



Oilfield Service Update OFS Newsletter | Q1 2017

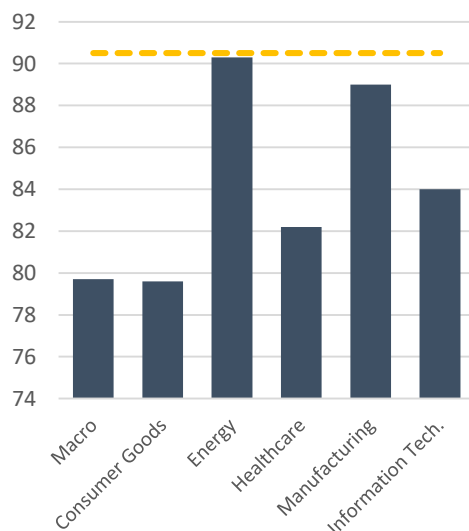
► Introduction

It has been an exciting start to 2017 for the OFS market; eight M&A transactions have been completed or announced compared to the four in Q1 2016, and M&A sentiment from Energy industry professionals has reached a 12 month high. A key driver of this activity has been driven by the stabilization in the energy markets. At the end of Q1 2017, WTI prices have risen 90% off the 2016 lows, and EIA estimates have predicted pricing to stabilize around \$52 by the end of the year. The US rig count has continued to see strong gains, adding 159 rigs in Q1 2017, which was the most in a single quarter since Q1 2010.

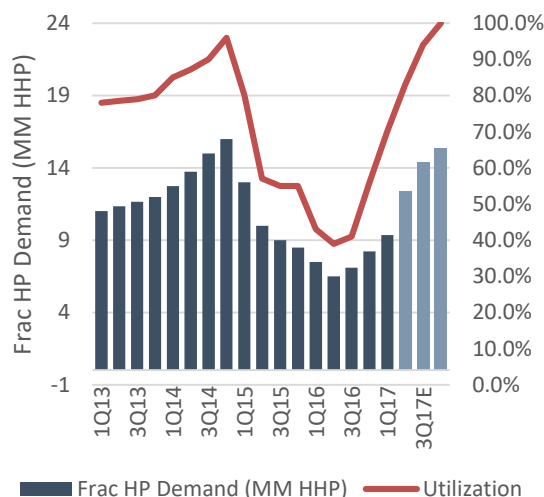
► Recent Market Trends

This stabilization has led to a great environment for OFS companies. Utilization rates in the major shale plays for pressure pumpers and land drillers have returned to nearly 100%, and according to management familiar with the matter, pricing is starting to rise as well. Several companies have taken advantage of these tailwinds by approaching the public markets to get access to growth capital – a trend we see continuing as Private Equity firms look to monetize timely investments in the space.

12 Month Middle Market M&A Sentiment



Pressure Pump HP and Utilization



Energy & Industrials Team

Duane Donner
 ddonner@foundersib.com

Joe Brady
 jbrady@foundersib.com

John Sullivan
 jsullivan@foundersib.com

Leila Deep
 ldeep@foundersib.com

Evan Klisares
 eklisares@foundersib.com

CIRCLE
 CRANE SERVICES

Has been recapitalized by

TRIVE CAPITAL

Financial Advisor

“We are starting to see consolidation of quality assets in West Texas”
 - Joe Brady,
Founders Investment Banking

Source: Mergers&Acquisitions, and Jefferies

Going Public

► Overview

So far, 2017 looks like a strong year for IPO's in the OFS space. The first quarter saw both Keane Group (NYSE:FRAC) and ProPetro (NYSE:PUMP) go public, with four others slated for the remainder of 2017. The influx of IPO's can be attributed to a renewed sense of confidence in the energy markets, and a need for pure-play publicly traded OFS companies. With both Keane Group and ProPetro attracting premium valuations, look for more OFS companies declaring their public intentions throughout the rest of the year.

► Keane Group (NYSE: FRAC)

Ticker	Market Cap	17 EV/EBITDA Multiple	18 EV/EBITDA Multiple	Street Recommendations		
				Buys	Holds	Sells
FRAC	\$1,326	12.5x	5.2x	9	3	0

Keane Group is one of the largest pure-play pressure pumpers in the United States with ~950,000 horsepower across 23 frac fleets and 23 wireline trucks. The company is present in the Permian, MidCon, Bakken and Marcellus/Utica, covering the majority of unconventional activity today in the market, with additional stacked hp available. Last cycle, Keane grew from its roots as a Pennsylvania-based, family owned drilling and completion services company to a national pumper under the ownership of Cerberus Capital Management, and recently tripled its size with the purchase of Trican's U.S. business in March 2016. The company completed its IPO in January 2017.

Source: Jefferies

► ProPetro (NYSE: PUMP)

Ticker	Market Cap (000's)	17 EV/EBITDA Multiple	18 EV/EBITDA Multiple	Street Recommendations		
				Buys	Holds	Sells
PUMP	\$956	10.1x	4.0x	11	0	0

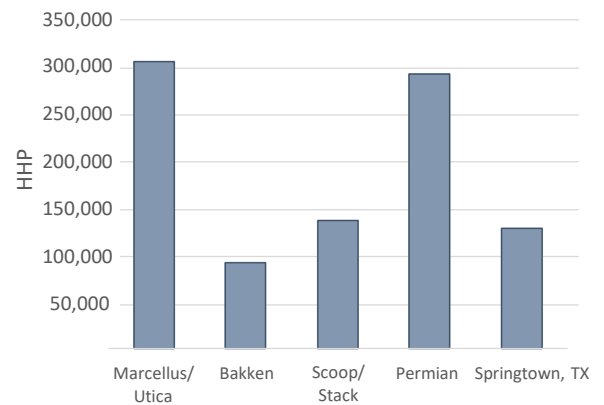
ProPetro is a pure-play U.S onshore pressure pumper located primarily in the Permian Basin, where it is the second largest provider with 420,000 horsepower across ten frac fleets. The company currently plans to add another four during 2017, bringing total hp to 600,000 by year-end (the largest in the basin). Current CEO, Dale Redman, and CFO, Jeff Smith, founded ProPetro in 2005 in Midland, TX, refocused on frac in 2009, and in 2013, Energy Capital Partners invested in the company to fuel a new period of growth in horizontal frac. The company completed its IPO in March 2017.

Source: Jefferies

► The look ahead..

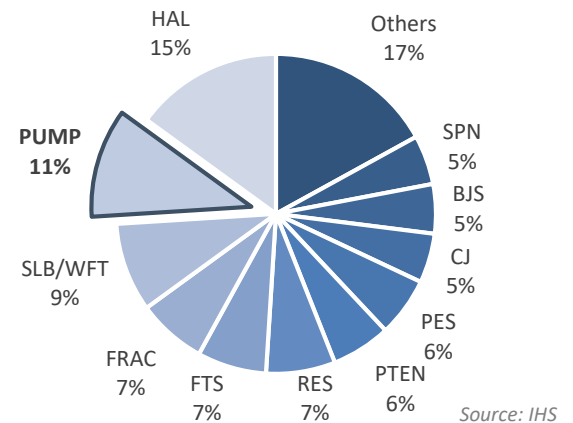
We think the theme for 2017 will be consolidation of a bifurcated OFS market for a couple reasons: 1) There has been a proven appetite in the public markets for OFS assets and we believe mid sized players will be looking to add scale to their operations to better their case for approaching the public markets and, 2) Companies that have recently gone public have attracted premium multiples which will require growth in order to be sustained. With pressure pumpers and land drillers at nearly 100% capacity utilization, growth through acquisition will need to be a key focus going forward.

Keane Current Horsepower by Basin



Source: Company Reports

Permian Basin Share by Horsepower (4Q16)



Source: IHS

Other OFS Companies going Public in 2017



Earnings Release Calendar

July

Date	Company Name	Vertical
7/24/2017	Halliburton Company	Integrated Equipment & Service Providers

August

Date	Company Name	Vertical
8/9/2017	TETRA Technologies, Inc.	Service Providers

TBD

Date	Company Name	Vertical
TBD	Weatherford International plc	Integrated Equipment & Service Providers
TBD	RPC, Inc.	Service Providers
TBD	Baker Hughes Incorporated	Integrated Equipment & Service Providers
TBD	Helmerich & Payne, Inc.	Land Drillers
TBD	Diamond Offshore Drilling, Inc.	Offshore Drillers
TBD	National Oilwell Varco, Inc.	Equipment & Technology
TBD	Ensign Energy Services Inc.	Service Providers
TBD	Oceaneering International, Inc.	Equipment & Technology
TBD	Noble Corporation plc	Offshore Drillers
TBD	Patterson-UTI Energy, Inc.	Land Drillers
TBD	Forum Energy Technologies, Inc.	Equipment & Technology
TBD	Oil States International, Inc.	Equipment & Technology
TBD	Pioneer Energy Services Corp.	Land Drillers
TBD	Basic Energy Services, Inc.	Service Providers
TBD	Superior Energy Services, Inc.	Service Providers
TBD	Nabors Industries Ltd.	Land Drillers
TBD	Trican Well Service Ltd.	Service Providers
TBD	Frank's International N.V.	Service Providers
TBD	Calfrac Well Services Ltd.	Service Providers
TBD	TechnipFMC plc	Equipment & Technology
TBD	Rowan Companies plc	Offshore Drillers
TBD	Transocean Ltd.	Offshore Drillers
TBD	Dril-Quip, Inc.	Equipment & Technology
TBD	Tesco Corporation	Service Providers
TBD	EnSCO plc	Offshore Drillers

Trading Statistics

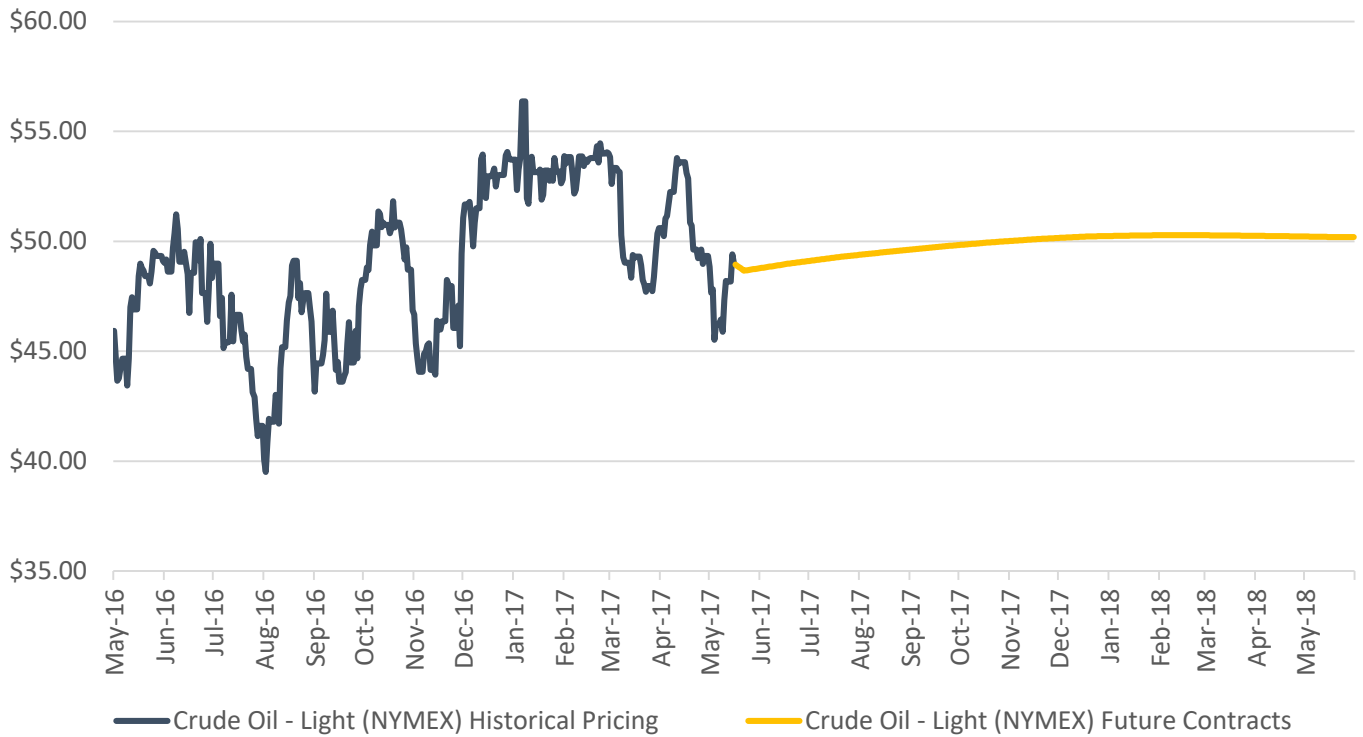
		Stock Price	% of 52-Week		Market	Enterprise	2016P		Enterprise Value /		2017P		Enterprise Value /	
Ticker	Company Name	5/17/17	High	Low	Cap	Value	Revenue	EBITDA	2016 Revenue	2016 EBITDA	Revenue	EBITDA	2017 Revenue	2017 EBITDA
Integrated Equipment & Service Providers														
NYSE: SLB	Schlumberger Limited	\$ 71.34	81%	102%	\$ 99,167.0	\$111,286.0	\$ 27,922.2	\$ 6,426.3	4.0x	17.3x	\$ 30,095.0	\$ 6,958.3	3.7x	16.0x
NYSE: HAL	Halliburton Company	46.51	79%	118%	40,598.9	49,384.9	15,947.8	2,119.9	3.1x	23.3x	20,149.5	3,282.6	2.5x	15.0x
NYSE: BHI	Baker Hughes Incorporated	57.81	84%	139%	24,464.2	23,256.2	9,803.6	470.2	2.4x	49.5x	9,797.0	1,244.6	2.4x	18.7x
NYSE: WFT	Weatherford International plc	5.06	71%	136%	5,076.6	12,125.6	5,787.7	277.0	2.1x	43.8x	6,096.5	598.1	2.0x	20.3x
	Min	\$ 5.06	71%	102%	\$ 5,076.6	\$ 12,125.6	\$ 5,787.7	\$ 277.0	2.1x	17.3x	\$ 6,096.5	\$ 598.1	2.0x	15.0x
	Median	52.16	80%	127%	32,531.5	36,320.5	12,875.7	1,295.0	2.7x	33.5x	14,973.2	2,263.6	2.4x	17.3x
	Mean	45.18	79%	124%	42,326.7	49,013.2	14,865.3	2,323.3	2.9x	33.5x	16,534.5	3,020.9	2.6x	17.5x
	Max	71.34	84%	139%	99,167.0	111,286.0	27,922.2	6,426.3	4.0x	49.5x	30,095.0	6,958.3	3.7x	20.3x
Equipment & Technology														
NYSE: NOV	National Oilwell Varco, Inc.	\$ 33.55	77%	113%	\$ 12,951.8	\$ 14,749.8	\$ 7,183.7	\$ 255.7	2.1x	57.7x	\$ 7,325.0	\$ 583.8	2.0x	25.3x
NYSE: FTI	TechnipFMC plc	31.36	87%	105%	14,651.0	11,197.5	13,532.1	1,495.5	0.8x	7.5x	15,414.8	1,709.3	0.7x	6.6x
NYSE: OII	Oceaneering International, Inc.	25.82	72%	115%	2,560.7	2,893.4	2,288.4	372.9	1.3x	7.8x	1,894.4	228.7	1.5x	12.7x
NYSE: DRQ	Dril-Quip, Inc.	52.65	76%	112%	2,001.4	1,587.2	548.3	140.6	2.9x	11.3x	460.5	44.3	3.4x	35.8x
NYSE: OIS	Oil States International, Inc.	29.58	71%	109%	1,541.5	1,502.4	699.9	53.6	2.1x	28.0x	725.4	58.7	2.1x	25.6x
NYSE: FET	Forum Energy Technologies	16.33	62%	112%	1,606.8	1,801.0	587.0	(22.8)	3.1x	N/A	809.0	38.0	2.2x	47.3x
	Min	\$ 16.33	62%	105%	\$ 1,541.5	\$ 1,502.4	\$ 548.3	\$ (22.8)	0.8x	N/A	\$ 460.5	\$ 38.0	0.7x	6.6x
	Median	30.47	74%	112%	2,281.0	2,347.2	1,494.1	198.1	2.1x	9.5x	1,351.7	143.7	2.0x	25.4x
	Mean	31.55	74%	111%	5,885.5	5,621.9	4,139.9	382.6	2.0x	5.5x	4,438.2	443.8	2.0x	25.5x
	Max	52.65	87%	115%	14,651.0	14,749.8	13,532.1	1,495.5	3.1x	57.7x	15,414.8	1,709.3	3.4x	47.3x
Service Providers														
NYSE: SPN	Superior Energy Services, Inc.	\$ 11.17	56%	107%	\$ 1,765.2	\$ 2,899.6	\$ 1,435.2	\$ 39.6	2.0x	73.3x	\$ 1,911.3	\$ 152.2	1.5x	19.1x
NYSE: FI	Frank's International N.V.	8.02	48%	98%	1,825.2	1,541.4	486.1	18.7	3.2x	82.3x	471.8	18.3	3.3x	84.0x
TSX: ESI	Ensign Energy Services Inc.	5.21	68%	106%	823.0	1,344.6	628.7	135.3	2.1x	9.9x	756.4	151.7	1.8x	8.9x
TSX: CFW	Calfrac Well Services Ltd.	2.56	65%	196%	351.1	1,013.2	549.1	(33.6)	1.8x	N/A	845.2	70.0	1.2x	14.5x
TSX: TCW	Trican Well Service Ltd.	2.99	73%	271%	601.1	695.2	242.1	(40.5)	2.9x	N/A	426.0	56.8	1.6x	12.2x
NSDQ: TESO	Tesco Corporation	5.10	53%	104%	233.6	148.0	130.6	(34.2)	1.1x	N/A	168.1	(14.8)	0.9x	N/A
NYSE: BAS	Basic Energy Services, Inc.	27.18	61%	110%	721.2	907.3	547.6	(28.8)	1.7x	N/A	924.7	63.4	1.0x	14.3x
NYSE: RES	RPC Inc.	18.45	79%	137%	4,089.9	3,985.4	715.2	(32.2)	5.6x	N/A	1,711.3	368.8	2.3x	10.8x
NYSE: TTI	TETRA Technologies, Inc.	3.27	48%	109%	390.8	1,251.0	691.7	114.1	1.8x	11.0x	790.0	127.5	1.6x	9.8x
	Min	\$ 2.56	48%	98%	\$ 233.6	\$ 148.0	\$ 130.6	\$ (40.5)	1.1x	N/A	\$ 168.1	\$ (14.8)	0.9x	N/A
	Median	5.21	61%	109%	721.2	1,251.0	549.1	(28.8)	2.0x	N/A	790.0	70.0	1.6x	12.2x
	Mean	9.33	61%	138%	1,200.1	1,531.8	602.9	15.4	2.5x	N/A	889.4	110.4	1.7x	18.2x
	Max	27.18	79%	271%	4,089.9	3,985.4	1,435.2	135.3	5.6x	82.3x	1,911.3	368.8	3.3x	84.0x
Offshore Drillers														
NYSE: RIG	Transocean Ltd.	\$ 10.32	62%	119%	\$ 4,180.3	\$ 9,517.3	\$ 3,761.9	\$ 1,887.4	2.5x	5.0x	\$ 2,821.2	\$ 1,245.0	3.4x	7.6x
NYSE: ESV	Ensco plc	7.35	61%	113%	2,349.5	5,220.3	2,610.6	1,167.4	2.0x	4.5x	1,829.2	631.5	2.9x	8.3x
NYSE: DO	Diamond Offshore Drilling, Inc.	13.28	50%	102%	1,900.6	3,758.4	1,565.5	653.6	2.4x	5.8x	1,479.8	581.0	2.5x	6.5x
NYSE: NE	Noble Corporation plc	4.36	45%	105%	1,125.6	5,368.9	1,971.8	892.0	2.7x	6.0x	1,186.7	495.3	4.5x	10.8x
NYSE: RDC	Rowan Companies plc	13.20	61%	110%	1,698.5	3,077.8	1,759.3	835.3	1.7x	3.7x	1,184.9	444.6	2.6x	6.9x
	Min	\$ 4.36	45%	102%	\$ 1,125.6	\$ 3,077.8	\$ 1,565.5	\$ 653.6	1.7x	3.7x	\$ 1,184.9	\$ 444.6	2.5x	6.5x
	Median	10.32	61%	110%	1,900.6	5,220.3	1,971.8	892.0	2.4x	5.0x	1,479.8	581.0	2.9x	7.6x
	Mean	9.70	56%	110%	2,250.9	5,388.5	2,333.8	1,087.1	2.3x	5.0x	1,700.3	679.5	3.2x	8.0x
	Max	13.28	62%	119%	4,180.3	9,517.3	3,761.9	1,887.4	2.7x	6.0x	2,821.2	1,245.0	4.5x	10.8x
Land Drillers														
NYSE: HP	Helmerich & Payne, Inc.	\$ 57.21	67%	102%	\$ 6,322.9	\$ 6,025.6	\$ 1,599.5	\$ 383.5	3.8x	15.7x	\$ 1,716.6	\$ 347.9	3.5x	17.3x
NYSE: NBR	Nabors Industries Ltd.	9.75	53%	128%	2,889.4	6,331.3	2,218.4	608.0	2.9x	10.4x	2,513.1	576.4	2.5x	11.0x
NSDQ: PTEN	Patterson-UTI Energy Inc.	21.81	73%	130%	4,637.2	4,769.2	898.1	194.3	5.3x	24.6x	2,265.1	447.6	2.1x	10.7x
NYSE: PES	Pioneer Energy Services Corp.	2.83	39%	107%	220.2	586.6	276.1	13.8	2.1x	42.5x	441.2	49.5	1.3x	11.8x
	Min	\$ 2.83	39%	102%	\$ 220.2	\$ 586.6	\$ 276.1	\$ 13.8	2.1x	10.4x	\$ 441.2	\$ 49.5	1.3x	10.7x
	Median	15.78	60%	118%	3,763.3	5,397.4	1,248.8	288.9	3.3x	20.1x	1,990.8	397.8	2.3x	11.4x
	Mean	22.90	58%	117%	3,517.5	4,428.1	1,248.0	299.9	3.5x	23.3x	1,734.0	355.3	2.4x	12.7x
	Max	57.21	73%	130%	6,322.9	6,331.3	2,218.4	608.0	5.3x	42.5x	2,513.1	576.4	3.5x	17.3x

Relevant Transactions

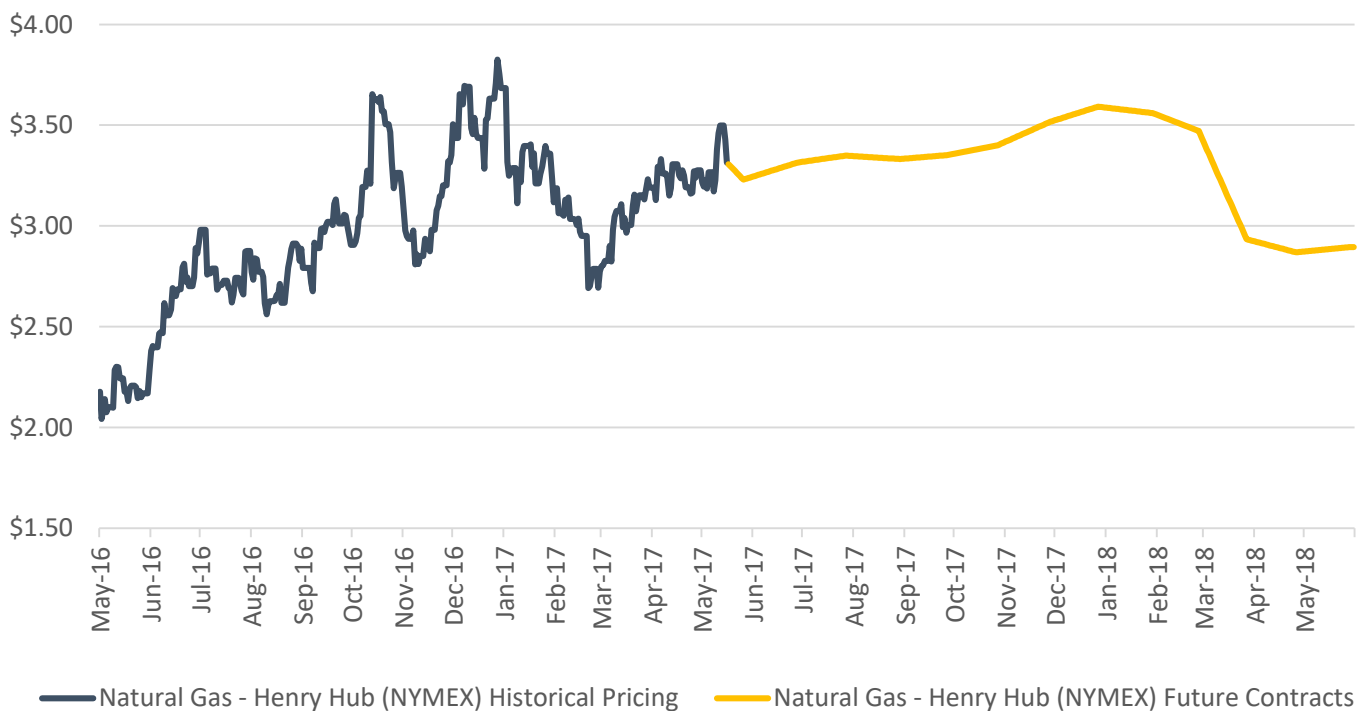
Announced Date	Target Name	Buyer Name	Target Business Description
3/27/2017	Beckman Production Services, INC.	Nine Energy Service, Inc.	Beckman Production Services, INC. operates as a well services company.
3/20/2017	Crescent Services, LLC	Rockwater Energy Solutions, Inc.	Crescent Services, LLC provides well-site support and logistic services, as well as supplies equipment to the oilfields.
3/20/2017	Medically Minded, Inc.	66 Oilfield Services, LLC	As of March 20, 2017, Medically Minded, Inc. was acquired by 66 Oilfield Services, LLC, in a reverse merger transaction.
3/6/2017	Eco-Stim Energy Solutions, Inc.	Fir Tree Partners	Eco-Stim Energy Solutions, Inc. provides oilfield services in the United States and Argentina.
3/1/2017	Total Equipment And Service, Inc.	Propell American LLC	Total Equipment And Service, Inc. manufactures, services, and repairs oilfield equipment.
2/21/2017	Turner Gas Company	Crestwood Equity Partners LP	Turner Gas Company transports, markets, stores, and transloads natural gas liquids, liquefied petroleum gas, chemicals, crude products, and other bulk products through truck fleet and rail terminal infrastructure.
2/2/2017	Jack's Heavy Equipment, Inc.	Floyd's Truck Center, Inc.	Jack's Heavy Equipment, Inc., doing business as Jack's Truck & Equipment Inc., distributes heavy construction equipment and commercial trucks in Wyoming.
1/19/2017	Exclusive Energy Services, LLC	Greenwell Energy Solutions, LLC	Exclusive Energy Services, LLC operates as an oilfield-based service company that provides bore-out completion fluids and thru-tubing motors, and water/oil reclamation services for the oil and gas industry.

Commodity Prices

➤ WTI Oil

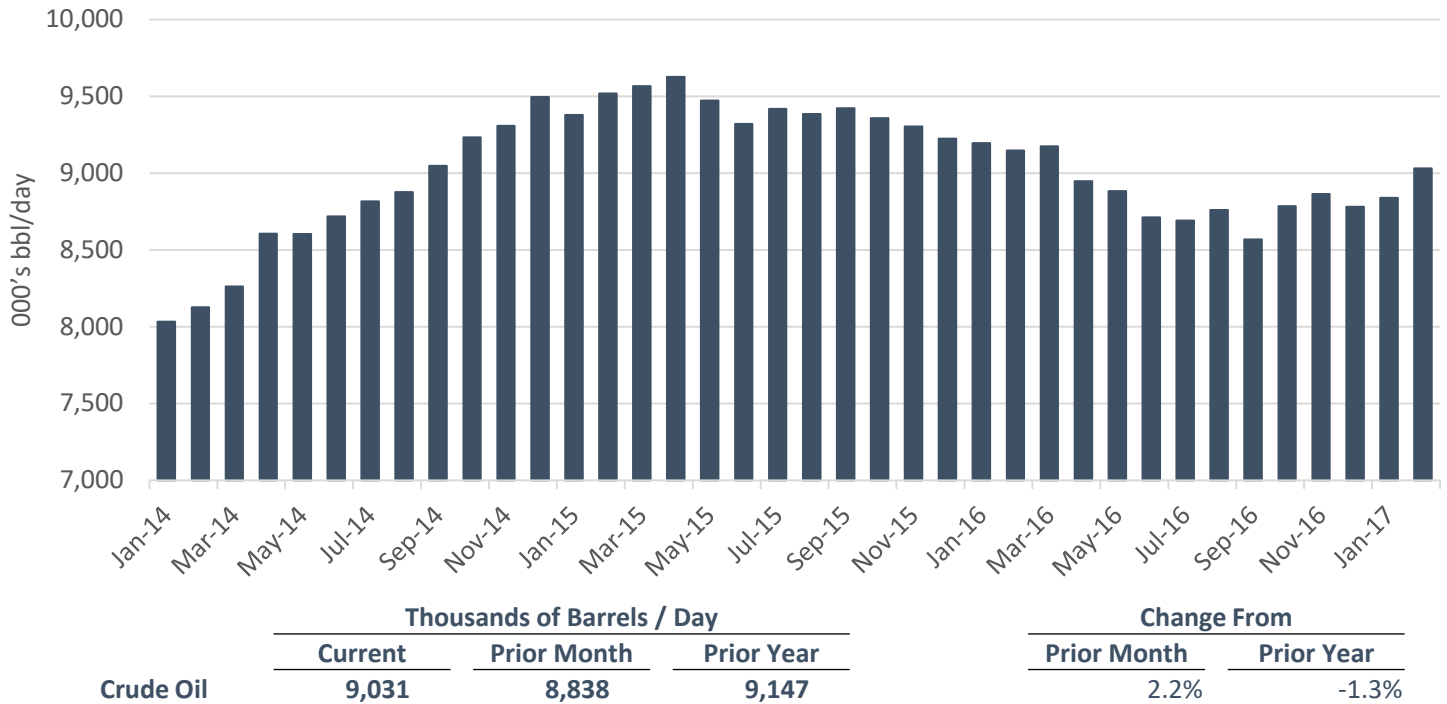


➤ Natural Gas

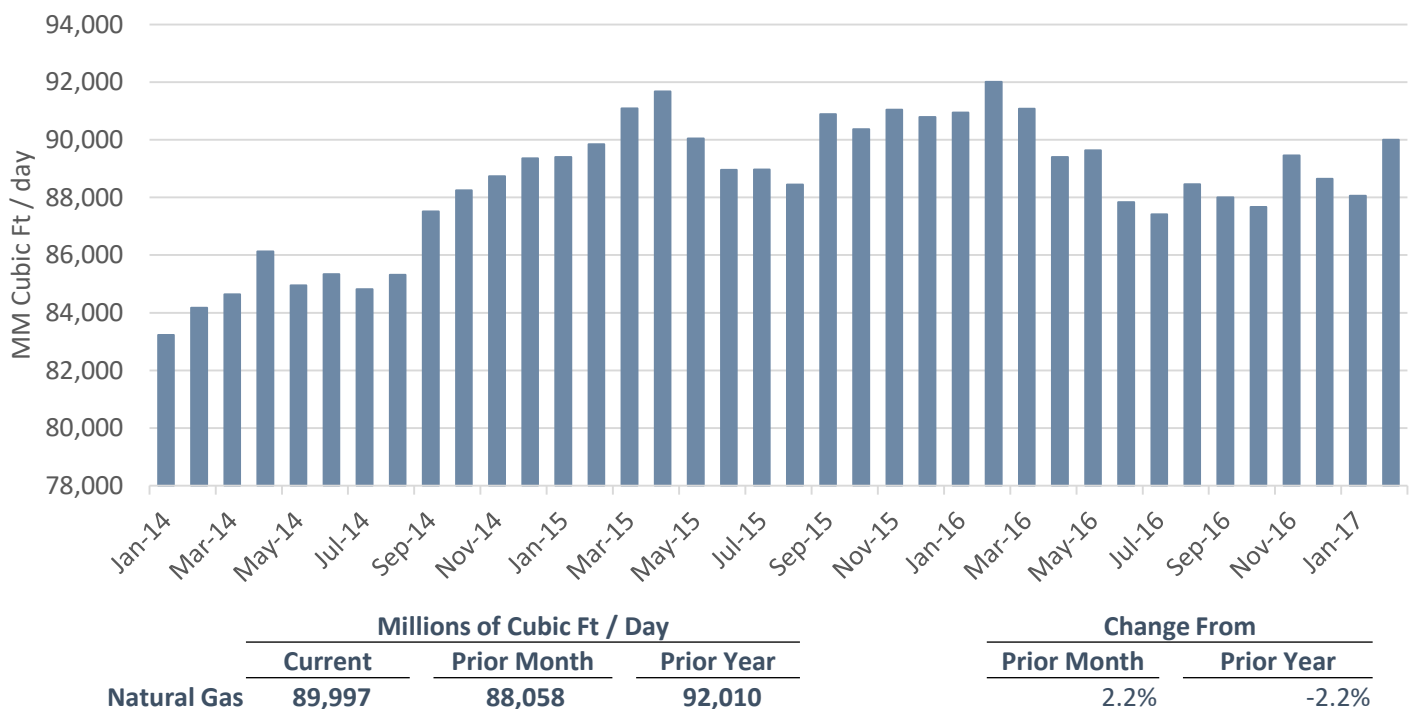


Production Data

➤ U.S Crude Oil Production

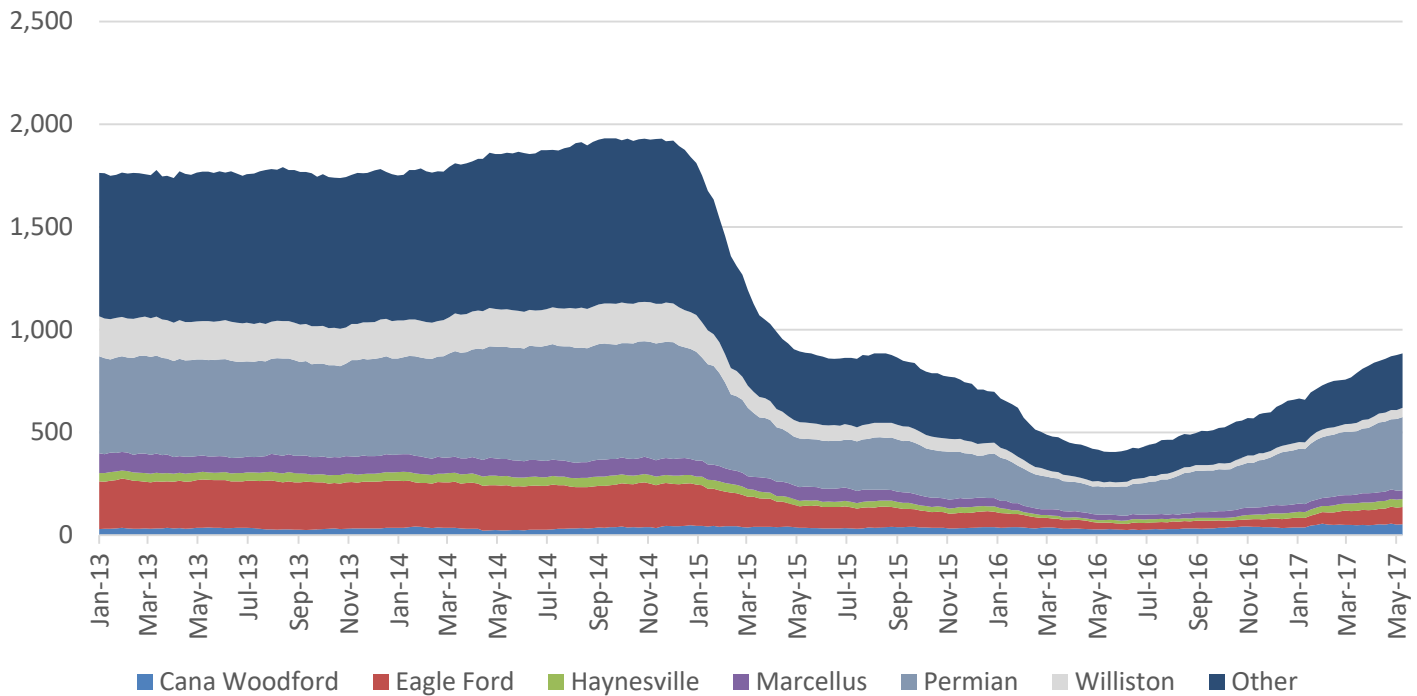


➤ U.S Natural Gas Production

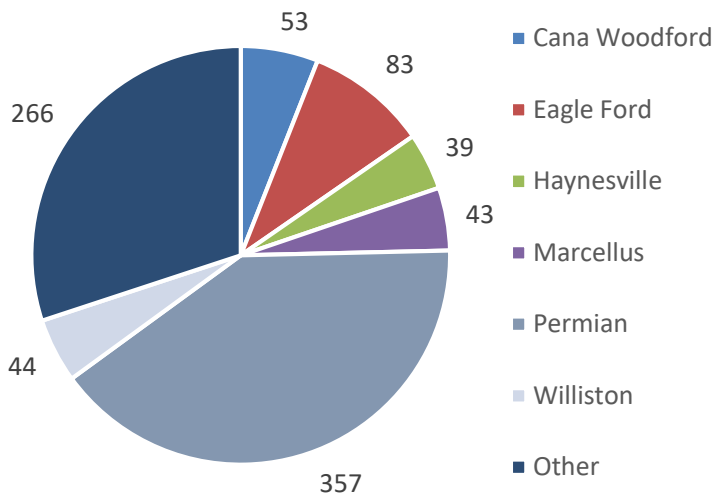


Rig Counts by Basin

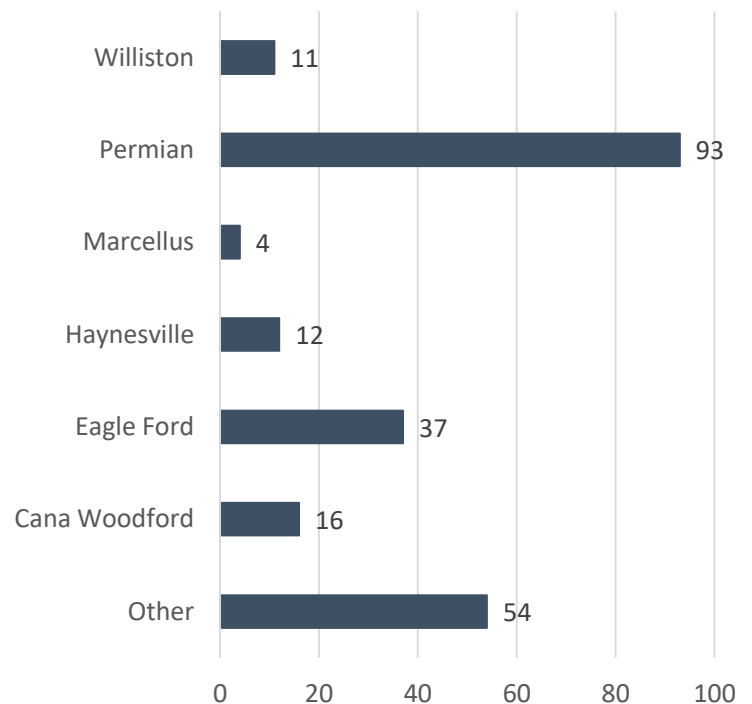
➤ U.S Rig Count by Basin Analysis



U.S Rig Count by Basin

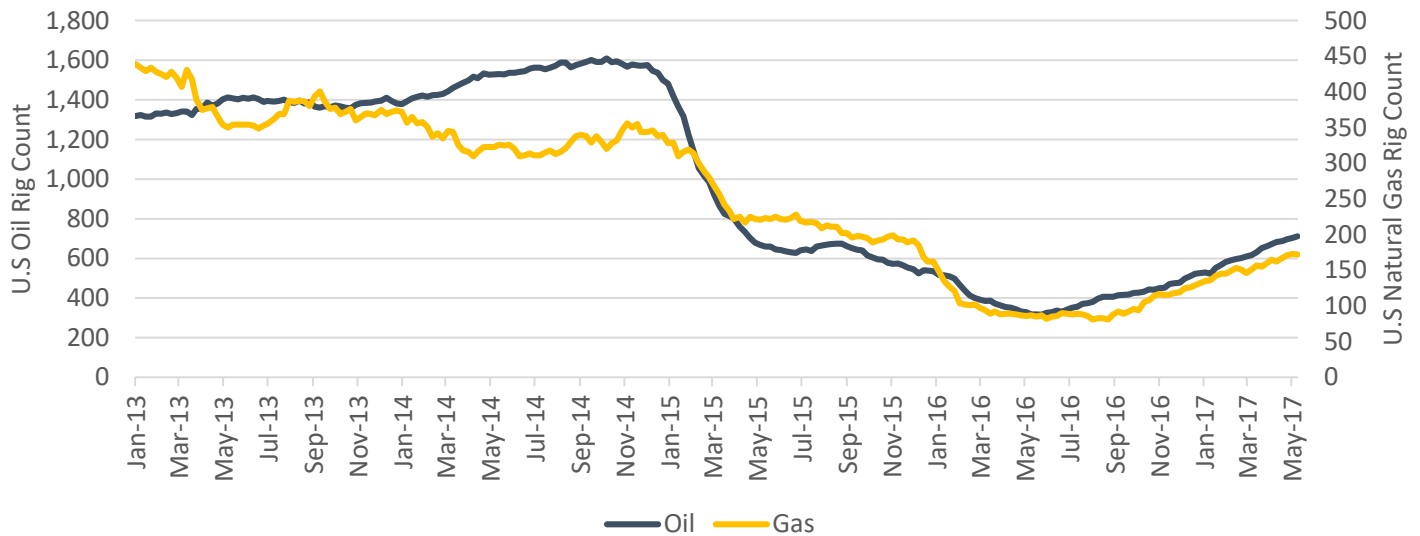


U.S Rig Count by Basin YTD Increase



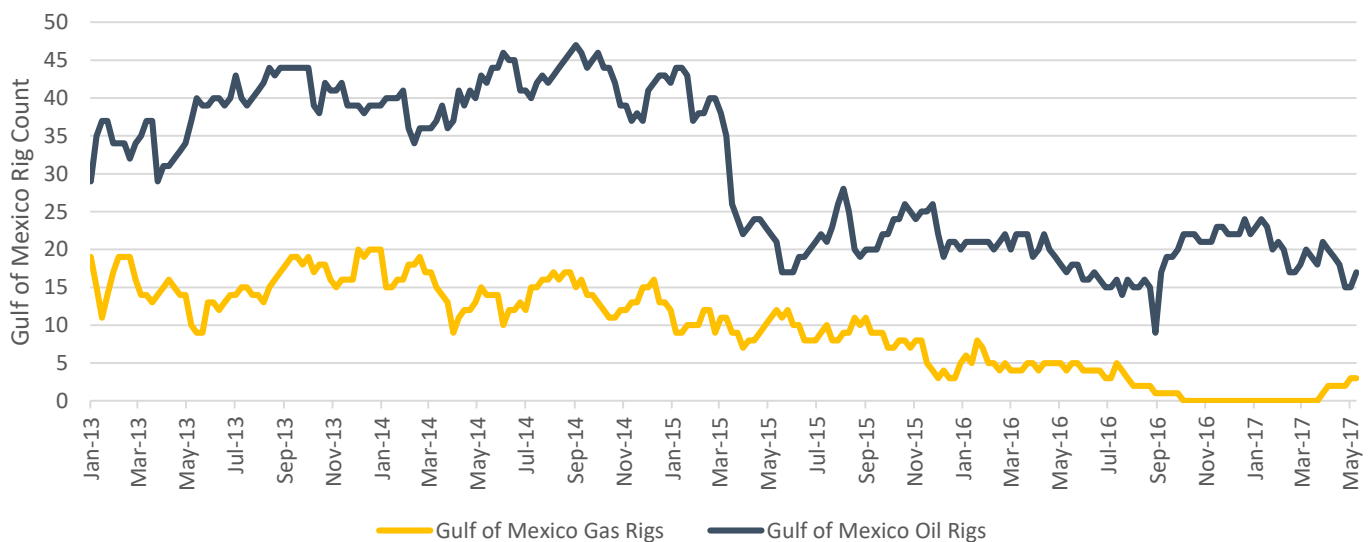
Rig Counts (continued)

➤ U.S. Oil vs. Natural Gas Rig Count



	Rig Counts			Change from	
	Current	Prior Month	Prior Year	Prior Month	Prior Year
Oil	712	683	318	4.2%	123.9%
Natural Gas	172	162	87	6.2%	97.7%

➤ Gulf of Mexico: Oil Rig vs. Natural Gas Rig



	Rig Counts			Change from	
	Current	Prior Month	Prior Year	Prior Month	Prior Year
Oil	17	19	18	-10.5%	-5.5%
Natural Gas	3	2	5	50.0%	-40.0%

About Founders Investment Banking

Founders Investment Banking (Founders) is a merger, acquisition & strategic advisory firm serving middle-market companies. Founders' focus is on energy, industrials, software, internet, digital media and industrial technology companies throughout the United States. Founders' Skilled professionals, proven expertise and process-based solutions help companies access growth capital, make acquisitions, and/or prepare for and execute liquidity events to achieve specific financial goals. In order to provide securities-related services discussed herein, certain principals of Founders are licensed with M&A Securities Group, Inc. or Founder M&A Advisory, LLC, both members FINRA & SIPC. Founders M&A Advisory is a wholly owned subsidiary of Founders. M&A Securities Group and Founders are not affiliated entities. For more information, visit www.foundersib.com.



Contact

For more information, visit www.foundersib.com, call us at 205.949.2043, or contact the Energy & Industrial team directly by email:

Duane P. Donner II, Managing Director
ddonner@foundersib.com

John W. Sullivan, Vice President
jsullivan@foundersib.com

Evan H. Klisares, Analyst
eklisares@foundersib.com

Joe H. Brady III, Director
jbrady@foundersib.com

Leila Deep, Business Development
ldeep@foundersib.com

BIRMINGHAM

2204 Lakeshore Drive, Suite 425
Birmingham, AL 35209-8855
Phone: 205.949.2043
Fax: 205.871.0010

DALLAS

5605 N. MacArthur Blvd, Suite 1000
Irving, TX 75038
Phone: 214.295.1055
Fax: 214.295.1047