



Essential Energy Services to be Acquired by Element Technical Services

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Company Profile

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CALGARY, Alberta, Sept. 15, 2023 (GLOBE NEWSWIRE) -- Essential Energy Services Ltd. (TSX: ESN) (“Essential” or the “Company”) announces that it has entered into a definitive amalgamation agreement (the “Amalgamation Agreement”) with Element Technical Services Inc. (“Element”) under which Element, through a wholly-owned subsidiary, will acquire all of the issued and outstanding common shares of Essential (each, an “Essential Share”) for a purchase price of \$0.40 per Essential Share, payable in cash (the “Consideration”). Element is a privately held entity that has fracturing and coiled tubing operations in western Canada and the United States.

Garnet Amundson, President and CEO of Essential commented, “We have successfully led Essential and its predecessor entities through almost two decades of turbulent oilfield service industry and capital markets dynamics. Throughout this long history, we have strived to maximize value for stakeholders of our business. As a part of our normal course of business, and in particular over the past seven years, Essential has actively evaluated and explored numerous opportunities, culminating in this transaction with Element. We believe this transaction provides compelling value for Essential’s shareholders and enhanced product offerings to Essential’s customers.”

Strategic Rationale - Attractive Value for Essential Shareholders

- The Consideration implies an enterprise value for Essential of approximately \$77.7 million, including all transaction-related expenses. The resulting transaction metric is estimated to be 4.1 times trailing twelve-month EBITDAS⁽¹⁾ as of June 30, 2023.

All Cash Premium to Market Trading Price

- The Consideration represents a premium of approximately 12% to Essential's 20-day volume weighted average trading price on the Toronto Stock Exchange (the "TSX") and a premium of approximately 10% to Essential's closing price as of close of markets on September 14, 2023.

The Amalgamation Agreement and Approvals

Element will, among other things, through 2544592 Alberta Ltd., ("Subco"), a wholly-owned subsidiary of Element, acquire all of the Essential Shares by way of a statutory amalgamation (the "Amalgamation"). Pursuant to the terms of the Amalgamation Agreement, Essential will amalgamate with Subco, with the amalgamated entity ("Amalco") becoming a wholly-owned subsidiary of Element. Subject to the terms of the Amalgamation Agreement, each holder (collectively, the "Essential Shareholders") of Essential Shares (other than any Essential Shareholder who validly exercises dissent rights in relation to the Amalgamation) will, upon completion of the Amalgamation, receive one redeemable preferred share of Amalco (each, an "Amalco Redeemable Preferred Share") for each Essential Share held by such Essential Shareholder and the Amalco Redeemable Preferred Shares will each be immediately redeemed for \$0.40 in cash.

The Company will seek approval of the Amalgamation by the Essential Shareholders at a special meeting expected to be held on or about November 7, 2023 (the "Special Meeting"). The Amalgamation requires the approval of:

- a) 66 2/3% of the votes cast by the Essential Shareholders present in person or by proxy at the Special Meeting; and

b) if required, a majority of the votes cast by Essential Shareholders in person or represented by proxy at the Special Meeting, after excluding the votes cast by those Essential Shareholders whose votes are required to be excluded in accordance with Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*.

Upon closing of the Amalgamation, it is expected that the Essential Shares will be de-listed from the TSX and Amalco will apply to cease to be a reporting issuer under applicable securities laws. The Amalgamation is subject to various closing conditions, including the required Essential Shareholder approvals at the Special Meeting, the approval of the TSX and certain regulatory and other approvals customary in transactions of this nature.

The Amalgamation Agreement contains customary representations and warranties of each party and interim operational covenants of Essential. The Amalgamation Agreement also provides for, among other things, customary board support and non-solicitation covenants, subject to a “fiduciary out” for unsolicited “superior proposals” in favor of Essential and a provision for the right to match superior proposals in favor of Element.

The Amalgamation Agreement provides for a non-completion fee of \$5.5 million payable in the event that the Amalgamation is not completed or is terminated by Essential or Element in certain circumstances, including if Essential enters into an agreement with respect to a superior proposal or if Essential’s board of directors withdraws or modifies its recommendation with respect to the Amalgamation.

All of the directors and executive officers of Essential, representing approximately 3.1% of the issued and outstanding Essential Shares, have entered into support agreements pursuant to which they have agreed to vote such Essential Shares in favor of the Amalgamation, subject to the provisions of such support agreements.

Further details with respect to the Amalgamation will be included in the information circular to be mailed to Essential Shareholders in connection with the Special Meeting. The Special Meeting is expected to be held on or around November 7, 2023, with closing of the Amalgamation to occur thereafter upon satisfaction of all conditions precedent, currently anticipated to occur in mid-November, 2023. A copy of the Amalgamation Agreement and the information circular will be filed on Essential's SEDAR+ profile and will be available for viewing on www.sedarplus.ca.

Recommendation of the Essential Board

Through discussions with the Company's financial and legal advisors, and after considering the Fairness Opinion (as defined below), Essential's board of directors has unanimously determined: (i) that the transactions contemplated by the Amalgamation Agreement are in the best interests of Essential; and (ii) to recommend that Essential Shareholders vote in favor of the Amalgamation.

Advisors

Peters & Co. Limited is acting as exclusive financial advisor to Essential in connection with the Amalgamation and has provided a verbal fairness opinion (the "Fairness Opinion") to Essential's board of directors to the effect that, as at the date of such Fairness Opinion and based upon and subject to the assumptions, limitations and qualifications to be set forth in the written opinion of Peters & Co. Limited, the consideration to be received by Essential Shareholders pursuant to the Amalgamation is fair, from a financial point of view, to Essential Shareholders.

Fasken Martineau DuMoulin LLP is acting as legal counsel to Essential.

FORWARD-LOOKING ADVISORY

This news release contains "forward-looking statements" and "forward-looking information" (collectively referred to herein as "forward-looking statements") within the meaning of applicable securities legislation. Such forward-looking statements include, without limitation,

expectations and objectives for future operations that are subject to a number of material factors, assumptions, risks and uncertainties, many of which are beyond the control of the Company.

Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words “anticipates”, “believes”, “expects” and similar expressions or are events or conditions that “will” occur or be achieved. This news release contains forward-looking statements pertaining to, among other things, the following: the benefits of the Amalgamation to Essential’s shareholders and customers; Amalco, including its status as a reporting issuer following completion of the Amalgamation; the Amalgamation and the timing thereof; the Consideration; the issuance and redemption of the Amalco Redeemable Preferred Shares and the timing thereof; the Special Meeting and the timing thereof; the mailing and filing on SEDAR+ of the information circular; and the de-listing of the Essential Shares from the TSX following the completion of the Amalgamation.

The forward-looking statements contained in this news release reflect several material factors and expectations and assumptions of Essential including, without limitation: the ability of the parties to receive, in a timely manner, the necessary regulatory, securityholder, stock exchange and other third-party approvals; the ability of Essential and Element to satisfy, in a timely manner, the other conditions to the closing of the Amalgamation; the ability to complete the Amalgamation on the terms contemplated by the Amalgamation Agreement, or at all; that Essential will continue to conduct its operations in a manner consistent with past operations; and the general continuance of current or, where applicable, assumed industry conditions.

Although the Company believes that the material factors, expectations and assumptions expressed in such forward-looking statements are reasonable based on information available to it on the date such statements are made, undue reliance should not be placed on the forward-looking statements because the Company can give no

assurances that such statements and information will prove to be correct and such statements are not guarantees of future performance. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties.

Actual performance and results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, known and unknown risks, including: the completion and the timing of the Amalgamation; the ability of Essential and Element to receive, in a timely manner, the necessary regulatory, securityholder, stock exchange and other third-party approvals; the ability of Essential and Element to satisfy, in a timely manner, the other conditions to the closing of the Amalgamation; interloper risk; the ability to complete the Amalgamation on the terms contemplated by the Amalgamation Agreement, or at all; the consequences of not completing the Amalgamation, including the volatility of the share price of Essential, negative reactions from the investment community and the required payment of certain costs related to the Amalgamation; actions taken by government entities or others seeking to prevent or alter the terms of the Amalgamation; potential undisclosed liabilities unidentified during the due diligence process; the focus of management's time and attention on the Amalgamation and other disruptions arising from the Amalgamation; general economic, market or business conditions including those in the event of an epidemic, natural disaster or other event; global economic events; changes to Essential's financial position and cash flow and the uncertainty related to the estimates and judgements made in the preparation of financial statements; potential industry developments; and other unforeseen conditions which could impact the use of services supplied by the Company. Accordingly, readers should not place undue importance or reliance on the forward-looking statements. Readers are cautioned that the foregoing list of factors is not exhaustive and should refer to the "Risk Factors"

section set out in the Company's most recent annual information form (a copy of which can be found under Essential's profile on SEDAR+ at www.sedarplus.ca).

Statements, including forward-looking statements, contained in this news release are made as of the date they are given and the Company disclaims any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws. The forward-looking statements contained in this news release are expressly qualified by this cautionary statement.

Additional information on these and other factors that could affect the Company's operations and financial results are included in reports on file with applicable securities regulatory authorities and may be accessed under Essential's profile on SEDAR+ at www.sedarplus.ca.

This announcement does not constitute an offer of securities for sale in the United States, nor may any securities referred to herein be offered or sold in the United States absent registration or an exemption from registration as provided in the U.S. Securities Act of 1933 as amended (the "Securities Act") and the rules and regulations thereunder. The securities referred to herein have not been registered pursuant to the Securities Act and there is no intention to register any of the securities in the United States or to conduct a public offering of securities in the United States.

⁽¹⁾NON-IFRS FINANCIAL MEASURES

Certain specified financial measures in this news release, including "enterprise value as a multiple of trailing twelve-month EBITDAS", do not have a standardized meaning as prescribed under International Financial Reporting Standards ("IFRS"). These measures should not be used as an alternative to IFRS measures because they may not be comparable to similar financial measures used by other companies.

“Enterprise value as a multiple of trailing twelve-month EBITDAS” is a non-IFRS ratio calculated as enterprise value divided by EBITDAS. “Enterprise value” is calculated as the sum of (i) Consideration multiplied by the number of Essential Shares issued and outstanding as at August 31, 2023, (ii) long-term debt, (iii) lease liabilities, (iv) certain transaction-related expenses permitted to be incurred by Essential pursuant to the terms of the Amalgamation Agreement, (v) less cash. EBITDAS is a non-IFRS financial measure and a component of this ratio. This ratio is used as a supplemental financial measure by management and investors to assess the valuation of the Essential Shares.

“EBITDAS” is not a standardized financial measure under IFRS and might not be comparable to similar financial measures disclosed by other companies. The most directly comparable IFRS measure for “EBITDAS” is net loss. “EBITDAS” is further explained in the “Non-IFRS and Other Financial Measures” section of the Company’s Management’s Discussion and Analysis for the quarter ended June 30, 2023 (available on the Company’s profile on SEDAR+ at www.sedarplus.ca), which section is incorporated by reference herein.

ABOUT ESSENTIAL

Essential provides oilfield services to oil and natural gas producers, primarily in western Canada. Essential offers completion, production and wellsite restoration services to a diverse customer base. Services are offered with coiled tubing, fluid and nitrogen pumping and the sale and rental of downhole tools and equipment. Essential offers one of the largest active coiled tubing fleets in Canada. Further information can be found at www.essentialenergy.ca.

The TSX has neither approved nor disapproved the contents of this news release.

Contact Data

[Contact](#)

