

# Trinidad Drilling Announces Strategic Merger with Precision Drilling to Create Industry-Leading Contract Driller

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## Premium of 25% to Hostile Ensign Offer

CALGARY, Oct. 5, 2018 - [Trinidad Drilling Ltd.](#) (TSX: TDG) ("Trinidad" or "the Company") today announced that the boards of directors for Trinidad and [Precision Drilling Corp.](#) ("Precision") have unanimously agreed to a strategic combination of the two companies, creating an industry-leading contract driller.

The combined entity will be one of the largest North American land drillers with 348 rigs, operating a high quality fleet in North American basins, with an expanded international footprint.

Under the terms of the combination, Precision is offering 0.445 of a Precision Share (each whole share a "Precision Share") for each of the issued and outstanding common shares of Trinidad (the "Trinidad Shares"). Based on Precision's 30-day volume-weighted average share price of \$4.73 on the TSX for the period ending October 4, 2018, the exchange ratio translates to \$2.11 per Trinidad Share, representing:

- a premium of 25% to the all-cash \$1.68 per share hostile take-over offer from Ensign Energy Services Inc. (the "Ensign Offer") launched on August 30, 2018;
- a premium of 17% to Trinidad's 30-day volume-weighted average share price of \$1.81 for the period ending October 4, 2018, and
- a premium of 14% to the closing price of Trinidad Shares of \$1.84 on October 4, 2018.

Total consideration for Trinidad is approximately \$1,028 million, comprised of approximately \$540 million in Precision Shares and the assumption by Precision of \$477 million in Trinidad debt. The combined entity will have an enterprise value of approximately \$4.0 billion and operate under the Precision name.

"This combination of two high-quality drilling contractors creates the third largest drilling contractor in the robust US market and provides a significant international growth platform," said Brent Conway, Trinidad's President and Chief Executive Officer. "The combined operations will provide our customers with a broader selection of equipment, while also maintaining the high performance level and strong safety record on which Trinidad has built its reputation. Our shareholders will also benefit from improved liquidity and future upside, as the combined entity generates significant synergies and participates in improving industry conditions."

Added Mr. Conway, "This combination comes after a comprehensive process to review all available alternatives and to maximize value for our shareholders. Several parties participated in this process and Trinidad's Board of Directors (the "Trinidad Board") concluded that this combination currently represents the best alternative for our shareholders and provides them with the maximum value."

## TRANSACTION SUMMARY

Trinidad and Precision have entered into an arrangement agreement (the "Arrangement Agreement") to combine the companies (the "Transaction"). The Trinidad Board and the board of directors of Precision (the "Precision Board") have each unanimously approved the Transaction, received fairness opinions from their respective financial advisors, as described further below, and recommend that their respective security holders vote in favour of the Transaction.

The Transaction is subject to the approval of the security holders of Trinidad and the shareholders of Precision, the Court of Queen's Bench as well as certain regulatory approvals and other customary closing conditions. The Transaction is expected to close prior to the end of 2018, subject to regulatory approvals. Upon completion of the Transaction, Trinidad shareholders will own approximately 29% of the combined entity.

Trinidad's Board, based upon, among other things, the advice of its financial and legal advisors, believes this Transaction is superior to the Ensign Offer made on August 30, 2018 to acquire the Trinidad Shares for \$1.68 in cash per Trinidad Share. Trinidad continues to recommend that Trinidad shareholders reject the unsolicited Ensign Offer. In addition to a higher premium than the Ensign Offer, the equity component of this Transaction allows Trinidad's shareholders to benefit from the upside generated by the combination of two high quality contract drillers, such as Trinidad and Precision.

The Transaction is expected to generate substantial synergies, driving cost savings across the combined entity. In addition, improving industry conditions and expectations for future growth in cash flow are expected to provide additional benefits.

shareholders. In contrast to the Ensign Offer, this Transaction may provide a tax-efficient platform for certain of Trinidad shareholders to roll over their ownership to Precision Shares.

## STRATEGIC RATIONALE FOR THE PRECISION TRANSACTION

The combination of two prominent North American drilling companies will create a leading oilfield service provider with high-quality fleet, established operations throughout the key plays in North America, and an expanded international footprint.

### Increased Scale and Resources

The combined company will be one of the largest North American drillers, with a broad customer base and operations throughout the key regions in North America. The expanded operational footprint will increase Trinidad's exposure to a broader array of regions and customers, while also expanding the equipment offering to its existing customers.

### Expanded Organic Growth Opportunities

With a larger, more diverse fleet, the combined company will be able to choose the best projects from a larger opportunity set, optimize capital allocation and provide superior growth.

### Strong Synergies and High-graded Fleet

The combination of Precision and Trinidad allows for improved efficiency and significant synergies, driving cost savings throughout the combined entity. In addition, the combined entity expects to review its fleet as a whole and select approximately 50 rigs for disposition, leading to a high-graded fleet.

### Larger Platform for International Growth Opportunities

The combined company will benefit from a larger, established international platform that can provide better opportunities for growth. Increased scale in the combined entity's international operations will drive improved efficiency and position the company well to win future tenders. The size of the international fleet would grow to 26 rigs on a combined basis from Trinidad's current fleet of eight rigs, including seven joint venture rigs.

### Enhanced Platform for Technology Deployment

The increased size of the combined fleet will provide a larger base to deploy Trinidad's technology, driving faster expansion and increased customer adoption. Integration with Precision's Process Automation Control (PAC) platform further augments the technology offering to customers.

### Increased Size and Trading Liquidity

The combined company, with a total enterprise value of approximately \$4.0 billion, will be a leading North American company and a high-quality oilfield services investment opportunity. Trinidad's shareholders are expected to benefit from improved liquidity and increased institutional investor interest due to the larger market capitalization of the combined entity as well as Precision's listing on the New York Stock Exchange.

### Customer-focused, High-performance Culture

Trinidad and Precision have complementary cultures and many shared values that will drive ongoing operational excellence for our customers. The operational success of both companies is founded on providing high-quality equipment, strong safety performance, technical leadership and well-trained personnel. These core competencies will remain a key focus for the combined entity.

## TRANSACTION DETAILS

The Transaction is expected to be completed in late 2018, subject to competition approval, and is also subject to TSX and regulatory approvals and the satisfaction of other customary closing conditions.

The Transaction will require approval by at least 66 2/3% of the Trinidad Shares represented in person or by proxy at a special meeting of Trinidad security holders to be called and a majority of the votes cast by Trinidad security holders after excluding 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 Precision Shares pursuant to the Transaction will require approval by a simple majority of the Precision

Shares represented in person or by proxy at a special meeting of Precision pursuant to the requirements of the TSX.

Precision and Trinidad expect to mail a joint management information circular with respect to their respective security holder meetings in early November 2018. A copy of the joint information circular will be filed and available for viewing on SEDAR under each of Precision's profile and Trinidad's profile when it is mailed.

Pursuant to the terms of the Arrangement Agreement, Trinidad has agreed that it will not solicit or initiate discussions regarding any other business combination or sale of material assets. Trinidad may respond to unsolicited superior proposals subject to certain requirements and notification to Precision, which has the right to match any superior proposals within a five-day period. The Arrangement Agreement provides for a non-completion fee of \$20 million payable by Trinidad in certain circumstances if the Transaction is not completed.

One of Trinidad's current directors will be appointed to the Precision Board, and one of Trinidad's current directors will be nominated for election to the Precision Board at the Precision shareholder meeting, with such appointment and election becoming effective upon closing of the Transaction and, thereafter, subject at all times to the fiduciary duties of the Precision Board. The requirements of applicable laws, agreements will be in place with Precision to nominate and recommend such directors for reelection through and including Precision's 2019 annual meeting.

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 Precision's and Trinidad's profiles at [www.sedar.com](http://www.sedar.com)

#### Recommendations of the Trinidad Board and the Precision Board

The Trinidad Board has unanimously approved the Transaction, and determined that it is fair to the Trinidad shareholders. The entering into of the Arrangement Agreement is in the best interests of Trinidad and the Trinidad shareholders. The Trinidad Board has unanimously recommended that Trinidad's shareholders vote in favour of the Transaction. TD Securities Inc. has provided Trinidad with a verbal opinion that the consideration to be received by Trinidad shareholders pursuant to the Transaction is fair, from a financial point of view, to the Trinidad shareholders. All directors and senior executive officers of Trinidad have entered into agreements with Precision pursuant to which they have agreed to vote their Trinidad Shares in favour of the Transaction.

The Precision Board has unanimously approved the Transaction, determined that it is in the best interests of Precision and recommended that Precision's shareholders vote in favour of the issuance of Precision Shares pursuant to the Transaction. Capital Markets has provided the Precision Board with a verbal opinion that, the consideration to be paid under the Transaction is fair, from a financial point of view, to Precision. All of the directors and senior executive officers of Precision have entered into agreements with Trinidad pursuant to which they have agreed to vote their Precision shares in favour of the Transaction.

#### REJECT THE HOSTILE ENSIGN OFFER

The Trinidad Board continues to unanimously recommend that Trinidad's shareholders REJECT the hostile Ensign Offer and not tender their shares to the Ensign Offer. No action is required to REJECT the Ensign Offer.

Shareholders who have already tendered to the hostile Ensign Offer can withdraw their shares by contacting their broker or Trinidad's Information Agent D.F. King (see contact information below).

#### Advisors

TD Securities Inc. is acting as financial advisor to Trinidad with respect to the Transaction. Blake, Cassels & Graydon, LLP is acting as Trinidad's legal advisor.

RBC Capital Markets is acting as financial advisor to Precision. Torys LLP is acting as Precision's legal advisor.

#### 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.

For further information, please contact:

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Media enquiries may be directed to Trinidad's Communications Advisor, Longview Communications, at: Martin Cej; 403.265.6525; [mcej@longviewcomms.ca](mailto:mcej@longviewcomms.ca); Alan Bayless: 604-694-6035; [abayless@longviewcomms.ca](mailto:abayless@longviewcomms.ca)

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 (201.806.7301 by collect call) or by email at [inquiries@dfking.com](mailto:inquiries@dfking.com).

## FORWARD-LOOKING INFORMATION AND STATEMENTS

This document contains certain forward-looking information and statements within the meaning of Canadian securities laws (collectively, "forward-looking statements") relating to Trinidad's plans, strategies, objectives, expectations and intentions. The use of any of the words "expected", "will", "may", "would", "anticipated" and similar expressions are intended to identify forward-looking statements. Various assumptions were used in drawing the conclusions or making the projections contained in the forward-looking statements throughout this document. More particularly but without limitation, this news release contains forward-looking statements pertaining to:

- the anticipated benefits of the Transaction to Trinidad's shareholders and the combined entity's customers;
- the expected closing date of the Transaction;
- Trinidad shareholders' level of ownership in the combined entity following closing of the Transaction;
- the financial, operational and other synergies to be generated by the Transaction;
- approvals required by both Trinidad shareholders and Precision shareholders;
- unsolicited superior proposals; and
- filing of the Arrangement Agreement.

The forward-looking statements included in this document are not guarantees of future performance and should not be relied upon. Forward-looking statements are based on current expectations, estimates and projections that involve a number of assumptions, 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:

- the ability to obtain regulatory and shareholder approvals and meet other conditions to closing of the Transaction;
- the ability to integrate Trinidad's and Precision's businesses and operations and realize the anticipated synergies of the Transaction;
- the emergence of a superior proposal;
- the demand for the combined entity's services;
- competitors, technological changes and developments in the oilfield services industry;
- volatility in commodity prices, in particular for oil and natural gas; and
- general economic conditions including the capital and credit markets.

Trinidad cautions that the foregoing list of assumptions, risks and uncertainties is not exhaustive. The forward-looking information 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 discussion of the Company's material risk factors, see Trinidad's annual information form for the year ended December 31, 2025.

and risk factors in other documents filed from time to time with securities regulatory authorities, accessible through the website ([www.sedar.com](http://www.sedar.com)).

#### Additional Information for U.S. Investors

This press release does not constitute an offer to sell or the solicitation of an offer to buy any securities. The securities herein have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "U.S. Act") or any state securities laws and accordingly may not be offered or sold within the United States or to "U.S. person" term is defined in Regulation S promulgated under the U.S. Securities Act, except in compliance with the registration requirements of the U.S. Securities Act and applicable state securities requirements or pursuant to exemptions therefrom. It is anticipated that any securities to be issued under the Transaction will be offered and issued in reliance upon the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) thereof and pursuant to applicable exemptions under state securities laws.

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