

# **Trinidad Board of Directors Recommends Shareholders Reject Ensign's Hostile Offer and Do Not Tender Shares; Trinidad Operations Continue to Perform Strongly**

13.09.2018 | [CNW](#)

CALGARY, Sept. 13, 2018 - [Trinidad Drilling Ltd.](#) (TSX: TDG) ("Trinidad" or the "Company") today announced that the Board of Directors (the "Board") has unanimously determined that the hostile offer from Ensign Energy Services Inc. ("Ensign") to acquire all of the issued and outstanding common shares ("Common Shares") of Trinidad for cash at a price of \$1.68 per Common Share (the "Ensign Offer") is not in the best interest of the Company or its shareholders ("Shareholders").

The Board's determination followed careful consideration, including advice from its financial and legal advisors, and the recommendation of the Special Committee. The Board believes the Ensign Offer significantly undervalues Trinidad and unanimously recommends that Shareholders REJECT the Ensign Offer and NOT TENDER their Common Shares. To reject the Ensign Offer, simply take NO ACTION. If you have tendered your Shares in error and wish to withdraw, simply ask your broker or contact D.F. King (see contact information below) to assist you with this process.

A director's circular providing the full details concerning the Board's recommendation, including the reasons to REJECT and background to the Ensign Offer, is available on the Company's website at: [www.trinidadrilling.com/EnsignOffer](http://www.trinidadrilling.com/EnsignOffer) and at [www.sedar.com](http://www.sedar.com), and will be mailed to all persons required to receive a copy under applicable securities laws.

The text of the Board's letter to Trinidad Shareholders, which is summarized below, highlights the reasons why Shareholders should REJECT the Ensign Offer. Below the summary, Trinidad provides an operational update, demonstrating that Trinidad's business continues to perform strongly with growing activity levels, new long-term contracts and a solid financial position to support its operations.

#### Reject Ensign's Hostile Offer: It Significantly Undervalues Your Investment in Trinidad

Ensign has launched an opportunistic, hostile take-over bid for Trinidad, attempting to exploit temporary weakness in the trading price of Trinidad's Common Shares. The Ensign Offer significantly undervalues Trinidad.

#### Other Shareholders agree with us

The Board has already heard from many of you that the Ensign Offer is insufficient. Take, for example, the comments of Trinidad Shareholder and former Chief Investment Officer of Mackenzie Investments, Robert Tattersall, CFA, who is also an Ensign shareholder:

"[A]s a shareholder of Trinidad Drilling, I believe that the [Ensign] offer dramatically undervalues the company, and I won't be tendering my shares anywhere near the current offer price."  
Robert Tattersall, CFA (Globe and Mail, August 16, 2018)

In addition, Trinidad insiders have confidence in Trinidad's strategy, as reflected in recent share purchases.

#### The Ensign Offer is inadequate

TD Securities Inc., Trinidad's independent financial advisor, has determined that the Ensign Offer is inadequate, from a financial point of view, to Trinidad and its Shareholders.

#### New formal process

Trinidad has initiated a new formal process to seek alternative proposals and has maintained a comprehensive data room to efficiently surface competing proposals. The primary focus of this new formal process is to seek opportunities which maximize Shareholder value. Trinidad believes that superior offers or alternatives may emerge prior to the scheduled expiry of the Ensign Offer, which is not until December 14, 2018.

Through the strategic review process completed on July 31, 2018, Trinidad received interest from multiple

parties, including non-binding proposals with an indicative value in excess of the Ensign Offer.

Trinidad is worth more as an independent company

Trinidad has a track record of operational excellence, a strong customer base, geographic diversity and a solid financial position and is worth more as an independent company. In the unlikely situation that no value-maximizing transaction emerges, Shareholders should still REJECT the Ensign Offer.

Among other reasons to REJECT the Ensign Offer:

- It is below the September 11, 2018 closing price of the Trinidad Shares.
- It is an all-cash offer, which gives Ensign all of the synergies and future growth of the two companies, with no participation for Trinidad's Shareholders.
- It is lower than Trinidad's trading price on 90% of trading days year to date.
- It is 61% below the book value of Trinidad's assets, significantly undervaluing Trinidad's high quality asset base.
- It is 27% below Trinidad's historical valuations levels.
- The average 12-month target of 10 independent research analysts covering Trinidad is 49% above the Ensign Offer.

Trinidad's improved strategy and improving industry conditions

The Ensign Offer does not account for the gains Trinidad is achieving as it continues to lower costs and deploy advanced technology. Nor does the Ensign Offer account for strong operational performance and improvements to Trinidad's business driven by its revised strategic plan.

In the second quarter of 2018, Trinidad's higher activity, higher dayrates and strong cost control drove Adjusted EBITDA up 125%, compared to the second quarter of 2017. Improving commodity prices and strong customer demand are helping to drive this growth, and Trinidad is well positioned to continue to benefit from these macro industry trends.

Ensign declined to participate in Trinidad's Strategic Review Process

Despite several invitations to participate in Trinidad's strategic review process, Ensign declined. As a result, Ensign has deprived itself of recent, detailed information respecting Trinidad's business and prospects that would have improved its assessment of Trinidad's full value. If Ensign was interested in paying fair value to Trinidad's shareholders, it would have participated in the strategic review process.

#### Operational Update

Trinidad's business continues to perform strongly with growing activity levels, new long-term contracts signed and a solid financial position to support its operations.

Customer demand remains strong across Trinidad's operations. Since the end of the second quarter of 2018, activity in the Permian Basin has increased as Trinidad's customers continue to complete their planned drilling programs. As of September 10, 2018, Trinidad had 35 rigs active in the Permian and a total of 43 rigs, or 66%, of its U.S. fleet active, with additional rigs expected to start up in the coming months. Trinidad Management continues to expect its U.S. operations to reach 45 active rigs by the end of 2018.

Trinidad's operations in Canada also continue to perform well with utilization remaining well above industry average levels. As of September 10, 2018 Trinidad had 46% of its Canadian fleet active, compared to an industry average of 38%.

Activity in Trinidad's international joint venture operations has remained stable since the end of the second quarter, with two rigs currently operating and two rigs being upgraded before starting operations under long-term contracts in Kuwait in 2019.

Since announcing its second quarter results on August 7, 2018, Trinidad has been able to take advantage of strong customer demand and sign four new long-term contracts and extend one existing long-term contract. These contracts all relate to rigs operating in the Permian Basin, with an average term of 1.5 years and a mix of set dayrate and performance-based contracts.

Trinidad's business continues to perform well and benefit from improving industry conditions. The Company has successfully crewed rigs as activity levels grow across its operations and a severance plan implemented earlier in the year is acting as a retention tool for salaried employees.

Trinidad's capital program is progressing well with capital returns in line with expectations and the final rig expected to be completed by the end of 2018. In addition, contracts have been signed on all eight rigs in the program.

Despite the hostile Ensign Offer, Trinidad remains focused on operating its business efficiently, ensuring strong performance for its customers and providing safe operations for its people. Trinidad has a solid financial position, a sound future strategy and will continue to maintain its reputation as a high performance contract driller.

#### Advisors

Trinidad has retained TD Securities Inc. as financial advisor and Blake, Cassels & Graydon LLP as legal counsel.

#### About Trinidad

Trinidad is an industry-leading contract driller, providing safe, 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. Trinidad provides contract drilling and related services in the US, Canada, the Middle East and Mexico.

Shareholders with questions or that require assistance with withdrawing their shares which were tendered in error may contact Trinidad's Information Agent, D.F. King Canada, toll free at 1.866.521.4427 (212-771-1133 by collect call) or by email at [inquiries@dfking.com](mailto:inquiries@dfking.com).

Media enquiries may be directed to Trinidad's Communications Advisor, Longview Communications, at:

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#### FORWARD-LOOKING INFORMATION AND STATEMENTS

This press release contains certain forward-looking information and statements within the meaning of Canadian and United States securities laws (collectively, "forward-looking statements") relating to the Ensign Offer, Trinidad's strategic review process, mailing of the directors' circular, positioning of the Company to take advantage of industry recovery, as well as Trinidad's general plans, strategies, objectives, expectations and intentions. The use of any of the words "expects", "intends", "will", "continues" and similar expressions are intended to identify forward-looking statements.

The forward-looking statements included in this document are not guarantees of future performance or

results and should not be unduly relied upon. Forward-looking statements are based on current expectations, estimates and projections that involve a number of factors and risks, which could cause actual results to differ materially from those anticipated and described in the forward-looking statements. These factors and risks include, but are not limited to, there may not be any alternative transactions or the terms and conditions of any alternative transactions may not be acceptable to the Company, the demand for Trinidad's services, and risks associated with general economic conditions.

Trinidad cautions that the foregoing list of assumptions, risks and uncertainties is not exhaustive. The forward-looking statements contained in this document speak only as of the date of this document and Trinidad assumes no obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable securities laws. For a full discussion of the Company's material risk factors, see Trinidad's annual information form for the year ended December 31, 2017 and risk factors in other documents filed from time to time with securities regulatory authorities, accessible through the SEDAR website ([www.sedar.com](http://www.sedar.com)).

SOURCE [Trinidad Drilling Ltd.](#)

## Contact

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