4x           | 9.2x            | 4.1x       | 1.6x                  |
| ClearStream Energy Services Inc.                         | TSX:CSM   | \$ 0.07     | -              | 7          | 304              | 364     | (1)        | NM            | NM            | NM              | NM              | NM         | ND                    |
| Enterprise Group, Inc.                                   | TSX:E     | \$ 0.27     | -              | 13         | 24               | 15      | 6          | 36.8%         | 4.2x          | NM              | NM              | 0.4x       | ND                    |
| Macro Enterprises Inc.                                   | TSXV:MCR  | \$ 2.71     | -              | 85         | 75               | 332     | 43         | 13.1%         | 1.7x          | 1.6x            | 1.8x            | 0.7x       | NM                    |
| North American Construction Group Ltd.                   | TSX:NOA   | \$ 18.45    | 0.9%           | 524        | 933              | 539     | 148        | 27.5%         | 6.3x          | 4.8x            | 4.2x            | 2.0x       | 2.0x                  |
| Shawcor Ltd.   | TSX:SCL   | \$ 5.66     | -              | 399        | 684              | 1,179   | 66         | 5.6%          | 10.3x         | 6.2x            | 5.1x            | 0.6x       | 2.5x                  |
| Mean   |           |             |                |            |                  |         |            | 18.8%         | 8.9x          | 7.2x            | 5.1x            | 1.6x       | 2.0x                  |
| Median   |           |             |                |            |                  |         |            | 13.1%         | 6.3x          | 5.5x            | 4.6x            | 0.7x       | 2.0x                  |
| <b>Pressure Pumping</b>                                  |           |             |                |            |                  |         |            |               |               |                 |                 |            |                       |
|  |           |             | (%)            | (\$mm)     | (\$mm)           | (\$mm)  | (\$mm)     | (%)           | (x)           | (x)             | (x)             | (x)        | (x)                   |
| Calfrac Well Services Ltd.                               | TSX:CFW   | \$ 3.50     | -              | 132        | 478              | 757     | 34         | 4.5%          | 14.0x         | 8.2x            | 4.0x            | 0.4x       | 4.9x                  |
| STEP Energy Services Ltd.                                | TSX:STEP  | \$ 1.65     | -              | 112        | 320              | 378     | 6          | 1.5%          | NM            | 5.4x            | 3.5x            | 0.6x       | 3.4x                  |
| Trican Well Service Ltd.                                 | TSX:TCW   | \$ 2.96     | -              | 739        | 692              | 418     | 55         | 13.1%         | 12.6x         | 8.4x            | 5.8x            | 1.5x       | NM                    |
| Mean   |           |             |                |            |                  |         |            | 6.4%          | 13.3x         | 7.3x            | 4.4x            | 0.8x       | 4.2x                  |
| Median   |           |             |                |            |                  |         |            | 4.5%          | 13.3x         | 8.2x            | 4.0x            | 0.6x       | 4.2x                  |
| <b>Transportation &amp; Logistics</b>                    |           |             |                |            |                  |         |            |               |               |                 |                 |            |                       |
|  |           |             | (%)            | (\$mm)     | (\$mm)           | (\$mm)  | (\$mm)     | (%)           | (x)           | (x)             | (x)             | (x)        | (x)                   |
| Gibson Energy Inc.                                       | TSX:GEI   | \$ 23.26    | 6.0%           | 3,408      | 4,971            | 5,969   | 344        | 5.8%          | 14.4x         | 11.1x           | 10.4x           | 5.3x       | 3.4x                  |
| Mullen Group Ltd.  | TSX:MTL   | \$ 12.88    | 3.7%           | 1,229      | 1,941            | 1,192   | 210        | 17.6%         | 9.2x          | 8.9x            | 7.7x            | 1.4x       | 3.1x                  |
| Mean   |           |             |                |            |                  |         |            | 11.7%         | 11.8x         | 10.0x           | 9.1x            | 3.3x       | 3.2x                  |
| Median   |           |             |                |            |                  |         |            | 11.7%         | 11.8x         | 10.0x           | 9.1x            | 3.3x       | 3.2x                  |
| <b>Environmental &amp; Geophysical</b>                   |           |             |                |            |                  |         |            |               |               |                 |                 |            |                       |
|  |           |             | (%)            | (\$mm)     | (\$mm)           | (\$mm)  | (\$mm)     | (%)           | (x)           | (x)             | (x)             | (x)        | (x)                   |
| Pulse Seismic Inc.                                       | TSX:PSD   | \$ 1.82     | -              | 98         | 109              | 31      | 26         | 83.7%         | 4.2x          | 3.2x            | 6.9x            | 2.8x       | 0.3x                  |
| Secure Energy Services Inc.                              | TSX:SES   | \$ 4.76     | 0.6%           | 1,467      | 2,068            | 2,100   | 90         | 4.3%          | 22.9x         | 9.0x            | 5.3x            | 1.1x       | 2.3x                  |
| Vertex Resource Group Ltd.                               | TSXV:VTX  | \$ 0.40     | -              | 37         | 135              | 140     | 18         | 12.7%         | 7.6x          | 5.1x            | 4.9x            | 0.8x       | 3.7x                  |
| Mean   |           |             |                |            |                  |         |            | 33.6%         | 11.5x         | 5.8x            | 5.7x            | 1.6x       | 2.1x                  |
| Median   |           |             |                |            |                  |         |            | 12.7%         | 7.6x          | 5.3x            | 5.3x            | 1.1x       | 2.3x                  |
| <b>Camps &amp; Catering</b>                              |           |             |                |            |                  |         |            |               |               |                 |                 |            |                       |
|  |           |             | (%)            | (\$mm)     | (\$mm)           | (\$mm)  | (\$mm)     | (%)           | (x)           | (x)             | (x)             | (x)        | (x)                   |
| Black Diamond Group Limited                              | TSX:BDI   | \$ 3.78     | -              | 223        | 426              | 232     | 37         | 15.8%         | 11.6x         | 7.8x            | 6.8x            | 1.0x       | 3.3x                  |
| Civeo Corporation  | NYSE:CVEO | \$ 28.44    | -              | 407        | 794              | 689     | 118        | 17.2%         | 6.7x          | 6.4x            | 5.8x            | 1.1x       | 2.5x                  |
| Dexterra Group Inc.                                      | TSX:DXT   | \$ 8.18     | 4.3%           | 533        | 632              | 664     | 82         | 12.3%         | 7.7x          | 8.7x            | 7.9x            | 1.8x       | 1.2x                  |
| Mean   |           |             |                |            |                  |         |            | 16.5%         | 9.2x          | 7.1x            | 6.3x            | 1.0x       | 2.9x                  |
| Median   |           |             |                |            |                  |         |            | 16.5%         | 9.2x          | 7.1x            | 6.3x            | 1.0x       | 2.9x                  |
| <b>Large Cap NYSE Oilfield Majors</b>                    |           |             |                |            |                  |         |            |               |               |                 |                 |            |                       |
|  |           |             | (%)            | (\$mm)     | (\$mm)           | (\$mm)  | (\$mm)     | (%)           | (x)           | (x)             | (x)             | (x)        | (x)                   |
| Schlumberger Limited                                     | NYSE:SLB  | \$ 37.48    | 1.7%           | 52,408     | 69,272           | 26,819  | 5,091      | 19.0%         | 13.6x         | 12.6x           | 10.5x           | 3.2x       | 2.7x                  |
| Halliburton Company                                      | NYSE:HAL  | \$ 27.34    | 0.8%           | 24,343     | 34,363           | 18,024  | 2,185      | 12.1%         | 15.7x         | 11.5x           | 9.2x            | 3.5x       | 2.8x                  |
| NOV Inc.   | NYSE:NOV  | \$ 16.58    | -              | 6,476      | 7,594            | 6,662   | (123)      | NM            | NM            | 29.1x           | 12.3x           | 1.0x       | 3.5x                  |
| TechnipFMC plc   | NYSE:FTI  | \$ 9.52     | 1.7%           | 4,291      | 6,452            | 16,290  | 1,497      | 9.2%          | 4.3x          | 8.7x            | 8.0x            | 0.9x       | 2.8x                  |
| Helmerich & Payne, Inc.                                  | NYSE:HP   | \$ 34.66    | 3.6%           | 3,739      | 3,663            | 1,342   | 22         | 1.6%          | NM            | NM              | 13.5x           | 1.0x       | NM                    |
| Nabors Industries Ltd.                                   | NYSE:NBR  | \$ 121.99   | -              | 1,005      | 4,731            | 2,269   | 554        | 24.4%         | 8.5x          | 8.4x            | 6.7x            | 1.0x       | 5.2x                  |
| Mean   |           |             |                |            |                  |         |            | 13.3%         | 10.5x         | 14.1x           | 10.0x           | 1.8x       | 3.4x                  |
| Median   |           |             |                |            |                  |         |            | 12.1%         | 11.1x         | 11.5x           | 9.8x            | 1.0x       | 2.8x                  |
| <b>Mean - All Subsectors</b>                             |           |             |                |            |                  |         |            |               |               |                 |                 |            |                       |
|  |           |             |                |            |                  |         |            | 15.6%         | 12.3x         | 8.7x            | 6.6x            | 1.5x       | 3.3x                  |
| <b>Median - All Subsectors</b>                           |           |             |                |            |                  |         |            |               |               |                 |                 |            |                       |
|  |           |             |                |            |                  |         |            | 12.6%         | 12.1x         | 8.3x            | 6.0x            | 0.9x       | 2.8x                  |
| <b>Mean - All Subsectors Excluding Oilfield Majors</b>   |           |             |                |            |                  |         |            |               |               |                 |                 |            |                       |
|  |           |             |                |            |                  |         |            | 16.1%         | 12.5x         | 7.6x            | 5.8x            | 1.4x       | 3.2x                  |
| <b>Median - All Subsectors Excluding Oilfield Majors</b> |           |             |                |            |                  |         |            |               |               |                 |                 |            |                       |
|  |           |             |                |            |                  |         |            | 13.1%         | 12.1x         | 7.9x            | 5.5x            | 0.8x       | 2.9x                  |