



# THIRD QUARTER 2018 REVIEW

November 9, 2018

# Forward Looking Information



This document contains certain forward-looking statements relating to Trinidad's plans, strategies, objectives, expectations and intentions. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends", "confident", "might" and similar expressions are intended to identify forward-looking information or statements. Various assumptions were used in drawing the conclusions or making the projections contained in the forward-looking statements throughout this document. The forward-looking information and 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 risks and uncertainties, which could cause actual results to differ materially from those anticipated and described in the forward-looking statements. In particular, but without limiting the foregoing, this document may contain forward-looking information and statements pertaining to:

- the assumption that Trinidad's customers will honour their long-term contracts, and Trinidad's ability to sign future long-term contracts;
- future liquidity levels;
- fluctuations in the demand for Trinidad's services;
- the ability for Trinidad to attract and retain qualified personnel, in particular field staff to crew the Company's rigs;
- Trinidad's ability to increase dayrates;
- the existence of competitors, technological changes and developments in the oilfield services industry;
- the existence of operating risks inherent in the oilfield services industry;
- assumptions respecting internal capital expenditure programs and expenditures by oil and gas exploration and production companies;
- assumptions regarding commodity prices, in particular oil and natural gas;
- assumptions respecting supply and demand for commodities, in particular oil and natural gas;
- assumptions regarding future expected cash flows and potential distributions from joint venture partners including Trinidad Drilling International (TDI);
- assumptions regarding foreign currency exchange rates and interest rates;
- assumptions around future G&A cost levels;
- assumptions regarding Trinidad's ability to get shareholder and regulatory approvals for the Precision Drilling Corporation (Precision) combination and around the timing of closing the transaction;
- assumptions regarding the future benefits and efficiency gains expected from the combination with Precision;
- the existence of regulatory and legislative uncertainties;
- the possibility of changes in tax laws; and general economic conditions including the capital and credit markets;
- assumptions made about our future banking covenants and liquidity; and
- assumptions made about future performance and operations of joint ventures and partnership arrangements.

Trinidad cautions that the foregoing list of assumptions, risks and uncertainties is not exhaustive. Additional information on these and other factors that could affect Trinidad's business, operations or financial results are described in reports filed with securities regulatory authorities, accessible through the SEDAR website ([www.sedar.com](http://www.sedar.com)) including but not limited to Trinidad's annual MD&A, financial statements, Annual Information Form and Management Information Circular. The forward-looking information and 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.

# Q3 2018 Financial Highlights



\$ millions except per share	Q3 2018	Q3 2017	% Chg*	Q2 2018	% Chg*
Revenue	<b>174.8</b>	129.8	34.7	129.6	34.9
Operating income <sup>1</sup>	<b>58.4</b>	37.1	57.4	41.2	41.7
Adjusted EBITDA <sup>1</sup>	<b>45.6</b>	27.5	65.8	33.0	38.2
Net (Loss) <sup>2</sup>	<b>(485.8)</b>	(44.4)	(994.1)	(11.9)	(3982.4)
Per share (basic/diluted) <sup>2</sup>	<b>(1.77)</b>	(0.16)	(1006.3)	(0.05)	(3440.0)

<sup>1</sup> See Non-GAAP Measures Definitions at the end of this document

<sup>2</sup> Net (loss) is net (loss) attributable to shareholders of Trinidad. Net (loss) per share is calculated as net (loss) attributable to shareholders of Trinidad divided by the weighted average number of common shares outstanding, both adjusted for dilutive factors.

\* % Change may differ due to rounding.

## Compared to Q3 2017

- Increased operating days and dayrates in US and Canadian drilling divisions drove higher operating income
- Adjusted EBITDA<sup>1</sup> increased – higher operating income and lower G&A expenses
- Net loss increased – impairment related to proposed combination with Precision Drilling and implied share price
- Funds flow increased due to increased activity and higher operating income, combined with lower interest paid
- Long-term debt decreased by \$15.6 mm in first nine months of 2018; mainly due to reduction in credit facility but offset by currency fluctuation on Senior Notes

<sup>1</sup> See Non-GAAP Measures Definitions at the end of this document

# US & International Operations – Q3 2018



\$ millions except percentage and operating data	Q3 2018	Q3 2017	% Chg <sup>*</sup>	Q2 2018	% Chg <sup>*</sup>
Operating Revenue	<b>\$102.9</b>	\$76.5	34.5	\$91.0	13.1
Operating income - net % <sup>1</sup>	<b>38.1</b>	29.1		33.6	
Dayrates (US\$) <sup>1</sup>	<b>20,309</b>	18,515	9.7	19,297	5.2
Operating Expense per day (US\$) <sup>1</sup>	<b>12,621</b>	13,098	(3.6)	12,825	(1.6)
Utilization <sup>2</sup>	<b>59%</b>	45%		58%	
Rig count	<b>66</b>	69	(4.3)	66	-

- Revenue increased – higher activity levels and dayrates
- Dayrates up from Q3-17 due to strengthening industry conditions and rigs re-contracting at higher rates; higher than Q2-18 due to strong market conditions
- Operating income - net % – up from Q3-17 due to higher dayrates and lower op costs; higher than Q2-18 due to lower transportation costs
- In Q1-18, two rigs moved to US from Canada; five low spec rigs moved to inventory

<sup>1</sup> See Non-GAAP Measures Definitions at the end of this document

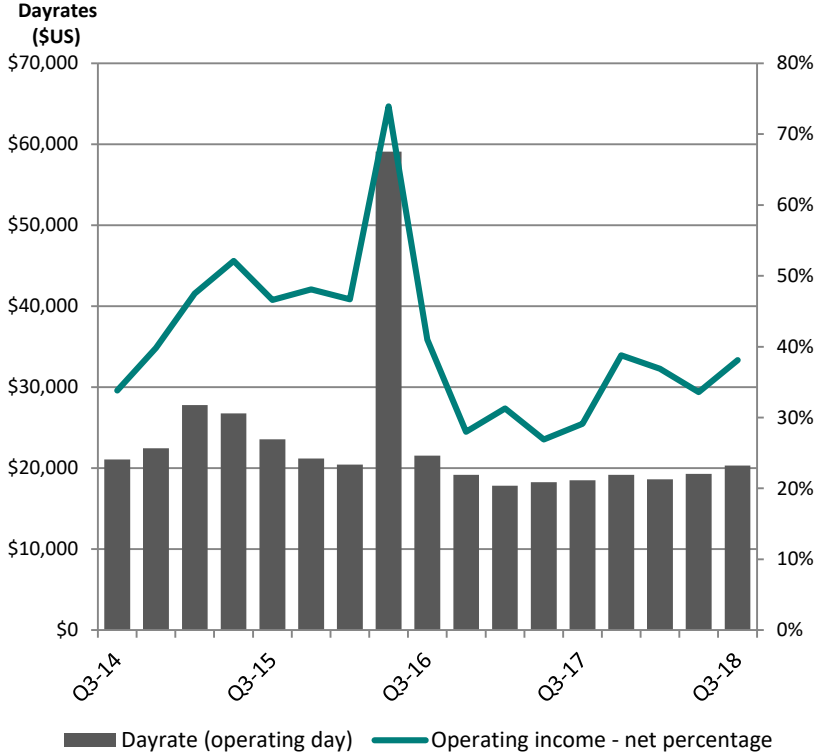
<sup>2</sup> Based on drilling days - see Non-GAAP Measures Definitions at the end of this document

\* % Change may differ due to rounding

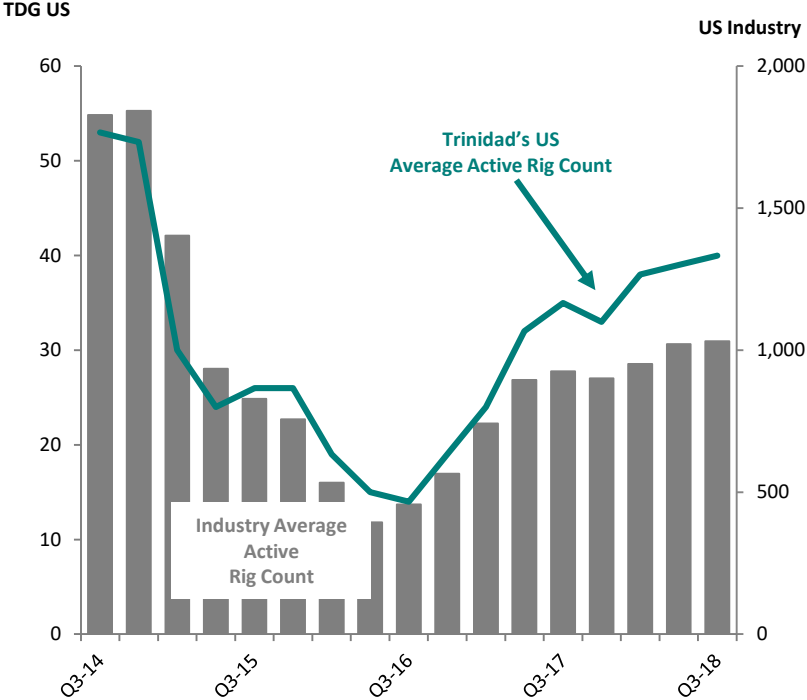
# US & International Operations – Q3 2018



**US RATE PER OPERATING DAY VS OPERATING INCOME – NET PERCENTAGE <sup>1</sup>**



**US AVERAGE ACTIVE RIG COUNT**



Source – Bloomberg US Baker Hughes Rig Counts, Company Reports

<sup>1</sup> See Non-GAAP Measures Definitions at the end of this document

# Canadian Operations – Q3 2018



\$ millions except percentage and operating data	Q3 2018	Q3 2017	% Chg <sup>*</sup>	Q2 2018	% Chg <sup>*</sup>
Operating Revenue	<b>53.5</b>	45.3	18.1	31.8	68.2
Operating income - net % <sup>1</sup>	<b>35.2</b>	32.4		31.8	
Dayrates (CDN\$) <sup>1</sup>	<b>20,464</b>	17,961	13.9	23,295	(12.2)
Operating Expense per day <sup>1</sup>	<b>13,280</b>	12,173	9.1	15,964	(16.8)
Utilization <sup>2</sup>	<b>40%</b>	37%		21%	
Rig count	<b>68</b>	70	(2.9)	68	-

- Revenue increased – higher activity from Q3-17; higher due to seasonality from Q2-18
- Dayrates – increased due to improved market conditions from Q3-17; lower than Q2-18 change in rig mix with more doubles working
- Operating income - net % increased from Q3-17 - higher dayrates rates, partly offset by higher maintenance costs and increased labor; up from Q2-18 – lower operating costs due to rig mix
- 68 rigs – two rigs moved to US operations in Q1-18

<sup>1</sup> See Non-GAAP Measures Definitions at the end of this document

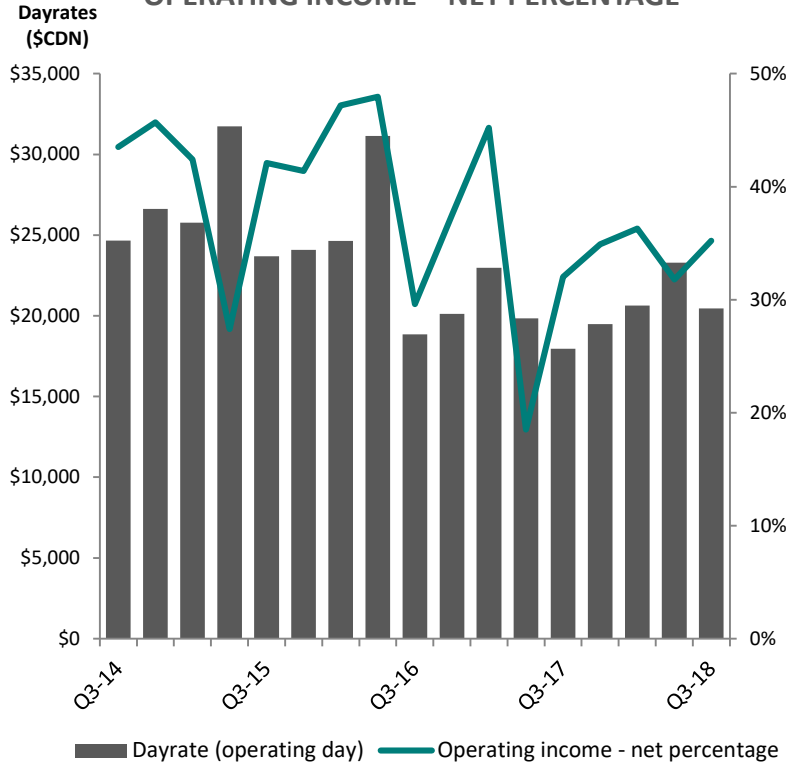
<sup>2</sup> Based on drilling days - see Non-GAAP Measures Definitions at the end of this document

\* % Change may differ due to rounding.

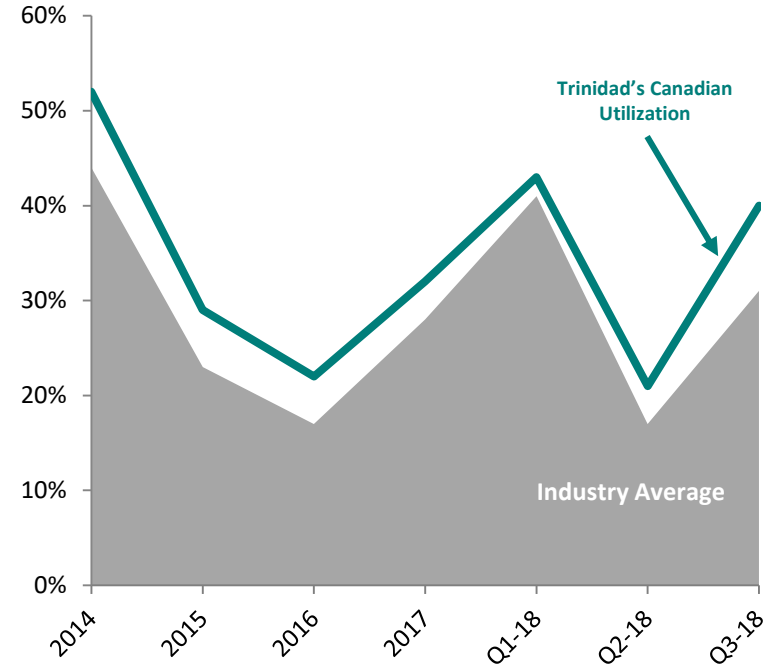
# Canadian Operations – Q3 2018



**CANADIAN RATE PER OPERATING DAY VS OPERATING INCOME – NET PERCENTAGE <sup>1</sup>**



**CANADIAN UTILIZATION <sup>2</sup>**



Source – Canadian Association of Oil Well Drilling Contractors

<sup>1</sup> See Non-GAAP Measures Definitions at the end of this document

<sup>2</sup> Based on drilling days - see Non-GAAP Measures Definitions at the end of this document



# Joint Venture Operations – Q3 2018



\$ millions except percentage and operating data	Q3 2018	Q3 2017	% Chg*	Q2 2018	% Chg*
Adj. EBITDA from investments in JV	<b>\$1.1</b>	\$3.3	(66.7)	\$0.4	175.0
Operating income - net % <sup>1</sup>	<b>24.8</b>	38.3		26.5	
Dayrates (US\$) <sup>1</sup>	<b>54,474</b>	50,595	7.7	51,701	5.4
Operating Expense per day (US\$) <sup>1</sup>	<b>38,544</b>	31,308	23.1	37,910	1.7
Utilization <sup>2</sup>	<b>65%</b>	43%		39%	
Rig count	<b>5</b>	8	(37.5)	6	(16.7)

- Adjusted EBITDA decreased from Q3-17 – lower activity levels and less ETS<sup>3</sup>; up from Q2-18
- Operating income - net % decreased from Q3-17 – lower early ETS<sup>3</sup> revenue; consistent with Q2-18 – slight decrease in operating revenue and operating income
- Two of the three Saudi rigs sold in Q2-18, and third sold in Q3-18

<sup>1</sup> See Non-GAAP Measures Definitions at the end of this document

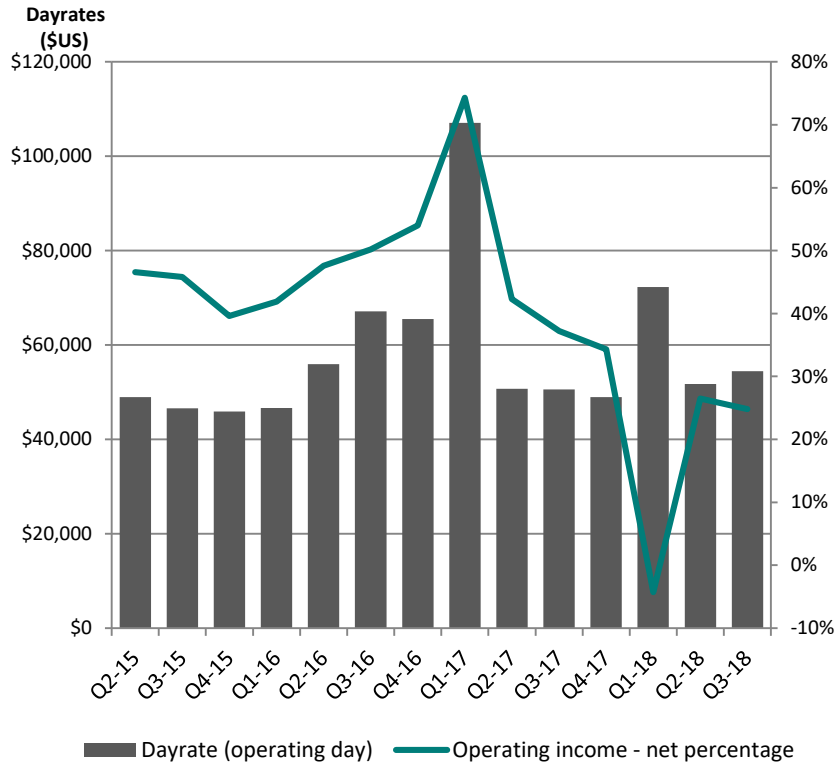
<sup>2</sup> Based on operating days - see Non-GAAP Measures Definitions at the end of this document

<sup>3</sup> ETS – Early termination and standby revenue

\* % Change may differ due to rounding.

# Joint Venture Operations – Q3 2018

TDI JV RATE PER OPERATING DAY VS OPERATING INCOME – NET PERCENTAGE <sup>1</sup>



<sup>1</sup> See Non-GAAP Measures Definitions at the end of this document

## Q3 2018 year-to-date capital expenditure of \$69.4 million

- Maintenance of \$20.6 million
- Upgrades and enhancements of \$33.4 million
- TDI JV capital spending of \$15.4 million

## 2018F capital spending of \$149.6 million, before proceeds

- Maintenance of \$51.0 million, growth of \$53.7 million
- TDI JV budget of \$44.9 million
- Net capital spend of \$86.1 million
  - Sale of assets gross proceeds of \$68.0 million

## Revolving credit facility

- Canadian credit facility drawn \$20.0 million
- US credit facility drawn US\$26.0 million (C\$33.6 million)

## US\$350 million Senior Notes due 2025 at 6.625%

## Debt covenants

- Senior Debt to Bank EBITDA<sup>1</sup> of 0.45x; max of 2.5x
- Bank EBITDA to Cash Interest<sup>1</sup> of 5.70x; min of 2.5x

<sup>1</sup> See Non-GAAP Measures Definitions at the end of this document

- Industry conditions remain strong in the US, demand good for high-spec rigs; dayrates firm in Canada but future visibility less clear
- Continue to roll out technology program, building customer awareness and conducting pilot projects, integrating with TDG fleet for performance optimization
- Kuwait project progressing well, rigs to start up in 2019
- Current activity<sup>1</sup>
  - US & Int'l – 42 rigs, Canada – 25 rigs working, TDI JV – 1 rig working, 1 on paid standby
- Contract base<sup>1</sup>
  - 39 rigs, 28% of fleet, under long-term contract, avg term remaining 1.2 years
  - Six rigs rolling off contract in 2018, 19 rigs rolling off in 2019

<sup>1</sup> At November 8, 2018

# Proposed Combination with Precision



- Progressing as expected, Circular filed November 7, 2018
- Shareholder meetings for Trinidad and Precision on December 11, 2018
- Early termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 was recently received from the U.S. Federal Trade Commission
- Expect the transaction to close before the end of 2018, pending the receipt of the remaining regulatory approvals
- Significant volatility in market results reduced implied TDG share price, Trinidad believes the full financial and strategic value proposition for shareholders remains strong

# Performance Metrics and Targets



As part of the Company's commitment to improved performance and financial discipline, it has set targets for several key metrics.

(\$ millions except percentage and multiples)	2017 Actuals	Q3 2018 YTD Actuals	2019 Target	2021 Target
G&A % of Revenue <sup>(1) (4)</sup>	11.6%	<b>7.1%</b>	7 - 8%	7 - 8%
Adjusted EBITDA margin percentage <sup>(1) (4)</sup>	25.8%	<b>25.0%</b>	>28%	>30%
Net Debt to Adjusted EBITDA <sup>(1)</sup>	3.9	<b>3.2</b>	<2.5	~1.5
ROCE <sup>(1) (2) (3)</sup>	7.9%	<b>9.9%</b>	>8.0%	>10.0%

Target free cash flow committed to debt repayment or share buyback	<i>Min of 15%</i>	<i>Min of 20%</i>	<i>Min of 20%</i>
Free cash flow <sup>(1)</sup>	<b>\$88.4</b>		
Target amount of free cash flow	<b>\$13.3</b>		
Decrease in credit facility	<b>\$31.0</b>		

1 See Non-GAAP Measures Definitions section of this this document for further details.

2 ROCE for 2017, 2019 Target and 2021 Target is calculated based on a three-year average.

3 ROCE for Q3 2018 YTD Actuals is calculated as a one-year average, trailing twelve months.

4 Adjusted EBITDA margin percentage and G&A % of Revenue is calculated by normalizing for strategic review and restructuring costs of \$4.7 million and the leasehold incentive liability adjustment of \$2.8 million.

# Q3 2018 Financial Highlights



(\$ thousands except share and per share data)	Three months ended September 30,			Nine months ended September 30,		
	2018	2017	% Change	2018	2017	% Change
Revenue	<b>174,792</b>	129,810	34.7	<b>457,617</b>	363,713	25.8
Revenue, net of third party costs <sup>(1)</sup>	<b>156,622</b>	121,887	28.5	<b>420,084</b>	341,663	23.0
Operating income <sup>(1)</sup>	<b>58,378</b>	37,061	57.5	<b>151,121</b>	109,425	38.1
Operating income - net percentage <sup>(1)</sup>	<b>37.1%</b>	30.4%	22.0	<b>35.8%</b>	31.9%	12.2
Adjusted EBITDA <sup>(1)</sup>	<b>45,590</b>	27,458	66.0	<b>116,427</b>	93,370	24.7
Per share (diluted) <sup>(2)</sup>	<b>0.17</b>	0.10	70.0	<b>0.43</b>	0.35	22.9
Funds flow <sup>(1)</sup>	<b>35,400</b>	7,956	344.9	<b>88,313</b>	18,710	372.0
Per share (basic / diluted) <sup>(2)</sup>	<b>0.13</b>	0.03	333.3	<b>0.32</b>	0.07	357.1
Net (loss) <sup>(3)</sup>	<b>(485,754)</b>	(44,408)	(993.8)	<b>(520,098)</b>	(61,927)	(739.9)
Per share (diluted) <sup>(2)(3)</sup>	<b>(1.77)</b>	(0.16)	(1,006.3)	<b>(1.90)</b>	(0.23)	(726.1)
Capital expenditures	<b>30,831</b>	52,570	(41.4)	<b>53,987</b>	111,128	(51.4)
Shares outstanding - diluted (weighted average) <sup>(2)</sup>	<b>273,462,160</b>	271,005,687	0.9	<b>273,485,309</b>	263,847,819	3.7
<b>As at</b>				<b>September 30,</b>	December 31,	
(\$ thousands)				<b>2018</b>	2017	% Change
Total assets				<b>1,368,958</b>	1,902,546	(28.0)
Total long-term liabilities				<b>508,654</b>	533,046	(4.6)

1 Readers are cautioned that Revenue, net of third party costs, Operating income, Operating income - net percentage, Adjusted EBITDA, Funds flow, and the related per share information do not have standardized meanings prescribed by IFRS – see Non-GAAP Measures Definitions and Additional GAAP Measures Definitions at the end of this document.

2 Basic shares include the weighted average number of shares outstanding over the period. Diluted shares include the weighted average number of shares outstanding over the period and the dilutive impact, if any, of the number of shares issuable pursuant to the Incentive Option Plan.

3 Net (loss) is net (loss) attributable to shareholders of Trinidad. Net (loss) per share is calculated as net (loss) attributable to shareholders of Trinidad divided by the weighted average number of common shares outstanding, both adjusted for dilutive factors.



# Non-GAAP Measures Definitions



This document contains references to certain financial measures and associated per share data that do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. These financial measures are computed on a consistent basis for each reporting period and include: adjusted EBITDA, adjusted EBITDA from investments in joint ventures, Senior Debt to Bank EBITDA, Bank EBITDA to Cash Interest Expense, operating days, drilling days, utilization rate – drilling days, utilization rate - operating day, revenue - rate per operating day or dayrate, operating expense - rate per operating day or operating expense per day, Adjusted EBITDA margin percentage, Free Cash Flow, G&A as a % of revenue, Net Debt to Adjusted EBITDA, and Return on Capital Employed or ROCE. These non-GAAP measures are identified and defined as follows:

“Adjusted EBITDA” is used by management and investors to analyze the Company's profitability based on the Company's principal business activities prior to how these activities are financed, how assets are depreciated and amortized and how the results are taxed in various jurisdictions. Additionally, in order to focus on the core business alone, amounts are removed related to foreign exchange, share-based payment expense, impairment expenses, the sale of assets, and fair value adjustments on financial assets and liabilities, as the Company does not deem these to relate to the core drilling business. Adjusted EBITDA also takes into account the Company's portion of the principal activities of the joint venture arrangements by removing the loss (gain) from investments in joint ventures and including adjusted EBITDA from investments in joint ventures. Adjusted EBITDA is not intended to represent net (loss) as calculated in accordance with IFRS. Adjusted EBITDA is calculated using 100% of the related amounts from all entities controlled by Trinidad where Trinidad may not hold 100% of the outstanding shares.

“Adjusted EBITDA from investments in joint ventures” is used by management and investors to analyze the results generated by the Company's joint venture operations prior to how these activities are financed, how assets are depreciated and amortized and how the results are taxed in various jurisdictions. Additionally, in order to focus on the core drilling business, amounts related to foreign exchange, dividend expense, dividend re-class, impairment adjustments to property and equipment, as well as preferred share valuation and the sale of assets are removed. Lastly, amounts recorded for the revaluation on the investment of the TDI joint venture are removed as these are non-cash items and unrelated to the operations of the business. Adjusted EBITDA from investments in joint ventures is not intended to represent net (loss) as calculated in accordance with IFRS.

“Adjusted EBITDA margin percentage” is used by management and investors to analyze the Company's profitability relative to its revenue generation. Adjusted EBITDA margin percentage is calculated as adjusted EBITDA divided by revenue. Adjusted EBITDA is normalized for the purposes of this calculation to exclude one-time items that are not related to operational performance.

“Senior Debt to Bank EBITDA” is defined as the consolidated balance of the revolving facility and other debt secured by a lien at quarter end to consolidated Bank EBITDA for the trailing 12 months (TTM). Bank EBITDA used in this financial ratio is calculated as net earnings before interest, taxes, depreciation and amortization, plus impairment expense, loss (gain) on sale of assets, loss (gain) from investments in joint ventures, share-based payment expense, fair value adjustments on financial assets and liabilities and unrealized foreign exchange. Bank EBITDA also includes all distributions received from the Company's joint ventures during the period.

# Non-GAAP Measures Definitions Cont'd



"Bank EBITDA to Cash Interest Expense" is defined as the consolidated Bank EBITDA for TTM to the cash interest expense on all debt balances for TTM. Bank EBITDA used in this financial ratio is calculated as net earnings before interest, taxes, depreciation and amortization, plus impairment expense, loss (gain) on sale of assets, loss (gain) from investments in joint ventures, share-based payment expense, fair value adjustments on financial assets and liabilities and unrealized foreign exchange. Bank EBITDA also includes all distributions received from the Company's joint ventures during the period.

"Drilling days" is defined as rig days between spud to rig release.

"Free Cash Flow" is used by management and investors to measure the Company's financial performance and its ability to generate excess cash from its business operations. Free cash flow is calculated as adjusted EBITDA less finance and transaction costs and current income taxes.

"Operating days" is defined as moving days (move in, rig up and tear out) plus drilling days (spud to rig release).

"G&A as a % of revenue" is used by management and investors to measure the level of the Company's general and administrative costs (G&A) relative to the revenue generated. G&A as a % of revenue is calculated as G&A costs, before share-based payment costs and third-party recoverable costs, divided by revenue. G&A is normalized for the purposes of this calculation to exclude one-time items that are not related to operational performance.

"Net Debt to Adjusted EBITDA" is used by management and investors to analyze the level of indebtedness of the company by measuring the amount of long-term debt net of cash or cash equivalents relative to the amount of adjusted EBITDA generated. Net debt to adjusted EBITDA is calculated as long-term debt plus current portion of long-term debt less cash or cash equivalents divided by adjusted EBITDA for the trailing twelve months.

"Operating expense - rate per operating day" or "Operating Expense per day" is defined as operating expense (net of third party costs) divided by operating days (drilling days plus moving days).

"Return on Capital Employed" or "ROCE" is used by management and investors to measure how efficiently the Company uses capital to generate profit. ROCE is calculated as adjusted EBITDA for the trailing 12 months divided by the average of total assets less current liabilities for the beginning and ending periods.

"Revenue - rate per operating day" or "Dayrate" is defined as operating revenue (net of third party costs) divided by operating days (drilling days plus moving days).

"Utilization rate - drilling day" is defined as drilling days divided by total available rig days.

"Utilization rate - operating day" is defined as operating days divided by total available rig days.

Please see the Non-GAAP Measures Definitions in our most recent MD&A for calculations referenced in this document.

# Additional GAAP Measures Definitions



To assess performance, the Company uses certain additional GAAP financial measures within the financial statements and this document that are not defined terms under IFRS. Management believes that these measures provide useful supplemental information to investors, and provide the reader a more accurate reflection of our industry. These financial measures are computed on a consistent basis for each reporting period and include Operating revenue or Revenue, net of third party costs, Funds flow, Operating income, and Operating income - net percentage. These additional GAAP measures are identified and defined as follows:

"Operating revenue" or "Revenue, net of third party costs" is defined as revenue earned for drilling activities excluding all third party revenues. Third party revenues mainly consist of rental activities and other services provided by third parties for which Trinidad does not earn a mark-up on. This metric is used by analysts and investors to assess the operations of each segment based on the core drilling business alone and more accurately reflects the health of those operations. The operating revenue for each reportable segment is disclosed in the segmented information included in the consolidated financial statements.

"Funds flow" is used by management and investors to analyze the funds generated by Trinidad's principal business activities prior to consideration of working capital, which is primarily made up of highly liquid balances. This balance is reported in the consolidated statements of cash flows included in the cash flows from operating activities section.

"Operating income" is used by management and investors to analyze overall and segmented operating performance. Operating income is not intended to represent an alternative to net (loss) or other measures of financial performance calculated in accordance with IFRS. Operating income is calculated from the consolidated statements of operations and comprehensive (loss) and from the segmented information contained in the notes to the consolidated financial statements. Operating income is defined as revenue less operating expenses.

"Operating income - net percentage" is used by management and investors to analyze overall and segmented operating performance excluding third party recovery and third party costs, as well as inter-segment revenue and inter-segment operating costs, as these revenue and expenses do not have an effect on consolidated net (loss). Operating income - net percentage is calculated from the consolidated statements of operations and comprehensive (loss) and from the segmented information in the notes to the consolidated financial statements. Operating income - net percentage is defined as operating income less third party G&A expenses divided by revenue net of operating and G&A third party costs.



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