

The background of the cover features a large, golden-tinted image of an oil pumpjack on the left and a worker in silhouette on the right, operating a valve. The scene is set against a bright, hazy sky, suggesting a sunrise or sunset. The overall color palette is dominated by warm, golden-yellow tones.

THE WELL STREET JOURNAL

Oilfield Services and Industrials Deep Dive

Q2 2024

The logo for Sequeira Partners consists of a stylized bar chart icon with four vertical bars of increasing height, positioned above the company name. The name 'sequeira' is written in a lowercase, sans-serif font, and 'PARTNERS' is written in a smaller, uppercase, sans-serif font below it.

sequeira
PARTNERS

Energy Market Overview



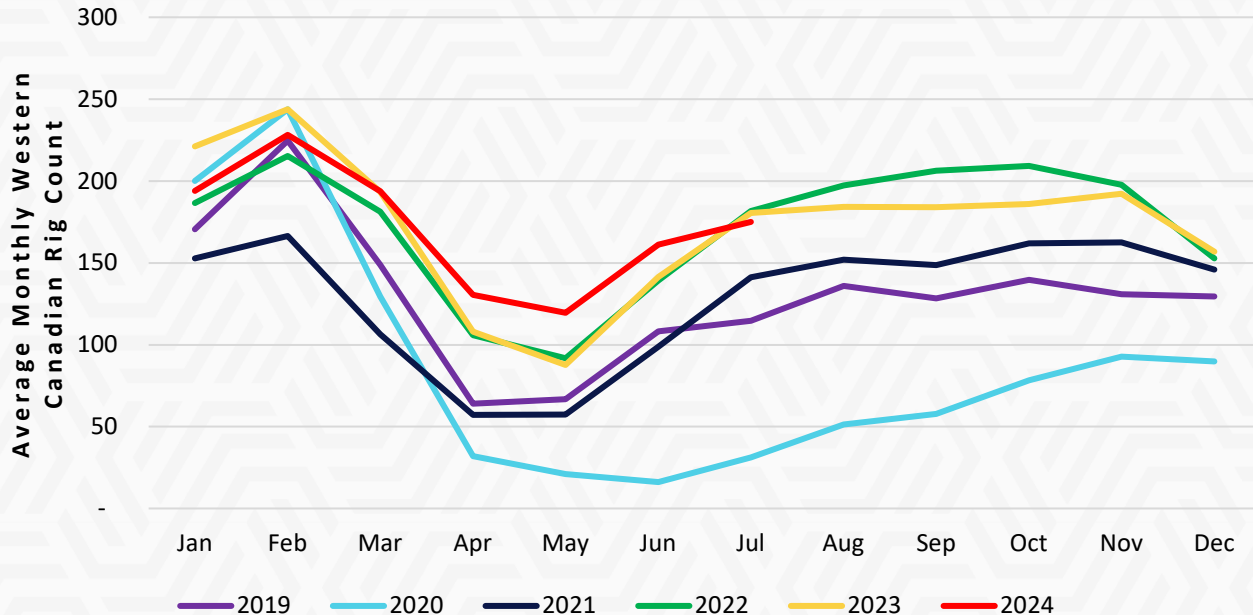
Despite ongoing geopolitical unrest internationally, WTI and WCS prices traded within a relatively narrow band through Q2 2024. Lower gasoline demand and a hawkish U.S. Fed were offset by the announcement in early June of continued production curtailments from OPEC+ into 2025, resulting in an energy market that has been rather stable with lower-than-normal volatility.

In Western Canada, rig counts experienced a stronger than usual April and May as rigs went to work earlier than historical periods during spring breakup – a sign operators are becoming effective at planning for break-up with greater emphasis on pad drilling as road bans come into effect.

While crude prices have remained stable during the quarter, natural gas prices continued to experience notable volatility. Henry Hub prices trended positively in the second quarter, which was in stark contrast to AECO as it continued to decline over the period. Despite the downturn in AECO pricing, Alberta producers remain upbeat compared to their U.S. counterparts, as producers gear up for the commissioning of LNG Canada in 2025. As Precision Drilling CEO Kevin Neveu put it – “I’ll be quite clear, we haven’t seen any drag [in Western Canada] due to natural gas prices.”

Other major events impacting the Canadian market include the launch of the expanded TMX line, and a final positive investment decision on the \$3.4B Cedar LNG project with a capacity of 3.3M tonnes per annum, further supporting more Canadian gas development.

Year-over-Year Western Canadian Rig Count



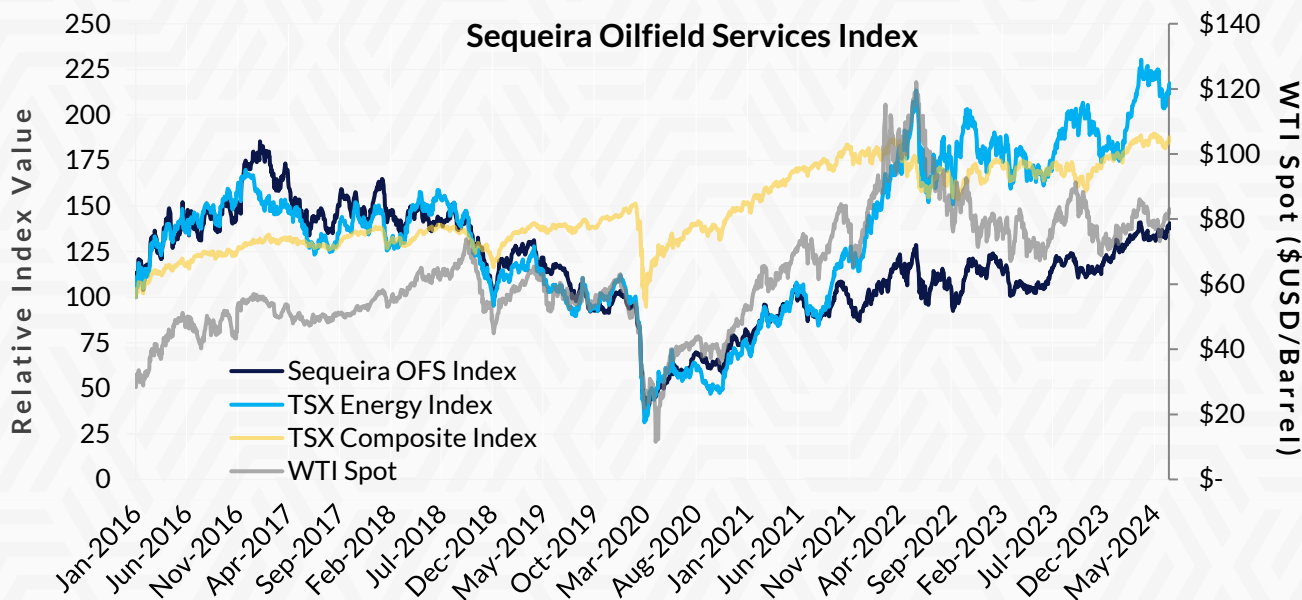
Source: Baker Hughes

Market Sentiment

Sequeira's OFS Index monitors the stock price performance of publicly listed Canadian Oilfield Service (OFS) companies. Historically, the Sequeira OFS and TSX Energy Index traded in tandem, until late 2021 when investors jumped headfirst into Canadian E&P stocks, while remaining hesitant that strong E&P cash flows would make their way into the OFS sector. While this decoupling has not narrowed, the Sequeira OFS index continues to appreciate, indicating a sector that has since rewarded investors with strong results.

The Sequeira OFS Index experienced a year over year increase of 28.9%, largely mirroring the TSX Energy Index which increased 27.6%. For the most recent Q2 quarter, the TSX Energy Index lagged the OFS Index with a loss of 0.6% versus the OFS Index's gain of 2.8%. E&P cash flows and stock prices are more directly correlated to commodity pricing, resulting in the short-term losses that the TSX Energy Index experienced through Q2 2024. Service companies, on the other hand, are more closely tied to capital spending and activity levels in the sector which have continued to remain positive, with a stable crude market and optimism on the Canadian gas markets where significant takeaway capacity is around the corner.

On May 1, 2024, Western Canadian oil markets were bolstered by the commencement of commercial operations for the TMX expansion pipeline. This milestone provides Canadian producers with an additional 590,000 bpd of capacity, alleviating prior pipeline constraints and increasing the exposure of Canadian oil to global export markets. In addition to greater pricing power, we are optimistic this will drive robust activity levels and benefit the Canadian OFS sector.



Energy and Industrial Transactions

Driven by significant US E&P consolidation, the prior quarter represented the most active Q1 in the energy sector for M&A in 7 years; a trend that continued with ConocoPhillips announcing plans to acquire Marathon Oil in an all-stock transaction that valued the business at approximately \$22.6 billion USD.

Despite these trends, Canadian OFS M&A activity has continued to lag. However, with large market players generating impressive cashflows, we expect there will be a continued focus on the strategic deployment of capital to enhance product and service offerings as has been common during similar past periods. Notably, on April 2, 2024, Schlumberger announced the acquisition of ChampionX, valuing the company at \$8.6 billion USD in an all-stock transaction which could be an indication of things to come, as oilfield service companies look to consolidate while optimizing innovative technologies in response to market pressures and the need for enhanced service offerings.

Overall, M&A activity across the broader industrial market saw a notable increase over the same period last year. With anticipated interest rate cuts, the economic backdrop is expected to improve, further driving sentiment for M&A activity for the remainder of the year.

Q2 2024 vs 2023 Transaction Mix ⁽¹⁾



Q2 2024 saw 105 disclosed transactions in the industrial and oilfield services sectors involving either a Canadian target or buyer, an increase when compared to both the prior quarter and Q2 2023 which saw 93 and 84 transactions disclosed, respectively.

Buyer Profile

Industrial & OFS Transactions By Buyer Location⁽¹⁾

Buyer Location	Q2 2024 (Count)	Q2 2024 (%)	Q2 2023 (Count)	Q2 2023 (%)
Western Canada	18	17%	11	13%
Eastern Canada	47	45%	37	44%
USA	27	26%	22	26%
International	13	12%	14	17%
Total	105	100%	84	100%

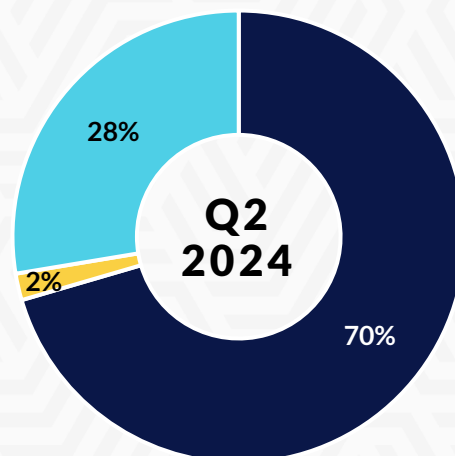
International buyer activity has seen a slight decline in the quarter, offset by a corresponding increase in domestic buyer participation. Consistent with the comparative 2023 period, US buyers represented 26% of buyers in the quarter. Overall, the buyer profile for Canadian transactions has remained largely unchanged with North American buyers consistently representing the most active participants.

By Buyer Type⁽¹⁾

Strategic parties continue to account for the majority of buyer activity, completing 70% of disclosed transactions in Canada this quarter, an increase from 50% in Q2 2023. This increase is driven primarily by strategic parties continuing to leverage strong balance sheets to deploy capital, mirroring the trend seen in Q1 2024.

Financial buyers completed only 2% of transactions this quarter in the industrial and OFS markets, largely electing to focus on building their portfolio companies. However, as interest rates are set to decrease in coming months, private equity firms will have a more supportive backdrop to deploy capital and secure financing for investments in these sectors.

Buyer Type	Q2 2024	Q2 2023
Strategic	70%	50%
Financial	2%	11%
Financial Backed Strategic	28%	39%



- Strategic
- Financial
- Financial Backed Strategic

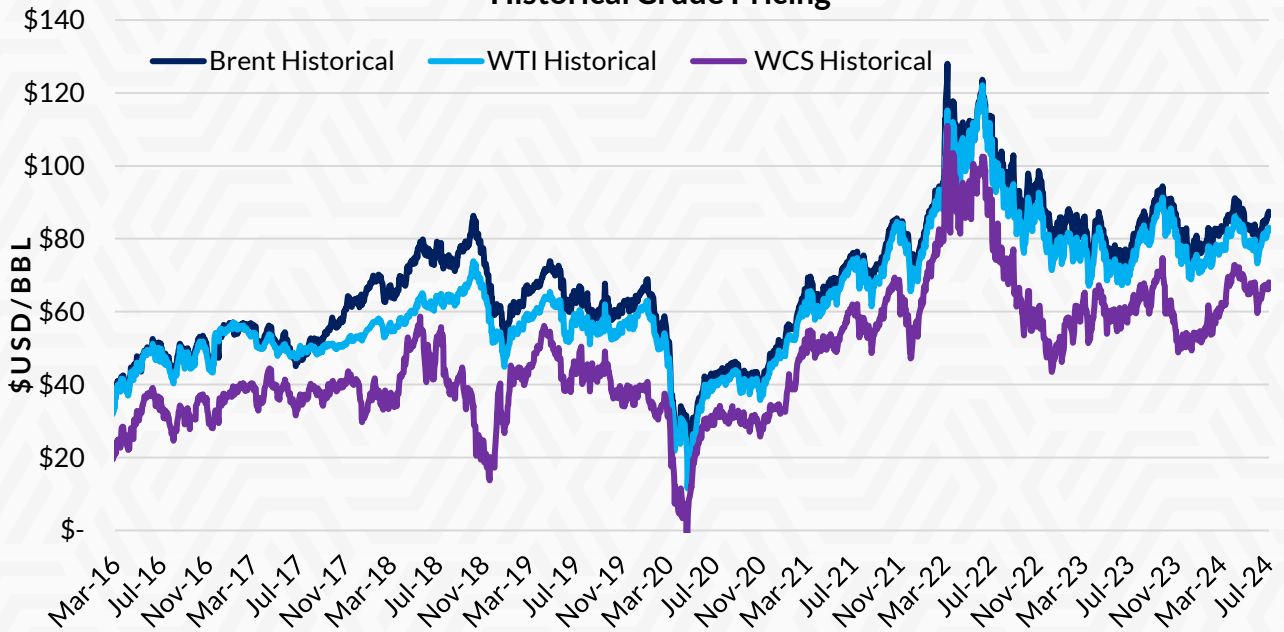
Commodity Pricing and Analyst Forecasts

Q2 saw WTI prices remain relatively stable throughout the quarter, with a gradual decline from \$84 to \$74/bbl between April 1 – May 30 as lower-than-expected demand and the interest rate outlook frightened markets over this period. This was followed by a steady recovery to \$83/bbl to close out the quarter. The upward pressure on pricing through June was primarily driven by the OPEC+ decision to extend its oil output curtailment into next year and was further bolstered by ongoing geopolitical tensions internationally. U.S. inventories declined more than expected due to a surge in refining activity, further driving up prices. With peak driving season approaching, this should contribute to price pressures as the number of travelling Americans is expected to surpass pre-pandemic numbers this summer despite lower-than-expected gasoline demand earlier in the year.

Supply uncertainties were also exacerbated by extreme weather events throughout North America. Hurricane Beryl raised concerns related to the Gulf Coast energy infrastructure, including major refineries and production sites, though the severity of the storm decreased and ultimately had limited impact on prices.

On the demand side, the EIA revised its forecast for next year considering the OPEC+ announcement, predicting a global oil supply deficit, further supporting a strong pricing environment for the remainder of the year.

Historical Crude Pricing



Source: S&P Capital IQ

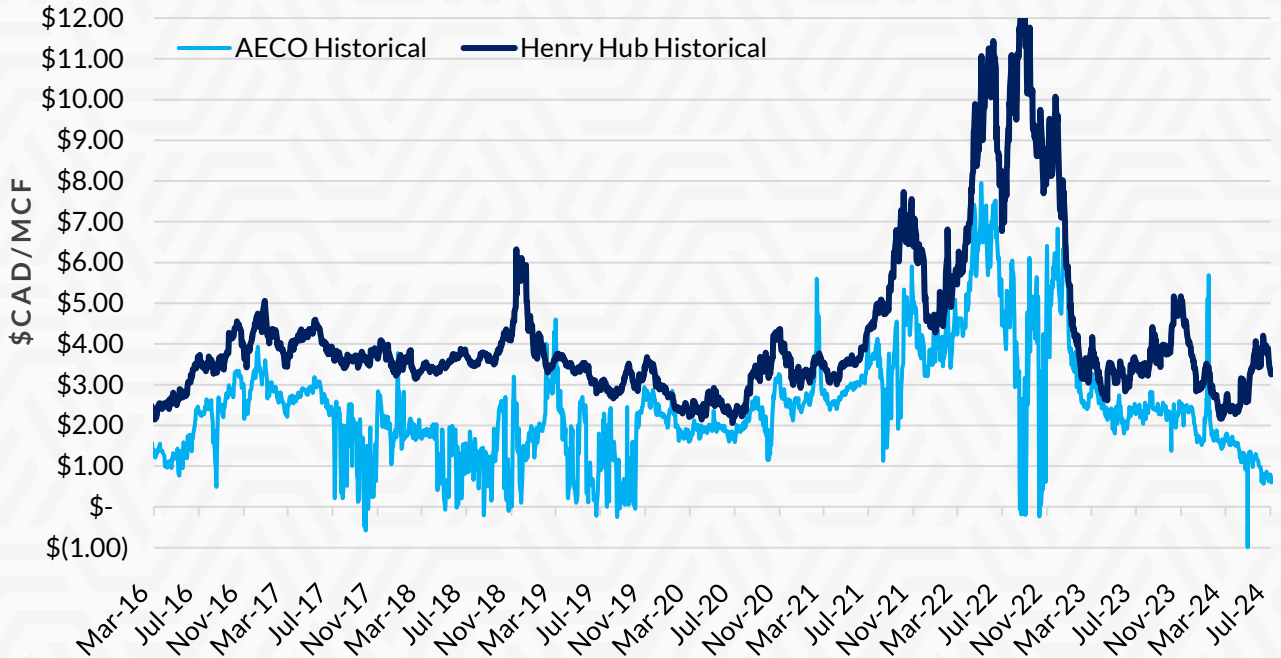
Commodity Pricing and Analyst Forecasts

During Q2 2024, Henry Hub and AECO prices noticeably diverged. Henry Hub opened at \$2.49/mcf and trended favorably with a peak of \$4.31/mcf in early June before falling to \$3.33/mcf by the quarter's end. In stark contrast, AECO struggled as a result of high storage levels, putting downward pressure on prices. Opening the quarter at \$1.54/mcf, AECO experienced a steady decline, trading below \$1.00/mcf throughout June, and even closing at \$0.60/mcf for the quarter.

U.S. gas inventory levels remain elevated, closing the quarter 19% above the 5-year historical average. Despite warmer-than-average summer temperatures across North America and higher average energy consumption, there has been no meaningful depletion of inventory levels. This persistent surplus creates a risk that storage facilities could come close to capacity in the fall, which would negatively impact prices. However, the anticipated flat production environment for the remainder of the year and the increasing demand for natural gas to fuel large data-centers across North America has many analysts projecting a notable increase in demand throughout the remainder of 2024.

Despite a challenging and turbulent Q2 for AECO pricing, the ongoing development of LNG Canada's export terminal, early progress on Woodfibre LNG construction, and the recent positive investment decision for Cedar LNG has spurred optimism for the Western Canadian natural gas sector irrespective of short-term pricing concerns.

Historical Natural Gas Pricing



Source: S&P Capital IQ, Bloomberg, SAF Group


Sequeira Oilfield Services Index – Sector Drilldown

As at July 22, 2024 Source: Capital IQ

Company	Share Price	Market Cap	Enterprise Value	Revenue	TTM EBITDA	EBITDA Margin	EV/EBITDA			Price/Book	Net Debt/2024E EBITDA
							TTM	2024E	2025E		
Drilling & Equipment		(\$mm)	(\$mm)	(\$mm)	(\$mm)	(%)	(x)	(x)	(x)	(x)	(x)
AKITA Drilling Ltd.	\$ 1.35	58	114	207	46	22.1%	2.5x	2.5x	2.1x	0.3x	1.3x
Ensign Energy Services Inc.	\$ 2.45	447	1,645	1,739	476	27.4%	3.5x	3.7x	3.5x	0.3x	2.7x
High Arctic Energy Services Inc	\$ 0.92	45	(6)	71	16	22.6%	-0.4x	NM	NM	0.4x	ND
McCoy Global Inc.	\$ 2.09	56	50	69	12	16.9%	4.2x	NM	NM	1.0x	ND
Pason Systems Inc.	\$ 17.38	1,379	1,314	376	144	38.4%	9.1x	7.7x	6.4x	2.9x	NM
PHX Energy Services Corp.	\$ 10.28	479	510	656	117	17.8%	4.4x	3.7x	3.4x	2.2x	0.2x
Precision Drilling Corporation	\$ 98.32	1,404	2,388	1,907	548	28.7%	4.4x	4.3x	4.0x	0.9x	1.8x
Total Energy Services Inc.	\$ 9.51	372	486	859	157	18.2%	3.1x	2.6x	2.3x	0.7x	0.6x
Western Energy Services Corp.	\$ 3.00	102	215	216	41	19.2%	5.2x	4.6x	4.4x	0.3x	2.4x
Mean						23.5%	4.0x	4.2x	3.7x	1.0x	1.5x
Median						22.1%	4.2x	3.7x	3.5x	0.7x	1.5x
Production & Completion		(\$mm)	(\$mm)	(\$mm)	(\$mm)	(%)	(x)	(x)	(x)	(x)	(x)
Bri-Chem Corp.	\$ 0.28	7	38	100	4	4.3%	9.0x	NM	NM	0.3x	ND
CES Energy Solutions Corp.	\$ 7.87	1,861	2,287	2,194	307	14.0%	7.4x	6.3x	6.0x	2.6x	1.2x
Computer Modelling Group Ltd.	\$ 14.22	1,149	1,123	109	40	36.5%	28.3x	NM	23.9x	16.9x	NM
Enerflex Ltd.	\$ 7.61	933	2,039	3,200	425	13.3%	4.8x	4.0x	3.7x	0.7x	1.6x
Source Energy Services Ltd.	\$ 11.26	153	407	576	76	13.2%	5.4x	3.5x	3.3x	0.9x	2.2x
Mean						16.2%	11.0x	4.6x	9.2x	4.3x	1.6x
Median						13.3%	7.4x	4.0x	4.8x	0.9x	1.6x
Oilfield & Facility Construction		(\$mm)	(\$mm)	(\$mm)	(\$mm)	(%)	(x)	(x)	(x)	(x)	(x)
Badger Infrastructure Solutions Ltd.	\$ 37.22	1,269	1,586	951	170	17.9%	9.3x	6.5x	5.5x	3.9x	1.0x
Enterprise Group, Inc.	\$ 1.20	67	83	36	15	41.8%	5.5x	5.5x	5.3x	1.3x	1.1x
North American Construction Group Ltd.	\$ 27.18	724	1,398	1,010	280	27.7%	5.0x	3.2x	3.0x	2.0x	1.5x
Mean						29.1%	6.6x	5.1x	4.6x	2.4x	1.2x
Median						27.7%	5.5x	5.5x	5.3x	2.0x	1.1x
Pressure Pumping		(\$mm)	(\$mm)	(\$mm)	(\$mm)	(%)	(x)	(x)	(x)	(x)	(x)
Calfrac Well Services Ltd.	\$ 4.28	366	647	1,701	259	15.2%	2.5x	3.1x	2.5x	0.6x	1.3x
STEP Energy Services Ltd.	\$ 4.30	305	443	1,003	191	19.0%	2.3x	2.3x	2.1x	0.8x	0.7x
Trican Well Service Ltd.	\$ 4.87	984	993	948	230	24.2%	4.3x	4.3x	4.0x	1.9x	0.0x
Mean						19.5%	3.0x	3.2x	2.9x	1.1x	0.7x
Median						19.0%	2.5x	3.1x	2.5x	0.8x	0.7x
Transportation & Logistics		(\$mm)	(\$mm)	(\$mm)	(\$mm)	(%)	(x)	(x)	(x)	(x)	(x)
Gibson Energy Inc.	\$ 23.00	3,689	6,282	11,937	514	4.3%	12.2x	9.4x	9.1x	3.9x	3.9x
Mullen Group Ltd.	\$ 13.41	1,169	1,944	1,959	331	16.9%	5.9x	6.1x	5.6x	1.2x	2.5x
Mean						10.6%	9.1x	7.8x	7.4x	2.6x	3.2x
Median						10.6%	9.1x	7.8x	7.4x	2.6x	3.2x
Environmental & Geophysical		(\$mm)	(\$mm)	(\$mm)	(\$mm)	(%)	(x)	(x)	(x)	(x)	(x)
Pulse Seismic Inc.	\$ 2.36	119	105	39	30	76.0%	3.5x	NM	NM	4.5x	ND
Secure Energy Services Inc.	\$ 11.45	2,791	2,946	9,186	542	5.9%	5.4x	6.4x	6.1x	2.2x	0.3x
Vertex Resource Group Ltd.	\$ 0.30	33	166	249	36	14.4%	4.6x	4.3x	4.1x	0.5x	3.5x
Mean						32.1%	4.5x	5.4x	5.1x	2.4x	1.9x
Median						14.4%	4.6x	5.4x	5.1x	2.2x	1.9x
Camps & Catering		(\$mm)	(\$mm)	(\$mm)	(\$mm)	(%)	(x)	(x)	(x)	(x)	(x)
Black Diamond Group Limited	\$ 8.85	536	747	386	97	25.2%	7.7x	7.0x	6.5x	1.8x	2.0x
Civeo Corporation	\$ 33.57	498	600	947	137	14.5%	4.4x	5.1x	4.8x	1.2x	0.8x
Dexterra Group Inc.	\$ 5.43	344	488	1,133	99	8.7%	4.9x	5.2x	4.7x	1.2x	1.5x
Mean						16.2%	5.7x	5.8x	5.3x	1.4x	1.4x
Median						14.5%	4.9x	5.2x	4.8x	1.2x	1.5x
Mean - All Subsectors						21.6%	6.0x	4.8x	5.3x	2.1x	1.5x
Median - All Subsectors						18.0%	4.9x	4.3x	4.2x	1.2x	1.4x

Recent Transactions


Advisor to




A portfolio company of

SCF PARTNERS


on the sale to



Advisor to



on the sale to



Advisor to



on the sale to



Sequeira Partners is proud to have acted as the financial advisor to SITE Resource Group on the sale to Hillcore Group; to NCSG Crane & Heavy Haul on the sale to Barnhart Crane and Rigging Co.; and to Prairie Steel on the sale to Westman Group Inc.

The Sequeira team provided advisory assistance throughout the transactions including marketing the business, negotiating preliminary and final deal terms, advising on transaction structure and consideration, as well as assisting with due-diligence and other pre-closing matters.

About Us

Sequeira Partners is Western Canada's largest boutique advisory firm, specializing in sell-side deal advisory and corporate valuations. Having completed more than 175 national and cross-border transactions, and over 500 valuation mandates, we are proud of our diverse industry experience and credentials. At Sequeira Partners, we combine decades of experience and top-tier credentials to deliver client-centric service with a personalized, boutique approach.

Learn more at: www.sequeirapartners.com

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