



# TOTAL ENERGY SERVICES INC.

ALTA  CORP  
CAPITAL

ATB Financial

AltaCorp Capital and ATB Corporate Financial Services

## 8th Annual Institutional Investor Conference

January 14-16, 2020 | Toronto



FOCUS DISCIPLINE GROWTH



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# Cautionary Statements

## Forward-Looking Information

*Certain information presented in these remarks and in this presentation that is not historical factual information and/or based on current views and assumptions and is subject to uncertainties 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 "could", "should", "can", "anticipate", "estimate", "intend", "plan", "expect", "believe", "will", "may", "continue", "project", "potential" and similar expressions and statements, or negative versions thereof. 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. Undue reliance should not be placed on forward-looking information and statements. Whether actual results, performance or achievements will conform to our expectations and predictions is subject to a number of known and unknown risks and uncertainties which could cause actual results to differ materially from our expectations.*

*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 continuous disclosure documents, including but not limited to its 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 minus finance income. 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 the Company'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

<b>Shares outstanding</b> <i>(at December 31, 2019)</i>	<b>45.15 million</b>
<b>Options outstanding</b> <i>(at December 31, 2019, \$12.33 weighted avg exercise price)</i>	<b>4.1 million</b>
<b>Market capitalization</b> <i>(basic, at \$6.25 share price)</i>	<b>\$282.2 million</b>
<b>Working Capital</b> <sup>(1)</sup> <i>(at September 30, 2019)</i>	<b>\$85.8 million</b>
<b>Long-term debt</b> <sup>(2)</sup> <i>(at September 30, 2019)</i>	<b>\$239.5 million</b>
<b>Property, Plant &amp; Equipment</b> <i>(at September 30, 2019)</i>	<b>\$743.3 million</b>
<b>Director/Officer ownership, %</b>	<b>5.9%</b>
<b>Common share dividend</b>	<b>\$0.06/quarter</b>

(1) Working capital equals current assets minus current liabilities

(2) Long-term debt, excluding current portion

# TOT Business Segments

## *Diversified Exposure to Global Energy Development*

### **Contract Drilling Services**

- 107 drilling rigs
- 3<sup>rd</sup> largest Canadian drilling fleet (82 rigs)
- Operations in USA (20 rigs) and Australia (5 rigs)

### **Rentals and Transportation Services**

- Leading provider of oilfield surface equipment rentals and transportation services
- 10,590 major rental pieces and 95 heavy trucks in 20 branch locations throughout North America

### **Well Servicing**

- 83 service rigs - Canada (57), USA (14) and Australia (12)

### **Compression & Process Services**

- Leading Canadian natural gas compression packager with growing US and international business
- Established market presence in the oil and natural gas process equipment fabrication industry



# YTD 2019 Segment Performance

(in thousands of CDN dollars unless otherwise indicated)

Nine months ended  
September 30, 2019

	CDS	RTS	CPS	WS	Corporate	Consolidated
Revenue	\$ 127,180	\$ 49,539	\$ 326,072	\$ 103,107	\$ -	\$ 605,898
% of Consolidated	21%	8%	54%	17%		
EBITDA	\$ 15,312	\$ 7,529	\$ 34,624	\$ 23,077	\$ (8,668)	\$ 71,874
EBITDA Margin	12%	15.2%	10.6%	22.4%		11.9%
Total Assets	\$ 403,276	\$ 236,034	\$ 202,856	\$ 121,907	\$ 27,103	\$ 991,176
% of Consolidated	41%	24%	20%	12%	3%	

# Historical Financial Performance

(in thousands of CDN dollars, except per share amounts and shares outstanding)

	9 months ended September 30		Year ended December 31	
	2019	2018	2018	2017 <sup>(5)</sup>
Revenue	\$ 605,898	\$ 631,963	\$ 851,809	\$ 604,662
EBITDA <sup>(1)</sup>	71,874	85,513	114,666	71,604
Cashflow	74,831	78,420	101,490	76,571
Net Income (Loss) <sup>(2)</sup>	2,004	15,903	24,458	(1,916)
<i>Per Share, Diluted</i>				
EBITDA <sup>(1)</sup>	\$ 1.57	\$ 1.85	\$ 2.49	\$ 1.71
Cashflow	1.64	1.70	2.20	1.82
Net Earnings	0.04	0.34	0.53	(0.05)
Total Assets	\$ 991,176	\$1,063,813	\$1,078,124	\$1,066,781
Working Capital <sup>(3)</sup>	85,778	117,586	124,967	54,892
Net Long-term Debt <sup>(4)</sup>	239,517	264,654	251,696	229,855
Shareholder's Equity	538,790	549,238	560,576	546,574
Shares Outstanding (diluted, 000's) <sup>(6)</sup>	45,652	46,186	46,122	41,963

(1) As defined under "Non-IFRS Measures".

(2) Net income (loss) attributable to shareholders.

(3) Working capital equals current assets minus current liabilities.

(4) Long-term debt, excluding current portion thereof, less cash and marketable securities.

(5) Includes Savanna results from April 5, 2017.

(6) Weighted Average outstanding during the period

# Growing International Presence

## Geographic Revenue Mix

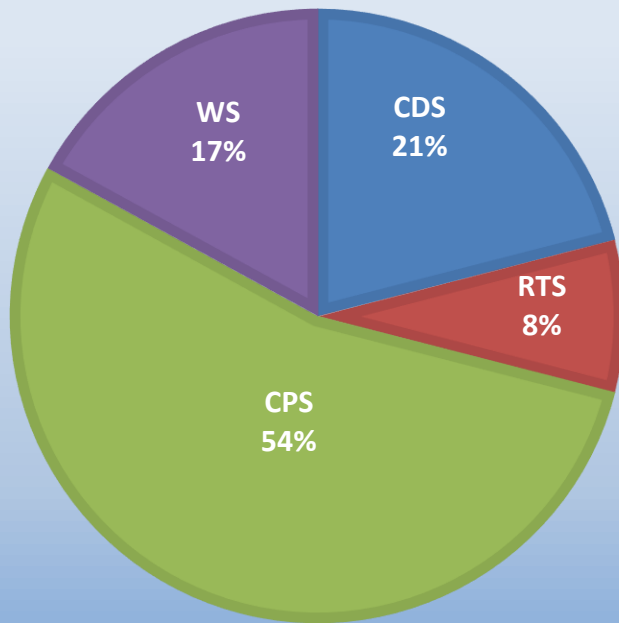
■ Canada ■ United States ■ Australia/Other



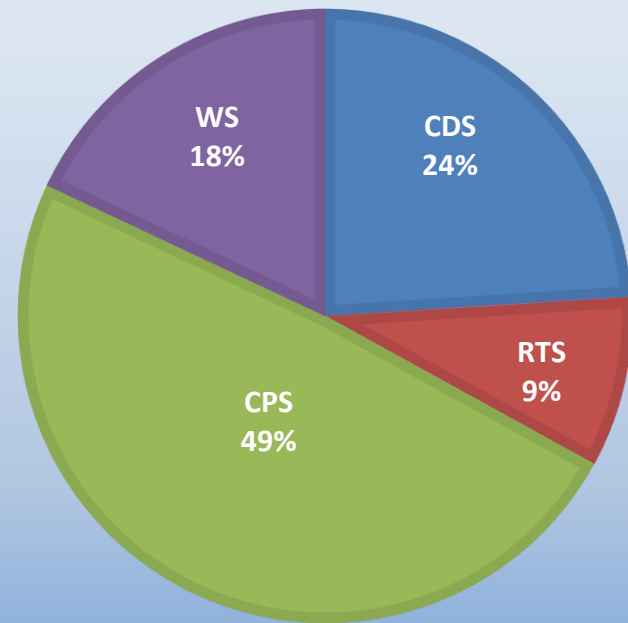


# Revenue Diversification

9 MOS 2019 REVENUE BY SEGMENT



2018 REVENUE BY SEGMENT



# Contract Drilling Services

## Savanna Drilling

- Diversified drilling rig fleet:

By type		By Geography	
AC triples	3		
AC doubles	13		
Mechanical doubles	45	Canada	82
Australian shallow	5	United States	20
TDS singles	26	Australia	5
CT 1500 singles	15		
	107		107

- Mechanical doubles have drilled 6,000 meter Duvernay and Montney horizontal wells
- Australian rigs purpose built for niche onshore CSG drilling market
- TDS fleet active in the Viking and other W3/W4 oil plays
- CT 1500 rigs specialize in oil sands delineation and coring programs
- Rig fleet supported by extensive fleet of owned top drives, walking systems, pumps and other ancillary equipment required to operate in most North American resource plays
- Disposed of 4 decommissioned US rigs in Q3 2019



# Rentals and Transportation Services

## Total Oilfield Rentals

- Leading provider of surface rental equipment and oilfield transportation services in Western Canada with growing US presence
- Provide equipment used in the drilling, completion and production of oil and natural gas wells
- Current fleet of  $\approx$  10,590 pieces of major rental equipment (excluding access mats) and 95 heavy trucks based in 20 branch locations throughout North America
- Relocating underutilized equipment from Canada to the US to support US growth
- Target high ROIC consolidation/organic investment opportunities
- Continue to rationalize Canadian operations



# Compression and Process Services

## Bidell Gas Compression/Spectrum Process Systems

- Leading Canadian compression and process equipment manufacturer with significant US and international presence
- 346,000 sq ft of North American manufacturing space (Calgary, AB and Weirton, WV)
- Design and manufacture full range of gas compression equipment including patented NOMAD™ mobile packages
- Specialize in the design and fabrication of dehydration, regeneration, separation and custom engineered process equipment
- Commissioning and maintenance field support through 11 parts and service field locations throughout North America
- 46,700 hp compression rental fleet – 69% YTD utilization to September 30, 2019
- \$39.8 million fabrication sales backlog at September 30, 2019



# Well Servicing

## Savanna Well Servicing

- Operate a fleet of 83 service rigs across Western Canada, Northwest United States and Australia

By type		By Geography	
Singles	38	Canada	57
Doubles	32	United States	14
Australian spec	9	Australia	12
Flush-by	4		
	83		83

- Competitive Canadian service rig fleet supported by extensive infrastructure
- US service rigs have well established presence in the North Dakota Bakken with recent expansion into Wyoming
- Australian service rigs incorporate latest technologies and are capable of working in any existing onshore basin



# Proven Track Record

## Capital Stewardship

- Prudent use of equity – IPO in Q1 1997 raised \$260,000 at \$0.10/share and last public equity offering completed in 2005 for gross proceeds of \$27 million
- Completed over 35 acquisitions since inception with no capital asset impairments ever recorded (including goodwill)
- \$263.4 million of retained earnings represents 92% of \$285.7 million of paid up share capital at September 30, 2019
- Executive compensation strongly aligned with capital discipline

## Shareholder Returns

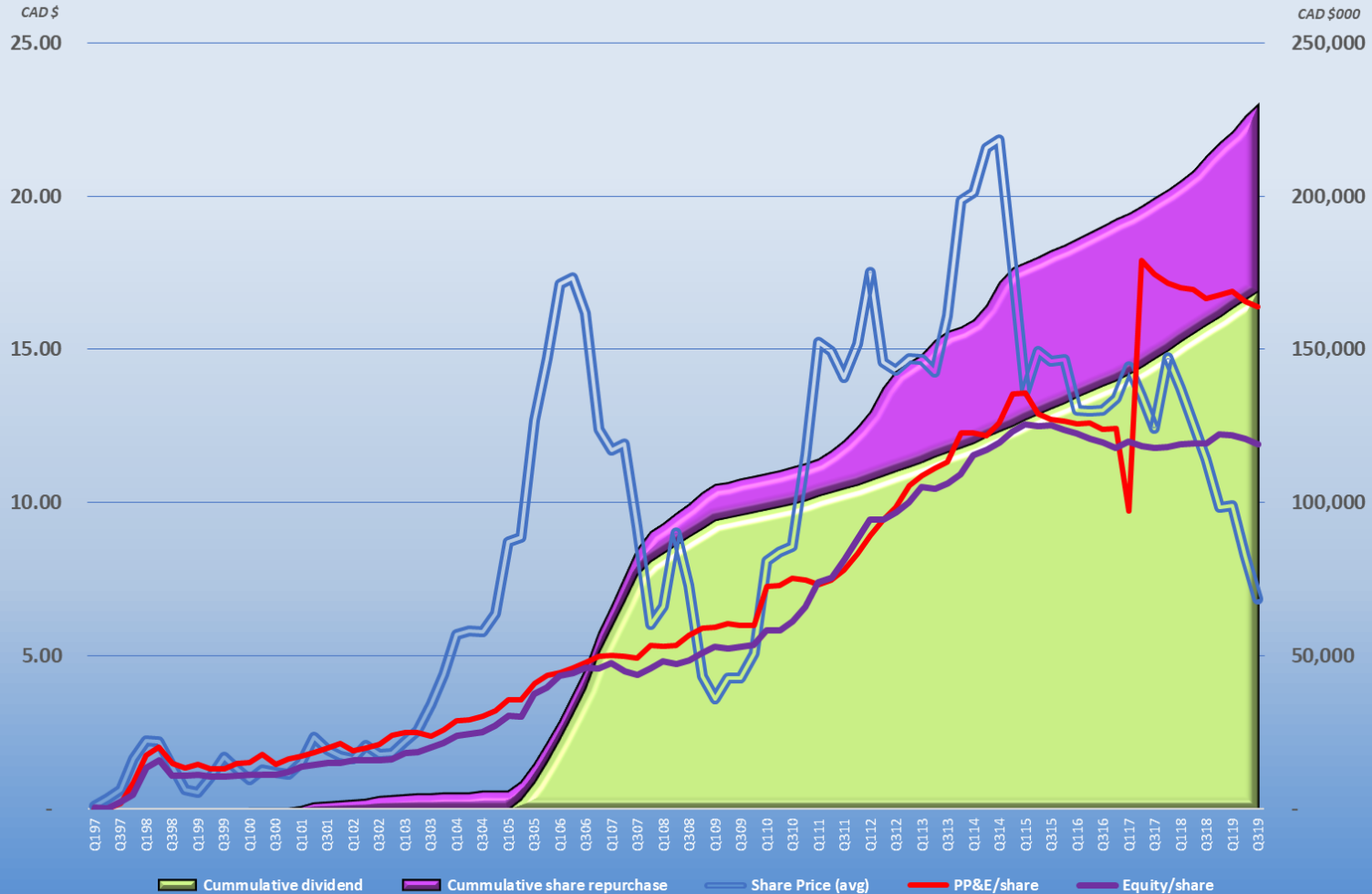
- Returned ≈\$255 million to shareholders through dividends and share buy backs to December 31, 2019 (\$5.643/share in dividends/trust distributions)
- Sustainable dividend - have never cut dividend since implementation in 2009 and current dividend ≈11% of cash flow from Jan 1, 2018 to Sept 30, 2019
- Actively repurchasing shares under NCIB
- Geographically and operationally diversified - provides stability and future growth opportunities



# Shareholder Value Creation

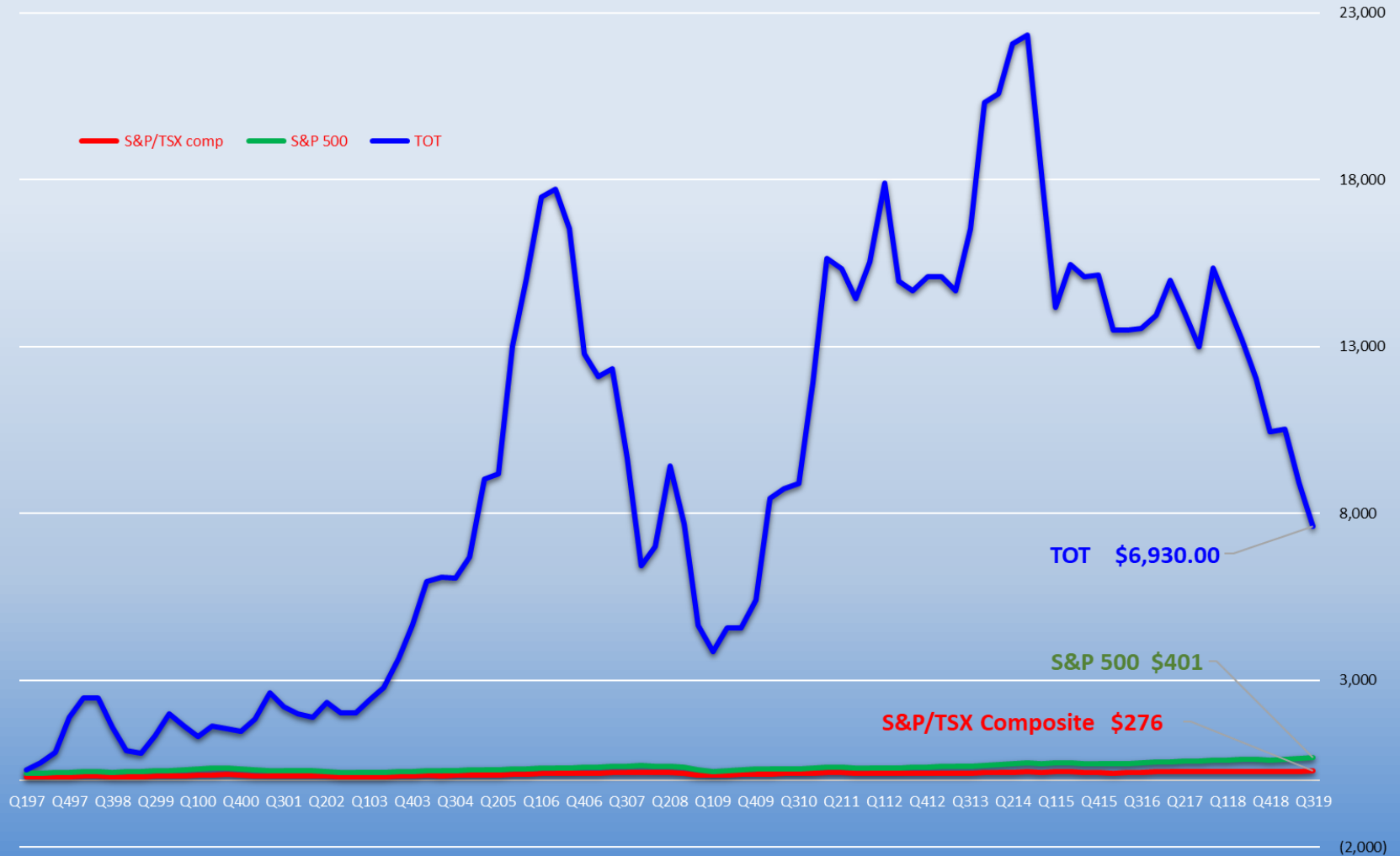
(to September 30, 2019)

Challenging energy market gives rise to historical investment opportunities



# Long Term Relative Performance

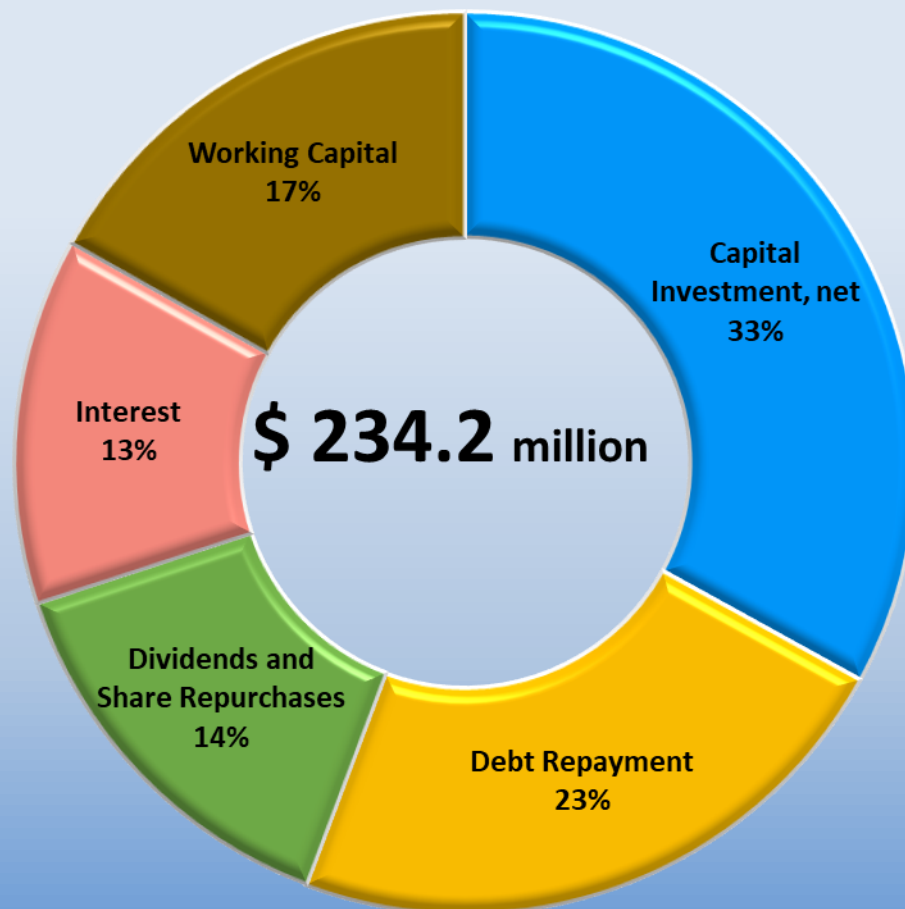
(Initial \$100 investment, assuming dividend reinvestment, to September 30, 2019)





# Significant Free Cashflow Post SVY Acquisition

*\$234.2 million of cashflow (before changes in non-cash working capital items) from July 1, 2017 to September 30, 2019 allocated as follows:*



# 2020 Capital Expenditure Budget

## \$23.0 million 2020 capital budget:

- \$16.2 million for equipment maintenance/upgrades
  - includes \$4.5 million of light duty vehicle capital leases
- \$6.8 million of expansion capital targeting CPS compression rental and parts & service growth
- 2019 net capex estimated at \$42.9 million



# Contact Information

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