

2019 A&D Look Back 2020 A&D Outlook

Sayer Energy Advisors' Perspective

Presentation to the
PADA Society



January 14, 2020

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Senior Vice-President
Sayer Energy Advisors

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Sayer Energy Advisors

- 33 year history of oil and natural gas industry M&A services.
- Completely independent of the public markets – we do not get involved in financings.
- Managed by individuals with varied backgrounds, each with significant related experience.

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Sayer Energy Advisors

Corporate Advisory Services

- Divestitures, Mergers, Acquisitions.
- Valuations and Fairness Opinions.
- Expert Witness Assignments.

The image shows two screenshots of Sayer Energy Advisors' work. The left screenshot is a 'Property Divestiture' report for 15 properties, 246 boe/d (104 boe/d, 870 Mcf/d). It details the divestiture of 15 properties, including a summary of the properties, a list of properties, and a table of properties. The right screenshot is a 'CANADIAN OIL INDUSTRY MERGER AND ACQUISITION REPORT' for the fourth quarter of 2011. It includes a table of acquisitions and a table of dispositions.

Property	Boe/d	Mcf/d
15 Properties	246 boe/d	870 Mcf/d

Purchaser	Acquisition	Enterprise Value (\$M)	EBITDA (\$M)	EBITDA (\$M)
Amstar	Equal assets	40.25	16.10	29,833
Big Creek	Equal assets	20.10	16.51	66,534
Citic	ConocoPhillips assets	50.00	7.82	18,873
Freemont	Bonanza assets	50.20	16.48	88,990
Porter	Equal assets	8.30	11.67	23,714
Saskatchewan	Equal assets	75.51	12.82	82,034
Saskatchewan	Equal assets	18.11	6.70	29,533
Saskatchewan	Equal assets	13,771.70	17.42	80,088
Saskatchewan	Equal assets	15.90	22.11	106,000
Saskatchewan	Equal assets	56.06	20.24	119,790
Saskatchewan	Equal assets	101.34	21.85	83,213
Saskatchewan	Equal assets	198.31	11.79	28,832
Saskatchewan	Equal assets	36.00	21.83	545,987
Saskatchewan	Equal assets	5.25	110.51	182,461
Saskatchewan	Equal assets	7.16	6.98	61,263
Saskatchewan	Equal assets	40.30	22.03	66,100
Saskatchewan	Equal assets	100.00	17.19	68,214
Saskatchewan	Equal assets	19.80	5.16	14,985

Industry Publications

- Well-known for Canadian M&A market analysis through our quarterly publication.
- Publish complete Canadian oil industry M&A and financing information.
- Complete listing of current Canadian oil & natural gas industry asset and corporate dispositions.

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Recent M&A Activity Metrics

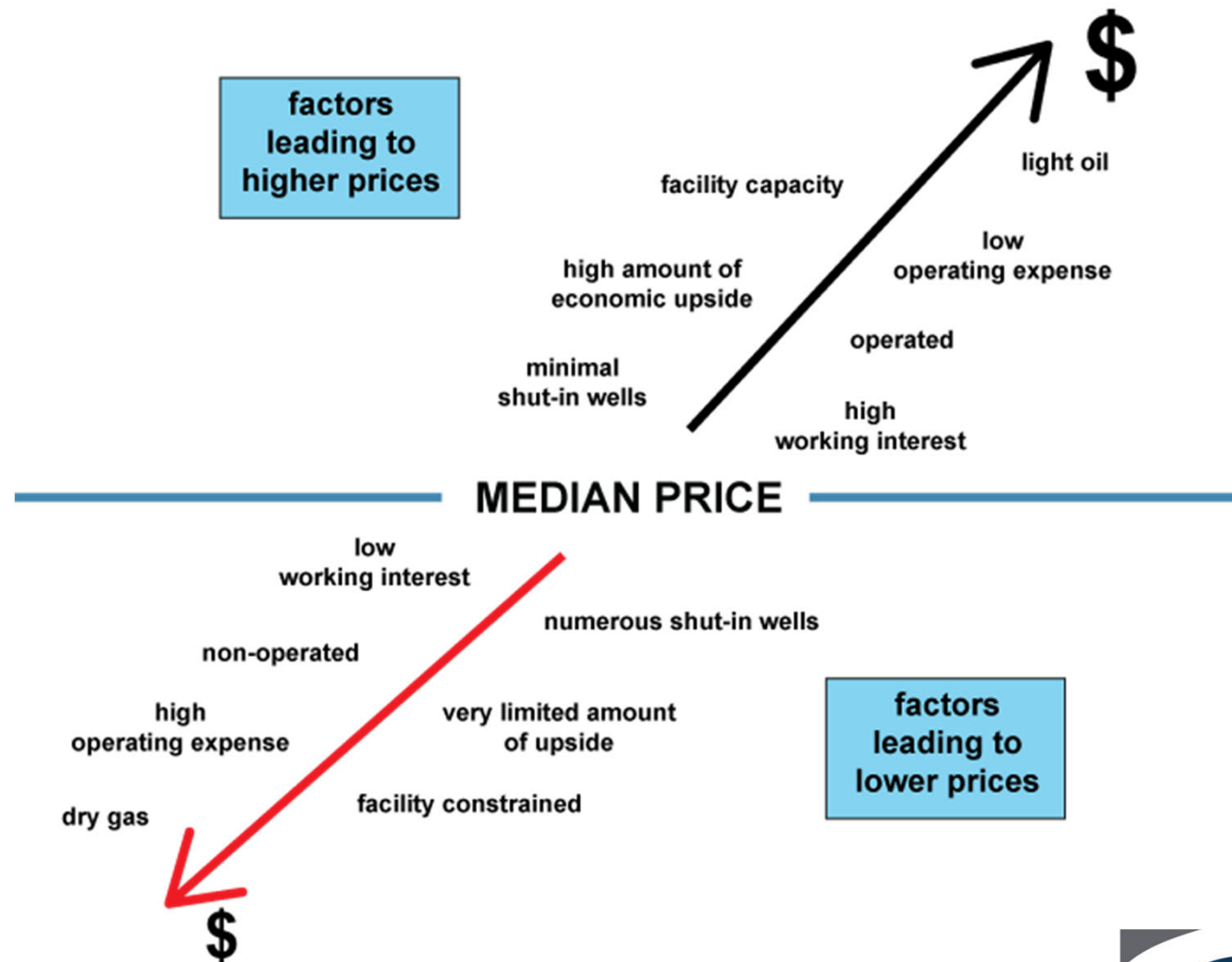
We Are in a Buyers' Market

- We have been in a “*Buyers' Market*” for a number of years.
- The “*Buyers' Market*” will continue in Canada until we see more capital coming into the industry.

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Factors Affecting Prices for M&A Transactions



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Cash Flow is King!

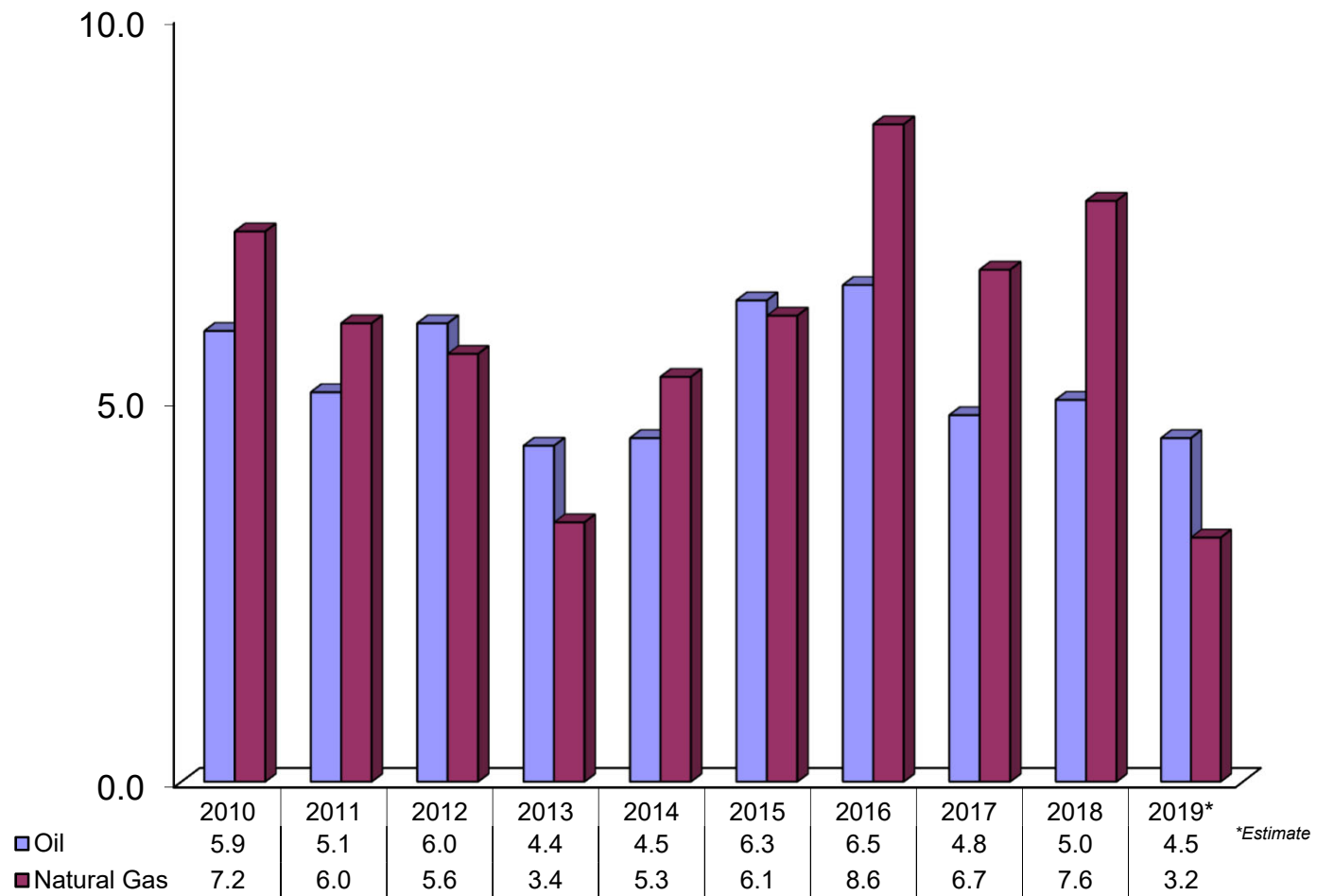
- Deals are being done on a cash flow basis, less consideration for liabilities.

Reserves and production based metrics are pretty much off the table right now.

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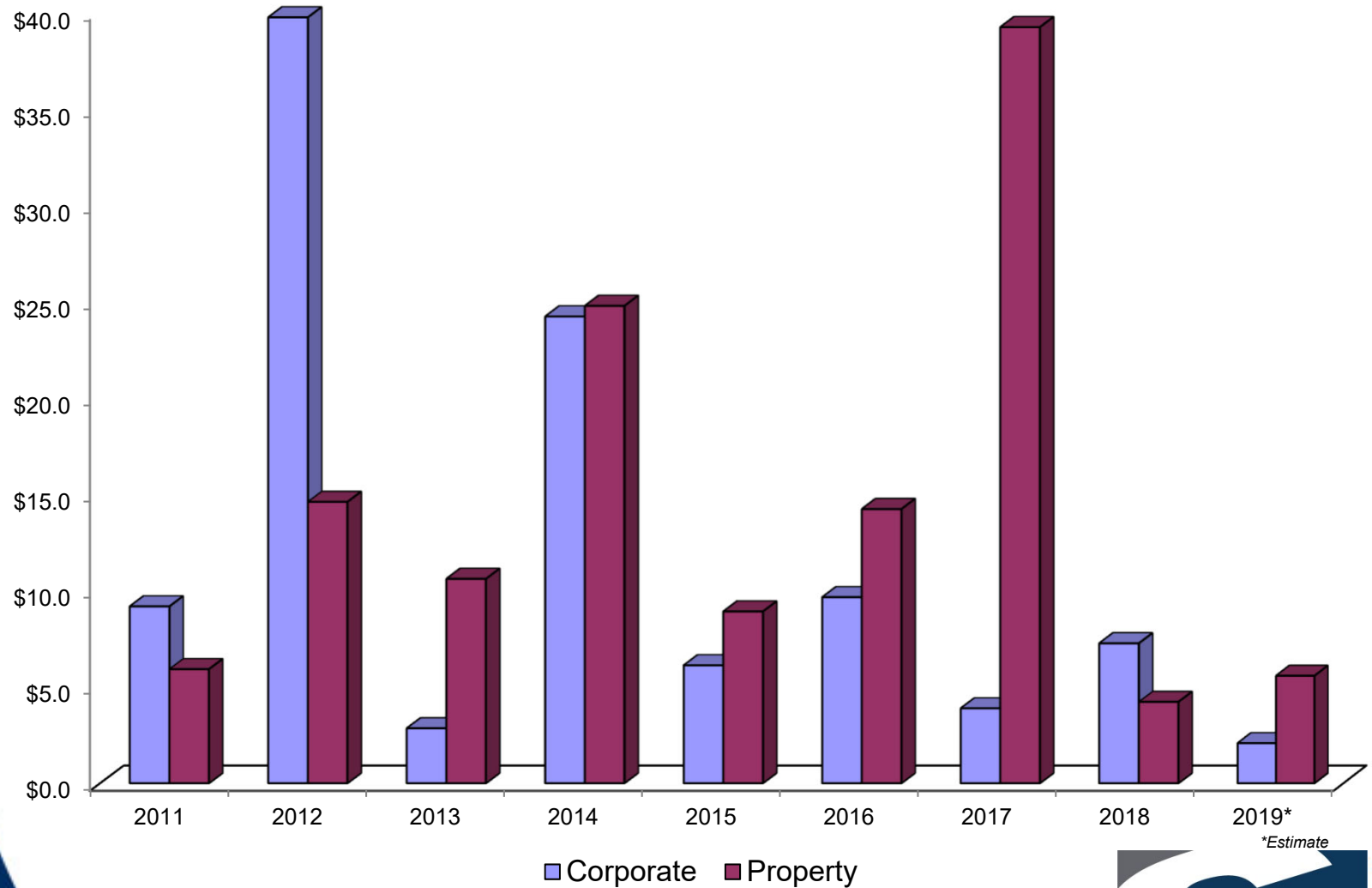
Historic Cash Flow Multiples



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Total Enterprise Value of Transactions (\$ Billions)



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Why is M&A Value Down?

- Uncertainty relating to pricing.
- Uncertainty relating to government.
- Uncertainty relating to environmental policies.
- A generally bad public feeling about our industry.
- In general it appears that our industry is currently “*toxic*”.

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Why is M&A Value Down?

- Uncertainty relating to pricing.
 - M&A prices are responsive to commodity price changes.
 - Parties that do not have to sell are not selling in the current M&A environment.

"That's an offer of only 1X cashflow!!

I'll hold on and see what happens."

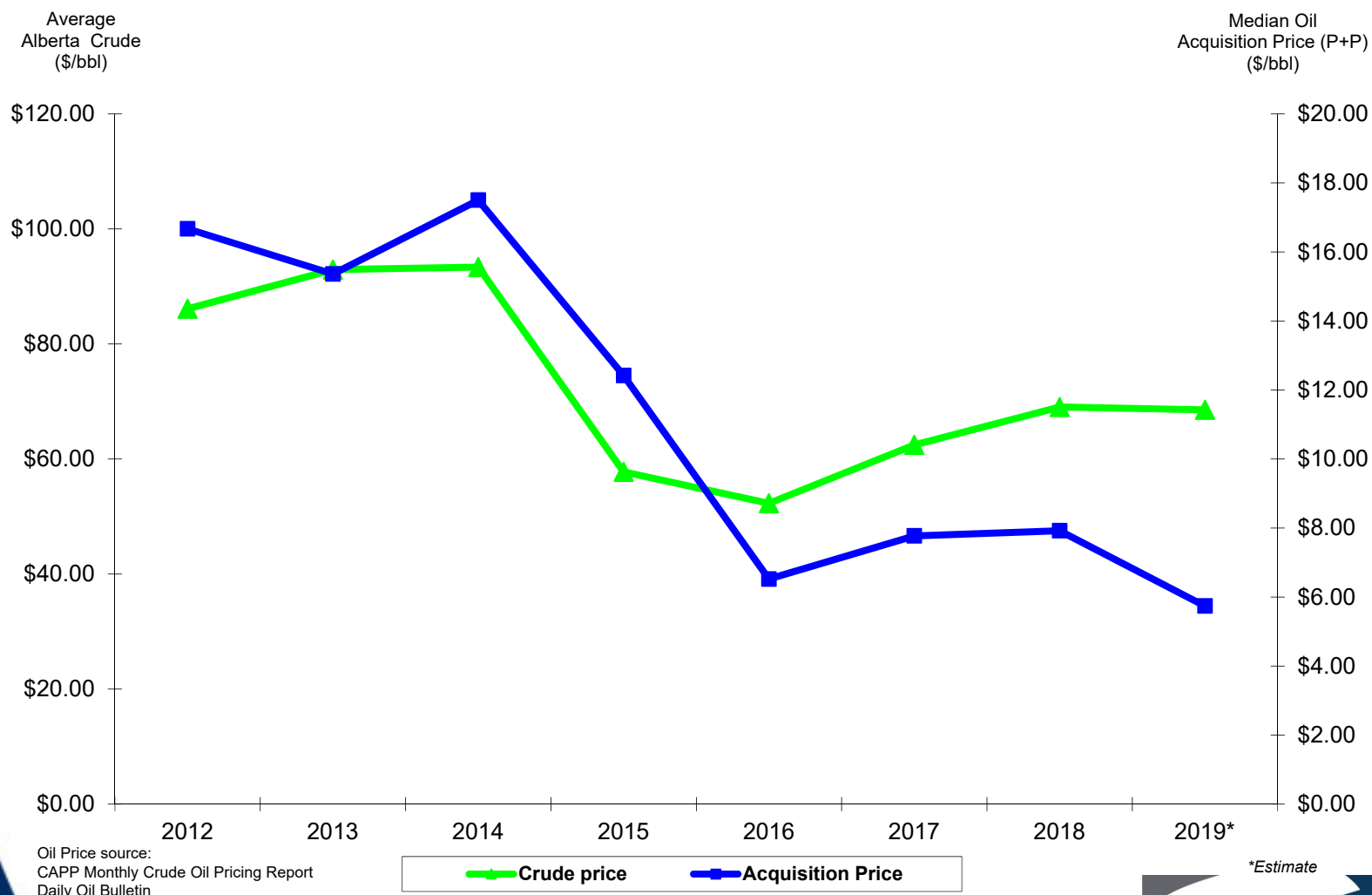
The Question We **HATE** Getting Asked

- *“When is the gap between buyers and sellers going to close?”*
 - Buyers want to buy assets because they believe that the price of oil will rise, yet they make offers as if the price is going to stay low.
 - Sellers, unless pressured to sell, will not sell at low prices unless the prospect of higher prices is reflected in the offer price.
 - A buyer which recognizes this can be successful if it offers value over and above that reflected in strip pricing.

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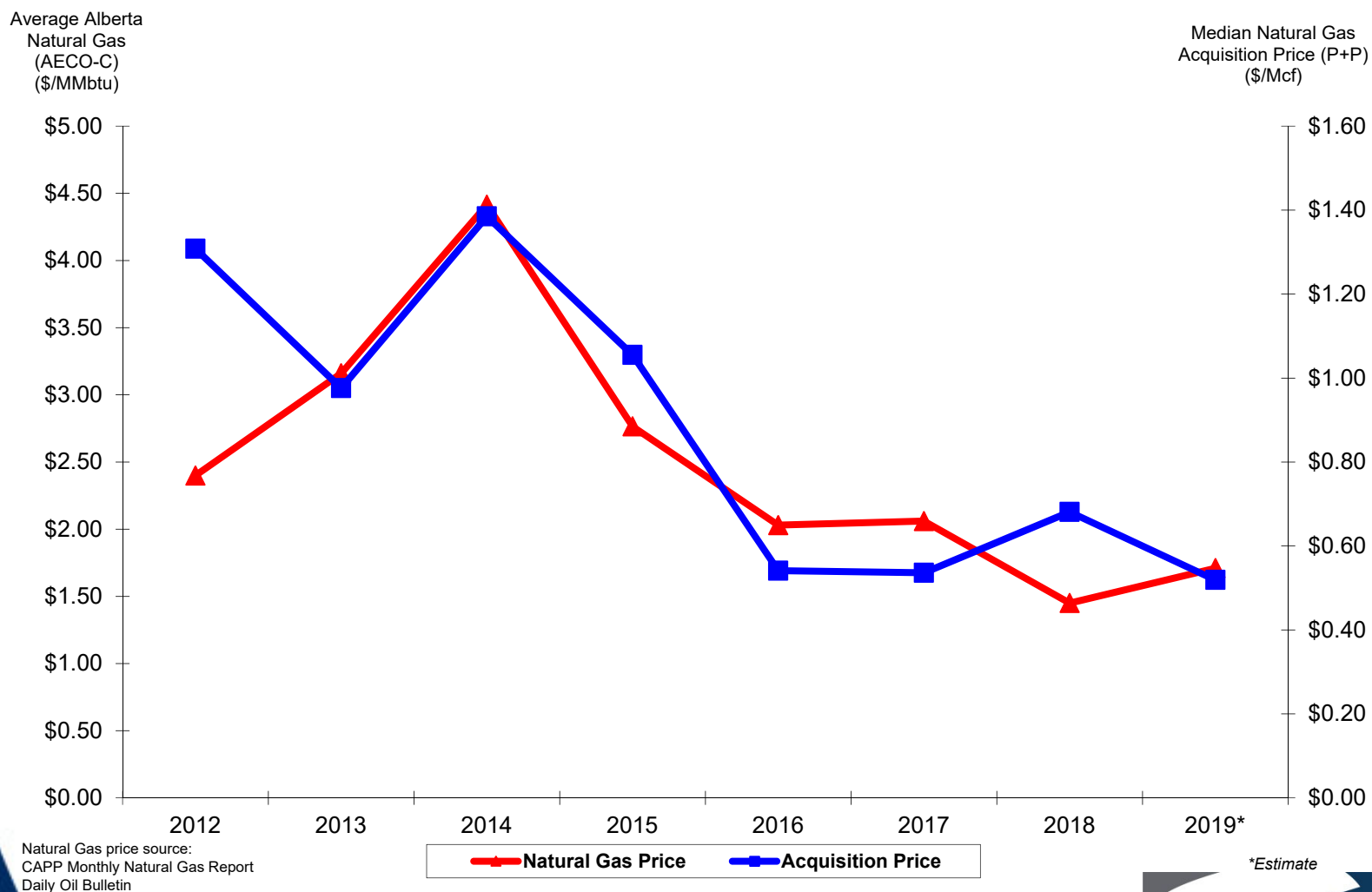


Correlation of Median M&A Price and Commodity Prices: **OIL**



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Correlation of Median M&A Price and Commodity Prices: **NATURAL GAS**



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Why is M&A Value Down?

- Uncertainty relating to government.
 - Change in provincial government
 - Production curtailments
 - Uncertainty relating to handling of liability issues.

Does Anyone Love Our Industry?

Forecast for 2020 M&A Activity

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M&A & Liabilities

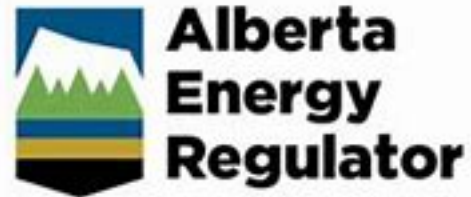
- Environmental liabilities are a concern, impediment, issue in M&A transactions.

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M&A & Liabilities

- LLR uncertainty



- Until there is resolution in this matter, the M&A market will remain in turmoil.

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Insolvencies

Current Insolvencies



HOUSTON OIL & GAS LTD.

WOLF COULEE
RESOURCES INC.



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Who's Next?

- The big question on everyone's mind is who will be the next big blow up?
- Trident was a big one in terms of well count but there are fears that even bigger ones are pending.



Share Buy Backs - NCIB

- This will continue in 2020 meaning less money will be directed toward M&A

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Share Buy Backs - NCIB

-As a result, Tamarack plans to invest approximately half of the adjusted operating field netback in excess of the 2020 capital budget to continue to purchase shares for cancellation through the NCIB program....



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Currently “*On the Block*” or “*Reviewing Strategic Alternatives*”



TOSCANA



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2020: More “Share for Share” Deals

- Look for an increase in “*paper deals*”.



- We believe this activity will pick up as year-end financial and operating results are released.

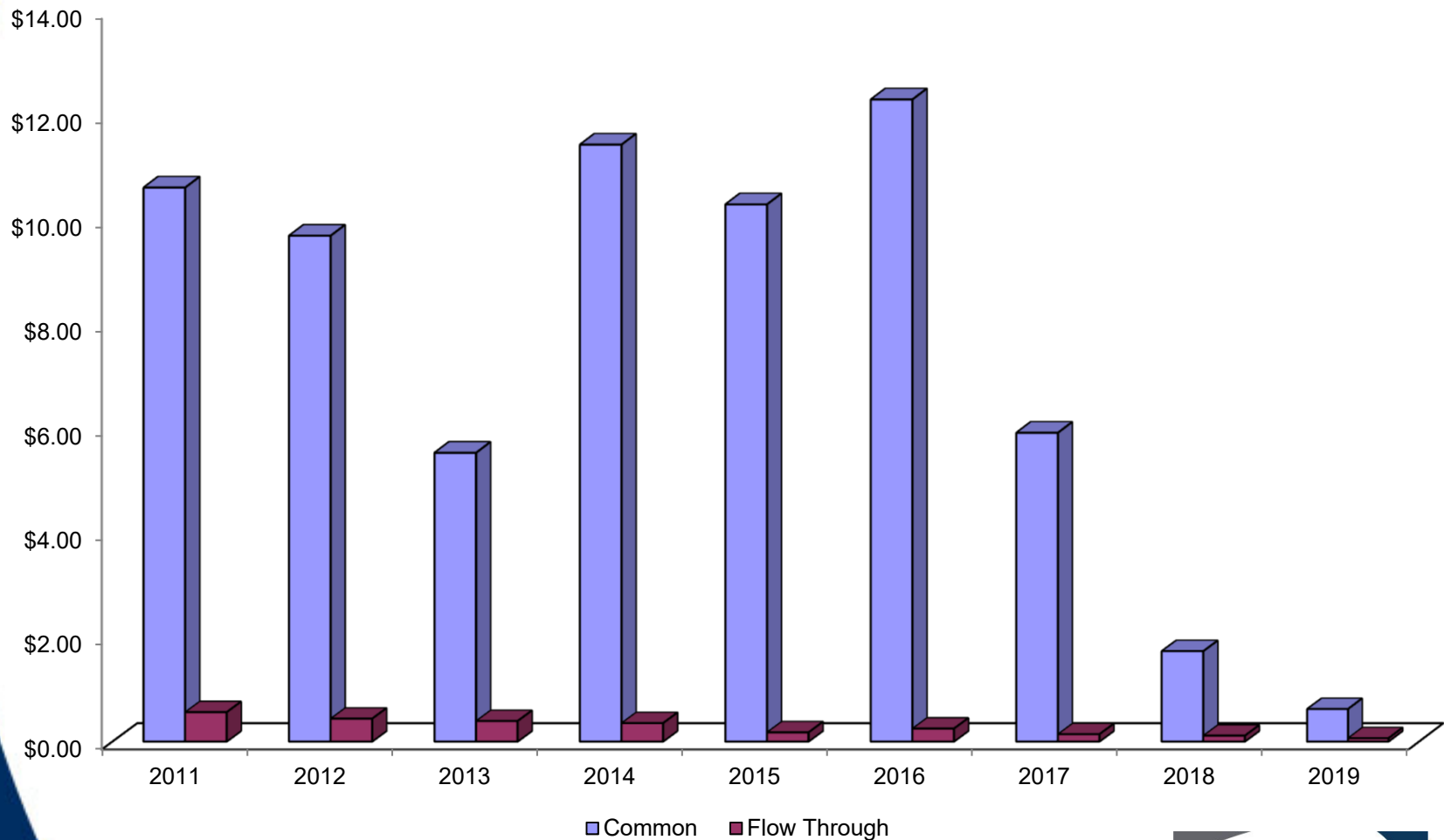
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Total Canadian Oil & Natural Gas Financings (\$ Billions)

- New capital especially equity is key to funding M&A activity.
- Financing activity was down slightly in 2019.
 - Including equity and debt issues, a total of \$5.2 billion in capital was raised in 2019.
 - \$5.3 billion was raised in 2018
 - \$22.8 billion was raised in 2017
- Equity raised was down significantly in 2019, with \$800 million raised vs. the \$1.9 billion raised in 2018 and \$6.0 billion raised in 2017.
- There was an increase in debt issues, with \$4.4 billion raised in 2019 compared to \$3.4 billion in 2018.

Total Canadian Oil & Natural Gas Equity Financings (\$ Billions)



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2020: Private Equity Will Increase Its Presence

- With lethargic public capital markets, private equity has recently stepped up its presence as recently illustrated by transactions involving:



- Topaz Energy Corp.
- Private Company



2020: Private Equity Reorganizations and Recapitalizations



SPARTAN
DELTA CORP.



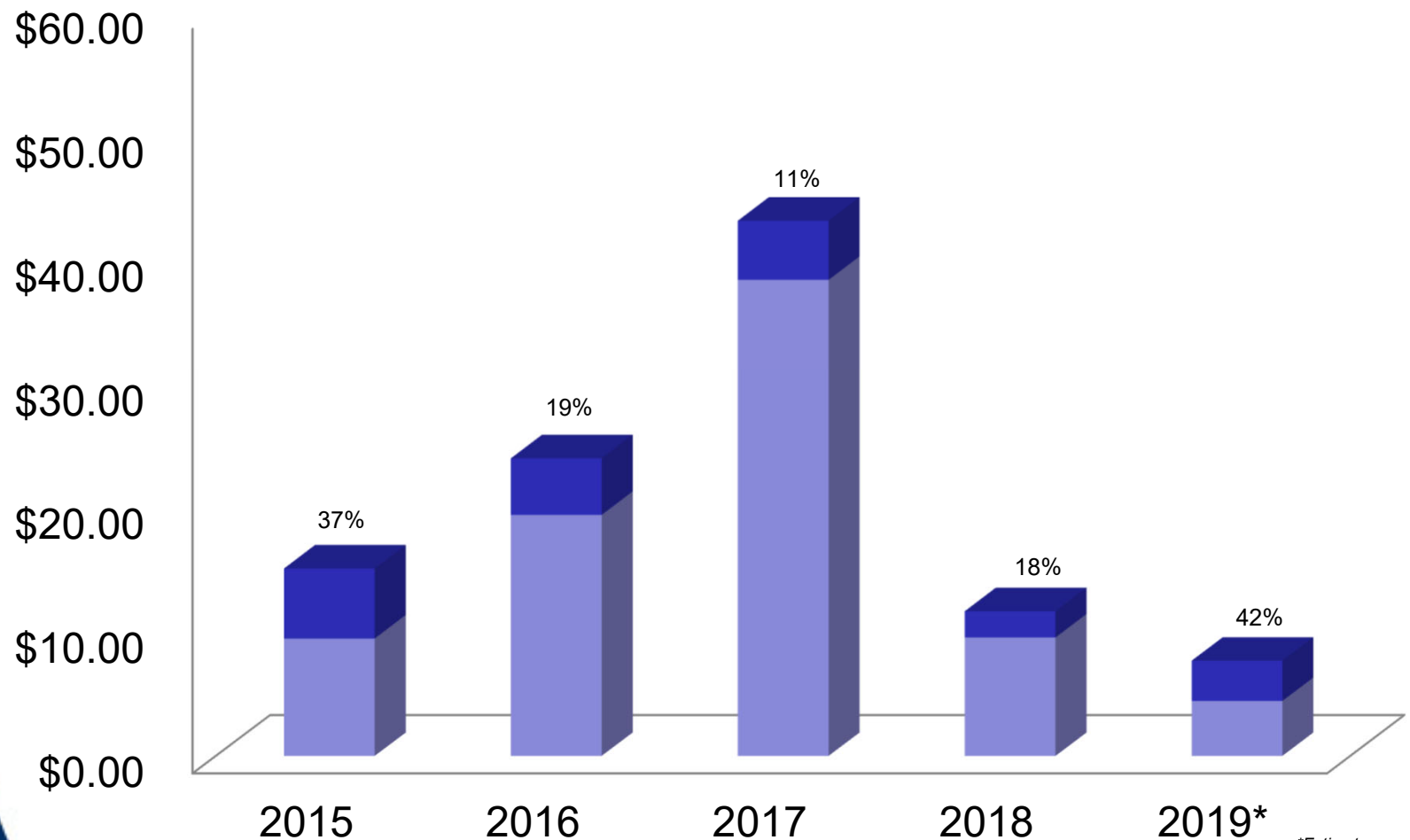
Headwater Exploration Inc.



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Total M&A Value vs. Total M&A Value Done By Private Entities (\$ Billions)

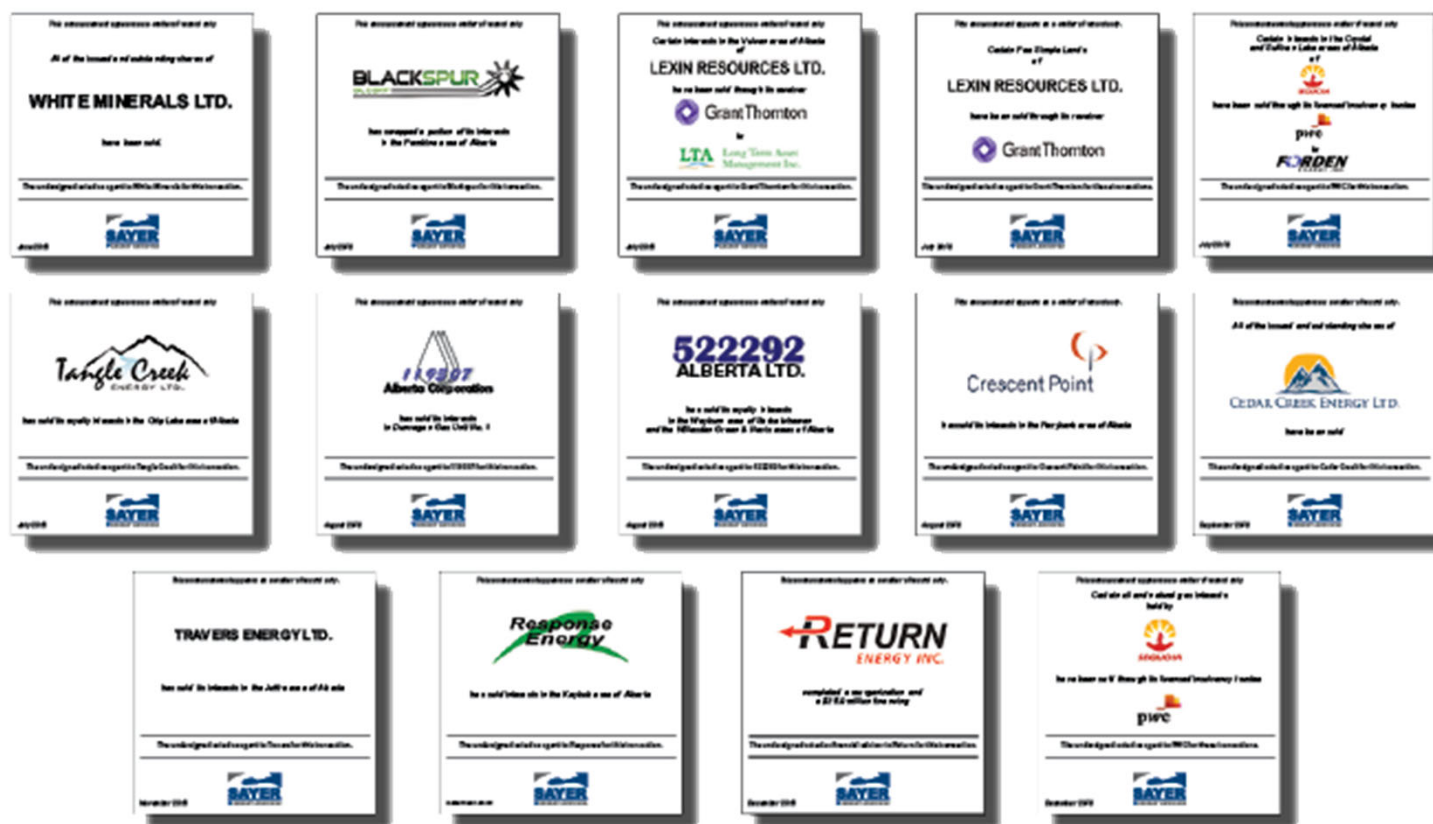


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M&A Transactions Concluded by Sayer in 2019

<p>This announcement represents a material acquisition.</p> <p>Cable & Internet is a key high growth area of Sayer's.</p> <p>LEXIN RESOURCES LTD.</p> <p>has been sold through its majority interest to</p> <p>Grant Thornton</p> <p>by</p> <p>LTA</p> <p>LTA is a subsidiary of Sayer Energy Advisors Inc.</p> <p>The underlying asset is a key high growth area of Sayer's.</p> <p>January 2019</p> <p>SAYER</p>	<p>This announcement represents a material acquisition.</p> <p>Cable & Internet is a key high growth area of Sayer's.</p> <p>Astoria</p> <p>has been sold through its majority interest to</p> <p>pwc</p> <p>The underlying asset is a key high growth area of Sayer's.</p> <p>January 2019</p> <p>SAYER</p>	<p>This announcement represents a material acquisition.</p> <p>cenovus</p> <p>has sold a portion of its interests in the Canadian oil sands to</p> <p>Sayer Energy Advisors Inc.</p> <p>The underlying asset is a key high growth area of Sayer's.</p> <p>February 2019</p> <p>SAYER</p>	<p>This announcement represents a material acquisition.</p> <p>Cable & Internet is a key high growth area of Sayer's.</p> <p>LEXIN RESOURCES LTD.</p> <p>has been sold through its majority interest to</p> <p>Grant Thornton</p> <p>The underlying asset is a key high growth area of Sayer's.</p> <p>March 2019</p> <p>SAYER</p>	<p>This announcement represents a material acquisition.</p> <p>nexen</p> <p>has sold its interests in the Canadian oil sands to</p> <p>Sayer Energy Advisors Inc.</p> <p>The underlying asset is a key high growth area of Sayer's.</p> <p>March 2019</p> <p>SAYER</p>
<p>This announcement represents a material acquisition.</p> <p>SHAFAM Resources Ltd.</p> <p>has sold its interests in the Canadian oil sands to</p> <p>Sayer Energy Advisors Inc.</p> <p>The underlying asset is a key high growth area of Sayer's.</p> <p>March 2019</p> <p>SAYER</p>	<p>This announcement represents a material acquisition.</p> <p>ISH</p> <p>has sold its interests in the Canadian oil sands to</p> <p>Sayer Energy Advisors Inc.</p> <p>The underlying asset is a key high growth area of Sayer's.</p> <p>April 2019</p> <p>SAYER</p>	<p>This announcement represents a material acquisition.</p> <p>The interest is in the Canadian oil sands.</p> <p>LEXIN RESOURCES LTD.</p> <p>has been sold through its majority interest to</p> <p>Grant Thornton</p> <p>The underlying asset is a key high growth area of Sayer's.</p> <p>April 2019</p> <p>SAYER</p>	<p>This announcement represents a material acquisition.</p> <p>PRIMROSE DRILLING VENTURES LTD.</p> <p>has sold its interests in the Canadian oil sands to</p> <p>Sayer Energy Advisors Inc.</p> <p>The underlying asset is a key high growth area of Sayer's.</p> <p>April 2019</p> <p>SAYER</p>	<p>This announcement represents a material acquisition.</p> <p>Response Energy</p> <p>has sold its interests in the Canadian oil sands to</p> <p>Sayer Energy Advisors Inc.</p> <p>The underlying asset is a key high growth area of Sayer's.</p> <p>April 2019</p> <p>SAYER</p>
<p>This announcement represents a material acquisition.</p> <p>ABE</p> <p>has sold its interests in the Canadian oil sands to</p> <p>Sayer Energy Advisors Inc.</p> <p>The underlying asset is a key high growth area of Sayer's.</p> <p>May 2019</p> <p>SAYER</p>	<p>This announcement represents a material acquisition.</p> <p>enerPLUS</p> <p>has sold all of its interests in the Canadian oil sands to</p> <p>Sayer Energy Advisors Inc.</p> <p>The underlying asset is a key high growth area of Sayer's.</p> <p>May 2019</p> <p>SAYER</p>	<p>This announcement represents a material acquisition.</p> <p>EXPO ENERGY INC.</p> <p>has sold its interests in the Canadian oil sands to</p> <p>Sayer Energy Advisors Inc.</p> <p>The underlying asset is a key high growth area of Sayer's.</p> <p>May 2019</p> <p>SAYER</p>	<p>This announcement represents a material acquisition.</p> <p>Response Energy</p> <p>has sold its interests in the Canadian oil sands to</p> <p>Sayer Energy Advisors Inc.</p> <p>The underlying asset is a key high growth area of Sayer's.</p> <p>May 2019</p> <p>SAYER</p>	<p>This announcement represents a material acquisition.</p> <p>HULL'S</p> <p>has sold a portion of its interests in the Canadian oil sands to</p> <p>Sayer Energy Advisors Inc.</p> <p>The underlying asset is a key high growth area of Sayer's.</p> <p>May 2019</p> <p>SAYER</p>
<p>This announcement represents a material acquisition.</p> <p>SAYER EXPLORATION</p> <p>has sold its interests in the Canadian oil sands to</p> <p>Sayer Energy Advisors Inc.</p> <p>The underlying asset is a key high growth area of Sayer's.</p> <p>June 2019</p> <p>SAYER</p>	<p>This announcement represents a material acquisition.</p> <p>SHEWAN ENERGY CORP.</p> <p>has sold its interests in the Canadian oil sands to</p> <p>Sayer Energy Advisors Inc.</p> <p>The underlying asset is a key high growth area of Sayer's.</p> <p>June 2019</p> <p>SAYER</p>	<p>This announcement represents a material acquisition.</p> <p>WestLake</p> <p>has sold a portion of its interests in the Canadian oil sands to</p> <p>Sayer Energy Advisors Inc.</p> <p>The underlying asset is a key high growth area of Sayer's.</p> <p>June 2019</p> <p>SAYER</p>		

M&A Transactions Concluded by Sayer in 2019



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Summary

- The M&A market needs cooperation from all levels of government.
 - LLR, environmental, pipelines, ...
- LLR and environmental issues will continue to factor into M&A transactions.
- Declining curtailment levels will help.
- Some companies will “*roll over*” and willingly enter the M&A market.
- Other companies will enter the M&A market unwillingly.
- More share-for-share transactions will be concluded.
- Private equity will continue to step up.
- The industry will survive.

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