

**TOTAL ENERGY SERVICES INC.**



**Corporate Update – November 2016**

**FOCUS DISCIPLINE GROWTH**

# Forward-Looking Statements



Certain information presented in these remarks and in this presentation that is not historical factual information may constitute forward-looking information within the meaning of securities laws. Actual results could differ materially from a conclusion, forecast or projection contained in such forward-looking information. Forward-looking information may relate to our future outlook and anticipated events or results and may include statements about Total Energy Services Inc. or its subsidiaries (“Total Energy” or “Total”), including business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future financial performance, ongoing business strategies or prospects, and possible future action on our part, is also a forward-looking statement.

Certain material factors or assumptions were also applied in drawing a conclusion or making a forecast or projection as reflected in such forward-looking information. Additional information about the material factors that could cause actual results to differ materially from the conclusions, forecasts or projections in the forward looking information, details regarding the material factors or assumptions that were applied in drawing such conclusions or making such forecasts or projections, and more exhaustive information on the risks and uncertainties can be found in Total’s most recent Annual Information Form which is available on [www.sedar.com](http://www.sedar.com)

# Non-IFRS Measures



*EBITDA means earnings before interest, taxes, depreciation and amortization and is equal to net income before income taxes plus finance costs plus depreciation. Cashflow means cash provided by operations before changes in non-cash working capital items. EBITDA is not a recognized measure under International Financial Reporting Standards (“IFRS”). Management believes that in addition to net income, EBITDA is a useful supplemental measure as it provides an indication of the results generated by Total’s primary business activities prior to consideration of how those activities are financed, amortized or how the results are taxed in various jurisdictions. Readers should be cautioned, however, that EBITDA should not be construed as an alternative to net income determined in accordance with IFRS as an indicator of Total Energy’s performance. Total Energy’s method of calculating EBITDA may differ from other organizations and, accordingly, EBITDA may not be comparable to measures used by other organizations.*



# Corporate Information



• Common Shares Outstanding (TSX: TOT)	30.9 million
• Options Outstanding (\$14.13 average exercise price)	2.70 million
• Market Capitalization (basic, at \$12.60 share price)	\$389.8 million
• Working Capital	\$80.1 million (at 09/30/16)
• Long Term Debt (excluding current portion)	\$45.5 million (at 09/30/16)
• Bank Debt (\$65 million revolving credit facility)	nil (at 09/30/16)
• Director/Officer Ownership (basic)	8%
• Common Share Dividend (per share)	\$0.06/quarter (\$0.24/annum)

# Operations



Three business segments:

## **Contract Drilling Services** (Chinook Drilling)

- 8th largest Canadian drilling rig fleet (3% of Canadian rig fleet)
- 18 drilling rigs (16 doubles, 2 extended reach singles)

## **Rentals and Transportation Services** (Total Oilfield Rentals)

- Leading provider of oilfield surface equipment rentals and transportation services
- 10,000 major rental pieces and 120 heavy trucks in 22 branch locations throughout WCSB and Northwestern USA

## **Compression & Process Services**

(Bidell Compression & Spectrum Process Systems)

- Leading Canadian natural gas compression packager with parts and services field support throughout WCSB and Northwestern US
- Established market presence in the oil and natural gas process equipment fabrication industry following significant acquisition in 2013

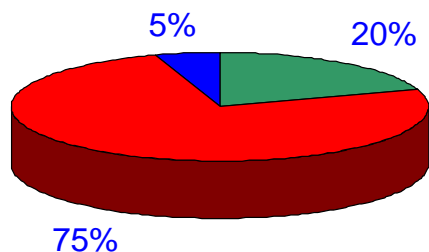


# Segmented Revenue

(Percentage of Consolidated Revenue)

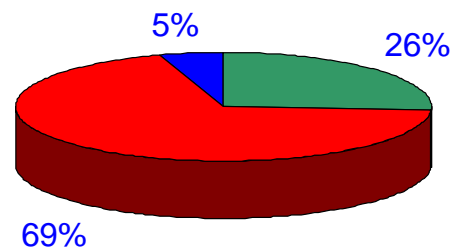


Nine months ending  
Sept 30, 2016



■ Rentals & Transportation Services  
■ Compression & Process Services  
■ Contract Drilling Services

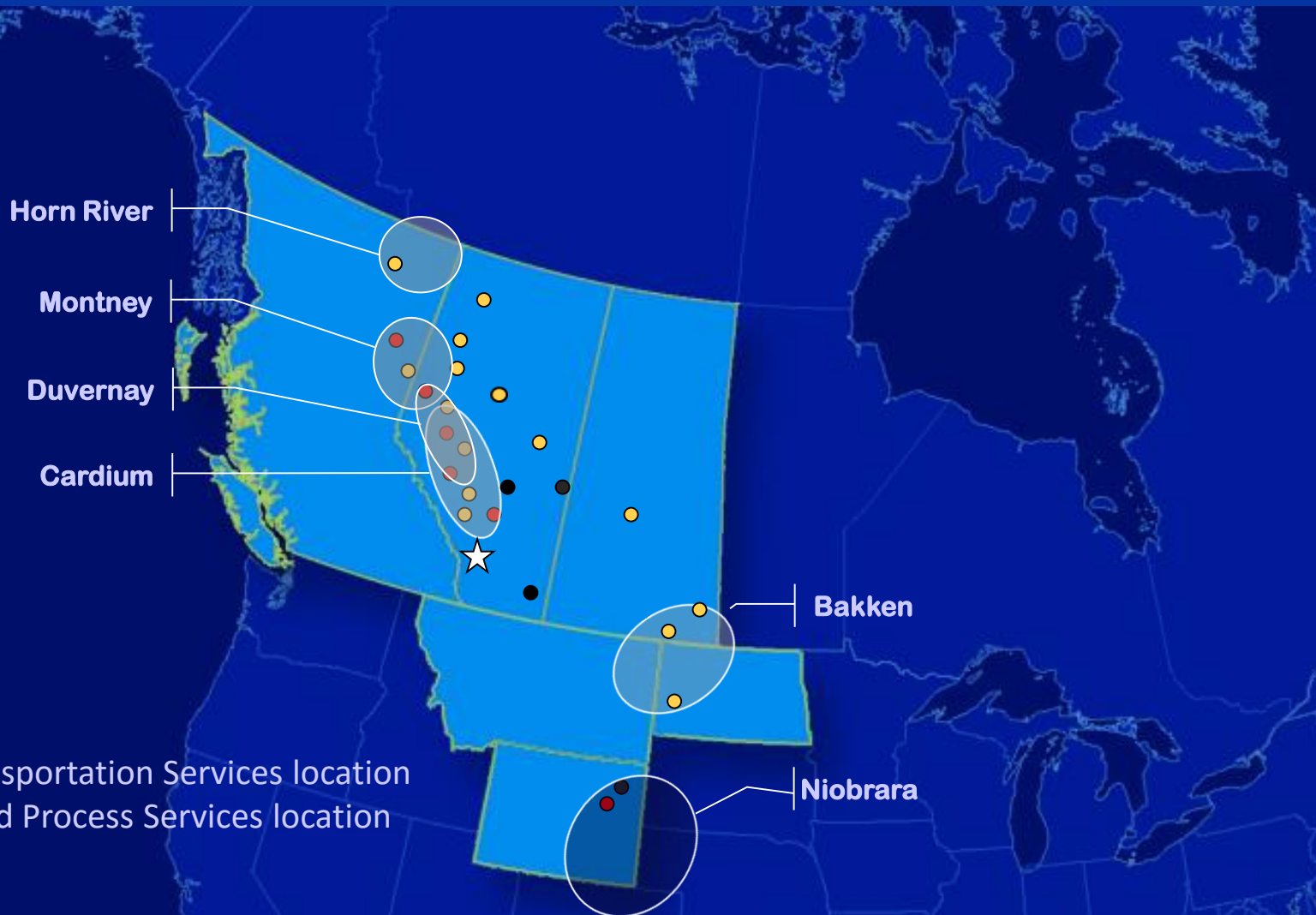
Nine months ending  
Sept 30, 2015



■ Rentals & Transportation Services  
■ Compression & Process Services  
■ Contract Drilling Services

# Operations Infrastructure

## Exposure to Significant WCSB Resource Plays



# Contract Drilling Services

## Chinook Drilling



- Focused on deeper basins in Western Canada
- 18 rig fleet: 16 telescopic doubles and two extended reach singles
- Telescopic doubles include 14 mechanical and two AC electric rigs
- Mechanical doubles have drilled up to 6,000 meter Duvernay horizontal wells
- Significant owned top-drive fleet - 70% of rig fleet
- Efficient cost structure allows division to remain profitable despite severe price pressure and very low utilization – look to “ride out the storm”





## Contract Drilling – *Chinook Drilling*

(dollar amounts in thousands)



<i>Three months ended Sept 30</i>	2016	2015	% Change
Operating Days (spud to release)	230	291	(21)%
# of Rigs (period end)	18	18	-
Revenue	\$ 3,151	\$ 4,598	(31)%
EBITDA	\$ 552	\$ 1,224	(55)%
Assets (period end)	\$111,811	\$114,230	(2)%

## Contract Drilling – *Chinook Drilling*

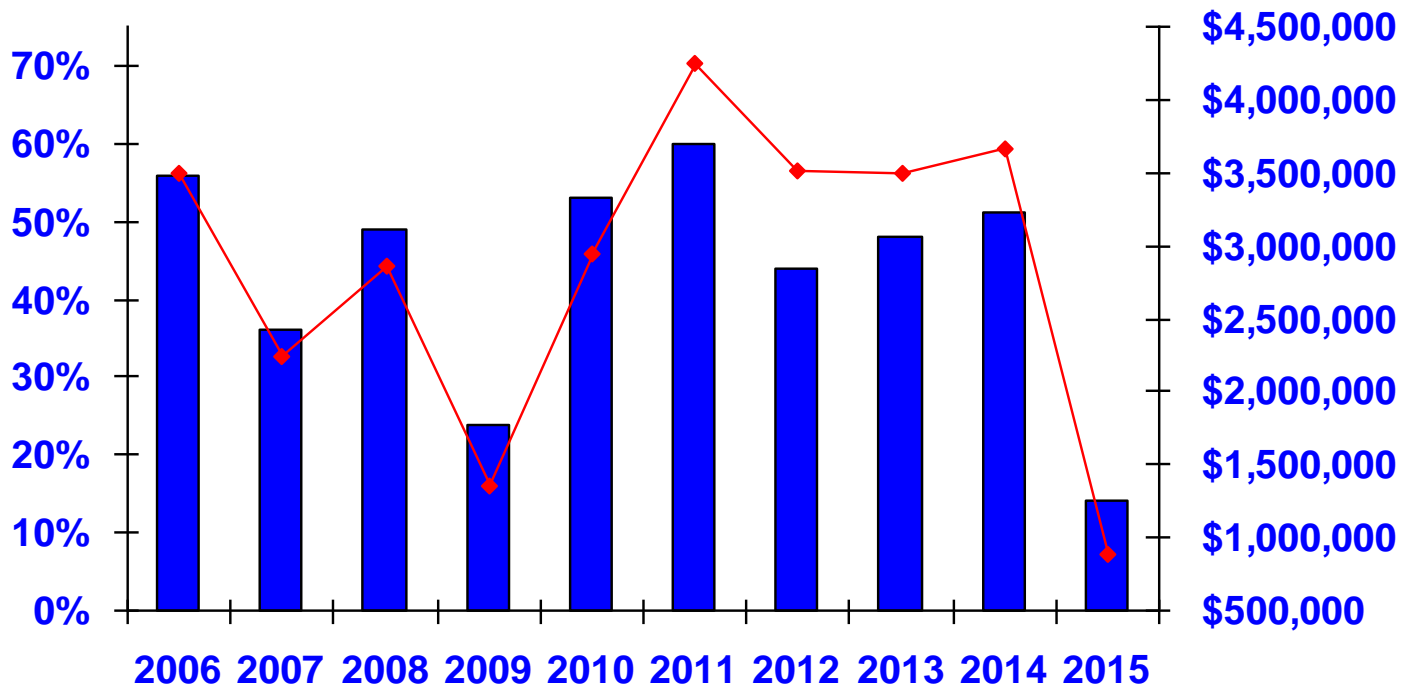
(dollar amounts in thousands)



<i>Nine months ended Sept 30</i>	2016	2015	% Change
Operating Days (spud to release)	478	679	(30)%
# of Rigs (period end)	18	18	-
Revenue	\$ 7,013	\$ 11,953	(41)%
EBITDA	\$ 960	\$ 3,328	(71)%
Assets (period end)	\$111,811	\$114,230	(2)%

# Contract Drilling Services

Revenue/Rig



■ Rig Utilization (%) —◆— Revenue/Rig (\$)

# Rentals and Transportation Services

## *Total Oilfield Rentals*



- Leading provider of surface rental equipment and general oilfield hauling in western Canada with growing presence in the United States
- Provide equipment and transportation services used in the drilling, completion and production of oil and natural gas wells
- Current fleet of approximately 10,000 major pieces of rental equipment and 120 heavy trucks based in 22 branch locations
- Very challenging environment – strategic balancing of equipment utilization and pricing
- Pursue consolidation/acquisition opportunities to achieve economies of scale associated with high fixed cost business and benefit from significant owned real estate portfolio



# Rentals and Transportation Services

*(dollar amounts in thousands)*



<i>Three months ended Sept 30</i>	2016	2015	% Change
Rental Pieces (period end)	10,000	10,000	-
Heavy Trucks (period end)	112	120	(7)%
Average Utilization (rental equipment)	15%	22%	(32)%
Revenue	\$ 10,611	\$ 15,861	(33)%
EBITDA	\$ 1,255	\$ 4,219	(70)%
Assets	\$225,436	\$238,322	(5)%

# Rentals and Transportation Services

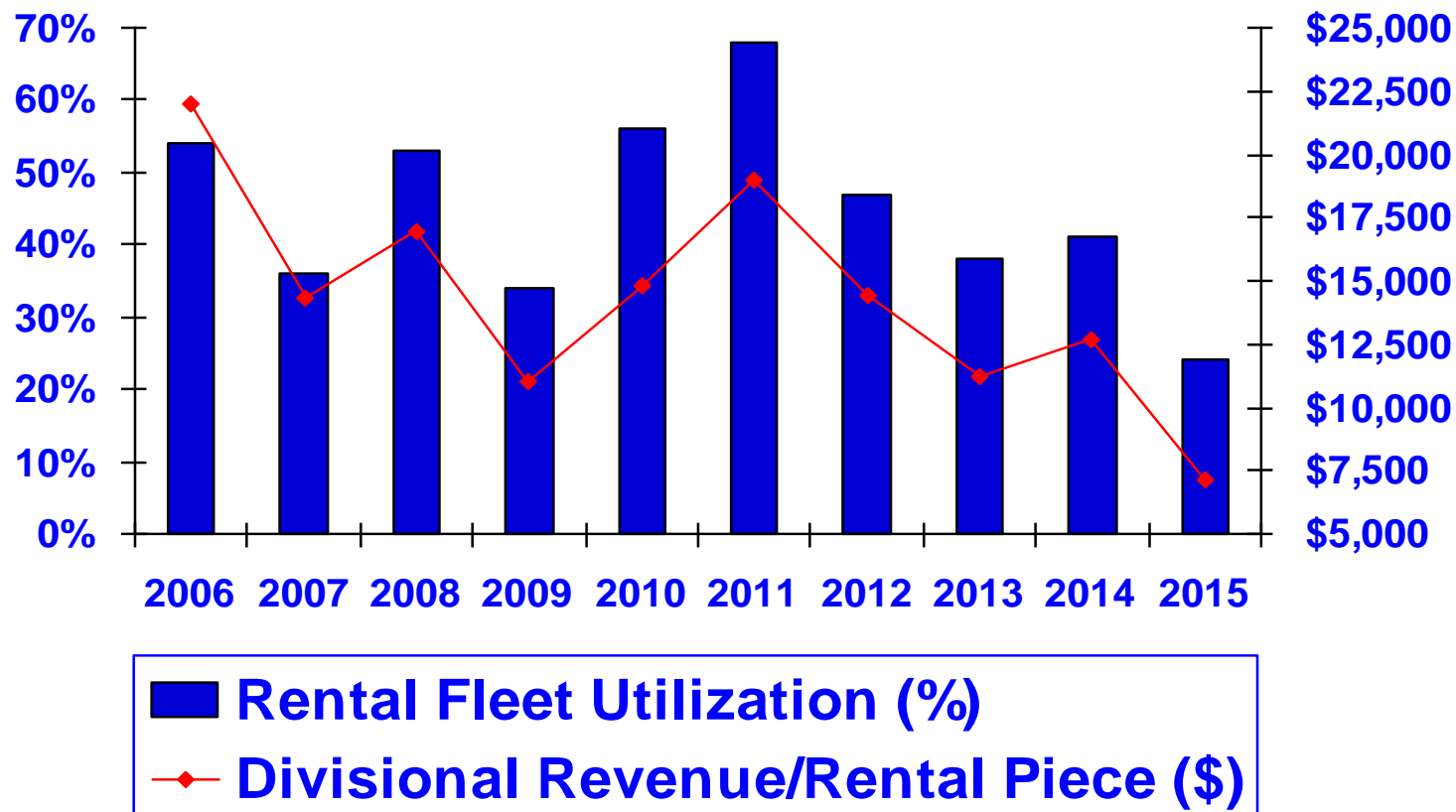
*(dollar amounts in thousands)*



<i>Nine months ended Sept 30</i>	2016	2015	% Change
Rental Pieces (period end)	10,000	10,000	-
Heavy Trucks (period end)	112	120	(7)%
Average Utilization (rental equipment)	13%	26%	(50)%
Revenue	\$ 27,846	\$ 59,285	(53)%
EBITDA	\$ 1,572	\$ 17,576	(91)%
Assets (period end)	\$225,436	\$238,322	(5)%

# Rentals and Transportation Services

## Historical Revenue Analysis



# Compression and Process Services

## *Bidell Gas Compression*

- In business since 1988, Bidell is a leading provider of gas compression fabrication, sales, rental and service in Canada and select international markets
- Manufacture 25 to 10,000 hp compression packages
- Carry all major engine lines (natural gas and electric) and compressors (reciprocating and screw)
- Patented NOMAD™ line of large hp mobile compressors – maximize compression capital and operating efficiencies for steep decline wells
- Growing parts and service infrastructure throughout Western Canada and Northwestern US - offer an extensive parts inventory, exchange programs, overhaul and retrofit services





# Compression and Process Services

## *Spectrum Process Services*



- Established Spectrum in late 2012 to provide additional exposure to North American energy infrastructure build, including LNG development
- Acquisition of Opsco Manufacturing in Q1 2013 materially increased market presence
- Offer full service project management, engineering, design and procurement services
- Specialize in design and fabrication of large capacity dehydration, regeneration, separation, line heaters, free water knock outs and custom manufactured process equipment



# Compression and Process Services

(dollar amounts in thousands)



<i>Three Months ended Sept 30</i>	2016	2015	% Change
Compression Horsepower on Lease (period end)	11,400	18,900	(40)%
Fabrication Sales Backlog (period end)	\$ 62,000	\$ 51,100	21%
Revenue	\$ 32,774	\$ 46,254	(29)%
EBITDA	\$ 3,858	\$ 7,374	(48)%
Assets (period end)	\$157,328	\$175,456	(10)%

# Compression and Process Services

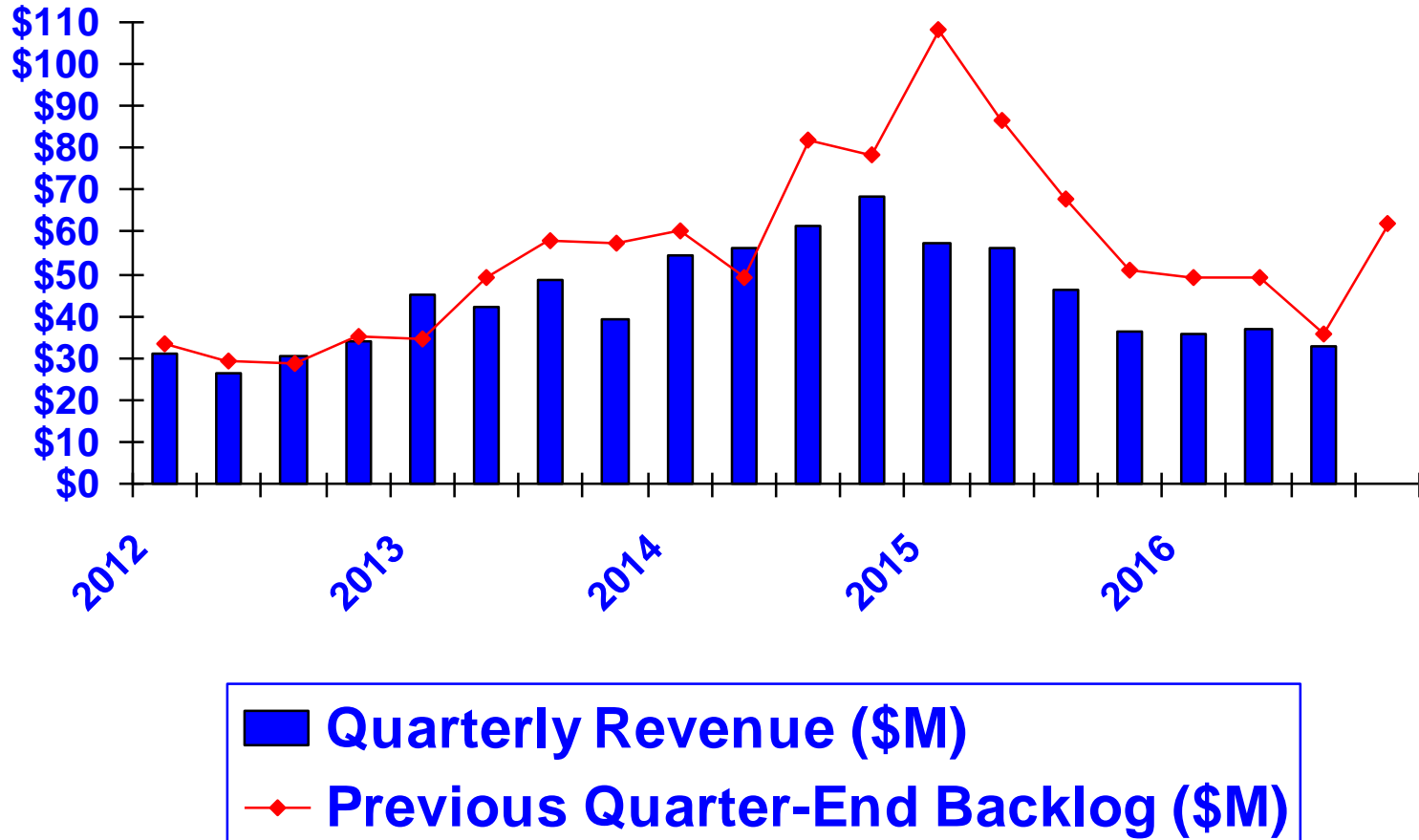
(dollar amounts in thousands)



<i>Nine Months ended Sept 30</i>	2016	2015	% Change
Horsepower on Lease (period end)	11,400	18,900	(40)%
Fabrication Sales Backlog (period end)	\$ 62,000	\$ 51,100	21%
Revenue	\$105,526	\$159,873	(34)%
EBITDA	\$ 11,290	\$ 29,620	(62)%
Assets (period end)	\$157,328	\$175,456	(10)%

# Compression and Process Services

## Historical Revenue Analysis



# Consolidated Financial Performance

(in thousands of dollars, except per share amounts)



<i>Three Months ended Sept 30</i>	2016	2015	% Change
Revenue	\$ 46,536	\$ 66,713	(30)%
EBITDA	4,816	11,137	(57)%
Cashflow	6,076	(580)	1,148%
Net Income	(1,912)	1,570	(222)%
<b><i>Per Share, Diluted</i></b>			
EBITDA	\$0.16	\$0.36	(56)%
Cashflow	\$0.20	\$(0.02)	1,100%
Net Earnings	\$(0.06)	\$0.05	(220)%

# Consolidated Financial Performance

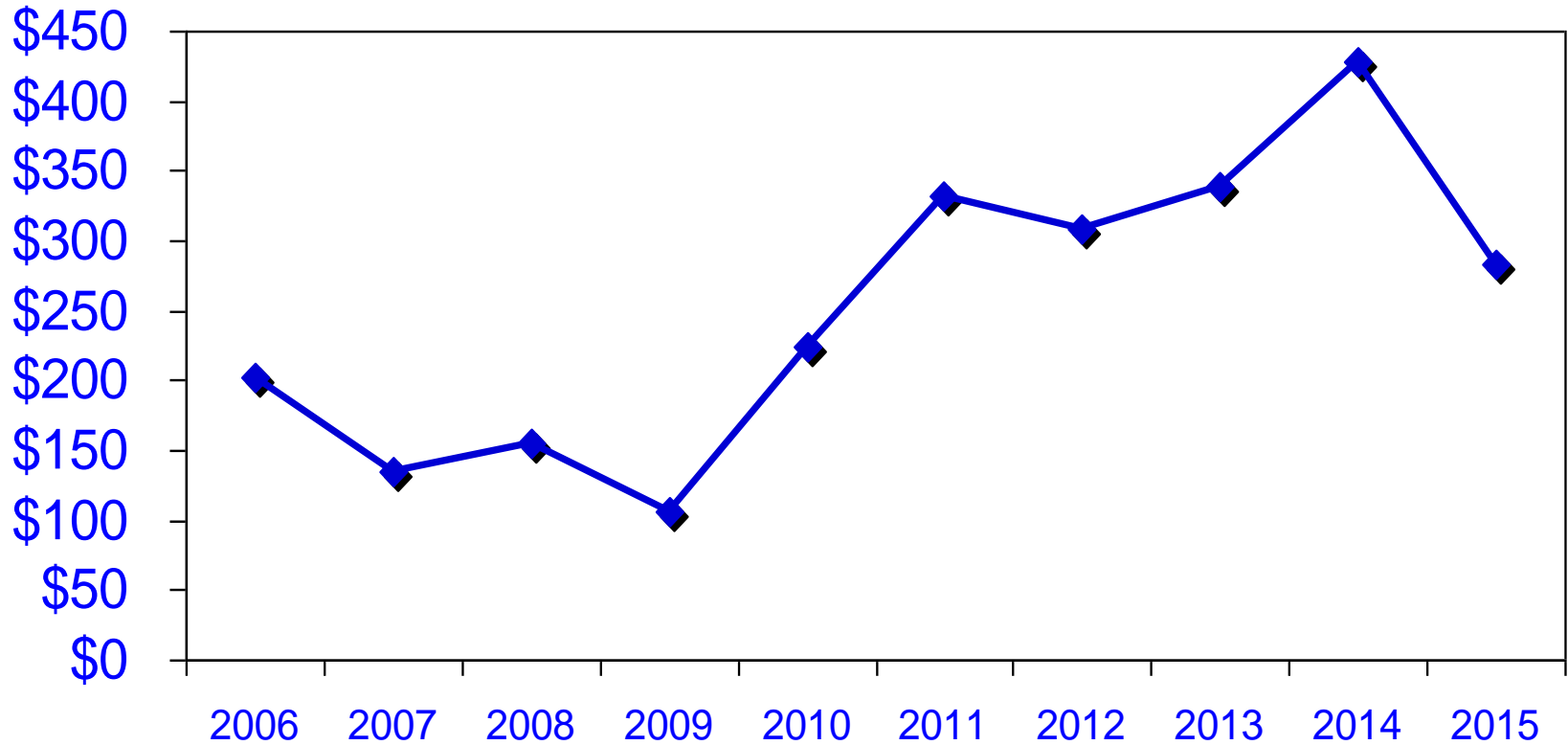
*(in thousands of dollars, except per share amounts)*



<i>Nine Months ended Sept 30</i>	2016	2015	% Change
Revenue	\$ 140,385	\$ 231,111	(39)%
EBITDA	10,487	46,288	(77)%
Cashflow	12,890	13,402	(4)%
Net Income	(8,247)	11,674	(171)%
<b><i>Per Share, Diluted</i></b>			
EBITDA	\$0.34	\$1.49	(77)%
Cashflow	\$0.42	\$0.43	(2)%
Net Earnings	\$(0.27)	\$0.38	(171)%

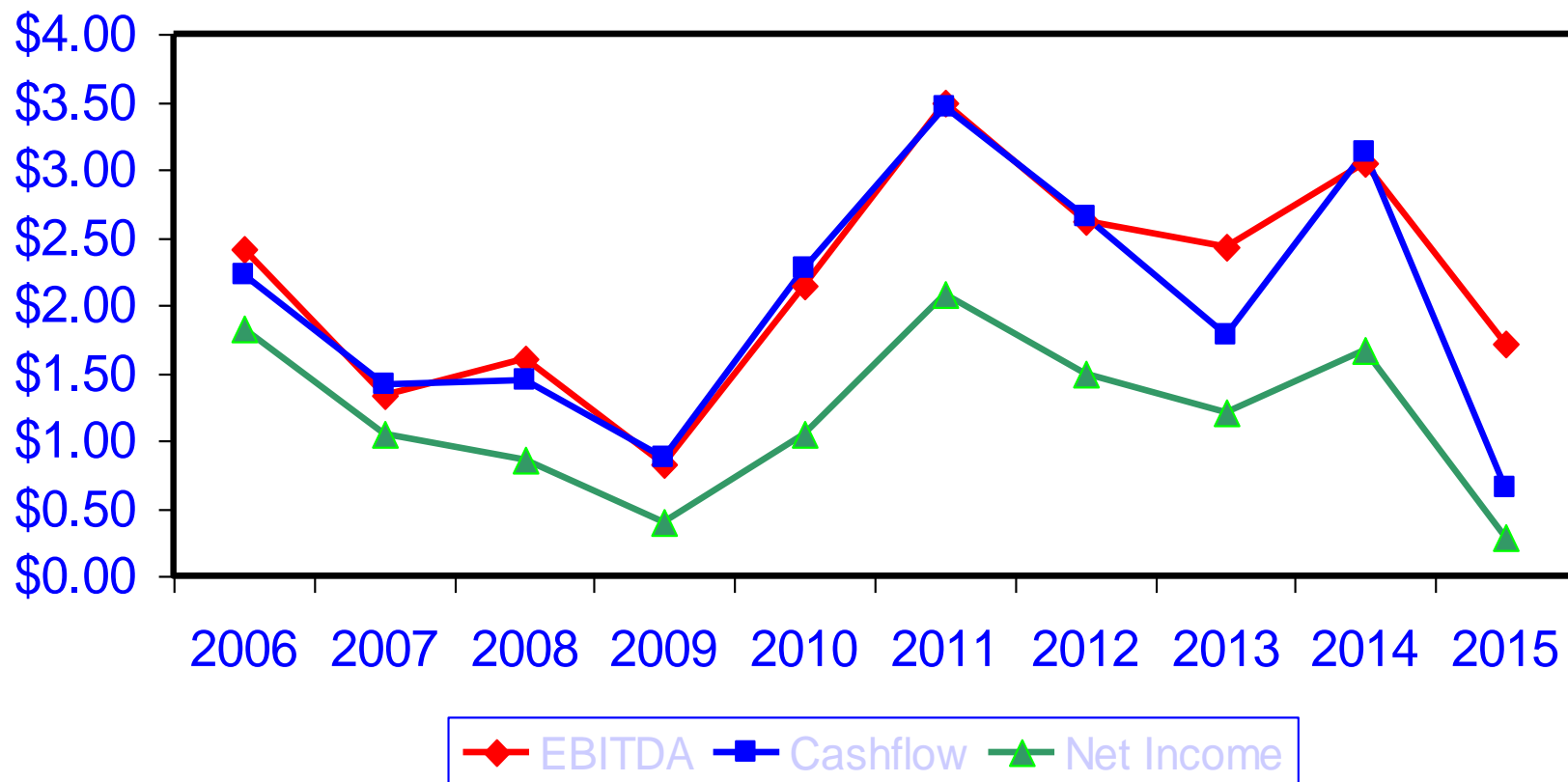
# Long Term Performance – Annual Revenue

*(in millions of dollars)*



# Long Term Performance – Income Statement

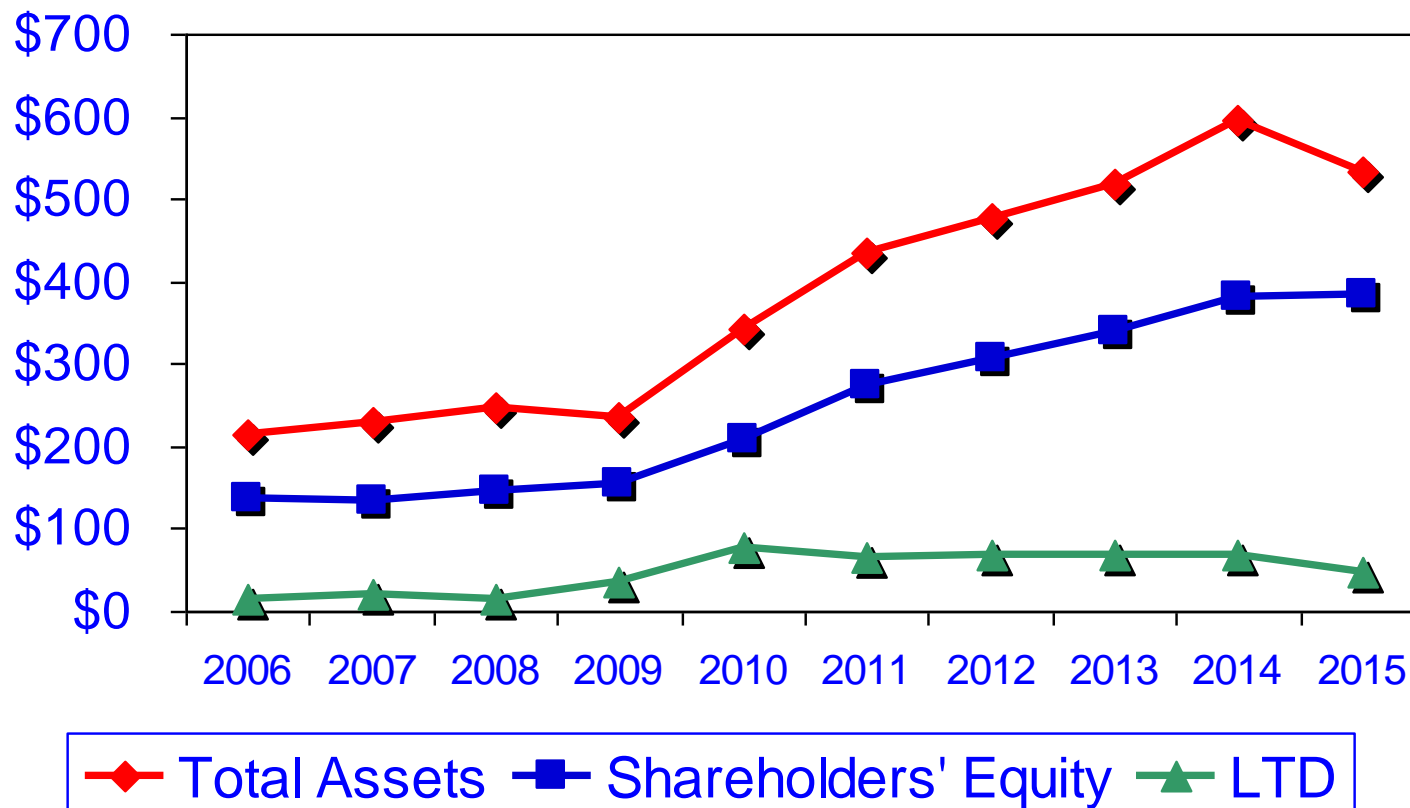
(dollars per share, diluted)





# Long Term Performance – Balance Sheet

(in millions of dollars)



# 2016 Capital Expenditure Budget

*(in millions of dollars)*



\$25.5 million 2016 capital expenditure budget:

- \$9.0 million – 3 United States RTS acquisitions
- \$8.3 million – RTS Canadian acquisition and US/CDN organic growth
- \$3.0 million – expansion of the natural gas compression rental fleet
- \$2.2 million – CPS organic growth
- \$3.0 million – maintenance capital expenditures



# Strong Track Record



Established long-term track record of building sustainable shareholder value:

- 10 year annual total asset growth rate of 11%
- 10 year annual EBITDA/share (diluted) growth rate of 13%
- 10 year annual pre-tax return on total assets of 14%
- 10 year annual pre-tax return on equity of 22%
- No capital asset or goodwill impairment write-downs ever recorded after completing approx. 30 acquisitions since 1997
- Returns achieved with moderate use of debt

Annual growth rates are 10 year simple averages (2006-2015). ROA and ROE are calculated using the simple average of opening and closing total assets and equity, respectively.



# Well Positioned For the Future



Well positioned for continued accretive growth that rewards our owners:

Operational strength: stable, experienced management and a well established market position in each business division provides a solid base for continued growth.

Financial strength: \$47.4 million LTD secured by 60% (based on value) of owned real estate; remaining capital assets available to support additional debt if required. Unused \$65 million operating line secured by current assets only.

Rewarding our Owners: from Jan 1, 2010 to Sept 30, 2016 returned \$81.3 million to Shareholders (\$41.0 million of dividends and \$40.3 million of share buybacks).

Leverage to Increased Activity: from Jan 1, 2010 to Sept 30, 2016: \$329.3 million (191%) increase to PPE (net of proceeds from dispositions but excluding depreciation) against a 1.1 million (4%) increase in shares outstanding.



# Strategy for Current Environment



- Achieve maximum cost efficiencies without compromising safety or quality of products and services
- Decline unprofitable work and carefully manage credit risk (both customer and supplier)
- Look to retain and add quality people
- Preserve and protect asset base – will not cannibalize fleet to minimize repair and maintenance costs so as to ensure assets can go to work with minimal cost and delay
- Look to add quality assets that allow for efficiencies of scale and significant cost synergies
- Maintain balance sheet strength
- Overall, minimize the damage until industry recovers and add to corporate earnings power (as measured on a fully diluted per share basis)



# Contact Information



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