THE WELL STREET JOURNAL

Oilfield Services and Industrials Deep Dive

Q4 2024

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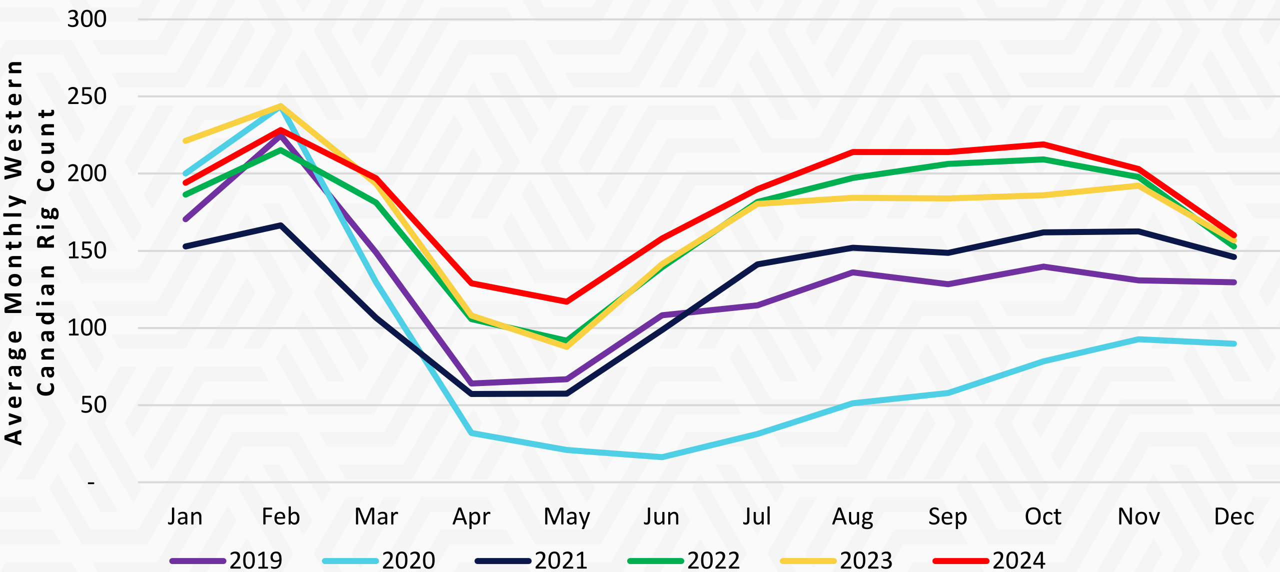
Energy Market Overview

Geopolitical events abroad remained a major source of volatility within the energy markets through out Q4 2024. While conflicts in the Middle East continued to drive uncertainty, the recent developments of a pending ceasefire in Palestine offered some optimism for stability in the region. Trepidation around the threat of U.S. tariffs on Canadian goods by the new administration has added additional uncertainty to Canadian and U.S. energy markets, raising questions about the longer-term impact on trade, market stability, and cross-border energy dynamics.

Consistent with the prior two quarters, active rigs in Western Canada have continued to trend above activity levels from prior years. This is largely driven by the TMX pipeline which is now in its second full quarter of operation and has added 590,000 barrels per day to Canadian shipping capacity. This has directly affected Canada's exports to Asian markets reaching a monthly average of $325M in petroleum products. Furthermore, the differential between WTI and WCS narrowed in 2024 and continued WCS price increases in 2025 would be a strong indicator of the positive and lasting impact of TMX on the Canadian crude oil markets.

AECO, the Canadian benchmark for natural gas pricing, showed improvement at the end of Q4 capping off a year of continuous, true-to-form volatility. Analysts anticipate modest improvement in pricing to continue due to LNG Canada commencing operations in 2025. With increasing global demand, the incremental export capacity from LNG Canada will allow for a draw down on the oversupply of natural gas that has long plagued the industry in Canada.

Year-over-Year Western Canadian Rig Count



Source: Baker Hughes

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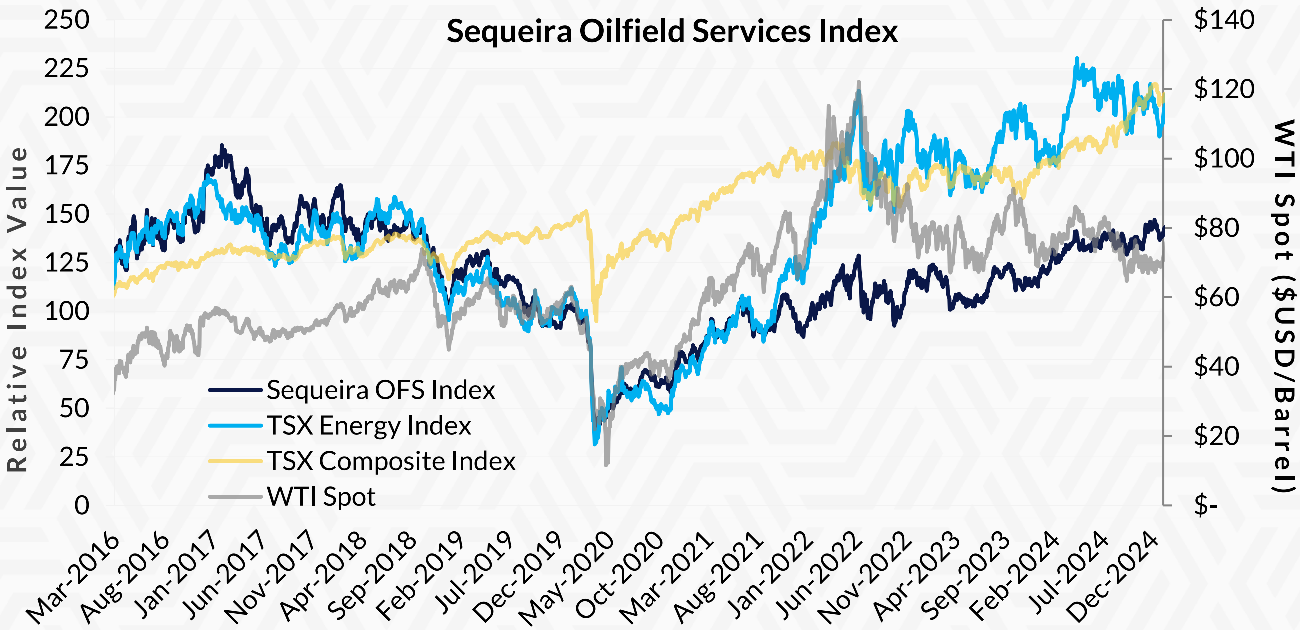
Market Sentiment

Sequeira's OFS Index tracks the stock price performance of publicly listed Canadian Oilfield Service (OFS) companies. The gap between Sequeira's tracked OFS Index and the TSX Energy index that materialized in Q4 2021 has remained through Q4 2024. Despite this disparity, Sequeira's OFS index has displayed notable stability supported by impressive cash flow generation and improving margins. This operating environment has allowed service companies to pay down debt while still deploying capital in pursuit of technological advancements to further bolster earnings.

In 2024, the Sequeira OFS Index experienced a year-over-year increase of 15.6% which exceeded the TSX Energy Index increase of 10.4%. Similarly, in Q4 specifically, our OFS Index increased by 5.5% outpacing the TSX Energy Index which increased by 1.5% over the same period. Taking a page from the E&P playbook, service companies in the sector continued to prioritize shareholder returns and utilize free cash flow generation to buy back shares and pay dividends through the final quarter of 2024. As service companies improve profitability without a corresponding increase in capex, this share value appreciation should continue.

In terms of M&A activity in the year, stronger financial results and a stable operating environment supported transaction activity in the OFS space. The sector experienced consolidation as OFS companies focused on technological advancement and diversification into other services through acquisition. This was evident in Schlumberger's $7.8B acquisition of ChampionX and Nabors' acquisition of Parker Wellbore for $472M.



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Source: S&P Capital IQ

Energy and Industrial Transactions

M&A activity in the industrial and oilfield services sectors remained stable in Q4 2024, with 81 disclosed deals completed, down slightly from 84 in Q4 2023. The stability in deal volumes is noteworthy given the macroeconomic challenges faced in 2024, including Canada's slower GDP growth compared to other developed economies and higher interest rates to start the year. This consistency highlights sustained interest and opportunities within these sectors.

While the announcement of potential U.S. tariffs on Canadian imports introduced uncertainty for industrial businesses reliant on cross-border trade, the overall impact on M&A activity in the quarter was limited. In the oilfield services sector, weaker demand – evidenced by revenue declines among major OFS providers in Q4 2024 – may have impacted deal activity. However, we have noticed cautious optimism for a rebound in M&A activity in 2025. Stabilizing interest rates and high forecasted investment in the energy sector will foster a favorable environment for transactions in the industrial and oilfield services sectors, though the impact of the potential U.S. import tariffs on activity levels remains to be seen.

Q4 2024 vs 2023 Transaction Mix[1]

(1) Source: S&P Capital IQ – Includes announced & closed deals

Buyer Profile

Industrial & OFS Transactions By Buyer Location[1]

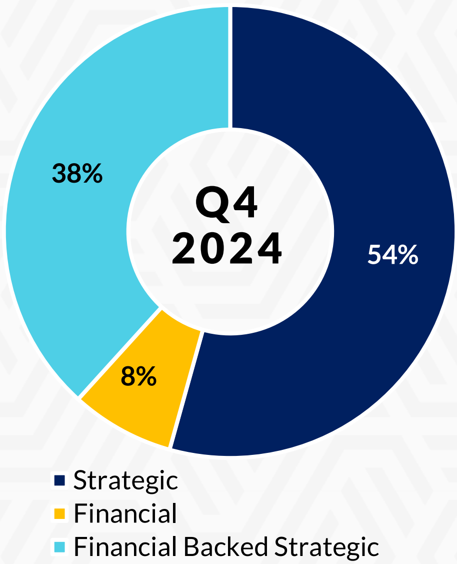
Buyer Location	Q4 2024 (Count)	Q4 2024 (%)	Q4 2023 (Count)	Q4 2023 (%)
Western Canada	19	24%	20	24%
Eastern Canada	30	37%	38	45%
USA	23	28%	18	21%
International	9	11%	8	10%
Total	**81**	**100%**	**84**	**100%**

Domestic buyers accounted for 61% of activity this quarter, down from 69% in Q4 2023. This shift reflects a 7% increase in participation from U.S. buyers, along with a modest 1% increase in international buyers. While there has been some fluctuation, particularly with the growth in U.S. buyer participation, North American buyers remain the most active participants overall.

By Buyer Type[1]

Strategic buyers remained the most active acquirers this quarter, though their overall deal volume decreased compared to earlier periods. This decline was offset by increased activity from financially-backed strategic buyers. While financial buyer participation was limited. The Bank of Canada's recent rate cuts may encourage increased financial buyer activity due to lower costs of capital.

Buyer Type	Q4 2024	Q4 2023
Strategic	54%	58%
Financial	8%	17%
Financial Backed Strategic	38%	25%



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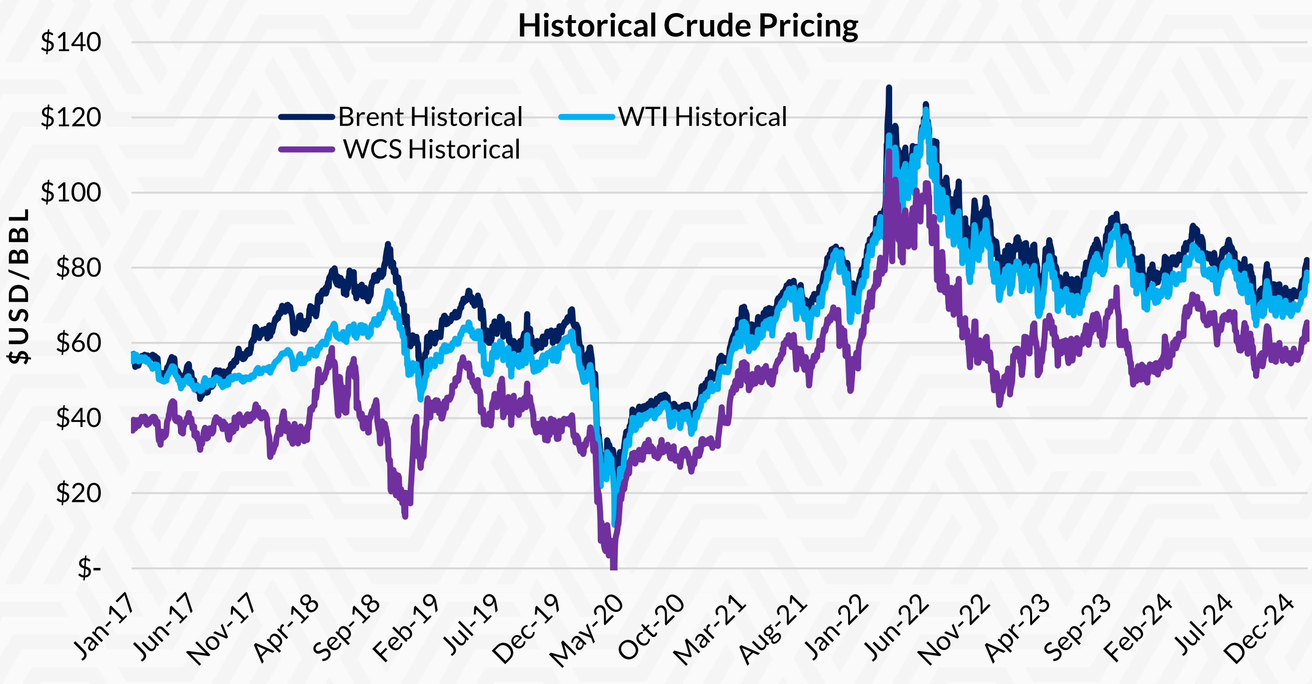
[1] Source: S&P Capital IQ – Includes announced & closed deals

Commodity Pricing and Analyst Forecasts

Oil prices ended the year near where they began in Q4, with minimal net movement over the past three months despite potentially significant catalysts, particularly geopolitical tensions that often influence market trends. WTI crude prices spiked to $76 per barrel in the first week of October, the peak for the Quarter. However, the final two months of 2024 may have been one of the most rangebound and predictable trading periods in recent history, with WTI crude prices fluctuating within a narrow range of $67 to $72 per barrel.

The surge to $76 per barrel in early October was driven by potential supply disruption due to threats of Israeli air strikes on Iran's oil and gas infrastructure. However, as tensions de-escalated and demand concerns in China resurfaced, prices began to fall. OPEC's December announcement to delay output hikes had limited impact on pricing, with WTI prices continuing to trade within a narrow range, never exceeding $72 per barrel. This stability is a result of ample global supply, offsetting some of the impact of the earlier geopolitical risk premiums.

While prices rallied through most of January, the potential impact of U.S. tariffs on Canadian energy have added uncertainty and put pressure on pricing to close out the first month of 2025. Concerns over reduced export demand, higher potential cross-border costs, and potential supply chain disruptions are expected to weigh on the market until there is a more definitive resolution of tariffs.



Source: S&P Capital IQ

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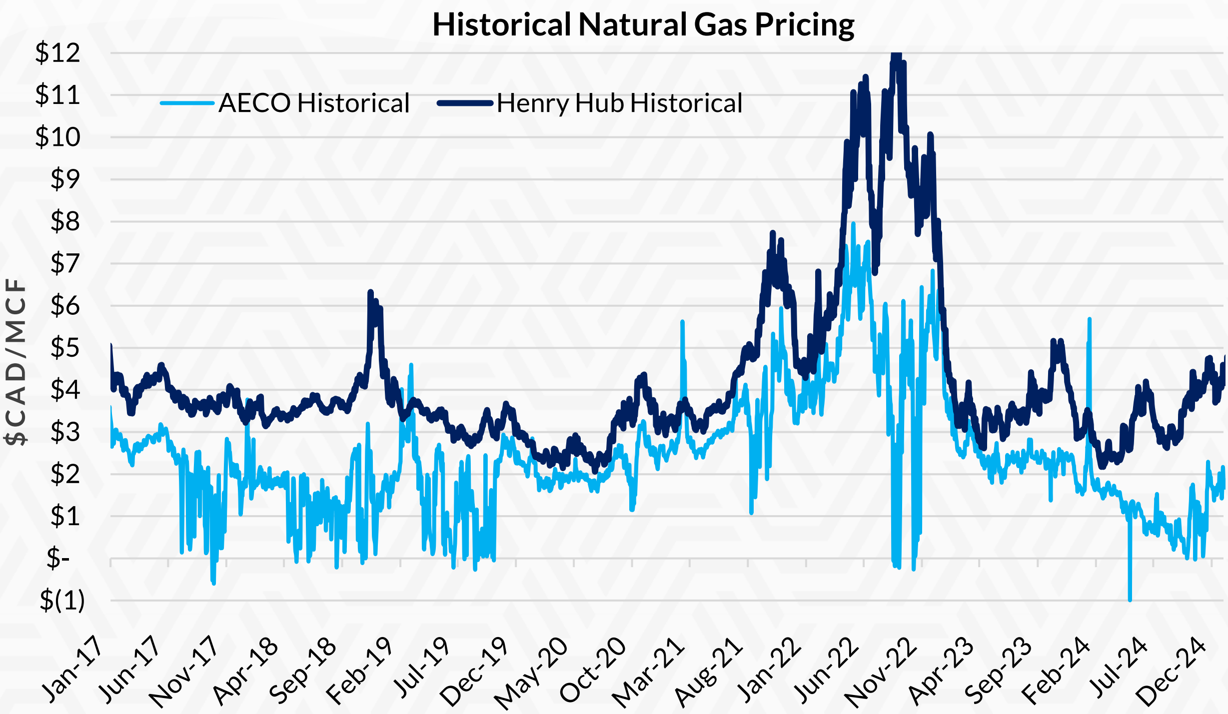
Commodity Pricing and Analyst Forecasts

In Q4 2024, natural gas prices continued to be volatile though finished higher than the previous quarter. Henry Hub opened the quarter at $3.81/mcf and trended upwards for most of the quarter closing at a price of $4.35/mcf. AECO prices displayed characteristic volatility, opening the quarter at $0.49/mcf before plunging to $0.01/mcf in October due to oversupplied storage and warmer-than-expected weather. Subsequently, prices rebounded sharply to $2.29/mcf in late November driven by unseasonably cold weather in parts of the U.S and storage drawdowns. Despite the significant fluctuations, AECO prices closed the quarter at $1.99/mcf, exceeding the opening Q4 price.

Looking ahead to 2025, the anticipated demand growth, combined with LNG Canada coming online, is expected to help reduce Canada's oversupply of natural gas production. Analysts predict continued modest price improvements throughout 2025, with Henry Hub prices projected to stabilize at $3.20 USD.

Canada's gas production and capital spending are estimated to increase by 12% and 13.5%, respectively driven by increasing global demand for natural gas, specifically from countries such as China and Japan. However, past volatility and key geopolitical factors such as the threat of U.S. tariffs on Canadian imports may temper analyst's expectations for substantial near-term price increases.



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

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Sequeira Oilfield Services Index – Sector Drilldown

As at Feb. 4, 2025 Source: Capital IQ

Company		Share Price	Market Cap	Enterprise Value	Revenue	TTM EBITDA	EBITDA Margin	EV/EBITDA TTM	EV/EBITDA 2024	EV/EBITDA 2025E	Price/ Book	Net Debt/ 2024 EBITDA
Drilling & Equipment			($mm)	($mm)	($mm)	($mm)	(%)	(x)	(x)	(x)	(x)	(x)
AKITA Drilling Ltd.	$	1.64	67	116	178	37	20.6%	3.2x	2.7x	2.4x	0.4x	1.1x
Ensign Energy Services Inc.	$	2.98	550	1,642	1,688	464	27.5%	3.5x	3.7x	3.6x	0.4x	2.4x
High Arctic Energy Services Inc	$	1.19	15	15	68	13	19.2%	1.2x	NM	NM	0.6x	ND
McCoy Global Inc.	$	2.96	80	73	72	12	16.5%	6.2x	5.8x	4.7x	1.4x	NM
Pason Systems Inc.	$	13.53	1,077	1,010	400	144	36.0%	7.0x	6.3x	5.6x	2.2x	NM
PHX Energy Services Corp.	$	9.26	421	462	646	103	15.9%	4.5x	3.5x	3.3x	2.0x	0.3x
Precision Drilling Corporation	$	83.43	1,150	1,991	1,941	548	28.3%	3.6x	3.7x	3.6x	0.7x	1.6x
Total Energy Services Inc.	$	11.17	427	518	874	169	19.4%	3.1x	2.9x	2.4x	0.8x	0.5x
Western Energy Services Corp.	$	2.55	86	191	220	44	20.2%	4.3x	4.1x	3.9x	0.3x	2.2x
Mean							**22.6%**	**4.1x**	**4.1x**	**3.7x**	**1.0x**	**1.4x**
Median							**20.2%**	**3.6x**	**3.7x**	**3.6x**	**0.7x**	**1.4x**
Production & Completion			($mm)	($mm)	($mm)	($mm)	(%)	(x)	(x)	(x)	(x)	(x)
Bri-Chem Corp.	$	0.36	9	32	89	3	3.0%	11.8x	NM	NM	0.4x	ND
CES Energy Solutions Corp.	$	8.57	1,929	2,357	2,302	322	14.0%	7.3x	5.9x	5.7x	2.6x	1.1x
Computer Modelling Group Ltd.	$	10.36	854	830	125	38	30.4%	21.8x	NM	18.0x	11.8x	NM
Enerflex Ltd.	$	13.72	1,703	2,735	3,276	475	14.5%	5.8x	4.6x	4.4x	1.2x	1.3x
Source Energy Services Ltd.	$	13.37	181	417	683	92	13.5%	4.5x	3.5x	3.2x	1.0x	2.0x
Mean							**15.1%**	**10.2x**	**4.7x**	**7.8x**	**3.4x**	**1.4x**
Median							**14.0%**	**7.3x**	**4.6x**	**5.0x**	**1.2x**	**1.3x**
Oilfield & Facility Construction			($mm)	($mm)	($mm)	($mm)	(%)	(x)	(x)	(x)	(x)	(x)
Badger Infrastructure Solutions Ltd.	$	39.15	1,341	1,667	987	186	18.8%	9.0x	6.9x	6.0x	3.7x	1.0x
Enterprise Group, Inc.	$	2.34	181	199	36	15	40.9%	13.4x	13.7x	10.4x	2.7x	1.2x
North American Construction Group Ltd.	$	27.04	725	1,480	1,181	379	32.1%	3.9x	3.8x	3.4x	1.9x	1.9x
Mean							**30.6%**	**8.7x**	**8.1x**	**6.6x**	**2.8x**	**1.4x**
Median							**32.1%**	**9.0x**	**6.9x**	**6.0x**	**2.7x**	**1.2x**
Pressure Pumping			($mm)	($mm)	($mm)	($mm)	(%)	(x)	(x)	(x)	(x)	(x)
Calfrac Well Services Ltd.	$	3.77	324	678	1,608	206	12.8%	3.3x	3.4x	3.2x	0.5x	1.8x
STEP Energy Services Ltd.	$	4.34	313	400	1,003	179	17.8%	2.2x	2.4x	2.5x	0.8x	0.5x
Trican Well Service Ltd.	$	4.70	888	913	960	224	23.3%	4.1x	4.1x	4.0x	1.9x	0.1x
Mean							**18.0%**	**3.2x**	**3.3x**	**3.2x**	**1.0x**	**0.8x**
Median							**17.8%**	**3.3x**	**3.4x**	**3.2x**	**0.8x**	**0.5x**
Transportation & Logistics			($mm)	($mm)	($mm)	($mm)	(%)	(x)	(x)	(x)	(x)	(x)
Gibson Energy Inc.	$	24.79	4,042	6,565	12,232	597	4.9%	11.0x	10.4x	9.9x	4.4x	4.0x
Mullen Group Ltd.	$	14.53	1,274	2,154	1,989	353	17.7%	6.1x	6.5x	6.1x	1.3x	2.6x
Mean							**11.3%**	**8.6x**	**8.5x**	**8.0x**	**2.8x**	**3.3x**
Median							**11.3%**	**8.6x**	**8.5x**	**8.0x**	**2.8x**	**3.3x**
Environmental & Geophysical			($mm)	($mm)	($mm)	($mm)	(%)	(x)	(x)	(x)	(x)	(x)
Pulse Seismic Inc.	$	2.40	122	115	35	25	72.9%	4.5x	NM	NM	6.3x	ND
SECURE Waste Infrastructure Corp.	$	15.19	3,561	4,050	10,450	505	4.8%	8.0x	8.2x	7.7x	3.4x	1.0x
Vertex Resource Group Ltd.	$	0.28	31	161	239	36	15.2%	4.4x	4.3x	4.2x	0.5x	3.5x
Mean							**31.0%**	**5.7x**	**6.3x**	**5.9x**	**3.4x**	**2.2x**
Median							**15.2%**	**4.5x**	**6.3x**	**5.9x**	**3.4x**	**2.2x**
Camps & Catering			($mm)	($mm)	($mm)	($mm)	(%)	(x)	(x)	(x)	(x)	(x)
Black Diamond Group Limited	$	8.85	541	800	374	93	24.9%	8.6x	7.4x	6.9x	1.8x	2.4x
Civeo Corporation	$	33.09	456	516	948	115	12.1%	4.5x	4.3x	3.9x	1.1x	0.5x
Dexterra Group Inc.	$	7.87	500	620	1,176	96	8.2%	6.5x	5.9x	5.6x	1.8x	1.1x
Mean							**15.1%**	**6.5x**	**5.9x**	**5.4x**	**1.6x**	**1.3x**
Median							**12.1%**	**6.5x**	**5.9x**	**5.6x**	**1.8x**	**1.1x**
Mean - All Subsectors							**20.9%**	**6.3x**	**5.3x**	**5.4x**	**2.1x**	**1.6x**
Median - All Subsectors							**18.3%**	**4.5x**	**4.3x**	**4.2x**	**1.3x**	**1.3x**

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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.

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