



Peters & Co. Energy Conference – Sept 10, 2019

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Disclaimer



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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, 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 financing 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.

Why Canadian Oil and Gas?

- **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⁾
- Actions against *responsible* production of Canadian oil & natural gas have driven away investment capital and good jobs
- Canada = only 1.6% of world greenhouse gas emissions⁽²⁾

The world needs more Canadian energy



(1) Fraser Institute, Apr 30/19.

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

About Essential



We deliver oil and natural gas services for E&P customers as they complete, work-over and decommission wells

What: our equipment and crews are hired by E&P companies to get production out of the ground in an efficient and cost-effective manner

Where: primarily western Canada; with downhole tool operations in the U.S.

Commodity exposure: oil, liquids-rich gas, natural gas

ECWS

Coil Tubing Rigs
Fluid Pumpers
Nitrogen Pumpers

Tryton Tools

MSFS® Tools
Conventional Tools
Rentals

Valuation Metrics

	Sep 4/19
Enterprise value ⁽¹⁾	\$56 million
Working capital (June 30/19)	\$48 million
Valuation metrics:	
EV/2020 EBITDAS ⁽²⁾	2.6x
Price/book ⁽³⁾	0.3x

(1) Sept 4/19 market capitalization and June 30/19 long-term debt.

(2) Sept 4/19 market capitalization, June 30/19 long-term debt and Sept 4/19 analyst consensus.

(3) Sept 4/19 share price and June 30/19 book value of shareholders' equity.

Very low valuation: working capital value is similar to enterprise value (i.e. there is little value in the share price for fixed assets or value for the tool business aside from inventory and accounts receivable)

Segment Overview



ECWS

- One of the largest deep coil tubing fleets in Canada – completions work
- Strongest demand for Gen III and IV rigs and high-rate fluid pumpers
- Canadian operations
- 260 employees

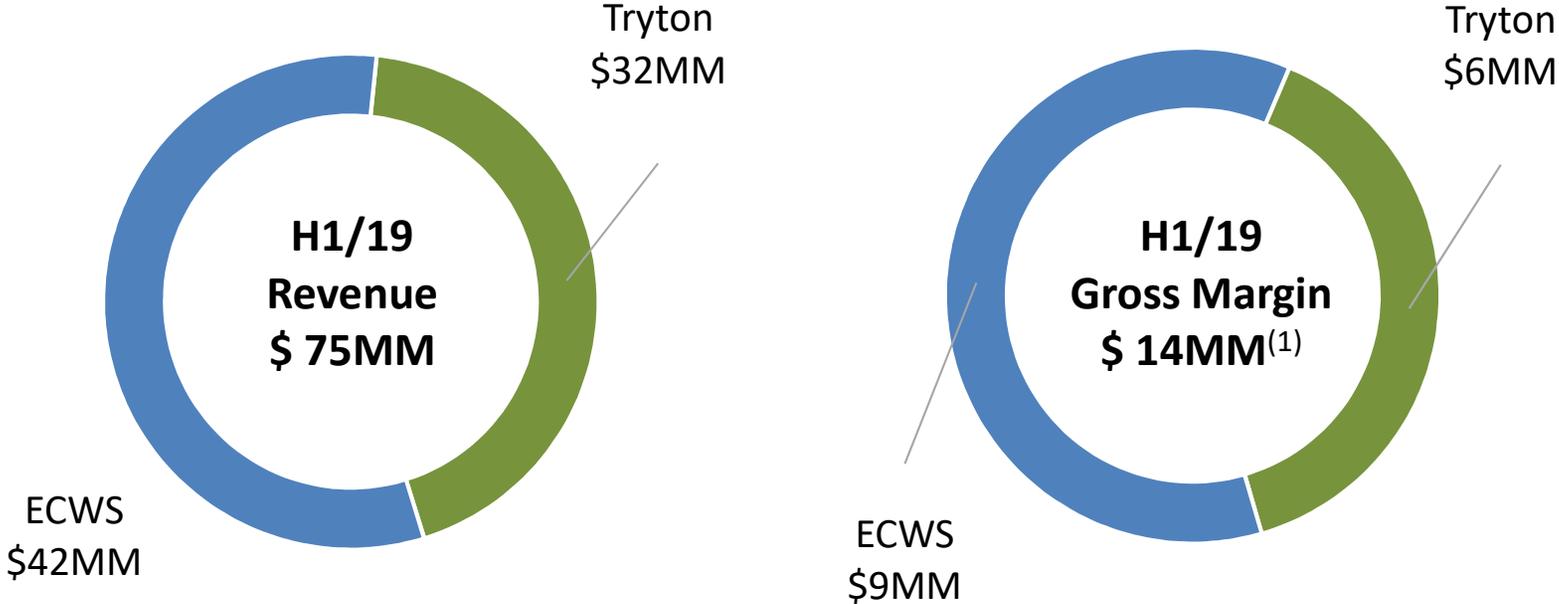
- H1/19 revenue down 21% vs. H1/18; gross margin up 9%

Tryton

- Multi-stage frac system (MSFS®) tools – completions work
- Conventional downhole tools – production and decommissioning work
- Rentals – drilling-related work
- Canada, U.S. and international
- 105 employees

- H1/19 revenue down 27% vs. H1/18; gross margin down 42%

Segmented Results H1/19



Gross Margin as a % of Revenue	H1/19	H1/18 ⁽²⁾
ECWS	21%	15%
Tryton	18%	22%

(1) Chart excludes centralized overhead costs.
 (2) H1/18 GM% is not restated for IFRS 16.

Essential - Operational Strengths

Customer Diversity

- Strong customer relationships
- The spectrum of small to large; regional to multi-national

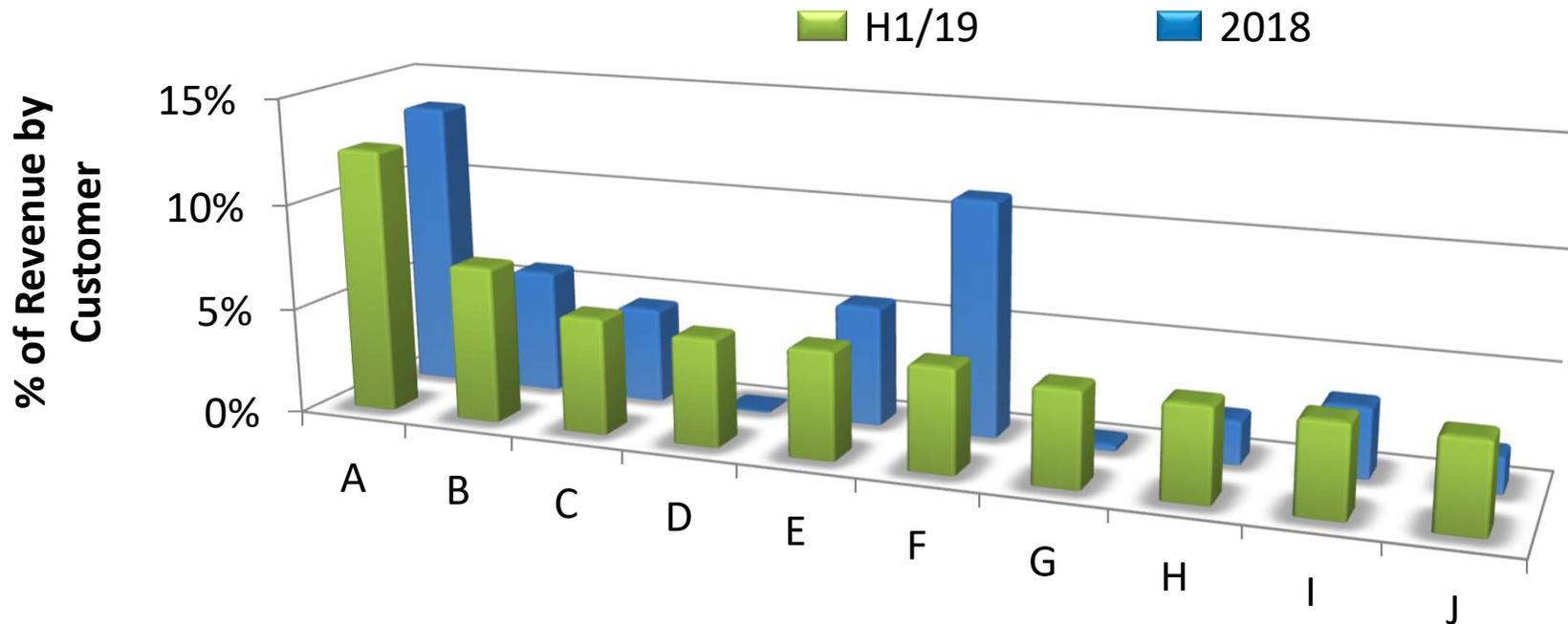
Industry Leading Coil Tubing Fleet

- Montney and Duvernay exposure
- Gen IV retrofits: fleet capacity can be increased and “deepened” - relatively low cost / short timeframe - as market demand dictates
- Some competitor equipment has left Canada – decreasing the industry deep coil supply

Innovative Tool Business

- Variety of MSFS® tools provide customers with choice
- Low capital intensity
- Completions, production and decommissioning work – provides some stability of demand

Essential - Customer Diversification



- In H1/19, Essential worked for 345 customers; 530 in 2018 (full year)
- Top 10 customers H1/19 and 2018 (full year) represent approximately 60% of revenue
- H1/19 and 2018 (full year) no single customer accounted for more than 15% of revenue

Essential - Top Customers

Customers are looking for:

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

Proud to have customers like:



ECWS – Coil Tubing and Pumpers



ECWS - The Opportunities

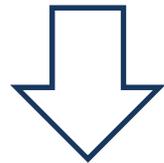
Even in a flat to declining activity period (2019-20) there is good potential for a solid business:

- 25% market share in a tight deep coil tubing market
- Tight market for high-rate fluid pumpers – potential for distressed assets from competitors?
- Gen IV retrofits – potential for low cost fleet additions
- Cost structure – proven expertise managing variable cost structure; fixed costs can be adjusted as needed
- Customers – strong, diversified customer base

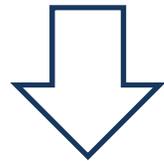
Long-reach horizontal well capabilities

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.

ECWS - Deep Capabilities

- WCSB exposure - Montney and Duvernay
- Wells are deeper, horizontal, often high pressure and complex
- Gen III and Gen IV coil tubing rigs and quintuplex fluid pumpers 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)
in the Duvernay

Industry (WCSB)

Deepest well drilled
7,848m

ECWS - Gen IV Retrofit Program

- First retrofit in-service Q4/18; second retrofit expected late 2019
- Reel trailer upgrade 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
- Three additional Gen IV retrofits can be added – as market demand dictates, for low capital cost

Suitable for Montney and Duvernay deep wells

Tryton – Downhole Tools & Rentals



MSFS®: Ball & Seat "Cut-away"



MSFS®: Composite Bridge Plug



Conventional Packers

Tryton - The Opportunities

Conventional Tools

- Likely #1 market share in Canada
- Advantages: inventory, experienced toolhands and locations
- Production and decommissioning work

MSFS® Tools

- New product development – Passport® tool; closable V-Sleeve
- Patents pending

Low capital investment with relatively steady margins

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 7,848m

Variety of tools to meet customer needs

Financial Strengths

Low Debt

- Funded debt to bank EBITDA: 0.4x at June 30/19
- Working capital well in excess of debt at June 30/19
- Simple debt structure

Free Cash Flow

- Free cash flow expected in 2019 despite anticipated lower activity compared to 2018

Low Valuation

- Undervalued by many metrics
- Working capital similar to enterprise value – little value for fixed assets and tool business

Advantages of Low Debt



- \$50MM credit facility: only 15% drawn at June 30/19
- Debt was reduced and kept low through the downturn
- Reduced financial pressure
- Ability to grow deep coil and pumping by re-investing operating cash flow, as market demand dictates

(1) Working capital at June 30/19 (\$48 million) was well in excess of long-term debt (\$7 million).

Capital Spending Overview

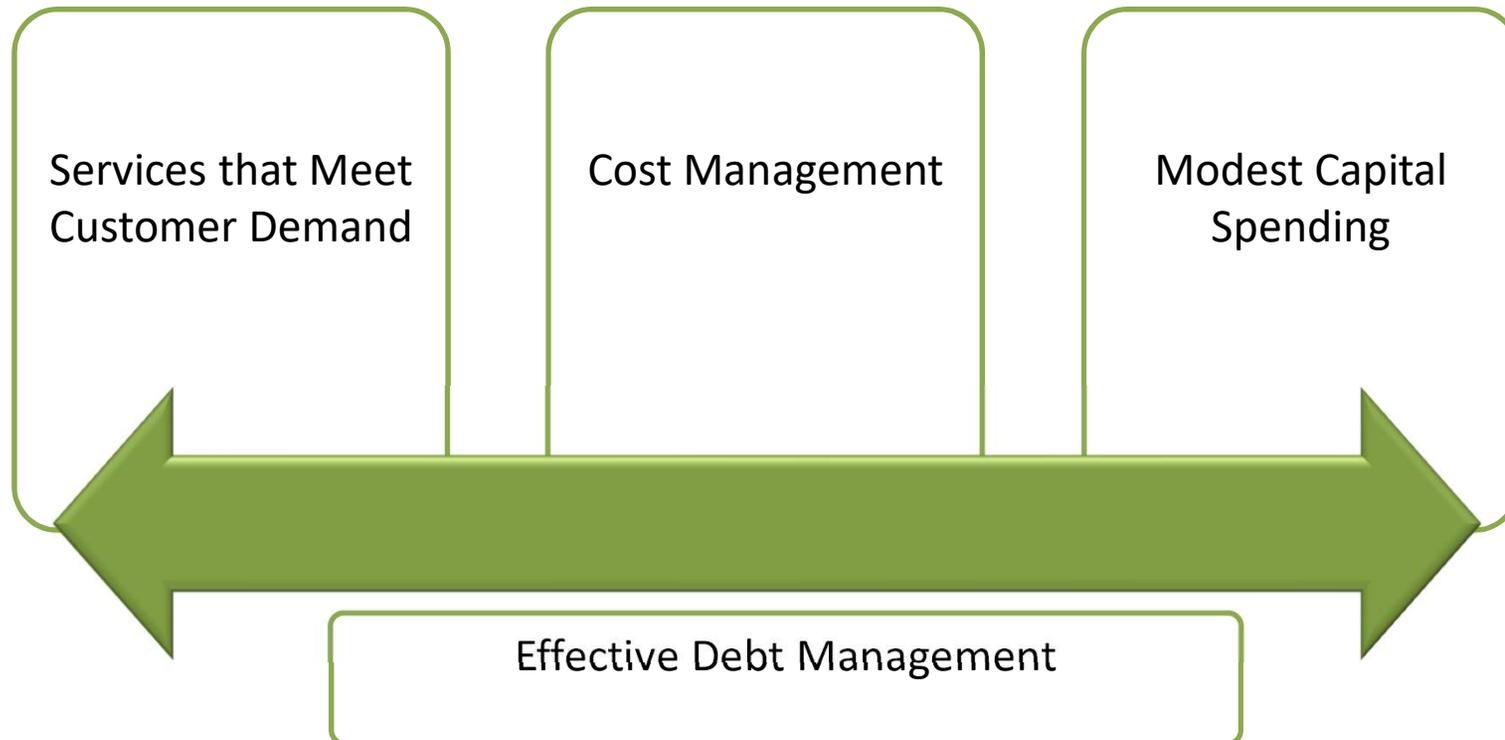
Annual	2019	2018	2017
(\$ millions)	Forecast	Actual	Actual
Growth	\$1	\$6	\$11
Maintenance	7	10	9
Total	\$8	\$16	\$20

- 2019 capital spending is modest due to uncertain outlook; focuses on maintenance capital
- Includes a Gen IV retrofit – due to demand for the first retrofit



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

Focus on What We Can Control



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

- Variety of tools provide customers a choice
- Low capital intensity
- Strong customer relationships

Low Debt

- Funded debt to bank EBITDA: 0.4x at June 30/19

Low Valuation

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

Appendix



Financial and Operating Results

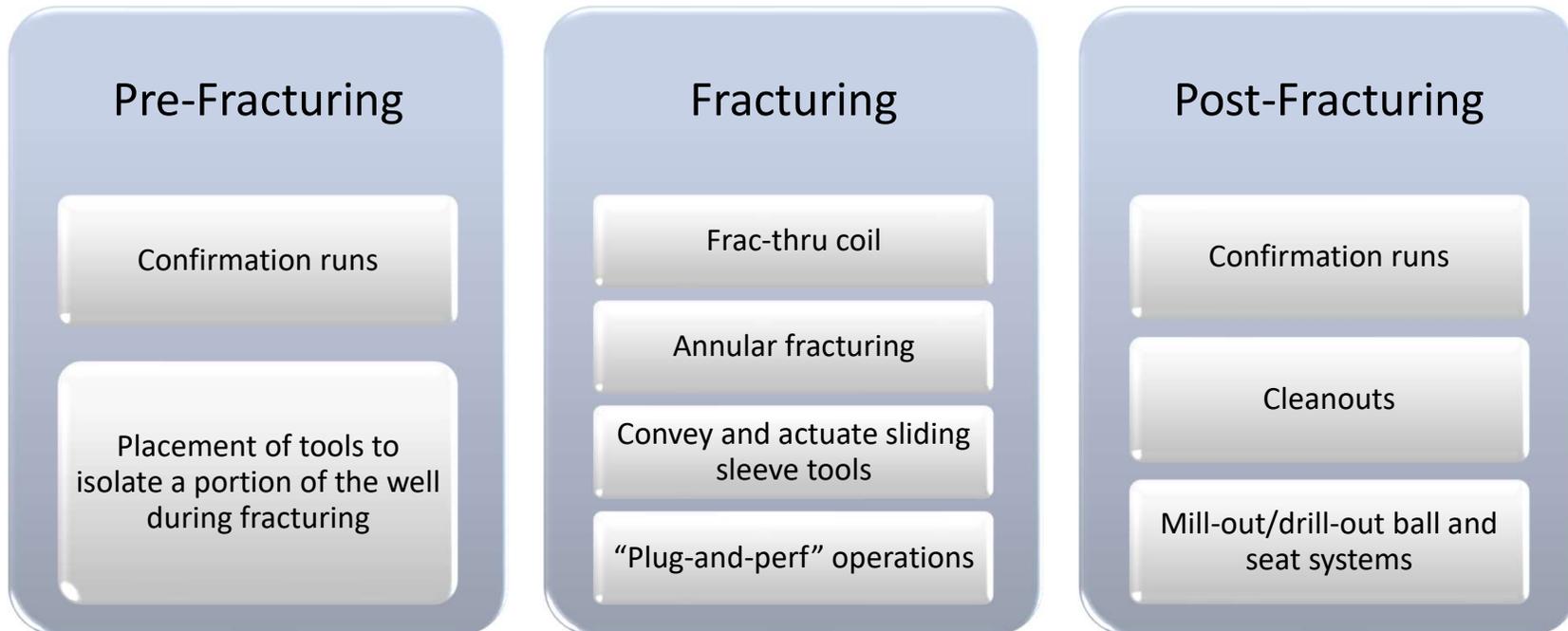
(\$ millions)	6 Months		Annual
	H1/19	H1/18	2018
Essential			
Revenue	\$75	\$98	\$190
Gross margin ⁽¹⁾	\$14	\$17	\$33
EBITDAS ⁽¹⁾	\$9	\$11	\$20
Long-term debt	\$7	\$19	\$21
ECWS Operating Hours			
	H1/19	H1/18	2018
Coil Tubing Rigs	20,544	25,481	46,979
Pumpers	25,430	33,675	63,058
Tryton Revenue Split			
	H1/19	H1/18	2018
MSFS®	31%	47%	45%
Conventional Tools & Rentals	69%	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 \$1.8MM and EBITDAS by \$2.5MM for the first six months of 2019.

Deep Coil: Completions & Work-Overs

- The number of long-reach horizontal wells increases the demand for Essential's coil tubing rigs
- In the **well completion** phase, coil tubing rigs are used for:



- In the post completion phase, coil tubing rigs are used for work-overs and decommissioning

Coil Tubing Fleet



At June 30/19	Active Fleet	Reach/ Depth (m at 2 3/8")	Target Market	Total Fleet
Gen I	1	2,700	Cleanouts	2
Gen II	4	4,500	Bakken, Cardium, Montney, Viking	14
Gen III	8	6,500	Montney, Duvernay	8
Gen IV ⁽¹⁾	3	7,200 ⁽²⁾	Montney, Duvernay	5
Total	16			29

(1) Gen IV includes a retrofit that is expected to be in-service in late 2019.

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

- Greatest customer demand is for the Gen III and IV rigs for complex, long-reach horizontal wells
- More rigs can be activated as demand dictates
- Fleet includes masted and conventional rigs

Fluid Pumper Fleet

At June 30/19	Active Fleet	Pumping Pressure (psi)	Total Fleet
Singles	0	10,000 – 15,000	3
Doubles	7	10,000	8
Quintuplex	7	15,000	8
Total	14		19

- Greatest customer demand is for the high-rate (quintuplex) fluid pumpers
- ECWS's fluid pumpers and nitrogen pumpers support the coil tubing fleet and provide stand-alone work

Fluid Pumper Uses

Maintaining downhole circulation

Providing ancillary acid or solvent treatments

Injecting friction reducers or chemicals



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