

The background of the cover is a high-angle, golden-hued photograph of an oilfield. In the upper left, a pumpjack is visible, its large counterweight and walking beam extending towards the center. In the lower right, a worker in a hard hat and safety vest is silhouetted against the bright sky, working on a piece of industrial equipment that includes a pressure gauge and various pipes. The overall scene is bathed in a warm, orange-gold light, suggesting a sunrise or sunset.

THE WELL STREET JOURNAL

Oilfield Services and Industrials Deep Dive

Q3 2024

The logo for Sequeira Partners features a stylized bar chart icon with four vertical bars of increasing height, colored in a gradient from light blue to dark blue. Below the icon, the word "sequeira" is written in a lowercase, sans-serif font, with the 'e' and 'i' having a slight curve. Underneath "sequeira", the word "PARTNERS" is written in a smaller, all-caps, sans-serif font.

sequeira
PARTNERS

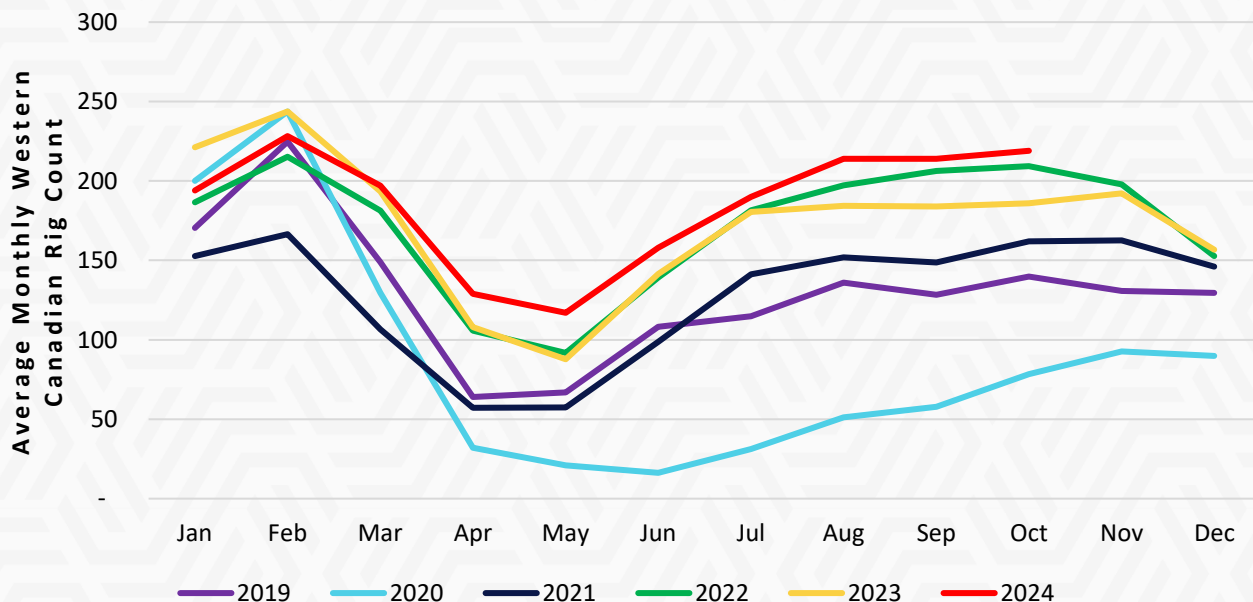
Energy Market Overview

Throughout the third quarter, the energy markets were largely influenced by a continuation of the same factors from prior quarters. In spite of escalating unrest in the Middle East and Ukraine, natural gas and oil prices were down over the summer months. While we observed a modest price uptick towards the end of the quarter, momentum has been dampened by concerns over the bearish outlook for the Chinese economy.

That said, activity in Western Canada has been robust through the summer months, with active rigs reaching their highest levels in over 6 years. A big reason being that Q3 represented the first full quarter with the TMX expanded pipeline being operational. Heavy oil prices in Canada have been more stable with the WCS – WTI spread narrowing with greater access to Asian markets. As Precision Drilling pointed out in its Q3 conference call, TMX has not only positively impacted demand for rigs targeting heavy oil plays but also condensate-rich areas in the Montney as well for diluent needed to help flow heavy oil through the pipeline.

On the dry natural gas front, summer AECO pricing was underwhelming; however, analysts are optimistic moving forward. Forecasts for a colder winter compared to last year could lead to a more rapid draw down of inventories. The outlook for improving natural gas pricing remains strong with LNG Canada expected to begin commercial operations in 2025 and growing optimism that investment approvals for Phase 2 will be granted, further expanding takeaway capacity.

Year-over-Year Western Canadian Rig Count



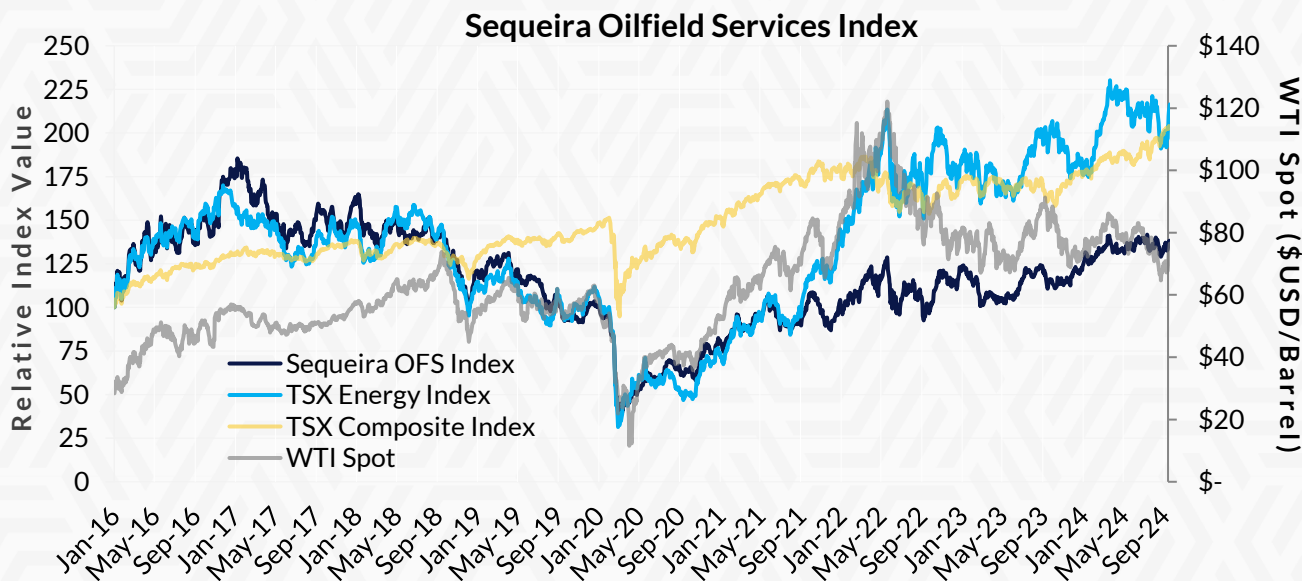
Source: Baker Hughes

Market Sentiment

Sequeira's OFS Index tracks the stock price performance of publicly listed Canadian Oilfield Service (OFS) companies. Historically, the Sequeira OFS Index moved in tandem with the TSX Energy Index, but this correlation began to diverge in late 2021, as investors favored Canadian E&P stocks, cautious about whether robust E&P cash flows would extend to the OFS sector. While the gap remains quite wide, our Sequeira OFS Index has made up some ground over the last year, reflecting a sector that has rewarded investors with solid returns.

The Sequeira OFS Index experienced a year over year increase of 22%, outpacing the TSX Energy Index which increased 13%. For the most recent Q3 quarter, the TSX Energy Index lagged the OFS Index with a loss of 5.2% versus the OFS Index's smaller slide of 2.6%. Amid continued weakness in the gas market and softer oil prices, E&P operators experienced a more significant hit to cash flows, leading to a modest contraction in the quarter. OFS operators have been more insulated from the fluctuations in commodity prices due to the ongoing demand for their services, especially in Western Canada. As a result, the OFS Index experienced a less pronounced decline, despite the compressed pricing environment during the quarter.

With operators and OFS alike having strong balance sheets with modest levels of debt, cash flows have been directed towards share buybacks and increased dividends. Activity wise, a narrowing WCS-WTI spread, greater takeaway capacity and LNG Canada start-up imminent, provide a continued sense of optimism for the sector. Additionally, Cedar LNG's recent FID approval sets the stage for a \$5.5 billion project capable of delivering 3.3 million tonnes of LNG annually.



Energy and Industrial Transactions

M&A activity in the oilfield services and industrial sectors lagged this quarter compared to previous periods, with just 81 deals completed in comparison to 103 in Q3 2023. We view the slide in transactions, particularly on the industrial side as a reflection of buyer concerns on the state of the Canadian economy which has lagged our US counterparts. That said, Canadian oilfield service companies have been insulated from the broader macro environment in Canada and have performed remarkably well given the industry tailwinds we've discussed. However, US oilfield activity has been more muted throughout 2025 as rig counts have trended lower throughout 2024. As a result, we've heard from a few US-based oilfield service companies that they view Western Canada as an area they're starting to pay more attention to. It will be interesting to see if this translates into deal flow for Canadian OFS companies.

Q3 2024 vs 2023 Transaction Mix ⁽¹⁾



Q3 2024 saw 81 disclosed transactions in the industrial and oilfield services sectors involving either a Canadian target or buyer, a decrease when compared to both the prior quarter and Q3 2023 which saw 105 and 103 transactions disclosed, respectively. However, this quarter saw a slight uptick in OFS specific transactions in comparison to the Q2 2024.

Buyer Profile

Industrial & OFS Transactions By Buyer Location⁽¹⁾

Buyer Location	Q3 2024 (Count)	Q3 2024 (%)	Q3 2023 (Count)	Q3 2023 (%)
Western Canada	18	22%	26	25%
Eastern Canada	31	38%	46	45%
USA	26	32%	22	21%
International	6	7%	9	9%
Total	81	100%	103	100%

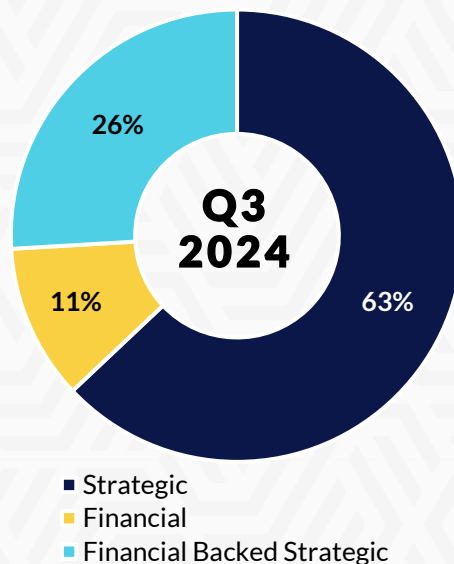
Domestic buyer activity has remained stable, consistently representing ~60% of transactions involving either a Canadian buyer or target. The slight decrease in international buyer activity from last quarter was offset by a corresponding increase in the US. Despite a lower total number of transactions in the period, the buyer profile remains consistent.

By Buyer Type⁽¹⁾

At 63%, strategic parties continue to represent the most active buyer profile this quarter, however in comparison to the prior quarter, activity has decreased, with a corresponding increase in financial buyer activity.

The uptick in transactions completed by financial buyers and financial backed strategics represents growing confidence in a decreasing interest rate environment, and private equity firms becoming more comfortable in deploying capital and securing financing for investments in these sectors.

Buyer Type	Q3 2024	Q3 2023
Strategic	63%	70%
Financial	11%	8%
Financial Backed Strategic	26%	22%



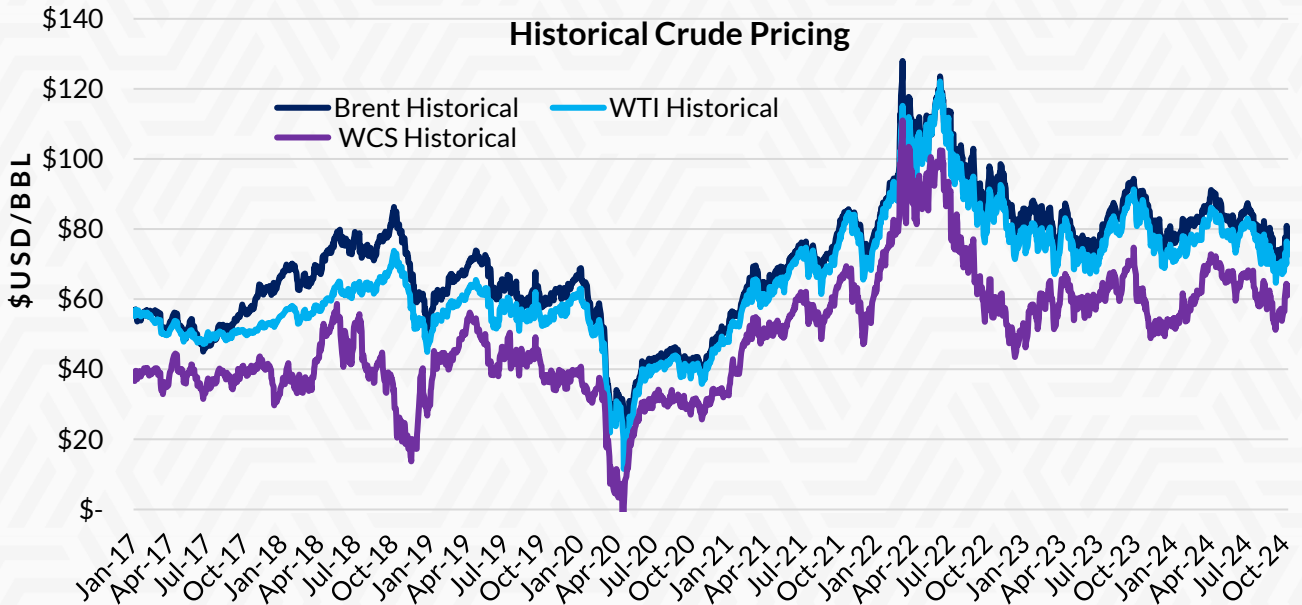
Commodity Pricing and Analyst Forecasts

Global oil prices declined this quarter with WTI beginning the period at \$82 and dipping to \$70 per barrel by the end of the quarter. Although there was a brief rebound in mid-August, where prices rose due to a sharp decline in U.S. inventories and elevated geopolitical risks, this upward movement was short-lived. By mid-September, WTI prices had fallen to a low of \$64, driven largely by concerns over decreasing demand in China – Though post-quarter, prices have seen a slight recovery into the low-\$70s.

China's economic growth slowed to an annualized rate of 4.6% in Q3, below the government's target of 5.0%, following a fifth consecutive month of declining refinery runs in the region. This downturn has raised alarm bells among investors regarding the future of Chinese oil demand, leading to lower demand forecasts by both OPEC and the International Energy Agency. The prevailing economic conditions in key markets—combined with weak manufacturing data from Europe, Asia, and the U.S.— have compounded these concerns, translating into reduced demand while putting downward pressure on commodity prices.

Despite ongoing geopolitical tensions, the overall sentiment around demand expectations offset any geopolitical risk premiums. Analysts speculate that a substantial reduction in Iranian oil exports resulting from tensions with Israeli and future missile strikes could lead to a sharp increase in global prices and the potential for Brent to reach over \$100 per barrel. However, expectations that OPEC+ will begin returning barrels to the market in December have traders worried about the downside risks to pricing.

Historical Crude Pricing



Source: S&P Capital IQ

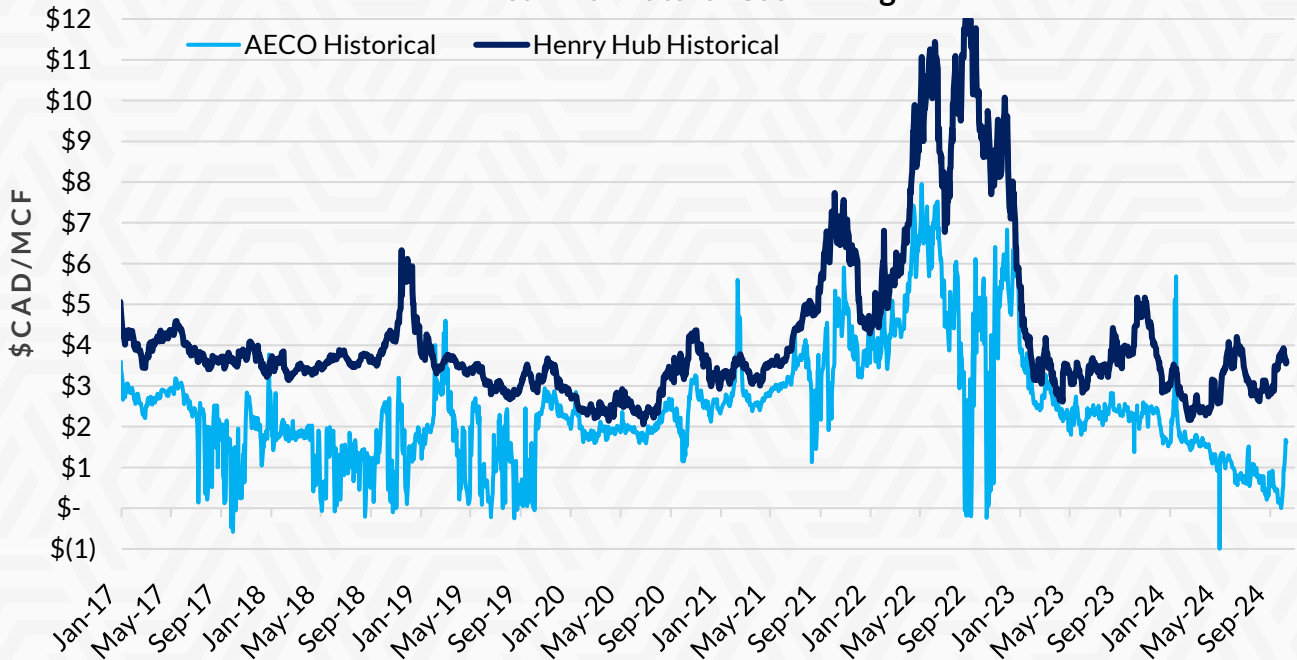
Commodity Pricing and Analyst Forecasts

In Q3 2024, Henry Hub opened the quarter at \$3.34/mcf and trended flat for most of the quarter though dipping to a low of \$2.62/mcf in the beginning of August before rebounding to finish the quarter higher at \$3.81/mcf. AECO, while less volatile than previous quarters, saw larger swings than Henry Hub, opening the quarter at \$0.80/mcf, briefly peaking up to \$1.52/mcf in early July, before dipping to a low of \$0.00/mcf in late September.

The prevailing story continues to plague gas prices as North American markets continue to see an oversupply of gas. With weak pricing, operators have been curtailing natural gas production and reducing drilling programs in dry gas basins. Analysts predict a slow recovery starting in November as demand rises due to colder weather. Forecasts for Henry Hub suggest prices to increase to \$3.50 USD in 2025, while AECO prices will see more gradual improvements as excess supply continues to be drawn down over the winter and offtake capacity enters the market.

Globally, LNG Canada and U.S. exports continue to greatly influence Canadian gas markets. Increased Asian demand is driving record global gas consumption in 2024 which is up 2.5% over previous global highs set in 2023. A trend that is expected to continue in 2025, though ample supply will likely create pricing volatility. Asian and European markets have seen price increases throughout the quarter, with analysts expecting further gains in 2025 as supply continues to tighten.

Historical Natural Gas Pricing



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

Sequeira Oilfield Services Index – Sector Drilldown

As at Nov 4, 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.	\$ 1.63	66	115	187	39	20.9%	2.9x	2.5x	2.0x	0.4x	1.1x
Ensign Energy Services Inc.	\$ 3.04	537	1,629	1,688	464	27.5%	3.5x	3.6x	3.6x	0.4x	2.4x
High Arctic Energy Services Inc	\$ 1.12	14	16	66	12	18.3%	1.3x	NM	NM	0.2x	ND
McCoy Global Inc.	\$ 3.52	96	91	73	14	18.7%	6.7x	NM	NM	1.6x	ND
Pason Systems Inc.	\$ 13.57	1,066	1,003	387	137	35.4%	7.3x	6.3x	5.4x	2.2x	NM
PHX Energy Services Corp.	\$ 9.67	431	463	655	112	17.1%	4.1x	3.5x	3.3x	2.0x	0.2x
Precision Drilling Corporation	\$ 85.51	1,165	2,007	1,941	548	28.3%	3.7x	3.7x	3.6x	0.7x	1.5x
Total Energy Services Inc.	\$ 9.77	370	495	864	164	18.9%	3.0x	2.6x	2.3x	0.7x	0.7x
Western Energy Services Corp.	\$ 2.65	90	194	220	44	20.2%	4.4x	4.3x	4.2x	0.3x	2.3x
Mean						22.8%	4.1x	3.8x	3.5x	1.0x	1.4x
Median						20.2%	3.7x	3.6x	3.6x	0.7x	1.3x
Production & Completion		(\$mm)	(\$mm)	(\$mm)	(\$mm)	(%)	(x)	(x)	(x)	(x)	(x)
Bri-Chem Corp.	\$ 0.21	6	31	94	4	3.9%	8.4x	NM	NM	0.3x	ND
CES Energy Solutions Corp.	\$ 8.21	1,845	2,236	2,232	309	13.8%	7.2x	5.6x	5.5x	2.5x	1.0x
Computer Modelling Group Ltd.	\$ 11.64	959	927	118	37	31.0%	25.3x	NM	20.8x	13.4x	NM
Enerflex Ltd.	\$ 9.55	1,157	2,299	3,248	448	13.8%	5.1x	4.1x	3.9x	0.8x	1.5x
Source Energy Services Ltd.	\$ 13.74	181	402	625	92	14.7%	4.4x	3.5x	3.3x	1.0x	1.9x
Mean						15.4%	10.1x	4.4x	4.4x	3.6x	1.5x
Median						13.8%	7.2x	4.1x	4.7x	1.0x	1.5x
Oilfield & Facility Construction		(\$mm)	(\$mm)	(\$mm)	(\$mm)	(%)	(x)	(x)	(x)	(x)	(x)
Badger Infrastructure Solutions Ltd.	\$ 36.21	1,244	1,570	987	186	18.8%	8.4x	6.6x	5.8x	3.5x	1.0x
Enterprise Group, Inc.	\$ 2.13	132	148	38	17	43.4%	9.0x	8.7x	7.5x	2.4x	0.9x
North American Construction Group Ltd.	\$ 27.61	733	1,488	1,183	392	33.1%	3.8x	3.7x	3.4x	1.9x	1.9x
Mean						31.8%	7.1x	6.3x	5.5x	2.6x	1.3x
Median						33.1%	8.4x	6.6x	5.8x	2.4x	1.0x
Pressure Pumping		(\$mm)	(\$mm)	(\$mm)	(\$mm)	(%)	(x)	(x)	(x)	(x)	(x)
Calfrac Well Services Ltd.	\$ 4.03	335	676	1,661	235	14.1%	2.9x	3.3x	2.9x	0.5x	1.7x
STEP Energy Services Ltd.	\$ 3.56	255	356	1,002	184	18.4%	1.9x	2.0x	1.9x	0.6x	0.6x
Trican Well Service Ltd.	\$ 4.67	866	891	960	224	23.3%	4.0x	4.0x	3.9x	1.8x	0.1x
Mean						18.6%	2.9x	3.1x	2.9x	1.0x	0.8x
Median						18.4%	2.9x	3.3x	2.9x	0.6x	0.6x
Transportation & Logistics		(\$mm)	(\$mm)	(\$mm)	(\$mm)	(%)	(x)	(x)	(x)	(x)	(x)
Gibson Energy Inc.	\$ 23.05	3,739	6,262	12,232	597	4.9%	10.5x	9.9x	9.4x	4.0x	4.0x
Mullen Group Ltd.	\$ 15.42	1,339	2,219	1,989	353	17.7%	6.3x	6.7x	6.3x	1.3x	2.6x
Mean						11.3%	8.4x	8.3x	7.8x	2.7x	3.3x
Median						11.3%	8.4x	8.3x	7.8x	2.7x	3.3x
Environmental & Geophysical		(\$mm)	(\$mm)	(\$mm)	(\$mm)	(%)	(x)	(x)	(x)	(x)	(x)
Pulse Seismic Inc.	\$ 2.31	118	110	35	25	72.9%	4.4x	NM	NM	6.1x	ND
Secure Energy Services Inc.	\$ 15.90	3,762	4,251	10,450	505	4.8%	8.4x	8.7x	8.2x	3.6x	1.0x
Vertex Resource Group Ltd.	\$ 0.30	39	171	243	35	14.3%	4.9x	4.7x	4.5x	0.6x	3.6x
Mean						30.7%	5.9x	6.7x	6.3x	3.4x	2.3x
Median						14.3%	4.9x	6.7x	6.3x	3.6x	2.3x
Camps & Catering		(\$mm)	(\$mm)	(\$mm)	(\$mm)	(%)	(x)	(x)	(x)	(x)	(x)
Black Diamond Group Limited	\$ 9.02	547	806	374	93	24.9%	8.7x	7.5x	6.9x	1.8x	2.4x
Civeo Corporation	\$ 35.53	489	548	948	115	12.1%	4.8x	4.7x	4.2x	1.3x	0.5x
Dexterra Group Inc.	\$ 6.15	393	548	1,172	97	8.2%	5.7x	5.3x	5.0x	1.4x	1.5x
Mean						15.1%	6.4x	5.8x	5.4x	1.5x	1.5x
Median						12.1%	5.7x	5.3x	5.0x	1.4x	1.5x
Mean - All Subsectors						21.2%	6.1x	5.0x	5.3x	2.0x	1.6x
Median - All Subsectors						18.5%	4.8x	4.3x	4.2x	1.4x	1.5x

Team Update

We are proud of the hard work and dedication of our team. As we continue to strive for excellence we are excited to announce the following promotions.



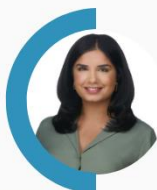
David Cameron
Vice President



Tannie Lam
Vice President



Sarry Mourad
Senior Associate



Neesha Chahal
Associate



Timothy Chow
Associate



Andrew Zanello
Associate



Michelle Zhou
Associate

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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