

# Trinidad Drilling Continues to Support Strategic Merger with Precision; Recommends Rejection of Accelerated Inadequate Ensign Offer

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CALGARY, Nov. 19, 2018 - [Trinidad Drilling Ltd.](#) (TSX: TDG) ("Trinidad" or "the Company") today confirmed its continued support for a strategic share exchange merger (the "Precision Transaction") with [Precision Drilling Corp.](#) ("Precision"). Following the completion of the Precision Transaction, the combined entity will be one of the largest North American land drillers, operating a high-quality fleet of 348 rigs in key US and Canadian basins, with an expanded international footprint.

This press release contains important information for shareholders of Trinidad, and you are encouraged to consult with your investment dealer, broker, bank manager, lawyer or other professional advisor should you have questions with respect to the matters discussed herein.

Recent evidence supporting the value of the Precision Transaction is described in more detail below and includes consensus analyst target prices, stock purchases by Precision insiders, and trading analysis of volume-weighted average prices ("VWAP") for Precision's shares. For these reasons and more, the Precision transaction remains superior to the inadequate, all-cash takeover offer (the "Ensign Offer") from Ensign Energy Services Inc. ("Ensign").

"Trinidad's Board of Directors (the "Trinidad Board") continues to believe that the Precision Transaction is the best available option for Trinidad shareholders, despite a recent market downturn in the oil and gas sector," said Ken Stickland, the Chair of the Trinidad Board. "This belief is supported by the future long-term value creation expected from the combined entity, in which, if approved, Trinidad shareholders would own approximately 29%, and further evidenced by consensus analyst price targets."

Continued Mr. Stickland, "With the combination of the two companies, our shareholders have the opportunity to benefit from the future upside created through a highly competitive fleet, growing cash flow generation and improved efficiencies, including significant cost savings. Those benefits, if achieved, are likely to deliver a superior return compared with either a stand-alone option or the inadequate Ensign Offer."

Since the announcement of the proposed strategic combination between Trinidad and Precision, West Texas Intermediate crude oil prices have come under pressure, dropping approximately 25%. During this time, Canadian light oil, Western Canadian Select and natural gas liquids prices have fallen more steeply, with recent differentials to US benchmark prices reaching record levels. Not surprisingly, investors, oil and gas producers and the media have all taken notice.

There are a variety of market forces driving this impact on pricing, which most industry analysts forecast to be more short term in nature, with their future estimates reflecting improving commodity prices. In the short term, Precision has not been immune to these market conditions and its share price has lowered, reducing the implied value of Trinidad shares under the Precision Transaction. Trinidad's Board continues to manage its business for the long term and encourages investors to consider the long-term benefits this strategic merger with Precision offers.

The Trinidad Board unanimously recommends that shareholders vote FOR the Precision Transaction by proxy or at a meeting for Trinidad shareholders on December 11, 2018. The Trinidad Board unanimously recommends that shareholders REJECT the inadequate Ensign Offer.

Shareholders don't need to take any action to reject the inadequate Ensign Offer.

#### The Trinidad Board Reaffirms its Unanimous Support for the Precision Transaction

The Trinidad Board reaffirms its unanimous determination that the Precision Transaction is fair to Trinidad's shareholders, and that the Precision Transaction and the entry into the arrangement agreement with Precision to effect the Precision Transaction continues to be in the best interests of Trinidad and its shareholders. Moreover, the Trinidad Board continues to unanimously recommend that the Trinidad securityholders vote in favour of the resolution to approve the Precision Transaction at the upcoming meeting of Trinidad's securityholders.

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).

Assuming shareholder support, the transaction has a high likelihood of completion

Precision has informed Trinidad that they have received early termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, with respect to the Precision Transaction. The waiting period under the Canadian Competition Act also expired on November 16, 2018. At Precision's election, the expiration of the waiting periods under both of these acts satisfies the competition act conditions, leaving the shareholder vote as the key remaining approval required.

Research analysts recognize the upside potential of the strategic merger and have revised forward target prices

The current outlook established for Precision by sell-side analysts provides support for the Precision Transaction's potential for future value creation. The consensus 12-month target price or estimate is \$7.07 per Precision share for analysts who have quantified the value of the combination. This implies a value for Trinidad shareholders of \$3.15 per share over the same time period, based on the exchange ratio of 0.445 of a Precision share for each Trinidad share.

This implied value for Trinidad shareholders in 12 months is 26% higher than the consensus of \$5.59 per Precision share for analysts who have not factored in the value of the combination. More importantly, the consensus for the combined entity represents an 87% premium to the inadequate Ensign Offer of \$1.68. While the consensus target price has an obvious element of risk, it clearly indicates the potential value of the Precision Transaction.

Among the factors that add to the value of the combined entity is the potential for significant and immediate cost synergies. The combination of Trinidad and Precision is expected to drive meaningful cost reductions at the corporate and field levels through the consolidation of resources of both companies in addition to improved operating efficiencies. Further, select one-time gains may be realized by monetizing excess assets.

This unique opportunity is only available to shareholders of both companies following the successful completion of the Precision Transaction. This opportunity will be lost if Trinidad shareholders reject the combination in favour of the inadequate Ensign Offer, which locks in the return at a low point in the industry.

Historically the value represented by the Precision deal is in excess of the inadequate Ensign Offer

Trinidad's 100-day VWAP analysis of trading in Precision's shares provides further insight into the value of the Precision share-exchange offer for Trinidad shareholders. Over the 100 trading day period, the VWAP is \$4.32 per Precision share, equivalent to an implied value of \$1.92 per Trinidad share based on the exchange ratio of 0.445 of a Precision share for each Trinidad share. The 100 trading day VWAP indicates an implied 14.3% premium compared with the inadequate Ensign Offer.

Precision's management team and board support the upside in the transaction and have been buying Precision shares

Precision's insiders have expressed their confidence in the strategic rationale and expectation of future value creation by acquiring Precision shares. Since the announcement of the Precision Transaction, a total of 15 directors and officers of Precision have invested almost \$645,000 to purchase 198,500 Precision shares in the open market, according to filings on Canada's System for Electronic Disclosure by Insiders.

The Hostile Ensign Offer is Inadequate and Provides No Upside

On Friday November 16, 2018, Ensign accelerated the expiry date of its inadequate offer to November 27, 2018 from December 14, 2018. The all-cash consideration of \$1.68 per Trinidad share remains unchanged.

The Trinidad Board continues to unanimously recommend rejection of the inadequate Ensign Offer. The Trinidad Board continues to believe that the inadequate Ensign Offer is not in the best interest of Trinidad or its shareholders for several reasons, including:

- The inadequate Ensign Offer is highly opportunistic and was timed to take advantage of weakness in Trinidad's trading price and volatile industry conditions.
- It is lower than Trinidad's trading price on 185 trading days, year to date.
  - The implied Trinidad price based on the 12-month consensus analyst target price for the combined Precision/Trinidad entity is 87% higher than the inadequate Ensign Offer.
- The inadequate Ensign Offer solidifies Trinidad's value at a low point in the industry and takes all the benefit of efficiency gains and future industry improvement for Ensign's shareholders, at the expense of Trinidad's shareholders.

Trinidad's operational results remain strong

Despite recent commodity price volatility and uncertainty in the Canadian oil and gas industry, Trinidad's operations remain strong. In the US, Trinidad continues to see multiple requests for additional equipment, largely focused in the Permian Basin in Texas, but with growing interest in additional areas. In Canada, while future visibility is less clear than usual at this time of year, current activity remains firm and industry activity levels are trending ahead of this time last year. Trinidad currently has 43 active rigs in the US and 26 in Canada. In the joint venture there is one active rig and one rig receiving standby revenue.

The benefits of the Precision Transaction

As disclosed in our joint management information circular and proxy statement dated November 5, 2018 (the "Circular"), the benefits of a combination with Precision are significant:

- Long-term value creation opportunity through continued equity ownership
- Sizeable and immediate cost synergies
- Significant cash flow generation potential
- Creates a unique industry-leading, high-performance land driller
- Third-largest U.S. land driller
- Expanded international growth opportunities
- Leader in land drilling technology with future growth opportunities
- Shared values creates strong strategic fit
- Increased size and trading liquidity
- Strong balance sheet and credit profile

Trinidad Shareholder Meeting

A meeting for Trinidad shareholders, to consider a resolution to approve the Precision Transaction, is scheduled to be held in the Viking Room located at the Calgary Petroleum Club, 319 5th Avenue S.W., Calgary, Alberta, Canada at 9:00 a.m. (Calgary time) on December 11, 2018.

A copy of the Joint Information Circular has been mailed to shareholders, along with the necessary voting forms. The Trinidad Board encourages shareholders to carefully read the information sent to them and to vote their shares. The Trinidad Board continues to unanimously recommend shareholders vote their shares in favour of the Precision Transaction and reject the inadequate Ensign Offer. Proxy voting must be completed by 9:00 am MST on Friday, December 7, 2018.

Advisors

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

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;
- analysts' consensus on future share prices for the combined entity;
- estimates of cash flow and other financial performance metrics;
- international business opportunities; and
- impact of the Transaction on the combined entity's balance sheet and financial strength.

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

- 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;
- general economic conditions including the capital and credit markets; and
- the ability of the combined entity to enter into financing transactions that improve balance sheet strength.

#### Contact

Trinidad cautions that the foregoing list of assumptions, risks and uncertainties is not exhaustive. The Brent Conway, President & Chief Executive Officer, 403-265-6525, Lisa Ottmann, Vice President, Investor Relations and Corporate Communications, 403-294-4401, email: investors@trinidaddrilling.com. Media enquiries may be directed to Trinidad's Communications Advisor, Longview Communications at Martin Cejka, 403-512-5730, mcej@longviewcomms.ca, Alan Baviss, 604-694-6035, abaviss@longviewcomms.ca. For a full discussion of the Company's material risk factors, see Trinidad's annual information form for the year ended December 31, 2017, the heading "RISK FACTORS" in the Circular 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)).

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