



# THE WELL STREET JOURNAL

Oilfield Services and Industrials Deep Dive  
2022 | Q2 Report

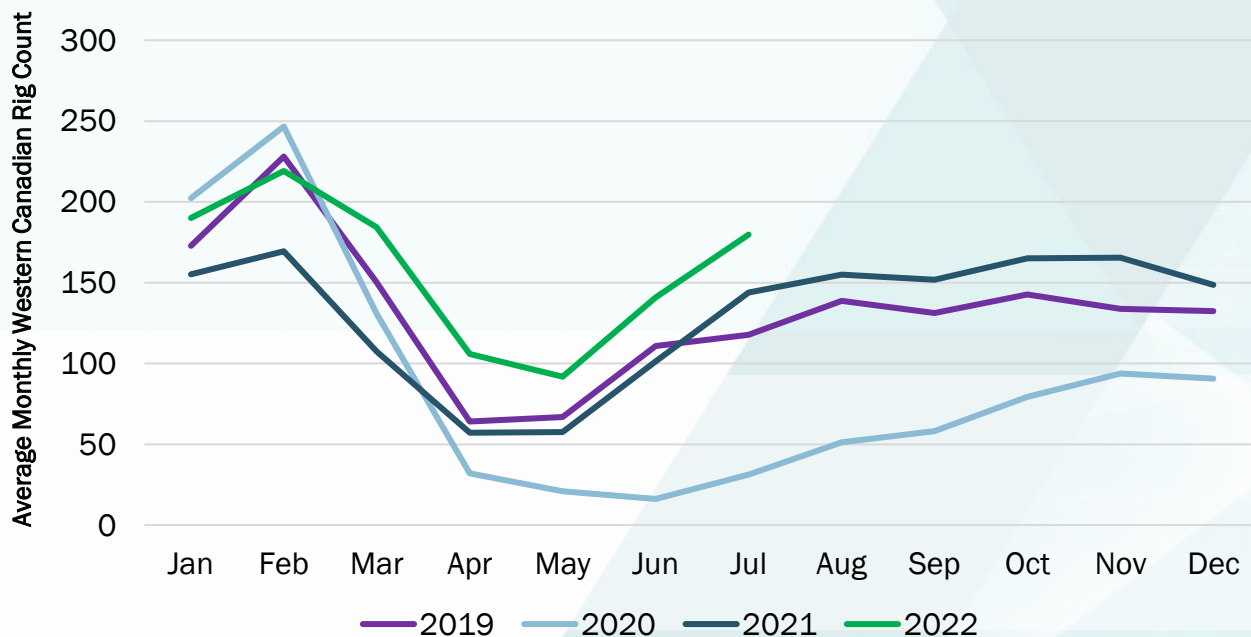
# Energy Market Sentiment

There was no shortage of newsworthy events over the course of Q2 2022. While volatility in the energy markets is par for the course, there seems to be significant noise in the number of headlines that continue to impact the markets today. As a result, it is becoming increasingly important to see the forest from the trees to understand what's driving energy markets today.

Inflationary concerns have grabbed headlines in recent months with year over year CPI increases in Canada and the US hitting 8.1% and 9.1% in June. Inflation has forced central banks around the world to begin raising rates with the Bank of Canada and the Federal Reserving both having made four rate increases this year. With rates rising, added risk has entered the fold of a rate induced recession. Consequently, we've seen commodity prices trend downwards as the risk of a recession has brought about fears of demand destruction.

While it is easy to buy into the narrative of downward pricing risk given the recent strength we've seen in commodities, seeing the "forest" can best be described from a quote by Goldman Sachs in a recent research note: *"The Fed cannot print commodities. Remember that Fed-induced slowdowns are simply a short-term abatement of the symptom – inflation – and not a cure for the problem – underinvestment."*

With this in mind, we expect commodities to remain strong over the foreseeable future and thus activity levels for services should remain robust. Assessing where rig count sits today, activity within Canada is trending above pre-pandemic levels.

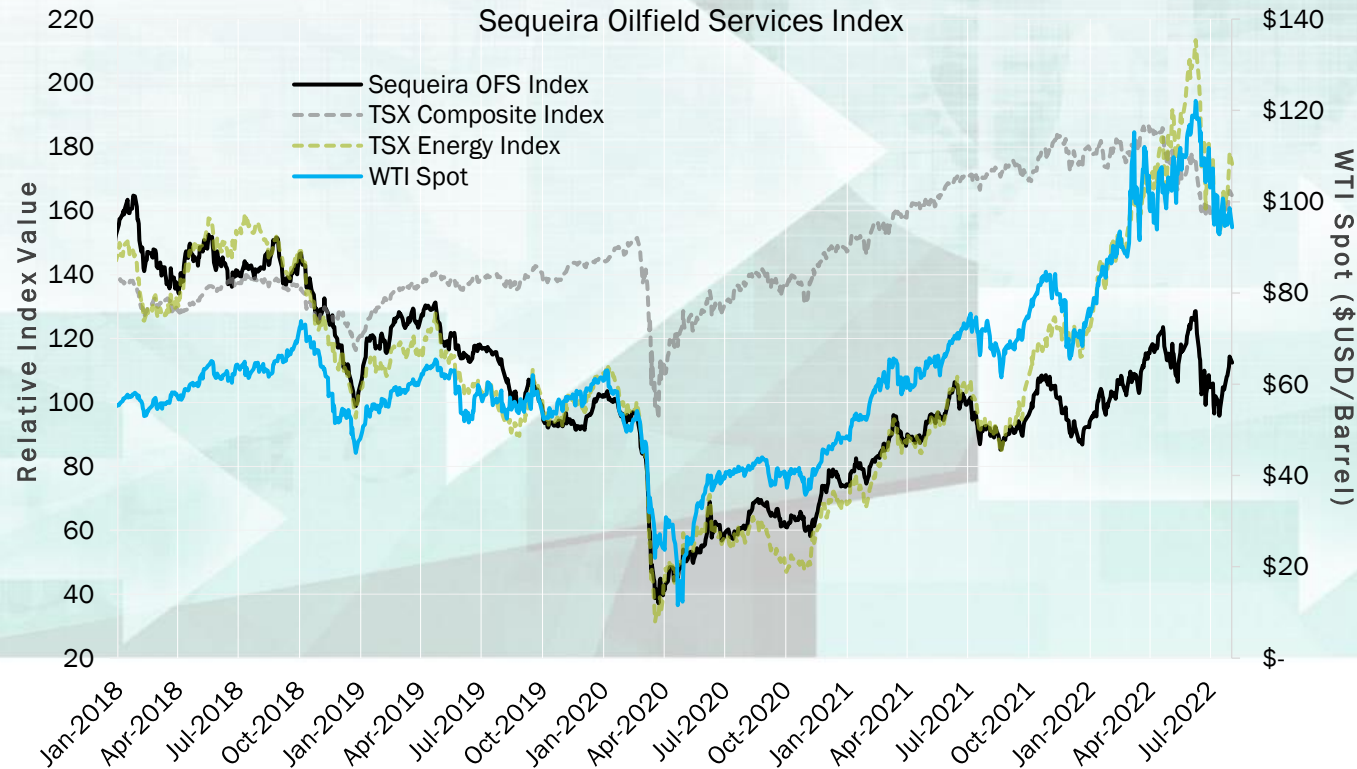


Source: Baker Hughes

# Market Overview

Sequeira's OFS index tracks publicly listed Canadian Oilfield Service companies throughout the year. As of the end of Q2, Investor sentiment for OFS companies represented by our index along with Canadian operators represented by the TSX Energy Index have both increased year over year by 5.1% and 63.5%, respectively. Its clear investors have greater confidence in producers to take advantage of the current environment versus oilfield service companies; however, we expect that with limited available capacity today, service companies will begin pushing operators for price increases which should bode well for their earnings.

While fears of a recession continue to generate noise, we anticipate that both producers and oilfield service companies will outperform the broader market for the remainder of 2022 and into 2023.

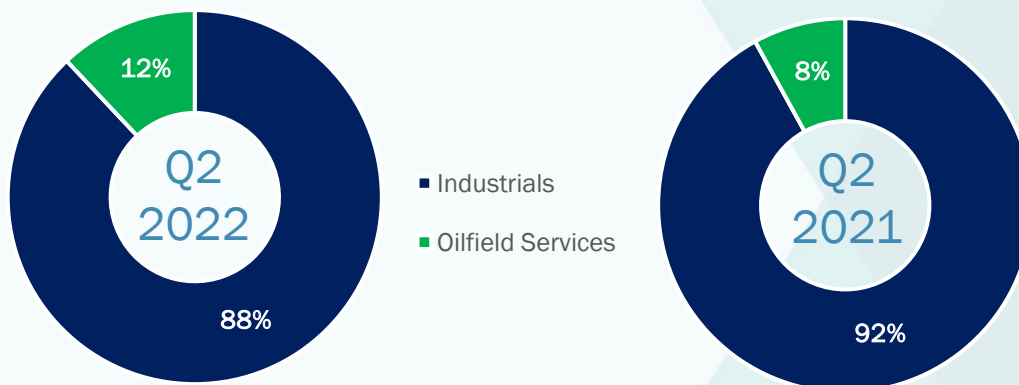


# Energy Service and Industrial Transactions

While commodity pricing has been remarkably strong over the course of the last 6 months and we expect it to remain that way, we're beginning to see what could be the early stages of an increase in M&A activity for oilfield service companies. We anticipate that as rigs continue to go back to work and cash flows increase too, we'll start to see the majors and other acquirers begin to ask themselves where to from here as they discuss their strategic plans for 2023.

While we anticipate a ramp-up in deals within OFS, we're engaging in more conversations with prospects interested in planning to sell their business and buyers that are showing an increasing keenness in deploying capital back into the space. As the market digests the current environment, we anticipate an increase in deals as we head into 2023.

## Q2 2022 vs 2021 Industry Activity<sup>(1)</sup>



This past quarter (Q2 2022) saw 73 disclosed transactions in the industrials and oilfield services sector with either a Canadian target or buyer. That represented a decline from the previous quarter (Q1 2022) which saw 105 transactions and a lower level to the comparative quarter from the prior year (Q2 2021) which saw 98 transactions. Of the 73 transactions this quarter, 12% were in the oilfield services sector similar to the 12% in Q1 2022, and 8% in Q2 2021.

# Buyer Profile

## Industrial & OFS Transactions By Buyer Location<sup>(1)</sup>

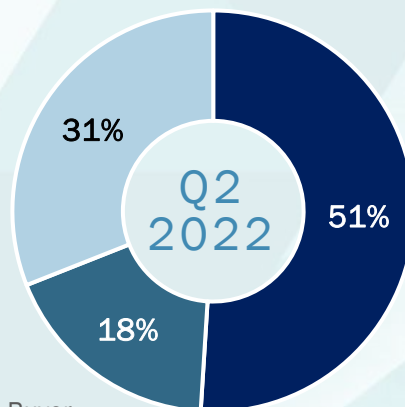
Buyer Location	Q2 2022 (Count)	Q2 2022 (%)	Q2 2021 (Count)	Q2 2021 (%)
Western Canada	17	23%	27	28%
Eastern Canada	31	43%	50	51%
USA	17	23%	17	17%
International	8	11%	4	4%
<b>Total</b>	<b>73</b>	<b>100%</b>	<b>98</b>	<b>100%</b>

Consistent with historical trends, domestic parties continue to be the largest acquirer of Canadian-based businesses. However, US-based buyer activity grew as a percentage of transactions. This is a trend we've observed on recent engagements as well.

## By Buyer Type<sup>(1)</sup>

Strategics continue to remain the dominant acquirer in Q2 2022, looking to make acquisitions as a means of growth. We anticipate financial buyers will begin to show greater appetite going forward as the current energy environment shows stability.

Buyer Type	Q2 2022	Q2 2021
Strategic	51%	73%
Financial	18%	10%
Financial Backed Strategic	31%	17%

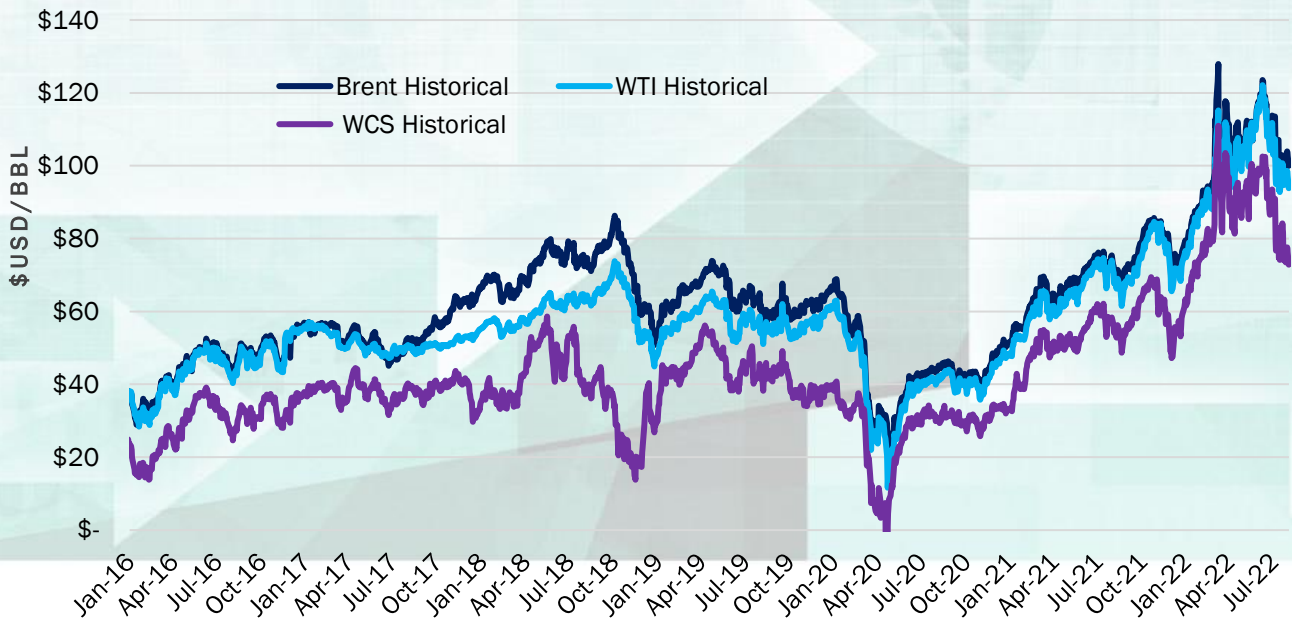


- Strategic Buyer
- Financial Buyer
- Financial Backed Strategic Buyer

# Commodity Pricing and Analyst Forecasts

Q2 2022 began with WTI and WCS trading at \$99.27 and \$87.32 USD. The strong pricing momentum that began in 2021 and went to the highest levels in over a decade in Q1 2022 have remained evaluated but have somewhat softened since then. Lots of noise drove volatility in prices this past quarter including the uncertainty in the economy as a result of rising rates by central bankers, US SPR releases, the ongoing Russian-Ukraine war, and China's continued zero-COVID policy. While volatility continues to be the name of the game, the discussion on energy and consequently pricing, remains a demand versus supply story. With spare capacity overseas remaining limited, record US SPR releases expected to end in the last half of 2022, and international air travel demand rebounding – its easy to see why analysts continue to sound the alarm on the market being undersupplied.

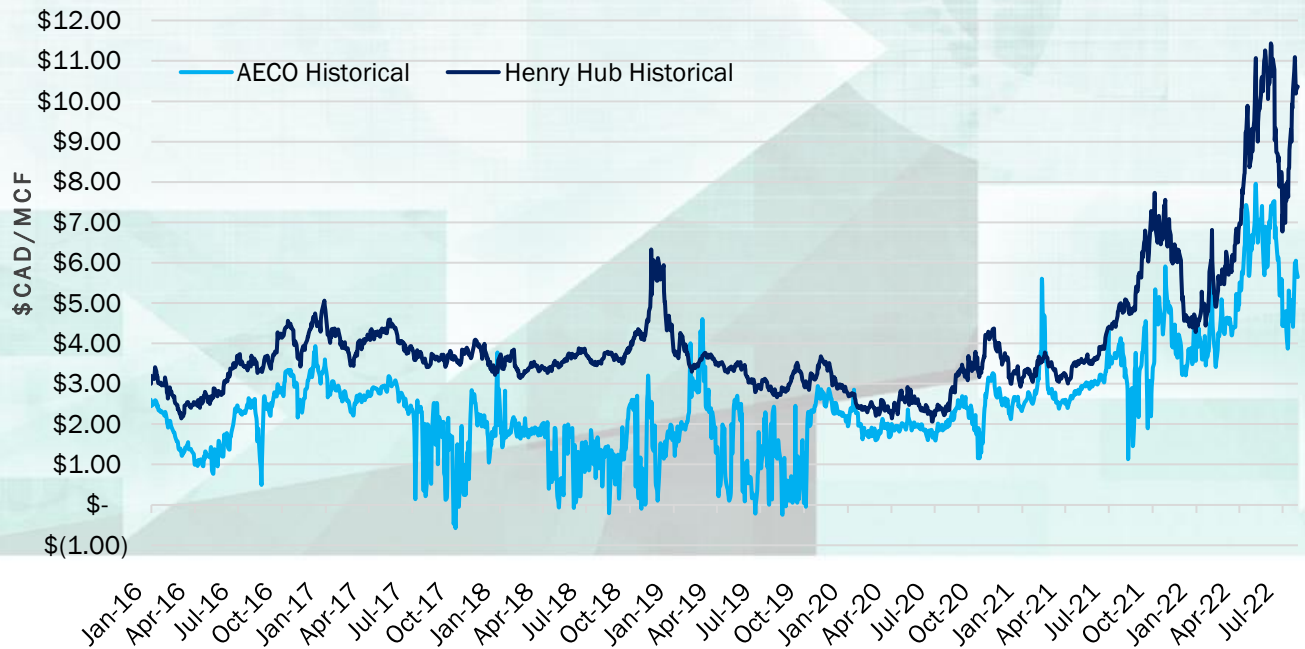
While demand destruction via a recession in parts of the developed world is certainly a risk worth paying attention to, structurally the market continues to be undersupplied which bodes well for a strong pricing environment over the course of 2022 and 2023.



# Commodity Pricing and Analyst Forecasts

Natural gas prices remained strong over Q2 as global demand for LNG continues to be exceptionally strong. Prices are predominately being driven by strong international demand in Europe and Asian markets, exasperated by uncertainty regarding Russian gas supplies, which has historically supplied European markets. As energy security has become a greater concern due to the Russian-Ukraine war, conversations around Canada's ability to provide LNG to global markets has heated up as of late. We've recently heard Woodfibre LNG confirm its positive final investment decision, rumblings that LNG Canada will move forward with its expansion to double capacity and have seen Pembina advancing progress on Cedar LNG (a project it acquired a 50% stake in last year).

While Canada has a world class liquids rich natural gas play in the Montney, its uplifting to see that Canada is looking for ways to supply our energy to global markets, given the challenges being faced overseas today.



# Team Update



Building on the momentum we've seen over the last year, we continue to enhance the strength and depth of our team, adding a new member to Sequeira Partners in our Edmonton office.

Welcome to the team Michelle!

**Michelle Zhou** - Edmonton

## Our Partners

### M&A

**Mark McRae, CA, CBV**  
mmcrae@sequeirapartners.com  
780.784.0115

**Julie Afanasiff, CA, CBV**  
jafanasiff@sequeirapartners.com  
780.784.0116

**Ken Tarry, MBA**  
ktarry@sequeirapartners.com  
236.317.6351

**Kellie Manchester, CFA**  
kmanchester@sequeirapartners.com  
236.317.6352

**Scott Acheson, CA, CBV, CFA**  
sacheson@sequeirapartners.com  
780.784.0124

**Erica McGuinness, CA, CBV**  
emcguinness@sequeirapartners.com  
236.317.6353

### Valuations

**Jordan Martel, CBV, ASA, MBA**  
jmartel@sequeirapartners.com  
587.943.7222

**Kira Gregson, CA, CBV**  
kgregson@sequeirapartners.com  
780.784.0125

## Recently Completed Transactions

Advisor to



on the sale to



**sequeira**  
PARTNERS

Advisor to



on the sale to

**An Undisclosed  
Pool Co.**

**sequeira**  
PARTNERS

Advisor to



Employee Benefits division  
on its partnership with



**sequeira**  
PARTNERS

## About Us

Sequeira Partners is Western Canada's leading sell-side transaction advisor to private and public industrial, energy services, business services, manufacturing and insurance 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).

400, 520 – 5TH Avenue SW  
Calgary, AB T2P 3R7  
587-352-2500

2701, 10104 103 Avenue NW  
Edmonton, AB T5J 0H8  
780-633-5200

1680, 400 Burrard Street  
Vancouver, BC V6C 3A6  
604-687-5300



# Sequeira Oilfield Services Index – Sector Drilldown

As at July 31, 2022

Source: Capital IQ

Company	Ticker	Share Price	Dividend Yield	Market Cap	Enterprise Value	Revenue	TTM EBITDA	EBITDA Margin	EV/EBITDA TTM	EV/EBITDA 2022E	2023E	Price/Book	Net Debt/2022E EBITDA
			(%)	(\$mm)	(\$mm)	(\$mm)	(\$mm)	(%)	(x)	(x)	(x)	(x)	(x)
<b>Drilling &amp; Equipment</b>													
AKITA Drilling Ltd.	TSX-AKT.A	\$ 1.96	-	79	171	152	13	8.8%	12.7x	5.2x	3.7x	0.6x	2.7x
Cathedral Energy Services Ltd.	TSX:CET	\$ 0.70	-	149	186	86	4	4.1%	NM	3.1x	1.8x	1.3x	0.6x
CWC Energy Services Corp.	TSXV-CWC	\$ 0.31	-	156	206	141	22	15.9%	9.2x	NM	NM	0.9x	ND
Ensign Energy Services Inc.	TSX-ESI	\$ 3.45	-	636	2,028	1,242	230	18.6%	8.8x	5.6x	4.1x	0.5x	4.1x
Essential Energy Services Ltd.	TSX-ESN	\$ 0.41	-	57	67	135	3	2.1%	24.2x	3.8x	2.5x	0.5x	0.5x
High Arctic Energy Services Inc.	TSX-HWO	\$ 1.55	3.9%	76	80	87	3	3.8%	24.2x	7.4x	4.1x	0.5x	0.5x
McCoy Global Inc.	TSX-MCB	\$ 1.17	-	33	30	41	5	11.5%	6.5x	NM	NM	0.8x	ND
Pason Systems Inc.	TSX-PSI	\$ 15.38	2.1%	1,263	1,094	239	75	31.6%	14.5x	7.2x	6.0x	3.9x	NM
PHX Energy Services Corp.	TSX-PHX	\$ 5.88	5.1%	297	325	392	30	7.6%	10.9x	3.7x	2.5x	2.2x	0.3x
Precision Drilling Corporation	TSX-PD	\$ 87.28	-	1,186	2,333	1,226	176	14.3%	13.3x	6.5x	4.3x	1.0x	3.3x
Total Energy Services Inc.	TSX-TOT	\$ 7.71	3.1%	326	464	594	91	15.4%	5.1x	4.1x	3.3x	0.7x	1.2x
Western Energy Services Corp.	TSX-WRG	\$ 4.56	-	154	269	155	25	16.4%	10.6x	6.2x	3.9x	0.5x	2.9x
Mean								12.5%	12.7x	5.3x	3.6x	1.1x	1.8x
Median								12.9%	10.9x	5.4x	3.8x	0.7x	1.2x
<b>Production &amp; Completion</b>													
Bri-Chem Corp.	TSX-BRY	\$ 0.70	-	17	45	72	6	8.0%	7.7x	NM	NM	0.9x	ND
CES Energy Solutions Corp.	TSX-CEU	\$ 2.66	2.4%	681	1,161	1,337	125	9.4%	9.3x	5.6x	4.6x	1.4x	2.4x
Computer Modelling Group Ltd.	TSX-CMG	\$ 4.98	4.0%	400	380	66	28	42.1%	13.6x	NM	10.2x	8.6x	NM
Enerflex Ltd.	TSX-EFX	\$ 5.90	1.7%	529	789	1,080	125	11.6%	6.3x	3.2x	1.6x	0.4x	1.1x
Source Energy Services Ltd.	TSX-SHLE	\$ 2.01	-	27	280	374	13	3.4%	22.1x	4.7x	4.1x	4.8x	4.3x
Wolverine Energy and Infrastructure Inc.	TSXV-WEII	\$ 0.13	-	13	117	66	(5)	NM	NM	NM	8.9x	0.3x	9.4x
Mean								14.9%	11.8x	4.5x	5.9x	2.7x	4.3x
Median								9.4%	9.3x	4.7x	4.6x	1.1x	3.3x
<b>Oilfield &amp; Facility Construction</b>													
Badger Infrastructure Solutions Ltd.	TSX-BDGI	\$ 30.73	2.1%	1,059	1,225	604	65	10.8%	18.7x	9.6x	7.2x	4.0x	1.0x
ClearStream Energy Services Inc.	TSX-CSM	\$ 0.05	-	5	359	494	5	1.0%	NM	NM	NM	NM	1.0x
Enterprise Group, Inc.	TSX-E	\$ 0.41	-	19	32	21	7	35.7%	4.4x	4.4x	3.4x	0.6x	1.8x
Macro Enterprises Inc.	TSXV-MCR	\$ 4.00	-	127	143	349	39	11.2%	3.7x	NM	NM	1.0x	ND
North American Construction Group Ltd.	TSX-NOA	\$ 14.30	2.2%	389	792	692	162	23.4%	4.9x	3.8x	3.5x	1.4x	1.9x
Shawcor Ltd.	TSX-SCL	\$ 5.82	-	410	659	1,131	84	7.4%	7.8x	5.7x	4.4x	0.7x	2.1x
Mean								14.9%	7.9x	5.9x	4.6x	1.5x	1.7x
Median								11.0%	4.9x	5.1x	3.9x	1.0x	1.8x
<b>Pressure Pumping</b>													
Calfrac Well Services Ltd.	TSX-CFW	\$ 4.70	-	181	584	1,228	102	8.3%	5.7x	3.3x	2.4x	0.6x	2.3x
STEP Energy Services Ltd.	TSX-STEP	\$ 4.91	-	335	567	619	64	10.4%	8.8x	3.3x	2.8x	1.8x	1.4x
Trican Well Service Ltd.	TSX-TCW	\$ 3.79	-	930	913	692	113	16.3%	8.1x	5.0x	4.0x	1.9x	NM
Mean								11.7%	7.6x	3.9x	3.1x	1.4x	1.8x
Median								10.4%	8.1x	3.3x	2.8x	1.8x	1.8x
<b>Transportation &amp; Logistics</b>													
Gibson Energy Inc.	TSX-GEI	\$ 26.32	5.6%	3,880	5,379	9,811	416	4.2%	12.9x	10.6x	10.3x	6.1x	3.4x
Mullen Group Ltd.	TSX-MTL	\$ 14.60	4.9%	1,358	2,182	1,853	256	13.8%	8.5x	6.8x	6.7x	1.5x	2.6x
Mean								9.0%	10.7x	8.7x	8.5x	3.8x	3.0x
Median								9.0%	10.7x	8.7x	8.5x	3.8x	3.0x
<b>Environmental &amp; Geophysical</b>													
Pulse Seismic Inc.	TSX-PSD	\$ 2.22	2.3%	119	114	30	22	73.1%	5.1x	7.1x	7.0x	3.1x	NM
Secure Energy Services Inc.	TSX-SES	\$ 6.42	0.5%	1,989	3,163	6,421	425	6.6%	7.4x	5.9x	5.7x	1.7x	2.2x
Vertex Resource Group Ltd.	TSXV-VTX	\$ 0.31	-	34	132	172	18	10.2%	7.5x	4.5x	3.8x	0.5x	3.3x
Mean								30.0%	6.7x	5.8x	5.5x	1.8x	2.8x
Median								10.2%	7.4x	5.9x	5.7x	1.7x	2.8x
<b>Camps &amp; Catering</b>													
Black Diamond Group Limited	TSX-BDI	\$ 3.76	1.6%	227	416	345	62	18.0%	6.7x	5.8x	5.4x	0.9x	2.5x
Civeo Corporation	NYSE:CVEO	\$ 38.03	-	539	841	857	149	17.4%	5.6x	6.0x	5.7x	1.4x	1.7x
Dexterra Group Inc.	TSX-DXT	\$ 6.29	5.6%	410	564	802	52	6.5%	10.8x	6.4x	5.4x	1.4x	1.8x
Mean								17.7%	6.2x	5.9x	5.5x	1.2x	2.1x
Median								17.7%	6.2x	6.0x	5.5x	1.2x	2.1x
<b>Large Cap NYSE Oilfield Majors</b>													
Schlumberger Limited	NYSE:SLB	\$ 47.46	1.9%	67,127	81,649	31,953	6,424	20.1%	12.7x	9.8x	8.0x	3.2x	1.8x
Halliburton Company	NYSE:HAL	\$ 37.55	1.6%	34,058	43,453	22,534	3,920	17.4%	11.1x	8.5x	6.8x	3.7x	1.9x
NOV Inc.	NYSE:NOV	\$ 23.85	1.1%	9,369	10,938	7,900	468	5.9%	23.4x	12.8x	9.0x	1.5x	1.9x
TechnipFMC plc	NYSE:FTI	\$ 10.37	-	4,689	6,884	8,212	666	8.1%	10.3x	7.9x	6.8x	1.1x	2.5x
Helmerich & Payne, Inc.	NYSE:HP	\$ 59.34	2.2%	6,248	6,516	2,282	349	15.3%	18.7x	11.4x	5.7x	1.8x	0.5x
Nabors Industries Ltd.	NYSE:NBR	\$ 182.62	-	1,719	5,610	2,920	702	24.0%	8.0x	6.2x	4.6x	2.5x	3.4x
Mean								15.1%	14.0x	9.4x	6.8x	2.3x	2.0x
Median								16.3%	11.9x	9.1x	6.8x	2.1x	1.9x
Mean - All Subsectors								15.3%	10.8x	6.3x	5.1x	1.8x	2.0x
Median - All Subsectors								11.6%	8.8x	5.9x	4.5x	1.4x	1.9x
Mean - All Subsectors Excluding Oilfield Majors								15.3%	10.2x	5.5x	4.7x	1.8x	2.0x
Median - All Subsectors Excluding Oilfield Majors								11.5%	8.5x	5.6x	4.1x	1.2x	2.0x