

# Trinidad Drilling Ltd. and CanElson Drilling Inc. Announce Strategic Business Combination

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CALGARY, June 11, 2015 - [Trinidad Drilling Ltd.](#) ("Trinidad") (TSX:TDG) and [CanElson Drilling Inc.](#) ("CanElson") (TSX:CDI) are pleased to announce that they have entered into an arrangement agreement (the "Arrangement Agreement") to combine both Trinidad and CanElson's premier contract drilling fleets pursuant to a court approved plan of arrangement (the "Transaction") to create a stronger, more diverse North American drilling company with growth prospects internationally and greater scale and resources. The combined company will operate one of the newest and largest fleets of oil and gas drilling rigs in North America with a combined total of 163 gross land drilling rigs, including eight international rigs under Trinidad's joint venture.

## SUMMARY OF TRANSACTION

Under the terms of the Transaction, Trinidad will acquire all of the issued and outstanding common shares of CanElson (the "CanElson Shares") in exchange for a combination of cash and Trinidad common shares (the "Trinidad Shares"). CanElson shareholders will, for each share held, have the option to receive, subject to an aggregate maximum cash payment by Trinidad of \$50 million (the "Maximum Cash Consideration"):

- 1.0631 Trinidad Shares (the "Share Consideration"); or
- \$4.90 in cash

In the event that the CanElson shareholders elect to receive more than the Maximum Cash Consideration, a pro rata adjustment will be made such that the aggregate amount of cash to be paid to the CanElson shareholders will not exceed the Maximum Cash Consideration.

The Share Consideration offered to the CanElson shareholders is equivalent to a 23.5% premium to the 20-day volume weighted average trading price of the CanElson Shares on the TSX for the period ended June 10, 2015. The total Transaction value is approximately \$505 million, including the assumption of approximately \$36 million in CanElson debt, including transaction costs. The cash portion of the Transaction will be financed from Trinidad's cash balances and existing bank credit facilities. Upon completion of the Transaction, on a fully diluted basis and assuming the Maximum Cash Consideration is elected, current Trinidad shareholders will own approximately 60% and CanElson shareholders will collectively own approximately 40% of the combined company.

## STRATEGIC RATIONALE

The Transaction between CanElson and Trinidad is expected to:

- Allow both the CanElson and Trinidad shareholders to benefit from the combined company's improved ability to capitalize on growth;
- Provide a broader, more diverse drilling platform from which to grow both domestic and international operations to meet customer demand;
- Improve liquidity for all shareholders of the combined company;
- Create greater geographic relevance within key operating areas throughout North America;
- Provide an expanded combined customer base;
- Create a strengthened operation and a stronger combined board of directors and management team; and
- Combine two high quality drilling companies with a strong track record of consistently generating above average utilization levels in Canada and the US.

The Transaction is also expected to provide strategic corporate benefits to Trinidad, including:

- Accretion on a per Trinidad Share basis;

- Significant operational synergies and efficiencies through combining operational facilities and reduced corporate and professional fees;
- Increased opportunities to move equipment to meet customer demand; and
- Reduced corporate leverage.

"The transaction is a compelling strategic fit and offers shareholders, customers, and employees of both companies a significant opportunity, owing to the complementary nature of our respective operations," said Lyle Whitmarsh, Trinidad's Chief Executive Officer. "Our highly experienced and capable leadership will consist of members of the management teams of Trinidad and CanElson, both of which have consistently generated above average utilization rates in Canada and the US."

The board of directors of CanElson (the "CanElson Board") is recommending this transaction for the following reasons:

- Creates a stronger and larger domestic drilling platform from which to grow international operations and enables CanElson shareholders to better participate in additional acquisition opportunities from a larger operating platform;
- Compliments CanElson's management team and positions the company for long term growth;
- Provides CanElson shareholders with a strategic investment opportunity in the third largest drilling contractor in Canada at an exchange ratio that offers a premium to the current share price of approximately 20%;
- Increases CanElson's exposure to a fleet of high quality AC electric heavy double and triple drilling rigs;
- Further diversifies CanElson into the US domestic and international marketplace;
- Provides enhanced exposure to shareholders to a recovery in drilling activity; and
- Potentially enhances CanElson shareholder liquidity, cost of capital and future access to capital to fund future growth and acquisition opportunities.

CanElson's President and Chief Executive Officer, Randy Hawkings, added, "The combined company will be strongly equipped with high-quality rigs across Western Canada, the top oil-focused basins in the US and strategic international markets, including Mexico and Saudi Arabia. Together we will be better positioned to optimize existing assets and operations and pursue new business opportunities. We will have a broader fleet to meet the demands of customers in matching the right rig for the right job and the talent to succeed in all market conditions."

## CANELSON FLEET

CanElson has assembled a highly-marketable, modern, deep-focused fleet. CanElson's fleet consists of 51 gross drilling rigs with an average age of approximately 5.6 years. CanElson's fleet is summarized below:

CanElson Drilling Rig Summary

					Horse Power Hookload			
	Canada #	US #	Int'l #	Total #	Low HP	High HP	Low (daN)	High (daN)
< 3,000m	0	1	1	2	400	460	85,406	133,000
3,000m - 4,000m	17	5	1	23	630	1,000	133,000	178,000
> 4,000m	11	15	0	26	850	1,500	155,688	333,617
Total	28	21	2	51				

## PRO FORMA SUMMARY, TRANSACTION TERMS AND CONDITIONS

Upon closing of the Transaction, Trinidad is anticipated to have the following pro forma characteristics:

- Highly-active fleet of 163 gross land drilling rigs, the majority of which provide customers with high horsepower pumps, high hook loads, top drives, and other key features required for drilling oil and gas wells in Canada and the United States efficiently;
- One of the most marketable drilling rig fleets in Canada and the United States as evidenced by historical and current utilization rates;
- Take or pay contract base of 35 - 40% of the combined fleet, with an average term remaining of 1.5 years;
- Pro forma Trinidad Shares outstanding of approximately 222 million (226 million fully diluted)<sup>(1)</sup>;

- Pro forma market capitalization of approximately \$1.05 billion<sup>(1) (4)</sup>; and
- Strong balance sheet with low leverage ratios; pro forma Debt to Bank EBITDA<sup>(2)</sup> of 2.11 times at March 31, 2015<sup>(3)</sup>.

Notes:

1. Assumes full payment of \$50 million in cash consideration.
2. Debt to Bank EBITDA is defined as the consolidated balance of long-term debt, which includes the Senior Debt, Senior Notes Payable and dividends payable at quarter end, less unrestricted cash in excess of \$10 million, to consolidated Bank EBITDA for the trailing twelve months. This measure does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures used by other companies. Readers are urged to consult the disclosure provided under the heading "Non-GAAP Measures" in Trinidad's management's discussion and analysis for the three months ended March 31, 2015 for a reconciliation of Bank EBITDA to net income.
3. Based on Trinidad's current debt covenant calculation.
4. Based on the June 10, 2015 closing price of Trinidad Shares.

## TRANSACTION DETAILS

The Transaction is expected to be completed prior the end of August, 2015 and is subject to standard TSX, Court and regulatory approvals and other closing conditions. The Transaction will require approval by at least 66 2/3 percent of the CanElson Shares represented in person or by proxy at a special meeting of CanElson shareholders and a majority of the votes cast by CanElson shareholders after excluding the votes cast by those persons whose votes may not be included under the *Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions*. The issuance of the Trinidad Shares pursuant to the Transaction will require approval by a simple majority of the Trinidad Shares represented in person or by proxy at a special meeting of Trinidad shareholders. In addition, and conditional upon the completion of the Transaction, it is expected that Donald R. Seaman will be appointed to the Trinidad Board and Trinidad will put forward for Trinidad shareholder approval two additional CanElson director nominees for election to the Trinidad Board, namely Elson J. McDougald and Dale Johnson.

The Transaction has received unanimous approval by the CanElson Board. The CanElson Board has unanimously determined that the Transaction is in the best interests of CanElson, that the consideration to be received by CanElson shareholders is fair from a financial point of view to the CanElson shareholders and has resolved to recommend that CanElson shareholders vote in favour of the Transaction.

Similarly, the Transaction has received the unanimous approval of the directors of Trinidad (the "Trinidad Board"). The Trinidad Board has unanimously determined that the Transaction is in the best interests of Trinidad and has resolved to recommend that the Trinidad shareholders vote in favour of the issuance of the Trinidad Shares and the appointment of the CanElson director nominees.

In addition, shareholders of CanElson holding approximately 6% of the outstanding CanElson shares, have entered into support agreements to vote in favour of the Transaction and shareholders of Trinidad holding approximately 1% of the outstanding Trinidad Shares, have entered into support agreements to vote in favor of the issuance of the Trinidad Shares and the election of Mr. McDougald and Mr. Johnson to the Trinidad Board.

Following the closing of the Transaction, in addition to the three CanElson director nominees joining Trinidad's Board, it is expected that several members of the CanElson management team, including Randy Hawkings and other key members of the CanElson leadership team, will stay on to assist in the integration and management of the combined company.

Pursuant to the terms of the Arrangement Agreement, CanElson has agreed that it will not solicit or initiate discussions regarding any other business combination or sale of material assets. The CanElson Board may respond to unsolicited superior proposals subject to certain requirements and notification to Trinidad who has the right to match any superior proposals within a three business day match period. The Transaction provides for a reciprocal non-completion fee of \$15 million payable in certain circumstances if the Transaction is not completed.

Trinidad and CanElson's shareholders will continue to receive dividends as they are declared.

Complete details of the terms of the Transaction are set out in the Arrangement Agreement, which will be filed and available for viewing on SEDAR under each of Trinidad and CanElson's profiles at [www.sedar.com](http://www.sedar.com).

## FINANCIAL ADVISORS

Raymond James Ltd. is acting as exclusive financial advisor to Trinidad with respect to the Transaction.

Peters & Co. Limited is acting as exclusive financial advisor to CanElson and has provided CanElson with a verbal opinion that the consideration to be received by the CanElson shareholders pursuant to the Transaction is fair, from a financial point of view, to the CanElson shareholders.

Lightyear Capital is acting as strategic advisor to CanElson.

## CONFERENCE CALL

Trinidad and CanElson will hold a joint conference call to discuss the Transaction.

Conference Call: Thursday, June 11, 2015 beginning at 9:00 a.m. MT (11:00 a.m. ET).

888-231-8191 (toll-free in North America) or 647- 427-7450 approximately 10 minutes prior to the conference call.

Archived Recording: Available from approximately 12:30 p.m. MT on June 11, 2015 until midnight June 18, 2015. The number is 855-859-2056 or 416-849-0833 and access code is 64767096.

Webcast: [www.trinidaddrilling.com/investors/events-presentations](http://www.trinidaddrilling.com/investors/events-presentations)  
[www.canelsondrilling.com/investors/](http://www.canelsondrilling.com/investors/)

Trinidad is a corporation focused on sustainable growth that trades on the Toronto Stock Exchange under the symbol TDG. Trinidad's divisions operate in the drilling and barge-drilling sectors of the North American oil and natural gas industry with operations in Canada and the United States. In addition, through a joint venture, Trinidad has the opportunity to operate drilling rigs in other international markets such as Saudi Arabia and Mexico. Trinidad is focused on providing modern, reliable, expertly designed equipment operated by well-trained and experienced personnel. Trinidad's drilling fleet is one of the most adaptable, technologically advanced and competitive in the industry.

The primary business of CanElson is operating land-based contract drilling rigs in Canada, the US and Mexico for oil and natural gas exploration and development companies. CanElson also operates a compressed natural and raw gas transportation related services business through its wholly owned subsidiary, CanGas Solutions Inc.

This news release shall not constitute an offer to sell or the solicitation of an offer to buy the shares in any jurisdiction. The shares offered will not be and have not been registered under the United States Securities Act of 1933 and may not be offered or sold in the United States or to a United States person, absent registration, or an applicable exemption therefrom.

## FORWARD-LOOKING STATEMENTS

*This press release contains certain statements or disclosures relating to Trinidad, CanElson, the Transaction and the combined entity that will be created pursuant to the Transaction which constitute forward-looking information under applicable securities laws. All statements and disclosures, other than those of historical fact, which address activities, events, outcomes, results or developments that Trinidad or CanElson anticipates or expects may, or will occur in the future (in whole or in part) should be considered forward-looking information. In some cases, forward-looking information can be identified by terms such as "may", "will", "expect", "anticipate", "pro forma", or other comparable terminology.*

*In particular, this press release includes forward-looking information about the Transaction and its impacts, including without limitation: (a) the anticipated closing of the Transaction and the timing thereof; (b) the anticipated operational and strategic benefits of the Transaction including in particular, the information set out under the heading "Strategic Rationale"; (c) the anticipated benefits identified as being the reasons that the CanElson Board and the Trinidad Board, respectively, are each recommending the Transaction; and (d) the anticipated impact of the Transaction on Trinidad including in particular, pro forma market capitalization, pro forma Bank Debt to EBITDA value and the information set out under the heading "Pro Forma Summary, Transaction Terms and Conditions".*

*The forward-looking information provided in this press release is based upon a number of material factors*

*and assumptions including without limitation: (a) that the Transaction will be completed in the timelines and on the terms currently anticipated; (b) that all necessary TSX, Court and regulatory approvals will be obtained on the timelines and in the manner currently anticipated; (c) that all necessary Trinidad and CanElson shareholder approvals will be obtained; and (d) general assumptions respecting the business and operations of both Trinidad and CanElson, including that each business will continue to operate in a manner consistent with past practice and pursuant to certain industry and market conditions.*

*Forward-looking information is subject to a number of risks and other factors that could cause actual results and events to vary materially from that anticipated by such forward-looking information. In particular, the completion of the Transaction is subject to a number of risks including, without limitation: (a) TSX, Court and regulatory approvals may not be obtained in the timelines or on the terms currently anticipated or at all; (b) Trinidad and/or CanElson shareholder approval may not be obtained; (c) the Transaction is subject to a number of closing conditions and no assurance can be given that all such conditions will be met or will be met in the timelines required by the Arrangement Agreement; and (d) the business, operational and/or financial performance or achievements of Trinidad or CanElson may be materially different from that currently anticipated. In particular, the synergies and benefits anticipated in respect of the Transaction are based on the current business, operational and financial position of each of Trinidad and CanElson which are subject to a number of risks and uncertainties. Readers are urged to consult the disclosure provided under the heading "Risk Factors" in Trinidad's annual information form for the year ended December 31, 2014 and under the heading "Risk Factors" in CanElson's annual information form for the year ended December 31, 2014, each of which has been filed on SEDAR at [www.sedar.com](http://www.sedar.com) for further information respecting the risks and other factors applicable to Trinidad and CanElson, respectively.*

*Readers are cautioned not to place undue reliance on forward looking information, which is given as of the date of this press release. Trinidad and CanElson undertake no obligation to update publicly or revise any forward looking information, whether as a result of new information, future events or otherwise, unless required to do so pursuant to applicable law*

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