



Business Description:

- Petrowest Corporation (“Petrowest”) is involved in both industrial and civil infrastructure projects, as well as pre-drilling and post-completion energy services, gravel crushing and hauling for non-energy sector customers. Petrowest’s primary operations are based in northwestern Alberta and northeastern British Columbia. Petrowest’s business includes gravel and rock crushing, loading and hauling of logs and gravel, heavy equipment transportation, safety equipment rentals and supervision, heavy equipment rentals, land clearing, earth moving and site preparation services and the operation of a landfill to receive and manage contaminated waste.
- Petrowest’s services and equipment can be found throughout the northern region of the Western Canadian sedimentary basin, with the operational head office located in Grande Prairie, Alberta, and corporate head office in Calgary, Alberta. The Company also has strategically placed field offices in Grande Prairie, Fort Saskatchewan, Worsley, and Fox Creek in Alberta and Fort St. John, Peejay and Fort Nelson in northeastern British Columbia.
- The Company has five major business segments that utilize a fleet of heavy equipment including dozers, track hoe excavators, articulated rock haulers, motor scrapers, heavy transport trucks, a mobile fleet of cone and jaw crusher units, log and gravel loading equipment, mulchers, as well as other ancillary support equipment.

Overview and Investment Thesis:

- Founded in 2006 through the consolidation of 10 established energy and infrastructure service companies based in Northern Alberta
- Provider of pre-drilling and post-completion services to the northern region of Alberta and northeastern region of British Columbia
- In May 2007, Petrowest acquired an additional 5 companies, expanding into Northeastern British Columbia
- On July 2, 2011 Petrowest Energy Services Trust converted to Petrowest Corporation
- On May 27, 2014 Petrowest acquired Enviro-Mulch Land Clearing Solutions Ltd.
- On October 1, 2014 Petrowest acquired CJM Trucking Ltd.
- On October 17, 2014 Petrowest Acquired Trans Ltd. and Trans Carrier Rentals Ltd.
- Strongly positioned to capture a portion of the \$100+ billion in western Canadian infrastructure proposed over the next 5 years
- Experienced management team with over 40 years of experience
- Distinct competitive advantage of scale, personnel and agility to successfully bid and complete major projects
- Base business exits 2015 with over \$100 million of projects expected to commence in 2016
- Petrowest currently expects its base business and the main “Site C hydro-electric project” to achieve approximately \$45 million in Adjusted EBITDA in 2016. The “Site C hydro-electric project” is a 1,100 MW hydroelectric dam and generating station near Fort St. John.
- Petrowest is currently bidding on or positioning for numerous projects expected to commence in 2016 including:
 - Regina Ring Road – Earth Moving
 - Additional Site C Subsidiary Work
 - Calgary Ring Road
 - BC Highway 29 Realignment
 - Emerging BC Liquefied Natural Gas Pipelines

Industry Growth Drivers/Trends:

- Activity levels across Western Canada continue to be impacted by the slowdown in capital spending and drilling activity by the oil and natural gas industry, due to low oil and natural gas prices.
- However, Petrowest cites four major industry transformational events that will help counteract these negative effects:
 - The recent awarded contract to a consortium of companies (including Petrowest) to help construct the proposed “Site C hydro-electric project” in British Columbia, which is the single largest contract awarded for construction on that site valued at approximately \$8.335 million. The Site C hydro-electric project is a proposed dam and hydroelectric generating station on the Peace River in northeastern British Columbia. Petrowest was also awarded a sub-contract to construct the workforce housing facility for the Site C hydro-electric project.
 - Continued activity in northeastern British Columbia, the area with the largest growth potential, where the impact of the proposed future liquefied natural gas facilities are already being realized by Petrowest in regards to increased drilling activity and basic infrastructure construction. Petrowest continues to see encouraging signs of increasing global demand for liquefied natural gas and more favorable global pricing. Petrowest is strongly positioned to benefit from several proposed gas pipelines to be built from northeastern British Columbia to the coast.
 - Expected increased infrastructure activity, including both road building and civil construction, following the completion of both provincial and federal elections.
 - Stronger demand in the forestry industry driven component of the business partly due to a weakened Canadian dollar.
- The Government of Alberta has announced a 5 year Capital Plan where it expects to invest \$34 billion in current and future infrastructure projects to help better support Albertans and stimulate the Canadian economy.
- The Government of British Columbia is looking for funding from the federal government for Metro Vancouver transit projects and a proposed billion dollar upgrade of the hydro grid between British Columbia and Alberta as a way to shut down the use of coal-fired power plants.
- British Columbia’s gross domestic product is expected to grow 3.1% in 2016 and 2.9% in 2017 and Premier Christy Clark argues that in order to maintain this strong growth rate, the federal government must still invest in infrastructure projects throughout British Columbia.
- This strong economic environment in British Columbia matched with the province’s continued desire to invest in infrastructure should be a positive catalyst for Petrowest’s future operations.

Competitive Advantages:

- Strong and experienced management team able to bid on and win new infrastructure contracts.
- Goodwill on the balance sheet reflects non-competition agreements in place, valuable customer relationships as well as government permits acquired by Petrowest throughout its operating history.

Competitors:

- ENTREC Transportation, Aecon, Aveda, Enterprise Group Inc., N.A. Energy Partners, High Arctic Energy Services Inc., CWC Energy Services Corp, Logan International Inc., ZCL Composites Inc., Strad Energy Services Ltd., McCoy Global Inc., Cathedral Energy Services Ltd., Ceiba Energy Services Inc., and Terravest Capital Inc.



Customers:

- Government of Alberta, Government of British Columbia

Barriers to Entry:

- Capital intensive business to acquire, finance and maintenance the heavy machinery that is the core of its business.

Officers and Directors:

- Directors: Chief Executive Officer, Rick Quigley; Executive Chairman, Jim Coleman; Director, Garry Wetsch; Director, Gerry Romanzin; Director, Paul Shelley; Director, Roy Larson
- Management: Chief Executive Officer, Rick Quigley; Chief Financial Officer, Lloyd Wiggins; Chief Operating Officer, Roy Larson; Executive Vice President, Construction Division and Sales & Marketing, Jim Moffatt; Executive Vice President, Civil Division, Bernie Reed; Vice President of Operations, Brian Coffey; Vice President, Investor Relations & Corporate Development, Nikolaus Kiefer

Ownership:

- As of February 5, 2016, the top 5 owners of Petrowest are IA Michael Investments Counsel 6.95%, Richard Quigley 5.74%, James Moffatt 5.72%, Roy Larson 4.56%, and Larry Patriquin 2.94%.

Capital Allocation/Uses:

- The total upfront capital commitment for Petrowest in the Site C hydro-electric project in British Columbia is approximately \$1.25 million.
- Petrowest recently closed a subordinated debt agreement with Crown Capital Fund IV, LP for a \$15 million term loan that will help reduce existing debt as well as finance capital expenditures into newly acquired contracts.

Income Statement:	For the three months ended	
	September 30, 2015	September 30, 2014
Revenue	\$65,295,000	\$89,711,000
Operating Expenses	\$54,214,000	\$73,959,000
General and Administrative	\$1,487,000	\$2,281,000
Share Based Compensation	\$437,000	\$333,000
Amortization of Property and Equipment	\$7,990,000	\$5,400,000
Amortization of Intangible Assets	\$150,000	\$148,000
(Gain) loss on disposal of property and equipment	(\$246,000)	\$184,000
Foreign Exchange Gain	(\$5,000)	\$0
Operating Profit (Loss)	\$1,268,000	\$7,406,000
Finance Income	(\$10,000)	(\$2,000)
Finance Expense	\$1,073,000	\$1,308,000
Net Income (Loss) before Income Tax	\$205,000	\$6,100,000
Current Income Tax Expense (Recovery)	\$317,000	\$0
Deferred Income Tax Expense (Recovery)	(\$1,095,000)	\$1,495,000
Net Income (Loss) and Comprehensive Income (Loss)	\$983,000	\$4,605,000

Composition of Revenue by Division						
Division	Three months ended September 30,			Nine months ended September 30,		
	2015	2014	Change	2015	2014	Change
Construction	33%	60%	(27%)	28%	55%	(27%)
Civil	41%	30%	11%	41%	31%	10%
Transportation	25%	9%	16%	29%	11%	18%
Rentals	1%	1%	0%	1%	1%	0%
Environmental	0%	0%	0%	1%	2%	(1%)



Composition of Gross Margin by Division						
Division	Three months ended September 30,			Nine months ended September 30,		
	2015	2014	Change	2015	2014	Change
Construction	50%	61%	(11%)	24%	52%	(28%)
Civil	42%	39%	3%	61%	34%	27%
Transportation	10%	2%	8%	12%	6%	6%
Rentals	(2%)	(2%)	0%	(2%)	(3%)	1%
Environmental	0%	0%	0%	5%	11%	(6%)



Sourced from Thomson Reuters and Company Reports

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