



Annual General and Special Meeting - May 9, 2019

Garnet Amundson – President, CEO and Director

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Disclaimer



FORWARD-LOOKING STATEMENTS

This presentation contains forward-looking statements and forward-looking information regarding Essential Energy Services Ltd. (the “Corporation” or “Essential”) within the meaning of applicable securities laws. In particular, this presentation contains forward-looking statements including expectations regarding 2019 capital spending; expectations regarding industry challenges and implications; expectations regarding Essential’s businesses/service lines, areas of growth, opportunities, activity, pricing, cost structure, outlook, upside, market share, competition, competitive advantages, services offered and the demand for those services; expectations regarding free cash flow generation in 2019; focus on cost management and efficiency; the advantages of low debt; expectation that low debt provides Essential with greater control over its future and provides growth potential; expectations regarding deep coil supply; the ability for ECWS to grow its deep coil and pumping capacity if market demand dictates; the time and cost of a retrofit relative to a new build; expectation with regard to the patent litigation cost recovery process; and expectations with regard to Essential’s advantages. By their nature, forward-looking statements and information involve known and unknown risks and uncertainties that may cause actual results to differ materially from those anticipated. Many of these factors and risks are described under the heading “Risk Factors” in the Corporation’s Annual Information Form for the year ended Dec 31/18 and the Corporation’s other filings on record with the securities regulatory authorities, which may be accessed through the SEDAR website (www.sedar.com). Although the Corporation believes the expectations and assumptions on which such forward-looking statements and information are based are reasonable, the Corporation can not provide assurance these expectations will prove to be correct. Accordingly, readers should not place undue reliance on the forward-looking statements and are cautioned that the foregoing factors are not exhaustive. The forward-looking statements and information contained in this presentation are made as of the date hereof and the Corporation undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws. This presentation contains an EV/2019 EBITDAS measure based on analyst consensus estimates for EBITDAS as of a particular point in time. The Corporation includes this measure for reference only and not for the purpose of endorsement. The estimates underlying the EBITDAS estimate reflect the views of the analysts and may not reflect the views of management of the Corporation as at the point in time when the applicable estimate was given or as of the date of this presentation. Essential adopted International Financial Reporting Standards (“IFRS”) 16. Comparative information has not been restated and therefore, may not be comparable. See page 10 for the Q1/19 implications on Gross Margin and EBITDAS. For further information, see Essential’s Mar 31/19 Management Discussion and Analysis (“MD&A”) and Financial Statements which may be accessed through the SEDAR website (www.sedar.com).

NON-IFRS MEASURES

Throughout this presentation, certain terms used are not measures recognized by IFRS and do not have standardized meanings prescribed by IFRS including:

- Bank EBITDA – generally defined in Essential’s Credit Facility as EBITDAS, including the equity cure, excluding onerous lease contract expense and severance costs and excluding the impact of IFRS 16.
- EBITDAS – earnings before finance costs, income taxes, depreciation, amortization, transaction costs, losses or gains on disposal of equipment, write-down of assets, impairment loss, foreign exchange gains or losses and share-based compensation, which includes both equity-settled and cash-settled transactions.
- Funded Debt – generally defined in Essential’s Credit Facility as long-term debt plus deferred finance costs and bank indebtedness, net of cash. It does not include the lease liability related to IFRS 16.
- Working capital – current assets less current liabilities.

A reconciliation of Bank EBITDA and EBITDAS to the IFRS measure, net income can be found in Essential’s MD&A, which may be accessed through the SEDAR website (www.sedar.com). These measures may not be consistent with the calculation of other companies.

Patent Litigation – A Big Win for Essential!



Appeal Decision Victory – Apr 25/19

- The Appeal Court dismissed the appeal
- Asserted patent was invalid for obviousness
- Costs were awarded to Essential

Cost Recovery

- Essential was also awarded costs as part of the trial decision
- Approximately \$5 million legal costs incurred since Oct/13; full recovery is not typical
- Hearing for trial costs is scheduled for May 10/19

What's Next?

- Deadline to seek leave to appeal to the Supreme Court is Jun 24/19
- No automatic right to appeal; must first seek and have leave to appeal granted by Supreme Court

Current Industry Challenges

WCSB Oil and Gas Industry

Additional pipeline export capacity is needed – including pipelines to new markets

The industry has been under siege from environmental and other interest groups – many funded by U.S. groups

Lack of political leadership and foresighta made in Canada problem

- Bill C-69, Bill C-48
- Non-competitive taxation
- Pipeline expansions blocked



Current Industry Challenges

Implications

Alberta oil production curtailments

Diminished access to growth capital

Deeply undervalued Canadian energy stocks

Reduced E&P capital spending

Share price implication in 2018/2019 – significant share price decrease and weak valuations for many E&P and oilfield service companies



Why Canadian Oil and Gas?

- **Canadian oil and gas is subject to stringent environmental, safety and labour standards**
- Lack of export pipelines cost the Canadian economy **\$20.6 billion** in 2018 (~1% of Canada's GDP)⁽¹⁾
- Canadian oil and natural gas extraction produces **six times** greater economic output compared to the auto industry
- Actions against *responsible* production of Canadian oil & natural gas is driving away capital and good jobs
- Canada = only 1.6% of world greenhouse gas emissions⁽²⁾



(1) Fraser Institute, Apr 30/19.

(2) Environment and Climate Change Canada (2019) Canadian Environmental Sustainability Indicators: Global greenhouse gas emissions.

About Essential Energy Services



Conventional Coil Tubing Rig – Rig 2049 Retrofit – *Leading Edge*

The Essential Advantage



Industry Leading Equipment/Services

- One of the largest deep coil tubing fleets in Canada (“ECWS”)
- An innovative tool business (“Tryton”)

Customers and Targeted Work

- Long-term customer relationships
- Deeper, longer horizontal well completions
- Production work and well decommissioning

Essential People

- Skilled workforce; solid safety record
- 395 employees (at Mar 31/19)

Variable Cost Structure

- Cost efficient operations (70% variable); adapts quickly to industry changes
- Focus on cost management and efficiency

Low Debt

- Long-term debt of \$10 million at May 7/19; working capital well in excess of long-term debt
- Funded debt to bank EBITDA 0.7x (at Mar 31/19)

Corporate Snapshot



	May 7/19
Trading Price	\$0.315
52 Week Range	\$0.24- \$0.64
Market Capitalization	\$45 million
Long-term Debt ⁽¹⁾ (May 7/19)	\$10 million
Enterprise Value ⁽²⁾	\$55 million
Working Capital (Mar 31/19)	\$54 million
Valuation Metrics:	
EV/2019 EBITDAS ⁽³⁾	3.6x
Price/Book ⁽⁴⁾	0.3x

(1) Long-term debt does not include lease liabilities related to IFRS 16.

(2) May 7/19 market capitalization and May 7/19 long-term debt.

(3) May 7/19 market capitalization, May 7/19 long-term debt and May 7/19 analyst consensus.

(4) May 7/19 share price and Mar 31/19 book value of shareholders' equity less intangible assets.

Very low valuation

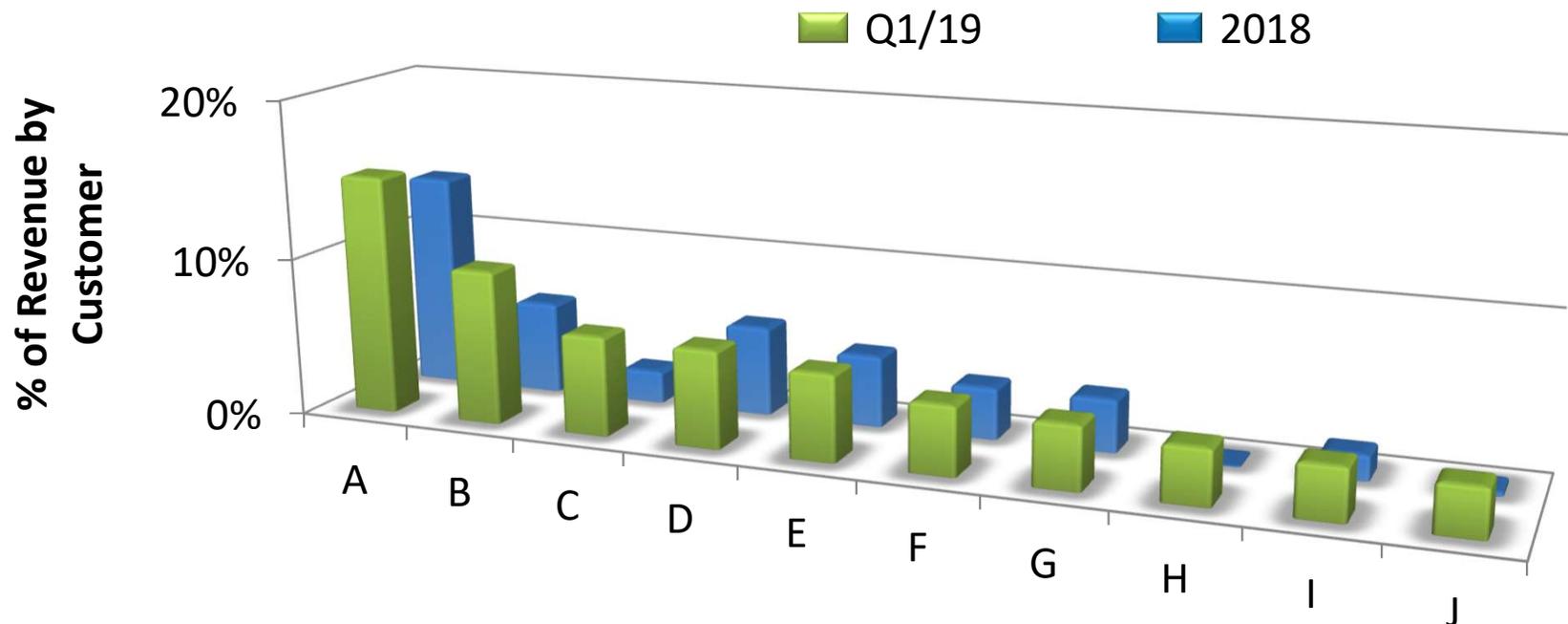
Financial and Operating Results

	3 Months		Annual
(\$ millions)	Q1/19	Q1/18	2018
Essential			
Revenue	\$47	\$60	\$190
Gross margin ⁽¹⁾	\$11	\$12	\$33
EBITDAS⁽¹⁾⁽²⁾	\$8	\$9	\$20
Long-term debt	\$13	\$32	\$21
ECWS Operating Hours			
	Q1/19	Q1/18	2018
Coil Tubing Rigs	13,418	16,170	46,979
Pumpers	16,082	20,439	63,058
Tryton Revenue Split			
	Q1/19	Q1/18	2018
MSFS®	40%	47%	45%
Conventional Tools & Rentals	60%	53%	55%



- (1) Effective Jan 1/19, Essential adopted the IFRS 16 – Leases standard without restatement of 2018 comparative information. This change in accounting policy increased gross margin by \$0.9MM and EBITDAS by \$1.2MM for Q1/19.
- (2) 2018 EBITDAS is adjusted for onerous lease contract expense.

Customer Diversification



- In Q1/19, Essential worked for 271 customers; 530 in 2018 (full year)
- Top 10 customers Q1/19 and 2018 (full year) represent approximately 60% of revenue
- Q1/19 and 2018 (full year) no single customer accounted for more than 15% of revenue
- Customer payment cycle is typically up to 90 days or longer

Essential's Top 10 Customers

- **Proud to have customers like:**

- ARC Resources
- ConocoPhillips
- Crescent Point Energy
- Encana Corporation
- Husky Energy
- Murphy Oil
- NuVista Energy
- Tourmaline Oil
- Tundra Oil & Gas
- Yangarra Resources

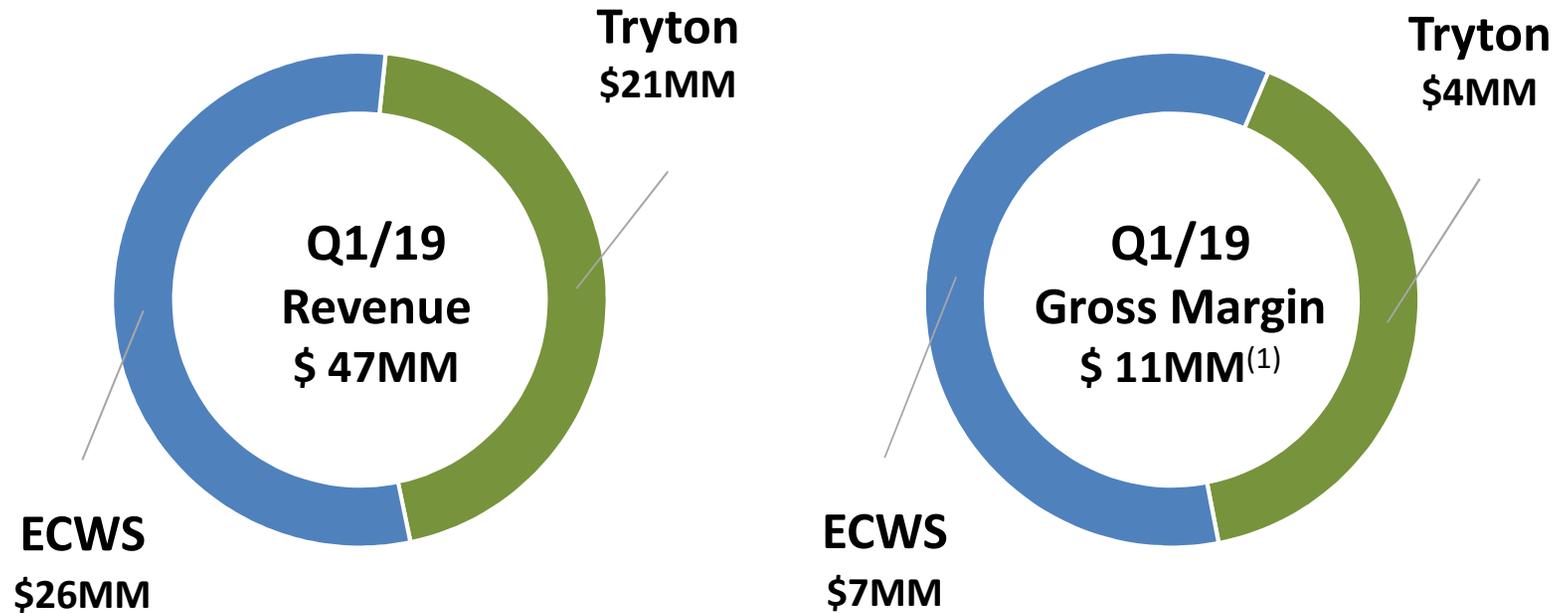
- **Customers are looking for:**

- Stable pricing
- Strong safety record (e.g. low TRIF)
- The right technology for the task
- Crew competency and continuity
- Efficiencies

Service Lines: ECWS and Tryton



Gross Margin Q1/19



Gross Margin as a % of Revenue	Q1/19	Q1/18 ⁽²⁾
ECWS	25%	19%
Tryton	21%	25%

(1) Chart excludes centralized overhead costs.

(2) Q1/18 GM% is not restated for IFRS 16.

Segment Overview



ECWS

- One of the largest deep coil tubing fleets in Canada – completions work
- Gen III and IV coil rigs for complex, long-reach horizontal wells
- Fluid and nitrogen pumpers

@ Mar 31/19:

- **Employees: 260**
- Fixed assets (NBV): \$92 MM
- Working capital: \$24 MM

Tryton

- Multi-stage frac system (MSFS®) tools – completions work
- Conventional downhole tools – production and decommissioning work
- Rentals – including specialty drill pipe and BOP's
- Canadian and U.S. operations

@ Mar 31/19:

- **Employees: 120**
- Fixed assets (NBV): \$23 MM
- Working capital: \$34 MM

- WCSB - Montney and Duvernay
- Wells are deeper, horizontal, often high pressure and complex
- Gen III and Gen IV rigs are best-suited for these regions
- Require skilled, experienced crews with a focus on safety

Record Depths:

ECWS

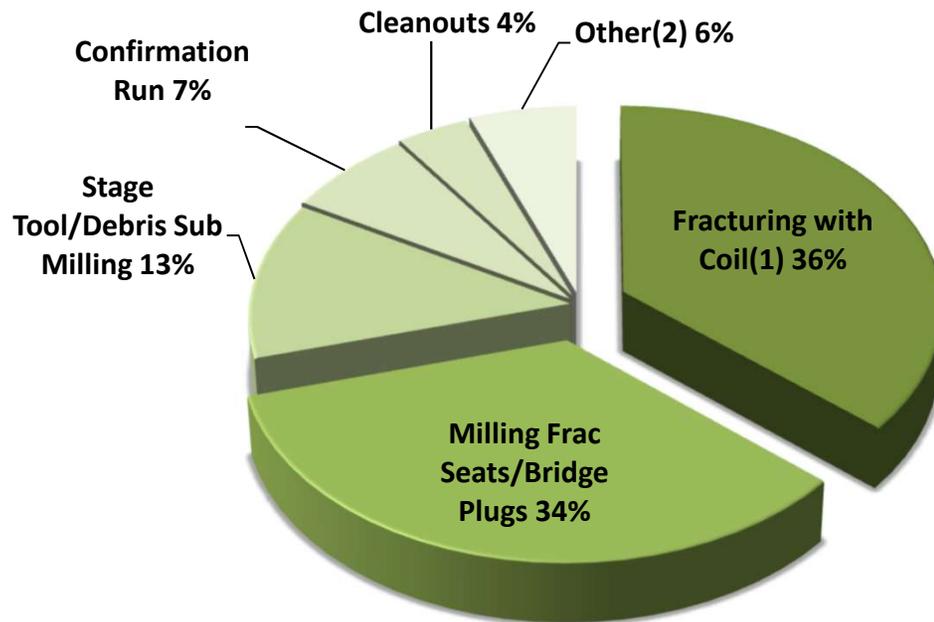
Coil completion 7,267m with a Gen
IV rig (2 3/8" coil)

Industry (WCSB)

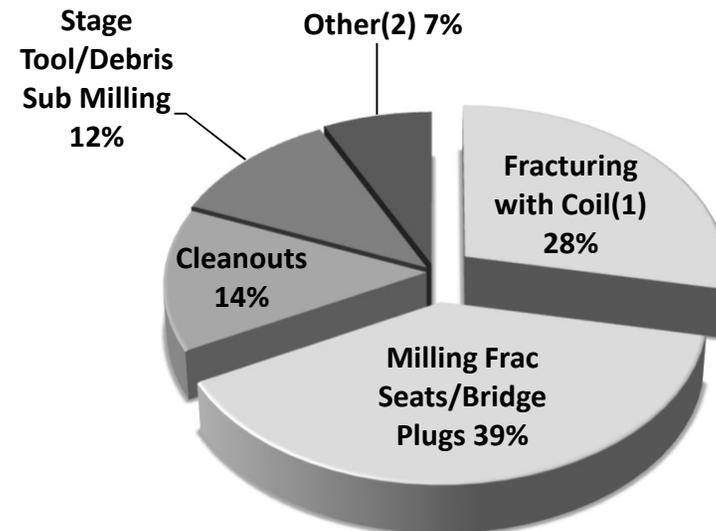
Deepest well drilled
7,848m

ECWS – What Do We Do?

Q1 2019



Annual 2018



- (1) Third party fracturing equipment working in conjunction with an Essential coil tubing rig. This includes fracturing through coil or annular coil fracturing with a sliding sleeve system.
(2) Other includes logging and camera work, fishing, cementing and other work.

ECWS - Coil Tubing Fleet



At Mar 31/19	Active Fleet	Reach/ Depth (m at 2 3/8")	Target Market	Total Fleet
Gen I	1	2,700	Cleanouts	2
Gen II	5	4,500	Bakken, Cardium, Montney, Viking	14
Gen III	8	6,500	Montney, Duvernay	8
Gen IV ⁽¹⁾	2	7,200 ⁽²⁾	Montney, Duvernay	5
Total	16			29

(1) Gen IV total includes a reel trailer that was upgraded in Q1/19 and works with a Gen II rig to achieve the same depth capacity as a Gen IV rig.

(2) 7,200 m when coil tubing is transported on the rig; 9,400 m if coil tubing is transported separately.

- Greatest customer demand is for the Gen III and IV rigs and high capacity fluid pumpers
- More rigs will be activated as demand dictates
- Fleet includes masted and conventional rigs
- ECWS's fluid pumpers and nitrogen pumpers support the active fleet

Fleet menu to meet a variety of customer requirements

ECWS Gen IV Retrofit Program

- First retrofit in-service Q4/18
- Reel trailer upgrade in-service Q1/19
- Features include:
 - Lighter - ease of movement between work sites
 - “Quick change” reel system for on-location reel swaps in two hours or less
 - 130K and 160K injector capacity; higher capacity ensures no slippage or inefficiencies on deepest horizontal wells
- Four additional Gen IV retrofits can be added – as market demand dictates, for low capital cost

Suitable for Montney and Duvernay deep wells

As industry demand for deep coil grows, ECWS will be ready

Tryton – Downhole Tools and Rentals



MSFS®: Ball & Seat "Cut-away"



MSFS®: Composite Bridge Plug



Conventional Packers

Tryton – Three Service Lines

MSFS® Tools

- Completions-focused
- Multiple products
- Allows producers to isolate and fracture intervals of horizontal sections of a well separately and continuously
- Primarily provided in Canada

Conventional Tools

- Completion, production and decommissioning operations
- Includes conventional packers, tubing anchors, bridge plugs, cement retainers and related accessories
- Canada, U.S. and international

Tryton Rentals

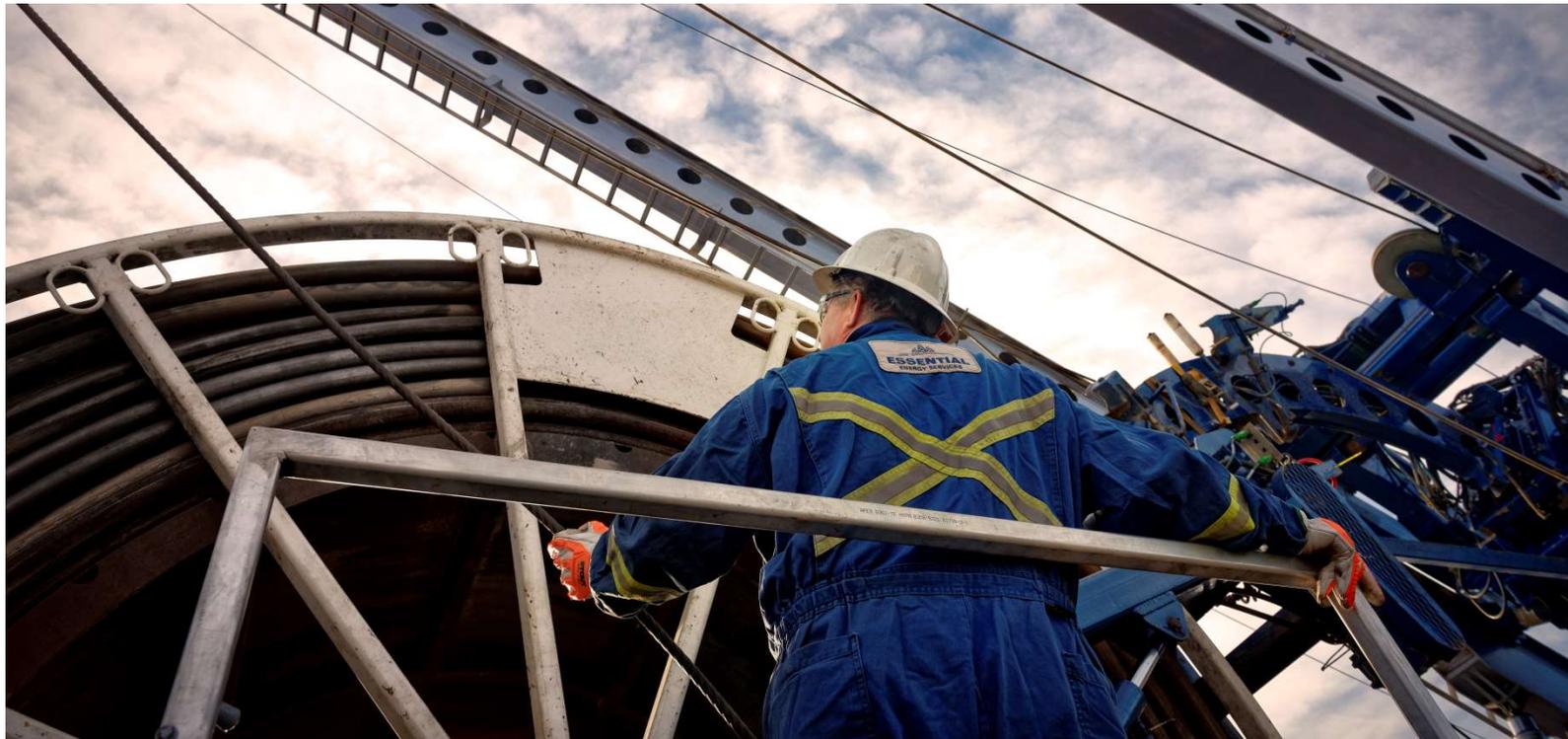
- Drilling focused
- Offers a broad range of oilfield equipment including specialty drill pipe and blowout preventers
- Canadian operations

Tryton – Tool Diversity for Growth

MSFS® Tools – Growing the Number of Choices

- **Ball & Seat**
 - Continues to be the most common method
 - New: Passport tool – larger inner diameter; ability to frac more stages
- **V-Sleeve**
 - Unlimited number of stages; coil actuated
 - Completed a 53-stage job in a single tool run in the Cardium
 - New: closable design allows customers to selectively close zones after the frac
- **Composite Bridge Plug**
 - Unlimited number of stages; quick to mill-out
- **Hybrid MSFS® – Ball & Seat plus Composite Bridge Plug**
 - Ball & Seat at the “toe” and Composite Bridge Plugs toward the “heel”
 - Unlimited number of stages
 - Completed two 90-stage MSFS® jobs in the Montney – including the deepest well drilled to-date in western Canada at 7,848 m

Low Debt and Capital Spending



Advantages of Low Debt



- Debt has been reduced and kept low through the downturn
- Greater control over our financial future
- Ability to grow deep coil and pumping by re-investing operating cash flow, as market demand dictates
- \$10 million long-term debt at May 7/19

(1) Working capital at Mar 31/19 (\$54 million) was well in excess of long-term debt (\$13 million).

Capital Spending Overview



Annual	2019	2018	2017
(\$ millions)	Budget	Actual	Actual
Growth	\$1	\$6	\$11
Maintenance	5	10	9
Total	\$6	\$16	\$20



The 2019 Capital Budget is modest due to uncertain outlook and focuses on maintenance capital

Looking Forward: Strategic Considerations



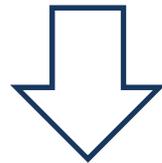
Essential's 2019 Outlook

- Free cash flow generation despite:
 - Anticipated lower activity compared to 2018
 - Service pricing flat
- Cost cutting – wage reductions, lay-offs
- Low capital spending (\$6 million) – primarily maintenance capital



Canada - Deep Coil Market Considerations

Number of “relevant” deep/large diameter industry coil tubing rigs is small relative to the number of drilling and services rigs



Active industry deep coil rigs⁽¹⁾
44



ECWS’s deep coil rig market share
25%



(1) Based on public disclosure and internal estimates

Canada – Deep Coil Tubing Competition

Canadian Frackers

Often supply their own coil in the current slow market

International Frackers

Typically do not have coil in Canada

Canadian Coil Companies

Struggling to make proper returns in Canada given weak pricing

Potential market tightness if industry spending increases

Essential – Upside

ECWS:

- Four additional Gen IV retrofits can be added – as market demand dictates; time and cost is significantly lower than a new build
- Opportunity to add new quintuplex fluid pumpers and other capital to pair with deep coil rigs – as market demand dictates (longer term)
- Potential upside from LNG (longer term)

Tryton:

- Expand market share with innovative/incremental MSFS® tools; customers can choose the tool best suited for wellbore characteristics and preference
- Potential upside from LNG (longer term)

Why Invest in Essential?

Industry Leading Coil Tubing Fleet

- Suitable for complex, long-reach horizontal wells
- Deep fleet capacity can be increased as market demand dictates

Innovative Tool Business

- New MSFS® tools provide customers a choice
- Low capital intensity
- Strong customer relationships

Low Debt

- Funded debt to bank EBITDA: 0.7x at Mar 31/19

Valuation

- Undervalued by many metrics (EV/EBITDAS, Price to Book)

Essential on site near Grande Prairie



Thank you

