



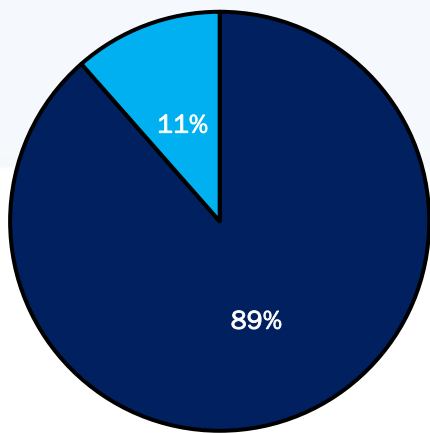
THE WELL STREET JOURNAL

Oilfield Services and Industrial Deep Dive
2020 | Q3 Report

Q3 | Overview

Rewind the clock one year and it is hard to imagine we would be here today taking solace in WTI pricing of ~\$40/bbl and a Canadian active rig count just shy of 90. That said, it feels like the worst is now behind us. We're starting to see that message reinforced by the C-suite of the majors, as this time of year marks earnings season. A few prevailing themes from the conference calls we've been listening to:

- **Continued Cost Cutting Initiatives** – We've heard companies targeting significant cost reductions through a means of permanent structural changes to the business. Labour cuts, payroll reductions, removing layers of management, and reduced facility overhead. As a point of reference, analysts have estimated that Halliburton shut down 100 locations, amounting to 50% of their North American roofline.
- **Changing Business Models and Rationalization** – A number of transactions have been announced with Companies reassessing the markets they want to be actively pursuing and competing within. We've seen announcements from Schlumberger, merging their OneStim pressure pumping business into Liberty; Halliburton, carving off their Canadian Progressing Cavity Pump business (a transaction we represented); and Baker Hughes carving off their Surface Pressure Control Flow business to Pelican Energy Partners.
- **Emphasis on Technology** - Finding ways to derive efficiencies both for the customer and internally has never been greater. We've seen a number of the majors announce partnerships with leading IT based businesses as companies look to deploy machine learning within their operations and for the benefit of operators.



■ Industrials ■ Oilfield Services

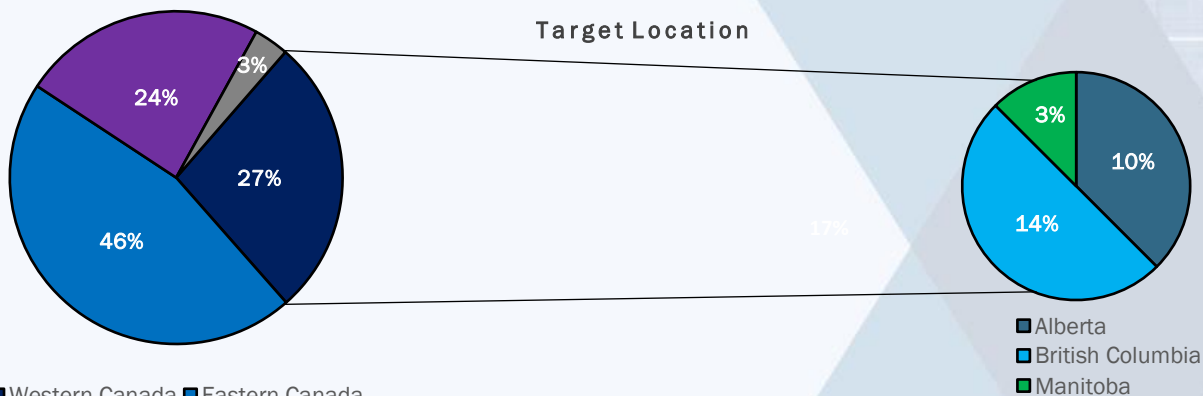
As for the M&A landscape within the oilfield services and industrial segments, Q3 2020 saw 61 disclosed transactions with either a Canadian target or buyer. Not surprisingly, transaction volume has decreased significantly compared to Q3 2019 which saw 118 disclosed transactions. Of the 61 transactions, 11% were specific to the oilfield services sector compared to 17% in Q2 2020. With COVID continuing to create uncertainty in the market, it is not surprising that the decrease in both overall transaction activity and OFS transactions has continued through Q3 of this year.

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 10% of those targeted companies based in Alberta. Strategic purchasers were the most active buyers, participating in 84% of transactions while financial backed strategic purchasers accounted for 10% of the activity in the quarter.

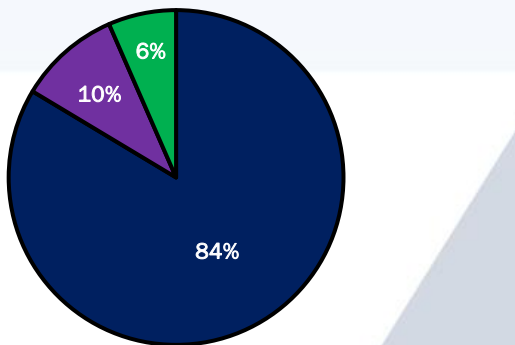
As is being seen in the E&P sector, we anticipate more consolidation activity in energy, including OFS, especially where there's a logical fit between companies and an opportunity to save costs across organizations. Keep your eyes open for increased transactions where consideration is focused on trading stock and pricing the businesses on a relative valuation basis.

Target Location



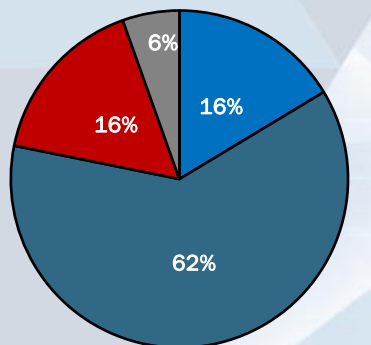
- Western Canada
- Eastern Canada
- USA
- International

Buyer Type



- Strategic Buyer
- Financial Backed Strategic
- Financial Buyer

Buyer Location

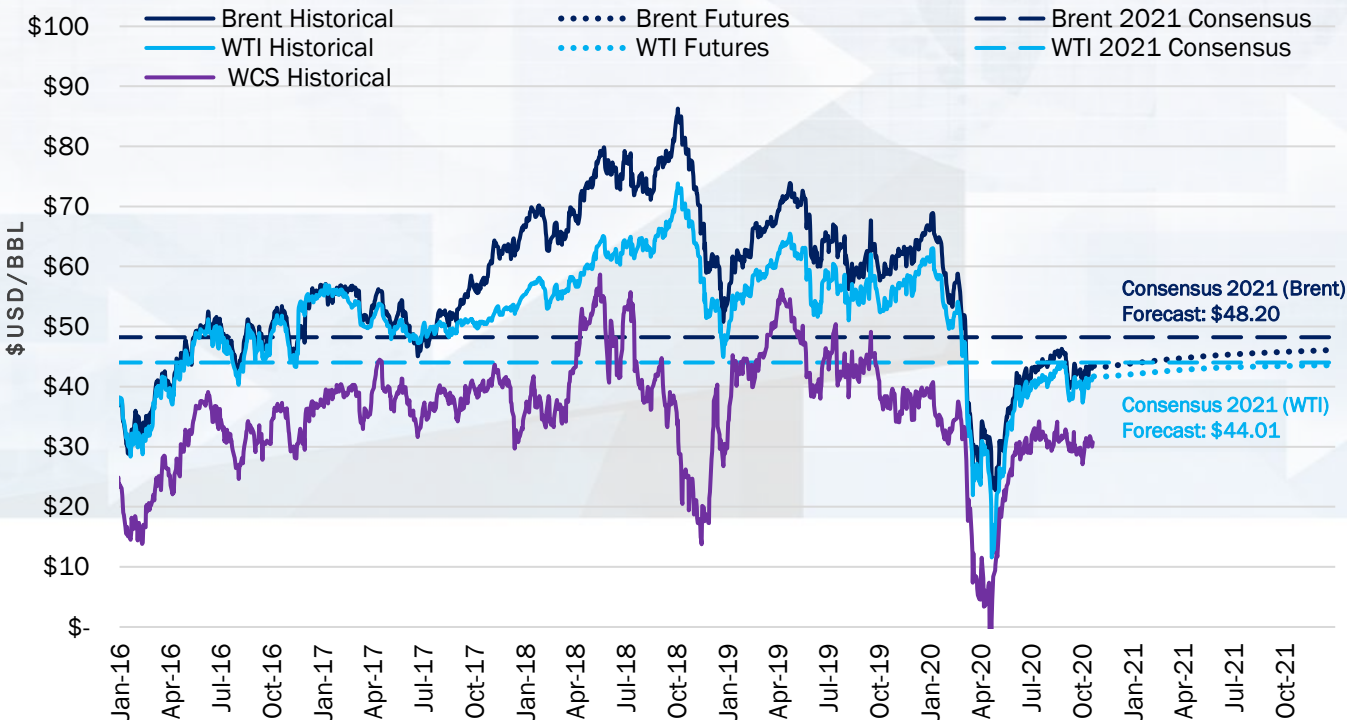


- Western Canada
- Eastern Canada
- USA
- International

Commodity Pricing and Analyst Forecasts

Following an exceptional collapse and recovery of commodity prices in the first half of 2020, Q3 saw a return to relative stability, albeit at continued depressed pricing levels. During Q3, Brent and WTI benchmarks increased by 2% and 3% respectively as compared to the end of Q2. Similar levels of stability were also seen with Canada's WCS benchmark, which remained more or less flat at 1% growth compared to the prior quarter.

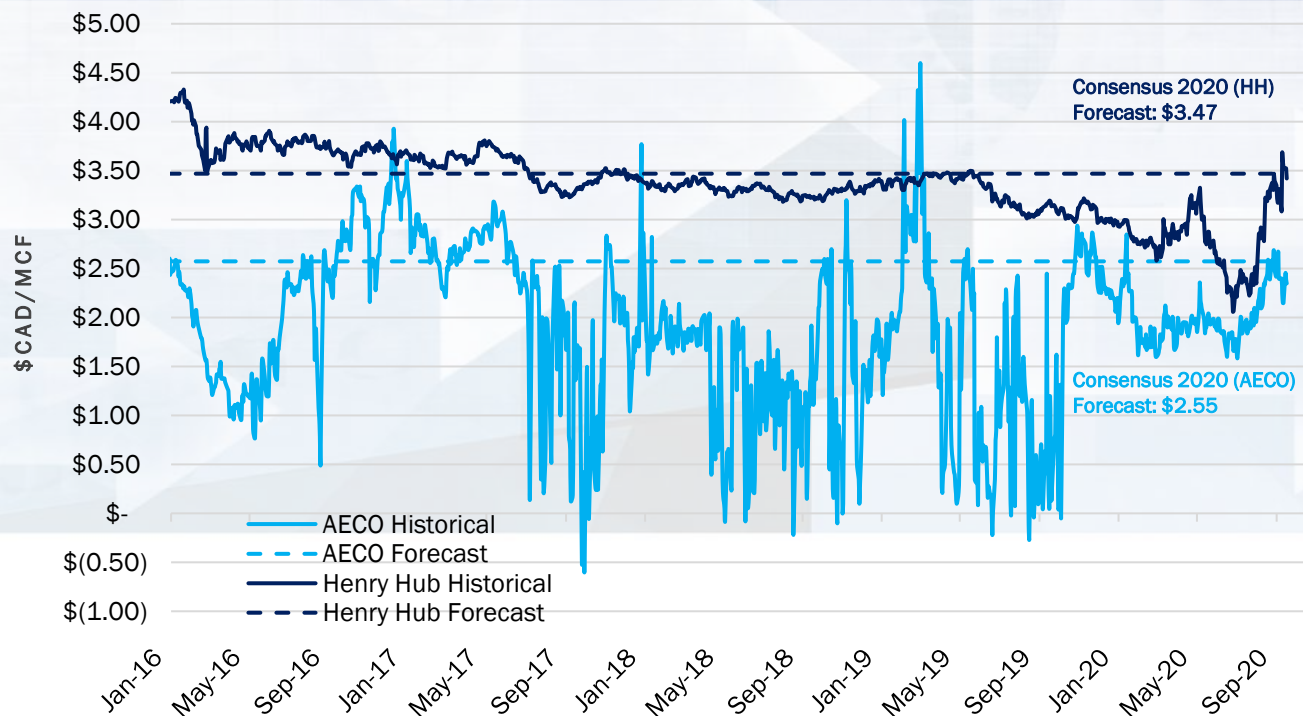
Current pricing reflects the balance of demand which has yet to fully recover from the impacts of the COVID-19 pandemic, coupled with supply-side control from OPEC+, leaving analysts split as to what the future holds. The IMF has predicted commodity prices will remain in the \$40-\$50 range for 2021, and OPEC has described the demand outlook as "anemic" and noted that risks remain "elevated and skewed to the downside." On the other hand, Goldman Sachs has taken a more bullish perspective with the bank seeing WTI rise to \$60/bbl by the end of 2021 on the back of rapid testing enabling travel activities and a lack of capex impacting non-OPEC decline rates as capital markets have been hesitant to fund shale drilling.



Commodity Pricing and Analyst Forecasts

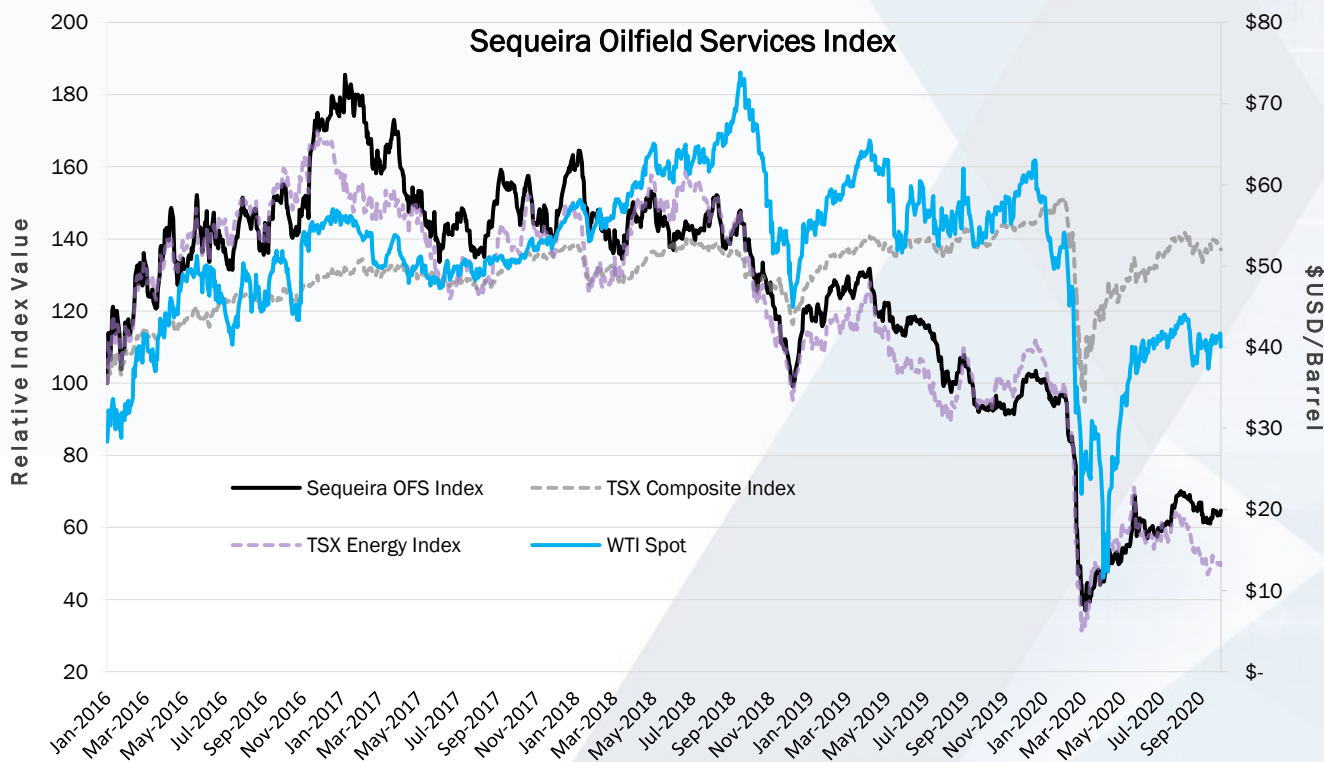
AECO pricing saw a 10% gain through Q3 2020, ending the quarter at \$1.90/MCF following a pull back in the latter half of September due to unseasonably warm conditions; however, prices averaged \$2.15/MCF through Q3 as compared to \$1.90 in Q2, an encouraging show of strength which appears poised to continue into Q4 and beyond. Analysts expect 2021 prices to approximate \$2.55/MCF as capex reductions begin to impact production, and NGTL expansions come on stream.

Henry Hub pricing soared 41% over the course of Q3, with prices rising through September as production declines from significant decreased drilling and completions activity have begun to impact supply. This trend continued through the beginning of October as gas prices reached their highest levels in over 5 years. Consensus analyst expectations are Henry Hub prices to average ~\$3.50/MCF in 2021, with some analysts suggesting prices could soar over \$6/MCF if cold winter conditions occur.



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 recovery through Q2. Uncertainty through Q3 persisted as the markets braced for the impact of a potential second wave of COVID-19 along with the volatility that comes with the approaching U.S. election. WTI has largely stabilized through Q3. While it's hard to imagine significant downside risk given what the OFS industry has been through the last 7 months, future uncertainty still exists today; however, it does feel like the worst is over.



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November 19
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With offices in Edmonton, Calgary, and Vancouver, Sequeira Partners is a professional finance advisory firm focused on mergers and acquisitions, corporate carve-outs and recapitalizations. We've become known for providing boutique advisory services with big experience. Collectively, our professionals have over 100 years of industry experience and have completed more than 200 transactions. We possess in-depth industry experience and the highest accreditations available for professionals in our respective disciplines.



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Sequeira Oilfield Services Index – Sector Drilldown

As at September 30, 2020

Source: Capital IQ

Company	Ticker	Share Price	Dividend Yield	Market Cap	Enterprise Value	2019 Revenue	2019 EBITDA	2019 EBITDA	2019 Margin	EV/EBITDA	2019	2020E	2021E	Price/Book	Net Debt/2020E EBITDA	2020E Value
Drilling & Equipment																
AKITA Drilling Ltd.	TSX:AKT.A	\$ 0.29	-	13	84	141	16	16	11.5%	5.2x	5.2x	4.2x	4.7x	0.0x	3.5x	180
Cathedral Energy Services Ltd.	TSX:CET	\$ 0.12	-	6	28	79	(8)	(7)	NM	NM	NM	NM	7.2x	0.1x	NM	54
CWC Energy Services Corp.	TSXV:CWC	\$ 0.17	-	78	105	96	8	11	8.6%	12.8x	9.7x	NM	NM	0.5x	ND	160
Ensign Energy Services Inc.	TSX:ESI	\$ 0.50	-	81	1,557	1,348	329	392	24.4%	4.7x	4.0x	6.8x	8.2x	0.1x	6.4x	1,467
Essential Energy Services Ltd.	TSX:ESN	\$ 0.14	-	21	31	119	6	10	5.4%	4.8x	3.2x	3.7x	4.0x	0.2x	1.1x	140
High Arctic Energy Services Inc	TSX:HWO	\$ 0.73	-	36	22	148	12	18	8.3%	1.8x	1.3x	2.8x	2.2x	0.2x	NM	200
McCoy Global Inc.	TSX:MCB	\$ 0.51	-	14	19	49	5	4	9.8%	3.9x	5.0x	NM	NM	0.4x	ND	40
Pason Systems Inc.	TSX:PSI	\$ 5.18	3.9%	433	263	241	76	110	31.5%	3.5x	2.4x	8.7x	11.7x	1.3x	NM	340
PHX Energy Services Corp.	TSX:PHX	\$ 1.48	-	77	103	337	45	41	13.2%	2.3x	2.5x	3.6x	4.7x	0.5x	0.9x	144
Precision Drilling Corporation	TSX:PD	\$ 0.92	-	255	1,501	1,106	298	365	26.9%	5.0x	4.1x	5.7x	7.6x	0.2x	4.7x	1,462
Total Energy Services Inc.	TSX:TOT	\$ 1.97	-	89	336	528	94	108	17.8%	3.6x	3.1x	5.2x	6.2x	0.2x	3.8x	524
Western Energy Services Corp.	TSX:WRG	\$ 0.26	-	24	249	122	19	22	15.2%	13.4x	11.1x	13.8x	19.3x	0.1x	12.4x	234
Mean									15.7%	5.5x	4.7x	6.1x	7.6x	0.3x	4.7x	
Median									13.2%	4.7x	4.0x	5.2x	6.7x	0.2x	3.8x	
Production & Completion																
Bri-Chem Corp.	TSX:BRY	\$ 0.06	-	1	15	71	0	2	0.7%	NM	6.6x	NM	NM	0.1x	ND	15
CES Energy Solutions Corp.	TSX:CEU	\$ 0.67	-	168	496	1,140	115	147	10.1%	4.3x	3.4x	6.7x	6.4x	0.4x	4.4x	469
Computer Modelling Group Ltd.	TSX:CMG	\$ 4.82	4.2%	380	371	74	32	32	43.6%	11.4x	11.8x	NM	12.2x	10.0x	NM	38
Enerflex Ltd.	TSX:EFF	\$ 5.18	1.7%	430	881	1,672	291	327	17.4%	3.0x	2.7x	5.1x	5.8x	0.3x	2.6x	1,426
Source Energy Services Ltd.	TSX:SHLE	\$ 0.07	-	4	224	260	147	17	56.7%	1.5x	13.1x	10.8x	9.6x	0.7x	10.9x	(0)
Wolverine Energy and Infrastructure Inc.	TSXV:WEI	\$ 0.34	-	41	159	228	16	14	6.9%	10.1x	11.6x	NM	3.1x	0.5x	5.9x	80
Mean									22.6%	6.1x	8.2x	7.5x	7.4x	2.0x	6.0x	
Median									13.7%	4.3x	9.1x	6.7x	6.4x	0.4x	5.2x	
Oilfield & Facility Construction																
Badger Daylighting Ltd.	TSX:BAD	\$ 39.52	1.6%	1,347	1,502	618	133	141	21.5%	11.3x	10.6x	11.1x	8.6x	3.9x	1.1x	342
ClearStream Energy Services Inc.	TSX:CSM	\$ 0.03	-	2	318	484	7	16	1.4%	NM	20.5x	NM	NM	NM	ND	(31)
Enterprise Group, Inc.	TSX:E	\$ 0.17	-	8	18	18	2	2	9.0%	11.2x	11.4x	NM	NM	0.2x	ND	39
Macro Enterprises Inc.	TSXV:MCR	\$ 2.28	-	72	76	285	26	54	9.1%	2.9x	1.4x	2.5x	2.3x	0.6x	0.1x	115
North American Construction Group Ltd.	NYSE:NOA	\$ 10.47	-	302	740	553	165	161	29.8%	4.5x	4.6x	4.5x	4.1x	0.0x	2.7x	238
Shawcor Ltd.	TSX:SCL	\$ 2.24	-	153	579	1,313	36	96	2.7%	16.2x	6.1x	15.6x	6.1x	0.2x	11.3x	711
Mean									12.2%	9.2x	9.1x	8.4x	5.3x	1.0x	3.8x	
Median									9.0%	11.2x	8.4x	7.8x	5.1x	0.2x	1.9x	
Pressure Pumping																
Calfrac Well Services Ltd.	TSX:CFW	\$ 0.18	-	26	881	1,113	8	128	0.7%	NM	6.9x	NM	26.9x	NM	NM	(34)
STEP Energy Services Ltd.	TSX:STEP	\$ 0.47	-	31	235	540	34	63	6.2%	7.0x	3.8x	9.4x	10.3x	0.1x	8.2x	244
Trican Well Service Ltd.	TSX:TCW	\$ 1.14	-	305	297	513	14	26	2.8%	20.8x	11.4x	20.3x	12.3x	0.6x	NM	552
Mean									3.2%	13.9x	7.3x	14.8x	16.5x	0.3x	8.2x	
Median									2.8%	13.9x	6.9x	14.8x	12.3x	0.3x	8.2x	
Transportation & Logistics																
Gibson Energy Inc.	TSX:GEI	\$ 19.56	6.9%	2,870	4,190	5,913	442	402	7.5%	9.5x	10.4x	8.5x	8.7x	3.7x	2.7x	771
Mullen Group Ltd.	TSX:MTL	\$ 9.07	4.0%	868	1,386	1,181	203	189	17.2%	6.8x	7.3x	6.4x	6.5x	1.0x	2.4x	895
Mean									12.4%	8.1x	8.9x	7.5x	7.6x	2.3x	2.5x	
Median									12.4%	8.1x	8.9x	7.5x	7.6x	2.3x	2.5x	
Environmental & Geophysical																
Pulse Seismic Inc.	TSX:PSD	\$ 0.81	-	47	77	12	7	17	56.6%	11.2x	4.4x	9.6x	3.8x	1.7x	3.8x	27
Secure Energy Services Inc.	TSX:SES	\$ 1.47	2.0%	236	726	2,121	100	138	4.7%	7.2x	5.3x	5.7x	5.3x	0.3x	3.6x	758
Tervita Corporation	TSX:TEV	\$ 1.75	-	198	1,025	1,627	179	192	11.0%	5.7x	5.3x	5.1x	5.2x	0.9x	4.1x	209
Vertex Resource Group Ltd.	TSXV:VTX	\$ 0.18	-	16	106	151	16	18	10.6%	6.6x	6.0x	4.1x	4.1x	0.3x	3.5x	47
Mean									20.7%	7.7x	5.3x	6.1x	4.6x	0.8x	3.7x	
Median									10.8%	6.9x	5.3x	5.4x	4.6x	0.6x	3.7x	
Camps & Catering																
Black Diamond Group Limited	TSX:BDI	\$ 1.63	-	94	227	176	33	31	18.5%	7.0x	7.3x	5.9x	5.4x	0.4x	3.4x	221
Civeo Corporation	NYSE:CVEO	\$ 0.94	-	162	616	726	136	131	18.8%	4.5x	4.7x	4.5x	4.8x	0.4x	2.7x	471
Horizon North Logistics Inc.	TSX:HNL	\$ 4.80	6.3%	311	462	277	33	16	11.9%	14.0x	29.3x	7.7x	7.0x	1.1x	2.5x	294
Mean									16.4%	8.5x	13.8x	6.0x	5.7x	0.6x	2.9x	
Median									18.5%	7.0x	7.3x	5.9x	5.4x	0.4x	2.7x	