

# ENERGY, POWER & INFRASTRUCTURE

QUARTERLY OILFIELD SERVICES SECTOR REVIEW | 1Q 2019

**HW** Harris Williams

# HARRIS WILLIAMS (“HW”) OVERVIEW

## GLOBAL ADVISORY PLATFORM

- Founded in 1991
- 300+ professionals across eight offices globally
- 160+ closed transactions in the last 24 months
- 21<sup>st</sup> record year in 2018
- 10 industry groups



## ENERGY, POWER, & INFRASTRUCTURE (“EPI”) GROUP

- 15 professionals based in Richmond, VA
- 15+ closed transactions in the last 24 months

### Vertical Focus Areas

- Oilfield Services
- Energy Management
- Renewables and Distributed Energy
- Outsourced Utility Services
- Industrial and Infrastructure Services
- Engineering and Construction
- Environmental Services
- TIC & Integrity Services

### Oilfield Services Focus Areas

- Artificial Lift & Production Optimization
- Completion & Production Chemicals
- Digital Oilfield
- Environmental Services
- Logistics
- Water Management

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## OBSERVATIONS ON OILFIELD SERVICES TRENDS

- Given current market conditions, capital needs, and relative costs of capital among small- and mid- cap players, the oilfield services industry is ripe for consolidation.
- Fragmentation continues to be highest in the sand, pressure pumping, equipment, land drilling, and well services sub-sectors.
- Financial buyers continue to shift focus towards capital light and differentiated products, seeking a defensive play against low oil prices and volatile markets.
- Many investors remain cautiously optimistic entering 2019, expecting short-term uncertainty and volatility before a global expansion takes hold in the second half of the year amid an international oil price rebound, offshore recovery, and increased E&P spending.

# CASE STUDY: DRILLINGINFO

HW's EP&I Group advised DrillingInfo on its acquisition by Genstar Capital

## COMPANY OVERVIEW

DrillingInfo is the leading, fully integrated SaaS-based data analytics platform, providing strategic insights across the entire energy value chain. The Company is the first, largest, and fastest growing decision-support SaaS platform serving the global energy industry.

DrillingInfo's purpose-built solutions deliver business-critical insights that address the complex and rapidly evolving workflow requirements of the energy industry. Utilizing innovative modules, the Company delivers specialized analytics deployed through mobile, web, and desktop platforms to drive actionable intelligence.

The Company's upstream platform enables a diverse set of users to forecast and maximize production, perform due diligence, and find new business leads, while its trading and risk platform helps improve trading decisions, automate workflows, and monitor portfolio risk with real-time data, forecasting, curve construction, and integrated data management.

## HW DEAL CONTACTS

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## SELECT HW TRANSACTIONS

<p>has been acquired by</p>	<p>Provider of integrated software, data, and analytics solutions to the global energy industry</p>	<p>has been acquired by</p>	<p>Leading provider of non-destructive testing and inspection services for oil and gas tubular products</p>	<p>has been acquired by</p>	<p>Provider of specialized laboratory and field services to the upstream oil and gas industry</p>	<p>has been acquired by</p>	<p>Independent wireline services provider with a presence in major oil and gas plays throughout the continental U.S.</p>	<p>has been acquired by</p>	<p>Provider of comprehensive natural gas and oil production equipment and services, including, repair, testing, on-site support, and consulting</p>
<p>has been acquired by</p>	<p>Provider of oil and gas optimization solutions for compression and vapor recovery applications</p>	<p>has been acquired by</p>	<p>Provider of specialized plunger lift products and services that allow for uninterrupted production</p>	<p>has been acquired by</p>	<p>Provider of cased hole wireline solutions, including logging, perforation, mechanical, plug, and abandonment services</p>	<p>has been acquired by</p>	<p>Market leading provider of engineering and geomatics services for the oil and gas industry in Western Canada</p>	<p>has been acquired by</p>	<p>Provider of manufactured gas pressure control products and lifecycle support solutions</p>

# SELECT OILFIELD SERVICES M&A TRANSACTIONS<sup>1,2</sup>

Announced October 22, 2018

## CSL Capital Management acquires Weatherford Laboratories

Laboratory Services and Geological Analysis



Enterprise Value: \$205M

- Weatherford International plc signed a definitive agreement to sell its laboratory services (“Weatherford Laboratories”) business to a group led by CSL Capital Management
- Weatherford Laboratories provides a comprehensive suite of field and laboratory services to the oil and gas sector, including wellsite, exploration, appraisal, production, and management analyses
- Under the agreement, Weatherford will divest its laboratory and geological analysis business, including personnel and associated contracts, after which it will maintain a close, collaborative relationship with CSL Capital that will enable it to continue to provide services to their joint customers

Announced October 21, 2018

## Blackstone acquires controlling stake of Ulterra Drilling Technologies

PDC Drill Bits and Technology



Enterprise Value: \$700M

- Blackstone Energy Partners has acquired a controlling, majority interest in Ulterra Drilling Technologies (“Ulterra”) from affiliates of American Securities LLC
- Ulterra is the largest and fastest growing pure-play, independent supplier of polycrystalline diamond compact (“PDC”) drill bits to the oil and gas industry, having doubled total revenue since 2016
- The company has nearly 250,000 sq. ft. of engineering, manufacturing, and service space, which it uses to develop new, application-specific drill bits and technologies with significantly shortened delivery times
- Blackstone will partner with American Securities and the Ulterra team as the company pursues growth through service and equipment line expansion as well as add-on acquisitions

Announced October 15, 2018

## Nine Energy Services acquires Magnum Oil Tools

Dissolvable Downhole Completions Products



Enterprise Value: \$493

- Nine Energy Services Inc. (“Nine”) has completed its acquisition of Magnum Oil Tools International (“Magnum”)
- Magnum is a market-leading provider of downhole completion technologies and products to the global oil and gas industry, including a comprehensive range of patented proprietary dissolvable and composite frac plugs
- The acquisition allows Nine to enter the dissolvable frac plugs market with a demonstrated market leader, positioning the company as a premier provider of completion-focused technology
- The partnership is expected to help operators reduce risk and cycle times as completions continue to become more complex with longer laterals, more stages, and mega-well pads

1) FactSet.  
2) PitchBook.

# PUBLIC MARKET OBSERVATIONS<sup>1,2</sup>

LARGE CAP DIVERSIFIED SERVICES	<p><b>Key Public Comps</b></p> <p>Enterprise Value / 2018E EBITDA    2019P EBITDA</p> <p>10.2x            8.5x</p>	<p><b>Stock Price Performance</b></p> <p>— S&amp;P 500    — Large Cap Diversified Services</p>	<p><b>Transaction Spotlight</b> October 22, 2018</p> <p>Transaction TEV: \$205M</p>
LARGE CAP CAPITAL EQUIPMENT	<p><b>Key Public Comps</b></p> <p>Enterprise Value / 2018E EBITDA    2019P EBITDA</p> <p>8.3x            7.5x</p>	<p><b>Stock Price Performance</b></p> <p>— S&amp;P 500    — Large Cap Capital Equipment</p>	<p><b>Transaction Spotlight</b> May 29, 2018</p> <p>Transaction TEV: \$21M</p>
SMID CAP CAPITAL EQUIPMENT	<p><b>Key Public Comps</b></p> <p>Enterprise Value / 2018E EBITDA    2019P EBITDA</p> <p>9.2x            8.0x</p>	<p><b>Stock Price Performance</b></p> <p>— S&amp;P 500    — SMID Cap Capital Equipment</p>	<p><b>Transaction Spotlight</b> October 8, 2018</p> <p>Transaction TEV: NA</p>
SMID CAP NICHE TECHNOLOGY	<p><b>Key Public Comps</b></p> <p>Enterprise Value / 2018E EBITDA    2019P EBITDA</p> <p>11.0x            12.8x</p>	<p><b>Stock Price Performance</b></p> <p>— S&amp;P 500    — SMID Cap Niche Technology</p>	<p><b>Transaction Spotlight</b> October 15, 2018</p> <p>Transaction TEV: \$493M</p>

1) FactSet.  
2) PitchBook.

# PUBLIC MARKET OBSERVATIONS<sup>1,2</sup>

PRODUCTION AND COMPLETION SERVICES	<p><b>Key Public Comps</b></p> <p>Enterprise Value / 2018E EBITDA    2019P EBITDA</p> <p>4.3x                      3.8x</p>	<p><b>Stock Price Performance</b></p> <p>— S&amp;P 500    — Production and Completion Services</p>	<p><b>Transaction Spotlight</b> November 5, 2018</p> <p><b>PIONEER</b> NATURAL RESOURCES <i>(Pressure Pumping Assets)</i></p> <p><b>PROPETRO</b></p> <p>Transaction TEV: \$400M</p>
OILFIELD DISTRIBUTORS	<p><b>Key Public Comps</b></p> <p>Enterprise Value / 2018E EBITDA    2019P EBITDA</p> <p>10.6x                      8.4x</p>	<p><b>Stock Price Performance</b></p> <p>— S&amp;P 500    — Oilfield Distributors</p>	<p><b>Transaction Spotlight</b> --</p> <p>N/A</p> <p>Transaction TEV: NA</p>
SMID CAP DIVERSIFIED SERVICES	<p><b>Key Public Comps</b></p> <p>Enterprise Value / 2018E EBITDA    2019P EBITDA</p> <p>6.5x                      5.1x</p>	<p><b>Stock Price Performance</b></p> <p>— S&amp;P 500    — SMID Cap Diversified Services</p>	<p><b>Transaction Spotlight</b> --</p> <p>N/A</p> <p>Transaction TEV: NA</p>
ONSHORE DRILLERS	<p><b>Key Public Comps</b></p> <p>Enterprise Value / 2018E EBITDA    2019P EBITDA</p> <p>6.4x                      5.0x</p>	<p><b>Stock Price Performance</b></p> <p>— S&amp;P 500    — Onshore Drillers</p>	<p><b>Transaction Spotlight</b> --</p> <p>N/A</p> <p>Transaction TEV: NA</p>

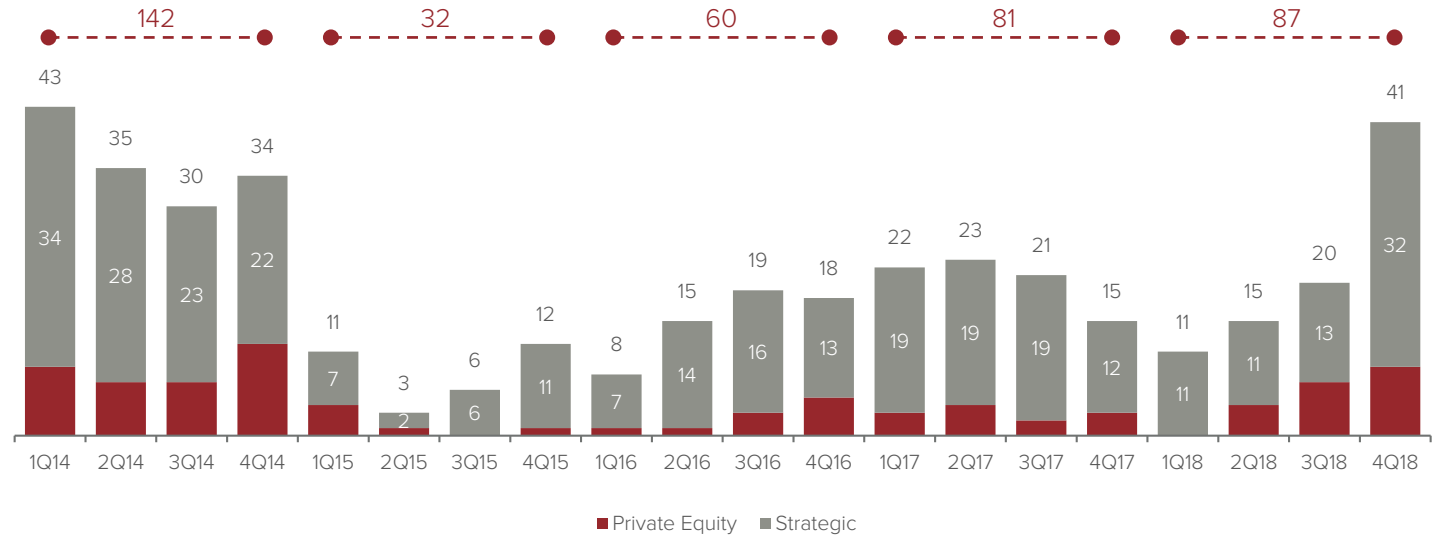
1) FactSet.  
2) PitchBook.

# STRATEGIC M&A ACTIVITY<sup>1,2</sup>

## ACQUIRERS OF OFS ASSETS BY VOLUME

(total # of transactions)

- Strategic acquirers represented 77% of OFS M&A transaction volume in 2018
- Strategic acquirers completed 67 transactions in 2018, down slightly from 69 in 2017 and remaining well below the 107 transactions completed in 2014
- Since trough M&A activity levels in 2015, private equity buyers are beginning to show increased investment appetite for OFS assets

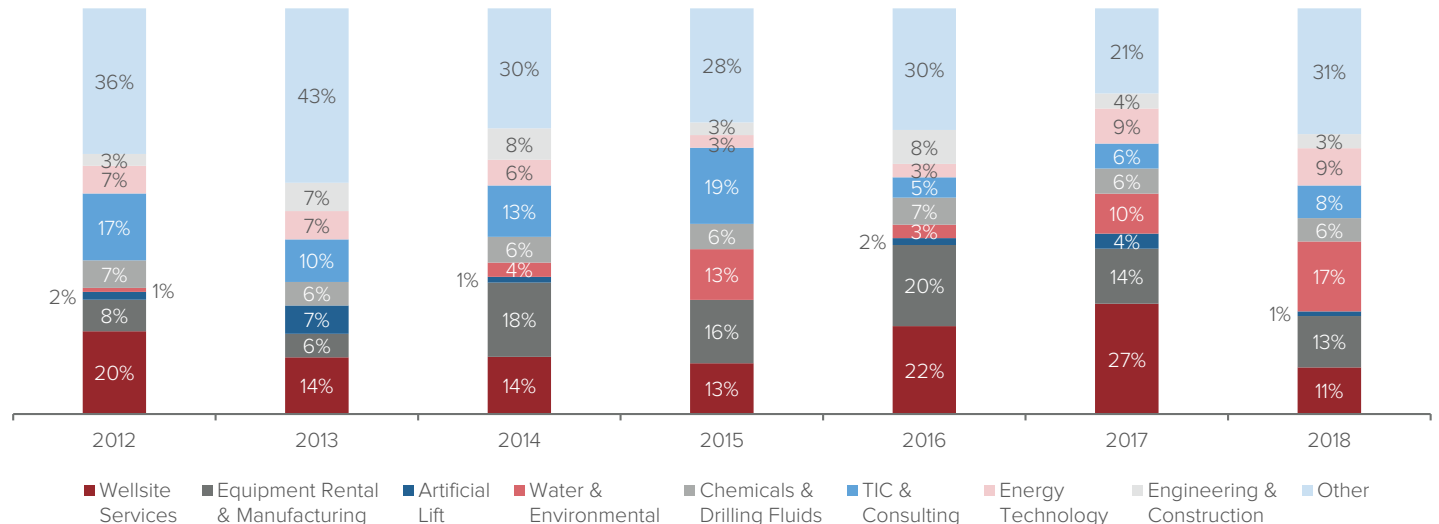


Note: Does not include add-on transactions or minority purchases

## ANNUAL SUB-SECTOR M&A ACTIVITY BY VOLUME

(as a % of total transactions)

- ProPetro's recent acquisition of Pioneer Natural Resources' pressure pumping assets is an indicator of a larger market consolidation theme that is likely to materialize in late 2019
- In conjunction with the continued consolidation of wellsite service providers, water and environmental assets are experiencing growing interest from both strategic and private equity buyers



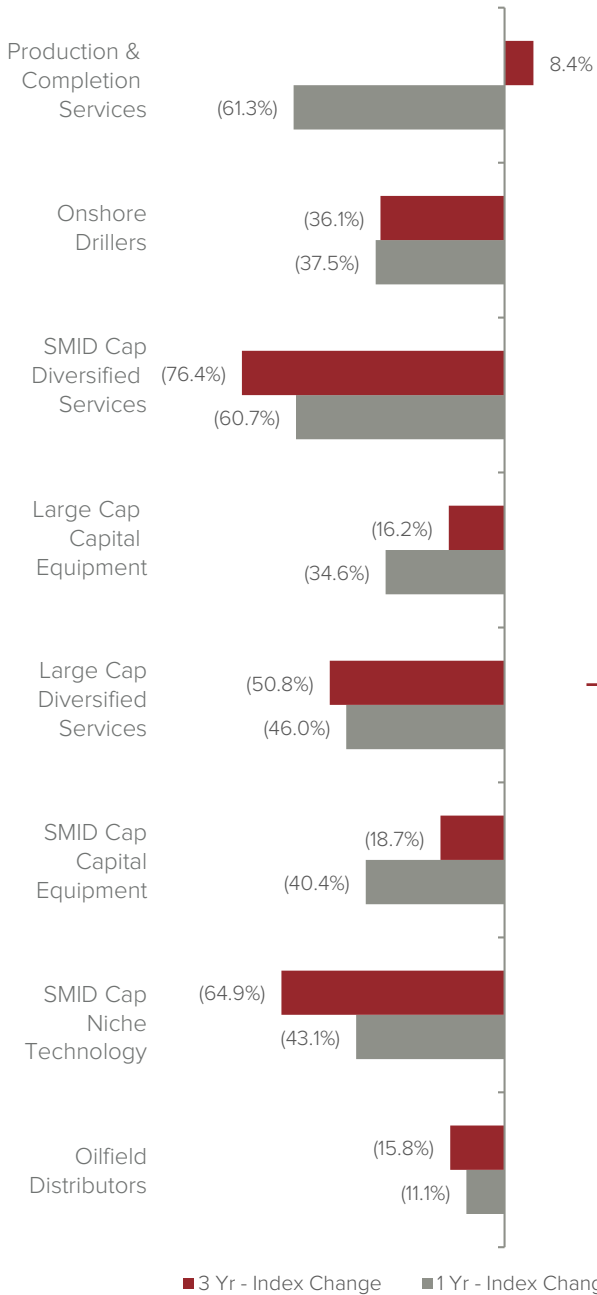
Note: Includes only major NAM and EUR transactions

1) FactSet.  
2) PitchBook.

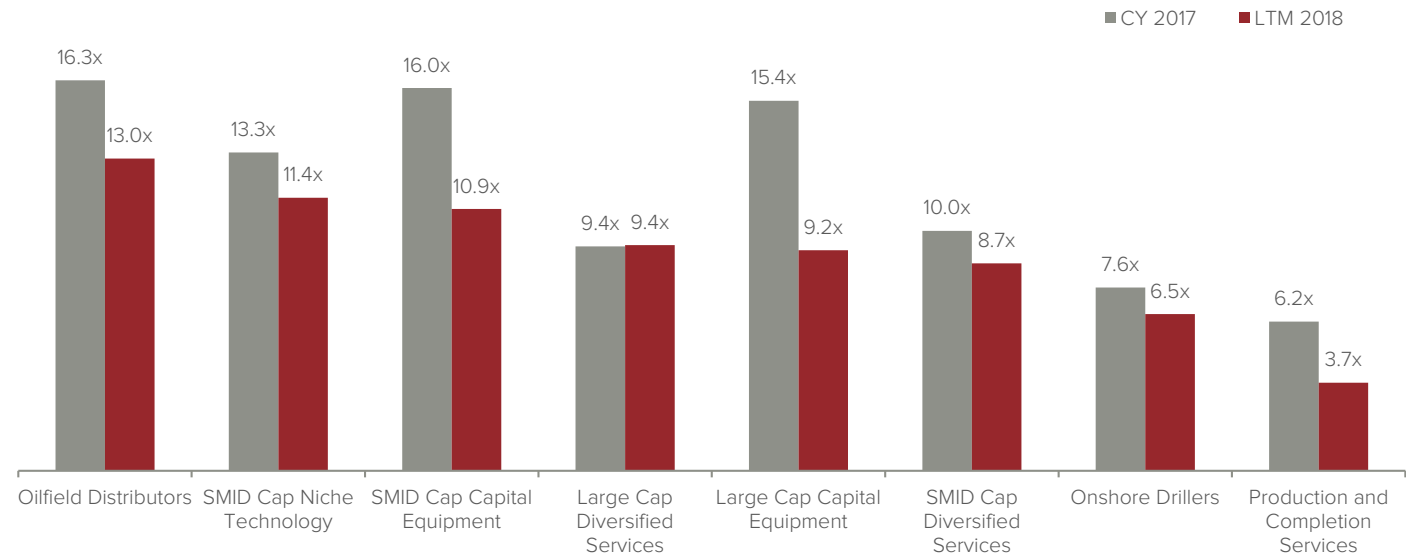


# PUBLIC OFS VALUATION MULTIPLES BY SECTOR<sup>1</sup>

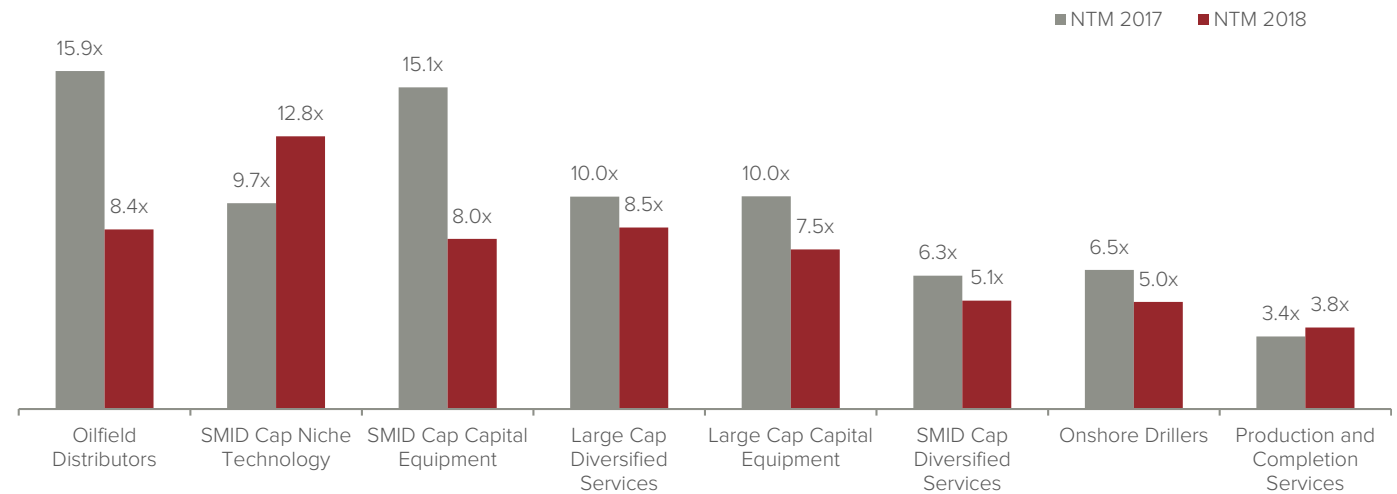
## Stock Performance (1- & 3-Year)



## EBITDA MULTIPLE COMPARISON CY 2017 VS. LTM 2018



## EBITDA Multiple COMPARISON NTM 4Q 2017 VS. NTM 4Q 2018



<sup>1</sup>) FactSet.



# SELECT HW EPI TRANSACTIONS

 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 Sherma Industries acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 
 acquired by 	 merged with 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 
 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 
 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 
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 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 has been advised on strategic alternatives
 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 	 acquired by 

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SERVICES

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& INFRASTRUCTURE

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DISTRIBUTION

TRANSPORTATION  
& LOGISTICS

BUILDING PRODUCTS  
& MATERIALS

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# HARRIS WILLIAMS

## Sources

1. FactSet.
2. PitchBook.

## Disclosures

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